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Title of the Master's Thesis:

The Use of Design Thinking and Lean Start-Up Methodologies to Market-Test a Bootstrap Business Idea

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D e c l a r a t i o n o f A u t h e n t i c i t y

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Prague, May 12, 2019

Signature

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Abstract:

In this thesis, I focus on the use of design thinking and lean tools to solve my needs as a bootstrapped entrepreneur going through an ideation phase. My starting point is an idea for a clothing brand and the millennial demographic. In the thesis, I present secondary research to explain the limitations of a bootstrapped entrepreneur and present the theories of Design Thinking and Lean Start-up, its methodologies, values, philosophies and tools. Then, I use ethnographic fieldwork observations (primary research) as departure point to, through the use of design thinking and lean tools, develop concept, product prototype, test the market and arrive to recommendations towards an iterative market-learning process for the business idea. I finally provide a roadmap for other bootstrapped entrepreneurs like myself that shows how to transform a business idea into a market-test that can lead to a business model or save valuable resources through fast market testing.

Key words:

Design thinking, lean startup, bootstrap entrepreneurship, brand

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Introduction

My focus in this thesis is the use of design thinking and lean start-up tools to solve my needs as a bootstrapped entrepreneur, going through ideation phase. I present the pains and needs of bootstrapped entrepreneurs like myself, struggle to decide on which ideas to focus their attention. For this I take as starting point a business idea called *Tropikana*. This is a clothing brand in an initial ideation phase, which has no history in the European markets.

My personal bootstrapped situation has guided me to lean towards new and dynamic management frameworks that don't require high expenditures in terms of time or money. This is why I have chosen tools such as design thinking and lean start-up, which claim to solve the needs of businesses and start-ups in a faster and less expensive way than traditional management methods.

In the first chapter, I present, through secondary research, the different needs, wants, pains and limitations that entrepreneurs face when they chose bootstrapping as a way of testing, financing and launching business ideas. In this part of the thesis, I make a brief analysis of what entrepreneurship is, where and how it can be found, why is it a key component and player of the modern global economy and specify the main characteristics that make an entrepreneur. Additionally, as part of the first chapter, I present the different tools and methods proposed by Design Thinking and Lean Startup, explaining their core values as well as the tools that allow for its application.

In the second chapter, I conduct research through fieldwork ethnographic observations and transcribe its analysis with the use of different design thinking tools in order to develop a concept, prototype and market test that provides answers to where to pivot. Finally, I provide a road for other bootstrapped entrepreneurs, that wish to use design thinking and lean methodologies to market tests their business ideas.

The thesis is based on the theoretical and academical foundation of *The Lean Startup* by Eric Ries (2017), *Business Model Generation* by Alexander Osterwalder and Yves Pigneur (2011), *Designing for Growth* by Tim Ogilvie (2011), *Change by Design* by Tim Brown (2009). This literature has been applied to entrepreneurship, used both in Silicon Valley, big corporations and startups alike (Barrett, 2017).

Objective

The **Objective** of this work is to conduct primary and secondary research in the use of Design Thinking and Lean Start-up tools, to develop a guide for bootstrapped entrepreneurs that struggle to transform ideas into business models because they lack the knowledge and resources to test the market.

To provide useful insights and increase the knowledge in the field of design thinking and business experimentation, I attempt to answer one main question: How can the tools, frameworks and techniques found in design thinking and lean startup methodology, help solve the challenges and limitations faced by bootstrapped entrepreneurs in an ideation phase?

To answer this question, I will conduct primary and secondary research to:

- A. Define the distinct limitations and features of a bootstrapped entrepreneur and the tools of Design thinking and Lean Start-up.
- B. Use design thinking and lean start-up to develop a concept, prototype and in-market test of the business idea.
- C. Analyze the results of the research to formulate recommendations for the *business idea*.
- D. Present a road-map that can be applied by other bootstrapped entrepreneurs in ideation phase.

Even though I have set up for myself bootstrapped limitations in the development of this thesis, I also wishes to create a roadmap for innovators and intrapreneurs alike. Those, who are either working from a garage to launch a new product or from the comforts of a big corporate building developing new product.

Those, who wish to develop products and services in a scientific and creative manner that will serve their true purpose and won't end up in the vast field of dead attempts that encompass the innovator's path (Singh, 2006). My hope is that regardless of the results of the *test of the business idea*, whether it ends up being successful or not, it will provide a roadmap for future entrepreneurs, to be able to test their own ideas. Even if the idea proves not to be successful, it will be an opportunity for other entrepreneurs to learn from my mistakes in order not to go in the wrong direction.

With this his thesis, I wish to inspire future entrepreneurs to test their ideas by re-defining the meaning of failure in a business context to a more effective and

efficient way of learning key insights of the market and, therefore, increasing the chances of success.

Chapter 1. Theoretical Foundation

1.1 Bootstrapped

The term “bootstrapped” originated in the United States in the early 19th-century. An entrepreneur is “bootstrapping” when he or she tries to build a company financed with his or her personal finances or with the operating revenue of the new company (Kenton, 2018). However, bootstrapping not only refers to a form of financing the company, but a mindset of the entrepreneur who, for different reasons, might decide to finance the company in this way.

Some are referencing it as a discipline or even a journey (Pienaar, 2014). In business context, bootstrapping means starting a business without external capital or other kind of support. In such cases, startups are funded with an internal cash flow and their founders are extremely cautious with the expenses (Rojas, 2017).

A World of Uncertainty

Now, the world that we live in is one of a constant change. Nature and environment shift all around us, from the macro cosmos we call universe to small scale weather changes in our cities. The only constant we can see throughout history is change (Zook, Allen, & Synnestvedt, 2014). Now this change is being fueled by philosophical and technological developments of the modernist era, where humans have been encouraged to change their lives for the better using science and technology as the main value drivers. We see technological breakthroughs happening right in front of eyes.

Present generations have witnessed man's landing on the moon, the birth of radio, television, computers, cell phones, and the Internet. Now, my generation sees developing VR technologies, biotech, and artificial intelligence.

In my lifetime, I have seen the "birth" and massification of technologies such as the Internet, laptops, mobile phones, GPS systems, and many more ("A World Transformed," 2009). Taken to an extreme, I can see a near future in which, enabled by technology and artificial intelligence, we'll be able to multiply computing capacity by a million-fold, leading humanity to even more technological breakthroughs.

That is, of course, considering such evolving technologies will serve to enhance human intelligence, and not that we will be destroyed by it. It looks like, ultimately,

computers and processors will find a way inside our bodies and brains and will help us be healthier and make us smarter (Reedy, 2017).

As James Scott, co-founder of the Institute for Critical Infrastructure Technology, said "Man is to technology what the bee is to the flower. It's man's intervention that allows technology to expand and evolve itself and in return, technology offers man convenience, wealth and the lessening burden of physical labor via its automated systems" (Goodreads, n.d.).

We have developed into a human society that allows for individuals much greater access to technology and information than we have had in previous generations. There is more access to information today in the hands of a poor Nigerian kid than the access to that same information that Richard Nixon, a US president, had in 1983 (Fraillon et al., 2014). These technological breakthroughs have shaken the foundations of the systems which we live in. The more and faster the technology changes, the more human behavior towards these technologies and the relationships that we have amongst one another are being played out in different ways. Technology has changed the way we educate, the way we communicate, it has changed our health and lifespan, it has even changed the way we organize as a society (Reed, 2014).

And, with the technological advancements that we can encounter in the last two centuries, the way we do businesses has also changed. The way businesses communicate, internally and externally, to consumers and suppliers has changed. New, faster and simpler ways of payments have emerged. New ways of documenting processes have been introduced. And new products and services that disrupted entire industries have been brought to life (Chesbrough, 2011).

No matter how advanced the new gadget is or how cool the new technological invention appears to be, when it comes to business and the current global economic system, there has not been anyone from new or classical management theorists who have been able to precisely forecast the impacts of the modernist technological and cultural progress.

It is rather visible to anyone paying attention that the current global economic system has its failures and, no matter how fast and reliable the information technologies have become, they have also exposed the failures of our current system, and those of human nature. We have seen, most recently, the excess of this goal of a rapid economic growth, in the form of the financial crisis created by the inflation of the real estate market in the United States, led by the American financial lending institutions (Aalbers, 2009).

There is still a great number of problems in the world, that haven't been solved by progress and technological advancement. There are still wars, poverty, hunger, religious extremism, authoritarian regimes... Even in the most developed countries, one can still see economic disparities (Autor, 2014). The world is changing, for better or for worse... and business management theory has not been left untouched.

So how is it possible that in the midst of such chaos and uncertainty can any human enterprise thrive? How is it possible that new industries come to light, that new businesses find a way to create value for society? And how, from an individual level, can I, as a student of International Management, make sense of this all?

One of the main reasons why I have studied management is because of my personal fascination with entrepreneurship. Being conscious of all the possible drawbacks and global failures of the current economic system, there has been always something about entrepreneurship that for me, personally, seemed to go against all probabilities of failure and bring out the best in human creativity.

I might be naïve in this assumption, but I see in entrepreneurship the result of an economic system that encourages individuals to create "value", while taking part in the production, distribution, and trade of goods and services with other individuals. It is outstanding to see big multinational corporations that started from someone's garage and as a consequence of someone's ambitions (Vise, 2017).

According to Forbes Magazine, "approximately 543,000 new businesses get started each month in the United States" alone, meaning that only in the US around 3 million companies are started each year (Nazar, 2014). If you extrapolate that to the worldwide level, "there are about 300 million persons trying to start about 150 million businesses; about one third will be launched, so you can assume 50 million new firm births per year" (Goel & Goel, 2015).

Whatever the motivation for individuals to start these businesses, be that providing value to the world or, on the other extreme, pure greed, it seems to me that there is something about entrepreneurship that is innate in human nature.

It is also the case that, with technological advancements, whole new industries have come to life, that also made it possible to destroy high costs of entry and take down barriers for entering some important and very profitable markets. In modern times, we have seen that startups and bootstrapped entrepreneurs can operate with almost the same and sometimes even better efficiency and agility than big and slow corporations.

Individuals can connect with the entire world and acquire resources on all kinds of different things... For example, being a wholesale importer and buying goods from China now can be done from the comfort of your living room (Ferreira, 2017).

Things are getting smaller and faster; the exchange of goods and services has become easier and more transparent. Even new forms of currency have emerged, challenging the current financial system and opposing it based on the principles of transparency and accountability (Chohan, 2018).

New industries that were unimaginable 50 years ago have been created, bringing new jobs and opportunities. Now giants such as Google and Facebook have risen and exciting opportunities in the entrepreneurial landscape have come to life (Reid & Coad, 2012).

As pointed out by Tom Goodwin, an executive at the French media group Havas, "The world's largest taxi firm, Uber, owns no cars. The world's most popular media company, Facebook, creates no content. The world's most valuable retailer, Alibaba, carries no stock. And the world's largest accommodation provider, Airbnb, owns no property. Something big is going on" (2015).

It is too familiar — a mental picture of two college students sitting in a garage, working on the development of that next big thing. That great idea of a product that will reach millions of people throughout the world, and that will be funded by millions of dollars and will disrupt whole industries. This is something that doesn't seem too foreign as we often hear stories in the media of how global startups are being born from "nothing", the stories of "instant success". How is it possible that innovation and entrepreneurship keep thriving among all the chaos? Could there be a formula that can explain these successes in the turbulent river of disappointments? Remember the most quoted statistic that affirms that 50% of all startups won't make it past the five-year mark? Some even more pessimistic analysts claim that those are doomed by statistical certainty of the studies that dare to say that around 90% of all started business ideas won't make it past the five-year mark (Patel, 2015).

However, nowadays, it is possible to seed the seed of a small business even with the minimum investment and with very restricted timing, which I will try to do. For this, I wish to make use of design thinking and lean startup methodologies that will enable me to formulate a hypothesis, test it and come up with the guidelines for further actions. The question to answer in this thesis is not "Can this product be built?", as in the modern world almost any product that can be imagined, can be brought to life... The more pertinent questions are "Should this product be built?" and "Can we build a sustainable business around this set of business ideas?"

In order to remain a valuable field of study for the world, business management theory has to deal with the questions above, give guidance for business development under such circumstances, and be able to respond with relevant inputs at times of uncertainty.

We are living in unprecedented worldwide conditions, that can be seen either as threats or opportunities. In the world of uncertainty, there is a gap to be filled by a new management paradigm that can cope with the turbulent waters of modern business realities and provide valuable guidance.

I have chosen to make an emphasis on bootstrapped entrepreneurship for a couple of reasons. On the one hand, as explained before, the current economic system has grown into something that is not even the most renowned economists or business managers can understand fully and that is much less predictable. This uncertainty can easily lead to major economic recessions that can affect in profound ways the way of life of millions of people.

And, secondly, I believe that if such big recessions take place, one of the key drivers of economic recovery will be in the hands of highly achieving and passionate bootstrapped entrepreneurs that are not afraid of rolling up the sleeves and producing wealth from the very little. The aim of this thesis is to present a roadmap that will allow entrepreneurs to learn as fast and cheap as possible, so they can make better-informed decisions and predictions.

1.2 Management Theory

Scientific management theory, also called classical management theory, entered the mainstream in the early 1900s. It "includes the activities of setting the strategy of an organization and coordinating the efforts of its employees (or of volunteers) to accomplish its objectives through the application of available resources, such as financial, natural, technological, and human resources", as defined by Wikipedia ("Management", n.d.).

Another definition of the classical management theory can be found in the works of classical management thinkers. The definition of management provided by Henri Fayol is "to forecast and to plan, to organize, to command, to coordinate and to control" (Lamond, 1998). According to Fredmund Malik, management is "the transformation of resources into utility" ("Malik Approach", n.d.). Ghislain Deslandes defines management as "a vulnerable force, under pressure to achieve results and endowed with the triple power of constraint, imitation, and imagination, operating on subjective, interpersonal, institutional and environmental levels" (2014). Finally, Peter Drucker defines it as "a multi-purpose organ that manages business and manages managers and manages workers and work" (Drucker, 2007).

What ties together all these definitions is that it involves human activity which is set out to achieve goals and create value while participating in the exchange of goods and services in the marketplace. Management theories differ in their focus — some are more interested in the optimization of the production line or manufacturing with the goal to save resources. The others are more concerned about communications, marketing and sales of the company. But, at the end of the day, all definitions comprise a combination of some sort of a "product development" and the interchange of that product/service with other individuals that need or desire the given product/service.

With regards to resources management, the founder of the Ford Motor Company and the champion of the production line, Henry Ford, proposed many innovations that made the production process more effective and efficient. Moreover, "Ford was responsible for cutting the workday from nine hours to eight hours, so that the factory could convert to a three-shift workday and operate 24 hours a day" ("Henry Ford Disrupted and Reshaped American Society", 2017).

Speaking about planning as part of management, it is important to mention that "planning and forecasting are accurate when based on a long, stable operating history and a relatively static environment" (Ries, 2017). But taking into account that

the average CEO tenure in a company has dropped from around 10 years back in 2000 (Adams, 2014) to only 5 years in 2018, and almost 50% of all CEOs lasting less than five years (Marcec, 2018), it is difficult to think about long-term planning. Even besides mentioning again the rapid changing of the business environment.

Then came Peter Drucker with his vision of management as a twofold: comprised of marketing and innovation. He identified marketing as an essential element for business success (Drucker, 2007). This was an interesting step aside from the classical focus on the production line optimization that was aiming to reduce production times and costs in order to maximize utility.

For Drucker, the role of marketing was key, as "the aim of marketing is to know and understand the customer so well, the product or service fits him and sells itself" (Drucker, 2007). In this way, the purpose of a company was defined by what was the best product that could be developed for your customer... and that meant that companies had to start thinking outside of the production line and begin to understand its customers first.

With this new mindset, came the obsession not only to create new products and services but also to make the process itself even better. It can be seen as a vicious cycle in which the more you get to know your customer, the better product you develop, and the better you can sell this product to the targeted consumer while also increasing his/her satisfaction with the product.

