



THE UNIVERSITY OF ARIZONA

Research, Discovery
& Innovation

Customer Discovery Process

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Vice President

 @stephenfleming



Agenda



Why Startups Fail
Your Startup Thesis
Testing Your Thesis
Evolution of Your Model

Value Proposition

Customer Segmentation

Questions and Answers



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Why Startups Fail



Startups don't fail because they fail to build something.

Startups fail because ***they fail to make something that someone wants to buy.***

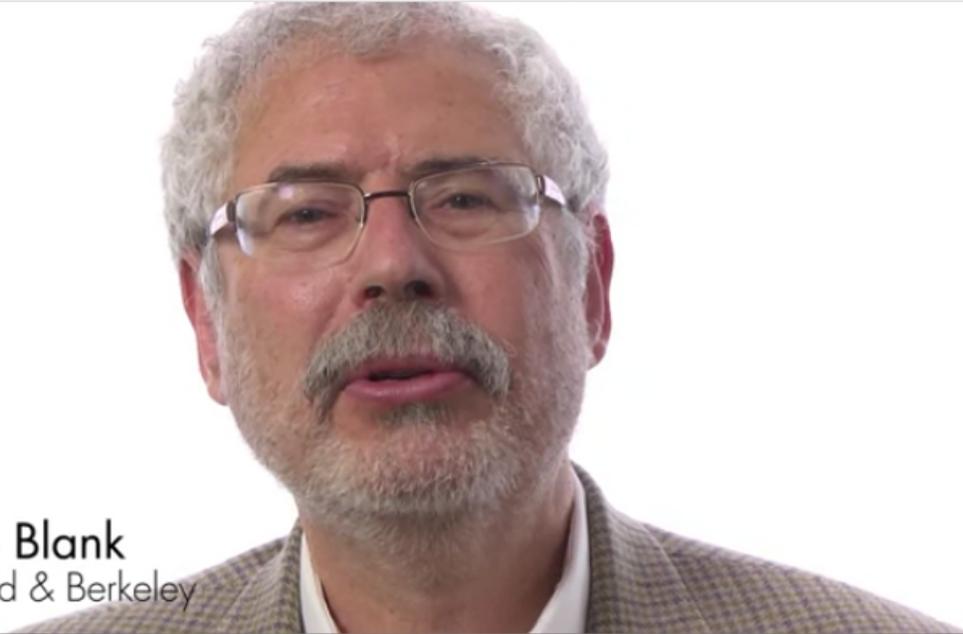


What We Now Know

The screenshot shows a web browser window displaying the Udacity course page for "How to Build a Startup". The browser's address bar shows the URL "https://www.udacity.com/course/ep245". The page features a large portrait of Steve Blank, with his name and affiliation "Stanford & Berkeley" below it. To the right of the portrait, the word "UDACITY" is displayed above a cube icon and the word "Intermediate". Below this is an orange "Take the Class" button. At the bottom of the page, there are four sections: "Class Summary", "What Should I Know?", "What Will I Learn?", and "Course Instructors".

UDACITY Course Catalog Sign In Sign Up

How to Build a Startup



Steve Blank
Stanford & Berkeley

UDACITY

Intermediate

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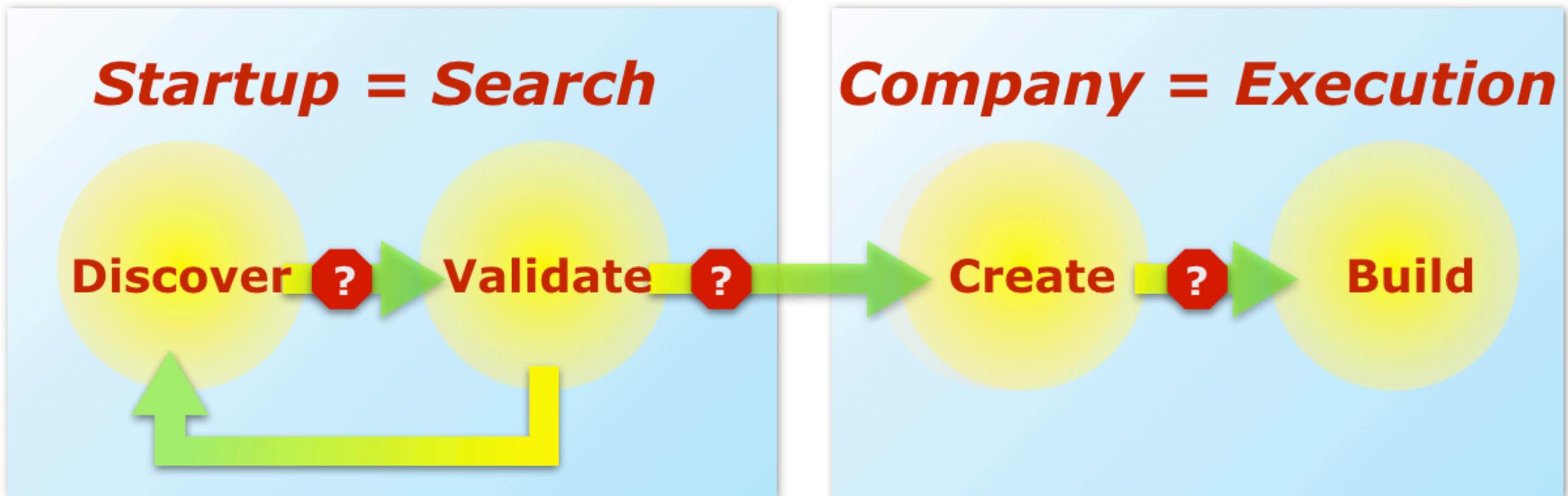
Class Summary	What Should I Know?	What Will I Learn?	Course Instructors
Learn the key tools and steps to build a successful startup (or at	Prior knowledge or experience are not required. Passion, tenacity, and	You'll learn the key steps of the Customer Development process:	Steve Blank Instructor



Search vs. Execution

“A startup is a temporary organization designed to search for a repeatable and scalable business model.”

—Steve Blank

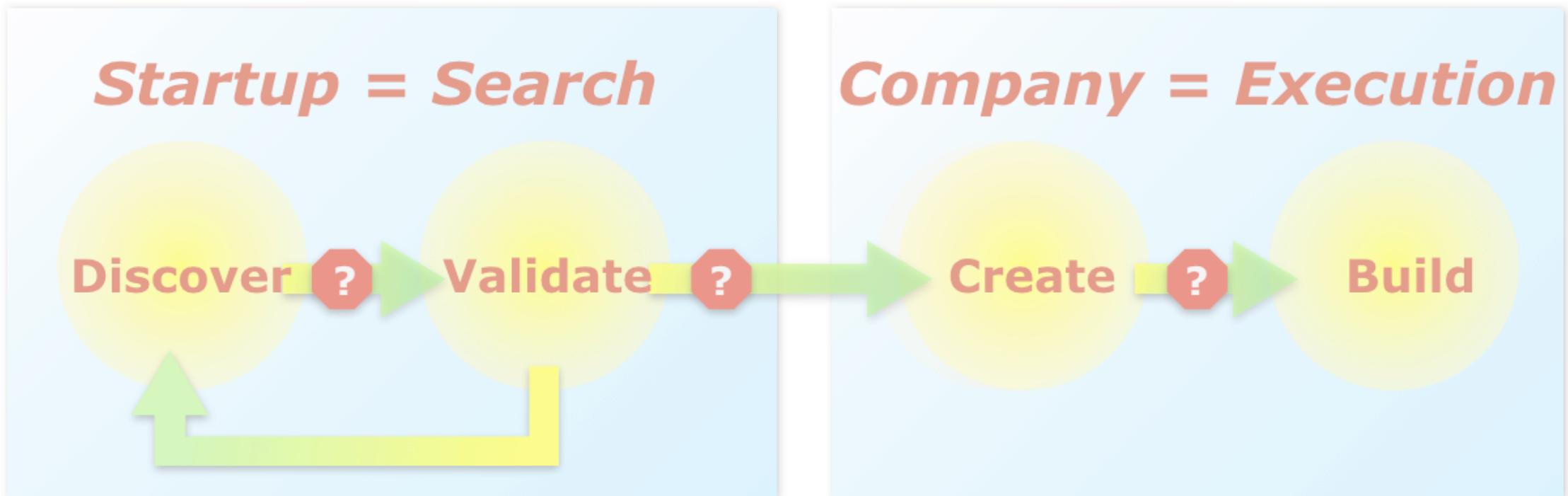




Search vs. Execution

“A startup is a **temporary** organization designed to **search** for a **repeatable** and **scalable** business model.”

