

# **ENT 201 Assignment #3**

## **Customer Discovery and Customer Validation**

# What Is a Startup?

- A startup is a *human institution designed to deliver a new product or service under conditions of extreme uncertainty.*
- Nothing to do with size of company, sector of the economy, or industry

**STARTUP = *EXPERIMENT***

**“A startup is a temporary organization formed to search for a repeatable and scalable business model.”**

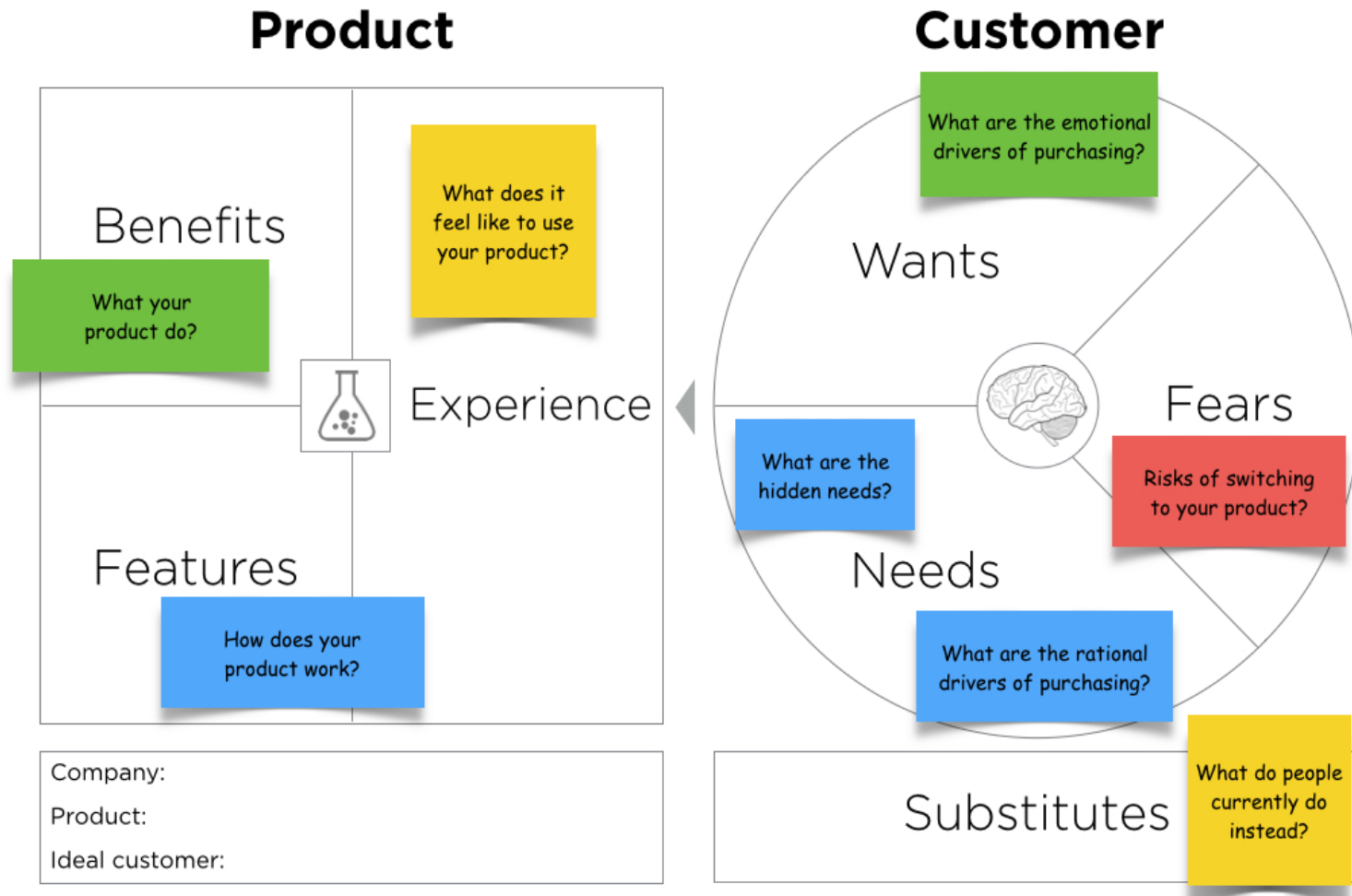
# Setting the Context

- **This project you're working on, the new business or offering, what sort of value does it create?**
- **Who is it for? What mindset and worldview and situation?**
- **Is it paid for by organizations or individuals?**
- **Does it solve a new problem or is it another/better solution to an old problem?**
- **Will a few users pay a lot, or will a lot of users pay a little?**
- **Do the people you seek to serve know that they have the problem you can solve for them?**

# Definition - Value Proposition

- A value proposition describes **why** a customer should buy a product or service
- It targets a well defined customer segment
- It **convinces** prospective customers that a particular product or service will add **more value or better solve** a problem than competitive products or services

# Value Proposition Canvas



Based on the work of Steve Blank, Clayton Christensen, Seth Godin, Yves Pigneur and Alex Osterwalder. Released under creative commons license to encourage adaption and iteration. No rights asserted.

