

# LEAN STARTUP

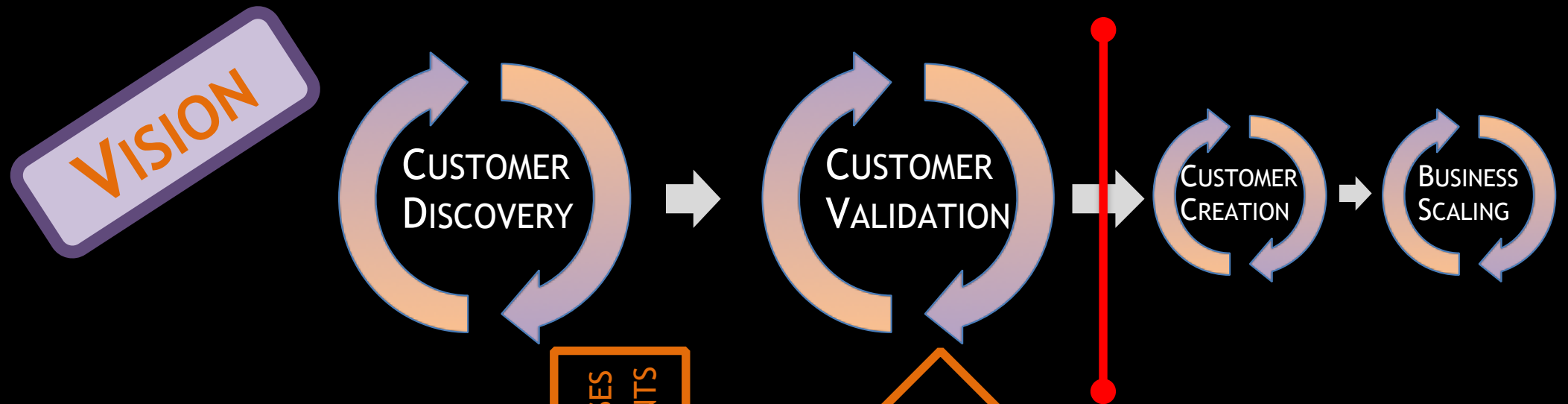
Antero Järvi  
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- What is Lean Startup?
- How does it work?
- Why does it work?
- What it should be used for?

“Startup success can be engineered by following the process, which means it can be learned, which means it can be taught.”

- Eric Ries.

# INNOVATION DRIVEN P&B DEVELOPMENT



Problem: Unknown

Solution: Unknown

HYPOTHESES  
EXPERIMENTS

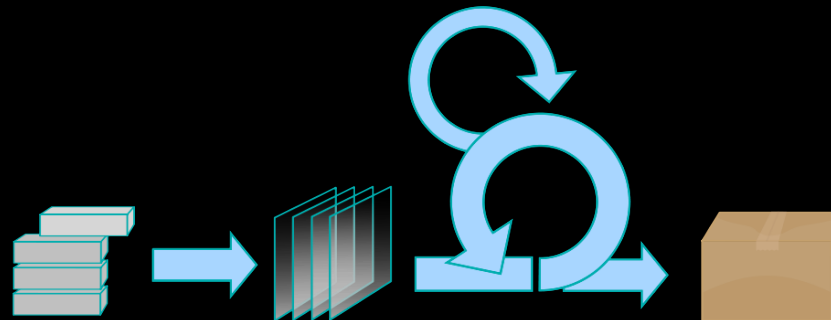
FEEDBACK  
INSIGHTS

## Works when...

- Market is unknown
  - Customer's problem is uncertain
  - New product development
- **NEW BUSINESS INNOVATION !**



Unit of Progress  
"Learning"



# TEASER TO CUSTOMER DEVELOPMENT

Search  Execution



## Who's Problem?

- Customer Archetypes
- Customer pain size

## Discovery = Hypotesis Testing

- Customer / Problem
- Product
- Market
- Distribution, Pricing

## The Solution?

- Features, MVP
- Platforms

## Where's the Market?

- Existing/New? Size?
- Basis of competition

Stay in search mode until you  
find a *proven* business model  
worth going forward.

# WHAT IS A STARTUP?

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

- Eric Ries, author *The Lean Startup*

Note: No ‘company creation’ needed, applies to any new product or service creation. Important is that the **scope includes uncertainty and ‘business issues’**.

