慶應義塾大学学術情報リポジトリ
Keio Associated Repository of Academic resouces

Title	Managing a successful product launch in a startup
Sub Title	
Author	Milkowski, Boris Friedrich(Furukawa, Susumu) 古川, 享
Publisher	慶應義塾大学大学院メディアデザイン研究科
Publication year	2014
Jtitle	
JaLC DOI	
Abstract	
Notes	修士学位論文. 2014年度メディアデザイン学 第359号
Genre	Thesis or Dissertation
URL	https://koara.lib.keio.ac.jp/xoonips/modules/xoonips/detail.php?koara_id=KO40001001-00002014-0359

慶應義塾大学学術情報リポジトリ(KOARA)に掲載されているコンテンツの著作権は、それぞれの著作者、学会または出版社/発行者に帰属し、その権利は著作権法によって保護されています。引用にあたっては、著作権法を遵守してご利用ください。

The copyrights of content available on the KeiO Associated Repository of Academic resources (KOARA) belong to the respective authors, academic societies, or publishers/issuers, and these rights are protected by the Japanese Copyright Act. When quoting the content, please follow the Japanese copyright act.

Master's Thesis
Academic Year 2014

Managing a Successful Product Launch in a Startup

Graduate School of Media Design,
Keio University

Boris Friedrich Milkowski

A Master's Thesis
submitted to Graduate School of Media Design, Keio University
in partial fulfillment of the requirements for the degree of
MASTER of Media Design

Boris Friedrich Milkowski

Thesis Committee:

Professor Susumu "Sam" Furukawa	(Supervisor)
Associate Professor Kouta Minamizawa	(Co-supervisor)
Professor Emeritus Yoko Ishikura	(2nd Co-supervisor)

Abstract of Master's Thesis of Academic Year 2014

Managing a Successful Product Launch in a Startup

Category: Action Research

Summary

In just recent years a science has been created where before there was just art. In search of repeatable startup success Eric Ries (*Lean Startup*), Steve Blank (*Customer Development*) and a few other authors and entrepreneurs realized that it is time to admit that the management tools that work for big corporations are not applicable for startups. Yet many startups struggle to apply these new theories into their practice and repeat same mistakes as other teams before.

In participatory action research with Tokyo-based software development company Goodpatch Inc. the launch of a new software product was carefully planned and executed. In the process a framework for successful product launch was developed and implemented twice during a time span of six months. This thesis discusses this framework in detail as well as learning and the knowledge gain by the organization.

The framework can be used by other startups to successfully launch their services, acquire an initial user base and find early *product/market fit*.

Keywords:

Startups, Product Launch, Software Development, Lean Startup, Startup Marketing

Graduate School of Media Design, Keio University

Boris Friedrich Milkowski

Acknowledgements

This thesis is an important milestone of my life in Japan. After almost 2.5 years I feel most happy being here. This however, is only because of the remarkable individuals who I crossed path with. I am greatly indebted to everyone who helped me to write this master thesis. First and foremost I wish to thank my advisor, Sam. He has been of amazing help ever since we have met. His moral support was very important. I am looking forward to further learn from him. My thesis committee has helped me through this thesis. Thank you to Yoko for always being such an inspiration and making me achieve my ambitious goals with CEMS. Thank you to Kouta Minamizawa for the push in the right academic direction. I thank Dean Masa for his trust in me and for relentlessly pushing me forward. At KMD I had amazing support from dear friends which helped me keep my spirit and motivation high. Elaine and Ivy have been source of fun and energy throughout. I also need to thank my fellow Cemsies Emelie and Tuukka who always had my back and showed me again what TEAM really stands for. Thank you to Satoru and Chihiro for their guidance through the CEMS business project. A special group of people is not mentioned yet, because they deserve their own part: the Goodpatch team, the reason I feel home in Japan. Foremost I would like to thank Naofumi Tsuchiya for being the most inspiring entrepreneur I met. Big thanks to Yuka, Yuki, Koba, Kiron, Matsumoto, Shoko, Nob, Kimyo, Miki, and really everyone else in the company. This company has a bright future and I am glad to be a part of it. I would like to thank Japan for the unbelievable generous support with the scholarship which made all this possible. I thank the Jitsukata family for being such a big part of my life, and always in my heart. And in German... Vielen lieben Dank an meine Eltern, die trotz der Ferne so nah sind. Das selbe geht an Jens, Heinz und alle die mir so wichtig sind in der Heimat.

Contents

Acknowledgements **ii**

1 Introduction **1**
1.1. Background and Purpose 1
1.2. Research Objectives 3
Notes 5

2 Literature Review **7**
2.1. Success Factors for Startups 8
2.1.1 Startup Genome Report 8
2.1.2 Evaluating a Startup Venture 10
2.1.3 Three Out of Four Startups Fail 11
2.2. Lean Software Development 12
2.2.1 Applying Lean Principles in Software Development Process 12
2.2.2 Early Stage Software Startup Development Model 13
2.2.3 Applying Lean Startup 14
2.3. Impact of Product Launch Execution 15
2.3.1 Role of Lean Launch Execution and Launch Timing 15
2.3.2 Managing Diffusion Barriers When Launching New Products 16
2.3.3 New Product Launch: Herd Seeking or Herd Preventing? . 17
2.4. Summary 18
Notes 19

3 Method & Concept **20**
3.1. Setting 23

3.2. Role of Researcher 26
3.3. Participants 27
3.4. Concept & Material 27
3.4.1 Design of Product Launch Process 28
3.4.2 Launch Page 32
3.4.3 Social Media Engagement 34
3.4.4 Content Marketing 35
3.4.5 Give-away Campaigns 37
3.4.6 Drip marketing & Mailings 38
3.4.7 Beta Tester Community 40
3.4.8 Promotional Video 40
3.4.9 Onboarding Process 41
3.5. Procedures 42
3.6. Data Analysis 43
3.7. Summary 44
Notes 45

4 Results **46**
4.1. Action Cycle 1 46
4.2. Action Cycle 2 62
4.3. Growth Results 63
4.4. Results from Sean Ellis Test 66
4.5. Summary 67
Notes 67

5 Discussion **69**
5.1. Limitations 72
5.2. Recommendations for Future Research 72
5.3. Conclusion 73
5.4. How Products and Companies are Built in the Future 74
Notes 75

References **76**

Appendix **78**
A. Infographic by Startup Genome on Why Startups Fail 79
B. Behind the Scenes of Video Shoot 82
C. Action Items & Timing 84
D. Customer Development Survey 84
E. Net Promoter Score Survey 86

List of Figures

1.1 *Intersection Between Innovation and Marketing* 4

2.1 *Premature scaling vs consistent scaling* 9
2.2 *Model of Herd Seeking* 18

3.1 The *Procedure of Research* 22
3.2 *Goodpatch Team* 23
3.3 *Revenue Growth of Goodpatch Inc. in 2013* 24
3.4 *Preview Mode in Prott* 25
3.5 The *Product Launch Process* 29
3.6 *Context Map* 32
3.7 *Automated mailings* 39

4.1 *Launch Page Dec 2013 - April 2014* 48
4.2 *Launch Page Update for Closed Beta* 48
4.3 *Social Proof in Tweets and Likes* 49
4.4 *Social Proof in Number of Signups* 49
4.5 *Post on Facebook Page* 50
4.6 *Blog Post* 51
4.7 *iPhone Stamp Twitter Campaign (English)* 52
4.8 *iPhone Stamp Twitter Campaign (Japanese)* 53
4.9 *Signup for Early Invite Goal Completion* 54
4.10 *Active Beta Tester Community in Facebook* 56
4.11 *Storyboard Sketch* 58
4.12 *Screenshot of Promo Video* 59
4.13 *Point of View (POV)* 59

4.14 *Onboarding Project* 60
4.15 *In-app Message* 61
4.16 *Growth of Customer Acquisition List* 63
4.17 *Conversion rate, Jan 10 - Jun 10* 64
4.18 *Completion Goal, Jan 10 - Jun 10* 65
4.19 *Comparision of Conversion rate, Jan 10 - Jun 10* 65

5.1 *Customer acquisition compared with funnel - Priority on retention* 71

Chapter 1

Introduction

1.1. Background and Purpose

Through collaboration with Goodpatch[1], a Tokyo-based software development company, this research has been made to develop a repeatable and effective process for a successful new product launch.

Instead of thinking of product launch as a one-time announcement, "launching" here is described as a plan of actions over a timespan of a few months. Before prematurely progressing and scaling the business a startup should first find a set of customers and a market which reacts positively to the product. For this purpose of finding early product/market fit[2] a startup can well utilize its launch phase, engaging existing and target users to learn how to make its product a "must-have". As a result a startup should make the product launch one of its core business activities. A generic literature review was conducted, focusing on the main three related areas: *Success factors for startups*, *Lean software development*, and the *Impact of product launch execution*. This thesis hopes to answer two particular questions for startup teams: *How do we know we are building the right product?* and *When and how should we actually launch our service?*

Blank [2] describes a startup essentially as an organization built to search for a repeatable and scalable business model. A founder or team starts out with a vision of a product with a set of features, and a series of hypothesis about the business model: *Who are the customers/users?, Whats the distribution channel?, How do we price and position the product?, How do we create end user demand?,*

Where/how do we build the product?, How do we finance the company, etc. The team should then quickly validate[3] whether the model is correct by seeing if customers behave as their model predicts. Most of the time the customers dont behave as predicted so startups change their business model at least once if not several times.

Finding the right business model is certainly the biggest challenge for any startup. Startups can fail for a couple of reasons, but they usually do not fail because they do not know how to build a great product. Instead a common reason for startup failure building the wrong product [11]. Too many startups begin with an idea for a product that they think people want. They then spend months, sometimes years, perfecting that product without ever showing the product, even in a very rudimentary form, to the prospective customer. When they fail to reach widespread uptake from customers, it is often because they never spoke to prospective customers and determined whether or not the product was interesting. When customers ultimately communicate, through their indifference, that they don't care about the idea, the startup fails [11].

Another big challenge for startups is achieving and managing rapid growth. Graham[4] points out that a scalable startup is essentially a company designed to grow fast. Here it is important to set a clear definition. Being newly founded does not in itself make a company a startup. With all companies started every year, only a tiny fraction are startups. Most are service businesses - restaurants, barbershops, plumbers, and so on. These are not startups, except in a few unusual cases. For example, a barbershop isn't designed to grow fast. Whereas a search engine, for example, is. However only when revenue, users, traffic, etc., start increasing in the repeatable way predicted can a startup scale and grow exponentially.

Since a common success measure is the ability to grow, a common mistake and a reason forstartup failure is overambition to scale too early. Instead of really listening to the customer, a common startup mistake is overcompensating missing product/market fit with marketing and press. This eventually leads to spending too much money on customer acquisition before product/market fit which results in poor performing customer acquisition. The Startup Genome Project[5] has been researching what makes high growth technology startups succeed and has gathered data on more than 3,200 startups in 2011. In this research it was found that 70

percent of failed startups scaled prematurely [10].

The third big challenge for startups is timing their product launch, not too late nor too early. Companies of all size have a hard time getting software done. Intrinsic to the medium: software is always "85 percent" done. It takes an effort of will to push through and to get something released to users. There can be many excuses for delaying a launch. Most are equivalent to the ones people use for procrastinating in everyday life. Launching is important, as usually an idea needs to be bounced off users for the team itself to fully understand it. Several distinct problems manifest in the delay to launch: *working too slowly; not truly understanding the problem; fear of having to deal with users; fear of being judged; working on too many different things; excessive perfectionism.* Teams can combat all of them by the simply forcing themselves to launch something fairly quickly [8].

Launching too slowly is certainly the more common reason for startup failure but it is also possible to launch too fast. The danger here is that a startup might ruin its reputation. When launching something, the early adopters try it out, and if it is not good they may never come back. Nevertheless the early adopters are fairly tolerant. They don't expect a newly launched product to do everything; it just has to do *something* [8].

This research describes the product launch process applied in the case of Goodpatch Inc. releasing the software product Prott[6]. Even if gathered data implicates a rather successful launch, it still has to prove if the startup itself will be successful or not, i.e. if it scales consistently. This, however, will only become apparent later in the startup lifecycle. Therefore the focus in using Prott as an initial case is on the launch process itself and how it is executed.

1.2. Research Objectives

The goal of this research is to understand the challenges when building and launching a new product, and in the process, understand the actions needed towards achieving a successful product launch. For this purpose, an action research in cooperation with a newly formed product team within Goodpatch was conducted. The launch tactics as applied for the product Prott will provide other startups with a simple and repeatable plan of actions for the successful release of a new

product. The launch process is based on top of the principles of *Lean Startup*[7] and *Customer Development*[8], with the goal to break these theories down into concrete steps and milestones.

Drucker [5] says *"Because the purpose of business is to create a customer, the business enterprise has two — and only two — basic functions: Marketing and innovation. Marketing and innovation produce results; all the rest are costs."*

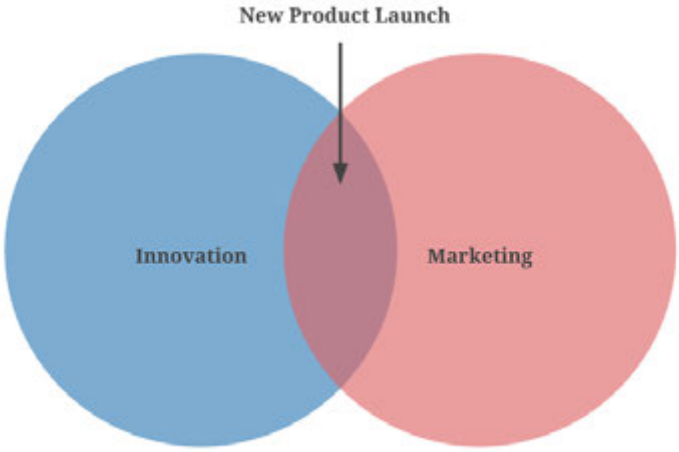


Figure 1.1: *Intersection Between Innovation and Marketing*

The *New Product Launch* (Figure 1.1) as an organizational responsibility sort of combines both, bridging product development and product marketing. For management at many firms, an important success metric is the length of time required between initial cash investment and revenue realization [6]. With *"from cash to cash"* certainly as the ultimate goal, the product launch as described in this research has its focus on the phase from the first line of code to the first external user; i.e. *"from code to user"*. The product launch process described in this research was first applied when launching Prott. The product itself is very generalizable as its business model of subscription for *Software as a Service (SaaS)* is a very common model among technology startups. Theoretically the launch process is applicable to any other software product, including mobile apps. In the case of Prott, the launch took place between December 2013 and June 2014, with private beta beginning at the end of March and open beta from the

end of June. Those first 6 months are the most crucial time in a startups life cycle. During this time the researcher, himself part of the product team, was working closely with designers and developers within the team to execute the various launch milestones. For the implementation, which generally can be done by staff of various backgrounds, a skill set across project management, UX design[9], front-end development[10] and marketing is recommended. The launch activities are a mix of product development, online marketing, and social media engagement.

This thesis paper will explore how the team around Prott was able to launch its product successfully and how other startups and the startup scene in general can benefit. Chapter 2 will provide articles to further discuss three significant topics to this research: Success factors for startups, lean software development and impact of product launch execution. The action research conducted by the researcher being part of the product team will be discussed in Chapter 3. Chapter 4 explores the effectiveness of the developed product launch process, with two complete action cycles conducted, the simultaneous launch of the product respectively to Japanese users and International users. Finally, Chapter 5 will conclude the effectiveness of the product launch process for other startups and the potential of this process to be further developed.

Notes

1 Official website of Goodpatch Inc.: http://goodpatch.com

2 Product/market fit means being in a good market with a product that can satisfy that market

3 *Validate* here means to check or prove the validity or accuracy of a business model

4 Graham, Paul: Startups = Growth. (2012); http://www.paulgraham.com/growth.html

5 Startup Genome Report is a 67 pages analysis that was co-authored by researchers from US Berkeley and Stanford. You can download it at http://blog.startupcompass.co

6 Goodpatch Inc. launched the rapid prototyping tool Prott first as a Software as a Service (Saas) in April 2014 into closed beta https://prottapp.com/

7 Lean Startup is a scientific approach to creating and managing startups developed by serial entrepreneur Eric Ries

8 Customer Development is a four-step framework developed by serial entrepreneur and business school Professor Steve Blank

9 User experience design (UX) is the process of enhancing customer satisfaction and loyalty by improving the usability, ease of use, and pleasure provided in the interaction between customer and product

10 Front-end development is the development of those elements of a website that the users sees and interacts with directly

Chapter 2

Literature Review

New software companies are launched every day. Emerging technologies such as smartphones, cloud infrastructure platforms and enhanced web development tools have made it even quicker and easier to get started. Access to capital for entrepreneurs has never been easier and at the same time the costs to startup are fairly low. However, recent research confirms that, contrary to what the media portrays, most startups fail.

Several authors argue that this is not due to external factors, but of how a startup is run. Software startups operate under conditions of extreme uncertainty and face a number of challenges. Experienced entrepreneurs like Paul Graham emphasize that under these extreme uncertainties a startup often does not know from the beginning what product its future customers are really willing to pay for [8]. Graham believes the number one reason why startups fail is they build something nobody wants [8]. Concepts like *Customer Development* and *Lean Startup* have changed the way companies and products are built. In recent years Steve Blank [2], Eric Ries [13] and a many other authors and entrepreneurs realized that it is time to admit that startup teams need to be stopped from building products nobody wants. Interviews with startup founders showed that actually few used *Lean Startup* practices as they found them hard to implement. In response, this research developed a process for managing new product launches by applying *Lean Startup*.

