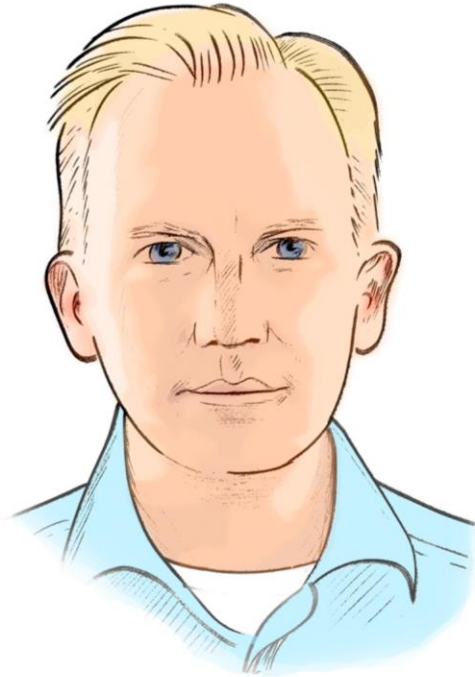


TIM DARLING

4 STEPS TO DEVELOP A STRATEGY



HOW TO BUILD A STRATEGY
FOR A DATA AND ANALYTICS-BASED STARTUP

After joining a venture capital-funded startup that needed to determine the next major path for growth ...

- How do you determine the next major future paths for growth?
- How do you know what we can uniquely build and what customers will buy?
- How can you inject data and analytics into products to make them relevant to C-Suite users?
- How do you align employees around the new direction?

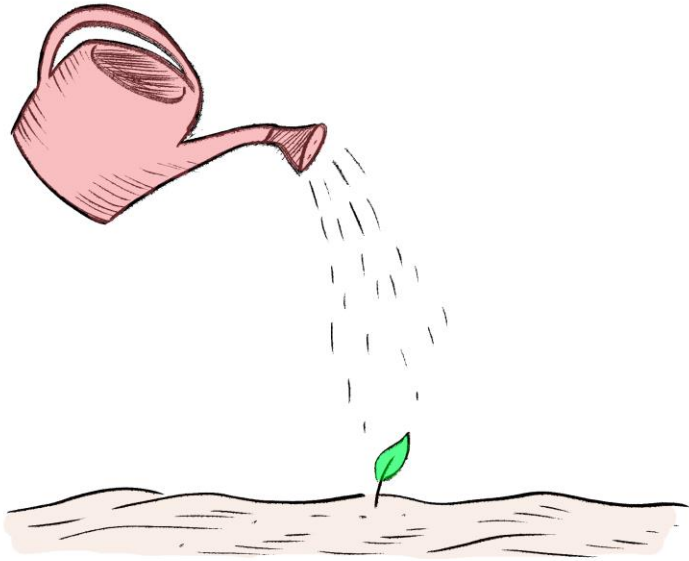
Then, after we got acquired and had to develop a strategy for the parent company ...

- What, exactly, is a strategy? What are the fail-proof steps we can take to build one (while many eyes are on us, the clock is ticking, and everyone wants to know what the process is and when we'll be done)?
- Is “international expansion” a strategy?
- How much customer research needs to be done before we can call something a strategy?
- How do you realign a large organization around insights that challenge the status quo?

Then, after we formed our own startup ...

- How do you take a blank sheet of paper and build a new product and company?
- Why us? Why should we believe we are uniquely positioned to build anything?
- How new and innovative should the idea be?
- How do you go into a room, demo a product to a broad set of different stakeholders that serves a need none of them have ever considered before, and, one hour later, have everyone believing that, from this point going forward, they can't live without what we built?

