

An Introduction and Dobro Pozhalovat'!



BOB DORF

allegedly retired serial entrepreneur

bobdorf@gmail.com

twitter: @bobdorf

some slides © Steve Blank



Why are we here??

*The odds are very much **against** your success
We want to reduce the risk of failure
And provide a method to help you and your
team build a strong, enduring company!*

...What really matters most:

GREAT companies with long-term potential

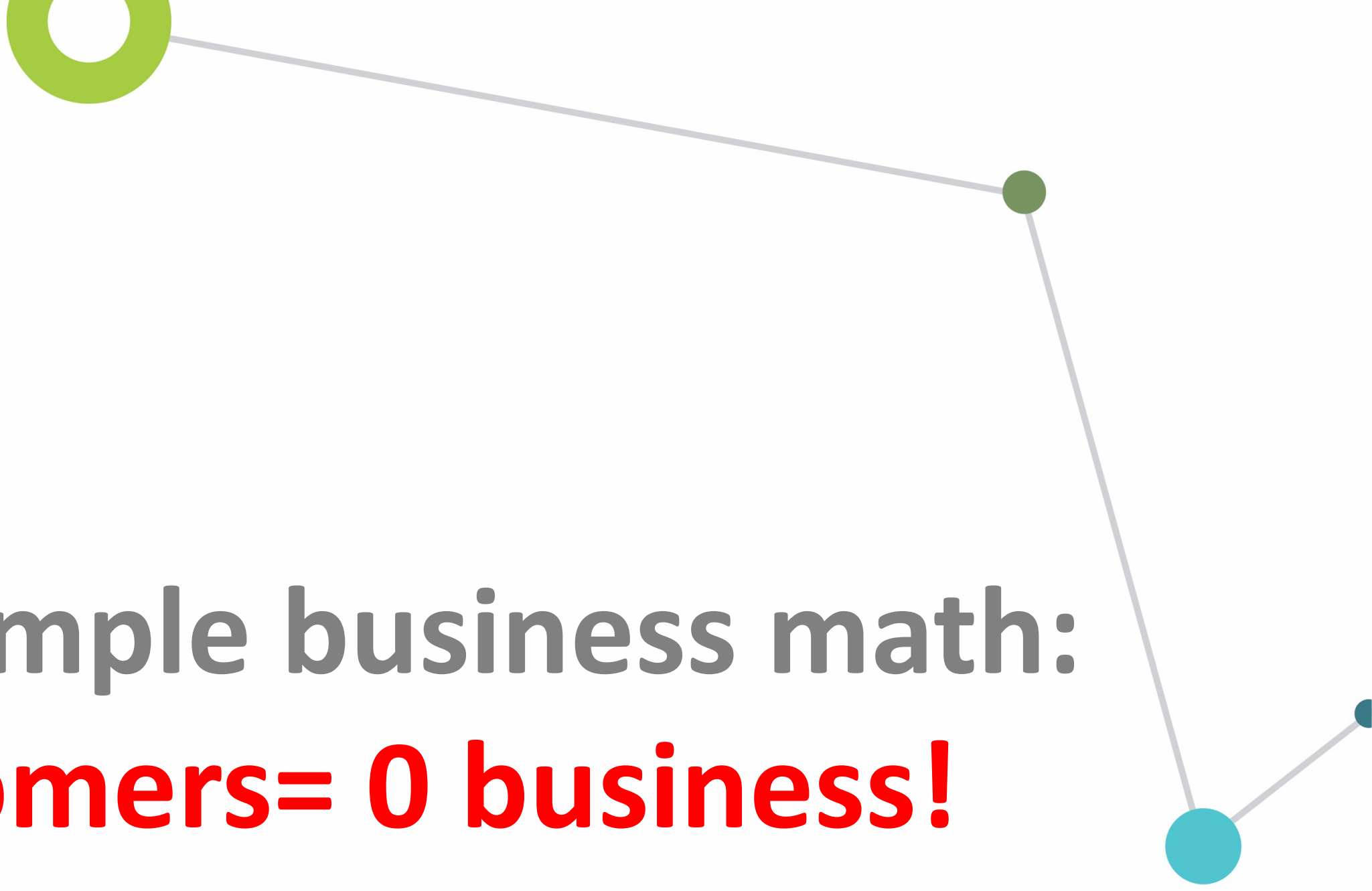
Excited CUSTOMERS who tell their friends

Eto ne Prikhot'...

- Many thousands of startups
- Skolkovo Startup Academy...4 times
- USA National Science Foundation
- 250+ leading Universities
- Many major corporations

More startups **fail from a lack of customers** than from a failure of product development



A decorative line with nodes in shades of green, teal, and blue, starting from a large green circle at the top left and ending with a teal circle at the bottom right.

Very simple business math:
0 customers = 0 business!

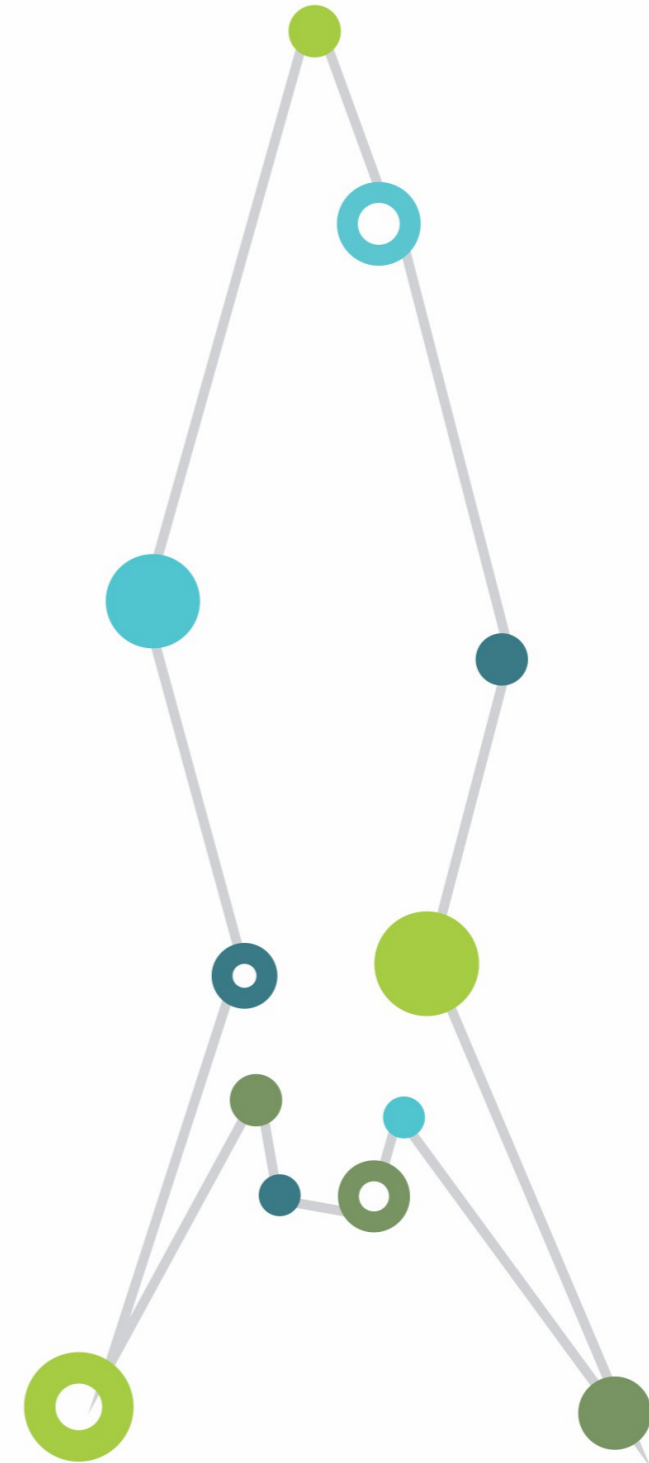
Kto Ya?

- “Unemployable” since age 22, 4 decades ago(!!)
- 7 startups: *2 homeruns, 2 base hits, 3 tax losses*
- >27x startups Investor/coach: *7 IPO’s, 6 disasters*
- 4 years Customer Development writing, teaching
- Adjunct Professor, Columbia Business School
- Visiting Professor, Skolkovo/Startup Academy
- 1 great kid, PhD, mom, proudest startup of all!

