Six Ways to Fail at a Startup

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Six Ways to Fail at a Startup
And How to Get it Right

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This Talk is Based On

• Business Model Generation
• Four Steps to the Epiphany
• Lean Startup
I Have a Vision
I Know What Needs to Be Done
Let's Start A Company!
Six Ways to Fail
#1
I Know Who The Customer Is
#2

I Know Exactly the **Product** They Need
#3

I Know the **Problem** They Have
#4

We Can **Fix It After We Ship It All**
All I Need to Do is **Execute the Plan**
Let’s Use Large Company Tools
Product Introduction Model

- Concept/Seed Round
- Product Dev.
- Alpha/Beta Test
- Launch/1st Ship
Product Introduction Model

The Leading Cause of Startup Death

- Concept/Seed Round
- Product Dev.
- Alpha/Beta Test
- Launch/1st Ship
Product Introduction Model:
Two Implicit Assumptions

Customer Problem: known

Product Features: known
Tradition – Hire Marketing

Concept/Seed Round → Product Dev. → Alpha/Beta Test → Launch/1st Ship

Marketing
- Create Marcom Materials
- Create Positioning
- Hire PR Agency
- Early Buzz
- Create Demand
- Launch Event
- "Branding"
Tradition – Hire Sales

Concept/Seed Round
- Create Marcom Materials
- Create Positioning

Product Dev.
- Hire PR Agency
- Early Buzz

Alpha/Beta Test
- Create Demand
- Launch Event
- "Branding"

Launch/1st Ship
- Build Sales Organization

Marketing

Sales

- Hire Sales VP
- Hire 1st Sales Staff
Tradition – Hire Bus Development

Concept → Product Dev. → Alpha/Beta Test → Launch/1st Ship

Marketing:
- Create Marcom Materials
- Create Positioning

Sales:
- Hire PR Agency
- Early Buzz

Business Development:
- Hire Sales VP
- Pick distribution Channel

- Hire First Bus Dev

- Build Sales Channel / Distribution

- Create Demand
- Launch Event
- “Branding”

- Do deals for FCS
Tradition – Hire **Engineering**

- **Concept**
  - Create Marcom Materials
  - Create Positioning
- **Product Dev.**
  - Hire PR Agency
  - Early Buzz
- **Alpha/Beta Test**
  - Hire Sales VP
  - Pick distribution Channel
- **Launch/1st Ship**
  - Create Demand
  - Launch Event
  - “Branding”
  - Build Sales Channel / Distribution
  - Do deals for FCS

**Marketing**

**Sales**

**Business Development**

**Engineering**

- Write MRD
- Waterfall
- Q/A
- Tech Pubs
Startups Are Not Smaller Versions of Large Companies
A Startup is a temporary organization
A Startup is a temporary organization designed to search
A Startup is a temporary organization designed to search for a repeatable and scalable business model.
Startups need their own tools,
Startups need their own tools, different from those used in existing companies.
Startups Are \textbf{Not} Smaller Versions of Large Companies

Large Companies \textbf{Execute} Known Business Models
Startups Are **Not** Smaller Versions of Large Companies

Startups **Search** for Unknown Business Models
So Search for a Business Model
The Business Model:

Any company can be described in 9 building blocks
CUSTOMER SEGMENTS

which customers and users are you serving?
which jobs do they really want to get done?
VALUE PROPOSITIONS

what are you offering them? what is that getting done for them? do they care?
how does each customer segment want to be reached? through which interaction points?
CUSTOMER RELATIONSHIPS

what relationships are you establishing with each segment? personal? automated? acquisitive? retentive?
REVENUE STREAMS

what are customers really willing to pay for? how?
are you generating transactional or recurring revenues?
which resources underpin your business model?
which assets are essential?
KEY ACTIVITIES

which activities do you need to perform well in your business model? what is crucial?
KEY PARTNERS

which partners and suppliers leverage your model?
who do you need to rely on?
what is the resulting cost structure?
which key elements drive your costs?
sketch out your business model
But,
Realize They’re Hypotheses
But,
Realize They’re Hypotheses
Guesses
9 Guesses

