

Pivot

It's time for a new hypothesis

Heather Miller
Assistant Professor
Carnegie Mellon University

Administrivia

The following pitches were funded. Congratulations!

- Peerdea
- Wurf
- Chasing Zero
- Anti Robocall App
- LocalEats

Now, we'll all vote on which startup idea we'd like to work on for our final project. Results at the end of class!

Review

- We have a hypothesis we are trying to evaluate.
- We build an MVP.
- We get feedback from our users.
- What do we do if we find that our hypothesis is wrong?

Pivot

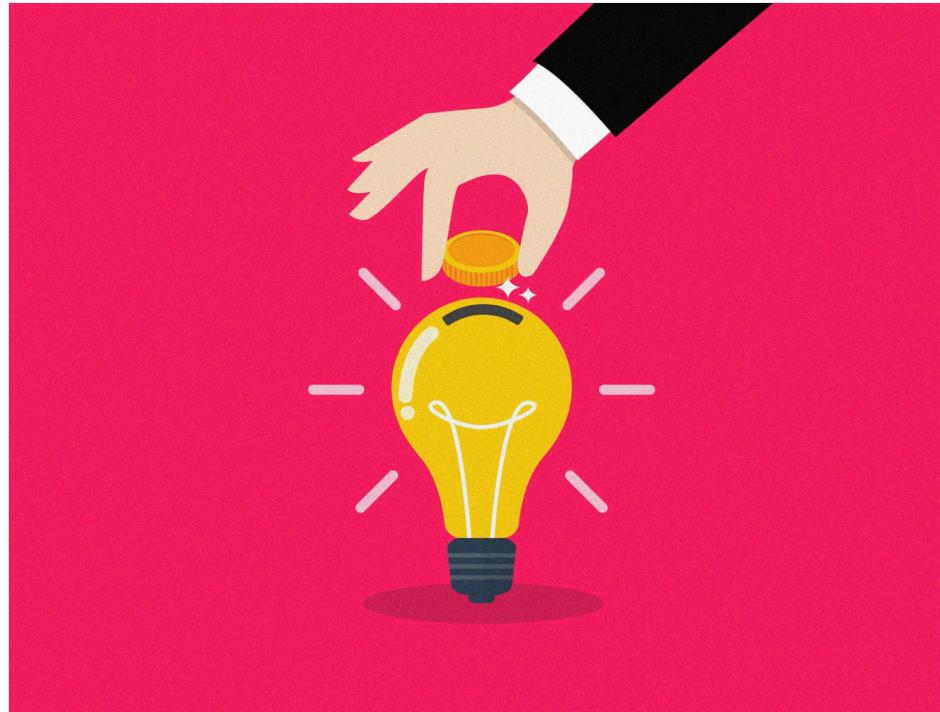


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IS YOUR STARTUP STALLED? PIVOT TO BLOCKCHAIN



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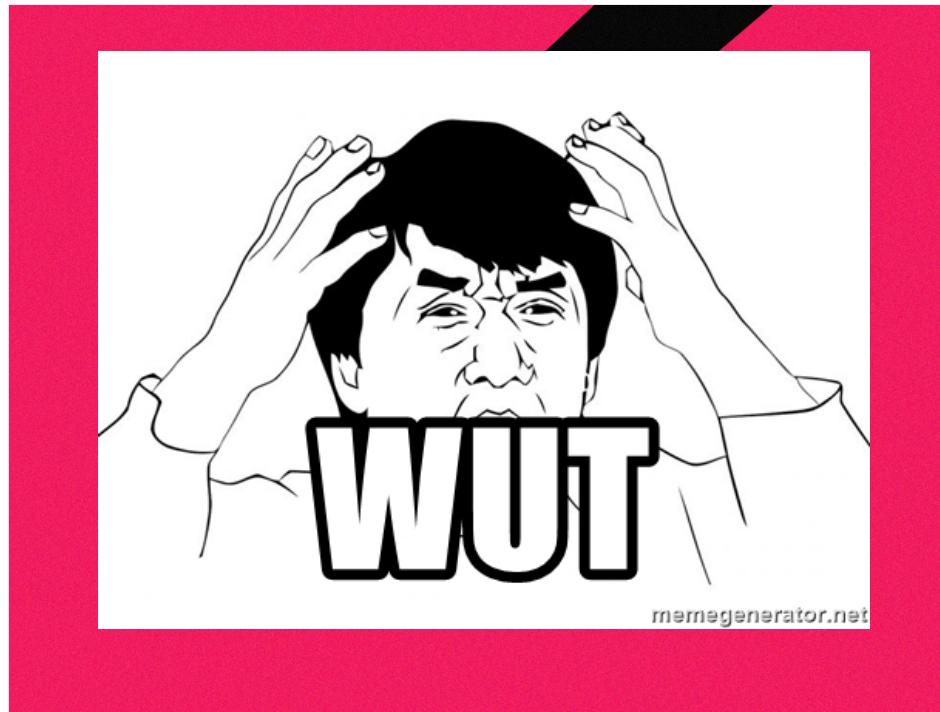


