# Business Idea Validation

### **A Practical Framework for Startup Founders**

**Prepared and delivered by:** Fadi Jawdat Hindi, Founder & Managing Partner - The Consulting Lab Inc. May 12, 2025







# "The first principle is that you must not fool yourself – and you are the easiest person to fool."

-Aristotle





**‹#**›

# Why Business Validation Is Critical

Statistic: <u>90% of Startups fail</u>-most due to lack of market validation.

**Common Mistakes**: Relying on assumptions, skipping validation, building the wrong product or service.

Key Takeaway: Avoid costly mistakes by validation ideas early.







02

# **O1** First Principles (2 hours)

Introduction, overview, & method (30 mins) Hands-on application (1 hour 30 mins)

### **03 Take-Home Resources**

Worksheets, Templates, and Recommended Reading



# Validation Tools (1 hour)

Business Model Canvas, Lean Startup, Market Research (45 mins) Hands-on application (15 mins)



# 01 First Principles

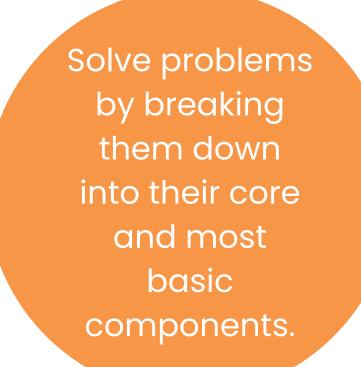






# **Reasoning from First Principles**

Validate your solution against real business problems. Immensely valuable to ensure wise time and money investments. Catalyzes clarity, innovation, thoroughness and product resilience.



### Approach

Examine each component on its own proving or disproving its validity and assumptions surrounding it.



## Benefit

# Relying on analogies, own observations, and others' actions Understanding

Essential Truths



## Why Is It Important?



MVP to market is approx. 6 - 12 months

### Save money by avoiding to build unwanted solutions



Pivot: Change your product or service towards laun something desirable and impactful

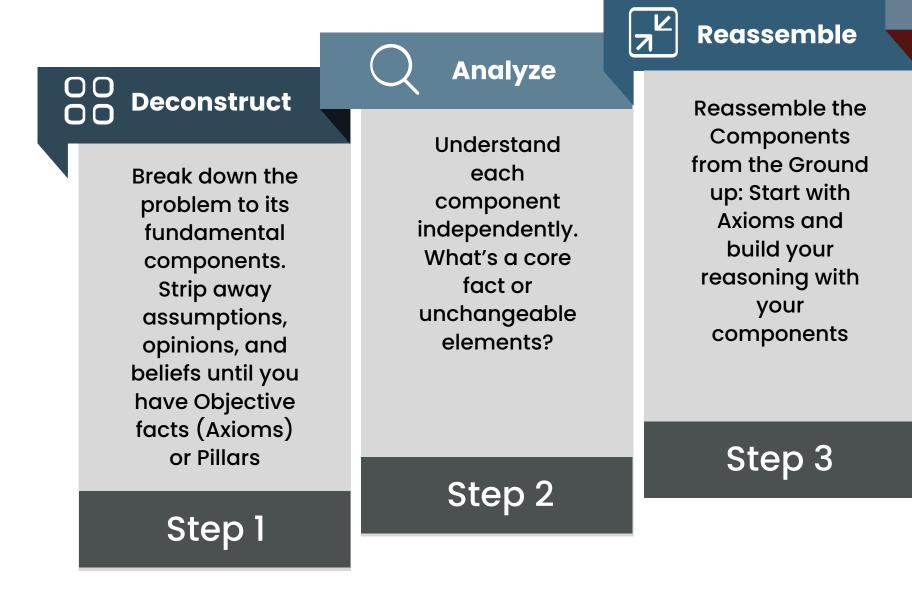


### Save time by changing direction early.

# **Chapel Hill**

## The Framework

### The 4 step process





### Validate

Validate the conclusion converges to your solution

### Step 4



# Case Study Algofy.ai

An InsureTech startup wants to solve the no savings/no pension problem for customers through a monthly savings scheme. With an added benefit of rewarding customers for completing daily exercise (closing rings) with contributions made automatically at the end of the month.

### Conclusion

Reasoning

Axioms

Digital disruptors with their own license and end to end control for customer acquisition and service can disrupt entrenched models.

Regulatory rules for servicing customers.Validated by case studies at XYZ insurance.Regulatory rules for issuing policies.Validated by white paper XYZ.

Disruption is coming from outside the insurance company.

