Introduction to Lean Startup

Nigel Spencer

The British Library Business & IP Centre
http://www.bl.uk/business-and-ip-centre

Helping you to make informed decisions about the development of your business

What the webinar will do

- Introduce the concepts behind Lean Startup

- Outline some of the key tools

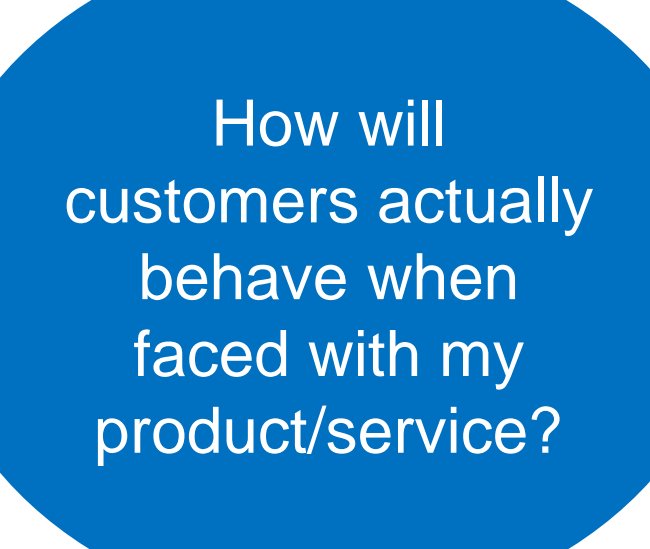- Show you where to find out more information

Where do business ideas come from?

- A problem in search of a solution

- A solution in search of a problem

"As a startup, figure out the problem you are addressing, and the users. Fall in love with the problem not the solution, and the rest will follow."

Waze cofounder Uri Levine.

How will customers actually behave when faced with my product/service?

kNOWledge

Best ways to make sure you do not to get this knowledge

- Trust only your own intuition

- Think that all you need is determination

- Don't test with real people early enough

- Don't put the customer first

What is Lean Startup about

- Testing ideas from the earliest stage

- Collecting evidence based on customer behaviour

- Adapting and developing an idea quickly

- Viewing every lesson learned as valuable

- Making every £ invested count

- Not saying 'I wish I had known that sooner'

'Start-up success is not a consequence of good genes or being in the right place at the right time. Success can be engineered by following the right process. Which means it can be learned. Which means it can be taught.'

Eric Ries.
The Lean Startup
2011

Lean Startup:

- A method for developing products and services

- A set of tools that can be adapted to meet individual preferences and situations

- Applicable to any sector

Start a process of learning and iteration

Expose your product/service to the market as early and as cheaply as possible

Develop a product/service with features that customers actually value

Or

Identify a lack of demand before time and money is wasted

Learning is progress

If my business is to be a success what things need to be true?

Identify a set of assumptions which you can test through talking to potential customers, experimentation and research

Feedback loop

Ideas

Build

Learn

Product

Data

Measure
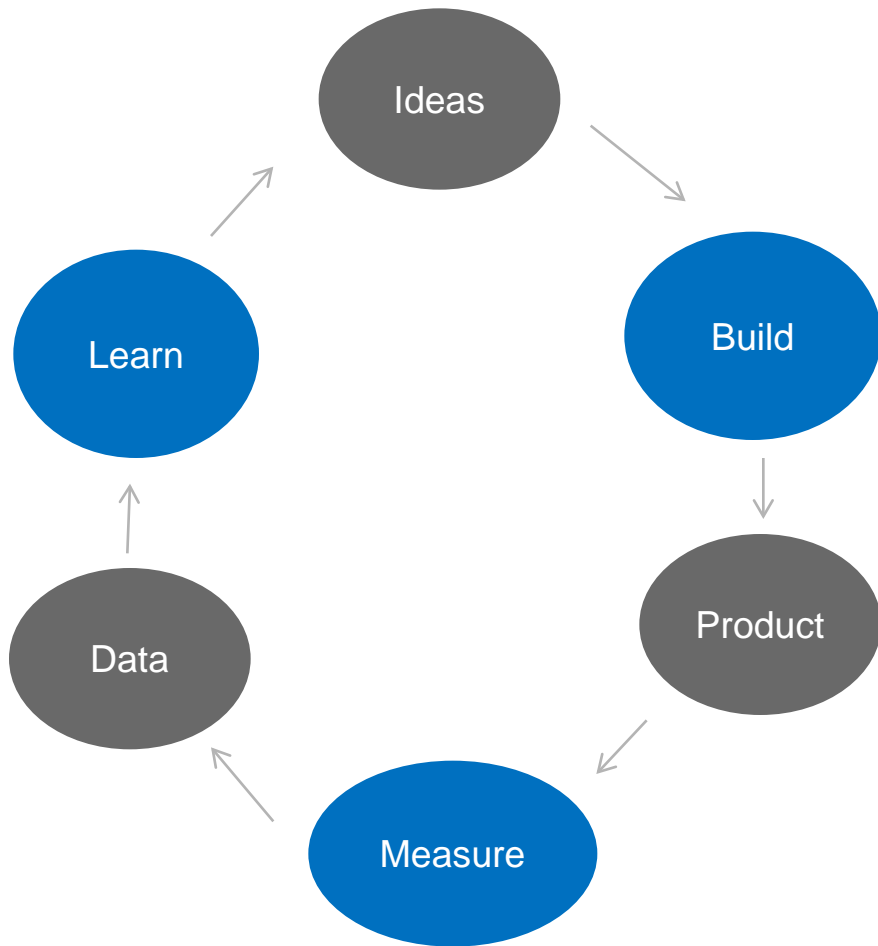
'If there's something I've learned in the past 4 years, it's the power of iteration. Rapidly create, test, change…'

Scott Cook, Founder Intuit

'*Writing is like driving at night in the fog. You can only see as far as the headlights but you can make the whole trip that way*'
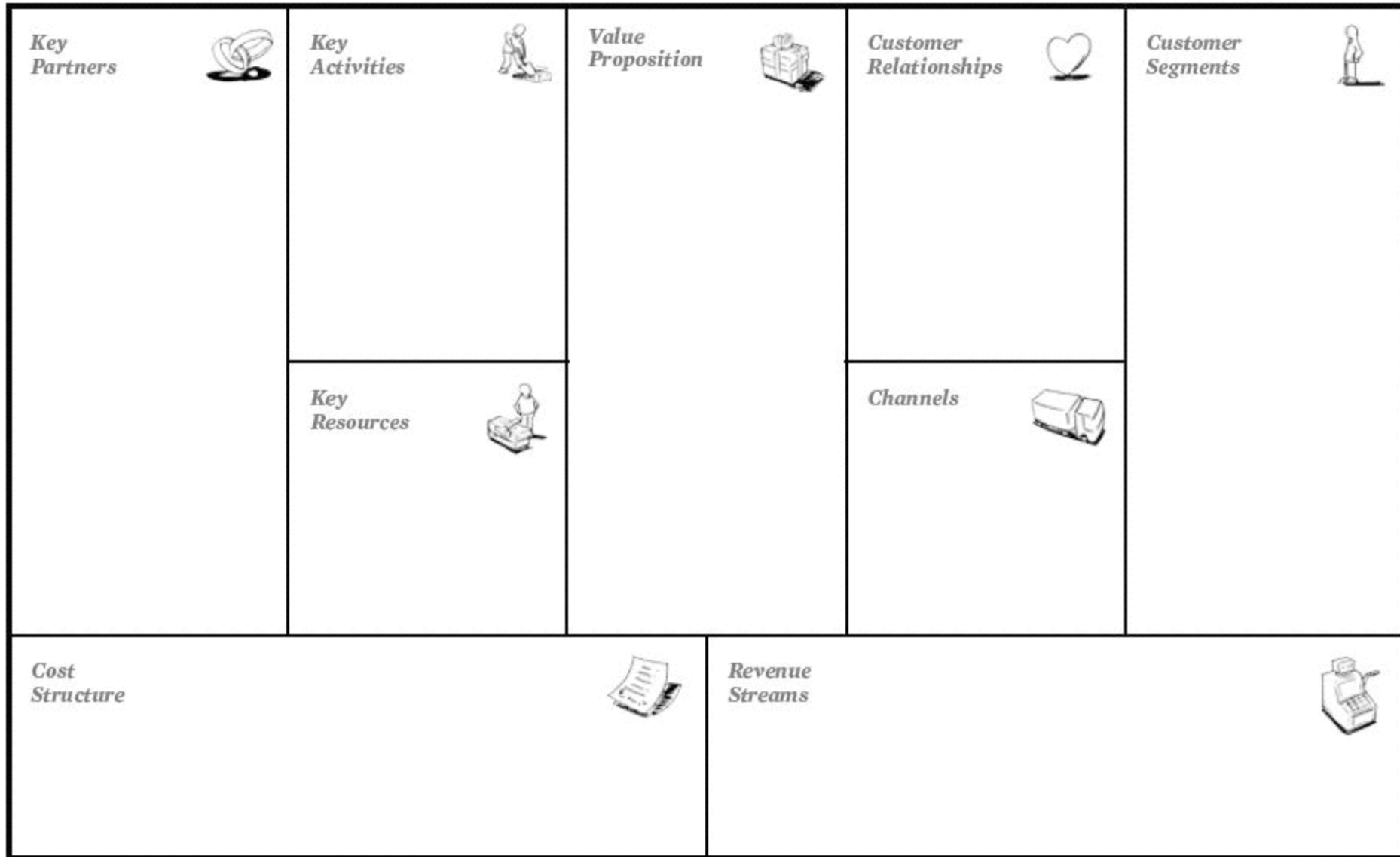
EL Doctorow

3 key tools/methods…there are others

Business Model Canvas

Customer Development

Minimum Viable Product

Business Model Canvas: the big picture

Key Partners	Key Activities	Value Proposition	Customer Relationships	Customer Segments
	Key Resources		**Channels**	

Cost Structure	Revenue Streams

What is a business model?

'*describes the rationale of how an organisation creates, delivers and captures value.*'

Alex Osterwalder

9 building blocks

Customer segments

Value propositions

Channels

Customer relationships

Revenue streams

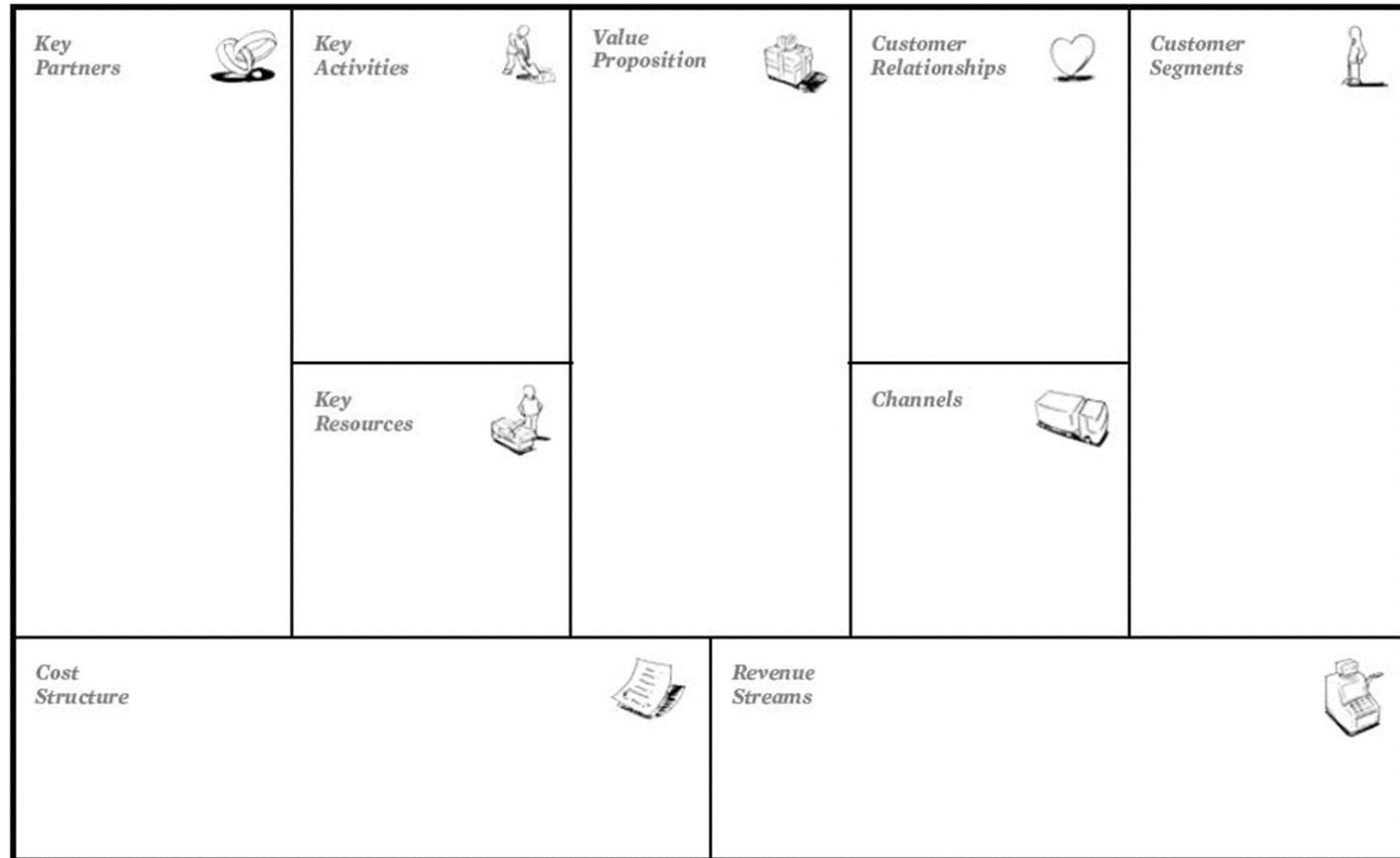Key activities

Key resources
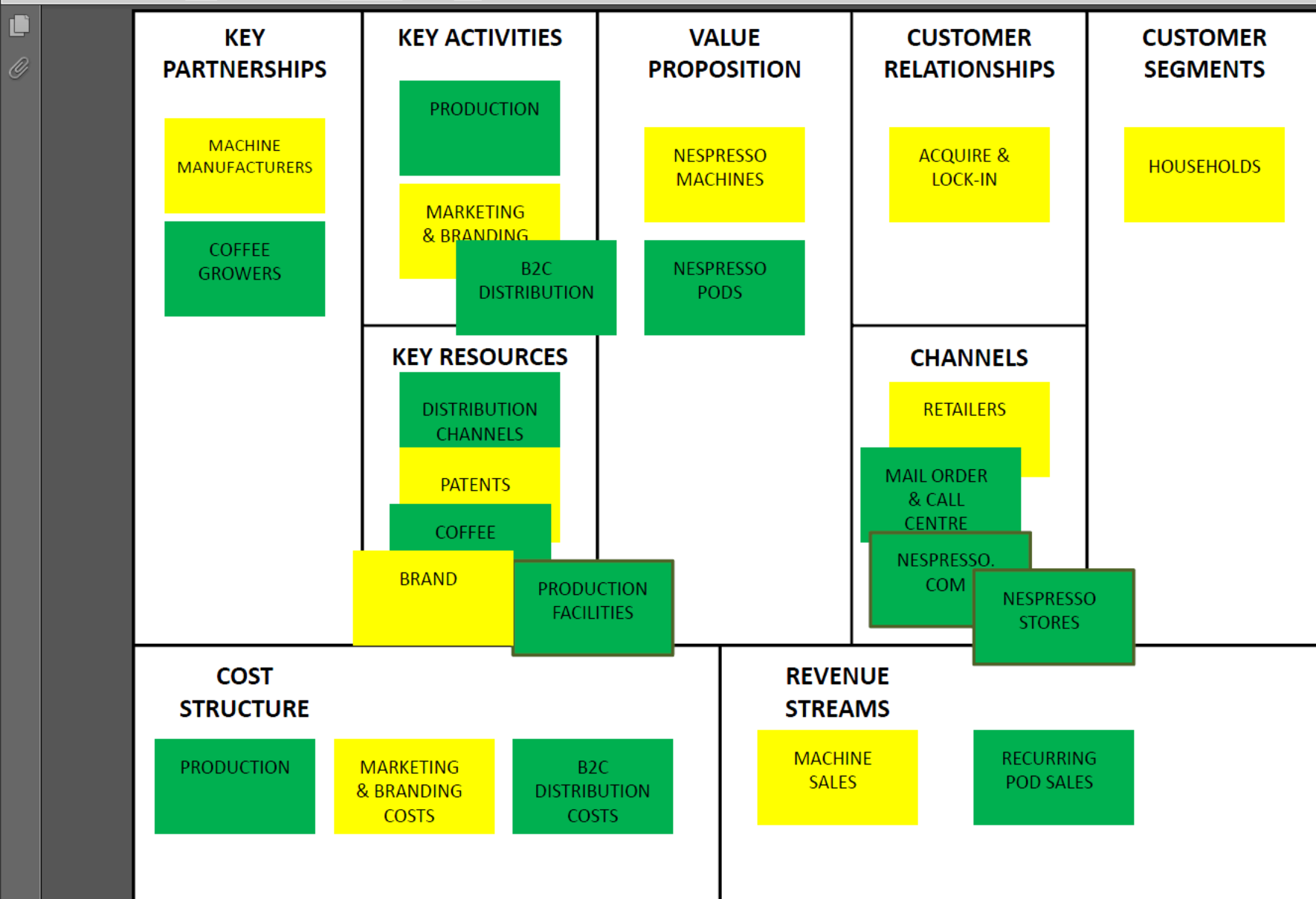
Key partners

Cost structure

Business Model Canvas

Format compels user to keep ideas simple and focussed

Can be used at all development stages from initial idea generation

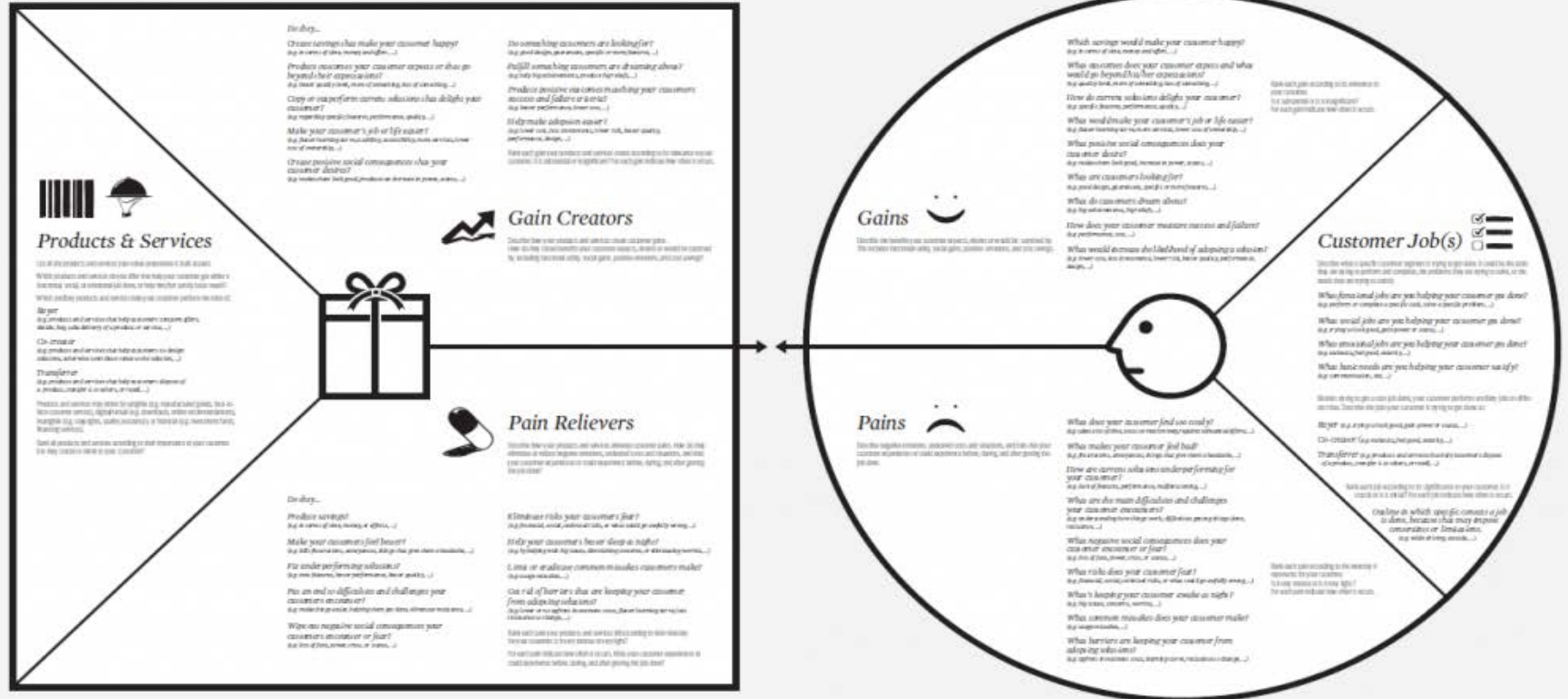A template for developing and documenting new and existing business models

Key Partners	Key Activities	Value Proposition	Customer Relationships	Customer Segments
	Key Resources		Channels	

Cost Structure	Revenue Streams

KEY PARTNERSHIPS	KEY ACTIVITIES	VALUE PROPOSITION	CUSTOMER RELATIONSHIPS	CUSTOMER SEGMENTS
MACHINE MANUFACTURERS	PRODUCTION	NESPRESSO MACHINES	ACQUIRE & LOCK-IN	HOUSEHOLDS
COFFEE GROWERS	MARKETING & BRANDING	NESPRESSO PODS		
	B2C DISTRIBUTION			

KEY RESOURCES

DISTRIBUTION CHANNELS

PATENTS

COFFEE

BRAND

PRODUCTION FACILITIES

CHANNELS

RETAILERS

MAIL ORDER & CALL CENTRE

NESPRESSO.COM

NESPRESSO STORES

COST STRUCTURE

PRODUCTION

MARKETING & BRANDING COSTS

B2C DISTRIBUTION COSTS

REVENUE STREAMS

MACHINE SALES

RECURRING POD SALES

The Value Proposition Canvas

The Value Proposition Canvas

Social Business Model Canvas

Social Innovation Lab

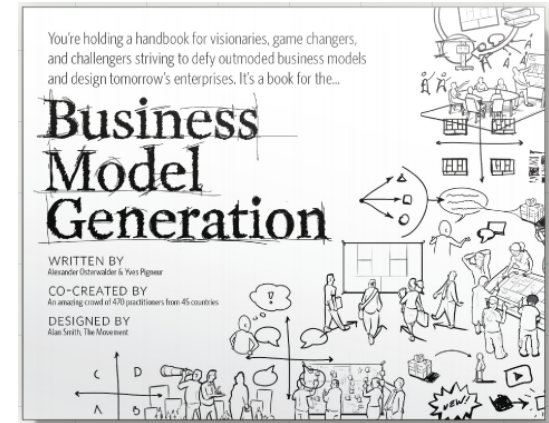| Key Resources	Key Activities	Type of Intervention	Segments	Value Proposition
				Social Value Proposition
