

Getting It Right From The Start

From Failing Fast to Succeeding Sooner

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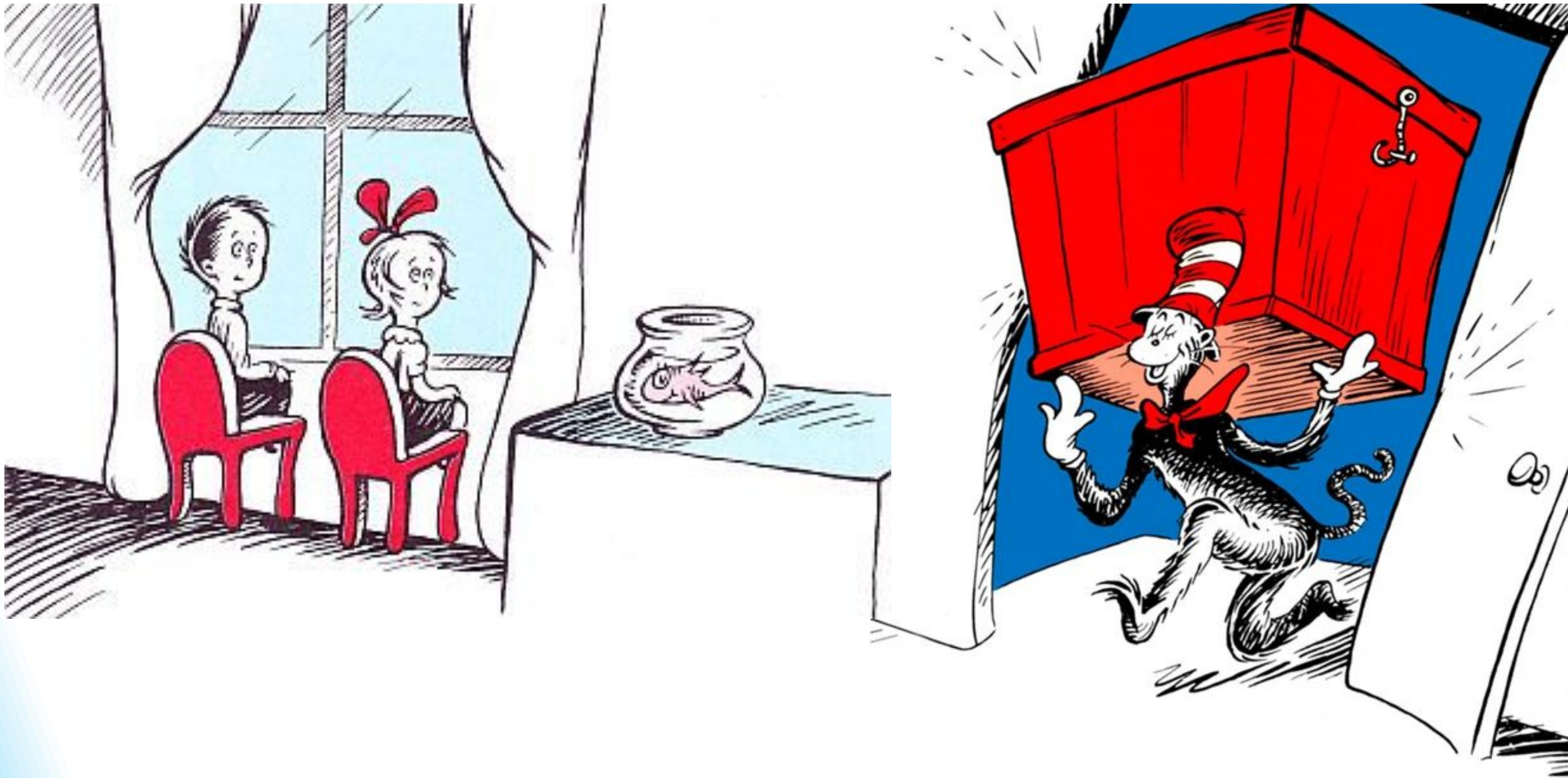
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@a_albert

What led you to start your business?



Your job is *great!*



What are your most difficult challenges?



Your job is *hard!*



But is hard really the problem?

I expect my current efforts

will eventually succeed

will ultimately fail

The real problem

Most of the time, we fail



We fail a lot!

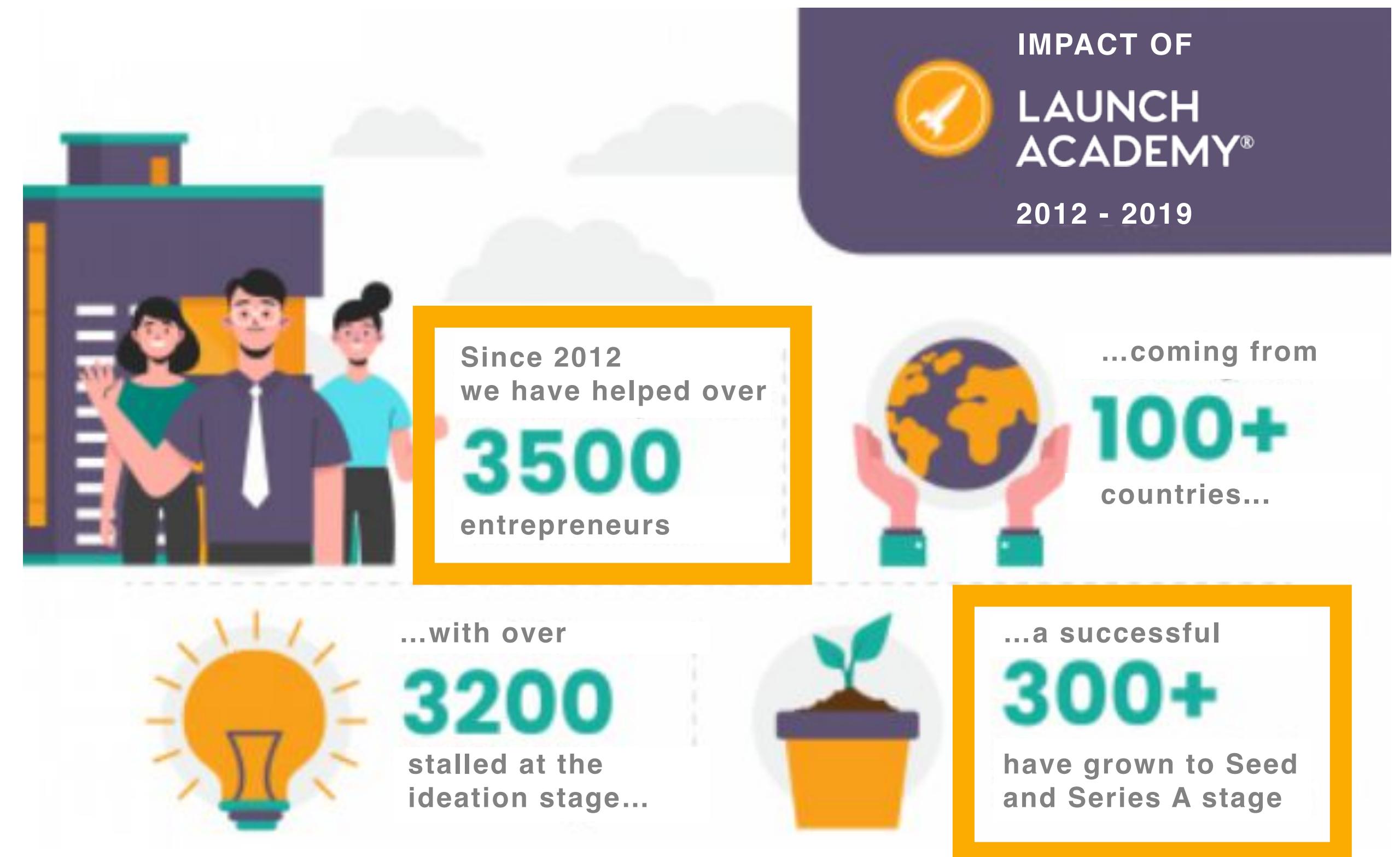
More than **80% fail**

Startups

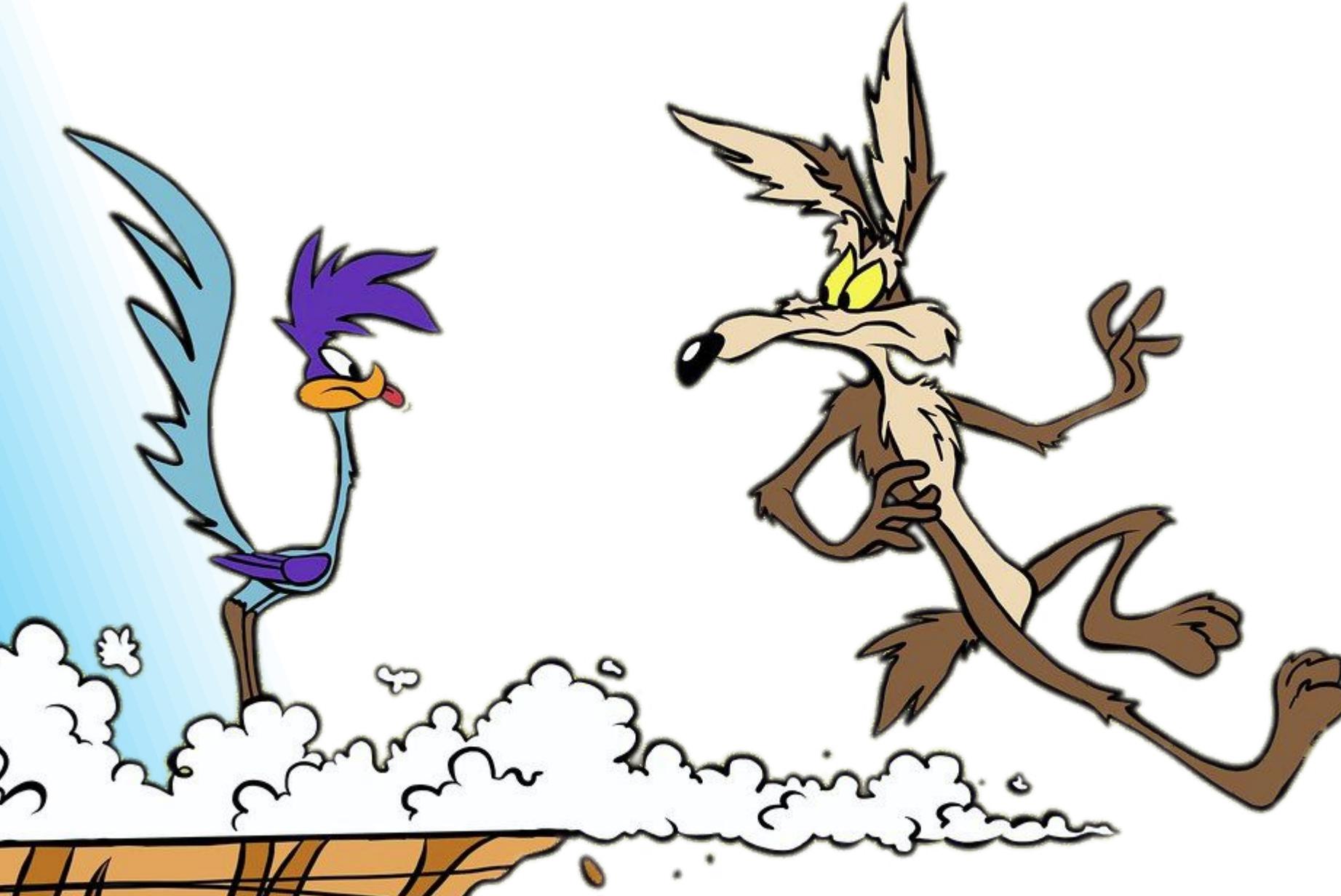
Products

Services

Features



We're not even aware we're going to fail



Google+

GoogleTM
Answers

Picasa

GoogleTM
Reader

GLASS

GoogleTM
Notebook

Google Goggles

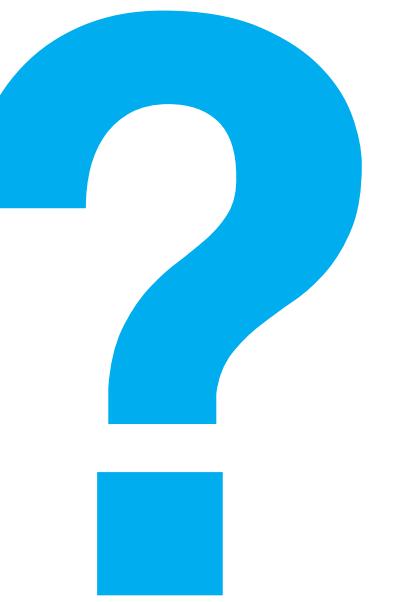
Google buzz

Google latitude

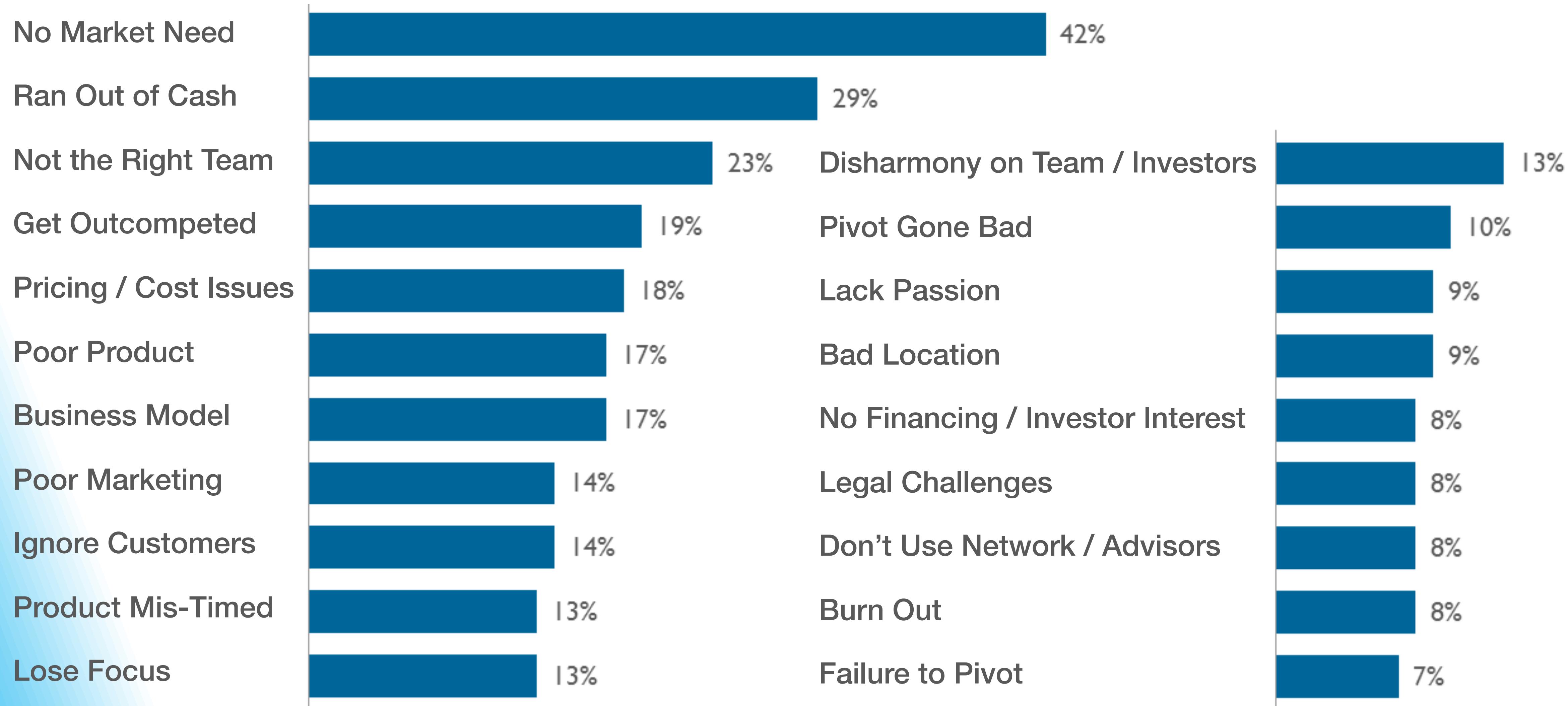
Google wave

talk

Why do we fail?



Why startups fail



Credit: CB Insights

Why startups fail

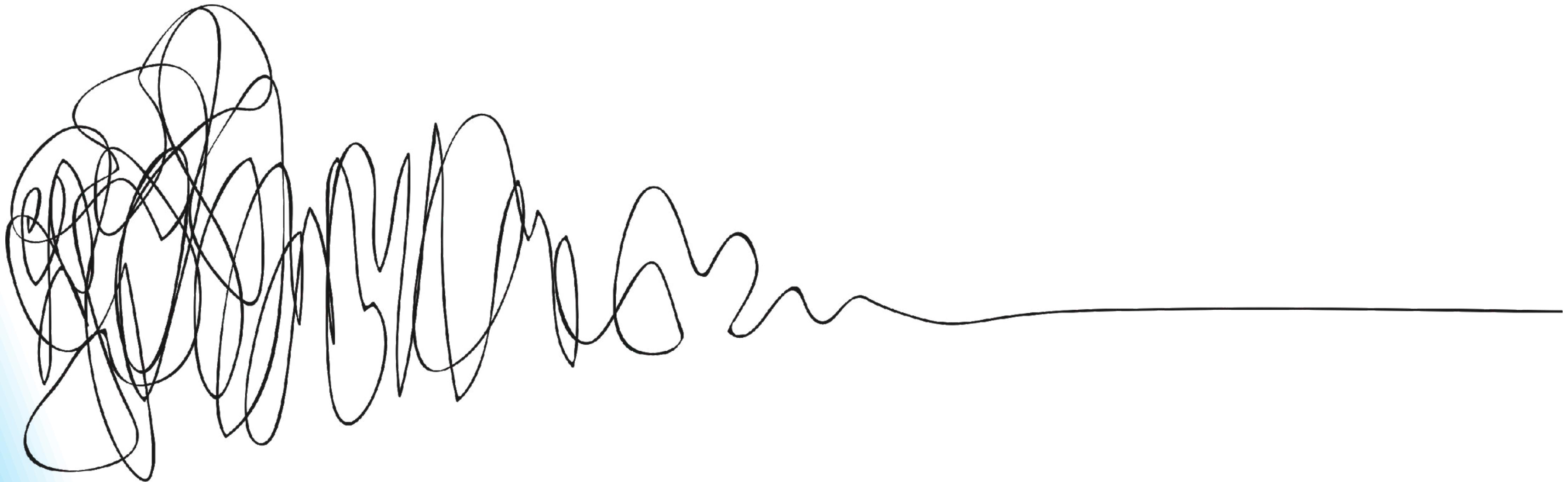
Problem

- Not enough are interested
- Not enough care
- Not enough buy
- Don't pay enough
- Don't continue to buy
- Not enough recommend



