

I'd like to share an approach to business that is gaining momentum around the world. It's based on a book called *The Lean Startup* by Eric Ries, and it has revolutionised the process of innovation. Rory McGown, founder, GYMetrix.

# Innovation – a new approach



Rory McGown

## Innovations goal – Learning what the customer values

The big danger with innovating is to build something the customers don't want – so the first goal is to learn what they want.

However the problem with innovation is customers do not know what they want in advance so they cannot answer this in questionnaires or focus groups; experimentation has to be the route taken, actually showing customers what they will be getting.

By experimenting with customers and measuring their reactions, qualitatively and quantitatively, they reveal what they value.

## Test your assumptions – Validated Learning

Every innovation starts with 'assumptions' – assuming what the customer will value.

So first there is a need to identify the assumptions and then identify which experiments can be run on customers to see whether or not these assumptions are correct.

Once an experiment has been run to test an assumption 'validated learning' has taken place where you 'learn' if the assumption was correct or not.

When the first budget gym was built, the operator was testing the assumption that customers would value a gym offering stripped of all luxuries and positioned at a reduced price point.

This assumption was proved correct and the operator achieved 'validated learning'.

## When assumptions are incorrect – Pivoting

So 'validated learning' is proving or disproving the innovations assumptions.

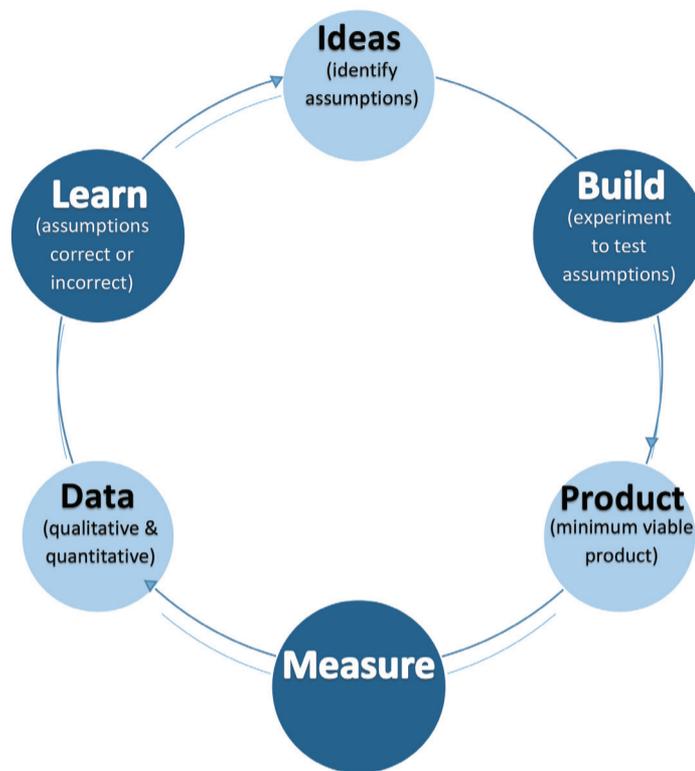
If the assumptions are proved wrong then there is a need to 'pivot'. A 'pivot' is to change direction and come up with alternative assumptions.

They in turn need to be tested.

## Minimum Viable Products

Where the 'lean' aspect comes into Ries' process is that the experiments

## The BUILD - MEASURE - LEARN Feedback Loop



'The Lean Start up' Eric Ries, 2011

that are run to test the assumptions need only be as small as possible.

If learning is the primary goal then how can it be done as quickly and as cheaply as possible?

"A Minimum Viable Product is the minimum that needs to be built to test the assumption."

For example, if you want to try out some new products in the gym, start with one.

If you want to trial a new layout, set up one gym using the assumptions you want to test, and measure the outcome of the experiment, before rolling out to other sites.

The process can be summarised as follows:

**Identify Assumptions** – Set out what the innovations assumptions are about what you think customers will value.

**Build Minimum Viable Product** – What is the quickest cheapest way to experiment with customers to test the innovations assumptions?

**Measure** – It is vital that measurement processes are set up. Feedback and data, both qualitative (what they like and don't like) and quantitative (how many people use it and find it valuable).

**Learn** – This generates 'validated learning'. Were the initial assumptions correct or incorrect? Is there a need to pivot? What are the alternative assumptions?

Then start again. It is an iterative approach, each time round the cycle getting a better and better to fit with what customers value.

The goal is to go through the cycle as quickly and cheaply as possible to learn what adds value to customers.

It is very rare that innovators get it right the first time.

## The next big innovations?

The lack of measurement in the 'BUILD – MEASURE – LEARN' feedback loop could be the reason why the health and fitness industry lags behind other sectors when it comes to innovation.

Operators keep making assumptions and building, but there is no measurement to close the feedback loop and test assumptions, so no validated learning takes place.

This makes operators cautious and conservative in how far they push innovation.

Many operators are using GYMetrix as a way of testing their own innovative assumptions to see what is working and what is not working for customers.

Innovation is a bottom up, decentralised and unpredictable thing.

The best ideas come from front line staff who interact with customers on a daily basis.

If forward-thinking operators introduced systematic BUILD – MEASURE – LEARN feedback loops into different gyms running different experiments, thought up by different staff members, who knows what innovations they could come up that generate real value for customers?



Eric Ries