

Brought to you by



**NOSEWORTHY
CHAPMAN**
Chartered professional accountants

The Lean Start Up

By Eric Ries



snap



5 min read

Startup:

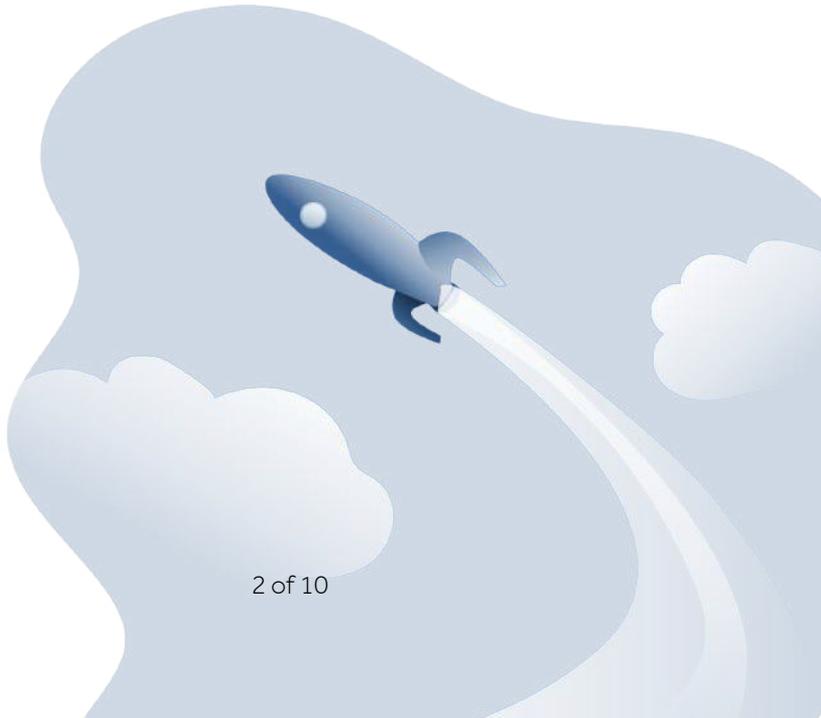
**An organization
dedicated to creating
something new under
conditions of extreme
uncertainty.**

Introduction

If you want your company to become more than just a pet project, your startup must stay flexible and you must base all your decisions on the goal of creating a sustainable business model.

Getting Started

Ask yourself seriously; **“Does anyone want your product?”** It’s a difficult but necessary question you should answer as soon as possible. Follow that up with; **“Will anyone spend money on this product?”** If the answer is no, move on to another idea.



Finding Sustainability:

Find out if your business has a future through validated, constant learning - preferably through a scientific method, in which you come up with a hypothesis and test it quickly with real customers in a real environment.

Real Life Example

Zappos started by taking photos of shoes in a real-life store and posted them online. When people tried to buy them they saw the hypothesis - that people would buy shoes online - was valid.

The Zappos.com logo features the word "Zappos" in a large, bold, black sans-serif font. Below it, ".com" is written in a smaller, white sans-serif font inside a blue rectangular box. The entire logo is set against a light blue, irregular, cloud-like background shape.

Testing Product Value:

Once you believe your product will attract customers, you can develop a minimal viable product to test that idea in the market. It should be simple and only give customers a realistic experience of how your product works. Some try a smoke test, in which you pretend to sell a fake product to gauge interest.

Real Life Example



Instead of creating the file sharing/data management product, Dropbox created a video demonstrating how it would work. Within one night 75,000 people had signed up on a waiting list to use the service and they began developing the product.



Build Measure Learn (BML) Loops:

Take the product to the market and gather feedback. Talk to your customers, and ask for individual impressions and opinions to improve it. Your second BML cycle would use a more robust product, incorporate that feedback and run a third cycle.

Repeat the cycle as quickly as possible until you find a sustainable business model.



Split Testing:

Distinguish between value and waste by offering two products with added features in one version. Offer both versions and see which is more valuable to the customer.

Real Life Example

Mail order catalogues used to print two versions to see which layout resulted in more purchases.

