Let's talk details about Customer Discovery

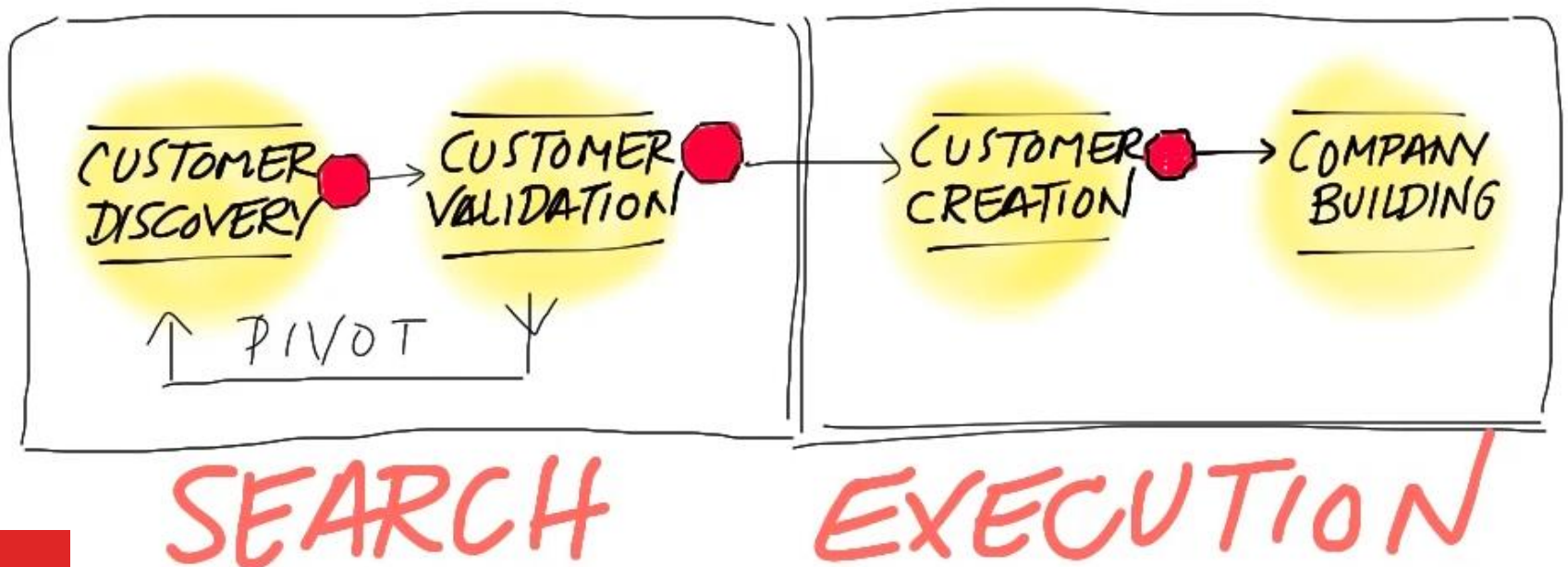### (the core of the Lean Startup method)

eship rpi

Why is Customer Discovery Important?

Customer Discovery is *how you search* for the business model

Building the Business Model

Step 1: Understand that everything you "know" about your business is just a guess until you can validate it.

Customer discovery is the method by which you test the assumptions in your business.

Tests -> Insights ->*Changes*

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
Audio Middleware Companies	**Problem Solving** Refine and improve 3D audio algorithms	**Better Performance** 3D immersive sound Higher gaming scores More realism ~~Reduced ear fatigue~~ ~~Pinpoint sounds~~	**Personal Assistance and Self-service** Small support staff, emphasize web support	~~PC Gamers~~ **PC Game Developers**
	Key Resources **Intellectual Property** Proprietary knowledge, brand, patents, trade secrets, Audio experts, software developers		**Channels** ~~Game Engine Companies~~ **Audio Middleware Companies**	

Cost Structure	Revenue Streams
Audio & Software Engineers **IP License Fee to UMD** **Software development tools**	**SW License, Per Title, Per Seat for Plug-in**

What is the goal of customer discovery?

