Questions to ask about a startup idea

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How to use this guide

Have a startup idea you're not sure about? Considering a few ideas? These are some questions to ask yourself about a startup idea. Answering these may help you to suss out potential issues with your idea, and help you pick between different ideas.

Keep in mind that no startup idea is perfect. The objective with this list should not be to check every box - that's impossible - but instead to help you find an idea that has enough interesting qualities to be a good starting point.

Many of these are the same as questions on the YC application. Filling out the YC application (whether or not you are ready to do YC) is a great way to flesh out your idea.

If you're using this document, we highly recommend reading this essay by Paul Graham.

[You won't be able to edit this document, so make a copy and then edit that one.]

Questions

1) Does your team have founder / market fit to work on this idea?
Founder/market fit means that your team is a good team to work on this particular idea. Typically this means you have previous experience working in the same field or you've personally encountered the problem.

2) How big is the market for this idea today?
The basic approach here is to calculate an addressable market by multiplying how many users you could get by how much money you could make per user. However, this can be hard for certain ideas. It's often better to think about existing proxies for your product and how big they are.

For example, if you were starting Instacart, your proxy would be the size of the existing grocery business - which without needing to do any calculations would tell you this is an obviously huge opportunity.

2b) How big could it be in a few years?
Some of the best markets for startups are markets that are tiny today but growing explosively. Note that a market typically needs to be growing 50% / year or more to be growing "explosively". For example, Coinbase went after the bitcoin market in 2012 when it was still tiny, but it was obvious that it could be huge eventually.

3) What is the problem you hope this product will solve? Have you seen this problem first hand? How are confident are you that it's actually a problem? For your users, how acute and frequent is the problem?
The most common failure mode for startup ideas is that they aren't solving an acute enough problem. A common case is a problem that a lot of people have, but only care about a little, or

only encounter infrequently.

4) Do you have entrenched competition? If so, how will you beat them?
Counter-intuitively, most of the best startup ideas already have competitors, and founders incorrectly shy away from spaces with competitors. It's often a bigger reason to worry if you have zero competitors - that may mean that there is no need for this product (a SISP). If your competitors are new or don't have much marketshare, you can often just ignore them.

But if you are going up against an entrenched competitor (i.e., you want to beat Google at web search), you're going to need a specific strategy to do that.

5) Is this something you personally want and would use?
If so, it's a good sign.

5b) If not, do you personally know users who want this product?
If neither you nor anyone you know personally would use this product, then it's probably hard to say if people want it. You should talk to some actual users before moving forward.

6) Did this idea only recently become possible, or only recently become necessary?
If so, that's a good sign. Many of the best startup ideas couldn't have been started a few years earlier. For example, Doordash (food delivery) became possible because smartphone penetration of potential drivers reached a critical mass. Checkr (background checks as an API) became necessary because services like Doordash and Uber were taking off and needed to run background checks on their drivers.

6b) If not, why has no one solved it before?
If this is a problem that has been around for a long time, and that a lot of people likely to start companies are familiar with, you might have waded into a dreaded "tarpit idea". If so, you should look into previous attempts to solve this problem and try to figure out why they haven't succeeded. Good reason why no one might have solved this before include: "it seemed hard, so it likely scared off other people", or "I have a new insight into the solution that others likely didn't have", or "not many people who start companies are likely aware of the problem".

7) What are the proxies - large, successful companies that do something similar to this?
Most new successful companies have proxies - existing companies that serve the same or a similar market. For example, Rappi (food delivery in LATAM) could look at food delivery companies in the US and China to immediately know that a similar opportunity likely exists in LATAM. Gusto (modern payroll software) could look at existing payroll companies to know that it was a big market.

8) Is this a problem that you personally care about? Is it something that you would be willing to work on for a long time?
The answer doesn't have to be "yes" right now. Often problems "grow on" founders over time, particularly once their company starts to succeed, but if you can start with a problem you really care about, that's even better. See this video about this.

9) Can your solution scale? Could this be a consulting business in disguise?
Typically, consulting or services businesses aren't great businesses because they are difficult to scale. This sometimes looks like a B2B business where you have to customize the product a lot for each customer. Other kinds of businesses that can be hard to scale are ones with physical real-world components. Sometimes evaluating this is subtle - to make it tricky, you often want to intentionally do things that don't scale to get ideas started, but at the same time you want to pick

ideas that are fundamentally scalable.

10) Is this idea in a good "idea space"?

Idea spaces (i.e., "data infrastructure tools", "social networks", "software for hospitals") tend to have either high or low hit rates in any given period. How have companies in a similar idea space done recently?

11) How did you come up with this idea? Did you start with the problem or the solution?

All else being equal, ideas you had "organically" are more likely to be good than ones that came out of trying to think of a startup idea. Ideas that came out of a problem you saw are more likely to be good than ones that started with the solution.

12) Do you have a new insight about this idea, one that few others have?

A new insight could be that you've discovered a problem not many people know about (or at least, not many people likely to start companies). Or it could be a novel way of approaching a well-known problem.

13) What are the current alternatives that people use instead of your product? Why will people switch to your product? How difficult will it be to get them to switch?

Think about the switching costs for people to adopt the solution. Some ideas die because there's too much friction for people to adopt them. Are the alternatives "good enough"?

14) How will you make money?

While there are exceptions, most good ideas have an obvious business model from the start.

15) If this the kind of business that has a chicken-and-egg problem (i.e., a marketplace, a dating site), how will you solve it?

For businesses like this, solving the chicken-and-egg problem is typically the most difficult part, and your solution is an essential component of the idea. If you're starting this kind of business, here is a good book to read.