				Impact Measures
What resources will you need to run your activities? People, finance, access?		*What is the format of your intervention? Is it a workshop? A service? A product?*	**Beneficiary**	
Partners + Key Stakeholders		**Channels**	Customer	
				How will you show that you are creating social impact?
				Customer Value Proposition
Who are the essential groups you will need to involve to deliver your progamme? Do you need special access or permissions?	*What programme and non-programme activities will your organisation be carrying out?*	*How are you reaching your beneficiaries and customers?*	*Who are the people or organisations who will pay to address this issue?*	*What do your customers want to get out of this initiative?*
Cost Structure		**Surplus**	**Revenue**	
What are your biggest expenditure areas? How do they change as you scale up?		*Where do you plan to invest your profits?*	*Break down your revenue sources by %*	

Inspired by The Business Model Canvas

Lean Canvas by Ash Maurya

Problem	Solution	Unique Value Proposition	Unfair Advantage	Customer Segments
Top 3 problems	Top 3 features	Single, clear, compelling message that states why you are different and worth buying	Can't be easily copied or bought	Target customers
	Key Metric Activity that drives retention/ revenue		**Channels** Path to customers	

Cost Structure	Revenue Streams
Customer Acquisition Costs Distribution Costs Hosting People, etc.	Revenue Model Life Time Value Revenue Gross Margin

