

LEAN B2B

BUILD PRODUCTS BUSINESSES WANT

Étienne Garbugli

“Read this book before you schedule even one more meeting about your startup.” – Jeffrey L. Cohen,
Co-Author, The B2B Social Media Book

“Lean B2B nails the key to being nimble and iterative in the complex, drawn-out world of B2B entrepreneurship: relationships. It captures how I've been running my own Lean B2B practice for years and makes it accessible to anyone.” – Brian Gladstein, CEO and Founder, Explorics

“This book is essential reading for would-be entrepreneurs who face the daunting task of entering B2B markets.”
– Paul Gillin, Co-Author, Social Marketing to the Business Customer

“This complete collection of stories and experiences is the perfect companion resource as you embark on your entrepreneurial journey.” – Ben Sardella,
Co-Founder, Datanyze

“Treat this book like a map to show you where you are and a compass to show you the direction. I wish I could have read it 2 or 3 years ago.” – Jonathan Gebauer,
Founder, exploreB2B

BUSINESS / TECHNOLOGY

#LEANB2B

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About The Book

Finding and validating business opportunities in mid- to large-sized organizations can overwhelm even the most experienced entrepreneurs. Challenges include acquiring domain expertise, building a connected network of influencers, finding the decision makers, understanding the needs of the “whole product,” estimating a return on investment and reducing the perception of risk. Where should you start and how should you proceed?

Lean B2B helps technology entrepreneurs answer these questions while keeping them focused on the right things each step of the way. Packed with more than 20 case studies and insights from over a hundred entrepreneurs, Lean B2B consolidates the best thinking around Business-to-Business (B2B) customer development to help you quickly find traction in the enterprise, leaving as little as possible to luck.

The book helps you:

- ▶ Assess the market potential of opportunities to find the right opportunity for your team
- ▶ Find early adopters, quickly establish credibility and convince business stakeholders to work with you
- ▶ Find and prioritize business problems in corporations and identify the stakeholders with the power to influence a purchase decision
- ▶ Create a minimum viable product and a compelling offer, validate a solution and evaluate whether your team has found product-market fit
- ▶ Identify and avoid common challenges faced by entrepreneurs and learn ninja techniques to speed up product-market validation

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Building the knowledge base (Thanks)

Lean B2B would not have been possible without the generous contribution of more than 30 entrepreneurs from Austin, Boston, Montreal, New York, Quebec City, Seattle, Silicon Valley and Toronto.

These successful entrepreneurs took time out of their busy schedules to share stories and insights to help the *science* of entrepreneurship evolve. For that, I am very grateful.

These CEOs, CTOs and COOs have found success with B2B startups like WePay, Optimizely, Bluestreak Technologies, PunchTab, WP Engine, Vontu, Nstein Technologies, CakeMail, iPerceptions, WhatsNexx, Wistia, Get Satisfaction and many more¹.

Any of these entrepreneurs — with their vision, experiences and insights — could have written this book, but it is my opinion that the true value of Lean B2B lies in the variety of perspectives and experiences.

There is no single way to complete the tasks laid out in this book; there are as many ways to cut the cake as there are types of entrepreneurs. It's important to find the approach that best matches your style.

This book contains excerpts from all interviews. My hope is that the insights shared by these entrepreneurs will be as valuable to you as they have been to me.

If I am successful, the knowledge in Lean B2B will not stay inside the book. The science of entrepreneurship evolves quickly, and it is my hope that the community (leanb2bbook.com/community) will be a driving force of fresh B2B customer development ideas.

Join the community to receive updates as new ideas are made available.

Thank you for reading.

*To my parents,
for never putting any limits on my potential.*

PART I —

Why this book matters

The first part of this section covers the major differences between B2B and Business-to-Customer (B2C) product-market validation; the second part defines the B2B opportunity space and highlights the challenges entrepreneurs face when targeting the enterprise.

Chapter 1 — Introduction

WHEN DAVID MET GOLIATH

It was a warm day in the valley. David was sitting in his brand new BMW sweating.

Impressed by the vision of the CEO, David had recently decided to leave a comfortable sales job to join a promising tech startup. The company had a great team, amazing technology and strong leadership, but their product was another six months from launch and the company was running out of money.

The company's CEO, Saul, had made David a partner to convince the star salesperson to jump ship. With three young children at home and an expensive new car to pay for, David had, of late, been wondering if he'd made the right decision.

Saul, an experienced salesperson himself, was organizing the vast majority of the client meetings. David's responsibility was to close the deals.

Today, David's mission was to sell an unfinished product with an unproven technology to the CEO of the largest pharmaceutical company in the valley. The whole team depended on him for survival.

Selling technology to pharmaceutical executives was nothing new for David; he had just never done it with this little to show. He would have to be very convincing.

As David walked in the executive's office, he was taken back to the comfortable life he had left behind. Keeping his job would have been the easiest thing to do, but at 42, it was time for him to give entrepreneurship a try.

The CEO was sitting behind his desk looking at his phone. As David got in, he barely acknowledged his presence.

Taking a quick look at David, the executive signaled him to begin. *It was going to be a rough meeting...*

David was on top of his game. He gave the pitch that he and Saul had been preparing for the last two weeks. By the end of the presentation, the CEO hadn't moved an inch.

To David's surprise, he came swinging with questions on expected return on investment, data ownership, implementation and switching costs, guarantees and cost structure — the CEO clearly had something in mind.

Saul would certainly not agree with all the answers that David gave, but the young startup really needed this deal.

As he emerged from the interrogation, everything was quiet in the valley. The executive's body language had changed. He was now openly sharing his vision for the company, his objectives and where he thought the technology would fit.

When the meeting concluded, David left with a two-year contract in his pocket. Goliath, the largest pharmaceutical company in the valley, would become their first prominent customer, a lighthouse customer to attract others.

On the way back to his office, David felt like a beaten man. His young startup had taken a significant step forward, but he knew that the meeting could have gone either way. His excitement to share the news was overshadowed by the thought of sharing the terms of the deal with Saul...

WHAT SELLING TO BUSINESSES FEELS LIKE

In many ways, this modern David and Goliath story is what being a startup founder selling to the enterprise feels like. You're the little guy armed with sticks and stones trying to hit a giant between the eyes, and you only get a stone or two.

David won Goliath by refusing to play by conventional rules. He sold a vision when competitors sold products, but there was no way he could have predicted the outcome of the meeting. Landing a big client in a first meeting is about as likely as striking a raging giant with a single stone during a battle. Well, it's probably even less likely...

This book is about understanding the inner workings of Goliath to bring new technology to the enterprise.

LEAN B2B

In the last 10 years, there have been 56 IPOs in the enterprise space that have gotten north of a billion [dollars in market capitalization] and just 23 in consumer.² – Jim Goetz, Sequoia Capital Venture Partner

Enterprise is big. Enterprise will get bigger. But, enterprise is also changing.

If you're reading this book, perhaps you're already part of the movement that is changing how enterprises purchase technology.

As an **entrepreneur**, **investor** or **sales professional**, you may be in a privileged position to appreciate the intricacies of getting new technology through the doors of mid- to large-sized businesses.

This hard-earned knowledge came at the cost of many big and small mistakes, but it has never been made available to starting **entrepreneurs** and **product managers**; the people on the front lines waiting at the doors of the enterprise.

Lean B2B is not a business management or a product development book. It's a book about discovering problems that matter to get from idea to product-market (P-M) fit as efficiently as possible.

The goal of a startup is not to be a startup. A startup is a temporary organization designed to search for a repeatable and scalable business model. – Steve Blank, The Four Steps to the Epiphany Author

Although startup success can never be guaranteed (don't believe the hype!), Lean B2B consolidates the best thinking around B2B customer development to help entrepreneurs quickly find traction in the enterprise; leaving as little as possible to luck.

Lean B2B is a Lean Startup™ approach, but where the Lean Startup can be viewed as the vision, Lean B2B is the cookbook.

Its concrete, day-to-day, no-nonsense techniques are the work of entrepreneurs like Martin Ouellet (Taleo), Jason Cohen (SmartBear Software), Michael Wolfe (Vontu) and the many other successful entrepreneurs interviewed for this book.

The decision to go in B2B is often the result of what entrepreneurs know or what they're passionate about. Learning B2B complex sales — non-transactional, high touch sales involving multiple stakeholders — on the job is no simple task.

Many entrepreneurs make the mistake of thinking that B2B and B2C customer development are one and the same, but B2B turns P-M validation on its head.

In B2B, you seek to understand the market before finding a product or a solution; the entrepreneur's vision is second to his ability to understand the needs of the customers. Customers are driving the show; entrepreneurs need to focus entirely on what the business wants.

You might stumble on a model that works in B2C, but in B2B, if you can't understand the inner workings of an organization you'll never be able to sign large customers. You need relationships. Prospects buy from people they know and trust.

*Clients will feel they have a relationship with you only when they believe that you understand **their** needs, **their** situation, **their** vision, **their** constraints, **their** corporate goals and **their** career goals. – Ken Morse, MIT Entrepreneurship Center Founding Managing Director, 1996-2009*

The customer group or jury that you choose to listen to defines your solution. If you choose a jury that doesn't have money, you can only expect failure or limited revenues.

Whether you choose a bottom-up or a sales distribution model to bring your product to consideration, Lean B2B shows you how to successfully leverage relationships to validate that you have found the real problems of your target market.

*This bottom-up purchasing model makes it difficult for legacy systems to embrace and protect their “own turf” when businesses are generating value from these smaller SaaS companies — all it needs is a credit card.*³ – Peter Levine, Andreessen Horowitz Venture Partner

In the last few years, products like Dropbox, Yammer or Apple’s iPhones have been able to gain momentum in the enterprise by appealing directly to end users, bottom-up. This Bring Your Own Device approach challenges traditional corporate purchasing models — where lock-in and transition costs are still important concerns — and raises the bar for enterprise products by making the user experience a key concern.

These companies have shown that a critical mass of consumers can help get a product considered by the enterprise. However, consideration doesn’t mean adoption.

Jason Pressman, general partner at the early-stage investment firm Shasta Ventures, says that one of the biggest concerns IT administrators have with consumer cloud services is that they aren’t built with the needs of businesses in mind.

Every business will say that it wants well-designed and easy-to-deploy products, but in businesses where IT often plays the role of gatekeeper, new products can’t get top-down company buy-in without real understanding of the business needs.

*Even new-age startups like Yammer (recently acquired by Microsoft for \$1.2 billion), which once spread the notion that big companies will embrace new technologies the same way that people do with consumer products, later hired a full enterprise sales and customer support team.*⁴ – Christina Farr, VentureBeat Writer

For example, Dropbox, a new entrant to the enterprise market, had to greatly modify its feature set and hire a senior sales executive to take on the enterprise market — a move that competitor Box,

a company focused on the enterprise from the start, had already made⁵.

Dropbox came through the door with ease of use and a massive consumer user base, but if they are to build a large B2B client base, they will have to dig deep into the needs of the enterprise.

It's a challenge for a company to target both consumers and businesses. By putting more resources in the enterprise market, Dropbox is taking focus away from the consumer market, where it's strongest.

Enterprises don't purchase products like consumers. Building relationships in the enterprise is a dramatic change of strategy for a mass market B2C company like Dropbox.

Finding out what businesses want requires deep relationships.

WHO SHOULD BE READING THIS BOOK

This book was written, first and foremost, for **B2B entrepreneurs** and aspiring entrepreneurs. The experiences and stories shared in this book were all carefully selected with their needs in mind. It is intended to be the perfect pocket guide to help entrepreneurs make their way to P-M fit.

Product managers, product owners and **marketing specialists** bringing new products to market share a lot of the responsibilities of startup founders. Lean B2B gives them an overview of the winning processes used by successful entrepreneurs.

