

The Startup Survival Podcast by Peter Harrington

Series 2 Getting Better, Going Further

Transcript: Episode 3 – How Research turns Ideas into Great Products & Services



March 2021

Hello. How are you? Welcome back once again to the start-ups survival podcast with me, Peter Harrington.

Speaker 1 ([00:21](#)):

Hopefully, our exploration into the world of ideas and creativity with Professor Fee got your entrepreneurial juices flowing. For me, Alistair's originality and energy makes him a standout thinker and communicator. Doubtless hundreds, if not thousands have benefited from his James Bond evenings and perspective gatherings on rooftop buildings. Over the years, my travels have allowed me to meet some quite extraordinary people. And another person that I've met is best-selling author and entrepreneur Diana Kander. And I'm delighted through the marvel of the online airwaves, Diana is this episode's, special guest. Diana is going to be sharing how startups, in fact, any entrepreneur should conduct research so that any idea has the best chance of being turned into a product or service that people will pay money for.

Speaker 1 ([01:16](#)):

Before I introduce Diana, let me take you back to 2016. I was traveling once more with my selfless and long suffering SimVenture colleague, Paul. Mexico was to be our final destination, but we first had to attend an event in California. Arriving at Los Angeles airport we duly hired a car and headed South to San Diego to participate in a four day exhibition. That two hour freeway drive along the sun blessed West coast was a joy and San Diego proved to be one of the most delightful and eye-catching of US destinations. Fortunately for us, our exhibition stand was very popular. People were keen to get their hands on an entrepreneurial simulation. I quizzed many stand visitors, but one conversation stands out in my memory. Wearing a light blue cap with the word Baltimore emblazoned in large black letters across its front, an elderly man talked passionately about the power of interactive storified learning.

Speaker 1 ([02:19](#)):

And then he asked, had I ever heard of Diana Kander? And more importantly, had I heard about her groundbreaking entrepreneurial textbook, All in Startup? Her book, he explained, had become so popular it was a New York Times bestseller. This was no standard textbook he enthused. This gem of a read was a story. A fast-paced novel, a thriller. For reasons I'll explain in a moment, I wasn't just curious. I was all in to

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know more. Sensing my heightening interest my new found friend then told me, Diana was actually at the event right there in San Diego. Tipping his blue cap, he turned and told me would go find her so he could introduce us.

Speaker 1 ([03:06](#)):

Great books stay in our minds. If you heard me talking about my disastrous caravan planner in episode two, you'll also know I recommended the autobiography *Body and Soul* by Anita Roddick. I read this book in part because I had time on my hands back in 1989. I was keen to learn about business and entrepreneurship, but having just graduated, I wasn't much fussed about standard textbooks. So when I also came across a book called *The Goal* by Eliyahu Goldratt, I couldn't put it down. To give you a sense of why the goal was so compelling let me quote what Amazon says about this novel blockbuster today. Alex Rogo is a harried plant manager, working ever more desperately to try and improve performance. His factory is rapidly heading for disaster. So is his marriage. He has 90 days to save the plant, or it will be closed by corporate HQ with hundreds of job losses. It takes a chance meeting with a colleague from student days, Jonah, to help him break out of conventional ways of thinking to see what needs to be done. If you want to learn quickly about lean manufacturing, theory and practice, I recommend you get the goal today.

Speaker 1 ([04:19](#)):

Turning textbooks into stories has a profound point I must share because the learning relates back to the neurology covered in episode one. As youngsters, we are told stories. We love stories. Why? Because our brains find it much easier to process information that connects easily. Disconnected lectures, tedious training sessions, and textbooks that overly tax our brains typically lead us to lose concentration and tune out. As a result, neurons aren't fired, myelin doesn't build, and we don't learn. But compelling stories, just like music and songs we enjoy listening to and repeatedly sing with apparent ease are much easier to remember and recall because the neurons fire, the myelin builds the memory holds and we learn. And when my Baltimore capped friend returned with Diana in tow, I listened intently as she told me all about her New York Times bestselling book *All in Startup*. And as importantly why she had written this fast-paced Las Vegas based thriller for entrepreneurs.

Speaker 1 ([05:23](#)):

I was completely sold and within minutes of saying our goodbyes. The book was part of my Kindle collection. And by the time my colleague Paul and I arrived in Mexico, 36 hours later, I had read Diana's masterpiece in full. It was and still is a phenomenal learning resource. And that's why I'm so pleased. Diana is here with us. Kansas based, she is a serial entrepreneur, former MBA professor, and a New York Times bestselling author. Diana has served as entrepreneur in residence inside both 500 companies and government agencies. She has written two books about launching new products and creating a culture of innovation. Her first book, *All in Startup* is heralded by entrepreneurs around the globe as one of the most valuable and influential of texts. Diana, welcome to the Startup Survival Podcast.

