

How to Find a Good Idea

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The kernel of every startup is **the idea**.

How does one find a good idea?

There are two ways to find an idea.

Top down ↓ , and bottom up ↑ .

Top down ideation

- What are the biggest problems in the industry? (Break it down by verticals!)
 - Ex: blockchain privacy, transaction monitoring, tax compliance
- What is the **total addressable market (TAM)** for each problem?
- How crowded is the area?
- Are there recent innovations / breakthroughs that allow technological improvements, or change the market structure?

Bottoms up ideation

- What's the area that you know best?
 - (If you don't know any area well, then go spend time in it!)
- What *feels like* the biggest pain point there?
 - What's a product you wish you could use yourself?
 - Can you actually build that? Play to your advantages!

What are the features of a good idea?

Good ideas:

- Solve a big, clearly articulable problem
- Are **defensible**—they possess a moat
- Easy to explain
- Well-defined customer/user
- Have a “Why now?” (otherwise, why doesn’t this already exist?)
- Strong **value capture** / business model (i.e., high **margin**)

More on Solving a Problem

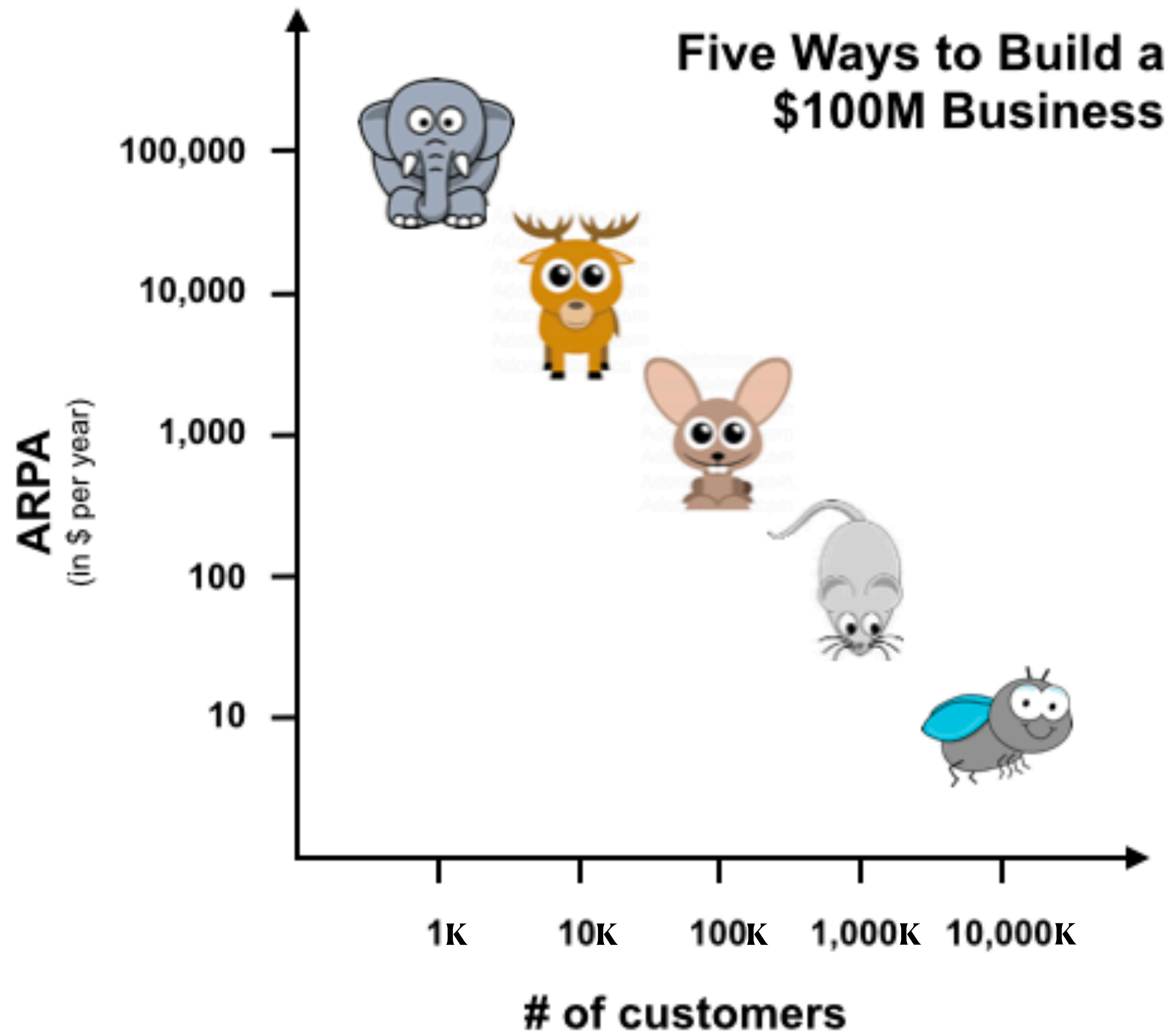
- Why will users use this product? What problem does it solve, and for whom?
 - If you cannot articulate both parts of this, you're in trouble!
- *How bad is that problem?*
 - Is this a “nice-to-have” or a “must-have”?
 - Does it result directly in cost-savings for an individual or a company? Or some other kind of utility?

