LEAN STARTUP

From the idea to the market

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Classic approach

"Go research, write a good business plan so you know everything possible, raise funding and start executing"

Underlying assumption:

Startups are smaller versions of large companies

"No plan survives first contact with customers"
Steve Blank (2010)

"The largest source of waste in a startup, is building a product that no one will find useful"

Lean startup

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Lean startup

Business model

before

business plan

"The largest source of waste in a startup, is building a product that no one will find useful"

Lean startup

The **aim** is to start interacting with potential customers from an early stage
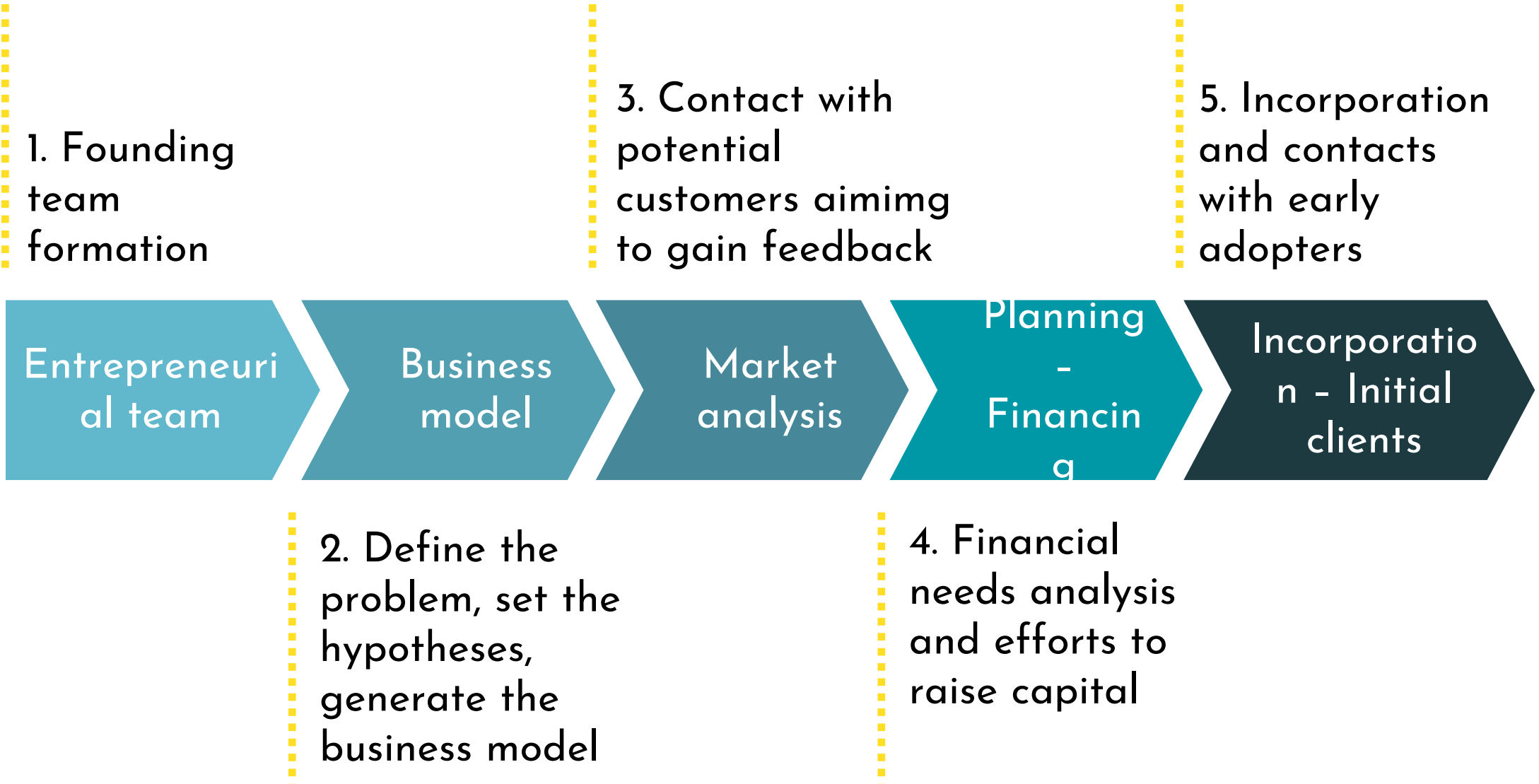
Business model

before

business plan

Minimum Viable Product (MVP)

before

new product development

Idea ⟶ Minimum Viable Product (MVP) ⟶ Final Product

1. Founding team formation

3. Contact with potential customers aimimg to gain feedback

5. Incorporation and contacts with early adopters

Entrepreneurial team → Business model → Market analysis → Planning - Financing → Incorporation - Initial clients

2. Define the problem, set the hypotheses, generate the business model

4. Financial needs analysis and efforts to raise capital

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Idea ⟶ **Minimum Viable Product (MVP)** ⟶ **Final Product**

1. Founding team formation

Entrepreneurial team

The team

DONE!

Idea ➜ Minimum Viable Product (MVP) ➜
Final Product

1. Founding team formation

Entrepreneurial team ➜ **Business model**

2. Define the problem, set the hypotheses, generate the business model

3 similar offerings

NOTHING IS ORIGINAL.

STEAL LIKE AN ARTIST.