# Value Proposition

- What value do we deliver to the customer?
- Which one of our customer's problems are we helping to solve?
- Which customer needs are we satisfying?
  - *Performance*
  - *Customization*
  - *"Getting the Job Done"*
  - *Price*
  - *Cost Reduction*
  - *Convenience/Usability*

# Customer Relationships

- What type of relationships do we establish and maintain them?
- How much would they cost?
- Examples
  - *Personal assistance*
  - *Dedicated Personal Assistance*
  - *Self-Service*
  - *Automated Services*
  - *Communities*
  - *Co-creation*

# Customer Segments

- For whom are we creating value?
- Who are our most important customers?
  - *Mass Market*
  - *Niche Market*
  - *Segmented*
  - *Diversified*
  - *Multi-sided Platform*



# Channels

- Through which Channels do our Customer Segments want to be reached?
- Which ones are most cost-efficient?
- How are we integrating them with customer routines?
- Channel phases
  - **1. Awareness**
    - *How do we raise awareness about our products and services?*
  - **2. Evaluation**
    - *How do we help customers evaluate our Value Proposition?*
  - **3. Purchase**
    - *How do we allow customers to purchase specific products and services?*
  - **4. Delivery**
    - *How do we deliver a Value Proposition to customers?*
  - **5. After sales**
    - *How do we provide post-purchase customer support?*

# Activity : Create Your Positioning Statement

- For...
- Who....
- Our product is...
- That provides...
- Unlike...
- We have assembled/created/invented a product that....

<b>For:</b>	<b>List target customers or beneficiaries.</b>	<b>For:</b>	<b>Small scale rural farmers using surface irrigation</b>
<b>Who:</b>	<b>Define the need or opportunity, i.e. what critical issue for customer or beneficiary?</b>	<b>Who:</b>	<b>Lose over 50% of usable water to surface runoff annually</b>
<b>The:</b>	<b>Name the product or service or concept and place the product, service, or concept into a generally understood category.</b>	<b>The:</b>	<b>SoilSense</b>
<b>That:</b>	<b>Quantify the benefits of the product, service, or concept. Identify the single most compelling benefit</b>	<b>That:</b>	<b>Inexpensively and completely eliminates water loss from surface irrigation</b>
<b>Unlike:</b>	<b>List the competitors and competitive alternatives</b>	<b>Unlike:</b>	<b>Currently used, expensive and Large-scale drip systems</b>
<b>Our:</b>	<b>The primary differentiation of the product, service, or concept.</b>	<b>Our:</b>	<b>Product is a customized, modular and scalable system that consistently reduces water loss and increases farmers' yields</b>

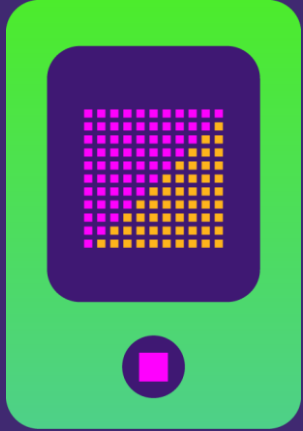
# Case Study: Symple App

**Symple App - a mobile phone application that allows the chronically ill to keep a diary of symptoms**

- **Who might want that information?**
- **Patients, doctors, and drug companies**

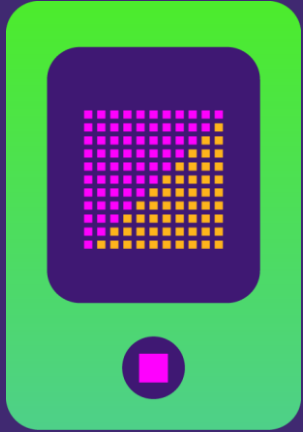


# Symple App: Customer Needs



- Patient – having accurate information about symptoms on a daily basis will improve treatment
- Doctors – can better manage symptoms if they have accurate information to prescribe for
- Drug Companies – can produce drugs that can better solve problems if they know what the real problems are

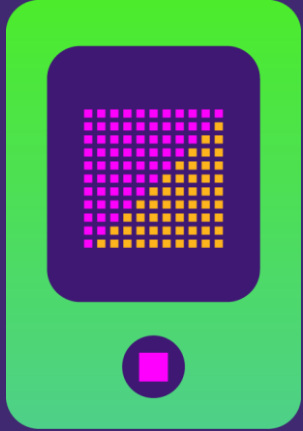
# Symple App: Value to Patients



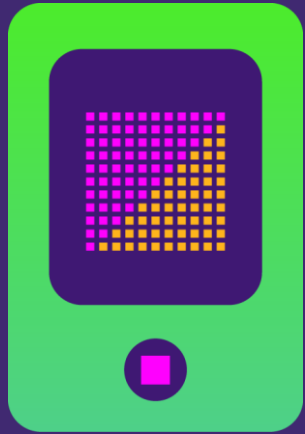
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**Symple App will help the patient capture accurate information about how they are feeling, thus improving their diagnosis and refining treatment plans**

# Symple App: Value to Doctors



- 
- **Symple App will deliver reliable and accurate information which could improve efficacy of patient treatment plans**
  - **May surface up negative food or drug interactions**

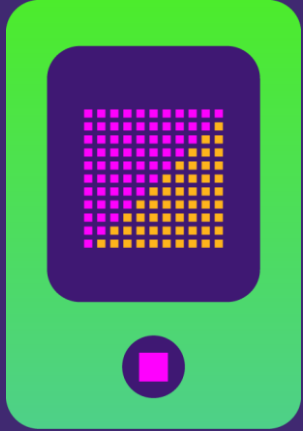


## Symple App: Value to Drug Company

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- **Symple App will deliver reliable and accurate information to drug companies to better understand how the drugs act and react**
- **Improves proper patient targeting and dosage recommendations**

