

Customer Development: Primary and secondary research techniques

MARCH 2017

I. SECONDARY RESEARCH

There is no substitute for engaging with actual / potential customers

- Primary data – data collected for your specific proposed venture – is key, and there are different methods of collecting primary data, depending on the stage you are at, in the customer development process.
- The purpose of any form of customer engagement is to elicit new insights and to challenge preconceptions – not to simply seek information that confirms current assumptions
- A “day in your life” is a good way of testing if your solution has an actual impact. Taking customers through their day before and after the proposed product, to expose the expected benefits of the new product.
- Another approach is to ask customers to compare two alternatives and to reflect on what they value about each of them.
- Ultimately though, focus groups, surveys and customer interviews all face a challenge in that they have a limited ability to identify new problems and solutions

**If I had asked my customers what they wanted, they'd have said a faster horse
~ Henry Ford of Ford Motors**

1. A focus group

- A small group of people from the target market are brought together in a room to discuss the problem or proposed product.
- This discussion can be led by someone from the venture team, or a professionally hired moderator (who may elicit more honest feedback due to their detachment from the business idea)
- The overall goal is to obtain honest feedback from a group that is representative of the intended market.

Conducting a focus group

1. **State your goals:** Since focus groups typically last about two hours, which isn't much time, it's important to narrowly focus your goals. What do you want to learn? For example, you might assess a prototype of your product, your prospective business name and branding, your product packaging or your pricing. It's important to have something tangible for focus group members to discuss, such as product samples or a website. *Write down the main elements of your idea and their sub sets on an agenda. Include your own description of the business idea, how it works, how it is produced, what the market is and where.*
2. **Identify and attract the appropriate people to participate,** based on the purpose, goal and target market. A group of 5 - 10 colleagues, business associates and objective friends are ideal. Avoid the “grandmother syndrome” – people who are enamored with you will love the idea and will not give you useful feedback. You may also get people off social media – a cash stipend may motivate them to show up.
3. **Develop a script:** To get good results, you'll be conducting more than one focus group, and you want to consistently ask the same questions. Create a script or checklist of questions that you want to cover in each focus group. Once the group gets started, it will become a conversation rather than a straight question-and-answer session, but the script helps keep the discussion on track. Have simple open ended questions ready.

Conducting a focus group

4. **Choose a location and recording method:** Choose a comfortable location where the group won't be interrupted and people will feel relaxed and able to speak openly. You can have someone other than the moderator take notes during the focus group and/or record the session on audio or video. Video is ideal, since it allows you to capture facial expressions and body language.
5. **Focus on the customer:** During the session, try not to focus on your business idea. Startup business owners often use a focus group to justify their own ideas, rather than actually listening to participants' input. Instead of talking about your product or service's features, ask what benefits participants want from similar products or services. Try to elicit participants' needs, wants, pain points, budget and purchasing process. E.g instead of asking, "Would you buy this?" or "How much would you pay for this?" while showing them your product, you could ask them what products they currently buy to solve the problem, how much they pay for the products, and what they like and don't like about the products. By focusing on your target customers' needs, you can tailor your product or service to fit them.

Conducting a focus group

6. **Pay attention:** This is not the time to check your email on your smartphone. Listen and watch carefully. You can often learn more from what isn't said during a focus group than from what is. Take your own notes and jot down impressions, even if someone else is recording the session.
7. **Get professional help:** It's worth hiring a professional moderator to oversee your focus groups. A moderator will set up your location and recording methods, recruit participants and make sure they show up, and most importantly, lead the discussion in an objective way to ensure all points are covered within the time allotted (usually two hours or less). Hiring a moderator leaves you free to absorb the lessons of your focus group instead of sweating the details.
8. Analyze the results by determining general patterns and looking for different outliers (responses that are outstanding or fall outside the normal pattern)
9. Don't be disheartened, whatever the outcome. Equally, don't take what you find out in this informal gathering, as gospel. You will still need to undertake some serious market testing, but this focus group should give you a good indication of how your idea will be perceived.

