



CSE3PPE / CSE5003

Professional Practices and Entrepreneurship in I.T.

Lecture 3

Semester 1 2024

Recap from last week

We looked at the business lifecycle and how risk appetite changes as businesses find success with their products and business models.

We also looked at the five pillars of entrepreneurial expertise:

1. Value creation
2. Customer discovery and validation
3. The business model and tools such as the Business Model Canvas and Lean Canvas
4. The Lean Startup
5. The Entrepreneurial Method

Lecture 3

The Lean Canvas

(Part 1)



Business Model Canvas and Lean Canvas

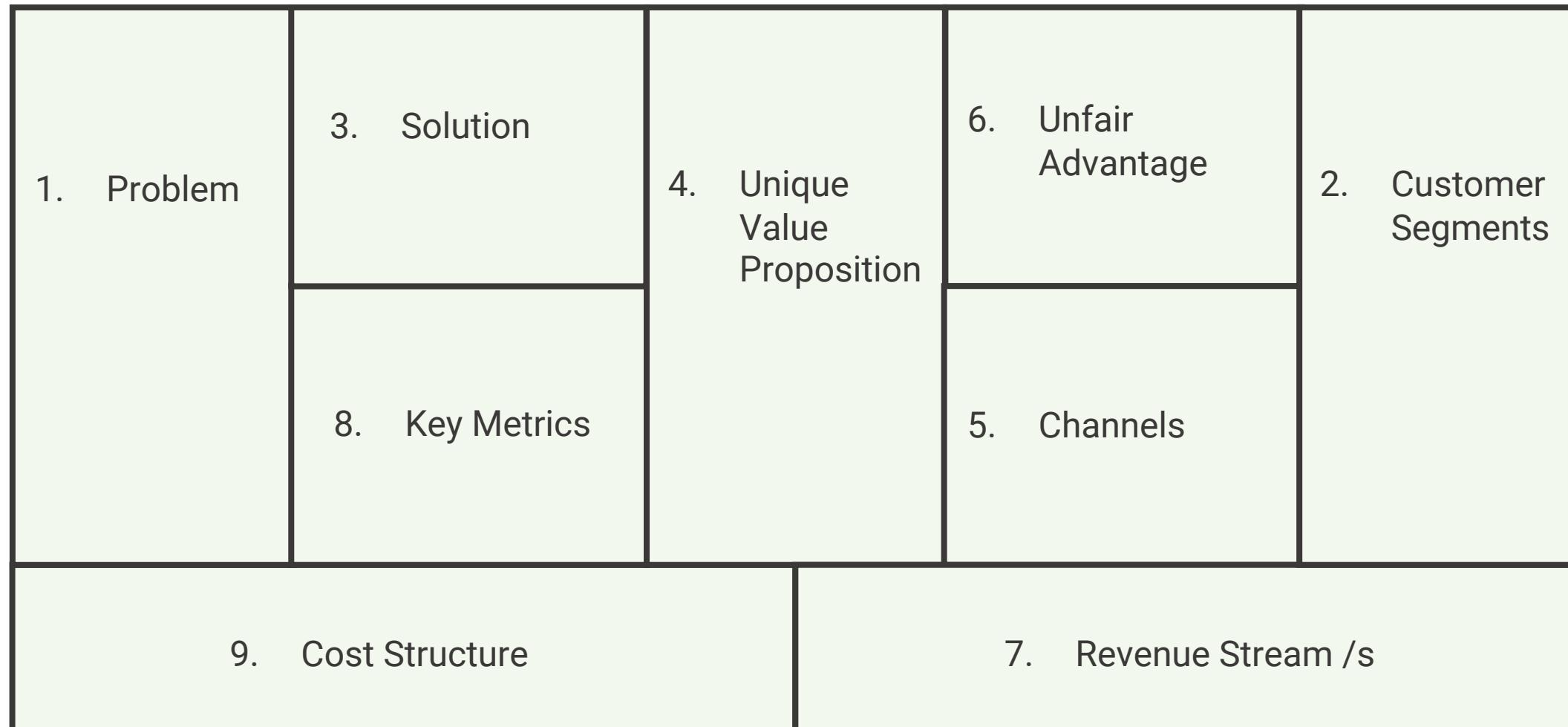
Last week we discussed the role of the Business Model Canvas (BMC) and the Lean Canvas as key planning tools to support the development of start-ups.

These tools are intended to be written in a way so they can provide a shared language for

- describing,
- visualising,
- assessing, and
- adjusting your business model as your business progresses.

Importantly, these elements are outlined on the one page, enabling anyone to quickly identify your key business elements that will (hopefully) provide you with great success.

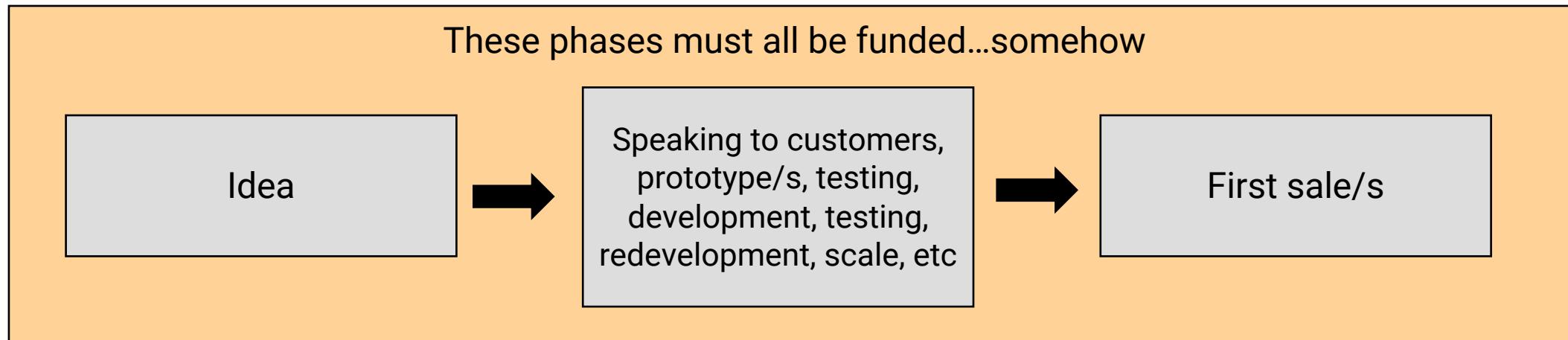
The Lean Canvas



1. The Problem and 2. Customer Segment

Both Maurya (2012) and Blank and Dorf (2020) highlight the importance of starting with identifying **the problem and the customer** (customer segments) first.

For start-ups, there is a **race** from concept idea to the point where you start making money. Why?



This makes it even more important to understand who your customers are and what they are really looking for. This increases your chance of success **before you run out of start up finance**.

1. The Problem

Whatever your purpose or business structure, you must be able to create **value** for your customers and supporters.

That value is seen in problem solving or in exploiting an opportunity.