Steal …Unique Selling Propositions (USP), pricing models, business models, functionalities, promotion, operations, processes AND anything else could be useful…

Define problem

Products as solutions to ¨problems"

KEEP
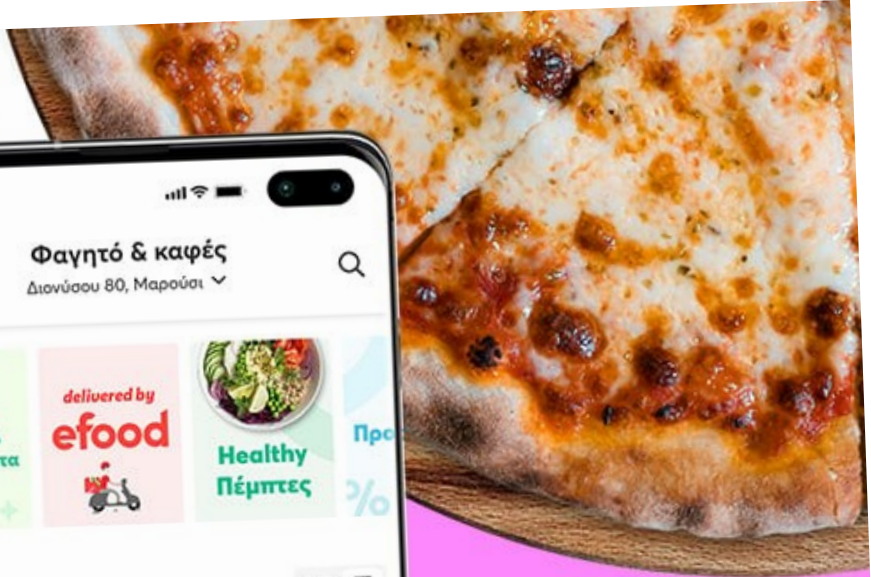CALM
AND
TELL HOUSTON
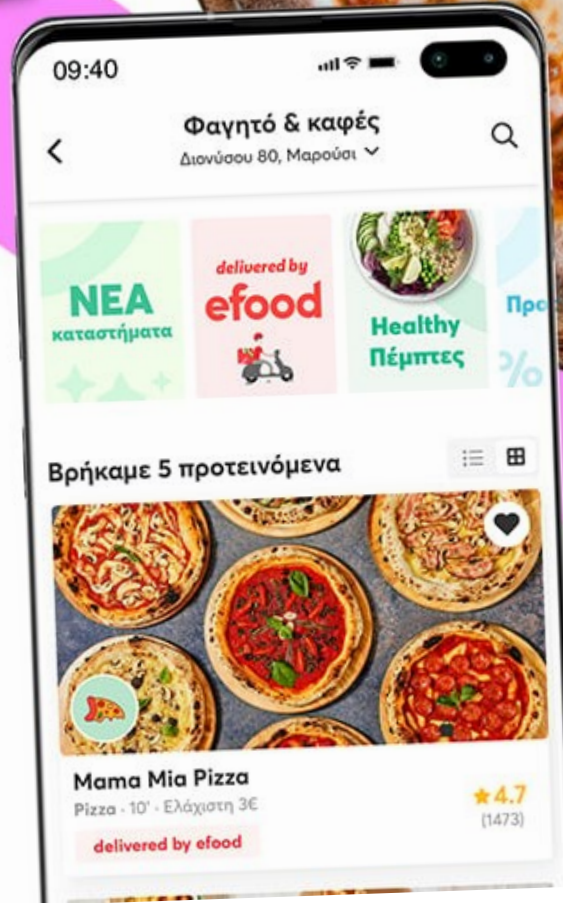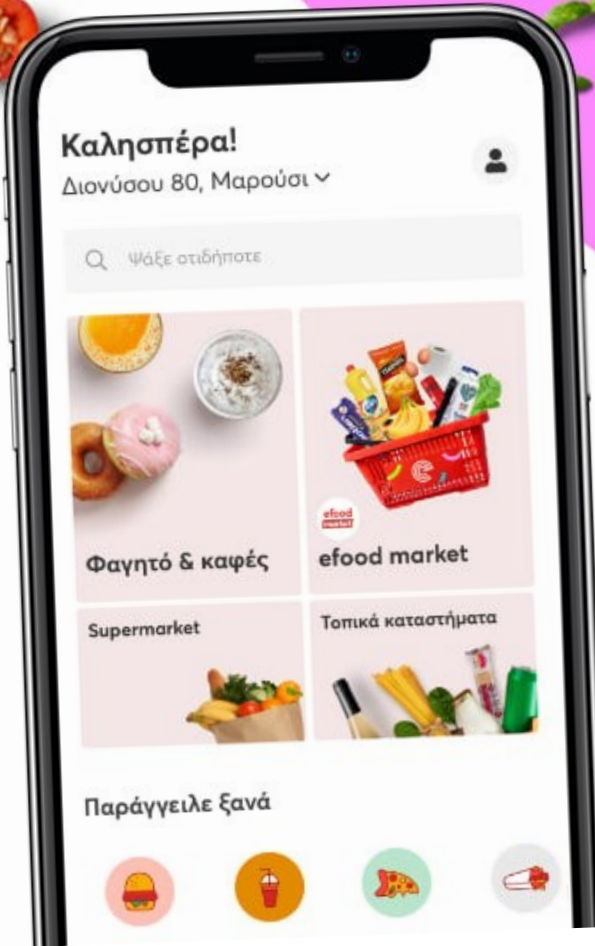WE HAVE A PROBLEM

Define problem

Try to **define** the **magnitude** of the problem:

- **define use cases that you can later generalize**
  - *e.g. an apartment of 50m2 in Paris is spending a lot for heating per year, Cheryl is a real estate agent who is reluctant/scared to show empty country houses to men as several assaults have been reported*

- **give related numbers**
  - *e.g. number of people having heart attack every year, cost of fuel for airplanes conducting regional flights*

ΣΥΡΙΑΚΗ ΚΟΥΖΙΝΑ

ο Πρόεδρος

210

pizza party

Pizza

Pizza

PIZZA
-
ITALIAN

€1.95

€1.90

€1.70

€1.75

€1.35   Pepsi/Max/Twist/7up/HBH 330ml

ΝΟΤΑ

Chunky Monkey (500ml)

Chocolate Fudge Brownie (500ml)

Strawberry Cheesecake (500ml)

Cookie Dough (500ml)

€2.95

Competition

	Price	Characteristic 1	Characteristic 2	Characteristic 3	Characteristic 4
Competitor 1 (*E.g. IKEA*)					
Competitor 2 (*E.g. small furniture shops*)					
Competitor 3 (*E.g. Do it yourself*)					
Competitor 4 ……….					
My startup					

