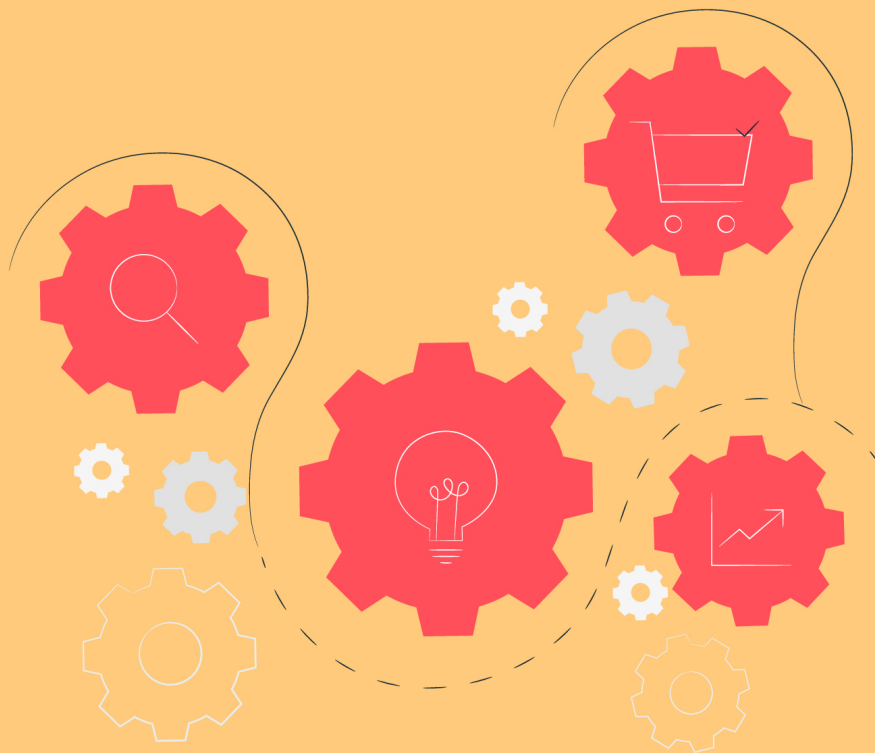


# SUMMARY

## THE FOUR STEPS TO THE EPIPHANY

STEVE BLANK



# **Summary of “The Four Steps to the Epiphany” by Steve Blank**

Written by Alyssa Burnette

Learn how to unlock the epiphany that will make  
your startup stand out.

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# Introduction

Startups are the perfect blend of brilliance and chaos. Sure, you've got a great idea for a new product and you're on your way to conquering the world, but it also takes time, effort, and a lot of funding to get a new business off the ground. It doesn't help that you're also usually swamped by fifty million tasks, all of which need to be done yesterday. Unsurprisingly, it's easy to get lost in the madness or to yearn for a compass that could guide you safely to success. But luckily for you, you have one! This book is your compass and it's going to show you how to prioritize the tasks you truly can't live without and which ones can sit on the back burner for awhile. It will also help you learn from others' mistakes while providing additional insights like:

- Who your ideal first customers are
- How to identify the market you're operating in, and
- Why it's better to launch your product as early as possible

# Startups Need to Prove Their Vision is Viable

Many new business owners start out with a fundamental flaw in their thinking and that's the assumption that startups are just smaller versions of big companies. For example, some people think of it in terms of Apple existing as an established company and then, their startup is the mini version of Apple. This can then lead new startups to believe that, if they want to succeed, they can simply follow the same strategies employed by bigger companies. But that's not the case at all! Why? Well, for starters, unlike large, established businesses, your newcomer startup can't simply introduce a new product to the mass market.

That's because successful companies already have a tried and true customer base and they've conducted extensive research with regards to their demographic. They've also done their homework when it comes to their competitors and they apply that knowledge when it comes to their product development process, which typically starts with designing a new product and then finding the right customers for it. By contrast, startups are too new to know much about their market environment and they need some time to get to know their customer base before they develop a new product. So instead, they need to use a customer development process which centers on building a customer development base first and then designing a marketable product.

