



Doug Henston, November 18, 2016

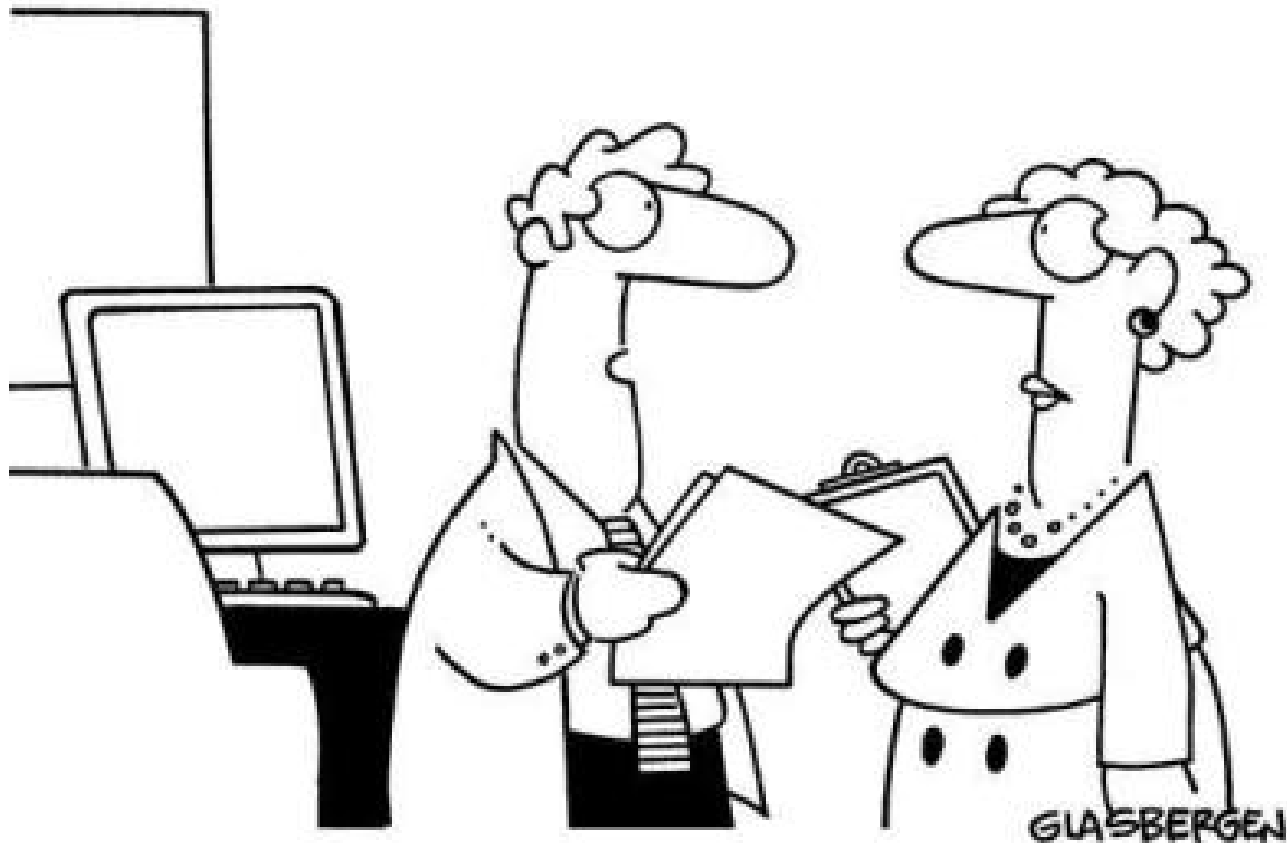
Process for “Start-up” Thinking



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or....."How Do I
Determine How to
Create Something of
Value?"

What's the Goal for Today's Presentation?



**“My team has created a very innovative solution,
but we’re still looking for a problem to go with it.”**

Limitations



vs.



Tension



Agenda

- Some axioms
- Some of the attributes on which we need clarity to “monetize” our idea
- How to tie it together with market information

Axioms



1. Market will ALWAYS Pay for Value



2. But the Market is Always the Ultimate Judge of Value



3. Speed is Fairly Important

If you're not
Don't make
embarrassed by your
'perfect' the
first version, you've
enemy of
released too late.
'good-enough'
~~good-enough~~

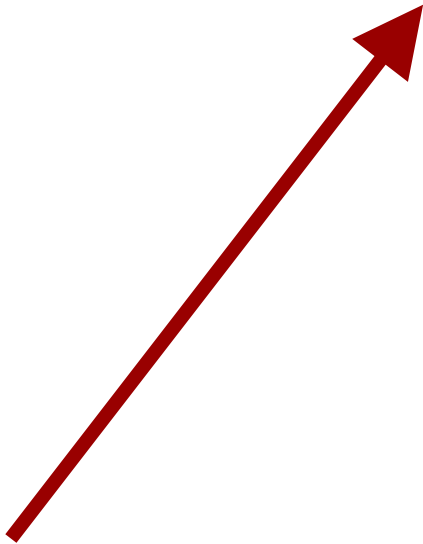
4. Cash is King!!



4a. You Have to....

