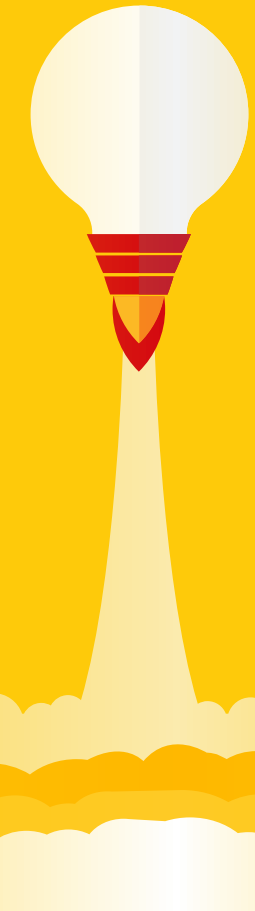
DHL START-UP LAB PLAYBOOK

HOW TO TURN IDEAS INTO INNOVATION WITHIN LARGE ORGANIZATIONS



START-UP LAB

HOW TO TURN IDEAS INTO INNOVATION WITHIN LARGE ORGANIZATIONS

TABLE OF CONTENTS

About the authors

Timan Rebel

Started several start-ups; sold one, invalidated the others. Angel investor and experienced start-up coach. Is building Innovation Accounting software as CTO of *GroundControl*.

Esther Gons

Author of *The Corporate Startup* and *Innovation Accounting book*. Venture Builder, Angel investor, and Startup Mentor. Helps large organizations scale innovation as Managing Partner at *NEXT Amsterdam*.

Johannes "Joey" Naumann

Co-founded the corporate startup *Saloodo*, which at the time of writing successfully operates in over 50 countries, and led DHL's global incubation program *DHL Start-up Lab*, which supported 46 corporate innovation projects between 2018 and 2021, of which at least 21 were successfully implemented long-term.

Startup success can be engineered by following the process, which means it can be learned, which means it can be taught.

- Eric Ries, author of the Lean Startup

INTRODUCTION

There has never been a better time to innovate!

With the rapid rise of new technologies, easier access to people worldwide, and tools not available before, it is possible to disrupt the way business has been done for years. All you need to start is a small team, an innovative idea, and the right approach to working on your idea.

To understand this approach, it is essential to understand the big difference between starting a business and a start-up.

A start-up is "a temporary organization in search of a scalable, repeatable, profitable business model." (Steve Blank et al., 2012). A business model describes the way a project is creating, capturing, and delivering value. The business model includes your solution, bringing your solution to your customers, and making money.

Two words are essential in the definition of a start-up: temporary and search. Let us start by explaining the search part.

When we are talking about starting a new business, we refer to you trying to replicate an already proven business model, not searching for a new one. Replicating a proven business model still makes you an entrepreneur, and your entrepreneurial skills and passion can undoubtedly lead you to make a successful business out of it. Still, the business model behind your idea is an existing one. You can roughly calculate the amount of money you need to put into the business to know what you will get out of it. You can differentiate from existing services, serve target niches, be more exclusive. However, still, you are not inventing a new model to change what has been done before in a repeatable and, more importantly, scalable way.

For a start-up, it is entirely different. We refer to a startup when there is at least one essential part of your project that you cannot just replicate. Thus, you need to search for the solution and test it until you find a way that works. As a startup founder, you might already have a vision and an idea but might not know whether the problem you are trying to solve is significant. You might only have an assumption about who your customers will be or how you can make money. Or you might be unsure whether the technology you want to use works the way you plan it. At least one essential component of your start-up's business model still needs to be figured out by you, the founders.

Once a business model is working and profitable, the start-up must transform itself into a business to start executing that proven business model. That is why a start-up is a temporary organization. You are only a start-up while searching for a working business model. Once you find one, you become an established business that tries to repeat and scale its business model.

This definition of a start-up also applies to innovation projects within large organizations, as long as there is a high level of uncertainty about certain parts of your project and as long as you are searching for ways to de-risk those parts. These innovation projects are also temporary because they are typically set up as projects with a clear beginning. Once the most risky parts of the project are validated, the projects are implemented in a different organizational setup and find a long-term home within or outside of the existing organization.

If you already know that your business model is repeatable and scalable, you can use processes that are optimized for planning and executing. However, searching for a new business model has much more unknowns. Thus you need an approach that is more iterative than normal implementation processes and is more focussed on learning than executing. You need a way to learn as fast as possible what is working and what is not. We call that process Validated Learning.

VALIDATED LEARNING

Validated learning is based on the concept that everything you think you know about your business model is rather just an assumption. And that the most critical assumptions (the riskiest assumptions) need to be validated (or invalidated) before you can turn your idea into an existing solution. These validations are done by running small experiments that give you enough proof to de-risk a new part of your business model and turn assumptions into proven knowledge, helping you take a step forward.

If you learn enough about an assumption to understand that the assumption is not valid, you invalidate the assumption. To continue after an invalidation, you will have to change a part of your business model to adapt to the new situation. We call this a pivot.

There are many moving parts of a business model, so running just one experiment to validate the whole business model is impossible. You have to keep running small experiments to test aspects of your business model until you have validated your entire business model, one experiment at a time.

WHO IS THIS PLAYBOOK FOR?

Large organizations have to balance two key objectives: Executing their current business model today and finding new business models that will be successful tomorrow. Working on the latter tends to be very hard as everything in the organization you work for is typically optimized to do the former. This makes it even more important that you decided to work on innovating. Regardless of whether you are trying to build a better business model, product, service, technology, or process, we commend you for it.

This playbook is for you, the passionate corporate entrepreneur (aka intrapreneur), with a great idea for something new in your company. The three of us have either been where you are now or have helped multiple intrapreneurs just like you. Some of them are now a successful team inside or outside of DHL or other large organizations. Other teams realized that their idea was not working and, based on the outcomes of experiments they ran, didn't spend years and a ton of money on an idea which ultimately was doomed to fail. Instead, they were able to focus their time and energy on other more promising projects.

We'd like to share all the valuable lessons and best practices we learned in helping these corporate start-ups with as many intrapreneurs as possible, no matter whether you are working for DHL or another large organization.

We have written this Playbook for the people who are working on innovation. It summarizes our knowledge of turning your idea into a new solution that is implemented and used, creating real value for its users and your organization.

RELATED BOOKS

If you want to read more on how to successfully innovate after finishing this Playbook, there are many great books that you can learn a lot from.

By far, our favorite book for innovators is **The Mom Test by Rob Fitzpatrick**. The Mom Test teaches you how to interview your (potential) customers, ask the right questions and get insightful answers, even though everybody wants to be friendly and give you the 'correct' and polite answers.

Testing Business Ideas by David J. Bland and Alexander Osterwalder is another gem, with an excellent overview of the best experiments to perform while... testing your business idea.

Lean Analytics by Alistair Croll and Benjamin Yoskovitz explains very well how you can measure the success of your start-up when you do not (yet) have any revenue streams. It dives into popular frameworks and shows how they work with lots of use-cases.

Hacking Growth by Brown Morgan and Ellis Sean is the book on how you can do marketing as a start-up when you don't have the big budgets or already know which channels to use. It explains how to use the methods of experimentation to search for the right ways to grow your business.

Pitch to Win by David Backett helps you present your idea to customers and stakeholders alike, with a clear and understandable framework called the Pitch Canvas.

For managers

If you are managing one or more corporate start-ups, **The Corporate Start-up by Tendayi Viki, Dan Toma, and Esther Gons** helps you learn how to build an innovation

ecosystem where your start-ups can thrive and be successful.

Pirates in the Navy by Tendayi Viki is a step-by-step guide to getting continuous innovation done in companies and reshaping them in the process. It is for anyone involved in corporate innovation and driving company change.

HOW TO USE THIS PLAYBOOK

The chapters of this Playbook will explain to you how to better understand your customer's problem, learn if the market is big (and interesting) enough to build a new solution for, how to validate your solution, and how to create a business out of your idea. It will help you develop your team, improve your team dynamics, understand the importance of stakeholder management, create a vision for your start-up, and teach you how to present your findings.

We have learned that each start-up journey roughly goes through the same steps. There is a certain hierarchical order in those steps, but the journey is slightly different for everybody. To help you understand what to do next, we created a structure in the Playbook that allows you to understand "What is currently most risky."

The risk of an assumption is based on the impact it has on the success of your start-up, as well as how much you already know about that assumption. We call this the HiLo Matrix, developed by Dan Toma.

You only want to work on assumptions with a high impact. The color of your logo might still be unknown but has no relevant impact on the success of your start-up. Thus, you should focus on other, more critical assumptions.

You also should focus on the assumptions you don't know a lot about. If an assumption has a high impact, but you already know a lot about it, look for other assumptions to validate, which also have a high impact but which you understand less about.

We have split up the Playbook into five parts. Each part helps you better understand a key step in your journey. With each step, at least one risky assumption is related to that step that needs to be tested before you implement your idea.

At the end of each part, we ask you a guiding question. If you can answer this question and have evidence to support your answer, look at the overview of the guiding questions and think about which question is currently most important to answer next. This way, you continuously focus on the most critical part of your idea until your whole business model is validated.

EXPERIMENTS VERSUS EXERCISES

Throughout the Playbook, we will be talking about Experiments and Exercises that you can do. Before we start, we'd like to explain the difference shortly.

Experiments are used to *learn*. To learn if your solution is solving your customer's problem, for example.

Exercises are used to *produce*. Content for your pitch deck, for example, or to help create an updated version of your solution.

We created the distinction between the two, so it is always clear what you are working on. Are you trying to learn more about a specific topic, or are you producing content? It helps to get into the right mindset before starting with the activity.

The Experiments we mention in the text are colored in red and refer to a longer explanation in the back of this Playbook.

It's not an experiment if you know it's going to work.

- Jeff Bezos, CEO of Amazon

LET’S GET STARTED

It is interesting to see that most start-ups fail, not because they could not build their product, but because they could not find a big enough market need.

The market need is the combination of a big enough problem for a specific customer segment.

That is why we mainly focus on your customer segment and the problem at the start of this Playbook. The better you validate the problem and the customer segment, the better your whole business model's foundation will be going forward.

Let’s get started!

GUIDING QUESTIONS

Do customers want your **SOLUTION?**

Is there a **PROBLEM** *worth solving?*

Can you build your **SOLUTION?**

Can you build a **BUSINESS** *out of your solution?*

Can you **GROW** *your business?*

GUIDING QUESTIONS

Is there a problem worth solving?
You start your journey by better understanding what problem you are solving and for whom you solve it. This understanding is the foundation of your whole business model.

The solution you will create, the value you will offer, and how you will scale are all based on the customer segment and the problem you will validate in this part.

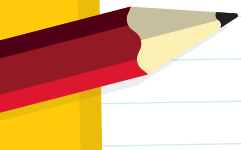
Do customers want your solution?
When you understand the problem, you start looking for ways to solve that problem, not by building the solution right away, but by running experiments first to learn what is needed.

Can you build your solution?
After validating what solution would work best to solve your customer's problem, it is vital to learn if you can build that solution. What are the riskiest parts, and how can you test them? Does the technology work as envisioned? And do you have the right team and stakeholders involved?

Can you build a business out of your solution?
Now that you know what your solution will look like and that you can build it, it is time to understand if you can make a business out of it. Are you creating new revenue streams? Or are you adding to the core business by increasing the operational efficiency or improving the customer experience? What is the business case behind your idea?

Can you grow your business?
Finally, you need to learn how to scale your start-up from small experiments to a fully functional business. How can you measure if you are moving towards your business goals? And how do you present your start-up to others?

Notes



Is there a

PROBLEM

worth solving?

FALL IN LOVE WITH THE PROBLEM, NOT YOUR IDEA.

You are reading this Playbook because you had an idea. An idea to help people with something. But what is that something? What problem are you really helping them solve?

Behind every good idea is a problem worth solving. The better you understand the underlying problem, the better you can create a version of your idea that solves it. To understand the problem, it helps to observe the people you are trying to help. What does their day look like? What tools are they using now?

An excellent way to start is by doing **Desk Research**. Desk research helps to find alternative ways your customers currently solve your identified problem. After you have done your desk research and created a list of alternative solutions, start doing **Customer Interviews** with your potential customers to learn more about their daily lives and how they are currently solving their problems.

Only by talking to the people you want to help can you figure out what they need help with. What are they trying to get done, and how are they doing that now? It really helps if customers are already using alternatives to solve their problems. That shows that the underlying problem is big enough to start looking at solutions, even if it is just Excel or duct tape.

It is much more challenging if the problem is currently wholly unsolved. It might mean that your customer is not aware they have a problem.

> *The best start-ups discover a situation where customers have tried to build a solution themselves*
>
> *- Steve Blank, author of The Startup Owner's Manual*

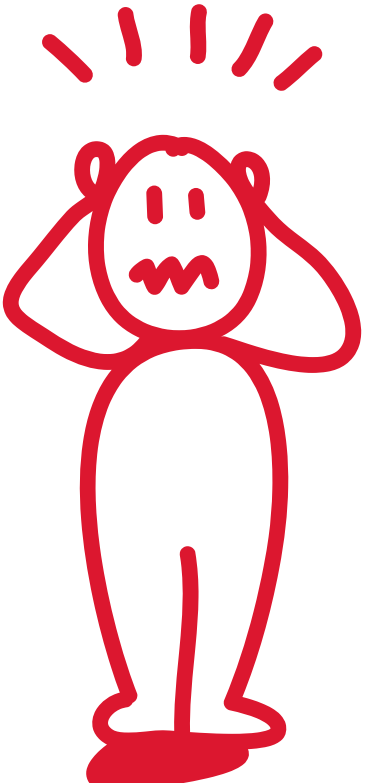
If you understand what the customer is trying to get done, you can ask, "Why are they trying to get this done?" to figure out the problem. A good practice is to ask why up to five times to get to the root cause of the problem.

