

Viable

Putting the “V” in MVP

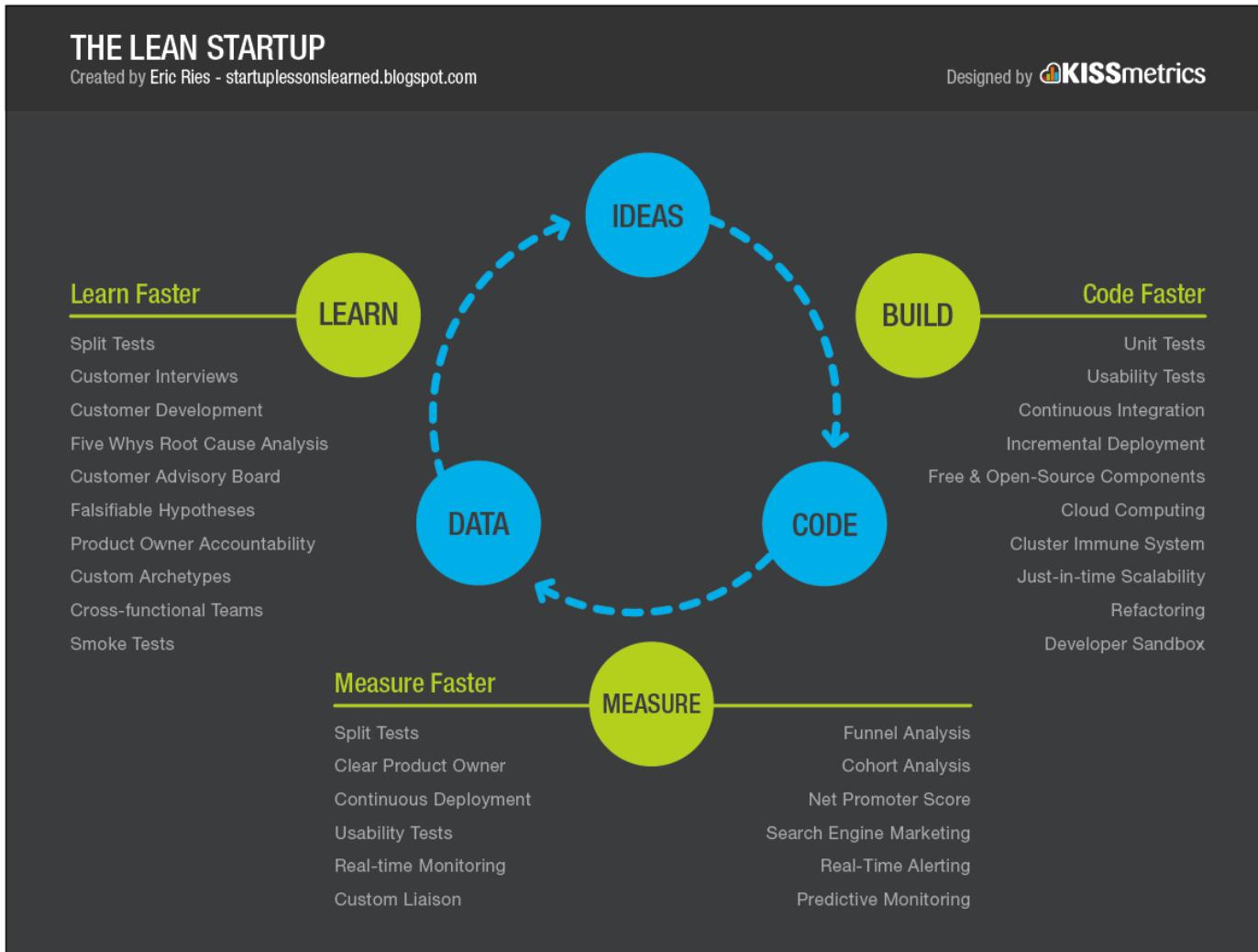
Heather Miller & Michael Hilton

Administrivia

Homework 4: Sprint 2 posted

What does it mean for an idea to be viable?

Remember this?



What is an MVP?

“A minimum viable product (MVP) helps entrepreneurs start the process of learning as quickly as possible.

”

-Eric Reis, author of The Lean Startup

What is an MVP?

“A minimum viable product (MVP) helps entrepreneurs start the process of learning as quickly as possible. It is not necessarily the smallest product imaginable though; it is simply the fastest way to get through the Build-Measure-Learn feedback loop with the minimum amount of effort”

-Eric Reis, author of The Lean Startup

What is an MVP?

“Unlike a prototype or concept test, an MVP is designed not just to answer product design or technical questions.

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-Eric Reis, author of The Lean Startup

What is an MVP?

“Unlike a prototype or concept test, an MVP is designed not just to answer product design or technical questions. Its goal is to test fundamental business hypotheses.”