The literature review will address three areas related to launching a new product. The first section will address research about *Success factors for startups* and

why the default still seems to be set on failure. The second section will focus on research studies about how *Lean software development* has changed the way companies are built. Finally, the third section will discuss research related to *Product launch execution* and the impact it can have on a startup's growth and success.

2.1. Success Factors for Startups

2.1.1 Startup Genome Report

The challenge for a startup when progressing is to keep the five following business dimensions in balance: Customer, product, team, business model and financials. Marmer et al. [10] identifies four different stages[1] in which the startup is gradually maturing: Discovery, Validation, Efficiency and Scale. According to his 2011 research, "Startup Genome Report Extra Premature Scaling", there are two kinds of startup companies: First those who can keep the balance and progress at each stage consistently across the five core dimensions. Those are called consistent startups. Inconsistent startups on the other hand are moving too fast with one or another dimension, i.e. they raise too much money too early , build too many features or hire too many people.

The purpose of the study was to investigate the effects of premature scaling on the success rate of startups. The study has gathered data from more than 3,200 startups across the globe. A set of question was asked across the different business dimensions at different stages the startup has gone through.

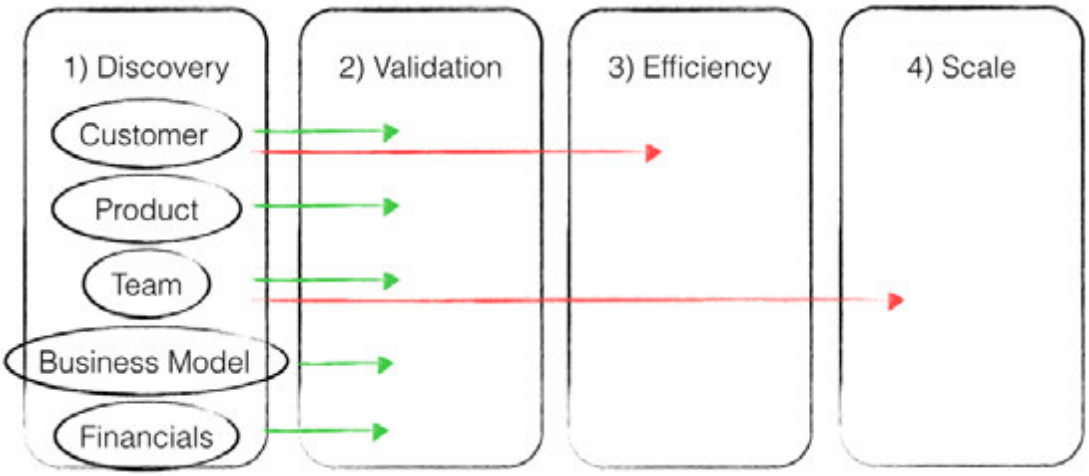


Figure 2.1: Premature scaling vs consistent scaling (own illustration based on Marmer stages)

In order to not bias the startups the survey does not publish the thresholds and milestones used for stage assessment. The results show that percentage of startups that were consistent with the *Marmer stages* were as low as 30%, which means that 70% did scale too fast among some dimension. 74% of startups fail due to that reason. Consolidated data shows how premature scaling looks great in Discovery and Validation but will create various problems at a later stage of the company. For example inconsistent startups grow 20 times faster, but, on the other hand none of those who scaled prematurely ever reached 100,000 users. Other numbers show that these startups also spend 2.3 times more on customer acquisition and write 3.4 times more lines of code in the Discovery phase. These are just a few examples of how premature scaling in the early days of a startup can lead to stall in growth and inefficiency in costs and performance later. More data is visualized in an Infographic by Startup Genome (Appendix A).

This study shows how important it is for a startup founder to know in which stage he or she is with his or her startup. Most crucial is that the company scales consistently among all dimensions. Even if it looks great to grow impressively after launch, it can hurt the company in the long term.

There were several limitations and weaknesses in this study that the current study addresses. The most important one seems to be the fact that only 392 of the startups in the survey had funding. On the other hand, the company subject of

this research (Goodpatch, with its product Prott) has actually received a seed investment of $1,000,000 at a valuation of $5,000,000 in December 2013. This would mean that the company is actually scaling prematurely, team-wise and financial wise. Accordingly, this risk factor is being acknowledged and therefore current research looks particularly at the dimension customer and product, as these are most crucial for finding product/market fit in the Discovery and Validation phase in which Prott is currently moving.

2.1.2 Evaluating a Startup Venture

Similar to the Startup Genome Report another research on startup success factors by Cusumano [4] tries to evaluate startup prospects in a more systematic way. The purpose of his study was to identify key elements to look for in startups, from an investor perspective, as well as from a founder perspective. Cusumano is one of the worlds leading experts on global software industry and the study is based on twenty years of his research and consulting with software producers around the world. Interviews were conducted among 20 startups with additional reflections and examples.

As a result eight key elements have been identified: *(1) A strong management team, (2) an attractive market, (3) a compelling new product or service, (4) strong evidence of customer interest, (5) overcoming the credibility gap, (6) demonstrating early growth and profit potential, (7) flexibility in strategy and technology, (8) potential for a large investor payoff* [4].

Even though product launch execution is not mentioned here explicitly, launching covers actually 5 of the described elements *(2, 3, 4, 5 and 6)*. It can be concluded that a product launch can increase the possibility of success: First, by matching an attractive market with compelling new product resulting in customer interest. Secondly by helping to overcome the credibility gap. And thirdly, as described in this current research the launch can also serve as an indicator of potential for growth. There were several limitations and weaknesses such as findings being mostly based on qualitative learning rather than hard figures.

2.1.3 Three Out of Four Startups Fail

Richer in data is recent research by Shikhar Ghosh [7], a senior lecturer at Harvard Business School. As a rule of thumb, everyone in venture capital knows that among startups only a very few will be very successful. Some companies might eventually return the original investment. But most will fail completely. The research by Ghosh shows that the actual ratio of failure is much higher than usually cited. The purpose of the study was to get a more realistic picture of the actual failure rate among high-potential startups. As venture capital companies usually actively communicate only their successes, Gosh claims old popular figures have been skewed. Gosh collected data from more than 2,000 U.S. based companies, which have received generally more than $1 million venture capital. He separates between different dimensions of failure: Liquidating all assets with the total loss of the investors money (30%-40% of failed startups), failing to see projected return on investment (95% of failed startups). Most venture-backed companies fail after four years, when investors stop providing capital. On the other hand, Non-venture-backed companies fail more often within their first four years, as they run out of capital due to not having found a working business model - again the exact problem the product launch process tackles.

The research literature on startup success factors indicates that most ventures fail due to reasons linked closely to the early stage of product launch. The three research articles that were evaluated in this section provide support for using a more systematic approach for making product launch a tool, not necessarily to acquire many customers but rather to find *product/market fit*. The studies confirmed that not finding product market fit but trying to scale up too fast is the exact reason why so many fail. However, there were several weaknesses to the studies that limit their generalizability to other settings. These limitations included an unidentified pool of participating companies from many different industries. Additionally, other limitations included the inconsistency of seeing early growth as a success indicator or as a warning sign. These weaknesses are acknowledged in the current study.

2.2. Lean Software Development

The uncertainties described in the above literature review mean complex challenges for the software engineering in startups. Startups are flexible and creative by nature and show reluctance towards processes and bureaucratic measures, which may hinder those natural attributes. Furthermore startups are limited in resource. Product-oriented practices help startups in having a flexible team, with workflows that leave them the ability to quickly change the direction according to the targeted market. Therefore, many startups focus on team productivity, giving employees more freedom instead of giving them strict guidelines.

2.2.1 Applying Lean Principles in Software Development Process

A common challenge for software companies is to keep balance of three things: The product features, quality, and shipping schedules. In order to achieve balance among those three things, the lean principles help identify and reduce common wastes in the software development process. Widman et al. [15] applied lean principles when building IMVU[2]— a social game. The purpose of the study was to investigate how to successfully apply lean principles at technical level.

The research identified 5 lean principles which IMVU implemented:

(1) Specifying value in the eyes of the customer

Releasing still unfinished features and exposing them early to users assists with prioritization as it can be seen which features resonate with the users and which do not. Early releases help IMVU to test the market and get feedback on features.

(2) Identifying value stream and eliminating waste

IMVU cultivated a culture of *"ship, ship, ship"*. For example, on their first day most developers were expected to write code and push it into production. Continuous deployment was implemented to avoid the waste of overproduction, waiting, and processing.

(3) Making value flow at the pull of the customer

IMVU introduced an eight-week Return on Investment (ROI) target. This meant that if anyone from the team wanted a feature implemented, that feature

should pay back in 8 weeks. First a test would be done with a few users. If the test results seemed promising the team would start working on it and releasing it. If after a few weeks the 8 weeks ROI goal was found to be unrealistic, the project was shut down. With the growing size of the company, the team started to be more flexible and made bigger bets.

(4) Involving and empowering employees

IMVU started measuring developers efficiency as *(total feature output)/(time in the office)*. As a result, engineering is optimized for productivity rather than activity.

(5) Continuously improving in pursuit of perfection

When code is shipped as often as it was the case at IMVU, different bugs occurred and eventually took the site down. The problem was that if the site was down, IMVU was losing money. To prevent such problems automated testing was implemented which lead to massively high quality improvements and expectations.

The conclusion is that lean principles cannot turn development into a production line; it can only help to cope better with chaos and to move fast with a streamlined process in place. Also rapid release cycles are only effective if there is a testing environment established.

The case of IMVU also shows how much effort it takes a team to implement lean. IMVU pioneered the *"building-just-a-little-and-get-customer-feedback"* approach. The current research on Prott aims at an in-depth breakdown of the activities around the actual launch of features. The problem of releasing "ugly" features was addressed and this is something that the new product launch process acknowledges by emphasizing the importance of to score on design also in an early product.

2.2.2 Early Stage Software Startup Development Model

In another recent research Bjoerk and Ljungblad [1] developed the so-called *Early Stage Software Startup Development Model* for applying *Lean Startup* principles to software development. The purpose of the study was to provide a clear idea of when to develop an idea or when to abandon it. The model was developed upon a study, which took place in the Gothenburg region in Sweden, where nine software startups were interviewed. The interviews were about how those startups worked

when it comes to software development. Based on semi-structured interviews and extensive literature review a process was developed and tested during the early stage of another startup. The results showed that many teams worked with agile software development methods, especially Scrum[3] and Kanban[4]. On the other hand, again most found Lean Startup practices difficult to implement. Sometimes teams actually worked in Lean Startup manner but did not know the actual concept. That means they already pivoted early and often and worked a lot with potential users in order to fit the product better their needs. Another interesting finding was that when the product itself actually needs viral effects, it has to scale before finding product/market fit. This sounds like a paradox to the research done by Marmer.

The actual method developed is structured in two levels (*Managing product idea portfolio* and *Product idea validation*) with various clear steps to take towards developing software features crucial for success. Particularly valuable for this current research is learning about how the situation looks like when a team develops a copy of a product successful already in another country (as this case with Prott). Validation in such cases actually can be speeded up, as the product is validated already, at least somewhere else. The research underlined as well that literature is currently weak on early stage startups and that there is a lot of room for improvement. For example there were several limitations and weaknesses in this study that the current study addressed. The whole challenge of having people find you when you launch was left out.

2.2.3 Applying Lean Startup

An academic paper published by Beverly [12] in 2012 describes how conceiving, designing, developing and launching MiniDates.com[5]came about. The purpose of the research was to guide future startups to not repeat the same mistakes Oxford Technology Ventures did when building their app. The research took place between 2010 and April 2012, when MiniDates.com was released as a product into beta[6].

While doing this, the venture experienced several challenges: *(1) Conflicting demands on time and attention, (2) Early technology architecture choices, (3) Overly hasty UX and design decisions, (4) Too little customer development*

and user research market testing, (5) Poor and unlucky team hiring and management. Those challenges are very similar to the challenges Goodpatch is facing while building Prott and were accordingly addressed. As a conclusion five top recommendations are provided to future startups: *(1) Beware fads and advice from others, (2) Good UX is essential, (3) Choose your technology carefully, (4) Optimize your team and the development process and (5) test everything, early and often.* There were several limitations and weaknesses in this study that the current study addressed, such as the findings being overly concentrated on this particular startups' situation. In this particular case, the specific decisions of the founder may have heavily influenced the events. It seems that many things were going as they went due to this specific founders decisions on what to do or not to do. The current research on Prott tries to define a clear process that can help any team to launch a product successfully, by looking at one level higher of non-company case specific actions.

To generally conclude this chapter on existing research on startups applying lean principles, it is clear that academic literature on this topic is weak. Furthermore many startups are struggling in applying lean. Also, and it seems to be a rather avoidable situation: Many repeat a same mistake over and over again of building a product nobody wants.

2.3. Impact of Product Launch Execution

2.3.1 Role of Lean Launch Execution and Launch Timing

There has been substantial literature on product development processes but only comparatively little on the product launch itself and its impact. Recent research by Calantone looked at the role of lean launch execution in improving new product performance. Lean launch means committing small resources first and ramping up production slowly. The company stays flexible with its supply chain to be able to quickly respond to an increase in demand. While this research looks at manufacturing companies and physical products, an interesting parallel to software launches can be drawn. The purpose of the study was to investigate the positive effects, especially of launch timing, to a new products performance. For

this purpose data was collected from 183 U.S.-based corporate managers involved in product launches. A retrospective methodology was employed in this study with a mail survey sent for data collection. The variables measured were cross-functional integrations, quality of marketing effort, lean launch, launch timing and performance. It showed that quality of marketing and execution of the launch has greater impact than the launch timing. The study also discovered that a successful lean launch requires an increased cross-functional integration. Great market orientation was correlated with marketing quality, and a greater responsiveness led to a leaner launch.

The research by Calatone is of significant relevance for the work described in this current research. A launch is well-timed when appropriate for many stakeholder groups and when components are well coordinated. It is important to understand that this does mean that a launch has to be as early as possible. Further research was proposed about performance consequences when launching too early or too late. As companies generally look for ways to mitigate risk it would be helpful too know if it is more critical to avoid launching too early or launching too late. This current research on launching Prott addresses this specific question. The process described here helps to manually time the launch date better to make sure it is appropriate for all stakeholders and at the same time coordinated in an effective manner.

2.3.2 Managing Diffusion Barriers When Launching New Products

The careful management of innovation diffusion among various stakeholders when launching a new product is the subject of research by Katrin Talke and Erik Jan Hultnik [14]. The purpose of the study is to promote a broader understanding of launch tactics, combining diffusion research and stakeholder theory. The empirical analyses are based on the sample of Germany-based business-to-business companies in 2003. All 113 companies recently launched a new product in various industries from automotive to software engineering. In the empirical study, questionnaires were answered and evaluated to test against the hypothesis regarding impact of launch tactics on market success. Next to the various launch

specific barriers among the variables was also firm size. Additionally a contingency analysis explored the impact of situational and product-specific features. In other words it was looked at if industrys technological turbulence, the industry's market turbulence, and the new products complexity have an impact on new product's performance. The results underline that added complexity of market or technology will make it harder to convince the various stakeholders due to the added ambiguity. Hence the successful launch tactics serve the purpose to lower the various diffusion barriers related to customers, suppliers and dealers, competitors and other parties of the firm's environment. The results show that new product launch is not solely about lowering customer adoption barriers but also about a differentiated management of diffusion barriers related to further influential stakeholders. There were several limitations and weaknesses in this study that the current study addressed, such as the press not being explicitly mentioned as one stakeholder. In addition, how practically the diffusion barriers can be lowered is not clear. Even though companies of diverse industries were examined the study concentrates on industrial products. The samples were only German companies, which may put constraints on the generalizability of the results to other countries. However another study on performance effects of launch decisions by Hultnik et al. (2000) does not mention major differences between Europe, United States, and Japan [14].

2.3.3 New Product Launch: Herd Seeking or Herd Preventing?

Further research from 2011 by Liu et al. asked if it makes more sense to release a new product to adopters simultaneously or sequentially, and if a sequential launch is preferred, what the optimal launch sequence would be [9]. The purpose of the study was to investigate the effects of herding on early adopters choices in order to maximize the total number of adoptions. The herding effect is here also described as social learning.

A model was developed which combines the number of adopters (i 1, 2, ..., N), times with in the decision maker decides to release the product t 1, 2, ..., the adopters costs of adoption, value v (of the product which is unknown, a signal

which is generated and received by the adopter. This signal can be both positive (si = H) and negative (si = L). The parameter q is common knowledge and is called the precision of a signal.

$$\text{Prob}(s_i = H|v = 1) = \text{Prob}(s_i = L|v = 0) = q, \forall i,$$

Figure 2.2: *Model of Herd Seeking*

The model reveals whether it is better to launch a product either sequentially, or simultaneously to everyone. The model predicts that a launch of a promising product should be at least stretched over two periods and therefore be done sequentially. It also predicts that a promising product has to deal with a rejection herd with a higher probability than an unpromising product. This is because the decision maker will eventually release too much information which increases the chance of rejection.

The paper discusses the correlation between well-anticipated products being released limited on purpose. It also explains why sometimes great new technologies fail. This research is most valuable for the current work. The experience of herding was observed while launching Prott. The findings are retrospectively discussed in chapter 4 of this thesis.