Is your idea a vitamin or a painkiller?

It is essential to understand how big your customer's problem is. Is it comparable to a vitamin that your customer knows they should take because it is healthy for them (although they don't really want to) or to a painkiller removing your customer's intense pain? The bigger the problem you are helping people with, the more likely they want relief.

Imagine you are on an adventure in the Grand Canyon and break your arm. You would be more likely to accept a new solution offered to you, even if it is experimental and has an ugly logo.

Suppose you have a splinter in your thumb. In that case, the chances are that you just wait till you get home and use your tweezers instead of purchasing some unknown new solution that is offered to you.



Who are you solving it for?

Equally important as learning which problem you are solving is to figure out who you are solving it for. The people you are trying to help will turn into your customers. The bigger the problem, the more likely it is that people will buy from you.

"Everyone could use this" is a common answer, but not everyone in the world experiences the problem you found. It is easy to say that every male between 24 and 55 experiences your problem, but that is also not true.

So let's look closer at who your customer is, the one you are trying to help with your idea. Where do they work, what do they do, what is dear to them, and what is not? It is important to zoom in as far as possible. The more specific you can be about the group of people you are trying to help, the better you can understand what they need.

Even more important than age or demographics is behavior. Is there a pattern of behavior that is the same for a specific group of people?

"Fathers that use an iPad as their main device and are working from home more than once a week" is far more telling than any 25 to 54-year-old male.

Be as specific as possible. There should be multiple of these segments that you can identify for your idea.

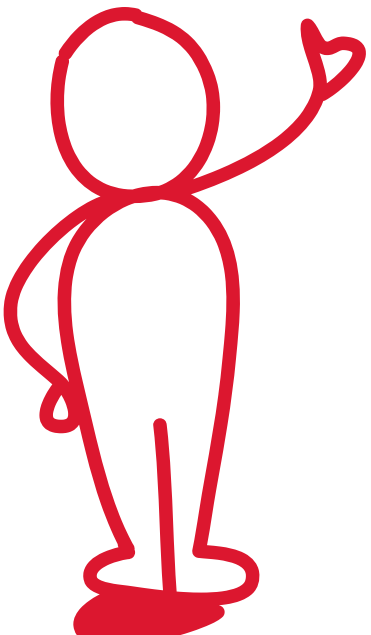
Now that you have come up with several of these customer segments, it is time to get out of the building and try to talk to them to prove that they face the problems you have identified.

Remember, the customer segments you have defined are just assumptions. You need to test these assumptions in the real world to learn if they are valid.

Start with the biggest pain (the Early Adopters)

To start testing if the segments you thought of are the right ones, it helps to choose which segment you want to talk to first. Where would you most likely find the people that are the happiest when helped with your idea? Which segment experiences the biggest pain from your problem? These people are willing to do more for someone to solve their problem than anyone else.

In the beginning, it helps to focus on a small but clearly identifiable group of Early Adopters that experience the biggest pain. Later on, when you have successfully tested your idea and found a way to make money with your Early Adopters, you can start targeting bigger groups of people (probably experiencing the problem less). You will do this to scale your idea. But for now, you are working on learning as much as possible, not to scale.



Is the problem worth solving?

Now that you understand the difference between a vitamin and a pain killer, and that you should start small and think big by focusing on your Early Adopter, it is also important to understand if the problem is big enough to be worth solving.

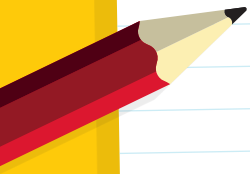
In Part 4, *"Can you build a business out of your solution?"* we will dive deeper into the different methods to determine the size of the market you are addressing. For now, it is enough to understand whether you will be solving a problem for one customer or multiple.

Is this problem a specific problem for your organization, or could you sell this to other companies as well?

The answers to these questions will help you further define the problem you are solving and find your potential customer segments.

Do you understand what problem you are solving and for whom?

Notes



Upgrade your user, not your product. Don't build better cameras - build better photographers.

- Kathy Sierra

WHAT IS YOUR CUSTOMER TRYING TO GET DONE?

Besides looking at your customer's problem, we will also dive deeper into what your customer is trying to achieve. Because in the end, your customer is not looking to buy your solution itself; they want what your solution is offering them.

For example, people are not using public transport because they like to be on a train but to get to their destination.

So what is your customer trying to achieve? Why would they use your solution? And when? Just like your customer might hire a person to get a task done, they also hire products and services to do a specific job for them. That is why we call this the Job To Be Done (or JTBD).

The JTBD is the situation in which your customer's problem occurs. It describes why your customer might buy from you. We hire services or buy products depending on our goals and the context we currently live in. That context can be either a push or pull situation.

- A push context pushes you out of the current situation because you are unsatisfied and need a better solution.
- A pull context pulls you into a new situation because you believe the new situation is an improvement.

Suppose people want to take public transport instead of their car. In that case, the context can either be "there are too many traffic jams in the morning" (push) or "I can use my time commuting to get some extra work done" (pull).

When you fully understand what your customer is trying to get done and in what context, it becomes evident how you can offer that to them with a solution.

That is why, when we describe the JTBD, we use a verb, a subject, a context, and a goal. **What** are they trying to get done, and **why/when**?

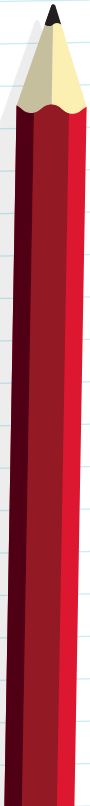
For example:

"Answering (verb) all my emails (subject) while I am traveling to work (context), so I start my day with Inbox Zero (goal)."

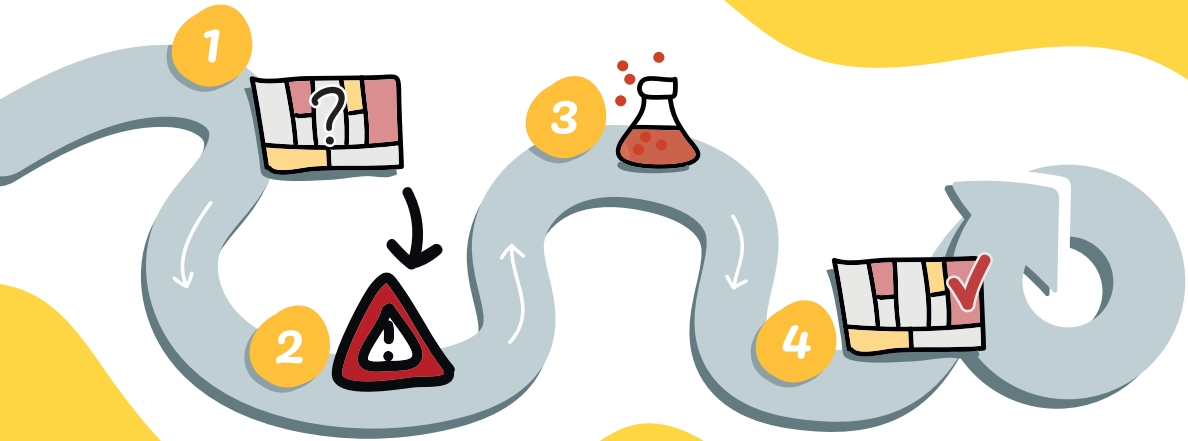
To find the JTBD's of your customer, interview them about their current solutions. Ask:

- Why and when did you buy (or hire) your current solution?
- What does your current solution do that makes you happy?
- What were the triggers for you to start searching for an alternative?
- What hurdles do you encounter preventing you from making the switch?

Notes



DO YOU UNDERSTAND WHAT PROBLEM YOU ARE SOLVING AND FOR WHOM?



If you can answer this question and have the evidence to support your answer, take a step back and look at the overview of the key questions on page 22-23 and think about which question is currently most important to answer next.

Do customers want your

SOLUTION?

EXPERIMENTING YOUR WAY TO A PROVEN SOLUTION

Having a good understanding of how you can solve your customer's problems and fulfill their JTBD, you can start to validate the solution you have in mind with several solution experiments.

The goal is to prove the identified customer segment wants your solution. If you are selling to external or internal customers, this stage is super important. If your customer segment does not wish to use your solution, your start-up will fail.

Even when you are digitalizing an existing process, there are still stakeholders like managers and legal, compliance, and IT that have to want your solution to get it implemented. But typically, the question "Can you build your solution?" is more important in this case.

It is all about asking yourself: "What is currently most risky?".

How do you validate a solution?

Before we answer that question, it's essential to understand that validating a solution is not a linear process. You regularly learn that what you thought was true is not valid after all and that you have to take a step back to learn new things. It's also easier to understand what doesn't work than what does. So look at the journey as trying to get out of a maze, eliminating all ways that don't lead to the exit, so the only way left is the right one.

And remember, you are also *not building your full-blown solution yet*. You are validating the concept of your solution first. We are going to fake it until we make it!

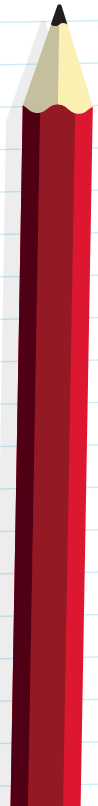
Learn more about how your solution should look like

As the first step, it is good to learn more about your solution. You probably have been thinking about your solution for a long time, but if you did the Customer Interviews right, you didn't speak about your ideas with customers yet. Now is the time to do so!

Schedule several **Solution Interviews** with potential customers to learn if you understand what your solution should be like and haven't overlooked anything. You are not trying to sell them anything yet. Just have an open discussion on what they need and if your solution solves their problem.

As a next step, you could observe your customer while they are using your competitor's solution. We call this a **Competitor Usability Test**. What works well, and what doesn't? What are your customers missing?

Notes



To create the best possible solution, you need to understand the problem first

– Esther Gons, author of The Corporate Startup

VALIDATE CUSTOMER'S INTEREST IN YOUR SOLUTION

The next step is to validate interest from your potential customers in your solution. An easy way to start validating interest in your solution is by **Asking for commitment** at the end of your interviews. A commitment from your potential customer is the best way to validate their genuine interest. By committing, they invest in your solution. The commitment can be a follow-up meeting with their team to demo the solution (a time commitment), a letter of intent (a financial commitment), or even just an introduction to relevant stakeholders (a reputation commitment).

Customers telling you to come back once you have built the final solution is not a positive validation, as they don't commit to anything, and it might just be their way to end the conversation in a friendly manner.

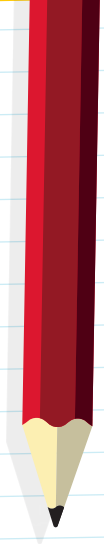
Because it is easy to iterate in your interviews, you can quickly try out different versions of your solution and learn what would help your customer best.

If you learn that it is hard to explain your solution to potential customers, an **Explainer Video** might help you.

You can use a **Landing Page** to test the interest in your solution with a bigger group of potential customers. Build a simple product website explaining your solution and use social media posts or advertising to lure in prospects. It is essential to get some form of commitment from your potential customers here as well. You could, for example, ask them to sign up with their email address. You could build a fake buy button to learn whether visitors are willing to buy from you or offer the option to schedule a demo with you.

Expect several rounds of iterations of your solution before you get this part right! You are learning valuable lessons here with minimal effort, time, and resources.

Notes



Concierge Model

VALIDATE IF THE SOLUTION IS SOLVING THE CUSTOMER'S PROBLEM

The ultimate goal of this chapter is to validate your solution by creating an interactive solution experiment that has real value for the customer, so we need more than just a landing page or an explainer video. We need to make your solution experiments interactive.

If your solution is a software tool, you start by creating a paper or clickable prototype. If not, you can skip this paragraph and go straight to making your solution experiment interactive.

You can use **Paper prototypes** and **Clickable prototypes** to simulate the interaction between your software and its users. Does it behave in a way the user expects? Does the user understand the steps they need to take to complete their goal?

By only creating a simple design and mimicking the interaction, you can quickly validate your most critical assumptions before making the solution experiment interactive. Showing your customers a simple version of your solution also makes it easier for them to be honest with you. Many people are reluctant to give you negative feedback if they feel like you have invested a lot of time and effort into it.


I am confirming with customers if what I have learned is true before building it
THIS IS MY SERVICE
Buy

Wizard of Oz

How do you create an interactive solution experiment without building it first? By using the most powerful machine in the world: yourself!

