

Module 2

Customer Development

9 deadly sins of new product introduction model

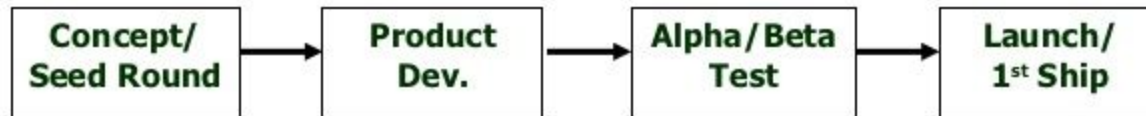
1. “I know what the customer wants”
2. “I know what features to build”
3. Focus on a launch date
4. Execution over hypotheses testing
5. Traditional business plan assumptions
6. Confusing traditional job titles with startup needs and roles
7. Sales and marketing execute to a plan
8. Presumption of success leads to premature scaling
9. Management by crisis leads to death spiral

**More startups Fail from
a *Lack of Customers* than from a
Failure of Product Development**

Then why do we have:

- process to manage product development?
- no process to manage customer development?

Product Development Model



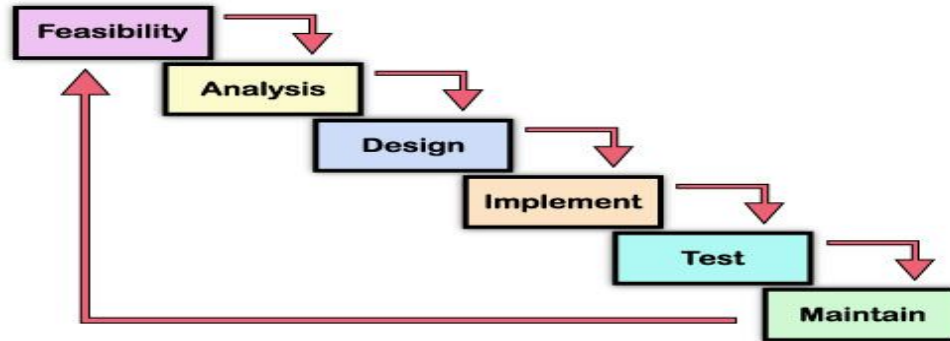
Concept and seed stage

- Founders capture vision and passion for company on cocktail napkin, translate these into key ideas that form the basis of the business plan
- Then define issues surrounding product. What is the concept? What are the features and benefits? Can it be built? Who are the customers and where can they be found?

Product development

- Company begins to develop and specialize based on functional areas.
- Marketing refines the market size, begins targeting first customers, writes sales materials,
- Engineering writes specs and builds the product following: requirements -> design -> implementation -> verification -> maintenance*
- [*this is the product development innovation

Alpha / Beta test



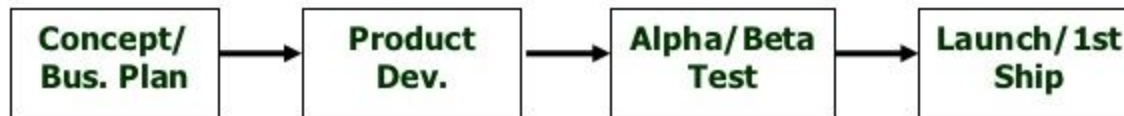
- Engineering builds upon classic waterfall development model
- Marketing develops a complete marketing communications plan and website
- Sales signs up first beta customers, begins to set up distribution channels, and staffs/scales staff outside headquarters

Product launch and first ship

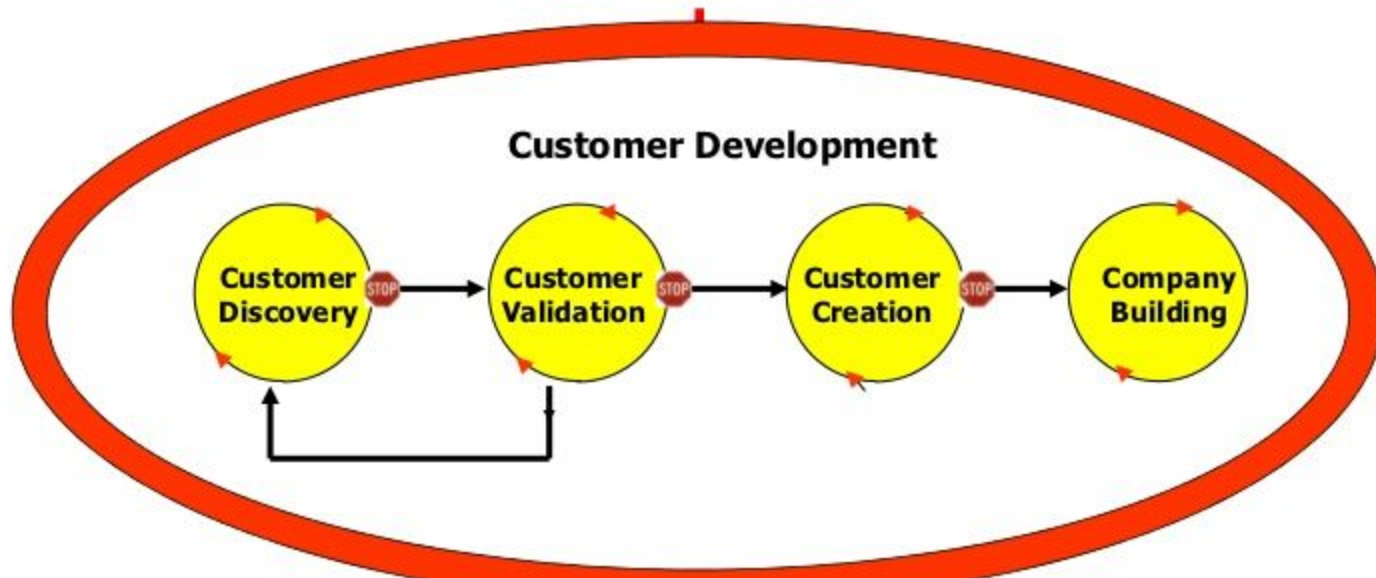
- Company goes into heavy spending mode
- Press events, creation of end-user demand, hire national sales rep...
- Only now does company know if it has a hit or a failure...

Customer Development

Product Development



Customer Development



Customer Development

- Steve Blank developed the Customer Development Methodology in the mid 1990s.
- It is a method that gives a **systematic** framework for startups and entrepreneurs of **how to develop products more successfully and with less market risk by developing better understanding of customers.**

Customer Development

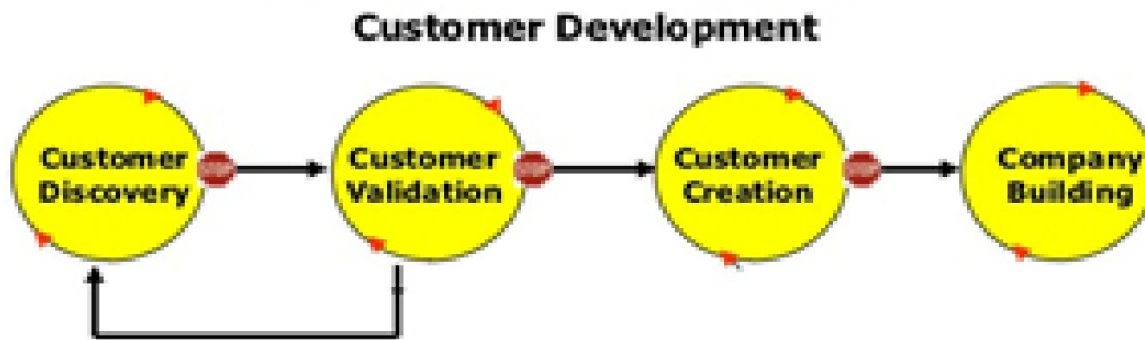
The Customer Development process is conducted parallel to the Product Development process, to create a balanced relationship between developing the product and understanding customers' needs.