We've got some serious problems to fix

Product Creation Process



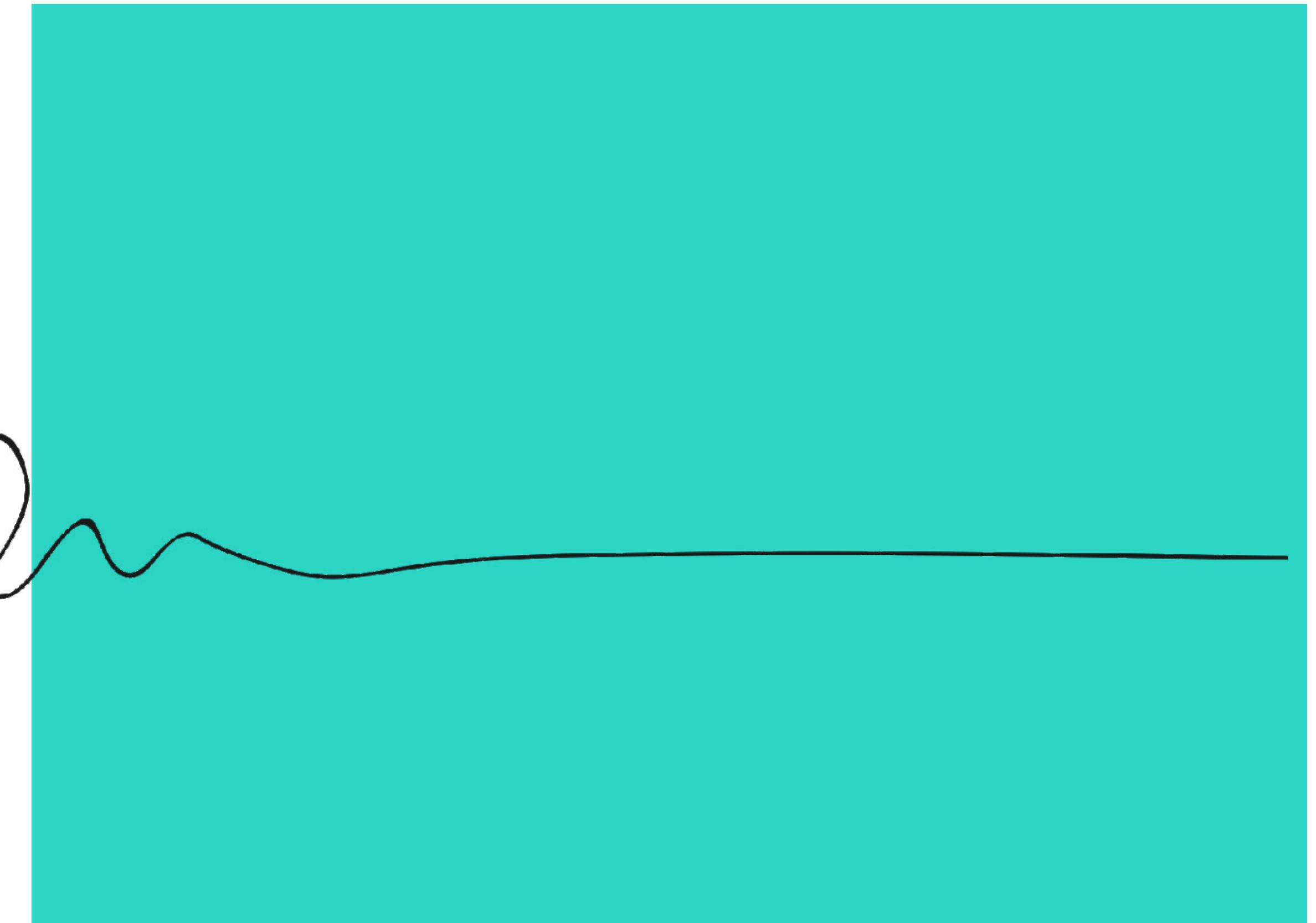
The Process of Design Squiggle by Damien Newman, thedesignsquiggle.com

Two distinct phases

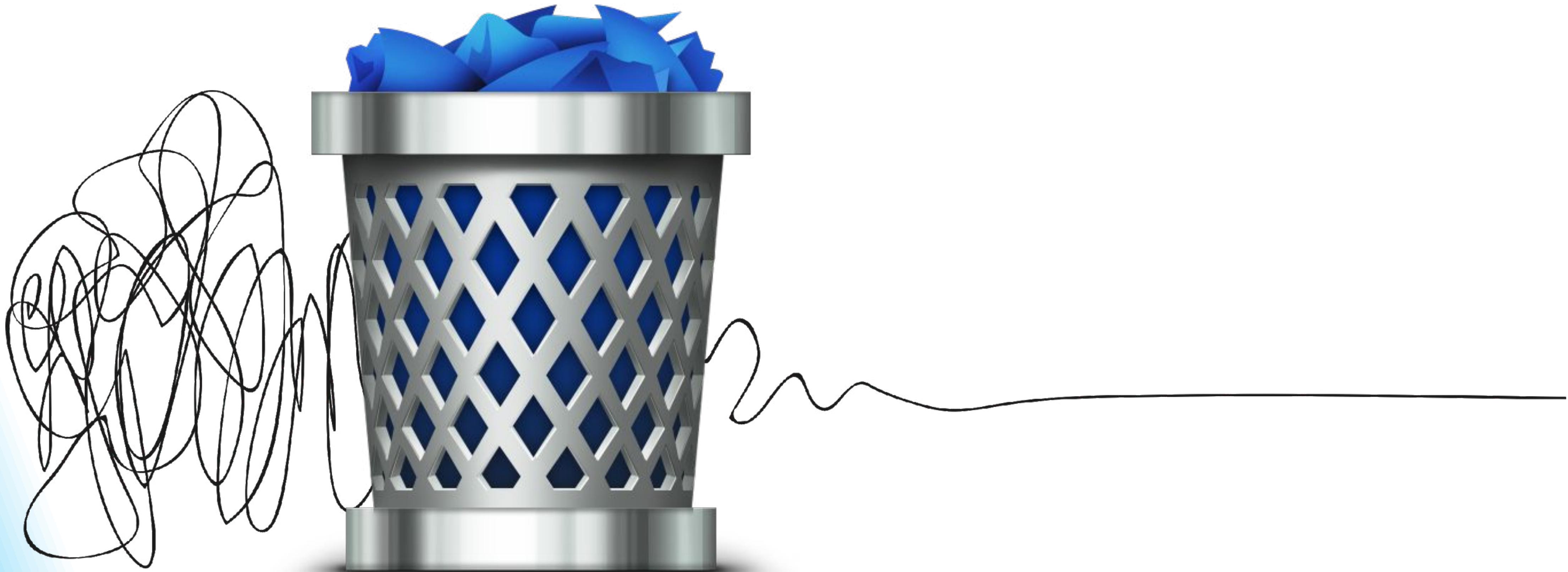
Discovery



Optimization



There's a lot of waste here



What if we could start here?



What can we do about these problems?

Problem	Possibility
Not enough are interested	Greater awareness
Not enough care	Strong interest
Not enough buy	Many eager to buy
Don't pay enough	Willing to pay more
Don't continue to buy	Eagerly buy again
Don't recommend	Recommend to many

You're probably skeptical

You may be thinking...

It sounds hard

It probably takes too long

What if a different approach doesn't work?

It might not be worth the effort

It sounds hard



It probably takes too long



What if a different approach doesn't work?



It might not be worth the effort



Change *is* hard



“What if we don’t change at all ...
and something magical just happens?”

I've been there...

I've been there....

Cognitive Psychology

Computer Science

Employee
Manager
Exec
CEO

Startups

SMB

Fortune 500

Investor
Advisory Board
Corporate Board
Chair

B2B Products & Services

B2C Products & Services

Non-Profit Organizations

Business Coach
Strategic Advisor



\$1B

I've failed...

Failed startups

Failed products

Failed managing

Failed marketing

Failed understanding customers



Over the past several years, I've been exploring...

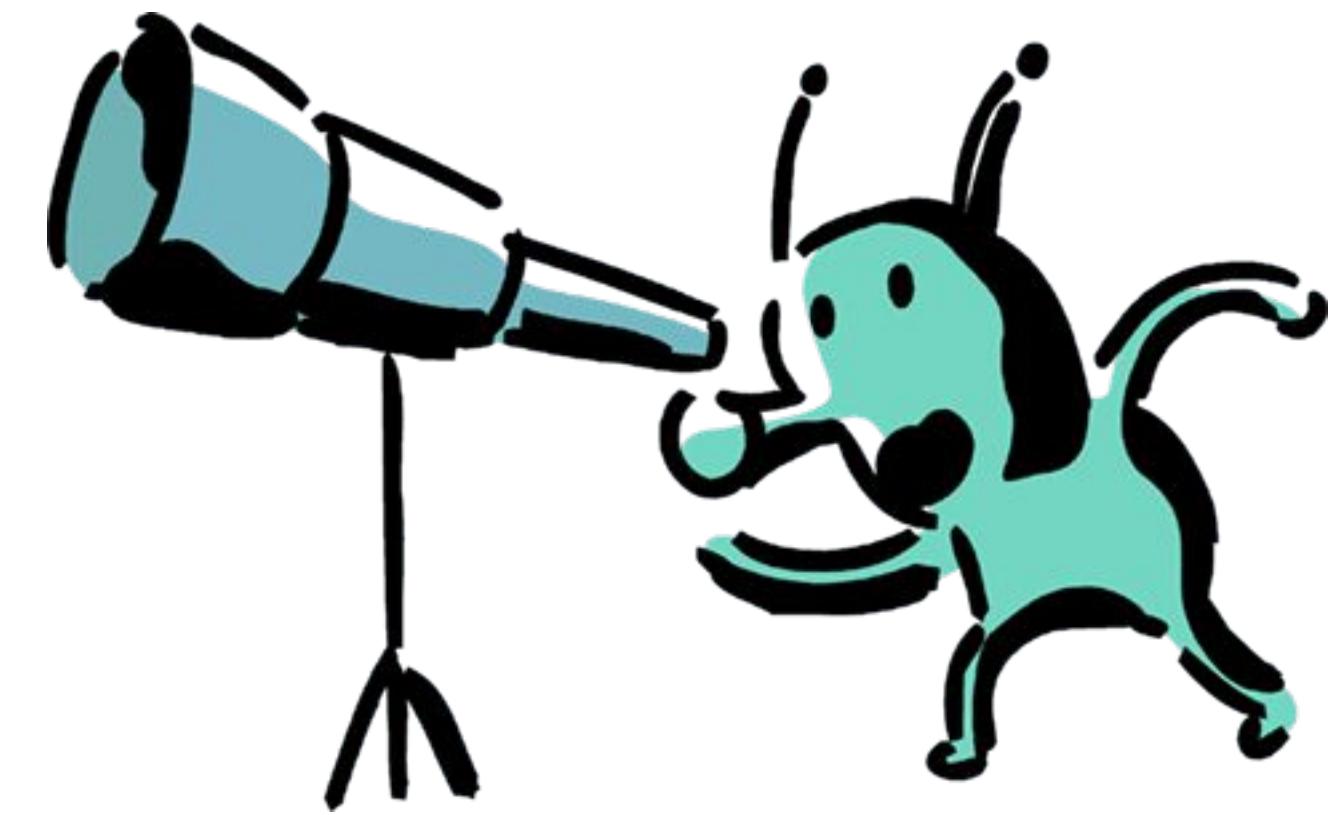
Why so much waste and failure?

Where does this waste happen?

How can we reduce the waste?

How can we fail less often and succeed faster?

What kinds of insights do we need?



You can achieve success, faster

Once you have the skills and tools



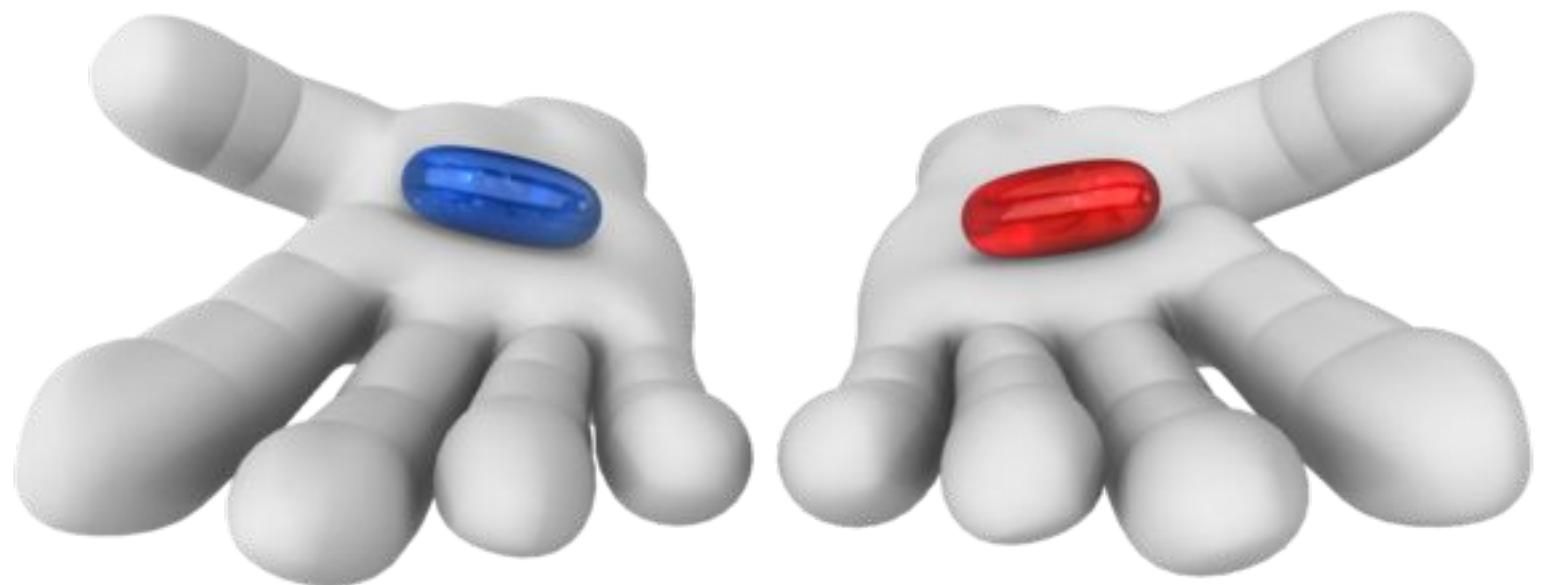
We have a choice

We have a choice

For every new product, service or feature...

We can stick with our current practices
and accept our 80% failure rate

Or we can do something different



It's your choice

to move from...

It's a great idea because

“I thought of it”

“People tell me they like it”

“It’s better than before”

“I can make it even better”

to move to...

It's a great idea because

“We truly know that our target customers will care enough to seek it out and be eager to pay for it”

Are you ready?

Which is most important in making product decisions?

My Ideas

Customer Requests

Market Surveys

Trial and Error

Choose one:

I know I'm on the fastest track to success

I have an idea for how to make things better

I'd like to find ways for a better chance of success

Choose one:

I know what my customers value most

I have ideas about what my customers value most

I know that I don't know what customers value most

What our customers value most...

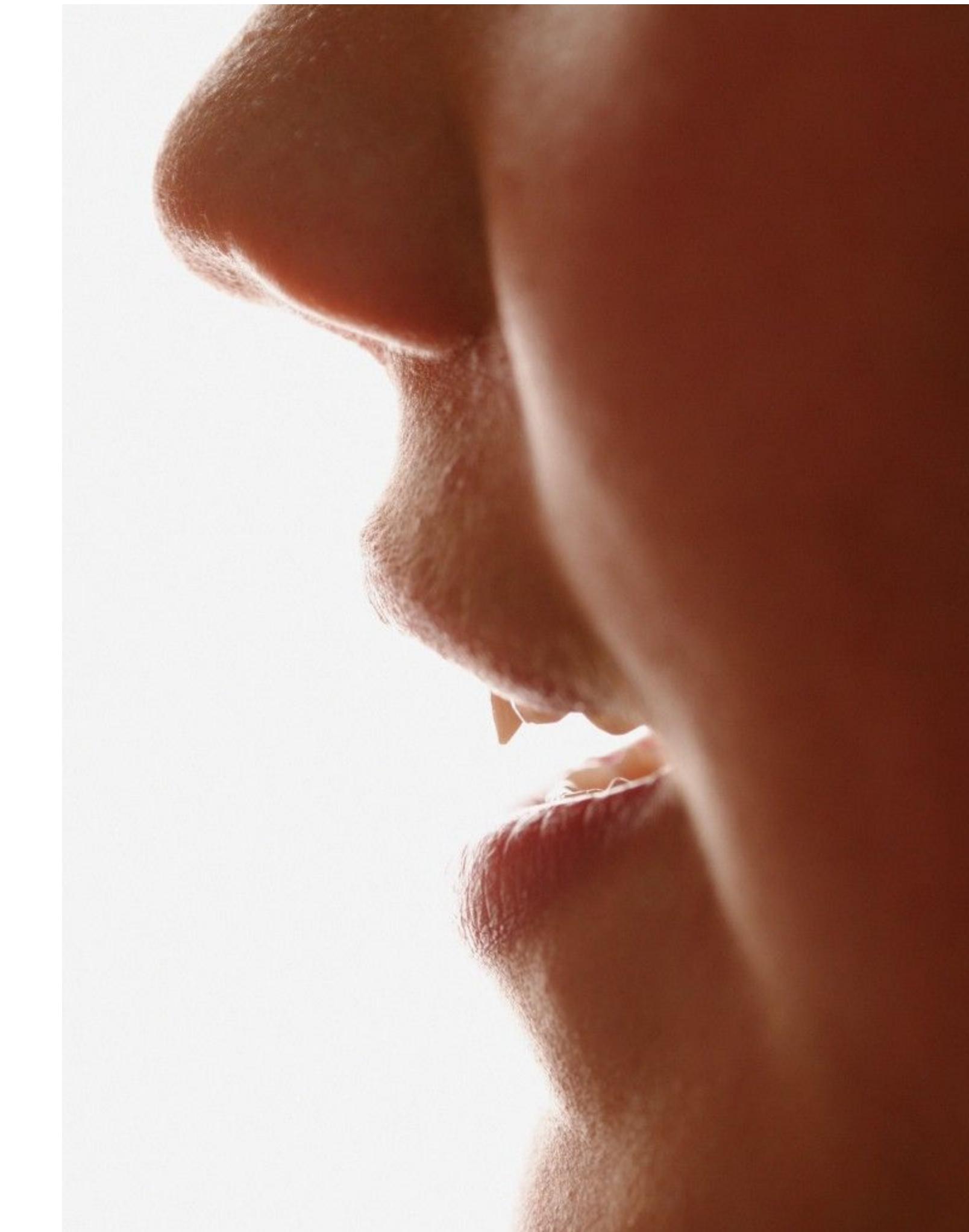
...is not truly knowable

...can only be found by trying it

...can be discovered and measured directly

If we want to succeed sooner, what's ahead for us?

We must get better at asking questions



...and get better at listening



Major shifts in product creation

Toyota - Reduce Manufacturing Waste → Improve **Quality**

Agile - Reduce Coding Waste → Improve **Feedback**

Lean - Reduce Optimization Waste → Improve **Speed**

We're on the cusp of another shift

Toyota - Reduce Manufacturing Waste → Improve **Quality**

Agile - Reduce Coding Waste → Improve **Feedback**

Lean - Reduce Optimization Waste → Improve **Speed**

??? - Reduce Discovery Waste → Improve **Success Rate**

Are you ready to take the leap?

How can we improve our
Product Creation process?

What does our process look like?

We build, experiment, and quickly find the right direction



What does our process look like?