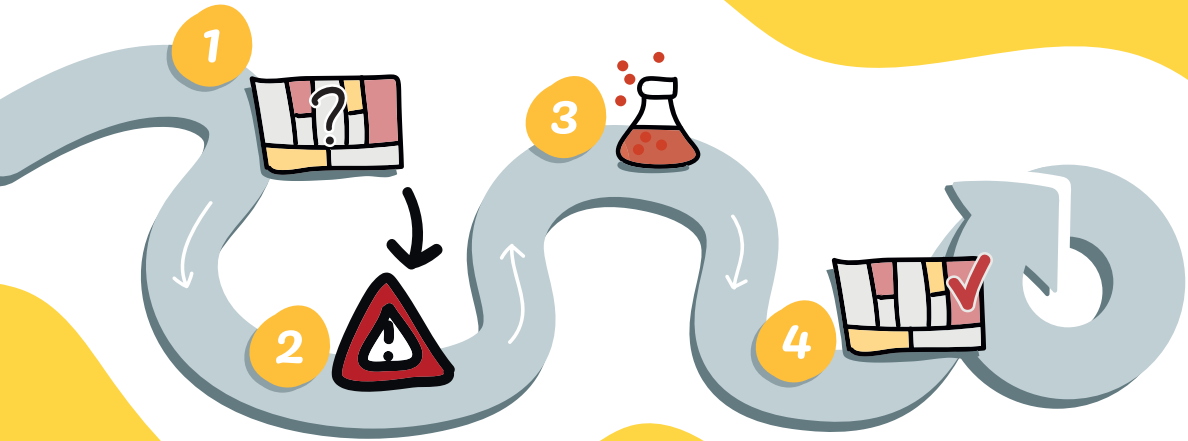
Yes, you are going to solve the customer's problem by hand as much as possible. At first, you will let the customer know that you are doing it manually by offering a **Concierge Model**. A concierge or personal assistant solving the problem for them. You do this by creating a service of your solution and present it to potential customers. This way, you can learn more about how exactly you need to solve your customer's problem.

The downside of the concierge model is that the perceived value is a lot higher than your envisioned solution. Who doesn't like to have a concierge solving their problems! That's why we have to do another experiment.

When you understand that you can offer the right solution as a service, you want to make it one step harder. You still have to solve the customer's problem by hand, but now without them knowing that it is manual. We call this the **Wizard of Oz**. Just like in the movie, the customer thinks it is all automated like you already built the solution, but in reality, you are still doing it yourself in the background. This way, you can confirm what you have learned with the Concierge Model.

Yes, this doesn't scale! And that is what we like about it. You can iterate quickly and learn as much as possible from your interactions with the customers. The Wizard of Oz comes as close as possible to the solution with the same value proposition. Once you fully understand what your solution needs to be able to do, then you can go ahead and fully automate it, but no sooner!

DO MULTIPLE CUSTOMERS CONFIRM THAT YOUR SOLUTION IS VALUABLE ENOUGH BY OFFERING FINANCIAL COMMITMENT?



If you can answer this question and have the evidence to support your answer, take a step back and look at the overview of the key questions on page 22-23 and think about which question is currently most important to answer next.

Exercise

What makes your solution 10x better?

When you were validating the problem you are solving, we asked you to look at alternative solutions, products, or services used as a workaround to solve the problem. We also asked about potential competitors, products, or services built to solve your customer's problem already.

Now that you have validated your solution, we ask you to look at those alternative solutions and competitors again. What makes your solution ten times better, and how can you differentiate yourself from the competition? Making your customers change their behavior is not an easy task, so your solution needs to be significantly better than the existing one. Ask yourself: Why would customers buy your solution and not the competitor's?

You can do this by filling in a SWOT analysis. Don't forget to have a look at potential disruptions from other industries as well.

Questions you could ask yourself to answer this:

- Do you make the life of your customer simpler, or are you adding complexity? (Customers sometimes rather go for the worse solution than adding complexity to their way of working).
- What have you learned from talking to your customers that gives you a unique advantage?
- What values are you offering that others don't?

Value Proposition

With this exercise, you define what value you bring to your customers (that competitors don't). We call this the value proposition. A simple way to determine your value proposition is with the value proposition statement. The value proposition statement elaborates the idea statement that you have already used earlier in this Playbook.

For <customer segment>, <name of idea> is a <type of solution> that <does key benefit> in order to <accomplish>. Unlike <competing alternative> <name of idea> <statement of primary differentiation>.

Example

Digital Trucking Inc. is a paperless office solution for medium-sized trucking companies that removes the need for paper documents to reduce mistakes. Unlike traditional paper documents, Digital Trucking Inc. creates a way to communicate with drivers in real-time and without any errors caused by copying handwritten lines.

Create a value proposition statement for your start-up to identify what value you bring to your customers.

Notes

Can you
build your
SOLUTION?

PROOF OF CONCEPT

When you know your customers want your solution, it is time to learn whether you can build it. Is it technically possible, and do you have the right team?

It's important to understand that you are still not building your final solution at this stage but that you want to prove that the technology is available to create your solution.

We mean technology in the broadest sense. In some cases, the technology to create your solution is still experimental, like the blockchain or AI.

In other cases, like when you envision using machine learning or data analytics, you need to prove that your data sets are accessible and that the data is clean enough to use.

Even when building a new service or product, like a marketplace or better claim handling service, you are likely to interface with existing systems and APIs within or outside your organization. Proof that these are all available and that you can connect to them before moving on to building your real solution.

You do these technical validations with a Proof of Concept or POC.

Design

The first thing you will need to do is come up with a clear goal for the POC, which provides enough evidence to validate that the technology of your solution works.

For example: if your solution is to build an automated customer self invoicing system, your goal could be: “To create a simple algorithm in X weeks that correctly identifies Y% of the incoming invoices from these Z customers.”

You don’t have to build the whole system! You couldn’t do so in only a couple of weeks. You don’t even have to involve the entire data set. Create the smallest goal possible that still proves that the technology solves the problem you address.

Make sure to think about how you can measure the success of your POC upfront. That makes it easier to analyze the results afterward and prevents a lot of discussion and emotions around the outcome.

Search for the right partner

When you know the goal of the POC, it is time to start searching for the right technical partner to create it.

Start by creating partner selection criteria. Does the partner need to work on the POC with you on-site, for example, or have to have experience with the technology you want to apply?

With the partner selection criteria in mind, start looking for partners to help build the POC or provide an existing solution to test the POC. You start by creating a longlist.

With your relevant stakeholders and the partner selection criteria, you now go from a longlist to a shortlist. Set up meetings with the shortlist partners and determine if they can create the POC together with you.

Honey, I shrunk the POC!

Exercise

Creating the smallest POC possible is hard, so let's do an exercise to see how much smaller you can make your POC.

With your solution in mind, think about the goal of your POC. What part of the solution do you absolutely need to test? What is still so "uncertain" that your whole solution falls apart if it doesn't work?

With that part in mind, think about what it would cost to build that (a rough guesstimation is fine here). What if you would only have half the budget? What could you remove? What if you would only have half the time to build that part? Is there anything else that is not fully necessary?

Now think of what you would need if you would only have to solve the problem for one department. What could you remove? And what if you would solve the problem for only one person?

Is your goal now small enough to test in a limited timeframe?

Finally, select the best partner for the POC. In Part 4, we dive deeper into how to get funding for your start-up by finding a long-term sponsor.

Prepare

The most important thing to do is to create sub-goals for the POC.

Make sure you define the goals for the POC upfront. Goals can include:

- What is it that you are testing with your POC?
- How can you measure a successful or unsuccessful outcome of the POC? What metrics are relevant?
- What are the biggest risks that you need to keep track of when building the POC? Think of privacy, security, compliance, cost for example.
- Does the technology need to run on your organization's infrastructure, or can you use the cloud environment of your technical partner?

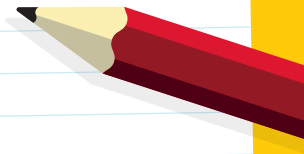
Run the POC

Make sure you regularly check in with everyone that is involved in the POC. Look at what has been done in the past week and the remaining tasks. Creating the POC is a collaborative approach between you and your partner, so working closely together results in a better POC.

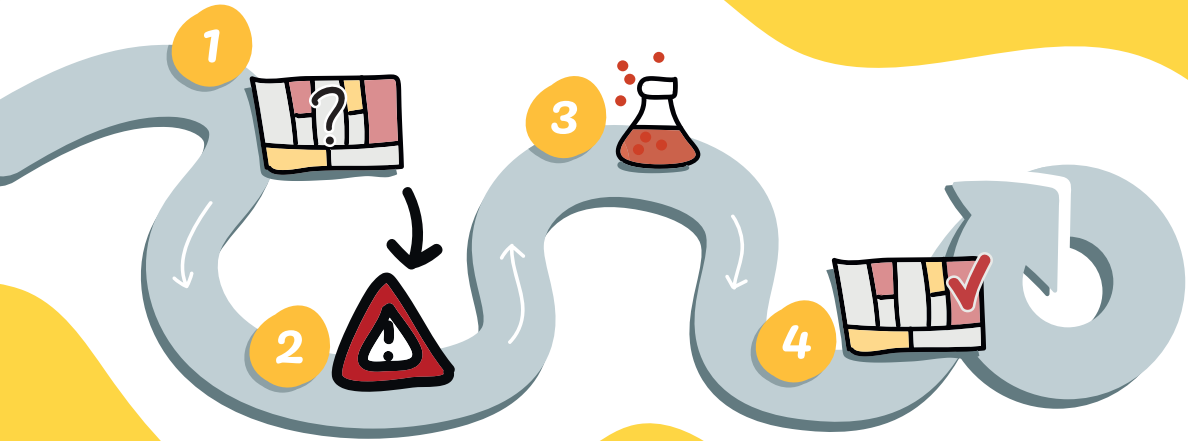
Analyze the POC

At the end of the POC, the results are gathered and analyzed. You should have defined criteria for this POC upfront. Have they been met? If not, what are your next steps?

Notes



HAVE YOU VALIDATED THAT THE TECHNOLOGY WORKS AND CAN SOLVE THE PROBLEM?



If you can answer this question and have the evidence to support your answer, take a step back and look at the overview of the key questions on page 22-23 and think about which question is currently most important to answer next.

Exercise

Do we have the right team?

Running a start-up is complex, and although there are single founders who are successful, it is much more complicated than running a start-up as a team. Working in a team will give you someone to talk to at more challenging times, someone to make decisions with, and someone to share responsibility and workload with.

But working in a team also brings its problems. People have different personalities, expectations, and visions, and it is not always easy to work together. The uncertainty of working in a start-up amplifies those differences.

Fortunately, we have tools to help you with this struggle. The first is a simple **Personality Test**. It helps to understand the differences in character within your team and how to use these to your advantage.

The second is the Team Canvas. The **Team Canvas** helps create a better team of individuals. It starts with defining the purpose of the team. *Why are we doing what we are doing in the first place?* When you know the purpose of the team, you can look at your goals. What are you trying to achieve as a team? And what are your values?

Ensuring that the team is as strong as your idea is just as important as validating your business model. Part of that is to take an in-depth look at the strengths and weaknesses of you and your team and how to react to them to make sure you remain an effective and successful team that is having fun along the way.

Do we have support?

Exercise

It's all about talking to the right people

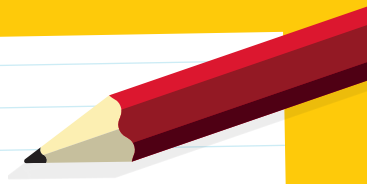
Your stakeholders are everyone with a "stake" in your start-up. Part of these stakeholders will be your customers but also think of other departments within the company, (direct) managers, suppliers, internal (managers with a budget), and external investors.

Some stakeholders are more important to your start-up than others. But no matter their role, managing stakeholders effectively can make a big difference to the success of your corporate start-up. Involving managers early on increases the chance of widespread adoption when you have validated your business model.

Stakeholder management also involves active communication, and it is good to understand that not every stakeholder needs the same information at the same time.

To identify and classify different stakeholders, you can use the **Stakeholder Radar**. The Stakeholder Radar helps you understand who you should involve right away in your corporate start-up and who to contact at a later point in time.

Notes



Can you build a
BUSINESS
out of your
solution?

HOW ARE YOU CREATING VALUE?

Solving your customer's problem is not enough. You also need to create value for your customer. Otherwise, they do not want to use your solution. We call this the value proposition or the *reasons to buy.*

Whether you have external or internal customers, you need to understand these *reasons to buy* to create value for your organization. Even if you are digitizing an existing process, there are reasons to buy for stakeholders to implement your solutions or to support you going forward.

These reasons to buy look a lot like the Job-to-be-done you looked at earlier. What are your customers trying to get done, and *how are you helping them achieve that?* That is their reason to buy.

Besides creating value for your customer, you also need to create value for your organization by turning that value into money.

When you create a new service or product for external or internal customers, the logical choice to make money is by creating a new revenue stream or improving an existing revenue stream. There are different revenue streams that you can test to see which works best for you.

If your solution is more focussed on digitalization, you are more likely to have a positive impact on the existing business of the company via cost reduction (increase of operational efficiency), or by increasing the customer or employee satisfaction.

Revenue Models

One way to capture value is by creating new revenue streams or improving existing revenue models.
What are the most used revenue models?

Transactional
With the transactional model, you create a product or service, and the customer pays for it in a single transaction. It is the simplest revenue model that exists, but you need a constant flow of new or repeating customers to keep growing. Microsoft selling a license of Windows or Sony selling a tv are examples of a transactional revenue model.

Subscription
The subscription model requires the customer to pay for your product or service regularly. This is great to build revenue in a layered fashion. Every new customer brings revenue over a longer period of time, without having to acquire that customer again for a new transaction.

But your product or service also needs to offer value over a longer period of time; otherwise, customers will cancel their subscription.

SAAS (software as a service) platforms like Jira or Salesforce are good examples.

