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MODULE 3



TESTING IDEAS

Trying to make ideas work



I₁ N₁ D₂ E₁ X₈

A.- Key Metrics

B.- Business Survey: Will The Customer Be In Love With Us?

Price

Quality

Usability

Product Or Service Need

Related Products Or Services: Comparative

Economic Viability

C.- Pin Analysis: Rating The Swot Analysis

Positive Aspects

Interesting Aspects

Negative Aspects

D.- Landing Page: Getting Feedback

E.- The Hard Question: Trying To See The Problems Before They Appear

a.- Key metrics

In this stage of the training, you have an approximate idea of what your business is. It is important to analyze and test your concept of business and find out if it works as you have created it. It requires structure, preparation and a whole load of supporting documentation. You have to consider that potential investors would usually require a business plan, an executive summary, and financial data in order to gain an insight into your company, in terms of past performance, present standings, and future plans.

If you are not looking for investors, measuring some metrics is a good way of knowing more about your business. Here you have some ideas of metrics that are important to assure that our idea is successful when put to the test. Even if these metrics are estimated, it is a good idea to do it:

Gross Margin

It is a measure of how expensive it is to make your product or offer your service. You will express it as a percentage. You have to take the business total sales revenue, divide by the total of your sales and subtract the cost of one item or service.

Revenue Growth

It is a good metric to indicate the growth or potential expansion of your business. It represents the increasing or decreasing of sales over a period of time. You can have a projection if you have not yet started to sell.

Net Income

This shows the business' total earnings and is calculated by taking all costs incurred (including cost of doing business, depreciation, interest, taxes, and other expenses) away from revenue. It is like taking the "blocks" of revenue and costs of the Canvas and subtract the cost from the revenues.

Contribution Margin

It shows the profitability of individual products. It is used to determine whether variable costs for your product can be reduced or if the price of the end product should be increased.

Churn Rate

With this metric you work out the revenue potential of each of your individual customers. It shows the customers in a period of time that stop buying your product. Your number of new customers must exceed your churn rate.

Customer Acquisition

It represents the cost associated with attracting new customers to your business. It is a reality that you will need to spend money in marketing, engage of potential customers and research so the objective is to attract the more possible customers at the least possible cost.

Sales Quotas

With this metric you indicate your sales targets. Using sales quotas you know how well your product is selling and if your sales team is performing efficiently. It is the total of sales and you can compare it with the sales in other time periods.

Salary

The most important cost for most of the business is the salaries. You have to analyze if your company or future company will pay low salaries or high. Think about how if you will be paying low salaries could raise questions about employee retention in the future, and if you pay excessive salaries, it could limit your company's operational future.

Revenue-per-Employee

It is important for your business to analyze how efficiently your business uses its employees. If you have a high rate of revenue-per-employee (number of sales divided into number of employees) it shows that your employees are working well. Consider that some sectors or industries need more employees than others.

Non-Personnel Marketing Budget

This metric makes reference to the amount of money you spend on advertising and events. It is one of the metrics that you can adjust from one month to another. It can be increased or decreased as your other marketing efforts progress.

It shows if you understand the way the markets work and how to achieve new goals, new customers.