Then came the concepts such as Lean Manufacturing — "a systematic method for waste minimization within a manufacturing system without sacrificing productivity" (Ruffa, 2012); Six Sigma, introduced by engineer Bill Smith while working at Motorola in 1986 and defined as "a disciplined, data-driven approach and methodology for eliminating defects in any process" (Ganga & Naik, 2014); and Agile methodologies that as well promised to help drive waste out of the product development.

I have made the case for "the world in chaos" and deep uncertainty, and the main problem with general management tools is that they have grown to become highly bureaucratic and slow machinery that stifles progress and innovation. Classic management and economic theories have not been without flaws and they have might have created new problems while trying to solve the old ones.

Looks like, as managers, we have become too focused on the inner works of our companies and have forgotten about the real wants and needs of the customer.

When it comes to surveys and marketing research, it has been suggested by practice that, while possibly well-designed and in-depth, they fail to deliver valuable

results. There is also not much trust in focus groups from the other side of the one-way mirror... It has become apparent that, even with the most expensive marketing research, products can be launched and end up being recalled by producers that are left asking themselves whose fault is it. While all the investment in production, logistics, communication, and research poured into the launch of a new product is thrown to the garbage.

Gathering response on predetermined surveys that confirm biases and mislead the brands leads to launches of products that are massive failures and the invention of services that nobody wants. It is also very important to mention that these failures have probably passed all sigma tests and their production processes have been perfected before lunch, with minimized costs and production time...

Apparently, traditional management theory cannot accurately explain the fast-moving world, and much less it is able to predict it. Even though it has come up with amazing tools to forecast under predictable scenarios, in today's chaos, it has become misleading and ambiguous. Managers and entrepreneurs need to learn which elements of the strategy are working to realize the vision they have for the future, and which are just completely uninformed. We need to learn how to predict what customers truly want, not what they say they want. We must discover a path that will lead to growing sustainable businesses that will help humanity grow and prosper as well as stay away from the chaos that we have put ourselves into.

What is needed from the management theory is a problem-solving framework that will be stable enough to build on past learnings but still be flexible enough to quickly adapt to new realities. And the answer might not lie in the management theory itself but somewhere outside its realms of study.

Contemporary concepts and disciplines such as design thinking and lean startup methodology have brought new paradigms in the management theory by introducing fresh ideas from the design and informatics worlds and giving a new dimension to the concept of "management" (Dunne & Martin, 2006).

What does it matter if we are building on time and on a budget something that actually nobody wants? We need to understand how to measure growth and apply learnings in our disordered world if we want the business model that we have agreed upon to work and serve its true purpose.

1.3 Entrepreneurship

Entrepreneurship is "the process of designing, launching and running a new business, which is often initially a small business", according to Wikipedia ("Entrepreneurship", n.d.). The people who create these businesses are called entrepreneurs. This is what entrepreneurship has been in the classical sense, yet, there is also another contemporary buzzword that has been in big use lately to refer to an entrepreneurial attempt. This word is 'Startup'.

A startup is "an entrepreneurial venture which is typically a newly emerged business that aims to meet a marketplace need by developing a viable business model around a product, service, process or a platform. A startup is usually a company [...] designed to effectively develop and validate a scalable business model" ("Startup Manual", 2017).

Neil Blumenthal, the co-founder and co-CEO of Warby Parker, says "a startup is a company working to solve a problem where the solution is not obvious and success is not guaranteed". The American Heritage Dictionary suggests that a startup is "a business or undertaking that has recently begun operation." "Startup is a state of mind," says Adora Cheung, co-founder and CEO of Homejoy, one of the Hottest U.S. Startups of 2013 (Robehmed, 2013).

According to Eric Ries, an entrepreneur and author who will be extensively covered in this thesis, "a startup is a human institution designed to create a new product or service under conditions of extreme uncertainty" (2017).

There is even a more modern definition of a startup which suggests that it's about "transforming the world by solving big problems. Like initiating social change, creating an innovative product or presenting a new life-changing solution" (Ferreira, 2018).

There is said to be big differences between a startup and a small business, based on the scope of their objectives, where the "small businesses are driven by profitability and stable long-term value, while startups are focused on top-end revenue and growth potential" ("Are You Building A Small Business – Or A Startup?", 2012).

However, they both share a very similar playing field, and both are starting "from zero", meaning neither have a way to forecast the future. What is most interesting for me and what I see to be common across these definitions is that they convey a sense of uncertainty towards the "successfulness" or failure of such

enterprises. This creates a need for a method of designing, creating and measuring progress of an entrepreneurial attempt (or a startup) in the current global context of deep uncertainty.

My personal definition of it that might not be in the books is that entrepreneurship is what some people do, when they take their career and dreams into their hands and lead it in the direction of their own choice. In this sense, I see entrepreneurs as change-makers able to take the first step into making the world a better place. Even though this might be a romanticized definition of entrepreneurship, it is something that feels real amongst my own entrepreneurial attempts and other entrepreneurs who I have shared experiences with.

The main activities of early-stage ventures include the same or similar activities that are carried out when a new product is being launched in a big corporation. Creation of the vision and concept, product development, marketing and sales plan, scaling up, partnerships and distribution, structure and organizational design.

All along the chain of these operations, there are processes that must be put into place that some entrepreneurs unknowingly ignore. Instead, they are focusing on issues that might not be creating value and, thus, creating pain points for a confused entrepreneur who only has his vision to hold on to. Even though a startup performs these similar activities and processes of developing the business, sadly, in many cases, the founder doesn't have the experience to make the best-informed decisions. And even if the entrepreneur has had previous experience in the market, as we have established, there are many external factors that might affect their assumptions and, thus, the decisions that they make.

On the initial stages, startups might not know yet who their customers are or what product that would match their needs and wants is. The tremendous success of general management over the last century has provided unprecedented material and data supporting its principles and values. However, these are not the right tools to handle the uncertainty and chaos that startups and organizations alike must endure.

Many startups and entrepreneurs struggle to answer very common business questions, such as "Which customer opinions should we listen to?" or "How should we prioritize across many features we could build?", "Which features are essential to the product's success?", "What can be changed and what might get customers angry?", "What might please today's customers at the expense of tomorrow's?", "What should we work on next?", "When to invest in the process?" (Ries, 2017). Formulating, planning and creating the infrastructure to stay on a plan or make a radical change;

whether to go alone or with a partner; when to respond to feedback of stakeholders and when to stick with the vision; how and when to invest in scaling the business — all these decisions are ought to be made. For every success, there are far too many failures due to too many ventures that fail to answer correctly to those questions and, therefore, end up throwing human creativity and potential to the curve. Products that are being pulled off from the shelves mere weeks after being launched, high-profile startups appearing in the press that are forgotten and go bankrupt a few months later, and new innovative products that nobody uses...

Then you have the Internet startups with promises of growth that try different marketing and public relationships stunts, overpromising headlines as a way to juice up the projected numbers and give investors and stakeholders an illusion of traction. These stunts, however, don't last for a long time, since the market realities eventually will win over and the overpromising startup will be doomed, criticized publicly for its big failure and probably in big debt with investors and lenders.

The goal then is to figure out what is the right thing to build — which customers will want and will pay for — and to do it as quick as possible, in order not to waste resources on accidentally building something that nobody wants. As Eric Ries put it, "success is not delivering a product; success is learning how to solve the customer's problem" (2017).

This sounds rather simple, yet if it was so easy there wouldn't be the big failures we see today in the world of new businesses. The most common problems for startups are the inability to find a strong customer base to target, the lack of precise business models and mismanagement of incomes and expenses creating weak cash flows. Customers face a growing array of alternatives and the pace of change is ever-increasing. In this sense, entrepreneurship and innovation have a more apparent problem with predictability in comparison to established companies that have a lower level of uncertainty than a startup.

Some entrepreneurs decide to bootstrap because it provides them with more control over the decisions made regarding the core business model. It makes it easier for the entrepreneur to maintain the culture and values that he/she wishes to hold. It is also a way to hold themselves accountable, so it makes them focused on metrics and milestones instead of financial valuations. In this sense, it also forces the entrepreneur to focus on the cash flow of the startup while increasing their leverage for future fundraising (Hoey, 2016).

Bootstrapped entrepreneur places all the financial risk on himself. Due to the limited resources available to the entrepreneur, the startup might be facing slow growth or stagnation and deteriorating quality of the product or service that is offered. However, the “studies show that more than 80% of startup operations are funded by the founders' personal finances” (Kenton, 2018). Thus, the concept of bootstrapping goes hand in hand with the notion of entrepreneurship. This is why was it important to explore the role of bootstrapping in entrepreneurship beforehand.

1.4 Design Thinking

In the field of design, the concept of design thinking has been of the crucial importance for more than thirty years (Matthews & Wrigley, 2017). According to Brown, "design thinking can be described as a discipline that uses the designer's sensibility and methods to match people's needs with what is technologically feasible and what a viable business strategy can convert into customer value and market opportunity" (2008).

In design thinking, the methodological, theoretical and epistemic base is ethnographic research. Ethnographic research, same as design thinking, is completely based on people and human interaction. It is sometimes referred to as the practice of "human-centered design" in design thinking (Horvath, 2004).

Design thinking is usually understood as "applying a designer's sensibility and methods to problem-solving, no matter what the problem is [...]; a methodology for problem-solving and enablement" (Lockwood, 2010). More recently, "design thinking has moved from product and process design to a key factor in company strategy" (Matthews & Wrigley, 2017).

Increasingly, the design thinking concept in the business literature has been popularized by case studies of projects carried out by large and small design firms that specialize in new product development. In such cases, design thinking is perceived as a "human-centered approach to innovation that includes inspiration, ideation, and implementation that appears equally cyclical, and iterative understanding of people as inspiration, prototyping, building to think, using stories, and having an inspired and inspiring culture" (Brown, 2008).

Design thinking, compared to traditional management tools, might seem chaotic at first, especially for a business-oriented mind. The traditional problem solving is a more linear and structured approach to describing and resolving an issue. It takes a set of data and works with that same data to come up with a solution. The mantra "fail earlier and succeed sooner" exemplifies perfectly how different the traditional management methods are from design thinking problem-solving.

"Failure" is a dreadful word for any traditional manager: it means that the business strategy has failed and, therefore, it can have a terribly negative impact on the business bottom line, followed by the firing of the failing manager. For the entrepreneur, failure in the traditional sense means that the business won't survive, putting into a terrible situation the entrepreneur who might have used his savings or

loan from the bank to launch his idea. So how is it possible that design thinking encourages to fail earlier with the promise to succeed sooner?

Failure, under the lens of design thinking context, means to learn. With design thinking, what you're looking for is to learn how to create an emotional connection with your customers. Design thinking differentiates from a scientific approach in that designers create something new that was not there before, producing something truly innovative... in contrast to the mere analyzing of data and making assumptions based on it. It makes managers learners and switches them from linear thinkers to exponential thinkers that seek opportunities and possibilities and not perfection.

Design thinking allows ideas to come alive through a framework that revolves around coming up with a solution for the challenge given at hand. It starts with the inspiration process, followed by ideation and finally implementation. The inspiration part is where the problem or opportunity arises that motivates the search for different solutions. The ideation part focuses on developing, generating and testing the ideas that come from the inspiration part. Finally, in the implementation phase, design thinking takes the ideas from the project room to be tested out into the market (Hobcraft, 2014).

Design thinking is then, even as chaotic as it might seem, a systematic approach to management innovation, that starts with the customer and seeks to answer how to make a product the best for them. It allows space for acknowledging that since we might not have the complete information from the beginning, the first attempt at solving the problem might not get it right.

The process begins with understanding and getting to know people as humans, with real problems and needs, with deep desires and wants, as opposed to the traditional market approach in which managers try to define a "target market" that exists only in excel data sheets.

Design thinking creates customer personas, maps changes of habits, draws scenarios and prototypes for feedback, making the human experience its center.

If we were to compare a group of designers against a group of MBA students seeking to tackle a problem, we would witness the key differences between the two approaches:

| | BUSINESS | DESIGN |
|-------------------------------|--|--|
| Underlying Assumptions | Rationality, Objectivity; Reality as fixed and quantifiable | Subjective experience; Reality as socially constructed |
| Method | Analysis aimed at proving one "best" answer | Experimentation aimed at iterating toward a "better" answer |
| Process | Planning | Doing |
| Decision Drivers | Logic Numeric models | Emotional insight, Experiential models |
| Values | Pursuit of control and stability; Discomfort with uncertainty | Pursuit of novelty; Dislike of status quo |
| Levels of Focus | Abstract or particular | Movement between abstract and particular |

Figure 1.4.1.: A comparison between business and design thinking (Liedtka & Ogilvie, 2011)

As we can see in the comparison, the business world has been operating successfully and unknowingly on a paradigm that is now no longer suitable for the rapid changes in the world we live in. Just try to answer how much does a company's statement of mission, vision and values influence how you actually do your work every day? In my personal experience, the answer has usually been "very little". The business world is full of things that don't feel real, such as mission and statements, CEO's promises and five-year plans that resemble very little of the actual day-to-day operations of the company.

Design seeks to use tools that feel real, that tell a compelling story. It is the difference between spreadsheets and storytelling. The difference between embracing uncertainty against stability and control. The difference between economic analysis and actual consumer behavior; and the difference between humans and target segments.

The authors of *Designing for Growth, a Design Thinking Toolkit for Managers*, Jeanne Liedtka and Tim Ogilvie, cover design thinking mindset, vocabulary, and techniques, as well as tap into a connection between design and growth, while also teaching managers how to exploit design's exciting potential. This piece of literature proposes 10 tools and 4 phases of the process that can be followed by traditional managers and that can be used to drive innovation and growth.

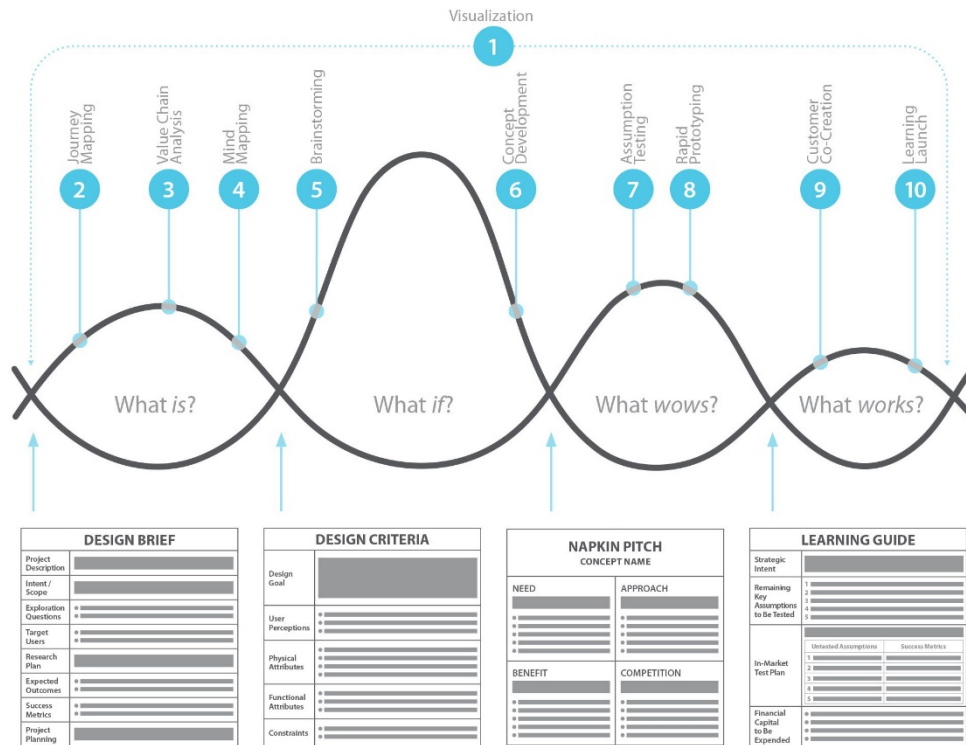


Figure 1.4.2.: Design thinking process (Liedtka & Ogilvie, 2011)

The "What is" stage explores current reality.

"What if" envisions a new future.

"What wows" makes some choices.

"What works" takes us into the marketplace.

Each question fluctuates on what designers call "divergent" and "convergent" thinking. In the early part of each stage of the design thinking process, the designer is progressively expanding his field of vision. He is looking as broadly and expansively around as possible in order not to be trapped by usual problem framing and pre-existing set of solutions. They are engaging actively in a learning process that will define the best customer segment — and a value proposition match (Osterwalder & Pigneur, 2011). After we have generated enough sets of concepts, design thinking reverses the process by narrowing down the options to the most promising ones.

The "What is?" phase searches for dissatisfactions with the present, for pains, needs, joys, wants and gains of the customer. In this phase, the designer tries to meet the customers where they are today, he or she asks what their problems and frustrations are. It is an exploratory stage in which the entrepreneur conducts field research in order to capture an accurate picture of the status quo. The tools used in

this stage are visualization, journey mapping, value chain analysis, and mind mapping; as well as two project management aids or PMA's: the design brief and the design criteria.

In this part, the designer gains a clear view of the present moment, the scope of the project, the intent, the questions that it hopes to explore, the target market and the ethnographic research approach that will be used to gain insights about the current situation.

In this first phase of the design thinking process proposed by Liedtka and Ogilvie, the designer creates the "Design brief" — a description of the project, the timing and scope; the exploration questions or hypothesis; the target audience; the research plan and its expected outcomes; success metrics and project plan. It formalizes the project's growth, defines goals, resources and timelines and it serves as a guide not to lose the north throughout the project (2011).

Phase 1: Discovery & Inspiration

Tool 1: Visualization

This is really a "meta" tool, used for "identifying, organizing and communicating in ways that access the divergent thinking part of the brain, also known as right brain thinking, while decreasing our dependency on "left brain" media such as numbers" (Antonelli, Martin, & Christensen, 2013). It is fundamental to the way designers work and it shows up in almost every stage of the process of designing for growth. Often, visualization is integral to the other tools we will talk about. Visualization consciously inserts visual imagery into our work processes and focuses on bringing an idea closer to life, creating stories with the use of rapid prototyping.

It is the transformation of information into images that everyone can see, either literally with your eyes or figurately with your "mind's eye" but, regardless, it helps paint the image of what data and information are trying to tell. In order to visualize, we need to make the data tangible and concrete, human and real, relatable and eliminating ambiguity. It is the most important tool in the design thinking kit and essential for cross-functional teams as it prevents the rise of subjective experimentation. Long briefs and spreadsheets kill innovation, where visualization with pictures or stories helps us reduce the risk of being too ambiguous and equivocal.

The science behind this tool is that the act of "seeing" something makes it more real. In our human brain, there have been found connections called "mirror neurons" (Rizzolatti & Craighero, 2005) that allow us to mirror the motor skills and develop empathy for the actions that we observe, thus helping to evaluate the idea's potential.

Some actions to be taken with the visualization tool:

1. Keep it simple; 2. Break it down into components such as who, what, how much, where, how, when and why; 3. Think in metaphors as it helps to illustrate examples in our brains; 4. Use photographs; 5. Storyboarding; 6. Create personas that help to gain an empathetic understanding of the customer target; 7. Tell stories that make ideas feel real, touch emotions and emphasize on experiences; 8. Guided imagery that engages the imagination of the audience by creating possibilities in the minds of the customers (Liedtka & Ogilvie, 2011).

One of the key tools of Alex Osterwalder, so-called "Business Model Canvas", also works perfectly in the context of design challenges and can be used as a visualization tool. The Business Model Canvas represents a business model or business case with nine simple building blocks, including customer segments, channels, and relationships, value proposition, key activities, resources, and partners; cost structure and revenue streams canvas. It combines the economic viability of a solution with its desirability and feasibility (Osterwalder & Pigneur, 2011).

Tool 2: Journey Mapping

Journey Mapping is a visual representation or a flowchart of the customer experience as he interacts with your company or product. It can start as an actual or ideal journey depending on the amount of information we have gathered from the customers. Think of this tool as a "walk a mile in their shoes" which the help of which, through observation and interviewing, we can identify the opportunities for improvement and begin exploration for future prototyping. It is the very important thing we need to do in the "What is" stage. It should involve every touch-point where your customer meets your value proposition, from the first stages of the communication process to the point of purchase, to the customer relationship management.

This tool helps the designer get closer to the customers' lives, to their problems and needs while shifting focus from "What does my company want?" to "What does

my customer want?". The journey mapping helps to make the emphasis on the consumer's emotions and impressions present in every stage of the journey.

The steps of Journey Mapping are: 1. Select the customer experience you want to understand. 2. Layout hypothetical journey. 3. Identify a small cluster of customers (10-15) representing the range of demographic criteria that the startup is interested in. 4. Conduct pilot interviews. 5. Finalize questionnaire based on feedback from point #4. 6. Identify the essential moments of truth which, summarizing chronologically with what you have learned, are the emotional highs and lows of the journey. 7. Discover the psychographic traits common in the target. 8. Create a set of personas by selecting and contrasting two main psychographic variables. 9. Put each interviewee in each of the quadrants and describe the archetype fully by combining demographics and psychographics that make the archetype unique. 10. Draw the map of the journey of each of the personas (Liedtka & Ogilvie, 2011).

One of the ways of constructing a customer journey is through personal interviews with actual consumers. The pilot interviewing is a qualitative research type which combines observation and one-on-one interviews. In anthropology, ethnographic researchers spend years living immersed in the cultures they study to understand behaviors and social rituals of an entire culture. In business, we usually don't have that kind of luxury of time. However, here are some tips for conducting the consumer interview:

1. Put the interviewee at ease, remember this is not a job interview so, ideally, the interviewee should not feel like he's under pressure. Conduct the interview with a bigger focus on their interaction with the product or service.
2. Ask for concrete stories and examples (capture memorable quotes).
3. Be curious about surprises for both you and the customer and inconsistencies in what they say vs. how they act.
4. Use silence as a tool for passive observation.
5. Pay attention to physical communication as gestures and poses might say much more than words. The behavior you should look includes confusion, overwork, pain points, appropriation, and skipping steps.
6. Listen for inefficiencies (Seidman, 1998).

Psychographic segmentation is used as another part of the customer journey analysis. It involves dividing your market into segments based on different personality traits, values, attitudes, interests, and lifestyles of consumers.

This segmentation is advantageous because it allows you to engage in product design and marketing in a focused manner. It includes behavior variables that include end consumer's knowledge, attitude and the use of your product or service. Important

factors within these units include: occasions, benefits sought, user status, usage rate, loyalty status, readiness stage and attitude towards the product.

An example of feelings that the customer might encounter during the journey and that might come in handy when describing their feelings towards the product / service / interview are:

| CONNECTION | CONNECTION | HONESTY | MEANING |
|----------------------|-----------------------|-----------------|----------------|
| acceptance | continued | authenticity | awareness |
| affection | safety | integrity | celebration of |
| appreciation | security | presence | life |
| belonging | stability | PLAY | challenge |
| cooperation | support | joy | clarity |
| communication | to know and be known | humor | competence |
| closeness | to see and be seen | PEACE | consciousness |
| community | to understand and | beauty | contribution |
| companionship | be understood | communion | creativity |
| compassion | trust | ease | discovery |
| consideration | warmth | equality | efficacy |
| consistency | PHYSICAL WELL- | harmony | effectiveness |
| empathy | BEING | inspiration | growth |
| inclusion | air | order | hope |
| intimacy | food | AUTONOMY | learning |
| love | movement/exercise | choice | mourning |
| mutuality | rest/sleep | freedom | participation |
| nurturing | sexual expression | independence | purpose |
| respect/self-respect | safety | space | self- |
| | shelter | spontaneity | expression |
| | touch | | stimulation |
| | water | | to matter |
| | | | understanding |

Figure 1.4.3.: Feelings a consumer might experience

Tool 3: Value Chain Analysis

The study of the organization's interaction with partners to produce, market, distribute and support each other. We can see it as the business equivalent of the journey mapping that was described previously. It helps to view the business from the side of the company's partners. However, this part is closer to concepts seen in the general management theory. A key aspect of formulating a corporate strategy is understanding key stakeholders. The objectives of an organization will be governed by its key stakeholders. These key stakeholders will be determined using stakeholder mapping. Mendelow's matrix is a popular method for performing stakeholder mapping (1981).

The designer should research and analyze the competitive environment to highlight key players, market shares, the core strategic capabilities of stakeholders, determine possibilities of improvement, assess its own vulnerabilities and identify bargaining power of buyers and suppliers; capabilities, and partners.

Tool 4: Mind Mapping

Mind mapping is the process of looking for patterns in the qualitative data recently collected from the exploration phase. The idea is to search for insights that will allow the startup to have a basic understanding of the customers, so it can move on to the idea generation part. These insights are then put into "the design criteria" which is an annex to the design brief and that further articulates a project's scope and direction for the "What if" stage.

Phase 2: Define & Synthesize

In the second phase, the ideation team starts creating possibilities towards a new future that addresses the needs of our customers. It includes brainstorming, concept development and it ends with the napkin pitch, which helps the designer summarize the main attributes of the concept.

Tool 5: Brainstorming

This is not the free-form approach that is often used in business settings. A structured and disciplined approach to brainstorming is central to overcome its typical downsides. Brainstorming sometimes feels unsatisfactory because of the lack of a formal process to translate the output of a brainstorming session into something valuable.

The free-form approach is poorly framed, the usual suspects usually say the usual things, and the brainstorming turns into a critique-storming and just adds more work for the team. This is why corporations usually don't like brainstorming sessions.

To use the tool in a correct way and not alienate the efforts of the team, it is important to follow the Zen of Brainstorming: bring in the right people, have a complete design brief, have the customer persona, and create the right stimulus in order to keep inspiration building up and not down. Finally, it's key to follow up on the brainstorming, that's why it is not advisable to conduct one if there is no financial and managerial commitment to follow through.

Tool 6: Concept Development

The act of selecting the best ideas from brainstorming, gathering them into detailed solutions and forming those solutions into business criteria. With this tool, the startup will take the output of the brainstorming process, organize it into coherent clusters, and architect the most compelling clusters into a robust "concept." In the first phase, the designer moves from hypothesis to data and then to insights; in the second phase, he or she will move from insights to ideas to concepts. One of the main tools for concept development is the empathy map (Ferreira et al, 2015).

Phase 3: Ideation & Development

During the phase three, the startup tests the idea by using experimentation. In a corporate setting, we can look at the past to pull up gross insights from a customer we already know that helps us make informed decisions. But in a setting of uncertainty — which is where most bootstrapped startups live — looking at the past is not very useful. In the previous phases of the methodology we tried to understand the present moment of the startup, and now it is the time to start exploring what the future might look like.

This exploration is based on the "thinking in-time" concept which firstly recognizes that the future has no place to come but from the past and, therefore, the past has a predictive value of what will happen. However, what matters for the future — in the present — is a departure from the past, that comes with alterations and changes in the present, bringing a continuous comparison as we isolate in our minds past, present and future.

The tools that will be used in this phase are "assumption testing", and "rapid prototyping." Assumption testing uses data and experimentation to assess the likelihood of the assumptions to hold true. Every new business idea is nothing more than a hypothesis and, at best, a very well-informed guess about what customers desire and what they will value in a product or service.

Tool 7: Assumption Testing

Take your hypothesis and ask: "Under what conditions would that hypothesis, in fact, be a good business idea?" Or, worded differently, "What would need to be true

for my concept to be a good one?" The goal is to "test the assumptions underlying each hypothesis. The hypotheses that "pass" this first set of tests are good candidates for turning into real experiments to be conducted in the marketplace" (Antonelli, Martin, & Christensen, 2013).

Some of the different variables of tests that can be performed are: a) Value test: customers will buy at a price that works for them, b) Execution test: you can create and deliver at a cost that works; c) Scale test: make a level of volume that makes it worthwhile; d) Defensibility test where competitors can't easily copy it.

In order to run the tests, first we need to identify and articulate a short list of what assumptions need to be true for it to be a sustainable business growing out of the business idea. Then, we can mark the key assumptions, thinking of it as a funnel of "What needs to hold true in order for the idea to have a potential?" And, finally, brainstorm on the different ways to test each of the ideas to come up with a test for each assumption. We should look for red flags, as we don't know enough yet to generate successful strategies. However, we must be extremely confident that we are selecting a worthwhile problem so we can reach a solution to it.

Tool 8: Rapid Prototyping

The creation of a visual representation of the key concepts, done quickly. It transforms the concepts and ideas of the "What if?" stage into something close to a feasible and testable model. It allows the startup to learn as fast as possible enabling "rapid learning" (Ries, 2011) while minimizing the investment made for the development of a prototype.

This tool is key as images and objects help clarify what aspects are essential for the development of the product/service before the company becomes consumed on how to build it.

There are 2D prototypes and 3D prototypes (both physical and digital) that can be used, depending on the scope of the project. The further the idea goes into the testing process, the more likely the prototypes will become more advanced and complex as they come closer to the reality of the desired product.

Phase 4: Implementation

Tool 9: Customer Co-Creation

A particularly powerful approach to determining what works involves inviting the customer into the conversation in an active way. There is not a more effective way to accelerate the learning of any growth project than to engage customers in creating, testing, and improving the product. In order to use this tool effectively, it is key to pick the right customers, give them the product and observe and listen carefully to their interaction with the product. What works means what creates value for the customers, what really matters to them.

Tool 10: Learnings for the Launch

As the startup designs the launch, it will have to be as detail-oriented and thoughtful as possible about the search for disconfirming data. This is the information that disproves the main hypotheses and can either take the startup to the sky or burn it to the ground.

It is the most valuable information to find and the easiest to miss due to the entrepreneur's ego that has put into place his vision of a better world his idea is going to create. To enhance your ability to detect it, you must lay out in advance what disconfirming data would look like, both qualitatively and quantitatively.

1.5 The Lean Startup

Lean methodologies were developed in 1970s in Japan by Toyota, that were also called lean manufacturing, in order to optimize production processes (Womack & Jones, 1997). The main idea behind lean principles was to increase the efficiency of the production processes by reducing waste initiated in the process. Effectively, this could mean either a smarter use of resources (human or material used in production) or elimination of purposeless activities or needless expenses, including the decrease of storage space used. The Toyota's lean principles revolutionized production processes in the automotive industry.

Today, lean principles are becoming increasingly relevant for general management and other industries like IT, that follow lean methodologies but in non-manufacturing contexts. One example of this is "lean startup" (Ries, 2011) — a methodology for startup development which holds that the most effective innovation is one created as a response to the users' demand. According to Mueller & Thoring, "this concept is highly relevant for any strategy or method that aims at creating innovations" (2012).

The lean thinking framework is based on the knowledge and creativity of individual workers, just-in-time production, making batches smaller in size, smarter inventory, and acceleration of cycle times. It adapts the ideas of Lean thinking to the context of entrepreneurship, proposing that entrepreneurs evaluate their progress based not on the batches produced but on validated learnings. This will help to discover and eliminate the sources of waste in the entrepreneurial attempts.

