

Customer Development in High Tech: Sales, Marketing & Business Development in a Startup

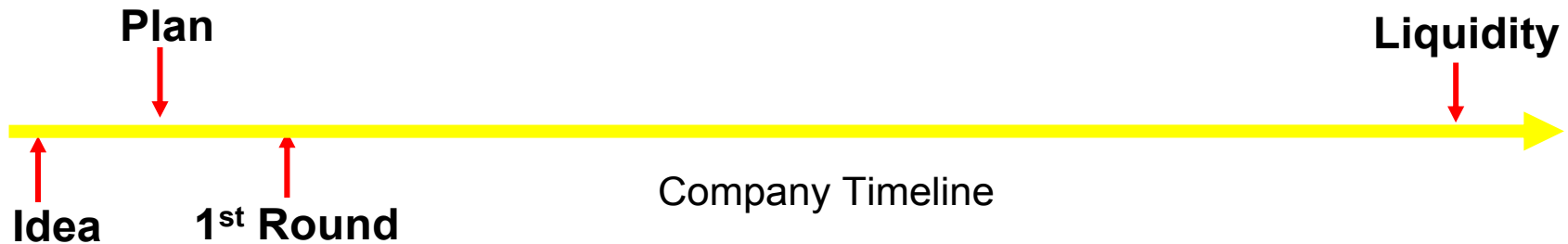
MBA & EMBA 295F

Introduction to the Course

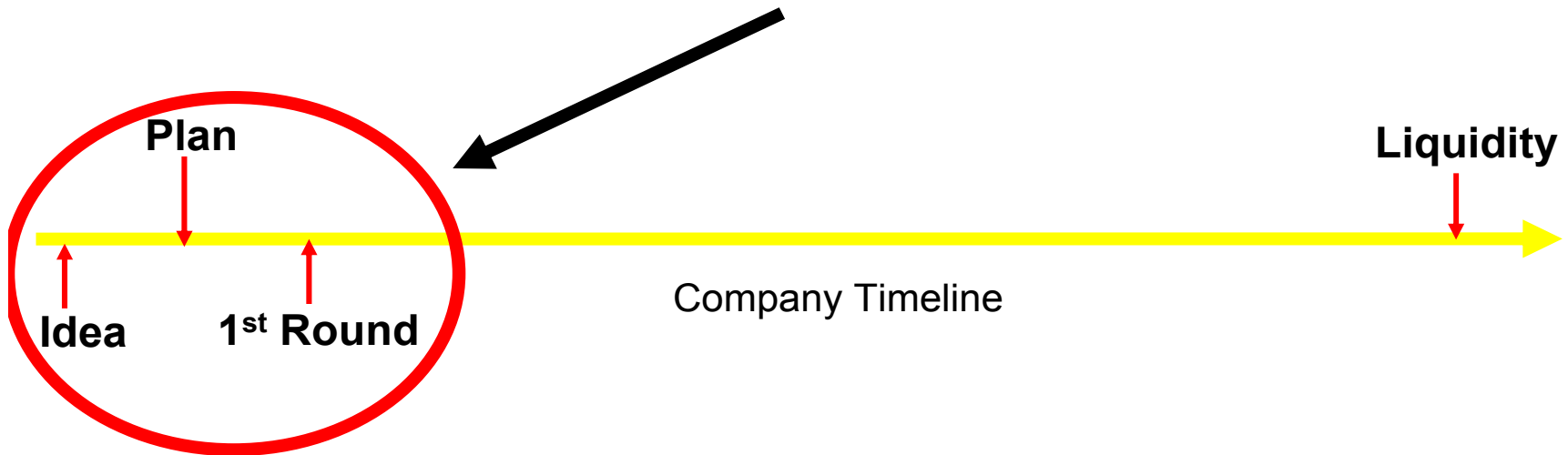
Steve Blank

sblank@kandsranch.com

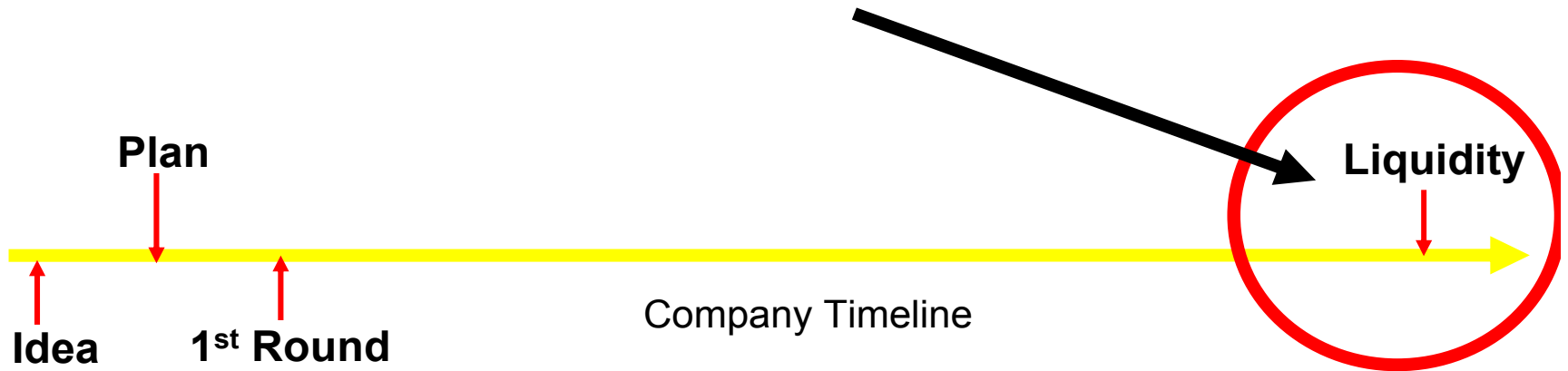
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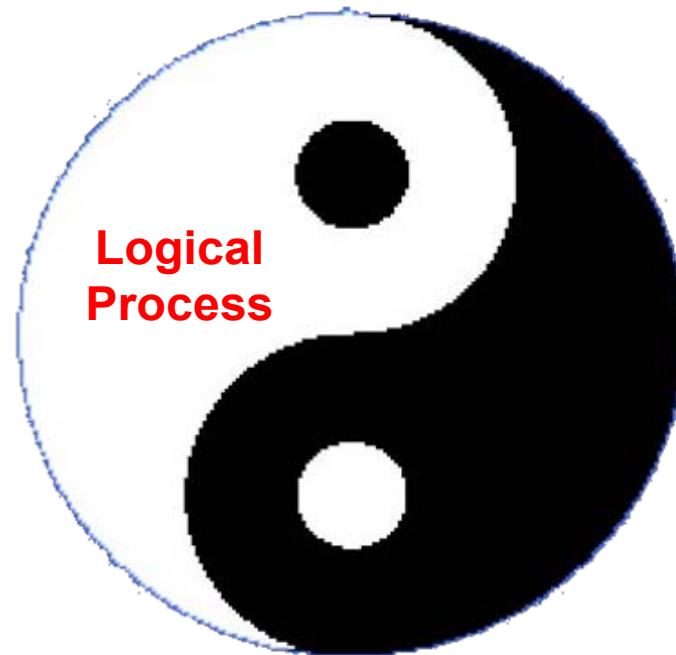