The end *goal is to turn all your guesses into facts and gain customers*

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
Fact	**Fact**	**Fact**	**Fact**	**Fact**
	Key Resources		Channels	
	Fact		**Fact**	

Cost Structure	Revenue Streams
Fact	**Fact**
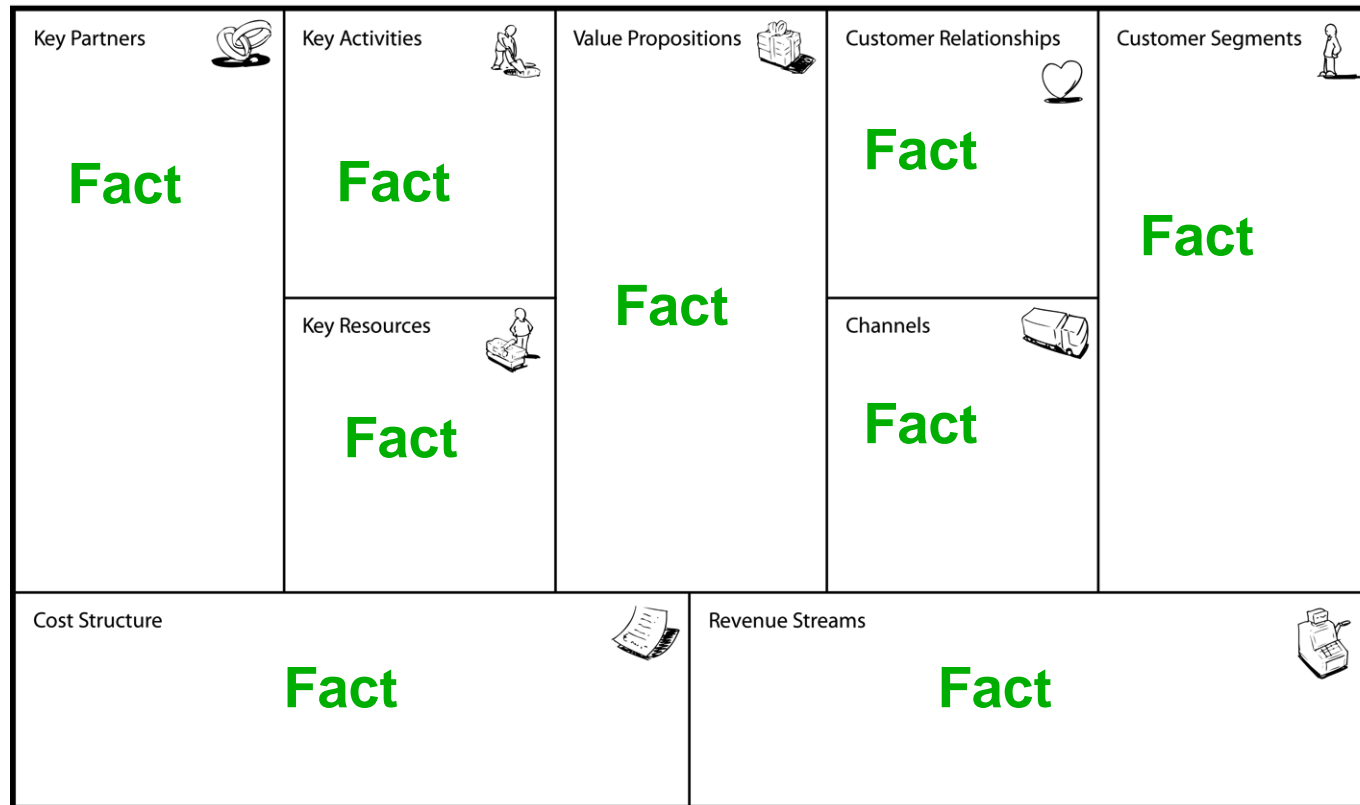
+ FIRST CUSTOMERS

How do you go about *doing* customer discovery?

eship rpi

Customer discovery involves the *interviewing* of customers (and others related to the guesses you made about your business).

eship rpi

Interviews help you identify real problems and needs

Value Propositions

Customer Segments

Identify customer *problems* and *needs*

what's your biggest headache?

eship rpi
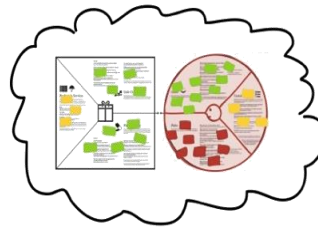
Interviews test the understanding with different customers
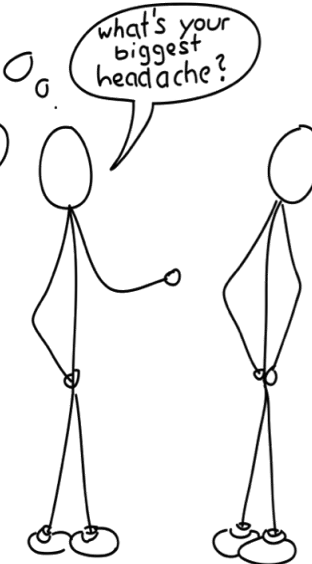

Value Propositions

Customer Segments

Identify customer *problems* and *needs*

what's your biggest headache?
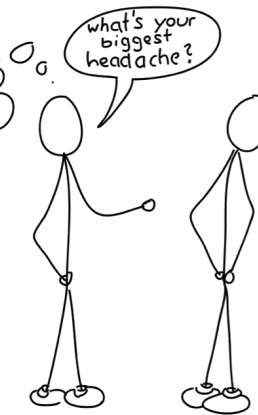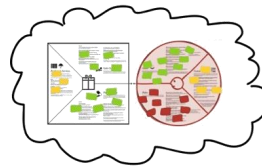
Test your guesses about value propositions and customer segments by interviewing potential customers.

eship rpi

In addition to
Value Propositions…
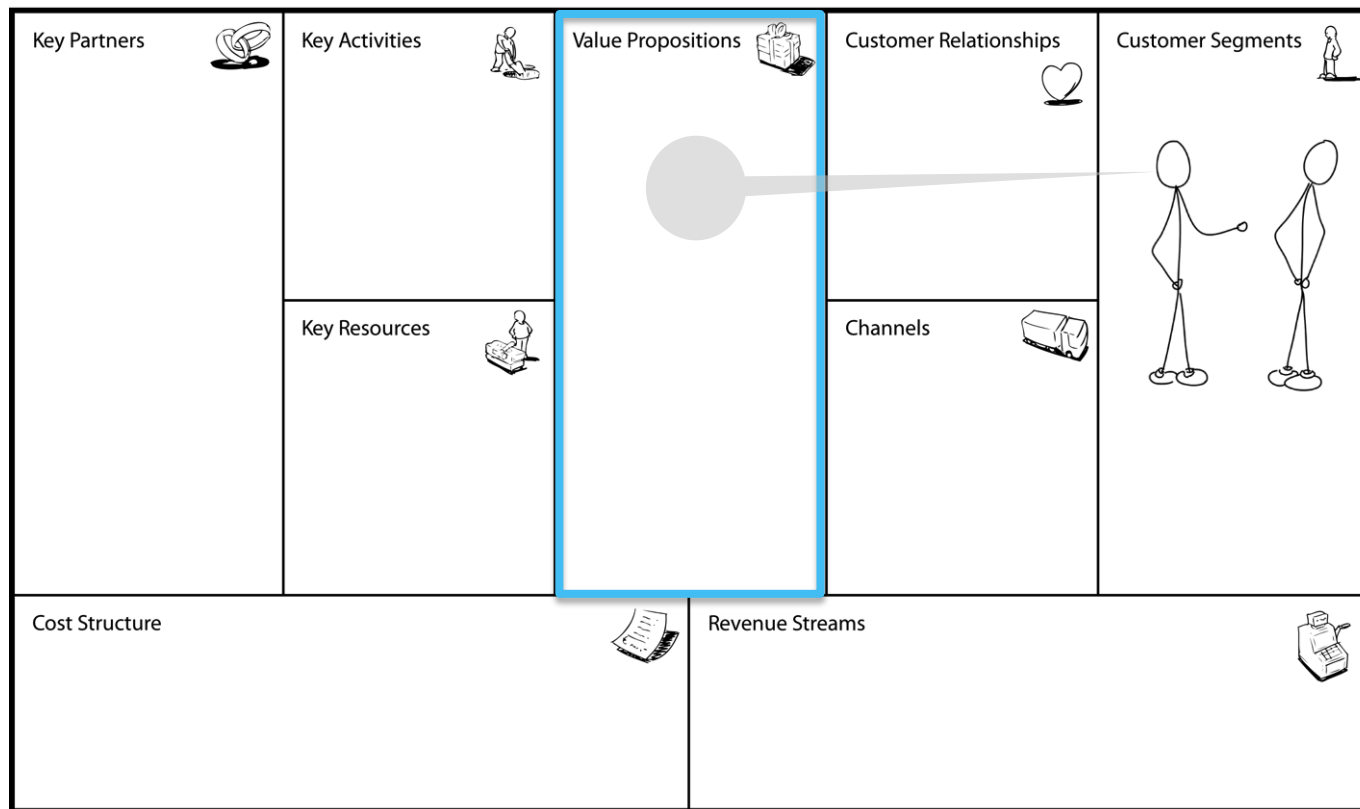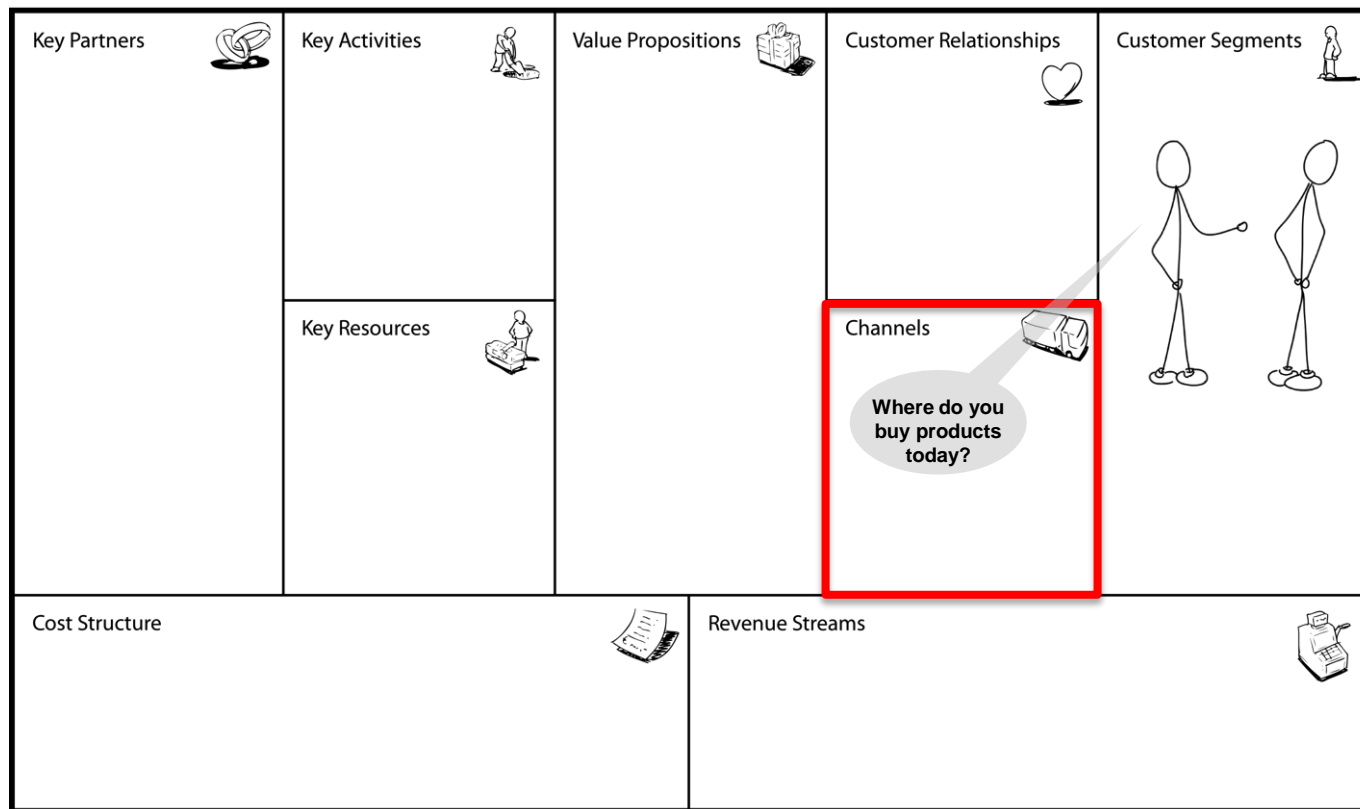
Also talk to customers
about these boxes

