



Product idea evaluation checklist

This checklist directly supports the go/no-go decision for significant product investments, which could take place in established companies or be the foundation for a start-up or spin-off.

Smaller investments (like minor changes to existing product functionality) will often be evaluated very briefly – in principle on the same core selection criteria, but without using the detailed checklist. For an existing entity, such minor changes will also not be implemented in separate product development projects, but typically grouped together into a new product release covering several smaller improvements.

To ensure people actually contribute with product ideas, only very brief information is required up-front. The checklist is normally not used by the initiator, but by the few people responsible for evaluating and selecting the submitted ideas. Many of the subsequent questions will require some analysis, e.g. for quantifying the market potential and calculating the business case for the product. If several areas of analysis are required, the 'open' key questions will normally define the scope of a product feasibility study.

Once a product development project has been started, the checklist may be used at each major checkpoint during the project, to ensure current project status still meet the assumptions behind the decision to initiate the product development project.

The checklist defines 6 key criteria for selecting the best product ideas:

- *Market potential* – is there a market of appropriate size for a product like this?
- *Product fit* – does the product fit with current strategy, product portfolio, competencies etc?
- *Value proposition* – can we create and sustain competitive advantage for this product?
- *Profitability* – will the product be (highly) profitable?
- *Product solution and timing* – is the proposed product solution and timing the best one?
- *Additional business potential* – what additional “synergies” may be achieved if this product is given priority?

The checklist should normally be used within a more comprehensive framework of product development and product management.

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Market potential

1. Are the customer segments for the product well defined, e.g. in terms of industry line, company size, buyer type (CEO/board level individual vs. human resource manager), geography etc? Have the relevant criteria for segmentation been defined?
2. What is the specific customer problem or pain that this product will solve? Is the relative priority of this problem/pain significant in the eyes of the customer?
3. Given the defined customer segment and defined problem/pain, what is the potential market size? What are pessimistic and optimistic values, 1-2-3 years from now? What sources and techniques have been used for estimating the market size?
4. Does the product leverage an emerging market trend? What about technology trends? To what extent have these trends been verified through external sources? Have potentially conflicting trends been identified?
5. In what stage of a life cycle is the customer need? Is this a product which is only relevant for very early adopters, or is there a broad market accept for this need? What growth rates are likely? Do the projected growth rates really build on clear criteria for definition of customer segments?
6. Given the customer problem/pain, what are the key buyer values that will drive the customer's purchasing process? What are the (additional) loyalty values that will drive renewed purchases for existing customers?
7. How is the current and/or anticipated competition for this product area? How well are the competitors positioned related to the key buyer values and loyalty values?
8. Are there any patents and/or monopolies relevant for the product's market potential



and/or competitive situation? Are consequences fully understood?

9. What willingness to pay may be expected in the marketplace? What factors will drive this willingness? To what extent have acceptable price levels been verified?

Product fit

10. How well does the product fit with our product strategy? How important is this product for realizing the overall product strategy? How does it match the company's vision?
11. How well does the product fit with our current and planned product portfolio? Will this product create unwanted product overlaps?
12. How well does the product fit our current and planned business model(s)? Will the product require major changes to current business and revenue models?
13. How well does the product fit with our planned product architecture? For software and service products in particular, how well does the product fit with software-as-a-service (SaaS) offering?
14. How well does the product fit with our own sales force and/or our distribution channels? Will our sales people feel comfortable promoting and selling this product? Will there be significant needs for new competence or sales techniques?
15. How well does the product fit our current customer base? Does the product fit our customers' view of us? Does it fit how we are viewed in the marketplace? How well does it fit with market/industry scope and our current position in relevant market segments (e.g., industry lines)?
16. How does the product fit with our geographical scope? Is the product relevant for all geographical market areas? Will significant tailoring be required for each



area?

17. How does the product fit our partners and alliances? Will the product require completely new partners? Will the product potentially hurt or even damage current partner relationships?
18. How does the product fit our risk profile? Is it compatible with our view of acceptable risk levels regarding technological and financial risks?
19. How well does the product fit our key strengths and weaknesses? How well does it fit with key competencies?
20. How well does the product fit within the development budget? Does it fit with required allocation of key resources?
21. How well does the product fit within legal or regulatory requirements? Will formal approval be required? Is it likely that legal authorities (e.g., financial authorities, competitive authorities or other bodies) will object to the launch of this product?
22. How strong is the internal sponsorship for this product? Is there a broad support from the organization? What about support from top management, sales management, product portfolio management, operations management etc? What about support from managers of related business areas?

Value proposition

23. How well is the value proposition of the product defined? (in terms of unique selling points, benefits for the customer, how the product will be delivered, service/support concept etc)
24. What are the unique selling points (USPs) that may differentiate our product offering compared with competitors? How well does there unique selling points match the customers' buyer values? Do the USPs also include factors which are "broader" than product functionality, when these factors are relevant for the customers (e.g.,



image in the marketplace, our financial position etc)?

25. How well do the unique selling points match our strengths and weaknesses? Have we really optimized USPs according to our strengths? Have we optimized use of alliances?
26. Have potential pilot customers been identified? To what extent has the attractiveness of our value proposition been verified with these customers?
27. Has the product unit price been defined? Is it realistic? Is the price consistent with the customer perceived importance of problem or pain? Is it in line with current and anticipated competition? Is the price level sustainable?

Profitability

28. Has the product's net present value (NPV) been calculated? Have realistic time span and discount rate been used in the calculation?
29. Are the calculated sales volumes realistic, taking into account the competitive position, realistic market share, importance of customer problem/pain and stage/maturity of customer needs?
30. Are the calculated development costs realistic? Have relevant estimation models and sample product development models been used in estimating the costs?
31. Have relevant operational costs been included in NPV calculation? Do these costs include customer setup costs, sales costs, product maintenance costs, monthly operational costs per customer and user etc?
32. Have sensitivity of the business case been calculated? Is it fully understood what components or the business case are most uncertain? Is it understood what changes in basic values and assumptions that may damage product profitability? At what sales



volumes will NPV be negative?

33. To what extent is the profitability of the product certain?

Product solution and timing

34. To what extent has the product architecture and overall product design been developed? How well does the product architecture and design match the unique selling points?
35. Have alternative designs been evaluated, including use of third party components? Are we certain that the planned solution is the best one?
36. What is the project time schedule for developing and launching the product? Is the schedule fast enough to reduce risk of shifting customer priorities, unanticipated competition etc?
37. What are the key risks? Are the risks manageable? Are they acceptable? What are the contingency plans if/when risks occur?
38. Do we have the right skills and resources available for effectively developing and launching the product?

Additional business potential

39. To what extent will this product open up new market segments (e.g., industry lines, customer groups, geographical areas) that may be valuable also for other product lines?
40. To what extent will this product improve cost effectiveness that may be utilized by other product lines and business areas? E.g. more streamlined product development, packaging and distribution, radically different sales and marketing channels etc.
41. To what extent will this product improve current customer relationships and/or create additional customer lock-in effects?



42. To what extent will this product open up for subsequent add-on products, e.g. business process outsourcing services built on top of a program-as-a-service offering?
43. To what extent will this product be vital for piloting a product architecture that may have significant effect on other products and/or overall cost structure?
44. To what extent will this product introduce or strengthen alliances that may be utilized also for other product lines?