Trajectory Series – Validation Workshop

Dave Parker

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GetTrajectory.com

Workshop Agenda

- Intro
- Research
- Customer Development
- Product/Market Pull Tests

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Introduction

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About Dave

- 5X founder, Board Member, former SVP Programs at UP Global (Startup Weekend + Startup America)
  - Startup Next creator and Startup Week
- Senior Partner, Fearless.fund
- Author – "Trajectory: Startup – Ideation to Product Market/Fit"
- >15 transactions – 8 sell side, 2 buy side now with NextPath Advisors
- WTIA Startup Programs Board Chair

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Resources

- 14 Revenue Model Excerpt
- Today's Slides - https://www.dkparker.com/wtia-vibe-coworks-seminar-series/

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Rules of the Road

- Ask questions as we go – especially if I talk too fast!
  - Meta questions please! Not just about your company
- Don't Ramble – I'll interrupt
- Virtually…
  - Network – you need to build you network for the future starting today
  - #GiveFirst – you have complimentary skills around you

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Score Yourself	1-4
Team: Why you, balanced team (talents, diversity), domain experts, serially successful founders, great company experience	
Idea: Are you solving a problem? New or existing problem, big category (vs tool), early/late continuum, technical achievable, pain pill or vitamin	
Product: do you have a product, how mature, customer first, solid design, clear roadmap to scale	
Market/Customer: big market (TAM/SOM), cash available, new or nascent market?	
Competition: How many incumbents, funding status, are you incremental better or 10X better?	
Traction: Customer validation, revenue, improving unit economics?	
Timing: Why now? Are you late, early, too early?	
Revenue Model/Finance: How will you monetize your idea? Do you have a basic budget on spending, big or small economics	
IP/Moat: Is your idea defensible? Can you build a moat over time?	
Clear Ask: What do you need help with? Advice, funding, introduction, help finding staff?	
Total out of 40	

Venture Ready

Fast NO

- Market
- Team
- Product
- Traction
- <Likely up-market buyer>

Slow Yes

- Idea
- Competition
- Business Model/Finance
- Timing
- Intellectual Property/Moat
- Clear Ask

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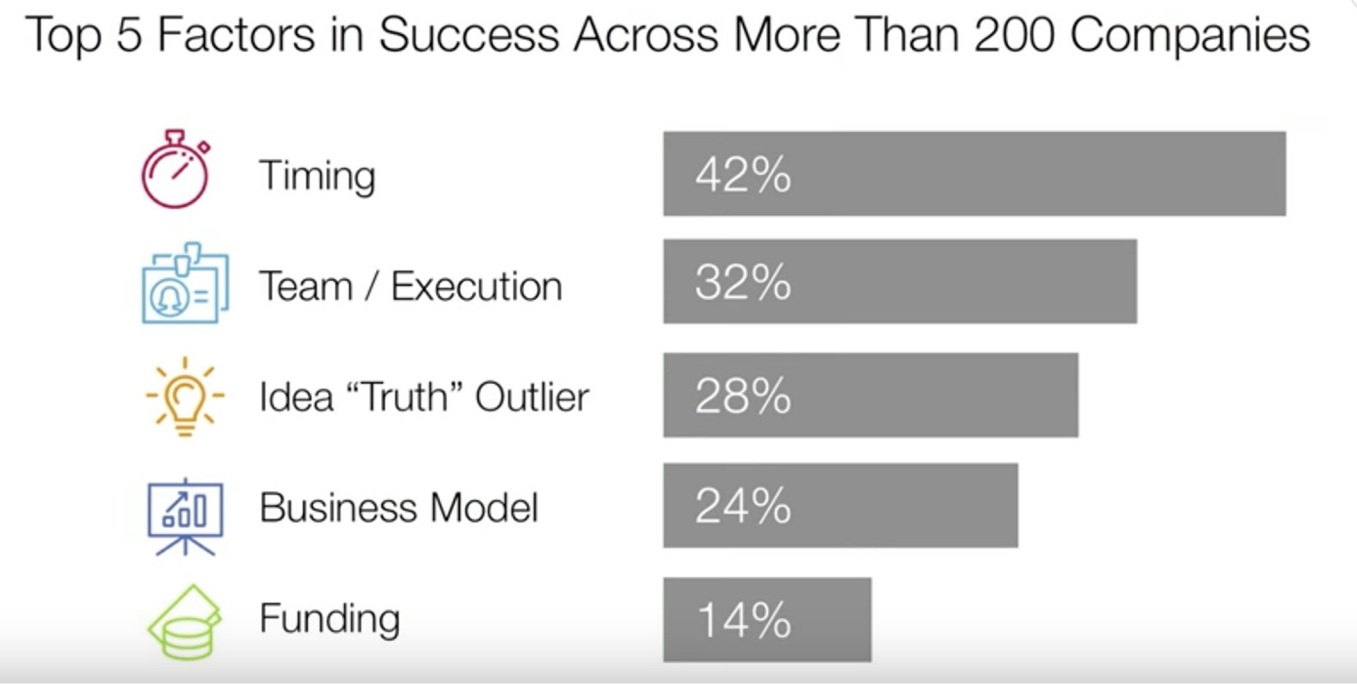
Judging a Startup – Bill Gross

Ultimate success – AT SCALE – Assumes good market



https://www.ted.com/talks/bill_gross_the_single_biggest_reason_why_start_ups_succeed?language=en

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Addressing the Weaknesses

- Where were you weak
- How would you answer differently
- What can you change now – before final pitches?

- Don’t ignore the elephant in the room – investors won’t!

