

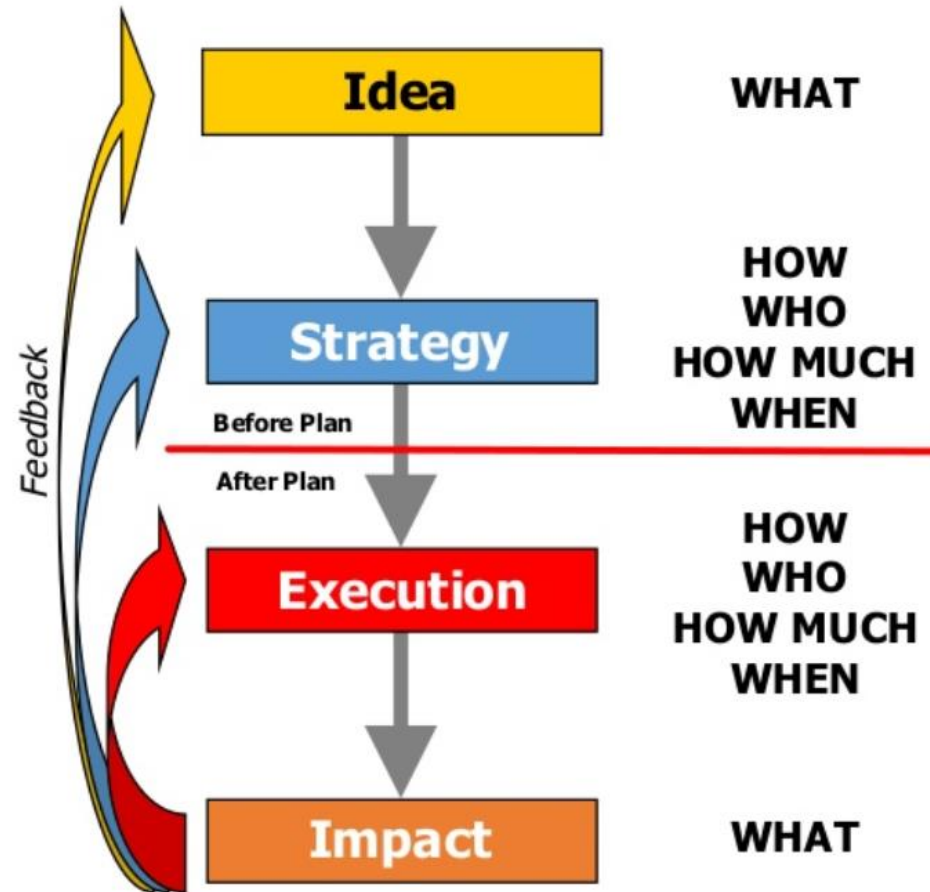
## **Chapter 2: Evaluation of startup ideas**

- Where do you get ideas from?
- Creative tools for idea generation
- Start-up process
- Applying design thinking in startups
- Evaluate startup ideas

# Chapter Objectives

1. To explain the challenge of new-venture start-ups
2. To Test Business Concepts
3. To examine why new ventures fail
4. To provide the tool to evaluate ideas

# Execution Cycle



# Ideation

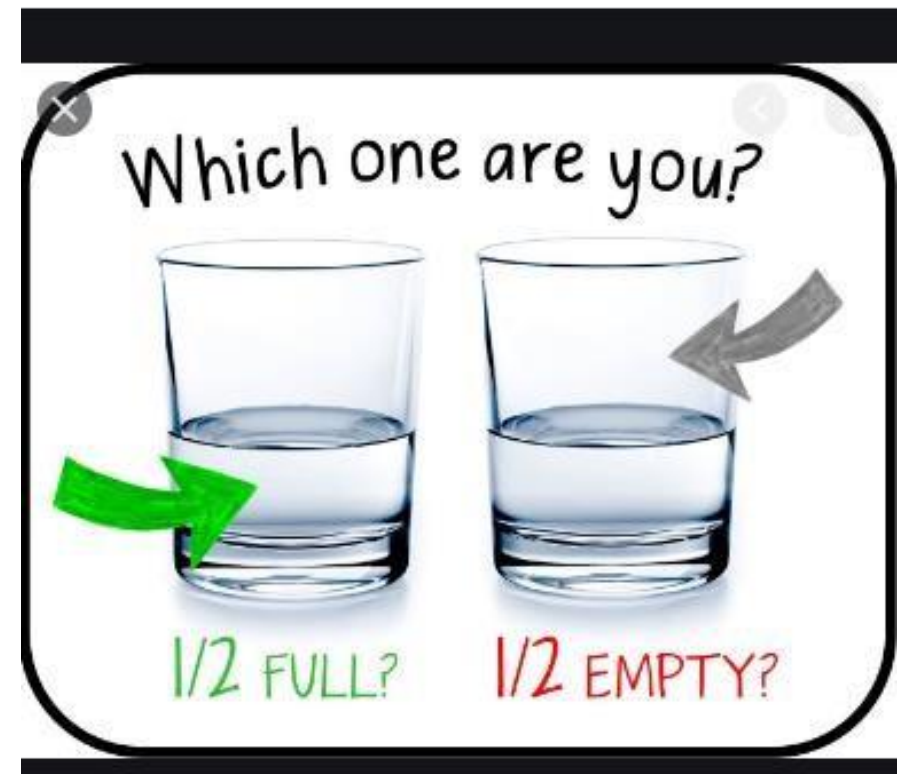
“Ideation”: is a process of developing and communicating ideas to others, typically in a business environment. It describes the sequence of thoughts from the initial concept to the implementation.



