You're holding a field guide for rapid experimentation.
Use the 44 experiments inside to find your path to scale.
Systematically win big with small bets by...

Testing Business Ideas

strategyzer.com/test

WRITTEN BY
David J. Bland
Alex Osterwalder

DESIGNED BY
Alan Smith
Trish Papadakos

WILEY

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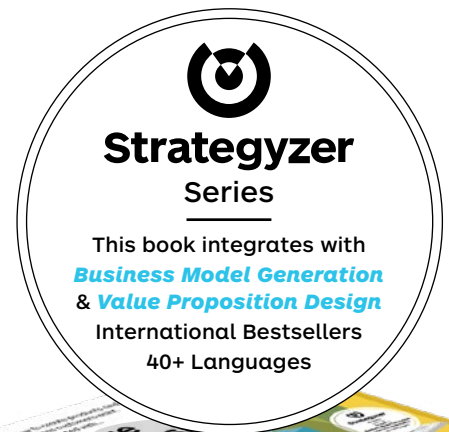**Alex Osterwalder**

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Trish Papadakos

WILEY

Reduce risk and uncertainty of new ideas across your organization.

Be able to share an extensive testing library with all your teams.

Learn about experimentation ceremonies.

Bullet-proof your business ideas with stronger evidence than you've ever gathered before.

Reduce the risk of your business idea

Fine-tune your testing process

Discover an extensive experiment library that goes beyond interviews, surveys, and minimum viable products

Design and run your first experiments

Learn how the testing process works
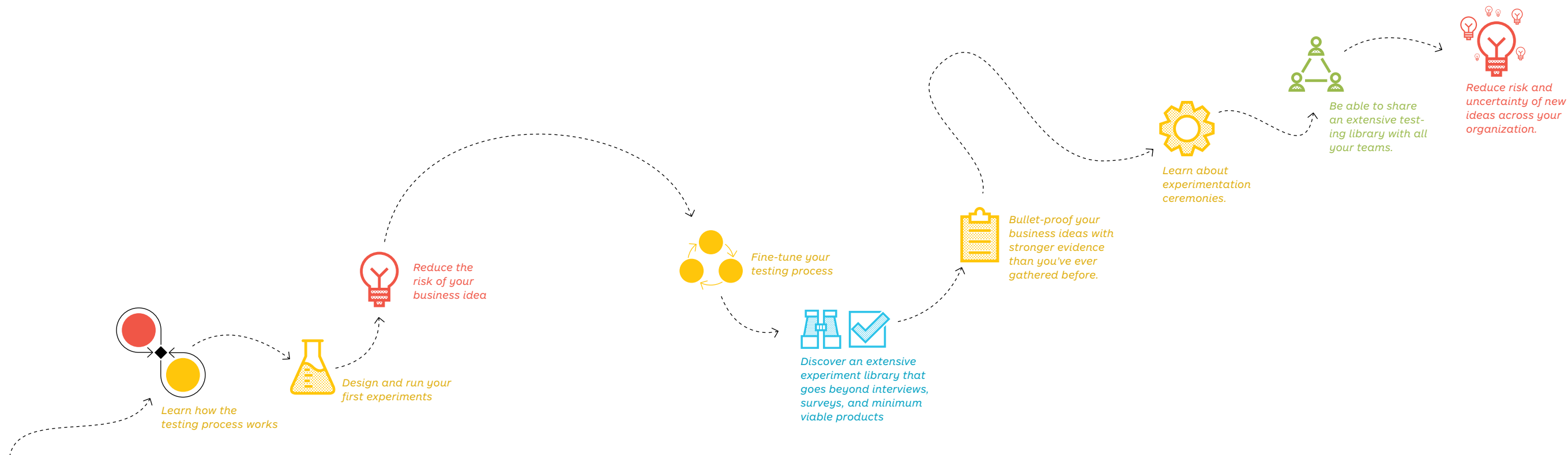
This book will help you Start Testing Business Ideas

You are relatively new to the concept of Testing Business Ideas. Maybe you've read the leading books in the domain by Steve Blank and Eric Ries, maybe you haven't. However, you do know that you want to get started. You are eager to test your ideas.

Boost your Testing Skills

You are very familiar with the process of Testing Business Ideas. You have read all of the books that cover the topic. You have run several projects and built minimum viable products. Now you want to up your game and boost your testing skills.

Scale Testing in Your Organization

You are tasked with systematizing and scaling testing activities in your organization. You are experienced with the topic and are looking for state-of-the-art practical thinking to bring to teams throughout your organization.
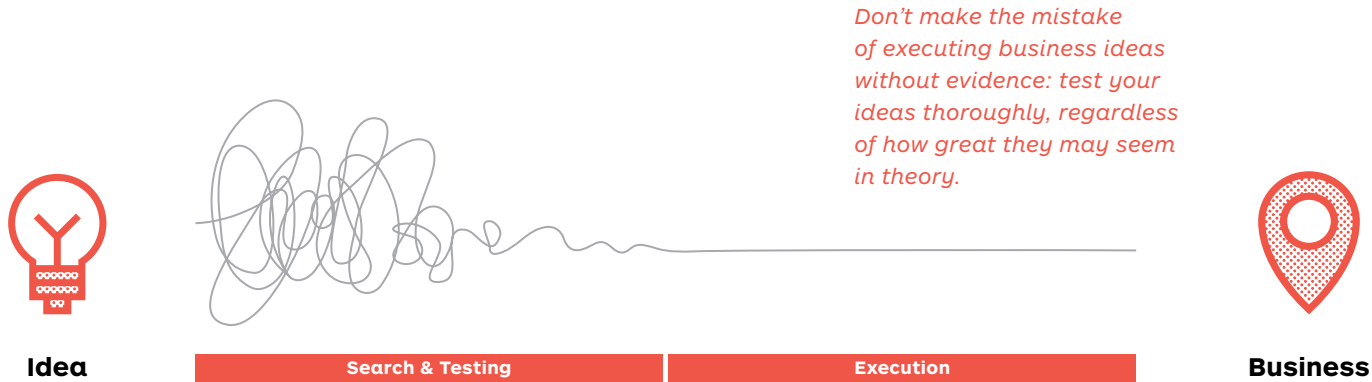
This book was made for **Corporate Innovators**, **Startup Entrepreneurs**, and **Solopreneurs**.

Which best describes you?

☐ **Corporate Innovator** who is challenging the status quo and who is building new business ventures within the constraints of a large organization.

☐ **Startup Entrepreneur** who wants to test the building blocks of your business model to avoid wasting the time, energy, and money of the team, cofounders, and investors.

☐ **Solopreneur** who has a side hustle or an idea that isn't quite yet a business.

Which of the following resonates with you?

☐ I am seeking to find new ways to experiment, instead of always relying on focus groups, interviews, and surveys.

☐ I want to succeed at creating new growth but don't want to accidentally damage my company's brand in the testing process.

☐ I understand that to be truly disruptive, I need a dedicated team who owns the work and is capable of creating their own evidence.

☐ I know the perils of prematurely scaling a company that isn't quite ready yet, so I want to test my business model to produce evidence that shows I am on the right track.

☐ I know that I need to allocate limited resources wisely and make decisions based on strong evidence.

☐ I want to fall asleep at night knowing we've spent our frantic day working on the most important things that matter to our startup's success.

☐ I am mindful that we need to show evidence of progress to justify current and future investment rounds.

☐ I don't have the resources of a funded startup, let alone a corporation.

☐ I haven't necessarily tried any of this before, so I want to make these late nights and weekends worth it.

☐ I eventually want to devote all of my time to this idea, but it all seems so risky. In order to make the leap, I'll need the evidence that I'm onto something big.

☐ I have read a few books on entrepreneurship, but need guidance on how to test my ideas and what types of experiments to run.

How to Get from a Good Idea to a Validated Business

Too many entrepreneurs and innovators execute ideas prematurely because they look great in presentations, make excellent sense in the spreadsheet, and look irresistible in the business plan...only to learn later that their vision turned out to be a hallucination.

Don't make the mistake of executing business ideas without evidence: test your ideas thoroughly, regardless of how great they may seem in theory.

Idea

Search & Testing

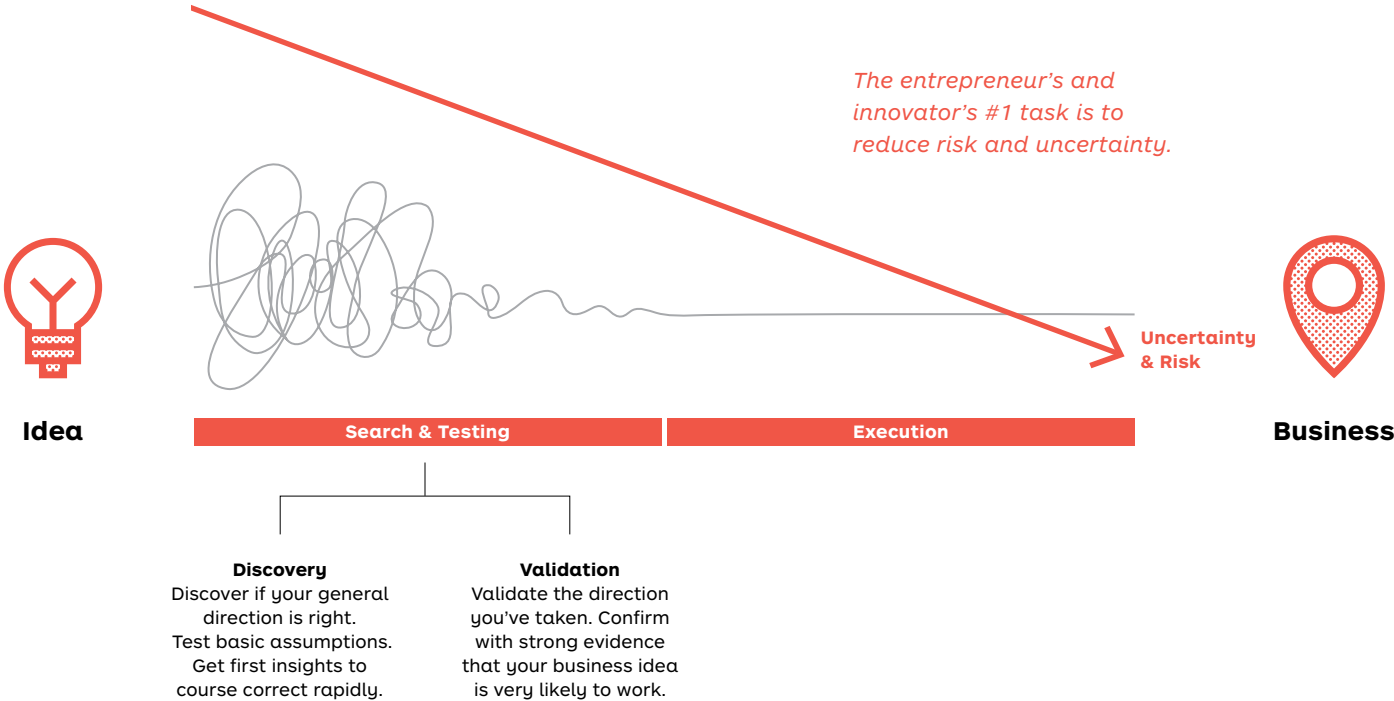**Execution**

Business

Navigate the Experiment Library in This Book to Make Your Ideas Bulletproof

Testing is the activity of reducing the risk of pursuing ideas that look good in theory, but won't work in reality. You test ideas by conducting rapid experiments that allow you to learn and adapt.

This book outlines the most extensive testing library on the market to help you make your ideas bulletproof with evidence. Test extensively to avoid wasting time, energy, and resources on ideas that won't work.

The entrepreneur's and innovator's #1 task is to reduce risk and uncertainty.

Uncertainty & Risk

Idea

Search & Testing

Execution

Business

Discovery
Discover if your general direction is right. Test basic assumptions. Get first insights to course correct rapidly.

Validation
Validate the direction you've taken. Confirm with strong evidence that your business idea is very likely to work.
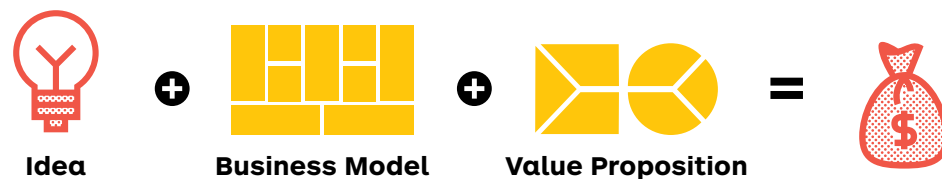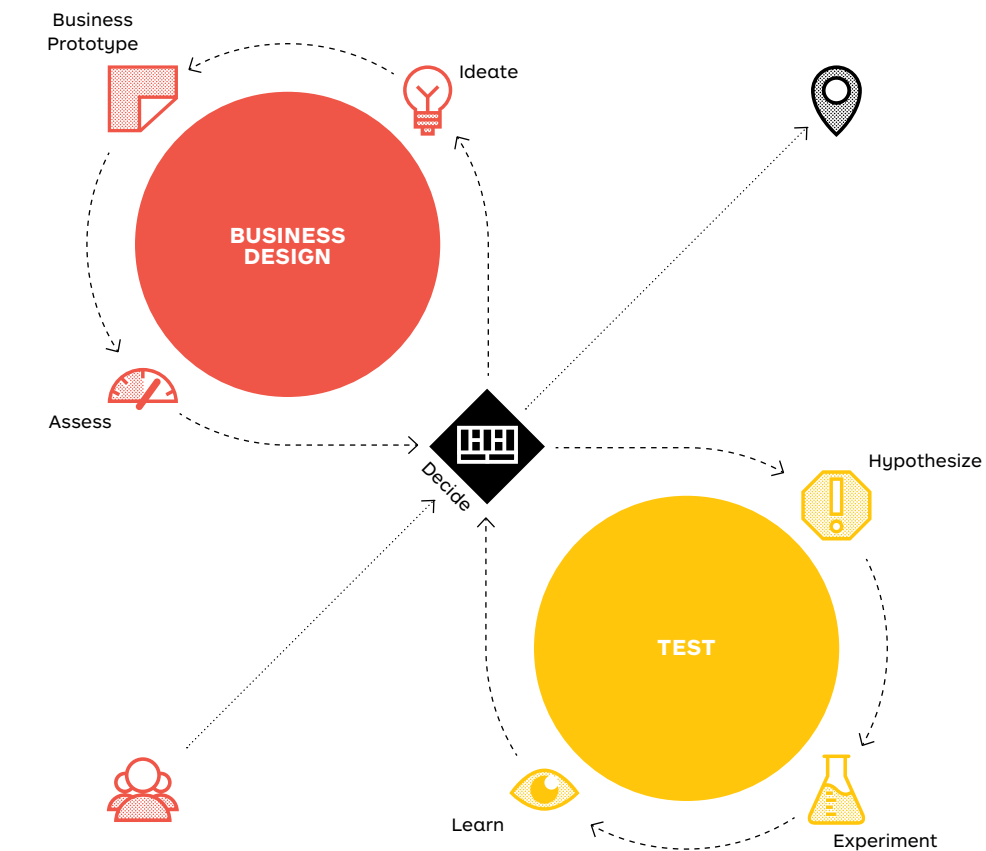
The Iterative Process

Business Concept Design

Design is the activity of turning vague ideas, market insights, and evidence into concrete value propositions and solid business models. Good design involves the use of strong business model patterns to maximize returns and compete beyond product, price, and technology.

The risk is that a business can't get access to key resources (technology, IP, brand, etc.), can't develop capabilities to perform key activities, or can't find key partners to build and scale the value proposition.

Business Prototype

Ideate

BUSINESS DESIGN

Assess

Decide

Hypothesize

TEST

Learn

Experiment

Idea + **Business Model** + **Value Proposition** =

Testing and reducing risk

To test a big business idea you break it down into smaller chunks of testable hypotheses. These hypotheses cover three types of risk. First, that customers aren't interested in your idea (desirability).

Second, that you can't build and deliver your idea (feasibility). Third, that you can't earn enough money from your idea (viability).

You test your most important hypotheses with appropriate experiments. Each experiment generates evidence and insights that allow you to learn and decide. Based on the evidence and your insights you either adapt your idea, if you learn you were on the wrong path, or continue testing other aspects of your idea, if the evidence supports your direction.

