Entrepreneurial Opportunity Identification and Exploitation

Session 2:

Defining and validating your value proposition

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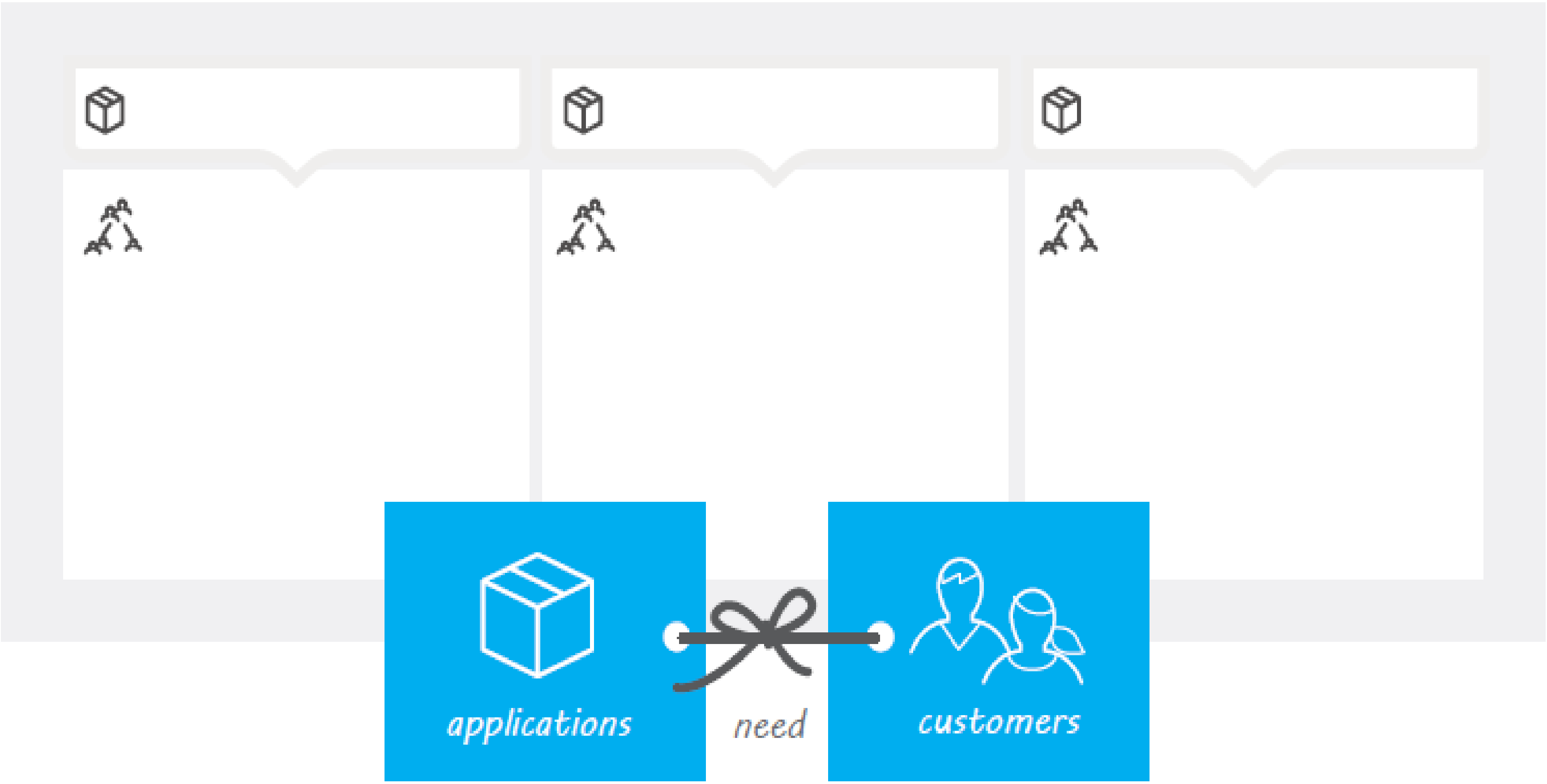
Market Opportunity= Application + Customers

The link that ties both ends is the need/ job to be done



We will talk about

- ✓ What is your value proposition?
- ✓ Defining your initial assumptions
- ✓ Conducting customer interviews to validate assumptions
- ✓ Frameworks and templates to summarize your learning

What is your value proposition

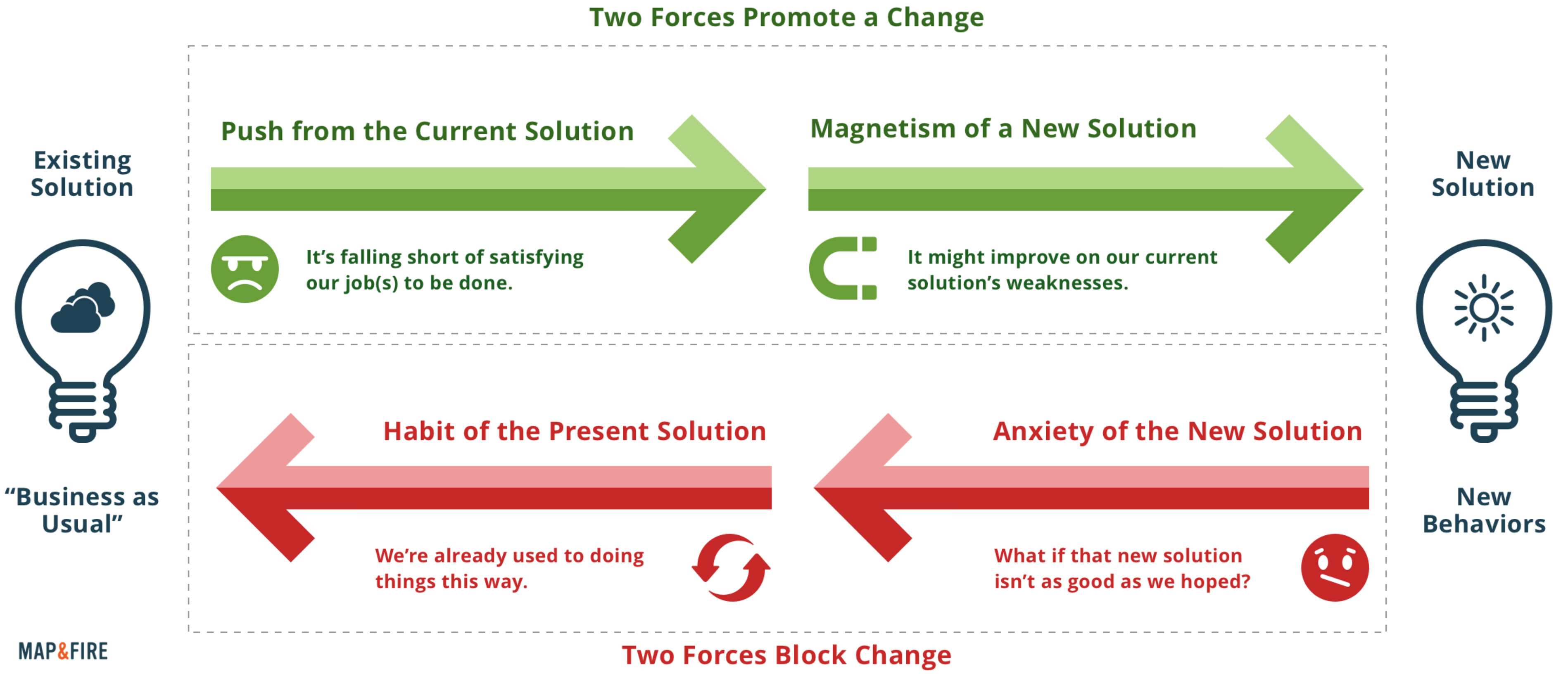
Understand your Value Proposition

The benefits customers can expect from your product or service

What do we want to learn?

