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IDENTIFY

The IDEATE framework is about generating high-potential, valuable ideas, but what is a valuable idea? People are not simply buying products or services; they are buying solutions to problems. It is the solution that is valuable.

WOULD YOU RATHER SELL VITAMINS OR ASPIRIN?

Although a market exists for both vitamins and aspirin, consumers are more likely to buy aspirin when they have a splitting headache than purchase vitamins to take over the long term for health effects that are hard to notice. But understanding what makes for a genuine “headache” problem—a real migraine that needs immediate attention—is not necessarily intuitive to all aspiring entrepreneurs. Without proper training, you are more likely to come up with problems that are matters of slight inconvenience rather than real headaches that *need* to be solved with customers who are just waiting for you to offer them a solution. When you have customers, you have a business. When you have a cool idea with no customer, well, you just have a cool idea. Student entrepreneurs sometimes think that identifying a problem that has no known solution is a good sign, when it might simply be that the problem was not substantial enough in the first place to demand a solution.

FIND A MIGRAINE HEADACHE AND YOU MAY HAVE FOUND A NEW BUSINESS!

By the end of this chapter, you will be able to identify a true headache problem. You will learn to differentiate between problems that customers will likely pay to solve and those that they likely will not care about. This can be a real sticking point for nascent entrepreneurs. Research shows that aspiring entrepreneurs have a tendency look for novelty (i.e., no one is solving this problem!) while experienced entrepreneurs look for margin and profit potential.¹

Rather than inventing a problem for your solution, a better approach is to identify a problem that customers are currently trying to solve and are spending money to solve, but that is still not solved to the customers’ satisfaction. When you find a problem like this and can solve it, you will find customers.

Here’s an example. NORI is a startup that recently completed Startup Lab—Wake Forest’s startup accelerator program. The NORI team noticed that women living in small, crowded city apartments often had wrinkled garments, but they did not have room for ironing boards, nor did they even own an iron. Discovering a wrinkled blouse in the morning means no time for dry cleaning. The NORI team

noticed that with no iron or dry-cleaning option, women were using hair straighteners to “iron” their blouses! Because hair straighteners have no temperature control, they often would get too hot and burn the garment. Not only did this ruin clothes, but it also posed a significant safety hazard!

Even more frustrating was the fact that the hair straighteners didn’t even get the job done; they were too narrow and small to adequately remove wrinkles from a blouse. So, these women were spending money on an inferior solution to a real problem. Can you say “migraine headache with an existing customer base”? Absolutely! NORI was created as an enhanced version of a hair straightener-turned-iron, a product that is temperature-controlled and significantly wider and longer than a hair straightener in order to iron a blouse quickly, effectively, without an ironing board, and with no risk of fire! In this case, the problem existed and customers were themselves trying to solve it in the absence of a workable solution. It was a situation ripe for a viable business idea and NORI received immediate validation from target market customers because they had identified a headache problem and offered a better solution.

THE COFFEE CONUNDRUM: EASILY SOLVED = NOT VALUABLE

Another clue, or rule of thumb, is that most “headache” problems are not easily solved in five minutes. For example, it’s not uncommon for student entrepreneurs, like yourself, to come up with small-scale campus-based ideas for products and services. One simple example we’ve seen in our courses is a coffee delivery service. On the surface, the problem seems to be big: Students want to sleep as late as possible and still get coffee prior to class. The student either gets the coffee and is late or goes to class desperately in need of caffeine. Though the problem is real, is a coffee delivery service a valuable solution? This is a classic example of a “can be solved in five minutes” problem. By waking up five minutes earlier, the student can get coffee and be on time to class. Ideas of this sort do not typically add much value. Simply put, in most cases, when something is easily solved, it is not valuable.

Work to identify problems that, like the hair straightener/iron, people are paying to solve but are still unhappy with the results. These problems remove one obstacle in the typical idea generation process—finding paying customers. If they are paying for an inferior solution, they are quite likely to pay (and pay more) for a better solution.

There are other challenges related to opportunities that have a low chance of succeeding (not zero chance—never zero! The market sometimes likes pet rocks and fidget spinners!):

- ideas with tiny, niche markets
- ideas with unclear value propositions
- ideas that struggle to identify who the customer is
- ideas that do not bring anything of real value or uniqueness to the world
- ideas that are really features of a larger, established product
- ideas that have low or no barriers to competition

We will discuss each of these challenges with the hope that by the end of this chapter, you will have developed a strong “sense of smell” as to what makes an idea valuable.

