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Discovery, Classification, and Validation – Fuel for the Product-Market Fit Journey

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In my previous post (You Don't Find Product-Market Fit, It Finds You (http://wing.vc/blog/you-dont-find-product-market-fit-it-finds-you)), I raised a warning about common blind spots to finding product market fit for B2B products. This post is intended to lay out many of the key topics that must be discussed with customers to avoid these blind spots, and why they matter. The focus here is on Version 1 products, but the same concepts apply to new releases or new features where the scope of discovery is narrower, and the ability of the customer to validate incremental ideas is greater.

Discovery

"The greatest obstacle to discovery is not ignorance – it is the illusion of knowledge" Daniel J. Boorstin

The data required for discovery, classification, and validation can be gathered by a disciplined approach of discussing several key topics with a minimum of 50 potential customers. These are framed as questions, but it is a checklist of questions that need to be answered, not questions that can be asked verbatim. Also, all customer discussions involve you presenting a thesis, getting their reaction, and then discussing. For all of these topics, the more you can capture the customer's own words on a topic, the more objective your understanding will be.

1. How would the customer use your product?

The more detail you can get, the better. How would they acquire and install it? How would it fit into their existing workflows? What result do they expect from using it? What output do they expect that proves it is working? What do they do when something goes wrong? Etc. No detail is too small to discover here. Capture the customer's own words. The best feedback will come when they can see the UI or try an early version of the product. Get to this point as early as possible.

2. What business benefit will result from the use of your product?

Should it increase their top-line revenue? Exactly how? Does it create a better customer experience for their customers? How do they measure that? Does it reduce operational costs?

Exactly how? This information creates the economic justification that your sales team will use in the future.

3. What existing products or processes must your product integrate with to be deployed at this customer?

Every new product fits into a workflow with existing ones. What will you replace? What do you need to accept data from or feed data to? How much customer work will that integration take and what will it cost? How much change to their existing way of thinking will it require? The easier it is to fit into their workflow, and the less retraining required, the more POCs you will get and quicker you can get to a purchase decision.

4. How would they like to purchase your product?

Do they expect to buy directly or as part of an integrated solution? Do they want a perpetual license or an annual fee or a per-unit charge? To run on-premise or in the cloud? Do they already have a VAR or service provider that supplies them products in this area? These answers inform your GTM strategy.

Classification

“Words have meaning, and names have power” … Anonymous

Once you have collected some customer discovery data, you will start classifying the customers and use cases into groups. Give the groups descriptive names since you will talk about them as a type of customer. Classification is essential to ultimately market to each group using the right words, and to create the sales playbooks that will make your sales teams efficient.

1. What are the titles of the purchase decision maker and key influencers?

What responsibilities do they have? This may seem trivial, but for qualifying future customers, titles are the best index into responsibilities and budget ownership.

2. How urgent is it for the customer to solve the use case your product solves? By what timeframe must this be solved?

This and pricing (next) are the most important classification questions. Technology customers love new technologies and excitement can be a false positive. You must ask when they need to solve the problem you address, and where this is on their, and their boss's priority list. Top 3 is good. Anything less, or if they are just starting to learn, is a signal that you are too early for this customer.

If everyone says that, you may be too early for the market.

3. How much do they think is fair to pay for your product when it is ready?

It is astounding how often people do not ask this question. Get over the discomfort. If the customer resonates with the idea, just ask. They will give you a fair idea of what they pay for things they consider similar, and if they want to pay perpetual, annual, per unit, etc. If they don't want to pay, or bring up lots of free alternatives, you may not have a market.

Validation (or Invalidation)

"The truth will set you free, but first it will piss you off" … Gloria Steinem

Discovery and classification lead to validation or invalidation. These are the hardest questions to ask directly and create the greatest temptation to just interpret the customer's warm or cold response. Failure to raise these questions early will lead to surprises you can't afford. It is critical to get invalidating or negative feedback as early as possible. No one likes to hear this, but it is far better to hear issues at a point in development when you can fix or redirect it.

1. What other competitive alternatives will the customer consider?

What competitive products do they mention? Might they build the function themselves, or do it with manual labor rather than automation? Do they think this is a feature their current vendor will just add to what they have already bought? Getting them to articulate their alternatives will also yield insight to their reaction to those options. This is critical data to product feature priority,

marketing positioning, and overcoming objections language in the sales playbook.

2. Why is your product a better choice than these options?

If you can get the customer to say why you are better in their own words, you get two benefits. First, you validate that they like *your* product, not just any product that solves their problem. Second, you have golden soundbites for the future marketing and positioning efforts. This will tell you what they care about most and how to effectively sell to people like them. If they can't articulate why they like it, they will probably have forgotten you by the next day.

3. What weaknesses do they see in your product idea?

This may be the hardest topic to raise. No one wants to prompt the customers for reasons they should not buy. But unsaid does not mean untrue. If you ask, they will know you are a company that will listen to feedback. They may have a great idea that you can incorporate. They may point out a requirement that you cannot address, in which case you can avoid wasting time on this use case or this type of customer. If they have nothing, prompt them with something you think might be an issue for their use case. If they agree, you know. If they answer your objection in their own words, that is more positive evidence for marketing and positioning. Either way, invalidation is just as valuable as validation since it focuses where success can be found.

4. How will they cost-justify the purchase to their management?

This becomes a quantified articulation of the business benefit. Claiming you will make sales more productive is nice, but saying you make it 22% more effective and therefore you should be paid $250k is much nicer. Discussing this with a customer early gives you the great insight into what budgets are involved, who is in the approval process, and how to connect your value to their business value. Again, you want the customer's own words here as they know best how to sell to their boss.

The cycle of discovery, classification and validation starts before you have built anything, but never ends. Every new feature, release, or model is the result of an ongoing effort to learn what your customers need and buy from you as opposed to your competitors. Uncovering and classifying new use cases drives broader adoption and new customer logos. Positive and negative validation enables you to have an honest relationship with your customers that will benefit both of you.

Customer needs, and by extension markets, are constantly changing as new technologies and competitors emerge.

This is not a linear process. You need some discovery to do any classification, but each customer discussion will cause you to refine your hypotheses, discard invalidated ones, and do more discovery. You will know you are getting close when the new discovery from each customer reinforces your hypotheses instead of invalidating them. This is also a dangerous time. When the customer is agreeing, it is the time to do “negative selling” and really push on where your idea may be weak. Once you have gotten a customer to say they like it, they are less likely to give you important feedback on what could go wrong. Make sure there is nothing unsaid.

If you make discovery, classification, and validation a rigorous and continuous part of the engagement with both new and current customers, you can minimize your blind spots. You will see these changes early, serve the market better, and stay ahead.

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