Customer Development Process

- When it is not appropriate???
 - invention risk
- Invention risk is where it is uncertain if the product can even be developed at all, which cannot be solved by this methodology.

Customer Development Framework

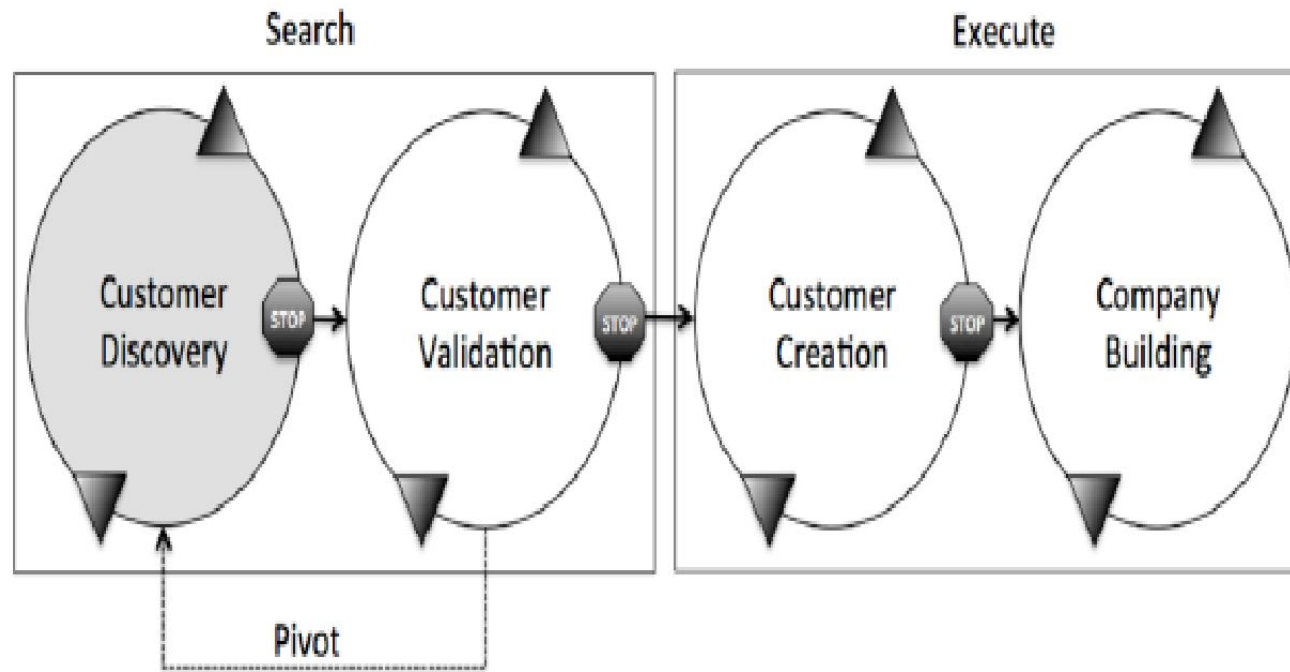
- The Customer Development framework consists of four blocks:
- Customer Discovery,
- Customer Validation,
- Customer Creation and
- Company Building.



Customer Development Framework

- Customer Discovery focuses on testing hypotheses and understanding customer problems by forcing the founders to get in touch with customers.
- Customer Validation focuses more on the uncertainty of developing a suitable sales model that can be replicated and scaled.

Customer Development Framework



Customer Development Framework – Customer Discovery

- Developing; “a product for the few, not the many”
- Searching for a problem-solution fit
- Concentrating on a limited number of customers is that it to design the vision into a **Minimum Viable Product (MVP)** to catch the interest of a small group of initial customers called “**Earlyvangelists**”.

Customer Discovery - Earlyvangelists

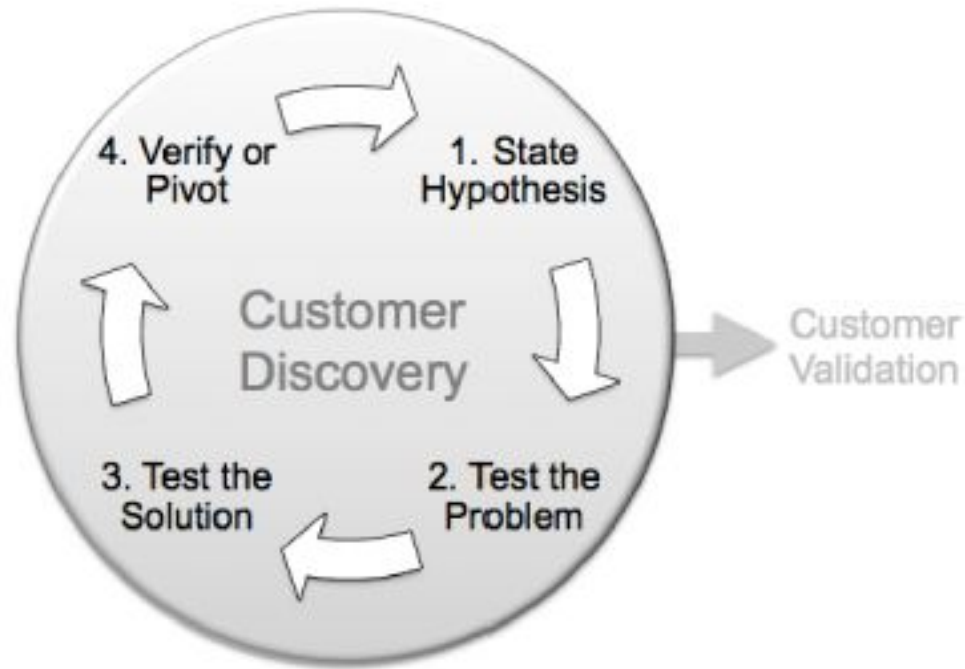
- These are visionary customers who buy unfinished and untested products and every industry has a small subset of these visionaries willing to take a leap of faith on an early product.
- Earlyvangelists are used to test the entire buying process.

Customer Discovery - Earlyvangelists

Earlyvangelists



Customer Discovery



Customer Discovery

- In the first step, the founders are guided to state several hypotheses about its future business model.
- In step two, the founders must “get out of the building”, and start talking to real customers and test their hypotheses.
- The hypotheses are inaccurate initially; “No startup business plan survives first contact with customers”.

Customer Discovery

- In the third step, “test the solution”, founders interact with customers once again, this time presenting the solution.
- In the fourth step, the updated hypotheses are once again tested and validated with customers and, depending on the outcome, it is necessary to either **pivot** or proceed.

Customer Discovery

- “Pivoting” is changing a fundamental part of the business model.
- It can be simple: recognizing that your product was priced incorrectly.
- It can be more complex:
 - your target customer needs to change,
 - the feature set is wrong,
 - you chose the wrong sales channel or
 - your customer acquisition programs are ineffective.

Phase One of Customer Discovery - State the Business Model Hypotheses

The Hypothesis : C-P-S










- Customer
 - Who is using your product?
- Problem
 - What problem do they have?
- Solution
 - How will you solve the problem?



