Customer Discovery
23rd Sep 2024, Session 14

Starting Point for Project Teams

Elevator Pitch

An elevator pitch is a short introduction that you can use to introduce yourself, share a key point or two, and make a connection with someone. It's called an elevator pitch because it takes about the same amount of time as an elevator ride.

1. Brand
2. Customer Segment
3. Problem
4. Solution
5. Competitors
6. Distinctive Attributes

[name of the product or service] helps [customer segment] solve [problem] by [solution] that is better than [competitors] because [distinguishing attributes].
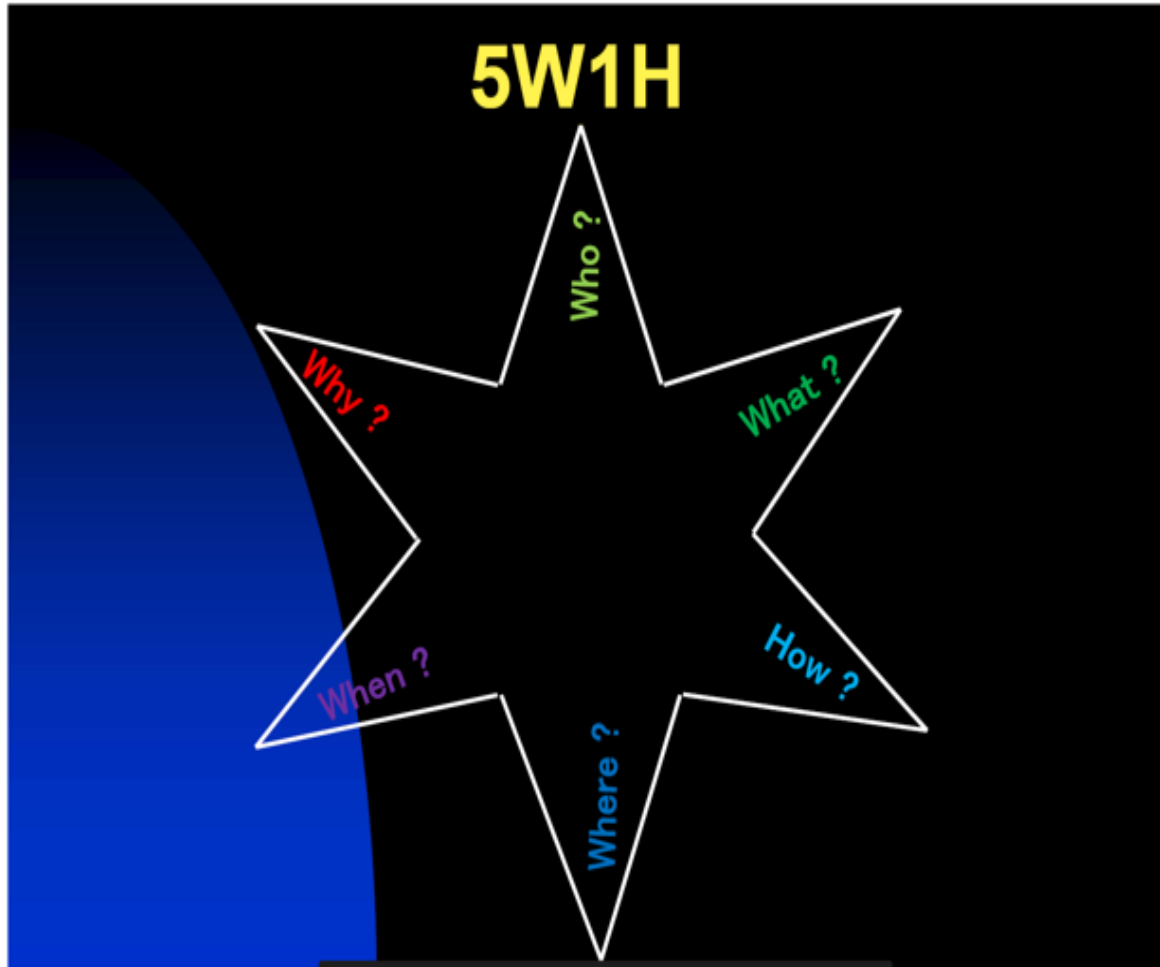
Example: Nespresso helps expresso-lovers solve having to go out of the office to get an expresso by providing a way to have expresso in the office that is better than coffee-shops because its easy to make and tastes better.
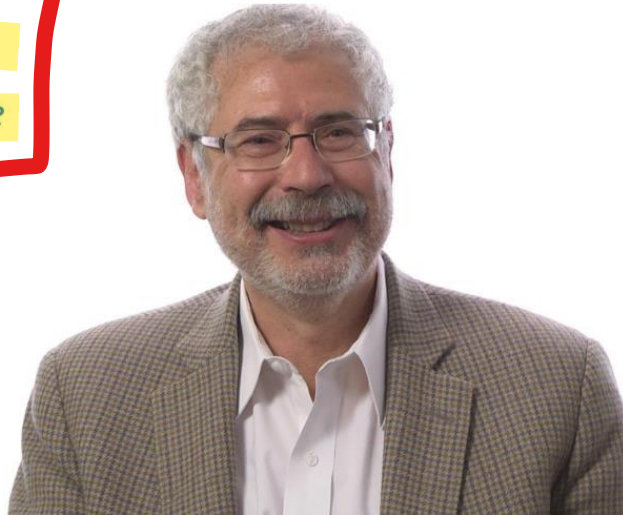
The 5 Whys method of getting a solution for a problem!