The Business Model Canvas

Key Partners
- Guess

Key Activities
- Guess

Value Propositions
- Guess

Customer Relationships
- Guess

Customer Segments
- Guess

Key Resources
- Guess

Channels
- Guess

Cost Structure
- Guess

Revenue Streams
- Guess

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How Do Startups *Search* For A Business Model?
There are no facts inside your building
There are no facts inside your building

So Get Outside
Customer Development = process to search

Diagram:
- Customer Discovery
- Customer Validation
- Customer Creation
- Company Building

Pivot arrow between Customer Validation and Customer Creation
Customer Development = process to search

Business Model Canvas = the Scorecard

The Business Model Canvas

- **Key Partners**
  - Research Labs
  - Equipment Manufacturers
  - Distribution Network
  - Service Providers

- **Key Activities**
  - Technology Design
  - Marketing
  - Demo and customer feedback
  - IP - Patents
  - Video Classifier Files
  - Robust Technology

- **Value Propositions**
  - Cost Reduction
  - Remove labor force pains
  - Eliminate bio-waste hazards

- **Customer Relationships**
  - Farming conventions
  - Demo, demo, and demo!!
  - Proximity is paramount

- **Customer Segments**
  - Organic Farmers
  - Weeding Service Providers
  - Conventional Farmers

- **Channels**
  - Dealers
  - Direct Service
  - Indirect Service
  - … then Dealers

- **Cost Structure**
  - Value-Driven

- **Revenue Stream**
  - Asset Sale
  - Direct Service with equipment rental
  - … then Asset Sale

www.businessmodelgeneration.com
Customer Development is the process used to search.

Business Model Canvas is the Scorecard.

**Agile Development is** How We *Build* Startups.
Customer Development

The founders

^ Get Out of the Building
Customer Development
The Search For the Business Model
• Stop selling, start **listening**
• Test your hypotheses
• **Continuous** Discovery
• Done by **founders**
Turning Hypotheses to Facts

Test Hypotheses:
- **Product**
- **Market Type**
- **Competition**
Test Hypotheses:

- Problem
- Customer
- User
- Payer
Test Hypotheses:

- **Channel**
Key Partners
- Who are our Key Partners?
- Which Key Resources are we using from partners?
- What Key Activities do our partners perform?

Test Hypotheses:
- Channel
- (Customer)
- (Problem)

Key Activities
- What Key Activities do our Value Propositions require?
- Our Distribution Channels
- Customer Relationships
- Revenue Streams

Value Propositions
- What value do we deliver to the customer?
- What needs of current customers are unmet by existing solutions?
- What new products and services are we offering to each Customer Segment?
- What customer needs are we satisfying?

Customer Relationships
- What type of relationship does each of our Customer Segments expect to have with us?
- How will we maintain contact?

Customer Segments
- For whom are we creating value?
- Who is our most important customer?

Test Hypotheses:
- Demand Creation

Channels
- Through which Channels do our Customer Segments want to reach us?
- How are our Channels integrated?
- Where is our next best effort?
- What are our next cost offsets?
- How are we segmenting them with customer solutions?

Test Hypotheses:
- Channel

Cost Structure
- What are the most important cost drivers in our business model?
- What do we need to sustain our model?
- How do we avoid running out of cash?

Test Hypotheses:
- Size of Opportunity/Market
- Validate Business Model

Revenue Streams
- For which customer segments do we make money?
- For what do they currently pay?
- How are they currently paying?
- How much can we charge?

Test Hypotheses:
- Pricing Model / Pricing
Test Hypotheses:
• Channel
• (Customer)
• (Problem)

Customer Development Team

Test Hypotheses:
• Demand Creation

Test Hypotheses:
• Channel

Test Hypotheses:
• Size of Opportunity/Market
• Validate Business Model

Test Hypotheses:
• Pricing Model / Pricing
The Minimum Viable Product (MVP)

- Smallest feature set that gets you the most orders, learning, feedback, failure…

The Pivot
The Pivot

- The heart of Customer Development
- Iteration without crisis
- Fast, agile and opportunistic
How Does This Really Work?

