

The Toughest Startup Question: Pivot or Proceed?

SEMINAR 4: Introduction to Customer Validation

TAKE OFF STRATEGIES

Many black swans, lethal risks and your company is at a strategic inflection point

Organizational Advisors isn't the right solution. Exponential development Consulting (10X) is missing, testing ideas/business models, blitzscaling. Simply maintaining your position is a death sentence. In these situations "only the paranoid survives" Andy Grove. Act non linear...

DARE TO DREAM

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Disclaimer

This is ONLY a seminar on micro-entrepreneurship but it isn't for everyone.

1. If your family needs monthly the support of your salary and depends on you it is better to sacrifice temporarily the vision of micro-entrepreneurship for the sake of your family.
2. If you don't understand that success isn't the only probability. Odds are against you.
3. If you believe that success is easy and fast.
4. Success comes from execution . Any idea isn't enough
5. Wishful thinking is death sentence for new entrepreneurs

**WE DONT ADVISE ANYONE TO BE ENTREPRENEUR.
YOU KNOW YOURSELF AND YOUR
CIRCUMSTANCES. ONLY YOU DECIDE. THIS
SEMINAR IS ONLY FOR EDUCATIONAL PURPOSES.
ANYONE WHO DARE TO TRY ENTREPRENEURSHIP
HAS THE FULL RESPONSIBILITY!!!**



INTRODUCTION TO CUSTOMER VALIDATION

Phase One:

“Get Ready to Sell”,

Phase Two:

“Get Out of the Building and Sell!”

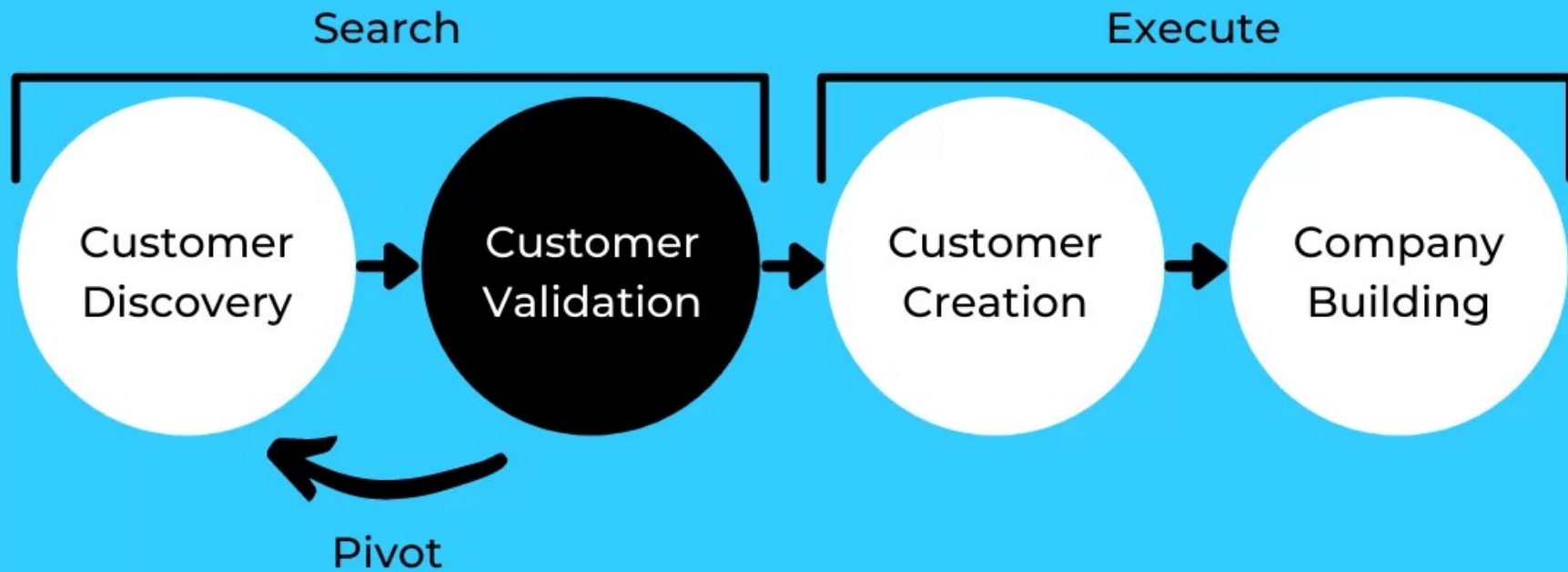
Phase Three:

