



# VIT<sup>®</sup>

**Vellore Institute of Technology**

(Deemed to be University under section 3 of UGC Act, 1956)

**School of Information Technology and Engineering**  
**Digital Assignment-IV, SEPTEMBER 2020**  
**B.Tech., Fall-2020-2021**

NAME	PRIYAL BHARDWAJ
REG. NO.	18BIT0272
COURSE CODE	MGT1022
COURSE NAME	LEAN START-UP MANAGEMENT
SLOT	TE1
FACULTY	Prof. GANGATHARAN C.

## **CUSTOMER DEVELOPMENT IN LEAN START-UP MANAGEMENT**

The customer development process is actually a four-step process. The first step is customer discovery. This is where you construct your hypotheses and you get out of the building and start testing your assumption about whether other people have the same problem or if you need to think what they have. Then you are going to do customer validation and actually see if your proposed solution actually matches what you think. The customer problem was that this test of between problem and solution and your features and customers is actually sometimes called product market fit. That is what you are testing out and this is what we call the search for the business model.

But now instead of randomly doing this by hiring and firing sales executives and trying to make numbers that really are just random guesses, we are actually going to have to get out as early as possible and test some of these primary assumptions. One of the interesting things that we need to talk about is something called the pivot which is what will save your job once you find this repeatable and scalable business model. Then the next step is to go into the execution phase of customer development. This phase is all about creating end-user demand and scale and is called customer creation. Then the next step is building their organizations to actually build your company for scale by transitioning from customer development in to a functional organization that is oriented for constant and rapid execution.

One of the interesting things about customer development that makes start-ups very different from large companies is that customer development is done by the founders. There is no technology involved in a traditional start-up. In the old days you would hire a Vice President of Sales or Marketing and they would go out because this was your idea and you would say go talk to customers and go try to sell this. You would simply hire somebody else to do this but you have to remember that an employee probably does not have the vision for the business that you have. But they are just executing what you told them to and then what happens if they go out and talk to people who say this is the worst idea we ever heard or no we will not buy it?

What happens is they will come back and tell you and the first time they do this, you will say well you are just not describing the product correctly and you will send them back out for another couple days or weeks or months and they will come back again and any passionate founder will say they hired the wrong executive and fire them. Imagine we run the exercise again, this time not with a proxy, a head of sales or marketing but we force you to get out i.e. the founder to start talking to customers and if you got that same exact feedback it might take you three customers or thirty but eventually smoke will start coming out of your ears because cognitive dissidence is now coming into effect.

You might realize that your story or vision is not right but unlike a proxy a VP of Sales or marketing you have the power to change the company strategy. You have the power to change the entire value proposition to say “What if we had these features?” and customers might still not think that it is something they want to try. But then if you suggest some more other features, they might say that they would be interested if you could do that you could have their check

right away. Now if you are a smart founder you would say let me get right back to you because what you will do is you will go test that new feature with five or ten other customers and all of a sudden you realize that you have the wrong feature set. And just by adding the small little change you can now actually get a whole series of paying customers.

Only founders could do that and what we did in the past is we would wait to first customer ship and we would wait till sales did not match the revenue plan and we naturally make these changes by firing executives instead of actually having the founders engaged in day one. So it is the founder who could change the product, make pivots and hear customer feedback first-hand and that's the idea of getting the founder outside the building.

This whole customer development process says that when you start with your business model canvas hypotheses, what you really do is you spread out the canvas and you actually post it to a wall. You would use colourful sticky notes, no pens or pencils allowed because you are going to get most of them wrong. But you are going to make it visibly vivid and then you will actually begin constructing your hypotheses. And then the next thing you will do is look at them and realize that there are not any facts inside the room and you need to get out into the building and talk to customers and partners and vendors. You do not just randomly start getting out but you do so as and when you design the experiments for your hypotheses, run tests, get data and more importantly get some insight.

The Lean Start-up philosophy is a lot easier for companies to get used to and accept than actually putting it into practice. Usually, when companies start trying to apply lean at first, they will do all the right things corresponding to lean and then end up going back to doing things the old way. A little bit anyways but that is okay because at least the sample size or the batch size tends to be decreased. So, for companies who are doing customer development for example you might hear something from a customer that does not go with what you thought was going to be true. You build the thing that you thought was going to be true anyways and then you realize it did not work but that is okay because the next time you realize we should actually listen to customers and you do it better the next time. So, in the long run this works out but it is a little bit of a messy start to begin with and you have to be willing to push through that because the rewards are really great.

\*\*\*\*\*