UNIT - II

Unit – II: Opportunity & Customer Analysis: - Identify your Entrepreneurial Style, Methods of finding and understanding Customer Problems, Run Problem Interview, Process of Design Thinking, Identify Potential Problems worth Solving, Customer Segmentation, Niche Marketing and Targeting, Craft your Values Proportions, Customer-driven Innovation.

Determining Your Entrepreneur Style

➡ As a business owner or business professional there is great value in understanding our entrepreneurial style.

➡ We are all unique. We have natural strengths and weaknesses. We have experience and knowledge gained over the years.

➡ When we do we can put ourselves in situations that suit our natural entrepreneurial style. We can be more successful with less effort.

➡ Decisions become easier and more natural. Activities become more enjoyable. Work becomes a pleasure. Confidence builds and radiates.

➡ It also allows us to identify roles and activities that are not natural for us. In these situations we can find partners or suppliers with complimentary strengths.

➡ Entrepreneurs are leaders who can see into the future with inspired vision, championing highly competent teams to make the seemingly impossible possible.

Different types of Entrepreneurial Style

FAMOUS MAKER

HENRY FORD, FOUNDER OF FORD
Henry Ford revolutionized production and manufacturing, thereby making automobiles (which were then a luxury) accessible to masses.

FAMOUS MERCHANT

RICHARD BRANSON, FOUNDER OF VIRGIN GROUP
Richard Branson is one of the most celebrated entrepreneurs, who has made a mark in everything from music to space tourism.

FAMOUS MAGICIAN

STEVE JOBS, FOUNDER OF APPLE AND PIXAR
Steve Jobs was a visionary and radical entrepreneur, best known for his perfection and great design. He revolutionised personal computers, animated movies, music, phones, tablets, and digital publishing.

FAMOUS MOBILIZER

MUHAMMAD YUNUS, FOUNDER OF GRAMEEN BANK
Muhammad Yunus is a Bangladeshi social entrepreneur, banker, economist, and civil society leader who founded the Grameen Bank and pioneered the concepts of microfinance and microcredit.

FAMOUS MASTER

BILL GATES, FOUNDER OF MICROSOFT & GATES FOUNDATION
Bill Gates, undoubtedly an expert at computer programming, revolutionized the software industry by introducing the Windows OS. He is also a great leader and a highly influential philanthropist.

Different types of Entrepreneurial Style

Maker

Makers bring ideas to life through tangible plans. A maker sees the big picture and the smallest details, simplifies complex problems -- their strength lies in execution. Simply put, they're great at getting things done. Makers prefer processes and systems over people, and apply their organizational skills across fields.

Merchant

Merchants are often on the lookout for the next big thing — they quickly spot a market opportunity, an unmet need, and identify how to match demand with supply. They often tweak or improvise on existing ideas, and innovatively apply concepts from other industries.

Magician

Often challenging the status quo, the Magician dreams of what can be. He or she takes risks that aren't always calculated, navigates unchartered territory, and stays ahead of the market. Magicians are the ones creating the future, surprising their customers and competitors. These are the visionaries and rule-breakers who ask - "why not?"

Different types of Entrepreneurial Style

Mobilizer

Mobilizers are the connecting thread - they connect ideas, people, and resources and are great at building relationships and high-energy teams. They are often involved at the grass-roots level, and tend to focus on large-scale social problems and act as catalysts to bring about systemic change.

Master

Experts in their own right, Masters are highly skilled and knowledgeable individuals with great passion for their chosen field. They adhere to high quality standards and expect the same of others. An expert is often looked up to as a role model, thought leader, or influencer in their industry.

Methods Of Finding and Understanding Customer Problems

1. **How do Entrepreneurs learn what my customer really needs or wants?**

➡ There are many traditional methods of obtaining data about customers such as surveys, focus groups, interviews, and secondary research.

➡ These methods are very effective and in the right situations can provide insights about customers that inform business models and organization designs.

- Use the following questions to record your observations on customer problems.

  - Go out, look around you, and identify a problem that you can spot. Explain the context as well.

  - What opportunity can you perceive from the above problem?

  - Who is the Customer?

  - What according to the customer are the main problems?

  - What is the job to be done?

  - What job is currently getting done?

  - How is the customer getting the job done today OR how is the customer addressing this problem today?

  - Estimate the market size. Your assumption will do.

  - Does this seem to be a problem worth solving? Explain. If you think that this is not a problem worth solving, then you should look for another problem that you can solve.

- For a complete case study of the above questions with answers, click here to download.

- Direct observations of a potential customer's activities will provide those insights.

- Some companies (developing apps) use a "test and learn" method of releasing a beta version of their app to see how customers use it and gather direct customer feedback.

- Over a period of time, refinements are made to the app until is it considered ready or out of beta testing.

- Sometimes at this point, the developer shifts from a free app to a for purchase app because they have discovered most of their customers needs and wants and have now met them.

2. How do we design business model to give customers what they want?

▰ We deliver those services or products in a distinctive way. This is as important or even more important than knowing what customers wanted in the first place.

▰ Unfortunately, many companies struggle to deliver because they fail to change how they operate.

EXAMPLE : A client who set up a large standardized back office to facilitate customer/vendor billing.

▰ Although the support services were very efficient and met internal productivity requirements, they proved difficult for customers to navigate and ultimately drove customers away.

▰ The result was very happy internal users but frustrated external customers.

▰ Instead of structuring the organization to better deliver services to customers, the company was distracted by the internal operational ease.

- To avoid this, ensure that the business model is a reflection of the key customer problem(s) plan solve.

- Then, we must align work activities, reward systems, metrics, culture, and structures to the strategy and business model.

- This alignment approach is not a quick shuffling of the organization chart, but it is a thoughtful (and in some cases, ongoing) effort to holistically align the entire organization and the related processes, systems, structures, metrics, rewards, and talent.

Running Problem Interviews

➡ By now, you have identified a problem that you feel is worth solving.

➡ However, you need to talk to customers to understand their "worldview" or their point of view about the problem before coming up with a solution. You also need to validate and double-check that this is indeed a problem worth solving and is rated as critical from the customer's point of view.

➡ The **Problem Interview** is your chance to check or validate your thoughts/ views about the problem you identified earlier.

  ➡ Do you think this is a must-to-address problem or not?

  ➡ What are the demographics of those who state that the problem is a must-to-address problem?

  ➡ How are people addressing this problem in the present times?

Interviewing at least 10 people on these questions will help you identify if the identified problem is actually worth solving. For more details on best practices during a Problem Interview, click here.
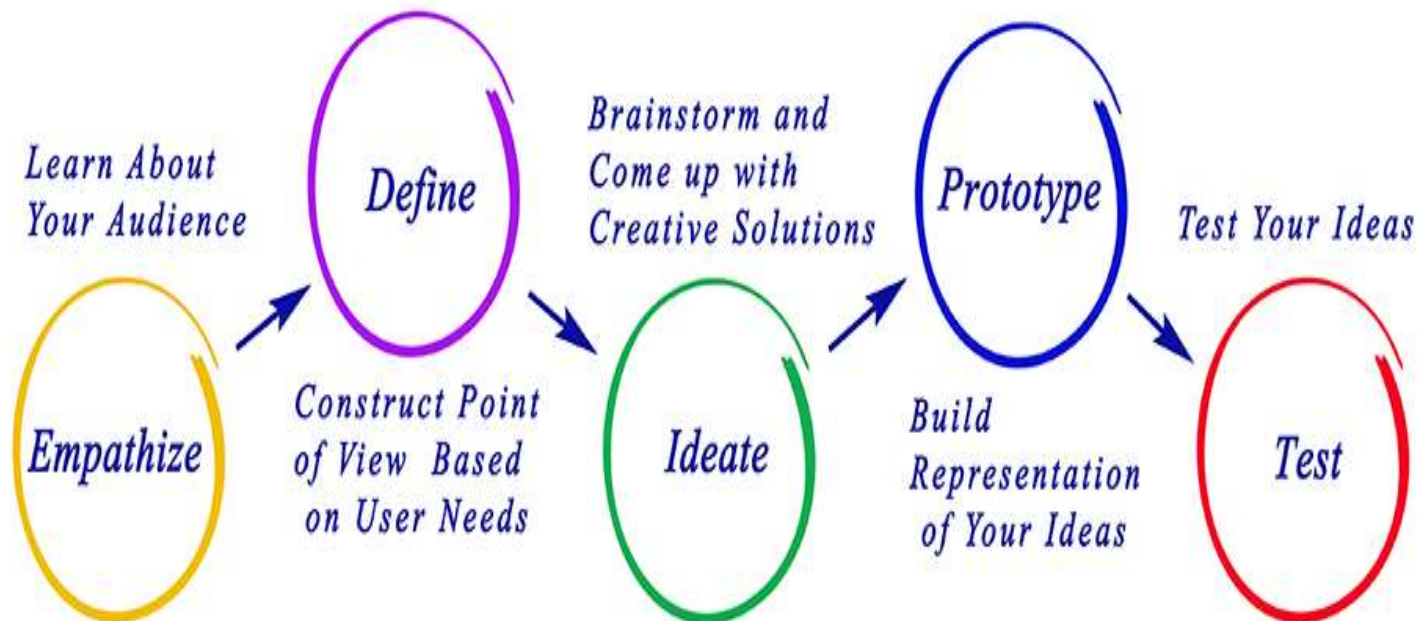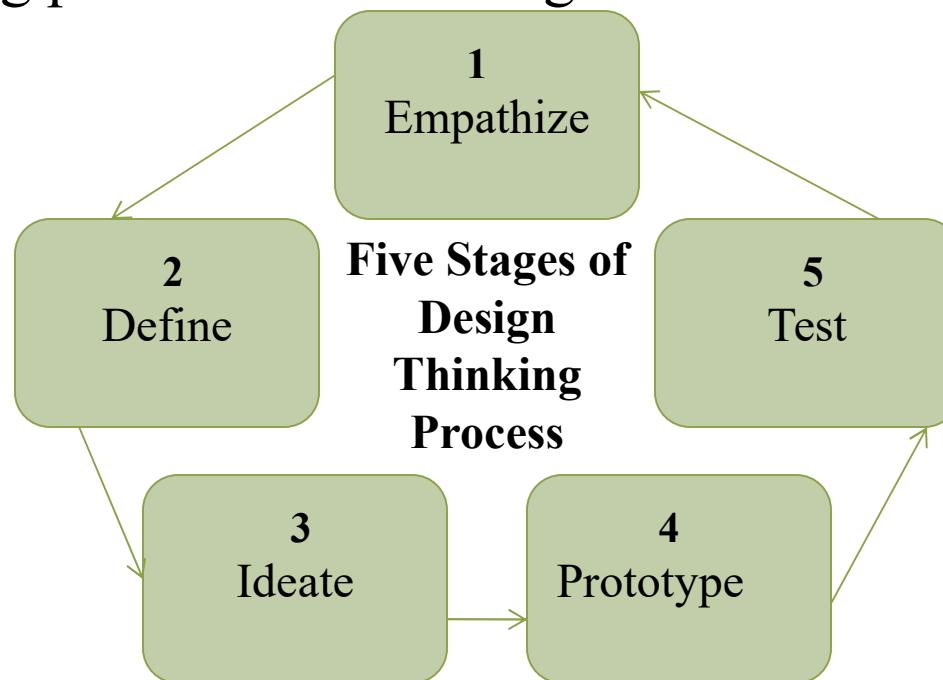
Design Thinking

