Customer Development Deep Dive

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**Customer Development is the single** **most important thing early stage companies can do.** When we ask startups after EF what they would have done differently, focusing solely on customer development for at least the first month is the single biggest piece of feedback.

# What is customer development?

Talking to the people who at that point in time you *believe* are the most likely users of the product you are hoping to build.

**Why does this matter?**

Because investors need to see commercial traction to invest in your company. For investors, companies are a collection of risks and opportunities.

If I was raising money for my startup which I told you could build wings that meant humans could fly, that’s pretty high on the opportunity scale. **But** if when pushed I was forced to admit that all I had were some drawings on the back of a napkin and zero expertise in the area, then it would be tough for an investor to assume all that risk. Regardless of how amazing the opportunity is!

Your job is to de-risk your business so it is easily investable. The best way to do that is by demonstrating customer traction. Because ultimately you’re in the business of making money and it’s customers that pay you. So focusing on understanding what they need and what will make them happy should be your number one priority from day 1.

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## Where to start: Hypothesis

Every business starts with a **hypothesis**. For Calipsa of EF6 that was *“Machines are much better at counting traffic than humans and the people who are ultimately responsible for traffic counting would rather it was done by a machine”.* They spent the early stage of EF validating this hypothesis.

Businesses improve at exactly the rate at which they prove or disprove their most important hypothesis. This goes on forever.

A successful business is essentially a collection of proven hypotheses. E.g. Google. They had to generate hypotheses around ways to make money. Some of them were wrong (Google Books) and some were right (advertising and search).

Your job as a founder is to work out what hypothesis you should be testing at any given point and then leave your office and speak to the people who will help you disprove it. The best founders are those that have strong beliefs which are weakly held.

We say “disprove” because it’s actually far easier to find people who will say yes to an idea that’s presented to them than to find those who will say no. Customer enthusiasm is both your best friend and your worst enemy.

This is why ***how*** you do customer development is so important.

### Who should you go after?

**Segmentation**. Speak to early adopters. Founders really like to think about the vast applications of their technology and how it could revolutionise any industry it touches, but when you’re starting out you need to focus just on early adopters. The people within your industry who you think would be so excited by the fact that you want to solve their problems that they might actually use your technology.

**Find the person who pays**. There’s no point spending a long time building a relationship with someone who will never have the power to get you paid. Don’t deceive yourself! The only people who you know will be able to get you paid are the decision makers at your target company. Spending time building relationships for any longer than is required to get an intro to that person is a waste of time.

#### How do you find the right people?

Knowing the job titles to look for and understanding how the organisation works matters.

**You can start at the bottom rung within an organisation**. Ask your network for introductions, focus on the people who you think feel the pain you’re trying to solve. Ask about their workflow. How do they currently solve this problem? Who is responsible for the budget it comes under? Ask for an intro to that person.

**Create champions.** People within the organisation that are passionate about what you’re doing and are desperate to help you help them solve their problem. It’s their enthusiasm that will get the decision makers on board. And they are the ones who will know the decision makers. But don’t get swept up in their enthusiasm. Your goal here is to make money, so when the time comes, ask about money. Who should I be speaking to to set up a commercial trial? Who’s in charge of the budget for addressing this issue?

**Warm Leads**. When it comes to getting those initial intros, use warm leads. The average response from warm leads is around 50% or higher, for cold leads it’s around 10% or lower. Leverage your network. Leverage the EF network. But remember, if you’re requesting an intro you need to put thought into the outreach (see [how to contact the right people](#q9c1r042banw) below).

**LinkedIn**: If you don’t have it, get it immediately. If you do have it then add everyone in your cohort then everyone on the EF team, everyone from previous EF cohorts, then everyone you studied with and everyone you’re friends with on Facebook. This will allow you to map out your extended network.

##### How to contact the right people

**Requesting the intro:** If you’re requesting an intro via someone else you can use this (or a similar) template: <https://also.roybahat.com/introductions-and-the-forward-intro-email-14e2827716a1>

**Cold outreach** You will have to complement warm intros with cold emailing and calling. Cold emails and calling are key part of building up your customer base. But they require a lot of volume.

**Cold outreach email template**

Hi xx,

Hope it’s okay to contact you like this. I’d love to talk about xyz, given your experience with xyz (flatter them). How about Wednesday xx Oct at xx pm (give a specific time, makes them more likely to reply).

We’re working on xyz yadayada. I’ve worked on this before during my time at xyz, and my co-founder xx worked on this at too at xyz. (keep it short, interesting, make yourself sound credible).