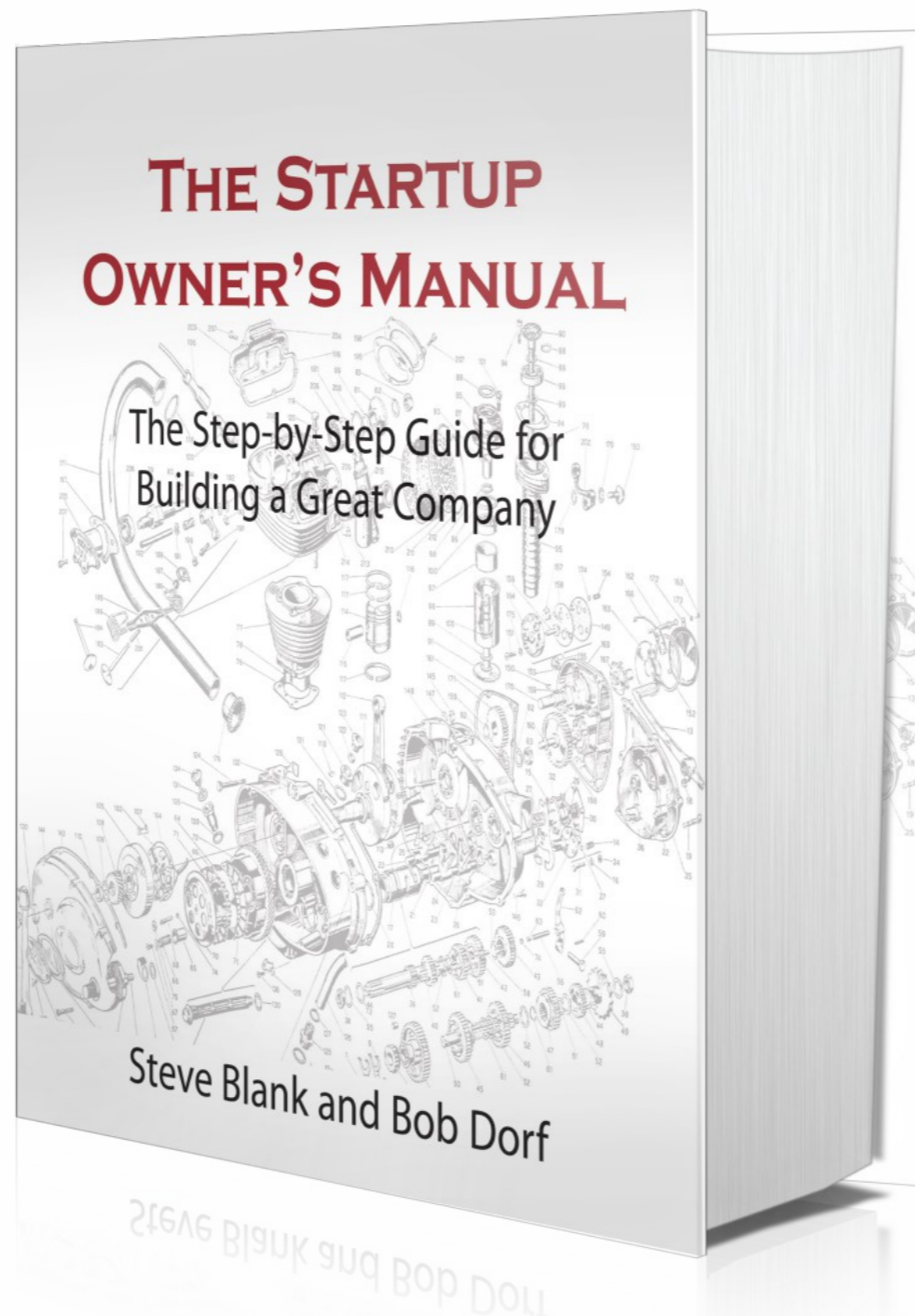


The best "tuition" of all...

Click to edit Master text styles



500 startup mistakes in 608 pages....



500 startup mistakes in 608 pages....





We've learned a lot
about entrepreneurship



A teal background with white geometric elements: a circle at the top center, a circle at the bottom center, and two lines meeting at a point on the right side, forming a triangle with the top circle. The text is centered horizontally.

What **We** Used to Believe



Startups are a **Smaller Version**
of a Large Company



What **We** Now Know

A decorative graphic consisting of a grey line with several nodes. The nodes are colored: a large green ring at the top left, a small dark green circle, a large teal circle, and a small dark teal circle. The line starts at the green ring, goes down and right to the dark green circle, then down and left to the teal circle, and finally up and right to the dark teal circle.

Startups Search
Companies Execute



Teaching Entrepreneurs: What We Used to Believe

What a Startup Really Looks Like





Startups are About **Vision & Ideas**, sweat and luck



What **We** Now Know



Most visions are very blurry at best

...and entrepreneurs “make” their own luck!

