Customer Segments: Who/Problem Hypothesis (Physical)
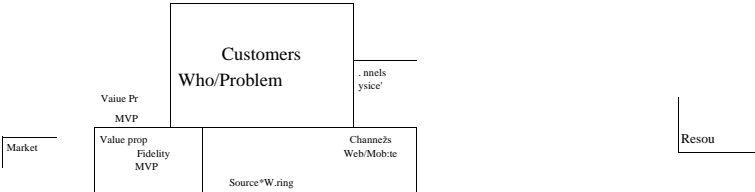
• post anonymous comments about specific doctors, problems, or

patient situationsRelationshipsCustomer   Partners   Physical

• get a daily e-mail summary of what's going on at the site   L.ˢizeMarketType   Get5Keep,GrowCustomerTraffic –g RevenuePricing   Web;M0biie
                                                    Relationships   Partners   Channel

While this isn't exactly a "feature list," it provides a good sense of the product vision, its features and benefits, and why the site will attract a hard-to-reach audience. This brief describes who the customers are (the customer types) and what problems, needs or passions they have. It includes five components:

• customer problems, needs or passions
• customer types
• customer archetypes
• a day in the life of customer
• organizational map and customer influence map

The Customer Problem, Need or Passion

Products are sold because they solve a problem or fill a need. (See the bank teller story in Value Proposition, page 79.) Understanding problems and needs involves understanding their sources. Get out of the building to discover how customers experience the problem and causes the company/ family/consumer. Use a simple "problem recognition scale" for each important type of customer (Figure 4.2). Customers will express: why (and how much). it matters to them. Understand the organizational impact problem, and the intensity of pain it

• a latent problem: they have a problem but don't know it
• a passive problem: they know of the problem but aren't motivated or aware of the opportunity to change
• an active (or urgent) problem: they recognize a problem or passion and are searching for a solution but haven't done any serious work to solve the problem
• a vision: they have an idea for solving the problem and even have cobbled together a better one home-grown solution, but are prepared to pay for a

Customer Segments: Who/Problem Hypothesis

Study the problem. Is your product solving a mission-critical company problem or satisfying a must-have consumer need? Is your product a must-have or a nice-to-have? When your product solves a problem that costs customers sleep, revenue, or profits, things are definitely looking up. When its the hottest "new new thing" in town, whether that town is physical or virtual, capitalize on the opportunity. The best startups discover a situation where customers have tried to build a solution themselves—they simultaneously discover both a mission-critical problem and a customer-visualized solution. Wow Now simply convince the customer that if they build it themselves, they're detouring into a different, usually non-core business—your new business!

The best startups discover a situation where customers have tried to build a solution themselves.

Then again, not every product solves problems. Some provide fun or information, others glamour or romance. Social networks don't solve problems but sure have millions of visitors—they fill consumer needs and desires. Even if it's fun or pure luxury, recognize that consumers require justification for a purchase.

After identifying the customer types, craft a hypothesis about their embtional wants and desires. Describe how to convince these customers that the product can deliver an emotional payoff: glamour, beauty, wealth, prestige, a hot date or lost pounds.

Customer Types

Whether a customer is spending time on a social network, buying a stick of gum, or purchasing a million-dollar telecom system, every sale involves a set of decision-makers. Thus customer analysis starts with an understanding of what

types of customers to approach. Chances are several people in a number of categories have problems that your product can solve or needs or ambitions

that it can satisfy. Customer discovery identifies and probes these different needs. Customer types include:

End Users: The day-to-day users of a product push the buttons, touch the product, use it, love it, and hate it. A deep understanding of their needs and motivations is vital, recognizing that the end user may often have the least influence in the sales or adoption process. This is typically true in complex corporate sales.

Decision
Maker

Economic Buyer

Recommenders

Influencers

End Users

Customer Types (Figure 4.2)

Influencers: At times, the most powerful pressure on a customers buying decisions may not be something the startup did directly but something done or said by someone who's uninvolved. In every market or industry, online and off, a select group of individuals pioneers the trends, styles and opinions. Ask a famous dress designer when a movie star wears her dress to the Oscars. Or consider the effect of thousands of people clicking their Facebook "like" button or Tweeting about a product, ad or service. Sometimes the influencers are paid bloggers or pundits in market-research firms. They may be kids or celebrities who wear the latest fashions. 88

Include the target list of outside influencers and address how they'll be reached. Free product, payments, celebrity events, free computers and online memberships are among the many options.

Recommenders: They influence purchase decisions but differ from influencers because their opinions can make or break a sale. A recommender could be a widely read blogger raving about a new online game, a department head saying any new PCs should come from Dell, a hospital committee approving a new medical device, or a spouse with a particularly strong brand preference. It can also be an external force like Gartner Group, Forrester Research, Martha Stewart or Consumer Reports.

Economic buyers: They sit further up the decision chain and often control or approve the purchase or budget. (Important people to know!) They can be corporate VPs, office managers, insurance companies with issuing reimbursement codes, teens with allowances, or spouses with vacation budgets.

