

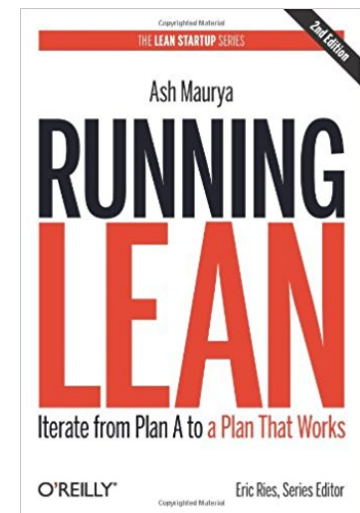
Running Lean

Digital Media Innovation Capstone



Running Lean

- By Ash Maurya – influenced by Steve Blank’s Four Steps to the Epiphany and Eric Reis Lean Startup.
- Running Lean is a systematic process for iterating from Plan A to a plan that works, before running out of resources.
- Often, while products are built, disengagement with customers occurs. How do you maintain the feedback loop through development?
- It’s not the customer’s job to know what they want – Steve Jobs





Running Lean

- Different methodologies
 - Customer Development – parallel process of building a continuous feedback loop with customers throughout the product development cycle. (references Steve Blank)
 - Lean Startup – synthesis of Customer Development, agile and lean practices (references Eric Ries)
 - Bootstrapping – collection of techniques used to minimize the amount of external debt or funding needed from banks or investors. Right action, right time. Not just self-funding, but funding with customer revenue.



Three Steps

- Document Plan A
- Identify the riskiest parts of your plan
- Systematically test your plan
 - Most Plan A's don't work, be ready to shift or pivot
 - Need something less static than a regular business plan, something that takes less time



Step 1 – Document Your Plan

- Fast, concise and portable
- Business plan should facilitate conversations with someone other than yourself
- Your product is not “the product.”
- Your business model is the product.



Lean Canvas

Lean Canvas		Designed for:		Designed by:	
Problem <small>Top 3 problems</small>	Solution <small>Top 3 features</small>	Unique Value Proposition <small>Single, clear, compelling messages that states why you are different and worth buying</small>	Unfair Advantage <small>Can't be easily copied or bought</small>	Customer Segments <small>Target customers</small>	
Existing Alternatives	Key metrics <small>Key activities you measure</small>		Channels <small>Path to customers</small>		
High-Level Concept			Early Adopters		
Cost Structure <small>Customer acquisition costs, Distribution costs, Hosting, People, etc</small>			Revenue Streams <small>Revenue model, Life time value, Revenue, Gross margin</small>		

Lean Canvas is adapted from the Business Model Canvas and is licensed under the Creative Commons Attribution-Share Alike 3.0 Unported License

Created by Ash Maurya
Based on the book Running Lean



Step 2 – Identify Risks

- The bigger risk for most startups is building something no one wants.
- Three stages
 - Problem/Solution Fit
 - Product/Market Fit
 - Scale
- Key Questions
 - Do I have a problem worth solving?
 - Have I built something people want?
 - How do I accelerate growth?
- Pivot before product/market fit
- Ideal time to raise money is AFTER product/market fit
- To get started, need just enough runway to start testing and validating your business model with customers.
- Bootstrapping + Lean Startup = Low-Burn Startup



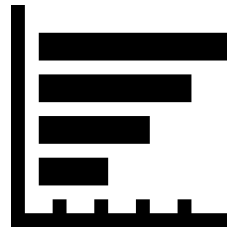
Step 3 – Test Your Plan

- Test your plan
- Run an experiment
- Iteration strings multiple experiments together
 - Understanding problem
 - Define solution

Validate qualitatively



Verify quantitatively





Sketch a Lean Canvas

- Brainstorm customers
 - Distinguish between customers and users
 - Split broad customer segments into smaller ones
 - Put everyone on the same canvas at first
 - Then sketch a canvas for each customer segment
- Sketch a canvas in one sitting
- OK to leave sections blank
- Be concise
- Think in the present
- Use customer-centric approach

The Facebook logo, consisting of the word "facebook" in white lowercase letters on a dark blue rectangular background.

facebook



Problem and Customer Segments

- List top 1-3 problems
- List existing alternatives
- Target early adopters
- Focus on story benefits for your unique value proposition
- Own your words
- Answer what, who, why
- Study others
- Create high-concept pitch



Creating a pitch

- Examples
- Youtube – Flickr for videos
- Dogster – Friendster for dogs
- Used quickly to get idea across and make it easy to spread
- Don't use on materials, website. Might not be relevant to audience
- Use the problem interview to fine tune the pitch