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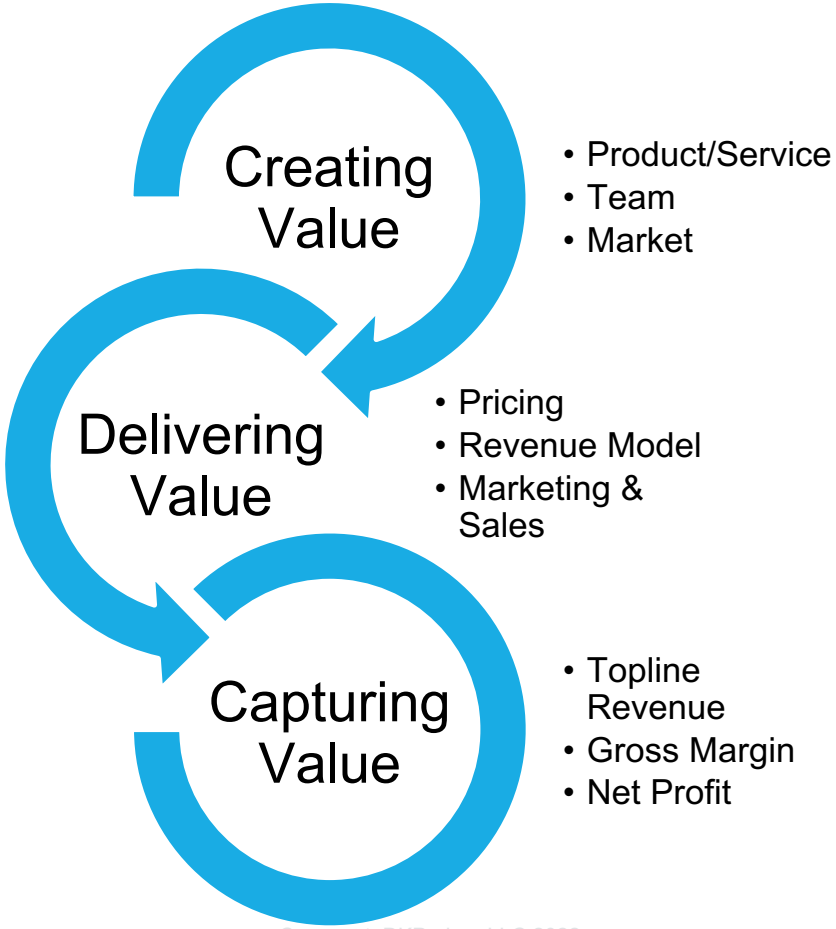
Business Model Breakdown



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Creating Value

- Product or Service or combination
- Cost to Build – Team
  - Engineering
  - Design
  - Hosting
  - Manufacturing
- Cost of Delivery & Support

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Delivering Value

- Revenue Model
- Pricing
- Customer Acquisition Cost (CAC)
  - Marketing Methods and Spend
  - Sales Models
- Lifetime Value (LTV)
- Note Promotions are not pricing or revenue models (e.g. freemium is a promotion)

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Capturing Value

- What's left over!
- Topline Revenue
- Gross Margins
- Net Profit

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Two Startup Epochs

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Epochs

- BC
- Pre Internet
- Pre Game of Thrones

- AD
- Post Internet
- Post Game of Thrones

- Pre Product-Market Fit
- Risk Capital

- Post Product-Market Fit
- Growth Capital

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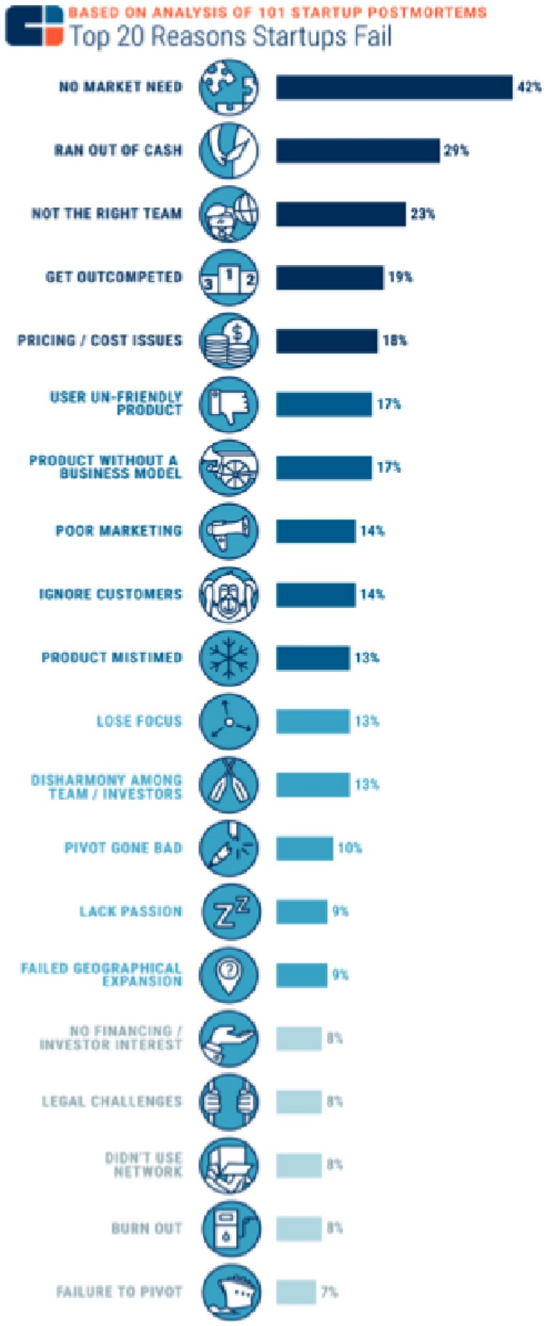
Why Startup Fail



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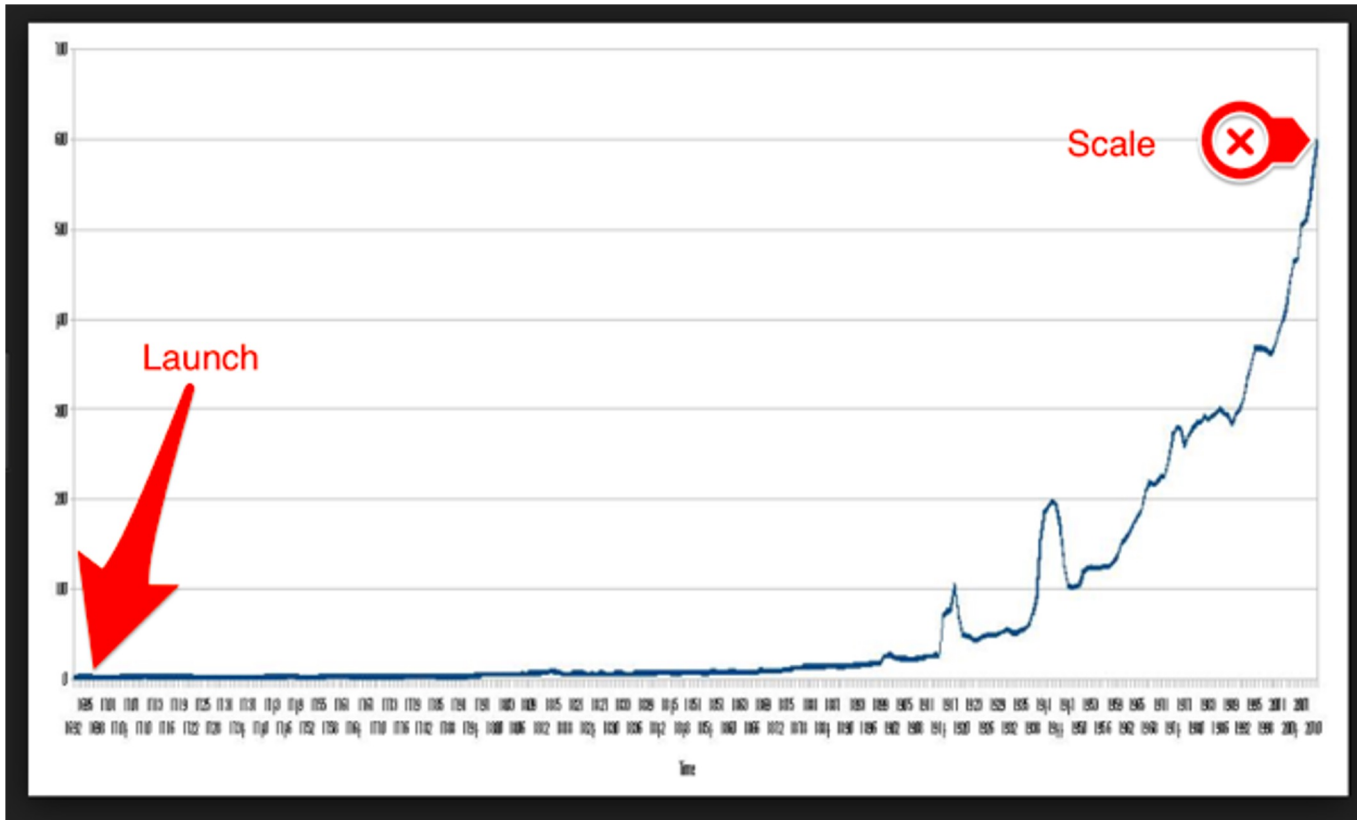
Launch & Survive