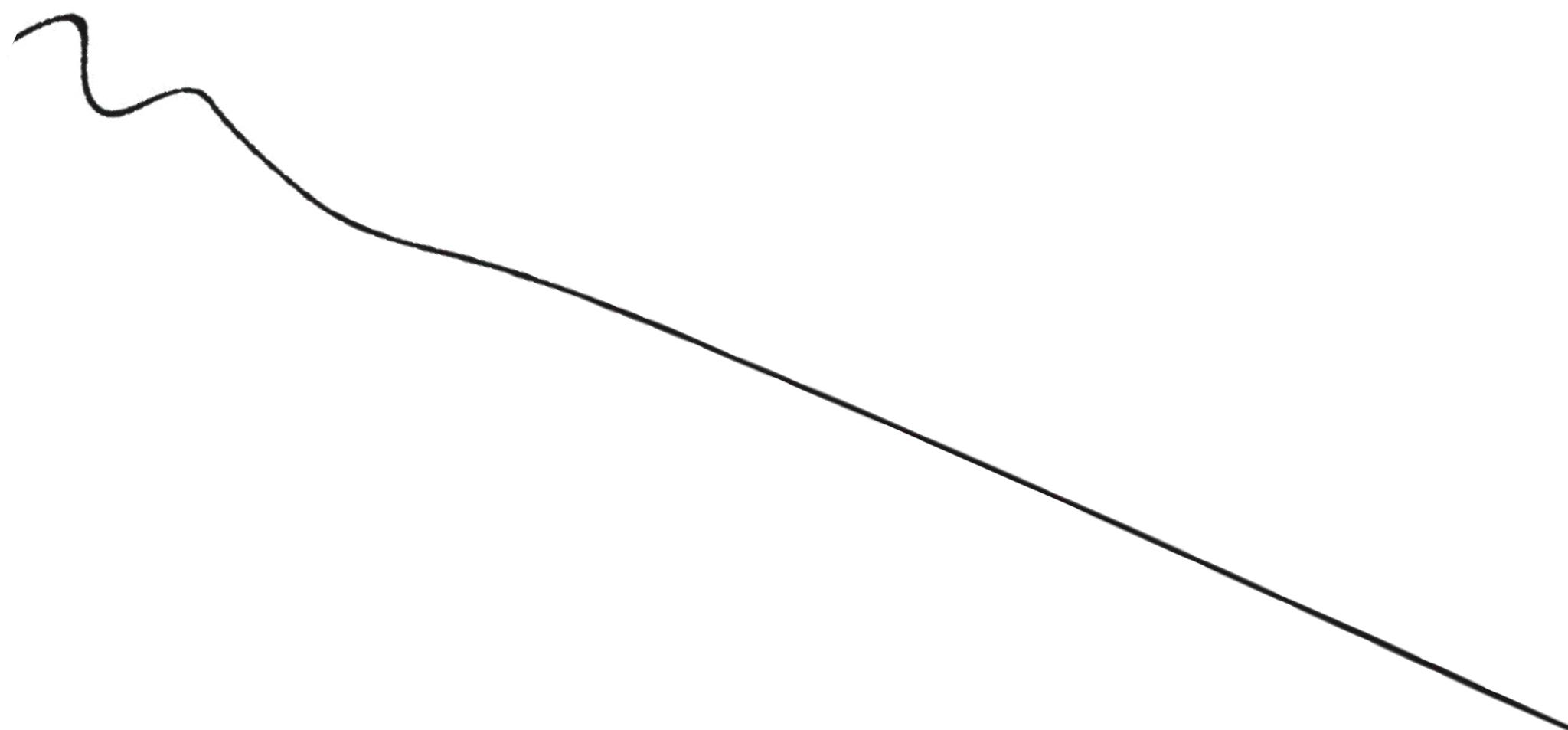
We build, experiment, and quickly find the right direction

This is a **myth**



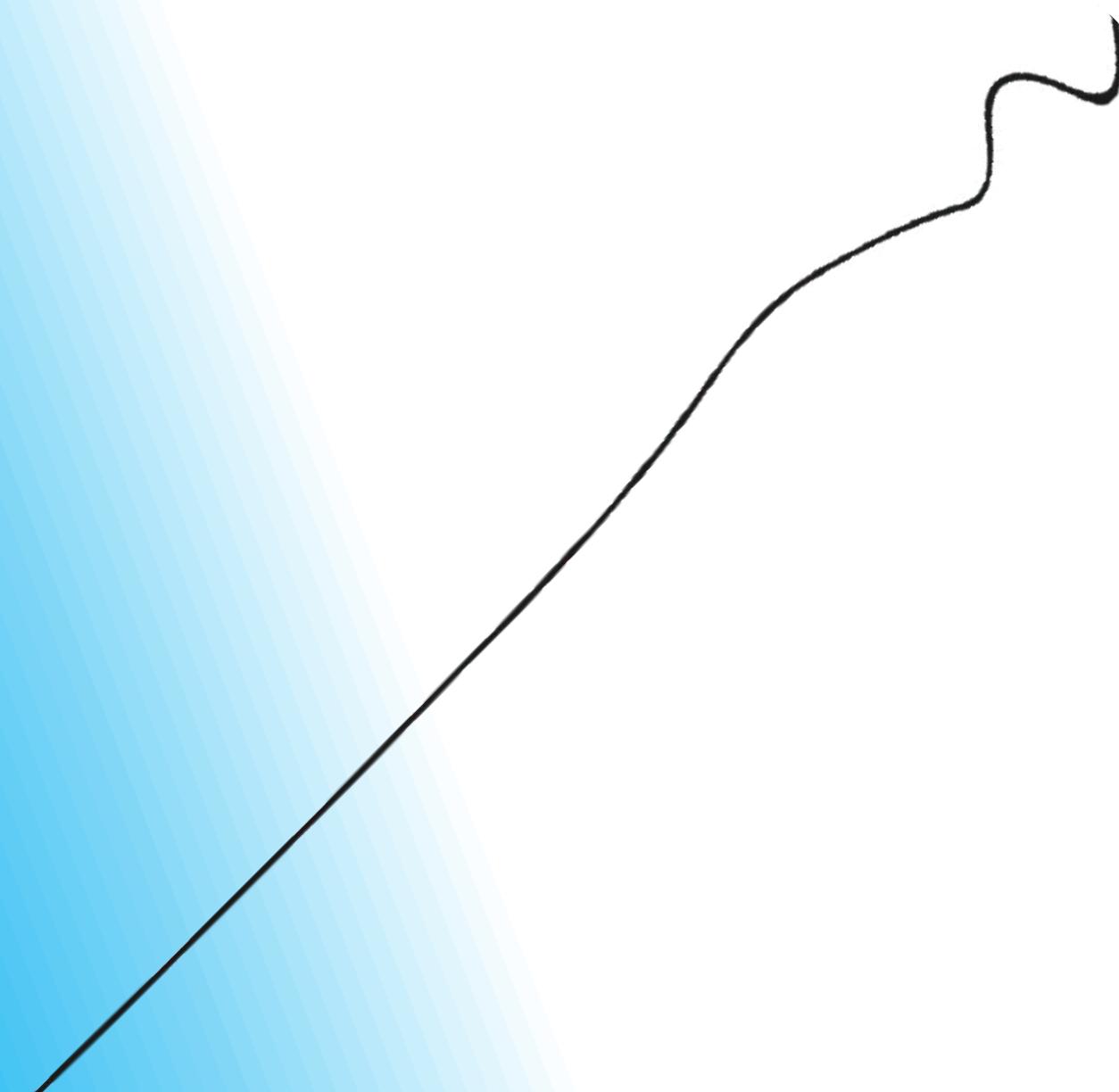
What does our process look like?

More often, we build, experiment, and quickly head in a sub-optimal direction

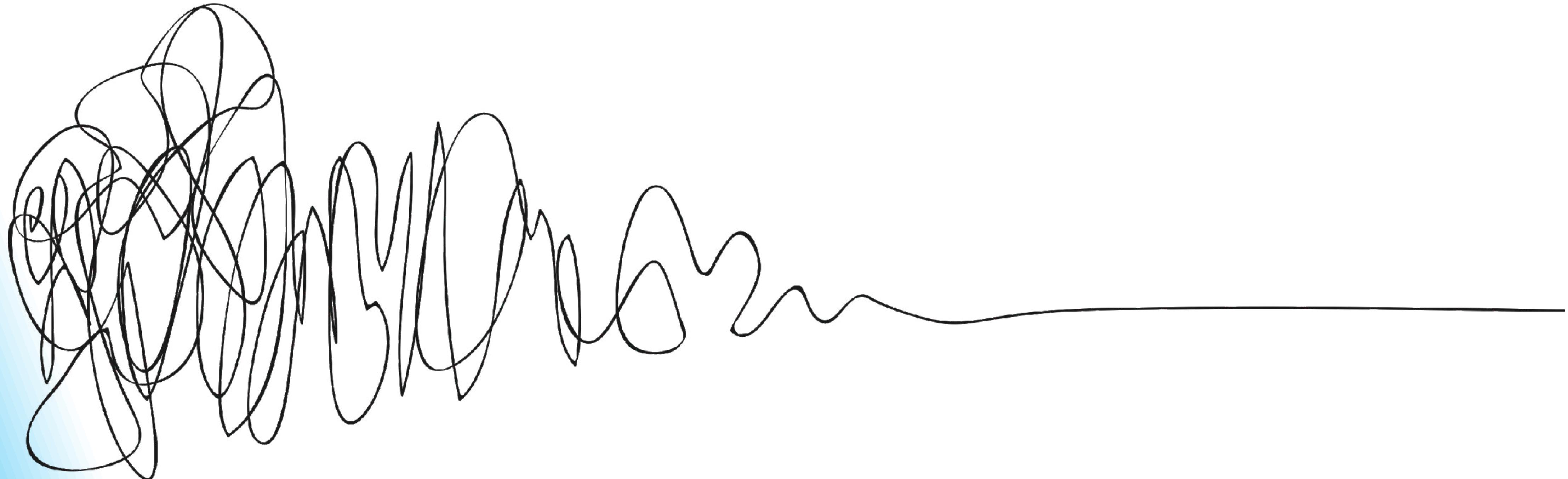


What does our process look like?

Or we build, experiment, and quickly head in the wrong direction



What does our process really look like?



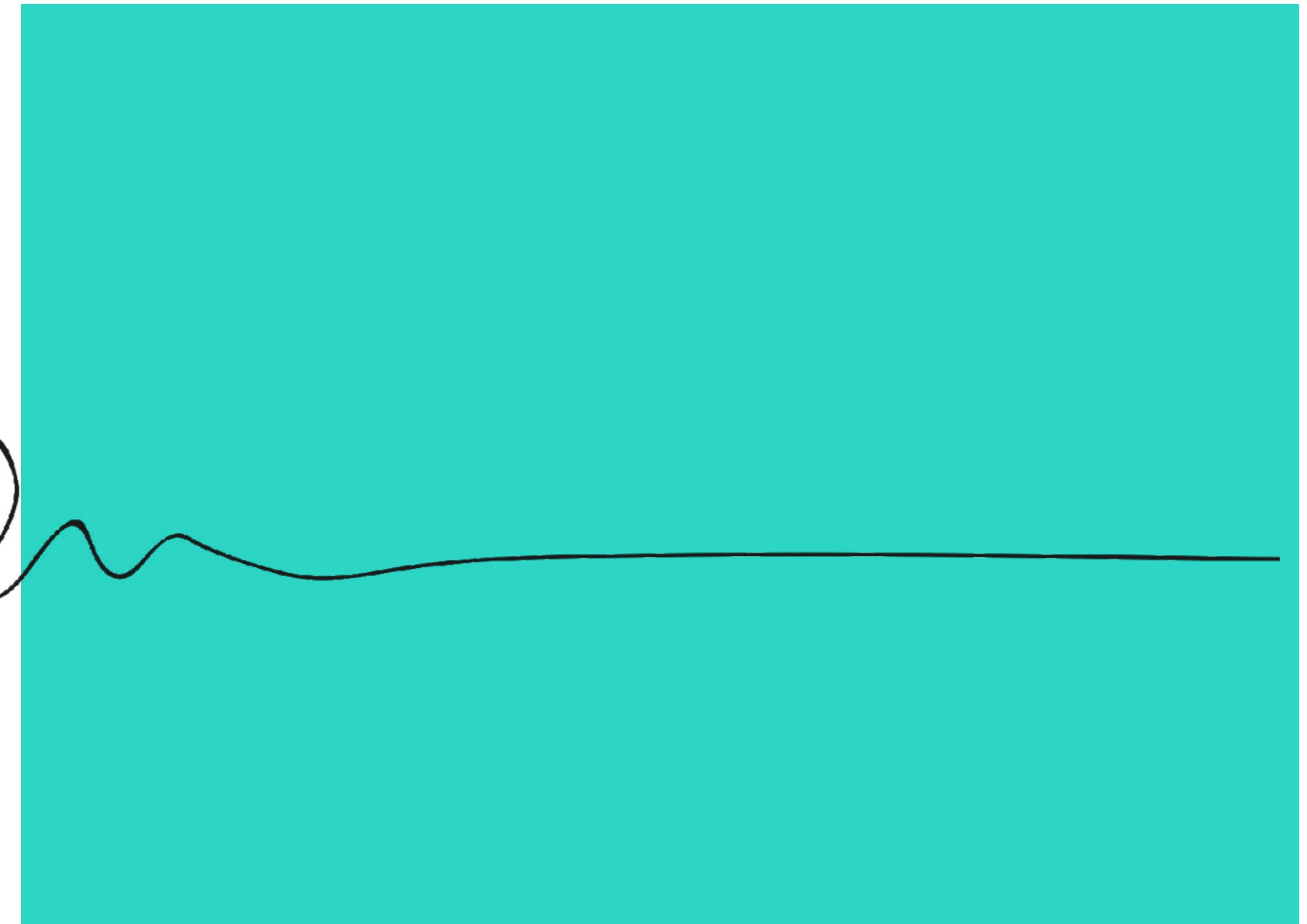
The Process of Design Squiggle by Damien Newman, thedesignsquiggle.com

Two distinct phases

Discovery



Optimization

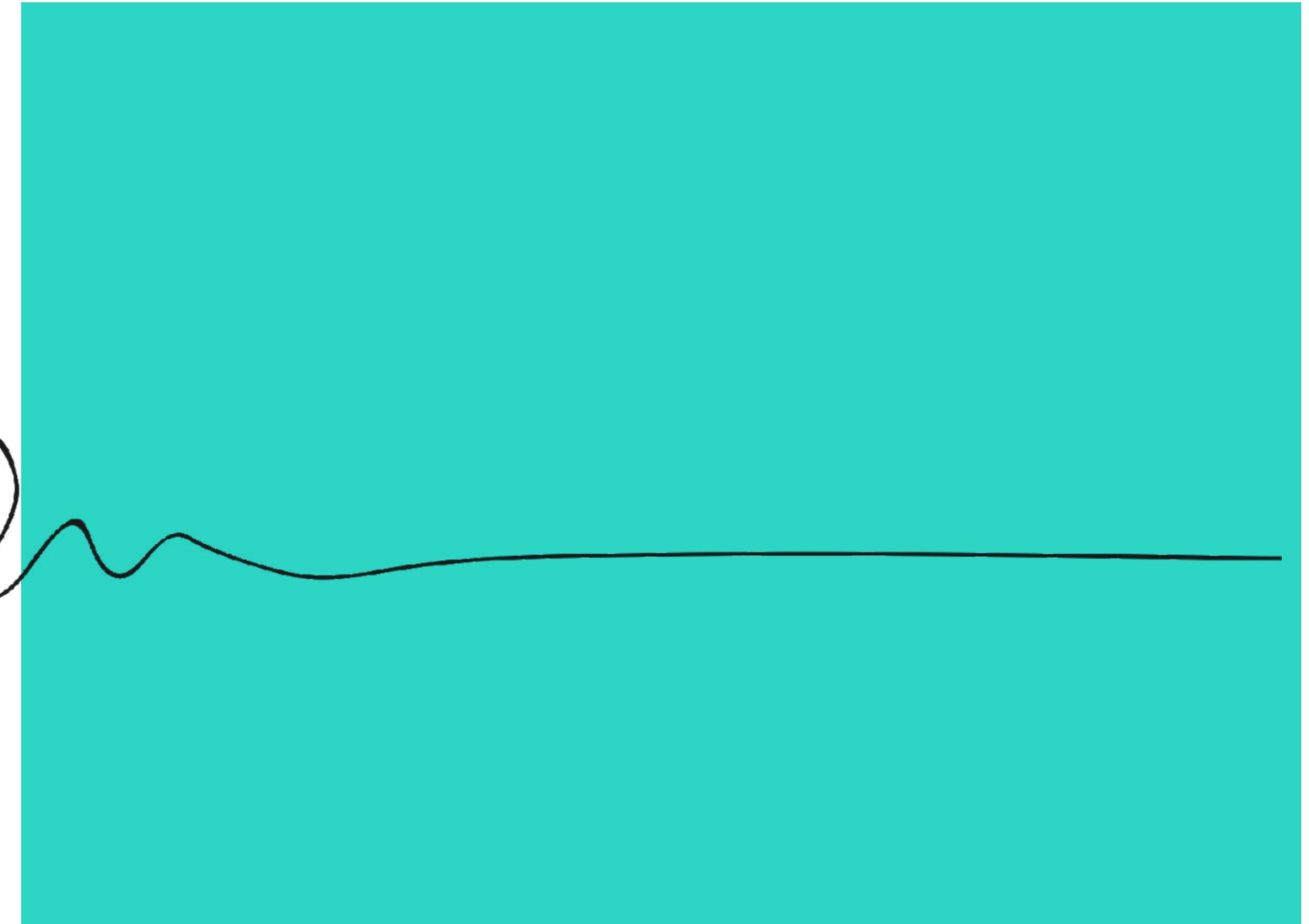


Where do we spend most of our time?

Discovery



Optimization

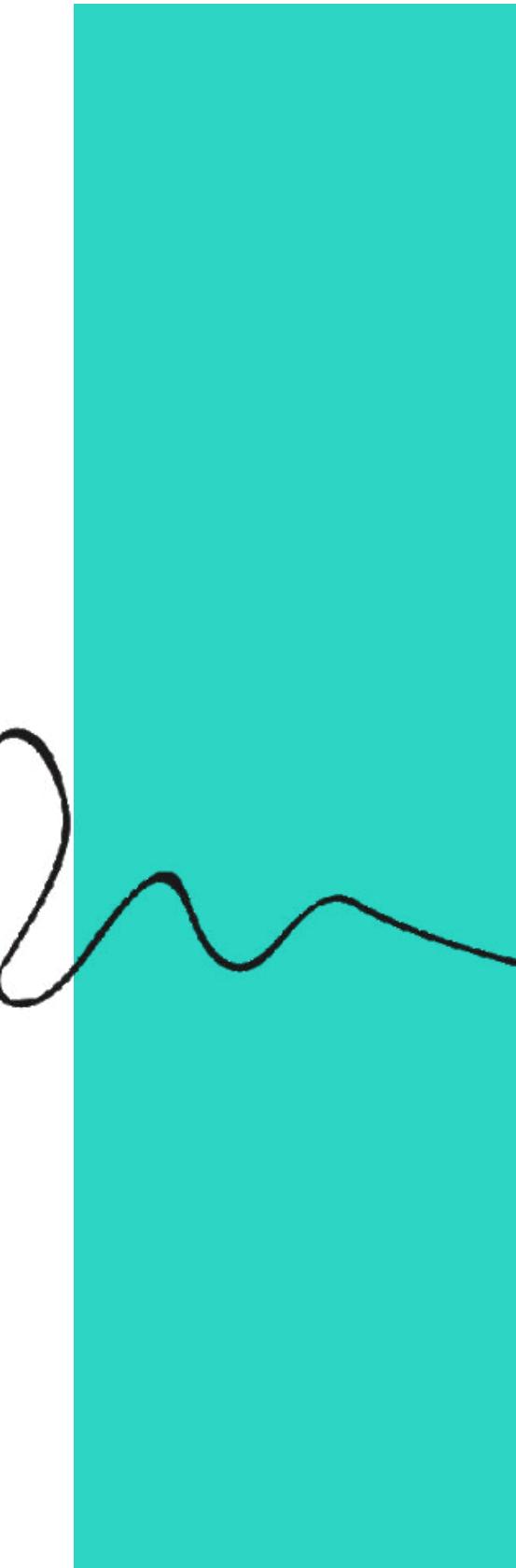


Where do we spend most of our time?

