Market Experiments
As a general manager at a Fortune 500 company, Tom’s been tasked with uncovering new growth opportunities. He’s seen previous attempts fail and wants to increase the odds of success.

In the past, he’s seen teams spend valuable resources conducting market research and scaling new offerings only to find a lack of expected desirability from target customers.
Tom could take the *conventional* approach, generating ideas internally.

Conduct a large *quant study* and/or use *focus groups* to conduct qualitative research.

*Scale quickly* and make adjustments later.
Or he could take the **entrepreneurial approach** by generating concepts with potential stakeholders via **in-market exploration**.

Validate concepts and business model through **in-market experimentation**.

Scale incrementally and pivot along the way.
Using an entrepreneurial approach de-risks concepts via in-market research & experimentation.
In-Market Experiments: 101

Look for growth opportunities and generate concepts via in-market research.

Validate concepts and business model though in-market experimentation.

Scale incrementally and pivot along the way.

Research
- Framing
- Needs Finding
- Concept Validation
- Live Alpha Test
- Beta Test

Development

Execution

Risk
- High
- Low

Investment
- High
- Low

On-platform

Off-platform
In early human-centered research, the focus is on needs finding and identifying jobs-to-be-done via ethnographic research strategies, like user interviews.
In-Market Experiments: Simplified

The focus remains on confirming user desirability assumptions with user reactions to low-cost, low-risk prototypes.

Those needs and jobs are translated into low-fidelity, testable concepts that we refine with target users.
Once we have confidence in a concept, we de-risk it via an **in-market experiment** (IME).

In-market-experiments contain the most critical elements of a solution needed to prove that a venture can acquire and keep paying customers. We pressure test the **defensibility** and **scalability** of platform businesses by designing convincing experiences that don’t require any hypothetical leaps on the part of users.

**The idea is simple:**
Get into market quickly, earn the first dollar of revenue, and accelerate the journey to product-market fit.
At this stage, we still ask ourselves, “What’s the least expensive, most effective way to see if this thing really works?”

Our options are to make it ourselves, with a lean build, or partner to stand up components of the offering; often, we do a hybrid of both.

By standing up a cohesive offering via medium-fidelity prototypes and third-party products, we shed light on the feasibility of the hypothetical operating model at scale.
IMEs give you answers to these essential questions

Who makes us whole to deliver this new experience to customers?

How can we acquire customers and capture revenues?

Who is too big or too competitive to engage at this early stage?

What new capabilities do we want/need to grow internally? How can we simulate those in an affordable test?
Why not just **build it** if we can?

- In-market experiments protect your organization from over-spending on developing a solution that won’t fly. They allow your firm to place more small bets and learn at a fast pace.

- Piloting before developing anything lets you **test the offering and the business model simultaneously** – why wouldn’t you want to learn about viability sooner?

- On top of that, the process of building the IME **reveals a lot about your technical feasibility assumptions** (e.g. we can operationalize this service), and helps to inform future design criteria for the experience at scale.

- You’ll learn about what it takes to scale effectively and successfully (e.g. ideal customer recruitment channels or ideal fulfillment partnerships). **Testing them out at smaller scales reduces the risk of early service delivery frictions.**

- You’ll continue to **refine and get-to-know your early adopters(s)**, which helps to inform future feature sets (anything on top of the initial commercial version of the product/service) and seed the market for the early majority.
Where do I start?

Begin by determining whether your project is a good candidate for an in-market experiment. It is if:

- The offering in question would require building new capabilities that are expensive or would take significant time to develop in-house.
- It is not currently attached to a line of business.
- Development can be very risky at this stage, so fake as much as you can or borrow it from those who have done it already (e.g. startups).
- Partner to deliver the new offering to leverage capabilities that would otherwise take significant time to build in-house, so you can effectively try them on for size in an in-market experiment.

Highlight 10-12 candidates ideal for partnering to test your offering (ideal is often a small, post-revenue startup, who is nimble enough to keep up and adapt, just large enough to pay proper attention, and nowhere near big enough to bully the relationship).
Where do I start?

Put paper in place with only a few (don’t signal the market prematurely)

- Use a 3rd party to expedite the process (using someone else as general contractor keeps you out of protracted negotiations that veer toward M&A).

Pick the partner who:

- Is willing and able to be flexible.
- Gives you the right technological head start.
- Aligns with your growth objectives.
- Fits with your culture.

Then, run a pilot test that delivers a real experience to users, faking as much as you can without compromising the believability.
What does it take?

**Test Architecture:** What assumptions do we have and what experience elements are needed to test them (e.g. Choice Architecture exercise)

**“Experience Requirements”**: What are the different elements of the experience, and what is the design criteria for each of this elements

**Partnerships to fulfill each experience element**: Find partners who can stand between prior research and future research - translate hypotheses into a believable user experience, AND do it in a low time, low cost way.

