

Focus your project on user and customer value achievement

The two-fold purpose of this article is to:

- 1) Enable boards of directors and CEOs to better assess projects and potential project success.
 - 2) Enable those preparing project presentations and business cases to increase the success of project success.
- Projects which succeed in enabling users/customers to achieve value have a greater potential of achieving revenue and profits.

Looking back over the past 40 years, many, perhaps most, of the project presentations and business cases that I have led or have seen contained major flaws, which led to reduced or no benefits. The following outlines my current thinking, based on observations of countless initiatives and research.

What is a customer value achievement project?

- 1) Create a sustainable scaling product/service which profitably enables users/customers (e.g. users are people doing searches on Google, customers are people paying money to advertise on Google) to achieve value in a changing competitive environment.
- 2) Many projects will not succeed, especially those innovating with new target users/customers, new user/customer problems, new channels, new partners, etc.

How to read this article

This article outlines the different components of the project starting with the oral presentation.

The project has three phases

- 1) The startup phase, which concludes with the determination that there are a sufficient number of potential cash paying customers to create a scalable solution. Many projects will be terminated before this phase completes. The initial capital approval will be at most to complete this phase. Additional capital may be required during this phase, depending upon what is learned.
- 2) The getting ready to scale phase concludes with the business having the talent and cost-efficient scalable resources and activities in place. Additional capital approval(s) will be required for this phase.
- 3) The scaling phase, focuses on increasing the number of distribution channel and partners, combined with marketing and sales investments. Additional capital and resources may be required.

The 20-minute oral presentation of your project

The purpose of the oral presentation is to demonstrate the leader's:

- 1) In depth understanding of the project.
- 2) Ability to communicate complex ideas and concepts in an easy to understand manner.

The leader's oral presentation will have 10 sections.

- 1) What is the problem and who has it (target users/customers)?
- 2) How will the users/customers see and achieve the benefits of your solution?
- 3) Why is now the right time to do this project?
- 4) What is the size of the market i.e. how many users have an urgent need and how much customer would be willing to save money?
- 5) What is the product and/or service you are going to create?
- 6) Who is the project team and what is their relevant experience? The team may include advisors, consultants and partners.
- 7) What is the business model? i.e. how you are going to get users/customers and how will you make money?
- 8) Who is the competition and how are you unique?
- 9) What are the financials i.e. 24-month cash flow forecast by month as well as years 3-5 by year.
- 10) What are you asking for to launch the first phase of the project?

The outcomes of the project leader's oral presentation

The main outcomes of the project leader's oral presentation are that the audience will:

- 1) Support sending the project onto due diligence.
- 2) Have trust and confidence in the leader.
- 3) Have a clear understanding of who the users and customers will be, their urgent problems and needs, and the potential revenue from cash paying customers.
- 4) Know how the solution will meet the customers needs and problems.
- 5) Understand why users and customers will prefer this solution to the competitions.

- 6) Have confidence that the leader and her team have the relevant skills, and plans to close any skill gaps.
- 7) Trust that the leader will carefully manage the capital and resources based upon seeing a 24-month cash flow forecast, by month.
- 8) Understand that the initial project stages will consist of a series of experiments, prototypes, pilots, and phased releases reflecting the requirement to constantly validate user/customer problems as well as what the customer is actually willing to pay for.

The due diligence done on the project

The due diligence will include: review of material, calls/meeting with customers, and potential customers, calls. meetings with team members, and in-depth Q&A sessions with the leader and team. The written material for due diligence is in an online data room.

The outcome of due diligence is an IM (Investment Memo) which is the recommendation as to whether or not to proceed. The IM is based on the information provided by the project, information collected by the due diligence team, and due diligence team analysis and judgement.

The written material in the data room will include:

- 1) Who are your target user/customer segments? What is the user/customer market size?¹ How did you validate your assumptions?
- 2) What is the customer's perceived value proposition of your solution? How are you different from, and better than, the competition? The value proposition includes all of the customers' costs and benefits associated with adopting your solution, which includes any transition costs from existing solutions.
- 3) What are your customers' expectations of their relationship with you? E.g., if it's a software product, how often will there be updates with new features? How easy will it be to install a new version? Will customer service be a chatbot or a live person? Etc.
- 4) What will be your channels to the customer?
 - a) Communications channels with potential customers?
 - b) Sales channels which result in a sales transaction?
 - c) Logistics channels which deliver the product or service to the customer?
- 5) Who are your key partners? A partner is more than a channel. A partner may be: enhancing your credibility due to their reputation; adding value to your solution due to their resources; or enabling you to close sales.
- 6) What are the key activities? Which processes and actions are required to manage partners, channels, and resources in order to enable customers to achieve their value proposition.
- 7) What are the key resources to enable customers to achieve their value proposition? These include: intellectual property, technology, people, contracts, financial and physical assets.
- 8) What is the cost structure to create and deliver the value proposition?
- 9) What are the revenue streams? These could include: subscription-based per person per month, free for a basic service, with multiple tiers of extra services with fees, etc.
- 10) What's the talent required for the project? What are the gaps and your plans to address the gaps? What are the project team member descriptions and how are their skills, experience, and network relevant to this project?
- 11) What is the 24-month cash forecast, by month, showing key milestones and accomplishments.
- 12) The oral presentation deck. Designed to support the oral presentation. Lots of visuals, with few words.
- 13) The written presentation deck