Decision-makers: They may be the economic buyers or reside even higher up in the decision-making hierarchy. Decision-makers wield the ultimate purchase authority and are sometimes called UDMs (ultimate decision-makers) or VITOs (very important top officers) or perhaps "Mom," "Dad" or "honey." Be sure to understand their motivations.
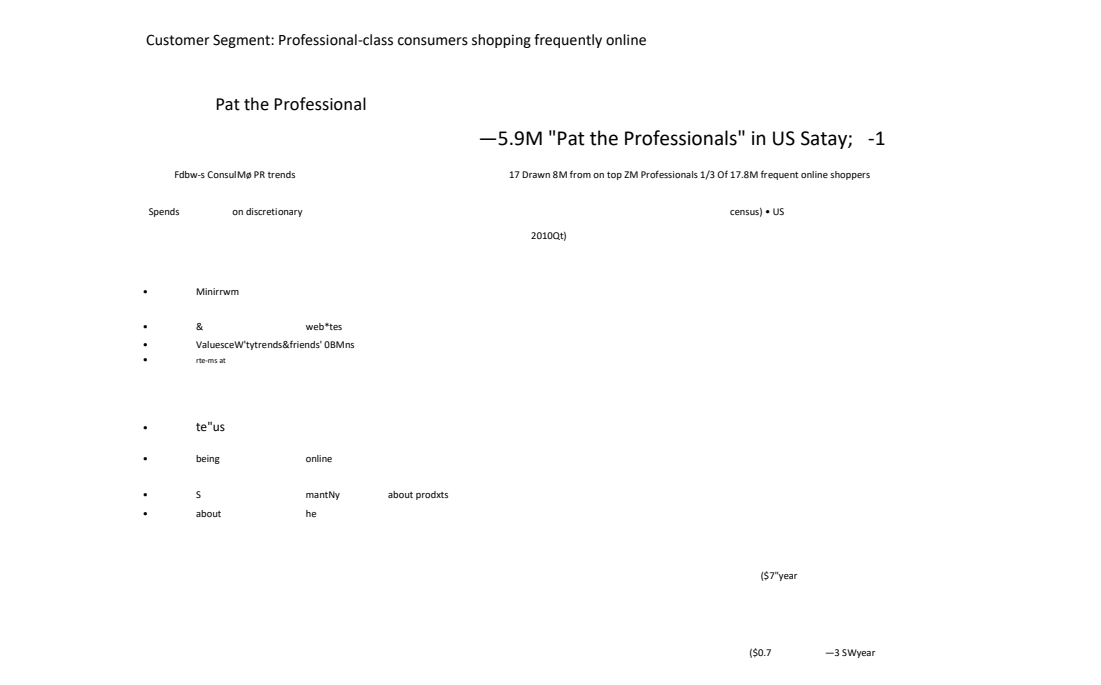
Saboteurs: They can lurk anywhere (as saboteurs do) and hold titles including CFO, CIO, child, spouse, or purchasing agent with "friends." They can be fOlSë1d in strategic planning departments or in your own home, where their veto can slow things dramatically. Find them. Identify patterns that reveal where they're hiding in the decision process.

Later, during customer validation, knowing all the players in detail will be essential. For now, simply recognize that the customer is more complicated than a single individual.

Customer Archetypes

Remember the axiom "A picture is worth a thousand words"? Theres no better way for the startup team to visualize its customer targets than to take the time to depict

89

each of the key customer types—the end user and the decision-maker at a minimum (at least make a few sketches or doodles). Customer archetypes help the team visualize who will buy or use the product and helps crystallize product strategy, customer acquisition, and more.

Customer Segment: Professional-class consumers shopping frequently online

Pat the Professional

—5.9M "Pat the Professionals" in US Satay; -1

Fdbw-s ConsulMø PR trends   17 Drawn 8M from on top ZM Professionals 1/3 Of 17.8M frequent online shoppers

Spends   on discretionary   census) • US

2010Qt)

- Minirrwm
- &   web*tes
- ValuesceW'tytrends&friends' 08Mns
- rie-ns at

- te"us
- being   online
- S   mantNy   about prodxts
- about   he

($7"year

($0.7   —3 SWyear

Customer Archetype (Figure 4.3)

In a business-to-business sale, does the end user work in an office, a cubicle or a boiler room? Is he or she a business traveler, a presenter, or a heads-down number cruncher? Is the decision-maker in a corner office, is she a scientist in a research lab with a wall lined with prestigious degrees and awards, or is she on the factory floor?

To understand more about customer archetypes and how they're used, review a detailed discussion in the next section, "Customers/Source—Web/Mobile." Once you've read that, create a comprehensive view of each key customer archetype, using the data you collected.

Consumer archetypes are generally easier to create than business-to-business, where relationships are far more complex. Identify as many hypotheses about the 90

buyer's demographic and psychographic profile as possible. Is the buyer affluent, fashion-conscious, healthy and active? Married with pets and toddlers or teens? In a house, an apartment, or a trailer park? These characteristics will influence many aspects of the business model, including customer relationships, channel, and revenue model.

A Day in the Life of a Customer

One of the most powerful ways to understand your customers, whether they're consumer or business customers, is to discover how they "work" and write it down, delineating a day in their life.