Key Hypotheses + **Experiments** + **Key Insights** = **Reducing Uncertainty & Risk**

Desirability risk
Customers aren't interested

The risk is that the market a business is targeting is too small; that too few customers want the value proposition; or that the company can't reach, acquire, and retain targeted customers.
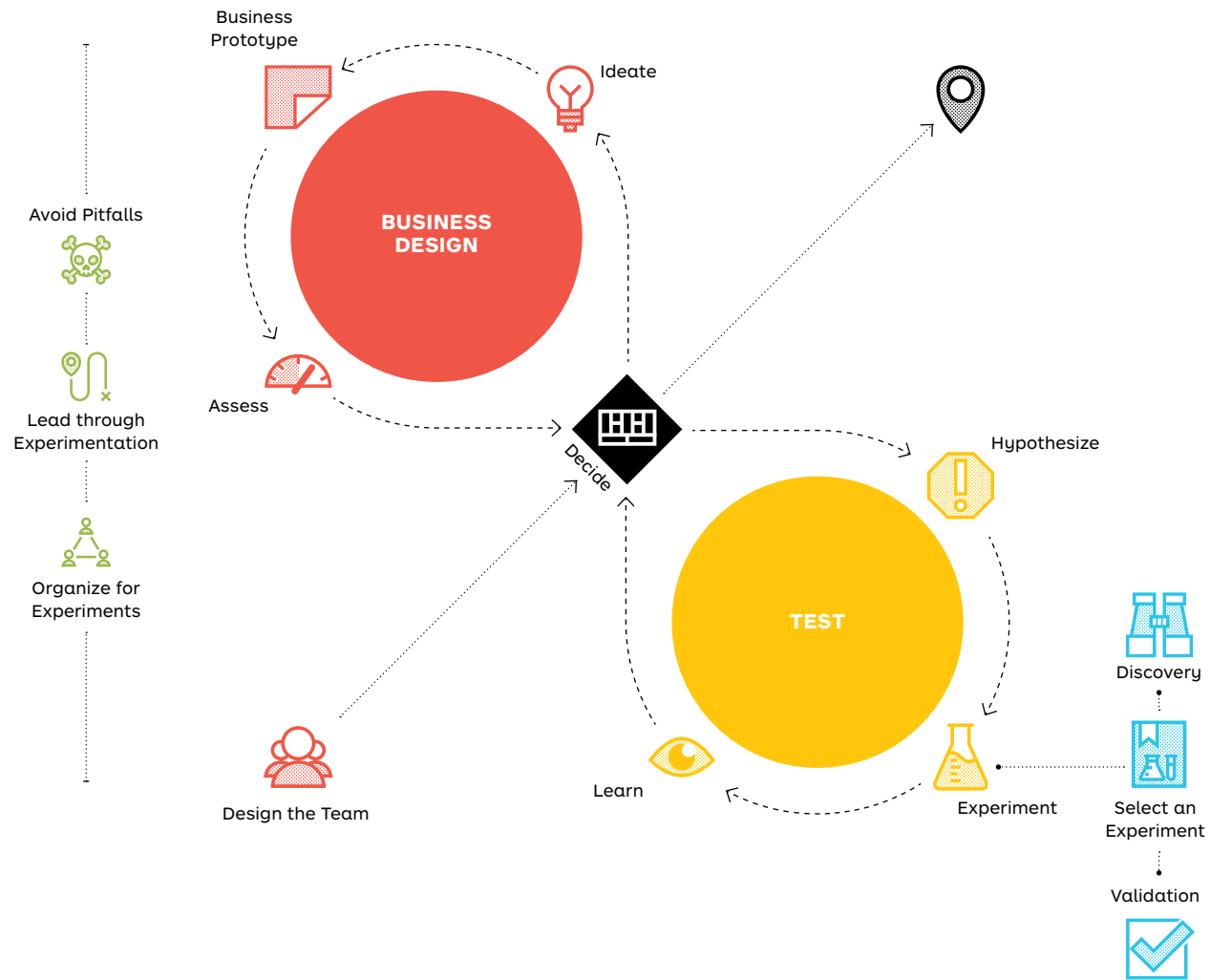
Feasibility risk
We can't build and deliver

The risk is that a business can't get access to key resources (technology, IP, brand, etc.), can't develop capabilities to perform key activities, or can't find key partners to build and scale the value proposition.

Viability risk
We can't earn enough money

The risk is that a business can't generate successful revenue streams, that customers are unwilling to pay (enough), or that the costs are too high to make a sustainable profit.

Business
Prototype

Ideate

BUSINESS DESIGN

Avoid Pitfalls

Assess

Lead through
Experimentation

Decide

Organize for
Experiments

Hypothesize

TEST

Design the Team

Learn

Discovery

Experiment

Select an
Experiment

Validation

1 Design

Design the Team
p. 3

Shape the Idea
p. 15

2 Test

Hypothesize
p. 27

Experiment
p. 41

Learn
p. 49

Decide
p. 59

Manage
p. 65

3 Experiments

Select an Experiment
p. 91

Discovery
p. 101

Validation
p. 231

4 Mindset

**Avoid Experiment
Pitfalls**
p. 313

**Lead through
Experimentation**
p. 317

**Organize for
Experiments**
p. 323

AFTERWORD
p. 329

Design

"The strength of the team
is each individual member.
The strength of each member
is the team."

———

Phil Jackson
Former NBA Coach

BUSINESS
DESIGN

TEST

Team

Team

Behavior

Environment

SYNOPSIS

Team Environment

How can you design an environment for your team to thrive?

Teams need a supportive environment to explore new business opportunities. They cannot be held to a standard where failure is not an option. Failure will occur, but failure isn't the goal. The goal is to learn faster than the competition and put that learning into action. Leaders need to intentionally design an environment where this can occur, otherwise even an ideal team configuration with the right behaviors will eventually stall out and give up.

The Team Needs to be...

Dedicated
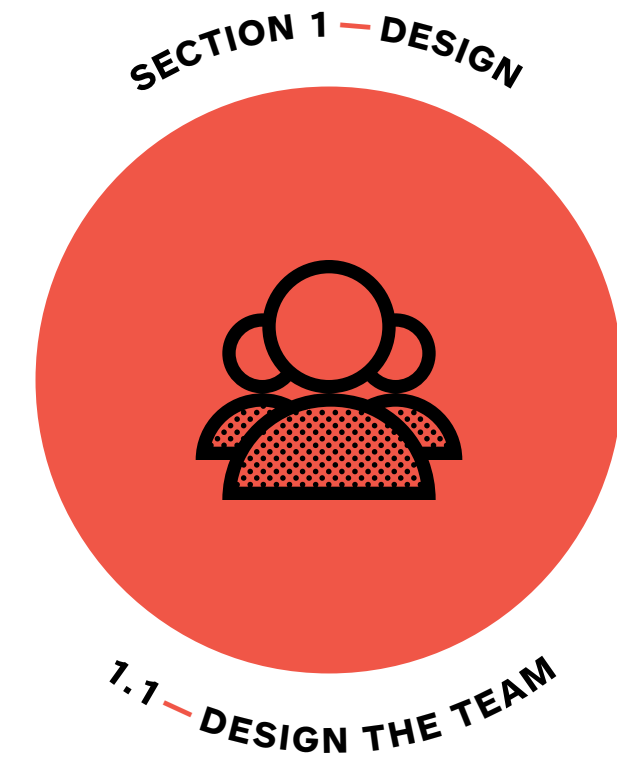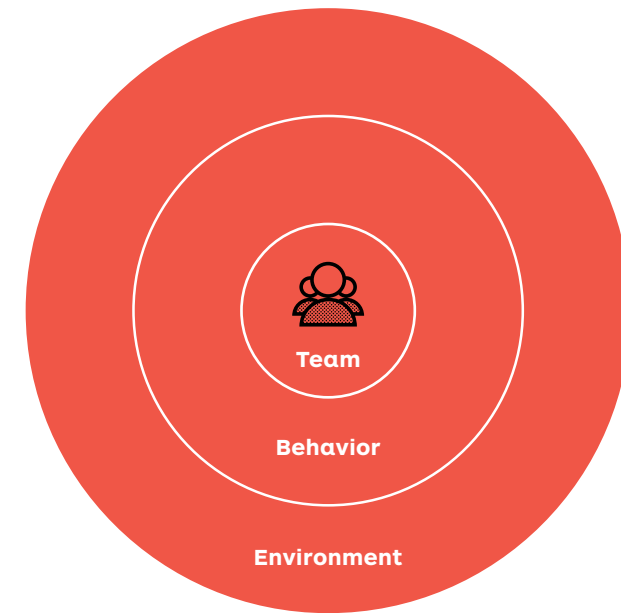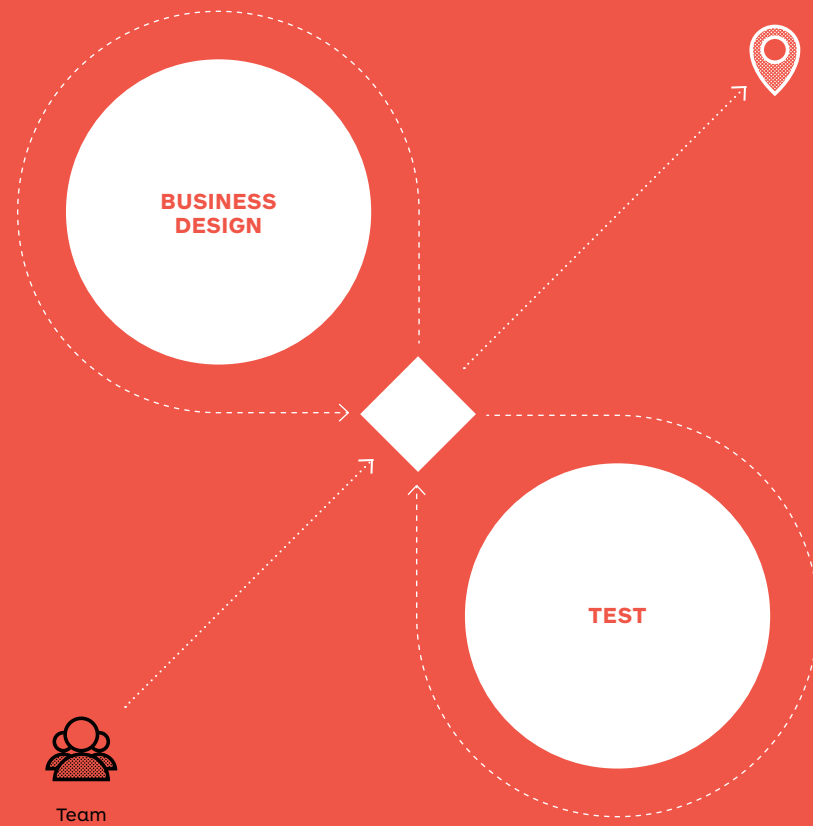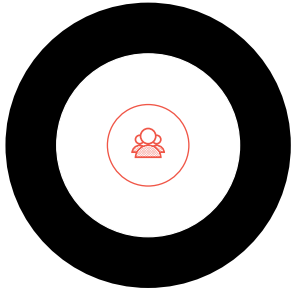Teams need an environment in which they can be dedicated to the work. Multitasking across several projects will silently kill any progress. Small teams who are dedicated to the work make more progress than large teams who are not dedicated.

Funded
It's unrealistic to expect these teams to function without a budget or funding. Experiments cost money. Incrementally fund the teams using a venture-capital style approach, based on the learnings they share during stakeholder reviews.

Autonomous
Teams need to be given space to own the work. Do not micromanage them to the extent where it slows down their progress. Instead, give them space to give an accounting of how they are making progress toward the goal.

The Company Needs to Provide...

Support

Leadership
Teams need an environment that has the right type of leadership support. A facilitative leadership style is ideal here because you do not know the solution. Lead with questions, not answers, and be mindful that the bottleneck is always at the top of the bottle.

Coaching
Teams need coaching, especially if this is their first journey together. Coaches, either internal or external, can help guide the teams when they are stuck trying to find the next experiment to run. Teams that have only used interviews and surveys can benefit from coaches who've seen a wide range of experiments.

Access

Customers
Teams need access to customers. The trend over the years has been to isolate teams from the customer, but in order to solve customer problems, this can no longer be the case. If teams keep getting pushback on customer access, they'll eventually just guess and build it anyway.

Resources
Teams need access to resources in order to be successful. Constraints are good, but starving a team will not yield results. They need enough resources to make progress and generate evidence. Resources can be physical or digital in nature, depending on the new business idea.

Direction

Strategy
Teams need a direction and strategy, or it'll be very difficult to make informed pivot, persevere, or kill decisions on the new business idea. Without a clear coherent strategy, you'll mistake being busy with making progress.

Guidance
Teams need constraints to focus their experimentation. Whether it's an adjacent market or creating a new one, to unlock new revenue teams need direction on where they will play.

KPIs
Teams need key performance indicators (KPIs) to help everyone understand whether they are making progress toward a goal. Without signposts along the way, it may be challenging to know if you should invest in the new business.
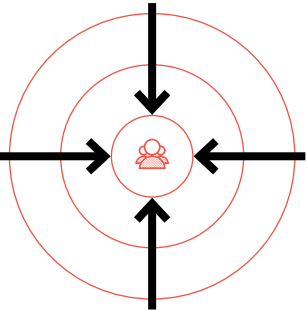
SYNOPSIS

Team Alignment

How can you ensure your team members are aligned?

Teams often lack a shared goal, context, and language when being formed. This can be devastating later on, if not resolved during the team formation and kickoff.

The Team Alignment Map, created by Stefano Mastrogiacomo, is a visual tool that allows participants to prepare for action: hold more productive meetings and structure the content of their conversations. It can help teams have more productive kickoffs, with better engagement and increased business success.

Each building block illustrates essential information to be discussed with your team. Identifying perception gaps early on can prevent you from being misaligned without even knowing it.

1. Define the mission.

2. Define the time box for the agreement.

3. Create joint team objectives.
   Joint Objectives
   What do we intend to achieve together?
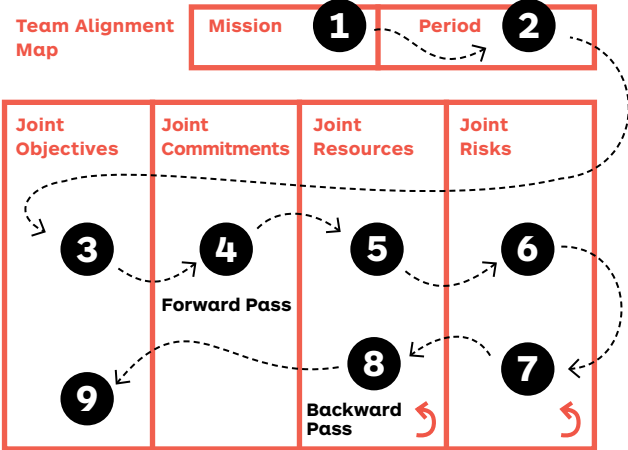
4. Identify commitment levels for team members.
   Joint Commitments
   Who does what?

5. Document joint resources needed to succeed.
   Joint Resources
   What resources do we need?

6. Write down the biggest risks that could arise.
   Joint Risks
   What can prevent us from succeeding?

7. Describe how to address the biggest risks by creating new objectives and commitments.

8. Describe how to address resource constraints.

9. Set joint dates and validate.

   To learn more about the Team Map visit www.teamalignment.co.

Team Alignment Map

Mission: Period:

Joint Objectives	Joint Commitments	Joint Resources	Joint Risks
What do we intend to achieve together?	Who does what?	What resources do we need?	What can prevent us from succeeding?

DESIGNED BY: Stefano Mastrogiacomo

teamalignment.co
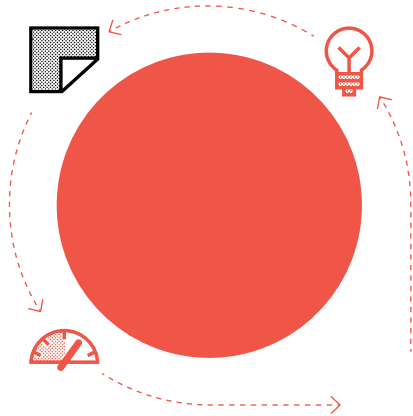
The Business Model Canvas

You don't have to be a master of the Business Model Canvas to use this book, but you can use it to shape ideas into a business model so you can define, test, and manage risk. In this book, we use the Business Model Canvas to define the desirability, feasibility, and viability of an idea. If you'd like to go deeper than the synopsis of the Business Model Canvas, we recommend reading *Business Model Generation* or go online to learn more.

Customer Segments

Describe the different groups of people or organizations you aim to reach and serve.

Value Propositions

Describe the bundle of products and services that create value for a specific customer segment.

Channels

Describe how a company communicates with and reaches its customer segments to deliver a value proposition.

Customer Relationships

Describe the types of relationships a company establishes with specific customer segments.

Revenue Streams

Describe the cash a company generates from each customer segment.

Key Resources

Describe the most important assets required to make a business model work.

Key Activities

Describe the most important things a company must do to make its business model work.

Key Partners

Describe the network of suppliers and partners that make the business model work.

Cost Structure

Describe all costs incurred to operate a business model.

To learn more about the Business Model Canvas visit
strategyzer.com/books/business-model-generation.
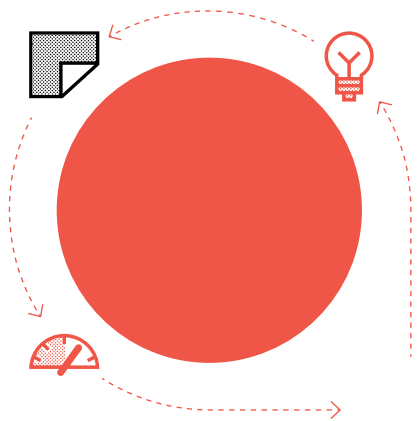
The Business Model Canvas

| Designed for: | Designed by: | Date: | Version: |

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
	Key Resources		Channels	

Cost Structure	Revenue Streams

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SYNOPSIS

The Value Proposition Canvas

Much like the Business Model Canvas, the same goes for the Value Proposition Canvas. You'll get value from this book without having a proficiency in using it, but we do reference it for framing your experimentation, especially with regard to understanding the customer and how your products and services create value. If you'd like to go deeper than the synopsis of the Value Proposition Canvas, we recommend reading *Value Proposition Design* or go online to learn more.