We can see the necessity of this process through the example of a company called Webvan which originated in 1996. An innovative new startup, Webvan branded itself as the first-ever online grocery business. But even though they started with a great new idea, they imploded soon after they began because they concentrated on product development rather than learning about their customers' needs. So, as you can see from their example, researching your customer base is crucial! But it's also important to remember that, unlike large companies who know their market and know how to profit off of selling to it, startups don't have a track record of

success to draw from. Rather, they have to start by proving that their business idea is viable because they don't yet know if it will actually work.

# What's Your Mission Statement?

As we discussed in the earlier chapter, startups are often launching with a completely new and untested vision. And that's okay! It just means that you need to make some important decisions about what the right path looks like and how to stay the course. And the sooner you establish that vision, the more successful your business will be! So, how do you get started? Well, the first thing any startup needs to define is a set of core values that can guide it long term. For example, if you're a new pharmaceutical company, one of your core values might be, "First and foremost, we make drugs that help people." And if you have that value in place, then any time you're faced with a decision to make, you can test it against that core value to determine the right choice. No matter what your core values are, the most important thing is that they are genuine, authentic values your company can stand behind for years to come.

But in addition to your core values, you also need a mission statement. It's important that you write it down because, as you've probably noticed in other areas of your personal and professional life, it's easier to accomplish something if you've written out a solid plan. The same is true for your startup; if you want your business to achieve its goals, they should be clearly written out in the form of a mission statement. Like your core values, your mission statement should be a set of principles that can guide you long-term. But they'll also be especially helpful in the early days of your startup, when you're going through that initial tumultuous period of getting your business off the ground.

So, how do you define those key principles that guide your company? They might look different for everybody, but at its core, a mission statement should answer questions like: what motivates our staff to come to work every day? Why do we do what we do? How do we define "good work?" What are our goals for growth and profit? Answering questions like these will help you explore the heart of your company and allow you to chart a path to success and authenticity. And if your business is guided by good



core values and a solid mission statement, you can feel confident in knowing that your business has a better chance at lasting success.

# Startups Have to Choose Their Strategy Based on Their Market Type

Every startup is different, so it makes sense that each one would require a unique strategy, one that doesn't try to follow patterns that are specific to established companies or stuff your business into a cookie-cutter mold. So, how do you find that ideal strategy? In most cases, it depends on the environment or market type that you find yourself in. You can determine this by asking whether you're facing a new or existing market. An existing market is one where you already know who your customers and competitors are. The benefit of this is that you won't have to spend a lot of time researching your customer base, but on the down side, you will be faced with some established competitors who pose a challenge from the start. In this market, your primary objective will be entering the market by outperforming those competitors.

We can find an example of this by looking at the microprocessor startup Transmeta whose aim was to challenge Intel's hold on the market by producing a new chip that was compatible with Intel devices and possessed superior energy. They were initially able to save time and money because they already knew their customer base and their competitor. But unfortunately, Intel ultimately put them out of business by developing their own low-power chip.

The next type of market to look at is the new market and this is the customer pool you create by finding users who need your product. Obviously, it's not easy to create a brand new market, but on the positive side, there are no competitors yet! PhotosToYou was one company that tried (and failed) to create a new market in the 1990s. Focusing on printing high-quality photos from digital cameras, PhotosToYou shot itself in the foot by concentrating its resources on branding instead of learning more about its customer base. This lack of information caused them to struggle in their search for customers and as a result, their startup tanked. Fortunately, you can learn from these mistakes by employing a third option:

resegmenting an existing market. You can do this by offering a niche product or offering a cheaper version of a product that already exists. Resegmenting is a great option because it can open up a whole new customer base of people who either couldn't afford the product before or were dissatisfied with the options previously available.

One example of a company that did this successfully was the fast food startup In-N-Out Burger. Despite fierce competition from McDonald's, Burger King, and other established fast food chains, In-N-Out Burger was successful because its goal was to offer higher quality hamburgers for a lower price.

