

Finding And Testing Your Startup Idea

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Finding and Testing Your Startup Idea

When starting your entrepreneurial journey, the first question that most people are going to ask you is:

SO, WHAT'S YOUR BIG IDEA?

I'm going to share a secret with you. It can look from the outside like every successful entrepreneur woke up with a brilliant idea, told a friend, the friend became a co-founder, and then they built a hugely successful company around that exact idea. I promise you this is not how it usually happens.

The key to starting a great company is to come up with a *good enough* idea, be willing to pivot when you see great opportunities, and then work hard to create a brilliant execution. The following section will cover how to find the best ideas, and how to test them using design thinking and the Lean Startup Method (popularized by entrepreneur and author Eric Ries) to set you up for a more successful entrepreneurial journey.



Finding an Idea That Is “Good Enough”

Your initial idea is what gets people excited to work with you, so you need a hook. The easiest way to create a hook is to identify a problem that your audience (your supporters and future customers) would agree needs fixing, and then suggest a reasonable way to fix it. Because it is unlikely anyone will pay you for a solution to a problem that doesn't exist, or a solution that is so complicated that it's impossible to see how it will work.

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The easiest way to create a hook is to identify a problem that ... needs fixing, and then suggest a reasonable way to fix it.

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This may all seem obvious, but you wouldn't believe how many founders build super cool products, just because they are smart, and have the technical skills to build them, only to realize that the product doesn't solve a problem. No problem, no need. No need, no sales. No sales, no company.



Let's put any product/solution ideas aside for a moment and start with your problem and your customer (or the person experiencing the problem) in mind. For this initial brainstorm, let's make the customer you. When you are trying to find a good startup idea you should start by looking for problems to solve in your own life and the lives of those closest to you. If you are building something you or someone you love needs to make your life better, there's a much higher chance that you'll keep going until you get it right. Some questions you might consider exploring:

- What do you find frustrating in everyday life?
- What do you wish you could automate?
- What task do you wish you never had to do again?

Make a list of as many problems as you can. Then pick one you think you could fall in love with for the next 10 years. If one problem doesn't stand out from the others, you're not done brainstorming. Keep going.



Design Thinking

Once you know your problem, there's a powerful methodology called design thinking that you can use to refine your solution. In order to design a product that people want to use, the first thing a designer does is get into the mindset of the person who will use it by observing, interviewing, and taking notes. Truly dedicated designers might even go and live a day in the life of the potential user to fully understand the problem's effect. Good entrepreneurs learn to think like designers; they put themselves in the shoes of their future users and make an effort to truly understand their needs.

**IF YOUR IDEA IS GOOD ENOUGH,
YOU'LL COME BACK TO IT.**

Even if you already have an idea for your product, and it lines up with your problem, put it aside and go through the process. If your idea is good enough, you'll come back to it.

When getting into the mindset of your user, think about everything you know about them. Fully defining your user target persona is an important step to take before you start generating ideas for a solution. Broad strokes like gender and age are helpful, but the more you know about them, the easier it is to create a product with a unique value proposition (something you can offer which no one else can).

For example, if your problem is that people struggle to remember to pay their bills on time, you know your user is likely to be an adult. But, looking deeper into commonalities for this demographic,



you may find they have a variety of ways they pay their bills to different institutions. An app isn't necessarily a bad idea to solve this problem because most of them likely use a cell phone. Brainstorm everything you can think of about your target audience, even if it doesn't seem initially relevant. See if you can come up with at least 10 interesting facts about your ideal user.

Only after you have fully defined your user persona and the problem you want to solve should you begin generating ideas for solutions. Set a timer for 10 minutes and write down every idea that comes to mind. See if you can keep your pen on the paper for the whole 10 minutes without rereading or judging any of the ideas until you are finished. Bonus points if you are so focused that you write the same thing twice without realizing it.

Stay wild. Write everything down. No judgment. For example, if your identified problem is that people forget to pay their bills on time, one idea could be having a magic unicorn fly to the house every morning to remind them to pay any bills due that day. At first glance this seems ridiculous, but if you land on an app as your solution, this could help you get to the idea that every morning the user gets an alert on their phone that plays an animation of a unicorn delivering the bills that need to be paid that day. Perhaps you add that they can choose the animal that delivers their bills. Which might lead you to something even better...an app where they can choose funny voices reminding them to pay their bills at various times throughout the day. You could even monetize this by selling audio clips of famous people reminding them to pay their bills. Or offer three free recordings and

then having them pay for more (referred to as a **freemium model**, where the basic service is free, but you can pay for premium upgrades). Sending out flying magical unicorns is crazy, but charging a fee for celebrity voice alerts could be the beginning of successful business model. We would have been unlikely to get there without the unicorn step.