...discover how customers "work" and write it down, delineating a day in their life.

In the case of businesses, this step requires a deep understanding of a target company on many levels. Let's use selling software to a bank as an example. How a bank works isn't something you'll discover by cashing a check. You want to know how the world looks from a banker's perspective. To begin with, how do the potential end users of the product (the tellers) spend their days? What products do they use? How much time do they spend using them? How would life for these users after they have your product? Unless you've been a bank teller, these questions should leave you feeling somewhat at a loss, but how are you going to sell a product to a bank to solve tellers' problems if you don't understand how they work?

(If you're not an experienced salesperson, this whole notion of getting out of the building can sound intimidating. The "Get Out of the Building" section of customer discovery, Chapter 5, describes how to set up your first meetings.)

Now run this exercise from the perspective of branch managers. How do they spend their day? How would your new product affect them? Run it again, this time

thinking about bank presidents. What on earth do they do? What do they read? Who influences their decisions? How will your product affect her? And if you're installing a product that connects to other software the bank has, you're going to have deal with the IT organization. How do the IT people spend their day? What

other software do they run? How are their existing systems configured? Who are their preferred vendors? Are they standing at the door with confetti and Champagne waiting to welcome yet another new company with yet another product?
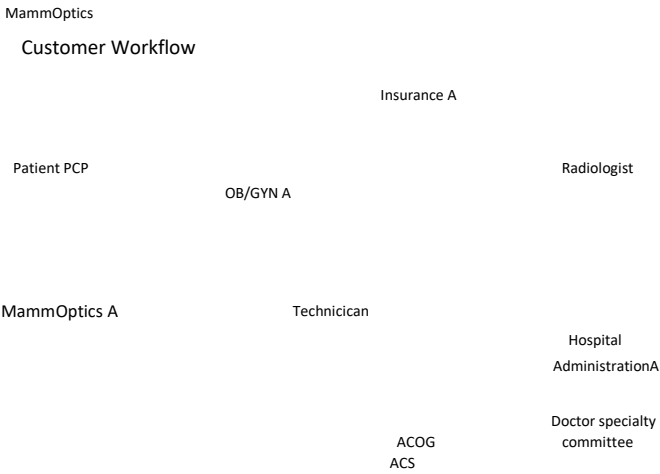
The answers are easy. Asking the right questions is hard.

Business products are generally purchased because they solve problems, so a deep understanding of the buyer is required. If you're selling a retailer point-ofsale tools, for example, can someone on your team work behind a busy counter for a few days? There's no better way to understand than to dive in. Learn how prospective users currently solve their problems, online or off, and how they'd do it differently using the new product. What will motivate these customers to buy? Draw a vivid and specific picture of a day in the life of the customer, and do the research in the same place where they do their work or have their fun, not in the company conference room or alone at a local Starbucks.

Finally, back to our banking example, do you know about trends in the banking industry? Is there a banking-industry software consortium? Are there bank software trade shows? Industry analysts? Unless you've come from your target industry, this part of your customer-problem brief may include little more than lots of question marks. That's OK. In customer development, the answers turn out to be easy; its asking the right questions that's difficult. You'll be going out and talking to customers with the goal of filling in all the blank spots on the customer-problem brief.

For a consumer product, the same exercise is applicable. How do consumers solve their problems today? How would they solve their problems with your product? Would they be happier? Smarter? Feel better? Do you understand what will motivate these customers to buy?

Your final exam doesn't happen until you come back to the company and, in meetings with the product development team and your peers, draw a vivid and specific picture of a day in the life of your customer.
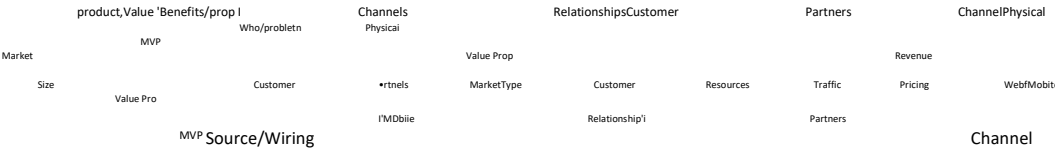
MammOptics
Customer Workflow

Insurance A

Patient PCP   Radiologist
                    OB/GYN A

MammOptics A   Technicican
                                    Hospital
                                    AdministrationA

                                    Doctor specialty
                    ACOG   committee
                    ACS

A Sample Organizational/Influence Map (Figure 4.4)

Organizational/lnfluence Maps

Now having a deeper understanding of a customer's typical day, you realize that except in rare cases, most customers don't work by themselves. Consumers interact with friends and family, while businesspeople interact with their colleagues. List the people who could influence a customer's buying decisions and draw a tentative diagram of the prospective customer and all the influences surrounding him or her. Also depict the product's impact on their day-to-day work or personal life. Then build a map showing potentially influential people who surround the user.

At a large company, the diagram will be complex, with lots of initial unknowns.