Lean LaunchPad Class
How Does This Really Work?

Lean LaunchPad Class

8 Weeks From an Idea to a Business
Pivot Example

Robotic Weeding

Talked 75 Customers in 8 Weeks
Our initial plan

Autonomous Large-Scale Mowing and Agricultural Weeding
We got OUR Boots dirty

**Weeding**

Visited farms in Salinas Valley to better understand problem

Interviewed:
- Bolthouse Farms, Large Agri-Industry in Bakersfield
- White Farms, Large Peanut farmer in Georgia
- REFCO Farms, large grower in Salinas Valley
- Rincon Farms, large grower in Salinas Valley
- Small Organic Corn/Soy grower in Nebraska
- Heirloom Organics, small owner/operator, Santa Cruz Mts
- Two small organic farmers at farmers market
- Ag Services of Salinas, Fertilizer applicator

**Mowing**

Interviewed:
- Golf: Stanford Golf course
- Parks: Stanford Grounds Supervisor, head of maintenance and lead operator (has crew of 6)
- Toro dealer (large mower manufacturer)
- User of back-yard mowing system
- Maintenance Services for City of Los Altos
- Colony Landscaping (Mowing service for stadiums)
# Business Plan
## Autonomous Vehicles for Mowing & Weeding

### Key Partners
- **Dealers (Mowing and Ag)**
- Vehicle OEMs (John Deere, Toro, Jacobsen, etc)
- Research labs

### Key Activities
- Innovation
- Customer Education
- Dealer training

### Key Resources
**Engineers on Autonomous vehicles**, GPS, path-planning

### Value Propositions
**We reduce operating cost**
- Labor reduction
- Better utilization of assets (e.g. mow or weed at nights)
- Improved performance (less rework, food safety)

### Customer Relationships
**Dealers sell, installs and supports customer**
Co. trains dealers, supports dealers

### Customer Segments
**Mowing**
- Owners of public or commercially used green spaces (e.g. golf courses)
- Landscaping service provider

**Weeding**
- Farmers with manual weeding operations

### Cost Structure
- **Dealer discount**
- COGS seek a 50-60% Gross Margin
- Heavy R&D investment

### Revenue Streams
**Asset sale**
Our revenue stream derives from selling the equipment
<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Propositions</th>
<th>Customer Relationships</th>
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</tr>
</thead>
<tbody>
<tr>
<td>- Ag Dealers</td>
<td>- Innovation</td>
<td><strong>We reduce operating cost</strong></td>
<td>Dealers sell, installs and supports customer</td>
<td>- Low density vegetable growers</td>
</tr>
<tr>
<td>- Ag Service</td>
<td>- Customer Education</td>
<td>- Labor reduction (100 to 1)</td>
<td>Co. trains dealers, supports dealers</td>
<td>- High density vegetable growers</td>
</tr>
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<td>providers</td>
<td>- Dealer training</td>
<td>- Reduced risk of contamination</td>
<td></td>
<td>- Thinning operations</td>
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<td></td>
<td></td>
<td>- Mitigate labor availability concerns</td>
<td></td>
<td>- Conventional vegetables</td>
</tr>
<tr>
<td></td>
<td><strong>Engineers on Machine Vision</strong></td>
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<td></td>
<td>Two problems:</td>
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<tr>
<td></td>
<td>- Identification</td>
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<td>Dealer discount</td>
<td><strong>Asset sale</strong></td>
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<tr>
<td>COGS seek a 50-60%</td>
<td>Our revenue stream derives from selling the</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>equipment</td>
</tr>
<tr>
<td>Heavy R&amp;D investment</td>
<td></td>
</tr>
</tbody>
</table>
1 Week – 1 CarrotBot
# The Business Plan Canvas Updated

