Lesson 1: Identifying Assumptions & Ideas

Where do great ideas come from? What are the core assumptions that underpin our businesses? How do we dream up those killer ideas that will really make a difference to our customers and to our bottom line?

If Build-Measure-Learn is our method for answering the important questions about our businesses, identifying assumptions and ideation is our way of knowing what those questions should be in the first place. Before we even begin to 'build' our trials, the first step in improving our businesses is stepping away from the counter and taking the time to identify the current drivers of our success (assumptions) and the things we believe could drive this success forward in the future (ideas).

When truly 'running lean', a tech startup business is broken out into hundreds of assumptions and new ideas, each treated as an hypothesis that must be tested and proved as progress is made towards that 'revolutionary product' in sure steps. Teams are tasked with treating each and everything they do as a trial, until the data tells them it should be permanent.

In retail it might seem that new ideas are intrinsically less important; that it's more about execution than innovation. After all, people have been selling retail for thousands of years - how much can there really be left to innovate? The answer is, of course - a great deal. Merchants are constantly confronted, from the day we first contemplate opening a store to the day we close our doors, with the challenge of ideation - of knowing the unknown. What's the best way to increase ice cream sales? Is this the best layout for a wine store? How can I attract more female customers? Should I expand into menswear or kid's clothing? Would a yoga-apparel store work in this neighborhood?

The 'idea' is every bit as important in retail as it is in technology and we have to start thinking about our retail businesses in these terms.

So, where do these great ideas come from?

1. Your Business Data

Your numbers are your new best friends. If sales are flagging in the morning, try and understand why. If you always seem to have great sales on Tuesday nights, try and find out where the rush is coming from. Analyzing and interpreting your numbers can inspire you to see things about your business that you may not have noticed otherwise.

2. Customer Research

Ask your customers what they like and what they don't like about your store. What's their favorite thing to buy from you? Why? What wouldn't they buy from you? Why not? Thoroughly look through your Yelp and/or Google+ Reviews. (If you aren't up and running yet, look through the reviews of similar businesses).

3. Competitor Reviews

Coca Cola spends millions every year tracking every move Pepsi makes. Even for those on the cutting edge of retail, the chances are high there is someone doing something pretty similar to you. There is a lot to be learned from taking a close look at your nearest competitors - both what they are doing well and what they are getting wrong.

Note: One of the great things about local business is that you can find people who are doing what you're doing in a different location and use them as a source of knowledgeable advice. If you're opening a wine store, find the wine merchant two towns over and take them for a coffee - you'll be amazed how open most people are and how willing they are to help (and often for less than the price of a cup of coffee).

4. Insider Knowledge

Asking your customers can really only get you so far. They frankly don't spend all day, every day thinking about ways of making your business more profitable. You are your own best resource. It is really important that you spend time developing your industry expertise - take courses and read widely about business in general. The Small Business Association is a great place to find learning opportunities.

5. Openness

Perhaps the most important thing is that you are always open and on the look-out for new ways to make that incremental improvement that will drive your business forward.

A lot of retail businesses suffer from a kind of inertia, simply because experienced owners have found 'their' way of doing things and are closed-off to new ideas. Always keep yourself open to change and embrace those hundreds of half-formed ideas. I guarantee business will be better and more fun if you do.

Homework

Some time in the next few days, step away from the counter, find a quiet corner and fill our the following two tables with lists of your current business assumptions and new ideas.

Assumptions: What makes your business work today? What brings customers through your door? What drives sales? How are you currently optimizing inventory?

Fill in your answers on a table like this:

Marketing	Operations	Finance	Technology
I attract customers through Facebook	I'm getting the best possible supple rates on my fresh produce	I'm running an efficient payroll	My online employee scheduling tool is saving me time

Ideas: What can you change to make your business better? How can you bring people through the door at weekends? How can you push sales of high-margin items? Should you be stocking different products or even a completely different product line?

Marketing	Operations	Finance	Technology
I can attract more customers by hosting community events	I can increase sales through staff training	I can save money by tracking cost of goods percentages every month	I can reduce inventory leakage by installing a new security system

Lesson 1: Identifying Assumptions and Ideas Worksheet
Assumptions

Marketing	Operations	Finance	Technology
I attract customers through Facebook	I'm getting the best possible supple rates on my fresh produce	I'm running an efficient payroll	My online employee scheduling tool is saving me time

Lesson 1: Identifying Assumptions and Ideas Worksheet
Ideas

Marketing	Operations	Finance	Technology
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