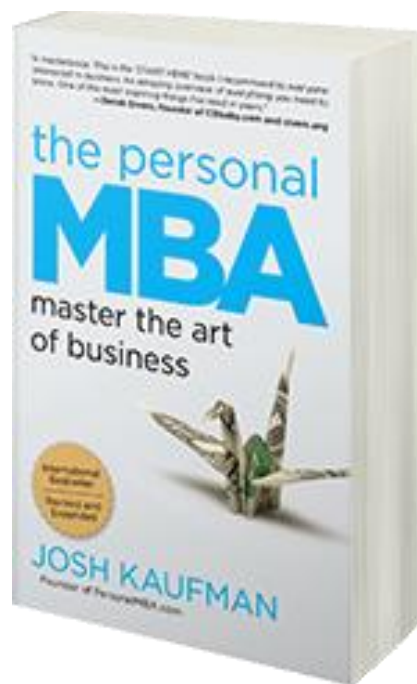


# 2. VALUE CREATION BY JOSH KAUFMAN

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A CHAPTER SUMMARY FROM THE BOOK  
'THE PERSONAL MBA'



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**VALUE CREATION (KAUFMAN 2012)**

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**1 | THE 5 PARTS OF EVERY BUSINESS**

- ✓ At the core, every business is fundamentally a collection of five interdependent processes, each of which flows into the next:

VALUE CREATION.

Discovering what people need or want, then creating it.

MARKETING.

Attracting attention and building demand for what you've created.

SALES

Turning prospective customers into paying customers.

VALUE DELIVERY

Giving your customers what you've promised and ensuring that they're satisfied.

FINANCE

Bringing in enough money to keep going and make your effort worthwhile

## 2 | ECONOMICALLY VALUABLE SKILLS

- ✓ If you want to improve your value as a businessperson, focus on improving skills directly related to the Five Parts of Every Business.
- ✓ Not every skill or area of knowledge is Economically Valuable, and that's okay—there are many things worth pursuing for the sake of relaxation or enjoyment alone.
- ✓ Find a way to use them to create Economic Value, and you'll inevitably find a way to get paid.

### 3 | THE IRON LAW OF THE MARKET

- ✓ Without enough revenue to sustain it, any business will fail.
- ✓ The Iron Law of the Market is cold, hard, and unforgiving: if you don't have a large group of people who really want what you have to offer, your chances of building a viable business are very slim.
- ✓ The best approach is to focus on making things people want to buy.

#### 4 | CORE HUMAN DRIVES

- ✓ If you're going to build a successful business, it's useful to have a basic understanding of what people want:

##### THE DRIVE TO *ACQUIRE*.

Companies that make us feel...	Examples
Wealthy, Famous, Influential, Powerful	Retailers, Investment Brokerages, Political Consulting Companies

##### THE DRIVE TO *BOND*.

Companies that make us feel...	Examples
Attractive, Well-liked, Highly Regarded	Restaurants, Conferences, Dating Services

##### THE DRIVE TO *LEARN*.

Companies that make us feel...	Examples
Knowledgeable, Competent	Academic Programs, Book Publishers, Training Workshops

##### THE DRIVE TO *DEFEND*.

Companies that make us feel...	Examples
Safe, Eliminate a problem, Prevent bad things from happening	Home alarm systems, Insurance products, Martial arts training, Legal services

##### THE DRIVE TO *FEEL*.

Companies that make us feel...	Examples
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Pleasure, Excitement, Entertainment and  
Anticipation

Movies, Games, Concerts and Sporting Events

- ✓ The more clearly you articulate how your product satisfies one or more of these drives, the more attractive your offer will become.