—Steve Blank

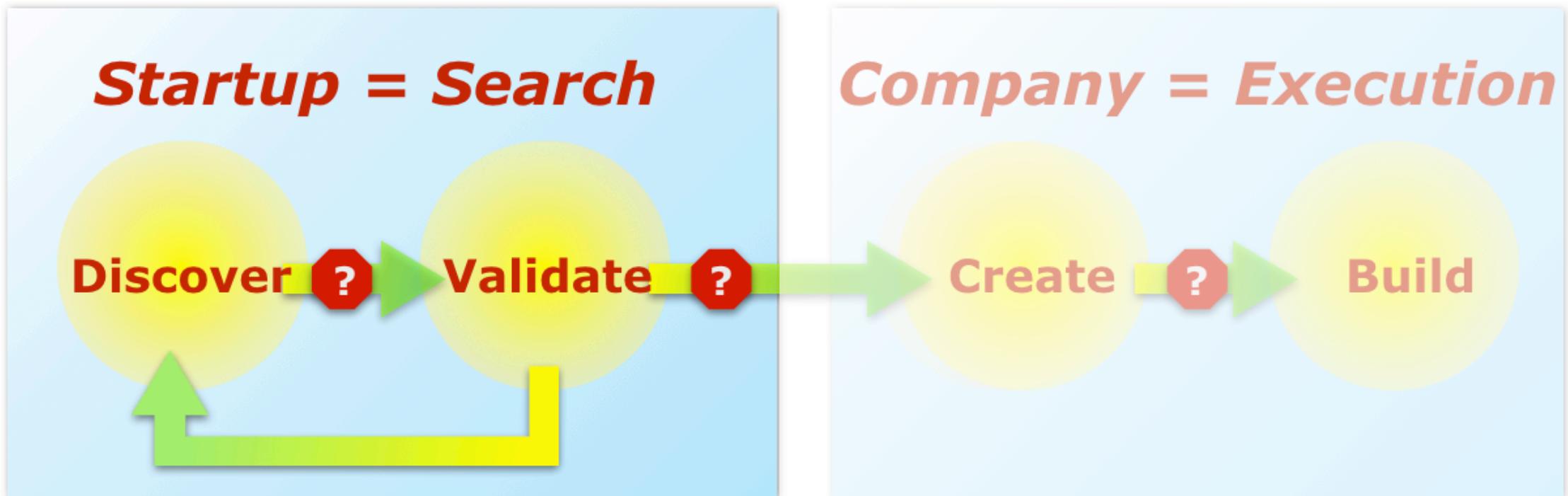




Startup = Search

“A startup is a temporary organization designed to search for a repeatable and scalable business model.”

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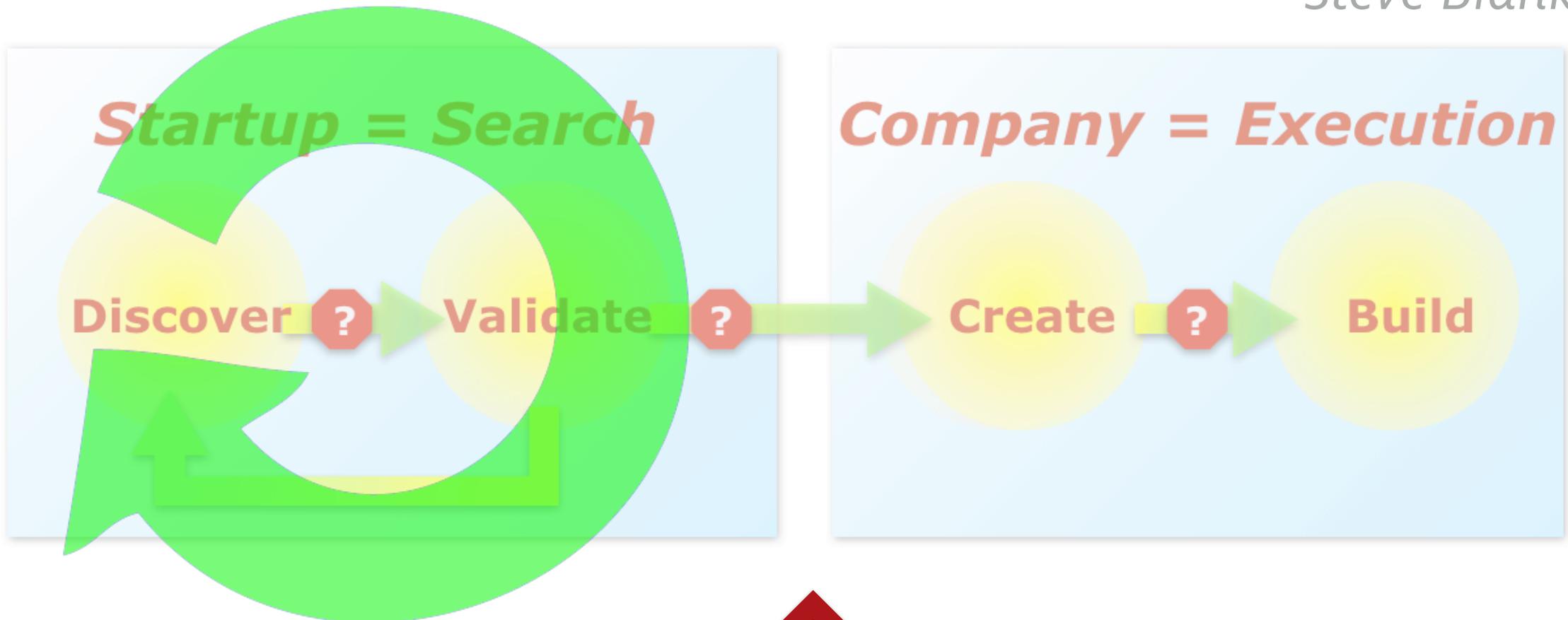




Rapid Iteration / Pivoting

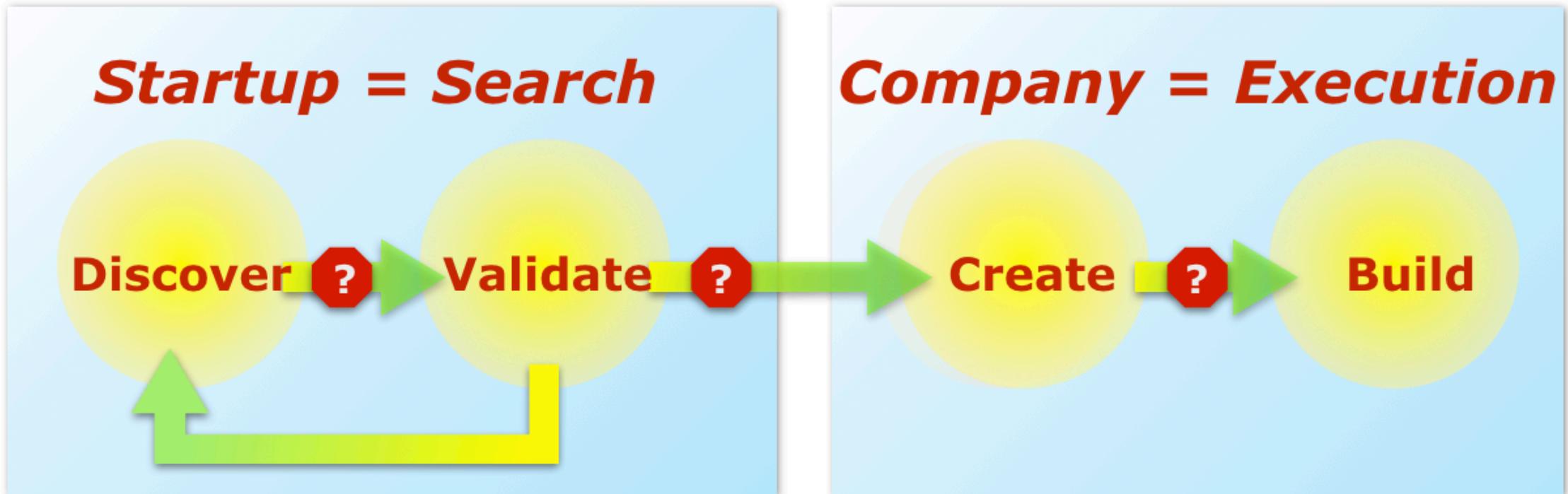
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Investment Timing