Channels

- Paths to your customers
- Free'er vs Paid – Blogs and SEO vs. Ads
- Inbound vs Outbound – pull vs. push messaging
- Direct vs Automated – balance customer interaction with automated methods
- Direct vs Indirect – First sell yourself, then let others do it
- Retention before referral – build a remarkable product/service first



Revenue Streams and Cost Structure

- Price is part of the product
- Price defines your customers
- Getting paid is the first form of validation
- Cost structure – consider costs to interview, develop and launch MVP, ongoing fixed and variable costs



Key Metrics

- Acquisition - Acquisition describes the path a customer takes from first landing on your website as an unaware visitor to becoming an interested prospect.
- Activation - Once you have an interested customer, Activation describes the path a customer takes from signing up to your service to having a gratifying first user experience.
- Retention - Retention measures “repeated-use” or engagement with your product.
- Revenue - Revenue measures the events that get you paid.
- Referral - Referral is a more advanced form of a user acquisition channel where your happy customers refer or drive potential prospects into your conversion funnel.



Unfair Advantage

- A real unfair advantage is something that can't be copied or bought.
- Examples:
 - Insider information
 - The right endorsements
 - A dream team
 - Personal authority
 - Large network effects
 - Community
 - Existing customers
 - SEO Ranking



Identify Riskiest Parts

- Prioritize
- Uncertainty vs Risk
 - Uncertainty is the lack of complete certainty; the existence of more than one possibility
 - Risk is a state of uncertainty where some of the possibilities involve a loss, catastrophe, or other undesirable outcome.
- Product Risk
- Customer Risk
- Market Risk



Rank your business model

- Customer pain level
- Ease of reach
- Price/gross margin
- Market size
- Technical feasibility



Seek External Advice

- Devote 20% of your time to setup, 80% to conversation
- Ask specific questions
- Be wary of the advisor paradox – success is unlocked at intersection of conversations
- Recruit visionary advisors

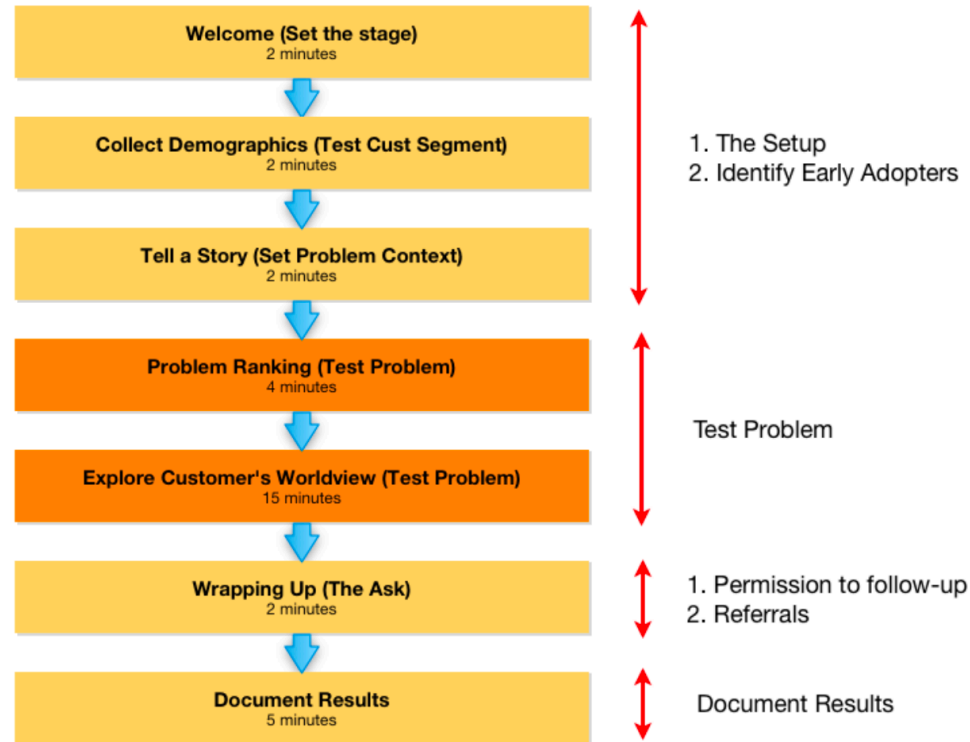


Test Your Plan

- Interview customers, no surveys or focus groups
- Finding prospects
 - First-degree contacts
 - Ask for intros
 - Play the local card
 - Email list from teaser page
 - Give something back
 - Cold calling, emailing, LinkedIn



Problem Interview Script





Solution Interview

- Customers great at articulating problems, not solutions
- Demo needs to be realizable
- Demo needs to look real
- Quick and iterate
- Minimize waste
- Use real-looking data
- Tell customers what they'll pay, don't ask

