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5 STEPS TO VALIDATE YOUR BUSINESS IDEA

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 Entrepreneurship & Innovation, Entrepreneurship Essentials

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You've come up with an innovative business idea, [raised initial funding](#), and believe you have [what it takes to be an entrepreneur](#). What's next?

It's time to validate your offering's market potential.

WHAT IS MARKET VALIDATION?

Market validation is the process of determining if there's a need for your product in your target market. Validating your business idea can enable you to reasonably predict whether people will buy your product or service, and whether your business will be profitable.

It's important to validate your idea early in the entrepreneurial process to ensure you don't waste time and resources creating a product that isn't a good fit. Securing market validation can also instill confidence among investors, crowdfunders, and banks that are considering funding your startup.

By going through the process of validating your business idea, you can gain a deeper understanding of how your product does or doesn't meet your target customers' pain points. The insights you gain can help you create an offering that not only addresses your market segment's needs, but earns you your first paying customers.

Here are five steps to determine the market validity of your venture.

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5 STEPS TO DETERMINE MARKET VALIDATION

1. Write Down Goals, Assumptions, and Hypotheses

Writing down the goals of your business is the first step in market validation. The process of articulating your vision can illuminate any assumptions you have and provide an end goal.

Ask yourself:

- What's the **value of my product**?
- Who's the target audience, and what assumptions have I made about them?
- What differentiates my product from existing ones?
- What hypotheses do I have about my product, pricing, and business model?

Answering these questions can help you communicate the value and differentiating factors of your product, and illuminate assumptions and hypotheses you've made that are yet to be tested and verified.

Related: [How to Come Up With an Innovative Business Idea](#)

2. Assess Market Size and Share

Before moving forward with your venture, estimate the size of your target market and the share of it you could potentially capture. By doing so, you can gauge your business's potential and justify its launch.

In the online course [Entrepreneurship Essentials](#), Harvard Business School Professor William Sahlman uses mattress retailer Casper to illustrate this idea. In 2014, Casper's founders assessed the market size for their product by comparing its differentiating factors against the larger market. For Casper, these differentiating factors included its online business model, 100-day return window, and the viscoelastic foam material used in its mattresses.

Based on statistics for the mattress market at the time—including units sold per year, the percentage of the market owned by foam mattresses, and the number of mattress retailers that were e-commerce brands—Casper's founders narrowed down which segments they should target, and determined they could own a few percentage points of the total mattress market share.

Do this exercise for your target market. For products similar to yours, research sales data, the number and share of current manufacturers, and what percentage of the total market your segment holds. Determine where your product fits into the market and assess how much of it your business could own.

3. Research Search Volume of Related Terms

Another way to gauge the market validity of your business idea is to research the monthly search volume of terms related to your product or mission. When consumers need a product or service, they often use a search engine to see what the market has to offer.

You can use a host of resources to look up monthly search volumes, such as [Moz](#). In the case of Casper, a related search term might be “foam mattress.” According to Moz, the term garners more than 11,500 monthly searches, indicating a demand for the product.

If there’s not a lot of search volume surrounding your product, use terms that express customer intent. For instance, if you design a mattress made from a new, extra supportive material, you could look up how many people search for “best mattress for lower back pain sufferers.” Moz data indicates that the query yields 240 monthly searches.

This type of search volume for a longer, specific query isn’t negligible. In fact, it can be used to bolster your hypothesis that there’s a need for your product.

4. Conduct Customer Validation Interviews

Conducting interviews with your target market segment can be an effective way to learn about your product’s potential. This initiative might include hiring a market research company to conduct focus groups, sending out an online survey, or simply requesting a conversation with someone.

Ask potential customers about their motivations, preferences, needs, and the products they currently use. Circle back to the list you created in the first step of the market validation process, and frame any assumptions or hypotheses you made as questions to your interviewees. Be open to the feedback you receive and record it for future use.

The feedback may reflect that your product doesn't have strong market validity, in which case, you can use it to improve your offering and repeat the market validation process.

Related: [7 Questions to Ask for an Insightful User Interview](#)

5. Test Your Product or Service

Once you've determined there's space for your product in the market, ensure you're putting the most useful, intuitive version of it into the world. You can achieve this through alpha and beta testing.

- **Alpha testing** is when internal employees test a product in a staged setting. The purpose of alpha testing is to eliminate any bugs, issues, or idiosyncrasies in the product before it's available to outside users.
- **Beta testing** is when a product is tested by a limited group of real, external users who are specifically told to identify problems. In the case of a software or app, beta testing might be open to the public with a notice letting users know the version they're testing is unfinished.

Testing your product with real users can prove invaluable when assessing market validity. If there's a need in the market, but your product is faulty, complex, or difficult to use, customers may opt for a competitor's offering. The feedback you get from beta testers can help you better [leverage and meet customer needs](#).



TURNING FEEDBACK INTO ACTION

In [Entrepreneurship Essentials](#), entrepreneurship is described as a “process of discovery.” To determine whether your product is a market fit, you must seek feedback to validate the beliefs you hold about your product offering.

[Entrepreneurship](#) requires flexibility and hard work. If you put in the time to outline your goals and assumptions, assess the market, interview potential customers, and conduct tests, you can gather the information you need to build the best version of your product.

Are you looking to turn your idea into a viable venture? Explore our four-week online course [Entrepreneurship Essentials](#) and our other [entrepreneurship and innovation courses](#) to learn to speak the language of the startup world. If you aren't sure which course is the right fit, download our [free course flowchart](#) to determine which best aligns with your goals.

About the Author

Catherine Cote is a marketing coordinator at Harvard Business School Online. Prior to joining HBS Online, she worked at an early-stage SaaS startup where she found her passion for writing

content, and at a digital consulting agency, where she specialized in SEO. Catherine holds a B.A. from Holy Cross, where she studied psychology, education, and Mandarin Chinese. When not at work, you can find her hiking, performing or watching theatre, or hunting for the best burger in Boston.

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