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The creative process is unpredictable and sometimes the craziest ideas can evolve into something brilliant.

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The creative process is unpredictable and sometimes the craziest ideas can evolve into something brilliant. If you're having trouble, take two things that seem mismatched (unicorns and paying bills) and think about all the ways you can make them work together. Or think about various types of technology that you could combine or make use of in a new way. What's technologically possible today that wasn't possible a few years ago? If you're really struggling to come up with ideas, go for a walk with a recording device (tape recorder, smartphone, etc.) and, as you walk, talk aloud any ideas that come to mind. You can listen to it when you get home and write down the ideas.

It's also great to invite other people to join you. By inviting others to join your creative process you can build on ideas together and come up with something better than either of you might have come up with alone. You can learn more about how to run an effective brainstorming session by searching online for "brainstorming techniques."

The goal is to come up with as many different, crazy, wild, wonderful ideas as you can. Can you get to 50? How about 100?



How To Pick the Best Idea

Once you have a list of 100 or so ideas, how do you choose the best? There are a few key things to keep in mind when you're trying to assess whether your idea has a potential to develop into a business opportunity for you. Take your top five ideas and answer the following questions about them:

1. Are you absolutely sure that this product or service idea solves a real and urgent problem for your user? One way to test this is by interviewing at least 10 potential users to validate your problem and your idea - I'll talk more about the art of customer interviewing below.
2. How will your idea make money? How big is the market? Is it a big enough market for you to build a self-sustaining company?
3. Is this idea a good fit with your personal skills and background? We call this founder-market fit, which means that you should be uniquely qualified to build this company. I'll talk more about this in book 5 on pitching your idea, but, for now, think about the story about why you started this business. How will you tell that story? Is it compelling?
4. Are you truly excited about this idea? If you start a company, you will likely be working on it for 5-10 years and your personal brand will be strongly connected to your business. You should therefore make sure that this is an industry that

excites you, a customer/user segment you enjoy, and a product/service you're proud to have created.

Evaluate your top ideas on these four criteria and, while you should select the idea that gets the highest overall score, you might want to weight point four a little more than the rest. Starting a business is a big investment of time and money, so it's important to pursue something that truly excites and inspires you. When you're passionate about your idea. It fuels your motivation and persistence. If you're not deeply excited and proud of what you're building, it might be worth considering other opportunities that align more closely with your passions.



Testing Your Idea With the Lean Startup Method

Remember, your idea doesn't have to be perfect, it just has to be *good enough*. If you wait until you've found the perfect idea, not only will you never get started, but you'll also struggle to pivot when the time comes to make changes. Your idea is likely going to change multiple times.

**YOUR IDEA IS LIKELY GOING TO
CHANGE MULTIPLE TIMES.**

The secret to success is to build a great product or service. So, let's talk about how we turn a *good enough* idea into a *great product*.

To test new startup ideas, many entrepreneurs use something called the Lean Startup Method, a method of managing and building a business by experimenting, testing, and iterating while developing products based on findings from your tests and feedback. They test as many variables and assumptions as possible before they build a prototype, with the goal of refining their vision before they invest too much time and/or money in a final product. If you ask the right questions, you will figure out if your brilliant idea is in fact as brilliant as you think, and where you need to pivot to make it even better before you build.



When you're first starting out, everything is uncertain: you're making guesses about your customer, their problems, and the best solutions you can offer. It feels like you have made educated guesses, but the Lean Startup Method will raise that level of education from high school to PhD.

Right now, you don't know what your product will look like or what features it will have. You don't know how and where you will build/manufacture your product, how you will price it or where you will sell it. Your job as a founder is to systematically search for these answers by identifying and validating the various hypotheses in your business model. Only after you have thoroughly tested the critical elements in your business model can you move on to create and launch your product.

The Lean Startup Method includes three steps:

Build > Measure > Learn.

1. **Build** an experiment to test if something you believe to be true is really true. We call these risky hypotheses: guesses we have made without being positive that they are accurate. In our earlier example (the app to help people remember to pay their bills), we are assuming that people forget to pay their bills on time, there isn't a good solution already on the market, an app would be helpful, using the voices of celebrities to remind them would be motivating, etc.
2. **Measure** the outcome of your experiment. If I were going to put that app idea through the Lean Startup Method, I would start testing my problem by asking 100 people how many bills they pay weekly, if they have trouble remembering to pay them, and what they do to help themselves remember. Next, I might test my solution by asking people how they

feel about their cell phones, how many apps they have, how often they use them, how they feel about apps. The most important thing about asking questions is listening, so ask permission to record the conversation so you don't have to worry about taking too many notes.

