

# INKDOME

Eric, the founder of Inkdom, a platform that connects people who want to get a tattoo with tattoo artists in their city, is discussing with the Head of the startup accelerator program The Startup Training as to whether he has done his first assignment well.

It's the 10<sup>th</sup> of September 2016, two weeks into the startup program of The Startup Training, one of the best acceleration programs in his country. Alessandro, the head of the acceleration program has explained Eric that they will go through three processes of so-called market validation (problem, offer, solution validation) and that they will teach him how to avoid key mistakes entrepreneurs usually commit in these phases. This will be possible by the use of specific scientific principles mastered in academia and which Alessandro will transfer to Eric over the course of the training.

The first phase, problem validation, will help Inkdomo to make sure it is solving a real problem for customers in its market by talking to potential customers and understanding their current needs, desires and “pains”. The Startup Training relies on one simple rule: entrepreneurs do first, the acceleration teaches later. In other words, startupperes are told what their task is but not how to perform it. Eric will have to think on his own which people he should talk to, what questions he should ask, how he should engage people and interpret their responses. The philosophy is that you learn better when you get your hands dirty and discover later what you could have done in a better way.

Eric just came back from a round of face to face interviews with 20 among his closest friends who he decided to summon for a focus group and is happy about his results. Eric explained his vision to the interviewees: he wants to solve the problem that the search for tattooists takes time and pain given that there exists no efficient website for comparing artists in a given city; he is going to solve it by creating a search engine that allows people to more easily view, book sessions and review the quality of tattooists' profiles. After the explanation, all interviewees confirmed they had the same problem at least once and 95% of them have reported they would try Inkdom as a solution. Also, they have suggested a series of product functionalities that would render the whole experience more satisfying and which Eric intends to carry forward as soon as he will start building his minimum viable product.

Alessandro, has listened carefully to how Eric conducted his first round of validation and is concerned about some choices Eric took. “Eric, I am sorry, but I think you got some things wrong. You should go back to the drawing board!”

## Background

**“Bzzzzzzzzzzzzzzzzzzzzzzzzzzzz”.**

That's the sound Eric loves the most. It is the sound of a tattoo machine that is drawing an amazing black mandala on a nice girl's back (a mandala is a religious type of ornamental design that, according to Buddhists, represents the process by which the cosmo was formed). He sits in the brown leather coach that rests against the bordeaux wall in the hall of "Tattoo Station", one of the many tattoo parlor that has recently opened in town. It was weeks since he had booked his appointment at the tattoo shop and been waiting to get his new tattoo done: a blonde Hawaiian girl carrying a surfboard over her head. He has always had a passion for surfing and Hawaii is one of the destinations where you can find huge waves.

The result is great, the balance, the shape, the symmetry, color, technique, placement. They all fit together. “Wow! This is amazing! Where did you get this tattoo Eric? You always have incredible

tattoos” –says in chorus his group of friends Luca, Mauro and Giampiero. This must be his 20<sup>th</sup> tattoo or something...he’s lost the count. Over time he has learnt how to recognize talented artists. In fact, the first tattoos he got were not that good after all! He even regrets a couple.

“Eric, I have this new idea but I don’t really know which is the best tattooist for this project. Any hints? Last time you sent me to Lorenzo and it was great but he is not specialized in the style I am seeking. I have seen a couple of profiles on my own, but I am not convinced. Who would you recommend?”-says Luca. As always, it takes Eric just few questions to come up with a clear idea of what tattoo studio could make Luca’s day. As Eric gives his recommendation, he notices Mauro and Giampiero are chit-chatting among themselves. “What are you talking about, guys? Do you want to make us part of the discussion?!”. “Sure Eric”-says Mauro- “we were just saying that we have heard you giving advices to so many people over the years. There are just so many of them who do not know how to find the tattooist, that perhaps you could make a business out of this. If there is a Tripadvisor for restaurants, why couldn’t there be one for tattoos?”.

Eric looks astonished. He’d never thought about this. In fact, his friends could be right.

