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February 23, 2010
Written by Ash Maurya

Customer Development Checklist for My Web Startup – Part 2

I covered the Customer Discovery flow for my web startup in Part 1. Here I'll be covering the next step: Customer Validation.

At the end of Customer Discovery you should have identified a customer problem worth solving and started building your solution (MVP). During Customer Validation, you'll test your finished MVP by selling it to earlyvangelists and in the process start developing a repeatable and scalable sales process.

While Customer Discovery was all about Problem/Solution fit, Customer Validation is all about Product/Market fit.

The good news is that since web-apps are primarily distributed though a website, developing a repeatable and scalable sales process (conversion funnel) is easier for a web-startup, than say for Enterprise software, which usually requires multiple stake-holders, necessitates face-to-face selling, and eventually a sales force to scale. The bad news is that relying on just a website to sell is much harder – You only have 5-8 seconds to make an impression and it's harder to troubleshoot the
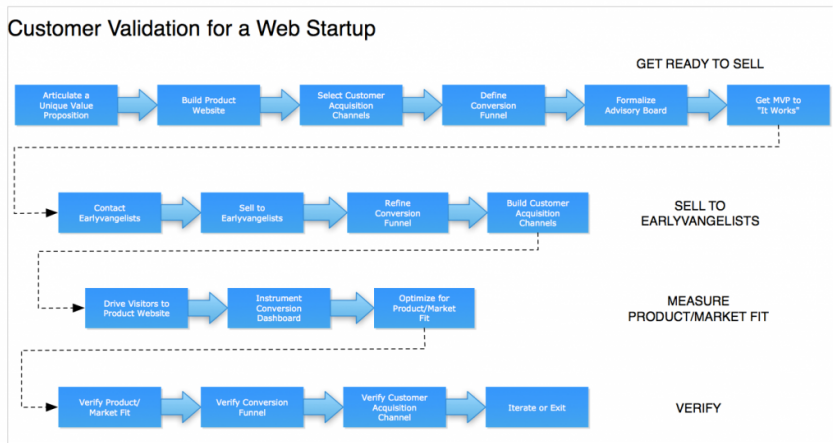
during Customer Validation as it was during Customer Discovery.

Customer Validation: Have I built something people want?

Here's my Customer Validation Flow (you'll probably want to click to enlarge and skim it before reading on).

Click to Enlarge

The 3,000 Foot View

Before you're ready to sell, you have to distill down your product into a clear message (positioning), develop your sales materials (demo, website), identify your preliminary distribution channel, define your sales roadmap (conversion funnel), and of course, finish your MVP. You then test your finished MVP + sales process by first selling face-to-face to earlyvangelists, then to web visitors. Product/Market fit is all that matters here so build/measure/test until you're fit.

Let's Get Ready to Sell

Articulate a Unique Value Proposition
Your Unique Value Proposition is a single, clear, compelling message

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UVP is revisiting your prioritized list of problems from Customer Discovery and answering "what, who, and why".

Here's an example of the current UVP I am using for CloudFire:

> " *Photo and Video Sharing for Busy Parents.*
> *No uploading. No reorganizing. No hassle.*

What is it? A photo and video sharing service
Who is it for? Busy Parents
Why is it different from what I use today? It's hassle-free: You don't have to upload, or reorganize your photos and videos.

For more on positioning, read/reread Al Ries/Jack Trout's classic book – Positioning: The Battle for Your Mind. Crafting a good UVP is hard work but don't worry about getting it perfect. Like all your earlier hypotheses, this one is a guess too that you'll be testing and refining later.

Build a Product Website
With your UVP crafted, it's time to polish up your MVP demo (from Customer Discovery) and start building your product website. While there are many ways to structure a product website, this is what I feel are the minimum set of pages to include:

Must-have pages:

1. Landing Page: State UVP, link to a demo, strong call-to-action
While there are other important elements like social proof and credibility that eventually need to go on your landing page, you may not have all of these day 1 and the UVP is the most important element to test first anyway.

2. Pricing Page: How much does the service cost?
This is where you detail your pricing. There are several tactics to lower buyer friction such as offering free trial periods, money back

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the product for free. Anyone can give away a product. In return, you don't learn anything about your customer's willingness to pay.

