



Entrepreneurs:  
Prototyping, Customers,  
and Crowd Investors

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Course #4102A

Business

2 Credit Hours

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# ENTREPRENEURS: PROTOTYPING, CUSTOMERS, AND CROWD INVESTORS

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This course covers the importance of utilizing a prototype, how to successfully relate to customers, and the new power of crowdfunding.

## LEARNING ASSIGNMENTS AND OBJECTIVES

*As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.*

### SUBJECTS

**Rapid Prototyping, Right Now**  
**The Whole Customer Truth**  
**Entrepreneurs Have a New Investor: The Crowd**

Study the course materials from pages 1 to 46  
Complete the review questions at the end of each chapter  
Answer the exam questions 1 to 10

### Objectives:

- Recognize the importance of utilizing a prototype.
- Recognize how to successfully relate to customers.
- Recognize the power of crowdfunding.

### NOTICE

This course is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice and assumes no liability whatsoever in connection with its use. Since laws are constantly changing, and are subject to differing interpretations, we urge you to do additional research and consult appropriate experts before relying on the information contained in this course to render professional advice

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## EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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# CHAPTER 1: RAPID PROTOTYPING, RIGHT NOW

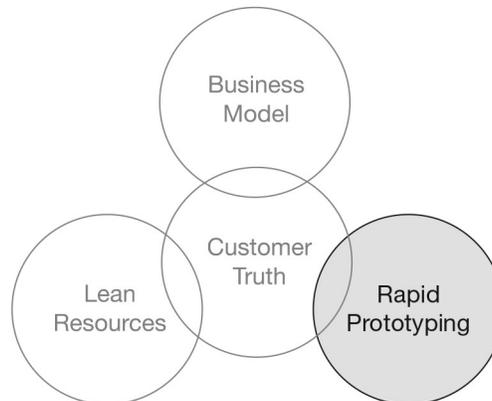
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## Chapter Objective

**After completing this chapter, you should be able to:**

- Recognize the importance of utilizing a prototype.



To move fast, you need a rapid prototype of your product or service. Let's review the advantages, tools, and resources available for the rapid prototyping of your product or service, as well as the testing with real customers to get that crucial initial feedback.

There is simply no better way to judge the viability of a product or service than to actually test it. And, with the tools and resources that are available today, there is no excuse for not rapidly testing that product or service. Indeed, entrepreneurs have all benefited tremendously from early customer feedback, whether it's good or bad. Quite a few entrepreneurs hold out and delay introducing that first version until they feel it's perfect. Guess what? It will never be perfect.

There will always be another feature you want to add or revise, or some other enhancement you feel is important. Think: *minimum viable product*. This means the acceptable, early version of the product or service that will meet the customer's needs. You can always improve the product later and add all those features "you think" the customer cannot live without.

*"If you are not embarrassed by the first version of your product, you've launched too late."*

**—Reid Hoffman, LinkedIn co-founder**

You *can't* always launch your company at the right time—in that perfect opening in a marketplace window. But if you delay, the window could close or, worse, a competitor may jump through the open window with a minimal product and gain the first-mover advantage. That competitor begins to get traction, receives customer feedback, and then introduces a second, improved version of the product while you are still diddling with yours. Now, that competitor is getting something even more crucial: market share and a leadership position in the product or service category.

I remember the first version of LinkedIn when I saw it in 2007. I thought, *What's the big deal? It's okay, not outstanding design but pretty functional.* But LinkedIn got the early traction and just kept making improvements on the fly, and that's why they are the market leader today. Who is even second?

## **RAPID PROTOTYPING TO FAILURE**

You need to get over your fear of failure. I know, we have all been primed since childhood to succeed at whatever we do. But, honestly, the times we have learned the most have been when we failed. You couldn't keep your crayon colors inside the lines? Some of us got better at it or else we became artists. You lost an important basketball game in high school? You learned that life's not always about winning, it is about competing and the fun that can be.