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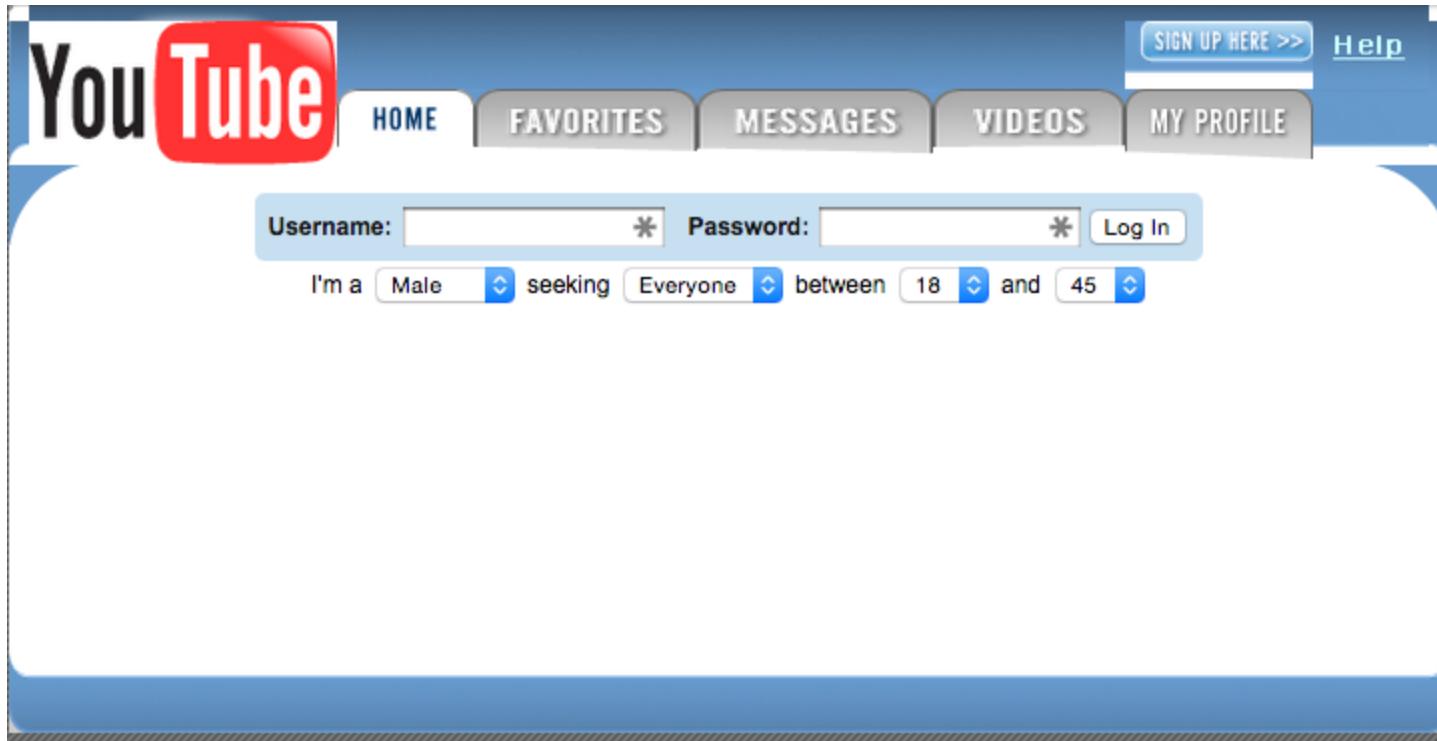
GETTY IMAGES

Pivot:

A pivot is a "**structured course correction** designed to test a **new fundamental hypothesis** about the **product, strategy, and engine of growth.**"

-Eric Ries, the Lean Startup

Example Pivots



Source: https://www.washingtonpost.com/news/innovations/wp/2015/07/02/the-7-greatest-pivots-in-tech-history/?utm_term=.473be912ed53

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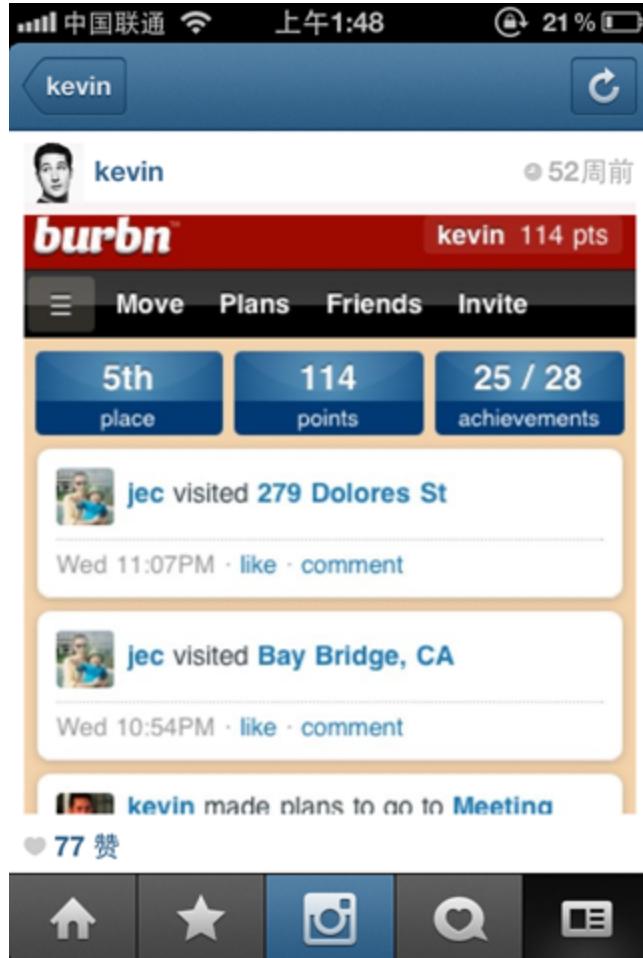
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- books
- business
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isr institute for
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RESEARCH

Carnegie Mellon University
School of Computer Science

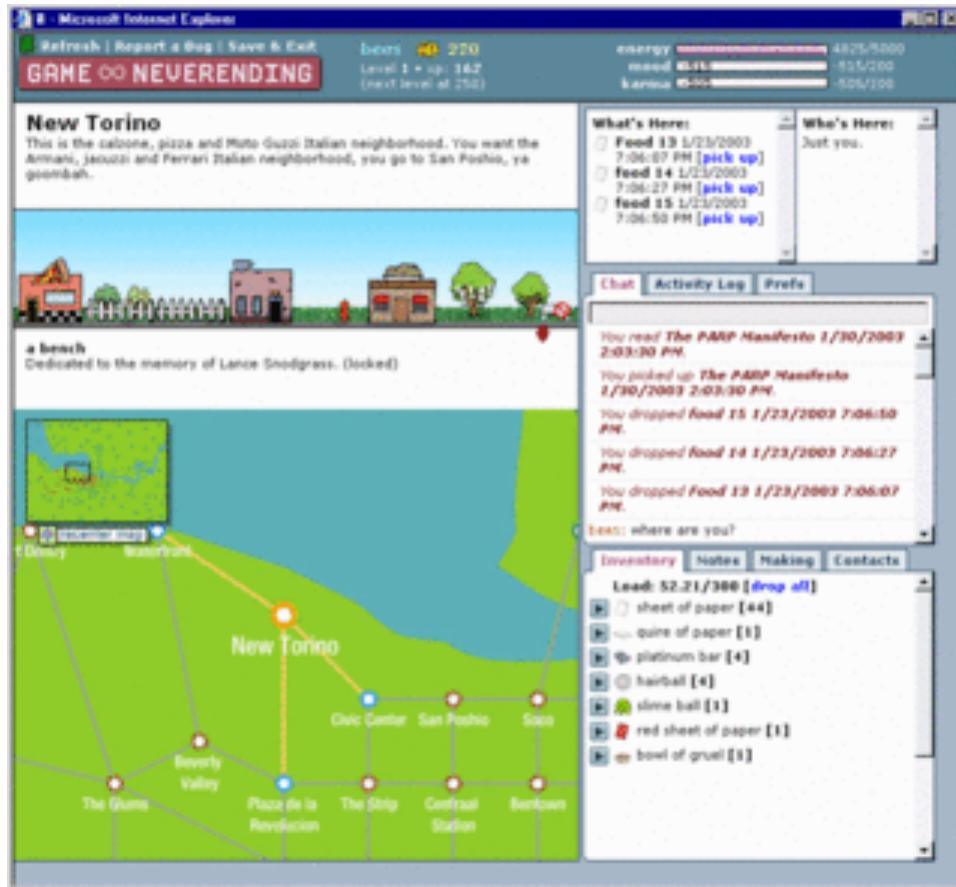
9

burbn



<https://techcrunch.com/2010/09/20/instagram/>

Game Neverending



The Point



Easy and Effective Group Action.