Angel investors and **venture capitalists** funding enterprise startups will appreciate the clear path to P-M validation laid out in this book. If reducing the risk of their investments is a serious concern to them (it should be), Lean B2B is a book they will appreciate.

Finally, **missionary salespeople** — the sales specialists responsible for helping develop a compelling sales strategy — will appreciate the holistic approach to customer development.

Often, being one of the first salespersons in a technology company feels like starting your own business. These salespeople need the type of entrepreneur-like knowledge that this book provides.

Although the book was written with web, desktop and mobile products in mind — most of the entrepreneurs interviewed come from a web or desktop background — the key concepts of the book should resonate with entrepreneurs trying to get any kind of technology adopted by businesses.

Hardware and infrastructure entrepreneurs face the same challenges as web startups; the lessons in Lean B2B should also be valuable to them.

Although many of the techniques, ideas and concepts in Lean B2B can apply to B2C P-M validation, the book was written for entrepreneurs selling to businesses.

The 30+ entrepreneurs who contributed to the writing of this book all shared the experience of building businesses that sell to other businesses. Although their insights can be valuable to any founder, the entrepreneurs were interviewed with B2B in mind and should not be taken out of context.

WHO SHOULDN'T BE READING THIS BOOK

Lean B2B was not written for entrepreneurs hoping to quickly get validation out of the way. P-M validation is a time-consuming process that startups are ill advised to neglect.

Founders don't want to get their ideas invalidated. They don't want to do customer development. When they do, they do three (interviews) and say they're done. — Jason Cohen, SmartBear Software Founder and CEO

Entrepreneurs reading Lean B2B seeking an easy way to get their products adopted by enterprises will be disappointed; there is *no* easy way. Although P-M validation is explained simply in this book, it is *not* easy.

Successful P-M validation takes time, energy and hard work. Lean B2B is not a magic solution.

Chapter 2 — Where I'm Coming From

This book came out of failure.

At the time my ex-business partner and I started working on the company that would eventually become HireVoice, I had already been through the ups and downs of a startup with Flagback and two other companies.

I had experienced business success and failure, and had a wide network of talent and mentors. My professional background in user experience made validating with real customers from day one a given.

With HireVoice, we were building a platform to help businesses understand how the market perceives them as employers (employer brand monitoring). We started with the right mindset and the newly released *Lean Startup*TM would help give us an edge.

We started validating solutions with prospects in the first few weeks of business startup.

For the first few months, we were only getting positive feedback. This feedback gave us the nod to start building the first module of our solution.

We released our first version to pilot customers. It was high commitment from the start. It took months for any of our pilot customers to run tests. Nevertheless, people were excited about the potential of HireVoice.

After our first few modules failed to capture engagement with prospects, we realized that we had been fooling ourselves into thinking that employer brand perception was an important problem (or that it was a valid starting premise). It was a problem, but it didn't hurt enough for companies to pay for our solutions.

We had a clear picture of our target end user and target customer (not the same in this case), we were following the right process and we did a lot of good things. Yet, we failed. We were able to experience first-hand the limitations of the Lean Startup in B2B.

SIDEBAR

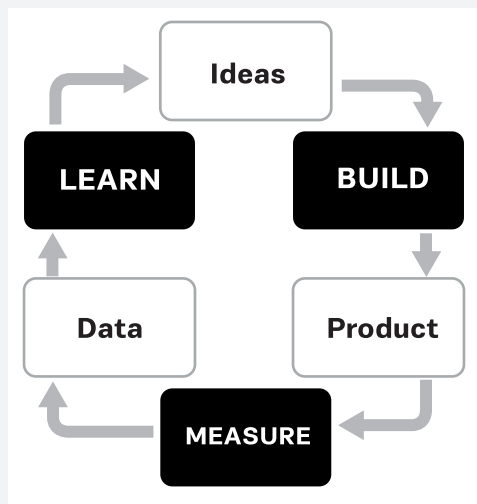
→ The Lean Startup

“Lean Startup” is a term Eric Ries coined in 2008 for a methodology for developing and introducing new products or services to the market.

With the Lean Startup, entrepreneurs identify the riskiest parts of their business model. Then, for each risky area, they create hypotheses that are validated through various experiments with code, marketing, customers, users, suppliers, etc.

When the hypothesis proves true, it becomes “validated learning,” something you can build on. When it turns out to be false, you

move on to another hypothesis.



The basis for this cycle of validation is the Build-Measure-Learn feedback loop illustrated below, where ideas are built into experiments, which are then measured and analyzed to learn and improve the product.

FIGURE 2-1. THE BUILD-MEASURE-LEARN FEEDBACK LOOP

The Lean Startup is, at its core, a risk-reduction methodology that allows entrepreneurs to gain maximum insight by building the minimum number of features.

In September 2011, Eric Ries released the much-anticipated book of the same name. The principles in *Lean Startup*TM have caught on and are now being introduced in startups and large enterprises all around the world.

THE CHALLENGES OF BEING A LEAN STARTUP IN B2B

Although the Lean Startup methodology works really well, the book's near exclusive focus on consumer startups (e.g., IMVU, Zappos, Dropbox, Grockit) has led many big-ticket B2B entrepreneurs to misinterpret its lessons.

While the core principles of the Lean Startup apply just as well to B2B (the goal is also to reduce waste), the techniques used are very different. In B2B, you're building fewer relationships and thus can't change the product overnight.

In large B2B, you seek more proximity with customers. The more proximity you have, the more likely you are to succeed. Although analytics will be part of the validation later, they play a lesser role in the early days of the startup. B2B validation is more relational.

Clients should be perceived as coworkers and not just customers. They should have the same goals as your business. – Don Charlton, The Resumator Founder and CEO

Sales cycles are long, products are complicated and many stakeholders need to get involved for a sale to happen. Business customers have their own resources, agenda, culture and approval processes. It's crucial to learn how to build relationships.

The Lean Startup, at its core, is about innovation, not relationships. It does not capture the intricacies of creating mutually beneficial partnerships with business stakeholders.

There is a limited number of prospects for your business and an even smaller number of early adopters. If you don't establish real mutually beneficial relationships with prospects, you run the risk of losing customers and reputation.

*A half-baked B2B product shown to a few “early adopter realtors” runs the risk of 1.) Losing that potential customer forever as it would be much more difficult to get in the door again, or 2.) Irreversible reputational loss in Boston (example) if the customer landscape is a tight and chatty one.*⁶ – Oliver Jay, Launching Tech Ventures

With HireVoice, we burned a lot of contacts and early adopters by changing products too often.

Eric Ries’s Lean Startup is a philosophy and a mindset. It transformed the way marketers and developers bring new technology to market, but it does not tell you how to adapt the principles to complex B2B sales. There’s a gap to be filled.

THE BOOK I WOULD HAVE LOVED TO READ

Although The Lean Startup was on the lips of everyone, we were already familiar with serial entrepreneur Steve Blank’s *The Four Steps to the Epiphany* — the book that started the Lean Startup movement and created the customer development process at the heart of this book.

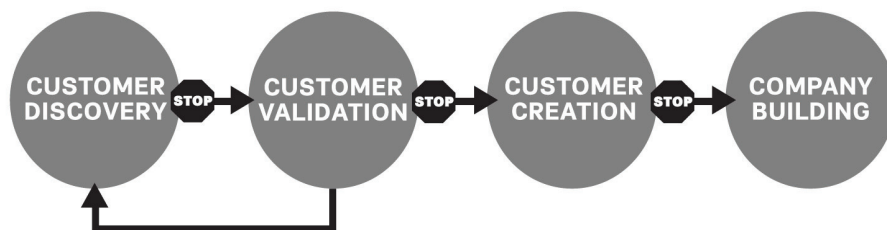


FIGURE 2-2. THE FOURS STEPS TO THE EPIPHANY

Customer development was born out of B2B enterprise selling; yet the body of knowledge available outside of *The Four Steps to the Epiphany* was small to non-existent⁷.

We struggled to answer any questions that fell beyond the scope of Blank’s book. The small everyday questions were killing us. We burned contacts, lost face in meetings, got stuck in political dead ends and had prospects mistrust us for withholding key information — all mistakes that could have easily been avoided.

We got better around the time that we joined the MIT Entrepreneurship mentorship program, which gave us a structured way to look at validation. However, what really helped us was receiving the mentorship of Claude Guay, a sales veteran and a two-time startup CEO (iPerceptions and Accovia).

Claude didn't change our validation process, but he answered all of the small questions we had:

- Should you show prices in a pitch deck?
- At what point should you start asking for money?
- How should you re-engage prospects after the first meeting?
- How can you get businesses to honestly tell you about their spend?
- How can you reward interview candidates?

In the end, we failed to build a sustainable business, but succeeded in *in-validating* a company. It was a *successful* validation with a negative outcome (the story of HireVoice is available in Appendix I).

It took us six months to in-validate our first two products, but only three months to in-validate the last three. Inappropriate B2B customer development cost us four months of runway.

My hope with this book is to save you those four months. After interviewing more than 30 successful entrepreneurs, I can tell you that others have already made the mistakes you're probably going to make.

Before Lean B2B, it was normal to struggle to answer the small questions. Lean B2B will save you from making those mistakes while teaching you the small tricks successful entrepreneurs have used to get their products through the doors of the enterprise.

Chapter 3 —

The nature of the B2B World

THE B2B OPPORTUNITY SPACE

*While the enterprise can be boring as hell, the whole thing is paved with gold.*⁸ – Alex Williams, TechCrunch Writer

Enterprises can't innovate like startups and that's a major opportunity for entrepreneurs.

They may have the budget to fund large innovation projects, but they don't see the industry the way hungry startup founders do; they lack the agility to react quickly to new and emerging market opportunities.

Enterprises are aware of that. That's why an increasing number of startups are being acquired for talent more than technology⁹ (*acquihires*), APIs are built to fuel outside innovation and Lean Startup principles are being adopted by companies as large as General Electrics (GE)¹⁰.

At a time when enterprise software spending is growing at over six percent year to year¹¹, this is a golden opportunity for B2B entrepreneurs.

In most large organizations, you can find finance, Human Resources, Sales, Marketing, IT and Operations departments that are served by large technology platforms (SAP, PeopleSoft, Microsoft, etc.). These platforms may or may not completely fulfill the business needs. Every large enterprise solution has blindsides.

A startup's goal is to fill an unmet need in the market, and many do this by filling gaps that exists in the product suites of big companies... Startups can innovate faster and seize opportunities faster, exploiting small gaps or niches. Startups also get acquired faster when they fill a gap like this. All big platform vendors have gaps; how do you fill those gaps with your startup? – Jeff Ernst, Forrester Research
VP of Marketing

The enterprises you'll interact with will most likely have purchased large multi-million dollar solutions (the infamous legacy products) that can do everything well but nothing perfectly. Those companies have made substantial financial commitments and, satisfied or not, they're locked in with long-term contracts.

But, in every large enterprise, you will find disgruntled end users looking for a competitive edge over competitors (internal or external).

There are plenty of opportunities at the edge of these large platform plates for startups to exploit. Your multi-million opportunities might not even be large enough to register on SAP or Microsoft's radar.

For example, an interviewee mentioned that a product that generates less than \$100M in annual revenue at maturity would not be considered successful at Microsoft¹². Everything looks small through the eyes of a giant.

Entrepreneurs willing to dig deep into the value chain and the needs of the enterprise will find opportunities for breakout products. They just need the patience and dedication to find *their* opportunity to enter the market.

WHAT MAKES B2B DIFFERENT

Imagine you are thinking of buying a tablet. What will make you decide whether to buy? What will make you decide which product to go with? Who do you have to consult with? How will you evaluate whether this is a good or bad purchase? How long will you take to evaluate the options?

Now put yourself in the shoes of someone about to authorize the purchase of \$2M of enterprise software. Ask yourself the same questions. Are the answers similar? If you ask the same questions, why are the answers so different?

