75% of all VC backed ideas
1. Why do they fail?
2. What can we do about it?
#1, #2, #3, and #4 are all the result of building the wrong thing.

79%

Drastically increase your chances of success!
More startups FAIL from a lack of customers than from a failure of product development.
IF YOU BUILD IT, THEY WILL COME.
How can we avoid...

BUILDING SOMETHING THAT NO ONE CARES ABOUT

(... and find something they DO care about?)
Three Questions for Any New Innovation

• What value are you delivering and to whom?
  • Value Proposition and Customer Segment
  • Product-Market Fit

• Is there a viable business model for delivering that value?
  • Business Model Canvas

• Is there an appropriate return on investment for the project?
  • Market size
  • Project plan

MUST ANSWER IN THIS ORDER
In The Past

- What value are you delivering to whom?
  - Value Proposition and Customer Segment
  - Product-Market Fit
- Is there a viable business model for delivering that value?
  - Entire business model canvas
- Is there an appropriate return on investment for the project?
  - Market size
  - Project plan

People assumed the previous two questions were correctly answered.
So what about *MY* technology?

**NOBODY CARES**

They only care about what it can do for *THEM*. 
Your business idea needs to **solve a problem** your potential customer will **PAY** for.
The Process

- Hypothesize
  *Guess*
- Test – Interviews
  *Ask*
- Assess & Analyze
  *Listen*
- Adjust – Pivot
  *Guess Again*
Learning is experience. Everything else is just information.
– Albert Einstein
Founders Run A Customer Development Team in Search of a Business Model
**What is a Business Model?**

A business model is a way a company creates value for itself while delivering products or services for customers. It involves defining and organizing the key components of a business.

### 9 Components:

1. **Value Propositions**
2. **Customer Segments**
3. **Channels**
4. **Customer Relationships**
5. **Revenue Streams**
6. **Key Resources**
7. **Key Partners**
8. **Key Activities**
9. **Cost Structure**
What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?
Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?
For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?
For whom are we creating value?
Who are our most important customers?
What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?
What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?
Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?
What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?
what are you offering them? what is that getting done for them? do they care?
CUSTOMER SEGMENTS

which customers and users are you serving?
which jobs do they really want to get done?
how does each customer segment want to be reached? through which interaction points?
CUSTOMER RELATIONSHIPS

what relationships are you establishing with each segment? personal? automated? acquisitive? retentive?
what are customers really willing to pay for? how? are you generating transactional or recurring revenues?
which resources underpin your business model?
which assets are essential?
which activities do you need to perform well in your business model? what is crucial?
which partners and suppliers leverage your model? who do you need to rely on?
what is the resulting cost structure?
which key elements drive your costs?
What’s the story of your innovation?

• Who are your **key players**?
• How does your innovation come into **being**?
• How does your innovation create **value** for the **end user**?
• How does your innovation get **purchased**?
• How is it **regulated**?
Discovering Your Customer

What are the features of your envisioned product?

Who do you think cares about those features?

What other people surround that customer? Why do they care?

Why do they care about those features?
It takes a village ...

A **customer** is **anyone** that appears on any of the workflows, decision trees or value chain maps that could be involved in your business in any way.

You **must** talk to them **all**.

Instead of “customers,” let’s call them “stakeholders”.
Many Types of Stakeholders

• **Decision Maker:** Makes the final decision to purchase
• **Economic Buyer:** Issues the PO or signs the check
• **End User:** Day to day users of the product/service
• **Influencer:** Can sway the decision but stops short of direct yes/no recommendation
• **Saboteur:** Hurt by the proposed solution and actively seeks to undermine its adoption
• **Early Evangelist:** Early adopter and advocate for your solution
A strong and **direct value proposition** for a **well defined customer segment** is the single biggest indicator of start-up success.
Value Proposition
What are you building and for whom?
Defining a great Value Proposition?

- Customers would actually say it
- A direct benefit to the customer
- Customers understand it immediately
- Uniquely delivered by your company
- Specific and quantitative
- Concise
Value Proposition Common Mistakes

- Confusing features with value
- Any word ending in “-er”
- Not linked to a specific customer segment
- Lacks specificity
- “nice to have” instead of a “got to have”
- Not enough customers care (non viable market)
Customer Segments
Who are your customers?
Customer Segments

• **Companies** do not buy anything.
  • **PEOPLE** do.

• Who are you selling to?
  • The **Customer Segment**
What Makes a Good Customer Segment?

