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**Release a Minimum
Viable Product to Validate
Ideas in Development and
Accelerate Time-to-Market
Success**

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8 February 2022

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Refreshed 8 February 2022, Published 29 October 2020 - ID G00733325 - 12 min read

FOUNDATIONAL This research is reviewed periodically for accuracy.

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Initiatives: Product Development; Foundations of Product Development

The minimum viable product concept is too often used to justify shipping an unfinished product to meet an internally committed release date. Product managers should instead utilize an MVP proactively to validate and refine their offering and improve time-to-market success.

Overview

Key Challenges

- Buyers' willingness to spend may be difficult to gauge prior to launching a new product, contributing to the already statistically high risk of new product failure.
- Pressure to get to market quickly or demonstrate progress in product development to senior executives may result in the release of a minimum viable product (MVP) before it is ready, tainting the reputation of the product and damaging future sales.
- The concept of MVP may be confused or incorrectly conflated with freemium, resulting in the MVP failing to validate key pricing assumptions.
- Sales and marketing resources may be wasted on an expensive launch, compelled by unreasonably ambitious plans to drive revenue from an MVP.

Recommendations

To accelerate the time-to-market success of product development efforts, product managers should:

- Use an MVP approach in situations of uncertainty, such as a product release intended for new customers and use cases, to validate that buyers will pay to solve the targeted problem.
- Release an MVP that can validate market needs. Delay the release if the warning signs listed in this report suggest that the MVP is not ready.
- Price the MVP using the pricing model planned for the full product. Avoid the temptation to underprice the MVP or position it as a freemium edition (unless using a freemium strategy).
- Limit investment in sales and marketing activities for an MVP release. Instead, strive for adequate adoption of the MVP to enable validation and learning that can be incorporated into the product for launch.

Introduction

New product failures are far too common in the technology industry, with failure rate estimates ranging from 40% to 80%. The MVP concept has been popularized through the book “The Lean Startup” by Eric Ries and other product management literature as an approach to mitigate this risk by limiting investment in new products before confirming that customers will buy them. ¹

The purpose of an MVP is to confirm users’ needs and buyers’ willingness to spend as early as possible, so these lessons can be used to refine the product for launch.

Product teams that are constantly challenged to deliver products faster may be tempted to call their first version an MVP simply to accelerate the initial release to market. But this is a misapplication of the approach. Instead, an MVP should be considered a validation tool, helping product teams increase the likelihood of building a product that will be well-received by the market and thereby accelerating the time to product success.

Defining MVP

Although the term is commonly used, “MVP” lacks a uniformly accepted definition in the technology industry. For this report, MVP for a B2B technology product is defined as follows:

An MVP is a generally available release of a new product (or a major new feature) that is delivered with the minimum investment of resources and time, while still satisfying the product’s targeted business need for the targeted market segment.

The purpose of an MVP is to validate hypotheses about buyer demand and learn more about market needs. Unlike an alpha or beta test that is run to confirm the quality of the product, an MVP is created to test the value of the product.

The MVP may not include the breadth or depth of functionality, usability or scalability needed for long-term competitive success, but it must be sufficiently useful and usable to validate a buyer’s willingness to purchase it. See Note 1 for more discussion of the definition of MVP and the related term “minimum marketable product.”

The term “MVP” is sometimes used to refer to other market testing techniques, such as posting a landing page, preorder form or explainer video in advance of product delivery. While these and other testing approaches can be useful in validating market needs, the term “MVP” is used in this report to mean a product release that can be sold to and used by customers.

Analysis

Use an MVP Approach to Reduce Risk Through Learning and Validation

Most B2B technology products are created by teams that have deep experience with the business need being addressed, or are developed in close collaboration with a potential user. Even with these development approaches, buyers may not find the new product valuable enough to buy, or be willing to pay the price expected by the provider. Users’ stated needs or intentions to purchase do not always result in actual sales.

Releasing an MVP is recommended for a new product that targets a market that is not well-defined or established, to reduce the risk of overinvestment in capabilities that buyers and users may not value.

An MVP release will validate that the market exists – that buyers will pay to solve their problem.

Many publicized examples of MVP successes are free or very low-cost consumer applications. While the MVP approach is also relevant for B2B technology products with higher price points, the (typically) smaller quantity of potential customers for B2B products impacts how the MVP approach should be applied. With most consumer applications, the number of potential customers is vast. There is less concern about disappointing potential customers with an early product that doesn't meet their expectations. A new batch of potential customers will be available to target for the next release.

