Process for “Start-up” Thinking
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.”

GLASBERGEN
Limitations

vs.

---
Tension
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 embarrassed by your first version, you’ve released too late.

Don’t make ‘perfect’ the enemy of ‘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....

Great Stuff
Solution in Search of a Problem

Your technology

Develop Value Proposition Hypothesis

Gather Market Intel (‘Customer’ Feedback)
Problem in Search of a Solution

Develop Value Proposition Hypothesis

Gather Market Intel ('Customer' Feedback)

Develop technology solution (MVP)
Solution in Search of a Problem

- Develop Value Proposition Hypothesis
- Gather Market Intel (‘Customer’ Feedback)

Your technology
Minimum Viable Product (MVP)

MVP

not MVP
### Business Model Canvas is Your Process Tool

<table>
<thead>
<tr>
<th><strong>KEY PARTNERS</strong></th>
<th><strong>VALUE PROPOSITIONS</strong></th>
<th><strong>CUSTOMER RELATIONSHIPS</strong></th>
<th><strong>CUSTOMER SEGMENTS</strong></th>
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| Who are our key partners?  
Who are our key suppliers?  
Which key resources are we acquiring from our partners?  
Which key activities do partners perform? | What value do we deliver to the customer?  
Which one of our customers' problems are we helping to solve?  
What bundles of products and services are we offering to each segment?  
Which customer needs are we satisfying?  
What is the minimum viable product? | How do we get, keep, and grow customers?  
Which customer relationships have we established?  
How are they integrated with the rest of our business model?  
How costly are they? | For whom are we creating value?  
Who are our most important customers?  
What are the customer archetypes? |

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Our distribution channels?  
Customer relationships?  
Revenue streams? | What key resources do our value propositions require?  
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How do other companies reach them now?  
Which ones work best?  
Which ones are most cost-efficient?  
How are we integrating them with customer routines? |

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Which key resources are most expensive?  
Which key activities are most expensive? | For what value are our customers really willing to pay?  
For what do they currently pay?  
What is the revenue model?  
What are the pricing tactics? |
What is the Value Proposition?

It is the **benefit** your **customer derives** from your product or service.

It is **NOT** your product or service
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
- $VP > switching or adoption costs$
Think in Terms of:

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

**“Product Market Fit”**

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Customer Segments

“Have you heard of market segmentation?”
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?
You have a technology capable of boosting fuel efficiency by as much as 12% in large displacement gasoline engines.
Market Segmentation

**Transportation**

- **Passenger Vehicles**
  - Compact
  - Sedan
  - SUV/Vans
  - Trucks

- **Commercial Vehicles**
  - Light Duty
  - Medium Duty
  - Heavy Duty

- **Off Road Vehicles**
  - Agriculture
  - Construction
  - Sport Utility

- **2-3 Wheel Vehicles**
  - Bicycles
  - Motorcycles
  - E-Bikes
  - ATV’s
  - Community/Neighborhood

- **Aerospace**
  - Commercial
  - Cargo/Shipping
  - Air Force
  - UAV’s
  - Space travel

- **Marine**
  - Yachts
  - Cargo/Shipping
  - Naval

- **Military Ground Vehicles**
  - Tactical
  - Non-tactical
  - UGV’s

- **Rail**
  - Commuter Light
  - Cargo/Shipping
  - High Speed
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
Adoption vs Performance

aka “Where do I Go First?”

MVP MVPx

Early Market
Innovators 2%
Early Adopters 14%

Chasm
Early Majority 34%
Late Majority 34%

Mainstream

Late Market
Laggards 16%
Channels
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
Physical vs. Virtual Channels

The Second Industrial Revolution!

Product
- Physical
  - Netflix
  - Movies (Netflix)
  - Books (Amazon)
  - Shoes (Zappos)
- Virtual
  - Consumer Electronics
  - Google
  - Facebook

Channel
- Faster
- Testing
- Adaptable
- To Change
- Optimization

Physical Channels
- Insurance
- Stocks and Bonds
- Enterprise Software
- Shrinkwrap Software

Virtual Channels
- Food
- Household Goods
- Autos
- Planes
Channel Economics: e.g. Resellers

- Cost of Goods (Supply Chain)
- Profit + SG&A + R&D
- Reseller
- EU Discounts
- List Price
- End Consumer

- 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
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

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**KEY ACTIVITIES**
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**REVENUE STREAMS**
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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
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
One Last Bit of Fatherhood

The truth about success.

What People see:  Success

Hard Work.
Risk.
Late Nights.
Struggles.
Failures.
Persistence.
Action.
Discipline.
Courage.
Doubts.
Changes.
Criticism.
Disappointments.
Adversity.
Rejections.
Sacrifices.

What really happens: