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bretw@stanford.edu

January, 2007

Thoughts? Observations?

I've heard people say that "Steve Jobs invented the smartphone".

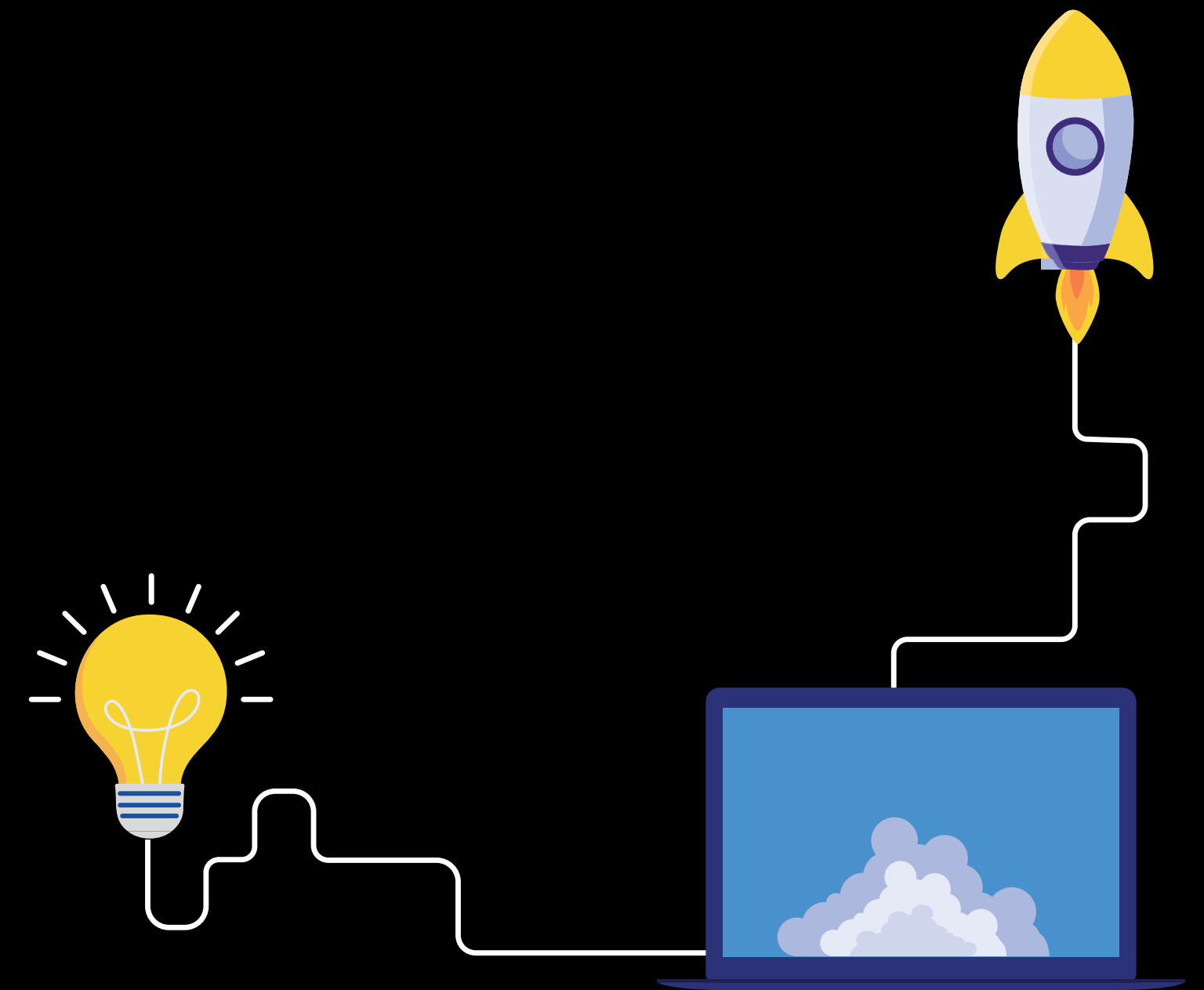
But the smartphone business was already huge and thriving, before the iPhone. Blackberry, Nokia, Motorola, and Samsung selling a billion units a year.

Many people said it was crazy for Apple to enter a low-margin competitive sector already dominated by large established brands.

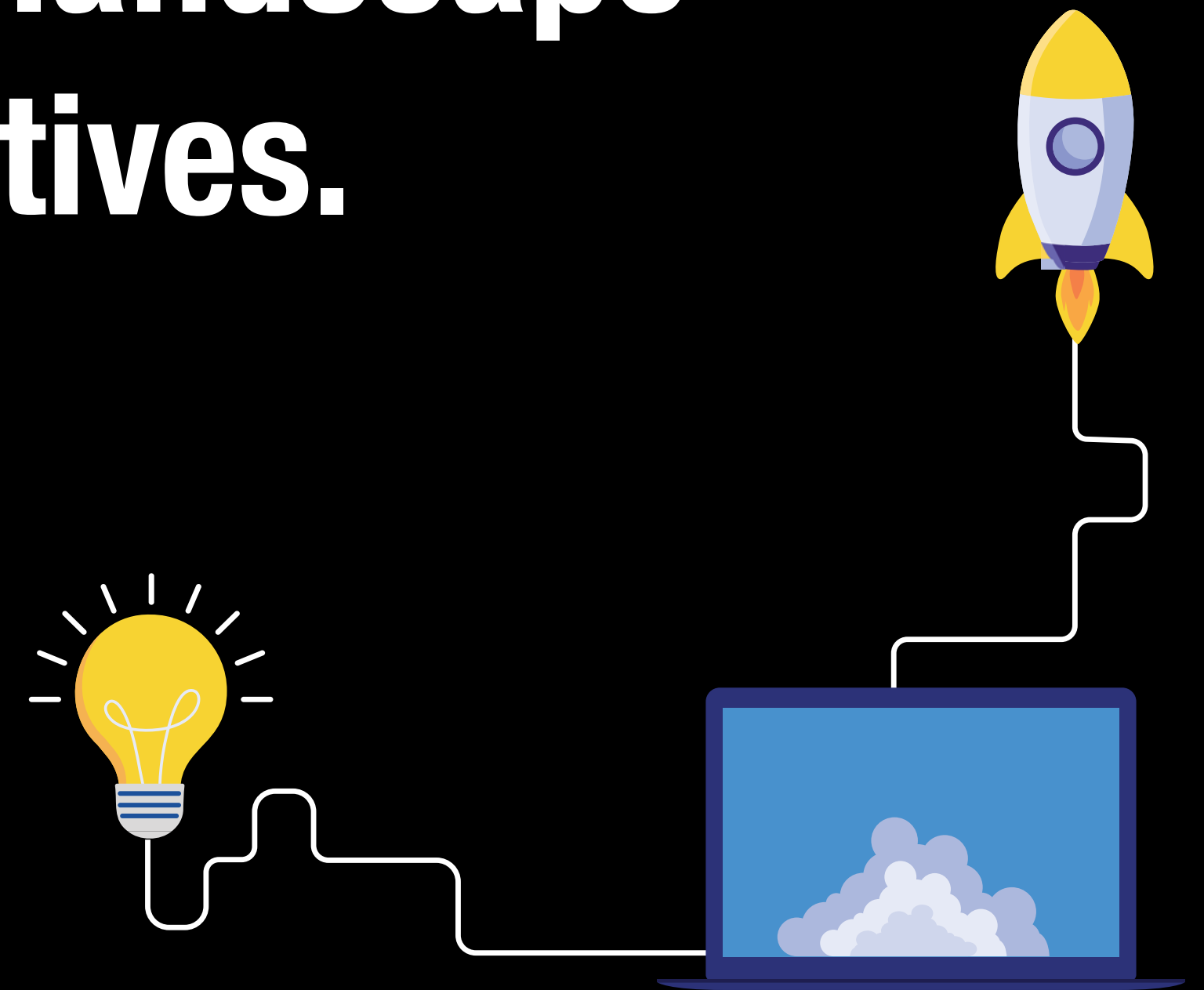
But lots of competition means lots of existing market demand. Now you just need to be differentiated.

The Launch Path

1. Listen to the waves.
2. Build something people want.
3. Draw the landscape.
4. Create an engine of growth.
5. Engineer an economic model.
6. Create a capital strategy.
7. Frame a Funnel.
8. Be a Master Storyteller.



Every startup operates within a landscape of competitors and alternatives.



Word

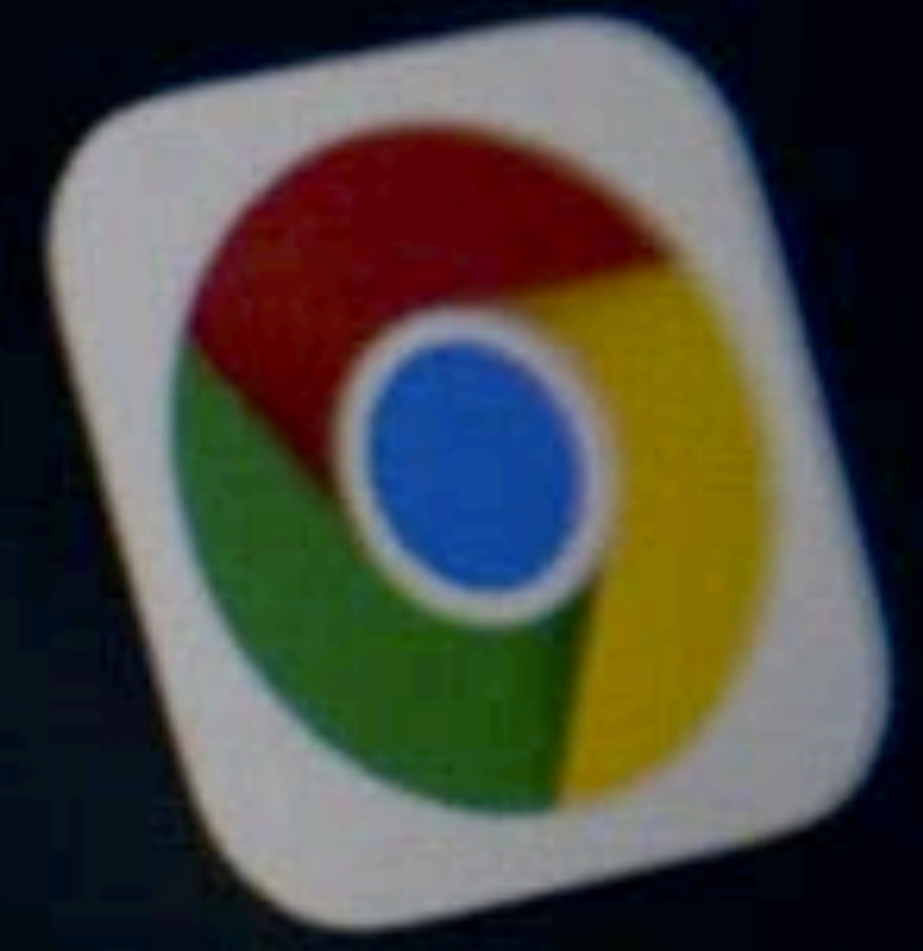
Microsoft Excel



Illustrator 2020



zoom.us



Google Chrome

In 2007, WebEx had a 67% market share of the global video conference business.





By 2011, it was a very crowded sector. Absolutely nobody thought the world needed yet another video call platform. Nobody except Eric Yuan.



They launched with pricing for the Zoom product was \$9.99 per host per month, with a Freemium model that allowed users free calls up to forty minutes.

Eric Yuan knew that the big players — WebEx, Bluejeans, Avaya— were battling hard to own the enterprise space so he decided the right beachhead for Zoom might be education.



So they offered Zoom to the education sector for just \$1/month and got almost immediate traction.

Soon universities and students were using Zoom as their primary video call platform.

The company entered into agreements with a range of higher-education institutions all over the world.

Today Zoom is used by 90% of the universities in the US.

Establishing universities as a beachhead market turned out to be incredibly effective. Every year graduating students went out, got jobs with corporations, and introduced their new bosses to the Zoom experience.



Sarah Guo ⚡ Greylock @saranormous · May 24

Remember life pre @zoom_us ?
That sucked. Video sucked

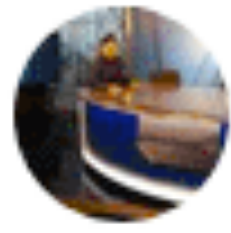
9 12 200



Abtin Setyani @s_abtin · May 24

Hahaha sorry to disappoint you but it still sucks 😂

1 1 18



Eric S. Yuan ✓

@ericasyuan

Follow

Replying to @s_abtin @saranormous @zoom_us

Hi Abtin, I am the CEO of Zoom. Our NPS score is 72 and we have tons of very happy users. If you can share me in detail, then I can write the code to fix the issue this long weekend. Cheers and have a great weekend.