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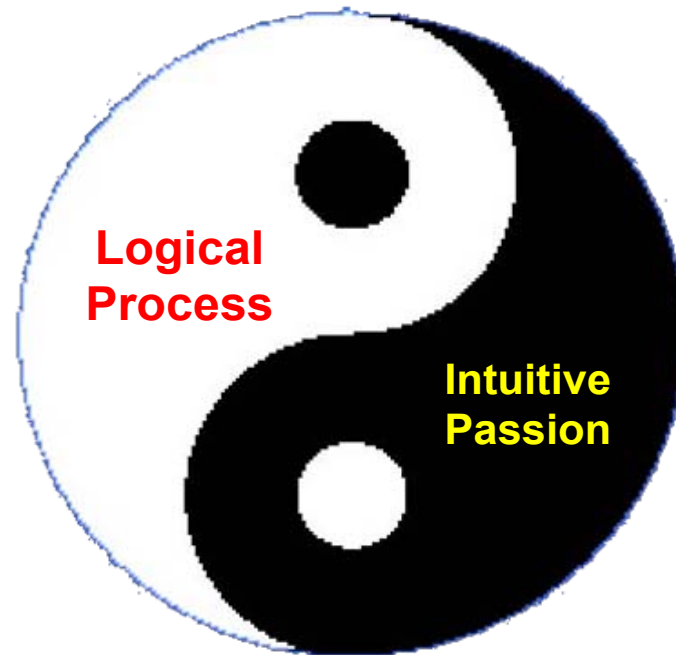
How do You Get Here



Entrepreneurship



Entrepreneurship



Today

Part 1: Introduction to the Course

Part 2: Key Concepts

Course Introduction

- Course Objectives
- Intro and Backgrounds
- How the Class Works
- Customer Development