Business Model Canvas: Further information

Books

- **Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers.** Alex Osterwalder. (John Wiley & Sons, 2010)

- **Value Proposition Design: How to Create Products and Services Customers Want.** Alex Osterwalder. (John Wiley & Sons, 2014)

- **Running lean: iterate from plan A to a plan that works.** Ash Maurya. (O'Reilly Media; 2 edition, 2012)

Web sources

- http://alexosterwalder.com/

- http://www.businessmodelgeneration.com/toolbox

- **Business Model Canvas Explained. Strategyzer: http://www.youtube.com/watch?v=QoAOzMTLP5s**

- **The Value Proposition Canvas. Strategyzer https://www.youtube.com/watch?v=aN36EcTE54Q**

- **Lean Canvas: Capture your Business Model in 20 Minutes** https://www.youtube.com/watch?v=7o8uYdUaFR4

Customer Development

'Customers do not always know what they want but they can't hide what they need'

Cindy Alvarez

Customer Development

All the existing models focussed on product development: a technical process

9 times more businesses
fail because of lack of customers than technical failure

THE FOUR STEPS TO THE EPIPHANY

Successful Strategies for Products that Win

The book that launched the Lean Startup revolution

Steve Blank

Customer Development

Take your hypotheses and test them with real customers

Does my product solve a genuine pain?

Does anyone care enough to pay for it?

Customer development: 4 stage process

Search for a business model

| Customer Discovery | → | Customer Validation | → | Customer Creation | Company Building |

Are people ready to solve the problem?

Will people commit to my solution?
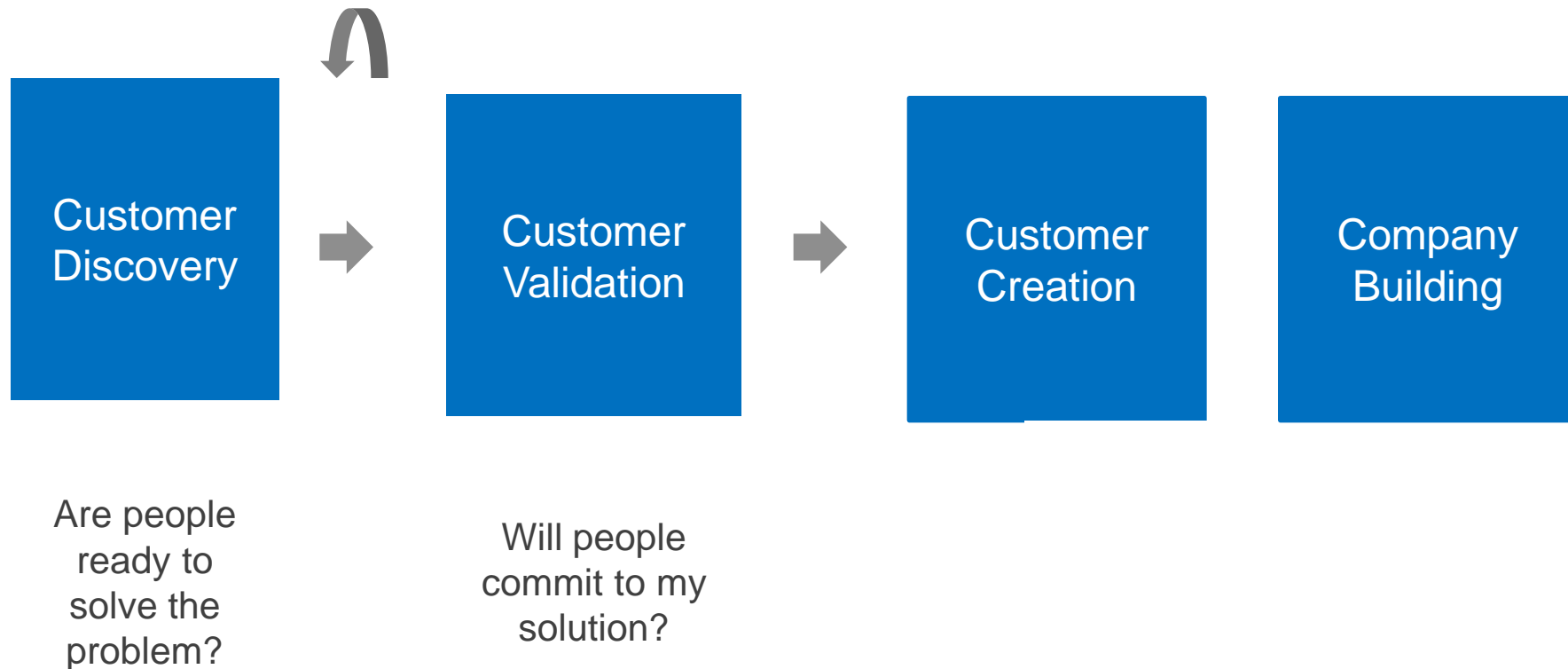
Customer discovery: talking to potential customers about their lives

Find and talk only to people that are in your profile group

Get them to talk about their lives not your ideas

Focus on past behaviour not hypothetical situations

Record precisely the words they use

Don't get someone else to do it for you

Don't treat it like a quiz/survey/date/conversation

Don't talk and forget to listen

Which questions are better?

Would you buy a product that solved this problem?

or

How have you dealt with this problem in the past?

How much would you pay for this product?

or

How much has this problem cost you?

Bad questions

Would you pay £5 per month to stream movies on the web

Does your dog smell bad?

If a cycle hire service was available cheaply, how often would you use it to travel to work?

https://www.youtube.com/watch?v=Cl9vMBFHIf0
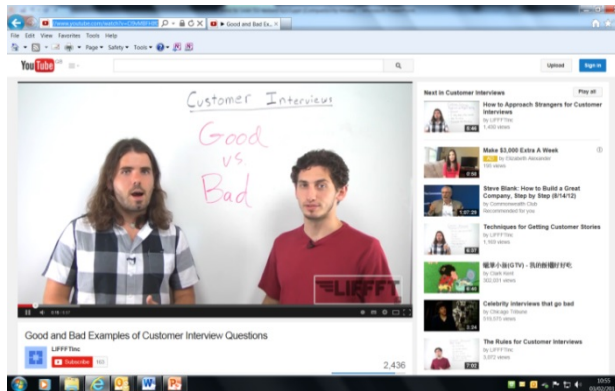
Customer validation: do customers care enough?

