

Part I:

Why? & Lean Canvas

**Most startups fail from a lack of
(paying) customers.**

Startup:

Temporary organization used to search for a repeatable and scalable business model.

As defined by Steve Blank.

Your initial Goal:

Improve likely success rate of your venture,
and reduce risk of failure.

Enable yourself to actually
make the jump into a full-time entrepreneur.

Your Process:

Likely entirely chaotic.

No one implements the lean startup
as a strict process.

Similar to agile adoption (e.g. Kan-ban)
you need to make a slow transition
into more structured thinking.

Product is only 1 of the 9 critical aspects that make your company work.

The Business Model Canvas

The Business Model Canvas - Example



KP Customers who build new LEGO designs and post them online become key partners generating content and value	KA LEGO has to provide and manage the platform/ logistics that allow packaging/ delivery of customer made sets	VP LEGO Factory substantially expands the scope of the off-the-shelf kit offering by giving LEGO fans the tools to build, showcase, and sell their own custom designed kits	CR LEGO Factory builds a Long Tail community around customers who are truly interested in niche content and want to go beyond off-the-shelf kits	CS Thousands of new, customer designed kits perfectly complement LEGO's standard sets of blocks. LEGO Factory connects customers who create customised designs with other customers, thus becoming a customer match-making platform and increasing sales
C\$ The Factory leverages production and logistics costs already incurred by its traditional retail mode		R\$ LEGO Factory aims to generate small revenues from a large number of customer designed items. This represents a valuable addition to traditional high-volume retail revenues.		

The Lean Canvas

Focused on **Early-Stage**
integrates Problem/Solution
fields

Problem Top 3 problems	Solution Top 3 features	Unique Value Proposition Single, clear, compelling message that states why you are different and worth buying	Unfair Advantage Can't be easily copied or bought	Customer Segments Target customers
	Key Metrics Key activities you measure		Channels Path to customers	
Cost Structure Customer Acquisition Costs Distribution Costs Hosting People, etc.			Revenue Streams Revenue Model Life Time Value Revenue Gross Margin	

Problem Top 3 problems 1	Solution Top 3 features 3 Key Metrics Key activities you measure 6	Unique Value Proposition Single, clear, compelling message that states why you are different and worth buying 2	Unfair Advantage Can't be easily copied or bought 7 Channels Path to customers 4	Customer Segments Target customers 1
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Lean Canvas is adapted from The Business Model Canvas (<http://www.businessmodelgeneration.com>) and is licensed under the Creative Commons Attribution-Share Alike 3.0 Un-ported License.

Product

- Solution
- Cost Structure
- Unfair Advantage

Market

- Customer Segments
- Problem
- Revenue Streams (Pricing)

Stage 1: Problem/Solution Fit

- Key Question: Do I have a problem worth solving?
- Before investing months or years of effort towards building a product, the first step is determining if this product is something worth doing. You do this by decoupling the problem from the solution and testing each through customer interviews - a process Steve Blank calls “Customer Discovery”.
- Testing the problem this way lets you validate whether you have a “problem worth solving” before investing effort building out a solution. From there you then derive the minimum feature set to addresses the right set of problems - the Minimum Viable Product (MVP).

Problem and Customer Segments

- 1. List top 3 problems for the customer segment you are working with, describe the top 1-3 problems they need solved.
 - If you plan to sell to many customer segments you have to do this for each!!! For example, if you plan to sell to mining companies but also to mining company suppliers, ***list problems for each one.***
- 2. List existing alternatives then document how you think your early adopters address these problems today. Unless you are solving a brand new problem (unlikely), most problems have existing solutions. Many times these may not be a readily obvious competitor.
 - As an example, the biggest alternative to most online collaboration tools is not another collaboration tool, but email. Doing nothing could also be a viable alternative for a customer if the pain is not acute enough
- 3. Identify other user roles. Next identify any other user roles that will interact with this customer.

