

START & RUN A GIFT BASKET BUSINESS

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Chapter 1

GETTING STARTED



a. Self-Assessment

What is it that makes one person succeed while another fails? While there is no stereotype of a successful businessperson, certain common characteristics can be found in those who succeed. For example, they are invariably hard-working, determined, resourceful, and capable of honest self-appraisal.

Starting your own business is risky, and you need to be clear on whether it is the best choice for you. You may already create gift baskets as a fun hobby, but turning your skill into a business is a very different venture. Examining both your strengths and your weaknesses gives you the chance to remedy the factors that may impede your success. If you don't manage time well, don't like to work alone, and dislike making decisions, starting your own business may not be for you unless you are willing to work on your shortcomings. You don't have to be perfect, but you do need to recognize and acknowledge your abilities and weaknesses before investing time and money in your gift basket venture.

To aid you in your self-analysis, Worksheet 1 is provided here for your use. It outlines some characteristics for success and asks you to evaluate yourself against them. Answer the questions honestly to determine how many success characteristics you already have.

This test will not definitively tell you what you should do, but it can help you engage in honest self-appraisal. A passion to succeed, an eagerness to learn, and an acceptance of responsibility can overcome any weaknesses.

No quiz, test, or questionnaire can definitively dictate to you what you should or should not do. Their value lies in helping you think by

engaging you in honest appraisal. You are capable of capitalizing on your strengths and compensating for your weaknesses as long as you know what they are and if your passion to succeed is powerful enough.

Once you have determined that starting a gift basket business is the right venture for you, take some time to test your creative ability to make baskets. Purchase the materials to make two sample baskets, such as unique containers, basket stuffing, ribbon, cellophane, gourmet products, or other small gift items that reflect the look and theme that you have in mind. Experiment with making the baskets until you have a feel for what makes a visually and aesthetically pleasing package. Use these samples when doing your market research by showing them to family, friends, and, most important, to members of your focus group (see section **d.** later in this chapter).

b. Determining Your Market

The next step is to determine who your potential customers are — and if you have any. Do you know there are enough customers out there waiting to buy your gift baskets? Before you risk time and money and disrupt your life, you need to determine your market.

Many start-up operations are based solely on instinct and optimism. The enthusiastic new business owner may have only a vague idea about who the customers are or, indeed, if there will be any customers at all. Flying on blind faith, they rely on just plain old luck to see them through, and sometimes, it does just that. While every business needs a little luck now and again, banking on it is hazardous to the long-term health of your enterprise.

The benefit to the business you are considering is that gift baskets are not limited to the individual shopper. The corporate sector is rapidly becoming a major purchaser, and that means your potential market is very large. Gift baskets can be personal, professional, and designed to fit all occasions, tastes, and budgets. They are suitable for friends, family, co-workers, and clients. Often you will find that your corporate clients will also become your personal customers, and vice versa. If your initial sale is a success, you will have a loyal and long-term customer.

My own experience shows that repeat customers make up approximately 60% to 90% of my company sales. Think in terms of how much your average customer will be worth to you over the next several

WORKSHEET 1 SELF-ASSESSMENT TEST

Check the appropriate column for each of the following statements.
(N = never; M = most of the time; A = Always)

	N	M	A
1. I am a self-starter.	_____	_____	_____
2. I am normally positive and optimistic.	_____	_____	_____
3. I easily accept personal responsibility.	_____	_____	_____
4. I have no problem working alone.	_____	_____	_____
5. I am competitive.	_____	_____	_____
6. I commit strongly.	_____	_____	_____
7. I am flexible.	_____	_____	_____
8. I am self-confident.	_____	_____	_____
9. I relate well to other people.	_____	_____	_____
10. I am a goal setter.	_____	_____	_____
11. I am a creative problem solver.	_____	_____	_____
12. I like to plan.	_____	_____	_____
13. I am a decision maker.	_____	_____	_____
14. I enjoy working hard.	_____	_____	_____
15. I can tolerate risk.	_____	_____	_____
16. I seldom procrastinate.	_____	_____	_____
17. I am innovative.	_____	_____	_____
18. I handle stress well.	_____	_____	_____
19. I am independent by nature.	_____	_____	_____
20. I am a logical thinker.	_____	_____	_____
21. I am persistent.	_____	_____	_____
22. I communicate well with others.	_____	_____	_____
23. I manage my time well.	_____	_____	_____
24. I have plenty of common sense.	_____	_____	_____
25. I have the ability to think objectively.	_____	_____	_____
26. I am in good health.	_____	_____	_____
27. I like to learn new things.	_____	_____	_____
28. I am realistic.	_____	_____	_____
29. I can take criticism.	_____	_____	_____
30. I am ambitious.	_____	_____	_____

