

Short summary # 11: Lean Startup

Know what the customer wants, design the product, make a minimum viable product, get it validated by users, get actionable feedback, refine the design accordingly, repeat the process until you have a product-market-fit, go to market.



ERIC RIES

Author of the book
The Lean Startup: How
Today's Entrepreneurs Use
Continuous Innovation to
Create Radically Successful
Businesses

Lean startup is a confluence of many management wisdoms. It combines lean product development, lean manufacturing, agile process, radical innovation, minimum viable prototype, validated learning, superior value proposition, charging early and 'fail early, fail often but fail forward' concepts in one.

"Startup success can be engineered by following the process, which means it can be learned, which means it can be taught." - Eric Ries

- *Validated learning: Build-Measure-Learn feedback loop steps in product development to quickly learn what customers want to buy.*
- *Validate your hypothesis. If*
- *Eliminate waste. It is a waste to spend money, time, and talent on adding something that customers do not care about. Eliminate such waste. Build what the customers want and not what you can make the best or do not try to add features that customers are not interested in.*
- *Design and make a minimum viable prototype/product (MVP) as early as possible and get your idea validated through the MVP.*
- Focus on metrics that helps to take actions and not metrics that looks nice but does not help make actionable strategies. Such metrics are called vanity metrics as it is not of any real value. It gives false notion. Stay away from such data.
- Use 'split-testing' to avoid wasting years of your life building a product nobody wants.
- Grow your startup through viral spread, paid advertising or repeat customers
- Pivot to a new business strategy when your actionable metrics stop improving

Ten key lessons you'll learn:

During early phase of the business	1. Identify customer pain and find out what customers want as soon as possible
	2. Ideate an appropriate "Minimum Viable Product (MVP)" that demonstrates your key value proposition.
	3. Get the MVP evaluated by actual users/customers, get their feedback. Refine the MVP based on feedback, add new features, go back to customers and repeat this process of validated learning until the customers are satisfied with the product.
	4. Customer discovery: In case the target customers do not want your product though you are absolutely sure of a superior value proposition, explore other market segments. Many companies became successful in this process.
	5. In case another market segment is not visible, pivot either by partially changing the product or try a new product.
	6. Charge early. Having a paying customer is a validation of product-market-fit and any cash flow during early phase go a long way.
Start of commercial operation	7. Reduce waste and keep eliminating features, components, and everything else, presence and absence of which makes no difference to customers.
	8. Ensure infrastructure, manpower, fund administrative preparedness to handle growth.
	9. Try using viral contents for reaching out to large number of potential customers.
	10. Focus on metrics that are actionable and related to real business growth. Reach out to customer through viral media, collect information to know how to attract and retain repeat customers.

