

Previously on E&I...

How to formulate a winning value proposition

A quick recap of Class 5

- ▶ A two-step process
 - ▶ Identify the VP
 - ▶ Formulate the VP
- ▶ A tool to validate the core attributes in terms of their Uniqueness and Attractiveness
- ▶ Potential template:
Action Verb - Object of the Action - Context of the Action.

Today we will go over some of the flipped classroom material

- ▶ Customer Research (FC 4)
- ▶ Competitive Analysis (FC 5)

Customer Research

Who they are? How to find them?

Customer Profile

- ▶ Who are they?
- ▶ **Customer:** Anyone who receives products or services from us, and thus benefits from our activities
 - ▶ Paying consumers
 - ▶ Internal or intermediate actors
 - ▶ External, indirectly impacted actors

Customer Profile

- ▶ It consists on a description of your “ideal” customer:
 - ▶ PUJ MBA Students between 35 - 40, who are interested in organic products.
 - ▶ Households in the North Eastern part of Colombia with 2 or more occupants and comprised between socioeconomic levels 3 and 5, who have bought electric appliances in the last year.
- ▶ You could have more than one. Differentiate the segments and say which ones you expect to be more important
 - ▶ The main customer is the one who will represent the biggest chunk of your revenue

Customer Profile

- ▶ The demographic and psychographic profile you have just presented is not your target market
 - ▶ This mass is the **Total Addressable Market (T.A.M.)**
- ▶ You still need two further adjustments:
 - ▶ The portion of the TAM actually interested in your product
 - ▶ Those you can target in the first stage of release/introduction
- ▶ You don't need to reach them all at once.
- ▶ Maybe the product will be introduced just targeting some, you need to explain that!

Customer Profile

▶ Example:

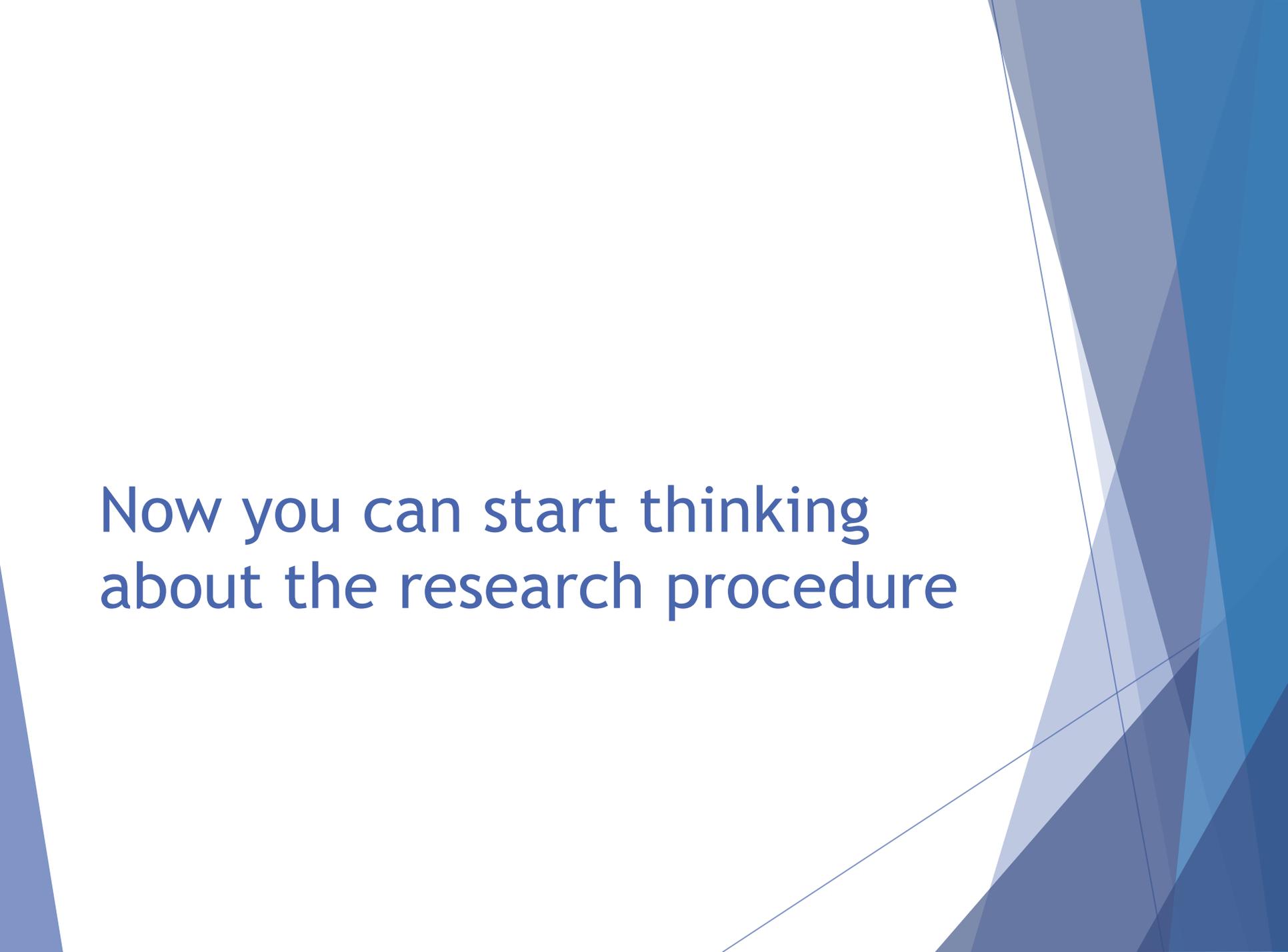
- ▶ PUJ MBA Students between 35 - 40, who are interested in organic products is the TAM
(3500 individuals - Segmentation, from secondary sources)
- ▶ With a survey we determine only 25% of them are interested
(1225 individuals - Potential customers, from primary sources)
- ▶ When we introduce the product we will only target 5% of them
(61 individuals - Target market)