6:55 PM - 24 May 2019

331 Retweets 2,608 Likes



106 331 2.6K

ENTERPRISE

Zoom rocketed 72% on first day of trading

PUBLISHED THU, APR 18 2019 11:25 AM EDT | UPDATED THU, APR 18 2019 4:53 PM EDT



Jordan Novet
@JORDANNOVET

SHARE

KEY POINTS

- Zoom raised \$356.8 million in its IPO, with existing stakeholders selling additional shares.
- On Wednesday, the company priced shares at \$36, above the top of its most recent range.
- The stock traded as high as \$66 on Thursday.



Mad Money

UP NEXT | Last Call



TRENDING NEWS



**All startups operate within
a landscape of competitors
and alternatives.**

**All startups operate within
a landscape of competitors
and alternatives.**



**The Juicero product launched in 2017, selling for \$699.
“The only wi-fi connected juicer on the market today”**

There were a lot of alternative ways of making juice.

**All startups operate within
a landscape of competitors
and alternatives.**

**Tonight I want to convince you that two
conflicting things are both true:**

**The competitive
landscape matters.**

**Don't worry about
competition.**

WHY STARTUPS FAIL

A NEW
ROADMAP FOR
ENTREPRENEURIAL
SUCCESS ✕

TOM EISENMANN

- **Bad Bedfellows.** Startup success is thought to rest largely on the founder's talents and instincts. But the wrong team, investors, or partners can sink a venture just as quickly.
- **False Starts.** In following the oft-cited advice to “fail fast” and to “launch before you're ready,” founders risk wasting time and capital on the wrong solutions.
- **False Promises.** Success with early adopters can be misleading and give founders unwarranted confidence to expand.
- **Speed Traps.** Despite the pressure to “get big fast,” hypergrowth can spell disaster for even the most promising ventures.
- **Help Wanted.** Rapidly scaling startups need lots of capital and talent, but they can make mistakes that leave them suddenly in short supply of both.
- **Cascading Miracles.** Silicon Valley exhorts entrepreneurs to dream big. But the bigger the vision, the more things that can go wrong.

Competition is not on the list!



Paul Graham ✓

@paulg



In 99% of startups, failing to execute is a much bigger danger than being copied. So it's a mistake to risk the former in order to avoid the latter.

4:14 AM · Feb 7, 2021



2.8K



495



Copy link to Tweet

“If you’re competitor-focused, you are always reacting to what someone else is doing. Being customer-focused allows you to be more pioneering.”

-Jeff Bezos

Startups rarely fail because of competition. They fail because their product doesn't meet market needs, they fail from bad financial management, they fail because the unit economics are upside down.

Most of them fail because the team doesn't execute. They don't usually fail because of competition.

Very common slide in a pitch deck:

Competition

	Our App	Brand X	Brand Y
User Friendly	✓	✗	✗
Encryption	✓	✗	✓
Keywords	✓	✓	✗
AI-Powered	✓	✓	✗
Cloud Bookmarks	✓	✗	✗
Social	✓	✗	✓
API's	✓	✗	✓

Worthless. Tells us nothing about positioning.

Rolex

Frog watch



Tells time



Affordable



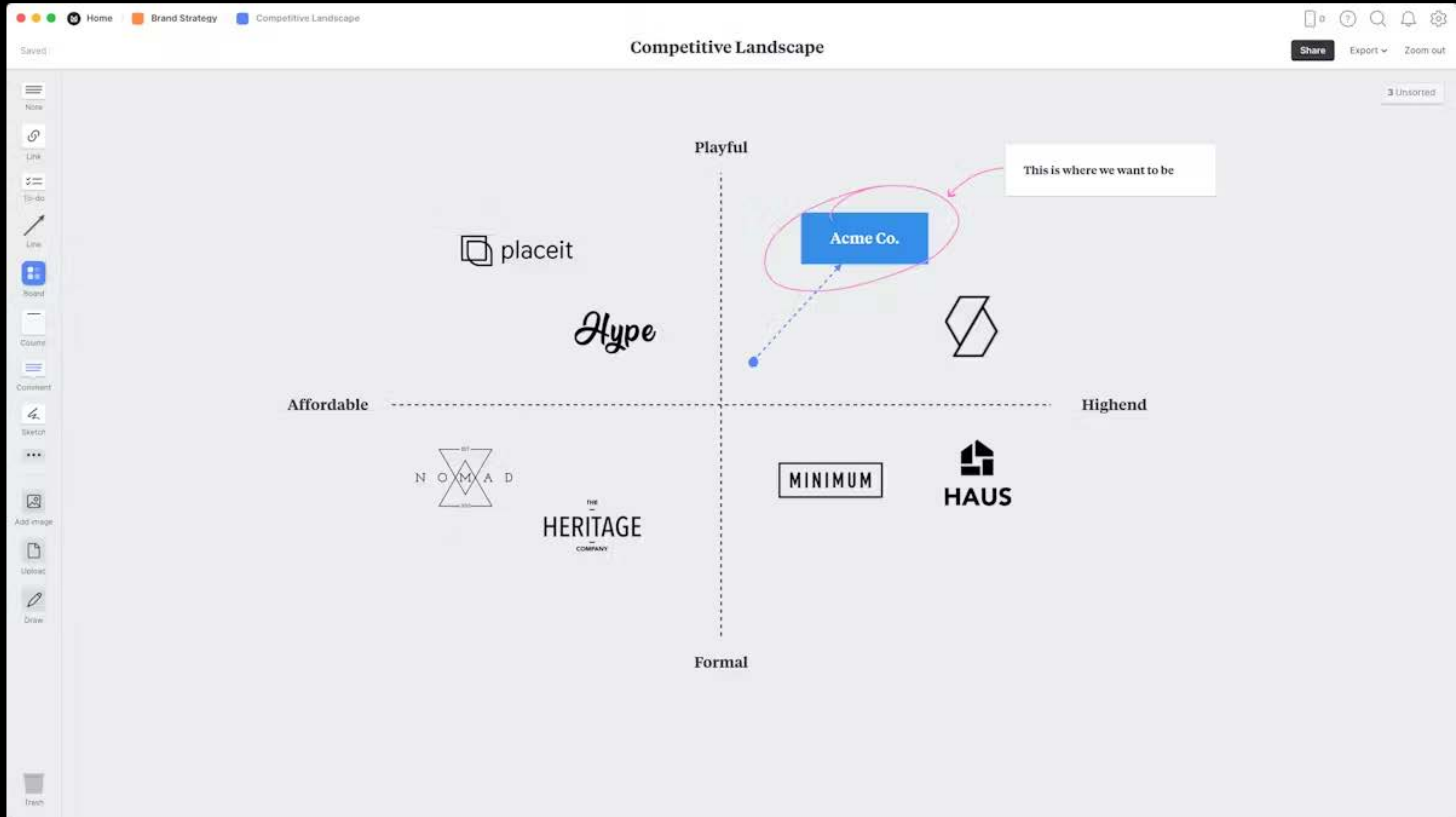
Frog



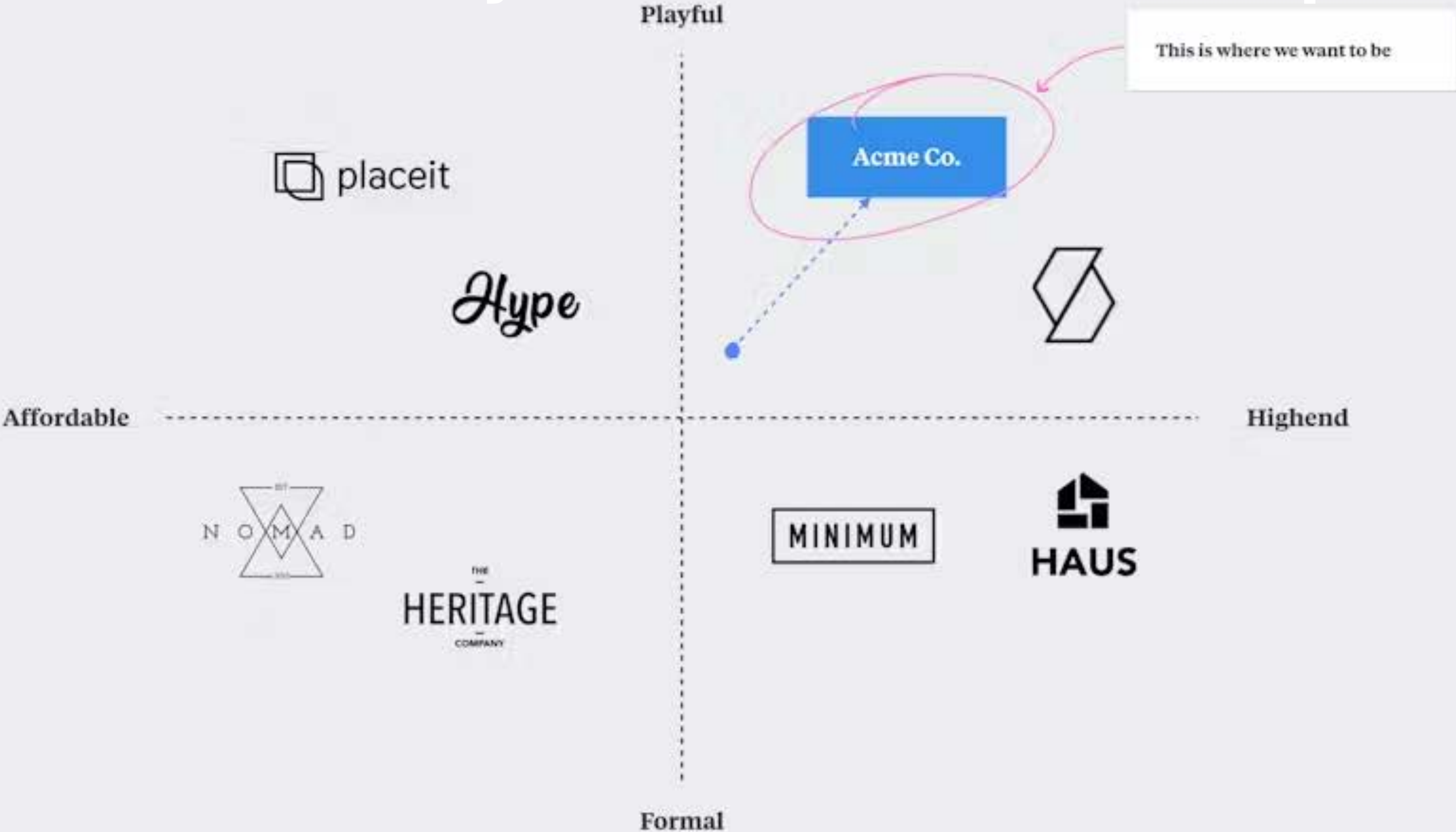
The original Airbnb pitch deck:



But then find a way to visualize the landscape.

