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# **A practical approach to execute and test a Lean Startup: Building Phase**

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## **Abstract**

This paper practically applies the “Lean Startup Approach” by identifying, analyzing and executing a newly developed web-based business idea. Hypotheses were designed and tested with the construction of a minimum viable product – i.e. a landing page. In-depth interviews allowed deciding either to pivot or persevere the initial launch strategy. Overall, the aim was to collect as much valuable response as possible from customers and ultimately decide for a superior strategy while devoting the smallest amount of time and money.

**Keywords:** Entrepreneurship, Lean Startup Approach, Tech-Startup, Minimum Viable Product.

**Table of Content**

- Introduction ..... 4**
- 1. The Lean Startup Approach ..... 5**
  - 1.1 Brief History of the Lean Startup Approach..... 5**
  - 1.2 Definition and Process ..... 6**
  - 1.3 Running Lean vs. Running Fat..... 7**
- 2. Starting from Zero ..... 7**
  - 2.1 Course of Action ..... 7**
  - 2.2 Everything starts with an Idea..... 8**
  - 2.3 Business Model ..... 9**
  - 2.4 Product Description ..... 9**
  - 2.5 Market Description ..... 11**
    - 2.5.1 Market Overview ..... 11
    - 2.5.2 Competitors..... 12
    - 2.5.3 Positioning ..... 13
  - 2.6 Conclusion..... 14**
- 3. From Theory to Practice ..... 14**
  - 3.1 Leap of Faith Hypothesis..... 14**
  - 3.2 Development of the Minimum Viable Product..... 15**
    - 3.2.1 Reasoning and Approach..... 15
    - 3.2.2 Finding the Name ..... 16
    - 3.2.3 Designing the Logo..... 17
    - 3.2.4 Creating the Landing Page..... 17
  - 3.3 Partner Acquisition..... 18**
    - 3.3.1 Methodology..... 18
    - 3.3.2 Results..... 19
- 4. Pivot or Persevere ..... 20**
  - 4.1 Decision ..... 20**
  - 4.2 Follow-up Strategy ..... 21**
  - 4.3 Value to End-Users ..... 21**
    - 4.3.1 Methodology..... 21
    - 4.3.2 Results..... 21
- 5. Conclusion..... 23**
- References ..... 26**
- Appendix ..... 28**

## Introduction

In today's society, information is omnipresent. Accordingly, standardized technology easily allows sending and receiving any kind of information all over the globe in a matter of split seconds. Around 40 percent of the world's population has access to the internet and the trend is clearly pointing in one direction: upwards (Internetlivestats, 2015). Correspondingly, new trends quickly arise and abruptly fade again. The ecosystem of the internet is changing faster than ever before and has created a "Wild West" for developing new ideas and ventures. Launching a business from a living room and instantly reaching millions of individuals is no longer magic. In 2014, more than half a million new companies were founded in the US alone, while a similar number of companies stopped operating, whereby time as well as money were irreversibly wasted (Statistic Brain Research Institute, 2014). In fact, the figure is even more dramatic regarding the web-startup scene, with statistics revealing a failure rate of approximately 90 percent (Revzin, 2015). Therefore, the entrepreneurial world is confronted with finding the answer to a future-defining question: is there a technique to develop a product or service that increases the probability of success in launching a durable business in a fast-changing environment? Eric Ries - an experienced entrepreneur and author - has intensively dealt with the described problem, eventually developing a ground-breaking and well-known theoretical approach in his best seller, "*The Lean Startup*". The Lean Startup Approach (LSA) postulates that random actions and operations in an evolving company have to be undermined to allow scientific testing during the development of a business, steering the wheel to success (Ries, 2011). The aim of the paper is to practically apply the LSA to a self-created service. The paper's research question is thus defined as: "*does following the theoretical framework of the Lean Startup Approach help to discover a suitable strategy for launching a self-created service?*"

First of all, the theory of the LSA is outlined, providing fundamentals to develop my own original business idea. Secondly, the idea is put into practice, focusing on the product's execution by creating a minimum viable product (MVP). Finally, hypotheses developed based on my service are tested to help decide whether to pivot or persevere the original strategy. Overall, the study shows a structured approach and hands-on mentality in respect to creating a new web-based company.