Course Objectives

- Learn how to:
 - ◆ reduce product/market risk
 - ◆ organize sales, marketing and business development when bringing a product to market
- Have Fun

Course Prerequisites

- Officially – none
- Realistically:
 - ◆ Experience in bringing a new product to market
 - ◆ Entrepreneurship 295 or equivalent
 - ◆ Have written a business plan

Introduction and Backgrounds

- Steve Blank
- TA
- Class

Introduction: Steve Blank

8 startups in 25 years

2 strikeouts	Rocket Science, Ardent
2 walks	ESL, Zilog
2 singles	Convergent, MIPS
1 double	SuperMac
1 home run	E.piphany

Private board: CafePress.com

Non profits: Audubon, POST, Coastal Commission

<http://www.youtube.com/watch?v=R2IE3fgj7QA> for what you could be in store for

Introduction: Class

Why are you taking the class?

■ How many of you have:

- ◆ Been in start-ups?
- ◆ Been in a startup that failed?
- ◆ Raised or tried to raise money?

■ How many are:

- ◆ Sales, marketing or business development?
- ◆ Engineers?

How the Class Works

- **Syllabus**
- **3 Application Exercises**
 - ◆ Individual projects
 - ◆ Max 2-pages
 - ◆ Use different company than the research project
 - ◆ Syllabus has assignment dates, due the week after
 - ◆ Electronic copy gets graded
- **Research Project**
 - ◆ Teams of 4
 - ◆ Using customer development model analyze company success/failure, propose alternatives
 - ◆ Electronic copy gets graded
- **Grading**
 - ◆ Research Project (50%)
 - ◆ Application Exercises (25%)
 - ◆ Class Participation (25%)

Class Issues

- “Tech-heavy”
- “Enterprise-heavy”
- For-profit versus non-profit
- Startups versus existing companies
- Methodology focused on product/customer risk reduction
 - ◆ Doesn’t work for technology risks (i.e Biotech or Health Care)
- Doesn’t match your experience or opinion

Customer Development in the High Tech Enterprise

Logistics

Steve Blank

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How the Class Works

Part 1

	Class	Case	Application Exercise	Research Project
Class 2/Jan 27	Three Types of Startups	In & Out Burger		

How the Class Works

Part 1

	Class	Case	Application Exercise	Research Project
Class 2/Jan 29	Three Types of Startups	In & Out Burger		
Class 3/Feb 3	Customer Development	E-Ink	Market Type	Think!

How the Class Works

Part 1

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Class 2/Jan 27	Three Types of Startups	In & Out Burger		
Class 3/Feb 3	Customer Development	E-Ink	Market Type	Think!
Class 4/Feb 10	Discovery - Part 1	Webvan/ Amazon		Team Selection

How the Class Works

Part 1

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Class 4/Feb 10	Discovery - Part 1	Webvan/ Amazon		Team Selection
Class 5/Feb 17	Discovery – Part 2	IMVU/ Linden Labs		Draft Concept

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Class 5/Feb 17	Discovery – Part 2	IMVU/ Linden Labs		Draft Concept
Class 6/Feb 24th	Discovery – Part 3	Motive		Approved Concept

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Class 5/Feb 17th	Discovery – Part 2	IMVU/ Linden Labs		Draft Concept
Class 6/Feb 24th	Discovery – Part 3	Motive		Approved Concept
Class 7/Mar 3rd	Validation Part 1	Wildfire	Customer Discovery	

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Class 6/Feb 24th	Discovery – Part 3	Motive		Approved Concept
Class 7/Mar 3rd	Validation Part 1	Wildfire	Discovery	
Class 8/Mar 10th	Validation Part 2	HPKittyhawk		

How the Class Works

Part 2

	Class	Case	Application Exercise	Research Project
Class 9/Mar 17th	Creation - Part 1	Ecton	Validation	
March 24	No Class			

How the Class Works

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Class 10/Mar 31st	Creation – Part 2	Erox		Interviews Done

How the Class Works

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Class 11/Apr 7th	Creation Cases	Tivo		

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Class 13/Apr 21st	Building - Part 2			

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Class 12/Apr 14th	Building - Part 1	Documentum	Customer Creation	
Class 13/Apr 21st	Building - Part 2			
Class 14/Apr 28th	Wrapup			

How the Class Works

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Class 14/Apr 28 th	Wrapup			

**Final
Paper
Due**

5/5/09

Study.Net

- All materials are on Study.Net
 - ◆ Syllabus
 - ◆ Reading
 - ◆ Assignments
 - ◆ Presentations (after each class)