Speaker 2 ([06:18](#)):

I'm super excited to be here.

Speaker 1 ([06:20](#)):

Diana let's focus on the subject of customer research. Why in your opinion, is this issue so important for startups?

Speaker 2 ([06:29](#)):

I just think that you can spend a lot of time and money building things that nobody wants and the smarter you are, the more likely it is that you will miss, because you think you can guess what other people want. And people are delightfully irrational and what they want and what they don't want is a surprise to most of us. So the only way to not waste your time and effort, and I've personally spent over \$250,000 building software products that nobody used and have since learned how to, you know, listen to customers in a way that will help me build products, that they can't wait to get their hands on once I'm done.

Speaker 1 ([07:11](#)):

So you experienced a lot of financial pain, getting it wrong. Can you expand on what happened and, and how it felt personally,

Speaker 2 ([07:18](#)):

You know, just a big kick in the gut and embarrassing. And one of the efforts, you know, I raised some venture funds and I hired a lot of people and it was just very painful for me, very embarrassing. I put a lot of my reputation on the line and it was, it was that one effort. I raised nearly half a million dollars in startup funds in angel investment and ended up building something that didn't work. I mean it worked. It's just customers weren't using it. And it, it was terribly difficult. I couldn't make eye contact with any of the people that I worked with. I started writing my first book, like journaling as a way to just deal with all of the pain that I was feeling. So my goal after that experience was to never repeat that again.

Speaker 1 ([08:07](#)):

So that failure and learning was the catalyst for the book, All in Startup, your novel, am I right?

Speaker 2 ([08:13](#)):

Yes. And even the book is an example of listening to your customers. You know, I wrote half the book and I asked seven people to read it and tell me what they were reading. I actually didn't even tell them I had written it. I just wanted to be as objective about it as possible. And I had written down before they read it all the different points I was making - the takeaways. And each of the seven people came up with a different takeaway from one another. And none of them matched any that were on my list of takeaways that I was hoping people would get. So clearly I had missed the mark of what I was trying to achieve. And I ended up doing these iterations and customer tests seven different times with the book. And I'm so confident in the final product, because I know how people react to it. It was not a mystery.

Speaker 1 ([09:04](#)):

The pain of your software product failure taught you the importance of engaging potential customers early. But when you sought feedback about your book idea, and it wasn't what you expected. And I imagine some of it was quite critical. How did you feel?

Speaker 2 ([09:18](#)):

Of course it hurts and it's painful, but you have to think about how I've changed my opinion of what it is. It's not that I'm dumb and I don't know what I'm doing. It's like, I wasn't good at predicting what rational people wanted or how they read it. And so it's like going to the gym, you know, if you go to the gym and you lift with one pound weights, there is no resistance, but you're not building any muscle. It's not painful. It's easy, but you're not actually helping yourself in any way. And I have learned to see that pain as a signal,

that things are going in the right direction. In fact, I feel like if you're on an innovation project and you don't feel like you're getting punched in the stomach all the time, you feel like things are going according to plan, then something is going to go terribly wrong at the end of the project. So I'm almost nervous about not feeling that pain,

Speaker 1 ([10:13](#)):

But your book was a bestseller by the time it came out.

Speaker 2 ([10:16](#)):

Yes. But that's why, because you know, the first several rounds of interviews, I changed the story. I changed the characters. I changed the points like it's complete is a completely different book than the first iteration.

Speaker 1 ([10:32](#)):

Let's come back to the book a little later for now. Diana, why in your opinion, does so many startups fail to do meaningful research?

Speaker 2 ([10:41](#)):

I actually think that a lot of startups, they know enough now to know that they need to go out and talk to people, but they either go out and talk to the wrong people. Like people who care about like their parents, their friends and family, or they communicate too much about the right answer. And people are really, really nice and they will lie to you. And most entrepreneurs will, you know, eat those lies up like cereal in the morning. Like they, they love it. And so if you're getting nothing but positive feedback, it means you're asking the questions incorrectly. It means that you're overly communicating. You know, like, think about this, Peter. If I came to you and I said, Hey, I quit my job. I put my entire life savings into this widget. My entire family depends on this thing being successful. What do you think about it, Peter? There's no way you're going to be like, well, this doesn't make any sense. You're going to say this is great. You know, keep going with it. Cause you don't want to be the one person who stops me in my tracks.

