

Launching Your Startup Using Lean Startup and Customer Discovery

Session 1

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Welcome

Objectives

Round of Introductions



Objectives for Today

- Understand why most IT startups use Lean Startup and Customer Discovery
- Understand the basic principles behind
 - Lean Startup
 - Customer Discovery
- Know when and how to use
 - Business Model Canvas
 - Lean Canvas
- Know where you can learn more



How Do I Know About This Topic?

- Since 2010: Virtual Strategy Officer
 - consulting and training for software and Internet businesses
- Since 2009: mentoring startups
- 14 years of experience with HP's enterprise software product business, including
 - HP Strategy & Corporate Development: Strategy and M&A
 - New Business Creation, Business Planning
 - Project/Program Manager, R&D Manager
- Master in Computer Science, TU Kaiserslautern

Strategy and business planning for software and Internet businesses

→ Startup coaching

- startup process
- business model
- investor search

→ Consulting for growth companies

- business planning
- strategic business development
- M&A

→ Enterprise innovation

- leveraging Lean Startup
and Customer Development



Round of Introductions

Non-Founders only

A few words about

- Your name and affiliation
- Your role
- Areas of interest in IT entrepreneurship



Introduction for Startups

3 Minute-Pitches

Imagine pitching to a potential investor or business angel

Suggestions what to cover – in no particular order

- Introduction of the two founders
- What your startup offers – and to whom
- Why that is an exciting business opportunity
- Where you currently are
- What you want from the angel/ investor



Introduction for Startups

3 Minute-Pitches

You have a maximum of 3 minutes

→ Shorter is even better

Your pitch will be evaluated by everyone else on

→ **Clarity**: How clear/ understandable is what you're doing / what the business opportunity is

→ **Attractiveness** of the investment opportunity: would I want to invest here?

You have 5 minutes now to prepare



Agenda

9:00 – 10:30

Session 1

Origins of Business Planning
Types of Startups
Lean Startup - Introduction

30 min

Coffee Break

11:00 – 12:30

Session 2

Customer Development - Introduction
Using the Business Model Canvas

60 min

Lunch Break

13:30 – 14:45

Session 3.1

Customer Discovery and Lean Canvas
Customer Validation

15 min

Coffee Break

15:00 – 16:00

Session 3.2

Building the Financial Model
Resources
Wrap-Up



Origins of Business Planning

And why startups need a different process



Business Planning Originated in Big Corporations

Many “knowns”

- Business model: own product, how to sell, partnerships, own competences, ...
- Competition
- Market: size, trends, customer needs, basis of competition

Purpose of business planning

- Solve **coordination** problem
 - E.g. product development vs. sales
- Review & evolve strategy
 - Look outside: trends, competitors
 - Ensure innovation, portfolio re-juvenation



Startups Face a Completely Different Challenge

Many “unknowns”

- Everything related to the business model
 - Who to target: Customer segments
 - What problem to solve: customer problem, value proposition
 - What the own product should be
 - How to win customers / go-to-market

Purpose of business planning

- Solve **design** problem

"A startup is a temporary organization designed to search for a scalable, repeatable, profitable business model."

Steve Blank & Bob Dorf



How to Solve Design Challenges

Key Principles

- Iterate –
fast & frequently
- Deeply understand customer
 - More than asking them
 - Deeper than classic market research
- Get customer feedback –
early & frequently

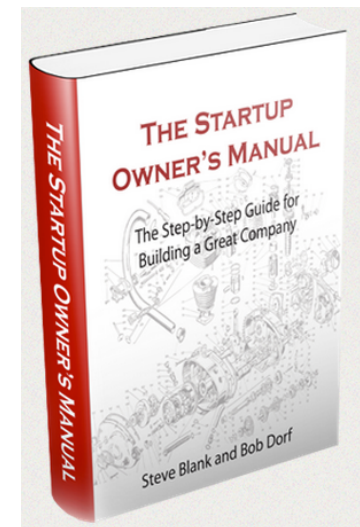


Example Methodologies

“Design Thinking”
process for designing
products



“Lean Startup” and
“Customer Development”
for building startups





Types of Startups

What's your type?



What's the Risk?

Technology Risk

Can we make it
work at all?

“Hard” technology:
Feasibility

Examples?



What's the Risk?

Technology Risk vs.

Can we make it
work at all?

“Hard” technology:
Feasibility

Examples?

Market Risk

If we build it,
will they come?