Key Partners	Key Activities	Value Provided	Customer Relationships	Customers
WHO HELPS YOU	WHAT YOU DO	HOW YOU HELP	HOW YOU INTERACT	WHO YOU HELP
	Key Resources		Channels	
	WHO YOU ARE AND WHAT YOU HAVE		HOW THEY KNOW YOU AND HOW YOU DELIVER	

Costs	Revenue and Benefits
WHAT YOU GIVE	WHAT YOU GET

Idea ➞ Minimum Viable Product (MVP) ➞ Final Product

1. Founding team formation

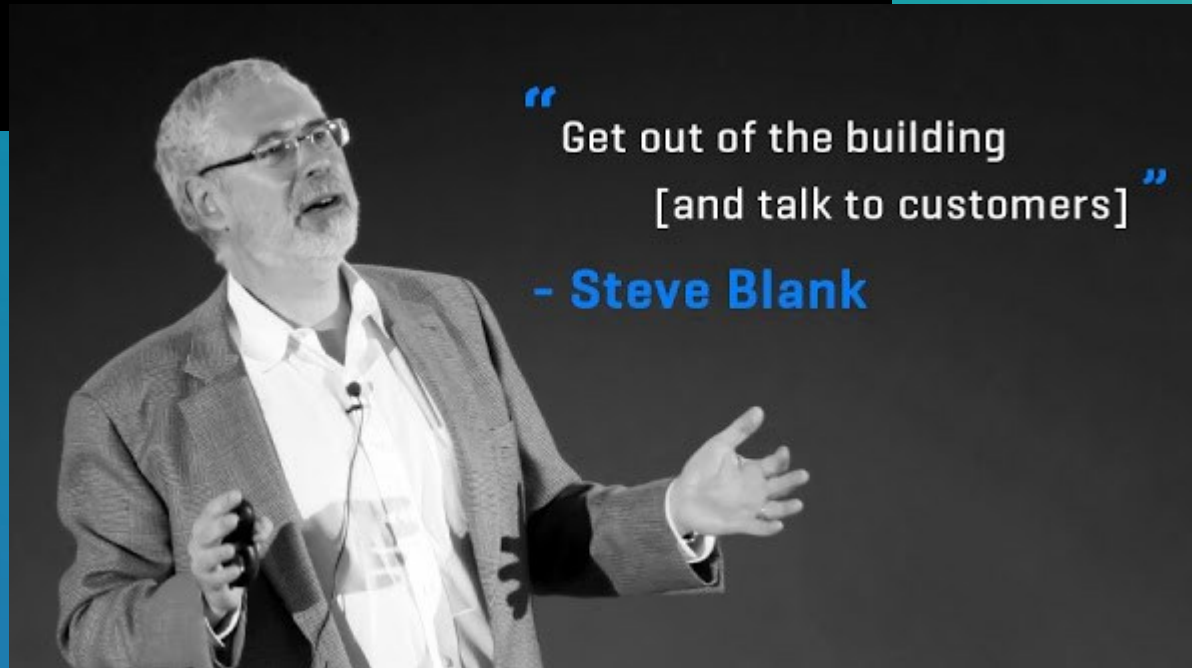3. **Contact with potential customers aimimg to gain feedback**

Entrepreneurial team ➞ Business model ➞ **Market analysis**

2. Define the problem, set the hypotheses, generate the business model

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YOU ASSUME THERE ARE CUSTOMERS…

" Get out of the building [and talk to customers] "

- Steve Blank

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Market Segmentation

Your target market consists of a set of buyers who share common needs, values or characteristics *(e.g. age, sex, educational back-ground, monthly income, traditions, desires, etc.).*

Customers

WHO YOU HELP

Target group

Market segmentation refers to aggregating prospective buyers into groups with common needs and who respond similarly to a marketing action.

B2C Business2Consumers	B2B Business2Business
Segmentation criteria	
Geographic (e.g. customers living in the city center)	Geographic (e.g. shops in the city center)
Demographic (age, sex, income, profession etc.)	«Demographic» (industry, size, products, services)
Behavioral (habits, likes, dislikes, sports etc.)	«Behavioral» (sensitive to price? To delivery? quality?)
Psychographic (values, personality type: conservative, fun seekers….)	«Psychographic» (looking for innovation/low price, loyalty)

Persona

Male
Born in the 1940s
Grew up in England
Married twice
Two children
Successful entrepreneur
Wealthy
Dog-lover
Real-estate owner
Vacations at the alps

+ φοράει χαϊμαλιά

Attention. Defining your customer profile only by demographics can be misleading

Persona (B2C) - Carol

name	Carol
gender	Female
age	45 year
status	Single
occupation	Saleswoman
location	Amsterdam

bio

Carol is a hard working mom, who does her best to create a safe and warm home for her children. She is highly invested in the lives of her children.

quote

"Sharing is caring"

interests

Carol wants to help as much as possible at the school of her kids.

personality

extrovert ——✗——————— introvert

observing ——————————✗—— intuition

thinking ————————————✗— feeling

judging —✗——————————— perceiving

goals in context

Despite not having a lot of money, Carol tries to create a safe living environment for her children.

frustrations in context

Carol has little time and is annoyed with everything that costs needless time. Sometimes she worries about unexpected financial setbacks.

preferred channels

Carol is an online shopper, because it saves her time and she can shop at any moment.

brands

Wehkamp

H&M

Zara

bol.com

Market Analysis

Beachhead market

All possible target groups are judged on the basis of 6 criteria:

- **Access to the target group**
- Purchasing power
- How important is the "problem˝ *(nice to have or must have)?*
- Can we deliver the solution (with or without partners)
- Competition
- If successful, can we leverage additional segments?