DON’T PITCH NICHE: SIZE MATTERS

Ideas geared toward small niche markets often struggle to gain traction for several reasons. First, a small market can be saturated very quickly, and once the market is saturated, it is hard to grow or make a profit. From an idea standpoint, it can be difficult to get investors excited about making such

an investment. For example, the pharmaceutical industry struggles to create drugs for rare diseases because the number of prospective customers is so low that it can be a challenge to produce and distribute products profitably to such a small market.

What makes an idea a niche idea? Simply put, the problem identified impacts a relatively small number of people. For instance, there are currently 16 million college students studying in U.S. colleges. The total U.S. population is 327 million, so college students make up about 4% of our population. If an idea services some small subset of college students, you are dealing with a niche market.

Conversely, a large market exists when a substantial portion of a population has a need. For instance, cell phones are a large market and appeal to most citizens. In the financial industry, Vanguard sells low-cost mutual funds. This means there are many different types of investors attracted to their products, from college students just starting to invest, to middle managers hoping to build a retirement nest egg, to extremely wealthy individuals who want a good return and low fees. The obesity epidemic in the United States has led pharmaceutical companies to create multiple drugs for diabetes, blood pressure, and other health problems related to obesity. Unfortunately, that market is only growing worldwide.

Identifying a large market allows room for pivoting or a change of direction if your initial idea is flawed. All things being equal, your idea has a much greater chance of thriving in a large, rather than a small, market.

DO WE REALLY NEED A NEW SHOPPING CART?

Another challenge that plagues opportunity quality is a murky value proposition. One idea that we see students identify with great consistency is a modern grocery-shopping cart. Students complain that it is inefficient to grocery shop, and they often have to go back to the same aisle on multiple occasions to get different items on their list. Our students have even measured how much time they waste walking aimlessly through the store—about 15 minutes. The solution to this problem seems obvious, they think: Let's upfit an existing grocery cart with an iPad that can connect with your shopping list and map an efficient route through the store.

Not so fast. There are several challenges to this idea, and most can be traced to its value proposition. First, what is in it for the grocery store? They are in a notoriously low-margin, highly competitive industry. Why would they want to spend significant capital to add expensive technology to their grocery carts, especially when impulse buys are something they depend on? Does the grocery store even care to solve this problem? Think about how many impulse purchases could be made in 15 minutes of aimlessly wandering the store!

We know what you're thinking. Grocery store customers would probably love to have technologically modified carts. Perhaps so, but would they like this experience enough to pay a premium to cover the cost? This takes liking something to a different level. Perhaps tech-savvy customers would like the carts, but non-tech savvy customers might cling to the status quo. Ultimately, the value proposition (i.e., who gets value from a new product or service and why) of this particular idea is ambiguous.

It helps dramatically if you can clearly articulate your value proposition in order to describe the problem, who would benefit most from the solution, and why. If you find these questions hard to answer, it may be a sign that you need to go back to the problem and understand it at a deeper level.

GO FIND THE HUMANS WHO ARE WILLING TO (AND CAN) PAY

Another area that creates challenges to idea quality is customer identity—specifically, a lack of clarity about that identity. A customer is a human being who has a problem (a want or need) and can pay for a valuable solution. For example, a hospital is not a customer. However, someone within the hospital system is. You should be able to answer the question, "To whom am I selling and why should they buy from me?" If you don't know the answer, well, you'd better go find it because if you do not know who your customer is, then customer discovery will be quite difficult.

Case in point: A startup once reported that they tried to get feedback on their medical device from a group of surgeons. They spent an entire year trying to get a meeting with these busy surgeons. Finally, they were able to sit down with the surgeons, who quickly informed the entrepreneurs that although they liked the medical device a great deal, the purchasing decision was made by the insurance company. A year of effort was lost due to a lack of clarity around the customer.

BRING SOMETHING TO THE WORLD THAT CANNOT EASILY BE OBTAINED ELSEWHERE

Ideas that fail to bring any real substantive value to the world—or, put another way, that do not bring anything to the world that cannot easily be obtained elsewhere—typically fail to gain traction. This is one reason why restaurants and retail share a morbid combination of high failure rates and low profit potential. If you have a restaurant concept that is not unique in some meaningful way, customers are much more likely to continue to patronize an established restaurant where they have a previous relationship.

In addition to the difficulties of trying to get customers to engage, it is also extremely difficult to earn healthy profit margins with products or services that are not well-differentiated. If two products are largely similar, customers only have one variable to distinguish between the two, and that is price. If companies compete on the basis of price alone, it is a “race to the bottom,” and both companies ultimately suffer. It is extremely important at the idea stage to create something of value. In order to do this, you have to bring something new to the world that cannot easily be obtained elsewhere from companies that are already established.

