

Lab 2Market

Welcome to Validate Foundations
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Introductions

Hi, I'm (NAME), from (UNIVERSITY).
I'm here mostly to (THE GOAL YOU HAVE).

I'm working on some interesting things.
The idea is (INNOVATION) so (USER)
can (SOLUTION).

Today



The Course

Risks

A little bit of Customer Discovery

Objectives of course

Introduce	Help	Develop	Develop	Motivate
Introduce you to entrepreneurship principles.	Help you understand, manage and overcome risks.	Develop customer discovery skills.	Develop your value proposition.	Motivate you to continue the journey.

Entrepreneurship options

There are many paths to choose from, and they'll often intersect



Entrepreneurship principles



Risk vs. Reward



Manage the risks
– reap the rewards



Customer
discovery and
validation is key



From your
customer insights
comes a powerful
**Value
Proposition**

20 Risks

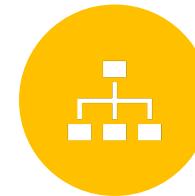
Sources of Risk



Market



Technical/
Scaling



Management



Financial



Operational



Revenue/
Sustainability

Market Risk

-   Is there a problem?
-  Does the problem need a *(new or different)* solution?
-   How big is the problem?
-  How is it being dealt with now?
-  Why is that suboptimal?

How big is the problem (aka Market size)



TOP-DOWN APPROACH
– SIZE OF INDUSTRY –
SIZE OF MARKET



BOTTOM-UP APPROACH
– “THIS IS HOW MANY
PEOPLE HAVE TOLD ME”



GEOGRAPHIC
APPROACH



DEMOGRAPHIC
APPROACH (7% OF THE
POPULATION)



HOW MUCH MONEY IS
INVOLVED?

Technical Risk



Does it work?



At what scale does it work?



Will it work in a way that customers want it to work?



Will it be safe?



Are regulatory approvals needed?



**Fundamental
equation: Lifetime
value of customer –
Cost of customer
acquisition (COA)**

How much money?



Remember Economic buyers (day one)



How much money is the problem costing them?



What are the impacts of the problem? What are those costs?



What are the savings? How can we place a value on efficiency savings?



How easy would it be to access this money?

How easy to access this money?



Is it selling into
Government?



Is it selling into
large companies?



Is it selling into
consumers?



What is the cost of
client acquisition?