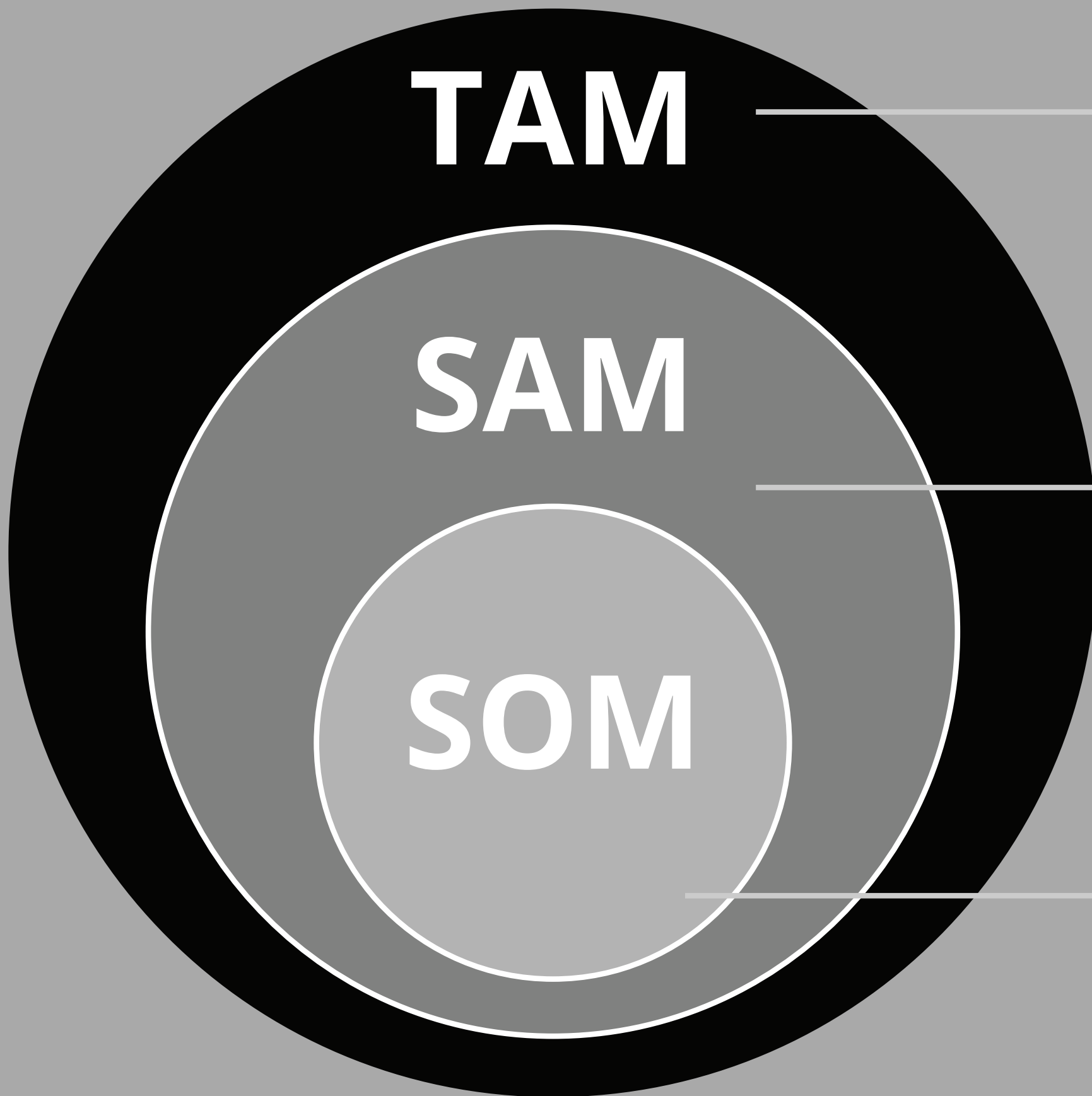


But then find a way to visualize the landscape.



And now a brief word about TAM, SAM, SOM.

Market Size: TAM, SAM, SOM



Total Addressable Market

This is the total existing market demand for your product or service. It's relatively meaningless because your applesauce startup is never going to get one hundred percent of the worldwide applesauce market.

Serviceable Available Market

This is the amount of the TAM you could potentially reach, given your geography and business model. Maybe our applesauce startup is targeting just the direct-to-consumer applesauce market in the United States. That's our SAM.

Serviceable Obtainable Market

Unless you're a monopoly, you're never going to get one hundred percent of the SAM. Given the benefits your applesauce offers customers, what percentage of the total available customers could potentially become yours, and how much would they buy?

Market Size: TAM, SAM, SOM

Nobody is going to believe your market size numbers. Founders always have a slide that says “It’s a \$14 trillion market!”, and investors always roll their eyes.

Startups seldom fail because the market wasn’t big enough.

Also, a huge market is absolutely no guarantee of success.

So for an early-stage pitch, market size isn’t really a relevant factor.

Market Size: TAM, SAM, SOM



Later stage this begins to change. If you have 100,000 customers and you are trying to raise a \$100M Series C to get to 5 million customers, then market size is a relevant piece of information.

Market Size: TAM, SAM, SOM

Market Size: TAM, SAM, SOM



So do your research on market size, and put a slide in your pitch deck if you want.

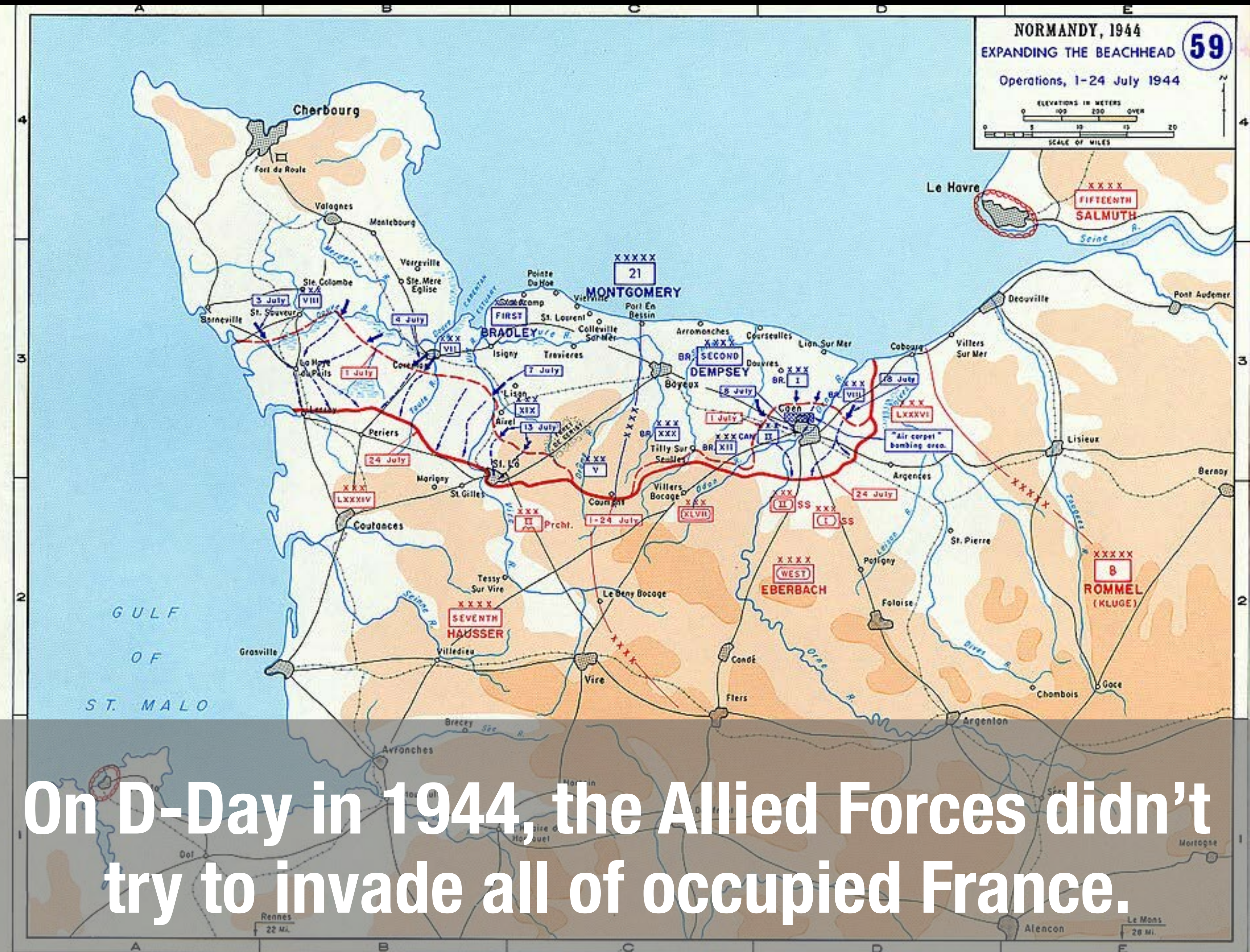
But don't think it's on the Top Ten list of things that drive startup success or failure. It's not.

What does a competitive “Moat” mean?

An aerial photograph of a large, multi-towered castle with a prominent moat. The castle features several cylindrical towers with conical roofs and a central rectangular building with a tiled roof. The moat is a deep, dark blue body of water that surrounds the castle, reflecting its structure. The surrounding landscape is lush green with rolling hills and scattered trees. The word "Moat" is written in white text on the left side of the image.

Moat

What is a “beachhead” market?



On D-Day in 1944, the Allied Forces didn't try to invade all of occupied France.

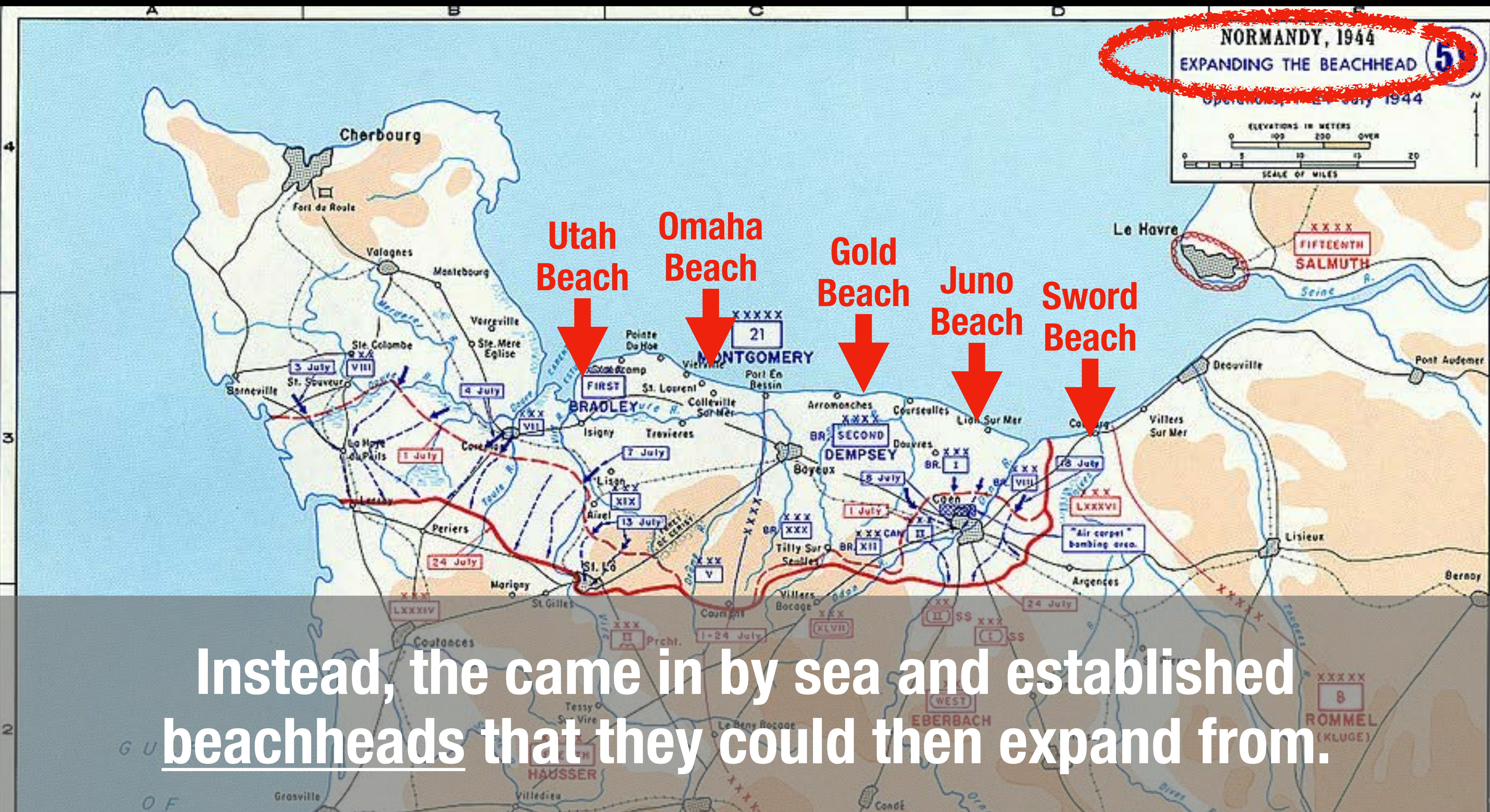
NORMANDY, 1944
EXPANDING THE BEACHHEAD
Operations, 21 July 1944

ELEVATIONS IN METERS
0 100 200 OVER

SCALE OF MILES
0 5 10 15 20

Utah Beach
Omaha Beach
Gold Beach
Juno Beach
Sword Beach

Instead, they came in by sea and established beachheads that they could then expand from.



All startups operate within a landscape of competitors and alternatives.

Understanding the competitive landscape is important. Obsessing about competitors is a bad use of time.

For the most part, a lot of competition in a sector is a good sign because it means strong market demand.

Now you just need to be differentiated, and understand your positioning within the landscape.

Feature checklists are meaningless. More meaningful is to create a visualization of the landscape and how you fit it. Saying that you, as a brand-new startup, are better than any of the competitors, is not credible and just makes you look silly.

Find a beachhead market. Target a specific, underserved market segment rather than trying to compete broadly. Master this segment to build a loyal customer base.

Think about what your competitive moat will be. Create defensible advantages that make it hard for rivals to copy you, such as network effects, customer relationships, strong brand loyalty, or high switching costs. In 2026 and beyond, your technology will not be your moat.

