4-STEP CHECKLIST

FOR PRE-CONCEPT MARKET VALIDATION

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Learn what investors already know: Early market validation is critical for Pre-Concept stage companies.

There isn't any big mystery to market validation at the pre-concept stage, just a few sensible steps taken with a healthy dose of curiosity. Use this self-evaluation checklist to gauge how well your solution and target market align.

1. Relate product features to customer benefits

- [ ] Customers buy benefits, not features. Customers may be interested or even impressed by a cool technology, but for them to write checks, the solution must—in specific, defined, measurable ways—improve efficiency, reduce cost, or make a customer more competitive, thereby gaining market share.

- [ ] Consider this feature/benefit example from Clarivoy, a Rev1 portfolio company.

  - **Feature:** Clarivoy's clean and simple dashboard interface tells customers (companies that advertise on TV) which networks, shows, time slots, and TV ads drive online response, and whether that response results in a sale.

  - **Benefit:** M/I Homes, an entrepreneurial family business that grew into a national leader in new home construction, saw a 189 percent increase in website visits attributable to TV after Clarivoy enabled them to fine-tune their TV advertising.

2. Create your unique feature/benefits list to determine if the product is differentiated.

- [ ] Identify product features you can deliver that you believe are important.

- [ ] Identify and quantify the weak spots in the customer's business model. That's where the customer needs to the most help and will be most willing to listen to new ideas.

  - Cost? Features? Efficiency? Competition? Customer Service?

- [ ] Apply the features of your solution to the problems you'vVe identified. A feature is only a feature if you can quantify it. Otherwise, it's just a nice-to-have.

  - How can you improve things for the customer?
  - Quantify the hard and soft dollar benefits

3. Size up the competition—from other solutions and from inertia.

- [ ] Are companies that are providing solutions to your target market satisfying all the needs?

  - If they are, don't go any further; you are on the wrong path.
  - If not, what are the weak points? What unmet needs do potential customers complain about? Is the price too high? Is the product hard to use? Do supplier lack customer service?

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- [ ] What would be the barriers to the customer replacing the product they are using today?
    - — Contractual? Financial? Relationships? Corporate Policy?
- [ ] Would a customer see more risk in doing nothing or in implementing a new solution?
    - — Doing nothing is the easy choice.
    - — Inertia stops more customer decisions and impedes more new product sales than pretty much anything else.
    - — What would it take to make them comfortable doing business with a startup if you could solve their problems?

4. Validate your pre-concept assumptions with real potential customers.

Take your list of features, potential benefits, and assumptions about customer problems and the competition and validate them with real potential customers.

- [ ] Start with multiple web searches to frame your potential market by industry segment.
- [ ] Survey: It's easier than ever today to acquire an email list and survey using Internet tools to get basic data back fast. It's astonishing how much information you can collect quickly and cost-effectively.
    - — Get some help structuring your survey. It is vitally important that any market analysis and customer validation be done in an intellectually honest way.
    - — It's easy to ask questions to get the answers you want, it takes more awareness and planning to survey the market and get the answers you need.
- [ ] Talk to industry experts. Use connections with the business community, or simply be bold and call mid-level managers and decision-makers. Generally, even busy people, love to talk about their fields of expertise. Be respectful of their time, and you'll be surprised how many times they commit to five minutes and give you an hour.
- [ ] Create a system for collecting and organizing everything that you find out.
    - — Use both quantitation and anecdotal information to feed into your business plan.
    - — Keep contact information. Once you do start developing a prototype and business model, circle back to these folks.
    - — You are building relationships that can lean to strategic partners, early adopters, and first paying customers.

This Market Validation Model Works.

We are working with entrepreneurs today who have been so effective at the validation process that potential customers have signed up and written checks before the first prototype was built.

Contact us to learn more about how Rev1 helps portfolio companies validate their markets before they write checks for prototypes.

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