



Course Title: The Customer Development Process in High Tech: Sales,
Marketing & Business Development in a Startup
Units: 2

SYLLABUS

Course Purpose

This course is about how to successfully organize sales, marketing and business development in a for-profit startup, with particular emphasis on high technology companies. For the purpose of this course, a “startup” can either be a new venture, or an existing company entering a new market. Both must solve a common set of issues: Where is our market? Who are our customers? How do we build the right team? How do we scale sales? These issues are at the heart of the “Customer Development” process covered in this course.

This class provides insight and concrete lessons into what is it that makes some startups successful and leaves others selling off their furniture. The course is built around the premise that startups that survive the first few tough years do not follow the traditional product-centric launch model. Through trial and error, hiring and firing, successful startups all invent a new, parallel process to product development for sales, marketing and business development. In particular, startups that succeed and thrive invent and live by a process of customer learning and discovery called “Customer Development.”

The Customer Development process for launching a new product into a new market is the antithesis of the well-honed Product Management rules observed by large companies. Indeed, following traditional Product Management rules are a recipe for failure when it comes to a startup in a new market.

The class also introduces the notion of Market Type; the idea that not all startups follow the same pattern of bringing a product to market and early sales. That in fact the activities of the sales and marketing departments are radically different in a startup entering an existing market, than in one trying to create a new market.

This course describes the “Customer Development” model in detail; it will challenge your perception of the traditional sales, marketing and business development roles and leave you with a new way to view and organize these roles.

Objectives and Teaching Methods

The course combines lectures, readings, case materials and regular class involvement by entrepreneurs and business professionals. Well-prepared and intellectually engaged students are essential for the class to succeed.

The readings for this course are principally from the course text: Four Steps to the Epiphany, articles, book chapters and cases that will be published in an on-line Reader. They are organized as required readings and cases for class discussion along with suggested supplemental readings that will deepen your understanding of the class.

Deliverables and Requirements

The main requirements for this class are passion, energy and resourcefulness. The course also assumes that students have either; experience in bringing a new product to market, taken the core Entrepreneurship course, or have previously written a business plan.

Application Exercises: Students must individually and independently complete 3 Application Exercises. Each exercise entails analyzing Market Type, Customer Discovery, Customer Validation and Customer Creation choices the subject companies have made. Students will analyze the subject company’s customer and market hypothesis, channel and sales strategy, and demand creation activities. These exercises will cover understanding early customer needs and matching them with product features, how to research product distribution channels, creating a sales

roadmap for early customers, and demand creation and chasm-crossing sales plan to transition to mainstream customers. The companies used in these exercises can be known from direct experience or from independent research efforts.

Research Paper: Teams of 2, to no more than 3, individuals must write a research paper of approximately 10 pages in length. The research paper should discuss lessons learned from the class and from the independent research conducted during the course of the semester.

Students choose 3 out of 4 Application Exercise Papers + research paper

1. Due session 3: Application Exercise Paper – Market Type
2. Due session 7: Application Exercise Paper – Customer Discovery
3. Due session 9: Application Exercise Paper – Customer Validation
4. Due session 12: Application Exercise Paper – Customer Creation
5. Due last session: Team Research Paper – 10 pages

Required Readings and Materials

The Four Steps to E.Piphany by Steve Blank, available through Café Press (www.cafepress.com).
Other materials as outlined in the schedule below.

Evaluation and Grading

Basis for Final Grade:

Independent research project:	60%
Application Exercises:	20%
Class attendance and Participation	20%

Schedule

Unit 1: Introduction

1. Introduction to the Course
Learning Objectives: (1) Course organization (2) The value of “models” (3) The “startup process” (4) The “three types of startups” (5) Customer needs versus product features (6) The startup team (7) Sales, Marketing & Business Development Execution
Reading: Do Business Plans Make No Difference In The Real World?
Videos: Dead Poets Society, Henry V
2. The Three Types of Startups
Learning Objectives: (1) Market types and startup goals, (2) New Market, (3) Resegmenting an Existing Market, (4) Existing Market.
Reading: Blank – Four Steps to the E.piphany – Chapter 2, page 8-10
Case: In & Out Burger
Supplemental: Clayton Christensen – Innovators Solution – pages 43-51
Clayton Christensen – Six Keys to Creating New Growth Businesses
3. The Customer Development Process
Application Exercise Due: Market Type
Learning Objectives: (1) Product Development (2) Customer Development
Reading: Boyd – OODA Loop PowerPoint slides
Blank – Four Steps to the E.piphany – Chapter 1, Chapter 2 page 1-7
Case: Zaplets
Guest: Software executive
Supplemental: Fast Company – The Strategy of a Fighter pilot
McGrath & MacMillan – Entrepreneurial Mindset – Chapter 10 pages 231-245

Unit 2: Customer Discovery

4. The Customer Development Model: Customer Discovery Part- 1
Learning Objectives: (1) Board/Team Buy-in, (2) Startup Hypothesis, (3) Testing the Problem and Product Concept
Reading: Blank – Four Steps to the E.piphany – Chapter 3
Case: WebVan Part 1
Supplemental Reading: McGrath & MacMillan – Discovery-Driven Planning
Reading: McGrath & MacMillan – Entrepreneurial Mindset – Chapter 10 pages 256-261
 Scan the Webvan source materials. The S-1, 10Q’s. 8K’s, etc.
 Red Herring – Can Webvan Deliver?