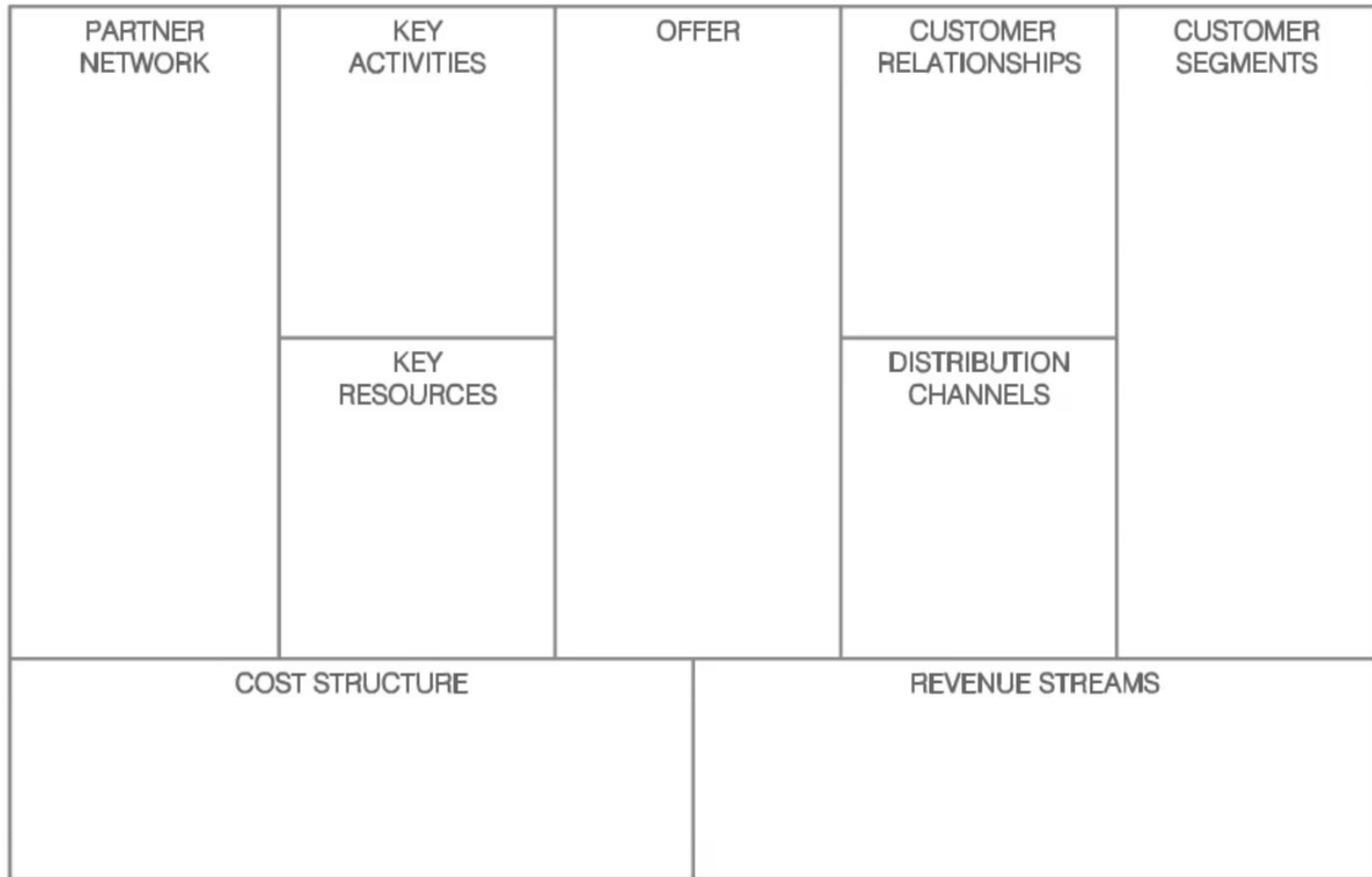
Phase One of Customer Discovery - State the Business Model Hypotheses

- To facilitate the Customer Discovery process and get a shared and clear understanding of the business model throughout the company, Blank & Dorf advocate founders to use the **Business Model Canvas** developed by Alexander Osterwalder.
- The Business Model Canvas represents the company in nine boxes that depict the details of a company's products, customers, distribution channels, demand creation, revenue model, partners, resources, activities and cost structure.

Business Model Canvas -

 Key Partners	 Key Activities	 Value Propositions Write directly to the canvas... Or use the post-it™ note <div data-bbox="807 454 1124 674" style="border: 1px solid red; padding: 5px; text-align: center;">Double click on the post-it™ to edit. Recolour it using the picture format tools.</div>	 Customer Relationships	 Customer Segments
	 Key Resources	...or both	 Channels	
 Cost Structure		 Revenue Streams		

THE BUSINESS MODEL CANVAS



The Business Model Canvas

- **Key Partners**

- Who are your key partners/suppliers?
- What are the motivations for the partnerships?

- **Key Activities**

- What key activities does your value proposition require?
- What activities are important the most in distribution channels, customer relationships, revenue stream...?

- **Value Proposition**

- What core value do you deliver to the customer?
- Which customer needs are you satisfying?

The Business Model Canvas

- **Customer Relationship**

- What relationship that the target customer expects you to establish?
- How can you integrate that into your business in terms of cost and format?

- **Customer Segments**

- Which classes are you creating values for?
- Who is your most important customer?

- **Key Resource**

- What key resources does your value proposition require?
- What resources are important the most in distribution channels, customer relationships, revenue stream...?

The Business Model Canvas

- **Distribution Channel**

- Through which channels that your customers want to be reached?
- Which channels work best? How much do they cost? How can they be integrated into your and your customers' routines?

- **Cost Structure**

- What are the most cost in your business?
- Which key resources/ activities are most expensive?

- **Revenue Stream**

- For what value are your customers willing to pay?
- What and how do they recently pay? How would they prefer to pay?
- How much does every revenue stream contribute to the

Example of business-models-canvas

Case Study – Fast Food Outlet

[Business Model Canvas 1](#)

[Business Model Canvas 2](#)

[Business Model Canvas 3](#)

[Business Model Canvas 4](#)

[Business Model Canvas 5](#)

Tool for creating business-models-canvas

<https://canvanizer.com/new/business-model-canvas>

Example of Canvas :

<https://canvanizer.com/canvas/rxoOpIF6jRmeh>

Phase One of Customer Discovery - State the Business Model Hypotheses

- Each experiment for hypothesis testing should include three parts:
 - **Hypothesis:** Which assumption are you validating?
 - **Test design:** How will you validate this assumption?
 - **Outcome:** What did you learn from the results of the hypothesis test?

Phase One of Customer Discovery - State the Business Model Hypotheses

- By 'hypothesis' we mean an explicit statement about an assumption that your business model is based on.
- Types of Hypothesis:
 - Qualitative Hypothesis
 - Quantitative Hypothesis

Phase One of Customer Discovery - State the Business Model Hypotheses

- **Qualitative hypothesis** testing is great for exploring each persona, their perceptions and interactions with your product.
- The results might not be representative of everyone in the market for your product, but will help you get to the early adopters in the market.
- This might be the case if you are still exploring several very different ideas, and trying to get a general sense for which one to prioritize.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Example of SmashBulb:
 - Hypothesis:
 - Choosing a Persona ‘Off mood Oscar‘ who is always in rough mood.
 - So, our very first hypothesis might be to find someone roughly resembling this persona and ask in very general terms: "What does a Off mood Oscar ' think of our product idea?"
 - Test design:
 - To test this hypothesis and explore the multiple possible answers, we might go to a local graduate student hang-out near university and try and talk to at least one person like Oscar.
 - This might require talking to ~10 people until we find one that is a closer fit to the George persona.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Example of SmashBulb:
 - Outcome:
 - After interviewing, we then focus on recording all of feedback, including responses we did not anticipate.
 - The feedback and lessons learned will be very specific to that individual, and may not be generalizable to a larger segment in the market.
 - So, the feedback received should be taken with some caution, in case the person we interviewed is as unique as Oscar, and not at all representative of additional customers.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Even at a relatively early stage, one can start to use quantitative metrics to test business model hypotheses.
- Assuming that personas have generally validated, now one might want to take a closer look at some of the product features.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Example of SmashBulbs:
 - Hypothesis:
 - What sales model (price and quantity) is most attractive to our customers? Or, more specifically, "Are our customers more interested in (i) single purchases at \$10/item, (ii) 6-packs at \$50 (a 16% discount), or (iii) monthly subscriptions of 10 SmashBulbs at \$75/month (a 25% discount)?"