Speaker 1 ([11:41](#)):

And regardless of whether people seek objective or subjective feedback, I find startups often reject other people's opinions. Why, why do you think that is Diana?

Speaker 2 ([11:51](#)):

They have so much of their person, self-worth wrapped up in it. It's not a product that's independent of them. It is themselves. And so they have to believe in it. They have to put their all in it. And it's the people that can separate themselves and be like, ah, this could work. This could not work. Those are the ones that are going to be successful because they're going to be the most interested in only investing in things that actually work. I'll give you an example. You know, Facebook is a really successful company and most people don't know the origin story, but after Mark Zuckerberg had success at Harvard, you know, the easiest thing to do there was a competitor in the product, in the market. And Mark Zuckerberg went to the schools where there was a competitive product to make it more difficult on himself because he said, if we can be successful in those campuses, then we'll know we have something. And most entrepreneurs will say, well, let's just do the easy stuff. Let's, let's grab the open communities that don't have anybody. I don't want to make it difficult on myself. And the more roadblocks you can put in front of yourself and still go through

them. That's how, you know, you have a product that people will pull instead of you having to push it on them.

Speaker 1 ([13:08](#)):

So doing the feedback hard yards is much more likely to bring success in your mind. Diana, who must start ups talk too.

Speaker 2 ([13:17](#)):

You shouldn't be talking to anyone who's not an target customer of your product. So if you build a motorcycle you know, a new next stage motorcycle, don't talk to anyone who's not in the market for a motorcycle. Don't try to convince people who don't even drive a car that they need. This motorcycle spend your time with people who are already in the market and you just have to convince them of your product. Otherwise, you're going to be getting pretend feedback, you know, from people that don't actually matter. And it's your job to not only get feedback, but figure out a line of communication to your target customers. If, if you built a product for billionaires, something that you can only sell to billionaires and you're like, well, I can't get any billionaires to talk to, to interview. Well then you're probably going to have a really hard time selling your product when you're done with it. So this customer interview time is so important because it establishes your funnel of how to even get these kinds of people in front of you, whether you're selling to surgeons or anybody like, can you actually get a hold of these people to be able to talk to them?

Speaker 1 ([14:29](#)):

And what about prototype testing and customer experiments?

Speaker 2 ([14:33](#)):

Yeah, I mean, talking to people is good, but running an experiment is even better. So if you have one of the experiments that I love is if you have an app that you're developing, go to wherever you're going to sell the app and try to sell it and see if people download it before you have anything. And what you're trying to do is get to them to try to download it on their phone and get to a place where they can't find your app. And that sounds crazy, but let's say you spent a hundred thousand dollars building the app, and then your plan is to go to grocery stores and tell people about it. Well just go to grocery stores and see if you can get anybody to actually take out their phone and do the thing that you think they're going to do. And if you can get them, if you can get enough people, if you could say, you know, out of a hundred people, I'm going to get 10 people to get to the, you know, not found on the app store. Then this is worth some. Then I, then I've got something, but most people they'll do research. There'll be like, there aren't enough apps like this. So clearly there's a place for it. And maybe there's not enough apps because nobody wants it.

Speaker 1 ([15:42](#)):

And can you offer any insight on competitor research? Diana

Speaker 2 ([15:46](#)):

People get so obsessed with competitive products and they position themselves against competitive products. But the vast majority of the time, your competitor is apathy is a human being, not doing any of those things. Them just using an Excel spreadsheet or their email to do whatever it is that your service provides. So usually there might be a lot of other people in the market, but the biggest market is nobody doing anything because they don't care to spend money on it.

Speaker 1 ([16:17](#)):

The second series is all about digging for startup truths. Diana's specific insight and advice is the gold you are after. And within her book, *All in Startup*, you'll discover the precise questions to ask and the importance and value of open questions. Closed questions like what's, your name has merit, but the information you gain is very limited. And I've come to understand that the very best open question you can ask when seeking to learn more is 'why'. This single word encourages the respondent to speak and helps you to dig deeper and understand motives and thinking in greater detail. Detail that can make the difference of getting it right and getting it wrong. But be very careful about leading people. Don't preface questions with statements like this is my great idea, or I think my idea is going to be really successful. Otherwise you are in real danger of collecting false information. And when you ask questions, ask one question at a time and use words and language that is easy to understand. And once you've asked the question, let the other person speak show you are listening and wherever possible, take notes. It may sound simple, but Diana doesn't hold back about the nature of this research challenge.

