

**MGT1022**  
**LEAN START-UP MANAGEMENT**  
**TE1**

**ASSESSMENT-3**

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## **Q.1) Kindly elaborate the Minimum Viable Product. What are the Value Proposition and different Customer Segments in any start-up idea?**

Minimum Viable Product or MVP is a development technique in which a new product is introduced in the market with basic features, but enough to get the attention of the consumers. The final product is released in the market only after getting sufficient feedback from the product's initial users.

Minimum Viable Product or MVP is the most basic version of the product which the company wants to launch in the market. It could be a car, website, TV, or a laptop. By introducing the basic version to the consumers, companies want to gauge the response from prospective consumers or buyers. This technique helps them in making the final product much better. With the help of MVP concept, the research or the marketing team will come to know where the product is lacking and or what are its strengths or weaknesses.

MVP has three distinct features. One is that it will have enough features for consumers to purchase the product and it becomes easier for the company to market it, the other is that it will have some sort of a feedback mechanism wherein users would be able to send their feedback about the product. And, lastly it should have enough future benefits for consumers who to adopt the product first. The idea is to get feedback from the consumers which will in turn help in making the desired changes in the final product. MVP actually tests the usage scenario rather than that is much more helpful for the company to make changes to the final product.

A start-up value proposition should be:

- Important to the customer and solve a problem or address a need.
- Unique and hard to copy by other businesses.
- Strong enough to create a buzz and begin word of mouth referrals.
- Short and sweet so that the customer can read and understand it in a matter of seconds.

Basically, the value proposition should quickly and clearly outline what the customer will get on purchasing the product or service, and why it's different from the company's competitors.

Segmentation is dividing the similar customer into homogenous groups for the sake of classification and study. Customers are segmented in similar groups based on their likes or dislikes of a particular product.

This also helps the companies to target specific brands towards a specific group of customers and helps them to form a tailored marketing strategy. Organizations can use their sales, marketing, production, and other resources accordingly, once the customers are segregated.

Customer segment helps the companies to understand their market and the demand of the market more effectively.

There are various categories of customer segmentation on different criteria. Following are the types of Customer Segment:

#### 1) Geographic Customer Segment

When the customers are segregated based on their location, it is termed as Geographic customer segmentation. The customer segments, in this case, can be country, region or city or even specific homes in particular towns. This type of customer segment is used by both large and small businesses.

#### 2) Demographic Customer Segment

When the market is segmented based on certain characteristics of the audience it is called as demographic segmentation. These characteristics may include but not limited to ethnicity, gender, age, religion, marital status, education, occupation, income etc.

#### 3) Behavioral Customer Segment

Based on the decision making in the behavior of the customers which include but is not limited to lifestyle, purchases consumption and other various factors, behavioral customer segmentation is carried out. For example, it is seen that young adults from the age group of 18 to 22 tend to buy more of cosmetic products while older adults from the age group of 23 to 33 tend to buy branded products. Thus brand consciousness and awareness is seen in the latter group while for the younger group the focus is more on self-image.

#### 4) Firmographic Customer Segment

This type of customer segment is an exact replica of demographic segmentation. While firmographic takes into consideration organizations the demographics tend to cater more to the individuals. The primary function of firmographic segmentation is to take into consideration the quantitative aspects of an industry like the size of a company, or the strength of the workers

#### 5) Psychographic Customer Segment

When the psychological aspects of the customer and his behavior are taken into consideration it is known as psychographic customer segmentation. Various factors are taken into consideration while dividing the customers according to the psychographics like their values, our lifestyle opinions and interests and other relevant factors.

## 6) Smart Customer Segment

A type of customer segmentation where the companies divide the customers according to various categories and mix and match all the types of available customer segment combinations. For example, customers are segmented according to age gender and their preference which is nothing but a combination of demographic and psychographic or behavioural segmentation. Smart segmentation helps to target the audience more effectively and helps to minimize the unnecessary expenses incurred to target the non-audiences.

### **Q.2) Explain the role of Creativity and Design Thinking in any start-up idea. Justify the use of vertical for business opportunity, understanding of your customers, and accurately assess market opportunity in any start-up project.**

Creativity eliminates the limits to the mindset and skill set of an investor. However, a lot of people associate creativity with lack of restraint and believe it can cause chaos. Conversely, leadership is all about control and order. As such, entrepreneurship and creativity form a perfect combination. It no longer takes number-crunching skills and practicality to run a successful business.

Design thinking is our best tool for sense-making, meaning making, simplifying processes, and improving customer experiences. Additionally, design thinking minimises risk, reduces costs, improves speed, and energises employees. It provides leaders with a framework for addressing complex human-centred challenges and making the best possible decisions concerning:

- Redefining value
- Re-inventing business models
- Shifting markets and behaviours
- Organisational culture change
- Complex societal challenges such as health, education, food, water and climate change
- Problems affecting diverse stakeholders and multiple systems

Design thinking succeeds when it finds ideal solutions based on the real needs of real people. It informs human-centred innovation. It begins with developing an understanding of customers' or users' unmet or unarticulated needs. When facing uncertainty, it's essential to have a structured thinking process to guide the journey. Design thinking offers a structured framework for understanding complexity and pursuing innovation, which I see as being part scientific inquiry and part art.

#### **The five practices that enable innovation include:**

- (1) The development of a deep empathic understanding of user needs and context.
- (2) The formation of heterogeneous teams.

- (3) Dialogue-based conversations.
- (4) The generation of multiple solutions winnowed through experimentation.
- (5) The use of a structured and facilitated process.

A vertical market is a market encompassing a group of companies and customers that are all interconnected around a specific niche. Companies in a vertical market are attuned to that market's specialized needs and generally do not serve a broader market.

The global business market provides a multitude of opportunities for all types of businesses. Vertical market providers are focused on specific goods and services that meet the needs of a niche customer group. These markets are the opposite of horizontal markets which sell their products and services across multiple industries with broader association among a variety of businesses and business segments.

A company operating or seeking to work in a vertical market will generally need to take somewhat of a different strategic approach than a horizontal market company. Vertical market businesses may be industry-specific or demographic-specific.

Operators in a vertical market can target a particular segment where they have a comparative advantage. As these operators grow within a specified vertical market environment, they also gain expertise in their market's trends, terminology, regulations and level of competitiveness. Some of the most considerable advantages for vertical market businesses come in the savings from marketing expenses. Vertical market businesses have the benefit of targeting a narrower customer base. This narrow focus can lead to more streamlined and focused marketing campaigns which are less costly than those seeking to reach a wider mass audience.

Thus, a vertical market approach is useful for start-ups as it can allow the focus to be shifted upon narrower customer bases and allow savings from the marketing and advertising expenses.