

[Transcript] My First Million / One Question Friday: What Does It Mean To "Test Your Business Ideas"?

All right.

Quick break to tell you about another podcast that we're interested in right now.

HubSpot just launched a Shark Tank rewatch podcast called Another Bite.

Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell.

And they break down why these pitches were winners or losers.

And each company's go-to-market strategy, branding, pricing, valuation, everything.

Basically all the things you want to know about how to survive the tank and scale your company on your own.

If you want to give it a listen, you can find another bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.

All right.

Back to the show.

Hey, Mofen.

This is Bernard from Berlin, Germany.

My question is about testing your business ideas.

So I've heard a bunch of people on your podcast talk about this already and how it's part of what made them successful.

Now, I don't really understand what this means, testing your business ideas.

The only thing I can think of is maybe running multiple ads and comparing the performance.

But beyond that, I really don't know what to do.

So could you, first of all, tell me how you have seen this done successfully in the past and second of all, how I can become better at it?

Thank you.

All right.

The guy asked Sean, he said, I hear you talk about testing ideas.

What does that mean?

Does that mean just like running ads to like a page and getting sales?

And the answer is yes, that is our way, but he wants to know about testing ideas and how do you do that?

All right.

So we can share a couple of things that I think you talked about this in the last one of course Friday, but the first is customer conversations and the mom test.

There's a book called the mom test, worth reading if you want to get better at the stuff.

But here's the premise, which is talk to customers and the rule is don't make the mistake everybody does.

Don't pitch your product and just wait for them to politely be like, yeah, sounds is really interesting.

Let me know because that's like a false positive.

You're only allowed to talk to them about their problem.

So you do what's called a problem interview.

You just talk to them about their life.

You ask them questions.

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You try to see, A, is this a real problem for them?

B, how big of a problem is it like, dude, this is the biggest issue in my life right now or it's nice to have.

And you can suss that out by trying to figure out, okay, so what have you done to try to solve this?

And if they don't really say anything, well, then it's probably not actually that big of a problem.

They haven't been trying to solve it.

If they've tried like eight solutions and none of it's working and they're just banging their head against the wall, you know, it's a real problem.

And so you try to figure out the problem, you try to figure out how big of a problem and you try to figure out the words they use to describe it as a problem because that's what you're going to use to create your solution.

And then separately you could say, well, I'm working on a way to solve that.

It'll be XYZ.

Are you interested in trying it?

And then they say, yes.

You say, great.

And then you make them pay some price, whether it's literally paid money or give them, give your information or connect your account so I can have your data or whatever.

Make them do something that has some friction so you can gauge if they're really interested or not.

That's one way you could test an idea.

And that's exactly what you did this weekend.

You just talked about the basketball camp thing that Sean did, you told me what the idea was and he goes, if this interests you, Venmo me \$1,800 right now.

And we all did.

And there was no website.

There was nothing.

It was just a phone call, text, Twitter thing.

And that's the way I typically do things.

Oftentimes it'll take maybe 20 or 30 calls and I can probably get one person to show interest.

But that's where a lot of people fail is they actually don't talk to enough people.

So for my latest thing, I've actually talked to like 300 people and you have to talk to a lot of people.

I invested in this one company and they were trying to get customers and I'm like, well, how many talked to you?

Like, well, we talked to like one person last week and then a person the week before.

I'm like, oh, dude, it's got to be from like 8am to like 7pm and you're on calls all day.

That way I think typically works, but most people don't have enough intensity around it.

There's another way, which is you take a pre validated idea.

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So you take an idea that's already working and you just, you change it in some way.

So, oh, it's working in the US, but there's no version of this in Europe.

There's a pretty good bet that the behaviors in the US are going to translate to let's say Europe or wherever.

And so you can skip the validation point that way.

I actually think validating an idea is really, really hard.

I actually don't think you're ever going to get this clear signal that like, yep, check.

I know that people want this.

It's just like a spectrum.

You're just increasing your confidence level that there's a real there there, but you're never at 100% until many, many months in too far in.

The second thing is another way to skip the line is just work on something where you know you're the customer.

Cause if you're the customer for it, I guarantee you an internet scale that there are at least another 100,000 people that are just like you that have the same problem as you that feel the same way you do.

You may not be able to find them.

You may not be able to market to them, but they definitely exist.

And so one way to validate your idea is to just build something that solves a problem for you.

Very rarely will that be too small where it's only you or only you and 10 other people that have that problem.

Almost always there's a huge group.

And there's some times or a lot of times like let's say like HubSpot or some type of software like Riverside, what we're using now where it's like, it's a little bit challenging to get customers before the thing is actually built.

That definitely exists.

And there's this company that I talked to called Zooper Z-U-P-E-R.co.

And their headline is power your field service and deliver a better customer service.

Basically it's an app where if you're an electrician, all your electricians who work for you, they go out and they, it's like time tables and all this stuff.

And he was like, I was like, how did you do this?

And he said, well, I just spent all my nights and weekends talking to these business owners and I basically kind of interned for them and I got to know them really well.

And I honed in on the problem very specifically and I got like pre commitments that didn't pay me, but they told me if I can do X, Y and Z, they'll be my customer.

And so I didn't validate it in the sense of I collected money, but I knew with a high degree of certainty what the problem was because I spent a year working with these people and talking to them.

And then when I built it, it took about six months to get my first customer.

And I know another guy who did that, Al from Next Health, it's like a billion dollar company now and he did the same thing.

He built software for doctors and he goes, I quit my job and I became a secretary at

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a doctor's office for six months to learn exactly how they do things.

So I knew very specifically the software that I was building, how it was going to solve a problem.

And so I didn't validate it in the sense of I collected money, but like I validated it in my mind of I had a higher degree of certainty.

So to summarize three ways that you can validate your ideas, the worst way or the least fidelity way, go talk to as many customers as you can, go nine to five, go shadow them, try to talk to them about their problems, figure out how big of a problem it is and what they do to solve it today.

The second higher fidelity way, you actually have an offer, it's a landing page, it's an ad, it's a flyer, it's an email and you try to get people to pre-commit to a solution.

That will also validate that there's demand to this.

And then the best way of all the ways is you know there's demand because you have the problem.

And if you have the problem, you know it well, you know what solution would work, you have a place to test it, you can be patient zero and you can test it on yourself.

And if you do all that, you're not guessing, is this problem real or not?

Because you know it's real.

And all of these take a lot of courage.

A lot of people don't do them because they're afraid.

Everyone's afraid.

You just got to do it.

And you can get a lot done by just having some courage and actually following these steps.

So that's one question Friday.