The Startup Owner’s Manual in Ten Pages

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BOOK THREE: MANUAL FOR PHYSICAL CHANNEL STARTUPS
Chapter One: The Customer Development Manifesto

• Rule One: There are no facts inside your building, so get outside
  ○ In customer development, founders gather firsthand experience about every component of the business model—this cannot be delegated

• Rule Two: Pair customer development with agile development
  ○ Customer development is useless unless the product development organization can iterate the product with speed and agility

• Rule Three: Failure is an integral part of the search
  ○ If you’re afraid to fail in a startup, you’re destined to do so

• Rule Four: Make continuous iterations and pivots
  ○ Groupon’s $12 billion pivot is a perfect example

• Rule Five: No business plan survives first contact with customers so use a business model canvas
  ○ The difference between a static business plan and a dynamic model could well be the difference between flameout and success

• Business model describes:
  ▪ Value proposition
  ▪ Customer segments
  ▪ Distribution channels

• Customer relationships
• Revenue streams
• Resources
• Activities
• Partners
• Cost structure

• Rule Six: Design experiments and test to validate your hypotheses

• Rule Seven: Agree on market type. It changes everything
  ○ Not all startups are alike—one key way is the startup’s relationship between product and market:
    ▪ New product to existing market?
    ▪ New product to new market?
    ▪ Re-segment as a low-cost entrant?
    ▪ Re-segment as a niche entrant?
    ▪ Cloning a business model successful elsewhere?
  ○ Traditional product introduction model works when introducing to existing market with known model—since most startups are searching for repeatable and scalable model, they don’t really know who their customers will be
  ○ Market type influences everything a company does:
    ▪ Existing market: marketing relatively easy; do it better, faster or cheaper (customer defined attribute)
    ▪ New market: lets customers do something they couldn’t do before, or creates new class of users
  ○ Re-segmenting: useful when difficult to attack incumbents head on

• Rule Eight: Startup metrics differ from those in existing companies
  ○ Startup metrics should focus on tracking progress in converting guesses and hypotheses into facts
    ▪ It is critical that continuously test and measure each hypothesis until entire model is worth scaling into a company
  ○ Create a dashboard that encompasses more than P&L, cash flow and balance sheet
  ○ Customer problem and product features validated?
  ○ Does minimum feature set resonate with customers?
  ○ Who is the customer, and have customer-related hypotheses re value proposition, customer segments, and channels been validated face-to-face?
  ○ Average order size, customer lifetime value, average time to first order, rate of sales pipeline growth, improvement in close rate, and revenue per salesperson
  ○ Financial metrics: cash burn rate, number of months’ cash left, short-term hiring plans, amount of time until cash-flow break even
  ○ Make sure that decisions are fact-based, not faith-based

• Rule Nine: Fast decision-making, cycle time, speed and tempo
  ○ Only certainty is that the bank account will be smaller each day—if cycles happen to slowly, startup runs out of cash and dies
  ○ Biggest impediment to cycle time is psychological
  ○ As a policy, make reversible decisions before anyone leaves the CEO office
  ○ Decision rate is also about creating tempo at all levels of the company

• Rule Ten: It’s all about passion
  ○ Startup people are just different
    ▪ Brains are wired for chaos, uncertainty, and speed
    ▪ Focused on customer needs and delivering great products

• Rule Eleven: Startup job titles are very different from a large company’s
  ○ Not all startups are alike—one key way is the startup’s relationship between product and market:
    ▪ Recommends Customer Development Team

• Rule Twelve: Preserve all cash until needed. Then spend.
  ○ Don’t search for the one-off revenue hits but for a pattern that is repeatable and allows you to scale

• Rule Thirteen: Communicate and share learning
  ○ Recommends creating an internal blog where everyone posts; CRM could be useful too

• Rule Fourteen: Customer development success begins with buy-in
  ○ Everyone must accept the process, recognizing that this is a fluid, nonlinear search for a business model that can sometimes last for years