For B2B providers targeting a small addressable market, the risk of disappointing too many of the limited number of potential customers requires providers to proceed with more caution when pushing out an MVP. Product managers must avoid releasing too soon and failing at what could be a single opportunity to win a customer's business. Furthermore, a large number of MVP users may not be necessary to gather adequate feedback. After winning a few, adding more MVP users provides diminishing benefits for gaining feedback. At that point, providers should pause selling the MVP and efforts should shift to improving and releasing the full product (or if needed, a second MVP).

Product managers are advised to forgo an MVP for new features or complementary products that target a market in which they are already well-established. The users' needs are (or should be) reasonably well-understood by the provider, so the benefit of an MVP is not as high as when launching into uncharted territory. In addition, if the MVP is off-target in this circumstance, the risk to the provider's reputation is much higher. Buyers expect to be able to trust the experience and knowledge of an established provider in their domain, and expect every product release to hit the mark. Product managers planning new products for their established markets should instead rely on collaboration with existing customers during planning and development so an MVP is not needed before releasing the product.

Table 1 provides examples of scenarios for which an MVP release would be recommended, as well as examples for which an MVP would not be advised.

Table 1: Examples Illustrating Recommended Use of an MVP

MVP Recommended	MVP Not Recommended
First product release based on an innovative new technology	New feature for an existing, well-established product
Product release for a hot emerging market with essential capabilities that are not well-defined	Complementary new product released by established provider targeted at existing customer base
New product release from an established provider, based on existing technology, but targeted at new customers and use cases	Derivative product developed in collaboration with key customer (in this case, pilot with a key customer instead)

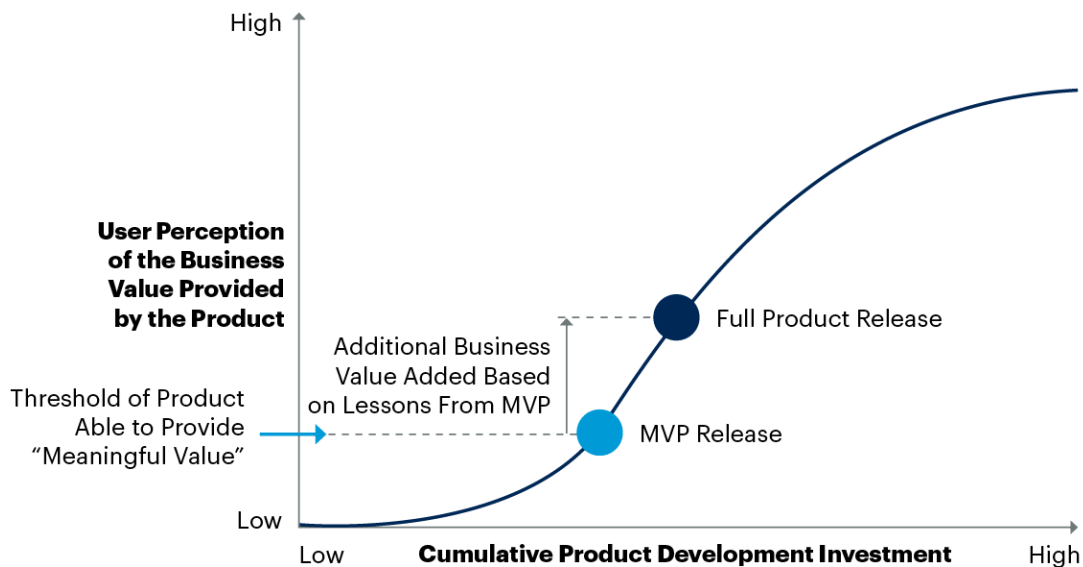
Source: Gartner

Release Only After the MVP Is Complete Enough to Deliver Business Value

As a product matures, its business value to users typically increases through the addition and refinement of features. However, the users’ perception of value does not increase linearly. The prototypical curve of users’ perception of product value versus cumulative product development investment is depicted in Figure 1.

Figure 1: User Perception of the Business Value Provided by a Product

User Perception of the Business Value Provided by a Product



Source: Gartner
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In the earliest stages of development, a product is not complete enough to be used productively. Therefore, users' perception of business value is likely to be small or even zero. The product at this stage is simply not comprehensive enough to satisfy an end-to-end business process or complete set of use cases. During this stage, product managers may be tempted to use the MVP approach to get feedback, but attracting new customers is likely to be difficult and result in disappointed buyers. Instead, other techniques to obtain market feedback, such as customer interviews and sprint or UI mock-up reviews, are recommended during this stage.

