



ONLINE MATERIAL SOURCING

Connecting Suppliers and Buyers



OMS Value Hypothesis:

We believe U.S. industrial businesses will use Online Material Sourcing at least once a week because businesses want to profitably sell and buy industrial material through our API. The customer profile are larger companies that are processing hundreds of quotes and sales.

OMS Growth Hypothesis

We will find our initial customers by offering reduced fees to sellers and cheaper materials to consumers. This is possible by using the cost leadership strategy through Online Material Source's API. Our API creates a low-cost operation within our niche market and thus, by reducing operation costs, will allow OMS to gain an advantage over our competitors. These benefits enable OMS to minimize price levels to attract customers and also incentivize businesses to eventually sell on OMS's marketplace. Due to a high reliance on the API and online marketplace, there will be heavy emphasis on improving the information technology infrastructure to optimize the API's process automation.

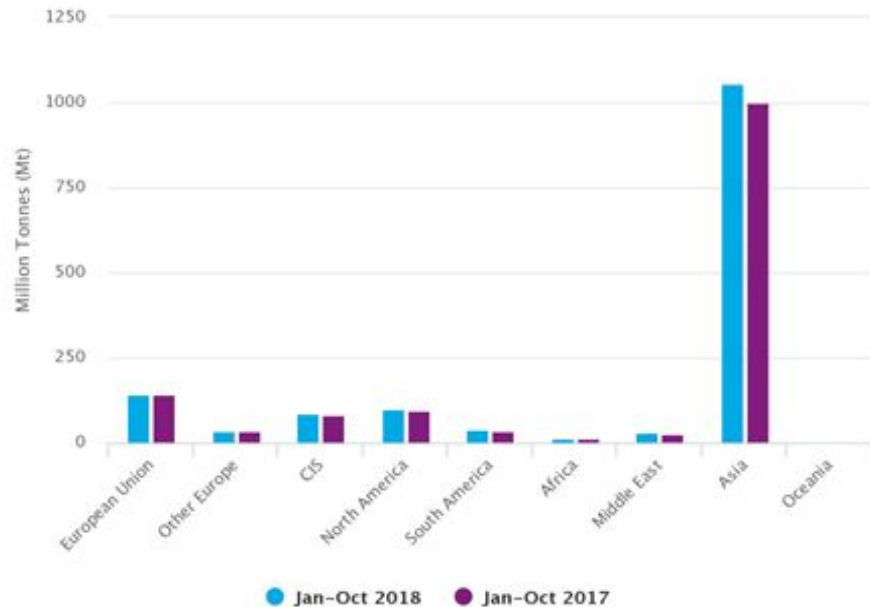
Once the value hypothesis tests true, the company can focus on growth. Growth hypothesis is an assumption of how to incentivize potential customers to use the company's product. Like the value hypothesis, the growth hypothesis must be systematically tested and measured to prove it works.

MVP

The minimal viable product (MVP) is an API that will allow purchasing and selling of only steel industrial materials. During the early stages of the MVP release, we will only allow selling and purchasing of steel because it is the most commonly used metal worldwide.

This is a product that has enough features to satisfy early customers and will provide productive feedback to test our fundamental business hypotheses. As we hit more milestones, we will expand our inventory and develop a centralized marketplace to enter a global market.

World crude steel production per region, Jan-Oct 2018 compared to Jan-Oct 2017



Metrics

The four metrics that we will use for validated learning is acquisition rate, conversion rate, checkout conversion rate, and retention rate.

Acquisition rate is a great way to determine how many potential users are willing to register on our MVP. It also measures the number of businesses that are willing to use the OMS product. The threshold of this metric is reached when comparing this acquisition rate to the conversion rate. Our growth model relies on businesses conducting sales between each other. However, the acquisition rate is a vanity metric when just analyzed by itself. It is important to not look solely on this metric and compare it to many other metrics, such as conversion rate. Measuring conversion rate will show how many visitors become customers. In this case, it will be a visitor who uses the MVP and successfully sells or buys industrial materials. This metric proves that registered users are willing to fully use the main features (selling and purchasing services) of the online marketplace. The threshold for this metric is reached when visitors cannot intuitively navigate through the OMS marketplace or are unable to access it.

