

Customer Development in the High Tech Enterprise

MBA 295-F/EMBA 295-F

Customer Development

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Class 3: Agenda

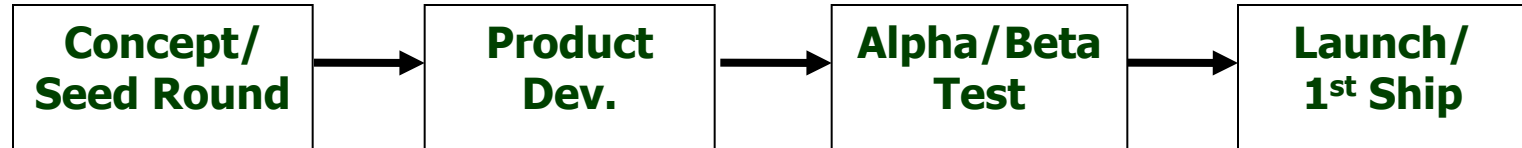
- Logistics/Questions
- CASE: E-Ink
- Product Development
- Boyd & the OODA Loop
- Customer Development

If
**Startups Fail from a Lack of customers
not Product Development Failure**

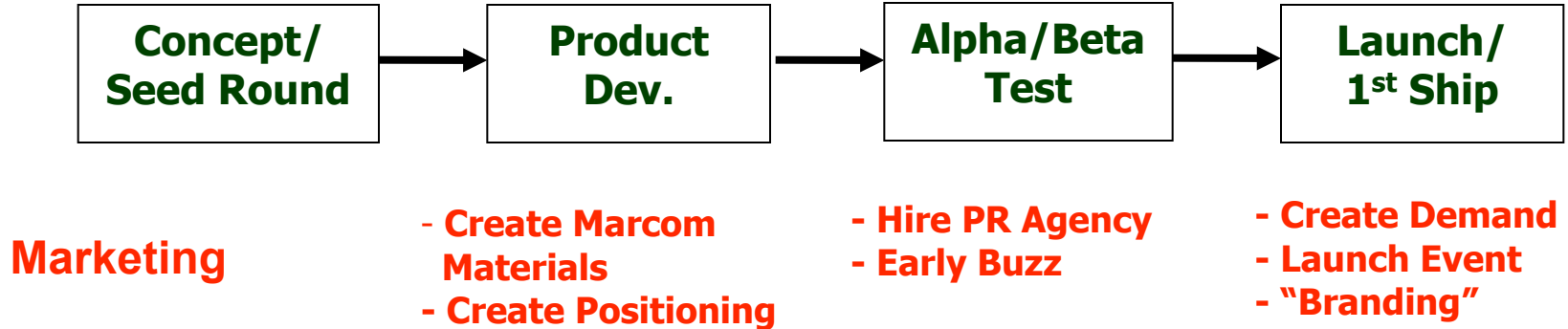
Then Why Do we have:

- process to manage product development
- no process to manage customer development

