



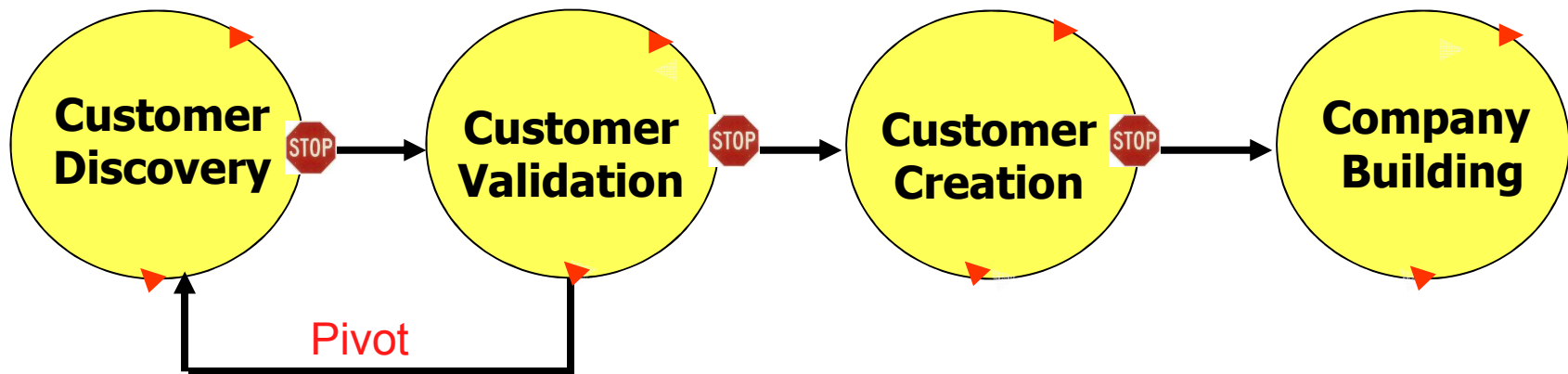
Why Product Managers Need Sneakers

Steve Blank

www.steveblank.com

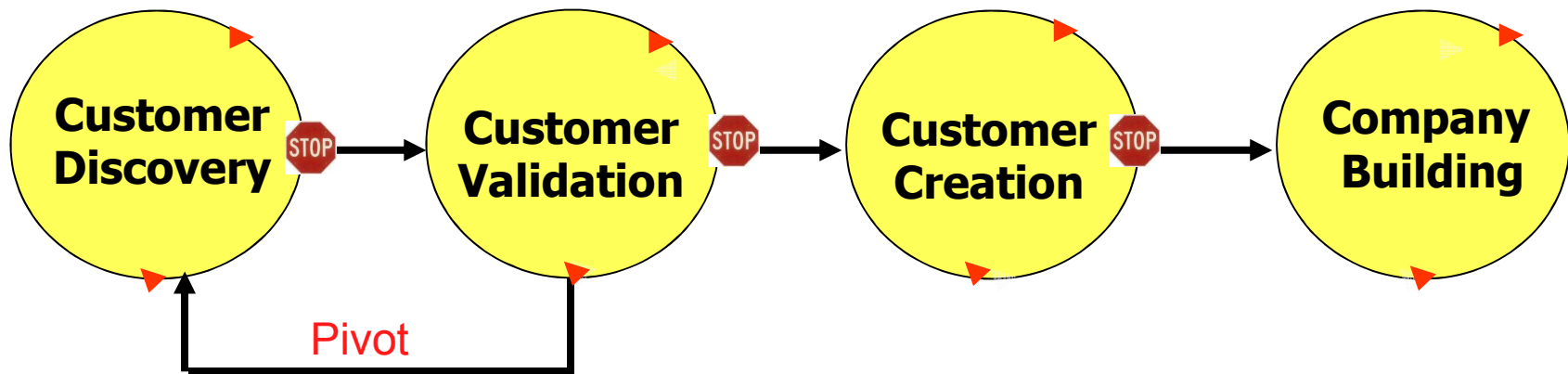
Twitter: sgblank

I Drew This

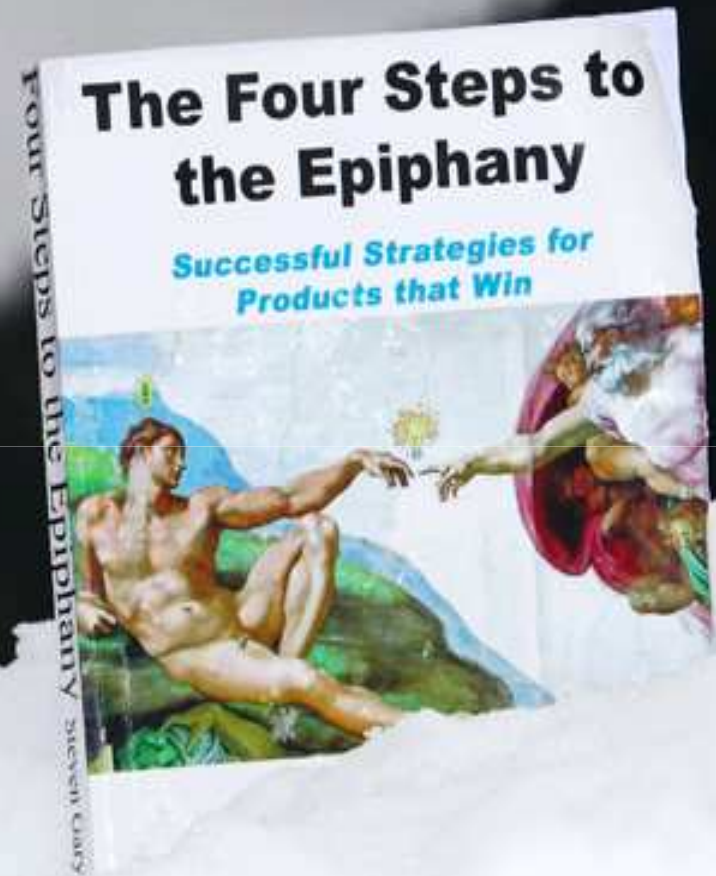


I Called It:

Customer Development



I Wrote This



A Few People Read It



STEVE BLANK

I Write a Blog

www.steveblank.com

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Startups Versus Companies](#)
(15)[E.piphany](#) (3)[ESL](#) (6)[Family/Career](#) (16)[Market Types](#) (8)[Marketing](#) (16)[MIPS Computers](#) (1)

Epitaph for an Entrepreneur

Posted on **June 18, 2009** by [steveblank](#) | [Edit](#)

Raising our kids and being an entrepreneur wasn't easy. Being in a startup and having a successful relationship and family was *very* hard work. But entrepreneurs *can be* great spouses and parents.

This post is not advice, nor is it recommendation of what you should do, it's simply what my wife and I did to raise our kids in the middle of starting multiple companies. Our circumstances were unique and your mileage will vary. Read the [previous post](#) first for context.

Biological Clocks

After Convergent and now single again, I was a co-founder of my next two startups; MIPS and Ardent. I threw myself into work and worked even more hours a day. And while I had great adventures (stories to come in future posts,) by the time I was in my mid-30's I knew I wanted a family. (My friends noticed that I was picking up other people's babies a lot.) I didn't know if I was ready, but I finally could see myself as a father.

I met my wife on a [blind-date](#) and we discovered that not only did we share the same interests but we were both ready for kids. My wife knew a bit about startups. Out of Stanford Business School she went to work for Apple as an [evangelist](#) and then joined [Ansa Software](#), the developer of Paradox, a Mac-database.

Product Launch

Our first daughter was born about four months after I started at [SuperMac](#). We ended up sleeping in the hospital lounge for 5 days as she ended up in intensive care. Our second daughter followed 446 months later.

The Four Steps to the Epiphany

Successful Strategies for Products that Win

Steven Gary Blank

[Read the reviews.](#)[To Order Outside of the U.S.](#)

Not All Those Who Wander Are Lost



Poets from an Entrepreneurial Career

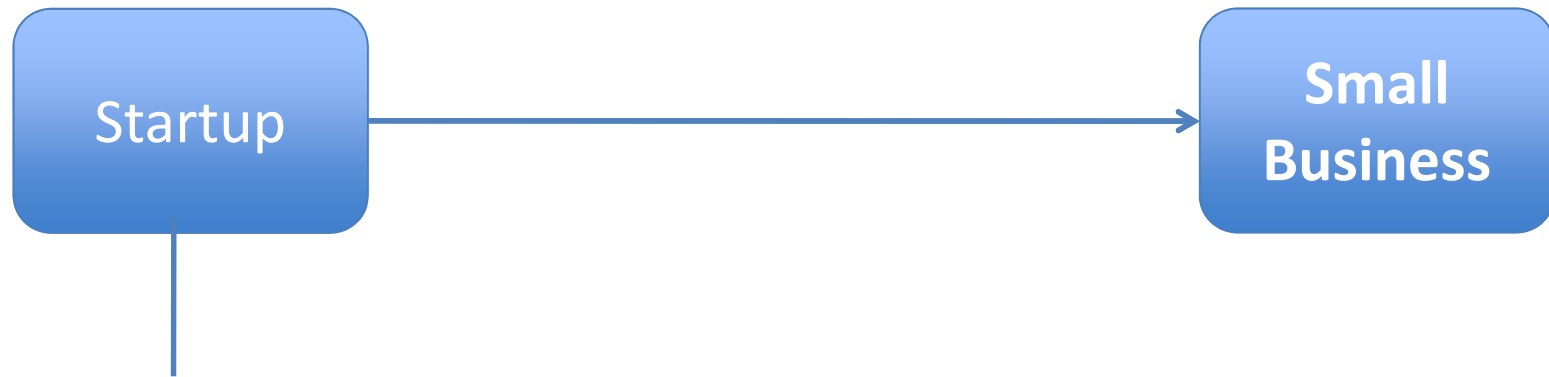
Steve Blank

[Now In Print! Steve Blank's
30 years of Silicon Valley](#)