## 5 | TEN WAYS TO EVALUATE A MARKET

- ✓ Rate each of the ten factors below on a scale of 0 to 10, where 0 is extremely unattractive and 10 is extremely attractive. When in doubt, be conservative in your estimate:

S/N	10 Ways to Evaluate Market Potential	Rating /10
1	Urgency—How badly do people want or need this right now?	
2	Market Size—How many people are actively purchasing things like this?	
3	Pricing Potential—What is the highest price a typical purchaser would be willing to spend for a solution?	
4	Cost of Customer Acquisition—How easy is it to acquire a new customer? On average, how much will it cost to generate a sale, in both money and effort?	
5	Cost of Value Delivery—How much would it cost to create and deliver the value offered, both in money and effort?	
6	Uniqueness of Offer—How unique is your offer versus competing offerings in the market, and how easy is it for potential competitors to copy you?	
7	Speed to Market—How quickly can you create something to sell?	
8	Up-Front Investment—How much will you have to invest before you're ready to sell?	
9	Upsell Potential—Are there related secondary offers that you could also present to purchasing customers?	
10	Evergreen Potential—Once the initial offer has been created, how much additional work will you have to put into it in order to continue selling?	
	<p>Total Score:</p> <ul style="list-style-type: none"> <li>✓ X &lt; 50: move on to another idea.</li> <li>✓ 50 &lt; X &lt; 75: potential to pay the bills, but won't be a home run without a huge investment of energy and resources.</li> <li>✓ X &gt; 75: very promising idea.</li> </ul>	

## 6 | THE HIDDEN BENEFITS OF COMPETITION

- ✓ One of the most common experiences of a first-time entrepreneur is discovering that your brilliant business idea isn't as original as you'd thought: other businesses are already offering similar products or services.
- ✓ But the existence of a market means you're already on the right side of the Iron Law of the Market, so you can spend more time developing your offer instead of proving a market exists.
- ✓ The best way to observe what your potential competitors are doing is to become a customer.
- ✓ Buy as much as you can of what they offer.
- ✓ Observing your competition from the inside can teach you an enormous amount about the market:
  - What value the competitor provides,
  - How they attract attention,
  - What they charge,
  - How they close sales,
  - How they make customers happy,
  - How they deal with issues, and
  - What needs they aren't yet serving.
- ✓ Learn everything you can from your competition, and then create something even more valuable.

## 7 | THE MERCENARY RULE

- ✓ Mercenary: don't start a business for the money alone.
- ✓ Here's why: starting and running a business always takes more effort than you first expect.
- ✓ Pay very close attention to the things you find yourself coming back to over and over again.
- ✓ The trick is to find an attractive market that interests you enough to keep you improving your offering every single day.
- ✓ Finding that market is mostly a matter of patience and active exploration.
- ✓ If you find a way to make a necessary but dull market interesting enough to pursue, you may have discovered a hidden vein of gold waiting to be mined.

## 8 | THE CRUSADER RULE

- ✓ Crusader: Every once in a while, you'll find an idea so fascinating it becomes hard to think about it objectively.
- ✓ If you're finding it difficult to be objective, find a trusted colleague or adviser to help you, then test it as quickly and as inexpensively as you can before you fully commit.
- ✓ Before attempting to launch a business, take the time to do a thorough evaluation using the Ten Ways to Evaluate a Market.
- ✓ In your optimism, forget ye not prudence: changing the world is difficult if you can't pay the bills.
- ✓ Some ideas don't have enough of a market behind them to support a business, and that's perfectly okay.
- ✓ That doesn't mean you should ignore them: side projects can help you expand your knowledge, improve your skills, and experiment with new methods and techniques.

## 9 | TWELVE STANDARD FORMS OF VALUE

### 9.1 | FORM OF VALUE #1: PRODUCT

<b><i>Definition</i></b>	<b>Tangible form of value.</b>
<b><i>Examples</i></b>	Products don't have to be physical—even though things like software, e-books, and MP3s don't have a distinct physical form, they are entities that can be sold.
<b><i>How to Run it Successfully</i></b>	<p>Create tangible item that people want.</p> <p>Produce inexpensively as possible while maintaining acceptable level of quality.</p> <p>Sell as many units as possible for as high a price as the market will bear.</p> <p>Keep enough inventory of finished product available to fulfill orders as they come in.</p>
<b><i>Advantages</i></b>	Allows duplication and multiplication.