3. **Learn** from the data you collect and decide whether to pivot or to persevere. A *problem pivot* for this example might come from learning that remembering to pay your bills isn't really all that hard and perhaps I'd look for another problem that could be solved with an app. A *customer pivot* might show that a subset of the people you interview in a certain age group are more comfortable on apps, have a tough time remembering to pay their bills, and would pay for celebrity voices to help them remember. A *product pivot* might involve making an interactive calendar that hangs on the wall that can be programmed with the due date for bills that plays the voice of celebrities to remind them to pay their bills.

Remember that the entrepreneurial journey is all about pivoting, and the best time to make an educated shift is before you've spent a lot of time and money building your product. With the Lean Startup Method, you follow an iterative process that you repeat until you're confident that you have found your product-market fit.

Interviewing customers might sound a bit silly or awkward, especially if you think you are part of the user demographic. However, it turns out many entrepreneurs waste time building features that they love, but that users don't really care about (unnecessary bells and whistles) and then struggle to find their product-market fit. Listening to a large group of your future customers will help you avoid this common pitfall.

Evaluating Your Competitive Landscape and Market Risks

As you are doing your customer interview research, you should also be researching your competition. You can learn a lot by going online and reading the reviews of companies who are trying to solve the same problem, even if the solutions are different. Analyze your competitive landscape by asking:

- What solutions already exist?
- How could these solutions be improved?
- What do the reviews say online about these solutions?
- What are customers complaining about?
- What are customers asking for?

When you have gone through a few rounds of the Lean Startup Method and made the necessary changes, the next step is to create a minimum viable product or MVP. The goal with an MVP is to make the simplest, easiest, and cheapest version of your product that still shows your future customers the potential value of the solution.



There are two big risks that you face when starting a company:

- **Market Risks** - Does the problem really exist? Is there a big enough demand for the solution? Should you build this product?
- **Technology Risks** - Can you build the product/service? Do you have the technical knowledge? Does the technology even exist?

THE LEAN STARTUP METHOD IS THE BEST WAY TO TEST YOUR MARKET RISKS.

The Lean Startup Method is the best way to test your market risks. Your MVP takes your solution one step further by putting a simple version of the product into the hands of your prospective customers. This can help you determine if your product is a good solution for your target customer and what technology risks you may need to make it a reality.

One way to create a simple MVP is to create a cardboard version of your product. Let people hold and interact with it. Observe how they respond to the various bells and whistles that you have created to solve the problem. If you are creating an app or another product, you can make a paper version before actually doing the programming (a quick search online will show you samples of MVP products and apps made from paper and cardboard). Make sure people enjoy using/playing with your product/service and are getting the value that you are trying to offer before you get a team of developers to start building.

An MVP doesn't have to even involve a concrete version of your product. There's a sell-it-before-you-build-it approach to MVPs that involves creating an online landing page for pre-orders or running an advertising experiment where you offer two different versions of your product (ideally with only one or two differences) and see which one gets a better response. If you don't get a response, or you get a lackluster one, you should think about pivoting.



The Art of Customer Interviews

The Lean Startup Method stresses the importance of talking directly to your customers and listening to what they have to say before you build, but how can you make sure that you are really getting the best information from your customer interviews?

“ ***If there's one thing that you absolutely cannot postpone or delegate to someone else, it's customer interviewing.*** ”

If there's one thing that you absolutely cannot postpone or delegate to someone else, it's customer interviewing. Effective founders maintain direct connection to their customers and users, especially when they are starting out.

It's easy to think that your time is better spent on the big ideas and that you can save time by delegating the customer interviews to an external service or employees and just look through the data. That is a huge mistake!



The only way to ensure that you're building the right product is to be in constant dialogue with your customers. It should be you, the founder, who speaks directly with your customer because you never know what idea will be sparked in your mind as you speak to someone who is using your product. These interviews are where you find the big ideas.

I've seen way too many examples of founders who sent their employees to handle interviews and the employees missed writing down the key bit of feedback. It is also common that when the employee reports back with something critical, the founder gets defensive or dismisses it as the employee being critical or mistaken in what the customer said. Critical feedback is a gift (especially early in development), and you need to listen to it.

Because most people are pleasers, critical feedback can be hard to get from your audience. That's why effective customer interviewing is truly an art form. Your future customers are basically nice people who are volunteering their time to give

you feedback on your dream, so they don't want to hurt your feelings or say anything negative. If you want your interviews to be productive, you need to be very careful not to give your interviewees any indication of what you want to hear. If they sense what opinion would make you happy, they are going to tell you exactly that, and you will end up with interview data that is misleading.

