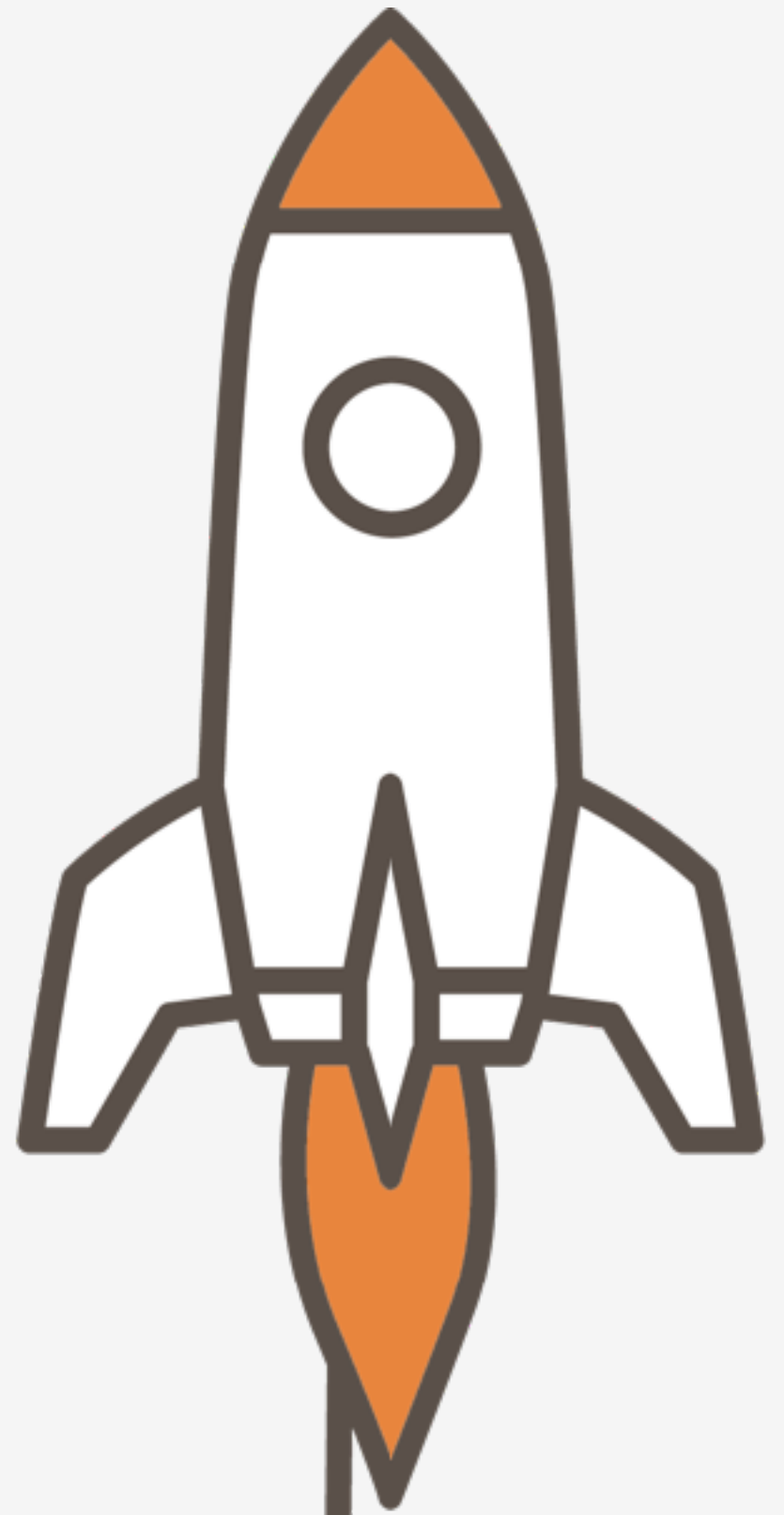




STARTUPS
FOR THE REST OF US

The 5 P.M. Idea Evaluation Framework

by Rob Walling



Introduction

This framework applies when you're evaluating whether a SaaS idea can reach *at least* \$1M ARR (but often, more).

You should use different criteria if you want to build a lifestyle business with low-to-mid six-figure annual revenue.

If that's your goal, check out startsmall.com for how to think about building a small product.

I dive deeper into this framework and walk through a couple examples in [episode 628](#). Make sure to give it a listen if you have not already.

The 5 P.M. Idea Evaluation Framework

PROBLEM

- “Don’t tell me what your idea is. Tell me what problem it solves.”
- Is this an *important* problem?
- Is this an *urgent* problem? Urgency = Vitamin vs Aspirin
- Important and urgent make up a 2x2 matrix

PURCHASER

- Does this market adopt new technology?
- Do they have the willingness or ability to pay. a.k.a. price sensitivity.
- Sophistication
 - B2C - consumer
 - B2A - “aspirational,” such as photographers or bloggers
 - B2B - business
 - B2E - enterprise (long sales cycles, fewer deals, large deals)

PRICING MODEL

- Subscription or not?
- ARPA Estimate
- Monthly, annual, share of revenue, etc.

MARKET

- Size - Total Reachable Market
- Ease of reaching customers (are they online?)
- Is the market early or mature? Growing, flat, or declining?
- Competition (How much? Big companies or other startups?)

PRODUCT/FOUNDER FIT

- What about your background and access to this market makes you think you are the right person to build this?
- If this idea is highly-technical, do you have the tech chops?
- If this idea is a crowded space, do you have marketing chops?
- Founder's Unique Advantage
 - Audience
 - Network
- Do you love this problem?

PAIN TO VALIDATE

- Time to market/MVP
- Pain of building