Credit : Anand Kusre

Steve Blank

Startups don't fail because they lack a product; they fail because they lack customers and a profitable business model.

"If I had an hour to solve a problem I'd spend 55 minutes thinking about the problem and 5 minutes thinking about solutions."

Albert Einstein

Who

Potential Customers, suppliers, partners

Earlyvangelists

~ 100
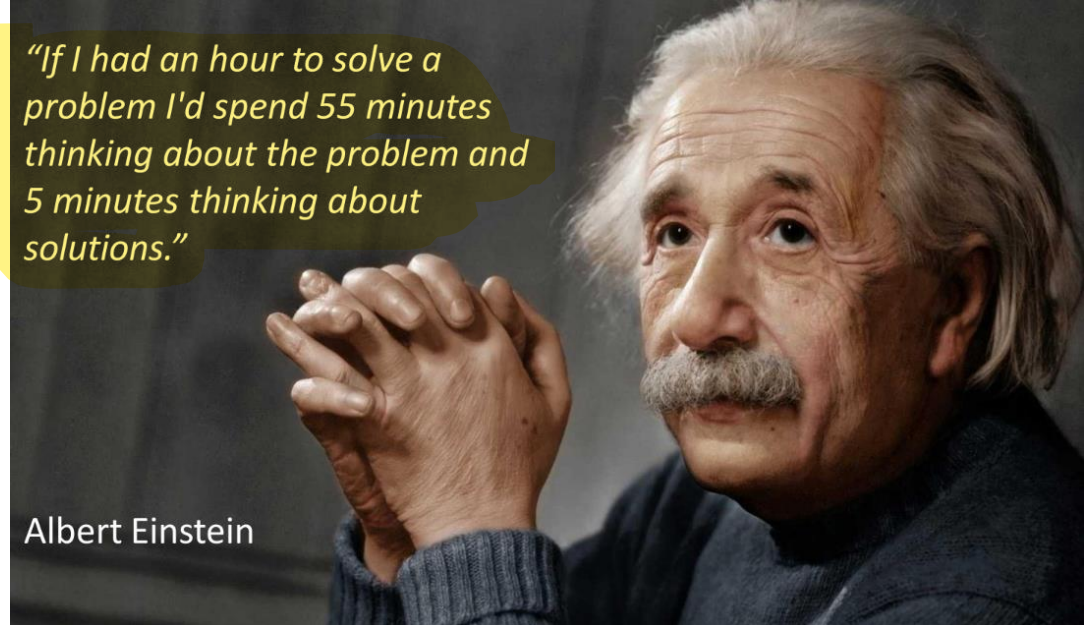
a special breed of customers willing to take a risk on your startup's product or service because they can actually envision its potential to solve a critical and immediate problem

What

Testing hypotheses

Be goal-directed

Development of MVP

How

Networks & references

Use questionnaire / discussion guides

Record and learn

Adaptive Interviews
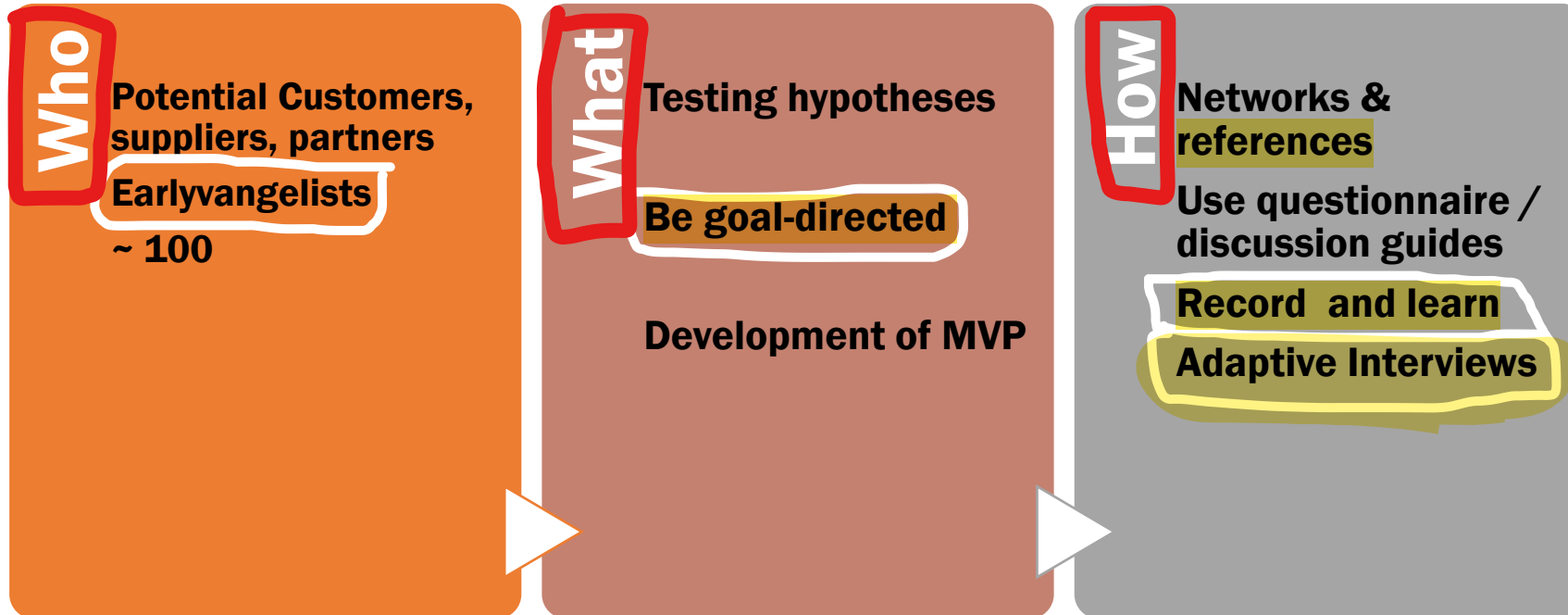
Interview as Entrepreneurs, not census workers

