

CHAPTER 1

WHY WOULD THE WORLD CARE ABOUT YOUR IDEA?

“You guys are super impressive. I feel good about the future of this country knowing that it’s in the hands of entrepreneurs like you. You guys will make a difference in our country because you’re innovative and you’re entrepreneurial.”

—Dragon to Pitchers

Success Factor #1: Focus on a Singular Pain Point

Solve a yet-to-be-solved burning problem that nothing on the market currently addresses, or addresses poorly. Figure out the root cause of the problem, and use it to design and build a solution in the form of a product or service.

If you want to grow a business quickly, you need to target the customer’s *nerve centre*—a singular problem that has not been adequately solved by other competing brands. If you can kill your customer’s pain, the market will rush to your product or service. If you want a company with scalable growth potential, you need to isolate a standalone problem or identify a problem with all other competing brands, and then present your product or service as the solution to the customer’s needs. And scalability is essential if you want to attract investors.

Great businesses are inspired by an unsolved problem, market void, or issue that is currently not being addressed by anything on the market. Moxie Trades Work Wear clearly illustrates this concept because its founder, Marissa McTasney, built an entire business after discovering a surprising lack of work wear for women.

Moxie Trades Work Wear

Pitcher: Marissa McTasney, Season 3, Episode 4

Focus: How a Problem Inspires a Business

"I was looking to find my passion. I left my corporate job to learn how to build a house. I went to the store and I said, 'Where are the pink work boots?' and the store manager said, 'I get asked [that] all the time.' What I discovered is, there's this huge market that's been untapped. I think I'm on to something."

—Pitcher to Dragons

PRODUCT DESCRIPTION

Work wear for female contractors, carpenters, and factory workers.

DRAGONS' DEN BY THE NUMBERS

- **The Ask:** \$600,000 for 49% of the business.
- **50%:** The percentage of boots sold by Moxie Trades that are pink.
- **\$600,000:** The amount of revenue the Pitcher had generated before the show.
- **75%:** The percentage of the business requested by the Dragons in exchange for \$600,000, an offer that was turned down by the Pitcher.



Pitcher Marissa McTasney of Moxie Trades standing in front of her key clientele, female construction and factory workers.

THE WARM-UP: SINGULAR PAIN POINT DEFINED

A pain point is a yet-to-be-solved problem that your product or service addresses. A singular pain point is the highest-priority problem that you want your brand to solve. The purpose of focusing your product or service solution on a singular pain point is to have your product or service become the preferred choice of the customer or client. This might be done by developing a completely new product or service, but it could also be achieved by introducing a new price point, or by adding value to an existing product by adding a service or training component, or by identifying a need your target market didn't even know it had.

The process of identifying pain points involves:

- **Survey Techniques:** Methods of discovering problems people have with current solutions available in the market. These include one-on-one interviews, workshops, prototype reviews, observation, and surveys.
- **User Stories:** One-sentence summaries of problems that people would like addressed by your product or service.
- **Pain Point Prioritization:** A shortlist of yet-to-be-solved problems that your product or service addresses.

Survey Techniques

An entrepreneur like you who is looking to invent the next blockbuster product or service shouldn't start with a prototype, a revenue model, or a value proposition. Rather, you should start with a consumer who has a specific problem that has been unsolvable up until now. Try to find out everything about the problem before you devise your solution because there might be no room for error. Not having a conversation with potential customers in advance of formulating a solution should be inconceivable to you, given the valuable information you can glean from a simple conversation or a more detailed assessment. When launching your business concept, some of the ways to have that conversation with a potential customer are:

- **One-on-One Interviews:** Speak to potential customers to find out how they are addressing the underlying need that your product or service addresses. Interviews can also confirm that the underlying need exists.
- **Workshops and Focus Groups:** Conduct group interviews to stimulate discussion about the underlying need.

- **Prototype Reviews:** Conduct walk-throughs or demos of your product or service, and ask potential customers to give you feedback on how well (or not) it solves the current need.
- **Observation:** Observe people using your and competitors' products or services.
- **Surveys:** Email questionnaires asking people to identify what annoys them with current "solutions" or gaps in the marketplace. Consider hiring your college-age children and friends to conduct preliminary surveys. With sufficient resources, you can even hire a market research firm to do the work for you (more about this in Part IV, Chapter 22 on Target Market Analysis).
- **User Stories:** Refine your findings into one-sentence summaries of problems that people would like addressed by your product or service. Or use the questions below to start a conversation with your customer.

User Stories

One of the most powerful market research tools for discovering pain points is a **user story**. A user story is a *single-sentence* statement of what a potential customer would do with a product or service like yours if he or she had total design freedom. It should not be confused with a case study, which is a multi-sentence summary of how someone has successfully used a product or service. One of the best formats for writing up a single-sentence user story was devised by Mike Cohn¹:

"As a [customer] . . . I want [What is the customer trying to achieve?] . . . so that I can [What is the benefit you are expecting?]."