You cannot create 'value' for potential customers until you know who this problem (or opportunity) is for.

1. The Problem

Understanding the problem requires speaking to potential customers: people (or businesses) impacted by this problem and who might be seeking a solution.

Conducting research such as a literary search, trend data, or assessing the pitfalls of your competitors' product is also useful. These can provide important insights around existing solutions, as well as opportunities to explore further and test with your customers.

However, it should **never replace engaging with your potential customers** and getting their direct feedback on the problem and your possible solutions.

Customer problems, needs or passions

- Products are sold because they solve a problem or fill a need.
- Understanding problems and needs involves **understanding their sources**.
- You need to discover how customers experience the problem and why (and how much) it matters to them.

Customers will express:

- A latent problem
- A passive problem
- An active (or urgent) problem
- A vision

“Get Out of the Building”

“Facts exist only outside the building, where customers live, so the most important aspect of customer discovery is getting out of the building, in front of customers.

And not for a few days or a week, but repeatedly, over weeks if not months.

This critical task can't be assigned to junior staffers and must be driven by founders.

Only after the founders have performed this step will they know whether they have a valid vision or just a hallucination.”

(Blank and Dorf, 2020, p56)

2. Customer Segments

Customer segments are a way to **group your potential customers** by their behaviours, attributes, features or shopping preferences.

They do not need to be **groups of people**.

Groups of organisation types can also be customer segments.

The purpose of grouping your customers into customer segments helps with defining:

- Who are they?
- Why would they buy your product or service?
- What do they **really need**?

Customers are more than just numbers



Customer Segment Components

Customer
problems, needs
or passions

Customer types

Customer
archetypes

Customer
Personas

Customer
Journey
Mapping

Empathy
Mapping

Value
Proposition

Is the buyer always the user?

- No, not always...

How motivated is your customer?

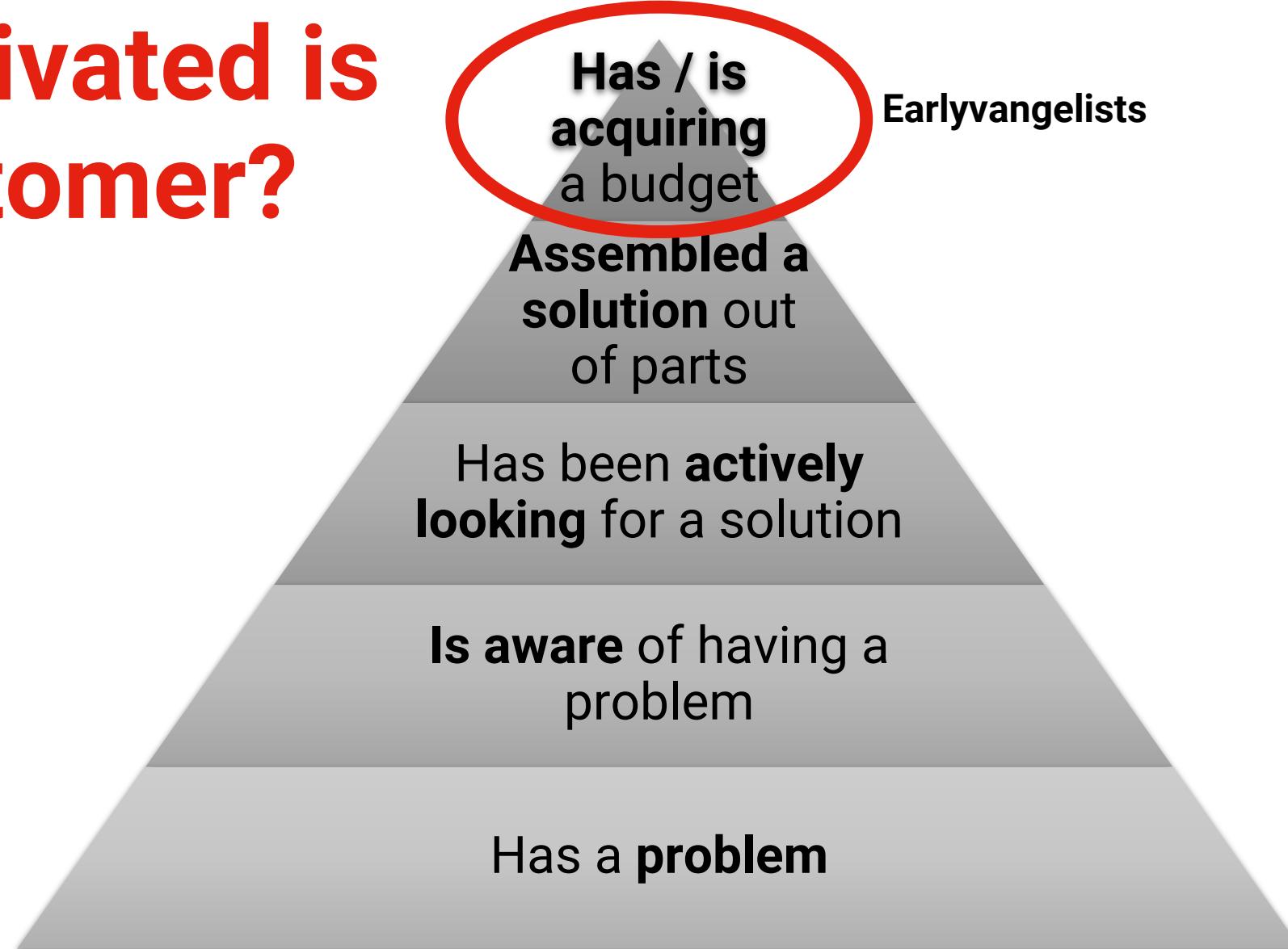
Many people or businesses might be experiencing a problem, but a smaller section of this motivated group will express a stronger desire to have their problem solved.

Blank and Dorf (2020) describe the most motivated of this group to be **earlyvangelists**.

This group are typically people or businesses that are so motivated to find a solution to their problem, they are at the point of funding attempts to solve it themselves.



How motivated is your customer?



Why Earlyvangelists are so Important

The earlyvangelists are important to a start-up for a number of reasons:

- They are motivated to try your solution
- They are typically eager to provide you with feedback
- They will tell others about your solution, because they are so happy to have found it.
- And above all, they are willing to pay for your solution.



Do you have an Earlyvangelist?