Testing whether customers will commit when faced with your product

A trial

Sales of an early version

Pre-order
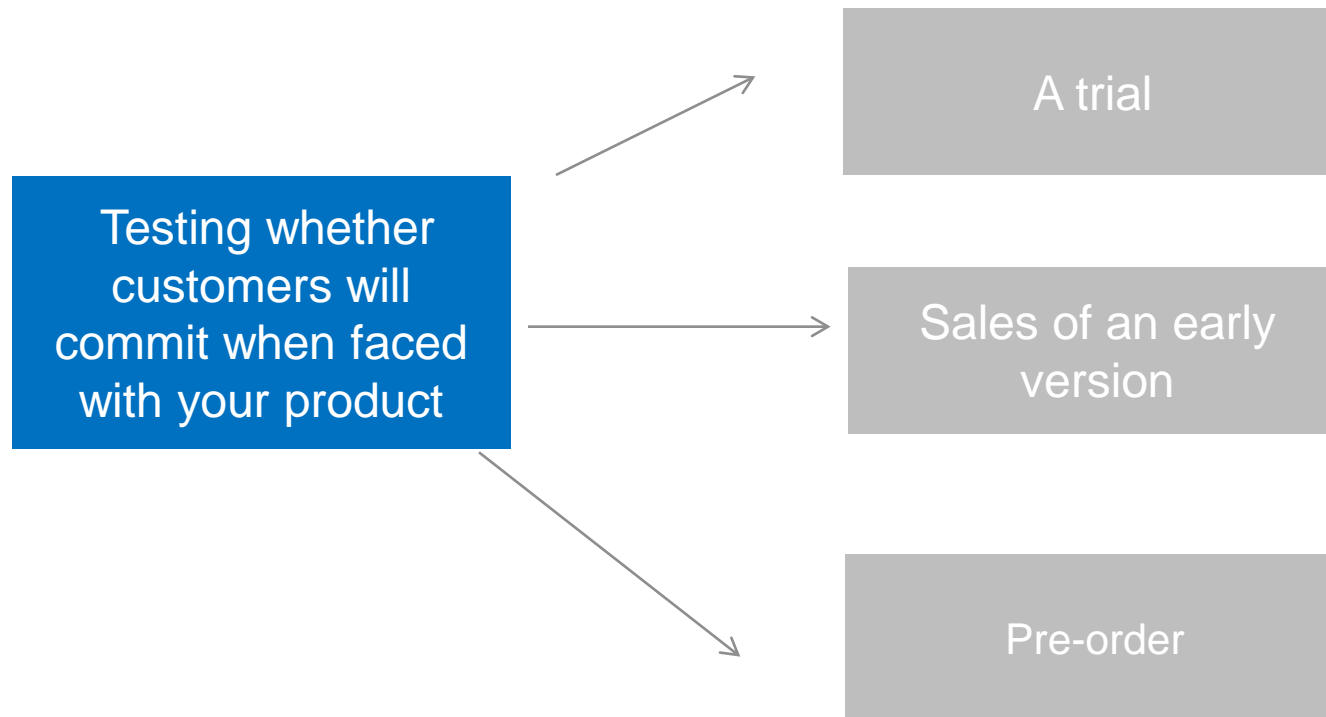
Customer Development: Further information

Books

- **The Four Steps to the Epiphany.** Steve Blank. (K&S Ranch 2013)

- **The Mom Test: How to talk to customers & learn if your business is a good idea when everyone is lying to you.** (Founder Centric 2013)

- **Lean customer development : building products your customers will buy.** Cindy Alvarez. (O'Reilly, June 2014).
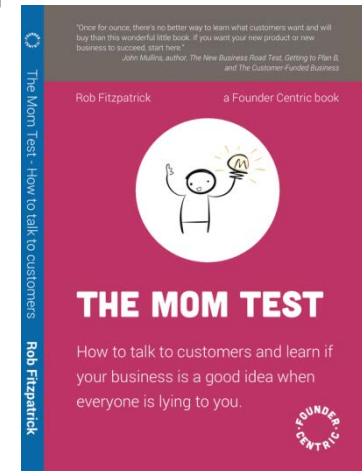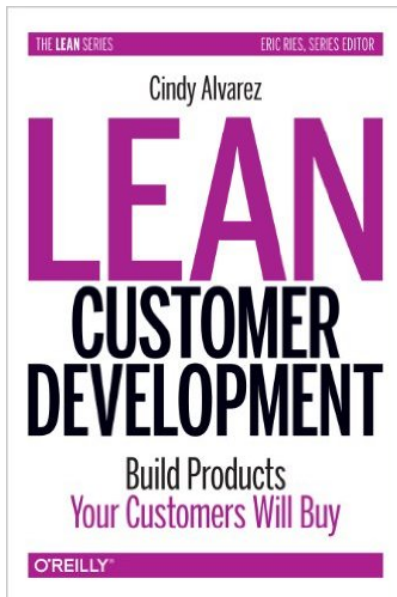
Web sources

- **Steve Blank**. http://steveblank.com/
- **Steve Blank, Customer Development in 54 Hours Parts 1-4. 2012: http://vimeo.com/37359240,** http://vimeo.com/37366932, http://vimeo.com/37365328, http://vimeo.com/37366033
- **Steve Blank, How to Build a Great Company Step by Step, 2012**: http://www.youtube.com/watch?v=1RTcXwJuCaU
- **Rob Fitzpatrick, Getting Customer Development Right:** http://www.youtube.com/watch?v=w4L0ZU7hMH4
- LIFFTInc: https://www.youtube.com/watch?v=CI9vMBFHIf0

Minimum Viable Product = an experiment

A product with the minimum set of features that will enable you to get positive or negative responses from early adopters

Validated learning based on customer behaviour backed up by data

The version of a new product which allows a team to test their riskiest assumption with the least effort

