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| Cover Image | *The Startup Owner's Manual: The Step-by-Step Guide for Building a Great Company* Blank, Steve  K&S Ranch |

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# *6 notes/highlights*

*Created by Tarang Shah*  – Last synced April 11, 2016

## *Chapter 1: The Customer Development Manifesto*

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| |  |  |  | | --- | --- | --- | |  | *Facts live outside the building, where future customers live and work... In Customer Development, the founders gather firsthand experience about every component of the business model. The team can support the founders, but firsthand experience by definition cannot be delegated. This customer research must be done by founders because: Key customer feedback points are random, unpredictable, and often painful to hear. Employees hate to deliver bad news to higher-ups Employees have far less at stake and seldom listen as acutely, and they don’t get heard adequately when they report back. It’s too easy to dismiss their findings as “hearsay” or to ignore critical points of feedback Consultants have even less at stake than employees and often color their commentary to either tell the client what he wants to hear or deliver messages that can lead to extended consulting relationships. This is also second- or third-hand feedback and too diluted or diffused to provide value Only a founder can embrace the feedback, react to it, and adeptly make the decisions necessary to change or pivot key business model components.*  April 11, 2016 | [547](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=UqgrBgAAAEAJ&source=books-notes-export&pg=GBS.PA547.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *, agile engineering/development refers to the rapid deployment, iterative development and continuous discovery processes that hardware or software companies can use.*  April 11, 2016 | [548](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=UqgrBgAAAEAJ&source=books-notes-export&pg=GBS.PA548.w.0.0.0.2.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *Failure is an Integral Part of the Search One of the key differences between a startup and an existing company is the one that’s never explicitly stated: “startups go from failure to failure.” In contrast, existing companies have learned what works and doesn’t. Failures in an existing company are an exception. They happen when someone screws up. In a startup, you’re searching, not executing, and the only way to find the right path is to try lots of experiments and take a lot of wrong turns. Failure is part of the process . If you’re afraid to fail in a startup, you’re destined to do so. Failures are not truly failures, per se but an integral part of the startup learning process. You’ll be running dozens if not hundreds of pass/fail tests—on your pitch, your features, your pricing, and on and on—so get ready to accept failure and move on. When something isn’t working, successful founders orient themselves to the new facts, decide what needs fixing, and act decisively. The Customer Development process demands frequent, agile iteration, followed, of course, by testing of the iteration that often leads to another iteration or pivot, which leads to more testing and... If you’re afraid to fail in a startup, you’re destined to do so.*  April 11, 2016 | [548](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=UqgrBgAAAEAJ&source=books-notes-export&pg=GBS.PA548.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *Make Continuous Iterations and Pivots The strategy of embracing failure in Customer Development demands frequent, agile iteration and pivots. A pivot is a substantive change in one or more of the nine boxes of the business model canvas. (For example, a pricing change from freemium to subscription model or a customer segment shift from boys 12-15 years old to women 45-60.) Or it can be more complex, such as a change of target customer or user. Iterations, meanwhile, are minor changes to business model components (e.g., changing pricing from $99 to $79). Groupon’s legendary $12 billion pivot is a perfect example. When a company is limping along, only a dramatic change to one or more business model components can get it back on the road to success. Groupon’s legendary $12 billion pivot (their IPO valuation) is a perfect example. Groupon was started from a company called the Point. It was struggling, at best, as a social media platform working to get people together to solve problems, but was about to run out of money. The most effective campaigns on The Point were those that saved people money by grouping or bundling their purchases. The founders started blogging various deals from different businesses each day. They called this, “Get Your Groupon.com .” Groupon’s first offer hit in October of 2008: buy two pizzas for the price of one in the shop on the first floor of its Chicago headquarters. Twenty people bought the deal and the company was well on its way to its $12-billion pivot. Pivots are driven by the learnings and insight from a continuous stream of “pass/fail” tests you run throughout discovery and validation. The best startup founders don’t hesitate to make the change. They admit when hypotheses are wrong and adapt.*  April 11, 2016 | [549](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=UqgrBgAAAEAJ&source=books-notes-export&pg=GBS.PA549.w.0.0.0.1.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *No Business Plan Survives First Contact with Customers So Use a Business Model Canvas There’s only one reason for a business plan: some investor who went to business school doesn’t know any better and wants to see one. But once it has delivered financing, the business plan is fundamentally useless. Entrepreneurs often mistake their business plan as a cookbook for execution, failing to recognize that it is only a collection of unproven assumptions. At its back, a revenue plan blessed by an investor, and composed overwhelmingly of guesses, suddenly becomes an operating plan driving hiring, firing, and spending. Insanity. The difference between a static business plan and a dynamic model could well be the difference between flameout and success.*  April 11, 2016 | [550](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=UqgrBgAAAEAJ&source=books-notes-export&pg=GBS.PA550.w.0.0.0.1) | |