There are three critical areas of differences between B2B and B2C customer development:

- Return on Investment (ROI);
- Client Relationship;
- Decision-Making Process.

Being unaware of these differences is a big reason why many B2B startups never seem to find their fit within the enterprise.

Return on Investment

There are three main reasons why businesses buy technology:

- To increase revenue;
- To decrease costs;
- To increase customer satisfaction¹³.

A B2B transaction is, by definition, an **investment**; an investment in future profitability, cost reduction, timesaving, productivity or customer satisfaction.

Unlike consumers, businesses never buy technology simply to look good, for fun or for the user experience. Expectations of ROI are always built into the purchase of new technology. The new accounting software has to be fast and reliable, the new marketing automation solution has to have an impact on the bottom line and the new support platform has to help serve customers better.

Consumers love novelty; businesses just call it risk. – Ben Yoskovitz and Alistair Croll, Lean Analytics authors

ROI estimation is an essential part of making any kind of sale in B2B. ROI is the native tongue of decision makers and one of the main ways in which products are compared and evaluated.

Client Relationships

B2B markets are generally much smaller than B2Cs. Burning leads in B2C may not be a big deal if the market has millions of potential customers, but, with substantially smaller markets in B2B, burning leads quickly become a big deal.

To succeed in B2B, entrepreneurs need to build deep relationships with a relatively small number of companies. Relationship-building skills are critical to landing long-term agreements and growing existing relationships.

Trust and stability are essential factors. To sign long-term maintenance, consulting or upgrade deals, clients must be convinced that your company will be around for the next two to five years.

Your company can't change product overnight. Transition must be planned for fear of alienating prospects. You'll most likely validate your product with the same customers you will do business later on. You can't just disappear if a product doesn't work out.

The relationship leading *to* and *from* a sale is much more critical in B2B. Starting off as a consulting firm is a strategy every B2B entrepreneur should consider.

SIDEBAR → Turning consulting into product opportunities

Many entrepreneurs start off as consultants to pay the bills while exploring business opportunities.

Working as consultants give them visibility into business problems, build proximity with customers and allow them to develop domain expertise in their consulting field.

They can do customer discovery with their clients, learn about an opportunity and create a productized — standardized — solution when they see an opportunity.

This approach is a great way to bootstrap a startup with consulting revenues. It was successfully leveraged by many startups, including social media dashboard company HootSuite. This company started as Invoke and did web application development and social marketing before creating a productized solution for its customers.

They learned and iterated HootSuite with their consulting client base and grew the company from a Lean Startup to a global leader in social media with eight million users, including 79 of the Fortune 100 companies¹⁴.

Starting off as a consulting firm can be a great way to reduce the risks of starting up, but to get out of consulting, your solution must be able to scale. Remember this.

Decision-Making Process

For large purchases, customers in B2C sometimes consult family, friends and their social network, but it rarely gets more complicated than that.

For a big-ticket B2B purchase, requiring the approval of four to six stakeholders tends to be the norm and the end user may not even participate in the decision.

In their seminal book *Strategic Selling*, Robert Miller and Stephen Heiman talk about three types of buyers — Economic, Technical and End User. We'll examine these roles in Chapter 14; however, it's necessary to understand here that validation in B2B often requires winning over a group of buyers.

The different types of buyers often have completely different — sometimes conflicting — motivations and worldviews. It is vital to develop positioning and support collateral that appeal to different stakeholders in the target organization, from the CEO to the budget operator.



DID YOU KNOW

I may talk about Business-to-Business (B2B) selling, but companies don't buy, people buy. This is why salespeople often refer to B2B as P2P (Person-to-Person).

There are all sorts of motivations, emotions, and impacts that must be understood to close a deal. The reasons for buying are mainly personal, selfish and completely subjective. *Strategic Selling* authors Robert Miller and Stephen Heiman call the real benefits that buyers expect from a purchase **win results**.

Examples of win results could be helping the COO secure larger budgets, helping the end users save an hour a day or, if the implementation is a success, helping the IT manager get a promotion.

WHY ENTERPRISE SCARES US

Entrepreneurs don't know the market or the customers but they know the product vision. It feels easier to start there. – Steve Blank

For a lot of entrepreneurs, enterprise is scary. It looks like a big mess of departments, business units, projects, functional groups, intradepartmental policies, corporate cultures, politics and many other things that startup founders may have never been exposed to.

That complexity turns off many entrepreneurs. They choose to start up in B2C because of their personal interests or because it feels easier to *scratch your own itch* and build a solution you can use. B2C entrepreneurs dream of building the next Dropbox, AirB&B or Instagram. It's *go big or go home*. If you make it, you'll not only become rich, you might become famous.

Successful B2C founders are rock stars even non-techies can recognize (Steve Jobs, Mark Zuckerberg, Drew Houston, etc.), whereas equally successful B2B founders are often near unknowns (David Sacks, Aaron Levie, Martin Ouellet, Michael Wolfe, etc.).

I'm a fan of B2B startups because the paths through success are clearer. They're not easier, but they're clearer: solve a very painful problem and charge people money to do so. In B2B, if you're not solving a significant problem, you tend to know pretty quickly.
– Ben Yoskovitz

B2B opportunities tend to attract a different kind of entrepreneur.

Unless these founders come from the enterprise, starting up will force them to get out of their comfort zone to complete the tasks required of them:

- Acquiring the Industry Context
- Building a Relevant Professional Network
- Understanding the Whole Product
- Estimating the Return on Investment (ROI)
- Reducing the Enterprise Risk

It's critical for entrepreneurs to be humble and honest about their starting point. They must be aware of what they know and don't know about their target industry. Let's have a look at the tasks they will need to complete.

Acquiring the Industry Context

Too often entrepreneurs go into a B2B market without any insight or knowledge of the industry they're tackling; they just see a "big market" and assume they can punch a hole in it. That's naïve and dangerous. – Ben Yoskovitz

If you don't know how companies do business, what matters to them, what they fear, how they perceive themselves or what their yearly schedule looks like, you start with a strike. If you're unfamiliar with ERPs, CRMs or any of the other technology platforms your target customers use, you also start with a strike.

Problems worth solving are typically invisible from the outside. Your task will be to get *inside* the enterprise, understand how the company thinks and find the *real* problems.

Building a Relevant Professional Network

Perhaps you already have a wide network of family, friends and professional acquaintances, but if you have no idea what your target end user looks like, you're out of luck. You might have a great network, but if it doesn't connect you to your target market, you'll have to re-mix it.

Enterprises are really productive businesses. It's difficult to get people to take time to meet with you and take your young startup seriously. Connections are the best way to get through the door.

Your task will be to build relevant connections in your target industry and find ways to gain credibility.

Understanding the Whole Product

B2C consumers are accustomed to 'what you see is what you get.' They can choose to use it or not. Businesses have higher expectations (customization, integration, security, etc.). Startups need to entirely focus on what the business wants. – Richard Aberman, WePay Co-Founder

In enterprise, the bar is much higher for the product. There are a lot of things that must be put in place just so you can be considered a valid vendor by your prospects. The concept of that minimum set of requirements (features, certifications, partnerships, etc.) is what Bill Davidow, author of *Marketing High Technology* — a precursor to *Crossing the Chasm* — calls “the whole product.”

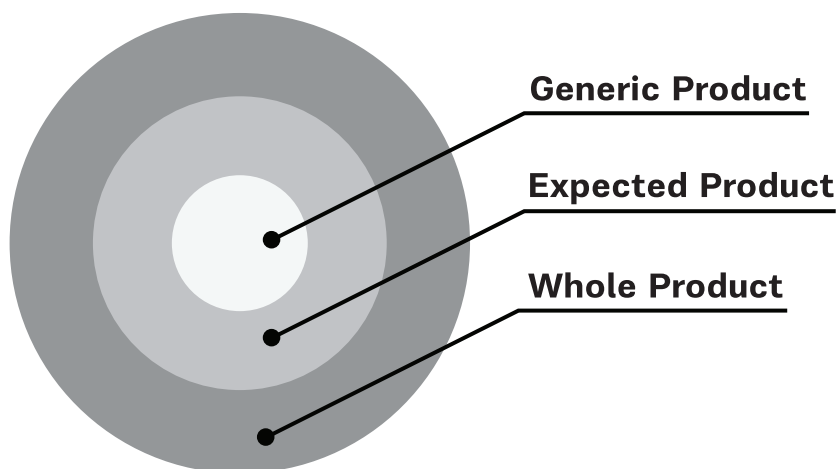


FIGURE 3-1. PRODUCT EXPECTATIONS

Building a whole product might mean adding a special security token, being compliant with an industry standard or building third-party integrations. It can be a lot of work, but it’s also a great barrier to entry for your product once everything is in place.

For Dropbox, this meant answering questions over security, file control access, and adherence to a variety of data storage standards. They had to make major changes to their IT admin console to add the capability to monitor user activity and introduce single sign-on (SSO) to plug into existing credential systems.

Your task will be to understand the whole product — the minimum feature set — that your prospects require in order to do business with you. There’s a good chance that the features you can think of will not be enough.

Estimating Return on Investment (ROI)

There's no luxury in B2B; there's only profitability. It's essential to know your ROI. Cost justification is a critical part of selling in B2B. – Martin Huard, Admetric Co-Founder and CEO

You can sell products in B2C using emotional levers (games, fashion, etc.) but, in B2B, getting customers excited will not get you a \$50-100K check. The CFO or another member of the finance team will eventually do the cost calculation.

When you're starting up and you're selling a vision (or *vaporware*), you'll be faced with a mind-boggling chicken and egg problem: you need an ROI to make a sale, but if you don't have clients you can't calculate an ROI...

There's a fine line you'll need to walk to convince your early adopters to make the jump and believe in your story. Your task will be to collect enough intelligence to estimate an ROI as early as possible.

Reducing Enterprise Risk

Large companies are very risk-averse. The reason why sales cycles in B2B are often really long is because a lot of stakeholders need to get involved to assess the risks of the new technology.

A big part of selling to the enterprise is being able to understand the perception of risk (migration, change, costs, etc.). If you've never worked in a mid- to large-sized business, you'll have difficulty imagining the complexity that goes into purchasing new technology.

Your task will be to understand the enterprise's risks and establish processes to help diminish these risks and the perception of these risks.

THE CONSULTANT AND THE INVENTOR

As I began writing this book, a contact of mine I'll call Thomas was getting ready to launch his first startup. With Michael, a friend of his, Thomas wanted to create an appointment scheduling solution for medical clinics.

To build the startup, Michael dropped a well-paying development job and Thomas stayed on as a consultant working nights and weekends.

For the bulk of his career, Thomas had worked for large businesses controlling small portions of large products, and for the last few years he had been a consultant in the banking industry. The startup was their opportunity to be more hands-on with a product.

Every time we would meet, I would keep them informed with the progress of the book and they would tell me about all the cool features they were adding to the product (waiting lists, receipt templates, automatic backups, SSL encryption, fully-responsive interfaces, etc.).

They knew about P-M validation, they understood the topic of Lean B2B and they were aware of the reasons why my previous company, HireVoice, had failed. Yet, I had to remind them every time to interact with prospects.

In their minds, they were already interacting with customers, but with long 12-hour days of coding, Michael was hardly getting out of his building.

It soon became obvious that they wanted to invent a solution for the market to embrace. They were in full control of the solution; the product was their baby. It was the age-old *consultant vs. inventor* dilemma, a problem found at the foundation of too many startups.

Founders leave high-paying jobs to stop working *for* clients and have more control over a product. But, by acting like inventors in B2B, they gamble on their odds of success. It's *hit or miss* (and *miss* is the most common outcome).