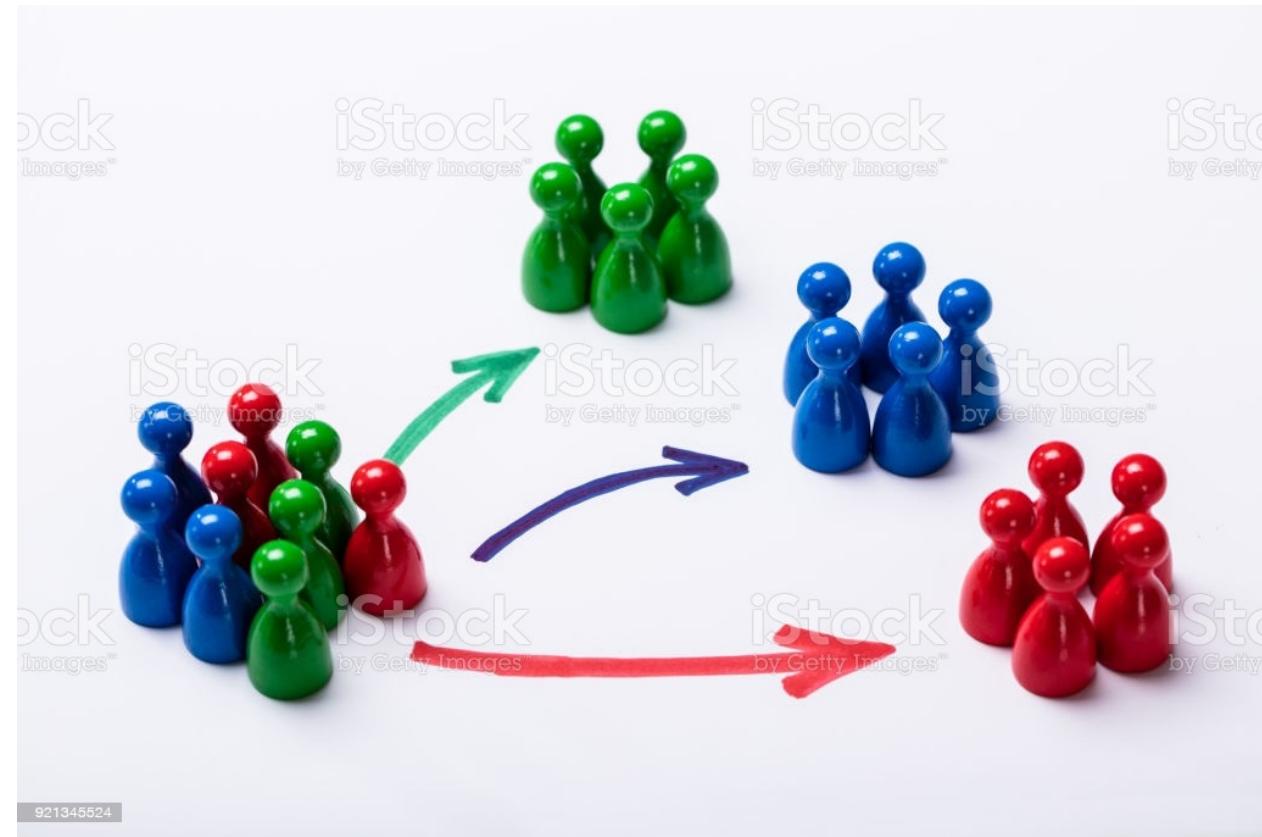
How to tell your customer is an earlyvangelist or not:

- They have a problem
- They realise they have a problem
- They have been actively looking for a solution
- They may have already attempted to build their own solution
- They are ready to pay for a solution that works for them.

Customer segment check list:

- Your customer segment describes a group of people who would fit the description of an earlyvangelist.

Customer Types



There are two main customer types:

BUSINESS TO CONSUMER (B2C)

BUSINESS TO BUSINESS (B2B)

Business to Consumer (B to C)

- The purchaser is using the product for themselves

Examples:

- Bakery
- Supermarket
- Clothing store
- Amazon

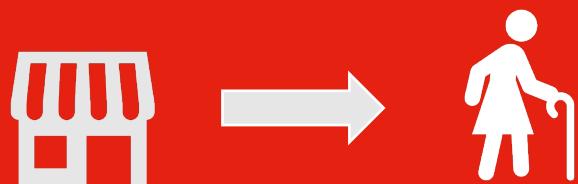
Business to Business (B to B)

- The product is purchased for use by another company

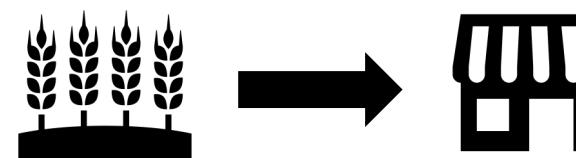
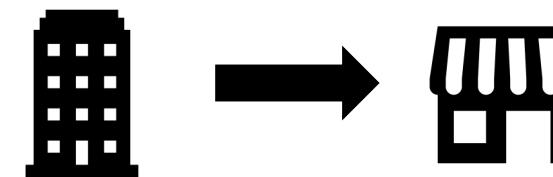
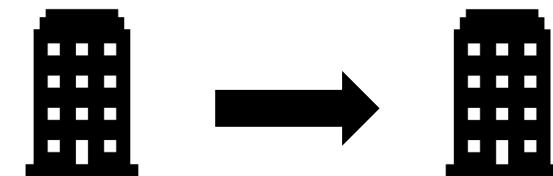
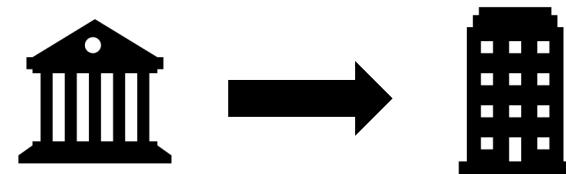
Examples:

- Miller supplying flour to a bakery
- Farmer supplying a company that makes food products
- A bank providing finance to a store
- A printer supplying books to a book publisher

BUSINESS TO CONSUMER (B2C)



BUSINESS TO BUSINESS (B2B)



B2B or B2C?



B2B?	B2C?	Both?

B2B or B2C?



B2B?	B2C?	Both?
		Sales to wholesale customers (63.6% of all sales)

Business 2 Business



Considerations when other businesses are your Customer Segments

You need to find out what they want you to do:

- Help them to increase their revenue?
- Develop a way to help decrease their costs?
- Help them get new customers?
- Help them to keep up with, or pass, their competitors?
- How important is your solution/business idea to them?
- Are you addressing their problem, or a need?

Understanding who the customer is within a company

- User?
- Influencer?
- Recommender?
- Decision Maker?
- Economic Buyer?
- Saboteur?

What are the archetypes for each?

B2B best case scenario

- The user is the one seeking your product or service

Also a best case scenario

- The user is also the economic buyer within the company

Business 2 Consumer



What do your customers want from you?