Agenda



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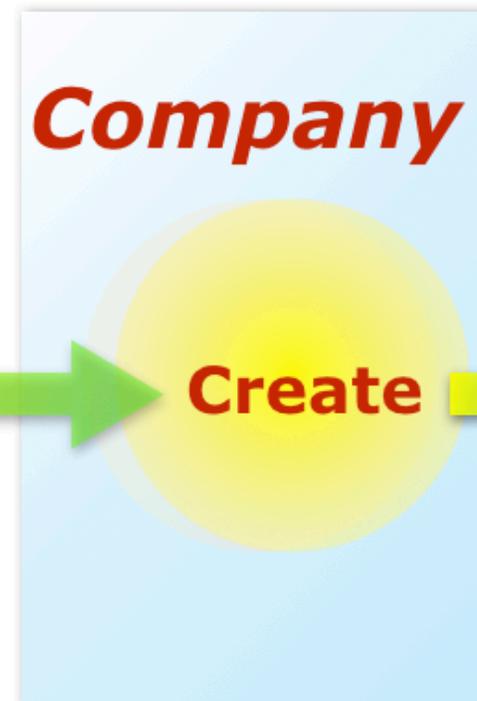
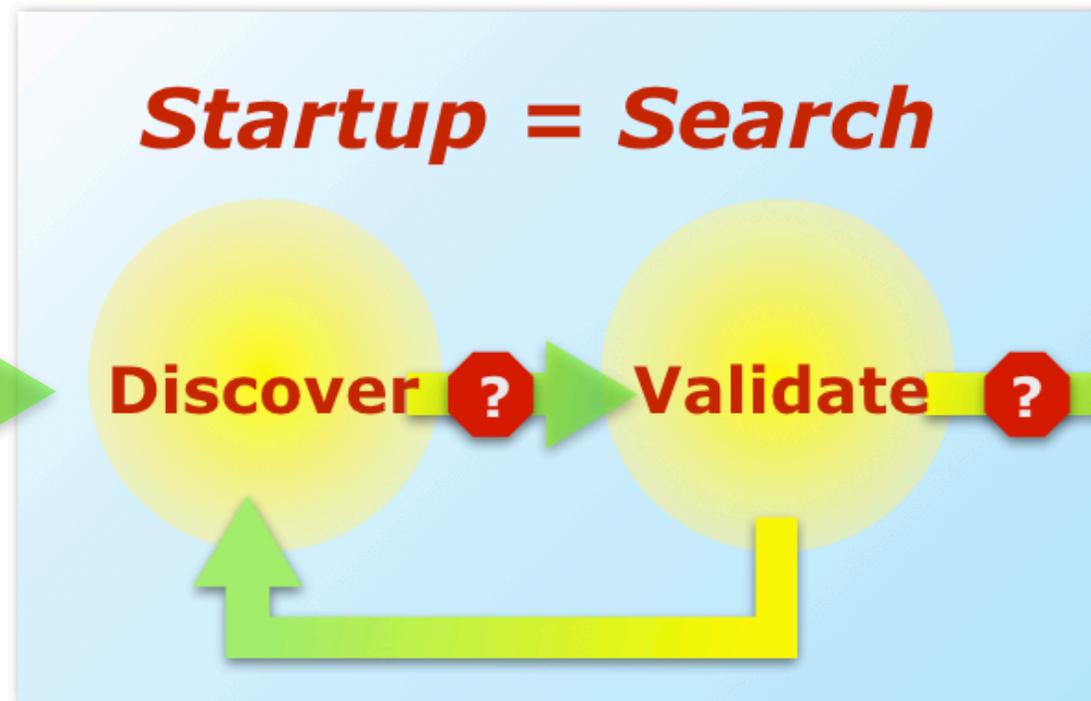
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Startup Thesis

It all starts with an idea...





A startup thesis
describes:

- *Who* is your customer?
- *What* is your product?
- *Why* will they buy?



Startup Thesis

Who is your customer? — What is your product? — Why will they buy it?



Idea: A video system to capture and evaluate the behavior of children with autism.

Thesis: Physical therapists will make video recordings of autistic children in classrooms to improve therapy outcomes.



Startup Thesis

Who is your customer? — *What is your product?* — *Why will they buy it?*



Idea: A video system to capture and evaluate the behavior of children with autism.

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Startup Thesis

Who is your customer? — **What is your product?** — Why will they buy it?



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Startup Thesis

Who is your customer? — What is your product? — Why will they buy it?



Idea: A video system to capture and evaluate the behavior of children with autism.

Thesis: Physical therapists will make video recordings of autistic children in classrooms to improve therapy outcomes.



Consistent Format

Thesis



Customer segment

will buy

Product

because of

Value Proposition



What Is Your Thesis?



Customer segment

will buy

Product

because of

Value Proposition



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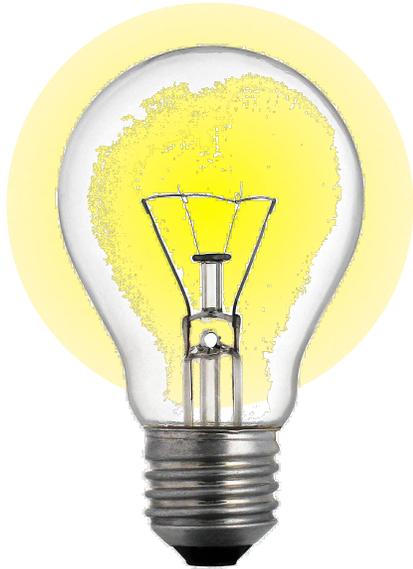
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Why Do You Believe Your Thesis?

Thesis



Customer segment

will buy

Product

because of

Value Proposition



Test Hypotheses to Support Your Thesis

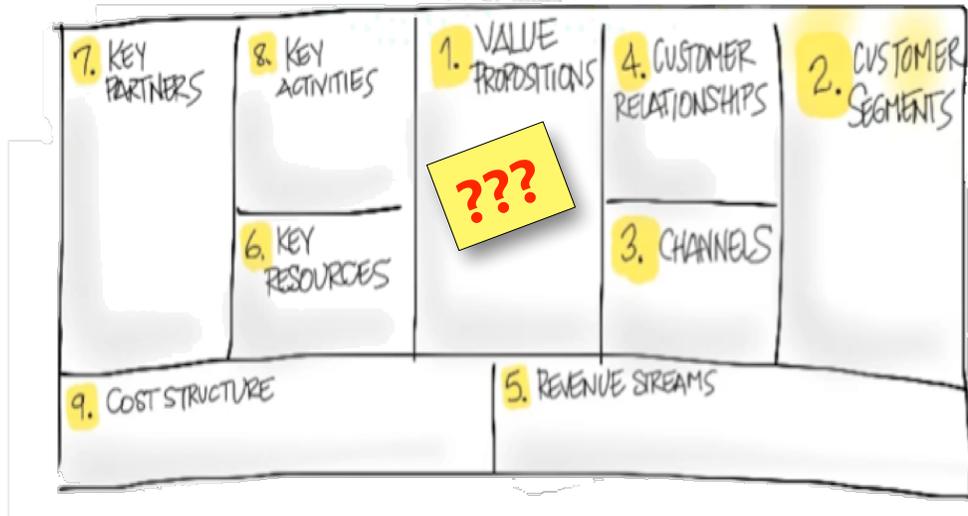
Turning guesses into answers:

The scientific method applies to business!