Discovery



Optimization



We often run out of money or give up and never find the right direction



What are we doing **here?**



What are we doing **here?**



Design

Build

Test

Repeat

If this is the best way...



Why does it take so long to discover we're off track?

Why does it take so long to discover the right direction?

Why don't we succeed more often?

What kinds of waste happen here?



Design the wrong thing

Build the wrong thing

Test it to see if it works

Repeat, hoping for better

What do we know at the **end**?

...that we didn't know at the **start**?



Here we know *why*



Why they were interested
Why they came
Why they tried
Why they bought

Why they recommended
Why they left

How do we find our way out of here?

?



What's really inside this box?

?



What's really inside this box?



Your customers

Why not measure your customers directly?



This is not about

Just talking to customers

Asking about their problems

Building what they ask for

Asking if they like your idea, design, or product

Testing how they react

This is about finding a way to discover

what **drives** your customers' decision making

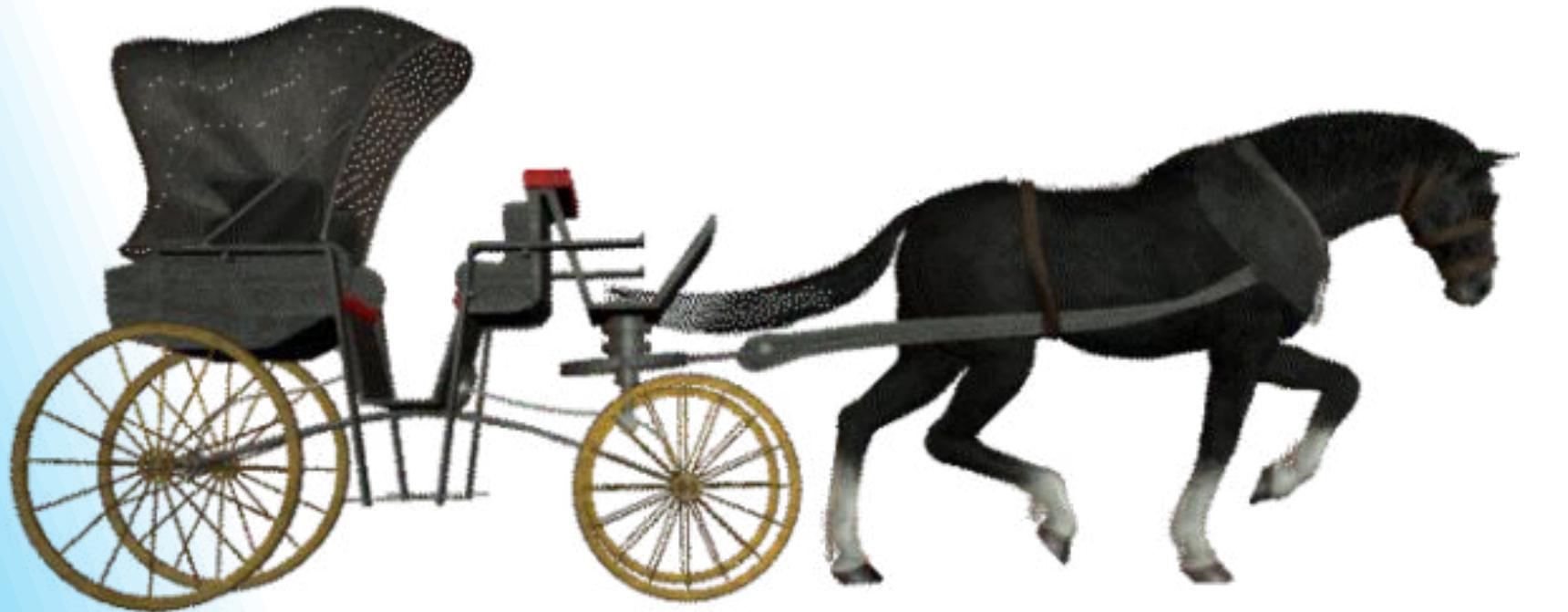
This is about finding a way to discover

the **values** that drive their decision making

If Henry Ford had...

asked what customers want

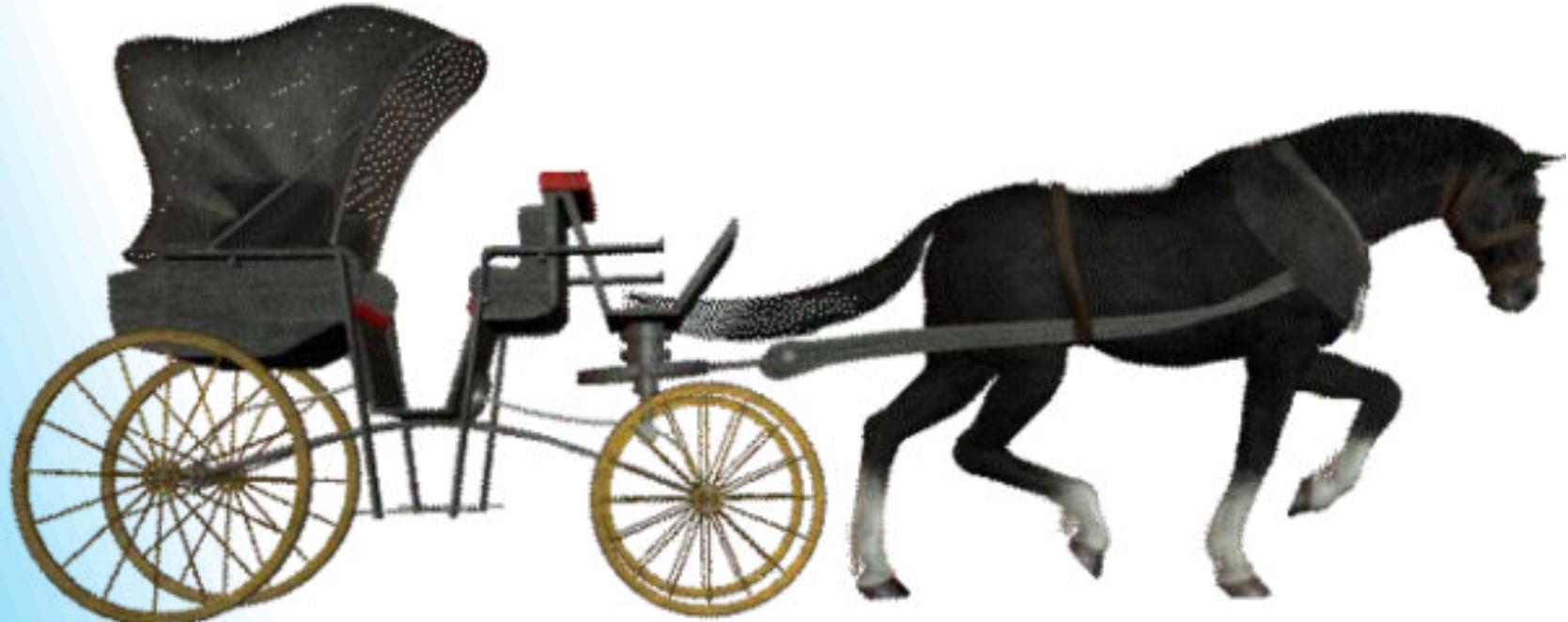
Faster horse



If Henry Ford had...

asked what customers want

Faster horse



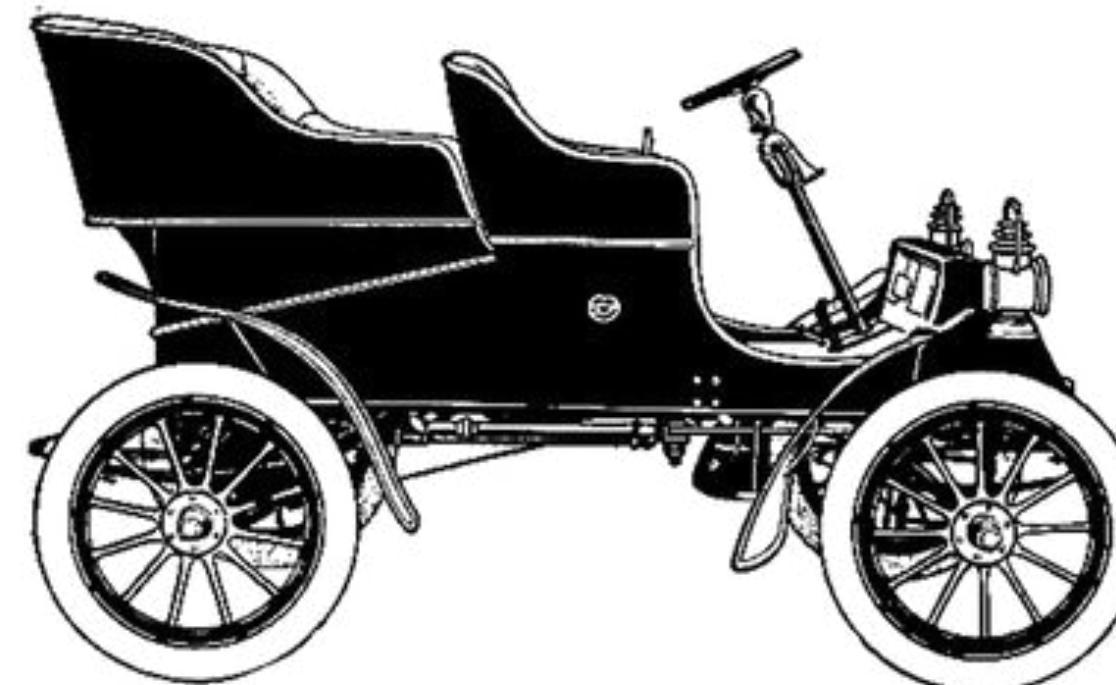
discovered what customers value

Get me there fast

Keep me dry

Stop paying for hay

No shit



If Steve Jobs had...

asked what customers want

Faster CPU

More memory, ports, & peripherals



If Steve Jobs had...

asked what customers want

Faster CPU

More memory, ports, & peripherals



discovered what customers **value**

Power that lasts all day

Light enough to carry all day

The world's thinnest notebook. **MacBook Air.**



How can we do better at Discovery?

What makes your product valuable?



What makes your product valuable?



Your customers

What makes your product valuable?



Customer Perception of Value

If they see value in your product, then it is valuable

If they don't see value in your product, then it's not valuable

Understanding Customer Perception of Value

Definition

Illustrations

Segmentation

Context

Value Layers

What are customer values?

Preferences, reasons & criteria

Motivations, goals & aspirations

Fears, concerns & worries

Limits, standards & ideals

What people care about in a particular context

The “why” that makes them buy

People with different values react differently to the same product



Basic shampoo



To increase value, segment by customer values



Delivering value

More features and benefits
delivered to a
targeted demographic

Delivering value

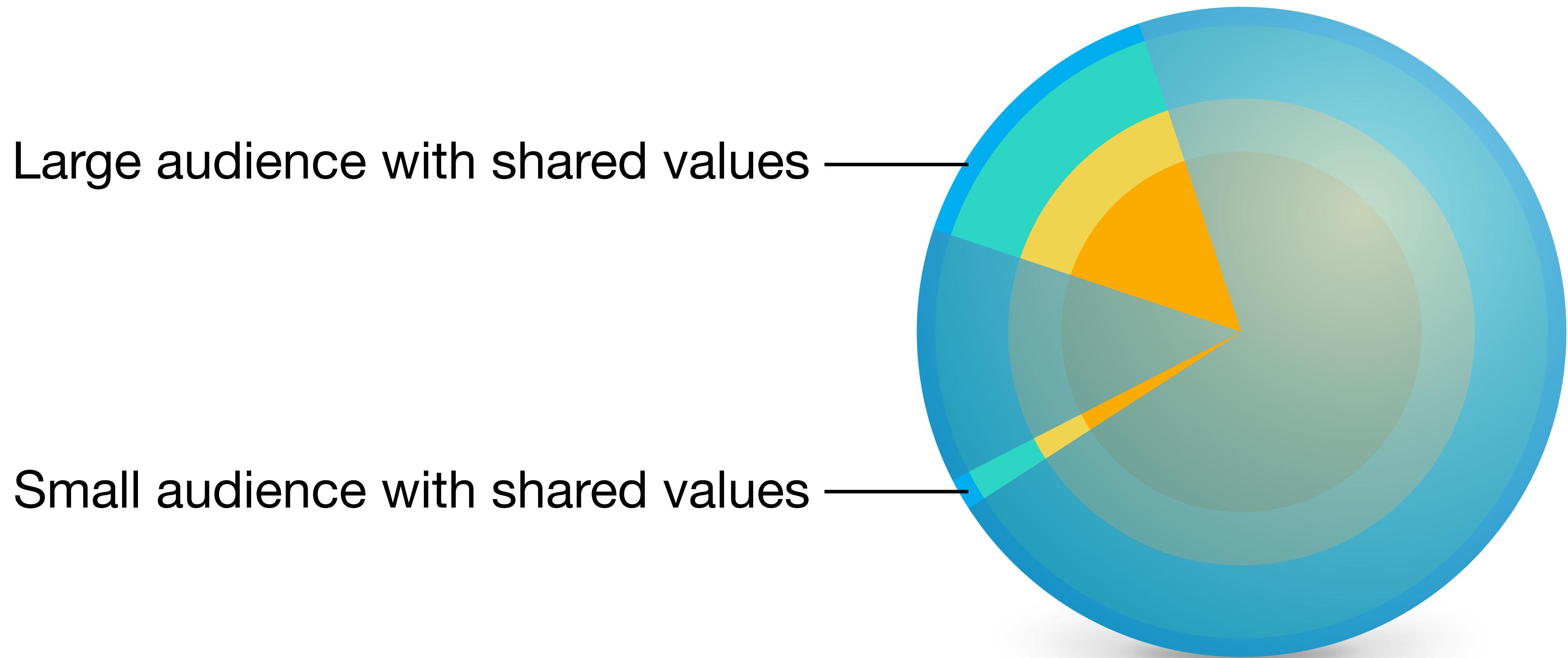


More features and benefits
delivered to a
targeted demographic

New definition of Market Segment

People who share
the same perception of what's most valuable

Choose your target market segment



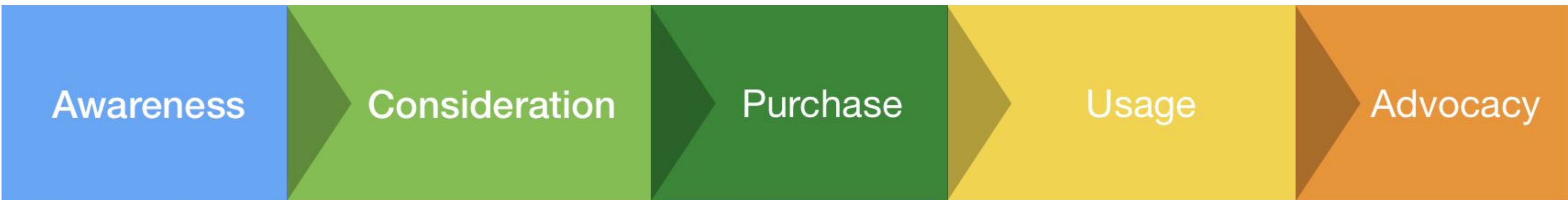
Context

Customer Perception of Value is different in different contexts



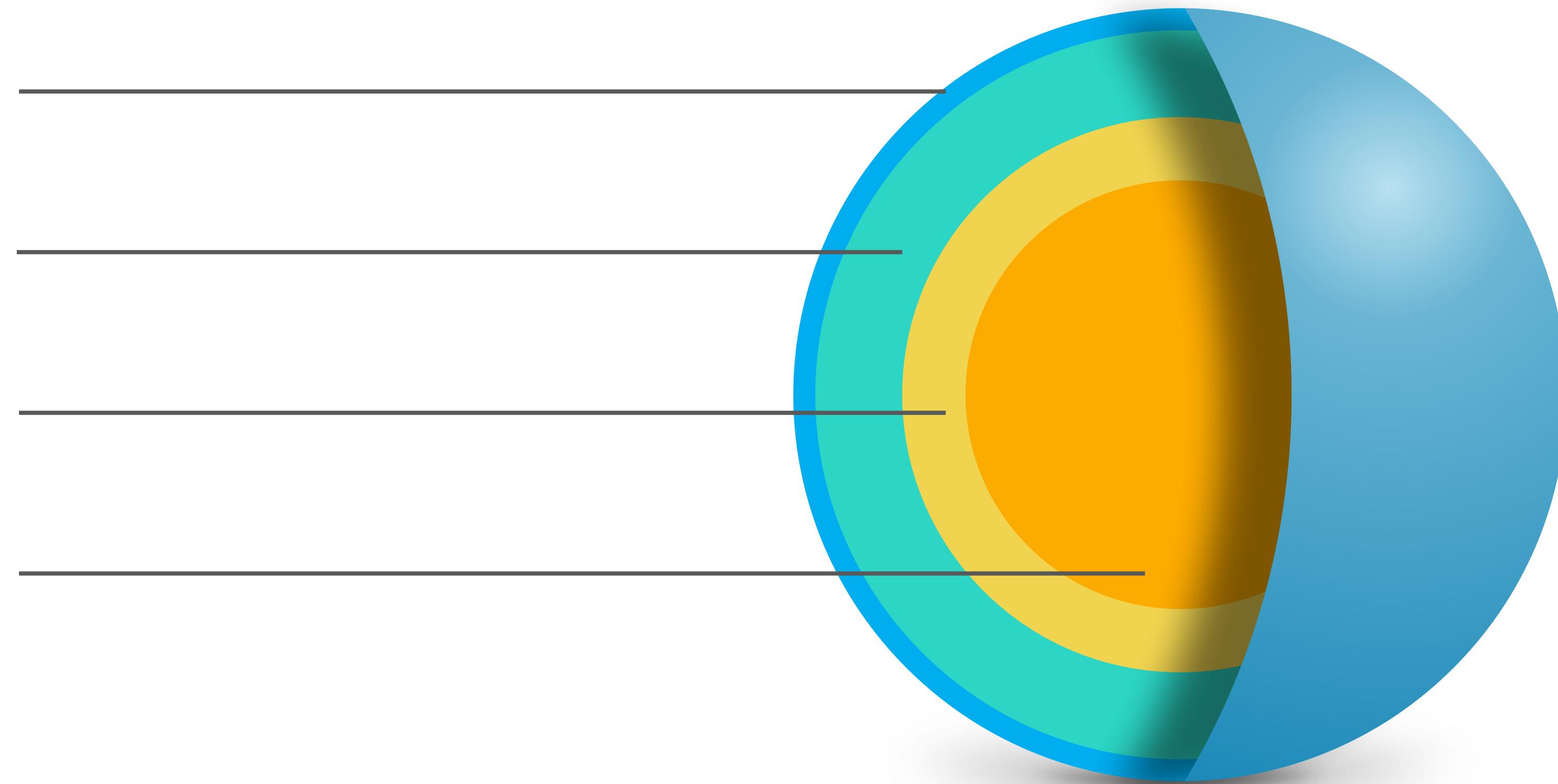
Context

Customer Perception of Value changes throughout the customer journey



Customer Values exist in different layers

Value Layer



Example: Value Layers for AirBNB

Value Layer	Example
Product or Feature	Online Apartment Booking
Solution Type	Online Marketplace
Problem / Job to be Done	Find a Place to Stay
Role / Identity	Experiential traveler