Develop Product and Company Positioning

Phase Four:

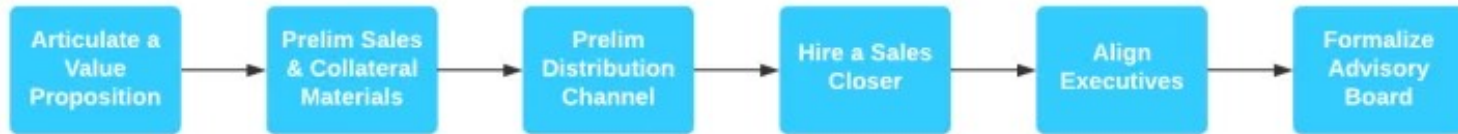
The Toughest Question of All: Pivot or Proceed?

Customer Validation Phase



Customer Validation Process

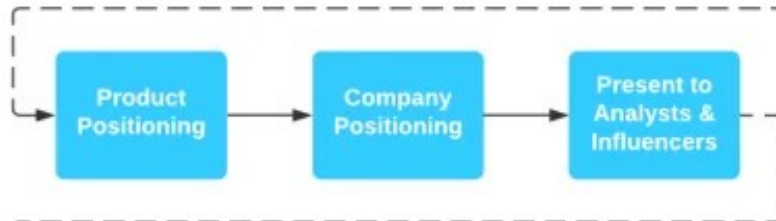
Get ready to sell



Sell to earlyvangelists'



Develop Positioning



Verify





INTRODUCTION

**Customer
Validation: from
Validated Product
to Scalable
Business**

Gust de Backer

NOW WHAT?

The Customer Validation phase comes after you have realized a validated product with the Customer Discovery phase. But. Now you want a scalable sales funnel so you can scale your business. With the help of the Customer Validation phase...



GET READY TO SELL

Get Ready To Sell

In this phase, you are prepared to start selling your product, you need to start by articulating a customer value proposition:

A. ARTICULATE A CUSTOMER VALUE PROPOSITION

The customer value proposition answers three questions:

What does your company stand for?

What does your product do? And why should anyone care?

The value proposition is one clear sentence that says why your company is different and why someone should buy your product or service. It doesn't have to be perfect all at once, because you can improve it along the way. The most important thing about the value proposition is that it really does something with the customer, not that they stare into thin air after hearing your value proposition. Of course it is important that your value proposition is real and that you do not make empty promises.

B. PREPARE PRELIMINARY PRESENTATIONS

Before you start selling your product or service, it's important that you have materials to present your offering with. So, in this step you are going to prepare presentations, data sheets, price lists and everything else you need to sell your product or service.

C. PREPARE A PRELIMINARY DISTRIBUTION PLAN

During the Customer Discovery phase, you've already looked at what channels exist and which ones you want to use. The plan for your distribution channels contains three elements:

1. **Channel “food chain” and responsibility:** make a flowchart of how your product eventually reaches the customer. For example, an e-book goes from the author to a website and then to the customer. Also, make a description of each step.
2. **Channel discount and financials:** many channels will cost money, the next step is to understand how the money will go from the customer to you and that you document the cost of every channel.
3. **Channel management:** you need a plan to monitor your channel and control its activities. The biggest problem you can have is that you don't know if there is actually customer demand for your product or service. In that case you are completely dependent on often already outdated reports that show how often your product is actually sold.

D. PREPARE A PRELIMINARY SALES ROADMAP

The goal of this step is to find out who your most potential customers are and how they would like to purchase your product or service. The complexity of your sales roadmap depends on a number of factors:

-
-
-
-

Size of the customer base Budget

Price of your product or service

Industry you are trying to sell into

And the distribution channel you have chosen

COMPONENTS IN YOUR SALES ROADMAP

- **Organizational structure and influence maps: map out who is involved in the decision-making process and who has what influence, use the decision-making unit canvas for this.**
- **Customer access map: how do you get your foot in the door?**
- **Sales strategy: document the strategy you are going to use to actually sell your product. Make a flowchart for this as well.**
- **Implementation plan: the sale has been made, but a lot can happen between the moment you say 'yes' and the actual purchase. In the implementation plan you write down all the things that have to happen before the sale is really completed and the product or service delivered.**

