

Service Innovation Management Glossary

A/B Testing

A method of comparing two versions of a webpage, app, or feature to determine which performs better. Typically used to optimize conversion rates or user experience based on data-driven results.

Accelerator

A program offering mentorship, resources, and capital to early-stage startups in exchange for equity. Focused on scaling startups and preparing them for future growth and investment.

Acquire

The acquisition of a company primarily to obtain its talent rather than its products or services. Employees often commit to a specified tenure post-acquisition.

Acquisition (Business)

The process where one company purchases another to expand its operations, enter new markets, or acquire intellectual property.

Acquisition (Customer)

The process of gaining new customers through marketing, sales, or referral efforts to grow a company's user base.

Agile Development

A software development methodology emphasizing iterative progress, collaboration, and continuous feedback to deliver functional products quickly.

Allocation

The portion of an investment round reserved for a specific investor, often negotiated during funding discussions.

Analytics (Web)

The measurement and analysis of website data to optimize user experience and improve business outcomes. Tools like Google Analytics provide actionable insights.

Angel Investor

An individual investing personal funds in startups at an early stage, often in exchange for equity, to support high-risk, high-reward ventures.

Annual Recurring Revenue (ARR)

The annualized revenue a company expects to receive from subscriptions or contracts, excluding one-time payments.

Anti-dilution Clause

A contractual agreement protecting investors from losing equity percentage during future funding rounds by adjusting ownership proportion.

API (Application Programming Interface)

A set of protocols and tools allowing different software systems to communicate and share data effectively.

Attribution Modeling

A framework determining how credit for conversions is assigned across user touchpoints, helping to optimize marketing strategies.

Attrition

The percentage of customers who stop using a product or service within a specific period. Also referred to as churn rate.

BHAG (Big Hairy Audacious Goal)

An ambitious, long-term goal designed to inspire and challenge organizations to strive for substantial growth.

Bootstrapping

The practice of building a startup using personal funds or revenue without relying on external investment, often requiring lean operations.

Bubble

An economic condition where an industry or asset is overvalued, leading to potential market corrections when the bubble bursts.

Burn Rate

The rate at which a company spends cash reserves to cover expenses, typically measured monthly or weekly.

CAC Payback Period

The time it takes for a business to recoup its customer acquisition costs through customer revenue, a critical metric for profitability.

Cap Table

A document outlining a startup's equity ownership, including shares owned by founders, employees, and investors.

Capital

Financial assets or funding resources a company uses for operations, expansion, or investments, typically categorized as debt or equity.

Carried Interest ('The Carry')

The percentage of profits an investment manager earns as compensation for managing an investment fund, typically ranging from 15% to 30%.

Churn Rate (Retention)

The percentage of customers who stop using a product or service during a specific timeframe. A low churn rate indicates strong customer retention.

Cliff

A vesting milestone where employees or investors receive their equity allocation only after a specified time, typically one year.

CMO (Chief Marketing Officer)

The executive responsible for a company's marketing strategy, brand management, and overall marketing initiatives.

Content Marketing

A marketing strategy focused on creating and distributing valuable content to attract and engage a target audience without direct promotion.

Conversion Rate Optimization (CRO)

The systematic process of enhancing a website or app to increase the percentage of users completing a desired action, such as purchases or sign-ups.

Convertible Note

A type of debt financing that converts into equity during a subsequent funding round, often used in early-stage startup investments.

Cottage Business / Lifestyle Business

A small-scale business model unlikely to scale significantly but sufficient for sustaining a founder's preferred lifestyle.

CPO (Chief Product Officer)

The executive in charge of a company's product strategy, development, and feature roadmap, ensuring alignment with customer needs.

Crowdfunding

The practice of raising small amounts of capital from a large number of individuals, often through online platforms, without sacrificing equity.

Crowdsourcing

A method of obtaining ideas, services, or content by soliciting contributions from a large group of people, often online.

CTO (Chief Technology Officer)

The executive responsible for a company's technology strategy and infrastructure, often driving innovation in tech startups.

Customer Acquisition Cost (CAC)

The total cost of acquiring a new customer, including marketing and sales expenses, used to evaluate profitability.

