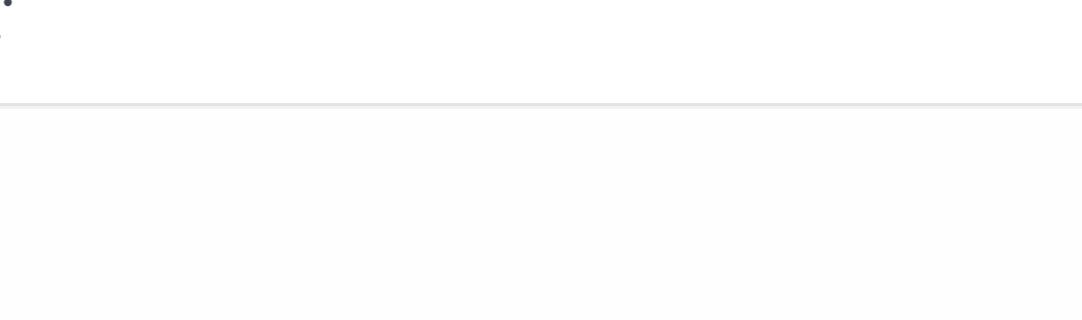
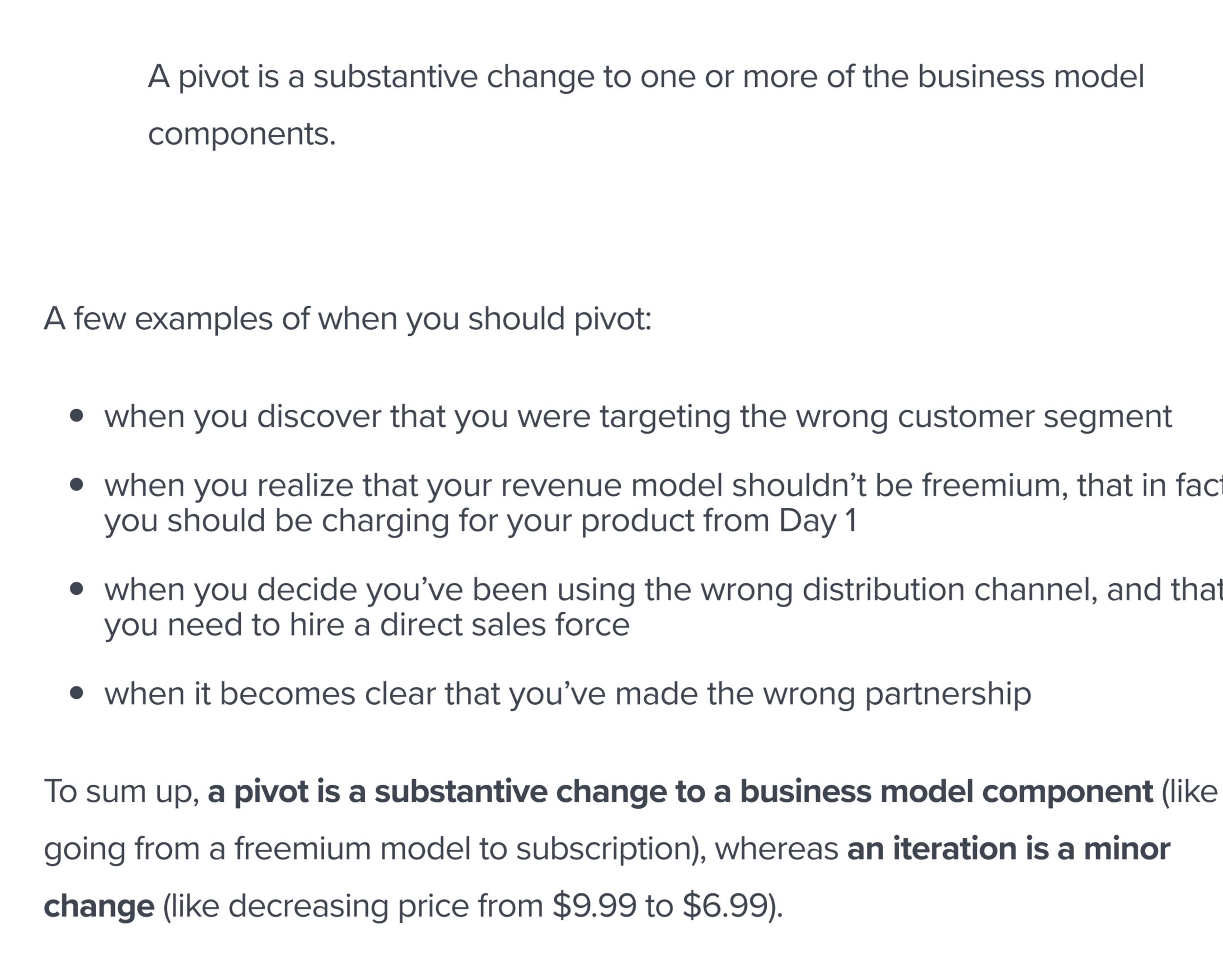