-Eric Reis, author of The Lean Startup

What were two kinds of MVPs that we discussed last time?

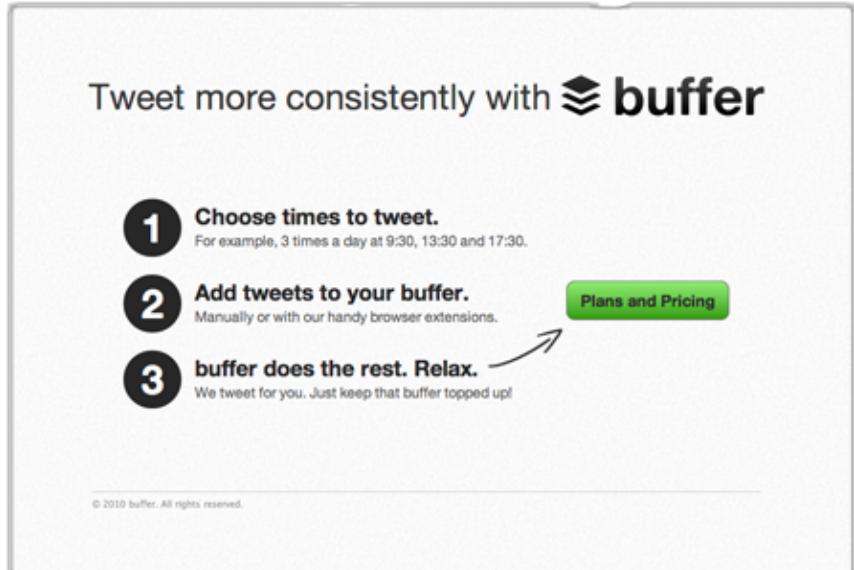
Another example: buffer

Will anyone actually buy this?

Started with a landing page to see if anyone would even *want* to use Buffer.

All it did: **described what Buffer “did”**

If people were interested, they could click the Plans & Pricing button and be taken to a page that said “Hello! You caught us before we’re ready” leave your email address & we’ll let you know when we’re ready.



The screenshot shows a landing page for Buffer. At the top, it says "Tweet more consistently with  buffer". Below that, there are three numbered steps:

- 1 Choose times to tweet.**
For example, 3 times a day at 9:30, 13:30 and 17:30.
- 2 Add tweets to your buffer.**
Manually or with our handy browser extensions.
- 3 buffer does the rest. Relax.**
We tweet for you. Just keep that buffer topped up!

A green "Plans and Pricing" button is located to the right of step 2. A small arrow points from the word "Plans and Pricing" to this button. At the bottom of the page, it says "© 2010 buffer. All rights reserved."

Founders hadn't even started developing Buffer yet!

Another example:

(Wizard of Oz testing)



Observation: Google is good at answering factual questions.
But not subjective ones.

Founders could have jumped in and started programming. But instead spent six months figuring out what they were building.

Rather than whiteboarding that entire time, they **built a series of functioning products**.

Each product was offered to beta testers, whose behavior was used to validate or refute each specific hypothesis.

Another example: (Wizard of Oz testing)



“We self-funded the company and released very cheap prototypes to test. What became Aardvark was the sixth prototype. Each prototype was a two- to four-week effort. We used humans to replicate the back end as much as possible. We invited one hundred friends to try the prototypes and measured how many of them came back. The results were unambiguously negative until Aardvark.” - co-founder

The following list of projects are examples from Aardvark's ideation period.⁷

Rekkit. A service to collect your ratings from across the web and give better recommendations to you.

Ninjapa. A way that you could open accounts in various applications through a single website and manage your data across multiple sites.

The Webb. A central number that you could call and talk to a person who could do anything for you that you could do online.

Web Macros. A way to record sequences of steps on websites so that you could repeat common actions, even across sites, and share “recipes” for how you accomplished online tasks.

Internet Button Company. A way to package steps taken on a website and smart form-fill functionality. People could encode buttons and share buttons à la social bookmarking.

Another example:

(Wizard of Oz testing)



Because of the short time line, none of the prototypes involved advanced technology.

Aardvark: IM service that would dispatch questions to the perfect person to answer them and return an answer to the original customer.

Used *Wizard of Oz testing* to solve problems instead of developing new technology to answer “will people use it” questions!