➡ The dynamic concept of 'design thinking' that fully caters to the user-oriented, prototype-centered process of innovation ideally suited for product, service and business design.

➡ Design thinking is a systematic approach to handling problems and generating new opportunities. The concept is pertinent to any field and purpose.

➡ Design Thinking is an iterative process in which we seek to understand the user, challenge assumptions, and redefine problems in an attempt to identify alternative strategies and solutions that might not be instantly apparent with our initial level of understanding.

➡ At the same time, Design Thinking provides a solution-based approach to solving problems. It is a way of thinking and working as well as a collection of hands-on methods.

➡ To build a new product or customer experience or even take the business to the next level, this approach touches everywhere.

Process of Design Thinking

Design Thinking Process

Learn About Your Audience → Empathize

Construct Point of View Based on User Needs → Define

Brainstorm and Come up with Creative Solutions → Ideate

Build Representation of Your Ideas → Prototype

Test Your Ideas → Test

- Let us distinguish the design thinking process with the usual innovation process. The regular innovation process consists of four stages – Ideate, Define, Design and Develop.

- These stages have to be synced efficiently so as to foster innovation in an organization. On the other hand, design thinking process has five stages-

1
Empathize

Five Stages of Design Thinking Process

2
Define

5
Test

3
Ideate

4
Prototype

1. Empathize:

➡ Empathizing is central to the design thinking process.

➡ It highlights the significance of listening to the requirements and wants of our customers relative to the particular problem.

➡ The approach aids us in saving our discoveries and learning's during this stage in a systematic way such as empathy maps.

2. Define

➡ Here we combine all the insights collected at the time of listening and observing people. That means we start to define a problem.

➡ An aspect that design thinking proves vital at is framing a problem in a clear manner so that we end up devising solutions and exploring opportunities.

3. Ideate

- So, now as the problem or the opportunity is clearly framed, we can search for methods to handle it. We should spur as many ideas as possible. Yes, we brainstorm or ideate.

- Design thinking stresses that during this phase we shouldn't ignore ideas that seem obvious or easy. Any idea can sprout a brilliant concept.

4. Prototype

- Prototyping brings the solutions into vision. Different methods are involved in it such as sketching, rapid prototyping and many others.

- No matter whatever method you opt, the core purpose of this stage remains the same, that is, we intend to create rough drafts of solutions to decide if these will prove beneficial for the problem.

5. Test

- In this stage, we test our prototype with the customers so as to monitor the response and deem whether the solution satisfied them or not.

Summary of the stages of Design Thinking

- **Empathize** – with your users
- **Define** – your users' needs, their problem, and your insights
- **Ideate** – by challenging assumptions and creating ideas for innovative solutions
- **Prototype** – to start creating solutions
- **Test** – solutions
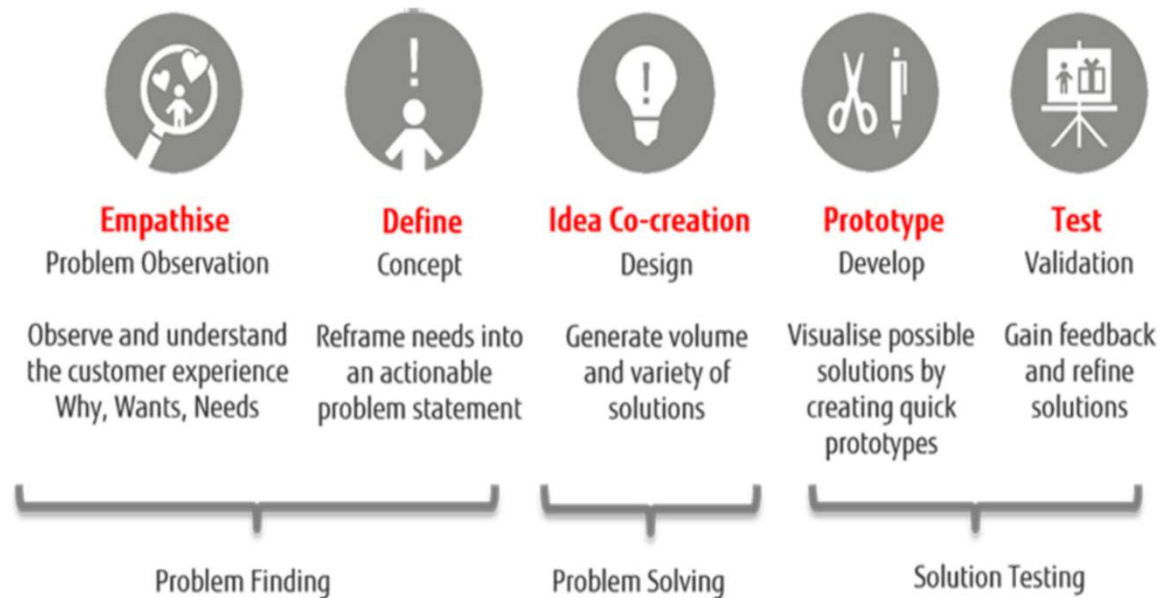
The Power of Design Thinking

- Thinking in design empowers the designers to create the right features for the right people.

- It ensures that designers deal with real user problems and thus avoid creating something that is undesirable.

- Design thinking gives the edge to pass the right decisions when it comes to forming features.

- The concept allows the designers to pose right questions, create right features and engage with the clients effectively.

- They can do the calculation as to whether a particular feature will fit in the product or not or if it will serve a real user problem?

Market Segmentation

Market segmentation is the activity of dividing a broad consumer or business market, normally consisting of existing and potential customers, into sub-groups of consumers based on some type of shared characteristics.

1. Geographic **Segmentation**
2. Demographic **Segmentation**
3. Psychographic **Segmentation**
4. Behavioristic **Segmentation**

Each segment created by this process should be unique, identifiable, accessible, measurable, durable and substantial.

Market Targeting

A target market is a group of consumers or organizations most likely to buy a company's products or services. Because those buyers are likely to want or need a company's offerings, it makes the most sense for the company to focus its marketing efforts on reaching them. Strategies of marketing are as follows.

Strategy	Explanation
Single Segment Strategy	Entrepreneurs focus on one marketing segment which is either the most profitable or the most aligned with the offered products/services.
Multi-Segment Strategy	Entrepreneurs target several segments at once either because some segments seem attractive or there are some significant synergies in marketing to multiple segments. Such marketing can be done using differentiated or undifferentiated products depending on the requirement.
Unsegmented Strategy	Entrepreneurs market their products or services to the entire market because either the market is very small or they believe that the needs of the various segments do not vary significantly.
Micro Segment or Niche Strategy	Here, entrepreneurs focus all their energies on the Niche segment. Startups often use this strategy. Though niche segments do not interest large companies, breaking into a niche segment can be advantageous to startups.

Identify Potential Problems, Customer Segmentation and Targeting

- Targeting, or "segmenting" these people means you'll be able to build, efficiently using your resources to impress and attract your potential customers.

- First, figure out the need for your product or service, focusing on what problem it can solve.

- Then refine your target market by identifying who has bought your product or service already.

- This includes target demographics, audience type, and any other attributes about your target customer segment.

- If your product or service is brand new, a good alternative might be looking at your competitors to get additional insights.

➥ How to Identify and Analyze the Target Market

1. What are the features of your business, products or services?

2. What are the benefits of these features?

3. How do the benefits help the user?

4. How does your target market shop?

5. What is the typical age and gender of your target market?

6. What is their average income and education?

7. What are their common interests? These can include attitudes, values and lifestyle.

8. Is your target market comfortable with online?

9. What are the web and offline marketing methods engage them?

1. Gather Information.

Some of the business questions you'll be addressing include:

i.   Is the potential market for your product or service large enough?

ii.   Do you need to alter your business idea to best appeal to this audience?

iii. Should you tailor your product or service in some way to maximize effectiveness?

iv.   How can you target your marketing efforts to optimize reach with the most promising potential buyers?

2. Create Customer Profiles and Market Segments. Those consumers who find your product or service appealing often share similar characteristics.

Demographic criteria will include:

- Age, Gender ,Location
- Education level, Income level
- Marital or family status, Occupation
- Ethnic background

Psychographic Criteria : Goes a little deeper, painting a more complete picture of your audience:

- Interests, Hobbies
- Values, Attitudes
- Behaviors, Lifestyle preferences

Every industry, business and product is different, so these lists are by no means the end-all-be-all — more of a starting point to evaluate market segment size and opportunity.

3. Be specific.

- Narrowly defining your target customer is more of an art than a science. Try to be as specific as possible.

- In reality, identifying a specific target audience helps ensure that you make decisions that are dictated by your customers, which sets you up for long-term success.

- Drill down to the audience truly their attitudes, Beliefs and Pain points

- Understanding their age and income is the first step, but drilling down to the core customer problem is what will help set your products — and brand — apart from the competition.

4. Tap existing resources.

- Doing a quick search online, will often find existing resources that can help pull together information about the industry, the market segment, the competition and the ideal potential customer.

5. Look at your competition.
1. What's their market positioning?
2. What are customers actually purchasing from them?
3. How about their pricing?
4. What are their customers willing to pay?
5. Would they pay more if you offered something extra?
6. What are customers saying on social media?
7. What social media channels are they interacting with the most?
8. What other interests do they list on their personal social media pages?

6. Conduct your own primary research.
It involves gathering data directly from consumers.
Focus groups: Get feedback from a small group of consumers who fit your ideal customer profile via Q&A sessions and group discussions.