SELL TO VISIONARY CUSTOMERS

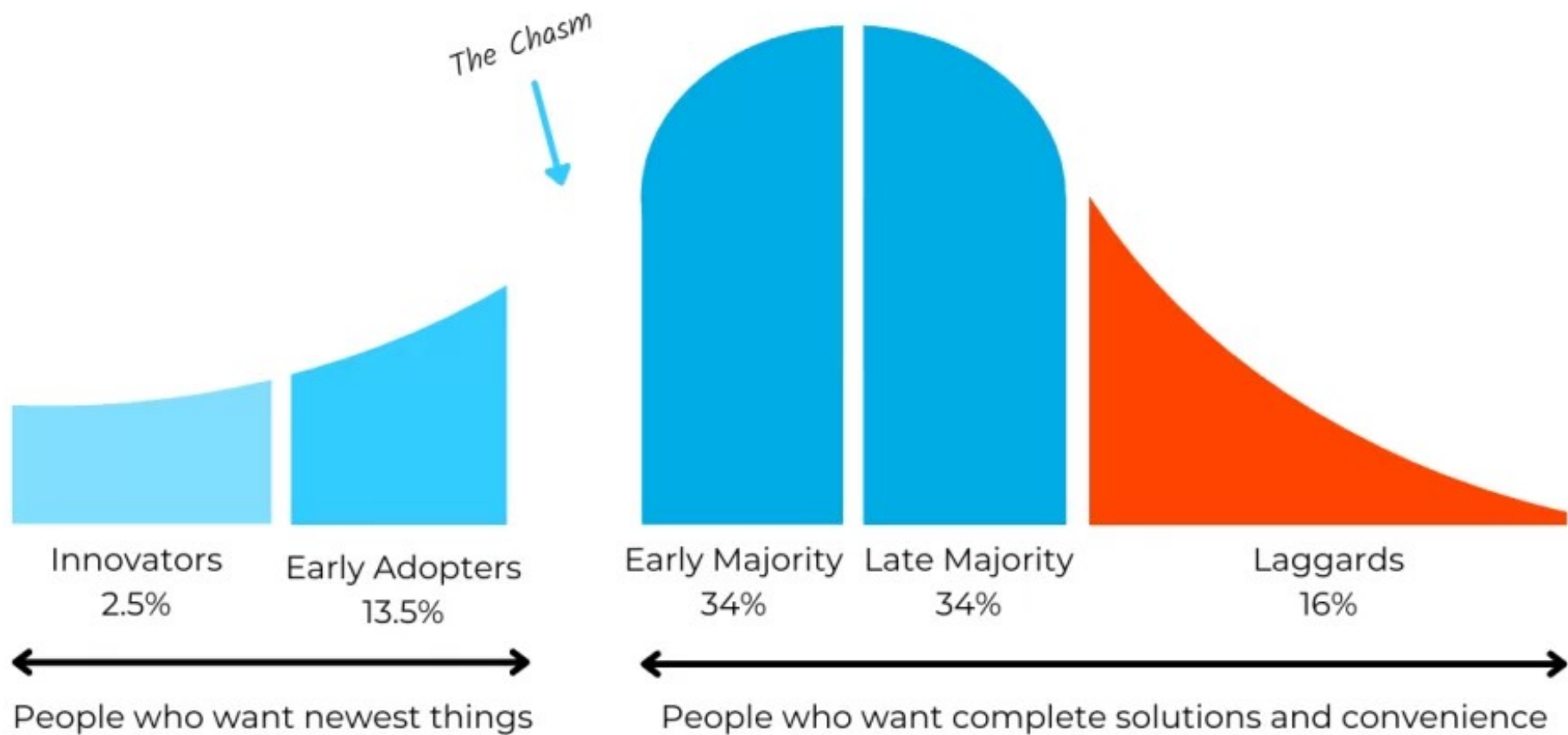
In the Customer Discovery phase, you've had two moments of contact with customers, first to see what problem they had and then to present your solution.

In this phase you are going to see if you really have a Product-Market Fit....

You're going to do that by selling your product or service without being able to deliver yet, the reason behind this is to check all your assumptions. Waiting until the product is fully completed can result in wasted time and money.

Giving away your product or service may provide additional publicity and some benefits, but it does not prove that people actually want to pay for what you deliver.

