

Concept Development and Testing



Dr Elias Hadjielias

Assistant Professor of Entrepreneurship and Family Business

Director of MSc Entrepreneurship

Department of Management, Entrepreneurship, and Digital Business | Cyprus University of Technology

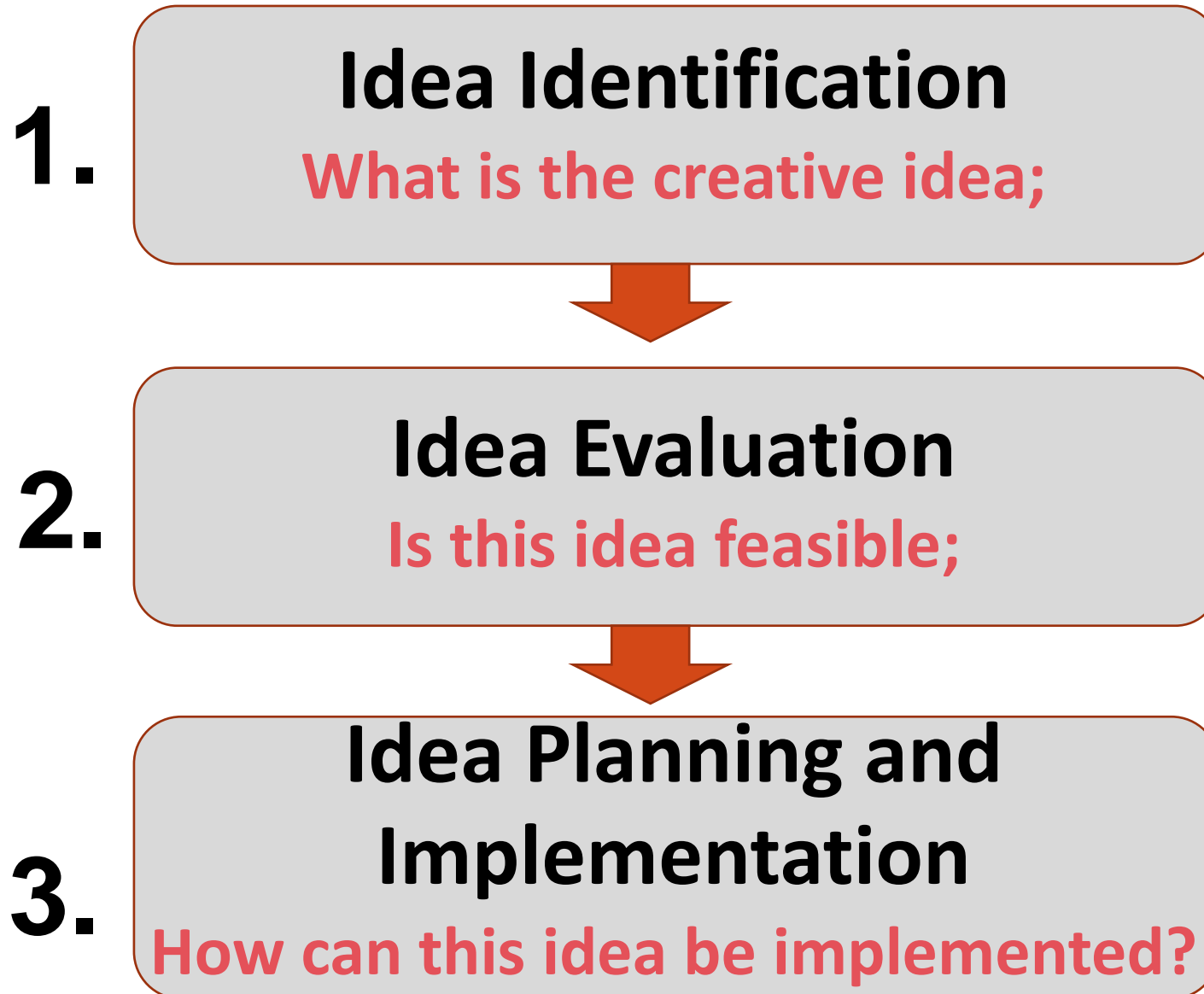
<https://www.linkedin.com/in/eliashadjielias/>



Session Structure

- 1. Business Idea Evaluation – importance and evaluation types**
- 2. Feasibility Study for Idea Evaluation**
- 3. Concept Statement**
- 4. Concept Testing**