Customer Segments: Source/Wiring Hypothesis (Web/Mobile)

product,Value 'Benefits/prop l		Channels		RelationshipsCustomer		Partners		ChannelPhysical
	Who/probletn	Physical						
Market	MVP			Value Prop			Revenue	
Size		Customer	•rtnels	MarketType	Customer	Resources	Traffic	Pricing	WebfMobite
	Value Pro		l'MDblie		Relationship'l		Partners	
MVP Source/Wiring								Channel

When you're done with this brief, you'll have developed a customer archetype and be able to say things like, "We believe most of our customers are age-18-to-25 tech-savvy young urban professionals who use Macs and spend two hours a day on Facebook" or "Twenty-five percent of my customers read Science and Nature magazine religiously and want a better way to order chemical reagents and lab supplies." And you'll be able to understand and draw a day in the life of a customer and draw a consumer web influence map.

Start by reviewing the previous "customer segments/physical"hypotheses.

The Customer Archetype: a Guide to Who Your Customers Are

A customer archetype combines everything you know about your "most typical" customers or users into one or more complete profiles. (Obviously not every customer will look like this homogenized "average." In fact, you more than likely will have several archetypes.)

Compile the picture by gathering statistics about customers' demographics and behavior. (For help, see Customer Understanding in Phase 3, page 218.) Use Google Trends, Google Insights, and Facebook ads to look at web/mobile customer demographics. Use Crunchbase to look at who competitors are selling to. Interview people you think look most like your potential customers and understand who they are, what they do, and how they behave. Search online for studies, news articles, and reports about your target consumers. Study

competitors' media choices, press coverage and annual reports. Most important, continue to update the archetype as you learn more about customers over time.

Archetype Highlights	Customer Acquisition Guidance
	Use for targeting mass banner ad, textlink campaigns
Age 40-55, high income	
	Don't advertise or promote during the workday; inefficient
Two working professionals	
	Reach these bloggers, co-promote with gourmet food sites
Buy fresh gourmet produce	
Drive luxury cars	Consider co-promotion offers from high-end auto Websites

Frequent business travelers	Send press releases to travel Web sites, bloggers
Cooks only on weekends	Don't run AdWords during the week to save dollars send e-mail blasts, Tweets, texts Thursday/Friday
Entertain friends at home often	Co-promote with home, entertainment sites, blogs

A Guide to Using Customer/Archetypes to Drive Strategy (Figure 4.5)

Are your target customers or users big executives, networking nannies, or teen gamers? Suburbanites or city dwellers? Single or married? Gather as much detail as possible. How old are they? How much do they earn? How much leisure time do they typically have and how much spending money? Focus on their web/mobile-device ownership or access: desktop, laptop, Pad, or smartphone—or all four? Are they loners or social-nekwork heavyweights, and do they share sites and information generously with others? When they're online, are they alone at home or in a crowd at school? Use the detailed example in Figure 4.5 as a guide when developing yours.

"A Day-in-the-Life": a Guide to What Customers Do
How much time do your customers spend online in a typical 24-hour day? Is it at their desk, on a laptop, or on a handheld while driving? Your success depends on becoming a regular part of the customer's day, whether for information, social networking, play, or e-commerce. But what's the source of the "newfound" time they'll spend on your new site or using your new app?

Will they sleep less? Will they spend less time on Facebook or eBay? Will they spend less time goofing off at work to spend time at the new site?

What's the source of the "newfound" time theyll spend on your new site or using your new app?

Be sure to understand how they find out about new products. Are they religious readers of TechCrunch or People, game-review sites or news feeds? Do they Tweet often, and do they read Tweets from two people or 50? Text twice or 100 times a day, and to whom? Where do they go for information about products in general and products like yours, and how often and for how long?

Where will you find your customers? On the web, your customers can be anywhere: at niche websites, reading blogs, on Facebook and other social networks, or on social news sites. The could be Tweeting or reading Tweets, texting or engaging with other similar customers on forums, wikis, and more.
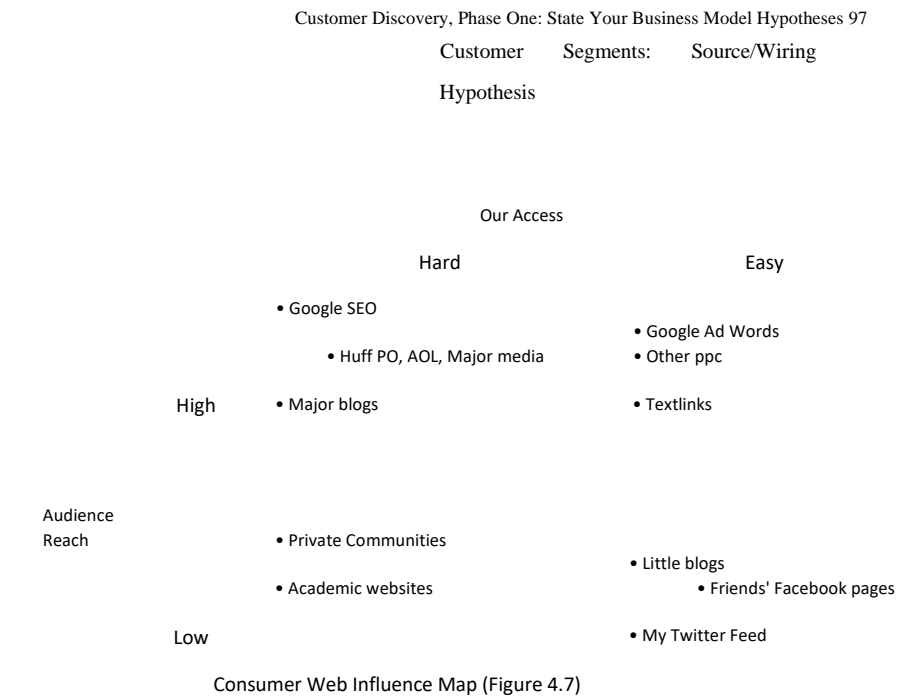
"Day in the Life" Highlights