The Loop
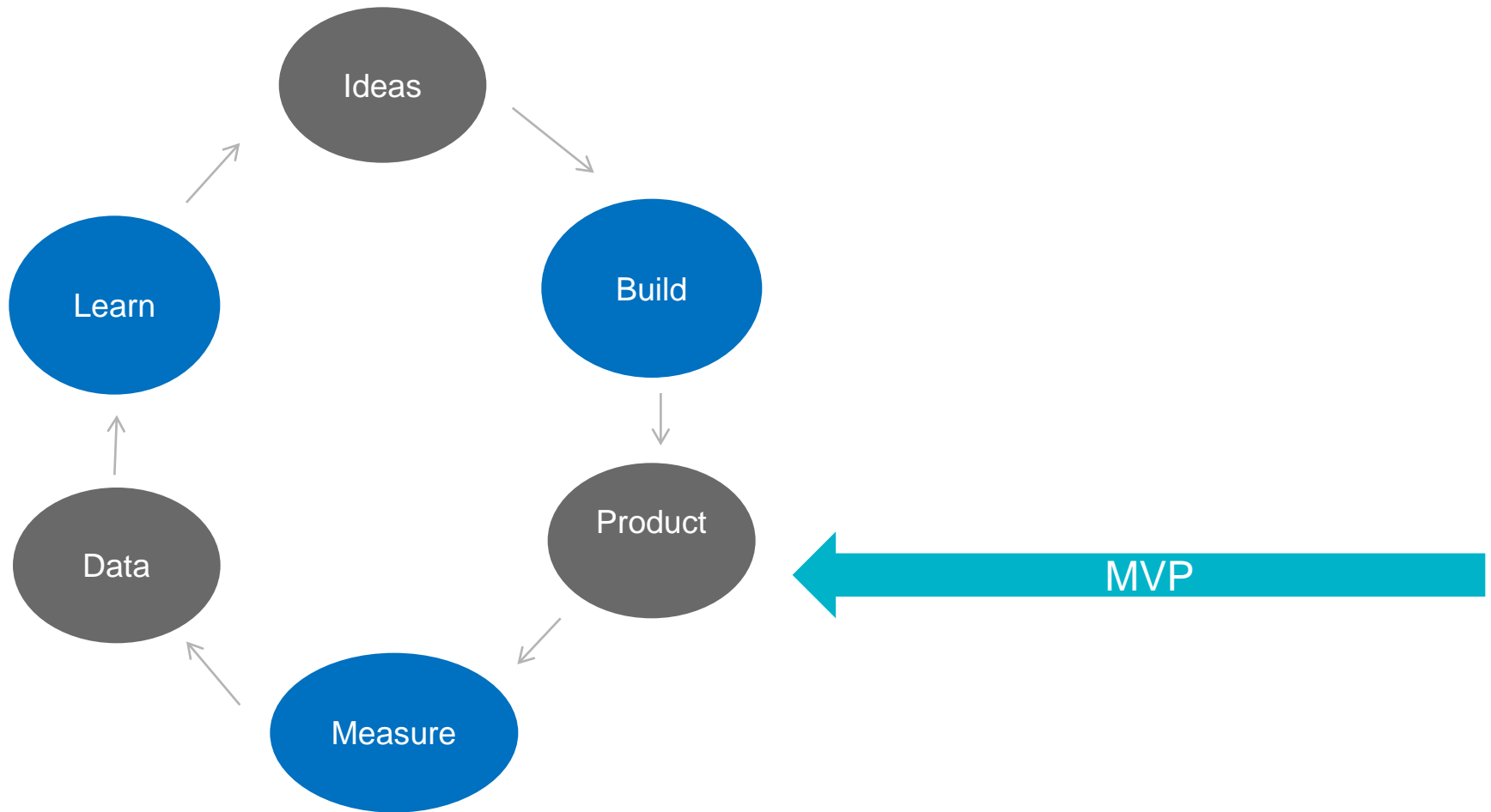
Types of MVP: an explainer video