Prioritize Customer Centricity: Use direct, human interaction to understand and serve customers better than large, data-heavy competitors.

Our awesome new startup is named **TacoBox!**

A subscription that is healthy of you and your family.

Each month we ship you a complete kit for making a big delicious taco dinner for your friends and family.

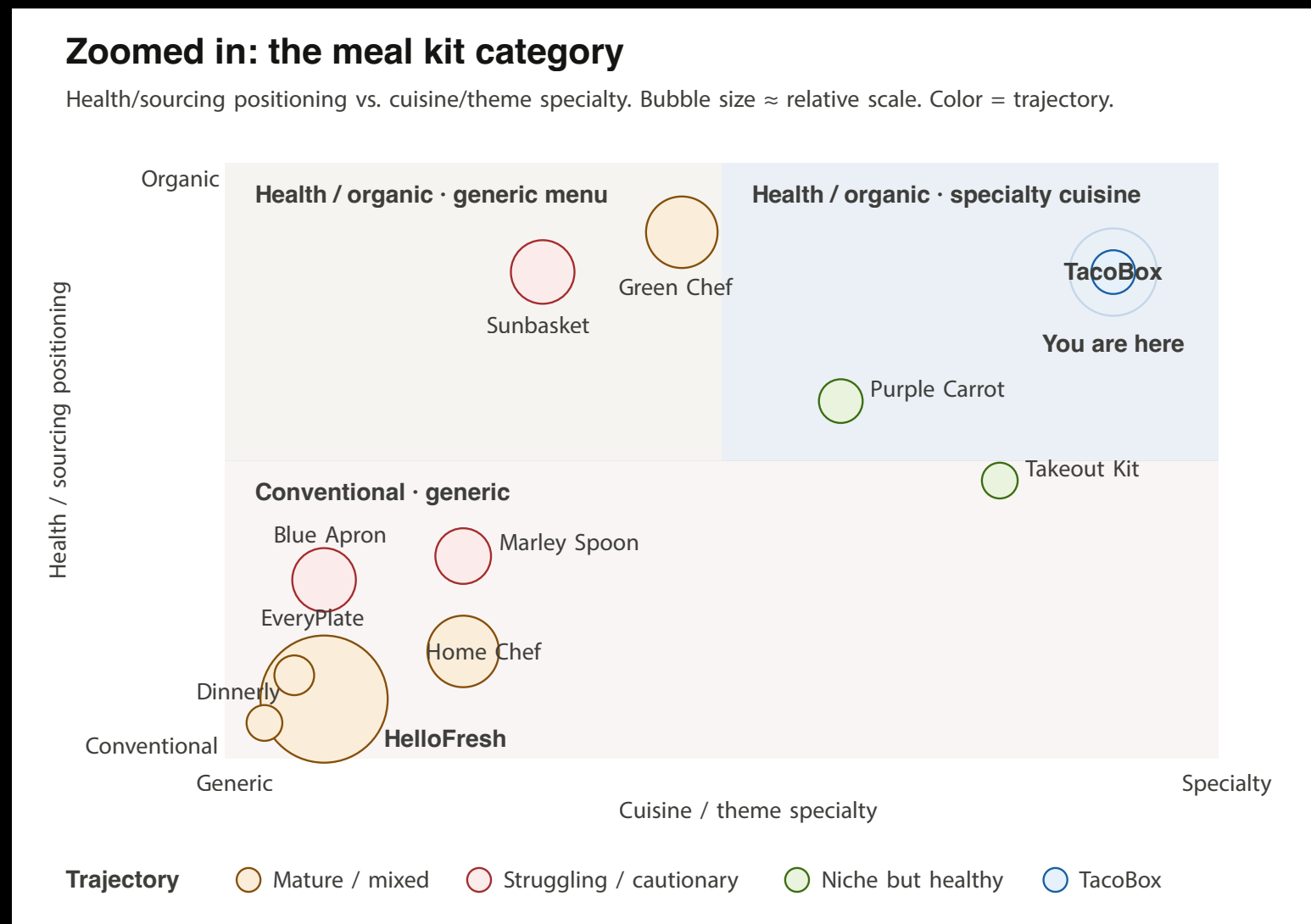
All fresh, healthy ingredients, featuring a different region of Mexico each month.



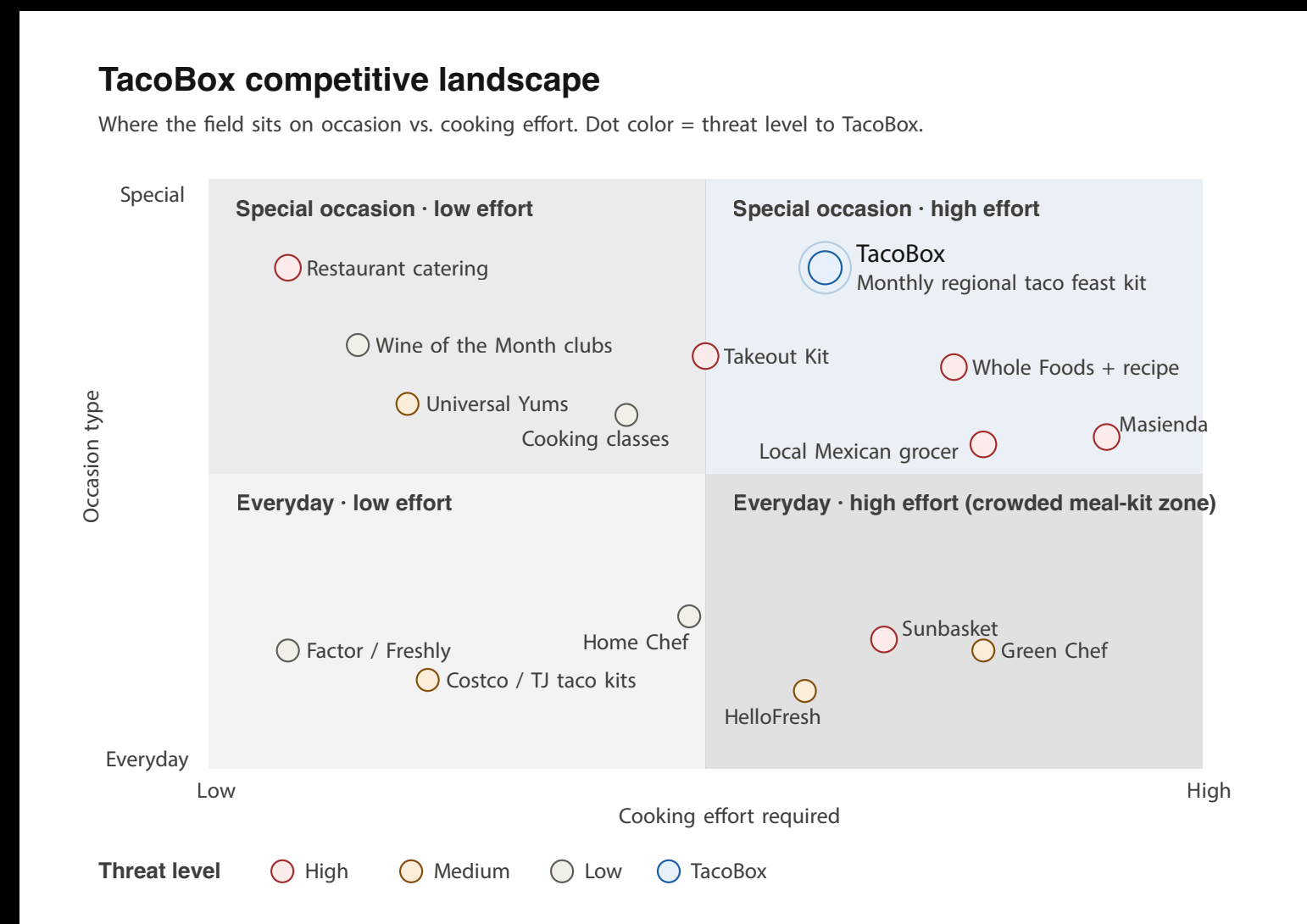
Our Taco Competition

	TacoBox	TacoBell	Jack in the Box	Del Taco	Pollo Loco
Tortilla	✓	✓	✓	✓	✓
Cheese	✓	✓	✗	✗	✓
Guacamole	✓	✗	✗	✓	✓
Meat	✓	✓	✓	✓	✓
Beans	✓	✗	✓	✗	✗
Rice	✓	✗	✗	✗	✓
Salsa	✓	✗	✓	✗	✗
Jalapeños	✓	✗	✗	✗	✗

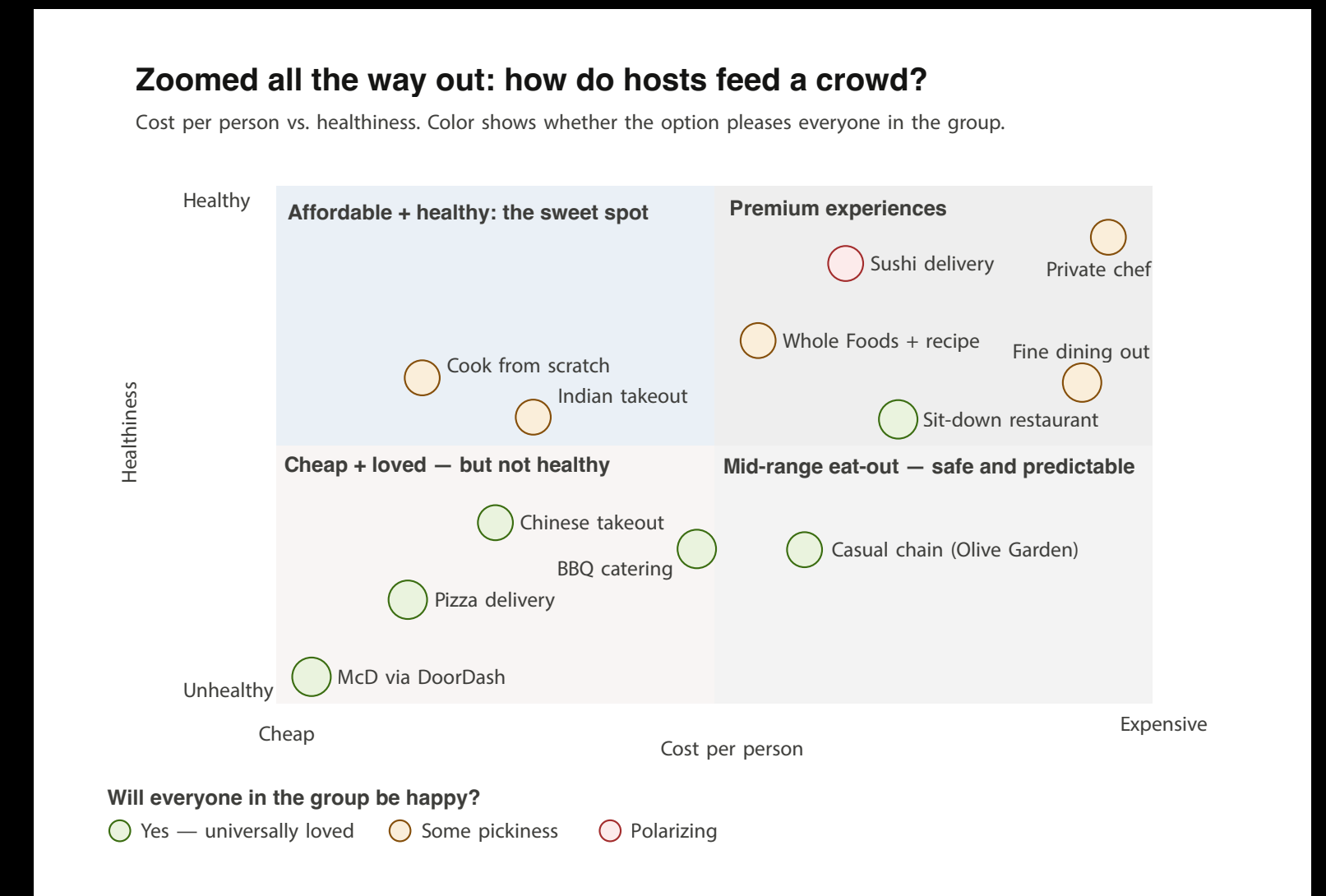
A visualization of the TacoBox landscape.



From the perspective of a customer looking at Meal Kits.