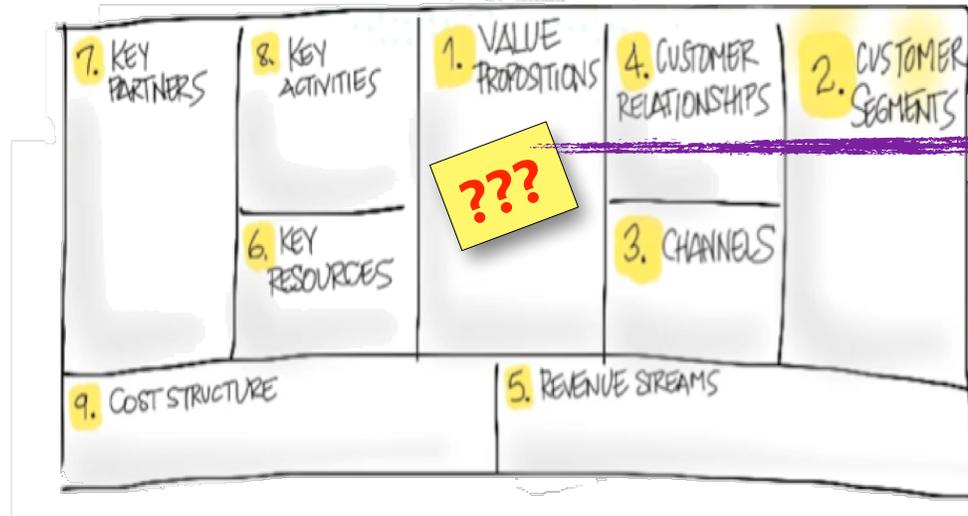
Testing Hypotheses



Make a *hypothesis* about one element of your business model canvas.



Testing Hypotheses

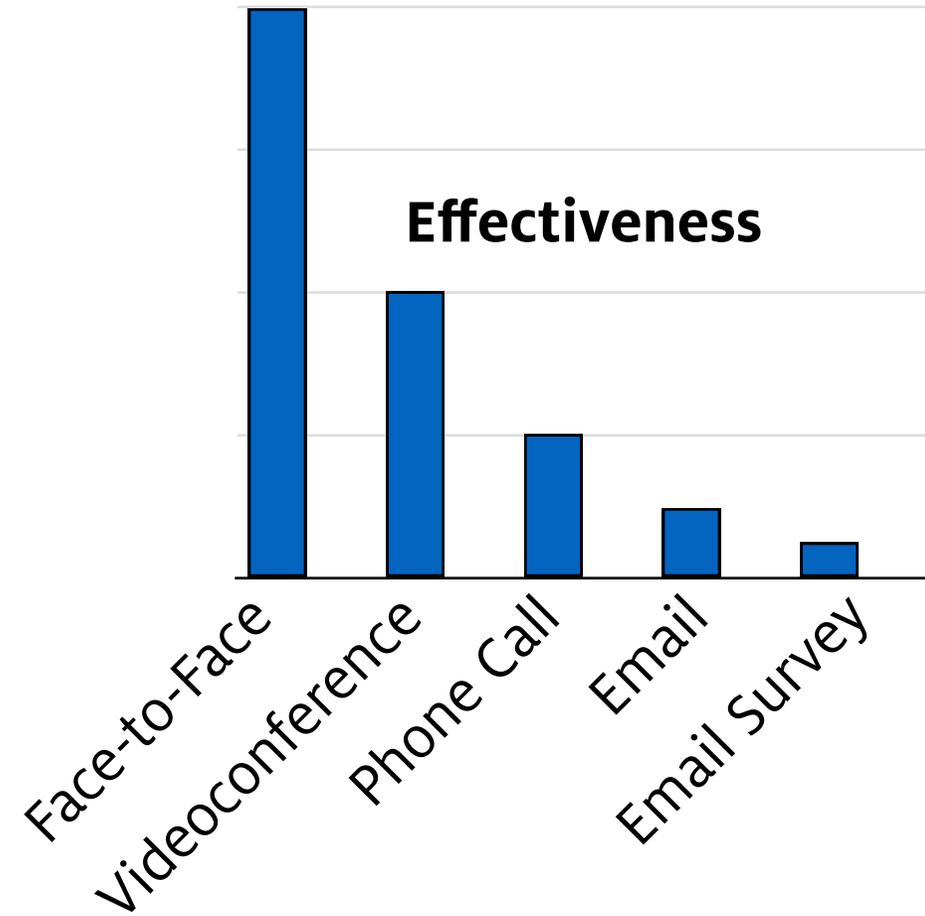


Develop a *controlled experiment* to test that hypothesis.



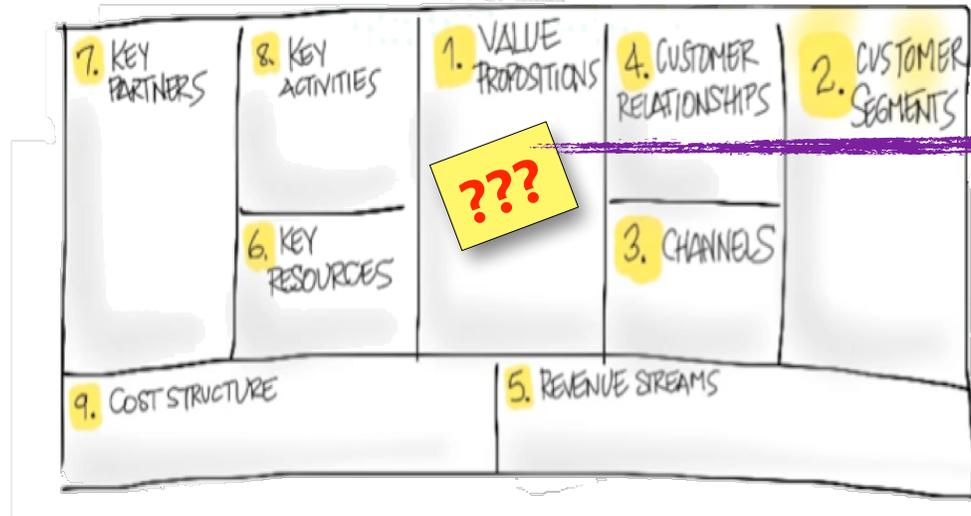
Now...

...GET OUT
of the BUILDING!





Testing Hypotheses



Conduct that experiment against *real-world customers* of your product or service.

Don't sell!



