



CREATING JOBS CHANGING LIVES



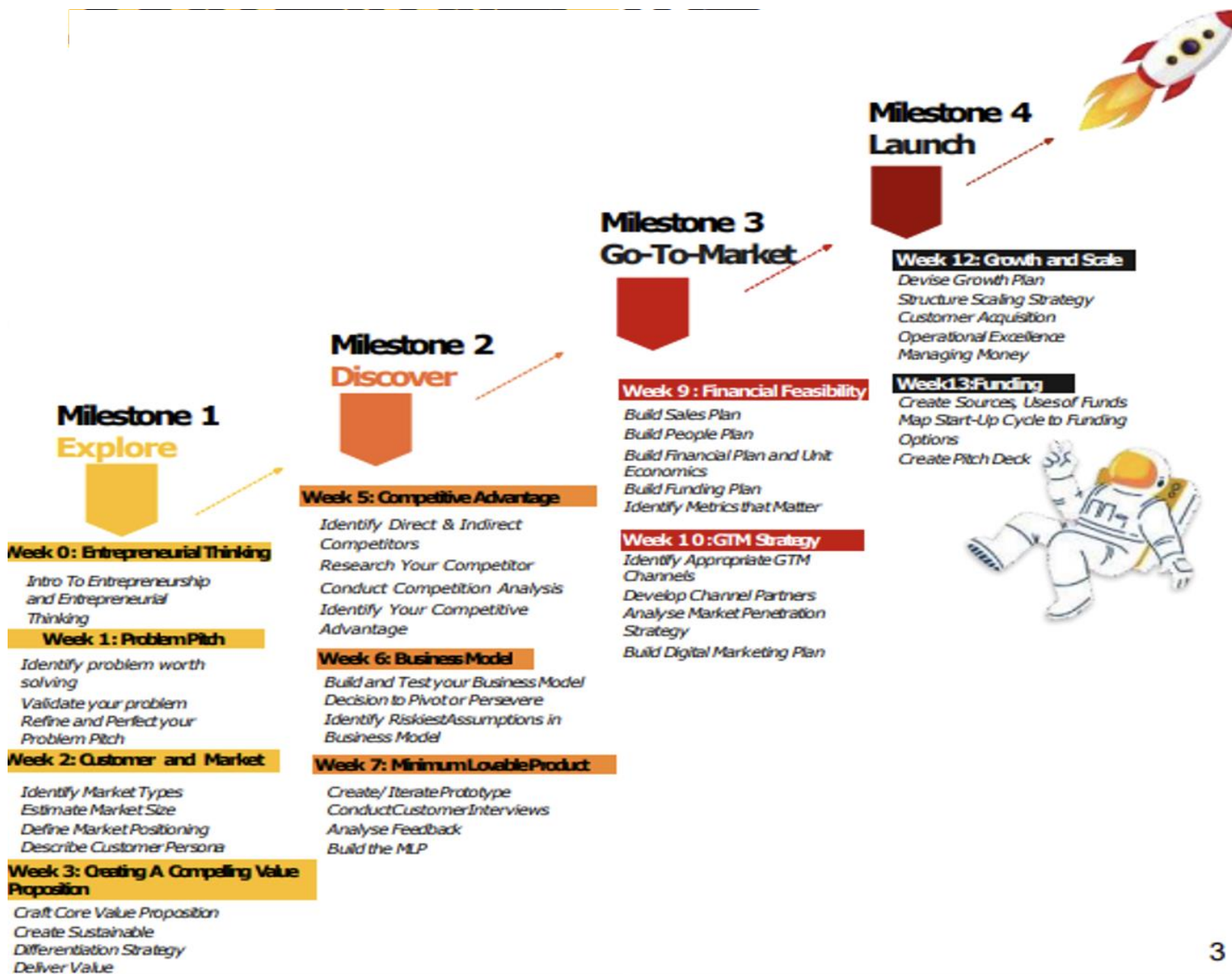
Next-Generation Fellowship Program

Customer and Markets



<https://www.wfglobal.org>

Overview of the program and your learning journey over the 14 weeks:



CONCEPTS

- Who is a consumer? How is a consumer different from a customer?
- What is Segmentation and Targeting? What is a niche market?
- ✦ ● What is a customer persona and why do you need to create one?
- What are the major market types?