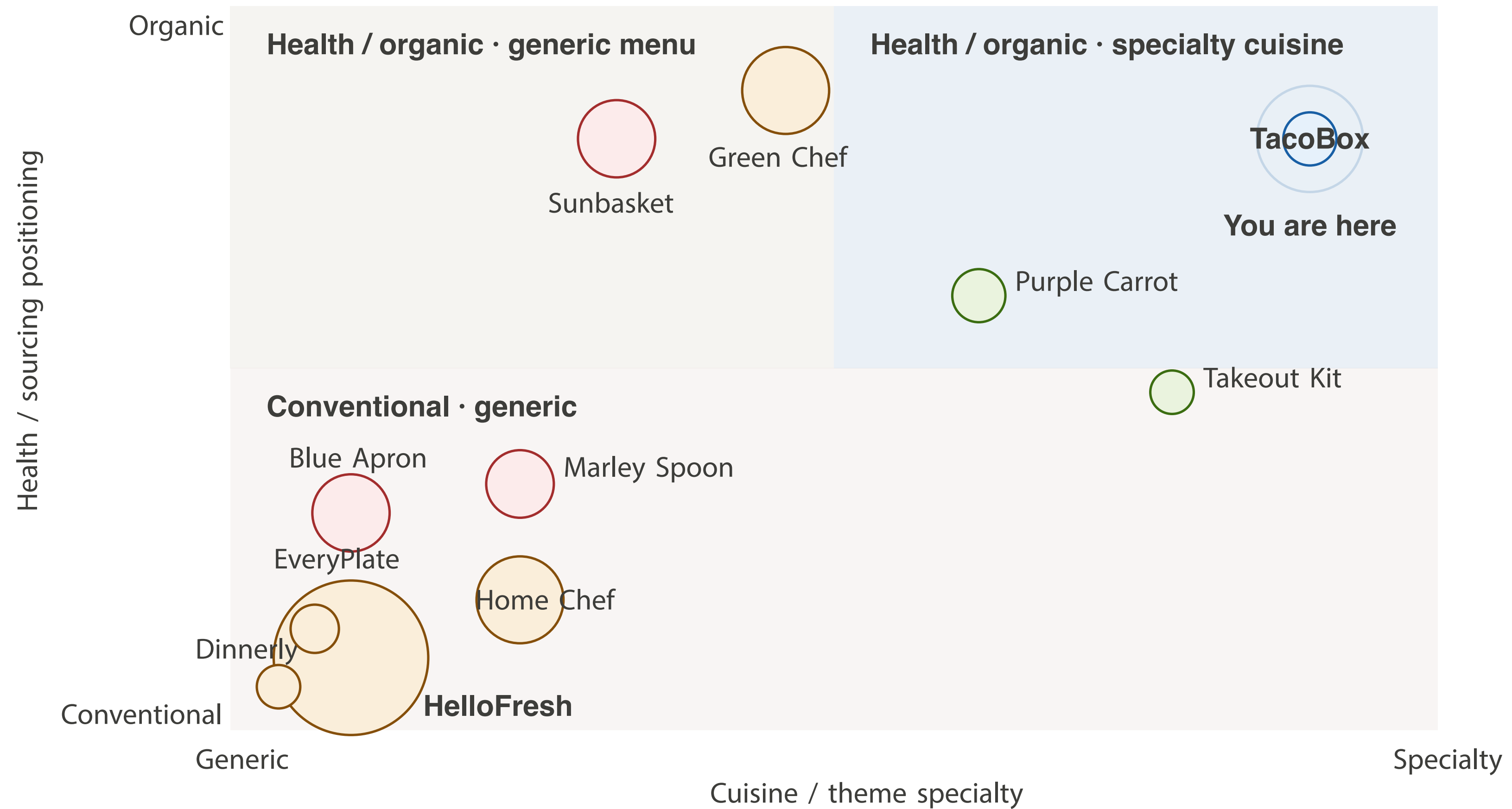
From the perspective of a customer looking ways of having a special occasion dinner for friends and family.



From the perspective of a customer looking for a crowd-pleasing meal.

Zoomed in: the meal kit category

Health/sourcing positioning vs. cuisine/theme specialty. Bubble size \approx relative scale. Color = trajectory.

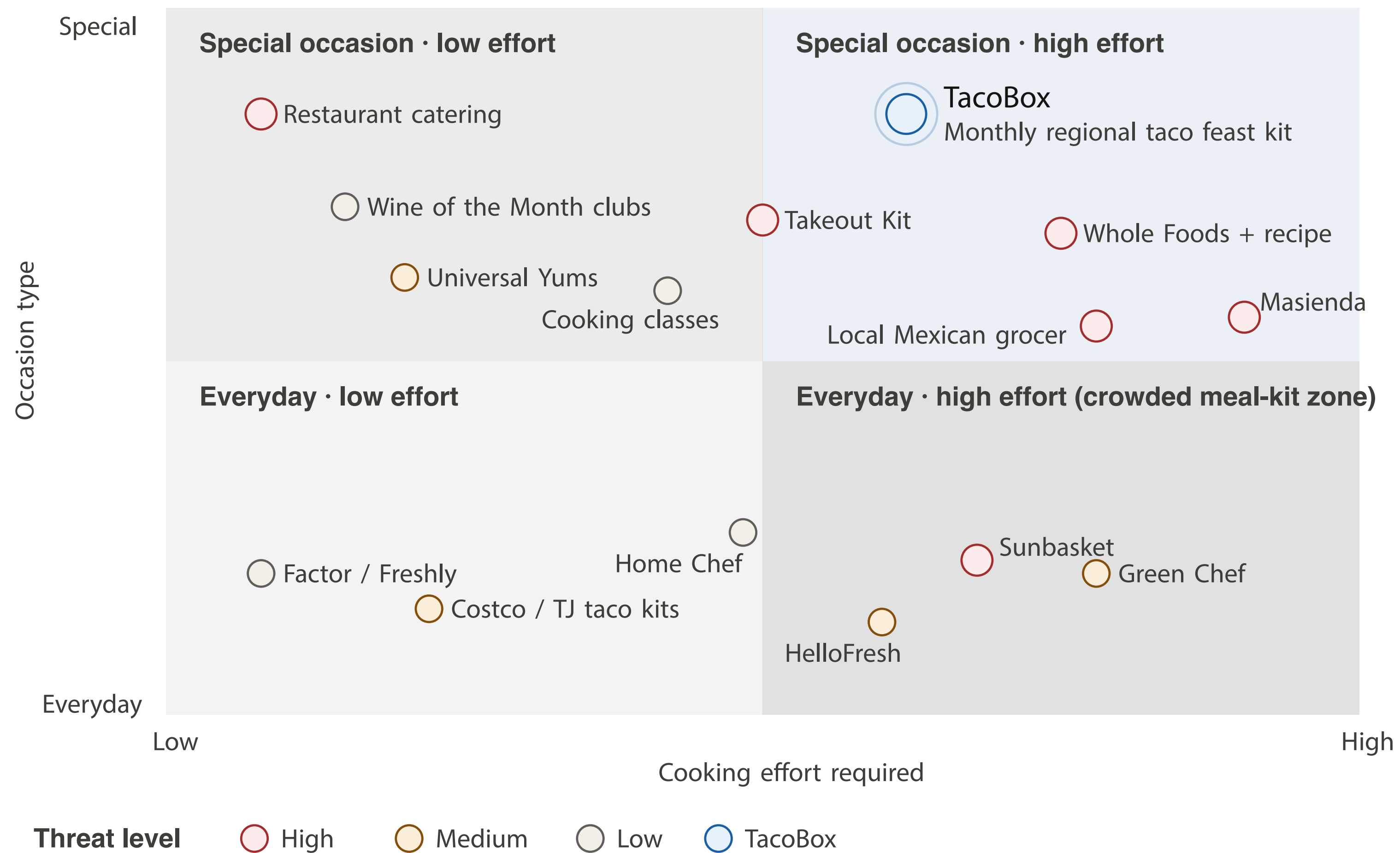


Trajectory ○ Mature / mixed ○ Struggling / cautionary ○ Niche but healthy ○ TacoBox

From the perspective of a customer looking at Meal Kits.

TacoBox competitive landscape

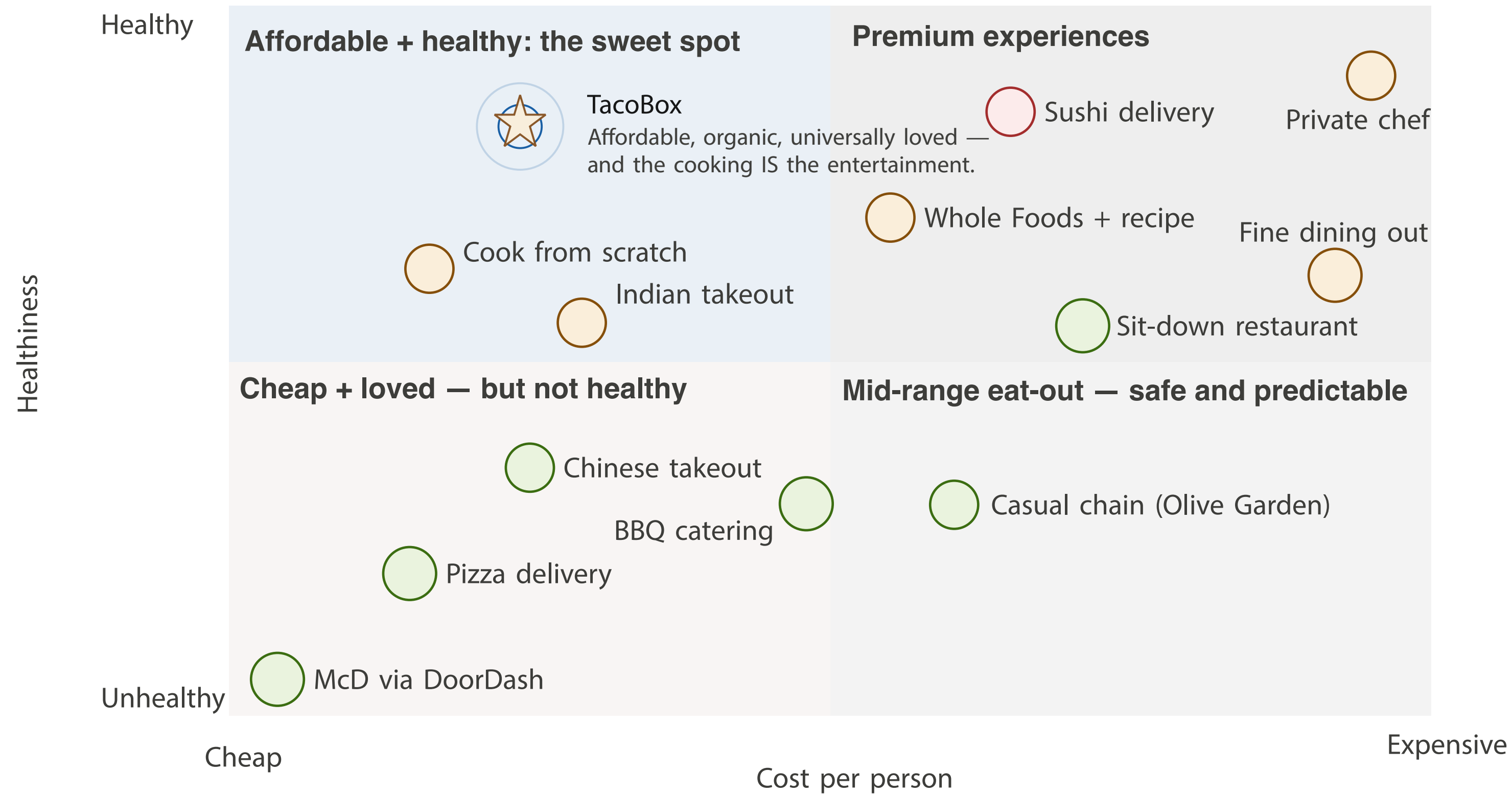
Where the field sits on occasion vs. cooking effort. Dot color = threat level to TacoBox.



From the perspective of a customer looking ways of having a special occasion dinner for friends and family.

Zoomed all the way out: how do hosts feed a crowd?

Cost per person vs. healthiness. Color shows whether the option pleases everyone in the group.