B2B is market-first. To succeed in B2B, you have to be a consultant regardless of what your previous occupation was. You need to solve a problem before creating a product or, like Thomas and Michael, you'll end up creating a great portfolio piece, not a business. In the end, their product had more features than customers and Michael had to find another job. Please take this as a cautionary tale. Very few people really are visionary entrepreneurs.

ARE YOU A B2B ENTREPRENEUR?

People decide what to do, not startups. When we talk about P-M fit, the entrepreneur fit must also be considered. It *is* possible to find a great business model in a profitable niche that you, as an entrepreneur, will not be excited to pursue for the next five years. In that case, it's generally best to get back to the drawing board because, as you'll see in the next chapter, passion is a key element in entrepreneurial success.

B2B and B2C startups don't attract the same kind of profiles. B2B founders are generally more pragmatic and process-driven. They appreciate predictability and are usually more risk-averse than their B2C counterparts.

B2C founders generally seek high-impact ventures. They want to build products they would love to use. Their businesses typically require a lot of users to scale and are high-risk, high-reward opportunities.

Although B2B is less sexy, founders can achieve the level of success of their choosing. There can be several small, medium and large businesses serving the same market need. B2B is not a "winner takes all" game.

A B2B startup can solve a problem for a niche market and, if it fails, may be able to sell the technology it developed because it addresses a real problem. The same cannot always be said for B2C startups.

So, is B2B for you? Take the quiz below.

Do you prefer?

1. A. Building relationships with hundreds of users.
B. Acquiring millions of users.
2. A. Solving a customer's pain.
B. Creating a market need.
3. A. Selling big.
B. Selling fast.
4. A. Improving your product with feedback from a small group of users.
B. Improving your product with feedback from a large pool of users.
5. A. Becoming a thought leader in your clients' industry.
B. Letting your clients be the experts.
6. A. Hiring salespeople.
B. Hiring marketing staff.
7. A. Investing in demos, data sheets, case studies, whitepapers, lunches, conferences, etc.
B. Investing in your website, search engine optimization and search engine marketing.
8. A. Working on the return on investment of your product.
B. Working on the user experience of your product.

If you chose "A" five or more times, B2B is for you. The closer your score is to choosing "A" eight times, the more likely you are to be a B2B entrepreneur.

WHAT IT TAKES TO WIN IN B2B

The key to succeeding in B2B is to learn to think like your customers; to think like an insider. It's only by looking at the problems through the eyes of your prospects that the bottlenecks in their business become painfully obvious.

You need to understand how your customers work, what they try to accomplish, who they report to, what software they use, what problems they have, how they define success, what they eat, etc.

In general, people tend to behave according to their key performance indicators (KPIs); what will get them a bonus at the end of the year.

You'll succeed if you're able to understand the true motivations of the people that have influence over the purchase of your technology. You need to understand their objectives and what matters to them.

- Can IT block the purchase of your solution? *Are they concerned with performance? If so, what's their concern?*
- Can the CFO keep you from making the sale? *Is it because he doesn't believe in your ROI story?*
- Will end users accept your product? *Is it easy for them to use?*

You'll need to understand who has influence over the decision to purchase your technology in the enterprise and figure out what they care about, their problems and their reality. You'll also need to find your voice as a company by taking a strong stand against the problems of the industry.

Most of the entrepreneurs I've interviewed did not use a formal P-M validation process; they developed their own system. Sometimes that system was inspired by the available literature and other times it was wholly made up.

The consistent theme among successful B2B entrepreneurs is that they understood the importance of customer insights. They never stop listening, testing and adapting. The market changes and so should they.

You do this enough times and you learn that even the most seasoned of us really don't know. You're constantly learning. You can sit down with any entrepreneur in the Valley and, no matter how successful they are, they will tell you about the failures. They will tell you about the 90% of the things that they did that didn't work at all.

– Ranjith Kumaran, PunchTab Co-Founder

Deep customer understanding is an incredible barrier to entry¹⁵. As a startup founder, your ability to understand the market gaps and react accordingly will be one of your strongest competitive advantages.

Much like sales, P-M validation is a process that can be learned and improved; **it is more science than art**. Lean B2B will give you the foundation of your success.

Along the way, you'll need to watch out for these deadly B2B sins:

- Implementing technology that requires too much change in the company;
- Implementing technology that changes too much the way people behave or work;
- Building technology that is too difficult to use;
- Building technology that doesn't deliver on the promise;
- Building technology that should be a feature of an established product, not a solution of its own;
- Selling technology that doesn't have clear benefits and value;
- Selling technology that can't avoid comparison to established players the prospects already know very well.

These are the reasons why nine out of ten B2B startups still fail to find a profitable product niche.

This really doesn't have to be the fate of your company.

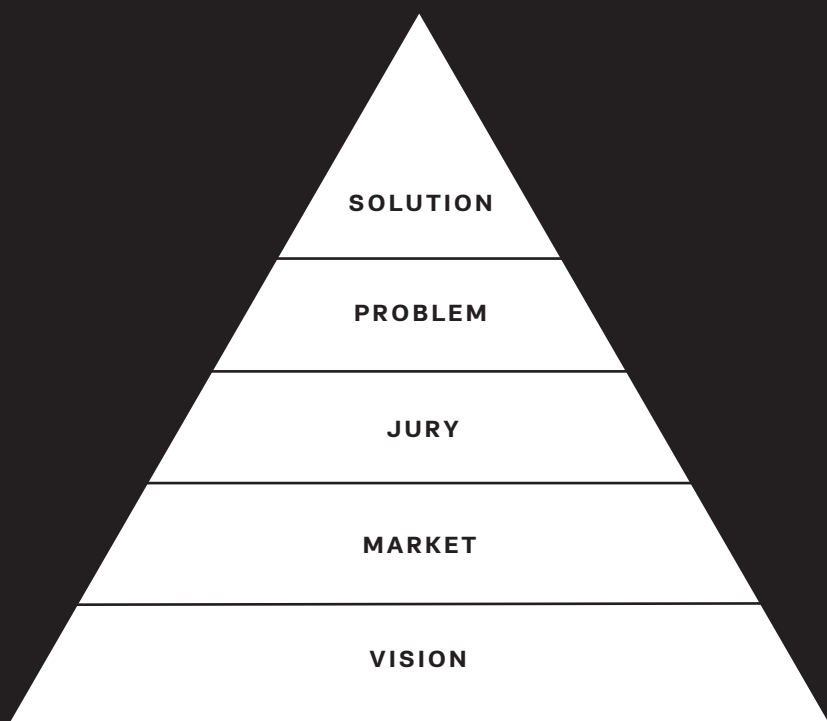
Let's get to work.

WHAT YOU CAN DO TODAY

- Familiarize yourself with what makes B2B different.
- Assess your personal profile. *What industries do you know best? What kind of professional network do you have? What kind of solutions do you know? How comfortable are you in the enterprise?*
- Take the B2B self-assessment quiz.
- Copy the list of deadly B2B sins. Avoid them at all cost.

PART II —

People



Now that you have a better understanding of what B2B is about, it's time to get your hands dirty.

The second part of the book helps entrepreneurs first define their vision for success, select market opportunities and assess the risk of ventures. Second, it helps them find early adopters, gain credibility and get meetings with prospects.

Chapter 4 — Where It Starts

The only things that matter early on are P-M fit and not running out of money. – Fred Lalonde, Hopper Co-Founder and CEO

*The only thing that matters in the first 12-18 months of a company is figuring out how to get your product in the hands of the right people. A lot of people can build a product, but really figuring out what your market is and how to reach them is the biggest obstacle to getting a business off the ground.*¹⁶ – Ranjith Kumaran

When you start up, customer development is the most crucial thing you can do.

You can build a product, raise money, hire a team and incorporate your business, but if your product assumptions don't match the market needs, you'll eventually regret having done any of these things.

Your startup success depends on your ability to focus on **finding the right product for the right market** and **not running out of money**. This book will help with the former, keeping your day job can go a long way in helping with the latter.

Analytics, responsive design, domain name, branding, press, etc. are *not* keys to your success; without a product that people want, the perfect press release or analytic setup will never matter.

Forget about vanity metrics and think small. P-M fit is when you have **five** passionate customers. The temptation will be strong to start optimizing and building sales channels before reaching P-M fit, but resist it. Don't build a company before P-M fit. Keep you burn low.

THINGS THAT DON'T MATTER

What technology you use	How much money you raised
Your development methodology	Having big wigs on your board of directors/ advisors
Patents	P&L and Pro forma budgets
Your business plan	How many Twitter followers you have
Your marketing strategy	Traction on your blog
"Viral anchors"	Articles about you in the NYTimes
Usability	Presenting at SXSW
Graphic Design	User signups
Branding	Getting great response at Democamp
Working 80 hours a week	How many employees you have
Flexible office hours	How much you pay them
Free espresso and a foosball table	How many features you build
An Employee Stock Option Plan	If you are funded or who funded you
Surveys	Integrating Facebook Connect
Winning startup awards	Adding features
Whether your friends like your idea	Articles about you in TechCrunch
Whether anybody likes your idea	Financial projections
How robust your servers are	

FIGURE 4-1. FRED LALONDE'S LIST OF THINGS THAT DON'T MATTER EARLY ON ¹⁷

SIDEBAR

→ Good news — you can keep your day job

It takes a while to get on people's calendars and there's a lot of waiting involved in the early days of your company (contacting prospects, scheduling, follow-up, analysis, etc.). For this reason, it doesn't make sense to leave your job before having a good indication that you are working on a real business opportunity.

If you quit your day job, you will most likely fill your schedule with low-value activities to put in a regular workweek and feel the pressure to build or sell too early.

Finding P-M fit in the enterprise is a lengthy process with many dependencies on busy people. Absolute focus on finding the right product for the right market is critical to your business success.

There *will* be a time to quit your job, but until you find a problem worth solving, it really doesn't make sense to go *all in*. Customer development can be done on the cheap with very little burn.

If you really need to code or design early on, work on the essentials of any tech product like a signup form or a login screen. The rest may not survive.

THE FOUNDING TEAM

So, where should you start?

Perhaps you already have a business idea that you'd like to explore, or perhaps you have already started working on a business and are just trying to improve your efficiency. If that's the case, this chapter will show you how to assess the risks of your current business model. Keep reading.

The best time to be an entrepreneur is when you, and your team, have really learned about an unmet need, understand the customer's pain and you are ready to take the plunge. – Ken Morse

The most successful startups are the work of entrepreneurs with previous experience in the industry they're targeting and a passion for solving the problems. Experience gives them the edge and network to get the ball rolling, while passion gives them the dedication to follow their ideas to fruition.

Working with the startup community, it's not uncommon to meet technologists who are indefinitely seeking problems worth solving. They look for the *perfect* business opportunity, weighing the pros and cons of every idea, not realizing that **perfection is built, not found**.

It's good to exercise your entrepreneurial reflexes by evaluating opportunities or seeking unfair advantages, but at this point, you're looking for a springboard idea — a starting point — not the end result. *Where can you start?*

In B2B, ideas come from gaps in the market. Entrepreneurs need the initial hunch to find the problems and the dedication to go and validate the pain; they **don't need a solution on startup**.

The technologies imagined in our office have no value until they're validated with real customers. – Louis Tetu, Coveo CEO

There are a near infinite number of business opportunities. To make decisions, entrepreneurs need to learn to close doors early. Early on, listing the passions and experiences of each founding team member can already help close a few doors and get the discussion going.

As you gain experience in your career, you typically build two types of expertise: **functional expertise** like development, sales management or merger and acquisition and **industry expertise** like knowledge of the aerospace or retail industries.

Entrepreneurs may not realize it, but their previous work experiences gives them visibility on a set of problems and opportunities. Looking at past experiences is a great way to find business ideas. In fact, a 2000 study by university professor and author Amar Bhidé reveals that **more than 50%** of the Inc. 500 got the idea for their company while working on a project at their previous employer¹⁸.