There are 2 types of strategy



FOR STARTUPS,
PRODUCT STRATEGY
IS HOW TO GET THE FIRST
SEEDLING TO SPROUT

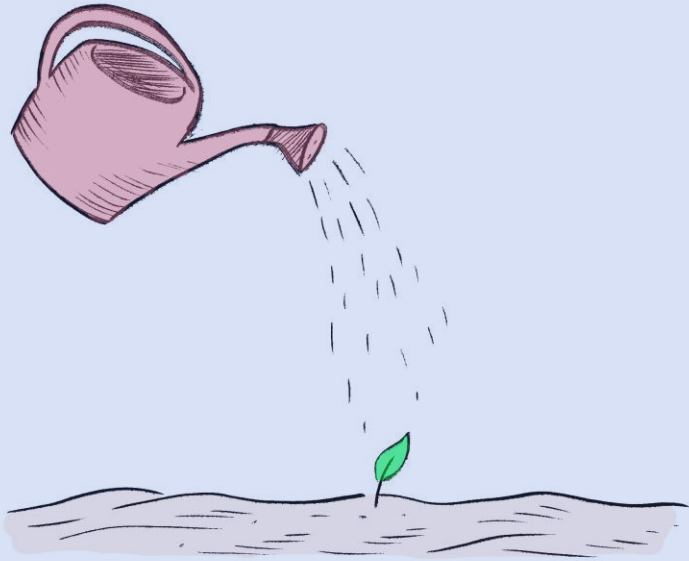


FOR ESTABLISHED COMPANIES,
PORTFOLIO STRATEGY
IS THE PROCESS OF CONSTANTLY
RE-ALLOCATING RESOURCES TO
THE FASTEST-GROWING PLANTS

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There are 2 types of strategy

Our area of focus