Five Short Stories

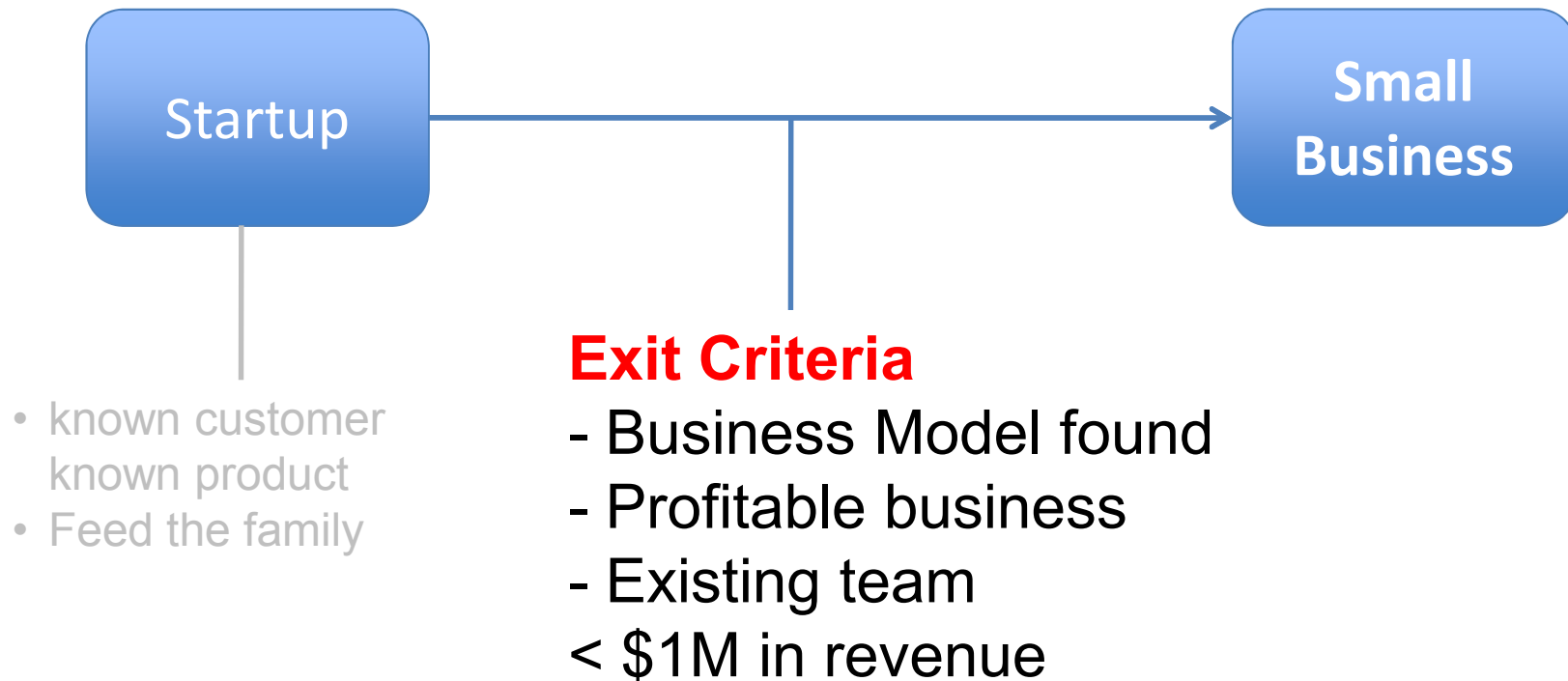
Not All Startups Are Equal

Small Business Startups

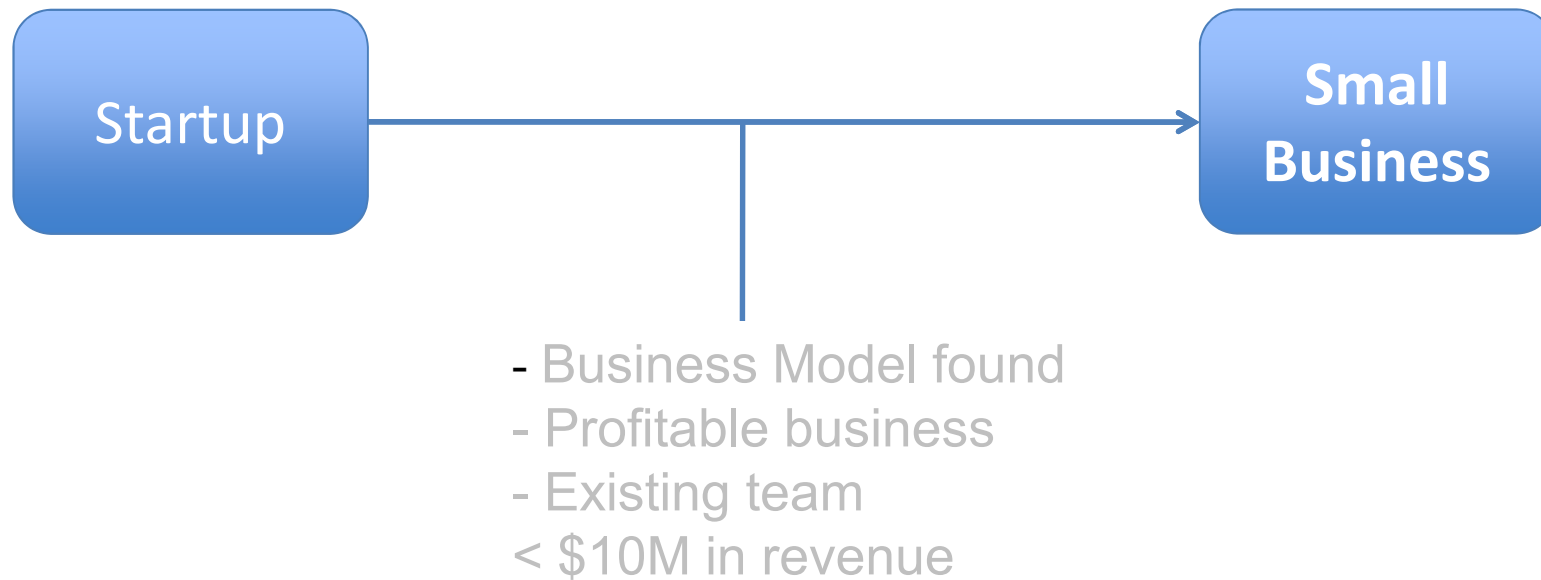


- Serve **known customer** with **known product**
- Feed the family

Small Business Startups

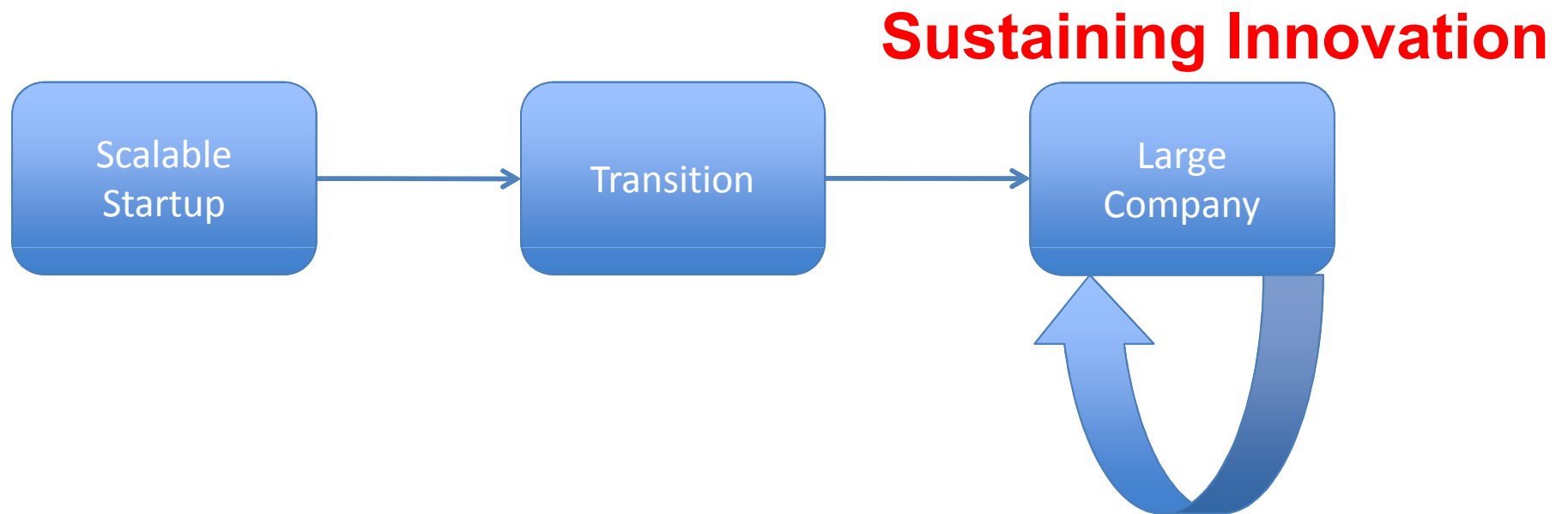


Small Business Startups



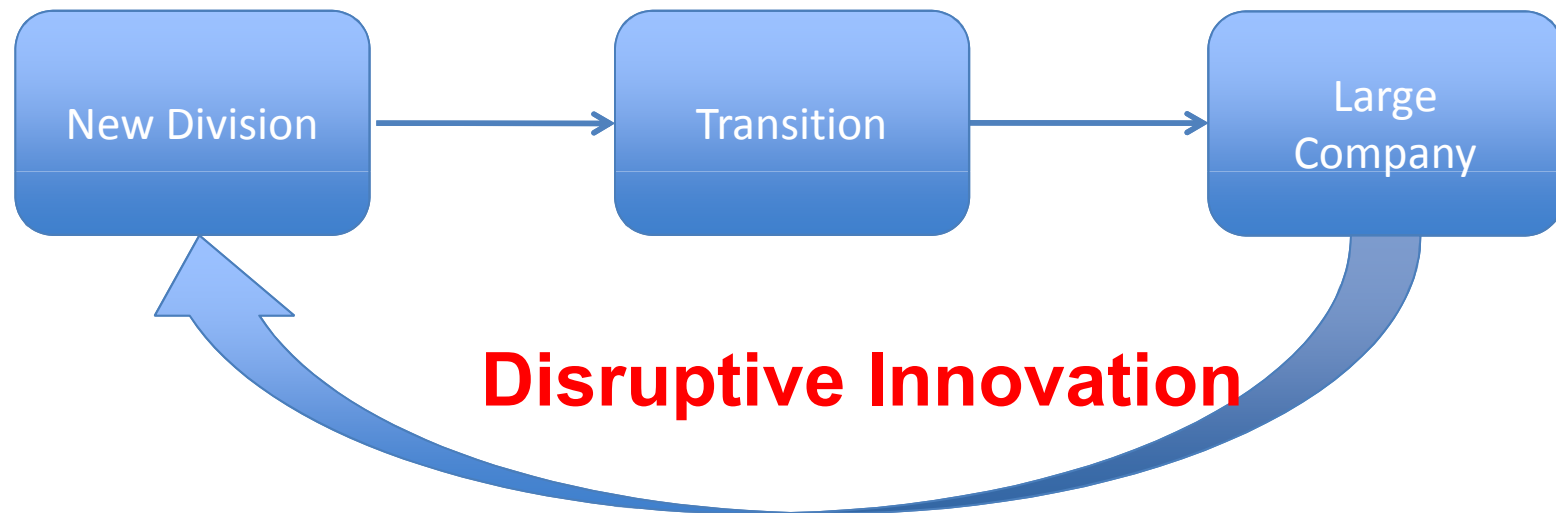
- 5.7 million ***small businesses*** in the U.S. <500 employees
- 99.7% of all companies
- ~ 50% of total U.S. workers

Large Company Sustaining Innovation



- Existing Market / **Known customer**
- **Known** product feature needs

Large Company Disruptive Innovation



- New Market / Unknown customer needs
- New tech / Unknown product features
- Looks like a scalable startup

Scalable Startup



Goal is to solve for:
unknown customer and
unknown features

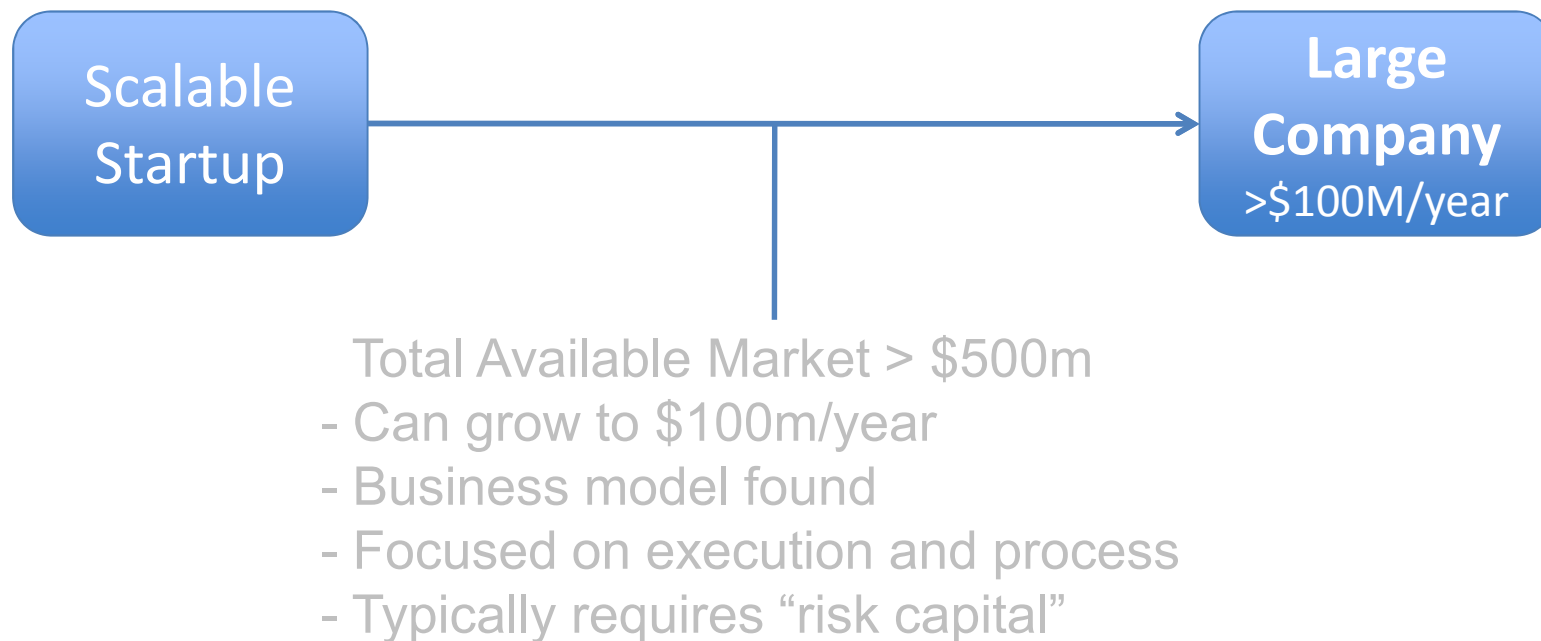
Scalable Startup



Exit Criteria

- Business model found
- Total Available Market > \$500m - \$1B
- Can grow to \$100m/year
- Focused on execution and process

Scalable Startup



- In contrast a **scalable startup** is designed to grow big
- Typically needs risk capital
- What Silicon Valley means when they say "Startup"

What's A Startup?



Search

- customer needs/product features found
i.e. Product/Market fit
- Business Model found
- Repeatable sales model
- Managers hired

A Startup is the organization used to ***search*** for
a scalable business model

What VC's Don't Tell You:

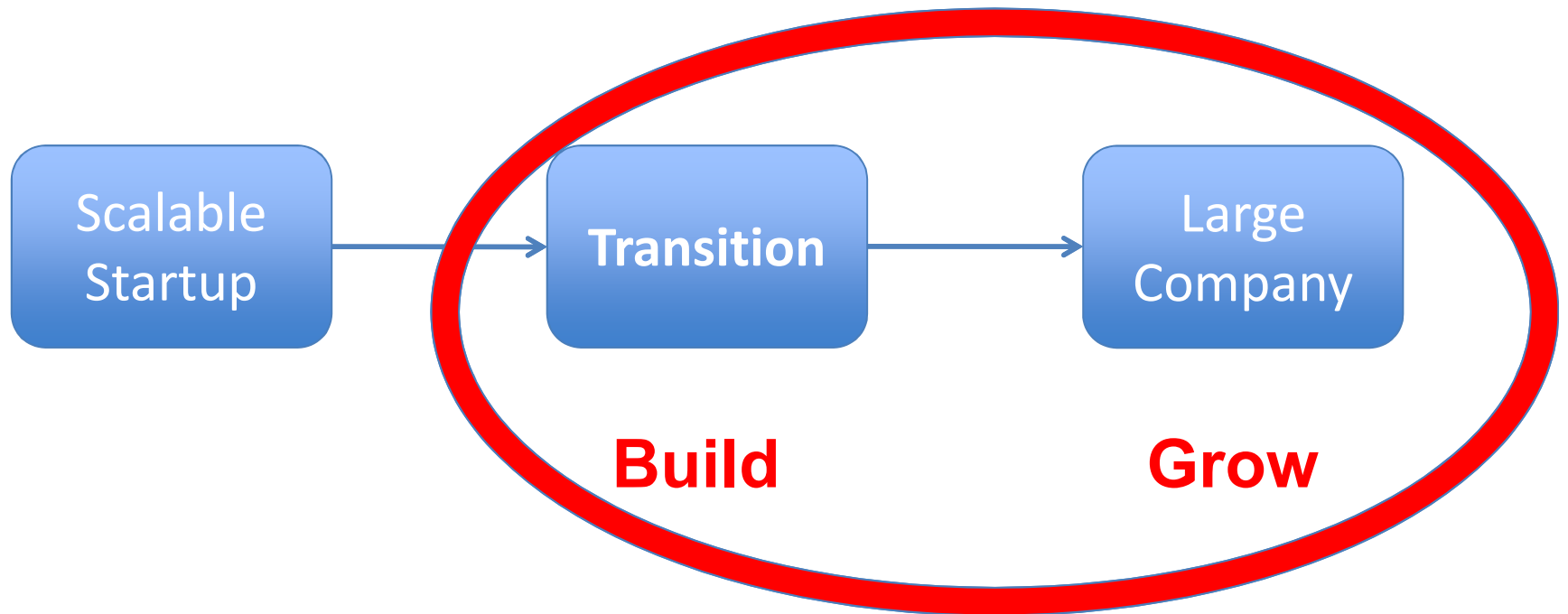
The **Transition** – Founders Leave



Build

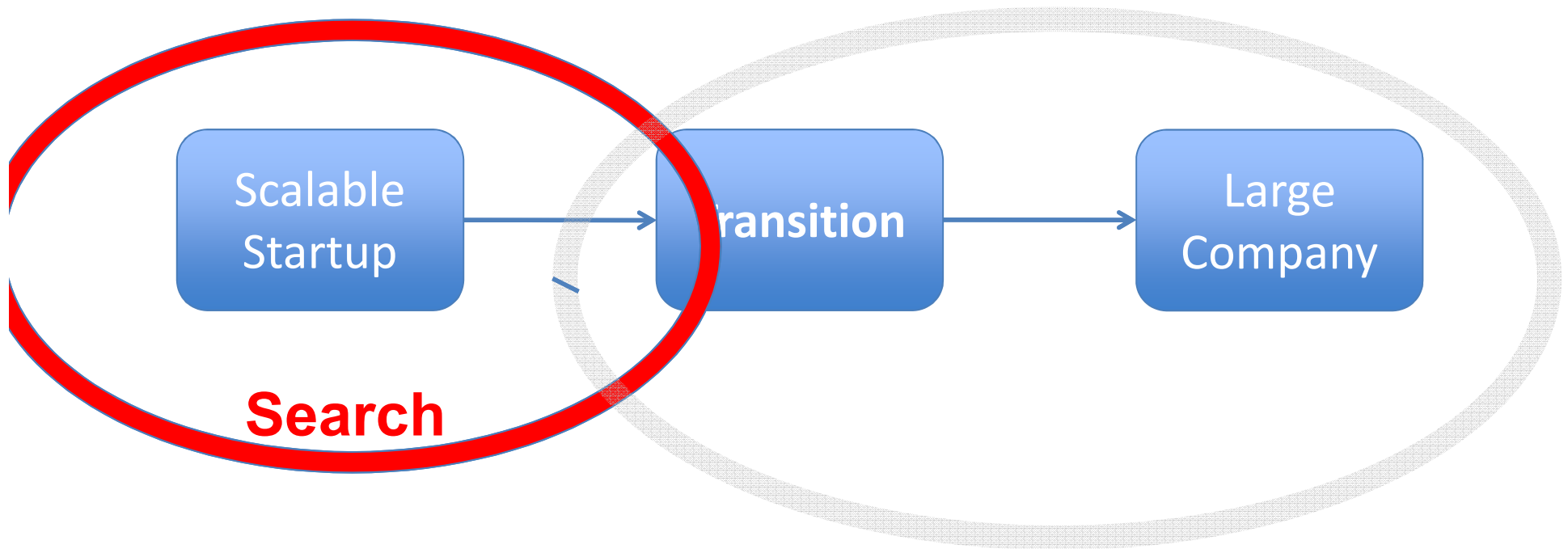
- **Founders depart**
- Professional Mgmt
- Process
- Beginning of scale