Problem and Customer Segments

- Examples:
 - 1. In a blogging platform, the customer is the blog author while the user is a reader.
 - 2. In a photo sharing service, the customer is the sharer, while users are reviewers (family and friends).
Hone in on possible early adopters
- With these problems in mind, get more specific on the customer segment. Narrow down the distinguishing characteristics of your prototypical customer. *Your objective is to define an early adopter - not a mainstream customer.*

Stage 2: Product/Market Fit

- Key Question: Am I building something people want?
 - Once you have a problem worth solving and your idea of a solution, you can then start the process of learning from customers and testing how well your solution solves the problem.
 - Unique Value Proposition distills the essential value of your products to your market

Market $\Leftrightarrow$ Product

- Unique Value Proposition
- Distribution & Marketing Channels
- Key Metrics

UNIQUE Value Proposition (UVP)

- A Unique Value Proposition is *a bundle of benefits, from a customer's perspective*, which summarize why customers turn to your company.

UVP

- Thinking about your Value Propositions forces you to put yourself in other people's shoes, and understand what you're doing (and modify what you're doing) based on the people who will actually buy and use your product!
- Your initial UVP is likely **WRONG** so don't stress!

UVP

- 1) Translate your offering features into customer benefits.
 - *why does your offering has particular features and functions.*
- 2) Value Propositions are also influenced by
 - customer segments (how you help them)
 - Competition (how you stand out)

UVP

- NOT JUST YOUR OFFERING
- A well-stated value proposition
 - Matches your offering with problems or needs of a particular customer segment
 - Positions your offering in contrast to competitors' offerings.

UVP

- **Be different, but make sure your difference matters**
 - The key to unlocking what's different about your product is deriving your UVP directly from the #1 problem you are solving.
 - If that problem is indeed worth solving, you're more than halfway there already.
- **Target early adopters**
 - Too many marketers try to target the “middle” in the hopes of reaching mainstream customers and in the process water down their message.
 - Your product is not ready for mainstream customers yet.
 - Your sole job should be finding and targeting early adopters which requires bold, clear, and specific messaging
- **Focus on finished story benefits**
 - You've probably heard about the importance of highlighting benefits over features. But benefits still require your customers to translate them to their worldview. A good UVP gets inside the head of your customers and focuses on the benefits your customers derive after using your product.
- So for instance if you are building a résumé-building service:- - -a feature might be *“professionally designed templates”* the benefit would be an *“eye-catching résumé that stands out”* but the finished story benefit would be *“landing your dream job”*.

UVP

- ***Pick your words carefully and own them***
- ***Words are key to any great marketing and branding campaign. Look at how the top luxury car brands have used a single word to define themselves:***
 - *Performance: BMW*
 - *Design: Audi*
 - *Prestige: Mercedes*
- ***Picking a few “key” words that you consistently use also drives your Search Engine ranking.***
 - ***Answer: What, Who, and Why***
 - *A good UVP needs to clearly answer the first 2 questions - what is your product and who is the customer. The “Why” is sometimes hard to fit in the same statement and frequently use a sub-heading for*
 - ***Study other good UVPs***
 - *The best way to craft a good UVP is to study the UVPs of the brands you admire. Visit their landing pages and deconstruct how and why their messaging works.*
 - ***Not an Elevator pitch***
 - *A high-concept pitch is different than your UVP but can help you identify it. A high-concept pitch usually builds on other familiar concepts to quickly get an idea across and make it easily spreadable. Unlike a UVP, a high-concept pitch is best used in conjunction with something else that sets the right context such as an elevator pitch. Examples: - YouTube: “Flickr for video” - Aliens (movie): “Jaws in space” - Dogster: “Friendster for dogs”*

Stage 3: Solution

- Simply sketch out the **top three features** or **capabilities** next to each problem.
 - As all you have are untested hypotheses, I don't recommend getting carried away with fully defining a solution just yet.
- *Bind a solution to your problem as late as possible.*

Stage 4: Channels

- “What do you mean? Like a TV channel or something?”
 - Many first-time entrepreneurs are unfamiliar with the concept of channels.
- **Channels are how your business will reach its customers (people who pay you!)**

Channels

- Channels are important!
 - They let people know about your products

Channels

There are four functions of Channels

- **communication**
- **distribution**
- **sales**
- **post-sales support**

Develop Free Channels First

** FREE **

Develop External Free Drivers

1. **SEO** (self) – Ideal for products/services that disrupt existing categories.
2. **Blog** - Blog about passion to solve a problem. Link with other blogs in category.
3. **Widgets** make it easy to embed your content (brand experience) on other sites/platforms
4. **E-mail / newsletter** use mailing list from existing products or groups to find testers for your product
5. **Social Media** use twitter and facebook to find customers for your product. Search and monitor keywords related to your product.

