Idea Validation

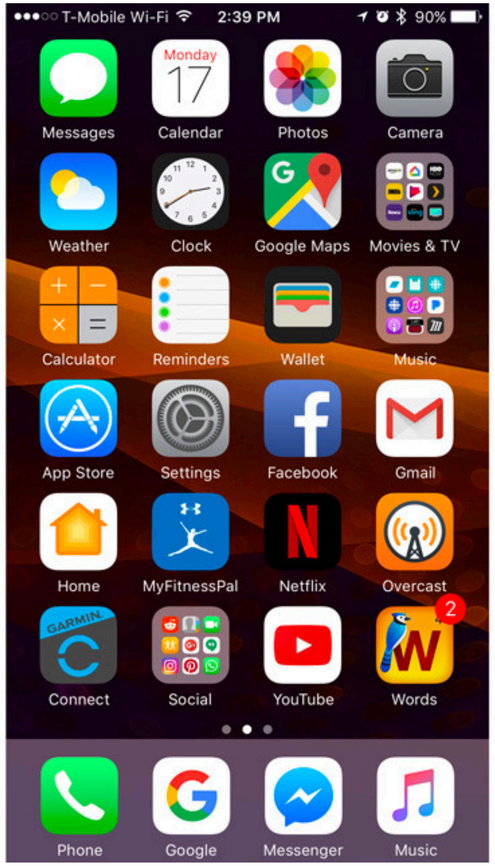
Skyamo

About Me

Theo Ohene

- Founder of Skyamo - helping startups, brands and influencers find scalable ways to grow quickly.
- Growth Expert In Residence at Kings College, University of London
- Led growth for VC backed startups in Silicon Valley, Las Vegas and London.

What is your favourite app?



Good businesses start from the problem

You are hosting a Dinner Party

What is the first thing you do?

Validating your idea

Focus on learning and listening. NOT on building the final solution. What you are learning:

- Is my problem big enough?
- Are we solving a real problem?
- How painful is this problem?
- How many people does this problem affect?
- Is this problem something people would pay for?

