

Lean Start-Up

Imagine it's 2009 again. You have the brilliant idea of selling shoes online, but everyone is calling you crazy. Who would buy shoes without having tried them on, right? What would you do – test out if it could work or stop dreaming about being a millionaire?

by Julia Jantschgi and Mikko Lehtonen

In retrospect, every great innovation story is built on a few simple and logical steps. When working on innovative ideas, the most important question to have in mind right from the beginning is: Will we find a customer who uses or better yet, pays for our solution? In many cases, this important question is raised way too late in the development process. Months are wasted by working on technical details for the proof of concept at the beginning, while figuring out later that no one is interested in using it. Eric Ries, co-founder of the methodology Lean Start-Up, also learned this lesson the hard way, working as a software developer. Nowadays, he dedicates his life to educating organizations on how to do better. He emphasizes that every innovation should be built based on experimentation, not assumptions.

Lean Start-Up in a nutshell

The Lean Start-Up methodology supports organizations in improving their product introduction success rate by putting the focus on the customer during the development of an innovation. It accelerates innovation activities by emphasizing fast prototypes, quick customer feedback and instant learning. Moreover, it has the power to boost the innovation culture by adding entrepreneurial passion, energy and commitment to the development process. Like Design Thinking, Lean Start-Up can also be understood as a process, toolbox or mindset. Due to this flexibility in the concept, it can also be easily introduced into companies with more traditional development processes by tailoring the approach to the specific situation.

Applying Lean Start-Up

The Lean Start-Up process is highly iterative by nature and understands itself as a circle between the three main steps *build*, *measure* and *learn*.

To be able to focus on the right learnings, a first step even before starting to build something is understanding that every idea we have is always based on a certain assumption we have about the customer. Making this assumption or hypothesis clear to us helps to figure out how we can test if we are right and if the idea will be successful in the end. Like in our story at the beginning, back in 2009, Nik Swinmurn, founder of Zappos, had the hypothesis that customers would buy shoes online without having tried them on, and he proved himself right by intuitively applying the following five steps when developing his idea:

STEP 1: Identify hypotheses

Formulate concrete hypotheses about the most important value assumptions. Make it clear to everyone that we can't know what customers really want as long as we don't give them the chance to tell or show us.

STEP 2: Build an MVP

Lean Start-Up uses the term »minimum viable product« (MVP) to describe the smallest »product« version that allows customer reactions to be tested. Sometimes it's not even necessary to build a product version instead, any experiment can help test a hypothesis, like a newsletter with a concrete call to action.

STEP 3: Test the MVP and measure the outcome

As soon as possible, get in touch with the customer. Do not try to obtain the feedback as to whether or not ►



he or she »likes« your idea, but rather try to get an answer to the question of if he or she would buy or use it.

STEP 4: Learn and reflect

Be honest with yourself and do not sugarcoat the results. In the best case, you defined upfront what result would make you happy and what outcome would make you reconsider your concept.

STEP 5: Iterate and start again

You learned how to do it better – perfect. Iterate your concept, build a new MVP and test it again. Real experts know that the first version is never the winning one.

Beyond the theory

Think about yourself: If someone came over and asked you for feedback on an idea he wanted to realize, would you be honest and tell him you didn't like it? Most probably not. You might say it's nice and point to people who might also like it to get out of the scope or elude and answer you are not the expert about it. Therefore, we must change our interview technique or even think of better ways to test the people's reactions. The community around Lean Start-Up promotes multiple ways of how to test effectively and get the right answers.

Secondly, there's always a way to start smaller. When planning how to test your hypothesis, always ask yourself if you can test it faster with fewer resources. Instead of building an MVP that already shows functionality, you could start with a fake webpage promoting the product without having done one step in production. As further action, it is advisable to apply for a Kickstarter campaign or send out a newsletter with the information about your great new innovation with a click option to see if you get a positive reaction from customers.

Is it just for start-ups?

We know Lean Start-Up from rapidly growing start-ups raising millions in venture capital. Still, it is not just for start-ups, but also for organizations of any size and age. It is a way of dealing with uncertainty when developing new products and services without analyzing new ideas to death, by experimenting with the ideas and involving the customers in the process. How do you get involved with your customers in developing your business? ●

Tips for your toolbox

The Lean Canvas

Use the Lean Canvas to draft your idea in a few minutes and get an overview of your hypotheses. Adapted from the Business Model Canvas, the Lean Canvas is especially suitable for new ideas. It considers important information like the problem you want to address, possible lead customers and available substitutes which will compete with your idea on the market.

Problem	Solution	USP	Unfair advantage	Target group
	Key metrics		Channel	
Cost and investment			Revenue	

The hypothesis template

Complete the following four sentences before even thinking about setting something in motion:

1 We believe that ... (your key assumption)
2 We want to test this hypothesis with/by ... (your MVP)
3 We will measure if ... (the reaction the customer should give)
4 We will be satisfied when ... (the result you want to have)