2.4. Summary

Building something nobody wants and premature scaling are the well-known reasons why startups fail. Even thought in the current marketplace there is abundant of research on this topic, so many companies still struggle to get these two things right. Lean Startup theoretically promises to prevent teams from failing, but it shown that many struggle to really implement its principles. Therefore the current research aims to make those principles more applicable to help startups to build and launch the right product, and with appropriate timing. While a product certainly should be released early, the concern that a startup might ruin its reputation or that early adopters will abandon the early product has to be addressed. The research showed that even though functions can be limited, those

few functions offered should be designed thoroughly, without the need to embarrass the team. A team should actively aim on a very sequential launch, stretching the launch over a few release circles. Research highlighted shows that this will positively affect a herding effect of adopters. The current research on the launch of Prott fills in the existing gaps in research, by emphasizing the launch as core business activity, with a clearly timed sequence of actions in order to achieve early adoptions and product/market fit.

Notes

1 The original Marmer model consists of a total of six top level stages, however the Startup Genome Report only discussed the first four stages and are based loosely on Steve Blanks *4 Steps to the Epiphany*, with the difference that the Marmer Stages are product centric rather than company centric

2 IMVU Inc. (www.imvu.com) is a virtual company where users meet as personalized avatars in 3D digital rooms

3 Kanban is a method for managing knowledge work with an emphasis on just-in-time delivery while not overloading the team members.

4 Scrum is an iterative and incremental agile software development framework for managing product development.

5 MiniDates.com is a complex consumer dating application

6 Early version of a software product released only to a select group of people, or to the general public. The testers are usually expected to report any bugs they encounter or any changes they'd like to see before the final release

Chapter 3

Method & Concept

This participatory action research describes how Tokyo-based user interface (UI) design company Goodpatch Inc. released its own software product Prott in the beginning of 2014. During a time span of six months, from January 10th till the June 10th 2014, the researcher found himself in the role of a core team member responsible for growth and customer acquisition for the product Prott. Thereby, in participation as an insider in collaboration with other team members he planned and executed the launch of the product.

As a result an in-depth description of how the startup launched its new service is given. The research describes in detail of how a plan of action was planned through to then describe the implementation of a first action cycle with the International users, as well as a second action cycle, which included the Japanese user base.

Given this setup, the researcher essentially had the unique opportunity to implement and test a new process of how products are launched. This process is supposed to help startups in general to launch towards their target markets. Goodpatch Inc. as a company is highly representative for the international scene of venture-backed technology startups. And Prott, given its typical Software-as-a-service analogy is at the same time archetypal for other products, especially corporate.

When Prott has launched into private beta on April 27th it had already acquired more than 4,000 users waiting to be beta testers.

Those beta testers (of which only 35% were Japanese), were invited slowly to

use the product with the goal to learn and grow from their feedback.

The research work was initiated as the researcher was being assigned the job of marketing the product globally. The three main questions the organization set out to solve were:

First: *How can we as Goodpatch launch successfully our first own product?*

Second: *How can we appeal with our product and communication strategy both to the Japanese users and the international audience?*

Third: *How can we involve first users into an dialogue and receive their feedback?*

While these were the most relevant questions for Goodpatch, the underlying research questions of interest for the researcher were:

How can a startup utilize its product launch to find out it is building the right product?, and *When and how should the startup actually launch its service?*

This chapter will first introduce the setting and participants of this research. Further concept and material for the action cycle will be introduced as well as the tools used for measuring the results. Lastly the procedure and analysis will be discussed.

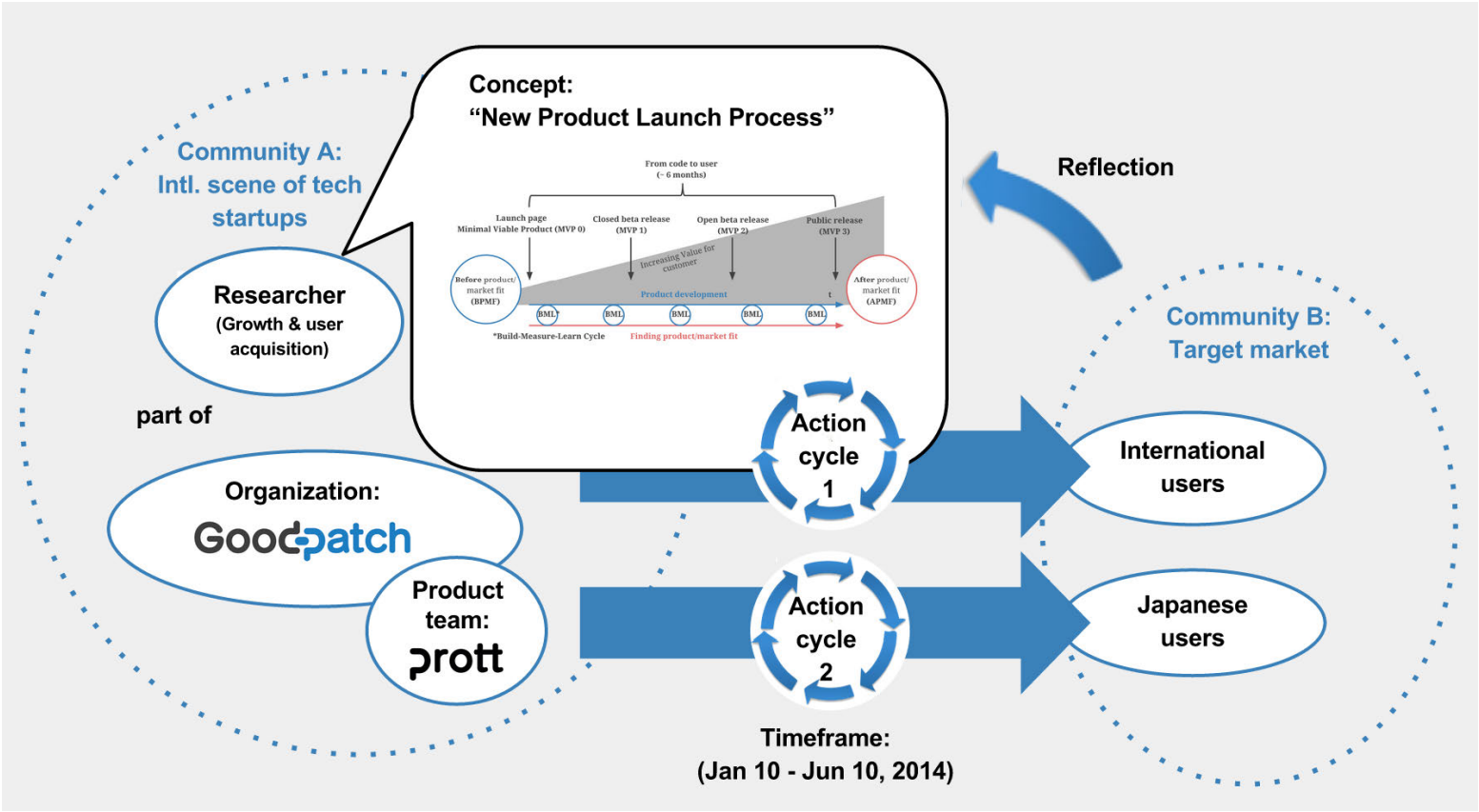


Figure 3.1: The *Procedure of Research*

3.1. Setting

In December 2013 Goodpatch Inc. announced that it has raised $100m yen (approximately $1m) from DG Incubation, the investment arm of Digital Garage (TSE:4819). Goodpatch, best known for its role in designing Japanese news curation app Gunosy, was until this point working as an agency exclusively on client work (i.e. it never built an own product before). The main service is front-end development of web services and smartphone applications. The main clients are startup and small venture companies, in addition to major companies investing in new business development.

Figure 3.2: *Goodpatch Team*

With 32 employees and revenue of more than 108 Million Yen in 2013, the company had grown tremendously in the last two years. Industry insiders consider Goodpatch market leader in UI design in Japan.

Given the recent development CEO Naofumi Tsuchiya, who founded the company in September 2011, saw global expansion as the new primary goals for the

company. He perceived developing in-house services as the most viable strategic option for international growth. In order to begin the process, he started to invest around 10% of resources in the development of in-house projects.

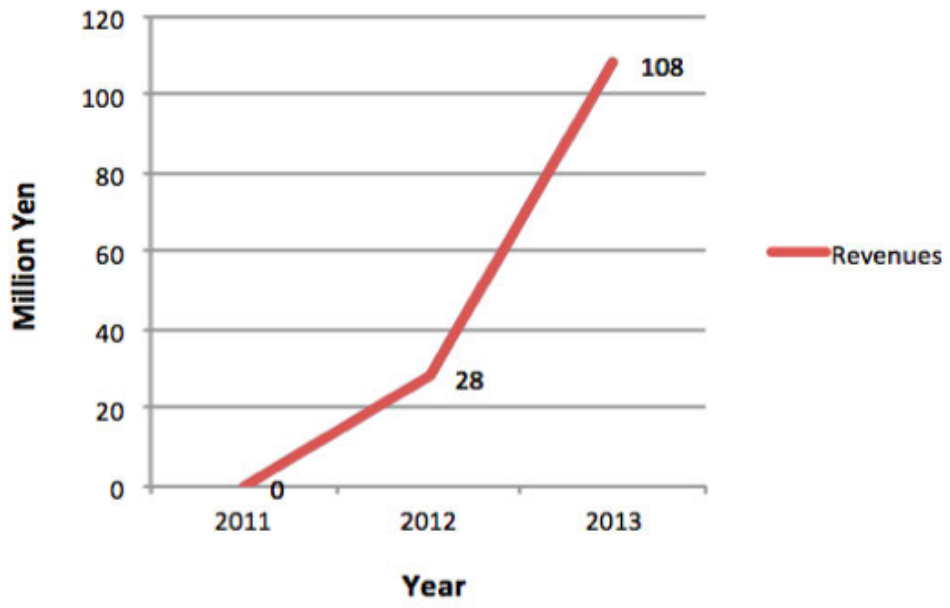


Figure 3.3: *Revenue Growth of Goodpatch Inc. in 2013*

As a first product for release he identified an in-house collaboration tool, which has been built for internal use already. While this tool was limited to commenting functions, the team at Goodpatch had tried out existing prototyping tools when designing and building apps for clients, but felt there was still a lot of missing functionality. The team strongly believed in prototyping as a necessary step in the workflow and communication of projects, but wanted a better platform. So Tsuchiya decided to have his team built it. After a pivot towards a more fully-fledged prototyping tool, a team selected among the existing staff started working to develop the product further.

The product, which goes now by the name Prott, is a prototyping tool for mobile apps. With Prott, one can quickly transform still screens into moving

Figure 3.4: *Preview Mode in Prott*

mockups with realistic interaction - without writing a single line of code. It is suitable for proving a concept or explaining a design to co-workers or clients. While Prott combines some of the most popular prototyping features of competing products, it is targeted mainly for professional teams. It enables designers, engineers, and all other contributors to the app building process to work together smoothly and more effectively.

Current features include screen linking, animated transitions, icon and launch page customization, status bar styling, collaboration and other basic prototyping functionality that can be applied to uploaded screens.

The tool first most allows testing of ideas with potential users and customers. By opening the prototype on any device the experience for the user comes close to showing an actual app. An outsider might not actually realize it is just a prototype. This allows the project owner to learn from the testers reaction and comments at a stage of the design process (See Figure 3.4 for reference).

Collaboration is another big reason for Prott. Commenting feature lets project owner distribute the prototype via mail link and team colleagues or clients can comments on specific details. Since everything is accessible through cloud tech-

nology this allow instant feedback even virtually.

Many new features are about to be implemented. The major next step for Prott is the release of an iOS app by July. And with the iOS app release, the team is planning to open Prott to the public for official launch.

3.2. Role of Researcher

The researchers role was essentially that of an insider. He, himself part-time employee at Goodpatch Inc since June 2013, has been well established in the company by time of case. He was given fair decision-making power and the relationship with CEO Tsuchiya is built on mutual trust and respect. His opinions were asked whenever something related to his domains were about to be decided.

Yet, being the first and one of the few foreign staff in the company gives him sort of an outsider perspective as of his different background and thinking. This situation of being a foreign professional in the firm on the other hand also sets him free from some of the obligations others carry. His ideas on the foreign user were very much valued and weighted maybe even more than if a Japanese co-worker was proposing something specific for the international user. Also if looked at it more carefully, even he worked up to 28h a week, he was not a full-time staff at the company, which also made him sort of a semi-insider.

International background in the field of innovation and design thinking, as well as connections into various global design and entrepreneur networks were part of the reason he was appointed for managing global growth for Prott.

Not only was the researcher designing the process and action items for launching Prott, he also was working hands-on on the implementation. While working closely with each team member, with weekly iteration meetings with the whole team, the resarcher specifically was responsible for:

- Growth and marketing of Prott
- Creative and strategic direction of launch activities
- Design and optimization of customer acquisition funnel
- International user support

3.3. Participants

Being given the specific situation of Goodpatch being a Japanese company, the product launch of Prott addresses two distinct target groups.

The first group is the international users. In this case this means everyone who does not choose Japanese as first language. That means it can also be Japanese users who simply prefer using the service in English as well as internationals living in Japan.

The second group is the Japanese users. This means all those who choose Japanese as their preferred language.

While way and purpose of usage of product is the same, the communication strategy towards both groups is what differs.

Main reason for this differentiation is that Japanese users prefer using a service in their native language.

The target users of Prott are despite their cultural or geographical background, professionals in product development. The tool is not only targeted for designers, but all members of a product team, such as engineers and product managers. Entrepreneurs, students or startup founders can use the tool also to pitch to potential investors or potential co-founders. 35% of all users are from Japan, while 16% are located in the US and the rest from other parts of the worlds.

3.4. Concept & Material

The researcher faced following challenge in early January:

There is no product ready yet for release. There is not even a promo video. Still, signups for early invite should grow as much as possible prior to the launch date.

Pre-launch signups can be vital to create the necessary buzz for a successful launch day. Only signed-up free users today can eventually be transformed into paying customers tomorrow.

How can signups be created without any form of the product to show future customers?

The following section will explain the design of product launch process with

its various milestones. Also explained are the various action items that come with the product launch. Those action items are all necessary for a successful launch but after all additional tasks. With resources already exhausted as typical in a startup team, those tasks are often being less emphasized if not neglected.

In Prott's case resources and responsibilities for this job to be done were purposely handed over to the researcher.

The goal of this launch process was set not primarily on acquiring as many users possible; it was rather to create a customer developer list, from which users could be invited slowly while the actual product was further developed.

3.4.1 Design of Product Launch Process

A product launch was planned and the process can be described as seen in Figure 3.5. The *Product Launch Process* basically begins with the *first line of code* and ends with the actual developed product being used.

The time frame for this transition differs from case to case and depends on the complexity of product and availability of team resources. In the case of *Prott* it was a process of approximately 6 months and is currently still ongoing, with the last milestone of launching publicly still ahead. During the process the product is not only being launched but continuously being further developed. It undergoes a transformation from a stage where there is just hypothesis about the customer need and solutions, to a point where this hypothesis has been proven either false, or right, or modified. In other words the product goes from *before product/market fit (BPMF)* to *after product/market fit (APMF)*. When *BPMF* the team starts out with an own idea of what could be solving a specific customers problem. However the product has not been exposed to the user at this moment of time so it is just an assumption. *APMF* is when the team has excessively been exposing the product to users and have learned from their feedback to modify and improve the product. A repeatable pattern in how the user is adopting the product can be observed. The user sees value in the product, shows retention and even recommend the product further. Most consequent sign that product/market fit has been achieved is if the user is ready to pay for the product and becomes a paying customer.

There are four milestones of minimal viable products (*MVPs*) along the way from *BPMF* to *APMF*. A *minimal viable product* describes a product which is

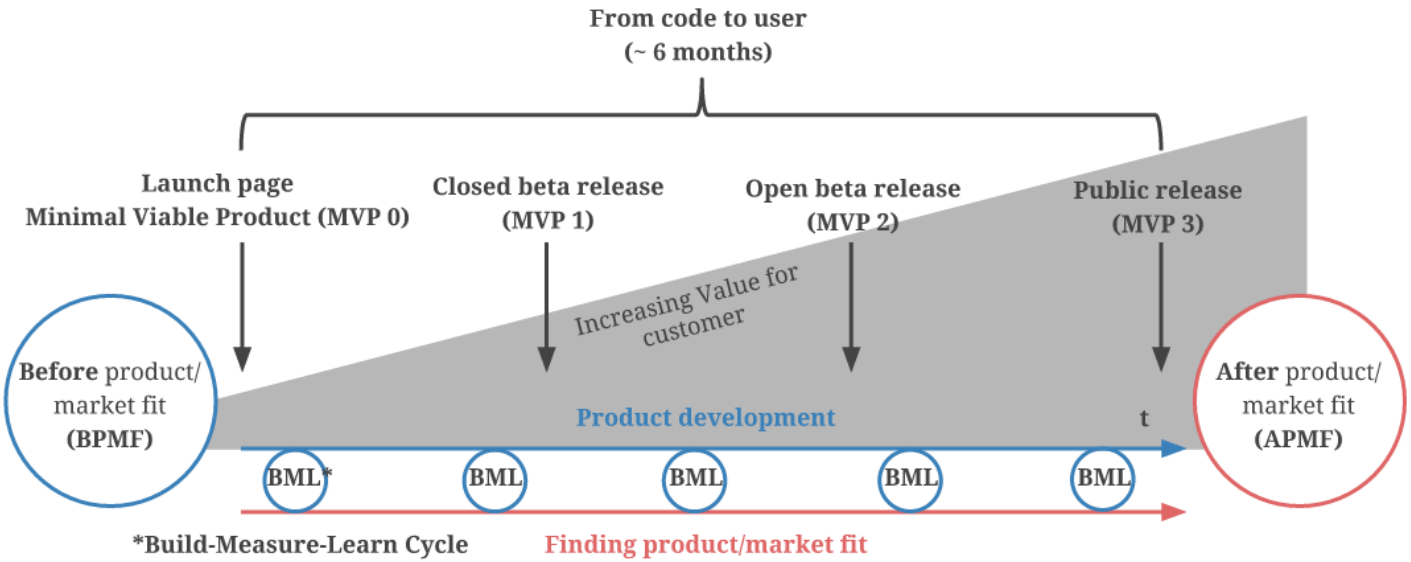


Figure 3.5: The *Product Launch Process*

purposely being released to the user at an early stage of development. This can mean that the product is very limited in functionality and feature-wise. It is exposed to the user as the team can learn from the feedback and the way it is being used. A conversation with the user is the goal to better understand in which direction the product should be further be developed. This helps mitigate risk to build a product nobody wants and therefore saves money in form of team resources and opportunity costs. Constantly along the way the team iterates the product by applying a so called *Build-Measure-Learn Cycle (BML)*. A feature is built, the user adoption is being measured and conclusion are drawn from this feedback on how the feature can be further be modified and improved.