Freemium
You offer your service for free, but for more advanced features, the customer has to pay. You attract as many

customers as possible and convert a smaller percentage to paid customers. Good examples are Dropbox, LinkedIn, and Spotify. The freemium model is used mostly when targeting consumers and small businesses. Because corporate clients commonly require onboarding, training, and customization, it is not common to offer them a freemium model.

Buying and reselling
In this model, you buy a product and sell it to the customer with or without modifications. This can be in a low-margin setting like Amazon or a high-margin like enterprise software resellers.

A combination
A combination of the four previously mentioned models is also possible. For example, Nespresso sells a relatively cheap coffee machine with a subscription to receive coffee cups regularly. Or software suppliers buy expensive software solutions and resell them to Enterprise clients with a support subscription attached.

Create your revenue model

To create your revenue model, think about your customer relationship. Are you selling to consumers or large organizations? Are you B2C or B2B?

With the customer relationship in mind, think about what type of revenue model fits your start-up best and why. How much could you charge your customers for your solution, and how often?

An excellent way to test a revenue model without having your final solution ready is via a **Dry Wallet**. You create a fake checkout process and offer your product or service for free at the end of it via your **Concierge model** or **Wizard of Oz** experiment.

When you are a bit further with the development of your solution and already have a functioning solution, you could use a **Price Elasticity Survey** to learn what the upper and lower boundaries are for your pricing model.

Cost reduction

The easiest way to have a positive impact on the existing business is to decrease cost. This can take many forms, from reducing out-of-pocket cost by replacing an expensive 3rd party system with a more efficient internal solution, to lowering the HR resources needed to operate the existing business. For example, digitalizing a currently manual process can save significantly on FTE required to execute the process.

Increase in customer satisfaction

An increase in customer satisfaction leads to less churn (customers leaving) and better retention (customers staying longer).

Making the claims process more transparent and faster, for example, customer happiness of customers with a claim goes up because you turn claims into a positive experience. Customer satisfaction goes up, and customers keep doing business with your organization because of the positive experience reporting claims, resulting in more revenue.

Do you understand how you are capturing value for your organization?

Notes

The key to failure is trying to please everyone.

- Seth Godin

IS THE MARKET BIG ENOUGH?

When you understand how you create value via a revenue model, cost reduction, or increase in customer satisfaction, it is also essential to understand how much value you are creating.

The first step is to do some market research. You want to learn if the market is big (and interesting) enough to build a solution.

The problem you have identified might be big enough for the customers you spoke to, but is the whole group of customers big enough to build a business?

We can find out in two different ways:

Top-down: The top-down market size determination is a way of calculating the size of the potential market from the perspective of the **market**. Which part of the market fits your solution, and what part can be serviced by your solution? We call this the **TAM-SAM-SOM** method.

Bottom-up: The bottom-up market size determination is a way of calculating the size of the potential market from the perspective of your **business**. How many customers can your business serve, or how much cost can

your solution save? We can do this quickly on the **Back of the Envelope**.

In both cases, you use **Desk Research** and your assumptions to determine the potential market sizes at the beginning of your start-up. The more you learn about your business model, the better you can predict the numbers needed for the Top-Down and Bottom-up market analyses.

TAM-SAM-SOM

For the top-down calculation of the market size, we use the TAM-SAM-SOM method. TAM, SAM, and SOM are abbreviations that each describe a different part of the market:

TAM, or Total Available Market, is the total revenue your company can make in a perfect situation with your start-up as a monopolist.

SAM, or Serviceable Available Market, is the part of TAM in your geographical area or sector.

SOM, or Serviceable Obtainable Market, is the part that your start-up realistically can service.

The SOM and SAM help by de-risking the investment, while the TAM assesses the total upside potential (potential customers, revenue, business model drivers). Ensuring that your SOM is reasonable is critical in the long run.

Example Revenue Models

Exercise

Digital Trucking Inc. wants to introduce an app for better communication between Fleet Truck Owners and Drivers and start in Amsterdam, Netherlands.

After doing market research, they learn that the **TAM**, or the total size of the market (apps for communication in transport) in the world, is $1 billion.

3% of the total worldwide market is in the Netherlands, so the **SAM** for Digital Trucking Inc. is $30 million.

Based on competing alternatives and their defined customer segment, The market size that Digital Trucking Inc. estimates to take over is 10%, so the SOM for Digital Trucking Inc. is $3 million in revenue per year.

Exercise

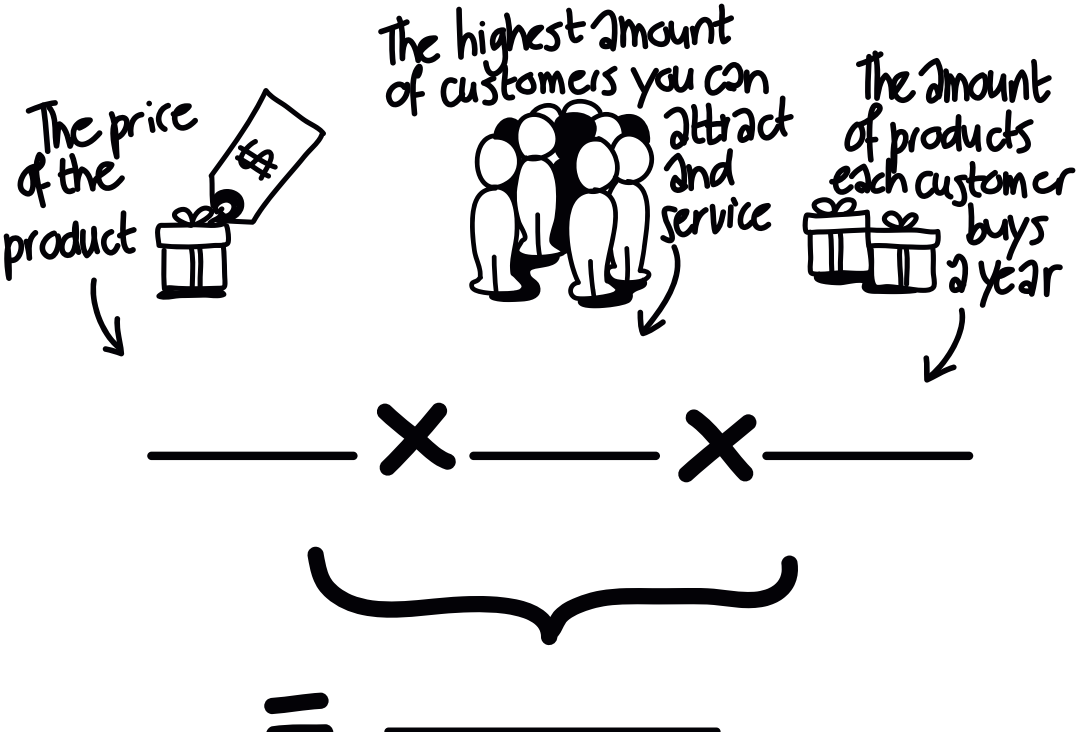
Back of the Envelope

We can use a bottom-up calculation to quickly make a rough estimate of your potential size of the market (SOM) without taking too many details into account. Doing this will give you the first indication if your market is big (and interesting) enough to build a solution. For our calculation, we use the *Back of the Envelope* template.

Normally, a bottom-up SOM calculation should look like this:

<price per product> x <amount of reachable customers> x <products sold per customer per year> = SOM

It is up to you how detailed you want to calculate your number of reachable customers and the products they buy per year. Being more detailed gives you a more realistic indication of your potential size of the market, but will, at the same time, take longer to calculate.


The price of the product
The highest amount of customers you can attract and service
The amount of products each customer buys a year

Exercise

Example Revenue Model

Digital Trucking inc. wants to introduce its app and starts in Amsterdam, Netherlands. This time the calculation is not based on the market, but on the potential of their business.

- Digital Trucking inc. expects a sales employee to take two weeks on average to convert a truck fleet owner into buying a license for their app.
- Digital Trucking inc. expects to have a sales team of 10 people who work 50 weeks a year.

Based on these estimates, Digital Trucking inc. expects to sell 250 licenses per year (10*50/2)

- After looking at competitors and talking with customers, Digital Trucking inc. expects to be able to charge €5000 per license per year.
- Digital Trucking inc. has decided that truck fleet owners only need one license to use the product for their entire company.

The **SOM** of Digital Trucking inc. is 5000 times 250 customers times 1 license per year = 1.250.000 euro.

Example Cost Reduction

FastLeads wants to digitalize the existing manual lead qualification process.

- 250 FTE are working on this lead qualification process worldwide.
- By using ML and Data Analytics, FastLeads expects to make the process 80% automated.
- The average salary of a Lead Qualifier is 40.000 euro per year.

80% of 250 FTE times 40.000 euro is a cost-saving of 8.000.000 million euro per year.

Example Customer Satisfaction

Positive Claims Experience wants to turn claims into a positive experience by making the process more transparent and offering a frontend to end customers to track their claims.

- Positive Claims Experience found out via Desk Research that there are 400.000 claims each year, with a total revenue of 35.00.000 euro.
- The average customer satisfaction of customers with a claim is 5.
- Customers that worked with Positive Claims Experience's MVP have a customer satisfaction ratio of 8.
- From articles by PWC and McKinsey Positive Claims Experience learned that an increase of 1 point in the customer satisfaction ratio leads to 1% more revenue on average.

3% of 35.000.000 euro is an increase in revenue of 750.000 per year.

I love it
when a plan
comes together

- John 'Hannibal' Smith

PUTTING IT ALL TOGETHER: CREATING A BUSINESS CASE

At this stage, you should understand enough of your whole business model to turn these learnings into a business case.

You take the results of all the experiments that you have run, including your POC, to fill in the different aspects of your business case.

Assumptions

An essential part of each business case are the assumptions and confidence that these assumptions are valid. Luckily that is exactly what you have been doing up till now.

Write down the most critical assumptions that will have an impact on your business model.

Market Size

Use the Top-Down TAM-SAM-SOM calculations you made to show a best-case scenario. Then use the Bottom-up Back of the Napkin method to showcase a worst-case scenario. Combining these two methods show the bandwidth in which your start-up is likely to end up.

Business Performance projection

Next up is to project the cost involved to create and run your start-up and the potential revenue generated.

Initial Investment

The initial investment is the amount of money needed to implement your solution within the company.

Additional project costs for the next five years are listed below.

Cost

The next step is to estimate all costs needed to build or deliver your product or service and all expenses to perform all sales and marketing, research and development, and general and administrative tasks for your company.

When estimating these costs, you aim for profitability within a reasonable timeframe. In other words: at some point, all costs and expenses together should not exceed your revenue targets so that you get to a positive EBITDA (earnings before interest, taxes, depreciation, and amortization).

COGS (Cost of Goods Sold)

Cost of goods sold (COGS) are those costs that need to be made for a company to deliver a service or produce a good. Without these costs, the product or service would simply not exist.

COGS differ based on the type of offering you sell. For a company that sells tangible products, they would include the costs of the materials used in creating the good. A company that sells consultancy hours would include the personnel costs of the employees delivering the service.

For a SaaS business, COGS are different from 'normal' businesses as there is no regular production or service delivery process. However, SaaS companies incur COGS, such as hosting costs, customer support and onboarding costs, and online payment costs. From these examples, you can notice that all of these costs have to incur to produce the goods or deliver the service.

Operating expenses (OPEX)

Operating expenses are those expenses that a business incurs as a result of performing its normal business operations. Unlike the cost of goods sold, they are not

necessarily needed to produce the goods that are sold or deliver the promised services. They include expenses related to the supporting and operational sides of the business, such as sales and marketing, research and development, and general and administrative tasks.

Typical operating expenses for start-ups include events, traveling, legal costs, online marketing, payroll costs (of employees not part of COGS), accounting, rent, utilities, insurance, prototyping, patent costs, IT costs, office supplies, promotional materials, etc.

Personnel

The cost of Personnel mostly belongs to your companies operating expenses. Sometimes, however, they might be part of your COGS. Here is how to look at the cost of your personnel and determine where to put the expenses.

Direct labor: here you include the employees who will solely engage with producing the goods sold or services delivered. Think of engineers and technicians for companies selling tangible hardware products, an advisor in a consultancy company, or customer onboarding personnel in a SaaS business. These costs are not part of operating expenses but are part of the cost of goods sold.

Sales and marketing: for instance sales managers, marketing managers, copywriters, social media experts, etc. These employees are part of your operating expenses.

Research and development: R&D managers, (software) engineers, technicians, etc. These employees are part of your operating expenses.

General and administration: here you include back-office and C-level personnel, such as the CEO, CFO, CMO, secretaries, bookkeepers, etc. These employees are part of your operating expenses.

Revenue Generated

This is where you look at the revenue prediction based on the calculated market size.

If the initiative is not making its revenue: Create a baseline to estimate the company's future revenue without the project.

Then estimate the future revenue of the company with the project being implemented.

Compare those two estimates

Any impact on cost can go under cost savings.

Cash Flow

The cash flow statement shows all cash going in and out of a company over a specific period. The cash flow statement consists of three parts: the operational cash flow, the investment cash flow, and the financial cash flow. These three categories provide you with insights into how the money is flowing in and out of the company.

Operational cash flow shows the cash inflows and outflows caused by core business operations.

Investment cash flow shows changes in investments done in assets and equipment. In most cases (concerning startups), investment cash flow will have a cash outflow (because investing in assets costs money), but in some cases, investment cash flow can also be positive in case a company is divesting (selling assets, e.g., selling real estate).