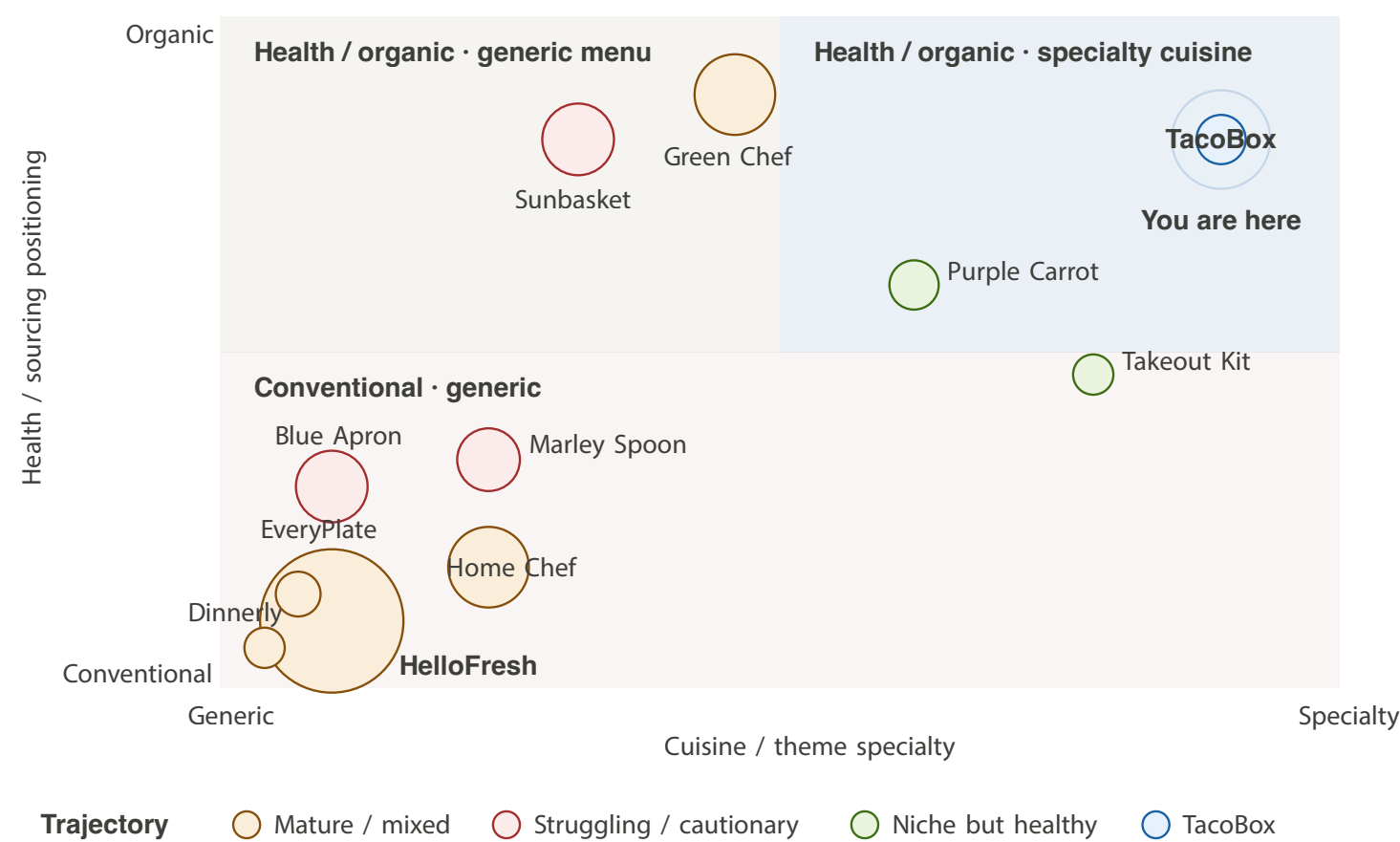
Will everyone in the group be happy?

- Green circle: Yes — universally loved
- Orange circle: Some pickiness
- Red circle: Polarizing

From the perspective of a customer looking for a crowd-pleasing meal.

Zoomed in: the meal kit category

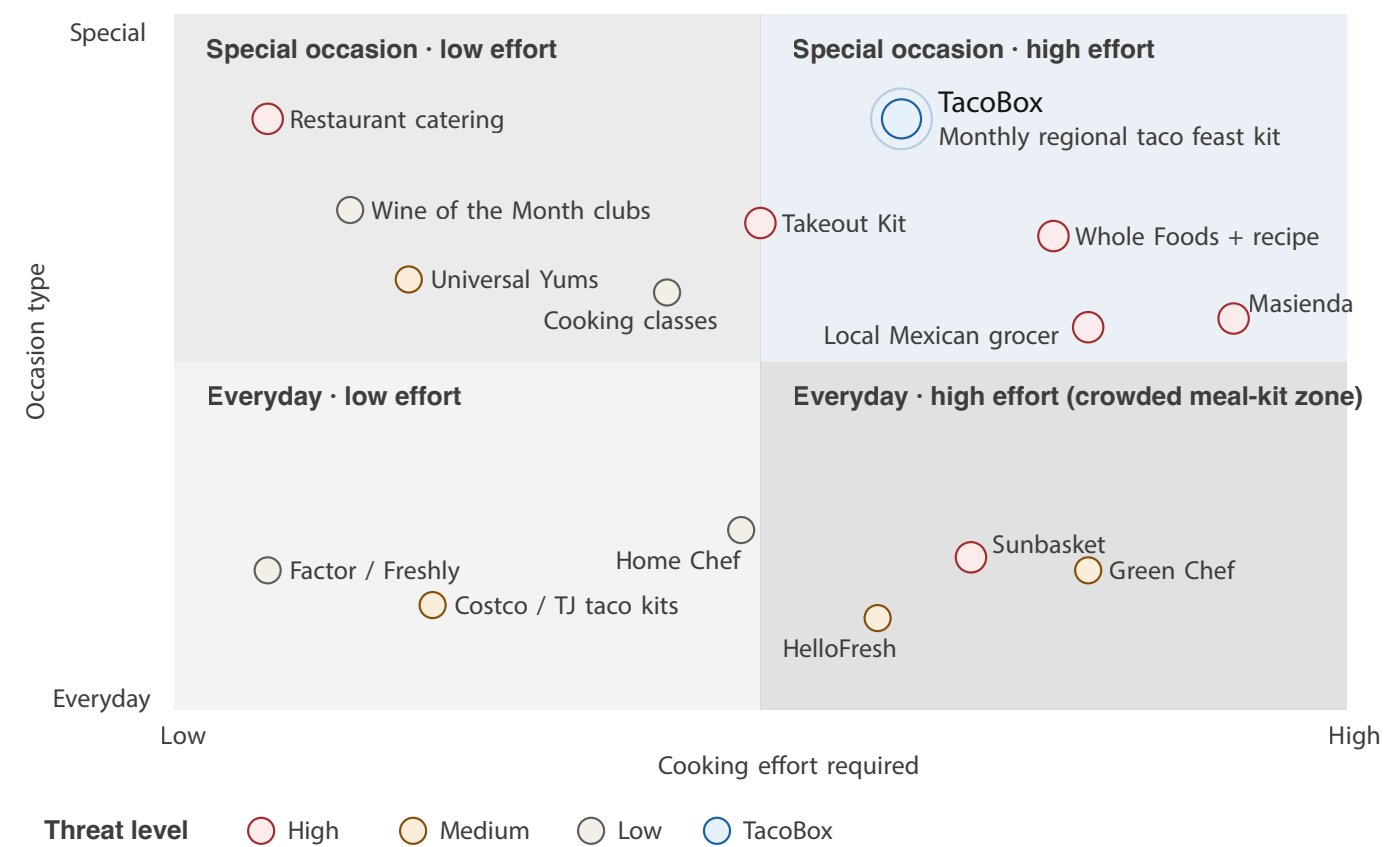
Health/sourcing positioning vs. cuisine/theme specialty. Bubble size ≈ relative scale. Color = trajectory.



From the perspective of a customer looking at Meal Kits.

TacoBox competitive landscape

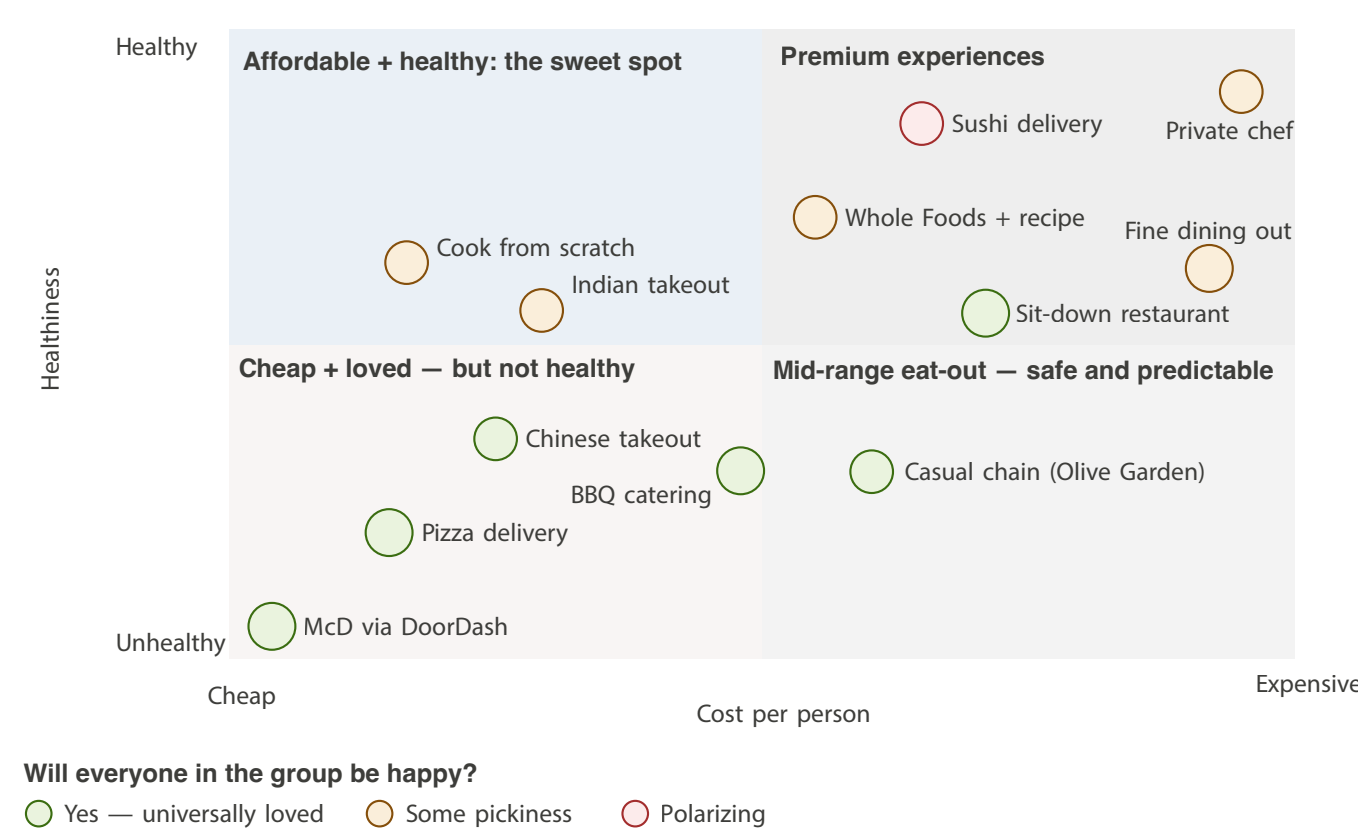
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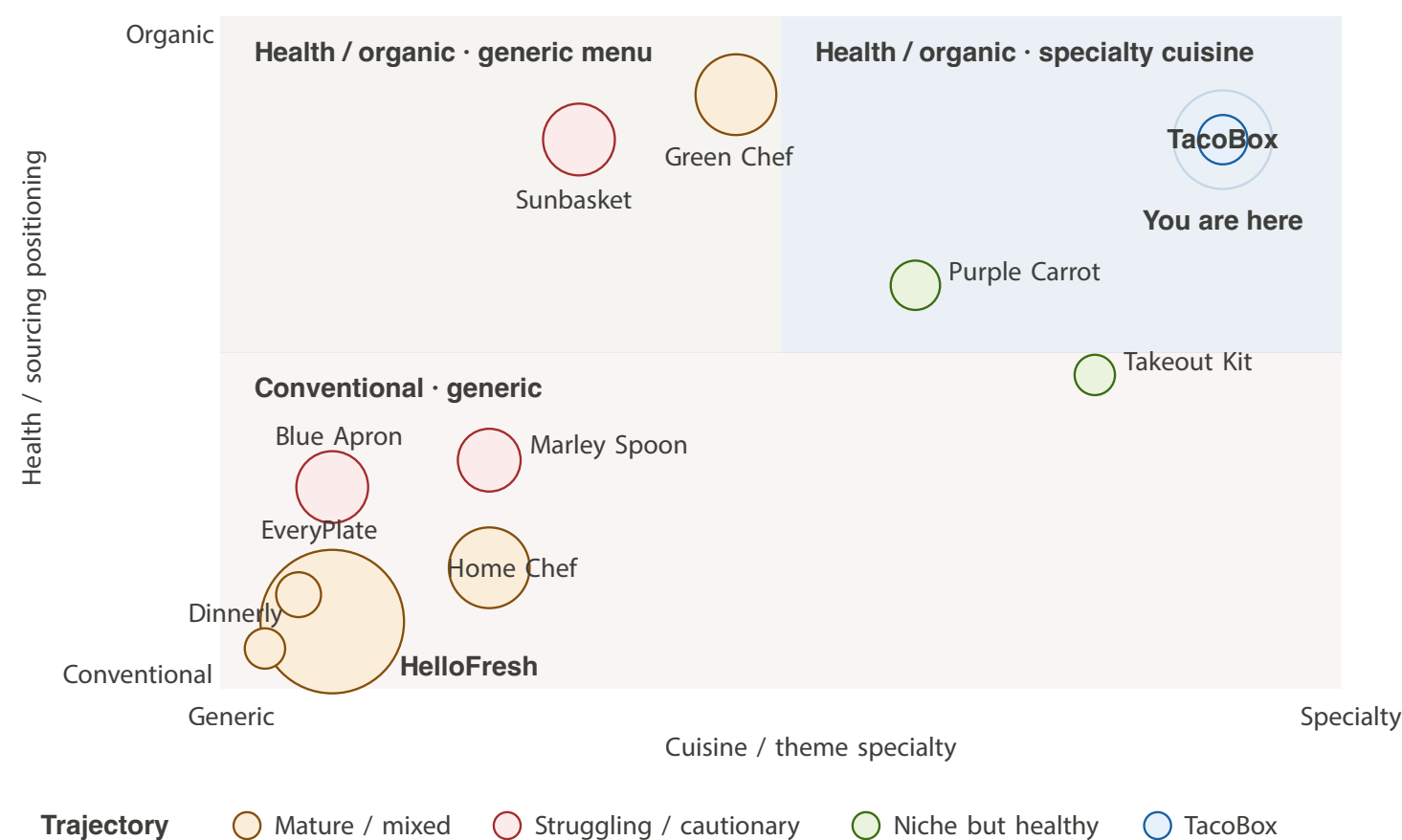
Cost per person vs. healthiness. Color shows whether the option pleases everyone in the group.