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Checklist One: Board and Management Buy-In
**Goal:** Commitment among investors, founders, and team to Customer Development Process
**Reference:** Manifesto Rule 14
- Commit to use of Business Model and Market Type
- Understand difference between “search” for a business model and “execute” business plan
- Learn differences between Product Development and Customer Development
- Discuss number of “funded pivots” available and how board and team will measure company process
- Customer development process emphasizes learning and discovery
  - Is there board and founding team buy-in for this process?
  - Is there enough funding for 2 to 3 pivots in Discovery and Validation?
- Discuss market type
  - Existing, resegmented, new or clone?
- First pass with board on initial agreement of market type
  - First pass with board on different funding needs by market type
- Agree on customer development timeframe
  - Approximate time for Discovery and Validation
- Exit criteria
  - Buy-in of team and board for Customer Development process
  - Market type and exit criteria for each step

Checklist Two: Customer Development Team
**Goal:** Set up customer development team
**Reference:** Manifesto Rule 1
- Review organization differences between Customer Development and traditional product introduction process
  - Founders spend time outside the building
  - No VP of Sales or Marketing
  - Initial team responsibilities
- Team setup and goals
  - Agree on who leads team
  - Agree on “getting out of the building” methodology
  - Agree on percent of customer feedback online versus eyeball
  - Agree on the team roles for each of the four customer development steps
- Enumerate three to five core values of the founding team
  - Not a mission statement
  - Not about profit or products
  - Core ideology is about what the company believes in
- Exit criteria
  - Buy-in of the team and board for customer development team
  - Are right people in the right jobs?

Checklist Three: Market Size
**Goal:** Estimate the total market opportunity for the company
**Reference:** Chapter 4, Market Size Hypothesis
- Estimated market size:
  - TAM or Total Available Market
  - SAM or Served Available Market
  - Target Market
- Estimate current product and follow-on products
  - Appropriate metric for measuring determined
    - Units/dollars/page views/other measures?
    - Per member for subscription services/page view for advertising supported businesses?
    - Research conducted to “size” the overall market
    - Read industry analyst reports, market research reports, competitors’ press releases, etc.
    - Talk with investors and customers
    - If assessing an existing or re-segmented market, adjacent markets that customers might switch from are considered
      - Will startup’s product encourage switching?
      - Only switchable subset counted (beware of long-term lock-ins from incumbents)
    - Growth computed for all customer sources over 3-5 years
      - If assessing a new market, the opportunities are estimated based on proxies and adjacent markets
      - Are there compatible companies?
      - Have others grown as fast as the estimate?
      - Why will this company perform similarly?
- Exit criteria
  - Written sense of market size, estimate of how much the company can capture
  - Pass/fail tests identified

Checklist Four: Product Vision
**Goal:** Team agreement on long-term vision and 18-month schedule
**Reference:** Chapter 3, Value Proposition Hypotheses/Product Vision
- Vision
  - What’s your long-term vision for the company?
  - What do you ultimately want to change or solve?
  - Are you going to do it with a series of products?
  - How do you expand into adjacent markets?
  - Do you need to get people to change their behavior?
  - What will the world look like three years after you arrive on the scene? Five years?
- Put together a short narrative in bullets about your strategy
- Delivery dates
  - MVP delivery date and features
  - 18-month product vision and delivery dates
- Long term product strategy
  - Will your product create network effects?
  - Can you price it with a predictable model?
  - Can you create customer lock-in/high switching costs?
  - Can you have high gross margins?
  - Does it have organic demand versus requiring marketing spend?
  - List product enhancements anticipated up to 18 months
  - List key follow-on product enhancements
- Exit criteria
  - Vision
  - Narrative
  - Long-term product strategy
  - Update your business model canvas
- Pass/fail tests identified
**Checklist Five: Product Features and Benefits**

**Goal:** Explain what the product is and why people will buy and use it

**Reference:** Chapter 3, Product Features/Benefits Hypothesis

- What problem or need are you solving?
  - What do you think is the biggest pain is in how customers work/play?
  - If they could wave a magic wand and change anything what would it be?
  - How does the product solve those problems or needs?
  - What do people do today to solve their problem?
- Product feature list
  - 10 one- or two-sentence descriptions of product features
  - Explain the general goal of the product
  - Does it address a market niche or segment?
  - Does it solve a problem or address a need in a new, different, faster or cheaper way?
- Product benefits list
  - List the benefits through the customer’s eyes
  - Underneath the features above, summary benefits for each
  - Will these benefits be accepted as such or do they need explanation?
- Describe minimum viable product (MVP)
  - What do you want to learn?
  - From whom?
  - What is the smallest feature set?
- Create a One-Page User Story
  - Include product vision, features, benefits
- Exit criteria
  - Describe the product’s features and benefits
  - Describe the MVP
  - Update your business model canvas
- Pass/fail tests identified

**Checklist Six: Customer Segments**

**Goal:** Develop a hypothesis of who your customers are and what problems they have that will drive them to use your product

**Reference:** Chapter 3, Customer Segments

- Define the customer problem
  - Latent, passive, active or vision problem/need?
- Define the customer type
  - Define the distinctly different types of customer
  - Who will be the actual day-to-day users of the product?
  - Who are the influencers and recommenders?
  - Who is the “economic buyer” (i.e. whose budget will pay for it)?
  - Do you think the economic buyer has existing budget for this product or do they need to get one approved?
  - Who are the “decision makers”?
  - Who else needs to approve the purchase? And who can kill it?
- What are the customer’s wants and needs?
  - Rated on a “problem recognition” scale
  - Does product solve a mission-critical company problem or satisfy a must-have customer need?
  - How painful is this problem?
- Draw the customer archetypes
- Draw the day in the life of a customer—before and after your product
- Draw the organizational and customer influence maps
  - List those who could influence a customer’s buying decision
  - Consider the product’s influence on his daily life
- Exit criteria
  - Customer types and problem or need
  - Customer archetypes
  - Depict a day in the life of a customer
  - Organizational and customer influence maps
  - Update your business model canvas
- Pass/fail tests identified

**Checklist Seven: Channels**

**Goal:** Develop a hypothesis of your distribution channel

**Reference:** Chapter 3, Physical and Channel Hypotheses

- Draw the distribution channel diagram
  - How much will the channel cost (direct expenses or channel discounts)
  - Are there indirect channel costs (presales support, promotional dollars...)
  - What else is needed for customers to use/buy the product?
  - How do they acquire those pieces?
  - What is the net revenue after channel costs?
- Is this a multi-sided market?
  - How will you address each side of the market?
- Exit criteria
  - Distribution channel selected
  - Update your business model canvas
- Pass/Fail tests identified

**Checklist Eight: Market Type**

**Goal:** Select an initial market type

**Reference:** Chapter 3, Market Type

- Do you have a new product in an existing market?
- Do you want to clone an existing market?
- Do you need to redefine/reframe a market?
- Or do you want to create an entirely new market?
  - Is your product/service a substitute for something customers already have?
  - Is it a replacement?
  - Is it a variant on something already out there, but can be “respun” into something new?
  - Is it something totally new?
- Positioning in an existing market
  - Define the basis of competition
  - Who is driving the existing market?
  - Define the basis of how you want to change the market
  - Who is driving the existing market you want to re-segment?
- Positioning in a new market
  - How will you create the new market?
  - Estimate of market creation costs
- Exit criteria
  - A preliminary first hypothesis of the type of market
  - Update your business model canvas
- Pass/fail tests identified
Checklist Nine: Customer Relationships
Goal: How will you “Get, Keep and Grow Customers” in a physical channel?
Reference: Chapter 3, Customer Relationships
- Draw your own “Get/Keep/Grow” Funnel
- Describe your “Get Customers” Strategy
  - Awareness
  - Interest
  - Consideration
  - Purchase
- What are your “Get Customers” tactics?
  - Interact
  - Retain
- What are your “Keep Customers” tactics?
  - Loyalty programs?
  - Product updates?
  - Customer surveys?
- Describe your “Grow Customers” Strategy
  - New revenue from existing customers
  - Customer referrals
- What are your “Grow Customers” tactics?
  - Up sell/cross-sell/other tactics
  - Referral generation programs to test
- Exit criteria
  - A preliminary first hypothesis of all Get/Keep/Grow activities
  - Update your business model canvas

Checklist Ten: Resources Hypothesis
Goal: Identify external resources critical to the company’s success, and how the company will find and secure them
Reference: Chapter 3, Key Resources
- Describe all the key resources, costs, and how they will be acquired
  - Physical resources
  - Financial resources
  - Human resources
  - Intellectual property
  - Other key resources
  - Dependency analysis
- Exit criteria
  - Physical, financial, human, intellectual property resources required
  - What they will cost
  - Where they will be found
  - How they will be secured
  - Update your business model canvas
- Pass/fail tests identified

