



How small experiments transform business growth

Uber, Netflix or Amazon. Love or loathe these 'newer' companies, they are transforming industries. The decisions they face are uncertain and risky. However, they seem to get more right than wrong.

Many CEOs weep at wasted six figure sums on product or market bets. However, these 'newer' companies succeed in using small, dirty but disciplined experiments to make better decisions. Implementing experimentation is tricky but the benefits are transformative.

We have helped clients run quick, dirty but disciplined experiments since 2010. They embrace this scientific approach, popularized by the Lean Startup movement. It improves their odds on market entry and product development.

Below are three steps we use in this quick, dirty but disciplined approach. We will use a simplified consumer online golf business example to explain.

1. **Document your challenge** in a well-defined SMART way. For example, *Can we build an online golf lesson business that will generate \$100m revenue within 5 years?* To create depth and

structure, document a list of subsidiary questions to be answered e.g. *who are our ideal prospects? where are they be located? what might they buy from us? what price might they pay? etc.*

Now with your team, debate, prioritize and select the highest priority question based on potential impact of learning and ease of testing.

In this example, our highest priority question was '*what is the profile of our ideal prospects?*' as without clarity, all other questions and opinions appeared flaky.

2. **Focus analysis on highest priority question** (*'what is the profile of our prospects?'*), was converted into a rigorous and testable hypothesis statement, documented and agreed by the team as follows:

We believe that time poor wealthy males over 50 in Augusta, Georgia with a handicap over 24 will be interested in purchasing web-based custom designed golf lessons.

We will establish this by running a free 'video lesson' test on Golfers Monthly website and expect to collect 500 valid email addresses in a week, who meet our target profile.

The use of the term '**we believe**' makes the hypothesis bold. It also has clear metrics, which will prove it either right or wrong.

Good hypotheses are easy to replicate by normal folks rather than geniuses. They also provide learning in days and weeks, rather than months.

3. Use quick, dirty but disciplined experiments.

The golf example evolved into a video that enticed golfers to take a profile survey and give their email details in exchange for targeted advice. This video was linked to selected golf websites. Other experiments could have been used to test our hypothesis e.g. interviews at a driving range.

As well as requiring creativity, each test must provide actionable metrics, that can be repeatedly measured.

As tests are repeated and learning is captured, the variables can be changed, for example making the 'free offer' more enticing or simplifying the way for golfers to provide their email addresses.

Experimentation requires ongoing commitment to rapid tweaking and action. It's a mindset and a process, not just an event. It leads to fast learning that outstrips traditional approaches.

The sequencing of experiments is both art and science. After email addresses have been captured, another set of experiments could be conducted – all targeted at providing insight on our question - *whether a \$100m revenue web-based golf lesson business could be created within 5 years?*

Insight in brief

Good opinions are the enemy. Most of them are wrong. They are hunches by the boss or other senior person. Better to use a quick and dirty but disciplined approach to test opinions in a robust way.

Insight in Action

1. Rather than overly debate big uncertain decisions, encourage your team to use quick, dirty but disciplined experiments.
2. Start off with structured questions and sub-questions. Focus on the highest priority sub question and create a falsifiable hypothesis to test it.
3. Craft simple experiments to test each hypothesis and ensure they deliver actionable information quickly.