## **1. The Lean Startup Approach**

### **1.1 Brief History of the Lean Startup Approach**

Everything started back in 1937 with the manufacturing revolution of the car producer *Toyota* and its offspring of the Toyota Production System (TPS) (Toyota Corporation, 2015). The corresponding management philosophy and concept were developed to comprehensively eliminate all waste plus inefficient methods in the process of production, thus merely concentrating on value-creating activities. It thereby disrupted the supply chain and the production system of the company by enhancing the creativity of individual employees, reducing batch sizes and - more importantly - introducing the Just-in-Time (JIT) concept. Besides saving inventory costs, it also perfected the company's flexibility to respond to economic fluctuations and explicitly reduced the firm's danger of forthcoming uncertainties (Ries, 2011, p. 18). Solely taking into consideration the definition of a startup – “*a human institution designed to create new products and services under conditions of extreme uncertainty*” (Ries, 2011, p. 8) – it was only a matter of time before the concept came into practice. Startups have to find a way to estimate whether an idea is worth investing money and time. Eric Ries intensively dealt with the topic and applied the concept of the TPS on startups in his book “The Lean Startup”. He introduced the LSA, with the goal to constantly construct testable predictions on a business. No strategy should be left to chance, but rather to

systematic tests. Startups have to continuously measure how - or even if - customers respond and accordingly decide upon the next steps into the future (Ries, 2015, p. 8).

## **1.2 Definition and Process**

Nowadays, many business visions and strategies are utterly over-engineered and based upon countless assumptions, promising immediate success while neglecting several obstacles in the way. Therefore, it is unsurprising that the failure rate of new ventures is roughly 90 percent (Revzin, 2015). Eric Ries developed the LSA to improve the structure as well as business process of enterprises with an extreme risk profile. By definition, *“the Lean Startup methodology is a practice for developing products and businesses based upon “validated learning”, obtaining customer feedback quickly and often”* (Ries, 2011). For this reason, decisions are based upon data rather than speculations, by permanently testing scientific assumptions and conducting measurements in the process of the product development. Moreover, placing the focus solely on essential activities enables entrepreneurs to gradually improve and develop a product, or alternatively quickly realize the need to change the strategy if indispensable (Ries, 2011, p. 21).

Build, measure, learn and continue building are best visualized by the Build-Measure-Learn Feedback Loop (BMLFL) model (Appendix 1). The process starts with an idea and is supported by the Leap-Of-Faith (LOF) assumption (Ries, 2011, p. 76-77). This includes the construction of the *value hypothesis* and *growth hypothesis*, which are basic questions about the venture and the key elements in the customer discovery process (Hopkins, 2010). To test the hypotheses, a MVP is built with a minimal time and costs, merely focusing on value creating activities. No over-engineering, no waste. As an outcome of specific tests, companies are able to comprehend whether an activity results in a response of customers, as well as deciding to pivot or otherwise persevere the original strategy. A pivot is a structured

correction of the strategy followed by constructing and testing new hypotheses. In this situation, the initial hypothesis is discovered to be false. By contrast, a company perseveres by validating a hypothesis and continues with the initial strategy. Multiple hypotheses are constructed throughout the lifetime of the company. Overall, the LSA creates capital-efficient enterprises as it allows startups to recognize the need to pivot sooner, thus generating less waste of time and money (Ries, 2011, p. 75-78).

### **1.3 Running Lean vs. Running Fat**

The opposite of the LSA is “Running Fat”, which simply means investing and spending a lot of money. By applying this method, startups strongly invest in R&D and are consequently able to take an opportunity to find the product/market fit, outperform their competitors and win the market. As seen above, the main difference between running lean and running fat is the amount of money spent to establish a business. While the LSA focuses only on value creating activities, saving money, operating economically and relies on an exact measurement process, a venture that runs fat plays all-in. It burns money, creates waste and spends a lot of time on non-essential functions (Horowitz, 2010).

## **2. Starting from Zero**

### **2.1 Course of Action**

This paper practically applies the LSA on a first-handed venture. Therefore, the subsequent part of the thesis begins with finding an idea, followed by describing the coherent business model and product in detail. Hereafter, the corresponded market is analyzed to allow developing a tangible conclusion concerning the business opportunity and starting with the execution of the venture.

