



Introduction to Customer Discovery

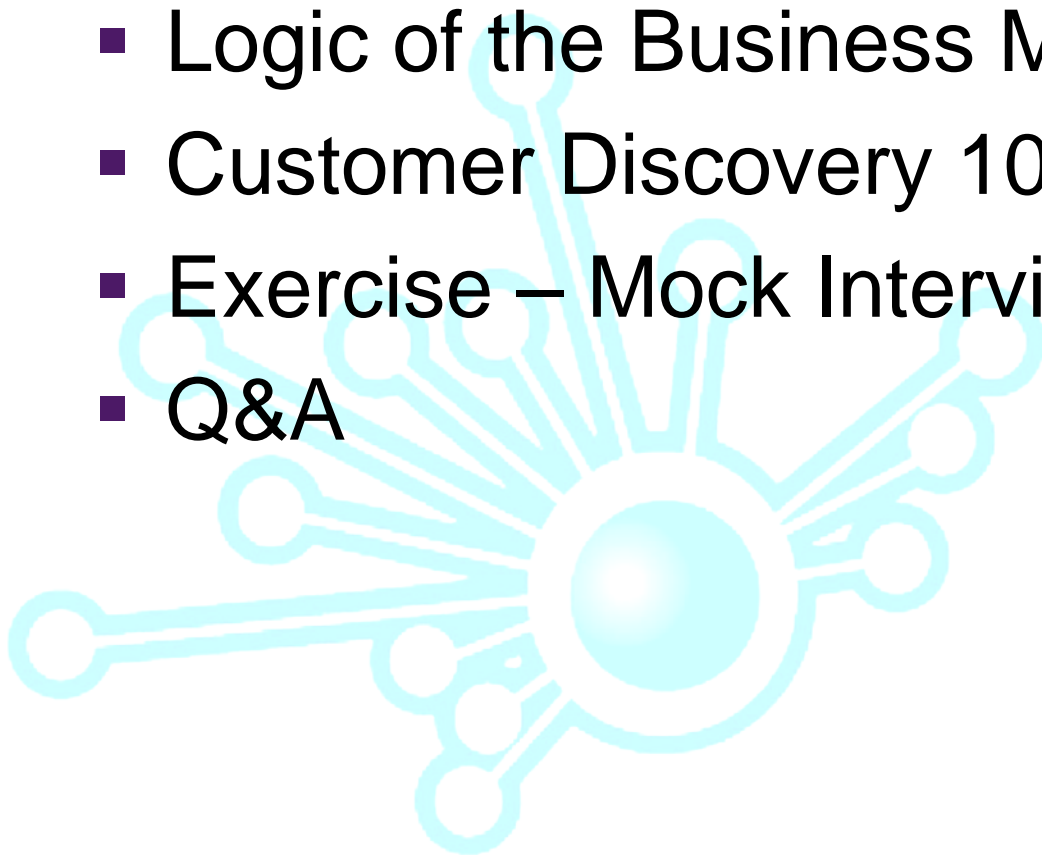
Ariella Trotsenko

September 30, 2020



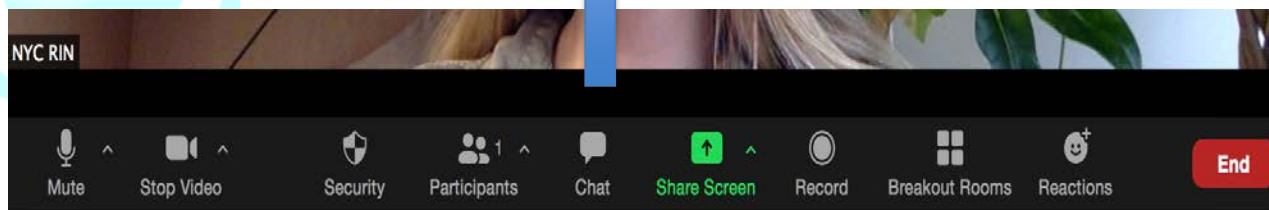
Agenda

- Introduction to Lean LaunchPad Methodology
- Logic of the Business Model Canvas
- Customer Discovery 101
- Exercise – Mock Interview
- Q&A



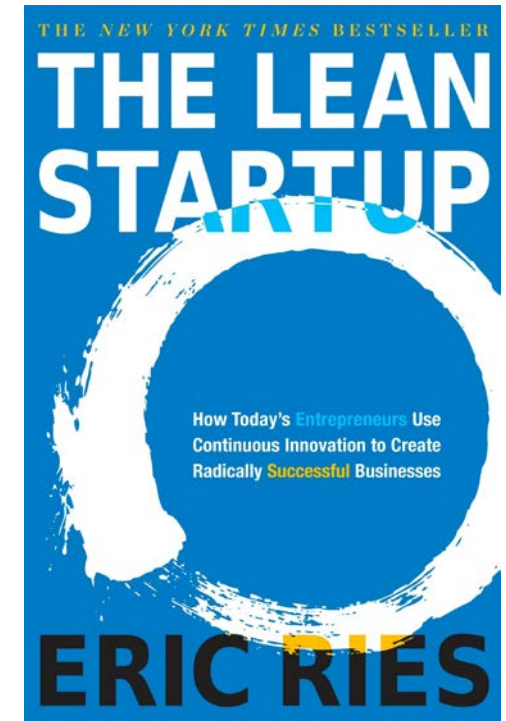
During All Zoom Sessions

- 🔗 Keep your **microphone MUTED**. **Camera ON**, recommended
- 🔗 **Use the chat** to engage with comments throughout
- 🔗 Meetings will always be **recorded**
- 🔗 Chat will also be archived in text
Chat

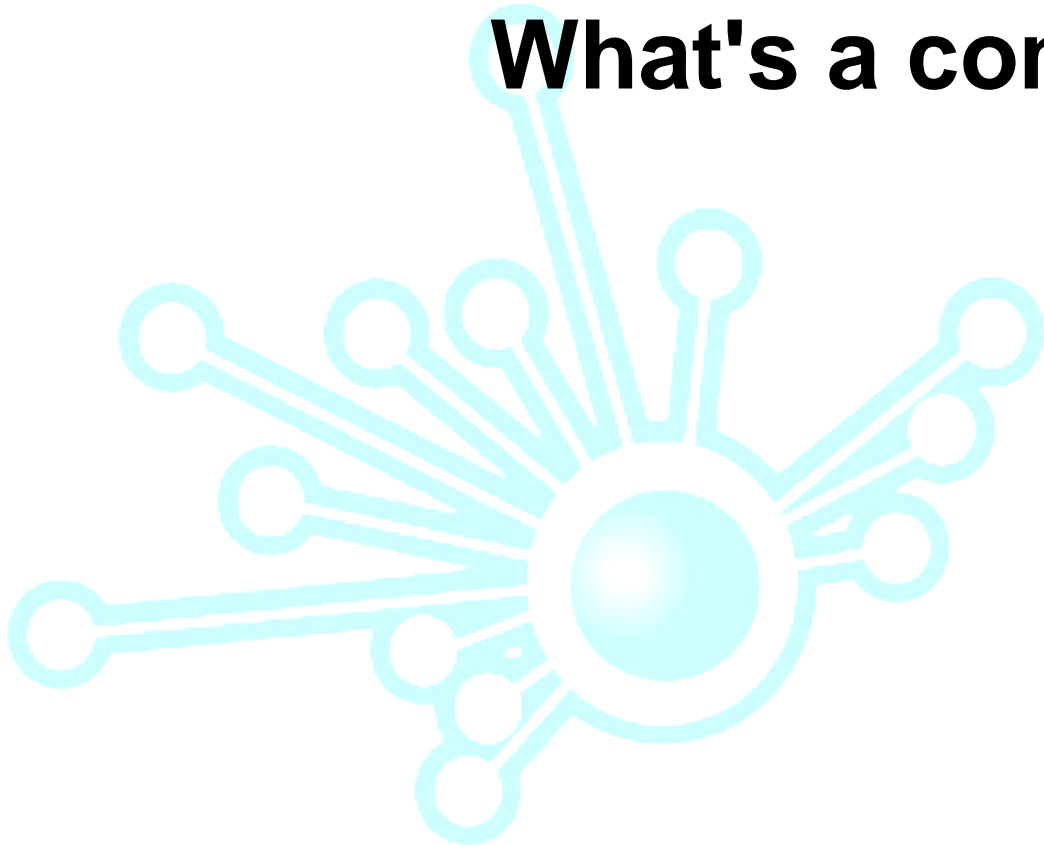


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What's a company?