Interview Process

| 1.Define Sample Size | → | 2.Select Hypothesis | → | 3.Define Validation Metrics | → | 4.Create Script |

| 8.Analyze Results | ← | 7.Document the Interview | ← | 6.Make Interviews | ← | 5.Schedule Interviews |
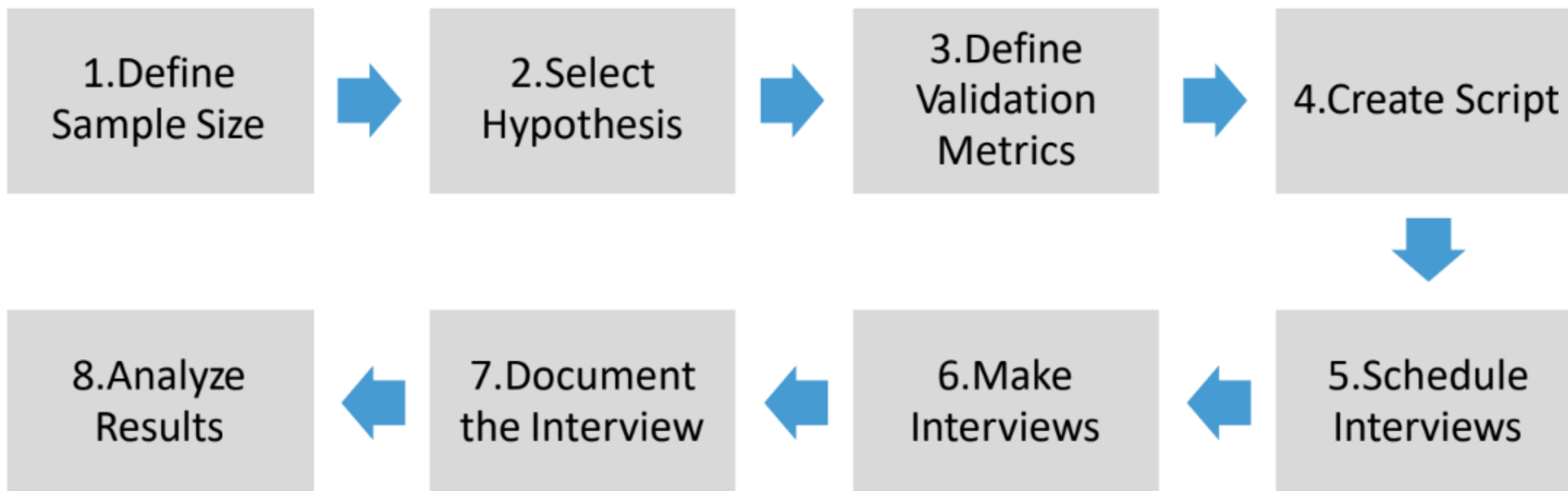
Step 1: Define Customer Sample Size

- Who are your most important customers ?

- Who influences ? Who decides ? Who uses ?

- Group customers by segments

  - Demographic

  - Geographic

  - Psychographic / Lifestyle

- Decide which segments you will "DISCOVER" and sample sizes (how many customers will you meet for each segment)

- You must start with Qualitative Interviews, you can then move to Surveys

Early Evangelist

5. Has or Can Acquire a Budget

4. Has Put Together a Solution out of Piece Parts

Why are these parts necessary?

3. Has Been Actively Looking for a Solution

2. Is Aware of Having a Problem

1. Has a Problem

Examples of criteria B2C

Demographics
- Age
- Salary
- Status
- Education
- Family Size
- Gender
- Occupation

Psychographics
- Preferred brands
- Price sensibility
- Hobbies
- Lifestyle
- Information sources
- Sensibility to trends
- Influenceability
- Social relationship

Examples of criteria B2B

Demographics
- Sales
- Number of employees
- Industry
- Number of locations
- Business age
- Served markets
- Products/Services
- Position
- Experience level

Psychographic
- Change aversion
- Diversification
- Openness/Rigidity
- Growth
- Technology
- Professionalism
- Risk aversion
- Dynamism

You will get a chance to experience all of it, but for now, it's all just for gazing.