Start with the target group that meets most criteria

	Access	Purchasing power	How big is the problem?	Can you deliver?	Competition	Leverage to new segments
Target Group 1	✔		✔	✔	✔	
Target Group 2		✔	✔	✔	✔	
Target Group 3		✔	✔			
Target Group 4	✔	✔	✔	✔	✔	
Target Group 5	✔	✔	✔	✔	✔	
Target Group 6			✔	✔		✔

Market Analysis

Hypothesis

make an educated guess how your business model works

Test
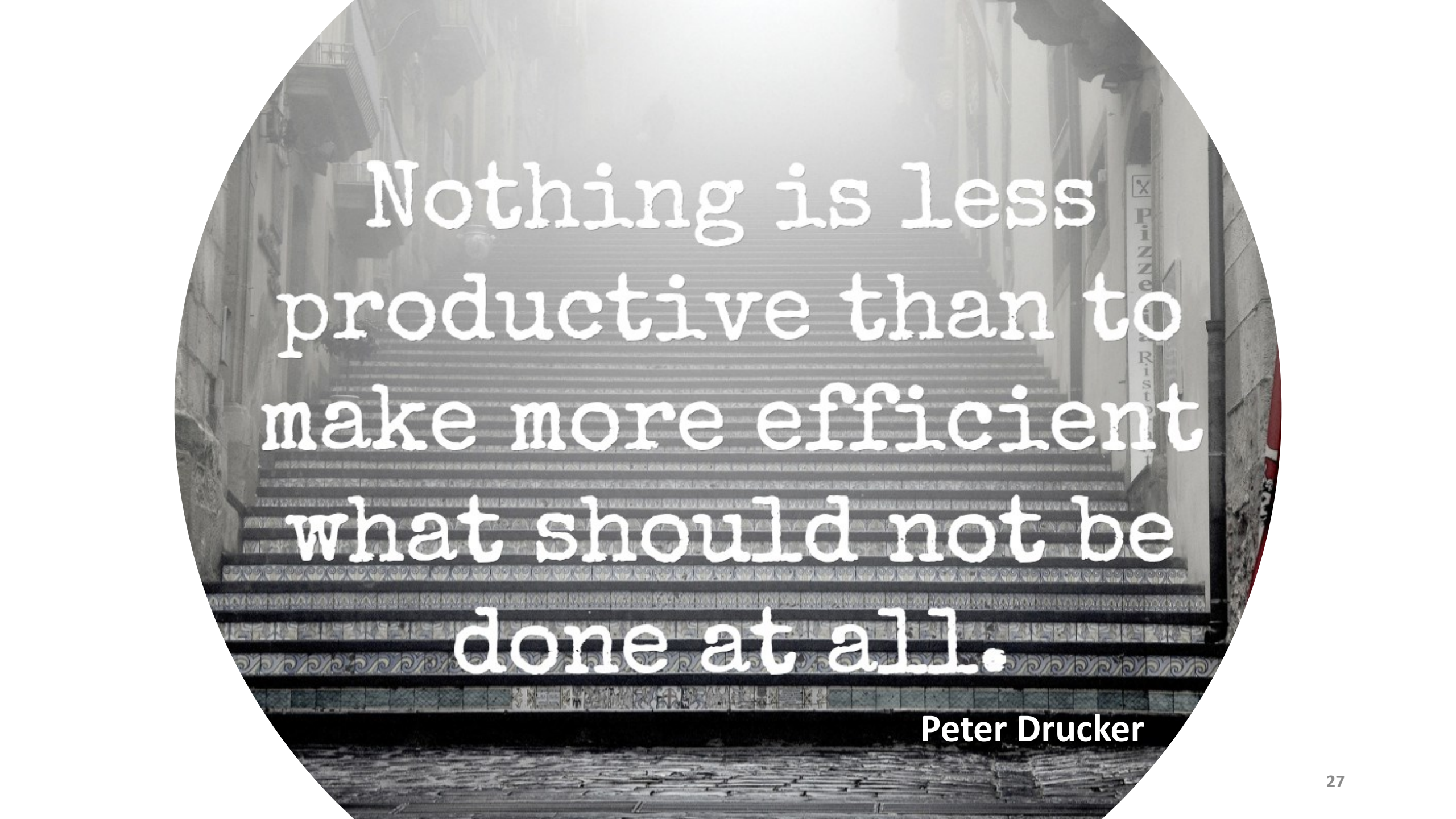
meet with potential customers and industry participants to
- **verify the problem**

Analysis

Adjust or Pivot

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Nothing is less productive than to make more efficient what should not be done at all.

Peter Drucker

The problem interview

A typical order in a 'problem interview' would be:

1) *It seems that some people/firms (like yourself) have trouble with….. (state the problem). Is this also your case?*

2) *How important is the problem for you (it cost you money, time, makes you nervous, unsecure…)*

3) *What are you currently doing in order to solve this problem?*

4) *How do you imagine the ideal solution to this problem would be?*

5) *Are you willing to pay for a solution to this problem?*

The problem interview

Be sure to practice your questions before g[...] out on your interviews, so that your deliver[...] sounds natural.

Finally, ensure that you give yourself enoug[...] time to do the research and to obtain valuable feedback.

Basic principles to follow during the procedure:

– prefer face-to-face interviews

– start with your circle of people

– try not to be alone

– take notes and document the basic outcomes of your meeting

The mom test

You shouldn't ask anyone whether your business is a good idea. *It's not anyone else's responsibility to show us the truth. It's our responsibility to find it. We do that by asking good questions.*

Wrong	Right
- Mom, I have a business idea. Shell I tell all about it - *Of course* -Do you like your tablet? Are you using it? - *I like it and use it a lot.* - Would you buy a cooking app? - *I love cookbooks, sounds cool.* *"I have many cookbooks. I don't need a computer in the kitchen. I have never bought an app. Should I also enter my credit card?"*	When was the last time you used the tablet? For what reason? Have you ever used it in the kitchen? Have you ever bought an app? Wich one? For what reason? How much did it cost? Do you use cookbooks? Is there anything you don't like about cookbooks? When was the last time you bought a cookbook? Which one was it? How much did it cost?