Customer Development in the High Tech Enterprise

The Course

Steve Blank

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Customer Development

- Business Plans
- The Value of “Models” for an Entrepreneur
- Key Concepts
 - ◆ Market versus Technology Risks
 - ◆ Vertical Markets
 - ◆ Three Types of Startups

The Top Ten Lies of Venture Capitalists

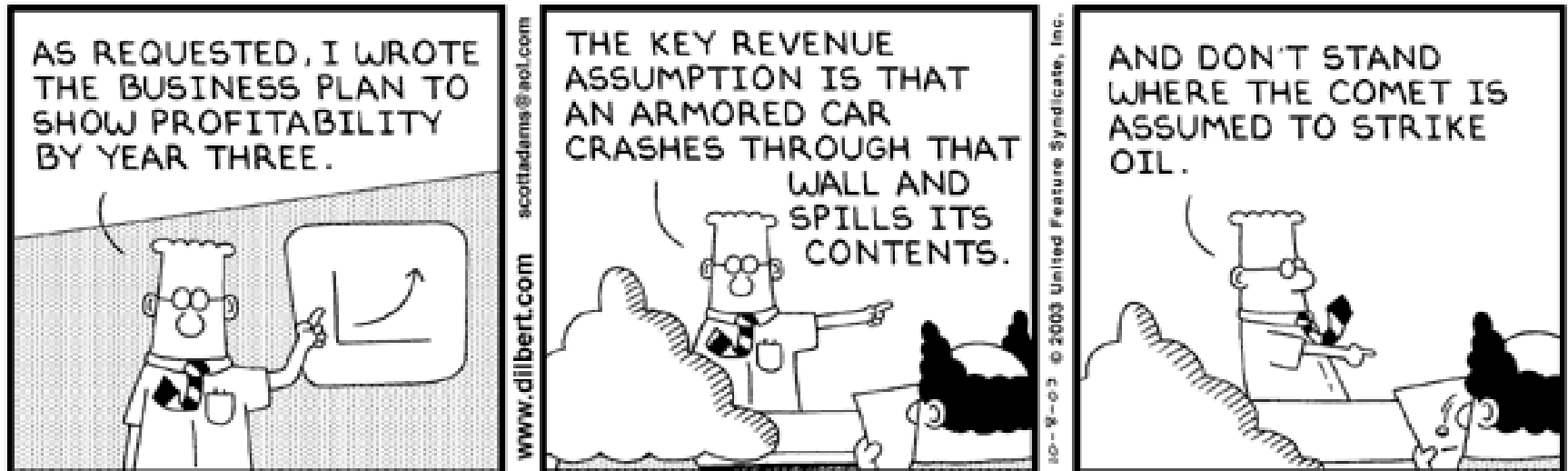
1. “I liked your company, but my partners didn't.”
2. “If you get a lead, we will follow.”
3. “Show us some traction, and we'll invest.”
4. “We love to co-invest with other venture capitalists.”
5. “We're investing in your team.”
6. “I have lots of bandwidth to dedicate to your company.”
7. “This is a vanilla term sheet.”
8. “We can open up doors for you at our client companies.”
9. “We like early-stage investing.”

Source [Guy Kawasaki](#)

The Top Ten Lies of Entrepreneurs

1. “Our projections are conservative.”
2. “(Big name research firm) says our market will be \$50 billion in 2010.”
3. “(Big name company) is going to sign our purchase order next week.”
4. “Key employees are set to join us as soon as we get funded.”
5. “No one is doing what we're doing.”
6. “No one can do what we're doing.”
7. “Hurry because several other venture capital firms are interested.”
8. “Oracle is too big/dumb/slow to be a threat.”
9. “We have a proven management team.”
10. “Patents make our product defensible.”
11. “All we have to do is get 1% of the market.”

One Way to Plan a Startup



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Business Plans – Why?