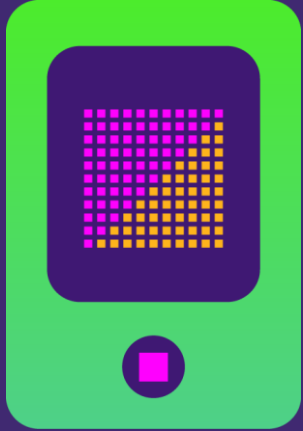




# Potential Revenue Streams

- Patients pay for the Symple and keep data private
- Patients get Symple free and the business is offset by ad revenue by drug and insurance companies
- Drug or insurance companies license Symple to collect and manage their own data
- Doctors subscribe to patient feed of data and buy “reports” that summarize patient behaviors and impact

# Potential Key Partnerships



- 
- **Insurance Companies**
  - **Drug Companies**
  - **Doctors**
  - **Electronic Health Record  
Software Providers**

# How Do We Search?

- **Begin with an educated guess**
- **OK to begin without the answers, you're probably wrong anyway**
- **Change guesses into facts using experiments**
- **Measure behavior, test hypotheses, capture surprises**
- **Make decisions based on the results of your experiments**
- **Move through the loop quickly**
- **Build the absolute minimum required to test your assumptions**
- **Build your case one experiment at a time**

# Document Your Idea

**Tangible, measurable solution to a specific customer problem or pain – be specific!**

**Customer:** Who is experiencing the problem

**Problem:** What is the customer's problem

**Solution:** Your proposed solution to the problem

# What Are the Assumptions?

“Something taken for granted or accepted as true *without proof*”

Opinions vs. Facts

(Hint: What you think is fact, is likely an assumption)

What customer behaviors must take place for your solution to be adopted?

What assumptions are you taking for granted as fact?

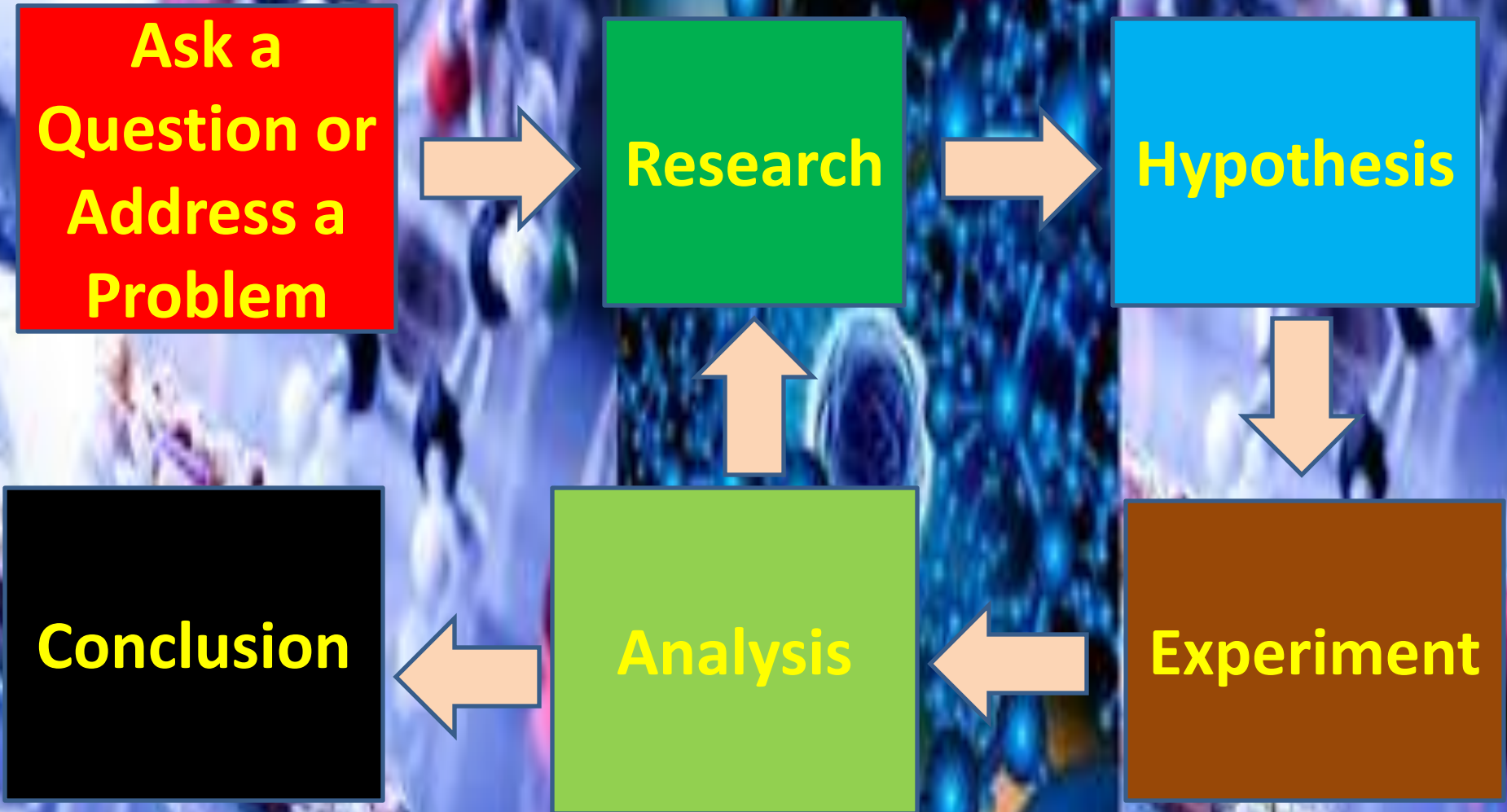
Write down as many assumptions as possible as a team.