Whether you're raising money, organizing people, or trying to influence change: if you can't do it alone, you can do it on The Point.

Explore **Featured Campaign Channels** or [browse all campaigns](#)

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Tough Love for KFC

Technology
FEATURED CAMPAIGN
BOYCOTT EBAY FOR FAIR SELLER

Consumer Rights
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BOYCOTT EBAY FOR FAIR SELLER

A Big New Idea That Can Change The World

The Point applies the "tipping point" concept to group action.

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Success Story



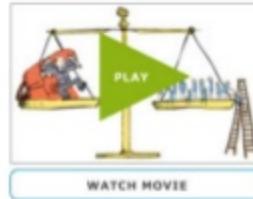
David Cohn and Spot.Us use The Point to help people fund the kind of journalism they want to read. [Read More](#)

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How people are using The Point



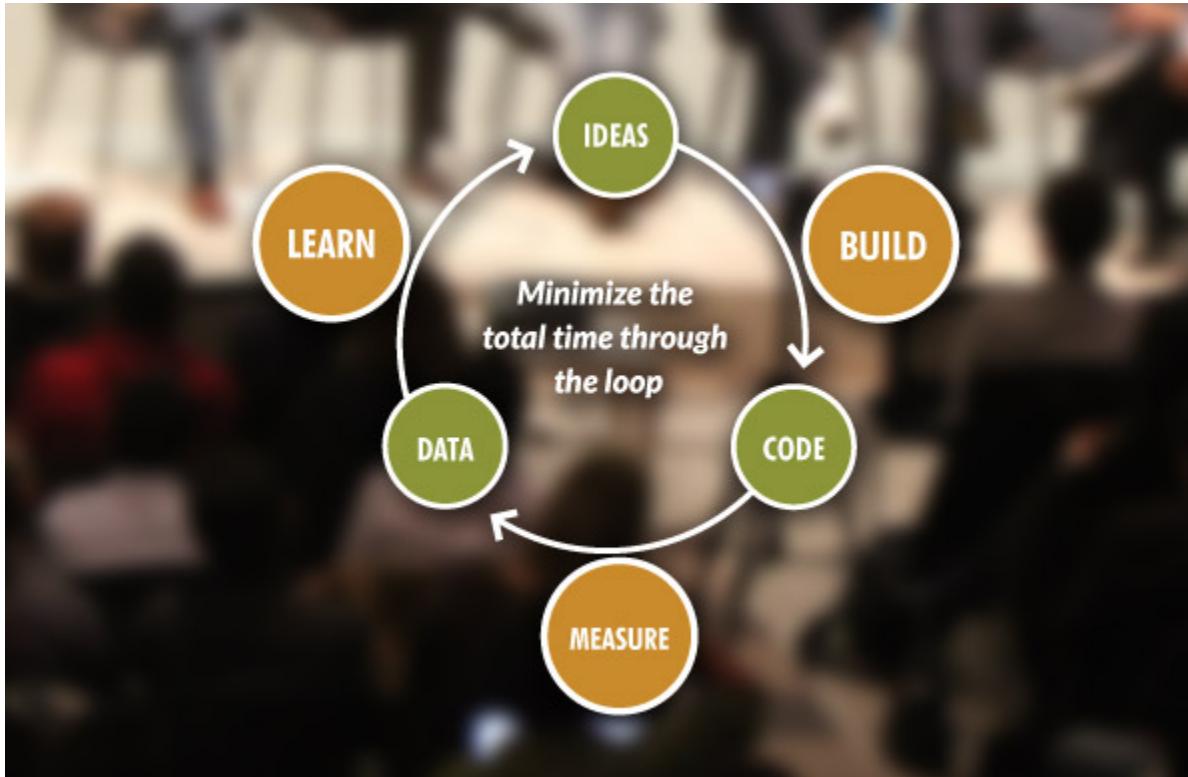
Featured Campaign

Top Denver Dog Magazine Wants Repeal of City's Breed Ban



Xcelerate - @HackerChick

Why do we need to pivot?



Pivot Case Study

David Binetti

Helped build USA.gov, first portal for the federal government

Case Study from presentation by David Binetti: https://www.slideshare.net/dbinetti/lean-startup-at-sxsw-votizen-pivot-case-study?from_action=save



The screenshot shows the USA.gov homepage with a dark blue header. The header includes the USA.gov logo, a search bar, and links for "Contact Us" and "1-844-USA-GOV". Below the header is a navigation menu with categories: All Topics and Services, Government Agencies and Elected Officials, Benefits, Grants, Loans, Housing, Jobs and Unemployment, Money and Taxes, and Travel and Immigration. A "Español" link is also present. The main content area features a dark blue background with white text links: Find unclaimed money the government owes me, Find government forms, Find a government job, Get or renew a passport, File my taxes, and a "Find All Topics and Services" button. To the right, a sidebar contains the text: "USA.gov is your online guide to government information and services. Learn what you can do on this site >".