Customer Development, Steve Blank: Hypothesis Testing | Startups.com

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In the startup community it can sometimes seem that buzzwords come from out of nowhere. Not the case with "pivot": Steve divulges that this is actually a term coined by his "best student ever" Eric Ries, when he noticed the cyclical nature of customer validation and customer discovery – stemming from his work developing lean startup methodology.



So what is a pivot, exactly?

A pivot is the action you take when you discover that your hypotheses don't meet reality. It used to be that if a business wasn't succeeding, executives would get fired. What we've come to realize in recent years is that if your business model doesn't match what's going on in the real world, it's time to fire the model. That's why it's so crucial when first starting up to build your product incrementally and keep your burn rate low, so that when your hypotheses are proven wrong, you can pivot.

A pivot is a substantive change to one or more of the business model components.

A few examples of when you should pivot:

- when you discover that you were targeting the wrong customer segment
- when you realize that your revenue model shouldn't be freemium, that in fact you should be charging for your product from Day 1
- when you decide you've been using the wrong distribution channel, and that you need to hire a direct sales force
- when it becomes clear that you've made the wrong partnership

To sum up, a **pivot is a substantive change to a business model component** (like going from a freemium model to subscription), whereas **an iteration is a minor change** (like decreasing price from \$9.99 to \$6.99).

Historically, founders were the only ones making pivots. But now, pivoting is at the heart of what has made customer development a radically different process in today's startups than in the businesses of decades past.

To get ahead in today's ecosystem, Steve says that your aim should be to have "**your entire company operating with speed and tempo in decision making, just like a metronome. It's constant, it's consistent, and it's relentless.**"

So now that we have that baseline understanding of what it means to pivot, let's dive into Steve's explanation of customer discovery.

Phase 1: State your hypotheses and draw the business model canvas.

Phase 2: Get out of the building and test your understanding of the customer's problem or need.

Phase 3: Test the solution. If you're on the web, build a low-fidelity (and then high-fidelity) prototype, and again test your understanding of customer's needs, and whether or not your solution matches up. If it does match up, you will have achieved product/market fit.

Phase 4: Verify your pivot. Do people agree that you're solving a high value problem or need? Do you understand your business model enough to start test selling?

Because from here, test selling is your next step—but only if you've truly reached product/market fit. A lot of entrepreneurs will feel pretty defeated at this point in the process because the first time you go through these phases, the answer to the above questions is either "Heck no" or "Kinda sorta..."

But Steve gives it to us straight: "**'Kinda sorta' doesn't make a startup. 'Kinda sorta' means that people are being nice to you.**" The only time you know you truly have something worth investing your time and money in, is if people are literally trying to force their money on you, and won't stop using your product even in its most basic, buggy form.

Just remember: the customer development cycle is iterative. Assume that you will have to do all of this multiple times. When you do finally find a product that matches customers' needs, the next step is customer validation.

It's important to note that whether your product is physical or web/mobile, your tactics will differ but the overall strategy is the same:

1. State your hypothesis.
2. Test the problem.
3. Test the solution.
4. Pivot and proceed.

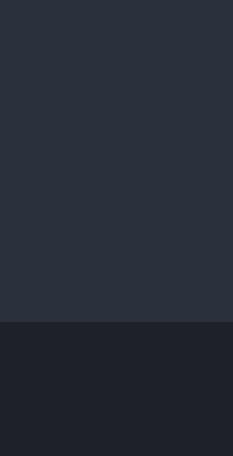
And remember: all of this should be happening outside of the building, talking to real live customers.

Steve Blank has shared a wealth of information with us regarding customer development—we highly recommend watching [all of his lessons](#).

Steve Blank is a serial entrepreneur, author and customer development expert known around the globe not just for his successes but also his willingness to mentor the next generation of entrepreneurs. Named one of the 30 most influential people in tech in 2013 by Forbes, Steve has a wealth of wisdom to share.

Click the video below to hear Steve explain firsthand how pivoting is a critical step on the customer development journey. We've also summed things up below for your easy perusal. This is the second video and write-up in a series of 10—check out the first here!

About the Author



The Startups Team

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