Hypothesis 1-5

- I believe that [customer segment] has this [problem]

- I believe that [customer segment] thinks [solution] solves this [problem]

- I believe that [customer segment] will use this [channel]

- I believe that [customer segment] will pay for this [solution]

- I believe that [customer segment] will pay this [price] for this [solution]

A prototyping type of questionnaire is a survey that helps gather feedback from users about a product prototype

A crowdfunding questionnaire may ask questions about what makes someone invest in a project, what would make them continue to use a platform, and what minimum information is needed to decide to invest in a business.

A landing page questionnaire is a list of questions used to collect information from visitors to a landing page.

A/B testing—also called split testing or bucket testing— compares the performance of two versions of content to see which one appeals more to visitors/viewers

TYPES OF TESTS:

- Interviews
- Surveys/forms/pools
- AdWords
- Landing Page
- A/B Testing

- Prototyping
- Crowdfunding Platforms
- Wizard of Oz
- e-Shop/Pre-sales

The Wizard of Oz method is a user research method that allows users to interact with a mock interface as if it were a real product, while a person behind the scenes controls the responses

1. Problem
2. Solution
3. Channel
4. Price

VALIDATION BOARD

COMPONENTS Select the components of the business model impacted with the hypothesis being tested	HYPOTHESIS 1
HYPOTHESIS Identify the hypothesis being tested	
TARGET GROUP Define the target group of the experience	
TEST Define the experience to test the hypothesis	
VALIDATION CRITERIA Define the value from which the hypothesis is considered validated	
TEST TIME Define for how long the test is going to run	
RESULTS Document the test main results	FILL IN AFTER CONDUCTING THE TEST
LEARNINGS Document the main learnings of this test	
DECISION Write down your decision based on the results and learnings (validated, invalidated, to validate)	

- **What all can be tested ?**

  - **Problem – Pain Areas & Needs**

  - **Customer Segment & Persona**

  - **Solution Design / Value Proposition**

    - **Features / Benefits**

    - **Preferences & Priorities**

    - **Willingness to pay / Price**

Step 3. Metrics for Validation

Test Card — Strategyzer

Pricing #VPDesign Course

Natasha

STEP 1: HYPOTHESIS
We believe that people are willing to pay $500.- for a self-service online #VPDesign course

STEP 2: TEST
To verify that, we will simulate the sales of the online course on our website

STEP 3: METRIC
And measure how many of the visitors coming to the website will convert to buyers

STEP 4: CRITERIA
We are right if

- **Validation Metrics**
  - **Y% are interested**
  - **X% agree**
  - **Z% contribute to building on your idea**

- **It's about THEIR problem.**
  - Do NOT talk about your product.
  - It is NOT about the solution. It is about their problem.

- **Do NOT talk about YOUR opinions.**
  - Ask one question and let the customer talk about multiple points.
  - Encourage going off point. Let the conversation go on tangents.

- **Create an environment where they are comfortable talking**
  - Do not make it too formal.
  - Make them feel valuable. Show genuine interest in their opinion.
  - Do NOT react negatively to feedback

- **Do NOT force the conversation**
  - Guide them to the conversation.
  - "That's interesting. Tell me more."
  - 5 Whys: What, Why, Who, When and Where.

Credit : Milind Kopikare

Step 4 : Ground Rules for Customer Interviews

- Explore customer pains and gains with Fresh Ears

- Listen more than you talk

- Look for non-verbal cues

- Ask Why's. A set of Why's.

- You are not there to sell, you are there for Learning

- Do not jump to your solution eg our prototype does this

- Cut short failed interviews

- Follow up, seek permission, send a thank you message

- Keep doors open

- **Ask open ended questions:**
  - Answers should not be a simple yes or no.
  - E.g: Do you use a CX product? v/s How do you manage the customer experience?
- **Do NOT ask binary questions**
- **Do NOT ask hypothetical questions:**
  - If you were a product manager, what would you do about CX?
  - **Reason is people get overly fictitious and imaginative without any grounding to reality**
- **Do NOT ask leading questions:**
  - "If you could increase your CX NPS by 10%, would you be interested?"

a question that prompts or encourages the answer wanted

- **How are you currently dealing with the task / problem**

- **What do you wish you could do ? What is the outcome you would like to achieve ?**

- **What is the approach you have been trying towards the result they want ?**

- **Can you tell us what <mark>the interfering factors</mark> are ?**

- **What are the consequences of these factors ? Economic consequences**

- **Share Approach and continue to listen intently**

- **Our approach is this…**

- **We think it can enable..**

- **What do you think could be the benefits ? What do you think could be some fallouts / side effects ?**

- **How well does it solve your problem ?**

- **How much do you think this solution is worth paying for ?**

Interviewing Potential Customers

Demographic Aspects
- Age and gender
- Education level
- Profession and main responsibilities
- Residential area
- Household size and income

Psychographic Aspects
- What are your main interests and hobbies?
- What is your opinion about [selected trend and key challenge]?

Problem Exploration
- Could you please describe the last time that you used [your innovative service/product's substitute/alternative]?
- What are the top three challenges that you encounter when [handling the pain your innovative service/product targets}?
- How have you dealt with these challenges so far?
- If you could dream about the perfect solution for this, how would that dream be?