Financial cash flow relates to changes arising from financing activities. Cash inflow occurs when raising capital (such as loans or equity), and cash outflow occurs in case dividends are paid or when interests on cash

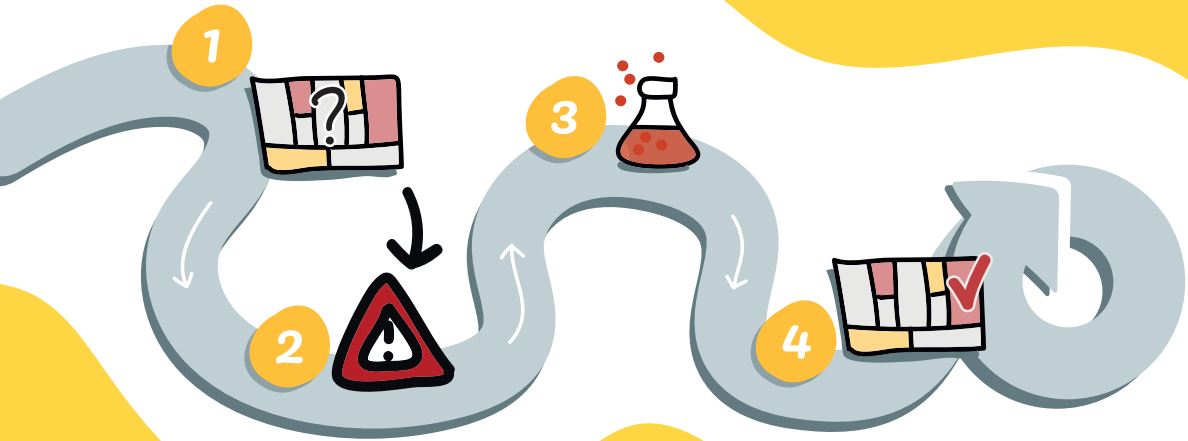
financing are paid (e.g., to bondholders).
The cash flow statement allows management to make informed decisions on business operations and allows it to prevent and monitor company debt. Moreover, it helps define a company's investment needs and supports the timely payment of expenses and debts.

For the summary slide at the beginning of the presentation, in the cash flow box, we expect you to fill in the cumulative cash flow for each of the 5 years predicted in your business performance plan. (5 numbers in total).

Template

To help you put all this together in a business case, we created a template and a separate Business Case Playbook that you can download at **https://bit.ly/StartupLabBusinessCase**

DO YOU UNDERSTAND HOW YOU ARE CAPTURING VALUE FOR YOUR ORGANIZATION?



If you can answer this question and have the evidence to support your answer, take a step back and look at the overview of the key questions on page 22-23 and think about which question is currently most important to answer next.

Exercise

Turn a Stakeholder into a Sponsor

Before we continue, it makes sense to have another look at the Stakeholder Radar you made. Did anything change?

It is advisable to closely manage the stakeholders that have high organizational power and high interest in your start-up. They want to be involved and have the power to help you move forward. By managing closely, we suggest informing them in-depth and periodically on the progress of your start-up. Having periodical status meetings can be a viable option to do this.

Previously you have mostly looked at stakeholders that are supportive. But there will also be stakeholders that have a neutral opinion or even a negative opinion about your start-up. This last group of stakeholders are at least as, and maybe even more, important to understand than your supporters. Why are these stakeholders against your start-up? Could you identify what objections they have and ways to turn them into supporters?

At this point, you should also start looking for a sponsor for your start-up. A sponsor is a stakeholder who is willing to step up and offer long term support to you with her network, resources, and ultimately also her budget. The first steps of your innovation journey are typically possible without any money invested, but once you are trying to run more complex experiments,

build an MVP, and finally implement and scale your solution, you will need financial resources to do so.

So what we will do next is to color-code the radar. Take stickies of two new colors, one for the people who support your start-up and one for those people who are against it. Color code every name on your stakeholder radar. If you don't know whether they endorse you or work against you, leave them in a neutral color.

Your most likely sponsor is the person who has the highest executive power, the highest interest, AND who is currently already supportive.

To turn this stakeholder into a sponsor get in touch and understand their interest, concerns, and doubts around your start-up. Work on showing progress and regularly update her on your learnings. Ultimately ask this stakeholder if she wants to become your sponsor and further fund your start-up. If she is not ready to do so, understand whether it is a final no or whether the decision could be changed if you can show further progress regarding her concerns.

Notes

Can you

GROW

your business?

GOING FROM DOING IT ONCE TO DOING IT REPEATEDLY

In the early stages of your start-up, you've been doing everything yourself as a team. Each of your customers might have been acquired differently and onboarded manually to make sure that your customers understood what your solution is about.

To grow your business, you need to create a process out of everything that you learned. A kind of your own Playbook that explains how you work, how to acquire new customers, etcetera.
You need to be able to create not only a scalable business model but also one that is repeatable. Where you can confidently invest 10.000 Euro for example, and know how many new customers you will acquire with that amount. Or where you can implement your solution in a new region and know how much you will increase the operational efficiency in that region.

You have to transform your start-up into a business, including building a scalable solution, complying with all the internal rules and regulations, etc.

The chances are big that you need to extend your customer segment as well. You have been focussing on your early adopter so far, the user segment with the biggest pain. But this group is regularly not big enough to scale. You have to find out what other customer segments are similar to your early adopters.

When you are expanding to these adjacent segments, you also have to re-validate that these new segments have the

same problem as your early adopter. If their problem is slightly different, they have other jobs to be done, need a slightly different solution, etc.

Every time you expand your business model to new customer segments, you need to revisit everything you have done so far. It will take less time each time you do this since you better understand what works and what is not.

Scaling is going around in bigger and bigger circles until you reach escape velocity.

HACKING GROWTH

You might have heard of Growth Hacking before. It is a popular term to explain the type of marketing start-ups do. It basically is experiment-driven marketing. So yes, you will run more experiments to create traction!

As long as you are not part of the core business, you are still figuring out (creative) ways to make your business model work. You still have limited time and resources and want to put them to good use. With Growth Hacking, you are looking for cost-effective and working ways to attract new customers.

A famous example is from Hotmail.com. Hotmail.com was one of the first free email services. They didn't have money to buy TV ads or billboards, so they came up with a way to spread via word of mouth.

They put "Sent with Hotmail.com" underneath every email that was sent.

Nowadays that doesn't sound brilliant, because a lot of services are doing it. Sent with iPhone is maybe the most sent line in the last ten years. But back then, it was a brilliant move. Every email that was sent via Hotmail.com was turned into a small advertisement for the service. And every user that signed up started sending out these new ads at the bottom of their emails. They created their own flywheel.

In comparison to previous stages, when Growth Hacking, we do not have pre-defined experiments since you are figuring out which channels work, what communication works best, and how to convince your potential customers to sign up. There are several areas, though, that you can try to get more leads to your solution.

Whether you are targeting internal or external customers, the way you reach these customers is similar. Within larger organizations, you regularly use external channels to reach internal customers as well, next to the large variety of internal tools you can deploy.

Traffic Generation

Traffic generation is all about generating as much traffic to your solution's website as possible.

There are several ways to create more traffic. You could, for example, insert yourself into discussions that your customers are having online and share your insights. As CEO of your idea, you have gathered many learnings about your solution and market that you can share and use as a trigger for people to learn more about you.

Creating content from that knowledge can also be done in the form of blog posts or articles on your website. Google and other search engines index these articles, and when people search for these topics, they will end up on your website and hopefully convert. You can then use these

articles to share on social media platforms or put into newsletters for potential new customers.

Podcasts are another great way to create content. Invite current and future customers to be your guest and interview them about their challenges and how they solved them. It's a great way to attract prospective customers, and since you are the one hosting the podcast, it also shows your expertise on the topic. Even if you have a small number of listeners, you can create new customers if they are in your customer segment.

Email marketing

Email marketing is great to keep your current and future customers in the loop. It is often easier for your customer to sign up for a newsletter than for your solution. But once signed up, you can bombard them with interesting content showing that you know everything about their problems and how to solve them—hopefully converting them into customers along the way.

Advertising

Last but not least we have advertising to boost the Traffic Generation and Email Marketing. There are several ways to set up advertising in a cost-efficient way, for example, by using Google Ads to advertise on important keywords. Or on LinkedIn or Facebook to insert your solution into the timelines of your customers.

Try to steer away from large and expensive marketing campaigns for now. It is much easier to run experiments on platforms like Google, LinkedIn, and Facebook, plus they offer you great tools to measure the outcomes. You are still learning how to create traction and are probably not ready to spend tons of money on paper or tv ads.

Stakeholder Management
As a corporate start-up, you have one extra vital channel that you can use: Your stakeholders. These people are usually well connected within the organization and outside. Ask them for introductions and ways to reach potential customers.

How to learn more about growth hacking
Growth Hacking is a topic that is too big to dive into deeply within this Playbook. Luckily there are great resources online that you can use to learn all about Growth Hacking and online marketing.

Our favorite is ConversionXL and specifically their Growth Marketing Mini Degree, which you can find at **https://bit.ly/2PsvCCp**

MEASURE YOUR SUCCESS

Most of the experiments you have run so far were qualitative. However, the more mature your start-up becomes, the more important quantitative experiments become, especially when running growth hacking experiments.

An excellent way to measure the success of your start-up and its experiments is with Analytics.

Analytics is the measurement of movement towards your business goals Or to explain it in ordinary English; the primary question analytics answer is: “How is your business progressing?”

But how do you apply Analytics, and what are good metrics to use?

Don’t be vain
First of all, you need to ensure that the metrics you use

to measure your movement towards your business goals uncover the pain. Analytics is not meant to make you feel good but to learn what you need to improve.

Metrics that can only go up are what we call vanity metrics. Metrics that are meant to make you feel good. Total downloads is a good example or views of your newsletter. They tell you nothing except for a feeling of success.

So what makes good metrics then?

Understandable

First of all, metrics need to be understandable. If you cannot share your metrics with the rest of your team without explaining the metrics first, the metrics are too complex. Your team will forget about them and will not use them in their day-to-day activities. Make your metrics as easy as possible to understand, easy to communicate, and try not to track too many of them.

Comparable

If you can not compare the metrics with data in the past, across cohorts, or customers, you can not run your business on it. You always need to be able to compare your metrics. Only then do they support you in uncovering the real problems in your start-up. Otherwise, they only make you feel bad. (Or worse, they make you feel good)

Vanity metrics are, for example, not comparable. 15.000 downloads is neither good nor bad, while 1500 downloads last week sounds pretty decent!

Behavior changing

> *If a metric does not change how you behave... It is not a good metric.*
>
> *- Timan Rebel*

This final criterium of a good metric is by far the most important one. As long as a metric does not change your behavior, it is useless since it does not help you reach your business goals. How will your metrics change the way you run your start-up?

1.3M total signups do not change your behavior while showing a decline in daily signups does. When only 2% of your users are still using your product after three days, something is seriously wrong.

A metric can be comparable and understandable, but as long as it does not make you see things differently and behave accordingly, it is not a good metric (for you).

AARRR, the Pirate Metrics

The Pirate Metrics are a set of metrics created by Dave McClure of 500 Startups.

It's called Pirate Metrics, not just because Dave McClure seems to be a big fan of pirates, but primarily because of AARRR.

AARRR stands for Acquisition, Activation, Retention, Referral, and Revenue. These five metrics are great for start-ups because they cover the whole lifecycle of a user, are easy to understand, and because the Pirate metrics are widely adopted, these metrics are also comparable between start-ups.

So let’s dive a bit deeper into these five categories and explain what they are and how to measure them.

Acquisition

Acquisition is getting users to your solution. It is easy to see acquisition as a visit on your website or App Store page, but we’d like to uncover the pain and optimize our product.

Only measuring visits is just too easy. You have not yet acquired the user at that point. She is just looking around, determining whether she wants to be acquired by you. Only after a signup or a download is a user truly acquired.

Activation

A new user is activated when she performs your **key activity**.

The key activity is the main thing your solution is built for. Only after a user has written her first blog post at WordPress.com, for example, is she truly activated. Before that action, she is still looking around trying to use your product.

Retention

Retention = f(user happiness)

Retention means that a user keeps performing your key activity, indicating she likes your product. It is the easiest way to measure customer happiness. Great retention rates can only be achieved by happy customers, otherwise they would have left your product alone a long time ago.

Referral

Happy customers invite their friends. So referral itself is hard to optimize on. You can offer your customers the tools to invite their friends or colleagues, but you can hardly force them. Making sure they love your product is the best way to start word of mouth.

There are ways to incentivize your users to invite their friends, though. A famous example is Dropbox giving away free disk space for every new user that signs up thanks to your invite, or Uber giving both the inviter and the invitee $10 worth of credits for a free (first) ride.

Revenue
$$$ spend. It is as easy as that. How many users are spending money on your platform, and how much do they spend?

Funnel

When you have defined your AARRR metrics, you can build a funnel out of it. I like to display the AARRR metrics as rates to make them easily comparable over time. So, for example Signups per week, the percentage of new users performing your key activity, and the percentage of users still active after four weeks.

It helps to first focus on your retention. Create happy customers, even when the amount of happy customers is still tiny.

Then try to convert more new users into activated users, so at least everyone who signs up starts using your solution. And since you have been working on your retention already, chances are high these users keep using your solution.
Only then start working on acquisition to get more users in and referral to see if you can create a flywheel that keeps inviting more and more users.