Lemonade, Trov, Metromile are all outsiders.



To disrupt the market you need an insurer or broker license and own the customer acquisition and service.

> Introducing disruptive initiatives inside established insurance companies fail due to politics and competing priorities.

Most insurers New initiatives gets bogged down inside of the insurer because of politics and operations not in tune with new Tech.

70% of transformation projects fail due to Enterprise complexities - McKinsey study

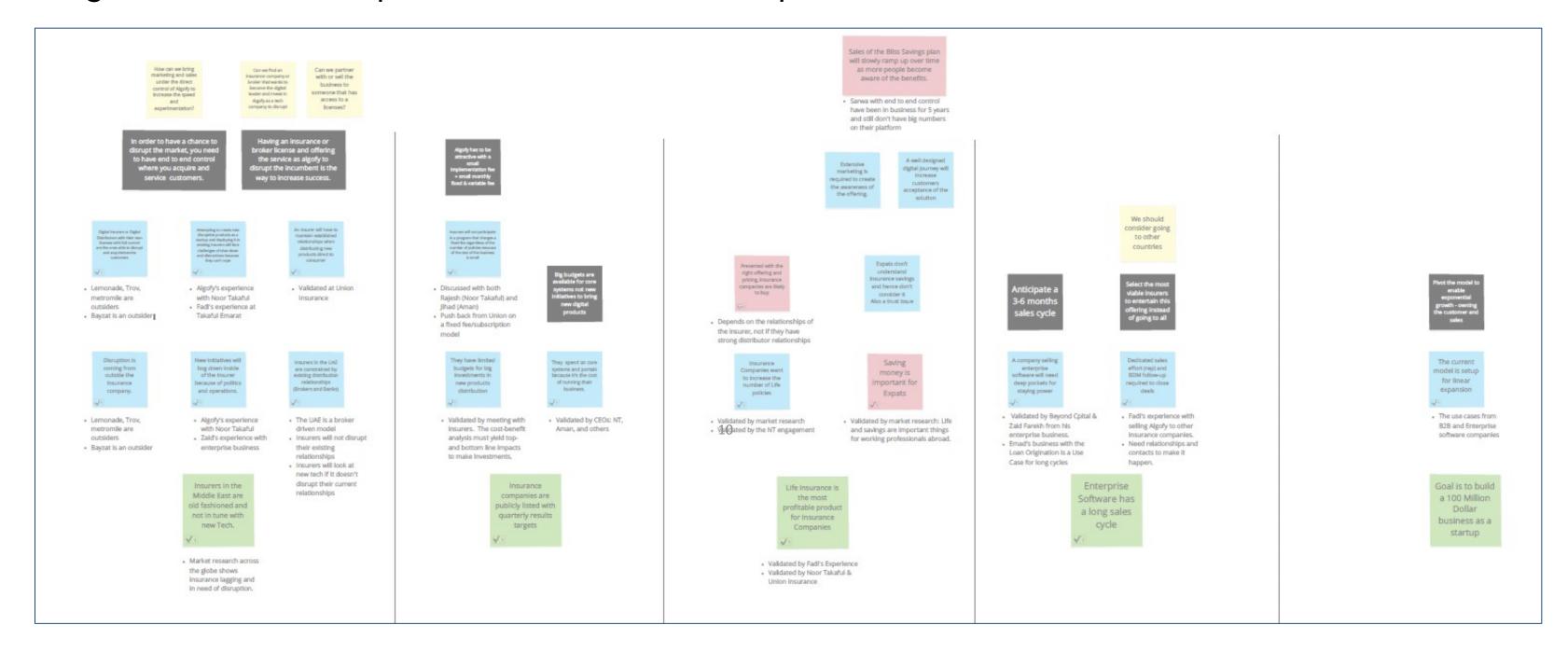
Most insurers are old fashioned and not in tune with new Tech.

Market research across the globe shows insurance lagging and in need of disruption.



## **Full Case Study**

A comprehensive exercise should include several Axioms with reasoning branches. Find and flag incorrect assumptions to discover blind spots.