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<td>• Farming conventions.</td>
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<td>• Equipment Manufacturers</td>
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<td>• Demo, demo, and demo!!</td>
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<td>• Weeding Service Providers</td>
</tr>
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<td>• Distribution Network</td>
<td>• Demo and customer feedback</td>
<td>• Proximity is paramount</td>
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<td>• Conventional Farmers</td>
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<td>• Robust Technology</td>
<td>• Indirect Service</td>
<td>• ... then Dealers</td>
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### Key Resources
- IP – Patents
- Video Classifier Files
- Robust Technology

### Key Activities
- Technology Design
- Marketing
- Demo and customer feedback

### Value Propositions
- Cost Reduction
- Remove labor force pains
- Eliminate bio-waste hazards

### Customer Relationship
- Proximity is paramount

### Customer Segments
- Organic Farmers
- Weeding Service Providers
- Conventional Farmers

### Cost Structure
- What are the most important costs inherent in our business model?
- What are our Key Activities?

### Revenue Streams
- For what value are our customers willing to pay?
- How much does each revenue stream contribute to overall revenue?

### Value-Driven
- Direct Service with equipment rental
- ... then Asset Sale
# The Business Plan Canvas Updated

## Key Partners
- Research Labs
- Equipment Manufacturers
- Distribution Network
- Service Providers

## Key Activities
- Technology Design
- Marketing
- Demo and customer feedback

## Key Resources
- IP – Patents
- Video Classifier Files
- Robust Technology

## Value Propositions
- Cost Reduction
- Remove labor force pains
- Eliminate bio-waste hazards

## Customer Relationships
- Farming conventions.
- Demo, demo, and demo!!
- Proximity is paramount

## Customer Segments
- Mid/Large Organic Farmers
- Agricultural corporations
- Weeding Service Providers
- Mid/Large Conventional Farmers

## Channels
- Direct Service
- Indirect Service
- … then Dealers

## Cost Structure
- Value-Driven

## Revenue Streams
- Direct Service with equipment rental
  - ($1,500/d; 120d/yr)
- Low density: $1,500/d
- High density: $6,000/d
World Ag Expo interviews: the need is real and wide spread

- 10+ interviews at show
  - Everyone confirmed the need
  - Robocrop, UK based, crude competitor sells for $171 K

- Revenue Stream
  - Mid to small growers prefer a service
  - Large growers prefer to buy, but OK with service until technology is proven
  - Charging for labor cost saved is OK, as we provide other benefits (food safety, labor availability)
The Business Plan Canvas Updated

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<td>• IP – Patents</td>
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<tr>
<td>• 2 or 3 Key Farms</td>
<td>• Video Classifier Files</td>
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<td></td>
<td>• Robust Technology</td>
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<td>Value-Driven</td>
<td>• Direct Service with equipment rental</td>
</tr>
<tr>
<td>• R&amp;D</td>
<td>• Low density: $1,500/d</td>
</tr>
<tr>
<td>• Bill of Materials</td>
<td>• High density: $6,000/d</td>
</tr>
<tr>
<td>• Training &amp; Service</td>
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</tr>
</tbody>
</table>
# Autonomous weeding - Final

## Key Partners
- Ag Service providers
- Research Institutes (eg UC Davis, Laser Zentrum Hannover)
- 3-4 key farms

## Key Activities
- Innovation
- Customer Education
- Dealer training

## Value Propositions
**We reduce operating cost**
- Labor reduction (100 to 1)
- Reduced risk of contamination
- Mitigate labor availability concerns

## Customer Relationships
**Direct**
- Provide high quality service at competitive price

## Customer Segments
- Low density vegetable growers
- High density vegetable growers
- Thinning operations
- Conventional vegetables

## Key Resources
**Engineers on Machine Vision**
Two problems:
- Identification
- Elimination

## Channels
**Direct**
- Alliance with service providers
- Eventually sell through dealers

## Cost Structure
**Costs for service provision**
COGS seek a 50-60% Gross Margin
Heavy R&D investment

## Revenue Streams
**Service provision**
- Charge by the acre with modifier according to weed density
- Eventually move to asset sale
Thanks

www.steveblank.com
Epitaph for an Entrepreneur

Posted on June 13, 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 Anse 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 a month later.
Personal Libraries
Insight: No more bookshelves