By the end of the week, you will be able to:

- Identify the market type for your venture
- Segment your customers and carve a niche
- Estimate your market size
- Refine your customer persona
- Conduct actionable customer conversations

Steps:

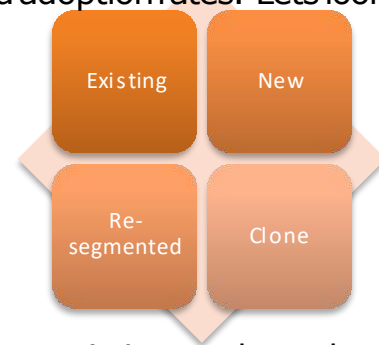
1. Market Identification
2. Customer segmentation
3. Carving a Niche
4. Market sizing
5. Customer Persona

Market Types



You have identified a problem and defined it clearly and succinctly. Now, how can you gauge the market's demand without incurring heavy marketing spend or using pricey tools? This is a question that has confounded entrepreneurs for decades. The trick is in the words "gauge the market's demand." To estimate market demand you need to identify which kind of market is your start-up going to operate in. There are essentially 4 market types. Each of these four market types has different sales models, sales cycles, capital requirements and adoption rates. Lets look at each of them:

- Existing,
- Re-segmented or Niche
- New
- Clone



Existing Market - When investors and entrepreneurs go after an existing market – the advantage is that there's little or no market risk. In this market type:

- Competitors exist
- Customers want and need better performance
- Technology is usually the driving factor
- The positioning is driven by the product and how much value customers place on its features
- The risk is to think that competitors are dumb or too slow
- There is no "chasm" that you need to fill. The chasm is the gap between early adopters and the mainstream customers in a market.



Eg: A venture trying to set up an e-commerce site like Amazon is trying to enter an existing market

New Market - In this market type:

- Customers do not exist in the present, so revenue generation takes years
- Market size is zero
- Customers need to be made aware of their needs
- You must consider what factors can you create that has never been offered
- The chasm is biggest here because you will only be selling to the very early adopters

Eg: SpaceX

Market Types



Re-segmented Market: The Re-segmented market is a hybrid between a New market and an Existing market in the sense that it is a New Market created from a small segment from an existing market. The features of this market type are:

- Low cost
- New Niche

In this market type:

- Evaluate factors that your industry has long competed on and eliminate those
- Evaluate what factors can be reduced well below the industry standards
- Evaluate what factors can be increased above the industry standards
- Evaluate what factors can be created that have never been offered
- There is a bit of a chasm in this type of market

Eg: Southwest airline took on the airline industry by bringing up the traditional hub-and-spoke model and providing just very limited services but for an extremely low price.

Clone Market: In a Clone market, customers are known because you copied an existing market. It is called a Clone because, in this market type, you are going to localize all those specific issues for your country or region. That said, it takes a foreign business model and adapts it to local conditions. There are no competitors if you are the first one and the risk may be in misjudging the local needs. This market type:

- Adapts a foreign business model to a local condition (language, culture, import restrictions, and local regulations)
- Needs a large number of customers, typically > 100 million

Eg: Most countries have a local version of Uber today and they have tried to clone the business model by making suitable adjustments for local conditions.



