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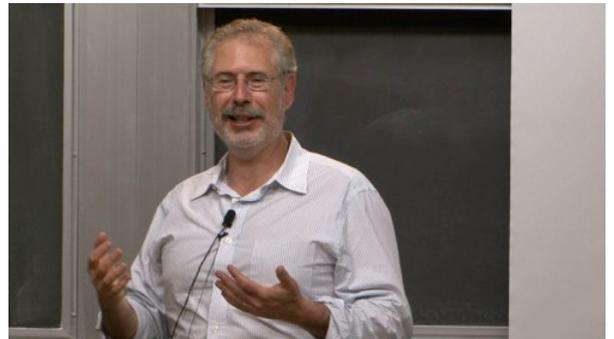
Assessing Customer and Market Risks

Steve Blank, *Stanford Engineering*

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The odds of success in Silicon Valley are about 1,000:1. How can so many good ideas fail to find their place in the market? Too many start-ups burn too many resources on sales and marketing too soon, says serial entrepreneur Steve Blank. Less than ten percent of start-ups fail because of faulty technology or engineering, whereas most allude success because they don't pinpoint the right market or the right customer.



Transcript

I realized that this might actually be a fundamental problem with most startups. Is that actually startups were burning money by starting sales and marketing and business development activities either on the Web or physically in the real world way too early. Because if you think about it, here we are in Silicon Valley, at least those of us physically here not those watching on TV. But for those of us here in the Valley, we take technical risks with products all the time. Investors put huge bets on all of you to do innovative things. Anybody have any idea what percentage of startups fail because their technology fails? Any idea? How many think it's over 50 % of startups fail because their technology didn't work? Over 50 %. Over 25 % How many think it's over 25 % fail because technology doesn't make it? Turns out less than 10 % of startups fail because the engineers were just wrong. Turns out most startups, and I'll leave Life Sciences aside for a second. Most startups in every other field other than Life Sciences, over 90 % fail because they didn't find a market and customers - full stop. Big idea.

Well, if that's the case and go ask your favorite venture capitalist or next guest and you'll have a lot of them in this class and every other class. Go ask them. If that's the case, why is it that we have tons of methodologies, some measure and help us getting the product right, but no methodologies to help us get the stuff about customers and markets right? Anybody ever been in a company with - in product management or know what product management people do? Some people in the back of the room. There's entire tool sets on how to manage technology risk. Tons. But there are almost no tools to manage customer and market risk. Well, think about this; you're an entrepreneur; I have a great idea, good! Let's go build it. Oh, good, let's go raise money. Oh, let's go sell it. Do you know what the next step it is? Oh, we're out of business.

Because most of us grow up reading these wonderful stories about all the people who made a ton of money at Google and Facebook and other companies that like - these are great examples. Do you ever notice they don't bring in the people who you didn't hear about? Because you wouldn't have come. How about bringing in the people who said, "You know I cratered my last seven companies. Let me tell you why." You'd go, "Well, I don't want to be one of those. I want to be Google and Facebook. That's whose presentations I want to hear." Any idea what the ration is between the Googles and Facebooks and other startups? Know how many companies fail every year in Silicon Valley? Anybody want to guess? Do you know what the ratio is? I'm sorry? Over a thousand to one. Now, one of the nice things about human nature is every one of you is going to be convinced that you're going to be Google and Facebook. You have to be, right? I mean, that's the passion of an entrepreneur. You have to be convinced. You know those other 999 companies? They were just idiots.

I am much smarter than them because I have better idea and we're cool.