

Session 3M

Business Development III

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Answer the following questions with complete sentences:

1. What is meant by *testing the circle*? Why should this be done *before* developing a proper value proposition? How would a company like Rice Games test the circle for a language learning video game?

Testing the circle means to do experiment to determine customers' jobs, pains, and gains with evidence. This is important because an effective value proposition cannot be made unless there is a complete understanding of what customers are interested in. Rice Games could test the circle through a number of means: conducting surveys and examining internet trends.

2. What is meant by *testing the square*? How would a company like Rice Games test the square for a video game that is being developed?

Testing the square focuses on learning how much a value proposition would interest consumers. The point is to see how a product can create gains and relieve pains for customers. This can be difficult because creating a prototype is costly, so efficient experiments are paramount to successfully testing the square. Rice Games could do this by creating a trailer to show off gameplay or creating a playable demo and then reviewing consumer reaction.

3. What is meant by *testing the rectangle*? Write out the main "equation" that results from the building blocks of the BMC.

Testing the rectangle means to study the underlying business model for a company. The central point is to understand how the business will work, that is, its processes, costs, and revenues. The equation "profit = revenues - cost" simplifies the measurement of the effectiveness of the business.

- i. Explain the importance of channels when 'testing the rectangle' with Rice Games and Shujinkou in mind.

Channels is especially important with Shujinkou because the distribution of digital products is key to its success. There are many different online game sellers, such as Steam, Epic Games, etc., that each have their own advantages and disadvantages. Additionally, it matters if Rice Games want to make a physical version for initial backers because those will have a different cost structure from digital versions.

- ii. Explain the importance of key partnerships when 'testing the rectangle' with Rice, Games and Shujinkou in mind.

Key partners important to *Shujinkou*'s sale are the digital retailers, online marketing platforms, like Facebook and Reddit, and those related to the physical manufacturing and distribution of physical copies.

4. List out all 7 steps of the *testing process* and explain them in 1-2 sentences.

Extract hypotheses: By thinking about the business and consumers interests, identify what should be tested. Compare these initial thoughts to the Value Proposition and Business Model Canvas.

Prioritize hypotheses: Select which hypotheses are the most important. The more fundamental it is to the businesses survival, the more critical it is.

Design tests: Using a test card, figure out what you are trying to learn, how you will verify it, what measures you will take, and, finally, what happens if you are right.

Prioritize tests: Once you have completed your test cards, compare each of them to see which tests are more important to the business's survival.

Run tests: Begin the tests based on your test cards, starting with the most important tests.

Capture learnings: Record what was discovered through the tests using a learning card. Examine what you believed and how that compared to the outcome of your test.

Make progress: Work on figuring out a business model and value proposition and determine which knowledge needs to be tested next.

5. Copy the formatting for the table below and create a test card for seeing if UCLA students are interested in a Japanese language learning JRPG.

Test Card		Rice Games
Interest in Japanese Language Learning RPG	May 15th, 2019	
Anton Citko	2 weeks	
We believe that... students at UCLA are interested in learning Japanese. But, we also think that these students want a more engaging and interactive experience, which a video game would satisfy.		
To verify that, we will... survey students about interest in language learning and the methods of learning they would want. Additionally, a demo, if available, could be		

given to understand specific interest
And Measure... their responses based on casual vs. intentionally desire.
We are right if... at least twenty percent say they are interested in interactive Japanese language learning.

- List the five data traps and explain them in 1-2 sentences. Think about the potential in *Shujinkou*, then write why the 'local maximum trap' might be a particular problem for this title. If you feel another trap is more problematic, explain why.

False-Negative Trap: This occurs when an experiment fails to capture something that is there.

False-Positive Trap: A false-positive is the opposite of a false-negative, it is when you think there is something significant there when there is not. This could be a problem for *Shujinkou*, not because people do not want a game like *Shujinkou*, but because turning interest into sales can be very difficult. It is very easy for a person to say they want to learn a language or play a fun game without actually putting in the effort and dollars to do so when given the opportunity. I think this can be combated by efficiently focusing advertisement.

The Local Maximum Trap: Local max traps happen when you miss out on potential because a test only examines a specific area.

The Exhausted Maximum Trap: This occurs when a test occurs for a whole population, that is you have already seen all the potential for an idea.

The Wrong Data Trap: Opposite to the exhausted maximum, the wrong data trap is when you do not find any interest in an idea because no one surveyed happens to be interested.

- Startups should use experiments to test what three main things? What is a CTA? Name two examples of a CTA.

Startups need to test interest and relevance, priorities and preference, and willingness to pay. This examines to see if, first, there is any appeal to consumers, then, if there are certain aspects they want in the product, and, finally, if they would buy it.

CTA stands for Call to Action. Calls to action are the actual interest, effort, and

resources a customer will put towards a product. On the simpler end of call to action, a customer might click a link to a website to learn about *Shujinkou*. A higher effort call to action would be buying a retail copy of *Shujinkou*.

8. Of all the experiments listed from page 220 to 237, choose four experiment types you feel are the most *optimal* for Rice Games and *Shujinkou*. Then, explain in 2-4 sentences why each experiment type is optimal. This equates to a response being 8-16 sentences long. Feel free to add diagrams to your answer too.

Unique Link Tracking: This could be especially helpful to determine different customer segments. Different links could be created to *Shujinkou* homepage and could be put on different areas of Facebook, Reddit, and UCLA's campus. Seeing if customers come from r/gaming vs. an ad on Facebook would demonstrate the casualness and type of interest a user has. Another benefit is that link tracking is useful because it has virtually no cost.

Landing Page: Once a user gets to the front page of *Shujinkou*, it is important to see if a stronger amount of interest exists. This could be done through different kinds of call to action, for example, adding their email to be notified about the games progress or if they would like to watch a video demoing the game, once one is ready. A landing page experiment is important to see what kinds of Call to Action Rice Games can initiate with consumers.

Presales: This is key to *Shujinkou*'s success because Rice Games is interested in a successful Kickstarter campaign. The number of sales demonstrates how much interest can be found overall. Additionally, initial capital would allow Rice Games to have a stronger development and produce a better game tailored to backers interest.

Ad Tracking: Ads would be a next step to unique link tracking. An important thing to determine would be to see if Rice Games could have Calls to Action for users that might not have initially known they were interested. This would be good to determine if there is interest beyond the typical gaming community.

9. Completed the Google Form