

Business idea validation

What is the problem to be solved?

Barbara Diehl, UCD Innovation Academy

www.innovators.ie



UCD Innovation Academy

- Teaching and training unit within UCD → training in creativity, innovation, entrepreneurial thinking & mindset
- Founded in 2010. Initially focused on PhD students
- Now working with UG, PG, PhD, Early-stage researchers, corporate clients, educators
- Strong international engagement



WHY IS ENTREPRENEURIAL EDUCATION IMPORTANT?

The world of work is changing



“...students currently in the education system will have held an average of 10-12 jobs by the time they reach the age of 38.”

“Over 60 per cent children today will work in jobs that currently don’t exist.

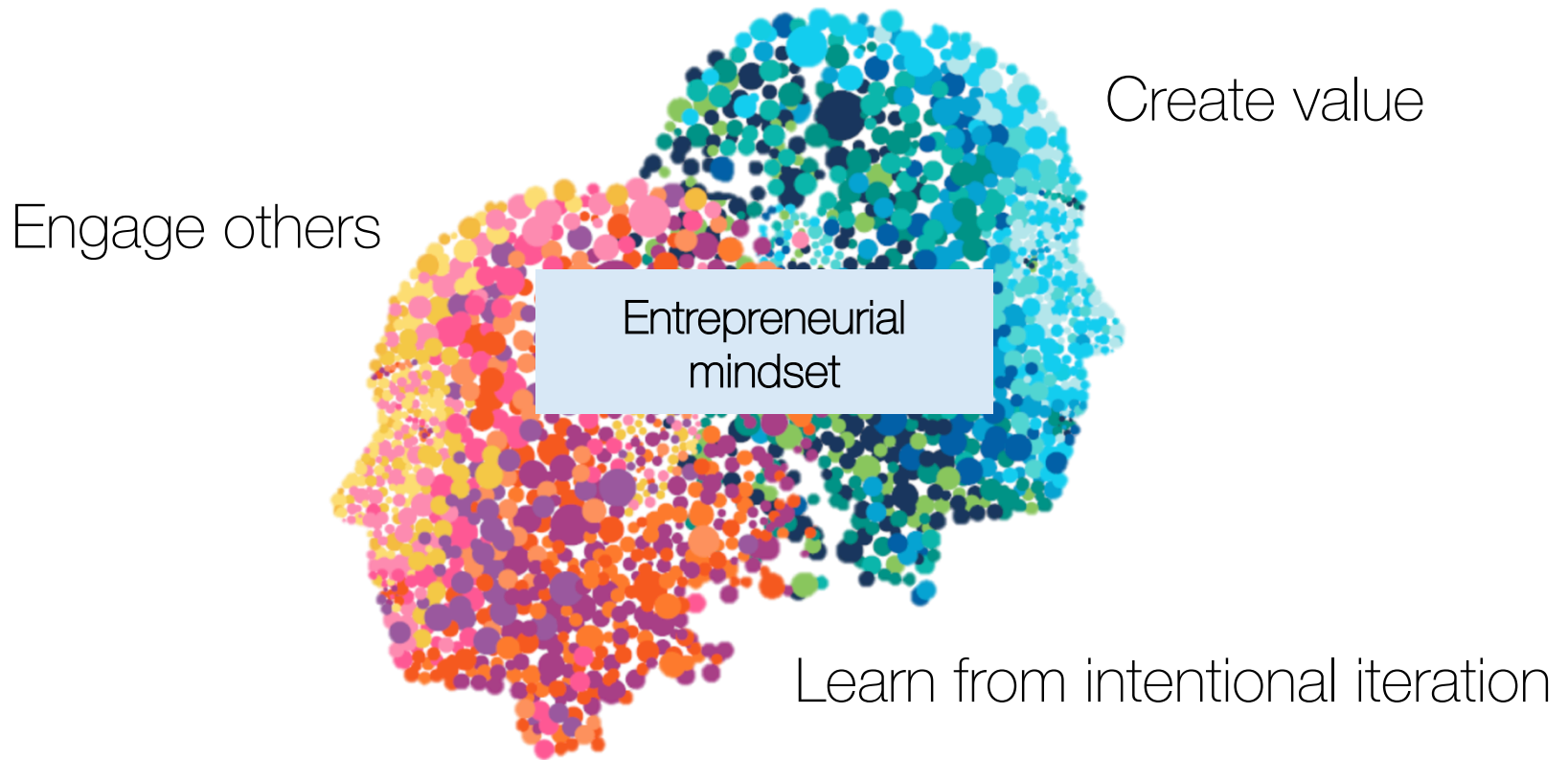
IBEC Report on Entrepreneurial Education, 2015