# Narrow Assumptions

- What is the biggest assumption that if false, will cause you product to fail?
- What is most unknown, where do gaps exist?
- Focus on customer behavior related assumptions
  - (ex: Sports cars lovers will drive an electric car)

**Task: Narrow your assumptions using the LEAN Loop:**  
**Assumptions Hypothesis Experiment Results**

# The Scientific Exploration



# Create Hypothesis

**If we do X, Y% of people will  
behave in way Z**

**Task: Write down your hypothesis**



# Output = Learning

- What insights did you encounter which *change the way you think about your customer..?*
- How painful is the problem? Does it exist at all?
- Vitamin > Medicine > Addictive Drug
- Are they trying to solve it today?
- What process, if any, are they taking to solve their problem
- What were your biggest surprises?

# Judge the Search...

- Teams are just as important as ideas
- Teams must demonstrate the ability to “search”, in addition to their idea’s viability. No team gets it right the first time.
- Real customer behavior trumps opinion
- Teams must demonstrate the ability to generate data from actual customers.
- Evidence builds in small increments over time
- Teams must move through multiple experiments loops in small increments, in order to increase confidence over time.
- Identify a specific customer
- Teams must demonstrate understanding of their specific customer segment, and insights related to the customer’s desired outcomes.
- Deliver value to the customer
- Teams must demonstrate their proposed solution is delivering value to their target customer

# Customer Problem

- Describe the pain of the customer (or the customer's customer)
- Outline how the customer addresses the issue today
- List out specific areas which need to be addressed

# Our Solution

- Demonstrate your value proposition to make the customer's life better
- Show where your product physically sits
- Provide use cases

Positioning Statement

- What are you developing?
- For Whom?
- What Value are you bringing?
- Benefits in practical terms:
  - In Use
  - In Cost

Problem-Solution Fit

**TAGLINE**

- For (target customer)
- Who (statement of need of opportunity)
- That (statement of benefit)
- Differentiation
- Unlike (primary competitive alternative)
- Our Product (Statement of Primary differentiation)

# Product

- **Product line-up (form factor, functionality, features, intellectual property)**
- **Roadmap: Definition and architecture**
  - **Development and Operations Plan**
- **Highlight specific values being offered to the customer**

## Product Market Fit

Five Values offered to a customer

1. **Product: Performance, quality, features, brand, selection, search, easy to use, safe**
2. **Price: Fair, visible, consistent and reasonable**
3. **Access: Convenient, location, nearby, at hand, easy to find, in a reasonable time**
4. **Service: Ordering, delivery, return, check out**
5. **Experience: Emotional, respect, ambience, fun, intimacy, relationships, community**

