Getting Off the Ground

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Agenda

What is a minimum viable product (MVP)?

How can you test and validate your MVP?

How can your MVP help you determine product/market fit?

How can your MVP drive traction within your core audience?
Waterfall and “Big Design Up-Front”

*These approaches are still important if you are curing cancer or creating a new car.*
Lean Startups: How to do it

- Decide on your idea
- Create hypotheses
- Generate MVPs
- Prioritize MVPs

Run Tests

- Pivot
- Achieve Product-Market Fit

Flowchart based on material developed by Eric Reis and Tom Eisenman
“Minimum Viable Product" (MVP)

A product that includes just enough features to allow useful feedback from early adopters

Makes it easier for the company to speed to market with subsequent customer-driven versions of the product

Mitigates the likelihood of a company wasting time on features that nobody wants
Minimum Viable Product

Minimum

Think: “simplicity”

There is usually just one or two core problems that excellent products are trying to solve

- An iPod lets you store a bunch of your music and play it on the go
- Facebook lets you find friends and share information with them
- eBay lets you sell used stuff or buy used stuff
- Google lets you find information on the Web
Minimum Viable Product

Viable
What makes a product viable?

There are typically two things:
- Will people use it?
- Will someone pay for it?

Product
Any creation such as:
- A commercial product
- A service
- An entire business
- Any organism that generates value
Product/Market Fit: Virgin Air

They started their airlines with just one Boeing 747 flying between Gatwick and Newark

They could have started with multiple planes and routes but stuck to one plane, one route
Product/Market Fit: Apple iPhone

Even Apple — known for elegant products

When the iPhone launched, it left out Cut-And-Paste and searchable contacts, two features many felt were important

While Apple fans complained, these two features weren’t really core to the product’s viability. What was core to the iPhone’s viability was: 1. It could be used as a phone; 2. It could access the Web and 3. It could take pictures.
How to do it

- Decide on your idea
- Create hypotheses
- Generate MVPs
- Prioritize MVPs

Run Tests

Pivot

Achieve Product-Market Fit

Watch for cognitive biases: “is it testable?”, “is it falsifiable?”
Be alert for the unexpected
Rent the Runway
Rent the Runway Scores $15 Million From Kleiner Perkins

Rent the Runway, a New York start-up that lets women rent high-end fashion items like dresses, shoes and jewelry by mail has already hit several milestones in the last 18 months. The company said it passed a million members and had

Rent the Runway Raises $20M Led by Condé Nast

Raising eyebrows by offering designer outfits on the cheap, Rent The Runway Inc. is now raising cash.

The fashion-forward online clothing and accessory rental site has closed a $20 million Series C round—funding that bumps the startup’s total outside investment to $51.75 million and sets the stage for what co-founder and President Jenny Fleiss indicated will be a massive expansion...
Tools and Techniques

1. **IDEO-style Idea Generation.** IDEO has a structured approach for applying ‘design thinking’ to new product development.

2. **Business Model Generation.** Ash Maurya has adapted Osterwalder’s business model generation framework for use in tech startups.

3. **Customer Discovery Interviews.** In Four Steps to the Epiphany, Steve Blank describes interview processes for assessing demand for a product idea.

4. **Focus Group Research.**

5. **Survey Research.**

6. **Persona Development.** A persona is a fictional character with demographic, psychographic, and behavior attributes of a representative product user. Many tech companies assess new features in terms of their fit with personas’ needs.

7. **Competitor Site Benchmarking.**

8. **Wireframing.** A wireframe is a skeletal depiction of a website showing key navigational concepts and page content. Many wireframing software tools are available, e.g., Balsamiq.

9. **Prototype Development.**

10. **Usability Tests.** For $39, UserTesting.com will videotape a representative consumer trying a product or feature.

11. **A/B Test of New Feature.**

12. **Conversion Funnel Analysis/optimization.**


14. **Search Engine Marketing Campaign Design/Optimization.**

15. **Inbound Marketing Campaign Design/Delivery/Analysis.** This book by Hubspot’s founders explains the logic for relying on blogs, Facebook, Twitter, etc., to drive traffic to a site.