Customer Persona

A fictional representation of an ideal customer, created to guide marketing strategies and product development efforts.

Customer Relationship Management (CRM)

A strategy and system for managing a company's interactions with current and potential customers to improve relationships and drive growth.

Data Room

A secure digital repository for storing and sharing sensitive documents, often used during due diligence in funding rounds.

Debt Capital

Funding raised by a company through loans or bonds, which must be repaid with interest, as opposed to equity capital.

Dilution

The reduction in ownership percentage for existing shareholders when a company issues additional shares during a funding round.

Disruptive Innovation

An innovation that significantly alters or creates a market by introducing groundbreaking solutions or technologies.

Down Round

A funding round where a startup's valuation is lower than in previous rounds, often signaling reduced investor confidence.

Drag-Along Rights

A clause allowing majority shareholders to compel minority shareholders to sell their shares during a sale of the company.

Due Diligence

A thorough investigation conducted by potential investors to assess a company's financial health, operations, and market potential.

Elevator Pitch

A concise summary of a business idea or value proposition, designed to capture attention within a short timeframe, like an elevator ride.

Equity

The ownership interest in a company, represented by shares, which founders, employees, and investors hold in varying percentages.

Equity Crowdfunding

Raising capital by offering equity stakes to a large number of small investors, typically via online platforms.

Equity Capital

Funds raised by a company in exchange for ownership shares. Unlike debt capital, equity capital does not require repayment but dilutes ownership.

Exit Multiple

A valuation metric calculated by dividing the sale price of a company by its revenue or earnings, commonly used in acquisitions or IPOs.

Exit Strategy

A founder's plan to sell or transfer ownership of their company, often to investors or another business, to secure profits or reduce involvement.

First-Mover Advantage

The competitive edge gained by being the first to introduce a product or service in a new market, often establishing market leadership.

Founder

An individual who starts a company, often responsible for its vision, strategy, and initial operations, sometimes alongside co-founders.

Freemium

A business model offering a basic product version for free, while charging for premium features or enhanced functionality.

Fundraising

The process of securing capital from investors, including venture capitalists, angel investors, or crowdfunding, to support business growth.

Gamification

Incorporating game-like elements into products or services to engage users, motivate specific actions, and improve user experience.

Go-to-Market Channels

The paths through which a product reaches customers, such as direct sales, e-commerce platforms, or partnerships.

Go-to-Market Strategy (GTM)

A step-by-step plan outlining how a company will launch a product, target customers, and achieve competitive advantage.

Growth Hacking

Creative, low-cost strategies aimed at achieving rapid growth in revenue or users, often employed by startups with limited resources.

Growth Metric (North Star Metric)

A single key performance indicator that best reflects a company's growth trajectory and success over time.

Hockey Stick Growth

A term used to describe exponential revenue or user growth following a period of slow or steady increase.

Incubator

A program that supports startups in developing viable business models through mentorship, resources, and funding, often in exchange for equity.

Iterative Development

A development approach involving repeated cycles of design, testing, and feedback to refine a product or service incrementally.

Investment Syndicate

A group of investors pooling resources to fund a startup, often led by a primary investor managing the deal.

Key Stakeholders

Individuals or groups with significant interest or influence in the success of a company or project, such as investors, employees, or customers.

KPI (Key Performance Indicator)

A measurable value indicating how effectively a company is achieving specific objectives, such as revenue growth or customer retention.

Landing Page

A standalone webpage designed to capture leads or drive specific actions, often tied to a marketing or advertising campaign.

Lean Canvas

A simplified business planning tool focusing on key elements like customer problems, solutions, and value propositions.

Lean Startup

A methodology that emphasizes quickly validating business ideas through iterative development and customer feedback to minimize waste.

Lifetime Value (LTV)

The total revenue a business expects to generate from a single customer over the duration of their relationship.

Market Penetration (Market Share)

The percentage of a target market that a company captures as customers within a defined period.

Marketing Automation

The use of software to automate repetitive marketing tasks, such as email campaigns, enabling efficiency and personalization at scale.

Marketing Dashboard

A tool that consolidates and visualizes key marketing performance metrics, aiding data-driven decision-making.