What **We** Used to Believe

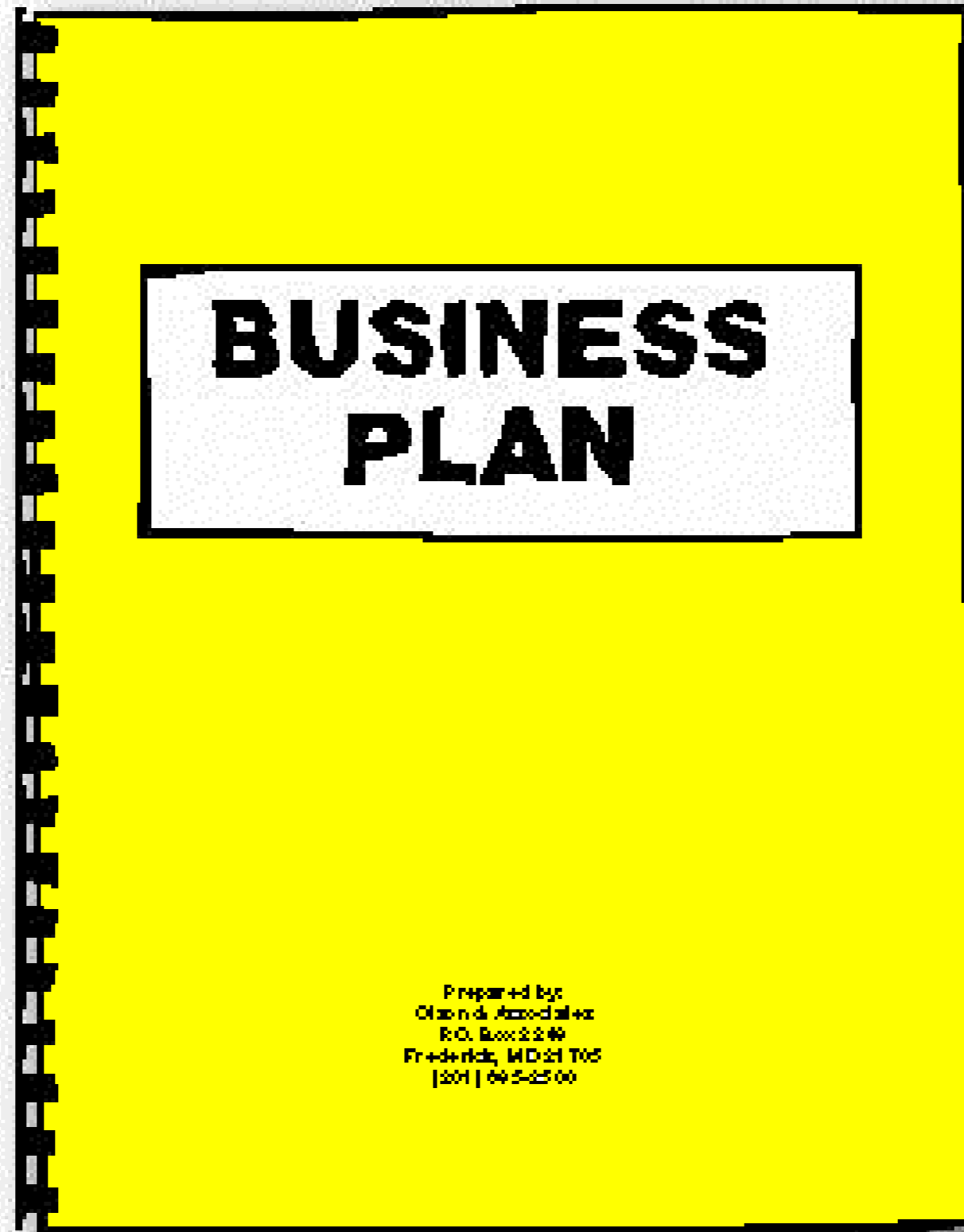
Strategy





Start With a Business Plan
and a Financial Model

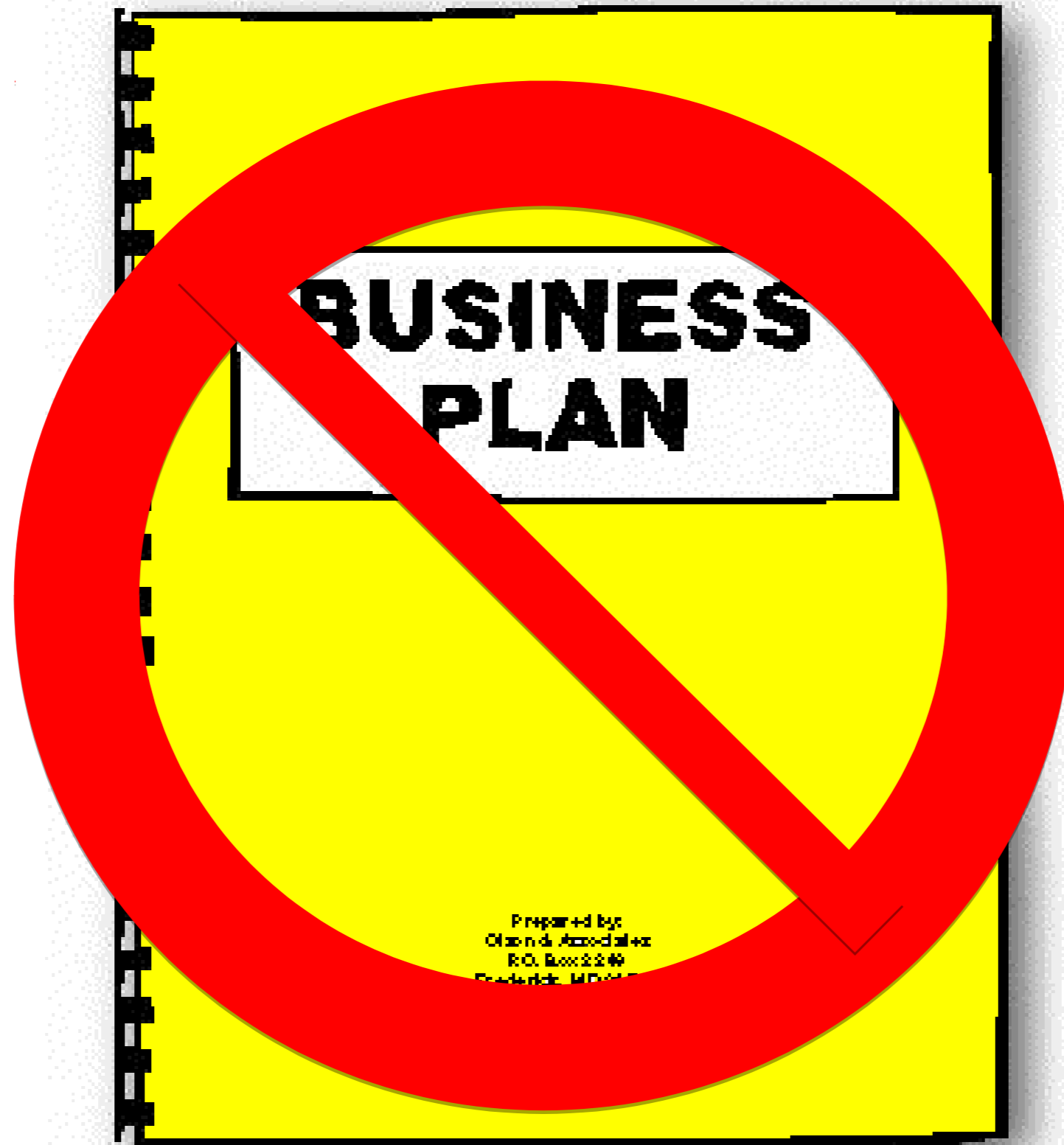
All You Need to Do is Execute the Plan



And You Need to Make the Forecast

	A	B	C	D	E	G	H	I	J	K	L	M	N
32	Balance Sheet												
33										Year			
34	Assets								1999	2000	2001	2002	2003
35		Cash and cash equivalents*							\$4.27	\$6.38	\$7.62	\$8.83	\$7.00
36		Accounts receivable*							\$20.58	\$24.39	\$28.77	\$34.11	\$32.00
37		Inventories*							\$26.73	\$30.45	\$36.75	\$43.27	\$38.00
38		Deferred income taxes*							\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
39		Total current assets							\$51.58	\$61.22	\$73.14	\$86.21	\$77.00
40		Fixed assets											
41			Cost*						\$101.64	\$423.92	\$503.87	\$613.28	\$450.00
42			Accumulated Depreciation*						\$98.72	\$105.09	\$112.40	\$122.26	\$115.00
43			Net fixed assets						\$232.92	\$318.83	\$391.47	\$491.02	\$335.00
44		Goodwill*							\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
45		Intangible assets*							\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
46		Other assets*							\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
47		Total assets							\$284.50	\$380.05	\$464.61	\$577.23	\$612.00
48	Liabilities												
49		Accounts payable*							\$31.83	\$63.43	\$83.84	\$94.41	\$80.00
50		Current debt*							\$30.86	\$43.03	\$64.85	\$79.49	\$0.00
51		Total current liabilities							\$62.69	\$106.46	\$148.69	\$173.90	\$80.00
52		Long-term debt*							\$40.00	\$46.92	\$53.41	\$73.57	\$214.54
53		Other long-term liabilities*							\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
54		Total liabilities							\$102.69	\$153.38	\$202.10	\$247.47	\$294.54
55	Shareholders' equity												
56		Common Stock and Additional Paid in Capital*							\$90.00	\$130.00	\$160.00	\$220.00	\$200.00
57		Retained Earnings*							\$91.81	\$96.67	\$102.51	\$109.76	\$117.46
58		Total Shareholders' Equity							\$181.81	\$226.67	\$262.51	\$329.76	\$317.46
59		Total liabilities and shareholders' Equity							\$284.50	\$380.05	\$464.61	\$577.23	\$612.00