- Who are your customers?
- What is their need/ job to be done?
- How do they currently solve it?
- How would your solution solve it?
- How is your solution better?

Why customers will/ will not buy your product?



Source: jobstobedone.org | From "Unpacking the Progress Making Forces Diagram", February 2012

Defining your value proposition's assumptions

"A founding vision for a startup
is similar to a scientific hypothesis."

Rashmi Sinha
Founder, Slideshare

Guiding questions for setting your initial assumptions

1) My target customer will be?

(how would you describe your primary target customer/ early adopters)

2) The problem my customer wants to solve is?

(what does your customer struggle with or what need do they want to fulfill)

3) My customer's need can be solved with?

(give a very concise description of your offering)

Guiding questions for setting your initial assumptions

4) Why can’t my customer solve this today?

(How do they currently try to solve the problem? what are the obstacles that prevent them from solving this already)

5)The measurable outcome my customer wants to achieve is?

(what measurable change happens in your customer’s life that makes them love your product? how are you different than existing solutions?)

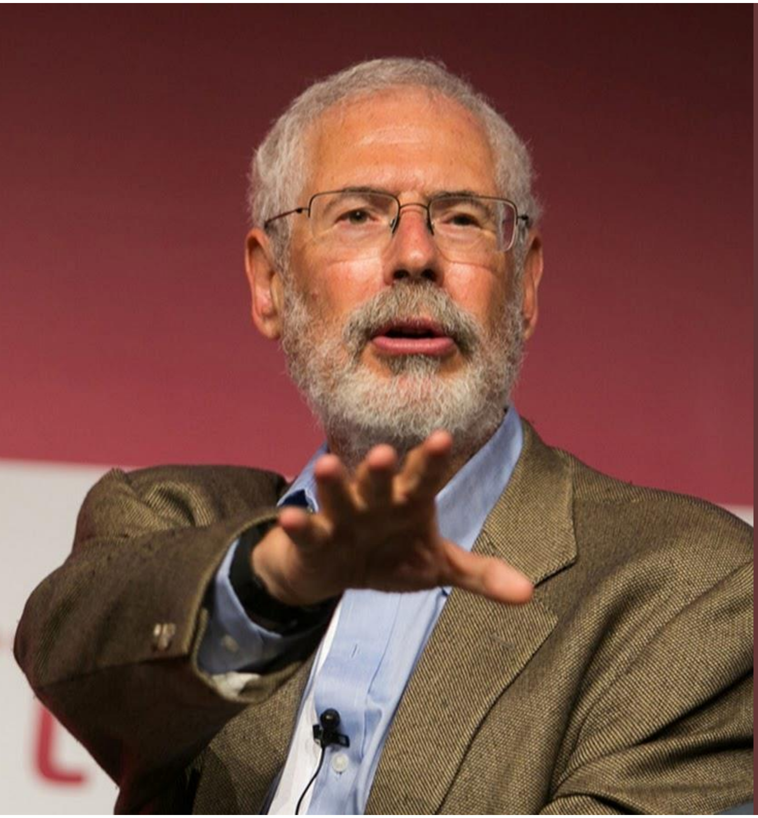
From questions to hypothesis

Write down your hypotheses:

- ✓ An hypothesis as an assumption that is testable, precise and discrete
- ✓ Start with: “We believe that…” This format helps you shift mentally to the idea of testing
- ✓ You will refine these statements as you progress with your learning

Conducting customer interviews to validate assumptions

Understanding customers' needs



"There are no facts inside the building so get the heck outside."

STEVE BLANK
Entrepreneur and Startup Educator

Who Should We Talk To?

- B2C- talk to different people representing different segments/ buying motives
- B2B- talk to different roles within the organization who are involved in the buying center

The decision making unit in B2B

Primary roles

- End user
- Primary economic buyer

Additional roles:

- Primary influencers
- Person with veto power
- Purchasing department

Who Should We Talk To?

- B2C- talk to different people representing different segments/ buying motives
- B2B- talk to different roles within the organization who are involved in the buying center
- Get out of your “comfort zone”, beware of biased sample

Beware of biased sample

Talking to Humans: Success Starts with Understanding Your Customers/ Frank Rimalovski and Giff Constable

Who Should We Talk To?

- B2C- talk to different people representing different segments/ buying motives
- B2B- talk to different roles within the organization who are involved in the buying center
- Get out of your “comfort zone”, beware of biased sample
- Keep interviewing until saturation is reached

Approaching customers to set the interview

- Best way: introduction from someone you know (prepare 2-3 sentences that they can easily forward)
- If not - phrase your email template:
  - Use a thoughtful subject line
  - Briefly describe yourself
  - Explain how you found them
  - Acknowledge their accomplishments
  - Directly ask for **help**
  - Be concise!

Steve Blank’s advice

Prepare the Interview

1. Set your assumptions
2. Prepare your questions
3. Prepare opening and ending of conversation
4. Think about your time frame
5. Learn about your interviewee and their role before the interview

How to structure the interview

1. The problem
2. The current solution
3. Your solution

1. The Problem

- Customers care about their problems NOT your solution
- Possible structure: Ask customer to walk you through the last time they…

Primary goal: identify repeatable problems worth solving. Be open to new problems and opportunities

2. The Current Solution

Possible structure:

1. Have customer describe how they solve the problem today
2. What do they like about their current solution/process?
3. Is there some other solution/process they've tried in the past that was better or worse?
4. What do they wish they could do that currently isn't possible? (if you could wave a magic wand…)
5. If they could do [answer to the above question], how would that make their lives better?
6. Who is involved with this solution/process? How long does it take?

Primary goal: learn how customers attempt to solve the problems today (if they don't- its not a problem)

3. Your Solution

Possible structure:

1. Describe how you attempt to solve the problem
2. Ask customer whether your approach would solve their problem
3. Would they use your solution if it was free?
4. Would they be willing to commit?

Show mockups or early prototypes if available and pay attention to their reaction

Primary goal: discover if they are really interested in your solution and gather feedback

Prepare your interview template

Part	Assumptions	Questions
1) Problem details		
2) Current solutions		
3) Your solution		

Understanding Customers is Hard

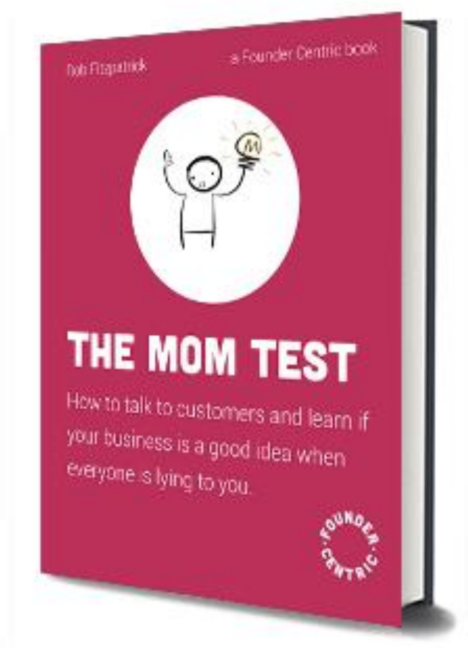
- ✓ People like to help. They may give you answers you want to hear
- ✓ People are too polite to say ‘no’
- ✓ People say what is socially acceptable
- ✓ People can’t imagine technologies that don’t exist
- ✓ People overestimate how much effort they’re willing to put into something
- ✓ People think incremental, not disruptive

