Disruptive vs Sustaining Innovation

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Slides: otbc.org/ieee
What is a disruptive innovation?
THE INNOVATOR’S DILEMMA

The Revolutionary Book that Will Change the Way You Do Business

HarperBusiness Essentials

Copyrighted Material
Disruptive Innovation

Performance

Time

Sustaining Innovation

Clayton Christensen, The Innovators Dilemma

Performance average customers can utilize
Disruptive Innovation

1965 Ford Mustang

1965 Toyota Corolla
Disruption & Startups

• Research from Thomas Thurston, formerly with Intel Capital:

  Startups that disrupt are much more likely to be successful
Disruption & Startups

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<th>Startup</th>
<th>Big Company</th>
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Types of Disruptive Innovation

**Low Cost**
- Cheaper
- Uglier
- Smaller
- Less capable
- ... but good enough for the target customers

**More Accessible**
- Easier to access
- Easier to use

**New Market**
- Simply didn’t exist before
What is a business model?
You're holding a handbook for visionaries, game changers, and challengers striving to defy outmoded business models and design tomorrow's enterprises. It's a book for the...

Business Model Generation

WRITTEN BY
Alexander Osterwalder & Yves Pigneur

CO-CREATED BY
An amazing crowd of 470 practitioners from 45 countries

DESIGNED BY
Alan Smith, The Movement
## Business Model Canvas

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
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<th>Customer Segments</th>
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What is a startup?
The Startup Owner’s Manual

The Step-by-Step Guide for Building a Great Company

Steve Blank and Bob Dorf

Copyrighted Material
A startup is a temporary organization in search of a scalable, repeatable, profitable business model.
The Scientific Method

Theory

Hypothesis

Test
Business Model Canvas

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To test your hypotheses
Get out of the Building
Research Challenge

What Customers Say ≠ What Customers Do
The Startup Solution

1. Document what you believe

2. Develop testable hypotheses

3. Test the Plan - cheaply/quickly
   - First: what customers say
   - Then: what customers do
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Problem/Solution Testing

1. Document the Problem
2. Create Hypotheses
3. Identify 10 Customers
4. Test the Problem Hypotheses
5. Build and test Low Fidelity MVP
6. Build MVP and Validate Qualitatively
7. Validate Quantitatively

Customer Interviews

Customer Metrics
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Customer Discovery 1

Market Size (3)
- TAM, SAM, Target
- Current & follow-on products
- Metric?
- Secondary research
- Growth

Product Vision (4)
- Company vision
- What do you want to change?
- Adjacent markets?
- Behavior change?
- 3 years? 5 years?
- MVP Deliver date/features
- 18 mo. product vision
- Pricing?
- Customer lock-in?
- Margins? Organic demand?

Features/Benefits (5)
- Biggest pain?
- Magic wand test?
- How are probs solved?
- How solved today?
- Benefits?
- Faster?
- Smallest feature set?

Customer Segments (6)
- Customer types
- Who is day-to-day user?
- Who influences?
- Economic buyer?
- Existing budget?
- Decision makers?
- Who approves?
- Wants/needs/pain level
- Customer archetypes
- Draw day-in-the-life
- Draw org & influencer maps

Channels (7)
- Channel cost?
- Indirect channel costs?
- What else is needed to use/buy?
- How do they acquire?
- Net revenue?
- Multisided market?
- How will you address each side?

Design Hypotheses Tests (13)
- Pass/Fail experiments
- Simplest test possible!
- Run tests
- Track/learn from insights

Build Low Fidelity MVP (14)
- Customer Visits or landing page
- Benefits summary
- Call to action
- Consider multiple MVPs

Low Fidelity MVP Test (15)
- Push/Pull/Paid tactics
- Collect emails
- Measure response
- Hits/Conversions/Time spent/source
- In-person interviews

Gain Customer Understanding (16)
- Research + Interviews
- How money/time is spent
- Workflow
- Pain/need
- Current solution and cost
- How workflow would change
- Customer publications
- Customer influencers
- Spend a day-in-the-life
- Attend customer events
- "Become" a customer
- Create report card
- Process for analyzing data

Capture Market Knowledge (17)
- From experts/peers/journalists
- Tends; unresolved needs
- Key players
- Must read/ask/meet
- Potential competitors
- Players/influencers
- Business models
- Traffic
- Construct competitive grid
- Construct Market map
- Attend industry events

Customer Discovery 2

Market Type (8)
- Existing?
- Clone?
- Redefine/Reframe?
- New?
- Substitute?
- Replacement?
- Variant?
- Totally new?
- Positioning?

Customer Relationships (9)
- Draw Get/Keep/Grow funnel
- Describe Get strategy
- Acquire/Activate
- Get Customer tactics
- Search/Viral/PR/Trial
- Describe "Keep" strategy
- Interact/Retain
- Keep Customer tactics
- Grow strategy
- Grow tactics

Resources Hypotheses (10)
- Physical/IP/Financial
- Human/Intellectual
- Other; Dependencies
- Where they’ll be found
- How secured

Partners Hypotheses (11)
- Strategic alliances
- Join new business efforts
- Coopetition
- Key suppliers
- Traffic partners
- Necessary partners
- What? How will you reciprocate?

Revenue/Pricing (12)
- How many will you sell?
- Mkt size; mkt share
- Revenue Model
- Pricing tactics

Customer Discovery 3

Update Team/Assess (18)

High Fidelity MVP Test (19)
- Limited num. customers
- Call to action
- Measure Customer Behavior
- Identify critical metrics
- Purchase/engagement/retention/referral(cohorts)

Measure Behavior (20)
- Identify key metrics
- Purchase/engage/retain/...
- Mine traffic

Identify Advisory Bd Members (22)
- Tech problems
- Key customer introductions
- Domain knowledge
- Product development

Customer Discovery 4

Verify Product/Market Fit (23)
- Enough customers with prob?
- How customers rate problem
- Home grown solutions?
- Workflow impact?
- Customer enthusiasm?
- Metrics?
- Market size
- Competitive threats

Verify Customers: who/how (24)
- Archetypes
- Day in the life
- Responses
- Behaviors/influencers
- Channel map
- Costs of moving product

Can you Make Money? (25)
- Potential revenue
- Market size; Pricing
- Channel cost
- 4 to 8 quarter forecast
- Pivot or proceed?
Summary

1. Disruptive is different
2. Goal: find a viable model
3. Document - test - iterate
   Quickly & cheaply
Disruptive vs Sustaining Innovation