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What Matters Most?

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Some Calculus

- Great Team in Bad Market = Failure or meh result
- OK team + Great Market = could be great result
- Great Product + no path to revenue = failure
- OK product + great monetization = make $$

- Great market + great team + great product + solid monetization + great execution = monster result

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Product/Market Fit = Math

- PMF means being in a good market with a product that can satisfy that market (no more pivots required)
- Pre-PMF looks like compound interest, early options:
  1. **Traffic is increasing**
  2. **Leads are increasing**
  3. **Customer count is increasing**
  4. **ACV/MRR is increasing**
  5. **Time to close is decreasing**

  = Miracle of Compound Interest

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Research & Competitive Analysis

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Research

- You are not the customer
- Methods of Research
  - Blue Ocean
  - Gartner Magic Quadrant
- Documentation and Analysis
  - Google Search – what are the keywords someone would type to find your solution
  - Crunchbase Search – funding, timing, categories
  - Competitive Product/Service pricing

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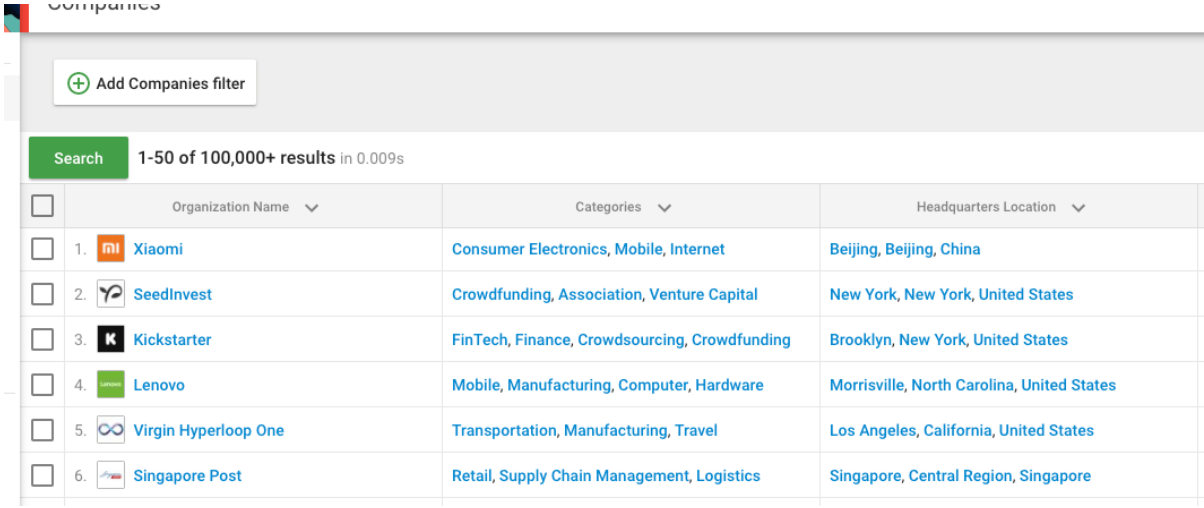
Pattern Matching

