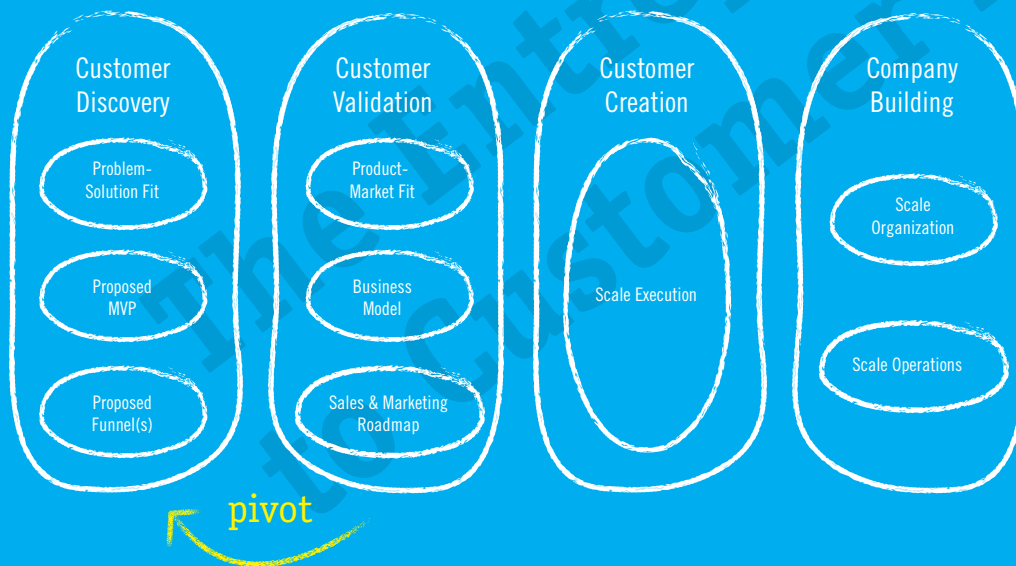


The Entrepreneur's Guide to Customer Development

A "cheat sheet" to *The Four Steps to the Epiphany*



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Foreword by Steven Gary Blank

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Positioning

In a Nutshell: *Positioning is the act of placing your product within a market landscape, in your audience's mind.*

In Geoffrey Moore's *Crossing the Chasm*, product positioning includes the following insights: knowing who your customers are and their needs; the name of your product and its product type or category; what the key benefit of the product is to your customer (the compelling reason to buy); the "state of being" without your product; and how your product differs or "changes the game."

Your positioning will form the basis of your communications with all of your constituents, including customers, investors, partners, employees, etc. For your customer, the goal of positioning is to have them understand what benefit they will receive from you and why you are better than everyone else.

Notes:



Your **differentiator** is not your compelling reason to buy, but **the benefit** the differentiator provides, likely is. So, for example, if you are the first to offer a sales force automation tool in a SaaS business model, your customers don't buy **because** you are SaaS, though this is your primary differentiator. They buy because of the benefits that SaaS provides outweigh the benefits that an in-source solution provides: IT costs are lower; deployment costs are lower; remote access is easier; integration with the web is easier; web interface lowers training costs, etc.

Your positioning varies by audience. In the example from the Market Type discussion, "Facebook for Seniors" is bad positioning for you customer, but perhaps very appropriate for investors, partners, and some media and analysts. This leads us to issue a note of caution when briefing media (PR) and analysts (AR) too early: **wrong positioning (and untimely PR) can kill your company**. If you are branded by media and analysts in a way that confuses customers or lumps you with existing products incorrectly, you may never be able to undo the damage.



Brainstorm Business Model Hypotheses

Objective: *Document all the assumptions required to build, market, and sell your product to the identified customer segment.*

You have three more major sets of hypotheses to document:

1. Your business – document your assumptions concerning business model, partners, relationships, and dependencies captured in your ecosystem diagram.
2. Your product – document the feature requirements you believe are necessary to complete your final MVP.
3. Your funnel – document your assumptions about how you will acquire and convert your customers.

Business Assumptions

Return to the diagram you created in the last chapter and flesh out all of the assumptions that your diagram suggests. For example:

- My **product** reaches my customers through these distribution methods (e-commerce, SaaS, VARs, Resellers, inside sales, direct sales, etc.)
- I need to **partner** with the following companies in order to deliver a complete solution to my customer's problems
- We believe this % of free users will **upgrade** to premium accounts annually
- We will **monetize** free users via advertisers, advertising networks, data miners, lead purchasers, etc.
- Some users will pay for premium features

MVP Assumptions

Return to your Value Path diagram and document your objective for the first MVP, its “currencies,” and assumptions regarding the minimum features required. If you have no intermediate MVPs, refer to your final proposed MVP. The final MVP must describe the minimum product features required that will result in each entity participating in your entire assumed ecosystem.

- Free users require these features to sign up and be active users
- What do account level 1 users require for these features to sign up and pay \$x?
- Advertisers will pay \$z for y # of active users/mo
- Businesses will sign a Letter of Intent based on a live demo of these features
- Strategic investors will provide development funds by proving this works in a live demo
- Users will click on the “more info” button, upon reading content of the landing page