The first milestone is the kickoff of the launch process. The first announcement of the future product is in form of a *launch page*. This *launch page* is a simple one-page presentation of the product name and proposition. It usually consists of a background picture which gives a glimpse of the user interface. It is is not important to show details of the solution, but rather describes the value proposition clearly. Where as the launch page as such is described in more detail in later part of this thesis, most important feature of a launch page is a form field where a user can submit her email address. By doing so the user can claim to be informed or invited as soon as the products launches. Other features a *launch page* usually includes are social buttons which link to social media profiles such as *Twitter* and *Facebook*. Additional social share buttons gives the user the chance to easily share the product URL with her social network. The launch page is only promising future value for the user. Different value propositions should be tested and effect on user acquisition accordingly be measured.

Second milestone and first real value creation for the customer is when the product is being released in *closed beta*. *Closed beta* means that outsiders are provided with access to the product, but have to be invited first. Through the launch page where the prospective user is submit her email address the team can respond with an invitation which brings the user to a login screen. The user behavior is carefully being observed and analyzed. A feedback system is in place where the user can report bugs and propose missing features.

The third phase, the *open beta* differs from the *closed beta* as it cuts out the invitation process and as it does not limit the access to the product. This phase

is started after the product shows improved customer activation and a proper on-boarding mechanism is in place. The product is still being labeled which communicates to the user that the product is not to be considered finished yet but that the team rather would appreciate user feedback and bugs being reported. Typically the value for the user is strongly improved at this stage. Money is not being charged yet as product promises are still being adapted and evaluated.

Finally, with the public release the *Product Launch Process* is being completed. Here lies the chance for more public roll-out eventually with press feature and public appearance on a conference. The *product/market fit* has been found at this stage and customer acquisition costs have been optimized through out the process. It is now time to concentrate on user growth and a payment system should be installed to start charging customers.

Throughout the process the team of designers, engineers and front-end developers should focus on building the product and features. In weekly *iteration meetings* the person mainly responsible for launch execution should debrief with the team and pass on user feedback. Increasing value for customer can be described as the functionality the product offers to solve a customers needs. Where as the very early product is limited in value for the customer, a later more defined version does more for the user. The true value has to be detected through relentless experiments and iterations. Achieve value creation can be observed in positive user feedback, retention, referrals and growth in revenue.

The following section discusses each of the eight elements of the New Product Launch Process in detail (See the context map in Figure 3.6 for reference).

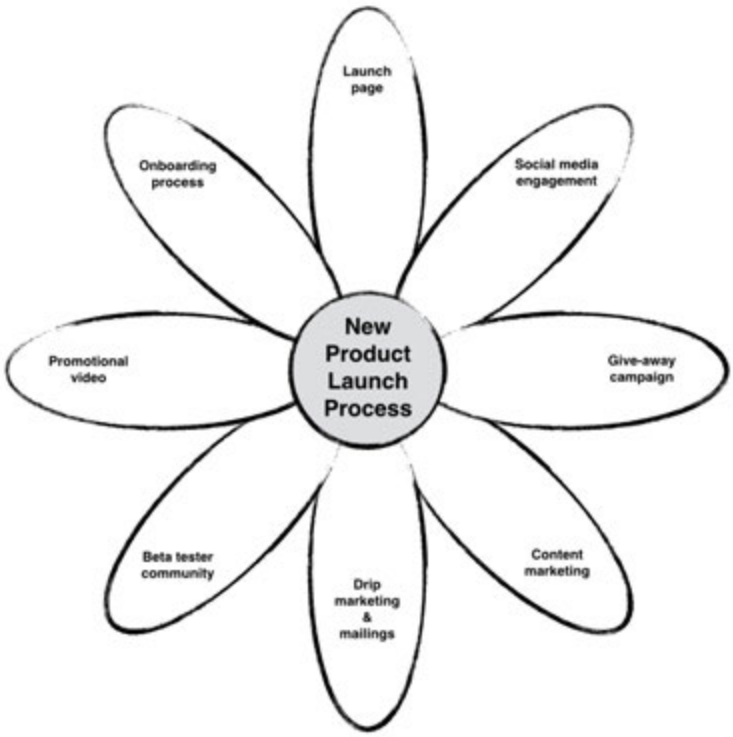


Figure 3.6: *Context Map*

3.4.2 Launch Page

Early on the team decided that it would be best if it had a funnel built in which starts from a very viral launch page. This launch page would make people curious, made them sign up and share it with their circles.

The team could then handle those signups in appropriate manner and decide when to let them actually use the product.

The first rule of viral is typically to build something that other people would be interested in. As Robert Scoble[1] puts it: *"The best launch is if you have a product that other people like using so much that they tell other people about it."* The target user needs to know at least one bit of information in advance that will make them care. Then, only then, sharing can be encouraged.

Through a launch page a startup usually wants to *(1)let visitors know what it is doing,* and then *(2) spark some interest.* Then it should *(3)make use of*

that interest by giving the chance to subscribe to news updates, doing so with a concrete *call-to-action button*.

Additionally Prott's launch page had the following features included: **Glimpse of User Interface:** To give a glimpse of the beta, the background of the launch page showed a early version of the UI.

Value proposition: A clear value proposition that interests people answers the question "What problem will you be solving?"

Clear Call-to-action button: Next to a clear value proposition the most important feature of any launch page is a signup-form with a *call-to-action button*.

In addition to the basic elements covered above, Prott has used some of the following elements to make it landing page even more enticing:

Viral loop: The viral loop is a kind of "sharing cycle" or "multiplier effect" that is built into the launch page. It is an incentive for people to share news of the startup and to share the launch-page with their friends and followers.

Social proof: Social proof (one of six "weapons of influence", according to Robert Cialdini[2]) can be a powerful and compelling way to get people to sign up for a service. In a nutshell, the concept states that people will do what they see other people doing. A complementary feature was also later been implemented by showcasing sign-ups and Likes front and center on the landing page.

The strategies listed above provide a glimpse of how launch pages can be made more intriguing and shareable. Startups usually make use of various strategies combined to grow its numbers. Most importantly the team tried to build a service that people were interested in and managed to share its vision among the right people making use of the viral loop.

This list is by no means exhaustive and certainly the launch page was not the only reason the services took off. In this case all the other seven action items were necessary accompanying moves. However: The launch page is always the first thing a potential user sees of a new idea and it would be wise to cater for the best possible conversion. The exact design, conversion rate and how it changed over time will be discussed in detail in Chapter 4.

3.4.3 Social Media Engagement

Social media engagement describes how a company engages with its community via social media channels. Currently most typical social media channels are Facebook and Twitter. There might be different additional channels a company might choose depending on the preferences of its target audience. LinkedIn for example can be relevant for business-to-business companies while Instagram became recently very relevant in fashion. Getting on Facebook and Twitter is something that should happen in the very beginning, way before a new service is launched. The first most obvious step is to secure the best possible profile names equal or at least similar to the name of the product. Then, through regular posts into these profiles a followership can be created. These followers can be constantly engaged and informed about recent progress made. Latest when a service is launched users will inenvitable start mentioning and sharing this service with their peers. Social media engagement rate is the percentage of those social mentions a company engages with versus those that it does not. If a brand gets 10 mentions and engage with 3, its engagement level is 30%. Since there might be some mentions one would purposefully choose not to engage with an adjusted calculation might be considered. That would mean that perhaps 3 of those mentions were spam, or within a personal conversation you don't want to interrupt. In that case the adjusted engagement level would be 60%. The percentage left over is potential conversations that were missed.

The social media engagement level is one of those numbers one can directly impact from day-to-day and week-to-week. Unlike volume and sentiment which a community manager can help impact but not completely control, engagement level is within a teams control as long as it has the resources to tackle it.

Higher engagement can often mean building stronger relationships within a community. Building these relationships through a clear and proactive engagement strategy can help a team see results also in other business areas.

However in the beginning a startup should try different ways to engage and should not be afraid of mistakes or of not being strategic enough. Only *by doing* a team can find its own social media language which is an important differentiator in todays age of information overload.

A team should try to create opportunities for conversation and then take

advantage of them. Certain shared content can invite conversation more than other. Things that can be done to trigger conversation include:

- Reaching out to your community when they mention your product
- Asking questions to those who are sharing your content
- Offering additional help when someone is asking a question
- Saying "Thank You" ...

These things can boost social media engagement level and help with relationship building to bring product loyalty.

The content which is shared on also on social media is being discussed in the following section.

3.4.4 Content Marketing

Content Marketing is a strategy of producing and publishing information that builds trust and authority among the ideal customers. It can help to build relationships and community, so people feel loyal to a product and a brand. Futhermore content marketing is also a strategy for becoming recognized as a thought leader in an industry. In its highest form it is a way to drive sales without traditional "hard sell" tactics

Things shared through social media are in the best case original, shareable, engaging and a communication of brand message and language. For a startup content marketing can drive traffic to another channel, engage and build a community, generate leads, inform, educate and build thought leadership.

Here goes the same as for the social media engagement. Everything at this moment of time is generally good and there should not be too much concern if something is not yet perfect. What matters most is that the team learns from the mistakes it makes and figures out what works well real fast.

First of all there are different channels one can choose for content marketing. The usual way to get started would be a blog. When expertise grows two or three additional items might be added.

Blog posts: Articles that talk about issues related to core message and secondary messages related to a companies' product or market. Size can range anywhere from 100 words to 2,000 words, depending on the format and readers preference.

Other channel options include:

Magazine articles: Like a blog post but published in a print magazine. This magazine can be an own publication or a industry or consumer magazine.
Video: Published on Youtube or Vimeo, optionally embedded in a blog post.
Podcasts: Like audio articles or radio shows, often published on iTunes. Often being consumed by people on their daily commute.
Webinars: Live interaction with an audience which can be recorded and shared with a broader audience afterwards on webside, in newsletter or other media.
Speeches, Workshops, Interviews: Founders can often find opportunity to speak at a conferences or create their own conference. This content can be recorded and be recycled to add additional value afterwards.
Powerpoint presentations: Common way to share knowledge on related topics in form of slideshows via Slideshare or similar services.
Tutorials: Great way to build authority in an area of expertise. A tutorial website can be created separately from the main product page and specifically target people who want to learn something new.
Infographics: Facts and figures presented in a attractive and visual way.
Whitepapers and special reports: Material which can help people to make better decisions. Can be used as incentive to signup for a mailing list.
Newsletter: Regular mailings to subscribers with updates and resources. A commonly used tool is Mailchimp.
Ebooks: Great way to build trust and authority, published as a pdf. Free or paid to download on Amazon or on the product website.

Content marketing can follow different objectives. On one hand it can be a great way to generate leads for follow-up by sales and marketing, eventually even close sales more quickly. It also generates interest, builds and repairs public opinion about brand and products. Furthermore through content marketing friends and fans interact with a brand socially and it can help customers to get the most from products. Lastly in the industry it can help develop name recognition,

respect and influence.

Typical challenge is to offer something different than the competition. A few examples of what might help to set yourself apart: Own style and personality, the depth of information, the unique approach to the core topic, the value proposition.

Since content is often shared on Facebook it is important to properly set up Facebook Open Graph Protocol[3] as this drastically increases the effect of shared content engagement.

In conclusion in order to succeed with content marketing a product team should identify:

- Objectives and how it will fit into its marketing mix. target audience.
- Strategy for creating and publishing content.
- Technology used to publish your content.
- Work flow for getting it done

3.4.5 Give-away Campaigns

Give-away campaigns can serve as incentive for people to sign-up to a service. Such campaigns can also give reason why a user would share content with their social network. A certain non-monetary prize is being communicated, and in order to be eligible to win this prize the user is asked to complete a certain task. Give-away campaign would typically address the group of potential users of the product. At an early stage a startup has to be creative in order to create virality around its product. Give-aways can incorporate virality which is as this development stage rather difficult to achieve differently. The give-away campaigns are commonly facilitated through social media channels Twitter or Facebook. Through these channels virality and engagement of community can most likely be triggered. Tasks to be completed could further include signups to a mailing-list. Important is that one participant would voluntarily spread the message further rather than just completing a "quiet" task. Key to success and reach of a give-away campaign is quality and desirability of the give-away product. The contribution by an individual should be very small but the potential win should rather be big or very

relevant for one individual. The things which can be serving as give-aways can vary among various dimensions:

- Discounts for subscription
- In-app budgets and coupons
- Offline products
- Company *swag*[4]

Examples from Prott explained in Chapter 3 show how such give-aways can create massive *pre-launch signups*.

3.4.6 Drip marketing & Mailings

Drip marketing is a communication strategy that sends, or "drips," a pre-written set of messages to customers or prospects over time. These messages often take the form of email marketing, although other media can also be used. Drip marketing is distinct from other database marketing in two ways: (1) the timing of the messages follow a pre-determined course; (2) the messages are dripped in a series applicable to a specific behavior or status of the recipient. Drip marketing typically is automated.

The phrase "drip marketing" is said to be derived from "drip irrigation", an agriculture/gardening technique in which small amounts of water are fed to plants over long periods of time.

There are tools like Intercom with emails can be automatically be send to users as they meet certain criteria. For example: Automatically email users after 7 days if they havent added a teammate or created a project. It can also help promote a particular aspect with a mail like: On day 15 tell all iPhone users about the iPhone app, if they havent already installed it. (See 3.7

These mailings are very powerful for increasing engagement, providing great customer experiences, and helping with retention.Important is to respect customers for their time and attention, as nobody wants to be spammed by too many of such mailings.

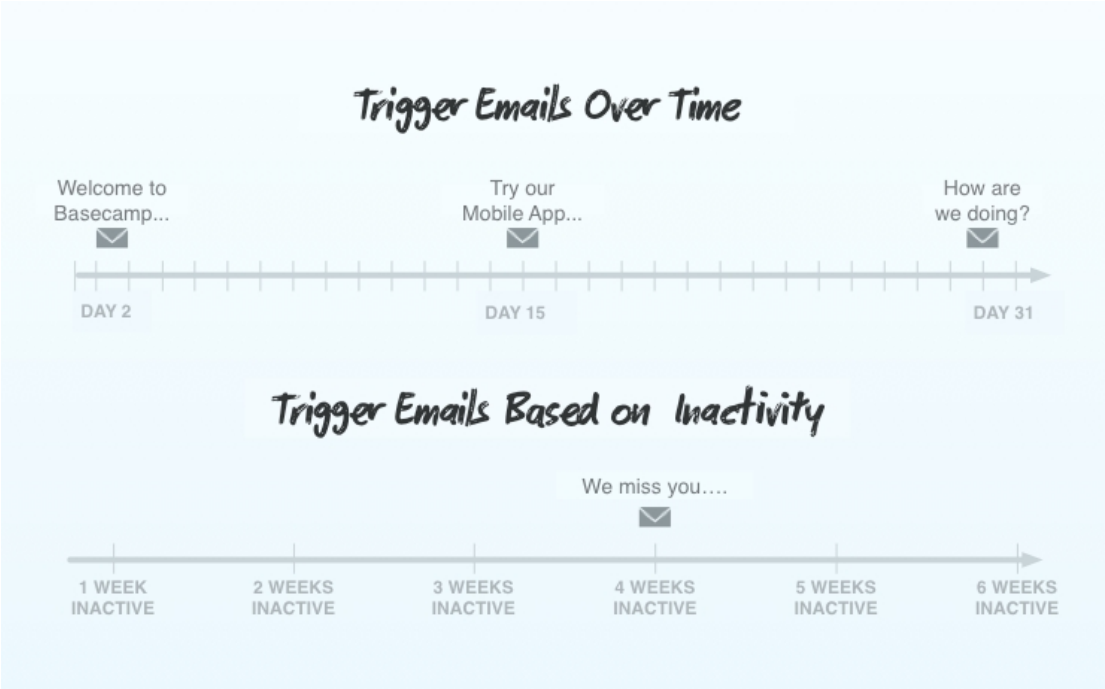


Figure 3.7: *Automated mailings*

Another tool called Mailchimp can serve during the launch process to collect email addresses to the customer development list. Mailchimp is a well established newsletter tool which allows targeted email campaign and provides sophisticated analytics around how the content was received.

Important features of a mailing is the subject line, a trustworthy origin, something that reminds the recipient of why she receives the mail, a clear call-to-action, as well as social features.

