

Introduction to Lean Startup

Nigel Spencer





HSI1I'N

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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?





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



Identify a lack of demand before time and money is wasted



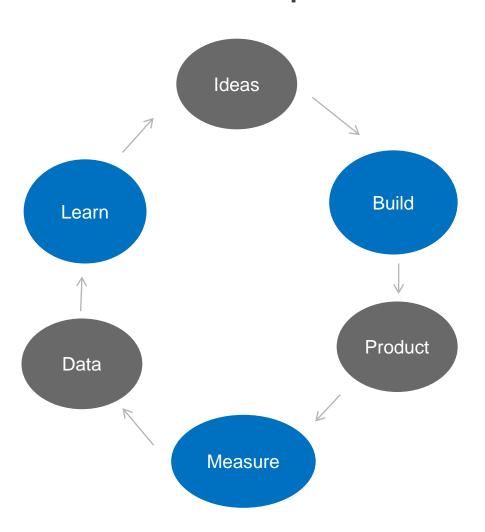
Learning is progress

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



'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



Telephone in the contract of t				<u> </u>		i i de la companione de	
Key Partners	Key Activities	Value Proposition		Customer Relationships	Q	Customer Segments	
	Key	A		Channels			
	Resources						
Cost Structure	, , , , , , , , , , , , , , , , , , ,		Revenue Streams		Ho. Bo. Bo. Barre		

What is a business model?

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

Alex Osterwalder



Customer segments

Value propositions

Channels

Customer relationships

Revenue streams

Key activities

Key resources

Key partners

Cost structure



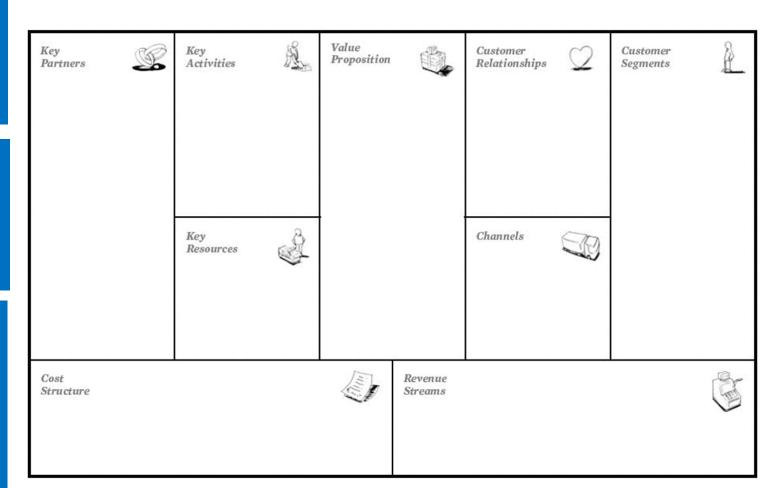
Business Model Canvas



Format compels user to keep ideas simple and focussed

Can be used at all development stages from initial idea generation

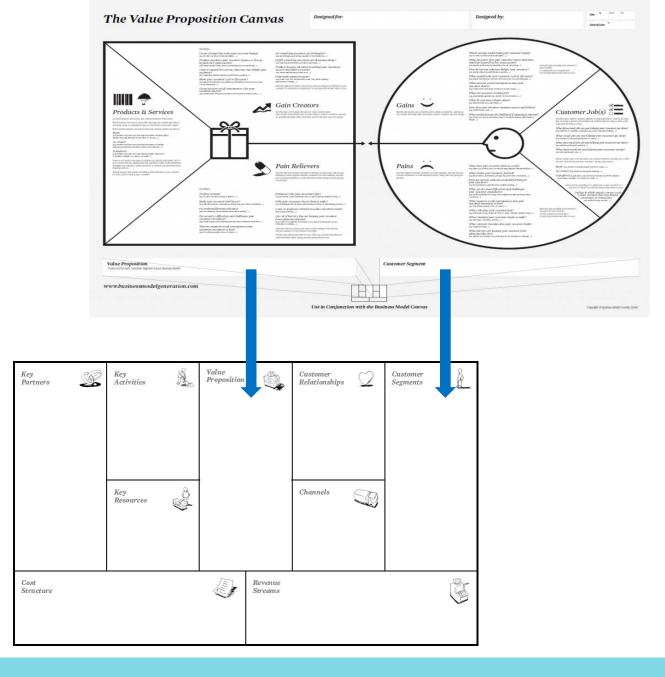
A template for developing and documenting new and existing business models