Exercise

Go from learning to sales mode

Up to this point you were fully focussed on learning as much as possible, by asking the right questions and talking to the right people.

But now you are ready to grow; you also need to learn how to sell. Pitching, or presenting your start-up, is an integral part of that process, so let's learn how to do that.

This exercise is based on an excellent pitch training workshop developed by Tilo Hergarten.

Everything is a pitch

It is essential to think upfront about why you are pitching. Is that because you want to attract an external investor or an internal sponsor? Or maybe sell to customers. Perhaps you are looking for partners to help you grow or like to update important stakeholders about your start-up.

Every audience has different expectations from your pitch, and it is good to think about what you want to tell. When updating stakeholders, you can be much more honest about your struggles to find a working business model while you want to talk about your future product and vision when selling to customers.

Tips & Tricks

So when you understand who you are pitching for, what are some tips & tricks to make your pitch-perfect.

Start Strong

Make sure you start your pitch with something to catch everybody's attention. That might be a question where your audience recognizes themselves or an interesting fact about your start-up or market.

Distraction is your enemy

Keep everybody focussed on your pitch. Turn off your mobile phone and ignore distractions yourself.

Be wary of presenting with multiple people. Switching presenters is a big distraction since your audience has to adapt to the new voice and rhythm. The bridge between one presenter and the next is also regularly messy. So keep the number of presenters low, ideally have one person present the whole time.

The right team?

It is all about the team with early-stage start-ups. Explain why you are the team that can make your start-up a success. What are your unique qualities and backgrounds?

Share a vision

Since your solution might not be as perfect as you'd want it to be, make sure to share your vision. It is your job to dream big and convince your audience of that dream. It is not your audience's job to dream big for you and guess where you'd want to go in the future.

Practice makes perfect

"Under pressure, you don't rise to the occasion, you since to the level of your training"

– Navy Seals

Exercise

The more you practice the better your pitch becomes. Especially when you're nervous it helps to have training to fall back on. Some people like to write out their whole pitch and practice the story, some write down keywords and improvise by reading the audience. Learn what works best for you!

Speak slowly

Speak slower than you are yourself confident with. When you are nervous you tend to speed up and make it hard for people to follow your story. Take regular breaks of two seconds in between slides or after important points, so your audience can process what you've just said and have it sink in.

Building a good pitch deck

Now you understand what it takes to present your start-up, what are some of the things you need to keep in mind when building your pitch deck?

First of all, your slides need to support the story that you tell your audience, not the other way around. Don't create slides with lots of text and read what's on them.

You might need to create two types of pitch decks: One to send around and one you use when pitching. The deck you send around can contain as much text as needed, because your audience reads your deck to understand the story. For the deck you use to present it is the other way around.

Less is more

Use pictures, icons and graphs that are easy to understand. Text belongs to your notes.

Big font size

Try to use 30pt or more so that everyone can read the text.

Slides are for free

Instead of having one complex slide, rather make 3 out of it.

No design experiments

Don’t stretch, compress or create too colorful pictures that might distract from a fact.

Supporting pictures

Pictures can be very supportive, so make a good choice.

Same style

Make sure your master slides are always the same to avoid e.g. different logo positions, etc.

Don't use animations on Skype

If you are presenting via Skype, Zoom or any other video conferencing service, don’t use animations.

Assembling the essential slides

You now understand how to pitch and what to do to create a killer slide deck, but what is usually in a pitch deck? Which topics do you need to address? Let us show you!

Your pitch deck consists of all the lessons you have learned in the previous steps of the Playbook. It is a summary of your journey.

The problem you are solving

Explain what problem you are solving.

Who are you solving it for

Who are you solving the problem for? Both the big future customer segment as the current early adopter

How big is the problem

Describe the size of the opportunity within the company, outside of the company and include other scaling opportunities in the future.

How will you solve the problem

How do you envision your solution, or how does your solution look like

What value do you offer

In the solution slide you describe how you solve the problem, but what are the reasons to buy your solution? What value do you bring?

Validation activities / traction

What did you do to come to all these conclusions and if you already have a solution, can you show the success? Can be numbers, can be quotes

Competitors, existing alternatives

How are your customers currently solving their problems (Excel?) and who else is solving the problem?

Business case

Explain the numbers. What is the outcome of your start-up? Cost saving, new revenue, increased customer satisfaction and how much does it cost to build?

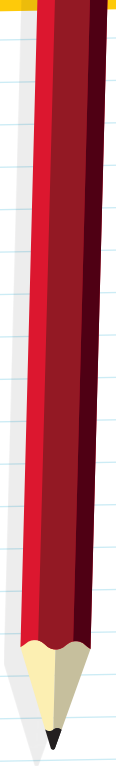
Team

Tell us why you are the best team to continue with this project, based on you skills, expertise and motivation. Is there a team member missing? Let us know!

Aks/next steps

What is it that you need to get the next iteration step done? What kind of investment like time, money or skills and how much do you need?

Notes



Always keep learning

- Timan Rebel, CTO GroundControl

CREATING VALUE

By reading this Playbook and applying its content to your innovation project, you have learned the importance of understanding the problem you are solving and for whom you are solving it. You explored different ways of testing potential solutions before building them. You tested whether your customers are willing to pay and how to create a business case. Finally, you dipped your toes in scaling your solution to an ever-growing market.

The five key questions we asked you in this Playbook are common across most start-ups and sectors, independent of which large organization you are part of.
It is essential to always keep in mind that you are building to learn during the development of new products and services and not to scale. You focus on testing your assumptions before you set them in stone with your actions. That talking to your customers is the most crucial skill that you have as an intrapreneur. And by keeping your stakeholders up to date with your progress, you can make sure to have their continued support.

In the end, it is all about creating value for someone. And by constantly asking yourself, “What is most risky, and how can we test that?” you de-risk projects from the start and increase the chances you will build something people want.

We want to wish you all the best for the continuation of your journey and the transformation from an idea to an innovation that is creating value in the real world.

We hope this Playbook will help turn many ideas into innovation within DHL and other large organizations. Regardless of whether you will ultimately succeed in your endeavors, the fact that you are trying to build something new is already an outstanding achievement that you can be proud of.

Keep learning!

Thank you

DHL Start-up Lab was only possible due to the support of amazing people.

We want to thank all the teams, which applied to the program and gave it their all to innovate within DPDHL Group.

And, of course, a big thank you to everybody that was part of the core Start-up Lab team and all the supporters from throughout the company, especially to Kirsten, Jenny, Elisa, Gina, Tilo, Roman, Felix, and Andreas.

We could not have done this without you!

- Timan, Esther, and Joey

DESK RESEARCH

Desk research gathers and interprets available information from external sources. This method is used to give you a general overview of what competitors and alternatives already exist, how customer behavior looks like regarding the problem you are solving, and of technologies that can enrich your idea.

Helps answer

- What competitors of our idea operate in the market already?
- What alternative solutions exist for our idea?
- Where might you find your customers (and what is their behavior)?
- What pains might your customers experience regarding a problem (or existing product)?
- What technologies can impact your idea?

What is it

This form of market research is considered to be secondary research, which is "simply the act of seeking out existing research and data." Secondary market research aims to use existing information to derive and improve your research strategy before any first-person research.

With existing markets, a tremendous amount of information can be found online or purchased from market research consultants.

This type of research can be performed for any market but is mostly used by companies that target existing markets. There is typically limited information available for start-ups creating new markets.

The first step is to find the relevant reports and analyze them to learn something about your idea.

We can distinguish two directions of research. In "market status" analysis, you look at:

- Current competitors: to identify how your idea relates to current solutions and alternatives that are already available in the market.
- User behaviors: How often users have to use a product similar to your idea and in which circumstances
- User opinions: How customers experience the use of competitor's products or how they experience a problem
- Current technology: Benchmark technology to understand what kind of standards have been set regarding speed, accessibility, etc.

Identifying relevant reports will give you an overview of the current market and available solutions.

In "trend research" you look at:

- User behaviors: What new behaviors are emerging?
- Technology: What upcoming technology may disrupt the market and our own idea?

This analysis helps to derive your idea's possible evolution, avoid pitfalls, or even give new ideas.

How to

Where to find helpful information:

- Google or other internet search engines
- Social media platforms (user behavior and opinions)

- Publications relevant to your target market
- Libraries
- Professional associations
- Business groups
- Professional fairs
- Governmental organizations
- Public and nonprofit organizations that generate a lot of data (hospitals, transportation systems, etc.)

You must be specific to get information relevant to your particular question, i.e., your idea/product's current status. For instance, if you want to launch a service that enforces privacy when publishing pictures on the Internet, look beyond the population of people that publish photos on the Internet (which is very large). Figure out who is interested in privacy and takes it seriously; this is not necessarily just a subset of the first population. There may be people who currently do not publish any photos out of concern for privacy issues.

CUSTOMER INTERVIEWS

We conduct customer discovery interviews to get a general overview of who your customers are and what they are trying to get done. In particular, the insights from customer discovery interviews should indicate what problems your customers are experiencing.

Helps answer

- Who is your customer?
- What are their pains?
- What are customer behaviors and patterns?

What is it

One of the essential tools or experiments you can do throughout the search for your business model is conducting customer interviews. Whether you are finding out if there is a problem or want to know about what people are trying to do, the customer discovery interview is essential in understanding your customer's behavior and needs.

Most start-up founders tend to be scared of getting out of the building and talk to strangers. They compile surveys and questionnaires they can conduct online and send out from behind their computers. Easier, far more comfortable, but the outcome will be averages rather than patterns since you can only ask about things you already know and not uncover things that you don't know.

Talking to real people, listening to the things they say, and expressing it will help you investigate and drill down to the why behind the what. Do you think they will not tell you? People love to complain about what is not working for them or tell you all about their passion. All you have to provide is a listening ear.

How to

Plan the Interview

1. Define the learning goal for the interviews.
2. Define key assumptions about the customer segments.
3. Create a topic map with topics and subtopics which you would like to learn more about regarding your customer (and their problems).

Make sure you can take notes effectively during the interview. Besides taking notes, you can also record

the interview, but be aware that it takes a lot of time to listen back to a recording (so we don't recommend actively listening back to recordings).

Conduct the Interview

1. Frame: Summarize the purpose of the interview with the customer.
2. Open: Warm-up questions get the customer comfortable talking.
3. Listen: Let the customer talk and follow up with "what", "why" and "how" questions.
4. Close: Wrap up the interview and ask for referrals, or if applicable, a follow-up interview.

As written above, questions that start with "what", "why" and "how" generally lead to better answers regarding your customer's behaviour and the problem that they might be experiencing. When introducing new topics (or asking follow-up questions) use your topic map for reference, but be aware that new topics might arise that you didn't anticipate for.

Debrief the Interview

Make notes promptly; a video or audio recording should only be used for backup reference.

Interpreting Results

Look back at your notes. Have you found answers for any of the following?

- Job: What activities are making the customer run into the problem?
- Obstacle: What is preventing the customer from solving their problem?
- Goal: What is your customer trying to accomplish?
- Current solution: How are they currently solving their problem?

- Decision trigger: Were there pivotal moments where the customer made key decisions about a problem?
- Interest trigger: Which questions did the customer express interest in?
- Persons: Are there any other people involved with the problem or solution?
- Emotions: Is there anything specific that causes the customer to express different emotions?

SOLUTION INTERVIEW

In customer solution interviews, you propose your solution to gather feedback from potential customers and see whether you might convince them to start using your solution.

Helps answer

- Does the customer see value in the product's value proposition (if not, why)?
- What do you need to explain further about the solution?
- What objections do customers have?
- What do you need to improve about (the concept of) your solution?
- Will a customer offer some form of commitment to try your solution?

How to

- Prepare a pitch that takes a few minutes at most, in which you describe clearly and concisely what your solution is, what it offers, and how it works. Consider creating some sort of visual or prototype which conveys this message further.

- Prepare a topic map with which you can ask questions after your pitch. Make sure that your questions won't be suggestive or leading. You're generally looking for answers how your customer perceives your product, how they might use it in their daily activities and if they understood everything correctly.
- Before starting your pitch, make sure you're talking to the right person. Do they have the correct function within their organization, are they aware of their problem, and do they match your found JTBD? If you're sure you're talking to the right person, consider not continuing the interview, as it would lead to useless data or useless commitments.
- This experiment aims not to sell to the customer but to learn whether you can convince a customer based on your current proposal. If that isn't the case, zoom in on what objections or doubts they have after giving your pitch. You can start doing this with your prepared topic map.

If your customer isn't enthusiastic about your solution, the goal is to learn why that is the case and what you might need to reconsider about your solution (or customer segment). Don't keep pitching to try to convince the customer, but search for the why instead.

If your customer expresses enthusiasm, consider **Asking for commitment**.

COMPETITOR USABILITY TESTING

With competitor usability testing, you observe your customers using a competitor's product or service to gain insight into the user's mindset, common

issues, and potential improvements/features for your solution.

Helps answer

- What job is your customer trying to get done?
- What is the minimum feature set to solve the problem?
- Why isn't the use of a competitor's product good enough to solve your customer's problem (or is it)?
- What do you want to do differently from your competitors?
- What do you want to copy from your competitors?

How to

- Find products of your competitors that you can use for this experiment.
- Let your customer clearly express beforehand to you what they're hoping to achieve from using the products (what they're trying to get done)
- Ask your customer to use the competitors' solutions and talk you through their thought process while using them.
- Observe your customers while they use the competitors' products. Try to talk/intervene as little as possible. Focus on your customer's impressions, intentions, expectations, and emotions.
- Evaluate with your customer what they liked and didn't like about the competitors' products. Ask them whether these products would fully help them achieve what they want (which they expressed beforehand) and, if not, what additional features they might require.