Management risk



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Effectiveness v Efficiency



YOU NEED TO DO THE RIGHT THINGS AND NOT WORRY ABOUT DOING THINGS THE RIGHT WAY



FOCUS ON OUTCOMES



AVOID VANITY METRICS



MANY OF US ARE EFFICIENCY DRIVEN – STARTUP LIFE MAY NOT SUIT



AS YOU EVOLVE – YOU WILL NEED MORE EFFICIENCY DRIVEN PEOPLE



Be in the outcomes
business

Financial risk

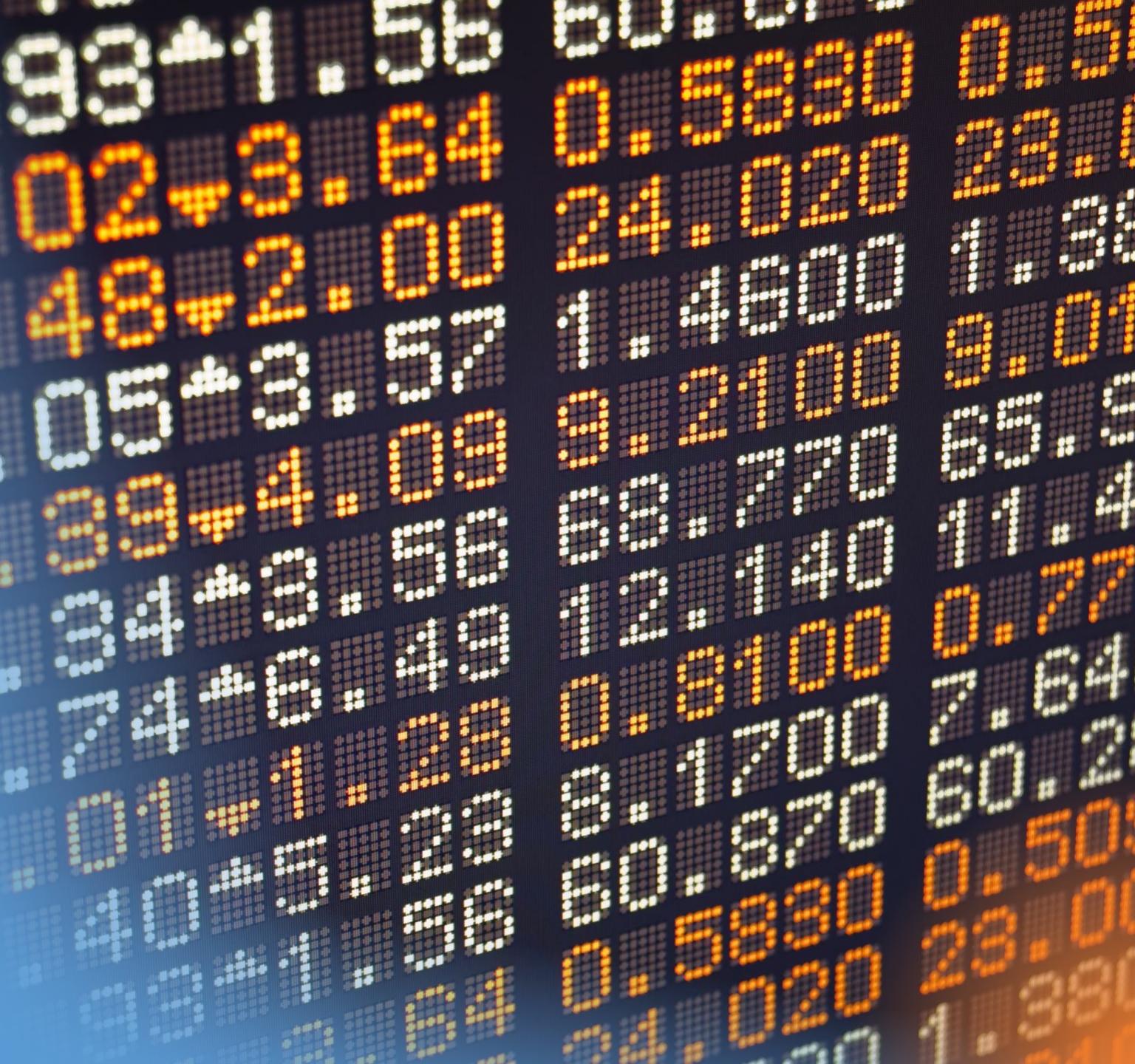


Sales, Profit, Cash

*“sales is vanity, profit is
sanity but only cash is
reality”*



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Cash v Profit

- Effectiveness is about cash and only cash
- Many companies that fail are profitable
- You should only worry about cash – and investors know this

Liquidity Risk



Will you run out of money?



Will you get to a milestone before your next need to raise money?



If yes, justifies a higher valuation; if no, lower or same valuation.



Need to raise enough money to get to next milestone.



Investors want to invest in ever increasing valuations (risk is lower as is reward)