Checkout conversion rate will show actual orders to checkouts started. This will test the hypothesis that businesses want a centralized marketplace to sell and buy their industrial material. Shopping cart abandonment happens often on e-commerce websites like OMS. This threshold is reached when shipping costs make the total cost of the purchase more than expected or when users want to get an idea of the total purchase cost of their shopping carts.

Retention rate is the measurement of existing customers who continue to use our product. This metric is the most important to track for consistent growth. Once businesses that buy or sell materials continue to use the MVP, it will help prove our value hypothesis - industrial businesses are selling and buying industrial materials on our centralized online market. However, this threshold is reached when OMS cannot retain these users through successful marketing or sales.

Genchi Gembutsu

What are 3 ways you can “Go and see for yourself” and obtain deep firsthand knowledge about your product/service, your processes, your customers, or your customers’ perception of your product/service? Explain why the knowledge you seek firsthand may improve your business and how?

One of the best ways to obtain deep firsthand knowledge about our product, our users, or our customers’ perception of our product is “follow-me-homes”. This is a process when a product manager or engineer sits with a user to see it from the user’s perspective. This will help identify what is causing issues with users and provide valuable feedback on how they feel about the product.

Another way to obtain first hand knowledge of our MVP is early conversation and visitation with potential customers. These conversations are not to make a sales pitch or discuss what the MVP has the offer, but rather to understand their needs. This will allow us to observe their processes and observe if our product satisfies the customers’ needs. Alternatively, if our MVP does not meet the customers’ requirements, it can give us an opportunity to pivot or make changes so that it does. This will help answer the leap-of-faith question: are industrial businesses willing to use an online marketplace to sell and purchase industrial materials?

The most important way to gain a better understanding of the MVP is a customer support helpline. This helpline can be reached through phone or online chatting. Both of these methods of support will feature a screen share where the customer support technician can remote in to the user’s machine. The customer support technician will help the customer resolve the issue and identify how the issue was caused. The technician will then include the incident in a report to be analyzed so the problem can not be eliminated and not occur in the future.

Innovation Accounting

Explain milestones (should relate to Roadmap presented on website) and criteria/metrics used to measure progress against milestones.

We have two types of milestones, each measured by the number of registered users on our MVP. In order to determine real data on the status of the company, we will need to gather and analyze metrics of the API. Since our MVP establishes a baseline to test our assumptions, metrics will help determine if customers are interested in the product. During the first phase of the MVP release, we will measure acquisition and conversion rate to determine our growth. These metrics will determine if we will either commit more funding and resources into the product, or if not, then pivot.

The second milestone is to obtain a certain number of registered online users for our online marketplace. The online marketplace feature will be a centralized online platform that utilizes our API. This feature will be released much later into the quarter year after the initial release of the MVP. The metrics used to measure growth for this milestone will be checkout conversion and retention rate. These metrics will test the assumption: are customers willing to use our API on a online marketplace? This would be a risky assumption since it requires a lot of resources and finances. Checkout conversion and retention rate are the most suitable metrics to learn about the customers and their reactions to the online feature.

Insights/Innovation

Research adaptations of the Lean Startup and create an expansion/modification the company would like to try in the future. Why and how will the change improve the Lean Startup methodology for your companies benefit?

The Mission Benefit Canvas is an adaptation developed by Alexander Osterwalder and Steve Blank. This model focuses on fulfilling a mission where the metrics for success are not revenue or profit. For example, state and federal governments fit this profile. Governments have a limited budget when an objective needs to be completed. Governments will always have construction projects, such as building new roads, buildings, or other infrastructure. All of these projects will require industrial materials and OMS is a great platform to offer those resources. This adaptation will create an opportunity for OMS by extending our reach of potential customers. Although this adaptation is focused on customers who do need to focus on revenue, OMS can provide them with prices that are competitive to stay within their budget.