Potential User-Get-User Channels

1. **Viral replication** - if your product has a social element

[Blog: Startup-Marketing.com](http://Blog:Startup-Marketing.com)

Then Test Paid Channels



Test lowest hanging fruit first

Begin by testing user acquisition channels most likely to have **easy, positive ROI**

Paid channel testing sequence

1. **PR:** Great for “innovators”
2. **Demand harvesting** channels (easier than demand creation)
 - Create unique onramps for each usage and user type
 - SEM, directories
3. **Demand creation** last (challenging and expensive)
 - Get ideas by monitoring competitors and overall trends
 - Widgets, webcasts, sponsorships, banners, radio, trade shows

Inbound versus Outbound Channels

Which is *better* for your business?

- Inbound channels use “pull messaging” to let customers find you
- Outbound channels rely on “push messaging” for reaching customers.
 - Example inbound channels: **Blogs, SEO, E-books, white papers, webinars.**
 - Example outbound channels: **SEM, print/TV ads, trade shows, cold calling.**

Indirect Channels?

- **Many startups waste energy prematurely trying to establish strategic partnerships.**
 - Partner with a larger company to leverage their channels and credibility?
 - The problem is that until you have a **proven product**, you won't get the right level of attention from the bigger company's sales reps to make this work.
 - First sell yourself, *then* let others do

Content Marketing as a Channel

- **Content Marketing uses a combination of Content, (SEO), and Social Media to work.**
 - Rather than crafting the “perfect outbound message”, you instead incrementally test various aspects of your Problem/Solution using inbound channels like blogs, white papers, and talks.
 - SEO and Social Media serve to further enhance the reach of your content.

Conferences and Event as a Channel

- Because events, such as tradeshow, are not for making direct sales, they are for building brand awareness to seed future sales.
 - Please don't list events in sales channels!

It's soo hard to find Channels 😞

- BE CREATIVE
 - Insert your flyers into free newspapers in stands every morning
- Get Noticed!
 - Attending events that your customers might be attending and ask them how they find out about new products
- Channels are a make or break part of your business

Channel	Volume	Cost/user	Time to implement	Mktg Effort	Prod Effort
Viral / Referral	depends on CTA; size of accessible social networks / # users	low/zero	Low for FB social networks; med/hi for normal sites	low	low/med
Email	depends on CTA, size of your house lists, email signups	low/med	Low	low/med	low/med (med = create templates)
Blogs / Bloggers	Depends on # blogs in your segment, competitive scenario	low/med	Low (if just you blogging); med (if you're setting up big CMS / evangelizing to other bloggers)	low/med	low/zero (med = CMS, prof design)
SEO	depends on your keywords	Low/zero	Medium (depends on your search geeks)	low/zero	med/hi
SEM	depends on your keywords	Depends	Low/med (depends on your marketing)	Low/med	low/med (landing pages = med)
Contest	small unless big prize \$ (don't, keep it under \$5K)	low/med	low/med (depends on contest, site, campaign)	Med	low/zero (med = prof contest site)
Widget	Depends on CTA; size of accessible sites, level of adoption + bloggers	low/med	Low/med	med	med/hi (depends on complexity)
domains	depends on keywords, domain costs	depends	low	low	Low (redirects/co-brand?)
PR	depends on your business & audience & news	Med/hi	medium (develop story, build contacts)	med	low/zero
Biz Dev / Partner	depends on partner, size of customer base, conversion	med-high	med/hi (capture metrics, generate reports)	Med/hi	med/hi (reports, co-branding)
Affiliate / Lead Gen	depends on economics	Med/hi	med/hi (need to build affiliate program, capture metrics, generated reports)	med/hi	med/hi (depends on reqd tracking & reporting)
Direct / radio	depends on geography	Med/hi	medium	Med/hi	low/zero
Telemktg	depends on target demographics	med-high	med-high	High	low/zero if no system; Med/hi if integrated SFA
TV	Potentially large (if you spend)	High	Med-high	High	Med/hi (production cost)

