# build => measure => learn

- rapid-fire introduction
- slides-online: http://weswinham.com/preso/indyl build-measure-learn also: pdf source on github

#### hello

- Wes Winham, software engineering background
- Director of Product Development, PolicyStat
- PolicyStat: SaaS and sold to hospitals

# what is the BML loop?

core of Lean Startup

tool to (in)validate hypothesis

scientific method for businesses

# why?

building things nobody cares about

**SUCKS** 

the ultimate waste

#### we are not omniscient

we're bad at prediction

anyone who says otherwise is selling something

startups are fundamentally uncertain (by definition)

# give up?

business plans don't survive customer contact

"be a no-planning cowboy!?"

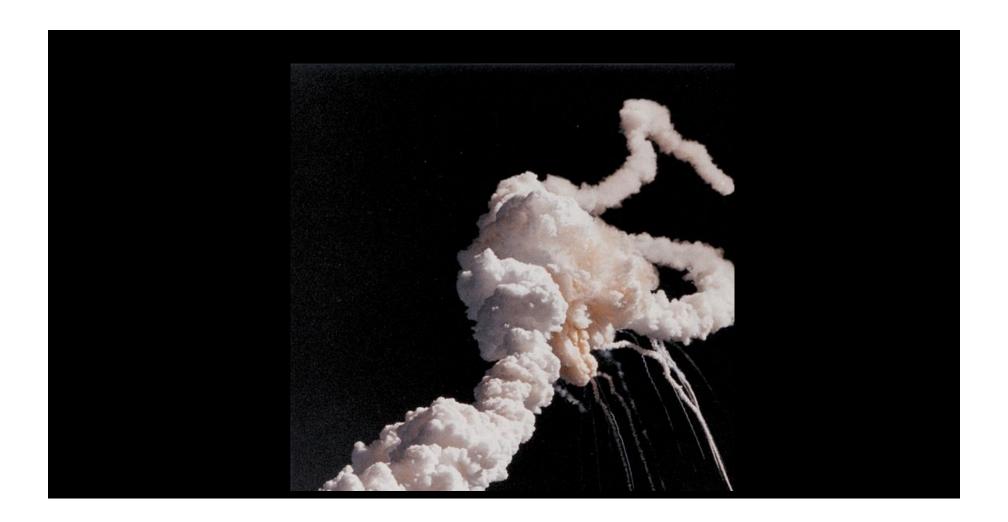
if you're ok with never learning

# analogy.rocket\_ships

exact thrusts, vectors, weights

meticulous planning up-front

tiny errors in planning can compound to produce catastrophies



# analogy.driving

steering a car is easy

describe the specific motions for your commute?

impossible

feedback loops!



# don't be a rocket ship!

space or bust?

mostly bust

pets.com, webvan

# build • create your MVP

# measure • quantitatively or qualitatively

## learn

- analyze what you measured
- this is where the magic happens

# planning happens in reverse

what do you want to validate? *Learn* 

what data would change your belief? *Measure* 

what must you do to gather that data? Build

#### case studies

stolen from The Lean Startup

Consumer Federal Protection Bureau (CFPB)

Intuit's Snaptax

Zappos

#### **CFPB**

Created by Dodd-Frank act to protect against predatory lending, fraud

\$500 million budget

# **CFPB:** assumptions

if americans know it exists, they'll call for help

not the same: Fact- Lots of fraud in America

## CFPB: rocketship

use the \$500 million budget to staff up call centers

develop training materials based on expert suggestions

develop marketing plan and advertisements for big launch

#### CFPB: BML

**build**- pick one tiny high-fraud geographic area, saturate with ads, forward 800 number to cell phones

measure- call volume per population in saturated area

**learn-** what volume can you expect on extrapolation?

what questions are real people

# Snaptax

Started in 2009 as an internal Intuit project

350k users in 2011

# Snaptax: assumptions

people want to use their W2 to start tax returns via their fax/scanner

## Snaptax: rocketship

spend millions to develop application for entering W2 info via fax/scanner

write versions for all 50 states

# Snaptax: BML part 1

talked to actual customers before building *gasp* 

MVP was a quick survey

people didn't know how to use scanners/fax

people wanted their entire return completed automatically

# Snaptax: BML part 2

**build**- build a smartphone app using CA rules for simplest returns

measure- who actually downloads and submits their 1040-EZ?

**learn**- are there people willing to use their phone to file returns at all?

## Zappos

online clothing retailer known for great customer servie

over \$1 billion in revenue

aquired by Amazon for \$1.2 billion

# Zappos: assumptions

frustrated that there was no central online place to buy shoes

assumed that customers would buy online for a superior retail experience

# Zappos: rocketship

build distribution infrastucture

aquire partners (Nike, Adidas, etc)

plan large sales/marketing launch

## Zappos: BML

build- take pictures of local merchants shoes, put them online, buy at full price and ship by hand

measure- who actually buys? what do they buy? what are their concerns?

**learn**- price affected perception. returns are very important.

## so many examples

media loves the big-bang visionary story

it's a *lie* 

flickr- video game

**groupon**- social activism platform

and and stanford and

#### tactics

individual tactics are not the BML strategy, but

tactics that get you through the loop faster, better

#### summary

be a car, not a rocketship

use the BML loop to steer

lower latency through the loop, more learning

# tactics addendum: A/B testing

a specific tactic to aid measurement during experiments

# tactics addendum: A/B testing

aids analysis for questions like:

what call to action is most compelling to potential customers?

# A/B testing: call to action experiment

randomly divide potential customers as groups A and B

show group A "double your sales force"

show group B "halve your sales cost"

measure conversions (signups,

## tactics addendum: multivariate testing

more complex or overlapping A/B tests- multivariate tests

"which of these 7 options are best?"

requires higher volume for statistical significance

if possible, stick to A/B tests for

#### further resources

- The Lean Startup
- Startup Metrics for Pirates
- Building a Lean Startup
- Google like crazy

#### thanks

- Me- Wes Winham
  weswinham
- slides-online: http://weswinham.com/preso/indyl build-measure-learn also: pdf source on github