Checklist Eleven: Partners Hypothesis
Goal: Identify essential partners and the company’s “value exchange” with each
Reference: Chapter 3, Partners
- Understand potential partner types
  - Strategic alliances
  - Joint new business efforts
  - Coopetition
  - Key suppliers
- List your target partners
  - Necessary partners
  - What they will provide
  - How the company will reciprocate
- Exit criteria
  - Understand potential partner types
  - List target partners, their contributions and what the company will offer in return
  - Update your business model canvas

Checklist Twelve: Revenue and Pricing Hypothesis
Goal: See if the business model makes financial sense
Reference: Chapter 4, Revenue and Pricing Hypothesis
- How many will we sell?
  - Market size and market share hypotheses
  - Channel hypotheses
- What’s the revenue model?
  - Sales?
  - Subscriptions?
  - Pay per use?
  - Referral?
  - Affiliate?
- What are the pricing tactics?
  - Value pricing?
  - Competitive pricing?
  - Volume pricing?
  - Portfolio pricing?
  - Razor/razor blade model
  - Subscription
  - Leasing
  - Freemium
  - Etc.
  - Does it add up to a business worth doing?
- Exit criteria
  - The units/users, revenue model and pricing add up to a business worth doing
  - Pass/fail tests identified

Checklist Thirteen: Design Tests
Goal: Devise experiments for testing the Business Model Hypotheses
Reference: Chapter 4, Design Tests and Pass/Fail Experiments
- List key areas to learn
- Design simplest pass/fail tests
- Run Tests
- Process for tracking learning and insights from test results
- Exit criteria
  - Objective pass/fail tests for testing Business Model Hypothesis
  - Process for tracking results
- Pass/fail tests identified

Checklist Fourteen: Prepare for Customer Contacts
Goal: Get meetings scheduled with potential customers to understand the customer problem and whether the company’s proposed solution solves it
Reference: Chapter 5, Prepare for Customer Contacts
- List 50 initial target customers
- Develop a reference story
- Craft an introductory email
- Contact initiated
- Build a master calendar of booked appointments
- Expand the list of contacts
- Create the innovator’s list
- Create the initial list of advisory board candidates
- Exit criteria
  - Meetings arranged with targeted number of potential customers
  - Pass/fail tests identified
Checklist Fifteen: Test the Problem and Assess its Importance  
Goal: Measure seriousness and importance of the customer problem or need as the customer sees it. 
Reference: Chapter 4, Test the Problem

- Develop the “Problem” presentation
  - Perceived problem
  - Current solution
  - Startup’s proposed solution
  - Top 3 things to learn at each customer call
  - Two presentations for multi-sided markets
  - Presentation rehearsed?

- Create a report card for collecting data
  - Perceived problems, ranked by customer
  - Cost
  - Current solution
  - Startup’s solution
  - Referrals

- Create scorecard for results
- Exit criteria
  - Problem presentation developed and rehearsed
  - Report card for collecting data at each call
  - Scorecard for results
- Pass/fail tests identified

Checklist Sixteen: Gain Customer Understanding  
Goal: In depth understanding of potential customers 
Reference: Chapter 4, Customer Discovery, Get Out of the Building to Test the Problem. Do People Care?

- Research and customer interviews
  - How customers’ money and time are spent
  - Current workflow
  - Pain or need
  - Current solution and cost
  - How workflow would change with startup’s product
  - Customer publications
  - Customer influencers

- Spend a day doing what customers do 
- Attend customer events

- Report card for recording information learned
- Process for analyzing data collected

- Exit criteria
  - In depth understanding of customers, what they read, who they listen to, how they work, spend leisure time and money
- Pass/fail tests identified

Checklist Seventeen: Capture Market Knowledge, Traffic/Competitive 
Goal: Gain understanding of overall market 
Reference: Chapter 4, Capture Market Knowledge

- Meet with peers in adjacent markets, industry analysts, journalists, other key influencers
  - Industry trends
  - Key unresolved customer needs
  - Key players
  - Must read/must ask/must meet
  - Potential competitors/innovators in the space
- Research!
  - Trends
  - Key players/influencers
  - Business models
  - Key metrics
- Construct a competitive grid
- Construct a market map
- Attend industry events
  - Demos
  - Hands-on time with competitive and adjacent products
  - Spot talent, trends

- Exit criteria
  - In depth understanding of the overall market, its trends, players, current products and vision for growth
- Pass/fail tests identified

Checklist Eighteen: Update the Business Model and Team 
Goal: Prepare to assess whether to move ahead or pivot 
Reference: Chapter 3, 4, 5, Customer Discovery