Live to
fight
another
day

5. Progress is Rarely a Straight Line



**what people
think it looks like**

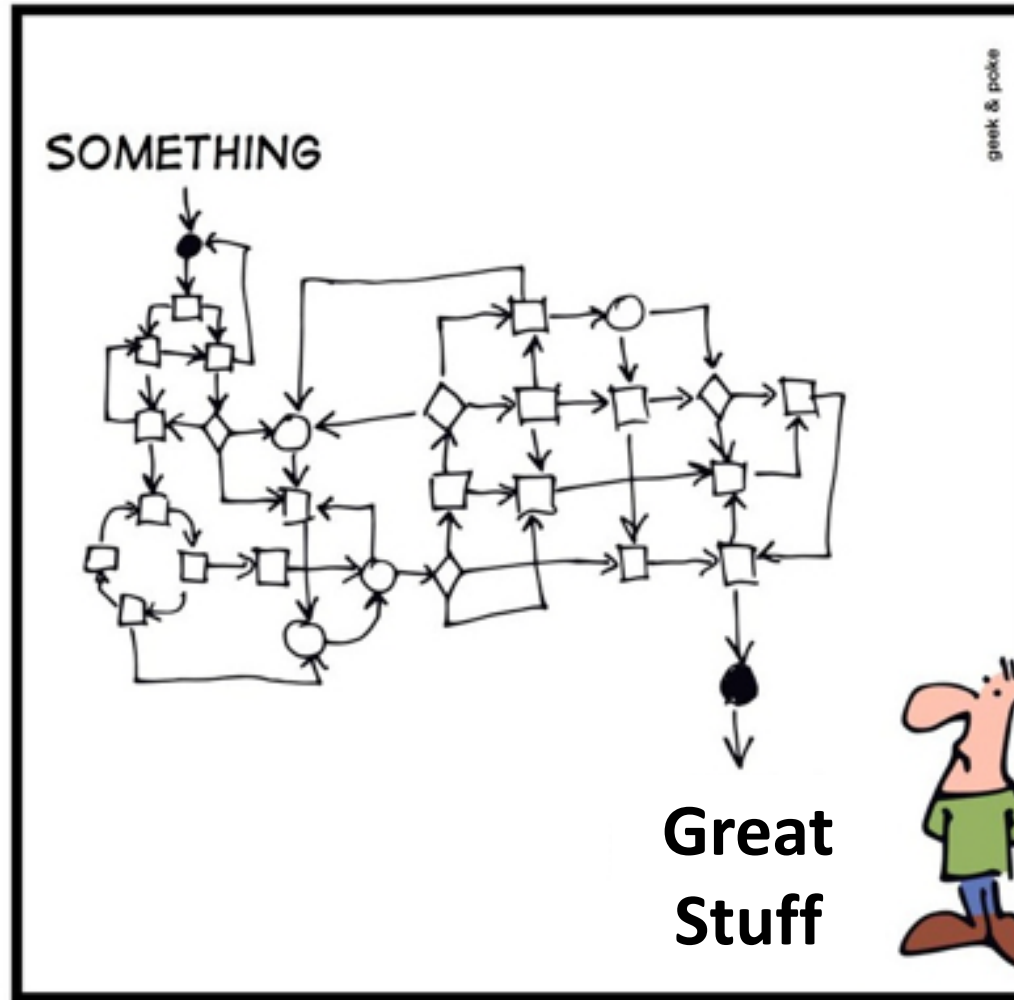


**what it really
looks like**

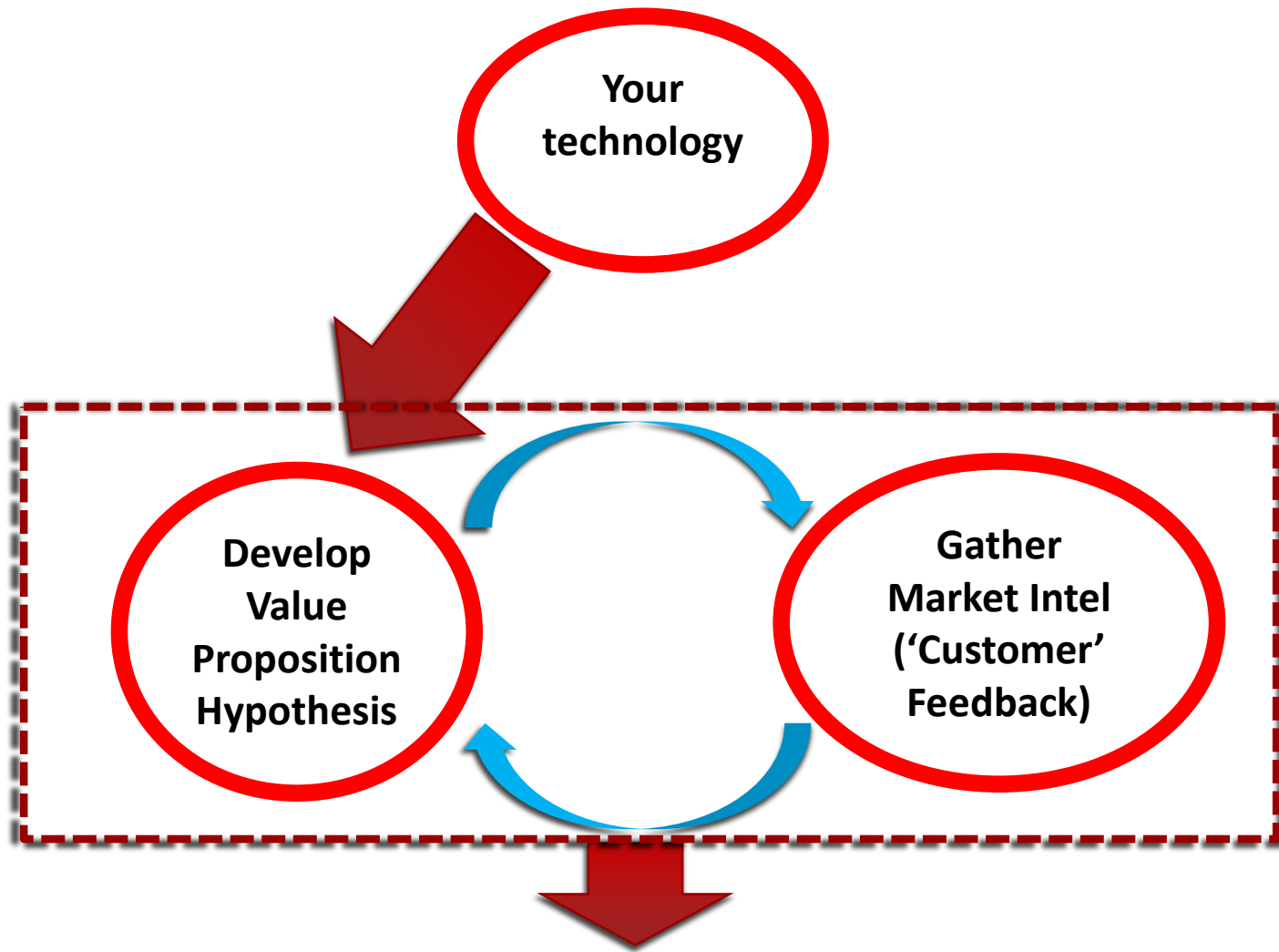
6. "Holy Semiconductor, Batman!!!"

