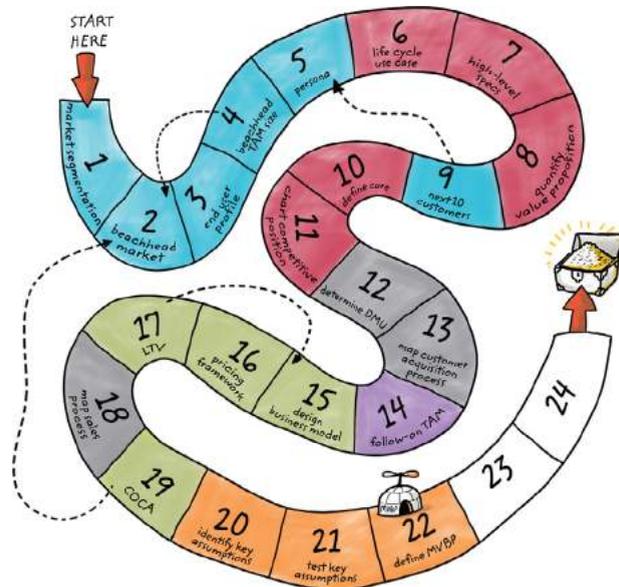


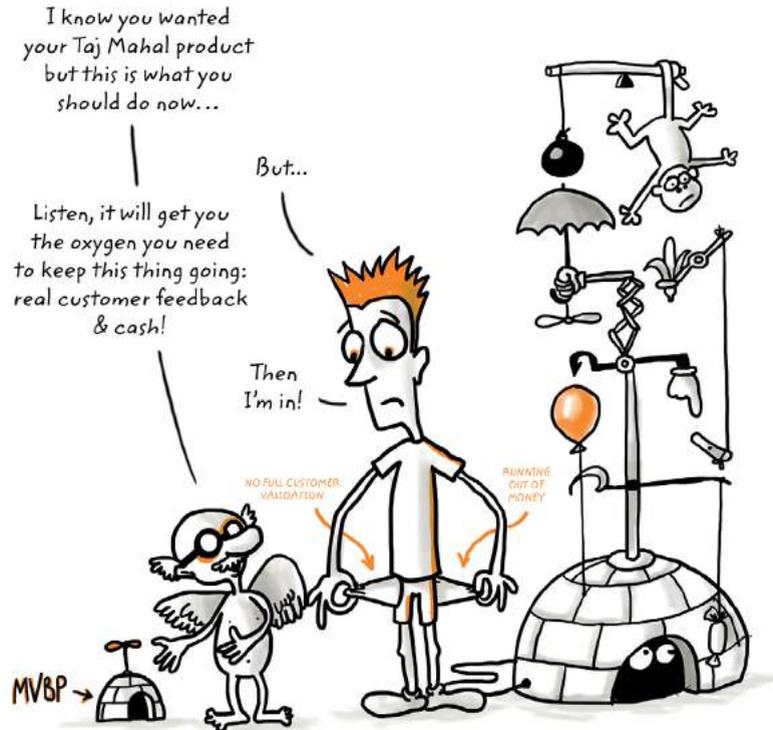
STEP 22

Define the Minimum Viable Business Product (MVBVP)



IN THIS STEP, YOU WILL:

- Integrate your assumptions into a systems test, consisting of the minimal product that a customer will still pay for.



Now we are feeling good about our product but we must show restraint; we will now cross the Rubicon and launch a minimally viable product that a customer will pay for, but keep the functionality as simple as possible so we can minimize risks and also continue to test the assumptions in a scientific manner.

The previous two steps have focused on testing individual assumptions. In this step and the next, we will develop and test what I am calling the Minimum Viable Business Product (MVBP). The MVBP combines your most important key individual assumptions into one integrated product that can be sold. The MVBP sets you up to test the most important overarching assumption that integrates the rest—that customers will pay for your product. As mentioned in the previous step, the Lean Startup definition of what a Minimum Viable Product is too limited and does not accurately describe a “product.” The product you will build in this step will meet the three conditions of an MVBP.