Validating your idea

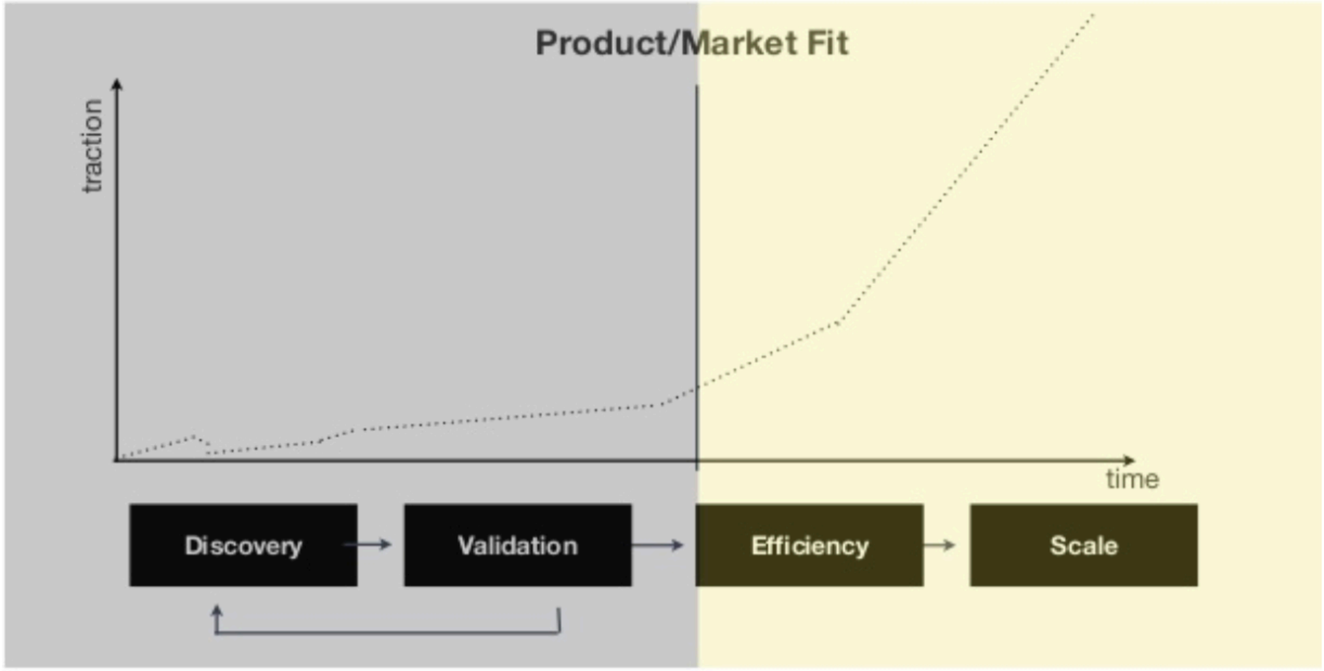
LEARN

- Find a problem worth solving.
- Find a potential solution.

CONFIRM

- Validate that this solution works.
- Validate a business model.

Validating your business



Find a product
the market wants.

Scale a company
around that product

Ideas evolve - Instagram used to be Burbn 🥃

- Used to be a Location Based app
- Let users check in at particular locations, make plans for future check-ins, earn points for hanging out with friends, and post pictures of the meet-ups.
- Saw the users using photos + sharing features. Found they loved it and it became Instagram

Example Problem Areas

- **Education**: Lack of life skills leaving young people exposed to more unemployment/financial instability etc
- **Social media**: People are getting Facebook fatigue and are wary of privacy concerns
- **Health**: Poor access to healthcare for elderly/ less mobile people
- **Finance**: Increasing investment opportunities exist in digital currencies
- **Energy & Sustainability**: No incentives for reducing your own carbon footprint
- **Connected and autonomous transport**: AI and robotics have not yet been harnessed to improve efficiency and quality of transport in London

Exercise: What Problems are you solving? (10 mins)

Part 1

List the top 1-3 problems you are solving?

1.
2.
3.

Part 2

What are the current solutions to these problems?

Assumptions are 🔑

Rent The Runway

The Founders Jennifer Hyman and Jennifer Fleiss had some assumptions about their idea and wanted to find low cost, quick ways to validate their assumptions

Rent The Runway - Validating Ideas

Assumption #1: Women be willing to rent designer dresses at 1/10th of the price

How did they Validate their idea:
They rented a room on Harvard's campus, managed to get some donated designer dresses and invited women to the room to try on the dresses.

Outcome

They measured the number of women who would be willing to rent a designer dress and found that 35% of the women sur- veyed would do so.

Rent The Runway - Validating Ideas

Assumption #2: Women would rent designer dresses that they can't try on

How did they Validate their idea:

They rented another room - this time at Yale University - and invited some women to look at some dresses. In this test, the women were not allowed to try on the dresses.

Outcome

They found that women didn't mind that they couldn't physically try on the dress.

Rent The Runway - Validating Ideas

Assumption #3: Women be willing to rent designer dresses they couldn't see in person

How did they Validate their idea:

Hyman and Fleiss went to New York to survey 1,000 people in their target audience about whether or not they would rent a designer dress just from looking at a PDF photo.

Outcome

About 5% of the audience surveyed said that they would rent a dress from the photo, which demonstrated market viability for the concept.

Rent The Runway

Now raised valued at

$1 Billion+

They have raised $541.2M

Source: Crunchbase

Exercise

What were some of the main assumptions around AirBnB?

User assumptions

Guests:

People are happy to rent a room off a stranger if it saves them X% vs a hotel

- *Cheaper = ~40%*
- *People will see the value / advantage of renting off a local rather than staying in a hotel*
- *People find hotels sterile & soulless and are looking for an alternative*
- *People are happy to pay less*
- *The extra hassle of arranging to pick up keys won't be a barrier*
- *People are ok to book via a messaging / acceptance system (rather than a simple 'book it now' button)*
- *People will trust that the host is who they say they are*
- *They will trust that they will be there*
- *That people are happy to rent just a shared / room / or complete flat.*

HOSTS

Hosts want to earn extra money by letting out their spare rooms to strangers

- *A lot of people have spare rooms*
- *Hosts are ok renting to strangers*
- *Hosts will trust us to connect them to nice people*
- *People are ok if we charged 20% on their letting*
- *Hosts find it hard to rent out their current rooms / houses*
- *Hosts are ok making on average $X / night / room*
- *Hosts will trust us to transfer their money*
- *Hosts will value the guarantee use Airbnb rather than*