If necessary, follow up with additional questions that help you learn what your solution should look like.

ASK FOR COMMITMENT

Asking for commitment shows you whether your customer is just friendly when they express enthusiasm about your solution, or if they're serious about using it. It's a great way to validate a customer's interest until you can sell your solution.

Many start-ups fail because they believe their customer wants to buy their product, but then, later on, nobody is actually buying their solution. It's very easy for someone to tell you that they're enthusiastic about your solution and that you should contact them when they can buy it. However, you will find that these are empty words in most cases and that they rarely lead to an actual purchase.

If you can't be sure that a customer would buy your solution, even if they tell you that they would, how can you find validation that your solution is good enough to keep working on? At this stage, you're probably not at a point where you can immediately sell your solution, but you would still like to find some form of validation that your customer is serious about using your solution.

This is where 'commitment' comes into play. Commitment can be described as your customer offering you something to show that they're serious about you and your solution.

We recognize three types of commitments: time, reputation, and financial commitment.

A time commitment could include:

- A clear next meeting with known goals
- Sitting down to give feedback on prototypes
- Using a demo/trial of the product for a non-trivial period

Reputation risk commitments might be:

- An introduction to peers or team
- An introduction to a decision-maker (important stakeholders)
- Giving a public testimonial or case study

Financial commitments are easier to imagine and include:

- Letter of intent (non-legal but gentlemanly agreement to purchase)
- Pre-order
- Deposit

At this stage, every interview/pitch should end with a clearly formulated commitment or the realization that the person you're talking to isn't going to use your (current) solution.

Please note that, as time goes on, you need to progress from time to reputation commitments to financial commitments. You can only be sure that your customer will buy your product when you have a financial commitment in the pocket.

You might be anxious to ask your customers about commitments (if they're not offering any themselves) but doing so will immediately show you how serious they are about your solution. This will give you an indication whether you are on the right track or not.

If your customer does not want to give any form of commitment, try to find out why. Based on this, try to take away their objections or decide that they’re not going to be your customer.

EXPLAINER VIDEO

Creating an explainer video allows you to describe the proposition of your solution clearly. It can be placed on a **Landing Page** or shared through different channels (e.g., via social media or email).

Helps answer

- How well does your customer segment understand the proposition of your solution?
- Does the audience find the value proposition compelling?
- Is the product buzzworthy, and does the target audience want to share it with their friends/ colleagues?
- What channels are the most responsive?

How to

1. Define success criteria and what metric you want to test with the use of your video.
2. Make sure you're able to measure whatever you want to focus on (e.g., if you're going to measure click through rates, you'll need to link from the video to a page where traffic is measured).
3. Create an outline for the story you want to tell about your product. Ideally, your story should also connect with customers on an emotional level.
4. Create a (marketing) plan where you're going to share your video and how you're going to reach a decently sized audience. Also consider if your video is part of something else (e.g., a landing page) or should be shared independently.
5. Create and publish your explainer video as you planned in the previous steps
6. Evaluate the results of your pre-defined metrics.

Did your video reach enough people? Did it convey the right message? Did customers make positive interactions afterward? Why (or why not) was this the case?

If possible, contact customers afterward (if you know who they are) and ask them about their impressions of your video and product.

LANDING PAGE

Creating a landing page allows you to test whether your customer segment is interested in your solution. Their interest is confirmed if they leave contact details on the page or try to order your product (via a **Dry Wallet** experiment).

Helps answer

- Is the definition of your customer segment correct?
- Is the way you present your solution to your customer segment attractive enough for them?
- In what ways can you attract new customers within your customer segment?
- Is the customer interested enough in your solution to leave their contact details or make a purchase?

How to

- Create a landing page on Cardd.co (for example)
- Try to clearly express your product (value proposition) on the landing page. Do this both visually and textually.
- Decide if your customer can leave their contact details on the page or will be able to make a Dry

Wallet order.

- If your customer is making a fake order, make sure to set up some kind of explanation (after they did) which thanks them for attempting to do so and informing them that this is not yet possible.
- If possible, contact your customer afterward to understand more about their impressions of your proposal on the landing page.

PAPER PROTOTYPING

Paper prototyping is a quick and easy way to test your solution using drawings and cutouts. It helps you come up with and evaluate how the design of your product should be.

Helps answer

- At which point(s) does your solution not function as expected?
- Is your solution intuitive for your customer to use and navigate?
- What form should your solution take?
- What (extra) information do you need to give to your customers?

How to

- Create a simple mockup on paper for each step in the interaction that you are testing. Try to imitate on paper what your customer would see when they use your solution. If you are creating a digital solution, every screen your customer goes through should have a mockup on paper.
- Ask someone to interact with your paper prototype. Ideally, this is someone in your customer segment, but it should at least be someone who wasn't involved in creating

your mockups. You can also do this digitally by presenting your drawings in a Powerpoint.

- Let someone in your team play the role of your solution.
- Ask your customer to interact with your paper prototype as if it is an actual application. They can physically interact with your product by pressing on or moving the paper around. Ask them to think aloud so that you can understand their thought process.
- The person who plays the role of your solution removes and adds papers based on your customer's interactions. While doing so, they should try to talk as little as possible.
- Have someone observe and take notes of your customer's interactions. If necessary, follow-up with questions to learn more about their experience when your customer is done interacting with the product.
- If necessary, create new mock-ups to modify interaction flows and layouts to continue testing.

CLICKABLE PROTOTYPING

Like paper prototyping, clickable prototyping allows you to develop and evaluate how the design of your solution should be. Instead of using paper, you create an online environment with which your customer can interact.

Helps answer

- At which point(s) does your solution not function as expected?
- Is your solution intuitive for your customer to use/ navigate?
- Are there points where your customer requires intervention/extra help?

- What (extra) information do you need to give to your customers?

How to

- Create an online environment in which your customer interacts with your product by clicking through it. You can use tools like Adobe XD. Note that this experiment is only here to test basic interactions of your customer; you shouldn't attempt to build a fully functioning product yet.
- If you are uncertain about what interactions your customer might make, start testing with a **Paper prototype**, as creating a clickable prototype takes significantly longer.
- Ask your customer to interact with your clickable prototype. Ask them to think aloud so that you can understand their thought process.
- Observe your customer's interactions. You can do this by sitting next to them or by sharing screens through video calling.
- Try not to explain/or intervene once your customer has started interacting with your prototype.
- If necessary, follow-up with questions to learn more about their experience when your customer is done interacting with your product.
- If necessary (if your customer got stuck or something went wrong), modify your clickable prototype and test again.

CONCIERGE MODEL

In a Concierge Model test, you simulate product features without using technology. All interactions are performed manually by humans. Your customer is aware of your manual interactions, leading to a higher perception of value than the real solution. You

can use the Concierge Model to quickly learn if your solution is solving your customer's problem and what brings the most value.

Helps answer

- What interactions are required to solve your customer's problem?
- Does your value proposition match the customer's expectations?
- Is the customer segment willing to pay for your solution?
- What hurdles (still) exist in delivering a solution to your customer?

How to

- Write a description of your solution, and its value proposition, down in such a way that it is clearly expressed to your customer segment.
- Design a service, matching your value proposition, in which you manually interact with your customer to solve their problem.
- Talk to your customer segment (early adopters) and offer them your service (in exchange for payment).
- Gather data about interactions that need to be made and customer satisfaction while delivering the service.
- Afterwards, evaluate with your customers whether your service delivered everything they expected, and if they would keep paying you in the future to use your solution.

WIZARD OF OZ

The Wizard of Oz test is similar to the **Concierge Model** test, but the key difference is that your customer is not aware of your manual interactions. This means that your customers believe that your technological solution is already working.

Helps answer

- What interactions does your customer need to make with your product?
- Do the features that you came up with help solve your customer's problem?
- Does your product create value for your customers?
- Is your product a must-have/must-use for your customer?
- Are customers willing to pay for your solution?

How to

- Build a prototype of your product that your customer can interact with without using complex technology.
- Dedicate at least one person to simulating the (technological) behaviour of your product without your customer being aware of them.
- Let your customers interact with your prototype and observe their interactions.
- If possible, use follow-up questions to learn about their perception of your product after your customer is done interacting with your product.
- If your customer is enthusiastic, consider offering the service for a longer period, in exchange for payment.

DRY WALLET

A Dry Wallet or Fake Checkout experiment tests whether your potential customers are willing to pay for your solution by creating a fake checkout process and offering your **Concierge model** solution or **Wizard of Oz** experiment to them for free.

Helps answer

- Is your potential customer willing to pay for your solution
- Does pricing or payment options influence your conversion rate

How to

Instead of building a complicated checkout process with credit card integration or pay by invoice system, create a form where customers can leave their billing information and add a price, and a checkout button.

Measure how many people visit the Checkout page, fill in the form, and click on your Checkout button.

You can experiment with different payment methods and pricing to see if that significantly affects your conversion rate.

PRICE ELASTICITY SURVEY

Do you have a clear understanding of how much you can charge for your solution? Most start-ups spent up to 45 minutes on their pricing. Once.

Your pricing is a super important tool to drive growth. It is easier to increase your price by 10% than to acquire 10% more users. But what is the range your

pricing should be in? You find out by asking your customers.

Your customers aren't very good at thinking about specific price points, though. They won't be able to tell you if your solution is worth 199 euro per month or 279 euro.

The price Elasticity Survey can help you find the answers.

Helps answer

- What is the lower and upper limit of your pricing plans
- What are the core features your customers are willing to pay for
- What types of pricing plans could you create to serve your customers best

How to

The Van Westendorp's Price Sensitivity Meter is behind the Price Elasticity Survey and is developed to determine the pricing landscape for your solution. It is based on four key questions about your pricing:

- At what price would you consider the product to be so expensive that you would not consider buying it?
  (Too expensive)
- At what price would you consider the product to be priced so low that you would feel the quality couldn't be very good?
  (Too cheap)
- At what price would you consider the product starting to get expensive so that it is not out of the question, but you would have to give some thought to buying it?

(Expensive/High Side)

- At what price would you consider the product to be a bargain—a great buy for the money? (Cheap/Good Value)

By creating a survey and sending these questions to your current and potential customers, you can determine certain price points. The optimal price is somewhere between Too Cheap and Cheap / Good Value.

You start with a price on the low end of the range and increase it when adding new features.

Later, in your scale phase, you can start experimenting with raising the price towards the Cheap / Good Value limit and seeing where the best pricing is compared to the number of new customers you can acquire.

When you analyze your survey, split up the results based on the different customer segments you have to determine if price elasticity is different between different customer segments. It can be that one segment is willing to pay much more for the full set of features that you want to offer, and another customer segment is only interested in a subset and has less budget. By analyzing these differences, you can create different pricing plans that fit your identified customer segments.

Notes

CUSTOMER INTERVIEW ANALYSIS

After you have conducted a good amount of interviews, you should have lots of data to work with. Our goal here is to recognize patterns and themes in this substantial amount of data on which you can base further experiments.

Description

After conducting interviews, you might feel like you already have a good idea about what people have told you, but doing a proper analysis will help you filter out the irrelevant while at the same time finding better insights that you can build upon. The data from customer interviews can be pretty expansive, which can cause you to only zoom in on assumptions you might have had beforehand. To make sure that no insights are overlooked and that patterns are recognized, we take a systematic approach in analyzing interviews with the following step by step process:

1. Write every answer down on a sticky note
2. Create a grid dividing interviewees and topics
3. Place answers on the grid
4. Look for patterns and analyze

We'll take a closer look at these steps down below.

Write every answer down on a sticky note

This practically speaks for itself. Make sure that you write everything down that is relevant regarding your interview topics, even if the answer itself might feel out of scope for the project you are working on. The same applies to answers that seem similar to something that has been said before (especially if different interviewees have given them).

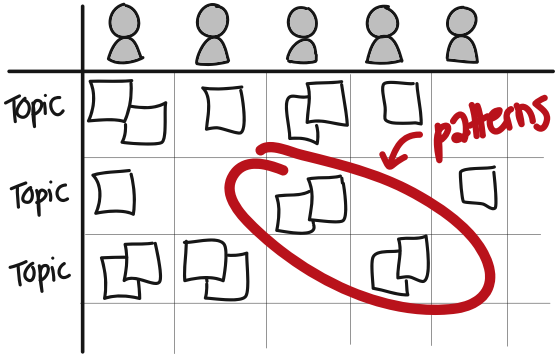
Remember: the goal is to find patterns that you can build upon. The best way to find these is to treat all answers equally. You only know which answers are irrelevant once you have decided which answers do not fit the patterns (and themes) that you recognize in step 4.

For reference, and to work more efficiently in step 3, write down a number or initials referring to an interviewee in the corner of every sticky note (e.g., "1" if the answer came from your first interview or "M.A." if the name of the interviewee that gave you this answer is 'Marc Andreessen'.

There are similar approaches to interview analysis that are (partially) done digitally. The reason why we use stickies (in an offline approach) is that they give you the flexibility to move answers around and the ability to take a more visual approach. That being said, it is always a good idea to capture your results digitally by taking pictures of your process, for example, as a backup. You rarely need access to the raw data you create with the sticky notes when you are done with the analysis though.

