

Problem & Customers. □

**Understanding your customers
and their problems**

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How to use this booklet?

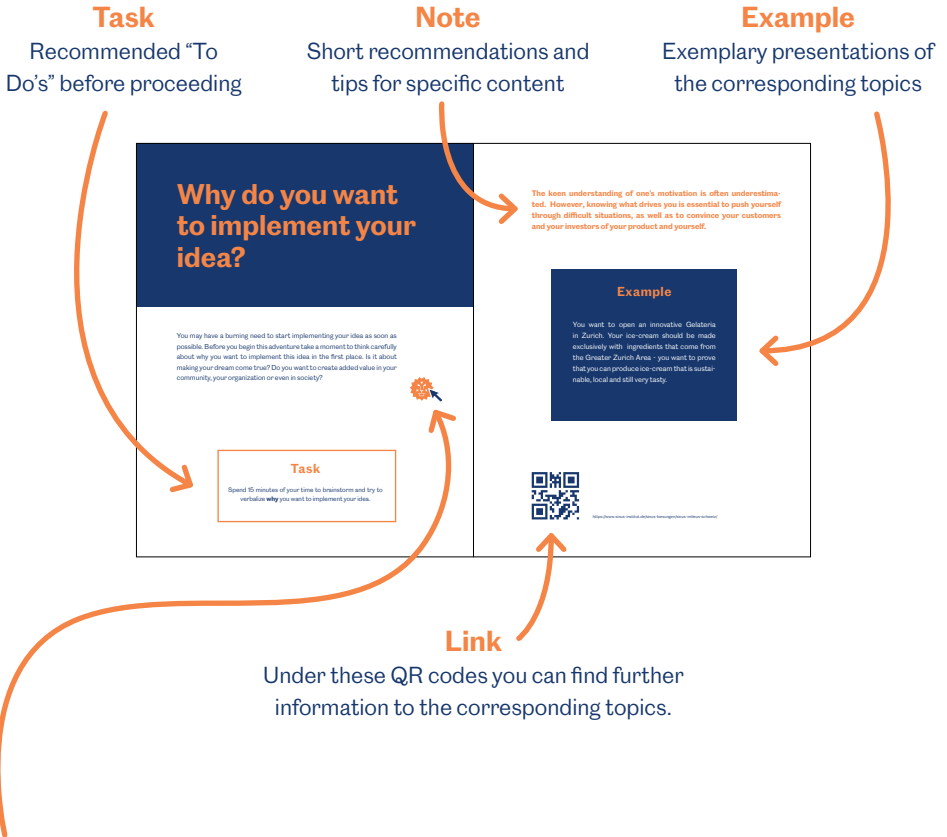
— This booklet is a part of the Bluelion Incubation Series. Each booklet deals with a specific topic that startups will have to face during the development of their ideas. The brochures follow a proven innovation process. We suggest approaching them in the recommended order. Of course, the booklets may be applied individually and independently of each other.


Each booklet guides you through the basic components of the (respective) topic and shows you the goal of the corresponding phase via various milestones. Consider the description of the process and the milestones as guidelines. Each idea is different and requires a distinct approach and prioritization.

These booklets attempt to provide some orientation in the often rather blurry process of innovation development. They are neither perfect nor complete but still provide you a good overview and a golden thread to hold onto. The overview of the relevant topics and the sketching of the individual methods and tools are complemented by Bluelion's incubation services.

On the following page, you can find a short description of different elements that you will encounter in the course of the booklet.

What is the structure of this booklet?



Digital Toolkit: all the models and tools described in the booklet are available online: www.bluelion.ch/services/toolkit. In the toolkit, you will also find other helpful tools, as well as access to chosen platforms that can help you with the visualization and prototyping of your idea. **The symbol**  in the booklet indicates that you may find additional material to the current topic online.

Understand Your Customers – And Their Problems

— A profound understanding of your target groups and their problems is an essential and critical ingredient for the development of a successful solution.

No matter whether your idea addresses an end customer (B2C - Business to Consumer), another organization (B2B - Business to Business) or your own organization: at the end of the day, the focus is always on people who find your idea either exciting or not. Recently, based on this insight the method of «human-centered design» (HCD) has established itself in many innovative organizations. As the name suggests, this places the human being at the centre of any activity. Our booklet is based on this approach as well. Accordingly, this chapter will help you find out who your potential customer is, what bothers them in general (values and interests) and in particular (their needs in the context of your idea).