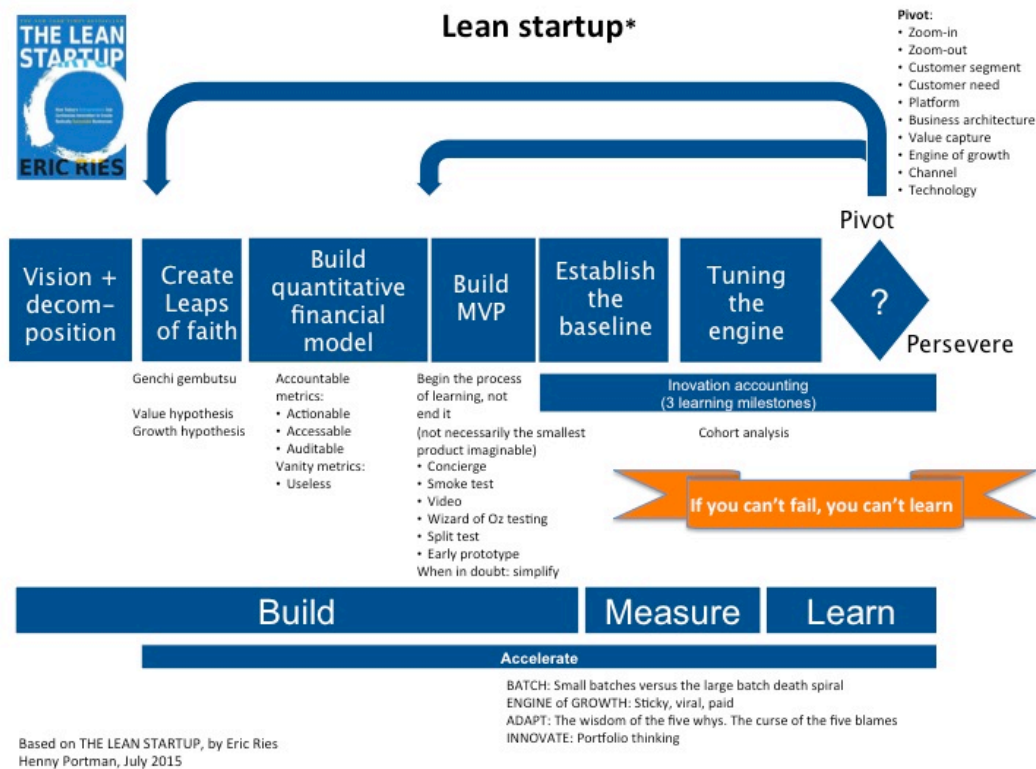


Figure 1.5.1. Lean startup model (Ries, 2011)

The lean startup model provides a way to test a business hypothesis critically and thoroughly. The experiments should begin immediately. By starting small, the startup can prevent a tremendous amount of waste down the road without compromising on the overall vision (Ries, 2011).

Compared to Design thinking, the lean startup draws its learnings from the manufacturing world, based on lessons learned from product development whether informatic or in the assembly line. Design thinking can be used in a much broader context as it can be applied to any type of problem-solving situation. Design thinking framework begins with an ideation phase. While, in the Lean Startup methodology, it begins with the assumption that the startup begins with a business model. It is a piece of paper that reflects how the founder desires to see the company playing out in the future. It explains the value proposition, the customer segments, the sources of income and expenses among other things that make up the whole business model.

However, as it will be explained further, many of the concepts of design thinking overlap with the concepts of lean startup. Even though not exactly the same, the parallels are quite visible and, therefore, I have included the lean startup as part of the academic documentation for this thesis as it deals directly with the specific needs of entrepreneurs. Despite it doesn't provide any specifics about bootstrapping,

it does provide a framework for testing business ideas "faster and cheaper" than traditional management tools.

A big number of startups emerge with a product idea that its founders think consumers want. The team spends months, even sometimes years, on the product development, without ever demonstrating and testing the product, even in its raw form, to a potential customer. When they fail to find the demand for the newly created product, it is usually because they have never spoken to potential customers and asked if they were interested in the product in the first place. When customers eventually express their indifference to the business idea, it's often too late to take a step back, and the startup fails (Reis, 2011).

The five principles over which the Lean startup cements its methodology are:

1. Entrepreneurs are everywhere. The concept of entrepreneurship includes anyone who works within my definition of a startup: a human institution designed to create new products and services under conditions of extreme uncertainty. It includes entrepreneurs in the traditional sense and so-called "intrapreneurs", the people responsible for the ideation and creation of new products or services within a corporation (Singh, 2006).

2. Entrepreneurship is management. A new type of management that must be specifically geared to the context of extreme uncertainty. The long and well-established processes of old management contain strict rules that don't allow for the flexibility that operating in conditions of uncertainty requires.

3. Validated learning. The process of demonstrating empirically that a team has discovered valuable truths about a startup's present and future prospects. Learning is the essential unit of progress for startups under the lean model. It is backed up by empirical data collected from real customers. This is critically important because we can show our stakeholders, employees, investors and the team that we are making genuine progress.

4. Innovation Accounting. To improve entrepreneurial outcomes and to hold entrepreneurs accountable, we need to focus on the boring stuff: how to measure progress, how to setup milestones, how to prioritize work. This requires a new kind of accounting, specific to startups. The business model is a piece of paper or a presentation deck with an ideal of what you want to happen, so innovation accounting serves as an objective measure that will help the entrepreneur understand where the startup is standing right now in order to learn how to move forward to the next milestone and gain more traction. As the startup moves through the lean

methodology, it finds itself moving from an ideal business model to a more refined growth model that allows it to learn from the market.

5. Build – Measure – Learn: The fundamental activity of a startup is to turn ideas into products, measure how customers respond and, finally, learn whether to pivot or persevere. All successful startup processes should be geared to accelerate this feedback loop.

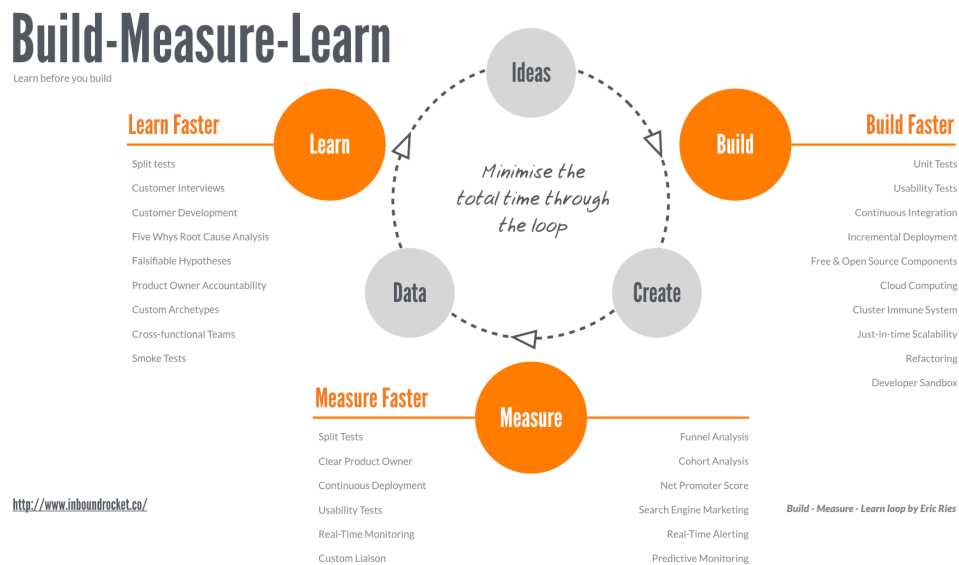


Figure 1.5.2. Build – Measure – Learn feedback loop (Ries, 2011)

The main element of these five principles and the one that gives the methodology a flow of work that can be used by any manager, designer or entrepreneur is the build-measure-learn feedback loop, as it provides with a clear action path for testing and experimenting with the business model.

In order to execute and minimize the total time through the loop (which is the main objective of the lean startup), it is important to follow the next steps that are proposed in the Lean Startup literature. This will provide the necessary loop of activities that will allow for the startup to learn as fast as possible.

1. Establish the baseline.

Uses the minimum viable product to test the riskiest assumptions first. In this part, the startup must set up a product with just enough features to satisfy early customers, and to provide feedback for future product development. In this part, the startup should define the baseline as a hypothesis that will improve the success metric.

As it was mentioned, the build-measure-learn feedback loop is the main guiding principle of the lean startup methodology. The first step is identifying the problem to be solved and, after it's done, developing a minimum viable product (MVP) to initiate the learning process as fast as possible. After the MVP is developed, a startup can work on perfecting the mechanism that will include the evaluation, measurement, and learning.

2. Improve and fine-tune.

After having established the baseline of the metrics, the startup must run experiments that seek to move the baseline metrics closer to the goal. The hypothesis needs to be one that aims to improve those metrics. The aim of this milestone is to improve the drivers of the growth model.

The startup can as well utilize a development framework called the "Five Whys" that asks simple questions designed to identify the roots of the problem and, thus, propose a more precise and effective solution. If measuring and learning are done correctly, it will be more visible whether the business model works or not. If not, it's time to pivot or change the strategy to test a new hypothesis about the product or growth mechanism.

3. Pivot or persevere.

In this milestone, the startup makes an analysis of the data derived from the experimentation phase; and as Eric Ries defines it, it is "a change of course made to test a new hypothesis" (2011). Simply put, the startup decides to persevere if the experiments confirm the hypothesis; but if, on the contrary, the hypothesis is proven wrong, the startup must decide on which new hypothesis to focus. The tools to decide which new hypothesis to focus on will be explained in greater detail later in this chapter. The startup then pivots only when the new experiments it is running are overall more productive than the ones the team was running before.

These three milestones constitute the growth engine that allows the company to move forward. It is key to visualize it as a funnel of metrics that compile changes in product development. The Lean startup methodology recommends to run it as a daily report card, as each day can be a new trial and a new experiment. With all this data coming in, we start having questions that have the need for answers. Questions, that arise both from cohort analysis and the design of customer journeys to map out the customer behavior and that help align all efforts into defining what customer wants.

In the book *The Lean Startup* (2011), Ries used specific terms to refer to the key concepts of a lean startup. These terms are necessary to understand the methodology

and to be able to follow it while I develop the experimentation part of the thesis. It is important for the thesis that these concepts are defined as they will be used in the experimentation part and in the analysis of the effectiveness of the tools used.

Customer Development

Customer development is a formal methodology for building startups and new corporate ventures. The customer development methodology was created by Steve Blank, the father of the lean startup philosophy. Blank suggests that startups are not simply smaller copies of big and more developed companies. Startups operate in a manner quite different from that of large companies and employ different tactics. In contrast to large companies which employ tested and proven business models, startups must seek new business strategies. Customer development helps to search for a reliable and scalable business strategy (Blank & Dorf, 2012).

The customer development process is when an early startup tests the assumptions regarding their business model, like “Who is our customer?”, “What product features are they interested in?”, “What distribution channels will be the most effective?”, “What pricing strategy are we going to use?”, “How to gain new customers and retain the current ones?”, etc. It starts with the key notion that there are no needed knowledge and facts inside your company, so one needs to get outside in order to find them and test them. The process of an assumption testing is close to standard scientific hypothesis testing methodology: 1) Pose an assumption; 2) Design an experiment; 3) Test it. After the data is collected, the data analysis helps to validate the previously stated assumption, invalidate it, or modify it to hold truth (Roush, 2012).

A big number of over-ambitious startups devote all of their time and energy to designing and perfecting their product and very little time to actually studying their potential customers in their natural environment. The customer development methodology encourages to spend more time in the field identifying potential customers and learning how to better meet their needs (Ries, 2008). In the customer development model, a big emphasis is placed on empirical research.

The MVP or Minimal Viable Product

The MVP enables product testing to prove or disprove the initial assumptions. The main goal of building an MVP is to be able to start learning as fast as possible from the market. In this sense, the MVP will help the startup move rapidly through the build-measure-learn loop and fasten the product developing process.

The MVP challenges the traditional notion of quality. As traditional managers, we have been told to only have the customers interact with the product when it is perfect to go. Traditional management tools have made the standardization process a key for defining the quality of products, therefore, processes and workers have become more specialized in building the same identical ready-to-go product.

This doesn't mean that the MPV will be low quality, what it is trying to say is that it will be just as simple as possible to be able to test the key assumptions the idea must pass in order to become a sustainable business. The MVP can take many different forms that come from design thinking: from rapid prototyping to sketches, just a landing page or an explanatory video. If it is formulated under the premise of testing the key hypothesis, then it's serving its purpose. The MVP seeks to provide a strong empirical foundation on how to build a quality product.

Actionable Metrics

In the validated learning model, we ask questions that allow us to move forward, questions such as "How do we get more customers to sign up and pay?", "How do we know which features to regard as priorities?", or "How can we get the word out about our product?" These are questions that lead to the hypothesis and that must be validated by metrics and not by bureaucracy. The three A's of metrics that will allow the startup to learn are:

1. *Actionable*: that can clearly demonstrate cause and effect;
2. *Accessible*: the report has to be as simple as possible in order for all the stakeholders involved to understand them — ideally told in the form of stories from the customer perspective;
3. *Auditable*, which means that the data must be credible and consistent with reality.

The report cards are made from these metrics and they can be filled out as often as every day, giving us a level of speed that leads to a competitive advantage in the market. Using this tool, the startup can understand if the increases or decreases in the numbers come from changes or improvements in the product development.

The Pivot

The Pivot serves as a tool to channel human creativity in the right direction, coming into direct conflict with the "myth of perseverance." It is the mainstream story told of entrepreneurship in which the entrepreneur keeps going and going and battling against all odds, and finally gets to push his idea to the world and be understood. This is wrong in so many ways.

According to the Lean Startup concept, the startup runway or "for how long can a startup work before they run out of money" must be measured. Investing energy and resources in the right leap of faith questions and declared quantitative objectives subject human creativity to objective testing.

There are the following pivot types (Zwilling, 2011):

Zoom-in Pivot: it is performed when the startup learns that a single feature of the MVP is giving better results than the whole version of the product. Then the MVP is cleaned out of all other features that are not serving an actionable purpose and it focuses on the further development of the said key feature.

Zoom-out Pivot: in a reversed situation, it can happen that a single feature is not supporting an actionable purpose. In this type of pivot, the previous whole product becomes a single feature of a bigger product.

Customer segment Pivot: in this case, the results show that a new customer segment that was not being considered before comes up with a clear potential. In other words, the MVP does solve a problem, but of a different consumer segment, and should be optimized and repositioned accordingly for that segment.

Customer need Pivot: early customer feedback either tells us that the problem solved is not that important, and there might be other needs and wants that are of a bigger priority for them. In this case, a more important problem needs to be solved that would require a completely new product or repositioning of the current one.

Platform Pivot: this corresponds to a change from a platform to an application or the other way around. Many startups see their solution as a platform for future

products, but don't have a single application. It's crucial to understand it as most customers buy into the solutions provided for their lives, not the raw platforms.

Business architecture Pivot: there are two main business architectures models — "high margin, low volume" and "low margin, high volume". A startup must identify which model it is operating under in order to succeed.

Value capture Pivot: the monetization or revenue model — how does a startup earn money? How a startup captures value can have a significant impact on business, product, and marketing strategies.

The engine of growth Pivot: the majority of modern startups use one of three primary growth engines: 1) viral; 2) sticky or 3) paid growth models which will be discussed later in following chapters. Choosing the right model will dramatically affect the speed of growth and profitability of the startup.

Channel Pivot: in classical management terms, the channel is a mechanism by which a company delivers its product to customers. It can also be named the sales channel or distribution channel. Channel pivots require unique pricing model, distribution model and positioning against competitors.

Technology Pivot: it is possible sometimes to achieve the same solution by using a different, more efficient and cost-effective technology.

Taking the decision of making these pivots requires courage from the startup team, as most entrepreneurs are most afraid of failure. This vision will be declared as such without given it a proper chance and that is why this fear can lead entrepreneurs to try to persevere and keep going to prove their point. But these actions are misguided by emotion and not lead by actionable insights, so it defeats the purpose of achieving the vision even though at first it might appear counter-intuitive.

1.6 Design Thinking and Lean Startup

As more large companies begin to embark upon audacious transformation plans and set up innovation teams, more corporate professionals are being introduced to a world in which terms like design thinking, lean, , pivot, experiment, fail, adapt and so on are used almost interchangeably (Mueller & Thoring, 2012).

According to Tim Brown, the author and the CEO of world-renowned design consultancy, IDEO, "design thinking is a human-centered approach to innovation that draws from the designer's toolkit to integrate the needs of people, the possibilities of technology, and the requirements for business success" (Glavesky, 2017).

The lean startup methodology is utilized to turn these proposed solutions into business models. Supported by assumptions, they can be quickly tested with prospective customers to see the real market response, learn and fine-tune the product to fit the market. To simplify, design thinking helps us to come up with better ideas. The lean startup helps us turn those ideas into business models that are agile and deliver the product to the market in a fast and responsive way, so that we get ongoing feedback, adapt and deliver precisely what the customer wants.