The Value Proposition Canvas Designed for: Designed by: Deration: To complify amones are looking fast by politicity participe, per man, people or more being. Which scrings would make your common hopey? by it was also not a might...! Produce operation year constitute expense or that go Pullil smaking common as draming about a spraying edition. Who asserted door yetr consider aspect and what would be beyond his her aspectations? By auto both was protecting to a principal. Spall such primer contrapt of the enterer to Product projety region is mainly new country How do current solutions delight year concern or Copy or traperform communitations that delight year classes of T By married production and policy of Helpmale adoption easier? agreement reconstruction not her game. Who would make your consenses yet or life consent Male year souther's pill or life ejelent. As New Yorky an excelling according to the control of What positive social consequences alon your (Prope positive social consequences sharpout countries dealers): 19 milester half-poliphilation describes your con-Who are commercially be a feet What do consimers drawn about to be for extremely appropriate. Gain Creators Gains \smile How does your excessor measure nations and follows: Customer Job(s) Products & Services Durfor be your plotted and service coupling year. The durfor contracts your common ones, which is well to come by an object or contract of the part, partie of the purpose of the purpose. Who would increase the Litel hand of subsprings outcome from more, service an extremental lab from, to belong the chart specify becomes Who fine and observe he habits your common on done? by referr a continue professional site specific profession. With bother posters, and we to come you combine perhaps the state of What would job are you helping your consenses you done? Mu moutaljob arryschlingyer auswerps ånet What have needs are yet helying year economer satisfy? Dumiere Approduce and armine that hip is a man disposed a product, margin is mainly, amount...) Scott, gridging a complicate, your cover policy and by law of bu-monta. Secreta in paryon covered to gridging a law or Pain Relievers Pains _ BOST our experience product present room...) Di-DEBRY (symbols/regres assist...) Who make year covered fed built by transcon, engage, try our per ner our course accessors that access with damping of the purity for their growing pre-ple to other, evenil, ...) Time are current with smill underparter may for your case must in the smill make independent of the smill make and the smill ma What are the main difficulties and challenges year constraint constraints? As not a miniple with growth difficulties prompting time. Produce scrings? As it sensiglies, may a obtain of Kilmbran risks year conveners (for ? constraints or limited into Make your accomers fire! become to be consistent in a 20 feet and a consistent in a consistent Helicyner assumers bever deep a night? Who require world introgrames due year cas on a recurrent or feat? symmetric, met. no. x sees. 3 Lina et eralicae communicales casemer male? What rails done your comment four! Pic an order difficulties and draft ages year. Card of lorses that are keptay your coverier. What I keping year assumer could as high? contains motion of agrains a print of agrains a print of the state of from adapting softe time? (by lower a new aging to increase consultate increase are aging to increase consultate increase and increase and increase are aging to increase and Who comme repodes don you accome make Wire no regains used consequence year THE WOLDS OF PERSONS WE WITH THE WINDS OF THE WORK. coveriors involves or fear? What harsters are largeing your construer from by other evalues one, bankpore, resident charge. make the reference before 1 to the and 1 that anomaly the 100 desire Customer Segment Value Proposition Create one for each Customer Segment tryour Business Model www.businessmodelgeneration.com Use in Conjunction with the Business Model Canvas Drawight of Numbers Model Foundly Contri-







Social Business Model Canvas



Key Activities	Time of Intermedian		
-	Type of Intervention	Segments	Value Proposition
			Social Value Proposition
	What is the format of your intervention? Is it a workshop? A service? A product?	Beneficiary	impact reasures
	Channels	Customer	How will you show that you are creating social impact?
			Customer Value Proposition
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?
	Surplus	Revenue	
	Where do you plan to injust your profer?	Break dawn your revenue sourcer hy 6'	
	activities will your organisation be carrying	What programme and non-programme activities will your organisation be carrying out? How are you reaching your beneficiaries and customers?	What programme and non-programme activities will your organisation be carrying out? Who are the people or organisations who will pay to address this issue? Surplus Revenue

Inspired by The Business Model Canvas

Lean Canvas by Ash Maurya

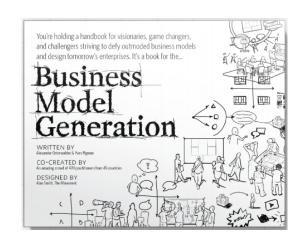
Problem Top 3 problems	Solution Top 3 features Key Metric Activity that drives retention/revenue	Unique Value Proposition Single, clear, compelling message that states why you are different and worth buying		Unfair Advantage Can't be easily copied or bought Channels Path to customers	Customer Segments Target customers
Cost Structure Customer Acquisition Costs Distribution Costs Hosting People, etc.			Revenue Streams 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=708uYdUaFR4



Customer Development

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

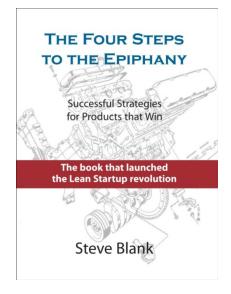
Cindy Alvarez



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





Customer Development

Does my product solve a genuine pain?

