COZAD
NEW VENTURE COMPETITION 2018
THE NEXT GENERATION OF ENTREPRENEURS
Thank you to our sponsors!
Module 1: Intro to Customer Discovery
75% of all VC backed ideas
1. Why do they fail?
2. What can we do about it?
#1, #2, #3, and #4 are all the result of building the wrong thing.

79%

Drastically increase your chances of success!
More startups FAIL from a lack of customers than from a failure of product development.
IF YOU BUILD IT, THEY WILL COME.
How can we avoid...

BUILDING SOMETHING THAT NO ONE CARES ABOUT

(... and find something they DO care about?)
Why is I-Corps different?

Traditional Approaches **focus on reducing either technology risk or execution risk.**

Both are hugely important. Just not right now.
Three Questions for Any New Innovation

• What value are you delivering and to whom?
  • Value Proposition and Customer Segment
  • Product-Market Fit

• Is there a viable business model for delivering that value?
  • Business Model Canvas

• Is there an appropriate return on investment for the project?
  • Market size
  • Project plan

MUST ANSWER IN THIS ORDER
In The Past

• What value are you delivering to whom?
  – Value Proposition and Customer Segment
  – Product-Market Fit

• Is there a viable business model for delivering that value?
  – Entire business model canvas

• Is there an appropriate return on investment for the project?
  – Market size
  – Project plan

People assumed the previous two questions were correctly answered.
Where does this course fit?

The Stages of Innovation

1. Ideation
2. Gaining Insight
3. Product Research
4. Product Dev.
5. Market Launch
6. Market Scaling

Market
Technical
Business
Where does this course fit?

The Stages of Innovation

1. Ideation
   - Needs Finding

2. Gaining Insight
   - Customer Discovery

3. Product Research
   - Customer Validation

4. Product Dev.
   - Customer Feedback

5. Market Launch
   - Customer Acquisition

6. Market Scaling
   - Customer Scaling

- Market
  - 1st Gen Product

- Technical
  - Proof-of-principal
  - Feasibility
  - First Prototype
  - Iterate Prototype
  - MVP

- Business
  - Initial Hypothesis
  - Product Market Fit
  - Business Model
  - Project ROI
  - Reduce Key Risks
  - Execute & Adapt
  - Execute & Scale

ILLINOIS
Where does this course fit?

The Stages of Innovation

1. Ideation
   - Market: Needs Finding
   - Technical: Proof-of-principal
   - Business: Initial Hypothesis

2. Gaining Insight
   - Market: Customer Discovery
   - Technical: Feasibility
   - Business: Product

3. Product Research
   - Market: Customer Validation
   - Technical: First Prototype
   - Business: Business Project Model

4. Product Dev.
   - Market: Customer Feedback
   - Technical: Iterate Prototype
   - Business: Reduce Key Risks

5. Market Launch
   - Market: Customer Acquisition
   - Technical: MVP
   - Business: Execute & Adapt

6. Market Scaling
   - Market: Customer Scaling
   - Technical: 1st Gen Product
   - Business: Execute & Scale

ICD
weeks, instead of years
So what about *MY* technology?

**NOBODY CARES**

They only care about what it can do for *THEM*. 
Your business idea needs to **solve a problem** your potential customer will **PAY** for.
Course Methodology

• Flipped Classroom

• Customer Discovery

• Business Model Canvas

• Direct Feedback

• Workshops + Office Hours
The Process

- Hypothesize
  *Guess*
- Test – Interviews
  *Ask*
- Assess & Analyze
  *Listen*
- Adjust – Pivot
  *Guess Again*
Learning is experience. Everything else is just information.
– Albert Einstein
Founders Run A Customer Development Team in Search of a Business Model

startup → COMPANY
What is a business model?

9 Components...

1. Value Propositions
2. Customer Segments
3. Channels
4. Customer Relationships
5. Revenue Streams
6. Key Resources
7. Key Partners
8. Key Activities
9. Cost Structure

How a company creates value for itself while delivering products or services for customers.
What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?
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?
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?

For whom are we creating value?
Who are our most important customers?
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?
What Key Activities do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?
What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

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

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?

The Business Model Canvas

www.businessmodelgeneration.com
VALUE PROPOSITIONS

what are you offering them? what is that getting done for them? do they care?
which customers and users are you serving?
which jobs do they really want to get done?
how does each customer segment want to be reached? through which interaction points?
CUSTOMER RELATIONSHIPS

what relationships are you establishing with each segment? personal? automated? acquisitive? retentive?
REVENUE STREAMS

what are customers really willing to pay for? how?
are you generating transactional or recurring revenues?
which resources underpin your business model?
which assets are essential?
which activities do you need to perform well in your business model? what is crucial?
which partners and suppliers leverage your model? who do you need to rely on?
what is the resulting cost structure?
which key elements drive your costs?
Customer Segment Mapping

“Who is on the battlefield?”
What’s the story of your innovation?