## 2.2 Everything starts with an Idea

The first step to create something from nothing involves developing an idea. Very often, great businesses are not built upon ideas for significant improvements or incremental features, but rather they solve real problems and require a deep understanding of what those problems are. Therefore, the absolute smart way of finding an idea is to find a large market, look for a problem and ultimately think of a quick and dirty solution. Finding an industry that experiences a low web-presence and disregards online marketing can nowadays be a pretty difficult task. Nevertheless, surfing on the internet made me realize that the web presence of manned security companies is very low and furthermore experiences a lack of transparency. Company web pages are not representable, old fashioned and not user friendly. The problem is fairly clear and the solution could lead to an increase of revenue for security businesses through a presentable online platform that connects potential end-users directly with companies. On the other hand, end-users would experience remarkable benefits by using the platform, where several security services are gathered in only one place, thus avoiding getting lost in the jungle of internet options that mainly rely on Search Engine Optimization (SEO) rankings. It is a win-win situation where both businesses and end-users would benefit from the idea to create an online platform for security services that acts as an intermediary and connects qualified user requests with security companies focused on the German market. The idea is based upon the business model “lead generation” - which will be enlightened in detail later - and encounters the following vision and mission statements:

- **Mission:** *Providing a flexible platform for traditional security services.*
- **Vision:** *As the company moves forward my goal is to create a reliable, transparent and easy process to request security services.*

### **2.3 Business Model**

A lead generation company provides a website that promotes a certain product or service, specialized in gathering information on potential customers who complete an online form by entering their personal contact information, frequently in addition to further customer needs. The information is verified and traded to relevant business partners for further customer acquisition use. Lead generation is becoming increasingly popular as users confirm their strong interest by transferring their personal information on their own incentive (Gründerszene, 2015). Those leads have a much higher conversion success rate, thus increasing the targeting potential and reducing customer acquisition costs (CAC) for businesses. Lead generation is defined as a Software as a Service (SaaS) business model. Set-up and recurring costs are fairly low since there is no need to sell any kind of hardware or licenses, making it accessible on any internet-compatible device (Sanders, 2014).

### **2.4 Product Description**

*Online platform for security services based upon the “Lead Generation” business model.*

Refer to Appendix 2 for better understanding. Users looking for security services reach out to the platform, where they encounter broad service offerings. Users transmit service requests by filling out a survey concerning individual security service desires and personal contact information. Leads are validated or denied by contacting the potential customers, asking about service wishes while investigating the truthfulness of the requests. Once a lead is validated, it is forwarded to a handful of security companies that have joined the network to assure a successful arrangement for the potential customer. The best option for the customer secures the job. Security companies are able to choose whether they want to send personalized offerings to potential customers or not. Overall, the service results in greater job requests for

our partner-network, thus increasing revenue, lower CAC and optimized return on investment (ROI) in marketing spending.

Including additional features would bring more benefits to potential users as well as partners, increase the value of the service and enable the business to differentiate from competitors. However, they are not characterized as core functions and according to the LSA should be tested successively. Nevertheless, the platform may include individual **company profiles** for each partner, allowing users to obtain discrete company information and partners to establish an up-to-date, high quality web presence, as well as an extra marketing channel. A **company rating system** may permit and guarantee transparent reviews and fair competition, while allowing partners to improve their service through **customer feedback**. All benefits and additional values for users and partners are displayed in Appendix 3.

**Target:** The platform targets security service companies in Germany that are unable to successfully compete due to a poor web presence and thus experience a shortage of service requests. On the other hand, targeting individuals and businesses that are looking for a security service yet are unfamiliar with the security industry or dissatisfied with their current service.

**Monetization:** The registration process and company profile is always free and not binding. However, companies have to pay for every lead, even when the customer does not accept the offer. Introducing a welcoming package for a fixed price per lead or submitted offer of EUR 14.90, triggers the perception of scarcity. On the other hand, the service is always free for users, considering the high price sensitivity and the platform's dependence on the number of leads.