Your technology
ISN'T the
business; it only
enables the
business

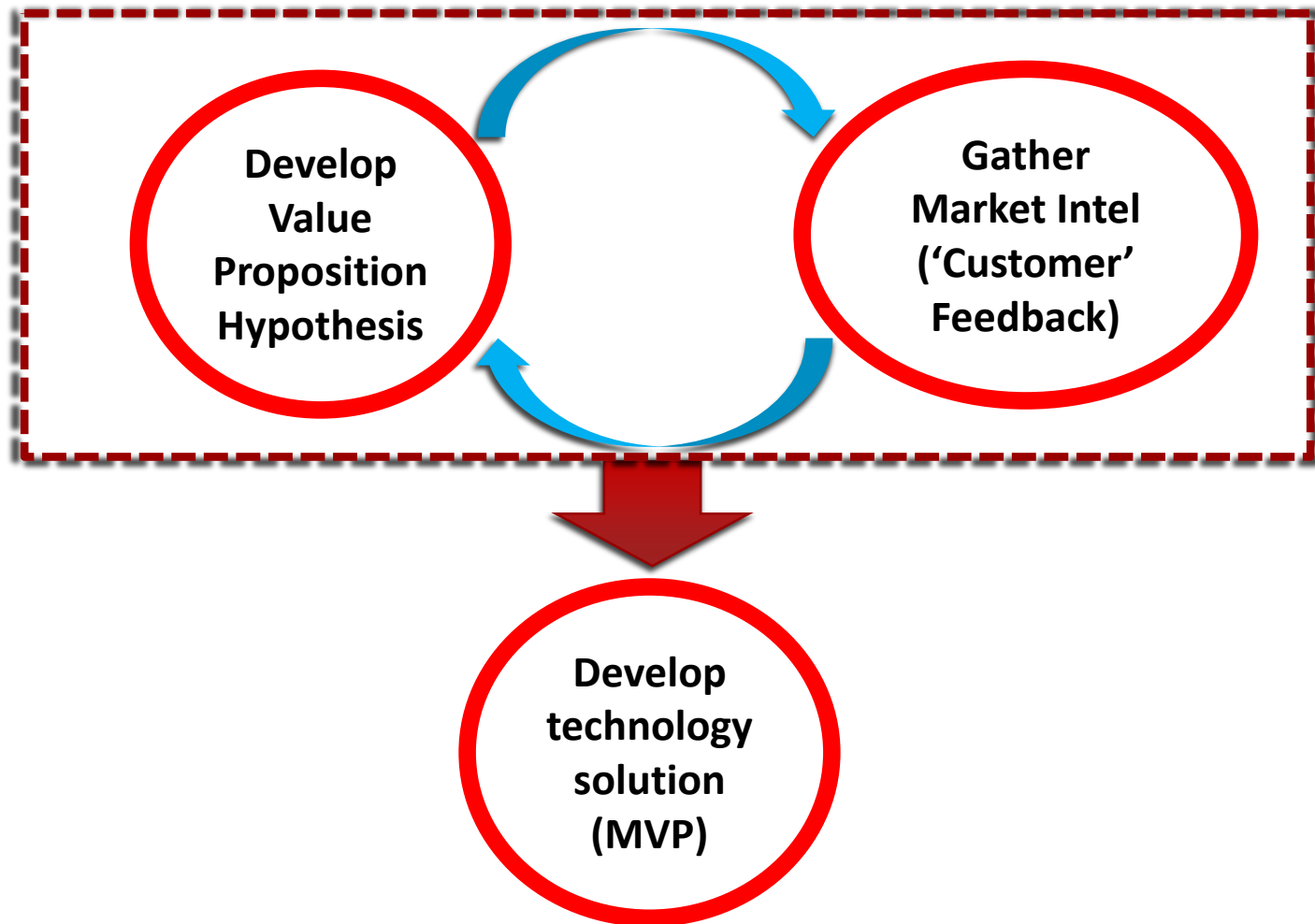
Let's Get to the Process....



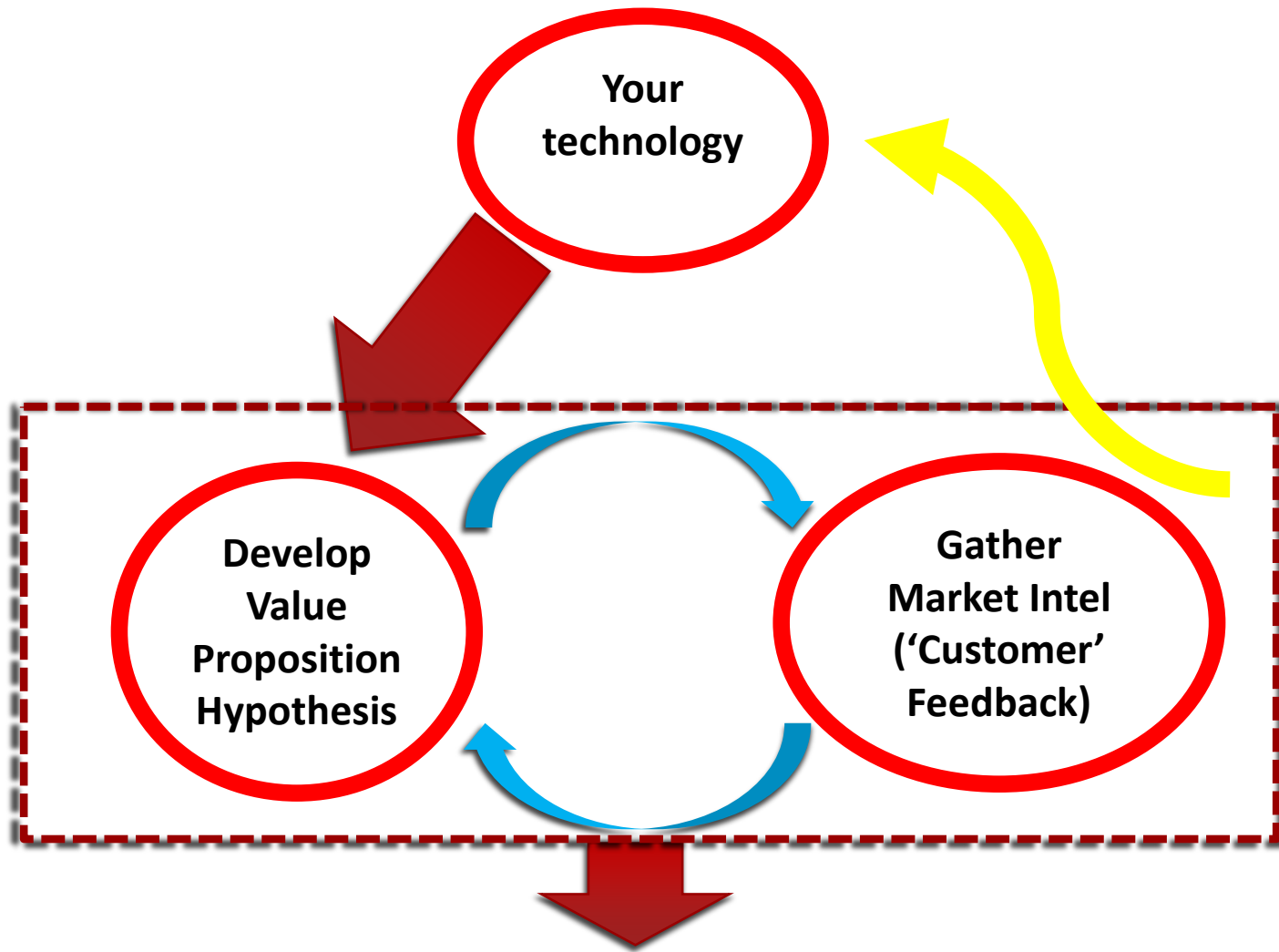
Solution in Search of a Problem



Problem in Search of a Solution



Solution in Search of a Problem



Minimum Viable Product (MVP)