Here it is placed in a slightly different way

Create an idea

Formulate hypothesis

Create a minimum viable product

These steps ensure FAST movement at the beginning

-----Go to market and invest---

Learn, adjust, finetune or redefine idea and hypothesis

Test the MVP and validate hypothesis

These steps ensure FAST go-to-market

-----Optimize your growth engine----

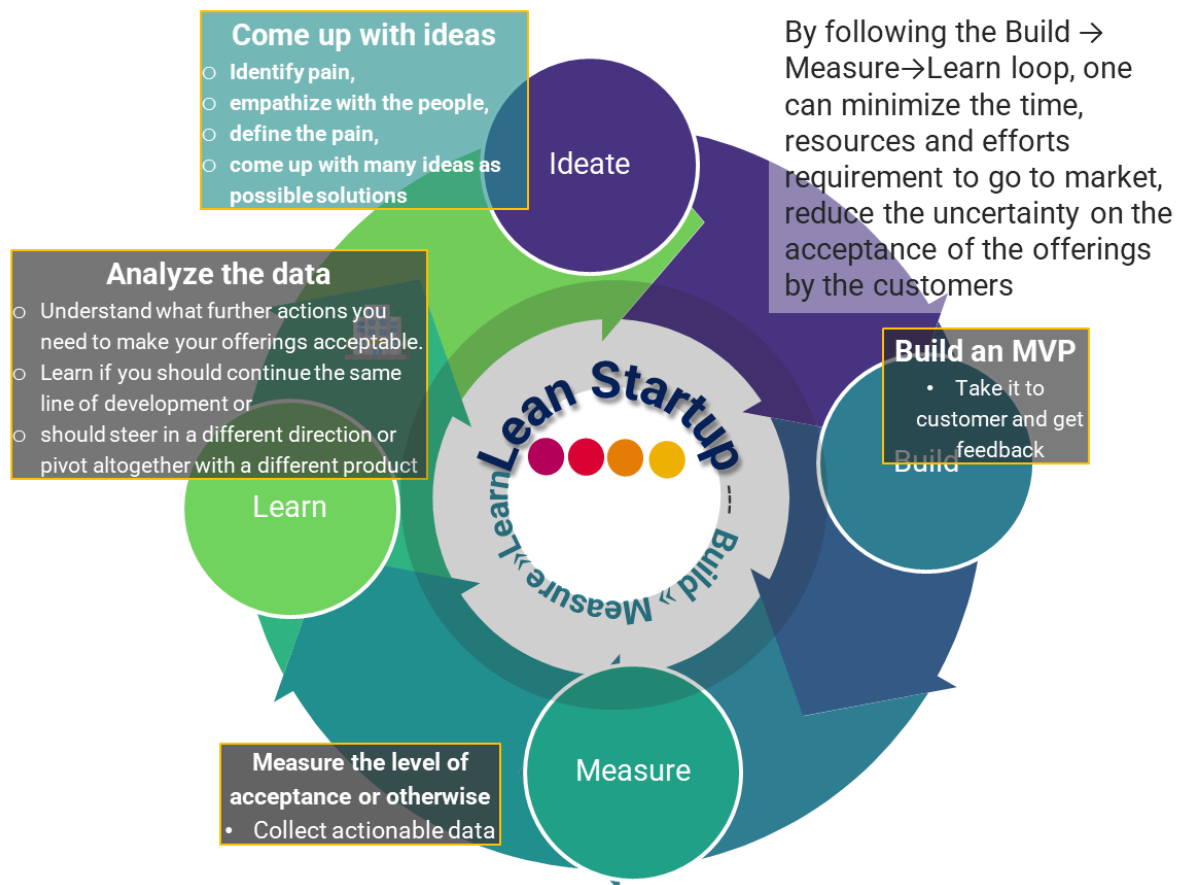
Word of mouth – repeat purchase

Advertise

Manage your sales funnel – Acquisition, activation, retention, revenue, referral

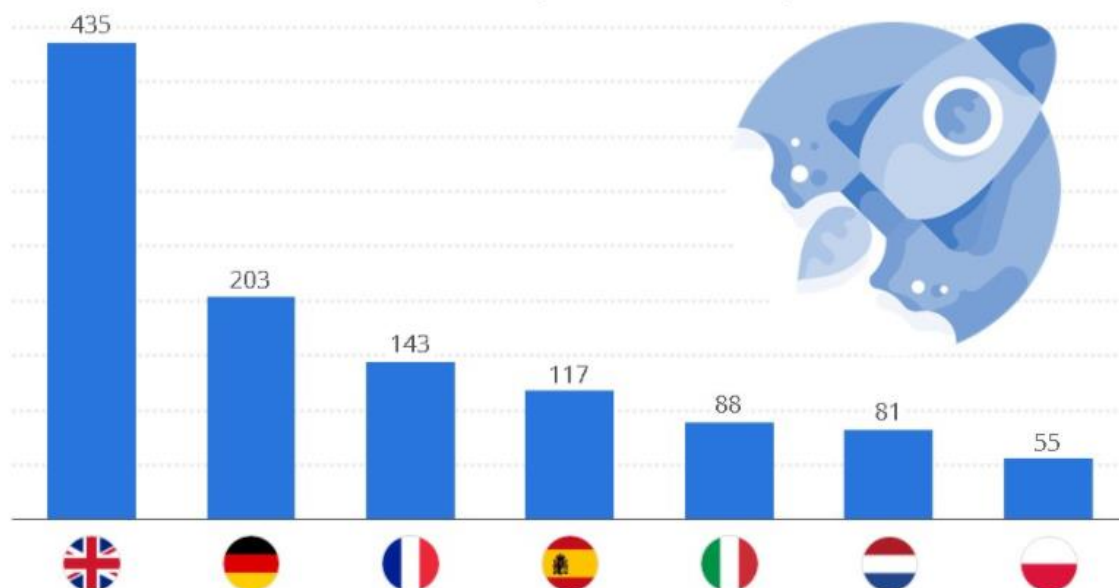
These steps ensure FAST growth

The Lean Startup is a scientific approach to manage a startup that ensures a match between what customers want and what the startup produces. Following this approach, the founders can drive a venture in the right direction, at right speed, can navigate through the journey of labyrinth and emerge victorious in its quest to build a sustainable business.



European eCommerce and retail start-up scene – most active in the UK

Number of eCommerce and retail start-ups in selected European countries in 2021



Note: Europe as of December 2021. Data reflects the number of start-ups registered on the source's Global Startup Ecosystem Map. Figures should be interpreted as a sample, as they may exclude start-ups recently founded. Sources: StartupBlink



The start-up industry in the field of eCommerce and retail seems especially vibrant in the UK, according to StartupBlink data¹ from December 2021. With a total of 435 new businesses founded in the retail sector in 2021, the UK registered more than twice as many start-ups as economically strong Germany. France and Spain were home to 143 and 117 new eCommerce and retail businesses in 2021, respectively. With 88 and 81 new eCommerce and retail start-ups in 2021, respectively, Italy and the Netherlands registered comparable developments. But also Eastern European economies did not stand still in the retail field. Poland, for example, saw 55 eCommerce and retail start-up foundations in 2021.