Doesn't Need Sneakers



Product Management

Needs Several Pairs of Sneakers



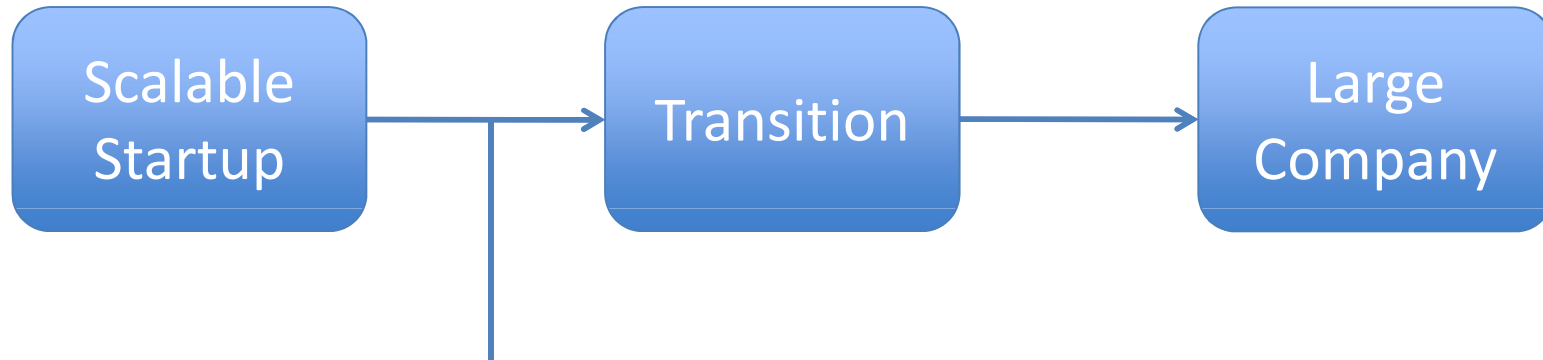
Is *very* different here

Product Management here

Why Product Managers Wear Sneakers

Startups **Search and Pivot**

The **Search** for the Business Model



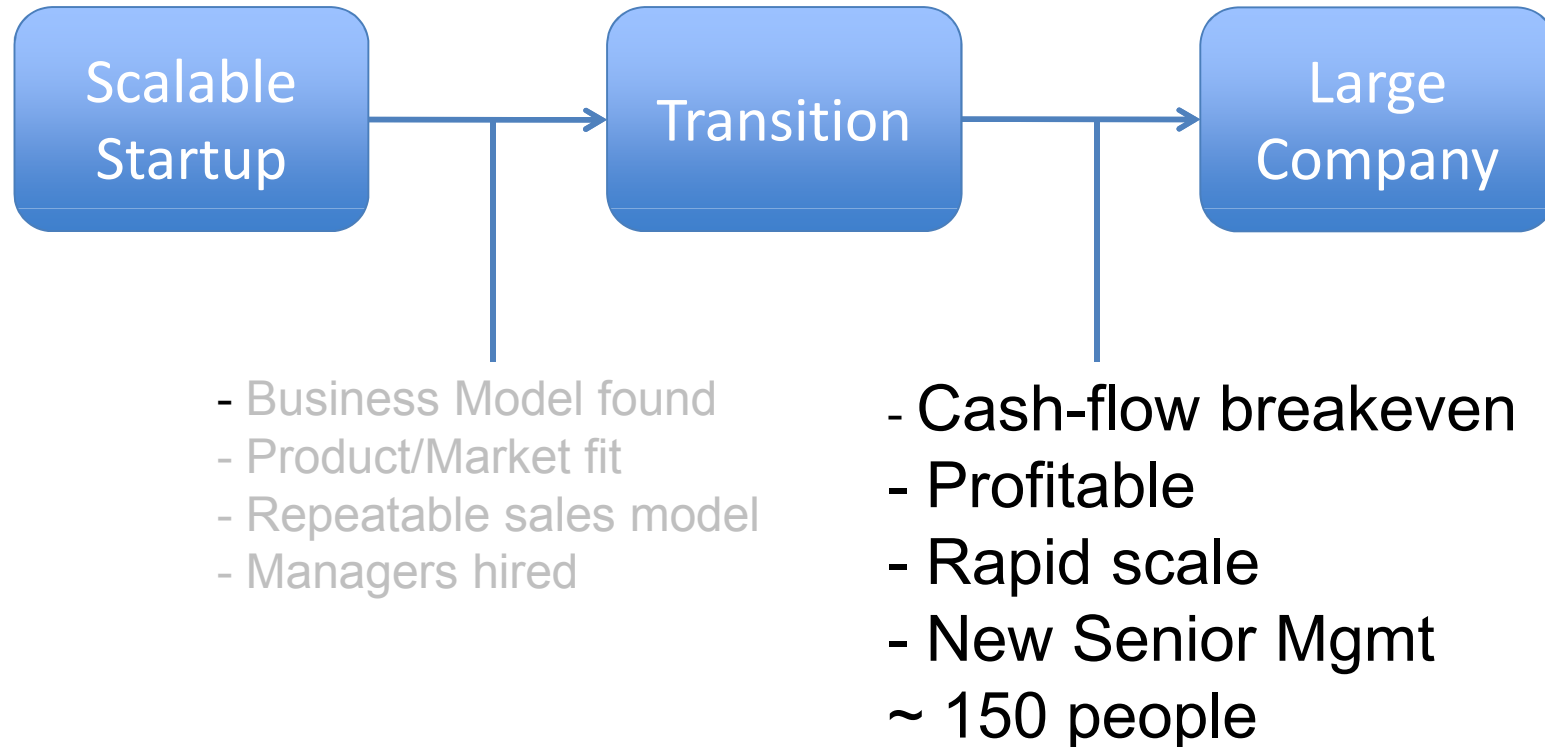
Business Model found

- customer needs/product features found
i.e. Product/Market fit
- **Found by founders**, not employees
- Repeatable sales model
- Managers hired

Startups Search, Companies Execute

The *Search* for the Business Model

The ***Execution*** of the Business Model



Metrics Versus **Accounting**

The ***Execution*** of the Business Model



Traditional Accounting

- Balance Sheet
- Cash Flow Statement
- Income Statement

Metrics Versus Accounting

The **Search** for the Business Model

The *Execution* of the Business Model



Startup Metrics

- Customer Acquisition Cost
- Viral coefficient
- Customer Lifetime Value
- Average Selling Price/Order Size
- Monthly burn rate
- etc.

Traditional Accounting

- Balance Sheet
- Cash Flow Statement
- Income Statement

Customer Validation Versus **Sales**

The ***Execution*** of the Business Model



Sales

- Sales Organization
- Scalable
- Price List/Data Sheets
- Revenue Plan

Customer Validation Versus Sales

The **Search** for the Business Model

The *Execution* of the Business Model



Customer Validation

- Early Adopters
- Pricing/Feature unstable
- Not yet repeatable
- “One-off’s”
- Done by **founders**

Sales

- Sales Organization
- Scalable
- Price List/Data Sheets
- Revenue Plan

Customer Development Versus Product Management

The *Execution* of the Business Model



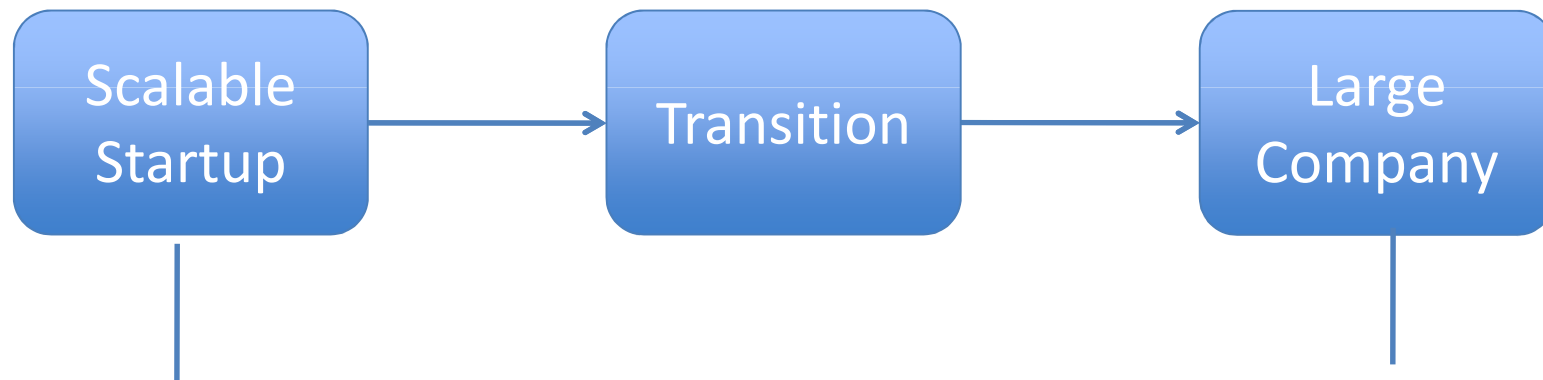
Product Management

- Delivers MRD's
- Feature Spec's
- Competitive Analysis
- Prod Mgmt driven

Customer Development Versus Product Management

The **Search** for the Business Model

The *Execution* of the Business Model



Customer Development

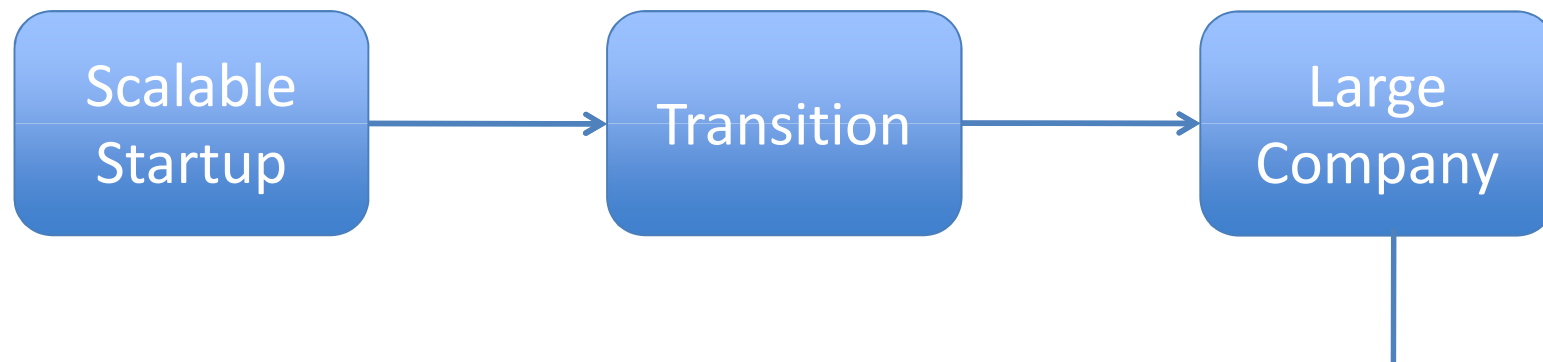
- Hypothesis Testing
- Minimum Feature Set
- Pivots
- Founder-driven

Product Management

- Delivers MRD's
- Feature Spec's
- Competitive Analysis

Engineering Versus Agile Development

The *Execution* of the Business Model



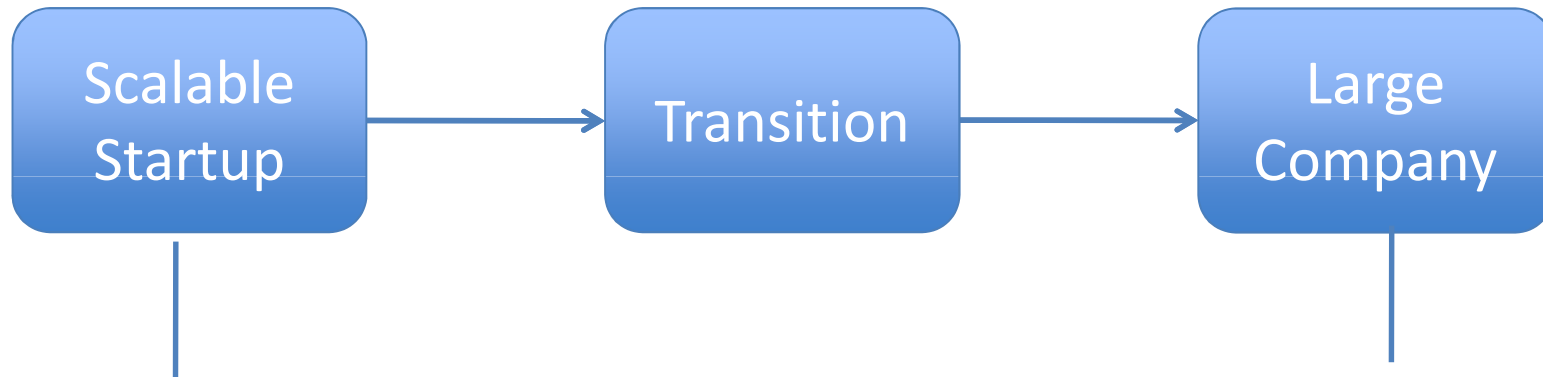
Engineering

- Requirements Docs.
- Waterfall Development
- QA
- Tech Pubs

Engineering Versus Agile Development

The **Search** for the Business Model

The *Execution* of the Business Model



Agile Development

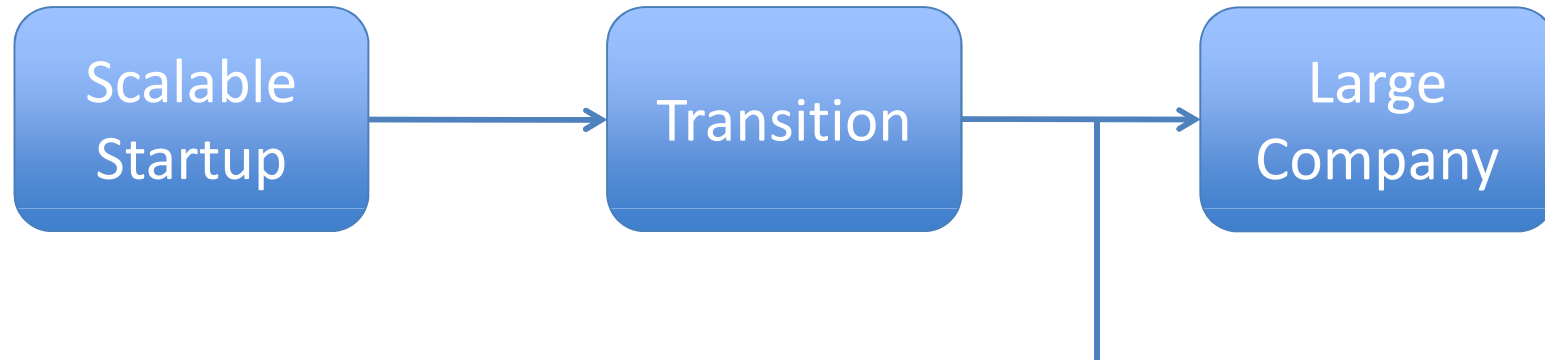
- Continuous Deployment
- Continuous Learning
- Self Organizing Teams
- Minimum Feature Set
- Pivots

Engineering

- Requirements Docs.
- Waterfall Development
- QA
- Tech Pubs

Startups Model, Companies Plan

The *Execution* of the Business Model

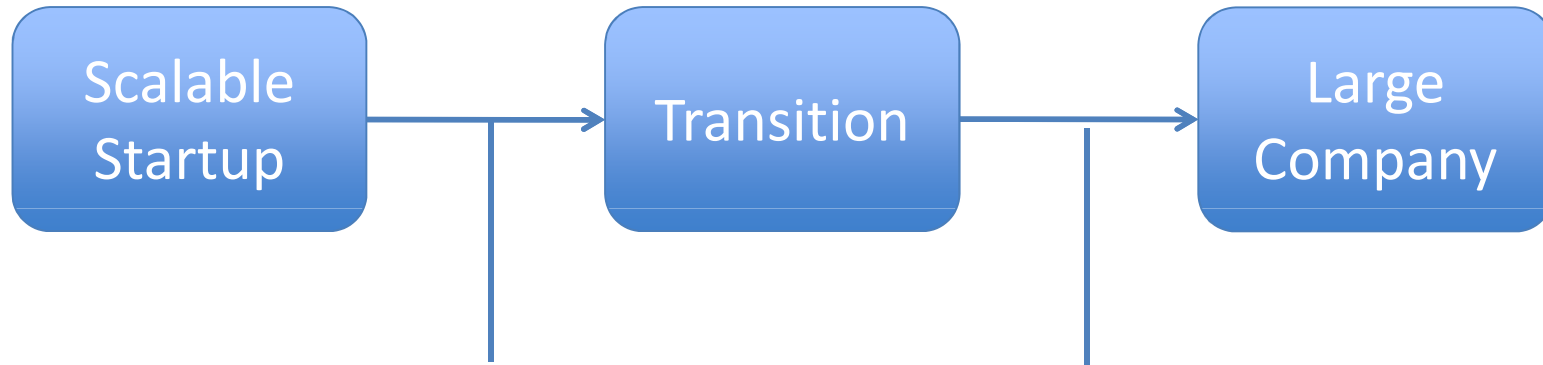


- Plan describes “knowns”
- Known features for line extensions
- Known customers/markets
- Known business model