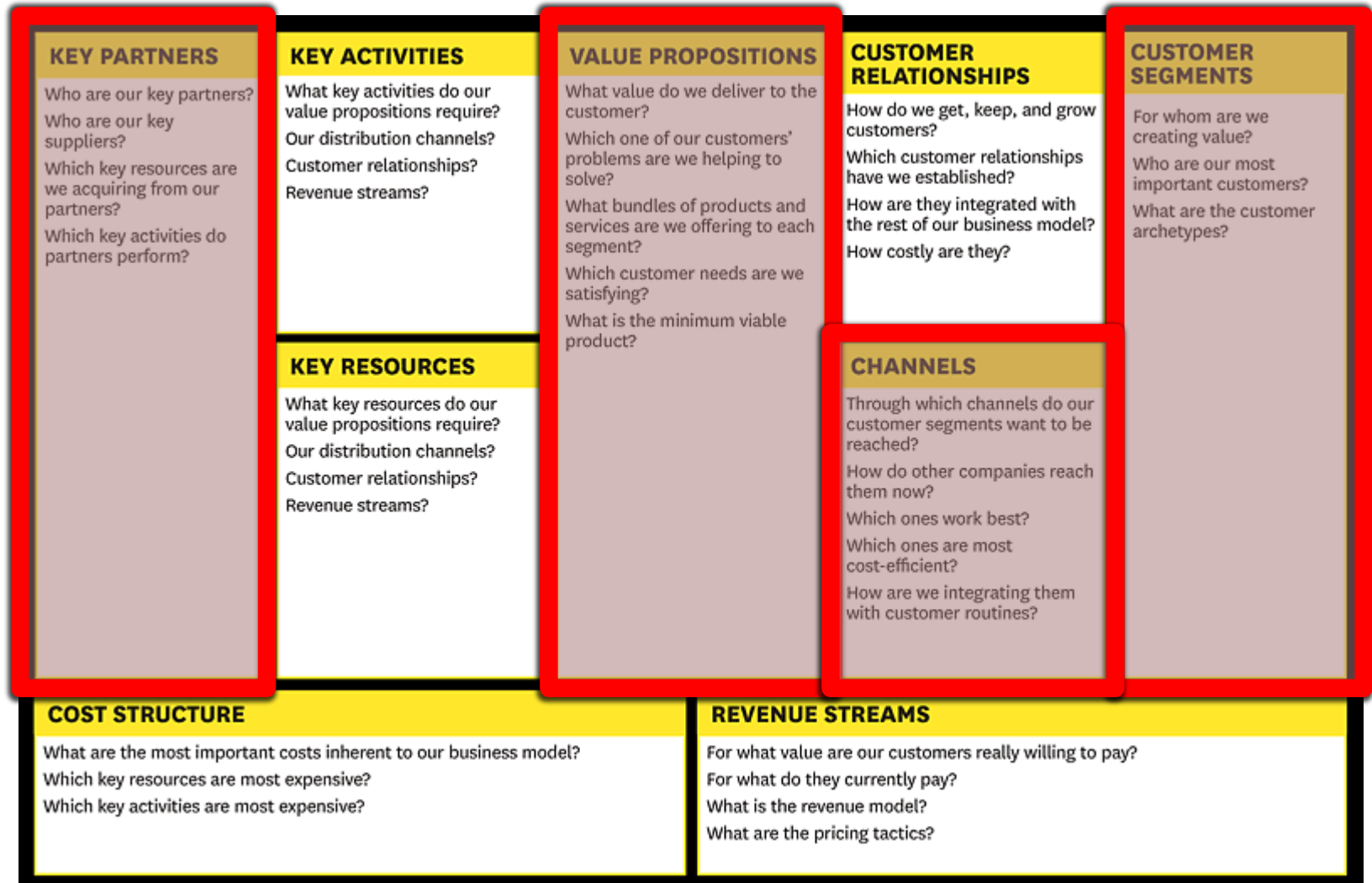


MVP



not MVP

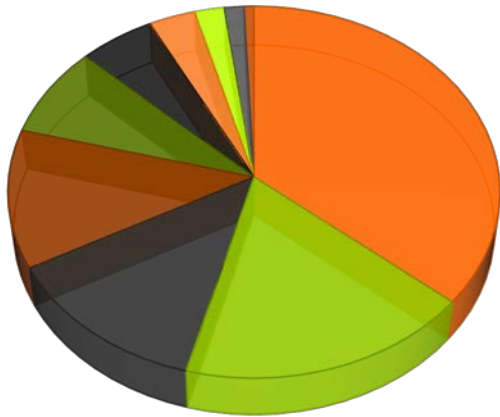
Business Model Canvas is Your Process Tool



What is the Value Proposition?

- It is the benefit your customer derives from your product or service.
- It is NOT your product or service

Important Predictor of Success



➤ A strong and direct value proposition for a well-defined customer segment is the single biggest indicator of start-up success

Attributes of a Great Value Proposition

- Specific, Quantitative, Concise
- Customers understand it immediately
- Is a direct benefit to the customer
- ***$VP > \text{switching or adoption costs}$***

Think in Terms of:

<u>Element</u>	<u>Pain or Gain</u>	<u>Magnitude</u>
Money	Does it represent a PAIN or a GAIN?	In \$ and is it significant enough to overcome adoption costs?
Time		
Emotion		
Risk		

Don't Confuse a Feature List with a Value Proposition

- Aerodynamic
- Sleek looking
- 0-60 in 3 secs
- Gets me telephone numbers
- Cuts my fuel consumption (costs) in half
- Gets me to work in ½ the time
- I don't have to spend as much \$ on eHarmony



Context



Customer Segments



"Have you heard of market segmentation?"



Why?

Identifying the Customer Segment(s) with the largest pain/gain, lowest barriers to entry, fastest time to adoption, etc. is critical to commercialization success.

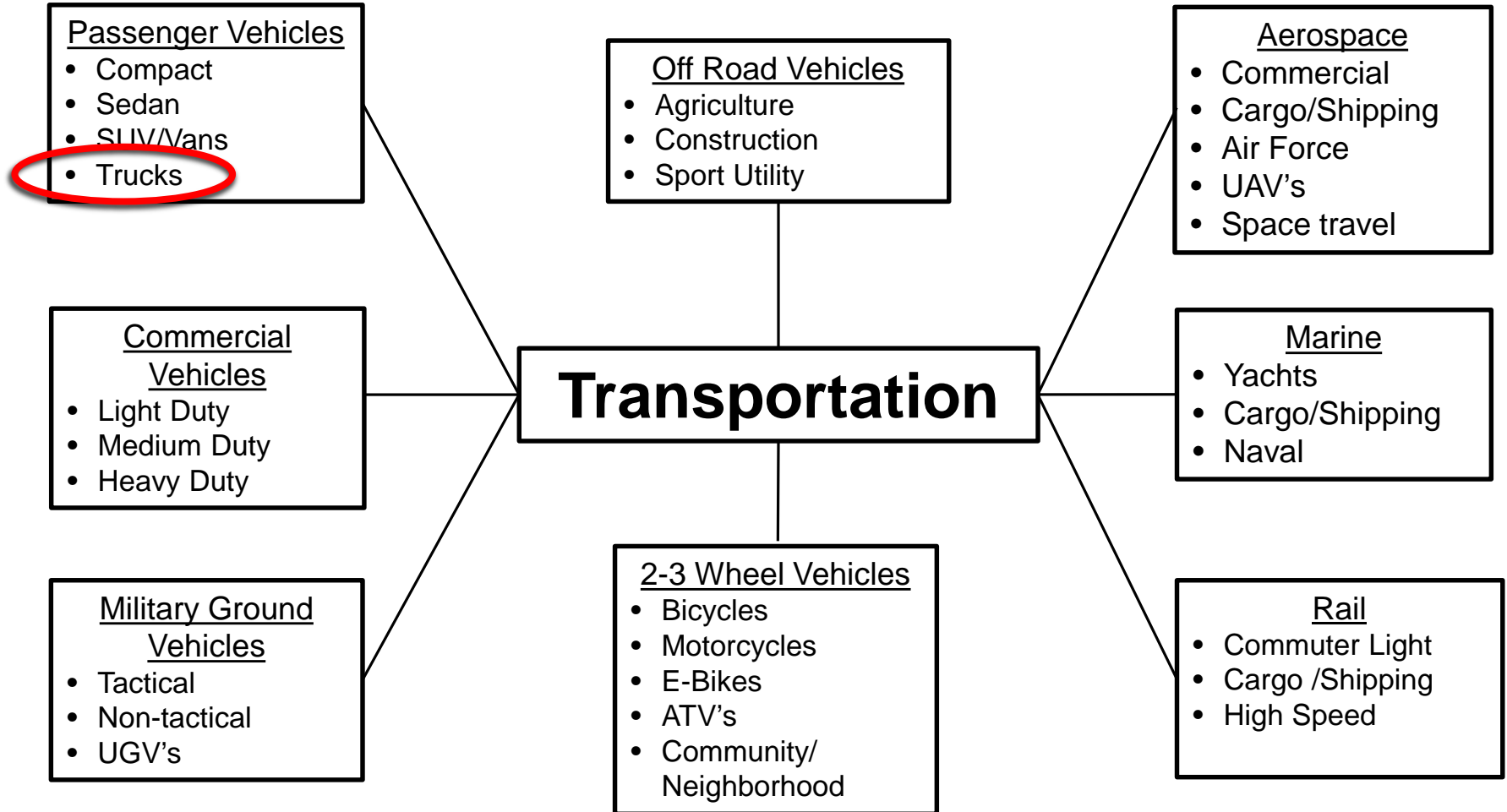
Who are your customers? Why would they buy?

