



IMVU



Backgrounds

- Will Harvey, CEO
 - Electronic Arts
 - Music Construction Set (age 15), Marble Madness, et al.
 - Rocket Science
 - Sandcastle
 - There.com
 - Stanford PhD Computer Science
- Eric Ries, CTO
 - There.com
 - CatalystRecruiting.com
 - Yale Computer Science
 - Agile development & open source

Earlier Lessons Learned

- Sandcastle
 - Solve a big enough problem
 - Don't confuse technology with a business
- There.com
 - Keep it real small until the hockey-stick
 - Don't scale without customers
 - Don't confuse your passion with “customers will get it later”
 - Don't bring in the suits until it's just execution



Financing Lessons Learned – IMVU

- Seed: Self funded \$300k
 - Low interest note
 - Small, self-sufficient team of founders (5)
 - Viewed financing as a bridge to profitability
- Series A: Angel funded \$600k
 - Great advisory board of 8 people (“BAB”)
- Series B: VC funded \$8MM
 - Go for World Class VC’s at the Hockey-Stick
 - Negotiate to sell some Founders’ stock in Series A, and more in Series B



Vision Lessons Learned – IMVU

- Principles
 - Big vision: Avatars everywhere
 - Two year focus: 3D instant messaging with home pages
 - Bounce off bad ideas: E.g., piggy back IM
- Process
 - Ship a product early; get real reactions from real customers
 - Expect to iterate
 - No artificial barriers or dependencies

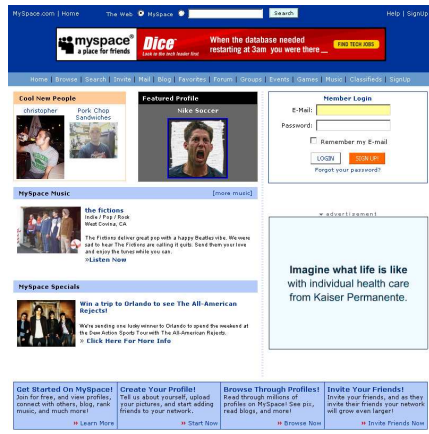


Founding IMVU

- Customer Discovery and Validation
 - Founded company in April 2004
 - Sat in this class Fall of 2004
 - Shipped in 6 months
 - Charged from Day 1
 - No press releases
 - First and last press of 2004/5: The Wired article

Landscape before IMVU

Social networks and Communities (Myspace)



- Sticky, but...
- No realtime interaction
- Low barrier to entry
- Hard to monetize

2D “paperdoll” avatars



- Expressive, but...
- No person-to-person interaction
- Hard to monetize in US

Social games and virtual worlds



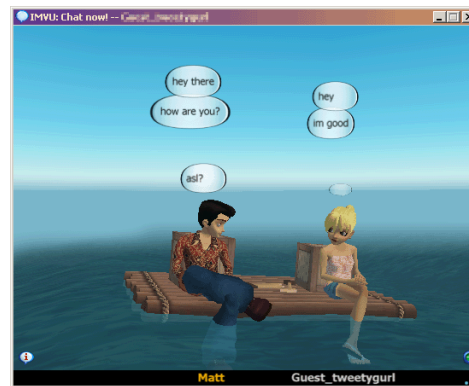
- Interactive, but...
- Subset of games market, not superset

3D IM with avatars

Customizable avatars and thousands of virtual clothes for sale



IM Buddy list



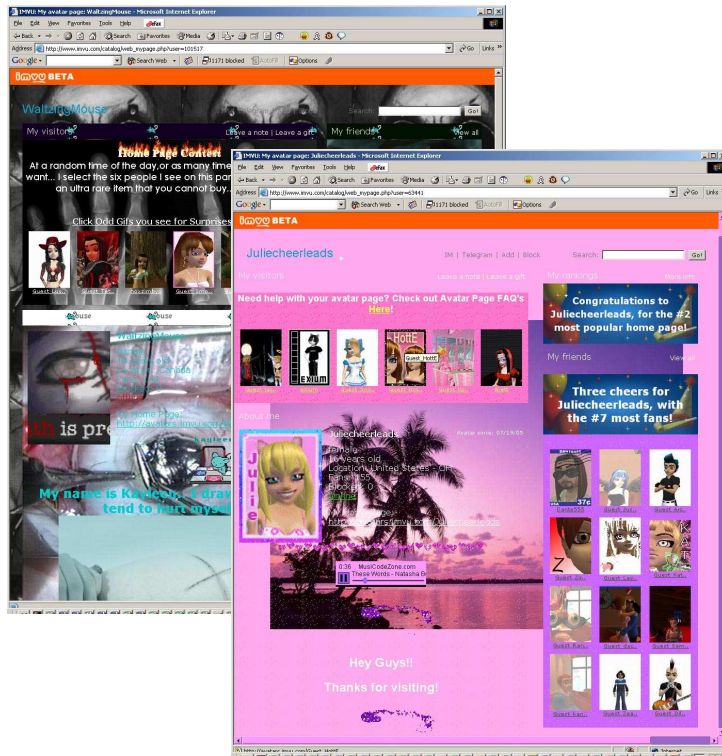
Interactive 3D IM windows showing your text in bubbles