The Value of Experiments



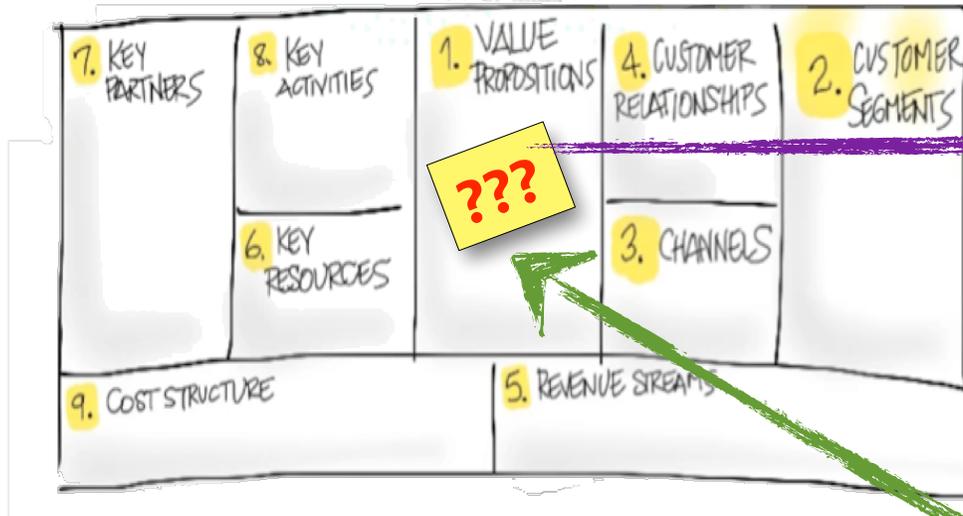
“If it disagrees with experiment,
it’s **wrong**.”

It doesn’t make any difference
how beautiful your guess is, it
doesn’t matter how smart you
are, or who made the guess... if
it disagrees with experiment, it’s
wrong.”

—*Richard Feynman*



Testing Hypotheses



Congratulations!

You have learned something.

Now, do it again.





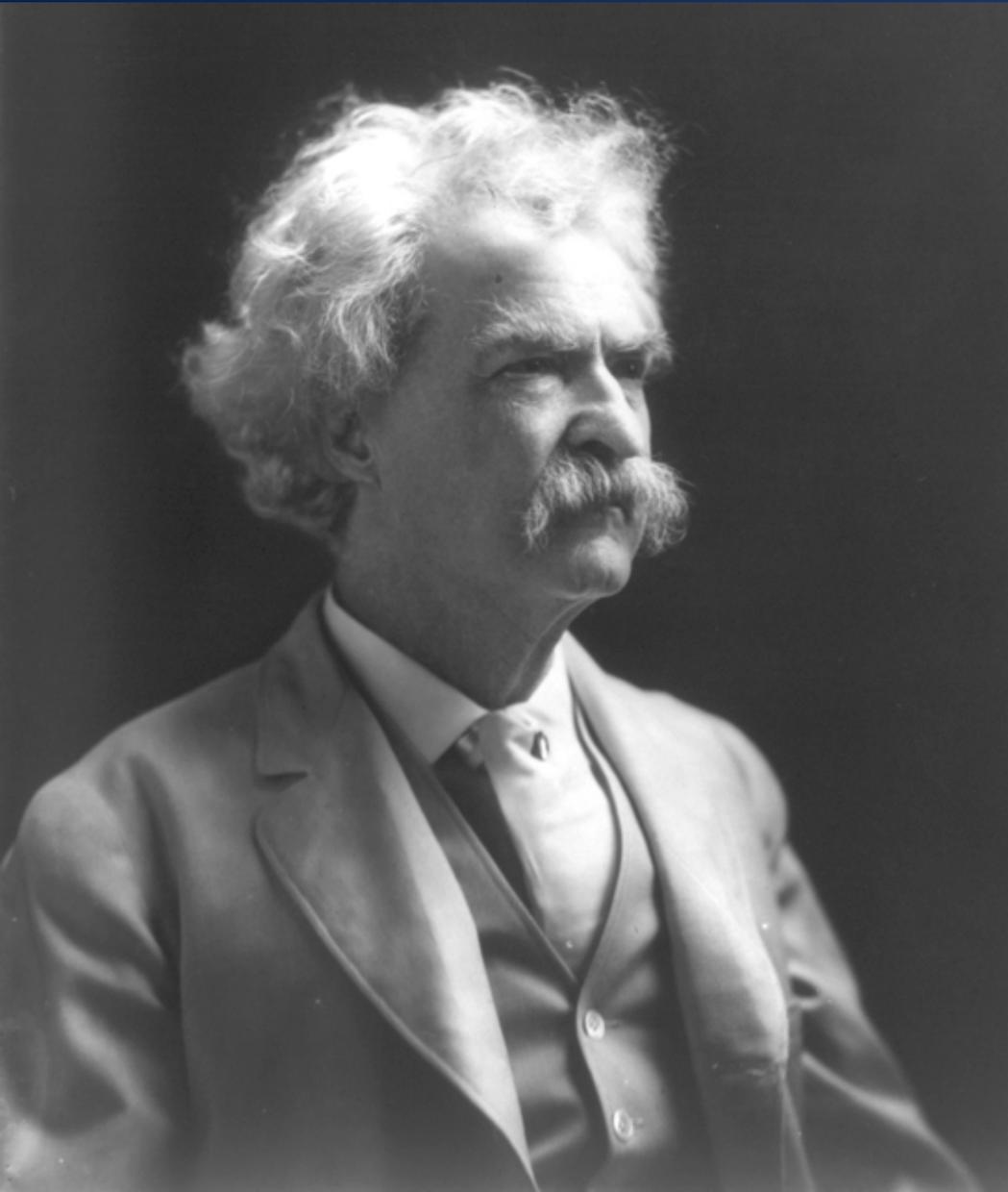
The Big Secret...

Do this over
100 times.

(Really.)



There Is No Substitute!



“A man who carries a cat by the tail learns something he can learn in no other way.”