- Under 15 min/day on social nets
- 3 texts daily, mostly with spouse
- Read cooking magazines, sites
- Watch celebrity chefs

Customer Segments: Hypothesis

2
-
3
x
/
w
e
e
k

•H
o
u
r
a
d
a
y

r
e
a
d
i
n
g

n
e
w
s

not
for
work

•45
min/d
ay
listeni
ng to
NPR

•Talk/e-
mail 15-
20
same
friends

Customer Acquisition Guidance

Facebook, social media a low marketing priority

Forget Twitter for this audience

Big PR push in this arena: recipes, press releases, etc.

Try to get founders as guests on shows; co-promote Reach food/lifestyle editors at news publications

Test before spending on e-mail blasts, online ad campaigns

Consider weekend sponsorship, send press releases, call in

Provide recipes, ideas, discounts to circulate to friends

A Guide to Using A Day-in-the-Life to Drive Strategy (Figure 4.6)

Create a "day in the life" scenario using 15- or 30-minute increments from wakeup to bedtime, paying close attention to time spent on web/mobile devices, specifying not only which device but what your customer is actually doing on the device and for how long: texting with friends, reading blogs (note which ones), playing mobile or social games (note which ones), shopping for shoes (note where), or posting pictures of her cat on Facebook?

Use the detailed example in Figure 4.6 as a guide when developing yours.

Summarize the archetype and day-in-a-life in a tight bullet-point format. Use those bullets to evaluate the potential value of activities you'll use to "get" customers when developing the upcoming Customer Relationships hypothesis. Figures 4.5 and 4.6 offer an example for a company selling downloadable gourmet-cooking lessons targeting working couples who cook together, and try to do it creatively.

When the customer archetype and "day in the life" are complete, you now know what your customers look like, what they do with their days, and how to find them.

This example illustrates how the archetype and "day in the life" efforts can focus "customer acquisition" activity. While there's no such thing as perfect targeting in mass-marketing efforts, fine-tuning every "get customers" activity to "fish where the fish are" helps maximize the return on every customer-relationships dollar you'll spend.

Here's How to Create a Consumer Web Influence Map:

In the web/mobile world, influence maps (described on page 92) are as daunting and complex as they are influential. Think of the number of ways a consumer can be influenced online, and how your efforts can also influence the influentials themselves as part of the marketing process. "Dots" on the online influence map include blogs and chat rooms, authoritative websites, social networks, pundits, and referral or reference sites. In addition to delivering direct exposure, these influencers are often significant sources of "natural search" clicks that bring people to the website.

Customer   Segments: Source/Wiring

Hypothesis

Our Access

	Hard	Easy
	• Google SEO	
		• Google Ad Words
	• Huff PO, AOL, Major media	• Other ppc
High	• Major blogs	• Textlinks
Audience Reach	• Private Communities	
		• Little blogs
	• Academic websites	• Friends' Facebook pages
Low		• My Twitter Feed

Consumer Web Influence Map (Figure 4.7)

Finally, recognize that in web/mobile apps, you may have multiple customer segments in a multi-sided market. In this case, "customers" can be users who may pay nothing for the product or service but provide a value to the supplier that it can resell to others. Google is the canonical "multi-sided" example: billions of "customers" search at Google for free, and millions of advertisers pay to reach them. Most social-network and content sites operate this way.

Completing the Hypothesis Development Process:

This brief completes the company's only large-scale paperwork exercise. The action now moves outside the building so you can start to understand what potential customers need and to qualify or refine the initial hypothesis assumptions. But before doing that:

- Convene a team meeting where a large copy of the latest business model canvas and briefs are taped to a wall. A summary of each of the briefs should be adjacent to the canvas

- All participants should read each of the business model briefs

- Look at the summaries on the canvas, read the details in the briefs, discuss them as a team, and look for obvious conflicts or inconsistencies.

- Founders, product development, engineering and operations teams should again validate cost assumptions and changes

- Return to the first hypotheses developed to be certain thereS no conflict from one to the next. Does the sales channel make sense, for example, in light of the pricing, need for installation, etc.? Will fewer customers still adequately fund overhead and development?

  Review and agree on the final versions of each hypothesis Make certain the hypothesis summaries agree with the summary in the appropriate business model box

- Update the business model as appropriate

- For more detailed checklists, see Appendix A

Now its time to move ahead and get out of the office, where customers and facts live.