I teach a creativity and innovation entrepreneurship course at San Diego State University, and one of my biggest challenges is getting my students to open up, to think creatively, and to take risks. They have all been taught how to get good grades and to please adults and peers. They are hesitant, though, to open up and share their ideas, mostly in fear of being ridiculed or laughed at. But the course is designed to reward individuals and teams who provide a "quantity" of ideas, not the best idea. That's when they open up and throw out all kinds of suggestions, and they begin to collaborate with no fear of being shamed. Guess what? The solutions they come up with are amazing.

## **FEAR OF FAILURE, SO WHAT?**

Why do I bring up fear here in a chapter on rapid prototyping? Because most people fear failure and therefore they move too slowly when they should be creating a rapid prototype of their product or service. If you are going to be an entrepreneur, you can't fear failure.

*"Life is like riding a bicycle. To keep your balance you must keep moving."*

**—Albert Einstein, letter to his son Eduard, February 5, 1930**

You can respect fear and try to keep it in bounds; the important point is to understand the cost of entering late into the marketplace. I mentor more than 20 entrepreneurs, to one degree or another. In my classes and on-campus programs, I reach more than 2,000 students each year who could be entrepreneurs someday. I also meet quite a few potential entrepreneurs in the community. Here is what I say to all of them:

- You have only one life. Live it.
- Quit living the life you think you're supposed to have; live the life you want to have. Whatever you want in life, your work ethic will help you achieve it.
- Experts get rewarded and are invited to more opportunities.
- Fears of risk and failure are mostly in your mind, and who controls that?
- You were not born to do a particular thing; do what you want to do.
- Embrace and learn from failure; along the edge of failure lies potential greatness.

As Thom McElroy, co-founder of Volcom, would say with respect to your career, “Design your luck.”

I like to tell students and entrepreneurs that I am not special. I am just a hard-working person who put in a lot of effort to get what I wanted. I was not born to be an entrepreneur. But I became one at the early age of 37. I met three people who excited and scared me. We took the risk and together we ended up building what became a \$1 billion company. You know what happened? I looked back and I felt so foolish, realizing I had spent years working for others because I thought that’s what I was supposed to do.

I don’t regret anything I did. But becoming an entrepreneur made me realize that a person really can do what he or she wants to do. You just need a solid skill set, a good idea, some vision, some passion, and a team. So, get over your fear and embrace the idea of rapid prototyping to learn whether you have something worthwhile. If you fail, so what? Learn from the experience and move on to the next solid idea. If you win big, though, remember to pay it forward someday.

## **GET YOUR RAPID PROTOTYPE GOING**

As other courses cover, there are lean resources available to help you build your rapid prototype. The key is to consider exactly what you need to build or acquire to have your prototype product, and then evaluate the people in your network who might help you build it or acquire it. Here are some suggestions; it’s not meant to be all-inclusive but, rather, a solid thought-starter list to get you moving:

### **People**

When it comes to leveraging people, the first question I ask would-be entrepreneurs and students is, “How strong is your network?” Being able to leverage your network will help you directly or indirectly by connecting you to people who can help you. Need to find that great programmer or software architect? How about that nutrition expert? What about the designer you need to design your product? Your network, and the extensions of that network, could be the means for getting an idea moving toward prototype.

An example of this network potential is a local entrepreneur named Samantha, who had a solid idea for a mobile application but no money or programmers. I told her we had two graduate-level mobile applications classes at the university, and introduced her to the professor. After the meeting, the professor liked Samantha’s idea so much that he had two students build the initial prototypes, for both Android and iPhone. What was the cost? Zero. Granted, that won’t always be the case; but you need to leverage all the people resources you can so as to produce your prototype rapidly.

### **Internet Tools**

There are a variety of either free or low-cost solutions available in what I call the Internet tools. For example, want to gauge potential customer interest in a new type of product or service? Utilize a website-building tool, search-engine optimize it to bring it to the attention of potential customers, and measure their reactions to your product or service, either in traffic or actual purchases.

For example, Jon was a student with solid online marketing skills who would track trends and throw up