Startups Model, Companies Plan

The *Search* for the Business Model

The *Execution* of the Business Model

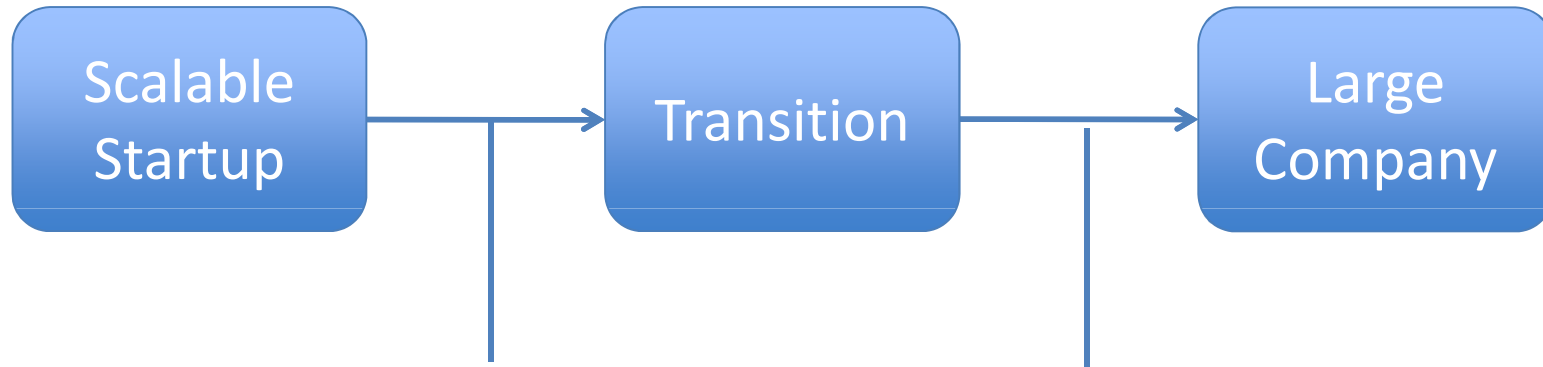


- **Unknown** customer needs
- **Unknown** feature set
- **Unknown** business model
- Model found by iteration

- Known features for line extensions
- Known customers/markets
- Known business model

Startups Protect Mavericks, Companies Fire Mavericks

The *Execution* of the Business Model



- Pains in the butt
- Always looking at something different
- Doesn't get with the program

Startups Protect Mavericks, Companies Fire Mavericks

The ***Search*** for the Business Model

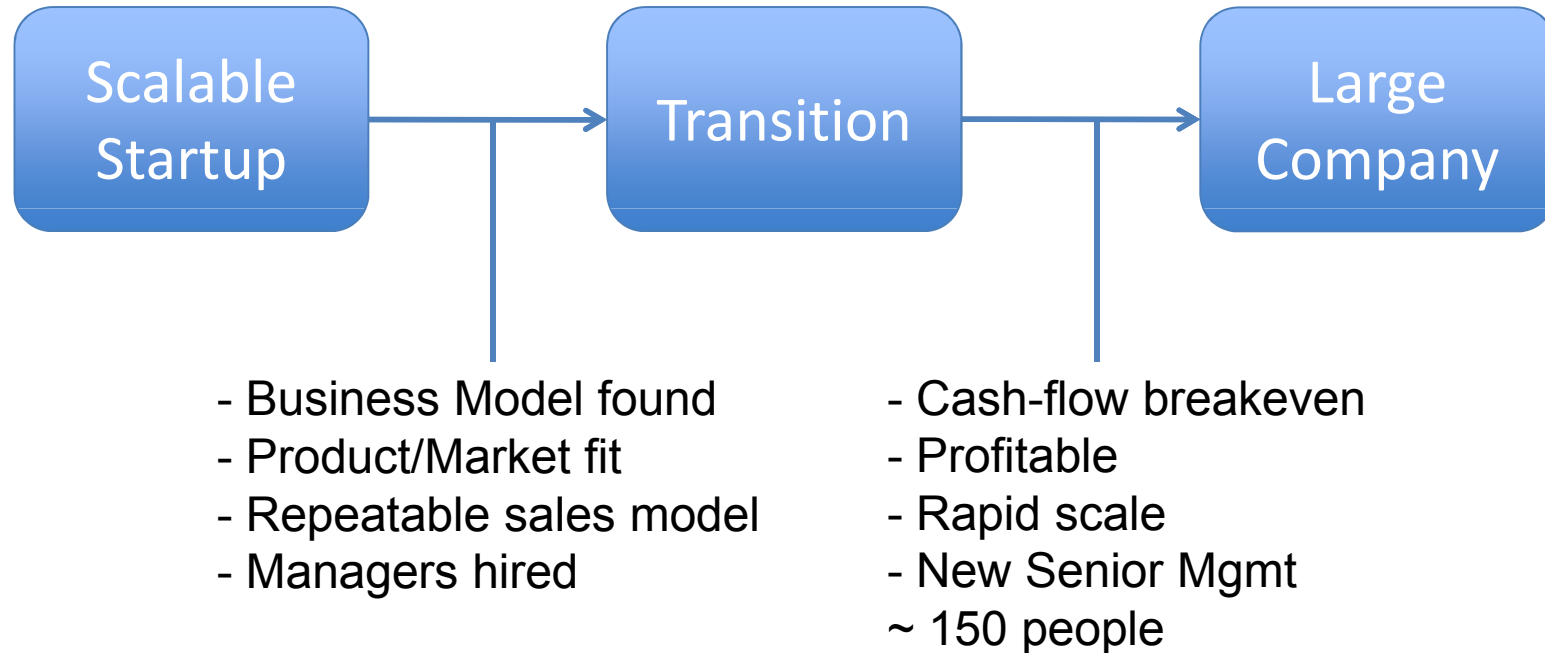
The *Execution* of the Business Model



- CEO of your company
- Finds your next market

- Pains in the butt
- Always looking at something different
- Doesn't get with the program

Startups **Don't Last Forever**



You **fail** if you remain a startup!

Plan versus Model

Business Plan

- A document your **investors** make you write that they **don't read**
- A useful place for you to **collect your guesses** about your business
 - Size of Opportunity
 - Customers
 - Channel
 - Demand Creation
 - Revenue/Expenses/Profit
- The template to **look like everyone else** when you present to VC's/Management

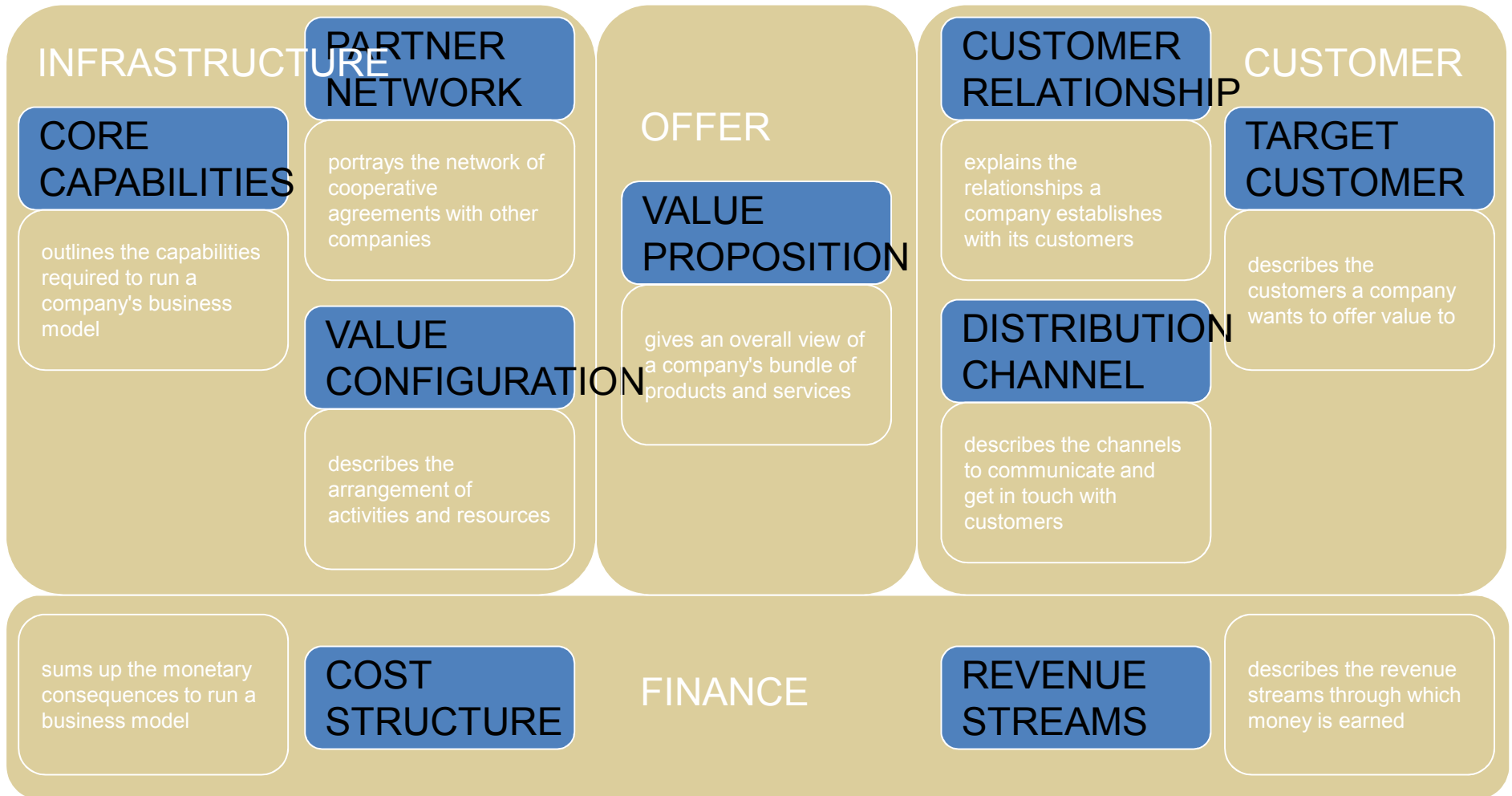
No Business **Plan survives first
contact with customers**

So Search for a Business Model

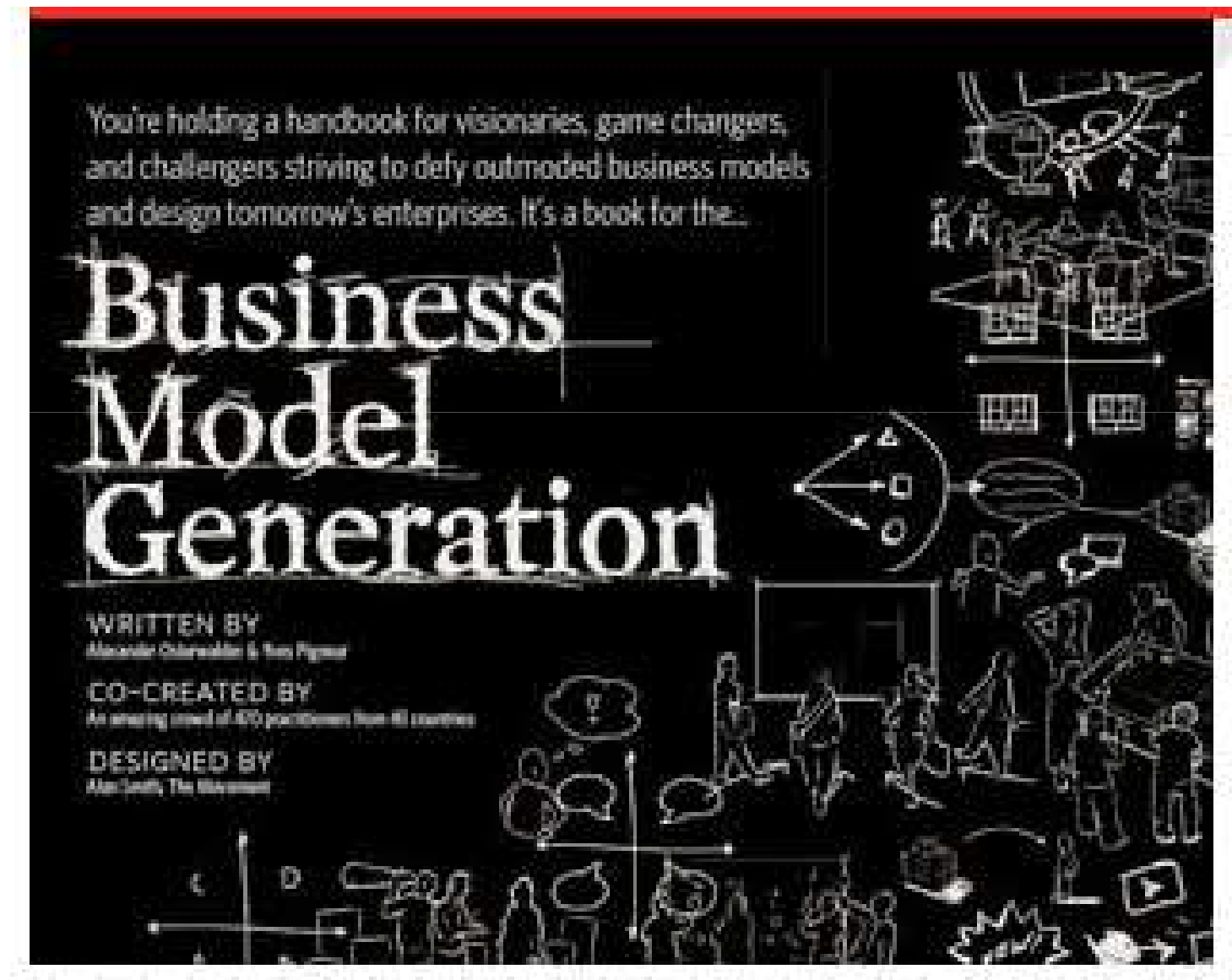
What Is a Business **Model**?

