

## Business of Software CSC454/2527 - ASSIGNMENT 3

### Customer Segment (10%)

One of the most profound and eye-opening statements by Steve Blank goes like this:

*“Startups don’t fail because they lack a product; they fail because they lack customers and a profitable business model.”*

This is a simple yet very significant idea that speaks directly to the greatest risk a venture faces.

Companies and startups conduct extensive market research, yet often wind up neglecting the customer perspective when designing products, services - and business models. Good business model designs avoid this error. It views the business model through customers' eyes: an approach that can lead to the discovery of completely new opportunities. Successful innovation requires a deep understanding of customers, including environment, daily routines, concerns, and aspirations.

Your ideal customer will have all of the following characteristics;

- Has a **problem**
- Is **aware** of having a serious **problem**
- Has been **actively looking** for a **solution**
- **Has hacked** a temporary **solution** “workaround” out of sheer desperation usually out of anything they can get their hands on
- **Has or can acquire** a budget to pay for your **MVP**

Early stage customers are glad to;

- Spread the good news about unfinished and untested products but also buy them
- Give your venture the feedback necessary to add product features into follow-on releases

If a prospect fails any of these tests, chances are you will be wasting your time and limited resources. This is why ventures fail. You should immediately move to locate prospects as described above.

#### **Objective:**

The two foundational elements of the Business Model Canvas are the Customer Segment and the Value Proposition. Ensuring a direct tie-in between these two elements against a backdrop of the market and its size gives your venture tremendous insights and the best chances for survival. The assignment will teach you a step-by-step approach to narrow down your venture's product-market-fit. This assignment will focus only on the Customer Segment component of the previously mentioned pair. The next assignment (Assignment 4) will get you to bring in the Value Proposition compliment to give a better sense if your idea has a product-market-fit.

#### **Your Assignment:**

1. Identify the market segment (i.e., SOM, customer segment) that you anticipate will be the main revenue driver of your business going forward in the venture's early stage
2. Understand your Customer Segment profiles by developing their persona(s)

## Submission Instructions

In your team's private Basecamp, create a post called Assignment 3 Submission and upload your files to this discussion.

### Assignment 3 (Due by Monday October 9, 2017 at 10pm on Basecamp):

Answer Part 1 and Part 2 in a PDF document titled *TeamName\_Assignment4.pdf*

Please include the questions in this submission.

### Please keep in mind the - Overarching Global Problem Characteristics

- Global in scope so that it affects a lot of people – Is the venture worthwhile?
- Industry Disruptive – Does it make enough difference for potential customers?
- Market size: \$1 Billion + - Is the target audience big enough?
- The potential Return on Investment for Investors to be 10x their original investment – Is this an attractive investment category?
- Substantial improvement to existing products/services that may be servicing this space – Is this an interesting startup?

If the answers to the overarching characteristics are unsatisfactory then you may need to go back and revisit your assumptions.

## Relevant Readings and Resources

### Textbook:

- Blank, Chapter 3 – Customer Discovery, pg. 40-103
- Blank, Chapter 4 – Customer Validation, pg. 105-154
- O&P, Chapter 1 – Canvas, pg. 14-51
- O&P, Chapter 2 – Patterns, pg. 56-119
- O&P, Chapter 3 – Design, pg. 122-195

### Customer Development:

- [Achieve product-market fit with value proposition designer canvas](#)
- [Testing your value proposition](#)
- [The empathy map](#)
- [The proposition canvas \(video\)](#)

## Assignment 3 - Customer Segment

### Part 1: Identifying Customer Segment(s)

From your work in Assignment 2, you broke up your hypothesized target market into potential serviceable obtainable market (SOM) segments. Identify the market segment(s) (i.e., SOM, customer segment) that you anticipate will be the main revenue driver for your business going forward. Justify your answers by including research from your previous assignment.

### Part 2: Developing Customer Personas

*In the following section, you will be developing personas for your targeted customer segments (as identified in Part 1). These personas are a guiding principle for the entire business model design process. Customer perspectives should inform our choices regarding Value Propositions, Distribution Channels, Customer Relationships, and Revenue Streams.*

*There are 3 things you need to test in order to better understand your potential customers. For your customer segment(s) from Part 1, you will sketch out their top jobs, pains, and gains.*

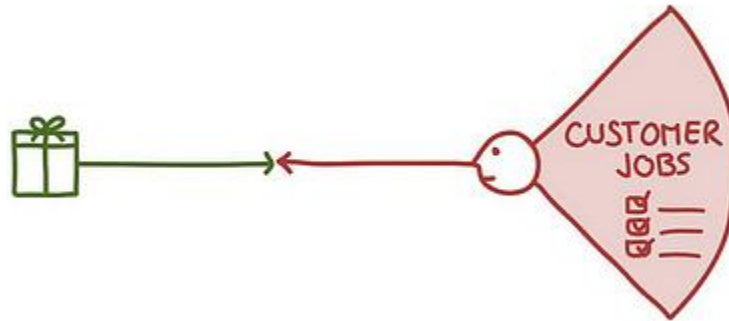
Jobs	Pains	Gains
Job you believe your potential customers are trying to get done that led them to purchase your product or service.	Pains you believe your customers might have or fear related to this job.	Gains you believe your customer expects or desires as an outcome of that job.
...	...	...

1. **Empathy Map.** It may be helpful to informally answer some questions about your customer using the Empathy Map to help brainstorm: <http://bit.ly/1EhTCo7> (not worth marks).