Value Map
Describes the features of a specific value proposition in your business model in a structured and detailed way.

Customer Profile
Describes a specific customer segment in your business in a structured and detailed way.

Products and Services
List the products and services your value proposition is built around.

Gain Creators
Describe how your products and services create customer gains.

Pain Relievers
Describe how your products and services alleviate customer pains.

Customer Jobs
Describe what customers are trying to get done in their work and in their lives.

Gains
Describe the outcomes customers want to achieve or the concrete benefits they are seeking.

Pains
Describe the bad outcomes, risk, and obstacles related to customer jobs.

To learn more about the Value Proposition Canvas visit strategyzer.com/books/value-proposition-design.

The Value Proposition Canvas

Value Proposition

Customer Segment

Gain Creators

Gains

Products & Services

Customer Job(s)

Pain Relievers

Pains
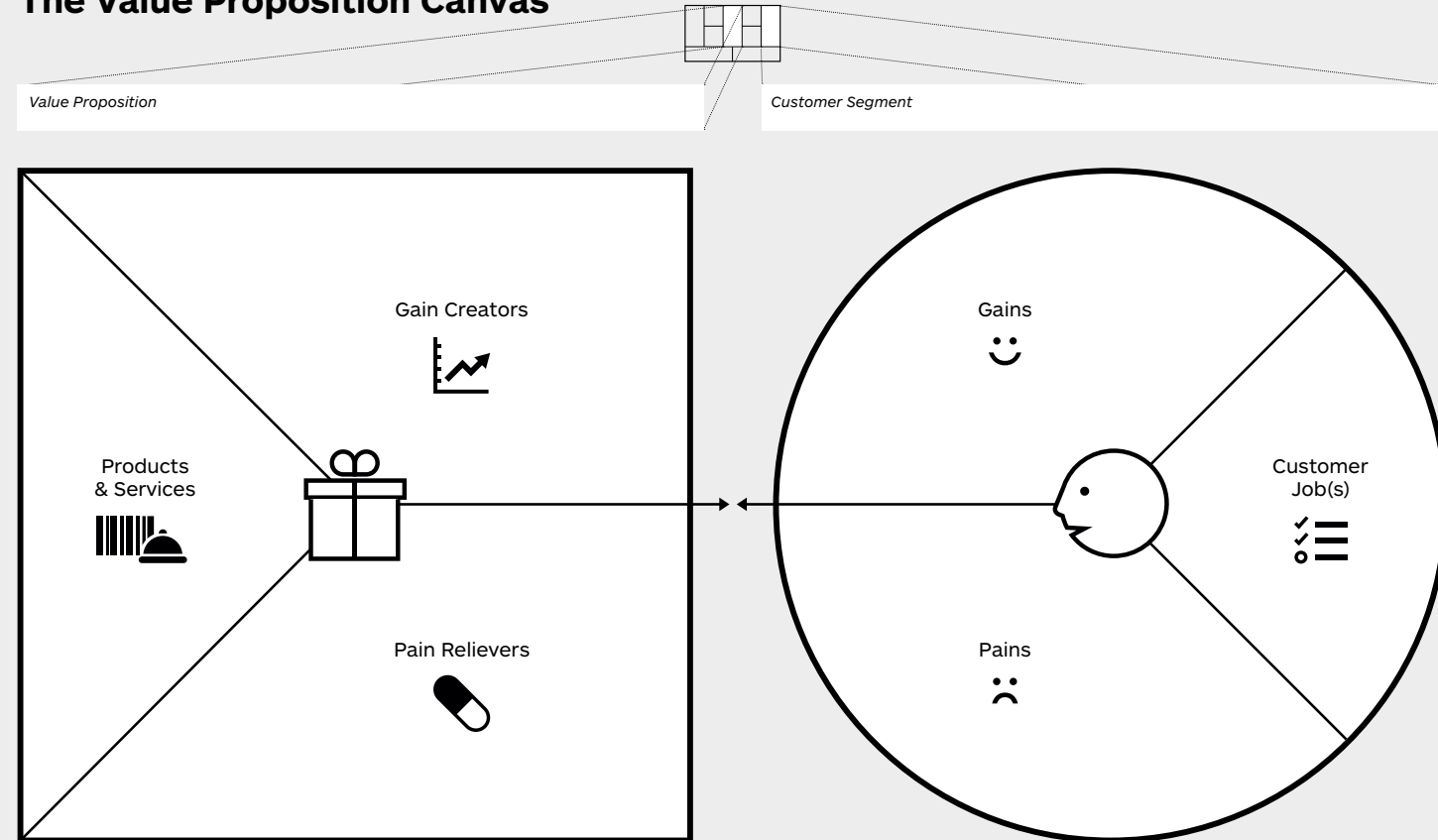
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Test

"A founding vision for a startup
is similar to a scientific hypothesis."

Rashmi Sinha
Founder, Slideshare

BUSINESS
DESIGN
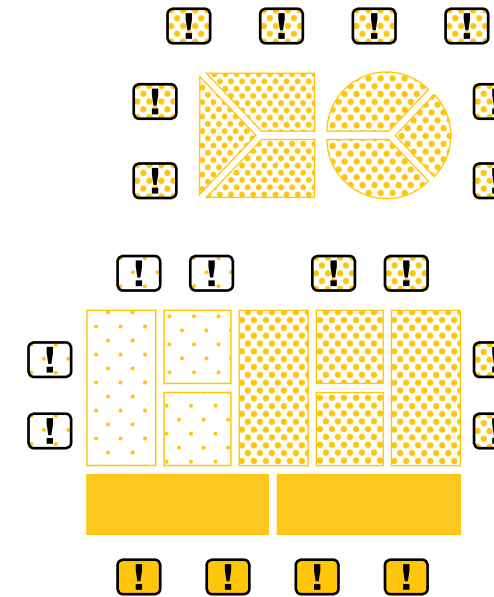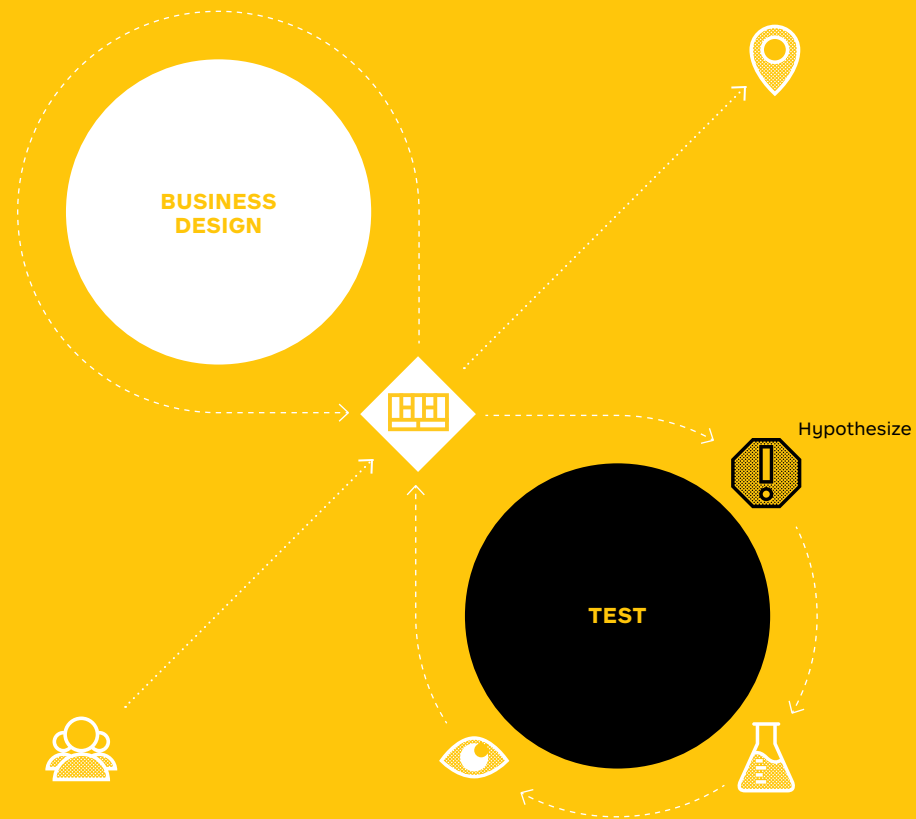
Hypothesize

TEST

1. **Identify the Hypotheses Underlying Your Idea**
To test a business idea you first have to make explicit all the risks that your idea won't work. You need to turn the assumptions underlying your idea into clear hypotheses that you can test.

2. **Prioritize Most Important Hypotheses**
To identify the most important hypotheses to test first, you need to ask two questions. First, "What is the most important hypothesis that needs to be true for my idea to work?" Second, "For which hypotheses do I lack concrete evidence from the field?"

DEFINITION

Hypothesis

The hypothesis has its roots in ancient civilization. The English word "hypothesis" comes from the Greek word hupothesis *which means "to suppose." Some even refer to a hypothesis as an educated guess. Hypotheses are instruments you use to prove or refute your assumptions.*

For the purposes of Testing Business Ideas, we focus on your business hypothesis, which is defined as:

- an assumption that your value proposition, business model, or strategy builds on.
- what you need to learn about to understand if your business idea might work.

Creating a good business hypothesis

When creating hypotheses you believe to be true for your business idea, begin by writing the phrase "We believe that…"

"We believe that millennial parents will subscribe to monthly educational science projects for their kids."

Be mindful that if you create all of your hypotheses in the "We believe that…" format, you can fall into a confirmation bias trap. You'll be constantly trying to prove what you believe, instead of trying to refute it. In order to prevent this from occurring create a few hypotheses that try to disprove your assumptions.

"We believe that millennial parents won't subscribe to monthly educational science projects for their kids."

You can even test these competing hypotheses at the same time. This is especially helpful when team members cannot agree on which hypothesis to test.

Characteristics of a good hypothesis

A well-formed business hypothesis describes a testable, precise, and discrete thing you want to investigate. With that in mind, we can continue to refine and unpack our hypotheses about the science project subscription business.

	✕	✓
Testable Your hypothesis is testable when it can be shown true (validated) or false (invalidated), based on evidence (and guided by experience).	– *We believe millennial parents prefer craft projects.*	☐ *We believe millennial parents prefer curated science projects that match their kids' education level.*
Precise Your hypothesis is precise when you know what success looks like. Ideally, it describes the precise what, who, and when of your assumptions.	– *We believe millennials will spend a lot on science projects.*	☐ *We believe millennial parents with kids ages 5–9 will pay $15 a month for curated science projects that match their kids' education level.*
Discrete Your hypothesis is discrete when it describes only one distinct, testable, and precise thing you want to investigate.	– *We believe we can buy and ship science project boxes at a profit.*	☐ *We believe we can purchase science project materials at wholesale for less than $3 a box.* ☐ *We believe we can ship science project materials domestically for less than $5 a box.*

"Can we do this?"

The risk is that a business can't manage, scale, or get access to key resources (technology, IP, brand, etc.), key activities, or key partners.

Feasible

Desirable

"Do they want this?"

The risk is that the market a business is targeting is too small; that too few customers want the value proposition; or that the company can't reach, acquire, and retain targeted customers.

Viable

"Should we do this?"

The risk that a business cannot generate more revenue than costs (revenue stream and cost structure).

Types of Hypotheses

Adapted from Larry Keeley, Doblin Group and IDEO.

Feasible

Desirable

Viable
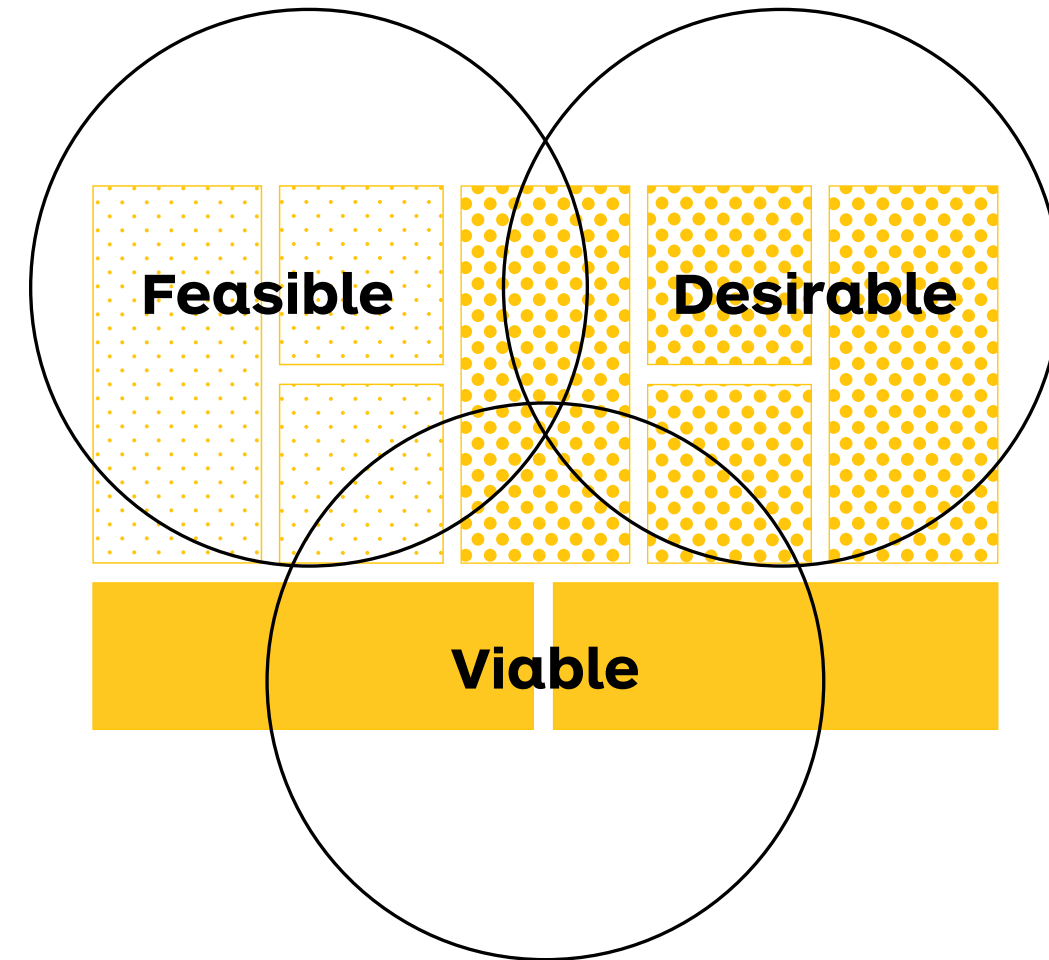
Types of Hypotheses on the Business Model Canvas

MARKET RISK
## Desirability Hypotheses
Explore first

The Value Proposition Canvas contains market risk in both the Value Map and Customer Profile. Identify the desirability hypotheses you are making in:

Customer Profile
We believe that we...

- are addressing jobs that really matter to customers.
- are focused on pains that really matter to customers.
- are focused on gains that really matter to customers.

Value Map
We believe...

- our products and services really solve for high-value customer jobs.
- our products and services relieve top customer pains.
- our products and services create important customer gains.

The Business Model Canvas contains market risk in the value proposition, customer segment, channel, and customer relationship components. Identify the desirability hypotheses you are making in:
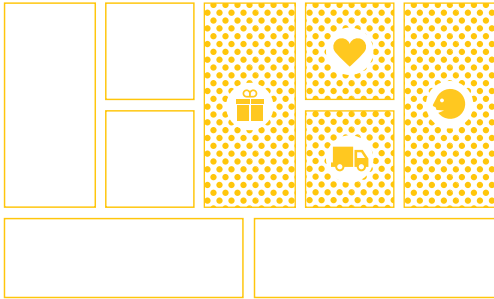
Customer Segments
We believe...

- we are targeting the right customer segments.
- the segments we are targeting actually exist.
- the segments we are targeting are big enough.

Value Propositions
We believe...

- we have the right value propositions for the customer segments we are targeting.
- our value proposition is unique enough to replicate.

Channels
We believe...

- we have the right channels to reach and acquire our customers.
- we can master the channels to deliver value.

Customer Relationships
We believe...

- we can build the right relationships with customers.
- it is difficult for customers to switch to a competitor's product.
- we can retain customers.

INFRASTRUCTURE RISK
Feasibility Hypotheses
Explore second

The Business Model Canvas contains infrastructure risk in the key partners, key activities, and key resources components. Identify the feasibility hypotheses you are making in:
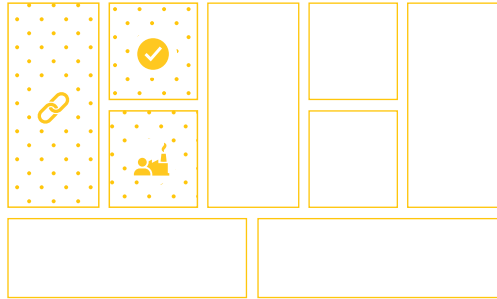
Key Activities
We believe that we...

- can perform all activities (at scale) and at the right quality level that is required to build our business model.

Key Resources
We believe that we...

- can secure and manage all technologies and resources (at scale) that are required to build our business model, including intellectual property and human, financial, and other resources.

Key Partners
We believe that we...

- can create the partnerships required to build our business.

FINANCIAL RISK
Viability Hypotheses
Explore third

The Business Model Canvas contains financial risk in the revenue stream and cost structure. Identify the viability hypotheses you are making in:
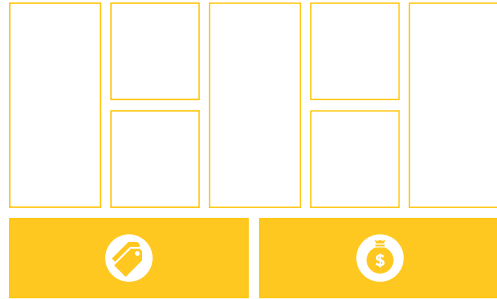
Revenue Streams
We believe that we...

- can get customers to pay a specific price for our value propositions.
- can generate sufficient revenues.

Cost Structure
We believe that we...

- can manage costs from our infrastructure and keep them under control.

Profit
We believe that we...

- can generate more revenues than costs in order to make a profit.

Assumptions Mapping

A team exercise where desirability, viability, and feasibility hypotheses are made explicit and prioritized in terms of importance and evidence.

Every radically new idea, product, service, value proposition, business model, or strategy requires a leap of faith. If proven false, these important and yet unproven aspects of your idea can make or break your business. The Assumptions Mapping exercise is designed to help you make all risks explicit in the form of hypotheses, so you can prioritize them and focus your near-term experimentation.

Adapted from Gothelf & Seiden, Lean UX

How to Facilitate

Core team

The core team consists of individuals who are going to be dedicated to making this new business endeavor a success. They are cross-functional. This means they have product, design, and technology skills needed to ship and learn rapidly in the market with real customers. At a minimum, the core team needs to be present when mapping out the assumptions from your Business Model Canvas.

Supporting team

The supporting team consists of individuals who are not necessarily dedicated to the business endeavor but who are needed for it to be a success. People from legal, safety, compliance, marketing, and user research will be required for testing assumptions where the core team lacks the domain knowledge and know-how.

Without a strong supporting team, the core members may lack evidence and make uninformed decisions about what's important.

Identify Hypotheses
Step 1

Use a sticky note to write down each:

- desirability hypothesis and put it on your canvases.
- feasibility hypothesis and put it on your canvases.
- viability hypothesis and put it on your canvases.

Best Practices

- Use different color sticky notes for desirability, feasibility, and viability hypotheses.
- Your hypotheses should be as specific as possible, to the best of your knowledge, based on what you know today.
- Every hypothesis should be a single sticky note. Don't use bullet points; that makes it easier to prioritize your hypotheses.
- Keep your hypotheses short and precise. No blah blah blah.
- Discuss and agree as a team when writing.
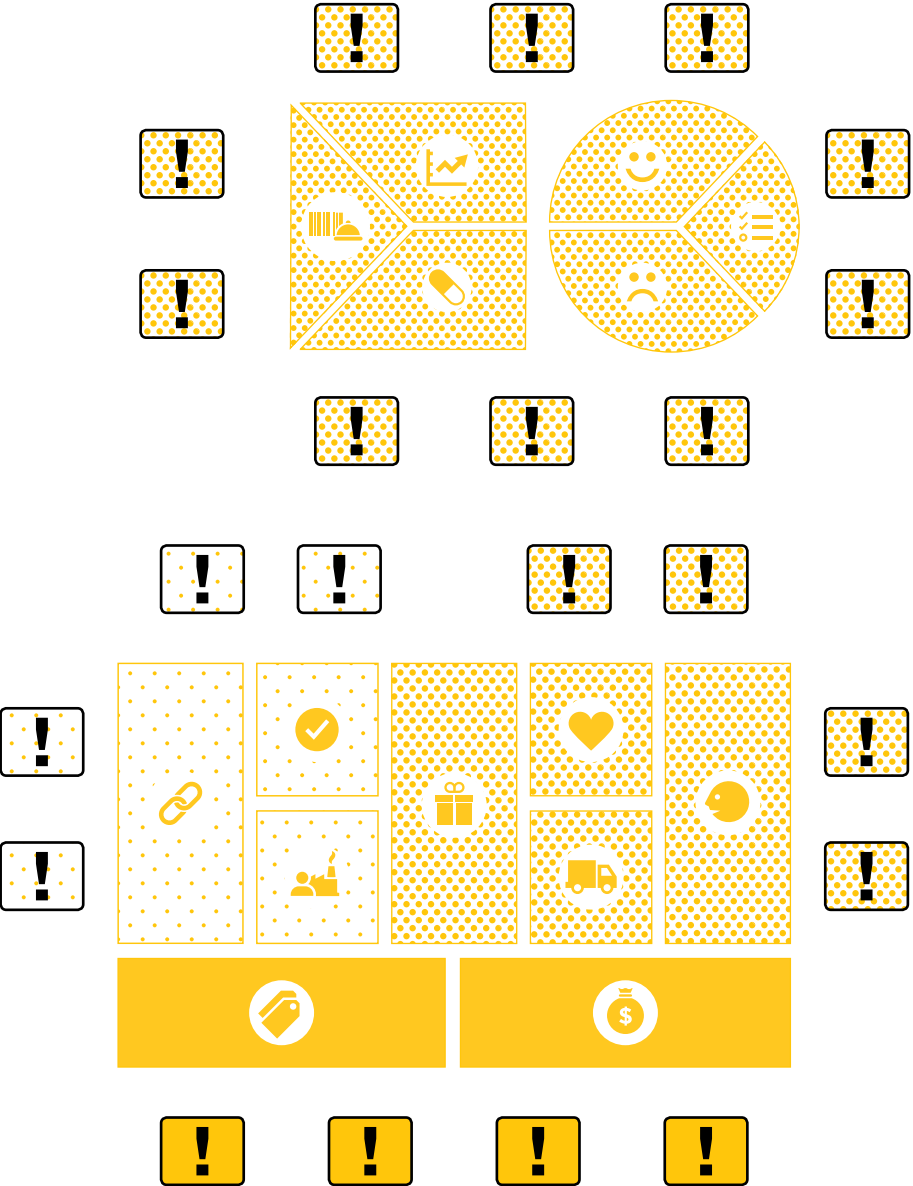
Prioritize Hypotheses
Step 2

Use the Assumptions Map to prioritize all your hypotheses in terms of importance and existence or absence of evidence that supports different types of hypotheses.

x-Axis: Evidence
On the x-axis you place all your hypotheses positioned to show how much evidence you have or don't have to support or refute a specific hypothesis. You place a hypothesis on the left if you are able to produce relevant, observable, and recent evidence to support a hypothesis. You place a hypothesis on the right if you do not have evidence and therefore will need to generate it.

y-Axis: Importance
On the y-axis you place all your hypotheses in terms of importance. Position a hypothesis at the top if it is absolutely critical for your business idea to succeed. In other words, if that hypothesis is proven wrong, your business idea will fail and all other hypotheses become irrelevant. You place a hypothesis at the bottom if it is not one of the first things you'd go out and test.

Top Left
Share
Check the top left quadrant against your evidence and share it with the team. Do these hypotheses really have observable evidence to back them up? Challenge the evidence to make sure it's good enough. Keep track of these hypotheses in your plan going forward.

Top Right
Experiment
Focus on the top right quadrant to identify which hypotheses to test first. This defines your near-term experimentation. Create experiments to address these high-risk themes in your business.
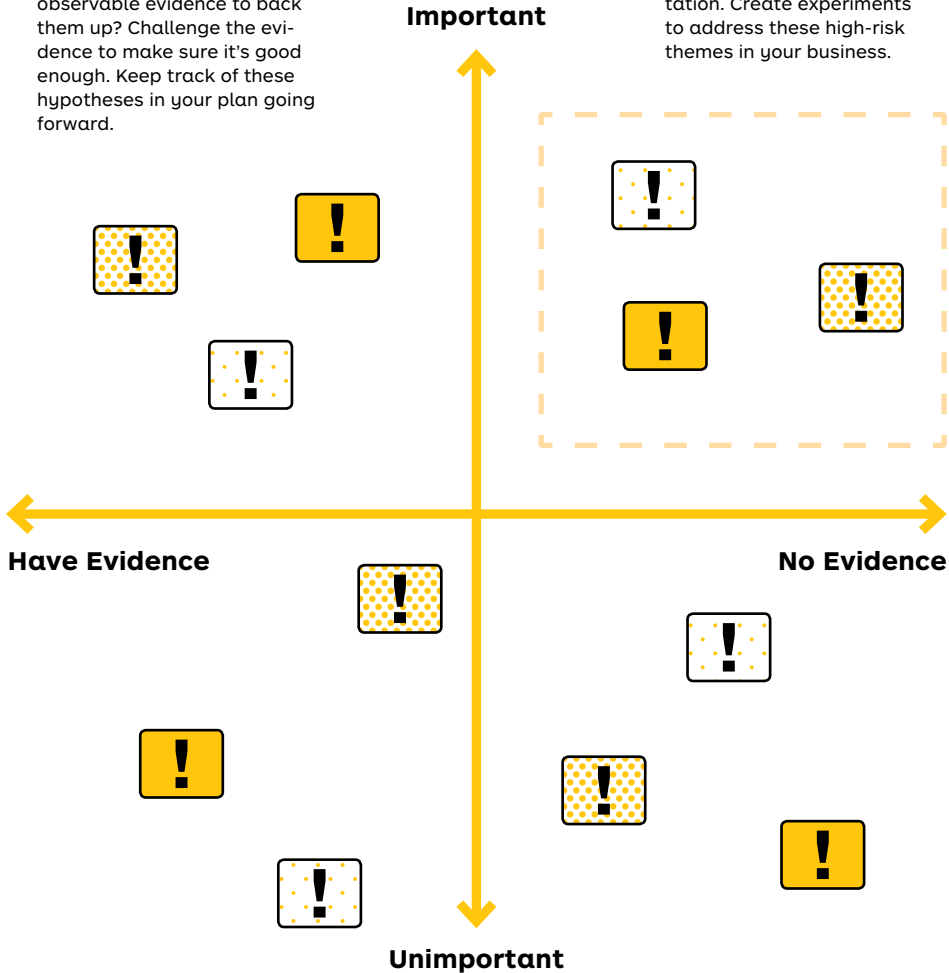
Identify and Prioritize Riskiest Hypotheses
Step 3

For the purposes of this book, the major focus will be on how to test the top right quadrant of your Assumptions Map: experiments with important hypotheses and with light evidence. These assumptions, if proven false, will cause your business to fail.

Prioritize Desirability Hypotheses
As a team, pull over each desirability hypothesis and place it on the Assumptions Map.

Prioritize Feasibility Hypotheses
Next, pull over each feasibility hypothesis and place it on the Assumptions Map.

Prioritize Viability Hypotheses
Then pull over each viability hypothesis and place it on the Assumptions Map.

Experiments

"The problem happens when you
don't put that first note down.
Just start!"

———

Herbie Hancock
Jazz musician, composer, and actor

SECTION 3 — EXPERIMENTS

3.1 — SELECT AN EXPERIMENT

Experiment Selection

Pick the right experiment by asking these three questions:
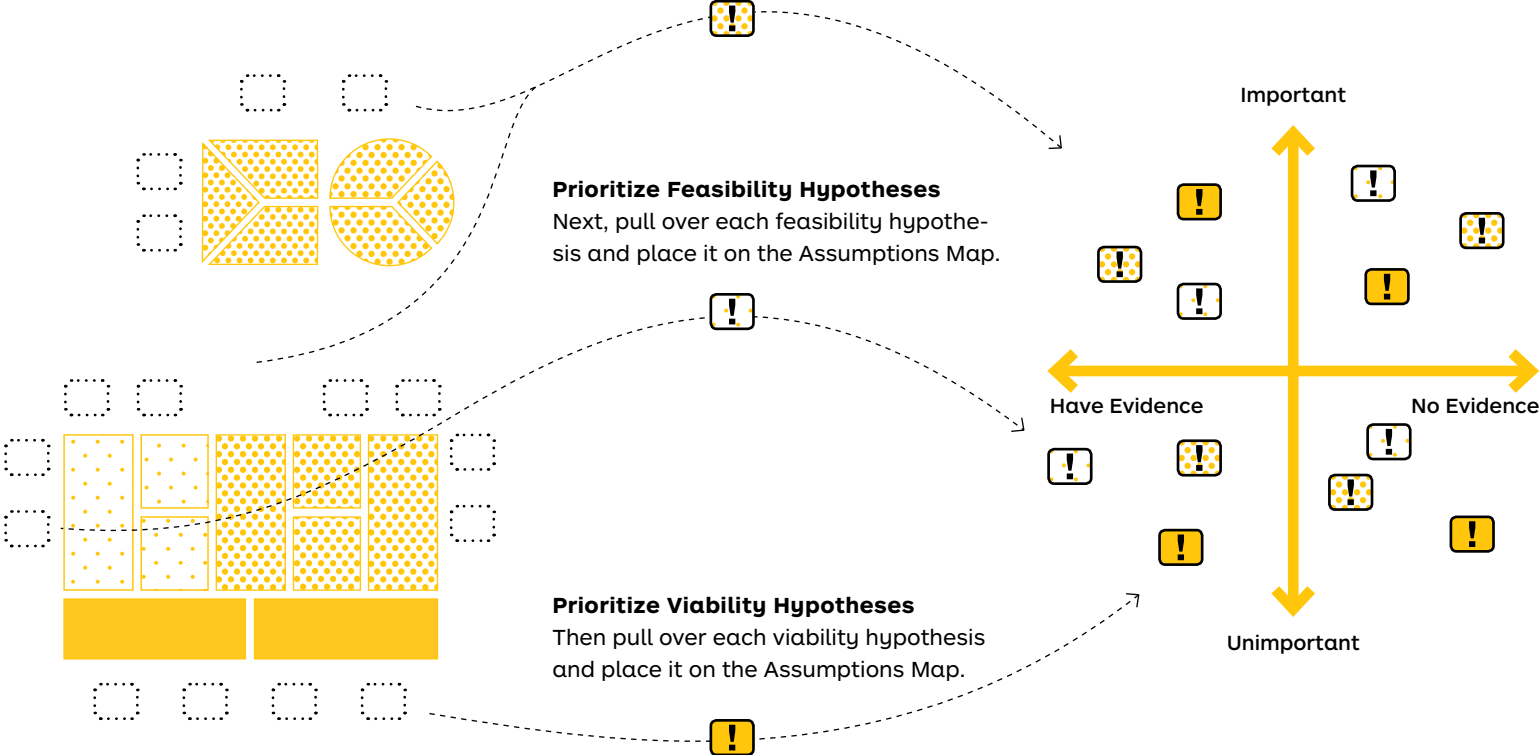
1. **Type of hypothesis: What type of hypothesis are you testing?**
   Pick experiments based on your major learning objective. Some experiments produce better evidence for desirability, some work better for feasibility, and some are more appropriate for viability.

2. **Level of uncertainty: How much evidence do you already have (for a specific hypothesis)?**
   The less you know, the less you should waste time, energy, and money. When you know little, your only goal is to produce evidence that points you in the right direction. Quick and cheap experiments are most appropriate for that goal, despite the generally weak evidence. The more you know, the stronger the evidence should become, which is usually achieved by more costly and lengthier experiments.

3. **Urgency: How much time do you have until the next major decision point or until you run out of money?**
   The selection of the right experiment may depend on the time and money you have available. If you have a major meeting with decision makers or investors coming up, you might need to use quick and cheap experiments to quickly generate evidence on multiple aspects of your idea. When you are running out of money, you need to pick the right experiments to convince decision-makers and investors to extend funding.