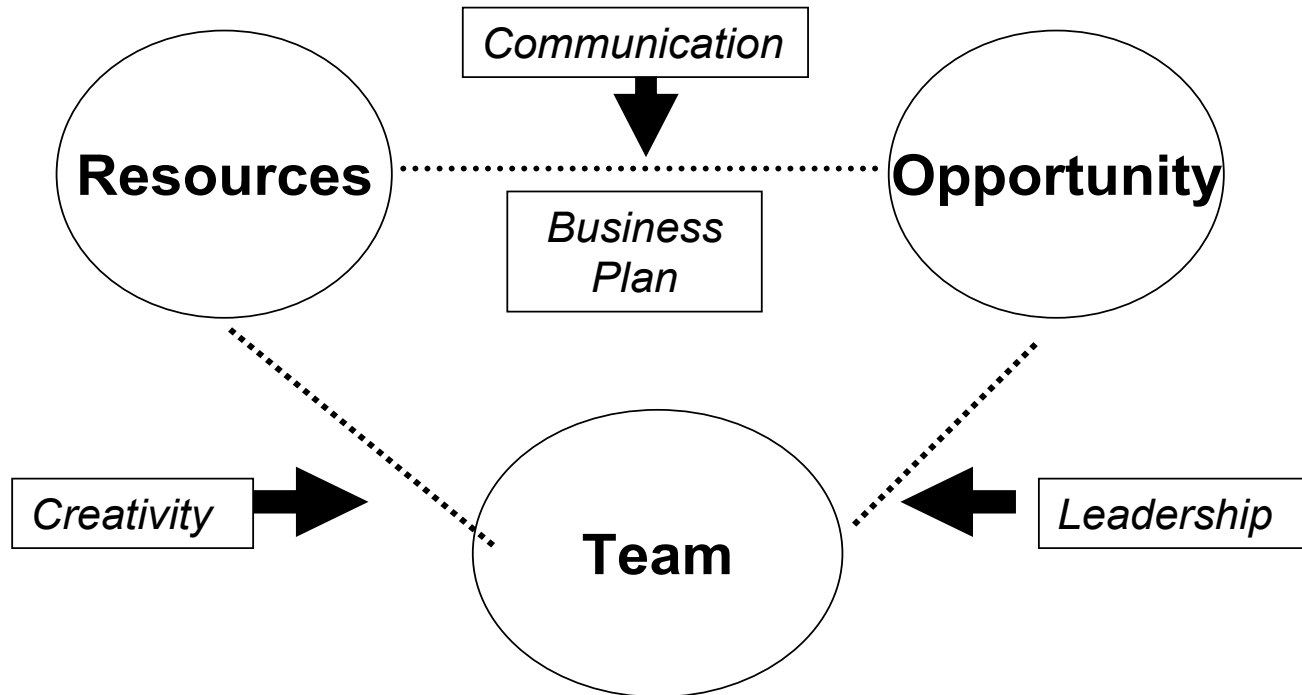
- Why write a plan?
 - ◆ VC's require it
 - ◆ Planning (Strategic/Financial/Ops)
 - ◆ Articulate Bus Model/Assumptions
- What's wrong with a plan?
 - ◆ Static
 - ◆ Execution Oriented

The Value of “Models”

- Model = shorthand for complicated idea
 - ◆ Check to see if the results are static or dynamic
- For example, ...