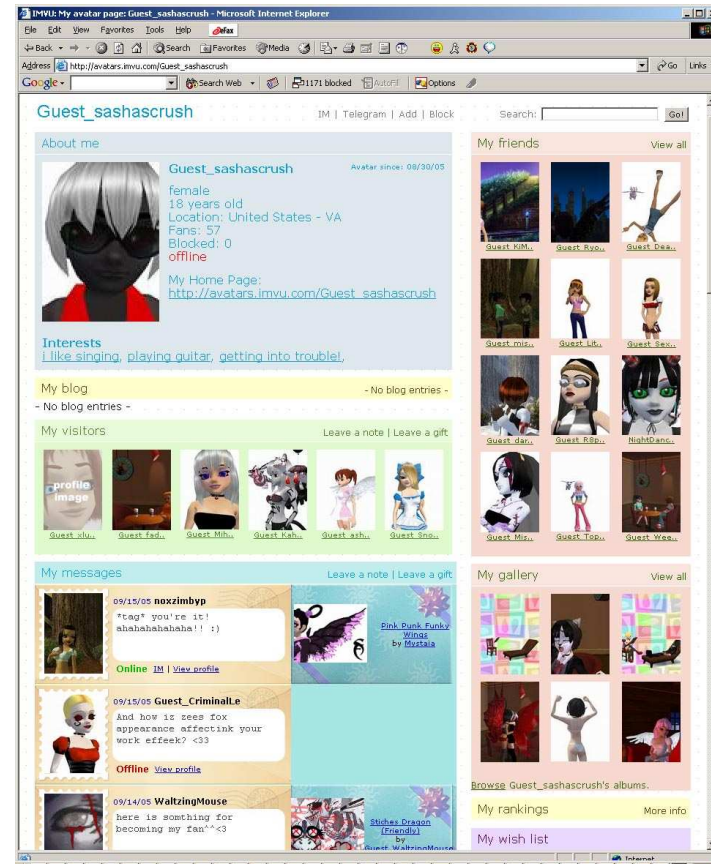
Fun scenes and animations



Social networking with avatars



Customizable home pages with avatar pictures

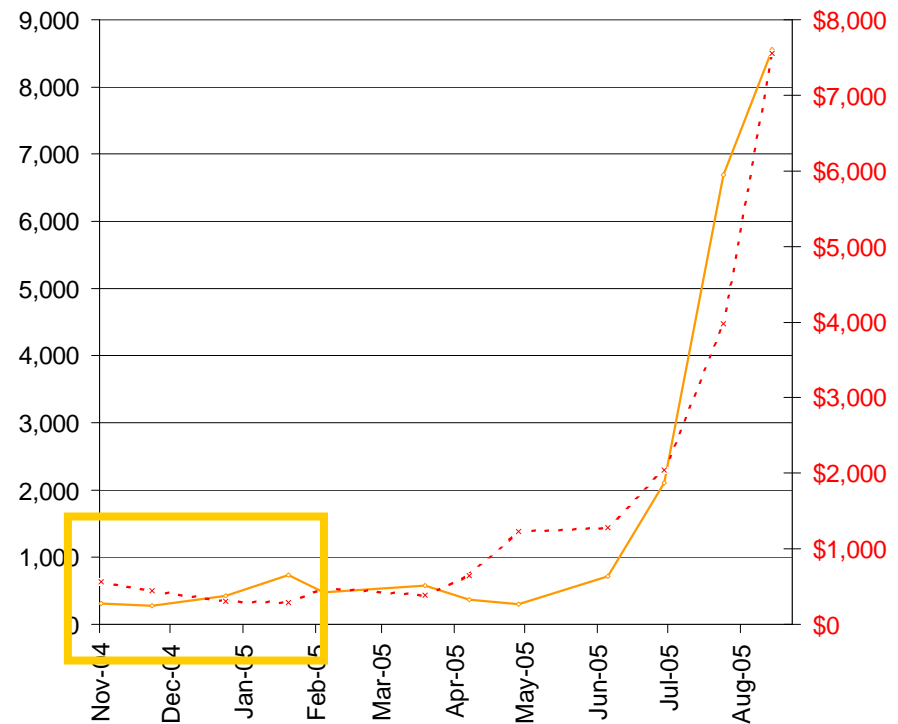


Messages, gifts, blogs, picture galleries, rankings, stickers, wish lists, etc.

Customer Discovery & Validation

Q4 2004

- **Product:**
 - 3D IM add-on for hanging out online with friends
 - Piggy back on existing buddy lists and IM programs
- **Our customers told us:**
 - Avatar customization is the key appeal.
 - “Add-on” concept is confusing. They actually *want* a separate buddy list.
- **So we:**
 - Ditched the IM add-on idea