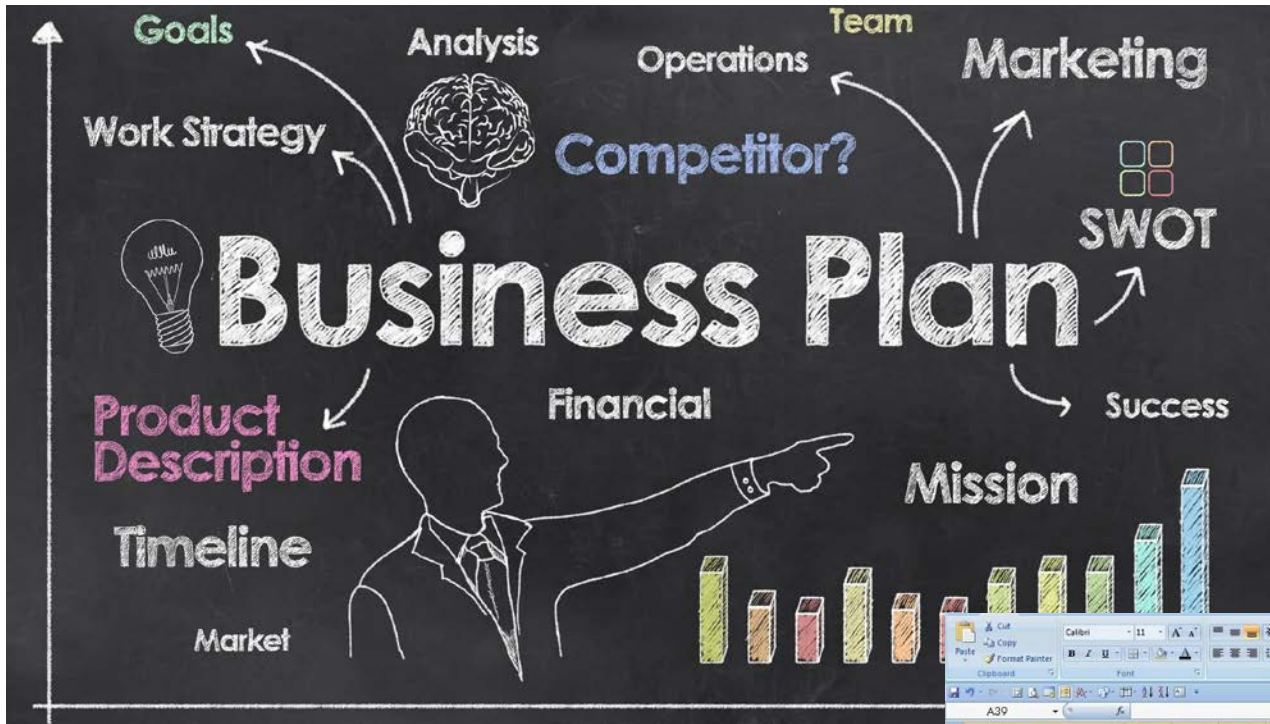




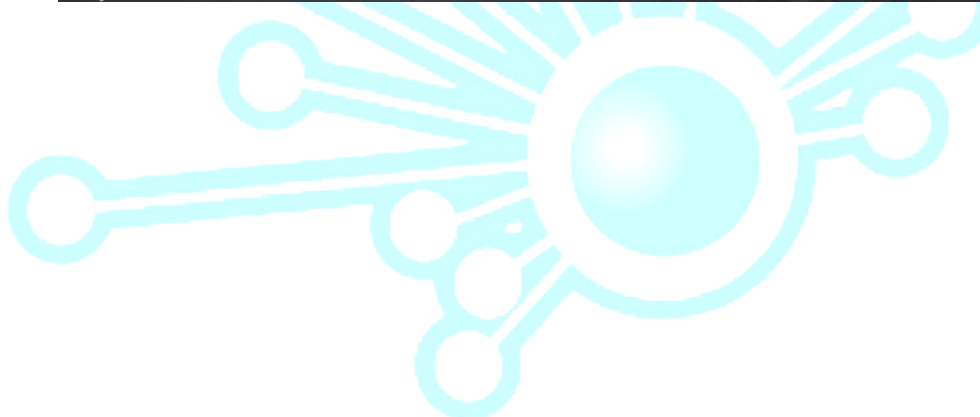
Company:

A business organization which
sells a product or service in
exchange for revenue or profit

What we used to believe



Ninja Throwing Stars Company												
Financial Statements												
(thousands of \$)												
Selected income statement items, year ending December 31,												
	2003	2004	2005	2006	2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012	Assumptions	Input
7 Sales	1,212	1,220	1,203	1,263							Growth at 5%	5%
8 Cost of Goods Sold	911	900	882	901							70% of Sales	70%
9 Depreciation	35	32	57	59							10% of Assets (10-year, straight)	10%
10 Gross profit	267	287	265	303							15% of Sales	15%
11 SG&A	200	250	235	202								
12 Operating profit (EBIT)	67	37	30	101								
13 Interest expense	12	18	18	14							8% Interest on Debt	8%
14 Profit before tax	57	24	15	88								
15 Income taxes	20	9	6	32							35% Tax Rate (for model)	35%
16 Net income	36	15	10	56								
Selected balance sheet items, year ending December 31,												
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
20 Cash	6	7	4	2	8							
21 Accounts receivable	85	92	110	112	106							
22 Inventories	12	19	21	25	20							
23 Total current assets	104	118	135	139	133							
24 Net fixed assets	430	457	543	573	562							
25 Total assets	534	573	678	712	695							