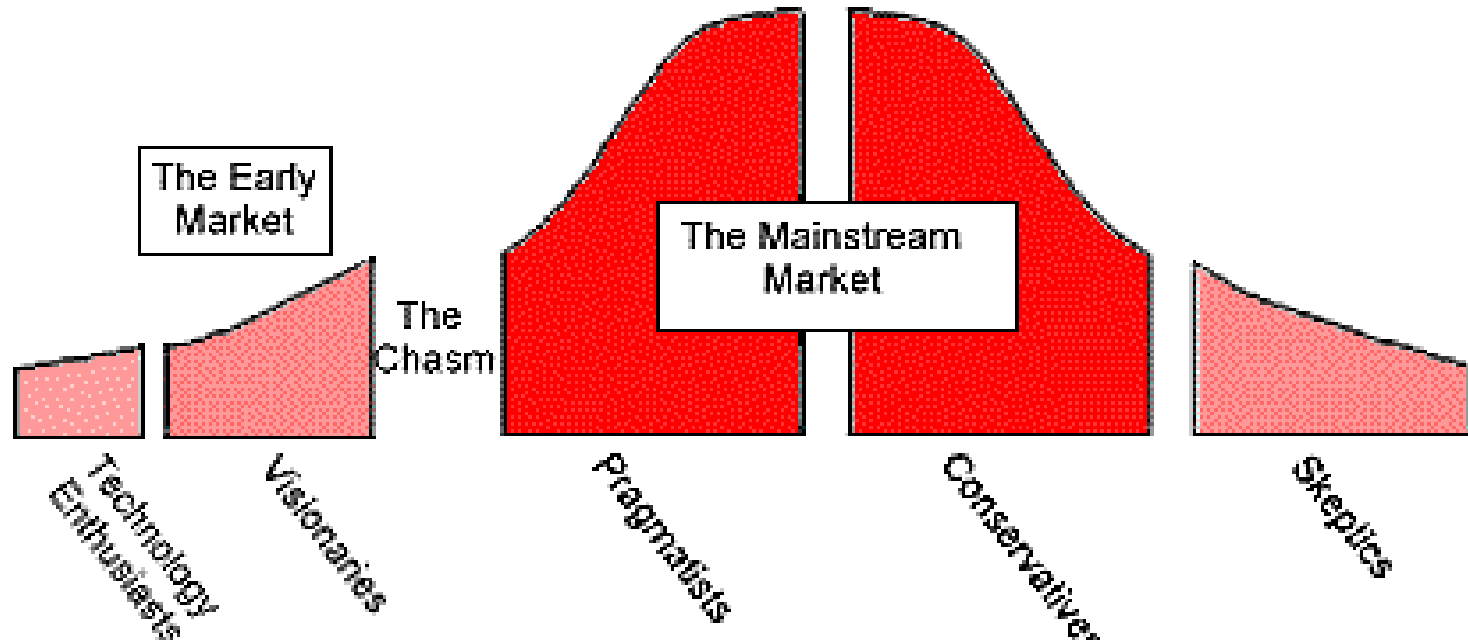
Timmons Model of Entrepreneurship

(The Business Plan)



Moore Model of Entrepreneurship

(Chasm + Life Cycle)

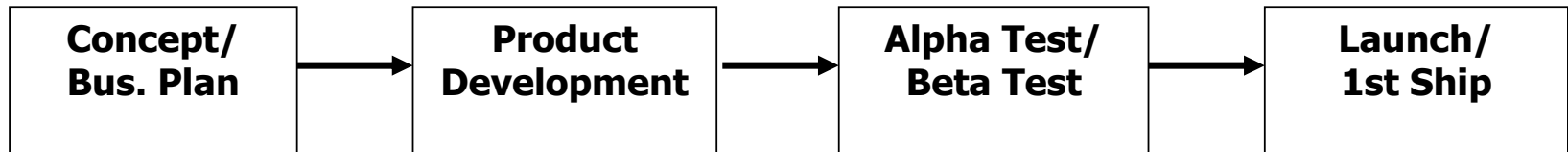


New Product Introductions

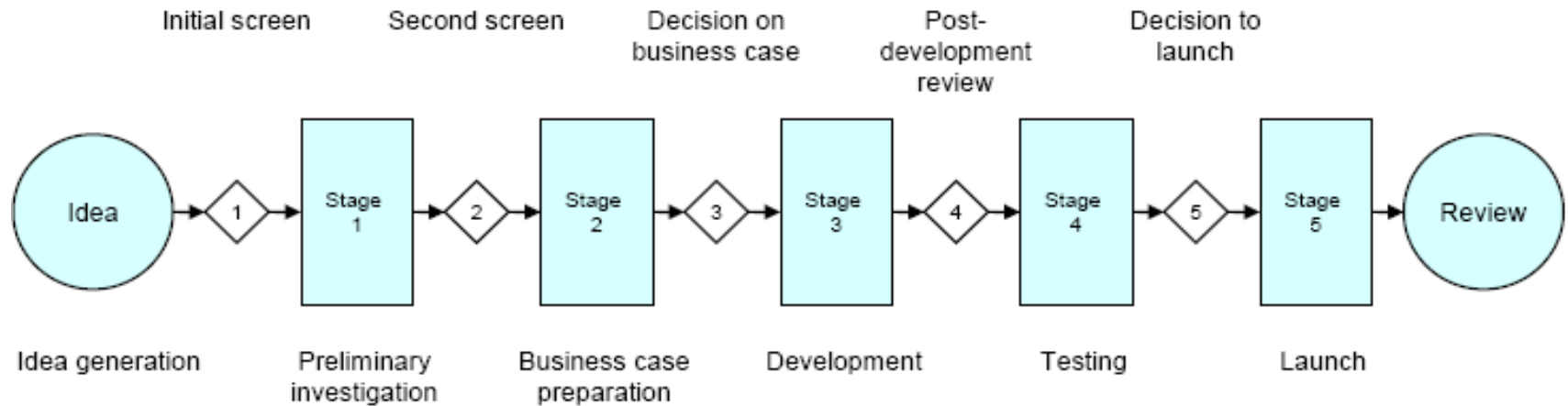
What's the Model?