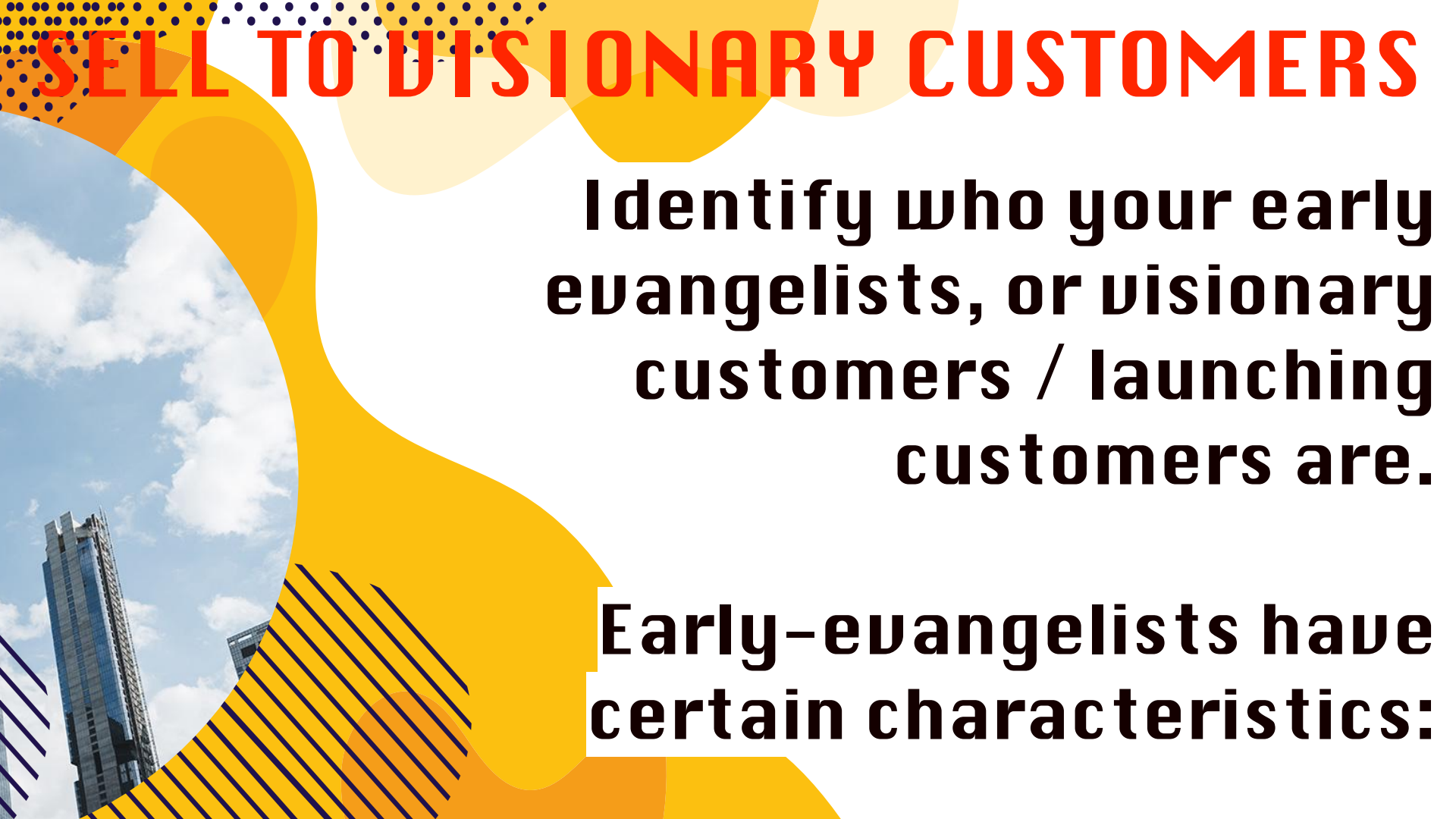
Crossing the Chasm



SELL TO VISIONARY CUSTOMERS

Identify who your early evangelists, or visionary customers / launching customers are.

Early-evangelists have certain characteristics:



Earlyvangelists

- ✓ They got a problem.
- ✓ They understand that they got a problem.
- ✓ They are actively searching for a solution.
- ✓ The problem is painful enough that they created a homegrown solution.
- ✓ There is money or budget to solve the problem.



B. REFINE AND VALIDATE THE SALES ROAD MAP

The goal at this point is not to achieve high sales, but to validate your sales roadmap.

Important to mention here is that it is not desirable to customize your product for individual customers, you want a product that can be purchased by a larger target group.

In addition to not customizing your product for individual customers, it is also important to sell your product at your chosen price. In short, don't concede on price (too quickly).

