MINI Lean Startup Scenario

This exercise booklet was developed in collaboration with Justin Pahara and Julie Legault from Amino Labs, for geekStarter's startup workshop that took place on December 2, 2017. It is based on the book The Lean Startup by Eric Ries, and is intended for educational use.

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Exercise 1: Speed entrepreneur

In this exercise, student groups meet with entrepreneurs for short (5 min) rounds.

Each group (colour) has a starter question assigned to start the conversation. This is an *Ask Me Anything* about startups and entrepreneurship, so after the starter question is answered, the conversation is open. Here is a list of possible starter questions.

- ○ **Pink:** What are the top three skills of entrepreneurs?
- ○ **Red:** What are the top three personality traits of entrepreneurs?
- ○ **Yellow:** How important is formal schooling? Can entrepreneurship be learned?
- ○ **Orange:** Are some school programs and degrees particularly useful to entrepreneurs?
- ○ **Brown:** How important is the team for the success of a startup?
- ○ **Green:** Can one be too young for entrepreneurship?
- ○ **Blue:** What is the best way to learn about entrepreneurialism? Can you recommend any learning resources?
- ○ **Purple:** What are the biggest challenges faced by entrepreneurs?
- ○ **White:** What kind of commitments must be made by entrepreneurs?
- ○ **Black:** What kind of sacrifices are commonly made by entrepreneurs?

Exercise 2: Create a Value Proposition

In this exercise, student groups simulate the beginnings of a startup and learn firsthand how to think like entrepreneurs.

What can you do to hedge your bet on an idea? What can you do to increase your chance of success? What can you do to not waste your time and money?

These firsthand exercises can help you with your own startup. Get immersed in the role playing exercise - Pretend it's real - Have fun!

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PROBLEM: The Pace of Life is "quickening" — Because there is less personal time, people are eating more fast food, which is unhealthy. A healthy population has higher productivity, and better quality of life. How can you resolve this problem? How can you help to maintain a healthy population?

Initial data/proof: According to a 2012 study, at least 1 in 4 Americans (~80 million people) eat some type of fast food every day.

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1. Ideate a solution to the problem presented, then share it with your group. As a group, pick one of the solutions. If you have time, ideate a "company name" for your group.

Use this page to draw, scribble, *etc*.

In the traditional startup model, at this point you would start building a prototype, but in the lean startup model you don't build anything yet. Instead, you try to see if the solution you picked is worth pursuing before putting too much time and resources into it.

2. Create a value proposition, then share it with the group. As a group, decide on your group's value proposition.

A value proposition is a statement that describes a problem, the scope or "gravity" of the problem, the solution you are proposing, the target end customers and, most importantly, the value that the solution brings to these end customers.

CONTEXT:
State the context of the problem. What is the scope or importance?

PROBLEM/PROOF:
State the problem you're trying to address, and include the initial data/proof. Your idea should be grounded by some initial assumption or data, or else why would you be doing it?

CUSTOMER:
Who is your end customer? (E.g. Adults in large cities in North America, convenience stores, etc.)

Is there a sub segment of your end customer that you can specifically target? (E.g. Household income higher than $100K per year; people with specific jobs; people from specific cultures; convenience stores at gas stops, etc.)

VALUE:
What value are you bringing to the end-customer? (E.g. Removal of pain points, addition of benefits, etc.).

_____

E.g. Your first value proposition could look as follows:
Context: The physical and psychological health of a country's population dictates the quality of life and economic performance of that country.
Problem/proof: The pace of life is increasing and more than 80 million Americans are eating not so healthy fast food on a daily basis.
Value: VitaMeats, Inc. will use synthetic biology to engineer cultured meats to have increased vitamin and amino acid content that will enable fast food restaurants to serve and market vitamin enriched foods, increasing the health of their consumers.

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Formulate the three statements describing your value proposition (see example above):

Use this page to formulate your value proposition, then share it with the group.

Write **your group's** three statement value proposition below.

_____

_____

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3. Comprehension test of your value proposition - 1st iteration

This test will help you find out whether your value proposition makes sense to others.

NOTE: This test is not supposed to tell you how good your idea is, but only provide data on whether other people can *understand* your value proposition the way you've written it. This is because *you must make sure your value proposition is clear* before you can learn more about it in the real-world.

Using very clear handwriting, write **your group's** three statement value proposition below.

_____

_____

_____

_____

1. Find someone from outside your group and pass them this page.
2. Give them 20 seconds to read the value proposition. They cannot ask for any clarification.
3. The reader should pass the page back to you.
4. Ask the reader to describe the value proposition back to you.
5. Assess very honestly whether the reader showed a good understanding of your value proposition (*this is not about getting it right the first time, it is about getting unbiased data on the current state of your company, and learning how to make it better*).

     Answer the following to collect your data.

i) Did the reader show a general **understanding** of your value proposition? (rather than repeat what you wrote)

Yes _____   No_____

ii) Did they identify correctly who your end customers are?

Yes _____   No_____

8

iii) Did they describe correctly the value you plan to bring to your end customers?

Yes _____   No_____

6. Ask the reader for feedback on how to make the value proposition **clearer** *(NOT WHETHER THE IDEA IS GOOD, FEASIBLE, etc.)*

_____

_____

7. Report back to your group with your data and feedback.

4. Tabulate data and iterate/improve upon clarity of value proposition.

Yes's for the above questions

	Question (i)	Question (ii)	Question (iii)
Person 1			
Person 2			
Person 3			
Person 4			
Person 5			
Person 6			
Person 7			
Person 8			
Person 9			
Total (%)	(%)	(%)	(%)

1. Did your group achieve greater than 80% "yes" for **all three** questions?

If you did, then your value proposition can be generally understood by others. If not, then your value proposition requires further iteration so that it can be understood by others.

2. Share the feedback you received with your group, and collaborate to improve the clarity of your group's value proposition.

3. Re-write your group's improved value proposition using the following page and repeat the exercise.

5. Comprehension test of your value proposition – 2nd iteration

Using very clear handwriting, write your group's *revised* three statement value proposition below.

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_____

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_____

1. Find someone from outside your group and pass them this page.
2. Give them 20 seconds to read the value proposition. They <u>cannot ask for any clarification.</u>
3. The reader should pass the page back to you.
4. Ask the reader to describe the value proposition back to you.
5. <u>Assess very honestly</u> whether the reader understood the value proposition well (*this is not about getting it right the first time, it is about getting unbiased data on the current state of your company, and learning how to make it better). Answer the following to collect your data.*

i) Did the reader show a general **<u>understanding</u>** of your value proposition? (rather than repeat what you wrote)

Yes _____   No_____

ii) Did they identify correctly who your end customers are?

Yes _____   No_____

iii) Did they describe correctly the value you plan to bring to your end customers?

Yes _____   No_____

6. Ask the reader for feedback on how to make the value proposition **clearer** *(NOT WHETHER THE IDEA IS GOOD, FEASIBLE, etc.)*

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7. Report back to your group with your data and feedback

6. Tabulate data and iterate/improve upon clarity of value proposition.

Yes's for the above questions

	Question (i)	Question (ii)	Question (iii)
Person 1			
Person 2			
Person 3			
Person 4			
Person 5			
Person 6			
Person 7			
Person 8			
Person 9			
Total (%)	(%)	(%)	(%)

Did you achieve greater than 80% "yes"?

If you did, then your value proposition can be generally understood by others. If not, then your value proposition requires further iteration so that it can be understood by others.

11

THIS CONCLUDES THE COMPREHENSION TEST EXERCISE! YOU HAVE NOW COMPLETED A LEAN METHOD FOR IMPROVING THE COMPREHENSION OF YOUR "IDEA" (VALUE PROPOSITION).
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Birds eye-view of the process:

1) A metric was established: Yes or No votes on whether your value proposition was clear
2) A test (*survey*) was created: the process and a plan of execution and collection was developed in order to acquire that metric in an unbiased way.
3) You went out and deployed that test (gathered the metrics)
4) You used those metrics to make an action (in this case, the threshold for success was arbitrarily set at 80%). Because it was specific, you could know if you were successful or not and act upon it.
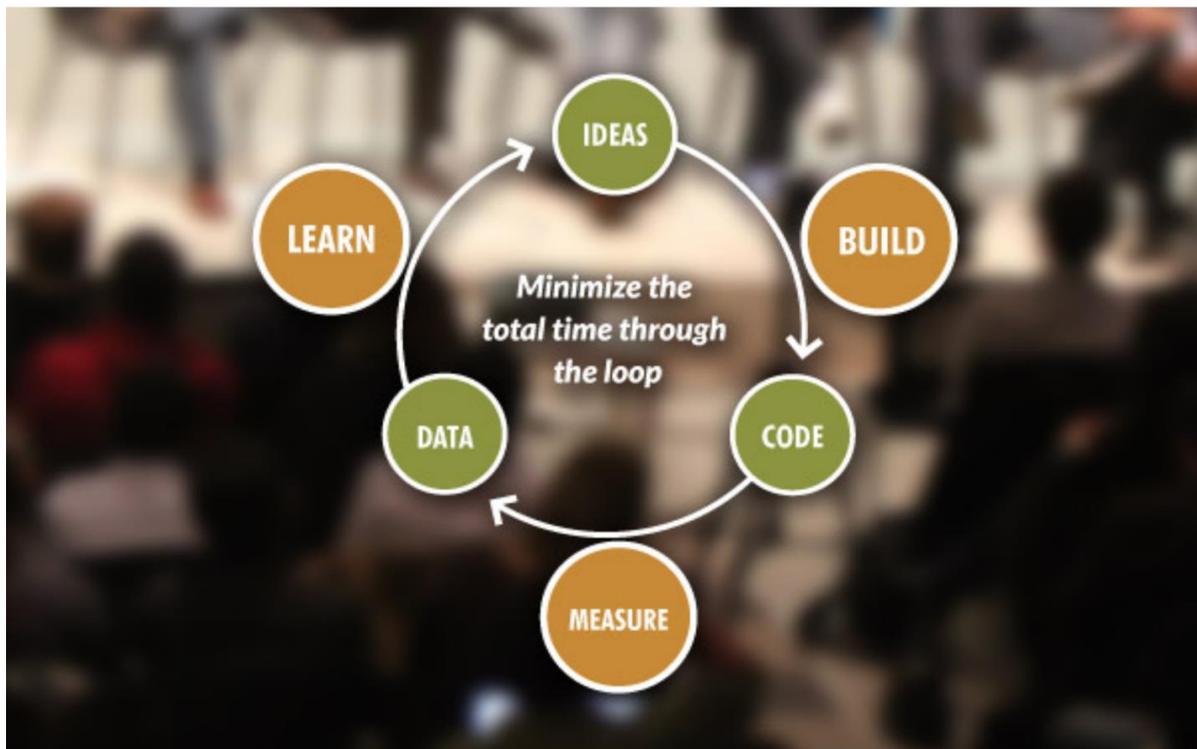
THE LEAN STARTUP PROCESS - DIAGRAM
Source: theleanstartup.com/principles

