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[Essentials of Software-as-a-Service \(SaaS\) Business](#)

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Minimum Viable Product (MVP)

Welcome to the video where we discuss one of the most important concepts in the world of SaaS. Having a ground-breaking idea is essential but the challenge here is, how do you ensure that your idea has the potential to succeed in the marketplace before investing significant resources into its development? This is where the concept of a **Minimum Viable Product (MVP)** fills the gap.

Defining the MVP: Three Perspectives

There are many different ways you can view this minimum viable product. We will examine the basic and the most well-known views of MVP.

Definition 1:

“In product development, the Minimum Viable Product (MVP) is the product with **the highest return on investment (ROI) versus risk.**”

- Robinson, 2001

Our first definition comes from Mr. Robinson in 2001: "In product development, the minimum viable product (MVP) is the product with the highest return on investment versus risk." This definition is particularly applicable to startup companies trying to **invest minimal resources while achieving a high return on investment**. It also refers to **the early adopters** of your product, as you cannot expect large numbers of people to purchase your product immediately. These early adopters are crucial because they are **willing to try new things, are interested in your product's specific solution, or may even view being an early adopter as a way to raise their social status**. They behave differently from other customers, being more forgiving of imperfections or mistakes in the early stages of your product. Moreover, they will provide **valuable feedback** by reporting these issues, which is exactly what you need when developing MVP. This is the first and the most basic view of minimum viable product you are trying to achieve at this stage when the early adopters will purchase your product and thanks to that you might achieve high return on your initial investment.

Definition 2:

“Minimum Viable Product will satisfy the minimum viable **segment of customers**, is being run by **minimum viable team**, will provide vendor with **minimum viable revenue streams** and hence support **minimum viable business model**.”

- Denning, 2014

The second definition, made by Mr. Denning in 2014, is more extensive: A minimum viable product will satisfy the minimum viable segment of customers, is being run by a minimum viable team, will provide the vendor with minimum viable revenue streams, and hence support minimum viable business model." This definition expands on Robinson's definition by providing a concrete recipe for entrepreneurs to follow. It suggests that **the product should be attractive to early adopters, to investors** who are thinking about investing into your company, then **employees who are willing to work on it**, while also **being supported by a viable revenue model and pricing structure**.

Definition 3:

“A Minimum Viable Product is that version of a new product which allows a team to collect the maximum amount of **Validated Learning** about customers with the least effort.”

- Ries, 2011

The third definition that we are going to discuss is a lot different from the previous two. Some people can even say that the first two definitions are a little bit associated with this traditional thinking while the third definition is associated with the lean approach. It was written by Eric Ries, the developer of the lean startup approach: "A Minimum Viable Product is that version of a new product which allows a team to collect the maximum amount of Validated Learning about customers with the least effort." Or in other words, **MVP is a specific state of the product that allows** you as an entrepreneur and your team **to learn about your market, customers and their needs through so-called validated learning**. Think of validated learning as a scientific approach to entrepreneurship. Just as scientists form hypotheses and conduct experiments to test them, entrepreneurs use MVPs to test their business hypotheses. Each interaction with the MVP provides data that either validates or invalidates these hypotheses, allowing the team to learn and adapt quickly. We will explore this concept in greater depth in the next chapter about building SaaS products.

Drawing from these three perspectives, we can create a more comprehensive definition of MVP:

A Minimum Viable Product is the simplest version of a product that:

1. Offers the highest ROI while minimizing risk
2. Satisfies the core needs of a specific customer segment

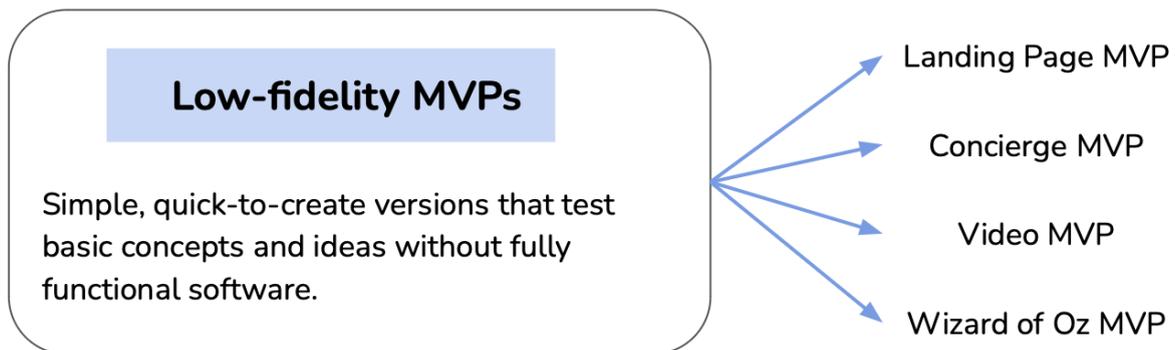
3. Supports a viable business model with potential revenue streams
4. Enables maximum learning about customer preferences and behaviors
5. Can be developed and managed by a lean, efficient team
6. And allows for rapid iteration based on customer feedback

Main types of MVPs

Now that we have a comprehensive understanding of what an MVP is and its importance in the product development process, let's explore the various forms it can take.

When developing an MVP it's important to understand the concept of fidelity in prototyping. MVPs can be broadly categorized into two main types. These reflect the level of **functionality**, **interactivity**, and **resemblance** to the final product that the MVP exhibits.

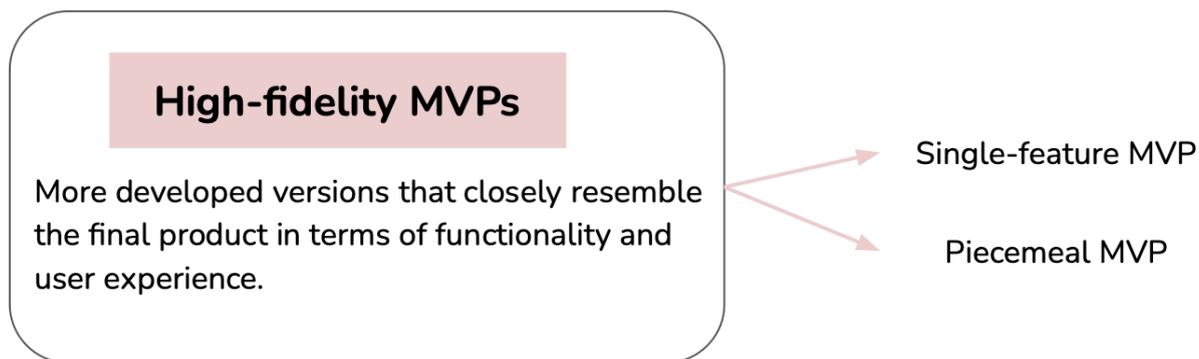
a) Low-fidelity MVPs:



Low-fidelity MVPs are simple, quick-to-create versions that test basic concepts and ideas without fully functional software. These MVPs **prioritize speed** and **cost-effectiveness**, allowing teams to quickly validate core assumptions about their product's value proposition. They often lack visual design elements and complex functionality. Instead they are focused on the essential features or concepts that define the product's unique selling point. Low-fidelity MVPs are particularly useful in the early stages of product development when teams need to gather initial user feedback and validate fundamental hypotheses about their product's market fit.

We will later discuss the specific types, such as: Landing page, Concierge, Video and Wizard of Oz MVPs.

b) High-fidelity MVPs:



On the other hand, high-fidelity MVPs are more developed versions that **closely resemble the final product in terms of functionality and user experience**. These MVPs involve creating working software with **a more polished interface and a broader set of features**. High-fidelity MVPs require more time and resources to develop but provide a more realistic representation of the final product. They allow for more detailed user testing and can generate more specific feedback about the product's usability and feature set. These types of MVPs are often employed when a team has already validated core assumptions and is looking to refine the product before a full-scale launch.

Specific types of MVPs

Building upon these fidelity categories, let's explore specific types of MVPs commonly used in SaaS development. We will start with low-fidelity category:

Approach	Description
Landing Page MVP	<ul style="list-style-type: none"> • A clear description of your product or service • Key features and benefits • A call-to-action (CTA) for user engagement (such as email sign-up and pre-order) • And analytics to track user behavior and interest
Concierge MVP	<ul style="list-style-type: none"> • One-on-one, customized service • Manual processes openly disclosed to users • Validates user needs and willingness to pay • Ideal for B2B or high-touch services
Video MVP	<ul style="list-style-type: none"> • Visual demonstration of how the product works • Highlighting of key features and benefits • A call-to-action for viewer engagement
Wizard of Oz MVP	<ul style="list-style-type: none"> • Appears automated to users • Manual fulfillment of requests • Tests user experience without full development • Useful for complex systems or AI-driven products

Landing Page MVP

Firstly we have Landing page MVP that represents **a simple, standalone web page designed to showcase the core value proposition of a product or service and gauge market interest.** It typically includes:

- A clear description of your product or service
- Key features and benefits
- A call-to-action (CTA) for user engagement (such as email sign-up and pre-order)
- And analytics to track user behavior and interest

Landing Page MVPs are very popular because they're **quick to create and implement, cost-effective,** and can **provide valuable data** on market interest with **minimal investment in development.** They're often used in conjunction with other MVP types.

