Business Model Pivots in Lean Startup

Pivot is one of the most misused words in the Agile community. Most of the time is pivot is used to indicate course correction in product strategy. In Lean startup context pivot has a specific meaning. As per Eric Ries (author of The Lean Startup) pivot is:

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

So a pivot is not any simple change based on a hunch, but a structured experiment to test a hypothesis about the future growth of the business. There are ten types of pivots:

Zoom-In: A single feature or small set of features become whole product and everything else in the product is cut away. This pivot helps organizations find and retain focus by delivering the minimum viable product (MVP) as fast as possible.

Zoom-Out: Whole product becomes a single feature or smaller set of features of a larger product. This is the reverse of the zoom-in pivot. Organizations use this pivot when they realize or anticipate that current or potential customers want/need something more than the current offering.

Customer Segment: Sometimes after a product launch, it attracts real customers, but not the customers in the original product vision. While disappointing, this pivot encourages the product designers to reposition and optimize the product adoption by a more appreciative market segment.

Customer Need: in some situations early customer feedback indicates that the problem being solved by the product is not very important. Other times, the customer does make money available to buy the product. This pivot requires the product team to find a real customer problem worth solving and worth paying for.

Platform: this pivot refers to a change from an application to a platform or vice versa. Many product designers envision their solution as a platform for future products. Most customers buy solutions, not platforms.

Ref: http://agileanswer.blogspot.com

Business Architecture: Geoffrey Moore, author of Crossing the Chasm, observed many years ago that there are two major business architectures: high margin, low volume (complex systems model) or low margin, high volume (volume operations model). This pivot recognizes that a company cannot do both at the same time.

Value Capture: this pivot refers to the monetization or revenue model for the product. When using this pivot, leaders changes how the company captures value. Many software products today offer free versions with minimally sufficient functionality. Later, they ask users to pay to unlock greater power. Unfortunately, the free model doesn't capture much value for the business.

Engine of Growth: there are three primary growth engines for a startup: viral (users promoting the product), sticky (customer retention) and paid growth models (advertising). Picking the right model can dramatically affect the speed of growth and profitability. This pivot seeks to change the engine of growth.

Channel: there are many different ways, or channels, to deliver a product to the customers. This pivot asks the business to select a different product delivery channel with greater effectiveness. A channel pivot usually requires unique pricing, feature and\or competitive positioning adjustments.

Technology: sometimes a startup discovers a way to deliver the same solution to the customer by using a completely different technology. Companies make this pivot when new technology can provide superior price and\or performance to improve competitive position.

Ref: https://lookforwardconsulting.com/2016/06/30/ten-types-business-model-pivots-lean-startup