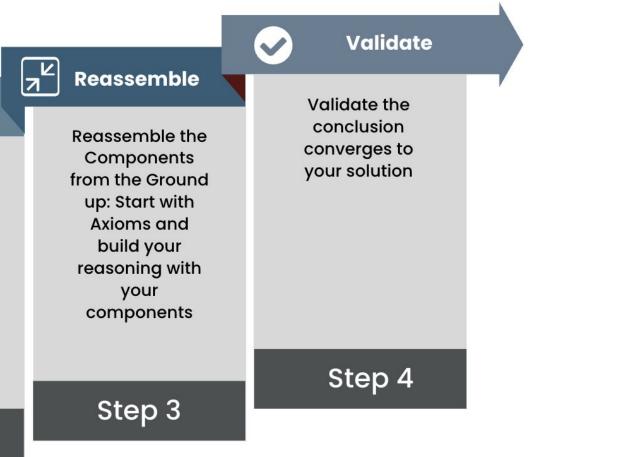
# Hands-on Exercise -Applying First Principles to Your Idea Ih 30m total

- Step 1: Deconstruct (20 Mins)
- Step 2: Analyze (15 mins)
- Step 3: Reassemble (20 Mins)
- Step 4: Validate (15 Mins)
- Group Discussion (20 Mins)

00	Analyze
Break down the problem to its fundamental components. Strip away assumptions, opinions, and beliefs until you have Objective facts (Axioms) or Pillars	Understand each component independently. What's a core fact or unchangeable elements?
Step 1	Step 2









# **Essential business readiness checklist**

Use this checklist to cross-check the completeness of your Pitch to investors and stakeholders.

> **Problem** An articulated problem that deserves to be solved with validation.

**Solution** Clear solution that address the identified problem & scope

Market Opportunity The size of the market and potential revenues. **Unique Selling Proposition** What differentiates you from the competition.

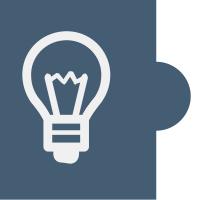


Ideal Customer Profile

Primary customers demographics & info

**Revenue Model** Detailing of your Rev, Expenses & profit targets





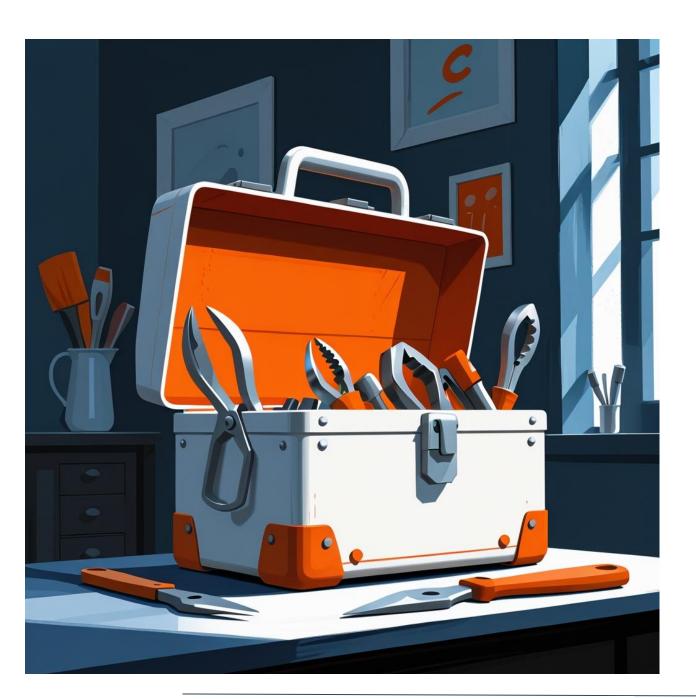


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# 02 Validation Tools

- Business Model Canvas
- Lean Startup Method
- Other Tools







# Business Model Canvas

A one-page strategic tool that helps entrepreneurs and startups visually map their business model. It consists of nine building blocks that describe how a company creates, delivers, and captures value.

<ul> <li>Key Partners</li> <li>Who are our Key Partners?</li> <li>Who are our key suppliers?</li> <li>Which Key Resources are we acquiring from partners?</li> <li>Which Key Activities do partners perform for us?</li> </ul>	<ul> <li>Key Activities</li> <li>What Key Activities do our Value Propositions require?</li> <li>Our Distribution Channels?</li> <li>Customer Relationships?</li> <li>Revenue Streams?</li> <li>Answers:</li> </ul>
	Key Resources • What Key Resources do our Value Propositions require? • Our Distribution Channels? • Customer Relationships? • Revenue Streams? Answers:
Cost Structure • What are the most important costs inheren • Which Key Resources are most expensive? • Which Key Activities are most expensive?	t in our business model?