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4 steps to develop a strategy and build a company

A STRATEGY DESCRIBES WHERE AND HOW WE'LL SERVE OUR CUSTOMERS:

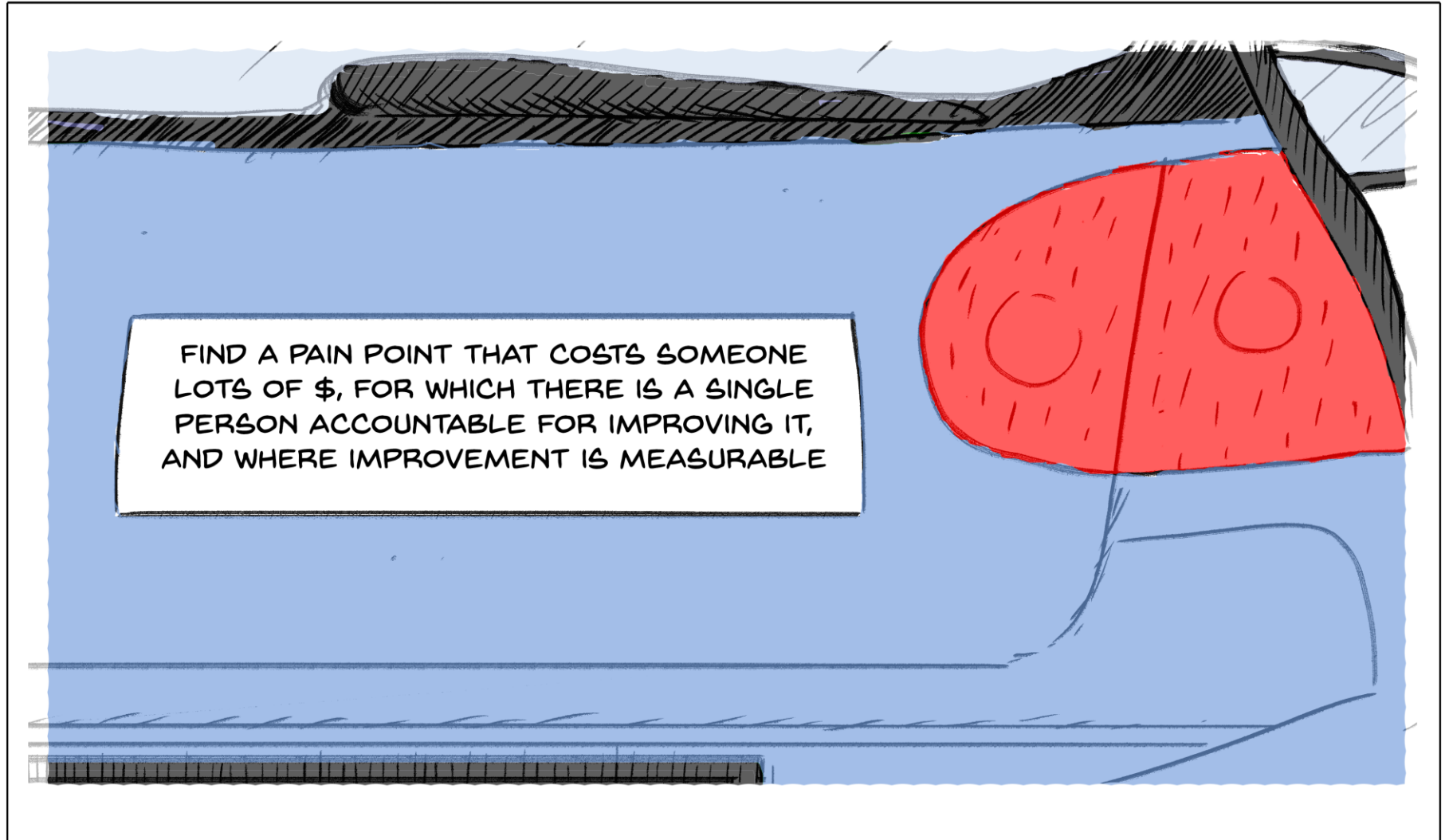
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- 4 **USER + HOW WE WILL DELIGHT THEM.** WHAT ARE THE 2 TO 5 UNIQUE AND MUTUALLY-REINFORCING ASPECTS OF OUR SOLUTION?