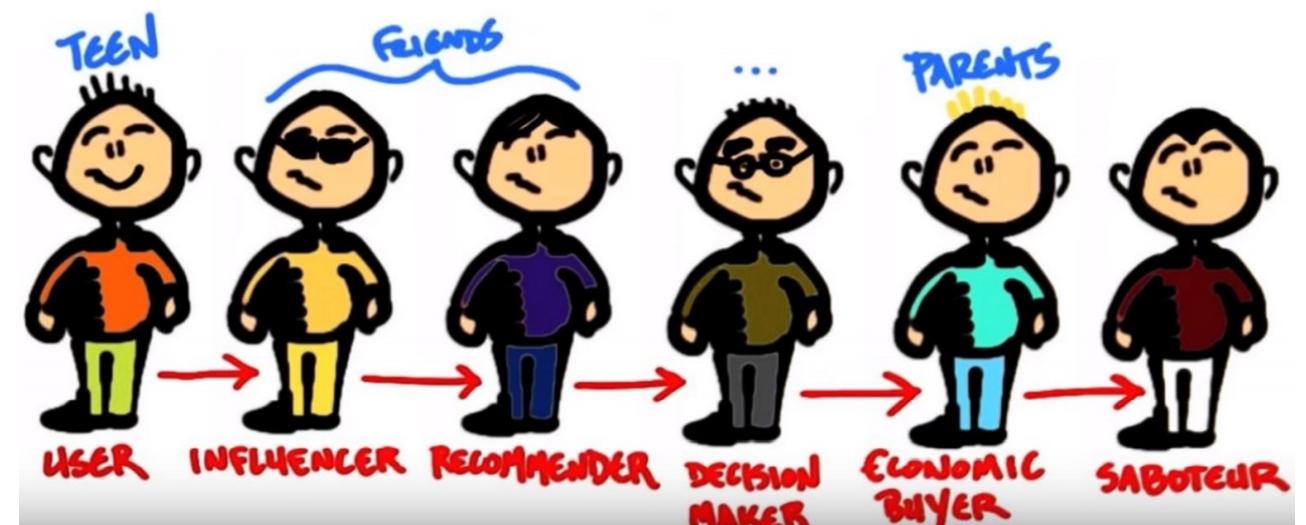
- To entertain them?
- To connect them with others?
- To make their lives easier?
- To satisfy a basic need?

How important are these needs?

Can they afford your solution?

Who are the key players in the consumer side?

- User?
- Influencer?
- Recommender?
- Decision Maker?
- Economic Buyer?
- Saboteur?
- What are the archetypes for each?



Customer Archetypes



Customer archetypes

- There's no better way for the start-up team to visualise its customer targets than to take the time to depict each of the key customer type.
- Customer archetypes help the team visualize who will buy or use the product and helps crystallise product strategy, customer acquisition and more



Questions you need to have answers for about your customers

What's their role?

Who are they?

How do they buy?

What matters to them?

Utilising insights from your customers

Archetype Highlights	Examples of solution preferences
Age 40-55, high income	Higher amounts of discretionary income which enables them to make unplanned purchases or choose to pay extra for additional features, higher quality, more tailored solution.
Two working professionals	Looking for ways to reduce inefficiencies in life, enhance quality recreation time.
Health conscious	Organic or gourmet-style products
Drive luxury cars	May be highly image conscious
Frequent business travellers	May be seeking quality downtime/recreation time between travel
Cooks only on weekends	May be looking for special gourmet meal experiences, unusual ingredients.
Entertains friends at home often	Meal creations they can boast to their friends about.

Source: Adapted from The Startup Owner's Manual Steve Blank and Bob Dorf , K & K Ranch Inc, publisher 2012 Page 94

Customer Personas



Personas

Personas are a tool used commonly in marketing to better understand a grouping of people and key customers. Personas also make it easier for you to solve problems, as the personas can help keep you focused on key preferences, behaviours and needs of your key customers.

While personas can appear to be fictional, their composition should be based on carefully curated insights from your target customers. They should be data informed and reflect the common trends across your highly motivated customers.

Persona templates are common and can be found on platforms such as Xtensio and Canva.

Personas

User Persona Type



Trait 1 Trait 2 Trait 3 Trait 4

Goals

- A task that needs to be completed.
- A life goal to be reached.
- Or an experience to be felt.

Frustrations

- The challenges this user would like to avoid.
- An obstacle that prevents this user from achieving their goals.
- Problems with the available solutions.

Bio

The bio should be a short paragraph to describe the user journey. It should include some of their history leading up to a current use case. It may be helpful to incorporate information listed across the template and add pertinent details that may have been left out. Highlight factors of the user's personal and professional life that make this user an ideal customer of your product.

Remember - you may modify this template, remove any of the modules or add new ones for your own purpose.

Motivation

Motivation Type	Score
Incentive	High
Fear	Medium
Growth	High
Power	Medium
Social	High

Brands & Influencers

Brand / Influencer	Score
Brand A	Medium
Brand B	Low
Brand C	Medium
Brand D	Medium
Brand E	Medium

Preferred Channels

Channel	Score
Traditional Ads	Medium
Online & Social Media	High
Referral	Medium
Guerrilla Efforts & PR	Low

Persona Example:

Gina



Persona Example: Gina



Gina is a working finance professional and a parent of one child, who enjoys spending time with her family.

Due to the nature of her profession, she does not have much time to go shopping for basic needs like groceries.

Because she is organized and practical, she expects to use a simple 'one-stop shop' solution to meet her purchasing needs.

Persona Example: Gina



Basic profile for Gina:

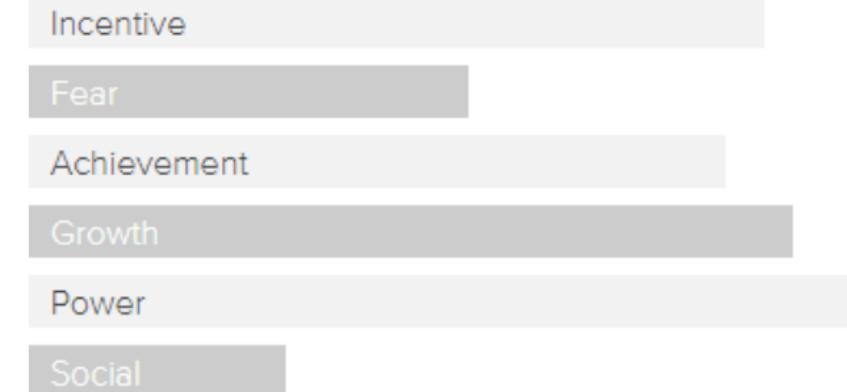
- Age 34 years
- Occupation Finance professional
- Marital Status Married
- Lives Thornbury
- Name for the archetype Working parent

Persona Example: Gina

Her motivations can be profiled under categories such as:

- Incentive
- Fear
- Achievement
- Growth
- Power
- Social

Motivations



We can see Gina has higher motivations around incentives, achievement, personal growth and power when compared to other such as fear and social motivations.