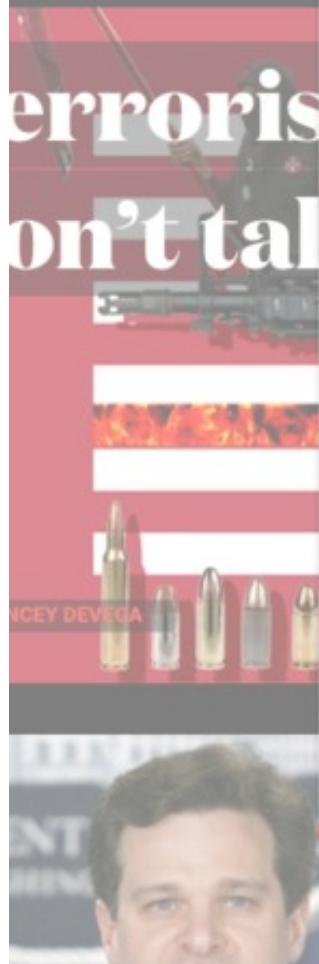
Wizard of Oz testing: customers believe they are interacting with the actual product, but behind the scenes, human beings are doing the work.

Why focus so much on an MVP? Why not just focus on building the “10-month” product right away?

Proving Viability: Three Questions

1. Do people want It?
2. Can You build It?
3. Can you make money
doing it?

What are some ways that software companies make money?



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Editor's Picks

TERRORISM TRUMP WON'T TALK ABOUT
CHAUNCEY DEVEGA

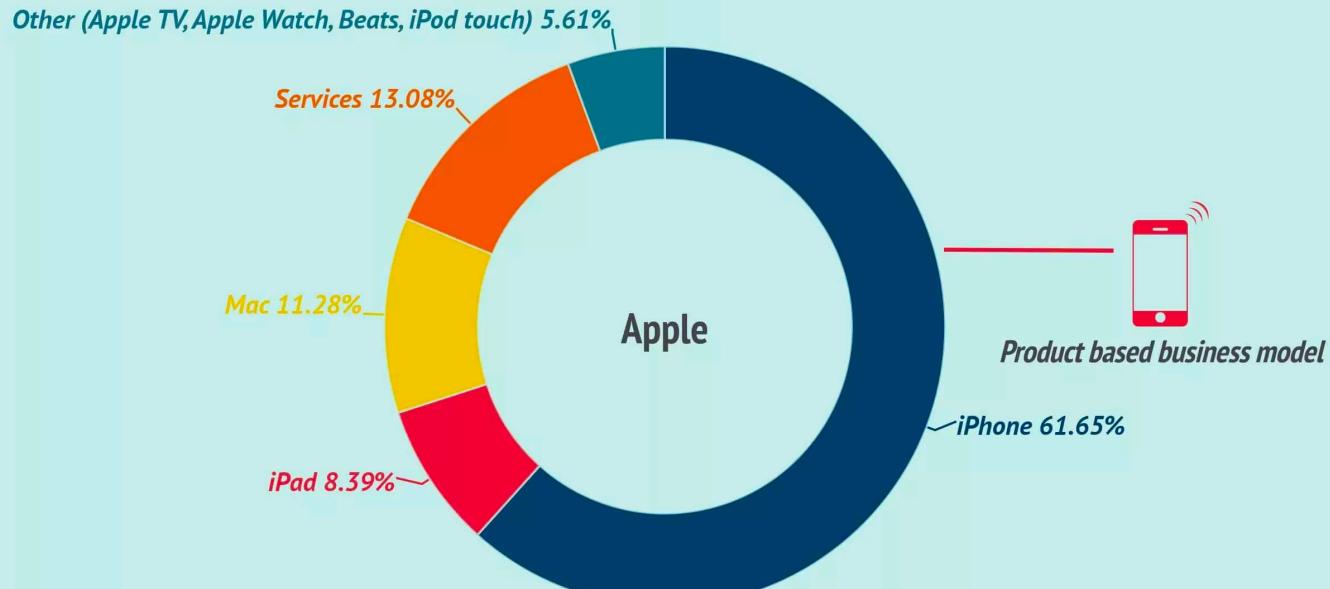
THE BORDER, BEYOND TRUMP'S WALL
ERIN KEANE

