TESTING AND VALIDATING YOUR IDEA
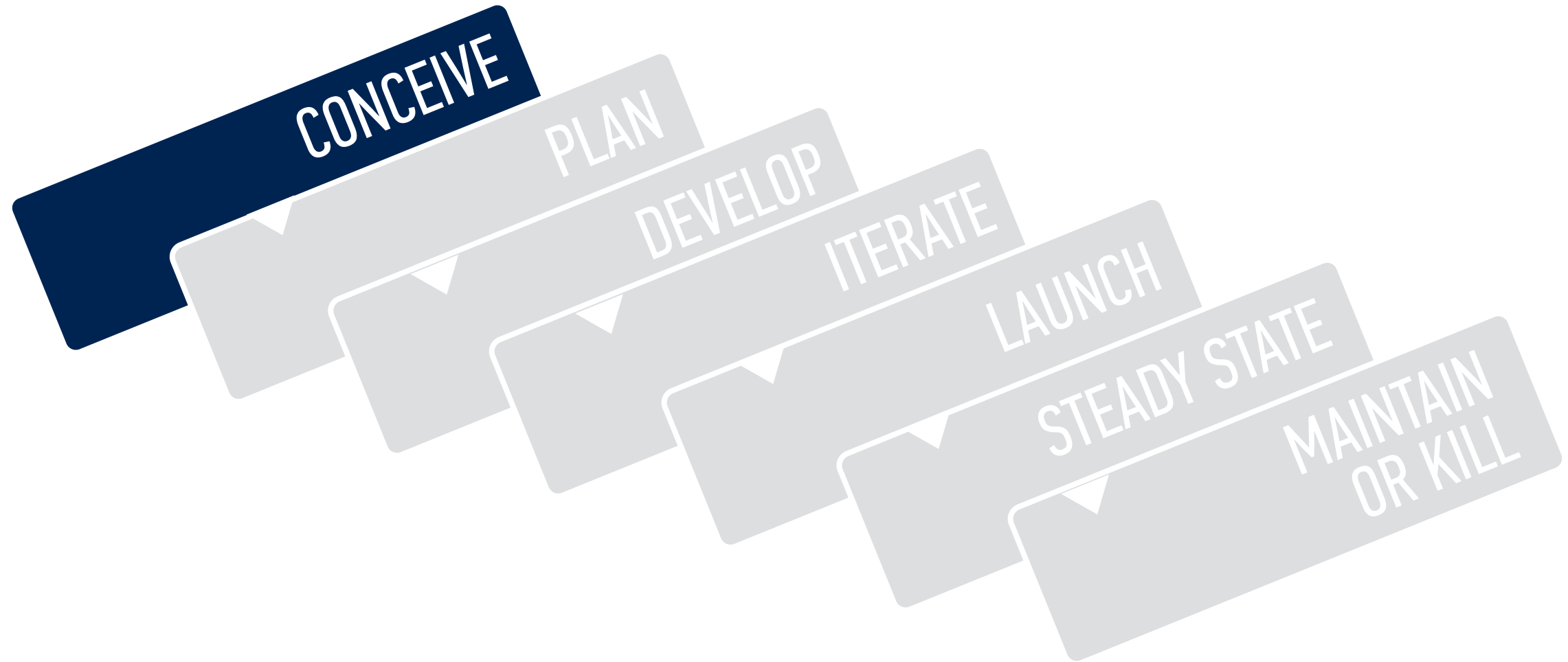
David R. Miller
PDM7 Instructor

TESTING AND VALIDATING YOUR IDEA

LEARNING OBJECTIVES

‣ Determine if product/market fit has been achieved for a product

‣ Explain the purpose and process of building an MVP

‣ Identify various ways to build and learn from an MVP

‣ Evolve an MVP to reach product/market fit

PRODUCT/MARKET FIT

"THE #1 COMPANY-KILLER IS LACK OF MARKET … IN A GREAT MARKET — A MARKET WITH LOTS OF REAL POTENTIAL CUSTOMERS — THE MARKET PULLS PRODUCT OUT OF THE STARTUP."