Speaker 2 ([17:36](#)):

The whole objective is to understand that people lie and your goal is to trick them into telling you the truth. So you make it difficult to understand what the right answer to you is. You try to you know, to separate yourself from the project as much as possible. And you try to convince them that what you're really seeking is the truth and not just to make yourself feel better. So people really lie. Yeah, absolutely. Like think about I don't know if you're getting telemarketing calls, but you used to get a phone call from somebody and, you know, ring, ring, you pick up and they're like, Hey do you have any firefighters that you know, and you, you're not thinking of answering this person's question. Cause you know what, they're after they're trying to sell you something. So in your mind, you're going through a Rolodex of answers that can get you out of this phone call.

Speaker 2 ([18:34](#)):

And those are like, Oh my God, I just spilled some coffee. Oh my God, my, you know, Oven's on fire. I gotta go. Cause you don't want to be mean, you don't want to say like stop. You're a nice person. So you're going to lie. And the easiest thing to say to somebody who's like put their life and soul into a product is good job. I would buy that. Like if you say no, I don't like it. They're going to argue with you. And you know that. So the easiest way to end the conversation is to be like, Oh, sure, sure. I would do that. And then you're done. So yes, people lie because they want to get out of the conversation. And they're just nice people.

Speaker 1 ([19:12](#)):

Can you share a research tactic you use? So respondents are more likely to say what they really think and feel.

Speaker 2 ([19:20](#)):

Yeah. Whenever I'm working on a new business, what I'll say to people is somebody approached me with this business, with this product. And I'm thinking about investing. Now, this person is kind of on my team to help me make a good decision about whether it's worth my time. Not like this is the best thing I've ever come up with. I I'm so in love with this idea, like you have to stop yourself. Somebody that I, I know and respect called it, infecting the other person. You know, like if you, if you have an infection for this product or business, you can't infect others with it. You really want to know how they feel about it. Independent of their relationship with you.

Speaker 1 ([20:03](#)):

Reading all in startup. You'll discover early on that customers don't buy products or services, customers buy solutions to problems. So whatever idea you have for your business, think about the problems you are solving. And you may want to ask yourself, are these problems real or are they assumed problems that you need to check. Earlier you heard Diana talk about customer apathy and the danger of assuming that because no one has invented a particular product or service means there's a gap in the market. Understanding real customer desire for your proposed solution is very important. And Diana uses a brilliant metaphor in her book to explain how you need to think in order to gauge the value of any gizmo you may create.

Speaker 2 ([20:53](#)):

You want to make sure that you're solving a problem that people will pay money to solve. And if you think about a headache, a headache is an inconvenience, but most people will not take medicine. They'll just wait for it to go away. And a migraine is something that is extremely serious. People go to great lengths to treat migraines. They take very expensive medicine. They get brain surgery, they get Botox. I mean, it is a very serious thing that, you know, most debilitating to most people. And so they spend a lot of money on it. And what you want to do is find something that's a migraine and people's lives that they already spend money trying to solve and not a headache. And the example that I use in the book is, you know, if I'm walking my dog and I have to stop and pick up after the dog several times that is an annoyance and I do not like it, but will I spend money to walk with a contraption that keeps me from putting my hand in a plastic bag?

Speaker 2 ([21:53](#)):

No, that's like more inconvenient for me. Or I found this like harness online that you can put your dog, you can put on your dog, it poops directly into a bag. That's just embarrassing. People would make fun of me. And, and so even though it technically solves the problem and that's where most entrepreneurs stop, you have to go to the next step, which is like, would anybody actually pay money for it? Sometimes it technically solves the problem, but nobody wants it. Like the segway, you know, solves a lot of problems, but people are embarrassed using them. And people are irrational, which is where we started. So you got to know how these rational people are going to actually react to your thing. I once built a piece of software that helped people in an organization manage all of their law firms and all of their legal issues. And it, it did the software worked perfectly, but the people that were going supposed to buy it, they felt like it threatened their job. They felt, they felt like because they were currently the only people in an organization to have this information that protected them in their job. And so I had designed something that threatened them, even though it worked great, they were like, I have zero interest in this. And so just because it solves the problem doesn't mean that people actually spend money on it.

Speaker 1 ([23:15](#)):

Diana's honesty prepared this to share her own mistakes and the ability to use metaphor, to communicate the significance of a crucial aspect of early startup life only serves to add further value and power to her message. When you are completing customer research, don't be satisfied with solving a headache. To give your startup ideas, the greatest chance of success, search and search again for the migraine, by asking questions and listening, and always be alert to the fact that what you ultimately discover may not be what you set out to find. As Diana spoke to me about her software failure so she reminded me of the second time we met in 2018. We were both at the same event at the Loews hotel in Hollywood, just around the corner from Sunset Boulevard. Diana was delivering a presentation to a captivated audience. She was center stage and behind her were two enormous screens.