Your target groups and their problems are indivisible, so it makes little sense to approach these dimensions separately. This booklet is aimed at expanding the understanding of your potential customer and finding out which problem your idea solves effectively. The procedures described on page 8 will help you to not lose track and to reach the goals of this booklet as efficiently as possible.

Lean Canvas

Problem	Solution	Unique value proposition	Unfair advantage	Customer segments
<p>Describe 1-3 great problems of your customer</p> <p>Existing alternatives How were these problems solved in the past?</p>	<p>Describe the solution for every problem</p> <p>Key metrics Which measurable figures show whether the solution works?</p>	<p>A simple clear message that explains why your solution is different and worth attention</p> <p>Short concept The X for Y analogy Youtube = Flickr for Videos</p>	<p>Something that makes it difficult for others to copy the solution</p> <p>Channels How you reach your customers</p>	<p>Enlist your target and user groups</p> <p>Early Adopter Describe the qualities of your ideal customer</p>
<p>Costs</p> <p>Enlist your fixed and variable costs</p>		<p>Income</p> <p>Enlist the sources of income</p>		

Step 1: Research the market of your idea

Step 2: Discover different target groups

Step 3: Bring your target groups to life

Step 4: Get into contact with your target groups

Step 5: Check your assumptions

Step 6: Determine your Early Adopters

Step 7: Solve a real problem

- Think about what target groups your market generally consists of (Step 1)
- Divide them into different characteristic sub-groups. Probably you won't be able to assign all the customers to a particular group. There will be smaller target groups that, for the sake of convenience, are summarized under "Rest." When you have the feeling that you assigned 80% of your customers to specific customer groups, that is enough for this stage (Step 2).
- Afterwards, create vivid representatives of each target group and validate these through interviews (Step 3&4).
- It may happen that one of your customer groups is falsified which means that the responding group has no interest in your product. At the same time, new customer groups can appear from your interviews as you discover a pattern that was not on your radar before (Step 5).
- The target group representatives that have the most significant demand for your solution can be identified as Early Adopters (Step 6&7).

Learn more about each of the steps on the following pages.

Step 1

Total market: all potential customers for your product/service/assumed

is composed of:

Step 2

Assumed target group 1

is represented by:

Hypothetical persona 1

Assumed target group 2

is represented by:

Hypothetical persona 2

Assumed target group 3

is represented by:

Hypothetical persona 3

Unknown rest

Unknown rest

Step 3

is validated by problem interview and further developed to:

is falsified and rejected by problem interviews

is validated by problem interview and further developed to:

Step 5

Real Persona 1

~~Real Persona 2~~

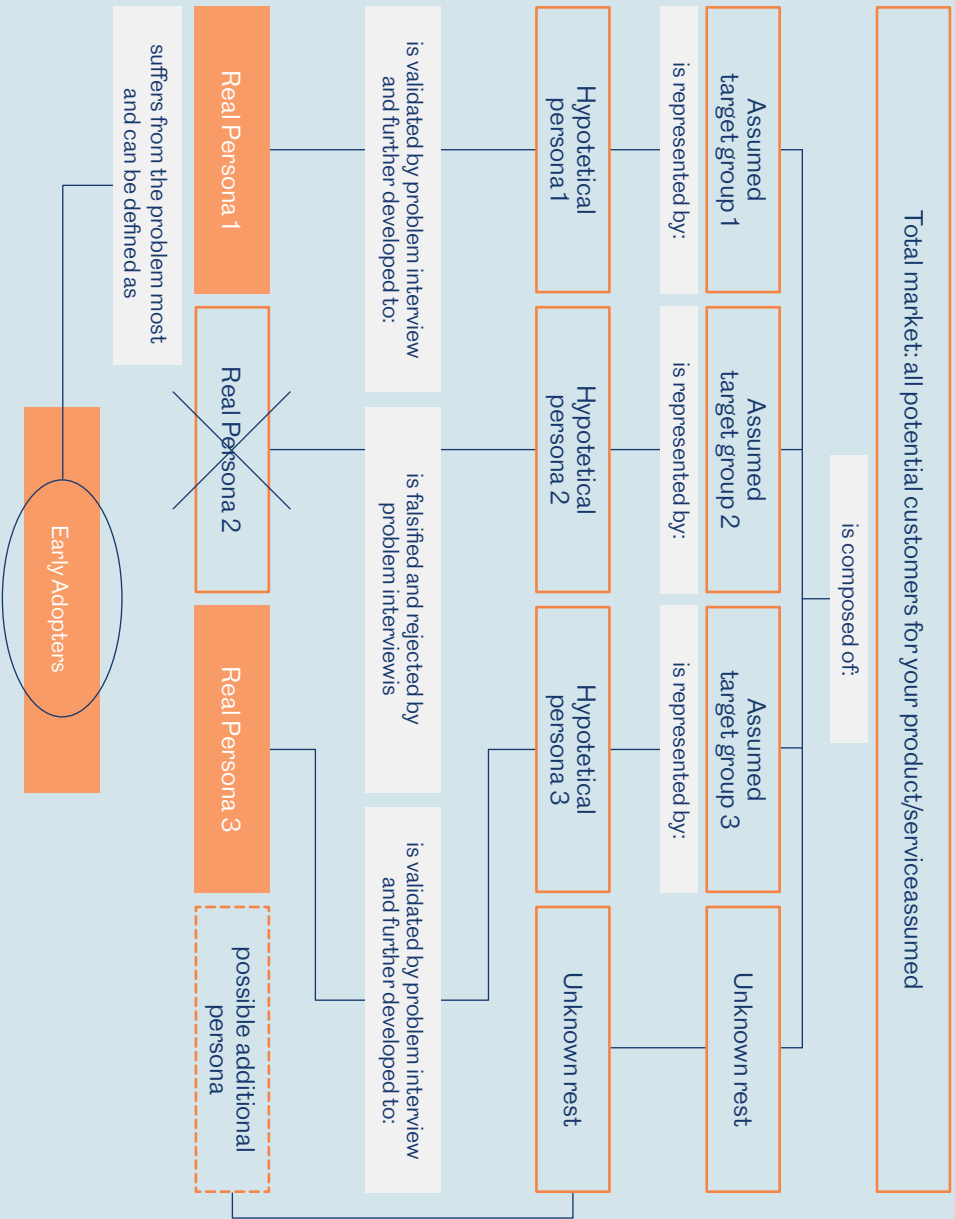
Real Persona 3

possible additional persona

suffers from the problem most and can be defined as

Step 6 & 7

Early Adopters



Step 1: Research the Market of your Idea

In this first step think of what composes the universe of your potential customers or rather your general market. Who will benefit from your idea? Which attributes should a person or organization possess so that you can assign them to your general market?

This booklet is about the qualitative identification of your target groups and not about the quantitative market potential. You may learn how to master your market potential in the booklet: “Business Model.”

Example

You want to open an innovative gelateria in Zurich. Your ice-cream should only contain ingredients from the greater Zurich area. With this, you want to prove that delicious gelati can be produced sustainably and locally.

Your total market: all people who love ice-cream and move around in Zurich.



Step 2: Discover different target groups

Now let us meaningfully divide your total market into the so-called target groups and also segment relatively homogeneous subgroups. What differentiates your potential customers? Can you identify patterns of demographic features, behaviors, needs, and values of your target groups?

Also, consider the so-called Sinus-Milieus, a common targeting segmentation that will help you assign your target audience to a social milieu. You can find an overview of the different milieus here:



<https://bit.ly/2QqqLQp>



Example

You put some thought on how to divide the total market of ice-cream fans in Zurich and come to the following conclusion:

Target group 1 – city moms:

urban, well-off mothers with young children (Sinus-Milieu: middle class). Ice cream as activity and reward for the children. Appreciate the local and adhere to the idea of sustainability.

Target group 2 – young adults:

young, urban members of generation X. Often students (Sinus-Milieu: adaptive pragmatic). Ice-cream shop as a social meeting place and leisure activity. Are often in groups. Price-sensitive. Sustainability as part of the personal ideology.

Target group 3 – individual tourists:

open-minded individual tourists. City trip to Zurich. Want to discover «secret spots» (Sinus-Milieu: digital cosmopolitans). Relatively high purchasing power, usually traveling in pairs or in groups.