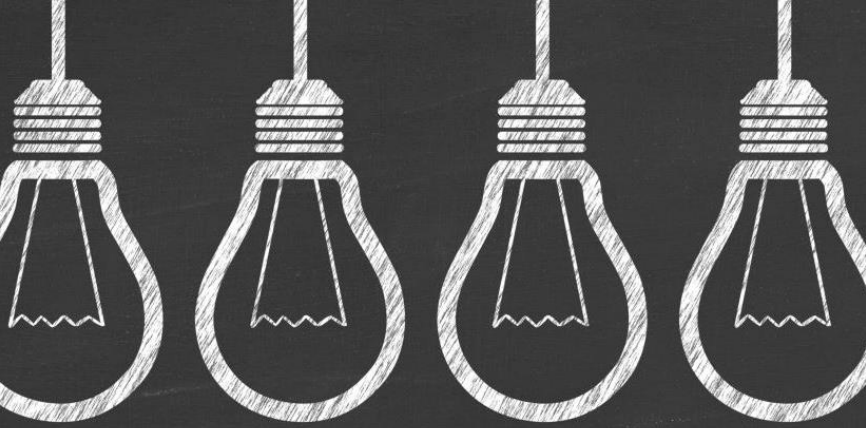
THE PROCESS OF ENTREPRENEURSHIP





Idea Evaluation

- The stage after the conception of the business idea
- It precedes the preparation of the business plan
- Evaluation process/forms:
 - Self-assessment, preliminary, extensive assessment
- Answers to the question:
 - *"Can the business idea be effectively exploited and bring financial benefit?"*



Self assessment – Entrepreneurial readiness

- When the entrepreneurial idea concerns a new business, the prospective entrepreneur must first consider:
 - Motivation for becoming an entrepreneur (e.g. money, independence, prestige, innovation, social contribution)
 - Enthusiasm for the idea and whether this can be sustained
 - Attitude towards the people he/she will deal with on a daily basis
 - His/her skills, experience, knowledge in relation to:
 - The sector of activity
 - The operation and management of a business (e.g. organisational ability, planning ability, problem-solving etc.).
 - Financial capacity
 - Perceptions and general attitude towards entrepreneurship

Self-Reflection!

- *What are my attitudes (positive/negative), perceptions, and skills in relation to starting a new business?*
- *What does this mean to me?*



Preliminary Evaluation

Answers to Key Questions

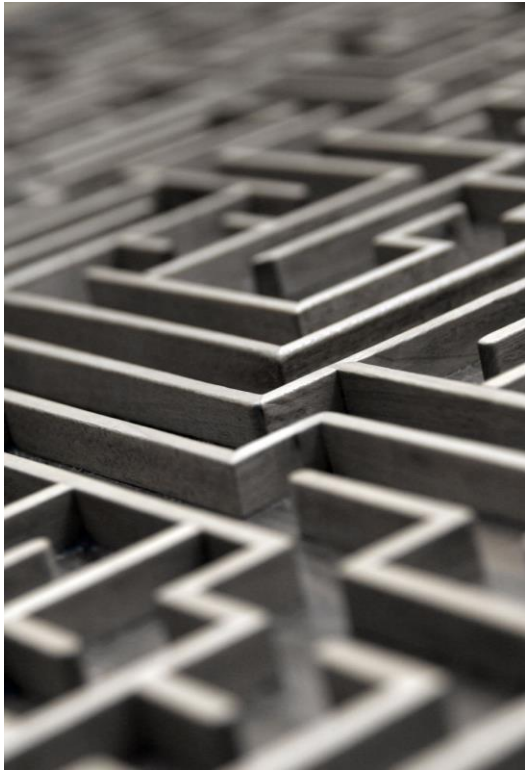
1. *What are the target groups?*
2. *What is the unique value offered to customers?*
3. *Is the product/service unique? Is it clearly differentiated?*
4. *Is there potential for competitive advantage?*
5. *How will customers be reached?*
6. *What resources do I need, what do I have, and what additional resources will I need (e.g. equipment, human resources, money)?*
7. *How will the project be financed?*
8. *How will any intellectual property rights be protected?*

Extensive Evaluation

- Frequently manifests as whole or portions of a comprehensive feasibility study.