Media Spend

The budget allocated for paid advertising campaigns, including digital, social, and traditional media channels.

Minimum Viable Product (MVP)

A simplified version of a product with core features, developed to test market demand and gather user feedback for further iterations.

Moat (Economic Moat)

A company's competitive advantage that protects its market share and profitability from competitors.

Monthly Recurring Revenue (MRR)

Predictable income generated monthly from subscriptions or contracts, often a critical metric for SaaS businesses.

Network Effects

A phenomenon where a product or service becomes more valuable as more people use it, creating a competitive advantage.

NPS (Net Promoter Score)

A metric measuring customer loyalty and satisfaction, based on their likelihood to recommend a product or service.

No-Code / Low-Code

Technologies enabling the creation of software applications with minimal or no programming, making development accessible to non-technical users.

OKR (Objectives and Key Results)

A goal-setting framework used to define and track objectives and their measurable outcomes within an organization.

Operating Leverage

A measure of how a company's fixed costs contribute to increasing profits as revenue grows, highlighting scalability potential.

Pain Point

A specific problem or frustration experienced by a customer that a product or service aims to solve effectively.

Pay-Per-Click (PPC)

An advertising model where businesses pay a fee each time their ad is clicked, commonly used in search engine and social media ads.

Pitch Deck

A presentation summarizing a startup's business model, strategy, and financial projections, designed to attract investors.

Pivot

A strategic shift in a startup's business model, product, or market focus to improve chances of success based on experience and feedback.

Portfolio Company

A business that has received investment from a venture capital fund or angel investor, becoming part of their portfolio.

Post-Money Valuation

The valuation of a company immediately after receiving external funding, calculated by adding the investment to the pre-money valuation.

Pre-Money Valuation

A startup's valuation before receiving external investment, used to determine equity percentages during funding rounds.

Pre-Seed Round

The earliest funding stage, often supported by founders, family, or friends, to develop initial operations or a prototype product.

Private Equity (PE)

Investment capital not traded on public markets, typically used to acquire private companies or invest in high-potential startups.

Product Led Growth (PLG)

A growth strategy where customer acquisition and retention are driven by the product's inherent value, often through user-driven referrals.

Product Manager

A professional responsible for defining a product's vision, strategy, and development roadmap, ensuring it meets customer needs.

Product Marketing

A marketing discipline focused on positioning, messaging, and launching a product to maximize adoption and revenue.

Product-Market Fit

The stage where a product effectively satisfies the needs of its target market, resulting in growing customer demand and retention.

Product Roadmap

A high-level strategic plan outlining a product's vision, priorities, and development milestones over a specified timeframe.

Proof of Concept

A prototype or initial version of a product or service developed to demonstrate its feasibility and effectiveness.

Referral Marketing

A strategy leveraging existing customers to recommend a product or service, often incentivized through rewards or discounts.

Retention Rate

The percentage of customers who continue using a product or service over a specific period, reflecting customer loyalty.

Run Rate

A projection of a company's financial performance over a longer period, based on current revenue or expense trends.

Runway

The length of time a startup can sustain operations with its current cash reserves, often calculated based on burn rate.

Sales Led Growth (SLG)

A growth strategy driven by sales teams, often focused on converting leads and closing deals to generate immediate revenue.

Scalable Business Model

A business structure that enables revenue growth to outpace cost increases, allowing sustainable and profitable expansion.

Scale-Up

A company transitioning from the startup phase to significant growth, typically with proven business models and increasing revenues.

Search Engine Optimization (SEO)

The process of optimizing a website to improve its visibility in search engine results for relevant queries, boosting traffic and engagement.

Seed Enterprise Investment Scheme (SEIS)

A UK government initiative providing tax relief to investors who fund early-stage startups, encouraging seed-stage investments.

Seed Funding

The first stage of equity financing for startups, typically provided by angel investors or early-stage venture capitalists.

Series A

A funding round aimed at scaling a startup's operations and product development, often involving institutional investors.

Serviceable Available Market (SAM)

The segment of the Total Addressable Market (TAM) that a business can realistically target with its products or services, based on its current capabilities and offerings.