Ongoing project reporting

The following reporting is ongoing from startup through to the business scaling the solution

The written report will include:

- 1) New customer value achievement leading indicator (e.g. for Slack it was 2,000 team messages sent within 60 days).
- 2) New customer success metric (e.g. % of new customers achieving new customer value achievement indicator within 60-90 days).
- 3) Net Promoter Score.²
- 4) Customer churn.
- 5) Customer retention.
- 6) Customer acquisition costs.
- 7) Lifetime customer value.
- 8) Issue and problems – there are always problems and issues
- 9) What help is needed – help is always needed

10) 24-month cash flow forecast – actuals vs plan

There is a monthly review meeting 100% focused on issues, problems, and the asks for help. The written report is distributed and read prior to the meeting.

Any requests for additional capital will require an updated Investment Memo,

Startup Phase

The additional reporting in the startup phase reflects that there may be many experiments, pilots/prototypes, and a series of evolving revenue generating solution, until the project determine whether there is a solution which meets the cash spending demands of a large enough number of customers and the needs of enough users. What's being done is often inefficient and even manual.

Reporting reflects what is being learned, what assumptions are validated or invalidated and what new assumptions are being made.

Getting ready to scale phase

The additional reporting in this phase is now focused on the efficient gaining of users/customers and the profitable meeting of their needs. (e.g. The onboarding process in the startup phase may have had the CEO call each person who signed up on the website within 30 seconds. This will be impractical in the long term) The reporting will reflect the talent, process, and technology changes required.

Scaling phase

The additional reporting will reflect the learnings and associated metrics arising from: new geographies, new distribution channels, new partners, etc.

Your next steps

- 1) Document your current project approval and project management process.
- 2) Compare your current situation to what I've outlined above.
- 3) Identify the critical improvement requirements and related assumptions.
- 4) Begin piloting the revised project approval and project management process to validate your assumptions.

Footnotes

¹ Market size

What is TAM (Total Addressable Market)?

- 1) What would be the project's revenues with their future solution if 100% of the customers demanding a solution to their problem bought the project's solution. This assumes all potential distribution channels and partners
- 2) There is a critical difference between customer needs and customer demands. Customers have a large number of needs. Demand is customers deciding that they will spend time, effort, and money to get a solution for what they believe is an urgent need. Often this means that customers will spend less money to meet other needs.
- 3) Is the project's TAM large enough to launch and grow the company? For example, the global smart phone TAM is huge, but the global TAM for smart phones that have a keyboard is tiny.
- 4) The best way to calculate TAM is with a bottom up calculation, starting with a clear description of the target customer segment, its needs, and then considering the subset of customers who will actually provide revenue, and the revenue per customer. Recognize not everyone in every country will be able to afford the solution.

What is SAM (Serviceable Addressable Market)?

- 1) This is the portion of the TAM that is within the reach the project's distribution channels and partners, and your ability to deliver and support your solution. Geography may be a constraint. This still assumes 100% market share of those customers demanding a solution. SAM will change over time, as growth occurs in geography, the number of distribution channels and partners, and the volumes from each distribution channel and partner.
- 2) How will customers connect with the startup? If they are seeking a solution, how will they find the project? How will the project make customers aware of the solution?

What is SOM (Serviceable Attainable Market or Share of Market)?

- 1) SOM will be lower than SAM for two reasons: there will be competitors, and every customer who is demanding a solution may not actually buy a solution.

TAM, SAM, and SOM will vary at different points of the 5-year forecast. TAM, SAM, and SOM will also change as the project validates assumptions by progressing through: initial assumptions, customers interviews, feedback from prototype in customers hands, feedback from initial revenue producing customers, feedback from MVP (initial revenue producing customers who are delighted from the initial set of value they achieve from the solution), customer feedback as solution capabilities are enhanced to provide value to a greater set of customers, etc.

²NPS (Net Promoter Score) The single most important question is asking “Would you recommend our solution to others?” (Follow on questions could be “If so, why? If not, why not?”) This metric is known as NPS. What is your NPS? Above 0 is good. Above 50 is excellent. Above 70 is world class. How do you compare to your industry and competitors? What has been your NPS trend?

The Net Promoter Score concept was initially developed by Bain. The following is a link to the Bain website homepage for Net Promoter Score, which contains several short articles:

<http://www.netpromotersystem.com/about/why-net-promoter.aspx>

The following is a quick overview of using Net Promoter Scores:

<https://www.forbes.com/sites/shephyken/2016/12/03/how-effective-is-net-promoter-score-nps/#1b1391b423e4>