Extensive Evaluation - Feasibility Study

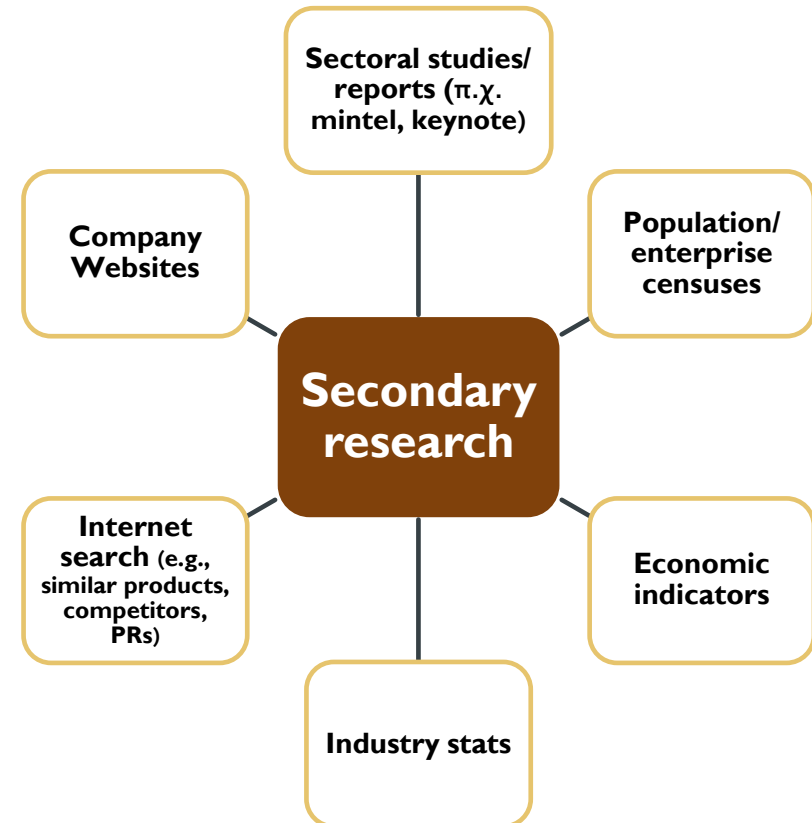
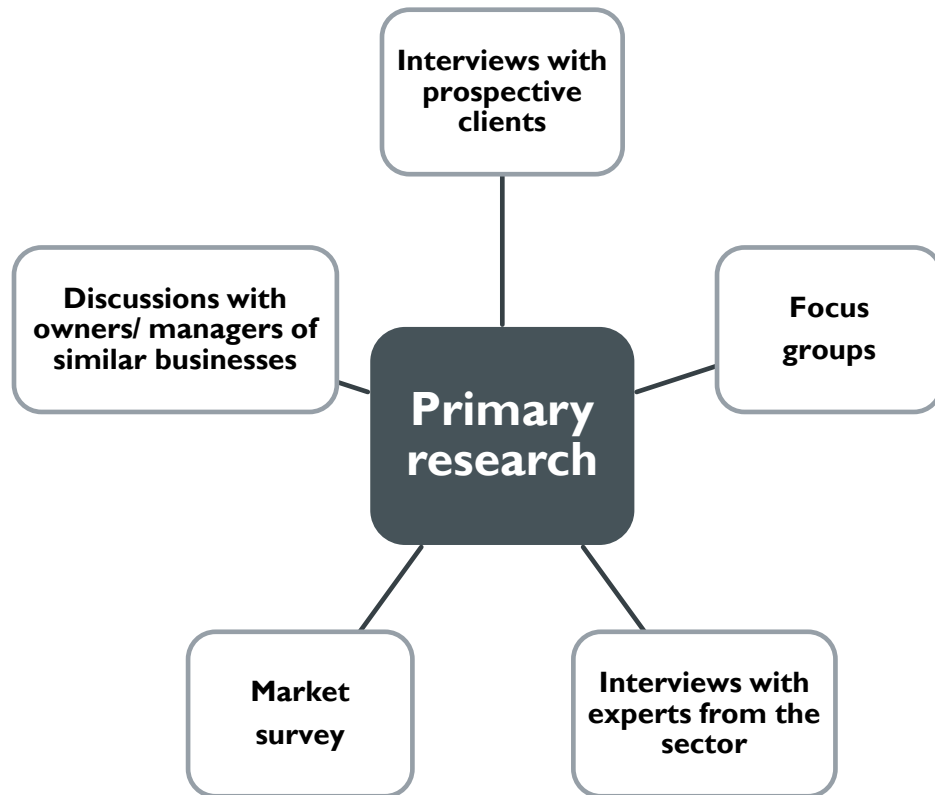