- **Diagram** of flows between company and customers
- **Scorecard** of hypotheses testing
- **Rapid change** with each iteration and pivot
- **Product Management**-driven

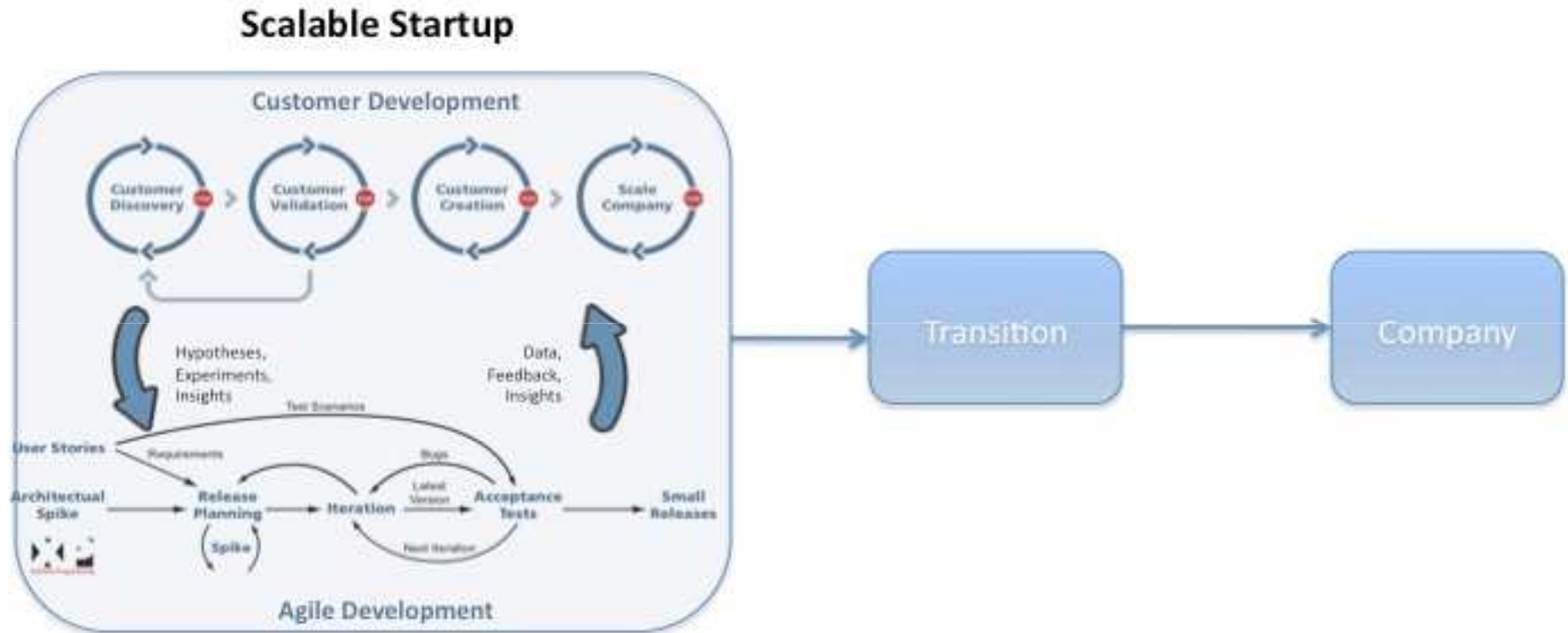
Business Model = Keeping Score in a Startup



Business Model Generation Book



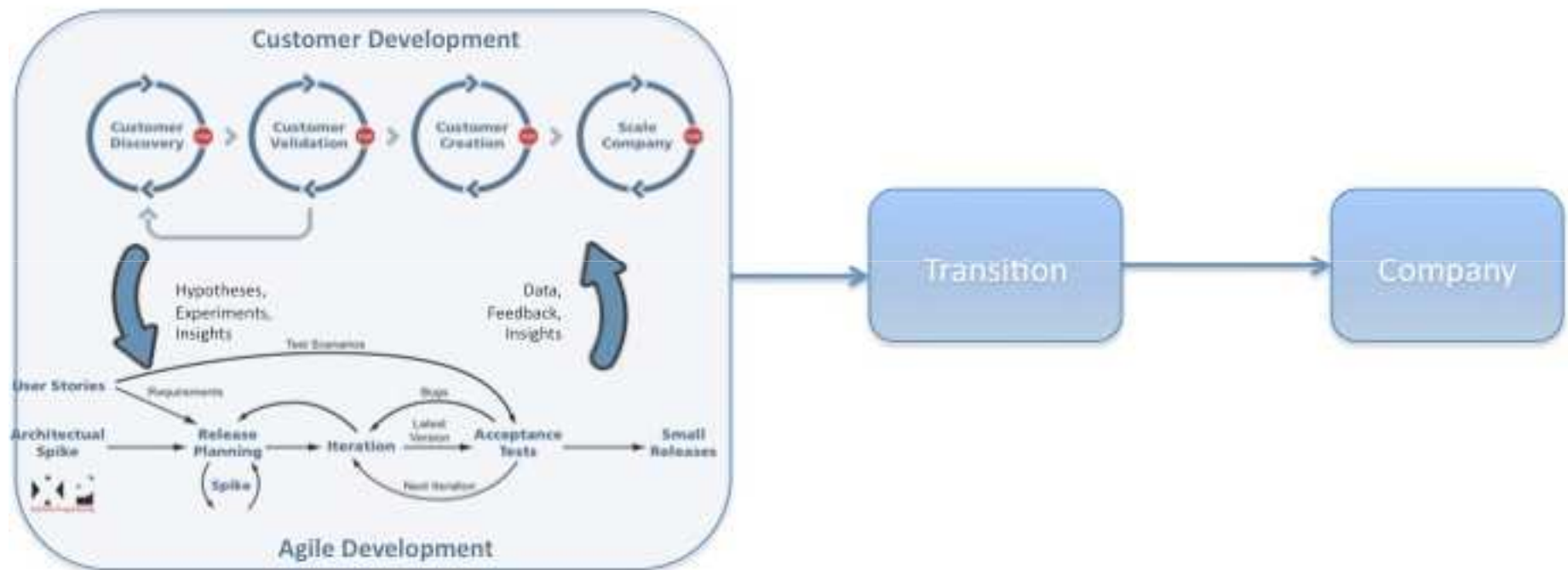
How Do Startups **Search** For A Business Model?



- The Search is called Customer Development
- The Implementation is called Agile Development

The Lean Startup

Scalable Startup



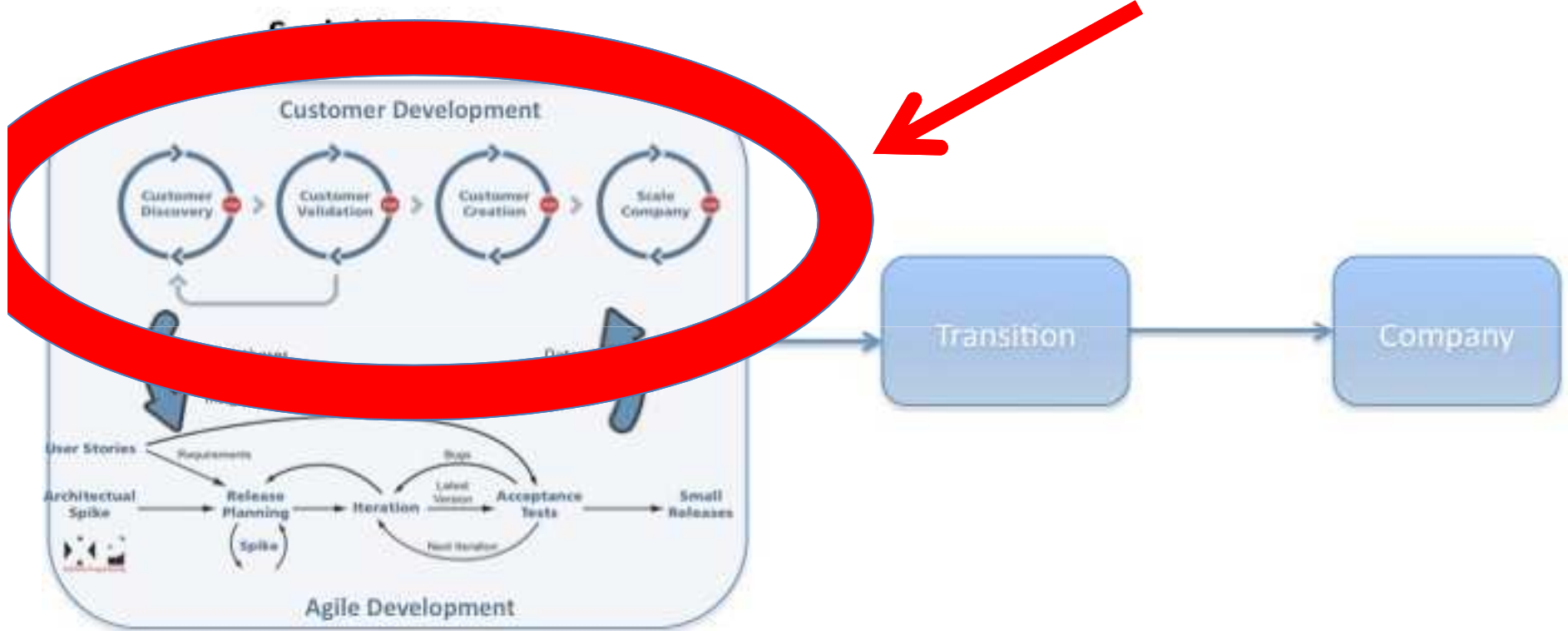
Who Does This Search?

The Founders

Not Employees

How?

Customer Development



**Solving For Customer and Product
Unknowns:
Customer Development**

Customer Development

The founders

^ Get the Hell Out of the Building

**More startups fail from
a lack of customers than from a
failure of product development**

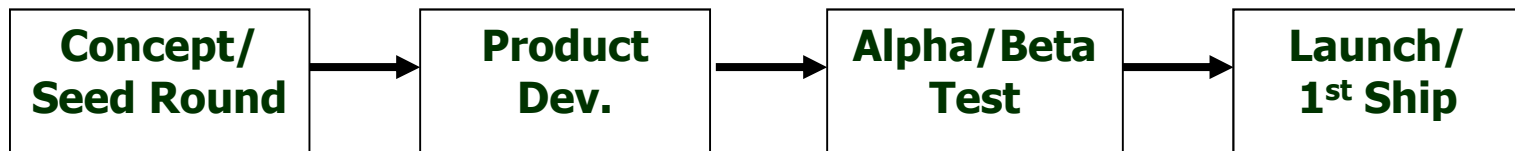
Then why do we have:

- **process to manage product development?**

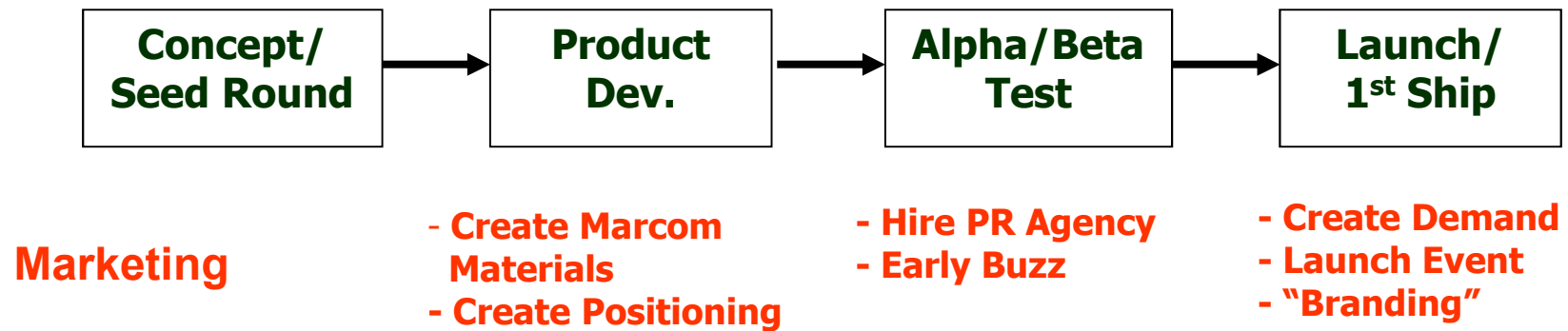
Then why do we have:

- Process to manage product development?
- **None** to manage customer development?