“A great memory does not make a great mind, any more than a dictionary is a piece of literature.”

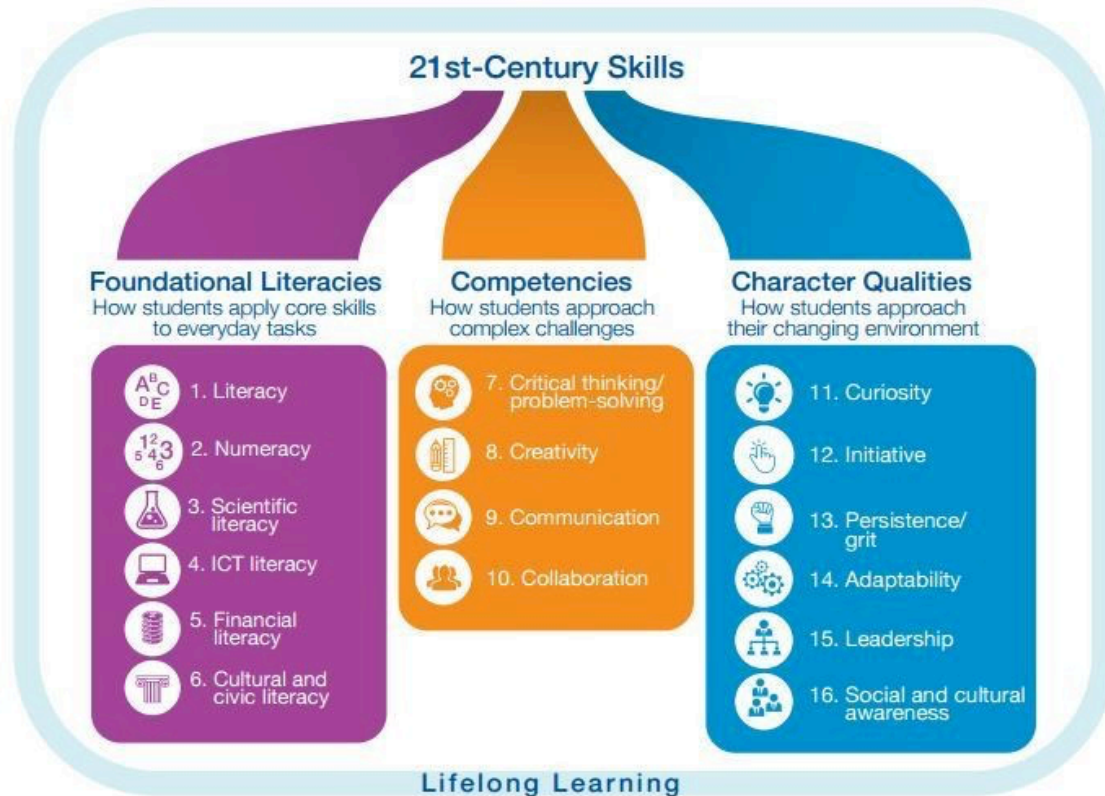
John Henry Newman (1801-1890)

THE ENTREPRENEURIAL MINDSET



WHY IS ENTREPRENEURIAL EDUCATION IMPORTANT?