- A Feasibility Study is "the process of determining the viability of an entrepreneurial idea"
- Many entrepreneurs make the mistake of proceeding with writing a business plan immediately after identifying the entrepreneurial idea
 - *This tactic often undermines the testing of the viability of the business idea which is a very important step before writing the business plan*
- The Feasibility Study is a tool for evaluating a future business and not simply an evaluation of a product or service
- It is exploratory in nature and helps to identify the advantages, disadvantages, as well as the risks of a proposed business

Feasibility Study

Research-based

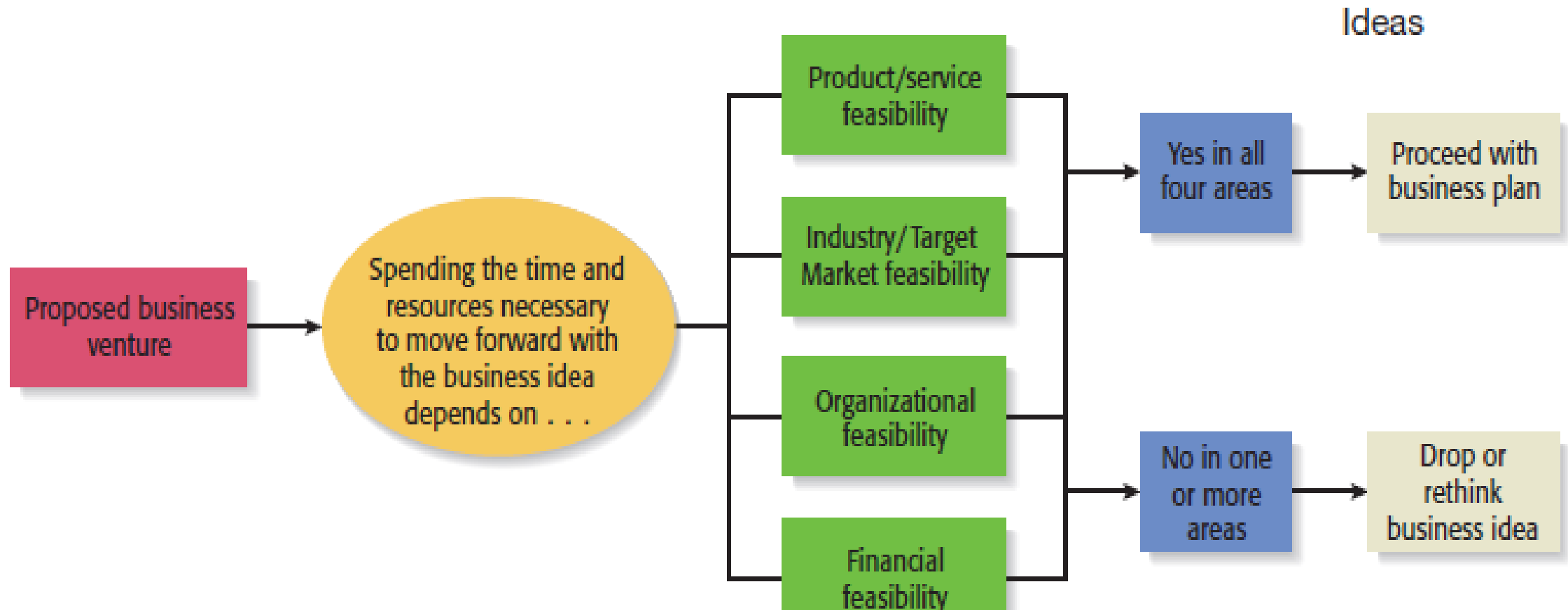
- Completing a feasibility study requires the collection of both primary and secondary data



Feasibility Study Content

- **Product (service) feasibility** (Product Desirability and Demand) – **Concept Testing** (+ *Buying Intentions Survey*)
- **Industry/ target market feasibility** (market/sector attractiveness)
- **Organizational feasibility** (skills/ experience/ shortcomings of management team, existing & additional resources)
- **Financial feasibility** (start-up costs, financing, investment forecasting)

Feasibility Study - Model



Source: Barringer & Ireland, 2012; p.105

Product Feasibility

- The part of feasibility study that allows the testing and evaluation of the overall attractiveness of the proposed product or service
- There are 2 key facets in the evaluation of the viability of a product or service: 1) "Desire for the product/service" {Desirability} , 2) "Demand for the product/service" {Demand}
- Concept testing is the research under 'Product Feasibility', which is undertaken to evaluate the «Desirability for the product or service». It can also incorporate questions to determine demand for the product.