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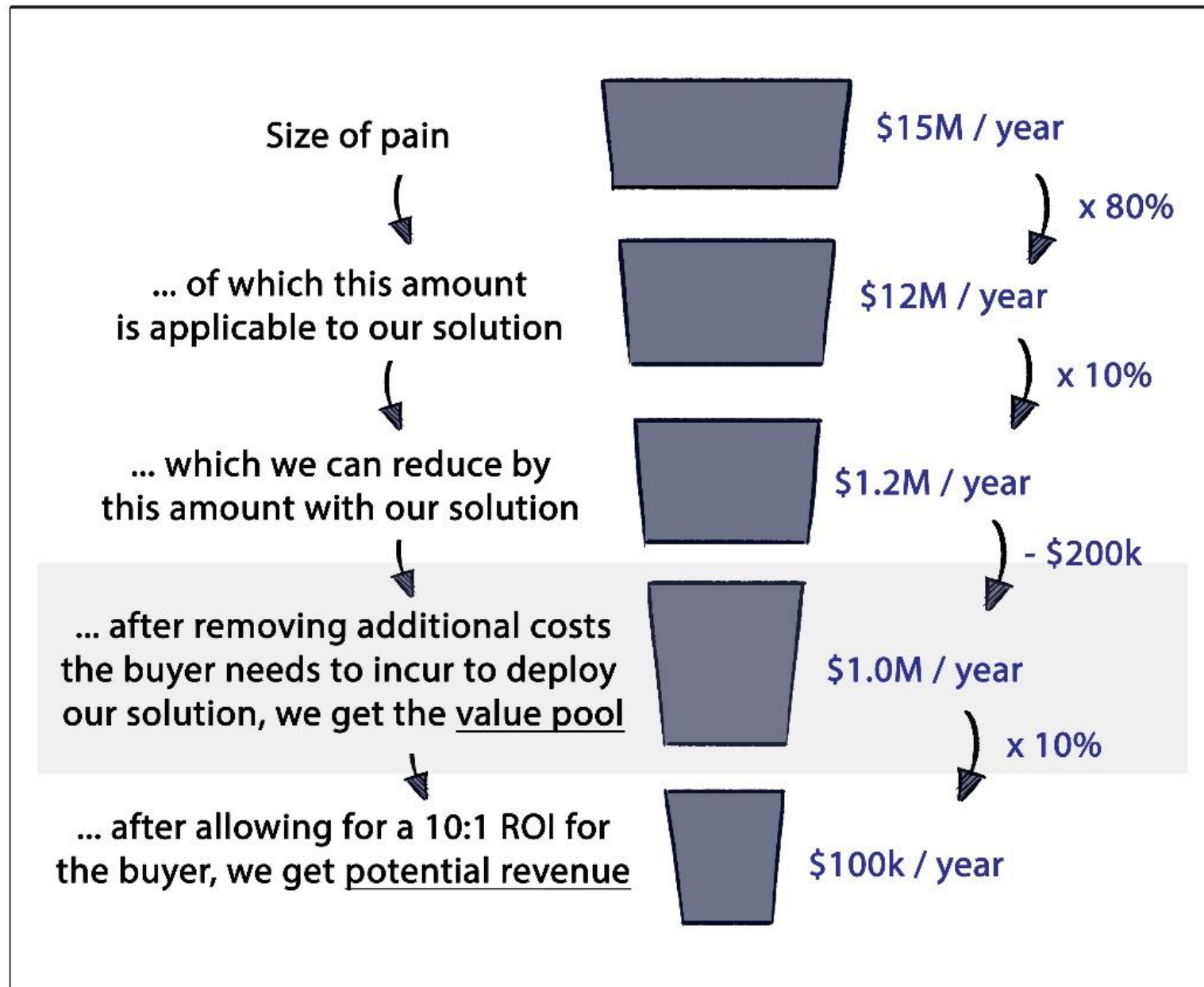
4 steps to develop a strategy and build a company