3.4.7 Beta Tester Community

For product developers, beta testing results in higher quality products, improved customer satisfaction, better reviews, increased sales, reduced support costs, more insightful product planning, and a more positive brand image. For customers, beta testing offers the unique opportunity to help improve products they love in a community of invested, like-minded people. People who submit their emails through a launch page signup form basically cannot wait to hear back and get invited. It is important to not let new signups wait for too long as they might forget or loose interest over time. What you can do to catch up with them shortly after they submitted their email address is to ask them via mail if they are interested to join a dedicated beta tester community. By doing this one layer of friction is added purposely as it makes sure to only lock those in who really are interested to help with feedback. Those people who reply to this open invitation with yes can then for a greater lock-in effect be invited into a closed Facebook Group. The benefit of this setup is that now instantly things can be shared with the whole community. When something new is shared all the users would receive a notification if they haven't actively opted out this function.

Once this setup is complete it is possible to actively engage with this audience, very personal in face-to-face conversations. Even before the product is ready i.e. screenshots of the product can be shared into this Facebook Group and be reviewed by the fans.

Later, once launched into the private beta, real user feedback on the product can be selected. Tools like Uservoice provide great features and can easily be implemented.

3.4.8 Promotional Video

Product videos have become a very common part of promoting new web services. A great product video shows a clear value proposition of a service, highlights its most important features and transports a promising user experience. The video usually shows a use case of a product and shows how a user would work with it in a natural work environment. Often a video comes along just with the launch of the product and therefor needs to be produced in the weeks just before. For

startups low on budget it is often an option to shoot a first video themselves. Generally spoken budget is not an indicator of success of the video nor quality. There are more and more professional production companies specializing in tech product videos and the overall quality seems to be drastically improving. There are various style formats to choose from. The range goes from very informative explanation videos to branding videos which do not mention features, sometimes not even show the product itself. Which format a startup chooses depends on the product and sometimes on the development status.

A video should not be longer than one minute to make sure not to bore the viewer. Typical way to publish the video is to upload it on Vimeo or Youtube and to later embed it also on the product's website.

The success of a product video is measured in the amount of views, the amount it is being shared across social media and its effectiveness, which means if it let to conversion.

3.4.9 Onboarding Process

Everything which happens right after sign-up makes a user love or abandon a product. This is why user onboarding is so important. Some new users expect a welcome and a little tour through the product, while others prefer that they are free to figure out things for themselves. The challenge is to successfully onboard customers from across this spectrum. The user experience of onboarding describes the friction of necessary steps such as account creation, user education, and data gathering. In order to design effective onboarding the following are important question to ask: *What do you need to know about your users to provide them with a great experience? What do they need to do to get hooked on your service? What are the costs and benefits of adding friction to your onboarding process? How will you motivate users to complete it? At what point in your users lifecycle does onboarding need to be completed? What actions must your users take regularly for your company to profit?*

The best product designs are those which which do not need to be explained. Still sometimes there might be a need for a required tutorial. A self-triggered and clear path to completion helps reduce abandonment during such walk-through. If new users know how many steps they must complete, theyre more likely to

complete the process. Furthermore the best onboardings generate early value for the user. Only if a new user experiences value from the application she eventually becomes an active user. Churn rate is proportional to the distance between sign-up and value. That is why top sites focus on steps they know are Key Performance Indicators (KPIs) for user retention. By focusing on these KPIs, onboarding experiences are designed to set the user up to experience value from the product quickly. This increases their probability of remaining engaged.

3.5. Procedures

Goodpatch started to build Prott in December 2013. In order to build up momentum for the April beta launch, the team started engaging the online designer and engineer community from mid January 2014 - both in Japan and internationally. The researcher himself began his activities in the beginning of January, and is still today actively involved in the day to day work.

This research looks at two simultaneous action cycles. Both of these action cycles took place in a time span of 6 months between January 10th and June 10th 2014. The first action cycle describes the launch plan execution towards the International users. The second action cylce describes the execution towards the Japanese users. Both are based on the launch plan of the researcher explained in this past chapter. Besides few adjustments in terms of communication both action cycles were mostly identical.

In one action cycle all 8 elements of the process are being planned, implemented, executed, measured and reflected. As described in this chapter one complete cycle brings a startup from first line of code to first user(s). There are four milestones along the way. The first milstones is the launch of a launch page. The process continues with a private beta release of the product. While the product is constantly being further developed, feedback along the way is actively being listen to. After launching into private beta with an invitation only policy, the product might be launched into a public beta. And finally the product is being launched publicly. Payment transaction would typically begin here. The planning of pricing in the case with Prott is aiming at October 2014 for the first reveneue.

At time of thesis the product has just been released into public beta. This

means the launch process is almost complete with a final step to come of launching publicly to paying custoemrs. However the reflections on the process so far have already been made and will be discussed in Chapter 5.

What made it possible to conduct two action cylces simultaneously was the fact that the two distinct target markets function very differently and that the team at Prott understood this early and therefore built a native product to address both camps. In this way a Japanese user was exposed to a Japanese product, while a non-Japanese user was exposed to a mutually international product.

3.6. Data Analysis

The research database, which includes some quantitative but, primarily, qualitative data is extensive. It includes journals expressed as e-mails, tweets, Facebook comments, blog-posts, press coverage, transcripts of submitted user feedback, meetings and interviews, meeting minutes, photographs and screen-shots. Quantitative data includes statistics of various measurements tools, used to analyze performance of acquisition and social media activities. Metrics tools used at Prott include Google Analytics, Intercom, Mixpanel, Uservoice, Mailchimp.

Three sorts of data that this research looked at closer:

1. Goal completions among users, i.e. signup-rate or activation rate
2. Quantitative social media engagement, i.e. daily tweets about Prott
3. Qualitative social media engagement, i.e. negative, positive or neutral comments about the product ...

With Google Analytics the researcher tracked page visits, goal completion in form of number for sign-ups, the conversion rate among new visitors and which referring sources brought traffic such as from different media site which mentioned Prott.

With Mixpanel various goals were tracked, such as when someone created a new project, adding a new screen, inviting someone for project, deleting screens or a project or sharing a project via link. Mixpanel allows sophisticated segmentation and funnel optimization.

Intercom was serving the purpose of tracking new signups and it allowed event triggered automated in-app messages and mailings. I.e. did the new user receive an in-app notification after first sign-up to welcome her and to introduce first features. Intercom is still being evaluated for its effectiveness among the international users.

Uservoice allowed Users to report a bug or submit a feedback. All customer feedback was tracked with this tool and was handled immediately with response and adequate action by the development team.

Mailchimp was used until open beta release as a signup form embedded in the launch page. A new user would ask to be invited through an interactive field on the launch page. His email, after being confirmed, was added to the customer development list, from where she was eventually being invited. The monthly analytics of signups were main focus in the beginning of the project when use cases among users were limited. Today, since sign-up has became public (with out the need for invitation) the signup is not being tracked by Mailchimp anymore but by our house-built product. Also abandoned is now the other function Mailchimp was used for, the segmented mailings. The segmented mailing campaigns were sent out to userbase on a regular basis about once a month. The mail included updates on progress building Prott.

Facebook also offers a developed range of analytical insight when it comes to performance of posts into the Facebook group and ads.

3.7. Summary

In conclusion Chapter 3 first introduced the original setting of this participatory action research, secondly it explained the designed New Product Launch Process with its milestones and action items. Finally this chapter was concluded in the description of procedures and data analysis of this research. Software development company Goodpatch formed an internal product team in early 2014 to build its own software as a service called Prott. Prott is a prototyping tool for mobile apps. The researcher, himself employee at Goodpatch, found himself appointed to oversee and drive growth and user acquisition for Prott, has then developed a clear launch process. This launch process over a timespan of 6 month incorporates

four subsequent product milestones (*Launch page, closed beta launch, public beta launch and public release*) and includes eight major action items (*Launch Page, Social Media Engagement, Content Marketing, Give-away Campaigns, Drip marketing Mailings, Beta Tester Community, Promotional Video, and Onboarding Process*). While this chapter explained the New Product Launch Process generically the following chapter will explain how it has been implemented at Prott and what the team learned while doing it.

Notes

1 Robert Scoble is an American blogger, technical evangelist, and author. Scoble is best known for his blog, Scobleizer, which came to prominence during his tenure as a technology evangelist at Microsoft

2 Robert B. Cialdini is Regents' Professor Emeritus of Psychology and Marketing at Arizona State University. He is best known for his 1984 book on persuasion and marketing, Influence: The Psychology of Persuasion

3 The Open Graph protocol enables developers to integrate their pages into the social graph

4 Handouts, freebies, or giveaways, such as those handed out at conventions, i.e. t-shirts, stickers, etc...

Chapter 4

Results

This following chapter describes the results of this research. These results are presented mostly in qualitative form, additionally supported by quantitative data.

First metrics have has been measured around conversion, acquisition, and growth rate.

Most importantly, data on the results of the action cycles comes in form of a thick description. Since Action Cycle 1 and 2 were almost identical in terms of action items, the description of the second Action Cycle focuses mostly on differences in terms of results.

Additional quantitative data has been collected to objectively judge if product/market fit has been achieved or not. This quantitative data comes two-folded.

Lastly the so called Sean Ellis Test has been sent to a sample of 178 active Prott users. The goal of this survey is to measure based on quantitative customer feedback if product/market fit was achieved.

The following section is a thick description of Action Cycle 1 and a short description of Action Cycle 2.

4.1. Action Cycle 1

- **Launch page**

  The launch page was literally the first thing that the team at Prott set up. It had the typical features such as a clear value proposition, social proof and

the necessary signup form.

The main claim said: *"The prototyping tool you've been waiting for"* With this tag-line Prott addressed the fact that it was yet another prototyping tool of which are already many on the market but at the same time it acknowledged this very fact and made curious how it would be different. It somehow indicated that other prototyping tools are not yet quite satisfying with out actually saying it.

An additional sub-tag-line said: *"Create wireframes, add animation, and get instant feedback with Prott."* The most important features were mentioned here to make the value proposition more clear. For Prott the team chose to have more a stealth startup approach without being overly secretive. In the case of Prott the strategy was to give a feel of exclusivity and scarcity by giving users only the chance to ask for invitiation. It was made look like one could not just simply signup. The background darkened when the signup form was clicked which gave a certain quality feel to it.

The background picture indicated that the software might be a wireframing tool with a web app and an iOS app. The actual software released was slightly different from what could be seen on the launch page, which was criticized by some users.

After they completed a signup users were kindly ask to share the news with their designer friends which turned out to be a very successful idea.

Social proof was embedded in form of the typical Facebook Like and Twitter boxes, as well as a statement on the buttom of the page. This statement informed the visitor of how many designer worldwide "love" us already.

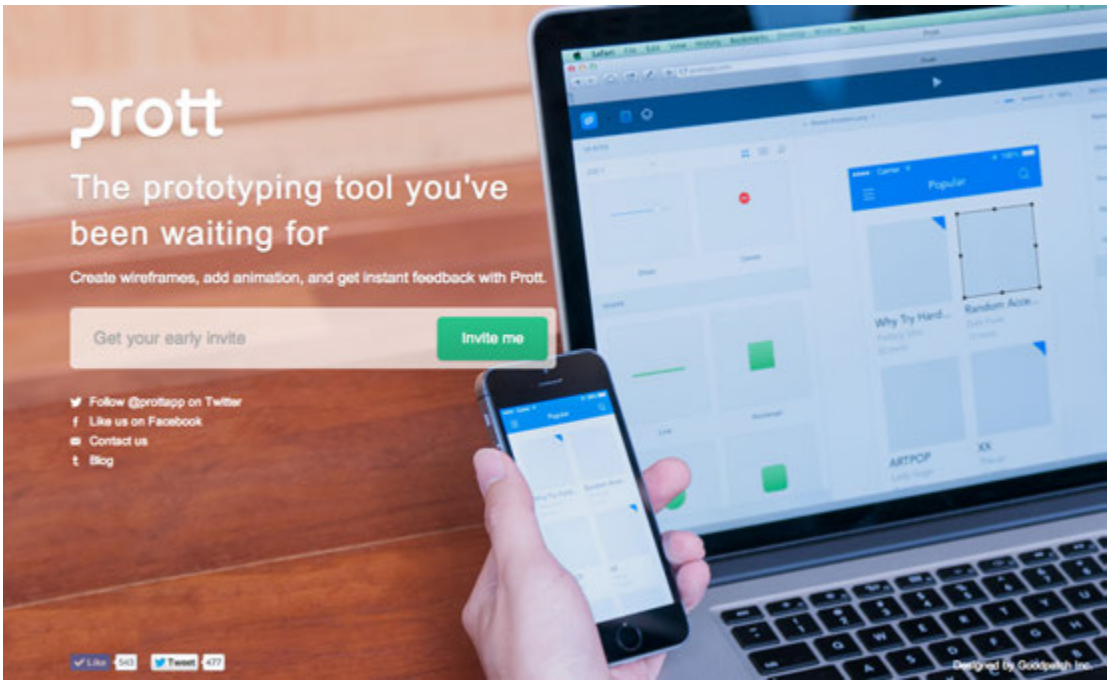


Figure 4.1: *Launch Page Dec 2013 - April 2014*

Figure 4.2: *Launch Page Update for Closed Beta*

Figure 4.3: *Social Proof in Tweets and Likes*

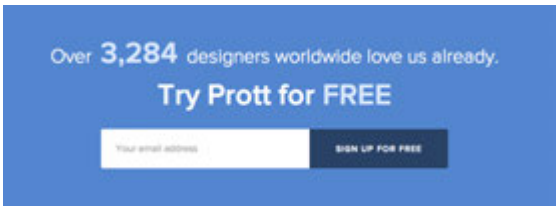


Figure 4.4: *Social Proof in Number of Signups*

- **Social Media Engagement**

  A Twitter account with the short handlebar (in this case @prottapp[1] and @prott_jp[2] for the Japanese Twitter account) as well as a Facebook Page[3] were the usual starting point. In Prott's case the special situation was that the two distinct user groups had to be addressed in English and in Japanese. The team decided to establish just one Facebook group where targeted posts are possible and went for two Twitter profiles which interlink on each others profile description.

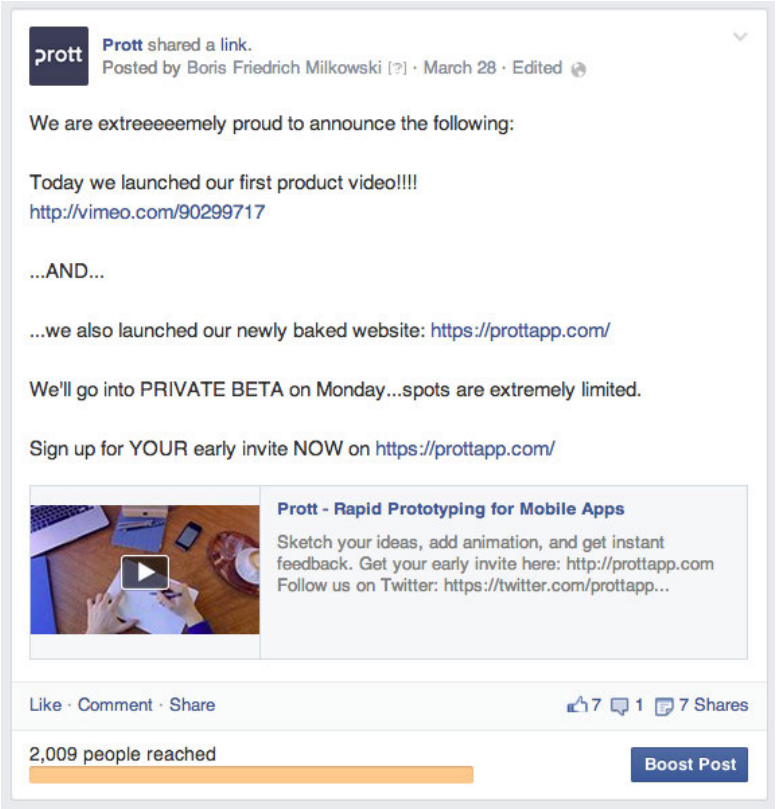


Figure 4.5: *Post on Facebook Page*

- **Conent Marketing**

  At Prott the team also created a blog via Tumblr[4], additional to the usage of already established blogs Memopatch[5] by Goodpatch and the researchers personal blog on Medium.

  The researcher wrote several blog posts on Prott related areas and shared it into the relevant community of software designers and developers via Twitter. While reach was at times limited it still in most cases reached important opinion leaders and was actively shared on social media by those who read it.

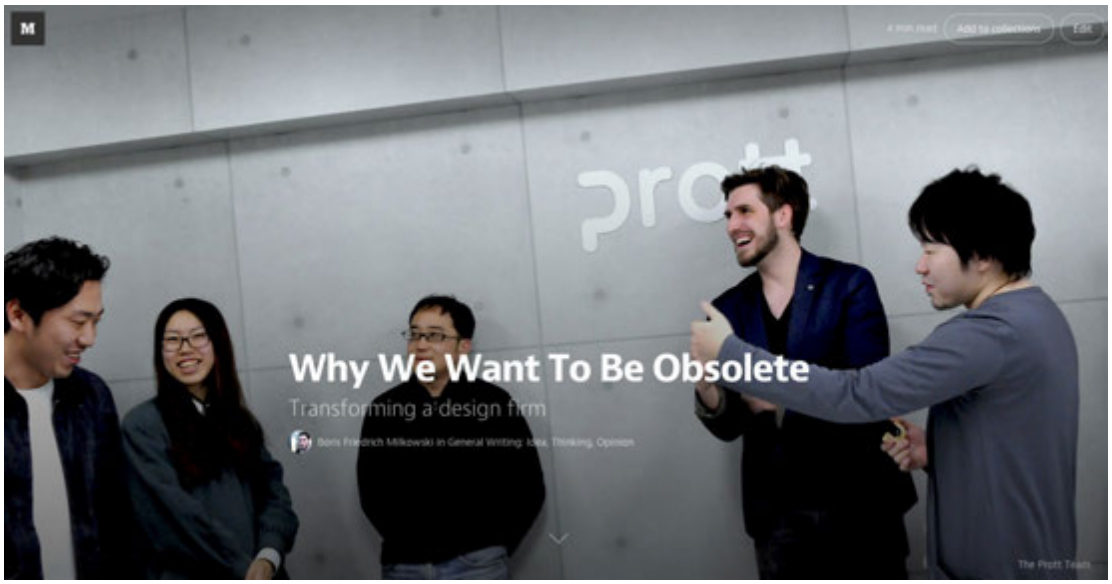


Figure 4.6: *Blog Post*

- **Give-away Campaigns**

  At Goodpatch there was already an existing interest in use of analog tools in the design process, which led to innovative ideas for offline tools to complement Prott as a software product. One idea was an iPhone stamp for UI sketching. Also prototyping notebooks pre-printed with iPhone frames were produced as well as offered for free PDF download online.