9.2 | FORM OF VALUE #2: SERVICE

<b><i>Definition</i></b>	<b>Helping or assisting someone in exchange for a fee.</b>
<b><i>Examples</i></b>	Barbershop, Clinical Doctors.
<b><i>How to Run it Successfully</i></b>	<p>Have employees capable of a skill or ability other people require but can't, won't, or don't want to use themselves.</p> <p>Ensure that the Service is provided with consistently high quality.</p> <p>Attract and retain paying customers.</p>
<b><i>Advantages</i></b>	<p><b><i>Lucrative</i></b></p> <p>Particularly if the skills required to provide them are rare and difficult to develop, but the trade-off is that they're difficult to duplicate.</p>
<b><i>Disadvantages</i></b>	<p><b><i>Time and energy:</i></b> both of which are finite.</p> <p>Be sure to charge enough to compensate for the time you'll be investing on a daily basis in providing the Service to your customers.</p> <p>Otherwise, you'll discover that you're working too hard for too little a reward.</p>

### 9.3 | FORM OF VALUE #3: SHARED RESOURCE

<b><i>Definition</i></b>	<p><b>A durable asset that can be used by many people.</b></p> <p><b>Allow you to create the asset once, then charge your customers for its use.</b></p>
<b><i>Examples</i></b>	Gyms, Museums.
<b><i>How to Run it Successfully</i></b>	<p>Create an asset people want to have access to.</p> <p>Serve as many users as you can without affecting the quality of each user's experience.</p> <p>Charge enough to maintain and improve the Shared Resource over time.</p>
<b><i>Advantages</i></b>	<p><b><i>Bundling</i></b></p> <p>Most gyms combine access to their Shared Resource with Services and Subscriptions.</p>
<b><i>Disadvantages</i></b>	<p><b><i>Balancing Act</i></b></p> <p>If you don't have enough users, you won't be able to spread out the cost of the asset enough to cover up-front costs and ongoing maintenance.</p> <p>If you have too many users, overcrowding will diminish the experience so much that they'll become frustrated, stop using the resource, and advise others not to patronize your business, diminishing your Reputation.</p>

#### 9.4 | FORM OF VALUE #4: SUBSCRIPTION

<b><i>Definition</i></b>	<b>Predefined benefits on an ongoing basis in exchange for a recurring fee.</b>
<b><i>Examples</i></b>	Netflix, Cable television.
<b><i>How to Run it Successfully</i></b>	<p>Provide significant value to each subscriber on a regular basis.</p> <p>Build a subscriber base and continually attract new subscribers to compensate for attrition.</p> <p>Bill customers on a recurring basis.</p> <p>Retain each subscriber as long as possible.</p>
<b><i>Advantages</i></b>	Predictable, stable revenue.



<b><i>Definition</i></b>	<b>Acquisition of an asset from a wholesale seller, followed by the sale of that asset to a retail buyer at a higher price.</b>
<b><i>Examples</i></b>	Giant, NTUC Fair Price, Supermarkets, book retailers like Barnes & Noble.
<b><i>How to Run it Successfully</i></b>	<p>Purchase a product as inexpensively as possible, usually in bulk.</p> <p>Keep the product in good condition until sale—damaged goods can't be sold.</p> <p>Find potential purchasers of the product as quickly as possible to keep inventory costs low.</p> <p>Sell the product for as high a markup as possible, preferably a multiple of the purchase price.</p>
<b><i>Advantages</i></b>	<p>Can do mass selling - don't need to find small, individual purchasers for their products.</p> <p>Establishment of close business relationships with suppliers to ensure reliable supply of good assets at low prices.</p>
<b><i>Disadvantages</i></b>	Require cheap and large quantities of supply in order to be profitable.