All You Need to Do: Execute the Plan



What **We** Now Know

Strategy





No Business Plan
survives first contact
with customers



...Steve Blank, 2003



Planning comes **before**
the plan

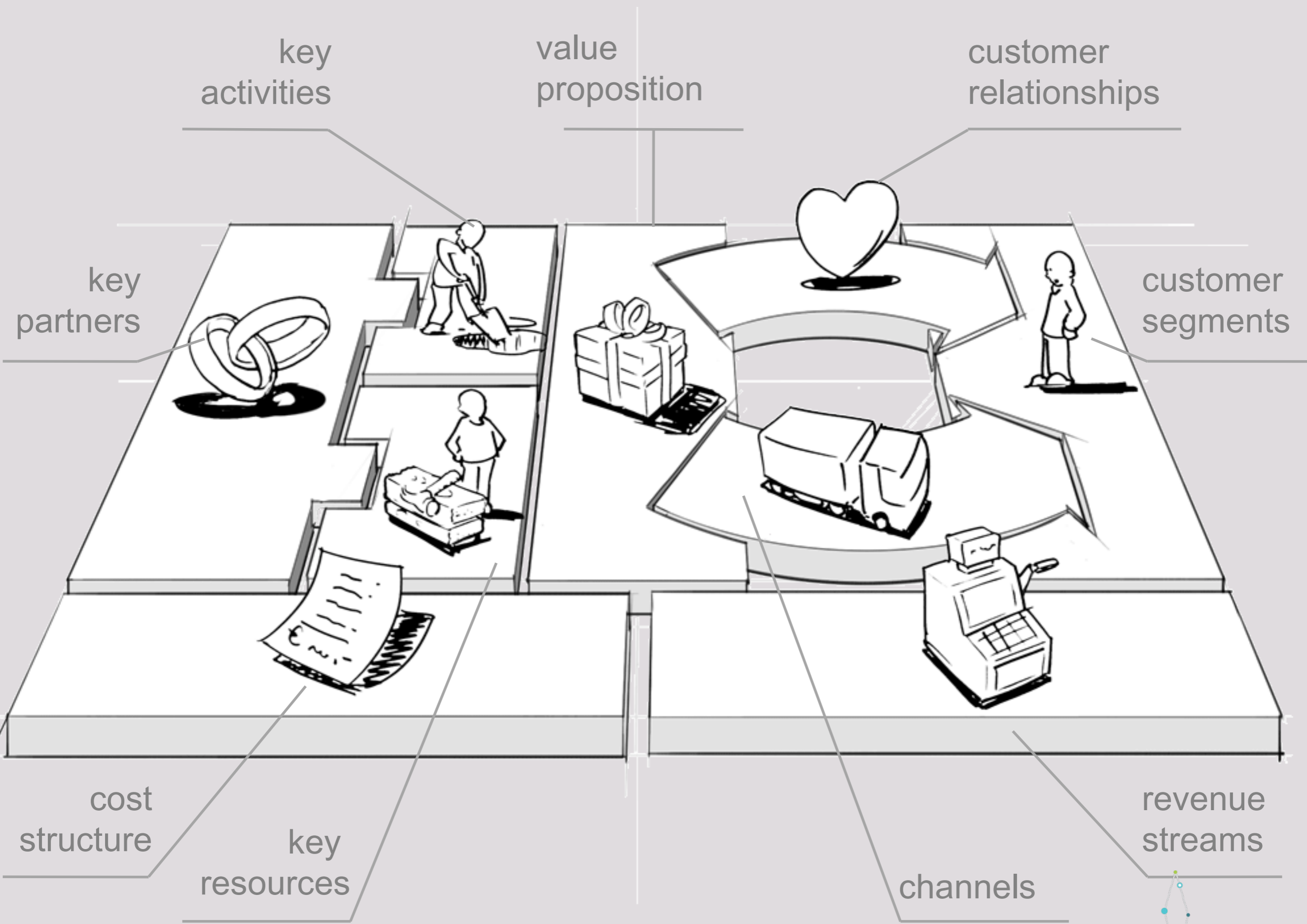


....So **SEARCH** for the
Business Model

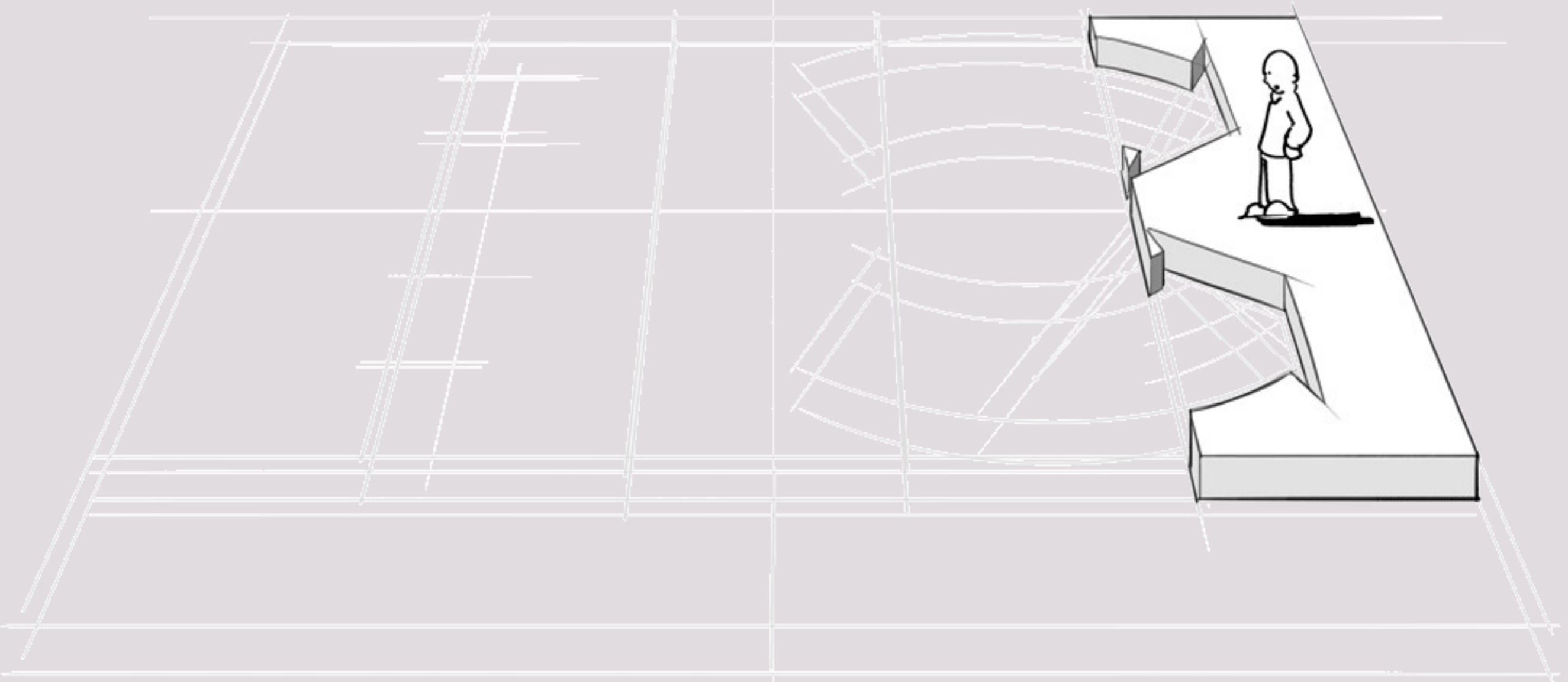


The Business Model:

Any company
can be
described in
9 building blocks

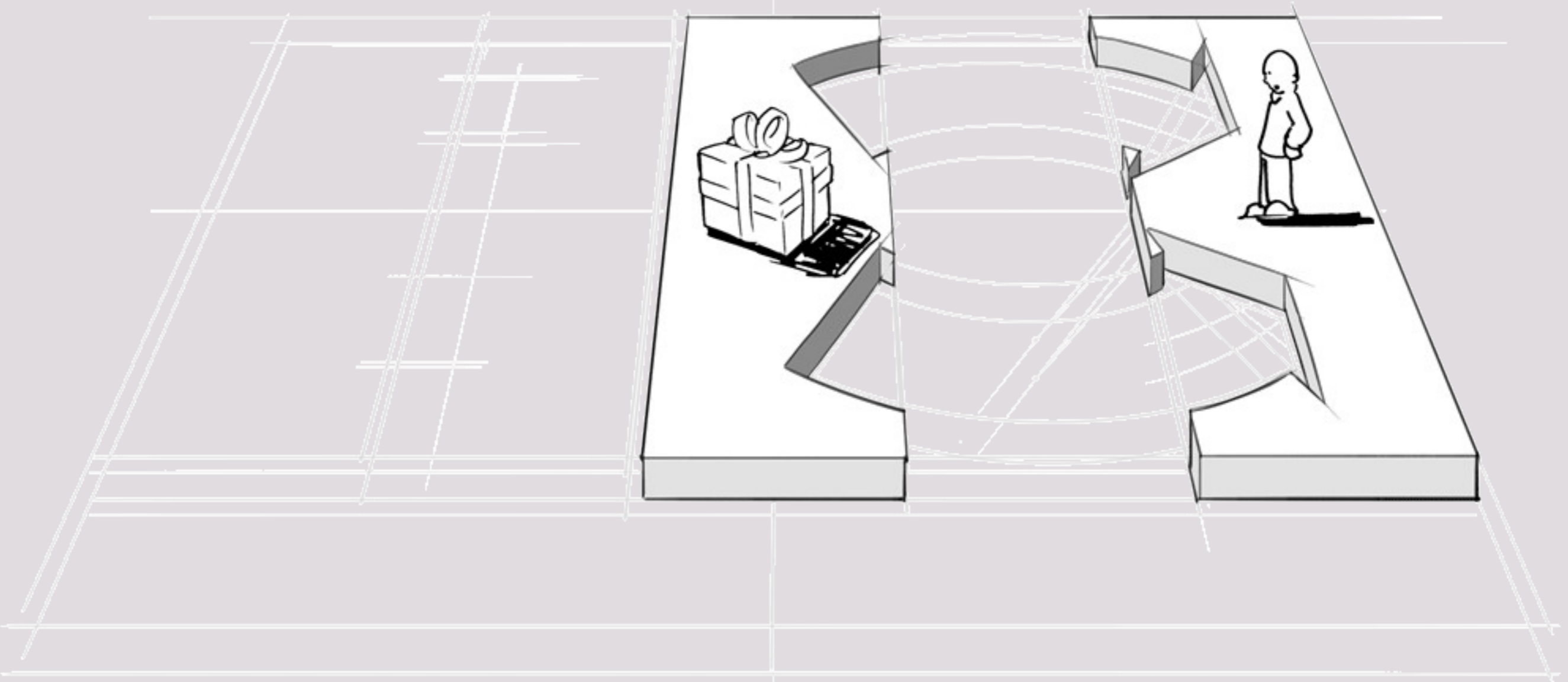


CUSTOMER SEGMENTS



which customers and users are you serving?
which jobs do they really want to get done?