Product Development Model

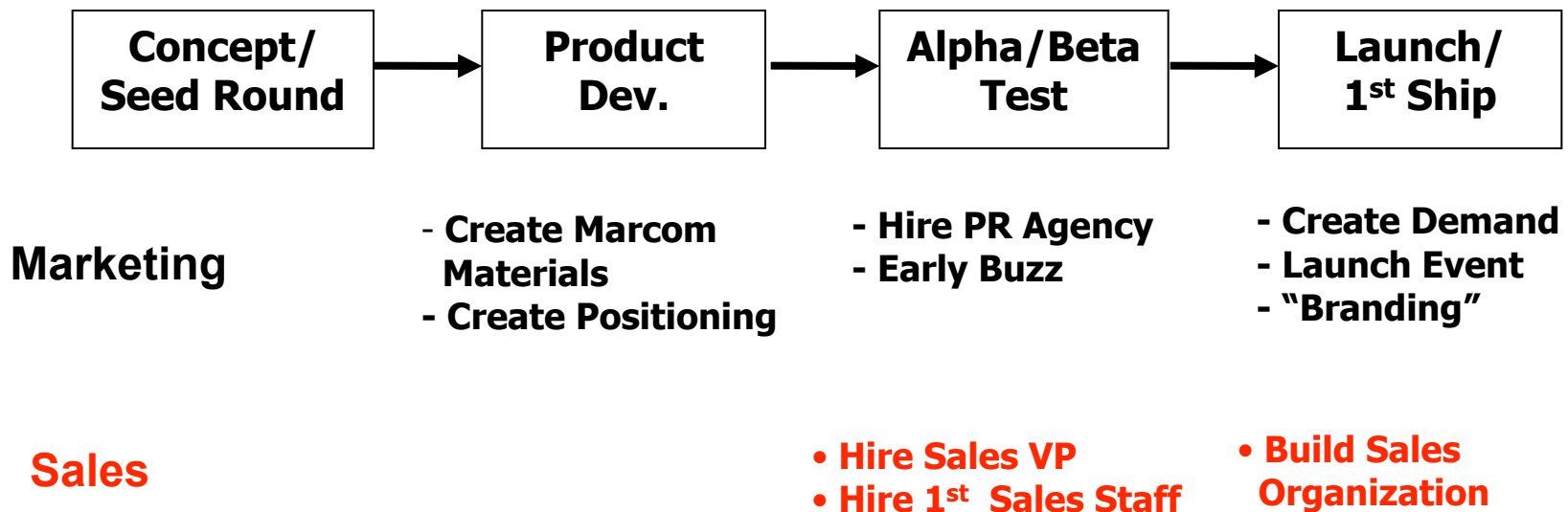


What's Wrong With This?



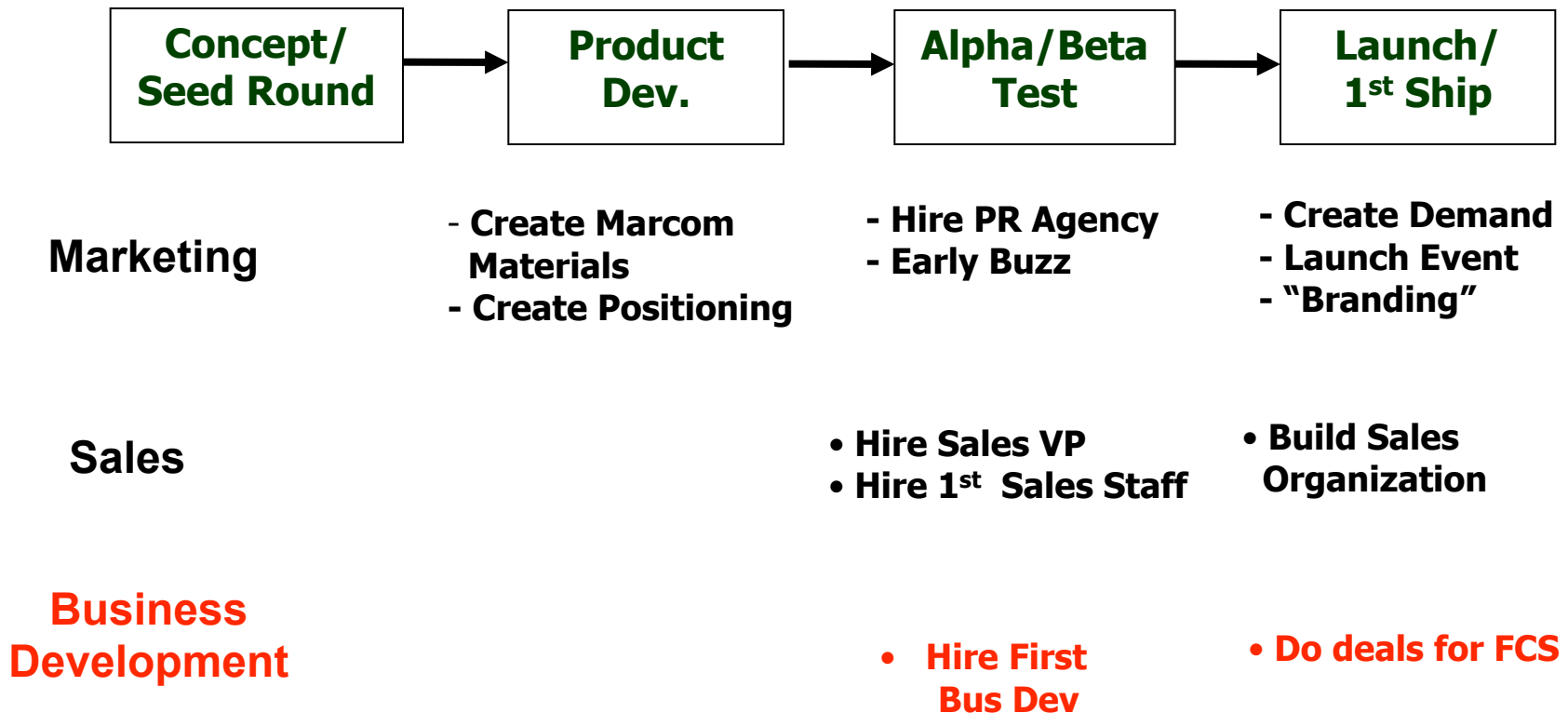
What's Wrong With This?