Now determine your score. Should you start your own business? Count your **Always** and **Most of the time** answers as positive. If you scored

- 30 out of 30 You should be running General Motors.
- 26 - 29 You've got what it takes.
- 21 - 25 You'll do just fine.
- 16 - 20 Be sure you answered yes to number 14 and 27.
- 15 Questionable.
- Under 15 Unlikely, but nothing is impossible.

years. It pays to cultivate customers into lifelong friends of your business, not only for the sales they will bring to your company, but by their word-of-mouth referral of new customers.

Make sure your gift baskets are easy to purchase. Most people are too busy to find the perfect gift. Once they have determined that you are a reliable company with high-quality product and service, they will use you as a personal shopping service. Your customers can describe their ideas, price range, and the interests and lifestyle of the recipient, and have the perfect gift sent without ever having to leave their homes or offices.

Study the buying habits of the consumers in your area when targeting your market. The key to your success is knowing what your potential customer wants and making sure you can provide the product. This will enable you to develop a loyal clientele who will then promote your services through word-of-mouth recommendations, which is the most cost-effective way to build your customer base.

c. Market Research

Market research will provide you with the relevant data to help solve or avoid marketing problems. Conducting thorough market research is the foundation of any successful business. The most prevalent and practical research method for a gift basket company is the focus group or survey. (See section **d.** later in this chapter.)

First you must research your competition. Any gift basket company that is doing serious business will be advertised in the Yellow Pages. Phone each company and keep notes on how the phone was answered and how your request for information was handled. Ask to have all printed brochures and price lists mailed to you. Choose the two or three companies that seem to be your biggest competition and order a gift basket from each one. Observe the quality and service that they are able to provide; this process will give you a good indication of what you are up against. Keep notes on all aspects of the transaction and use this information to formalize your own sales and marketing strategy.

Competition is not a deterrent to going into business. It is wise to know who your competitors are and where they are located so that you are on equal footing. Knowing your competition allows you to learn from them. What do they do right? What do they do wrong? How will you be better?

Market research helps confirm market size, minimize financial risk, save time, and point out where and how to sell your product or service. Researching your market can also uncover market segments that you may not have originally considered.

Not taking the time to do some basic market research can permanently forestall success. Obtain accurate demographics (population statistics categorized by age, income, sex, education, family size, etc.) as a credible base for your business plan.

Your market is that segment of the population that potentially may buy your product or service. Finding out who they are and where they are is what market research is all about. Market research is simply the process of collecting and analyzing information. The information gives you the basis for decision making. It will help you pinpoint advertising, develop a marketing plan, and sell your product.

Market research seeks out two distinct types of data:

- (a) primary data collected for the first time by personal visits, telephone calls, or questionnaires, and
- (b) secondary data from previously published material, such as government statistics and industry reports.

The steps in basic market research are discussed here.

1. Set a time frame for completion

Decide how much time you intend to devote to market research and stick to that time limit. Think in terms of normal working days and eliminate weekends. Do not get so caught up in doing research that it takes precedence over getting the business started.

2. Define both your primary and secondary needs

What do you need to know? By properly defining your needs, you can save valuable time and avoid having to cope with too much information. In order to give your business a realistic chance of success, and to have the information necessary to write a comprehensive business plan, you must define what primary and secondary data is relevant for your proposed business.

Primary data includes the number of potential markets, size of markets, size of total market, market trends, customers and target

market, competitive companies, and market share. Secondary data includes demographics, industry outlook, growth potential, economic trends, population shifts, consumer trends, and relevant economic indicators.

For example, if your proposed business is located in an area with a cruise ship industry, you could use that as one of your potential markets and gather all relevant data. The potential market would be cruise ship bon voyage gifts. The size of the market is the number of cruise ships and passengers leaving the port yearly. Market trends would be a shift in average age of cruise passengers, more families cruising, etc. Customers and a target market would be travel agents who purchase gifts for their clients. Competitive companies are the number of other companies in your area that offer delivery of bon voyage gifts to cruise ships. The market share is the percentage of the cruise gift business you realistically think you could attain.

3. Allocate resources

Your resources are personnel and funds. If you are starting a business with a partner or if a family member is available, delegate tasks and responsibilities and try not to step on each other's toes. One person could make phone calls while the other goes to the library. The cash required should be minimal, but undoubtedly some will be needed. Government reports and publications may be necessary and many of them are not free.