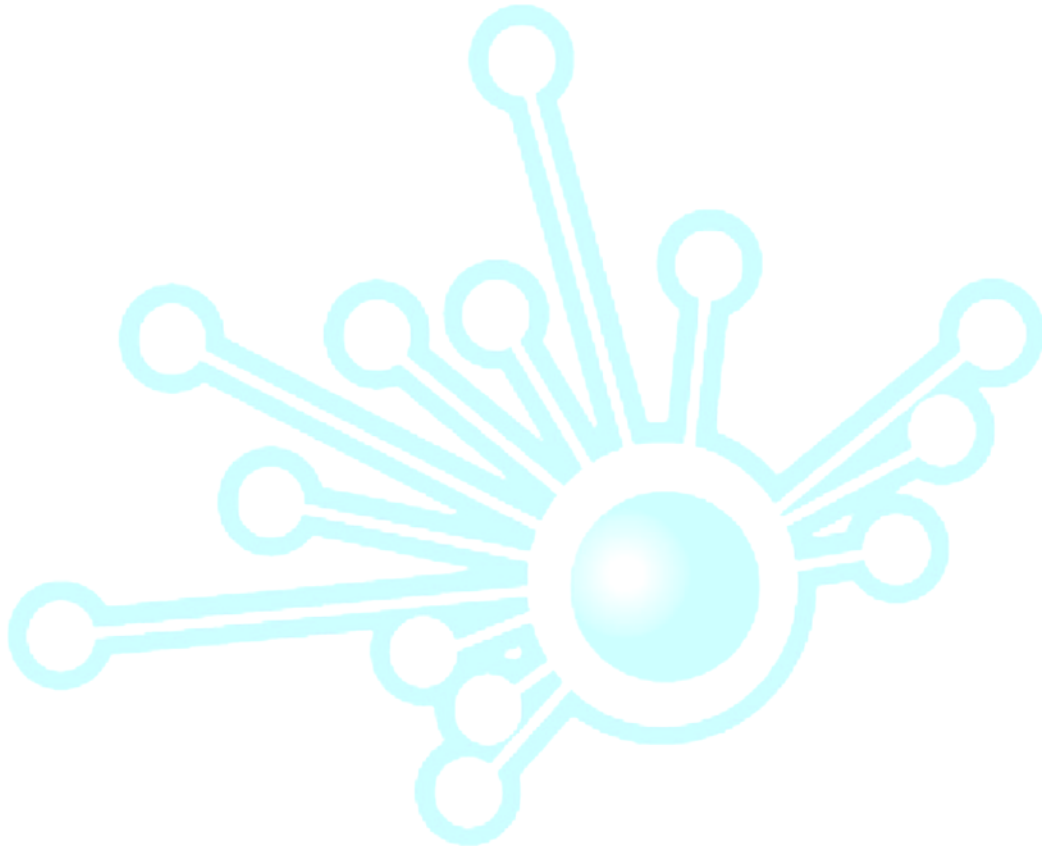
What We Now Know

No PLAN survives first contact with customers

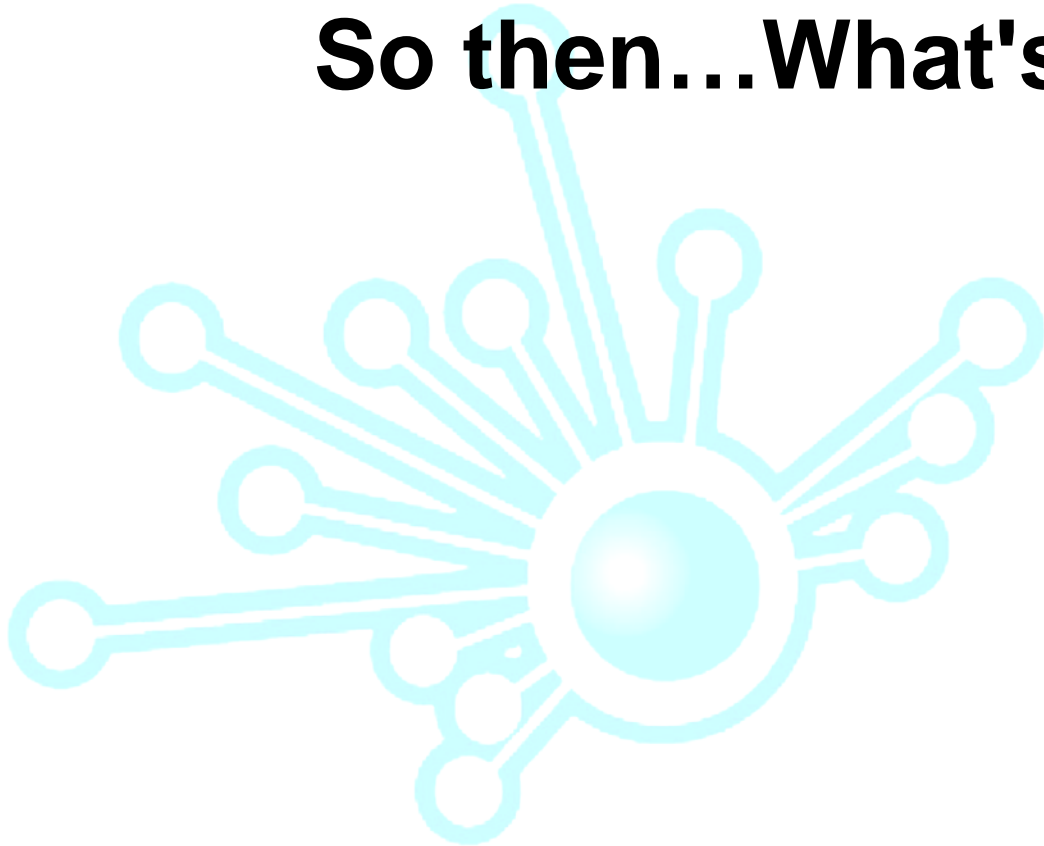


Why Lean LaunchPad Methodology?

- Planning comes **before** the plan



So then...What's a startup?



Startup:

What's A Startup?

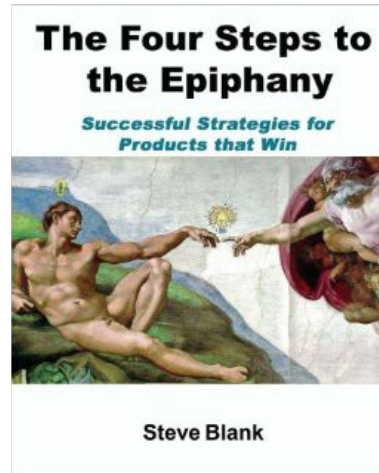
A **temporary organization** designed to **search** for a repeatable and scalable business model

A Startup aims
to become a company

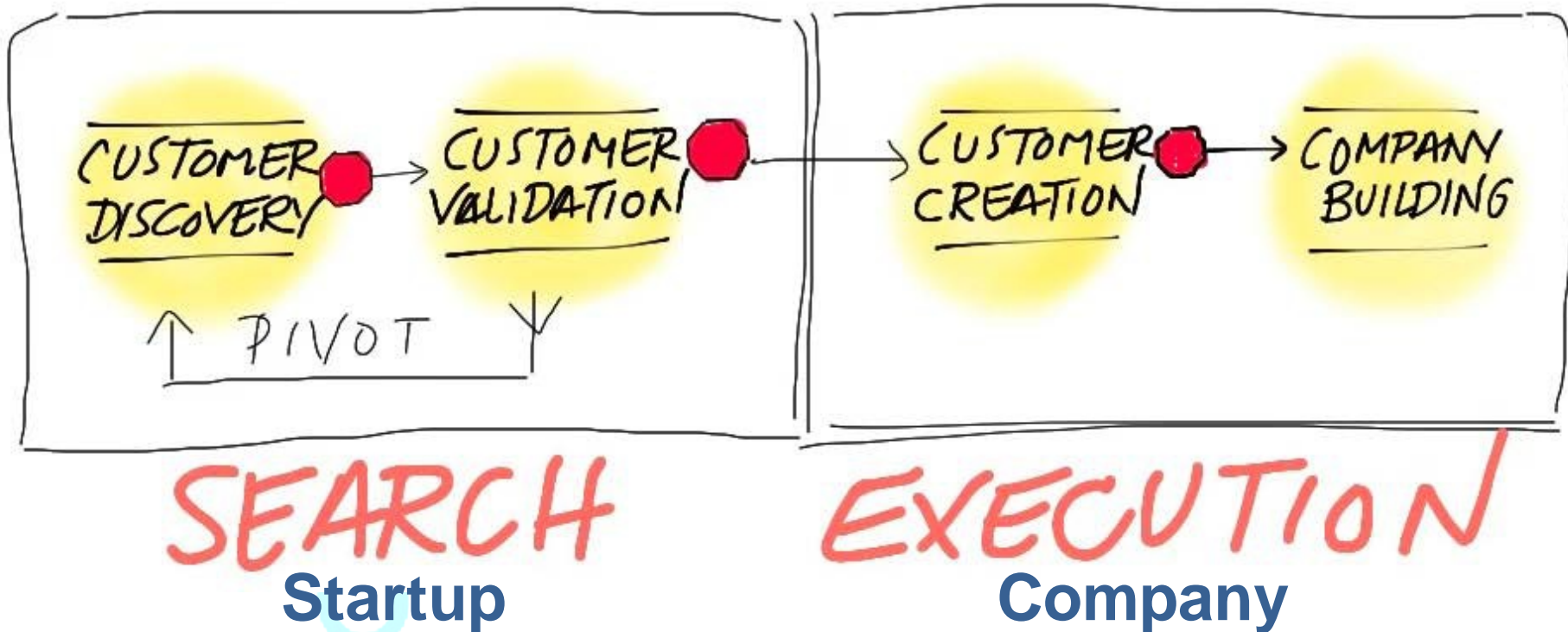


Why LLP?

The
CUSTOMER
DEVELOPMENT
PROCESS

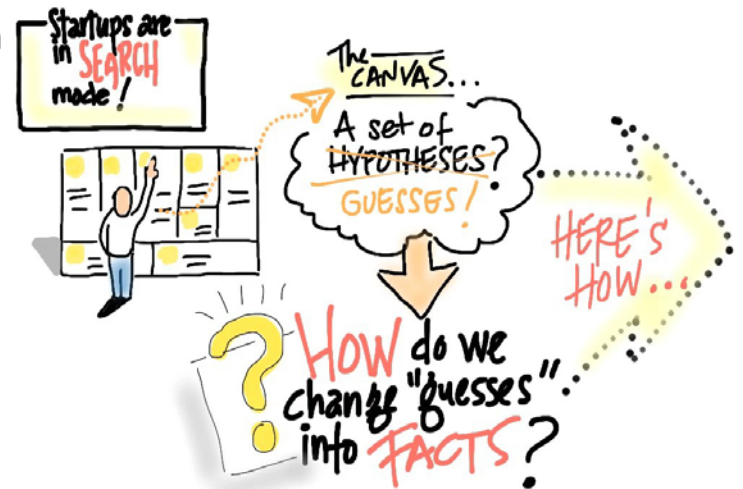


Blank's Law:
Startups are not small versions
of big companies



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Logic of the BMC

9 Guesses !!!

Key Partners



Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

KEY PARTNERSHIP MAP PARTNERSHIPS
 - Collaborative and resource
 - Acquisition of physical resources and activities

Key Activities



What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

KEY ACTIVITIES
 - Production
 - Problem Solving
 - Platform/Software

Guess

Value Propositions



What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

VALUE PROPOSITIONS
 - Performance
 - Customization
 - "Convenience for the customer"
 - Design
 - Brand/Status
 - Price
 - Cost Reduction
 - Risk Reduction
 - Accessibility
 - Complementarity/Compatibility

Guess

Customer Relationships



What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?