Example: Value Layers for AirBNB

Value Layer	Example	
Product or Feature	Online Apartment Booking	Ways they know it's great when they see it
Solution Type	Online Marketplace	
Problem / Job to be Done	Find a Place to Stay	
Role / Identity	Experiential traveler	Why they want it



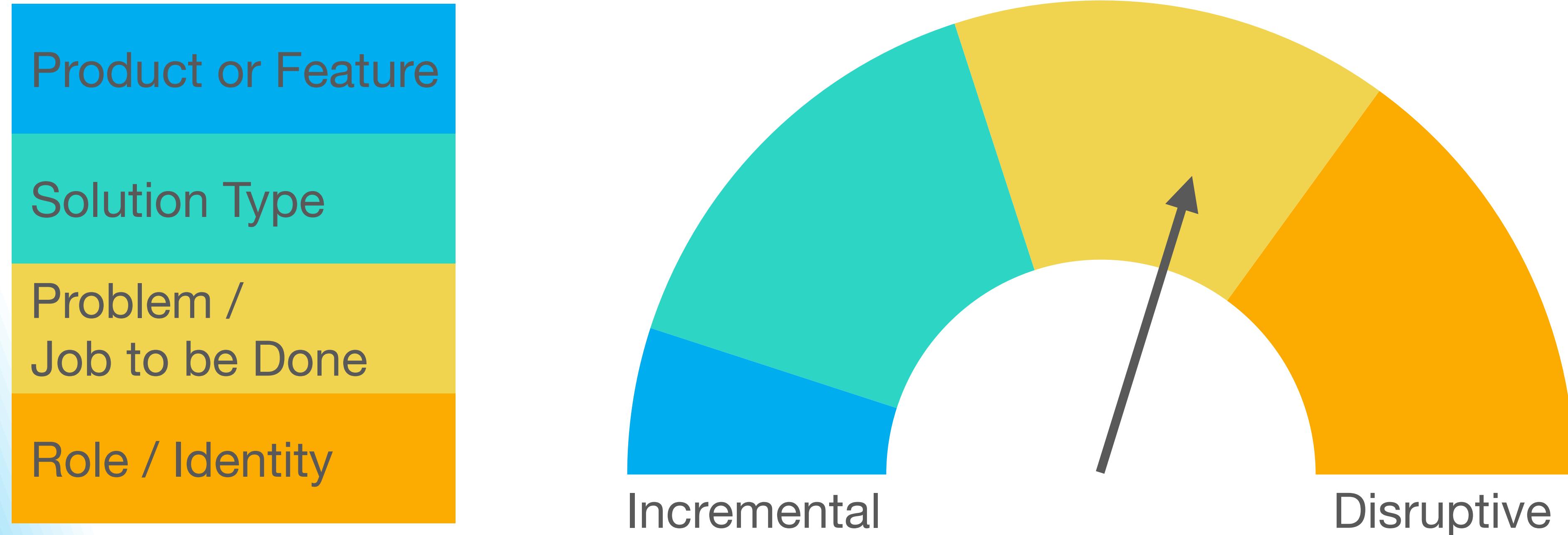
Successful products deliver specific values

Value Layer	Example	Values
Product or Feature	Online Apartment Booking	Accuracy of description, Completeness of photos
Solution Type	Online Marketplace	Number of listings, Searchability
Problem / Job to be Done	Find a Place to Stay	Comfort, Price
Role / Identity	Experiential traveler	Unique experiences, Low risk

Value Layers identify your customers & competition

Value Layer	Example
Product or Feature	Online Apartment Booking
Solution Type	Online Marketplace
Problem / Job to be Done	Find a Place to Stay
Role / Identity	Experiential traveler

Value Layers determine how innovative you can be



Putting it all together

Customer values

drive decisions

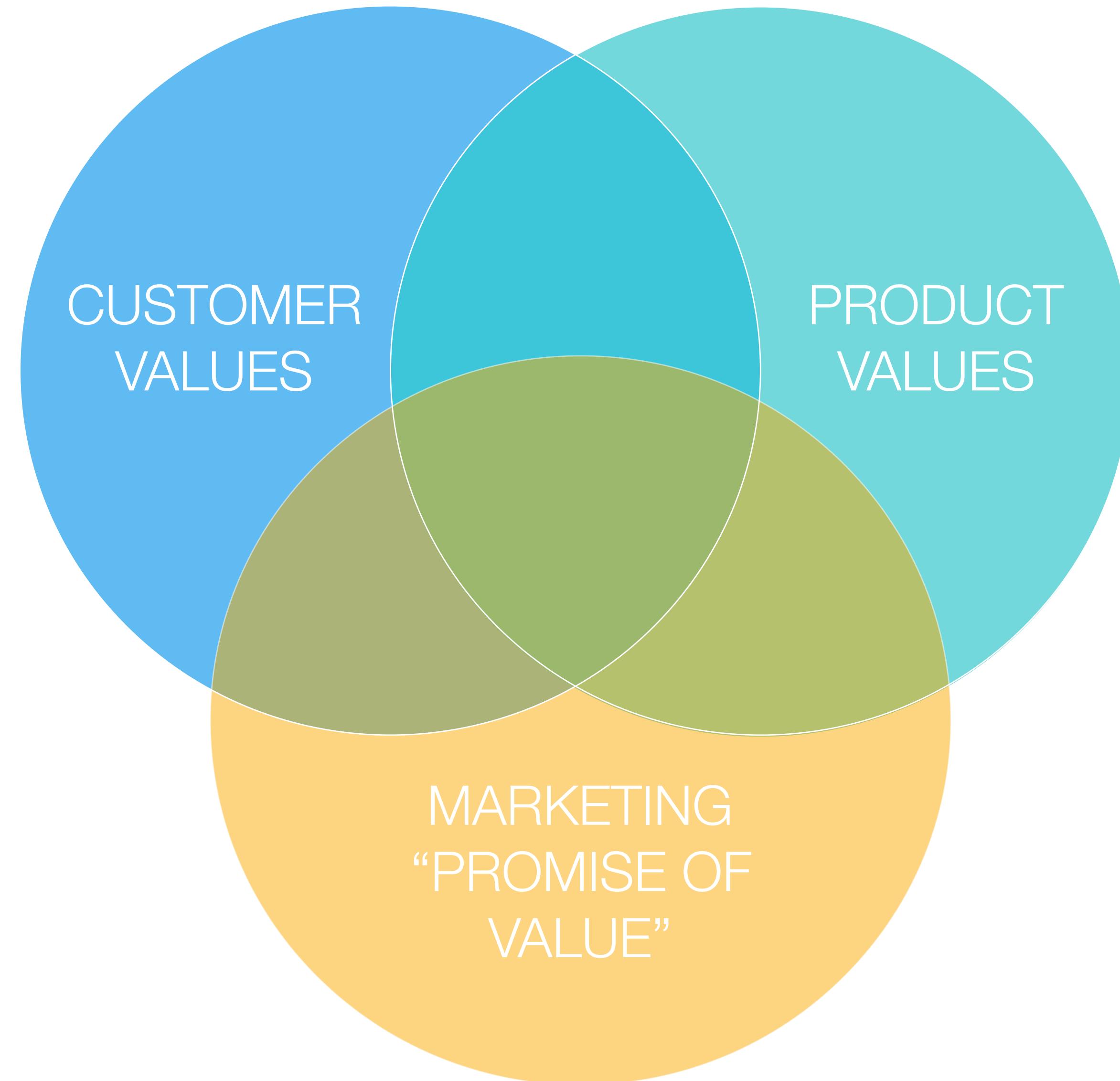
for a specific segment

in a particular context

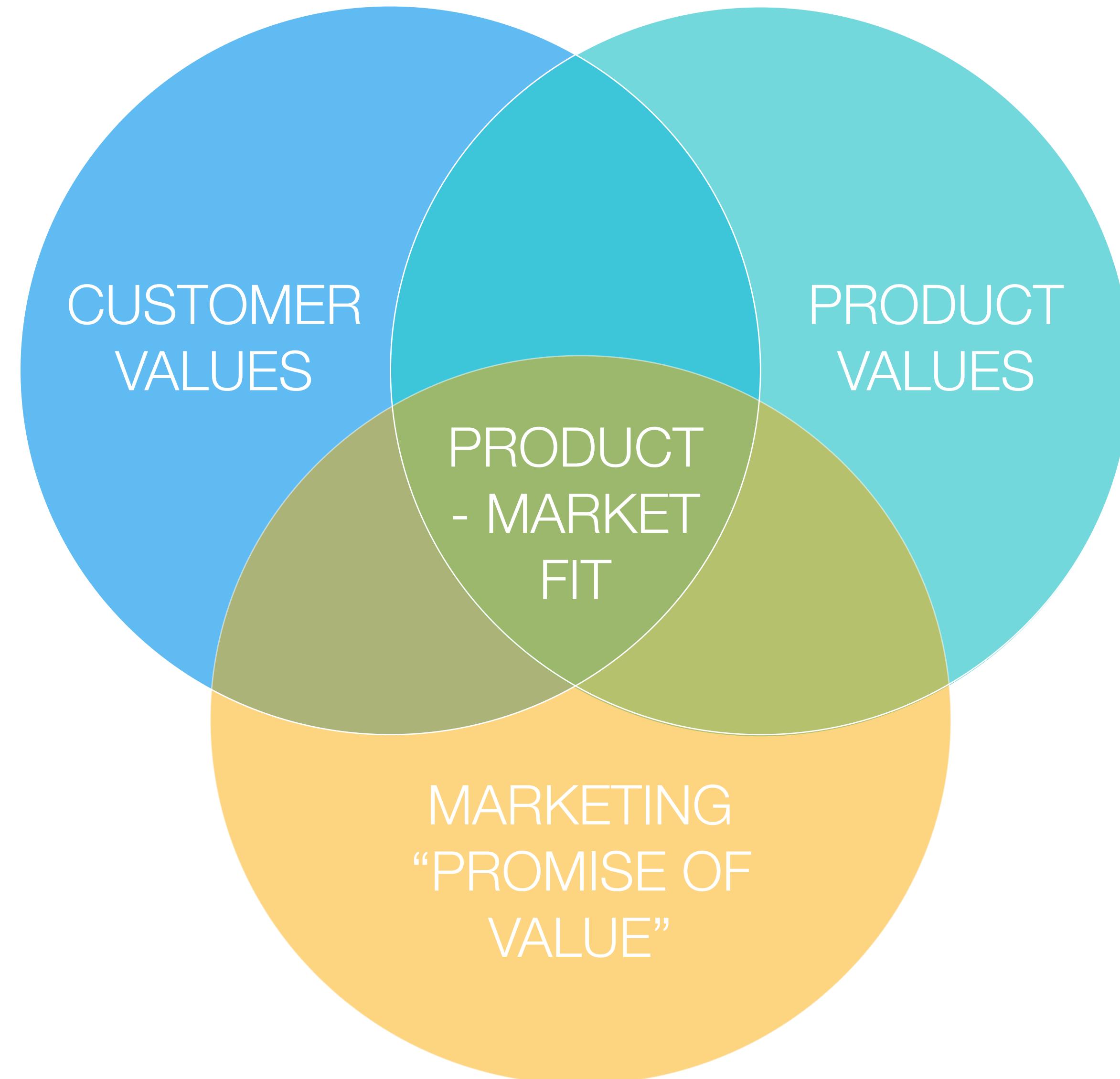
Understanding Customers Perception of Value
helps ensure that you're:

innovating in directions they care about most
communicating the values they care about most
pricing so those who get more value, pay more

Design for Product-Market Fit



Design for Product-Market Fit

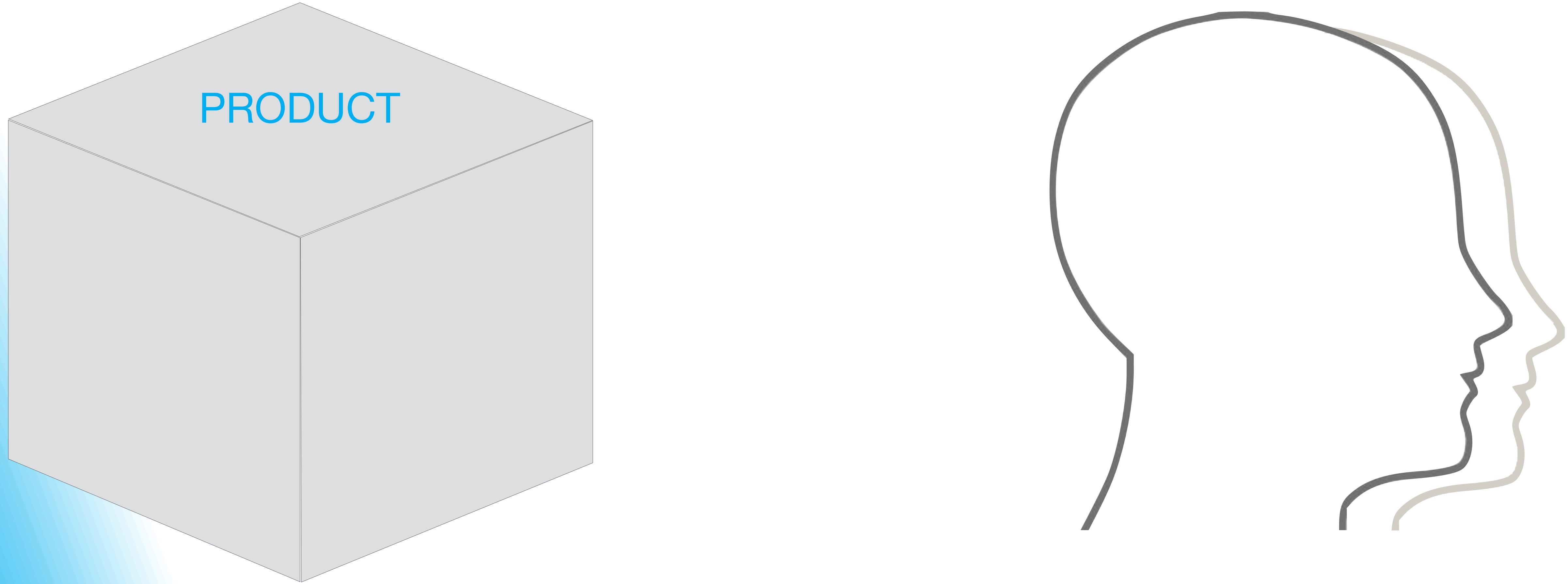


Applying the concepts of Customer Perception of Value

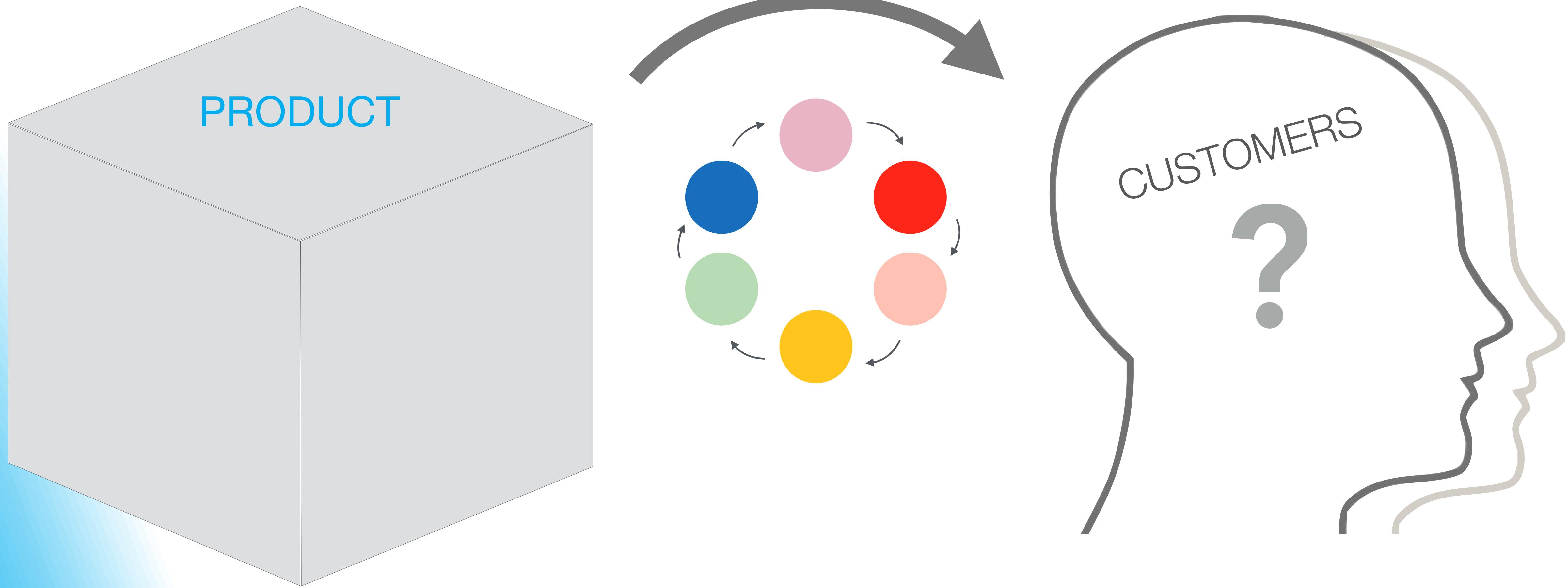
How do you make your startup succeed?