- Assemble the customer data
  - Build a workflow map of prototypical customer
  - Customer workflow with and without new product or app
- Detailed findings from customer interviews
  - Problems customers have
  - Pain level
  - How the problems are being solved
  - What was learned
  - Biggest surprises/biggest disappointments
- Assessment of data
  - How well preliminary product specs solve customers’ problem
  - Product/market fit
  - Review and prioritize features list
  - Features matched to customer problem
  - Customer interest/enthusiasm quantified

- Review of Phase I hypotheses
  - Update the business model canvas
  - Update the 18 month delivery schedule
- Pivot-or-proceed discussion

- Exit criteria
  - Determine whether the company has uncovered a problem that many customers are eager to solve, or if the Value Proposition works
  - Update the business model canvas
- Pass/fail tests identified
Checklist Nineteen: Product/“Solution” Presentation
**Goal:** Develop a solution presentation for use with customers to confirm the product solves a serious customer problem or fills an important need
**Reference:** Chapter 6, Create the Product/Solution Presentation
- Develop a solution-oriented presentation
  - Review problem
  - Describe product (five key features)
  - Insert multiple prompts for customer feedback
  - No marketing or positioning information
- Draw the customer workflow diagram
  - Before the product
  - After the product
  - Product future 18 months out
- Develop a demo or prototype where possible
- Keep a scorecard to track customers’ reaction
- Exit criteria
  - Detailed presentation that sets out the customer program, shows the startup’s solution and invites additional customer feedback
- Pass/fail tests identified

Checklist Twenty: Test the Product Solution with the Customer
**Goal:** Gauge whether customers believe the product is a strong solution to an important problem and if they’ll buy it
**Reference:** Chapter 5, Test the Product Solution with the Customer
- Prepare for the meetings
  - Introductory email
  - Reference story
  - Script
- Conduct customer interviews
  - Customers who heard first “problem” presentation
  - Targeted on expanded set of contacts
  - Several of each customer type
  - Use demo, prototype or MVP to describe product
- Develop a customer feedback report card to report feedback
  - Product and features
  - Intended market
  - Pricing
  - Distribution
  - Referrals
- Thank you notes
- Exit criteria
  - Solid understanding of customers’ problems
  - Robust customer interest in product
  - For indirect sales, be able to draw each channel partner’s business model
- Pass/fail tests identified

Checklist Twenty One: Update the Business Model and Team
**Goal:** Prepare to assess whether to move ahead or pivot
**Reference:** Chapter 3, 4, 5, Customer Discovery
- Assemble the Customer Data
  - Build a workflow map of prototypical customer
  - Customer workflow with and without new product or app
- Detailed findings from customer interviews
  - Problems customers have
  - Pain level
  - How the problems are being solved
  - What was learned
  - Biggest surprises/biggest disappointments
- Assessment of data
  - How well preliminary product specs solve customers’ problem
  - Product/market fit
  - Review and prioritize features list
  - Features matched to customer problem
  - Customer interest/enthusiasm quantified
- Review the Phase I Hypotheses
  - Update the business model canvas
  - Update the 18-month delivery schedule
- Pivot or proceed discussion
- Exit criteria
  - Determine whether the company has uncovered problem that many customers are eager to solve, or if the value proposition works
  - Update the business model canvas
- Pass/fail tests identified

Checklist Twenty Two: Identify First Advisory Board Members
**Goal:** Begin to identify first advisory board members
**Reference:** Chapter 5, Identify First Advisory Board Members
- Potential advisors approached
  - Technical problems
  - Key customer introductions
  - Domain specific knowledge
  - Product development
- Exit criteria
  - Initial list of advisory board prospects
- Pass/fail tests identified

Checklist Twenty Three: Verify Product/Market Fit
**Goal:** Verify that the company has identified a serious problem, has a product that will address that problem and that there are enough customers willing to pay for that product.
**Reference:** Chapter 6, Verify Product/Market Fit
- Assessment: serious problem or important need?
  - Number of customers with the problem
  - How customers rated problem
  - Whether customers attempted homegrown solutions
  - Workflow diagram with and without new product
- Assessment: does product address product or need?
  - Customer feedback review
  - Amount of customer enthusiasm for product
  - Referral rate
- Are there enough customers?
  - Market size, now and anticipated
  - Customer feedback
  - Competitive threats
- Exit criteria
  - Verify sizeable demand for solving the problem
  - Verify that the product fills the demand well in the customers’ eyes
  - Update the business model canvas
- Pass/fail tests identified
Checklist Twenty Four: Verify Who Customers Are and How to Reach Them