- Stage
- Customer Type
- Categories



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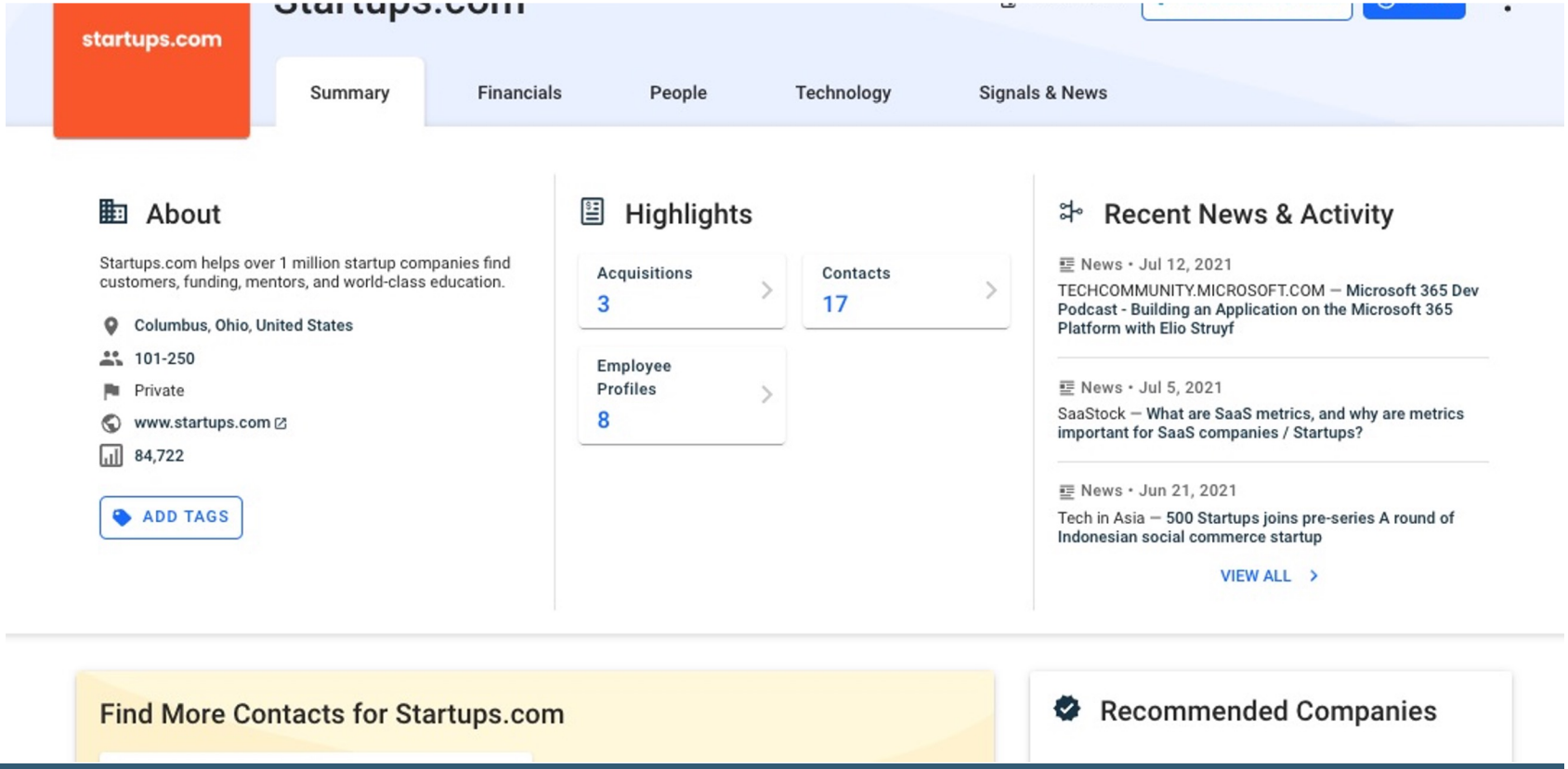

Crunchbase

https://www.crunchbase.com/

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Research

- Create a Google Sheet with your research
- One tab for research, one for competitors
- Who has written about your market
  - Professionals, bloggers, others
- Who has raised capital in this market
- What's the state of the "Wave?"

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Competitor List & Notes

Competitor	URL	Crunchbase Link	Amount Funded	Team	Features	Notes

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Specific Competitors

- Feature List
- Product positioning
- Gaps
- Pricing
- Target customer/profile
- Marketing approach

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Getting Data

- Right Mouse click
  - Keywords, meta data
- Pull keywords for competitors – Google Sheet
- Tools
  - https://www.semrush.com/
  - https://topics.seomonitor.com/query
  - Google Keyword tool
- Social
  - https://www.rivaliq.com/

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Getting Data – B2C

- Playstore/App Store
  - One Star
  - Four Star

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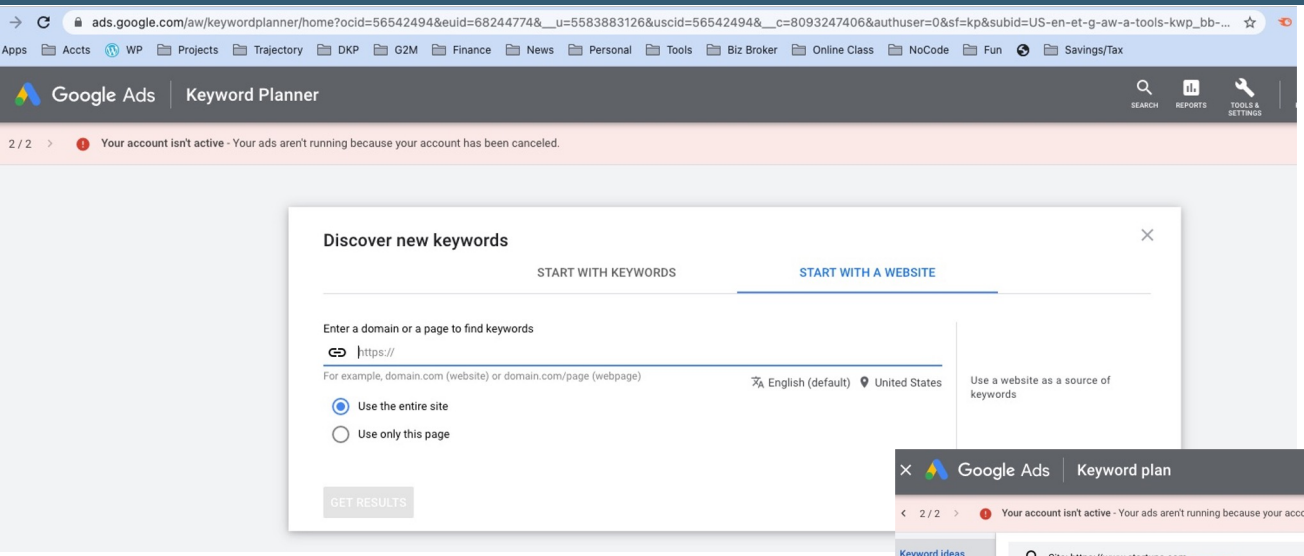
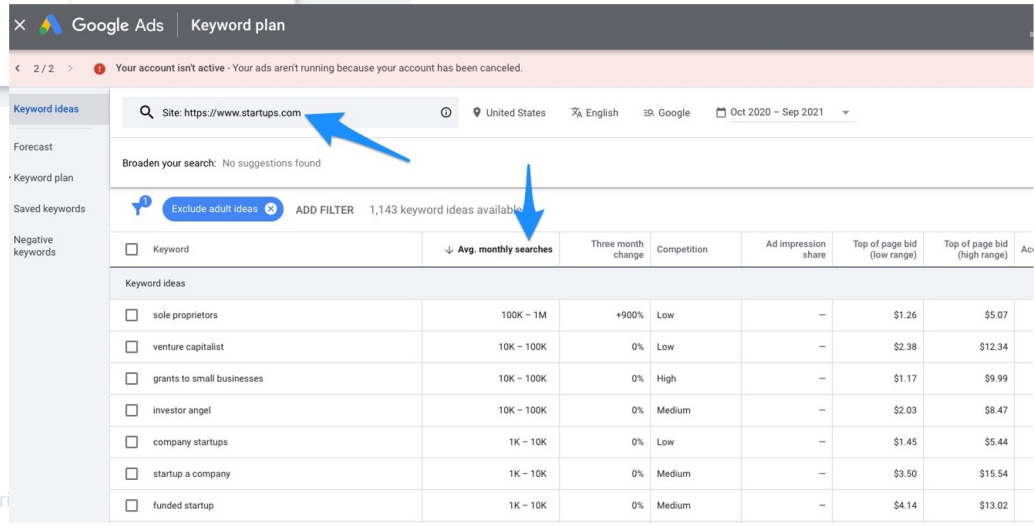
Keyword Planner