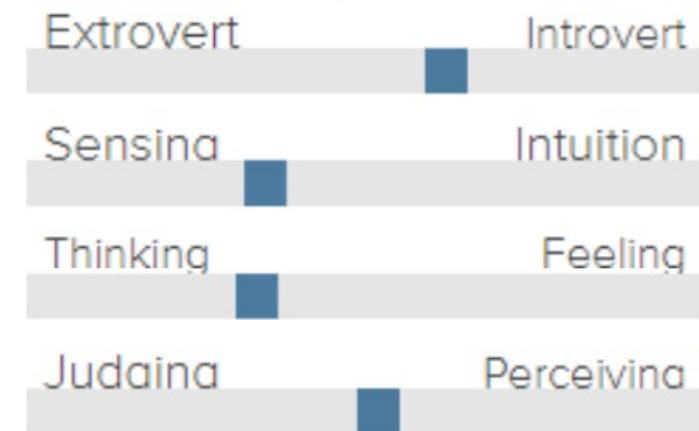
Persona Example: Gina

Personality types

- Extroverts/Introverts
- Sensing/Intuition
- Thinking/Feeling
- Judging/Perceiving

Her personality type leans towards introverted, with higher sensing and thinking. She sits in the middle of the spectrum on judging and perceiving.

Personality



Persona Example: Gina

Comfort with technology

We could also profile Gina's comfort with technology, perhaps asking her questions about how frequently she uses tools or whether she is comfortable undertaking certain technology-related tasks.

Brands

We can profile Gina's preferences for certain brands and products.

Goals

We can seek to better understand how Gina wishes to spend her time, and what is most important to her.

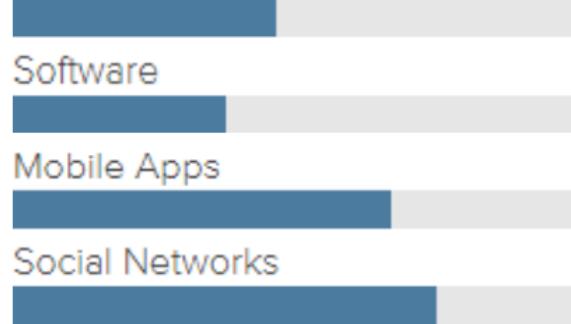
Technology

IT & Internet

Software

Mobile Apps

Social Networks



Applying Persona Insights

These insights around Gina are a way to summarise a group of potential customers. We could conclude these personas show motivated customers with the following profile:

- Prefers to finish shopping before week starts
- Prefers to finish the shopping quickly in a few clicks/taps
- Prefers bulk purchases for items with long shelf life.
- Keep buying repeats of certain items.

Frustrations

We can also summarise their frustrations. Perhaps these might be:

- Does not have time to go shopping.
- Wants to spend as much time with family as possible
- Existing solutions only cater to certain needs and she has to use various solutions to do all the needed purchases
- She is looking for one solution to take care of every basic home shopping need so that she can spend more time on things she cares about.

Customer Journey Map



What is a Customer Journey Map?

Customer Journey Maps go by different names, such as customer experience maps, journey maps, and touch point maps.

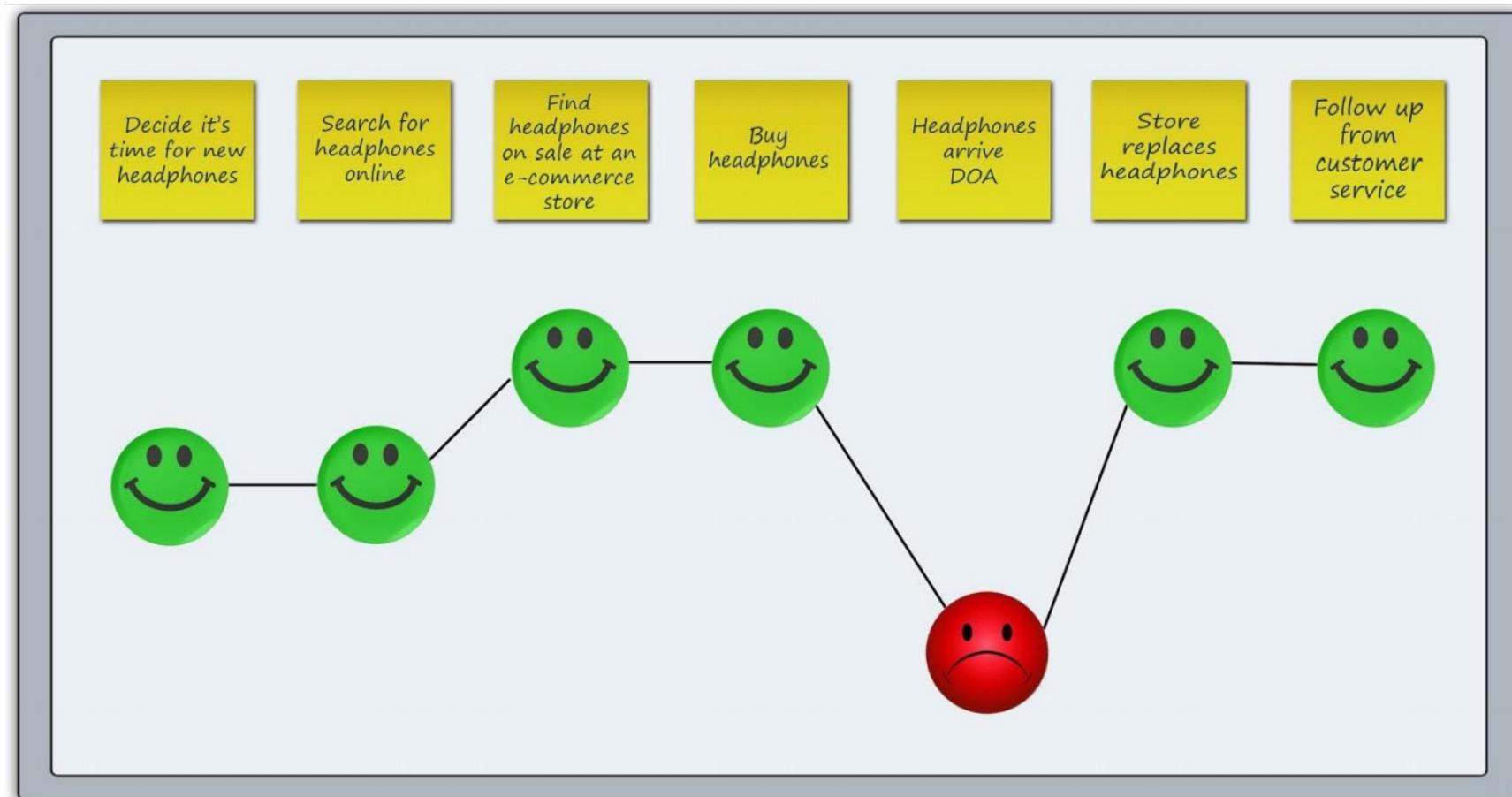
Journey maps serve as a visual means to identify the steps your customer goes through as they experience your product or services.

Customer Journey Maps chart your customer's experience and help you target improvements with the greatest return.