WOULDN'T IT BE GREAT IF...? NOT REALLY

In their quest to spot and solve problems, aspiring entrepreneurs often note problems that are actually part of, or a feature of, an existing product. For instance, a commonly reported problem is that content available on Netflix, Amazon, network television, and so on, is not rated by friends of the viewer but instead by a very broad population of viewers. As a result, the algorithm ratings are not very effective at suggesting content. The solution might be a feature added to one of these existing companies or networks.

Another common example is ideas that spring from questions like “wouldn't it be great if we could do X on Instagram (or Snapchat, Facebook, Amazon, etc.)?” However, it's difficult, if not impossible, to add features to existing products offered by another company. Further, the feature alone does not offer enough value to sustain itself as a standalone product or service—and certainly not as its own business. Generally speaking, it is best to avoid ideas that are really product enhancements for other companies.

Whenever possible, it is prudent to generate ideas that can enjoy a competition-free period of time in order to get established. The first thought that probably comes to mind in this regard is to patent an idea. If that is possible, then of course that path might be best. However, other approaches have been used effectively by scrappy entrepreneurs. Take Soft Soap, the company that invented liquid soap. Concerned that competitors such as Johnson & Johnson or Procter & Gamble could easily imitate their product, they purchased all the pumps available on the market. This gave them about a six-month head start on those large, established companies—ample time to generate enough customer loyalty and profitable operations to be ready to compete against those big companies when they finally entered the market.

Startups are weak organisms and are not ready to take on large, established companies.² Ideas that present some barrier to competition (or entry) will give most startups significantly better odds of succeeding.

Now it's time to get to work. But don't forget: Look for ideas that solve migraine headache problems impacting large numbers of customers, and do so in a way that allows you to create

barriers to entry. Be sure to have a clear vision of the customer. Be able to articulate and prove the value proposition to your target market. Finally, look for ideas that can stand alone and are not merely feature upgrades to an existing brand.

IDENTIFY PRACTICE

Below is an example of problem identification, followed by prompts in which you will be asked to figure out what an underlying problem may have been, how potential customers are “solving” the problem right now, and how to identify the root causes of the problem.

EXAMPLE: Dogs stink. Our lovable and adored best friends sometimes have an odor that not everyone enjoys. What is the real problem in this situation? Bad odor is not the problem. The dog’s odor is more likely a *symptom* or a *consequence* of other root causes, and if we can identify the root cause, we will then identify the real problem that could lead us to a potentially valuable solution.

You may be thinking, “Dog odor is absolutely a real problem.” But think about it this way: If we stopped only at the fact that dogs can smell bad, we might decide that a new dog shampoo is needed. However, go to your nearest pet store and you will find dozens of dog shampoo options, all affordably priced and with mostly good reviews. There is shampoo to make your dog smell like peaches or pears. There is shampoo for the hypoallergenic dog. There is conditioning shampoo, low-suds shampoo, no-water shampoo, and organic shampoo. You name it. It’s there. But what you might perceive to be the problem—dog odor—still exists.

After identifying the problem, it helps to identify how people are currently solving the problem. In the case of dog odor, assuming it actually is a problem, are dog owners ignoring it? Spraying doggie perfume on their animals? Going to a dog salon or groomer? Are they just bathing their dogs constantly? This is where doing some quick and early research, such as reading relevant social media groups or Reddit forums, can help you understand how customers may be currently addressing the problem and how these solutions are and are not meeting their needs.

To get to the real migraine headache you need to ask yourself, “Why is dog odor such a problem?” Soon you will start to see different root causes emerge.

Possible root cause #1: Dog owners aren’t bathing their dogs because the dog doesn’t enjoy the process.

Possible solution #1: Increase the dog’s enjoyment of the bath by introducing new bath toys.

Possible root cause #2: Dog hair clogs the bath drain and becomes a bigger problem itself, so the owner procrastinates about bathing the dog.

Possible solution #2: Create a special strainer or circulator that eliminates this issue.

Possible root cause #3: Bathing a dog just takes too much time, and owners aren’t willing to put in the effort or simply don’t have the time.

Possible solution #3: A mobile dog-washing service that goes to the dog owner’s house.

If considered, all of these possible root causes, and many more, would likely generate a better outcome for the entrepreneur than dealing with the symptom alone. If you think you’ve identified the real problem, always ask yourself “why is this problem occurring?” This self-interrogation is helpful in finding root causes.