https://ads.google.com/

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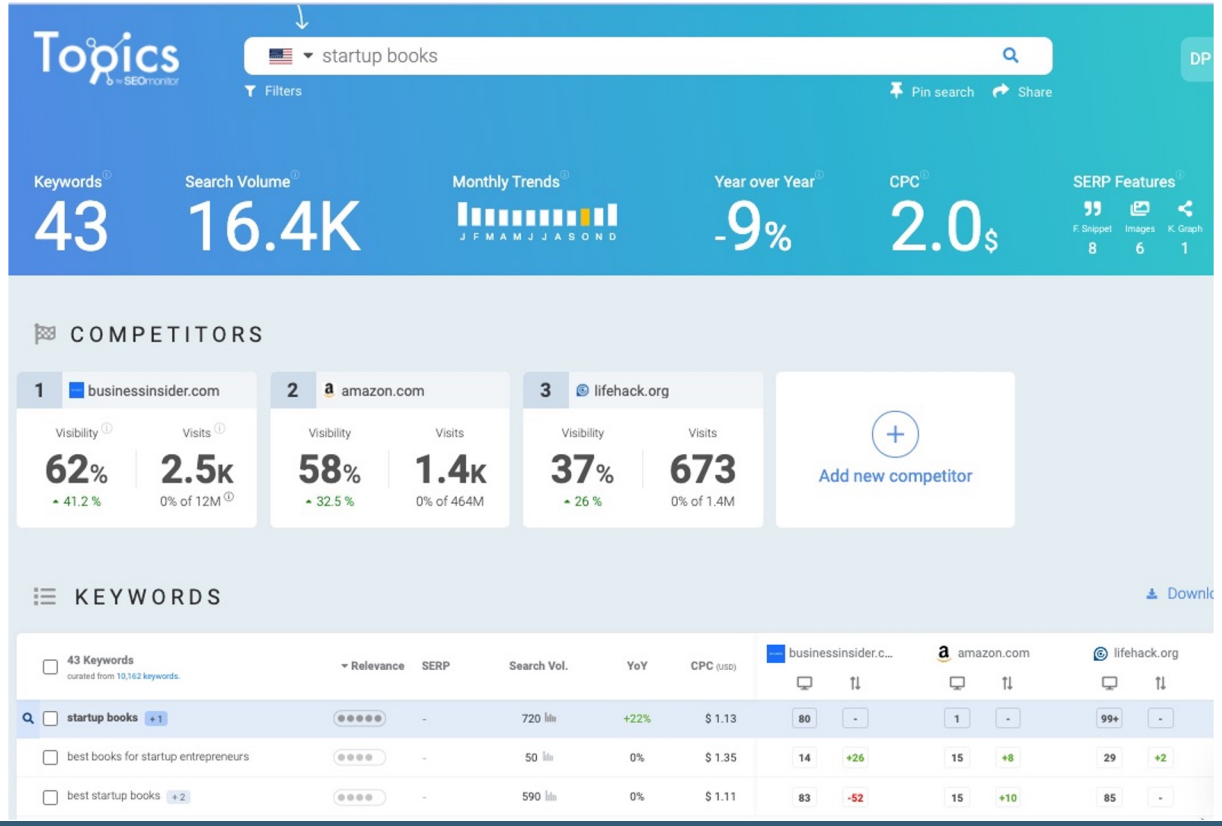

Topic Explorer

https://topics.seomonitor.com/

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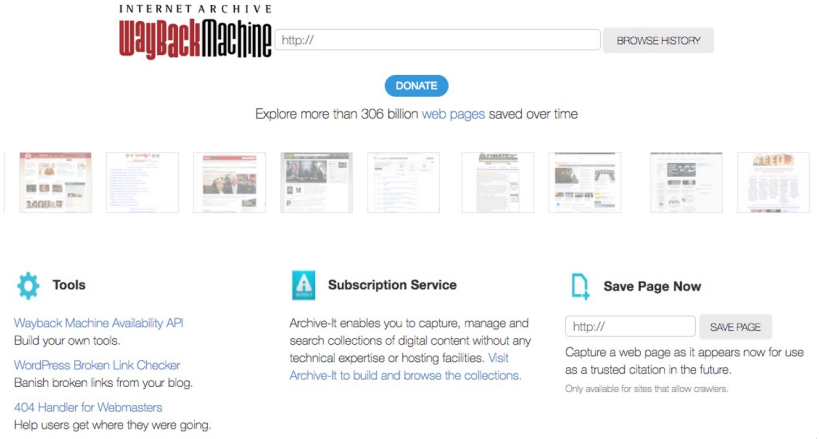
Who has tried this before?

- What about Analyst report?
- Why did they fail?
- Use Wayback Machine to look back



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Competitive Tech Stack

- Builtwith
- Mixpanel
- StackShare
- Siftery
- Ghostery – MarTec Stack

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Updates

- Subscribe to Google Alerts
  - Competitors
  - Thought leaders
  - Analysts
- RSS Reader
  - Specific pages within competitors

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Value Proposition

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Positioning

- Positioning is holding a place in your customer's mind – not as everything, what's memorable?
- Who is the initial customer
- Think about limiting service and customer first – before you expand
  - You're not precluded from selling other services or products
- What claim or promise will you make?

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Don’t Bury the Lead

- Think of this like journalism
- What’s the headline?
- What’s the Lead?
- What’s the Story?

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Testing

- Each pitch is a rapid A/B testing
- Look for 1:Many opportunities to test your value proposition
  - Trade shows
  - Peers
- Test tag lines

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Taglines

- The one sentence summary
- Pull from the Madlibs Pitch
- Benefits to customer – not features
- Simple
- Evolve with the company

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Branding

- You don't have a big budget – so you can't afford brand advertising
- Start with brand neutral and build
- Memorable
- Phonetically easy to spell
- Avoid double letters, etc

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Dave's Madlibs Pitch

Hi, I'm <your name here>, and my company <your Company name here> the problem I'm solving is <insert problem here>. Our product <insert product info here> is designed for our target customer of <insert target customer here>. We make money by <insert method here> and our team is the right team because <insert why you're awesome here>. I need help with <insert help needed here>.