VALUE PROPOSITIONS

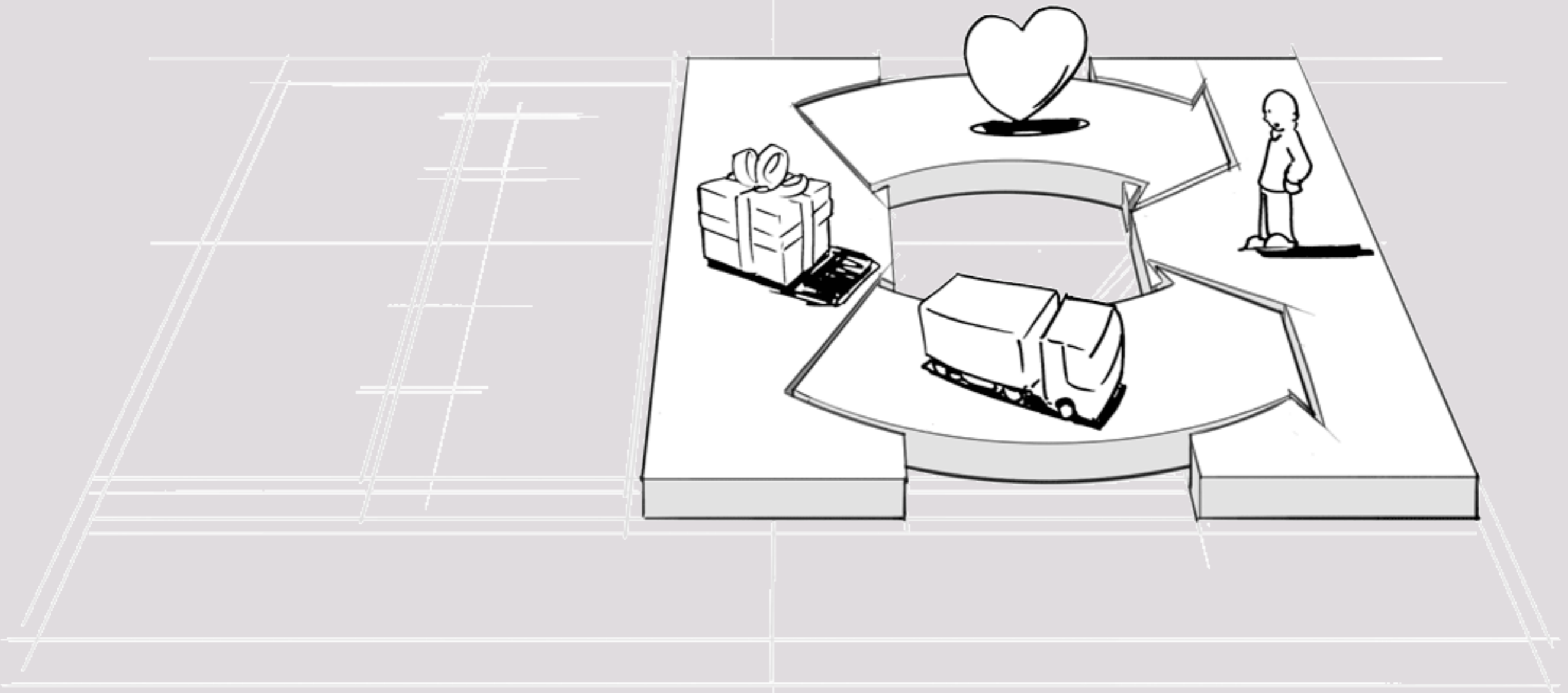


what are you offering them? what is that getting done for them? do they care?

CHANNELS

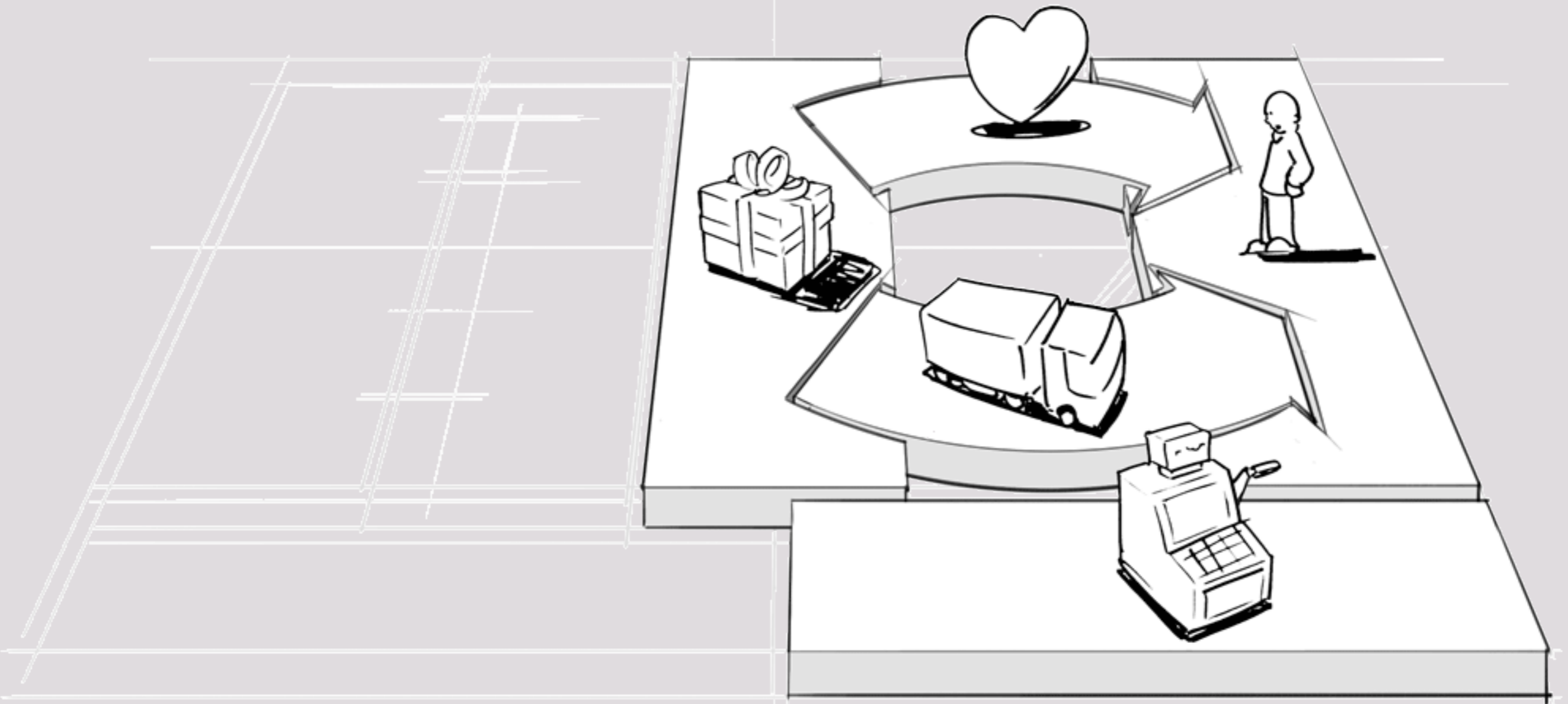
how does each customer segment want to be reached?
through which interaction points?

CUSTOMER RELATIONSHIPS

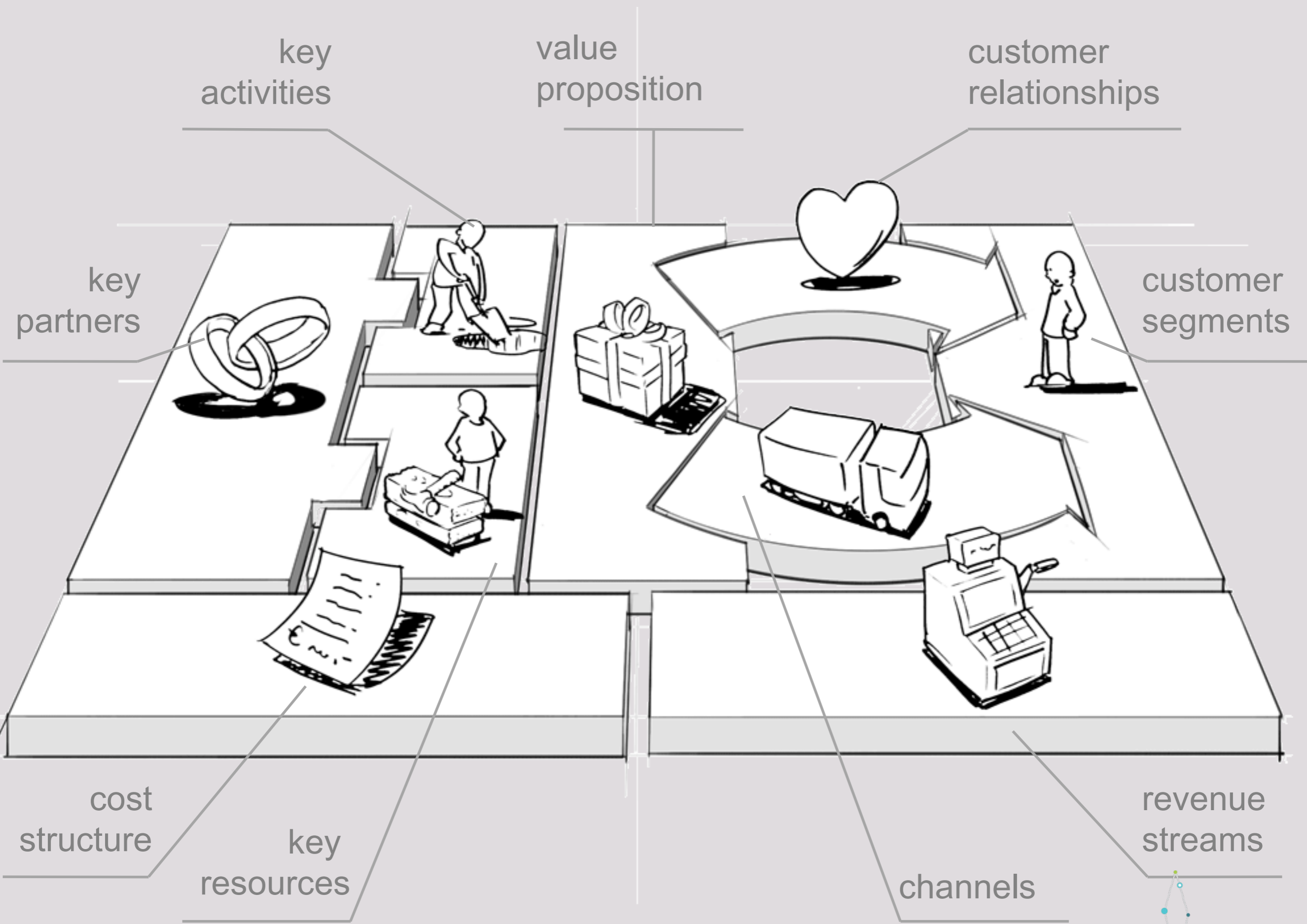


what relationships are you establishing with each segment?
personal? automated? acquisitive? retentive?