  Since Goodpatch was building a service for prototyping and designing apps, the team wanted to provide some complementing analog tool. Exploring a few sketching and prototyping tool ideas led to the idea for a stamp in the shape of an iPhone. Own designers were tired of constantly rule ringing out the iPhone shaped-box, so it seemed like the perfect solution. With just a piece of paper and one stamp, one could sketch wireframes and build paper prototypes. There are not other prototyping stamps around which was rather surprising. The team reasearched to find a stamp maker and soon a custom order with a vendor in Tokyo was completed. A strategy on how to use the stamp for promotional purpose was crafted and a giveaway via Twitter was planned. These were some of the findings on customer acquisition process through this give-away

Figure 4.7: *iPhone Stamp Twitter Campaign (English)*

This simple idea for a giveaway achieved 400+ additional signups with only 2 tweets and $70 in expense. The tweet included a picture of the stamp with the text:

"Retweet to win! Custom-made iPhone stamp for UI sketching from prottapp.com pic.twitter.com/IIUOfn4c8r"

Within minutes the retweets had passed the 20 mark, in hours to 80+, and to date there are 155+ retweets. This brought a significant increase in

Figure 4.8: *iPhone Stamp Twitter Campaign (Japanese)*

traffic and led to a very satisfying increase in signups. On the day of and the day following the first tweet, more than 90 signups could be directly linked back to the tweet. Daily # of new sign-ups climbed significantly to 91 the day after the tweet.Traffic increased and conversation rate among new visitors climbed to 30.67%. The same was repeated with the Japanese twitter account and had similar success with 155+ retweets. Together, 400+ signups could directly be traced back to those 2 tweets.

Result: Customer Acquisition Cost (CAC) of $0.18 While it is difficult to

state the exact number, with an approximation of 400 generated signups, it is a CAC of 18 Cents. That is a hard to beat number for low-cost acquisition.

Furthermore the stamp has served well as a special gift for potential partners or clients. It is currently already being used at several high-profile design companies affiliated with Goodpatch.

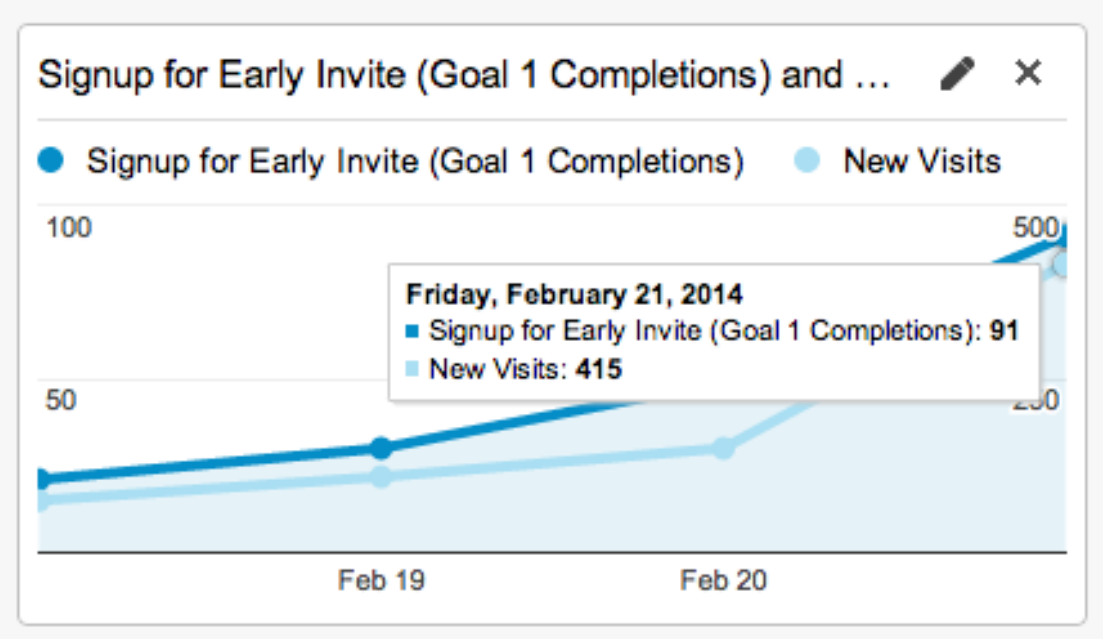


Figure 4.9: *Signup for Early Invite Goal Completion*

- **Drip marketing & Mailings**

  Various mailing campaigns were sent to those who signed up for an early invite. Here again the mails were first crafted in English and then translated and sent also in Japanese.

- **Beta tester community**

  Early on Prott asked its subscribers if they wanted to be part of the beta testing. Those who wanted to were asked to reply the mail with a quick Yes!. In just a few hours 300 mails came back. In total there is now one closed group on Facebook with 380 International beta testers, and a second closed group with 333 Japanese beta testers.

  Especially in the beginning there was tremendous response among the users and a lot of valuable comments were collected.

  To further leverage of the enormous responsiveness an experiment was conducted: It was communicated into the group that those who would invite three of their Facebook Friends into this group, that as soon as the product actually would launch into private beta, those users were privileged and invited first. Within a few hours subscribers invited their friends and the experiment turned out to be highly effective. The same mechanism is now being used in other aspects of the product growth.

Figure 4.10: *Active Beta Tester Community in Facebook*

- **Promotional video**

  One of the most work-intensive action items during the launch process of Prott was the production of the promotional video which was released at the day of the private beta launch.

  The video has been viewed more than 7,900 times and is one of the important elements of the current landing page. The video was produced by the researcher in collaboration with Munich based creative collective Inside The Haze[6]. The researcher created the concept idea, storyboard, and proto-

type seen in the video. The production was done by the partner in Munich, Germany and was shot in 2 days, with a few days of after production.

Product video can have many different styles and formats. Where as recently many explanation videos can be seen, for Prott a branding video format was chosen. This means that there is not much of details and facts explained but the emphasis lies more on emotional value for the brand and product.

Various scenarios of how to the video should look were discussed. Most challenging fact was that at the moment when the video was shot there was no working version of the actual software available. What should then be shown in the video? Another question was questioned wether or not the video needed narration.

Since there was no product available yet the team decided to show more the vision of what the product does. Ultimately it would help a designer to prototype an idea. In the video this is shown as a sort of a magical transformation from sketches into clickable prototypes. From the early sketch prototypes the app transformed further into basic and then sophisticated UI elements.

As for the narration question it seemed most desirable to have a video that would function with both target audiences described earlier. If the video had been narrated in English it would have not worked for the Japanese audiences as it seemed to distant.

Various cultural dimensions were acknowledged when the video was planned and produced. For example was first proposed by Inside The Haze to have an actor who happened to have tattoos. It was decided to work with another actor instead as tattoos are not well accepted in Japan.

Another example was that in an early cut the actor was putting on his shoes inside his flat. This how ever is also considered a bad habit and was therefore taken out the video.

The whole video is shot in so called Point-of-View (POV) which means the viewer sees the scenes as if she was the person in the video. Throughout the whole video the actual face of the actor is not been shown (This was

Figure 4.11: *Storyboard Sketch*

proposed differently at first). In this way the viewer can feel more like being this person, and be as enabled as the designer in the video.

The basic story goes like this that a person who later turns out to be a designer of apps, wakes up, makes himself quickly ready in the bathroom, and leaves the house. With a bike he travels over to a nearby coffee house where he drinks a coffee and starts sketching app ideas on paper. With the Prott iOS app he snaps pictures of his sketches and animates them to a clickable prototype. Accelerated through certain video technique he ends up having a fully designed app ready to share with his colleague or client who sits in another office. He sends her over the link and she is reviewing it.

The video is 1:16 long and refers to prottapp.com in the end.

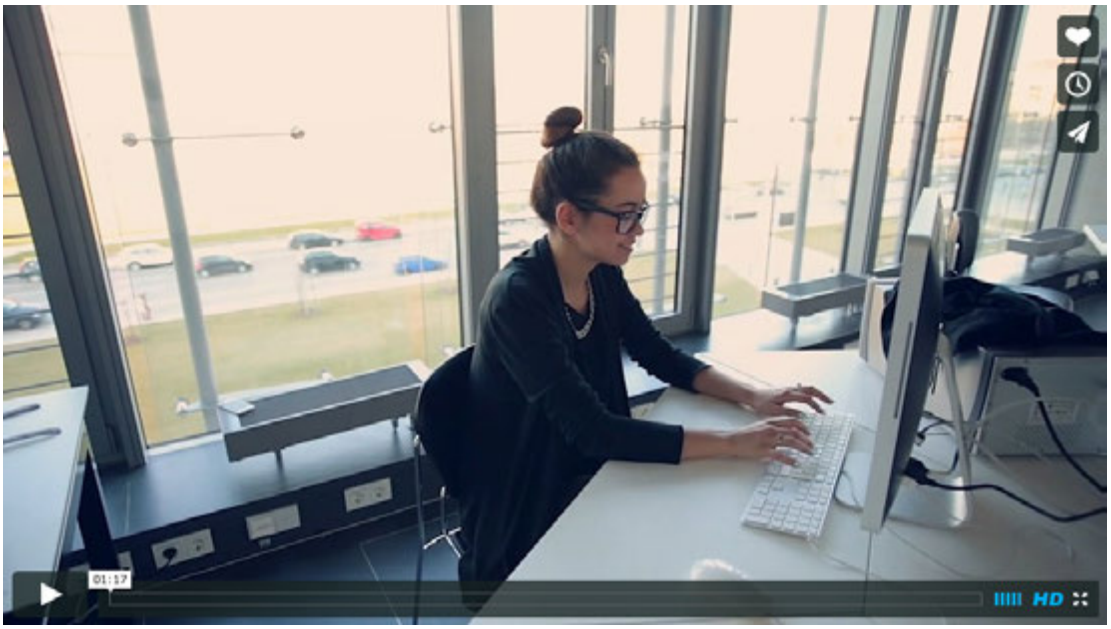


Figure 4.12: *Screenshot of Promo Video*

Figure 4.13: *Point of View (POV)*

- **Onboarding process**

The Prott team felt like it wanted to show the users the most important features by providing them with a pre-installed sample project. The sample project were a few screens neatly designed and the content it contained was sort of instructions of what to do next. With Mixpanel[7] the team was able to clearly observe the completion rate of the tutorial.

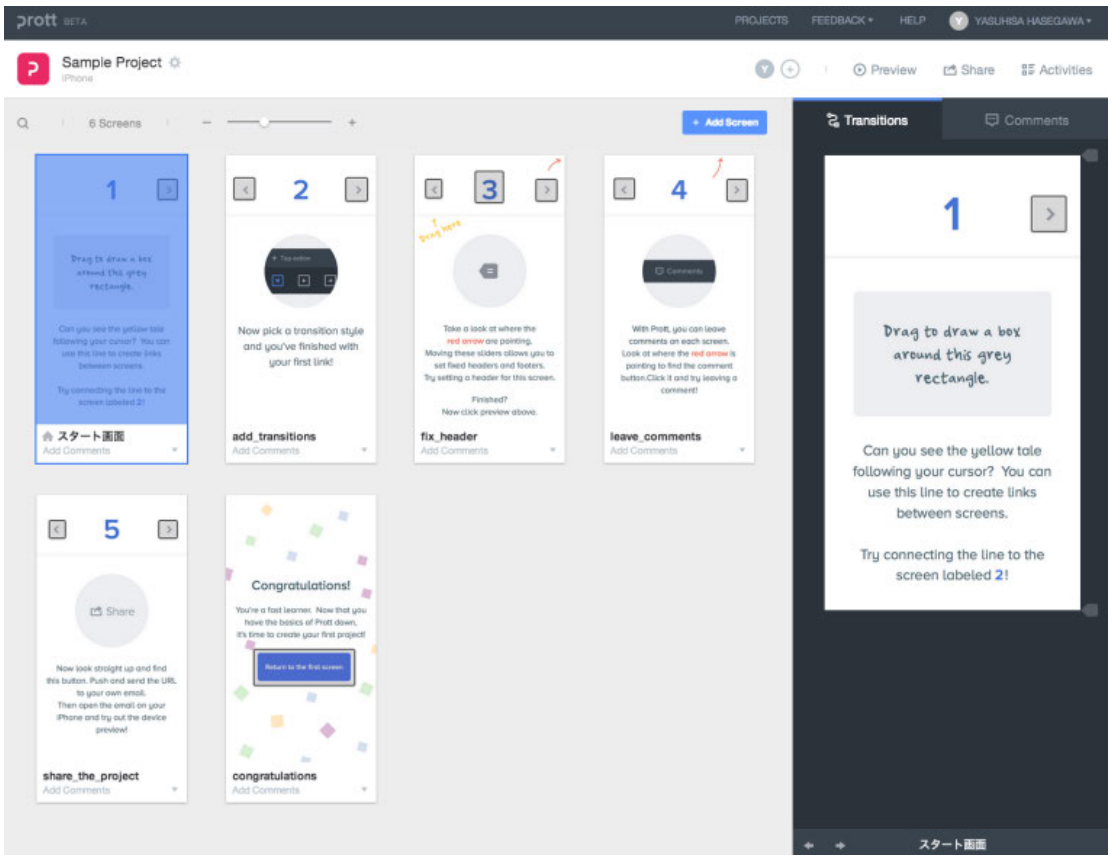


Figure 4.14: *Onboarding Project*

Giving the new user reason to complete various steps is important as sometimes value for the user might be recognized just when a certain process is being completed. In the case of Prott this moment is when you share the prototype with somebody else on an device and that person is seeing and trying out the new product idea.

The onboarding process at this very experience as goal and was optimized to achieve this.

Additionally in-app messages via Intercom[8] were added to quickly give the user a pitch of the onboarding project and how to get started (see 4.15). This in-app message shows name and a picture of the researcher and contains a reply fields which encourages conversation with the new user from the very beginning.

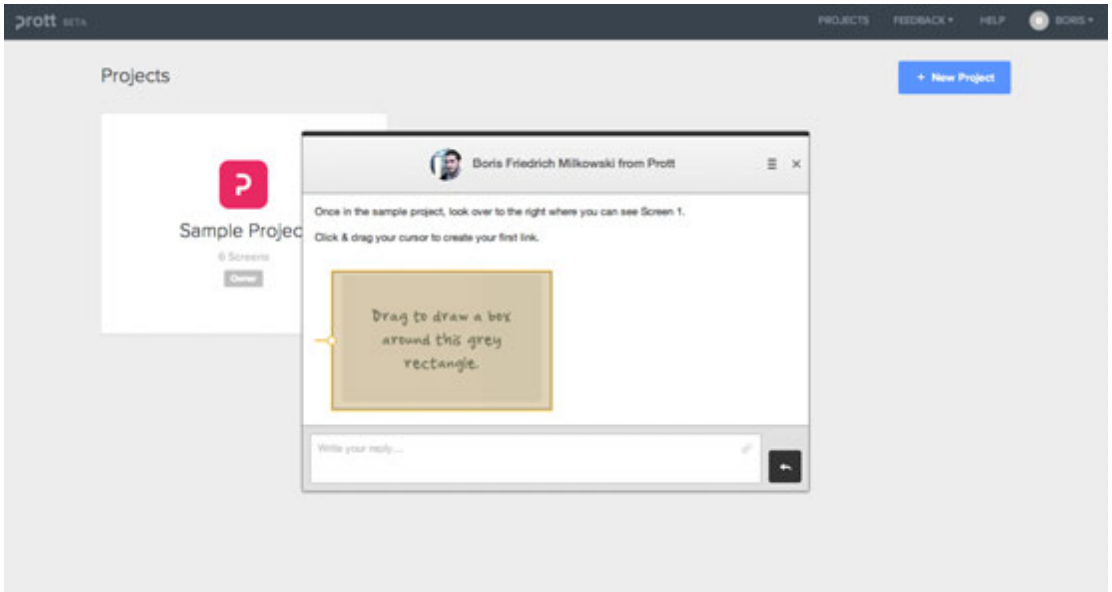


Figure 4.15: *In-app Message*

4.2. Action Cycle 2

Even though most communication channels were set up in English and in Japanese to this date Prott only has an English landing page. This is sub-optimal and should have been changed already a while ago, as value proposition is not clear communicated towards someone who does not speak proper English.

Social media engagement was using same channels as for International users but in a slightly different way. It is not easy to have casual communication with "customers" as those are usually being addressed rather formally. Very surprising to see were how differently Japanese users were engaging with shared content. Often there were instant Likes but seldom there was a real conversation on social media

Prott has been mentioned in blog posts on the company-own Memopatch. Differently than for the International audience Prott was being demoed at a big event with 130 design professional at the Lean UX Tokyo event with author Jeff Gothelf. Since Goodpatch was co-facilitating this event CEO Tuschiya took the chance to give a short demo of the product.