– MARC ANDREESSEN (HTTP://BIT.LY/2XJAPG)
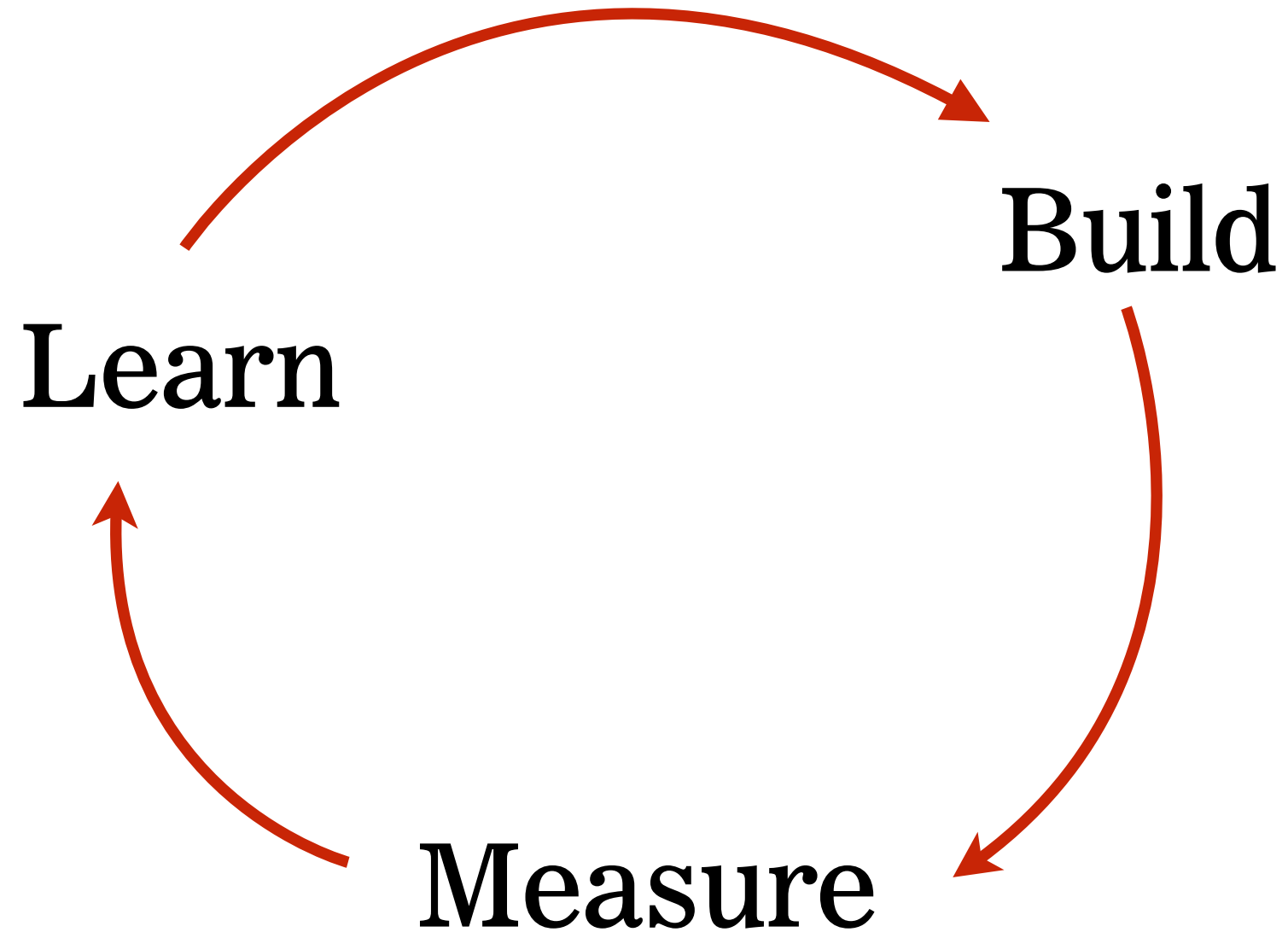
THE SEGWAY
GREAT PRODUCT WITH NO MARKET?

THE SEGWAY
GREAT PRODUCT WITH NO MARKET?

SUPER HIGH EXPECTATIONS

PRODUCT, NOT A SOLUTION

NO CLEAR NEED

INVENTION VS. INNOVATION

REGULATION

MAKE SURE CUSTOMERS WANT YOUR PRODUCT, **BEFORE** YOU BUILD IT.