—*Mark Twain*



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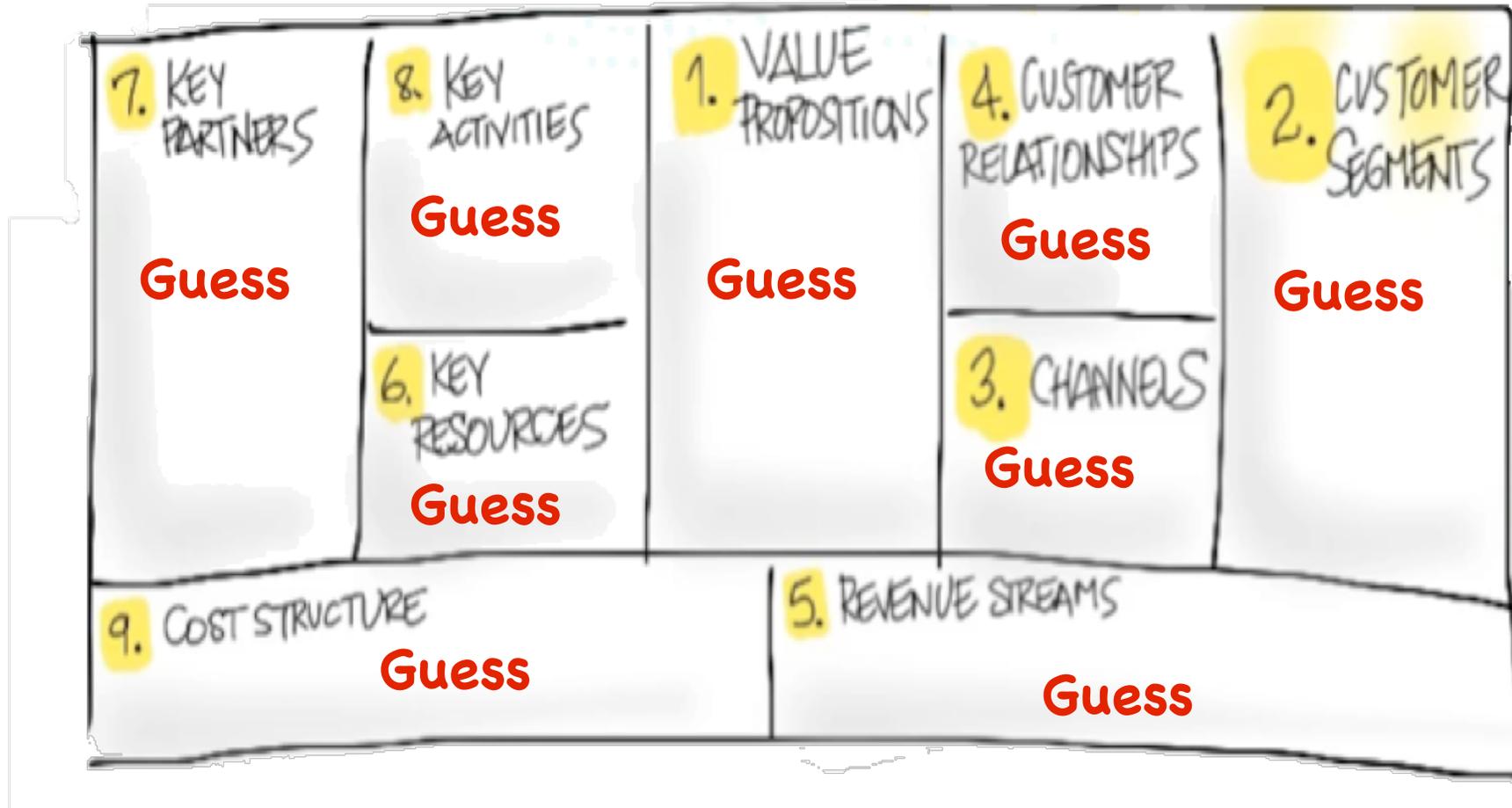
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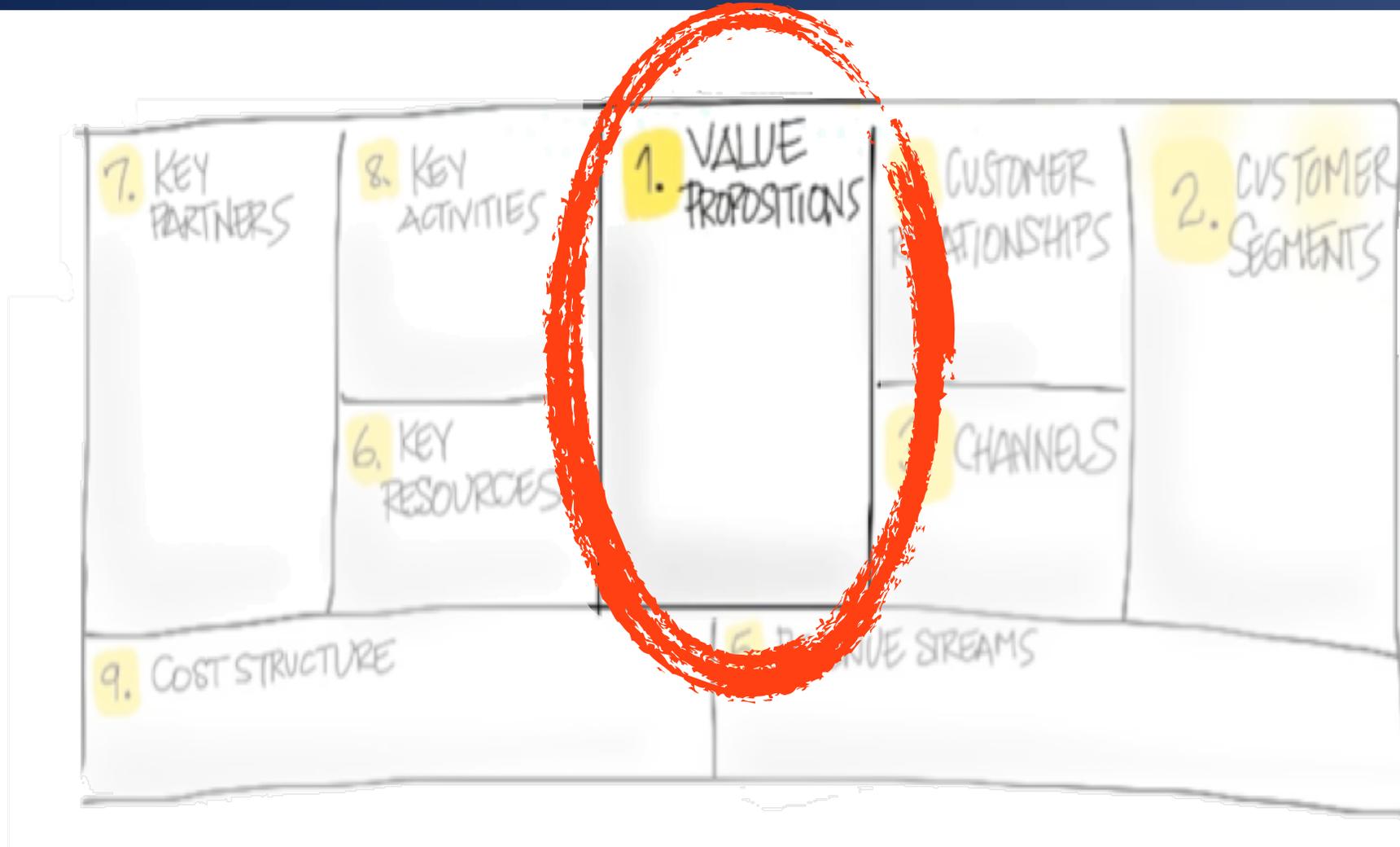
Evolution of a Model



Start with a work of breathtaking fiction...



1: Value Propositions





Common Value-Proposition Mistakes

It's just a feature of someone else's product.

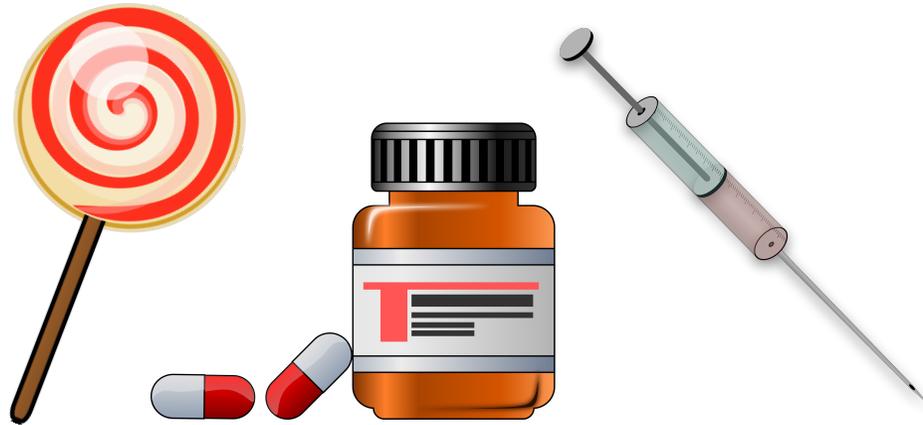
It's a "nice to have" instead of a "got to have."

Candy?

Vitamin?

Painkiller?

Addictive painkiller?



Not enough customers care.

Dominance of a small market means a small company!



Value Proposition Questions

Problem Statement: What is the problem?

Ecosystem: For whom is this relevant? Do they have any money?

Competition: What do customers use today?