Step 5: Revenue Streams and Cost Structure

- A lot of startups choose to defer the “pricing question” because they don’t think their product is ready.
 - Something I hear a lot is that a minimum viable product is by definition embarrassingly minimal so how can I charge?
 - Your MVP should address the top problems customers have identified as important to them.
 - Not only does your pricing model keep you in business, it also signals your branding and positioning. It determines your customers.

Your price is part of your product.

Step 6: Key Metrics

- Document the one or two key activities you think will drive usage of your product.
- Document one or two indicators that your product is successful

Step 7: Unfair Advantage

- **Hardest** section to fill so left for last
 - Most founders list things as competitive advantages that really aren't.
- Imagine your co-founder steals your source code, sets up shop in Costa Rica, and slashes prices. Do you still have a business?
 - You have to be able to build a successful business in spite of that which leads to the following definition

“A *real* unfair advantage is something that cannot be easily copied or bought.” - Jason Cohen

Example: Tupalo

Problem #1 Finding information, quality & location of a business #2 Promoting a business, providing correct information to customers	Solution Business DB #1 Search function, Sitemap #2 Business CP Key Metrics #1 Avg. Reviews per user #2 Avg. Revenue per business	Unique Value Proposition Yellowpages online. Find the best restaurant/etc. near you.	Unfair Advantage Herold / ED Partnership SEO Know-How Channels #1 Long-tail SEO #2 European Directories (B2B Sales)	Customer Segments #1 9-to-5 folks looking for lunch options, etc. #1 Long-tail mainstream #2 Business owners (restaurants, etc.)
Cost Structure Software Development SEO Partnership Deals		Revenue Streams #1 Free #2 Hundreds/Thousands of EUR (recurring)		

Example: Freckle

Problem Tracking time precisely without effort Easily invoice clients with good report on performed work	Solution Time tracking with superb UX, no unnecessary fuss	Unique Value Proposition Time tracking software that you'll actually use.	Unfair Advantage Existing audience: Mailinglists, Twitter, etc.	Customer Segments Freelancers Agencies
	Key Metrics Hours tracked Rev. per user		Channels - Word of mouth - Cross-sales - Freebies - Existing audience	
Cost Structure Software Development Marketing/Copywriting CC fees Hosting			Revenue Streams 12-50 USD / month (dep. on company size)	

Example: Garmz

Problem #1 Mass-producing a fashion garment #1 Marketing & sales #2 Buy trendy clothes	Solution No-barriers fashion production, chosen by the community Key Metrics #1 New designs uploaded #2 Conv. rate to actual sale	Unique Value Proposition #1 Make your design talent visible #2 Find the latest fashion trend & be unique	Unfair Advantage Team with industry experience Channels Fashion blogs Partnerships #1 Fashion schools #1 Fashion events #2 Word of mouth / strong brand	Customer Segments #1 Fashion designers #2 Trend-chasing hipsters
Cost Structure Production! (super expensive) Prototyping Payout to designer Marketing, Biz Dev, Software Dev		Revenue Streams #2 100 EUR / piece		

Part 2:

Customer Discovery

Customer Interviews

30 min in-person with
your prototypical customer

People like talking about their field -
explore their worldview.

How to conduct an interview

1. Set context & tell your story
2. Tell your problem hypothesis
3. Listen to their worldview
4. Ask for follow up / references

Online Market Tests:

Google Adwords

Fake Landing Page with

“Signup to be notified when we launch”

“Can we call you to ask a couple of Qs?”

User Groups & Conferences:

Hand out cards with invite codes -
landing page with “*join our soon-to-launch beta programme*”

SolidRails

European VPS cloud. Fully-integrated Rails hosting.

Your private beta access code: OEWO8C

Amy Hoy's **Sales Safari:**

Lurk in online forums of your customer segment, learn how they talk about products & benefits