



Finding Your Pushcart

by

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Start small. Most businesses start small out of necessity. The entrepreneur doesn't have the personal finances or the backers to start big. Of course, the entrepreneur would like to start big. Many entrepreneurs think they need the scale of a large business to succeed. But starting big has many serious drawbacks. One of the most significant is that starting big lacks flexibility. Flexibility is always vital in business but it is of particular importance when getting a new business off the ground. Everything at that point is untested. No matter how much research you've done, no matter how sure you are of your concept, until customers reach into their pockets to pay for your product or service, every aspect of your business is still a question mark. Starting small allows you to make changes quickly and at low cost.

Here's a great example. After Scott Painter first got the idea for selling cars on-line, he wanted to test if people really would buy automobiles via the Internet. After all, selling books and CDs is one thing, but \$30,000 cars, is a whole other story.

There are many ways Scott could have "tested" his idea. However, he sensed that he should use a low cost, very flexible, information rich business model. Here's what he did. He created a prototype Web site and provided a means for customers to communicate their interest. However, it's what was going on behind the scene that is of interest to us. And it's not what you might think. Instead of an expensive, sophisticated database program providing his customers with the information they wanted, Scott and his team simply consulted Kelley's Bluebook and then got on the phone with dealers and tried to find the cars their customers wanted at the best price. When they found the right car, they emailed the information back to the customer. After a short time, Scott shut down the prototype site, having learned what he needed to know. People would buy cars on-line.

When we heard Scott's story, we were reminded of a very similar experience Michael, a friend of ours, had several years earlier. Back then; Michael was involved in an "information provider" startup business that helped customers identify the best software program to use for their particular business application. For example, a lawyer might want to know what software package would help her run her law practice. However, since Michael wasn't really sure whether people would pay to get that type of information, he didn't want to spend a lot of time and money developing the automated call center he eventually would need. Instead, he decided when customers called in they would speak to a person. As with Scott Painter, it was the quickest, simplest, least expensive way to test whether customers really had that need. Although Michael knew it was not a practical long term solution, he felt one or two software gurus could handle the initial bunch of calls.

To see how many calls came in, what type of people were calling, what categories of information they were seeking, etc., Michael ran some ads in the Wall Street Journal and waited to see what would happen. The first day the ad ran he had about 30 responses by

noon. BUT based on just those responses the decision was made to kill the other ads and completely change the business model. He felt the response to the ad was not strong enough to start that type of business.

So, what's the point of these two stories? It's really pretty simple. When you begin a business or when you have an established business that's launching a new product or service, what we always say is "find your pushcart." Find the lowest cost, most flexible way to go to your market, and begin selling to your customers. Use a business model that is easy to start, requires little or no inventory and offers a good representation of your intended product or service. What you are really trying to do is to simply get better information upon which to make better assumptions about your customers real set of needs and wants and then how best to configure your business (i.e., your business model and its core processes) so that you can satisfy your customers better than anyone else in the world.

And, as the stories point out, it doesn't matter what type of business you're starting; your approach to building a profitable business is exactly the same. The challenge facing all entrepreneurs is not just starting a business but putting in place a flexible business building process. A process that enables you to quickly try, quickly learn and quickly change. One idea may work; another may not. The key is finding out fast and finding out cheap, so that the next day you'll still be in business.

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