Build

Learn

Measure

Iterate your way to Product/Market Fit

YOUR USERS

FINDING PRODUCT/ MARKET FIT

FINDING PRODUCT MARKET FIT

DEFINE THE PROBLEM YOU ARE SOLVING FOR THE CUSTOMER

GET IN FRONT OF CUSTOMERS AND VALIDATE YOUR ASSUMPTIONS (MAKE SURE YOU VALIDATE ASSUMPTIONS BEFORE YOU START BUILDING)

CREATE AN EXPERIMENT TO TEST IF YOUR ASSUMPTIONS ARE TRUE

MEASURE CUSTOMER BEHAVIOR TO SEE IF YOUR PROBLEM IS IMPORTANT TO THE CUSTOMER - IF NOT, THEN PIVOT

WHAT ARE YOU TESTING & LEARNING

CUSTOMER RISK: WHO HAS THE PAIN & HOW DO YOU IDENTIFY THEM? (EARLY ADOPTERS)

PRODUCT RISK: HOW WILL YOU SOLVE THESE PROBLEMS & WHAT IS THE MINIMUM FEATURE SET? (SOLUTION)

MARKET RISK: WHAT IS THE PRICING MODEL? WILL THEY PAY & WHAT PRICE WILL THEY BEAR? (REVENUE STREAMS)

"THE ONLY METRICS THAT ENTREPRENEURS SHOULD INVEST ENERGY IN COLLECTING ARE THOSE THAT HELP THEM MAKE DECISIONS."

Eric Ries

FINDING PRODUCT/MARKET FIT

VANITY METRIC

Visits

Pageviews

Time on Page

Downloads

Registered Users

ACTIONABLE METRIC

clicks

scrolling

options on submit

cancel

purchases

abandoned carts

DROPBOX

Problem: It's hard to manage your files across systems and computers.

Customer: People who work across multiple platforms. Ex. Office workers who need to access files at home.

Riskiest assumption: If we provide an extremely easy to use product, people will try it.

Experiment: Video demonstrating ease

MVPS

MINIMAL VIABLE PRODUCT

THE LEAST AMOUNT OF WORK YOU CAN DO TO LEARN THE MOST OF SOMETHING.

MVP

WHY MVP?

REDUCE RISK & MAXIMIZE SUCCESS

FASTER FEEDBACK

REDUCED OVERHEAD

MEASURABLE PROGRESS

"MOST CUSTOMERS ARE GREAT AT ARTICULATING PROBLEMS
BUT NOT AT VISUALIZING SOLUTIONS" Ash Maurya

YOU DO NOT NEED TO CODE TO TEST SOMETHING.