THREE CONDITIONS OF A MINIMUM VIABLE BUSINESS PRODUCT

There are three core elements necessary to have a Minimum Viable Business Product. All three must be present for this step to be successfully completed. They are:

1. The customer gets value out of use of the product.
2. The customer pays for the product.
3. The product is sufficient to start the customer feedback loop, where the customer can help you iterate toward an increasingly better product.

As mentioned in Step 1 Market Segmentation, some business models rely on engagement from a primary customer who uses a product at below cost or no charge. A secondary customer pays for the product, typically by access to the customer or the customer’s information. In such a case, you would design your MVBP so that the first and third conditions of a minimum viable product are met for your primary customer, and all three conditions are met for your secondary customer. One example of an MVBP for a primary/secondary customer business model is presented later in this step.

Your MVBP should balance simplicity with sufficiency. As Einstein said, “Everything should be made as simple as possible, but not simpler.” Your odds of success are higher if you limit the number of variables in your initial product, getting something that works into the customer’s hands quickly, even if it does not have all the functionality you would like to include.

The goal is straightforward—make a list of all of your key assumptions, narrow your assumptions to the most important, put it/them into a product the customer can use, and see if they will buy it.

EXAMPLES

Home Team Therapy

The student behind this idea, Tim Fu, had gone through physical therapy after ACL reconstructive surgery, and believed there was lots of room for improvement in how physical therapy during recovery was delivered. When the Microsoft Kinect system was released, he saw an opportunity to use it to provide patients with real-time automated feedback when they do their therapy exercises at home. Doctors could also see the home sessions and provide feedback of their own. The Kinect hardware and software system was built to allow users to interact with an Xbox videogame console using gestures, rather than a keyboard, voice, or touchscreen, and the Kinect could work on regular computers as well. While the original product was made for the gaming market, Tim envisioned it as a fundamental enabler for his application.

He found implementing his idea complicated, in part because as a startup, he had few resources. So he started to define his Minimum Viable Business Product based on whether doctors and patients would use and pay for his MVBP online system that assists them in physical therapy.

When Tim first started, he emotionally wanted to include the Kinect system in his product. The device was a real attention-grabber; so his first thoughts on a product (note that this is pre-MVBP) looked like what's shown in Figure 22.1.

Upon reflection, after asking himself serious questions about what was required to minimally launch to test his core assumptions and get into a feedback cycle with his customer, he simplified it to look more like what's shown in Figure 22.2.

If you notice, the elements of the old design that included the Kinect system are gone, which I found disconcerting at first because initially, it was the essence of Tim's vision. However, he was right that he could just use an online video for physical therapy and a very simple connection to the physical therapist in his MVBP. This eliminated the technological risk and many other risks such as how the patient would get the hardware, whether it would be compatible with a computer the patient already had, whether the user would be comfortable using the Kinect, and many other questions.

In this example, determining the Minimum Viable Business Product tested the most important assumptions possible to get the iterative learning feedback loop started:

1. Can we get patients to sign up?
2. Will they use the system?
3. Can we get doctors to sign up?
4. Can we get paid for this in general?

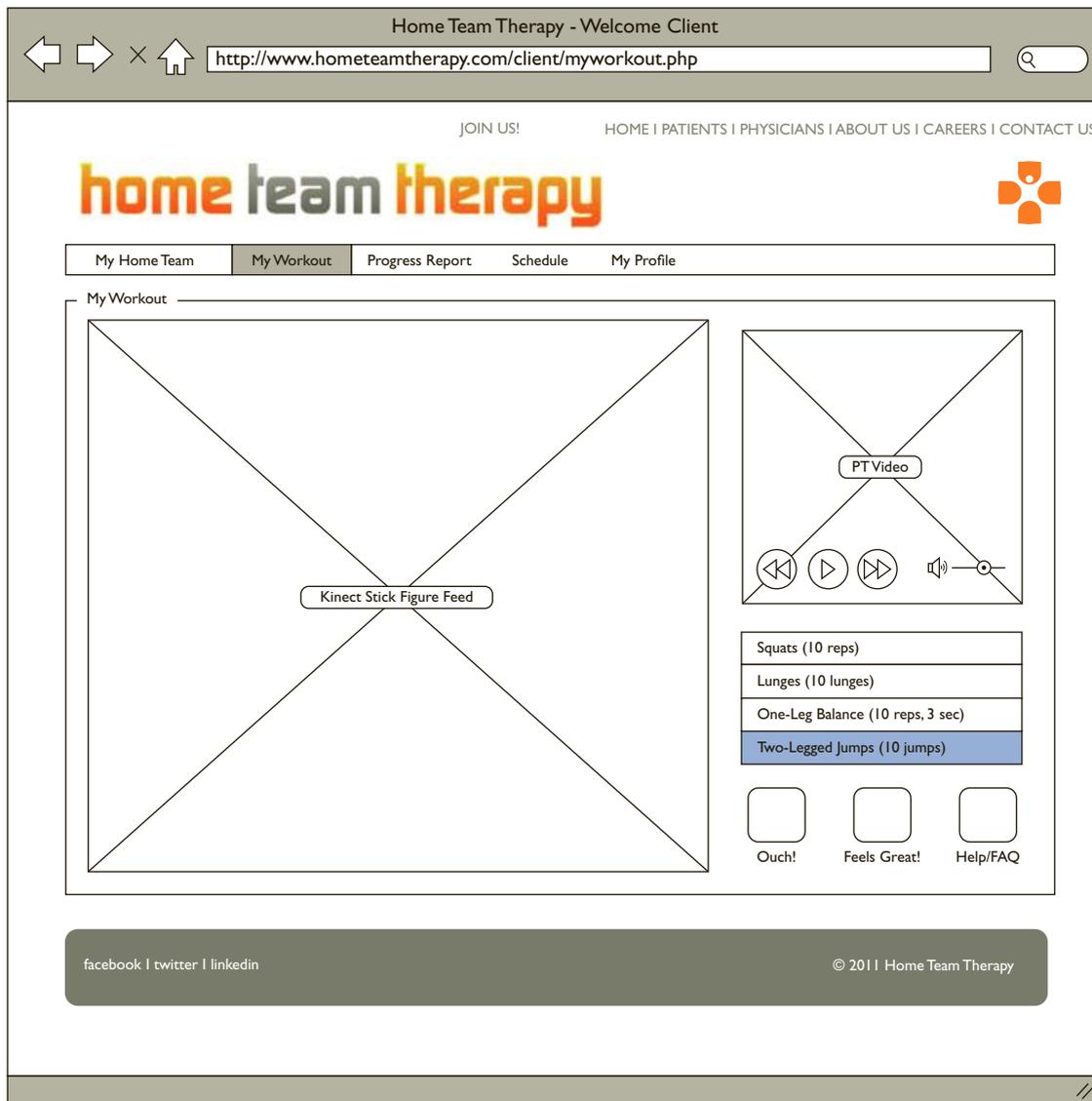


Figure 22.1 Home Team Therapy's stick figure wireframe.

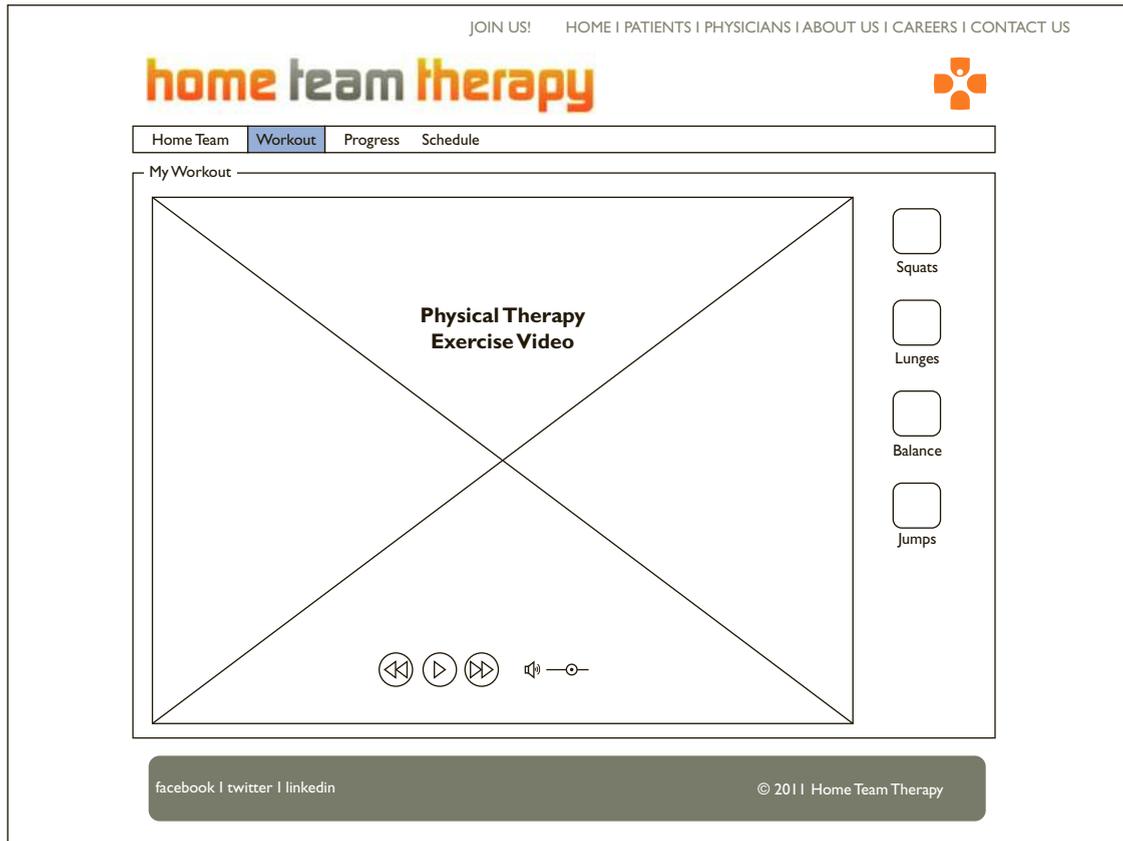


Figure 22.2 Home Team Therapy's therapy video wireframe.

5. We've done customer research, but how can we determine if these are the features that customers really want?
6. Are these the features that customers will pay for?
7. Are these the features that customers will always want, or does it appear that their preferences will change over time?

All the other sexy stuff such as the Kinect system could be added later; but for now, Tim had chosen his Minimum Viable Business Product wisely and was not distracted by the exciting vision and

technology. He had simplified the definition of his MVBP and could now test his key assumptions in a product, beginning the iterative customer feedback loop that would make him successful.

Tim tested these assumptions with friends, family, and ultimately other physical therapy patients. It turned out that instructional videos were most useful to patients when they were still in the information-gathering phase, but they were really looking for other more valuable features in the long term. In developing your own MVBP, it's up to you to determine what those features are and how to design your product offering so you maximize value for your customers and your company.

StyleUp

One of my students, Kendall Herbst, had been a fashion editor at *Lucky* and *New York* magazine, and she had noticed the gap between traditional fashion advice channels and what actually helped a woman decide what to wear or to buy. She came to business school to refine her idea and in her first year got the idea to send women fashion advice that was tailored to each person's taste and to the local weather that day. She suspected women would love a dose of fashion inspiration when they need it most—when they are getting dressed—and that a condensed, personalized dose would be more effective than a cumbersome 600-page magazine. She tested this assumption by sending individual daily e-mails to a handful of female friends with an outfit each woman could re-create, as well as the weather forecast for that day. (See Figure 22.3.)

Women loved this idea. The initial group soon grew to almost 40 people. Many of these were Kendall's friends, and she could talk to them about what they liked and what she could improve. In this stage she learned some of the key products insights. For instance, some women preferred the inspiration the night before and others wanted to receive the e-mails first thing in the morning.



Figure 22.3 StyleUp e-mail.

She also learned that women wanted to shop these looks, if they did not own similar items already. Perhaps most importantly, Kendall also looped in women she did not know, and these women consistently opened the e-mails. This hinted the idea could scale, but clearly she needed some technical help.

Classmate Ryan Choi, who before graduate school was an early Salesforce.com engineer built a system for Kendall to categorize images and deliver them to many women at a time vs. one-to-one. Ryan also incorporated many of the early findings like customized time delivery and click-to-purchase links. In this business idea, the primary customer was the woman who received the free daily e-mail; the secondary customer would be a company related to fashion, such as a retailer, who would want access to the primary customer so they could convince the primary customer to buy their products. (See Figure 22.4.)