Verify problem

... "**problem recognition scale**" to arrange the answers you got:

- **no problem...**
- **latent problem**: *customers have a problem but don't know it*
- **passive problem**: *customers know the problem but aren't motivated ... the opportunity to solve it*
- **active (or urgent) problem**: *customers recognize a problem or passion and are searching for a solution but haven't done any serious work to solve the problem*
- **vision**: *customers have an idea for solving the problem and even have cobbled together a home-grown solution, but they are prepared to pay for a better one.*
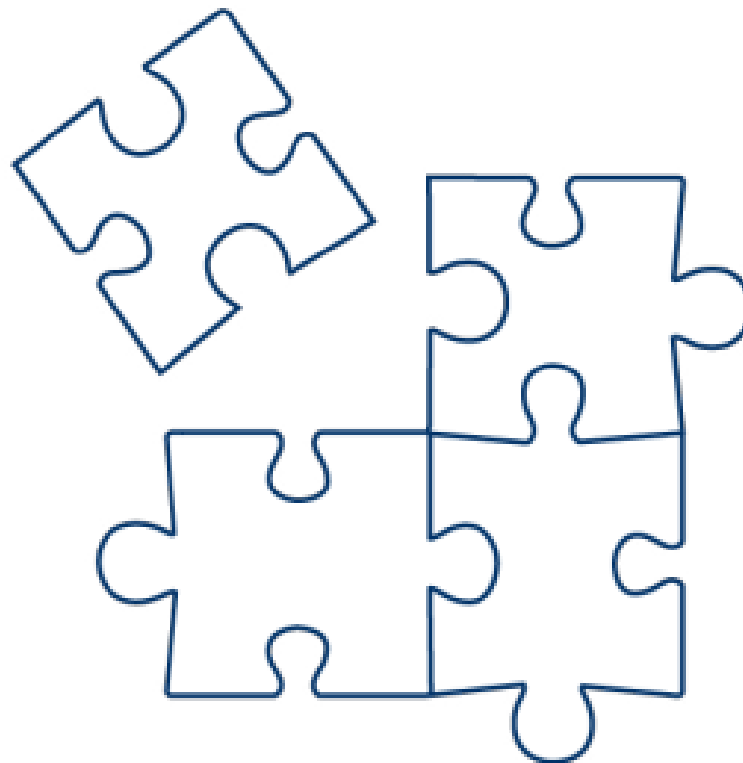
Adwork
Tech

Market Analysis

TOP 20 REASONS STARTUPS FAIL

#1: No market need

CBINSIGHTS

Market Analysis

Hypothesis — make an educated guess how your business model works

Test — meet with potential customers and industry participants to
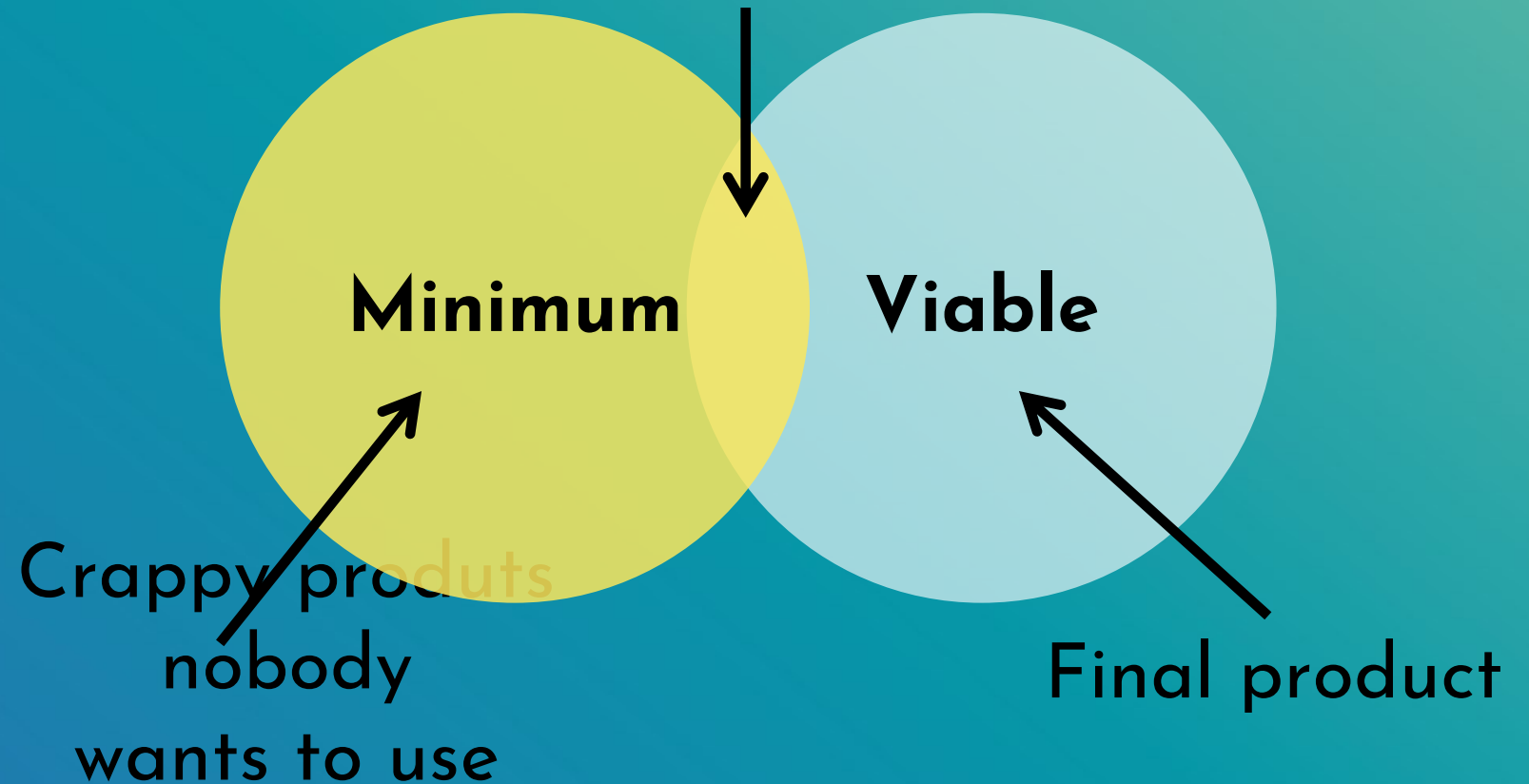- verify the problem
- **test the solution**