16. **Public Relations Strategy.** Startup CEOs disagree on whether a DIY approach to PR makes sense, and how long startups should wait before they invest money/time in PR.

17. **Site Redesign Based on User Experience Analysis.**

18. **Analysis of User Requests for Product Support.**

19. **Analysis of User Suggestions for New Features.** Dropbox has implemented a site feature for soliciting feature suggestions, called “Votebox.”

20. **Product Roadmap/Feature Prioritization Process Design.** Startups who rely on agile development methods use project management tools such as Pivotal Tracker.

21. **Design/Delivery of Sales Pitch for Early Adopters.**

22. **Sales Lead Prioritization Process.**

23. **Design/Delivery of Charter User Program.** Silicon Valley Product Group, a consulting firm that helps tech companies improve their product management capabilities, makes the case for a structured approach to working with beta customers.

24. **Net Promoter Score Analysis.** NPS, a measure of product loyalty used by many tech companies, is obtained by asking customers: “How likely is it on a 0-10 scale that you’d recommend our product to a friend/colleague?” Respondents are categorized as Promoters (9-10 rating), Passives (7-8), or Detractors (6-0). NPS = Promoter % - Detractor %.

25. **Lifetime Value of a Customer Analysis.**
# Customer Interviews

## Great for:

- Finding out what people love or hate about a product
- Finding out about current solutions
- Finding out why particular solutions have been chosen
- Getting a sense for customer environment

## Bad for:

- Predicting future actions
- Making assumptions about demand
- Figuring out pricing
- Figuring out wished-for product features

*Source: Frank Crespedes, “Customer Visits for Entrepreneurs”*
Surveys

Make sure to ask good questions

Surveys can be leading:

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<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>(Don't know)</th>
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<td>40. Do you think the federal government should increase taxes on the wealthiest individuals so that nobody gets to be too rich?</td>
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<td>31 March-1 Apr 09</td>
<td>Democrats</td>
<td>59%</td>
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<td>Republicans</td>
<td>23%</td>
<td>72</td>
<td>5</td>
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<tr>
<td>Independents</td>
<td>32%</td>
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Use conjoint analyses, multiple types of questions, focus groups to get at more detail
Letters of Intent

MenuClue

Non-Binding Expression Of Interest, 18 September 2011

Dear Daniel and Martin,

Thank you for telling me about your plans for MenuClue, the tool for helping restaurant operators to make more money from their menus. It sounds interesting.

I would be willing to take part in the pilot of the first version of MenuClue by allowing you to propose changes to my menu (e.g. layout, design, pricing, dish descriptions etc) which could make me more money. I understand that this expression of interest by me is completely non-binding, that the pilot will be at no charge, and that there is absolutely no obligation for me to take part if I change my mind, or for me to accept your proposed changes to my menu if I do not like them.

○ Initials: ____________________________
Usability Tests

Let people interact with your product

80% of major problems can be identified by samples of <5

Rule out the risk that a bad product will make it look like demand doesn’t exist
### Split Tests

<table>
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<th>Combination</th>
<th>Estimated Conversion Rate Range (%)</th>
<th>Chance to Beat Ctrl ($)</th>
<th>Chance to Beat All ($)</th>
<th>Observed Improvement ($)</th>
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<td>$-34.8%$</td>
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Market Trials

Actually test a product

Customer selection

Manage timing risks & information flows

Net promoter score

On a scale of 0-10, how likely is it that you would recommend XYZ to a friend/colleague? Why?
(9-10 promoters, 7-8 passives, 0-6 detractors)
“Pivoting“ or “Iterating”

Making a major change of some sort

- Changing the target customer segments by narrowing or broadening them
- Changing the product itself, either by adding features or by taking features away

  More dramatic change: 'We were going business-to-consumer, but we should be going business-to-business'

- Change in business model: 'We were doing transaction-based pricing, but we’ve realized we should be doing subscription-based pricing'
Final Thoughts

Don’t be casual: stick to an approach

In carving a path, startups may find that they have to shift the company in a completely new direction

Be quick; be nimble in your hypothesis testing

Listen to others’ worldviews
- Set context and tell your story
- Ask for follow ups/references
- DO NOT sell them your solution