A focus group example

2. Surveys

- Surveys are fixed sets of questions, which are usually used to collect quantifiable information (e.g. the percentage of people happy with a particular product). Questions in surveys are usually:
 - ❖ multiple choice
 - ❖ true/false or yes/no
 - ❖ rankings or ratings (e.g. 1-5, or strongly agree/disagree scales)
- You can also include open-ended questions that give people the chance to answer a question with a statement; however, these tend to be better suited to qualitative research methods such as focus groups and interviews where you can ask follow-up questions to get more information.
- Keep your surveys short by not asking too many questions. Make sure your questions are clear and easy to understand. This will help you get more useful information and reduce the chances of participants losing interest or giving misleading answers. Test your questions on friends or family to make sure they are easy to answer.
- [A survey questionnaire example](#)

Further reading

[How to analyze survey data](#)

3. Customer interviews

- This is where the entrepreneurs meets one-on-one with a select group of potential customers to discuss the problem or to validate a solution
- One advantage customer interviews have over focus groups is that the participants can avoid “groupthink” that leads participants to converge towards the same responses.

How to conduct customer interviews

- **Have Two People Interview:** both of you taking notes as you go. The second person can listen more attentively while the first one asks questions. Trade off every few questions so that the conversation stays lively and fresh. Date and number each page (or 3×5 card) of your notes. **Why:** this is more time efficient for the person being interviewed.
- **Work From an Outline of 3-5 Key Questions:** E-mail these in advance and also bring a printed copy. Their name should be at the top of the paper along with the date of the interview. The interview may last a few minutes or it may last an hour but set expectations up front about what you want to talk about. It's OK to ask follow up questions but these 3-5 should form the spine of the interview. **Why:** you need to focus on the essential questions you are trying to answer.
- **Focus on Past Behavior and Actual Situations and Events Bound To the Problem.** Don't focus on hypothetical, potential, or future problems. Or at least don't explore them until you are confident that there is a clearly defined business need or critical capability that they are looking for today. Walk through actual situations and events to develop a model for the costs and impact of the problem on their current business. **Why:** people are more likely to pay for problems or needs that are impacting them today.
- **Listen.** You should be talking perhaps 1/6 to 1/4 of the time. This is not a sales call; this is an opportunity to gather symptoms and a prospective customer's perspective on their needs with respect to a specific problem or capability. **Why:** there is a strong tendency to talk about your solution or theories of the problem. The more you do that the less that you learn: use your eyes and ears.

How to conduct customer interviews

- **Probe for Quantities and Ranges:** wherever possible try and get them to put a number or estimate a range on an adjective (e.g. small, large, light, heavy, thin, frequent, rare...). Write down both their adjective and their estimate for the appropriate quantity or range. **Why:** you will need to develop specific target prospect selection criteria and some simple value models for your offering. These are much more useful if you can use numbers or objective criteria.
- **Probe for what's changed: what has happened to make this problem or need more critical?** Explore the environment or system(s) that the group or firm is operating in. What is the context they operate in? What trends are at work that are making the problem more serious (and what might happen to make it less serious)? Were they ignorant of the problem (or ignoring it) until a particular situation or event occurred? Have they been managing it and now need it solved? **Why:** clients have many problems. They are more likely to invest in solutions for the critical ones that are likely to get worse if they don't take action to address them.
- **Don't Talk About Possible Solutions Until You Have Thoroughly Bounded Their Problem or Need.** Don't mix how they describe the problem with the kinds of solutions that they are interested in. **Why:** again resist the temptation to talk about your solution until you can talk with very high confidence about their situation, needs, and challenges.

How to conduct customer interviews

- **Don't Overstay Your Welcome.** This allows you to come back. Take two or three minutes to wrap up by thanking them and providing a high level summary of what you heard. Commit to providing them with a more detailed summary within a day or two. Meet that commitment. **Why:** unless the person is energized by the conversation you should end it promptly.
- **De-Brief That Same Day:** walk through the interview notes that same day with your partner, but don't do a final summary until you have slept on it. **Why:** there is value in your first impressions, your shared impressions, and your second opinion. Don't lose the first two and rely on just the third.
- **Follow Up By E-Mail. Thank them again.** Provide a detailed summary (include their numbers and ranges) of what you heard and let them critique it (this does not mean that you have to share all of your perceptions or plans). Ask if there are other folks that they feel you should talk to, who would be able to provide you with a valuable perspective on the problem. **Why:** Introverts are much more willing to share their thoughts in writing once they have had a chance to reflect, give them a chance to do so. Extroverts can have second thoughts and follow on observations, capture them all.

Example of customer interview questions...

1. What is the hardest part about{problem context}... - *this should be the context and not your solution. E.g a question to a runner about running shoes can be: “what is the hardest part about shopping for shoes as a runner”.*
2. Can you tell me the last time that happened?
3. Why was that hard?
4. What, if anything, have you done to solve that problem?
5. What don't you love about the solutions you have tried so far?
6. How much do you spend to solve problem x?
7. How often do you experience problem x?

4. Direct observation

- Since customers cannot always verbalize their problems and needs, direct observations are another important means of gathering customer information. **“Innovation begins with an eye”**
- By studying customers engaged in their everyday activities, entrepreneurs can see first-hand the behaviors, frustrations, bottlenecks and other cues that may indicate a need or problem, and therefore a potential opportunity
- Observing as an outsider is an advantage, because you do not go in with any pre-conceived ideas that may cloud your observations
- When selecting who to observe, it is particularly effective to study “extreme” users – such as children- and “rule breakers” who face novel constraints or who apply products in new ways
- Observations are most effective when the observers themselves come from multiple backgrounds and perspectives. Diversity helps a team of entrepreneurs imagine the world from multiple perspectives in order to identify meaningful problems and novel solutions

The result of the research process should be a **Customer Profile**

Who are they	My customers
Age group	
Family (e.g size, traditional, nuclear)	
Gender (male, female)	
Occupation (s)	
Income level (low, middle, high)	
Cultural background	
Where are they	
Location	
Distance from your business	
Type of residence (low density, medium density, high density)	

Customer Profile contn'd

Customer characteristics	My customers
Personality	
Buying behavior (comfort, convenience, economical, pride etc)	
Lifestyle (career oriented, lifestyle conscious etc)	
Expectations (service, risk, influence, etc)	

2. SECONDARY RESEARCH

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- Secondary research makes use of existing data from whatever sources are available. There are government sites (Kenya National Bureau of Statistics) and many private market research agencies that allow access to their data; some of it for free. Web articles, tech websites and white papers are also another source of great secondary research. Secondary research more often than not, proves to be a solid base on which to develop your own primary research.
- As in primary research, before embarking on a Google search, you need to establish what the goals of your research are going to be beforehand.
- As you get the information, have a structured way of collating and organizing it for easy reference later

[Best tech news websites](#)

Secondary research is good for a number of things

- To establish your market size: In simple terms, the market is the number of people to whom your product or service could be of use. For example, if you have a smartphone-based solution, your market is the segment of the population that uses smartphones. Out of this broad definition, you could then decide to target a specific segment of the market that has certain characteristics. It would not be ideal to use primary research methods to define your market because this would be very costly. Instead, we rely on research that has been done on others, then we apply our formulas and assumptions to make this research useful for us.
- To size your competition: While direct observation may help you determine who your competitors are on a small scale, secondary research helps you figure out who else is solving the problem you are trying to solve. This may even help you refine your solution further, so as to differentiate yourself.
- Research your business model: By researching how similar businesses in different markets are making money, you are able to come up with a business model that can work in your market.
- To scope and identify potential funders and funding avenues. The internet is a great source of information on competitions, grants, venture capitals and other funds that invest in startups.

Pros and cons of secondary research

Pros

- Cost effective and time saving as well as easy access – The time and effort required to collect secondary market research data is far easier than primary. The information is also available at far lesser price from secondary sources.
- Scope of the data – the data is really extensive as it is collected by many institutions and government to cover a large spectrum of issues.
- Secondary data is a basis for primary research – the secondary data gives the enterprise an idea about what they need and the effectiveness of primary research.

Cons

- Not specific to the organization's needs- the information collected is not first hand, so there is a lot of information that is not needed by the organization.
- Inaccurate data – As mentioned above, as the information is collected from another party, you are totally dependent on their efforts, therefore the data could be inaccurate.
- Data specifications – the secondary research needs to be done understanding the limits, parameters and different assumptions by which the primary research was collected.

Customer development and product development proceed in parallel

- As entrepreneurs gather data from the market, they should also work to create the Minimum Viable Product (MVP) that they can use to test the market, as quickly as possible
- {introduce the MVP}

Eric ries – Lean Startup

Talk: Customer Development / Problem
Interviewing - Lean Startup Meetup Berlin

Terry Jones – Disrupting industries

Recap