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Workshop

- Write out your value proposition
  - Today (you have to sell what you have)
  - Future (if the customer says no – then tell them the roadmap)
- Ideal Customer Profiles
  - Today
  - Future

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Customer Development

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Customer Development

- Parallel process with Product Development
- “Get out of the Building”
- Develop for a few not Many
- Prioritize features based on Needs not Wants
- Validate with Revenue/Commitment

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Customer Development Goals

- Acute focus on **problem** – not product
- Find out if customers care?
- What do they want?
- Determines the difference your product at launch and at scale
- Feature priorities & Product Roadmap

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Customer Development Questions

MIKE FISHBEIN A

The Ultimate List of Customer Development Questions

I've had a few requests for this post. I've compiled all of my favorite customer development questions into one place! I'm sure I've missed some great questions. Please let me know your favorites in the comments sections and I'll continually update this post.

https://mfishbein.com/the-ultimate-list-of-customer-development-questions/

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Customer Dev Mechanics

- Google Forms
- Structured questions
  - Progression
    - Easy to Hard
  - What do you really want to know?
  - Will they pay for it? How much
  - Why will it fail
- Neutral, not Guided Questions

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Customer Dev Mechanics, Cont

- Build a list of interested parties
  - Mail Chimp List setup
  - Ask for permission to email
  - Monthly updates –
    - Format: "What we did, what we're going to do and where we can use your help"
- Regular frequency – be predictable

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What Not To Do

- You are not the customer
- Don't tolerate a small sample set – this could delay your success by **Years**
- Avoid "Selection Bias"
  - "Isn't our product amazing"
- No rhetorical questions
- No blind surveys
- Can't outsource

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How Many Customer Interviews

- B2B – 25+
  - Profile
  - Job Title
  - Type of Company
- B2C – 50+
  - Demographic
- ¯_(ツ)_/¯ = bad

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Fundraising Note

You have opinions
You have Data
You get money!

Investors have opinions
They have money

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Hypothesis vs Fact

- If you are convinced you're right you won't be open to radical feedback that could change the trajectory of your business & life!
- Always testing what you think you know
- Permission to give negative feedback
  - If this idea was to fail, why would it fail?
  - Why is this idea stupid?

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Product Market Pull

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6 Steps to "Test Driven Learning"

1. **Define your Who, What, Why Statement** – identify what problems your customer wants you to solve
2. **Be Scientific** – create a testable hypothesis
3. **Build an Audience Matrix** (or real people or companies). Build audiences that accurately represent your vision
4. **Test for Resonance**. Go into the market and run experiments that prove or refute your hypothesis
5. **Measure.** Evaluate your results and see where you were correct
6. **Iterate or Kill**. Reflect on your work and see if you've gained or lost conviction on the idea

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Audience Matrix

Examples:

Audience name	Audience Description	Audience Size (est)
High school Scholarships	High school students looking to find scholarships they are eligible for, and can apply.	
Non-college bound	High school students looking to find career options that do not require degrees.	
Some college	Students in college looking for alternatives to degree-based career paths.	
B2C Parents	Parents of high school students who want to understand options for students seeking scholarships and alternative career paths.	

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Value Prop Examples:

Market Segment	Variant A	Variant B
High school Scholarships	Fast & easy - takes minutes to get matched with no essay required.	Explore Options - understand what scholarships are available to you.
Non-college bound	Fastest path to a good wage	Upward mobility - Great career without college
Some college	Fastest path to a good wage	Upward mobility - Great career without college
B2C Parents	Explore Options to a good wage for your kids.	Upward mobility - Great career without college for your kids.

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Audience Matrix Template

- Here
- Workshop

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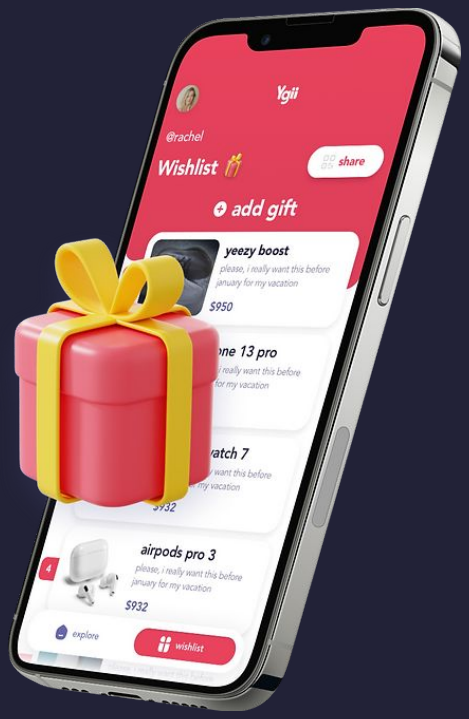
Ygii

Marketing Pull Test



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Marketing Pull Test

Channels:

- TikTok
- Meta
- Instagram

Ads:

- Message (Type: Video)
- Feature (Type: Video)

Campaign Duration: (5 Days)

Creative #1:
Demanding and asking for gifts!
Assumption: <24 will be the most engaging age group

Creative #2:
Convenience in getting the right gift for loved ones!
Assumption: >45 will be the most engaging age group

Creative #1	Creative #2

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Summary Analysis

	Platform	Budget	CPC	CPM	Impressions	Clicks	CTR%	Conversions	CVR%	CPR
Totals		$146.79	$0.29	$0.98	150,204	506	0.34%	25	4.94%	$5.87
Totals	Meta	$118.98	$0.69	$2.41	49,370	172	0.35%	9	5.23%	$13.22
Totals		$85.10	$3.04	$6.67	12,751	28	0.22%	2	7.14%	$42.55
Totals		$350.87	$0.50	$1.65	212,325	706	0.33%	36	5.10%	$9.75

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Market

In total we tested 3 market segments, age groups all in Saudi Arabia

Segments	Creative	Budget	CPC	CPM	Impressions	Clicks	CTR%	Conversions	CVR%	CPR
>45	Message	$24.16	$0.37	$1.15	21,078	65	0.31%	4	6.15%	$6.04
25 - 44	Message	$24.29	$0.33	$1.27	19,120	73	0.38%	3	4.11%	$8.10
<24	Message	$24.74	$0.23	$0.87	28,326	108	0.38%	3	2.78%	$8.25
	Message	$73.19	$0.30	$1.07	68,524	246	0.36%	10	4.07%	$7.32
>45	Feature	$24.71	$0.40	$0.98	25,230	62	0.25%	2	3.23%	$12.36
25 - 44	Feature	$24.14	$0.32	$1.04	23,158	76	0.33%	8	10.53%	$3.02
<24	Feature	$25.01	$0.21	$0.75	33,292	122	0.37%	5	4.10%	$5.00
	Feature	$73.86	$0.28	$0.90	$81,680	260	0.32%	15	5.77%	$4.92
Totals		$146.79	$0.29	$0.98	150,204	506	0.34%	25	4.94%	$5.87