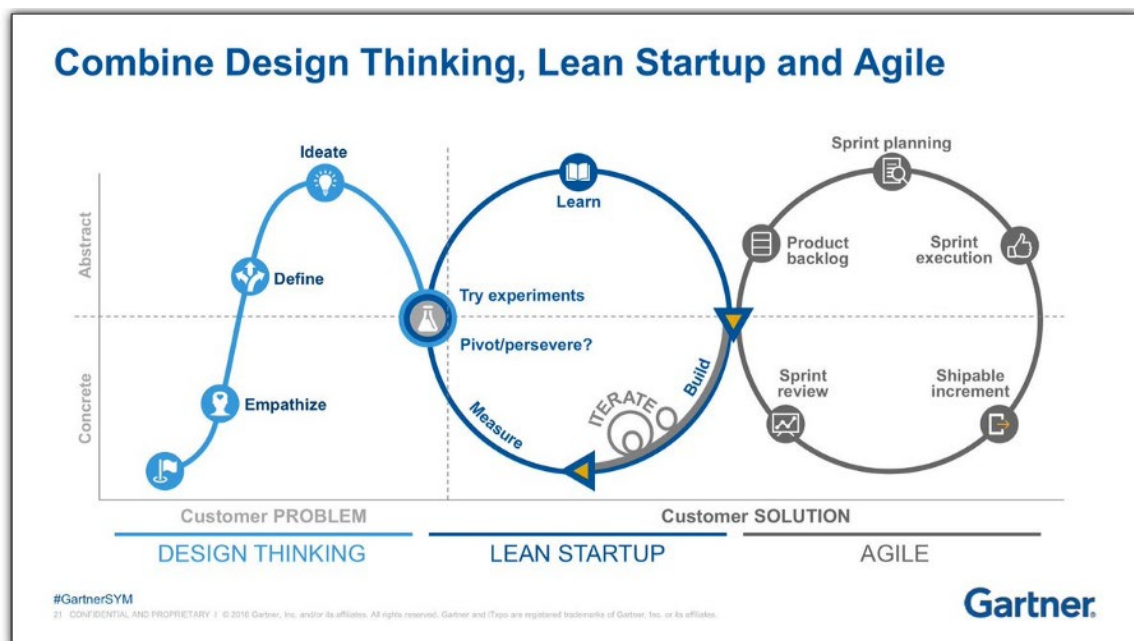


Figure 1.6.1. Combined design thinking, lean startup and agile approach cycle (Gartner)

As seen in the Figure 1.6.1, these two approaches are highly complementary. The main use of Design Thinking is to understand the customer's wants and needs. The learning and discovery that takes place during Design Thinking's fieldwork observations, are important to formulate assumptions for the in-market testing laid out by Lean Methodology (Build-Measure-Learn).

Therefore, I have chosen to apply both methodologies, since for me, as a bootstrapped entrepreneur, is not only important to understand my customer, but to be able to create an iterative process that contributes to a product development.

Chapter 2. Market Research

2.1 Phase 1: Discovery & Inspiration

The Inspiration Phase aims to understand the lives of potential customers. And the best way to gain this understanding is through ethnographic research, with the so-called tool “participant observation fieldwork”, which is the theoretical base for design thinking.

Ethnographic research is completely based on people and human interaction, whether that interaction be with other people, the world around them, or the subjects themselves. As it is sometimes referred to, it is the practice of “human-centered design” in design thinking (Brown, 2008). Ethnography aims to study, in-depth, the relationships between the subject and the user. Through observation and research, ethnography can truly empathize with the users and their issues. Therefore, ethnographic research was chosen as the methodological, theoretical and epistemic base of my research.

Research Methodology

Entering the second part of the thesis and after having laid down a theoretical foundation for the experimentation, this chapter consists of a description of the findings that came through the different experiments that I developed while using the tools explained in the first part of the thesis.

I made a choice to document my experience firsthand, instead of going outside and finding start-ups and their founders’ stories to work with, because of a deep personal need to understand and perfect my entrepreneurial skills, also because of a fascination with the new methodologies explained in the previous chapter.

The research plan for this project will be focused on *Tropikana*, a clothing brand based in Prague that wants to develop its product through customer validation strategy. I made use of qualitative methods as they are best for describing, interpreting, contextualizing, and gaining in-depth insight about the customer.

Through qualitative participant observation, I aimed to produce **ethnographic knowledge** about the behaviors, social structures and shared beliefs of a specific group of people. As this methodology is less controlled and more interpretive, it is

important to note that while my participation and perception might have a cognitive bias, I have done my best to stay objective to empathize with the participants' behavior.

In order to gain a deeper insight into the tastes and preferences of the participants, observations were conducted with 6 informants from the main desired target of *Tropikana*. An informant was defined as someone who lives in Prague and who belongs to the target group (25-35 years old). Observations were conducted during four weeks with the six participants by immersing into normal weekdays in their lives. The observations were followed up by semi-structured in-depth interviews regarding their fashion purchasing behavior and their tastes regarding "Latino culture". The interviews were conducted in an informal setting at the points of purchase of fashion products, homes of participants, and different cafes around the city. Each interview lasted on average two hours and all the data were recorded via note-taking.

As proposed in qualitative research and **ethnography**, my analysis of the data was based on language, images and observations. The observations and interview notes were transcribed and encoded to categorize the key themes and identify patterns in the consumer tastes and behaviors. Each theme was analyzed to gain a deeper understanding of participants' perceptions and motivations. The tools used in order to define and synthesize the data included the **Value Proposition Canvas** in order to provide three different customer personas that emerged from the observations.

After implementing the framework of ethnographic research and observation, the design thinking tools such as the design criteria, journey mapping, customer development and rapid prototyping were used. They helped to generate material for two in-market tests using different channels, prototypes and concepts defined by the before mentioned set of observations. I used **ethnographic observation** with the deployment of two different in-market tests where I presented to each of the participants two different concepts. The data gathered from these in-market tests were recorded via note-taking. These two experimental iterations or in-market tests were analyzed using the **canvas model** as a way to propose a tentative business model that I recommend *Tropikana* to follow as a result of the research. I also included in-depth interviews that were used to arrive to key insights into the development of the in-market test and to understand the perceptions, motivations and emotions of the potential customers.

The Design Brief

The Design Brief is the first project management tool that I will use to formalize the project, define goals, resources, timelines, etc. It will serve as the “North Star” throughout the experimentation phase. For the *Tropikana* case, it will provide the guidelines necessary to be followed throughout the research and experimentation phase.

It provides a short description of the project, its scope, the target users, the research tools to be used, some of the expected outcomes as well as explores which metrics of success or failure can lead to powerful learnings for the brand.

| | |
|----------------------------|---|
| Project Description | The business problem is that <i>Tropikana</i> has zero historical data, is bootstrapped and wants to develop its product through customer validation strategy. |
| Intent Scope | The initial scope will focus on a better understanding of the customers’ tastes, preferences and perceptions of the fashion industry in order to gain insight into their purchase behavior. A secondary scope of the research will be to understand what type of emotions, connections and imagery potential customers associate with the name <i>Tropikana</i> . |

| | |
|---------------------------|--|
| Research Questions | <p>At a starting point, I had a huge lack of data. Since <i>Tropikana</i> is only in an ideation test, there is no historical data. I don't know who the customer is nor what are their tastes at this point. Since I don't know exactly who the customer is, I will use ethnographic research in order to find out. Then I will use ethnography to understand their tastes and purchasing behaviors towards clothing and test what is their perception of <i>Tropikana</i> when they are confronted with the idea.</p> <p>Given the boot-strapped nature of the project, the ideal of testing for all possible demographic and psychographic consumer profiles is not possible. To solve this, as a starting point, I have chosen the demographic that I belong to and, therefore, I have the closest proximity to: Millennials, a demographic group of people born approximately between 1980 and 2000.</p> <p>Research questions:</p> <ol style="list-style-type: none"> 1. Who is the customer? Describe three possible customer personas drawn from the observations of the millennial target group. <ul style="list-style-type: none"> • What are their observable fashion purchase behaviors? • What is their initial reaction towards a clothing brand called <i>Tropikana</i>? |
| Target Users | <p>The available research suggests that millennials are a highly attractive market ("Bling it on: What makes a millennial spend more?", 2017) as they were brought up in an environment, in which technology provided a platform for immediate gratification and personalization. Therefore, the purchasing process for them is considered enjoyable. Nevertheless, their loyalty to the brands they buy is relative. Millennials tend to spend their income quicker than other generations and increasingly through the web. Even though the checkout process is usually takes place on the e-commerce website, social network such as Instagram and Facebook and often the place of product discovery and present a huge potential as e-commerce platforms as the new checkout functionality will soon be introduced to these platforms. Also, the research results show that the millennials are more attracted by online advertising as well as virtual coupons and discounts (Moreno et al, 2017).</p> |

| | |
|--------------------------|--|
| Expected Outcomes | <ul style="list-style-type: none"> • A deep understanding of the customers' taste regarding fashion and a general understanding of cultural drivers in the decision-making process of choosing a fashion design items. • Understanding whether <i>Tropikana</i> has any connection with the target that can be used for developing a business model around it. |
|--------------------------|--|

2.2 Phase 2: Define & Synthetize

Empathy Map

The **Empathy Map** is a method that helps to design business models based on the understanding of the customer perspective. According to Ferreira et al., it “goes beyond demographic characteristics and develops a better understanding of the customer's environment, behavior, aspirations and concerns; it’s goal is to create a degree of empathy for a specific person” (2015).

This methodology is considered to be a human-centered approach, as it suggests to look at the world and the problem at hand through the eyes of the customer to better understand his or her thinking and behavior. Doing so allows to design a stronger and more reliable business model, since customer profiles provide valuable input for the **Value Propositions**. Ultimately, it provides a better understanding of what a customer essentially is willing to pay for.

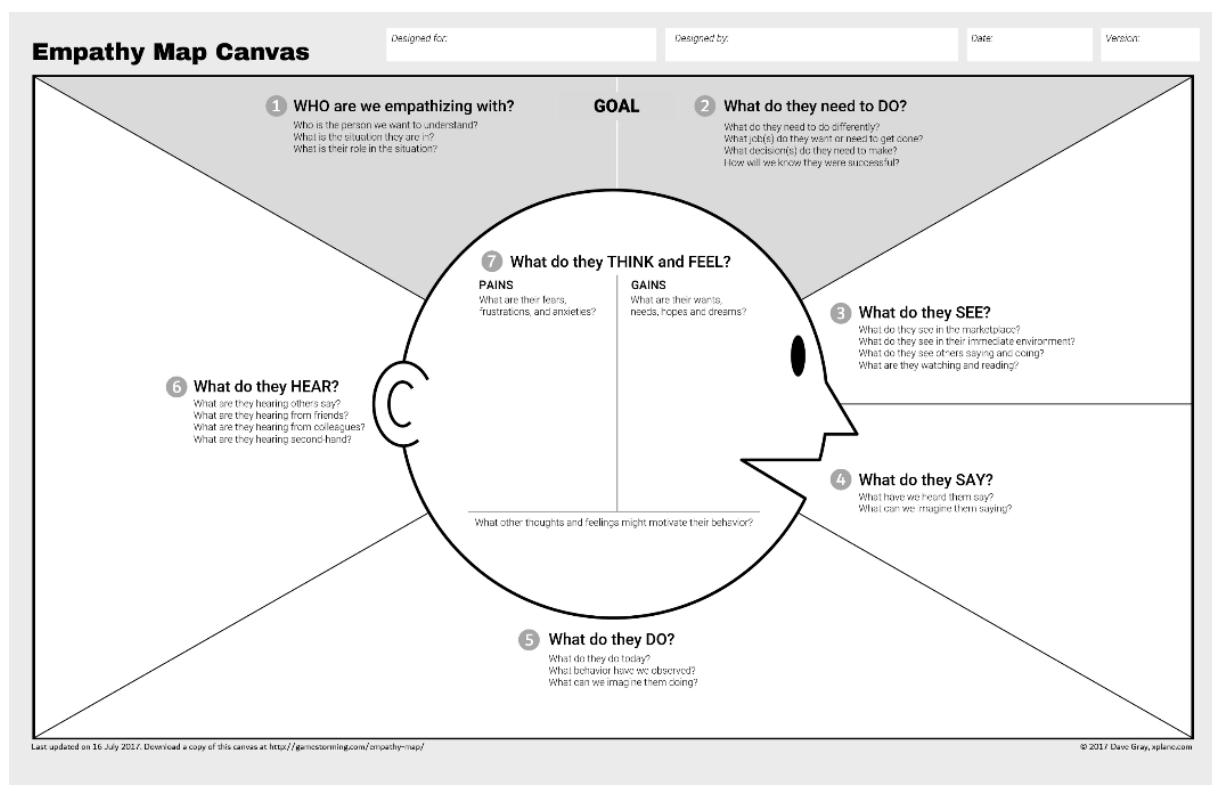


Figure 2.2.1.: Empathy Map Canvas

I divided all my notes from observations into clusters with the help of the Empathy Map Canvas. I defined three different customer personas within the

millennial target group using the empathy map tool — **Polina, Frantisek** and **Sebastian**. These three personas were created identifying three different demographics in terms of nationality. All three personas, same as the informants observed during the ethnographic research, live in Prague.

Polina

Who are we designing for?

Female, Aged 25; Single; College Graduate; From Belarus; Works as an Account Manager at an advertising agency. Disposable income — five thousand Czech crowns a month. Usually spends 2-3 thousand every two months on clothing.

What does she say and do?

“When it comes to fashion, I’m looking for specific designs that I can relate with. I like specific brands or designs that are fun, that spark a conversation.”

A normal day in Polina’s life starts by waking up at 7am in the morning. She works at an advertising agency that serves primarily as developer of all key creative assets and advertisement for a car brand.

She takes a lot of care about her make-up, and she usually wears long dresses to go to work. She says they are her favorite because they make her feel elegant. Sometimes on the weekends she wears graphic t-shirts. Most of them are gifts from other people and she usually wears them at home, but that she wants to start trying a new style and even start wearing sneakers.

Her work is very demanding, sometimes when she leaves her office she says that her brain is buzzing from all the day’s work and she needs to relax. This means going out for a drink with friends or with her boyfriend. Wine is her favorite.

What does she see regarding fashion?

The places she visits are Bershka, Zara, Pull&Bear. She takes a lot of time to make a purchase, she goes from store to Zara to Bershka to another store, to find something she might like. She usually has a target “I’m looking for shoes” but also is open to buy spontaneously if she finds something cool.

She values experiences and connections with people over material things. Same with fashion — Polina wears clothing that reflect her “state of mind and mood that day” and the fashion items and accessories that “make a statement”, rather than stuff that is just “on trend”. For example, she loves black leather items (skirts,

trousers, boots) combined with a classy blouse and high heels — this attire expresses her confident attitude with an elegant and feminine qualities.

She has a few favourite, go-to brands that offer her a wide choice of interesting clothing items that are not popularized and suit her figure.

With regard to online shopping, she has a very particular behavior — since she follows many different content accounts on Instagram, often-times she falls in love with a specific shirt on a photo that she just saw. However, not always the Instagram post where she saw the design is offering the t-shirt for sale. Thus, she starts researching AliExpress, or a different e-commerce platform to find that t-shirt. Sometimes she succeeds, sometimes she doesn't. She owns at least 5 graphic t-shirts. For work she wears dresses and skirts, and for going out usually t-shirts, pants (leather, jeans) and boots.

What does she hear?

She listens to her friends and family. Also, to celebrities that she follows on social media. Finally, she listens to podcasts on marketing, news and self-development.

Frantisek

Who are we designing for?

Male; Aged 27; Married, with one kid; College Graduate; From the Czech Republic; Works as Graphic Designer at a digital agency. Disposable income — ten thousand Czech crowns a month. Usually spends around one thousand five hundred crowns a month on new clothes.

What does he say and do?

“I don't really care about fashion in a sense that I don't follow trends or anything like that. I usually just wear basics for work, relaxed at home or casual if I'm going out.”

He wakes up around 8 in the morning and, to get ready for the day, he performs his daily routine: this includes a short work-out, followed by a shower. Then, after he is ready, he prepares a protein smoothie and drinks it before going out to work. He tries to maintain this routine every day to give order to his life and live healthier.

