

Idea Refinement

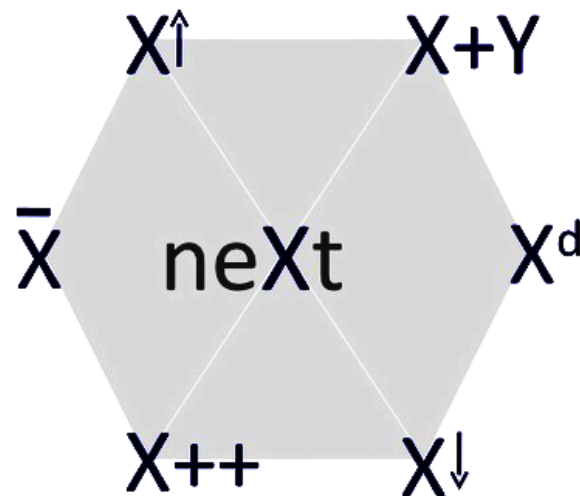
Lecture 2B
GSL Peru 2014

Review Lecture 1



Review

- Myths about Entrepreneurs and Startups
- Types of Innovations
- neXt framework



Review - Improvisation and Innovation

- Play
- Fail
- Say YES AND
- Listen - keep an open mind
- Play the game
- Relax and have fun!

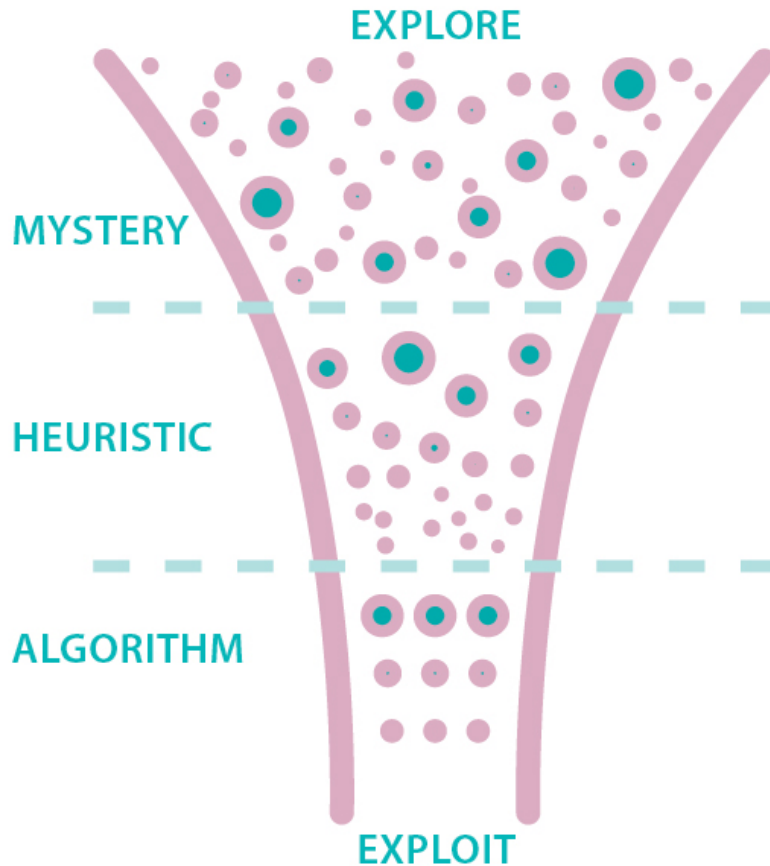
Review - IDEO's Rules in Brainstorming

- One conversation at a time
- Stay focused on topic
- Encourage wild ideas
- Build on the ideas of others
- Defer judgment
- Do not fear failure

Idea Refinement



Making Ideas Better



Roger Martin's
Knowledge Funnel

Knowledge Funnel

- **Mystery**
 - Exploration of the problem
 - Just like our idea generation exercise
 - Create many ideas as possible
- **Heuristic**
 - Use rule of thumb (educated guess) to narrow down scope
- **Algorithm**
 - convert rule of thumb to a formula

What is the rule of thumb?

Standard feasibility measures:

- Technical
- Economic
- Legal
- Operational
- Scheduling

What is the rule of thumb?

Entrepreneurial

- **Look for solutions that require the least resources**
 - Capital (Money)
 - Assets (Equipment, land, etc)
 - Can be leased or outsourced
 - OpEx (Operational Expenses)
- Look for solutions that generates revenue quickly
- Look for solutions where large volume is not required to profit
- *Look for solutions where execution does not have to be perfect*

What is the rule of thumb?

- **Look for solutions where big margins**
- Look for solutions where customers are easy to identify
- Look for solutions with broad appeal
- *Look for solutions where buyers does not have all the power. ex. iPhone*
- Avoid fads
- Avoid solutions that require a global market
- Avoid solutions that require OEM to succeed
- Avoid solutions that require government policy
- Avoid solutions that extend 3rd party products

What is the rule of thumb?

- **Avoid solutions that require long lead time (Government contracts)**
- Avoid solutions that require multi-party buy-in (internal/external)
- Avoid solutions aimed at non-profits
- **Look for solutions with big impact/differentiator**
- *Avoid Swiss-Army Knife solutions - Jack of All Trades, Master of None*
- *Avoid complex solutions that take long time to implement*

What is the rule of thumb?

- Look for solutions with sales growth
- Avoid solutions that need to change behavior <-> Look for solutions close to customer behavior
- Find solutions that creates family of products - Microsoft Office

What's the rule of thumb?

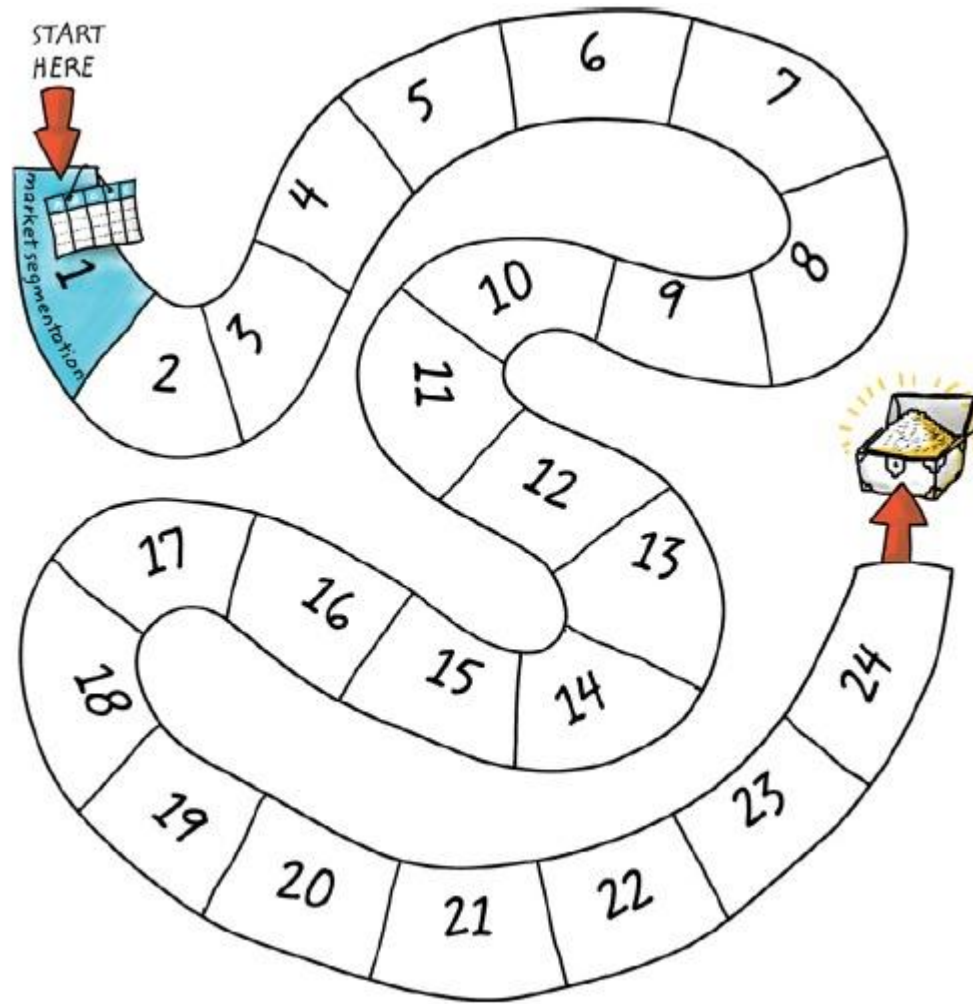
“What is the single necessary and sufficient condition for a business?’ It is not a product, a technology, a customer need, a business plan, a vision, a strong team, a CEO, money, investors, competitive advantage, or company values. The single necessary and sufficient condition for a business is **a paying customer.**” - Disciplined Entrepreneurship

Need to create value for the customer!

Who and Where are these paying customers?

I can generally see them
and describe them to you
but they are not
in completely
clear focus yet





Who and Where are these paying customers?

- Who is end the user?
- What tasks do they perform?

Examples, Teachers, Students, Housewife, Business Executive, etc.

Example - Who? Teacher

- Public school, private school, pro-chial school, home school?
- High school, middle school, elementary school?
- Urban, Suburban, rural?
- English, math, science, physical education?

Example - What? Teacher

- Teach
- Grade assignments
- Discipline
- Order supplies
- Teach multiple subjects
- Administrator

Narrow Customers

- Is the target customer well-funded?
- Is the target customer readily accessible to your sales force?
- Does the target customer have a compelling reason to buy?
- Can you today, with the help of partners, deliver a whole product?

Narrow Customers

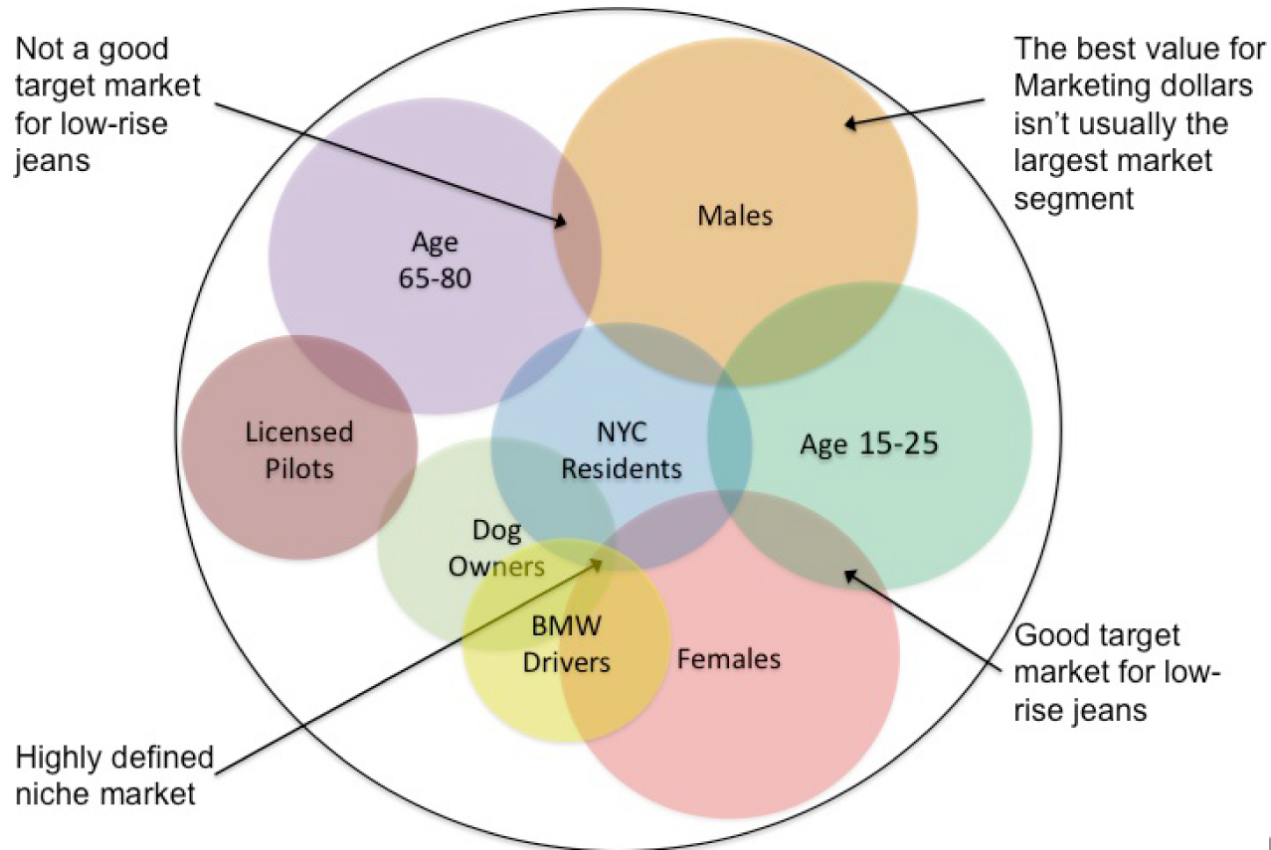
- Is there entrenched competition that could block you? (Switching costs, etc)
- If you win this segment, can you leverage it to enter additional segments?
- Is the market consistent with the values, passions, and goals of the founding team?

How can you test?

Talk to your customers!

- pain points
- opportunities
- market information

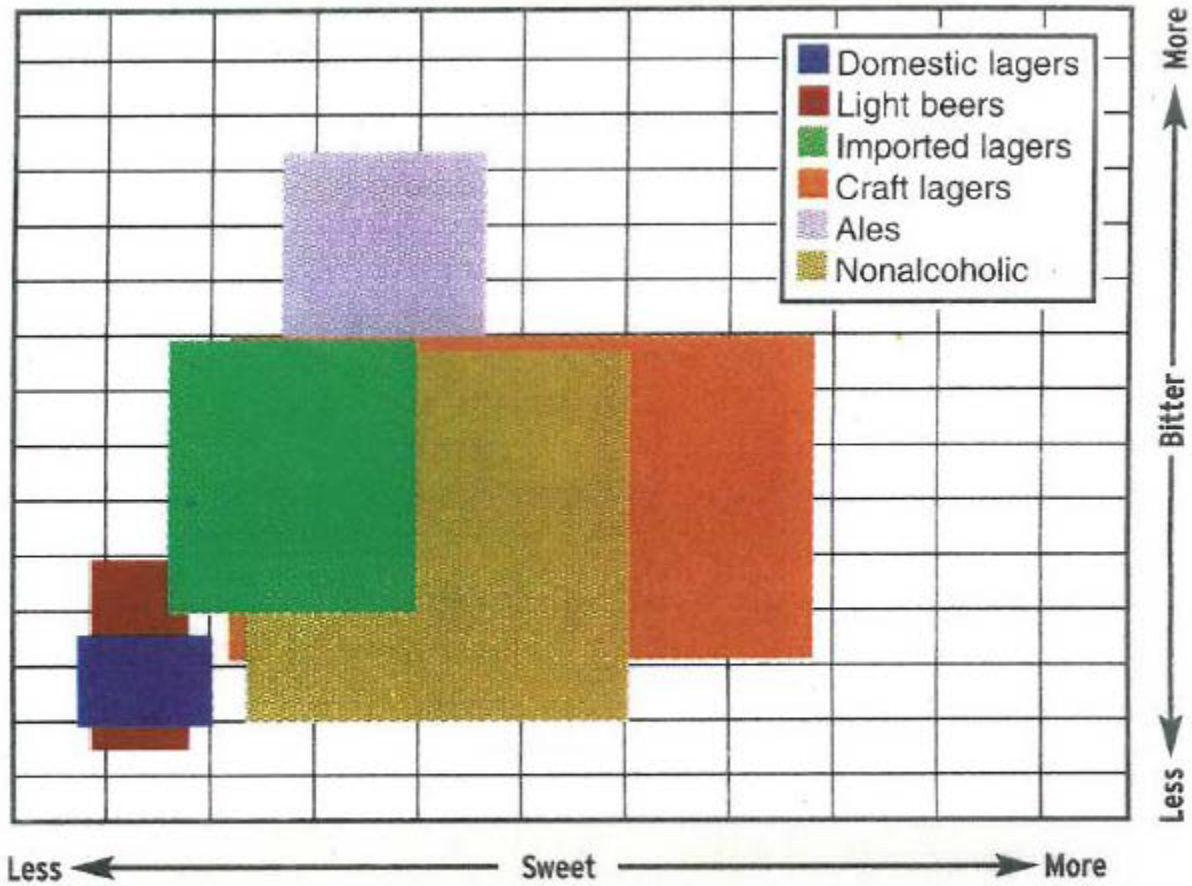
Market/Market Segmentation



<http://marketingstrategytemplat.blogspot.com/2013/02/market-segmentation.html>

Excercise - Beer Market

What is the beer (cerveza) market?



Mapping the taste of beer

The paradox of beer is that it can be bitter (from hops), sweet (from grain)

Market Research

- End User
- Application/Uses
- Benefits - Value
- Lead Customers - “early adopter”
- Market Characteristics
- Partner/Players
- Size of Market

Tips!

- Keep an open mind
- Have multiple ideas
- Experiment
- Fail quickly
- Know your customers!
- Create Value!

References

- 15.390 New Enterprises Lectures - Bill Aulet
- Disciplined Entrepreneurship - Bill Aulet

Homework - Three Business Ideas

- Due Monday 14 July 2014
- Application or development of technology
- No services
 - No Consulting
 - No Restaurants
 - No Store Fronts

Homework - Three Business Ideas

- What is the problem your product or service is going to solve?
- What types of people or what types of companies suffer from this problem?
- How widespread is this problem? How critical is it that customers solve this problem?
- What is the innovation or competitive advantage behind your product?