C. REFINE AND VALIDATE THE CHANNEL PLAN

So far, you've sold everything directly to your customers. Depending on your type of business, it might be time to validate your distribution channels by starting to take orders through partners. Make sure you don't make the mistake of focusing too much on channel partners, purely because they are the ones who bring you money. If there is no demand for your product nobody wants to sell it, so make sure you continuously focus on the end customer.

3. DEVELOP POSITIONING FOR COMPANY AND PRODUCT

At this point, you want to change the public perception of your product or service versus the competition to how you want it.

Everything you've learned about your product and your customer you're now going to use to do your positioning

A. PRODUCT POSITIONING

Now it's time to put a flag in the ground and do the positioning of your product or service based on the type of market.

- 1. Existing market: compare your product or service to that of the competition. Describe how your product or service is better.**
- 2. New market: describe the problem you solve and the benefits the customer gets from solving it.**
- 3. Market re-segmentation: describe your product versus the competition's, if you are focusing on low cost describe the price and feature set and if you are going to focus on a niche describe how certain features solve a customer's problem like other products cannot.**

B. COMPANY POSITIONING

When positioning a business, you answer the following questions:

- “What does your company do for me?”
- “Why does your company exist and why is it different?”

After seeing your positioning statement, a potential customer should think to themselves or literally say:

“Tell me more, it looks like you’re really solving a problem I’m facing.”

C. MAKE PRESENTATION TO ANALYSTS AND INFLUENCERS

Industry influencers and analysts are the authority a startup needs. At the Customer Discovery stage, you've already analyzed who the industry influencers and analysts are. You want them to start sharing what you have to say and if they don't want to, why not? To get started, contact the analysts and influencers you've been watching, it's important to do your homework first to understand these people and what they care about. Briefly describe why they should engage with you, make sure you name your first customers and the problems you solve for them. If they want to engage with you ask how much time you have and what presentation format they prefer (whiteboard, slides, demo, etc.).

4. VERIFY

What you've done now is discover whether your hypotheses about customers, sales and channels were correct. In addition, you have also checked whether your business model is profitable. Summarize your findings and check if you have learned enough to move to the Customer Creation phase.

A VERIFY THE PRODUCT SOLUTION

In the Customer Discovery phase, you checked to see if your product meets customer expectations, but you haven't sold it yet. If all goes well, you now have a Product-Market Fit with a product that customers actually want to buy. Evaluate all the rejections and feedback you've received and check the following questions:

- Is your product meeting market demand?
- Did you miss out on deals because you were missing certain features?
 - What features are indispensable?
 - Are your customers happy?
 - Were there complaints about the price?

B. VERIFY THE SALES ROADMAP

You've prepared sales materials, found early evangelists, filled out the Decision-Making Unit canvas, translated a sales strategy into a sales roadmap and tried to get customers.

Check that you have a repeatable sales roadmap by answering the following questions:

- Do you know who the decision makers are?
- Do you have in mind who are key people outside the decision makers?
- Can you properly estimate the probability for selling your product or service with your strategy?
- Have you actually made sales?
- Do you have people or systems that can make the sales for you?

C. VERIFY THE CHANNEL PLAN

You have sold to your customers through a channel, are your assumptions regarding the distribution channel correct? Answer questions such as:

- **Do you know the cost of your distribution channel?**
- **Were there any costs you didn't expect?**
- **Did you take into account all the variable?**
- **What is the average purchase price?**
- **How much support do you need to provide afterwards?**

D. VERIFY THE BUSINESS MODEL

It is important to check after you have paying customers and know how much effort it takes to bring in customers whether your business model is still profitable.

This process will provide you with 2 documents:

- 1. A sales and revenue plan**
- 2. And an operations plan to scale the business.**

Questions that might help you with this:

- How much extra money do you need to be profitable?**
- Are the costs as expected?**
- How much is a customer worth in their lifetime?**

E. ITERATE, RETURN OR EXIT

Stop what you are doing and reflect on the past period, at the next step in the Customer Development Process you are going to spend a lot more money so it is important to finish the Customer Validation step well.

If you didn't manage to sell your product well you can go back to step 1 (Get Ready To Sell) or if you think your product is to blame you can go through the Customer Discovery Phase again.

When you have a profitable business model and a number of paying and satisfied customers you can move on to the Customer Creation Phase...

CONCLUSION

The Customer Validation process can save you a lot of time and effort in the Customer Creation phase.

In order to scale up your business and create market demand, it is important to first validate that you have found a painful problem with your customer, have developed an effective solution for it and have sold it successfully.

What do you think about the Customer Validation phase?

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