

Topic 1.3: Solution Concept

How could you serve the customer need better?

Companies sell products and services, but customers buy solutions that serve their needs. Therefore, founders should always view their offer from the customer's perspective: "How well could I solve my problem using this product?" The better an offer is matched to the needs of the target market, the greater its chances of success.

I find out what the world needs. Then I go ahead and invent it.

Thomas Edison

A Solution Concept for the Customer Need

New products and services are created in order to meet customer needs. The solution concept that founders develop should therefore be a reaction to an existing customer situation.

In the first phase of startup planning, a rough concept for the planned offer is sufficient; it will be described in more detail in later phases.

This rough solution concept must fulfil four conditions:

- It serves the customer need.
- It is innovative.
- It provides a greater customer value than the alternatives.
- It is realistic.

The Solution Must Provide Customer Value

Customer Value is what a customer is ultimately looking for when they buy a product. The bill from a ladies' hairdresser might say "Wash, Cut and Dry", but what the customer is hoping for is a positive feeling. It is very important that founders understand what value their target market is looking for. Otherwise, they will not be able to optimize and market their products.

Customers always have a choice, even if that choice consists of doing nothing. The Customer Value of a product or service must always be greater than that of the alternatives.

A family that wants to go on vacation needs to be able to drive to the airport at night. A rental car is one possible way of satisfying that need. From all the available alternatives, the family chooses the one which promises the greatest value. This value could be:

- Comfort (luxury features)
- Efficiency (fast processing)
- Solving a problem (The rental car is delivered to their home)

People don't want to buy a quarter-inch drill, they want a quarter-inch hole.

Theodore Levitt

Startups Must Offer More

In order to have a chance of success, a startup must offer its customers significantly greater value than they are currently receiving. An unknown product that is only a little better than the current alternatives will find it difficult to gain the attention of the target market and overcome their concerns.

If the startup is offering the same kind of value that the target market is currently receiving from an alternative, then this value must be significantly greater. If, for example, the target market needs to solve their problem fast, then the startup product must solve it at least twice as fast as the alternatives.

However, for a startup, it is better to offer a completely new and unexpected kind of value. This makes it easier to generate interest – or even excitement – with the customer. For example, ordering a car with Uber is extremely easy, but before Uber, simplicity was not a criterion for a taxi service.

The Solution Must Be Innovative

The solution that a startup develops and sells must be innovative. That means that it is new in some aspect – and therefore superior to everything on the market.

There are three types of innovation that startups can introduce, either individually or in combination:

- The use of a new technology or a new process. Example: Google's patented PageRank algorithm for determining the relative importance of web pages.
- The first use of a known solution in a new application. Example: Multiply Labs, who are developing a 3D printing process for tablets.
- The application of a new business model. Example: Uber's business model which connects drivers with travelers.

It is these innovations that make startups unique and that enable them to offer a significantly improved or a new customer value. In addition, the press likes to write about interesting innovations, and investors want to know how the startup's product is different to the others.

The Solution Must Be Realistic

At the outset, the possibilities and resources available to founders are very limited. Furthermore, they are in intense competition with other companies and are also in a race against time. It must therefore be realistic for them to develop and market their solution with the required level of quality, reliability and functionality within a short period of time.

This Topic's Key Question

- *Have you found an innovative idea for a solution to a customer problem that promises to be better than all the current alternatives?*

Link

- Topic 1.3 at founders-playbook.de:
founders-playbook.de/plausibility/solution-concept/