• Who are your **key players**?
• How does your innovation come into **being**?
• How does your innovation create **value** for the **end user**?
• How does your innovation get **purchased**?
• How is it **regulated**?
Discovering Your Customer

What are the features of your envisioned product?

Who do you think cares about those features?

What other people surround that customer? Why do they care?

Why do they care about those features?
It takes a village ...

A customer is anyone that appears on any of the workflows, decision trees or value chain maps that could be involved in your business in any way.

You must talk to them all.

Instead of “customers,” let’s call them “stakeholders”.
Many Types of Stakeholders

- **Decision Maker:** Makes the final decision to purchase
- **Economic Buyer:** Issues the PO or signs the check
- **End User:** Day to day users of the product/service
- **Influencer:** Can sway the decision but stops short of direct yes/no recommendation
- **Saboteur:** Hurt by the proposed solution and actively seeks to undermine its adoption
- **Early Evangelist:** Early adopter and advocate for your solution
Maps Help You Keep Track

• Do I have information about all aspects of my business?
• Have I talked to all stakeholders involved in adopting or using my innovation?
• Do I understand how my stakeholders interact?
• Do I understand how the world will have to change to adopt my solution?
  • Who are the winners/losers?
  • Does everybody have the ability/willingness to change?
Maps Help You Identify

- Required changes in behavior
- Disincentives to change
- Gaps in skills or education
- Hidden requirements
- Unintended downstream consequences
- Missing complimentary technology
- Gaps in your understanding of an industry or your customer’s world
Said another way

It is all about people
Value Chain = WHO

The chain of steps a product takes from FIRE and EARTH to the END USER

A value chain map traces the flow of money, materials, personnel, and data
Example: Wireless Phones

Chipset & Electronics Suppliers
- Texas Instruments
- Qualcomm
- On Semiconductor

Communication Infrastructure Equip
- American Tower
- Nortel
- Lucent

Handset Manufacturer
- Samsung
- Apple/Foxconn
- Motorola

Carriers
- AT&T
- Verizon
- Vodafone

Phone Retailers
- Apple Store
- Verizon Store/Web
- Independent

OS Provider
- Apple
- Google

Application Developer
- Rovio
- Zynga
- OnStar

Application Distributor
- Apple (iTunes)
- Google (Google Play)

Media Developer
- NBC
- Disney

Media Distributor
- Netflix
- Spotify
Value Chain – Key Takeaways

• Who supplies whom?
• Each block is a key STEP in the process NOT a company
  • Companies will often do multiple blocks
  • Which block(s) do YOU do?
• Who is your customer(s)?
• Get the detail where you need to
• What is your Value Prop for every step of the chain?
• Is the industry’s organization changing?

_Informs WHO to talk to_
Ecosystem Map = WHAT

How your product interacts with the world once it is in the hands of the customer.

Helps you identify the value to the end user.
Eco-System Map – Key Takeaways

• When in use …
  • How does money flow?
  • How does data flow?
  • What actions are associated with your product?
  • What other services/products are associated with your product?

• Questions to ask
  • Service, maintenance, repair, upgrades, …
  • End of life, disposal, recycling, resale
  • Data associated with the product/service?
  • Liability

• How does your innovation affect this system (pro or con)?

_Informs WHAT to ask_
Work Flow Map

How does your immediate customer solve the problem today?

- What are the steps in the process?
- What materials/data/people are needed when?
- What are the key decision points and how do they get made?
- How does this workflow change when your solution is adopted?
Work Flow
Cathode supplier -> Battery Cell Manufacturer

Start with the value chain and identify your immediate customer
Work Flow – Key Takeaways

• How do people, information, materials and money flow? Who does what/when?
• Where does your product come in?
  • What form should it be in?
• Will your customer have to change their process?
  • If so, how much will that change cost?
• Does everyone have the ability/desire to do what you need them to?

*Informs Value Proposition* - we’ll talk more about this in two weeks
Hypothesis testing should be used to populate the tools with data.

Value Chain

Step 1 → Step 2 → You → Step 4

*Purchasing Decision Process

Customer Workflow → Paying Customer

Eco-System Map
Break-out Work Session

(30 Minutes) Deliverable:
Value Chain & Ecosystem Map
- Draw your value chain & ecosystem maps
- Draft 5 Customer Discovery questions