# WHAT IS A LEAN STARTUP?

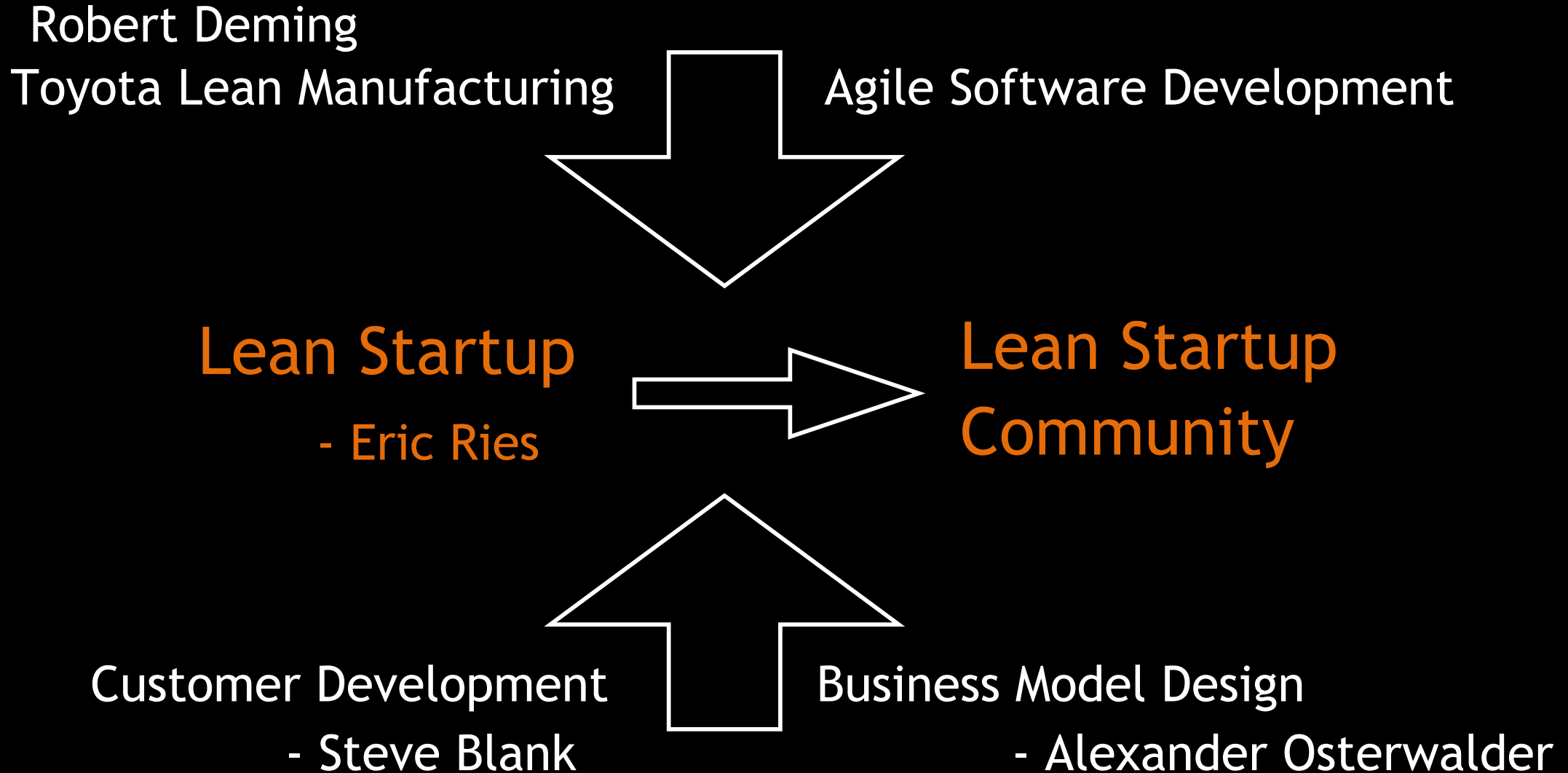
“A method to **systematically** address uncertainty through rapid iteration and market learning.”

