

Eric Ries / Mixergy interview

what is IMVU
started in 2004, by 5 co-founders
previously at a failed startup
wanted to try to do a lean startup, co-creating with customer
3D avatar, social networking and instant messaging site
started out as IM add-on, but turned into a standalone 3D avatar virtual world
content creation tools for users -> become a fashion designer

the previously failed startup?
joined a virtual worlds company in 2001 in Silicon Valley
traditional VC model -> build a big world class team, lots of focus on platform & tech, built in stealth mode, engineering's dream project
lots of PR coverage, but not enough customers showed up to support the huge burn rate
it was a great learning experience

what's with stealth mode?
why do people do it?
there are plenty of rational reasons, but they don't counteract the lack of customer feedback
risks -> rational response to fears of people stealing ideas, ridicule from people who don't get it, would be needed to validate or invalidate the vision
a "customer free zone" -> no external feedback
entrepreneur's need a "reality distortion field" to go forward in face of a lot of uncertainty -> but the lack of customer feedback means that there very well may be NO customers who want what you are building
counter-example: Hulu? -> was built in stealth, the market rewards you only for being right, it doesn't reward the process of how you get there
eric opponent of big launches -> product launch is great -> talk to customers, learn what they need, market launch is for later -> marketing, talking to PR etc, only after you understand the customers -> you have the data to backup your guesses about what customers want, it may be years after product launch

customer development
set of activities to validate the market concept before the big launch
no press -rule -> wanted to focus on customers
got a phone call from Wired -> it was too good to turn down
one of the founders was attending Steve Blank's class -> Steve was also an investor in the company
brought the article to show for Steve -> Steve was very angry as it was way too early
IMVU hadn't yet validated their business model with real customer data
so easy to get distracted and to show off to validate what you are doing
name of the company is a story itself -> they felt that it would take too much to come up with a good name, every week they used a different name for the company, eventually decided not to change it
is the name essential? -> for some companies it is, it is part of SEO strategy -> find out what people are searching for, for IMVU it wasn't a big decision

IMVU
two ways to tell the story how the company got started
had idea that people want light weight avatar messaging, dress up and create content themselves
"we were geniuses" -> instant messaging add-on to turn your existing IM application to 3D chat
"we were idiots" -> lots of guesses just went wrong, the idea still continues to sound right
only after they started to test these ideas about real people they started learning
there was a sales plan for the product from day one -> it was impossible to achieve those sales targets for the add-on, this meant that something was wrong
get the motivation to test against reality -> it is a lot more fun to believe, than to reality check your ideas, realization that there was a macro level problem
tried feature changes, and nothing changed in conversion -> finally got customers in to the office and started talking to them -> 17 year girls, heavy users of IM
couldn't get the idea of IM add-on, why would I recommend this to my friends?
they wanted to first play around themselves, before inviting friends
decided to add a "single player" mode -> dressing and decorating avatars and rooms
still wasn't ready to invite friends in, added a "chat now" button for random instant chats
people responded well to that
but didn't want to add those random people to their own buddy lists -> they were already running lots of IM clients at the same time, the preconception that it would be tricky to learn new software or have different buddy lists
finally it dawned upon them that the IM add-on was complete dead end
all the beautifully executed agile development turned into complete waste -> all that code needed to go

the biggest source of waste is building something that nobody wants
why isn't it a network effects business? -> IMVU is a product for meeting new friends, not for hanging out with existing friends, create new social capital, meet likeminded people, you don't bring your friends, but expect to find new friends there, IMVU is likened to a dating site
whereas facebook, IM are places where you can invest existing social capital and get good results -> these have very pronounced network effects -> strong incentive to bring existing friends

Why are you doing this - personally?
lots of effort going into this
has been evangelizing these ideas for a few years now
this is something our industry needs
we have high ideals of changing the world for the better thru startups
but our actions haven't really reflected this
perhaps this economic downturn has made people respective to this model
can we build the next wave of companies in a capital non-intensive, lean way?
Eric had considered using these ideas to do another startup, but it was too small
other great thinkers and doers need to join in the movement in finding the better way and then everybody will benefit -> he can't reach the goals he wants to reach individually

is this only for technology?
e.g. for clean energy, physical stores?
have heard a lot of examples of using this in wide applications beyond just web-based
it comes to play where-ever there is market risk

ideas resemble direct marketing?
is there any resemblance?
there are only few ways of how these things get done, so it is normal for these to relate
this is not a marketing technique
it is about real learning on macro level what customers want
first start with a vision and use this to validate if customers want it or not
startups can't afford to dumb down their vision
big companies may be able to do it you got to have that big vision and then work to find out how you can execute that big vision and in doing so validate if that big vision has any kernel of truth to them

minimum viable product
good indicator if it is "minimum enough" if you are nervous to put it out there
it is a matter of judgment
why survey before the order form? -> it would have been better, but Eric didn't have the guts of doing it this way =>
help you to identify where you need to do more experimentation -> they are not one time events, they are for continuous customer interaction
not to be afraid of the false negative -> first impulse was to do whatever the customer wanted, it is okay to get negative feedback, it might mean that the messaging was wrong, the venue, price or something else would be wrong - not the core idea, get customers involved and ask them why they didn't want it?, if 4-6 attempts are not getting you anywhere, then reality will start to hitting you -> iterate!, find out if there is anybody who is willing to buy -> just do an AdWords campaign and sell the benefits (not the product)

how important is for startups to charge
absolutely important -> vital to understand if the visionary customers who truly believe you are solving a problem
other metrics may also more important -> only in special situation, retention of customers over time, are there real network effects in the product?

does it cost lot of iterate?
IMVU was originally five guys in a garage
you eliminate biggest sources waste, you find out faster if you are on the right track or not
you can't afford not to iterate / operate in lean fashion

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personal experiment
wanted to do a one day lean startup workshop so what is the MVP for this?
does anybody want to do this workshop?
announced it on the blog, asked people to answer a survey
all before the venue etc were booked
wanted to find out if there were early adopters who really want to be there
thought only 3-4 people would be willing to pay
asked also for a deposit of \$100
turned out it a lot of people were ready to pay even before the curriculum, venue etc were set
asked for phone numbers to call them and find out what value they wanted to get off the workshop
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