BUMPER STICKER ON A STRATEGIST'S CAR

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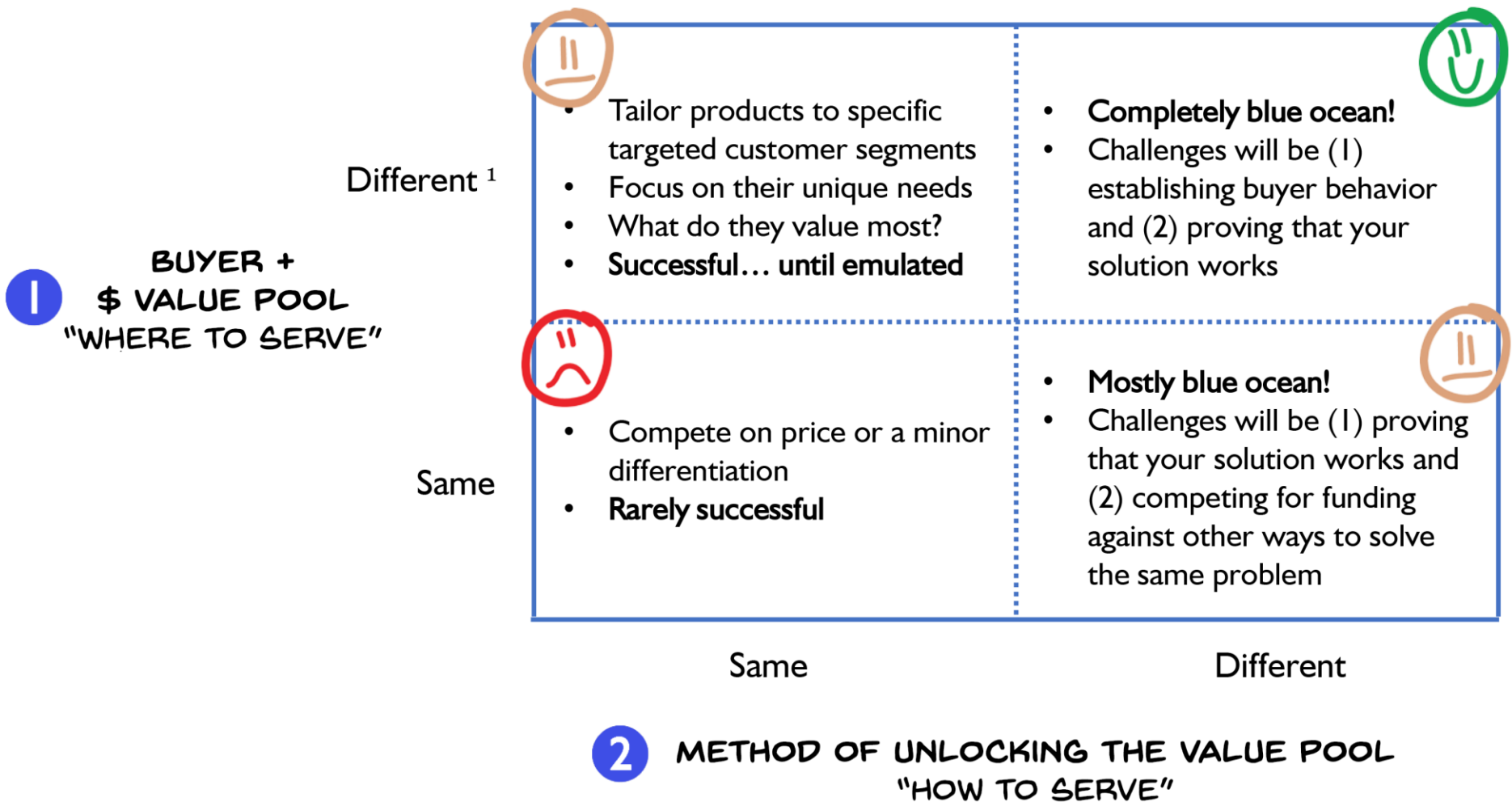
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RELATIVE TO THE INCUMBENTS SERVING YOUR CUSTOMERS TODAY, IS YOUR ...