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Exercise 3: Testing your Value Proposition

1. Identifying assumptions

EXAMPLE:

The physical and psychological health of a country's population dictates the quality of life and economic performance of that country. The pace of life is increasing and <u>more than 80 million Americans</u> are eating not so healthy fast food on a daily basis. ***VitaMeats, Inc. will use synthetic biology to engineer cultured meats to have increased vitamin and amino acid content that will*** <u>***enable fast food restaurants***</u> ***to serve and*** <u>***market vitamin enriched foods***</u>***,*** <u>***increasing the health of their customers***</u>***.***

Assumptions:

- fast food restaurants want to market vitamin enriched foods as healthy;
- fast food restaurants care about being seen as healthy;
- being healthy matters to fast food chains;
- offering healthier food will increase their revenue/profit;
- the consumers of fast food would feel healthier/better if they consumed vitamin enriched hamburgers

Choose One (big) Assumption - Fast food chains are the target customer.

- Owners of fast food restaurants believe they'd benefit financially if their food was healthier.

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Now go back to your group's value proposition and identify one (big) assumption.

Your ASSUMPTION:

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2. Establish a metric-based survey to test your assumption

EXAMPLE:

Create a simple True/False survey to test the validity of the assumption above & deploy to 10 fast food restaurant franchises.

> Metric of Validity: If eight of the fast food restaurants interviewed answer "True", then we've partially validated the assumption and can *continue further inquiry into it.*

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Now go back to your group's assumption and create your metric of validity.

Your METRIC OF VALIDITY:

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3. Create your survey based on the validation metric

EXAMPLE

The restaurant franchise that I represent would benefit financially if the public viewed it as a healthy fast food choice

True _____   False_____

_____

Now go back to your group's metric and create a survey question.

Your QUESTION:

_____

_____

4. Deploy the survey and get validation data

EXAMPLE

You can deploy your survey in many ways, such as:

- Call company headquarters?
- Tweet at them?
- Start with a local store manager?
- Speak to a local franchise owner?

Keep your contacts organized!

Name	Title	Company	Contact

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5. Tabulate the data and modify the value proposition – act upon that data

EXAMPLE

> **Say … 0 of 10** said they would benefit financially from being viewed as healthy

This means the assumption is probably invalid and the value proposition needs to change.

Changes:

- Choose a different end-customer, such as convenience stores? Direct to end consumers?
- Change the technology?
- Change the value it will bring to the end-customer?
- During a follow up conversation with one of the fast food restaurants, they were very excited at the idea of cultured meats and the fact that no animals had to be killed…That's an interesting idea that you may want to learn more about. Maybe all the engineering work of engineering cells to produce vitamins is not important (at least for now).

NEW VALUE PROPOSITION:

…VitaMeats, Inc. will use synthetic biology to **grow cultured meats** *so that* **fast food restaurants** *no longer have to kill animals to serve their customers. This will* enable fast food restaurants *to serve and* **market wholesome and eco-friendly food,** *increasing the health of their customers.*

After you collect your own validation data (for not just one but a range of assumptions), your value proposition will need to change, too.

Your revised value proposition: