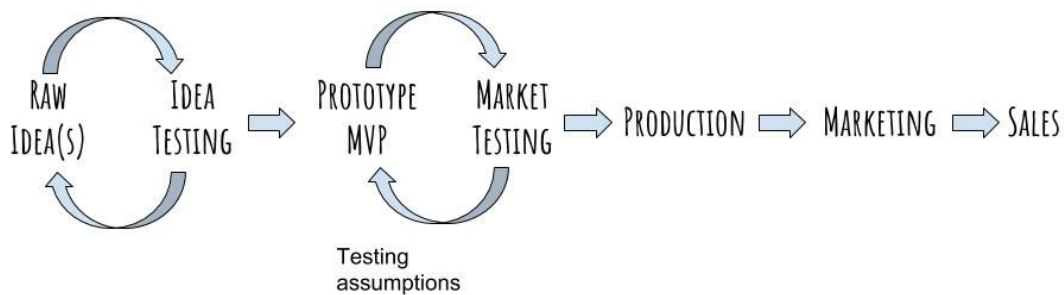


BMC

ASSUMPTIONS TESTING

Once your team has an idea that you want to move forward, the next step is to see if assumptions you have made about the worth of the idea hold up to testing. In the model below, your team is at the arrow between Idea Testing and creating a Prototype.



If your team has an idea, you already have assumptions. Those assumptions need to be tested. Here is where concepts of Value Proposition and Customer Segments come into play. Test your assumptions by researching data that helps answer two questions:

1. Why would someone want this product/service, and
2. Who is that customer (customer segment)?

In the process, you will gather information about your competitors, the size of the market and competitors' market share.



This session may require more than one session and the work could be ongoing. Use a Kanban chart to keep track of your progress toward completion of the Deliverable.

WHAT YOU'LL BE DOING

Create a market report that connects proposed values with customer segments.

This session depends on completion of Session 5 and [Ideas on Trial](#). Teams that have not decided on ideas to research should continue to work on [Session 5 Team Ideation](#).

TEAM MEETING

Get a [Business Model Canvas](#) from a Facilitator.

As part of the homework assignment, team members were instructed to write 1-3 sentences about the idea their team selected to develop. These sentences are assumption statements to be tested.

The Builder should ask every member to share his or her written statement.

Compare the results, writing down answers to these questions on sticky notes (see the example below).

- What assumptions or claims do the statements have in common? These must be tested.
- What assumptions are unique? These may be important to test.
- Is there an assumption that not everyone agrees with? Why?
- Is there anything unclear that needs to be worked out at this point?

As a team, write a 30-second version (4-5 sentences) that combines the assumptions and claims everyone agrees on. Refer to the *EasySwitch* example below for guidance.

Business Model

A high-level description of the parts of a business and how they fit together. Using a business model, as opposed to a formal business plan, a startup is able to move from initial idea to market quickly.

Example: EasySwitch (the team's combined statement)

EasySwitch is a smart electrical wall switch that regulates the amount of electricity used in homes and apartments. A motion sensor turns off the switch when it detects no movement in a room for a prescribed period of time which may be set by the owner. Additional features include dimming, day and night modes, on-off scheduling and remote control using an EasySwitch smartphone app.

The primary customer segments are do-it-yourself, energy-conscious homeowners and renters who want to save money on electric bills. Each switch pays for itself in average cost savings over the course of one year.

Assumptions (claims):

- A smart wall switch can perform all these functions
- There are enough energy-conscious homeowners and renters who will want this to make it worthwhile to build it
- Most DIY homeowners and renters are also energy-conscious (DIY and saving energy are both value propositions)
- Energy-conscious homeowners and renters want to save money (saving money is a value proposition)
- Renters will want to/be able to change the switches in their rental units
- Average use will offset the price of one unit in one year.

Value Propositions

Your team's first task is to take information from all the relevant statements and create one sticky note for each idea that is a value proposition. The *EasySwitch* example shows how one team did this.