While you may not be passionate about the problems you’ve been exposed to, that knowledge is part of your competitive edge upon start up. To illustrate this concept clearly, let’s look at a *typical* founding team:

	CEO	CTO
FUNCTIONAL EXPERTISE	Product manager – 10 years	Developer – 8 years Director of development – 4 years
INDUSTRY EXPERTISE	Telecommunications – 8 years Banking – 2 years	Airline – 6 years Banking – 4 years Retail – 2 years
PASSIONS	Travel Golf Baseball Web design Ecommerce	Travel Reading Salsa dancing Fly fishing

FIGURE 4-2. TYPICAL STARTUP FOUNDING TEAM EXPERIENCES

Working with the example above, you can see that the founding team members **share an industry expertise in banking** and have a **mutual passion for travel**.

The founders could decide to leverage their experience in the banking industry, follow their mutual passion for travel or decide to do something completely different following the interests of one of the founders.

Pyramid Digital Solutions → Opportunities from within

Before HubSpot and the famous OnStartups blog¹⁹, Dharmesh Shah worked as a developer for SunGard, a leading software and technology services company working with financial institutions.

One day at work, Dharmesh had the idea to create a data conversion tool to allow financial institutions to transfer customers from one institution to another.

Dharmesh brought his idea to the attention of his manager who immediately saw an opportunity for SunGard. Curious, he asked Dharmesh how much he thought the software could be sold for.

Dharmesh, having no idea how software was priced, quickly answered, “\$5,000.”

It was an interesting opportunity, but the manager felt that SunGard would never invest in deals of this size; their customers typically signed multi-million dollar deals.

Dharmesh could not get the idea off his mind, but he also understood that SunGard could not pursue the opportunity. After much deliberating, he decided to leave SunGard to start his own business, Pyramid Digital Solutions.

Having left on very good terms and not particularly skilled at selling software, Dharmesh soon came back to SunGard with a distribution deal: SunGard would sell the software and, in return, they would receive 50% of revenues.

Although the revenues were not that interesting to the large software services company, they saw the potential of being able to transfer customers from competitors.

SunGard agreed to distribute the solution. Had they not known Dharmesh, they would have never agreed to this kind of deal.

For the first two or three years of the company, SunGard was Pyramid Digital Solutions’ exclusive sales channel.

In the fourth year, the company started getting more distribution partners and really took off. SunGard, realizing the extent of Dharmesh's success, started bidding to acquire the growing software company.

It took a few years before Dharmesh agreed to sell the company, but when he did, Pyramid Digital Solutions was making over \$15M in sales each year²⁰.

Ultimately, Dharmesh started with the functional and industry expertise he had acquired at SunGard. His ex-employer inspired the opportunity, sold the software for him and, when he became successful, acquired the business.

The entrepreneur turned a full-time job into a great business opportunity.

The experience and expertise entrepreneurs already have are a great starting point to help identify market opportunities. Sometimes starting with what you have is the best thing to do.

Experts that intend to leverage their functional or industry expertise can start by crafting a high-level value proposition and jumping to Chapter 6.



DID YOU KNOW

Since the market is global, competitors are quick to copy features, ideas and products. Jason Cohen writes that *the only real competitive advantage is that which cannot be copied and cannot be bought*²¹.

This might mean:

- Insider information;
- Deep customer insights;
- Endorsements from market experts or celebrities;
- Personal authority;
- Strong branding;
- The dream team.

Even the most complicated features will eventually get copied. Unfair advantages are not essential to your success, but if your team has one, you might as well use it.

THE STARTING POINT

An early assessment of business opportunity risk can be made using a three-scale model. Although ticking all the boxes doesn't guarantee success, this model can help significantly reduce the risk of a startup.

Startup founders with domain expertise (functional or industry expertise) and the skills to create quality solutions (solution expertise) can capitalize on business opportunities much faster than entrepreneurs with only the ability to execute on a solution. They're also much less likely to create solutions without market demand.

DOMAIN EXPERTISE	SOLUTION EXPERTISE	PASSION	RISK
-	-	-	Fatal – try something else
-	√	-	Hard – keep looking
√	-	-	You had that job before
-	-	√	Steep learning curve
√	√	-	If only you could stay motivated
-	√	√	Outsider – typical startup founding team
√	-	√	Industry insider – medium risk, add a partner
√	√	√	Industry insider – low risk

FIGURE 4-3. B2B STARTUP RISK SCALE

Startups are risky, but as a founder, you decide the level of risk you're willing to take on. For example, understanding an industry but having never founded a startup is generally better than being an experienced startup founder with no industry knowledge. However, sometimes not being an industry expert can also help bring new innovation to a market.

DISRUPTIONS AND THE FLIP-SIDE OF THE COIN

*The worst is when you're an "expert" because then you're even less likely to challenge your assumptions.*²² – Jason Cohen

CASE STUDY

Taleo → Disruption through not being an expert

As director of engineering for Exfo in the mid 90s, Martin Ouellet often had to hire developers. At the time, the process was to put advertisements in the newspaper (paper edition) and receive printed resumes by mail to review.

Often too busy at work, Martin would bring the resumes home to analyze and short-list. Although he knew the exact type of information he was looking for, he still had to read dozens of long-winded resumes simply to qualify candidates.

At that time, Martin was actively seeking a way to search through the resumes as he would with a database. The solutions available on the market at the time allowed hiring managers to scan and categorize resumes, allowing them to qualify candidates just a little better.

The industry leader in this solution space was Resumix, a company founded by entrepreneurs that came from a recruiting background. Martin saw an opportunity to build a solution to bring HR professionals to the internet age.

His company took ideas from supply-chain management solutions using web forms to qualify and rank candidates. The solution eventually became Taleo, which allowed HR managers to review candidates directly on the web — no more paper resumes required.

Resumix, the company started by industry experts, faded away as Taleo, a company started by outsiders with industry changing ideas became the leading recruitment platform and still is to this day.

It's very difficult to disrupt the industry that's been feeding you.

Consciously or not, you come to think of the way that it operates as *normal*—you come to accept that things are the way they should be. It becomes normal that a few large corporations dominate the telecommunications industry and that law firms, no matter how small or inexperienced, are able charge some of the highest fees on the market.

However, your outmoded ideas are another startup's opportunity. They prevent you from addressing the market *as it is today*, allowing competitors to beat you with fresh innovation.

The reason why outsiders are able to create strategic surprise in stagnant or slow-moving industries is that they they're not shackled by old ideas. They see the industry differently and thus are able to bring in completely new ideas.

Ignorance + Intent = Innovation. Not being an expert is not a bad thing. – Eric Picard, Rare Crowds CEO

Experts are going to know a lot about how an industry operates, but the moment you disrupt that industry, they typically don't know if that disruption is going to work. Ironically, their experience in the field is what clouds their judgment. They actually think that the disruption won't work because their expertise lies in the way the industry is now, not what it will become.

Changing an industry's business processes is much more difficult than selling into a well-established need. Ultimately, deciding to start up in an industry you know or one you don't know is a risk management decision; it's easy to create something *bleeding* edge while trying to be *cutting* edge²³.

SIDEBAR

→ Keeping in mind the entrepreneur fit

Although passionate entrepreneurs can succeed in any industry they're willing to learn, it's crucial to choose an industry that makes sense for you, the entrepreneur.

Make sure you can ultimately love your customers, because if your P-M validation is successful, you may be working with those customers day in day out for the next five, ten or 20 years.

Choose your clients as you would choose your employees. Don't try to build a business selling to lawyers if you can't spend your Saturday afternoons playing golf with them.

VISION

Alistair Croll, co-author of the book *Lean Analytics*, coined the term *Minimum Viable Vision* (MVV)²⁴ as a way to help identify the minimum criteria a business idea should meet. It's not only a good idea as a founding team to agree on a shared *MVV*, it's also a great way to close additional doors and focus your business research around things that really matter.

*Your vision should rarely change. Your strategy should occasionally change. Your tactics should regularly change.*²⁵ – Aaron Levie, Box Co-Founder and CEO

Kera co-founder, Max Cameron, told me during our interview that they decided early to position their company around education. Their vision was to help people use software. Once Max and his partners agreed on that vision, it mattered less whether they were building onboarding software or a community to help answer questions around the use of software; their execution and vision were related but separate.

Agreement on vision is the foundation of any startup. The following graphic can help explain the sequence of validations a B2B startup must go through.

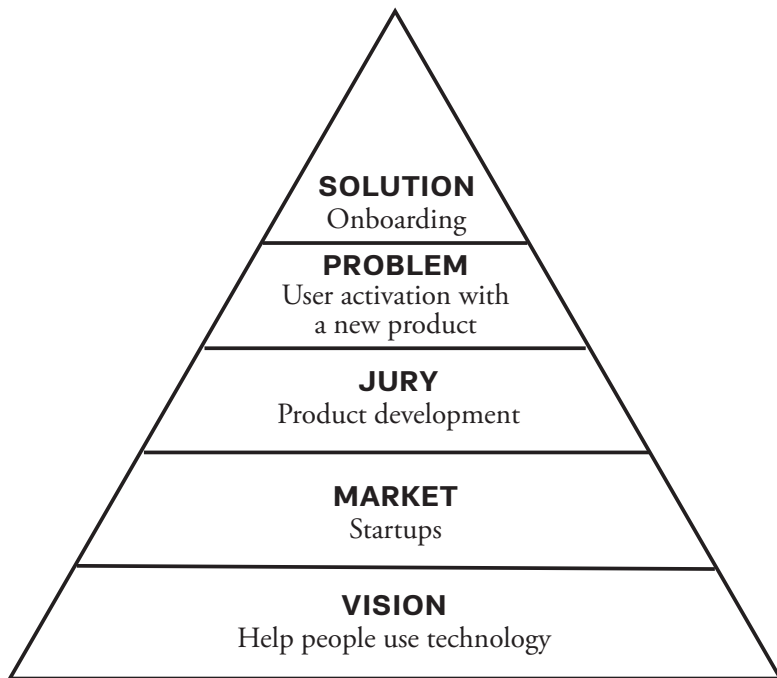


FIGURE 4-4. THE B2B STARTUP PYRAMID – KERA EXAMPLE

Lean B2B follows the structure of the above pyramid. Moving forward with P-M validation in B2B will require that you crystalize the following assumptions layer by layer:

1. **Vision:** The vision represents your founding team's early agreement. It tracks and evaluates your startup's progress. The vision is covered in the remainder of this chapter.
2. **Market:** The market assumptions are the possible exemplifications of your vision. What markets could be affected by your high-level vision? Market assumptions are covered in Chapter 5.
3. **Jury:** The jury is the group of stakeholders that have influence over a purchase decision in a large company. The jury includes the decision makers, the influencers and your early adopters. Jury assumptions begin at Chapter 6.
4. **Problem:** The problem is the pain you wish to solve for the jury. The problem assumptions are the root of any solution you will create and are covered starting Chapter 9.
5. **Solution:** The solution is the product, the usage or the benefits that are provided to solve the pain or problem of a business user. Solution assumptions begin in Chapter 12.

As you can see with the pyramid, there are many things that need to be solidified and validated before even thinking about building a solution. Selling to businesses without going through this validation is as foolish as our protagonist David has been.

There are as many ways to build a startup as there are founder types. Although Lean B2B tries not to be too prescriptive, it's a good idea for you and your partners to start creating your own MVV.

As an example, Adeo Ressi — a serial entrepreneur and founder of the Founder Institute — has put together one of the most complete checklist of base criteria to test your idea²⁶:

1. You are passionate about it

Are you so passionate about this problem that you can see yourself working on it in 10 years?



2. It's simple

Start by solving one problem, with one product, for one customer.