Analysis

Adjust or Pivot

Real life experiments

AirBed& Breakfast™
idsa connecting '07

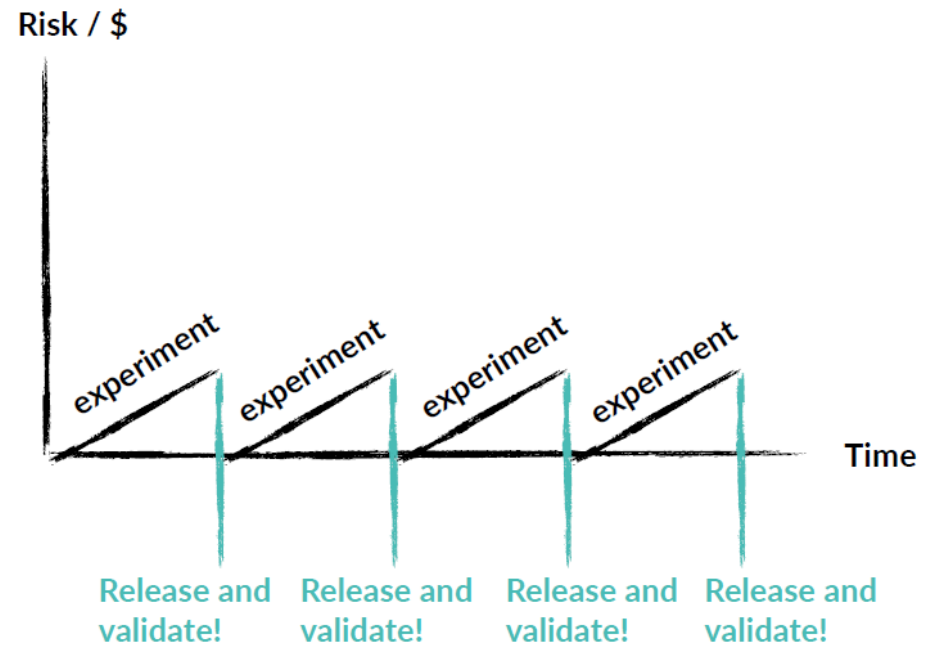*If you're heading out to the ICSID/IDSA World Congress/Connecting '07 event in San Francisco next week and have yet to make accommodations, well, consider networking in your jam-jams. That's right. For "an affordable alternative to hotels in the city," imagine yourself in a fellow design industry person's home, fresh awake from a snooze on the ol' air mattress, chatting about the day's upcoming events over Pop Tarts and OJ.*

Why MVPs?

Risk / $

build build build build

Release and validate!

Time

Waterfall approach

Risk / $

experiment experiment experiment experiment

Release and validate! Release and validate! Release and validate! Release and validate!

Time
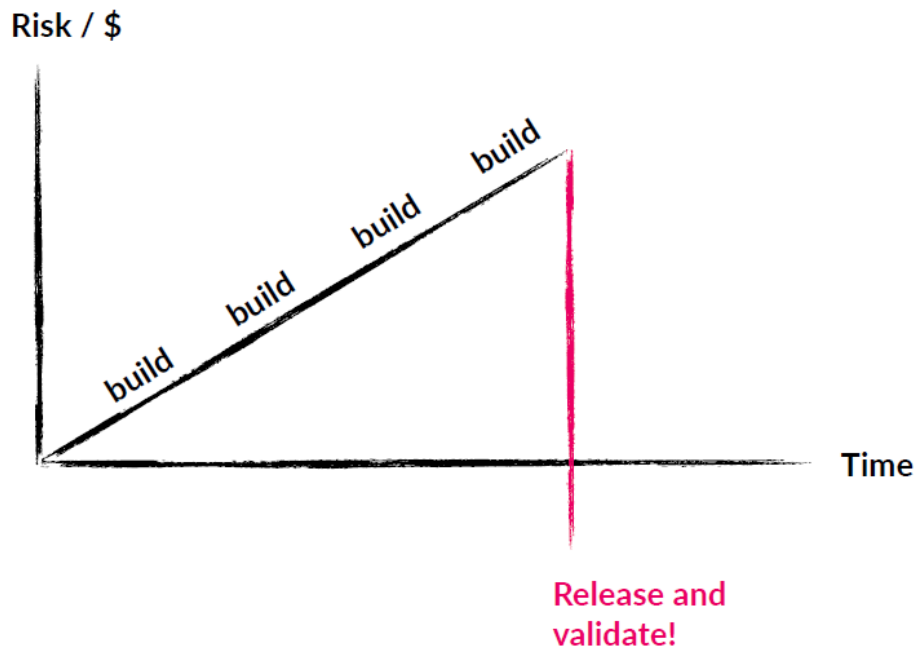
Lean approach

Market Analysis

Hypothesis — make an educated guess how your business model works

Test — meet with potential customers and industry participants to
- verify the problem
- test the solution

Analysis — **understand what you've learned and the effects on your business model**
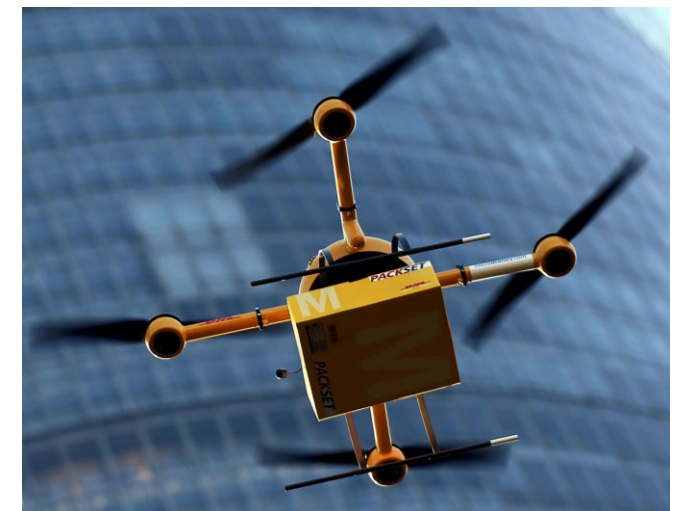
Adjust or Pivot
Adjust: incrementaly change your model to improve its fidelity
Pivot: dramatically change your model to improve its effectiveness