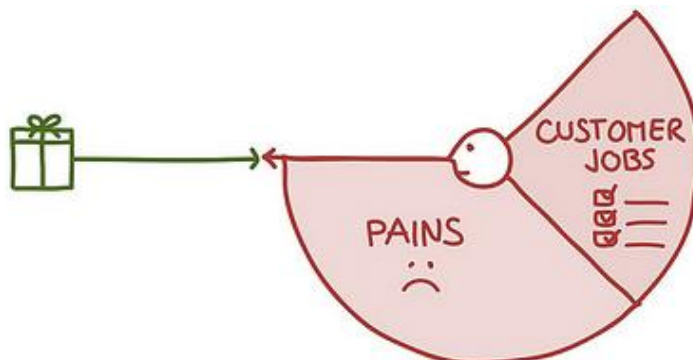


2. **Customer Jobs.** Describe what a specific customer segment is trying to get done that may lead them to purchase your product or service.
  - a. What functional jobs could you help your customer get done?  
(e.g., perform or complete a specific task, solve a specific problem, ...)
  - b. What social jobs could you help your customer get done?  
(e.g., trying to look good, gain power or status, ...)
  - c. What emotional jobs could you help your customer get done?  
(e.g., aesthetics, feel good, security, etc.)
  - d. What basic needs could you help your customer satisfy?  
(e.g., communication, survival, esteem, confidence, achievement, respect, ...)

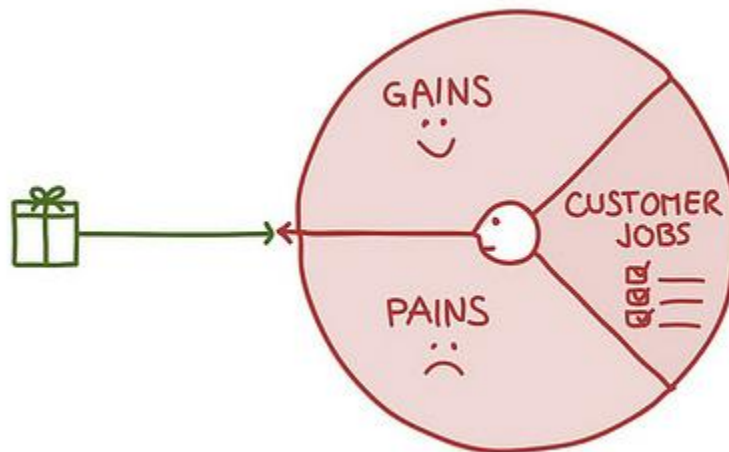
- e. Rank each job according to its significance to your customer. Is it crucial or trivial? For each job, indicate how often this occurs. Justify your ranking.



3. **Customer Pains.** Describe negative emotions, undesired costs, situations, and risks that your customer experiences, or could experience, before, during, and after getting each job (in Customer Jobs) done. *To clarify, there can be multiple pains for each job!*
- What does your customer find too costly?  
(e.g., takes a lot of time, costs too much money, requires substantial efforts, ...)
  - What makes your customer feel bad?  
(e.g., frustrations, annoyances, things that give them a headache, ...)
  - How are current solutions underperforming for your customer?  
(e.g., lack of features, performance, malfunctioning, ...)
  - What are the main difficulties and challenges your customer encounters?  
(e.g., understanding how things work, difficulties getting things done, ...)
  - What negative social consequences does your customer encounter or fear?  
(e.g., loss of face, power, trust, status, ...)
  - What risks does your customer fear?  
(e.g., financial, social, technical, what could go awfully wrong, ...)
  - What's keeping your customer awake at night?  
(e.g., big issues, concerns, worries, ...)
  - What common mistakes does your customer make?  
(e.g., usage mistakes, ...)
  - What barriers are keeping your customer from adopting solutions?  
(e.g., upfront investment costs, learning curve, resistance to change, ...)
  - Rank each pain according to the intensity it represents for your customer. Is it very intense or light? For each pain, indicate how often it occurs. Justify your ranking.



4. **Customer Gains.** Describe the benefits your customer expects or desires as an outcome of each job (in Customer Jobs). This includes functional, utility, social gains, positive emotions, and cost savings. *To clarify, there can be multiple gains for each job!*
- What savings would make your customer happy?  
(e.g., in terms of time, money, effort, ...)
  - What outcomes does your customer expect and what would go beyond his or her expectations?  
(e.g., quality level, more of something, less of something, ...)
  - How do current solutions impress your customer?  
(e.g., specific features, performance, quality, ...)
  - What would make your customer's job or life easier?  
(e.g., flatter learning curve, more services, lower cost of ownership, ...)
  - What positive social consequences does your customer desire?  
(e.g., make them look good, increase in power, status, ...)
  - What are customers looking for?  
(e.g., good design, guarantees, specific or more features, ...)
  - What do customers dream about?  
(e.g., big achievements, big reliefs, ...)
  - How does your customer measure success and failure?  
(e.g., performance cost, ...)
  - What would increase the likelihood of adopting a solution?  
(e.g., lower cost, less investments, lower risk, better quality, performance, ...)
  - Rank each gain according to the relevance of your customer. Is it substantial or is it insignificant? For each gain, indicate how often it occurs. Justify your ranking.



5. **Validity.** For each job, pain, and gain hypothesis in the previous questions:
- What is the basis for each hypothesis?  
(e.g., cited research, personal interviews, customer surveys, observation, ...)
  - For each hypothesis, describe a procedure that can be tested in order to obtain a quantifiable metric that proves the hypothesis' validity.  
(e.g., ask 50 people at random if they will vote in the next election)
  - Using part B, validate 3 of your top-ranking jobs, pains, and gains hypotheses (9 in total) with your chosen customer segment.