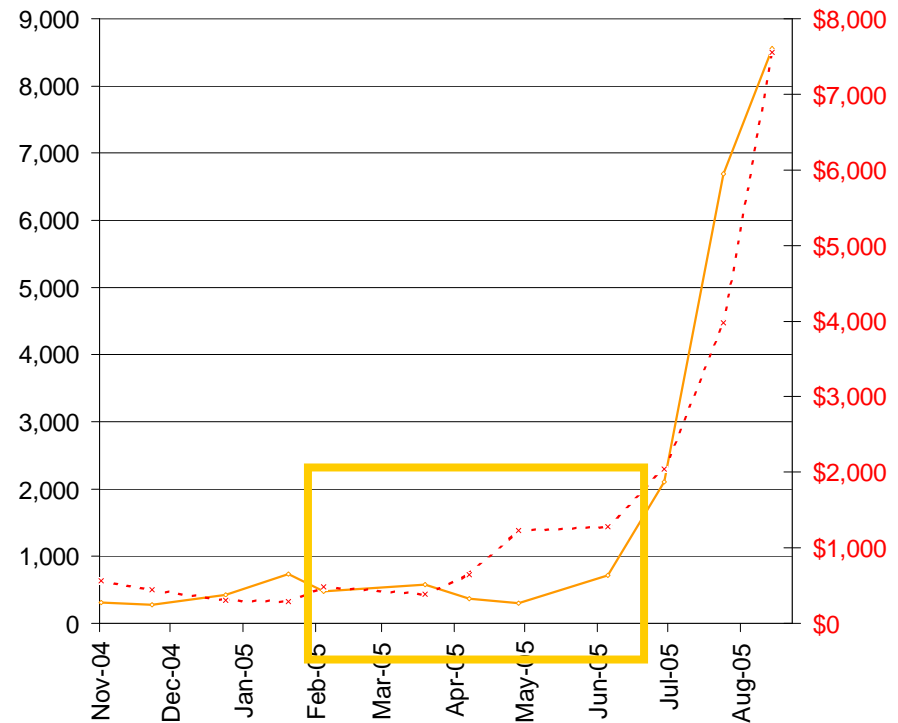




Customer Discovery & Validation

Q1 and Q2 2005

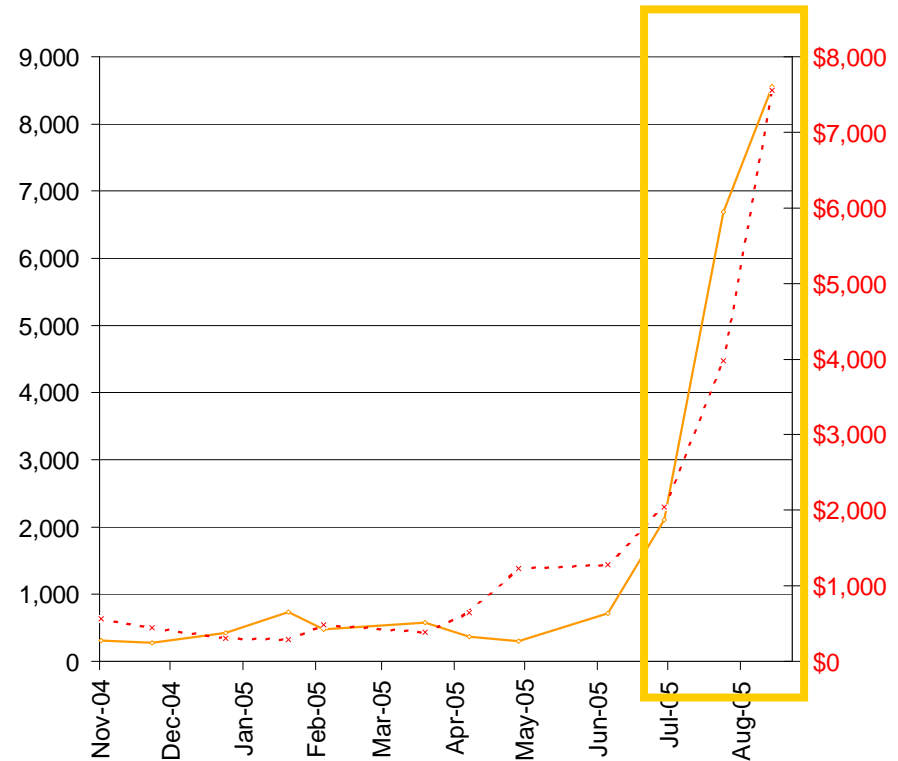
- **Product:**
 - 3D IM service for hanging out with friends *and meeting people*
 - Introduced Chat Now feature (instant matching)
- **Our customers told us:**
 - Meeting new friends is as important as talking with existing friends (50/50)
 - Not enough people on IMVU
 - Retention is a problem
- **So we:**
 - Scaled up our advertising budget (to \$40/day)