3. One revenue stream

Focus on one revenue stream to start, and if you can't identify a primary revenue stream, then it's a bad business.

4. Few steps to revenue

The best ideas have a very small number of steps to revenue (steps from engagement to payment).



5. You know the customer

From the outset, you need to intimately know of one very specific archetype who *desperately* needs your product.

6. You know the market

How can you possibly have a meaningful vision about the future of a market if you are not a leading domain expert on that market?



7. Sufficiently large market

Any market with < 10 million people or multiple billions in annual revenue will be very hard to address.

8. Original secret sauce

Is what you are doing unique, or better, than everybody else? Do you know a secret that nobody else does?



9. You have tried to kill it

Find the things that make your idea bad, and then eliminate them through iteration.



10. You are sharing your idea !

Nobody is going to steal your idea!
Are you sharing it with as many people as possible?

FIGURE 4-5. THE FOUNDER INSTITUTE'S TEN RULES FOR A GREAT STARTUP IDEA

With this list and the beginning of a vision forming in your mind, let's move forward to the second level of your pyramid and identify a market worth exploring.

WHAT YOU CAN DO TODAY

- Don't quit your day job. Get some wiggle room.
- Sit down with your business partners. Compare your functional and industry expertise and your passions.
- Brainstorm ideas on how your functional expertise could be transferred to industries you're passionate about.
- Lay the groundwork. Establish an MVV.
- Agree with your co-founders on the early direction.

Chapter 5 — Choosing a Market

Start a business where you can get access to customers easily.
– Max Cameron, Kera Co-Founder and CEO

A market or market segment is, by definition, a group of customers who share the same pain and will refer to one another for buying decisions.

If we break that down, a market is made up of:

- A number of potential customers;
- People who share a pain, problem or opportunity;
- Channels for these people to connect, discuss and share purchase decisions.

It can be an industry, a functional group across industries or an interest group around a problem or opportunity.

Markets are found and not created; they go beyond simple demographics (*e.g., Men between the ages of 20 and 25 who like golf*).

To beat Goliath and win, you must choose a focused niche, or beachhead market. You start small and expand from your entry point.

Whether you're *creating* a new market, re-segmenting an existing market or entering an already competitive market, you will need to start with a niche and take it from there. Attacking the market leader head-on is *never* a wise strategy.

At this point, the vision defined in Chapter 4 should already be driving you towards a few market opportunities. List three to five of these markets, keeping in mind the concept of total addressable market (TAM) or, the total size of the market.

Although size of market should not be a constraint at this point, there must be a sufficient number of customers in an industry. Your company

can die winning a small market. You need to know how big the pie is; how many people will want or need your product.

The markets you choose can be as wide as the pharmaceutical industry or as narrow as “marketing departments for small retail chains with fewer than nine stores.”

Starting wide with several markets allows you to discover new opportunities you might not have considered — leaving room for serendipitous outcomes — while starting narrow can be faster if you feel that your vision is already focused.

However, if you decide to start wide, you must realize that your market will need to be further segmented; it is very unlikely that everyone you meet in the pharmaceutical industry shares the same pain.

Because functional groups are often stuck in silos inside organizations and each of these silos are opportunities to bring knowledge from other industries, they often make great market opportunities.



DID YOU KNOW

Some of the most interesting market opportunities for B2B entrepreneurs can be found in traditional industries.

For example, in 2013 the global market size for the mining industry was \$731B²⁷, the domestic airline industry was \$708B²⁸, the corporate legal services industry was \$650B²⁹, the construction equipment industry was \$143B³⁰ and the oil and gas industry was more than \$4,000B³¹.

Businesses in these large industries have money to spend. Some of the most successful B2B entrepreneurs target slow-moving industries (see the Spotfire case study).

The first hypotheses with the Lean B2B methodology are around the market and not the problem; we focus on **people first**. By starting with people, you are much less likely to invent a problem and start with false assumptions.

*We innovate by starting with the customer and working backwards. That becomes the touchstone for how we invent.*³² – Jeff Bezos,
Amazon Founder and CEO

CASE STUDY

HireVoice → Market/Product fit

With HireVoice, we started with what we thought was a problem. The problem we had identified as Human Resources outsiders was *monitoring employer brand reputation*. We just didn't know whose problem that was.

Early on, we had to identify industries and stakeholders that *could* have this problem to validate their needs and the fit with our solution. Ultimately, this process proved to be backwards.

Starting from a problem made us try to match our problem — our view of the world — with target markets. Six months in, we realized that, although employer brand monitoring *was* a problem, it *was not* a major pain.

The day we decided to solve HR recruiters' problems is the day we instantly became more relevant. It was easier to work from their problems than to come up with pains we thought they had.

For each of the markets identified, you need to do enough preliminary research to 1) figure out whether the opportunity is worth pursuing and 2) be able to have engaging discussions with the people working in these industries.

Our objective is to avoid one of these quick dismissals when contacting prospects:

- *This has never been a problem for us* (problem is too specific).
- *We don't need to do that* (company doesn't fit the identified process or doesn't exist).
- *You don't know ABC Inc.? They do just that* (comparatives and competitive landscape not understood).
- *With the current freeze on expenditures, we don't have the budget for new technology* (timing and company reality not understood).

These dismissals are the signs of insufficient research, or that the problem you're trying to address doesn't exist.

With LinkedIn, Twitter, industry-specific databases and analysts at your disposal, doing a minimum of research on a prospect's market is expected.

Markets can be understood from the outside in three ways:

1. Reading up on secondary research (e.g., surveys, reports, etc.)
2. Understanding the competitive landscape (who does what)
3. Meeting with third-party analysts (Venture Capitalists and industry analysts)

We'll explore these three ways in the next few pages.

READING UP ON SECONDARY RESEARCH

Total immersion in the market is extremely important. Read everything you can to understand what you can do better than the competition. Often, entrepreneurs are able to figure out what could be done better, but they don't go and validate that what they're doing is actually better. – Martin Huard

With so many magazines, reports, surveys, whitepapers and blogs available online, it's very hard to justify not having done a minimum of research.

A few searches on Google should allow you to find dozens of blogs and reports for just about any industry. Depending on the target market you chose, Forrester Research, Gartner, Forbes, Marketing Sherpa, Tower Watson or other independent analyst publications might have already done the heavy lifting and synthesized the industry for you.

No matter what source you choose, your objective with secondary research will be to figure out where the industry is headed, identify the players in the space, understand the types of products currently being sold and their perceived value by customers (if any).

If you can start making sense of the decision-making process of prospects and find the industry influencers, you're doing very well.

At this point, this research should help you understand the market. Later, once a market is chosen, you can revisit the secondary research to further your understanding of the industry.

UNDERSTANDING THE COMPETITIVE LANDSCAPE

The differentiation in B2B is market knowledge. If you don't know anything about your market, you start with two strikes. – Simon Labbé, xD³ Solutions Founder and CEO

If you can find the companies and people selling in the space, you can identify the customer roles and functions (e.g., Vice President, Global Communications).

Yammer's a vital part of our transformation to the new Tyco.

– Ira Gottlieb, Vice President, Global Communications

FIGURE 5-1. EXAMPLE OF A BUYER ROLE FOR YAMMER

By digging a bit further, you can also identify the kinds of value propositions and promotion models that are currently working in the industry.

Be sure to understand the buying reflexes of your target customers and adapt to that reality. For example, if customers in your industry are accustomed to purchasing software by check at tradeshow, starting with self-serve Software as a Service (SaaS) is adding extra hurdles to your product's adoption.

Entrepreneurs often underestimate the value and knowledge of the people that are successfully selling in an industry. There's a lot of information that can be gathered just by speaking to salespeople and businesses already selling in a space.

Through this process, you'll also discover potential competitors — or partners — for your business. Take note of the other businesses selling in the space and figure out the types of overlaps and comparisons prospects might perceive.

MEETING WITH THIRD-PARTY ANALYSTS

Visit VCs for fun, to find the influencers. These guys always know guys who compete in that space. VCs love giving their opinions. — Steve Smith, CakeMail Co-Founder

Once you've reduced the list to just a few markets, you can decide to meet with third-party analysts — people with a horizontal view of the industry — to help fill the gaps.

Investors, industry bloggers, journalists and market analysts often get contacted by startups and established companies trying to get funding or boost their visibility. These people *are* on the lookout for the next big thing. They have a wide perspective on the industry and can usually help you understand the market history and the competitive landscape. *Have other companies attempted to bring similar innovation to market? How did it play out?*

With third-party analysts, you need to take note of the trends, the players in the space, the influencers, the opportunities and their assessment of the market potential.

If the market seems interesting and your contact is knowledgeable, you can also start asking for introductions, networking opportunities and recommended reading to further your understanding.

Their questions and misunderstandings will give you a first taste of what interacting with prospects will be like.

FIRST HYPOTHESES

You need to have a vision and the willingness to change your direction. Don't go at it without a vision and hoping to find a market. You need a base assumption. — Hiten Shah, KISSmetrics Co-Founder

Remember that everything that goes through your head before the first customer interactions are just hypotheses. You need to go and (in) validate. Your goal is to turn these un-tested hypotheses into facts.

Although your target market, problem and opportunity hypotheses may ultimately prove to be wrong, they serve a purpose. Base assumptions, much like your vision, help you stay the course of your objectives.

Assumptions are an entrepreneur’s compass.

Entrepreneurs can talk to hundreds of people and learn everything about a market, but without driving assumptions, they’ll never get out of analysis paralysis. You must draw lines in the sand and make decisions. It’s common for entrepreneurs to start writing a business plan at this stage, but please don’t. As Steve Blank frequently says, *no business plan survives the first customer contact*.

Business plans are just long lists of hypotheses. You want to remain agile and flexible and keep your assumptions to a minimum.

For that purpose, author and entrepreneur Ash Maurya’s Lean Canvas³³ — inspired by Alexander Osterwalder’s Business Model Canvas³⁴ — is very useful to quickly iterate business models on a single page.

<div>Problem</div> <div>Top 3 problems</div> <div>1</div>	<div>Solution</div> <div>Top 3 features</div> <div>3</div> <div>Key Metrics</div> <div>Key activities you measure</div> <div>6</div>	<div>Unique Value Proposition</div> <div>Single, clear, compelling message that states why you are different and worth buying</div> <div>2</div>	<div>Unfair Advantage</div> <div>Can't be easily copied or bought</div> <div>7</div> <div>Channels</div> <div>Path to customers</div> <div>4</div>	<div>Customer Segments</div> <div>Target customers</div> <div>1</div>
<div>Cost Structure</div> <div>Customer Acquisition Costs</div> <div>Distribution Costs</div> <div>Hosting</div> <div>People, etc.</div> <div>5</div>			<div>Revenue Streams</div> <div>Revenue Model</div> <div>Life Time Value</div> <div>Revenue</div> <div>Gross Margin</div> <div>5</div>	

FIGURE 5-2. ASH MAURYA’S LEAN CANVAS

The Lean Canvas is a great tool to identify the areas of biggest risk of your business opportunity. It helps objectively assess your business model before you invest too much time on an idea or set of ideas. Explanations of the best ways to use the Lean Canvas are widely available on the internet³⁵.

The Lean B2B Canvas shown next tracks your progress throughout the book, iterates value propositions and quickly assesses the likelihood that businesses will agree to implement your solution.

Market			
Early Adopter Profile	Problem / Opportunity		
Who are we helping?	What are we solving?		
<table border="1"> <tr> <td>Solution</td> </tr> <tr> <td>What are we enabling for our customers?</td> </tr> </table>		Solution	What are we enabling for our customers?
Solution			
What are we enabling for our customers?			
▼ Solution Risks	▲ Solution Benefits		
What might keep the prospect from buying, implementing, activating or benefiting from our solution?	For the organization? The economic buyer? The user buyer? The technical buyer?		