TYPES OF MVPS

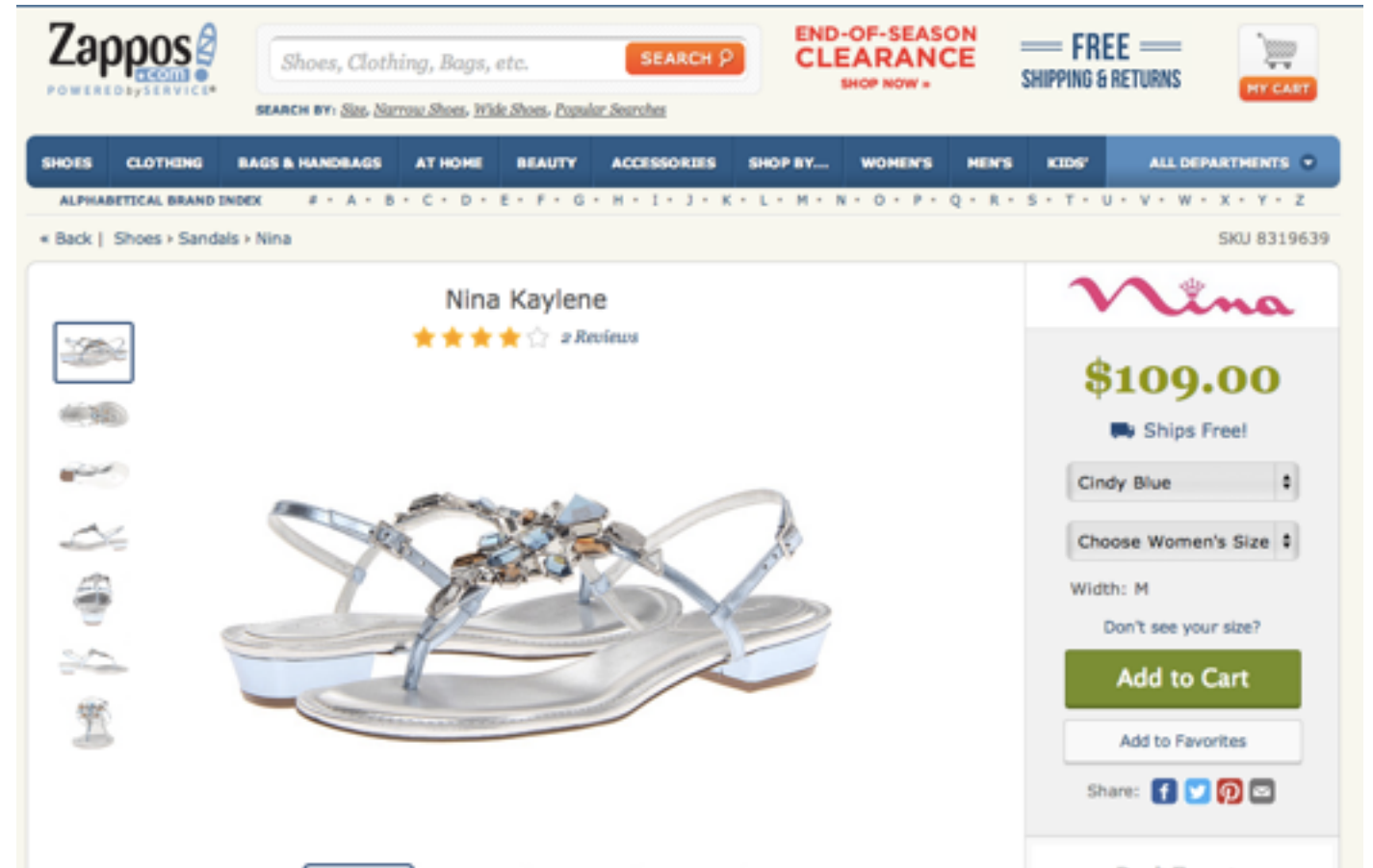‣ Concierge

‣ Wizard of Oz

‣ Landing Pages

‣ Videos

CONCIERGE

‣ Delivering a service manually to the customer.

