Idea Generation & Development for Startups

Malcolm Lewis

About Me

Internet entrepreneur/exec

6 internet startups since 1996

4 acquisitions

1 $BB IPO

1 TBD

malcolmlewis.com

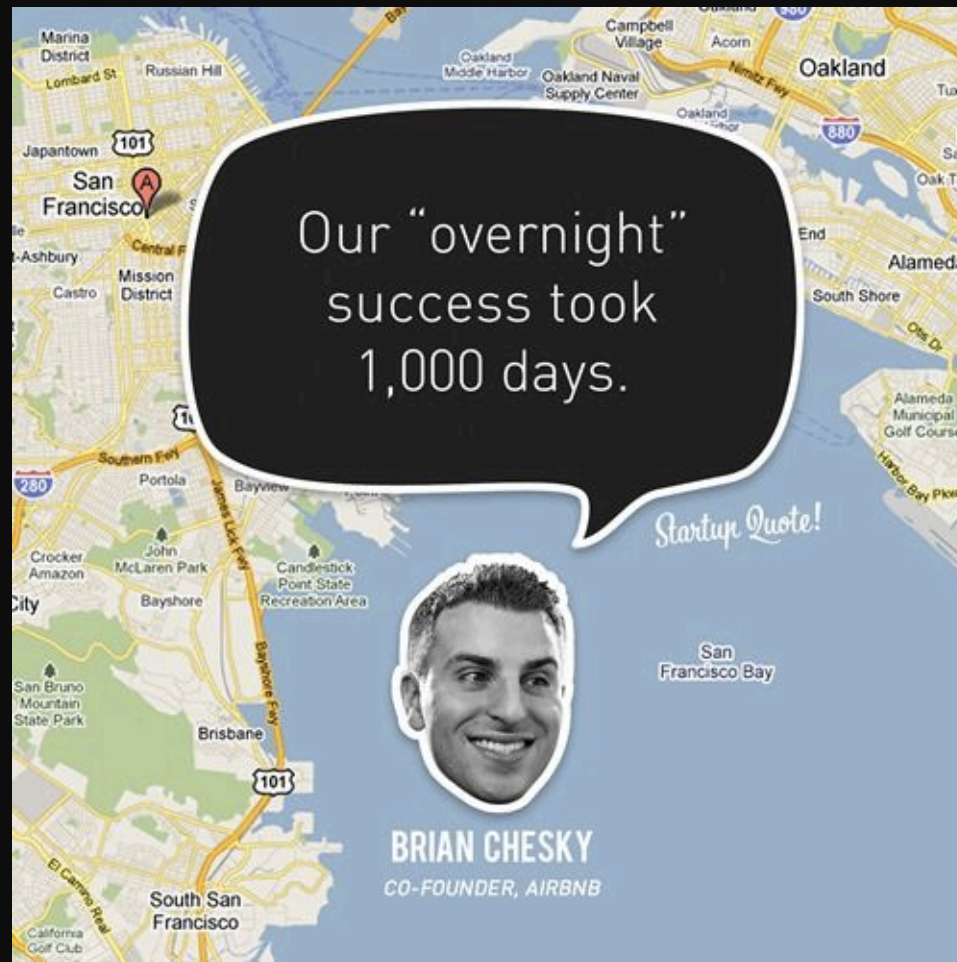# Every great company started with one simple **idea**

Buy books online

Book a limo on your phone

Book rooms with locals

There's no reason why **your idea** couldn't next

It won't be easy…

But you'll never know if you never try

So let's get started

Idea Generation

Two basic approaches

1: **"If I need this…"**

E.g. Stuart Butterfield - Slack (Dev team collaboration)

2: **"There has to be a better way…"**

E.g. Travis Kalanick - Uber (Book a limo on your phone)

Whatever your idea, make sure you are passionate about it

An Idea Development Process
(my version)

1. Create your elevator pitch
2. Develop mockups
3. Test market need/desire
4. Test pricing
5. Size market opportunity
6. Develop customer acquisition plan
7. Develop your MVP
8. Prove (1) and (2) aka product-market fit
9. Scale

1. Create your elevator pitch

Explain your idea in 15 seconds or less

Template
Your company name is your solution for your target customers/users. We help your customers/users solve this problem with these benefits.

Example
Gleamr is "Uber for mobile auto details." We help consumers get an affordable, professional auto detail wherever they are, whenever they want. And we help mobile auto detailers spend less time chasing customers and more time detailing cars.