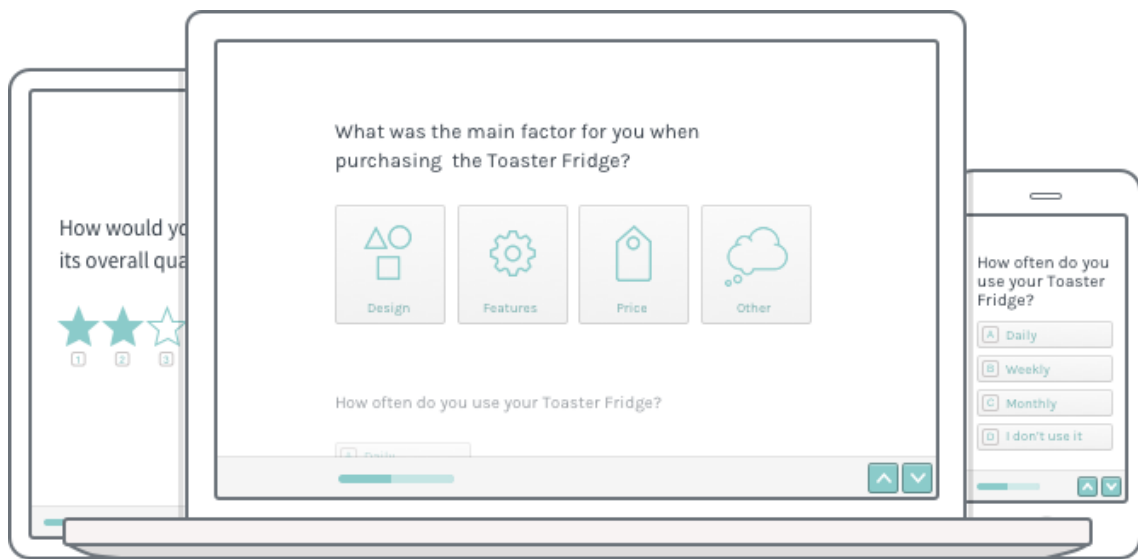
Activity 1

Make a prevision of these metrics and learn how to calculate them. In pairs, discuss about the utility or not of some of them.

b.- Business survey: will the customer be in love with us?

Probably now you will be questioning about how to get feedback from your potential customers or how to get data to make projections of metrics. It is easier than you think. You can create a survey or a poll about your business and give it to your friends, family or different people to have more information.

If you have the possibility you can create an online survey with some web applications, for example **Typeform**. Is very easy to use and is not the typical survey, boring and long (it is more dynamic, with pictures, etc.). If you don't have this possibility, you can create a survey in paper and make your mates answer it, your friends, family, etc.



And which is the information that you want to get from this survey? Basically, you will have to focus on price, quality, usability, product or service need, related product or services and design. Here you have some questions as an example:

Price

How much do you spend in this kind of products/service?

How often do you buy this kind of products/services?

How much would you be willing to pay for a product/service with these characteristics?

In this range of prices, what would you be willing to pay?

Choose a good price for this product/service.

Quality

Are you willing to pay more for a better quality product/service of this kind?

Which is the quality that you look for in this kind of products/services?

Do you think that the products/service that you have now have a good quality?

If you had to choose between more quality or lower prices, what would you choose?

Usability

Would you buy a product/service that would allow you to ...?
What use would you make of ...?

Product or service need

Would you find a product that allows you to.... useful?
How often do you need a product/service with these characteristics?

Related products or services: comparative

What products/services do you use normally to ...?
What are the brands that you normally buy?
Do you find good the price of these brands?

Design

Do you give importance to the design for this category of product/service?
Which is the design do you look for in this product/service?

Activity 2

Design your own survey about your product/service or about an idea that teacher will give you.
What are the things that you are interested in questioning? why? who has to answer this questionnaire?

c.- PIN analysis: rating the SWOT analysis

PIN Analysis is a technique to filter the ideas that you have generated in the first phase. With this technique you can value if this idea has a place in the market or if it is not an interesting idea.

How it works

You have to create a table, and then put these three different aspects:

Positive aspects: reasons why the idea is good, can be successful in the market or can represent and competitive advantage for the enterprise. Value from +1 to +10. Interesting aspects: even if they do not a positive or a negative impact, can be of special relevance. Value from +1 to +5.

Negative aspects: weakness of our idea or aspects that have to be improved. Value from -1 to -10.

So as a result of the PIN analysis, you will have a table with positive, interesting and negative aspects of your idea, valued in a different way. If you add all the numbers that you have got, you will have a value of your general idea.

If it's positive, it means that you have a good idea, but if it's negative, you will have to change some aspects of this idea.

Here you have an example:

You want to use nanotechnology in your products, is it a good idea?

Positive aspects	Interesting aspects	Negative aspects
You will save costs (+7)	You have financial capacity to implement this technique (+3)	You will need staff specialized in this field (-7)
You will create new applications and uses for products (+5)	You have knowledge in this field (+5)	You will need new infrastructure (-8)
You will simplify your production method (+8)	You have experience working for enterprises in this field (+4)	You will have to spend part of your reserves (-7)
TOTAL: +10		