- Eric Ries, author *The Lean Startup*

Helps us to answer two critical questions:

1. What new product or service we are building and for whom?
2. How can we increase our odds of success?

# WHERE LEAN STARTUP CAME FROM?





# Key concepts

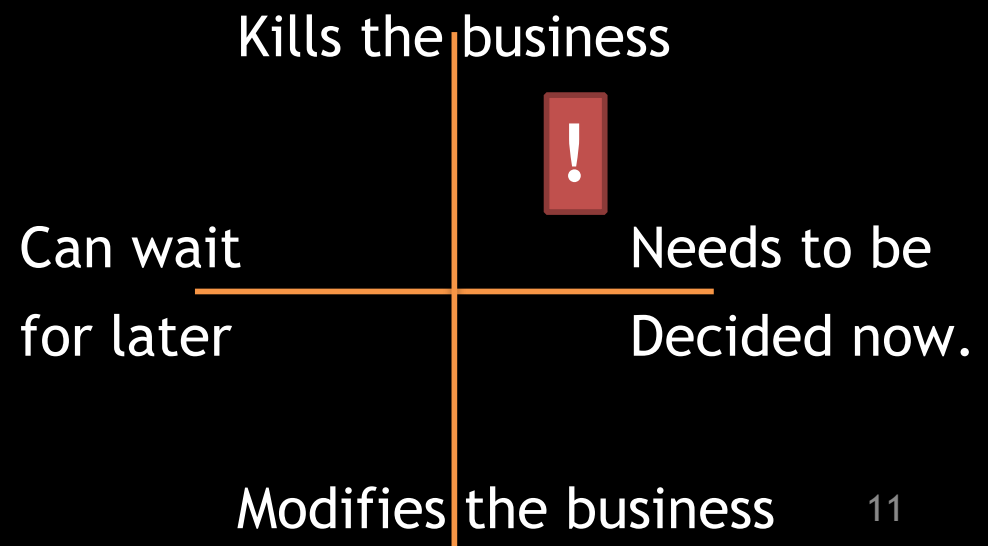
- Uncertainty
- Assumptions
- Hypotheses
- Experiments
- Minimum Viable Product (MVP)
- Customer Development
- Validated learning
- Pivots

# Uncertainty (=risk)

- Customer and market risk
  - Are we solving a real problem worth solving?
  - If we build the product, will people use and buy it?
- Product (technical) risk
  - How can we build this?
- Business risk
  - Can we find a way to build a sustainable business around the product, make money out of it?

# Assumption

- Consciously seeking and explicitly stating your **current understanding** of what you **do not know with sufficient certainty**.
- “I believe that ...”
- Some assumptions are more critical than others → prioritise!



# From Assumptions to Hypotheses

**Assumptions** should be challenged and clarified with research. **Falsifiable hypotheses** should be **tested with an experiment**

- If ... then ...
- Clarifies how the assumption should be validated/invalidated
- Specific in action, value, impact