He walks out of his flat, and the first thing he does is lighting a cigarette. He smokes it on the way from his flat to the tram station where he takes the tram to work.

He doesn't seem to mind the contradiction between his "healthy" morning routine and smoking a cigarette first thing after he leaves the flat.

He arrives at his job, where he opens his laptop and starts checking the emails followed by creating his to-do list for the day. During the day, he worked on a couple of projects that needed special attention and had a couple of "useless" meetings.

After work he comes home to his wife and new born son.

He perceives himself as someone creative, aesthetically conscious, politically incorrect, looking to make a statement in his life, but also laid back and easy going regarding the troubles of the world. He says he follows trends, and likes streetwear but is not a "fan" and doesn't care much about brand names. He claims not to seek status using brands, however, he appreciates a brand's effort to make something cool for him. He has a Netflix account, and a Spotify account and uses social media heavily, especially Instagram. He has traveled around the world and is finishing his higher education studies.

What does he see regarding fashion?

He cares about fashion in general terms, but he appreciates some brands like adidas or Gucci because of their campaigns. He prefers streetwear brands or just independent brands. At work he wears t-shirts that he combines with "casual pants" and jackets. He owns many different types of t-shirts, some graphic, some not.

What does he hear?

He listens to his friends and family. He listens to design podcasts on YouTube. When it comes to fashion, he listens to his wife's advice as well.

Sebastian

Who are we designing for?

Male; Single; Aged 32; College Graduate; From Colombia; Works in sales for an event production company. His real passion is being a DJ. He plays at various clubs around the city of Prague. Disposable income — seven thousand Czech crowns a month. He spends roughly three thousand every couple of months on clothing.

What does he say and do?

"I'm very picky when it comes to clothes. I don't consider myself as a typical latino and I prefer clothes that are aligned with my nightlife lifestyle as a DJ."

Every morning, he wakes up very early to go to the gym. Then he comes back home, showers and leaves to his office. His job consists of sending emails to different companies offering the events that his company produces. He works there to earn money and believes “work-is-work”. His real work begins after 6pm where he devotes his time to his passion which is producing and recording electronic music and performing at venues as a DJ.

One of the most important things in life for him is his connection with the music. He’s a DJ and for him electronic music is the best, so when it comes to his native Latino culture, for example, he doesn’t feel identified with things like salsa or reggaeton. Latino culture is mostly related to his childhood, his parents and his family. He knows about the common stereotypes, and he says strongly that he doesn’t always agree with those stereotypes.

What does he see regarding fashion?

Sebastian is very picky when it comes to clothes, specially anything that has any type of graphic design on it. He says the main problem he faces when he’s buying clothes is that most of the times, despite having such a vast offer, he says things like “Hmmm, I don’t like where the logo is”; “These jeans have a weird cut”, “The design is cool but the color doesn’t feel right”, “I like the message of the t-shirt but I don’t like the design”, etc.

What does he hear?

He listens to Joe Rogan’s podcast and other self-developing programs. He listens to audiobooks and listens to music on his Spotify account.

Value Proposition Canvas: The Customer Segment

After conducting ethnographic research with the six informants during four weeks, I used the **Value Proposition Canvas** as a tool to define and synthetize findings around the main pains, gains and jobs observed on the informants during the research. It is clear from the image below that I used specifically the right part of the Canvas, pertaining to the customer segment. Further down the path, when it is clear who the customer is, I will come back to the Value Proposition Canvas to launch the Phase 3, so-called Development – Ideation.

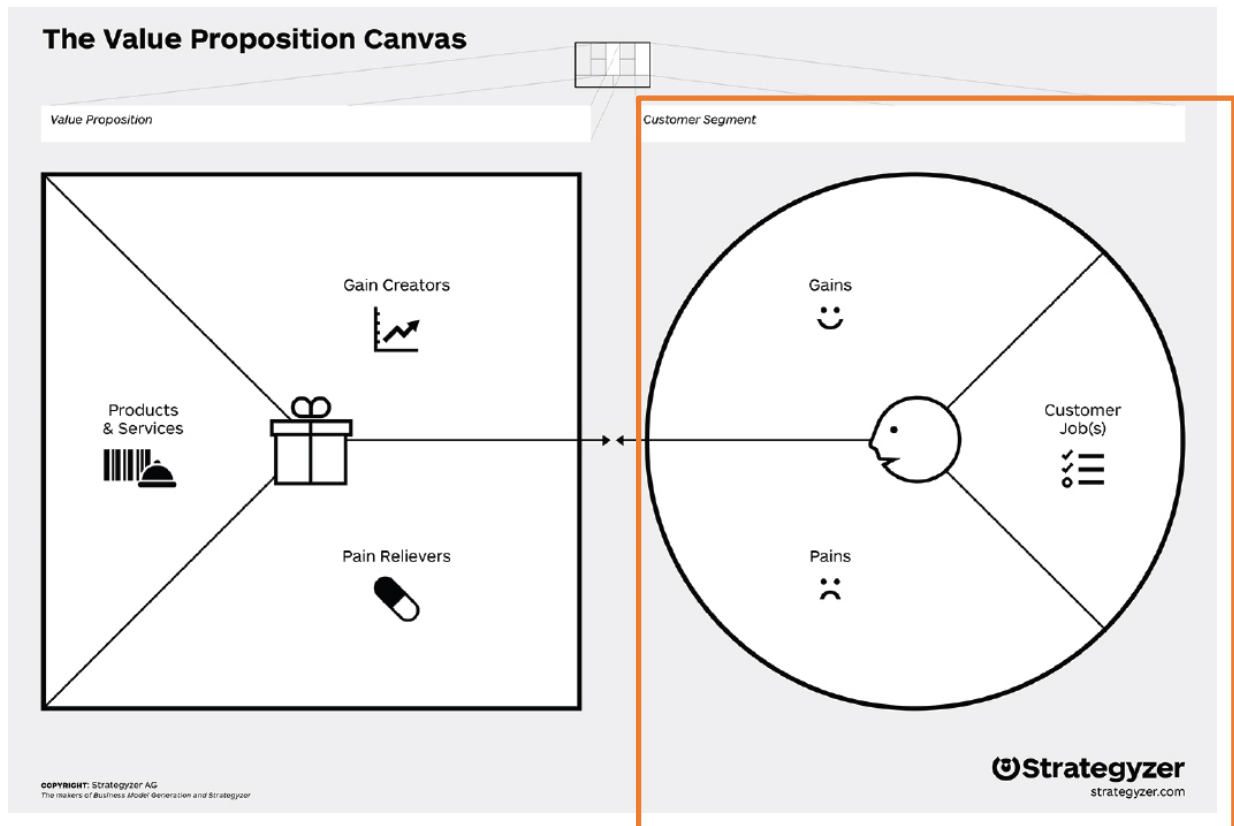


Figure 2.2.2.: Value Proposition Canvas

Customer Job(s)

Represented as tasks the customer is trying to perform in order to achieve a functional, emotional or social benefit (Pijl, 2017).

Apart from satisfying the most obvious physiological needs by buying clothes, the customer is trying to achieve a key social need of belongingness. The customers seek to identify themselves in a community driven by a desire for reputation.

However, the customer encounters many different options in the market, both in physical stores and on the Internet via different e-commerce and social platforms. Even though the abundance of options might be seen as a positive thing in terms of being able to choose from many different brands, designs and trends, it also presents a cognitive process called “overchoice” (Gourville & Soman, 2005). People have a difficult time deciding when faced with many options.

Going into more detail, in the scenario where a customer has made a purchase, a lot of variables have been taking place, specific tasks that have been solved. He or she has chosen a specific brand, or design, through a specific social media platform or e-commerce platform or a physical store.

Research is one of the things the customers spend their most time on. They search through the web for different models, items, varying from t-shirts, to shoes to jackets, etc. Oftentimes, they don't spend their time in a focused and detailed manner. However, they might look "here and there" for days until they finally find the piece that matches their expectations. It is important to add, that even with this process taking place, sometimes spontaneous or impulsive purchases occur.

In their eyes, a clothing brand should serve as a tool to look good, feel good, be socially-aesthetically pleasant and communicate something about their personality (even if their personality is "I don't care about fashion", this identity is reflected in their fashion choice).

Customer Gains

Include gains such as positive emotions, functional utilities, social gains, and even costs saving that a customer desires, requires or expects (Pijl, 2017).

My customer expects a brand that creates relevant content on a frequent basis, that is creative, not necessarily in terms of "design" thought out as "a beautiful image", but as a clever and interesting graphics with some examples rooted in the meme-culture. Yes, some people are wearing memes on t-shirts. And most of them seem to be on Instagram. They desire to be able to buy them easily on Instagram. They expect a brand to be well connected with online payment applications, so it will be easy to make a purchase straight from the phone.

They would be surprised by a brand that is consistent. When asked about some brands that they know, they say sometimes they even remembered some brands but now they can't find them, or they don't even know if they exist anymore.

In terms of costs, they want their clothing not to be the cheapest. They expect a certain level of quality but, at the same time, they are not willing to pay for an overpriced fashion item. A price somewhere in the middle range would be ideal from them.

As mentioned before, some of the savings come in terms of the price of the product, but also from added costs that come with online shopping, such as the shipment possibilities. For example, if the price of the shipping is highly comparable to the price of the item they are trying to purchase, they won't do it at all. Even compared to Amazon, the most expensive part of making some purchases online can

be just the shipping. Free shipping therefore is a literal economic saving that would make my customer happy.

The main outcome they expect is for the brand to be able to fulfil and manage their expectations. Of course, they don't say it this way, but this is what is expected from the brand. They would express it as the quality level must match the price-range and the expectations created in the Instagram page or on the website. Meaning, if the product is being advertised as a "luxury" streetwear item, then the outcome should match that description. However, if it is obvious that the quality of the product is not the best one even before buying it, then there is absolutely no problem and no resentment against the brand. In terms of time and effort, they expect a seamless experience, and when specifically talking about digital purchasing behavior, they prefer websites that seem legitimate and that offer a quick yet safe way to complete the purchase.

My customer understands that some of the brands they follow are promoting a niche and subcultural graphic design that becomes more of a statement when the person wears it, and quality of the item becomes secondary. They also expect the delivery time to be as promised. Some of my customers have even made purchases from AliExpress, meaning they don't care for a long time of waiting before receiving the items. However, if the brand is promising a short period of delivery, then it is expected that they fulfill this promise.

Something that would go beyond / exceed their expectations would be higher quality than expected, a care in terms of clever packaging, shorter delivery time than expected. Something that would surprise them would be receiving extra gifts they didn't know they would get with their purchase. Examples of this can be stickers with some branding or a cool fanzine or postcards, etc.

There are many, many current solutions specifically in terms of satisfying a demand for quality graphic fashion items. From big fast-fashion brands such as Zara, H&M, New Yorker, Bershka that can be purchased in almost every big city across the globe —down to a very personalized "DIY" printing services that offer a minimum of printing one selected piece with a custom design.

There is not a lack of solutions out there in the market, and this might be one of the biggest problems for *Tropikana*. In terms of features, performance and quality, there are many competing brands, including the streetwear or "meme-wear" niche, that offer different variables of the product with a similar quality and price-point.

When buying clothing online, something that would make my customer's life easier would be flattening the learning curve of trust-building towards the brand. One

of their concerns is that ordering online comes with the doubt that the seller would be legitimate and give response in case the clothes arrive in a bad state, or never arrive at all. For my customer, it is important to know that there is a clear return policy in place. This is why sometimes, inspired by products they see online, they go and search it directly on AliExpress or eBay, especially if they are looking for a specific product they saw with a specific design or headline.

What would make their life easier is something like a direct path to purchase straight from the social media platforms. In this case, *Tropikana* could make use of Facebook and Instagram retail tools, so that the content in their social media is linked directly to the shopping cart in the e-shop. Additionally, it would benefit *Tropikana* to introduce a clear return policy, in order to create the trust needed for a customer to make the purchase.

They connect with fashion items in a way that it helps them achieve social status. Individual fashion items are seen in this way as a conversation starter that makes other people feel something positive about them. Whether it would be by wearing a name-brand or an item with a specific motif or claim, they expect it to be recognized by their peers as an expression of their personality. In this sense, they are not brand-loyal, but design-loyal, looking for specific motifs that connect with their personality.

A key positive social consequence of a quality product for my customer is the effect it has on other people. When my consumer wears a product they like, it serves as a conversation starter. It is worn to provoke something in others, to make people feel something. If the headline on the product or the graphic design is something clever and that elevates positive feelings, or that is thought-provoking, it will allow them to start a conversation with a peer and, thus, elevate their social status by bringing interesting points to the conversation.

They are looking for design that is relevant for them. In this sense, to be specific is difficult as each customer finds a specific headline or design appealing over any other at the moment to make the purchase. However, there are infinite possibilities of claims, headlines and designs, so what they are looking for in their design is a personal connection. For *Tropikana*, it means to be able to find that “Latino” connection within the hearts of its consumer.

All in all, my customer is looking for specific guarantees in terms of policy returns, easy payment gateways, clear specifications of the clothes in terms of size, quality of the product – not saying that they expect high technically quality products, decent might be fine; but, that there is clearly stated the level of quality (honesty)

and their expectations are managed in the right way. Similarly, they expect free world-wide shipping and clear delivery dates (the sooner the better, but realistic as well).

Customer Pains

Defined as negative emotions, situations, undesired costs and risks a customer could experience before, during or after getting a job done (Pijl, 2017).

Negative emotions and undesired situations for my customer might include not finding the right and specific design they have set out to find. Because they saw it on Instagram but realized it's a dropshipping store, they decided to go and find it themselves on AliExpress. But it is not so easy to find, so it might take a long time until they find it or they don't find it at all.

A clear undesired cost is to make the purchase and never receive the product. It doesn't only cost in terms of money in case the item never arrives, and the retailer doesn't respond to the claim. There is also the unpleasant act of having to go through the return policy if it's a platform they are not familiar with. They describe it as something very annoying.

Besides not receiving the product and not getting money back, my customer experiences a series of possible risks that go from receiving the product but in the wrong size, to the quality being poor, to not knowing when the product will arrive. And even if they make the purchase and wear the product, they fall under the risk of seeking for social approval and fulfilling the social validation and not getting it.

It takes a lot of time to find the right design that they want, so it takes a lot of effort to do research through different platforms to be able to find the specific design that they want. Sometimes, however, this is countered by an immediate purchase when they finally find a product that matches their preferences.

The customer feels bad when browsing through an Instagram brand and is not able to find enough trusting evidence that it is a legitimate seller and that they won't be ripped off when buying a product from them. It is something that adds to the consumer purchase anxiety.

One of the biggest problems, specifically in e-commerce, is that of conveying trust. In the eyes of a customer, the independent brand lacks trust, whereas AliExpress or eBay don't have this problem due to the transparent return policy and sellers' reputation rating. Thus, they tend to browse through the design on the

independent brands' website for inspiration but then turn to trusted e-commerce platforms and try to find it there with the intent of purchase.

Secondary Research

The way that I approached the secondary research for this thesis is that I based it on the observations made during the ethnographic research. As evident in the customer persona profiles, they are present in social media and at least some of their purchasing behaviors occur online. The choice to focus on digital commerce as opposed to exploring the retail fashion market is follows the bootstrapped limitation of the project: building or renting a space for creating a physical shopping experience is out of the budget, therefore, out of the scope of the bootstrapped entrepreneurship project.

I have explored secondary sources regarding consumer behavior in the fashion industry. Here I made use of the Internet, newspapers, magazines, and journals that cover the topic. As primary research has been highly qualitative, understanding the broader market will help the project get the facts and figures needed to develop a business idea.

Some of the key reports suggests that within the e-commerce fashion industry, taking into account the industry-wide data, the worldwide revenue expected to rise from \$481.2 billion in 2018 to \$712.9 billion by 2022 (Orendorff, 2019).

