Twitter Thread by Barrett O'Neill

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The best startups test new ideas rapidly and inexpensively.

Over-commitment to a losing idea can be devastating.

A tactical approach to finding winners: ■

With limited financial & human capital, ideation and testing require efficiency.

Startups don't have unlimited resources to waste pursuing ideas that aren't winners.

Don't launch products or features without some certainties.

(Or strong supporting data)

But how?

Ask the market its opinion BEFORE creating.

Most founders falsely assume products need to be created, then demand tested.

Knowing speed is everything, the best startups reverse this process:

Test, then create.

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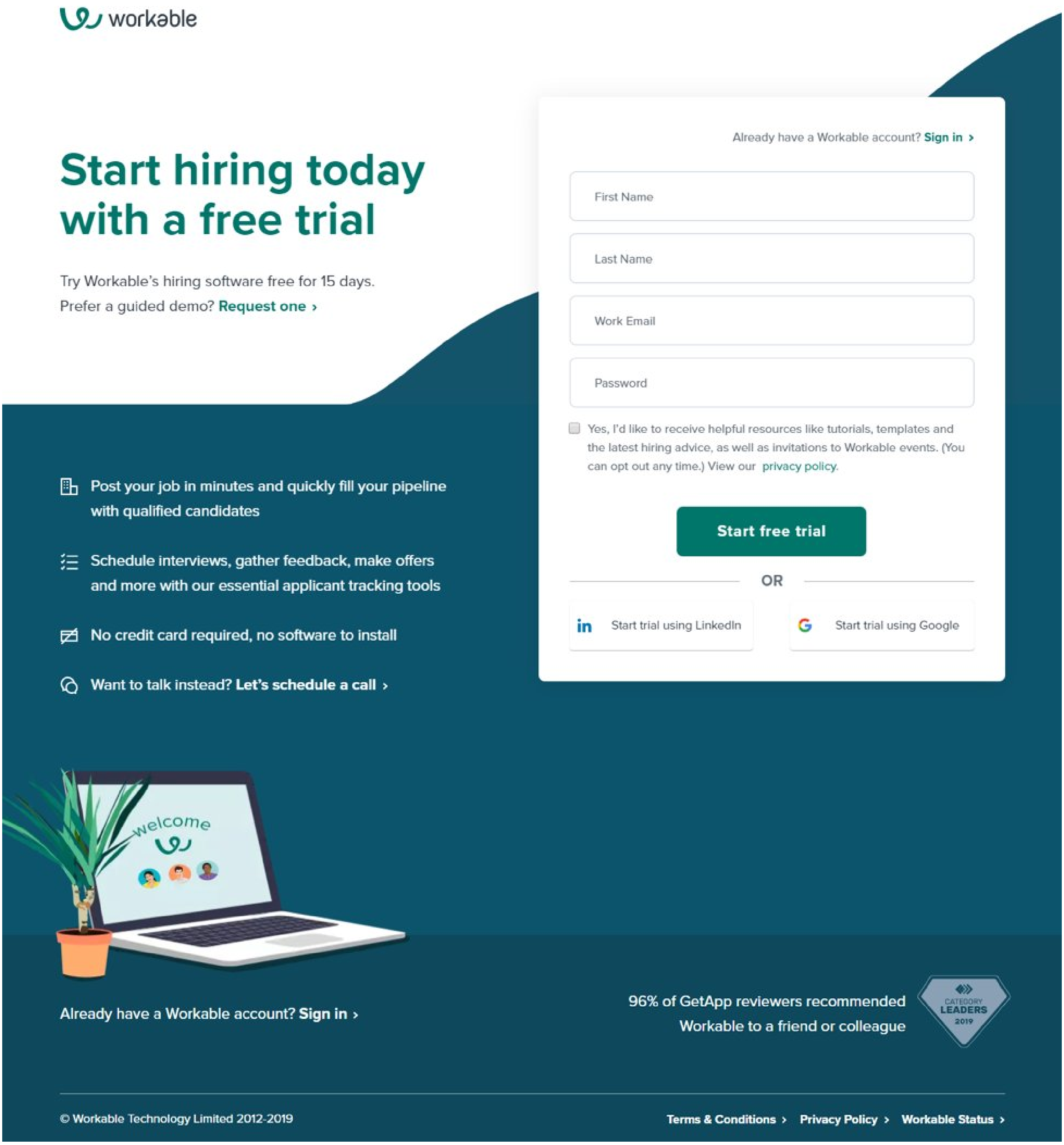
1. Landing page

When an idea is deemed worthy of testing:

Use WordPress, Webflow, or Carrd to mock up a landing page for the idea.

This should take 1 day, and insinuate the product is ready or will soon be ready for purchase.

It's not disingenuous, it's market research.