In some cases, it can also be that your target groups and your total market are identical. The smaller your total market, the lower the alleged number of different target groups, it consists of.

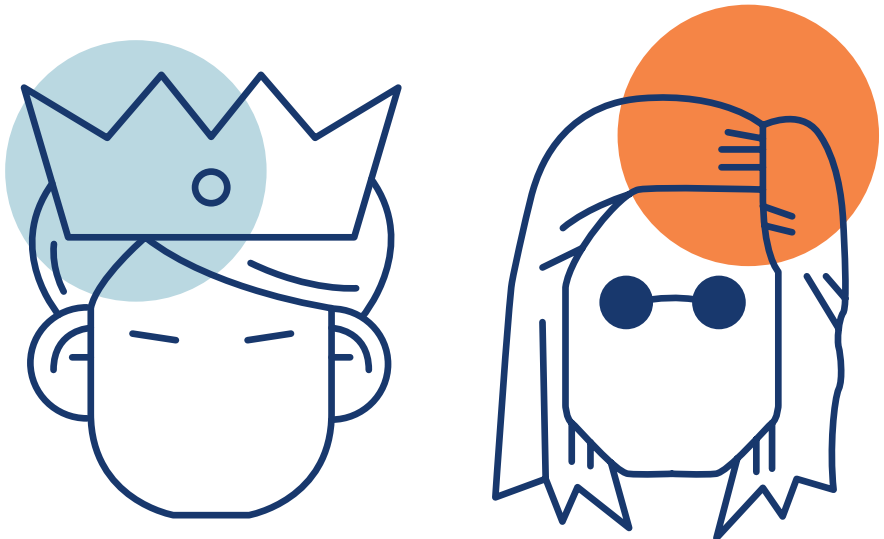
Step 3: Bring your customer groups to life

It is time to give your customer groups a face. In the form of a “persona,” you develop a primarily hypothetical person that is as real as possible and who functions as a typical representative of your customer group. Your personas serve to build an as detailed picture of the customer groups as possible. A well worked out persona is worth a mint: a persona stands respectively for the majority of customers and accordingly allows you to challenge all your solution sketches and developments, or prove whether your imaginary representatives will approve your idea. To make your personas realistic representatives of your target groups, it is essential to make them as holistic as possible. This means that, besides demographic characteristics like age, gender, place of residence and education, you should also identify the behavior and interests of a supposed target group. This model is dynamic and will continue to evolve. So do not hesitate to make assumptions about your personas for the moment - you will have to update them anyway.

Example

Why is it so important to document not just the demographic features? A short mental experiment will help you understand.

There are two men of the same age, both born in England, both divorced fathers of kids of the same age, both are rich and successful, and both like to spend vacations in the Alps. These so-called “sociodemographic twins” are Prince Charles and Ozzy Osborne. It would be an epic fail to describe these two men with the help of the same persona despite their startling similarities. They differ fundamentally in lifestyles, behavior, and, respectively, in tastes.



The following page contains a template to obtain a persona



Task

Develop the first sketches of different hypothetical personas (three are enough). Fill out the fields, for which you already have a guess; you can leave the rest ones blank for now and continuously fill them in the course of validation. Ideally, you can use the post-its with the corresponding color codes to capture your insights as clearly as possible.

Persona Canvas

Persona Profile	Sketch your persona	Persona behavior	Pains
<p>Name:</p> <p>Sex:</p> <p>Age:</p> <p>Place of residence:</p> <p>Education:</p> <p>Marital status:</p> <p>Jobs to be done</p> <p>What demands does the persona have towards your solution? (concerning functionality, social and emotional desires)</p>		<p>Interests:</p> <p>Social environment (Sinus-Milieu):</p> <p>The way of thinking:</p>	<p>Which «pains» does the persona have in the context of your idea?</p>
		<p>Gains</p> <p>What positive experiences does the persona have in the context of your idea?</p>	
		<p>Touchpoints with your idea</p> <p>«Where and how does your persona inform itself?</p> <p>What happens before and after interacting with your product/service?</p> <p>Who influences the purchase decision/usage decision?»</p>	