‣ Ex: Groupon, Virgin America

WIZARD OF OZ
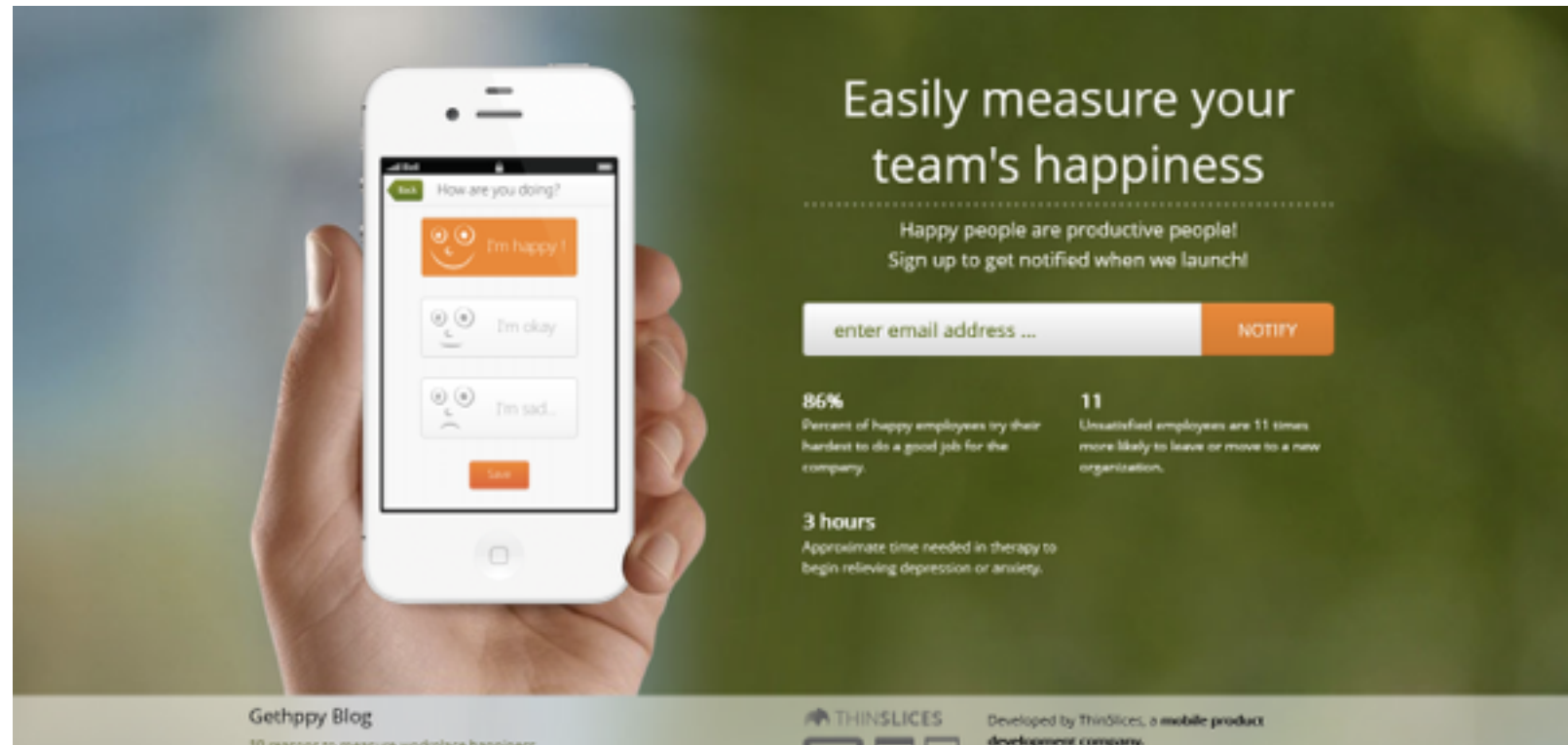
‣ Everything appears to be real to the customer, but on the back end it is manual.
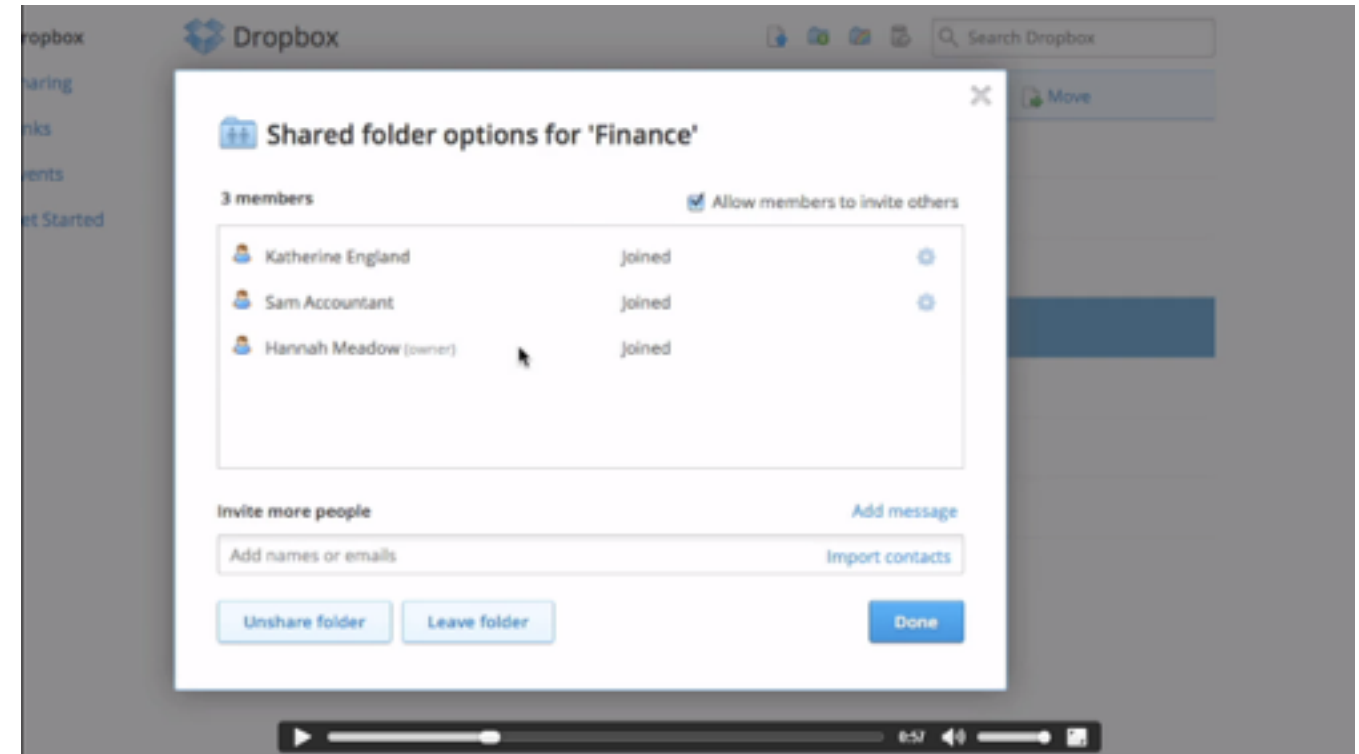
‣ Example: Zappos