REVENUE STREAMS



what are customers really willing to pay for? how?
are you generating transactional or recurring revenues?





But,
Realize They're
Hypotheses

9 Guesses

The Business Model Canvas

Designed for:

Designed by:

On: Day Month Year

Iteration: No.

Key Partners



Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

WHY USE OUR PARTNERS?
Optimization and economy
Reduction of risk and uncertainty
Acquisition of particular resources and activities

Guess

Key Activities



What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

WHY USE OUR ACTIVITIES?
Production
Problem Solving
Platform/Network

Guess

Value Propositions



What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

WHY USE OUR VALUE PROPOSITIONS?
Revenue
Profitability
Customer Retention
"Lock-in for Job Done"
Design
Brand/Status
Price
Cost Reduction
Risk Reduction
Accessibility
Community/Credibility

Guess

Customer Relationships



What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?

WHY USE OUR CUSTOMER RELATIONSHIPS?
Personal Assistant
Reduced Personal Assistance
Self Service
Jockeying/Competition
Community
Co-creation

Guess

Customer Segments



For whom are we creating value?
Who are our most important customers?

WHY USE OUR CUSTOMER SEGMENTS?
Mass Market
Niche Market
Segmented
Blended
Multi-sided Platform

Guess

Key Resources



What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

WHY USE OUR RESOURCES?
Physical
Intellectual (brand, patents, copyrights, data)
Human
Financial

Guess

Channels



Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

Guess

Cost Structure

What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

WHY USE OUR COST STRUCTURE?
Cost Efficient (Customer cost structure, low price value proposition, maximum automation, minimal assistance)
Value Drivers (based on value creation, premium value proposition)

WHY USE OUR COST STRUCTURE?
Fixed Costs (rent, wages, utilities)
Variable Costs
Economies of Scale
Economies of Scope

Guess

Revenue Streams

For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

WHY USE OUR REVENUE STREAMS?
Direct Sales
Usage Fee
Subscription Fee
Licensing/Royalty/Leasing
Advertising
Freemium
Advertising Fee

WHY USE OUR REVENUE STREAMS?
Asset Price
Product System Upgrade
Customer segment dependent
Volume dependent

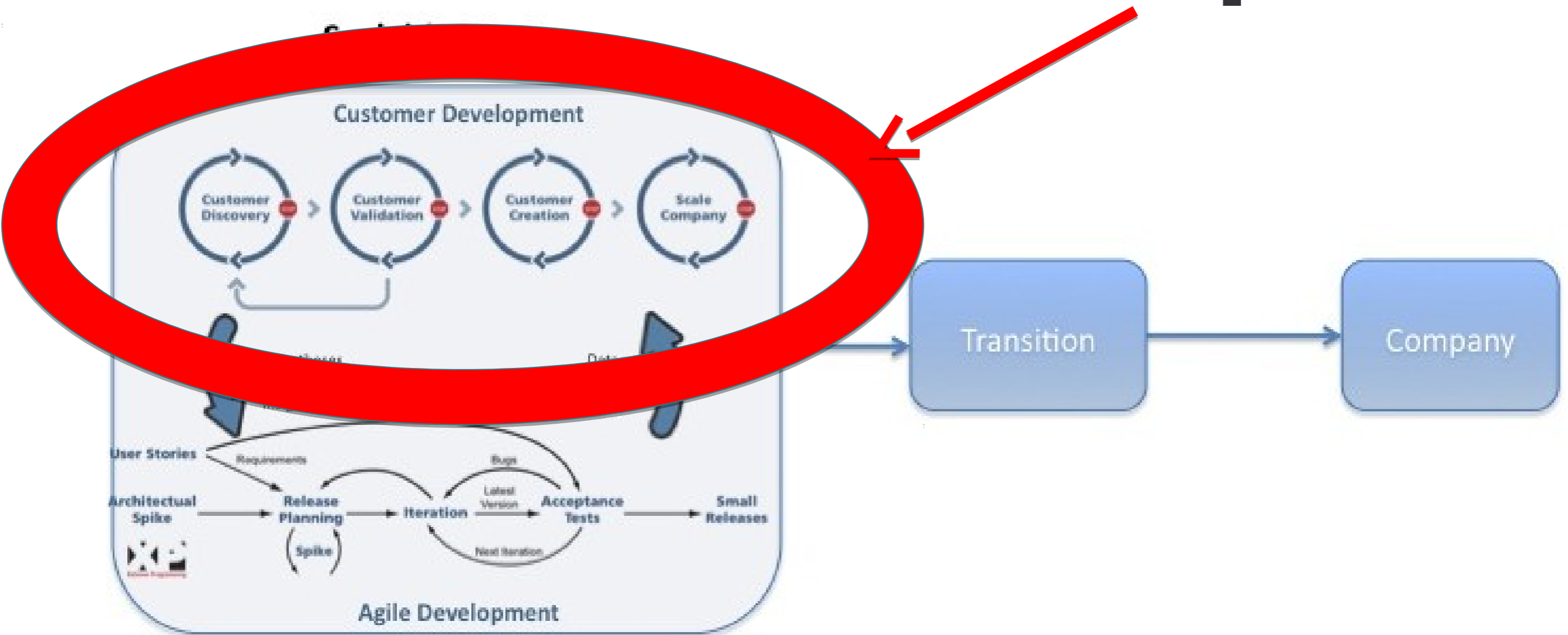
WHY USE OUR REVENUE STREAMS?
Organizational Reengineering?
R&D Management
Real-time Market

Guess

Our Guesses **DON'T Matter**

- Anybody can build almost anything today
 - (just a few exceptions: anti-gravity, transporters)
- What we need are CUSTOMERS!!
- Build the customers while building product
- ...and let customer feedback and your coach guide you all the way through the process!
- *note: Clones may be different!*