EXAMPLE

Persona profile

Name: Paula

Age: 32

Sex: female

Residence: Zurich, District 4

Education: journalist

Marital status: married

Pains

- Ice-cream is only attractive in the summer
- Ice-cream contains a lot of sugar
- No information about the origin
- Long distance

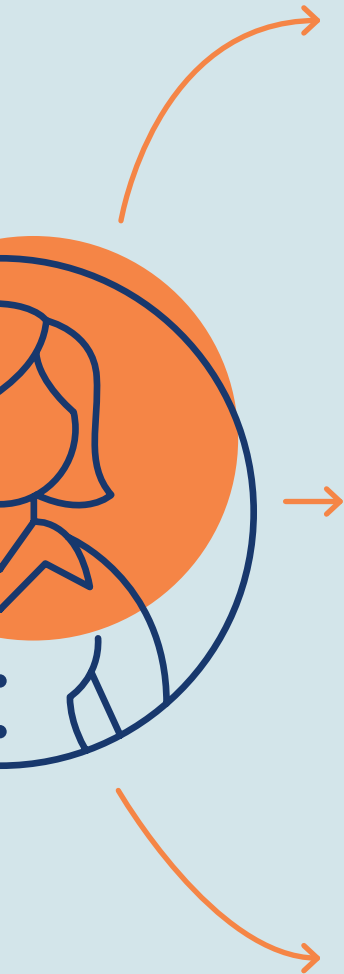
Jobs to be done

Functional: reward system for children
(allows previous errands)

Social: meeting with other parents/children

Emotional: to make children happy





Persona behavior

Interests: yoga, psychology, nature

Social environment (Sinus-Milieu): middle class

Way of thinking: liberal, middle-left, is committed to environmental protection

Points of contact with your idea

Where and how does your persona inform itself?

Ronorp, various newsletters, Facebook, watson, friends

What happens before and after the interaction with your Product/service?

Before: Traveling in the city, often shopping - ice cream as a reward for the children./after: Mostly home.

Who influences the purchase decision/use decision?

The children

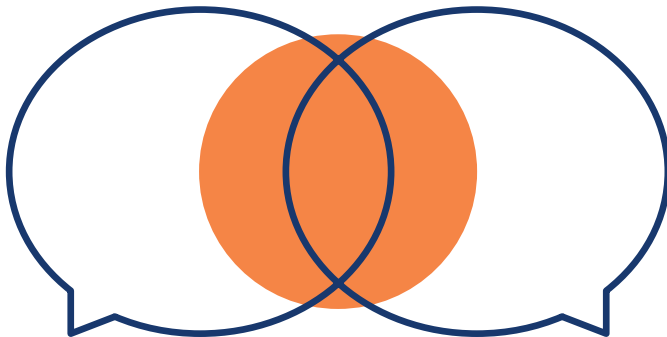
Gains

- Large selection
- Social meeting place
- To make children happy
- Cheap "leisure program"

The identification of jobs to be done are of central importance and are often misunderstood. Think about the desired state your customers want to achieve by interacting with your product/service. The job to be done concerning Paula is not the enjoyment of an ice-cream, but the achievement of a particular emotional state, which she hopes to get through the activity. More at:



<https://bit.ly/2zMoww9>



Step 4: Get in contact with your target groups

— Now, it is essential to validate the assumed personas and find out what problems bother different target groups.

The simplest and most effective method of this is the so-called problem interview. In the course of a problem interview, you want to find out what exactly is the pain of your potential customers (hypothetic persona). Do you remember the double diamond? You are in the first half of the problem diamond and, correspondingly, you have the researcher's hat on - it's time to discover the world of your potential customer! You should ask open questions to learn as much as possible about your interviewee's dealing with the problem addressed. Consider: do not search for a problem that matches your intended solution, but rather let your future customers decide which problem they would like to have solved.

“When you have already decided to build a hammer, everything starts looking like a nail [and you fake the problems on the canvas to justify your solution].”

Ash Maurya

The problem interview aims to answer the following questions:

- What is the biggest problem of your target group?
- Which products/services solve this problem today?
- What desires/expectations to the solution does the customer have?
- Does the customer find a problem as such and does he or she show sincere interest towards the solution?

Further on, you can find simple guidelines for a problem interview. Complete and expand these directions with the questions that arise in the course of idea development. By the way, it is not necessary to keep an exact order of the questions, and of course, you can ask questions that weren't included in the guideline.