Serviceable Obtainable Market (SOM)

The portion of the Serviceable Available Market (SAM) that a business expects to capture within a specific timeframe, reflecting realistic sales goals and market share.

Shareholders' Agreement

A legal document outlining the rights, responsibilities, and obligations of a company's shareholders to manage relationships and disputes.

Software-as-a-Service (SaaS)

A software delivery model where applications are hosted online and accessed via subscription, eliminating the need for local installations.

Stack (Tech or Marketing)

A collection of tools, technologies, or platforms used by a business to fulfill specific functions, such as development or marketing.

Startup

A new company in its early stages, typically characterized by high innovation, rapid growth potential, and external funding needs.

Stealth Mode

A strategy where a startup operates discreetly to maintain secrecy about its products or strategies until ready to launch publicly.

Sweat Equity

Shares or ownership granted to individuals in exchange for their work or contributions, often instead of monetary compensation.

Syndicate

A group of investors pooling resources for a single investment, often led by an experienced investor managing the deal.

Tag-Along Rights

A contractual agreement allowing minority shareholders to join in the sale of a company if majority shareholders decide to sell their shares, ensuring equal terms and opportunities for all shareholders.

Target Company

A business being considered for acquisition or investment by another company, venture capital fund, or angel investor.

Term Sheet

A preliminary document outlining the terms and conditions of an investment, serving as a basis for formal agreements.

Total Addressable Market (TAM)

The total revenue opportunity available for a product or service if it captures 100% of its target market.

Traction

Proof of a startup's growth potential, demonstrated through metrics like user acquisition, revenue, or partnerships.

Unicorn

A privately-held company valued at over \$1 billion, often within the technology or innovation sectors.

Unit Economics

A calculation of the revenue and costs associated with a single unit of product or service, used to assess profitability.

Valuation

The estimated worth of a company, determined by factors such as revenue, growth potential, and market conditions.

Value Capture

The ability of a company to retain a portion of the value it creates for customers as revenue or profit.

Value Proposition

A startup's unique offering that differentiates it from competitors and appeals to its target market.

VC (Venture Capitalist)

An investor providing funding to startups with high growth potential in exchange for equity stakes.

Vesting (Schedule)

A timeline over which employees or founders earn their equity shares, often tied to tenure or performance milestones.

Wireframe

A simplified visual blueprint of a webpage or app, used in the early stages of design to map functionality and layout.

Affinity Mapping

A method for organizing ideas, insights, or data into groups based on their natural relationships, often used during brainstorming or research synthesis.

Brainstorming

A collaborative ideation technique where participants generate as many ideas as possible without criticism to foster creativity and innovation.

Double Diamond Framework

A design process model dividing problem-solving into four phases: Discover, Define, Develop, and Deliver, balancing divergent and convergent thinking.

Empathy Interview

A research method involving open-ended interviews with users to gain deep insights into their needs, behaviors, and emotions.

HMW (How Might We) Questions

A framing technique used to turn challenges or problems into opportunities for creative solutions by asking, "How might we...?"

Insight Statement

A concise summary of user research findings that highlights key needs, pain points, or opportunities to inform the design process.

Low-Fidelity Prototype

A basic, rough version of a product or service, such as sketches or wireframes, created to quickly test concepts and gather feedback.

Observation (Ethnographic Research)

A method of studying users in their natural environment to uncover unarticulated needs, habits, and pain points.

Problem Framing

The process of clearly defining the core problem to ensure the team focuses on solving the right issue and creating relevant solutions.

Scenario Mapping

A design thinking tool that visualizes how users interact with a product or service in different contexts, helping identify gaps or areas for improvement.

Service Blueprint

A detailed diagram mapping the customer journey and the behind-the-scenes processes required to deliver a product or service.

Stakeholder Map

A visual representation of all individuals or groups involved in or affected by a project, used to align and prioritize their needs.

Storyboarding

A visual tool that uses illustrations or images to narrate a user's experience with a product or service, helping teams empathize and refine ideas.

Usability Testing

A research method where users interact with a prototype or product to identify usability issues and gather feedback for improvement.

