



\$100k Challenge

Application Resources

Building Your Team

Whether you want to run your venture as a sole operator or to build a company it's important to have the support of a team to expand your knowledge, abilities, and opportunities. This page has been written based off this YouTube video (<https://www.youtube.com/watch?v=CRLzkbKPGM&>) by Y-combinator, an American seed money startup accelerator launched in 2005. It has been used to launch companies such as Airbnb, Dropbox, Twitch and Reddit.

Do you need a co-founder?

A co-founder is someone who not only shares the tasks needed to build a start-up, but also shares the emotional burden of the struggles and challenges that many start-ups face. Most co-founders will find each other through university or work.

Ideally, you should already know how you and your co-founder work together before you decide to start a venture together. This may be by previous experience working on a project together.

Who do you need in you team?

Ideally, your team should be able to do all steps of making your product. This may be divided into 3 categories:

1. Building (software engineer, baker, mechanical expert, sewer, etc.)
2. Communication (marketing, collaboration with business partners, etc.)
3. Leadership (project manager, business analyst, CEO, etc.)

Making sure that your team has someone who is able to fulfil each of these functions will ensure smooth sailing along the steps of building your start-up.

How long will I be here?

Most successful startups should expect to stick together for the long haul. Y-combinator suggests that the average time to the initial public offering or IPO (offering shares for a private company to the public) for startups is 8-10 years, so it is important to find a team who is invested.

Equal equity?

Equity in a company is the value that may be returned to shareholders if all the assets were made into cash and the debts were paid off. Y-combinator suggests that co-founders should have equal equity in shares to reflect this long-standing commitment and relationship of trust between co-founders. A co-founder who jumps on board 6 months into the startup has, in the big picture, just started at the beginning.



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Who's the competition

When developing an idea, understanding your competition is paramount to future success. Competitors are businesses that offer similar goods and services to your target market. Direct competitors are companies that are in the exact same category as you (think McDonald's and Burger King) and indirect competitors are in the same category but are different enough to act as a substitute (think McDonald's and Subway).

It is important that you understand the competitive landscape for your product before you engage in business. By doing this you can understand what makes you different from your competition and use this as a differentiating factor when marketing your product or service. While you would generally want to avoid entering into an already saturated market, having some competition in a market is a good thing. It drives innovation as well as proves that there is a viable market within which customers are informed of the value of your product or service.

References:

<https://steveblank.com/2013/11/08/a-new-way-to-look-at-competitors/>

<https://www.youtube.com/>

[watch?time_continue=189&v=1YCftMD43PA&feature=emb_title&ab_channel=DonnaGriffitCorporateStoryteller](https://www.youtube.com/watch?time_continue=189&v=1YCftMD43PA&feature=emb_title&ab_channel=DonnaGriffitCorporateStoryteller)

<https://www.bostondigital.com/insights/how-do-you-stack-competitor-analysis>



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Go-to-market Strategy

A go-to-market strategy is a plan precisely outlining what actions you're going to take when launching a new product or service. It is a comprehensive action plan that details how a product or service will reach consumers. The following components are important to consider while developing your strategy.

- **Target Market** – before anything else, you should have a clear definition of your target audience. This involves the demographic, psychographic, geographical, and other variables that can help you narrow down your focus. Furthermore, you'll also need to create buyer personas and pin-point the ideal profiles that you want to target.
- **Value Proposition and Product Messaging** – your value proposition and a clear description of your product (the problems it solves, etc.) are two other key components of your go-to-market strategy. These will help you position your brand and stand out from the crowd.
- **Pricing Strategy** – depending on your target market and positioning goals, decide on an appropriate pricing strategy. This is how you price your products so that you can maximise profits and number of customers.
- **Distribution Plan** – finally, make sure that you have an effective distribution plan in place for your new product. For a go-to-market strategy this will be looking at how you get your products in front of customers so they can purchase them.

To create your go-to-market strategy, the process of market validation should be undertaken. This means doing a complete evaluation of the market for a product before you start production. While a full evaluation would consist of doing a deep dive into the target market and analysing the data to identify the viability of the consumer base and product features, for the \$100k Challenge we want to see that there is at least a basic level of market validation. This could include conducting a survey, or researching online.

References:

<https://theproductcompany.com/gtm-strategy-examples/>

<https://www.slideshare.net/drrobadas/if-you-build-it-will-they-come-launch-presentation>



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What is a Business Model Canvas?