1

Hey, I am trying to learn more about [the context of your idea] as I have a project related to it. Do you have five minutes to answer a couple of my questions?

2

Tell me about the last time you [idea activity].

3

What bothered you most as you [idea activity]?

4

How do you solve this problem now?

5

What annoys you about this solution?

6

If there was a better solution, where could you find it?

7

If you had a magic wand: how would you solve that problem?

8

I am about to develop [you idea] - how do you like this idea?

9

Are you ready to pay a reasonable price for this solution?

10

Thank you, it was very helpful! Would you like to be kept up to date? Then I would like to take up your email address.

- 1 Superficially explain the concept of your idea, without giving the solution yet. Give the interviewees an introduction of the topic and details about the project you ask these questions for.
- 2 Questions about behavior - this describes the reality and prevents a sometimes distorted perception of the interviewees.
- 3 Here you want to get to the bottom of the problem. Where do the interviewees see painful points in the context of your idea?
- 4 What competitor products/services are used by the interviewees? Have the respondents already found an excellent solution to the problem?
- 5 Why is the existing solution not so brilliant?
- 6 With this question, you identify the existing channels, through which you can market and promote your services/products.
- 7 Use the creativity of your interviewees. If they had possibilities, how would they solve the problem today? This answer gives you exciting insights into which direction you should develop your idea or rethink it.
- 8 Although you are only running the problem interview yet, you already can get feedback to your assumed solution. Does your solution arouse interest or do the interviewees see no value in it?
- 9 It is not about getting the exact price, but rather about seeing how people react to the question and getting the first idea of their willingness to pay. In case customers want to know what the assumed price could be, kick the question back.
- 10 The willingness to give e-mail addresses symbolizes a real interest in your idea. At the same time, you receive your first worthy «leads,» or potential customers, to return to them later.

As an alternative, you can find a more detailed version of a problem interview in the digital toolkit.

Before you proceed to conduct your first customer interviews, here are some tips:

- **Be patient, let your interviewees finish what they are saying and give them time to think. Express your attention through facial expressions and gestures (eye contact, nod, smile).**
- **Ask simple questions and avoid jargon: this way your interviewees understand you better and don't have a feeling that they don't meet your requirements.**
- **Ask open questions: let your interviewees tell their stories (as a rule of thumb: you give the 20% of the story, and your respondent goes with the remaining 80%).**
- **Take on the role of a curious child (Why?) or one of a researcher (find the root of the problem).**
- **Start with general questions about your idea («When was the last time ...») and go deeper, asking more actual problems («What bothers you most with ...»).**
- **Present your proposed solution in the end - so you will not influence your interviewee early on.**
- **Use drawings, simple prototypes or other helpful means to present your solution (find more information on prototypes in the booklet: «Solution and Prototyping»). Interpret non-verbal signs: how do your interviewees react to your questions? (Astonishment, joy, discomfort).**
- **Do not try to validate your assumptions at any price: the unconfirmed assumptions are also valuable data and allow you to focus more precisely.**

- **Let your interviewees propose other interview partners.**
- **Document your results (notes, persona-canvas, Lean Canvas). Pay particular attention to meaningful quotes from your interviewees.**

You don't have to conduct 20 interviews. For now, run interviews with the representatives of your target groups until you discover the pattern and something that was once said, repeats itself again. That means you are on the right path. Orient to the above mentioned objective questions of the problem interview. If you can answer these with a clear conscience, you've done enough problem interviews for the time being.

OTHER POSSIBILITIES FOR THE PROBLEM VALIDATION

Besides the problem interviews with customers, there are further possibilities to explore the world of your customers:

Expert-interviews: speak to the experts in the area that is connected to your idea. They can give you valuable inputs and also share some validated data to your underlying assumptions.

Participatory observation: sometimes it makes more sense to observe how people act in a particular situation, rather than asking directly about their behavior.

Analogies: consider in which other branches, areas, and situations similar ideas are already implemented and let these examples inspire you. If you, for example, want to develop a dog-sitting platform, check the numerous baby-sitting platforms and learn from them.

For more information on these additional possibilities, take a look at the material in the digital toolkit.