Product assumptions

People will select their room via a website / app

- *The key information they need to know to make a decision is X, Y, Z*
- *XYZ Filters are important*
- *Search via a Map is important*
- *The Design is important*
- *Colour*
- *etc*

People will upload their space onto a website

- People will upload their space to a website site
- People will have quality photos of their house / room
- People can take quality photos of their house / room
- People can write good descriptions of their rooms
- People will be prepared to spend time x mins uploading / setting up an account.
- People will use a desktop to upload pictures
- People will use a phone to upload pictures
- People can follow simple instructions
- People will book online using a major credit card

People will trust Airbnb to connect them

- People will gain trust via a testimonial rating system
- People will trust our verification system

Business model assumptions

I can turn this into a profitable scalable business

- *People will stay on average [X] amount of nights*
- *People will need this service [X] amount of times a year*
- *There are [X] amount of spare rooms in any given city*
- *There are [X] amount of people in my [insert target market]*
- *The industry is therefore worth $*
- *There will bound to be an operational overhead (website / customer service) of $X / 100 bookings*
- *It will cost $X to obtain the first 1000 signups*

Marketing assumptions

I can do this better than the existing options & I can create a remarkable experience that will lead people to referring and continuing to use the service

People will understand the name 'airbnb' and what it does

- *It's easy for people to remember*
- *It's easy for people to spell*
- *It's easy for people to talk about*
- *It's easy to translate into different languages*
- *The domain is available and is cheap*

Operational assumptions

- We can provide the level of customer service that is required
- People will want to work for us

Exercise: Write down your business assumptions

User assumptions

Product assumptions

Business Model assumptions

Operational assumptions

Marketing assumptions

YOUR VENTURES

User

Who are your key users? What are you assuming to be true about them?

Product

What are you assuming to be true about your potential

Business Model

What are you assuming to be true about your business model?

Marketing

What are you assuming to be true about attracting customers?

Operational

What are you assuming to be true about how your business will operate?

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PROBLEM
List your top 1-3 problems.

SOLUTION
Outline a possible solution for each problem.

UNIQUE VALUE PROPOSITION
Single, clear, compelling message that states why you are different and worth paying attetion.

UNFAIR ADVANTAGE
Something that cannot easily be bought or copied

CUSTOMER SEGMENTS
List your target and users.

KEY METRICS
List the key numbers that tell you how your business is doing

CHANNELS
List your path to customer (inbound or outbound)

EXISTING ALTERNATIVES
List how these problems are solved today

HIGH LEVEL CONCEPT
List your X for Y analogy (e.g. YouTube = Flickr for videos)

EARLY ADOPTERS
List the characteristics of your ideal customers

COST STRUCTURE
List your fixed and variable costs

REVENUE STREAMS
List your sources of revenue

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Exercise: What are the biggest 3 assumptions that will make your break your business?

User assumptions

Product assumptions

Business Model assumptions

Operational assumptions

Marketing assumptions

Creating Your Target Audience

You need assume some characteristics about your persona to reach them

- Their background
- Where do they hang out online/what do they read?
- What are their general motivations related to your idea?
- What are their problems/frustrations?

Exercise: Create your persona

Fill out a profile:

- Name
- Age:
- “I’m really frustrated by….”
- “I wish I had/ I wish there was….”
- Accounts they follow

Make a persona: https://www.hubspot.com/make-my-persona

How to ask the right questions

- Don’t sell your idea
- Get specific about examples
- Ask why a lot
- Don’t ask leading questions
- Don’t lie to yourself
- Take compliments with a ‘lot of salt’

Mom test Guidelines:

- Talk about their life instead of your idea
- Ask about specifics in the past instead of generics or opinions about the future
- Talk less and listen more

Mom Test Approved Questions

- How much do you usually spend on grooming products for your dog?
- How do you usually deal with grooming your dog's hair?
- What are the biggest issues you face around grooming your dog's hair?
- Tell me about the last time you groomed your dog's hair?
- How much time do you spend on grooming your dog's hair?