¹ e.g. focusing on an under/over-served customer segment or an unserved pain point

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**KNOW YOUR STRENGTHS AND PLAY TO THEM.
GENERALLY SPEAKING, FOR EXAMPLE, 35-YEAR-OLD
CORPORATE EXECUTIVES DON'T BREAK INTO
PROFESSIONAL BASEBALL.**

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4 steps to develop a strategy and build a company



HAVING BAGS OF MONEY IS NOT A
SOURCE OF COMPETITIVE ADVANTAGE
BECAUSE MONEY HAS THE SAME VALUE
IN YOUR HANDS AS IN ANYONE ELSE'S

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4 steps to develop a strategy and build a company



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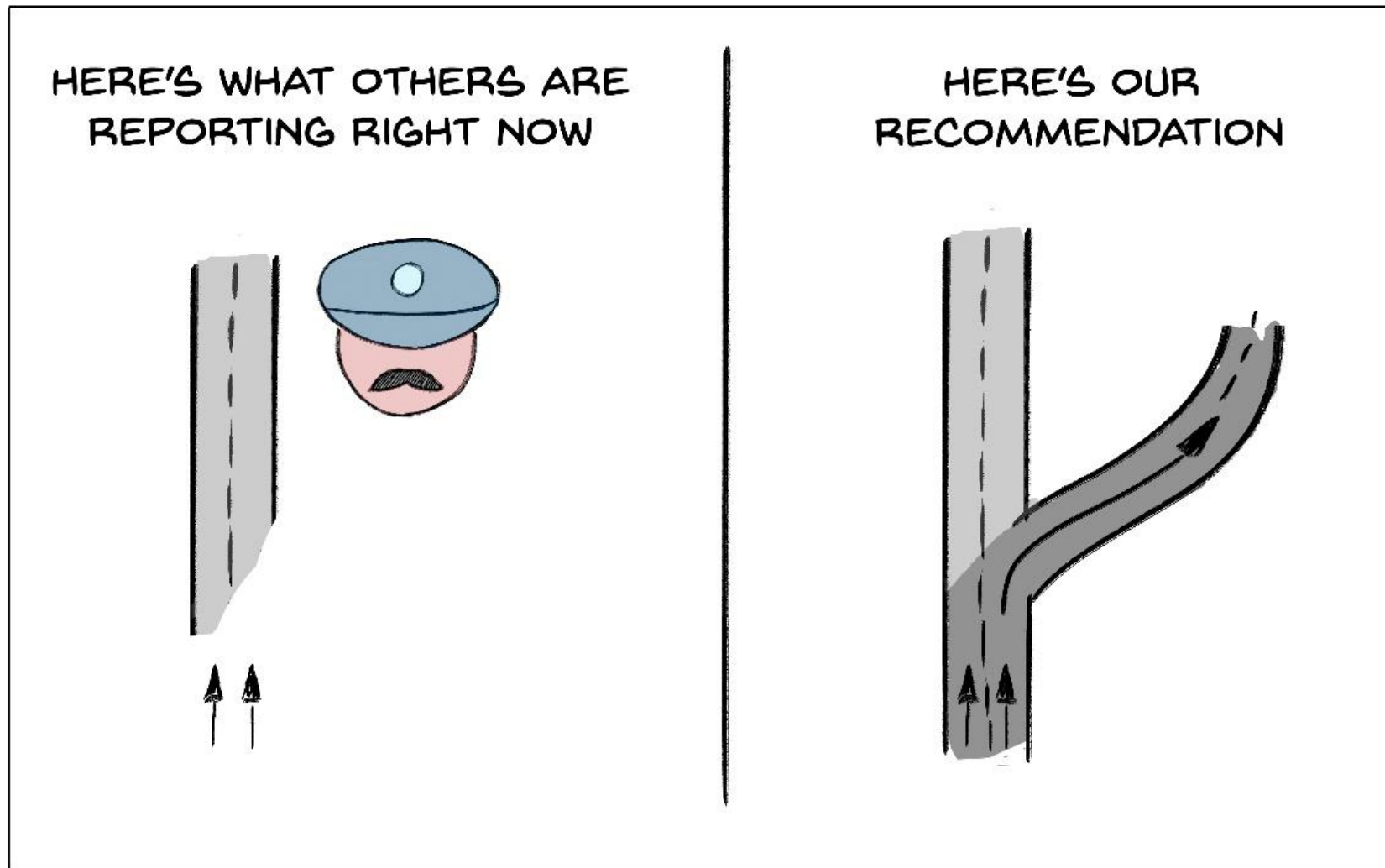
4 steps to develop a strategy and build a company



BUYERS AND USERS ARE DIFFERENT STAKEHOLDERS

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4 steps to develop a strategy and build a company



WHEN USERS CAN CONTRIBUTE SMALL BITS OF CONTENT THAT BECOME PART OF EVERYONE ELSE'S EXPERIENCE, PRODUCTS BECOME ESPECIALLY VALUABLE

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Fitbit's Strategy

1. Buyer + \$ value pool. What's the high \$ pain point or unmet need?

- Regular people looking to do more exercise. They see regular exercise as a way to increase the years and quality of their life.

2. Ways to unlock the \$ value pool. What's keeping the value pool from being unlocked? How unique is our chosen method?

- Instead of focusing on different types of exercise (as a gym might do), focus on the activities they do every day—especially walking—and allow them to track the impact of it and encourage more.

3. Why us? What are our sources of advantage? What trends will we ride?

- Founders' expertise in gaming methodologies.
- Ability to create simple physical devices at scale (so a pure internet-based startup could not compete).

4. User + how we will delight them. What are the two to five unique and pivotal decisions that will define of our solution?