You can gather user stories by talking to potential customers and showing them a working prototype. If you talk to them, they'll identify a whole host of problems they have, which you can then use to revise and refine your product or service into a true painkiller. Separate the nice-to-haves from the need-to-haves and focus on the latter. If you are bootstrapping your business, be sure to keep your prototype costs to a minimum. Although every product or service type will vary, you should be spending hundreds of dollars, not thousands. Of course, the amount you spend depends on the complexity of what you are trying to achieve, so if you have investment capital behind you, your budget might be higher than that of someone starting out of a garage. Cost guidelines depend on your industry, which you

will research later (discussed in Part IV, Chapter 20). Just be sure to keep enough capital in reserve to rebuild your prototype several times if the first iteration doesn't meet your target customers' needs.

User Story Examples

User stories should follow a three-part format so that they reveal pain points. To illustrate, here are three examples of user stories that could lead to products or services that resolve them:

- “As a stay-at-home mom, I want to be able to search through my monthly expenses for cheaper alternatives, so that I can **cut my monthly spending**.” Mint.com may have been created using a user story like this.
- “As a busy working professional, I want to be alerted when my Social Insurance Number is being used to open up an account without my permission, so that I can **keep someone from stealing my identity**.” LifeLock.com, a wildly popular identity theft protection service in the United States, might have been created using a user story like this.
- “As a business traveller, I want to be able to access hundreds of books in digital format while sitting on a plane, so that I **don't have to carry print versions** of the books I want to read.” The iPad may have been created using a user story like this.

Pain Point Prioritization

While assessing your business concept and its market using this book, you may uncover all kinds of problems with current marketing offerings. But if you try to solve too many problems with your product or service, your solution may become unfocused and unmemorable. As you'll discover in Chapter 16, part of becoming attractive to customers is defining the problem-solving mission behind your product or service. That's not to say that your offering shouldn't solve many different problems, but when you're launching a business, your resources are most likely limited and they should stay focused. For now, try to prioritize the problems you wish to solve by its:

- **Value to the Customer:** If you solve this problem for the customer, will it mean enough to the customer for them to buy your product or service?
- **Your Ability to Charge for It:** Will you be able to charge the customer a premium in order to solve this problem for them?

Dragon Lore

Pain points are the nerve centre of your customers. The more burning the problem, the more likely a customer will rush to buy your product or service.

When it comes to pain points, nothing leads to more dissatisfaction than a dirty diaper. But filling landfills with throwaway diapers is not exactly cost-conscious or ecologically conscious. One company, AppleCheeks Diapers, was featured on *Dragons' Den* because it addressed a clear market void—the need for a cloth diaper system for ecologically conscious parents who are tired of throwaway diapers that end up in landfills.

AppleCheeks Diapers

Pitchers: Amy Appleton and Ilana Grostern, Season 6, Episode 13

Focus: Define the Singular Pain Point

A product that meets a need among cost-conscious and environmentally aware parents.

BACKGROUND

Amy Appleton and Ilana Grostern are two moms from Lachine, Quebec, who have developed a cloth diaper to suit modern parents. Made of bamboo and organic cotton, the diapers retail for \$20 apiece.

PROBLEM STATEMENT

Environmentally conscious parents want to use cloth diapers but aren't fond of getting their hands dirty. Cost-conscious parents can achieve savings over purchasing disposable diapers.

PROPOSED SOLUTION

The diaper consists of an outer pant, an absorbent insert, and a flushable lining. The lining can be dropped into the toilet without needing to touch the deposit. The outer pant and insert are then put into the wash, where the agitation of the washing machine pulls the insert out, so again there's no need to touch any of the dirty parts.

BUSINESS CASE

- **Revenue Model:** The diapers are currently being sold online and in boutiques.
- **The Ask:** \$100,000 for 15% of the ownership.
- **Company Valuation:** \$667,000.
- **Proof-of-Concept:** The business generated \$500,000 in sales last year and gross profit margins of 45%.

DRAGONS' DEAL

Amy and Ilana are looking for money to take their company to the next level. They are testing samples that have been manufactured overseas with a view to bringing the retail price down and getting into the big box stores, while increasing their margins. A couple of Dragons made bids, and the moms accepted \$100,000 for 25% of the company.

DEAL SYNERGIES

One Dragon has connections to the big box stores that can help the company expand their distribution, while the other offers marketing expertise.



AppleCheeks reusable cloth diapers, being pitched in the Dragons' Den by Pitchers Amy Appleton and Ilana Grostern.

No company represents Canadian entrepreneurial success more than Tim Hortons. It's a cultural icon and it's a true inspiration for any entrepreneur who's looking to get into retail or any other business space for that matter. The following case study shows how the Tim Hortons business model adheres to the 10 Dragons' Den Success Factors.