 - Learned about retention from market leaders (Cyworld, Myspace)





Customer Discovery & Validation Q3 2005

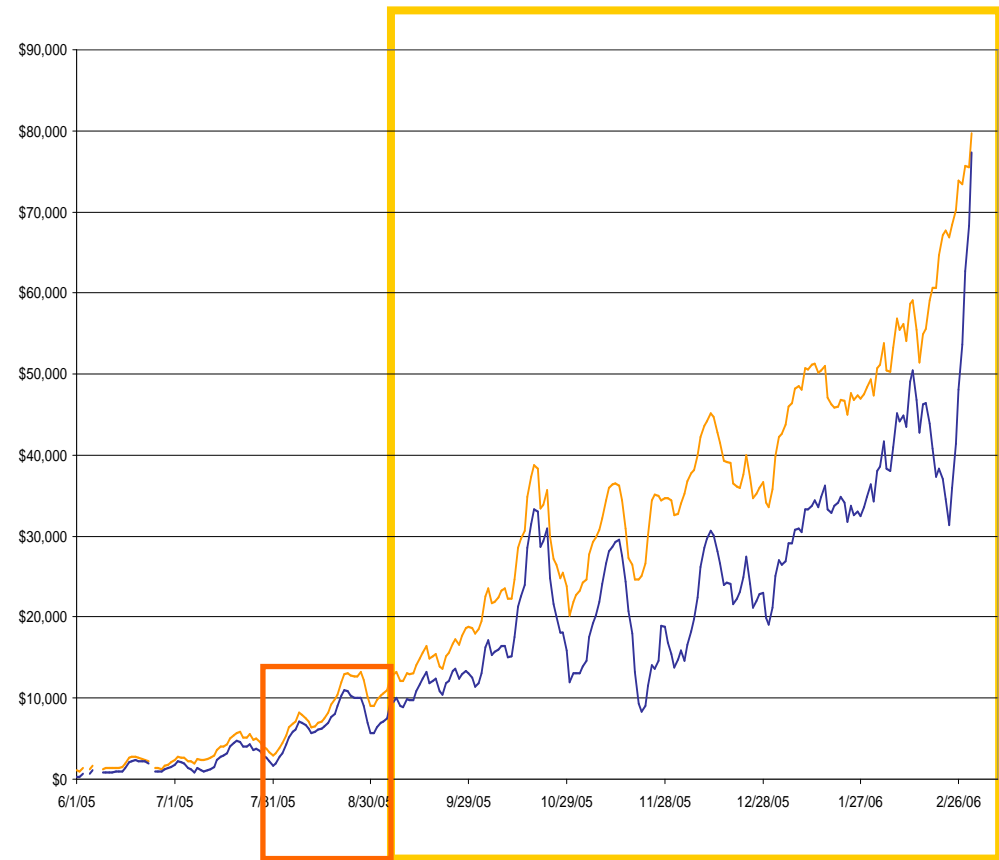
- Product:
 - 3D IM service *plus avatar home pages*
 - Introduced avatar home pages, plus messages, gifts, picture galleries blogs
- Our customers are telling us:
 - Avatar home pages are highly addictive
 - 2D and 3D complement each other
 - Messages in home pages and realtime interaction complement each other
 - Want more than two avatars per window: parties and chat rooms
 - Fix the bugs; polish



