

Market research for better products

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Today's session

- Creating a product-market fit
- Understanding the industry and your customer
- Focusing the research

- Some key facts about the current business environment:
 - Shift from product to customer orientation through lean approaches in product development
 - You can have a fantastic, unbreakable product, but if no one wants to buy it, you will not make a profitable venture
 - Identifying the problem first is key in finding a customer oriented solution.
 - Market research: identifying the pain the customer has, how they approach it now, what they are missing and how you can serve them better in fixing the pain.

Example from practice...

- <https://www.youtube.com/watch?v=kNOSVBCJqLs>

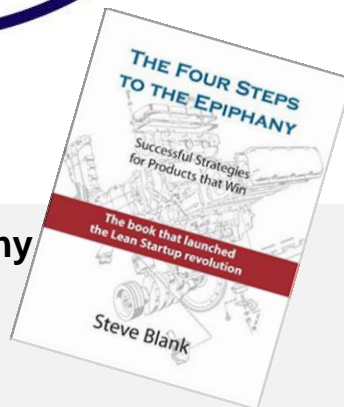
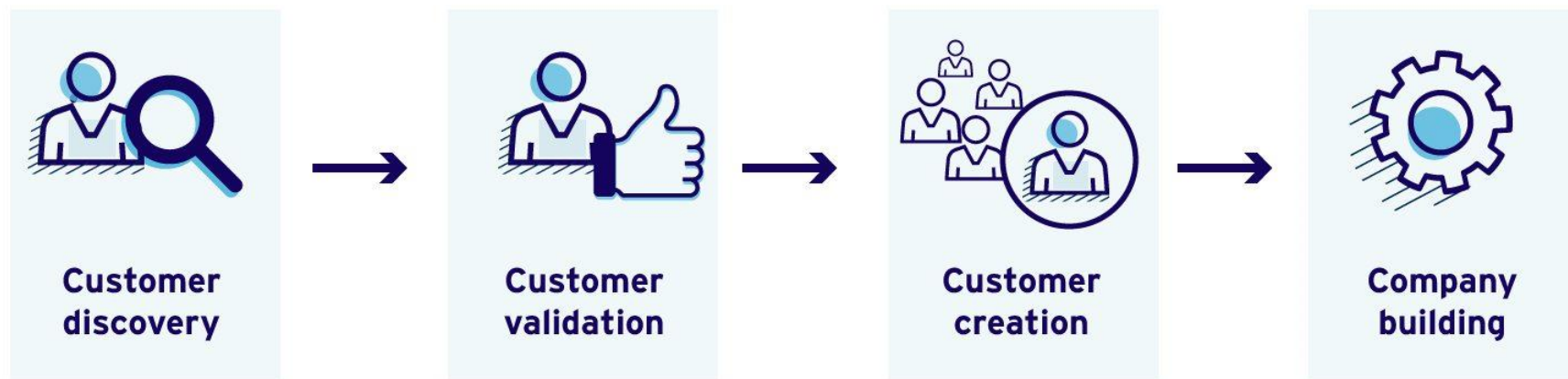
So, what are the key things to consider?

- What is the customer pain? – CUSTOMER FOCUS (primary research, user profile/persona)
- Who is already trying to solve it and how? – COMPETITOR ANALYSIS (i.e. Porter's framework)
- What is going on in the world that can influence solving that pain? – INDUSTRY ASSESSMENT (i.e. PESTEL, industry statistics)
- What is the key thing we can do better than anyone else? – VALUE PROPOSITION (VP canvas)
- How does it all fit together? – PRODUCT-MARKET FIT

“The term product/market fit describes ‘the moment when a startup finally finds a widespread set of customers that resonate with its product’.” Eric Ries (Lean startup)

“Getting product right means finding product/market fit. It does not mean launching the product. It means getting to the point where the market accepts your product and wants more of it.” Fred Wilson (VC)

The Customer Development Model



Steve Blank: Four steps to epiphany

- Finding out who your customers are and if the problem you are solving is important to them.
- You need to:
 - Understand the industry/market you are in
 - Identify your customer segment and identify your key persona
 - Validate your value proposition
 - Identify that the vision for your product fits with the customer

- Sales roadmap that has been proven and tested with the early customers.
- It will help you scale and grow your company.
- Supports the go-to market strategy process.