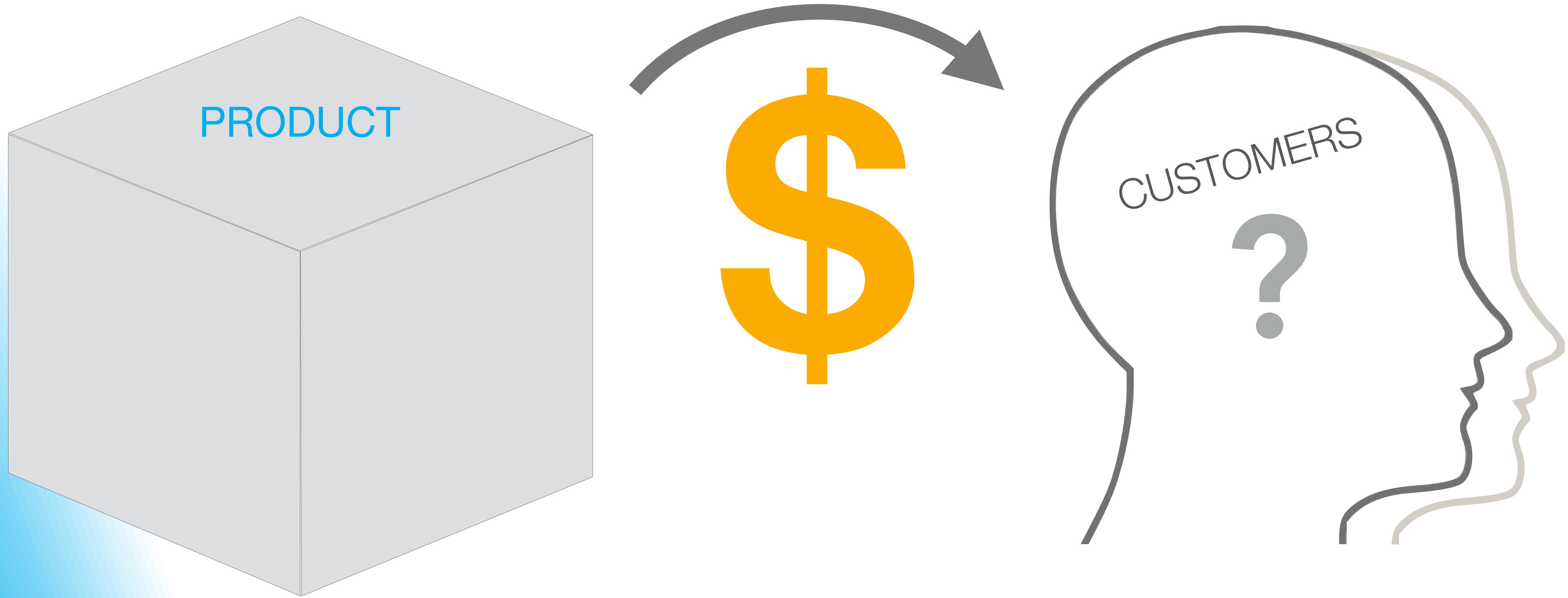
Changing our product to make it “better”



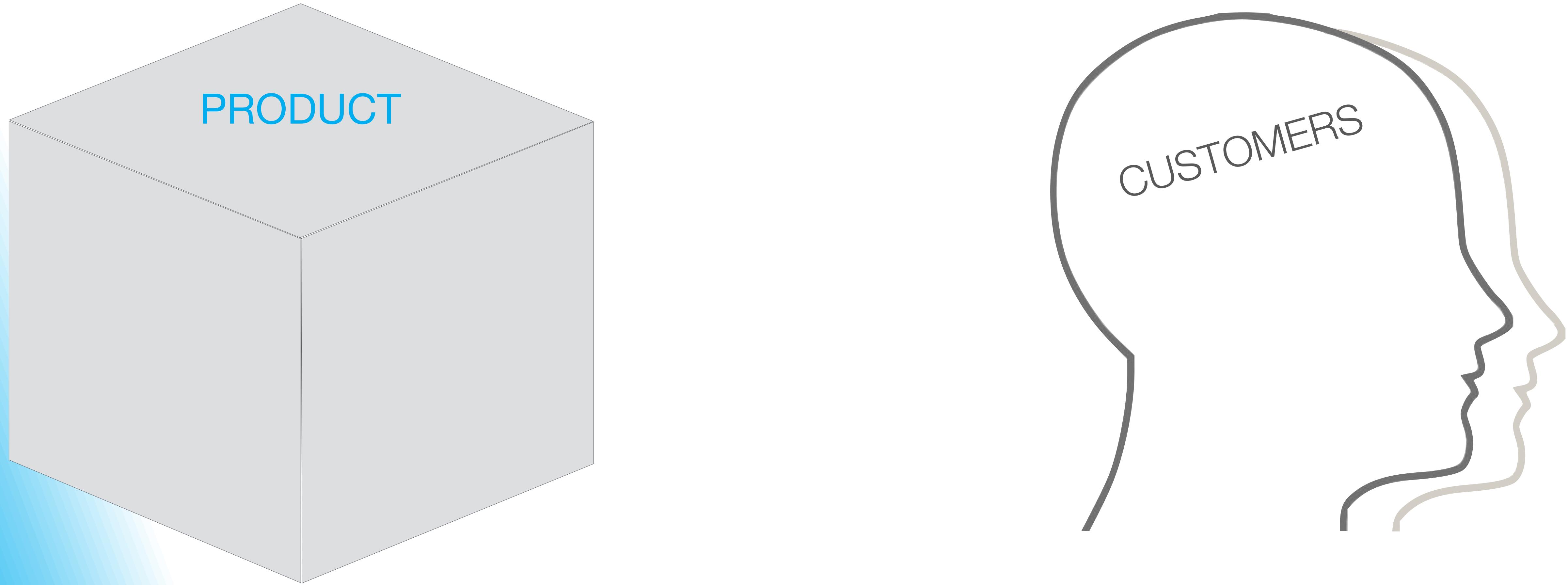
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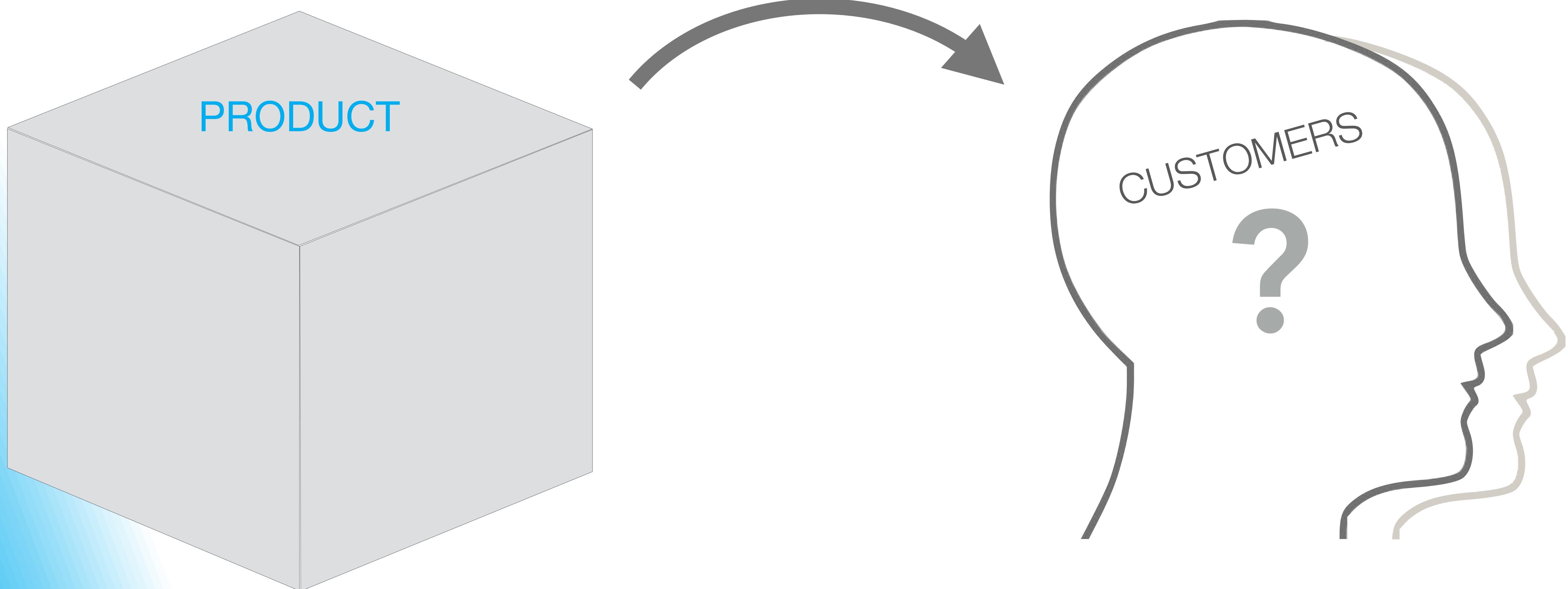
Changing our product to make it “better”



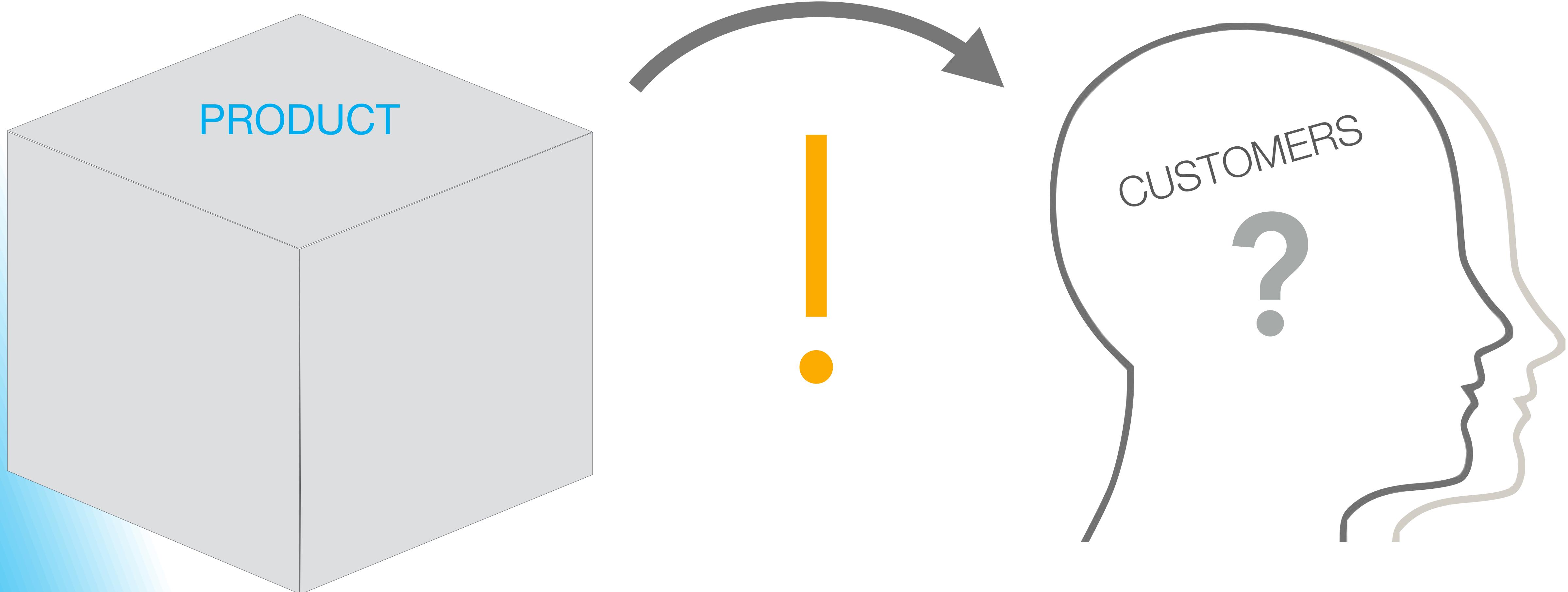
Convincing the Market to Want your Product



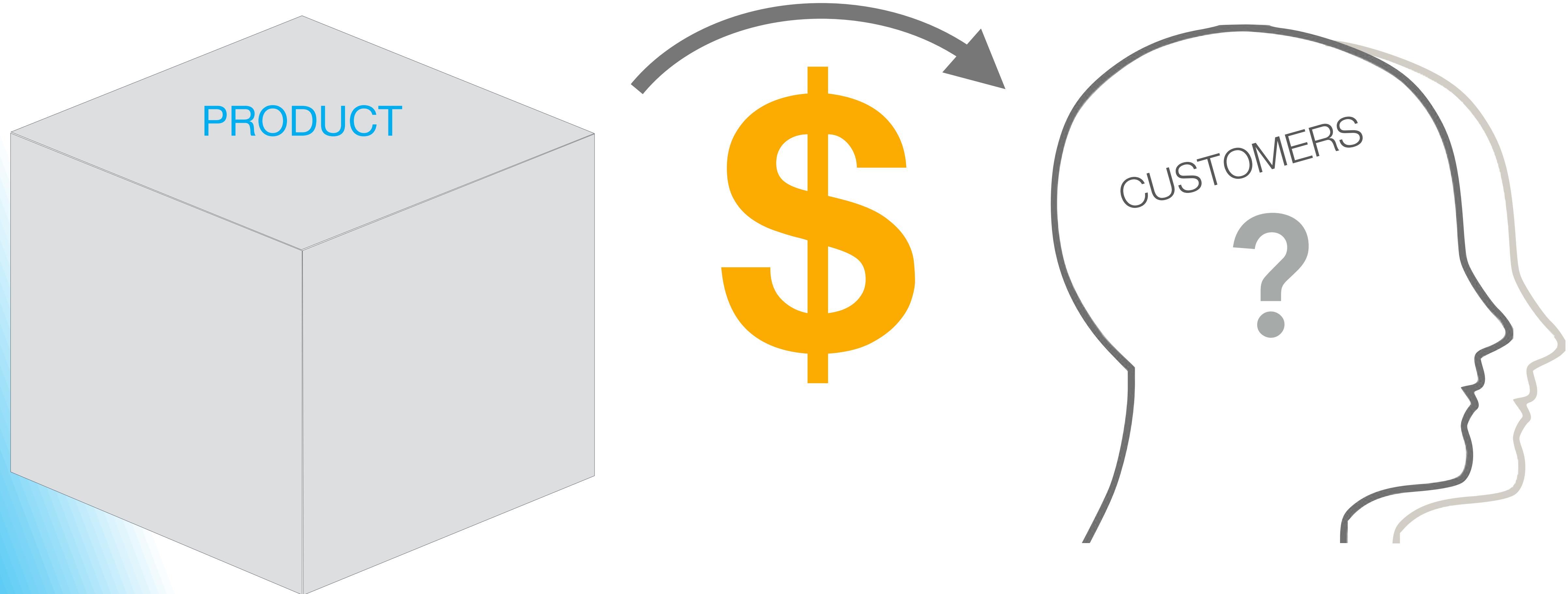
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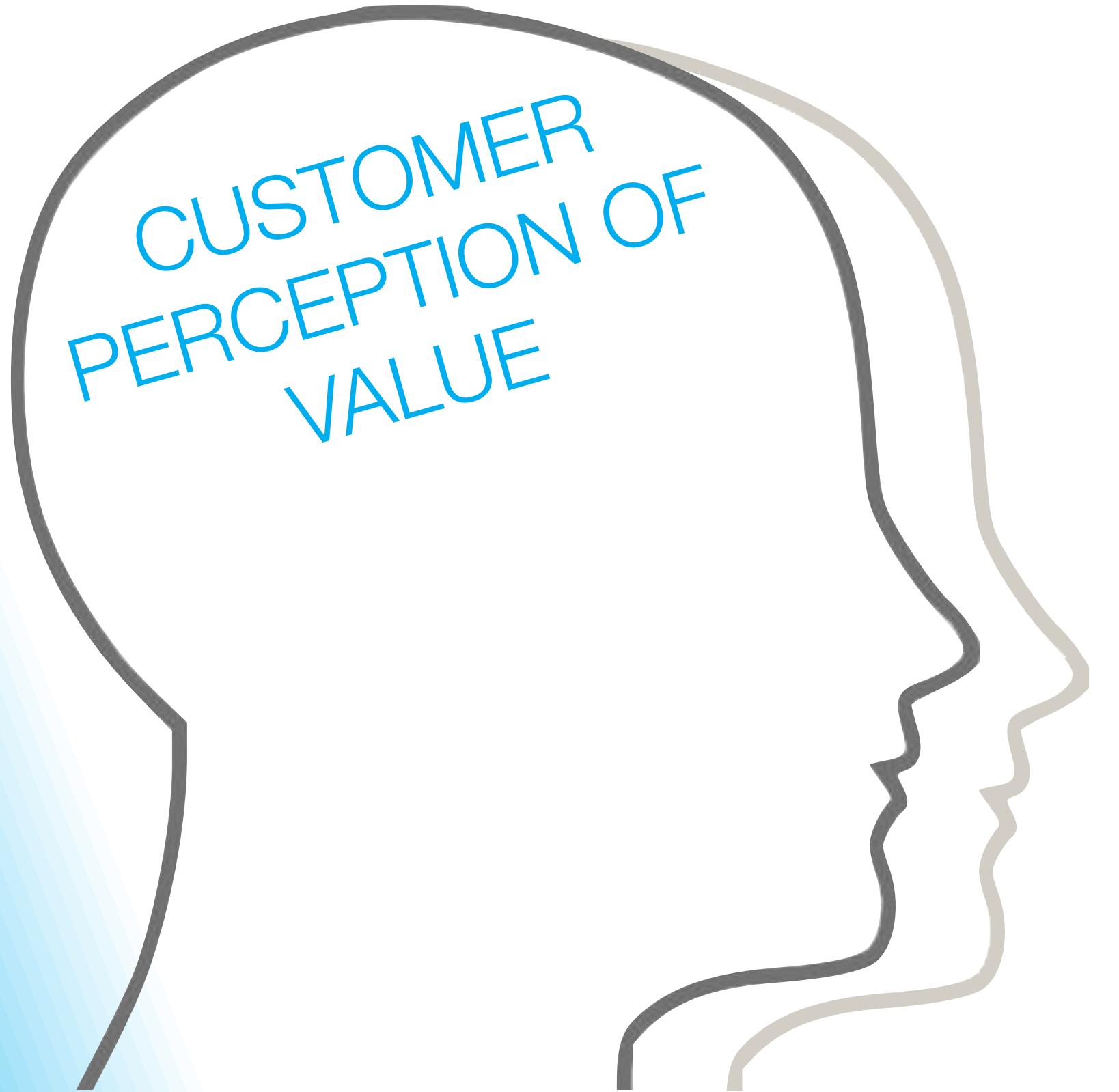