Product Feasibility: Concept Testing

- **Concept testing:** It often involves presenting a text description of the idea (in the form of a *Concept Statement*) to industry experts and prospective customers to assess the attractiveness, appeal, and potential of a new product/service idea.
- Concept testing enables entrepreneurs to gather feedback on their ideas. This feedback can be used to slightly refine, make major improvements/ pivot, or abandon the idea.
- It is crucial in validating the assumptions/hypotheses underlying the proposed venture.
- It can help the entrepreneur to make necessary adjustments on the idea before investing significant time and resources into analytical planning, development, and implementation.

Concept Statement: the foundation of concept testing

- Before concept testing is conducted, a concept statement should be developed.
- The purpose of the "Concept Statement" is a clear and brief explanation of the business idea – directly linked with the canvas; preferably prepared after the canvas.
- A concept statement should be succinct (one page at most) and effective to enable stakeholders (potential customers/investors/partners) thoroughly grasp the key characteristics, advantages, and functioning of the new business
- Sets the basis for the evaluation of the idea through Concept Testing, where the idea (in the form of a statement) is given to potential customers and other industry actors to get feedback (to improve the idea).

Concept Statement: the foundation of concept testing

- Information to include in a Concept Statement (about a single A4 page):
 - **Service/ Product:** What will it offer and how will it be offered?
 - **Target groups:** Who will it target?
 - **Value:** What (unique) value will it offer to the target groups?
 - **Innovation and impact:** What gap does it fill in the market? What is the uniqueness of the idea compared to existing offerings? Does it have a positive impact beyond the business (e.g. society, environment) and how?
 - **Distribution channels:** How the product will be sold and distributed?
 - **Team and Roles:** Which individuals make up the entrepreneurial/founding team and what are their skills and roles? Are there any gaps and how will they be filled (e.g. IT employment)?

«Concept Statement»



New Business Concept New Venture Fitness Drinks Inc.

Product

New Venture Fitness Drinks will sell delicious, nutrition-filled, all-natural fitness drinks to thirsty sports enthusiasts. The drinks will be sold through small storefronts (600 sq. ft.) that will be the same size as popular smoothie restaurants. The drinks were formulated by Dr. William Peters, a world-renowned nutritionist, and Dr. Michelle Smith, a sports medicine specialist, on behalf of New Venture Fitness Drinks and its customers.

Target Market

In the first three years of operation, New Venture Fitness Drinks plans to open three or four restaurants. They will all be located near large sports complexes that contain soccer fields and softball diamonds. The target market is sports enthusiasts.

Why New Venture Fitness Drinks?

The industry for sports drinks continues to grow. New Venture Fitness Drinks will introduce exciting new sports drinks that will be priced between \$1.50 and \$2.50 per 16-ounce serving. Energy bars and other over-the-counter sports snacks will also be sold. Each restaurant will contain comfortable tables and chairs (both inside and outside) where sports enthusiasts can congregate after a game. The atmosphere will be fun, cheerful, and uplifting.

Special Feature—No Other Restaurant Does This

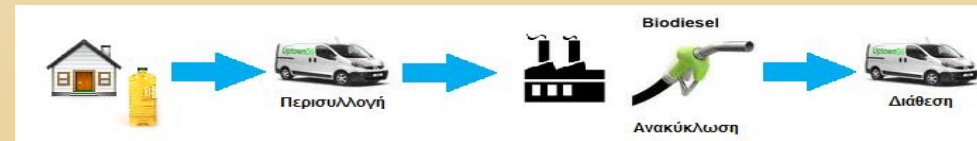
As a special feature, New Venture Fitness Drinks will videotape select sporting events that take place in the sports complexes nearest its restaurants and will replay highlights of the games on video monitors in their restaurants. The “highlight” film will be a 30-minute film that will play continuously from the previous day’s sporting events. This special feature will allow sports enthusiasts, from kids playing soccer to adults in softball leagues, to drop in and see themselves and their teammates on television.

Management Team

New Venture Fitness Drinks is led by its cofounders, Jack Petty and Peggy Wills. Jack has 16 years of experience with a national restaurant chain, and Peggy is a certified public accountant with seven years of experience at a Big 4 accounting firm.

«ReFuel»

Service & Product: The idea is to collect and recycle cooking oils to produce biofuels for heating to support vulnerable groups. The idea is based on the creation of a new social enterprise that will coordinate an existing network of partners to efficiently collect cooking oils, and produce and distribute biofuels.