- What task/job is the customer trying to accomplish?
- What problem are they trying to solve?
- What need are they trying to satisfy?

Example: Efficiency

You have a technology capable of boosting fuel efficiency by as much as 12% in large displacement gasoline engines.

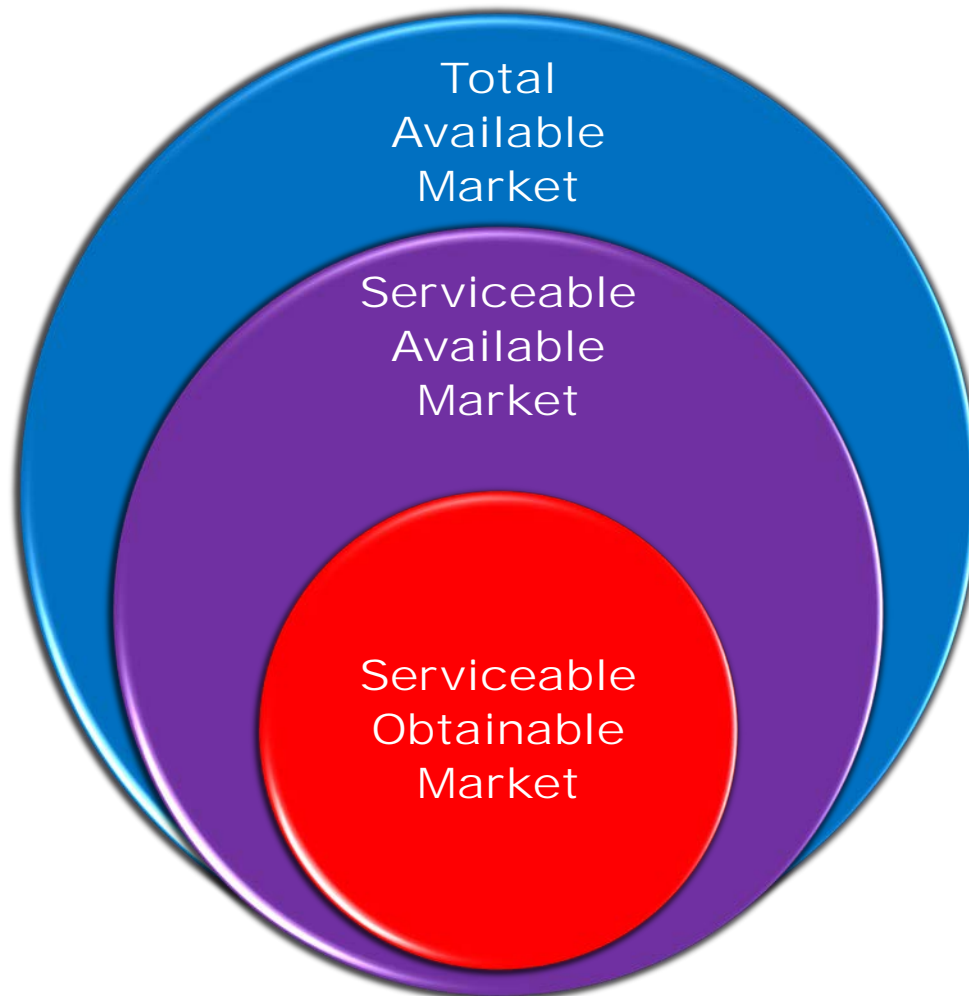
Market Segmentation



What Makes a Good Customer Segment?

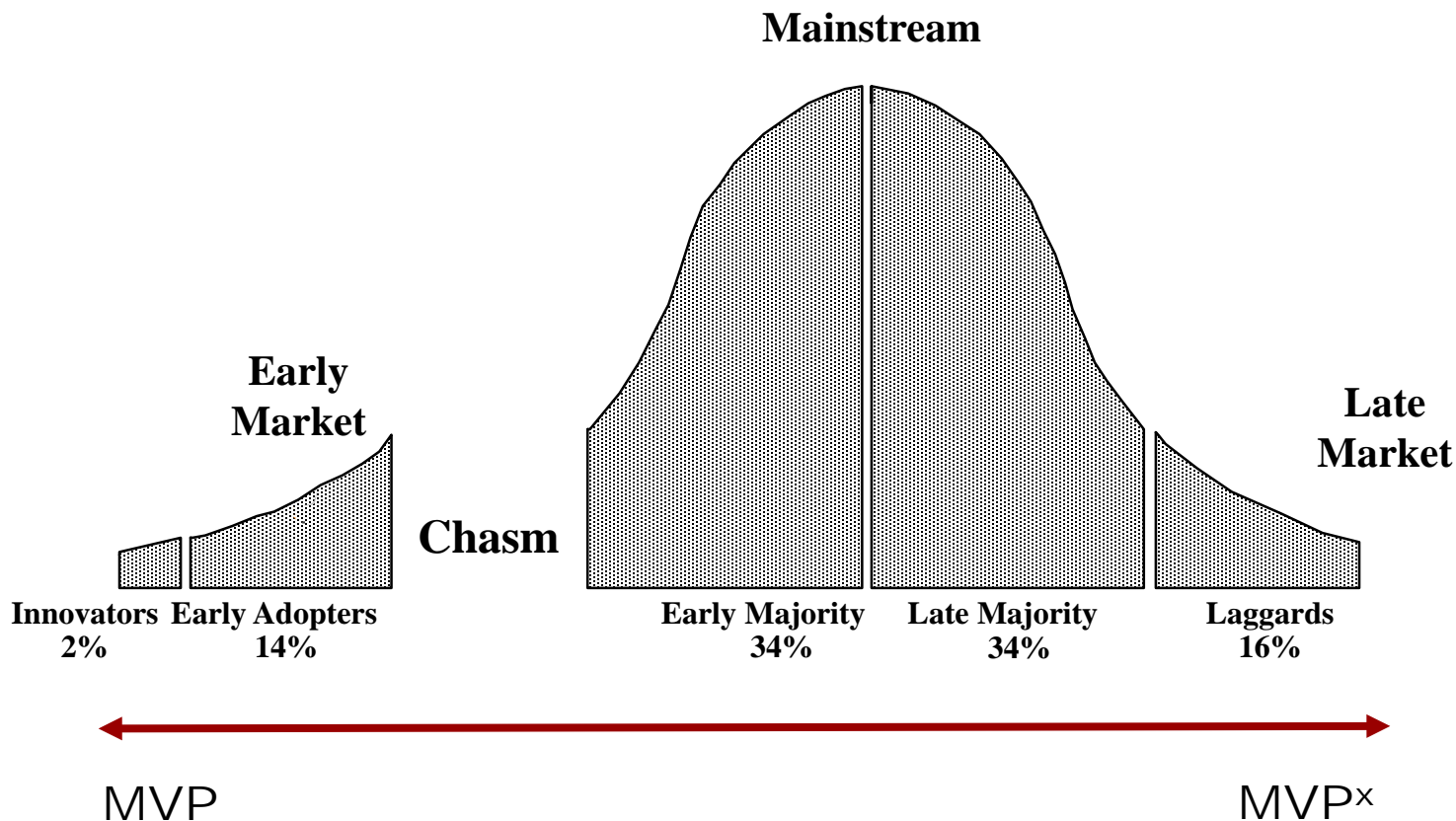
- They immediately grasp the value
- Obvious who they are
- There are very few people that fit the description that won't buy your product
- Willingness and ability to pay

