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COMING UP WITH A STARTUP IDEA NOVEMBER 2020

IDEATION AND VALIDATION



It's critical to:

- Quickly pivot or kill initial ideas that don't meet immediate criteria
- Adjust assumptions and iterate on testing methods as you go along

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Get inspired and come up with ideas

See which ideas are worth pursuing further

Identify potential business models, create strawman unit economics, and develop key hypotheses to test validity of models

Try to prove or disprove each statement, starting with what assumptions would "break" the model if disproven

> t immediate criteria hods as you go along

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Most of our ideas come from:

	1	2	3	4
	Observed pain points	Geographic Arbitrage	Business model / GTM arbitrage	Verticalization / unbundling
What	How do I solve my own personal pain points, or experiences I've seen my friends & family go through?	What is being disrupted in other countries, but not where I am?	What is a trend or disruptive phenomena in X vertical, but should be applied to Y vertical?	What should be further verticalized or unbundled that could be a standalone business?
Framples		mercado libre	trusted	Chowbus™
слатрісэ		Vori	FRESHA	Reverb



EXAMPLE: OBSERVED PAIN POINTS

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• Founder feeling pain...

- -
- Slice's model
 - -
 - -UberEats
- How does this solve pain?
 - -

Founder's family owned many pizzerias in NY

Family-owned pizza shops weren't tech savvy; couldn't build online ordering and current aggregators were too expensive

Digital aggregator for family-owned pizza shops online ordering

Take 9% on orders, compared to 20%+ in larger aggregators like

Lower fees to pizzerias = more affordable and larger orders (without fear of being charged a large amount)

More online recognition to pizzerias that were ignored with the increase of online food ordering (rather than phone)

EXAMPLE: GEOGRAPHIC ARBITRAGE (US \rightarrow **ROW)**



- Ebay's model
 - everything)
- Why Latam?
- Market cap: \$66.24B

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"Ebay for Latam", now moving toward "Amazon for Latam"

- Online reselling of wide selection of products (pretty much

- Takes transaction fees between ~1.5-12%

- Latam countries are too small for Amazon, and MeLi has better exposure to infrastructure and local-specific solutions, making it difficult for Amazon to copy

- Has transitioned to become more of an Amazon for Latam (moving from auctions to products at a fixed price, focusing primarily in infrastructure)



- "Magaloop for US" \bullet
- Magaloop model \bullet

 - Based in Germany
- Why US?

- Also in other geographies •
 - Trade Depot \rightarrow Magaloop for Nigeria
 - Capiter \rightarrow Magaloop for Egypt
 - Chiper \rightarrow Magaloop for Mexico



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- Trade platform for independent traders and FMCGs

- Independent retailer - FMCG brands/wholesale relationship is not transparent in Europe or the US

v trusted

- Apply RigUp for nursing
- Rigup's model
 - Matches energy contractors with operators and service companies seeking to hire highly skilled labor
 - Takes a % of payment for each completed job
- Why nursing?
 - Automation to find jobs would help nurses ditch the ambiguous pay and commission recruiters
 - Matches nurses to jobs based on their priorities

- Mindbody's model

 - platform
- Why salons?

FRESHA

• Apply freemium SaaS (like Mindbody did for fitness studios) but to salons and spas

- Aggregates nearby fitness centers into one app - Processes booking payments via the same

- Monetize from subscription features (fitness

centers) and from payment revenue-share

(payment processors)

- Also difficult to find salons (mostly Google)

- Salons want to be found and like fitness centers

this increases their exposure

EXAMPLE: VERTICALIZATION



- "UberEats, but Chinese Food" •
- UberEat's model •
 - Offers lots of selection, coverage, cuisine types
 - Charges restaurants 30% delivery fee and 15% per order for pickup

• Why is Chinese food standalone?

- Native Chinese-speaking restaurant owners
- Catering to large and growing -Asian-American population
- Uncontested acquisition channels in Chinese



- "Ebay, but collectible card games" •
- Ebay's model ullet
 - Online reselling of wide selection of products (pretty much everything)
 - Takes transaction fee of 1.5-12% approximately
- Why are trading cards standalone?
 - Huge market for collectible card games
 - Entirely based on the "reselling" concept and digitizing a process that was purely offline

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- "Ebay, but instruments"
- Ebay's model
 - Online reselling of wide selection of products (pretty much everything)
 - Takes transaction fees of 1.5-12% approximately
- Why are instruments standalone?
 - Current experience of buying and selling instruments online was inefficient

TACTICALLY

Find sources of inspiration

Talk to people

- Talk to friends, family, co-workers
- Understand your own very painful / low NPS experiences
- Gather observations on problems you or • those around you face

Capture interesting models

- Jot down your favorite models or ways problems are being solved, no matter what vertical or geography
- See if there is recurring theme for topic area • you're passionate about (difficult to pursue idea based on data/potential alone)
- Don't be afraid to get direct inspiration from existing companies and models that work!

