

Validating the Market Potential of an Innovation

Many of us enjoy the process of coming up with new ideas and innovations that might be the next “big” thing.

It’s fun to brainstorm and dream up long lists of really cool and innovative approaches to problems we have experienced. The trouble always comes in deciding which ideas deserve the time and investment required to bring them to market. This whitepaper will help you understand some of the basic questions you can ask your target customer to validate the market potential of your new idea.

But what about the internet – shouldn’t we build it first and ask questions later?

Before we begin, I know some of you are probably thinking — in these fast paced times with instant feedback at every digital turn — why even conduct research? Why not just build it and adjust from there? Isn’t that what we learned from the web 2.0 gurus? Well yes, and no...

All about risk

Simply put, there is little need to validate the market potential of an idea if it will take little time or money to build and launch. If you can develop your product or service with less effort than it takes to conduct a little research, then by all means do it. Even if what you first launch lacks some of the bells and whistles you originally dreamed up, you can still get real world feedback

But I know my target market – isn’t that enough?

It might be IF everyone thinks like you do (In which case, they should ALL be having the same flash of brilliance for this new idea that you just had...) The first thing most budding entrepreneurs do with an idea is to tell someone about it and get their feedback. Those who took a law course in college might first get an NDA in place.

The most common mistakes in getting innovation feedback are:

- ❖ Not talking to the right customers
- ❖ Not asking the right questions about why the problem solved is important
- ❖ Not going deep enough into exploring what customers like, dislike and the reasons why

Discussion with a startup entrepreneur about validating their idea or innovation typically sounds like this:

Entrepreneur (E) – We’ve got this great new idea. We are really excited about bringing it to market because it’s going to rock! By the way – do you know any VC’s or angel investors we can talk to? We are former VC’s and current angel investors so we get that pitch a lot.

Aperio Insights (AI) – Great, what is the idea?

E – It's a new product/service for XYZ'ers to help them with their IT thingamajing.

AI – Have you tested the concept yet? What kind of reaction are you getting?

E – Well my wife thinks its fantastic (and she would never lie to me), in fact my uncle, a few of my cousins and most of my neighbors think it's brilliant.

AI – Are they in the XYZ space?

E – Well no, but they all love the idea. I explained to them that I've been in the industry for a long time and that this really makes sense. And of course they believed me. I did ask a few industry folks and they said they liked the idea, too.

AI – Did they ask if they could purchase it?

E – Not yet, the folks I spoke with aren't the ones in the XYZ space who would make that kind of purchase decision, but they know the industry would like it. They EVEN said I could send them more info as I made progress. They wanted me to keep them "in the loop".

AI – Interesting, so what are your next steps?

E – Well, now we are rounding up friends and family members financing. Also trying to land meetings with some VC's while we get started on the development with some funds we scrapped together. Junior won't be ready for college for another couple years so we have plenty of time to put his college funds back.

AI – So sounds like you are going to invest a good bit of time and money in this project. Are you sure you understand enough of what your target customer is really looking for?

E – Ok, I'm not building an ark but my idea will take more than a few free weekends and cost more than a couple of missed lattes... and my wife doesn't really know much about the XYZ industry so maybe she was just being "supportive", so what should I do? We barely have enough funds for our development; we can't afford to spend much on extra research...

AI – Understand. Research experts can be a smart investment depending on how much time and \$\$\$ is at risk. Even if you conduct your own research, there are some rules of thumb that can help you. Here are some concept testing basics that might come in handy...

Concept Testing Basics

A concept test is a great way to learn if an idea is worth pursuing or investing time/money. Many startups think they can skip this step because they believe they know their target market and their needs.

Those that do ask for feedback, typically limit their inquiry to people that are outside of their target market and who most likely will not be willing to give negative opinions (think Mom or your best friend). The secret is to fully understand the following five measurements. A concept test's critical elements include:

- ❖ **Appeal** – The first thing most entrepreneurs want to learn about their product idea is “does anyone like it?” Gauging appeal is a good first step in concept testing. An example, “How appealing is a new triple pepperoni pizza”. Everyone you ask says it's very appealing. But you cannot stop with one question; don't stop asking important questions! Read on... When asking people about a concept, you need to understand that each person is making dozens of assumptions that will influence their answer. The concept statement may not give them everything they need to know for making a fair appraisal of the appeal of the product/service.
 - a. Triple pepperoni pizza? (thinking to themselves) Won't that make the pizza soggy? I don't like soggy pizza so maybe I'll say NOT appealing.
 - b. Triple pepperoni pizza? I love all thin crust pizza regardless of toppings so I'll say VERY appealing.

You get the idea – regardless of whether they think your idea is appealing or not, you need to know more about WHY they think that.

- ❖ **Unique and different** – Not all new ideas are really “new”. Some ideas might be too similar to other currently available options. One might think to themselves “A triple pepperoni pizza offering isn't very unique. My three favorite pizza shops all offer one that sounds just like this”. Understand not only IF your idea is unique but WHY it's unique.

A good friend of ours built a software solution that they thought was unique – no one was particularly interested in the whole software package, but instead kept asking him if they could purchase just a piece of the software that tracked names and addresses. Eventually, he sold that solo piece and the ACT contact management software was born. Understand what customers think is unique and different about your concept – might not be what you thought it was going to be. And that might not be a bad thing. Additionally, beware if your product/service is perceived to be too unique, because customers won't know how the product or service could be useful or solve a problem.