• **Obvious** who they are

• They **immediately** grasp the value

• Willingness and ability to pay

• There are very few people that fit the description that won’t buy your product

• They are PEOPLE (not companies, departments...)
Customer Segment

Common Mistakes

• Too broad and vague
• Confused with industry segments
• At organizational or department level
• Not traced through the value chain
• Customer doesn’t “own” the metric or value
My Company, __________________________________________________________,  
(Team Name)

is developing ____________________________________________________________  
(Core Value Proposition)

to help ________________________________________________________________  
(WHO? Main Customer Segment – with archetype)

with __________________________________________________________________  
(WHAT? Solve what problem?)

because __________________________________________________________________  
(WHY? Why is your VP a MUST HAVE need)
Customer Discovery
Primary Market Research
How to properly set up and conduct customer discovery interviews

“Yes, I think I have good people skills. What kind of idiot question is that?”
Expectations

• **Everyone** on the team should conduct interviews
• Look them in the eye
• Expect throwaway interviews
• It’s okay to start with people you know, but ask them for contacts
How to Identify Customers

1) Search and grow your personal network on LinkedIn
   - Find the *individual* within the company
   - start with mid-level titles
   - look for groups they belong to → search those groups for other members
   - Search alumni networks
How to Identify Customers

2) Web Search – start with Google
   • Search for “keyword and consultants”, and “keyword and conference” (e.g. MEMS conference)
   • Professional and trade associations
   • Tradeshows/conferences – identify speakers, panelists, vendor/trade and attendee lists
   • Trade journals, magazines, and newsletters
   • Industry bloggers
   • Equipment suppliers, distributors, service experts…
How to Identify Customers

3) Data Mining – Libraries
   • Business School, CoE, etc.
   • ask a research librarian for help!
   • Find appropriate directories and databases, eg. OneSource

Dig in, and become familiar with the site and the information it can provide. Don’t stop until you find their list of corporate executives, competitors, etc.

Every library has MANY other directories, databases and info sources. Become familiar with the process and resources available.
How to Identify Customers

4) Customers and competition
   • Check the websites of those in your tech area you think of as a customer or competitor
   • They will frequently list their satisfied customers
   • You can discover key words or phrases they use
   • Check out their list of features and benefits to compare to your own
   • They may show what groups, associations or professional organizations they belong to
How to get the Meeting

1) Email
   • Subject line: must draw personal connection
     • Example: Fellow ACA Member-new research opportunity; Saw your LinkedIn profile-have info to share
   • Message Body: less is more
     • Get to the point in a couple sentences
     • Offer option A or B, not Yes or No
How to get the Meeting

2) Phone

- Always leave a voicemail
  - Example: I missed you and will follow up with an email with some interesting information
- Talk to the gatekeeper – Ask for an email address or a better time to call
- Call first thing in the morn or late in the afternoon
- Never underestimate flattery
- name dropping can work if done artfully
- Play the academic card
- Cite NSF research
How to get the Meeting

3) Warm introductions
   • An introduction from someone you know
   • Know the benefits you will bring and have both a written and verbal list of benefits ready
   • Offer to share what you’ve learned about a technology, market or industry
   • Rehearse, rehearse, rehearse
   • Use something you learned from your research (LinkedIn, Web, etc.) about the person to establish a connection and build rapport
Direct the Interview

• Resist the urge to talk about your tech/solution
  • people will tell you it’s great
  • beware of confirmation bias

• Once framed, let interviewee lead
  • tendency to go straight to what matters most

• Drill down to your area of interest
  • Play on their cues to get to the topic
  • Ask leading questions
  • Careful not to bias

• Reel them in from irrelevant tangents.
Key Takeaways

• Focus on **current** practices
  • do NOT ask them to make predictions
• Try to understand current trends
• Ask about specific pains/gains they would like to relieve/achieve
  • *this is the crux of the interview!*
• Try to understand the purchase process
  • What drives purchase decisions?
  • Who influences, decides, purchases?
  • What are lead times?
Wrapping Up Interviews

- “Is there anything else I should have asked you about?”
- “Is there anyone else you think I should talk to you?”
- “If I have additional questions may I call you again?”
Wrapping Up BAD Interviews

• “Thank you very much, you’ve answered my questions”
• “I want to respect your time.”
Additional Resources

Customer Interview Script Generator:

A handful of short video clips from Steve Blank for Customer Development interviews can be found at:
• [http://startupweekend.wistia.com/projects/zt618zz0r7](http://startupweekend.wistia.com/projects/zt618zz0r7)
Relax, it’s just a conversation.