Place these sticky notes on the BMC in the Value Propositions box. Each Value Proposition answers this question:

Why would someone want this product or service?

If your team feels they are lacking value propositions, review the cards in the [Sticky Props](#) deck and select propositions that make sense.

In the *EasySwitch* example, *saving the planet* (by reducing energy consumption) is an implied value proposition.

Market Validation: Competition

Once the assumptions have been transferred to sticky notes, the market research task begins. Part of your team can work on finding competitors and compiling a list of their value propositions (also known as hypotheses) for their customers.

Ask your Facilitator for help with Market Research if needed.

Market Validation: Customer Segments

While some team members are filling out sticky notes for value propositions, others may be assigned the task of researching and filling in sticky notes for named customers segments.

Here's an acceptable example of two *EasySwitch* Customer Segment notes:

US Homeowner
Households
76.2 M
(2018)

US Renter
Households
43.3 M
(2018)

Each note lists a customer segment and a number. If the information is not current, indicate the year.

Of course, these are the demographics *EasySwitch* might use. Yours will differ and may be more specific, depending on your customer segment(s).

Market Report

As a team, compile their information you gather in a market report that includes market size information and information from competitors. Complete separate report notes for each competitor (don't exceed one page). Include information about competitors' pricing. This will be important when you want to set your price.

Update sticky notes as needed--not all the information needs to go on sticky notes, just the most important information.

Traffic Lights

If any of the following three conditions are true, altering the idea, value propositions and/or customer segments may be necessary before creating a prototype.



1. The market appears overly crowded and doesn't seem to have enough potential market share to make entry worthwhile (RED light)
2. Tweaking a value proposition could open up new market potential (YELLOW light)
3. Targeting a different demographic could open up new market potential (YELLOW light)

As a team, evaluate if your assumptions hold up in light of the data gathered.

- Does evidence from competitors support our value hypotheses (our assumptions about value)?
- Does evidence gathered about customer segments support our assumptions about their potential interest in our idea?

As a team, decide if initial research gives you a RED light (a reason to stop), a GREEN light (go ahead) or a YELLOW Light (proceed with changes). If team consensus says stop, that's a Red light and you may need to revisit earlier ideas to see if one of those is more promising.

If your team is ready to move ahead because the light is GREEN or Yellow, tweak or deliver an Elevator Pitch (4-5 sentence statement) to a Facilitator. (Could be given to all teams during an end of session

report.) The Facilitator provides feedback and approval before the team continues to the next deliverable.

Market Validation information is really never done (the market is always changing). A team must not consider what's on the BMC as final. Remember, traffic lights change color.

Elevator Pitch

An elevator pitch is a short, 20 to 30 second verbal presentation that provides the listener with:

- an understanding of what and why your product is needed
- an understanding of who would benefit (and buy) your product
- a reason to react to what you say (they are curious to know more, you asked them a question, etc.)

Elevator pitches need to be practiced so they can be delivered smoothly, with energy and confidence.

[Elevator Pitch Examples](#)

ASSIGNMENT FOR NEXT SESSION

Once initial market validation has given your team a Green or Yellow light, your team is one step away from interacting meaningfully with potential end users. All you need now is an elevator pitch and a prototype. You'll use the prototype as a Minimum Viable Product (MVP) and create a plan for testing it.

If your team still needs to create an elevator pitch, deliver that to a Facilitator at the next session.

For Session 7, your team will create a prototype (your first MVP).

Become familiar with the Lean Startup method, paying attention to Eric Ries' thoughts about the MVP. [Online overview](#)

Jot down ideas how you want end users to interact with your MVP. This means, at a minimum, they have to picture themselves using it in order to give you feedback. The product doesn't actually have to work.

Team members collaborate on a plan for MVP testing. A plan should include:

1. A list of places where the customer segment is found.
2. Methods of 'talking' with them (may include face-to-face interviews, phone calls, emails, online surveys, etc.).
3. Questions to ask them-to get their feedback. This is the most important part of the research. What do you hope to learn from them?