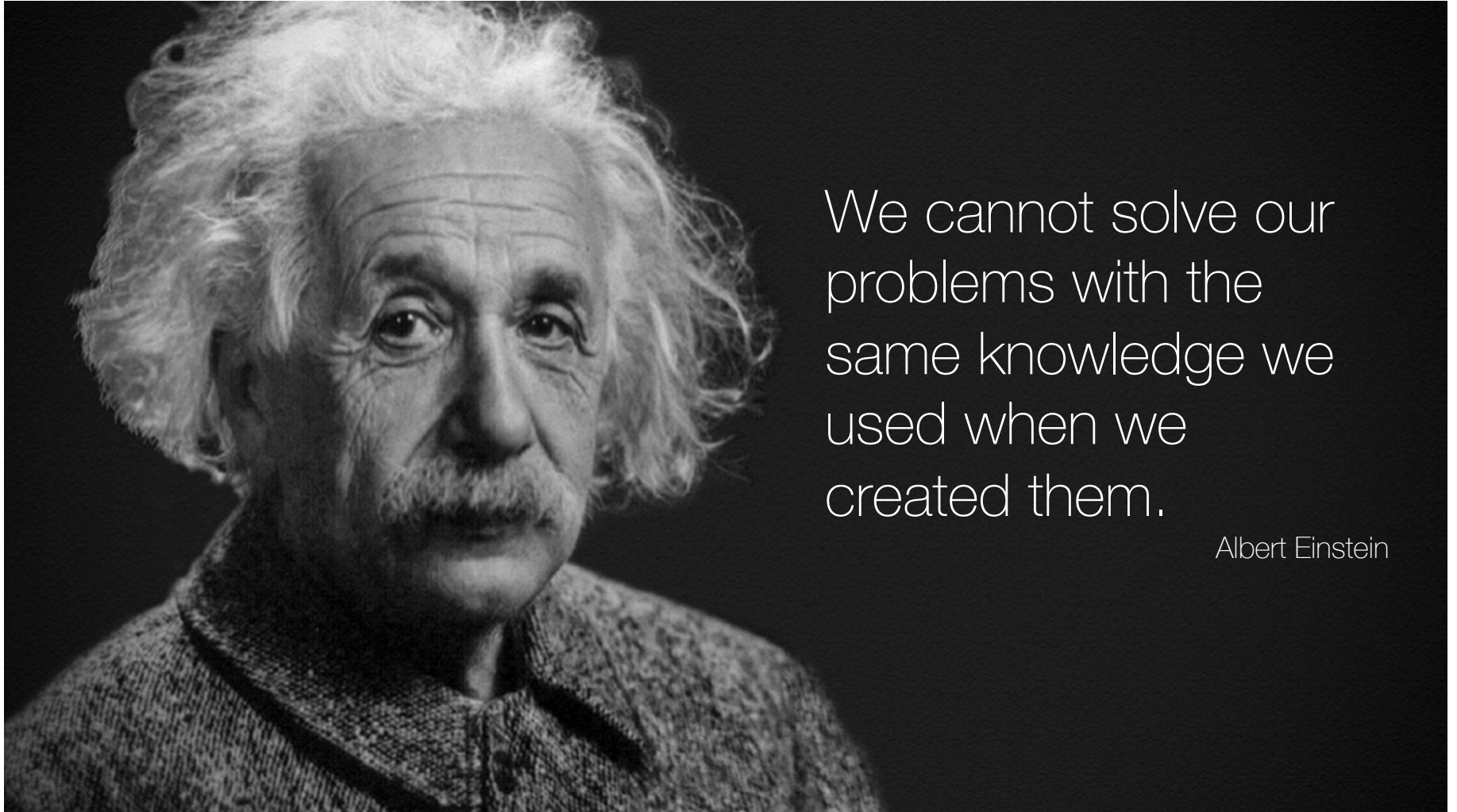
Exhibit 1: Students require 16 skills for the 21st century



Note: ICT stands for information and communications technology.

“The gap between the skills people learn and the skills people need is becoming more obvious, as traditional learning falls short of equipping students with the knowledge they need to thrive...”