By identifying the steps in your customer experience with the greatest impact, your journey map becomes a centrepiece of your customer experience planning process

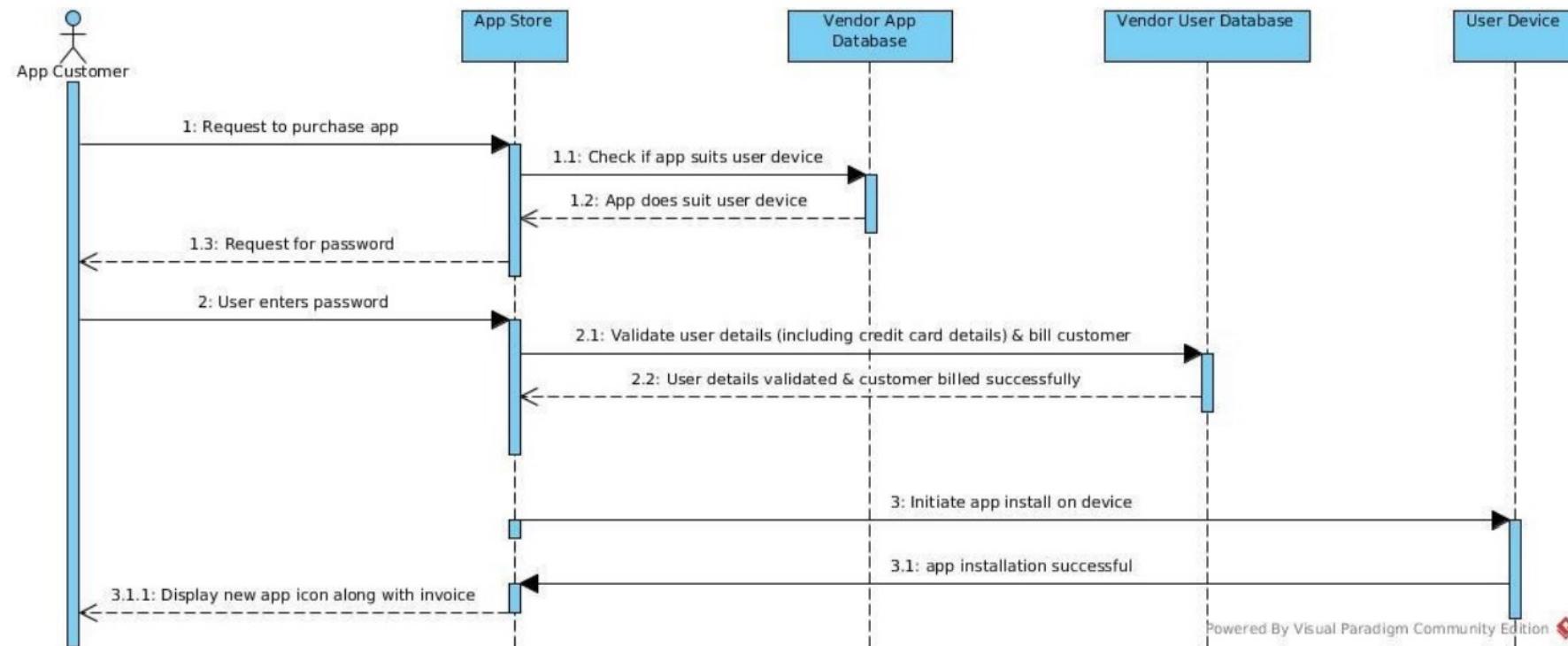
What is a Customer Journey Map?

Traffic light version

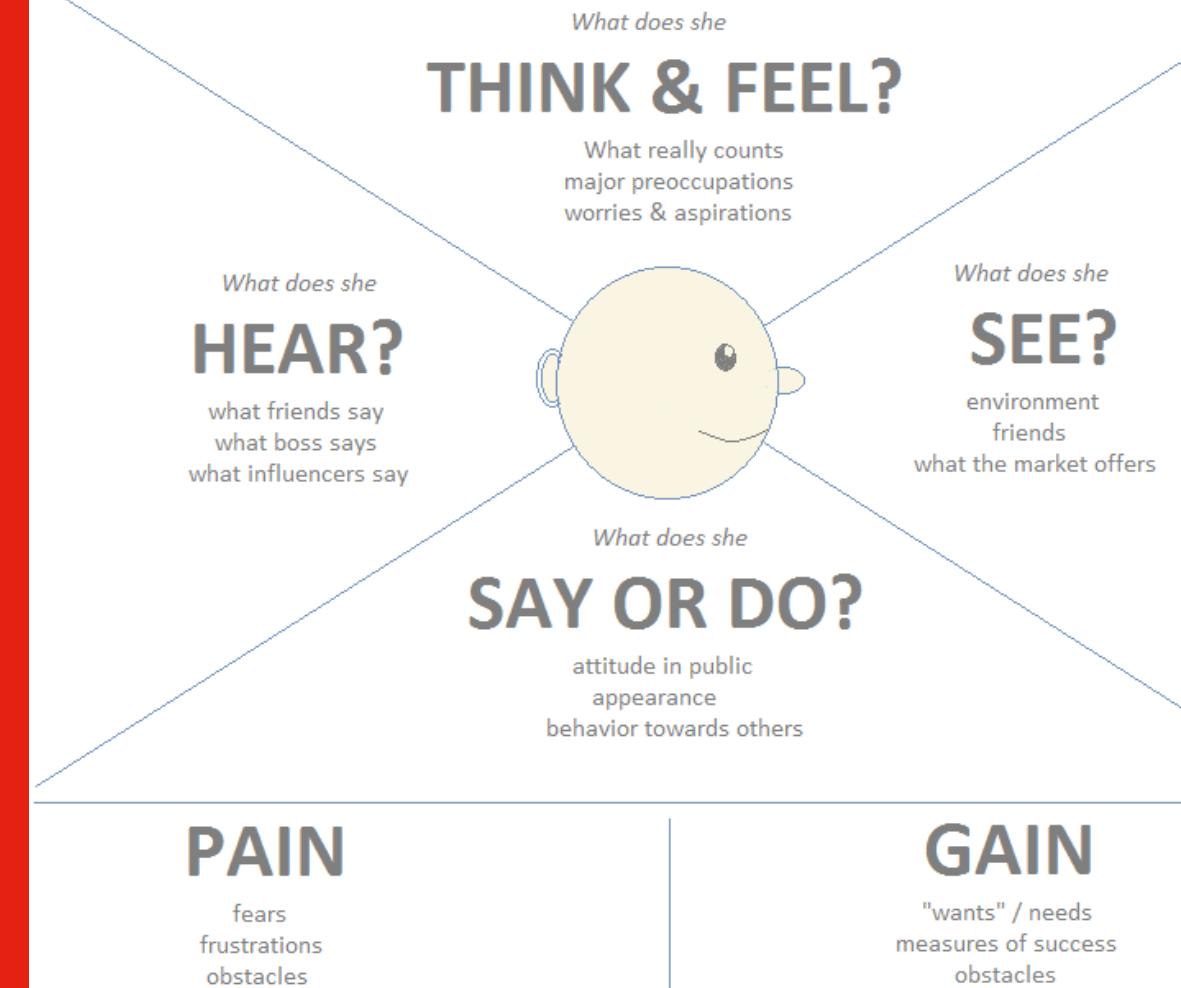


What is a Customer Journey Map?