# Startups Have to Quickly Learn and Adapt

Every startup will make a mistake at some point. Sadly, it's inevitable. But even though it's impossible to avoid mistakes entirely, you can still make the most of your errors by catching them early and treating them as learning opportunities. You can also reduce mistakes and their impact by gathering as much feedback from their users as possible-- even before there's a product for them to use! That's because your goal is to find out if there's a market for your product (i.e. people who will actually buy it!) Conducting this research early on is vital because if you realize that market isn't out there, you've just saved yourself a lot of time and money! After all, it's so much better to avoid developing a product no one wants.

But if you find that you do have a market, you can use this feedback to tweak your product so that it better suits your customers' needs. Remember that at this stage, you're not trying to sell anything yet-- you're simply trying to gather as much information as possible so that you can optimize your product for maximum profit. For example, let's say you want to make a sheet of plastic that protects phone screens from scratching or breaking. So, when conducting your preliminary research, you would probably want to ask people how inconvenient broken screens are, how much money they spend on replacing them, and what their ideal solution looks like.

And once you have this information, it's important to remember that, as a new startup, you can't afford to be slow and unresponsive; you have to act quickly because your environment is constantly changing. If your feedback indicates that a certain product isn't viable or needs improvement, you can't operate with stiff hierarchies or a refusal to adapt because these policies cause delays in productivity. And if you're waiting for someone higher up to make a decision or you have to waste time on convincing someone that a change needs to be made, your competitors will beat you to your product in a heartbeat. That's why one key to success is ensuring that every member of your team has the authority and flexibility to make urgent decisions.

# Your Development Process Makes the Difference Between Success and Failure

In the first chapter, we discussed the fact that startups can't afford to follow the product development process employed by established companies. But that's only one potentially disastrous strategy. Because it's also dangerous to fall into the "better mousetrap" mentality and believe that you can simply design and launch a great product and the world will show up at your door. In fact, the sad reality is that that almost never happens. So, instead of assuming that you can attract customers based solely on the fact that you have a good idea, it's important to remember that product development is simply an internal process, one which needs to be influenced by your findings from the market research we discussed in the last chapter.

Operating on this system is a game-changer because it takes the focus off of your product and concentrates it on the people who can make your product a success: your customers. This can help you avoid the fate of early online furniture retailer Furniture.com. This startup focused all its energy on building a flashy and expensive website, a recognized brand, and a large-scale shipping system before the designers realized they'd forgotten one critical thing: market research. Because after putting in all that time, effort, and money, they learned that, sadly, their customer base wasn't ready for online furniture shopping and there was no market for their flashy new website.

So, the moral of this story is that if you want to avoid repeating this mistake, your startup has to focus on customer development rather than the product development process. You can start by building your customer base and then tweaking your product to suit the needs of those customers. Even if your final product looks nothing like the original vision you started out with, that's okay! The point is that, ultimately, you've created something people actually need and can use. The customer development process will look different for every startup, depending on your product, mission statement, and core values, but it primarily depends on the market

type you operate in and the feedback you receive from your potential customers.

The designer product retailer Design Within Reach is a great example of a solid customer development process in action because they adjusted every catalogue they published in response to customer feedback they received on their previous catalogue. And because they paid such close attention to customer feedback, their efforts were rewarded with a consistent increase in the numbers of their customers and a larger average order size.

## Final Summary

Many people believe the common misconception that startups are just mini versions of big companies, but nothing could be further from the truth. In fact, operating on this belief can be deadly for startups. That's because larger, established companies have had years to build their strategies, acquire customer feedback, and research their competitors. But as a startup, you're just starting out and that means you still need to figure out what your strategy and target market are.

You can achieve success by formulating a mission statement and a set of core values which will define the soul of your company. And if you allow these principles to guide you, you can rest secure in the knowledge that you have a solid foundation which informs your business decisions and keeps you on the right path. You can also dodge many of the common problems startups face by switching from a product development process to one which focuses on customer development. Operating on this system, you'll concentrate on acquiring customer feedback and using this to optimize your product. So, by tailoring your strategies to fit the needs of your customers and relinquishing the idea that your startup is just a smaller version of a big company, you can get a head start on the path to success.



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