**Data Capture Requirements**: Translate assumptions into KPIs that can be measured and analyzed in real-time.

**Development Management**: Work with partners to ensure experience elements are presented in a way that aligns with value proposition and markets the solution to a hypothetical pain-point effectively.
Recruitment Strategy: Identify ideal channels for customer acquisition and execution tactics.

Experience Execution: Create protocols for each element of the experience (e.g. customer service protocol, operations protocol), and in some cases, acting as those arms of the experience.

Feedback Capture/Data Reporting Strategy: Design methods to engage with users throughout their experience, gather feedback, and consolidate data in report-out format. This could range from experience surveys, to acting like customer service, to conducting 1:1 phone interviews with users.

Sensemaking: Drive synthesis of the different data capture channels in order to make strategic decisions on what to test next.
In-Market Experiments: 101

What does it get you?

- A much better looking investment curve.
- Evidence of effectiveness from live users, not board-room conversations.
- And therefore, stronger projects making it to commercial launch.
Moving from say to do.

“Say Data,” simply put, is when users vocalize what they feel about a concept or guess how they would act in a certain situation. It’s hypothetical, at least historically-informal, and therefore not a perfect predictor of future behavior. Collecting say data is a fast and affordable way to get early feedback on a new product or service and can point you in a general direction, but as you continue to iterate your concept, and increase your investment accordingly, it is important to start measuring not just what people say, but what they actually do. “Do Data” is behavioral evidence and a more reliable predictor of future behavior than say data. To collect it, you need to get into the market, put your prototype into your user’s hands, and observe and measure their behavior. The best thing is you don’t need to run a large pilot and spend tons of money to get do data. Here are a few ways we quickly and affordably moved clients from say to do.
**AN ENERGY COMPANY** wanted to understand what users valued in an app and how to sustain their engagement with it over time.

**SAY:** Users *said* they valued being able to monitor and understand their energy use, but couldn’t answer whether it was compelling enough for continued engagement.

**TEST:** We provided a small group of users a pilot app that focused on this one core feature.

**DO:** They lost interest after only a few visits but showed us some new possibilities in the process.

**WHAT WE LEARNED:** Monitoring their energy usage wasn’t enough to sustain use of the app, but we had tested alternative elements via debrief conversations with the pilot users. Ultimately, they needed a viral feedback loop, so we added the ability to control their smart home devices, which increased adoption and retention on the next iteration of the app.
AN APPAREL COMPANY WANTED TO UNDERSTAND WHAT PEOPLE DO WITH OLD SHOES, BECAUSE RETURNING THE SHOES WAS A MAKE-OR-BREAK COMPONENT OF A POTENTIAL NEW SERVICE OFFERING.

SAY: People said they hand old shoes down or give them to goodwill, but in-home observations revealed piles of old shoes in closets and garages.

TEST: We created pre-paid mailers and handed them out in shoe stores to test whether people would package and ship their old shoes.

DO: People followed through, and even requested additional mailers for more old shoes they had laying around.

WHAT WE LEARNED: While they weren’t ready to part with their old shoes at the moment of purchasing a new pair, they would mail in their shoes at a later date, which allowed us to move forward to pilot the concept.
A LARGE NON-PROFIT ASSOCIATION WANTED TO IMPROVE THE INITIAL ENROLLMENT PROCESS FOR NEW MEMBERS.

SAY: Users said they were ready to let go of the traditional plastic card that signifies their membership and instead use a digital card on their smartphone, but we weren’t confident they would choose a digital experience, download the app, and complete the registration.

TEST: We created a simple website that gave people a choice between a digital card or a physical card, then set up “lemonade stands” so we could observe people going through the online join process and interview them afterwards.

DO: Users did pick a digital card when signing up, but they didn’t download the app or log-in.

WHAT WE LEARNED: Members liked the idea of a digital card, but needed more education and support to bridge the link between a digital card and the app, so the entire ‘join flow’ was adjusted accordingly.
AN INSURANCE COMPANY WAS CONSIDERING LAUNCHING AN IN-VEHICLE SENSOR FOR TRUCKING COMPANIES THAT REWARDED GOOD DRIVING WITH LOWER PREMIUMS, BUT THEY NEEDED TO UNDERSTAND HOW POTENTIAL CUSTOMERS WOULD VALUE THIS NEW OFFERING.

SAY: Potential customers said they would need substantial savings from the insurance premiums to adopt the program, which made the insurance company wary of pursuing this new service.

TEST: We installed sensors in three different fleets and ran a live 60-day experiment to identify the value drivers.

DO: Customers were impressed with the savings in wear and tear, repairs, down time, and driver recruitment costs.

WHAT WE LEARNED: The customers would actually accept smaller premium savings because there were substantial savings elsewhere, which increased the insurance company’s confidence in the viability of the business model and compelled them to move forward.