And many more…

How to ask your questions…

The Mom Test

How to talk to customers and learn if your business is a good idea when everyone is lying to you



- How to ask your questions ('learn'). Look at 6:25-8:30
- How to interpret the answers ('confirm'). Look at 10:10- 12:36

https://www.youtube.com/watch?v=vqHR7CUPVbA

Source: The Mom Test/ Rob Fitzpatric

Basic Do's & Don'ts

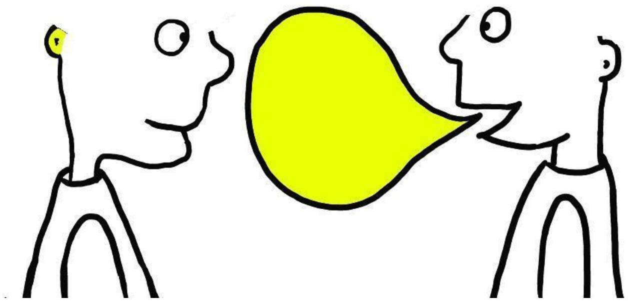
#1

Help not sales!
Set up an environment where the customer is the "expert".

Basic Do’s & Don’ts

#2

Prepare your questions – but feel free to deviate from the script
Don’t stress about getting an answer to everything.
you will learn more by letting the conversation flow naturally



Basic Do's & Don'ts

#3

Ask broad, open ended questions
Avoid yes/no answers
Get stories on past behavior – it may trigger them to think of related problems, or trigger more questions from you to ask later.

Basic Do's & Don'ts

#4

Listen!

Let them talk. You should be talking less than 25% of the time.

It's OK to have a bit of silence

Prepare yourself to hear things you don't want to hear

Basic Do's & Don'ts

#5

A large part of interviewing is not about asking questions, but being able to analyze what the client says and doesn't say.

Read body language, voice inflection and energy level for signals of interest

Basic Do's & Don'ts

#6

Be aware of biased questions:
Don't lead the witness-
avoid leading questions.
Pay attention to questions order
Avoid unclear or unanswerable questions

Basic Do's & Don'ts

#7

Be aware of moderator bias:
your own facial expressions, body language, tone, and style of language

Basic Do's & Don'ts

#8

Dig deep and ask why. Don't accept the first answer and move on

Ask difficult questions

Don't ask people to speculate

(i.e. "would you pay for X?")

Basic Do's & Don'ts

#9

Give them the opportunity to ask questions of you. You never know where inspiration will strike!

Basic Do’s & Don’ts

#10

Ask for referrals

The best source of prospects is through existing contacts.

Send them boilerplate text they can use when making the introduction

Customer interviews in a time of pandemic

Customer interviews can be done via Zoom

Upside:

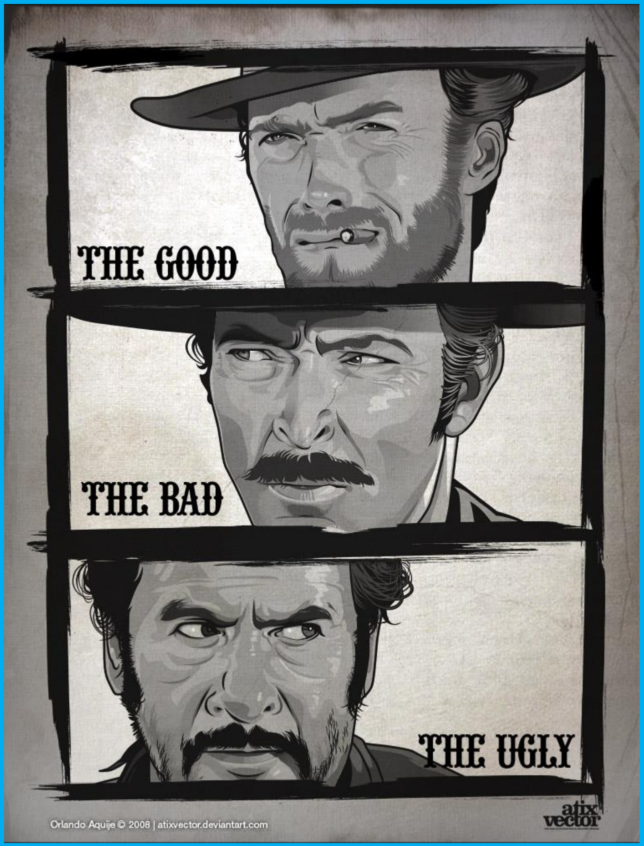
- ✓ It allows you to connect to more people in a shorter period of time
- ✓ you may now be able to get access to people who normally have a cloud of administrative gatekeepers around them
- ✓ You can ask permission to record the talk

Downside:

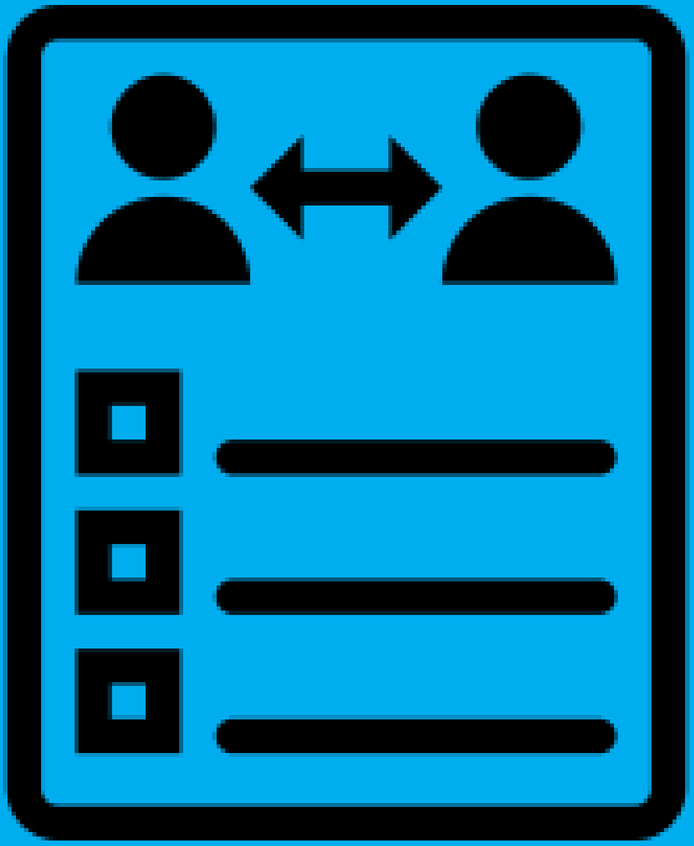
- ✓ you don't get to see what's on their desks, the awards on their walls, the books on their shelves, and other clues about their interests and behavior
- ✓ potential customers cannot hold, feel or use your prototype/ MVP

https://steveblank.com//suriv-19-divoc-eht-fo-emti-eht-ni-yrevocsid-remotsuc/2020/04/07

When it comes to discovering and validating your offering, nothing is a substitute for hearing the good, bad, and ugly first-hand from potential customers