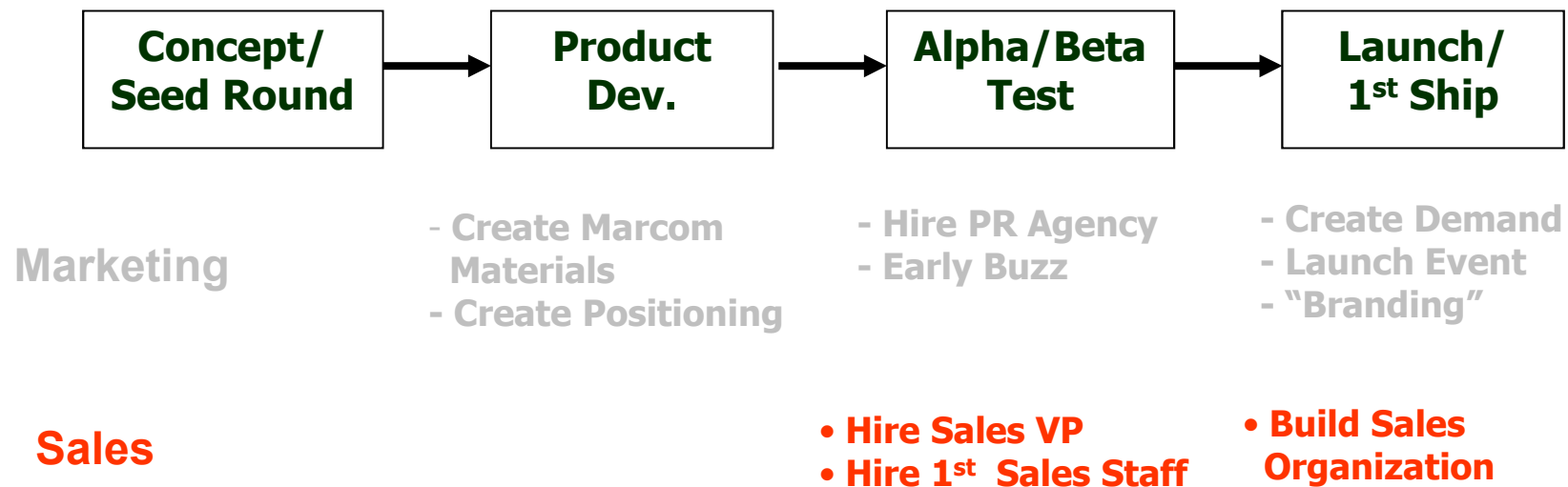
Startup - Back of the Napkin Model



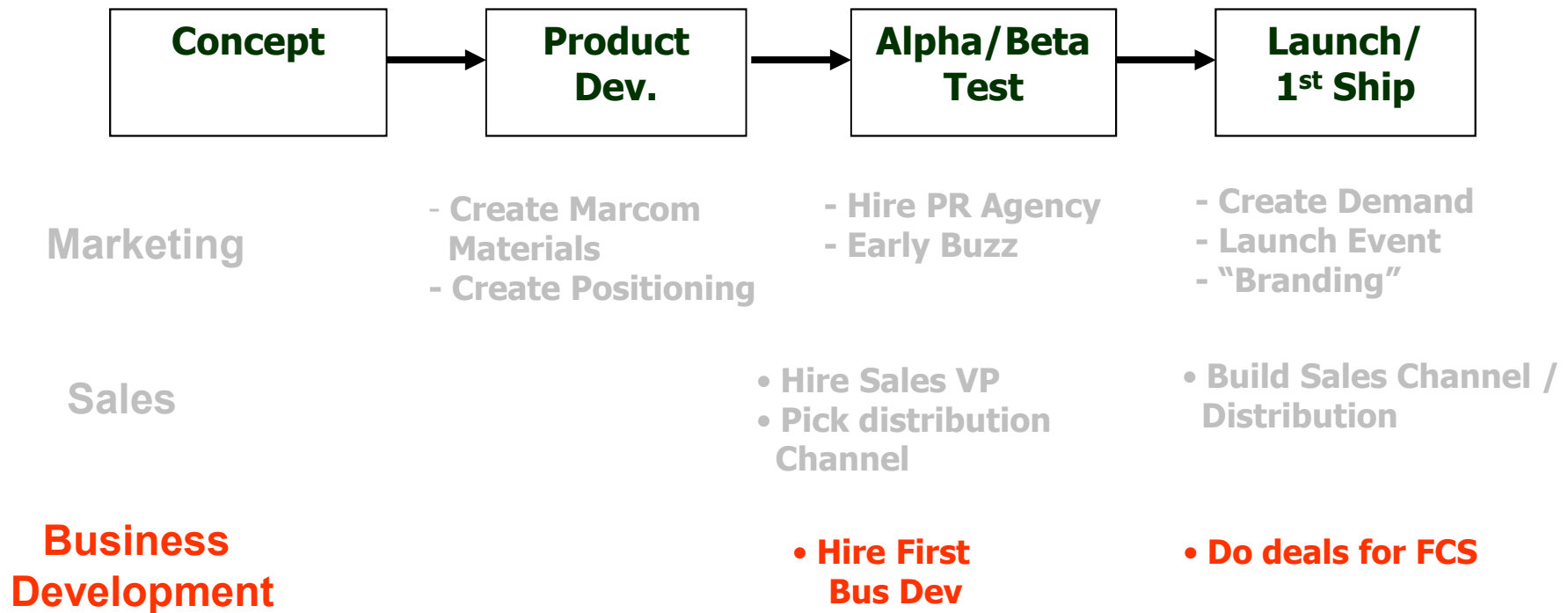
Tradition – Hire **Marketing**



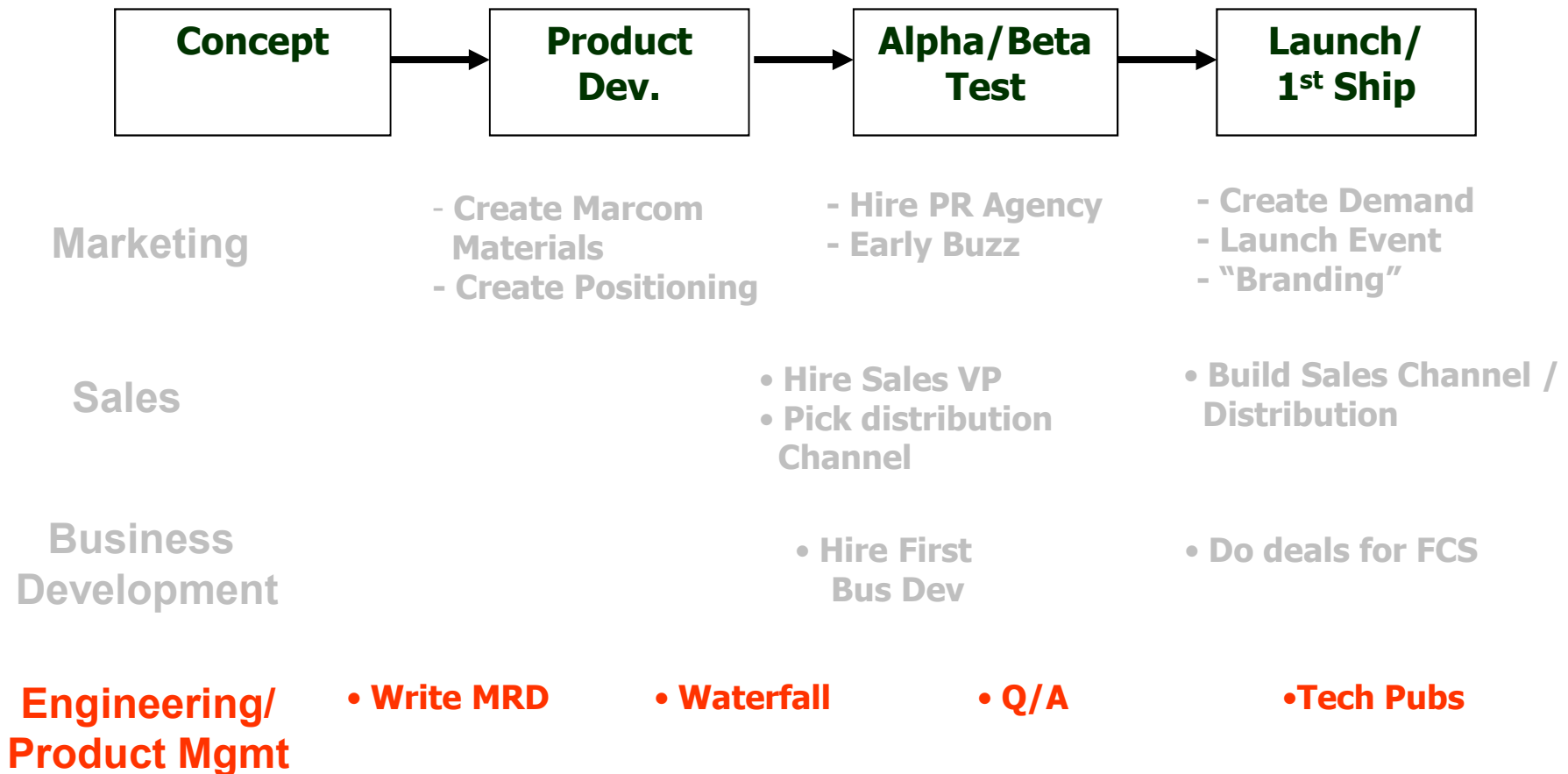
Tradition – Hire **Sales**



Tradition – Hire **Bus Development**

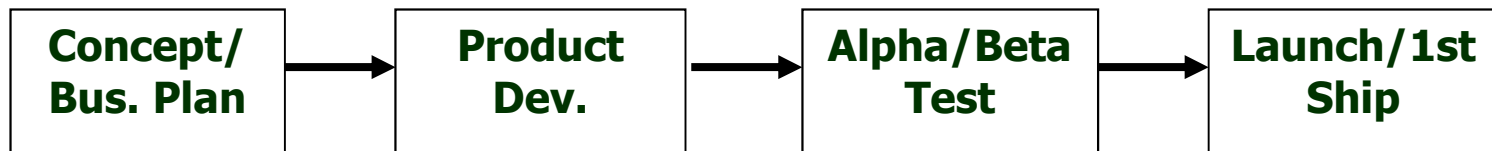


Tradition – Hire **Engineering/ Product Mgmt**

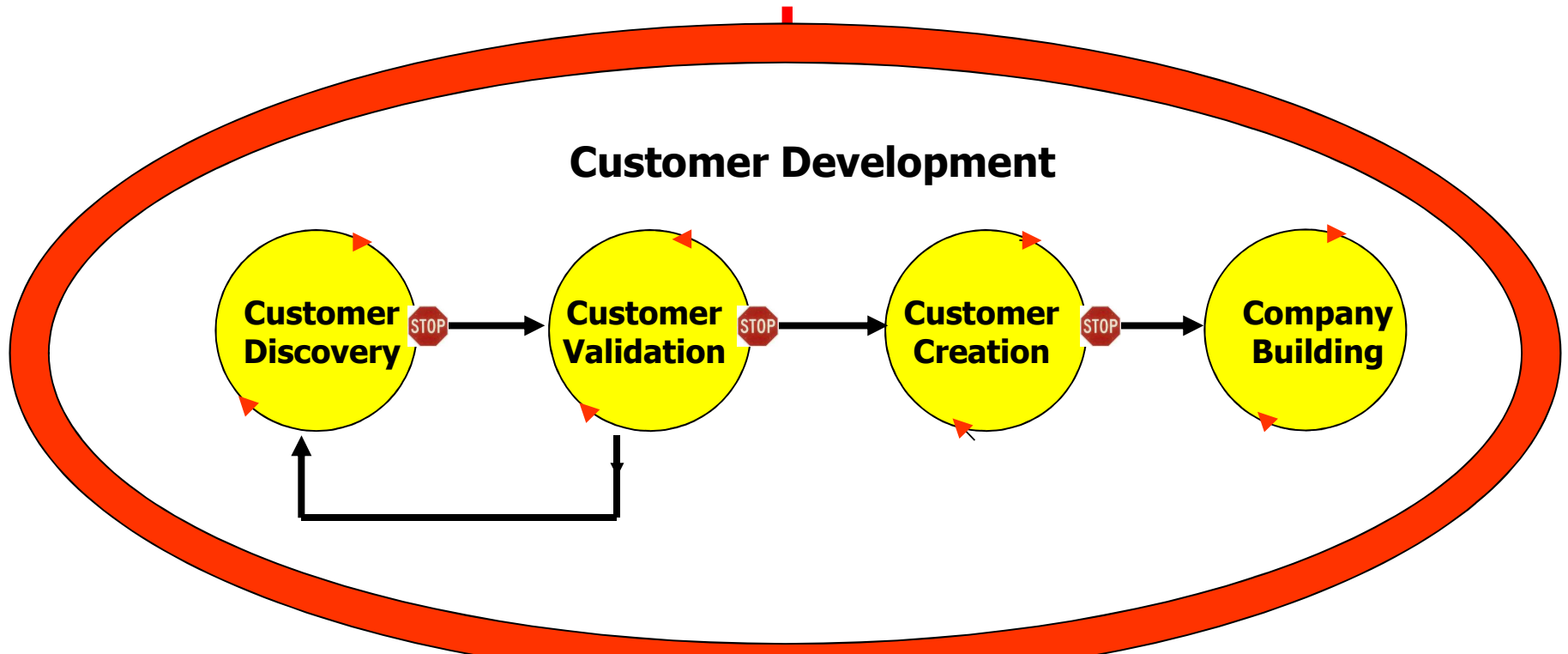


Customer Development

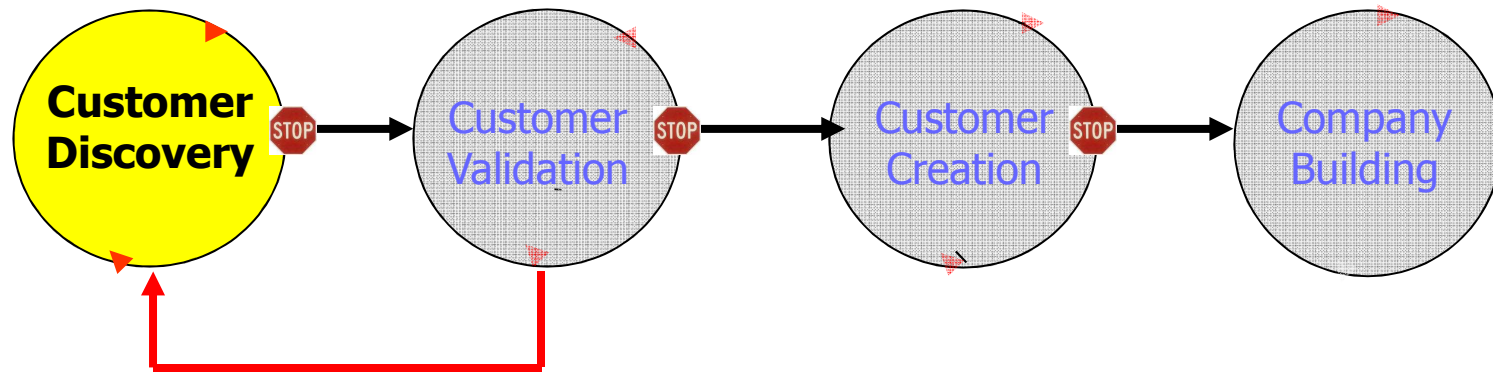
Product Development



Customer Development

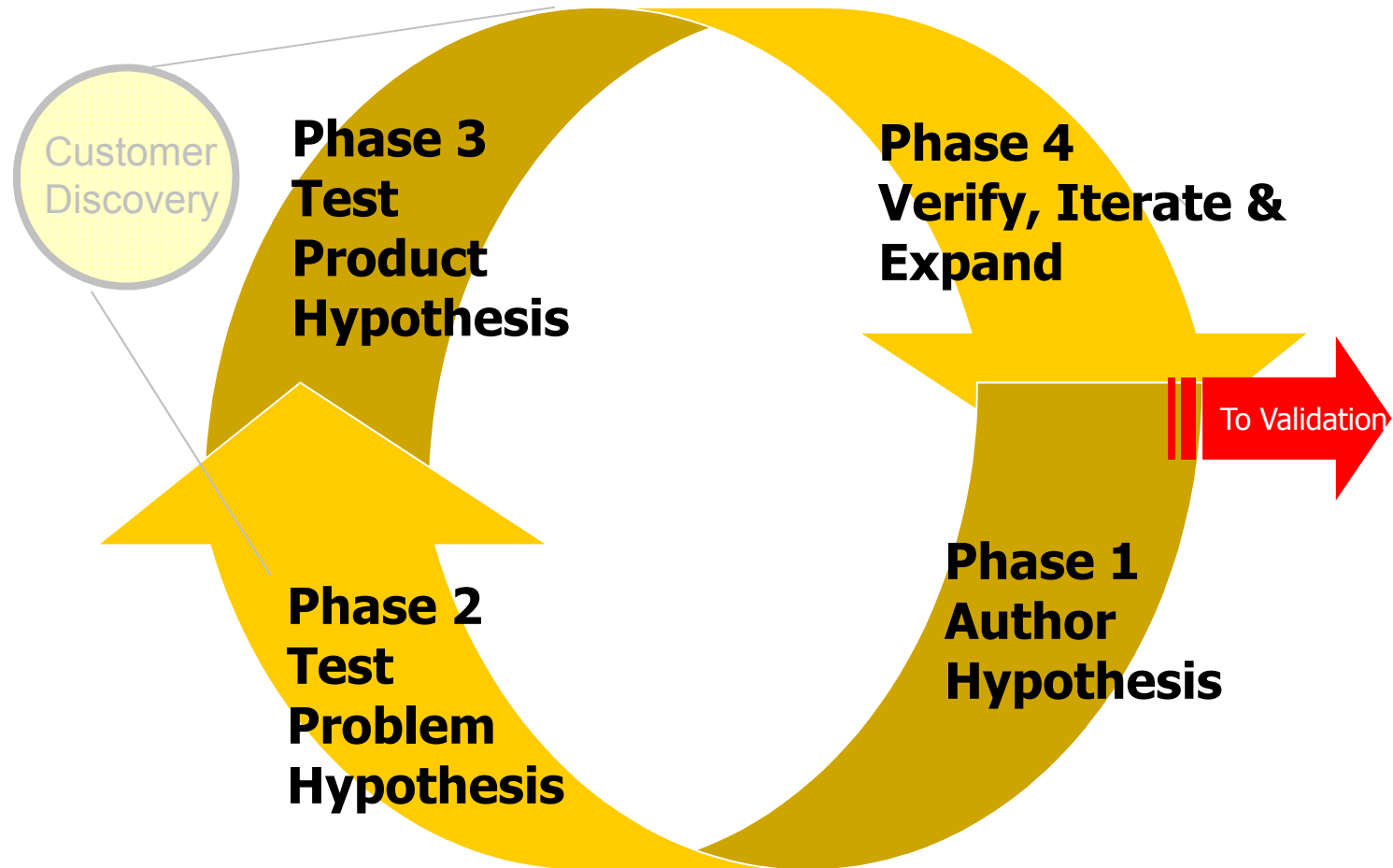


Customer **Discovery**



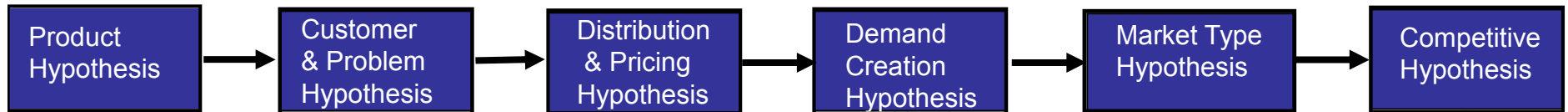
- Stop selling, start **listening**
- **Test** your **hypotheses**
- **Continuous** Discovery
- Done by **founders**