Also talk to customers
about these boxes

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
	Key Resources		Channels	

Cost Structure	Revenue Streams
	What would this be worth to you?
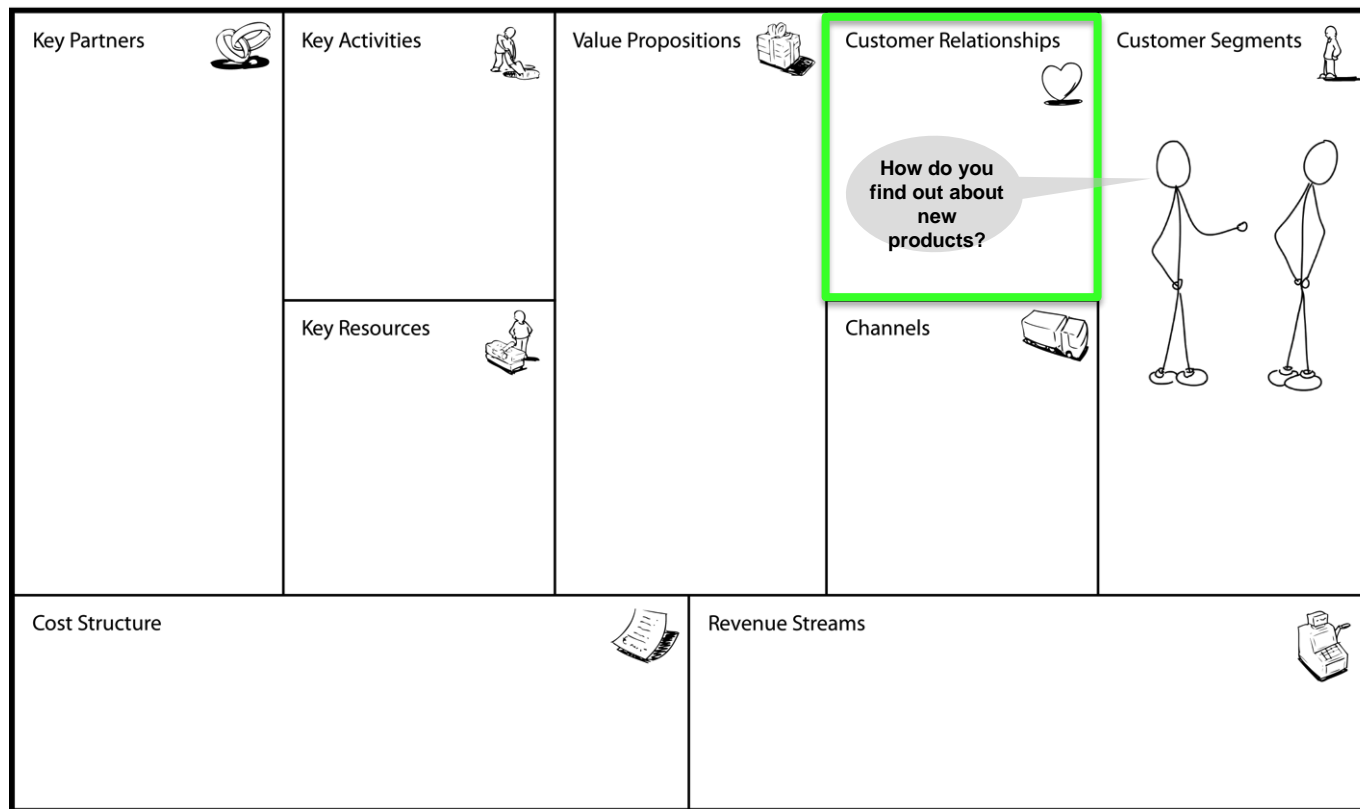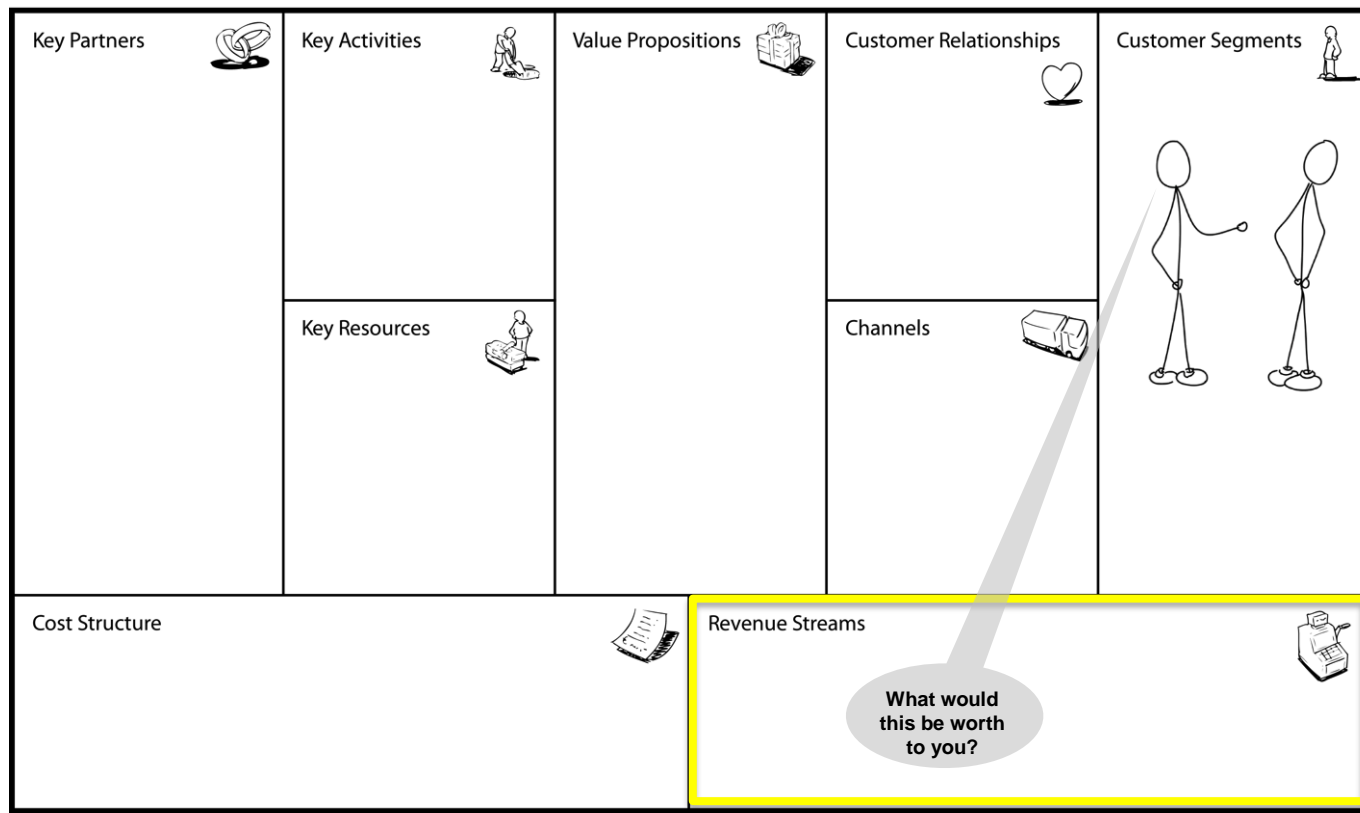
Remember