Pushed by a great enthusiasm, Eric starts analyzing the tattoo market in more details. After an initial struggle with finding statistics on the industry, Eric bumps into a quite recent report of the Ministry of Health which shows the results of an extensive phone interview with a representative sample of the Italian population. Every year about 1mln people get a tattoo in Italy which is tantamount to a yearly revenue for the industry of about 315 million euros. What is interesting about the market is its rapid expansion: the number of people who will get inked every year is indeed projected to double in the next two years. Cross-checking with international statistics, Eric finds out the global market size of the tattoo industry is about 50 billion and the markets who are most rapidly growing are the European and the Chinese. The latter is witnessing a +300% yearly growth! Having realized the market has some potential, Eric moves his next step and checks whether there is any major competitor in the digital space. Because of the recent boom of tattoos, there appears only a major competitor in the USA, Tattoodo, a content producing platform which publishes great photos of tattoos and tattoo artists on a daily basis. In Italy, there exist just few websites with horrible designs and that only appear to show all available artists in a given city, without a booking system or the possibility for users to review the tattooists, as typically done on marketplaces such as TripAdvisor from which Eric is drawing inspiration.

In order to share the excitement and his discoveries with his friends, Eric invites Luca, Mauro and Giampiero over for dinner. After sharing information on the market potential beyond the tattoos, the friends let their imagination take over and start thinking about how the platform will look like: it will be a website where people can filter tattooists by city and style; they will be able to scrape through tattooists’ profiles and take a look at the photos of the tattoos they made in the past, and finally book an appointment with the tattooists and leave a review to share the quality of their experience with them. As the night could not end up in a better way, Eric and his friends find a perfect name for Eric’s future startup: **Inkdome**. *Ink* for the liquid by which tattoos are made of and the term *dome* which recalls the ceiling of religious places. The idea is to create a showcase of wonderful tattoos, elevating the latter to the outmost level of art, almost at the level of religion.

Eric lays on his bed after an astonishing day that has brought him a new tattoo and a business idea to revolutionize the sector in which he has played the role of client for so long. He takes his phone and begins surfing Facebook to update on his friends’ activities and finally relax.

Between a scroll and the other, Eric’s eye is captured by an article one of his contacts has shared: “The Startup Training, the startup school which helps entrepreneurs launch their business project on

the market is launching its 1<sup>st</sup> edition and is looking for aspiring entrepreneurs”. As he reads the article, he discovers the school is offering to support a selected number of early-stage entrepreneurs to build their business model for free. The article gets him thinking: he does not have prior entrepreneurial experience and except for a couple of books he has read on the topic, he cannot define himself as a startup expert. After having obtained a bachelor in Management from University of Parma, Eric joined the family business, a 10-employee Italian company which buys knitwear machineries in South America and resells them in Europe. It has been five years since he began working in the business and over this time he has learnt how a small company should and should not be managed. However, launching a digital startup is a totally different story. One needs to have competencies in software development and aim for a mass market of customers. True, in the last years the number of digital startups launched has dramatically increased and anybody seems to be trying to be the next Facebook. But being helped by a renowned institution in the area of economics and management seems a spot-on opportunity to leverage on. In the next half-hour, Eric completes the application found on the website, switches off the smartphone and goes to bed, hoping it will be among one of the selected startups.

### *The Startup Training*

Alessandro is a PhD candidate in Business Administration who has had prior entrepreneurial experience. His two souls, the academic and the entrepreneurial, have made him identify an opportunity to improve on existing business training courses by adding some “scientific” aspects to it. In particular, the business community has been increasingly recognizing that the typical uncertainty in which an entrepreneur is called upon acting requires that they are less focused on a single vision of how their business will be in the future, as well as plan heavily to achieve that vision, but rather adopt more experimental approaches to business development. As a consequence, new courses prescribe that entrepreneurs interview right away potential clients to understand their pain points and offer basic variants of their products/services to the market in order to collect customer feedbacks early-on, etc. However, less attention has been given to the “how” these interviews and tests must be run in order to collect precise market “signals”, that is obtain more objective evidence as possible as to the potential return of the project. The Startup Training was born with the purpose of bridging this gap. It makes use of a standard training in so-called business model validation, which aims at helping entrepreneurs understand the potential value of their business idea, enriched with a series of procedures to make sure that the entrepreneurs carry out a proper validation, i.e. obtain correct information when investigating the market. The Startup Training uses the so-called “scientific” training, which aims to help entrepreneurs to behave like scientists.

### *Selection day*

Eric has finally got the email response he had been waiting for a while now. It is an email sent by The Startup Training, which carries the title “Selection results”. Eric reads the first lines of the email “Dear Entrepreneur, we are glad to announce that you have been selected to take part to The Startup Training”. In 1 week he will have to be in Milan, ready to startup his three months of training. He is beside himself and is looking for starting.

### *1<sup>st</sup> Training day*

The 200 and more startups invited to take part to the 3-months training have all set down in one of the rooms of the tall buildings in which The Startup Training is hosted, and the welcoming speech is about to start.