Customer Development



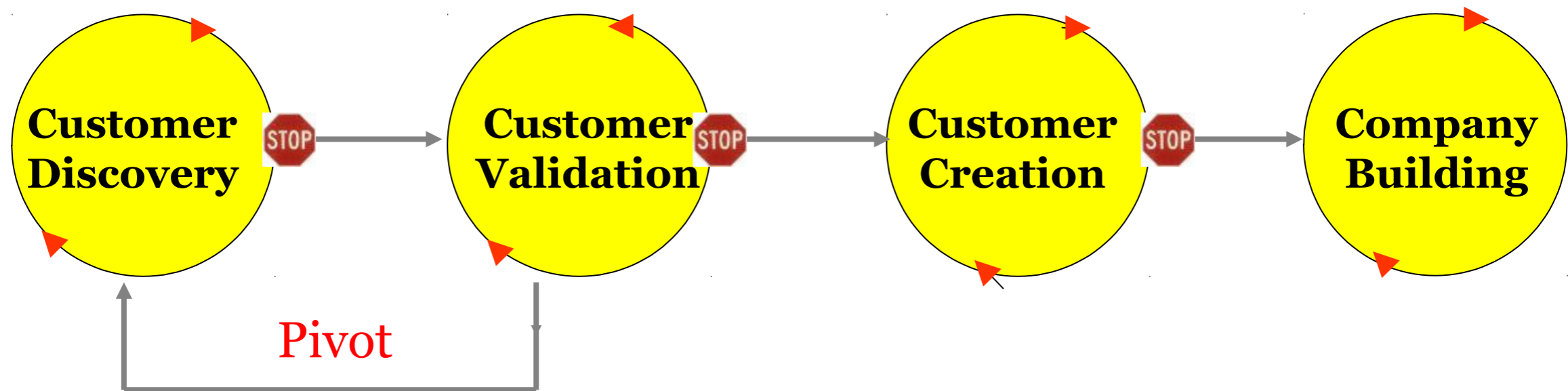


Customer Development

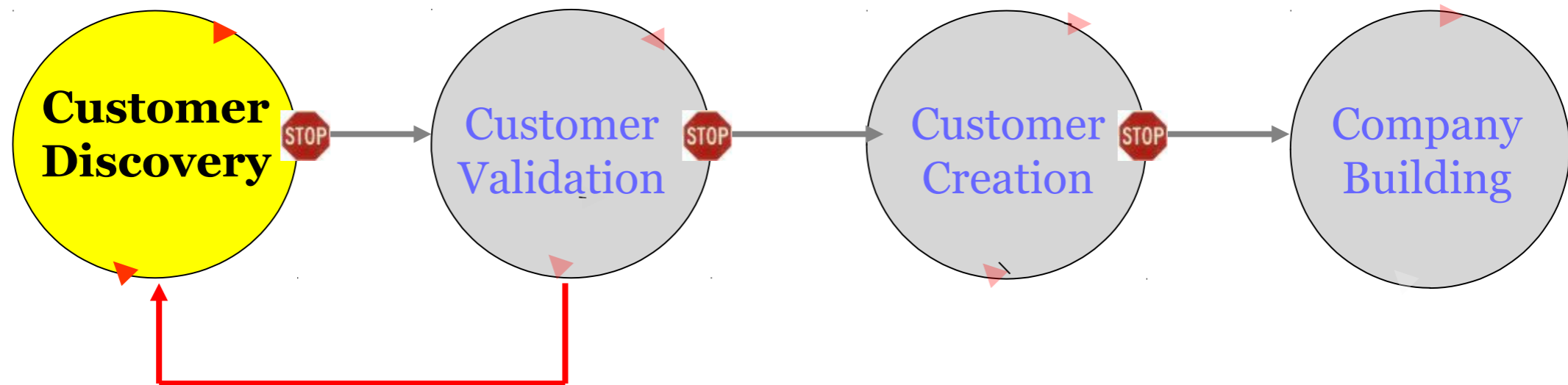
The founders

Get Out of the
Building

Customer Development: The Search For the Business Model



Step 1: Customer Discovery



- Stop selling, start **listening**
- Test your **hypotheses**
- **Continuous** Discovery
- Done by **founders**

TWO key Discovery phases

- **FIRST: Does anybody care?**

...are we solving a serious problem?

...are we filling a “big” need?

- **THEN: Does our product do the job?**

...do they grab it out of your hands?

...are they eager to tell their friends?

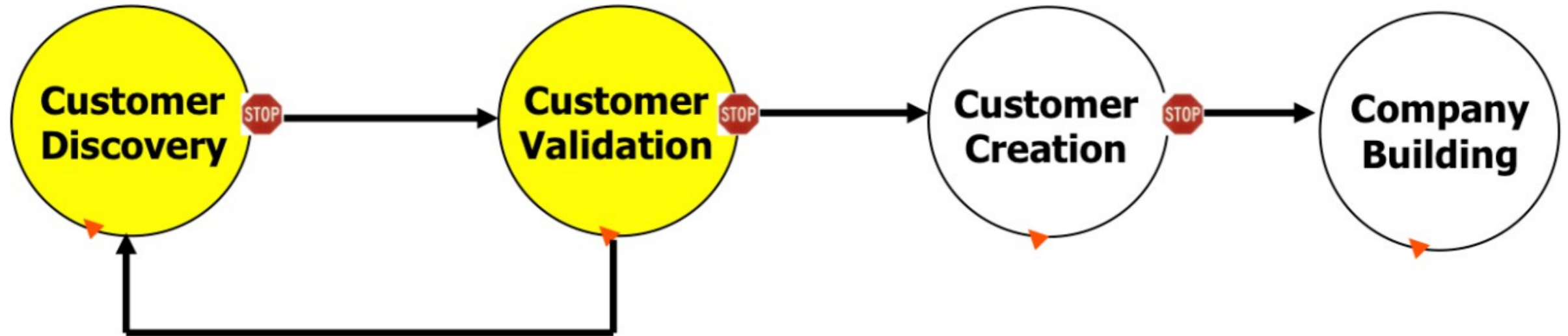


Examples: Discovery Learning

- Too much process
- Benefits too “soft”
- The Philadelphia Architect
- A day in the freezer

Where it begins:

Minimum Viable Product (MVP)



The Pivot

- **Smallest feature set that gets you the most ...**
orders, learning, feedback, failure...
- **MVP + Customer** are the first two you need to nail
- MVP is just **1 of the 9** parts of your model

What's a Minimum Viable Product?

- **Google** without ads
- **Zappos** without inventory
- **Diapers.com** without diapers

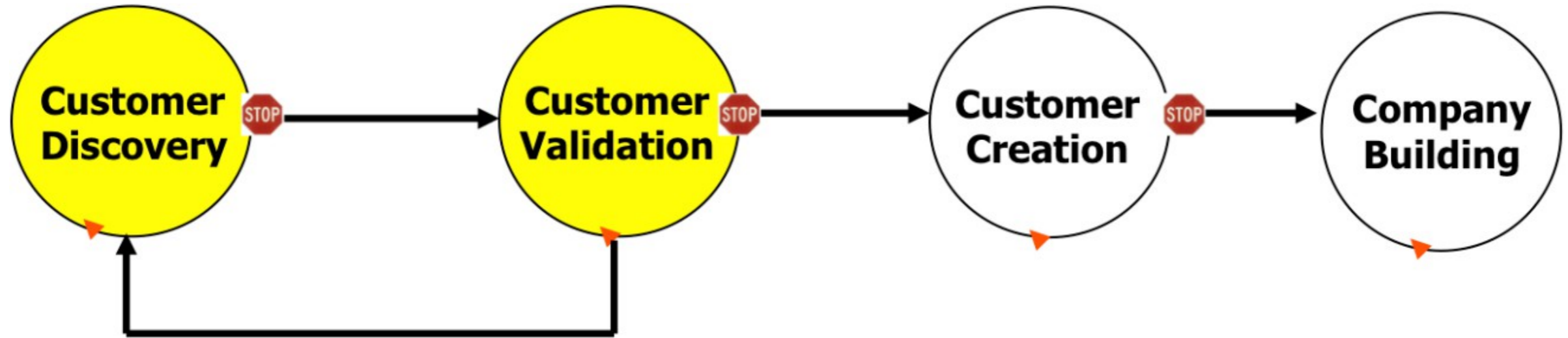
...Fewest possible features to make the point!

...Why? It's hard to truly react to a powerpoint

Discovery: Not just “do you like it?”

- **How big** is the market? Not today... eventually!
- Who's the **customer**?
 - What's their problem/need
- What's the **product/service/need**?
 - Does it solve the customer's problem?
- How do you **create demand**?
- How do you **deliver** the product?
- How do you **make money**?

The Pivot



The Pivot

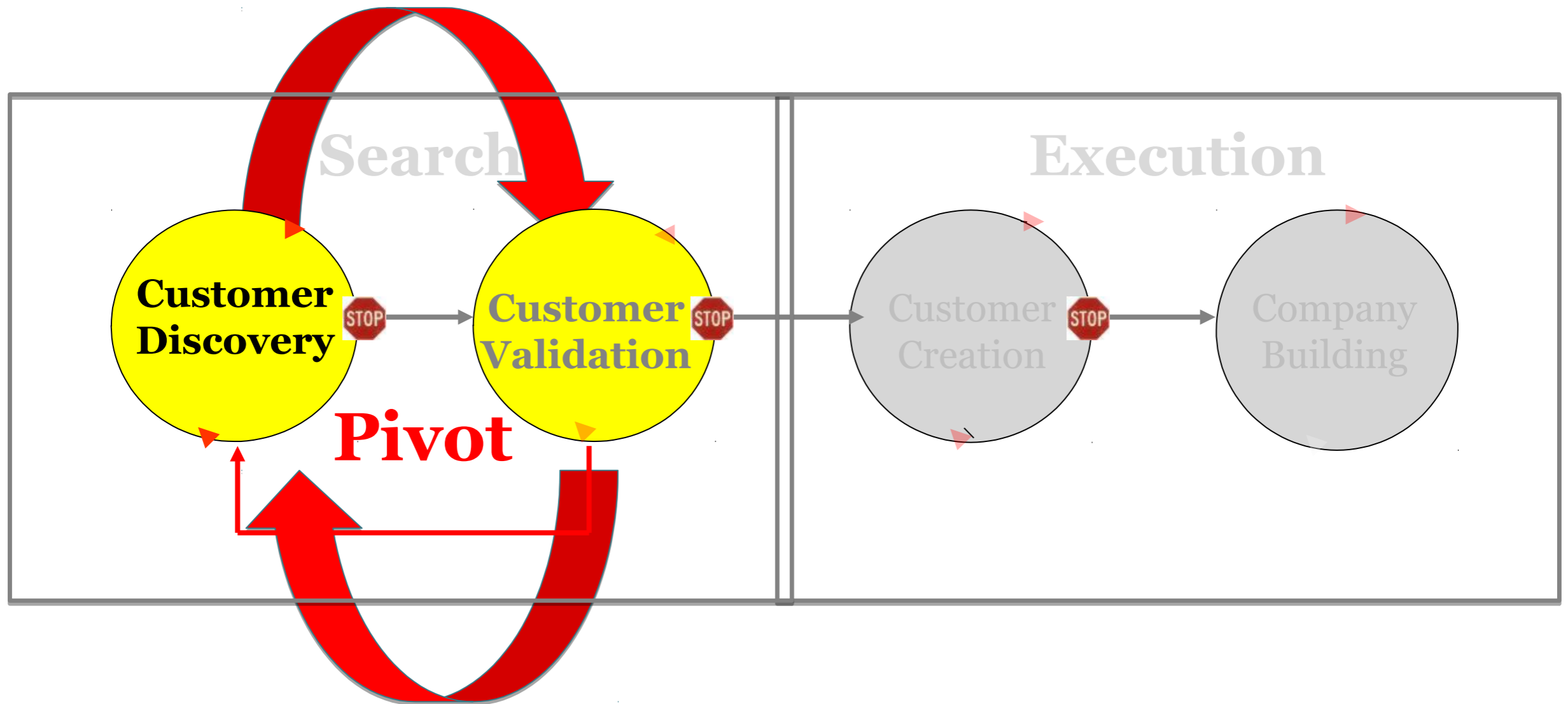
- **The heart of Customer Development**
- **Iteration without crisis**
- **Fast, agile and opportunistic**