FIGURE 5-3. THE LEAN B2B CANVAS

The canvas was designed to be a lightweight complement to the Lean Canvas. A printable version is available in Appendix 3.

FINDING PROBLEMS AND OPPORTUNITIES THAT MATTER

Focus, focus, focus: De-selecting markets is as important as selecting them carefully. – Ken Morse

You'll fill out a Lean Canvas for each of the markets identified. The challenge at this point is to find problems and opportunities that will resonate with prospects on first contact. The wider your target customer profile is, the more problems you should be able to list. However, be careful — problems are never equal in the eyes of businesses.

In B2B, there are three types of solutions that matter:

1. Solutions that can help increase revenues;
2. Solutions that can help reduce costs;
3. Solutions that can help increase customer satisfaction.

These are the core reasons why companies invest in new technology, and even these three reasons are not equal. Value propositions bringing in new money by increasing revenue are always the easiest to sell and justify.



DID YOU KNOW

There are two types of benefits that can usually be attributed to a value proposition:

- **Soft benefits** can't be quantified. They're harder to sell because customers must have experienced the pain before to realize how important it really is. Examples of soft benefits are 'increasing employee happiness,' 'improving the user experience' or 'providing better service.' If an entrepreneur can quantify a soft benefit, it can be turned into a hard benefit.
- **Hard benefits** can be quantified and lead to a clear ROI. They are the easiest to sell because there's a built-in way to calculate the value (it's predictable). Examples of hard benefits are 'increased conversion,' 'increased sales' and 'cost reduction.' Hard benefits are the most attractive to B2B buyers and thus are the focus of this book.

Contrary to many entrepreneur's beliefs, businesses don't have money sitting in a safe as they wait for visionary entrepreneurs to bring new opportunities to their doorstep.

Business departments typically get sign-off on a certain budget to achieve their annual objectives at the beginning of the year and they're accountable for maximizing their investment. Budgets are rarely created. To sell in B2B typically means getting teams to reassign existing budgets.

If you understand how money is currently being spent, you can understand your prospects' priorities.

Creating a money map

To identify problems and opportunities that matter, you will conduct two side analyses. First, you will create a *money map* (a visual representation of a prospect's expenditures) to track spend flow.

Your objective with this map is to understand:

- The key problems of your prospects;
- The motivations for spending money to address these problems;
- The prize or reward — how much money is available if the budget is successfully transferred;
- The perceived alternatives and competitive landscape.

To keep things simple, let's work with the example of "marketing departments for small retail chains with fewer than nine stores."

EXPENDITURE	MOTIVATION	MONTHLY BUDGET (EST.)
Website hosting (Amazon)	No one internally capable of handling server setup. More reliability.	\$250 – 500
Website and email integration (freelancer)	No CMS. Not enough volume to hire a full-time integrator.	\$3,000
Paid search marketing (Google)	Traffic volumes are low. Website doesn't rank well on search engines.	\$8,000 – 10,000

EXPENDITURE	MOTIVATION	MONTHLY BUDGET (EST.)
Banner ads (DoubleClick)	Branding and visibility on key industry websites where competitors are advertising.	\$5,000 – 7,000
Social media management (HootSuite)	To interact with customers and publish news and promotions.	\$50
Photography (freelancer)	To take photos of new products for promotions and the website.	\$1,000 – 2,000
Copywriting (freelancer)	To write promotional copy for the website and create print ads.	\$1,500 – 2,000
In-store advertising (local printers)	To create store banners, signage and clothing ads.	\$4,000 – 5,000
Email newsletter (MailChimp)	To send messages to the mailing list and track open and click rates.	\$700 – 1,000
Newspaper ads (various agencies)	To reach local customers and gain branding and visibility in local markets.	\$12,000 – 15,000

FIGURE 5-3. EXAMPLE OF A MONEY MAP

Working with the previous example, you can tell that the biggest prize and the biggest problem for marketing departments is **reaching local customers** to gain visibility in local markets.

Although this analysis has value, it only helps you identify the opportunities companies are already aware of. Unless your prospects are true innovators, they may not have thought of some of the innovations that your team will imagine.

To explore the range of benefits that are possible, you'll do a second side analysis by turning the motivations from the money map into problems and exploring opportunities around those problems.

Creating value proposition hypotheses

Since the Lean B2B methodology focuses on three main value propositions, you'll look at how these value propositions could play out with the following exploration table:

PROBLEM	OBJECTIVES	OPPORTUNITIES
Reaching local customers	Increase revenue	Reach more customers, reach more targeted customers
	Reduce costs	Traffic without paid search, increase customer opt-in
	Increase customer satisfaction	More relevant advertising
Not enough traffic on the website	Increase revenue	Improve search engine ranking, increase base traffic
	Reduce costs	Reduce paid traffic costs
	Increase customer satisfaction	n/a
Creating website promotions	Increase revenue	Create promotions that lead to more conversions, increase reactivity
	Reduce costs	Reduce production costs, reduce production time
	Increase customer satisfaction	Create targeted promotions, create more valuable promotions

FIGURE 5-4. EXAMPLE OF VALUE PROPOSITION EXPLORATION

Using the main opportunity that came out from the money map (reaching local customers) and one of the most evocative value propositions from the previous exploration, you can tell that helping marketing departments increase revenue by reaching more targeted local customers would be a compelling opportunity.

This opportunity will help you write a value proposition to connect with your early prospects. It should be broad enough to allow you to engage in discussions with a varied group of prospects and learn about their problems and opportunities.

We now have all of the hypotheses needed to flesh out a first value proposition. For the example at hand, you can use the elevator pitch format from *Crossing the Chasm* (more in Chapter 6), which is very popular in high-tech marketing:

For (target customers) who are dissatisfied with (the current market alternative). Our product is a (new product category) that provides (key problem-solving capability). Unlike (the product alternative), our product (describe the key product features).

*Our product is for **marketing teams in small retail chains** that are dissatisfied with **newspaper advertising**. Our product **improves revenue through greater reach**. Unlike **newspaper advertising**, our product allows marketers to reach highly targeted customers faster.*

In the next few chapters, you will see how you can use your value proposition to connect with your first prospects. But first, you need to find those prospects.

WHAT YOU CAN DO TODAY

- Identify three to five markets to explore.
- Conduct preliminary research on these markets. *Are all of your market hypotheses still relevant?*
- Create a *money map*. Understand your prospect's priorities and the rewards available.
- Take note of opportunities to increase revenues, reduce costs and improve satisfaction. Define high-level benefits.
- Create a list of problems that matter for your target customer profile. Choose a problem or opportunity.
- For each market, craft your first elevator pitch.

Chapter 6 —

Finding Early Adopters

Startups are often selling too low... they get to people who live the pain they solve, get lots of feedback, but the people they try to sell to don't understand the needs of the whole department and don't end up buying. Try to target top down or middle out. — Jeff Ernst

Target markets are good, but they don't tell you whom you should speak with first.

Even if it remains just a hypothesis, you must narrow down the kind of customers or buyers you want by defining an ideal customer profile; you can't just talk to anybody in the organization.

You have to identify the customers you'd like to sell to, approach them and take it from there.

The ideal customer is someone that:

- Has a problem;
- Is aware of the existence of the problem;
- Has already tried to solve the problem;
- Is unhappy with the current solution to the problem;
- Has a budget to get the problem fixed.

But, *how do you find them?*

WHAT YOU'RE LOOKING FOR

Steve Jobs famously said that people don't know what they want until you show it to them³⁶. But, if no one knew what they wanted until others started using it, how would new solutions get traction in the first place?

In 1991, Geoffrey Moore's *Crossing the Chasm* introduced marketers to the five customer groups that are part of any market. Although Steve Jobs

was right in saying that *most* customers won't know what they want until it becomes popular, two of these groups will.

Early adopters and innovators know what they're looking for. They can see the value in an incomplete solution and have the potential to help you find product opportunities in the enterprise. This is why this group is your first target.

As leaders, early adopters have a great understanding of the technology landscape both inside and outside of their company. They also have a higher tolerance for risk and a greater ability to see the potential of new technology than most of their colleagues.

They may not always have a budget or turn out to be your customers, but they can help open doors for your product and direct you to the right people in the enterprise.

We typically recognize early adopters by these signs:

- They're actively looking for a competitive edge;
- They have the ability to find new uses for a technology;
- They seek out and sign up for early trials and betas;
- They like to be unique and share new products (it makes them feel good);
- They exert some kind of technological leadership in their companies (although they may not be in a leadership position);
- They will use a product that isn't complete.

The last point is particularly relevant for us.

But, while early adopters are great for opinions, they are lousy for growth.

The best early adopters are also advocates or champions for your startup (*"earlyvangelists"* in the words of Steve Blank).

Advocates want to be first using a product and they like to brag about their discoveries. They're in a position to benefit from fresh innovation and have the visibility and influence to bring your solution to attention.

Working with the *right* early advocates can substantially reduce the effort needed to sign your first customers, get case studies and convince other companies to follow.

Moving forward, we'll use the term 'early adopters' for simplicity's sake; however, 'early adopters' includes both market innovators and early advocates.

SIDEBAR → A 200-word summary of *Crossing the Chasm*

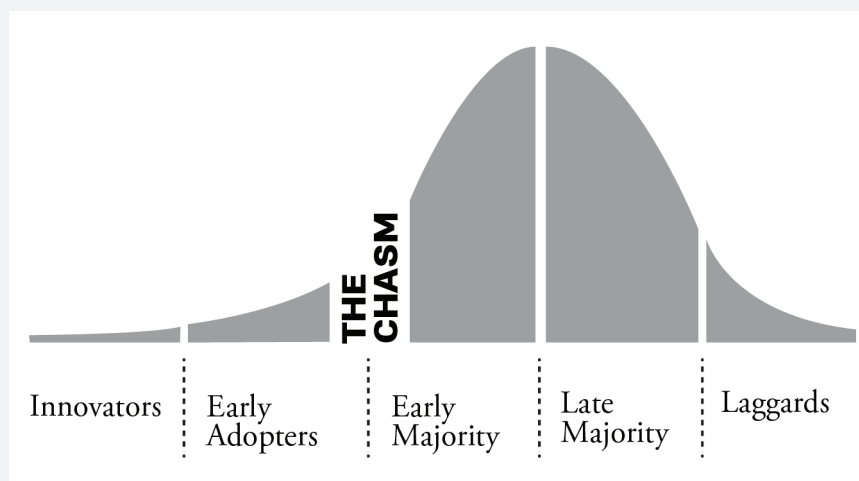


FIGURE 6-1. CROSSING THE CHASM

Geoffrey Moore's *Crossing the Chasm* was initially published in 1991 to a small audience of Silicon Valley marketers. Since its publication, the book on bringing innovation to market has become mandatory reading for startups and marketing departments all over the world.

The core theory behind *Crossing the Chasm* is that customers in any given market belong to one of five groups: **Innovators, Early Adopters, Early Majority, Late Majority and Laggards**, and that the way you sell to these groups of customers should reflect the stage of adoption of your technology.

A lot of technology startups fail to address the needs of these different groups and, as a result, are never able to *cross the chasm* between the *Early* and *Mainstream* markets to reach **critical mass** or widespread adoption.

In the book, Moore covers at length the importance of finding a **beachhead customer** — a first customer segment — to get a foot in the market. This concept is of the utmost importance for startups as they try to move from Early Adopters to the Early Majority, but also when they try to find their initial customers.

We'll look at this concept in great length further in the book. *Crossing the Chasm* is a vital part of the foundation of Lean B2B.

FINDING EARLY ADOPTERS

It's important to understand that (being an early adopter) it's not a personality type, so we get lost, especially in the tech scene, people assume that 'people who are early adopters and get the new iPhones are the same people that go and try the new coffee shop' and that's not true. — Brant Cooper, Lean Entrepreneur Author and Entrepreneur

Early adopters are, by definition, early customers of a company, product, or technology that can also be likened to a trendsetter. They are not a social club or a personality type.