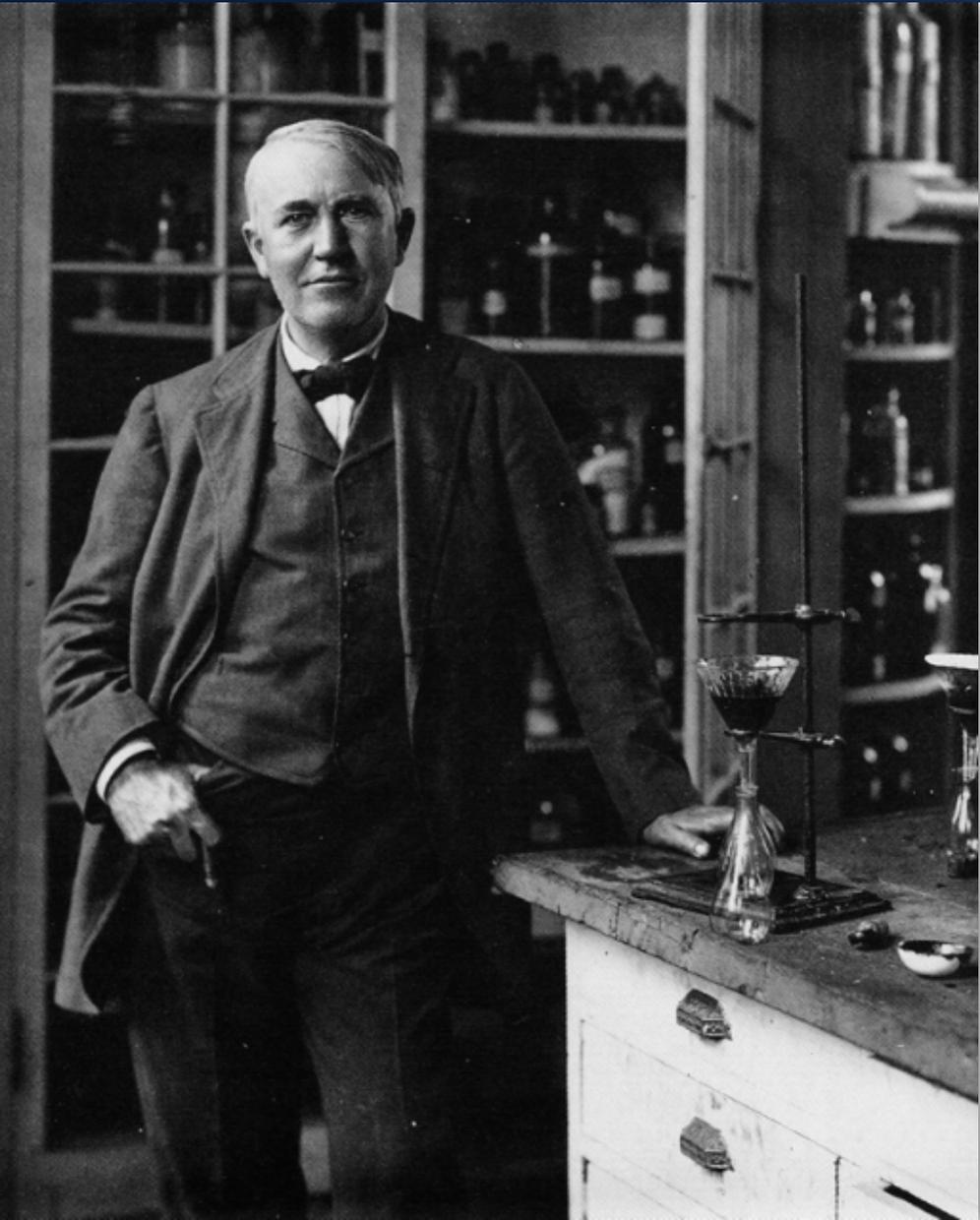
Technology / Market Insight: Why is this problem so hard to solve?

Market Size: How big is this problem?

Timing: Why now?



We Knew This Before...

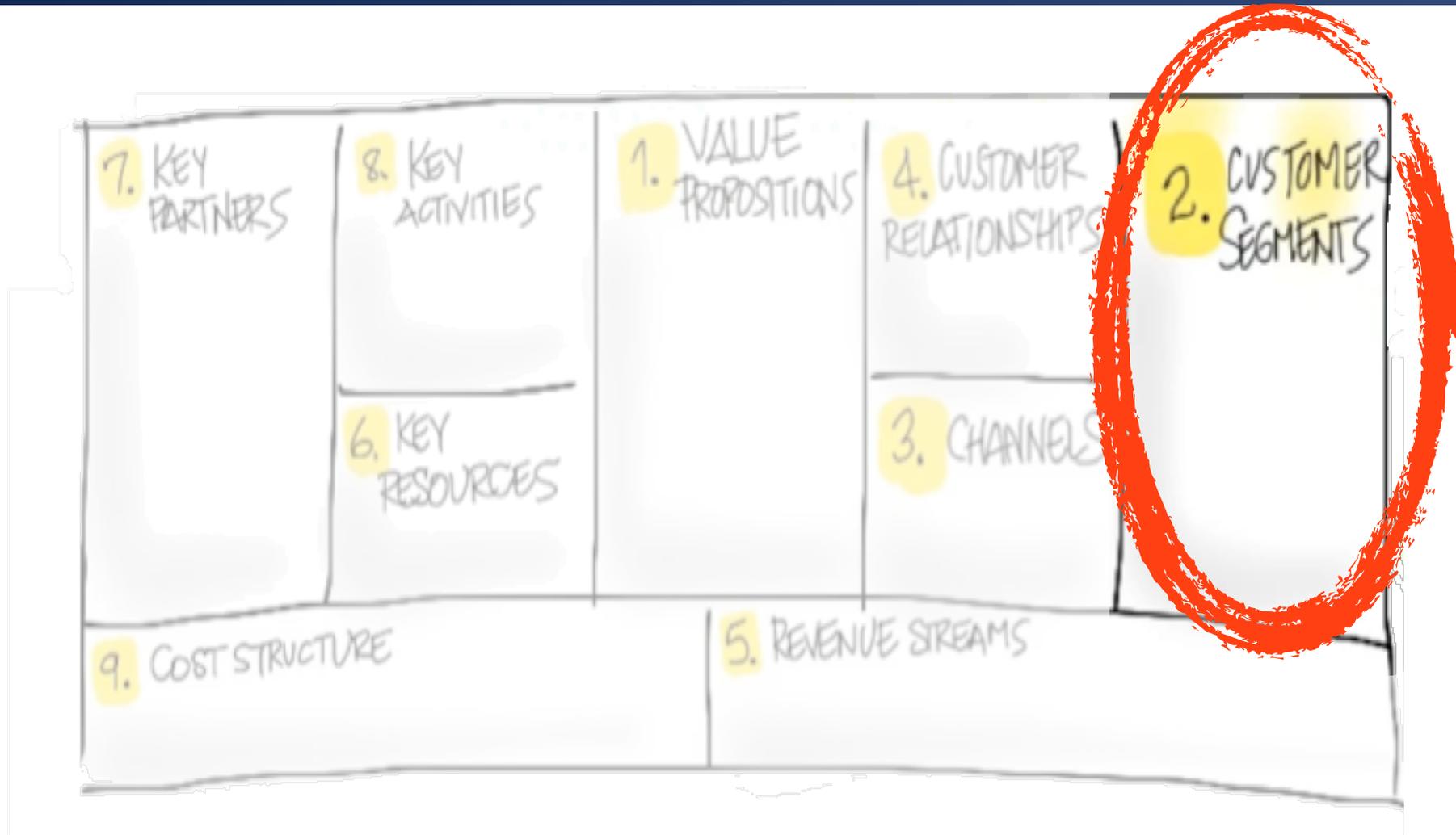


“I find out what the world needs. Then I go ahead and try to invent it.”

—*Thomas Edison*



2: Customer Segments





Understanding Your Customer's Pain

What do your customers find too costly?

Money: costs too much

Time: requires substantial efforts

How are current solutions underperforming?

Lack of features, performance, malfunctioning...

What are the customer's main difficulties and challenges?

Difficulties getting things done, resistance...



2: Customer Segmentation





2: Customer Segmentation





2: Customer Segmentation



This is a customer. His name is Joe.



Understanding Their Pain (cont.)

What's keeping Joe awake at night?

Big issues, concerns, worries...

What barriers are keeping Joe from adopting new solutions?

Upfront investment costs, learning curve, resistance to change...





Understanding Their Pain (cont.)

What makes Joe feel bad?

Frustrations, annoyances, things that gives him a headache...

What risks does Joe fear?

Financial, social, technical risks
What could go awfully wrong...





Talking to Customers

Who are your customers?

How do you find them?

How do you get them to talk to you?

How can you tell they aren't just telling you what you want to hear?





Who Would You Rather Talk To?





Who Would You Rather Talk To?