9.6 | FORM OF VALUE #6: LEASE

<b><i>Definition</i></b>	<b>Rental.</b>
<b><i>Examples</i></b>	Cars, Boats, Houses, DVDs.
<b><i>How to Run it Successfully</i></b>	Acquire an asset people want to use.  Lease the asset to a paying customer on favorable terms.  Protect yourself from unexpected or adverse events, including the loss or damage of the leased asset.
<b><i>Advantages</i></b>	Allows temporary usage of assets.  Assets are reusable.
<b><i>Disadvantages</i></b>	Assets have limited life and will slowly lose their value.

<b><i>Definition</i></b>	<p><b>Marketing and sale of an asset you don't own.</b></p> <p><b>Instead of producing value by yourself, you team up with someone else who has value to offer, then work to find a purchaser.</b></p> <p><b>In exchange for establishing a new relationship between your source and a buyer, you earn a commission or fee.</b></p>
<b><i>Examples</i></b>	Insurance Agency, Real Estate Agency, Maid Agency.
<b><i>How to Run it Successfully</i></b>	<p>Find a seller who has a valuable asset.</p> <p>Establish contact and trust with potential buyers of that asset.</p> <p>Negotiate until an agreement is reached on the terms of sale.</p> <p>Collect the agreed-upon fee or commission from the seller.</p>
<b><i>Advantages</i></b>	Generate higher potential sales because agents help filter for buyers.
<b><i>Disadvantages</i></b>	If commissions are too low for the agent, the transaction gets unworthy.

9.8 | FORM OF VALUE #8: AUDIENCE AGGREGATION

<b><i>Definition</i></b>	<b>Collecting the attention of a group of people with similar characteristics, then selling access to that audience to a third party.</b>
<b><i>Examples</i></b>	Magazines, Advertising Websites
<b><i>How to Run it Successfully</i></b>	<p>Identify a group of people with common characteristics or interests.</p> <p>Create and maintain some way of consistently attracting that group's attention.</p> <p>Find third parties who are interested in buying the attention of that audience.</p> <p>Sell access to that audience without alienating the audience itself.</p>
<b><i>Advantages</i></b>	Advertising is valuable if audience is interested in the content.
<b><i>Disadvantages</i></b>	Advertising becomes dull if overloaded – spam.

9.9 | FORM OF VALUE #9: LOAN

<b><i>Definition</i></b>	<b>Original loan plus a predefined interest rate.</b>
<b><i>Examples</i></b>	Mortgages, Citibank Ready Credit, Loan sharks, Car Loan, Credit Cards
<b><i>How to Run it Successfully</i></b>	<p>Have some amount of money to lend.</p> <p>Find people who want to borrow that money.</p> <p>Set an interest rate that compensates you adequately for the Loan.</p> <p>Estimate and protect against the possibility that the Loan won't be repaid.</p>
<b><i>Advantages</i></b>	<p>Allows immediate access to products / services if buyer cannot afford.</p> <p>Easy collection of payments after deal is made.</p>
<b><i>Disadvantages</i></b>	<p><b><i>Possible Risk of No Repayment</i></b></p> <p>If the Loan is not repaid, ownership of the collateral is transferred to the borrower, then sold to recoup any funds lost in the transaction.</p> <p>Collateral = an asset used to protect against the risks of a Loan gone sour.</p>

9.10 | FORM OF VALUE #10: OPTION

<b><i>Definition</i></b>	<b>Purchaser buys the option to exercise his right before the deadline.</b>
<b><i>Examples</i></b>	Movie or concert tickets, Coupons, Royalties.
<b><i>How to Run it Successfully</i></b>	Identify some action people might want to take in the future.  Offer potential buyers the right to take that action before a specified deadline.  Convince potential buyers that the Option is worth the asking price.  Enforce the specified deadline on taking action.
<b><i>Advantages</i></b>	Gives flexibility to the buyer by allowing delay to act.