Markets Size

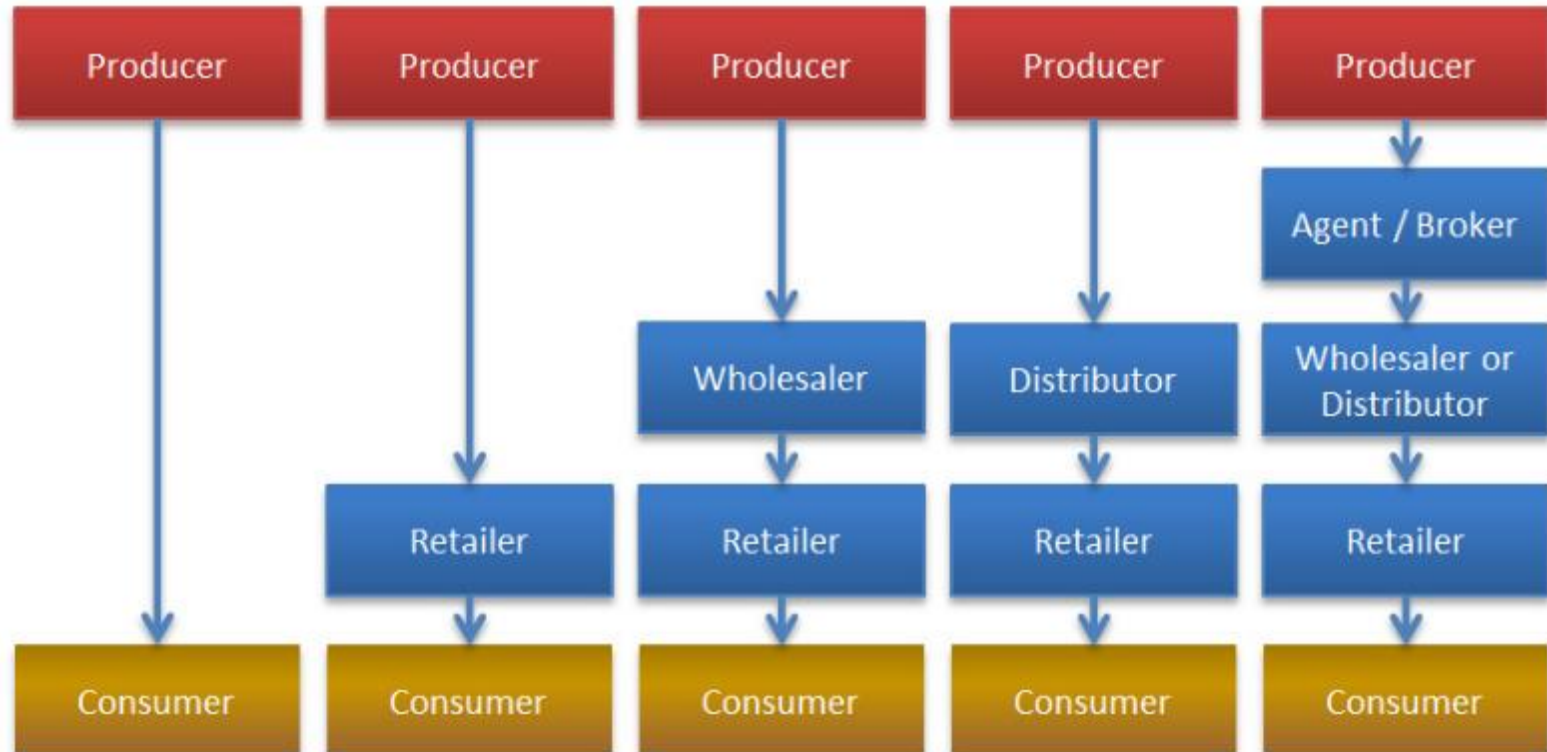


Adoption vs Performance

aka "Where do I Go First?"



Channels



Actual Delivery

- How does the product get from your company to the customer?

How Do You Want Your Product to Get to Your Customer?