In the following exercise, consider the following *symptoms* or *consequences* and identify their root causes in order to identify the migraine headache problem(s) that would yield higher quality solutions. Uncover three possible root causes and three possible solutions for each symptom or consequence below, just as we did with the dog odor example above.

Symptom A: Not following the manufacturer's recommended maintenance schedule.

Possible Root Cause #1:

Possible Solution #1:

Possible Root Cause #2:

Possible Solution #2:

Possible Root Cause #3:

Possible Solution #3:

Symptom B: The amount of chemicals Americans apply to their lawns in order to keep them looking green and "perfect."

Possible Root Cause #1:

Possible Solution #1:

Possible Root Cause #2:

Possible Solution #2:

Possible Root Cause #3:

Possible Solution #3:

IDENTIFY 10 IDEAS

Now it's time to put your new Identify skills to work and generate 10 ideas! Next, identify three problems (not symptoms or consequences) that *you* see. Remember, look for those “migraine headache” problems and look for any underlying causes of the problems, possible solutions that can turn into ideas, and how potential customers are dealing with the problems now.

You will be asked to describe each of your ideas in enough specific detail that someone could read it and understand the problem and solution without any additional information. To facilitate this level of detail, you will see four additional boxes below the description box.

The MHP Box: Assess the level or degree of the “migraine headache problem” (MHP) you have identified, using a scale of 1 (a small problem or minor inconvenience) to 5 (a true migraine headache problem).

The Enthusiasm Box: You may see an idea and believe it to be valuable, yet you may have no real personal desire to pursue it. Alternatively, if the problem you have identified and solution you have in mind addresses something you care deeply about or are interested in, you would probably also possess considerable enthusiasm to get it to market. In this box, assess your level of enthusiasm for your idea from 1 (not at all into this idea) to 5 (I'm really fired up about this idea).

The Gut Box: Entrepreneurs can see value or patterns in potential products or services that others simply miss. Sometimes this value is hard to describe or articulate and is often based simply on a feeling or an intuitive sense. This exercise will help you develop your instincts for spotting high-quality ideas. In this box, give your “gut” ranking from 1 (my gut says this is not a really big and profitable idea) to 5 (this is the next huge thing that everyone will be talking about and want).

The Total Box: This box will contain the overall score for your idea based on the three previous boxes. Total = (MHP × Enthusiasm) + Gut. For example, if the idea scored 3 on MHP, 5 on Enthusiasm, and 2 on Gut, my total would be $(3 \times 5) + 2 = 17$.

You should now be able to rank your ideas from most valuable to least valuable in the batch. Please complete this table at the end of all chapters except Evaluate, where you will learn a more robust, critical thinking method of evaluating your top-ranked ideas. You may reuse a problem if you have more than one idea related to a specific problem. The goal is to generate 10 ideas.

Problem identified:			Rank (1-10)
Idea description:			
			Score
MHP (1-5):	Enthusiasm (1-5):	Gut (1-5):	Total ([MHP × E] + G):

Problem identified:			Rank (1-10)
Idea description:			
MHP (1-5):	Enthusiasm (1-5):	Gut (1-5):	Total $([MHP \times E] + G)$:

Problem identified:			Rank (1-10)
Idea description:			
MHP (1-5):	Enthusiasm (1-5):	Gut (1-5):	Total $([MHP \times E] + G)$:

Problem identified:			Rank (1-10)
Idea description:			
MHP (1-5):	Enthusiasm (1-5):	Gut (1-5):	Total $([MHP \times E] + G)$:

Problem identified:			Rank (1-10)
Idea description:			
MHP (1-5):	Enthusiasm (1-5):	Gut (1-5):	Total $([MHP \times E] + G)$:

Problem identified:			Rank (1-10)
Idea description:			
MHP (1-5):	Enthusiasm (1-5):	Gut (1-5):	Total $([MHP \times E] + G)$:

Problem identified:			Rank (1-10)
Idea description:			
MHP (1-5):	Enthusiasm (1-5):	Gut (1-5):	Total $([MHP \times E] + G)$:

Problem identified:			Rank (1-10)
Idea description:			
MHP (1-5):	Enthusiasm (1-5):	Gut (1-5):	Total $([MHP \times E] + G)$:

Problem identified:			Rank (1-10)
Idea description:			
MHP (1-5):	Enthusiasm (1-5):	Gut (1-5):	Total $([MHP \times E] + G)$:

- What is your favorite idea? Is your favorite idea different from your highest ranked idea? Why?

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