There is a line of reasoning that suggests implementing a business model after product/market fit so as not to add friction. I believe that strategy is sound only if you built your product absent Customer Discovery and don't know if you have Problem/Solution fit. The point of Customer Discovery was finding a problem worth solving which involved determining a price customers would pay for a solution to that problem. Your job now is to test if that solution could be your solution. Lowering buyer friction though free trials and/or money back guarantees is all good and expected, but now is not the time to back down on pricing to make a sale – as appealing as it may seem. Even if you're considering a Freemium model, I would not offer a free plan till after Product/Market fit. You need to validate that your customers will pay for your premium plan first.

The exception is if you are building a service that *primarily* relies on high-network effects to succeed. For example, social media services (twitter/Facebook) and marketplaces. There early user engagement trumps revenue.

3. Sign up Page: *Activate users*
It goes without saying that the sign-up process needs to be as painless as possible so you can get customers activated and using your product as quickly as possible. Minimize steps, only ask for what you need, defer registration to later or never (lazy registration), connect with Facebook, etc. are all ways to reduce signup friction.

Nice-to-have pages:

4. About Us: *Company positioning*
People want to know who you are and what qualifies you to be offering this service. For inspiration, read Jason Cohen's: You're a little company, now act like one.

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Some wouldn't even watch the video for fear of getting viruses on their computer (yes, probably not our target demographic). Having a separate tour page, also allows you to expand upon the other top problems you solve that may not be covered in your UVP.

Define Conversion Funnel

With your website pages created, you can now string them into a coherent sales roadmap or conversion funnel. Your conversion funnel should chart your web visitors from the moment they hit your landing page to the point when they trigger a revenue transaction.

Dave McClure has captured the essence of the conversion funnel with his AARRR startup-metrics which has 5 basic steps:

1. Acquisition: How do users find you?
2. Activation: Do users have a great first experience with your product?
3. Retention: Do users come back and use your product?
4. Referral: Do users tell others about your product?
5. Revenue: How do you make money?

Using the pages above, a typical conversion funnel would look like this:

Landing Page -> Pricing Page -> Signup Flow -> Invite/Tell a friend -> Upgrade Account

While it's possible to optimize steps (like combining the landing page with pricing/signup), at least during Customer Validation, I prefer to organize my conversion funnel **for maximum learning versus maximum conversion**. For instance, by keeping my landing page completely free of pricing, I can measure the effectiveness of the UVP without having to guess if price was a factor.

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Select Customer Acquisition Channels

Customer acquisition channels for a web-startup range from free

You need to drive "just enough" traffic to learn and optimize for product/market fit. You can usually accomplish this solely relying on free channels, but it is okay to supplement with some paid channels (like SEM). However, be wary not to over-spend at this stage which is a common tendency.

I jumped into paid advertising (the expensive kind) too early with my last product BoxCloud. While it drove lots of good traffic, they all ran into the same product/usability roadblocks. I would have learned the same lessons with one-fifth the traffic and one-tenth the cost.

That said, free channels aren't really free either. They take time to develop. Now is the time to start investing in these (before you need them). Publishing your website publicly (versus hiding it behind a closed-beta) is already a good start as you'll start gathering some SEO value. Another channel worth developing is starting a blog. But don't make the mistake of simply touting your solution or rambling on about your product roadmap or release schedule. Nobody cares (not yet).

> " Customers care about their problems NOT your solution.
> – Dave McClure (paraphrased)

Instead blog about the problem space you just validated in Customer Discovery. As Gary Vaynerchuck once said: "If you want to launch your own brownie, become an expert in brownies first". Earn trust. Be passionate.

This blog drives lots of traffic to my products – albeit indirectly. I started a more direct CloudFire blog here that needs more love.

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Get MVP to "It Works"
The final step to getting ready to sell is getting your MVP to a state where Earlyvangelists can use it. There is a common misconception that a MVP is a quick-and-dirty release simply engineered to solicit

Customer Discovery and **it has to work**.

Sell to Earlyvangelists

With the finished MVP, it's time to visit with the original interviewees from Customer Discovery and sell them your MVP. In addition, I make sure to include several new potential customers that haven't been exposed to any discussions on the product at all. The reason for this is to test your sales process as closely as possible to how a web visitor would but with the added benefit of being in the room.

This is how I structure my sales presentation – part usability testing, part selling:

1. Show customer your landing page.
2. Ask them what they think the service is about. What's compelling, what's different? Does the difference matter?
3. Show them the pricing page and test pricing.
4. Are they convinced to try the service? If not, why not?
5. If they are sold, watch them go through your sign-up flow.
6. Take lots of notes and fix obvious usability/messaging issues before next iteration.