Three Great Pivots

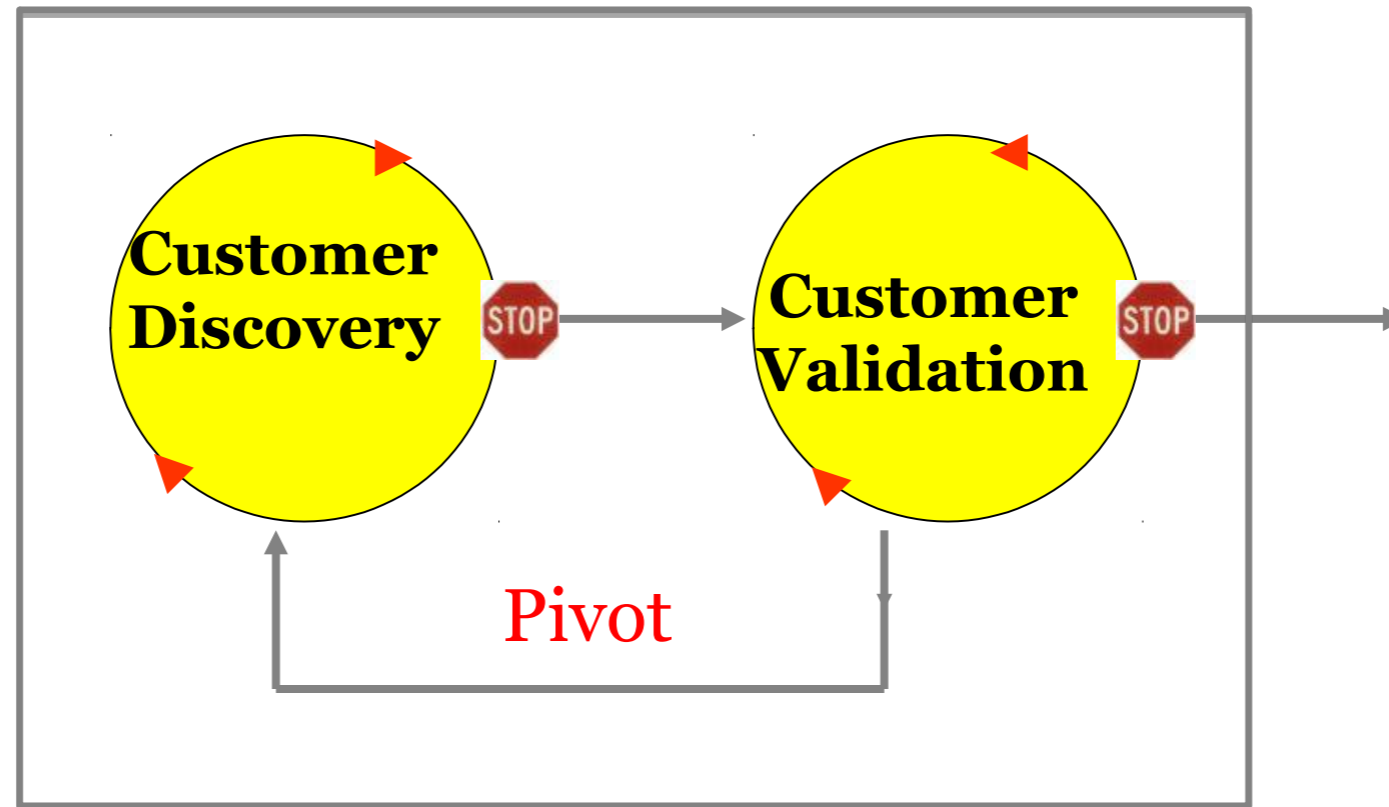
- Steve Blank: “Page 6”
- Perimeter: “there are 9000 of us”
- Groupon: the \$12billion pivot
...and *hundreds* more!

Pivot Cycle Time Matters



- **Speed of cycle minimizes cash needs**
- **Minimum feature set speeds up cycle time**
- **Near instantaneous customer feedback drives feature set**

Web/Mobile Versus Physical



- Web/Mobile startups run faster
- Different process steps for web vs. physical
- Customer Relationships are radically different



Putting **Discovery** to **Work**

I Have a Meeting – Now What?

- **The goal is to test all hypotheses, but first: have you found “product/market fit”**
- **Does the customer care?**
- **How do they solve this problem TODAY?**
- **What channel do they use to buy?**
- **Where will they go to find you?**
- **How will you create demand?**
- **How much will they pay? Do they pay today?**

TWO key Discovery phases



- **FIRST: Does anybody care?**
...are we solving a serious problem?
...are we filling a “big” need?

TWO key Discovery phases

- **FIRST: Does anybody care?**
 - ...are we solving a serious problem?
 - ...are we filling a "big" need?
- **THEN: Does our product do the job?**
 - ...do they grab it out of your hands?
 - ...are they eager to tell their friends?

Examples: Discovery Learning

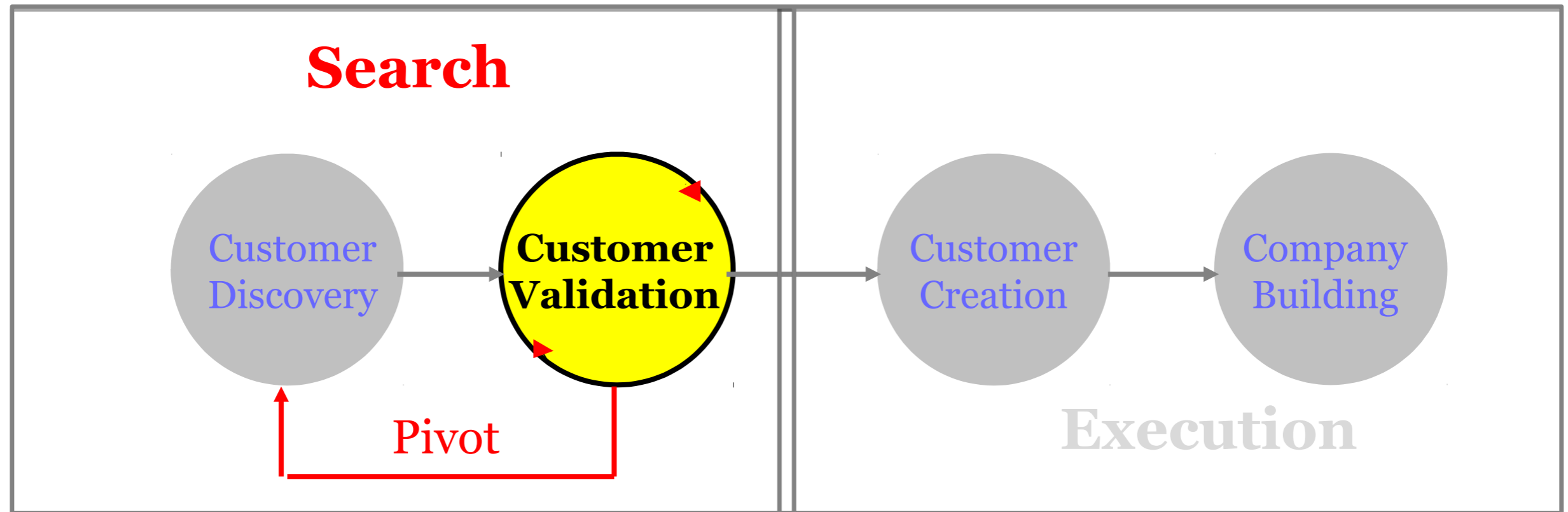
- “There are 9000 of us”
- The Philadelphia Architect
- A day in the freezer



When Customer Discovery is Done: Time to Ask for Money!

HINT: YOUR VC PITCH WAS HIDING IN
THE LAST 12 SLIDES...DISCOVERY

Customer Validation



- Repeatable and scalable **business model**?
- Passionate **earlyvangelists**?
- **Pivot** back to Discovery if no customers

THE Question VC's seldom actually ask:

- “Will anybody buy this stuff?”
- ...ask the people at **Mailbox.com!**

Voprosy?