Market

In total we tested 3 market segments, age groups all in Saudi Arabia

Segments	Creative	Budget	CPC	CPM	Impressions	Clicks	CTR%	Conversions	CVR%	CPR
>45	Message	$31.74	$0.71	$2.65	11,959	45	0.38%	2	4.44%	$15.87
25 - 44	Message	$16.53	$0.45	$1.57	10,522	37	0.35%	2	5.41%	$8.26
<24	Message	$31.93	$0.78	$2.17	14,728	41	0.28%	4	9.76%	$7.98
	Message	$80.20	$0.65	$2.16	$37,209	123	0.33%	8	6.50%	$10.03
>45	Feature	$7.92	$0.99	$3.61	2,192	8	0.36%	0	0.00%	#DIV/0!
25 - 44	Feature	$23.16	$0.70	$3.19	7,259	33	0.45%	1	3.03%	$23.16
<24	Feature	$7.70	$0.96	$2.84	2,710	8	0.30%	0	0.00%	#DIV/0!
	Feature	$38.78	$0.79	$3.19	$12,161	49	0.40%	1	2.04%	$38.78
Totals		$118.98	$0.69	$2.41	49,370	172	0.35%	9	5.23%	$13.22

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Takeaways

1. Working age group reacted well with the Feature Ad
2. Surprisingly, the older age group reacted the most with the Message Ad
3. Meta algorithm placed more weight on the Message Ad
4. TikTok was the best performer across all metrics
5. We assume that Meta & Instagram Ads did not perform well on some categories due to low budgets!

Next Week Actions:

1. Double budget for TikTok ($300) and check variance in results.
2. Match the budget for Meta & Instagram with TikTok ($300 each) and check variance in results.
3. Continue Ads of “Message” & “Feature” with different creatives

So, what has been a winner?

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BOUNDLESS

(had humble roots as)

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We tested Boundless to over 80,000 people searching for immigration help on Google.

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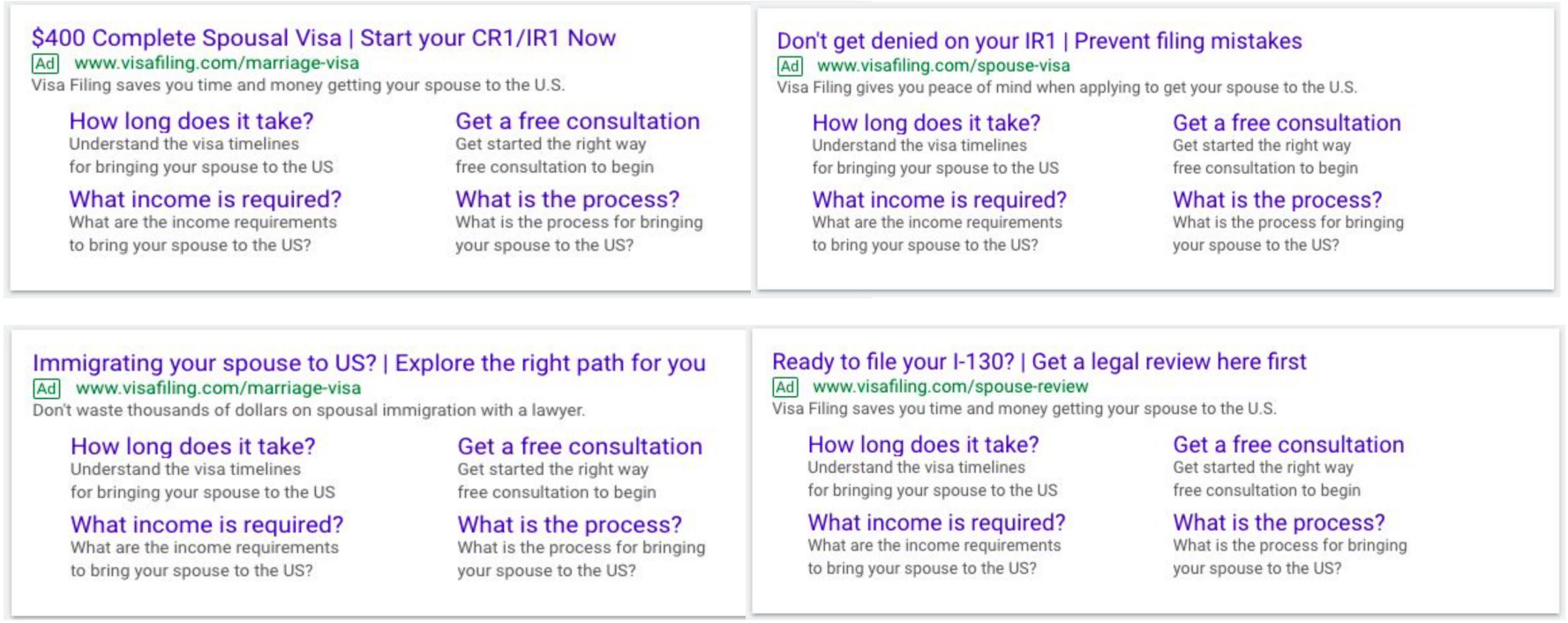
With Google, you can validate value props through “search intent”.



