

Glossary of Terms

(All definitions come from The Startup Owner's Manual by Steve Blank and Bob Dorf)

Business Model is the description of how an organization creates, delivers, and captures value.

Customer Archetypes are detailed descriptions of customer traits, including hard (demographics, psychographics, etc.) and soft (interviews, anecdotal material) customer data to form a descriptive profile and an entire story about a typical type or group of the company's customer(s). (Most startups typically have more than one archetypical customer).

Customer Development first described in the Four Steps to the Epiphany by Steve Blank, is the four-step process to organize the search for a repeatable and scalable business model.

Customer Discovery is the first of the four steps of Customer Development. In Customer Discovery, founders articulate their hypotheses about the business model and then run experiments to test problem and solution in front of customers.

Customer Relationships are the strategies used by companies to get customers into its sales channel, keep them as customers, and over time grow their value to the company through additional revenue and customer referrals from them.

Customer Segment defines a single subset of a startup's customer universe and how they differ from others as in "50+ golfers who play more than twice a month" often including the problem(s)/need(s) they have. Companies define specific value propositions for each customer segment.

Customer Validation is the second of the four steps of Customer Development. In validation, founders validate their business model they expand sales and marketing activities to grow.

Demand Creation is the specific set of acquisition activities to drive customers into a startup's chosen sales channel(s). It's the "get" customers portion of the "Get/Keep/Grow" process of creating Customer Relationships.

Earlyvangelist is a combination of an "early adopter" and "evangelist". In a startup earlyvangelists are the company's first customers, who buy the product very early because it solves a problem or fills an urgent need for them.

Experiments are what startups conduct to test hypotheses. Experiments are designed as objective pass/fail tests. For example, "We believe we can acquire users with Google AdWords at a cost of 20 cents per click."

Get, Keep, and Grow activities are the steps companies take to acquire, retain, and grow their customers. Getting customers, sometimes called demand creation, drives customers into a chosen

sales channel(s); Keeping customers, or retention, give customers reasons to stick with the company and product; and Growing customers involves selling them more and encouraging them to refer new customers.

Hypotheses are educated guesses a startup's founders have about their Business Model Hypotheses. Hypotheses are drawn on the Business Model Canvas and test and refined throughout the Customer Development Process.

Iteration is a minor change to one or more of the nine boxes of the business model canvas. (For example, a pricing change from \$39.99 to \$79.99 or customer segment from boys 12-15 years old to 15-19).

Lean Startup is a combination of Customer Development and Agile Development popularized by Eric Ries.

Market Type refers to the four startup market entry strategies:

- Entering an *existing* market with a higher performance product
- *Resegmenting* an existing market (via a niche or low-cost strategy)
- Creating a *new* market where one never existed before
- Creating a *clone* market – copying a business model from another country

Minimum Viable Product (MVP) is the smallest group of features that will elicit customer feedback. Initially the MVP can be as simple as a PowerPoint slide, a video or demo. It can be low- or high-fidelity that illustrates the “core” customer problem/need and demonstrates the products solution.

Multi-sided Business Models may have several different customer segments. Each segment may have a different value proposition, revenue model and channel. For example, Google's search business has users who pay nothing to use its search site, and an advertiser or payer segment that uses its AdSense site and pays to reach the search users. Other business models, such as medical devices, may be even more complex and have four or more “sides” customer segments such as patients, doctors, insurers, and hospitals.

Pivot is a substantive change in one or more of the nine boxes of the business model canvas. (For example, a revenue model change from freemium to subscription model or a customer segment shift from boys 12-15 years old to women 45-60 years old).

Value Proposition describes the job being done for the customer. It includes features that are solutions to customer problems or needs (productivity, status, simplicity, convenience, etc.) for the customer segment(s). A value proposition should match your customer segment.