# Finding ideas

1. Is there really a market or not? How big / attractive is the market;
2. Customers in the market/problems exist or not, First-time buyers, previous customers, frequency of repurchases, Customers in need; Customers have the ability to buy; Customers with a desire to switch suppliers
3. Competitors / other startups
4. From failures in the market

Two main channels of ideas: from the market and from what we have-resources



# ***Idea Shopping Cart***

# First selection

*An original idea*

*An idea for in 5-10 years*

*An idea which you should  
implement now*

*An idea addressing a  
new market*

*An idea about a  
new offering*

*An idea you  
just really like*



<i>An idea addressing a new market</i>	<i>An idea about a new offering</i>	<i>An idea you just really like</i>
<b>Your top 3 Ideas</b>		
#1	#2	#3

## Analogy Thinking:

Table: .....

start here

Insight from this case

Insight from this case

Insight from this case

Insight from this case

Insight from this case

Case name:  
.....

Insight from this case

Insight from this case

Insight from this case

1

Read the case. What do you like about this case? Use post-its to write down all remarkable insights from this startup. Stick all post-its on this sheet.



New idea

New idea

New idea

New idea

New idea

Your Company

New idea

New idea

New idea

2

Use the inspiration from the left part to come up with new product or services ideas for your company. Can you copy a learning to your own business?

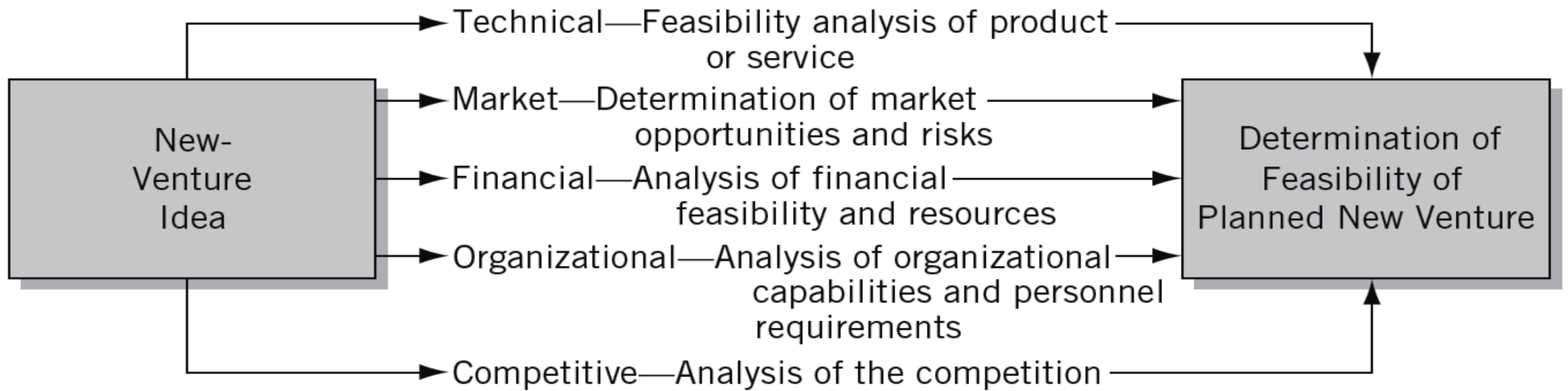
# Feasibility Criteria Approach

- Assessing the viability of a venture:
  - Is it proprietary?
  - Are the initial production costs realistic?
  - Are the initial marketing costs realistic?
  - Does the product have potential for very high margins?
  - Is the time required to get to market and to reach the break-even point realistic?
  - Is the potential market large?
  - Is the product the first of a growing family?
  - Does an initial customer exist?
  - Are the development costs and calendar times realistic?
  - Is this a growing industry?
  - Can the product and the need for it be understood by the financial community?

# The New-Venture Evaluation Process

- Profile Analysis
  - Involves identifying and investigating the financial, marketing, organizational, and human resource variables that influence the business's potential before the new idea is put into practice.
- The Feasibility Criteria Approach
  - Involves the use of a criteria selection list from which entrepreneurs can gain insights into the viability of their venture.
- Comprehensive Feasibility Approach
  - Incorporates external factors in addition to those included in the criteria questions.

# Key Areas for Assessing the Feasibility of a New Venture

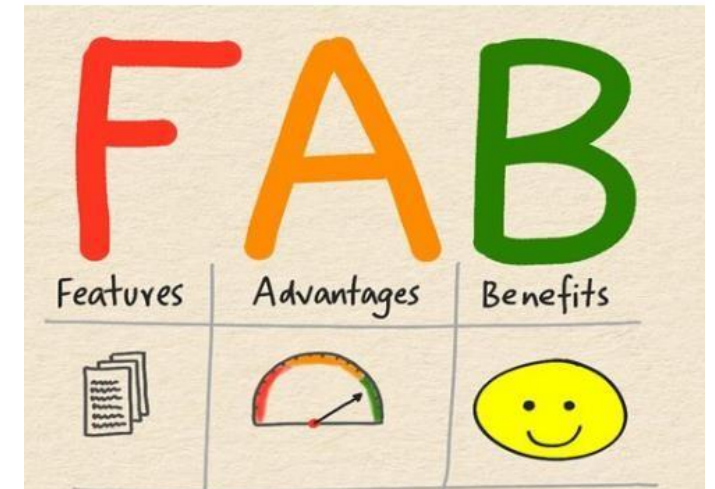


## Idea evaluation tool

- 1- Hypothesis testing – BMC
- 2- Customer Portrait
- 3- Minimum Available Product
- 4- Customer Interview and Trial
- 5- Analysis of Key Competitive Products in the Market
- 6- FAB Formula

## Features – Advantages – Benefits (FAB)

- Features: description of the product such as color, size, composition, shelf life, value,...
- Advantages: advantages of the product, highlighting its superiority over similar items on the market.
- Benefits: what benefits if using the product



### **Basic Feasibility of the Venture**

1. Can the product or service work?
2. Is it legal?

### **Competitive Advantages of the Venture**

1. What specific competitive advantages will the product or service offer?
2. What are the competitive advantages of the companies already in business?
3. How are the competitors likely to respond?;
4. How will the initial competitive advantage be maintained?

### **Buyer Decisions in the Venture**

1. Who are the customers likely to be?
2. How much will each customer buy, and how many customers are there?
3. Where are these customers located, and how will they be serviced?