Create a grid dividing interviewees and topics

Draw a grid on which you divide the interviewees into columns and create rows for every theme you identify. For reference, have a look at this image:



Refer to your interviewees in the same way you did on your sticky notes (so with a number or initials). Write down themes that you recognize beforehand. Some of the themes can only be recognized once you start spreading out the sticky notes in step 3. Keep in mind that interviewees might give multiple answers regarding one theme, so it is smart to keep enough space between rows and columns.

Place answers on the grid

Take all the sticky notes from step 1 and spread them out over the corresponding interviewees and themes. Some of your stickies might not fit the themes that you came up with in step 2. If that is the case, take a look at the stickies that you have left. Can you recognize new themes by combining some of those stickies? If so, add the theme and the corresponding stickies to the grid. If stickies remain that you cannot find themes for, you might add them as the 'other' theme to your grid or discard them because they are probably not too relevant.

Look for patterns and analyze

Take a look at your divided stickies. What patterns do you see emerge? What answers/problems seem similar? Look at rows both separately and together; in what ways do the answers relate to each other? There is no clear-cut way to find patterns, but you will find that your brain is (still) the best pattern recognition system there is in the world.

If your interviews are explorative, you're looking for patterns and insights (assumptions) that you want to learn more about (what questions emerge based on this pattern?). In a later stadium, you might want to validate these insights further.

If your interviews are declarative, you're looking for patterns and insights which validate (or invalidate!) the assumptions you had beforehand. How did your found patterns relate to your hypotheses? Do they validate/invalidate your hypotheses? Why is that the case?

PERSONALITY TEST

Filling in a personality test helps you identify the personality types in your team to have a better understanding of each other's strengths and weaknesses (based on their personality). This will allow you to assign tasks that fit personality traits or understand why team members behave or think in a certain way.

Description

Often in working together as a team, irritations do not arise because someone is objectively (not) doing something, but because we do not understand each other (motivations, thoughts, behavior, etc.).

The Myers-Briggs test gives a good indication of these elements. Filling it in with your team will allow you to better understand each other (and perhaps yourself). In our case, we use the test as supplied by 16personalities.com (it's free, so give it a try).

How to

Have all your team members go to 16personalities.com and let them fill in the test. Make sure to note your results (you can let them send you an email with them). If you want, you can also look at the description of your personality type on the next few pages.

Discuss your results with the team. Focus on strengths

and weaknesses that might come forward in working together. Note that these resultsand the description of personality types do not have to fit you perfectly. If there is something that you do not agree with, you can discuss it with the team and ask them how they see you regarding that aspect.

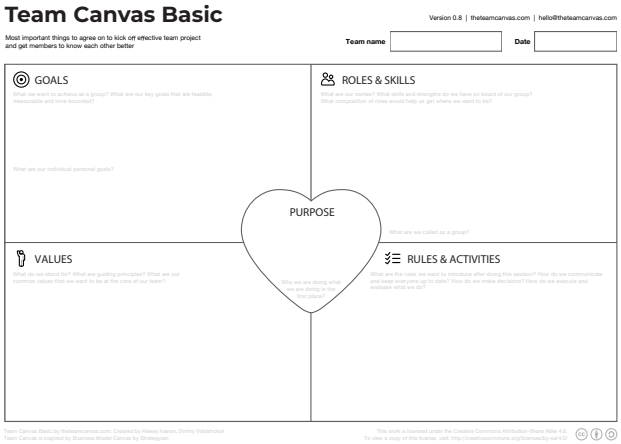
TEAM CANVAS

Filling in the Team Canvas gives you a better understanding of your team's goals, roles, and values.

Description

The Team Canvas is a canvas for teamwork. It allows your team members to align and better understand the goals, roles, and values of your team. By filling in the canvas with your team, you make sure that everybody is on the same page regarding these aspects.

Generally, we use the 'Basic Team Canvas' for teams:



The canvas is divided into goals, roles, skills, purpose, values, and rules and activities.

How to

Set up a meeting with your team in which you go through the canvas. Go through each step by asking the questions that accompany it (see below). Let everyone (individually) write down their answers on stickies and discuss them. Your goal here is to let everyone agree on all fields. If you want, you can set a timer to make sure that the team quickly gets to the point with every aspect.

1. Goals

Time approximate: 5 minutes

Ask the team members to agree on common goals and mention their personal goals for the project.

Questions:

- What do we want to achieve as a group? What is our key goal that is feasible, measurable, and time-bounded?
- What are our personal goals that we want to share?

Examples:

- Become the leading carsharing company in our region by 2023.
- Create a 100M company in the area of Internet of Things by fall 2025.

2. Roles & Skills

Time approximate: 5 minutes

Ask people to put their names on stickies, as well as

their roles. If a person has multiple roles, use separate post-its.

Questions:

- What are our names?
- What are the roles we have in the team?
- How are we called as a team?

Examples:

- Max: CEO; Marie: Design & Programming
- Name of the team: BoldCar

3. Purpose

Time approximate: 10 minutes

Ask the team to go one step beyond their common goal, and ask them why they do what they do.

Questions:

- Why are we doing what we are doing in the first place?
- What is something more important, which makes us pursue our common goal?

Examples:

- Create a positive impact on people's lives through social innovation
- Make people's lives easier and stress-free through innovation in the field of Internet of Things

4. Values

Time approximate: 5 minutes

Ask the team what are the core values - the most important principles - that they want to share within the team. The team should agree on values, so

everyone accepts the final set.

Questions:

- What do we stand for?
- What are guiding principles?
- What are our common values that we want to be at the core of our team?

Examples:

- Trust
- Creativity
- Quality
- Transparency
- Mutual understanding
- Equality
- Respect

5. Rules & Activities

Time approximate: 10 minutes

Ask the team to agree on common rules and activities. Think of this as of outcome of the previous sections: a concrete set of rules and activities they want to implement.

Questions:

- What are the rules we want to introduce after doing this session?
- How do we communicate and keep everyone up to date?
- How do we make decisions?
- How do we execute and evaluate what we do?

Examples:

- Keeping things within-group confidential

- Weekly status updates
- Communication over Slack + Skype for calls
- Dinners together every second week (Max as organizer)
- Workday: starting from 9 to 10, meetings start at 10
- Keeping workday to 8 hours, except when it's really needed to shorten it.

After filling in the Team Canvas, you should find that your team is on the same page. If this is not the case, you might want to plan a separate meeting focussing on the point(s) where your team does not agree. In the future, you can use the team canvas for reference to check if everyone is still on the same page when it comes to goals, roles, and values of the team.

Source:
http://theteamcanvas.com/use

STAKEHOLDER RADAR

Using a stakeholder radar will allow you to identify what stakeholders you should involve right away in your corporate start-up and what stakeholders you can contact later on.

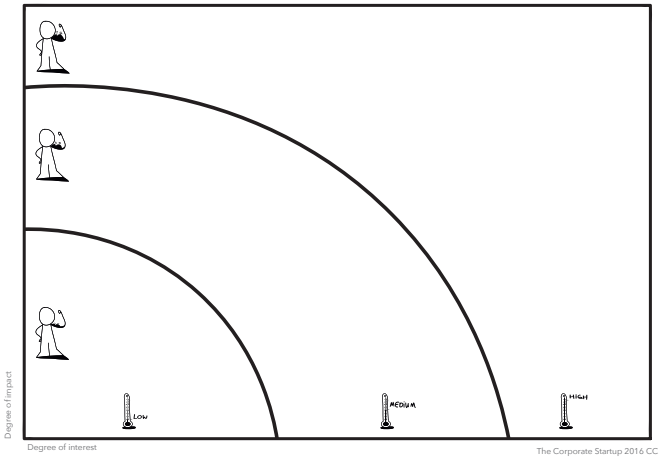
How to

Use the Stakeholder Radar template.

The X-axis indicates the amount of interest a stakeholder has in your idea (left being low, right being high).

The Y-axis indicates the amount of impact a stakeholder might have on your start-up (bottom being low, top being high).

Stakeholder Radar



Write all of your stakeholders down on sticky notes and spread them out over the radar, based on the degree of interest and influence they might have. It's not too important to get every stakeholder exactly in the right place, as long as you have a good indication of where the stakeholder would belong on the radar.

This process allows you to identify different types of stakeholders.

Generally, the following applies to certain stakeholders:

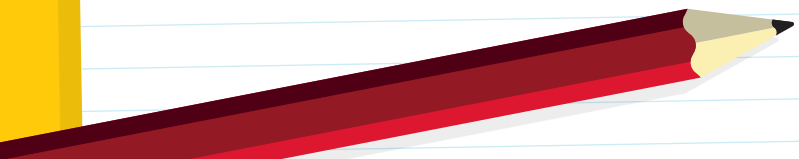
- Stakeholders who have a high degree of impact and interest are worth focussing on.

- Stakeholders who have a low degree of impact but a high degree of interest are good to have around, but it's less worth it to involve them actively, so just keep them updated every now and then.

- Stakeholders with little to no interest, no matter their impact, usually take a long time to convert, which is hard work. You should try to find a better-suited substitute for these stakeholders, but if there are none, don't be afraid to approach them anyway.

Identifying these types of stakeholders will, in turn, allow you to discuss who you should involve, at what stage, and how.

Notes



IMPRINT

First edition 2021

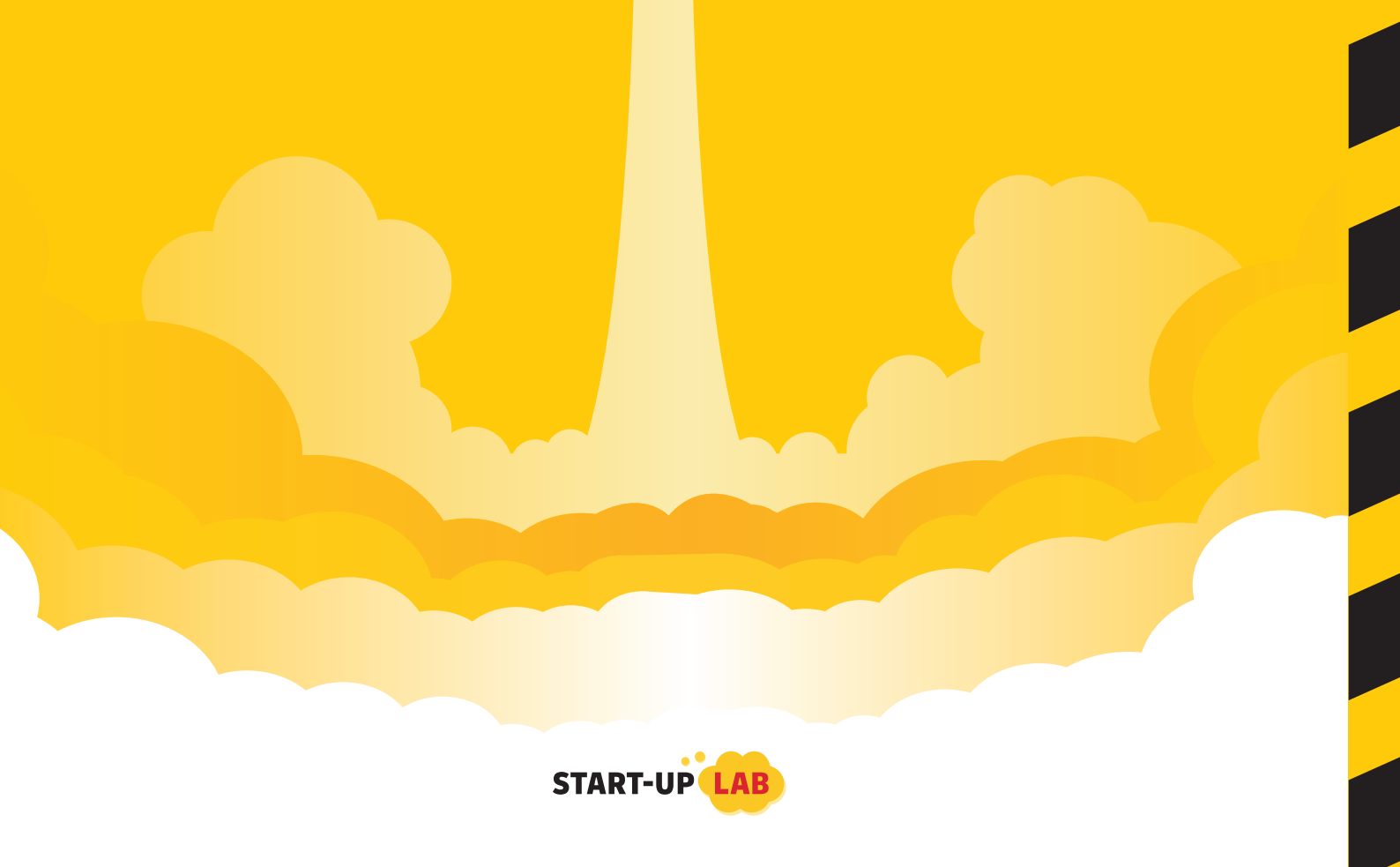
DHL Start-up Lab
Charles-de-Gaulle-Str. 20
53113 Bonn
Germany

Authors:
Timan Rebel (NEXT Amsterdam)
Esther Gons (NEXT Amsterdam)
Johannes Naumann (DPDHL Group)

Graphic design:
Esther Gons, Dennis Ferwerda

Feedback:
timan@next.amsterdam or johannes.joey.naumann@gmail.com

Download your copy of the Playbook at https://bit.ly/StartupLabPlaybook


START-UP LAB