When it comes to drip marketing the team was very careful of not spamming Japanese users. Opening rate of newsletters has been generally lower than that of the International users. Also when it comes to Onboarding process the team decided not to send personal in-app messages as they might appear to direct and casual.

4.3. Growth Results

First overall success of the launch phase of Prott is being described by looking at acquisition and conversion and growth rate among users.

When Goodpatch first announced in December it is building Prott 455 signups were acquired. This growth was unnatural and were related back to more or less one single announcement. In the period of research, from Jan 10th - June 10th additional 4,463 signups were acquired, which results in a total growth rate over this period of 980%.

However monthly growth rate has not been positive in each month due to further unnatural waves of signups from press coverage. The growth curve as seen in Figure 4.16 is not yet stable but is expected to be stabilized over the next few months.

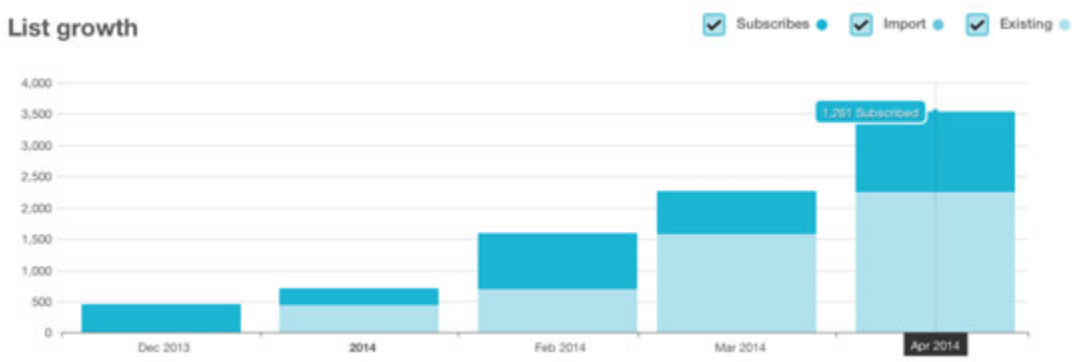


Figure 4.16: *Growth of Customer Acquisition List*

Of all 4,918 signups 1,741 were Japanese users and 3,177 (35%) were international users (65%). Of those 4,918 were 940 recurring users. Recurring users are defined by the researcher as anyone who has used the service more than once. This means an activation rate of 19%. Of those 940 active users 413 (43%) were Japanese users and 527 (56%) were International users.

Another metrics that mattered to the team was the conversion rate. The conversion rate measures the number of signups over the number of new visitors. The overall conversion rate during launch the since it was started to be measured was 16%.

$$\textbf{Conversion Rate (\%)} = \frac{\textbf{Goal Conversion (\#) x 100\%}}{\textbf{New Visitors (\#)}}$$

$$\textbf{Conversion Rate (\%)} = \frac{\textbf{4918 x 100\%}}{\textbf{29,067}} = \textbf{16.2\%}$$

Figure 4.17: *Conversion rate, Jan 10 - Jun 10*

One main event was the launch into closed beta on March 28th 2013. There was a period of a few days were some data regarding conversion rate were not collected as the tracking code was not properly implemented in the main code of the newly launched landing page. This gap can be seen in Figure 4.18.

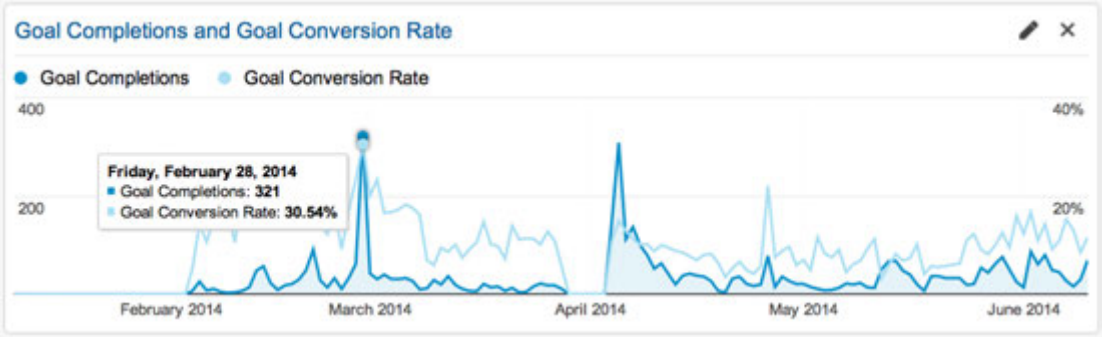


Figure 4.18: *Completion Goal, Jan 10 - Jun 10*

Surprisingly the conversion rate dropped with the launch of the more sophisticated launch page. Between February 5 - March 7 it was 16.44%. In the time between April 4 - June 10 it was at 7.74%.

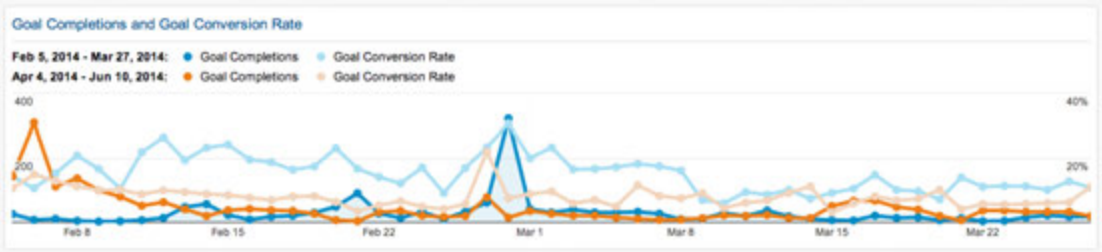


Figure 4.19: *Comparision of Conversion rate, Jan 10 - Jun 10*

Resulting numbers during launch phase (Jan 10th - Jun 10th 2014) in summary:

- Total amount of acquired customers: 4,463
- Total Growth Rate: 980%
- Overall Conversion Rate: 16%
- Overall Activation Rate: 19%

4.4. Results from Sean Ellis Test

While it is difficult to accurately measure achieved product/market fit one method has been identified and applied. To better understand if Prott actually achieved product/market fit socalled Customer Development Test (See Appendix D) by Sean Ellis. Sean Ellis ran a consulting company, 12in6, that specialized in helping startups during their growth transition stage (post Product/Market Fit). As a condition to taking on a client, he conducted a qualitative survey across a sampling of the companys users to determine if their product had achieved product/market fit. was sent to a random sample of 178 International active users. Those users have used Prott more than five times, and most likely experienced value from the app. The key question on the survey is:

"How would you feel if you could no longer use [product]?"

- *Very disappointed*
- *Somewhat disappointed*
- *Not disappointed (it is not really that useful)*
- *N/A - I no longer use (Product)*

If you find that over 40% of your users are saying that they would be *very disappointed"* without your product, there is a great chance you can build sustainable, scalable customer acquisition growth on this *"must have"* product.

This 40% benchmark was determined by comparing results across 100s startups. Those that were above 40% are generally able to sustainably scale the businesses; those significantly below 40% always seem to struggle.

In the case of Prott, only 33% said they would be very disappointed (33% said somewhat disappointed). These results show that product/market fit in the case of Prott has not been found yet.

4.5. Summary

While overall performance during launch looks promising in terms of response and traction it still have to prove if Prott found its porduct/market fit. Growth is too unstable.

Alarming is also that current conversion rate is much lower than it used to be.

Future of Goodpatch and Prott will show, but there is a current need to acknowledge th certain danger of scaling pre-maturely in the product, team and financial dimension in order to mitigate risk.

By the end of July Prott will launch its mobile iOS app which will make it easier to snap pictures of a sketch with an built-in camera feature. By October the team is planning to have a payment system up working and a pricing plan in plan.

The product itself it planned to be developed further into a fully fledged prototyping, wireframing and collaboration tool.

Notes

1 https://twitter.com/prottapp

2 https://twitter.com/prott_jp

3 https://www.facebook.com/prottapp

4 http://prottapp.tumblr.com/

5 http://memo.goodpatch.co/

6 http://insidethehaze.com/ Disclaimer: Jens Milkowski & Jakub Rzucidlo were the artists representing Inside the Haze in this work. Jens Milkowski happens to be the brother of the researcher

7 Mixpanel is an analytics platform for the mobile and web, supporting businesses to study consumer behavior

8 Intercom is a single platform where you can see in real-time who is using your product and send personalized messages to the right users at the right time based

Chapter 5

Discussion

Three out of four startups fail [7]. Most startups fail because they don't build something people want [11]. When working on a product it is often more convenient to concentrate on technical development rather than on the user. However this might lead to an inability to acquire and retain a substantial number of users, which after all is crucial for success. Developing a product for too long behind closed doors without exposing it in an early form is a mistake repeated by many startups every year. Out of fear of facing the truth, and sometimes even being aware that their product is not what people actually will use, teams wait for too long to launch. Eventually when they still push trough a launch, often weeks or even months too late, they face the harsh reality of not being able to acquire first users. If you are unable to generate signups, inevitably it is even harder to retain them. This again makes it simply impossible to eventually convert a free user into a paying customer. Engineers and tech entrepreneurs appear to be particularly likely to make this mistake. For years experienced entrepreneurs and investors have been telling first time entrepreneurs to focus on finding and solving the needs of customers who are willing to pay to have those problems solved (rather than on 'building a better mousetrap') [3]. Steve Blank seems to have found a model and a language for communicating this very effectively. His work with *"4 Steps to the Epiphany"* has made very important contributions to defining the process for reducing the time and money spent finding a scalable business model.

The purpose of this research was to continue making this process even more repeatable through focusing on the most important things that can be done during

the launch of a product. Initially New Product Launch Process was designed to provide Goodpatch with a structured well-engineered way to launch its new service Prott. For Goodpatch, as an design agency, it was the very first time to build and market an own software product. The learning effect for the team was huge. With the learning of two action cycles reflected back into the model, it can now be applied by other startups to launch their service more successfully. When launching, this process basically helps to get these three things right:

- Finding product/market fit
- Acquiring and engaging first users
- Collecting feedback to develop the product further ...

Launching here is described as an ongoing process of about six months rather than an one-time activity. Over this time span, the startup's goal should be to get from no product/market fit to product/market fit. This product/market fit is found through continuous experimentation of different value propositions towards the prospective user. The reaction of the user to changes in value proposition can be observed and measured in various ways. The data can then be interpreted based on how users and prospects correspond with different messages. To test different value proposition, it is not necessary to have a complex software product completely developed, but it can be achieved already with a rather simple launch page. This launch page, with not much more than a background picture, a headline and a signup form can deliver data which either tells you *"Hey, people really want this";* or *"Oops, it seems no one cares about this."*

If users want a product they sign up for it. If they are really excited about it, they will start sharing it with their social network. They do this even when they have no real clue of what the service actually will do for them. Sometimes it is enough if only they can get a hint of it, which may be enough to lead them to believe in the product. This means, that resources in form of money and time can be saved. These resources of i.e. engineers and designers can then be invested into developing a product people want, rather than being wasted on something nobody wants.

To ensure the team is developing the product in the right direction, it is necessary to actively engage those early signups in a conversation. By making

the early user an additional external team member the progress on the product development can be shared and, in such way, a strong relationship can be nurtured. This relationship with the early adopters can lead to a community around the product. This community and the activeness of so-called earlyvangelists can swap over and make it easier to acquire additional users due to herding effects and social proof.

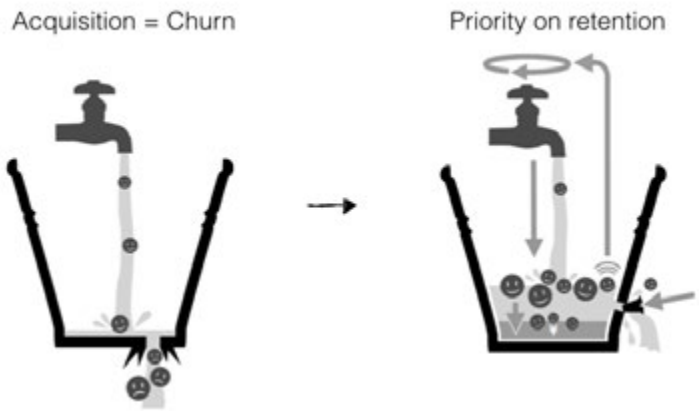


Figure 5.1: *Customer acquisition compared with funnel - Priority on retention*

5.1. Limitations

Although the New Product Launch Process helped Goodpatch to launch its product Prott to an satisfying extent, there were several limitations to the study. The first limitation was related to product/market fit. It is not yet certain if Prott actually really achieved true product/market fit, so it is not proven that the described process actually brings product/market fit.

Other limitations were related to the implementation of the launch process. At moment of this thesis, the process described has not been completely finished. The final milestone of release to public is yet to come. This means that while major events were covered, it still is extremely relevant to see how the product performed in complete cycle. It would be interesting to see how the team can leverage the customer base acquired and how previously gain social proof effect the early growth once the product come out of beta.

The above limitations affect the internal validity of the results — with a greater number of complete product launches, and a clear method to measure achieved product/market fit, the results may have more accurately reflected the impact of the intervention.

5.2. Recommendations for Future Research

Based on the results of the study, there are several recommendations for future research. First, some of the limitations outlined above may be minimized or eliminated in a revised implementation of the launch process.

Alternativly to the Sean Ellis Test, a classic Net Promoter Score test(See Appendix E) could fulfill same purpose. Here the question is *"How likely are you to recommend our product to a friend of yours?"*

In the case of either test, it does make sense to send the survey on a regular basis to comparable cohorts. Those cohorts should be a random sample of users who have...

- experienced the core of the product offering
- used the product at least twice

- used the product in the last two weeks

Both surveys are suitable, with the Ellis Test being a bit negative and quite long with eight questions. The Net Promoter Score is more actionable, in conclusion the researcher recommends to combine both. In other words, to send the core question of the Ellis test in combination with the Net Promoter Score question.

5.3. Conclusion

Three major conclusions can be made from this study. The first conclusion is that in general a structured way of facilitating a product launch is always better than running with out a process. A process should be flexible enough to allow spontaneous actions. Even if the launch process described in this research is not 100% applicable to a particular case, it might be a starting point. Further modifications then can and should be done.

The second major conclusion is that a team busy with developing a product will always find an easy excuse why it cannot deal right now with supposingly "unnecessary" things like talking to potential users. A team of professionals easily develops a certain arrogance and with engineers already loaded with priority lists these kind of interaction can be misconceived to be distraction from "real work". But, and this is something which became very obvious through this research, the realest work is nothing else than actually talking to the user. Cause if the wrong product is being developed it simply does not matter how good the programmer was. This in return means in certain teams it might be a good idea to install one additional resource and responsibility. It can mean that an additional person should be hired. This person would be responsible for user experience design, user acquisition and all things related marketing and launch of the product. This role requires strong understanding of design methodologies, the ability to deal with various analytic tools and basic technical skills to touch some front-end code here and there. Most importantly this person needs lots of empathy and people skills. Certainly it is preferably that every team member cares about the user. In reality everyone is already busy with their own domain. Instead this too often neglected, which leads to the third and final conclusion.

All the supportive action items that should happen during the launch phase need time to be thought through and developed. This means there are a lot of time-consuming activities that many teams remember too late. One great example for this is the onboarding process. The first experience of a new user is most important but the onboarding process is often being developed at very last. This might be a problem as hasty decisions are being made and there might not be enough time to test. With the proposed process those activities become equally prioritized as the product development itself and hence increase the chances for success.

5.4. How Products and Companies are Built in the Future

While Lean Startup is still enjoying great popularity across startup hubs worldwide, Silicon Valley seems to have turned its back on the lean approach. In a fast changing world with new products coming out everyday, it is more important than ever to have a solid product. People are tired of seeing Minimal Viable Products, as those are limited in functionality and quality. Since there is more venture capital then ever available, and with startup costs going down, the so called runway[1] for many startups becomes longer. Especially in the Bay Area it can be seen more often again that teams come out of stealth mode with a enchanting product. While this looks at first sight like the old patterns of the pre-Lean Startup era, it is in many ways smarter. Instead of keeping early adopters out per se, those are indeed invited; just with limited scope. In this way, even prior the product goes public, a team is able to tremendously learn from the insight from their first users.

Just as interesting as the question of how companies are started is how they scale once they found their product/market fit. Where as it is important to develop close relationships with first users; this might not be feasible to maintain while having real traction. This is where the challenge of not scaling prematurely continues.

While repeatable startup succes will always remain art, the heated debate around approaches like Lean Startup helps founders to avoid mistakes others have

done before. Startups are not smaller versions of companies [2], and therefore need new applicable management tools. Ultimately, approaches like the proposed product launch process can effectively help teams to deal better with the ever-present ambiguity of product launches.

Notes

1 The amount of time until your startup goes out of business, assuming your current income and expenses stay constant. Typically calculated by dividing the current cash position by the current monthly burn rate.

References

[1] Björk, J., Ljungblad, J., and Bosch, J. Lean product development in early stage startups. In *From Start-ups to SaaS Conglomerate: Life Cycles of Software Products Workshop (IW-LCSP 2013)* (2013), 19.

[2] Blank, S., and Dorf, B. *The startup owner's manual*. K&S; Ranch, 2012.

[3] Blank, S. G. The four steps to the epiphany. *Cafepress. com* (2005).

[4] Cusumano, M. A. Evaluating a startup venture. *Communications of the ACM 56*, 10 (2013), 26–29.

[5] Drucker, P. F., and Drucker, P. F. *Innovation and entrepreneurship: Practice and principles*. Routledge, 2007.

[6] Farris II, M. T., and Hutchison, P. D. Cash-to-cash: the new supply chain management metric. *International Journal of Physical Distribution & Logistics Management 32*, 4 (2002), 288–298.

[7] Gage, D. The venture capital secret: 3 out of 4 startups fail. *The Wall Street Journal* (2012).

[8] Graham, P. The 18 mistakes that kill startups, 2006. http://paulgraham.com/.

[9] Liu, T., and Schiraldi, P. New product launch: herd seeking or herd preventing? *Economic theory 51*, 3 (2012), 627–648.

[10] Marmer, M., Herrmann, B., Dogrultan, E., Berman, R., Eesley, C., and Blank, S. Startup genome report extra premature scaling. *Startup Genome* (2012).

[11] Maurya, A. *Running Lean: Iterate from Plan A to a Plan That Works.* " O'Reilly Media, Inc.", 2012.

[12] May, B. Applying lean startup: An experience report; lean ux by a ux veteran: Lessons learned in creating and launching a complex consumer app. In *Agile Conference (AGILE), 2012*, IEEE (2012), 141–147.

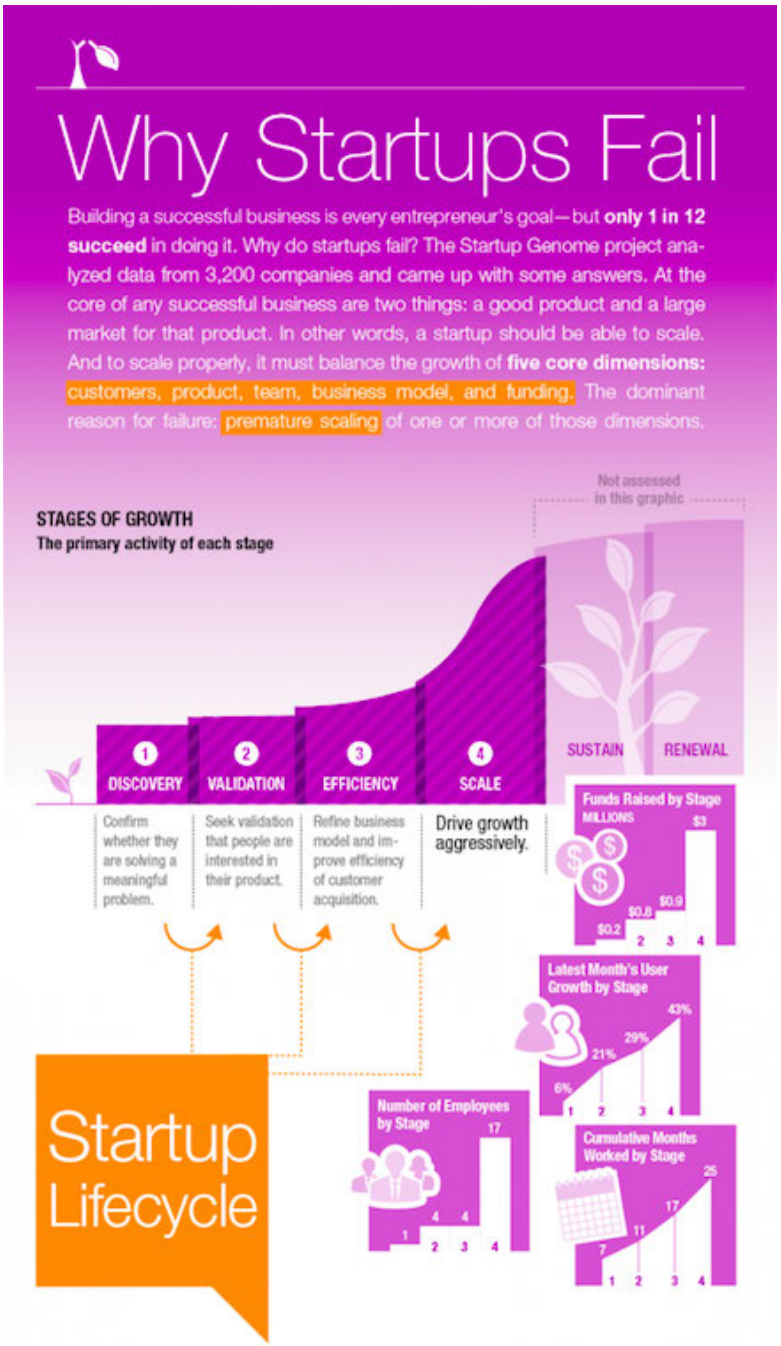
[13] Ries, E. The lean startup. the movement that is transforming how new products are built and launched, 2012.

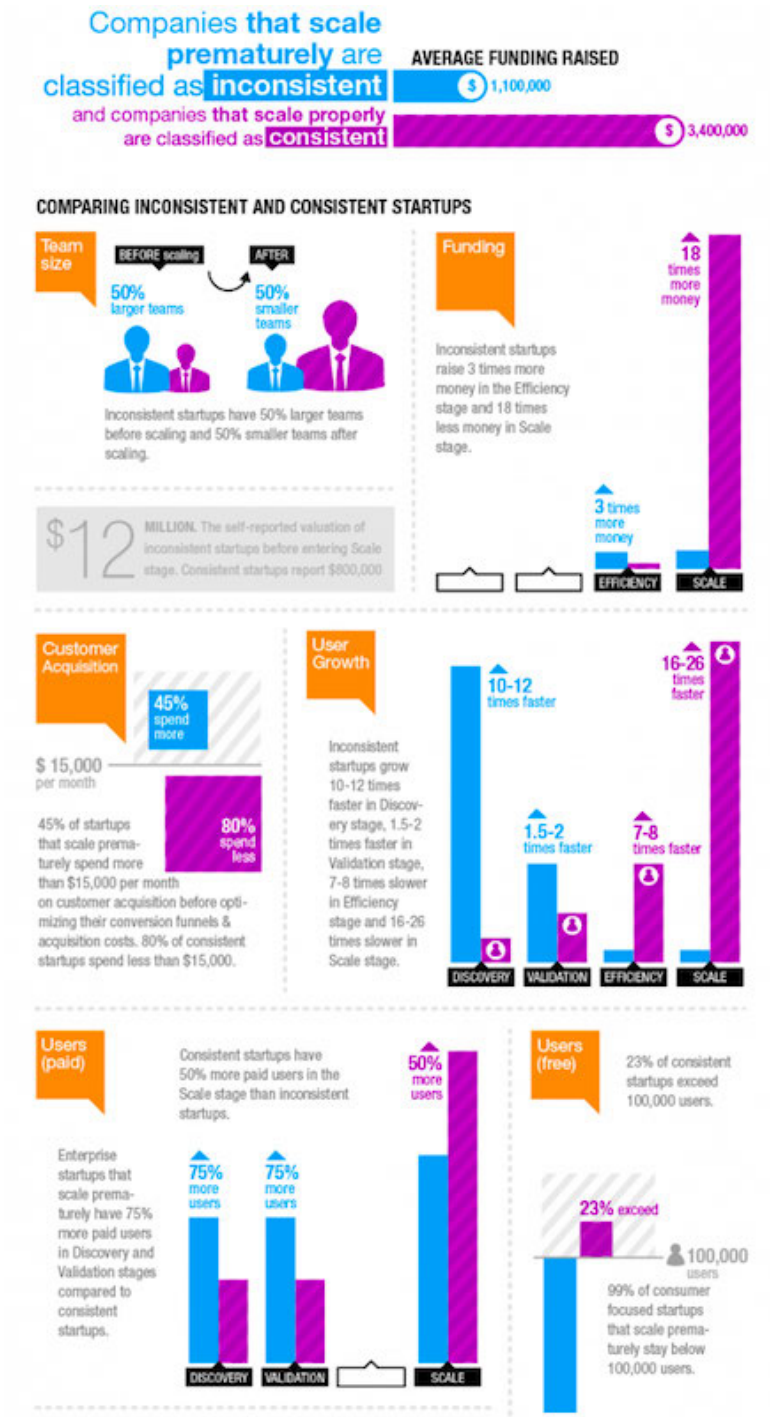
[14] Talke, K., and Hultink, E. J. Managing diffusion barriers when launching new products. *Journal of Product Innovation Management 27*, 4 (2010), 537–553.

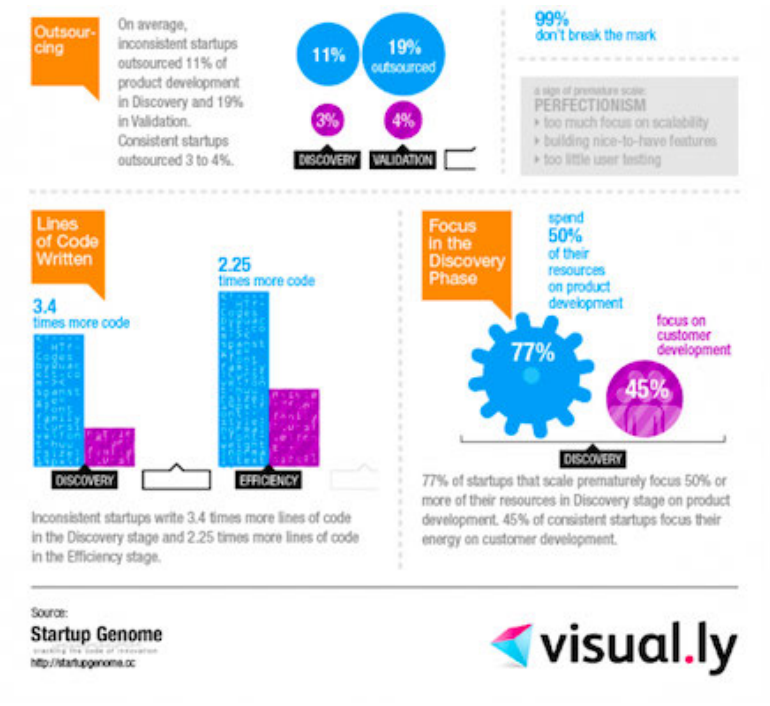
[15] Widman, J., Hua, S. Y., and Ross, S. C. Applying lean principles in software development process–a case study. *Issues in Information Systems, XI 1* (2010), 635–639.

Appendix

A. Infographic by Startup Genome on Why Startups Fail



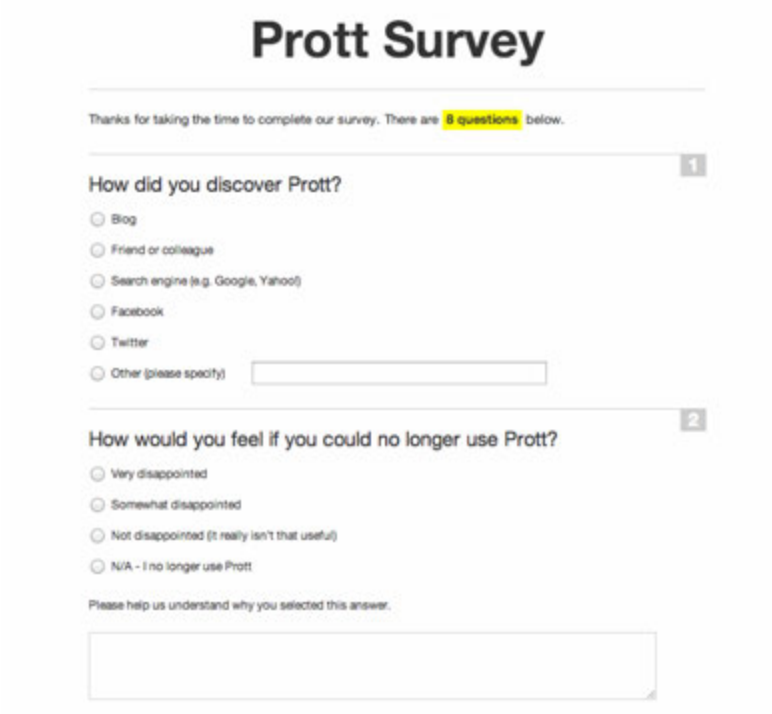

Companies that scale prematurely are classified as inconsistent
and companies that scale properly are classified as consistent
AVERAGE FUNDING RAISED
$ 1,100,000
$ 3,400,000
COMPARING INCONSISTENT AND CONSISTENT STARTUPS
Team size
BEFORE scaling
AFTER
50% larger teams
50% smaller teams
Inconsistent startups have 50% larger teams before scaling and 50% smaller teams after scaling.
$12 MILLION. The self-reported valuation of inconsistent startups before entering Scale stage. Consistent startups report $800,000
Funding
Inconsistent startups raise 3 times more money in the Efficiency stage and 18 times less money in Scale stage.
3 times more money
18 times more money
EFFICIENCY
SCALE
Customer Acquisition
45% spend more
$ 15,000 per month
80% spend less
45% of startups that scale prematurely spend more than $15,000 per month on customer acquisition before optimizing their conversion funnels & acquisition costs. 80% of consistent startups spend less than $15,000.
User Growth
Inconsistent startups grow 10-12 times faster in Discovery stage, 1.5-2 times faster in Validation stage, 7-8 times slower in Efficiency stage and 16-26 times slower in Scale stage.
10-12 times faster
1.5-2 times faster
7-8 times faster
16-26 times faster
DISCOVERY
VALIDATION
EFFICIENCY
SCALE
Users (paid)
Consistent startups have 50% more paid users in the Scale stage than inconsistent startups.
Enterprise startups that scale prematurely have 75% more paid users in Discovery and Validation stages compared to consistent startups.
75% more users
75% more users
50% more users
DISCOVERY
VALIDATION
SCALE
Users (free)
23% of consistent startups exceed 100,000 users.
23% exceed
100,000 users
99% of consumer focused startups that scale prematurely stay below 100,000 users.


Outsour-cing
On average, inconsistent startups outsourced 11% of product development in Discovery and 19% in Validation. Consistent startups outsourced 3 to 4%.
11%
19% outsourced
3%
4%
DISCOVERY
VALIDATION
99% don't break the mark
a sign of premature scale:
PERFECTIONISM
▸ too much focus on scalability
▸ building nice-to-have features
▸ too little user testing
Lines of Code Written
3.4 times more code
2.25 times more code
DISCOVERY
EFFICIENCY
Inconsistent startups write 3.4 times more lines of code in the Discovery stage and 2.25 times more lines of code in the Efficiency stage.
Focus in the Discovery Phase
spend 50% of their resources on product development
focus on customer development
77%
45%
DISCOVERY
77% of startups that scale prematurely focus 50% or more of their resources in Discovery stage on product development. 45% of consistent startups focus their energy on customer development.
Source:
Startup Genome
http://startupgenome.co
visual.ly

B. Behind the Scenes of Video Shoot

C. Action Items & Timing

D. Customer Development Survey



Prott Survey

Thanks for taking the time to complete our survey. There are 8 questions below.

1

How did you discover Prott?

- Blog
- Friend or colleague
- Search engine (e.g. Google, Yahoo!)
- Facebook
- Twitter
- Other (please specify)

2

How would you feel if you could no longer use Prott?

- Very disappointed
- Somewhat disappointed
- Not disappointed (it really isn't that useful)
- N/A - I no longer use Prott

Please help us understand why you selected this answer.

3

What would you likely use as an alternative if Prott were no longer available?

- I probably wouldn't use an alternative
- I would use:

4

What is the primary benefit that you have received from Prott?

5

Have you recommended Prott to anyone?

- No
- Yes (Please explain how you described it)

6

What type of person do you think would benefit most from Prott?

7

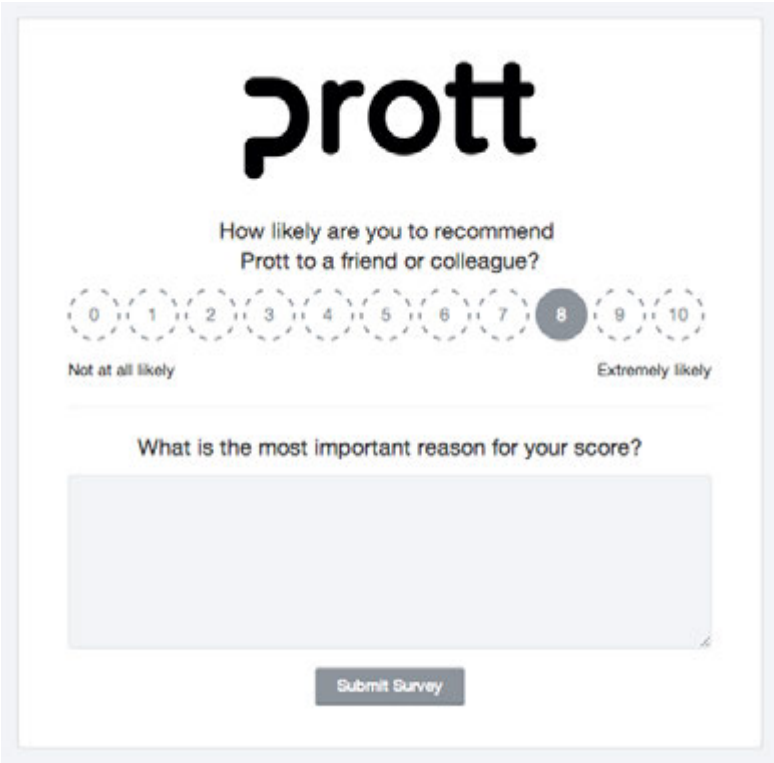
How can we improve Prott to better meet your needs?

8

Would it be okay if we followed up by email to request a clarification to one or more of your responses?

- No
- Yes (please enter the best email address to contact you by)

Submit Survey

Powered by Survey.io, a Qualaroo product.

E. Net Promoter Score Survey