Votizen Case Study



When and How to Pivot

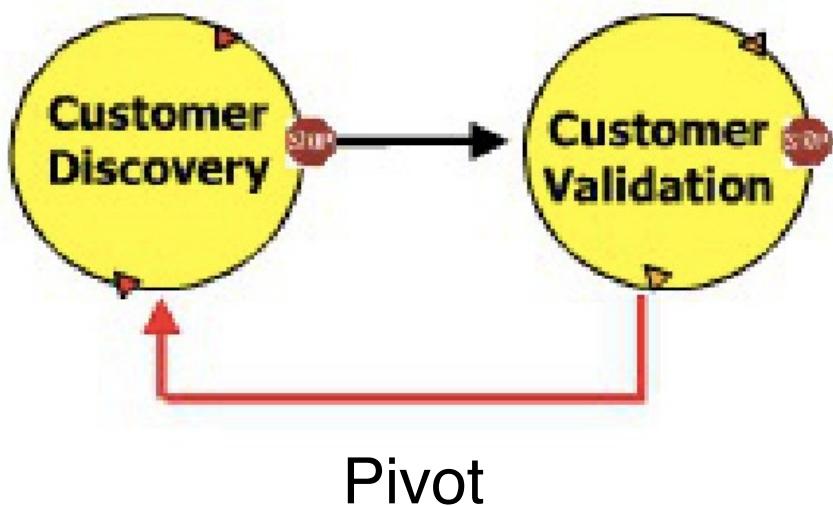
Presented at Startup Lessons Learned
23 May 2011

David Binetti
@dbinetti

Lean Framework

Formulate
Model

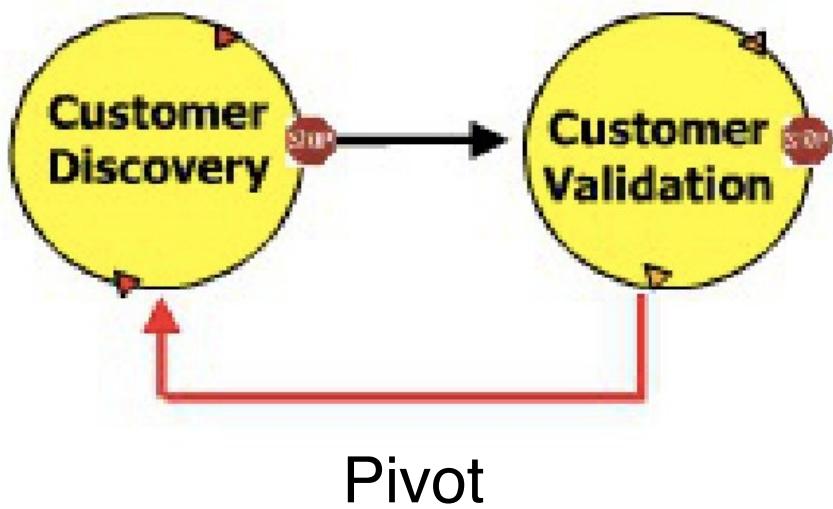
Iterate, Release
& Measure



Lean Framework

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Model**

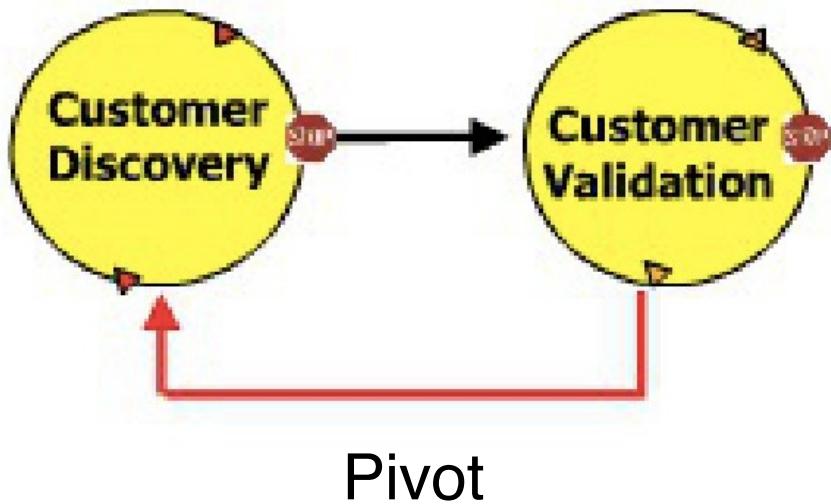
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Lean Framework

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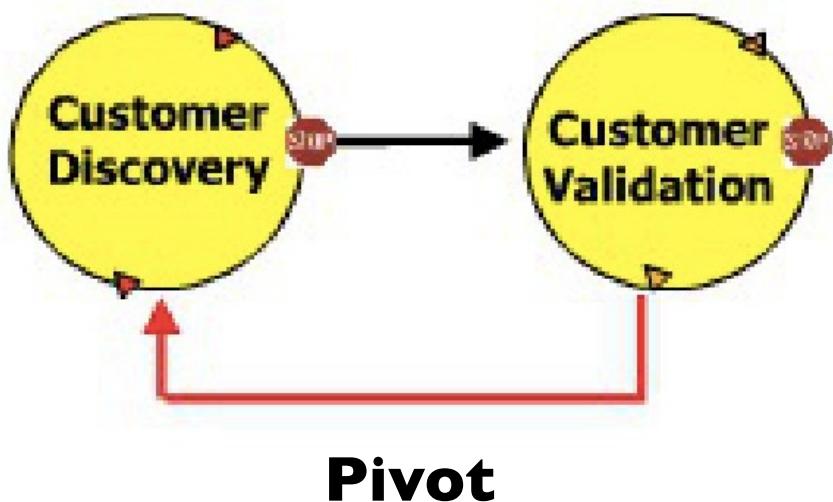
**Iterate, Release &
Measure**



Lean Framework

Formulate
Model

Iterate, Release
& Measure



On Pivots



"I'm not leaving you. I'm pivoting to another man."

@dbinetti

On Pivots

- Pivots are restatements of your business model; not synonymous with change.
- Pivots are a consequence of learning about your business, not just your product.
- Pivots are vision-driven, not testing-driven.

Our Vision

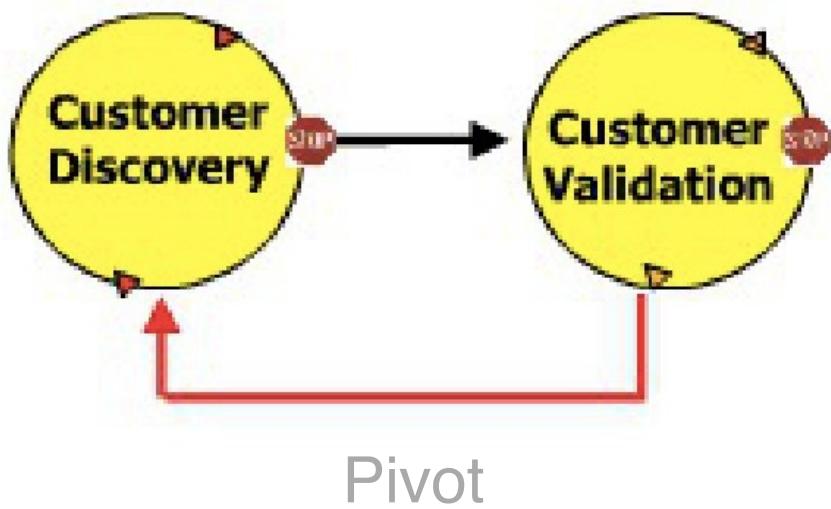


- Social media is disrupting Politics.
- Voters can now join with each other and connect to their officials directly.
- Facilitating meaningful connections will result in a new form of civic participation that will profoundly change our world.