Buying Pattern
- Do you ever invest in [your innovative service/product]?
- Who in your household makes this sort of buying decisions
- Where do you go when you are looking to [solve the pain your innovative service/product solve]?
- How often do you purchase [existing services/products related to your innovative service/product]?
- How long does it take you to make that buying decision?
- What is your typical budget for [your innovative service/product]?
- How far would you travel to make this purchase?

Benefit Aspects
- What features do you look for when you purchase [existing services/products related to your innovative service/product]?
- What specific benefits do you look for in [existing services/products related to your innovative service/product]?
- What problems motivate you to purchase [existing services/products related to your innovative service/product]?
- How do you hope [existing services/products related to your innovative service/product] will make your life better?

Follow-Up
Thank you for your time, this was incredibly helpful. As we continue to iterate on this solution would you be open to continue working with us?

- **Base Expectation : ==Professionalism==**

- **How to find customers**

  - **Friends & Family**

  - **Linked in, Alumni Networks – Name dropping is good**

  - **Associations, Directories**

- **Interview in groups of 2 the first time**

Example Source of Information: Interviews – Overcome the Fear

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AND ENGINEERING

- Prepare
  - Target interviewees
  - Land meetings / phone calls
  - Develop interview guide
- Execute
  - 2-on-1 for important face-to-face meetings?
  - Good experience for interviewee
  - Achieve goals of interview – different for different stages
- Follow Up
  - ✔ Thank you
  - ✔ Future meetings
  - ✔ Other targets

How do I Get to Talk With Folks?

- LinkedIn
- Social networks
- Alumni networks
- Relentless pursuit – "name names"
- Salesperson's approach
- Associations – Directory of Associations
- Email lists

- Cold calling potential customers works; but has low probability.

- Be short: 4 to 7 lines of email/LinkedIn

- Be valuable: Not a robot/mass email. Connect to some event/context

- **Be valuable**: Why should they spend time talking to you?

- **Make sure you tell them you are not from sales.**

- <u>Make them feel special.</u> You want to understand **them** and solve **their** problems.

Credit : Milind Kopikare

Tools

PROBLEMS: INTERVIEW RESULTS

NAME OF THE IDEA ....#.......................

CONTACT INFORMATION
NAME..
DATE...........................TELEPHONE...................
E-MAIL..

TOP PROBLEMS:
1. ....
2. ....
3. ....
4 ....
5. ....

OTHER IDENTIFIED PROBLEMS:
1. ....
2. ....
3. ....
4. ....
5. ....

ADDITIONAL INFORMATION:
....
....
....

DEMOGRAPHICS: FOLLOW-UP AVAILABILITY:
GENDER___ AGE   YES ( )   NO ( )
_____OTHER   ALTERNATIVE CONTACT INFORMATION:

SOLUTIONS: INTERVIEW RESULTS

NAME OF THE IDEA ....#.......................

CONTACT INFORMATION
NAME..
DATE...........................TELEPHONE...................
E-MAIL..

TOP SOLUTIONS:
1. ....
2. ....
3. ....
4 ....
5. ....

ALTERNATIVE SOLUTIONS:
1. ....
2. ....
3. ....
4. ....
5. ....

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GENDER___ AGE   YES ( )   NO ( )
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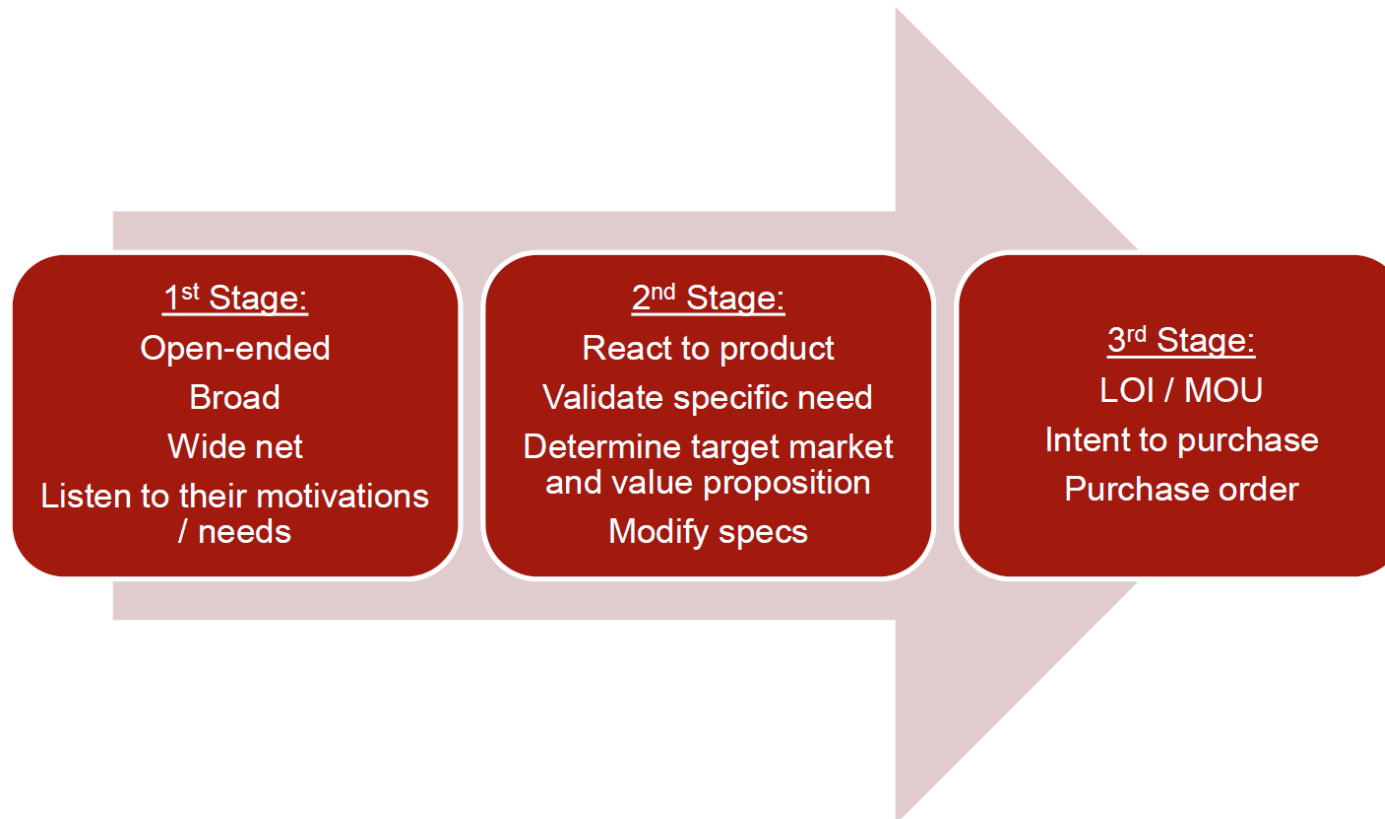# Confirmed Understanding or Gained New Insight ?