Structuring the sales presentation like a usability test reveals lots of actionable problems early that you can address before going on to testing web visitors. To learn more about running interviews in a usability test format, read Steve Krug's latest book: "Rocket Surgery Made Easy".

If you're going to be relying on free customer acquisition channels, now is the time to assess their effectiveness in driving new web visitors to your landing page. Otherwise, supplement with some paid traffic.

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Product Website   Conversion Dashboard   Product/Market Fit

Now that you have some web traffic, you need to instrument a basic conversion dashboard that measures your AARRR metrics. Of the five, Activation and Retention are most critical towards achieving Product/Market Fit. Focus on those first and don't get distracted by trying to grow customer acquisition or referrals (virality). You'll optimize these in the next stage – Customer Creation.

Getting to fit typically requires multiple iterations on the UVP (positioning) and initial user experience flow. Because initial web traffic tends to be small at this stage, I have found it more effective to balance quantitative testing (A/B tests) with more qualitative testing (face-to-face usability tests). Usability experts agree that you need just 3 face-to-face tests to reveal 80% of the issues. Try learning anything from 3 abandoned web visitors.

Quantitative metrics clearly have the advantage-of-scale once you're generating lots of traffic but they also have a place early on especially for troubleshooting problems with your conversion funnel. For instance, I've used my activation metrics to uncover several technical issues with my signup flow, that were browser/OS specific, and preventing customers from completing installation of CloudFire.

Iterate or Exit

Verify Product/Market Fit   Verify Conversion Funnel   Verify Customer Acquisition Channel   Iterate or Exit

So how do you know when you've hit Product/Market fit? Dave McClure suggests hitting a 6 or higher on a customer satisfaction scale of 1-10. Sean Ellis uses a survey to determine if more than 40% of his customers would be disappointed if the service were discontinued. The mechanics of how you measure Product/Market fit is a little vague and subjective – how many people do you poll, when, how?

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disappointed" question. I feel that question is less vague than relying on a 1-10 scale whose weighting might vary from person to person. As with Problem/Solution fit, there is no empirical answer to how many customers you need to declare a fit. You stop when you aren't learning anything new. Getting a strong signal from just 30 customers could be enough to declare Product/Market fit and move you to the next stage – Customer Creation.

Update: The workflow described in this post has been refined even further and turned into a book: Running Lean – with step-by-step guides, techniques for finding prospects, and field-tested interview scripts.

You can learn more here: Get Running Lean.

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Join the discussion…

pouncilt • 5 years ago

I am definitely interested in the book; as I am big on methodologies. I am also trying to start my own web startup. My question to you is what tool do you use to measure the metrics? You also mentioned driving free traffic to the site and investing in continuous development and infrastructure early during the CD stage, before building the MVP; would you elaborate on this? When you say continuous development, do you mean continuous integration tools? And when you say invest in infustructure, are you talking about integrating with third party site to drive traffic to my site and blog sites?

I admit I am new to the Lean methodology and I apologize if my comments are way off base.

Thanks!

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> **Ash Maurya** **Mod** → pouncilt • 5 years ago
>
> Hi pouncilt -
>
> The tools and continuous deployment process I use are all documented in my previous posts with links to other sources on lean startup.
>
> Best.
>
> ⌃   ⌄   • Reply   • Share ›

> > **pouncilt** → Ash Maurya • 5 years ago
> >
> > I am curious to know if you use MS Word to capture your hypothesis and customer assumptions? If so, is there a template to follow. If not is there another tool to capture this kind of data?
> >
> > Thanks!
> >
> > ⌃   ⌄   • Reply   • Share ›

Krishna • 7 months ago

the domain seems to be an invalid domain : Get Running lean

⌃   ⌄   • Reply   • Share ›

> **Ash Maurya** **Mod** → Krishna • 7 months ago
>
> Here's the new one: http://runninglean.co
>
> 1 ⌃   ⌄   • Reply   • Share ›

Arjun Kumar • 3 years ago

I am building a Mobile Rewards Platform for retailers. My Solution is validated with the customer - the retailer. Any good ways to validate with the App user i.e. the shopper, other than launch a beta?

⌃   ⌄   • Reply   • Share ›

Buy Blank CD • 4 years ago

Great set of tips! Following this checklist can improve your company's reputation. Sad to say that businesses some part in Asia is more focused on money than customer service.

⌃   ⌄   • Reply   • Share ›

David • 5 years ago

I'd definitely like the book, or if you're going to include this in your upcoming "Running Lean" book, I'd love to get it there.

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