To research your customers you need to know yourself first

- ▶ Look at the market/sector/industry and its actors
- ▶ Understand where we are at and where we want to go
 - ▶ Start narrowing down the business activity
 - ▶ Identify all the other relevant players who are not costumers
- ▶ Great inputs for the **value proposition** and **market segmentation** are generated in this analysis
 - ▶ A state-of-the-art report of a specific sector
 - ▶ Unsolved problems pop-up
 - ▶ Competitive advantage = innovation!

To research your customers you need to know yourself first

- ▶ Understand what makes a person buy something
 - ▶ Extract the value it generates
 - ▶ What problem it solves
- ▶ Understand an industry, a market segment
 - ▶ How value is defined in it
 - ▶ How the problem is usually solved
 - ▶ Benchmarking

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Now you can start thinking
about the research procedure

Before you start

- ▶ Who to ask and where to find them is not obvious.
 - ▶ Size of the sample = Money
 - ▶ Time = Closing Windows
 - ▶ Inaccuracy = Wasted resources
 - ▶ Heavy processing = Slow reactions

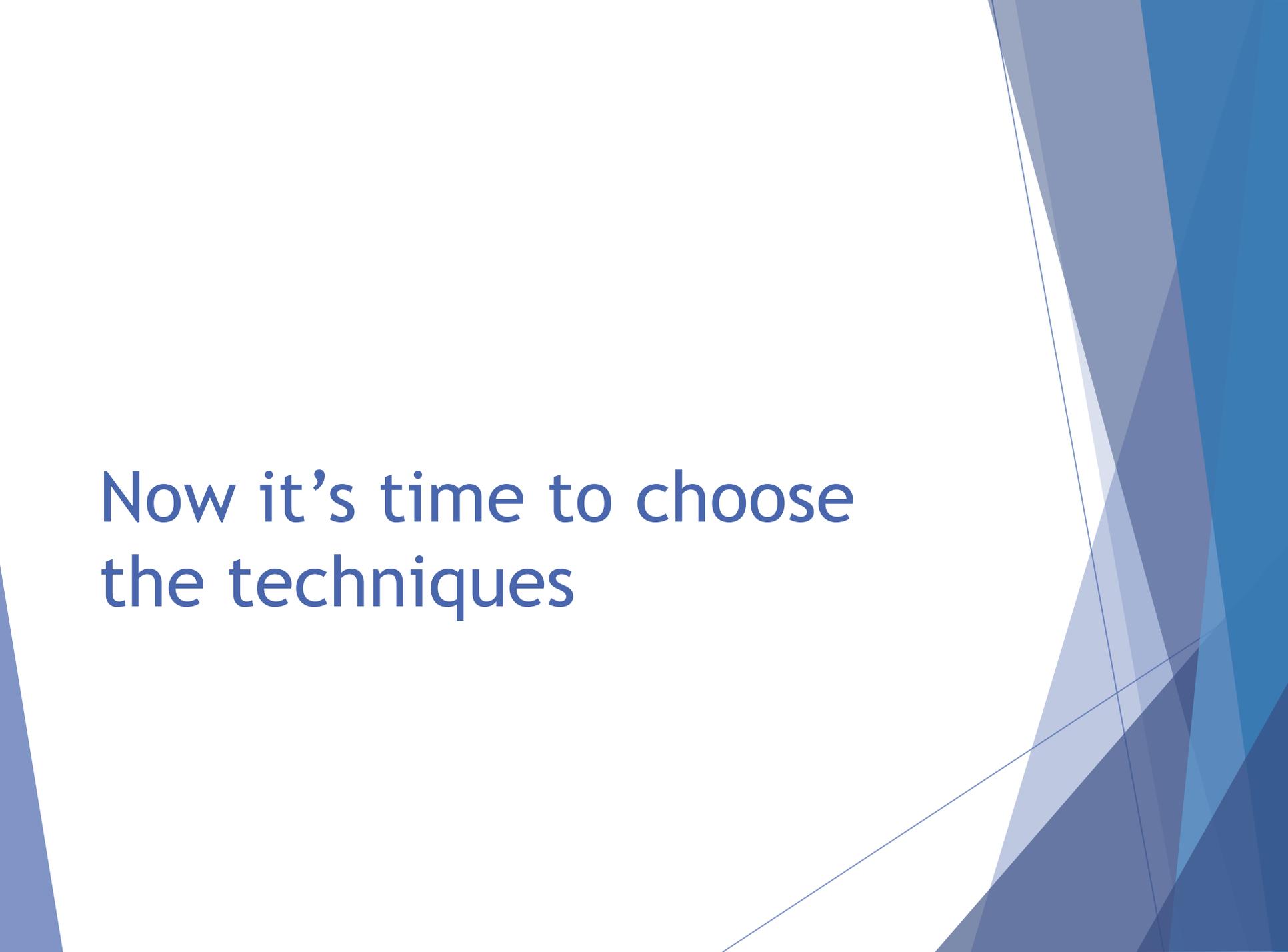
Then, you first need to

- ▶ Map the costumers
 - ▶ Different profiles for each type or segment
 - ▶ Social characteristics: Age, Gender, Lifestyle traits...
 - ▶ Location and interactions: Where they live, Where they buy, Purchase frequency
 - ▶ Income : How they pay
 - ▶ Direct, indirect stakeholders
 - ▶ Etc.

Next, you still need to know who to ask...

- ▶ Map the market or industry sector
 - ▶ Local, Global?
 - ▶ A particular type of service or product
- ▶ An identikit of
 - ▶ The competitors
 - ▶ Providers, distributors
 - ▶ Financiers
 - ▶ The legal environment

Now it's time to choose
the techniques

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There are three approaches on how to get the information

- ▶ External observation
- ▶ Participant observation
- ▶ Directly asking the consumers
 - ▶ Focus groups
 - ▶ Surveys
 - ▶ Interviews
 - ▶ Monitor already existing information, etc.