Lean Business Model Canvas

A canvas is a template for a business model. Lean Canvas helps startups to analyse the strengths and weaknesses of their business model. This is a tool to verify your idea before investing so much time and effort. This tool allows you to mitigate the risk and uncertainty associated with a product inception.

The Lean Canvas is a one-page document consisting of nine boxes to be filled in.

What are our customer segments?

In this section, you should list your target and users of your product. It is important to narrow down the customer segment as accurately as possible. One important misconception is to think “everybody needs my product”. You will be able to expand it later, but it is not a good idea to start your idea for a broad range of customers. In addition, you should identify your early adopters. They are the actual people who will be the first to use the raw product and provide feedback. Always clarify the differences between customers and users. A customer is the person who purchases the product, while the user is the person who uses the product. For example, you might buy a gift for a friend from a gift shop. You are the customer, while your friend is the eventual user.

How do I identify the problem

This section refers to customer problems that your product is meant to solve. You can specify the problems for different customers separately. It is important to list the existing alternatives to your product that are already solving the problems at any level.

What are our revenue streams?

You should list the ways your product will generate revenue from each customer segment. It is recommended to rely on the average value required for the customer to solve the problem.

What is our unique value proposition?

You should show your solution’s key difference from the existing alternatives and describe the uniqueness of your product.

What is the solution?

All the identified problems in the past stages should be matched by the relevant solutions. You should explain what experience your customers are meant to have with your solution.



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What is our unique value proposition?

You should show your solution's key difference from the existing alternatives and describe the uniqueness of your product.

How do I determine our sales channels?

It is essential to spread awareness about your product. Even highly demanded products can fail if the customers are not aware of them.

In this section you should identify the channels to reach out to your target audience.

What are our key metrics?

In order to measure the progress of your business, you should define key tracking metrics. It could be initially a minimum success criteria for your business and can be expanded to more vital criteria later.

What is our cost structure?

This is the place for identifying the fixed and variable costs of your product. It could be various such as cost for office rent, hardware, recruitment, marketing, programming, etc. Once you have finalised your cost structure, you can balance it with the section "revenue streams", and answer the questions such as "how many customers do I need to pay off the investment?" and "where is the break-even point?".

What is an unfair advantage?

This is a special thing about your idea that your competitors are not able to copy or obtain in any possible way. It could be a good reputation, exclusive access to some data, personal authority, community, etc



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Customer Discovery

What is Customer Discovery?

Brant Cooper, author of *The Lean Entrepreneur*, puts it simply: Customer Discovery “is all about questioning your core business assumptions.” Performed correctly, Customer Discovery is a customer-centric, scientific process that puts evidence behind an assumed product-market fit.

Why Customer Discovery?

Customer Discovery is imperative if you want to create a product or service that serves the needs, pain points, and challenges of potential customers. Being a customer-centric process, Customer Discovery can be utilised at any point in a start up’s journey, however, the early stage discovery step is the most important. Spending time, money, and energy on an idea you never validated with potential customers is the biggest reason start-ups fail. Based on research, 42% of businesses fail due to no market need for their product. This is why validating your idea with Customer Discovery early on is important to provide proof of product-market fit.

Customer Discovery key steps:

Step One: Define a Hypothesis

The first step is to form a hypothesis that defines both the problem and the solution you are proposing. A simple way to frame this is to fill in the following sentence:

My idea solves [insert problem] by [insert solution].

Step Two: Define Your Assumptions

When detailing your hypothesis, you will be forced to make some assumptions about your idea. These will include assumptions that:

- The problem you addressed is actually a problem
- The solution you propose will actually solve the problem
- The market you plan to target has this problem
- The market you plan to target will be willing to pay for your solution



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Step Three: Ask (Good) Questions

The next step is to “get out of the building” and ask some questions. You are going to start by targeting people who you believe could be potential customers. If you are running a college laundry business, you should not be asking your parents or professors questions. They are not going to be your customers. Ask the people that you anticipate buying your product in the future. They hold the answers.

Example questions might include:

- Tell me how you currently do _____.
- How is that process working for you?
- If you could do anything to improve your experience with _____, what would it be?
- What is the hardest part about _____?
- What do you like/dislike about _____?

Step Four: Evaluate and Refine

If you perform the Customer Discovery process correctly, chances are you will discover some things that you had not originally considered. At this point, you have the opportunity to return to the drawing board (Step 1), incorporate what you have learned, and repeat the process. Once your customers’ responses match your hypothesis, then you can move on confidently, knowing that you are about to build something that your customers will actually want.