Yourself



Through someone else



Retail



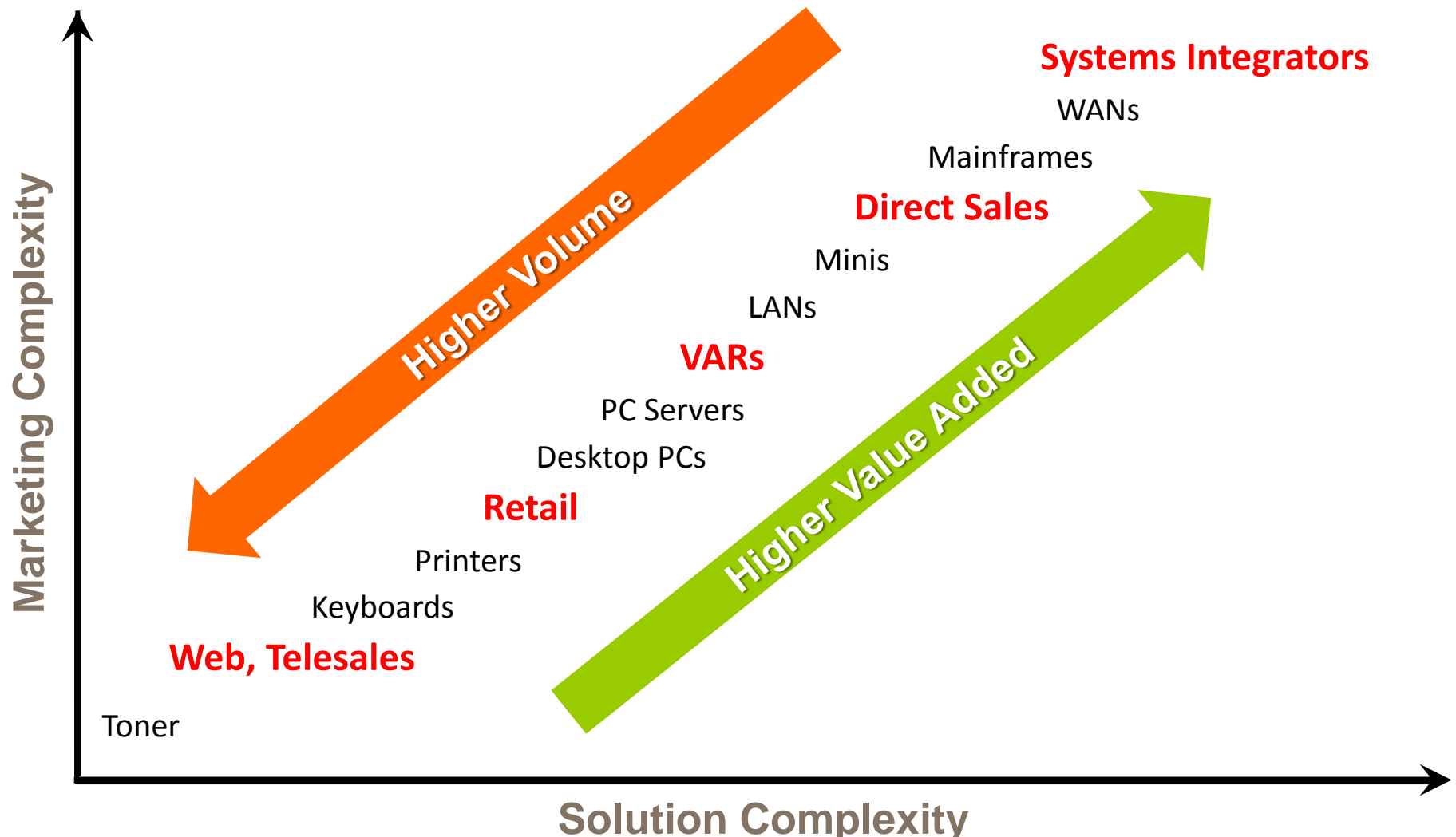
Wholesale



Bundled with other goods or services

[illegible]

Distribution Complexity

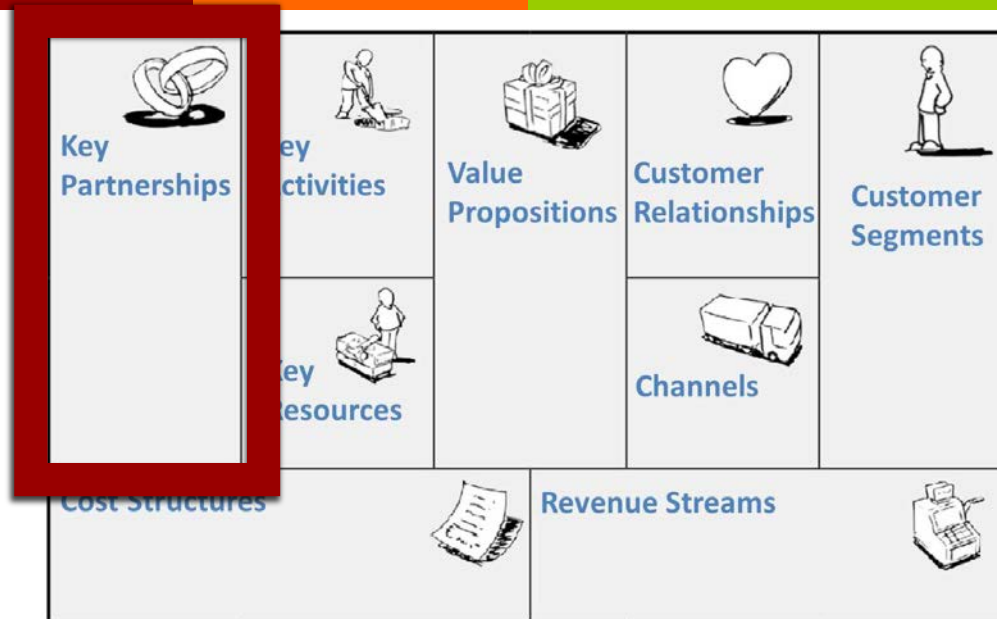


Channel Economics: e.g. Resellers



- Is this compelling for a business?
- Channel power

Industry Partners



How do you leverage other people's resources?
How do they leverage yours?

Why Partner?

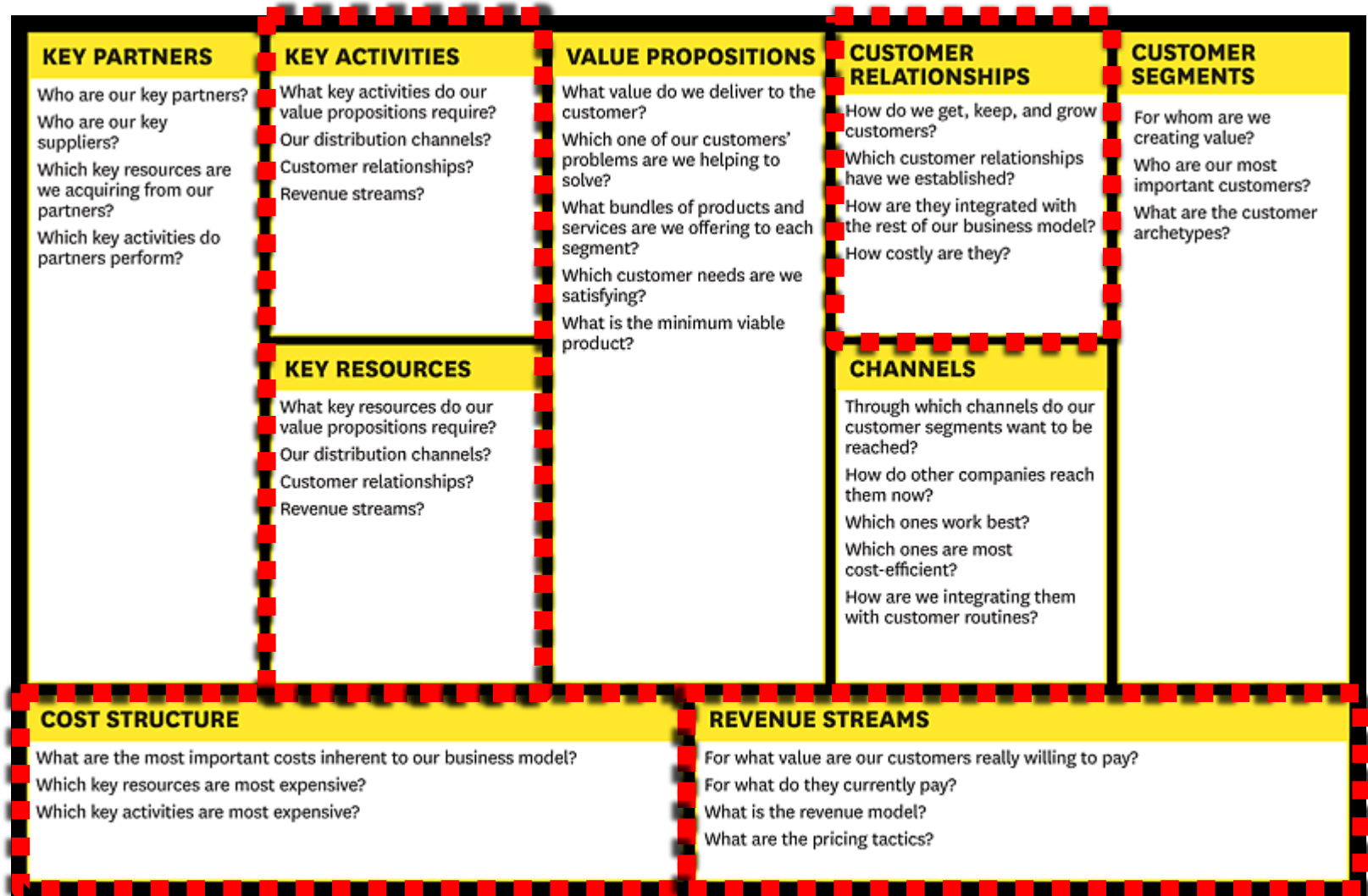
- Fulfill a capability that you don't have or don't want to/can't develop

Partners

Why have Partners?

- Faster time to market
- Unique knowledge or expertise
- Innovation/differentiation
- Enable focus
- Capital efficiency
- Broader/more complete offering
- Customer/supplier access
- Access new markets
- Expand sources of revenue
- Reduce other risks

Other Areas of BMC



Tying it Together



How do You Source the Required Info?

➤ Well it's a 4-letter word.....

➤ Interview

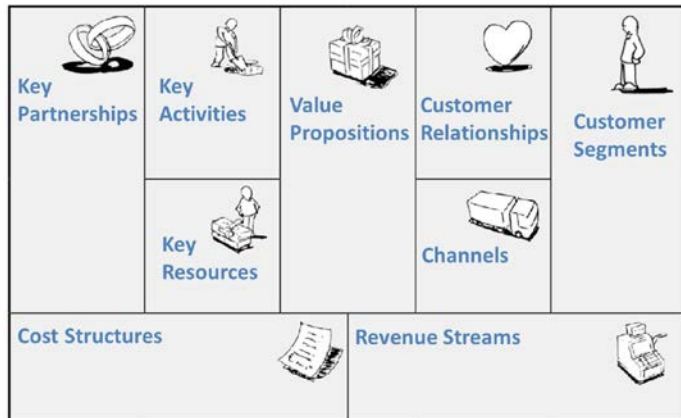
Get Out of the Office/Lab



Be Willing to Get a Little Messy



We want to know if “it” is Real



Generate hypotheses regarding your beliefs



Ask questions to validate/invalidate your hypotheses



Rework your BMC accordingly



Interview

- You are NOT selling
- First 3 Rules of Getting Market Intel:
 1. Listen
 2. Listen
 3. Listen
- Mostly art vs. science
- This is the most difficult part
 - Structuring partial data from disparate sources

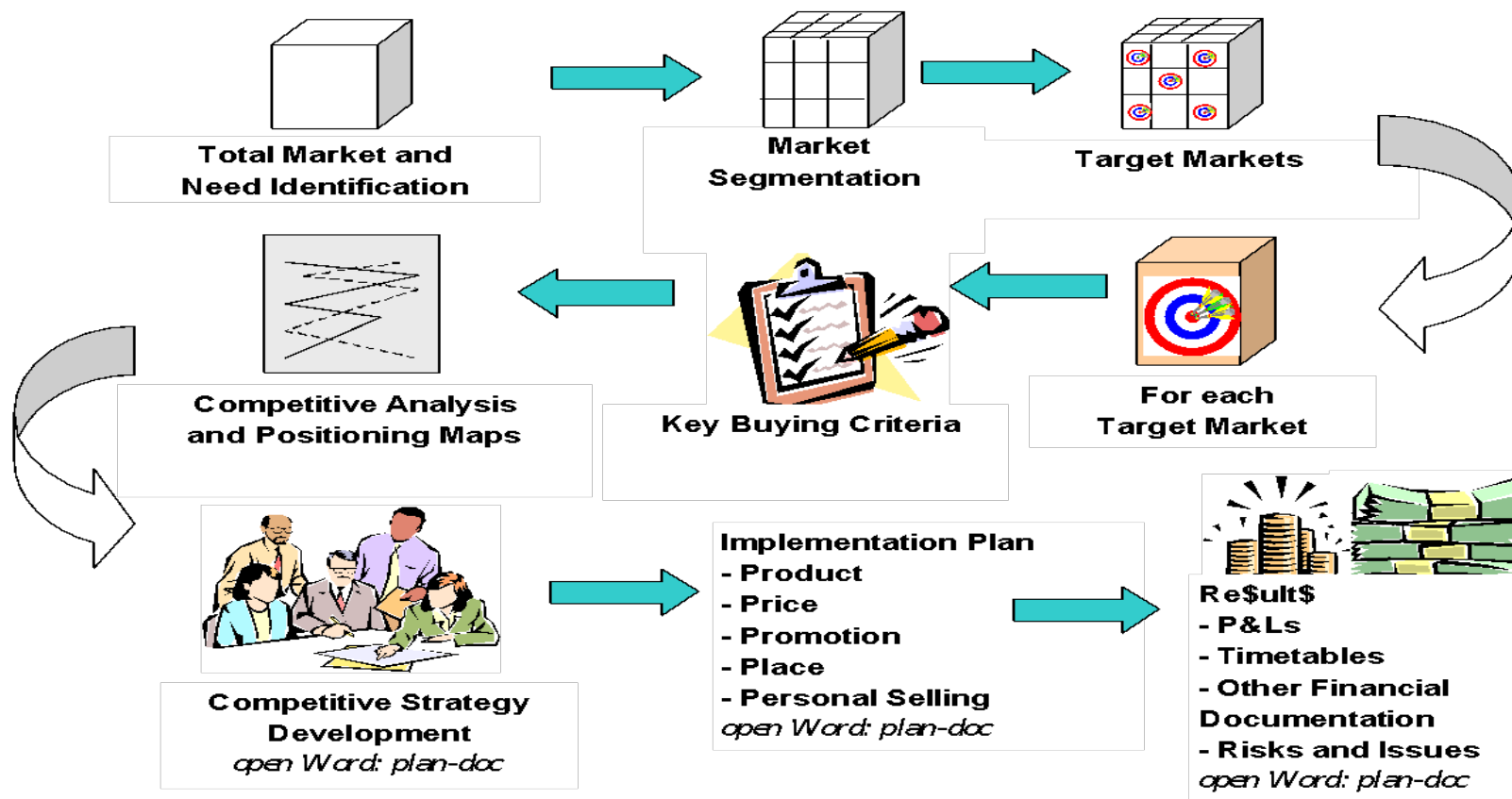
Important Things I Didn't Cover

- Value Chain
- Ecosystem

Questions



Information Assimilation



One Last Bit of Fatherhood