Exercise: Run a customer development interview (15 mins)

Split into twos and interview one other person in the room

- 7 mins - Be the interviewer
- 7 mins - Be the interviewee (Be their FB profile)

Have your FB Profile open as a screen share

Ask for commitment - at the end

- Ask real questions, get real answers
- Try to get them to reach for their purse/wallet or refer
- The more real the commitment, the more likely this is a problem worth solving If they won't pay for it, it may not be a problem they want to solve

- "Would you pay for this now?"
- "Can I take a pre-payment from you"
- "Could you recommend 5 friends this would benefit?

Know the Problem Inside Out

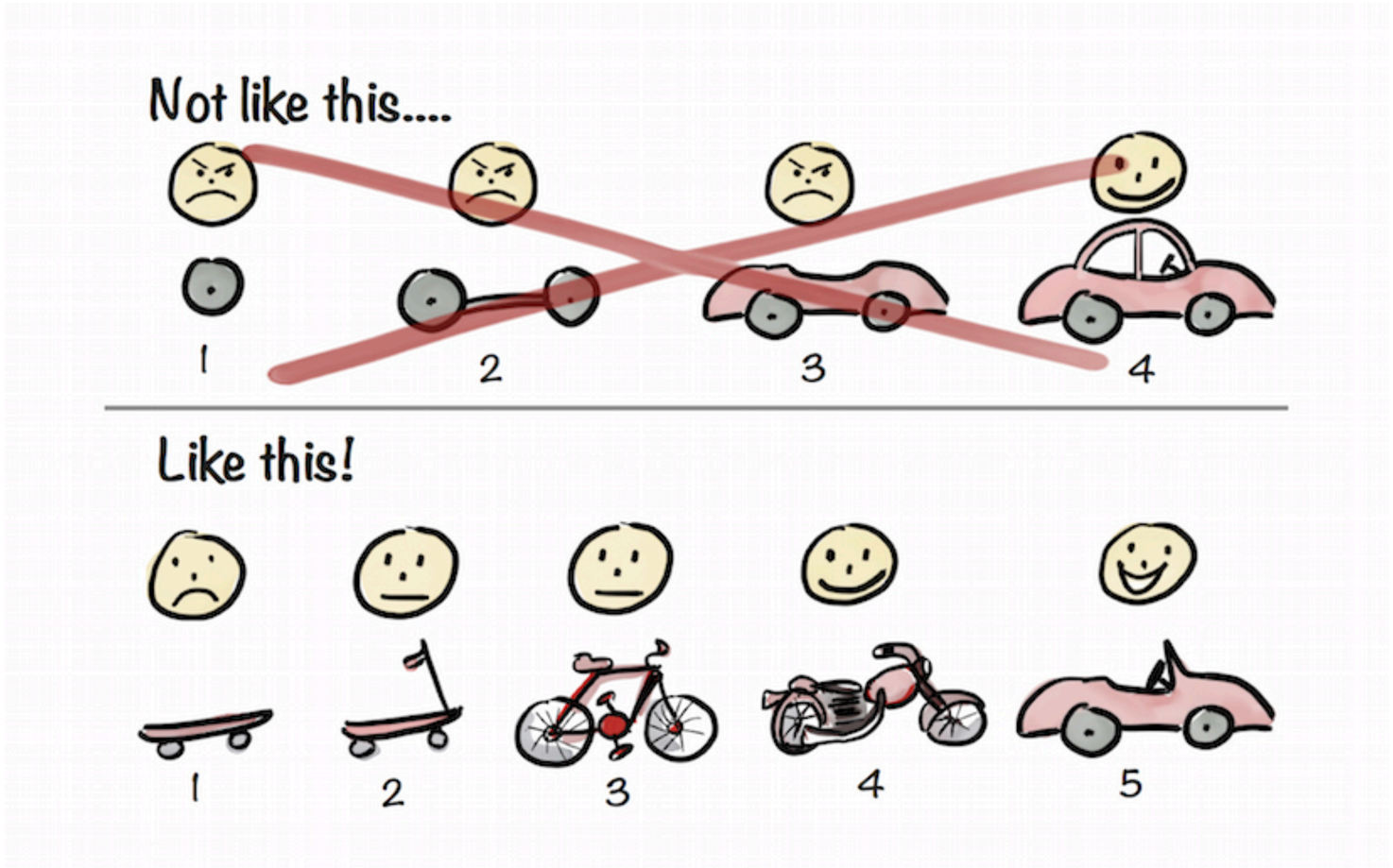
The more you know about the problem area, the more confident you can be.

Become an expert in the area. Learn everything you can.