### **Marketing of the Goods and Services**

1. How much will be spent on advertising and selling?
2. What share of market will the company capture? By when?
3. Who will perform the selling functions?
4. How will prices be set? How will they compare with the competition's prices?
5. How important is location, and how will it be determined?
6. What distribution channels will be used—wholesale, retail, agents, direct mail?
7. What are the sales targets? By when should they be met?
8. Can any orders be obtained before starting the business? How many? For what total amount?



## Production of the Goods and Services

1. Will the company make or buy what it sells? Or will it use a combination of these two strategies?
2. Are sources of supplies available at reasonable prices?
3. How long will delivery take?
4. Have adequate lease arrangements for premises been made?
5. Will the needed equipment be available on time?
6. Do any special problems with plant setup, clearances, or insurance exist? How will they be resolved?
7. How will quality be controlled?
8. How will returns and servicing be handled?
9. How will pilferage, waste, spoilage, and scrap be controlled?

## **Staffing Decisions in the Venture**

1. How will competence in each area of the business be ensured?
2. Who will have to be hired? By when? How will they be found and recruited?
3. Will a banker, lawyer, accountant, or other advisers be needed?
4. How will replacements be obtained if key people leave?
5. Will special benefit plans have to be arranged?

## **Control of the Venture**

1. What records will be needed? When?
2. Will any special controls be required? What are they? Who will be responsible for them?

## Financing the Venture

1. How much will be needed for development of the product or service?
2. How much will be needed for setting up operations?
3. How much will be needed for working capital?
4. Where will the money come from? What if more is needed?
5. Which assumptions in the financial forecasts are most uncertain?
6. What will be the return on equity, or sales, and how does it compare with the rest of the industry?
7. When and how will investors get their money back?
8. What will be needed from the bank, and what is the bank's response?

# Why New Ventures Fail

- Product/Market Problems
- Financial Difficulties
- Managment Problems



## The main origin of the idea for the software

- Technology push
- Market pull
- SDGs

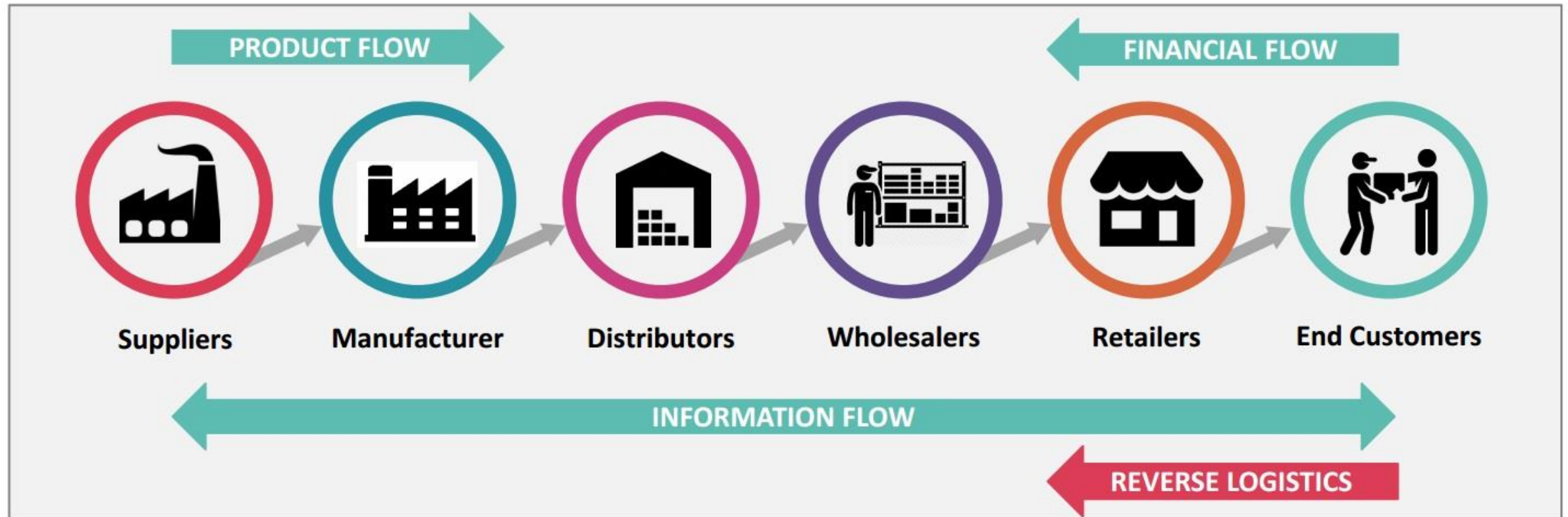
## The main origin of the idea for the software

- 01- Consumer market
- 02- B2B market

Ex: Soft App should have:

- Better experience
- Easier access
- Secure Connection





## Where to find ideas



01- Market - customers - competition

02- Academic: universities- research institutes -  
academic activities such as seminars

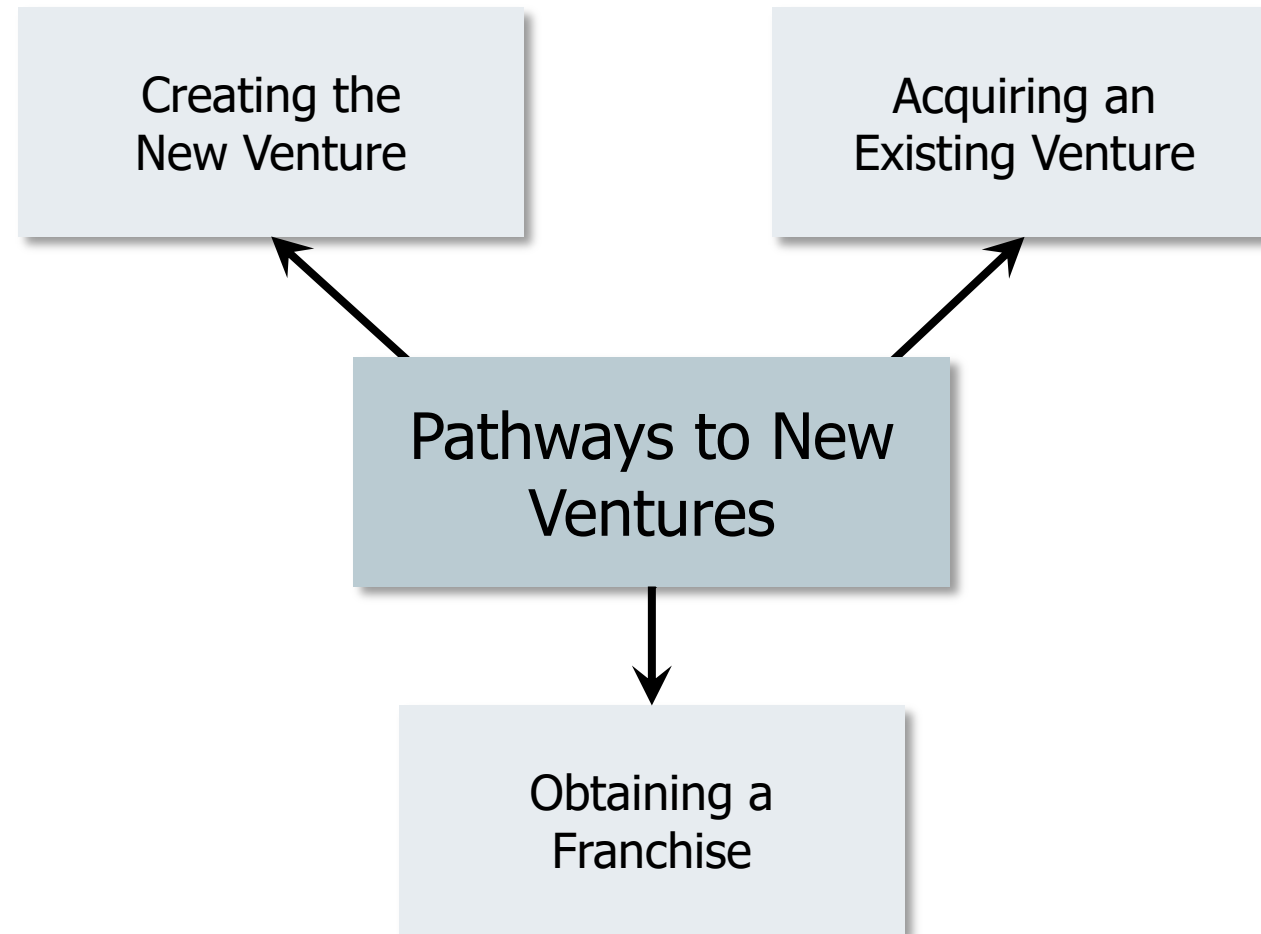
03- Media: journal – Television

04- Startup ecosystem: copy - adjustment

05- From failed projects



# The Pathways to New Ventures for Entrepreneurs



# Trends Creating Business Opportunities

## Emerging Opportunities

### **Green Products**

- Organic foods
- Organic fibers/textiles

### **Alternative Energy**

- Solar
- Biofuel
- Fuel cells
- Energy conservation

### **Health Care**

- Healthy food
- School and govt.-sponsored programs
- Exercise
- Yoga
- Niche gyms
- Children
- Nonmedical
- Pre-assisted living
- Assisted living transition services

### **Niche Consumables**

- Wine
- Chocolate
- Burgers
- Coffee houses
- Exotic salads

### **Home Automation and Media Storage**

- Lighting control
- Security systems
- Energy management
- Comfort management
- Entertainment systems
- Networked kitchen appliances