## **2.5 Market Description**

### **2.5.1 Market Overview**

In 2011, the market size of the global private security industry was estimated at approximately USD 123 billion (bn), with a compounded annual growth rate (CAGR) of 7 percent. The development is expected to continue in the future and will lead to a projected market size of USD 220bn in 2019. The high growth rate is a result of global privatization, as well as the population's growing awareness of safety (Rohagti et al., 2013, p. 5-31). Furthermore, companies have started to outsource any kind of service that does not belong to the core business in order to cut fixed costs, thus being able to more quickly respond to market changes and ultimately remain competitive (LB Dekterei, 2013). The respective industry is defined as highly fragmented and competitive. Pricing plays a very important role, since customers only perceive a minor differentiation between small players offering niche services and larger companies with a broad portfolio (Rohagti et al., 2013, p. 23-29). Appendix 4 shows that the majority of security companies (71%) are very small, not very professional and employ one to nine workers. However, small-sized companies only employ approximately 5 percent of total workers. Companies that employ most of the workers in the industry have a size of 25 to 99 (21%) and 100 to 499 (48%) workers (Strohm et al., 2010, p. 4-3). Most of the small and medium-sized companies operate regionally and do not have the ability or the resources for advertising, while encountering the highest costs by training their employees.

Given that the new venture will launch in Germany, this paper evaluates and places a focus upon this market. Characteristics of the studied market are very similar to the global market, whereas the size has experienced a high growth in the last few years, from EUR 3.75bn in 2008 to EUR 4.17bn in 2010, with a CAGR of 5.5 percent. From 2010 to 2014, the CAGR slightly decreased to 5.1 percent, with revenue of EUR 5.19bn in 2014. However, the forecast

seems to experience a slighter increase at a CAGR of 1.1 percent (Statista, 2014). Refer to appendix 5 for a detailed description. The German security service market is very fragmented, including 4,000 security companies, which employ approximately 185,000 people. By far the largest player in the German market is the globally active *Securitas*, with a market share of 14 percent, followed by the companies *Kötter* and *Eggeling & Schorling*, seen in Appendix 6 (LB Dektereij, 2013).

To conclude, the market size of security services in Germany was EUR 5.19bn in 2014. The industry is highly fragmented, regionally operating and customers perceive little service differentiation. The critical success factors for private security companies are their pricing and marketing strategies, as well as their quality of trained manpower (Rohagti et al., 2013, p. 23).

### **2.5.2 Competitors**

It is important to analyze the service features and monetization models of competitors to be appropriately positioned as a successful platform. Major direct rivals of the novel security platform are listed below.

- ❖ *Sicherheitsdienste-finden.com*: Platform with a focus on security services. Users post individual service inquiries on a public wall, whereas security businesses are able to send offers in a straightforward manner. The service is based upon a subscription model for businesses.
- ❖ *Sicherheitsvergleich.de*: Website with a focus on security services that allows users to find related businesses in a specific region, including a company description. It does not provide the ability to submit requests or offers. The service is free of charge for both sides.

- ❖ *Bewertet*: General service platform. Users are able to place individual requests and businesses are able to choose whether they submit an offer. Companies pay per lead, however it is free for users.
- ❖ *Individual security websites*: Traditional security websites. Free service.

In addition, the platform faces several indirect competitors like *Thumbtack*, *Angie's List* and *Workaholic*. However, the majority of competitors do not solely focus on security services and are rather positioned as either general service platforms or service review websites. Refer to Appendix 7 for a detailed description of competitors.

### **2.5.3 Positioning**

Considering all competitors, the platform should be positioned in a way to provide and increase the following values and benefits:

- ❖ *Information transparency*: Reviews and ratings of security companies increase the willingness to enter a request and use the service.
- ❖ *Convenient booking ability*: A reliable and fast booking service increases convenience and user-friendliness.