Look forward to speaking, let me know if xx date works!

XXX

**Cold outreach tools**

* Find potential customers - <https://clearbit.com/prospector>
* Linkedin Sales Navigator: <https://business.linkedin.com/sales-solutions> (shows you who in your gmail inbox is connected to who)
* Email hunter: <https://emailhunter.co/>; <https://emailhunter.co/chrome> (finds addresses of anyone on the web)
* Profile Hunter for LinkedIn (allows you to scrape through profiles)
* Audiense: <https://audiense.com/> (messaging via social media, find people based on interest, geographical location, tags etc, direct message them through the platform)
* Discover.ly- allows you to scrape email info from social media
* <http://verify-email.org/-> verify email addresses
* [Datahug](http://datahug.com/) — Find key connections (Free Trial)
* [Conspire](http://www.conspire.com/) — Find key connections (Free)
* [Yakhub](http://www.yakhub.io/) — Outsourced cold calling and link generation
* [quickmail](https://quickmail.io/) — Send and follow up cold emails (Free Trial then $49/month)
* [Pipedrive ebook](https://www.pipedrive.com/downloads/Sales%20Pipeline%20Academy%20ebook%20by%20Pipedrive.pdf) — How to structure a pipeline (Free)
* [Pipedrive](https://www.pipedrive.com/) — Structuring pipeline (Free Trial then €12/month)
* [close.io](http://close.io/) — Track interactions (Free Trial then $65/month)
* [Streak](http://streak.com/) — Track interactions (Free)
* [Rebump](https://www.rebump.cc/) — Follow contacts forever (Free Trial then $50/year)
* [CharlieApp](https://charlieapp.com/) — Find out info about people before a meeting (Free)
* [Lead Forensics](http://www.leadforensics.com/) — ID for anonymous website traffic (Free Trial)

###### What to do once you have the call/meeting

So you’ve got your first intros, it’s someone who you think is the perfect user for your product. What do you do now? Well your goal is to get to the **truth**. Luckily for you people like helping startups so frame the conversation as an advice session. You’re looking for their insight on an area because THEY are an expert.

**Step 1: Exploration: DO NOT SELL (to start with)**

The first stage of customer development is NOT sales. Your goal is to learn about WHAT THEY DO right now to solve the problem you think they have. Start off by finding out if they have the problem. So for Calipsa, they needed to work out if transport agencies thought the way in which cars were counted was a problem. So they ask questions like;

*“What are the biggest problems you face day to day?”*

*“What do you do currently to solve those problems?”*

*“When was the last time you took that action?”*

*“How do you feel about the way in which that problem is currently solved?”*

Your goal here is **insight**. You just want to understand what they do right now. In a perfect world you could be a fly on the wall in their office for a week. This is why solving a problem you’re intimately acquainted with is good, because you’ve felt the pain yourself. Notice that none of the questions above mention what the startup does, they have just asked them for **insight** on the problem.

**Step 2: Validation**

Once you *know* that your target customer actually has the problem you think they have, then you can start to press them more on the assumptions you have about your solution and if it’s the right fit.

This is still very much the early stages of customer development, but now you’re trying to understand how you can tailor your solution for them. So you’re asking questions like;

*“What would be the one change you’d like to happen to the way in which you count cars?” “If you could wave a magic wand and have one thing to help you solve this problem what would it be?”*

Now you’re effectively brainstorming with them about what their dream product would allow them to do, this is when they start to imagine all the potential of working with you. This is when you explain that actually the way you can solve their core problem, that humans are really bad at counting cars, is by replacing those expensive people with software that can do the same job 10x as fast and 10x as cheap.

**Step 3: Customer Creation**

These are the very early stages of sales. Once you have your champion genuinely excited about the solution you have both come up with together that’s when you ask for the introduction that will actually make this happen.

*“So who’s the person I should speak to get a commercial trial started?”*

*“Who else do we need to get on board to make this a reality?”*

*“Who controls the budget that’s going to get this up and running?”*

*“What would your team pay to use this product?”*

There’s a fine line between customer development and sales and for the next week **at least** you should just be focused on those initial exploratory conversations. Learn about the market, the problem, the actions people take to solve them. You are a truth seeker. If you ask for someone’s opinions you’ll get lies, if you ask about someone’s actions you’ll get closer to the truth. If you ask for someone to write you a cheque you’ll get the truth. People who pay do not lie.

You need to fundamentally understand the problem you're solving before you start trying to solve it. You need to know it’s worth solving for your target customer. **Get out the building and start talking to people.**