Customer Discovery

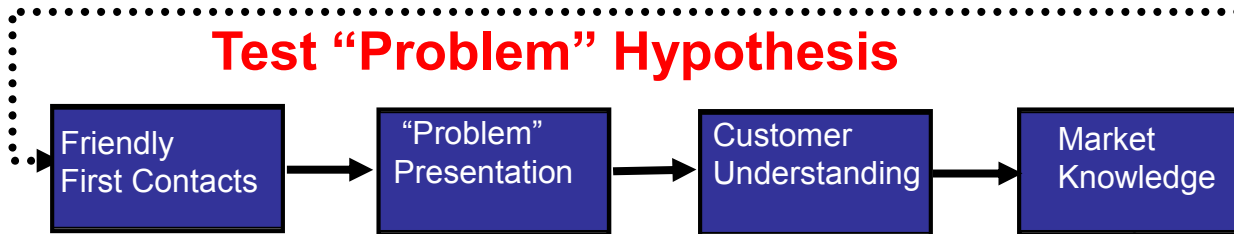


Customer Discovery

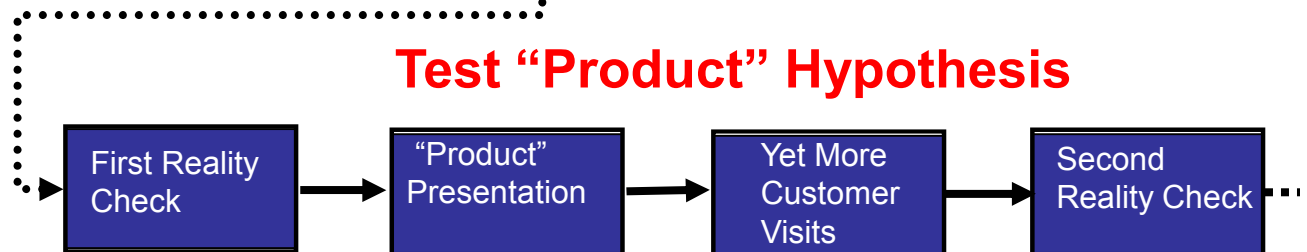
Hypotheses



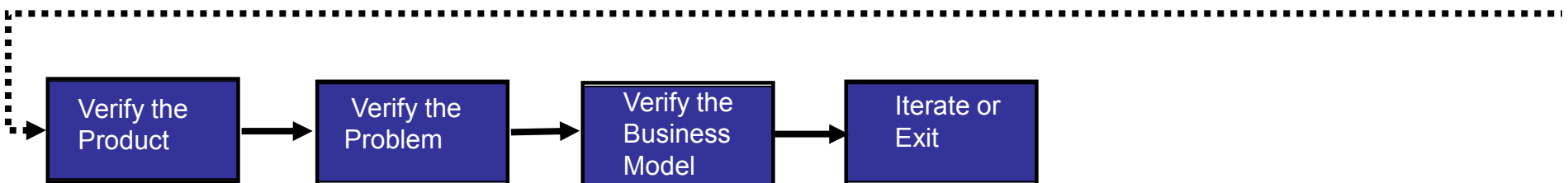
Test “Problem” Hypothesis



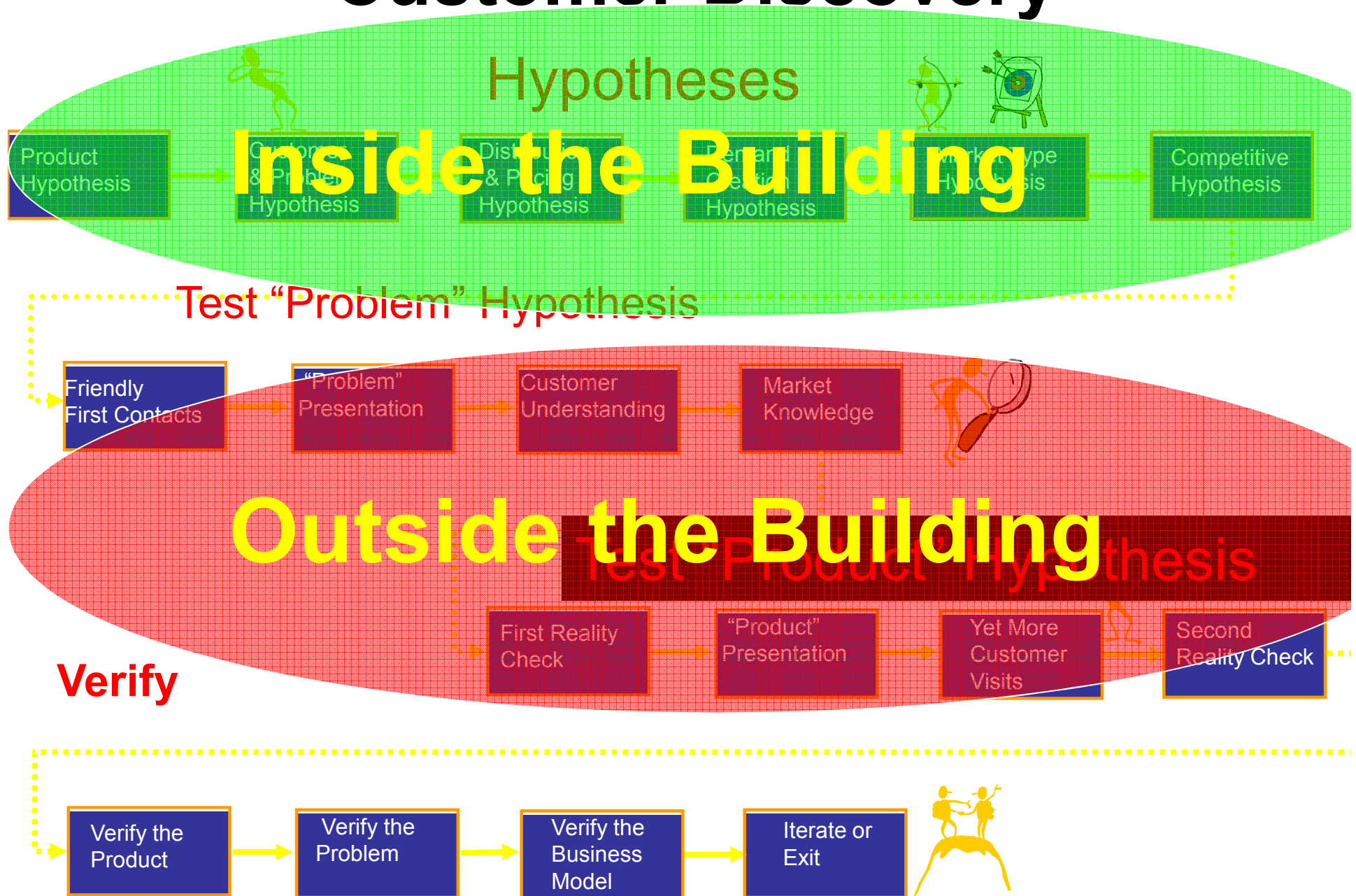
Test “Product” Hypothesis



Verify

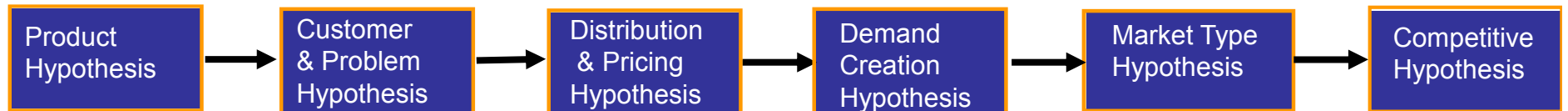


Customer Discovery

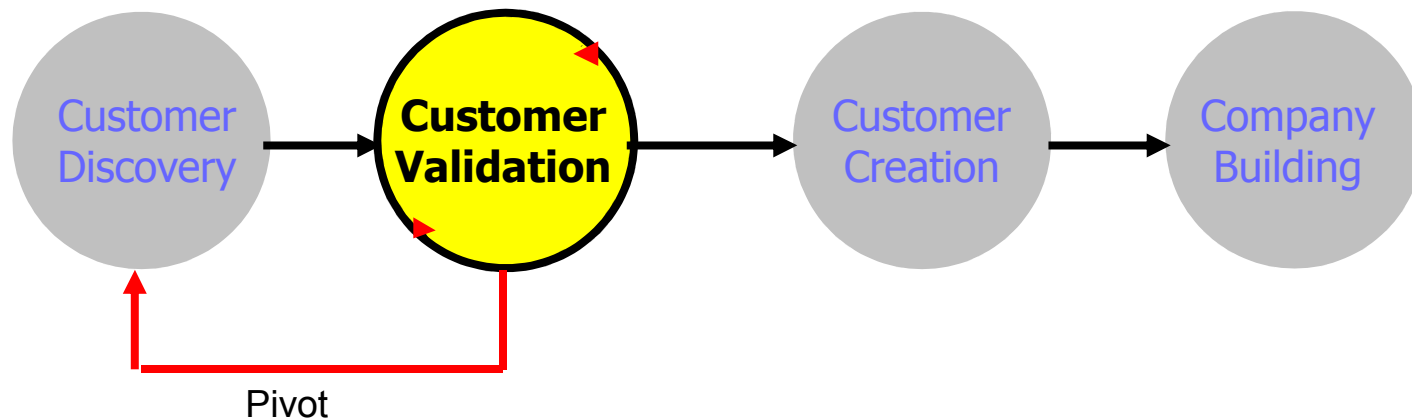


Hypothesis

- Product
- Customer/Problem
- Distribution/Pricing
- Demand Creation
- Market Type
- Competition

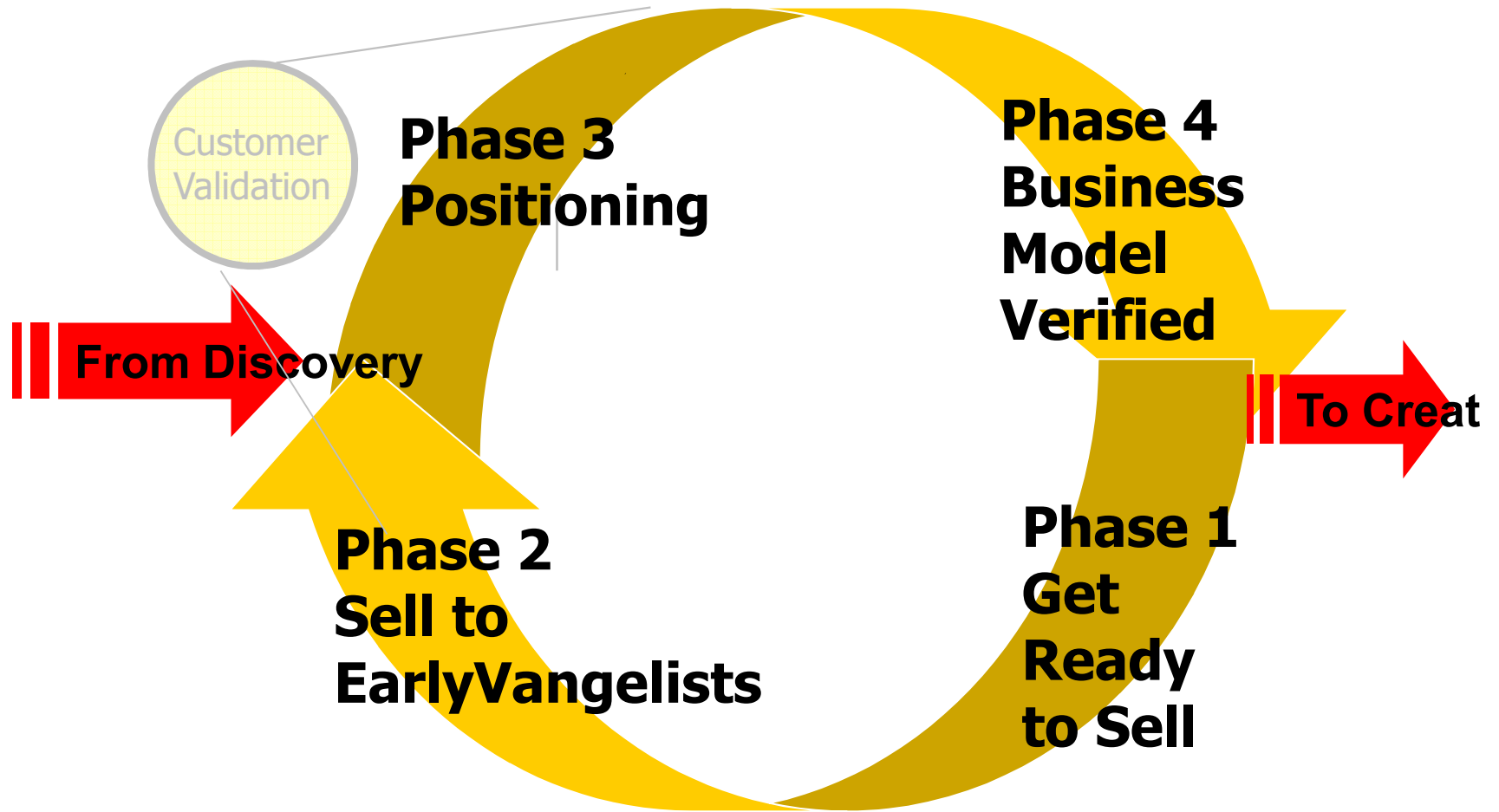


Customer Validation



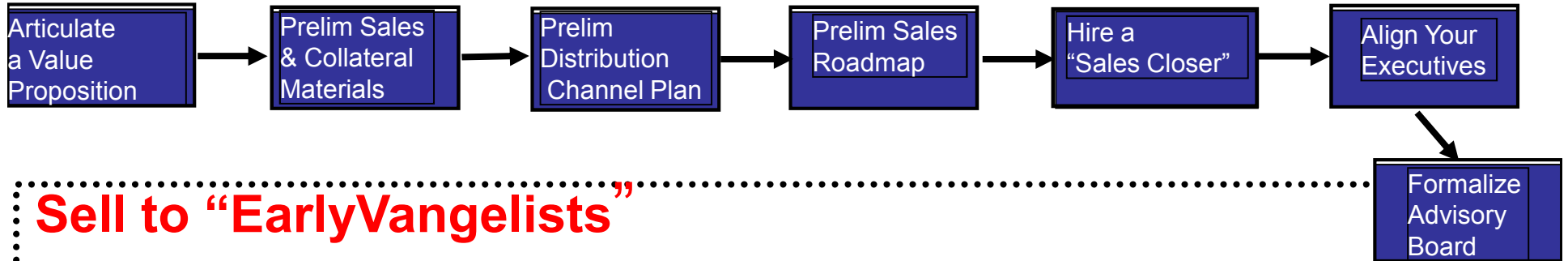
- Repeatable and scalable **business model**?
- Passionate **Earlyvangelists**?
- **Pivot** back to Discovery if no customers

Customer Validation



Customer Validation

Get Ready to Sell



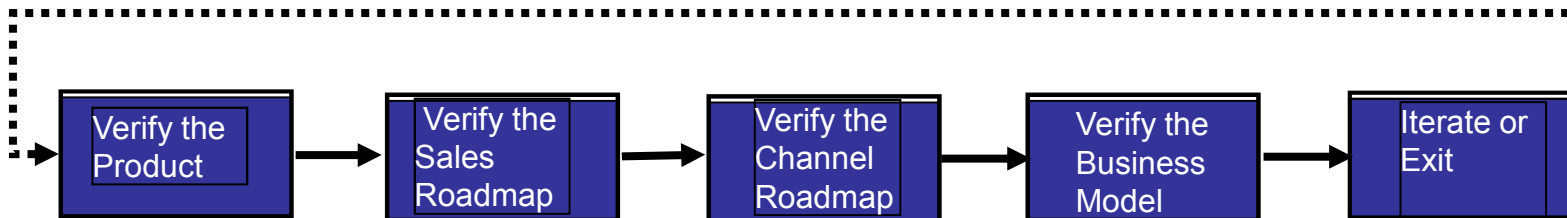
Sell to "EarlyVangelists"