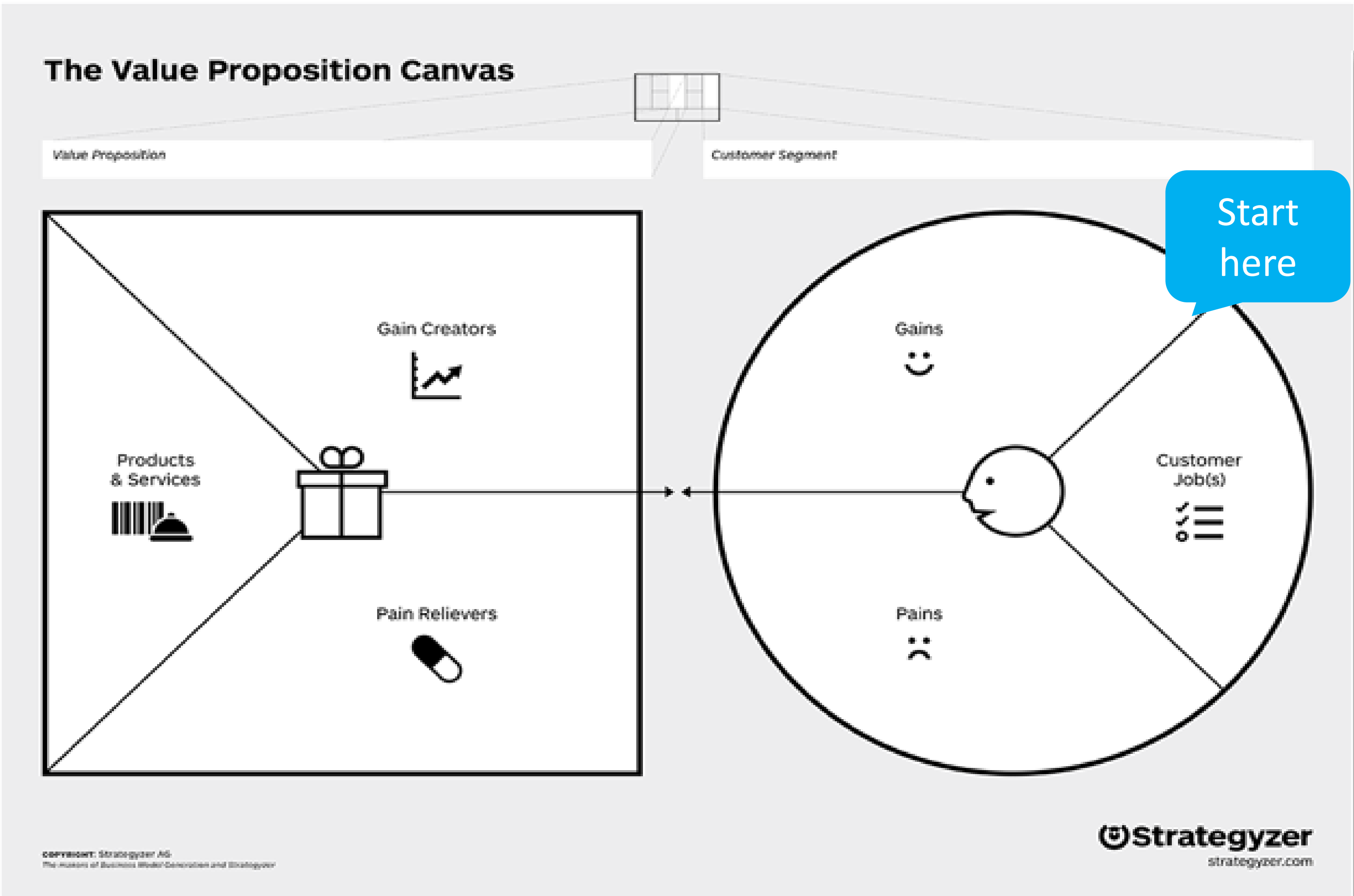
Reflecting & summarizing your learning



Documenting and Analyzing the Data

- ✓ Take good notes (if possible: one person asks the questions and one person takes notes)
- ✓ Summarize and review interview notes immediately after the interview
- ✓ Look for common patterns matching customer-problem-solution
- ✓ Strive for objectivity as best as you can. Keep your mind open
- ✓ Share your notes with your team. You'll get different perspectives
- ✓ Document all interview notes with date and contact details