Example resources

Subscribe to newsletters that surface new companies

- Product Hunt Daily
- RFS 100 (Request for Startups by Mario at The Generalist) • Trends.vc

Stay up-to-date on tech trends and investor discussions

- Podcasts: 20 Minute VC (Harry Stebbings), Ventures Stories (Village Global), Invest Like the Best (Patrick O'Shaughnessy), This Week In Startups (Jason Calcanis)
- Newsletters: Benedict Evans, Stratechery, Term Sheet, Strictly VC
- For specific area you are digging into, identify the most relevant and vocal individuals (investors / founders / community leaders) and subscribe to channels where they regularly post content
 - e.g., No-code \rightarrow Ben Tossell, Aron Korenblit, Vlad Magdalin

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CONDUCT LITMUS TEST:

	1	2	3
	Industry TAM	Competitive scan	Monetization
What	 How big is the market and what are the trends? Why now? Dig into: growth, key movements, disruptive trends, new innovations / tech Is there high fragmentation in the market? How digitized are players today? 	 Who's doing this today? Are there major direct competitors, and how well- funded are they? Who has attempted this before? What happened to them? 	 What is AOV of typical transaction? Is it one-time (individual transactions) or recurring (subscription or contract-based)? If one-time, what is frequency of purchase? If B2B, how long are typical sales cycles?
Assess	√ sizeable top-down TAM	✓ no major competitors	✓ expect high AOV and/or
	(\$5b+ annual)	tackling this	frequency

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Research

- U.S. Statistics (TAM, labor statistics, GDP by industry, spend / behavior data): IBIS, Statista, Nielsen, Bureau of Economic Analysis, Bureau of Labor Statistics, Permanent Equity's 'Open Data Resources' database
- **Competitive data:** Crunchbase, TechCrunch, Pitchbook, The Information, MarketWatch, Wall Street Journal
- **Industry publications:** vertical-specific ulletnewsletters and blogs, podcasts, forums, Twitter
- **Customer sentiment (but no need for** interviews yet at this stage!): Scan Facebook groups, Reddit discussions, and other community forums to better understand sentiment aside from survey and spend data

Tips & tricks

Learn how to google faster:

By file type: Type in your search and add "filetype:pdf", "filetype:xls", "filetype:ppt" to limit searches to specific filetypes (e.g., many company presentations and analyses are PDF)

By publication type: Type in your search and add "Slideshare" for decks, or "Reddit" for customer discussions

Get creative to surface new info & adjacencies:

• Related subreddits keyword graph: this tool shows you a graph of related subreddits for any given one based on user posting behavior

LinkedIn "People also viewed" column: leverage existing user search behavior to surface related company names

HOW WE DO IT AT FJ



Process

Bi-annual team brainstorming (guests & team members individually research and present their ideas)

Every team member votes across idea set

EIRs choose 1-3 interesting ideas to dive into at a time, continuously validate key hypotheses with team

Team agrees on idea, and EIR becomes founding CEO



FJ's idea funnel each year

Come up with ~200 ideas

Narrow to ~40 ideas that FJ should look into building or investing

Validate ~20 business models

Build 1-2 companies

	How do yo				
ldea 🤝	FJ should pursue it / look more into it	4	Good idea, but not for FJ ⇒	Not a good idea 	Questions / c this idea?
Hexa for Europe	1	+	Ŧ		
Kulagy for COPD – marketplace for pulmonary rehab at home	1	Ŧ	Ŧ	-	
Lowpost for the US – content creation as a service (marketplace for content creators)		Ŧ	Ŧ	1 -	I like the theo impossible
SaaS-enabled marketplace for wedding planners		Ŧ	*	1 *	
SaaS-enabled marketplace for visa attorneys		*	*	1 *	
Franchise marketplace		-	+	1 -	
Patent marketplace (re lpwe)	1	Ŧ	*	Ŧ	
Platform for all things pet	1	*	+	-	
Timber trading platform (Saagi done right)	1	Ŧ	Ŧ	Ŧ	
Wildist done right – asset light production platform for D2C brands	1	Ŧ	Ŧ	Ŧ	
Personal project – marketplace for attorney staffing	1	Ŧ	Ŧ	Ŧ	
Moved for Tech Services	1	Ŧ	Ŧ	-	
Moved for Moving Lifestyle	1	Ŧ	Ŧ	Ŧ	
Event technician supply-pick marketplace	1	Ŧ	Ŧ	Ŧ	
Resq for Factories	1	Ŧ	Ψ.	-	
ResQ for public transportation	1	Ŧ	Ŧ	Ŧ	Compatible v
Andela for State Licenses	1	Ŧ	Ŧ	Ŧ	May not be v



Criteria when voting

- FJ should look more into it
- Good idea, but not for FJ
- Not a good idea

Final scoring then determined based on % of people who voted for "FJ should look more into it"

WHAT GOT UNANIMOUS VOTES FROM LAST WINTER'S BRAINSTORMING?

100% FJ should look into it

- Upwork (remote gig work) for sales people
- Medinas for B2B secondhand food services equipment (industrial kitchen)
- Medinas for B2B secondhand food manufacturing equipment (food production) •
- Terminal.io for Latam / Eastern Europe / SEA
- Andela for XYZ
- Hims for Latam
- Wonderschool for dog daycare ٠
- Booking for all pet services / platform for all things pet
- Moved for Tech Services
- Event technician supply-pick marketplace •





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BRAINSTORM PRESENTATION AUGUST 2020

SAAS-ENABLED MARKETPLACE FOR VISA ATTORNEYS

- 1.49M foreign-born individuals moved to the US in 2016
- Visa application processes are very time consuming and frustrating
- Every (would-be) immigrant needs to figure out the same information \bullet (visa classes and which they might fit into)
- Most (would-be) immigrants needs to identify competent counsel, \bullet build a visa strategy, and submit a number of standard documents
- Visa attorneys mostly rely on inbound sales or archaic sales strategies ullet
- Attorneys are notoriously backwards when it comes to use of ullettechnology
- → SaaS enabled marketplace for visa attorneys

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KULAGY FOR COPD

- COPD patients have a severely reduced lifespan and high risk of ulletcomplications leading to massive systemic costs
- However, simple yet regular exercise has a massive impact on ulletincreasing longevity and reducing risk of complications, thus saving the system huge costs
- Due to this payors are willing to pay up to \$15k/patient for schemes which make COPD patients work out regularly
- → Marketplace for insurance-covered, at-home physical exercise for **COPD** patients

Kulagy is a marketplace for in-home physical therapy, covered by insurance. Kulagy optimizes customer acquisition, client management, scheduling etc to make PTs more efficient. Due to high recurrence (13+ treatments) and full insurance coverage the economics are very healthy.

Chronic Obstructive Pulmonary Disease (COPD) is an umbrella term used to describe progressive lung diseases including emphysema, chronic bronchitis, and refractory (non-reversible) asthma. This disease is characterized by increasing breathlessness.

EUROPEAN APPLYBOARD

- SaaS-enabled marketplace for international students
- For schools akin to ATS plus student acquisition; generate student interest, and manage pipeline of international applicants
- For students give transparency into opaque/challenging process. Show ightarrowwhich schools are best fit for your grades/resume, one application for ALL schools you're applying to
- Applyboard is mostly focused on Canada; despite their size the non-Canadian market is still not won
- Effectively an arms race; locking in schools will be paramount

Applyboard

- Canadian company, founded 2016
- SaaS + marketplace to simplify application process for international students
- **Predominantly Canada universities, students** largely from South and South East Asia

B2B ALGAE MARKETPLACE

- Algae is a large and rapidly growing part of aquaculture
- Widely used for food and industry, with new technologies expected to drive substantial continued growth (microalgae, bio-fuels, bio-plastics, food)
- Potential to become a major commodity, but both supply and demand sides will need development in years to come

Algae seeds developed in tanks

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Nori growth in the ocean



Algae market

- \$9.9bn in 2018, growing 7% annually
- Widely used in food (sushi, spirulina, food coloring), fertilizers, industry (lab components, dyes, wastewater mgmt), biofuel, bio-plastics
- **Grows 10x faster than terrestrial plants**
- 1/10th of the land area required for equivalent amount of biomass

B2B MARKETPLACE FOR INSECT MEAL

- Feed for livestock and aquaculture contains ~40% protein; this protein comes predominantly from fish/plants today
- EU legislation has been changed and now permits that animals in aquaculture can be fed with processed animal protein (PAP) from insects.
- The amino acid profile of insect meal matches the needs of fish (unlike plants), and don't have the problematic fiber/starch content of \bullet plant based feed
- Approved insects: ullet
 - black soldier fly (Hermetia illucens) \bullet
 - housefly (Musca domestica) \bullet
 - mealworm or yellow mealworm (Tenebrio molitor) \bullet
 - lesser mealworm or litter beetle (Alphitobius diaperinus) ullet
 - house cricket (Acheta domesticus) ullet
 - tropical house cricket or banded cricket (Gryllodes sigillatus) \bullet
 - Jamaican field cricket (Gryllus assimilis) \bullet
- For every 100 grams of raw mealworm larvae, 206 calories and anywhere from 14 to 25 grams of protein are contained. Mealworm larvae \bullet contain levels of potassium, copper, sodium, selenium, iron and zinc that rival that of beef.
- Insects can easily be cultivated on farms \rightarrow additional revenue source and replacement for lost revenue as traditional livestock eventually ulletdeclines



Marketplace for totaled cars

- Insurance Auto Auctions \$6.4bn market cap
- Salvage cars for auction
- Large volume of cars totaled in the US are considered safe and legal to sell/drive in other countries
- \rightarrow buy cheap in the US, sell at market price in other economies

Marketplace for totaled cars – source from insurance companies in US/western Europe, sell in less developed economies













HAZARDOUS WASTE MANAGEMENT MARKETPLACES



- US hazardous waste is 35.3M tons per year; 28.9M hazardous wastewater, 6.4M non-wastewater
- Hazardous wastewater is flow-off from industrial processes, mostly chemical manufacturing and oil & coal manufacturing 23M of hazardous waste-water in top 3 states (Texas,
- Louisiana and Mississippi)
- Non-wastewater is smaller (6.4M tons) and much less concentrated in terms of generators
- 25000 generators of hazardous waste in the US
- 20.4M tons from chemical manufacturing solvents, distillation residues, organics with benzene, metals like barium/silver
- 5.7M from petroleum and coal production solvents, catalysts, tank sludges, waste with metals like chromium, lead and selenium and organics like benzene, toluene and xylene

E.g. hospital hazardous waste management

Country	Hazardous healthcare waste (kg bed ⁻¹ day ⁻¹)	Reference
South Africa	1.24	UNEP (2012)
United States	2.79	UNEP (2012)
France	4.8	EC (2016)
Italy	2.4	EC (2016)
Taiwan	0.6	Cheng et al. (2009)
Korea (Rep)	0.14-0.49	Jang et al. (2006)
Jordan	0.61	Abdulla et al. (2008)
Turkey	0.63	Birpinar et al. (2009)
Bulgaria	0.4	Spasov (2003)
Iran	0.4-1.9	Taghipour and Mosaferi (200
Vietnam	0.3	UNEP (2012)
Bangladesh	0.25	Patwary et al. (2009a, 2009b
Germany	0.06	EC (2016)
Tanzania	0.08	UNEP (2012)

Table 1. Co	mparison of	hazardous HCW	generation ra	ates in selected	countries.
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Table 2. Classifications of some common HCW (adapted from EC, 2008).

Waste type	Waste status	EWC code
Healthcare waste not contaminated with bodily fluids (e.g. masks, gowns and gloves), and sterilised laboratory waste	Non-hazardous	180104
Plaster and similar wastes (e.g. from fracture clinics)	Non-hazardous	180104
Cytotoxic and cytostatic medicines	Hazardous	180108
Other medicines	Non-hazardous	180109
Potentially infectious waste – Anatomical waste	Hazardous	180103
Hazardous chemicals	Hazardous	180106
Other chemicals	Non-hazardous	180107

09)	 930k hospital beds in the US in 2017, across 5.5k hospitals 2.79kg hazardous waste per bed per day → 950K tons per year \$2.36 per kg in management cost \$2.2bn TAM
)	
	 Fragmented on both types of waste and specialized waste managers Some hazardous materials/chemicals/biological waste, and some dangerous waste (needles)

etc)

B2B recycling marketplace

- In 2019 China stopped accepting mixed paper and plastic waste from the US (and other Western countries)
- Municipal prices for recycling waste skyrockets; cities who used to charge \$6 to break even are now being charged \$70-125
- Waste Management in some localities increased prices 63%, in others stopped offering recycling all together

 \rightarrow Marketplace between recycling facilities and waste generators (municipalities, companies)