

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

Kit Needham



**Ask yourself.....**

...Is it a **REALLY Big**  
**Problem/Opportunity?**

# ...Is it a **Really Big** Problem?

- Is it a “**Need-to-Have**” vs “Nice-to-Have?”
- Is it a great product but **a lousy business?**
- Will it be a big opportunity that **will attract investors?**
- Is this the **best use of your time?**

# ...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 money is spent** each year trying to solve this problem?
- How are people/companies **currently solving their problem**?

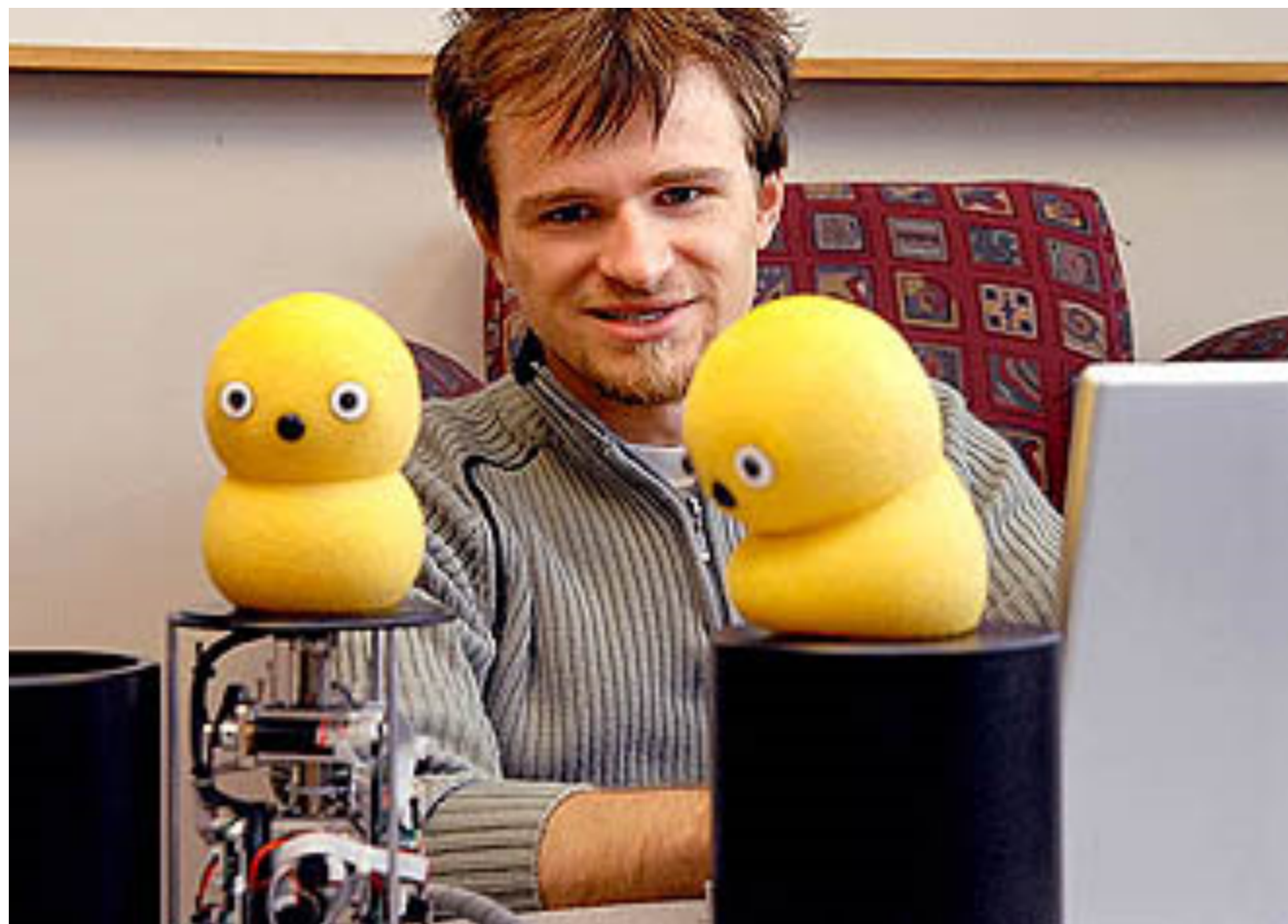
## Why NoWait?

“ We want to **invest in large markets**, the point being if you have a fantastic team with fantastic products but the underlying fundamental of the business is that 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)*







# Keep on in autism therapy



<http://beatbots.net/2008/09/25/the-works-robots-on-the-history-channel/>

beatbots



Category ▾

Age ▾

Character/Theme ▾

Brand ▾

What's New

Top Rated

SEARCH:

All Products ▾

GO

 **FREE SHIPPING** on **EVERYTHING** with (standard shipping only, up to a \$20 value)

[Home](#) > [Dolls & Stuffed Animals](#) > [Dolls](#) > [Interactive Dolls](#)



EXCLUSIVE



Larger Image



View Demo

## My Keepon Interactive Dancing Robot

By: [Wow Stuff](#)



Like



Send



1,298 people like this. Be the first of your friends.



**Don't forget your batteries!** ([click here!](#))



**Eligible for FREE 2-Day Shipping** ([Learn More](#) | [Sign I](#))

[See more Special Offers below](#)

### Shipping:

Usually leaves warehouse in 1 - 2 full bus. days. - ([details](#))

# Digital Dream Labs

## First product

Table/Monitor System for \$25k

Teach young children system concepts

Target Customers: Children and Science Museums



# Digital Dream Labs

## First Product

### Size of market

- # of children's museums in US – 228
- # of science museums in US – 422

**708**

# Digital Dream Lab

## First product idea

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**

**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?

# Ask Yourself....

- **How** will this be done?
- **Who** will do this?

Start thinking about this on **DAY 1**

...How **feasible** is it for you to do?

# Effectuation

Dr. Saras Sarasvathy - researched 27 expert entrepreneurs

*The Bird in Hand Principle.* Entrepreneurs start with what they have. They will look at who they are, what they know and who they know. Their education, tastes and experiences are examples of factors which are important in this stage. ...also look at their 3Fs (friends, family and fools). From this point they will look at their abilities.

***So a successful entrepreneur does not start with a given goal, but with the tools he or she has.***

**Ask your customer.....**

# 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

- Prep 5 questions and 5 backup questions
  - Use questions that are measurable
    - E.g. on a scale of 1-10...; how many times this summer...
  - Include questions that are qualitative
    - What do you like most about ..... Least about....
    - **Follow up openings or new thoughts (outliers)**
- Plan who you want to interview
  - Demographics that describes your customer
  - 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
- 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

**Q&A**

**kit@cs.cmu.edu**

# Effectuation Principals

[www.effectuation.org](http://www.effectuation.org)

- ***Bird in Hand***: Start with what they have (means)
- ***Affordable Loss Principle***: Focuses on the possible losses and how they can minimize them – not on profits
- ***Crazy Quilt Principle***: Build partnerships with and getting pre-commitments from **self-selecting stakeholders**, Cooperate with people they can trust which limits affordable loss by getting pre-commitment.
- ***Lemonade Principle***: Look at how to avoid contingencies. See surprises as opportunities.
- ***Pilot-in-the-plane***: Combination of above principles. The future cannot be predicted but entrepreneurs can control some of the factors to determine the future.

# Refining the Market Size

- TAM: Total Available Market
  - SAM: Served Available Market
  - Target Market
1. Total number of potential users.
  2. Total number of potential units sold (multiple months for a service or multiple units per customer)
  3. Revenue from potential market (product/service price).