“Ladies and gentlemen, we are very proud to have you here today. You made it through our selection and we are very excited to start working on your projects and help you make sense of the actual opportunity to invest your time and money on them. The purpose of The Startup Training is to help entrepreneurs to *validate* their project, that is to understand whether it is worth investing in it by means of market tests that allow to gather the most precise signals as to the potential return of the project”, Alessandro explains to the selected startups.

As Alessandro continues his speech, Eric understands there are going to be three phases he will have to go through: problem, offer, solution validation. Alessandro, who will be his mentor, won't tell him right away what to do but will give him feedback only after he has attempted to validate on his own. It is a policy of the startup school to push entrepreneurs to experiment on their own and then learn what they could have been done in a better way.

Today they will start with *Problem* validation. In this initial phase, the purpose is to go talking to potential customers and understand whether they have a problem worth solving and whether the solution proposed by the entrepreneur suits that problem. In fact, official statistics from a post-mortem study on startups run by Crunchbase<sup>1</sup> show that the top reason why startups fail is that there is no real market need for their product/services once they launch on the market. As a consequence, startup philosophies such as the Lean Startup or Design Thinking have insisted that talking to customers is extremely important to understand their problems and whether these are big enough to justify a business investment. In the case of Inkdom, Eric will need to understand whether it is true that the search for tattooists takes time and is painful for customers and, as a consequence, that a search engine for tattooists could be a good service to offer to the market.

Fortunately, before joining The Startup Training Eric had read Eric Ries' book “Lean Startup”, a best seller explaining how entrepreneurs can validate their markets and feels confident in his means. He contacts Luca, Giampiero and Mauro and asks for their help to summon a group of friends in order to conduct his round of interviews.

### *Eric's 1<sup>st</sup> assignment*

At the next meeting with Alessandro, Eric recounts what he has done to validate his customer problem, the reasons that justify the decisions he has made and the results of his actions:

- 1) I summoned 20 among the closest friends of mine who are interested in tattoos for a focus group. They were friend of mine, people who knew me well so that I was sure they could give me the time that I needed to investigate the problem properly.*
- 2) I began the discussion by telling people how I had the idea to launch Inkdom and how it intends to solve a serious problem: the search for tattooists is long and chaotic. They confirmed the problem exists as they have also encountered it in their experience.*
- 3) Then I opened the discussion and was asked by interviewees whether there were competitors in the industry. I replied there were only minor ones and that I was in truth the first mover. Most people told me the idea is great, that they see the investment opportunity and wonder why they haven't thought about it. Then, I asked each and every one of my friends to say whether they had anything to suggest in order to improve Inkdom. A lot of interesting ideas have come up and, as people discussed them, they came to agree there are some key features*

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<sup>1</sup> This is a branch of the company TechCrunch, which collects data on the global startup ecosystem, consisting of investors, incubators, start-ups, key people, funds, funding rounds and events.

*that should definitely be added to the platform, such as showing what the price of a given tattoo is, so that users are helped in choosing the artists with the highest quality-price ratio.*

- 4) *I asked a final question to the focus group which was “Would you use my product/service once in the market? Yes or no?”. 95% of people responded “yes”. I think this is exciting news and the 95% positive response shows Inkdom has a good market potential.*

Alessandro applauds to Eric’s enthusiasm and proactivity. Nonetheless, he thinks Eric lacked some scientific rigor in the way he approached the market, such as the people he’s decided to talk to and how he conducted the interview. Eric appears a little frustrated.

As Eric’s approach is discussed, some specific questions emerge that can help Eric reflect on what he could have done differently:

- 1) Was the decision to interview close friends sensible or could I have selected a different group of potential customers?
- 2) I made sure the interviewees had an “interest in tattoos” so that they were sensitive to the topic at hand. Nonetheless, could I be any more specific in the way I classify each interviewee? Why could this be useful?
- 3) Was hosting a Focus Group a good idea in order to obtain information from customers or could there be any dynamics of the group-setting which could be deceiving? What else could I do?
- 4) I investigated customers’ problem by asking them to confirm whether the search for tattooists is long and chaotic. Is there any issue with having such a direct approach to the problem? Could I approach them in a different way in order to understand better whether searching for tattooists is really painful for them?
- 5) I asked interviewees to suggest me features which they would love to have on my product. Does it make sense to listen to all of their suggestions or is there any reason why I should be cautious about it?
- 6) The % of people who told me they would use Inkdom was impressively high. Is there any reason why this could be the case? Is there any better metric I could use to have a fairer assessment of the size of the market which would be interested in Inkdom?