Printed Books
-20% YoY ‘10

eBooks
+150% YoY ‘10
Original Idea: Personal Digital Libraries

Import, organize and share thousands of digital papers
## Invincible Business Model: Version 1.0

<table>
<thead>
<tr>
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<th><strong>Value Proposition</strong></th>
<th><strong>Customer Relationships</strong></th>
<th><strong>Customer Segments</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Libraries, Universities, Research Centers</td>
<td>Targeted marketing</td>
<td>Import, organize and share thousands of papers</td>
<td>FB/TW posts from users you know</td>
<td>SHORT TERM Researchers Lawyers Scientists</td>
</tr>
<tr>
<td>Bloggers and media targeting customer segment</td>
<td>Product development</td>
<td></td>
<td>Company blog, FB, TW, support forums</td>
<td>LONG TERM Avid book readers Professionals</td>
</tr>
<tr>
<td>Academic Database providers</td>
<td>Constant iteration &amp; testing</td>
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<tr>
<td><strong>Key Resources</strong></td>
<td><strong>Channels</strong></td>
<td><strong>Cost Structure</strong></td>
<td><strong>Revenue Streams</strong></td>
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<tr>
<td>Developers</td>
<td>Affiliate program</td>
<td>AWS Infrastructure</td>
<td>Affiliate program fees</td>
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<tr>
<td>Marketers</td>
<td>SEO/SEM/SM</td>
<td>SEM</td>
<td>Licensing</td>
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<td>IE/FF/Chrome App Stores</td>
<td>Eng &amp; Marketing OpEx</td>
<td>Subscription fees</td>
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<td></td>
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<td>Ad revenue</td>
<td></td>
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</tbody>
</table>
Here’s What We Did

Version 1.0: Personal Libraries
Got out of the building
Got out of the building

• 100+ Interviews

Professors, Litigators, IP lawyers, Post-docs, PhD researchers, Engineering Students, Law Students...
Got out of the building

- 100+ Interviews
- Extensive Surveys
Got out of the building

- 100+ Interviews
- Extensive Surveys
- 33,000+ Adwords
100+ Interviews
• Extensive Surveys
• 33,000+ Adwords
• Compete Review
Got out of the building

- 100+ Interviews
- Extensive Surveys
- 33,000+ Adwords
- Compete Review
- Market Sizing

**Market Research & Estimates**

- **Paid Reference Managers: (TAM $30-43M)**
  - 12K searches/month on “free endnote” in Google
  - Google 70% search share
  - Suppose each “free endnote” search represents 1 in 12 users who finally obtain a commercial license
  - Suppose “free endnote” represents 30% of all searchers looking for reference managers
  - Suppose average Endnote sale price is $70
  - TAM: ~$43M

- **E Books: $500M**
  - Wholesale book sales at about $24B annually
  - eBook segment at about $0.5B and growing at over 100%
  - American Publisher’s Association

**Digital Content Library**

- Citation Manager
- PDF Organization
Got out of the building

- 100+ Interviews
- Extensive Surveys
- 33,000+ Adwords
- Compete Review
- Market Sizing
- 50 bloggers
Got out of the building

- 100+ Interviews
- Extensive Surveys
- 33,000+ Adwords
- Compete Review
- Market Sizing
- 50 bloggers
- 6 Social Networks
Got out of the building

- 100+ Interviews
- Extensive Surveys
- 33,000+ Adwords
- Compete Review
- Market Sizing
- 50 bloggers
- 6 Social Networks
- Usability Tests
Got out of the building

- 100+ Interviews
- Extensive Surveys
- 33,000+ Adwords
- Compete Review
- Market Sizing
- 50 bloggers
- 6 Social Networks
- Usability Tests
- Rapid Iteration
Here’s What We Found

Version 1.0: Personal Libraries
Here's what we found: Version 1.0

GOOD
- Subscriptions Rock

A great business if we had more users...