This is a major 🔑and you will be at a massive advantage Vs others if you do.

This is your IP!

What is an MVP



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Concierge MVP

Deliver the value to the user without building anything. Provide them with a great experience.

Replace the automated bits with a human for now. Automate when you know its worth it.

Do things that don’t scale

When to use:

- When generating + discovering ideas without fixed solution

Benefits:

- You learn loads about your users and the amount of value you’re offering

Concierge MVP Examples

WealthFront

Gave 1-1 advice to those that wanted to give the service.

Provided the value of ‘financial advice’, and then moved forward to ‘automated financial advice.

Can you just provide value to someone today?

A blog

Instagram Account

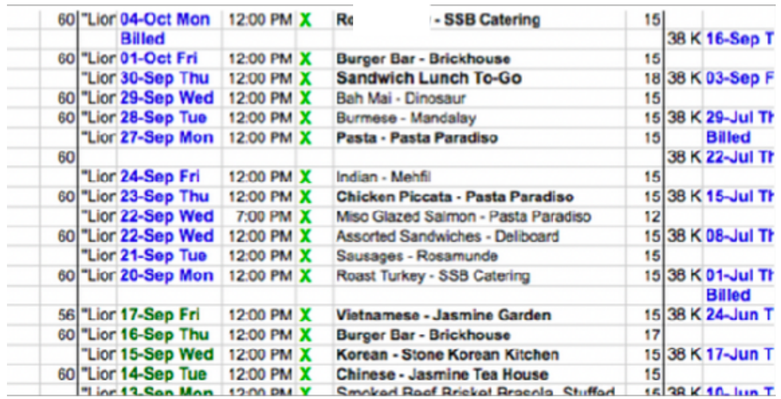
Tiktok

Wizard of Oz

Zero Cater

Supplies meals to companies

Started as a spreadsheet as he was working at Justin TV. Had a landing page and manually handled the orders.



60	"Lion	04-Oct Mon	12:00 PM	X	Re	- SSB Catering	15		
		Billed						38 K	16-Sep T
60	"Lion	01-Oct Fri	12:00 PM	X	Burger Bar - Brickhouse		15		
	"Lion	30-Sep Thu	12:00 PM	X	Sandwich Lunch To-Go		18	38 K	03-Sep F
60	"Lion	29-Sep Wed	12:00 PM	X	Bah Mai - Dinosaur		15		
60	"Lion	28-Sep Tue	12:00 PM	X	Burmese - Mandalay		15	38 K	29-Jul Th
	"Lion	27-Sep Mon	12:00 PM	X	Pasta - Pasta Paradiso		15		Billed
60								38 K	22-Jul Th
	"Lion	24-Sep Fri	12:00 PM	X	Indian - Mehfil		15		
60	"Lion	23-Sep Thu	12:00 PM	X	Chicken Piccata - Pasta Paradiso		15	38 K	15-Jul Th
	"Lion	22-Sep Wed	7:00 PM	X	Miso Glazed Salmon - Pasta Paradiso		12		
60	"Lion	22-Sep Wed	12:00 PM	X	Assorted Sandwiches - Delibcard		15	38 K	08-Jul Th
	"Lion	21-Sep Tue	12:00 PM	X	Sausages - Rosamunde		15		
60	"Lion	20-Sep Mon	12:00 PM	X	Roast Turkey - SSB Catering		15	38 K	01-Jul Th
									Billed
56	"Lion	17-Sep Fri	12:00 PM	X	Vietnamese - Jasmine Garden		15	38 K	24-Jun T
60	"Lion	16-Sep Thu	12:00 PM	X	Burger Bar - Brickhouse		17		
	"Lion	15-Sep Wed	12:00 PM	X	Korean - Stone Korean Kitchen		15	38 K	17-Jun T
60	"Lion	14-Sep Tue	12:00 PM	X	Chinese - Jasmine Tea House		15		
	"Lion	13-Sep Mon	12:00 PM	X	Smoked Beef Brisket Bracola, Stuffed		15	38 K	10-Jun T

Yipit

Daily deals aggregator

"We created a simple admin page where a deal could be entered in (title, picture, price, etc.). "

We then hired a part-time person who would wake up every morning, go to the 20 daily deal sites and manually type the deals into our system and assign them to categories like restaurants, massage, spa, etc"

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