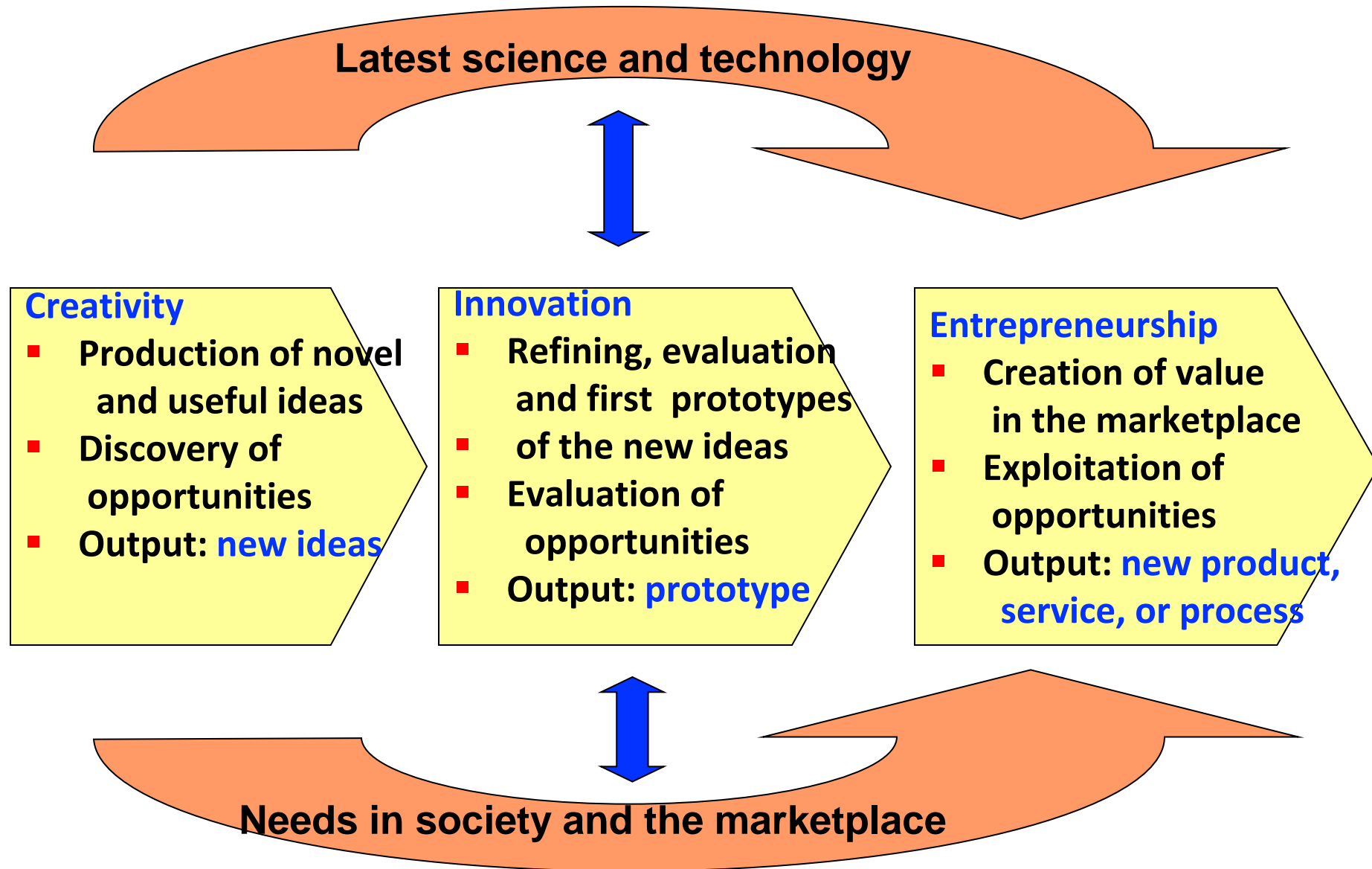
# The Product Plan and Expectations

**Looks Like:**

**Feels Like:**

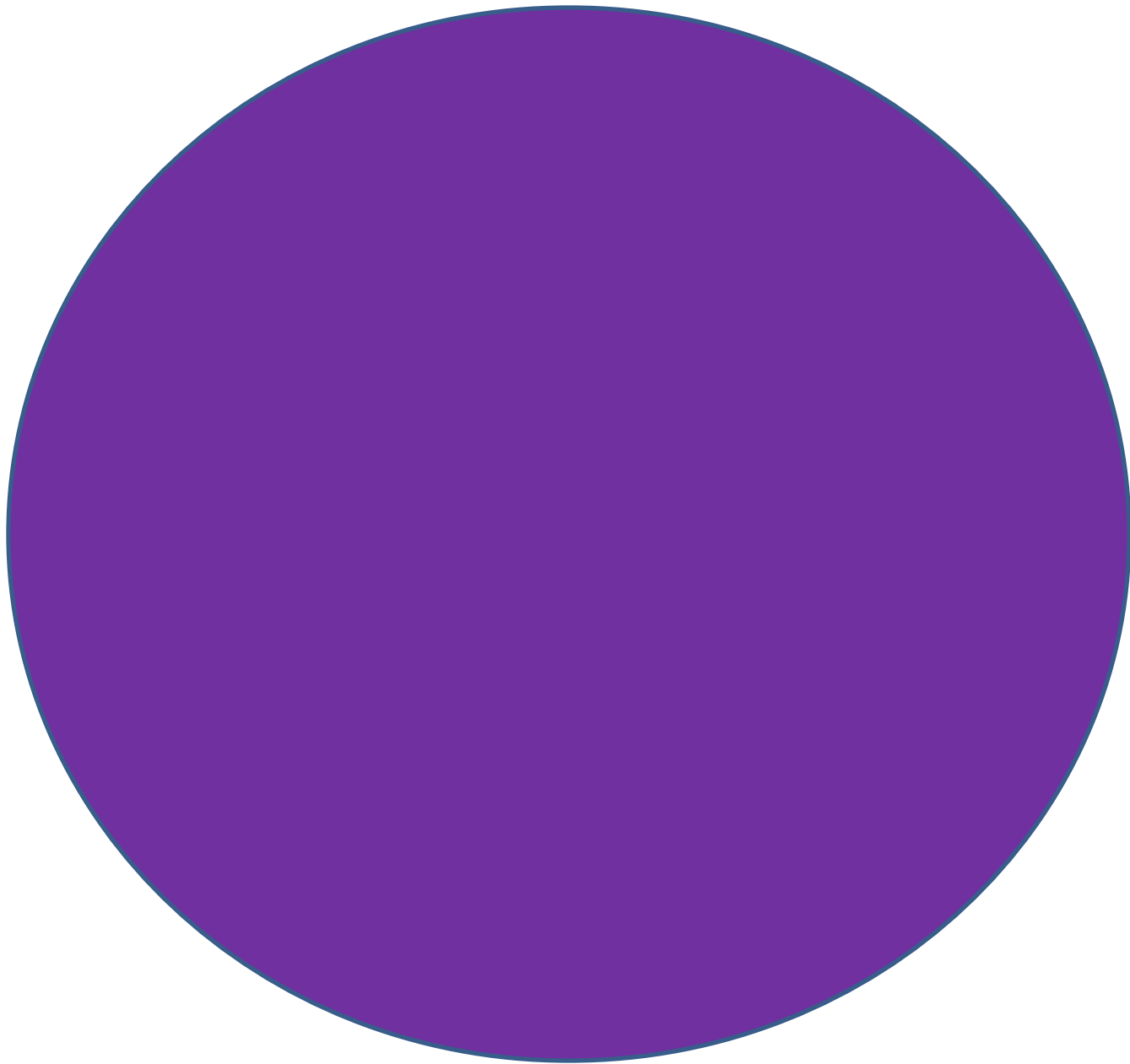
**Works Like:**

# The Creativity-Innovation-Entrepreneurship Chain

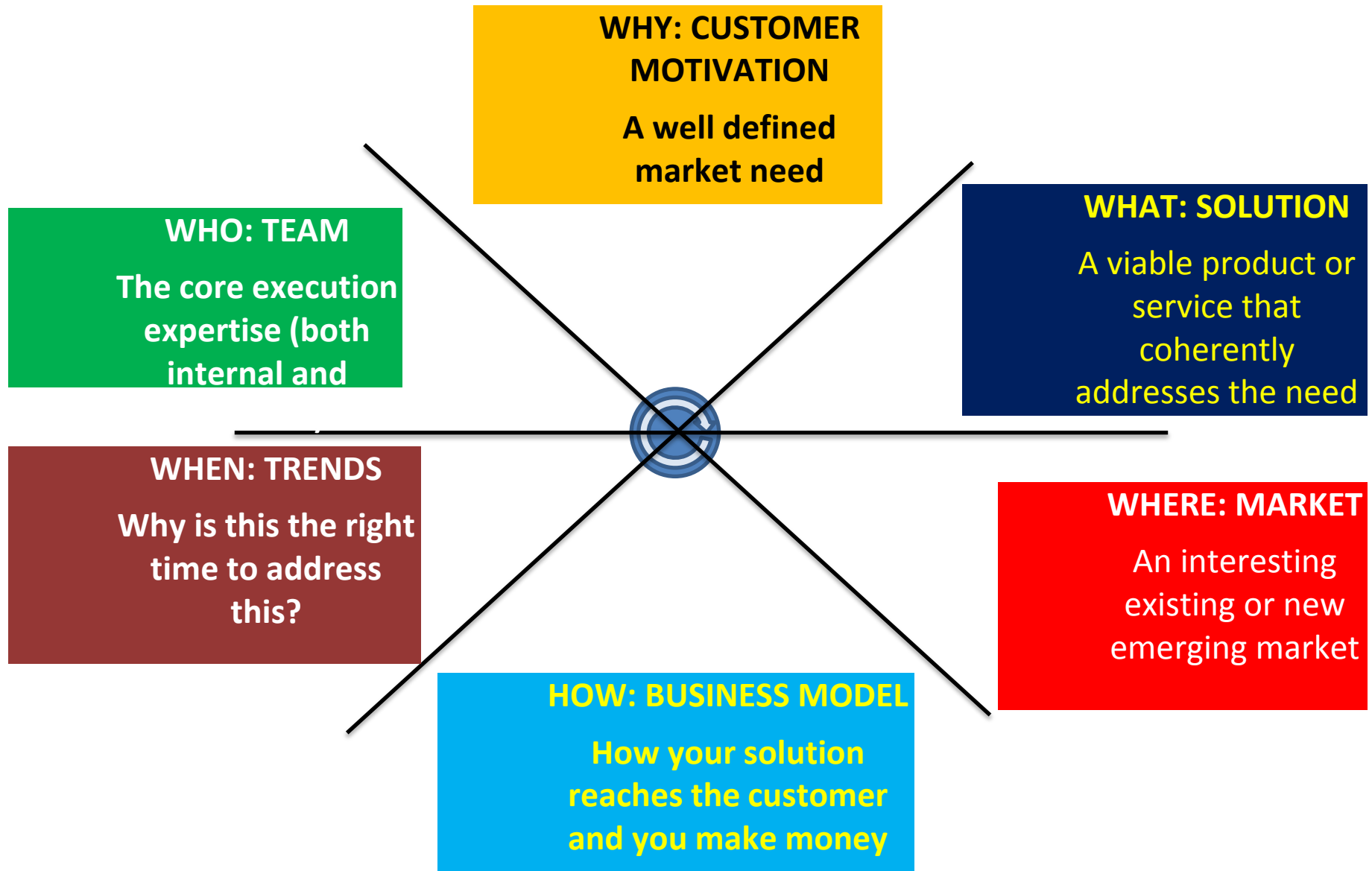


**Thank You**

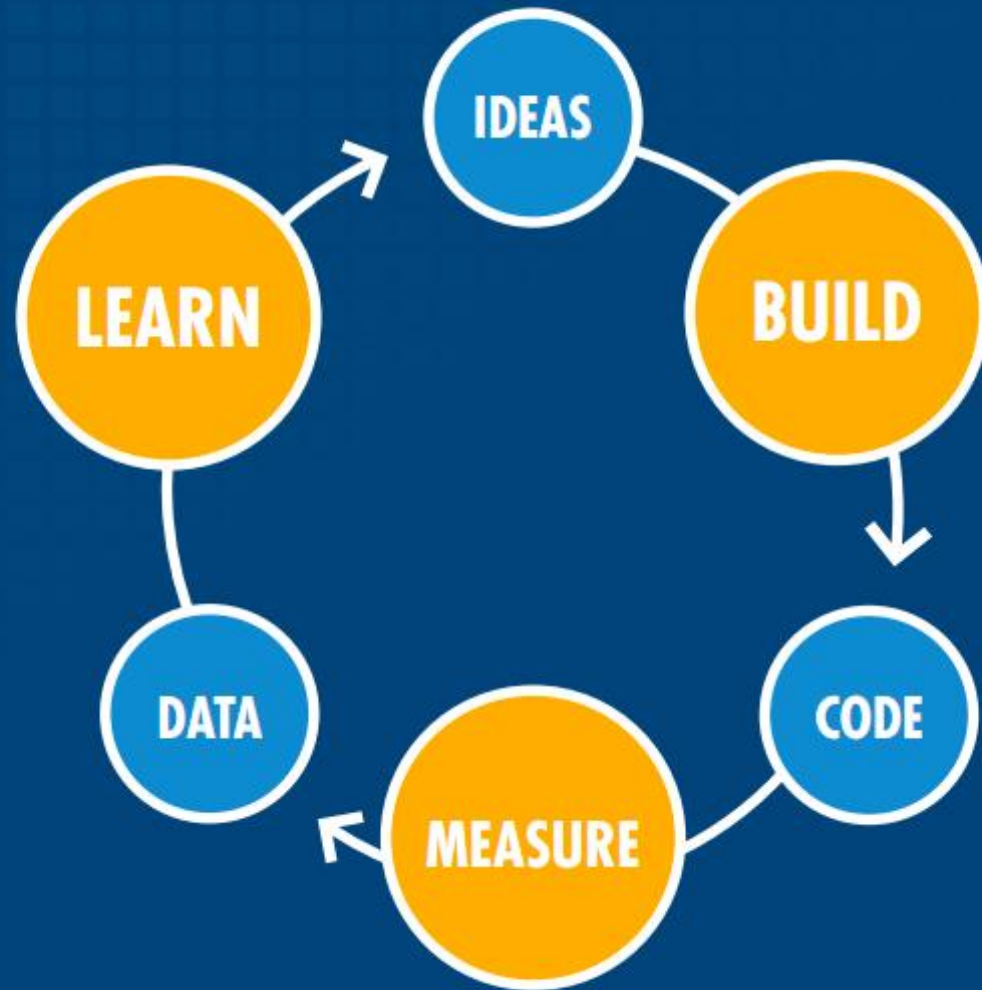




# Opportunity Assessment Framework



Minimize **TOTAL** time through the loop



# Judge the Business Model

## **Identify a specific customer**

- Teams must demonstrate understanding of their specific customer segment, and insights related to the customer's desired outcomes.

## **Deliver value to the customer**

- Teams must demonstrate their proposed solution is delivering value to their target customer, via currency exchange (time, attention, dollars)

## **Generate positive business impact**

- Teams must demonstrate Intuit can extract value for shareholders (and employees as well)