- New Product introduction models
 - ◆ Checklist of what to and when to do it
 - ◆ Market size and business case
 - ◆ Models try to ensure that product matches market
 - ◆ Technology and development “gates”

Venture Capital Model of a Startup (Execution)



StageGate™ Model



	Project generation		Product / project definition		Concept design and selection		Development and pre-production		Sales and support		Obsolescence	
Booz Allen Hamilton	Exploration	Screening	Business analysis	Development		Testing		Commercialization				
PACE	Concept evaluation		Planning and specification	Development		Testing & evaluation		Product release				
Cooper	Ideation	Preliminary investigation	Detailed investigation (Business case)		Development		Testing & validation		Full production and market launch			
Xerox	Pre-concept		Concept	Design demonstration		Production		Launch	Maintenance			
CalComp	Market requirement specification		Design	Engineering model	Prototype	Verification		Production		End of life		
Exxon Chemicals	Idea	Preliminary assessment	Assessment		Development		Validation	Commercial launch	Post launch review			
Pugh	Market	Specification	Concept design	Detail design	Manufacture	Sell						
Design Edge	Understand product task	Preliminary concept design	Layout design (systems 1)	Final layout design (systems 2)	Design / Tooling design							
Ulrich & Eppinger	Planning	Concept development	System level design		Detail design	Testing and refinement	Production ramp-up					
AMF Bowling	Project selection	Product definition (business plan)	Concept development	Preliminary design	Alpha test	Sales initiation	Pilot production	Beta prototype installation				
Detail design & test				Production training	Quality plan							
					Field training							
					Manuals							
BS 7000	Trigger	Planning	Feasibility	Design	Development	Production		Operation	Disposal			
Unilever	Idea generation	Feasibility		Capability		Launch and roll out						
Phillips PCP	Concept		Definition		Realization			Support				

New Product Introduction

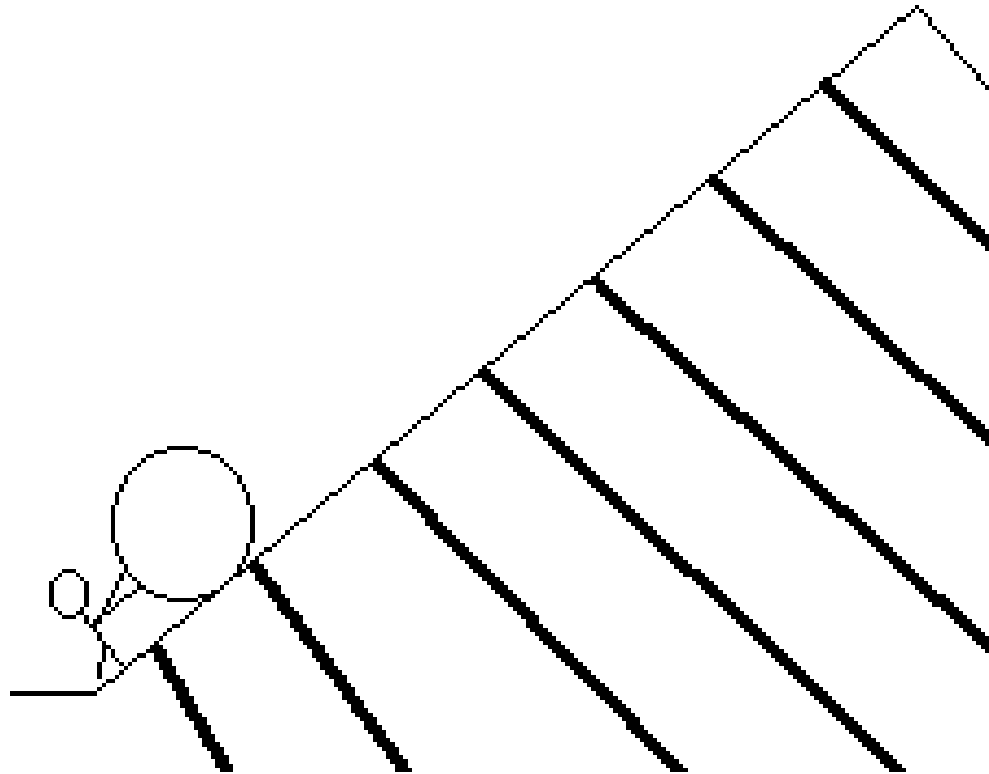
It Doesn't Always Work

- New Product Development Process
 - ◆ Works great for some new products, fails miserably for others
 - ◆ Products usually are late, over cost
 - ◆ Typically fails to understand and satisfy customer needs
- Why?