Goal: Verify that the company knows its customers and how to reach them.
Reference: Chapter 6, Verify Who Customers Are

- Know your customer
  - Customer archetypes
  - Day in a life of customer
  - Customer responses assessed
  - Customer behaviors, influences assessed
  - Channel map
  - Costs assessed for each step of moving product
  - Updated business model reflecting changes in customer acquisition costs

- Exit criteria
  - Detailed understanding of who customers are, how to reach them and what it costs to get them
  - Update business model canvas
- Pass/fail tests identified

Checklist Twenty Five: Verify Can We Make Money

Goal: Determine whether the company can be profitable
Reference: Chapter 6, Customer Discovery, Verify Business Model/Pivot or Proceed

- Revenue model data
  - Summary of customer report cards, indicating potential sales revenue over time
  - Market size estimates
  - Detailed information about the industry, customers, their behavior
  - Competitive product and pricing information
  - Channel cost and revenue potential summaries
  - Pricing plan
  - Customer acquisition costs

- Accurate net revenue forecast for the next 4-8 quarters done three ways (good/better/best)
  - Direct revenue
  - Net channel revenue
  - Total revenue
  - Acquisition costs
  - Basic operating costs
  - Cash burn
  - Cash at quarter end, by quarter

- Exit criteria
  - Reasonable rough estimate of the company’s revenue expectations across next four-eight quarters
  - Update your business model canvas

Checklist Twenty Six: Pivot or Proceed

Goal: Assess whether the modified hypotheses provide
Reference: Chapter 6, Customer Discovery, Verify Business Model/Pivot or Proceed

- Modified hypotheses assessed
  - Problem/need identified
  - Product solves product/need
  - Viable, scalable, profitable business model
  - Day in the life of the customer, with and without product
  - Organizational chart of users, buyers and channels

- Clear, measurable profitable checkpoints identified

- Exit criteria
  - Full, honest assessment of customer discovery effort
    - Is there a big enough market that’s hungry for the product?

Checklist Twenty Seven: Craft Company Positioning

Goal: Create a clear, compelling message explaining why your company is different and the product is worth buying
Reference: Chapter 8, Customer Validation Phase 1: “Get Ready to Sell”

- Message statement
  - Condenses value proposition into single phrase or sentence
  - Emotionally compelling
  - Credible
  - Takes market type into account

- Exit criteria
  - Short, pithy message that explains what the company stands for, what the product does and why customers should buy from it, trust it, and care

Checklist Twenty Eight: Get Ready to Sell: Acquire/Activate Customers

Goal: Devise plans for getting customers to the app or site to sign up or buy
Reference: Chapter 8, Customer Validation Phase 1: “Get Ready to Sell”

- Acquire plan and tools
  - Who is responsible for driving the program
  - Tactic
  - Budget
  - Timing
  - Acquisition goals
  - Multisided or not
  - Social, network and viral components
  - Four weeks’ worth of initial activities to test

- Activation plan and tools
  - On landing page
  - How customer arrived at site
  - Reinforce language/tone of invitation
  - Issue multiple clear calls to action
  - Explain what problem the product solves
  - Off landing page tactics to test
  - A/B test

- Exit criteria
  - Initial “acquire” and “activate” plans for the first four weeks
  - Pass/fail tests identified

Checklist Twenty Nine: Get Ready To Sell: Hire a Sales Closer

Goal: Identify someone with the necessary skills and experience to close deals
Reference: Chapter 8, Customer Validation Phase 1: “Get Ready to Sell”

- Identification
  - Experienced startup salesperson
  - Good contacts in the target market
  - Stellar listening, pattern recognition and collaboration skills
  - Understand difference: closer vs., VP of sales
  - Does not replace founders getting out in front of customers personally

- Exit criteria
  - Experienced sales closer is hired
Checklist Thirty: Sales Action Channel Plan

Goal: Develop a preliminary Sales Channel Action Plan to test the channel hypothesis developed in customer discovery
Reference: Chapter 8, Customer Validation Phase 1: “Get Ready to Sell”