New product:
Market acceptance

Most IT startups

**Lean Startup &
Customer Development**



Evolution of Business Models

Product

Physical

- Food
- Cars, Planes, Steel
- Solar Panels
- Household Goods

Physical

Channel



Evolution of Business Models

Product	Virtual	<ul style="list-style-type: none">• Enterprise Software (SAP, Oracle, ...)• Shrinkwrap Software (video games etc.)• Health/ Life Insurance• Stocks, Bonds
	Physical	<ul style="list-style-type: none">• Food• Cars, Planes, Steel• Solar Panels• Household Goods
		Physical Channel



Evolution of Business Models

Product	Virtual	<ul style="list-style-type: none"> • Enterprise Software (SAP, Oracle, ...) • Shrinkwrap Software (video games etc.) • Health/ Life Insurance • Stocks, Bonds 	
	Physical	<ul style="list-style-type: none"> • Food • Cars, Planes, Steel • Solar Panels • Household Goods 	<ul style="list-style-type: none"> • Shoes: Zappos, <i>Zalando</i> • Books: Amazon • Movies: Netflix • Consumer electronics
		Physical	Virtual
Channel			



Evolution of Business Models

Product	Virtual	<ul style="list-style-type: none"> • Enterprise Software (SAP, Oracle, ...) • Shrinkwrap Software (video games etc.) • Health/ Life Insurance • Stocks, Bonds 	<ul style="list-style-type: none"> • Google, Twitter, Zynga, Facebook • Stocks, Bonds • Movies, Music, Books • <i>SaaS, Cloud SW, Apps</i>
	Physical	<ul style="list-style-type: none"> • Food • Cars, Planes, Steel • Solar Panels • Household Goods 	<ul style="list-style-type: none"> • Shoes: Zappos, Zalando • Books: Amazon • Movies: Netflix • Consumer electronics
		Physical	Virtual
Channel			



Classify Your Startup

Main risk

☐ Market acceptance

☐ Technology

New Product?

☐ Yes

☐ No

**Product &
Channel**

Product	Virtual		
	Physical		
		Physical	Virtual
		Channel	



Lean Startup

Key Concepts



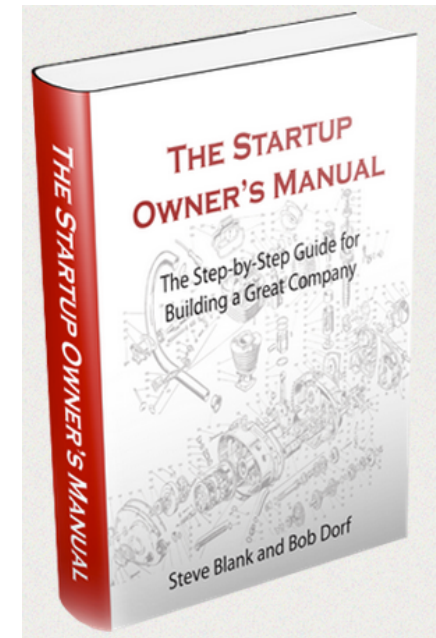
Lean Startup & Customer Development



Introduction to Lean
Startup and
Customer
Development



Approach /
philosophy for using
validated learning to
improve the odds of
success



Detailed manual
how to do
Customer
Development



Recap: When to Use Lean Startup

Low technology risk

High market risk

- New product in new market
- New product attempting to re-segment an existing market
- Cloning a business model