When should you conduct Customer Discovery?

While every start-up is different, and every product is different, whether your company is bootstrapped or venture-funded, it is never too early to conduct Customer Discovery. In addition, a general guideline would be that if you have not achieved product-market-fit, you should be performing Customer Discovery. Even if you only have a product idea, are designing a prototype, building your product, or have finished a product, but few to no customers, discovery will provide critical insights. There is no strict definition or metrics to mark this key milestone, however. If you have a product and several customers, but little market traction, i.e. you cannot find more customers and you are not generating revenue, then you have not reached product-market-fit. Customer Discovery is not a one-time exercise; it is an iterative process. You will likely need to make changes to your hypotheses and re-test them. In addition, in technology markets, the customers, their problems, and competitive products are always evolving, which creates opportunities to revisit Customer Discovery.



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When are you done with Customer Discovery?

Technically, never. However, at any stage of your start-up journey, if you are able to support your hypothesis with a sufficient amount of proof, you can consider that Customer Discovery experiment a success. Before you are able to recognize patterns or themes that support your hypothesis, it is important you repeat the process until you can.

References:

<https://www.futurefounders.com/news-article/what-is-customer-discovery-4-step-guide-to-building-the-right-product-for-the-right-customers/>

<https://www.marketwithagility.com/blog/what-is-customer-discovery-and-why-you-should-care>



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Minimum Viable Product (MVP)

Note: This is an advanced section. You are not expected to be at this stage to enter the \$100k Challenge, but if you are, here are some things to consider.

If you're looking at MVPs, you should have already thought about:

- What your start-up is about
- Several iterations of your LEAN canvas
- How to fund your venture
- Who your customers are
- Risks associated with deployment

You should be in your product development stage, and ready to start deploying! Now this isn't as scary as it sounds, since your first testers will probably be... you!

Why an MVP?

What is the most important thing in the world?

He tangata, he tangata, he tangata. It is the people, the people, the people.

When deploying your product, the most important thing is that *the people* will use your product.

The most important thing is that *the people* are satisfied with the product you deliver.

What's the easiest way of making sure that *the people* like your product?

Ask 'em! The purpose of an MVP is to ensure that *the people* are involved in the development and the ideation of your venture. After seeking feedback and advice from users, you can develop and modify the product.

What is Agile Product Development?

Often, we are tempted to run in a straight line towards our vision of the final product. However, this often isn't what works best – it's very unlikely that your customers will buy in to 100% of the features you include in your "final" product.

The **Agile methodology** of product development produces cost-effective and timely solutions to changing needs – or newly discovered needs. We do this by **iterating our product many times**. Each iteration should look something like this:

1. Identify a problem
2. Develop the product to solve the problem
3. Build an MVP which solves this problem
4. Deploy the MVP to users
5. Adjust to feedback and progress the product further.



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What is an MVP?

Once you know what kind of value you want to or can deliver in a broad sense, you enter the product development stage. It's called development for a reason – this is your opportunity to change and enhance your product.

A minimum viable product is a test drive which can start on the smallest scale and allows you to learn more about your customers and your product. The best place to start is by asking: “What is the cheapest and fastest way to deliver *some* value?”

Then, by building a product which answers this question, it is possible to start learning about customer needs and tailoring your product to suit. At each iteration, it may be helpful to focus on solving a problem you've encountered. Again, the question remains the same: “**What is the cheapest and fastest way to learn?**”

Here's a video which explains the concept of MVPs: <https://www.youtube.com/watch?v=0P7nCmln7PM>

Who should the MVP be deployed to?

Just like how it's not the best idea to try to deliver a complicated final product right from the beginning, it's not always easy to solicit customers to test a developing product. There will inevitably be many holes and changes that you don't want your customers to have to sit through. However, testing the ideas and iterating is still important.

The first person to test the product for its value and usability is you (and your team). Secondly, you might expand to family and friends. Thirdly, you might expand to fellow students or coworkers. Fourthly, you may contact small businesses or organisations who might be interested in your product.

You should get in contact with customers to explain clearly what the MVP is, and that it will be used to gain their valuable feedback. This is a valuable place to make connections and to explore the space where your product is heading.

Now what?

The first step is always the hardest: just start! What value will you deliver? How will you deliver this quickly in an MVP? This is the beginning of a very exciting phase of your venture!