



THE VALUE OF PROTOTYPES AND MVPs IN GROWING YOUR BUSINESS

It is well-known that the human brain is better equipped to receive, understand and remember information when it is communicated in pictures, rather than simply in words.

We also know that combining pictures and words is even more effective, as they each reach different parts of the brain and their effects re-enforce each other (this is what's led to the mixed blessing of the PowerPoint presentation).

But there is another combination that is even more powerful – the use of objects or products, combined with words, to communicate your points – the demo.

Whereas a PowerPoint presentation allows the recipient to see and hear, the demo lets them see, hear and interact with a product – to get more involved.

Demos are also dynamic, allowing the target to see and experience what happens next, to go through a process, rather than just a snapshot. It's like comparing a 3D multi-sensory experience with a photograph.

For a new business, demos are a more engaging and persuasive way to communicate with potential clients, employees and investors.

But what do you do if you don't have a product to demonstrate yet? That's where prototypes and Minimum Viable Products (MVPs) come in. Despite not being the finished article, using these can generate many benefits.

A prototype is an early version of product (and sometimes a service) built to illustrate or test a concept. The more intangible a product is (like software), the more valuable a prototype can prove to be.

An MVP takes the concept further. According to techopedia: an MVP has the following three key characteristics:

It has enough value that people are willing to use it or buy it.

It demonstrates enough future benefit to retain early adopters.

It provides a feedback loop to guide future development.

Prototypes often evolve into MVPs and, below, if I appear to use the two terms interchangeably it's because I will be looking at benefits that both can provide.

Market Validation

In business, there are few riskier things than developing a product that nobody wants to buy. Author Ryan Holiday, thinks it's "the single worst marketing decision you can make".

A prototype can help you test the willingness of your target market to buy what you want to sell.

One famous example of market validation was Zappos, where Founder Nick Swinmurn built a simple website populated with photos of shoes taken by him at local shoe shops. Every time a sale was made, Swinmurn would run back to the shop and buy and ship the relevant shoes.

Before going to the trouble and expense of building a fully-functional website and a complex supply chain, Swinmurn wanted to test whether people would buy shoes on-line – a strange idea back in 1999.

Airbnb tested their idea with photos of the founders' apartment on a rudimentary website and Dropbox tested its market by using a now famous video. No product, just a video.

Discovering early that your product isn't right for the market will save you a lot of time, money and pain – and a prototype can help you do that.

Investment

Investors perceive market risk as one of the biggest hazards for a new company. If you have used a prototype to validate market demand, as mentioned above, you will find more receptive, less nervous investors who are more willing to invest.

But the benefits can go beyond market validation.

A prototype, or MVP demonstrates that you and your team are able to build things; to get things done. It can also engage the investor at an emotional level.

Celebrity VC Brad Feld, Founder of Foundry Group, has said there is nothing he finds more engaging than playing with a prototype and that he finds it much more useful and interesting than going through a set of slides. Google "Brad Feld + prototype" to see how much he has to say on the subject.

Generating Useful Feedback

Prototypes and MVPs are not just good for engaging investors. They are fantastic generators of a magic ingredient for business success – feedback.

Most people have trouble imagining new products, let alone how they would use them. An MVP can channel their thinking and spark their imagination – putting them in a better place to give you ideas.

Any experienced product manager will tell you that customer feedback is significantly higher quality when the customer is using or watching a MVP. The more functional the MVP, the more detailed the feedback you will get. This is

when you get the gems that demonstrate you understand your user and help make your product best-in-class.

The more you can show, the more detailed feedback you will get.

Improve Communication With Developers or Engineers

The concepts of both prototypes and MVPs were originally conceived as development tools, devices to reduce the risk of miscommunicating vital information about desired functionality, back to your developers.

They can also surface situations where the product's user-interface needs to be clarified or simplified.

Prototypes also allow you to uncover potential technical issues or clarify complexities earlier than otherwise.

How Much Do We Need To Develop?