Step 5: Check your assumptions

It is time to check the first versions of your personas, to turn the validated assumptions into facts or discard the personas and substitute them with the new ones. Your personas are the gateway to reality and should stay in your focus as you continue working on your idea.

The transformation of your hypothetical personas into real, validated personas is a long-term endeavor. You will hardly manage to create a perfect real persona at this early stage. Be aware that your personas are still based on assumptions and be ready to develop them further as your project progresses.

Having doubts about whether your persona is complete enough? A short mental experiment will help: imagine you have to find a small gift for your persona. If you manage to do it based on the collected information, then your persona is probably detailed enough.

Step 6: Determine your early adopters

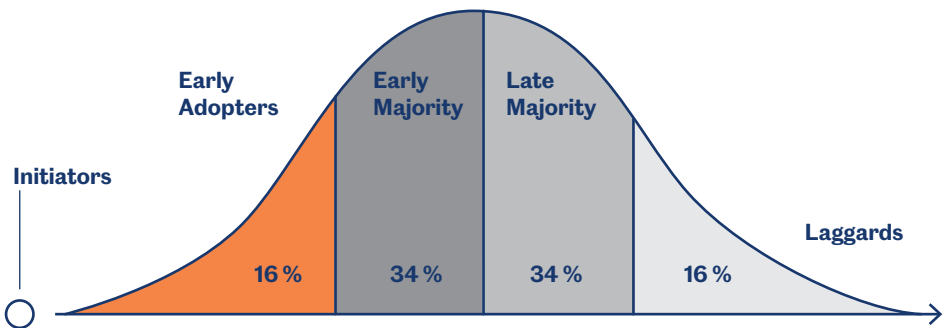
— At this point, you should swap the researcher-hat for the CEO-hat and set a clear focus. In the meantime, you should be sure about which of your target groups are most interested in your idea, i.e., which of your updated personas suffer from the problem most.

Therefore, at this point, it makes sense to focus on the corresponding target group. In this respect, you should primarily address the first 16% of your total market before you bother about the mass. This part of your market is referred to as early adopters or the customers who have the most vivid interest in your idea before it is ready for the market. In the following illustration, you see the classical distribution of your general market, represented by the willingness to test your product/service early on.

Find further information on the different adaptation groups here:



<https://bit.ly/2girf79>



The identification and focus on your early adopters makes sense for various reasons:

- Early adopters are generally benevolent towards you and your idea. In this respect, they are often ready to further develop your solution together with you and provide honest and constructive feedback.

- Early adopters are conscious about the addressed problem, find it especially irritating and are therefore ready to pay for solutions which are not yet perfectly mature.
- Early adopters represent a perfect environment for learning and validation: if you don't manage to convince your early adopters of your solution, it will be hard to persuade other parts of the total market.
- Do you have limited resources and want to focus on your target group regarding communication, design, value proposition and marketing so that you do not get lost in the swirl of irrelevant information.

Example

You have identified the enormous sound and dust-pollution from drilling as an especially disturbing problem. The early adopters of the remedy for this problem are most likely craftsmen who have to deal with the described problem daily. Being professionals, they will not only be ready to provide tips for the development of your solution, but most likely they will also pay a higher price than a hobby-craftsman.

Task

Determine your early adopters.
Refer to your identified personas.

If you have trouble to determine your early adopters, think of those target groups which would suffer the most from the negative consequences if you were not to implement your idea. Who will experience social exclusion or health consequences? Who will be fired? Who will go bankrupt? Thinking in extreme negative scenarios helps you identify potential early adopters.