From the perspective of a customer looking for a crowd-pleasing meal.

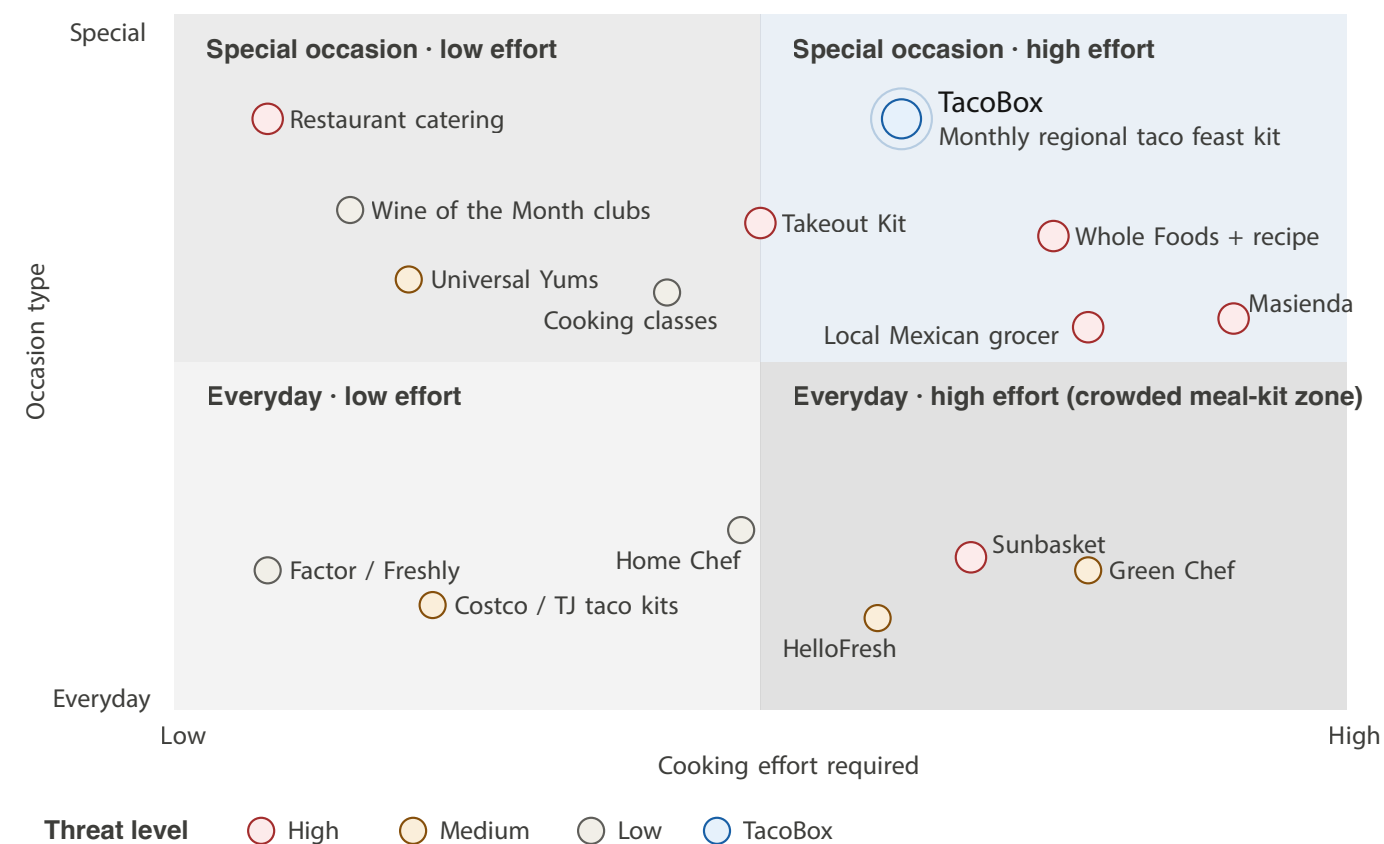
Zoomed in: the meal kit category

Health/sourcing positioning vs. cuisine/theme specialty. Bubble size ≈ relative scale. Color = trajectory.



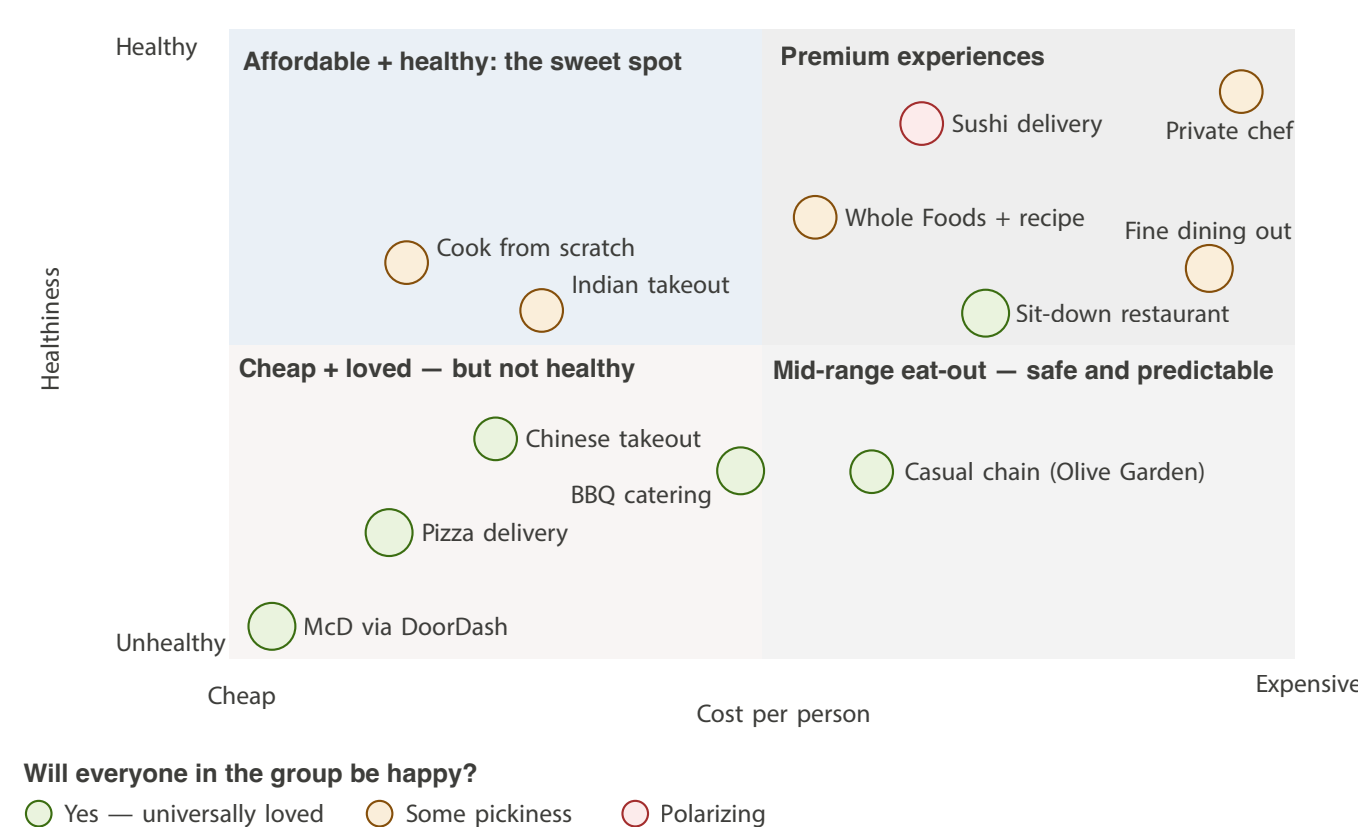
TacoBox competitive landscape

Where the field sits on occasion vs. cooking effort. Dot color = threat level to TacoBox.



Zoomed all the way out: how do hosts feed a crowd?

Cost per person vs. healthiness. Color shows whether the option pleases everyone in the group.



From the perspective of a customer looking at Meal Kits.

From the perspective of a customer looking ways of having a special occasion dinner for friends and family.

From the perspective of a customer looking for a crowd-pleasing meal.

What matters is how customers see the landscape. When they are looking for something that solves the problem you solve, how do they perceive the various solutions?

So when we conduct Customer Development interviews, we want to ask open-ended questions like “When you’re choosing how to feed a big group of friends and family for an event, what options do you think about?”

Ten Minute Break.

Friday, April 17th ▾



Eldars Sa 8:24 AM

I use Claude Code and around 20 specialized APIs for different functions, Claude connects them and controls them. Here are 5 of my favorites:

1. ElevenLabs API to record humanlike quality audio in any language
2. Ideogram API to generate images, ads creatives with great selection of fonts and quality text overlays
3. Meta Conversion API for ads tracking for web and mobile
4. Meta Marketing API to setup your Facebook and Instagram ads campaigns by talking to Claude
5. Massive API for financial quotes and stock information

(edited)



Tuesday, April 21st ▾



Ferhat 3:08 PM

Hey everyone, what AI tools do you use for brainstorming and deep research? And if you use different ones for different tasks, I'd love to hear which and why.



Carla 11:11 PM

Here are some tools I've used recently that surprised me:

- [Clay](#): For market research, in their words: "Understand your total market, your customers, and the gap between them. Then act on it."



Richard Goetz 10:08 PM
If you came to say hi to me during break I'd love to connect. You are in Stanford lead.

1 reply 7 days ago

Bret 11:09 PM
Well, let's see. Something non-work-related I could give a TED talk on. I think it would be something having to do with travel. I've been to 54 countries around the world, and I love exploring and learning about different cultures. Mark Twain said "Travel is fatal to prejudice, bigotry, and narrow-mindedness", and that is so absolutely true - Americans need to travel more.

6 [Heart] 1 [100] 1 [Hugs] [Smiley]

Thursday, April 23rd

Veronika Moroian 9:17 AM
My TED talk would be about Women Empowerment. I've been breaking stereotypes of what women can or cannot do my entire life, both personally and professionally. It energizes me to inspire future generations of girls and young women to do the same.

10 [Heart] [Smiley]

2 replies Last reply 3 days ago

[Smiley] [Comments] [Share] [Bookmark] [More]

Kumar Srinivasan 11:07 AM
My 10 minute TED talk would be on astrophotography. Carl Sagan described astronomy as a "humbling & character building experience... and nothing challenges our imagined self-importance like astronomy does". With modern day astrophotography tools, you can access distant deep-sky objects, nebulae and galaxies even from light polluted skies and experience that awe right from your backyard. I can show you how!

4 [Screen] 1 [Thumbs Up] 1 [Heart] [Smiley]



A class challenge from Lydia!

The 10 CUSTOMER INTERVIEWS CHALLENGE



GOAL: Talk to **10** potential customers in your target market before the end of Week 8.