Completing an online survey as well as providing a subsequent validation process maximizes the convenient booking service ability. Furthermore, including company profiles, reviews and ratings from previous customers fulfills the service and allows complete information transparency. At present, no competitor offers a similar service solely for security companies, in fact, only general service platforms come close to this offering. The current market positioning map is illustrated in Appendix 8. To conclude a coherent positioning statement can be summarized as follows: *the platform provides a reliable, transparent and fast way to find and hire a security service based upon individual user desires.*

## **2.6 Conclusion**

The first part of the paper has developed and analyzed the idea of a platform for security services that connects users with security companies. The platform is a SaaS - more precisely, a lead generation business model - that does not require major investment in infrastructure or working capital. To set up the venture and start connecting with companies and users, it is not necessary to be bound to any location or have any kind of other physical appearance other than the website. Therefore, the business experiences a scalable business model and can be launched quickly. The market size of the security services industry in Germany was approximately EUR 5.19bn in 2014 and faces a steady growth rate. It is described as very fragmented, including many small and inconspicuous companies that mostly operate regionally. The majority is unable to effectively differentiate and advertise themselves on the internet. Introducing the platform would lead to great value for both sides, namely end-users and strategic partners. Users would be able to compare security companies in a matter of seconds, leading to an increasing market transparency, saving money and creating a pleasant search experience. By contrast, security businesses would be able to establish an appropriate web presence, increase their marketing potential and boost revenue. To conclude, the idea has all the desired theoretical characteristics and the potential to become a real product. Refer to Appendices 9 and 10 for fully enlightened SWOT and PEST analyses.

## **3. From Theory to Practice**

### **3.1 Leap of Faith Hypothesis**

An adequate LOF assumption is the core feature to develop an acceptable MVP. The initial strategy focuses on establishing a reasonable number of partnerships with security companies, given the fundamental characteristic of a two-sided platform. The value of the service increases by adding security companies to the network that provide end-users with the

promised and actual offer (Thiel, 2014, p. 133). In this regard, the value hypothesis tests whether the product delivers value to partnerships. By contrast, the growth hypothesis tests how new partners and early adopters will discover the service (Ries, 2011, p. 61).

- **H<sub>V</sub>**: *Security companies value the service, since they have a growing interest in increasing their web presence and boost revenue.*
- **H<sub>G</sub>**: *Security companies discover and join the platform by an outbound marketing strategy.*

The first contact with security companies should be conducted via emailing, followed by phone interviews, as it is the best method to acquire early adopters. Moreover, in the early stage, the platform encounters a low business prominence and SEO ranking, making it almost impossible for companies to discover the service in the jungle of normal search engines and without advertisements.

The fundamental questions are now whether there is an actual demand for the service and - if so - is it correct to assume that a broad network of partnerships has to be built before targeting end-users? In the following part of the paper, the theory will be applied in practice by developing the MVP and later testing the LOF hypothesis with the help of interviews.

## **3.2 Development of the Minimum Viable Product**

### **3.2.1 Reasoning and Approach**

The MVP offers the maximum return on investment in relation to the involved risk and is a prototype built with only the most necessary core functions to save time and money. Once established, it is introduced to the market as soon as possible, thus observing real user behavior before building the complete product. Feedback is used to improve and develop the product. As a result of the early market entry, the company is able to quickly learn from

customer responses and consequently develop a suitable product/market fit, which is fundamental to succeed in a highly competitive ecosystem (Ries, 2011, p. 93-113).

As an outcome of the theoretical part and to test the hypotheses, the strategy and key objective of the MVP is to acquire new partnerships with security companies. The service should clearly communicate all benefits to partners in order for them to join the platform. In the future, the focus shifts towards acquiring users and increasing user retention. The subsequent part of the paper deals with the practical execution of the MVP and the reasons behind their development. Accordingly, the core elements like name and logo are developed. To finally receive valuable feedback and evaluate the idea, content has to be created in terms of a landing page.

### **3.2.2 Finding the Name**

For some entrepreneurs, it is one of the most difficult tasks to find a business name. However, further literature suggests that it is quite needless to overemphasize the quest for finding a suitable name, given that it distracts from creating something important that eventually truly matters. As a matter of fact, some businesses change their purpose during the time of establishment regardless (Norris, 2014, p. 100). For instance, *Nokia* produced rubber boots before entering into telecommunication (Nokia, 2015). Moreover, changing the business name along the track is often easier than many think (Norris, 2014, p. 101). The most well-known technology company was once called *BackRub*, before being renamed to *Google* in 1998 (Giuliano, 2015). Especially for startups, changing the business name is not fundamental and can be undertaken with literally zero costs. Hence, it should only take a few hours to come up with limited options to make a final decision. The name may be related to a place, a combination of two words, an acronym for the service, an extension of a related word, an industry term or a similar word (Norris, 2014, p. 100-108).