You are talking to customers to *identify problems and needs…*

…you are <u>not</u> asking them to buy your product!

What general questions would you ask to identify problems/needs?

Customer Discovery (Stage 2 The Interview)

- Could you tell me a bit about how you do _____ today?

- What are your biggest challenges regarding _____ ?

- What would you consider you biggest overall challenge?

- What else should I have asked you today?

Example Business Model Canvas

Google Business Model

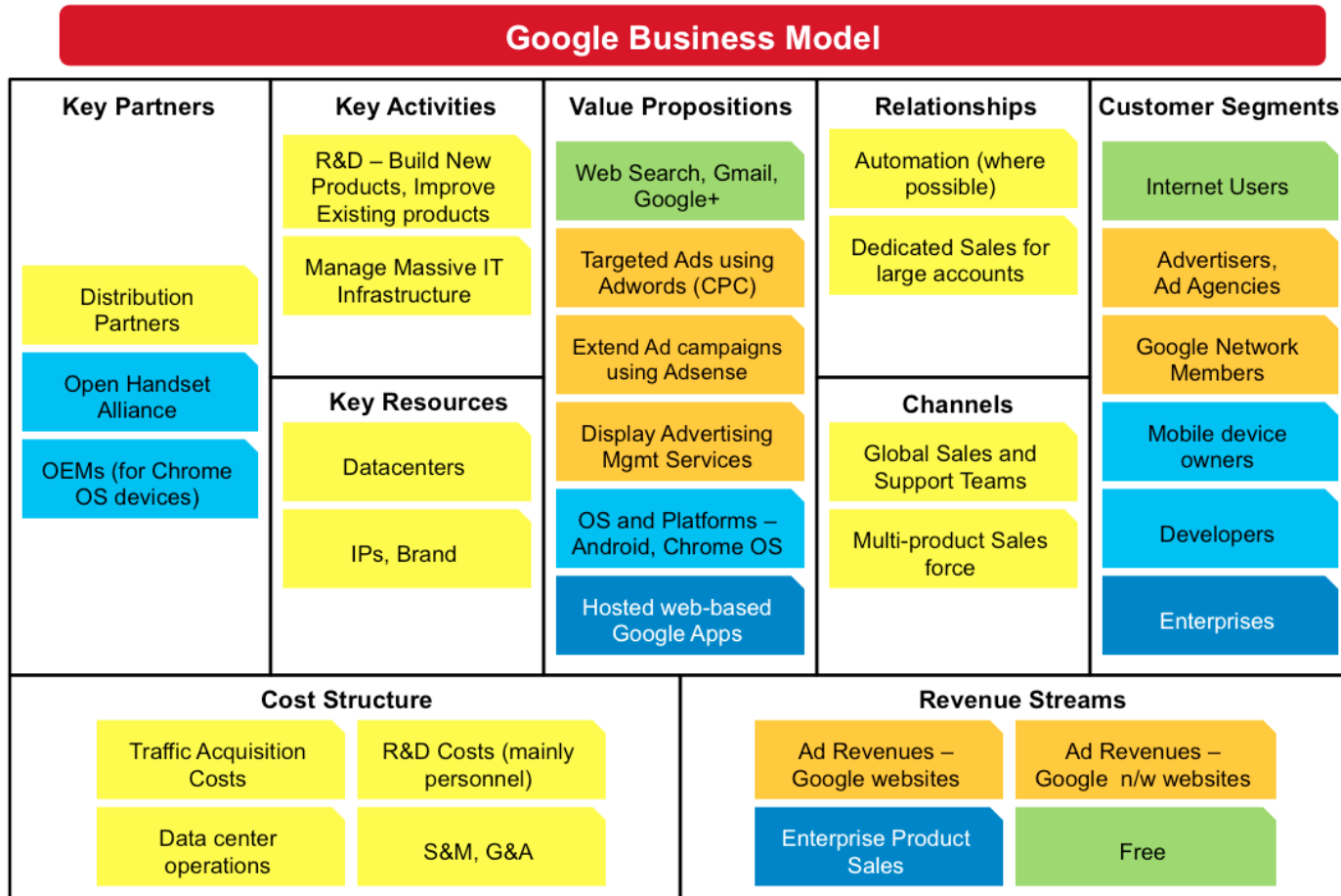| Key Partners	Key Activities	Value Propositions	Relationships	Customer Segments
	R&D – Build New Products, Improve Existing products	Web Search, Gmail, Google+	Automation (where possible)	Internet Users
Distribution Partners	Manage Massive IT Infrastructure	Targeted Ads using Adwords (CPC)	Dedicated Sales for large accounts	Advertisers, Ad Agencies
Open Handset Alliance		Extend Ad campaigns using Adsense		Google Network Members
OEMs (for Chrome OS devices)	**Key Resources**	Display Advertising Mgmt Services	**Channels**	Mobile device owners
	Datacenters		Global Sales and Support Teams	
		OS and Platforms – Android, Chrome OS	Multi-product Sales force	Developers
	IPs, Brand	Hosted web-based Google Apps		Enterprises