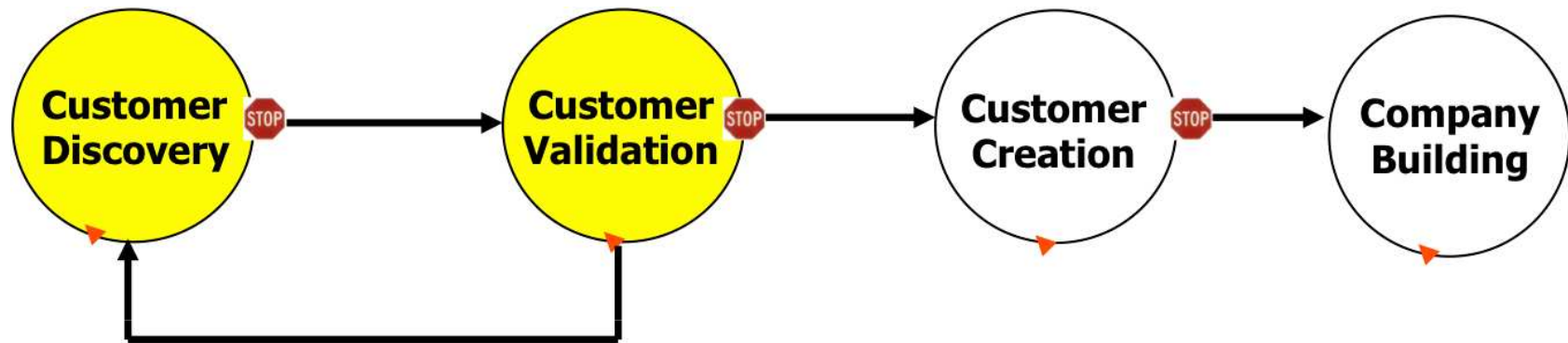
Develop Positioning



Verify



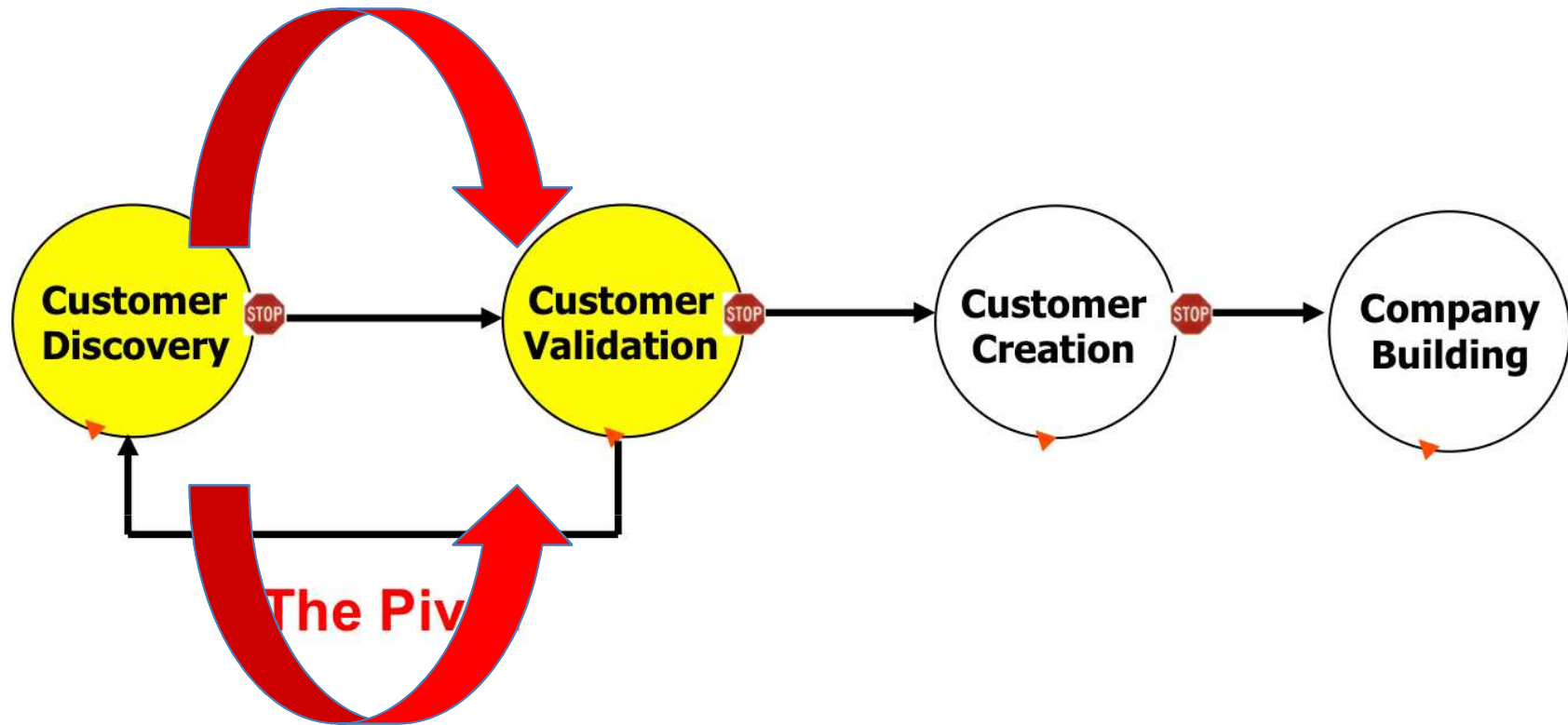
The Pivot



The Pivot

- The heart of Customer Development
- Iteration without crisis
- Fast, agile and opportunistic

Speeding Up Cycle Time



- **Speed** of cycle minimizes cash needs
- **Minimum feature set** speeds up cycle time
- **Near instantaneous customer feedback** drives feature set

Sidebar

There Are Three Types Of Startups
The Role of Market Type

New Product Conundrum

- Product introductions aren't **predictable**
 - Why?
 - Is it the people that are different?
 - Is it the product that are different?
- Are there different **“types” of startups?**

Three Markets Types

Existing Market	Resegmented Market	New Market
-----------------	--------------------	------------

- Market Type **changes everything**
- Sales, marketing and business development differ radically by market type

Three Types of Markets



- **Existing Market**
 - Faster/Better = High end
- **Resegmented Market**
 - Niche = marketing/branding driven
 - Cheaper = low end
- **New Market**
 - Cheaper/good enough = creates a new class of product/customer
 - Innovative/never existed before

Market Type **Changes Everything**

Existing Market	Resegmented Market	New Market
-----------------	--------------------	------------

Market

- Market Size
- Cost of Entry
- Launch Type
- Competitive Barriers
- Positioning

Sales

- Sales Model
- Margins
- Sales Cycle
- Chasm Width

Customers

- Needs
- Adoption

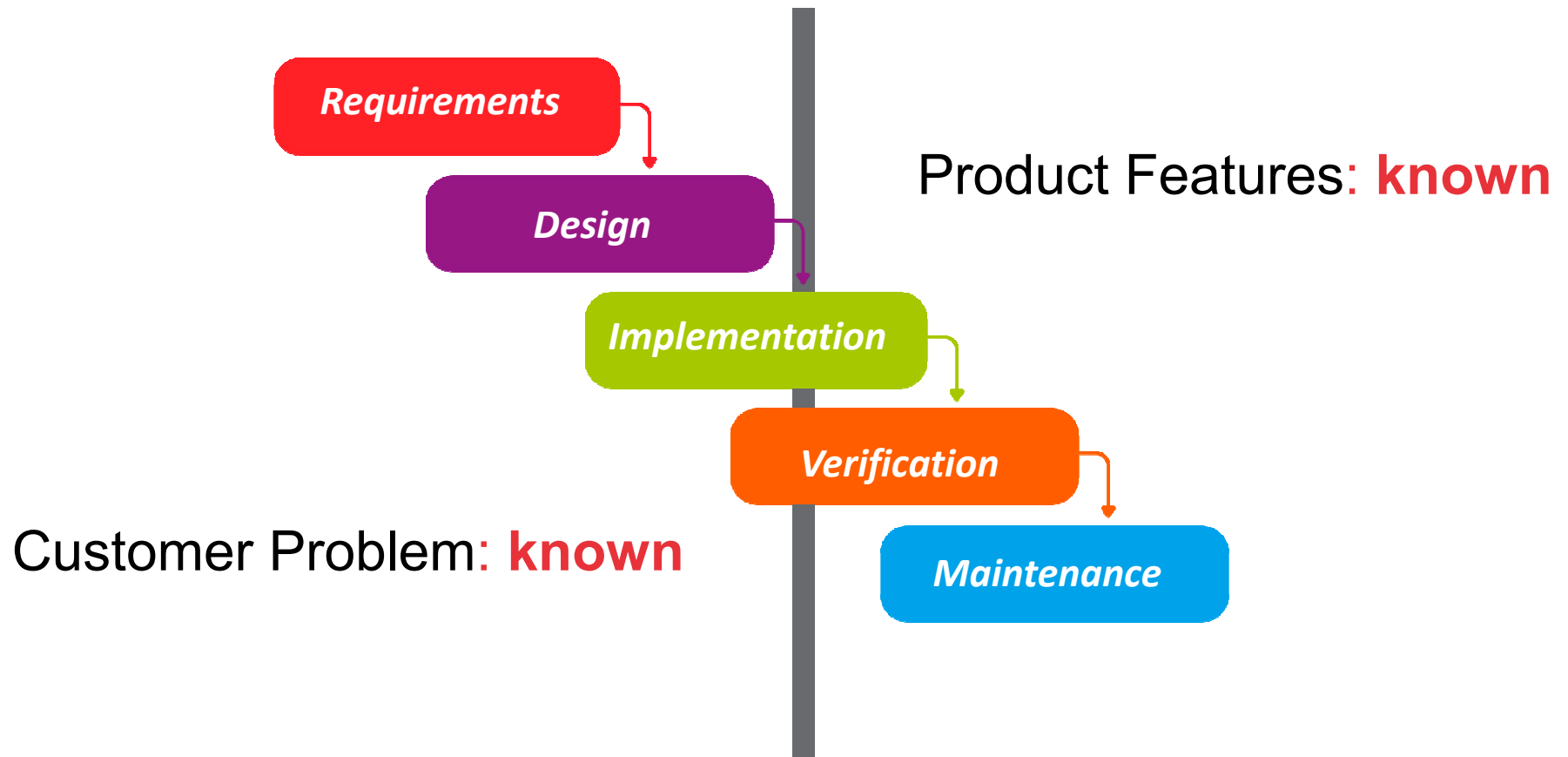
Finance

- Ongoing Capital
- Time to Profitability

So What Does Engineering Do?

Waterfall / Product Management

Execution on Two “Knowns”



Agile - Customer Problem is Known

Existing Company/Market

“Product Owner” or
in-house customer

Unit of progress: a line of working code



Extreme Programming Project

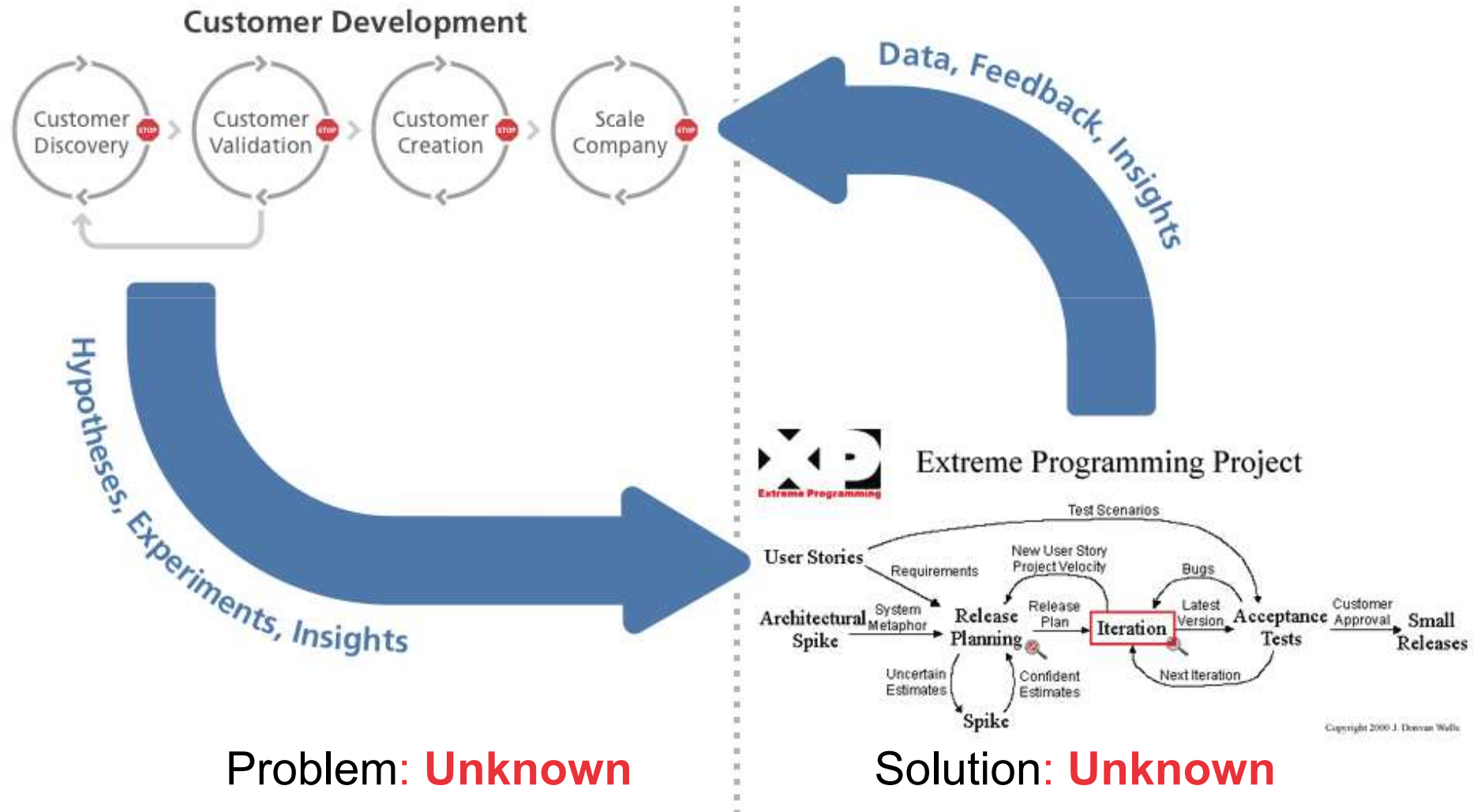


Problem: **Known**

Solution: **Unknown**

Lean Startup

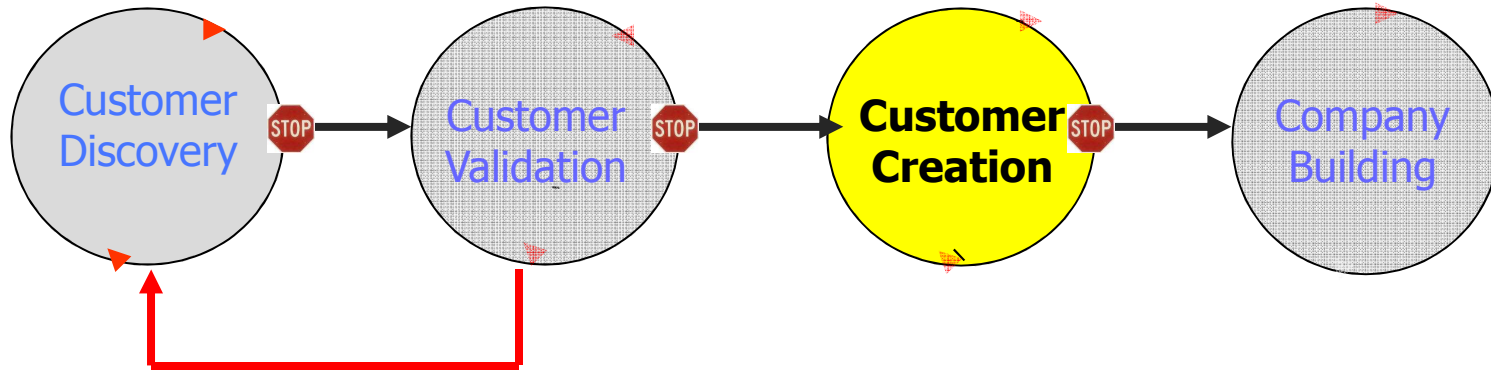
Customer Problem + Product Features are Unknown



Source: Eric Ries

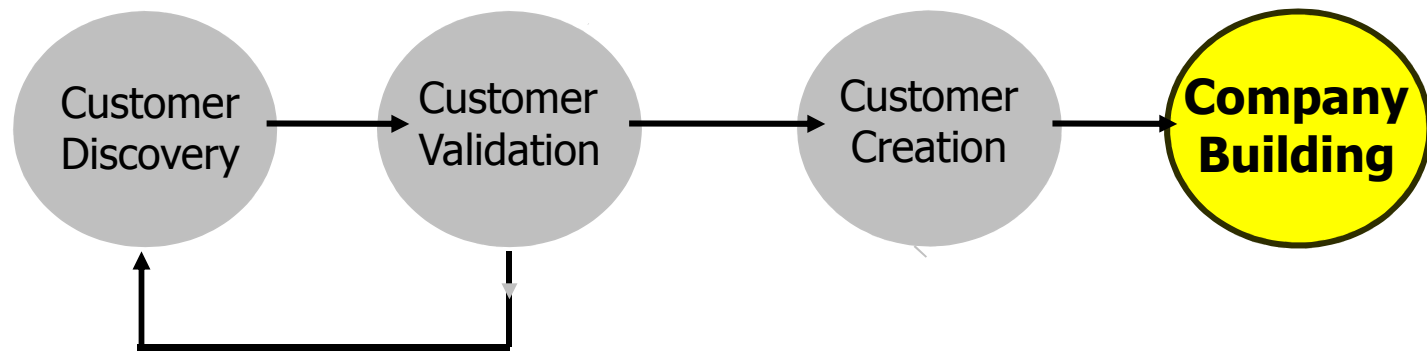
<http://startuplessonslearned.blogspot.com>

Customer Creation



- Creation comes after proof of sales
- \$'s for scale
- Lean Startups are not cheap startups

Company Building



- (Re)build company's organization & management
- Re look at your mission

Summary

- Founders can't delegate customer discovery
- Startups are about speed of pivots
 - Product
 - Customer
 - Channel
- They are not about MRD's and process
- Product management can be an asset or an albatross in startups
- You can make the difference...with sneakers

Thanks

www.steveblank.com