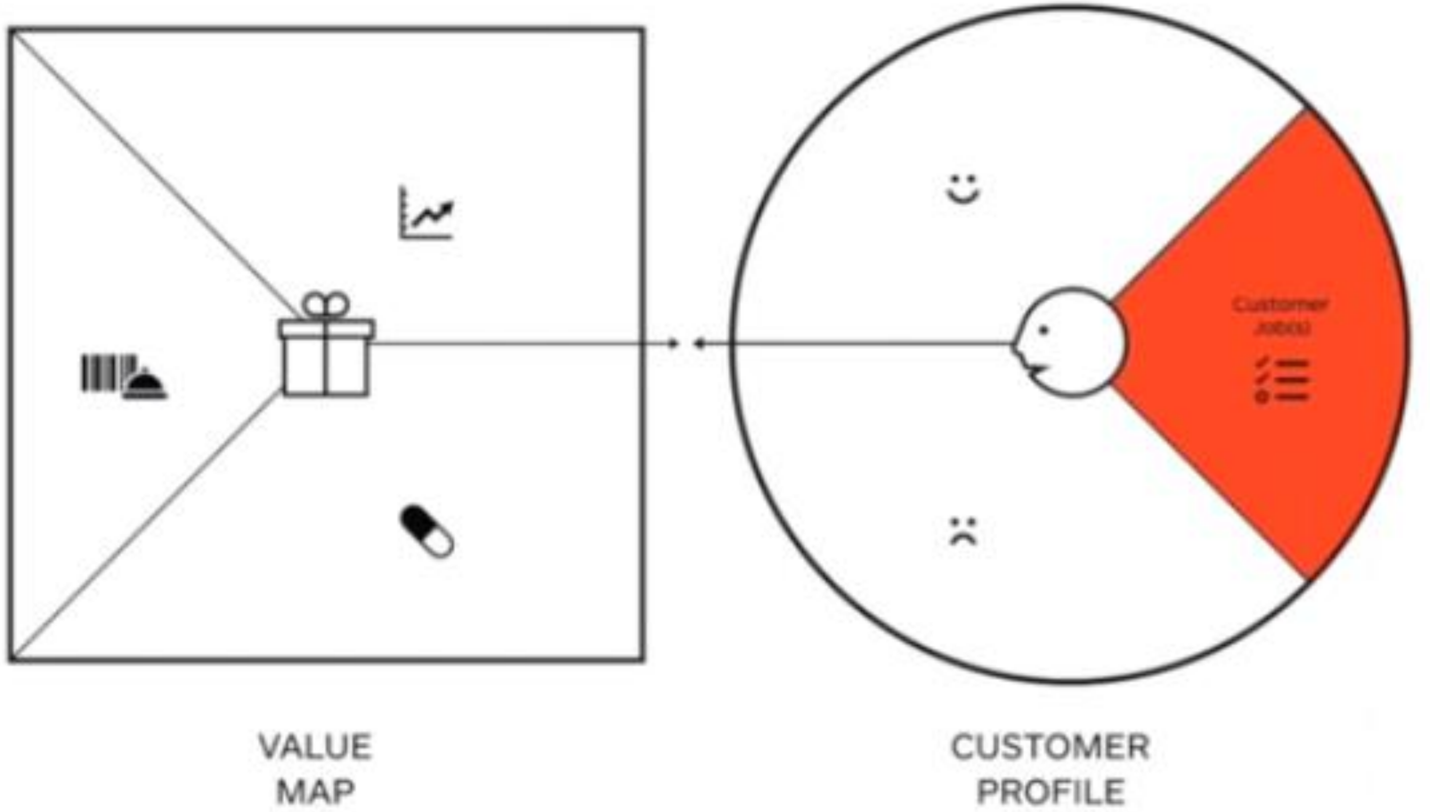
A tool to reflect on your learning



https://www.youtube.com/watch?v=ReM1uqmVfP0

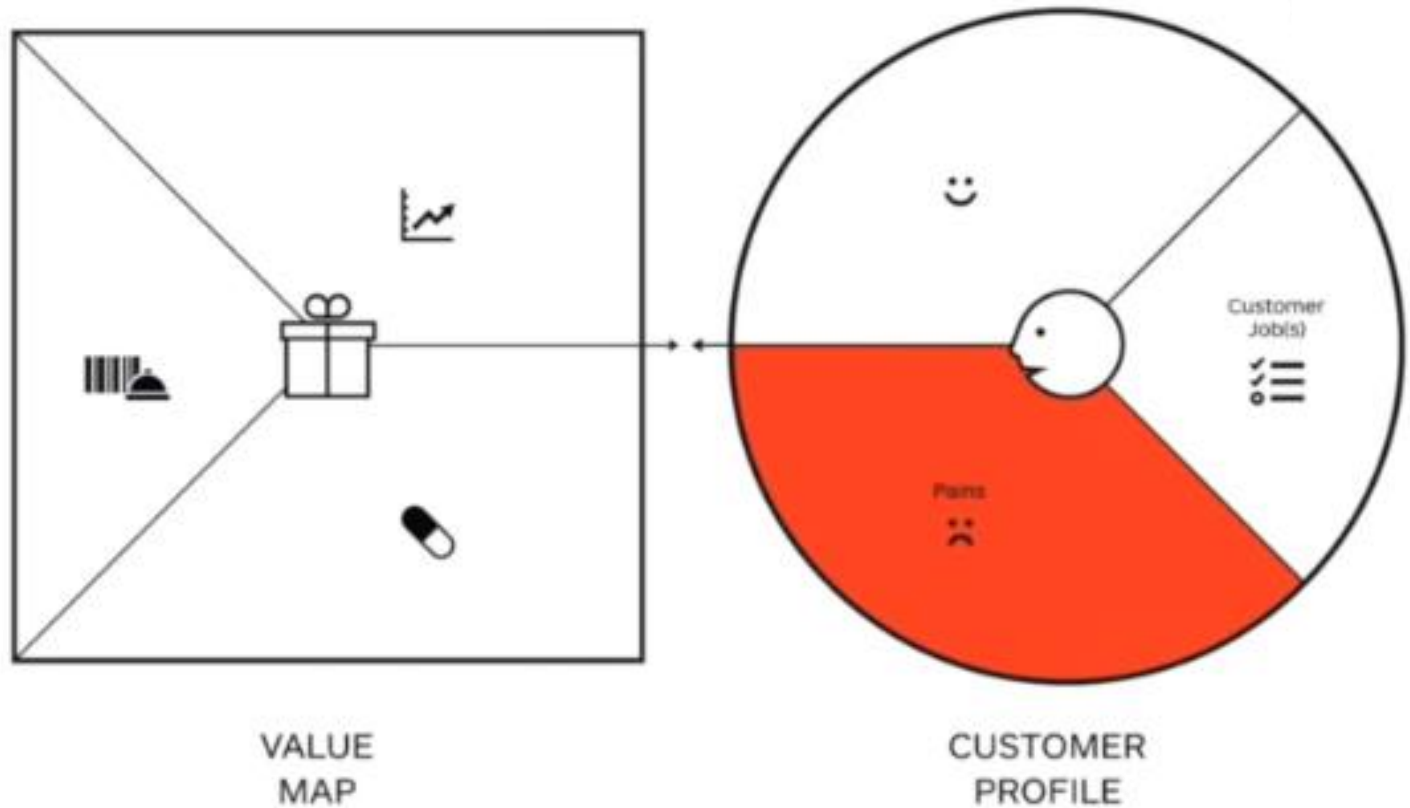
Source: www.strategyzer.com

Customer profile



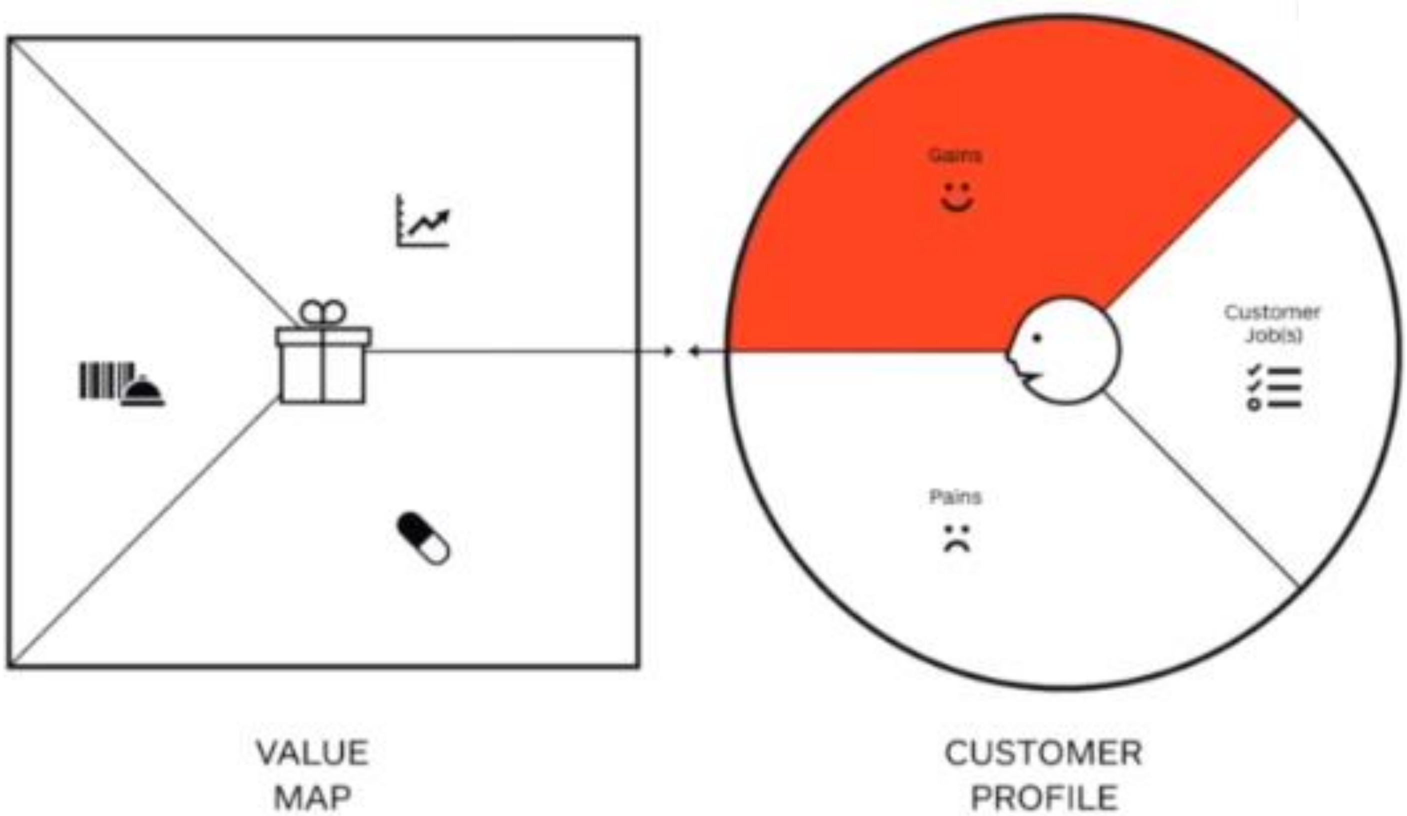
The tasks that customers are trying to achieve. It can be functional, social or emotional