## BY ANNA VITAL

BY ANNA VITAL



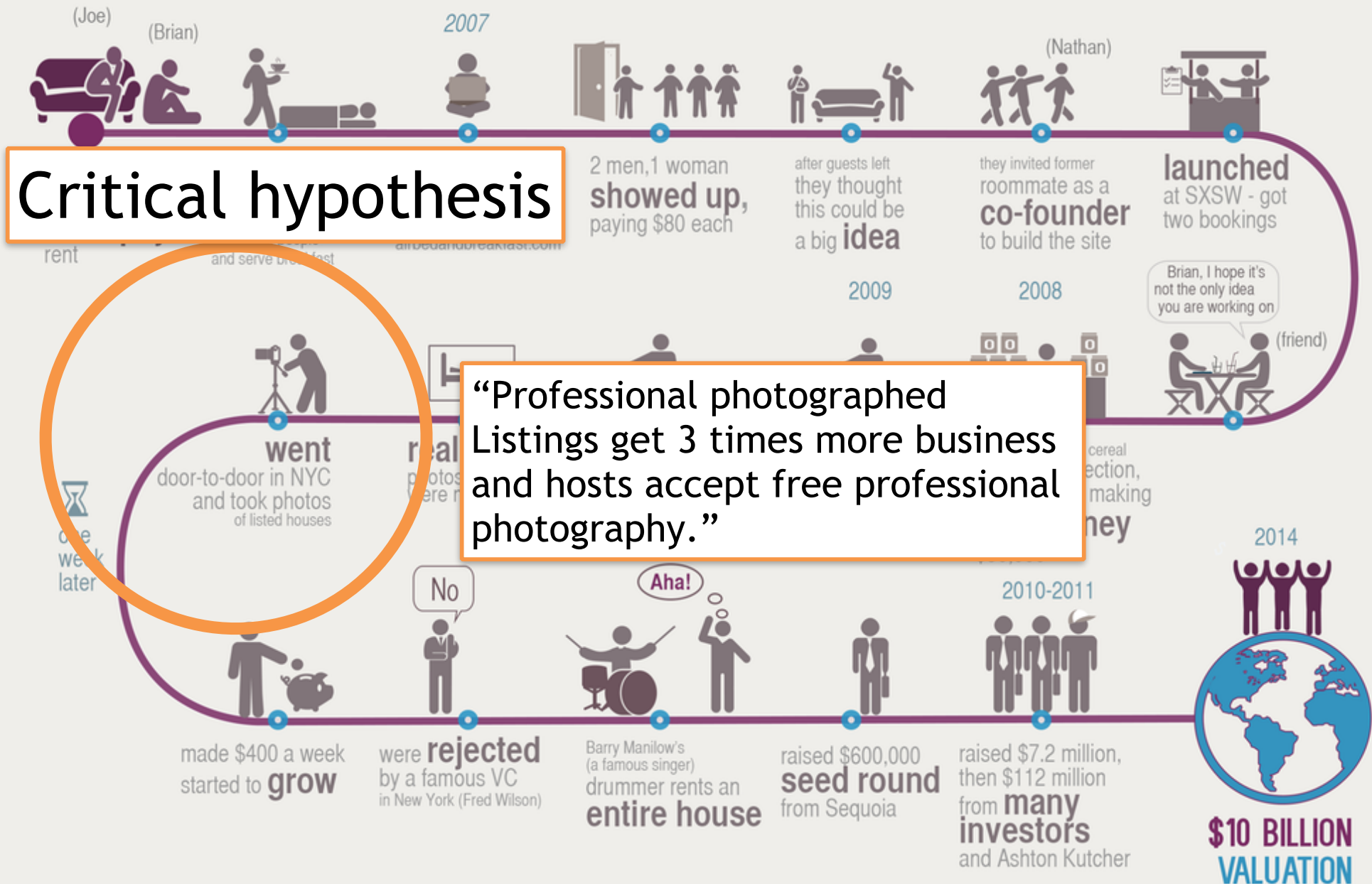
# AirBnB early assumption

- “I believe that in a city where space is extremely limited, people will pay a small amount of money for small space accommodation as a replacement for a hotel.”
- Customer/Product/Business uncertainty?
- How to start working with this assumption?
- Too generic, needs to be more focused so that it directs our work.

# HOW AIRBNB STARTED

BY ANNA VITAL

Or How 3 Guys Went From Renting Air Mattresses To A 10 Billion Dollar Company



Critical hypothesis

“Professional photographed Listings get 3 times more business and hosts accept free professional photography.”

# Experiments

(In the context of Lean Startup)

- “A scientific procedure undertaken to test a hypothesis.”
- Validates or invalidates a hypothesis, **in minimum amount of time and resources.**
- Designed!
- Related method: Customer Development
- Related concept: MVP



# Minimum Viable Product (MVP)

That version of the new product which allows a team to collect the **maximum amount of validated learning** about customer **with the least effort**.

- Eric Ries

- Needs not be a functional product: prototypes.

## HOW NOT TO BUILD A MINIMUM VIABLE PRODUCT



1



2



3



4

## ALSO HOW NOT TO BUILD A MINIMUM VIABLE PRODUCT



1



2



3

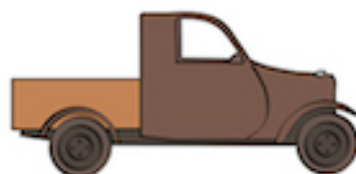


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## HOW TO BUILD A MINIMUM VIABLE PRODUCT