The appropriate point in the life cycle to release an MVP is when the anticipated business value, from the user's perspective, reaches a meaningful level – when a user would choose to use this product to execute a task rather than use an alternative method.

Product managers are often pushed by executives, sales teams and customers to demonstrate progress on new products as early as possible. As a result, product managers may be pressured to release a new product before key features are ready. Product managers should beware of the trap of using the MVP concept to rationalize this type of early release.

Warning signs that your MVP is not ready to release are listed below. You should delay your MVP release if any of the following are true:

- The target customer, problem to be solved and differentiation are not yet defined.
- Functionality is missing to an extent that a customer will not be able to achieve the promised business value.
- The product does not yet include any of the planned differentiating capabilities.
- The magnitude of security, performance and scalability limitations would prohibit a customer from productive use.
- Quality is not yet at the minimum level a user would expect from a B2B product.
- A buyer would not be willing to pay for the product in this form, even if it is offered at a reduced price.

Price the MVP Using the Full Product's Pricing Model

Because an MVP release has less capability than the envisioned full product, product managers may be tempted to dramatically reduce the price or even give away the MVP version for free. This pricing strategy undermines one of the key purposes of an MVP release: validating if buyers will pay the expected amount to solve their problem. With that goal in mind, MVP pricing should be set in proportion to the value delivered by the MVP and price level intended for the full product. The MVP price will likely be lower than the full product price, but avoid the trap of discounting it heavily just to seed adoption.

It is more important for the MVP to reveal the price that the market will bear than to maximize revenue.

The MVP concept may be discussed in conjunction with freemium approaches, but it should not be assumed that an MVP will become the free version of a full product. Adoption of a freemium business model is a separate decision from the use of an MVP release. Product managers should evaluate the use of freemium and MVP independently.

Limit Investment in the MVP's Introduction to Market

Driven by compensation plans and instinct, a technology provider's sales team will typically strive to maximize revenue from the products they have available to sell. As a result, an MVP release is likely to gain the attention and focus of the sales team, with a strong push to sell the MVP to as many new customers as possible. Similarly, a technology provider's marketing team will often focus the most attention and resources on the latest release, making an MVP release a top priority.

For an MVP, overinvestment in sales and marketing for the introduction to market can be counterproductive in several ways. Note, the term "introduction to market" is used intentionally in place of "launch" to emphasize that an MVP release should not be approached as a full product launch. If the MVP functionality or selected market segment are off target, sales and marketing efforts may be wasted because customer response to the MVP will not be positive. In addition, increased spending on the MVP's introduction to market may consume budgets, leaving insufficient resources to properly launch the full product later. Most importantly, significant sales and marketing investments are likely to reinforce unrealistic MVP revenue expectations.

High revenue expectations demonstrate a misalignment within the organization about the intent of the MVP.

Casting the MVP as a vehicle to "get revenue flowing" or as a method to finance the development of the full product distorts the purpose of an MVP, and it creates risk that plans will not be achieved. Constraining investment in the MVP's introduction to market may be required in order to keep revenue expectations in check and preserve more of the budget for the subsequent launch of the full product.

Conclusion

Releasing an MVP early in the development cycle enables technology providers to obtain feedback and validation prior to a full product release. Product managers should use the MVP approach in situations of high uncertainty, such as a first product release. Selecting the right timing, pricing and market introduction approach for an MVP will help ensure it meets internal and external expectations, and achieves its goal of improving the new product's chances of success.

Evidence

¹ E. Ries. "The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses." Crown Business. 2011.

Note 1: Minimum Viable Product and Minimum Marketable Product Terminology

Some sources, including some Gartner publications, differentiate the concept of minimum marketable product (MMP) from MVP. Product Managers Are Key to Digital Business Success references Roman Pichler's explanation of MVP and MMP:

"A good shorthand for understanding the difference between the two is that an MVP is the minimum feature-set that supports at least one entire customer journey (however sparse). Whereas an MMP is the minimum feature-set that has enough value that people will either pay for it, or otherwise take a step that has business value to the provider (via advertising or some other means of monetization)."

Some other product management literature omits the term "MMP" and defines MVP to mean the minimum product that has enough value to be sold. This is the definition adopted in this research document.

Document Revision History

Release a Minimum Viable Product to Validate Ideas in Development - 30 November 2018

Recommended by the Author

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