The driving forces of this significant growth are the following reasons: increasing smartphone and Internet penetration in the developing markets, emerging middle-class in developing markets with disposable income, global markets expanding outside the West, advancing technologies constantly pushing e-commerce forward and creating more and more seamless experience (including mobile experience). The Shopify reports that “the number of potential customers is projected to grow to more than 1.2 billion by 2020. The good news for fashion is that the majority of these new consumers are within the 16 to 24 and 25 to 34 age groups” (Orendorff, 2019) — in which the latter is the target I have chosen to research.

The established brands are facing the following threats: pressure from consumers to use environmentally-friendly and ethically sourced manufacturing materials, decreasing brand loyalty caused by market segmentation, sunk costs associated with online returns, the ability of fast-fashion brands to create designs on-demand.

Social media has been the main driving force in the fashion market. Fashion plus social media equals e-commerce heaven. Especially it is obvious on Instagram, the most successful platform for branded fashion content:

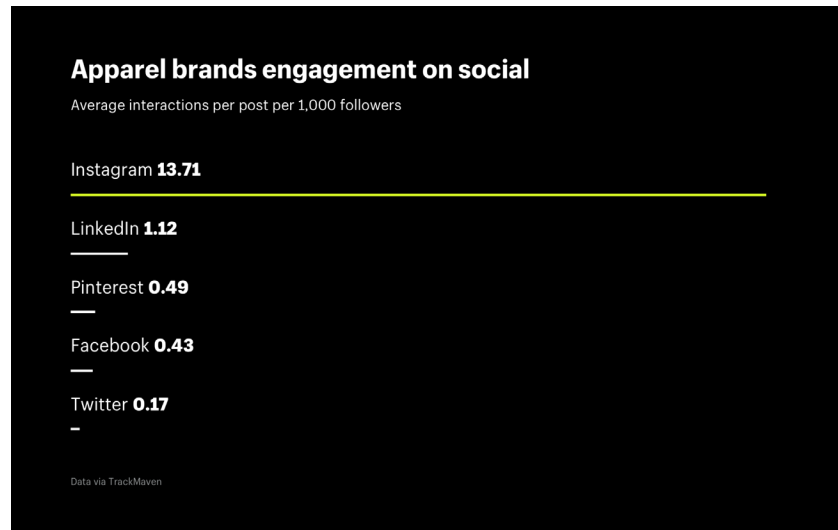


Figure 2.2.3.: Apparel brands engagement on social (TrackMaven)

Product-centric content mixed with mainstream macro- and micro-influencer marketing is particularly powerful on this platform. However, the real power of social media is devised from an ability to integrate multi-channel ecommerce. The real breakthrough for socially active brands comes with an “integration of native selling off-site to build direct buying paths in the places your audience spends their time, such as Instagram and Facebook” (Orendorff, 2019).

Opportunities

Due to a rapid expansion of global markets, the next decade will drive the double-digit sales growth in the fashion and apparel industry.

The experts predict that the fashion e-commerce segment will reach a compound annual rate of 10.6% and account for \$706 billion by 2022 (“Fashion and Apparel Industry Report”, 2019). In Asia, China is already on top as measured by revenue, with other developing markets catching up due to the rapidly increasing smartphone penetration and emerging middle-class with a disposable income.

In the developed markets, brands will turn to AI, e-commerce automation tools and machine learning to offer personalized experiences and products to their customers. Fashion industry has already started adopting technological innovations such as virtual fitting rooms, voice-powered shopping, visual search, AI-powered virtual shopping assistants, digital touchscreens for clothing browsing, etc. As the technologies advance, brands will be exploring more innovative and more intimate ways to provide a personalized customer experience to consumers (“Fashion and Apparel Industry Report”, 2019).

Threats

The competitive fashion and apparel industry has become even more complicated to navigate on a global level due to declining barriers to entry. Established brands are threatened with the decreasing brand loyalty among younger target groups and the ability of fast-fashion brands to produce products on-demand and dropship them from anywhere in the world, without even having to stock the products. Thus, the lack of agility, high maintenance costs and bureaucracies presents a huge threat for established brands while giving a way for new economy fashion startups (“Fashion and Apparel Industry Report”, 2019).

These threats increase the risk of holding a product stock, especially in an era of instant changes in consumer preferences and tastes. Besides, consumers are now seeking products that are produced following green manufacturing practices, are vegan, not animal-tested and the materials for which were ethically sourced, that is putting a significant pressure on the margins of established brands.

The Design Criteria

Design Goal

To design a minimal valuable product (MVP) based on the tastes of “Polina”, “Frantisek” and “Sebastian.”

Customer Perceptions

- “When it comes to fashion, I’m looking for specific designs that I can relate with. I like specific brands or designs that are fun, that spark a conversation.”
— *Polina*
- “I don’t really care about fashion in a sense that I don’t follow trends or anything like that, I usually just wear basics for work, relaxed at home or casual if I’m going out” — *Frantisek*
- “I’m very picky when it comes to clothes. I don’t consider myself as a typical latino and I prefer clothes that are aligned with my nightlife lifestyle as a DJ”
— *Sebastian*

Aesthetic Attributes

According to the observed behavior of the participants through the ethnographic research, judgements regarding the aesthetics of the product depend on subjective feelings of pleasure to wear it and the resonance it makes in others.

The behaviors of the informants reflected a taste in 'simplicity and minimalism'. In terms of expressive qualities, those items that convey ideas and moods, for my customer entail attributes of local aesthetic, cultural identity, individuality and humor.

The MVP should be all plain colors, meaning it shouldn’t have lines or patterns already designed in it. It must have a modern look, not square but loose and comfortable.

Physical Attributes

The fabric used in the development of an MVP must feel good and fresh to touch, it cannot feel harsh or itchy to the skin. It must be clean and new, and the colors must be vibrant and not faded.

The customer presents a low expectation level in terms of durability of the product. However, it must be durable.

The design must have some minimal quality measures for the target in mind. The MVP to be developed can't be of an extremely bad quality that will repel the customers, but it also shouldn't be of the highest quality due to it being just a prototype.

Functional Attributes

What does ease-of-use mean to the target customer?

The duality between individuality but social acceptance comes into play. The consumer wants to feel unique, but also wants to be a part of the community. He wants to wear something that represents him, but that is recognized also by others because of its commonalities to each other's taste. This takes a lot of time. A consumer with disposable income is not going to buy the first thing that they see. They will research and find the place with the best option.

Also, an ease-of-use solution for the target customer in this case is the possibility to buy the product right away through the digital platform and accessible through PC and mobile. In the ideal scenario, it also means various payment options, accompanied with the right packaging and timely delivery.

2.3 Phase 3: Ideation & Development

During the Ideation and Development phase, I used the design criteria in order to design a Minimal Viable Product (MVP). It allows, as described in the previous chapters, “the researcher to collect the maximum amount of validated learning about customers with the least effort to learn about the product and its continued development” (Ries, 2017).

Value Proposition Canvas: The Value Proposition

First tool I used to define the product was to go back to the **Value Proposition Canvas** to provide the Gain Creators, Products & Services and Pain Relievers **MUST HAVE** in order to satisfy the previously defined customer personas. Note that this is the left side of the Value Proposition Canvas.

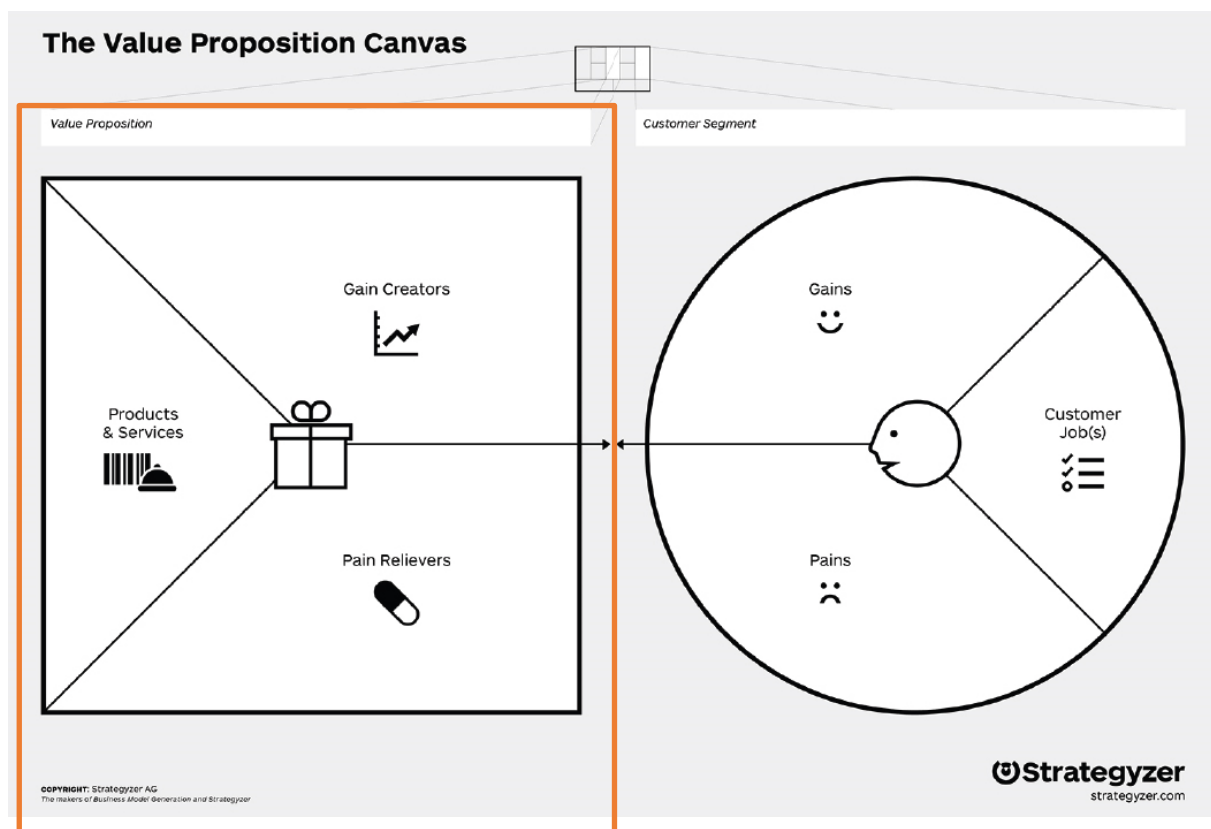


Figure 2.3.1.: Value Proposition Canvas

Gain Creators

The MVP should provide social gains and evoke positive emotions in the consumer. It should make the customer happy and they should be able to identify themselves with the product. It should provide real expectations in terms of time, money and effort to purchase it. It should produce the outcome that the consumer expects and even exceed it.

The purchase experience should be hassle-free and understandable. The physical quality of the product should match the expectations set. Wearing a cool product provides to the customer positive social consequences. It makes them look good. It should be well designed, with a clever twist. It should be of a fair quality. It should fit their budget.

Pain Relievers

The MVP creates a problem-free way to make a purchase. The purchase experience is simple and easy to accomplish. The distribution platform should provide with all visual and descriptive features of the product, so that the consumer understands what they are buying. It should be trustworthy and make the consumer feel good about the purchase.

Product and Services

The value proposition is built around fashion products and simple to use services. Therefore, the MVP should present a prototype of a clothing item and a user interface that allows the customer to acquire the item.

The MVP: Rapid Prototyping

As mentioned before, a creation of a visual representation of the key concepts, done quickly, transforms the concepts and ideas of the Phase 2 into something close to a feasible and testable business model. It allows me to learn as fast as possible while minimizing the investment made for the development of a prototype (Ries, 2017).

After the ethnographic interviews, I went back to the **Design Criteria** in order to design a so-called **minimal viable product (MVP)**. It allows, with the help of preceding ethnographic research findings, to efficiently collect the validated learning about customers. The objective, as stated in the abstract of the thesis, is to learn about the product and initiate its continued development.

The first step I made to define the MVP was to design the customer journey. For the timeframe definition, I choose the approach of storytelling, reminding what “Polina” or “Frantisek” or “Sebastian” would say. This is a tool often used in Design Thinking to empathize with the behavior of the customer (Quesenbery, Brooks, & Redish, 2010).

The choice of using a **Journey Map** comes from the fieldwork where it was observed that the customer is looking for a “purchasing experience”. In this case, the decision to leave out developing an e-commerce platform (i.e. an e-shop) during the rapid prototyping is consistent with the bootstrapped limitations (such as limited budget) set in the beginning of the research. Thus, it was decided that the distribution platform for the prototype would be Instagram.

Journey Map

The tool to bundle up all the ideas into a business concept will be designing the observed **Journey Map** that my customer will go through when interacting with the brand, and moving through the stages of awareness, consideration, acquisition, service and loyalty.

| Buyer stage | Awareness | Consideration | Acquisition | Service | Loyalty |
|-------------|--|--|---|---|---|
| Time Frame | In this stage, the customer is finding out about the brand because it pops up in their device (usually Mobile) when they are browsing through Instagram. | The customer clicks through the post that they saw on their social media. They check the Instagram page of the brand, the website, and they browse around. | The customer expresses interest in purchasing the product. Then they complete the purchase. | The customer waits for the product to arrive. The customer receives the product. | After the purchase, the customer starts receiving a marketing newsletter with new offers. |

| | | | | | |
|-----------------|------------------|--|--|------------------------------------|--|
| Consumer's Goal | Entertainment | Entertainment Learning Finding something they can connect with | To feel good about the purchase. To feel that the vendor is trustworthy. | To meet his expectations. | To feel part of a community. Social validation. |
| Brand's Goal | Click-throughs. | Educate, build trust. Link customer to Direct Message. | Purchase intent. | To exceed customer's expectations. | Second Purchase. Brand awareness through customer's audience. |
| Channels | Instagram | Instagram | Instagram | Postal Service | Social media Email |

Concept Development

Here, in the concept development, I used the tool of **Customer Co-Creation** and **Brainstorming**. To be able to interpret these data is important to note that I analyzed them looking through the lens of the insights gathered during the observation fieldwork.

I met with each interviewee individually and I presented *Tropikana* as a clothing brand. I didn't provide any imagery. Then I let them come up with articulations of how they imagine it. These answers were contrasted with the observation fieldwork findings, to provide an accurate analysis.

Each of the brainstorming interviews was carried out in an informal setting and conducted individually. I have compiled all the answers received from the interviewees and have categorized them according to different affinities. I have also decided to leave the themes that appear repeatedly as a way of showing visually which images carry more weight in the minds of the target audience.

When thinking about *Tropikana*, they in general expressed an association with something tropical. To develop a design concept, I pressed on what other ideas they relate to something “tropical”.

They imagine sun, beaches, waves, good weather, tropical music and food. Geographically, they relate it to South American countries. After defining a geographical space, I wanted to press into which cultural expressions they recognize, since some of the informants mentioned the word “Latino” as a way to frame the region that is associated with *Tropikana*.

Some of the informants referred from the top of their mind to *Narcos*, the Netflix series. These interviewees remembered some Spanish words that they had learned from the series. Phrases such as “Plata o plomo” or swearing words came up several times.

There seemed to be an interest for the 80’s and 90’s in the sense that’s the imagery they relate with Latino mafia culture, Sicarios riding motorcycles, dealers selling drugs in the streets, and everything happening while people are dancing in the streets. The music that went with that warm and tropical scene.

The music mentioned and related to Latino culture, was mainly in reference to pop culture, making reference to reggaeton and salsa music, talking about Shakira and Despacito as main examples of the culture; the participants also made reference to the importance of dance that goes along with the expression of music, dancing to salsa or bachata is as significant in their minds as the music itself. This said, it does not mean that in every case they like this music. Some of the participants were very specific about their music tastes.

The interviewees believed that a clothing brand named *Tropikana* should have some certain daring and bold designs depicting “Latino culture” and providing a feeling of the Caribbean, and the tropical lifestyle.

In general, these mental images should be seen through the lens of the “Orientalism” concept (Said, 2003), that refers to a patronizing attitude of Western society towards other nations. Inherited in this idea is the thought that Western society is more rational, developed and superior. So the consumer perception might be completely remote to what the actual origins of Latino culture.

After the brainstorming phase, two informants presented interest in the upcoming prototype and asked to be contacted to see it.