	Customer	Problem		Market	Physical
Design	Contacts	Understanding		Knowledge	Channel
			Customer Understanding		
	Build Your Low	Low Fidelity		Traffic/	
	Fidelity MVP	MVPTest		Competitive Analysis	Web/Mobile Channel

C HA PTE R 5
Customer Discovery, Phase Two:
"Get Out of the Building" to Test the Problem:

"Do People Care?"

PHASE 2 GETS THE TEAM "OUT OF THE BUILDING" to test the problem and to answer three key questions:

- Do we really understand the customerk problem?

- Do enough people really care enough about the problem for this to become a huge business?

- And will they care enough to tell their friends?

The next section, Phase 3, will test to see whether the product offers a compelling solution to customers who have said there a problem. When the "problem" and "solution" questions are answered with a resounding "yes," product/market fit is achieved and its time to move on to customer validation.

190

This problem phase is markedly different for web/mobile startups, where product development time is far shorter and feedback comes far faster. Problem discovery is conducted with the development of a low-fidelity MVP website or mobile app (as discussed on page 200). Sometimes as simple as a PowerPoint diagram or a single web page, this early MVP helps gather immediate feedback about the problem. Later, the solution is tested with a hi-fidelity MVP.

This phase includes five key steps:

- designing experiments for customer tests preparing for customer contacts and engagement

- testing customers understanding of the problem and assessing its importance to customers

- gaining understanding of customers

- capturing competitive and market knowledge

As this phase gets under way, heres a reminder of the key rules from the Customer Development Manifesto in Chapter 2:

- Customer discovery is done by the founders

- Hypotheses require testing. Testing requires experiments to be designed

Web surveys are nice, but always correlate them with face-to-face customer feedback, even for web businesses

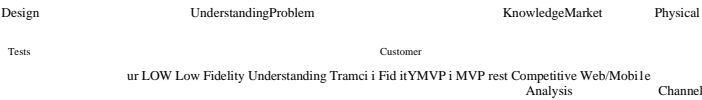- Customer meetings aren't about learning whether customers love the product, at least not yet. They're about understanding the problem and how urgently your potential customers need to solve that problem. You'll focus more on the product itself once you're certain the problem it solves is big enough to create a market worth going after

- Initial hypotheses rarely survive feedback without iterations or pivots

Design Tests and Pass/Fail Experiments

Design   UnderstandingProblem   KnowledgeMarket   Physical

Tests   Customer

ur LOW Low Fidelity Understanding Tramci i Fid itYMVP i MVP rest Competitive Web/Mobile   Analysis   Channel

At this point, your Phase One business model hypotheses are still just "guesses." In this phase you'll turn those hypotheses into facts by getting out of the building and testing them in front of customers.

Heres an easy way to visualize this: think of a three-layer business model. The bottom layer represents your initial of the startup. The second layer outlines the detailed hypotheses you just developed in Phase One. The third layer shows the tests you'll conduct to verify and measure each hypothesis, turning guesses into facts as you do, so that the business model can be verified and measured.
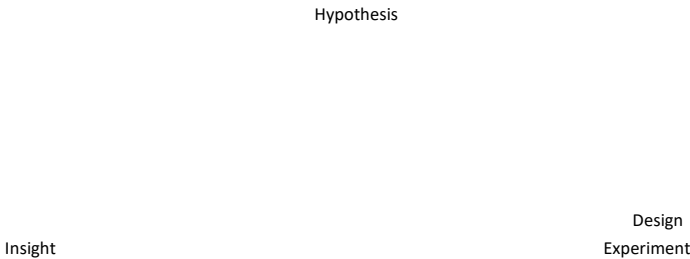
Tests

Hypotheses

Business Model

Business Model/Hypotheses/Tests (Figure 5.1)

But how do you test? Rule number 6 of the Customer Development Manifesto says to design experiments and Rule 9 says to do it with speed, tempo -and fast cycle time. so the first step in running a test of your business model hypotheses is to

design simple pass/fail experiments for each test. Next you run the tests, and then you gather the data and not only try to learn something from the test but also try to gain some insight. The Hypotheses/Experiment/Test/Insight loop is shown in Figure 5.2 below.

Hypothesis

Insight

Design
Experiment

Test

Hypothesis/Design ExperimentlTestlInsight (Figure 5.2)

Regardless of whether its a physical or web/mobile product, Customer Development experiments are short, simple, objective pass/fail tests. You're looking for a strong signal in the noise. The pass/fail tests give you a "good enough" signal to proceed.

Start by asking yourself, "What do 1 want to learn?" Then ask, "What's the simplest pass/fail test I can run to learn?" Finally, think about, "How do I design a pass/fail experiment to run this simple test?"

