

# EMPREENDEDORISMO E NOVOS NEGÓCIOS

## **2. LEAN STARTUP**

# Why the Lean Start-Up Changes Everything

by Steve Blank

According to the decades-old formula, **you write a business plan, pitch it to investors, assemble a team, introduce a product, and start selling as hard as you can.** And somewhere in this sequence of events, **you'll probably suffer a fatal setback.** The odds are not with you: As new research by Harvard Business School's Shikhar Ghosh shows, 75% of all start-ups fail.

But recently an important countervailing force has emerged, **one that can make the process of starting a company less risky. It's a methodology called the "lean start-up,"** and it favors **experimentation** over elaborate planning, **customer feedback** over intuition, and **iterative design** over traditional "big design up front" development. Although the methodology is just a few years old, its concepts—such as "*minimum viable product*" and "*pivoting*"—have quickly taken root in the start-up world, and business schools have already begun adapting their curricula to teach them.

# **Lean Start-Up**

## Risk Reduction Methodology

- . Watch the video,
- . Search for the concepts if you don't know them yet,
- . Ask questions!

# Steve Blank

*Adjunct Professor, Stanford Engineering*

**November 2, 2016**

<https://vimeo.com/414067502>

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**Companies are organized around  
business models.**

**VS**

**Start-ups are searching for the  
business model.**

**“A startup is a human institution designed to create a new product or service under conditions of extreme uncertainty.”**

To open up a new business that is an exact clone of an existing business all the way down to the business model, pricing, target customer, and product may be an attractive economic investment, but it is not a startup because its success depends only on execution—so much so that this success can be modeled with high accuracy.

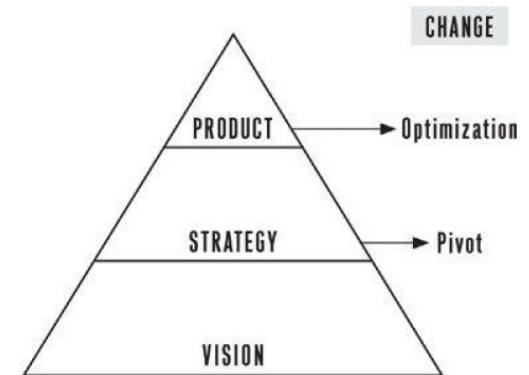
## 2.1. PRINCIPLES

1. Entrepreneurs are everywhere
2. Entrepreneurship is management
3. Validated learning
4. Innovation accounting (monitoring progress)
5. Build, Measure and Learn



## 2.2. VISION, STEER AND ACCELERATE

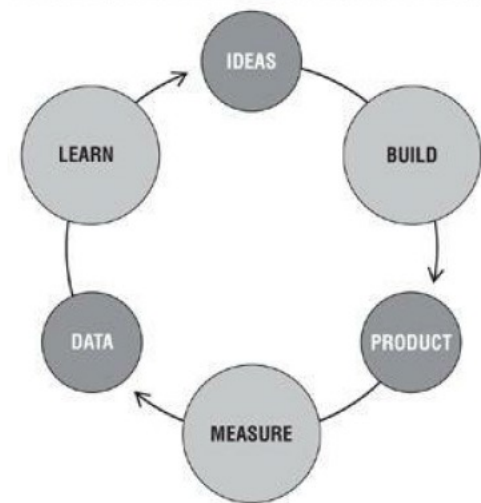
Startups also have a true north, a destination in mind: **creating a thriving and world-changing business.**



The Lean Startup adapts these ideas to the context of entrepreneurship, proposing that entrepreneurs judge their progress differently from the way other kinds of ventures do. **The goal of a startup is to figure out the right thing to build—the thing customers want and will pay for—as quickly as possible.** In other words, the Lean Startup is a new way of looking at the development of innovative new products that emphasizes fast iteration and customer insight, a huge vision, and great ambition, all at the same time.

A startup is a catalyst that transforms ideas into products. **As customers interact with those products, they generate feedback and data.** The feedback is both qualitative (such as what they like and don't like) and quantitative (such as how many people use it and find it valuable).