### del Canvas

### **Company Name:**

<ul> <li>Value Proposition</li> <li>What value do we deliver to the customer?</li> <li>Which customer problems are we helping to solve?</li> <li>Which job are we helping the customer get done?</li> <li>Which customer needs are we satisfying?</li> <li>What bundles of products and services are we offering to each Customer Segment?</li> </ul>	<ul> <li>Customer Relationships</li> <li>What type of relationship does each of our Customer Segments expect us to establish and maintain with them?</li> <li>How costly are these relationships?</li> <li>How are they integrated with the rest of our business model?</li> </ul>	Customer Segments • For whom are we creating value? • Who are our most important customers? Answers:
	<ul> <li>Channels</li> <li>Through which Channels do our Customer Segments want to be reached?</li> <li>How are we reaching them now?</li> <li>How are our Channels integrated? Which ones work best?</li> <li>Which Channels are the most cost- efficient?</li> <li>How are we integrating our Channels with customer routines?</li> <li>Answers:</li> </ul>	
<ul> <li>How do customer</li> </ul>	our customers truly willing to pay?	2

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# **Business Model Canvas**

**Customer Segments** (Who do you serve?)

- Identify your target customers (Who benefits from your product/service?).
- Group them based on demographics, behavior, or needs.

e.g.: Tech-savvy millennials who want automated savings tools.

**Value Proposition** (What problem do you solve?)

- Define your core value—why do customers choose you?
- What pain points do you solve?
- What benefits do you offer?

e.g.: Algofy.ai helps users save money effortlessly by linking savings to fitness goals.

### **Channels**

(How do you reach customers?)

- List the marketing and distribution channels to deliver your value proposition.
- Can be physical (stores) or digital (website, social media, app).

e.g.: Mobile app, online ads, partnerships with fitness brands.



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**Customer Relationships** (How do you interact with customers?)

- Define your core value—why do customers choose you?
- What pain points do you solve?
- What benefits do you offer?

e.g.: AI-powered chatbot for onboarding, community engagement through fitness challenges.



## **Business Model Canvas**

### **Revenue Streams**

(How do you make money?)

- Identify how and where you generate revenue.
- Can be subscriptions, freemium, licensing, advertising, commissions, etc.

**Key Resources** (What do you need to operate?)

• List the assets (physical, intellectual, human, financial) that are essential.

### **Key Activities**

(What must you do to deliver value?)

Define the most important activities your business must perform.

e.g.: Monthly subscription fee + premium fitness integration upsells e.g.: AI-powered savings engine, mobile development team, partnerships with financial institutions.

e.g.: Product development, AI training, customer acquisition, compliance with financial regulations



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**Key Partnerships** (Who helps you succeed?)

Identify strategic partners, suppliers, or affiliates that support your business model.

e.g.: Banks for savings accounts, fitness tracker companies, digital marketing firms.



## **Business Model Canvas**

### **Cost Structure**

(What are your major costs?)

- Identify fixed and variable costs in your business.
- Ensure it aligns with your revenue model.

e.g.: App development, cloud hosting, Al maintenance, customer support.



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# Mini-Exercise: Draft a rough Business Model Canvas (15 Mins)

Draft a BMC for your business





# Lean Startup Methodology

An iterative approach emphasizing rapid experimentation, validation of learnings, and continuous feedback.

Minimizes waste and increases the chances of success.

Follows the Build-Measure-Learn cycle, where you create a Minimum Viable Product (MVP), test it with real customers, gather data, and iterate based on insights—ensuring they develop solutions that meet real market needs before investing heavily in full-scale development.







# Lean Startup Methodology

### **Key Principles**

- 1. Validated Learning: Every iteration should teach you something about your customers.
- 2. Pivot vs. Persevere: Adapt based on results—don't be afraid to change course.
- 3. Experimentation Over Perfection: Release quickly, test often, improve continuously.
- 4. Customer Feedback Focus: Build what customers actually need, not what you assume they need.

### Build

(Create an MVP - Minimum Viable Product)

- Develop a simple version of your product with just enough features to test key assumptions.
- Focus on solving the core problem without unnecessary complexity.

e.g.: A basic landing page, prototype, or manual service before automation.

- Release the MVP to early behavior & feedback.
- retention.
- Conduct A/B testing or assumptions.



### Measure

(Test & Gather Data)

adopters and track customer

Use metrics like conversion rates, engagement, and

small-scale trials to validate

### Learn (Analyze & Iterate)

- Determine if your assumptions were correct based on real customer feedback.
- Decide: Should you pivot (change direction) or persevere (improve and scale)?
- Iterate and refine the product before investing heavily in development.



# **Other Validation Techniques**

Other techniques you can use to augment your First Principles exercise and triangulate on validation for assumptions and conclusions.