The Framework

**Formulate
Model**

Iterate, Release &
Measure



1.0 1.1 2.0 3.0 4.0

Model	Hypothesis
Product	Facebook for politics
Problem	People want a stronger voice
Channel	Social networks
Demand	Viral (self-perpetuating demand)
Market	Resegmented (donations engine)
Competitive	Hyper-fragmented

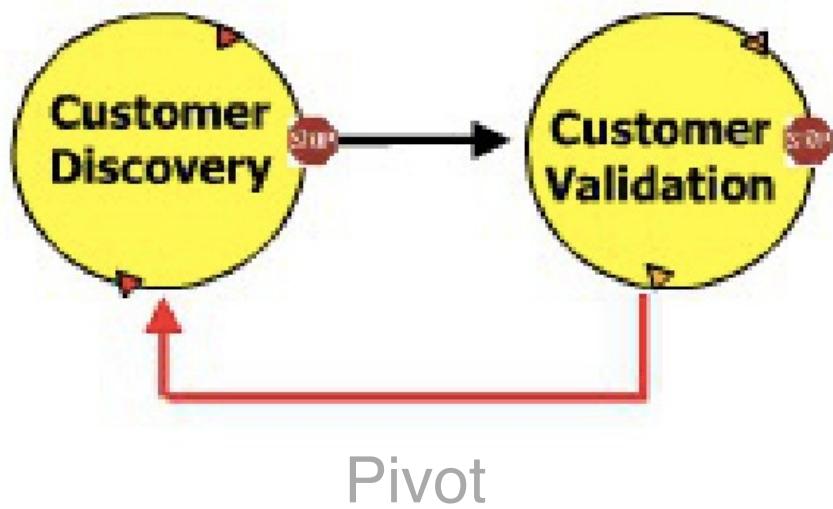
1.0 1.1 2.0 3.0 4.0

Metric	Description
Acquisition	Creates account
Activation	Certified authenticity
Referrals	Forwards to friends
Retention	Uses system thrice or greater
Revenue	Supports causes

The Framework

Formulate
Model

**Iterate, Release &
Measure**



1.0 1.1 2.0 3.0 4.0

- Did: The “MVP”, six weeks at \$1206
- Learned: It's a start.

Metric	v.1	v.1.1	v.2	v.3	v.4
<i>Acquisition</i>	5%				
<i>Activation</i>	17%				
Referrals	-				
Retention	-				
Revenue	-				

1.0 1.1 2.0 3.0 4.0

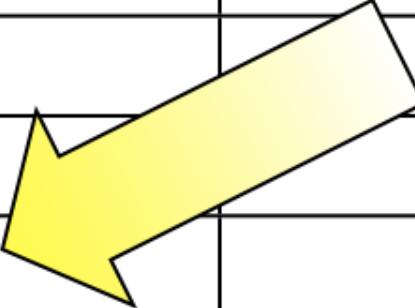
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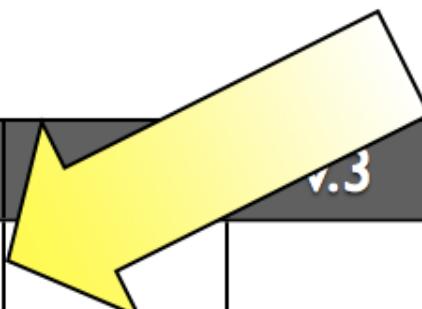
1.0 1.1 2.0 3.0 4.0

- Did: A/B testing to optimize
- Learned: Significant jump in conversion.

Metric	v.1	v.1.1	v.2	v.3	v.4
Acquisition	5%	17%			
Activation	17%	90%			
Referrals	-	4%			
Retention	-	5%			
Revenue	-	-			

1.0 1.1 2.0 3.0 4.0

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- Learned: Significant jump in conversion.



Metric	v.1	v.1.1	v.3	v.4
Acquisition	5%	17%		
Activation	17%	90%		
Referrals	-	4%		
Retention	-	5%		
Revenue	-	-		

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Revenue	-	-			

1.0 1.1 2.0 3.0 4.0

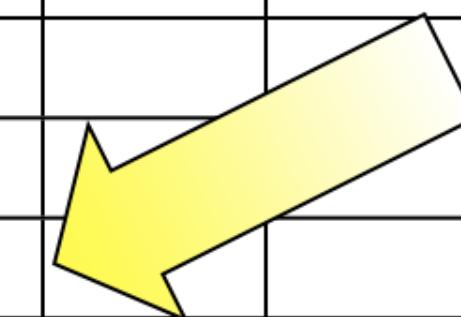
- Did: Same process as before
- Learned: Missing something important.

Metric	v.1	v.1.1	v.2	v.3	v.4
Acquisition	5%	17%			
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Retention	-	5%			
Revenue	-	-			

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“Land of the living dead”

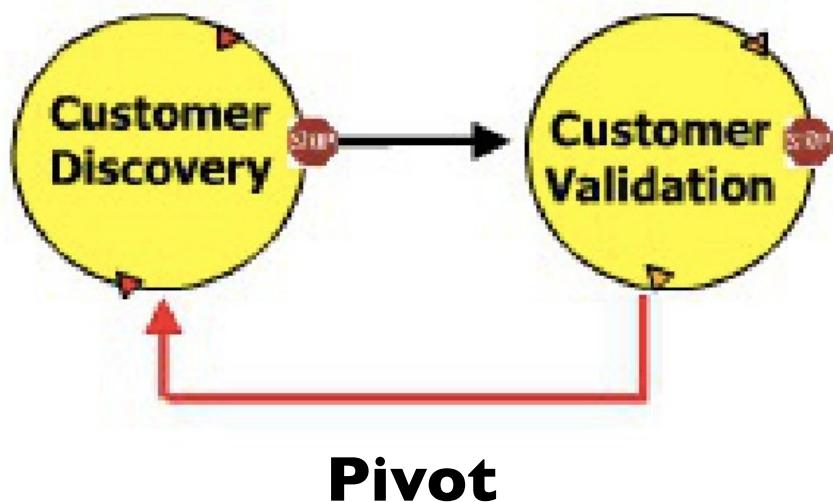
“In Silicon Valley, we call this experience getting stuck in the land of the living dead. It happens when a company has achieved a modicum of success—just enough to stay alive—but is not living up to the expectations of its founders and investors. Such companies are a terrible drain of human energy. Out of loyalty, the employees and founders don’t want to give in; they feel that success might be just around the corner.”