To illustrate this concept, let's look at how Rbnb revolutionized the hospitality industry: In 2007, Brian Chesky and Joe Gebbia created a basic website offering air mattresses and breakfast in their San Francisco apartment during a design conference when city hotels were fully booked. This simple MVP helped them test the concept of peer-to-peer lodging, which eventually evolved into the global platform Airbnb is today.

Concierge MVP

Next, Concierge MVP involves delivering a highly personalized service manually, while being transparent to the user. This approach is particularly useful for validating complex services or products that require a deep understanding of user needs. A company developing a personalized financial planning tool might start by offering one-on-one consultations with financial experts who use basic tools to create customized plans. This allows the company to understand user needs intimately before developing automated solutions. Concierge MVP is ideal for B2B or high-touch services and products.

- *One-on-one, customized service*
- *Manual processes openly disclosed to users*
- *Validates user needs and willingness to pay*
- *Ideal for B2B or high-touch services*

Video MVP

Another approach is Video MVP, popularized by Dropbox. This approach uses **a video to demonstrate how the product would work,** helping to validate the concept before building anything. It is particularly effective for products with complex functionalities or innovative concepts that are **better explained visually.** This MVP also highlights the key features and contains some call-to-action for viewer engagement.

- *Visual demonstration of how the product works*
- *Highlighting of key features and benefits*
- *A call-to-action for viewer engagement*

A prime example of a company that leveraged the power of video MVP to great effect is Dollar Shave Club. This company launched a humorous video explaining their subscription razor service. The video went viral, garnering millions of views and resulting in over 12,000 orders within the first 48 hours, effectively validating their business model.

Wizard of Oz MVP

And lastly we have the Wizard of Oz MVP also known as a "Manual-First MVP" or "Flintstoning." It creates the **illusion of a fully functional product** but **relies on manual processes behind the scenes**. The name comes from the idea that, like the Wizard of Oz, there's someone behind the curtain making things work. In a SaaS context, this might involve manually performing tasks that would eventually be automated. For example, a startup developing an AI-powered content curation platform might manually select and organize content for users, giving the appearance of an intelligent algorithm at work. This type is useful for AI-driven products and allows the company to validate the demand for their service without investing heavily in the technology upfront.

- *Appears automated to users*
- *Manual fulfillment of requests*
- *Tests user experience without full development*
- *Useful for complex systems or AI-driven products*

An example of this approach is the Aardvark. This social search engine, later acquired by Google, initially used humans to answer questions while developing their routing algorithm. Many users thought they were interacting with an AI, but human operators were actually providing the answers, allowing the company to refine their product based on real interactions.

High-Fidelity MVPs:

Approach	Description
Single-feature MVP	<ul style="list-style-type: none"> • A clear description of your product or service • Key features and benefits • A call-to-action (CTA) for user engagement (such as email sign-up and pre-order) • And analytics to track user behavior and interest
Piecemeal MVP	<ul style="list-style-type: none"> • One-on-one, customized service • Manual processes openly disclosed to users • Validates user needs and willingness to pay • Ideal for B2B or high-touch services

Now we are going to explore some of the high-fidelity MVPs, starting with Single-feature MVP.

Single-feature MVP

As the name suggests, this MVP focuses on delivering **one core feature exceptionally well**. It's an excellent approach for startups that have identified **a specific pain point** and want to solve it effectively before expanding their offering. A SaaS company might develop an MVP that only offers advanced email scheduling capabilities, perfecting this feature before expanding into a full-fledged email marketing platform.

- *Solves one specific problem*
- *Fully functional for a narrow use case*
- *Allows for deep user feedback on core value*
- *Facilitates iterative development*

An example of a Single-feature MVP that disrupted an entire industry is Uber. When Uber launched in 2009, it started with a single, focused feature - allowing users to request a car with the tap of a button. This MVP didn't include features like different vehicle options, or food delivery. Instead, it concentrated on solving one specific problem: making it easier for people to get a ride in a major city. By perfecting this core feature, Uber was able to validate their concept, build a user base, and gather valuable feedback

Piecemeal MVP

Then there is Piecemeal MVP that involves **assembling together existing tools and services** to deliver a solution, rather than building everything from scratch. It's a quick and cost-effective way to test a concept without significant development work. For instance, a startup aiming to create a comprehensive project management SaaS might initially combine existing task management tools, communication platforms, and time-tracking services into a unified interface.