Experiment Name

Experiment description

⬭ ●●●●○	⚖ ●●○○○	▦ ✉ ⊘
COST	EVIDENCE STRENGTH	DESIRABILITY · FEASIBILITY · VIABILITY
⏱ ●●○○○	⏱ ●●●○○	*Experiment is ideal for*
SETUP TIME	RUN TIME	*— what it's ideal for*

*Experiment is not ideal for
— what it's not ideal for*

✂ ⬡ ⚙ ⚒ ⬓ ✎ 📢 📊

CAPABILITIES *Design, Product, Tech, Legal, Data, Sales, Marketing, Research, Finance*

SETUP / RUN TIME

⏱ ●○○○○	1–3 hours
⏱ ●●○○○	1–3 days
⏱ ●●●○○	1–3 weeks
⏱ ●●●●○	1–3 months
⏱ ●●●●●	3+ months

COST

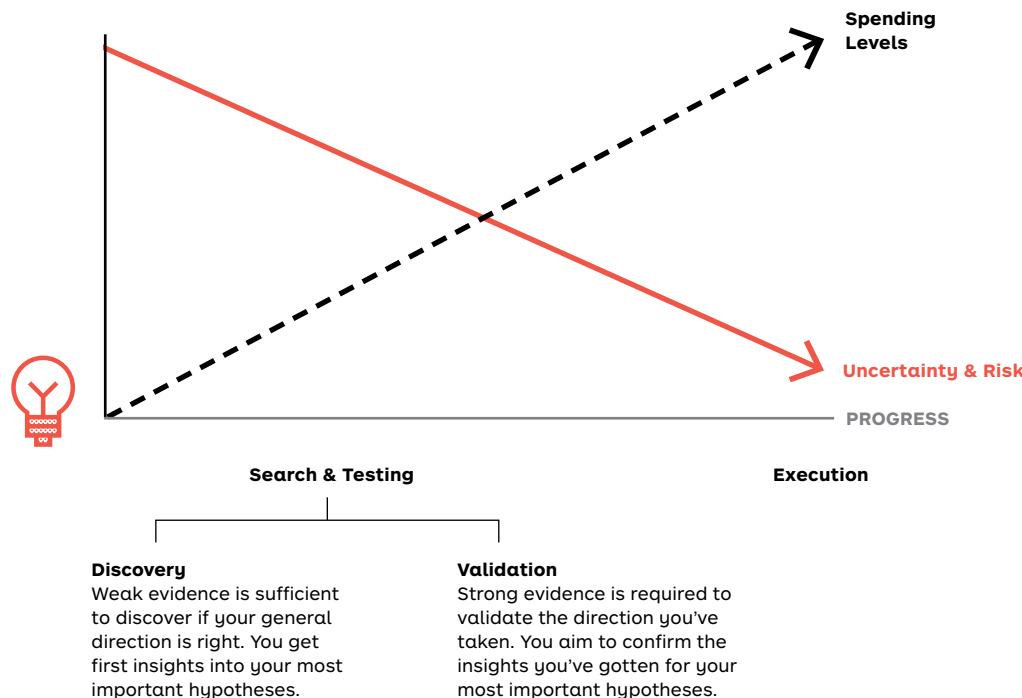| ⬭ ●○○○○	under $500
⬭ ●●○○○	$500–$1,000
⬭ ●●●○○	$1,000–$10,000
⬭ ●●●●○	$10,000–$20,000
⬭ ●●●●●	$20,000+

Rules of thumb

1. **Go cheap and fast at the beginning.**
   Early on, you generally know little. Stick to cheap and quick experiments to pinpoint the right direction. You can afford starting out with weaker evidence, because you will test more later. Ideally, you select an experiment that is cheap, fast, and still produces strong evidence.

2. **Increase the strength of evidence with multiple experiments for the same hypothesis.**
   Run several experiments to support or refute a hypothesis. Try to learn about a hypothesis as fast as possible, then run more experiments to produce stronger evidence for confirmation. Don't make important decisions based on one experiment or weak evidence.

3. **Always pick the experiment that produces the strongest evidence given your constraints.**
   Always select and design the strongest experiment you can, while respecting the context. When uncertainty is high you should go fast and cheap, but that doesn't necessarily mean you can't produce strong evidence.

4. **Reduce uncertainty as much as you can before you build anything.**
   People often think they need to build something to start testing an idea. Quite the contrary. The higher the costs to build something, the more you need to run multiple experiments to show that customers actually have the jobs, pains, and gains you think they have.

Spending Levels

Uncertainty & Risk

PROGRESS

Search & Testing

Execution

Discovery
Weak evidence is sufficient to discover if your general direction is right. You get first insights into your most important hypotheses.

Validation
Strong evidence is required to validate the direction you've taken. You aim to confirm the insights you've gotten for your most important hypotheses.

Discovery Experiments

Ask these three questions

1. **What type of hypothesis are you testing?**
2. **How much evidence do you already have (for a specific hypothesis)?**
3. **How much time do you have until the next major decision point or until you run out of money?**

Rules of thumb

1. **Go cheap and fast early on in your journey.**
2. **Increase the strength of evidence with multiple experiments for the same hypothesis.**
3. **Always pick the experiment that produces the strongest evidence, given your constraints.**
4. **Reduce uncertainty as much as you can before you build anything.**

COST ●○○○○   ●●●●●

AVG. TIME   1.5   2   2.5   3   3.5   4

EXPERIMENTS

SELECT AN EXPERIMENT

EVIDENCE STRENGTH   2   2.5   3   3.5   4   4.5   5

Storyboard *p. 186* D · F · V

Product Box *p. 214* D · F · V

Speed Boat *p. 218* D · F · V

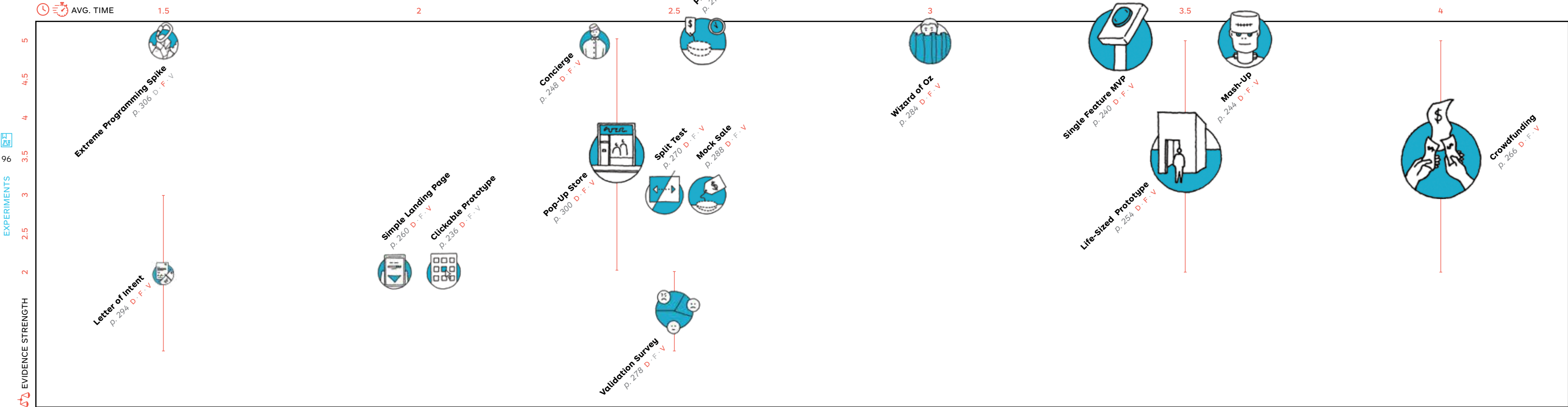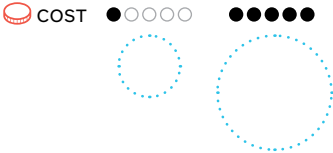**Card Sorting** *p. 222* D · F · V

Buy a Feature *p. 226* D · F · V

Boomerang *p. 204* D · F · V

Data Sheet *p. 190* D · F · V

Link Tracking *p. 152* D · F · V

Search Trend Analysis *p. 126* D · F · V

Paper Prototype *p. 182* D · F · V

Customer Interviews *p. 106* D · F · V

Feature Stub *p. 156* D · F · V

Partner & Supplier Interviews *p. 114* D · F · V

Expert Stakeholder Interviews *p. 115* D · F · V

Online Ad *p. 146* D · F · V

A Day in the Life *p. 116* D · F · V

Email Campaign *p. 162* D · F · V

Brochure *p. 194* D · F · V

Customer Support Analysis *p. 142* D · F · V

Sales Force Feedback *p. 138* D · F · V

Discussion Forums *p. 134* D · F · V

Discovery Survey *p. 122* D · F · V

3D Print *p. 176* D · F · V

Pretend to Own *p. 208* D · F · V

Explainer Video *p. 200* D · F · V

Referral Program *p. 172* D · F · V

Web Traffic Analysis *p. 130* D · F · V

Social Media Campaign *p. 168* D · F · V

Validation Experiments

COST ●○○○○   ●●●●●

96   97

EXPERIMENTS

SELECT AN EXPERIMENT

EVIDENCE STRENGTH

AVG. TIME   1.5   2   2.5   3   3.5   4

5   4.5   4   3.5   3   2.5   2

Extreme Programming Spike
P. 306 D · F · V

Letter of Intent
P. 294 D · F · V

Simple Landing Page
P. 260 D · F · V

Clickable Prototype
P. 236 D · F · V

Concierge
P. 248 D · F · V

Pop-Up Store
P. 300 D · F · V

Split Test
P. 270 D · F · V

Mock Sale
P. 288 D · F · V

Presale
P. 274 D · F · V

Validation Survey
P. 278 D · F · V

Wizard of Oz
P. 284 D · F · V

Single Feature MVP
P. 240 D · F · V

Mash-Up
P. 244 D · F · V

Life-Sized Prototype
P. 254 D · F · V
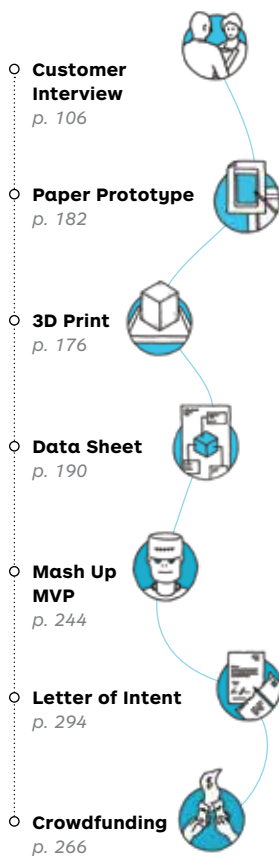
Crowdfunding
P. 266 D · F · V

DEFINITION

Experiment Sequences

Go beyond pairing with experimentation sequences.

Once you've turned your insights into action, it's time to move on and throw the experiment away, correct? Well, not necessarily. As illustrated in the pairings for each experiment, there are experiments you can run before, during, and after. But what about a sequence of experiments? Great teams are able to gain momentum and build up stronger evidence over time with a series of experiments.
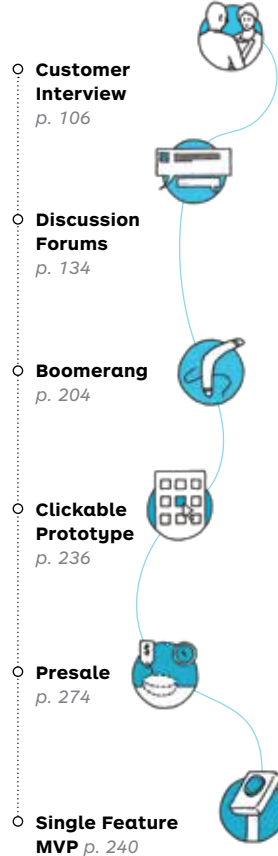
B2B Hardware Sequence

B2B hardware companies search for evidence of customers already hacking together their own solutions to a problem. They use this to inform their design to do the job even better. Then they test it out quickly by integrating standard components with potential customers and crowdfunding it if the signal is strong.

○ **Customer Interview** *p. 106*
○ **Paper Prototype** *p. 182*
○ **3D Print** *p. 176*
○ **Data Sheet** *p. 190*
○ **Mash Up MVP** *p. 244*
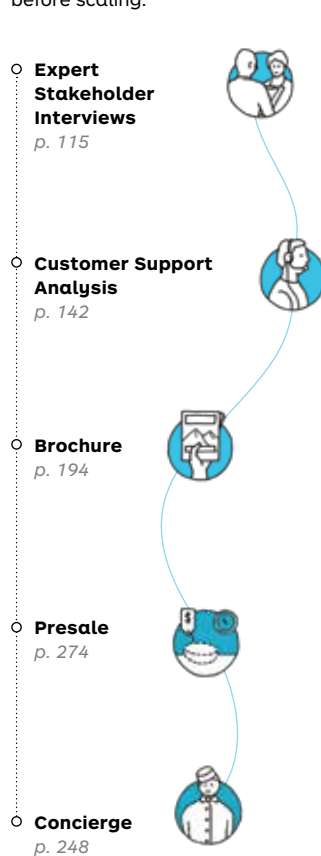○ **Letter of Intent** *p. 294*
○ **Crowdfunding** *p. 266*

B2B Software Sequence

B2B software companies look for opportunities where employees are mandated to use subpar software. Many have disrupted incumbents simply by observing where their deficiencies exist and then designing a better experience that solves for a high value customer job, using modern technology.

○ **Customer Interview** *p. 106*
○ **Discussion Forums** *p. 134*
○ **Boomerang** *p. 204*
○ **Clickable Prototype** *p. 236*
○ **Presale** *p. 274*
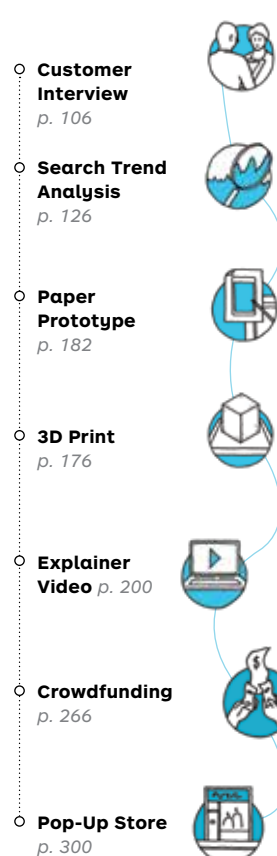○ **Single Feature MVP** *p. 240*

B2B Services Sequence

B2B services companies often interview stakeholders to research the cost of poorly designed processes and services. They analyze customer support data to see if this is reflected in other areas within the company. Afterward, they create a brochure to communicate the improvement and then deliver the service manually to a handful of customers before scaling.

○ **Expert Stakeholder Interviews** *p. 115*
○ **Customer Support Analysis** *p. 142*
○ **Brochure** *p. 194*
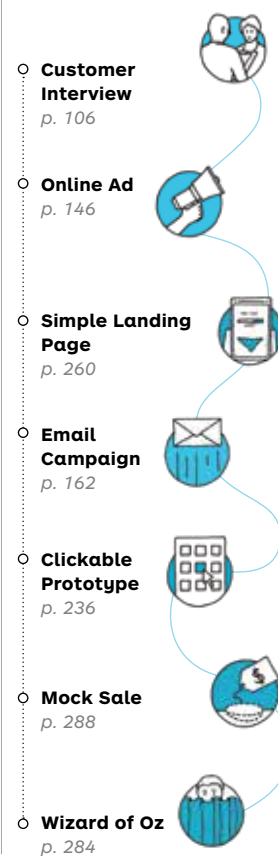○ **Presale** *p. 274*
○ **Concierge** *p. 248*

B2C Hardware Sequence

Consumer hardware companies have more options now than ever before. They can create Explainer Videos on how their new product will solve an existing problem, then rapidly build using standard hardware components. They can eventually crowdfund the build and distribute to the customer through retail or direct.

○ **Customer Interview** *p. 106*
○ **Search Trend Analysis** *p. 126*
○ **Paper Prototype** *p. 182*
○ **3D Print** *p. 176*
○ **Explainer Video** *p. 200*
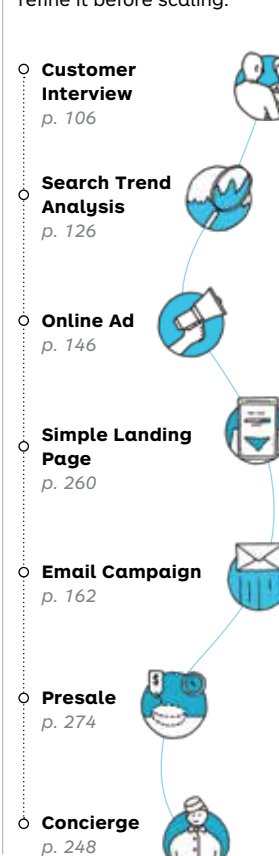○ **Crowdfunding** *p. 266*
○ **Pop-Up Store** *p. 300*

B2C Software Sequence

The rise of the Internet, open source software, and tools have catapulted new software companies into global markets. Smart B2C companies use the words of their customers in their content to increase conversions. They rapidly prototype experiences and even deliver the value manually before building the product.

○ **Customer Interview** *p. 106*
○ **Online Ad** *p. 146*
○ **Simple Landing Page** *p. 260*
○ **Email Campaign** *p. 162*
○ **Clickable Prototype** *p. 236*
○ **Mock Sale** *p. 288*
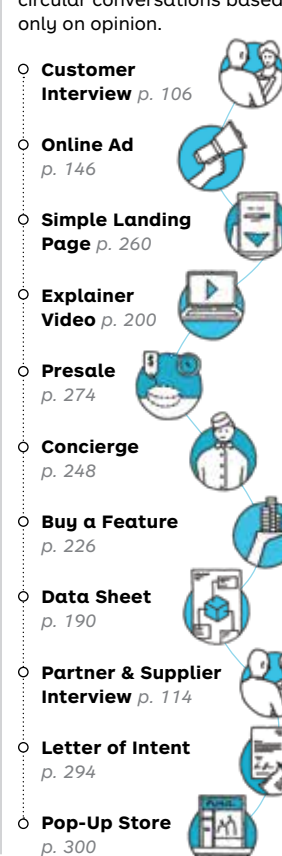○ **Wizard of Oz** *p. 284*

B2C Services Sequence

B2C services companies start in a specific region by interviewing customers and looking for search volume to determine interest. They can quickly launch ads that drive regional customers to their landing page, then follow it up with an email campaign. Once they've conducted a few presales, B2C services can deliver the value manually to refine it before scaling.