The best way to avoid such situations is to stick to open-ended questions about the past and the present. When you are discussing facts, it's less likely that a customer will mislead you. If you ask hypothetical questions, such as "would you ever pay X amount of dollars" or "will you ever want to use Y product," you are revealing what you are hoping to hear. It's very likely that the customer will say yes just because they think it will encourage you.

Always bring a script with you to the interview, so you don't miss any important questions, but it's okay to deviate from it as the conversation gets going.

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Critical feedback can be hard to hear, but it's even harder to hear that you have run out of time and money by building a product that doesn't meet your customer's needs.

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When you are designing your script, you should start by reflecting on which risky hypothesis you are trying to test in your interview. If you're in the early stages, it's most important to validate your problem hypothesis (make sure it really is a problem) and focus on questions like:

- Tell me about the last time you experienced the problem (i.e. forgot to pay your bills)?
- How did the problem (forgetting to pay your bills) affect you?
- How often do you experience the problem (forget to pay your bills)?
- How many times have you had the problem (forgotten to pay your bills) in the last week, the last month, the past year?
- What implications does the problem (forgetting your bills) have for you? For example: Does it cost you money? If so, how much? Does it cause you to waste time? How much time is wasted? Has it impacted your credit?

After you've established that the problem exists, you can shift into questions about a solution:

- What have you done to solve the problem so far?
- Have you ever looked for other solutions to your problem? If so, where did you look and what did you find?
- If they have tried some kind of solution ask, "Did that product work for you? Why or why not? What was missing?"



At the very end of your problem interview you can switch to a solution interview if you have a solution/product in mind. If you have an MVP or prototype, this is a great time to share and watch the customer interact with it. This is a time to listen and observe. Pay close attention to what they find intuitive and what questions they have for you. The most important thing is to make sure you don't switch into pitching mode. This is not a sales pitch!

“ ***In the solution interview you are aiming to get specific feedback on your product idea.*** ”

In the solution interview you are aiming to get specific feedback on your product idea. One trick to help the customer get more specific is the five “whys.” When a comment seems vague, you ask why five times to drill into the core of the problem. For example, if your interviewee says that they don't like the handlebars on your new bicycle invention, your first question might be, “why don't you like the handlebars?” When they answer that they don't like leaning over that far, you ask, “why don't you like leaning over?” With each answer, you tailor your why to dig deeper until you get to the real reason. Not liking a bicycle handlebar could be about form, function, back



problems, grip strength, visibility, etc. If you don't know the true motivation, it is a much harder problem to solve, and you might end up investing resources into changing the wrong thing.

If it seems like your interviewee is having trouble being critical, reassure them that you need their help and are counting on them to help you find problems before you build the product. It can be difficult to capture everything while conducting your interview, so it's helpful to record the sessions, or to ask a co-founder to take notes for you. Still, make sure that you do have a pad and paper with you so you can write down any inspirations that are sparked in your mind during the conversation. You might think you will remember, but it is easy to get distracted by the next idea

and forget your brilliant insight. Just remember to always ask for permission before you record anyone.

When you are done with the interview, make sure to show appreciation for your customer's time and input. The more you make them feel like an important part of your journey, the more invested they will be in your success, and the more likely they will become a paying customer...maybe even an evangelizer who encourages others to use/invest in your product.

It's important to go through your notes and summarize your findings while the interview is fresh in your memory. Oftentimes you will find new insights that didn't occur to you while you are conducting the interview.



How Many Customer Interviews Do You Need To Do?

As a startup founder, you will never be done interacting your customers. There are always new things you can learn, so don't ever stop listening. However, when you are testing a specific hypothesis in your business model, I recommend somewhere between 20-50 interviews to gather enough data to make an informed decision on whether to pivot or persevere.

A good rule of thumb is that once the interview notes become repetitive without any new information, you are probably done. At that point you should see a pattern in the interview data and be able to make the right strategic decision for your business.

“ ***So, get out of the building and start talking to your customers.*** ”

Alright, now it's your turn. I know it can seem uncomfortable at first but remember that you will learn more in a five-minute conversation with a customer, than you will in five hours inside your own office. So, get out of the building and start talking to your customers. Good luck!



To Pivot or Persevere?

One of the hardest parts of starting a business is the moment when you realize that your idea isn't going to work the way you hoped. There's a fine line between staying persistent through the tough times (when naysayers are telling you that you're crazy or that your idea won't work) and accepting a data-driven decision to pivot or give up on your business.

Startups are hard and many times the idea doesn't work. The trick is to learn this quickly, so that you still have money in the bank to pivot and try to find a product-market fit with a different idea. Investors will still respect and support you if you fail with your startup, but they won't like it if you dragged it out and kept going long after it was clear to everyone else that the idea wasn't working.

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