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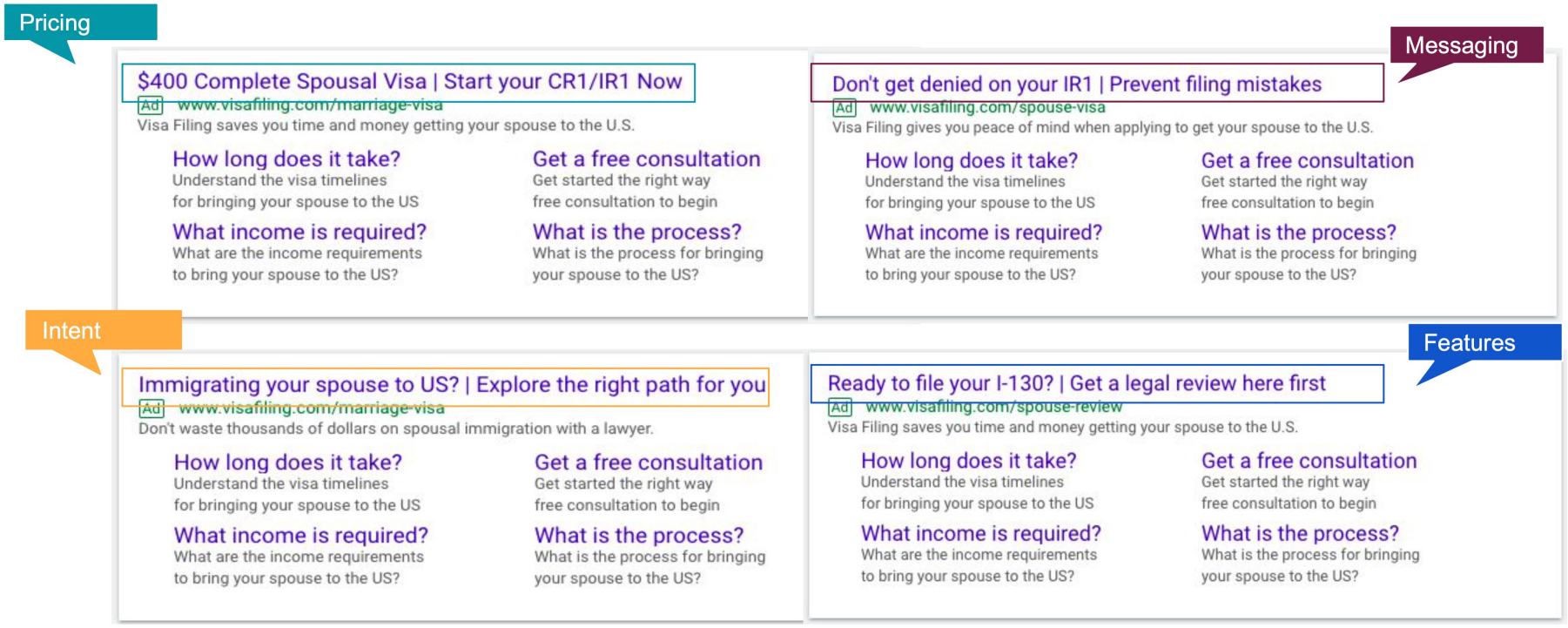
But we can also test features, pricing, intent, & messaging.



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And we also tested by visa type, so we knew which product to build first (the wedge).

Segment	Impressions	Clicks	CTR	CPC	Leads	CPLead
Student Visa	10,562	781	2.2%	$1.65	96	$13.42
Fiance Visas	21,154	688	3.2%	$1.29	88	$10.16
Spousal Visas	19,005	781	4.11%	$1.06	202	$3.86
Employment Visas	7,268	174	2.3%	$1.55	29	$14.64
Naturalization	24,000	581	2.4%	$1.48	179	$4.80

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The ROI is HUGE —

Once we know there is a business, our validation efforts can inform the product, GTM, pricing, & positioning strategy.

Trajectory Series
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Workshop

- What are you target channels
- What's the headline
- Body Copy?
- Visual/Video?

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Dave's Madlibs Pitch

Hi, I'm <your name here>, and my company <your Company name here> the problem I'm solving is <insert problem here>. Our product <insert product info here> is designed for our target customer of <insert target customer here>. We make money by <insert method here> and our team is the right team because <insert why you're awesome here>. I need help with <insert help needed here>.

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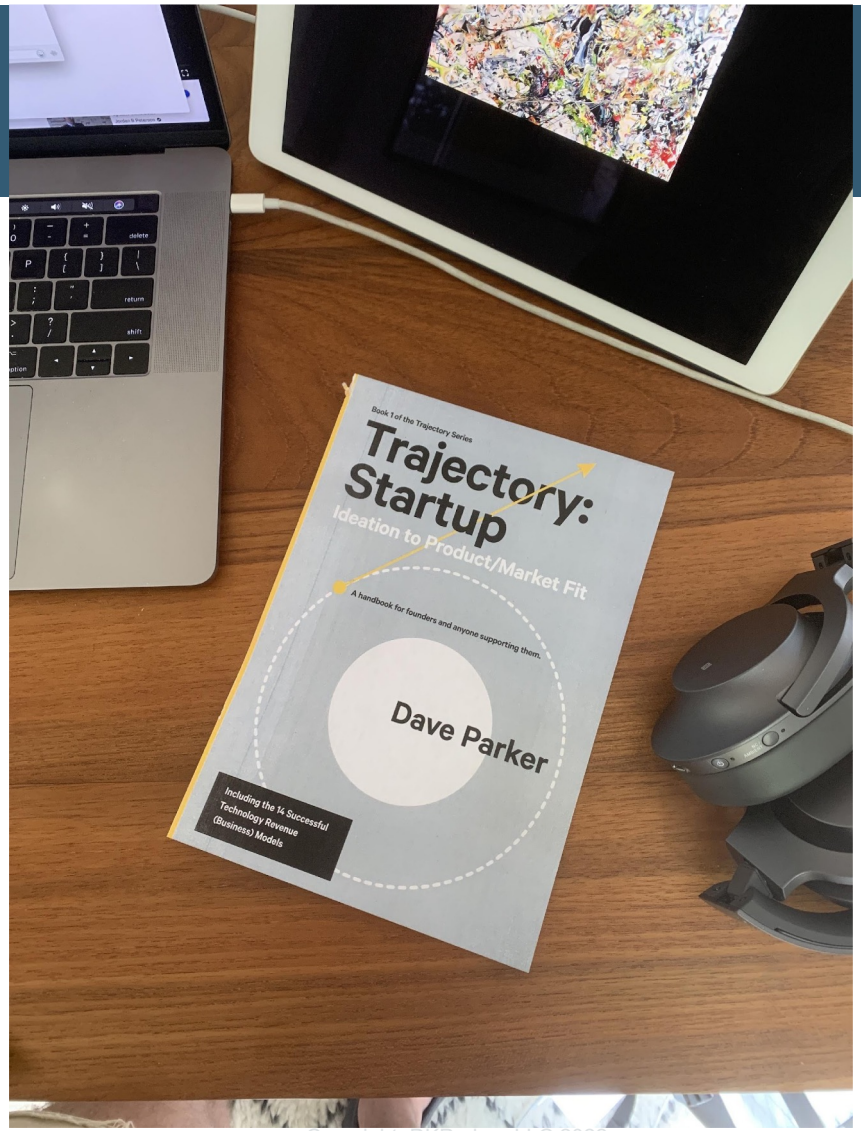

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THANKS!

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