- Make tracking exercise that is already being done easy to do.
- Build encouragement from the exercise they are already doing.
- Make it easy to set daily goals (such as 10,000 steps) and use the fact that by any given evening, they'll already be close to their goal as a mechanism to get the extra 1,000 steps or so.
- Allow them to see progress over time, earn badges, and feel good about what they are doing (as opposed to gyms and weigh-ins that are a mixture of positive and negative experiences).
- Build in social aspects—for example, allow them to have friendly competitions with friends and family.

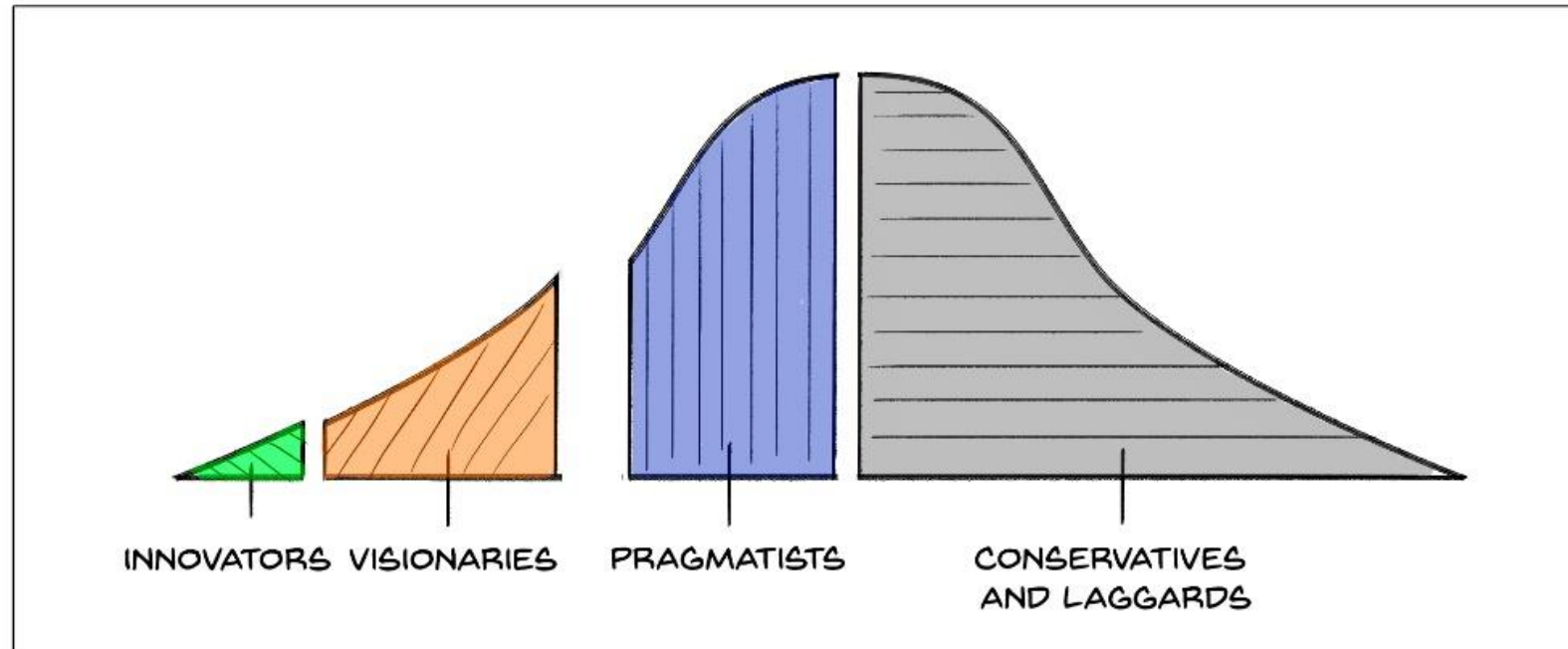
A few other thoughts on building a company, beyond a strategy



HUSTLE LIKE A MOROCCAN STREET VENDOR

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A few other thoughts on building a company, beyond a strategy



GEOFFREY MOORE'S TECHNOLOGY ADOPTION LIFE CYCLE

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A few other thoughts on building a company, beyond a strategy



**START BY BUILDING A MONOPOLY
(NO MATTER HOW SMALL THE MARKET IS)**

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Appendix / notes

What is strategy?