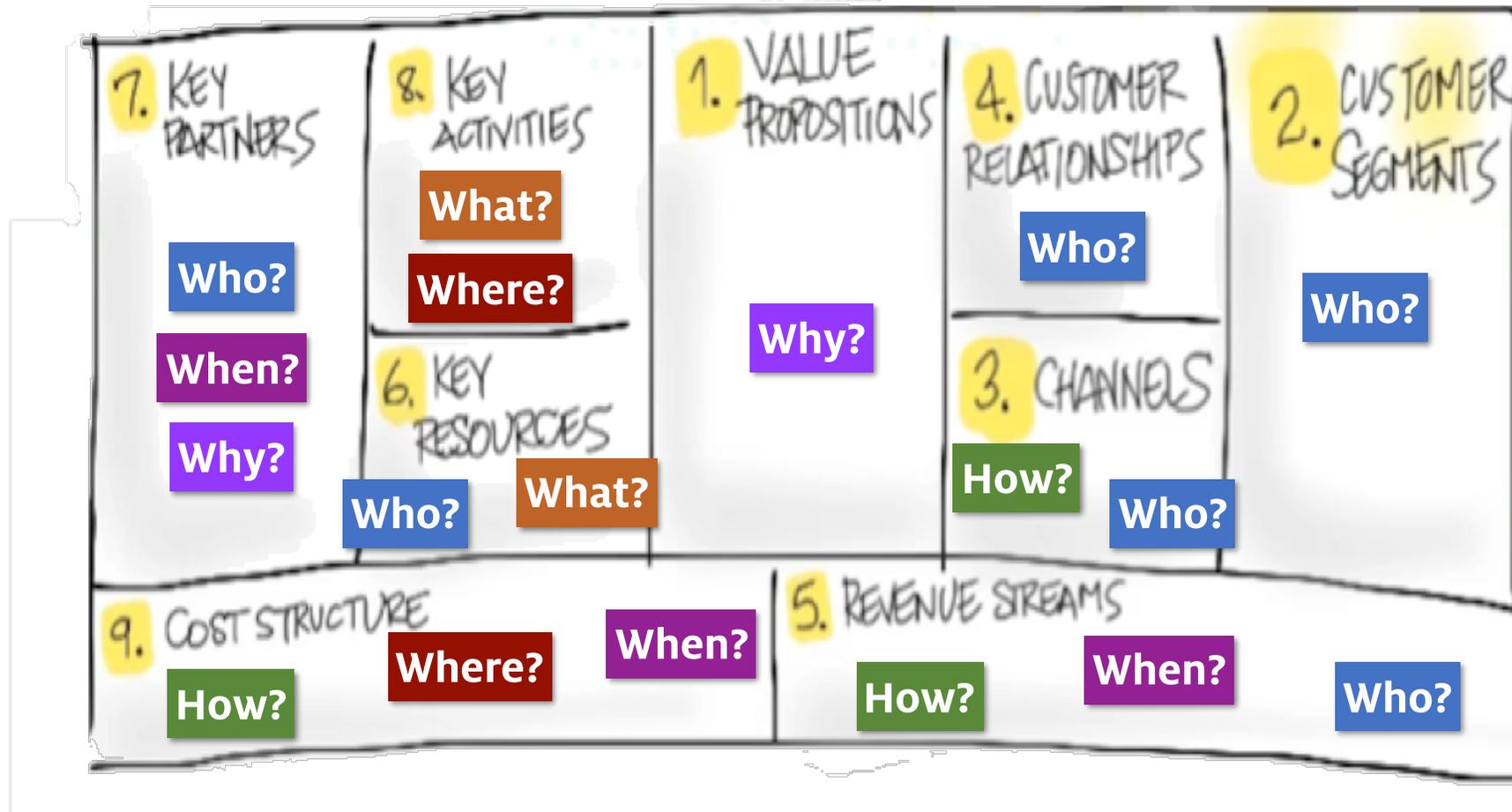


Customer Discovery is like Journalism!



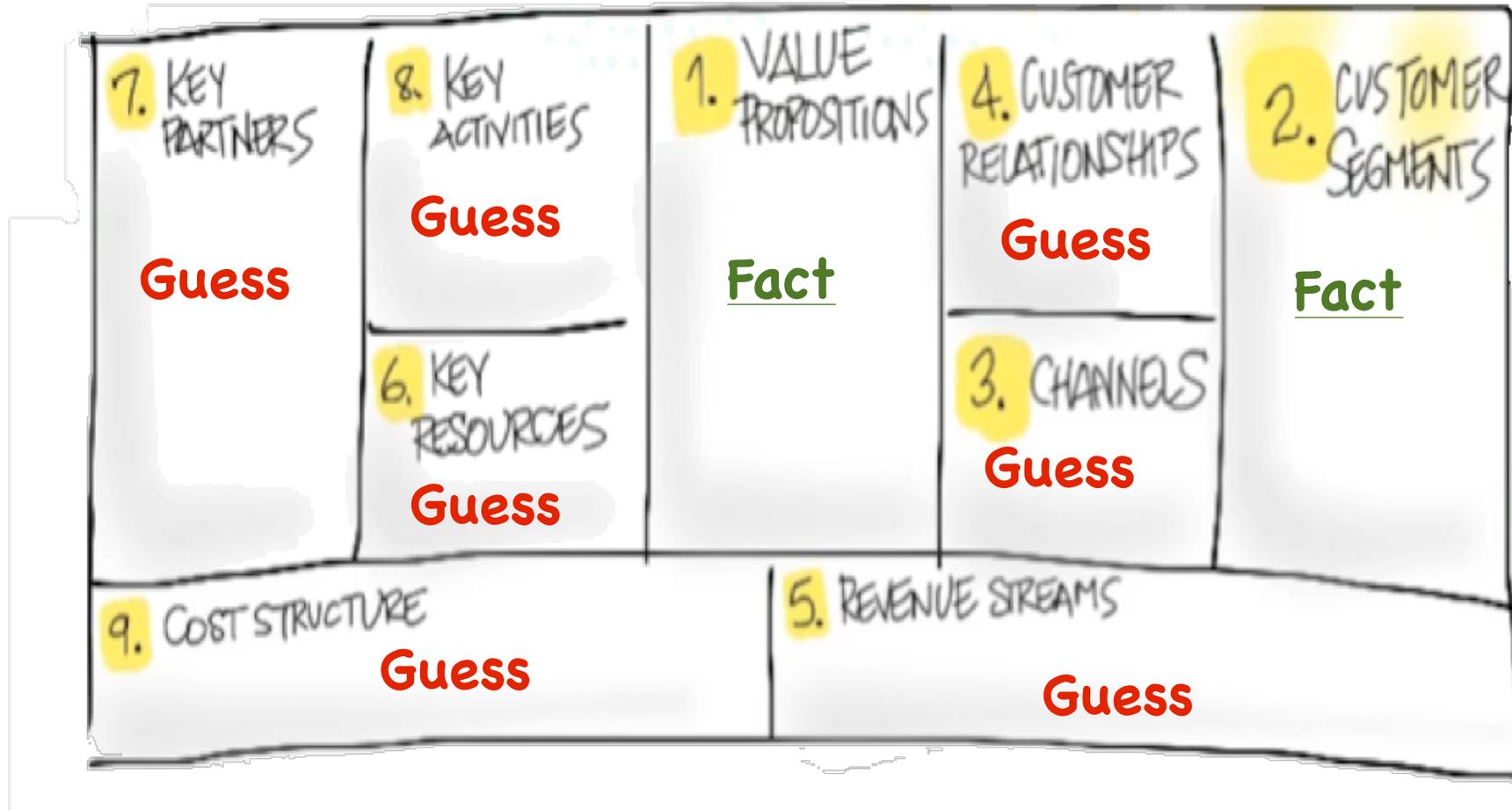


The Canvas is a Place for Answers





Evolution of a Model



You now have two elements of your business model!



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Thank You!





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Thank You!

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