1



2



3

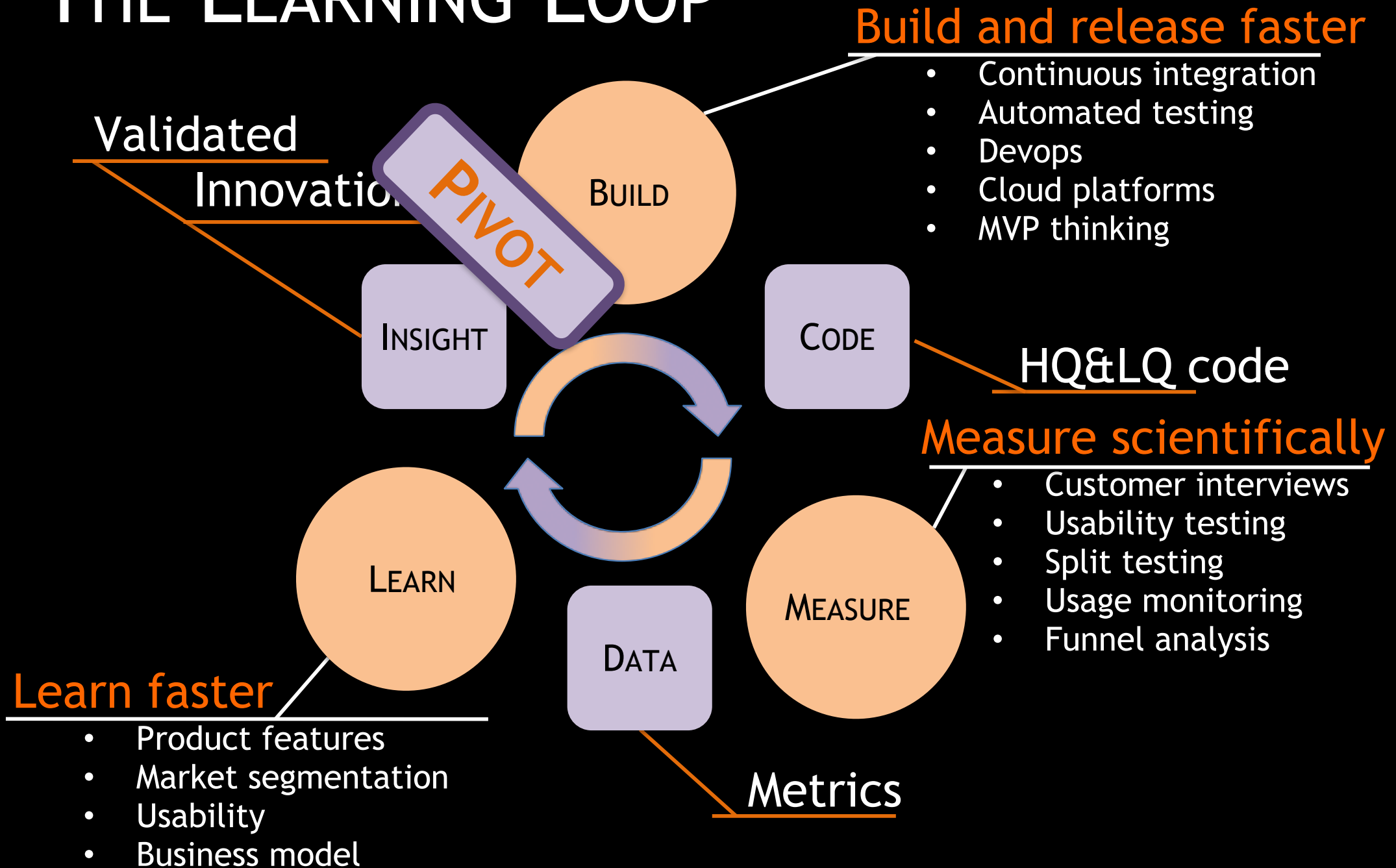


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# Validated Learning

1. Isolate critical assumptions
  2. Create hypothesis to be tested
  3. Design and build an experiment
  4. Measure the outcome
  5. Collect data and analyse for learning
- All of the above systematically

# THE LEARNING LOOP



# PIVOT OR PRESERVE?



Change directions for what you have learnt. Keep what is still solid.

Change in direction, not vision!

... this means throwing away code !

Remember: We are in a “searching for business model” -mode. Unit of progress **is learning**, not lines of code.

# Types of pivots (by Ries)

1. Zoom-in
2. Zoom-out
3. Customer segment
4. Customer need
5. Platform-product
6. Business architecture (model)
7. Value capture
8. Engine of growth
9. Channel
10. Technology