Cost Structure		Revenue Streams	
Traffic Acquisition Costs	R&D Costs (mainly personnel)	Ad Revenues – Google websites	Ad Revenues – Google n/w websites
Data center operations	S&M, G&A	Enterprise Product Sales	Free

www.businessmodelgeneration.com

Customer Discovery (Stage 1 Pregame)

- Understand that you are likely wrong about your customer needs

- Setup the interview asking 20 minutes to discuss existing challenges around _____

- Be bold, but safe, in choosing candidates to interview

eship rpi

Customer Discovery (Stage 2 The Interview)

- Don't try to sell your product
- Don't try to demo your product

Customer Discovery (Stage 2 The Interview)

- Death by Power Point:
  - https://vimeo.com/groups/204136/videos/76171146
- Death by Demo
  - https://vimeo.com/groups/204136/videos/76390080
- Death by Demo 2
  - https://vimeo.com/groups/204136/videos/76172223
- Understanding Challenges
  - https://vimeo.com/groups/204136/videos/76173388

eship rpi

Customer Discovery (Stage 3 Postgame)

- Write down notes in centralized place where mentors and team members can find them
- Assess which hypotheses from your business model canvas were suggested by the interviewees. (validation)
- Assess which hypotheses were not supported. (invalidation)
- What new hypotheses were suggested?

Customer Discovery (Stage 3 Postgame)

- Go back to your canvas and update it with your findings.

- Cross out (invalidated) guesses if multiple interviewees disagree with it. This shows that you are learning.

- Pivot in a new direction if needed.

eship rpi

Prepared for the high school student audience by Dr. Jason Kuruzovich

Professor of Information Systems
Director of the Severino Center for Technological Entrepreneurship at RPI

Eship.rpi.edu