9.11 | FORM OF VALUE #11: INSURANCE

<b><i>Definition</i></b>	Involves the transfer of risk from the purchaser to the seller.
<b><i>Examples</i></b>	Car, House, Fire, Health Insurance.
<b><i>How to Run it Successfully</i></b>	<p>Create a binding legal agreement that transfers the risk of a specific bad thing (a “loss”) happening from the policy holder to you.</p> <p>Estimate the risk of that bad thing actually happening, using available data.</p> <p>Collect the agreed-upon series of payments (called “premiums”) over time.</p> <p>Pay out legitimate claims upon the policy.</p>
<b><i>Advantages</i></b>	Protects the buyer and profits the insurer
<b><i>Disadvantages</i></b>	What if insurer is a fraud?

9.12 | FORM OF VALUE #12: CAPITAL

<b><i>Definition</i></b>	Capital is the purchase of an ownership stake in a business.
<b><i>Examples</i></b>	Angel Investing, Venture Capital, and Purchasing Stock in publicly traded companies.
<b><i>How to Run it Successfully</i></b>	<p>Have a pool of resources available to invest.</p> <p>Find a promising business in which you'd be willing to invest.</p> <p>Estimate how much that business is currently worth, how much it may be worth in the future, and the probability that the business will go under, which would result in the loss of your Capital.</p> <p>Negotiate the amount of ownership you'd receive in exchange for the amount of Capital you're investing.</p>
<b><i>Advantages</i></b>	<p>New startups benefit by getting investors capital.</p> <p>In return, investors benefit by receiving shares.</p>



## 10 | PERCEIVED VALUE

- ✓ Perceived Value is how much your customers are willing to pay for what you're offering.
- ✓ The less attractive the End Result and the more end-user involvement it takes to get the benefit, the lower the value your customers will place on the offer.
- ✓ Focus on creating Forms of Value that require the least end-user effort to get the best possible End Result—they will have the highest perceived value.

## 11 | MODULARITY

- ✓ You can offer combinations of the 12 Forms of Value explained above to customers.
- ✓ Examples:
  - Travel Web sites like Orbitz sell Products (airplane tickets) alongside trip-cancellation Insurance, and display advertising (Audience Aggregation) to Web site visitors.
  - Movie theaters combine movie showings (a Shared Resource) with tickets (an Option) and concession sales (Products).
- ✓ By making offers Modular, the business can create and improve each offer in isolation, then mix and match offers as necessary to better serve their customers.

## 12 | BUNDLING AND UNBUNDLING

- ✓ Bundling occurs when you combine multiple smaller offers into a single large offer.
- ✓ Examples:
  - A mobile phone (a physical Product) is bundled with a monthly service plan (a Subscription) for a single price.
  - Buy-one-get-one-free offers at the grocery store.
- ✓ Typically, the more offers contained in the bundle, the higher the Perceived Value of the offer, and the more the business can charge.
- ✓ Unbundling is the opposite of Bundling: it's taking one offer and splitting it up into multiple offers.
- ✓ A good example of Unbundling is selling MP3 downloads of a single album instead of the CD.

### 13 | PROTOTYPE

- ✓ A Prototype is an early representation of what your offering will look like.
- ✓ The more realistic your Prototype is, the easier it'll be for people to understand what you're trying to do.
- ✓ Your first will be embarrassingly poor and incomplete, and that's okay.
- ✓ The purpose of a Prototype is not to make it perfect: it's to quickly create a tangible focus for your efforts—something you and other people can see, evaluate, get feedback and improve, before you invest a huge amount of time, money, and effort into the project.

## 14 | THE ITERATION CYCLE

- ✓ Nobody—no matter how smart or talented they are—gets it right the first time.
- ✓ The Iteration Cycle is a process you can use to make anything better over time.
- ✓ Iteration has six major steps, which I call the WIGWAM method:
  1. Watch—what’s happening? What’s working and what’s not?
  2. Ideate—what could you improve? What are your options?
  3. Guess—Based on what you’ve learned so far, which of your ideas do you think will make the biggest impact?
  4. Which?—Decide which change to make.
  5. Act—actually make the change.
  6. Measure—what happened? Was the change positive or negative? Should you keep the change, or go back to how things were before this iteration?
- ✓ Iteration is a cycle—once you measure the results of the change and decide whether or not to keep it, you go back to the beginning to observe what’s happening, and the cycle repeats.
- ✓ The more clearly you can define what you’re after, the easier it’ll be to understand the Feedback (discussed later) you’re receiving and the more value you’ll extract from each Iteration Cycle.