"HERE AND NOW," AND NO AND NO
MELANIE MCFARLAND

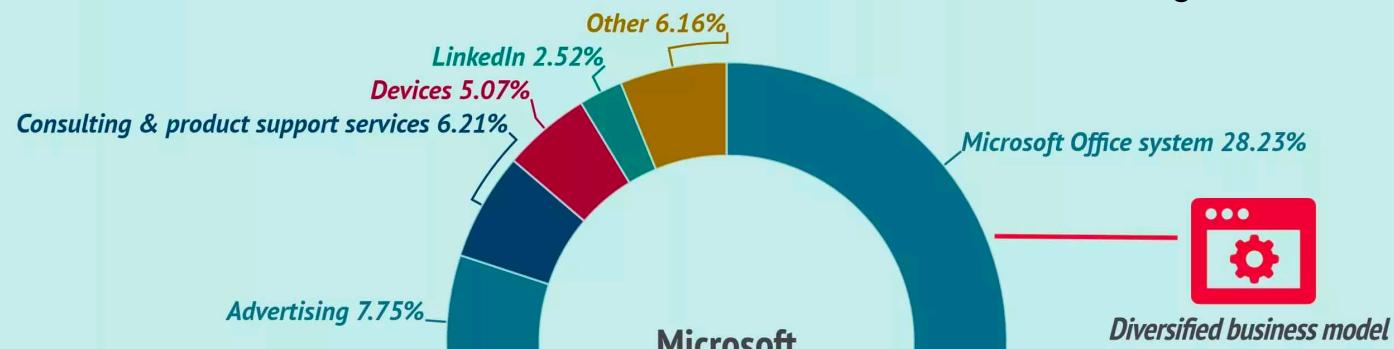
INSIDE THE VASARI CORRIDOR
NOAH CHARNEY

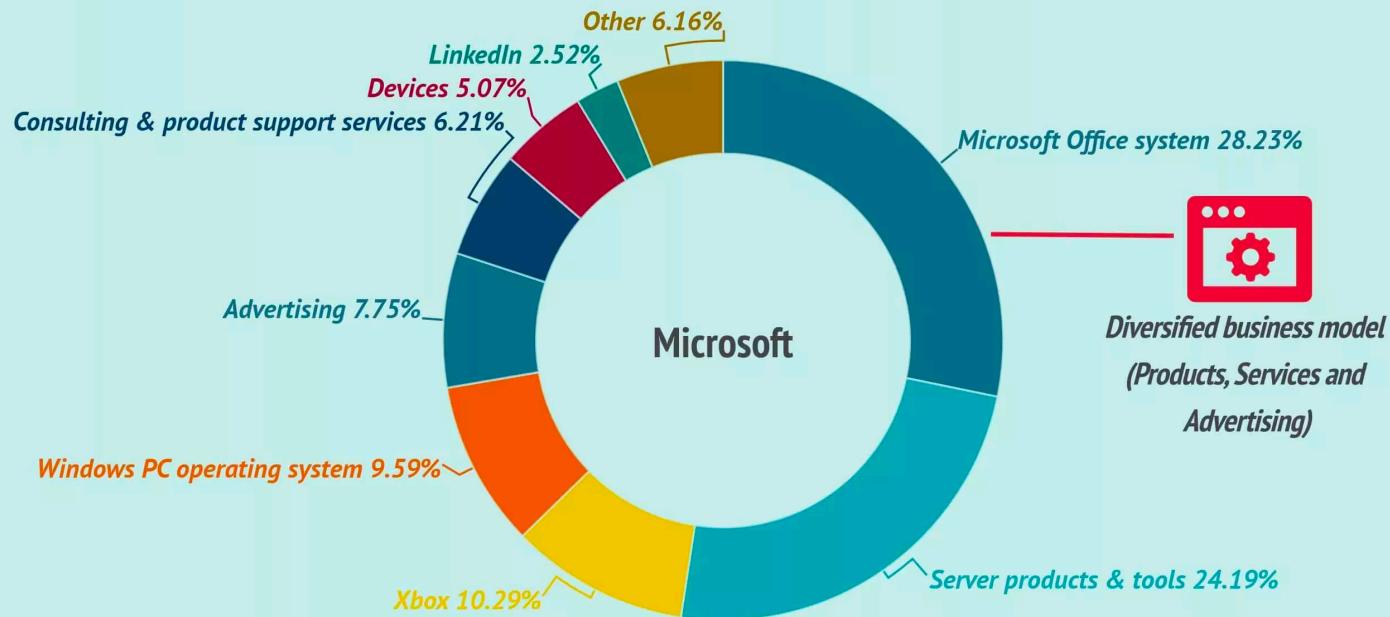
Visualizing Tech Giants Business Models

How do Tech Giants make money?

