COFOUNDER

ACE ADVISORS

IDEA EVALUATION



PREPARED BY ACE ADVISORS & COFOUNDER

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What is Idea Evaluation?



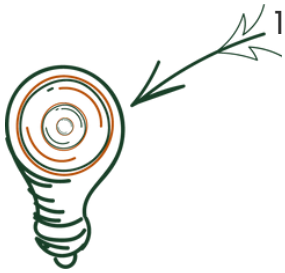
Idea evaluation is the process of critically assessing your business idea to determine its feasibility and profitability.

Before proceeding with a business idea, it's crucial to evaluate its strategic and financial viability. This evaluation yields insights that can prevent the founders from wasting resources and time.

Why is Idea Evaluation Important?

Most founders either completely skip this process and go off assumptions, or do it only partially. However, idea evaluation is crucial and can make the difference between a successful startup and wasted resources.

Below are 3 key benefits of this stage:



1. **Business clarity:** Have a clear vision and direction for the business by helping founders to
   a. Define and refine their business idea, goals, and vision clearly.
   b. Understand the problem they are solving and how they are going to provide the solution
   c. Think through critical aspects of the business such as product, market, and finances amongst other things



2. **Investment attraction:** A well thought-out and researched business idea would boost investors' confidence and give credibility to the founders.

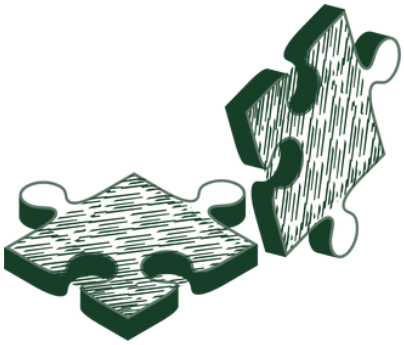


3. **Risk mitigation:** Identify potential challenges and risks, and force founders to start thinking about ways to mitigate the risks.

A number of companies fail because they skip this idea evaluation process.

How do you evaluate your idea?

You can evaluate your startup idea by answering a series of questions regarding your business/startup in the 5 key areas listed below. To help guide your idea evaluation process, we have provided a sample list of questions in each area. **Take the time to actually sit and write down your answers and do not simply assume you know the answers.** As much as possible, please base your answer off actual data and not your assumptions/hunch.
Please take these as starting points, as they are by no means exhaustive.



1. Problem and solution

Your Why: What problem/Market gap are you trying to address?

Questions

- What problem are you solving/ what is the gap in the market you are aiming to fill?
- Who is facing this problem?
- How is the problem being solved right now? / How is the market gap being filled right now/ How are the people facing this problem addressing this market gap currently?
- What is your solution?
- What makes you unique? What makes your solution better than the current solution/workaround?
- Is your solution scalable?



2. Product

Your offering: What you are selling?

Questions

- What exactly is the product you are selling?
- What inputs do you need to make this product? How will you source these inputs and how easy are they to source?
- How will you produce this product and how much will it cost to produce?
- Can your product be protected? (patented or hard to copy)



3. Market

Your customers: Who you are selling to?

Questions

- Who is your target customer (describe them in detail)?
- Are target customers willing to pay for your product?
- What is the size of your target market?
- How are you planning to reach customers?
- Who are your competitors? Is there space for new companies in the market?
- Barrier for entry? - Are there any political, economic, social, technological, legal, and environmental barriers/challenges?

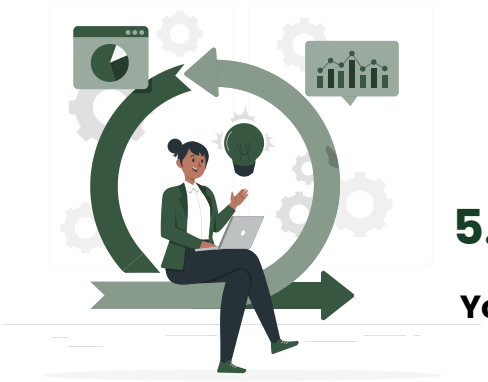


4. Finance

Your numbers: How do you make money?

Questions

- What is your proposed business model for generating revenue and monetizing your venture?
- How much money would you need to start?
- At what price can you sell this product? How much will making this product cost you (including materials, labor, transport etc.)?
- What are the costs of your operations?