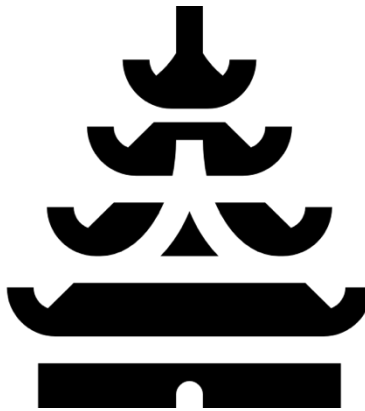
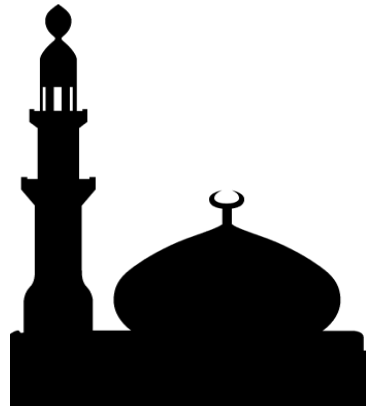
IN A NUTSHELL



We cannot solve our problems with the same knowledge we used when we created them.

Albert Einstein

On Day 1 a start-up is a
faith-based enterprise



Steve Blank



Top reasons why start-ups fail (2017)

1. **No** market need
2. Ran out of **cash**
3. Not the right **team**
4. Got outcompeted
5. Pricing/cost issue
6. **Poor** product
7. Need/lack business model
8. Poor marketing
9. **Ignore** customers

Challenge: Think problem led NOT solution led

**Most technology
start-ups think
solution led, NOT
problem led**



**We tend to fall in love with
our first idea – MAJOR
MISTAKE**

**be open to change
as you *discover*
what customers want**

The uncomfortable truth...

**Your
hunches about your
venture are
(probably) **WRONG****

At the early stage, accept that the baby is ugly...