- Refined distribution channel plan
- “Food chain” drawings
  - All organizations between company and end user customers identified
  - Each organization and its relationships with the company and with one another identified
- Channel responsibility map
  - Relationships in the company’s distribution channel diagrammed
  - Written descriptions of all responsibilities
- Financial relationships between channel tiers mapped out
- Channel management plan devised
- Process identified for monitoring channel management plan
- Exit criteria: preliminary sales action plan that:
  - Describes the channel “food chain” and attendant responsibilities
  - Figures out the costs associated with each tier of the channel
  - Addresses management of the sales channel
- Pass/fail tests identified as appropriate

Checklist Thirty One: Refine the Sales Roadmap

Goal: Who are the company’s customers and how will they purchase your product?
Reference: Chapter 8, Customer Validation Phase 1: “Get Ready to Sell”

- Sales roadmap developed
- Organization and influence maps refined
- Customer access map refined
- Sales strategy developed
- Implementation plan devised
- Team members identified to manage each facet of the plan
- Exit criteria
  - A thorough plan for getting a foot in the door, making the sale, and seeing it through

Checklist Thirty Two: Formalize Advisory Board

Goal: Formally engage advisors who can facilitate high level introductions and are top notch “out of the box thinkers
Reference: Chapter 8, Customer Validation Phase 1: “Get Ready to Sell”

- Advisory board roadmap assembled
  - Size-quality vs. quantity
  - Ability to make high-level introductions
  - Technical expertise
  - Meetings or no meetings?
  - Key potential customers
  - Domain experts
  - Seasoned CEO type
  - Decide about compensation
- Exit criteria
  - Formal depiction of the size, makeup and operation of the company’s advisory boards

Checklist Thirty Three: Find Early Evangelists

Goal: Identify passionate early visionaries to try to sell
Reference: Chapter 9, Customer Validation Phase 2: Get Out of the Building and Sell!

- Early Evangelists identified
- Appointments made
  - Introductory email
  - Reference story
  - Script
  - Hit rate results tracked
  - List of contacts expanded
  - Exit criteria
    - Sales appointments with early evangelists
  - Pass/fail tests identified

Checklist Thirty Four: Get Out of the Building and Sell!

Goal: Test sell the product
Reference: Chapter 9, Customer Validation Phase 2: Get Out of the Building and Sell!

- Report card for collecting sales findings
- First meeting understanding: agenda, goals
- Agree on plan to enter at the right level
- “Before” and “after” visualized
- Customer presentations
- Purchase action plan (after positive meeting)
- Senior management engaged
- Thank you note with next steps
- Custom proposal (signed)
- Spreadsheet of win/loss statistics, summarized data
- Agreed upon number of orders to prove validation
- Exit criteria: a realistic sense of the product’s sales potential
  - Pass/fail tests identified
    - Orders to prove validation

Checklist Thirty Five: Refine the Sales Roadmap

Goal: Develop an effective sales process
Reference: Chapter 9, Customer Validation Phase 2: Get Out of the Building and Sell!

- Corporate organization and influence maps
  - Influencers, recommenders, saboteurs, economic buyers ID’ed
- Selling strategy map
  - How account is entered
  - Who is called on
  - Order of calls
  - Presentation
- Flowchart depicting sales process
- Steps identified to completing sale, delivering product
- Exit criteria
  - Playbook for repeatable and scalable sales process
  - Pass/fail tests identified

Checklist Thirty Six: Test Sell Channel Partners

Goal: Validate your channel strategy
Reference: Chapter 9, Customer Validation Phase 2: Get Out of the Building and Sell!

- Channel targets identified and researched
- Meetings scheduled
  - Introductory email
  - Reference story and script
- Channel/service partner presentation updated with early channel orders
- Report card for estimating sales from each channel
- Spreadsheet for summarizing data
- Exit criteria
  - Orders or firm commitments from prospective channel partners
  - Sales estimates from each channel
  - Pass/fail tests identified

Checklist Thirty Seven: Develop Product Positioning

Goal: Formalize your product’s positioning by market type

- Initial product positioning brief reviewed
- Customer feedback factored in
- Product positioning updated and refined
- Exit criteria
  - Revised product positioning brief
Checklist Thirty Eight: Match Positioning to Market Type
Goal: Ensure product positioning matches company’s market type

- Existing and re-segmented markets: product compared to its competitors’
- New market: vision and passion of what could be communicated
- Clone market: knowledge of comparative firms used to “predict the future”
- Exit criteria
  - Ensure product position matches market type
  - Validate positioning with customers