Wicked Problem

A complex issue with no clear solution, often involving many stakeholders and interdependent factors, commonly addressed using design thinking.

Design Thinking

A problem-solving methodology focused on understanding user needs, ideating creative solutions, prototyping, and testing to develop user-centered products or services.

Empathy Map

A tool used in design thinking to visualize what a user thinks, feels, says, and does, helping teams better understand user behaviors and motivations.

Human-Centered Design

An approach to problem-solving that prioritizes the needs, desires, and limitations of users throughout the design and development process.

Ideation

The phase of design thinking where teams generate a wide range of creative ideas to address identified user needs and problems.

Journey Mapping

A visualization of the entire end-to-end experience a user has with a product or service, highlighting pain points and opportunities for improvement.

Prototyping

The process of creating low-fidelity models or mockups of a product to test ideas and gather feedback before full-scale development.

Rapid Prototyping

The quick creation of iterative prototypes to explore and validate ideas, focusing on speed over perfection to accelerate feedback and improvement.

User Persona

A fictional representation of a typical user based on research and data, used to guide design decisions and ensure user-centric solutions.

Pain Point Identification

A process in design thinking to uncover specific problems or frustrations users face, which the product or service aims to solve.

Co-Creation

Involving users and stakeholders directly in the design process to collaboratively generate ideas and solutions.

Divergent Thinking

A brainstorming approach used in the ideation phase to explore a wide range of possible solutions without judgment or constraints.

Convergent Thinking

The process of narrowing down multiple ideas to identify the most feasible and effective solution to pursue.

Iteration

The repeated cycle of prototyping, testing, and refining a product or solution based on user feedback to improve outcomes.

HADI Cycle

A structured method for testing ideas and hypotheses, consisting of four stages: Hypothesis (define an assumption), Action (design and execute a test), Data (collect and analyze results), and Insight (derive learnings and next steps).

Lean Experimentation

A method for testing new ideas quickly and cost-effectively, often by creating simple experiments to validate assumptions and minimize risk.

Hypothesis Statement

A structured assumption predicting how a specific change or action will lead to a desired outcome, serving as the basis for experiments.

MVP (Minimum Viable Product)

A basic version of a product with just enough features to satisfy early adopters and gather feedback for future development.

Smoke Test

A low-effort test, such as a landing page or ad campaign, to gauge interest in an idea before building the actual product or service.

Wizard of Oz Testing

A technique where users interact with what they think is a fully functional product, but the "backend" is manually operated by humans to simulate functionality.

Pretotyping

An ultra-lean method for testing an idea by simulating its core value proposition, such as a mock-up or fake storefront, to measure interest before development.

Concierge Testing

A validation technique where the service or product is manually delivered to early users, providing insights into user needs and feasibility.

A/B Testing

A method of comparing two variations of a product or feature to determine which performs better, often used in digital products.

Landing Page Test

A technique where a landing page is used to present an idea, collect user sign-ups, or track interest, validating demand before further investment.

Exploratory Interviews

Conversations with potential users or stakeholders to uncover pain points, preferences, and potential interest in a proposed idea.

Paper Prototype Testing

A method of sketching product interfaces or workflows on paper to quickly validate ideas and receive user feedback without building software.

Validation Board

A tool that helps teams systematically track and prioritize hypotheses, tests, and insights during the idea validation process.

Problem-Solution Fit

The phase where a team ensures the solution they are building effectively addresses the identified problem and user needs.

Customer Discovery

A process of engaging with potential users to understand their problems, behaviors, and needs, forming the foundation for idea validation.

Experiment Map

A visual representation of all planned experiments, tracking hypotheses, goals, and expected outcomes to align validation efforts.

Rapid Prototyping

A technique of quickly creating models or prototypes to test assumptions and gather user feedback, emphasizing speed and iteration.

Reverse Assumption Testing

A validation approach where teams challenge core assumptions by designing experiments to disprove them, reducing bias and risk.

Split Testing

A variant of A/B testing where multiple versions of a product or feature are compared simultaneously to evaluate performance.

Fake Door Test

A validation technique where a non-existent feature or product is advertised to measure user interest before actual development.