Take your hypotheses and test them with real customers



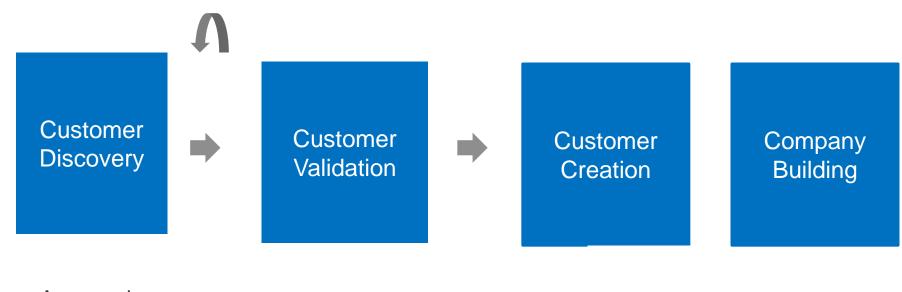


Does anyone care enough to pay for it?



Customer development: 4 stage process

Search for a business model



Are people ready to solve the problem?

Will people commit to my solution?

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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

Does your dog smell bad?

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

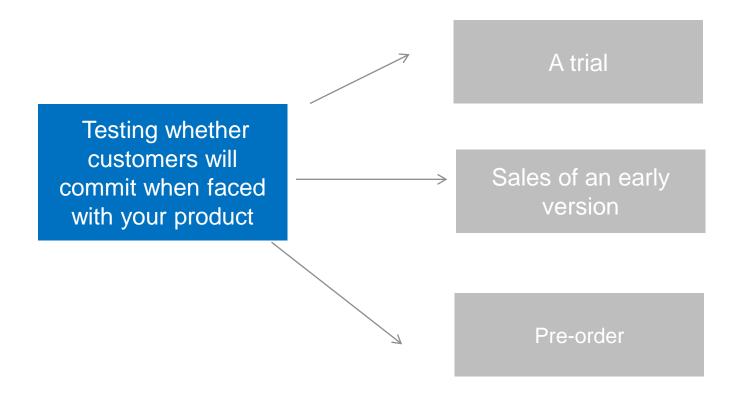
The fact was features from length of the control of

https://www.youtube.com/watch?v=CI9vMBFHIf0

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

Customer validation: do customers care enough?



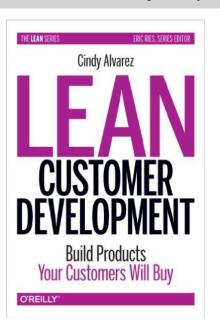


THE MOM TEST

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/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=Cl9vMBFHlf0



Minimum Viable Product = an experiment

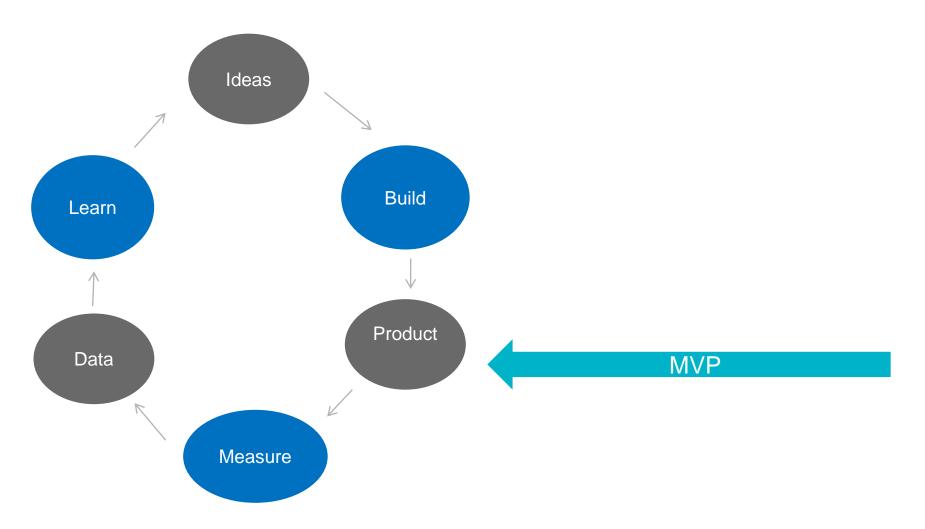
A product with the minimum set of features that will enable you to get positive or negative responses from early adopters