A Real-World Case Study: Tim Hortons

"It was chaotic to say the least . . . By golly, I borrowed ten thousand from the credit union and I had to learn in a hurry."²

—Ron Joyce, co-founder of Tim Hortons

Canada is the donut store capital of the world, with more donut stores per person than anywhere else in the world. Ron Joyce and the late NHL hockey player Tim Horton must have been able to see into the future back in the 1960s, because today the cultural icon has more than 4,000 locations worldwide and counting. Co-founder Ron Joyce, who became franchisee of "Tim Horton Donuts" store #1, became a full partner of Tim Hortons and turned the franchising concept into a multi-billion-dollar part of the Canadian psyche.

BACKTESTING TIM HORTONS

Looking back at the Tim Hortons business model, we can backtest it to see if it meets each of the Dragons' Den Success Factors:

SUCCESS FACTOR #1: FOCUS ON A SINGULAR PAIN POINT

People were tired of stale coffee and donuts made in an unclean environment.

SUCCESS FACTOR #2: BUILD A PROTOTYPE

Drive-through franchise store #1 was a converted, boarded-up gas station on Ottawa Street in Hamilton, Ontario. Tim Hortons still stands there today.

SUCCESS FACTOR #3: DEFINE THE VALUE PROPOSITION

No-frills, always-fresh product made in a clean environment.

SUCCESS FACTOR #4: ESTABLISH A REPEAT REVENUE MODEL

According to some figures, 40% of Tim Hortons' customers come four times a week and 10% come 10 times a week.³

SUCCESS FACTOR #5: TARGET A DISRUPTABLE MARKET

Coffee drinkers who were looking for a cleaner, fresher coffee-and-donut environment than the mom-and-pop donut shops they were frequenting before.

SUCCESS FACTOR #6: BUILD A LEAN FEATURE SET

No sandwiches. No soup. No croissants. When the first Tim Hortons store opened, it served just two products: coffee and donuts.⁴

SUCCESS FACTOR #7: COLLABORATE WITH STRATEGIC PARTNERS

Tim Horton, who brought experience owning a coffee-and-donut shop, later became a full partner with Ron Joyce, who brought franchising experience, having owned a Dairy Queen franchise.

SUCCESS FACTOR #8: FIND A CATALYST FOR GROWTH

The word of mouth generated by the “always fresh” value proposition is a viral marketing bonanza for the business.

SUCCESS FACTOR #9: SCALABILITY

Franchising allows for rapid expansion because franchisees bring much-needed capital and human resources to get each new store off the ground in a timely manner.

SUCCESS FACTOR #10: DEVELOP A BUSINESS MODEL

A restaurant franchise business model with repeat revenue coming from ongoing operator fees.

Self-Help Workshop: How to Focus on a Singular Pain Point

Develop a list of pain points that your customers have with brands that compete with your product. Identify any current gaps in the marketplace.

1. Create a list of **questions** that you want answered by potential users of your product or service. Questions to ask potential customers might include:
 - What issues do you have with existing solutions to this problem?
 - What type of product or service would be an ideal solution to this problem?

2. Conduct **one-on-one interviews**.

Set up one-on-one interviews with potential users of your product or service.

3. Hold **group workshops** (multi-person) and **focus groups**.

Hold group brainstorming sessions to determine potential problems with existing solutions by asking attendees such questions as:

- What are you trying to achieve?
- What is the result you are expecting?
- How do you currently address the underlying problem?

4. Conduct **prototype reviews**.

Ask a group of potential customers to use and/or test your product or service and tell you how they feel about it. There are three ways to build a mock-up of your product or service:

- **Prototype:** Create a fully functional version of your product or sample of your service, if your budget allows. Ask your potential customers to test it. Observe how they use it, and what questions they ask. Measure results where possible. For example, if your invention promises to solve a problem in a given amount of time, then time each of your product or service testers to prove it.
- **Mock-Up:** If budget is an issue, create a mock-up of your product that allows people to grasp what it is you are selling.
- **Paper or Digital Prototype:** If you have absolutely no budget available to produce a prototype, draw one on paper.

5. **Observe.**

Observe people interacting with existing solutions to the underlying problem that your product or service addresses. Analyze how people currently solve the problem.

6. Conduct **surveys**.

Send out surveys to potential buyers of your product or service.

7. Write up **user stories**.

Format all responses into one-sentence stories of how a prospective customer might use your product or service:

"As a [customer] . . . I want [*What is the customer trying to achieve?*] . . . so that I can [*What is the benefit you are expecting?*]."

Your answers, when organized in single-sentence user-story formats, will result in valuable information that can be used to refine your business concept.⁵

8. Develop your list of user stories into a **prioritized shortlist** of pain points.
 9. What is the **overriding pain** that is addressed and solved by your product or service, and what is its root cause?
 10. Write your **problem statement**.
What is the *highest and best use* for your product or service?
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When an entrepreneur learns to focus on the customer's needs first, and not just a product that he or she has come up with, the path to a scalable growth business becomes more flexible. The entrepreneur will be more free to evolve the original product into something the customer is willing to pay for.

As you'll see in the next chapter, you can use the customer's needs to refine your business idea over time into something the customer truly wants.