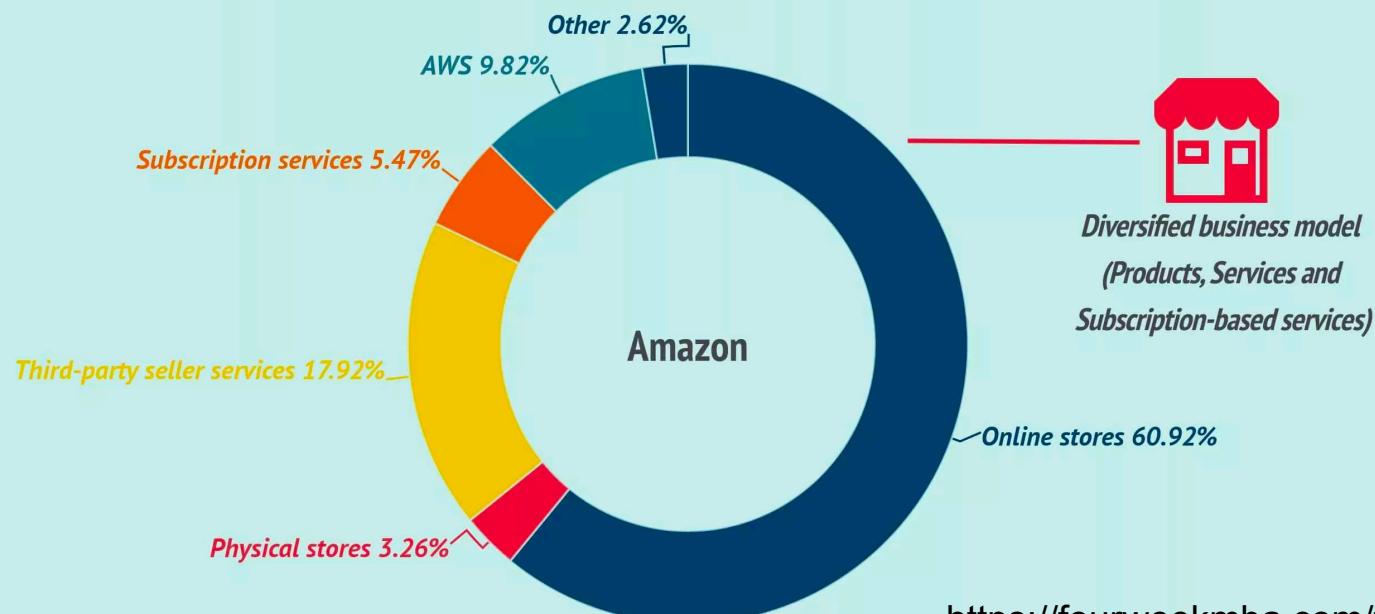


<https://fourweekmba.com/tech-giants-business-models/>





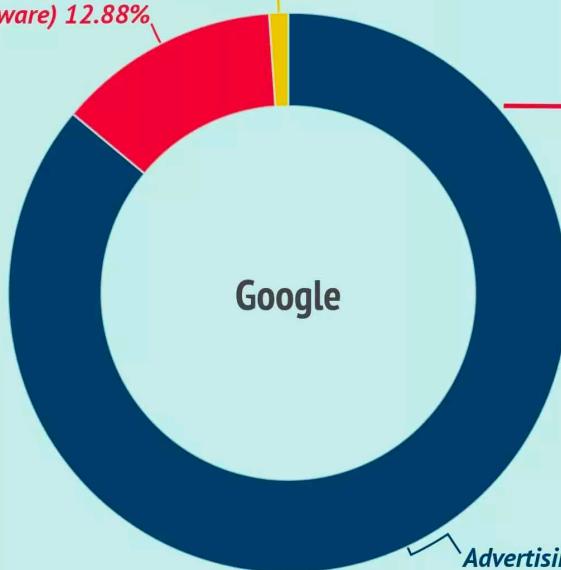
*Diversified business model
(Products, Services and
Advertising)*



*Diversified business model
(Products, Services and
Subscription-based services)*

Bets (Access, Calico, CapitalG, GV, Nest, Verily, Waymo, and X) 1.09%

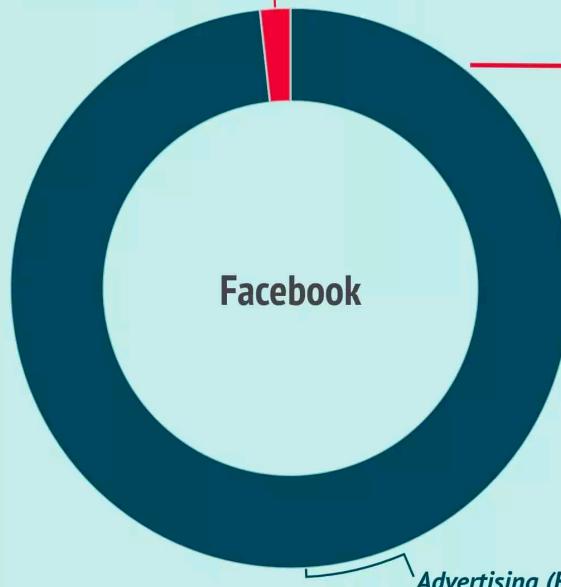
Other (Apps, Google Cloud, Hardware) 12.88%



Advertising business model



Payments and other fees 1.75%



Advertising business model



<https://fourweekmba.com/tech-giants-business-models/>

Spotify Business Model

Spotify is a two-sided marketplace where artists and music fans encounter on a single platform. Founded in 2008 with the belief that music should be universally accessible with a seamless experience based on streaming audio and video. It generated over €4 billion in 2017, of which almost 90% based on premium memberships and 10% based on a free service which is ad-supported. The company recorded an operating loss of €378 million in 2017.