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



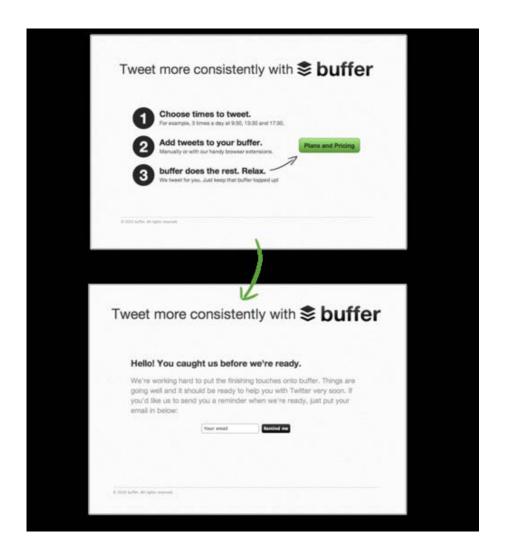
Types of MVP: an explainer video

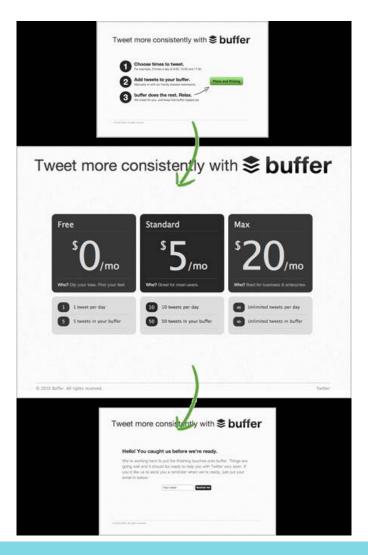




Types of MVP: a landing page





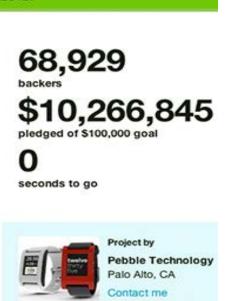




Types of MVP: crowdfunding



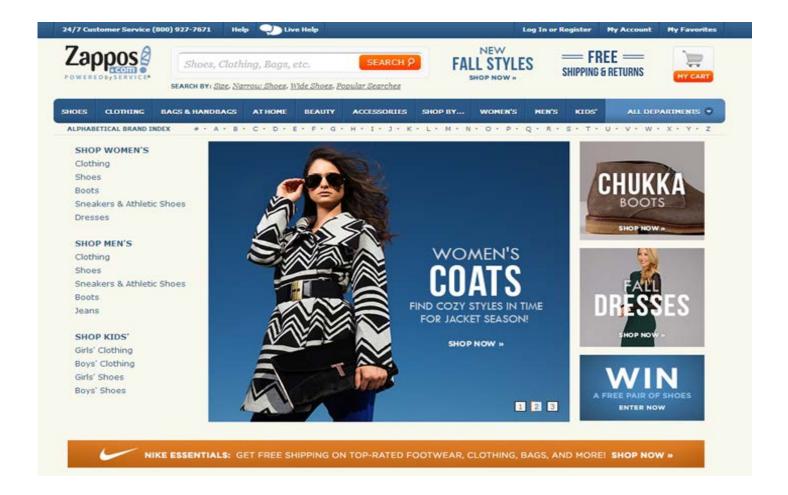








Types of MVP: Wizard of Oz



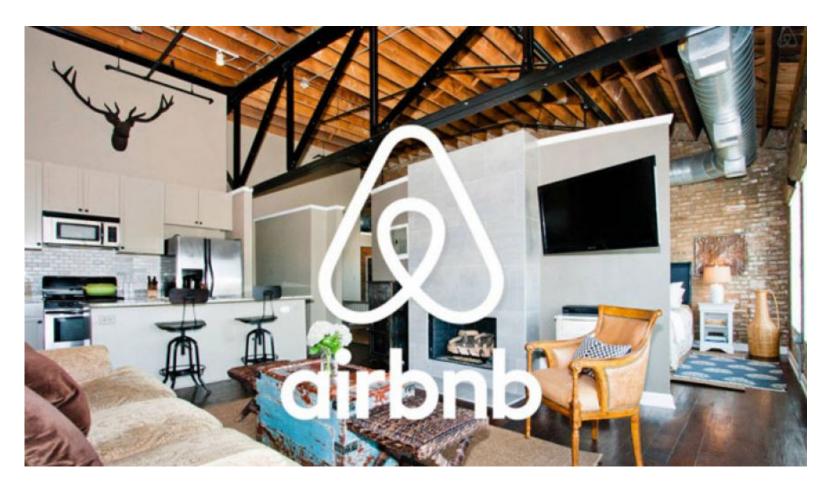


Types of MVP: Concierge



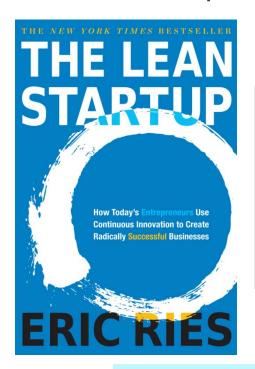


Types of MVP: Concierge



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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"

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Thanks!

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