Issues in Product Intros

- Current models:
 - ◆ Confuse product development process with customer needs
 - ◆ Treat all startups as the same
- We need a New Product Intro Process
 - ◆ Reduces Market Risk\Simple, understood by all
 - ◆ Founders commitment
 - ◆ Cross function organization
 - ◆ Solid homework

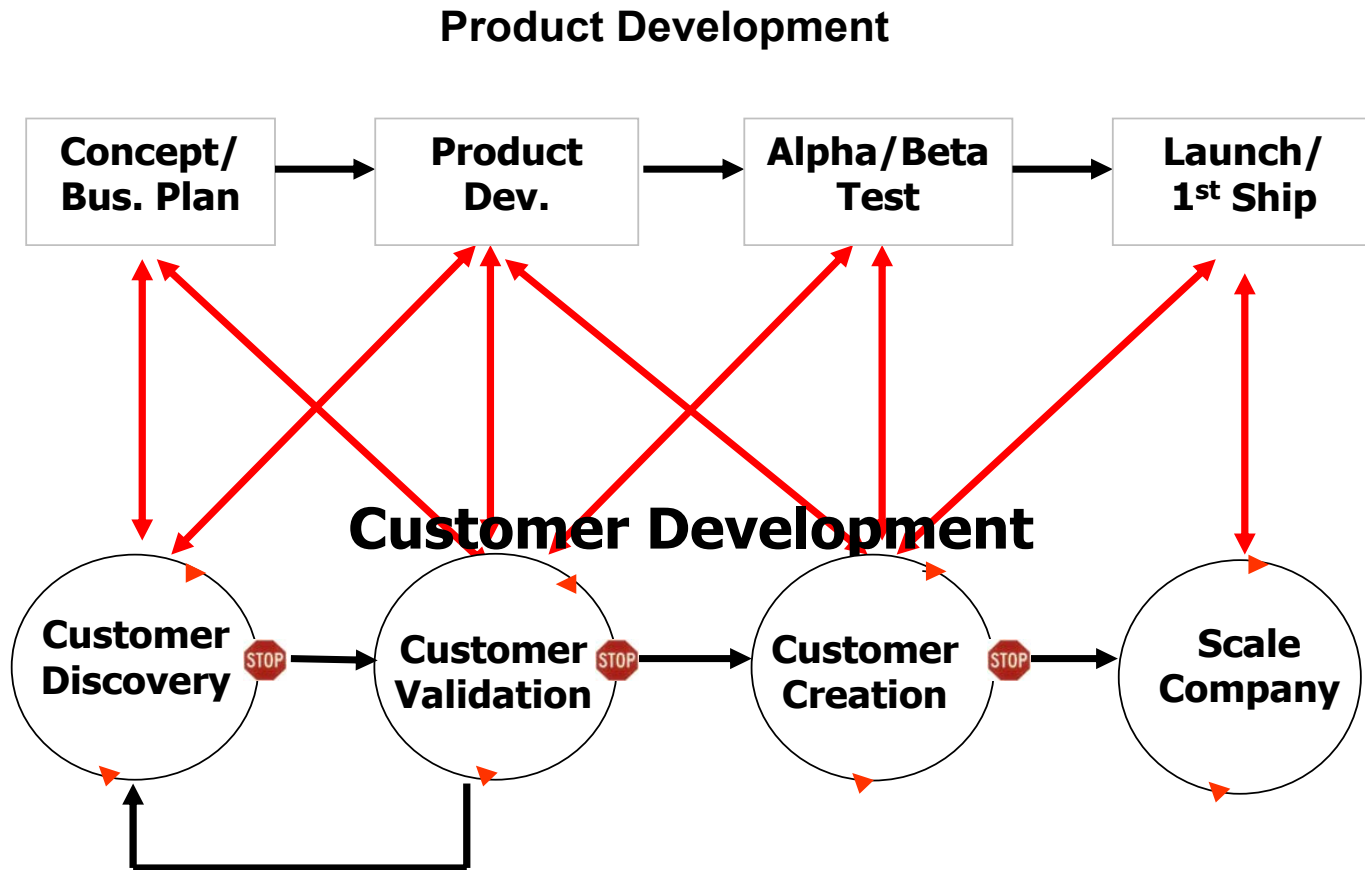
The Steve Blank Model of Entrepreneurship



The Value of “Models”

- Model = shorthand for complicated idea
- This class teaches a “model” for product introduction
- How to reduce risk for customer/market fit
- Side effect is rethinking timing in Sales, Marketing & Business Development

Customer Development



Customer Development

This is what our class is about