Product Development



What's Wrong With This?

Product Development



10 Things I Hate About Product Development

1. Where are the Customers?
2. The Focus on First Customer Ship
3. Emphasis on Execution vs. Learning & Discovery
4. No Customer-centric milestones
5. Product dev. to measure Sales
6. Product dev. to measure Marketing
7. Premature Scaling
8. Death Spiral
9. Three Types of Startups
10. Unrealistic Expectations

Chasing The FCS Date

- Sales & Marketing costs are front loaded
 - ◆ focused on execution vs. learning & discovery
- First Customer Ship becomes the goal
- Execution & hiring predicated on business plan hypothesis
- Heavy spending hit if product launch is wrong
- Financial projections, assumes all startups are the same

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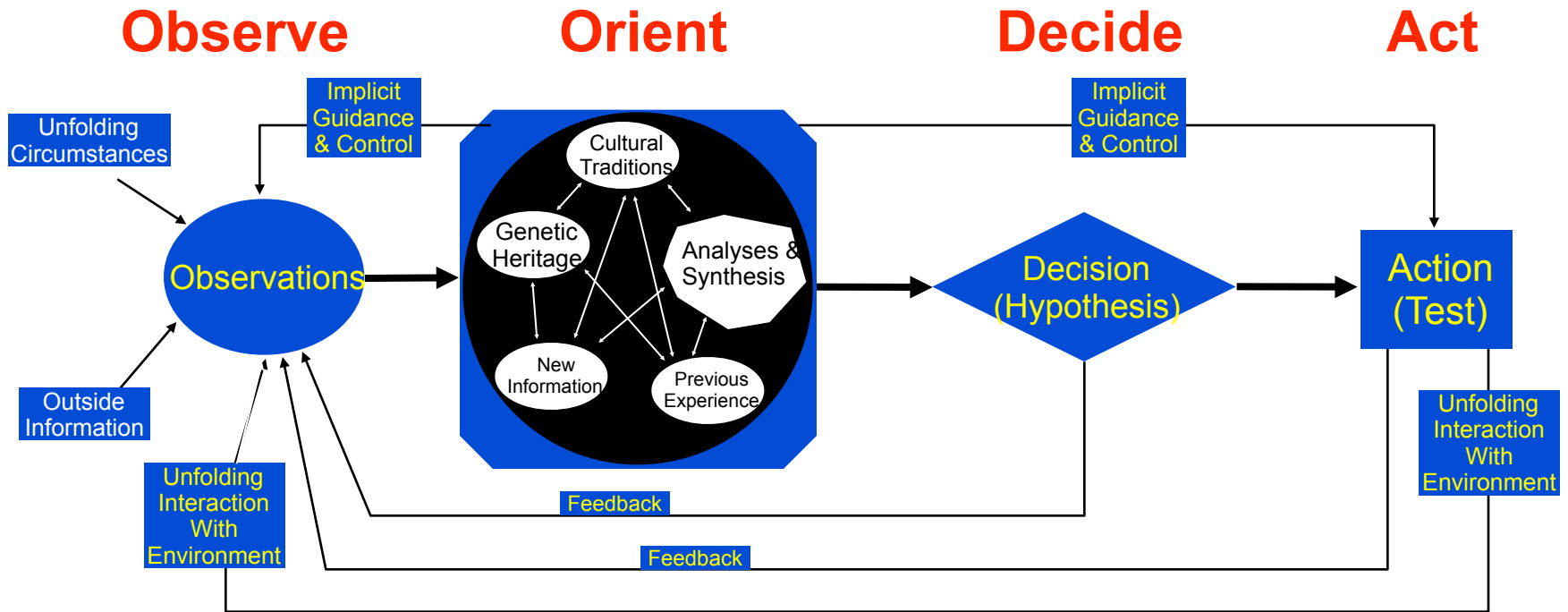
**You don't know if you're wrong until you're out of
business/money**

An Inexpensive Fix

Focus on Customers and Markets
from Day One

How?