- Eri Reis, Lean Startup

The Framework

Formulate
Model

Iterate, Release
& Measure



Problem with launching and seeing what happens

“The problem with the notion of shipping a product and then seeing what happens is that you are guaranteed to succeed—at seeing what happens. But then what?”

- Eri Reis, Lean Startup

When to Pivot

- Surveys, A/B testing, landing pages, etc. are all good ways to find a local maximum for a given set of assumptions.
- If you've hit that local max and your model isn't a sustainable business, it's time to restate your assumptions (ie, to pivot.)

How to Pivot

- Put down the dry erase and step away from the whiteboard.
- You earned what you learned; don't flail.
- Vision + Learning = Inspiration

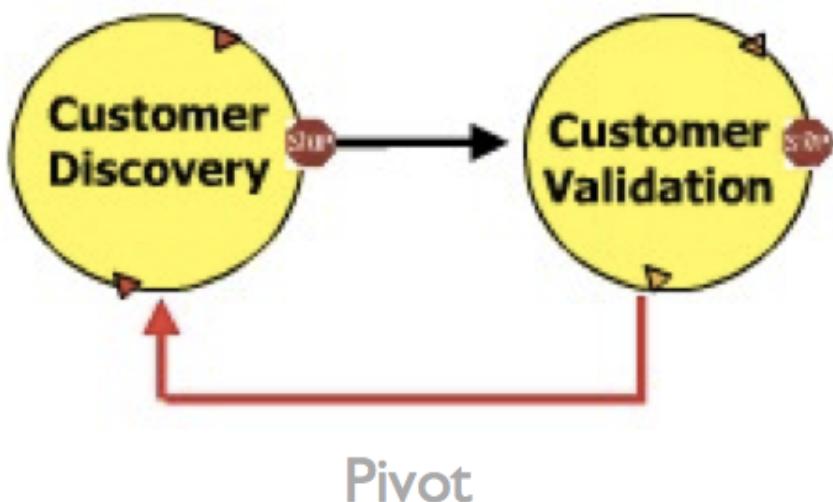
In My Case

- Looked past the product to the nature of the problem.
 - “I’ve always wanted to get involved. This makes it so much easier.”
- Put myself in the “let’s make it easier” mindset and got out of the building.
- Lead to the inspiration for @2gov.

The Framework

**Formulate
Model**

Iterate, Release &
Measure



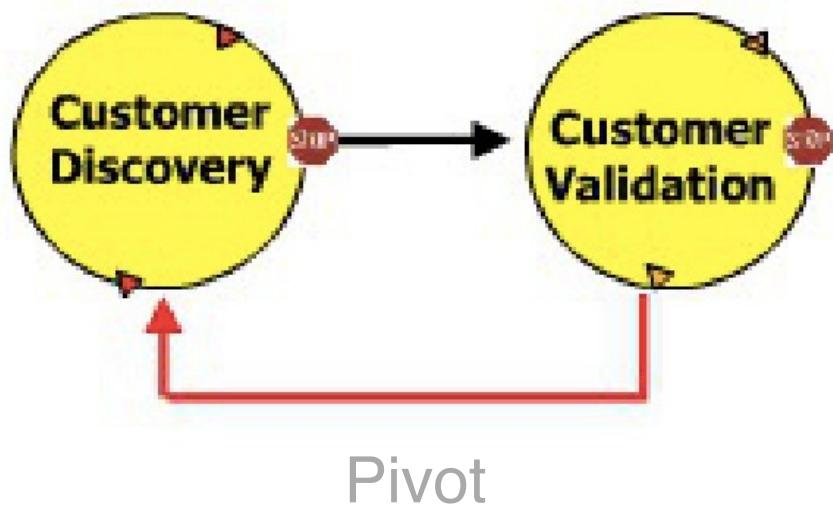
1.0 1.1 2.0 3.0 4.0

Model	Hypothesis
Product	Simple messaging tool
Problem	Getting involved is hard
Channel	Social networks
Demand	Viral (self-perpetuating demand)
Market	Resegmented (donations engine)
Competitive	Hyper-fragmented

The Framework

Formulate
Model

**Iterate, Release &
Measure**



1.0 1.1 2.0 3.0 4.0

- Did: Asymmetric message delivery
- Learned: Found a new local max on revenue

Metric	v.1	v.1.1	v.2	v.3	v.4
Acquisition	5%	17%	42%		
Activation	17%	90%	83%		
Referrals	-	4%	54%		
Retention	-	5%	21%		
Revenue	-	-	1%		

1.0 1.1 2.0 3.0 4.0

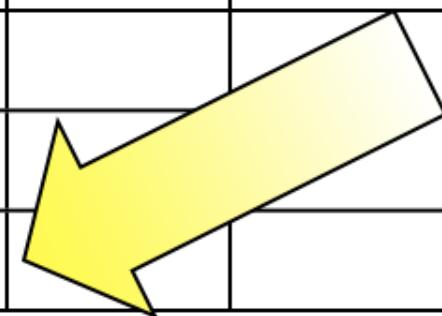
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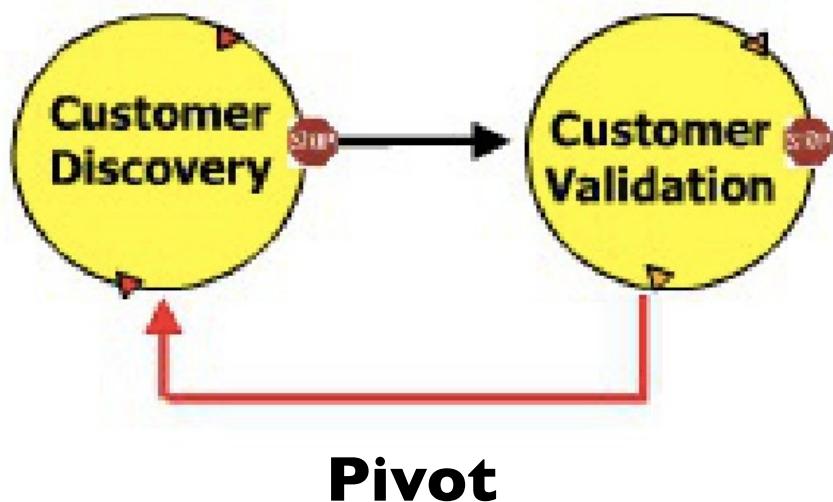


@dbinetti

The Framework

Formulate
Model

Iterate, Release
& Measure



1.0 1.1 2.0 **3.0** 4.0

Model	Hypothesis
Product	Simple involvement tool
Problem	People want to be good citizens
Channel	Social networks
Demand	Viral (self-perpetuating demand)
Market	Resegmented (campaign management)
Competitive	Hyper-fragmented

Focus on Revenue

- Website, analytics, dashboards.
- Custom work specific to your issue.
- People loved it! Let's Build!