Example

100% ORGANIC
ENVIRONMENT FRIENDLY
NO HARM TO NATURE

bitcoin

Mobile Order
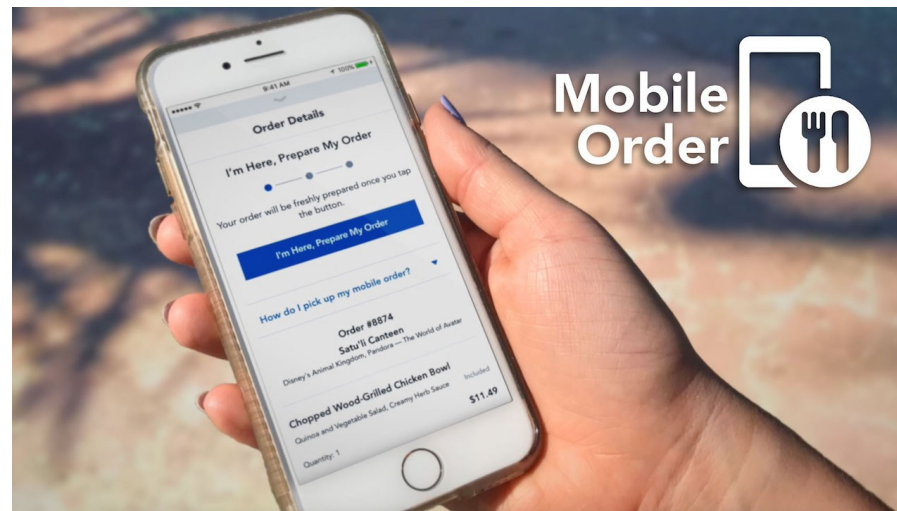
Example

Assumptions:

1. customers **desire** artisanal/handmade lemonade

2. customers **will pay** a premium for organic, locally-sourced lemonade ingredients

3. **on-demand** ordering increases customers' lemonade consumption.

4. customers are **willing to pay** a premium for drone delivery.

5. customers **are** in drone-accessible locations

6. customers **prefer** to pay with bitcoin

Example

MVP 1. Street corner stand

MVP 2. Landing page enabling on-demand ordering and delivery by humans

MVP 3. Website and app enabling on-demand ordering and delivery by 1-2 drones at Providencia neighborhood

Final product. Website and app enabling on-demand ordering and delivery by a fleet of drones anywhere in the Metropolitan region of Santiago

Assumptions	MVP 1 Stand	MVP 2 Landing page	MVP 3 Drone for Providencia neighborhood	Final product
artisanal/hand-made lemonade	✓	✓	✓	
Organic, locally-source ingredients	✓	✓		
On-line can increase cons/tion		✓	✓	
			✓	
Premium for drone delivery			✓	
Drone-accessible locations		✓	✓	

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	MVP 1 Stand	MVP 2 Landing page	MVP 3 Drone for Providencia neighborhood	Final product
COST	250	1.500	25.000	350.000
TIME	1 week	1 month	6 months	18 months

Validated learning is the aim when moving from one experiment to the next.

Experiments must be:
- **actionable** (leading to decisions)
- **accessible** (all members of the team must understand them in order to make use of the results)
- **auditable** (data has to be credible, «*garbage in, garbage out*»)

Idea ➡️ Minimum Viable Product (MVP)
Final Product ➡️

1. Founding team formation

3. Contact with potential customers aimimg to gain feedback

| Entrepreneuri al team | Business model | Market analysis | Planning-Financing |