Boyd's OODA "Loop"

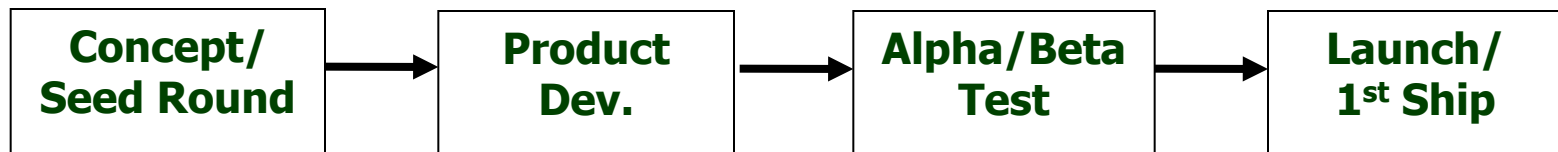


Orientation shapes observation, shapes decision, shapes action, and in turn is shaped by the feedback and other phenomena coming into our observing window.

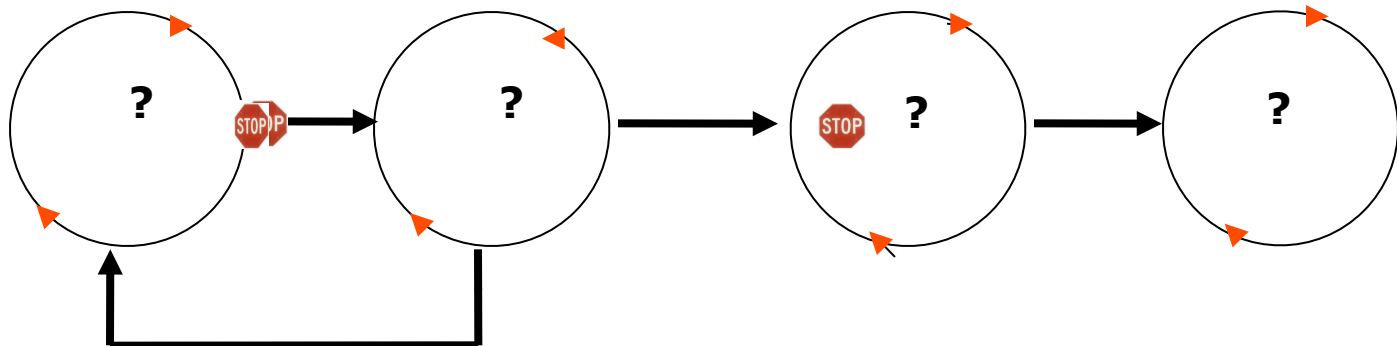
Competitive advantage comes from quickness over the entire "loop," not just from the O-to-O-to-D-to-A sequence.