VALIDATION BOARD

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Interviews – Pacing

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1st Stage:

Open-ended

Broad

Wide net

Listen to their motivations / needs

2nd Stage:

React to product

Validate specific need

Determine target market and value proposition

Modify specs

3rd Stage:

LOI / MOU

Intent to purchase

Purchase order

LOI : Letter of Intent

MOU : Memorandum of Understanding

Survey Considerations

- Survey development process
- Sample considerations (size, bias)
- Method of surveying
- Level of detail
- Quantitative vs. qualitiative
- Sources of survey information
- How to present / report
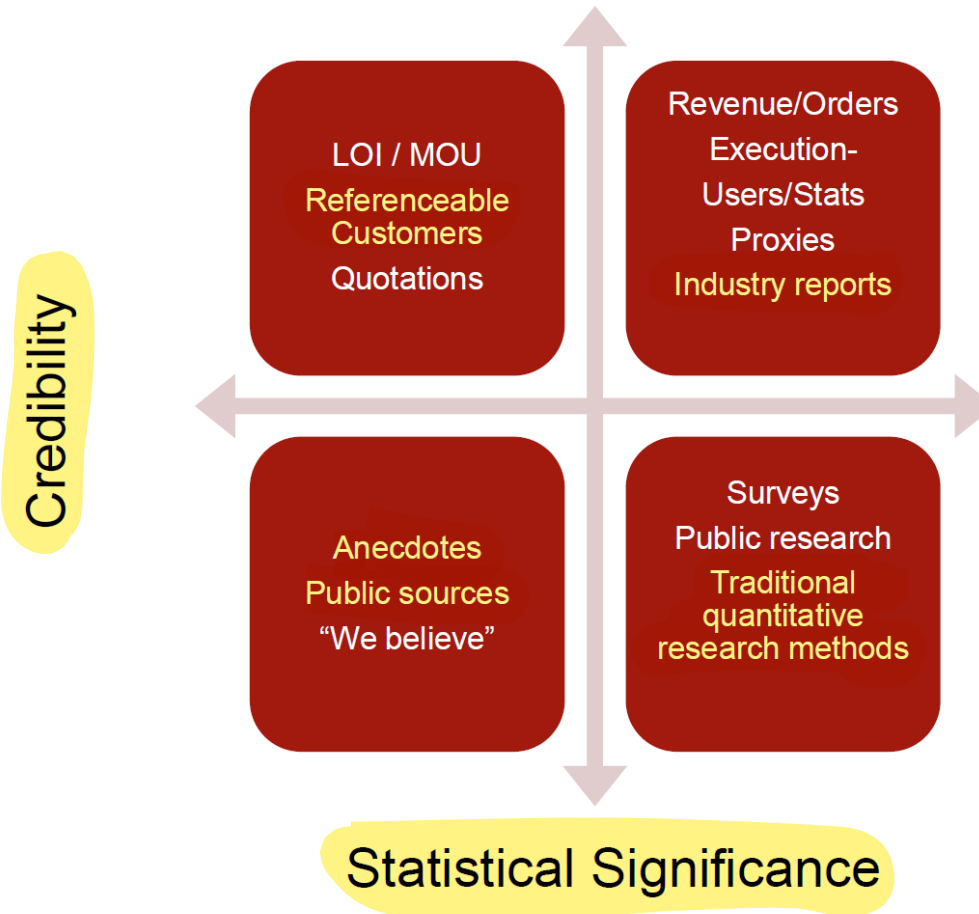
Other Sources of Information

- **Competitor Websites**

- **Census and other Government data**

- Published industry reports and trade publications

- Networks

- Conferences – rich source of expert understanding

Syndicated information is a collection of data that's gathered from various sources and sold to businesses