7. Business in a fresh light.

▶ Do you feel there are enough potential customers within your target audience to start a brand new business?

▶ Will your target market benefit from your product or service?

▶ Will this target market see a true need for it? Will they come back repeatedly to purchase?

▶ Do you understand what drives your target market to make buying decisions?

▶ Can your target market afford your product or service? If so, how frequently can they buy?

▶ Answering these questions will help understand if we are truly ready to jump into business to appeal to a different market

Niche Marketing

A niche market is the subset of the market on which a specific product is focused. The market niche defines the product features aimed at satisfying specific market needs, as well as the price range, production quality and the demographics that it is intended to target. It is also a small market segment.

Niche Marketing is the best way of targeting for a new venture (startup) because Niche Marketing

- Allows Sensible use of Resources
- Makes marketing easy
- Helps identify clients easily
- Helps the venture gain expertise easily and quickly
- Helps the venture gain repeat business and referrals

Example : **The North Face** started as a player in the niche market, as a "speciality outfit brand for mountaineers". Today, it is a part of the larger market, as a highly successful apparel brand.
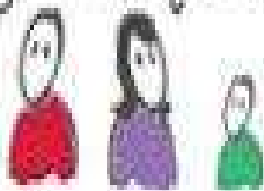
Value Proposition

- A value proposition defines the benefits your company's products and services offer to the customer.

- This short statement, based on your Business Concept Statement, should express the essence of your business in a way that compels the customer to buy.

- It's important to expend the necessary time and effort to craft a compelling value proposition since it will form the basis for all your sales, marketing, and product development efforts.

- The value proposition is also part of your Business Plan.

- A value proposition is a valuable tool to guide your marketing efforts.

3 components of a value proposition

What is your product/service?
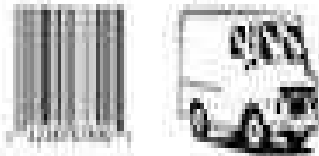
Who is your target audience?

What value do you provide?

save money? time? better health?

UNIQUE VALUE PROPOSITION

A unique value proposition (UVP) is the core benefit or solution that differentiates your product or service from the competition and positions it as the best possible option on the market.

Value Innovation & Customer Partnership

Involve **Customers** as **Co-innovators**

Strategy
- Ventures
- Improvements

Products
- Features
- Design

Value Chain
- Production
- Delivery

innovarsity

Benefits of Value Proposition:

➡ Creates a strong differentiation between you and your competitors.

➡ Increase not only the quantity but also the quality of prospective leads.

➡ Gain market share in your targeted segments.

➡ Improves your operation efficiency.

➡ Increases your revenue.

➡ Ensures that everyone in your company communicates the same message.

Guidelines To Create A Value Proposition

- Use the Business Concept Statement as a starting point for expressing the value proposition.

- Address the needs of your target market. What problems do your target customers need to solve? What's not working for them? Where do they want to go?

- Emphasize benefits, not features.

- Don't explain what the technology does; explain what the buyer will get out of using the technology. Some examples of benefits are greater revenue opportunity, a competitive advantage, reduced costs and expenses, greater convenience, greater Return on Investment (ROI), and better results.

- Use tangible examples. Be as precise and specific as possible. Include numbers, percentages, and time frames.

- Differentiate yourself from the competition. What do you have that no one else has? And-most importantly-how is this an advantage to your customers? Research and test your value proposition.
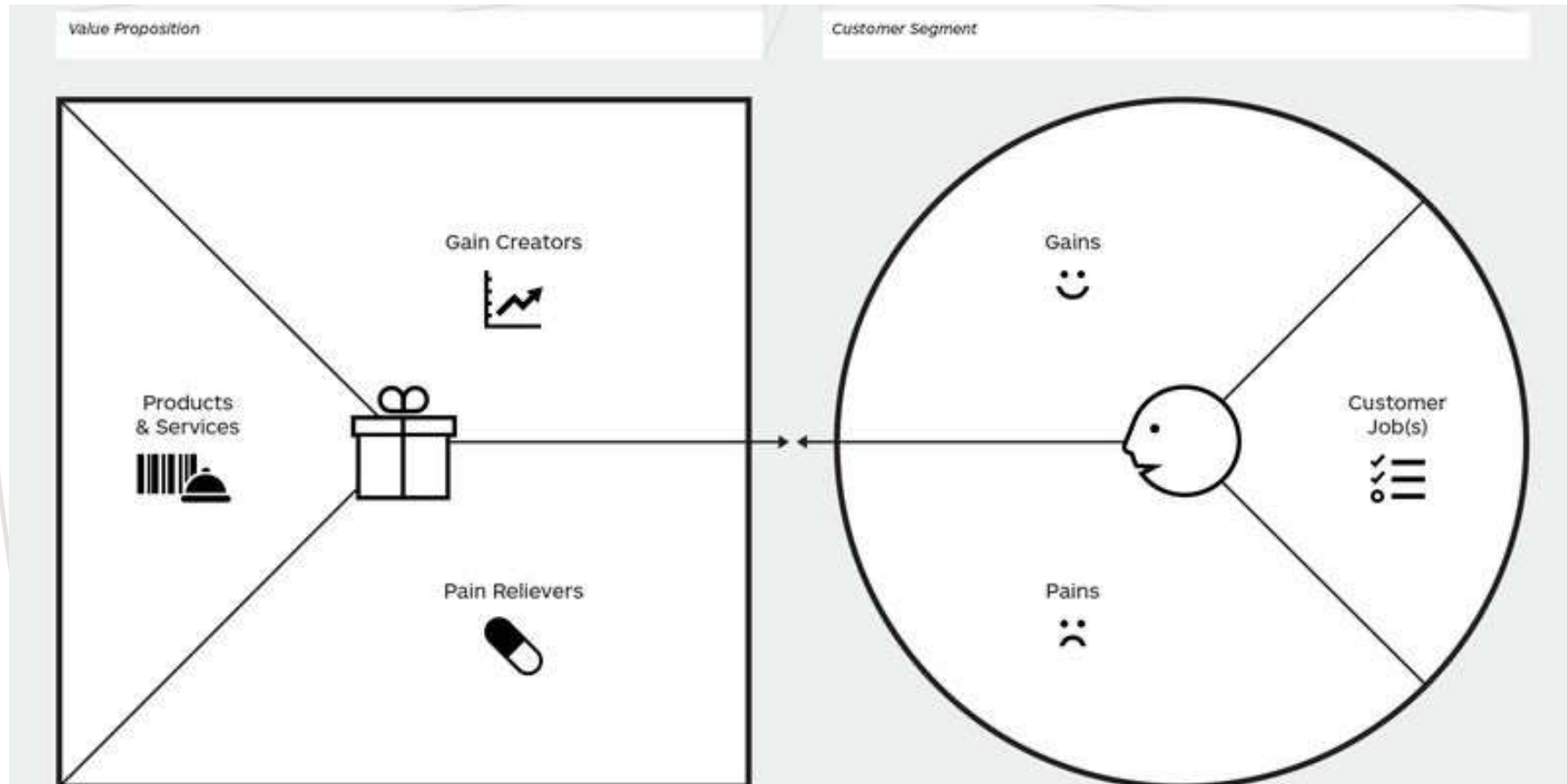
Crafting Value Propositions : Value Proposition Canvas