Together, Kendall and Ryan created the Minimum Viable Business Product:

- A backend system that could categorize images based on weather and style.
- An easy delivery mechanism to dispense these images every day.
- A database of beautiful images the targeted customer (busy, professional women) would be inspired to see, which included a source link (for copyright issues).
- Analytics to measure how deeply women were engaging with and sharing the service.

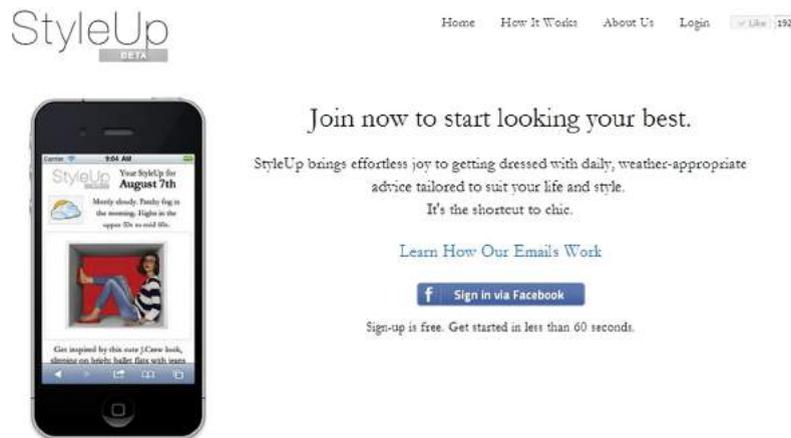


Figure 22.4 StyleUp sign-up page.

Without investing much money or going too far down a single path, Kendall and Ryan's goal was to show that women would like the value proposition enough to sign up, open the e-mails and tell their friends.

They were very confident they could add more features later; but they wanted to get more guidance after these original foundational features were implemented and used to know which ones to add and in what priority. They wanted to start the feedback loop with their target customers as soon as possible.

This MVBP also set them up well to test whether the secondary customer got value from the product and was willing to pay for access to the primary customer, since the MVBP has links that allow women to click to websites on which clothing items are sold.

ThriveHive

Two students, Max Faingezicht and Adam Blake, with different backgrounds (Max had worked at Intel and Amazon while Adam had worked in small companies) came together in my class and left determined to launch a new company that would provide new-age marketing tools and support to small companies that previously was not possible. Their vision was a platform that would bring together critical information for the brave new world of marketing in a cost-effective manner, including bringing together website analytics, e-mail, social media, and direct mail all under one roof. At the core of their system would be a leads report, which would show the business owner what was working and what wasn't. Every channel would be built through backend integrations to third-party providers, thus reducing the development costs. Customers would pay a monthly subscription for the use of the platform, starting from \$99/month.

The first challenge they faced was figuring out how to make an MVBP when their value proposition hinged around bringing all the channels together in a simplified way. Early on they decided to build only the necessary integrations, those that required real-time response: Facebook and Twitter for social media. These were basic features without the bells and whistles. You could link your accounts and schedule a post, but you couldn't comment or even monitor your feeds. They decided also to develop an e-mail builder for customers to send e-mail campaigns. It used a basic e-mail editor, which provided limited editing functionality. Whenever the channels allowed for delays, they would just "fake it before you make it." A good example of this is the Postcard Builder. When a user hit the button to send a postcard, they would be able to upload a file and a list. They would see the additional cost right there and then they would hit "Send." Instead of building a system integration with a partner, in reality this sent an e-mail to the team with the details around the postcard. Someone would then go login to the third-party provider website and set the postcard to get printed, posted, and

delivered on the date it was scheduled for. By faking it, they were able to see if people would use and be willing to pay for certain features before having to make the major investments to build them.

SUMMARY

You have previously tested individual elements of your business; however, the Minimum Viable Business Product (MVBP) represents a systems test of a product that actually provides value to the customer. The paying customer can use this to start a feedback loop that helps you iterate better versions of the product.