Dropbox
All your photos, videos, and docs anywhere

Types of MVP: a landing page
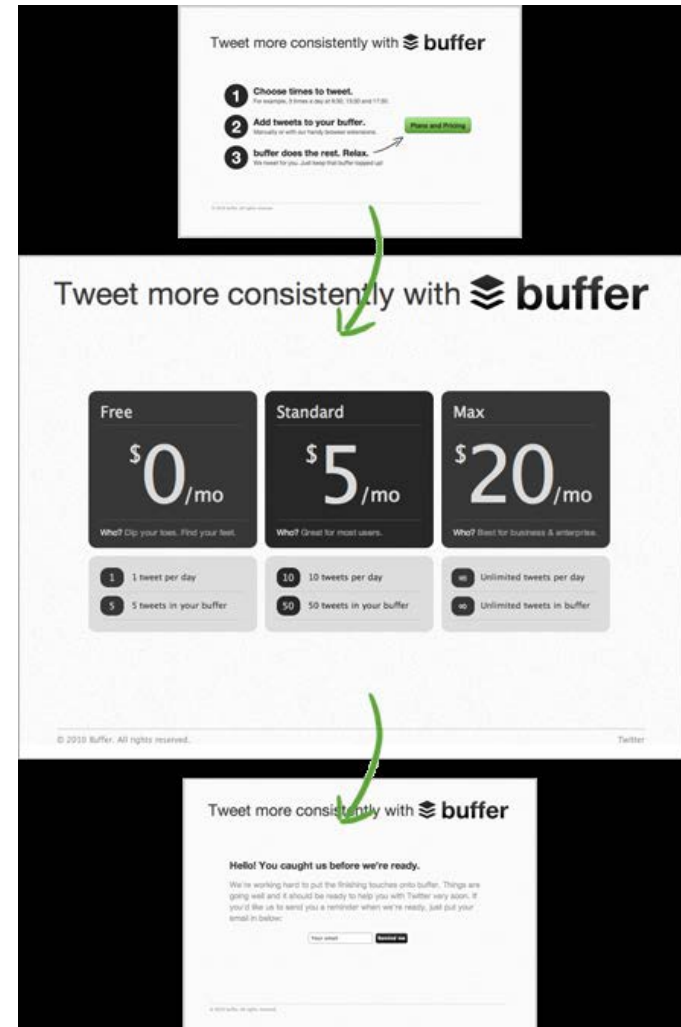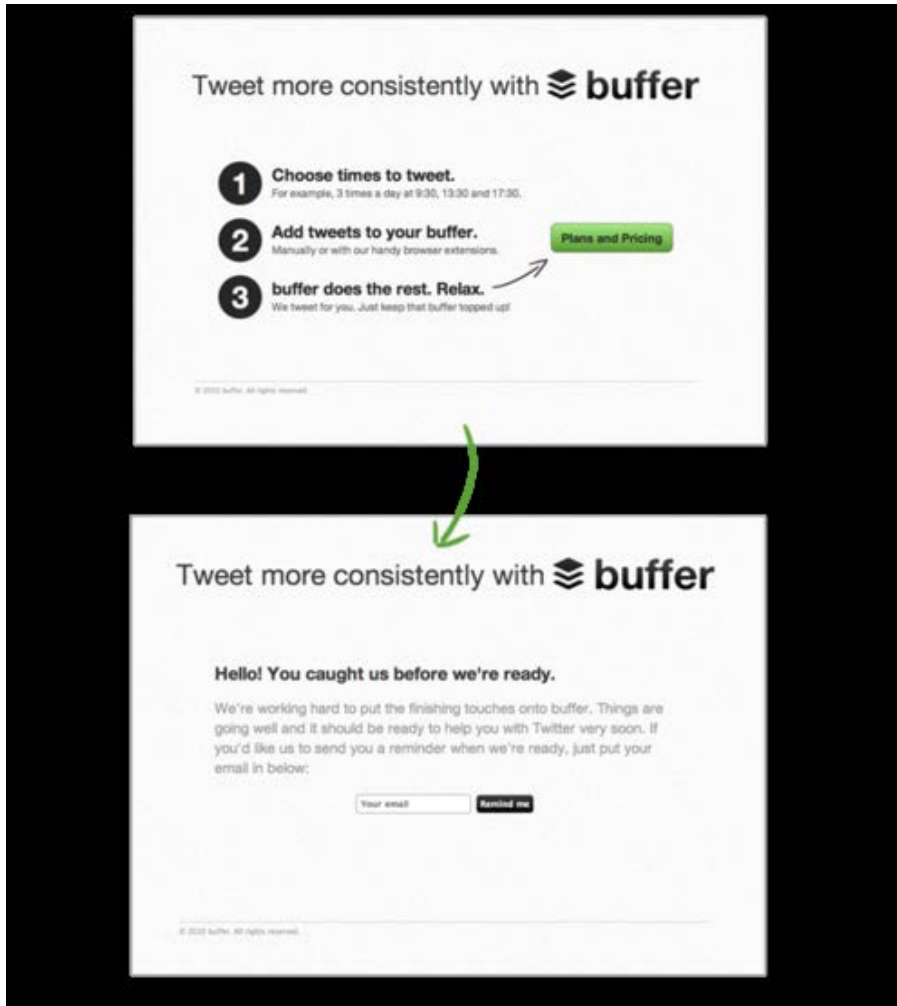
Types of MVP: crowdfunding

Pebble: E-Paper Watch for iPhone and Android
by Pebble Technology

Home   Updates 52   Backers 68,929   Comments 15,607   📍 Palo Alto, CA   🏷 Product Desi

Funded! This project was successfully funded on May 18, 2012.

68,929
backers

$10,266,845
pledged of $100,000 goal

0
seconds to go

Project by
Pebble Technology
Palo Alto, CA
Contact me

K First created · 51 backed

f Eric Migicovsky 844 friends

Types of MVP: Wizard of Oz

Types of MVP: Concierge

Types of MVP: Concierge

Lean Startup: Further information
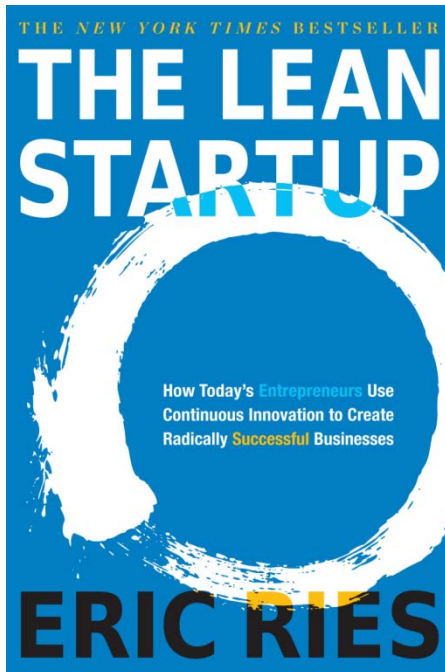
Books
- **The Lean Start-up: how today's entrepreneurs use continuous innovation to create radically successful businesses / Eric Ries**.(Crown Business, 2011).
- **Lean analytics: use data to build a better startup faster / Alistair Croll, Benjamin Yoskovitz.** (O'Reilly, 2013)
- **The new business road test: what entrepreneurs and executives should do before writing a business plan / John W. Mullins**. (Financial Times Prentice Hall, 2010)

Web sources

- **The Lean Start-Up**: http://theleanstartup.com/
- **The Lean Startup Circle**: http://www.leanstartupcircle.com/
- **Lean Startup Machine:** http://www.youtube.com/user/LeanStartup/videos
- **Eric Ries, The Lean Startup. 2009:** http://vimeo.com/7849753
- **Minimum Viable Product, Eric Ries, 2009: http://www.youtube.com/watch?v=E4ex0fejo8w**
- **Replacing Requirements with Hypotheses, Josh Seiden. 2012: http://vimeo.com/38132933**
- **Videos from Leanconf 2014, Manchester: http://goo.gl/EoVW2M**

Some final words from Eric Ries

'Lean thinking defines value as providing benefit to the customer; anything else is waste'

'Learning is the essential unit of progress for startups'

'If you don't know what you're testing, all the results in the world will tell you nothing.'

'The goal of every startup experiment is to discover how to build a sustainable business around the vision'

Erasmus for Young Entrepreneurs

Work with an entrepreneur from another European country

If you are a new or aspiring entrepreneur that wants to experience working in another country or an experienced business owner who would like bring new experiences, skills and perspectives to your business then this programme is for you.
It is funded by the European Union and organises and manages cross-border entrepreneur exchanges of 1-6 months.

Find out more and apply: http://www.erasmus-entrepreneurs.eu/
Any questions: research@bl.uk

"Having an insight into the day-to-day activities of more experienced entrepreneurs is a true eye-opener"

"We got on so well with the new entrepreneur that we are now partners with her company in Madrid"

Thanks!

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