Sequence diagram using Visual Paradigm



Empathy Maps



Empathy Maps

Empathy maps are tools that help capture the perspectives of your customers.

They are a helpful process to get you thinking beyond the solution from your own perspective, and encourages you to ***put yourself in their shoes***.

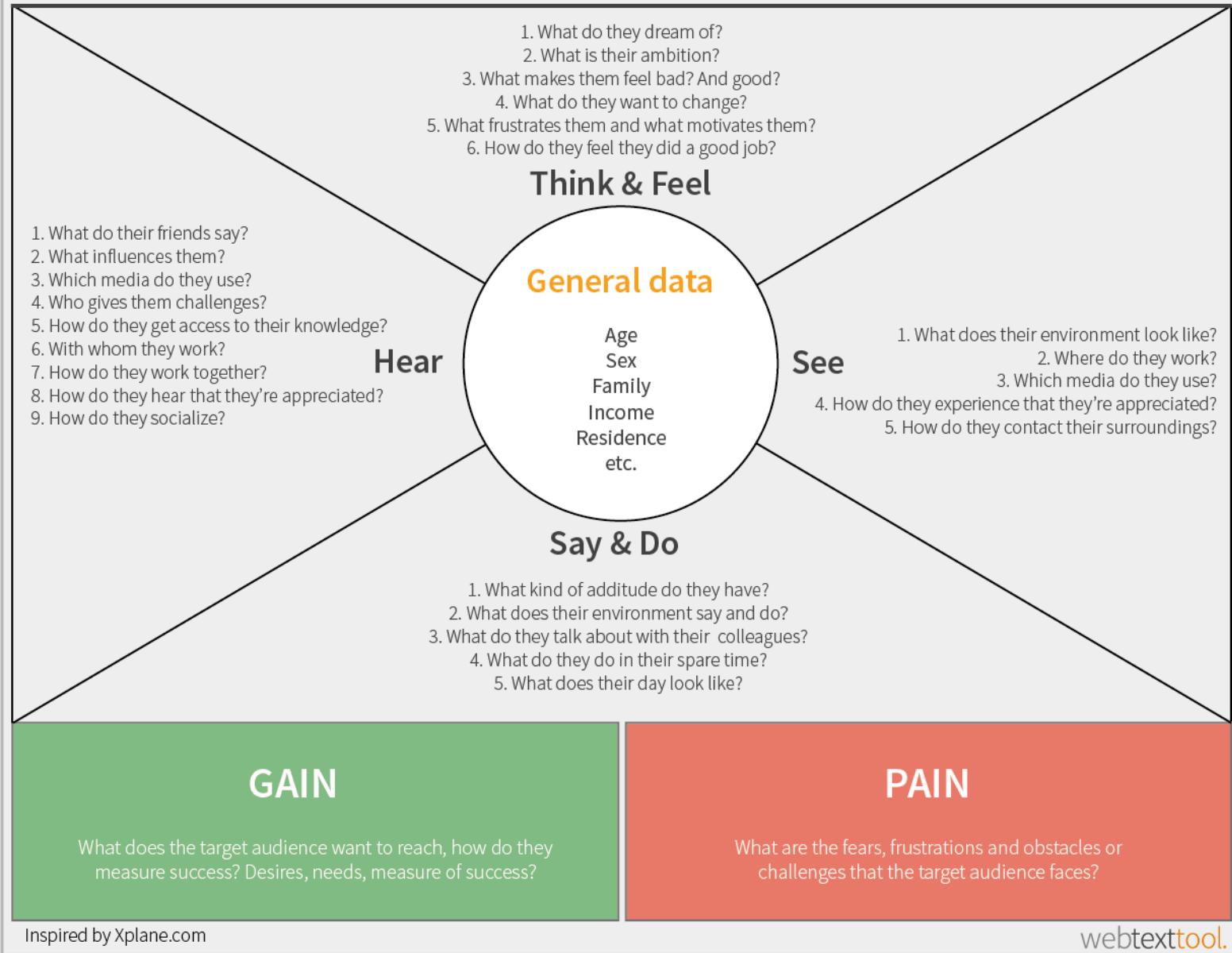
There are a variety of empathy map templates, but the most common ones encourage you to capture:

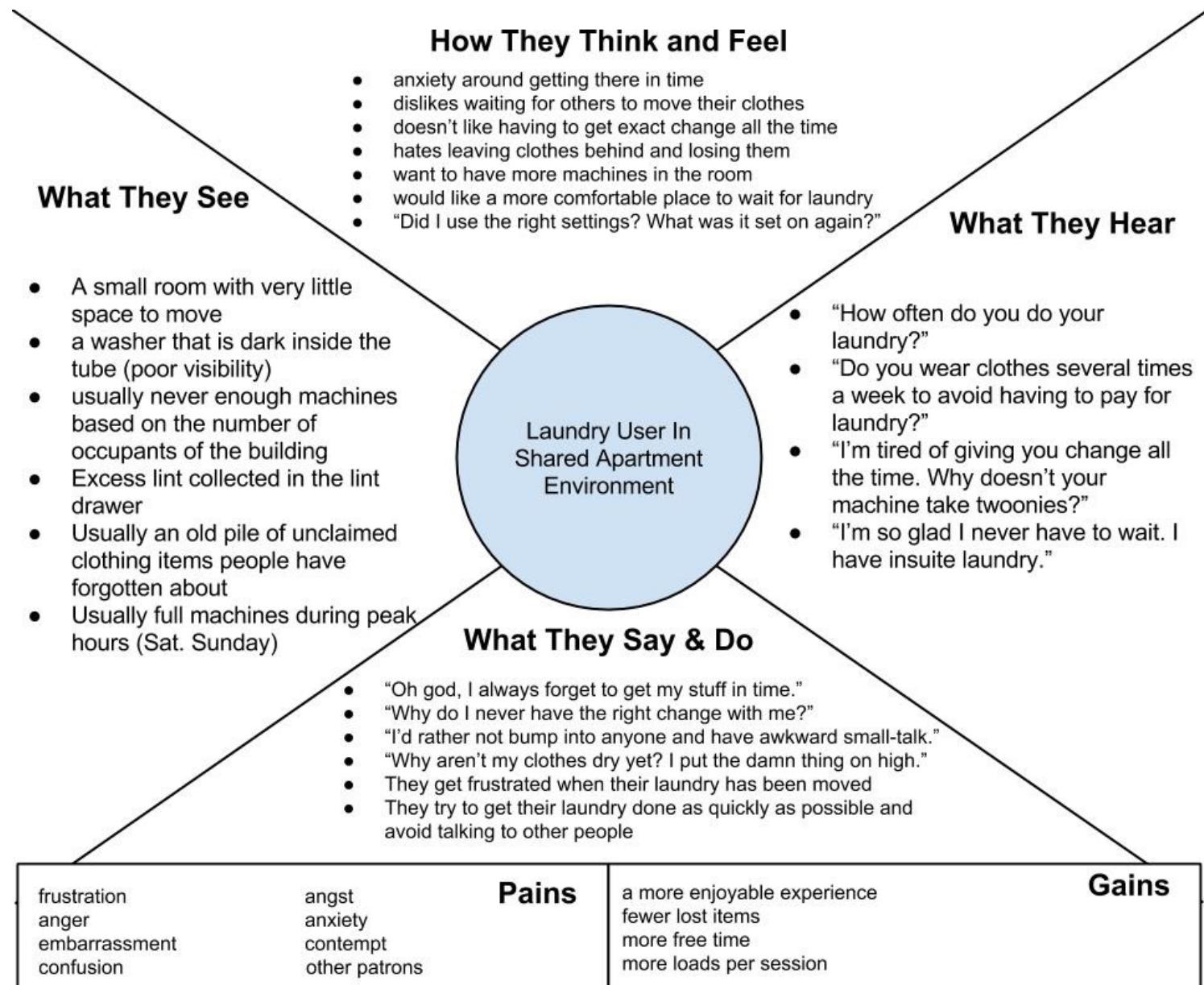
- How does your customer think and feel?
- What does your customer hear?
- What do they say and do?
- What do they see?