5. Execution

Your implementation: What do you need?

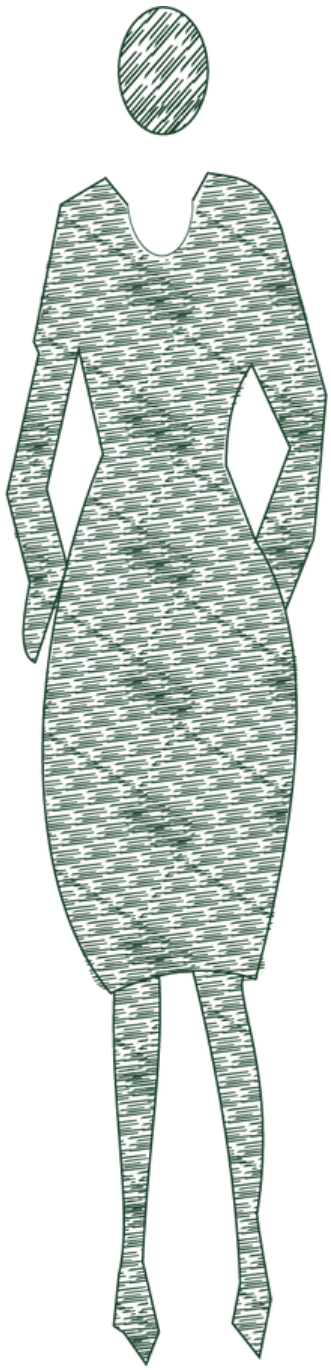
Questions

- Do you have the necessary resources including funds, technology, production inputs, and technical know-how to execute this idea?
- Are the resources you're currently missing critical for the success of your venture?
- What is your plan on how to obtain missing critical resources?

Scoring Scale

Now that you've examined your startup idea across the five main areas, it's time to evaluate your performance. Rate your performance on a scale of 1 to 5 for each of these areas, considering how well you answered the set of questions provided.

Below, we illustrate what each score would look like using a hypothetical startup. You can use the scenarios as a guide when evaluating how your startup scores in each area.

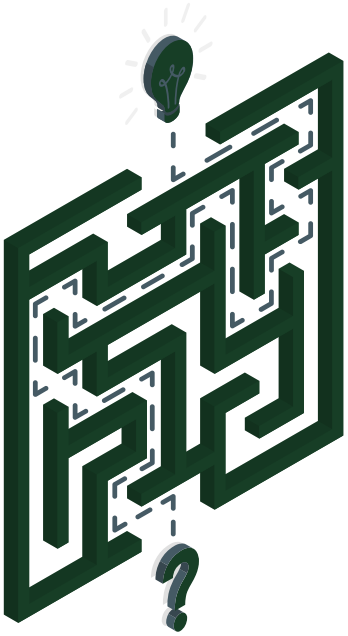


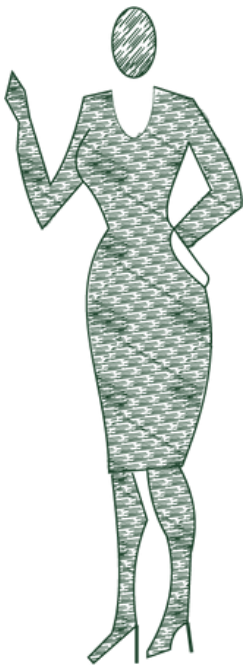
Meet Aberash, an entrepreneur on a mission in Ethiopia. Aberash faced a common challenge in her country - the lack of affordable, safe, and locally produced skincare products. Aberash has a business idea to address this problem.

Aberash will evaluate her startup idea across the five main areas using a scoring scale to assess her performance. By assigning a rating from 1 to 5 for each area, she will gauge how well she has addressed the set of questions provided. Once Aberash rates each area, she will total the scores to obtain an overall evaluation of her startup idea's strength and identify areas for improvement.