# Experiment Grid

## Idea

## Assumptions

What assumptions have we made about customers & their world?

## Hypotheses

If we do \_\_\_\_\_, then \_\_% of people will do \_\_\_\_\_

## Experiments

Description

Metrics

## Results

What did we learn?

What will we do next?



# RUNNING LEAN ASH MAURYA

ISBN 978-1-944-30517-8  
 Sketched by Sacha Dec 28, 2012

## Document your Plan A

Show this to people & ask



- ~15 minutes
- OK to leave blanks
- Be concise
- Think in the present
- Be customer-centric

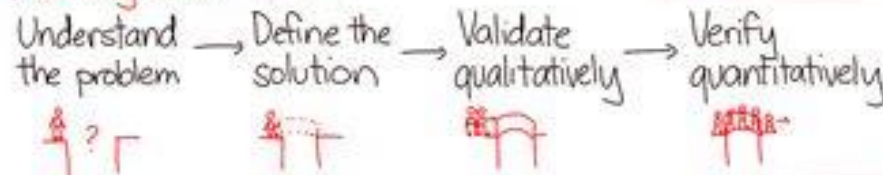
Draw several of these quickly so that you can rank them.

- Customer pain level
- Ease of reach
- Profit/gross margin
- Market size
- Technical feasibility

## The 3 stages of a startup



## Running Lean



p.77 has an e-mail template for asking for interviews

Don't lower signup friction, raise it.

Charge from day 1, collect on day 30

80% existing features, 20% new features

Work hacks - p.177

SaaS pricing (p.180)  
 Single plan, free trial, cuts

Riskiest aspect of plan?  
 How have they overcome similar risks?  
 How would they test these risks?  
 Are there other people I should speak with?

## Cohort analysis

Acquisition → Activation → Revenue  
 (by join date or other attributes)

## INTERVIEW GUIDES

### Problem Interview

Understand cust. worldview  
 - How do customers rank the top 3 problems?  
 - How do they solve them today?  
 - Is this a viable customer segment?

- 2 Welcome
- 2 Demographics
- 2 Problem story
- 4 Problem ranking
- 15 Explore worldview
- 2 Wrap up
- 5 Document results

### Solution Interview

Test 'demo' before building  
 - How do you identify early adopters?  
 - What is the minimum feature set?  
 - Will people pay? How much?

- 2 Welcome
- 2 Demographics
- 2 Problem story
- 15 Demo
- 3 Test pricing
- 2 Wrap up
- 5 Document results

### MVP Interview

- Landing page?  
 - Activation flow?  
 - Usability hot spots?  
 - MVP delivers unique value?  
 - More customers?  
 - Do customers pay?