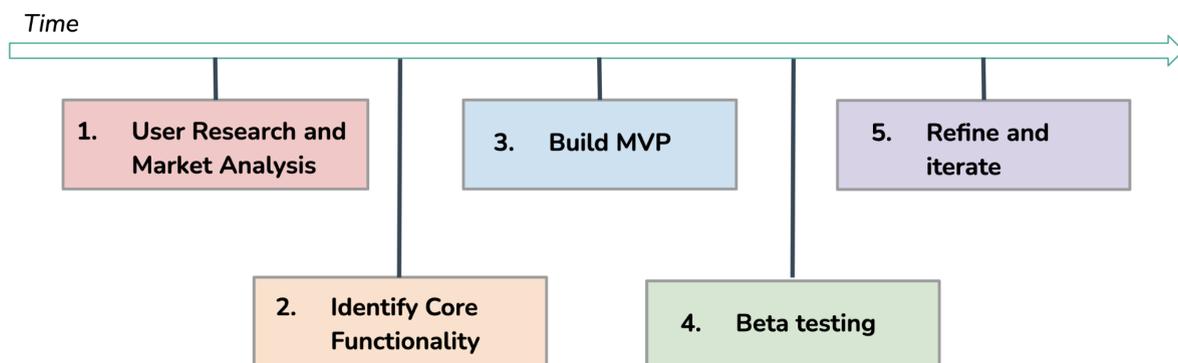
- Utilizes pre-existing components
- Minimal custom development
- Tests overall concept and user experience
- Cost-effective for complex products

Take the workflow automation tool from Zapier as an example. They initially used a combination of existing tools and manual processes to connect different apps for users. This piecemeal approach allowed them to test the market before developing their full automation platform.

The choice between low-fidelity and high-fidelity MVPs depends on various factors, including **the stage of product development, available resources, and the specific hypotheses** that need to be tested. Many successful SaaS products evolve through both types, starting with low-fidelity prototypes to validate basic concepts and progressing to high-fidelity versions as the product matures and approaches market readiness.

Steps to build an MVP

Let's walk through the key steps of MVP development using a hypothetical SaaS product which is an AI-powered task management and productivity tool for remote teams.



1. User Research and Market Analysis

So, our team begins by conducting thorough market research and identifying gaps in existing solutions. They discover that while there are many task management tools, few effectively address the unique challenges of remote teams.

2. Identifying Core Functionality:

Based on their research, the team identifies the core features for their MVP:

- Task creation and assignment

- AI-powered task prioritization based on team members' workloads and time zones

They decide to leave out features like detailed analytics and integrations with other tools for future iterations.

3. Building the MVP:

After evaluating various MVP types, the team decides to create a Single-feature MVP focusing on the AI-powered task prioritization.

4. Early Testing and Feedback Collection:

The next step in this journey is launching a beta version of the product where they invite a small group of remote teams to use it.

5. Refinement and Iteration:

After collecting feedback from the beta testers, the team analyzes the data and user responses. They identify areas for improvement and features that resonated most with users. Based on this feedback, they iterate on the product, making necessary adjustments. For instance, they might find that users love the AI prioritization but struggle with the user interface. The team then focuses on improving the UI while maintaining the core AI functionality.

The steps we've just outlined, particularly from early testing through refinement and iteration, embody the concept of validated learning. This process, central to the lean startup methodology, involves empirically testing our assumptions about the market and our product. We'll explore validated learning in greater depth in the next chapter.

Now let's explore how much will our MVP cost and how long will its development take.