KEY RELATIONSHIPS
 - Personal assistance
 - Dedicated Personal assistance
 - Self-Service
 - Automated Services
 - Communities
 - Co-creation

Guess

Customer Segments



For whom are we creating value?
Who are our most important customers?

MARKET SEGMENTS
 - Demographic
 - Geographic
 - Psychographic
 - Behavioral
 - Multichannel Platform

Guess

Guess

Key Resources



What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

KEY RESOURCES
 - Physical
 - Intellectual
 - Financial
 - Human
 - Channels

Guess

Channels



Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

CHANNELS
 - Direct
 - Indirect
 - Partners
 - Retailers
 - Intermediaries
 - Resellers
 - Agents

Guess

Cost Structure

What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

KEY COST STRUCTURES
 - Cost driven (optimize and structure, low price value proposition, maximum automation, extensive outsourcing)
 - Cost Plus (Optimize value creation, premium value proposition)

KEY COST STRUCTURES
 - Fixed Costs (salaries, rents, salaries)
 - Variable costs
 - Bulk purchase discounts
 - Economies of scale

Guess

Cost

Revenue Streams

For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

REVENUE STREAMS
 - Asset sale
 - Usage fee
 - Subscription fee
 - Advertising fee
 - Licensing
 - Royalty fee
 - Advertising

REVENUE STREAMS
 - Lic. Fee
 - Product feature dependent
 - Customer segment dependent
 - Volume dependent

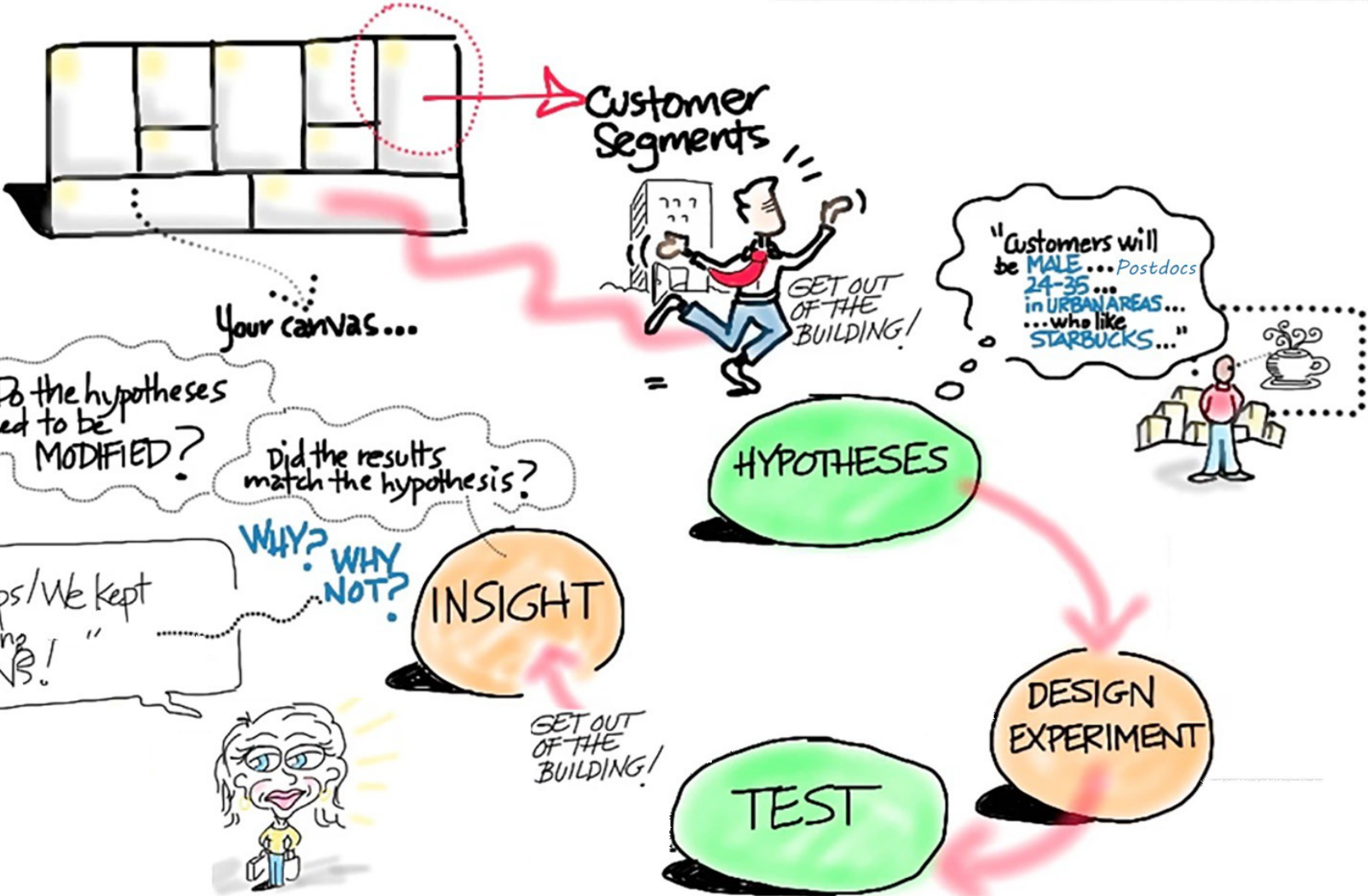
REVENUE STREAMS
 - Subscription (prepayment)
 - Usage (usage dependent)
 - Asset/Time/Market

Guess

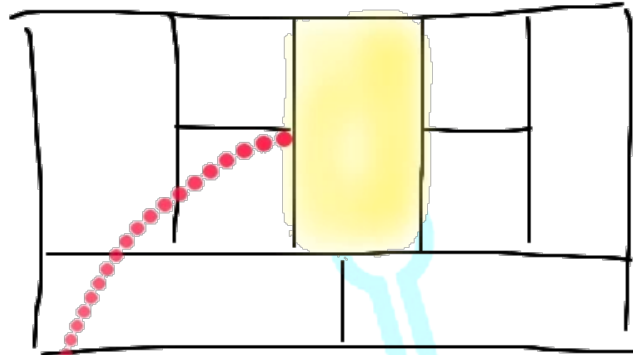
Value



Hypothesis-driven Business Model Development



Value Propositions



It's about SOLVING a **NEED** or **PROBLEM!**

HEAR YOU...

It's about **SATISFYING** a customer need.



It's Not?