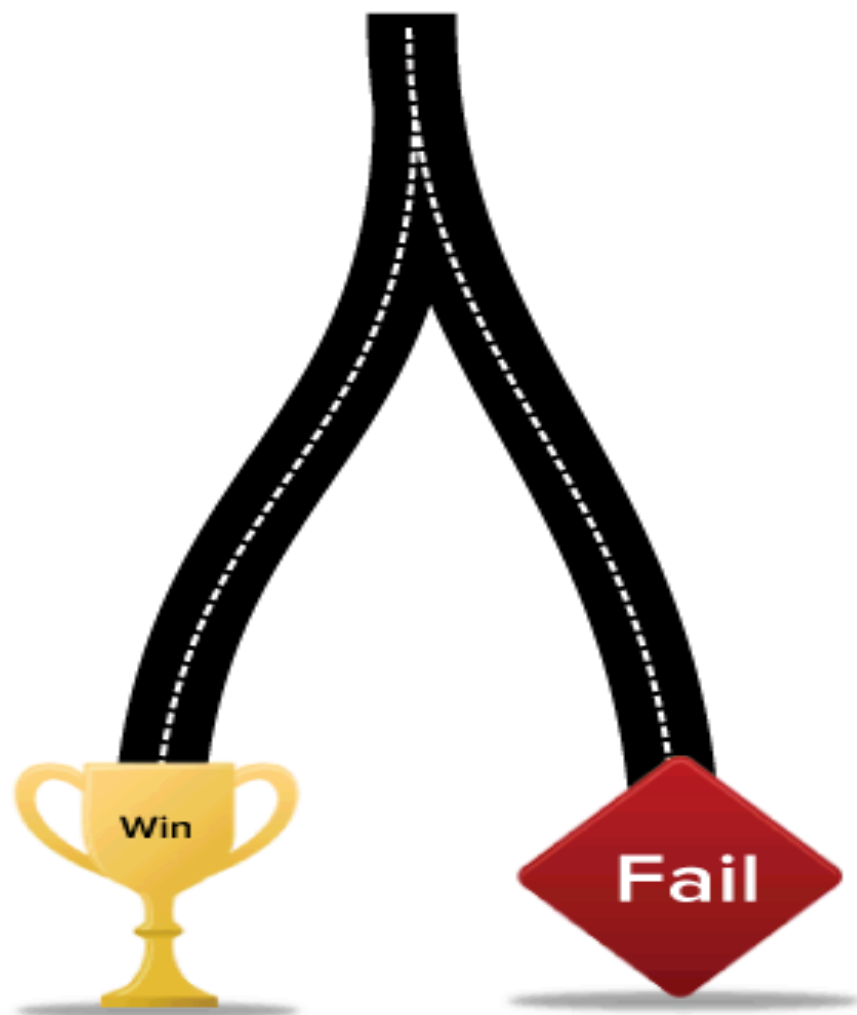


things we think we know
then our known unknowns
then our unknown unknowns

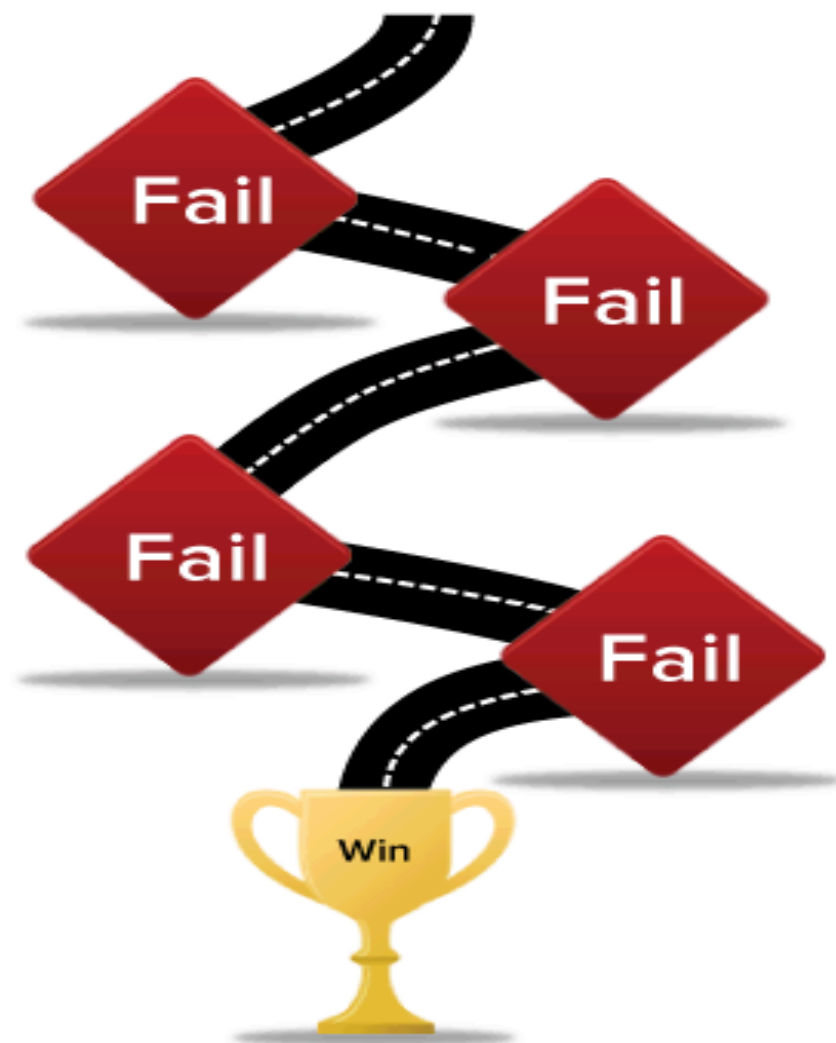


**Most successful
entrepreneurs don't begin
with brilliant ideas –
they discover them**

What Most People Think



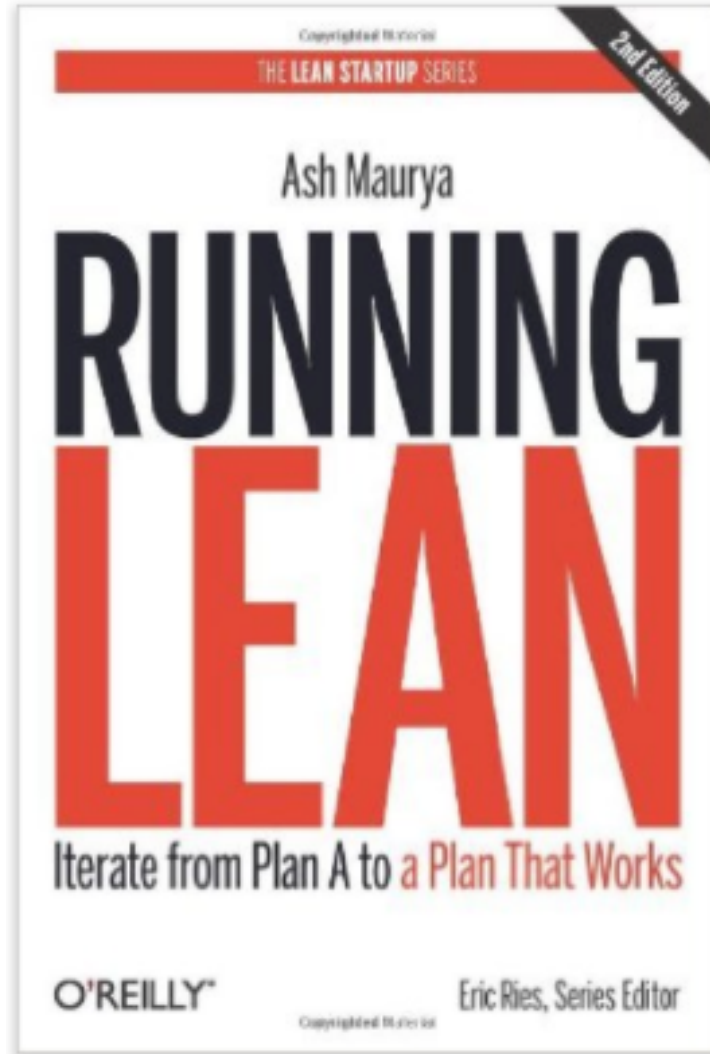
What Successful People Know



Iterate & pivot



Introduction - Ash Maurya (2012)



“Life’s too short to build something that nobody wants.”

Ash Maurya

The Lean Canvas - Ash Maurya

<p>Problems</p> <ul style="list-style-type: none">· 3 problems	<p>Solution</p> <ul style="list-style-type: none">· 3 features	<p>Unique Value Proposition</p> <ul style="list-style-type: none">· how we are different· worth buying	<p>Unfair advantage</p> <ul style="list-style-type: none">· can't be easily copied	<p>Customer Segment</p> <ul style="list-style-type: none">· who we serve
	<p>Key Metrics</p> <ul style="list-style-type: none">· evaluate progress		<p>Channels</p> <ul style="list-style-type: none">· sell to consumers	
<p>Cost Structure</p> <ul style="list-style-type: none">· most significant costs			<p>Revenue Streams</p> <ul style="list-style-type: none">· asset sale · licensing· subscription	



Step 1: What is the need?

First, focus
on the PROBLEM
to be solved

Step 2: What is the need & who has this need?

**Define the individuals
who you think have
the problem or need.**

Go discover!

The Lean Canvas - Ash Maurya

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What are the customer's problems?

- **Problem priorities - What keeps you up at night?**
 - Real problems are the only ones that matter. **What do they care about?**
- **Problem drilldown**
 - Collect information on the evolution of the problem to see if changes are forthcoming. **What is the root cause of these problems?**
- **Intensity of pain / delight for the gain**
 - Questions around the intensity of the pain allow you to understand the buyer mode, the impact and the perceived value. **Why should you solve *this* problem?**
- **Problem ownership**
 - These questions help you understand if your prospect could be a buyer? **Could he/she purchase your solution?**
- **Influencers**
 - Influencers tell you how you can reach and influence these companies or individuals. **Who do they take advice from?**

Solutions & value proposition design

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Value proposition: On what grounds are you competing?

