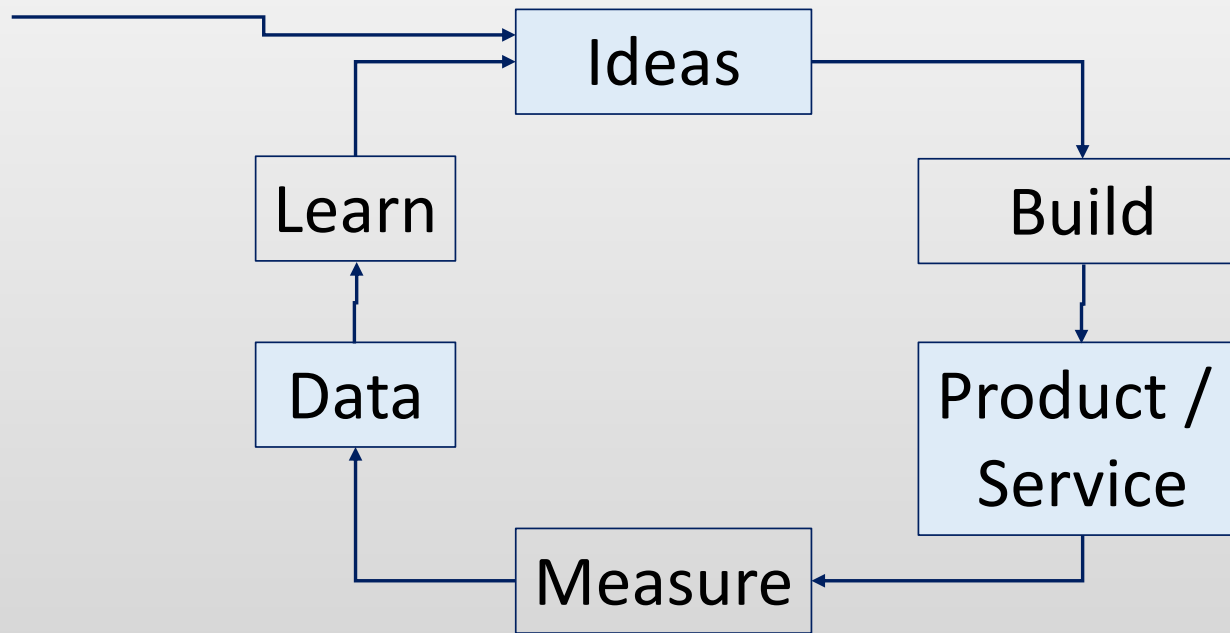


Validated Learning

Methodology & MVP

The Lean Start-up Methodology

Build-Measure-Learn Feed-back Loop



- Goals:
 - minimize the loop time
 - be sure that learning is real

What to learn?

- Every strategy/business plan is based on a set of **unproved assumptions** (which are frequently erroneous)
- Identify the **riskiest elements** of the plan
 - They are called “**leap-of-faith**” in the *lean start-up* terminology
 - The most important assumptions are always related to:
 - The **value hypothesis** (how the new service/product/... will bring value to the customers)
 - The **growth hypothesis** (how the organization is going to grow-up e.g., enlarging the customer base)
 - More on the next lessons

Assumptions & Questions

- Comparison with existing business can be useful
 - Analog: analogy
 - Antilog: reverse analogy
- Consider Steve Jobs evaluating whether to introduce the iPod or not
 - Will people listen to music in a public place using earphones?
 - Sony faced this question when introducing the walkman
 - (Analog) Apple already had the answer in the analog: Sony's Walkman
 - Would people pay for music?
 - (Antilog) Napster (audio sharing peer to peer community)
 - Free file sharing "peer to peer" network
 - Shut-down by lawsuit in 2011
- Analogs and antilogs can be useful
 - They can help **formulating questions** ... and **candidate answers**
 - But don't give your definitive answers about your assumptions



Minimum Viable Product (MVP)

- How to effectively test hypothesis?
 - On real customers interacting with real products
 - Minimizing the effort of building a product
- Building a ***minimum viable product (MVP)***
 - It is a product early version (not only a single test) ... E.g., you have to try to “sell” it
 - That enables to run the Build-Measure-Learn cycle
 - With **the minimum amount of development effort**
 - Everything not related to learning should be dropped!
 - Really everything!
 - Beware, if an MVP impact can't be measured (e.g., measuring potential customer reactions) it is not worth creating it

The MVP is that version of a new product which allows a team to collect the maximum amount of validated learning about customers with the least effort.

Ries, Eric. The Lean Startup. The Crown Publishing Group.

Example: Zappos Beginning

- In 1999 a company **selling shoes online** was launched
- The founder realized that there was no central online site with a large selection of shoes
- Inspiration came when the founder failed to find a pair of special shoes (brown Airwalks) at the local mall

Vision & Assumptions

- Zappos Vision
 - Large on-line catalogue (i.e., large selection of shoes)
 - Logistic and distribution excellence
- On-line selling was at the very beginning in 1999
- Riskiest assumption to be tested:
 - Would people buy shoes on the Internet without trying them?
 - Is there already sufficient demand for online shoes shopping?
 - Is the business sustainable?
 - How to test without building all the complex and costly infrastructure?
- What would you do?

Zappos MVP

- Nick Swinmurn, Zappos founder,
 - created an initial simple service ...
 - actually, it was an MVP (even if the term MVP was created later)
- He signed an agreement with some local shoe stores
 - He asked to take picture of the shoes in the *shop inventory (catalogue)* ...
 - ... promising that
 - The pictures to be posted online and ...
 - ... Shoes bought from the local store at full price in case of sell

Zappos: not only an Experiment

- An experiment focuses on a single aspect while a well designed **MVP tests more aspects**
- E.g., Zappos prototype **tested several assumptions** involved with
 - Taking payment
 - Handling returns
 - Dealing with customers
- An MVP can be **turned into a final product**, step by step
 - E.g., adding new features or improving existing ones
 - Activities can be prioritized on the basis of the obtained knowledge
- An MVP sheds the light on **real customer behaviors** (... not on what customer think they want)
 - **Unexpected** customer **behaviors** revealed information not previously known (no way to ask in advance) e.g., returning shoes issues
 - Observation of **behaviors difficult to ask/predict in advance** e.g., what is the customer perception of discounted prices?

Zappos now

- Actually, Zappos is an online shoe store, with annual gross sales in excess of \$1 billion
- In 2008 Zappos was acquired by Amazon, but it keeps operating as an independent entity in the U.S.

Considerations on MPVs

- The **trick** with the MVP approach is to give customers the illusion of a **fully functional experience** even if it is not
 - As long as customers receive what they paid for,
 - it doesn't matter if there is a clunky process behind the scenes
- An MVP delivers just enough functionality and value **to appeal early adopters**
- MVP Goals
 - To **validate** the **assumptions**
 - To **test hypotheses** about market needs,
 - To make **adjustments** to the service/product vision
 - To **prioritize** where to **invest** in future development