**Entrepreneurship Workshop 3
Idea Validation**


# Introduction

**Failure to validate the marketplace a major cause of new business start-up failure**

Research shows that survival rates for new businesses are low. Evidence from the UK and USA indicates that 70% fail within just threeyears*,* most after 18-24 months and 90pc fail to make it to their tenth year. Why? Three causes - lack of**: resources (**particularly finance), **competence,** and **experience -** are normally given in these business columns.

The reality is that there are two underlying reasons for failure**: lack of a clearly defined value proposition**; what is being offered for sale and to whom and, secondly, **a lack of market research**. The latter underpins, defines and reinforces the initial proposition. Hence, it is essential for any new business to undertake **validation** to prove there is a gap in the market – enough people who are willing **to buy** your product/service and avoid the dangers of developing an idea that nobody wants. Quality feedback can reduce risk.

**How would you validate your proposition?**

Idea Validation is a process of testing and validating an idea prior to launching a business, name, descriptor, product, service or website. It can involve anything from information-gathering, interviews and audits to exposing the idea to your target audience.

Validationwill save time and money and may generate interest with your potential audience since you will expose your idea to the marketplace. Avoid paying thousands of euros building a version of a product that customers may not even want, need or use.

**There are various marketing techniques to** assess whether customers are willing to buy from you.

A product/service needs to solve a problem a potential customer would pay for, to understand the benefit of doing so and evoke a positive emotional response. Understanding how people choose underpins an understanding of marketing. Issues to address include:

***Uniqueness about your business idea setting it apart from the other businesses***

**What are the most r**elevant buying motivations for your business idea? Once understood, you’ll be able to position your product around that motive.

***Undertaking detailed secondary research-existing published information*** such as market size and trends-and competitor audit to find out if it already exists. If it does, undertake a SWOT analysis – Can you improve it or offer additional value to the business already producing it? Look for poor reviews on a competing product and address the reasons for the low score.

***Develop a minimum viable product and Identify 10-15 potential customers*** who would consider paying for the product once completed. Who would these be? Break down the idea and identify a single core reason why someone would pay for the product. The goal is to find a right combination of value, benefits, price and likelihood to buy.

***Potential purchasers provide feedback****.* Feedback could be gathered in a qualitative **focus group** meeting**.** You can find them where you connect with people: social media, clubs, small groups, business networks. Ask them to test and experiment with the new product, proving their expectations were met.

***Identify the information needed and then the questions to obtain that information***. When designing a questionnaire or survey, then test/pilot the questions asked and that the proposition is understood

***Personally, undertake random quantitative interviewing*** depending on the product, telling interviewees how their time will help you offer something that your customers will want; that you are not selling anything to them; how their feedback is valued. People like knowing that their opinion matters; do they want feedback and some may ask when your services will be available. A major mistake in interviewing is to assume that if they like your product, they would buy it.

***Send a survey****,* using [Surveymonkey](https://www.surveymonkey.com/) to everyone you know, and get it shared as much as possible. Ask whether people would buy your product, do they like the name, how much they would pay for it

### *Digital marketing tools and social networks* can assist in developing a leads acquisition strategy. Facebook Ads can help estimate target market size and build a list of potential customers. This validates your idea by thinking about your target audience and checking whether there are enough people to sell to.

### You can then identify with Google Analytics how many people visited the page –or even better, you can create a sign-up form asking people to leave their email address for more information, or notification when you launch. If you get a lot of interest, this indicates interest in your idea.

### *Develop a website*, a booking form, a phone number, and run some Google pay-per-click ads and see what the conversion rate would be if you had the product if someone contacts you, but you don’t have any product available: *I just sold my last item / I’m all out of stock now, but will be selling more in the future. Can I contact you when my next shipment comes in?*” *or fully booked for 3 months…* along with an invitation to join a waiting list. This is a perfect list building opportunity.

### **Finally, **use a mentor**** for feedback or an expert in the area in which you hope to build your business.

# Questions/Tasks to be carried out in groups during the breakout sessions

1. Break down your business idea and identify a single core reason why someone would pay for the product.
2. **What is unique about your business idea setting it apart from the other businesses?**
3. **What problem does it solve?**
4. What are the key benefits from purchasing your product?
Prioritise these.
5. What positive emotional response is evoked from buying this product?
6. **What are the most re**levant buying motivations for your business idea?
7. From where would you identify 10-15 potential customers who would consider paying for the product once completed?
Who would these be?
Are there available networks to obtain information for feedback on your idea?
8. What type of research would you undertake and why?
9. Identify the information needed for your questionnaires and then,
the questions to obtain that information, when designing a questionnaire or survey.
10. Test questions with members of other groups.