- ❖ **Satisfies a need** – You may have an idea that is both appealing and has just the right amount of uniqueness, but it doesn't satisfy a need. “The idea of a boat waxing machine that uses wave power to clean and wax a boat is appealing and unique, but doesn't satisfy a need that I have at the moment, particularly since I don't own a boat”.

Satisfies a need helps get you out of the Brookstone/Sharper Image dilemma. We've all seen those stores that are stocked with items that are really cool (appealing) and very unique and different.

But many consumers don't purchase most of the items that are cool and unique simply because they don't satisfy a need. Or they can't convince their spouse that they really have a future need for the item. The spouse however will be a hard sale knowing that the product will just end up in the closet with all the other cool and unique items that they really thought they needed... I mean, someday I PLAN to have a boat and wouldn't it be nice to know we already have a state of the art boat waxing machine?

❖ **Believable** – The idea of a device that would render my mother-in-law speechless is appealing, unique and certainly satisfies a need, but I don't believe it will work the way you are claiming. Believability comes down to understanding what the product or service can do vs. what the customer would have to do to get it to do that. It's getting pretty easy to imagine technology doing some amazing things, but sometimes the failure of an earlier over-hyped product will have jaded the audience. In other cases, it's the realization that the product might work but only if the user does something the user isn't likely to do. (Think ab crunch machines – maybe they work, but I don't believe I'd really pull them out of the closet enough to get the benefits they claim are possible – keep in mind this is purely hypothetical.) There is truth in the old saying, “if it sounds too good to be true, it probably is.”

❖ **Value for money or interest in learning more** – If you are lucky enough to have an idea of what your price will be, you can ask questions gauging the “value for money”. Often concept statements are high level and leave too many unanswered questions for a respondent to accurately assess value in terms of price points. An alternative is to ask future must have customers if they would have an interest in learning more about a product/service. Having an interest in learning more is a good overall indicator of a concept's strength.

Here are a few other things to avoid when doing a concept test:

❖ **Going straight for the close** – Here is the idea, would you buy it? Entrepreneurs are often too impatient and just go for closing the sale right out of the gate. It might feel like the right thing to do, but it rarely works. Asking if someone is willing to purchase something they just heard about is a bit like asking if you would marry my cute single friend who is currently open for dating. One step at a time is a better approach – would they like more info? Does it sound like it meets criteria they have for a product/service in this category, etc?

Take a social media approach and start a dialogue with your must have customers. You'll learn how to best communicate the most important benefits and features.

❖ **Providing too many details in a concept statement** – Most must have customers need to understand the basics of an idea before they are willing to pay attention to a large number of details.

Imagine testing the idea of FedEx – the concept statement might read clear and concise or long winded.

Concise concept statement – “Packages delivered door to door; overnight across the globe at less than the price of a cross town courier.”

Long winded concept statement – “Our service allows you to drop off packages in approved shipping containers or use our free boxes, fill out an online form unless you want us to help you fill it out at our offices, some of which are owned and operated by us and some are affiliates which might use our sign but not be run by our employees, our trucks or truck we hire will then take your package to a sorting facility, we then ship or drive your package to a delivery depot which then assigns it to a prioritized route, after which it will be... etc.

You get the idea; too many details and the core idea risks getting lost. And customers might start to focus on concerns that deal with less important pieces of your concept — Do you like the idea of getting/sending packages for overnight delivery? Is it unique and different? Does it satisfy a need YOU have? Do you believe it would really work? Would it be a good value for the money if it cost \$20? Would you be interested in learning more? Etc.

Final Thoughts

We hope this white paper helped you understand some of the steps you can take to better gauge the market potential of your ideas and innovations. We welcome your feedback and questions — Info@AperioInsights.com



Aperio Insights – Who Are We?

Innovation professionals who have a passion for helping startup and hyper-growth companies use customer insights to grow their business. In short, we help uncover what customers like, don't like and how much they are willing pay for it. Then we help you figure out next steps to launch and monetize your ideas.

What We Do

As skilled and experienced researchers, we have in-house expert moderators, survey writers, and analysts who are using the latest methods and technology. As award winning marketers, we know how to analyze and interpret survey results to quickly identify and implement cost effective marketing approaches that will reach your future customers.

The Aperio Insights Difference

Our team understands what it's like to start and grow a business simply because we've been there before. We are entrepreneurs and experienced business owners who have launched, managed and grown successful businesses.

Focused and Actionable

As business owners and investors, we know the difference between research that delivers critical vs. "nice to know" information. An important part of our innovation process is a laser focus on what's important to your future customers in order to develop a value proposition that will deliver results. .

Understanding Reduces Risk and Creates an Advantage

As business people, we know that understanding intricate customer preferences can dramatically reduce the inherent risks involved in creating a successful business. While entrepreneurs often lean towards the risk taking mode, success most often follows those who are able to incorporate multiple streams of information and feedback into their strategy and execution.

Contact Us

Aperio Insights, LLC
6057 Preston Haven
Dallas, Texas 75230

Phone: 972.646.3636

E-mail: info@AperioInsights.com

Visit: AperioInsights.com