Lifetime Value of User

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Acquisition Cost:</td>
<td>$83</td>
</tr>
<tr>
<td>User Purchases:</td>
<td>$100/yr</td>
</tr>
<tr>
<td>Profit Margin:</td>
<td>70%</td>
</tr>
<tr>
<td>Churn Rate:</td>
<td>30%</td>
</tr>
<tr>
<td>Discount Rate:</td>
<td>8%</td>
</tr>
<tr>
<td>TOTAL VALUE:</td>
<td>$92</td>
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</tbody>
</table>

Conversion Funnel

- 33,000 Impressions
- 167 Clicks
- 33 Downloads
- 1 Payment
Here's what we found: Version 1.0

**GOOD**
- Subscriptions Rock
- Pipelines Optimize

Shorter pages raise conversions 80%

---

**Website Optimizer: Experiment List**

<table>
<thead>
<tr>
<th>Data</th>
<th>Name</th>
<th>Status</th>
<th>Page Visitors</th>
<th>Convs</th>
<th>Conv. Rate</th>
<th>Finish Time</th>
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Shorter is Better

- Original Peaya website has 66% conversion rate
- Conversion defined as people clicking the download button on the landing page
- Experiment still underway; too few data points for drawing conclusions
Here's what we found: Version 1.0

GOOD

• Subscriptions Rock
• Pipelines Optimize
• The Web Listens

Sites will feature your service
Here's what we found: Version 1.0

GOOD
• Subscriptions Rock
• Pipelines Optimize
• The Web Listens

BAD
• Academics = Cheap

Teaching team saw pattern in our data
Run away from this customer as fast as possible.
Run away from this customer as fast as possible.

They don’t want to spend money and will incur infinite support and infinite cost.
Here's what we found: Version 1.0

GOOD
• Subscriptions Rock
• Pipelines Optimize
• The Web Listens

BAD
• Academics = Cheap
• Negative Margins

Working for peanuts, and hitting wild product success leads to economic failure

Personal Libraries could be $240K/year business in 2 years

Assumptions
- Core Freemium (up to ~$180K)
  - 30x user growth (to 60K users)
  - 200x conversion (to 10%)
  - 3x price increase
  - 2 FT engineers @$40K/year
- Ads (up to ~$30K)
  - $5-10 CPM
  - 4-10 hours in app
  - 60K user base
- Content Sales (up to ~$30K)
  - 8-10% affiliate commission
  - 0.02-0.05% CTR
  - $15-50 mean purchase price
Here's what we found: Version 1.0

GOOD
• Subscriptions Rock
• Pipelines Optimize
• The Web Listens

BAD
• Academics = Cheap
• Negative Margins
• ECM = Boring

No adjacent pivots worked for the team

Can we win in Document Management?

2009 Revenue: $3.5B growing 4.9%
(Gartner)

Sources:
• Gartner Magic Quadrant
• SharePoint Product Manager
• Web Research

Elements:
• Document Management
• Records Management
• Workflow
• Social Content
• Web Content Management
• Extended Components
Version 2.0: Trusted Advice
# Invincible Business Model: Version 2.0

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**Cost Structure**
- AWS Infrastructure
- SEM
- Eng & Marketing OpEx

**Revenue Streams**
- Affiliate program fees
- Licensing
- Subscription fees
- Ad revenue
New Hypotheses

Social Shopping Customer Segment and Value Proposition

Sam the Shopper
Upwardly mobile young professional (some Grad Students)
Salary: $40,000-$250,000/year

Demographics
• Male, aged 18-35
• Minimum bachelors from expensive school

Motivation
• Craves new tech products
• Hates tedious work
• Identifies as influencer for tech products
• Fears being cheated online

Behavior
• Spends 5 hour+ monthly hearing about products
• Shares online and in person about products he loves

Budget
• $2-10K+/year in discretionary online purchases

“The XXX is awesome, I really want one. I know I just bought the YYY, but it’s probably time to upgrade.”