## Emerging Internet Opportunities

### **Mobile Advertising**

- Cell phones
- PDA's

### **Concierge Services**

### **Niche Social Networks**

- Seniors
- Music fans
- Groups of local users
- Pet owners
- Dating groups

### **Virtual Economies**

- Online auctions

### **Educational Tutoring**

### **Human Resources Services**

- Matchmaking
- Virtual HR
- Online Staffing

## Emerging Technology Opportunities

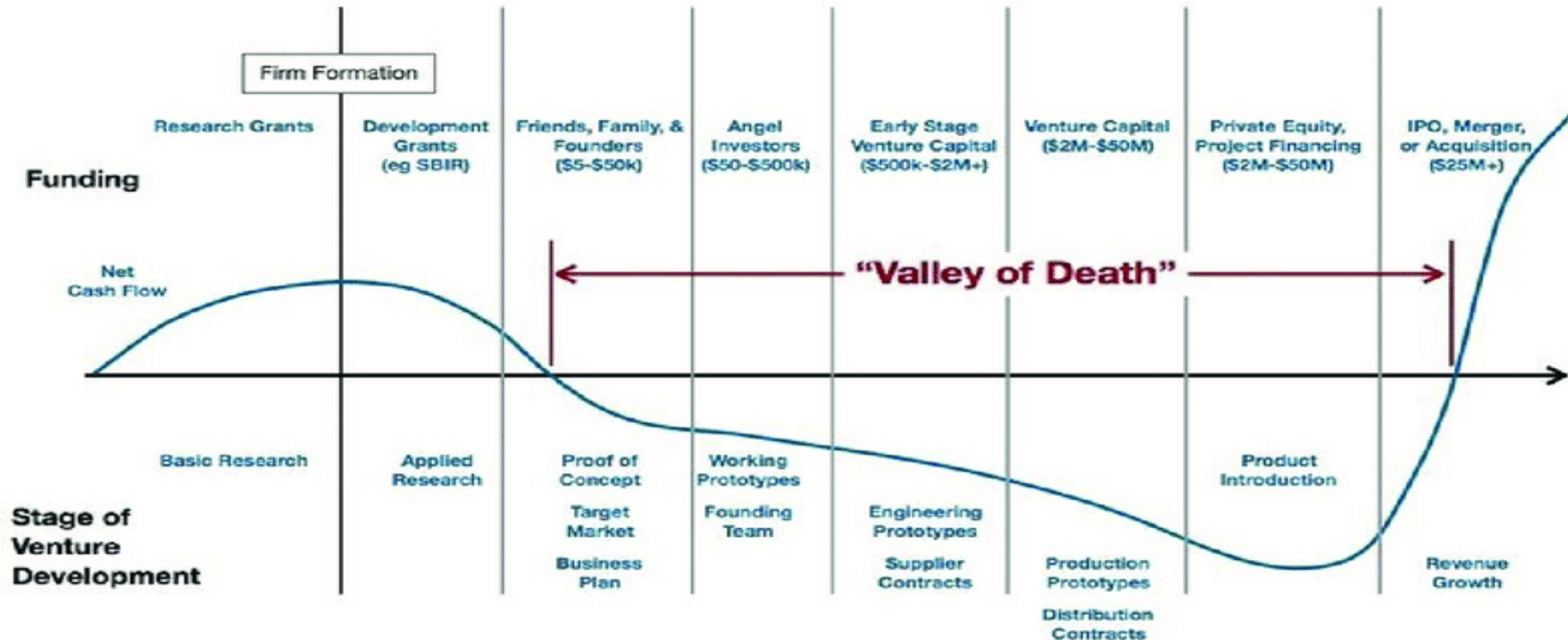
### **Nanotechnology**

### **Wireless Technology**

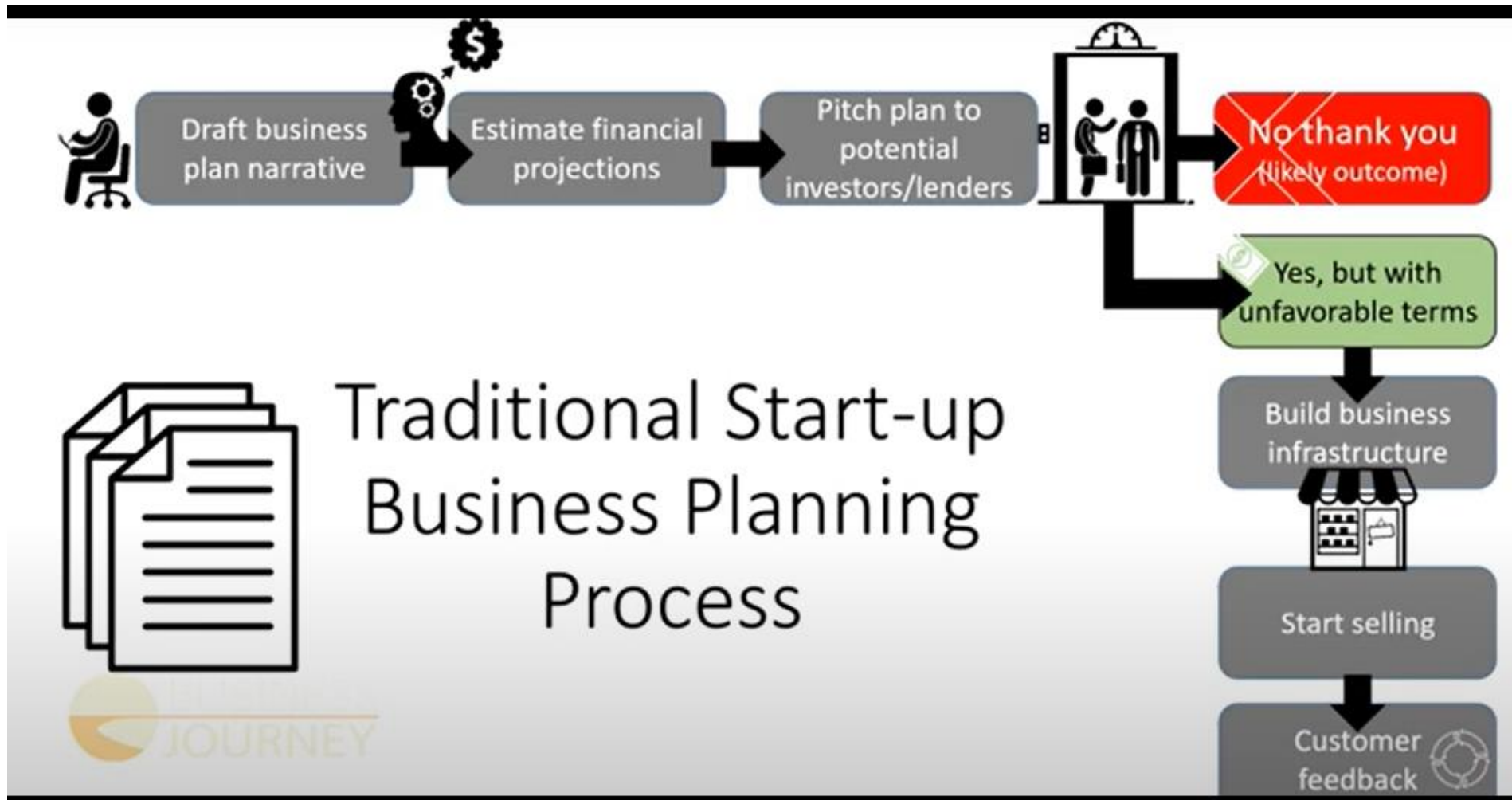
## Examining the Financial Picture When Creating New Ventures