Activity 3

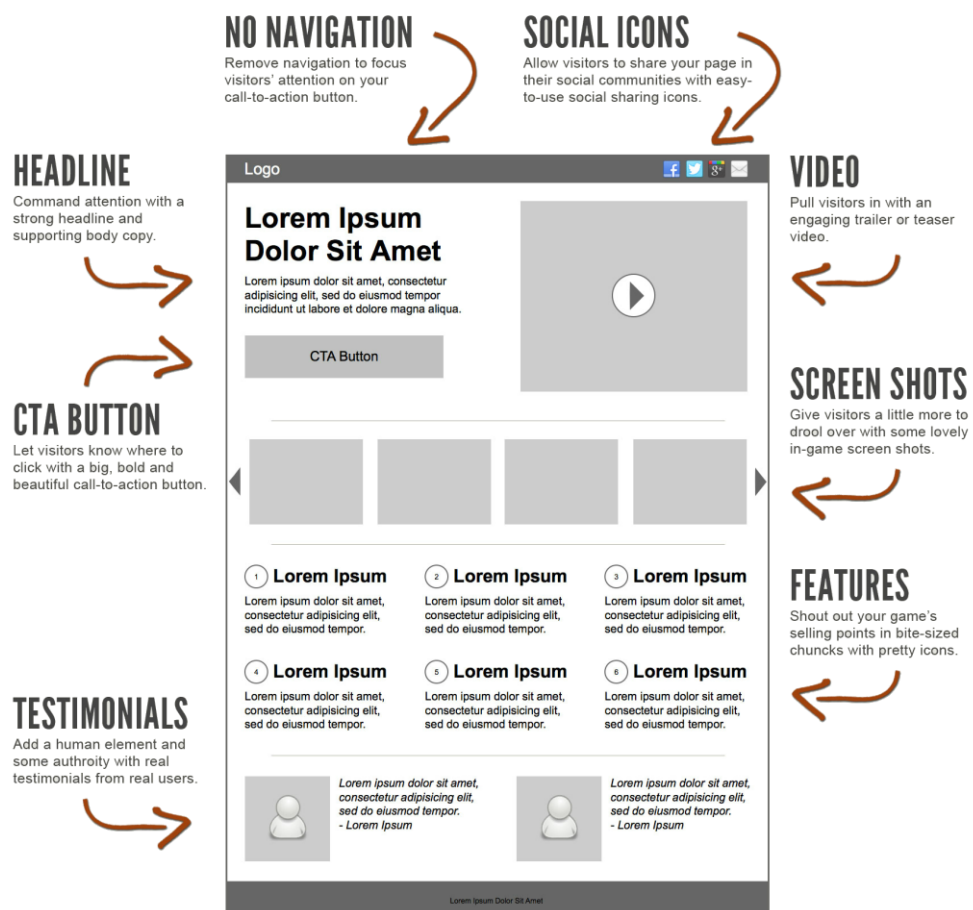
Make a PIN analysis about your idea. In pairs, compare which is the result and if your mate can add some positive, interesting or negative aspects.

d.- Landing page: getting feedback

A landing page is a single web where your visitors arrive and have simple and concrete information about your product or service. It is used to receive feedback and information from your customers (for example, if they are interested they will subscribe your web to receive more information and that way you can get a database of possible customers).

It is different from your complete website, because your aim is to provide simple information, maybe a video of your product or service and get feedback. In the next graphic, you will have an idea of the parts that a landing page has to have.

The Perfect Landing Page



e.- The hard question: trying to see problems before they appear

A good way to finish your testing is to think about the problems and reticence that customers will have before they appear. This is called the hard question and allows you to take a step before the problems arrive. For example, if you are designing a new concept for a vegetable store with more design and higher prices than competition, you have to think about if customers start to buy from your competition asking for lower prices.

Activity 4

Think about the hard questions of your product/service and try to find out solutions.

✓ SELF-ASSESSMENT

1. Key metrics are essential to...

- a. Know if your business works
- b. Know if you are achieving your objectives
- c. Both are correct

2. PIN Analysis...

- a. Is only about positive aspects
- b. Helps you to give a positive or negative rate to your business
- c. Is only about negative aspects

3. You have to create a business survey

- a. After you launch your business
- b. Before you launch your business
- c. During the launching of your business

4. The hard question can help you to...

- a. Find the aspects of your business that won't work
- b. Give you an idea of business
- c. Develop your business

5. The landing page is...

- a. A complete website
- b. An E-commerce
- c. A website only to take information about potential customers

I-c; 2-b; 3-b; 4-a; 5-c