71 millions
premium
subscribers
(2017)



Each user spent over
40 hours in
consuming audio and
video content on
average in a year

Average revenue per user was over €5
in 2017. This metric is critical to
Spotify future financial success



Ad-Supported Service has no subscription fees and
provides Ad-Supported Users with limited on-
demand online access to Spotify catalog

Ad-Supported Revenues 10.17%

€416 millions

Revenues have grown to over €4
billion in 2017, compared to €1.9
billion in 2015

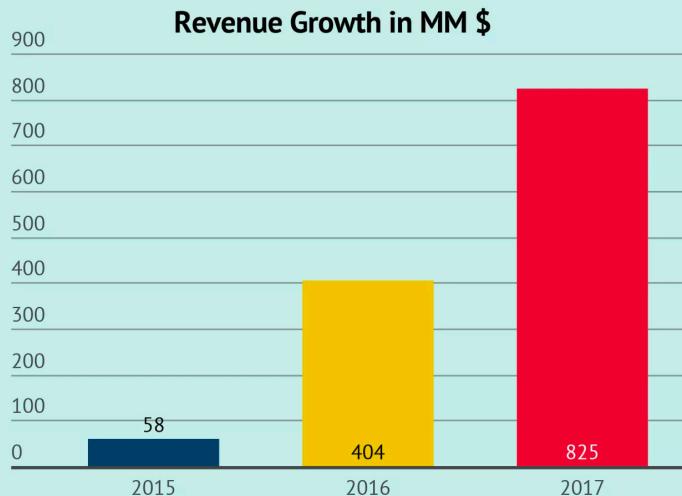


€3.6 billion

Premium Membership Revenues 89.83%

Premium Service provides Premium Subscribers
with unlimited online and offline high-quality
streaming access to Spotify catalog

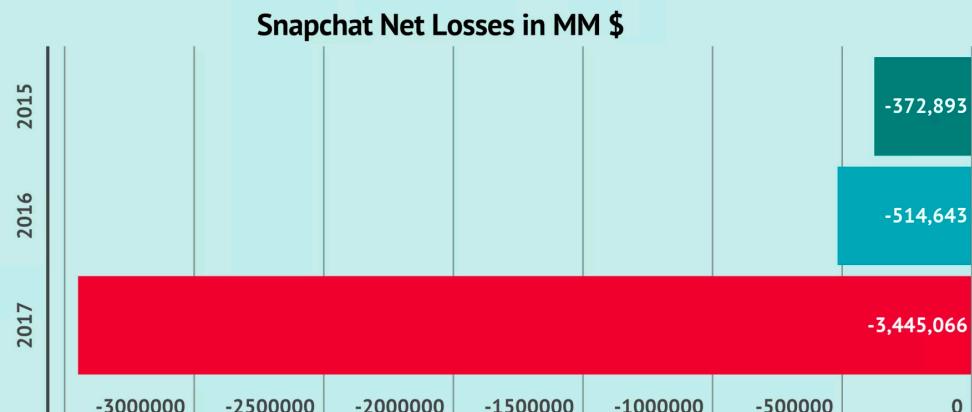
Snapchat Business Model Explained



The company has more than doubled its revenues from 2016. However, its operating income is still quite negative (part of it is due to the accounting recognition of administrative expenses). The profitability of the company so far seems tied to its ability to make its users "hooked."



Snapchat's business model follows the advertising framework based on Snap Ads (mobile video ads), Sponsored Lenses, Sponsored Geolifter, and Snapchat Discover.



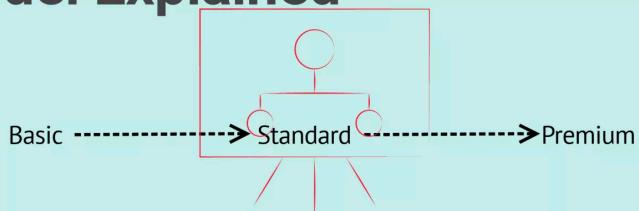
Data source for analysis: https://otp.tools.investis.com/clients/us/snap_inc/SEC

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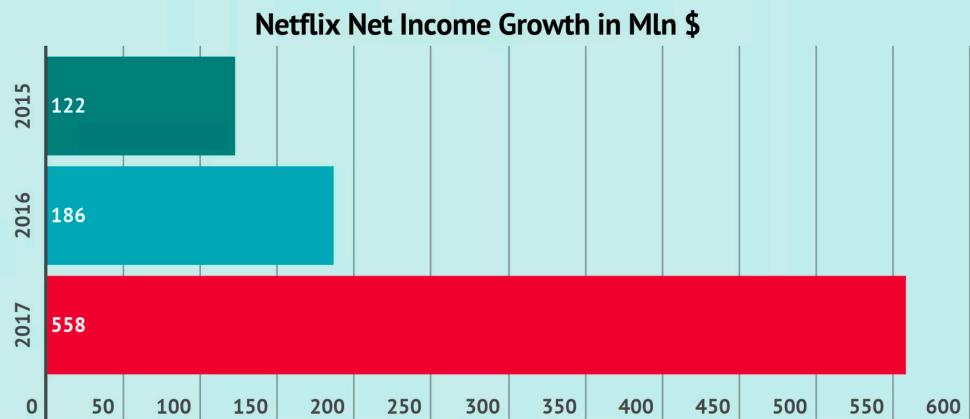
Netflix Business Model Explained



As of 2017 Netflix revenues were over \$11 billion, with a staggering growth compared to just 2013, when the revenues passed \$4 billion.



