

THIS WEEK YOU WILL...

- Learn about 'validation' and design a list of questions to test your idea.
- Talk to potential customers to test the value of your idea.
- Look for additional evidence of a market for your products/services.

INTRODUCTION

Weeks 3 and 4 will be dedicated to building the entrepreneurial side of the toolbox.

We will explore some of the methods used by business incubators around the world to transform ideas into viable products and road-test them with our own business ideas (from last week). By the end of Week 3, you'll have a better understanding of...

- What problem your product/service solves for your customers
- Whether your customers think that's a problem worth solving (would pay for it).

The process of testing business ideas with customers *before embarking on a business* is called 'validation'. Often, entrepreneurs would have wonderful ideas they feel passionate about, jump headfirst to work on them, only to find out many months later that people are not interested in buying what they produced. Validation works in reverse. It is about falling out of love with our own ideas, so we can objectively assess their commercial value, then coming up with new/modified ideas that customers will fall in love with.

In theory, validation is easy: going out, talking to people. The hard (and exciting) part is to be ingenious and astute with our questions, so we get to figure out exactly what it is that *moves* our customers. Then, and only then, we'll be able to spend our time building a product they're sure to love and buy. Your original ideas might change significantly or disappear altogether, but hey! If you get it right, you'll be working on something people will be waiting in line to get.

In entrepreneurship (and life), some of the greatest lessons come from those times we fail, or from hearing about the failures of others. So, let's start off this week hoping that our original product ideas will fail miserably to impress our customers, yet we'll will pick ourselves up wisely and proudly by spotting opportunities to create something that will actually amaze them.

ACTIVITY 1 - HIDDEN ASSUMPTIONS

By the end of Activity 1, we'll have the list of questions we'll be asking customers to 'validate' our idea.

When you set your mind on a business idea, you are *assuming* there is a market for it, in other words: that there is a group of people experiencing a problem your product/service can solve, and that the problem is painful enough they're willing to spend their money solving it. Before you embark on the business, you need to test whether that market you imagine actually exists.

Validation begins by laying down our assumptions about the product. As an example, let's examine some of the assumptions behind my business idea from last week: 'Gone Fishing' sculptures. My idea for a nature-based product, if you remember, was to sell life-size sculptures of fish. Let's look at some of the assumptions behind my idea:

- This product would appeal to fishermen and fisherwomen
- They care a lot about showing others their catch
- They care a lot about the size and weight of the fish
- They are keen to spend money on fishing-related activities
- They would be much happier with a life-size sculpture than a photo.

If any of these assumptions is false, my sculptures won't sell, no matter how amazing they look.

As a team, draw a list with the assumptions behind your product/service ideas from last week. Write them down:

- _____
- _____
- _____
- _____
- _____
- _____

The next step is to design a list of questions to test those assumptions.

Now, **this is very important:** we won't ask the customer directly whether he/she *likes* our idea. Instead, we'll ask questions about their *actions* or *behaviours*, to either confirm

or challenge our assumptions. Let's try the fish-sculpting business example again. Here are some of **behaviour** questions I could ask fishers to test my assumptions:

- Do you tell others when you catch something big? How? How often?
- Do you take pictures of your catch? Why? Are you happy with them? Where do you keep them? Did you buy a special camera for that?
- Do you keep record of the size of the fish you catch? Do you remember the size/weight of the biggest fish you've caught?
- Do you spend money fishing? How much?
- What kind of decorations are there in your living room? Is there anything fishing-related?

Your turn. As a team, write down behaviour questions to test each of the assumptions behind your business ideas. Write them down:

- _____
- _____
- _____
- _____
- _____
- _____

Lastly, include some questions about their aspirations and how they perceive success. For example:

- What's your happiest memory of fishing? Do you keep a photo of that?
- What does a perfect catch look like? What makes you feel good about fishing?

Add them to the list of questions above:

- _____
- _____

Great work. That's your interview questionnaire ready.