Phase One of Customer Discovery - State the Business Model Hypotheses

- Example of SmashBulbs:
 - Test design:
 - To test this hypothesis, we could create, for free, a relatively simple website that summarizes each of these three options.
 - We could then show the website to a group of potential customers by posting the URL in a Facebook group for graduate students at a local university. Using the site, we could then watch their behaviour using website analytics.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Example of SmashBulbs:
 - Outcome:
 - Using analytical data of the traffic on the site, we could learn that between 6-8 times more people clicked on the link to order a single product, than the subscription model, and no-one clicked on the 6-pack order link.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Example of Setting Hypothesis:

Phase One of Customer Discovery - State the Business Model Hypotheses

- MVP:
 - For a startup, it is essential to validate its value and growth hypotheses as soon as possible.
 - In order to do that, the company has to come up with a version of its product that is complete enough to demonstrate the value it brings to the users: a minimum viable product (MVP).
 - It then needs to design experiments that will use the MVP to confirm (or refute) its value and growth hypotheses.

Phase One of Customer Discovery - State the Business Model Hypotheses

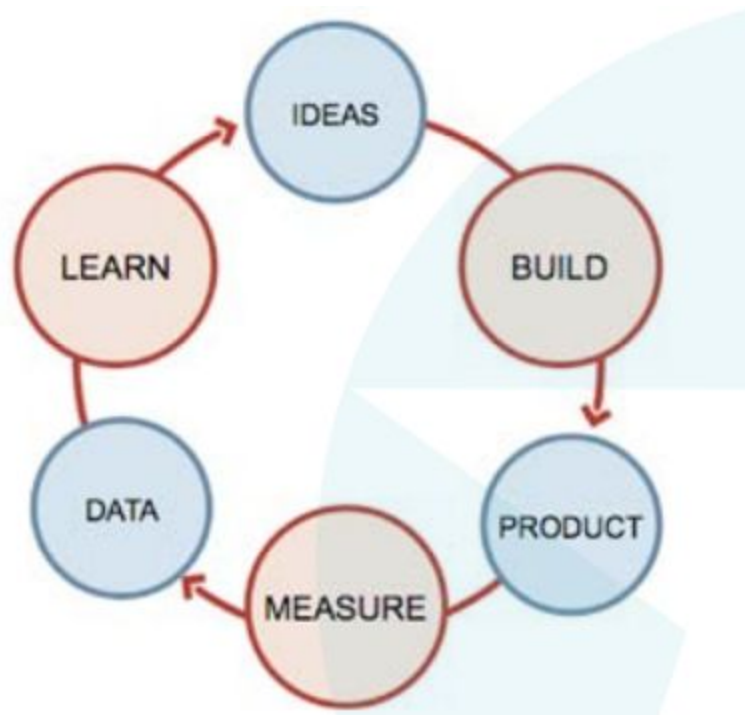
- MVP:
 - A minimum viable product (MVP) is a concept from Lean Startup that stresses the impact of learning in new product development.
 - Eric Ries, defined an MVP as that version of a new product which allows a team to collect the maximum amount of validated learning about customers with the least effort.
 - This validated learning comes in the form of whether your customers will actually purchase your product.

Phase One of Customer Discovery - State the Business Model Hypotheses

- MVP:
 - The primary benefit of an MVP is you can gain understanding about your customers' interest in your product without fully developing the product.
 - The sooner you can find out whether your product will appeal to customers, the less effort and expense you spend on a product that will not succeed in the market.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Building MVP:



Phase One of Customer Discovery - State the Business Model Hypotheses

- Building MVP :
 - The **first stage is the stage of creating, called build**, in which the startup makes the minimum viable product based on the assumptions written on the canvas.
 - Then in the next stage, the startup shows the minimum viable product to customers and, with a combination of qualitative and quantitative data, checks the reaction of customers and thus validates or rejects its assumptions. The stage is thus called **measure** because the startup measures the reactions of potential customers.
 - All this leads to the last stage, namely the stage of **learning**. The findings are what help the startup decide whether a pivot is necessary or not.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Designing MVP: Features need to be considered for the MVP

1 Value to customer.

- To choose these it's worth talking to a cross-section of potential clients.
- This gives you an idea for the spread of functionality (typically everyone wants something different, even if only slightly), and also where the “sweet spot” that maximises your market.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Designing MVP: Features need to be considered for the MVP

2 Superiority to competition.

- Some of the functionality is call a “blocker” - that means you have to have it, but being any better won’t help. A good example of this this might be air conditioning in a car. You have to have it, but almost nobody differentiates on it.
- Other functionality is a “pusher”, which means that more is more. A car example here might be performance or economy. Overall though, the MVP can’t be “me too”, there has to be some unique value.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Designing MVP: Features need to be considered for the MVP

3 Ease/Speed to build.

- A cure for cancer would be great, but may be a bit tricky to develop in the next 4 months. You have to understand the costs and risks.

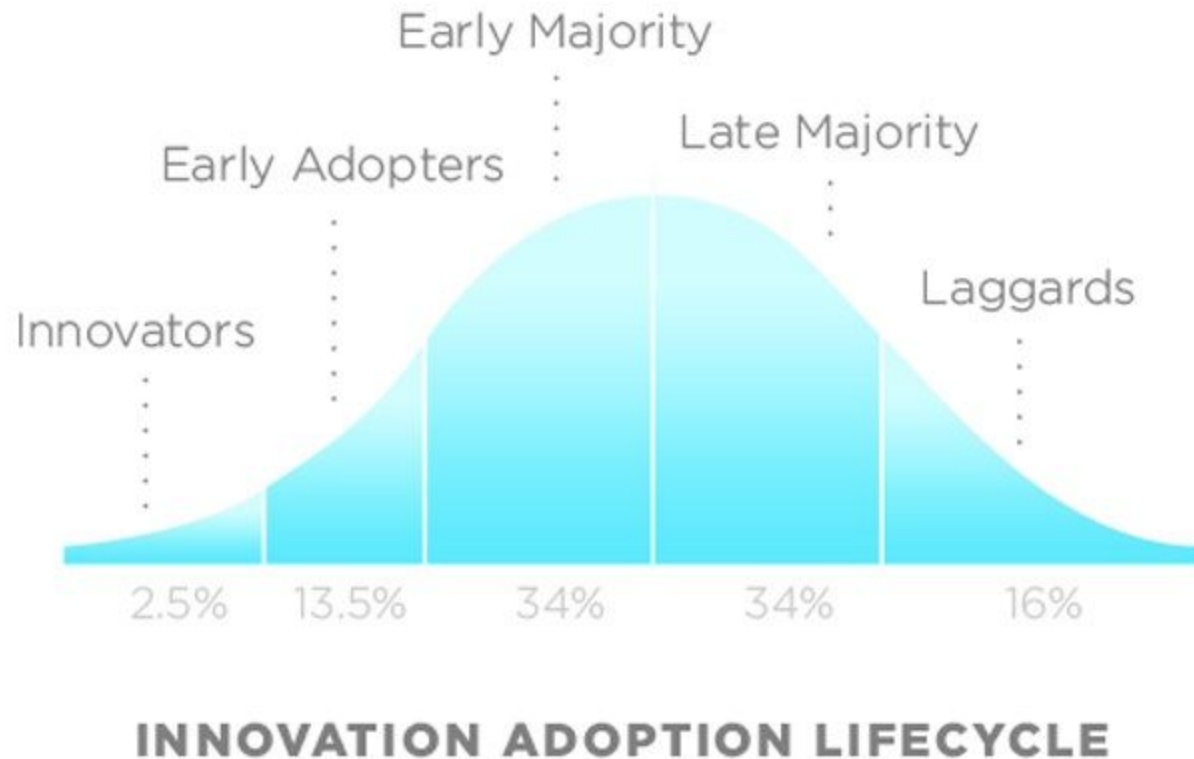
Phase One of Customer Discovery - State the Business Model Hypotheses

- MVP:
- The minimum viable product often isn't a lot more than an advert. Examples of a minimum viable product are:
 - video presentation,
 - manually doing the service instead of building the product,
 - landing pages,
 - testing the idea through crowdfunding,
 - quickly prototyping with 3D printers,
 - and other approaches that give a simulation of the actual product and the potential customer's purchasing decision.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Advantages of MVP:
 - On the one hand, an MVP may need less time to develop and should have just the “bare bones” set of features.
 - On the other hand, an MVP should include development of capabilities to measure its traction in the market.
 - The MVP process is iterated until a desirable product-market fit is obtained, or until the product is deemed to be non-viable and the game is to minimize total time spent on iteration.