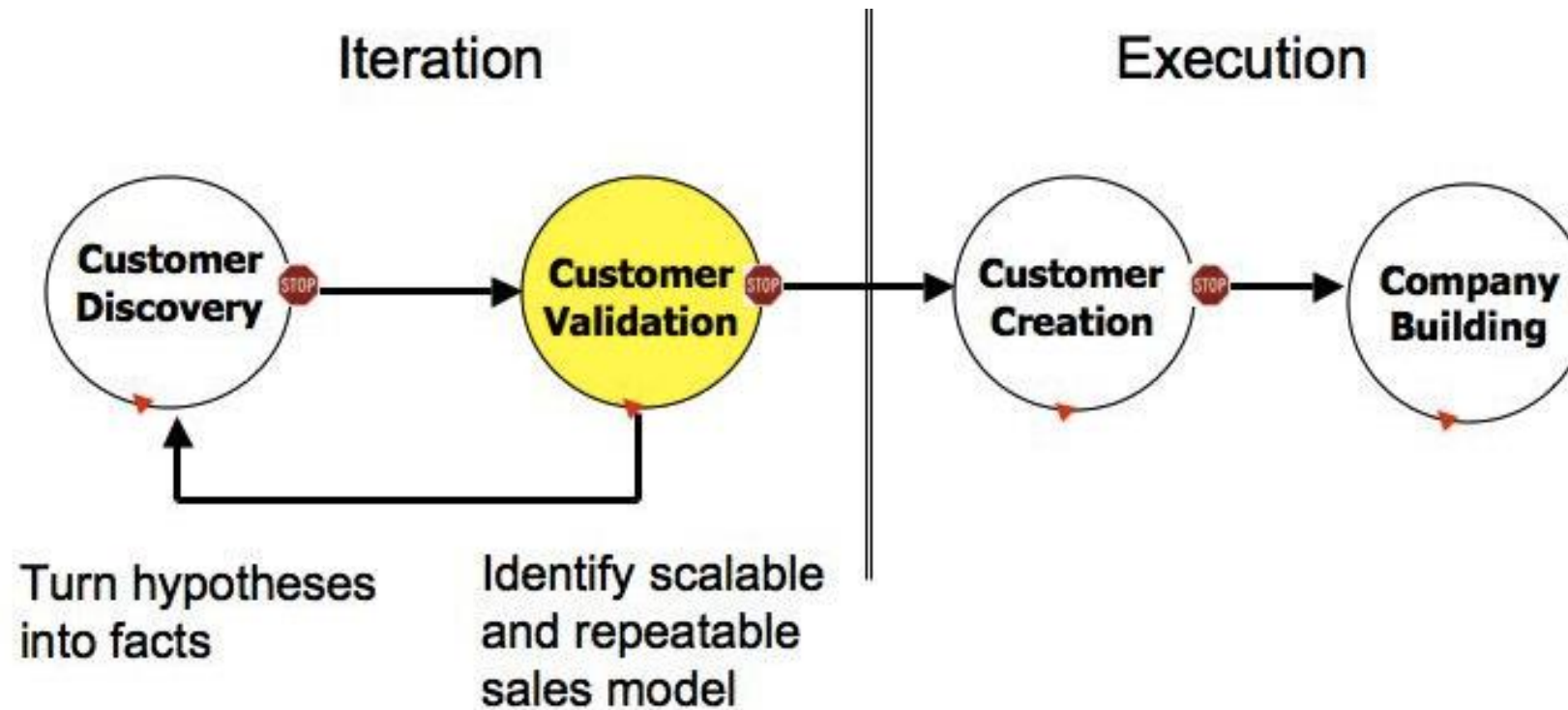
- Upside gain and downside loss expectations
  - The profits the business can make and the losses it can suffer.
    - How much money will the enterprise take in if all goes well?
    - How much will it gross if operations run as expected?
    - How much will it lose if operations do not work out well?
- Risk vs. reward analysis
  - Points out the importance of getting an adequate return on the amount of money risked.

## Lifecycle of a venture



## Kiến tạo doanh nghiệp truyền thống



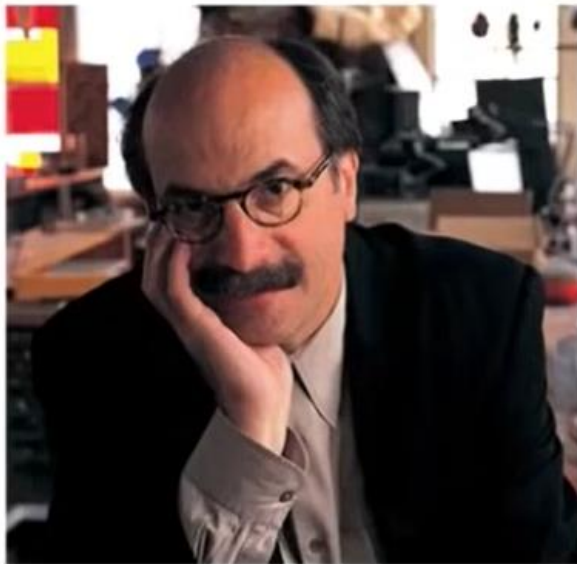






## 24 Steps to a Successful Startup

<https://jsjang97.wixsite.com/entrepreneurship/single-post/2015/12/08/book-review-disciplined-entrepreneurship-24-steps-to-a-successful-startup>



"We believe the next generation innovators and leaders need to be great design thinkers."

David Kelley  
Stanford Professor of  
Mechanical Engineering



## Design Thinking – a Process

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WHY IS DESIGN THINKING NEEDED  
FOR START-UPS?



