



**Great Expectations**

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**Profitable “Big Ideas”**

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## Introduction

The “Big Idea” happens when you have grasped the promise of technology and you have a grand scheme to make it work for your business or perhaps as the core of a *new* business. It might be:

- A brand new online service
- Extending your own business Model
- Selling something
- Social Networking
- Online Service
- Content Portal
- Suite of tools for business or customers
- Collaboration
- Something completely brand new and

The web promises *lower cost*, a *broader audience*, *better customer interactions* and a *high tech image* for your company.

The web is thought of as a canvas for innovation.

### Examples

- CogoJets – a sight for locating other charter jet passengers to share cost. (metaphor and lexicon difficulties + critical Mass)
- Smartfield – Online crop moisture monitoring and pivot control (Target Audience difficulties).

- Card Avenue – Meetup site for trading gift cards (business model difficulties)
- My Personal Vault – site to aggregate personal information in collaboration with vendors who provide it. (Catch Fire Difficulties)
- National Equity – Management tools for relocation services (successful - business collaborative).
- Sergeants – Productivity tools to cost analysis (successful, high buy in, reasonable expectations).
- Online Cattle Auction (technical feasibility).
- The Kwiki Mart Kiosk – touch screen ordering of convenience items through a drive through.
- Poker Hit Man – The next face book?
- CSE – Online tools implementing a proprietary stock and option trading strategy.
- Prod Portal – Portal for farmers who hedge using futures and options.
- ISI Edge – Advertising brochures on the web.
- Auto-Watch – See your cars progress at the body shop.
- AutLab – Hiring firm specializing in utilizing the special skills of functional autistic and Asperger Syndrome IT pros.

### **Moving Your Big Idea Forward (Agenda)**

- *Evaluating Your Idea*
- *Sidestepping* the pitfalls of Internet Ideas
- *Grasping* the technology you will need.
- *E\$timating* the Cost (in time and money)
- *Q and A*

so you may have an idea of your own. We want to talk about:

- How to evaluate your Idea
- How to avoid certain pitfalls unique to Internet ideas
- How to Evaluate your Technical needs
- How to estimate the cost of your idea

## Evaluating Your Idea

How do you begin to evaluate your Big Idea?

Start with some questions.

### **Questions to Ask**

#### **Skinning a Cat**

How many ways are there to do what you are trying to sell or do online? Are there other online tools? Are there non-online tools? Are there free services?

Are you reinventing the wheel?

**EX: Kwiki Mart Kiosk**

### **Can You defeat "Free"**

If you are doing a service online then the book "Free: The future of the radical price" is required reading.

- Content is largely free
  - Recipes
  - News
  - Advice

**EX: Search for strawberry rhubarb pie.**

Open Source has even created the idea in our society that software should be free.

**EX: Show sourceforge.net – search for POS**

**EX: Jetpooling**

*Recommended: "Free:" The Future of a Radical Price*

### **Why choose the Internet?**

Are you creating an online service because you can't afford the cost of brick and mortar? Or is the internet really the appropriate medium for your big idea?

**EX: Shoe Site**

### **Drinking the Koolaid**

- The power of always/never - just/only.
- Do people engrossed in technology also find your idea compelling?

**EX: Card Ave**

### **Can people grasp your story**

- Metaphors and Lexicon
- EBay is a good example of an understandable metaphor...
- Is your story easy to tell?

**EX: MPV**

### **Know Your Audience**

Who is your application designed to reach?

- Young people?
- Tech Savvy adults?
- Seniors?
- Internal Customers?
- Trained Users
- Specific Vertical markets?
  - Ag

- High Wealth
- Quilters

Your market will determine many of your choices and may indeed have more to do with the success of your product than the strength of the idea.

**Ex: Producer Portal**

## Sidestepping Common Pitfalls

### Who Needs it

Is your idea....

- A mousetrap in a mousetrappless world? Meet a need that is widely felt?
- A better Mousetrap? Meet a need *better* than existing approaches?
- A mousetrap for folks who don't know they have mice? Meet a need that folks are unaware of?
- A rat trap for a mouse infestation? Do folks perceive your *better* solution as overkill or irrelevant?

The issues of "getting the word out" (**marketing**) on the Internet require different techniques than in the "real world" but the **issues are largely the same** - except you are **competing with the whole universe** of ideas throughout the world rather than just your own back yard.

SEO is important but *not* a panacea. Driving traffic to your site will not solve the "need" problem. Plus, SEO assumes that people are looking for your product or idea.