## 15 | ITERATION VELOCITY

- ✓ Iteration is a structured form of learning that helps you make your offering better; the faster you learn, the more quickly you'll be able to improve.
- ✓ The key is to keep each iteration small, clear, and quick, basing each iteration on what you learned via previous iterations.
- ✓ The Iteration Cycle often feels like additional work because it is additional work.
- ✓ But do not skip the Iteration Cycle because if the idea's a dud, it's far better to figure that out quickly and inexpensively via a few quick Iteration Cycles than to bet the farm on an idea or market that just won't work.
- ✓ After you've gone through a few cycles, you'll have a deeper understanding of the market, direct knowledge of what people actually want enough to pay for, and a clear understanding of whether or not you have a viable offer to give them.

## 16 | FEEDBACK

- ✓ Get Feedback from real potential customers instead of friends and family.
- ✓ Ask open-ended questions.
- ✓ Keep calm. Try not to get offended or defensive if someone doesn't like what you've created; they're doing you a great service.
- ✓ Take what you hear with a grain of salt. Even the most discouraging feedback contains crucial pieces of information that can help you make your offering better. If no one seems to care about what you've created, you don't have a viable business idea.
- ✓ Give potential customers the opportunity to preorder.
- ✓ One of the most important pieces of Feedback you can receive during the iteration process is the other person's willingness to actually purchase what you're creating.
- ✓ You can do this even if the offer isn't ready yet—a tactic called Shadow Testing (discussed later).
- ✓ If no one is willing to preorder, you know you have more work to do before you have a viable offer—by asking why they're not willing to purchase right now, you'll discover their major Barriers to Purchase (discussed later): what's holding them back.

## 17 | TRADE-OFFS

- ✓ A Trade-off is a decision that places a higher value on one of several competing options.
- ✓ Values are preferences—how much we want, desire, or place importance on one particular object, quality, or state of being versus another.
- ✓ When making decisions about what to include in your offering, it pays to look for Patterns—how specific groups of people tend to value some characteristic in a certain context.
- ✓ The decisions you make about what to include and what to leave out will never make everyone happy, so perfection shouldn't be your goal.
- ✓ By paying attention to the Patterns behind what your best customers' value, you'll be able to focus on improving your offering for most of your best potential customers most of the time.



## 18 | ECONOMIC VALUES

- ✓ Every time your customers purchase from you, they're deciding that they value what you have to offer more than they value anything else their money could buy at that moment.
- ✓ As you develop your offering, one of your first priorities should be to find out what your potential customers value more than the buying power of the dollars in their wallets.
- ✓ There are nine common Economic Values that people typically consider when evaluating a potential purchase.

They are:

- ✓ Convenience (e.g. pizza delivery from domino's)
  1. Efficacy—How well does it work?
  2. Speed—How quickly does it work?
  3. Reliability—Can I depend on it to do what I want?
  4. Ease of Use—How much effort does it require?
  5. Flexibility—How many things does it do?
- ✓ High Fidelity (e.g. in house dining at pizza hut)
  6. Status—How does this affect the way others perceive me?
  7. Aesthetic Appeal—How attractive or otherwise aesthetically pleasing is it?
  8. Emotion—How does it make me feel?
  9. Cost—How much do I have to give up to get this?

- ✓ It's incredibly difficult to optimize for both fidelity and convenience at the same time, so the most successful offerings try to provide the most convenience or fidelity among all competing offerings.