For example, a Customer Relationships hypothesis for a physical product may have assumed that for every 10 sales calls three people would move into active consideration of buying. The experiment might be as simple as making the same presentation to 30 prospects and having the experiment "pass" by coming away with

A web business model hypotheses for Customer Relationships and Revenue Model may have assumed that you can acquire 5,000,000 customers by spending $1 million on Google AdWords. Your pass/fail experiment might take the form "we believe we can acquire visitors with Google AdWords at a cost of 20 cents per click." Your experiment would create three different landing pages, allocating $500 in AdWords to each, and sequentially testing each landing page (using the same AdWords) every other day. A "pass" would get 2,500 clicks per page. Anything less, the hypotheses failed. (A secondary test that falls out of this is which page got the customers the fastest!)

Most of the time you can mock up the web page or create a demo or prototype to elicit valuable learning.
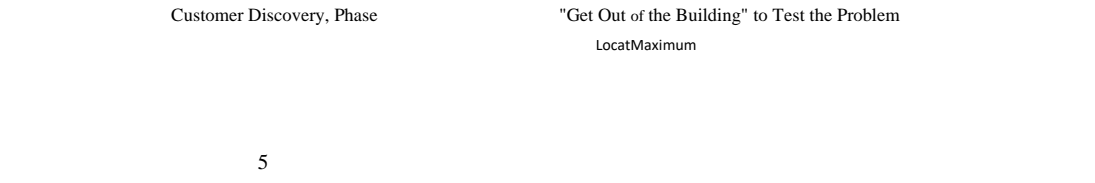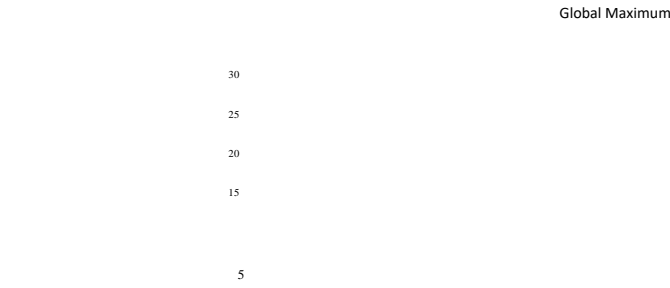
Tests

One of the things that trips up engineering founders is thinking that these hypotheses tests have to be actual code, hardware or the real product. Most of the time you can mock up the web page or create a demo or physical prototype to elicit valuable learning. Nor do the tests involve large sums of money or large amounts of time. When you get a strong "grab it out of your hands" on, say, from four of your first ten customers, it's OK to stop the test and declare it a success. The goal is speed, learning and looking for a global maximum (not a local maximum).

Whats a global maximum? Let's say you run a free trial offer for three days on your great new weekend getaway website and you get 50, then 60, then 80 signups in the first three days. You might say, "Wow, 80, thats great," and end the test. But on day four, the sun comes out. Had you run the test for only two more days, you might have discovered your "global maximum," 500 signups a day. Only experience and good guesswork can tell you how long to run a test, and while shorter is always better, be sure you've given yourself the opportunity to reach your global maximum.

nine or more orders or letters of intent.

Global Maximum

30

25

20

15

5

5

Global Maximum versus Local Maximum Response Rates (Figure 5.3)

The next steps in Phases 2 and 3 and in customer validation provide details on how to set up tests for both web/mobile and physical products.

Insight

The goal of these experiments/tests is not just to collect customer data. NO.r is it to simply get "pass" on the pass/fail experiments. And it's not just to learn something, though we hope you will.

It's something more profound, intangible and what makes entrepreneurship in the end still an art. Its the fact that you're looking past the data — you're looking for insight. Did you get thrown out of sales calls time and again but you remembered someone said, "Too bad you don't sell x, because we can use a ton of those."

Two: 195
Prepare for Customer Contacts

Prepare for Customer Contacts (Physical)

Customer	Problem		Market	Physical
Contacts	derstanding		Knowledge	Channel
Design		Customer		
Tests		Understanding	Traffic;	
1 our Low	w Fidelity	L		Web/Mobi1e
Fidelity MVP	MVPTest		Competitive	Channel
			Analysis	

The next step in qualifying your business model hypotheses is to leave the safe confines of your office and conference room and venture out to the real world, where the people who will pay your bills live. Regardless of whether you're selling to large corporations or consumers at home, your friendly first contacts are the people who will start your education about customers and their problems. Better yet, they may become your customers.

Start with 50 Target Customers

The first step in this phase will be the hardest: contacting potential customers who don't know you, persuading them to give you some of their time, and looking them in the eye.

At this stage, you're less interested in big names and titles or the "exactly right" consumers.

Start by gathering a list of 50 potential customers you can test your ideas on. Fifty names sounds like a lot, but as you'll soon see, you'll go through them quickly. A solid discovery effort will usually involve 10 to 15 customer visits a week, and getting face-to-face with 50 people will probably require contacting 200 customers or more. Where do the names come from? Start with the people you know directly. Next, expand the list by scouring your cofounders' and employees' address books, social-network lists (Facebook, Google+, Twitter, LinkedIn, Jigsaw, etc .). Then call in every favor possible, from friends, investors, founders, lawyers, 196

recruiters, accountants to add names to your list. Finally, use conference-attendee lists, trade media, and any other source you can think of.