- 2 Welcome
- 2 Landing Page
- 3 Pricing Page
- 15 Signup & Activation
- 2 Wrapping Up
- 5 Document results

## Kanban tips

Backlog  
 In-progress  
 Done  
 Code  
 Partial rollout  
 Validate qualitatively  
 Full rollout  
 Verify quantitatively

Features → customer poll

## Sales letter

LARGE PROMISE  
 (your unique value proposition)  
 Connect w/ cost problem  
 Generate interest/desire (solution)

Sketched by Sacha Chua (sacha)  
**ExperiVis**



*Monetizing*



## Multi-Sided Platform (MSP)

- Platform that facilitates interactions
  - Architecture – product design and infrastructure
  - Rules – terms of engagement and pricing
- Platforms can be shared e.g. cars and gas stations
  - Usually no subsidies in shared platforms
  - Internet makes it easier to own both sides
- MSP is not a reseller
  - Must facilitate direct interaction between markets
- Typically, each side has very different requirements
  - E.g. Credit card customers vs. merchants
  - Providers may specialize in serving a single side
- Key feature: novel pricing and business models
  - Often one market side subsidizes the other
  - E.g. Adobe PDF needed to drop reader price to \$0 to succeed

# Product Opportunity Gap

## **Social:**

**Social and Cultural trends, Historical trends**



## **Technology:**

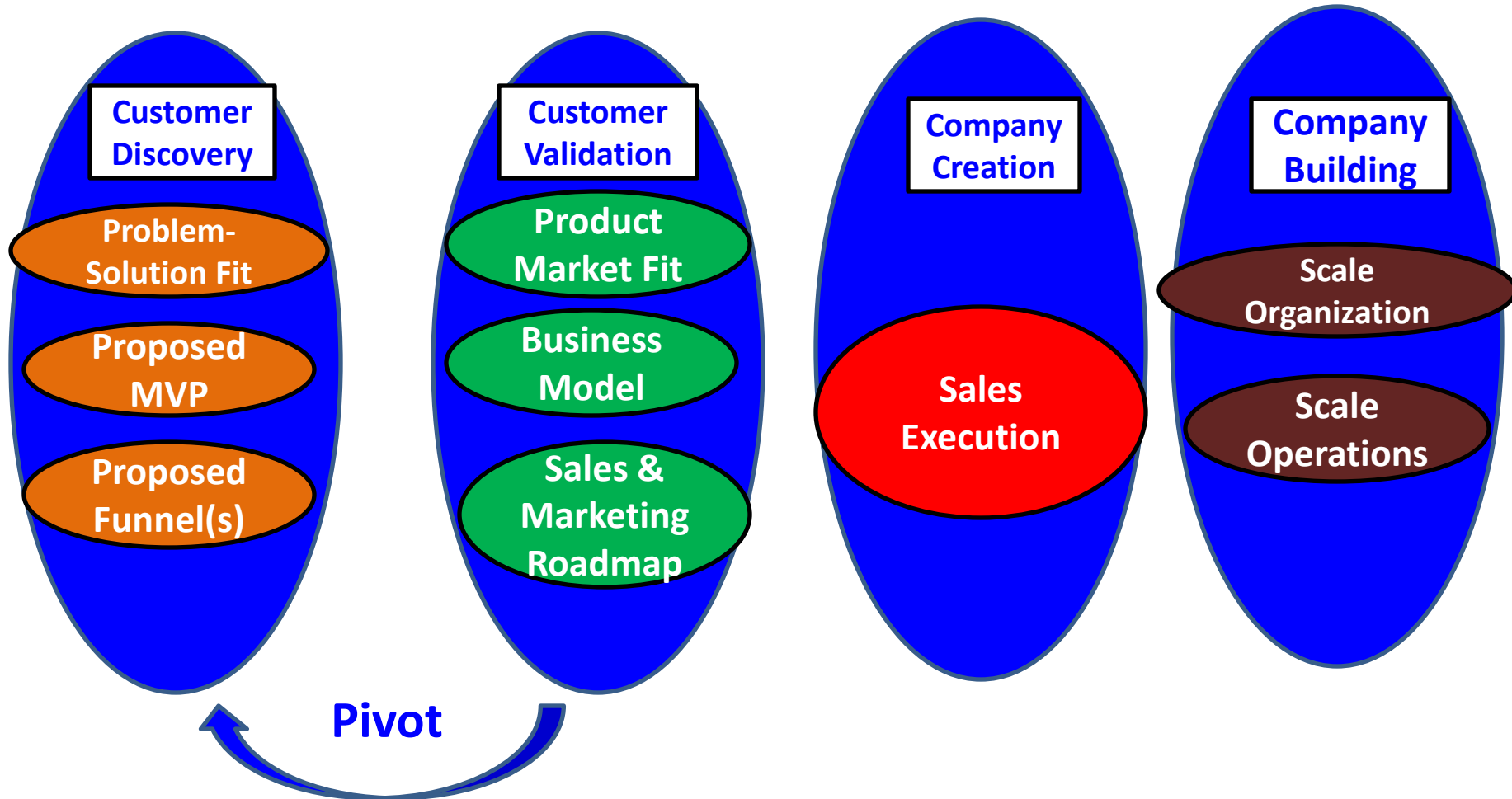
**Emerging technologies, Re-evaluating existing technologies**

## **Economic:**

**State of the Economy, Level of Disposable Income, Changing Investment Opportunities**



# The Lean Start-Up Approach



# Hypothesis Template

We believe that people like  
(customer type) have a need for  
doing (need/action/behaviour).

We will have succeeded when  
(measurable outcome), or (observable  
outcome)

Which will contribute to  
(KPI).