Step 1: Understanding your industry

- Defining an industry depends on the key focus you are pursuing.
- Understanding the macro trends will help you determine, if your idea is viable.
- Looking into industry statistics will help you get an understanding, if the industry is financially interesting
- Porter's five forces model will guide you in understanding the competitive dynamics within the industry that may influence your opportunity.

- PESTLE analysis provides a way to structure your thinking when evaluating the conditions and trends that, at a high macro environment level, can affect an industry.
- If you have a passion or an idea for a business venture, you can use a PESTLE analysis to determine whether you should spend more time doing a deeper dive to explore its viability.
- **Political** – e.g. government of the day
- **Economic** – e.g. inflation, currency
- **Social** – e.g. demographics, urbanization
- **Technological** – e.g. AI, mobility, social media
- **Legal/Regulatory** – e.g. Ontario Securities Commission
- **Environmental** – e.g. ‘green’

- Size: larger industries often mean larger cut of the market you can address.
- Margins: larger margins, mean larger returns.
- Growth: a growing industry provides more 'niche' opportunities.
- Segments: large industries don't cater for everyone, but are often split into particular segments based on customer characteristics.
- Shifts: industries are not static and a unnoticed shift may mean a lost opportunity.

Porter's forces



So, when is an industry attractive and your idea an opportunity?

- Timing is right when:
 - Macro forces are favorable
 - Competitive forces are favorable
 - Industry factors indicate potential for growth.

Step 2: Market segmentation

- A business needs enough paying customers to become profitable.
- Identifying the target market that you will conquer first provides focus.
- You want to serve a clearly defined market of similar end users.
- Market segmentation process:
 - Brainstorm
 - Narrow down
 - Primary research.

Brainstorming your segments

- Generate ideas on the markets your idea could target. Remember, you are solving a customer pain – they need to want to pay money for your solution.
- Some key points:
 - Get the right people into the conversation - think experts, technologists, creative people, etc.
 - Consider trends – what changes may influence your markets
 - Consider having multiple sessions of brainstorming to get the most market ideas!

Narrowing down your markets

- Some key considerations in finding your target segment:
 - Eliminate the markets that may be against your team’s passions, values
 - Identify the relevant characteristics:
 - purchasing power;
 - ease of direct access to it;
 - if each has a compelling reason to buy;
 - whether you can deliver a full product (with or without partners);
 - whether there is entrenched competition;
 - whether you can leverage success to expand into other markets if you win this one;
 - whether segment is compatible with values/passion and goals of funding team.

Primary research

- Go into the field and check that your assumptions are correct.
 - Focus on getting a clear understanding of the segment characteristics and how they fit within the industrial assessment.
 - Talk to people – do interviews to understand your target customer and validate that you are solving a pain.
1. Make a plan:
 - Identify goals and objectives of the research
 - Define recruitment criteria
 - Develop a recruitment questionnaire
 - Develop supporting content
 - Recruit subjects
 - Run the research program
 - Digest results and plan for next steps.
 2. Start with secondary research:
 - Do some homework to understand the industry
 - Don't take secondary data for granted – it may not be accurate for your opportunity

Step 3: Customer persona

- Goal: description of a narrowly defined subset of end users with similar characteristics and needs that will help you focus your marketing efforts.
- Potential characteristics:
 - Demographics (Gender, Age range, Income range, Geographic location)
 - Motivation (What motivates them? What do they fear most? Who is their hero?)
 - Behavior (Where do they go for vacation? For dinner? Before work? What newspapers do they read? Websites? What TV shows do they watch? What is the general reason they are buying this product? Savings? Image? Peer pressure? What makes them special and identifiable?)
- **Tell their story**

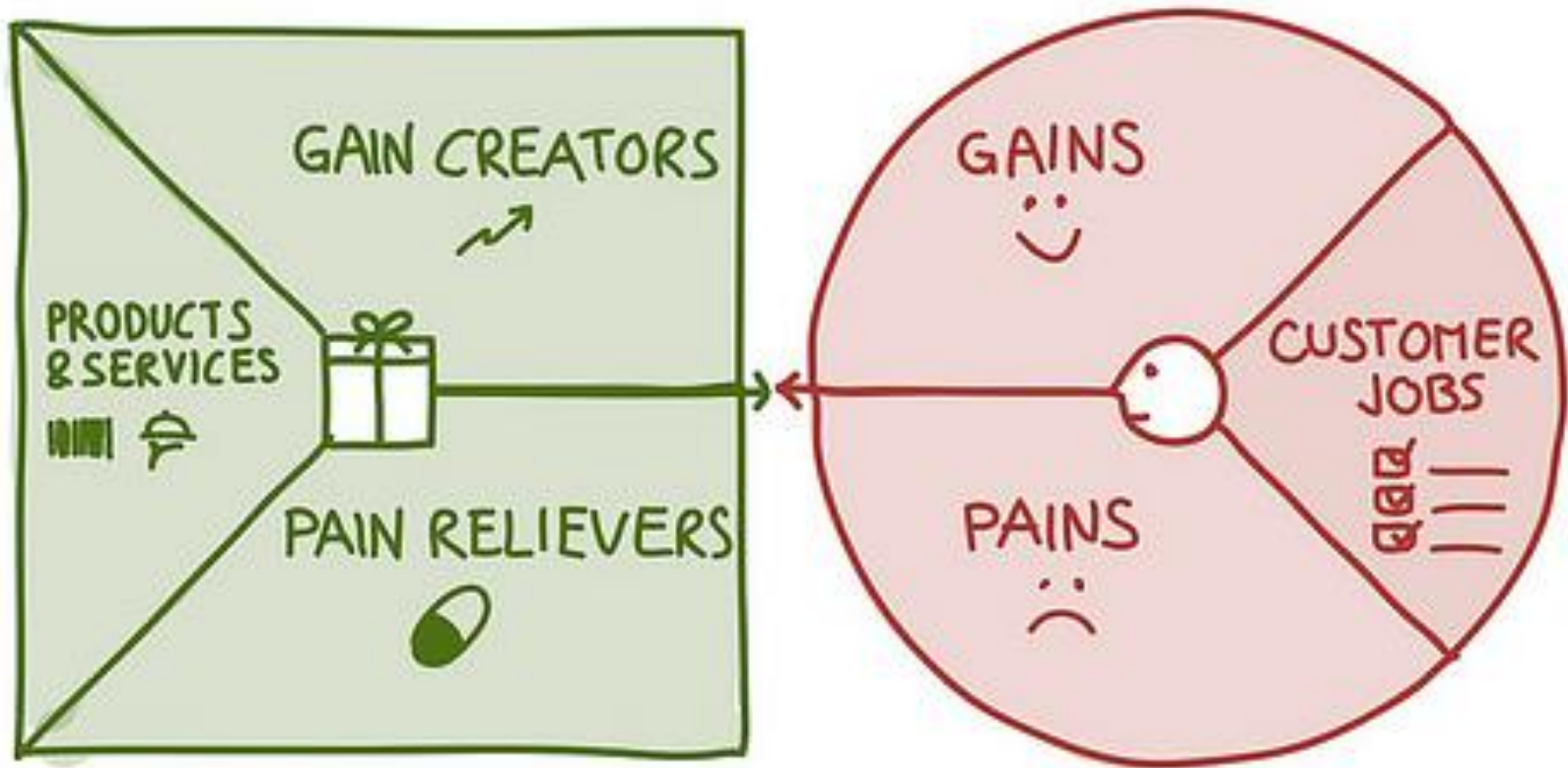
Why identify a persona?

- You will need to focus *all* your marketing and sales resources reaching your target market user.
- You do not want to have to try and sell to 25 and 50 year old customers at the same time in the first instance.
- Even in your narrow target segment all end users are not alike.
- The end user profile will help you calculate the total addressable market size in the next step.

Step 4: Value proposition

- Value proposition = description of the benefits customers can expect from your products and services.
- Customers will only buy your product, if it aligns with their highest priorities.
- Value proposition canvas:
 - Two sides – the customer profile and the value map.
 - You achieve fit, when the two align = good value proposition.

Value proposition canvas



Product-market fit canvas

CUSTOMER SEGMENT:

Characteristics & jobs to be done

WHO is the typical customer for your product/service and what job(s) he/she is trying to get done?

Problems & needs

WHY do your customers need to use your product/service in order to get their job(s) done?

Channel

HOW do your customers acquire your products/services?

User experience

WHAT does your customer do with the product to get real value?

PRODUCT OR SERVICE:

Alternatives

The approach(es) your customer is currently taking to get their job(s) done, including the tools they are using

Key features

The essential elements that your product or service must have to meet your customers' needs and solve their problem

Value for the channel

The value your channel will get by offering and selling your product

Key metrics

The key things to measure to know if your customer is getting real value. These key metrics will help you to know if you've achieved Product-Market Fit