1. Buyer + \$ value pool.

- What's the high \$ pain point or unmet need?
 - How is it measured?
 - Who is on the hook for it?
-
- A value pool is a \$ amount that represents how much your product is expected to alleviate a major cost driver or open up a new revenue opportunity for a customer. Whenever possible, it's a metric that is one of the top 5 items on a CxO's mind.
 - Interview buyers:
 - What are the top 3-7 metrics that your organization measures to track performance?
 - What are the revenue-side/growth ones as well as the ones that are most costly to you?
 - Which ones are moveable and which are believed to be predictable (i.e., they change only very slowly over the long-term)?
 - The 7 most oft-spoken words in the English language today are "I have an idea for an app". So many startups have some product that is used by a few non-paying individual users and they are looking for ways to grow. To answer the question of what the value pool is in such situations, you have to understand why someone would pay you. If someone is, go and talk to them and find out why. If they're not, ask them what would cause them to want to pay you.

What is strategy?

2. Ways to unlock the \$ value pool.

- What's keeping the value pool from being unlocked?
 - What are the methods possible to unlock it?
 - How commodifiable is the chosen method?
-
- Ivan M. Arreguín-Toft's analysis in "How the Weak Win Wars" shows that taking a divergent strategy allows the smaller player to win 2 out of 3 times; taking a strategy similar to an incumbent's prompts them to win only 1 out of 5 times. Strategy at its core is carving out new solutions and approaches than everyone else.
 - Interviews again
 - How do you solve this value pool today and how effective are the available solutions?
 - How well do you think this method of solving this problem will work?
 - What is your day like? What are the other things you're worried about? Even if a high ROI solution to this problem existed, are there so many other firefighting things that you're doing that it might not be urgent enough for you to take action?

What is strategy?

3. Why us?

- Our sources of advantage.
 - Why can't 2 college kids in their dorm room do this?
 - What trends can we ride?
-
- Startups typically have a few sources of advantage, relative to larger companies, e.g.:
 - Speed and agility of product design and launch,
 - Deep and focused skills in a particular technology,
 - The sheen of a company fully invested in a new innovation that will catch the attention of potential customers, and
 - A laser-focused team
 - Ride the trends
 - What are the major trends emerging now related to the product space we're in? What are the new analytics tools everyone is talking about? The new user interface technologies? The newly emerging industry trends that industry analysts write about? How can we connect ourselves to any or all of these?
 - Look for areas of privileged information or insight. What do we know/see that competitors don't?
 - How will the market change over 5 years? What are "frontier"/early adopter/"they-may-be-the-future" customers doing (e.g. in China)?
 - How do we position ourselves in front of these market trend tailwinds vs. trying to mitigate their negative effect?

What is strategy?

4. User + how we will uniquely delight them.

- What are the 2 to 5 unique ways we will leverage our unique skills to address an underserved root cause, unlock a value pool for our buyers, and delight our users as we do it?
- Buyers are not users ... even when they're the same person.
- Interview potential users this time
 - What is a typical day like for you? Document the blocks of time they spend doing tasks and what tools they use.
 - What are your main goals? What jobs are you trying to accomplish?
 - Do you care about what the buyers care about (i.e. the value pool)? Can you build a product that puts the kale in the pancakes?
- Find power users. What are they cobbling together? Productize it for the masses. As science fiction writer William Gibson has said, "The future is already here; it's just not very evenly distributed."
- **No user is going to use your product unless it helps them solve a problem or accomplish a job that they are currently trying to solve** (even if it solves a buyer's problem and the buyer is their boss). To get product usage, you need a user's internal triggers to fire and then you want to be the reaction they have to that trigger firing. You cannot create usage by giving people a product and saying it does something new that they are not currently trying to do.