LANDING PAGE

‣ Used to see how much interest there is in the idea.

‣ Remember: you need to drive traffic to the site!

VIDEOS

‣ Used to demonstrate a hard concept.

‣ Can be pieced together without the technology being completely in place.

‣ Ex: Dropbox

WHAT DO YOU NEED TO KNOW BEFORE YOU CREATE A MINIMAL VIABLE PRODUCT?

WHAT DO YOU NEED TO KNOW BEFORE YOU CREATE A MINIMAL VIABLE PRODUCT?

REFINE YOUR ASSUMPTIONS & PRIORITIZE

WHAT IF YOUR HYPOTHESIS IS WRONG?

PIVOT, LEARN, AND ITERATE.

ACTIVITY

EXERCISE

KEY OBJECTIVE(S)

Design and MVP for a wine delivery on-demand app.

TIMING

10 min   1. Split up into groups. State the problem and customer you are solving for.

5 min   2. List your riskiest assumptions.

15 min   3. Design an MVP to test if people will want to use your application. Bonus if it involves no code.

DELIVERABLE

The details of an experiment you would run to test your idea, and what you would measure.

MVP'S NEED TO BE:

REALIZABLE

LOOK REAL

QUICK TO ITERATE

MINIMIZE WASTE

USE REAL LOOKING DATA

HOMEWORK

CREATE AN EXPERIMENT TO TEST YOUR IDEA

Write out:

‣ What is the problem you are solving?

‣ Who is your customer?

‣ What is your riskiest assumption?

‣ How would you test that riskiest assumption?

‣ What would you measure!

Run your experiment and tell us the results!

TESTING AND VALIDATING YOUR IDEA

PROBLEM	SOLUTION	UNIQUE VALUE PROPOSITION	UNFAIR ADVANTAGE	CUSTOMER SEGMENTS
	Solution interviews will validate minimum feature set.			Solution interviews will validate first-time moms with kids under the age of 3 as early adopters.
	KEY METRICS		**CHANNELS**	

COST STRUCTURE	REVENUE STREAMS
	Solution interviews will drive verbal commitments to pay $49/yr for service.

Running Lean by: Ash Maurya

SAMPLE SOLUTION INTERVIEW SCRIPT

‣ Welcome (set the stage) - 2 min

‣ Collect Demographics (define customer segment) - 2 min

‣ Tell a story (set problem context) - 2 min

‣ Demo (test solution) - 15 min

‣ Test pricing (revenue streams) - 3 min

‣ Wrapping up (follow up, referrals, sign up) - 2 min

‣ Document results - 5min

WHAT DOES SUCCESS LOOK LIKE

‣ Can identify the demographics of an early adopter

‣ Have a must-have problem

‣ Can define the minimum features needed to solve this problem

‣ Have a price the customer is willing to pay

‣ Can build a business around it (market sizing, cost vs. revenue)

TOOLS

- Pencil & Paper
- MS Powerpoint
- Apple Keynote
- Axure
- Sketch
- Balsamiq
- Adobe Photoshop
- Adobe InDesign

- Marvel App
- Various video recording devices

Q&A

EXIT TICKETS

HTTP://GA.CO/PDMTICKET

1. What is a Minimum Viable Product?
    1. A version 1 of your product
    2. The smallest amount of work you can do to learn something - A
    3. A full functioning app

2. True or False: You need to code to be able to make an MVP.
    1. True
    2. False - Answer

3. Which is an example of an actionable metric?
    1. Page Views
    2. Purchases - Answer
    3. Time on site