Themes emerged during the Brainstorming session on the *Tropikana* brand associations

Sounds: Cheerful, loud, Dancehall music, Latino music, dance, salsa, flamenco, bachata, bossa nova, 12-string guitars, Despacito, Latino music.

Body Features -> Big Ass, handsome tanned people, chicks with big asses, people with black hair and brown eyes, beautiful women and men, miss world

Crime / Social issues -> MS13, drug lords, Pablo, drug cartels, corruption, poverty, El Chapo, Narcos, drugs, gangs, cocaine, Cocaine, drug problematics, cocaine, gangs, narcos, coca

Activities -> Siesta, street festivals, Siestas & Fiestas!!! dancing girl, dancing couple, dancing, carnival, Ayahuasca, party all the time, Football, soccer, carnivals, fiesta, Bullfighting, sexy dancing, Passionate dancing, Latin dance, dancing, dance, Latin American dance

Mentality/Feelings -> open-minded, kind and friendly people, friendly happy people with lots of love to share, Passionate people, friendly, too much drama, spirituality, hospitality, Family oriented, welcoming, Hospitality, adventurous nature

Weather -> Bright, sunny, long summers, sunshine, sunshine

Flavors -> Spicy, great food, Tequila, rum, tequila, Spicy food, food, tasty food, tequila, Tacos, Taco, food, guacamole, burrito, tequila, Burrito

Geography -> Jungle, Palm trees, nature, Macchu Picchu, Brazil, Mexico, Argentina, Mexico, Forest, Amazonia, Jungle

Historic -> Spanish colonies

Personalities -> Maradona, Pablo Escobar, Pablo Escobar, Escobar, Pele, Pablo Escobar, Messi, Ronaldo, Pablo Escobar, El Zorro, Salma Hayek

Clothes-> Sombrero, girls in leopard-print clothing and leggings, bright clothes

Concept

After making the recompilation of the data and accessing the information of the brainstorming and interview sessions, I observed that it's quite a difficult task to pinpoint one single concept that resonates with individual targets, since for every

individual the idea of “Latino culture” has different visual representations. The more variations there is, the more specific the customer.

After a brainstorming over the associations, I was able to narrow down to one concept that can be tested taking into consideration the MVP idea where I am trying to achieve a “common cultural denominator” that can resonate with the idea of Latino culture of my consumer.

The logic used was induction. After looking at specific observations and conceptualizations of “Latino culture”, I was able to arrive to a broader insight. Even though there were connecting points among the visualizations, such as common perceptions regarding the music, the food, the narco culture, etc... Even though for each participant, “Latino culture” means something different and specific; for every one of them, “Latino” means something.

The very word “Latino” means something to everyone, and it can resonate much better than specific “Latino” depictions since it covers a much broader spectrum. This concept is the idea for the first design and Minimal Viable Product that will serve for testing the business idea implementation.

Digital Prototype

Using the design software such as Photoshop and Illustrator, I developed a testable digital prototype to be used throughout the customer journey.

The choice to depict t-shirts specifically is drawn from the observation fieldwork and in line with the bootstrapped limitations. After analyzing the types of brands that the informants follow on social media, I observed that t-shirts were a highly common item. At the same time, during a brief research of physical suppliers, I discovered that the graphic t-shirt was the easiest and fastest piece of clothing to produce and dispatch within the clothing segment.



Figure 2.3.2.: Digital Prototype

2.4 Phase 4: Implementation

Learning Guide

| | |
|--|--|
| Strategic Intent | The strategic intent of the in-market test is to answer if there is a market for <i>Tropikana's</i> MVP. |
| Remaining Key Assumptions to Be Tested – Research questions | The key assumption to be tested during the experimentation are: <i>Is the consumer interested in Tropikana's MVP?</i> |
| In-Market Test Plan | Is the target market willing to buy the prototype through Instagram? Key Metric: Expressed intention of purchase. I will consider the experiment successful if there is at least one intention of purchase expressed by the targeted consumer. |
| Financial Capital to Be Expended | 0 CZK |

“In-Market” Test

The in-market test follows the guidelines defined by the **Journey Map** and uses the digital prototype to reach the selected target. The channel selected was the Instagram account @kosmo.jpg and the original post can be found at <https://www.instagram.com/p/BvHCgwQhied/>

On the same platform, a poll was presented to an audience of 242 users, the majority of whom aged 25-35 and with a 55% women / 45% men, gender distribution. All 242 customers are living in Europe (Instagram stats). The result of the poll was 82 likes to the post and 16 actual responses from the audience to the question “Would

you buy?": 15 votes for "Yes" and 1 vote for "No". This poll is not to be taken as actual intention of purchase.

However, the account received three Direct Messages requesting to make a purchase. All three of them from Millennials living in Europe. Two of them of the Latin-American origin. One of them from Russia. The t-shirt was priced at 20 EUR.



Figure 2.4.1.: In-Market test: Instagram post

Pivot or Persevere?

At this point, after analyzing the results of the **In-Market Test**, and since the metric set for success was to have at least one purchase intention, the recommendation is to persevere.

However, it is important to note that the results show that a new customer segment, that was not being considered before, comes up with a clear potential. In other words, the MPV does solve a problem, but of a different consumer segment, and should be optimized and repositioned accordingly for that segment. I will elaborate on this segment later in the chapter.

The Canvas Business Model

After conducting the **In-Market Test** where I tested the MVP, I was able to synthesize more formally the desired customer segment and the value proposition presented in the **Value Proposition Canvas**, which allowed me to generate an Business Model Idea for *Tropikana*.

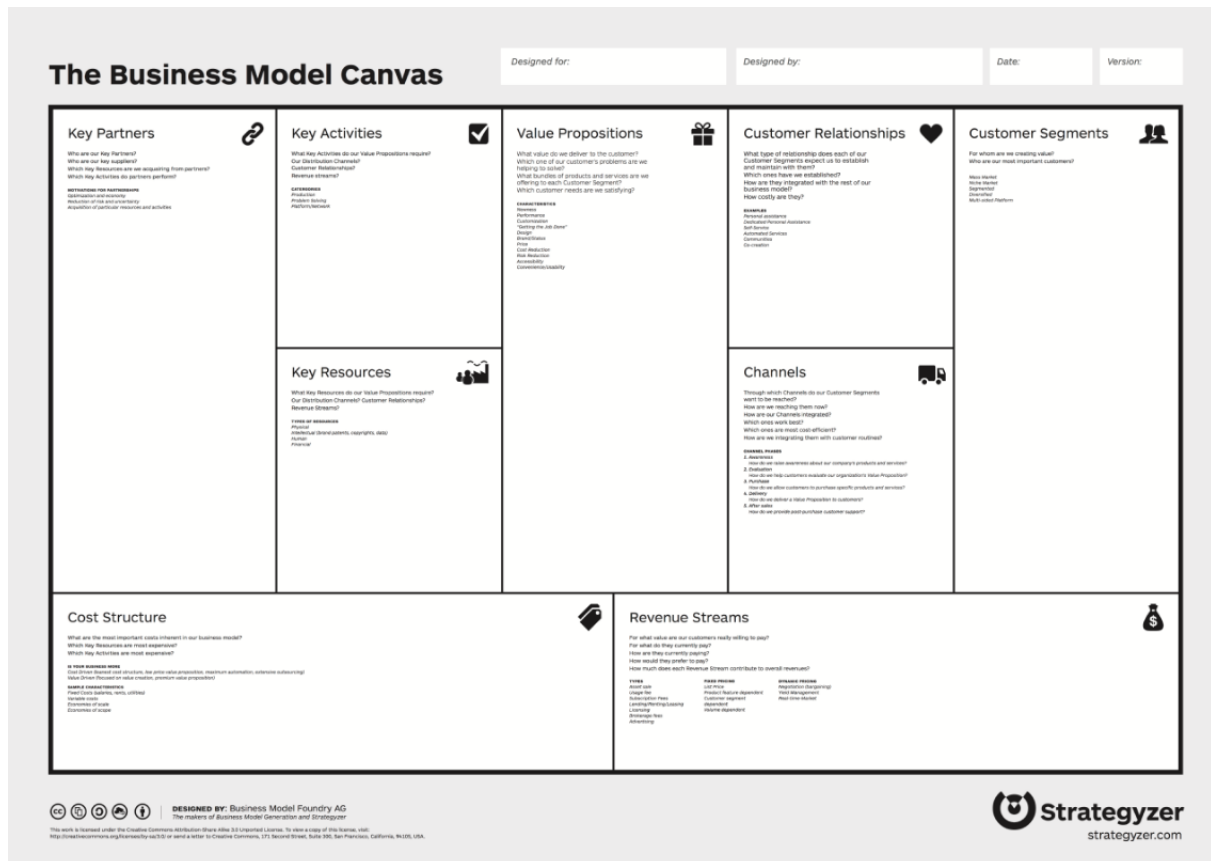


Figure 2.4.2.: Business Model Canvas

Customer Segment

According to my observations and based on the proposed customer personas, the most potent consumer for *Tropikana* is “Sebastian” when compared to “Polina” and “Frantisek”. *Tropikana’s* consumer is a young person between 25 and 35 years old, that has a medium to high disposable income with a taste for streetwear brands and t-shirts specifically and a heavy user of Instagram. This customer is originally from Latin-America or has strong ties to Latin-America. However, the consumer is an expat living in a European country.

According to Facebook Business manager, the potential reach of the estimated target, aged 25-35, speaking Spanish and/or English is **of 1,300 000**. They express interest in “Latino”, “Latino Culture”, “Streetwear”, “fashion”, “clothing”, “Shopping”, “Fashion”, and “Street Fashion”. These are segmented as “Expats”, from Argentina, Chile, Colombia, Cuba, Dominican Republic, Salvador, Guatemala, Honduras, México, Peru, Puerto Rico and Venezuela; with a multicultural affinity towards “Hispanic”; this target is living in **Europe**.

Value Proposition

A seamless social shopping solution for clothing products with „latino“ motifs.

Channels

The channel of promotion and distribution of *Tropikana* is Social Media used consistently throughout the five distinct phases of customer journey (awareness, evaluation, purchase, delivery, after sales) and online payment platforms.

Customer Relationship

The customer acquisition model of *Tropikana* is driven by customer acquisition and customer retention motivations. In the case of *Tropikana*, we can distinguish three categories of customer relationship that coexist throughout the business model: Self-service, Personal Assistance, Automated Services and Community management.

Revenue Streams

Tropikana's revenue streams derive from selling ownership of assets. In this case, transaction revenues resulting from one-time customer payments made for purchasing clothing items. Their pricing strategy is a “global” fixed list price for all customers.

Key Resources

Tropikana's value proposition requires the design and production of clothing items. The distribution channels require social media presence and promotion. The customer relationships require customer relationship management platforms. The revenue streams require trustworthy online payment platforms.

Key Activities

The value proposition requires research, design and delivery of the products. The distribution channels require social media management. The customer relationship requires customer relationship management. This business model requires that the company continually develop and maintain its social media content and product portfolio.

Key Partnerships

The business idea presents the most basic form of partnership or buyer-supplier relationship that is designed to optimize the allocation of resources.

The key partners are:

- **Clothing supplier:** must have to ability to manufacture on-demand.
- **Delivery supplier:** must have the ability to deliver world-wide and in a timely manner.
- **Global online payment methods**

Cost Structure

This is a Cost-driven business model, that focuses on minimizing costs wherever possible. This approach aims at creating and maintaining the leanest possible cost structure, using minimal Value Propositions, maximum automation, and extensive outsourcing.

Chapter 3. Conclusions

3.1 For *Tropikana*

Threats

Tropikana is aiming to enter an oversaturated market by trying to connect culturally with the consumer. Even though connecting on a cultural level with the consumer seems to be relevant in the eyes of the consumer, as observed throughout the research, the niche makes it difficult to assert that there is a market big enough to provide for a long-term business model.

The main problem observed is the intersectionality of tastes found in the consumers. It is clearly very difficult to define through images a visual representation that would satisfy everyone else's visual representation of what "Latino culture" means.

Opportunities

The growing fashion market among the consumer target and the low barriers to entry for developing a start-to-end business model provide a good opportunity to be able to enter the market and, possibly, succeed.

Another good opportunity for *Tropikana* is that the possibilities of shipping world-wide are logistically possible, allowing for the brand to test the global market with a defined customer persona at hand.

As of 2018, around 3 million Latin Americans lived in Europe, mostly in Spain, representing 1% of the total population of the European Union. 105 thousand Latin Americans live in Japan ("Latin American diaspora", 2019).

Recommendations

No matter how promising the opportunities might seem, the threats are quite clear for *Tropikana* as well. The key recommendation, after consideration, would be to invest in promotion of the MPV to a larger audience while setting up a real e-commerce platform (e-shop). I recommend testing the cities in the world with the biggest saturation of Latin-American expats living in those cities.

I recommend defining clear ROI and ROAS metrics for the following in-market tests. Finally, I recommend having a clear exit strategy in case after spending the budget assigned for the test, the results are lower than proposed by the ROI and ROAS metrics.

I also recommend messaging directly the audience that interacted with the in-market test, in line up with the customer development framework. This audience might possibly become the first adopters that the brand can develop into brand ambassadors for the community.

I recommend exploring a pivot in the target audience by expanding research to different Instagram sub-cultures. Finding out the audiences is easy through a search of key hashtags. And through Facebook Business Manager tool it is easy to find the size of the target. Now imagine that you can test each niche with a simple mockup graphic and measure relevant niches by capturing the number of interactions. Now it wouldn't be only about Latino culture, but hundreds of possible intersectionalities that can be tested. Clearly, I recommend starting by researching the sizes of the audiences and making a clear financial investment plan. Though clever targeting and financial planning, this might be a bigger idea to follow if decided to look for further investment.

3.2 Design thinking tools to solve Bootstrap entrepreneurship problems

Problems I encountered

One key problem that I encountered during the use of design thinking tools is that since it is a relatively new methodology, it is being revised by many designers and managers that come up with variations, additions, new names and different ways of presenting the methodology (Nessler, 2016).

I struggled to align all the different literature I was able to find about design thinking. Whereas some schools of design thinking name four different stages, the ones used in this thesis (Discover, Define, Develop, Deliver), or the same four stages but named differently (“what is”, “what if”, “what wows”, “what works”), other schools of thought define only three stages (Inspiration, Ideation, Implementation); while others propose five stages (Empathize, Define, Ideate, Prototype, Test).

The overlapping stages make it confusing as there is no consensus over a single and unified design thinking framework. What I have done in the thesis is choosing the path that was the clearest for me in order to understand the consumer, test the research questions and arrive to the answers.

Design thinking is best approached by having a curiosity hat on in which you leave aside your main assumptions to give way to ethnographic observations. This is by no means something easy to achieve, especially with very well-known facts of human psyche such as confirmation bias (Kaptchuk, 2003).

The benefits it provides to Bootstrapped Entrepreneurs

I found that, if based on ethnographic research, the many different tools provided by design thinking give a clear path towards experimentation and learning. When combined with lean startup and design tools, it provides answers and solves the needs of bootstrapped entrepreneurs.

Design thinking allows fast and cheap learning through focusing all the tools on a better understanding of the consumer. The downside is that it might not prove your assumption but, in this case, even being proven wrong, will save you endless

amounts of time and money that would be wasted if using traditional methods of business launching.

One of the best tools I learned to apply is ethnographic observation. What I learned from the observations was key to develop the in-market test and provide recommendations for *Tropikana*.

3.3 Roadmap for bootstrapped entrepreneurs

I recommend the following guideline to bootstrapped entrepreneurs to test their ideas early-on in the market. The bootstrapped entrepreneur should conduct ethnographic observations in order to gain insight into a potential customer. And only then, the entrepreneur should follow the Phases 1 to 4 using the tools proposed in this thesis:

Phase 1: Discovery & Inspiration

- The Design Brief

Phase 2: Define & Synthetize

- Empathy Map
- Value Proposition Canvas: The Customer Segment
- Conduct Secondary Research
- Design Criteria

Phase 3: Ideation & Development

- Value Proposition Canvas: The value Proposition
- The MVP: Rapid prototyping

Phase 4: Implementation

- Learning guide
- In-market test
- Pivot or Persevere?

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