Before working on your instrument, remember

- ▶ Data is already there, use it as a springboard!
 - ▶ The product/services features are listed in reviews
 - ▶ Improvements required are known
 - ▶ Sales reports tell you a lot.
- ▶ Several iterations are required for refinements
 - ▶ Consider a a pilot run with a smaller sample
 - ▶ Use pre-existing data and look for patterns

And now some
tools

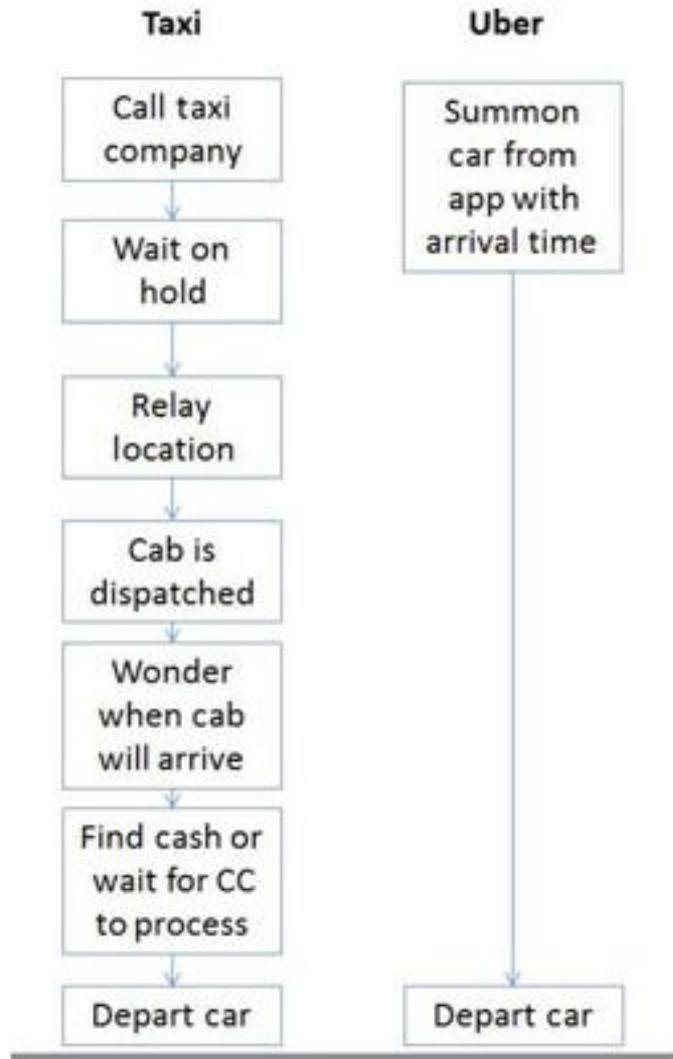
I. Consumer process map

- ▶ **A process map:** A sequence of steps that are considered sacred, unmovable, standard.
- ▶ Ask yourself, why?
- ▶ Let's model one!

The checklist

1. List the channels or platforms for the interaction
2. Look at the steps, they define stages and (most importantly) behaviors
3. What is the goal of each stage?
4. Mark each interaction point
5. Now be critical... Are the customers achieving their goals? Are all interaction points necessary?

Inspired by [A Step By Step Guide To Building Customer Journey Maps](#)



II. Interviews

- ▶ Harder to do than most people think
- ▶ Right questions...
 - ▶ Must be behind very specific information
 - ▶ Ask many times to get to the root cause
 - ▶ 5 WHYs principle
 - ▶ Combine open and closed questions
 - ▶ Tailor the instrument to the specific profile and moment

Interview Question Tips

- ▶ Must be complete, clear, brief.
- ▶ It's good to ask leading consumers and influencers, but design the questions with the least knowledgeable customer in mind.
- ▶ Scales, rankings, and choices should be clear and consistent.