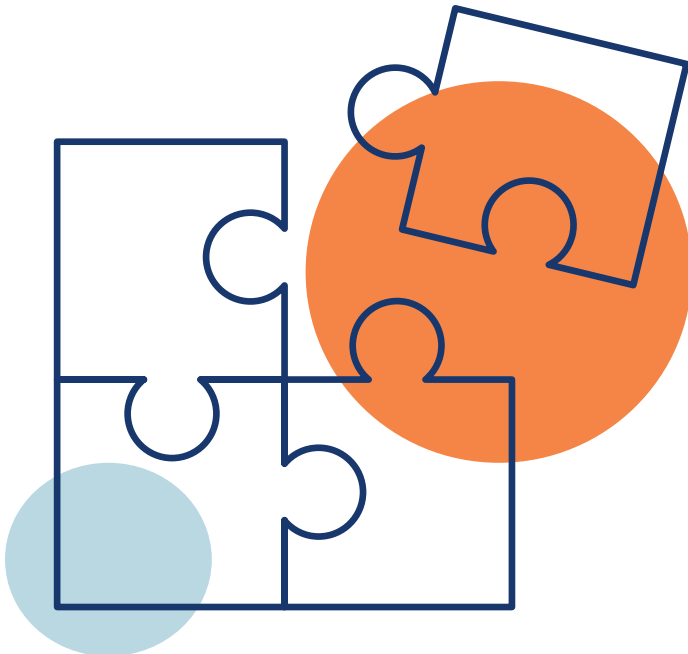
Step 7: Solve a real problem

— The preliminary focus on early adopters goes hand in hand with a concentration on the problem. Possibly, you have already identified different problems that appear in the context of your idea. Now, you have to select one of these problems and use it as a starting point for the development of your solution. But how do you know which of your identified problems is the most urgent? If you can answer the following three questions positively, then you've probably discovered the so-called «problem worth solving»:

- **Do the interviewees want a solution to the problem?**
- **Are people willing to pay for the solution to the problem?**
- **Are there enough customers who have the same problem?**

You may only go on if you have identified a relevant problem (problem worth solving) and know who wants this problem to be solved (early adopters). In case you haven't found this match yet, continue with the interviews.

As you have probably noticed, the identification of your early adopters and the problem worth solving tend to turn into the chicken-or-egg dilemma. Should you first decide for the early adopters or for the problem worth solving? This question has no finite answer, so you have to refer to the findings of your interviews. The important part is to find a match between your target group and the problem.



PROBLEM STATEMENT

“If I had only one hour to save the world, I would spend fifty-five minutes defining the problem, and only five minutes finding the solution.”

Albert Einstein

This quote embraces the importance of this whole chapter. With the help of the so-called problem statement you can easily define the problem and reduce it to one sentence. Like with the one sentence pitch, you have to develop a short and striking statement, which is meant to form the base for the further development of your idea

How is your problem statement built? Basically, you should be able to answer the following three questions in one sentence:

What is the problem?

Who has the problem?

Why is it a problem?

The problem statement should be phrased in a clear and prosaic manner while still highlighting the scale of the problem and its market potential. Neither your solution nor you or your brand should be mentioned. Unlike with the one sentence pitch, you don't want to convince anyone with your problem statement, but rather describe the problem neutrally.

Example

The customers who use smartphones for online banking find the payment process tedious, as the manual input of payment details for each invoice is awkward, error-prone and time-consuming.

The problem statement is the result of this booklet and serves as a working basis for the following booklet: «Solution and Prototyping.» The next booklet will be about locating different solutions to your identified problem, visualizing it, and testing it with your potential customers.



Move on once you:

- Have identified and validated the target group for your problem.
- Have sketched personas for each target group.
- Have conducted numerous problem interviews with the representatives of the target groups.
- Have identified the central problems of your target groups.
- Have discovered a problem worth solving.
- Have learned what target groups suffer from the problem the most (early adopters).
- Have formulated the respective problem statement.



The most important takeaways from this booklet:

Be curious and discover the world of your potential customers without bias.

Direct conversation with your target group is usually the simplest and the most effective method to earn valuable knowledge in a short time.

Identify the problem your idea is based on, before you develop your solution.

The more painful the problem, the greater the need for a solution. Find your early adopters and focus on them.

▶▶ What to expect from the next booklet (Solution and Prototyping)?

- ▶ You will think about different solutions and build prototypes of your favorite ones.
- ▶ You will get feedback on the prototypes from your potential customers.
- ▶ You will try to identify and check the weak points (critical assumptions) of your idea.
- ▶ You will decide on the most appropriate solution based on tests.



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Literature

As promised, we'd like to recommend you a couple of books which you can look through as you have a chance:

Ladder Blog (2018): <https://blog.ladder.io/business-idea>

Medium (2018): <https://productcoalition.com/how-to-write-a-good-customer-problem-statement-a815f80189ba>

Management 3.0 (2018): <https://management30.com/product/how-tochange-the-world/>



Bluelion

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