How do I know if my idea is a good one?

Kit Needham
Ask yourself……
...Is it a REALLY Big Problem?
...Is it a Really Big Problem?

- Will it be a big opportunity that will attract investors?
...Is it a **Really Big** Problem?

- **Who** is having this problem or needs this service?
- **How many** people or companies have this problem?
- **How much time or money is spent (or lost)** each year because of this problem?
...Is it a **Really Big** Problem?

- Is your solution **10X better** than the alternatives or **3X cheaper**?
- Is it a “**Need-to-Have**” vs “**Nice-to-Have**?”
Ask Yourself.....

“...... will it scale?”
Ask Yourself....

• Do your product/service margins increase with volume?
  - COGs
  - Installation/Customization
  - Service/maintenance
  - Staff ratio to sales
Examples of Businesses/Products that Scale Well

- **Software** (MS Word, Excel, Quickbooks)
- **Apps** (Pandora, Twitter, BudgetSimple)
- **Mass Market** items (My Keepon)
Ask Yourself....

..... How will I sell this?
• **How** will this be done?
• **Who** will do this?

Start thinking about this on **DAY 1**
Ask your customer......
This is called

Customer Discovery
Wrong Way

“Death by Demo”

“Here’s my idea. What do you think?”

“How would you solve the problem?”
Customer Segments

Phase 1  Customer Discovery

Phase 2  Customer Validation

Phase 3  Customer Acquisition
What is Customer Discovery

- **What** is the *pain/problem*
- **Who** is having the *pain/problem*
- **How** are the “who” currently dealing with it
Why this is Important

Your idea is ........

an

Hypothesis

at this stage
Right Way

“Get out of the Building!”

Steve Blank

- Face to face interviews – Best
- Skype
- Shadowing
- Telephone

On line surveys
Benefits

• Avoids **unnecessary ‘pivots’** (lost time and money)
• Get **first hand knowledge** of your target audience
• Can measure degree of **enthusiasm and interest** through observation
• Potential customers are ‘giving’ you the **compelling sales pitch**
• Helps **prioritize** what is most important
• **Investors** will want to know.....
Ask about.....

....the pain/problem they are having they are currently experiencing
.... How bad is the pain/problem
.... How often are they experiencing it
.... How are they solving it now
.... How well is that working for them
How to do this

15 Minutes

5 Questions
How to do this

• Prep **5 questions** and 5 backup questions
  – Use questions that are **measurable**
    • E.g. “on a scale of 1-10…”; “how many times in the past three months…”
  – Include questions that are **qualitative**
    • “What do you like most about …..; Least about…..”
    • Scale question: “Why did you give it that number”

• **Follow up openings or new thoughts (outliers)**
How to do this

• Plan who you want to interview
  – Demographics that describes your stakeholders
    • Buyers/Decision-makers
    • Users
    • Influencers
  – Where will you find them

• Practice
Get Started

“I am doing some research for XXX. Do you have **15 minutes** to answer a few questions”

– Say “this is **not a sales call**”
– ‘**Student Card**’ works well

• Start with Friends to practice
• Then go after people you don’t know
  – For B-B, C-level is not always the best
• Always ask
  – **Who else should I talk to?**
  – **What else should I have asked?**
How Many?
Recommended

100+

Stakeholders

(can include some Customer Validation)
Making it Work

- Keep notes – you’ll forget.
- Stop and **assess periodically**
- **Adjust** questions and plan as needed
Going for the **100X**

*Per Peter Thiel in Zero to One*
(co-founder Paypal, Palantir; investor in Facebook and Space X)

1. **The Engineering Question**: Can you create breakthrough technology instead of incremental improvements?

2. **The Timing Question**: Is now the right time to start your particular business?

3. **The Monopoly Question**: Are you starting with a big share of a large market?
4. The People Question: Do you have the right team?

5. The Distribution Question: Do you have a way to not just create but deliver your product?

6. The Durability Question: Will your market be defensible 10 and 20 years into the future?

7. The Secret Question: Have you identified a unique opportunity that others don’t see?
Examples
BeatBots
BeatBots

- Therapy tool for therapists who work with severely autistic children
- Price: $25k (includes hardware and software)
- Target audience: Clinics that specialize in therapy for severely autistic children
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Size of target audience: 100 clinics

Great Product; Lousy Business
BeatBots
Digital Dream Labs

First product

Table/Monitor System to teach young children system concepts
Price: $25k
Customer: Children and Science Museums
Digital Dream Labs

First product
Table/Monitor System to teach young children system concepts
Price: $25k
Customer: Children and Science Museums

228 children’s museums in U.S.
442 science museums in U.S.
708
Assuming **EVERYONE** bought the table
Best case scenario: $17.7M **gross** profit

(708 x $25,000)

After deducting salaries, sales and marketing expense, manufacturing expense, maintenance, etc.

**Net Loss**

**Great Product, Lousy Business**
• Add-on hybrid system for tractor trailers that will reduce their fuel consumption by over 30% with an ROI of less than 1 year.

• Uses regenerative braking to capture power when the vehicle is slowing down
  – reuses it to accelerate or
  – run cab systems at night
• 6 million trailers in the USA
• Each trailer averages 6.5 mpg = $85,000 fuel costs per year per trailer
• 52 Billion gallons of fuel consumed yearly
• 31% = $46 B in potential fuel savings
• $25k per unit x $6M trailers = $150B

Big Problem, Big Market
Great Product/ Great Business
Why noWait® was a good investment

“ We want to **invest in large markets**, …if you have a fantastic team with fantastic products but ….. it’s in a small market, there’s a smaller type of outcome that can happen e.g they’re swimming in a smaller pond. If you have a big and expanding market, it’s great to have a great team and product, but if you don’t, you still have a chance. “

“…..We focus on **investing in trends shaping the landscape** over the next 10 years. **Casual dining is a multi-hundred-billion business in the U.S. alone.** Everybody’s got to eat.”

“……What they’re doing **solves an acute point**, waiting to get in line, waiting to get a check. They have a very elegant solution.”

*Nick Solaro of Drive Capital, a Columbus, Ohio-based $250M VC fund on their $10M investment in NoWait in May 2014 (Source: Pgh Business Times)*
Q&A

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