Customer profile



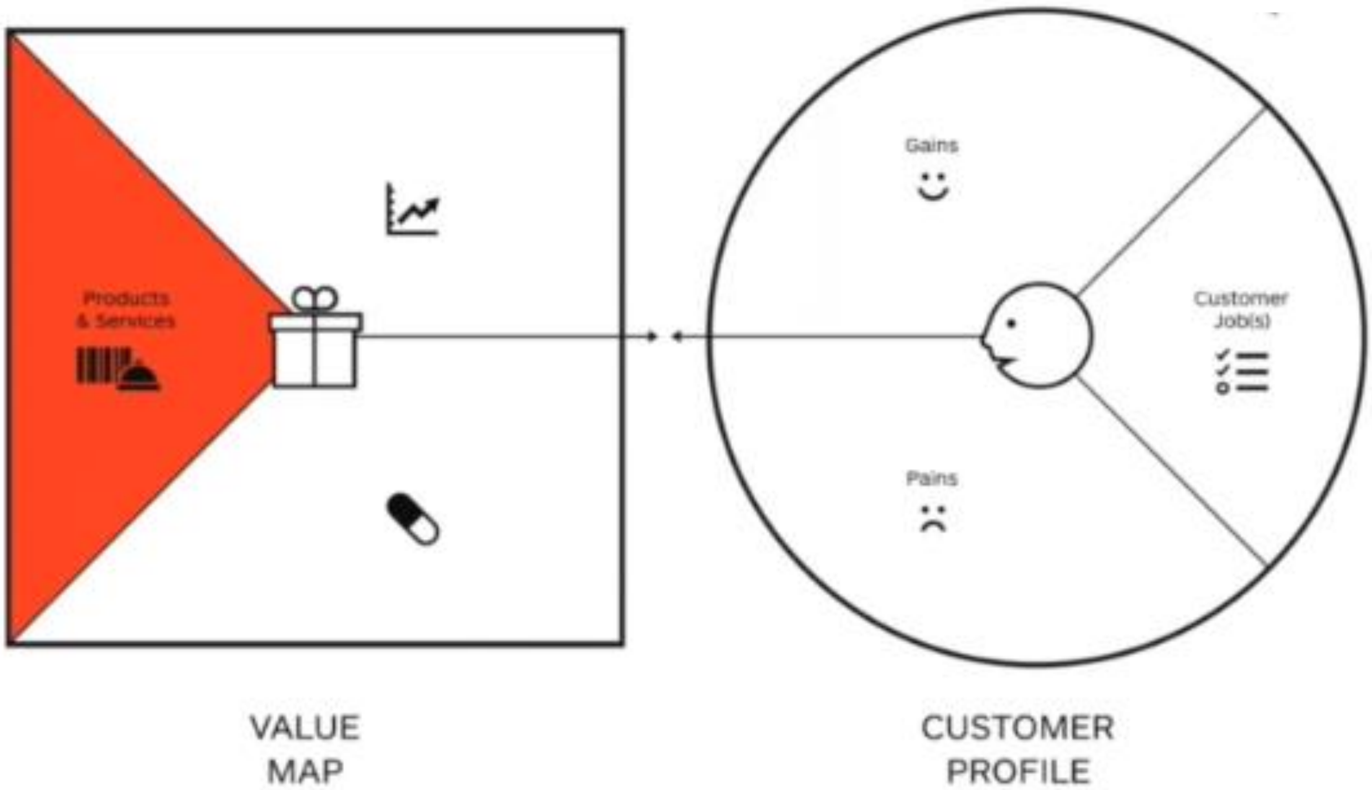
Things that prevent a customer from doing a job well: what they don’t like about the existing solutions, how they measure failure of a job not done well

Customer profile



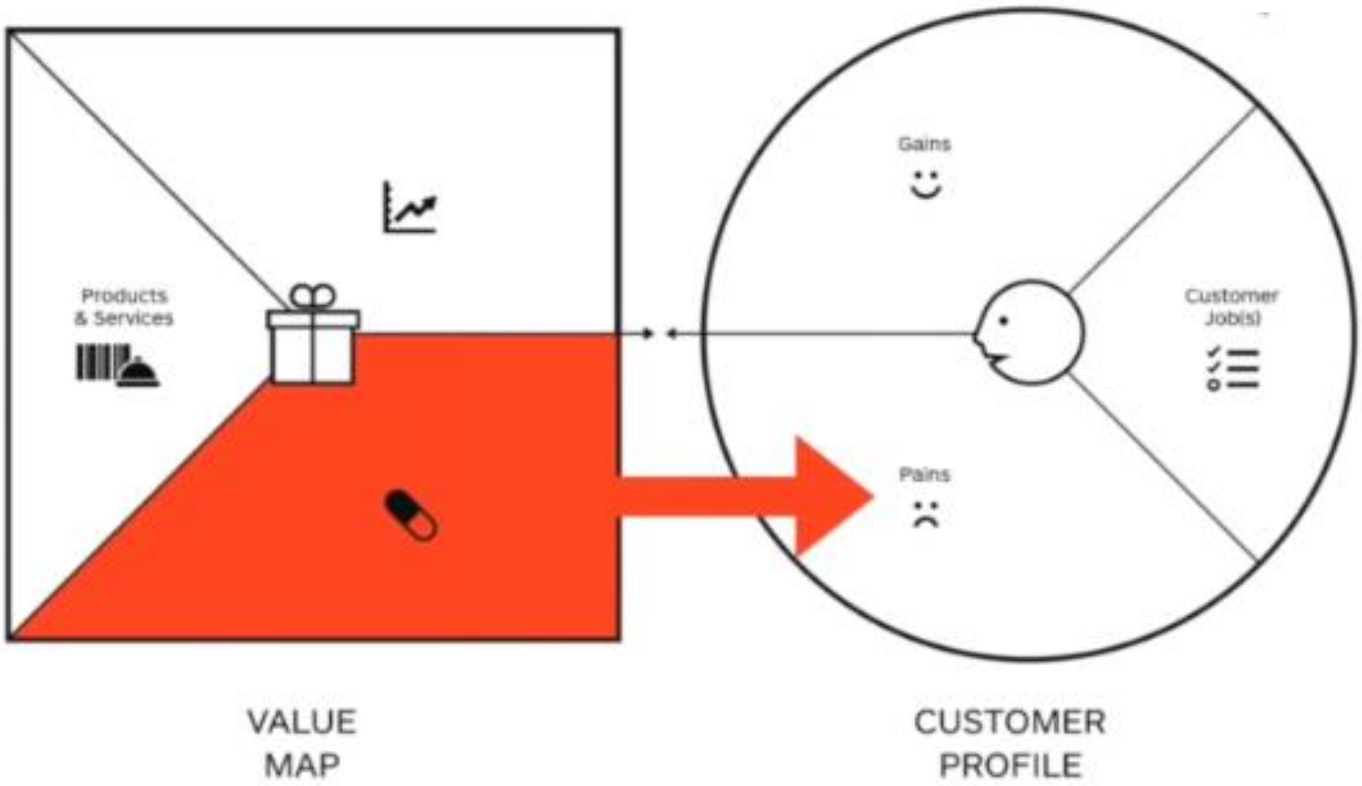
Customers' objectives, how they measure success of a job well done