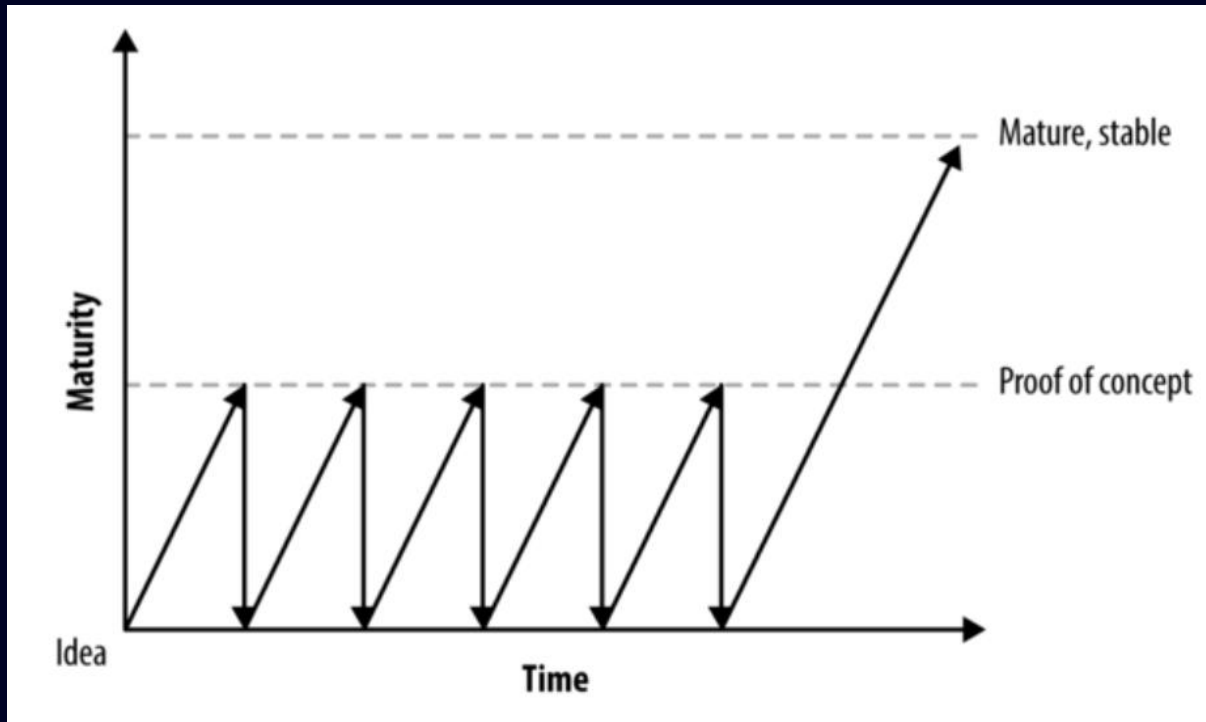
The answer to this question is "it depends".

What is the next step in your journey? What is the minimum functionality you require to achieve that? Are there any hypothesis and ideas that need to be tested? What is the competitive situation? These are all relevant questions to ask before deciding on the functionality of your MVP.

You should certainly try to minimise any work that might be invalidated by any learnings you generate.

Eric Ries, who helped to popularise the term "MVP" thinks "the minimum viable product is that version of a new product which allows a team to collect the maximum amount of validated learning about customers with the least effort."

Entrepreneur and author Jim Brikman, blogging on Y-Combinator's site, wrote on the subject, of MVP functionality and evolution, saying that A Minimum Viable Product Is Not a Product, It's a Process, describing the iterative process of building prototypes and MVPs, learning from the feedback to generate the next version of the MVP – and, eventually, of the product.



“In a trial-and-error world, the one who can find errors the fastest wins.”

Entrepreneurs and Lerex


At Lerex, we like helping entrepreneurs, which is why:


- Our e-money solutions are made up of components (including a white label app), which are individually available and which have been embedded by entrepreneurs into their own solutions to help solve the problem of moving money around.
- Some of these components can be configured in days to help provide MVP-standard products that have helped our clients test markets and raise money.

- Lerex does not lock customers into long-term contracts – and we accept that contract parameters can change as our customers' businesses evolve.
- We are happy to discuss your ideas and give you guidance on topics like Technology, Compliance and Regulations.
- We aim to provide, not just technology, but everything you need to implement your e-money solution.

[Contact Us](#), to discuss your idea.

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