## 19 | RELATIVE IMPORTANCE TESTING

- ✓ The best way to discover what people actually value is to ask them to make explicit Trade-offs during the research process.
- ✓ Relative Importance Testing—a set of analysis techniques pioneered by statistician Jordan Louviere in the 1980s<sup>3</sup>—gives you a way to determine what people actually want by asking them a series of simple questions designed to simulate real-life Trade-offs.
- ✓ Here's how it works.
  - Instead of asking the participant to rank each benefit from 0 to 10, we show the participant something like the following:
    1. Orders delivered to table in five minutes or less.
    2. Most entrée prices under \$20.
    3. Appealing restaurant décor.
    4. Large variety of menu options.
  - After this set is shown, the participant is asked the following questions:
    1. Which of these items is most important?
    2. Which of these items is least important?
  - Once the participant answers the questions, another set is shown:
    1. Unique entrées I can't get anywhere else.
    2. Knowing I can always order my favorite dishes.
    3. People are impressed that I dine here.
    4. Large portions.

- ✓ Random question sets containing four or five criteria are provided until there are no more possible combinations or the participant's attention wanders, which will typically occur around the five- to ten-minute mark.
- ✓ By asking the participant to make an actual choice, you're collecting more accurate information about how the participant would respond when faced with a similar choice in the real world.
- ✓ The more sets each participant completes, the more clearly, you'll be able to judge the relative importance of each benefit.<sup>4</sup>
- ✓ Relative Importance Testing can help you quickly determine which benefits you should focus on to make your offering maximally attractive.

## 20 | CRITICALLY IMPORTANT ASSUMPTIONS (CIAS)

- ✓ Stories like this are very common: an excited first-time entrepreneur has a dream of owning a restaurant, bar, or bookstore, so they invest their life savings and take on significant debt to open the new business.
- ✓ Sometimes these stories work out well.
- ✓ More often than not, in a few months the new entrepreneur is bankrupt and out of business, wondering how things went so terribly wrong.
- ✓ Critically Important Assumptions (CIAs) are facts or characteristics that must be true in the real world for your business or offering to be successful.
- ✓ The more accurately you can identify these assumptions in advance and actually test whether or not they're true, the less risk you'll be taking and the more confidence you'll have in the wisdom of your decisions.

## 21 | SHADOW TESTING

- ✓ Shadow Testing is the process of selling an offering before it actually exists.
- ✓ Shadow Testing allows you to get a critical piece of customer feedback you can get in no other way: whether or not people will actually pay for what you're developing.
- ✓ In order to minimize the risk you're taking on in committing to the project, your objective should be to start gathering data from real paying customers as soon as possible.

## 22 | MINIMUM ECONOMICALLY VIABLE OFFER (MEVO)

- ✓ In order to conduct a Shadow Test, you need something to sell.
- ✓ A MEVO is essentially a Prototype that's been developed to the point that someone will actually pull out their wallet and commit to making a purchase.
- ✓ It doesn't have to be complicated: All you need to do is convey enough information to convince a real potential customer to buy.
- ✓ By keeping the investments small, incremental, and learning oriented, you'll be able to quickly discover what works and what doesn't.

### 23 | INCREMENTAL AUGMENTATION

- ✓ Incremental Augmentation is the process of using the Iteration Cycle to add new benefits to an existing offer.
- ✓ The process is simple: keep making and testing additions to the core offer, continue doing what works, and stop doing what doesn't.
- ✓ If you're not careful, drastic changes after launch can eliminate the qualities that made your offer attractive or break the systems you use to create the value you're providing to your customers.
- ✓ By making and testing changes quickly and incrementally, you can continually improve your offer without betting the farm, helping you create even more value for your customers over time.



## 24 | FIELD TESTING

- ✓ Field Testing has a long and distinguished history in the creation of successful businesses.
- ✓ Most major automotive manufacturers put new car designs through on-and off-road obstacle courses to test performance and handling in real-world conditions.
- ✓ Software companies like Microsoft and Google extensively Field Test their new products internally with employees before releasing them to customers.
- ✓ Testing internally allows the company to eliminate any bugs before customers ever see the product.
- ✓ Using what you make every day is the best way to improve the quality of what you're offering.

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## REFERENCES

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## ABOUT THE AUTHORS

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