Interview Question Tips

- ▶ Show rather than tell, use props!
- ▶ Be flexible and let discussion arise
- ▶ Follow non-verbal cues.
- ▶ Do not lead the customers, be subtle

Some more tips

- ▶ Interviewing 10 to 50 people is advisable
- ▶ Do it in teams, one to ask another to record
- ▶ Do them in the use-environment if possible
- ▶ Make the customer feel important, reward their time

III. Surveys

- ▶ The sample size matters
- ▶ The instrument must really be fine-tuned
- ▶ More costly
- ▶ Could go either way
 - ▶ Who answers?
 - ▶ Are they taking us seriously?
 - ▶ Stakes.

IV. Focus Groups

- ▶ Get a small number of people together to talk about something.
- ▶ Listen to everyone and take advantage of the group dynamics!
- ▶ Don't be sneaky
- ▶ Participants must be rewarded
- ▶ Size?
 - ▶ From 6 to 12 people at a time
 - ▶ From 1 to 2 hours
- ▶ Do it in teams, one to lead the discussion other to take notes

V. Observation

- ▶ Be systematic
- ▶ Use a standard tool to record findings
- ▶ Follow the whole customer's journey
- ▶ How do they really use the product?
- ▶ A questionnaire must be run afterwards and the fact she was observed fully disclosed
- ▶ The lab is an option, though it has some limitations.

Always remember

You are ultimately trying to understand **what the customer needs!**

Now please help me with these

1. Would you consider buying the product in a different color?
2. Are you subscribed to our newsletter?
3. Do you always pay the service by credit card?
4. How often do you shop with your children?
5. Rate the politeness of the clerk who just served you.
6. Which of these products is not sold by the competition
7. Have you heard of our brand before?
8. Do you ever buy a different size?
9. Would you be interested in a home delivery system?
10. Which of these is the least important reason for you to come to this specific store

Let's arrange them in this table

Question	What info is it after?	Corrections?	Type of tool?

Let's now look at the markets

The competitors, our sector.

THE COMPETITIVE ANALYSIS

Analyzing the sector/competition

- ▶ Many tools already exist, get familiar with them
 1. SWOT analysis (Strengths, Weaknesses, Opportunities and Threats)
 2. BCG Matrix (Cash cows, Dogs, Question Marks, Stars)
 3. Porter's Five Forces
 4. SPELIT Analysis
 5. Mystery Shopping

What we look for

- ▶ Who are their customers, **someone missing**?
- ▶ Service portfolio, **any gaps**?
- ▶ How do they engage their clients, **satisfactorily & efficiently**?
- ▶ What **problem** do they solve, **how**?
- ▶ What makes them the **best alternative**?
- ▶ Who are their **top competitors**?

Where to get this info?

- ▶ Advertising, promotional material.
- ▶ Newspapers, magazine articles, specialized journals profiles
- ▶ Local and national databases: Cámara de Comercio, Encuestas Nacionales, Ministerios, etc.
- ▶ Their own annual reports
- ▶ Reference books

And the point of all this is...

- ▶ **Do I have a shot?**
 - ▶ Can I do something differently
 - ▶ Are there unaddressed opportunities?
 - ▶ How do I stack-up against the established players?
 - ▶ What are the trends?
 - ▶ Industry lifecycle
- ▶ **Find and seize an opportunity!**
 - ▶ How we generate value

What now?

- ▶ Include the customer and competitive research in your project's brief!
- ▶ Two sections answering:

Customer Research

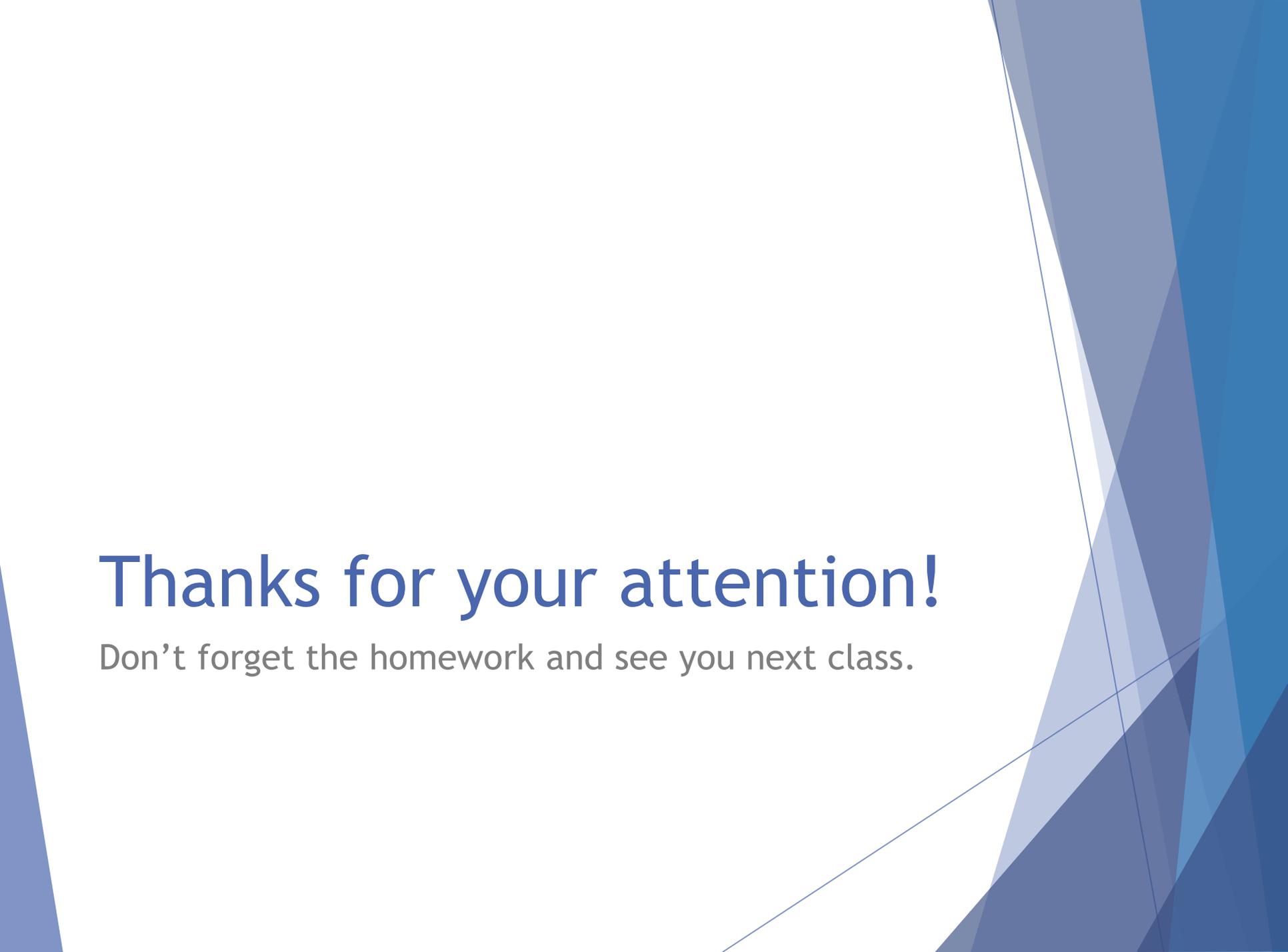
- ▶ Who is your ideal customer?
 - ▶ Their profile(s)
- ▶ Is there more than a direct customer?
 - ▶ User/consumer, who pays, etc.
- ▶ How can you know they exist?
 - ▶ Their approximate number (TAM)

Competitive Research

- ▶ Describe:
 - ▶ All the relevant market agents
 - ▶ Competitors, Allies, Intermediary customers, Suppliers, etc.
 - ▶ Global Trends
 - ▶ The sector
 - ▶ Using Porter's 5 forces, SWOT, or any other tools you like.

That's all!

- ▶ Now get ready for the presentation
- ▶ We can absolutely meet before that, if you want to
 - ▶ Just send me an email

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Thanks for your attention!

Don't forget the homework and see you next class.