There is no bar where they hang out to talk about *adopting* new technology; it's not that easy. Early adopters are **market and solution specific**; being an early adopter in HR doesn't make you line up to buy the latest iPhone on the day of its release.

So, *how can you find them?*

A critical rule that applies to all the prospects you'll interact with in this book is: **the customer must not be friend or family.**

Friends and family are a false measure of success; they blur your metrics. As an entrepreneur, you should not seek feedback from people who might hold back for fear of hurting your feelings.

If your company is starting up and your credibility hasn't been fully established, it may be hard to get valuable first interactions with early adopters. You'll put a premium on the people you can actually meet, slowly making your way towards your ideal customer profiles.

IBM's 2011 *Global Chief Marketing Officer Study*³⁷ revealed that CMOs have increasingly more influence in the technology purchasing decisions of their companies. For that reason, IBM decided to almost exclusively sell to CMOs.

If you were to make the same decision without the support of IBM's global network, you would most certainly fail.

Startups are often guilty of selling too low, but setting your aims too high — at difficult-to-reach stakeholders — is an equally poor strategy. It's also unnecessary since **managerial levels make the best early adopters**.

People who have a previous understanding of customer development and startup life are ideal candidates to get the ball rolling.

In total, you're looking for 50 potential customers you can test your ideas on.

LEVERAGING YOUR NETWORK AND REFERRALS

The best way to find internal champions is through your network, no further than one link away (i.e., friends of friends). — Steve Blank

Start with the people you know. The best way to find early adopters is through your personal network at one degree of separation.

Your professional network will be a crucial driver of your success. *Do you have contacts in your network that fit the profile of early adopters in your industry?*

Take the time to go through *all* of your contact lists (email, mobile, LinkedIn, Facebook, Twitter, etc.). Make a list of every project you've ever worked on and everyone you've worked with. Draft a list of potential early adopters working in your target market.

Do the same for your contacts' professional networks using a tool like LinkedIn. *Are there people your first-degree connections could introduce you to?*

You start with the people you know and the people you can get recommended to as friends or close acquaintances.

If you have close contacts with extensive professional networks, you can ask them to refer people that match your ideal profile, but it's generally best to keep the initiative.

Here is what we are doing; do you know anybody who fits this profile?

Accountants, headhunters, investors, recruiters and lawyers are notorious for having large business networks. Perhaps some of your partners or other startup founders can help identify a few early adopters to add to the list.

Who are the most innovative companies or people in this industry?

After going through your contacts' professional networks, you should start to have a good list of potential early adopters for your target market.

EVENTS, COLD-CALLS AND DROP-INS

There are many ways to find early adopters beyond your professional network.

Groups on LinkedIn are a great way to understand the interests of prospects beyond their work titles. Members of groups like "Recruitment 2.0" or "The future of recruitment," for example, will most likely be interested in the evolution of recruiting.

Do these groups organize events? Do they promote events you could attend to in order to meet early adopters?

Are there companies that fit your target market, but that don't seem to have any clear early adopters?

Some of the most valuable people are invisible. Dropping in at a company's office or cold calling the secretary can be an invaluable source of information to help direct you to the appropriate contacts.

Unless you're targeting people with specific job titles, the roles and responsibilities of early adopters will greatly vary. Secretaries can give you a quick overview of the company structure and hierarchy.



DID YOU KNOW

You can find out which public companies work with new vendors by looking at their annual report. These reports are publically available and can help you figure out which companies have an “early adopter” mindset.

Social Media recruitment

Although the people working for enterprises are often less active on social media than their small and medium-sized businesses (SMB) counterparts, social media is one of the best ways to find early adopters.

Using a tool like Twitter, spend time looking at the links and services shared by people in your target market. *Did they recently get excited by new tools or concepts? Were these tools in your target market?*

Start following these users and create a list of the people you suspect to be early adopters. Closely monitor the type of information they publish.

Tools like Twellow (twellow.com) or Moz's Followerwonk (followerwonk.com) can help you find users for specific sociodemographic targets (industry, location, size of business, etc.) and discover many people you wouldn't have thought of contacting.

What needs are these people expressing?

- Explicit needs? E.g., “We need to expand the business in South America.”
- Implicit needs? E.g., “Help us increase revenue in the face of stagnant business growth in the United-States.”

Who are they following? Who has influence over them?

Tools like Zintro (zintro.com), Ask Your Target Market (aytm.com), Amazon’s Mechanical Turk (mturk.com) or Clarity (clarity.fm) can also help you find and qualify early adopters in exchange for a small contact fee.

LinkedIn will also allow you to find people by the expertise and keywords (e.g., “recruitment,” “social media”) from your elevator pitch.

Let’s keep consolidating your list of early adopters.

Finding the influencers

At this point, if you’ve been doing your research properly you should have 50, 100 or more early adopters on your list. This list should look a bit like this:

FULL NAME	COMPANY	CONTACT
James McCarron	Company A	Contact (John B.)
Diana Simpson	Company B	Personal network
Amit Ezer	Company C	Twitter
Miguel Cortez	Company D	LinkedIn
Michelle Smith	Company E	Group (stores123)
...

FIGURE 6-2. EXAMPLE OF A LIST OF EARLY ADOPTERS

Since you’re looking for early adopters with the potential to become evangelists, you’ll separate the prospects that are setting the trends from the ones that follow them.

There are two aspects to this:

1. **Personal influence** — how many people can this early adopter influence?
2. **Company (or employer) influence** — how many companies can be influenced by a case study from their employer?

For each contact, you'll look at:

- The number of followers they have on Twitter;
- The number of followers of their followers on Twitter;
- The number of contacts they have on LinkedIn;
- The rank, role and network size of their contacts on LinkedIn;
- Their activity level in groups on LinkedIn;
- The number of articles or publications they have;
- The number of talks they gave (# of SlideShare presentations);
- The number of blog posts they've written;
- The popularity of their blog (comments, shares, etc.);
- Their visibility on search engines (# of links on Google);
- The number of times other people have quoted them (e.g., Google search "James McCarron");
- Their Klout score;
- The word-of-mouth in the industry; etc.

Although Klout scores are not a perfect measure of social influence, they capture a lot of these metrics for a fast assessment.

You'll assign a grade from 1 to 5 to your early adopters, ranking them by their personal influence level. The more reach, visibility and references your prospects have, the higher their grade should be.

You'll also highlight the most influential companies on the list. The actual grading is not as important as the priorities you assign to your prospects.

FULL NAME	COMPANY	CONTACT	INFLUENCE
Amit Ezer	Company C	Twitter	5
Diana Simpson	Company B	Personal network	5
Miguel Cortez	Company D	LinkedIn	4
James McCarron	Company A	Contact (John B.)	3
Michelle Smith	Company E	Group (stores123)	3
...

FIGURE 6-3. EXAMPLE OF A PRIORITIZED LIST OF EARLY ADOPTERS

IDEAL PROSPECTS

*If you can't find early adopters, you can't build a business.*³⁸ – Trevor Owens, Lean Startup Machine CEO

Marketing has traditionally been concerned with demographics — quantifiable and measurable statistics of a given population — like gender, age, ethnicity, knowledge of languages, income, employment status, etc., but these broad categorizations make it difficult to target customers.

Do all mid-sized insurance companies' marketing departments have the same needs?

In the last decade, marketing research has evolved towards psychographic targeting (activities, interests, opinions, attitudes, values, behaviors). Combined with demographic data, psychographics are a much more precise way to look at prospect profiles.

Early adopters are a sub-group of your target market. To be able to choose the appropriate people to engage with, you'll create an ideal customer profile.

Since you haven't really interacted with customers, keep in mind that all you're working with are hypotheses.

Looking at the five to ten most influential early adopters on your list, *what do you find they have in common?*

- Are more of them male or female?
- What is their typical job title?
- What is their common academic background?
- What interest groups do they share?
- What are some of the content they enjoy?
- What are some of the goals they share?
- What is their common approach to social media?
- How often do they publish quality content?

This information is the basis for the creation of your first ideal customer profile.

Looking back at the list, if you're unable to find a lot of early adopters for your ideal customer profile in your target market, you might have to do one of two things:

1. Revise your ideal customer profile. Make sure you're not being too restrictive.
2. Reconsider the target market. *Was it segmented properly? Is it of sufficient size?*

SELECTING EARLY ADOPTERS

You're a sniper, not a fisherman with a net. Act like it.
– Steve Blank

Early adopters have a significant role to play in the beginnings of your company. It's essential to carefully select the voices your team listens to.

You may wish to start with a broad group of early adopters to get a full understanding of the opportunities and needs of your target market, but you'll soon need to focus on the voices that matter most.

Early adopters are a necessary step on the way to convincing the pragmatist customers your company needs to sign on. Your early adopter customers should be companies that help you get references to sell to your ultimate target market.

Be sure to use the right kind of customer success stories for your case studies when you start selling to pragmatist customers. Landing just about any kind of customers is self-defeating.

Vontu → Finding the appropriate early customers

Michael Wolfe and his co-founders at Vontu had spent six months doing interviews researching various verticals to validate an opportunity in information security.

They wanted to target the enterprise and learn how to make large deals. They needed to figure out early what the ideal customer would be.

The co-founders did not have a product when they started selling, but they were able to quickly figure out that the early adopters for many new enterprise security products, including the one they were developing, were large financial services institutions. Those companies were IT leaders that understood the pain of losing information better than any other large companies. They could also come up with funding for projects that reduced their risk.

Vontu only had one corporate objective its first year: close a large, name brand, referenceable account. This had to be an industry leader.

Along the way, they took inbound calls from smaller banks, for example a small regional bank in Hawaii. Although the bank would have paid for the solution, the deal would have taken a lot of effort without providing what would be needed to grow the company. Vontu needed to learn what it took to sell to the big guys, and it needed them as reference accounts. They said “no” to these small companies and turned down the revenue they would have brought in.

It took Vontu until the end of the year to get the product ready and close their first \$500K deal with Bank of America, but that deal validated the Vontu model and helped establish their credibility.

At that point, it had been 18 months since company formation. By being laser-focused on their ideal customer profile and being willing to wait, the co-founders found a true lighthouse customer to open the market for them. Four years later, Symantec, the security giant, acquired Vontu for \$350M.

You may need to start with the early adopters that agree to meet with you as you build the credibility, visibility and references to meet the champions you need; not every early adopter has to be a perfect match to your ideal customer profile.

Like Yammer, you can start by selling small deals to build the bottom of the pyramid, gain credibility and, eventually, sell to some of the largest companies in the world³⁹. Ultimately, you must start with the prospects that will agree to meet with you⁴⁰.

WHAT YOU CAN DO TODAY

- Study the concepts of *Crossing the Chasm*.
- Create a list of the early adopters in your professional network.
- Explore the professional networks of your contacts and service providers. List all potential early adopters.
- Find early adopters on social networks, at events and directly in companies that you wish to do business with.
- Prioritize your list of early adopters by their personal influence level and their company's influence on the market.
- Create an ideal customer profile for your early adopters.
- Sort out the best ways to contact these prospects.
- Keep in mind that there's an off chance that the early adopters in your market don't exist.

ENJOYED THIS SHORT PREVIEW OF LEAN B2B?

The next few chapters will teach you how to build credibility with prospects, reach out to early adopters, conduct problem interviews, prioritize problems and opportunities, build an MVP, prepare a pitch, conduct solution interviews, and assess whether you have found product-market fit.

The book also covers common challenges entrepreneurs face and how to avoid them, as well as techniques to speed up product-market validation.

The book can be purchased in digital and paperback formats through the following retailers:

BOOK NOW AVAILABLE