○ **Customer Interview** *p. 106*
○ **Search Trend Analysis** *p. 126*
○ **Online Ad** *p. 146*
○ **Simple Landing Page** *p. 260*
○ **Email Campaign** *p. 162*
○ **Presale** *p. 274*
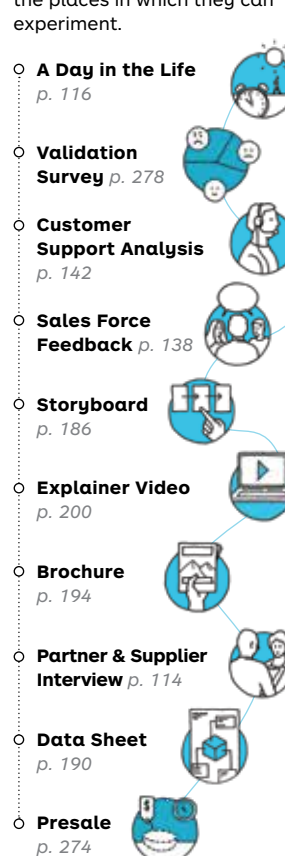○ **Concierge** *p. 248*

B2B2C with B2C Experimentation Sequence

B2B2C companies are in a unique position to use experimentation to inform the supply chain. Many companies we work with go directly to the consumer with their experiments, generate evidence, and then use it in negotiations with their B2B partners. The presence of evidence helps provide leverage, instead of circular conversations based only on opinion.

○ **Customer Interview** *p. 106*
○ **Online Ad** *p. 146*
○ **Simple Landing Page** *p. 260*
○ **Explainer Video** *p. 200*
○ **Presale** *p. 274*
○ **Concierge** *p. 248*
○ **Buy a Feature** *p. 226*
○ **Data Sheet** *p. 190*
○ **Partner & Supplier Interview** *p. 114*
○ **Letter of Intent** *p. 294*
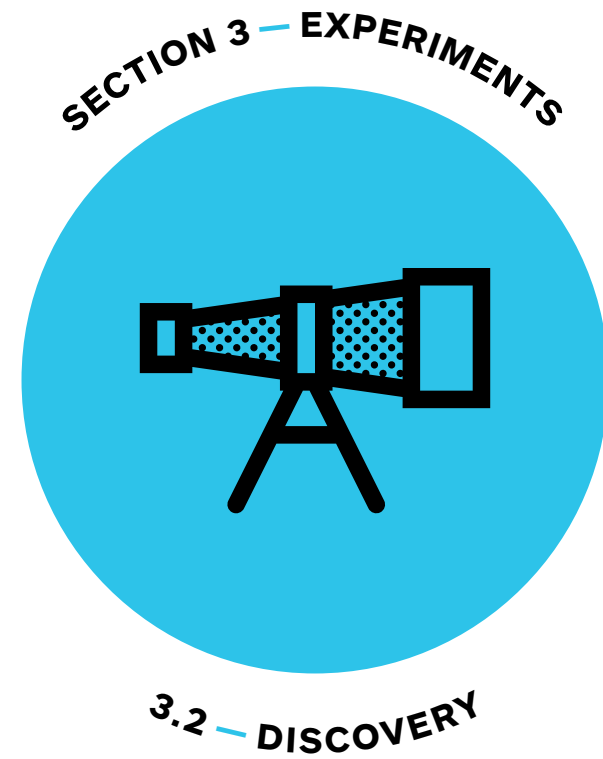○ **Pop-Up Store** *p. 300*

Highly Regulated Sequence

Contrary to popular belief, highly regulated companies can also use experimentation. They need to do so within the constraints of the system and be mindful that not all testing activities involve a catastrophic degree of risk. Companies carve out the extremely high risk areas they are not willing to experiment on and then go after the places in which they can experiment.
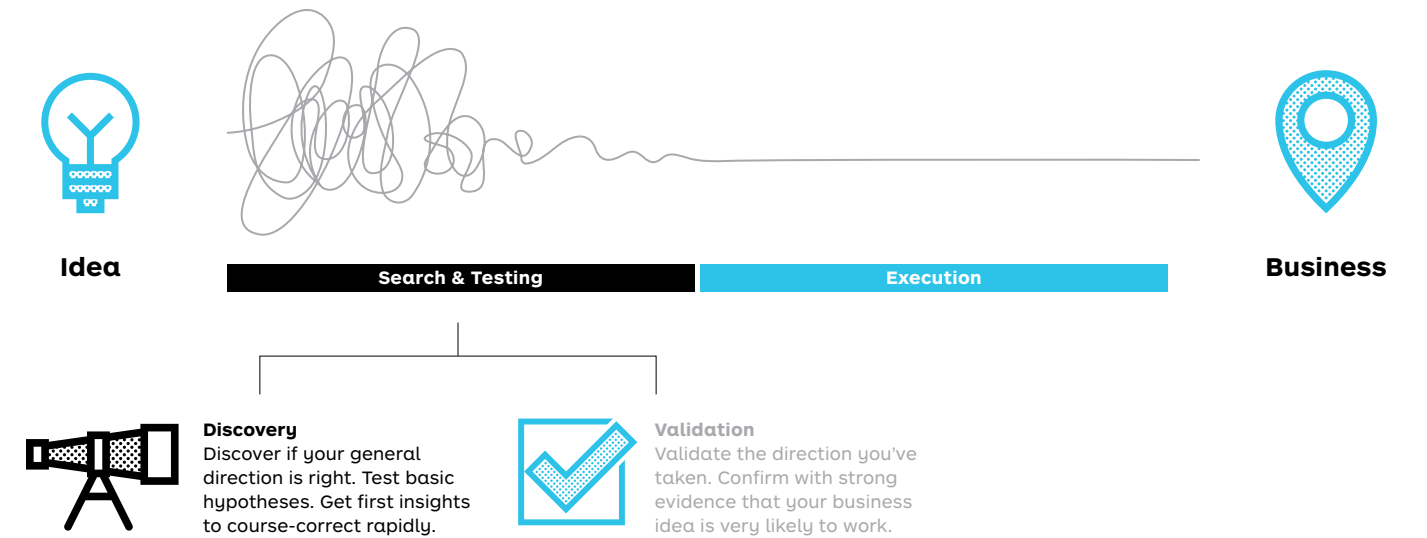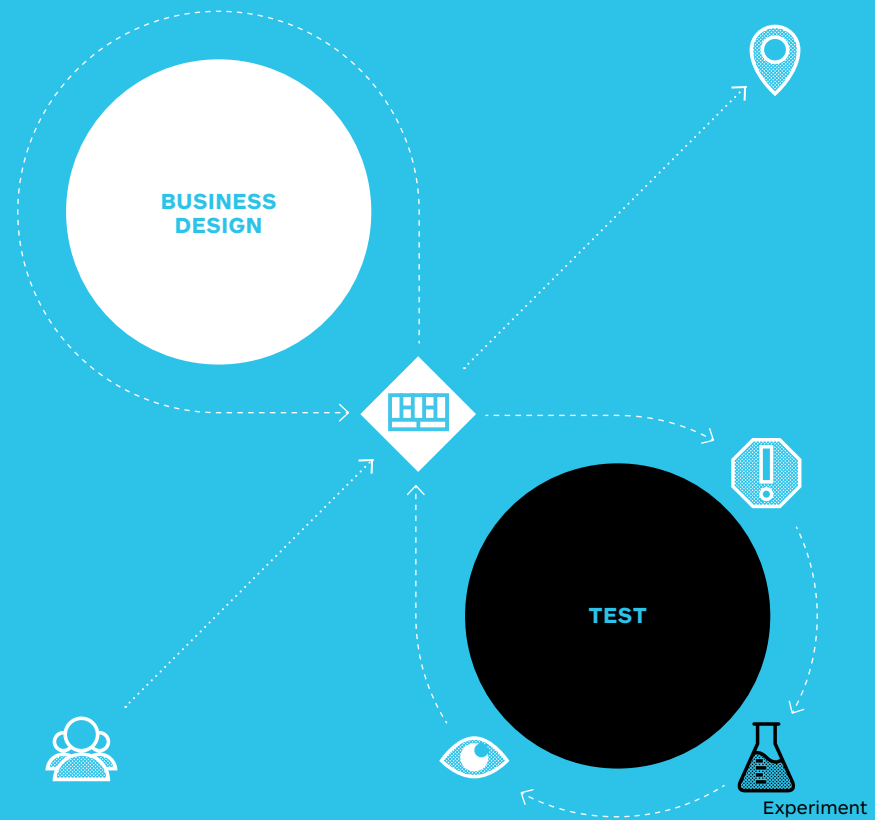
○ **A Day in the Life** *p. 116*
○ **Validation Survey** *p. 278*
○ **Customer Support Analysis** *p. 142*
○ **Sales Force Feedback** *p. 138*
○ **Storyboard** *p. 186*
○ **Explainer Video** *p. 200*
○ **Brochure** *p. 194*
○ **Partner & Supplier Interview** *p. 114*
○ **Data Sheet** *p. 190*
○ **Presale** *p. 274*

"Knowing your customer
inside and out is mission-critical,
and it takes time."

Sallie Krawcheck
Founder, Ellevest

SECTION 3 — EXPERIMENTS

3.2 — DISCOVERY

BUSINESS DESIGN

TEST

Experiment

Idea

Search & Testing

Execution

Business

Discovery
Discover if your general direction is right. Test basic hypotheses. Get first insights to course-correct rapidly.

Validation
Validate the direction you've taken. Confirm with strong evidence that your business idea is very likely to work.

DISCOVERY / INTEREST DISCOVERY

Email Campaign

Email messages that are deployed across a specific period of time to customers.

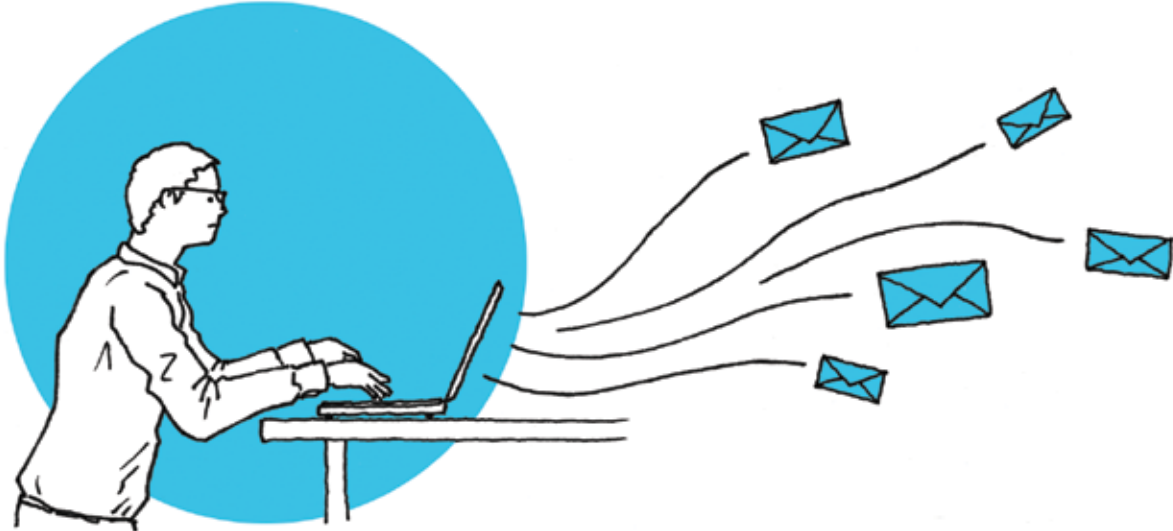|		
⬤○○○○ **COST**	⬤⬤⬤○○ **EVIDENCE STRENGTH**	
⬤⬤○○○ **SETUP TIME**	⬤⬤⬤○○ **RUN TIME**	

DESIRABILITY · FEASIBILITY · VIABILITY

Email campaigns are ideal for quickly testing your value proposition with a customer segment.

Email campaigns are not ideal as a replacement for face-to-face customer interaction.

CAPABILITIES *Design / Product / Marketing*

Prepare

☐ Define your email campaign goal.

☐ Create your series of "drip emails" to incrementally deliver value to the customer over a period of days or weeks.

☐ Send test emails internally to review content and images.

Execute

☐ Run your email campaign with customers.

☐ Be responsive to customers who reply.

Analyze

☐ Analyze which emails are performing best.

☐ What type of content is driving the most opens?

☐ What type of content is driving the most clicks?

☐ What type of content is driving the most reply emails?

☐ Recap with your team and decide what revisions you'd like to make for your next campaign.

Cost

Email campaigns are relatively cheap: there are several services that make it cost effective to manage the creation, distribution, and analysis of emails across large numbers of subscribers.

Setup Time

Using today's email tools, it only takes minutes to a few hours to craft an email campaign. You can create auto-drip emails to send on a schedule over time without manually having to intervene.

Run Time

Depending on the nature of the email campaign, it can take 1–2 days or 3–4 weeks.

Evidence Strength

Opens
Clicks
Bounces
Unsubscribes

Open rate = unique clicks divided by the number of unique opens.

Click rate = percentage of people who clicked on at least one link in your email message.

Open and click rates vary by industry. Use industry guidelines to determine what the average is for your experiment. They can be found in most email service tools as part of the reports package.
   Email opens and clicks are an average strength of evidence.

Capabilities

Design / Product / Marketing

Email campaigns are relatively easy to create and manage now that many dedicated tools and services exist. You'll still need to be able to write clear, coherent copy with compelling images and a strong call to action. Much of the formatting can be taken care of by online templates.
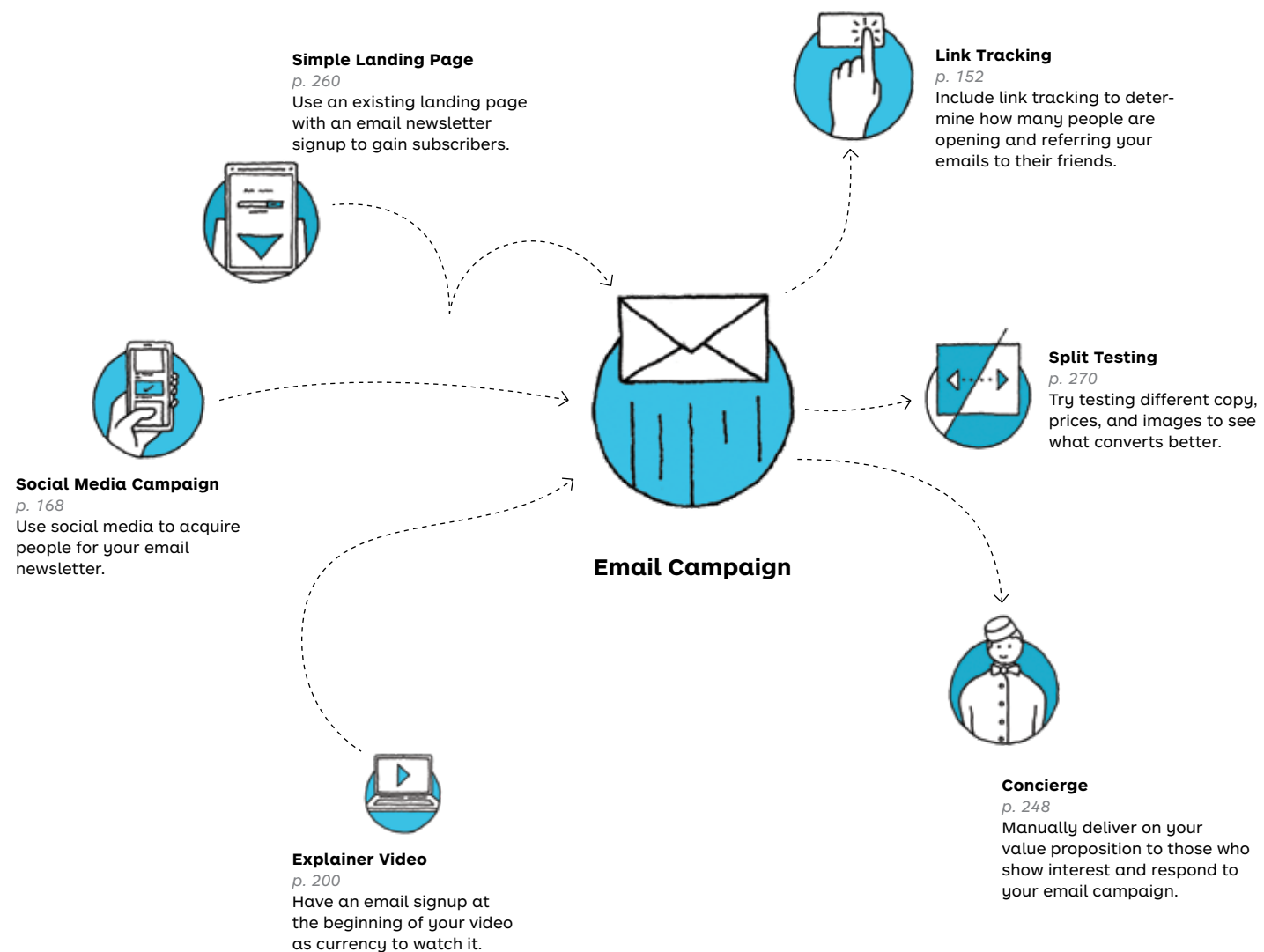
Requirements

Subscriber List

Email campaigns require subscribers before you can effectively use them. You can acquire subscribers from a number of different sources including:

• Social media campaigns
• Website signup
• Blog posts with email signup
• Word of mouth
• Discussion forums

Campaign Goal

Email campaigns need a goal, otherwise you can't be confident that it's helping you make progress. Goals can vary from driving traffic to a page for conversions, onboarding new customers, building trust, and learning customers needs to re-engaging existing or lost customers. Create a goal before putting in the effort to create the email campaign.