More on Defensibility

- What makes something defensible / gives you a moat 🏰?
 - Competitors cannot easily enter the market or overtake your market share
- This usually entails a **network effect**
 - Ex: Facebook, Ethereum, Binance
- Other sources of defensibility: *economy of scale, pricing power, first-mover advantage, cost of capital, access to talent, execution.*

More on Value Capture

- Don't stress out about value capture too much in the beginning
 - The iron rule: **the amount of value you capture is proportional to amount of value you create**
- Tokens vs equity capture value in different ways
- Tokens can capture value in many ways (will discuss later)
- Equity, there are many pricing models: value pricing, transaction pricing, recurring SaaS (by seats or enterprises), services
- You don't want **commodity pricing** (unbridled price competition)



Should you go for a moonshot 🚀 or a sure win?

- Startup returns are **power law** distributed. Almost all the returns come from the moonshot successes.
- But the failure rates for moonshots are extremely high!
- Many ideas are OK, but are unlikely to become “venture scale.”
- See: **X on Y** startup ideas
 - *You can escape competition two ways—do something no one else is doing or do it somewhere no one else is doing it. - Anthony Pompliano)*

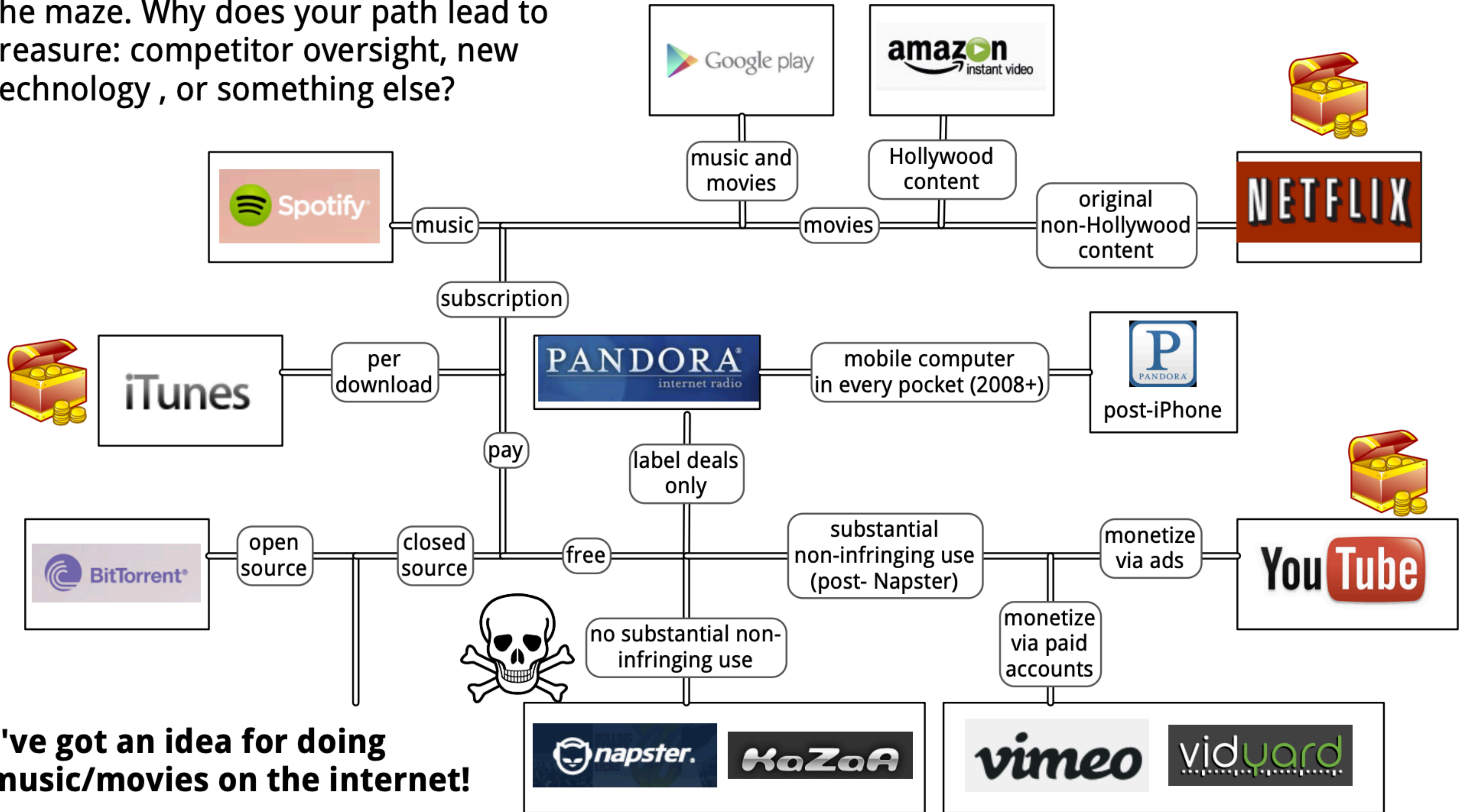
Moonshots tackle the biggest problems

- **Solana:** the “fastest blockchain”
- **OpenSea:** create liquidity for NFTs
- **Uniswap:** the best way to trade tokens
- But most moonshots fail...

Before you commit to an idea, you
need to study the **idea maze**.

The Idea Maze

A "good idea" is a detailed path through the maze. Why does your path lead to treasure: competitor oversight, new technology, or something else?



I've got an idea for doing music/movies on the internet!

“A good founder is thus capable of anticipating which turns lead to treasure and which lead to certain death. A bad founder is just running to the entrance of (say) the ‘movies / music / filesharing / P2P’ maze or the ‘photosharing’ maze without any sense for the history of the industry, the players in the maze, the casualties of the past, and the technologies that are likely to move walls and change assumptions.”

- **Balaji Srinivasan**

Your first idea is usually not perfect.

It's okay to **pivot**. Happens all the time.

Pivoting

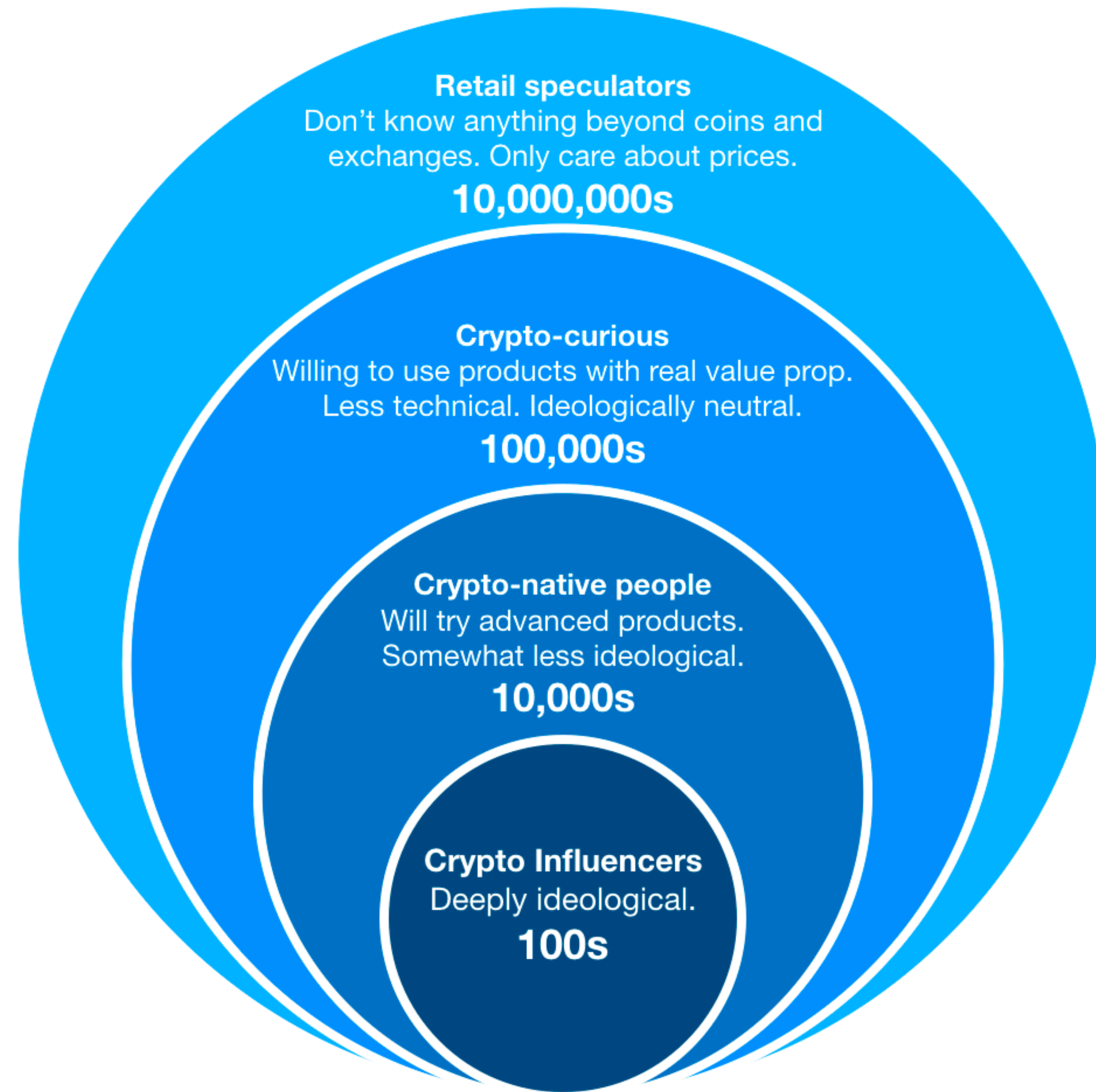
- Pivoting is normal for a startup; you want to keep in mind the possibility of a pivot.
 - This should give you a strong bias toward **reversible decisions**.
- Sometimes the first idea will give you insight into the right way to solve a problem.
 - This is why it's wise to ideate quickly, build quickly, and disprove assumptions quickly!

The First Idea is Often Wrong

- **Mt. Gox** → originally a platform for Magic the Gathering cards
- **Polygon** → originally a Plasma implementation
- **Near Protocol** → originally an AI startup
- **OpenSea** → originally “WifiCoin”
- **Gnosis** → originally a prediction market
- **dYdX** → originally a web3 search engine

Common ideation mistakes:

- Building for customers who don't exist yet
- **Solving yesterday's problems, rather than tomorrow's problems**
- Blockchain for X (where X = advertising, oil, bananas, whatever)
- Building in unfriendly regulatory jurisdictions
- Building for crypto influencers



The Concentric Circles of Crypto Users

Next, you need to
validate your idea.

Talk to customers!

- Who will use your product? Define your user.
 - It often helps to have a stereotypical user in mind—name them, give them real details.
- Interview customers, get a deep understanding of how they feel about this problem, and how they are addressing it today.
 - Know what other products they use, where they fall short.
- You can ask them “would you use this if I built it?” but it’s usually meaningless unless you actually make them pay.

Are you building the right thing?

- Build a proof of concept
- Show it off online or at a hackathon—get people excited about your work
 - Many of the greatest crypto projects were built this way:
 - Uniswap, 1inch, and Instadapp were all hacked together without funding
- Talk to users, figure out their pain points

OK! Now go pick an idea. 👍

Questions?