With three simple subscription plans (basic, standard and premium) from \$8 to \$14, Netflix has been able to become a multi-billion dollar unicorn with more than a hundred fifty billion at the time of this writing.

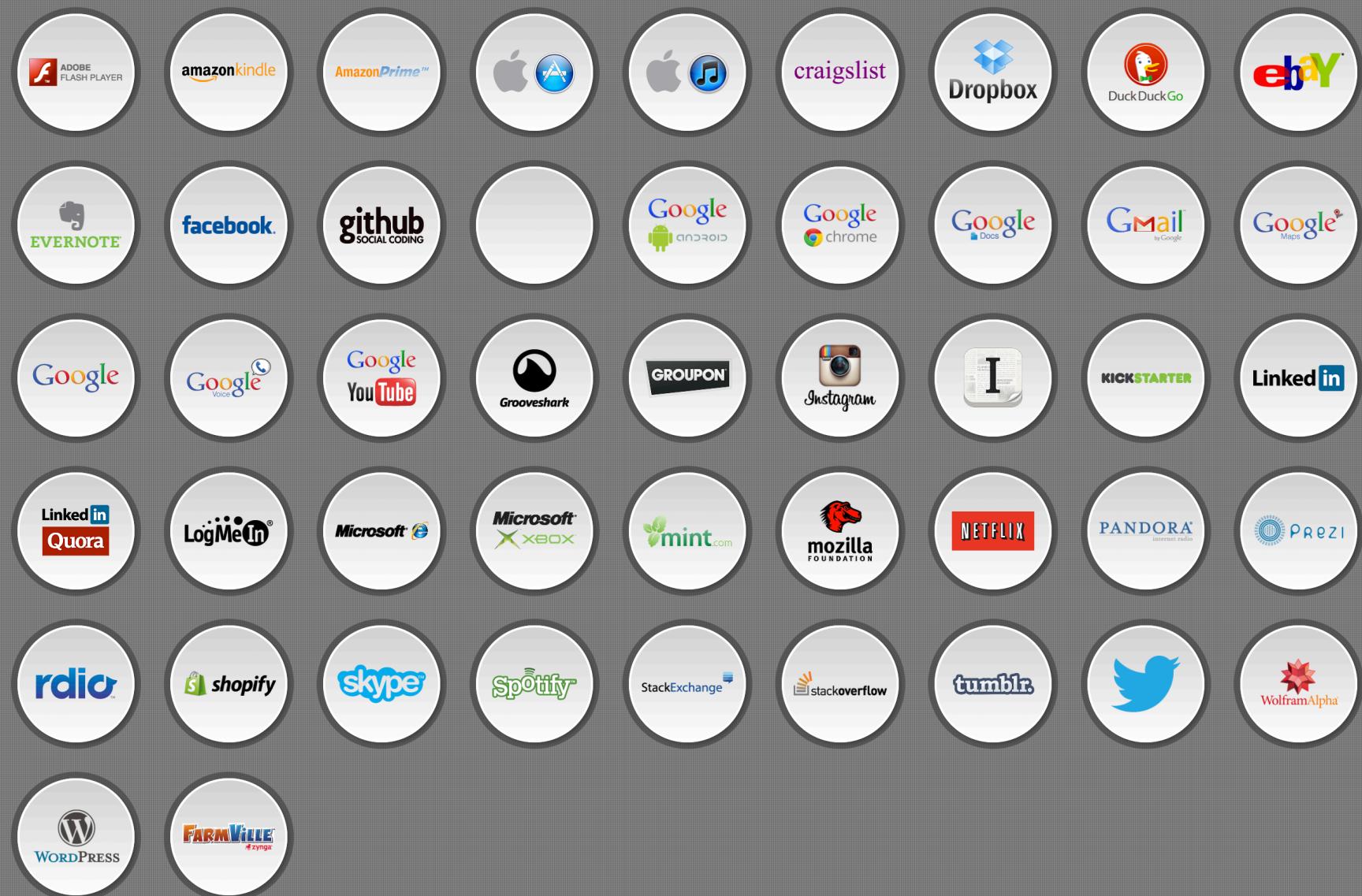


Data source for analysis: <https://ir.netflix.com/static-files/20c3228d-bf1f-4956-a169-c8b76911ecd5>

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HOW DO THEY MAKE MONEY?