Create the value your customers want. A simple way to understand your customers needs, and design products and services they want.

It works in conjunction with the Business Model Canvas and other strategic management and execution tools and processes.
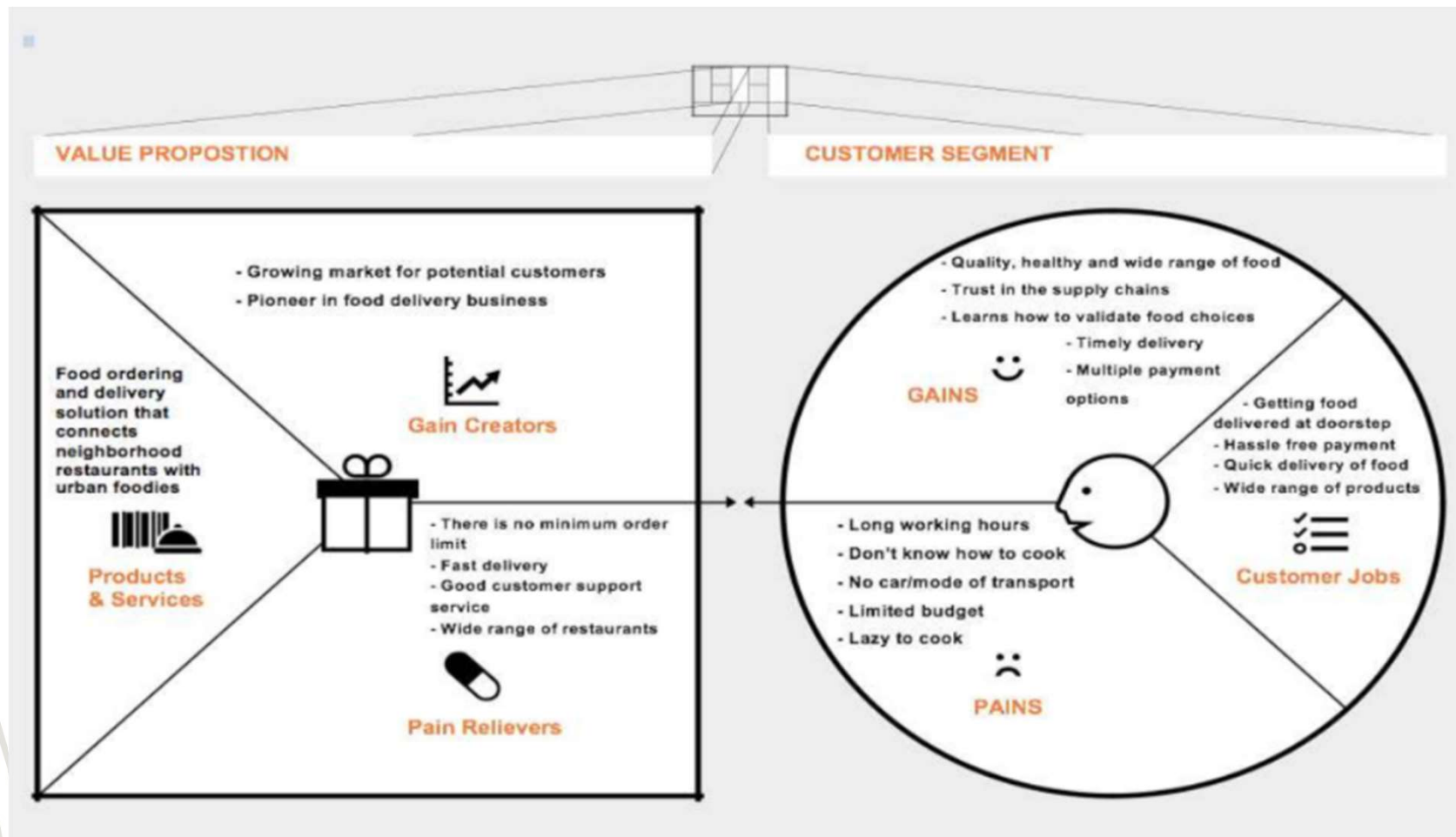
Value Proposition Canvas Template