WHAT COUNTS:



10-30 min conversation
(Zoom, phone, or in person)



With **real** customers



Focus on **learning**, not pitching



Can be **imperfect**

WHAT DOES NOT COUNT:



Talking with your **friends/co-workers** (unless they are your target customers)



Surveys

Even **1-2** conversations is already a win. This is about building the **habit**, not being perfect.



I've created a Slack channel **#10-conversations-challenge**.
Joining this channel means you accepted this challenge.

Let's learn, build, and grow together! ❤️



Victoria 2:09 PM

Hi everyone we started a
WhatsApp group for our class.
You can use QR code or a link to
join! Cheers 😊



Unofficial BUS-217 🚀

WhatsApp group



BUS-217 · WEEK 2

Build something people want.



BUS-217 / Syllabus / Week 1

THIS WEEK'S READING

"The only way to win is to learn faster than anyone else."

— ERIC RIES, *THE LEAN STARTUP*

Back in 1999, I had an awesome idea for a new startup. I was so excited I could barely contain myself. It was the height of the dot-com boom in Silicon Valley, and all my friends were getting filthy rich.

I spent late nights producing a pitch deck for my startup. Surely, this set of slides would convince investors that my idea was brilliant and worthy. After many long hours, my pitch deck was finally

LECTURE SLIDES



Week 2 Slides

PDF · Download



GOING DEEPER



AI for Week 2

AI eats PMF



VIDEO

Watch this week's lecture ↓

customers.

Ultimately, what matters is achieving Product-Market Fit, a fit between what your product does and what the market wants. Therefore, your focus should be on whatever will help you get there efficiently and effectively.

- Spend a lot of time talking to prospective customers up-front (do Customer Development before you do product development).
- Embrace the fact that most of your assumptions will be wrong, and success depends on testing your assumptions before the market tells you just how wrong you are.
- Always be thinking, "What's the smallest experiment I could do right now that would provide the greatest possible learning?"
- Embrace the concept of your Minimum Viable Product (MVP) as a great way to learn from the marketplace. Don't think of an MVP as a one-time deal; instead, using multiple MVPs is part of the process by which you are getting validated knowledge of the market as you continue to iterate and improve your journey toward Product-Market Fit and beyond.

Remember that everything in this chapter is best thought of as an ongoing process. I once had a student ask me, "So when can I stop iterating on my product?" and the answer, of course, is never!

Successful companies are continually iterating on product offerings based on input from real customers. Product-Market Fit is an ever-shifting target as customers change, markets change, and competitive landscapes change.

Journey sang, "Don't stop believin'," and I'll add to that, "Also, don't stop iterating."

That's how great ventures (and great rock 'n' roll) are built.

who had recently joined a venture capital firm. I

ly November morning, feeling confident and

about how awesome my idea was. His firm led a \$5
to the races.

star team of twenty software engineers to build my
convinced that our idea would be a big hit with
we had a great startup idea, we were obviously a
ly smart venture capital investors—what could go

uilding a product we thought was fantastic, we
anted it. Customers didn't care about all the work we
solve problems they cared about. My awesome idea

of entrepreneurship: how does one reliably create new

d small that put enormous effort into developing a

ADDITIONAL READING

PMCF > PMF

Bret Waters · BUS-217

The MVP: A Widely Misunderstood Concept

Bret Waters · BUS-217

Customer Development Interviews

Bret Waters · BUS-217

Put Some Turk in Your MVP

Bret Waters · BUS-217

Who da customer?

Bret Waters · BUS-217

Case Study: Juicero

Bret Waters · BUS-217

Most Founders Get Two of These Right

By a BUS-217 alum

The path to Product-Market Fit

The path to Product-Market Fit

New



Victoria 1:30 PM

Problem statement

Millions of people collect health data from wearables like Apple Health and Oura, along with patient portals and lab results, but have no clear way to understand what it actually means for their body—leaving them overwhelmed, misinformed, and unable to take meaningful action.

Solution statement

My startup is an AI-powered health intelligence layer that connects to your personal health data and translates it into clear, personalized insights—so instead of staring at dashboards, you can simply ask questions and understand how your body is actually doing. It will have the medical records option.

Path to PMF

We'll start by onboarding early users through TestFlight and directly engaging with them to understand how they interpret their health data today and where they get stuck.

Next, we'll iterate quickly based on real usage—focusing on the most frequent and emotionally charged questions (e.g., sleep quality, HRV drops, fatigue patterns) and improving clarity and usefulness of responses.

In parallel, we'll drive targeted distribution through communities where people are already trying to interpret their data (e.g., Reddit, wearable communities), using real conversations to refine positioning and demand.

Once we see consistent engagement (repeat usage, frequent queries, and retention), we'll test willingness to pay through a simple subscription model and begin scaling acquisition.



The path to Product-Market Fit



Airason 5:17 PM



Problem Statement

People change their look every day. Sneakers, one of the clearest expressions of identity, are still locked into one look.

Solution Statement

We turn one pair of sneakers into many looks. Our patented lace-replacement system lets customers swap accessories on top of the shoe, from jewelry to graphics, in seconds.

Path to PMF

~~We'll build early demand through a waitlist and cultural seeding, convert that demand with a limited first drop, and measure sell-through and repeat purchases across quarterly releases to prove customers return to accessorize, expanding once that behavior holds across our first 1,000 customers.~~

Path to PMF - V2

We've started by wearing the product in public, talking to customers to gauge reactions and capture feedback, and testing concepts on social media. We've used those learnings to refine the prototype and feed them back into the design loop. We're now using a waitlist to learn who wants this and what will drive interest. Next, we're preparing for a small initial release to learn what will drive purchase and repeat behavior. (edited)



3 replies Last reply 2 days ago

The path to Product-Market Fit



Sham Dholakia 5:06 PM

Problem statement: Laparoscopic surgery is a \$40B market, where 30% of procedures take longer than necessary and complication rates are not insignificant. Surgical training lies on apprenticeship with no scalable data feedback loop.

Solution Statement: real time AI copilot, frictionless integration into current hardware stacks, no costs to hospital and real value creation - the its Waymo solution for keyhole surgery.

Path to PMF:

Partner at 3 hospitals - to get realtime real feedback

Measure - complications, run rates, adaptation rates and how the intervention impacts procedures

Iterate on the model - every procedure improves the annotation. Expanding only when the signal is clear to second procedure.



The path to Product-Market Fit



Veronika Moroian 10:27 PM



Problem statement: In the age of AI, professionals must continuously upskill to stay relevant, but finding the right courses is overwhelming, most are expensive and outdated, and the technology evolves faster than any course can keep up with.

Solution statement: An upskilling recommendation service that understands your individual growth needs and builds a live, personalized plan with free, trusted content to reach your learning goals.

Path to PMF: We already have a waitlist of two dozen beta testers. We will start by building MVP1 and sharing it with this focus group. We'll incorporate their feedback into an improved MVP2. We will then recruit a larger group of impact users through thought leadership and ask for their input on MVP2. We'll incorporate our learnings into MVP3 and release it to my 24K LinkedIn connections. Once we consistently have 100 learners on the platform for a few months, we'll start to scale.

The path to Product-Market Fit



Larissa 1:31 PM



Problem statement: People are expensive. Workforce transformations are hard.

Solution statement: An AI-powered platform that turns fragmented workforce data into actionable decisions on skills, capacity, and future workforce needs.

Path to PMF:

Target customers: Large and mid-sized enterprises (>1,000 FTE), especially in transformation-heavy industries (tech, automotive, industrials, large-scale services)

1) Customer discovery (pain validation)

Engage 15–20 HR, Strategy, and Transformation leaders

→ *Understand how workforce decisions are made today, where transparency breaks down, and which decisions have the highest business impact*

2) Ground in real-world transformations (problem proof)

Analyze 3–5 workforce shifts at companies like Microsoft and Oracle

→ *Extract repeatable patterns: skill gaps, decision timelines, and data blind spots*

3) Reverse-engineer the buyer (job-to-be-done)

Analyze 3–5 job listings for Strategic Workforce Planning roles (e.g., Salesforce, Intuit)

→ *Identify the exact workflows the product must replace or augment*

4) Focused MVP (one high-value use case)

Build a narrow product, e.g. Scenario-based workforce planning for strategic transformations

5) Early traction + design partners

Launch a simple website and targeted outreach to recruit early adopters

6) Pilot in real-world settings

Run 2–3 pilots embedded in active transformation projects

PMF Signal: Leaders use the platform in recurring workforce decisions and integrate it into core planning cycles (budgeting, strategy, restructuring)



The path to Product-Market Fit

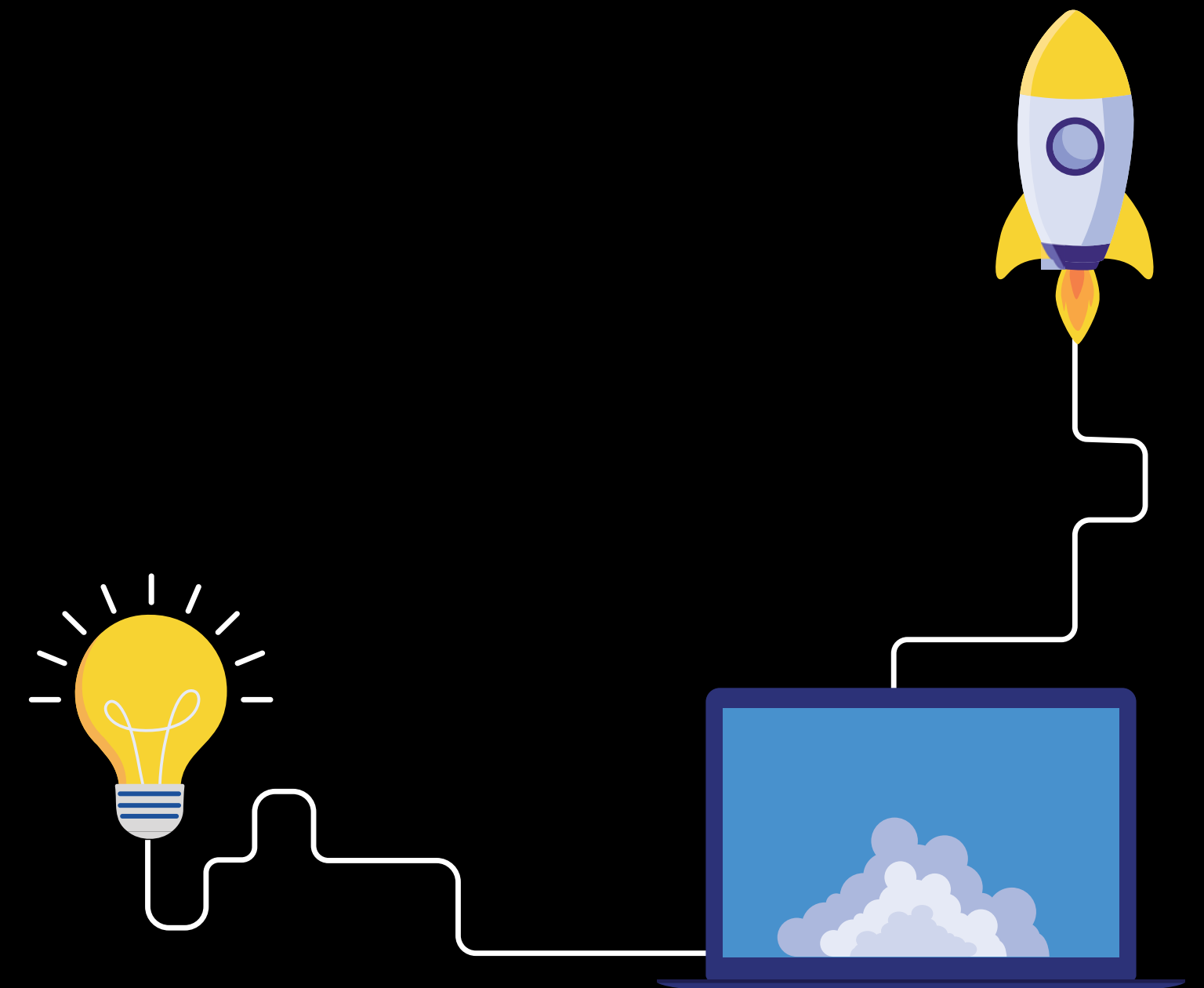
Assignments for the week:

In the **#competitive-landscape channel, post some sort of visualization of how your startup fits into the landscape of competitors and alternatives.**

In the **#social channel, post a travel recommendation. Some amazing place you've been that you would recommend to your classmates.**

The Launch Path

1. Listen to the waves.
2. Build something people want.
3. Draw the landscape.
4. Create an engine of growth.
5. Engineer an economic model.
6. Create a capital strategy.
7. Frame a Funnel.
8. Be a Master Storyteller.



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