Phase One of Customer Discovery - State the Business Model Hypotheses



Phase One of Customer Discovery - State the Business Model Hypotheses

- Different types of User :
 - Innovators
 - Aggressively adopt new technologies, exclusively for technological interests. They are mostly the people working with technology, innovators, scholars and other technology enthusiasts. Their main characteristic is that they don't have a problem spending hours upon hours with a certain technical product until it starts working properly.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Different types of User :
 - Early adopters
 - Adopt and use new technologies because of the actual benefits that they bring.
 - Early adopters are usually visionaries outside and inside organizations, who are the first buyers of new technological products and as such finance their further development.
 - They are prepared to accept bigger risks and convince others in their environment to do the same.
 - Their characteristic is that it is easy to sell something to them but it's difficult to satisfy their needs, because they are, after all, a type of visionaries.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Different types of User :
 - Early majority
 - They adopt and use new technologies, but only after the technology is developed well enough that there aren't too many errors and un-working aspects.
 - It's a pragmatic segment that's more difficult to profile, because they don't accept overly large risks like visionaries do.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Different types of User :
 - Late majority
 - They aren't interested in technology, but they buy a solution when it becomes the market standard. We can call them conservatives.
 - They are against technological changes and are often somewhat afraid of new technologies.
 - They are stubborn towards changes and when they start using new technologies, that doesn't mean that they like it.

Phase One of Customer Discovery - State the Business Model Hypotheses

- Different types of User:
 - Laggards
 - They don't want to use new technologies or they adopt them extremely late.
 - They often block the buying of new technologies in environments they work in, which is why it's incredibly important that technological companies neutralize them.

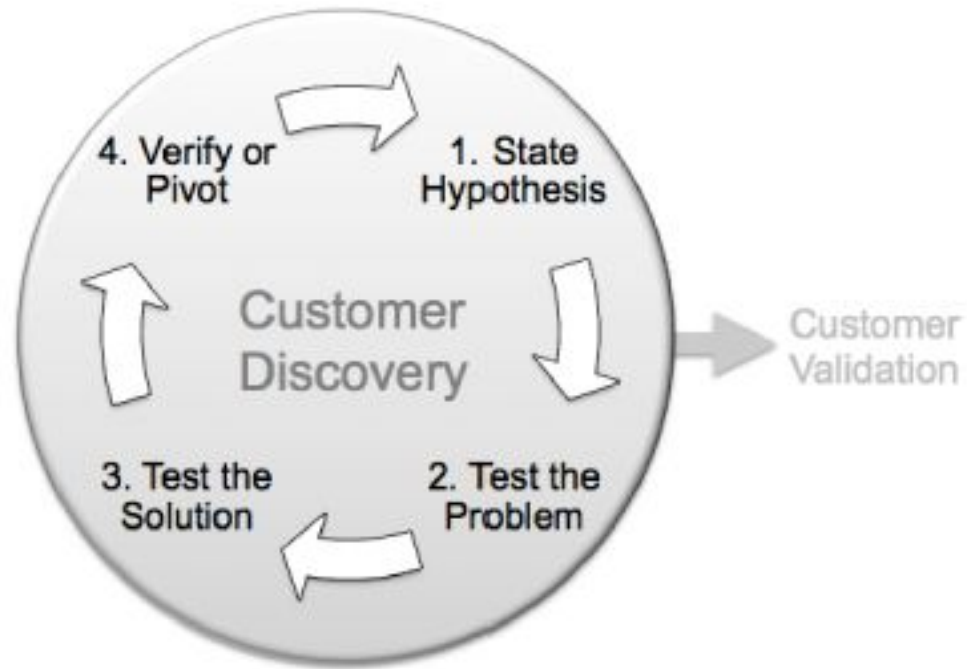
Phase One of Customer Discovery - State the Business Model Hypotheses

- Characteristics of Earlyvangelist:
 - Have a problem and a need.
 - Realize that they have a problem.
 - Were actively looking for a solution in the past and have to solve the problem as soon as possible.
 - Somehow manage to solve the problem temporarily in an ineffective way using several different parts and activities.
 - Have a budget for buying a better solution.

Phase One of Customer Discovery - State the Business Model Hypotheses

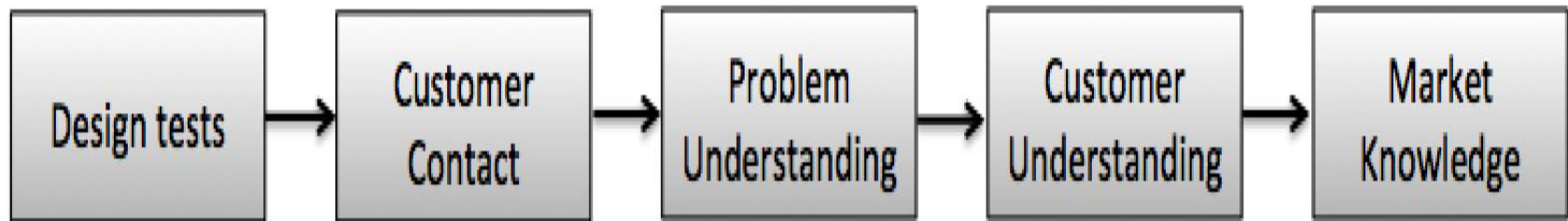
- Market Size Hypothesis
 - It helps startups map the size of the market, and perhaps realizing the boundaries of their business model.
 - Estimating the market size helps to determine the future potential of one's efforts.
 - It contains questions like;
 - How big is the number of potential users and is there a market with future rapid growth?
 - From what adjacent markets can customers come?

Customer Discovery



Phase Two of Customer Discovery

Test the Problem



During this second phase of the Customer Discovery, *Testing the Problem*, design test cases based on hypothesis.

Phase Two of Customer Discovery

Test the Problem

- In the next step of the CD method, **Preparing for Customer Contact and Engagement**,
 - you start by writing a list of 50 target customers.
 - Address Problem these customers
 - Discuss solution with them

Phase Two of Customer Discovery

Test the Problem

- Make use of problem presentation table during customer meetings

List of Problems	Today's solutions	New Solutions
Problem 1	Solution 1	New Solution 1
Problem 2	Solution 2	New Solution 2
...

Phase Two of Customer Discovery

Test the Problem

- The **Problem Presentation** is designed to elicit information from customers.
- The following questions are recommended for the problem meeting with customers:
 1. We think these are the five top problems facing the industry. How would you rank them as they affect your company?
 2. If you have three major problems to solve (in this area) in the year ahead, what are they and why do they make the “top three”?
 3. How does your company evaluate new products? (price? performance? features?)

