

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 ~~X~~ 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?

Going for the **100X** (cont.)

- 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

BeatBots

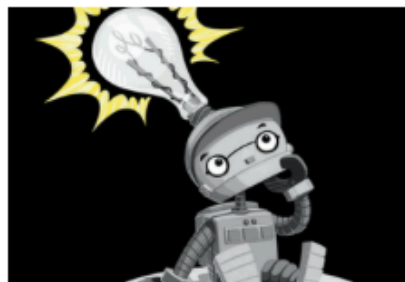
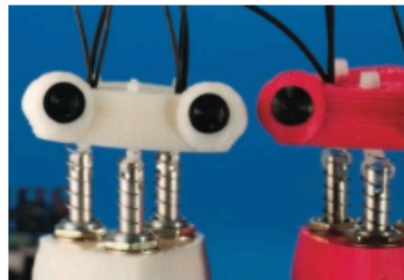
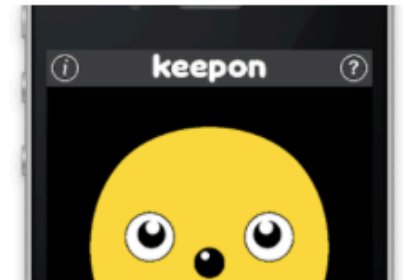
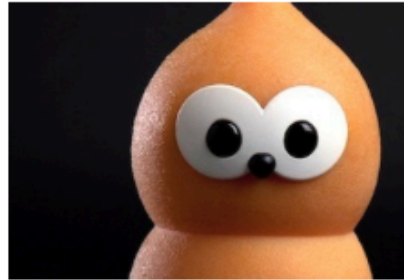
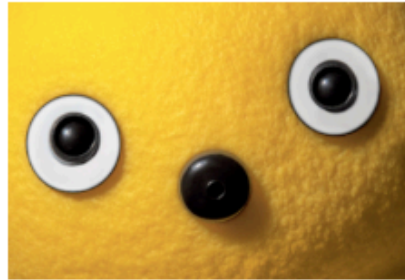
- Therapy tool for therapists who work with severely autistic children
- Price: \$25k (includes hardware and software)
- Target audience: Clinics that specialize in therapy for severely autistic children

Size of target audience: **100 clinics**

Great Product; Lousy Business

BeatBots







digital dream labs

Digital Dream Labs

First product

Table/Monitor System to teach young children system concepts

Price: \$25k

Customer: Children and Science Museums





digital dream labs

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



Digital Dream Labs

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



digital dream labs

Digital Dream Labs





- 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 wait[®] 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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