[4 types of markets](#)

Steve Blank - Stanford / UC Berkely



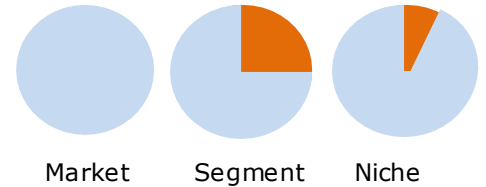
[4 types of markets, 4 ways to gauge them](#)

The Wall Street Journal

Market Segmentation

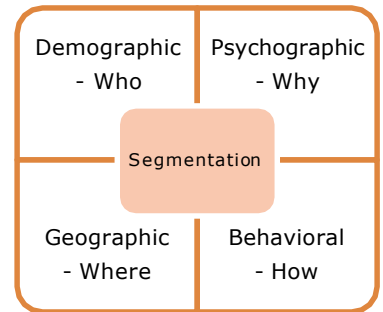


Lets say you have a brilliant idea for a an everyday utility item like a Mop – who would be the target customer segment? Well if you say –” anyone who needs a mop” – then you’re falling into a classic trap, i.e. a non-specific market.



As an entrepreneur with limited resources, you need to have segment the market and identify the slice of the market that you are going to go after. That is your Niche.

Market Segmentation is the practice of dividing your target market into approachable groups. You create subsets of a market based on demographics, needs, priorities, common interests, and other psychographic or behavioral criteria used to better understand the target audience. Here are the 4 basic types of Market Segments



Demographic	Psychographic	Geographic	Behavioral
<ul style="list-style-type: none"> Age Gender Ethnicity Income Education Religion Profession 	<ul style="list-style-type: none"> Personality traits Hobbies Life goals Values Beliefs Lifestyles 	<ul style="list-style-type: none"> Country Region City Postal code 	<ul style="list-style-type: none"> Spending habits Purchasing habits Browsing habits Brand Interactions Brand Loyalty Previous feedback

[What You Need to Know About Segmentation](#)
Harvard Business Review



Market Segmentation Examples



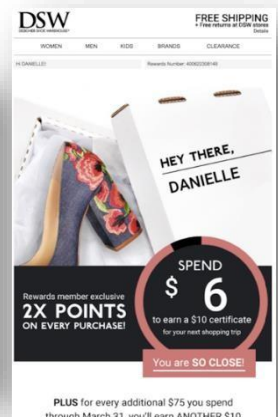
Demographic
(Students)



Geographic
(Localization for India)



Psychographic
(Lifestyle based)



Behavioral
(Repeat Customers)

Find your Niche



Identifying your Niche - Niche marketing strategy focuses on a micro-segment of the market. Niche markets get better referrals for entrepreneurs, more repeat business, and have less competition due to its unique nature. All these advantages also result in easier marketing of product/service. To find your Niche:

- Understand what prompts customers to want to buy products/services
- Develop a mental picture of your customers
- Acquire focused knowledge about your market



[Niche Marketing](#)

National Entrepreneurship Network - Wadhvani Foundation



[How to thrive in Niche Markets](#)

Entrepreneur.com



Niche Products examples



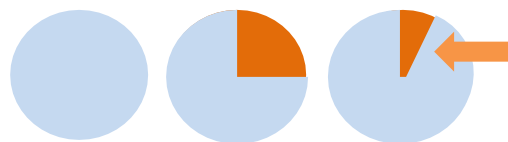
Conscious consumers

Bee's Wrap is looking to replace plastic wrap with options made from beeswax. The natural alternative to food storage is not only environmentally friendly, but also more cost-effective for consumers because they're reusable.



LGBTQ+ community

TomboyX, an underwear brand saw the opportunity to hone in on a specific consumer group's needs to sell underwear "for any body".



Key questions to ponder on:

- From the market segmentation – which slice would you like to own? What is your niche?
- How are the needs of your Niche different from the rest of the market?
- What is the size of your Niche?