Value Proposition

Customer Segment

Gain Creators

Products & Services

Pain Relievers

Gains

Customer Job(s)

Pains

Example of Value Proposition Canvas – Uber/Ola

Taxi Smartphone Application

Example of Value Proposition Canvas – Swiggy/Zomato

Customer Driven Innovation

Customer Driven Innovation means customers looking forward for more innovative product and service , so you have to develop your company to satisfy customers needs.

➡ But customer driven influence means customers looking forward for brand names and more promoted goods and service in markets .

Shifting to consumer-driven innovation

➡ Innovation is about businesses trying to keep up with consumer expectations faster than the competition.

➡ Customers no longer think about brands within the confines of the industry they operate on.

➡ When it comes to customer service we don't just compare a brand to its direct competitors, but to the best customer service we receive from anywhere.

Ex: We get frustrated when an airline is unresponsive on social media because our broadband provider responds in under 10 minutes.

TEN KEYS OF VALUE INNOVATION

Customer Insight	Beta Testing
Customer Involvement	Continuous Improvement
Customer Feedback	Strategic Intent
Customer Focus	Observing people
Customer Empathy	Competitive Intelligence

Seven Practice Tips For Customer - Driven Innovation

1. **Observe People** to understand hidden and unarticulated customer needs.

2. **Empathize** with your customers, live their life, "walk a mile in the shoes of your customer".

3. **Involve Everyone**, require every person, regardless of their position, to spend time on customer contact and services activities.

4. **Involve Customers** in testing the prototype of your new product.

5. **Help Your Employees** to understand the customer's needs by involving them in listening to customer feedback after a new product launch.

6. **Watch How The Customers Use Your Product** to learn what works and what doesn't work.

7. **Ingrain** customer-driven innovation in your corporate culture and operations of your company.

Drivers of Innovation

What makes a Company Innovative

- Coming up with new ideas for products and services

- Listening to customers

- Continuous efforts to improve current products

- Offering a unique product

- Excellent customer service

Few Examples of Customer Driven Innovations

➟ **Amazon.com:** With the vision statement as "We seek to become Earth's most customer centric company",

➟ **Sony:** They have over 5,300 customer service locations across the globe

➟ **Netflix** : Netflix collects a huge amount of data on customers to create hyper-personalized recommendations.

➟ **Dollar Shave Club:** There is a lot of competition in the subscription beauty industry, but Dollar Shave Club stands out because of its focus on customers. "We don't respond to situations; we respond to people".

Identify More Business Opportunities

➡ To be successful entrepreneurs, we need to be continually innovating and looking for opportunities to grow our startups.

➡ Four ways to identify more business opportunities.

1. **Listen to the Potential Clients**

2. **Listen to the Customers**

3. **Look at the Competitors**

4. **Look at Industry Trends and Insights**

1. Listen to the Potential Clients

1. When targeting potential customers listen to their needs, wants, challenges and frustrations with the industry.

2. Have they used similar products and services before?

3. What did they like and dislike?

4. Why did they come to us?

5. What are their objections to our products or services?

➡ This will help us to find opportunities to develop more tailored products and services, hone your target market and identify and overcome common objections.

2. Listen to the Customers

1. When talking to the customers listen to what they saying about the industry, products and services.

2. What are their frequently asked questions?

3. What are their Experiences?

4. What are their Frustrations?

5. What are their Feedback

   and complaints?

➡ This valuable customer information will help identify key business opportunities to expand and develop current products and services.

3. Look at the Competitors

1. A little competitive analysis is done to see what other startups are doing, and more importantly, not doing?
2. Where are they falling down?
3. Are they doing right?
4. What makes customers go
   to them over you?

"We need to take a holistic approach to the market: We want the whole market."

➡ Analyzing the competitors will help you identify key business opportunities to expand your market reach and develop your products and services.

4. Look at Industry Trends and Insights

➡ Industry publications, join relevant associations, set Google alerts for key industry terms and news and follow other industry experts on social media.