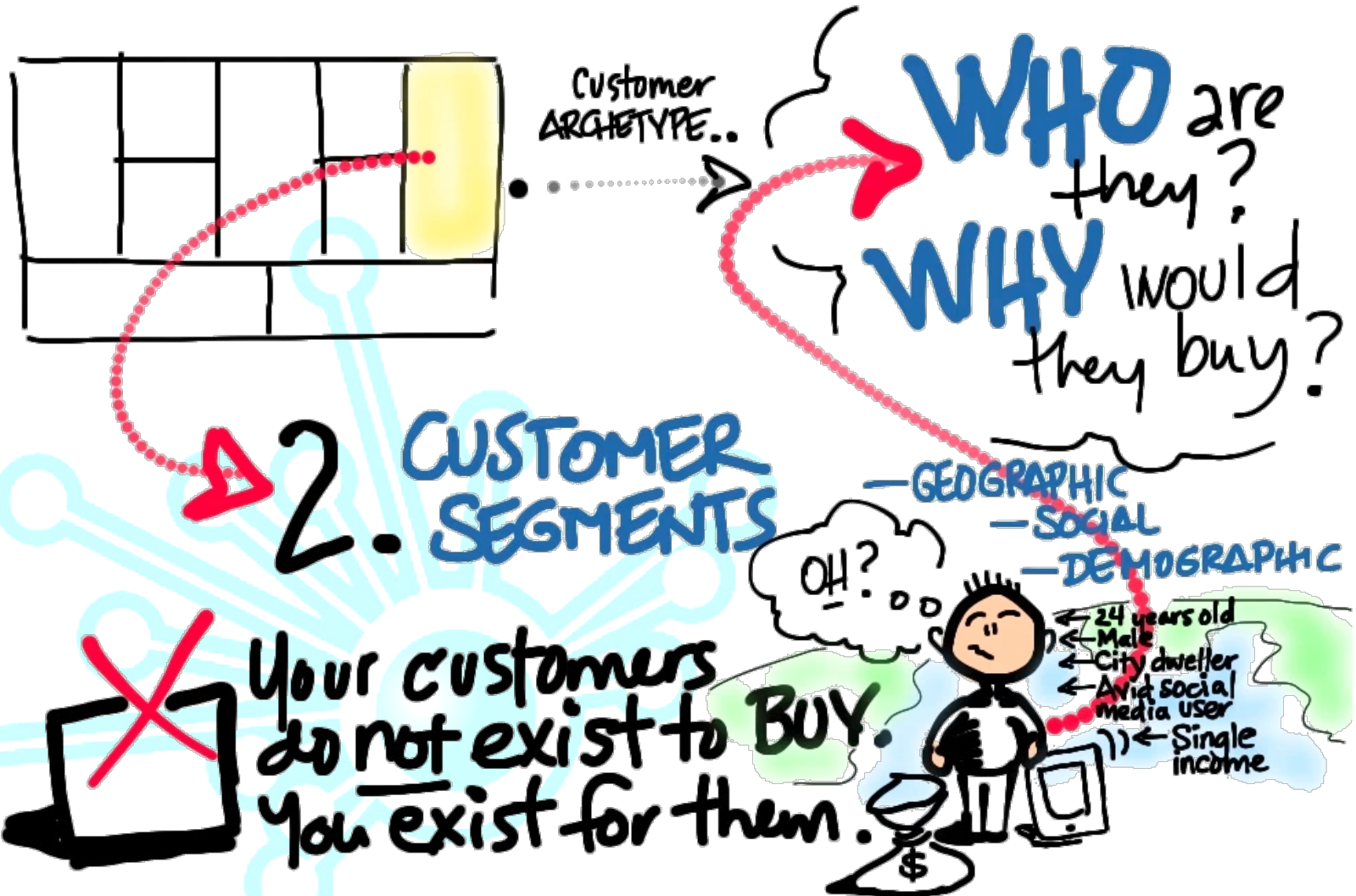
...and **WHO** are your customers?

1. VALUE PROPOSITIONS

"It's not about your **IDEA** or **PRODUCT!**"



Customer Segments



Why does PMF matter?



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Startups are
in **SEARCH**
mode!



The CANVAS...
A set of HYPOTHESES?
GUESSES!

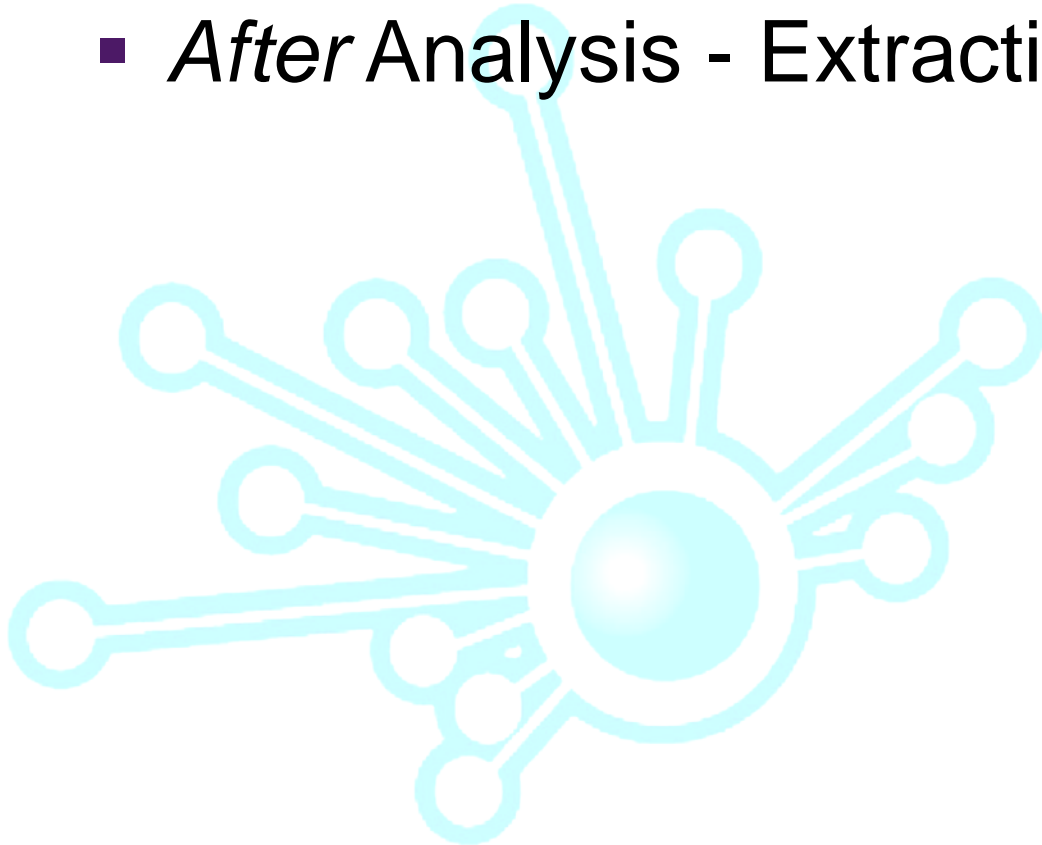
How do we
change "guesses"
into **FACTS**?

HERE'S
HOW...



3 Major Lessons

- ***Preparing*** for Customer Discovery
- ***Doing*** the Interviews
- ***After Analysis*** - Extracting Insights



Where do I start?

You don't understand the problem

- Make a list of 100+ people
- Mid/Lower-level give you company data, do not approach execs too early (your “dream” interview)

Why 100?

- Pattern recognition
- Enough data points to see them
- Do NOT try to be statistically valid

Who cares?

- Crafting **good hypotheses** is hard
- Focus on the **problems**, not the **solutions**
- Good hypotheses leads to **good experimental design**
- Good experimental design is important to **properly validate** or **invalidate**
- Key to getting to **PMF**

Design a Test

- All tests start with: **talking to people**
- Set up a pass fail test
 - “I think it costs \$x in Google Ads to activate x customers”
 - “I think Cornea surgeons would be able to do 3x more procedures with 80% more results
- Avoid premature capitulation

Meet People You Don't Know

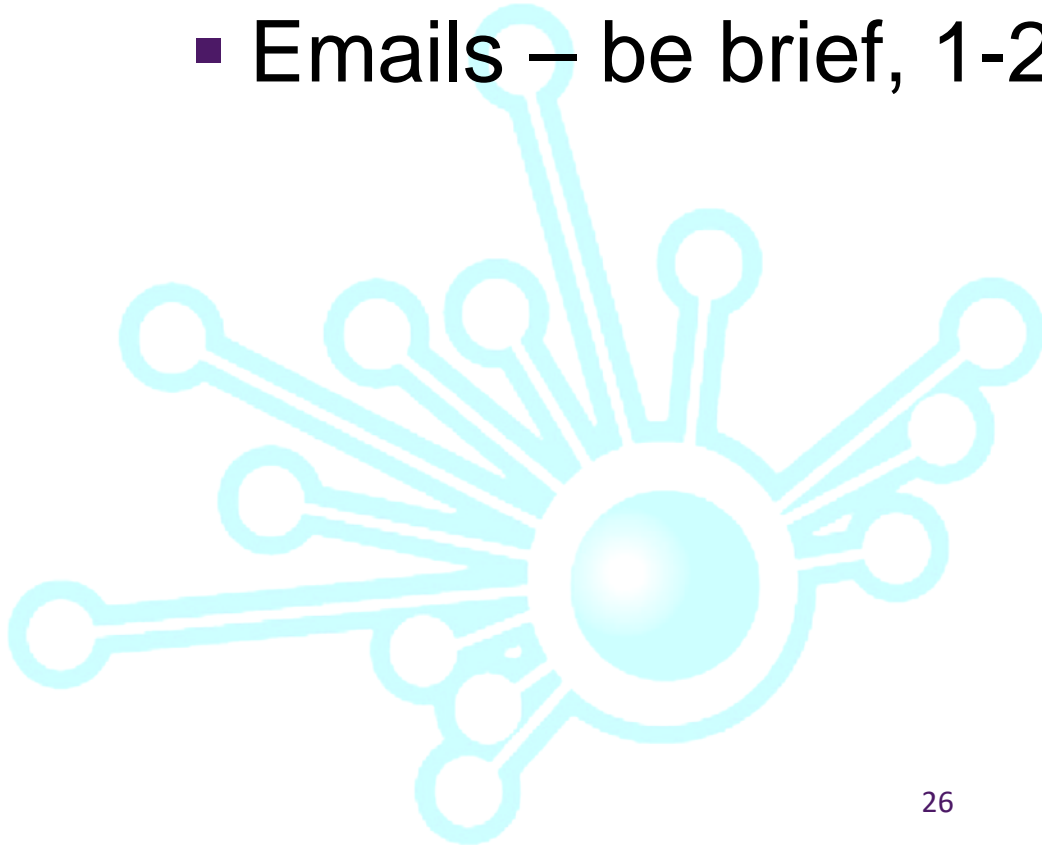
- People **you know** will be nice and tell you what you want to hear. Those interviews are **possibly harmful**
- People **you don't know** have no relationship to protect...Only they will tell you **the truth**
- **Disarm “Politeness training”**