FILTER



<https://www.seerinteractive.com/labs/how-do-they-make-money/>

How do we prove viability?

Do people want it?

- User Studies
- User Metrics (Daily active users, registered users, waiting lists)
- Business Partnerships (Client agreements, etc)
- Market Capitalization

Can you build it?

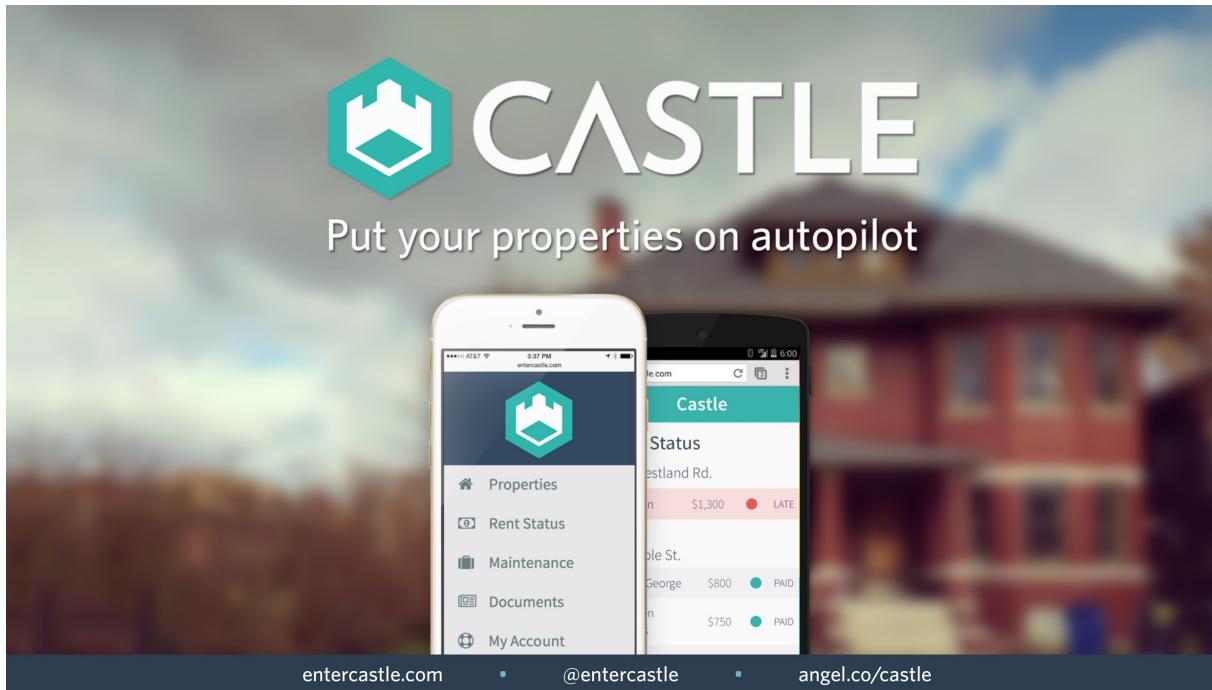
- Demonstrate your team has done similar things before.
- MVP.
- Outside estimates / analysis
- Regulatory Approval
- Patents



Can you make money?

- Sales
- Potential ad opportunities
- Value of similar competitors
- User studies / surveys

Case Study: Castle



Source: 500 Startups

Case Study: Castle

Rental property owners want to make money without the work of being a landlord.



Source: 500 Startups

Case Study: Castle

Currently, owners have two bad options:



DIY Landlording

(80% choose this)

- Cheap, but lots of work
- High potential for error
- Owner must live near property



Property Management Company

(20% choose this)

- Easy, but expensive (~25% of profits)
- Low transparency
- Notoriously poor customer service



Source: 500 Startups

Case Study: Castle

The solution:

**Automate landlording through
software and on-demand labor.**



Source: 500 Startups

Case Study: Castle

How It Works



We find, screen, and onboard tenants,



collect rent,



and coordinate maintenance.



Owner enjoys passive income.



Source: 500 Startups

Case Study: Castle

1. Do people want it?
 - a. Invite-only Beta Customers
 - b. Create a Waiting List
 - c. Present at a conference for Landlords
2. Can you build it?
 - a. Hire an experienced team.
 - b.
3. Can we make money doing it?
 - a. User study: how much are people willing to pay?
 - b. What is the market capitalization now?

Class Activity : Viability Analysis

2 steps. As a group.

#1: choose a startup

#2: as a group, answer the following:

1. How can you demonstrate people want it?

2. How can you demonstrate your ability to build it?

3. How can you monetize it? How can you demonstrate you can monetize it?