➡ Closely absorb in the industry and continually educate yourself on the latest techniques and trends.
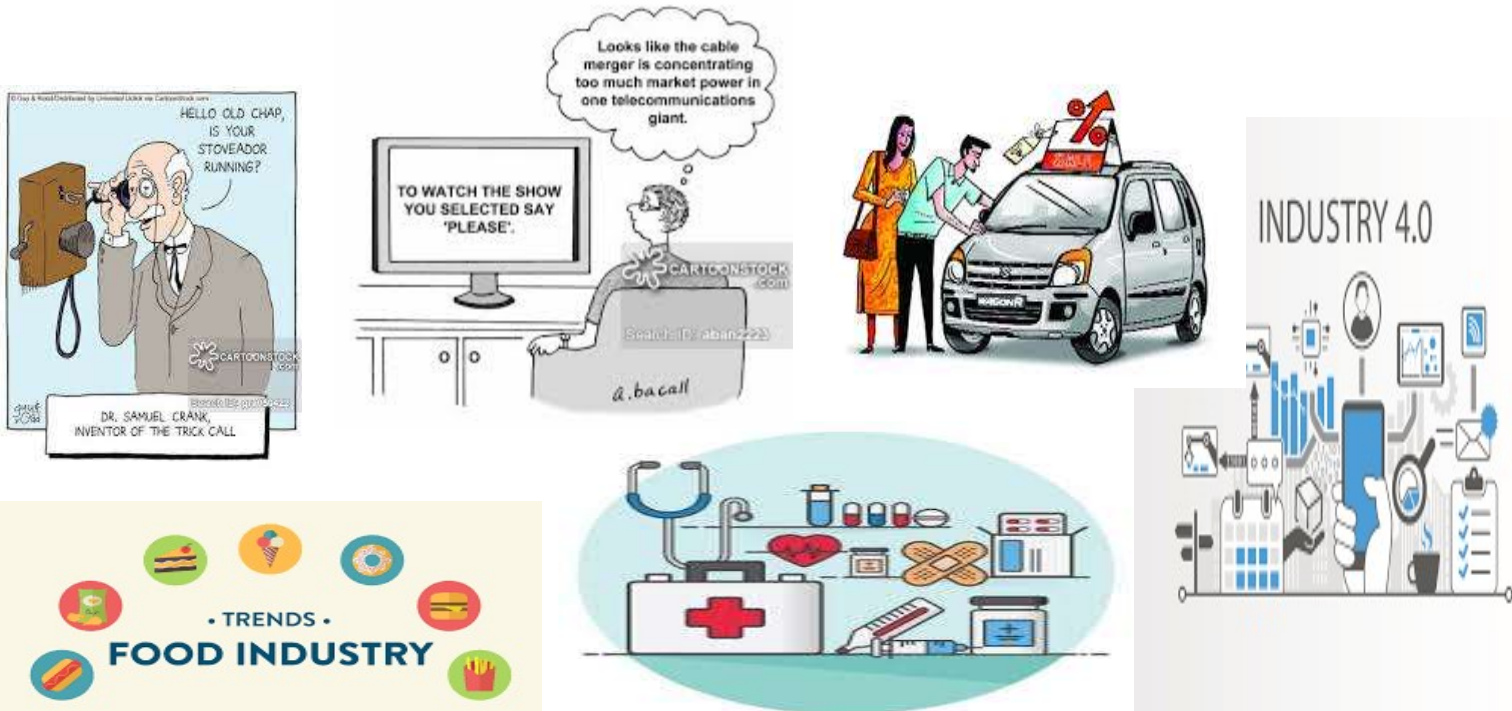
Consumer Adoption Process

Philip Kotler considers five steps in consumer adoption process, such as

Philip Kotler

1. Awareness
2. Interest
3. Evaluation
4. Trial
5. Adoption

➡ On the other hand, William Stanton considers six steps, such as

William Stanton

1. Awareness Stage,
2. Interest and Information Stage,
3. Evaluation Stage,
4. Trial Stage,
5. Adoption Stage,
6. Post-adoption Stage

1. Awareness Stage:

➡ Individual consumer becomes aware of the innovation. He is exposed to innovation but knows very little regarding the innovation.

➡ He has only limited information about it. He is aware of either by discussion with friends, relatives, salesmen, or dealers.

➡ He gets idea about a new product from various means of advertising like newspapers, magazines, Internet, television, outdoor media, etc.

➡ At this stage, he doesn't give much attention to the new product.

2. Interest and Information Stage:

➡ In this stage, the consumer becomes interested in innovation and tries to collect more information.

➡ He collects information from advertising media, salesmen, dealers, current users, or directly from company.

➡ He tries to know about qualities, features, functions, risk, producers, brand, color, shape, price, incentives, availability, services, and other relevant aspects.

➡ Simply, he collects as much information as he can.

3. Evaluation Stage:

➡ Now, accumulated information is used to evaluate the innovation.

➡ The consumer considers all the significant aspects to judge the worth of innovation.

➡ He compares different aspects of innovation like qualities, features, performance, price, after-sales services, etc., with the existing products to arrive at the decision whether the innovation should be tried out.

4. Trial Stage:

➡ Consumer is ready to try or test the new product. He practically examines it.

➡ He tries out the innovation in a small scale to get self-experience.

➡ He can buy the product, or can use free samples.

➡ This is an important stage as it determines whether to buy it.

5. Adoption Stage:

➡ If trial produces satisfactory results, finally the consumer decides to adopt or buy the innovation.

➡ He decides on quantity, type, model, dealer, payment, and other issues.

➡ He purchases the product and consumes individually or jointly with other members.

6. Post Adoption Behavior Stage:

➡ This is the last stage of consumer adoption.

➡ If a consumer satisfies with a new product and related services, he continues buying it frequently, and vice-versa.

➡ He becomes a regular user of innovation and also talks favorable to others. This is a crucial step for a marketer.