# TOP 10 Business Mistakes

Ignoring Social Media

Failing to ask for help

Spending too much money

Not making sure you have enough money 3,3%

Chasing investors, not customers 5,4%

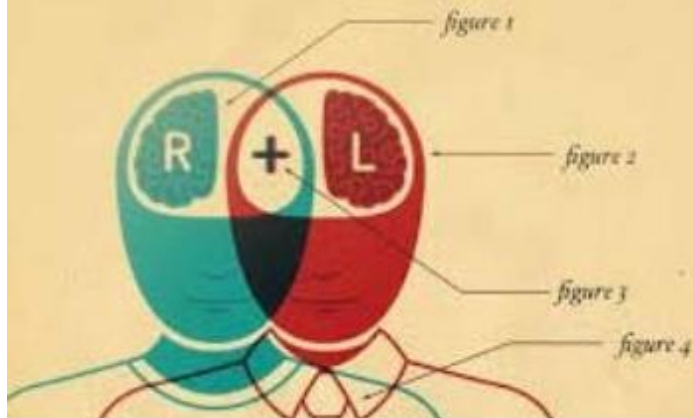
Not having the right Co-Founders 7,9%



# WHAT MAKES DESIGN PROFILE PART OF THE SUCCESS?

Design is a new way of thinking = problem solving = opportunities

New tech = New Ergonomics = New Behavior

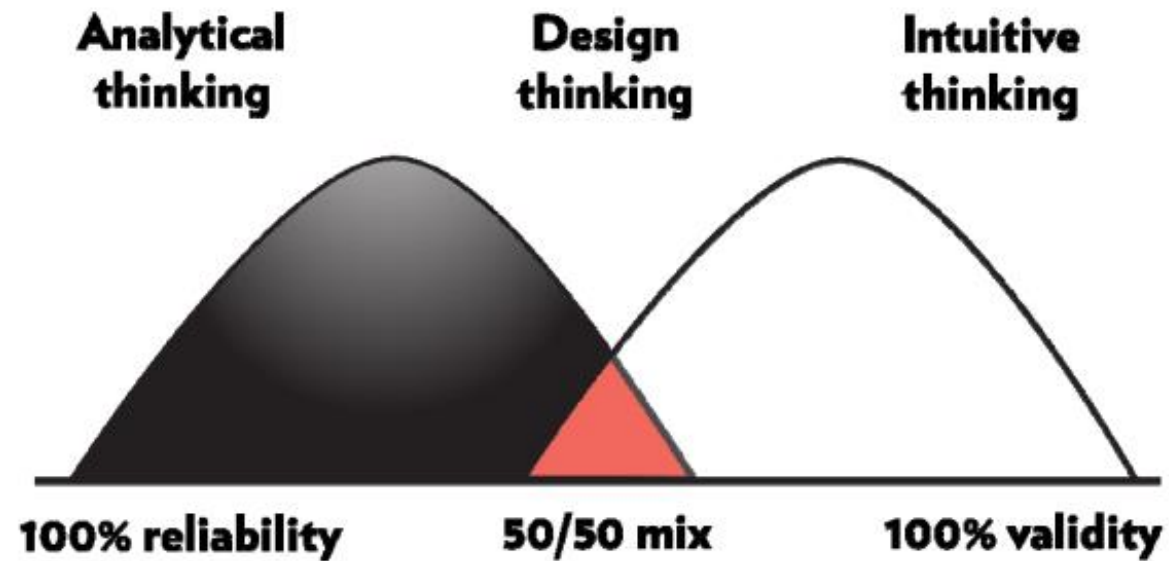


Before = More tech/CPU matters  
Now = Happier customers matters

# DESIGN THINKING THOUGHT LEADERS



Roger  
Martin





## DESIGN THINKING THOUGHT LEADERS

Discipline uses designer's sensibility & methods  
to match needs with what is technologically feasible  
and a viable business strategy converts into customer  
value and market opportunity



Bias toward action is about **acting quickly to learn faster, but it's also about choosing where to act; deciding what will drive the most useful learning.** It is a balancing act: Groups need to get into action sooner—and also take every possible moment before action to get the most out of it.

## THE HACK MINDSET

What we mean when we talk about hacking.



Don't over think it,  
just try it.



Use "failures" as  
opportunities to learn.



Keep the goal small,  
the team tight and  
the timeline short.

