Startup Ideas with Jared Friedman

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4 Most Common Mistakes Founders Make With Startup Ideas

1. Not solving a real problem — "solution in search of a problem" (SISP)
   - e.g. "AI is cool - what can I apply it to?"
   - Fall in love with a problem, not a solution… start with a high quality problem
   - Not some huge abstract societal problem like climate change or poverty; something more specific
2. Getting stuck on a "tar pit idea" — common ideas that have been around forever
   - (Like getting stuck in tar)
   - Widespread problem lots of potential founders encounter
   - Seems like it could be easily solved with a startup
   - Classic examples are things college students come up with
   - There's a structural reason why it's actually very difficult to solve
   - e.g. "App to make casual plans with your friends" - stereotypical college student idea
   - Not necessarily impossible…
   - "Common ideas that are much hard than they seem"
   - If you're determined, research past attempts and why they failed, first —> think about reasons it's been structurally hard and if you can actually solve them
3. Jumping into an idea without evaluating if it's a good one
4. Waiting for the perfect idea —> think of your idea as a "good starting point"

How To Know If Your Idea Is Good

[Questions to ask about your startup idea](#)

1. Do you have founder / market fit?
   - Probably the most important criteria
   - "Are you the right team to do this?"
   - e.g. PlanGrid
   - Instead of picking a good idea, pick a good idea for your team
2. How big is the market for this idea? How big could it be in the future?
   - Coinbase — crypto was small in 2012, but knew it could become a giant market
3. How acute is this problem?
   - Brex is an example of a good acute problem. Before Brex, startups in YC literally could not get business credit cards. If alternative solution is literally nothing, that's a great problem
4. Do you have entrenched competition? If so, do you have a new insight?

- e.g. Pulley
5. Do you want this personally? Do you know people personally who want this?
   - Talk to users!
6. Did this only recently become possible or necessary?
   - Tech change; regulatory change, etc
   - e.g. Checkr —> API background checks — old background check companies weren't well suited to keep up with rapidly rising companies like Uber that needs tons of BG checks
7. Are there good proxies for this business? i.e. successful companies that do something similar but not exactly the same thing
   - e.g. Rappi's proxy was DoorDash (Rappi is LATAM market)
8. Is this an idea you'd want to work on for years?
   - e.g. Boom
   - Often an idea grows on founders over time as it starts to work
   - "Should you follow your passions?"
9. Can your solution scale?
   - Pure software businesses: great
   - Pure services businesses: bad
10. Is this in a good idea space?
    - An idea space is a class of closely related startup ideas, e.g. software for hospitals; SaaS for enterprises; ad-tech
    - Different idea spaces have wildly different hit rates, e.g. in last decade, ad tech was super cold while enterprise SaaS and fintech were super hot
    - You want to pick a good idea space (good hit rate, founder market fit) so you can drift/pivot to other good ideas in the same idea space
      - e.g. Fivetran - idea space was tool for data analysis —> get drifting/pivoting within same idea space until they eventually got to the right one

3 Things That Make Your Startup Idea Seem Bad, But Actually Make Them Good

Most founders will shy away from these ideas which leaves them on the table for smarter founders.
1. Hard to get started
   - Read "Schlep Blindness" by Paul Graham
   - e.g. Stripe
   - Scares off other founders
2. Boring space
   - e.g. Gusto - payroll software
   - "Boring" ideas have much higher hit rate than "fun" ideas
3. Existing competitors
   - e.g. Dropbox

How To Come Up With New Ideas

- The best startup ideas are noticed organically
- Ways to put yourself in a position to have organic startup ideas in the future:
- Become an expert on something valuable
- Work at a startup
- Build things you find interesting
  - e.g. Replit

7 Recipes For Generating Startup Ideas

(In order of how likely they are to work).

1. Start with what your team is especially good at and take advantage of your expertise
   - Any idea you come up with automatically has founder/market fit
   - e.g. Rezi
     - OpenDoor for rental apartments
     - Founders had worked in real estate and debt financing
     - Looked for ideas in those areas, only in the idea space of their expertise
2. Start with a problem you've personally encountered, ideally one you were in an unusual position to see
   - e.g. Vanta - automated security audits
     - Christina was working at DropBox and had gone through a security audit, realized how painful they were
   - e.g. Optimizely - A/B testing tools
     - During YC, were working on a math game for kids (founders didn't have kids - bad founder/market fit!)
     - Had seen how hard it was to run A/B tests at a previous job
   - e.g. Vetcove - Amazon for vets
     - Founder's dad is a vet and he noticed the way he ordered supplies was super old fashioned

Using recipes 1 & 2:
- Think of every job you've had (+ internships + life experiences). What problems did you come across? What did you learn that other people don't know?
- Compared to other likely founders, what are problems or opportunities you've been in a special position to see?

3. Think of things you personally wished existed
   - Most dangerous recipe for leading to tar pit ideas!
   - e.g. DoorDash - undergrads at Stanford wishing they could get local restaurant food delivered
4. Look for things in the world that have changed recently that might've created a new opportunity

- ○ Gather Town — COVID pandemic changed opportunities - fun way to hang out online
5. Find companies that have been successful recently and look for new variants on them
   - ○ e.g. Nuvocargo - "flexport for LATAM" - US companies import stuff from Mexico
   - ○ Hard pivoted after YC - did a systemic search for ideas — realized it was a large market with good proxies from other companies, and had relevant founder connections, even though didn't personally have deep experience
6. Go talk to people and ask about problems they have
   - ○ Requires a lot of skill in talking to users
   - ○ First pick a fertile idea space and talk to people within that idea space
   - ○ Don't just talk to potential customers, but also founders within that space to get advice about what ideas are worth pursuing
   - ○ e.g. AtoB —> makes fuel cards, a special kind of credit card for truck drivers
     - ■ Picked an idea space: "software for trucking industry" despite not being experts in the trucking space
     - ■ Physically drove to truck stops and asked truck drivers about their problems
     - ■ Also talked to a lot of founders in the trucking space
     - ■ Explored several ideas before picking fuel cards
7. Look for big industries that seem broken
   - ○ e.g. LendUp —> replacement for payday lending
8. Bonus recipe: find a cofounder that already has an idea

Remember: the best way to find out if your idea is good is to launch it.

25% of the top 100 YC (mostly $1B+) companies are working on a completely different idea than they started with. Means their original idea wasn't a great idea, but still good to start out with a "bad" idea because at least it got them working on their startup that eventually turned into a $1B+ company.