Problem

1. **(No understanding of problem):** Aberash does not know what problem she is solving with her business idea.
2. **(A vague problem statement):** Aberash provides a vague problem statement stating the need for skincare products but does not know specifics such as what type of skincare products. She does not know who is facing this problem and how her products address target customers' needs.
3. **(A problem statement with limited market research):** Aberash identifies a somewhat clear problem - demand for affordable, natural skincare in Ethiopia. She knows who is facing this problem and has a high level understanding of how they're currently addressing this issue, but has reached out to potential customers to get their insights (e.g. if they even consider it a problem and if they are willing to pay for her solution).
4. **(A clear problem statement with proper market data to validate her solution):** Aberash clearly understands the problem she is addressing and who is facing the problem. She has talked to customers to validate demand. She has conducted research to understand current solutions and how her solution is better than existing ones.
5. **(A deep understanding of problem based on comprehensive market research, and a detailed plan on how to address the problem):** Aberash demonstrates a deep understanding of Ethiopians' skin care issues, precisely identifies the target audience and has validated her solution with them, has conducted a thorough analysis of existing products, and offers compelling, research-backed differentiation strategy.





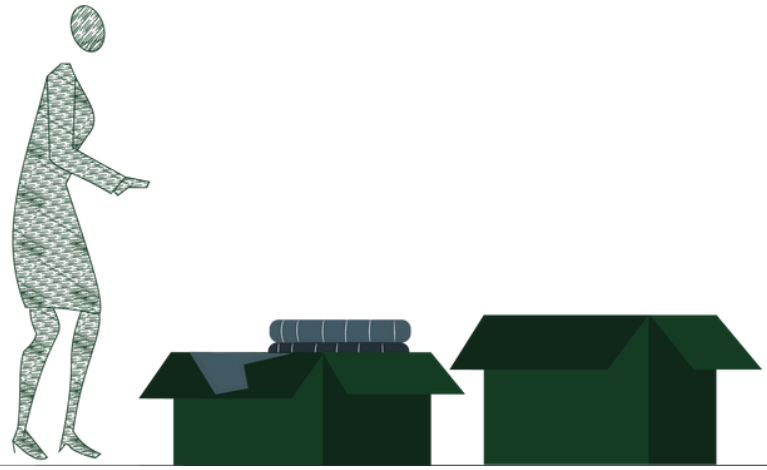
Product

1. **(Vague idea of a product):** Aberash struggles to define what she is selling, offering a vague description like "skincare products."
2. **(Roughly defined product lines with vague understanding of how to acquire/produce them):** Aberash identifies that she's selling natural skincare products but lacks details about the specific products (e.g., face-wash, moisturizer). She mentions some inputs like natural ingredients but doesn't provide specifics.
3. **(Properly defined product lines with basic understanding of how to acquire/produce them):** Aberash defines her natural skincare line, including specific products, with a basic understanding of required inputs (e.g. shea butter, local herbs). She plans to source ingredients locally but has not looked into supply plans.
4. **(Properly define product lines and features, with proper understanding of how to acquire/produce them):** Aberash presents a well-defined natural local skincare line, emphasizing unique features like indigenous herbs and eco-friendly packaging. She lists essential inputs and outlines a plan for sourcing, including local partnerships.
5. **(Properly defined product lines with detailed features, and a clear plan on how to acquire/produce them):** Aberash provides a comprehensive description of her natural local skincare line, specifying products and unique benefits for Ethiopian's skin. She identifies and elaborates on all necessary inputs, demonstrating an in-depth understanding of the production process. Aberash outlines a well-researched plan for sourcing inputs, including local partnerships and a stable supply chain. She discusses scalability through diversification, considering patenting unique ingredients and formulations for protection against imitation.



Market

1. **(Target market not identified):** Aberash simply states she wants to sell to "people interested in skincare". She lacks specific target customer information or insights into their preferences.
2. **(Target market vaguely identified but no market insight):** Aberash identifies her target customers as individuals in Ethiopia interested in natural skincare but provides no evidence of their demand and lacks market research.
3. **(Clear target market with limited market insight):** Aberash defines her target customers with clarity, describing them as Ethiopians aged 25-45 with a preference for natural skincare products to address specific skin concerns. However, she lacks external market information to validate their demand.
4. **(Good understanding of target market backed with market research):** Aberash provides a detailed description of her target customer, including demographics, target skin concerns, and preferences. She has conducted a survey to confirm target customer willingness to pay for her products. She has conducted market research to assess market size and understand competitive landscape at a high level.
5. **(Deep understanding of target market with comprehensive market research):** Aberash offers a comprehensive profile of her target customer, detailing demographics, skincare concerns, and preferences, supported by market research data. She has tested potential customers' willingness to pay for her products and has calculated the target market size. She identifies competitors in the local skincare market, analyzes their strengths and weaknesses, recognizes opportunities for her unique product line, and acknowledges potential barriers to entry such as regulatory, economic, social, technological, legal, and environmental challenges.