1.0 1.1 2.0 3.0 4.0

- Did: New tools and analytics
- Learned:

Metric	v.1	v.1.1	v.2	v.3	v.4
Acquisition	5%	17%	42%	43%	
Activation	17%	90%	83%	85%	
Referrals	-	4%	54%	52%	
Retention	-	5%	21%	24%	
Revenue	-	-	1%		

1.0 1.1 2.0 3.0 4.0

- Did: New tools and analytics
- Learned:

Metric	v.1	v.1.1	v.2	v.3	v.4
Acquisition	5%	17%	42%	43%	
Activation	17%	90%	83%	85%	
Referrals	-	4%	54%	52%	
Retention	-	5%	21%	24%	
Revenue	-	-	1%	0%	

1.0

1

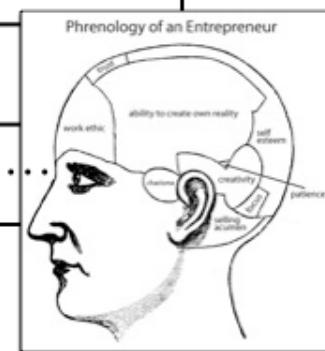
2.0

3.0

4.0

- Did: New tools and analytics
 - Learned: No signature means no sale

Metric	v.1	v.1.1	v.2	v.3	v.4
Acquisition	5%	17%	42%	43%	
Activation	17%	90%	83%	85%	
Referrals	-	4%	54%	52%	
Retention	-	5%	21%	24%	
Revenue	-	-	1%	0% ←	...



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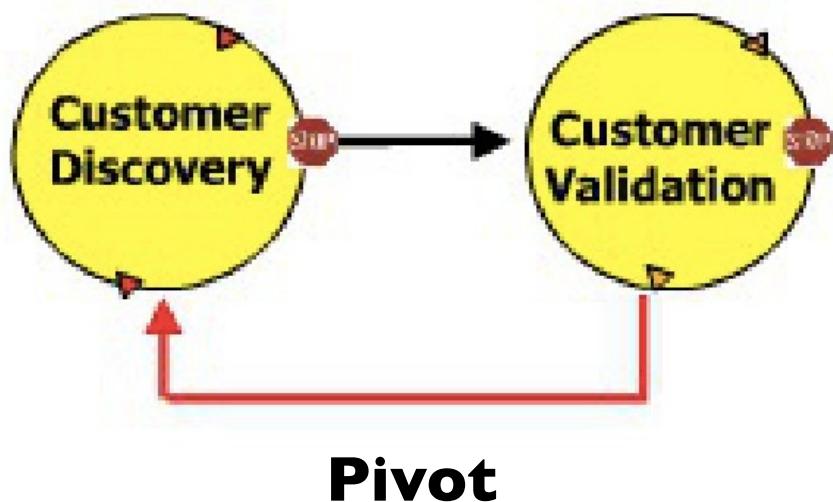
Don't Underestimate

- Easy to fool yourself
 - “Show Yourself the Money”
- This is why PR and vanity metrics are so dangerous.

The Framework

Formulate
Model

Iterate, Release
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Learning

- Poor Sales Cycle (contract, cost, channel)
 - “I’m just not sure about this Twitter thing.”
 - Make the engagement easy to try and show ROI out of the gate.

1.0 1.1 2.0 3.0 4.0

Model	Hypothesis
Product	Simple involvement tool
Problem	People want to be good citizens
Channel	Social networks
Demand	Viral (self-perpetuating demand)
Market	Resegmented (look like AdWords)
Competitive	Hyper-fragmented

AdWords for Activism

- Special Delivery on a per-message basis
 - Only pay for value
 - Initial sale: \$200 *first day.*

1.0 1.1 2.0 3.0 4.0

- Total investment at this point: ~\$120K and 18 months.
- Model has promise; raise some funds

Metric	v.1	v.1.1	v.2	v.3	v.4
Acquisition	5%	17%	42%	43%	51%
Activation	17%	90%	83%	85%	92%
Referrals	-	4%	54%	52%	64%
Retention	-	5%	21%	24%	28%
Revenue	-	-	1%	0%	11%

1.0 1.1 2.0 3.0 4.0

- Total investment at this point: ~\$120K and 18 months.
- Model has promise; raise some funds

Metric	v.1	v.1.1	v.2	v.3	v.4
Acquisition	5%	17%	42%	43%	51%
Activation	17%	90%	83%	85%	92%
Referrals	-	4%	54%	52%	64%
Retention	-	5%	21%	24%	28%
Revenue	-	-	1%	0%	11%

@dbinetti

Important Notes

- Iteration loops got tighter.
- Each validation justified a higher level of investment/engagement.
 - 1K - 10K - 100K - 1000K
- Seek funding when you think you have more technical risk than market risk.

Summary

- Set **Model** so you know what your measuring and when you're done.
- Use **Metrics** to find local maxima, not to find a business.
- **Pivots** are vision-driven.

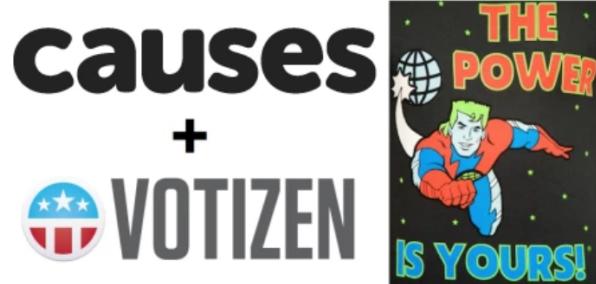
Since Then...