Pivot:

Keep asking yourself how to change your product to improve it and find its market. A pivot can take many forms - choosing to go after different customers, changing how you make sales, or even redefining a core value of your company or product. Hold pivot meetings once a month to prevent the fear of the change from setting in.

Choose Your Growth Engine:



There are three types of growth engines which can work together or alone. Focus on one at a time to get the most benefit and the data to confirm which works best.



Sticky Engine



Viral Engine



Paid Engine

Sticky Engine: Retaining current customers who generate a constant stream of revenue.

Viral Engine: Using customers to take care of the company's marketing through word of mouth.

Paid Engine: Invest in marketing as long as existing customer sales pay for the costs associated.

Avoid Vanity Metrics:

Media attention and Facebook likes will make you feel good, but don't translate to sales or sustainability. While core metrics vary from startup to startup, they typically include paying customers, session lengths, and recommendations which lead to new customers.

Compare The Old to The New:

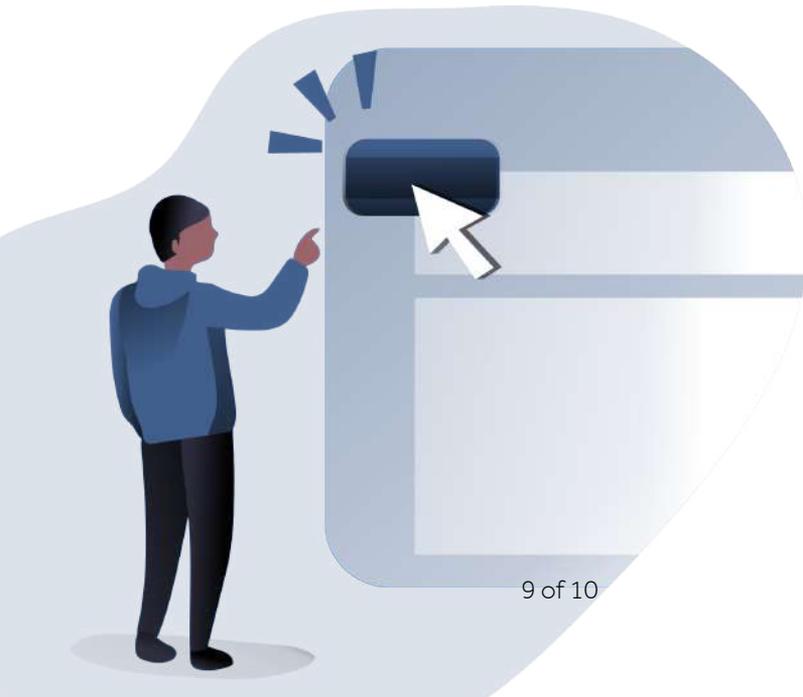
Using the cohort method - comparing the behaviours of new customers and longer customers - will allow you to see how different groups use your product and what changes you need to make to maintain sustainability.

Sustainability is Success:

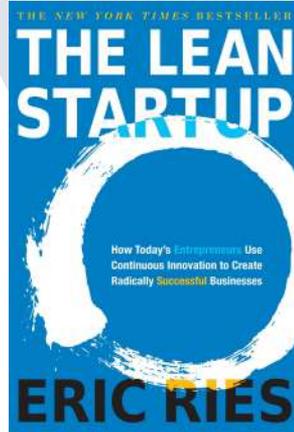
A company who has carried out these proof-based tests quickly will reach sustainability faster and with more success than those who don't.

Curated exclusively for our valued partners, and you know what? That's you!

What's the best business book you don't have time to read? Get in touch and tell us which Snap Review you'd like us to do next.



**Want to
read the
book? Visit
the links
below.**



[amazon](#) [kindle](#)

Brought to you by



T: 709.364.5600

W: noseworthychapman.ca

Need assistance? Trust the experienced team of Noseworthy Chapman's professional advisors, who make taking care of your business, their business.



T: 709.576.1602

W: callegrow.com

Isn't it time you put the buying power of Atlantic Canada's largest independent commercial broker to work for you?



Books sliced, diced and ready to read in a snap.