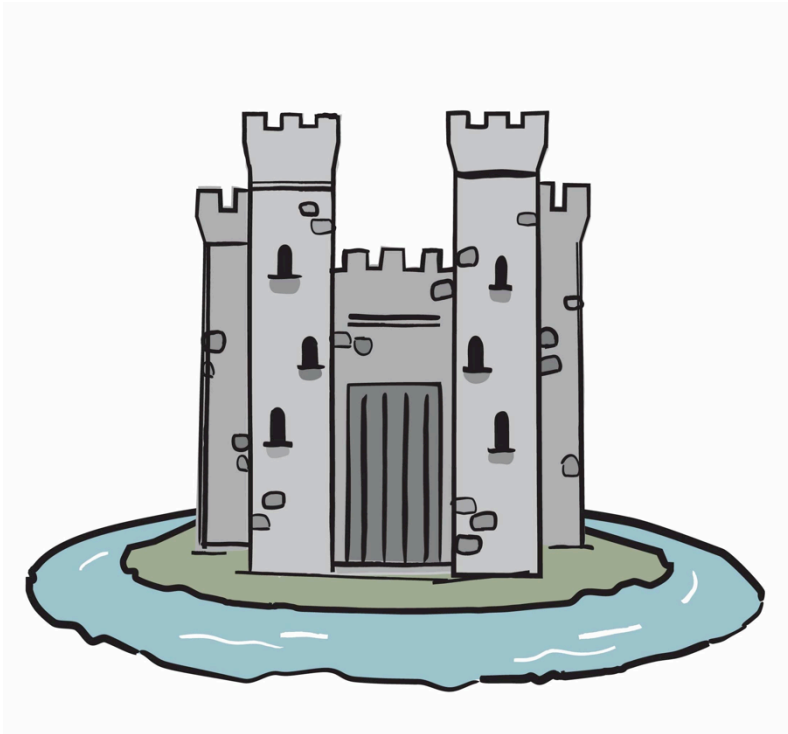
- **Newness**
- Performance
- **Customization**
- “Getting the job done”
- **Price**
- Risk/cost reduction
- **Design**
- Convenience/usability
- **Accessibility**

What do you have that can't be easily copied?

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How deep is your moat?



- Intellectual resources (e.g. brands, copyrights, patents, etc.)
- Human resources (e.g. special smart people)
- Physical assets (e.g. facilities, machines, etc.)

How are you delivering your value?

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Questions to ask:

- Through which channels do our customers want to be reached?
- How are we reaching them now?
- How are these channels integrated?
- Which channels works best?
- Which ones are the most cost-efficient?
- How are we integrating them with customer routines?

Types of channels:

- Sales force
- Web sales
- Own stores
- Partner stores
- Wholesaler

How are you going to make money?

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Questions to ask:

- For what value are our customers really willing to pay?
- For what do they currently pay?
- How are they currently paying?
- How would they prefer to pay?

Types of revenue streams:

- Asset sale
- Usage fee
- Subscription fees
- Lending/renting/leasing
- Licensing
- Brokerage fees
- Advertising



How much will it cost you?

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Questions to ask:

- What are the most important costs inherent in our business model?
- Which key resources are the most expensive?
- Which key activities are the most expensive?