Simple Landing Page
p. 260
Use an existing landing page with an email newsletter signup to gain subscribers.

Social Media Campaign
p. 168
Use social media to acquire people for your email newsletter.

Explainer Video
p. 200
Have an email signup at the beginning of your video as currency to watch it.

Email Campaign

Link Tracking
p. 152
Include link tracking to determine how many people are opening and referring your emails to their friends.

Split Testing
p. 270
Try testing different copy, prices, and images to see what converts better.

Concierge
p. 248
Manually deliver on your value proposition to those who show interest and respond to your email campaign.

EMAIL CAMPAIGN
Share, Discover, Discuss New Products
Product Hunt

Product Hunt is a website that lets users share and discover new products. The website has grown tremendously over the years since it's inception in 2013. Product Hunt has become the place to launch your new product, but curiously enough it all started off in a Philz Coffee as a 20-minute experiment by Ryan Hoover, mainly using email.

Hypothesis
Ryan believed that product people would join an online community to share, discover, and discuss new and interesting products.

Experiment
Creating the first version of Product Hunt as an email campaign.
In only 20 minutes, Ryan created a group on Linkydink, a link-sharing tool built by the folks over at Makeshift. At the time, it allowed people to share links with a group and send them out as a daily email. He then invited a few of his startup friends to contribute to the group. To promote it, Ryan announced the experiment on Quibb (a technology focused, online community) and Twitter.

Evidence
Opens, clicks and shares.
Within two weeks, over 200 people had subscribed to product discoveries from 30 hand-picked contributors, consisting of startup founders, venture capitalists, and prominent bloggers.
    Ryan also received several unsolicited emails and in-person conversations expressing their love and support of the project.

Insights
There is a there, there.
The response was overwhelmingly positive and unlike most email that is opened and clicked (or not), Ryan had an audience openly contributing and sharing links over email. He had built up a network over the years of hungry entrepreneurs and product people. Clearly there was an unmet need of a community for product enthusiasts, based on the sheer volume of activity from his email list.

Actions
Turning user behavior from email into a platform.
Ryan used what he learned from the experiment to inform the design and technology of Product Hunt as a community platform.
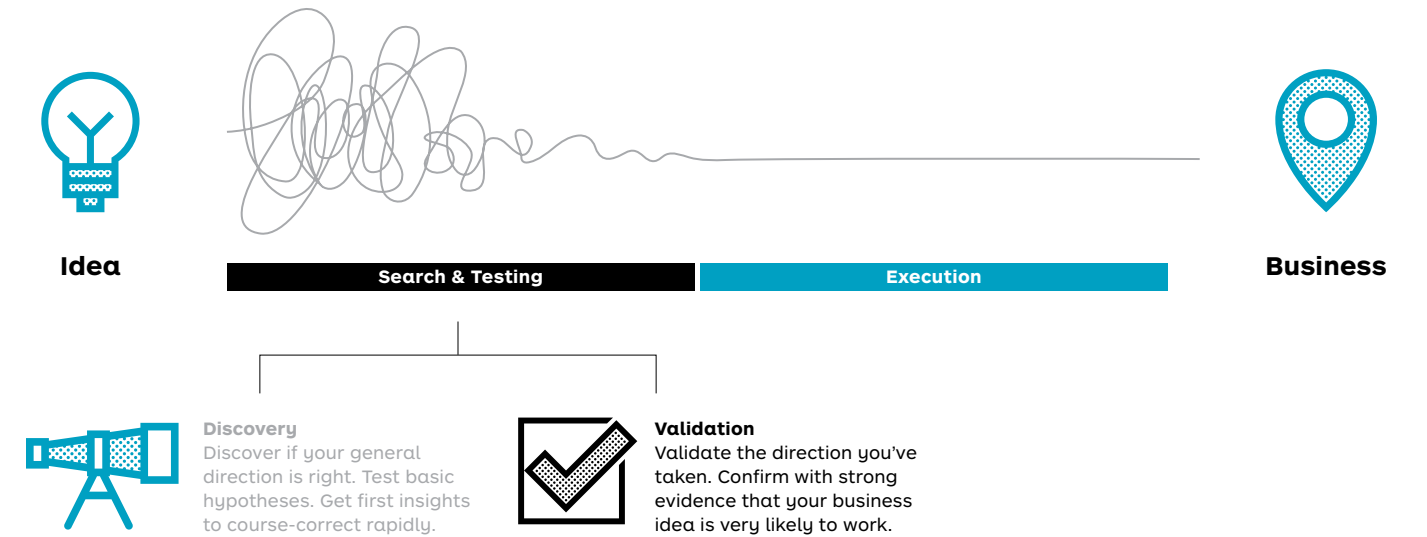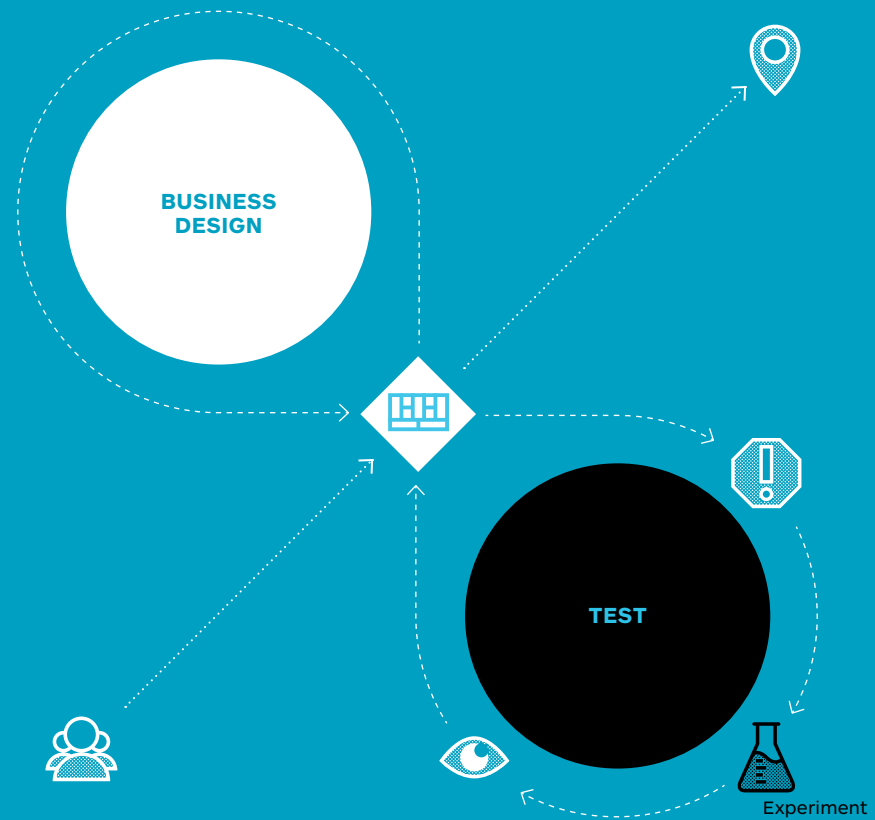   Since then, Product Hunt graduated from Y Combinator (YC S14) and was acquired by AngelList for a reported $20 million in 2016. It's become the place where makers and startups launch their new product to a global community of founders, journalists, investors, and enthusiastic people in technology.

"Invention is not disruptive.
Only customer adoption
is disruptive."

———

Jeff Bezos
Entrepreneur and philanthropist,
founder of Amazon.com

BUSINESS DESIGN

TEST

Experiment

Idea

Search & Testing	Execution

Business

Discovery
Discover if your general direction is right. Test basic hypotheses. Get first insights to course-correct rapidly.

Validation
Validate the direction you've taken. Confirm with strong evidence that your business idea is very likely to work.

Validation Experiments

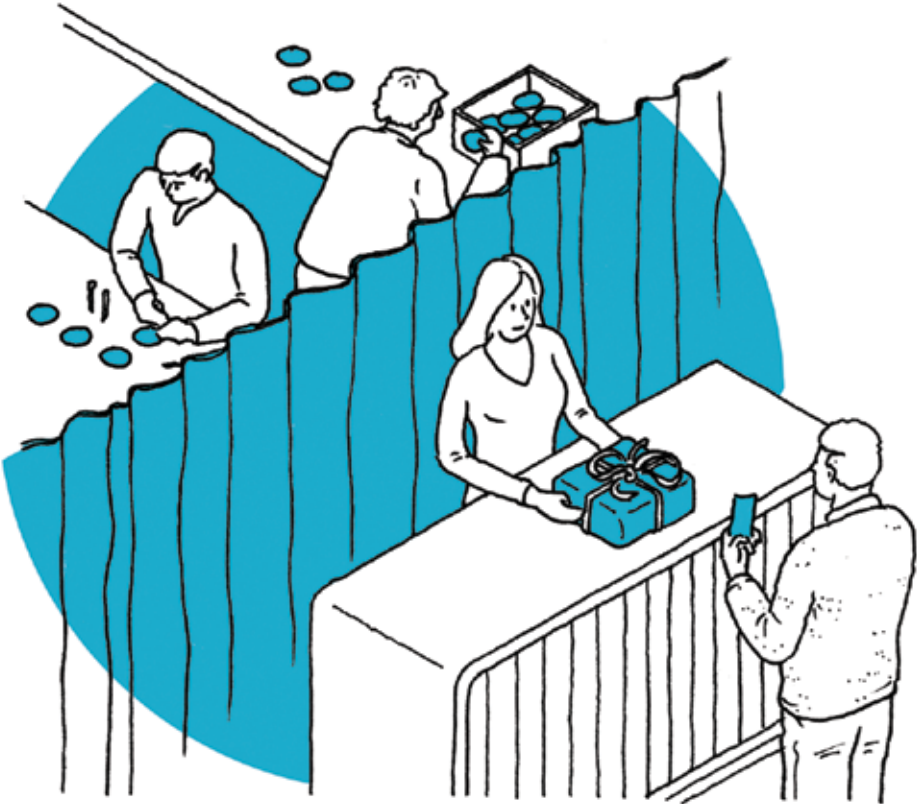| TYPE	EXPERIMENT	COST	SETUP TIME	RUN TIME	EVIDENCE STRENGTH	THEME
Interaction Prototypes	Clickable Prototype *p. 236*	●●○○○	●●○○○	●●○○○	●●○○○	DESIRABILITY · FEASIBILITY · VIABILITY
	Single Feature MVP *p. 240*	●●●●○	●●●○○	●●●●○	●●●●●	DESIRABILITY · FEASIBILITY · VIABILITY
	Mash-Up *p. 244*	●●●○○	●●●○○	●●●●○	●●●●●	DESIRABILITY · FEASIBILITY · VIABILITY
	Concierge *p. 248*	●○○○○	●●○○○	●●●○○	●●●●●	DESIRABILITY · FEASIBILITY · VIABILITY
	Life-Sized Prototype *p. 254*	●●●●●	●●●●○	●●●○○	●●○○○	DESIRABILITY · FEASIBILITY · VIABILITY
Call to Action	Simple Landing Page *p. 260*	●●○○○	●●○○○	●●●○○	●●○○○	DESIRABILITY · FEASIBILITY · VIABILITY
	Crowdfunding *p. 266*	●●●●●	●●●●○	●●●●●	●●○○○	DESIRABILITY · FEASIBILITY · VIABILITY
	Split Test *p. 270*	●●○○○	●●○○○	●●●○○	●●●○○	DESIRABILITY · FEASIBILITY · VIABILITY
	Presale *p. 274*	●●●○○	●●●○○	●●●○○	●●●●●	DESIRABILITY · FEASIBILITY · VIABILITY
	Validation Survey *p. 278*	●●○○○	●●○○○	●●●○○	●○○○○	DESIRABILITY · FEASIBILITY · VIABILITY
Simulation	Wizard of Oz *p. 284*	●●○○○	●●●○○	●●●○○	●●●●●	DESIRABILITY · FEASIBILITY · VIABILITY
	Mock Sale *p. 288*	●○○○○	●○○○○	●●●○○	●●●○○	DESIRABILITY · FEASIBILITY · VIABILITY
	Letter of Intent *p. 294*	●○○○○	●○○○○	●●○○○	●●○○○	DESIRABILITY · FEASIBILITY · VIABILITY
	Pop-Up Store *p. 300*	●●●●○	●●●○○	●●●○○	●●●○○	DESIRABILITY · FEASIBILITY · VIABILITY
	Extreme Programming Spike *p. 306*	●●○○○	●○○○○	●●○○○	●●●●●	DESIRABILITY · FEASIBILITY · VIABILITY

DISCOVERY / INTERACTION PROTOTYPE

Concierge

Creating a customer experience and delivering value manually, with people instead of using technology. Unlike Wizard of Oz, the people involved are obvious to the customer.

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COST	EVIDENCE STRENGTH
🕐 ●●○○○	⏱ ●●●○○
SETUP TIME	RUN TIME

DESIRABILITY · FEASIBILITY · VIABILITY

Concierge is ideal for learning firsthand about steps needed to create, capture, and deliver value to a customer.

Concierge is not ideal for scaling a product or business.

CAPABILITIES *Design / Product / Technology / Legal / Marketing*

Prepare
☐ Plan the steps of creating the product manually.
☐ Create a board to track the orders and steps needed.
☐ Test the steps with someone first to make sure they work.
☐ If taking orders on the web, make sure analytics are integrated. Otherwise, document the numbers on grid paper or excel.

Execute
☐ Receive orders for the concierge experiment.
☐ Conduct the concierge experiment.
☐ Document how long it takes to complete the tasks.
☐ Gather feedback from customers with interviews and surveys.

Analyze
☐ Review your customer feedback.
☐ Review your metrics for:
• Length of time for task completion.
• Where you experienced delays in the process.
• How many purchased.
☐ Use these findings to improve your next concierge experiment and to help inform where to automate the process.

Cost

As long as you keep the concierge experiments small and simple, they are cheap to run, mostly because you are doing all of the work manually with little to no technology involved. If you try to scale the experiment or make it overly complex, it'll increase the cost.

Setup Time

Setting up a concierge experiment takes a bit longer than other rapid prototyping techniques, because you have to manually plan out all of the steps and acquire customers for it.

Run Time

Running a concierge experiment can take days to weeks, depending on how complex the process is and how many customers you involve in the experiment. It generally takes longer than other rapid prototyping techniques.

Evidence

Customer satisfaction

Customer quotes and feedback on how satisfied they were after receiving the output from your experiment.

Customer satisfaction evidence is strong in this case because you are asking for feedback after the value was delivered to the customer, instead of a hypothetical situation.

# of purchases

Customer purchases from the concierge experiment. What are they willing to pay for a manual experience?

Payments are strong evidence, even if you are manually delivering value.

Time it takes to complete the process

Lead time is the total time measured from customer request to when the order was delivered.

Cycle time is the amount of time spent working on the request. It does not include the time the request sits idle before action was taken on it.