From this, you can summarise their **pains** as well as identify **potential gains** through the development of the right solution.

The Empathy Map

Map your target audience properly





**How do I get
Customer insights?**



Collecting insights

How can you collect insights to form personas for your earlyvangelists and key customer segments?

1. Go out and speak with people who you believe represent earlyvangelists.
2. Ask them about the problem they are experiencing with doing something.
3. Ask them what are the most frustrating things about the problem.
4. Ask them what they do like about the existing process.
5. Listen carefully to what they are saying. Are they trying to solve this problem on their own? How are they doing this?
6. Ask them what they would need in an ideal world with no barriers such as tech or money.

A word on surveys

Maurya (2012) does not recommend the use of surveys during the process of understanding the problem for the potential customer and earlyvangelists.

Surveys typically limit the amount of insights you can receive. They also contain bias from your survey design – you may already have a solution in mind and so your questions may focus around this. This is dangerous as it

- a) leads to confirmation bias, and
- b) doesn't truly allow you to understand the real problem and the key insights around a solution that the customer is really looking for.

There remains a small role for surveys, particularly in the testing of your concept. However, these should be used with caution, and a review of your question wording is required to ensure you are minimising bias in your survey design.

Summarising the problem

After speaking with members of the earlyvangelists, Maurya (2012) recommends the following:

1. List the top one to three problems.

- Do not attempt to solve ALL the problems of your key customer segment. Narrowing the number of problems to one of three core problems helps to ensure you focus on solving these well.

2. Consider and capture alternatives

- Document how earlyvangelists are trying to solve their problems. These might be a competitor's product or solution, or perhaps clunky workarounds that the earlyvangelists have attempted to implement themselves.

3. Consider the other interactions of the customer

- As the earlyvangelists attempt to solve their problems, consider who else they interact with

4. From these insights, narrow your customer segment, and your earlyvangelist, further.

- From your group of potential customers keen to see their problem solved, there will be some that are more motivated than others. Consider these motivations and refine your earlyvangelists to reflect your insights.

(Maurya 2012 p27)

Value Propositions

In the last lecture we briefly covered Value Propositions. To recap:

The value proposition is a summary of the benefits ('value') your products and services bring to your specific customer segments.

Your products and services **must create value** for customers.

What is the **value** that you are bringing for someone?

- Are you providing a solution for something that has been causing huge frustrations, or pain, or costs?
- Are you providing convenience? Are you making life easier? Are you helping someone to save time (or energy)?
- Are you providing safety, security, or peace of mind for something (or someone) that you love?
- Are you providing joy, fun, happiness?

Activity: what is the *real* value?

YOUR PRODUCT: A SECURITY CAMERA



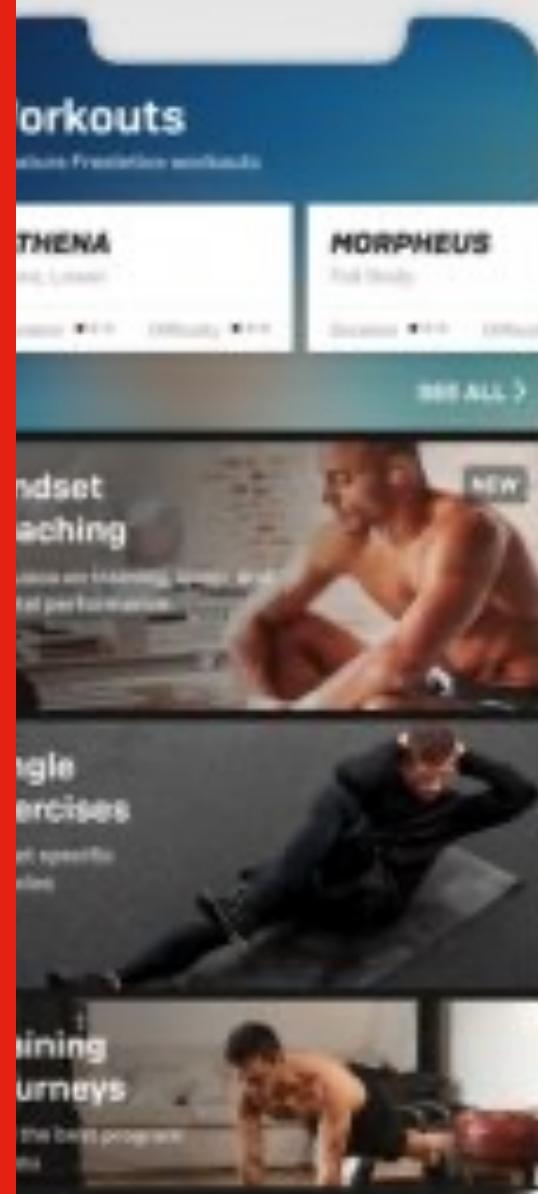
What is the *real* value?

You sell:	Security Cameras
What the customer is really buying:	Peace of mind
What the customer believes in:	Security
What the customer really wants:	Safety

Activity: what is the *real* value?

YOUR PRODUCT: A FITNESS APP

YOUR GOALS,
YOUR TRAINING



CHOOSE YOUR
PLAN



6 weeks
15 MINUTE FITNESS
Cardio • • • Muscle • • •

What to know

- Equipment optional
- 10-15 min/session - You choose days/week

What to expect

BODYWEIGHT ONLY HIGH INTENSITY
FULL BODY EXERCISES

Start your Training Journey

What is the *real* value?

You sell:	Fitness programs
What the customer is really buying:	Motivation to exercise
What the customer believes in:	Health
What the customer really wants:	Self improvement

Thank you