4. Gather the data

Identify and contact the most appropriate sources for the information you need. Organize and file your research results as they accumulate. Don't keep unnecessary data, and do keep an eye on your projected completion date.

5. Analyze the information

Study the collected information as objectively as possible. Weigh your findings against your original idea. Does the data suggest a slight deviation from that plan? Does it affirm or negate your business premise? Cull from the data what is most pertinent to your planned product or service; date it and file it for future reference.

d. Gathering Primary Data

The most effective way to gather your primary data is to arrange personal meetings or a focus group with people who are potential sources of information. A representative from your local Chamber of Commerce, the head of a trade association, an executive from a hotel, the owner of a travel agency, and a corporate executive are a few examples. More than any other information-gathering activity, face-to-face meetings often lead to other important sources for data and will often establish business contacts that could be important to you in the future.

Always telephone well in advance to schedule the meeting. Know the name and proper title of the person you want to see and use it during your conversation. Introduce yourself and briefly indicate what you would like to talk to him or her about.

Prepare yourself for the meeting by reviewing the information you are looking for. Don't waste time or talk about your plans in too much detail. Write down information as the meeting progresses. Refer to your notes and ask questions to be certain that you get the information you came for.

Bring at least two samples of your gift baskets to show the quality, style, and various price points of your work. Make sure your questions are relevant to the person you are interviewing. Following are some questions for conducting a personal interview with a hotel sales and marketing executive:

- (a) Do they now purchase gift baskets for their clients?
- (b) How often do they purchase gift baskets?
- (c) What type of gift baskets do they purchase?
- (d) Are they happy with the quality of the baskets they purchase?
- (e) What is the average price of gift baskets purchased?
- (f) Do clients in the hotel ask them for referrals of gift basket companies?
- (g) Do they have environmental concerns about gift baskets? (i.e., packaging materials or containers left behind for the hotel to dispose of)
- (h) What type of products or packaging would appeal to them?

- (i) What are their feelings about your gift baskets?

The more questions you ask, the better understanding you will have of your potential customers and exactly what they are looking for. After the meeting, review what you have learned, rewrite your notes, and file them.

e. Gathering Secondary Data

Identify and contact the most appropriate sources for the information you need. There are many sources of market information. They can begin with a telephone book and end with national computer data banks. Following is a partial list:

- (a) The library: This should be your first stop when gathering any business information. Librarians are invaluable resources. Look through business and trade publications for trends and sales information. Often you can find market studies on file that can directly fit your needs. You can also locate census information and trade reports.
- (b) The Yellow Pages: Your local telephone book can be a major resource. Study the classifications that list your competitors under the headings Gifts, Gift Baskets, Promotional Items, and Gift Packaging. How many competitors are there and do they use display advertising?
- (c) Chamber of Commerce: This is an excellent source for all business information. If they cannot help you, they will direct you to someone who can.
- (d) College or university business departments: Many of these departments offer extensive research help to the new businessperson. Occasionally they will take on the complete market research function for a company and use it as a teaching tool for advanced students.
- (e) Government (particularly departments for small business development): In Canada, these departments are the responsibility of each province. The department that handles small business development can provide information on start-up help as well as federal programs that may be helpful. The Business Development Bank of Canada (BDC) conducts seminars on business topics which are very informative to anyone new to business. It also has books and pamphlets. There

is a charge for most of these publications. If you do not have a BDC office near you, write to the nearest regional office.

In the United States, the Small Business Administration (SBA) offers publications covering topics such as budgeting, market research, legal structures, marketing, and financing. Call your local office and ask a counselor what is available.

- (f) CompuServe Information Service: If you need demographics, this online computer service has it all. If you do not use a computer with a modem, you can use a computer search firm, but keep in mind that these services are not cheap.

f. Your Course of Action

At this point, you will have accumulated a lot of information, both first- and secondhand. What does that information tell you about your new business? Is the data leading you to think creatively about your new venture? If you are able to answer yes to the following ten questions, you are ready to follow a course of action leading to a successful new venture:

- (a) Is there a market for your idea?
- (b) Can you define who your potential customers are?
- (c) Do you know who your competitors are?
- (d) Can you see any advantage that your product will have over the competition?
- (e) Do you know your competitors' prices?
- (f) Do you know where your customers are?
- (g) Are there enough customers to sustain your business?
- (h) Do you know how to sell and market your product?
- (i) Can you afford the costs of opening the business?
- (j) Can you price your product competitively and still make a profit?

Once you can answer yes to all ten questions, the next step is to research a location for your new business and an operation site within that location.