Value Proposition

Promise
• Discover products recommended by respected friends, available at the lowest possible price, either new from trusted vendors, or used from friends or local sellers

Differentiation
• Only social shopping system spanning all major online retailers, plus local used goods markets.

Evidence
• Instantly research a million products with price history, local availability

Cost
• FREE for service
• 5% to sell products, escrow service included

Risks
• Privacy
• Identify/Credit Card Theft
• Malicious software on PC

Effort
• Account sign-up
• Friend adding
• Install add-in
Here’s What We Did

Version 2.0: Trusted Advice
Got out of the building, again

• 40+ Interviews
Got out of the building, again

- 40+ Interviews
- Extensive Surveys
Got out of the building, again

- 40+ Interviews
- Extensive Surveys
- Landing Page Tests

Landing pages tested on affluent, career aged professionals, approximately 70/30 male/female, N=800+
Got out of the building, again

- 40+ Interviews
- Extensive Surveys
- Landing Page Tests
- Market Research
Got out of the building, again

- 40+ Interviews
- Extensive Surveys
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- Market Research
- Compete Research
Got out of the building, again

- 40+ Interviews
- Extensive Surveys
- Landing Page Tests
- Market Research
- Compete Research
- Revenue Analysis

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<th>Researched Potential Revenue Streams</th>
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<tr>
<td><strong>Benchmarks</strong></td>
</tr>
<tr>
<td><strong>Affiliate Revenue</strong></td>
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<tr>
<td>- $0.20-$0.30 CPC in apparel/fashion (Shopzilla)</td>
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<tr>
<td>- 5-7% in electronics (Amazon)</td>
</tr>
<tr>
<td>- 7-10% in digital goods (Amazon)</td>
</tr>
<tr>
<td><strong>Comparison Shopping Add-in</strong></td>
</tr>
<tr>
<td>- $0.4 APRU for electronics (70 user sample)</td>
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<tr>
<td>- $0.7 APRU for women's furnishings</td>
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<td>- $0.25-$0.30 CPC furnishings</td>
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<td><strong>Ads</strong></td>
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<td>- $20-40 CPM premium ads</td>
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<tr>
<td>- $3 CPM remnant</td>
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<td>- $20-50/year Consumer Reports/Angie's List</td>
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Got out of the building, again

• 40+ Interviews
• Extensive Surveys
• Landing Page Tests
• Market Research
• Compete Research
• Revenue Analysis
• Two Prototypes
Got out of the building, again

- 40+ Interviews
- Extensive Surveys
- Landing Page Tests
- Market Research
- Compete Research
- Revenue Analysis
- Two Prototypes
- Refined Personas
Customer Segment: Professional-class consumers shopping frequently online

Pat the Professional

*Upwardly mobile professional (some Grad Students)*
Salary: $40,000 – 150,000/year
*Finance, Consulting, PR, Marketing*
Follows fashion/technology trends
Spends $1-15K on discretionary items online
Purchased online in last 30 days

Demographics
- Male/female, aged 18-35
- Minimum bachelors from expensive school

Traits:
- Ideas from blogs & shopping websites
- Values celebrity trends & friends’ opinions
- Wants high ticket items at lowest price
- Event-driven shopper—new release or sale

Motivation
- Craves new products
- Hates tedious work
- Identifies as influencer among friends
- Fears being cheated online

Behavior
- Spends 5 hour+ monthly hearing about products
- Shares online and in person about products he loves

Budget
- $2-10K+/year in discretionary online purchases

“The XXX is awesome, I really want one. I know I just bought the YYY, but it’s probably time to upgrade.”