Liquidity risk: Don't run out of money

Finance terms



Angel investors



SAFE/ Convertible loan notes



Pre and Post money valuations



Equity



Cap table



Seed investment



VC



Preferred shares

2

Operational risk

Sources of Operational risk



Cyber risk and
data security



Regulation



Outsourcing



Geopolitical risk



Organizational
change



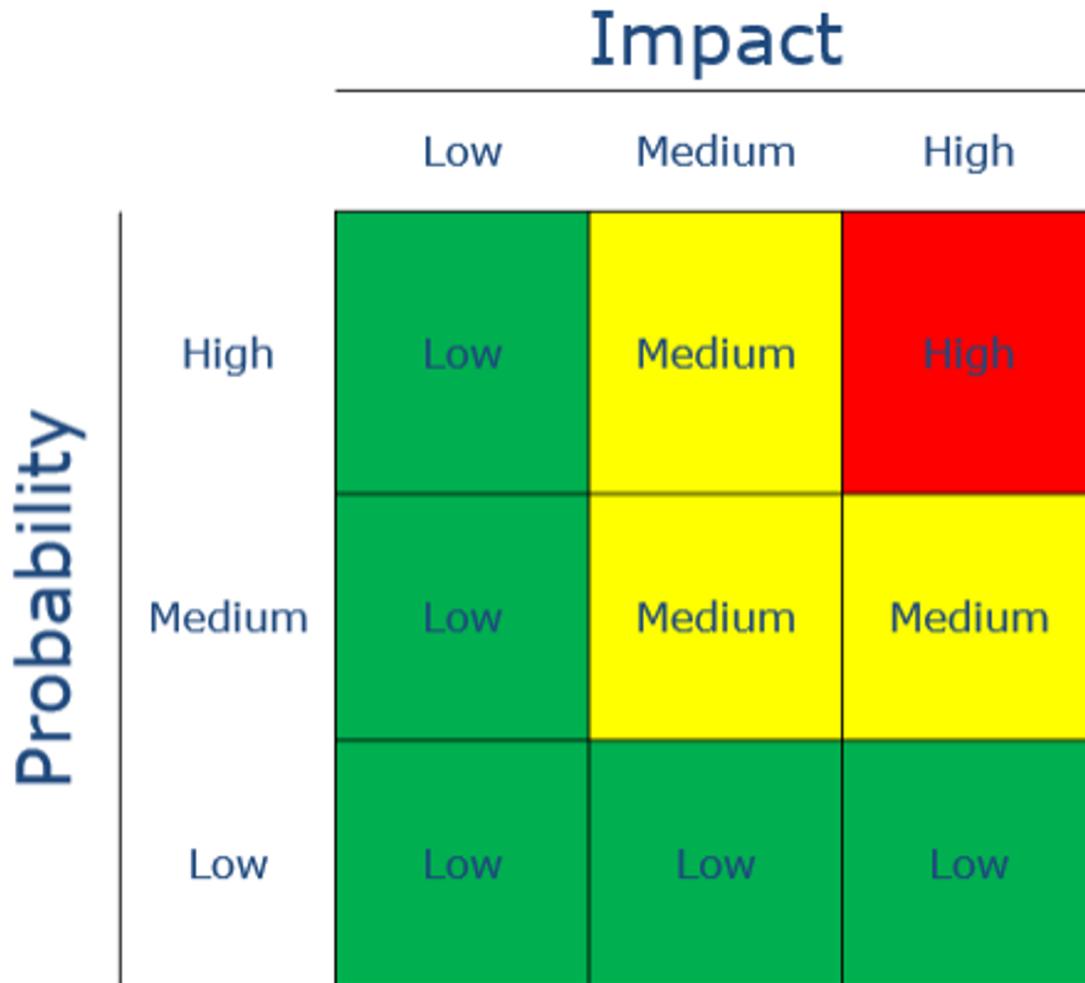
IT failure



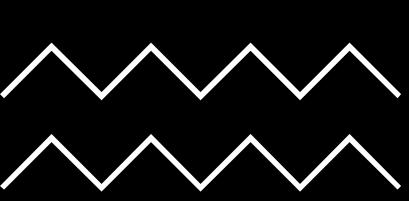
Fraud



Physical attack



Operational risk:
people, the
contingency
plans, and
insurance



Revenue risk



Will customers pay?



How much will they pay?



How much will it cost you to get them to pay



How will you find them?



Will they repeat purchase?



Will they tell others

Will customers pay?

- Can you prove it (lean experiments)
- Who are the customers?
- Is it just market surveys or do you have a list of pre-payments?
- Have you done/ Can you do a kickstarter?
- When do they pay?
- How do we finance the sale? (Do we need inventory and stock?)



How much will they pay?



How did you work out pricing?



What are 'approval' levels of pricing?



Can you provide proof that they will pay this?



What experiments can you design to test pricing limits?



Are you charging cost + or a price that reflects benefits

How much will it cost you to get them to pay?



Transaction costs involved



How will you get each customer (growth driver)



Conferences – great for awareness. Very expensive sales channel



Social media – can you demonstrate model



Sales force/ person (expensive) – add to cost of customer acquisition



Word of mouth - can you demonstrate growth model



Does your model rely on people buying your solution or using it more than once?



Have you done experiments around usage?



Have you invested in the user experience?

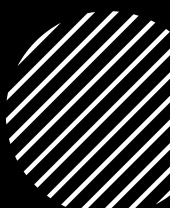
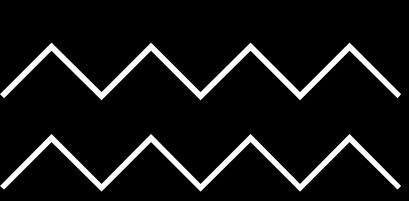


Do you have data that shows repeat usage?



This will increase the lifetime value of client

Will they
repeat
purchase?



Will they tell others?



This brings down cost of customer acquisition



Critical in driving profitability and driving market share



How can you make it easy for them to tell others?



Apple/ Bose



Customer Discovery!

**The path to getting
all your answers.**

Why?

Why do we
put ourselves
through this?



At the heart of everything you do



Vital to master



You need to do a lot of customer discovery

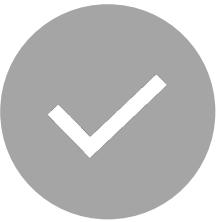


Practice makes perfect

What, Why, and a bit of How



ABOUT GAINING MUCH
DEEPER INSIGHT INTO YOUR
CUSTOMER, OR MARKET



SEEING BEHAVIOR THAT
VALIDATES BUYING
WILLINGNESS IS PRICELESS



RIGHT QUESTIONS DEPEND
ON UNDERSTANDING AND
LISTING EACH ASSUMPTION IN
YOUR MODEL



TAKE GREAT
NOTES



ANALYSE RESULTS
AS A TEAM



PLAY THE DEVIL'S
ADVOCATE

Examples

Target customer

Problem customer wants solved

Why can't it be solved today?

Outcome/ value they want to see

Customer acquisition tactic

Revenue model

Competition and advantages over them

Biggest financial risks

Biggest technical/ engineering risks

What would make business fail?

Finding Interviewees



Must have a degree of separation



Where are they when they feel the moment of pain?



Ask for and use referrals



Conferences, LinkedIn, Interview for blog article



Use Exec Assistants wisely



Offer to share results from research



Cold calls and emails

The interview



Recognise and remove your biases



Get them to tell you a story



Are they trying to solve problem? How?

The interview



Listen...



Drill down – be an interviewer



Repeat and confirm (or deny
and confirm)

Recap



Risks

Customer Discovery

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Thank you