The process of developing a suitable name relies on a specific checklist, as shown in appendix 11. I decided for the name “Safendo”. The name itself is a combination of the words “safety” and “defend”, which refer to the security industry. More importantly, the domain with the ending “.de” is still available. The name Safendo is simple, easy to say out loud, short, and does not have a close-fitted meaning.

### **3.2.3 Designing the Logo**

A logo reflects the company’s personality, values and principles and let users immediately connect to the business. Using the whole name in letters allows the business to be easily recognized. Specific colors play a major role in grabbing the attention of customers and creating a positive image. To demonstrate trustworthiness, confidence and secureness, the main color is blue. Furthermore, the color green is embedded to embrace a feeling of calmness, peace and hope, reminding that Safendo has everything under control once the service is booked (Williams, 2007). As a special feature a checkmark is included in the last letter “o” to give the feeling that the service is easy and worry-free to use. The costs for a low-quality logo start at USD 150 compared to at least USD 2,500 for a high-end design (Costhelper, 2015). However, in context with the LSA, self-designing a draft and employing a freelancer (USD 12) saved a great deal of money and gave it a proficient look (Appendix 12).

### **3.2.4 Creating the Landing Page**

The purpose and most crucial part of the LSA is to send out the message and go online. As previously mentioned, developing a fully capable webpage would be a waste of time and money. According to a web design and HTML expert, a basic website costs at least USD 3,200 (Kyrnin, 2015). Therefore, developing a lightweight version - represented by a landing

page - merely targeting security companies is more economical. By definition, “*a landing page allows the owner to capture a visitor's information by collecting email contacts through a lead capture form*” (Vaughan, 2012). Via a landing page, it is possible to start communicating and gather profound feedback as well as “warming up” potential customers to use the service (Gardner, and Fishkin, 2013). Consequently, it is possible to estimate the demand for the service prior to the actual launch, as well as starting to advertise the idea without a fully developed website. In line with my hypotheses, a webpage for end-users is only established when sufficient amount of partnerships have been built to provide an adequate service offering.

The practical process begins with registering the domain Safendo.de, setting up a hosting server and installing WordPress. Thereafter, an appropriate WordPress theme was purchased and a Mockup was designed, which is illustrated in Appendix 13. Finally, all the information was handed over to a freelancer to construct the website seen in Appendix 14. The total costs for the development of the landing page amounted to USD 351, compared to at least USD 3,200 for a more professional website (Kyrnin, 2015). Refer to Appendix 15 for a detailed description of the process.

### **3.3 Partner Acquisition**

#### **3.3.1 Methodology**

The secret of revealing the value of a product or service lies in the way of connecting with potential customers. A contact list of 30 security companies headquartered in Berlin was created to undertake the evaluation. First, I sent out emails including a brief introduction to Safendo and myself, in addition with a business flyer (Appendix 16) for further information. Later on, I started to call the particular companies and asked to speak to the managers to

receive further insights into the industry and their willingness to join the network. In order to evaluate whether it is suitable to contact security companies first, the number of replies to the emails and registered partners, as well as the number of managers to whom I spoke to was analyzed. Hereafter, I also evaluated the percentage of interested companies and the number of registrations. During the conversation, I was able to gather precious information about my service and the industry. As a result, I know whether my service is valuable for security companies ( $H_V$ ) and whether it is correct to contact the security companies first ( $H_G$ ), ultimately helping to decide to pivot or persevere the initial strategy. Persevering with the strategy is pursued when at least 10 percent of the sample registers on the platform additionally taking into consideration the time consumption to speak to managers. On the other hand, pivoting applies when no acquisition progress is seen.