#### BUILD-MEASURE-LEARN FEEDBACK LOOP



Minimize *TOTAL* time through the loop

**Leaps of faith:** we assume that customers have a significant desire to use a product like ours, or we assume that supermarkets will carry our product. Acting as if these assumptions are true is a classic entrepreneur superpower. They are called leaps of faith precisely because the success of the entire venture rests on them. If they are true, tremendous opportunity awaits. If they are false, the start-up risks total failure. Most leaps of faith take the form of an argument by analogy.

Previous technology X was used to win market Y because of attribute Z. We have a new technology X2 that will enable us to win market Y2 because we too have attribute Z.

# DROPBOX CASE

PROBLEM: backing up data and sharing it with multiple devices.

VISION: to keep everything simple, and instead of having a lot of features, doing one thing correctly. The product they come up with was tracking changes in real-time to any file that has been placed at the user's local Dropbox folder. And thanks to a binary diff technique, was syncing those files over the cloud and to local Dropbox folders in other devices, within milliseconds.

SHOWCASE THE PROTOTYPE: Dropbox needed to test its leap-of-faith question: if we can provide a superior customer experience, will people give our product a try? They believed— rightly, as it turned out—that file synchronization was a problem that most people didn't know they had. Once you experience the solution, you can't imagine how you ever lived without it.

## DROPBOX CASE

<https://startupdeckreview.com/tag/dropbox/>

A

Dropbox Original MVP Explainer Video

Watch later

Share



# Dropbox

<http://www.getdropbox.com>

Drew Houston  
drew@getdropbox.com

MORE VIDEOS

0:02 / 4:18

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## **DROPBOX CASE**

**PRODUCT DEVELOPMENT:** the nature of sensitivity of the information they are handling required them to be more cautious. So they ended up waiting a long while (18 months to be exact) before opening up a public beta. (75,000 early adopters).

**BUSINESS MODEL:** Dropbox was keen to use a freemium model, with free accounts up to 2GB, and paid accounts like at \$9.99 for 50GB a month, among other storage/pricing options.

## DROPBOX CASE

MARKETING EFFORT: Since Dropbox was using a freemium model, optimizing the marketing messages sent to free users and figuring out the correct pricing was essential to its success. To achieve such optimizations, they started tracking % of users that signed up as free users upon landing, % of active registrant after X months, and % of free users that eventually ended up paying within Y months (I am guessing three months). These metrics are not arbitrary; they tried to track what is known as the AARRR framework: *acquisition, activation, retention, referral, revenue*.

ORGANIC GROWTH: The focus on making everything “just work” paid itself off in the form of a robust and loyal customer base that drives new users by word of mouth. Within about two years, Dropbox was able to register 2M users, mostly through this channel.

## **DROPBOX CASE**

**ACCELERATING GROWTH:** The rapid decrease in both cloud storage costs and data delivery cost was also doing the company's bottom line a great favor. Although listening to customer feedback is always a good idea, it is also essential to stay the course and not bloat the product with a lot of features and get distracted. Dropbox was quite successful in doing that. They resist the temptation to implement prevalent feature requests like the ability to sync folders outside the local Dropbox folder to keep their product nimble.

**COMPETITORS:** They do have fierce competition though: Google Drive by Google, OneDrive by Microsoft, iCloud by Apple are all becoming more and more ubiquitous, making it a tough ocean to sail for Dropbox



Entrepreneurs must understand **what they are trying to accomplish with their new venture and how they intend to execute on these goals**. They must have a **clear vision for long-term development that can be distilled down to a mission statement capturing the entrepreneur's intent and objectives**. Understanding the intended customers, their needs, and how these needs will be met by the venture is vital to developing the business model. **A business model describes the relationship between a venture's customers, value proposition, differentiating features, scope, organization design, and profit model.**

## 2.3. TOOLS

Business Model Canvas: to write down all the hypotheses about a new business;

Customer Development: a process for testing those hypotheses outside the building;

Agile Engineering: to rapidly build **minimal viable products** to test product/market fit.

## **Task 2: Assessment of Ideas (Answer the following questions and rank the ideas – what is the idea with higher potential?)**

### **Identify a compelling opportunity:**

- Why does opportunity excites you? (Motivation)
- How it can solve a problem? (Market need)
- Will availing this opportunity return you the benefits? (Return)
- How does the idea fit into your background and experience?
- What business skills do you have?