Checklist Thirty Nine: Develop Company Positioning
Goal: Articulate company positioning

- Mission statement developed in customer discovery revisited
- Company description, mission statement compared to competitors’
- Positioning statement drafted
  - Simple
  - Keeps customers in mind
  - What company does for me
  - Why do I want to do business with them?
  - Why does this company exist and how is it different?
  - Matched to market type
- Exit criteria
  - Statement that fully articulates the company’s vision and mission

Checklist Forty: Validate Positioning
Goal: Validate product and company positioning, and product features

- Meetings arranged with key analysts, industry influencers
  - Targets tracked and monitored since customer discovery
  - Analysts’ reports, press clippings, websites, etc. researched
  - Script developed
- Analyst presentation assembled
  - Market and product positioning
  - Product feature details
- Report card for gathering intelligence, tracking feedback
- Exit criteria
  - Detailed feedback about the marketplace and product from key analysts and influencers

Checklist Forty One: Assemble Data
Goal: Assemble all data, reports, questionnaires, map, diagrams, etc. for full review
Reference: Chapter 11, Customer Validation Phase 4: Toughest Question of All: Pivot or Proceed?

- Workflow map of the prototypical customer
- An organizational/influence map
- Customer archetypes
- Fully updated business model diagram (plus a few prior versions)
- Customer feedback from sales report cards
- Market size and market share estimates
- Channel feedback and revenue potential summaries
- Pricing, customer acquisition costs, and any major product cost changes
- Detailed information about the industry, customers and their behavior
- Competitive product and pricing information
- Exit criteria
  - All key feedback, hard data, diagrams and the most recent business model canvas assembled for review
  - Learning from discovery and validation incorporated into latest versions of the hypotheses documents and updated business model canvas
  - Intersections of/interactions among business model components reviewed
  - Pass/fail tests identified

Checklist Forty Two: Validate Business Model
Goal: Use facts gathered to validate the business model
Reference: Chapter 11, Customer Validation Phase 4: Toughest Question of All: Pivot or Proceed?

- Business model checklist
  - Value proposition
  - Customer segments
  - Value proposition 2: market type
  - Channels
  - Customer relationships
  - Cost structure
  - Revenue stream
- Exit criteria
  - Ensure all business model hypotheses have been converted to facts
  - Pass/fail tests identified

Checklist Forty Three: Financial Model
Goal: Ensure the startup can become a profitable, scalable business before it runs out of money
Reference: Chapter 11, Customer Validation Phase 4: Toughest Question of All: Pivot or Proceed?

- Value proposition
  - Product cost
  - Market size
  - Attainable market share
  - Customer impact of network effects
- Customer relationships
  - Customer acquisition costs
  - Prospect conversion rates
  - Customer lifetime value
  - Customer switching costs
- Market type considerations
- Basic operating costs
  - Channel and costs
  - Channel margin, promotions and shelf space fees
- Revenue streams
  - Average selling price
  - Total achievable revenue
  - Number of customers/year
- Cash balance
- Do the math
- Exit criteria
  - A full financial picture of the company’s ability to succeed
  - Pass/fail tests identified

Checklist Forty Four: Re-validate the Business Model
Goal: Further validate the business model
Reference: Chapter 11, Customer Validation Phase 4: Toughest Question of All: Pivot or Proceed?

- Business model canvas revisited
- Business model checklist revisited
  - Value proposition
  - Customer segments
  - Value proposition 2: market type
  - Channels
  - Customer relationships
  - Cost structure
  - Revenue stream
- Exit criteria
  - Determine if the company is making the best bet possible
  - Assess if revenue is as high and costs as low as they can realistically be
  - Pass/fail tests identified
Checklist Forty Five: Pivot or Proceed?

Goal: Decide whether to execute the business model

Reference: Chapter 11, Customer Validation Phase 4: Toughest Question of All: Pivot or Proceed?

- Did the validation effort really convert opinions to facts?
- Business model diagram is updated
- Did the product sell well and easily?
- Is it clear that customers will continue to arrive at a steady, predictable, profitable pace?
- Repeatable and scalable sales process developed
- Product delivery timing checked
- Confirmation that company can deliver on what was sold, do as promised
- Profitable business model demonstrated
- Move forward or pivot?
- Exit criteria
  - An informed decision about whether to move forward
- Pass/fail tests identified