### **3.3.2 Results**

Having sent 30 emails, no company had registered on the website. In fact, only two responses were received, both refusing the offer. For this reason, I called the same 30 businesses in the timeframe of two days, however reached only 20 of them. Exactly four companies did not show any interest, ending the phone call in less than one minute due to an aversion to sellers. I talked to secretaries of seven companies, because the manager was either unavailable or they did not want to bother them. Now comes the interesting part. An astonishing nine managers were very interested in the service, reflecting 30 percent of the total sample or 45 percent of companies who were reached. The content of the conversations significantly varied and revealed new as well as interesting information about the industry. First, some companies occasionally encounter a surplus of requests and asked whether the platform embraces a service to forward jobs to other trusted security companies. I had to deny the request as I have to guarantee the execution and quality of the service. Contractual penalties from initial contractors and losing trust from security companies are just a few potential negative

consequences. Second, some companies offer more services than displayed on the website; for example, armed services. However, these can easily be added retrospectively. Most importantly, many managers did not accept the payment method of a fixed price per lead (i.e. submitted offer). They were concerned that there is no guarantee to receive the contract or that the contractor might suddenly cancel the job at short notice. One manager proposed a different monetization model, whereby Safendo receives EUR 0.50 per hour per worker. However, that system would involve a great deal of monitoring an industry that is positioned in a grey area, whereas I want to keep the transaction process as simple as possible. Additionally, the majority of managers wanted to meet in person to discuss the service, which ultimately means a great deal of time consumption and a disadvantage in the process of expansion. Conclusively - and despite the strong interest of nine managers, an absolute free registration process and no hidden costs - no company signed up.

## **4. Pivot or Persevere**

### **4.1 Decision**

The outcome of the acquisition process showed that I was unable to receive any positive response by only emailing security companies. Cold calling proved to be the suitable approach to develop interest and obtain more information about the industry. Moreover, the conversations demonstrated that security companies are very interested in joining the platform to increase their web presence and boost revenue, thus validating the value hypothesis ( $H_V$ ). However, ultimately not a single company registered on the website. For this reason, the growth hypothesis ( $H_G$ ) is denied, leading to a pivot of the initial strategy to build up a partner network by acquiring security companies first.

## **4.2 Follow-up Strategy**

In order to create traffic and persuade security companies to join Safendo's partner network, it proved essential to deliver an obvious and valuable incentive. For this reason, the follow-up strategy targets end-users and concentrates on receiving service requests first, and therefore developing a different landing page - i.e. a new MVP. The website for end-users will solely be marketed through Google AdWords. As a result, Safendo obtains service requests, which will be manually assigned to individual companies to provide an instantaneous motivation to simultaneously join the partner network. The subsequent value hypothesis ( $H_{V2}$ ) tests whether there is an interest among end-users in using our service, whereas the growth hypothesis ( $H_{G2}$ ) tests whether end-user traffic can be generated only using the advertising tool Google AdWords.

## **4.3 Value to End-Users**

### **4.3.1 Methodology**

To test the newly created value hypothesis, an in-depth survey was carried out, gathering qualitative data on the opinions and desires of end-users. The sample was assembled from systematic yet random individuals and distributed via social media. The qualitative data is used as an indicator for the demand of the product from the perspective of end-users and simultaneously collects deep insights for desired supplementary service features.

### **4.3.2 Results**

The sample comprises 174 respondents, equally divided between men and women. A minor share of individuals preferred not to answer this question. The age diversity is high, ranging from 18-25 (38%), 26-35 (29%), 36-45 (10%), 46-60 (18%) to above 61 years (3%), whereas the remainder abstained from answering this question. The nationality of respondents is extremely diverse, with the majority of 30 percent coming from Germany. The effort of

having a wide range of nationalities is due to the future potential to expand to other countries in the long run. Even though the sample is minor and not representative for a general overview, some consumer insights can be obtained. Almost all of respondents use the internet every day, whilst the frequency of visiting price comparison websites varies tremendously. A quarter do not frequently use platforms, whereas the largest part uses it once in a while (37%), followed by 26 percent quite often and 12 percent very often. Overall, the results show that the majority of respondents find the particular set of websites helpful and trustworthy. Moreover, they demonstrate a general willingness to use internet platforms and an acceptance to provide personal data online.