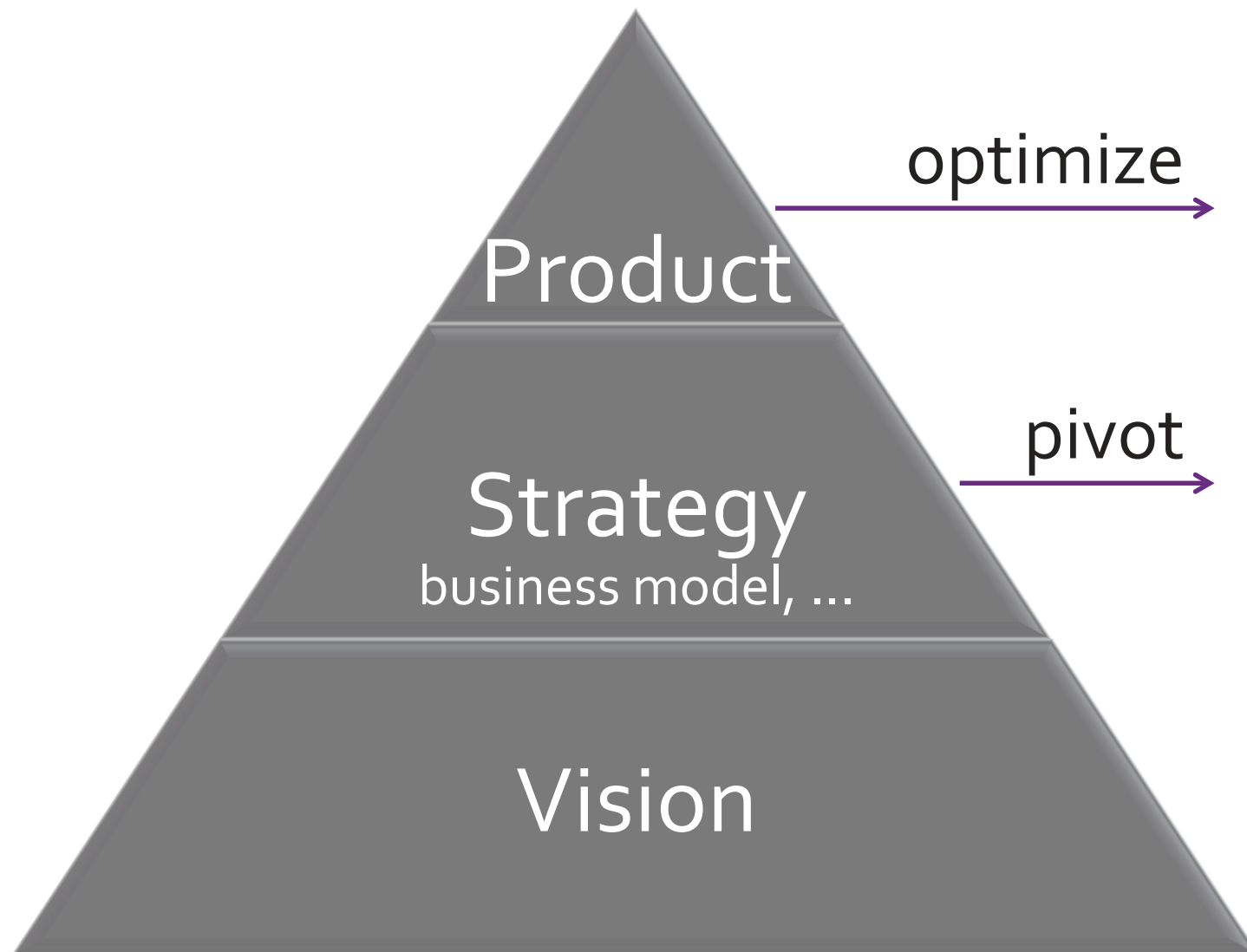


Lean Startup - Levels





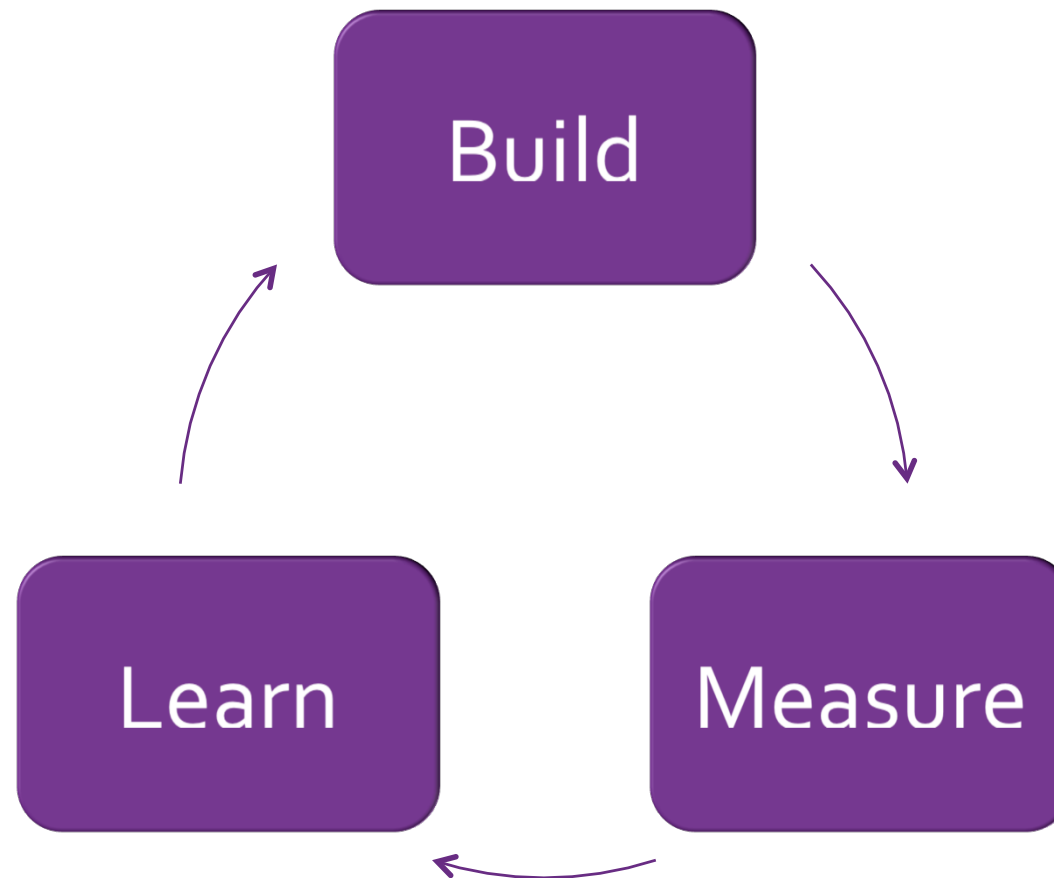
Lean Startup - Iterate





Lean Startup – Feedback Loop

It's all about “validated learning”





Minimum Viable Product - MVP

“... is that version of the product that enables a full turn of the Build-Measure-Learn loop with a minimum amount of effort and the least amount of development time” Eric Ries

Types of MVP include

- Mock-Up
- Landing Page
- Concierge MVP
- Mechanical Turk MVP



Beware of Vanity Metrics ...

... focus on actionable metrics

- Supporting “innovation accounting”,
i.e. tell you whether you have made progress on
proving your business model

