

Before making a substantial investment in the development of a product, you need to ask yourself yet another question: are there enough customers willing to buy my product at a price that will allow me to make a profit? You can get these answers from the following sources:

People in Similar Businesses



Though some businesspeople are reluctant to share proprietary information, such as sales volume, others are willing to help out individuals starting new businesses or launching new products. Talking to people in your prospective industry (or one that's similar) can be especially helpful if your proposed product is a service. Say, for example, that you plan to open a pizza parlor with a soap opera theme: customers will be able to eat pizza while watching reruns of their favorite soap operas on personal TV/DVD sets. If you visited a few local restaurants and asked owners how many customers they served every day, you'd probably learn enough to estimate the number of pizzas that you'd serve during your first year. If the owners weren't cooperative, you could just hang out and make an informal count of the customers.

Potential Customers



You can also learn a lot by talking with potential customers. Ask them how often they buy products similar to the one you want to launch. Where do they buy them and in what quantity? What factors affect demand for them? If you were contemplating a frozen yogurt store in Michigan, it wouldn't hurt to ask customers coming out of a bakery whether they'd buy frozen yogurt in the winter.

Published Industry Data



To get some idea of the total market for products like the one you want to launch, you might begin by examining pertinent industry research. For example, to estimate demand for jogging shoes among consumers sixty-five and older, you could look at data published on the industry association's Web site, National Sporting Goods Association, <http://www.nsga.org/i4a/pages/index.cfm?pageid=1>.

Granted, this is just an estimate. But at least it's an educated guess rather than a wild one. You'll still want to talk with people in the industry, as well as potential customers, to hear their views on the demand for your product. Only then would you use your sales estimate to make financial projections and decide whether your proposed business is financially feasible.