All this means hanging out your shingle will not be enough. You will need to market your product on the internet just like you would have to do in the brick and mortar world.

### Catchfire Syndrome

- Does it have to "Catch Fire" to be successful?
- Have you planned for patience?
- Do you have reasonable growth expectations?
- Do you expect everyone to see your product through your eyes?

The web has a reputation for a being a medium where folks "make it big" overnight. Stories like myspace and facebook abound (FYI: neither of these products has ever made a profit - yet:)

Does your idea rely on a viral "catch fire" approach? Is there a plan for steady, measurable and predictable growth?

Do you expect folks to see your product through your eyes? Do you expect to *not* have to sell?

### Critical Mass

- Do you need products to attract users?
- Do you need users to add products?
- How many users does your application need to be successful?
- Do you have a natural audience or do you need to recruit them?



### Some practical tips

- Make it Free (can't beat them so join them)
- Pre-seed the DB
- Affiliate with everyone
- Be Patient
- Consider a Different revenue model

## Cost Expectations

The whole "internet is free" thing isn't just a problem for your users. It is also a widely held idea among folks who attempt a big idea on the internet. Yes the internet cost less to use as a business tool than say... renting a retail store, but the old adage still applies - you get what you pay for.

### *Some inconvenient truths....*

- Fact: the Internet *costs less* than brick and mortar
- Fact: Technical knowledge reduces cost.
- Fact: High quality development is expensive
- Fact: You will still need a marketing budget.
- Fact: You will still need customer service
- Fact: You will need ongoing development for *most* big ideas

We will talk more about this later.

## Automation

Finally, one of the seductive things about the internet is the idea that you can *automate away* some of the more trying things about running a business.

- Some automation is expensive and more costly than not bothering with it.
- Service oriented web sites breed customer service issues.
  - People don't read help files
  - People won't watch your fancy video tutorial
  - People won't "get" how things work.

### **Customer Service Formula**

- L = complexity of your product and UI (1-10)
- C = how much the user is paying for it (0=free, 5 = more than \$50)
- D = average age of the user (1 = genX or younger, 2 for boomers, 3 for seniors)
- E = energy required for customer service issues. A value of 2 requires little or no effort, a value of 38 means all your users will know your first name.

$$L + D + (C*3) = E$$

## Grasping the Technology

If you find yourself saying "I'm not a technical person" then you should consider becoming one....

- Development company or in-house
- Server Platform – Linux, Windows?
- DB Platform – MSSQL, MySQL, Oracle, Postgres
- Engine – .NET, ColdFusion, PHP, JSP
- Shared vs. Dedicated Hosting

## Questions to ask:

- How many users should I plan for?
- What is reasonable cost for Hosting?
- What is reasonable cost for hardware?
- What is the backup plan?

## Estimating Cost

*The following items should be thought out clearly in advance...*

- Development Costs
- Revision Costs
- Maintenance
- Marketing
- Customer Service
- Hosting

*Obviously there may be a host of other things.*

## Development

The *only* way to manage costs (time and money) for a project is to get control of the requirements!

- Detailed description of *every* deliverable.
- Line item estimate in hours
- Bid choices: Fixed fee, “not to exceed”, Hourly
- Clear guidelines for “in scope” and “out of scope” items.
- Inclusion of some margin for revision within the requirements (use with *caution*).
- There should be a substantial line item for QA, Project management and revisions.
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Famous question – after a 10 minute conversation with me the potential customer will ask, “how much do you think that will cost?”

## Developers

- Choice of developers impacts cost:
  - Contractor
  - Development company
  - Full service Dev company (design, develop, host etc).
  - Off shore
- Choose someone capable of planning for growth and maintenance.
- You get what you pay for.
- Money spent in *good* development will save you money in the long run.



## Scope Creep

- Scope creep – when features or requirements are added after the project has been estimated and begun.
- Some scope creep is inevitable
- Mitigated by *realistic* requirements that *include* items for revisions.

## 3 Corner Development

- The 3 corners of development are Time, Money and Features.
- Each corner has a corralary effect on a project.
- Your developer or team must be able to control one of the corners.

## Timeline Expectations

- Fact: There is not a predictable correlation between the *size* of the team assigned to your project and the *time* it takes to get it done.
  - Required reading on the topic is “The Mythical Man-Month” by Fredrick Brooks.
- Pushing the timeline usually introduces defects and produces a diminished return.