Get Interviews Efficiently

- Don't waste time...Focus on **archetypes**
- Have a **purpose**...Tell them why you want to meet
- Be **transparent**...Tell them you are researchers, not selling or consultants, learning about the market or lay of the land or ecosystem
- Flatter them and ask for their **help**
- Only need **15 minutes**

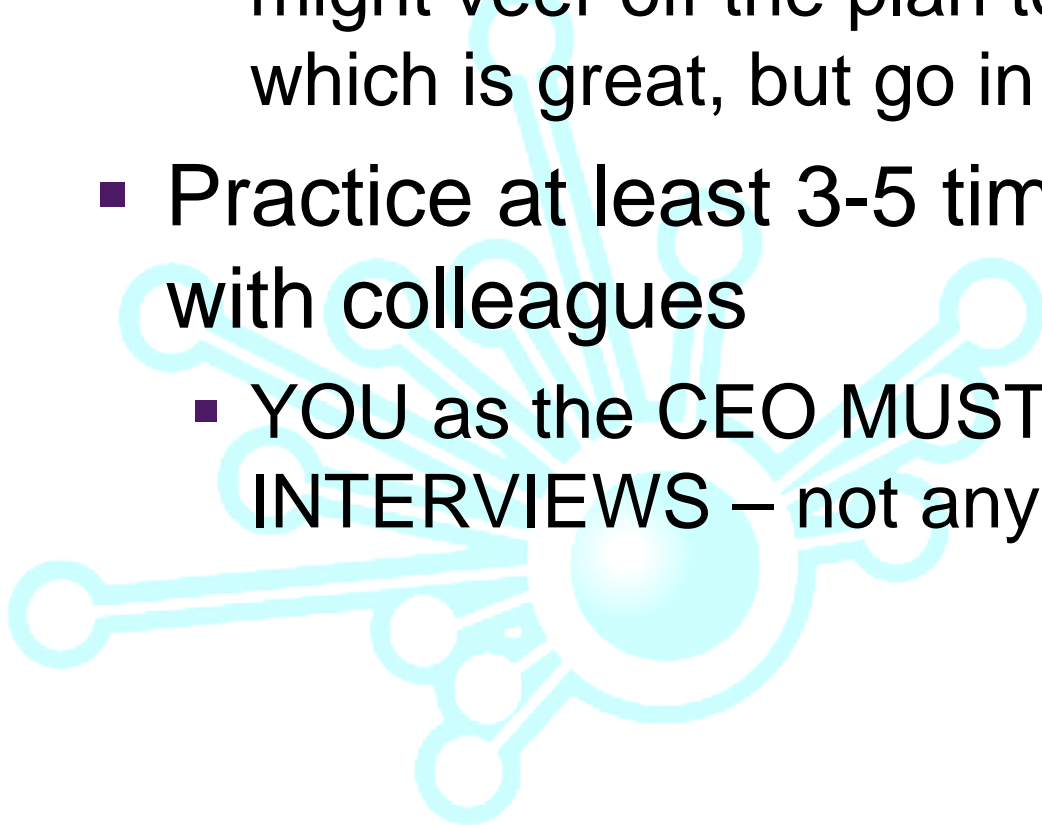
You Don't Understand the Problem

- Setting appointments
 - VIDEO CALLS for appointments are best
 - Emails – be brief, 1-2 sentence intro



Doing the Interviews

- DEVELOP A SCRIPT IN ADVANCE
 - Prep your basic flow and list of questions. You might veer off the plan to follow your nose, which is great, but go in prepared
- Practice at least 3-5 times with a script with colleagues
 - YOU as the CEO MUST BE DOING INTERVIEWS – not anyone else



You Don't Understand the Problem

- **Do not sell!**
- Don't show a demo
- Don't do a technical presentation
- You are there to learn...Ask how they do their job...Ask about their **problems**
- It's **about them**, not you...
- Look for the unexpected...The **surprises**

Ask The Right Questions

- Always ask **open-ended questions**
- Don't ask multiple choice questions
- Ask Q's starting with: who, what, why, how?
- Not: is, are, would, do you think, should ...
- Ask **why?** then **why?** then **why?** Again
- Finish with: what did I **forget to ask?** **who else** should I talk to?

1. The Warm Up

- What is your **role** at your company?
- How do you **fit** into your company's department **structure**? Overall in the company?
- What is your **budget** like? Who has to **approve your purchases**?
- How do you **discover new products** for work? Do you need any **approval** to try them?
- Have you **tried** anything new recently?
- What is a **typical day** like on your job?
- **How much time** do you spend doing [task X]?

2. Test the Problem

- What are **top 3 challenges** you face in your job?
- What are **top 3 challenges** you face in your job **related to** [your startup space/sector]?
- If you could **wave a magic wand** and instantly have a solution to any of those problems...what would the solution be?
- **Dig deeper into their typical day** on anything that sounds painful or expensive.
- How have you **dealt with or solved** [problem X]?

3. Test the Solution

- Walk them through the problems **you believe your solution** solves. Do they agree?
- Does [your solution] **solve any of their problems?**
- Would you be **willing to pay** for our solution? How much? Would [X] be reasonable?
- If they're willing to pay your price and like the idea then... "Would you be willing to start right away?"

Focus on actual behavior

Not speculative or abstract
feelings

Interviewing properly

- Focus on user behavior and mindset, not on direct feedback or usability insights on a product
- How do they do their job? What are their problems?
- Focus on their needs and pain points – it's about them, not you
- Emphasize honesty with the customer. Be prepared and accepting of things you do not want to hear

Interviewing properly

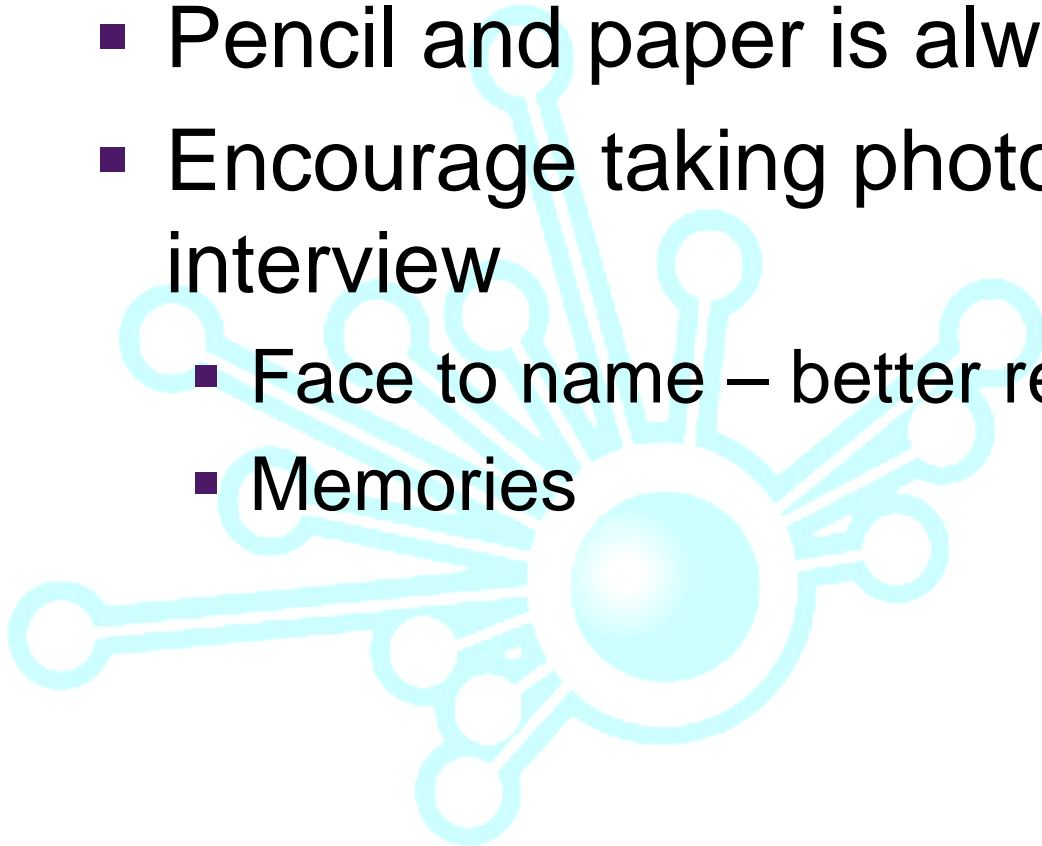
- Always meet as a team – but only interview one person at a time, (Skype/Zoom > phone)
- Listen, don't interrupt the customer
 - Parrot back what you believe you heard for confirmation

Documentation

- Assign someone to **take notes**
- Write down any key a-ha's **as they happen**
- Note the **questions that worked** & use them again!
- Take **pictures** or **videos**
- Capture insights ASAP after interview

Should you record?

