Module 0: Introduction

Lex McCusker
Director
GW New Venture Competition

lexmccusker@gwu.edu
973.896.5754
Lex McCusker, Director GW NVC

- Former Dean of School of Business at Stevens Institute of Technology in Hoboken, NJ
- 23 Years at AT&T & Bell Labs in Software Development, Professional Services and Tech Licensing
- Mentor, Advisor, Angel Investor

lexmccusker@gwu.edu
973.896.5754
These modules are for you, if

• you’ve got an idea for a product or a service that you believe could have a big impact in the “real world,” and

• you think that a new entrepreneurial venture, a startup, might be the best way to move it from being just an idea into a successful implementation.
In the four modules, I will

• introduce the minimum set of concepts that you need before you start;
• explain the basic concepts;
• point you to good reference books, articles and other videos so you can go deeper into each topic.
Where Do I Start?: Four Video Modules

Module 1 – Problem-Solution Fit
Module 2 – The Lean Startup Method
Module 3 – Business Models and the Business Model Canvas
Module 4 – Customer Discovery

newventure.gwu.edu
Where Do I Start?

Module 1: Problem-Solution Fit

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Where Do I Start: First Exercise

• What is the product or service you intend to provide?
• Who are the customers you are going to provide it to?
• What value does your product or service provide to those customers?
The Three Most Important Elements of Your Startup

- your product (or service),
- your Customer Segments (there is probably more than one) and
- the Value Propositions for those segments.
Quiz Question:

• What is the single most common reason that startup fail?

• There are many reasons, but what is the most common reason?
Why Do Startups Fail? Top Reasons.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Market Need</td>
<td>42%</td>
</tr>
<tr>
<td>Ran Out of Cash</td>
<td>29%</td>
</tr>
<tr>
<td>Not the Right Team</td>
<td>23%</td>
</tr>
<tr>
<td>Get Outcompeted</td>
<td>19%</td>
</tr>
<tr>
<td>Pricing/Cost Issues</td>
<td>18%</td>
</tr>
<tr>
<td>Poor Product</td>
<td>17%</td>
</tr>
<tr>
<td>Need/Lack Business Model</td>
<td>17%</td>
</tr>
<tr>
<td>Poor Marketing</td>
<td>14%</td>
</tr>
<tr>
<td>Ignore Customers</td>
<td>14%</td>
</tr>
<tr>
<td>Product Mis-Timed</td>
<td>13%</td>
</tr>
<tr>
<td>Lose Focus</td>
<td>13%</td>
</tr>
<tr>
<td>Disharmony on Team/Investors</td>
<td>13%</td>
</tr>
<tr>
<td>Pivot gone bad</td>
<td>10%</td>
</tr>
<tr>
<td>Lack Passion</td>
<td>9%</td>
</tr>
<tr>
<td>Bad Location</td>
<td>9%</td>
</tr>
<tr>
<td>No Financing/Investor Interest</td>
<td>8%</td>
</tr>
<tr>
<td>Legal Challenges</td>
<td>8%</td>
</tr>
<tr>
<td>Don’t Use Network/Advisors</td>
<td>8%</td>
</tr>
<tr>
<td>Burn Out</td>
<td>8%</td>
</tr>
<tr>
<td>Failure to Pivot</td>
<td>7%</td>
</tr>
</tbody>
</table>

https://www.cbinsights.com/research-reports/The-20-Reasons-Startups-Fail.pdf
Problem-Solution Fit

To create a successful startup, you need to have

1. a well-defined group of customers and
2. a product or service that
3. solves a problem or satisfies a need or fulfills a desire

that they have.
What’s the Problem?

“Can you identify and validate a problem or need in the market that enough people care about?”
What’s the Solution?

“Do you have a feasible solution (innovation) for meeting this problem or need?”
Value Proposition Design: How to Create Products and Services Customers Want (Strategyzer)
by Alexander Osterwalder and Yves Pigneur
Value Proposition Canvas

The Value Proposition Canvas

Products & Services

Gain Creators

- Value Proposition
- Feature
- Benefit
- Price
- Offer

Pain Relievers

- Value Proposition
- Feature
- Benefit
- Price
- Offer

Customer Job

Gains

- What does your customer believe they will gain by using your product?
- How does your product help them achieve their goals?
- What are the benefits of using your product?
- How does your product solve their problems?
- How does your product make their lives easier?

Pains

- What does your customer believe they will lose by using your product?
- How does your product fail to meet their needs?
- What are the drawbacks of using your product?
- How does your product create problems for your customer?
- How does your product make their lives more difficult?

Customer Segment

Designed for:

Designed by:

Iteration:

16
Further Reading on Product-Market Fit

*Product/Market Fit: the only thing that matters is getting to product/market fit*, by Marc Andreessen, June 25, 2007.

http://web.stanford.edu/class/ee204/ProductMarketFit.html

*The Startup Pyramid* by Sean Ellis, 2014.

http://www.startup-marketing.com/the-startup-pyramid/

*How do you define product market fit*, by Kali Albright.