Even if you're selling to businesses, right now your customers' titles and their levels in the organization are irrelevant. And if you're selling to consumers, whether they currently have the slightest interest in your product or not is also inconsequential. What matters is what you will learn from them. At this stage, you're less interested in big names and titles or the "exactly right" consumers. You're interested in finding people who will give you some of their time and who you think even loosely fit the profile embedded in your customer hypotheses. (In fact, calling on high-level execs now is a waste of a great lead. You really have no idea what you're saying yet, with nothing more than untested guesses, and will regret making the call. Wait until your business model and story stop changing on a weekly basis.)

While you're building your contact list, simultaneously begin to develop an innovators list. What's an innovator? These are the most innovative companies, departments in companies, or individuals in your field who are smart, well-respected and usually out in front of a subject. For consumer products, they may be the "gadget freaks" everyone asks for advice or the group of people others look to for help spotting a trend. You'll use this list two ways. First, you need to find and meet with the visionaries who are known to "get" new ideas. Unfortunately most people view innovation as a dangerous virus that must be kept out of theitucompanies, while few others look forward to hearing about and understanding whats new. The few are the people to talk to. Second, your innovators list will give you a great contact list of industry influencers and potential advisory board members.

It's hard if you've never called on someone you don't know, but its a lot easier if you carefully prepare a reference story that gets you in the door.

Develop a Reference Story

The first step in customer contacts is coming up with a reference story.

A reference story emphasizes the problems you're trying to solve, why its important to solve them, and the solution you're building.

The story typically starts with an introduction: "Hi this is Bob at NewBankingProduct Inc. I was referred to you by (insert helpful reference name

here), who said you were the smartest person in the (name your market/industry)." Now give the potential customer a reason to see you: "We're starting a company to solve the long-teller-line problem, and we're building our new Instanteller software, but I don't want to sell you anything. I just want twenty minutes of your time to understand if you have the long-teller-line problem and learn how you and your company solve your own teller problem."

The best introduction to a prospect is through a peer.

WhatS in it for your contact? "I thought you might give me some insight about this problem, and in exchange I'll be happy to tell you where the technology in this industry is going." Exhale.

Obviously, you'll need to vary and tweak the story, but the goal remains the same: get meetings scheduled (you can do this via e-mail but its a lot less effective). This may sound easy on paper, but if you aren't a professional salesperson, it can be very hard. Nobody likes calling people they don't know. First-time practitioners of customer discovery stare at the phone, walk around it, pick it up, and put it down without calling. But eventually you have to "bite the bullet" and place the calls. And you know what? There's nothing more satisfying than hearing a potential customer say, "Why, yes, thatš exactly the problem we have. I can spare twenty minutes to chat—why don't you come in Tuesday." Yes!

Start the Appointment-setting Process

First, a few pointers:

• The best introduction to a prospect, when you can manage it, is through a peer within his or her company. For consumer products, it can be just as challenging—how do you get hold of someone you

don't know? But the same technique can be used: a reference from someone the prospect knows • Start with an introductory e-mail or LinkedIn, IWitter or Facebook message—preferably sent by whoever gave you the contact—explaining the

reason for the call that will follow and why the time spent in the visit will provide value to the customer

 • Always start by mentioning the referral source, as in, "Steve Blank said
I should call"

 • Tell them that the meeting is not a sales call and that someone said they were the smartest person in the industry and you want to get their

   feedback.

 • Ask for a short amount of time: "I just need 15 minutes of your time." (You'll get more)

 • Don't talk product or features. Explain that the goal is an understanding of the problems or issues in the market or product category, and explain

   why the person's time will be well used

 • Sometimes the best "meeting" is a friendlier, less "threatening" cup of coffee thatS clearly intended to be an information exchange and not a

   hard-boiled sales pitch. Guests will be more likely to accept and often more relaxed, receptive, and open to talking

One of the mistakes entrepreneurs make is confusing motion with action.

    Companies that succeed in this phase often spend an entire week setting up the meetings and at least several weeks conducting them. Its a

small price to pay when compared with the years the team will spend driving toward success. Each founder needs to have at least 10 (yes, 10)

conversations a day until you book enough meetings to fill your calendar.

    One of the mistakes entrepreneurs make in this step is confusing motion with action. Motion is a sent e-mail, a left voice-mail message or a
note on Linkedln. Action is a two-way conversation. So 10 conversations may require 25 e-mails, voice mails, IWeets, etc. Keep calling until the
schedules booked with three customer visits a day. Get used to being turned down, but always ask, "If you're too busy,

who else should I talk to?" Its helpful to keep hit-rate statistics (were any lead sources or job titles better than others?). The same

approach works for consumer products. As a rule of thumb, every 50 calls should yield five tó 10 visits. Before going out, plan the call

from icebreaker to conclusion and rehearse.

    Build a master calendar of booked appointments and assign members of the founding team to each one. Geography, proximity and logistics
challenge the time efficiency. Research the company in advance to personalize the visit as much as possible. Don't expect every customer to be able to
react thoughtfully to every question or have a valid opinion on every aspect of the need or problem. Instead, plan to assemble a mosaic of answers that
ultimately provide depth of feedback on every question on your list.