Value Map



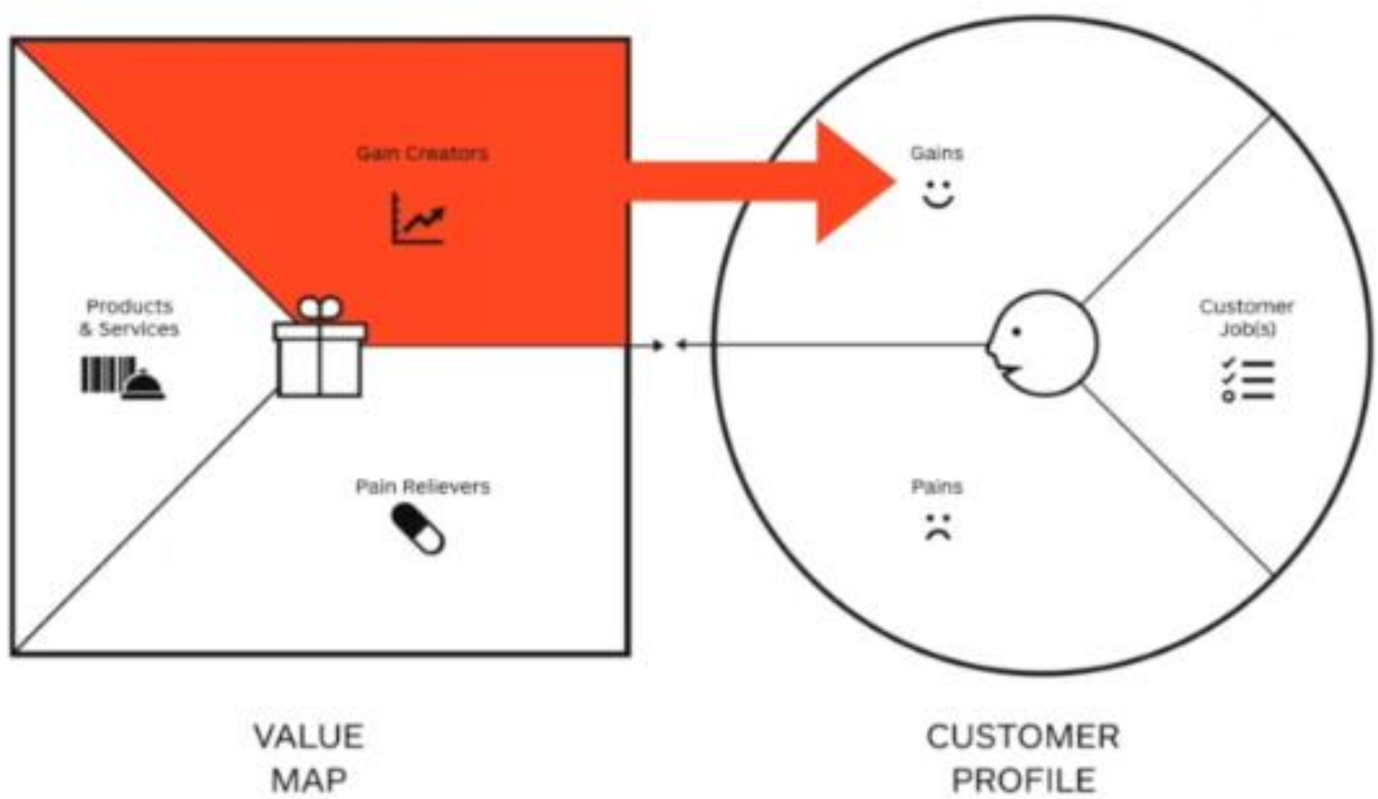
What are the products/ services that you offer to the customers

Value Map



The problem solvers: how the products/ services minimize (or eliminates) the pain of the customers

Value Map

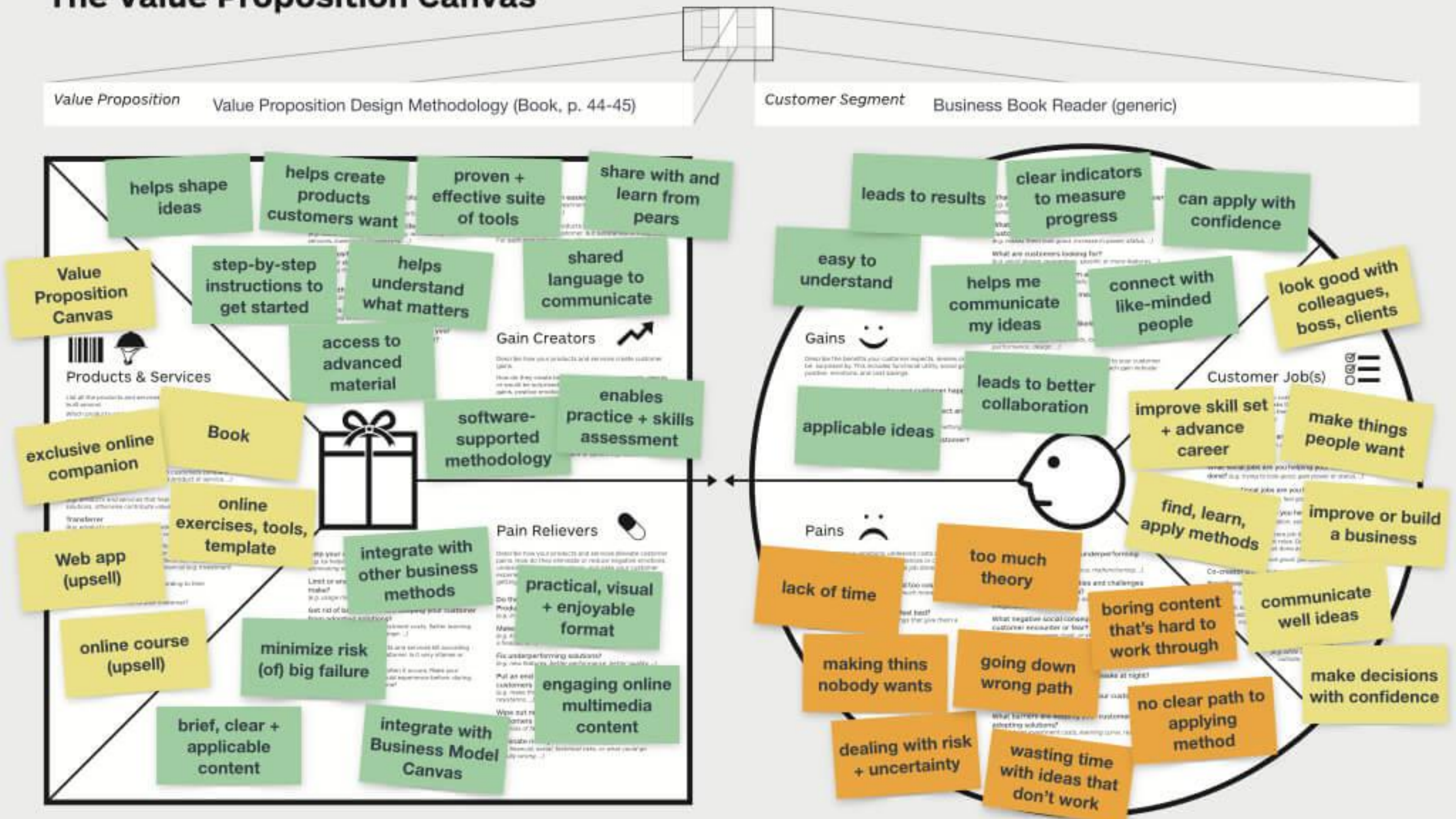


The positive outcomes of your solution that relate to what customers are trying to achieve