Referred to as Syndicated Information

What does Customer Discovery result in

- Get to Problem Solution Fit via Customer Discovery

- Discover before you build your product

- Understand your market through customer discovery

  a very typical example of a certain person or thing

- <mark>Develop customer archetypes – Burning Need customer</mark>

- Understand the insights that drive the need and build into your solution
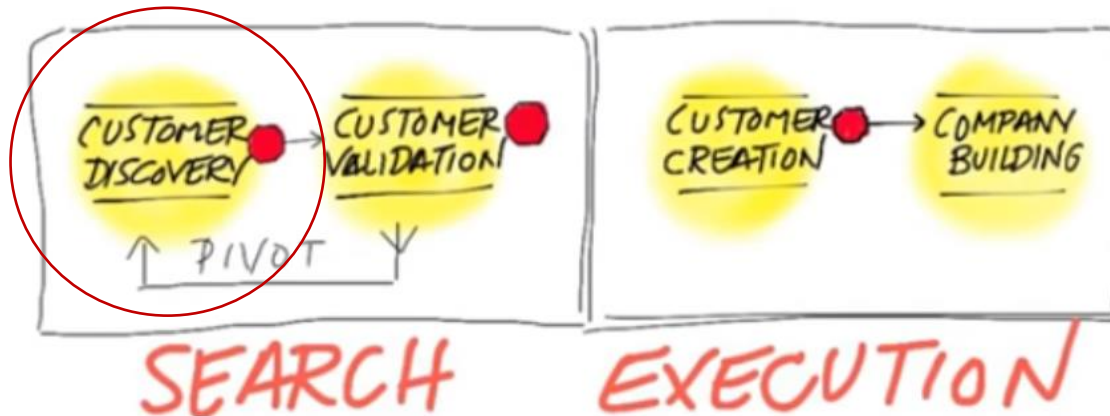
- Start Building an MVP (Minimum Viable Product) that solves a critical need