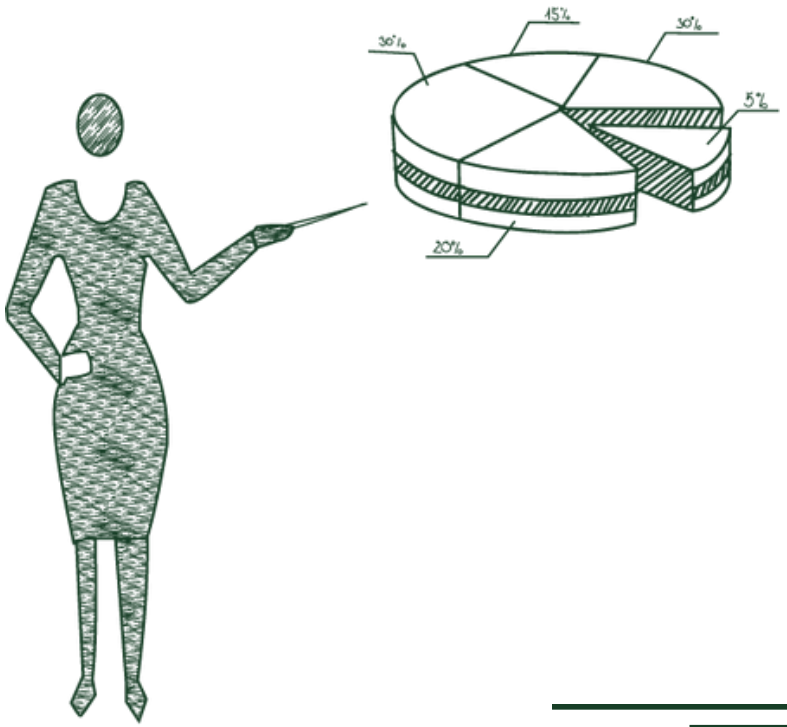
Finance

1. **(No financial plans and vague business model):** Aberash mentions that she plans to “make money by selling skincare products” but she has not thought about setup costs, revenue streams, operational costs, or how she intends to sustain the business financially**.**
2. **(High level financial plan with rough numbers):** Aberash outlines her revenue streams and has rough estimates of her finances but lacks a detailed breakdown and does not show a strong grasp of her numbers.
3. **(Basic financial strategy and High level financial projections):** Aberash outlines her business model and has basic pricing strategy for her skincare products. She has high level estimates of setup and operational costs but doesn't have detailed financial projections.
4. **(Clear financial strategy and detailed financial projections):** Aberash outlines a clear business model, revenue streams, and pricing strategy. She estimates the startup capital needed and breaks down operational costs.
5. **(Comprehensive financial strategy and full detailed financial projections):** Aberash presents a comprehensive business model, revenue streams, and pricing strategies. She offers a precise startup capital projection with a thorough cost breakdown. Aberash accounts for operational expenses and demonstrates a deep understanding of her finances. She has projected her income, expenses, investments, and funding sources and a clear path to financial sustainability.