Characteristics:

- Fixed costs
- Variable costs
- Economies of scale

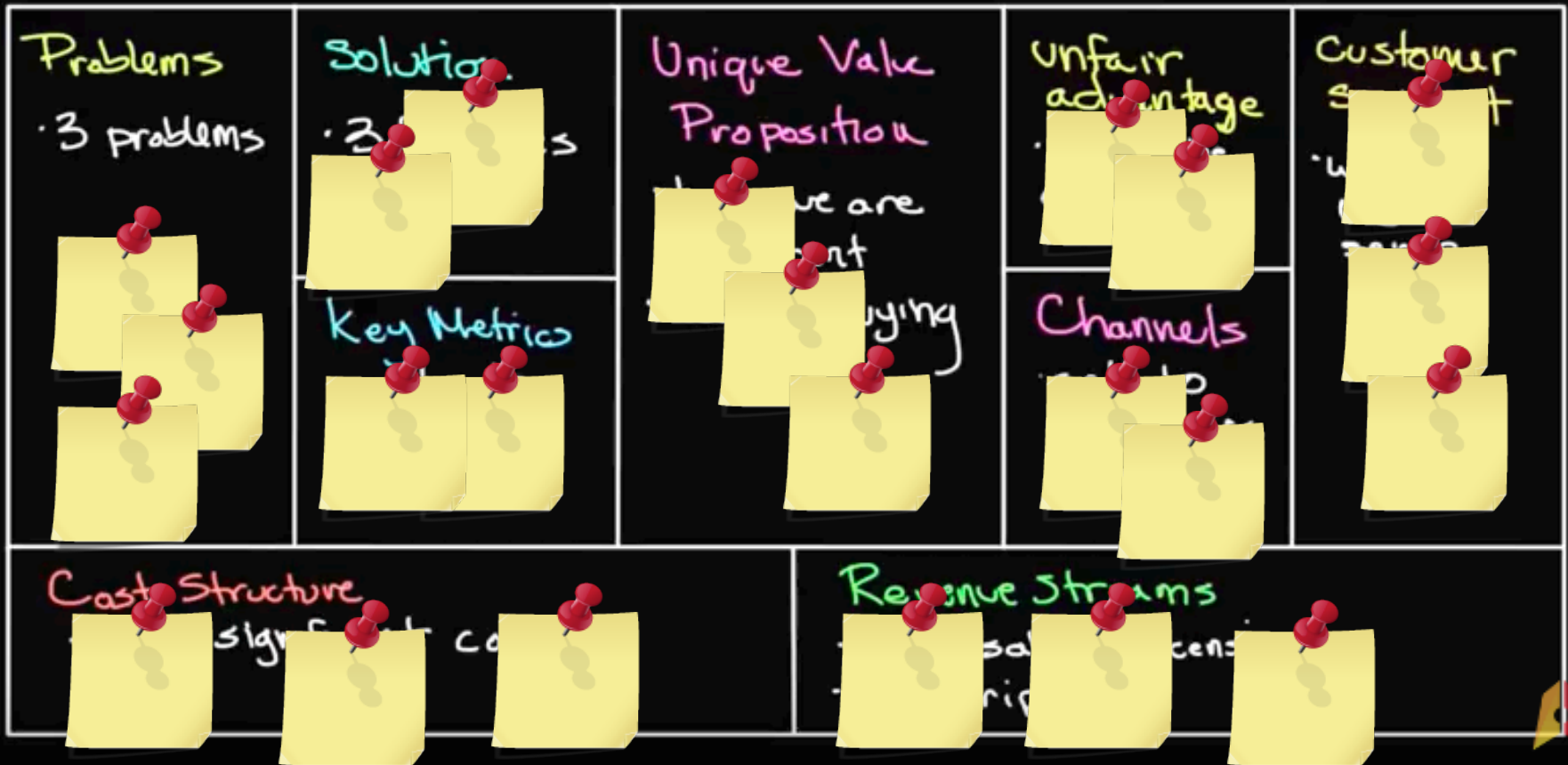


How are you evaluating your experiments?

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The Lean Canvas - filled



Conclusion

- No business idea survives the first contact with customers ...Failure is an integral part of the search for a business model.
- The facts/insights are not inside this building...get outside!
- Co-create your problem-solution fit with your customers!
- Learning that a hypothesis is wrong is not a crisis. A pivot is not a failure, it's a normal part of the process...
- Build a minimally viable product (MVP). Great way to get customer feed-back!

Thank you!



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