5. The Customer Development Model: Customer Discovery Part - 2
Learning Objectives: (1) Customer Development Team, (2) Customer Needs versus product features, (3) Understanding the customer
Reading: Christensen – Discovering What Has Already Been Discovered
 Note on Lead User Research
Case: WebVan Part 2
Supplemental Reading: A Tangled Webvan
Guest: Venture Capitalist

6. The Customer Development Model: Customer Discovery Part -3
Learning Objectives: (1) Testing Market type (2) Market Type selection (3) operating model
Case: Motive Communications
Guest: CEO of company

Unit 3: Customer Validation

7. The Customer Development Model: Customer Validation Part -1
Application Exercise Due: Discovery Hypothesis
Learning Objectives: (1) Customer Validation team (2) Value Proposition (3) Getting Ready to Sell
Case: Wildfire A-D
Reading: Blank – Four Steps to the E.piphany – Chapter 4
Supplemental Reading: Heiman & Sanchez – The New Strategic Selling – Chapter 2 Strategy & Tactics
Reading: Heiman & Sanchez – The New Strategic Selling – Chapter 5 Buying Influences
Guest: CEO of new company

8. The Customer Development Model: Customer Validation Part -2
Learning Objectives: (1) Earlyvangelists (2) Sales to early customers (3) Product and company positioning (4) testing the financial model
Case: HP Kittyhawk
Reading: Bosworth – Solution Selling – Strategy 1 & 4 - Three levels of Buyer Needs, Solution Selling Tools
 Moore – Positioning Your Product

Unit 4: Customer Creation

9. The Customer Development Model: Customer Creation Part -1
Application Exercise Due: Customer Validation
Learning Objectives: (1) Customer Creation versus marketing communications (2) the four building blocks of Customer Creation (3) the role of “branding”
Case: Ecton
Reading: Blank – Four Steps to the E.piphany – Chapter 5
 Holt – Brands & Branding
Guest: Successful inventor

10. The Customer Development Model: Customer Creation Part -2
Learning Objectives: (1) Company and Product Launch (2) Company and Product Positioning (3) Demand Creation
Case: Erox
Reading: McGrath & MacMillan – Entrepreneurial Mindset – Chapter 9 pages 197-215
Schuler - Lanchester Background
11. The Customer Development Model: Customer Creation Cases
Learning Objectives: Customer Creation in the real world
Case: Tivo A & B

Unit 5: Company Building

12. The Customer Development Model: Company Bldg Part -1
Application Exercise Due: Customer Creation
Learning Objectives: (1) Building a mainstream customer base by Market Type
Reading: Moore – Breaking into the Mainstream
Moore - Target Markets
Blank – Four Steps to the E.piphany – Chapter 6
Case: Documentum
13. The Customer Development Model: Company Bldg Part -2
Learning Objectives: (1) Culture wars (2) Mission-centric culture (3) Fast-response departments (4) Growing the company
Reading: Blank – Four Steps to the E.piphany – Chapter 6
Supplemental Reading: U.S. Marine Corps – Warfighting Manual – Pages 46-51 (Leadership/Training,) Pages 63-67 (Philosophy of Command), Pages 70-75 (Mission Tactics/Intent/Focus)
Boyd – Patterns of Conflicts – pages 75-80, 128-135
Bhide – Building the Self Sustaining Firm
14. Finals due
No In-Class Meeting
Team Research Paper Due – 10 pages

Teaching Guide

Instructor Biographies

This course is taught by a very experienced sales executive, Steve Blank, who authored the principal text for the course. Steve team teaches this course and another course with partner on the faculty at the Haas School. The two have a very successful cooperative model that has developed this and another new course, both of which have become very popular.

It is recommended that an instructor for this course have a wide variety of experiences in the entrepreneurial domain, particularly in the sales and marketing roles.

Use of Guests

The course makes extensive use of guests and cases to amplify the philosophy laid out in the Four Steps book. The guests are drawn from the community and have often worked with the author directly – allowing them to speak directly of their experiences using the concepts presented in the book.