2. Define the problem, set the hypotheses, generate the business model

4. **Financial needs analysis and efforts to raise capital**

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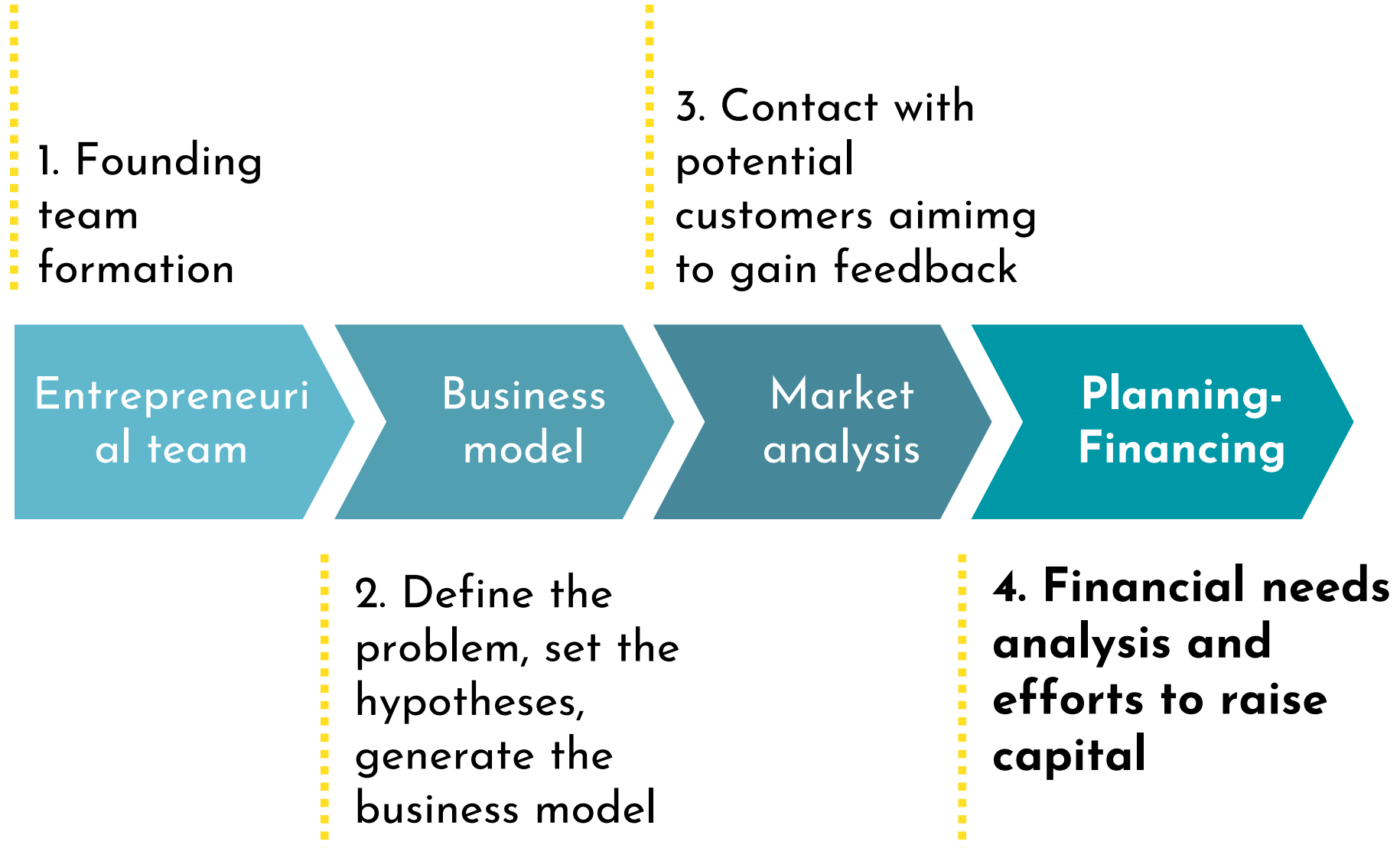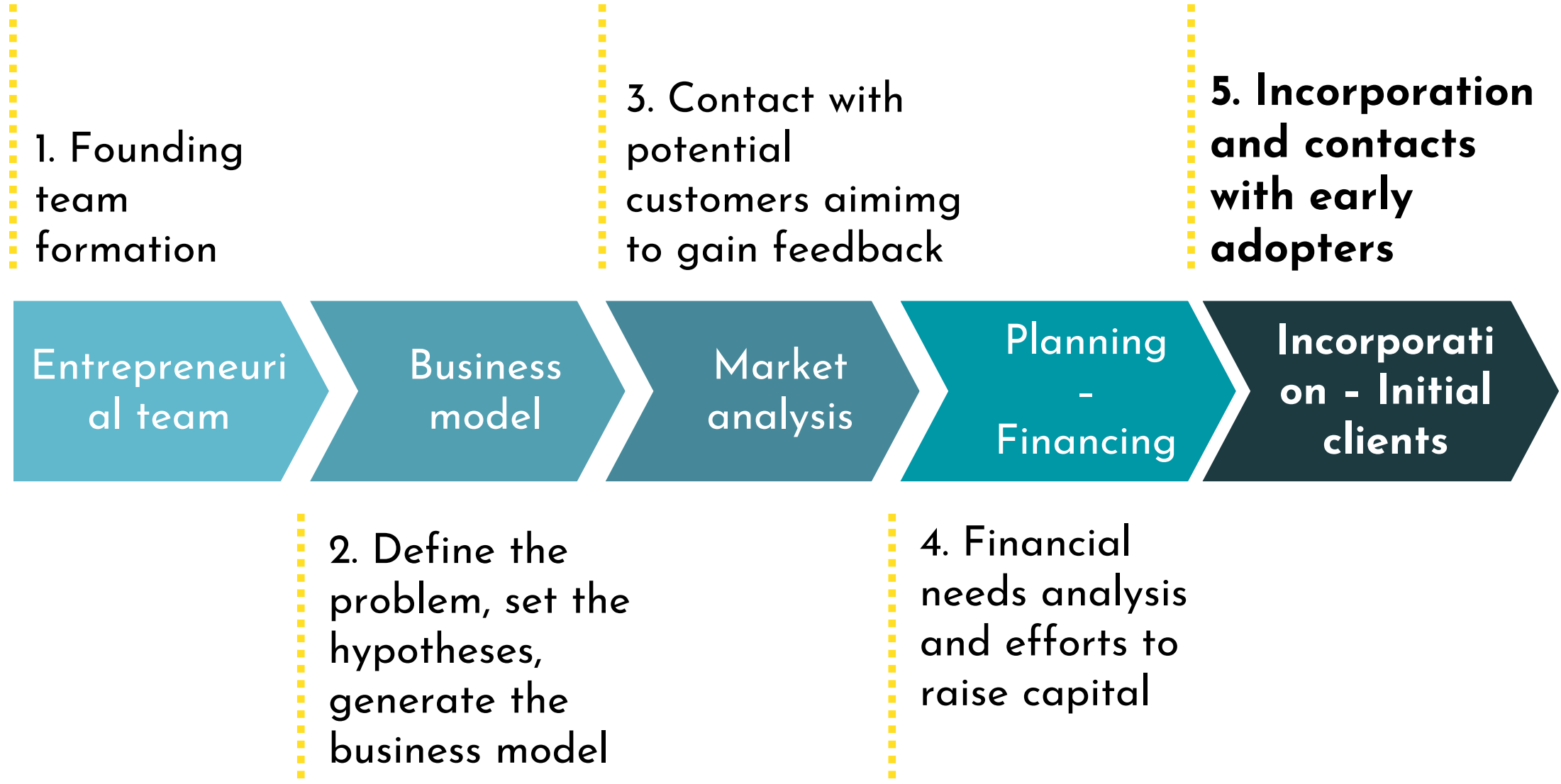
Planning Financing

Once you have come-up with a valid business model, write your business plan!!!

- helps you identify the amount of capital you need
- a tool to sell your idea to third parties (investors etc.)

Idea ➡ Minimum Viable Product (MVP)
Final Product ➡

1. Founding team formation

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Entrepreneuri al team ➤ Business model ➤ Market analysis ➤ Planning - Financing ➤ **Incorporati on - Initial clients**

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Fail fast and cheap. Fail often. Fail in a way that doesn't kill you.

Seth Godin

THANK YOU…

Antonis Livieratos