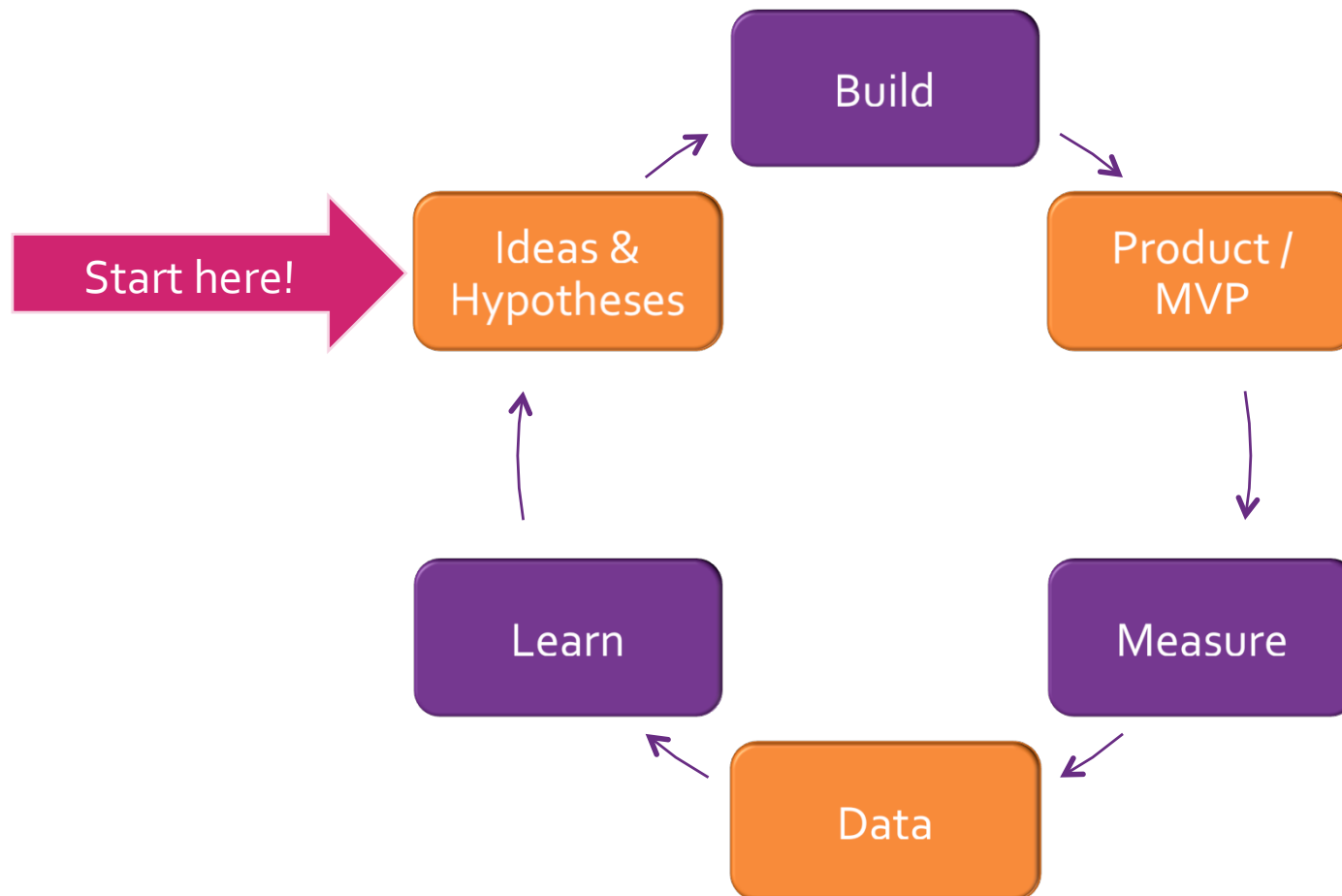
Example

- Vanity metric: # of active users over time
- Actionable metric: cohort-based metrics on
conversion rates of users



Lean Startup – Feedback Loop

MVP is Driven by Learning Needs





Lean Startup - Misunderstanding

Startup = startups only?

“A startup is a human institution designed to create a new product under conditions of extreme uncertainty” Eric Ries

Also suitable for

- Non-profits
- Innovation projects of established corporations



Lean Startup - Misunderstanding

LEAN = bootstrapping?

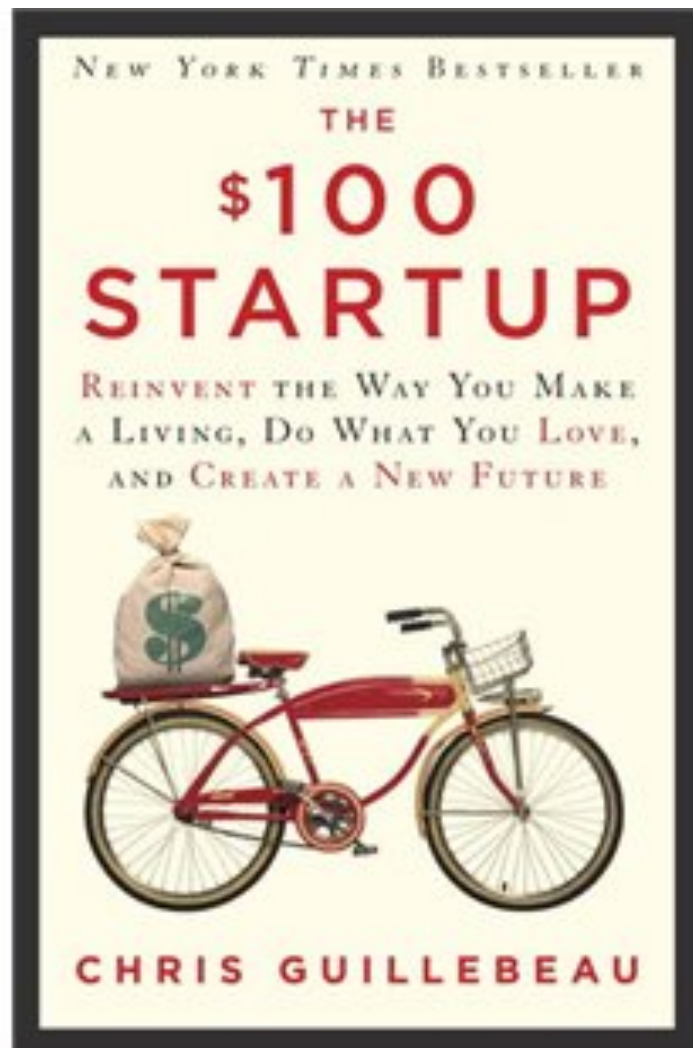
→ Bootstrapping = no external funding

Correct: analogy to lean manufacturing

→ eliminate waste



If You Want or Need to Bootstrap



<http://100startup.com/>