### **Customer Interviews**

**Talk directly to** potential users to uncover real needs, pain points, and validate if your solution truly solves their problem.

### **Competitor Analysis**

**Study existing players** in your market to identify gaps, differentiators, and opportunities to position your business uniquely.

### **Market Research**

Use data, industry reports, and trends to assess demand, customer behavior, and the potential size of your market.



### When to Pivot vs. Persevere

**Pivot if core** assumptions are invalidated by data, but persevere if adjustments can refine your value proposition and improve traction.



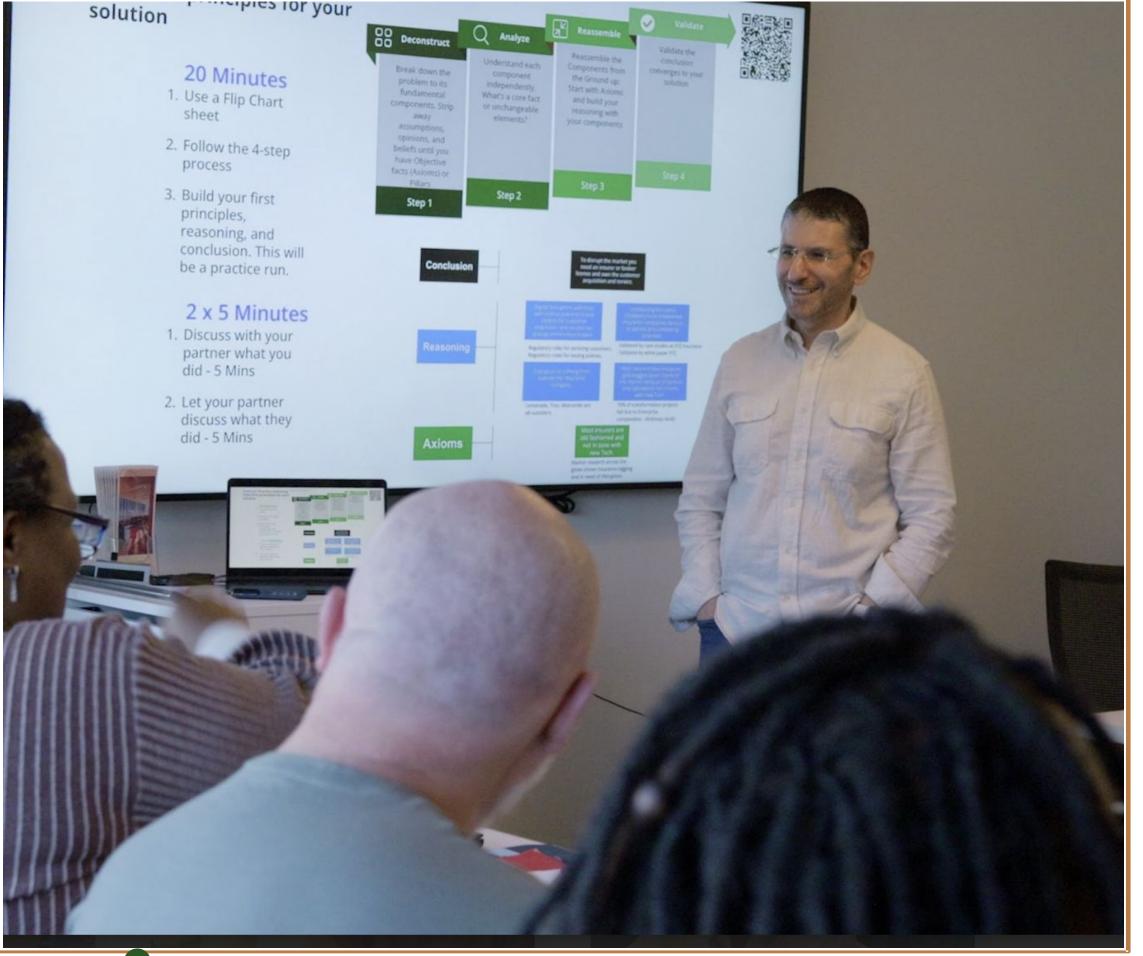
# Your Homework over the coming weeks

Complete the following exercise for a hand-in assignment:

- 1. Iterate, validate, and refine your First Principles exercise
- Complete a Business Model Canvas mapping of your business 2.
- 3. Use the Lean Startup Method to further validate and triangulate on your assumptions & conclusions
- 4. Use other tools as you feel appropriate to help you complete your validation









# Thank you for having me today!

Grateful to spend this evening with all of you.



# Thanks!

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