Execution Phase 1, Discovery Phase 2

Q4 2005 – Q1 2006

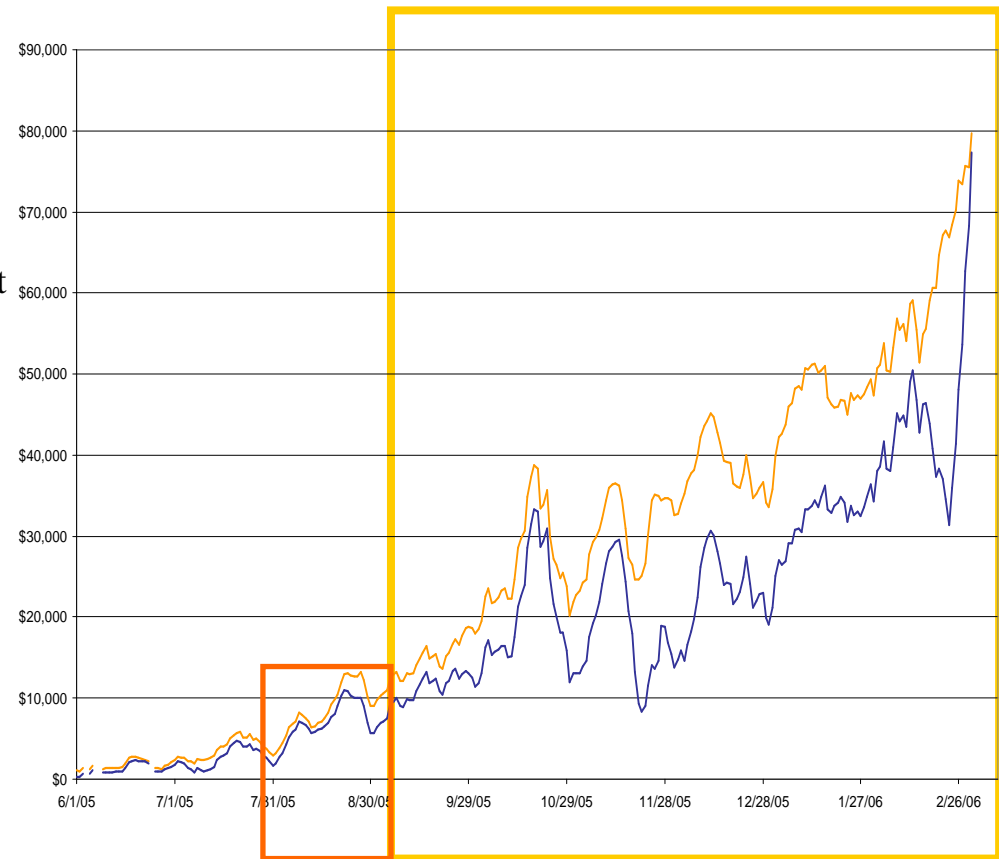
- Execution, Phase I
 - Real Board: 2 VCs, CEO, CTO, and outside member
 - Hiring plan: one new hire per month (currently 11 people)
 - Process: Realistic AOP, monthly books, Bugdb, teams, delegation
 - Product metrics: acquisition, retention, monetization
 - Financial metrics: margins, profitability and growth



Execution Phase 1, Discovery Phase 2

Q4 2005 – Q1 2006

- Discovery, Phase 2
 - Company Vision
 - Big vision (“Avatars everywhere”), two-year focus (“3DIM platform”), bounce off bad ideas (lots)
 - Active Feedback
 - Sources: email, survey monkey, direct outreach, “focus groups,” customer advisory board, developers, forums
 - Business Advisory Board
 - Relate product development to business goals
 - Give course-correction feedback, team synthesizes
 - Agile Development
 - Build software for flexibility, change
- Our customers are telling us:
 - What’s next?





Agile Development

- “Our highest priority is to satisfy the customer through early and continuous delivery of valuable software.” -
<http://agilemanifesto.org/>
- Embrace Change
 - Build what you need today
 - Process-oriented development so change is painless
- Prefer flexibility to perfection
 - Ship early and often
 - Test-driven to find and prevent bugs
 - Continuous improvement vs. ship-and-maintain

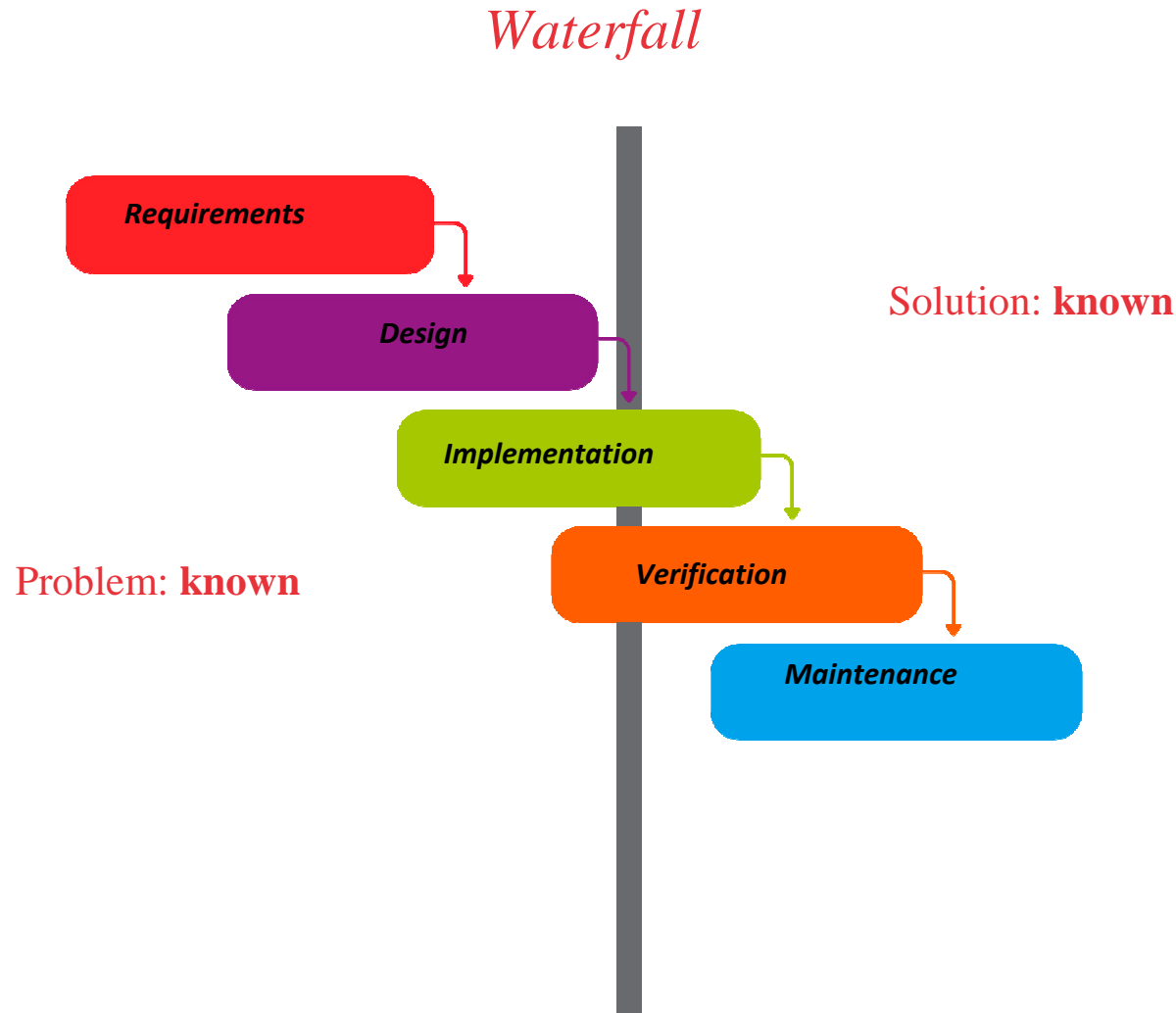


Growth Strategy

- No launch until we're ready
 - (Not even a press release for our VCs)
 - Metrics tell us when we're ready: acquisition, retention, monetization
- Stay focused on profitability
 - Manage for margins as well as gross numbers
 - Profitability monotonically harder to achieve with each non-profitable day and each new hire
- Partnerships
 - Seek win-win relationships with other community sites and products