Speaker 1 ([24:15](#)):

Her subject, the importance of curiosity, actively seeking feedback and never making assumptions. Never mind your perceived status as an entrepreneur, to demonstrate the importance of asking for and getting truthful, honest feedback, Diana, click the remote in her hand and immediately both screens shared a slide I am sure no audience member expected to witness. Humankind struggles with vulnerability. Sharing our failings publicly does not come naturally. Vulnerability equates to weakness and successful entrepreneurs are supposed to be strong. Yet here was Diana Kander sharing two pages of her draft manuscripts for her second novel, but it wasn't just two pages of typed text. Etched in red, hissing criticism and biting feedback snaked its way above, below into the margins of Diana's work. And the audience could see and read every single critical comment. For me, it was a moment of astonishing bravery, a moment of inspiration and entrepreneurial leadership along the road, less traveled.

Speaker 2 ([25:31](#)):

I mean, if you want to build something that nobody's interested in and you have to like hit your head against the wall, then don't worry about this. You know, but if you want to build something that is flying off the shelves, that it becomes viral, that people can't wait to get their hands on. Then you got to find all those kinks before you actually hit publish. And I think the particular feedback that I got, it was the most painful feedback I've ever received. The one I posted up there and it was a good friend of mine who I had convinced I'd one of the truth who said, I finished your book, you put it in quotes. I finished your book on the flight. If you could call it that, I wish I could tell you how to make it better, but it's just so bad that I have no advice.

Speaker 2 ([26:13](#)):

And then he went on for like three paragraphs. And I remember like physically getting into the fetal position, reading that email and being like, okay, well I gotta start over. And today I'm working on my third book with a coauthor and it's the first time she's ever been through this iterative process. And gosh, every time we get negative feedback on a concept or an idea, she's just like, Oh my God, we have to like do more, like start over, do this again. And I'm like, yes, but that's the difference between writing a book that nobody buys and writing a book that tens of thousands of people like want to give to others.

Speaker 1 ([26:58](#)):

Listening to Diana was a delight. Every suggestion tip and idea she shares is rooted in hard learned truth. For years, I've shouted from the rooftops to any entrepreneurial soul who cares to listen. By All in Startup. It is a phenomenal read or listen that will change the way you think and act forever.

Speaker 1 ([27:24](#)):

I should really make Diana's book the recommended read for this episode, but that would mean repeating myself. As it goes, I'm itching to share something else I've unearthed something else. I think you will enjoy. A sentiment that Diana shared throughout that interview is the fact people's behavior is not rational. And I came across exactly this notion when reading Rory Sutherland's 2019 book entitled Alchemy, the surprising power of ideas that don't make sense. For the record. Mr. Sutherland is Vice Chairman at the advertising giant Ogilvy, and is also regarded as a Ted talk superstar. On page 54 of the book within the chapter entitled the Broken Binoculars is a fascinating read that reiterates Diane's views and states: The trouble with market research is that people don't think what they feel. They don't say what they think and they don't do what they say. So take real care when asking those questions and Alchemy is packed with many examples of illogical and irrational behavior and how bypassing reason can be your way forward. Alchemy

is an adventure into a Lewis Carroll world of thinking that helps to explain a rationality and more importantly, will help you to approach new ideas in a fresh and innovative manner. It is the perfect book to cement the thinking from both episodes two and three.

Speaker 1 ([28:55](#)):

Well that's just about it for this episode. But before we close, let's hear it from my very special guest, Diana Kander, who joined us all the way from Kansas. Thank you so much, Diana, for sharing your deep understanding of such an important subject. And a cheer for the home team too. To my producer, Duncan Bennett's, researcher, Chris Jackson, and to the sponsors Seejam Moths for the music. And of course, a nod to LSC Generate within the London School of Economics. And thank you to the SimVenture team for allowing me time out to do this. In the next episode, which will be published on Thursday, the 25th of February, I'm going to be talking with a very special UK entrepreneur who will be sharing her struggles and story through COVID. Believe me, this will be an episode not to miss. Meanwhile, your podcast feedback is not just welcomed, it's needed. Share what you really like and let me know the truth about what needs to be improved because as we know from Diana asking for and getting honest feedback is one of the most important ways to go further and get better. I'd love to hear from you and whether it's through the blog, Spotify, iTunes, or your channel of listening preference, I'd be delighted if you could rate, review and subscribe. So until next time, my name's Peter Harrington, and this has been your Startup Survival Podcast.

Go well, stay safe and thank you.