Target groups: a) People with sensitivities to recycling and the environment, and b) vulnerable social groups (e.g. elderly, unemployed, large families, rural residents) seeking low-cost heating fuel

Value (Benefits) for the target groups: The value that will be offered has two main aspects: a) better quality of life for vulnerable groups through the supply of cheaper fuel, b) opportunity for conscious individuals to protect the environment through recycling.

Innovation and impact: The market gap that this concept is addressing is the lack of infrastructure for recycling cooking oils to produce biofuels. The innovation around the idea concerns the creation of a unique (for Cyprus) integrated system for the collection of cooking oils and its processing to produce biofuels. The venture will lead to the creation of a recycling awareness of materials that negatively affect water resources, will improve the standard of living of vulnerable groups, and will lead to corresponding government savings (water management/purification, support to vulnerable groups).

Management team: The business team includes Andri X and Peter L. Andri will coordinate/manage the system required for collection, production and disposal. Peter will be in charge of public information and communication with existing and new partners. Technical recycling and production skills will be covered through partnerships.

Concept Testing Process



Preparation of a "Concept Statement" - Single page doc, including concept title, product or service description, target market, product or service value/benefits, product or service uniqueness, business team and roles



Preparation of a "Concept Test" questionnaire - Questions to allow respondents (potential customers + other stakeholders) to evaluate our idea whether it is desirable.



Identify sample to distribute the questionnaire to



Conduct research using "Concept Statement" + "Concept Test" questionnaire



Data analysis and reformulation of idea/ concept (if required)

What questions should a concept test questionnaire include?

1. Overall Appeal:

1. On a scale of 1 to 10, how appealing do you find this product/service concept?
2. What aspects of the concept do you find most appealing?
3. What aspects of the concept do you find least appealing?

2. Need and Relevance:

1. Do you feel there is a need for this product/service in the market?
2. How relevant do you think this product/service is to your needs or interests?
3. In what situations or scenarios do you envision using this product/service?

3. Differentiation:

1. How does this product/service concept compare to similar offerings currently available in the market?
2. What makes this product/service concept unique or different from competitors?

4. Value Proposition:

1. Do you believe this product/service concept provides value for its price?
2. What specific benefits or features stand out to you as offering the most value?
3. How much would you be willing to pay for this product/service?

What questions should a concept test questionnaire include?

5. Use and Experience:

1. How easy or difficult do you think it would be to use this product/service?
2. Can you envision any challenges or barriers to using this product/service?
3. How would you describe your overall experience with this product/service?

6.Improvement and Enhancement:

1. Are there any changes or improvements you would suggest to make this product/service concept better?
2. What additional features or functionalities would you like to see added?
3. Are there any concerns or reservations you have about this product/service concept?

7.Purchase Intent:

1. Based on what you've seen and heard, would you consider purchasing this product/service?
2. If yes, how likely are you to purchase it?
3. If no, what would prevent you from purchasing this product/service?

- ❑ The sample for the concept test should ideally consist of individuals from the target market
- ❑ This will ensure that the feedback obtained is relevant and reflective of the preferences and needs of potential customers
- ❑ The size of the sample can vary depending on factors such as diversity within the target market and the resources available for conducting the research. **The larger the sample, the more statistically reliable will be the results.**
- ❑ Opt for heterogeneous sample and random sampling to safeguard the minimization of potential response bias
- ❑ It can also include (with a slightly adapted questionnaire) other stakeholders from the market (e.g., *consultants, industry experts, partners, legal experts*) to obtain more rounded feedback

Concept Testing – Sampling considerations

Checklist to performing your own concept test!

Phase	Action	✓
1	Capture a creative idea	
2	Craft your creative idea on a Business Model Canvas	
3	Prepare 1-page Concept Statement	
4	Prepare a Concept Test Questionnaire	
5	Choose Sample	
6	Secure resources and initiate research	
7	Analyze data & refine your idea, concept, and canvas	

Note: *The Concept Statement + questionnaire should be given together during the survey so that the respondent reads the Concept Statement first and then answers the questions*

Useful sources

- Barringer, B. & Ireland, B. (2012). *Entrepreneurship: Successfully Launching New Ventures*, Fourth Edition, Harlow (UK): Pearson
- Bland, D. J., & Osterwalder, A. (2019). *Testing business ideas: A field guide for rapid experimentation* (Vol. 3). John Wiley & Sons.
- Feasibility analysis for new businesses: <https://www.business.qld.gov.au/starting-business/starting-buying/planning/feasibility-analysis>



THANK YOU



Any Questions?