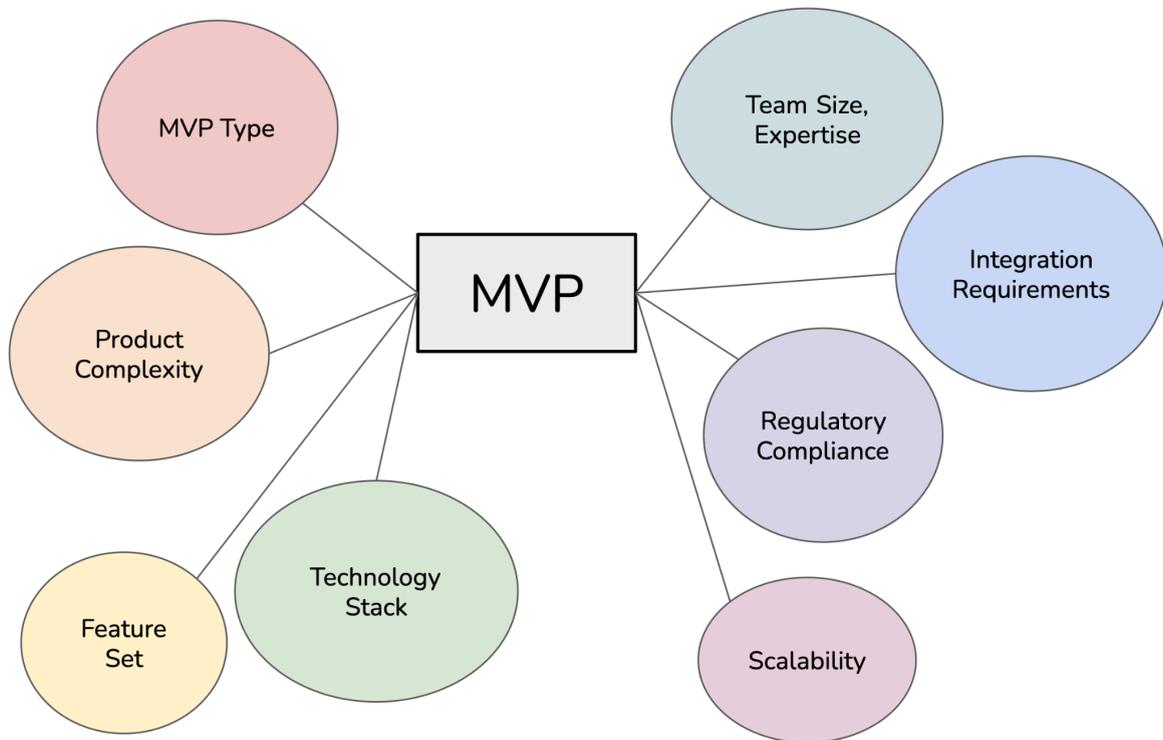
How much will an MVP cost, and how long will its development take?

When developing MVP, it's natural to wonder about the costs and timeline involved. While it's tempting to seek definitive answers, the reality is that both costs and development times can vary significantly based on numerous factors. However, to give you a general idea, let's look at some figures for different types of MVPs:

- A simple Landing Page MVP might cost between 500€ and 5,000€ and take 1-2 weeks to develop.
- On the other end of the spectrum, a Single-feature MVP could range from 20,000€ to 150,000€ and require 2-4 months of development time.

Generally, MVP development should not exceed 6 months. If you find yourself spending more time than this, it often indicates uncontrolled expansion or over-engineering, which defeats the purpose of an MVP – to validate core assumptions quickly and cost-effectively.

Now, let's explore some of the factors that influence the cost and timeline of MVP development:



- **MVP Type:** Naturally, the approach you choose sets the stage for your development journey and for the resources and time you'll need to invest.
- Then we have **Product Complexity:** The more intricate your product concept, the more time and resources it will demand.
- Next **Feature Set:** The number and complexity of features included in your MVP directly affect development time and cost. Focus on including only the essential features that validate your core value proposition – you can always add more later.
- Then there is **Technology Stack:** Using familiar, well-established technologies might be faster but potentially more expensive, while newer technologies might offer cost benefits but require more time for learning and implementation.
- Now let's discuss **Team Size and Expertise:** Think of your development team as a sports team. A larger team with star players can potentially work faster but at a higher cost. A smaller team might be more cost-effective but could take longer to reach the finish line. Finding the right balance is key to optimizing both speed and cost.
- If your product has **Integration Requirements** such as with external services or

APIs, this can add to both development time and cost. Carefully consider which connections are essential for your MVP.

- Next **Regulatory Compliance**: If your product operates in a regulated industry such as finance or healthcare, ensuring compliance can add to both development time and cost. Consider it from the beginning if applicable.
- And lastly there is **Scalability**: Building MVP with future scalability in mind might increase initial costs and development time but can save resources in the long run.

By considering these factors in the context of your specific project, you can develop a more accurate estimate of the time and resources required for your MVP development. Remember, the goal of an MVP is to validate your core assumptions with minimal investment, so always prioritize speed and learning over perfection.