- Ask for an order, and that's Customer Validation

Expected at Customer Discovery Presentation / Viva

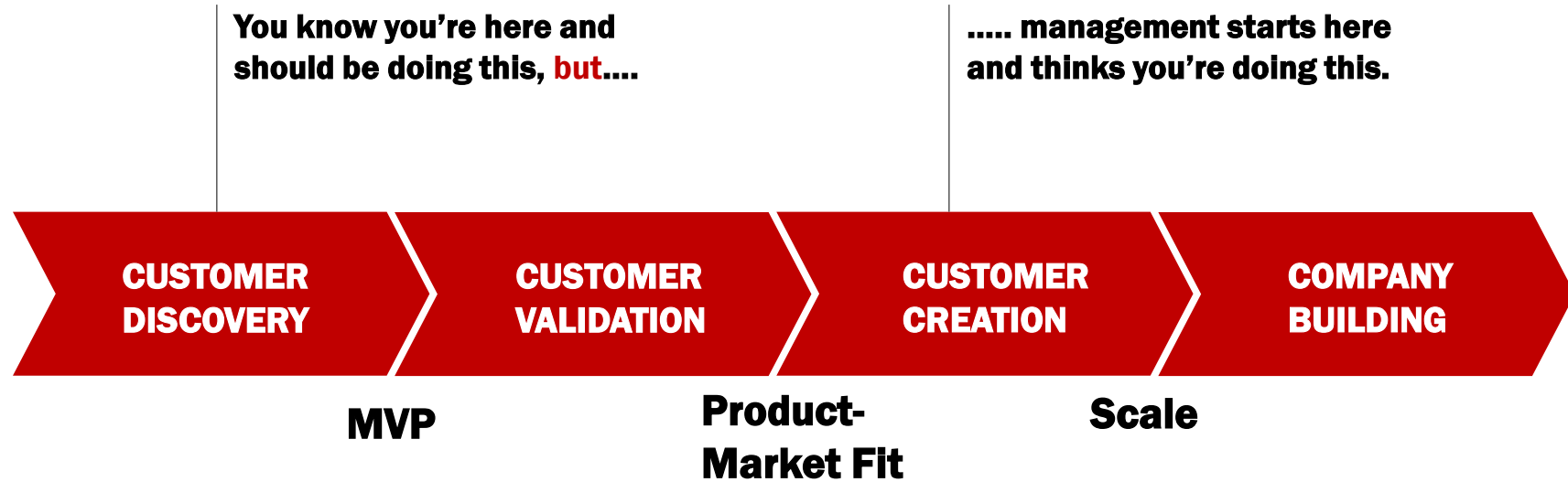- **Documents created**

  - **Hypotheses**

  - **Script / Questionnaire**

  - **Journal of interview reports**

  - **Analysis**

- **Presentation Deck**

  - **Problem**

  - **Customer Segment**

  - **Customer Value Proposition**

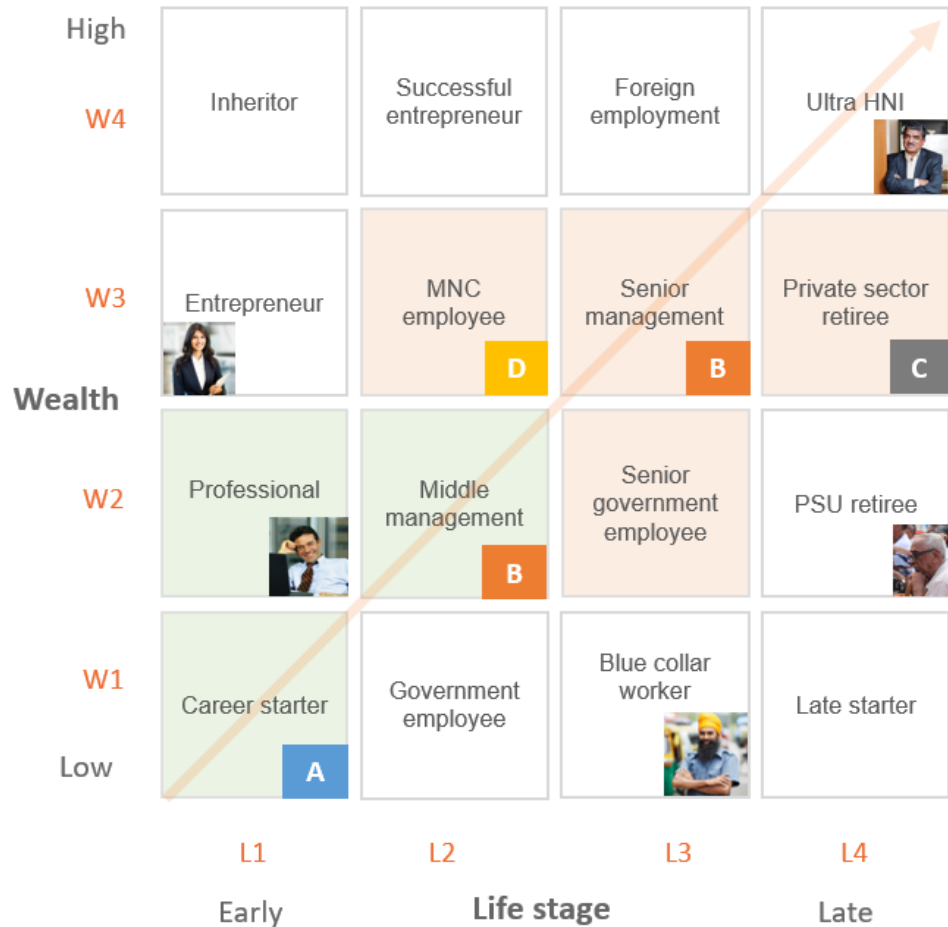 - **Revenue Model**

  - **Product / Solution Details**

19 & 20 Oct
Online

Phases of Developing a Business

You know you're here and should be doing this, but....

..... management starts here and thinks you're doing this.

| CUSTOMER DISCOVERY | CUSTOMER VALIDATION | CUSTOMER CREATION | COMPANY BUILDING |

MVP

Product-Market Fit

Scale

	CUSTOMER DISCOVERY	CUSTOMER VALIDATION	CUSTOMER CREATION	COMPANY BUILDING
PIVOTAL ASSUMPTIONS	Nascent	Test, revise, test	Validated – now tactical	Validated – now tactical
PRODUCT	N/A	MVP	Focus: efficiency, extension	What would a start-up do?
ORGANIZATION	Founders	Customer development team	Full functional organization	Scalable organization
PARTNERS, CHANNELS	Probably too Soon	Probably too soon	Yeah, maybe?	Yeah, definitely!

Credit : Salil Donde

Customer Segmentation & Personas : A Reference

Wealth (vertical axis): High, W4, W3, W2, W1, Low

	L1	L2	L3	L4
W4 (High)	Inheritor	Successful entrepreneur	Foreign employment	Ultra HNI
W3	Entrepreneur	MNC employee **D**	Senior management **B**	Private sector retiree **C**
W2	Professional	Middle management **B**	Senior government employee	PSU retiree
W1 (Low)	Career starter **A**	Government employee	Blue collar worker	Late starter

Life stage (horizontal axis): L1 (Early), L2, L3, L4 (Late)

[Confidential]

Imagineers

24 – 28 years

1st jobbers/ businessmen

Mix of single, married and unmarried

Living with parents

Life-stage Characteristic

Happy to take on responsibility but not at the cost of freedom, indulgences and lifestyle

Urban Warriors

29-35 years

Mid to Senior Level employees and businessmen

Married with young kids (3-5 years)

Mix of joint families and nuclear households

Life-stage Characteristic

Starting a family has added pressure on them to achieve personal as well as their family's aspiration

Providers

35-46 years

Mid to Senior Level Executives and experienced businessmen

Married with older kids (10-12 years)

Nuclear households, some joint families

Life-stage Characteristic

Juggle funds – so as not to be dependent on a single income. Increased Savings and Contingency funds

Silvers

50-60 years

Senior Level Executives and established businessmen/ approaching retirement

Kids either in college or even older, left home/living abroad.

Nuclear households, self and spouse mostly

Life-stage Characteristic

Save for a well stocked contingency fund. Final goal is to create more wealth. Take risks within reach & averse to taking loans

Queen Bees

25-35 year old Women

Working - mix of salaried and business-women

All Married, some with young kids

Life-stage Characteristic

Savings for her future needs and requirements and for her children. Women trade less often. Seek help from husband