If you haven't, this is an excellent time to watch the video 'Validating your idea: the 'Mum' test', available in the additional resources for Week 3.

Next stop: customers!

ACTIVITY 2 - INTERVIEW PREPARATION

Time for practicalities. During this session, you'll begin the preparations for the interviews. However, the actual interviews might have to be completed at home.

For each business idea, you'll need the name and contact details of at least 8 people that are happy to be interviewed (if you can get more, even better!). Ideally, select:

- Adults – generally, they are the ones paying for products/services.
- People who match the description of the desired customer for the selected products/services (at least partially). For the Fish-sculpturing business, I should interview mostly fishers, however, I could also include some bird spotters or similar hobbyists. Try to have a balance of male and female, different ages, different income levels, and different places, if possible.
- Family relatives, friends and teachers are ok; however, you are better off broadening your reach a little. Try to include at least 5 people from outside your usual circles. Think neighbours, work colleagues of your friends/relatives, and so on. Kindly ask friends and family for a referral or introduction.
- Explain the purpose of your request by saying something like:
“We'd like to ask (person) a few questions about a business idea. We'll be asking about their day-to-day activities in relation to (e.g. fishing) . We're not selling anything, simply looking for opinions of real people to help us shape the product. It should take no longer than 10 minutes”.
- If they are keen to help, get their full name and contact (e.g. phone email, in person).
- As a team, decide how to conduct the interviews (e.g. individually, in pairs). Where possible, conduct the interviews face-to-face. **Bring your interview notes to the next session.**
- I strongly recommend that you take some time to read the 'INTERVIEW TIPS' available from [Week 3 – Additional Resources](#).

Name	Age and occupation	Contact method

ACTIVITY 3 - MARKET SIZE

There are other ways you can gather evidence about the market for your product. This activity is about identifying your **market size** and **competitors**.

MARKET SIZE

You've already given some thought to the kind of people that are likely to buy your product/services (customers). Market size is about figuring out how many people like them exist, and how many dollars they're likely to spend on that kind of product each year. **Market size is generally stated as number of customers, total sales, dollars spent, or jobs created.**

How do you figure out your market size? It takes great effort and resources to research a market from scratch. However, resourceful start-up founders can dig up useful information from existing reports, news articles, and so on. Take a look at the report 'Australia's Green Economic Potential', available from Week 3's Additional Resources. In page 10, you'll find an infographic showing the market size of various green industries in Australia. **Does any of these figures apply to your business idea? Copy it below. If none fits your idea, look for similar figures (e.g. jobs, sales, etc.) in Google.**

This report dates back to 2010. **Search online for similar, but more recent figures, and copy them below as well.**

Lastly, skim through the entire report, this time looking for clues that **the market for your product is growing**. What general trends in the population might result in more sales in the future? For example, if people are increasingly concerned about environmental sustainability, that means markets for green products are likely to grow. Find trends that are relevant for your product and copy them below. Or even better, be a hero and find some more online!

Our business idea's market size

- _____
- _____
- _____
- _____
- _____

COMPETITORS

Finally, let's have a look at your business competitors. Search online for existing firms selling products/services similar to yours. Take note of their names, two or three defining features, prices, and some indication of how well they're doing. Contrary to what it seems, competitors are actually good news: if there are competitors, it means there is a market!

Our competitors

Company name	Product features	Pricing	Are they doing well?

UPDATE YOUR SLIDES

Step 1. Create a new slide in your PowerPoint presentation, following your business idea.

Step 2. Using short sentences, describe your findings about market size (from page 7) and the most salient findings about your competitors.

Step 3. Save and close.

UPDATE YOUR REFLECTIVE JOURNAL

Step 1. Add a short paragraph to your reflective journal stating 2 or 3 things you have discovered during this session (e.g. things that surprised you or changed your mind).

Step 2. Save and close.

Until next week!