Causes Acquires Votizen To Democratize Democracy



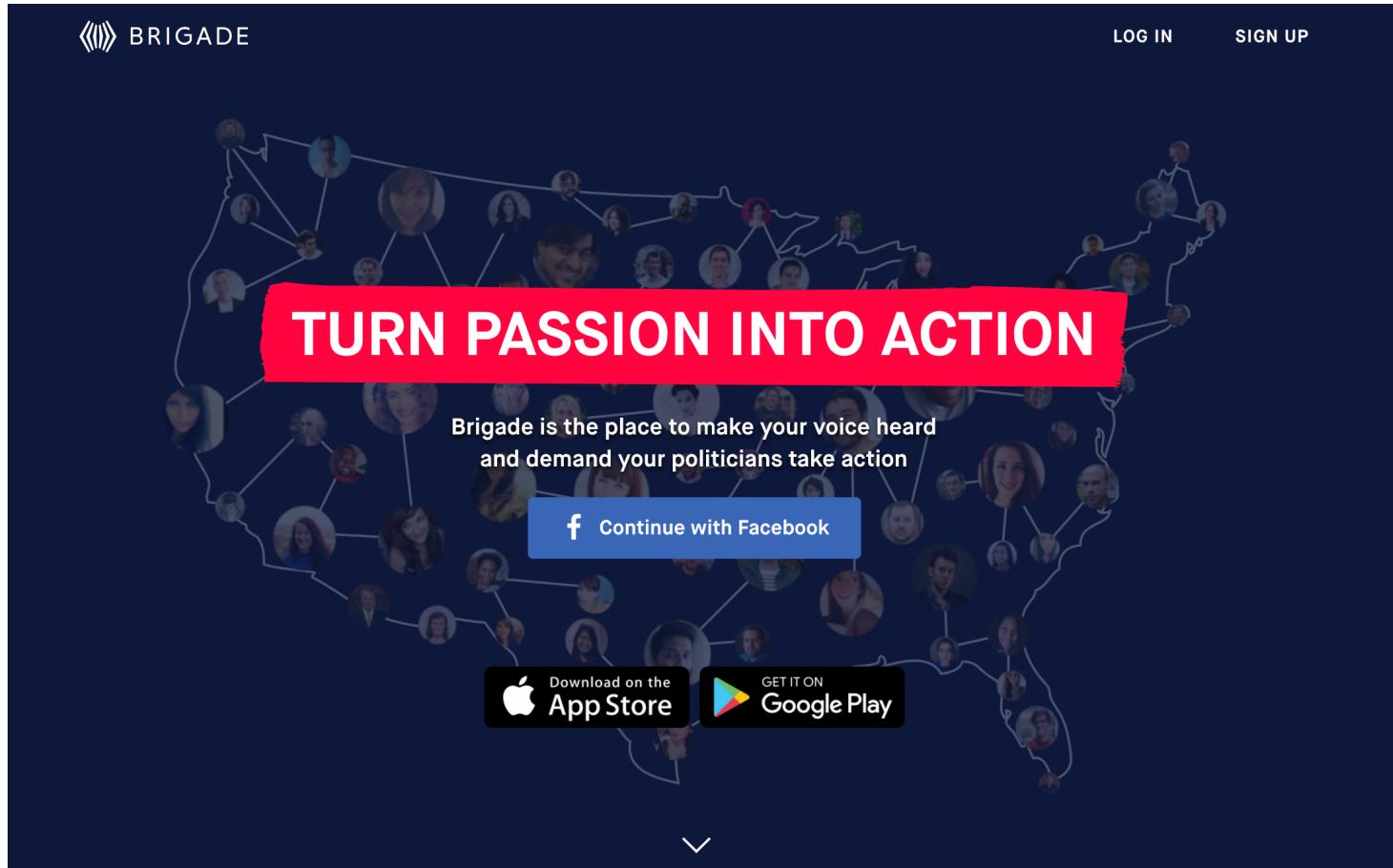
Josh Constine @JoshConstine / Jan 10, 2013

 Comment



Activism platform [Causes](#) has just acquired political advocacy startup [Votizen](#). With Causes' massive 186 million-strong user base and Votizen's tools, together they'll break down barriers to civic engagement to allow anyone to influence elections. Negotiated by mutual investor Sean Parker, the deal gives people a way to turn out votes for candidates who support the **Causes** they're passionate about.

Brigade



Pivots require courage

Vanity metrics lead to false conclusions

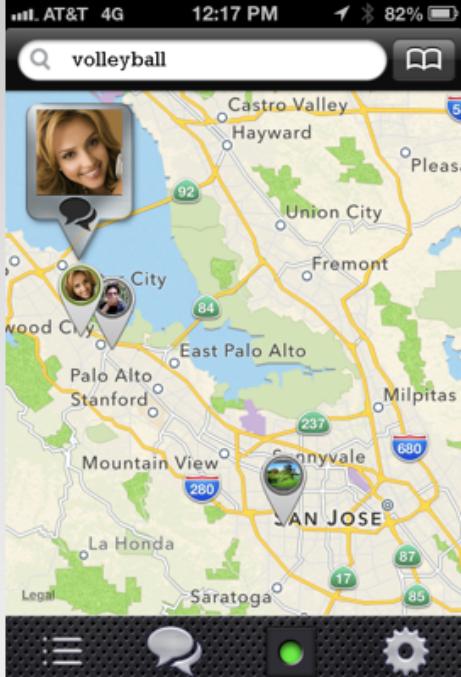
Pivots require a clear hypothesis

Acknowledging failure is hard

Discussion

- Put **ALL** active users on the map
- Search by **tags**
- Meet **new** people
- Intuitive interface
- Full **Privacy** control

Product



AT&T 4G 12:17 PM 82%

volleyball

CASTRO VALLEY
HAYWARD
PLEASANTON
UNION CITY
FREMONT
MILPITAS
SAN JOSE
CITY
WOOD CITY
PALO ALTO
STANFORD
MOUNTAIN VIEW
LA HONDA
SARATOGA
CONNYVALE
EAST PALO ALTO
280
84
92
237
17
85
87
580

8

How to pivot?

1. Realize when your plan isn't working.
2. Come up with a list of possible reasons why it's not working.
3. Gain a fresh perspective on your long-term goals and vision for the business.
4. Revise those goals and visions as necessary.
5. Come up with a list of ideas that will help you to accomplish those goals.
6. Develop a clearly defined plan.
7. Define the numbers or signs that will gauge the success of your new plan.
8. Forget the previous plan.
9. Explain the plan to the team.
10. Embrace the new plan.
11. Watch the metrics.
12. Rinse and repeat.

Source https://www.huffingtonpost.com/neil-patel/how-to-pivot-a-12step-gui_b_9560326.html

Pivoting

Don't throw good money after bad

Embracing flexibility

Definition

Examples:

Types of pivots

Votizen