Hypothetically, if participants would need to find a security service, half would use the internet and roughly 30 percent would personally ask someone for a recommendation. However, when they actually saw two concrete online webpages of real security companies, participants gave a general low rating of 2.04 and 2.58 (1 to 5). Among 54 participants that had already booked a security service in the past, 45 percent discovered it through a referral, 18 percent in the telephone book and only 37 percent on the internet. The outcome highlights that the security industry remains old-fashioned, relying on foregoing personal reference and is experiencing a poor internet presence.

The final part of the survey began with a short description of Safendo, before participants were asked to answer questions regarding the business. Managing to receive 63 responses from individuals who work in an industry related to security allowed me to gain superior insights and opinions of professionals who are familiar with the specific environment. With this in mind, survey contributors were divided into two groups, namely those people working in an industry related to security (Group A) and those who do not (Group B). The first

reaction to the business idea was throughout positive, scoring a grade of 3.58 (from 1 to 5). Surprisingly, Group A provided a slightly lower rating (3.33) than Group B (3.72), which might be a result of the traditional and inflexible security industry characteristics. If the service was available today, the likelihood that respondents would use the platform is moderately rated with 2.53 (1 to 5), whereas Group A obviously experienced a marginally higher prospect. Nonetheless, both groups know someone who might use the service. In fact, 28 percent of Group A knows someone who would use the service regularly and 24 percent occasionally, in contrast to Group B with 6 percent regular and 33 percent occasional users. The results demonstrate that participants are largely in favor of the notion that the service is needed and wanted, yet remain undecided about the helpfulness. Asking an open-ended question regarding what they like about the service, a large number of respondents strongly appreciate personalized offers, the convenient usage and price transparency. In fact, many participants favored a large network of security companies and further requested company descriptions, as well as a rating and feedback system as add-ons.

Overall, the outcome of the survey clearly underlines the demand for the service from the perspective of end-users and thus approves the value hypothesis. The next step is to test the growth hypothesis by building a new MVP, exemplified as a landing page for end-users. Real user behavior will show whether the new approach is correct and it consequently leads to the decision concerning pivoting or persevering with the second strategy.

## **5. Conclusion**

This paper has described and executed the Lean Startup Approach in the context of building up an innovative web-based venture. It focuses on the ground-breaking strategy of continuous testing to find the product/market fit and furthermore answers the research question: “*does*

*following the theoretical framework of the LSA helps to discover a suitable strategy for launching a self-created service?"* With this in mind, a security platform named "Safendo" was developed and tested on potential business partners to discover whether they value the service. The initial strategy for the two-sided platform was to acquire strategic partners first, primarily with the help of a landing page and phone calls. After conducting multiple telephone interviews with managers of various security companies, Safendo received many positive response, as the platform would lead to more service requests and greater web-presence. Yet, the test rejected the growth hypothesis as no company registered on the website, leading to the pivot of the initial strategy with a marginal developed MVP. The follow-up strategy pursues targeting end-users before establishing a partner network, in addition with a new LOF hypothesis and MVP. However, due to limited testing of the new strategy, the research question can only be partly answered. Not only that the follow-up strategy was not further tested, but also other limitations occurred. The sample was composed of only 30 interviewees, moreover focused on one city and relied on my unprofessional sales abilities. Therefore a greater sample and superior skills may have altered the decision to pivot the initial strategy. Nevertheless, the LSA helped to understand the importance of a systematic process, while being able to quickly recognize mistakes and wrong assumptions. How much additional time and money would have been devoted to follow a false tactic without any scientific testing? Would the company be bound to fail already in the early stage? Further research should therefore focus on comparing different approaches in order to receive deeper insights and a greater picture about the success or failure of a self-created startup. With the increase in labor costs, the rising scarcity of commodities and time, entrepreneurs require a method to build a company fast by using only marginal resources while receiving greater response. Feedback can quickly be received in connection with online businesses, as their main characteristics are scalability, inexpensive development and a fast response rate. In fact,

the method shows that feedback is the most valuable information for every entrepreneur to learn and optimize products. Therefore, early feedback is the key to success. Every beginning is difficult and no initial plan is perfect. The only way to succeed is to learn faster than everyone else.

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