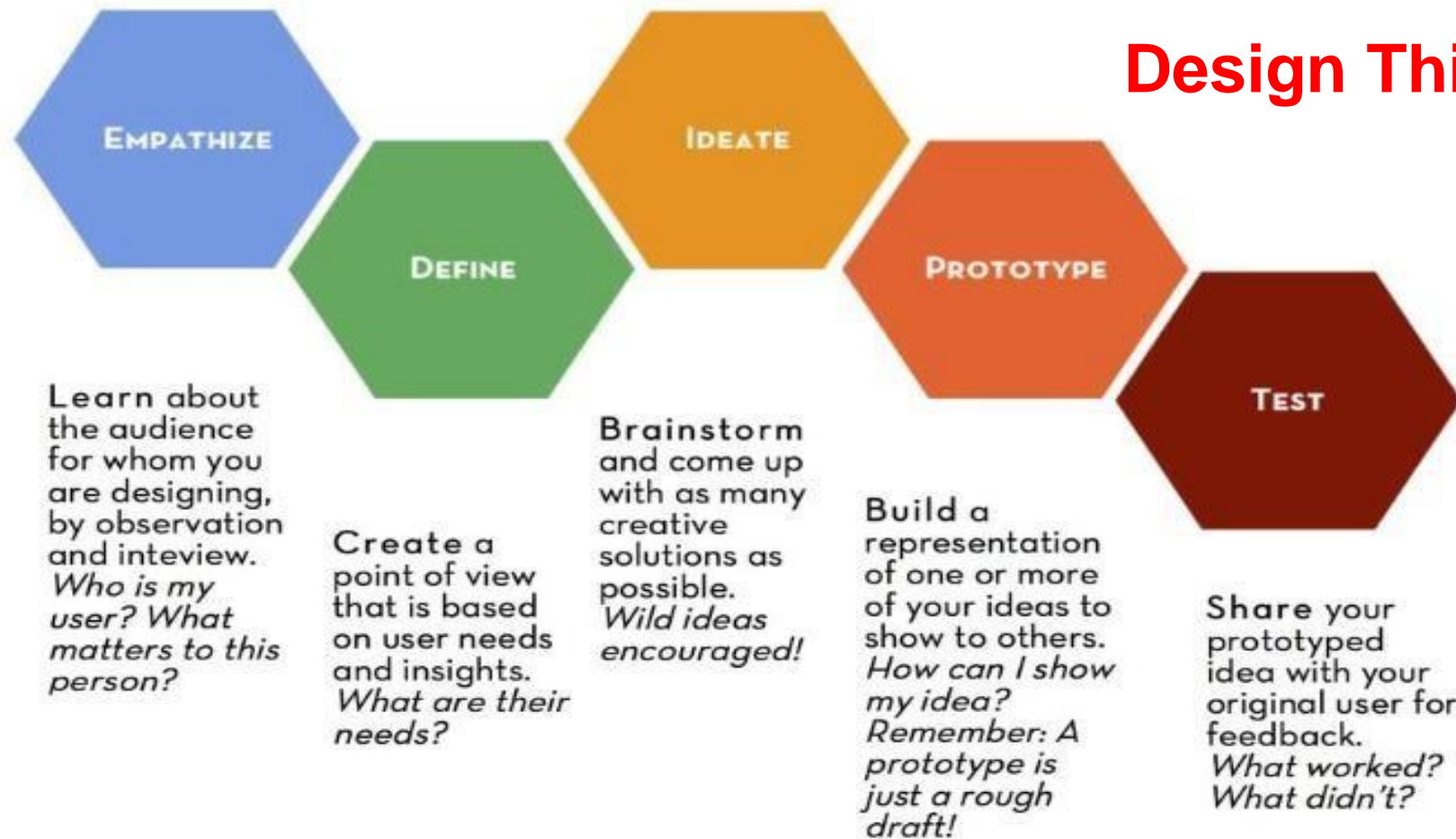
# Needfinding is a Critical Process

Needfinding: Process for getting beyond what people say and do to what they think and feel...

- Like an iceberg, some needs are apparent and easy to see; other needs are deep or latent
- Explicit needs come from above the waterline and lead to incremental improvements
- Implicit needs come from the meaning embedded in stories
- Understanding implicit needs leads to unique insights and big new ideas  
People can not tell you what's important, but they often signal what's important with their behavior.



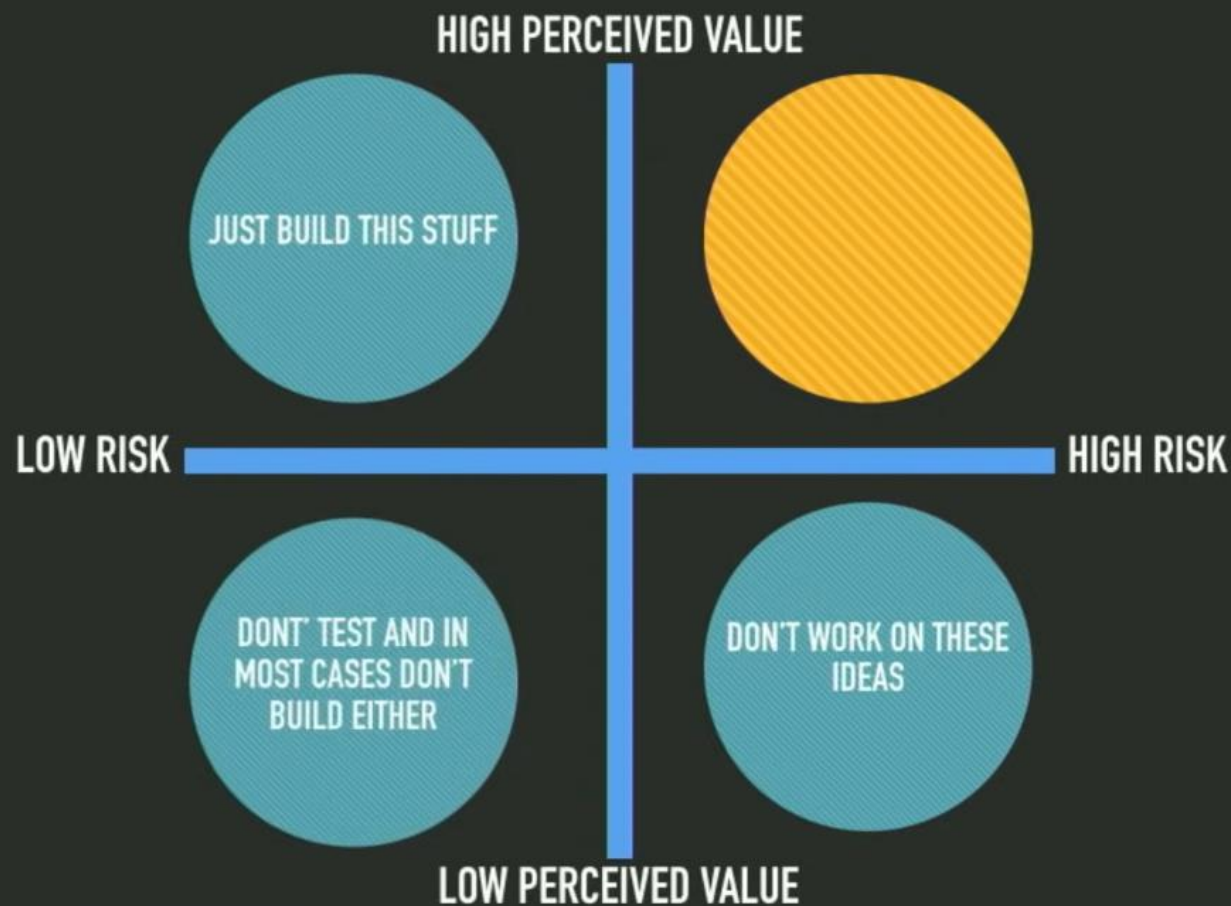




- Promote product and service testing



# WHICH HYPOTHESIS DO YOU TEST FIRST?



# The Lean Startup & d.thinking

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- Both assume extreme uncertainty
- Both assume that the users don't know what they want and can't tell you what to make, directly
- Both assume that a rapid cycle of building and learning is the only process that yields actionable data

## Key Difference: d.thinking vs. Lean

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- d.thinking fails to offer the entrepreneur a management blueprint for high uncertainty (startup) environments.
- d.thinking does not (yet) have an actionable measurement of its processes.
- d.thinking does not directly address downstream issues: customer segmentation, choice of tech platform, business architecture, channel strategy, etc.

- Câu hỏi

1. Xác định ba con đường chính để khởi sự kinh doanh cho nhà khởi nghiệp. Theo em, quá trình khởi nghiệp có những bước chính nào?
  2. Tư duy thiết kế gồm có các bước nào? Nó giúp gì cho khởi nghiệp
  3. Xem video và tóm tắt nội dung
- <https://www.youtube.com/watch?v=CAVoPS-unKk>



End of chapter 2