Example: business book readers

Source: Value Proposition Design/ Osterwalder & Pigneur

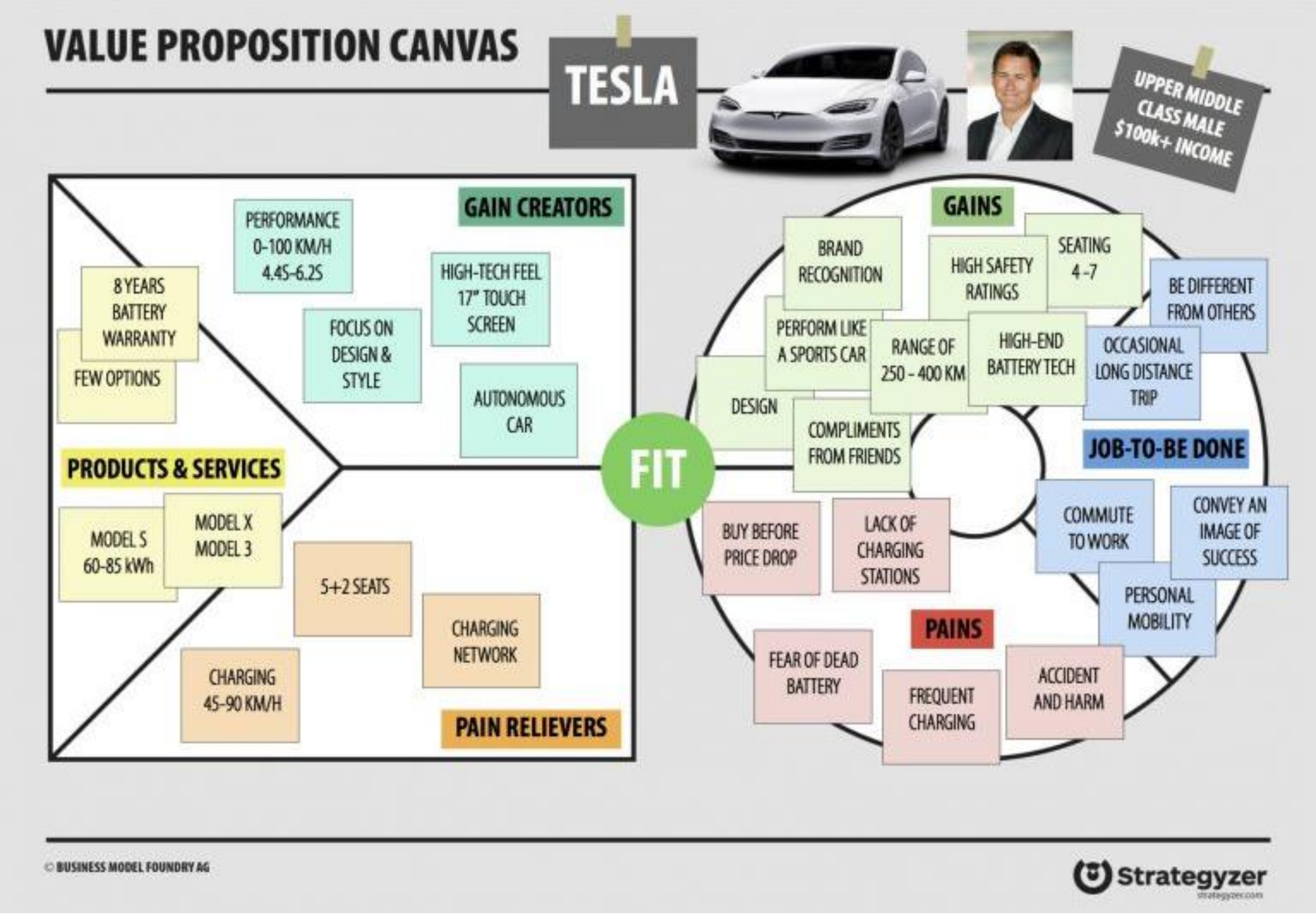
The Value Proposition Canvas



Strategyzer

strategyzer.com

Example: Tesla



Source: https://designabetterbusiness.com/2017/10/12/how-to-really-understand-your-customer-with-the-value-proposition-canvas/

Phrasing your value proposition

1. Geoff Moore's Value Positioning Statement

Template

For _____________ (target customer)

who _____________ (statement of the need or opportunity)

our (product/service name) is _____________ (product category)

that (statement of benefit) _____________ .

Source: 7-proven-templates-for-creating-a-winning-value-proposition-for-your-business

Phrasing your value proposition

1. Geoff Moore's Value Positioning Statement

Template	Sample(s)
For _____________ (target customer)	For non-technical marketers
who _____________ (statement of the need or opportunity)	who struggle to find return on investment in social media
our (product/service name) is _____________ (product category)	our product is a web-based analytics software
that (statement of benefit) _____________ .	that translates engagement metrics into actionable revenue metrics.

Source: 7-proven-templates-for-creating-a-winning-value-proposition-for-your-business

Phrasing your value proposition

2 . Steve Blank's XYZ

Template

"We help X do Y doing Z".

Source: 7-proven-templates-for-creating-a-winning-value-proposition-for-your-business

Phrasing your value proposition

2 . Steve Blank's XYZ

Template

"We help X do Y doing Z".

Sample(s)

We help non-technical marketers discover return on investment in social media by turning engagement metrics into revenue metrics.

Source: 7-proven-templates-for-creating-a-winning-value-proposition-for-your-business

Phrasing your value proposition

3. Patrick Vlaskovits & Brant Cooper's CPS

Template

Customer: ____________ (who your customer is).

Problem: ____________(what problem you're solving for the customer).

Solution: ____________ (what is your solution for the problem).

Source: 7-proven-templates-for-creating-a-winning-value-proposition-for-your-business

Phrasing your value proposition

3. Patrick Vlaskovits & Brant Cooper's CPS

Template

Customer: _____________ (who your customer is).

Problem: _____________(what problem you're solving for the customer).

Solution: _____________ (what is your solution for the problem).

Sample(s)

Customer: I believe my best customers are small and medium-sized business (SMB) markets.

Problem: Who cannot easily measure campaign ROI because existing solutions are too expensive, complicated to deploy, display a dizzying array of non-actionable charts.

Solution: Low cost, easy to deploy analytics system designed for non-technical marketers who need actionable metrics.

Source: 7-proven-templates-for-creating-a-winning-value-proposition-for-your-business

Beyond customers interviews

- ✓ Interview experts, suppliers, partners
- ✓ Discussion forums
- ✓ Online surveys
- ✓ Online ads & simple landing page
- ✓ Interactive prototypes
- ✓ Crowd funding
- ✓ And many more…

Questions

Your next assignment

For each market opportunity in your set, prepare your customers interview:

- ✓ Assign 1 team members for investigating each market opportunity
- ✓ Answer the guiding questions for setting your value proposition assumptions
- ✓ Prepare your interview questions for each part of the talk
- ✓ Set interviews with at least one potential customer (for the period between blocks)
- ✓ Summarize your learning with the Value Proposition Canvas and phrase your value proposition clearly