Convincing the Market to Want your Product

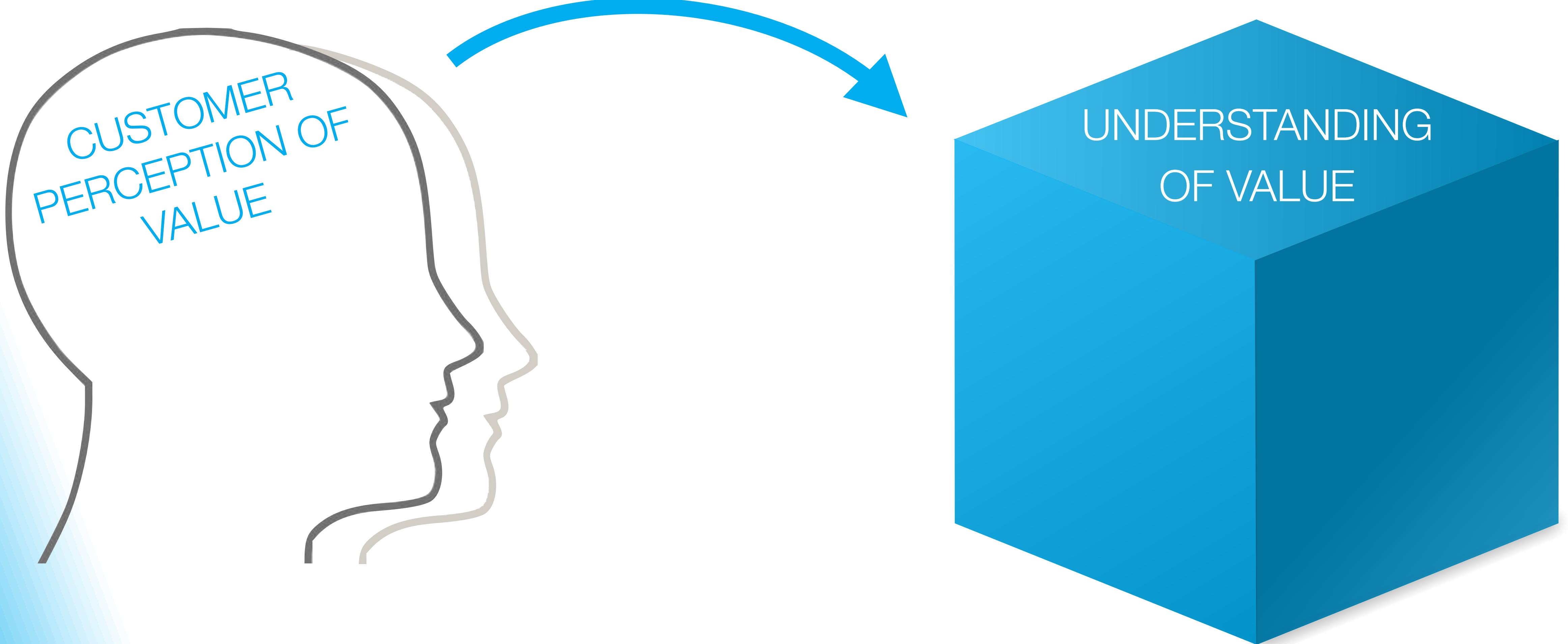


An alternative way to make your startup succeed

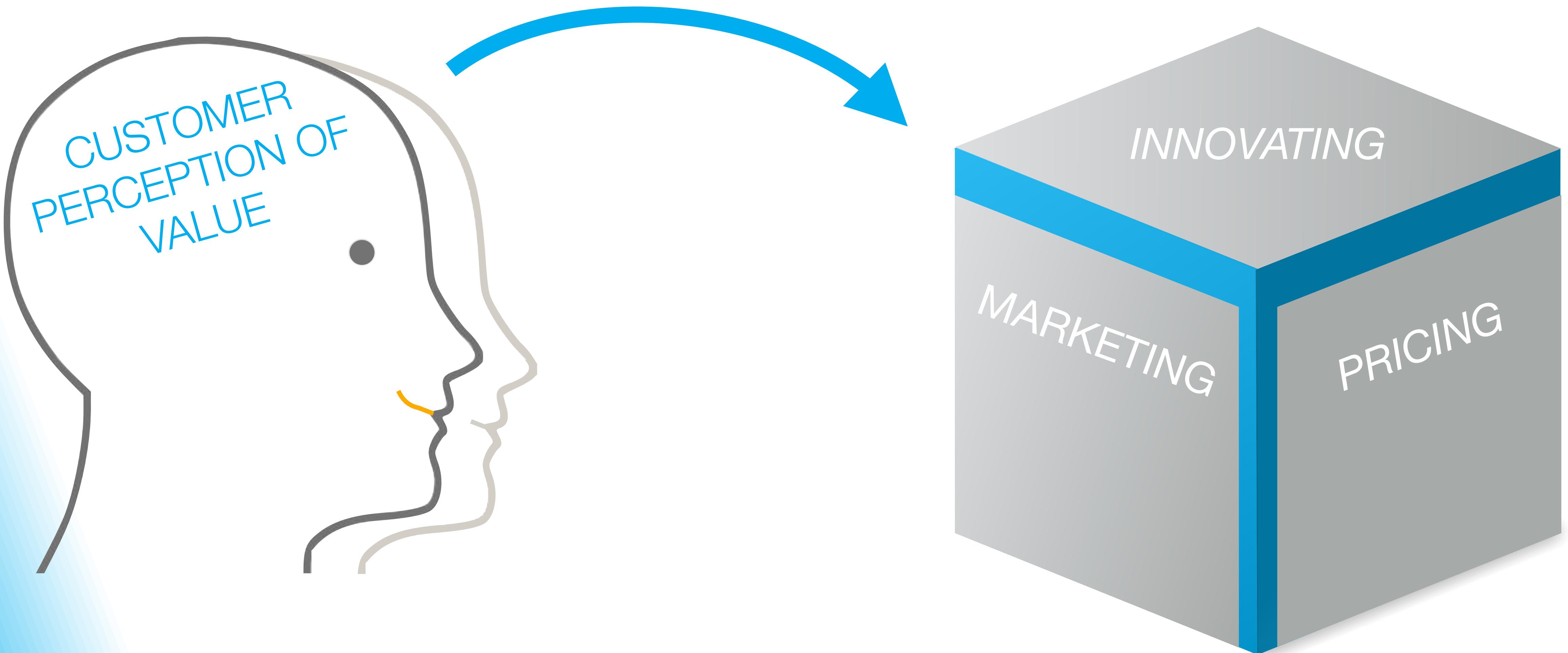
Discover your target Customers' Values



Discover your target Customers' Values



Design to Match Your Customers' Values



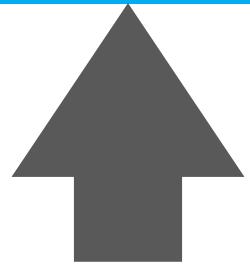
This is what winning companies do

Deliver a narrowly-defined set of values to a large market



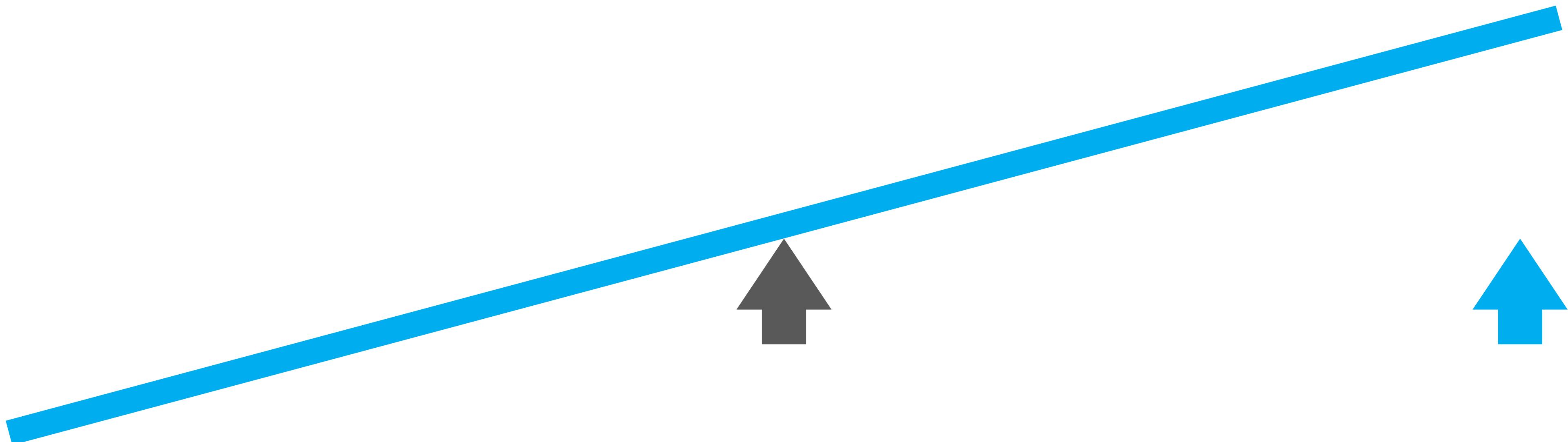
To get to the top of a market segment

You must excel at satisfying your target customers' values



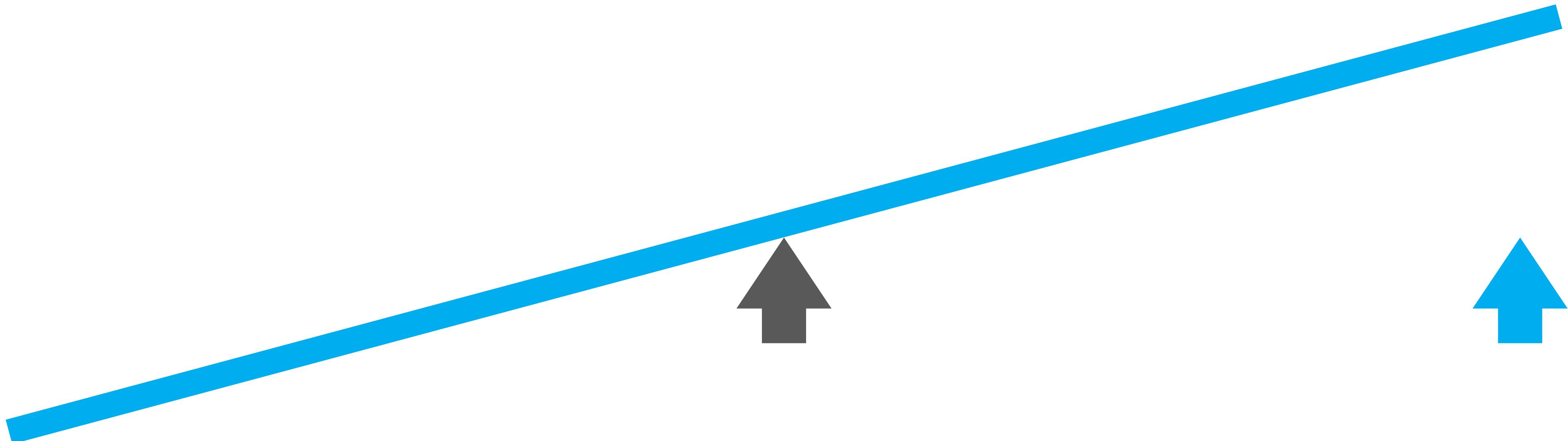
To get to the top of a market segment

You must excel at satisfying your target customers' top values



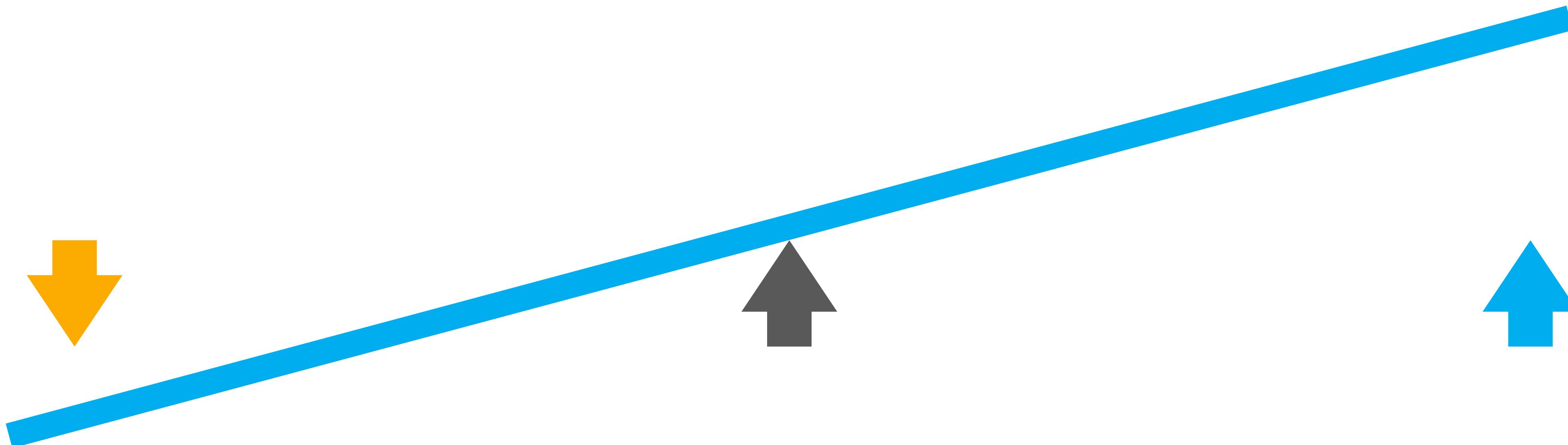
To get to the top of a market segment

You can be sub-par at satisfying the rest of their values



To get to the top of a market segment

You must be **sub-par** at satisfying other, less important values



More features ≠ more value



Adding features often [reduces value](#)

Disruptive innovations omit “essential” features to deliver exceptional value



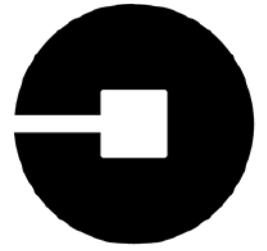
iPhone

No keyboard



airbnb

No Hotel



UBER

No Taxi



TESLA

No Gas Engine



snapchat

No Evidence

You can create value by *amplifying* customers' shared top values



Get fit at home
Find community



Energy
Stamina



Help me look good
Find my next job

Or you can create value by *minimizing*
customers' shared negative values



The top 1 - 3 values drive most customer decisions



PRIUS



The top 1 - 3 values drive most customer decisions



Safety

PRIUS

Ecology
Economy

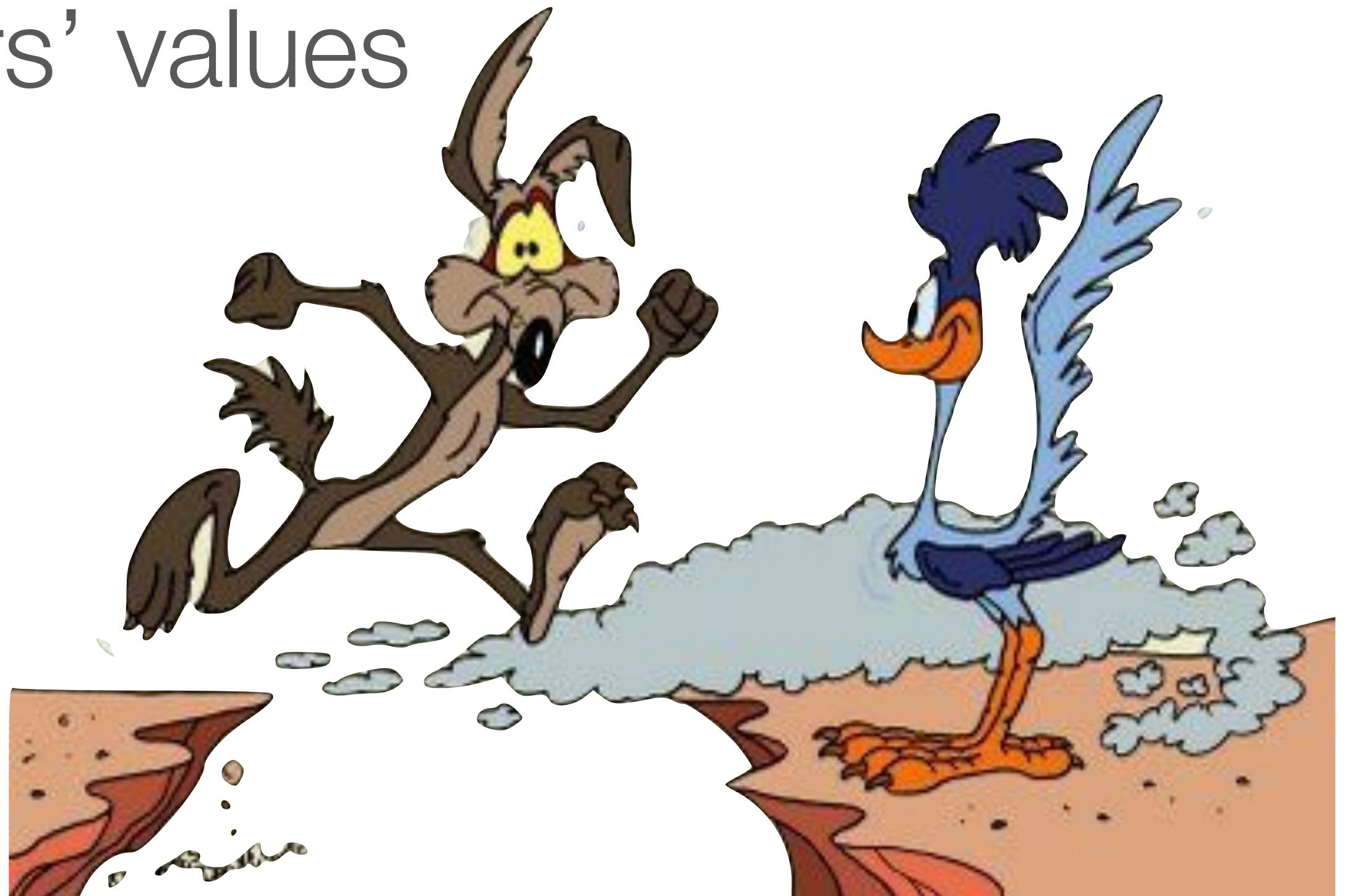


Performance

But not so fast!

Don't guess at your customers' values

You'll likely be wrong



Discovering customer values is hard

How can we do it reliably?



Ways we've tried to do Discovery

Surveys

Talk to customers

Focus groups

Anthropological research

Product testing

A/B tests

Product analytics

Ways we've tried to do Discovery

Surveys

Talk to customers

Focus groups

Anthropological research

Product testing

A/B tests

Product analytics

We need a different approach, focused on
Customer Perception of Value

Value Discovery Research

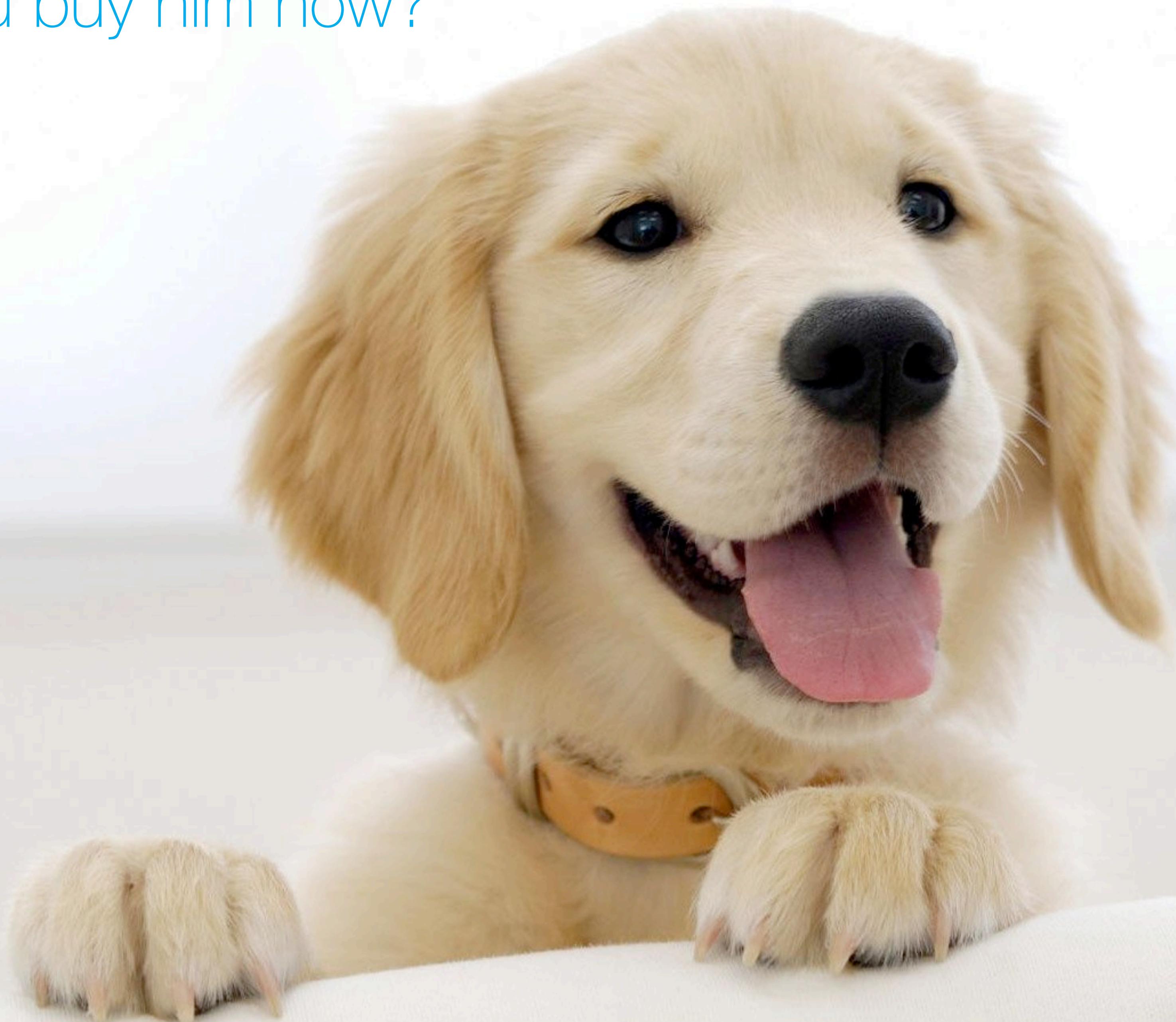
Do you like my puppy?



Cute
Friendly
Soft Fur
Fetch
Potty Trained



Will you buy him now?



Will you buy him now?



\$10

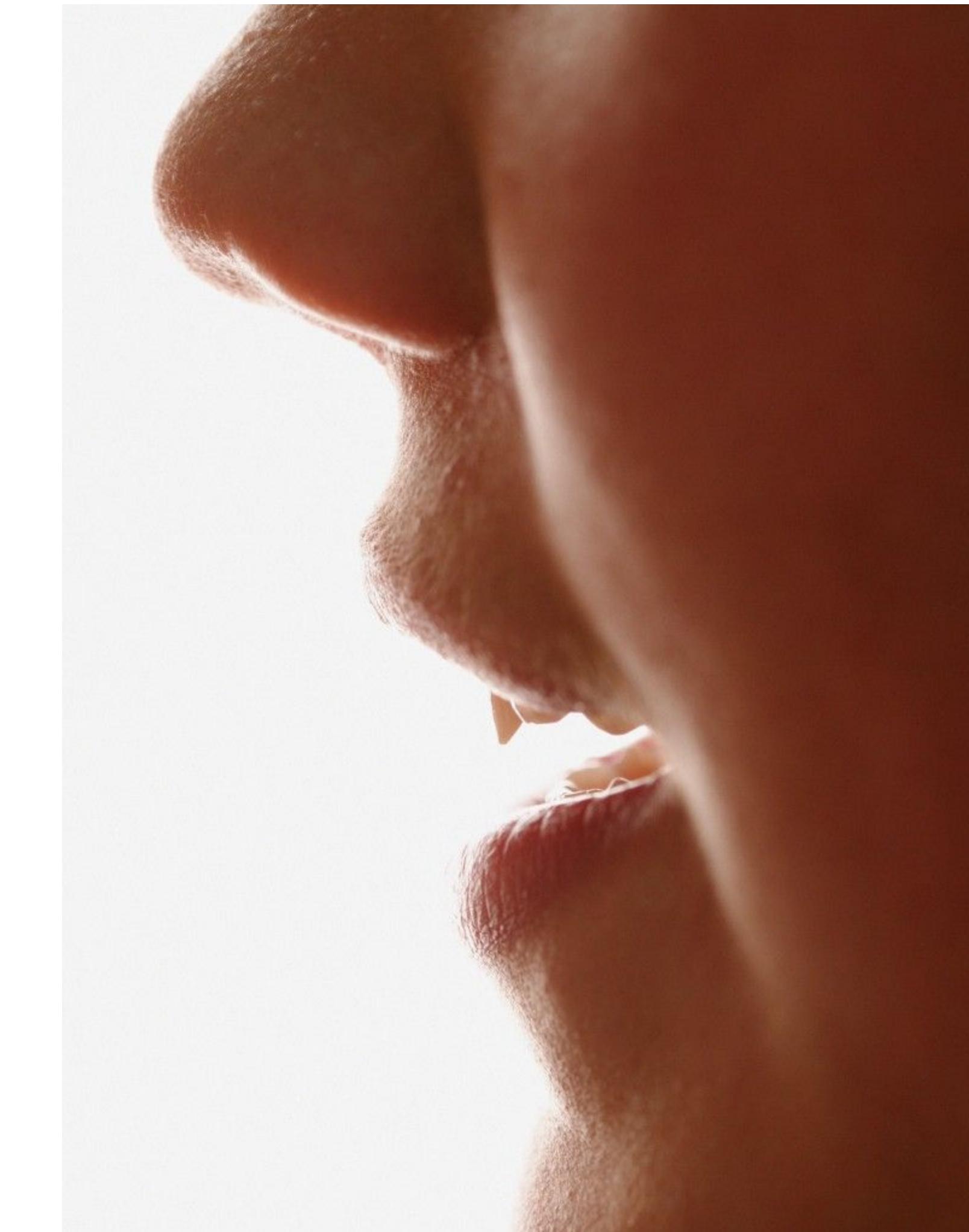
Minimum
Viable
Puppy
v0.9

Feedback?



Asking customers if they like your product
is like asking “**is my puppy cute?**”

We must get better at asking questions



...and get better at listening



Value Discovery Interviewing Tips

Talk only to people who care

Never pay for subjects

Use surveys to screen interviewees

Gain insight with live interviews

Let them use their own words

Avoid yes/no, a/b or forced choices

Learn what *they* care about

Don't mention your product or features

Learn which values matter most

Quantify the intensity of their values

Learn what *they* think

Don't disagree, prove or sell

Interviewing for Customer Perception of Value

1. Ask them to describe their past behaviour in your chosen context
 2. Then ask about their thinking throughout that part of the journey
-
- Listen for how they made their decision, which values mattered most
 - Don't ask about features. Focus on learning *how* they decided.

Customer Perception of Value Mini-Workshop

1. Ask your neighbour to name a **considered purchase** they made recently
2. Ask them to describe their **buying behaviour** in detail, start to finish
Ask only about the past — not the present or future
3. Ask about their **thinking** along the journey they described

Listen

- What led them to do the things that they did?
- How did they go about evaluating and arriving at their final decision?
- Listen carefully and be empathetic!

Your insights into Perception of Value



Congratulations!

You have new powers



What have we learned?

Values first!

Values are powerful & discoverable

You don't need a product, feature, mockup or even an idea. It's actually better if you don't

After discovering customers' values, decisions are easier

Amplify the top values. Mute the rest

Remember this?

Problem	Possibility
Not enough are interested	Greater awareness
Not enough care	Strong interest
Not enough buy	Many eager to buy
Don't pay enough	Willing to pay more
Don't continue to buy	Eagerly buy again
Don't recommend	Recommend to many

Now...

Problem	Possibility	You now have a way to...
Not enough are interested	Greater awareness	attract interest
Not enough care	Strong interest	know what they care about
Not enough buy	Many eager to buy	know why they'd buy
Don't pay enough	Willing to pay more	know what they'll pay for
Don't continue to buy	Eagerly buy again	know why they'd buy again
Don't recommend	Recommend to many	know why they'd recommend

Values-first Product Creation

Instead of

Starting with a product or feature idea

Testing our assumptions

Creating in order to discover

Hitting the limits of trial and error

We can now

Start with the target customer

Acknowledge that we don't know

Discover and know before we create

Measure our customers directly

Determining value and markets

Instead of

Defining markets via demographics

Marketing to everyone

Adding features to see if they care

We can now

Define markets by customer values

Target markets by their shared values

Add only after we know their values

Traditional Discovery vs. Value Discovery

Instead of

Measuring reactions to our product

Guessing what to try next

Talking about our product

Observing their reactions

We can now

Measure our customers directly

Know what matters most to customers

Ask about customers' behavior

Ask about customers' thinking

Choosing features

Instead of

Adding more and more features

Reducing value via unwanted features

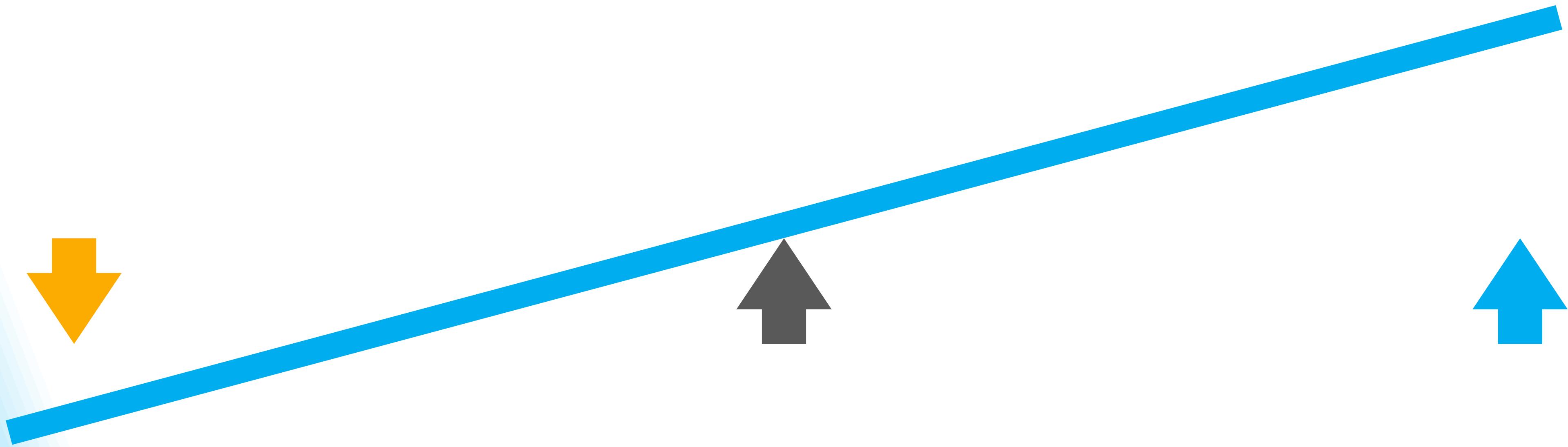
Conflicting priorities

We can now

Add only valuable features

Defer adding what's less important

Prioritize based on customer value



Measuring progress

Today

Making our product “better”

Design → Build → Measure

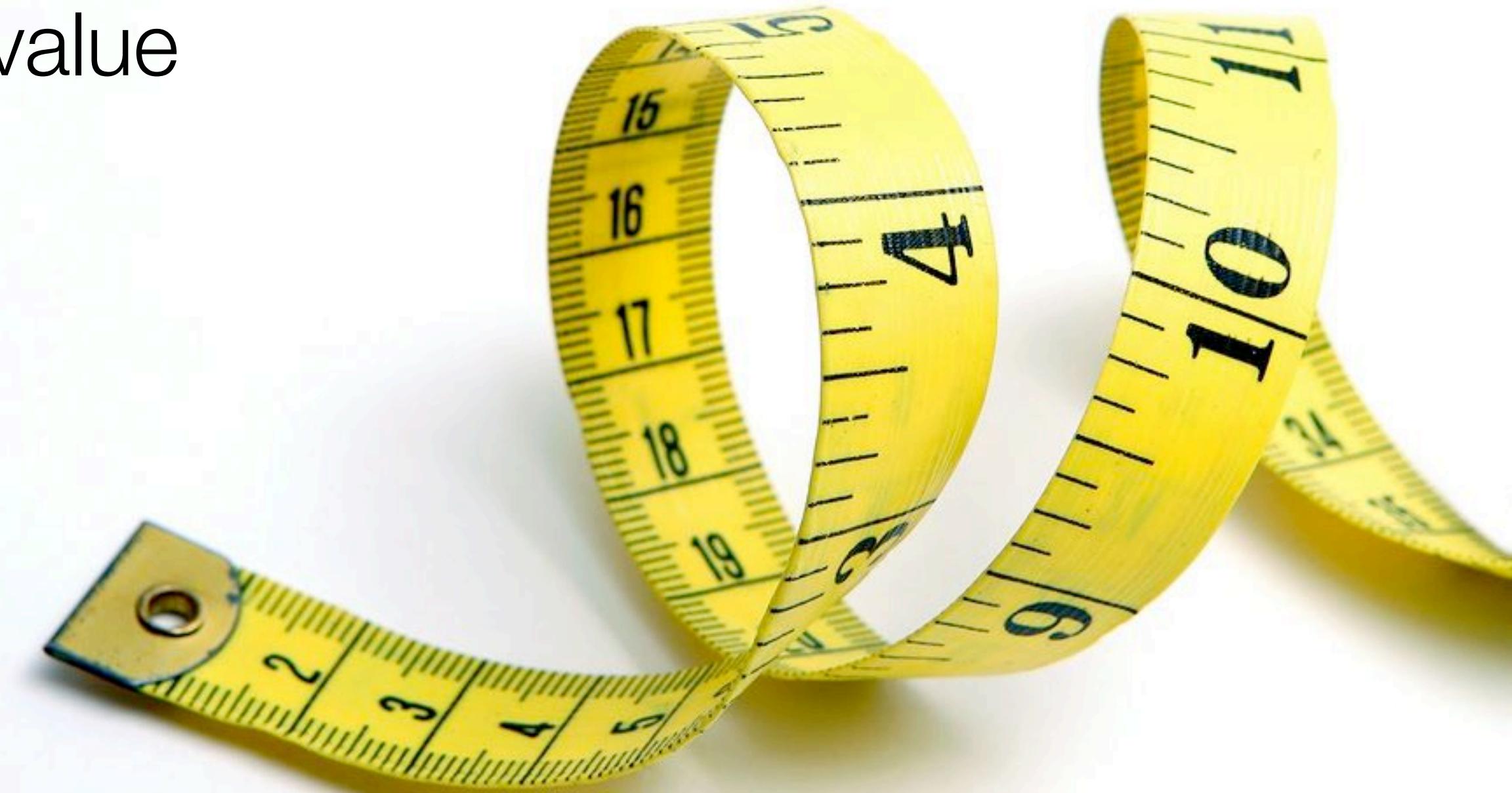
of features

Tomorrow

Maximizing the market opportunity

Measure → Design → Build

Amount of value



We're not done yet...

This worked in the lab...

How can you make this work at work?



Starting with value discovery



Putting values-first into practice

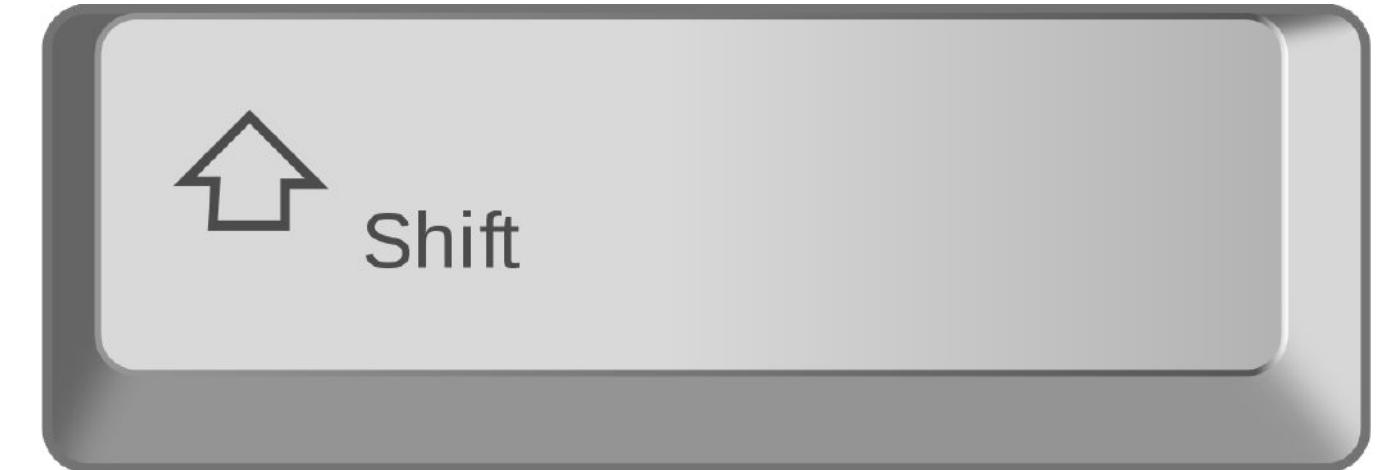


Sharing your successes



Help lead the shift

Product-centric → customer-centric



Features-based → customer values-based

Iterative innovation → values-first innovation

Spread the word to help raise our game

Help our community rise above the 80% failure rate

Make your product, company, and city a center for customer-led growth

Remember...

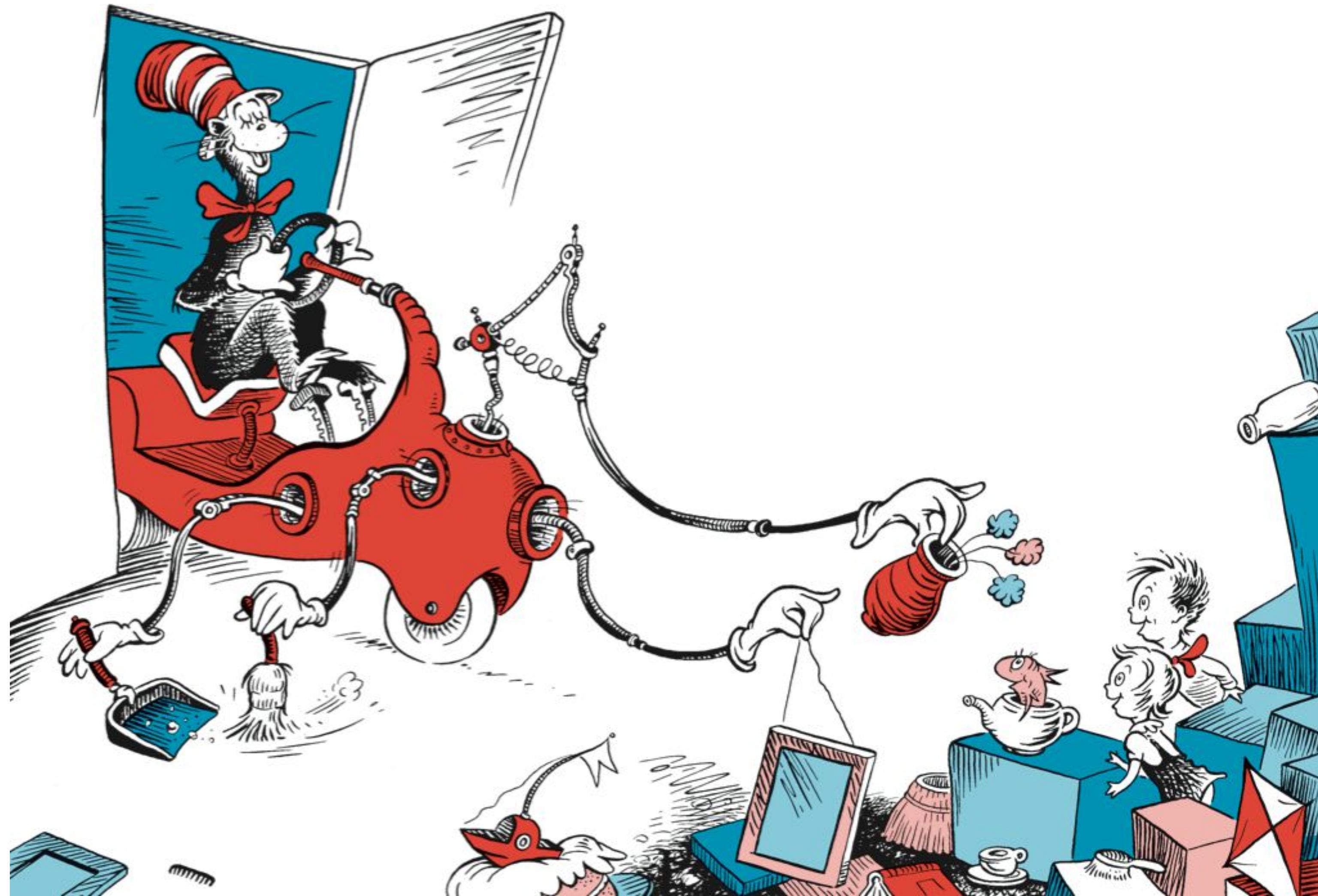
Your job is *hard!*



Your job is *great!*



Use your values-first powers wisely



Getting It Right From The Start

From Failing Fast to Succeeding Sooner

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