Phase Two of Customer Discovery

Test the Problem

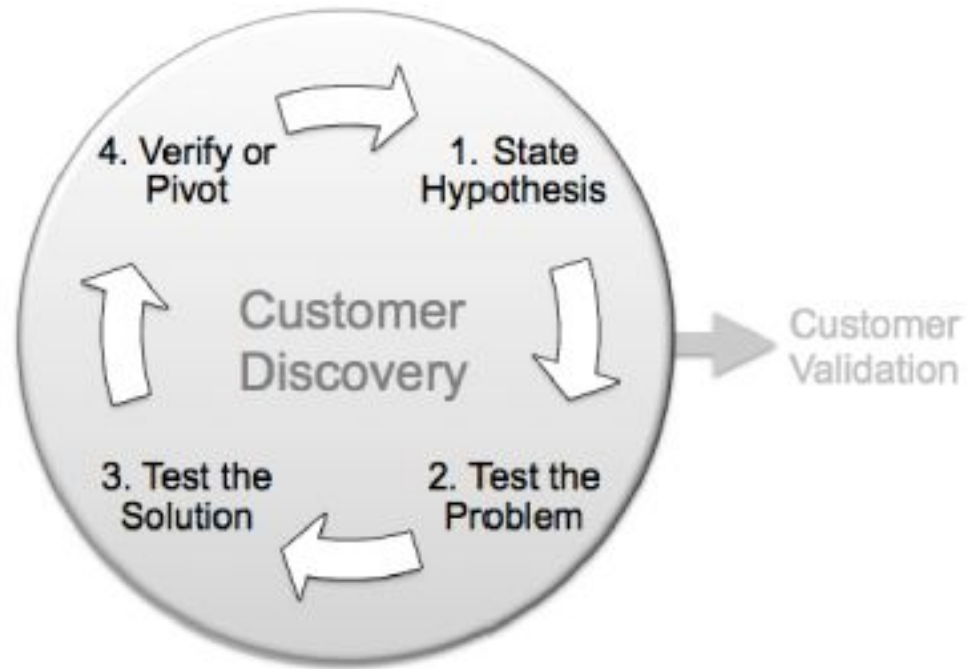
- *Customer feedback* should provide “*additional insight, not numerical data*”.
- After the first customer interaction the customer data should be amalgamated and “scored” to help gauge if enough Earlyvangelist candidates were identified.
- After enough interviews the founders should be able to determine what the customer problem is and update the hypothesis accordingly.

Phase Two of Customer Discovery

Test the Problem

- *Market knowledge* should also be captured by reading reports on the markets, adjacent markets and through listening to competitors and other market actors.
- Quantitative data should be gathered and evaluated to learn about the market, other products and competitor.

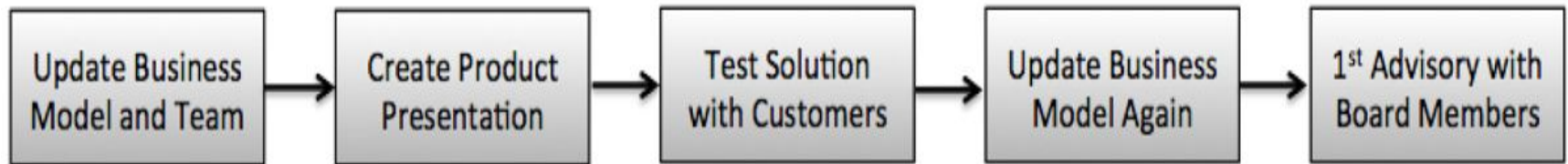
Customer Discovery



Phase Three of Customer Discovery

Test the Solution

- The previous phase tested the customer problem and this phase tests whether the solution, or the value proposition, gets customers enthusiastic enough about buying the product.
- This phase consists of five key steps that will be described in more detail :



Phase Three of Customer Discovery

Test the Solution – Update Business Model and Plan

- Update the business model and team by amalgamating the data from the research and the conducted interviews.
- Share everything that has been learned and adjust the hypotheses accordingly.
- Everything should be questioned and a decision should be made on whether to pivot or proceed.

Phase Three of Customer Discovery

Test the Solution – Create Product Presentation

- Create the product/solution presentation with the revised hypotheses that can be presented to customers.
- Demonstrate the product if possible; even sketches or prototypes of key concepts or feature help customers understand

Phase Three of Customer Discovery

Test the Solution – Test Solution with Customers

- Test the product solution with the customer by measuring enthusiasm most of all.
- Ask pricing question and probe how much they would be willing to pay.
- The goal is an MVP at this stage and not to add more features.

Phase Three of Customer Discovery

Test the Solution – Update Business

Model again

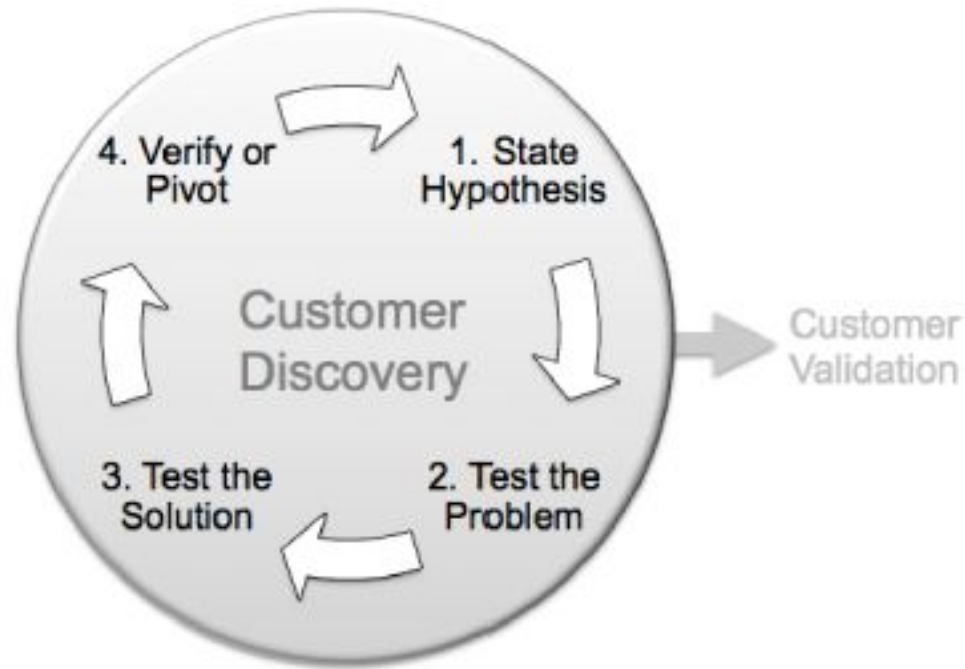
- Update the business model again to reflect the latest round of Customer Discovery “solution” findings.
- Business model should undergo regular updates.

Phase Three of Customer Discovery

Test the Solution – 1st Advisory with board Members

- Identify the first advisory board members by prospecting and identifying these people among your customers and other actors whilst performing Customer Discovery.
- These are people outside the company who cannot be hired full time but will often be willing to help in an advisory capacity and it is important to capture their advice and expertise.

Customer Discovery



Phase Four of Customer Discovery

Verify or Pivot

- **Pivoting** is the action of abandoning a hypothesis that proved to be wrong, and steering the startup to a new direction that has not been tried and tested yet.
- Startups go through **multiple pivots** that form a chain of changes.
- The business plan might go through remarkable remakes in the process, **but this does not happen in one go.**
- **A singular pivot focuses** on just one detail of the business plan, such as feature set or

Phase Four of Customer Discovery

Verify or Pivot

- The necessity of pivot is not limited to cases where the startup is going down in terms of financial capital and the number of customers.
- One can make an MVP (Maximum Viable Product) that successfully attracts the attention of early adopters and gives the startup a good start, but this does not guarantee the popularity among mainstream users who form the majority of all.
- In other words, there are different types of pivots.

Phase Four of Customer Discovery

Verify or Pivot

- Different types of pivots:
 - Zoom-in Pivot
 - In this pivot type, what previously was considered just one feature among the others, becomes the whole product. The other features are dropped.
 - Zoom-out Pivot
 - It happens quite often that one single feature is not enough to support the product. In a zoom-out pivot, what used to be considered the whole product, becomes just one feature of a somewhat larger whole.

Phase Four of Customer Discovery

Verify or Pivot

- Different types of pivots:
 - Customer Segment Pivot
 - A customer segment pivot happens when a company realizes that the product it is making does indeed solve a real problem for real customers, but those customers are not the kind of customers the company originally planned to serve.
 - The product hypothesis is partially but only partially confirmed, solving an important problem but for a different customer group than what was originally assumed.