~5.9M “Pat the Professionals” in US

Drawn from top 1/3 of 17.8M frequent online shoppers

17.8M based on 40.2M Professionals (2008 Census) * 0.762 US Internet Penetration (Nielsen 2010Q1) * 0.58 consumers shopping online in last month (Nielsen 2010Q1)

Online Recommendation Market Opportunity (conservative strawman #s)

Assuming 10% share, 5% affiliate fees

Top Shoppers
(~$7B/year spend): ~ $35M/year

Professional-class frequent shoppers
(~$1.8B/year): ~ $9M/year

Other Professional-class shoppers
($0.7B/year): ~3.5M/year

Version 2.0: Trusted Advice

Top ~6M US Influentials (~$9B/year)

People

Purchase

Preference
### Invincible Business Model: Version 2.0

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Here’s What We Found

Version 2: Trusted Advice
Findings on "Trusted Advice"

GOOD
• Fast Interest

Insidely.com
Trusted advice site for Silicon Valley/Stanford MBAs

Launched 2/15

425 visitors by 2/28
Findings on "Trusted Advice"

GOOD

• Fast Interest

Ranked #6 by Google for “Stanford Admissions Books”
Findings on "Trusted Advice"

GOOD
- Fast Interest
- High Conversion

43% clickthrough on *Top Admissions Books for Stanford MBAs* article

Compare to 0.5% clickthrough on ads

~100x difference
Findings on "Trusted Advice"

GOOD

• Fast Interest
• High Conversion
• Needs Addressed

Positive results on “Trusted Advice”
Shopping Add-in testing

See videos at http://factnote.com/c/e245
Findings on "Trusted Advice"

GOOD
• Fast Interest
• High Conversion
• Needs Addressed

Positive results on “Trusted Advice”
Shopping Add-in testing

Super easy to install and use.

I really did enjoy it!

Great idea! I will keep the extension installed because I do think this is practical!

I could see myself using this regularly
Findings on "Trusted Advice"

GOOD
• Fast Interest
• High Conversion
• Needs Addressed

BAD
• Missing Features

Some negative results on “Trusted Advice” Shopping Add-in testing

See videos at http://factnote.com/c/e245
Findings on "Trusted Advice"

GOOD
• Fast Interest
• High Conversion
• Needs Addressed

BAD
• Missing Features

Some negative results on “Trusted Advice” Shopping Add-in testing

I was a little frustrated when it didn’t find the item I was looking for

I can find more thorough price comparisons elsewhere...

I usually don’t shop in Chrome, so that’s an inconvenience.
Findings on "Trusted Advice"

GOOD
• Fast Interest
• High Conversion
• Needs Addressed

BAD
• Missing Features
• SEO Battle

MBA Exchange spams us out of Google

“Top 10 admissions books read by Stanford MBAs” – all that omnipotence for just $31.56!

A recent posting on Twitter announced a list of “10 best-selling books” that a group of current Stanford business school students named as being essential to their success. The theory sounds simply wonderful and wonderfully simple: Read some books. Apply to the elite b-schools. Get admitted.

However, the logic is flawed for at least these 5 reasons:

1. Strategies and tactics for admission to Stanford, Harvard, Wharton, etc. need to be customized and personalized – built from the inside out – to capture the true candidacy. Serious applicants must craft and present a candidacy that is unique to them AND that resonates with the b-school admissions committee. Cookie cutters are for, well,
Here’s Where We Ended Up

Version 2.1: Trusted Advice
The adventure continues

**Trusted Advice 2.0**

Protection against SEO-spammers

Next Experiments:
- Trusted Lead Gen
- Trusted Advice website powered by Shopping Add-in
## Invincible Business Model: Version 3.0

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<td>Retail marketing partners</td>
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### Key Resources
- Developers
- Marketers
- Content Library
- Install base
- Readership base

### Channels
- Affiliate program
- SEO/SEM/SM
- IE/FF/Chrome App Stores

### Cost Structure
- AWS Infrastructure
- SEM
- Eng & Marketing OpEx

### Revenue Streams
- Affiliate program fees
- Licensing
- Subscription fees
- Ad revenue
What We Learned

• Potential for disruption abounds
What We Learned

• Potential for disruption abounds

• Life is short, focus on big markets
What We Learned

• Potential for disruption abounds

• Life is short, focus on big markets

• All we need is to be relentless
Thanks

www.steveblank.com
Epitaph for an Entrepreneur

Posted on June 13, 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 a 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 Anso 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 4 1/2 months later.
Carpe Diem

www.steveblank.com