- You **always NEED** permission
 - Be mindful how this can affect the data
- Pencil and paper is always best
- Encourage taking photos at the end of interview
 - Face to name – better recollection
 - Memories

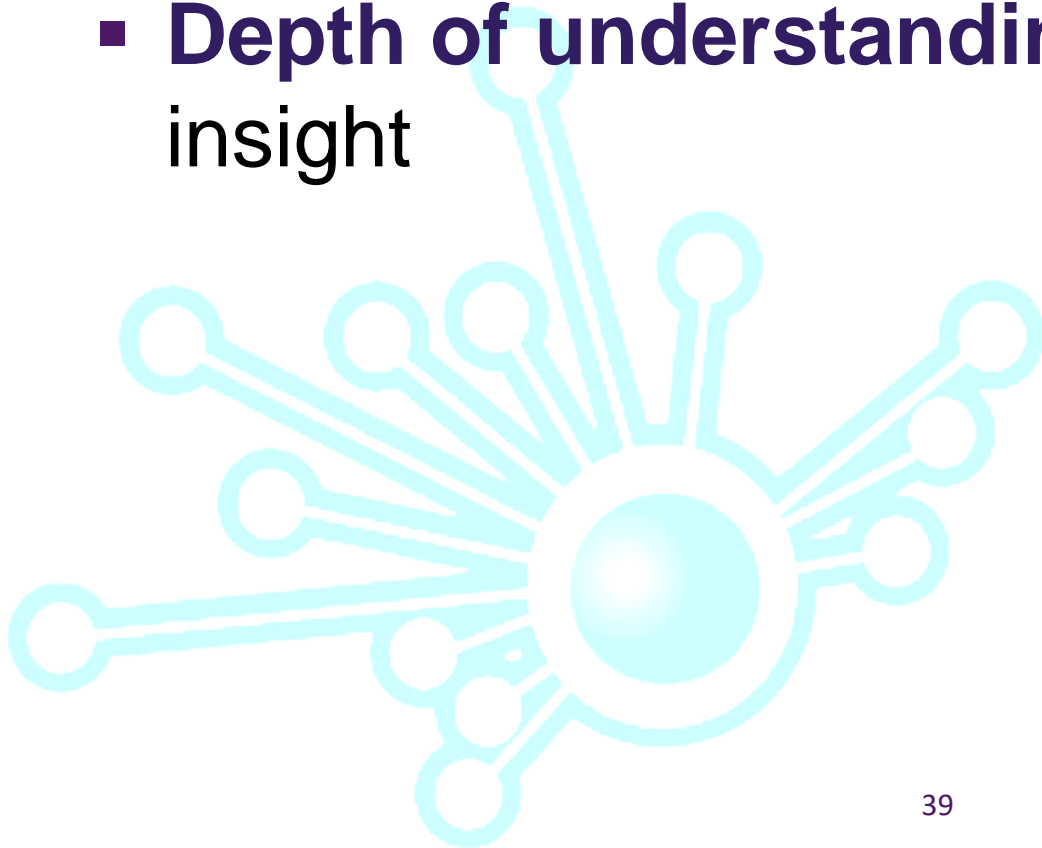


What About IP?

- Never sign an NDA
- Never ask people to sign an NDA
- If you are describing your technology in detail you are doing it wrong
- Focus on the **what** and not the **how**

Gaining Insight

- Facts are interesting...**Insights** are your goal
- **Depth of understanding** always leads to insight



What's an insight?

(the a-ha's along your journey)



in·sight | 'in_sīt |

noun

the capacity to gain an accurate and deep intuitive understanding of a person or thing