Phase Four of Customer Discovery

Verify or Pivot

- Different types of pivots:
 - Customer Need Pivot
 - When getting to know customers well, it sometimes shows that the problem you are trying to solve is not that important after all.
 - However, because of being close to the customer, you may discover more significant problems that you can solve. Again, the product hypothesis is just partially confirmed.

Phase Four of Customer Discovery

Verify or Pivot

- Different types of pivots:
 - Platform Pivot
 - A platform pivot means a change from an application to a platform or vice versa. Most commonly, startups that aspire to create a new platform begin life by selling a single application, the so-called killer app, for their platform.
 - Only later does the platform emerge as a vehicle for third parties to leverage as a way to create their own related products.

Phase Four of Customer Discovery

Verify or Pivot

- Different types of pivots:
 - Business Architecture Pivot
 - Companies generally follow one of two major business architectures: “high margin, low volume” or “low margin, high volume”.
 - The former is commonly associated with business-to-business (B2B) or enterprise sales cycles, and the latter with consumer or products.
 - In a business architecture pivot, a startup switches its architecture. Some companies change from „high margin, low volume“ by entering mass market, while others, originally designed for the mass market, turn out to require long and expensive sales cycles.

Phase Four of Customer Discovery

Verify or Pivot

- Different types of pivots:
 - Value Capture Pivot
 - The monetization or revenue model is tweaked to capture value, with corresponding changes in business, product, and marketing strategies. Simply put, this pivot is a change in pricing models.
 - It should be highlighted that monetization is not an isolated feature of a product that can be added or removed at will.
 - Capturing value is an intrinsic part of the product hypothesis.
 - Changing the way a startup captures value can have very far-reaching consequences.

Phase Four of Customer Discovery

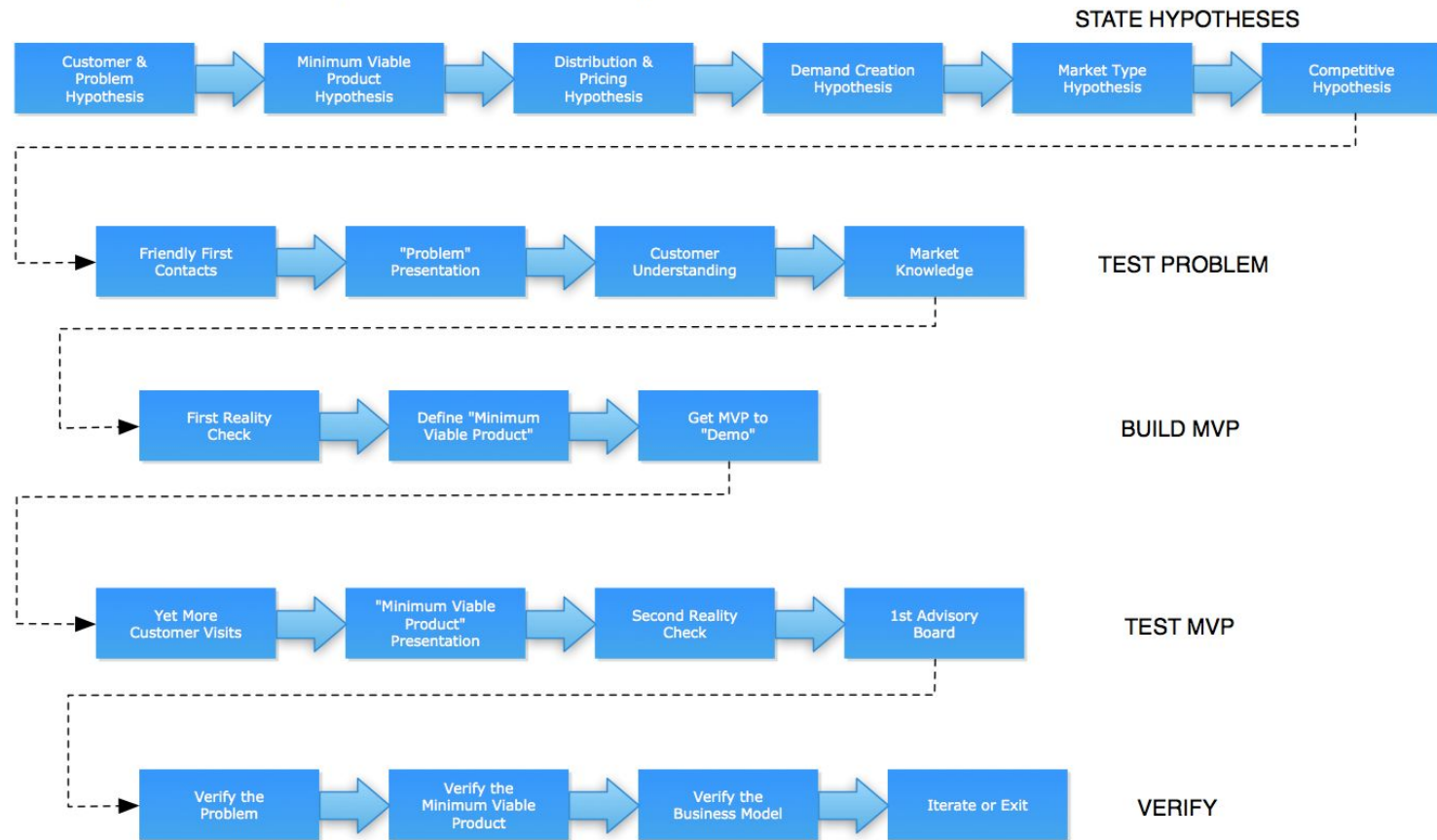
Verify or Pivot

- Different types of pivots:
 - Technology Pivot
 - A startup achieves the original solution using a different technology that can provide superior price and/or performance to improve competitive condition.
 - Engine of Growth Pivot
 - In this type of pivot, a startup changes its growth strategy to seek faster and/or more profitable growth.
 - Channel pivot
 - The startup decides for other main distribution channels and a way to market, sell and distribute its products and services to its customers.

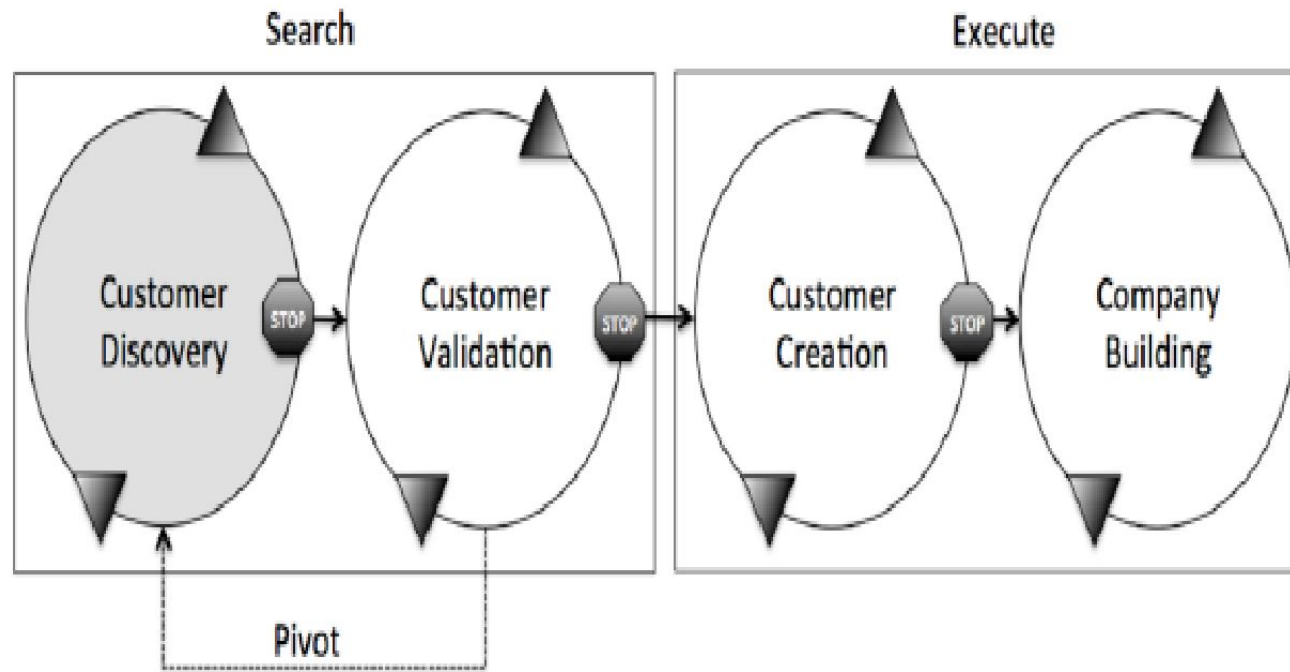
Phase One of Customer Development

Customer Discovery for Web Startup

Customer Discovery for a Web Startup



Customer Development Framework



Phase One of Customer Development

Customer Validation

- In the Customer Development process there is a **feedback loop** from Customer Validation to Customer Discovery.
- This pivot means that in the Customer Development process, Customer Validation is the final checkpoint for verifying that customer needs (problem and its solution) are understood, and that the **startup has a realistic and profitable plan** of how to sell the product.
- If a startup fails in finding paying customers during Customer Validation, the process returns to Customer Discovery in order to (re)discover what

Phase One of Customer Development

Customer Validation

- The goal of Customer Validation is **to find product/market fit**: to be in a good market with a product which satisfies that market.
- Customer Validation is a process where the whole business plan can still undergo remarkable changes.
- It is important that the entrepreneurs get feedback directly from the customers.

Phase One of Customer Development

Customer Validation

The focus is now switched from customer's problem to the decision of buying or not buying, for the questions for sales roadmap are:

- How long does a normal sale take from beginning to end?
- Who is the decision-maker?
- What is the selling strategy? Is this a solution sale?
- If it is, what are the key customer problems?
- What is the profile of optimal earlyvangelists?

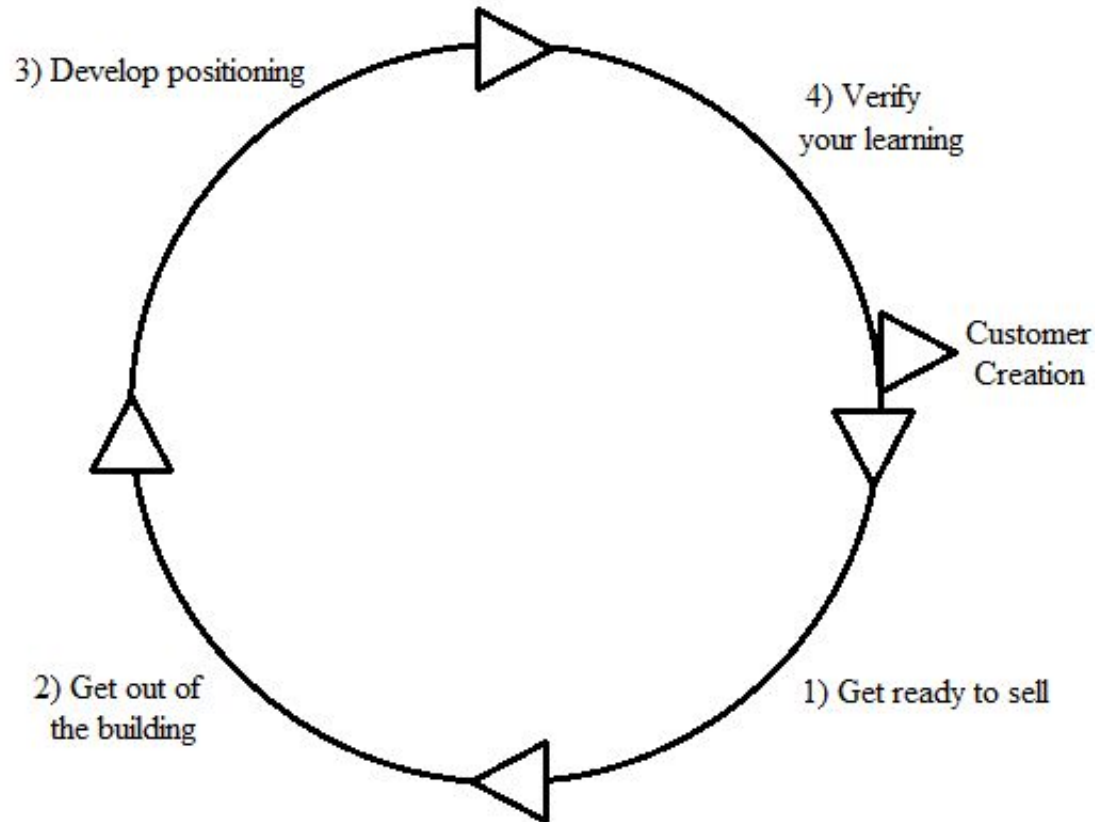
Phase One of Customer Development

Customer Validation

- Much like Customer Discovery, Customer Validation can also be shown as a cycle of four phases:
 - 1) get ready to sell,
 - 2) get out of the building,
 - 3) develop positioning and
 - 4) verify your learning.

Phase One of Customer Development

Customer Validation



Phase One of Customer Development

Customer Validation

- Phase 1 :
 - “Getting ready to sell” means some very practical activities, most importantly product positioning, creating a high-fidelity MVP, gathering plans to activate customers and building the metrics toolset.
 - Product positioning is not successful until the startup is able to explain shortly for whom the product is targeted, what is the reason to buy it, and how it is different from possible competitors.

Phase One of Customer Development

Customer Validation

- Phase 2:
 - In the second phase of Customer Validation, entrepreneurs get out once again to see whether their plans to activate customers work or not.
 - For this experiment the startup need its high-fidelity MVP and activation plans from the previous phase.
 - If only few potential customers are willing to activate and pay, the business model is not repeatable.
 - A startup also needs the unwilling customers to tell them why they do not find the product attractive. Getting paying customers and getting feedback are equally important.

Phase One of Customer Development

Customer Validation

- Phase III:
 - The third phase, “develop positioning”, begins when the second phase is carried out well enough to get the startup at least a couple of orders.
 - In this context “positioning” refers to both product positioning and company positioning.

Phase One of Customer Development

Customer Validation

- Phase III – Product Positioning
 - The startup already has a short product positioning statement which has been refined in both Customer Discovery and earlier phases of Customer Validation.
 - By now the startup has a fair amount of customer feedback and it is time to check if the positioning statement matches real-life customer reactions.
 - If the product positioning statement is not compatible with reality and the entrepreneurs do not know how to refine it, they contact the customers and ask them directly what is wrong.

Phase One of Customer Development

Customer Validation

- Phase III: Company Positioning
 - The other half of the third phase is company positioning. The difference to product positioning is that the latter focuses on product attributes, while company positioning answers company-related questions: “What good does this startup do for a customer?”, “Why would a customer want to do business with the startup?” and “Why does this startup exist and how is it different from all the others?”.
 - Obviously these questions, especially the first one, connect company positioning to product positioning.

Phase One of Customer Development

Customer Validation

- Phase III: Company Positioning
 - Just like the product positioning statement, the company positioning should be available in a brief and validatable form. If the startup entrepreneurs naively believe that customers want to do business with them because their startup is the best of all, their company positioning statement cannot be validated – “best” is too abstract a word.
 - Instead of that, attributes like speed, price and reliability are comparable and those can be used when talking about company positioning.

Phase One of Customer Development

Customer Validation

- Phase IV:
 - In the fourth phase of the Customer Validation cycle, the entrepreneurs sit down to think thoroughly if the startup should pivot or proceed.
 - At this point the startup is still a small company, meaning that potential losses are relatively small and changing the business plan is simple.
 - Taking some time now to consider the pivot-or-proceed question pays off in the long run.