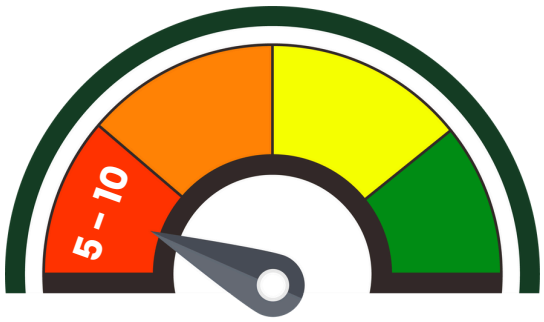
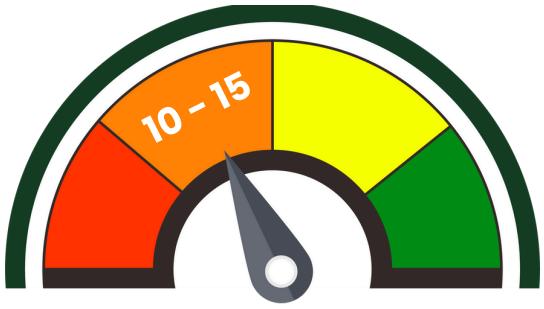
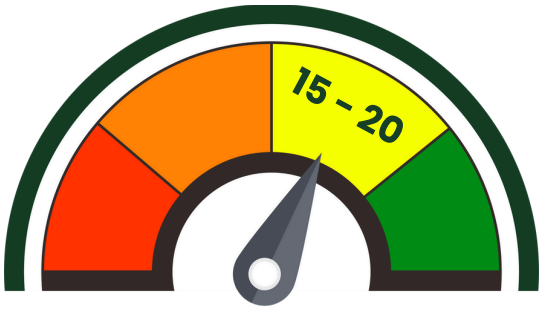
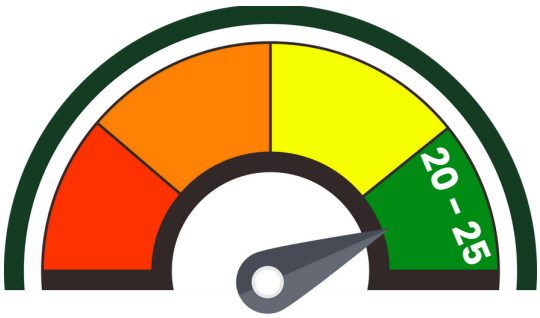


Resource

1. **(No resource and no understanding of resource requirement):** Aberash does not know her resource requirements and lacks critical resources required to execute her skincare business idea such as funding, technology, inputs, and technical knowhow.
2. **(Vague understanding of resource requirements and no plans on how to acquire them):** Aberash understands her high level resource requirements and which resources she lacks. However, she underestimates the resources' impact on her venture's success and does not make plans to acquire them.
3. **(Full understanding of resource requirement and vague idea on how to obtain missing resources):** Aberash acknowledges missing critical resources and has a basic plan to obtain them. She plans to raise the required funding, but does not have plans on how. She aims to establish partnerships for sourcing inputs, but has not reached out to local suppliers to confirm availability. She plans to get experts to acquire technical knowledge but does not know any.
4. **(Full understanding of resource requirements and clear, realistic plan on how to obtain missing resources):** Aberash has a well-thought-out plan for obtaining missing critical resources. She's actively seeking funding through a combination of loans, grants, and potential investors. She's researching and gradually incorporating technology into her production process. Aberash is exploring partnerships with local suppliers for inputs and investing in training to enhance her technical know-how.
5. **(All key required resources secured):** Aberash has all the necessary resources to execute her skincare business idea. She has secured sufficient funds, possesses the technology, and has secured partners to supply production inputs. She has strong technical knowhow and has secured experts for consultations.



How do you score in total?

Your total Score	Recomendation
 POOR	We strongly recommend that you spend more time clearly defining your idea before taking any further action. Consider conducting thorough market research and refining your business idea to address identified weaknesses or gaps.
 FAIR	You are in the early stages of idea development. This is a good foundation, but there is room for improvement. Consider conducting additional research and refining your business idea. Focus on strengthening the weaker areas of your idea.
 NORMAL	You are making good progress with your idea, and it shows promise. However, there's still room for enhancement. Address any remaining weaknesses to further solidify your idea.
 GOOD	You are in a strong position to pursue your idea. While success is not guaranteed, you have a solid foundation in place. Focus on execution and implementation to bring your idea to life.

Authors

This document is prepared in a partnership between ACE Investment and Impact Advisors and Cofounder.

ACE Investment and Impact Advisors is a management consultancy and advisory firm that is dedicated to promoting innovation for better development outcomes and social change. To this end, ACE identifies, partners with, and supports startups to grow through a holistic approach of strategy, analysis, infrastructure, and finance provision.

Cofounder is an organization with the mission to demystify the startup landscape by offering a practical and accessible solution that simplifies and streamlines startup management. To this end, Cofounder develops and offers tools that assists startups in a range of business management areas, spanning from strategy development to financial management and operational oversight.

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