Build a **Customer** Development Process

Product Development

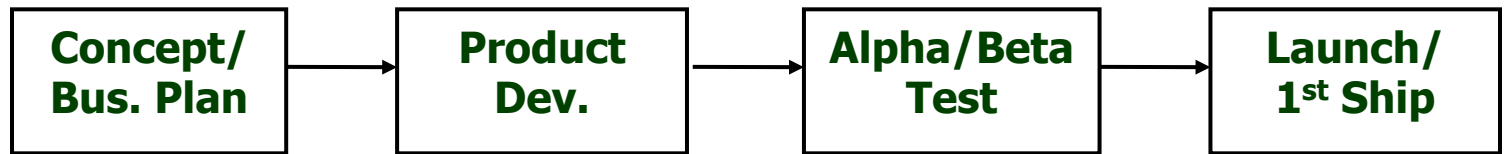


Customer Development

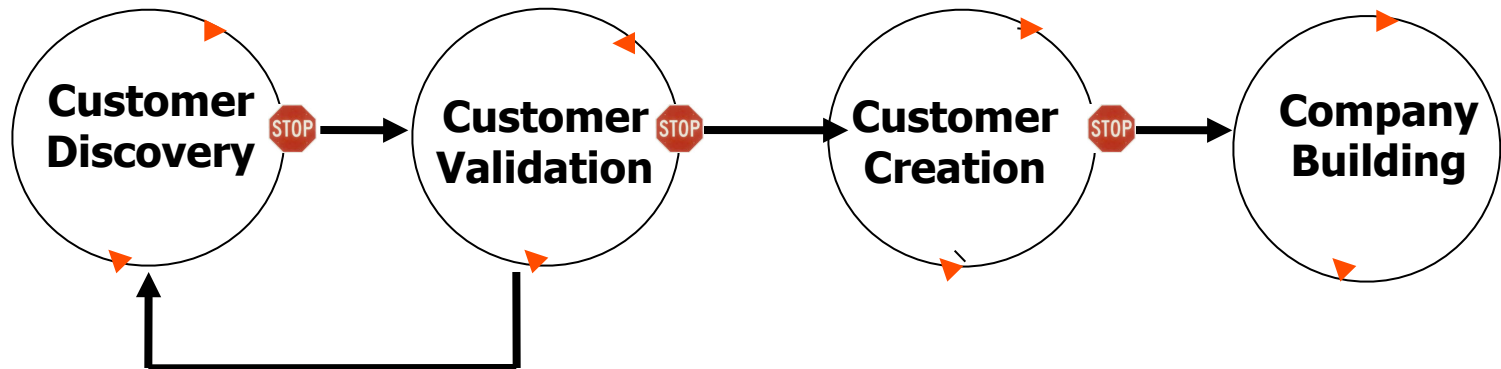


Customer Development is as important as Product Development

Product Development

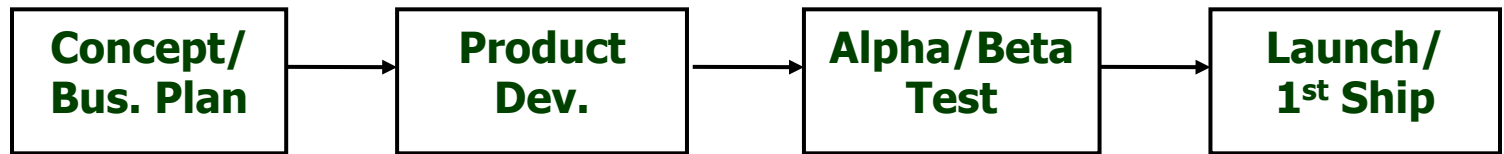


Customer Development

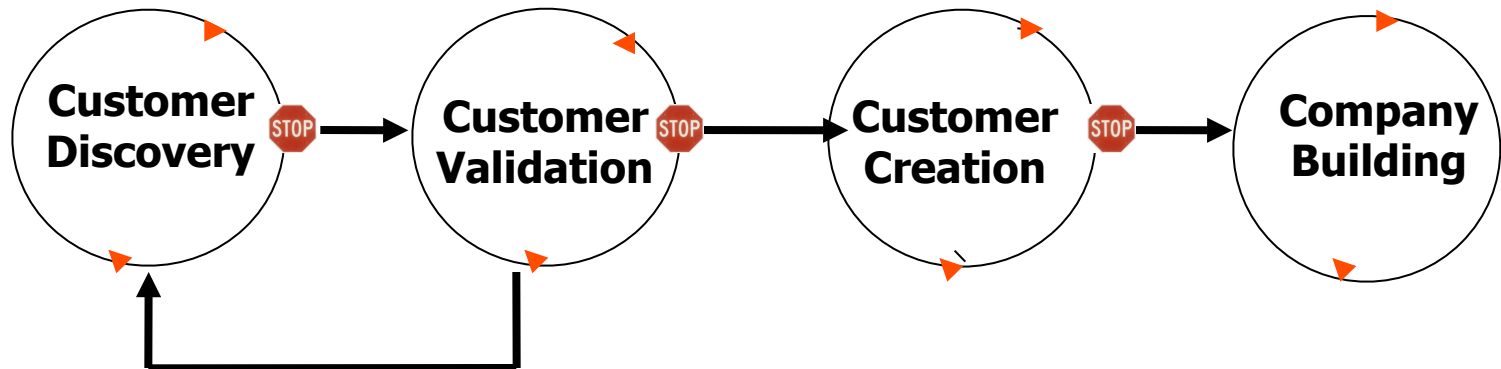


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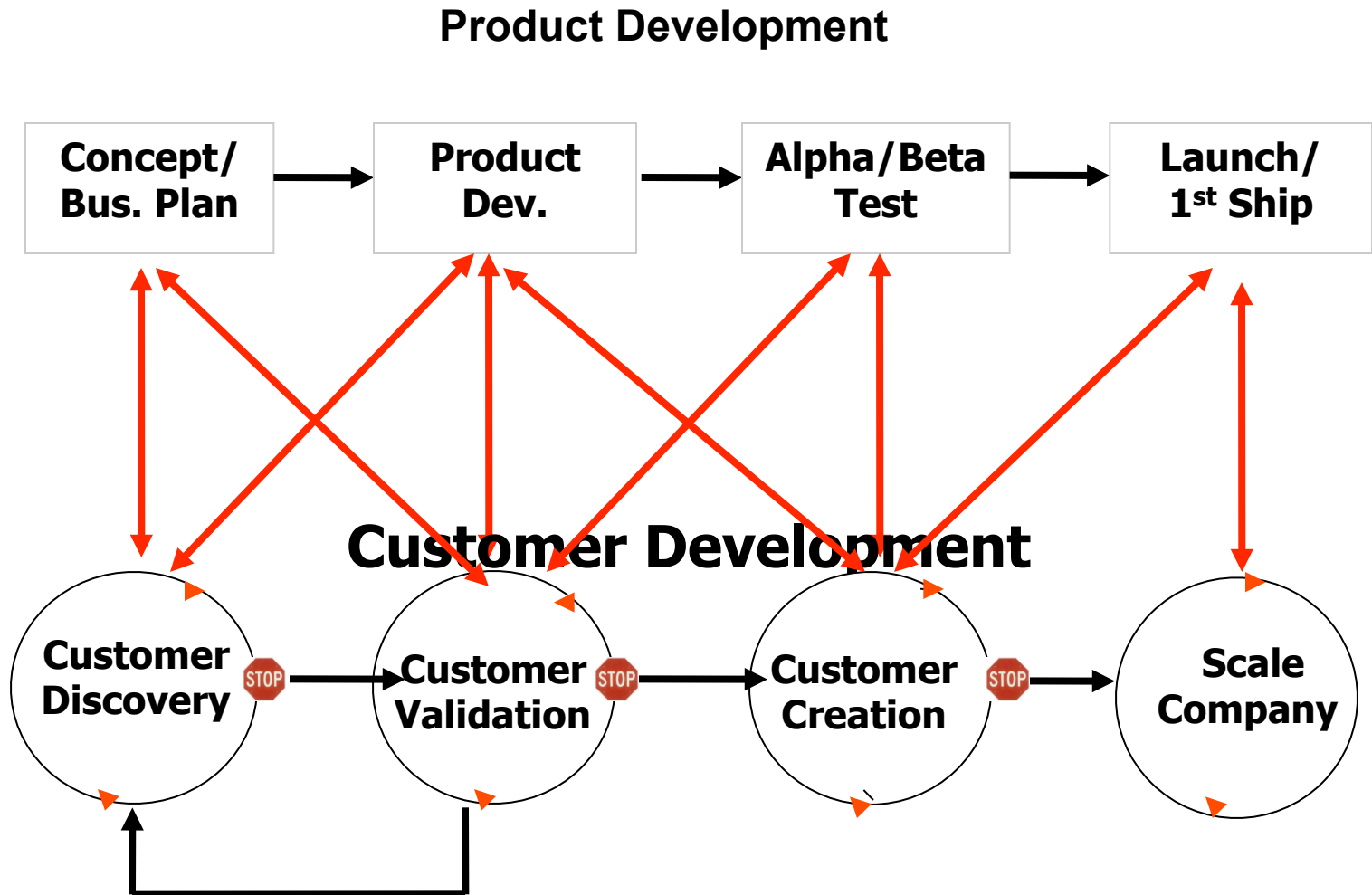
Customer Development



Customer Development Heuristics

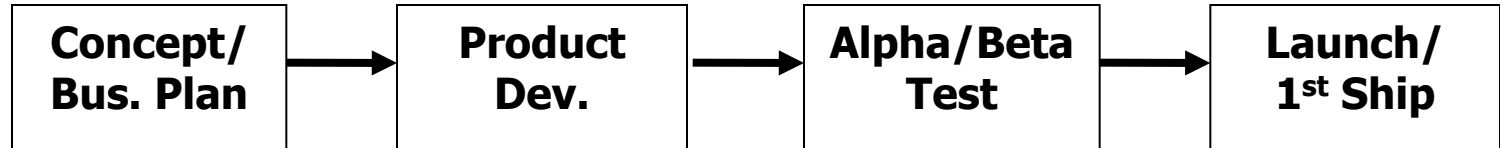
- There are no facts inside your building, so get outside
 - ◆ Founders in front of customers
- Find a Market for the Product as spec'd
 - ◆ I.e Develop for the Few, not the Many
- Learning and Discovery versus linear execution
- Earlyvangelists make your company
- Market Types Matter

Customer & Product Development Synchronization



Product Development

Product Development



But really, how does this work?

Customer Development:

- Parallel process to Product Development
- Measurable Checkpoints for the entire company
- Not tied to FCS, but to customer milestones
- Iterative to represent reality
- Executed by a small team including CEO