2. Develop mockups

Make it easy to test the need/desire for your product with your target users/customers

Browse available detailers
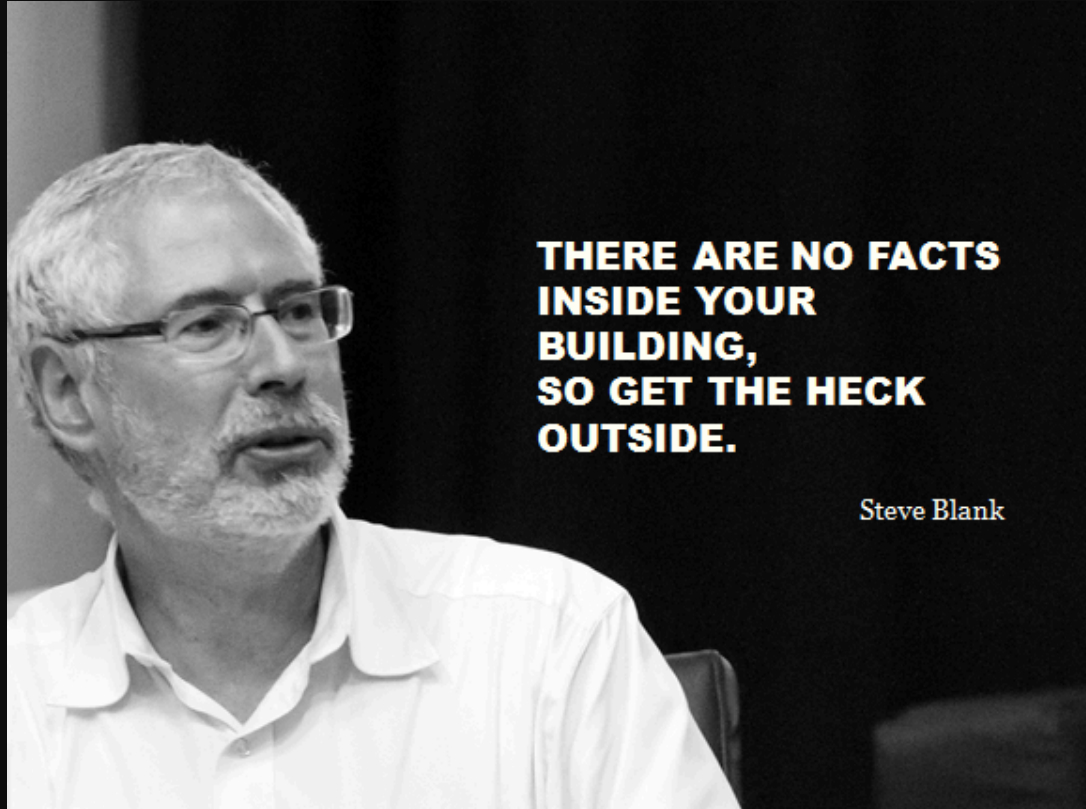
Compare prices, ratings & reviews

Book & pay

Use free tools like Balsamiq Mockups to create mockups in a few hours

3. Test market need/desire

3. Test market need/desire

Do your target users/customers **need** or **want** your product?

Is your product **significantly better** than current solutions?

Will your target users/customers **switch** to your solution?

Use in-person interviews and online survey tools (e.g. Google Surveys) to measure and quantify need/desire

Example
87% of 1,000 office workers surveyed would use a service like Gleamr. 79% of mobile auto detailers said the same.

4. Test your pricing

Will users pay to use your product?

How much would they be willing to pay?

How would they like to pay? One-time fee? Monthly subscription? Other?

Example
Consumers expect a service like Gleamr to be free.
*Mobile auto detailers **are** willing to pay a **15% transaction fee**.*

5. Size your market opportunity

Could you make enough money to make it worth starting a business? For you? For investors?

Gleamr Example

Total US autos	270 Million
# Autos detailed (33% all autos)	90 Million
# Autos mobile detailed (33% all details)	30 Million
Average mobile details per auto per year	6
Total mobile details per year	180 Million
Average mobile detail price	$75
Total mobile detail spend per year	$14 Billion
Gleamr Annual Revenue (@ 15% txn fee)	**$2 Billion**

6. Develop your customer acquisition plan

How will you acquire users/customers? Online advertising? Direct sales? Other?

Can you acquire users/customers **profitably** and at **scale**?

What will your **customer acquisition cost** be? What will your **lifetime value of customer** be? Will LTV be 3-5x CAC?

Example
Gleamr will acquire users (consumers) through online advertising. Our initial tests show that we'll get a 5x return on our customer acquisition cost.

7. Develop your MVP

"The minimum viable product is that version of a new product which allows a team to collect the maximum amount of validated learning about customers with the least effort."
Eric Ries, The Lean Startup

Minimum **features**

Minimum **effort**

Minimum **investment**

Minimum time to **market**

Minimum time to **failure**

Minimum time to *iterate*

8. Prove (1) and (2) aka product-market fit

Do the dogs like the dog food?

Traction speaks louder than words…

Signups   MAUs   MRR

9. Scale your new business

If you can make money on your first few customers, and your market opportunity is huge, you're ready to scale...

YourCo

$ → YourCo → $$$$$

A proven, scalable idea is every investor's dream.
Think Uber.

Recap/Summary of Idea Development Process

1. Create your elevator pitch
2. Develop mockups
3. Test need/desire
4. Test pricing & willingness to pay
5. Size market opportunity
6. Develop customer acquisition plan
7. Develop your MVP
8. Prove (1) and (2) aka product-market fit
9. Scale

One last thought: **Think Big. Start Small.**

We are currently not planning on conquering the world.

SERGEY BRIN
CO-FOUNDER, GOOGLE

malcolm.lewis@gmail.com