

Idea validation

The absence of money and inability to execute the idea are often mentioned as reasons for failure, the root cause is usually lack of proper market research. What makes studying the potential of new ideas difficult is that it can sometimes be almost impossible to tell a difference between a good and a bad idea. Sometimes even the most bizarre ideas can turn out great. Think of Airbnb and Uber, classic examples of successful business ideas that people were sceptic about at first. There are also ideas that make perfect sense but still manage to fail. Although everyone wants their ideas to be loved, only a fraction of those ideas are worth executing by your team. To learn if an idea has a chance to succeed, it needs to be validated. In this lecture, we'll take a look at idea validation from the perspective of validating a new business idea, concept or a product. Here we'll refer to all of these as ideas. We'll also introduce some tools that you can use to discover whether or not your idea has real potential.

What is idea validation?

Idea validation is the process of gathering evidence around ideas through experimentation to make fast, informed and de-risked decisions. It's a process that starts from an idea and typically ends with a paying customer. The purpose of idea validation is to expose the idea to the practicality of the real world before you build and release the final product or offering.

Why should ideas be validated?

New ideas have unpredictable elements and if some of them go wrong, it can destroy your plans at once. Validation reduces the risk, speeds up the delivery of a value-creating service in the market, and minimizes the costs. An idea should be validated before investing a significant amount of time and resources in developing it to avoid building and launching a product or concept no one wants or isn't willing to pay for. The purpose of idea validation is to make sure your idea has real demand, otherwise there's a real risk of it becoming "just another cool idea". The idea must either be able to solve a real problem, fulfil its intended purpose or appeal to other incentives. Validating the problem first and seeing if your solution can solve that problem is typically the smartest approach. Creating a solution first and only then looking for a problem it *could* solve, is a bad idea if you want to minimize the risks. Google Glass is just one example of a seemingly good idea that was executed but no one really wanted or needed. Not only was it marketed badly, it also looked unattractive, and had some safety and health concerns. It's ridiculously high price tag (\$1500) didn't make the situation any better especially when it failed to offer a clear benefit for the user. It was unclear why people might need it in the first place except for violating other people's privacy more easily.

In some cases, an idea can be validated to:

- See if the timing is right

- Confirm that you can sell and deliver the solution efficiently enough

If no one is willing to pay for your offering, the timing might be wrong, or, it could be that it's just not a very good idea to begin with.

Factors that contribute to the success of your idea

Validation is a continuous process for improving your idea and doesn't stop with the first assumption. Even if you had a real problem and a validated solution for it, there are other aspects that might need to be validated as you develop your idea:

- **Adopter categories and social systems** – How appealing is your idea to the relevant adopter categories?
- **Compatibility** – Is your idea perceived to be consistent with the needs of potential adopters?
- **Relative advantage** – Is the idea perceived to outperform competition? How is it perceived to be better? Is it actually better?
- **Complexity** – Is the idea easy to understand or does it require new knowledge and skills?
- **Trialability** – Can your offering be experimented before making a purchase?
- **Observability** – Are the benefits of your offering visible for others?

How to validate an idea

As already mentioned, there are obviously different ways to validate an idea. The best way to do so depends on the nature of that particular idea. If there isn't much uncertainty, validation might not be necessary. However, when it comes to new business ideas, products and concepts with more risk, idea validation is highly recommended. Validation is ultimately about **testing assumptions**. It's important to test the riskiest assumption first and not to waste your time on something that doesn't have potential.

Steps to validate your idea

Although there are multiple different ways to validate an idea, the overall validation process is quite simple and straightforward:

1. Define goals –
2. Develop a hypothesis –
3. Experiment –
4. Validate –

In an early stage you want to focus on validating your assumptions to make sure the most critical ones for your business are true. For example, you might want to validate your target market and its potential to see if your idea is valuable and appeals to the market you've

defined. If, however, your assumptions regarding your market and idea are valid, you can start testing your product to learn how all of the elements work in reality. Here's how to get started with the idea validation process:

1. Define your goal

Just like any idea management-related activity, validation starts with defining your goals. In this stage, you'll decide what you want to learn and what aspects to validate.

Your goal can be one of the following, for example:

- **Problem** – Is your problem true/worth solving?
- **Solution** – Is your product/offer going to solve the problem?
- **Features** – How do the core features of your product work?
- **Business model** – Is your business model viable and scalable?
- **Price** – Is there enough demand to make your business model work with the price you've set? How does your pricing model work in practice?

Although these themes are common and important, they're just examples. The purpose of your goal is to identify the most critical assumption related to your specific idea, so make sure you start with the most significant one. For you it can be an assumption that is most likely to happen, but you can also start with an assumption that has the biggest downside or the worst expected value. Map out all your assumptions regarding your idea and prioritize the one that's the most critical for your idea to succeed.

2. Develop a hypothesis

After you've defined your goal for idea validation, it's time to develop a hypothesis based on that goal. A useful hypothesis is a testable statement, which often includes a prediction. The key here is to start from the most critical assumption. That is the one that's the most likely to fail, and would also have the direst consequences. What would have to be true for the idea to be feasible? The key is to start from the most critical assumption. That is the one that's the most likely to fail, and would also have the direst consequences. In Airbnb's case, for example, its main critical assumption was that people are willing to stay at a stranger's house and that home owners are willing to rent out their homes for strangers. For Airbnb, this was their most critical assumption because the entire idea depends on other people willing to share their homes. Although house-swapping was already a pre-validated concept and an efficient way to travel with little money, Airbnb's concept was different. Airbnb's idea was validated before they even had one. They were looking for ways to pay their rent when they realized that a huge conference was coming to town and all the hotels were booked up. The founders bought three airbeds to the apartment, offered their guests a bed-and-breakfast service and showed their guests around the city, which allowed them to pay their rent and validate their business idea at the same time.

Usually coming up with the hypothesis isn't difficult. What's more important is to define the **minimum success criteria** for the test, which isn't always easy. For example, if 8 people out of 10 would say they'd rather sleep in a hotel than on someone's couch, does that mean Airbnb's idea is invalid?

3. Experiment and revise

Once you have developed a hypothesis, you can actually start validating that assumption by running experiments. The point of experimentation is to find the **fastest and cheapest way to test your assumption** in practice. An experiment is a test or a set of tests that measure the effects of a hypothesis and reveal whether or not you should proceed with your idea. In other words, an experiment is conducted to learn if your assumption is or isn't true. Often, the initial idea is just a starting point for a better and more refined idea because you almost always need to improve it. When you're going through the validation process, you have a chance to learn how to make your idea or product even better. There are tons of different ways to conduct an experiment:

- **Build an MVP (Minimum Viable Product)**
 - **Landing page**
 - **Email**
 - **Physical prototype**
- **Interview/survey**
- **Crowdfunding platform (such as Kickstarter)**
- **A/B test (make different versions of your advertising campaigns to see which one performs better)**

If you want to validate a problem, conducting interviews and surveys are often enough. When validating a price, you might want to create a landing page and conduct A/B tests. You might also want to try selling a fictitious product and use accepted offers as a measure. When you're doing research, ask for feedback; ideas, responses, comments and look for common answers to the following themes:

- People who say they'll buy your product = **Target market**
- What people are actually paying for it? = **Price**
- People who will buy/keep buying it = **Demand**

4. Validate and develop

In this stage, you should confirm your assumption to be either valid or invalid. If your idea has potential, and the most critical assumption is correct, you can start refining your idea. Although validation isn't always a guarantee of success, as it's the execution that matters, having validated the most critical assumptions and using the data you've gathered in the

validation process will definitely help when you start developing and implementing your idea.

Tools for idea validation

Validating an idea can easily become a chaos without the right tools and systematic methods for mapping and testing your assumptions. Luckily, there are some good idea validation tools that can be used for keeping track of your validation process:

Idea Validation Success Factors

Although each idea is different and most of them often cannot be validated by using the same methods, there are some general tips that can help succeed with the process.

1. Be ruthlessly critical

People who build businesses are almost always optimists, and while you definitely need a certain amount of optimism, having too much of it won't get you very far. There are far more bad ideas than there are good ones and even for the good ideas, there are far more bad solutions than there are good ones. The only way to get past this issue and to make better decisions is to be highly critical of your own work.

2. Keep the validation process simple

Keeping the process simple and effective is the key to fast learning. Often your assumptions are different from your actual challenges. So, instead of listing every single assumption and spending tons of time making sense of them, treat your process as a simple, general framework. Pay attention to picking the right selection criteria and metrics and focus on the most essential aspects of your business first. You have plenty of time to focus refining the details once you know your business idea is solid and the big picture works. The point of validation isn't to come up with a perfect solution but to make sure your idea has potential.

3. Involve the right target audience

When validating a new idea and gathering feedback, involving the right audience is the key. Although your nearest and dearest are the first ones to support your idea, friends and family aren't usually the most reliable source of feedback. Your idea validation process depends on the ability to gather accurate information regarding your idea. Therefore, finding the right people who know enough about the business or the topic of your idea is necessary.

4. Be systematic

Idea validation should be done in a **systematic manner** to keep track of the assumptions you have regarding your idea, as well as the measurable results you've received from testing it.

You can gather all validation data from different places, including feedback, validation boards, evaluation criteria, etc.

5. Look around and learn from others' mistakes

It's very unlikely you're the first and only one coming up with a new idea and there's a chance that there are several people who have had the exact same idea before you. Being aware of what happened to already existing ideas is smart as it can help avoid some of the critical mistakes already made. In most cases, having no competition isn't a sign of originality and innovativeness. Often, either the timing or execution of the previous ideas were poor, or the ideas were bad to begin with. It doesn't matter how well your product is executed if no one finds it useful. So, look at the players in the market and how they do things. Is there something you can learn from previous mistakes or your current competition to avoid making the same mistakes people have made before you?

Research

Market research

Every product design cycle should start with a robust research phase. Considering the conventional market-fit pyramid, this is where you will:

- Identify your target customers
- Identify underserved needs

This information is what you will use to start defining your value proposition and move on to the next levels.

Competitor research

Effective competitor research can be carried out by answering these questions:

- Are customers happy with the existing solutions to the problem you want to solve?
- Are competitors successful in solving this problem?
- What's the pricing or monetization model your competitors use?

- Is there a way you can bring additional value to get ahead of your competitors?

The answers to these questions will tell you whether there is a gap left for your solution/idea in the first place. If customers are happy and comfortable with your competitors' current solutions, what would make them switch over to a new one? Can you provide any significant cost savings or bring some value in another way? For example, by adding new functionality, improving the user experience, merging with other sought-after features and solutions, or just improving the existing performance (e.g., speed, reliability, bandwidth usage, etc.). In this way, you may be able to outdo your competitors, even if they seem to have beaten you to it. You can also identify common pitfalls and plan to avoid them.

Web research

The internet is a treasure trove of cheap and easy to come by information, including from consumers via feedback and reviews. The best place to find unbiased, candid consumer data is to go to their online hangouts. For example:

- **Facebook groups:** Look at competitors' customers' profiles to pull demographic info. Or, if you have a page, you can engage with them directly via chat, polls, posts and comments. Group pages dedicated to particular fanbases, products, etc. are excellent sources.
- **LinkedIn groups:** LinkedIn has got similar ways for businesses to connect with their audiences. Here, you can find more industry-savvy input for competitors and consumers alike.
- **Quora:** Discover questions, and answers, to literally anything. Find out what real people are struggling with, what they need, and what they are interested in.

Other platforms, like Twitter, Instagram, or Telegram can be equally good, depending on your customer base. The key is to identify where your audience is most likely to be and go find them. Using this research, start developing various consumer personas and start developing customer stories around your idea.

Conclusion

Idea validation is done to minimize the risk of implementing ideas no one wants or isn't willing to pay for. The purpose of idea validation is to make sure your product or business idea has potential and the most critical assumptions regarding your idea are valid. The point is to find the fastest and cheapest way to test your assumptions so that you can decide whether you're going to proceed with the idea or pivot. What makes validation difficult is that often your assumptions are different from the real challenges. Because there are tons of different aspects you can validate, the ability to identify the most significant ones requires a systematic approach.

In summary

Step 1: Brainstorm Internally

Step 2: Don't ask Family and Friends. They might lie to please you

Step 3: Choose your Interviewees

Step 4: Conduct Your Informal Interview

Step 5: Review and Decide

Reference

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