The time it takes for you to complete the concierge experiment is very strong, in that it gives you firsthand knowledge of the steps needed to receive a request and deliver value to a customer.
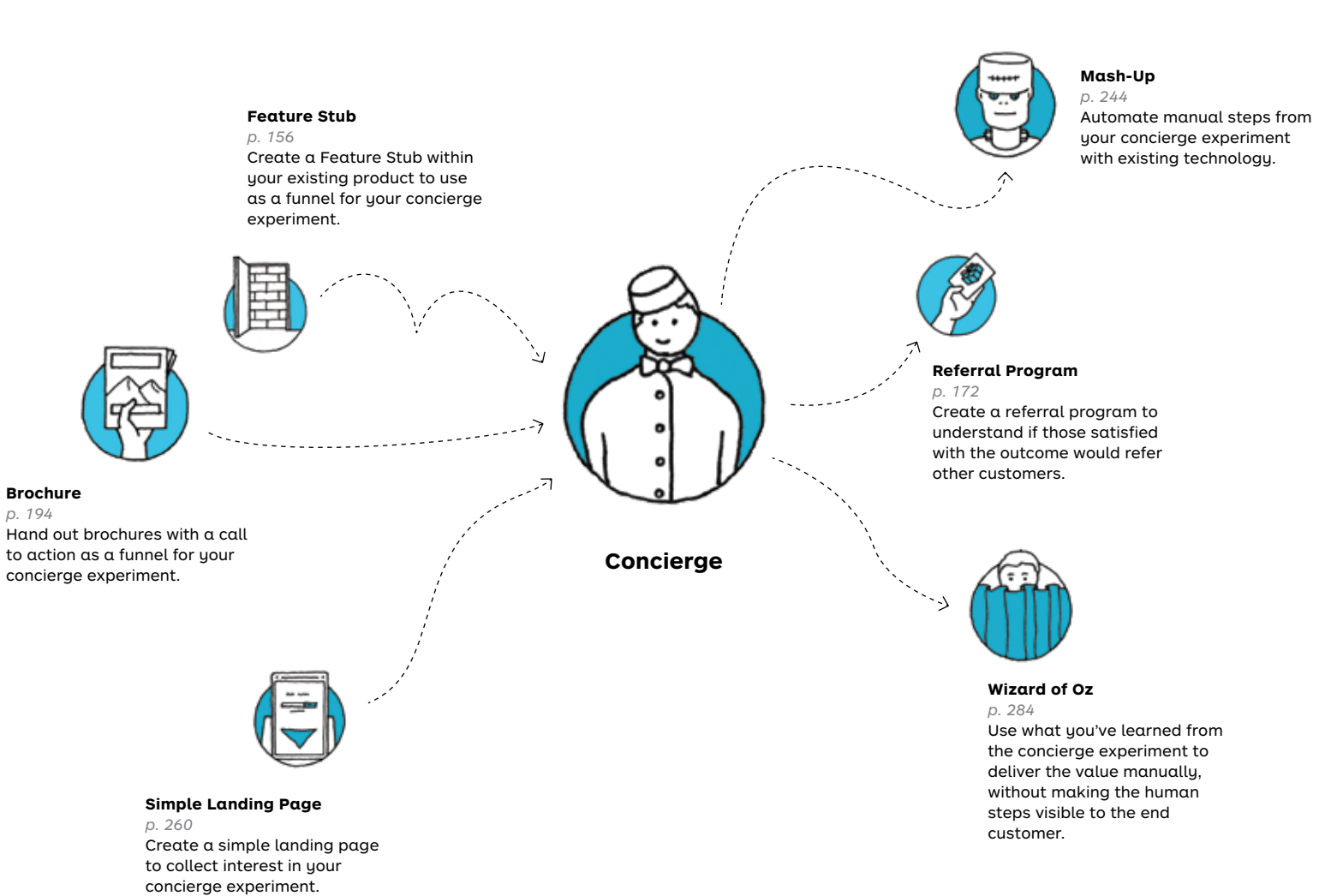
Capabilities

Design / Technology / Product / Marketing / Legal

You'll need all of the capabilities to manually create and deliver the product to the customer. This is very context specific, depending on whether you are delivering a physical or digital product or service to the end customer.

Requirements

Time

The biggest requirement for a concierge test is time. Your time. The team's time. If you do not make time to run this experiment, it will be frustrating for both you and the customer. Be sure to plan when you will run the Concierge experiment and clear your schedule so that you can give it the attention it will need.

Feature Stub
p. 156
Create a Feature Stub within your existing product to use as a funnel for your concierge experiment.

Mash-Up
p. 244
Automate manual steps from your concierge experiment with existing technology.

Referral Program
p. 172
Create a referral program to understand if those satisfied with the outcome would refer other customers.

Brochure
p. 194
Hand out brochures with a call to action as a funnel for your concierge experiment.

Concierge

Simple Landing Page
p. 260
Create a simple landing page to collect interest in your concierge experiment.

Wizard of Oz
p. 284
Use what you've learned from the concierge experiment to deliver the value manually, without making the human steps visible to the end customer.

CONCIERGE
Buying and Selling a Home
Realtor.com

Realtor.com is a real estate listings web-site operated by Move, Inc. out of Santa Clara, California. It provides buyers and sellers with the information, tools and pro-fessional expertise they need throughout the home journey.

As realtor.com teams spoke with people who were looking to sell their home, one of the problems commonly heard was the struggle with timing the process of selling a house with buying a new one. When people move, they end up moving to another zip code or other cities or even other states.

The idea was to aggregate and show the market insights for them with the two markets side by side. Would that be useful for them? Would we extend that into a real feature?

Hypothesis
The realtor.com team believed that sellers on their site who are looking to sell within the next year will also be buying at the same time.

Experiment
Concierge delivery of PDF insights.
The team did a simple concierge experiment that was triggered by a call to action. When clicked, the modal window highlighting a value proposition for insights on timing your ability to buy and sell at the same time appeared. Users would then click through a series of questions. Once complete, Dave Masters (the product manager) manually created the output by piecing together insights from other parts found throughout Realtor.com into a PDF.

Dave would then individually email these PDFs out to the users who signed up. Additionally in his email to them, Dave added a meeting link to further connect to these users in hopes to learn more and see how we could help.

Evidence
80 signups in just a few minutes.
It surpassed expectations quite quickly. Based on site statistical data, the team had estimated that it would generate 30 signups within 3 hours. It generated more than 80 signups in a few minutes, faster than they could even shut it off.

Insights
Hypothesis validated — audience has prob-lem. The team learned that a reasonably large pool of people within their site that had the buying and selling problem.
The team also learned about the chal-lenge with concierge testing. High volume could be a good sign but might require you to do a lot more manual work than you ini-tially set out to do. It's probably worth noting that this type of work requires your ability to execute for these users. When dual-tracking work, you have to anticipate and set aside appropriate time to deliver on this promise and really aim to learn. With the copious amounts of work you might have in your day-to-day, it can be hard to manage it all.

Actions
Persevere by testing in app features.
Knowing the audience mix was roughly the size anticipated, the team felt confident in moving forward with more experiments targeting these users within this app. In fact, the very next experiment was a feature stub that included a link to a nonexistent tab for "Selling-Tools"—a place that the team would begin to put Seller specific features and tests.

VALIDATION / SIMULATION

Mock Sale

Presenting a sale for your product without processing any payment information.

MOCK SALE

COST ●●○○○	EVIDENCE STRENGTH ●●●●●○	
SETUP TIME ●●○○○	RUN TIME ●●●○○	

DESIRABILITY · FEASIBILITY · VIABILITY

Mock sale is ideal for determining different price points for your product.

CAPABILITIES *DESIGN / SALES / FINANCE*

OFFLINE RETAIL
PREPARE

☐ Create a high fidelity physical prototype of your product.

☐ Communicate the length and nature of the experiment with store managers and personnel so that employees involved understand what's going on.

Execute

☐ Strategically place the prototype on the desired shelf in the store.

☐ Observe and document who views the product, picks it up, and places it in the basket.

☐ Before or at time of customer purchase, intercept and explain that the product is not yet available.

☐ Get feedback from the customer on whether they want to be contacted when it's available and why they picked it up for purchase compared to other products.

☐ Compensate customer with a gift card for the inconvenience.

Analyze

☐ Review your customer feedback notes.

☐ Review your activity log of how many:

• viewed the product.

• put it in the basket.

• wanted to purchase.

• provided contact information for when the product launches.

☐ Use your findings to improve the Value Proposition and product design.

ONLINE WITH EMAIL SIGNUP
PREPARE

☐ Create a simple landing page.

☐ Insert your price options.

☐ On price option click, show a "we're not ready yet" pop-up with email signup form.

☐ Integrate and verify web analytics are working correctly.

Execute

☐ Make your page live to the public.

☐ Drive traffic to your page.

Analyze

☐ Review your analytics on how many people:

• viewed your price options.

• clicked on a price option.

• signed up with their email address.

• dropped out of the flow (i.e., web analytics funnel).

• converted on your page, based on traffic source.

☐ Use these findings to gauge viability and refine your Value Proposition and price options.

Connections

• Price options come from your revenue stream in your Business Model Canvas.

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Cost

Mock sale is relatively cheap: you are price testing your product without building all of it. You'll need a believable level of fidelity for your target audience, so there is some cost in presenting your solution digitally or physically.

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Setup Time

Setup time for a mock sale is relatively short, meaning you can create a believable platform for your Value Proposition in a few hours or a few days.

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Run Time

Run time for a mock sale is a few days or weeks. You'll want to target a specific audience with your solution and give them enough time to consider a purchase.

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Evidence

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of unique views
of purchase clicks

You can calculate the purchase conversion rate by taking the number of people who view the price divided by the number of purchase clicks.

Purchase clicks are relatively strong, although not as strong as subsequent email and payment submissions.

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of purchase email signups

You can calculate the purchase email conversion rate by taking the number of people who view the price divided by the number of email signups.

Email signups after purchase clicks are relatively strong, although not as strong as payment submissions.

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of purchase payment
Information submitted

You can calculate the purchase payment conversion rate by taking the number of people who view the price divided by the number who filled out payment information.

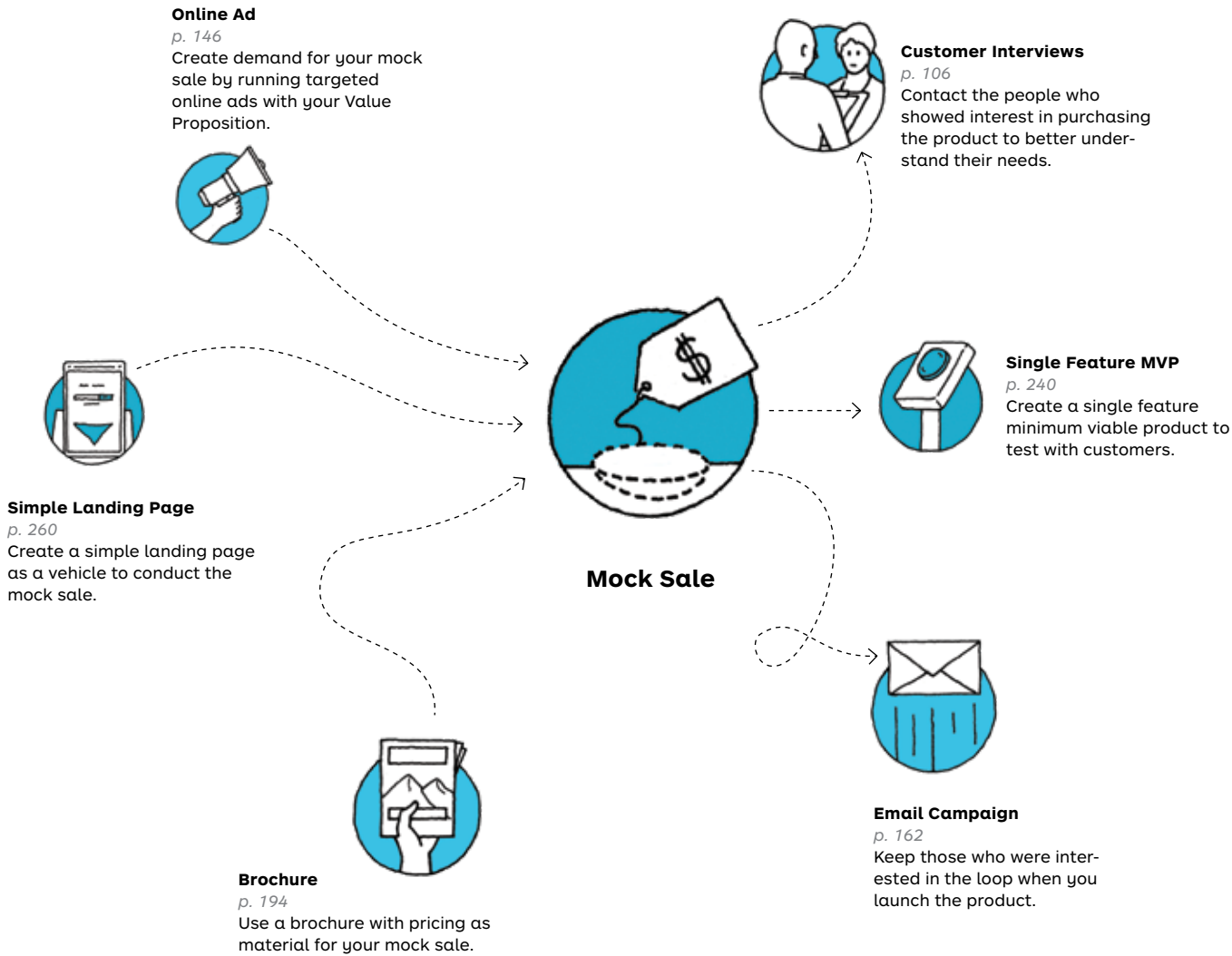Payment info submissions are very strong evidence.

Capabilities
Design / Sales / Finance

Conducting a mock sale will require financial modeling skills to inform the price options. You'll also need to design the sale in such a way that it is the right fidelity for your target audience. Finally, you'll need sales capability, especially if you are conducting these in person in the physical world.

Requirements
Pricing Strategy

Mock sale does require some thought and number crunching before you conduct the experiment. This isn't a scenario where you simply ask people how much they'll pay. Customers are notoriously bad at answering that question. Instead, you'll need to be able to present a sale price or multiple prices to have them respond. If you test a ridiculously low price, then you'll receive false positives on something you won't be able to deliver. Therefore, spend time thinking through the cost structure to make the mock sale evidence worthwhile.

Online Ad
p. 146
Create demand for your mock sale by running targeted online ads with your Value Proposition.

Simple Landing Page
p. 260
Create a simple landing page as a vehicle to conduct the mock sale.

Brochure
p. 194
Use a brochure with pricing as material for your mock sale.

Mock Sale

Customer Interviews
p. 106
Contact the people who showed interest in purchasing the product to better understand their needs.

Single Feature MVP
p. 240
Create a single feature minimum viable product to test with customers.

Email Campaign
p. 162
Keep those who were interested in the loop when you launch the product.

MOCK SALE
They will come, when you build it.
Buffer

When Joel Gascoigne, cofounder of Buffer, started the company from his bedroom nine years ago, he wasn't certain if people would even pay for his social media scheduling service.

At the time, social media managers were still manually logging into multiple social media platforms and posting their content. They used calendars and reminders to tell them the perfect moment to log in and post across time zones. This wasn't ideal, especially when it occurred in the middle of the night.

The Buffer application would solve that problem, beginning with a scheduling service for Twitter, before expanding to additional social media platforms. Joel decided to lightly test the desirability of the Buffer app by adding a "Plans and Pricing" button to his simple landing page. When clicked, it displayed a message about not being ready yet with an email signup to be notified.

After a few people submitted their email, Joel determined there was initial interest but wanted to collect more evidence.

Hypothesis
Joel believed that people would pay a monthly fee to schedule their social media posts on Twitter.
It wasn't enough that people would enter their email without any pricing information. Joel needed to know if it was viable.

Experiment
Price testing different monthly fees to gauge viability.
Joel decided to test viability by adding three different payment tier options to the landing page. Free = $0/month for 1 tweet a day and 5 tweets in your buffer queue. Standard = $5/month for 10 tweets a day and 50 tweets in your buffer queue. Max = $20/month for unlimited tweets a day and unlimited tweets in your buffer queue. These options appeared once people clicked the "Plans and Pricing" button. Once people clicked

an option, an email signup form appeared stating Buffer wasn't quite yet ready for launch. Each option in the page had analytics integrated, so Joel could analyze who was signing up based on the selected price.

Evidence
A $5/month signal.
The evidence showed that the $5/month plan was the clear winner in this initial test. This option generated the most email signups when he compared it to the $0 and $20 options.

Insights
People were interested in paying.
With the data showing the $5/month plan being the most popular, it started to become clear how people valued Buffer. They didn't need to only schedule one tweet a day, because they could simply log in and do that. On the other hand, they didn't need unlimited tweets because social media managers don't want to overwhelm their audience and be perceived as spam. The sweet spot seemed to be 5 tweets per day, where it was enough of a hassle that people would pay a $5/month fee to address.

Actions
Evidence that Buffer should be built.
After generating evidence and insights into the demand of Buffer, Joel decided to build the application. He used this learning to help shape his price points for launch. Joel also kept it lean and manually processed the payments for each customer early on. Today Buffer is used by hundreds of thousands of customers around the world and has a monthly recurring revenue of $1.54 million.

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David J. Bland is an advisor, author and founder who lives in the San Francisco Bay Area. In 2015, he created Precoil to help companies find product market fit using lean startup, design thinking and business model innovation. He has helped validate new products and services at companies all around the world. Prior to advising, David spent over 10 years of his career scaling technology startups. He continues to give back to the startup community by teaching at several startup accelerators in Silicon Valley.

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Icons: team, light bulb, report abuse, flask, visible, gear, telescope, checkbox, cross bones, destination, paper note, dashboard, like, clipboard, charty pie, chemistry book, map pin, trophy, and graduate hat by b farias from the Noun Project.

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Thanks!

Uncertainty & Risk

Idea ——————— **Business**

PROGRESS

Your #1 job as an innovator, entrepreneur, or corporation is to test your business ideas to reduce the risk of failure.

7 out of 10 new products fail to deliver on expectations. *Testing Business Ideas* aims to reverse that statistic. In the tradition of the global bestseller *Business Model Generation*, this practical guide contains a library of hands-on techniques for rapidly testing new business ideas.

You'll learn the process, design your first experiment, and start testing business ideas. If you're already familiar, you can boost your testing skills with the extensive library of tests. Lastly, scale testing systematically in your organization through ceremonies and shared language. It's time to move past opinions and bulletproof your ideas with evidence today.

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Pretend to Own
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Pop-Up Store
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Wizard of Oz
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