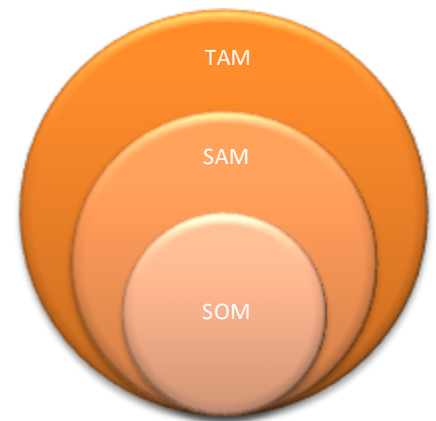
Estimate Your Market Size



By now you have segmented the market and defined your niche. Before you progress further, it may be well worth it to estimate your market size and assess your strategy to cater to this market. To do this you need to get conversant with three concepts:

TAM - Total addressable market or TAM refers to the total market demand for a product or service. It's the maximum amount of revenue a business can possibly generate by selling their product or service in a specific market.

SAM - Serviceable Addressable Market - estimates the portion of the TAM, that you can acquire given your limitations— geographic, demographic, marketing and advertising spend, logistics, etc.



SOM - Serviceable Obtainable Market - determines that how many customers from the SAM would realistically purchase your product. The SOM is a subset of the SAM that is restricted by:

- Natural barriers such as distance or language
- Limited capacity, for example production capacity or marketing reach
- Loss of market share to competitors

Two Approaches to calculating Market Size:

- **Top Down Approach:** A top down analysis is calculated by determining the total market, then estimating your share of that market.
 - TAM = Total no. of customers * average price of product
 - SAM = Target segment of TAM * average price of product
 - SOM = Last year's market share # * average price of product
 - # In case Last year's market share is not available you can substitute with the share that you would like to take away from your closest competitor
- **Bottom-up Approach:** A bottom-up approach tries to estimate the actual users of the product and how many would realistically become customers.
 - Total number of users
 - Total number of users within my geographical reach
 - % of users who can be reached my company (SAM)
 - % of users who may actually show interest (SOM)



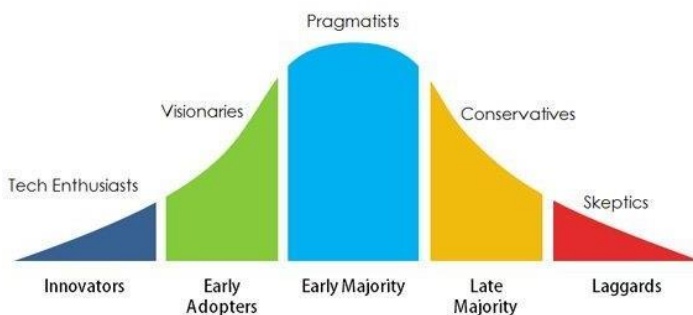
[Why A Bottom-Up Total Addressable Market Exercise Is The Best First Step](#)
Forbes

Customer Persona



Now that you have identified your niche, the next step is to dive into it and own it. You need to know your customer better than anyone else and here the concept of Customer persona comes in very handy. But hang-on . Remember that even within your niche you need to go those who will adopt your product first. Here the concept of the Innovation – Diffusion Curve also known as the Product Adoption Curve comes handy.

Product Adoption Curve



Innovators - They are these buyers who love to have innovative products. They are seeking this all the time and it is part of their lifestyle.

Early adopters - appreciate innovations and are ready to adopt new products even if they perfect or not developed from a technical point of view.

Early Majority & Late Majority- Innovative technology is not the key for making their decision. They are driven by analysis of different standard factors such as Price, quality, needs, etc

Laggards: They are the last to adopt an innovation. Unlike some of the previous categories, individuals in this category show little to no opinion leadership. These individuals typically have an aversion to change-agents.



[How to identify Early Adopters](#)
Forbes

So, within your niche take your products first to the innovators and early adopters. It is important to remember that the purchase process is not as simple and straight forward as we would imagine it to be. There are many people that can influence the buying decision. In many cases, the end user may not be the economic buyer. You need to take these factors and all these personas into consideration.



How to create a Persona? Your customer persona has to have the following:

- A name – something relatable
- A face – a photograph (fictional but indicative)
- Demography, Geography – Age, City, Occupation
- A Day in the life – What are the highlights? What are the frustrations?
- Fears and Motivators – What drives me? What keeps me awake at night?

