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

Kit Needham
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
- **How** is that working for them
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
15 Minutes

5-7 questions
Rule: You are not allowed to talk about your idea.
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

• Consider asking
  – 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
Ask yourself......
...Is it a REALLY Big Problem?
...Is it a **Really Big** Problem?

- **Who** is having this problem or needs this service?
...Is it a Really Big Problem?

- **Who** is having this problem or needs this service?
- **How many** people or companies have this problem?
...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?
- How well **is their current solution working** for them?
...Is it a **Really Big** Problem?

- Is your solution **10X better** than the alternatives or **3X cheaper**?
…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**?”
...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**?”
- Will it be a big opportunity that **will attract investors**?
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, FitBit)
• **Hardware** that is standardized or uses standard parts (Air conditioners, remote controls)
Ask Yourself.....

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

Start thinking about this on **DAY 1**
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
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

Puzzlets
make game time, brain time

1. PLAN
2. PROGRAM
3. PLAY

STARTER PACK
Hands-on Learning Game System

www.digitaldreamlabs.com
Benefits

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Ask yourself......

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

....Is it a **Really Big Market**?
Proposed Product

• **Add-on hybrid system** for tractor trailers
  – Uses **regenerative braking to capture power** when the vehicle is slowing down that can be reused to accelerate.

• **Value proposition to the customer:**
  **Reduces fuel consumption** by over 30% with an **ROI of less than 1 year**.
Sample Questions

• **How much** on average do you spend on fuel? % of annual budget?
• Have you done **analysis on fuel usage** that you can share?
• What are you **currently doing now** to reduce your fuel costs?
• On a **scale of 1-10, how well** are those techniques working?
• **Why** did you give each that number?
Interviewed

- Fleet managers
- Fleet truck drivers
- Independent truck drivers
- Trailer manufacturers
- Mechanics that service the fleet
- Companies with proprietary fleets
- Industry association staff
Where did they find them

- Industry conventions
- Truck stops
- Fleet owners’ headquarters
- Trailer sales offices
- Telephone
Findings

• **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** potential market
Findings

• Largest value/ROI for long-haul fleets
• 15% of fuel is used to run the cab at night for heat/AC and electronics
  – Shaking cab results in poor sleep – which can lead to accidents
  – (this was the ‘outlier’) that helped sell management
• Less wear and tear on the diesel engine
• Reduced emissions
Conclusion

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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