Module 2: The Lean Startup Method

Lex McCusker
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GW New Venture Competition
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973.896.5754
Lean Startup Method

Why the Lean Start-Up Changes Everything

by Steve Blank
How to Build a Startup: The Lean LaunchPad

Udacity.com

https://www.udacity.com/course/ep245

Instructor: Steve Blank
Steve Blank is a seasoned Silicon Valley entrepreneur and author of two famous books on entrepreneurship, The Four Steps to the Epiphany, and The Startup Owner's Manual.
What’s the “Lean" in the Lean Startup Method?

You are building your startup

• amid uncertainty and incomplete information

• with severely limited resources
The Lean Startup Method

Two key components:
• Defining your business model
• Validating it with customers
Module 3: Business Models and the Business Model Canvas

Lex McCusker
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Quiz Question

What is the definition of a startup?
A Startup Is………..

A **Temporary** Organization
In **Search** of a **Business Model**, that is
Profitable, Sustainable and Scalable.
A Business Model is

A business model is the collection of interrelated elements that represent a functioning business.
A Business Model is

- Conceptual.
  - It is not a functioning business, though all functioning businesses have a business model.
- A coherent set of ideas, intended to answer the question, “How does this business venture make money?” Or in the case of a social entrepreneurship venture, “How does this venture achieve its intended social good and stay financially sound?”
- Existing companies execute a business model; startups search for one!

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The Business Model Canvas

Business Model Generation:
A Handbook for Visionaries, Game Changers, and Challengers
by Alexander Osterwalder and Yves Pigneur.
Osterwalder: The Business Model Canvas

- Short Version (3.5 minutes)
  https://www.youtube.com/watch?v=2FumwkBMhLo

- Longer Version (21 minutes)
  - https://www.youtube.com/watch?v=fEnDHgTR3bg
How to Build a Startup: The Lean LaunchPad

Instructor: **Steve Blank**
Steve Blank is a seasoned Silicon Valley entrepreneur and author of two famous books on entrepreneurship, *The Four Steps to the Epiphany*, and *The Startup Owner's Manual*.

Udacity.com

https://www.udacity.com/course/ep245
The Lean Canvas: An Alternative to the Business Model Canvas

Running Lean: Iterate from Plan A to a Plan That Works (Lean Series) by Ash Maurya
Business Model Canvas: Online Tools

Strategyzer
http://businessmodelgeneration.com/canvas/bmc

Canvanizer
https://canvanizer.com/new/business-model-canvas
Now you can actually get started!

• Fill out a Business Model Canvas for your venture idea.
  ➢ You have already defined your Customer Segments and your Value Proposition
• Do it quickly.
• Just use bullets or short phrases.
• Don’t agonize over it.
• Do it to the best of your current ability.
• Focus most of your energy on your Customer Segments and your Value Proposition.
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THE GEORGE WASHINGTON UNIVERSITY
WASHINGTON, DC
Where Do I Start?

Module 4: Customer Discovery

Lex McCusker
Director
GW New Venture Competition

lexmccusker@gwu.edu
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Your BMC: A Collection of Hypotheses

• What you believe to be true and not necessarily what is actually true.
• You have to be humble enough to accept the notion that the elements of your current business model are only true if they are true in the reality of the marketplace.
• Get out and test the elements of your business model, especially the customer segments, and their respective value propositions.
Get Out of the Building

- Interviews and not surveys,
- Ask mostly open-ended questions and allow the discussion to flow
- Face-to-face for several reasons:
  - Gauge their enthusiasm, their strength of feeling.
  - Discover the unexpected.
- Phone interviews are less valuable than face-to-face interviews
- Remember that you are testing your hypotheses
- When some of them turn out to be wrong, you will want to discover that quickly and adapt your business model accordingly
  - you will want to “pivot”
People, Problems, Solutions
In That Order
People

Learn about them

• Who are they?
• What’s their role?
• What is their typical day like?
• How do they spend their time?
• What do they read?
• What do they do for fun?
• Who are their friends?
Learn about the problems that they see as important.

- What are the top 3 challenges they face?
- What is frustrating, expensive or time consuming?
- What would they change right now if they could?
- How are they solving these problems now?
Solution

• Now you are ready to introduce your solution.
• Start conceptually:
• “If you had a product that would do X, would that be valuable to you?”
• Introduce an Minimum Viable Product (MVP).
• Remember you are not selling, you are learning.
Interviewing Customers

Steve Blank's Customer Discovery Checklist
https://startupweekend.wistia.com/projects/zt618zz0r7

Getting Out of The Building

Customer Development Data
Interviewing Tips

• Listen closely
• Look for patterns.
• Bring along a team mate.
• Interview only one customer at a time.
• Always end with an ask.
  ➢ “Is there anything else that I should have asked you about?”
  ➢ “Can you recommend some other people I should talk to?”
Interviewing Tips: Further Reading

By Giff Constable:

- **12 Tips for Early Customer Development Interviews**
  http://giffconstable.com/2010/07/12-tips-for-early-customer-development-interviews/

- **Talking to Humans: Success Starts With Understanding Your Customers**
  http://www.talkingtohumans.com/
Role Play
Where Do I Start?

• Think Hard About Your
  • Customers,
  • Value Proposition,
  • Problem-Solution Fit.

• Build your Business Model Canvas.
• Get Out and Test it With Real Customers.