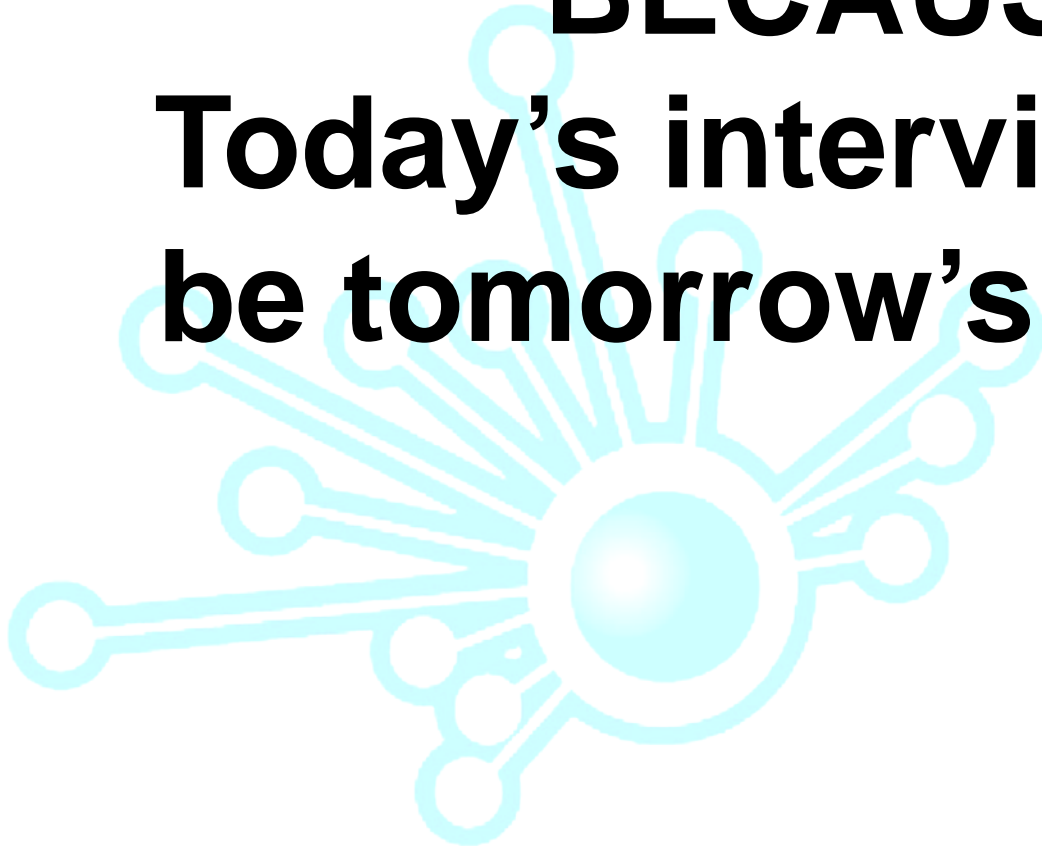
in·sight | 'in_sīt |

noun

something you're so excited
about you tell strangers on
the train

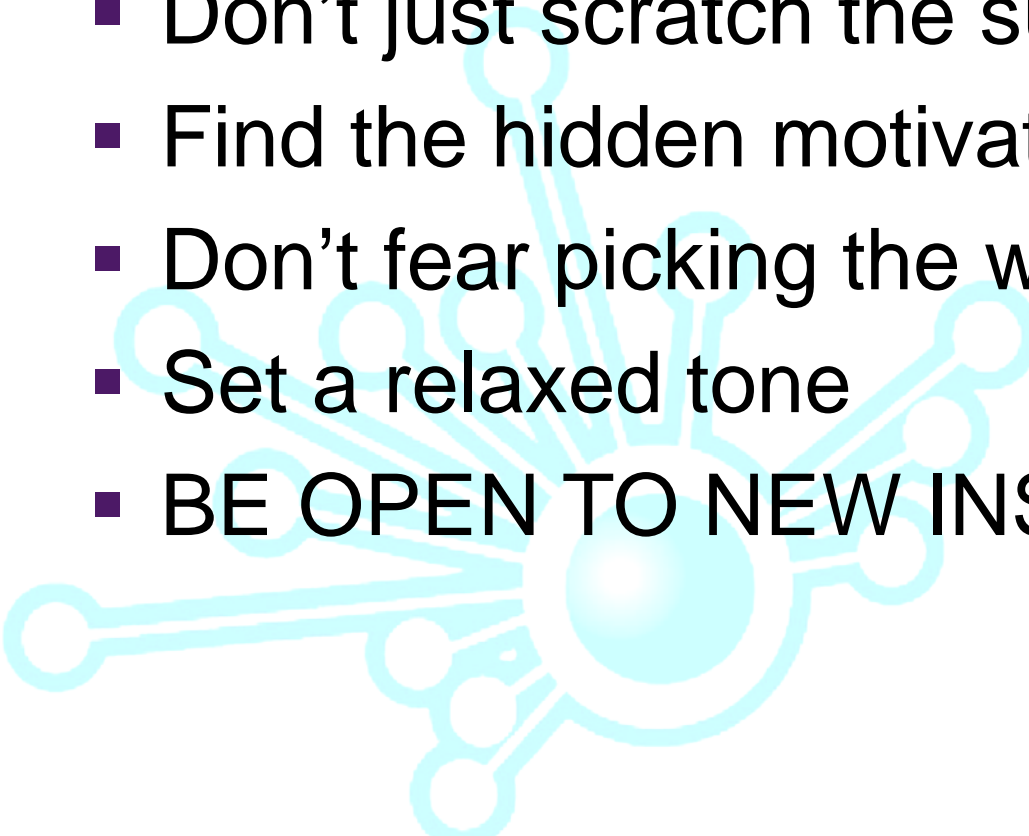
BECAUSE ...

**Today's interviewees may
be tomorrow's customers**



Some More Philosophy

- Be honest...Don't be too quick to validate and too slow to disprove your hypothesis
- Don't just scratch the surface, dive **deep**
- Find the hidden motivations
- Don't fear picking the wrong market
- Set a relaxed tone
- **BE OPEN TO NEW INSIGHTS**



Doing a Customer Interview

- Work to their schedule
- Get psyched to hear things you do not want to
- Disarm “politeness” training
- Start with behavior, not feedback
- Ask open-ended questions
- Listen, don’t talk
- Encourage but don’t influence
- Follow your nose and drill down
- Parrot back to confirm
- Ask what you forgot to ask
- Thank them
- Ask for introductions
- Write up your notes as quickly as possible

Pivot

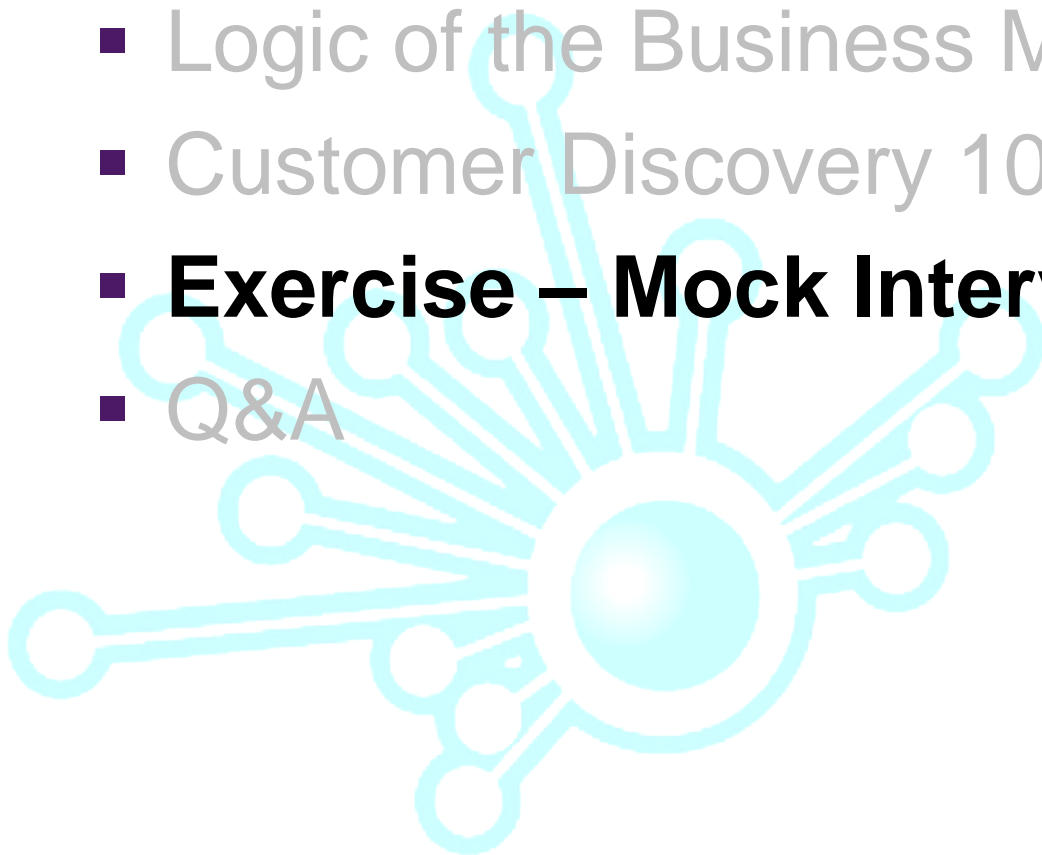
- You do not have a business model until you have a compelling **Customer-Value Fit**
- If you cannot find one, you will have to **pivot**
- Make **new hypotheses** and test
- **Do not rush** through the process
- You do not have to finish with the technology/product/service you started with

Learning Is Paramount

- The **knowledge** you gain in customer discovery is critical to the success or failure of your business
- Your current assumptions are probably **wrong**
- You must not try to **validate** what you already think or want to be true
- Leverage mentors to help synthesize insights & identify patterns

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Mock Interview Exercise

- UNMUTE IF YOU WANT TO PARTICIPATE
- 2 volunteers
 - You are the INTERVIEWER
 - I am YOUR INTERVIEWEE
- Give me a prompt, introduce WHO you are interviewing – based on your company
Ex. Ariella is a nurse at a large private hospital
Ex. Ariella is an electrical engineer for City of NY

Questions?

LinkedIn –

<https://www.linkedin.com/company/nycrin/>

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Email –

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APPENDIX -

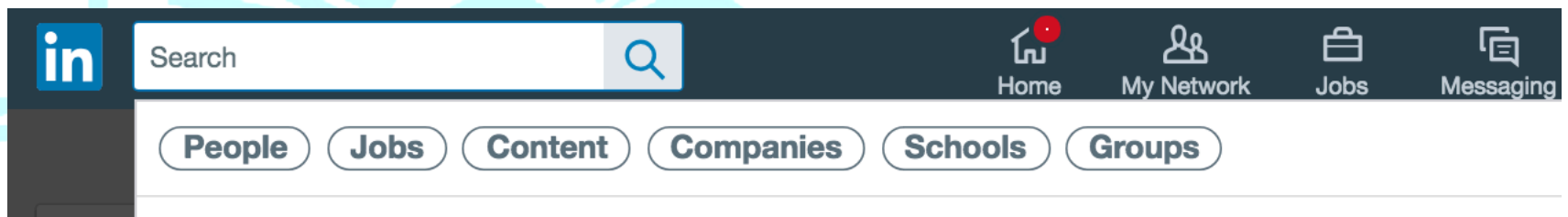
**WHERE AND HOW DO YOU
FIND PEOPLE TO
INTERVIEW?**



Use Social Networking Sites

- LinkedIn
- Reddit
- FaceBook Communities
- Meetup.com
- HelloAlice

meetup



ALICE, INTRODUCE ME!

Alice will notify this person that you'd like to get in touch.

FOLLOW



A little help?

Sal could use a hand with: Finding accredited investors.

Additional CD Reads

- [95 Ways to find your first customers for customer development or your first sale](#)
 - Use the tactics but be mindful that this is a **DIFFERENT** “customer discovery” strategy
- [Customer Discovery In the Time Of the Covid-19 Virus](#)



<http://bit.ly/llpcdvs>