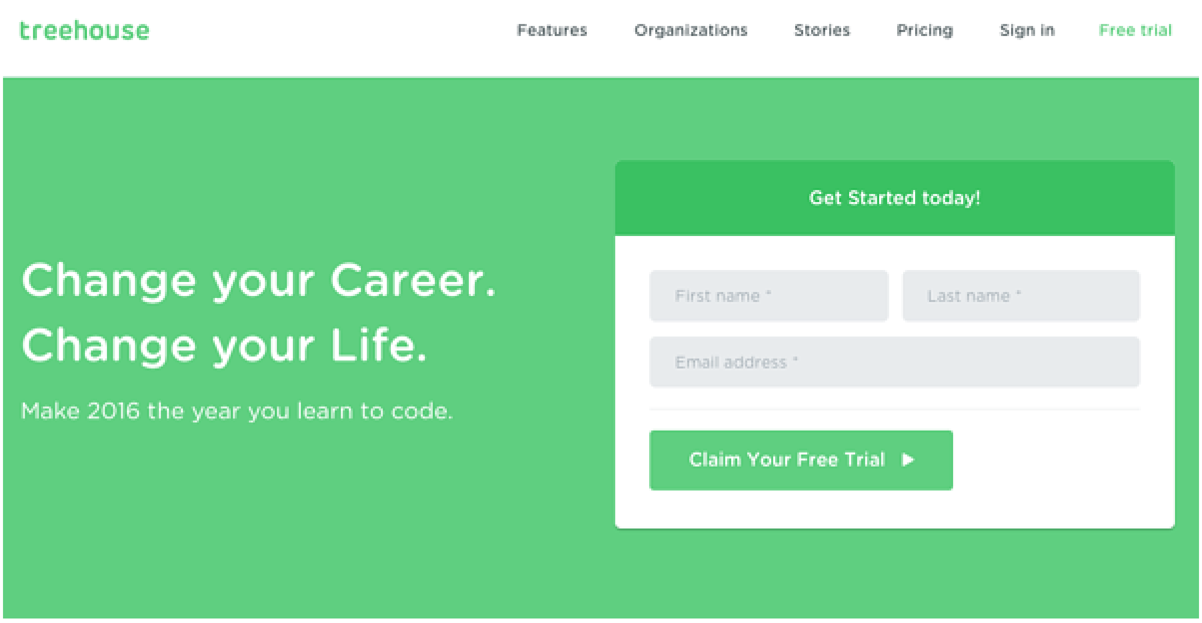


2. Call to action

With a well-designed landing page, make it conversion-ready with a strong CTA.

The CTA should request the visitor purchase, enroll or sign up.

Once the CTA is clicked/completed, let prospects know that the product/service is "coming soon."



To be clear, during this testing phase we are NOT accepting real orders or payment.

Making the offer appear purchase-ready is key to getting accurate conversion data.

3. Drive traffic discreetly

Use paid ads or email list segmentation to target the ideal customer.

It's crucial to get adequate data without widely announcing the test idea.

Social channels and public announcements should be reserved for your winners.

Consistently announcing new products or features that flop hurts brand credibility.

But iterating bad ideas is how to find good ones.

It's a delicate balance to aggregate data, but not attract too much attention until it's a proven winner.

4. Estimate Lifetime Value

Is the product a one-time purchase, consumable, or monthly recurring?

Make an educated guess to determine the total amount a customer will spend over time.

With this data, it's possible to back into the acceptable customer acquisition cost.

5. Customer Acquisition Cost

How much does it cost to get one customer?

Combining traffic cost, conversion rate, and lifetime value, determine the maximum that can be paid to acquire 1 customer.

Assuming there's strong demand, management can then use this data to decide:

Does this idea make financial sense when factoring both marketing & product costs?

With a confirmed winner, aim to push down CAC as low as possible.

Check out my■on CAC for more info.

Startups need to cut down the time & cost of testing.

This strategy can be applied to new products, services, or geographies.

Here's how I've used it:

My tech-enabled storage company, OnDemand Storage, is HQ'd in Boston.

We wanted to expand -- Providence, RI seemed like a good option.

In order to get set up we'd need:

- Warehouse space
- 2 trucks
- 3 labor employees
- 2 office employees

About $300,000.

Investing so much money on a "hunch" didn't seem smart.

Instead, we created landing pages, launched ads, and encouraged prospects to inquire about scheduling jobs.

(We couldn't service these yet).

We committed $15,000 to ad spend.

It turned out, Providence wasn't a great fit.

We lost the $15K (which hurt), but compared to $300K -- it felt like a win.

As a startup, protect time & money at all costs.

Initial ideas are never perfect. Work through iterations without over-commitment.

But once a winner is found, it's time to double down.

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