Traditional Product Development

Startups assume development was “known”



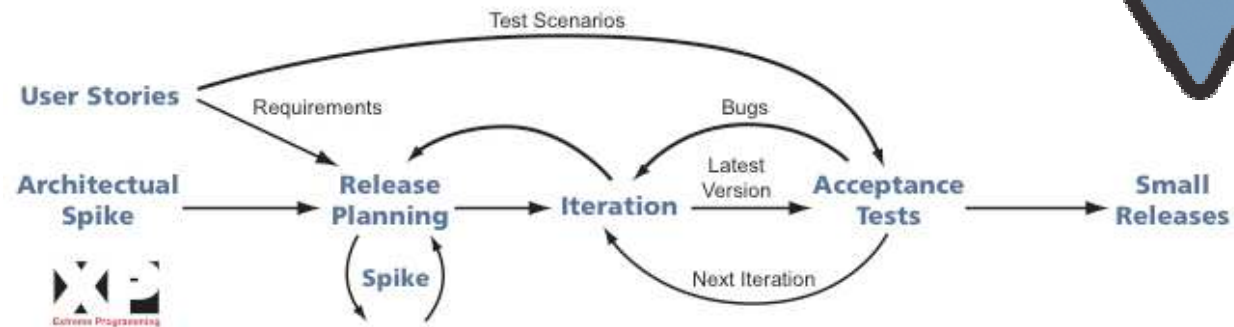
Agile Product Development

Unit of Progress: A line of Working Code

“Product Owner” or in-house customer

Problem: known

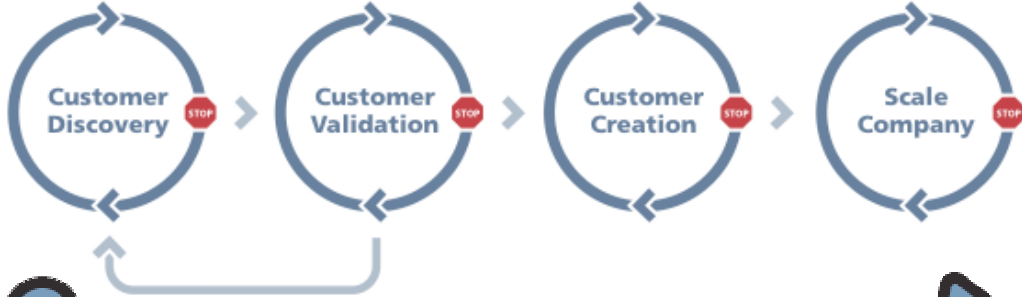
Solution: unknown



Product Development at Lean Startup

Unit of Progress: Validated Learning About Customers (\$\$\$)

Customer Development



Problem: unknown

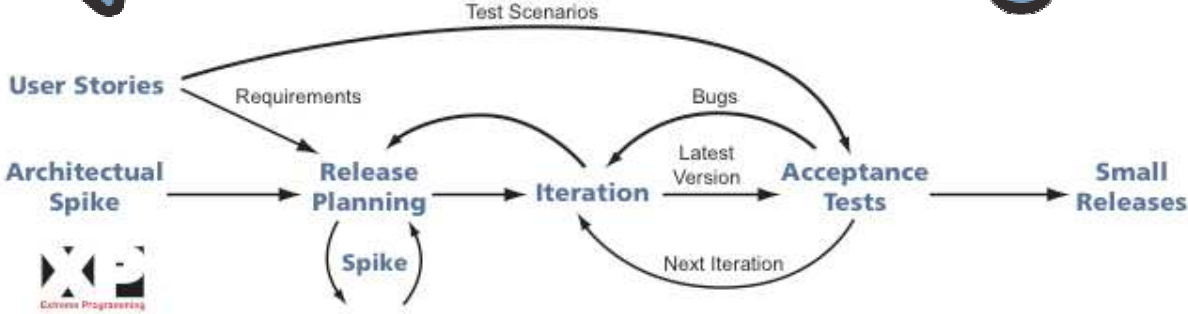
Solution: unknown



Hypotheses,
Experiments,
Insights



Data,
Feedback,
Insights



Speed Wins