For B2B ventures, the persona should be drawn up for the key decision makers.



[An introduction to Customer Personas](#)
- Dan Kranzler, serial entrepreneur

Customer Conversations



STEP 1: SET THE STAGE
"TELL ME ABOUT THE PROBLEM THAT YOU ARE FACING?"
Share your hypothesis about the problem so that you can test it. You can also keep it open ended and identify a problem to solve

STEP 2: VERIFY CUSTOMER SEGMENT
"WHAT RESPONSIBILITIES ARE YOU INVOLVED IN? WHO ELSE DO YOU THINK DEALS WITH THIS PROBLEM?" Verify if this person is a buyer, decision maker, recommender, influencer or the user? Try to understand their role/job, demographics, who they report to, or who influences their decisions.

STEP 3: TELL ME ABOUT A TIME
"TELL ME ABOUT YOUR EXPERIENCE. WHAT WAS SO FRUSTRATING ABOUT IT?"
Ask the customers to tell you about a time they experienced this problem. Pay attention to whether they have tried to solve this problem and how they did it. Observe their reactions.

STEP 4: A DAY IN THE LIFE
"WALK ME THROUGH A TYPICAL DAY FOR YOU. HOW DOES THIS PROBLEM PLAY INTO YOUR DAY TO DAY LIFE?"
Ask the customers to walk you through a typical day in their life. Keep this open ended.

STEP 5: PROBLEM RANKING
"ON A SCALE OF 1-9 HOW WILLING ARE YOU TO PAY FOR A PRODUCT THAT WILL SOLVE YOUR PROBLEM?" Highlight the top 3 problems the customer faces. Then ask him/her to rank it in a couple of different ways.

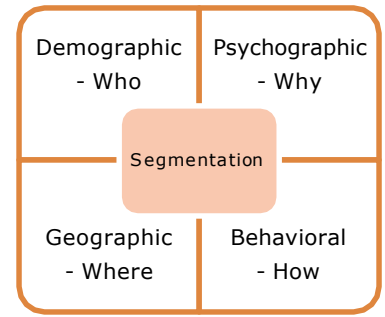
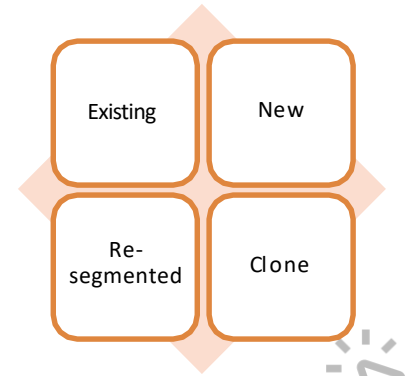
STEP 6: THE ASK/WRAP IT UP
"WOULD YOU MIND ME GETTING BACK IN TOUCH/BRINGING A BETA TESTER/ INTRODUCING ME TO SOMEONE WHO MIGHT BE FACING THE PROBLEM?"
Confirm your key takeaways and make sure you heard the customer correctly. If you want their feedback for your product, ask now

Call to action!

Step 1: Identify which kind of market you will be functioning in

Identify the aspects with respect to:

1. Key Players
2. Recent Innovations
3. Sales Cycles
4. Adoption Rates

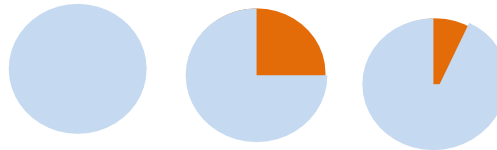


Step 2: Create your customer segments

- Gather data about your potential customers
- Select your segmentation variables
- Validate your customer segments

Step 3: Identify a 'Niche Market':

- Which slice would you like to own? What is your niche?
- How are the needs of your Niche different from the rest of the market?
- What is the size of your Niche?



Step 4: Estimate your market size

- Use both the top-down and bottom-up approach
- Analyse which one suits your venture better

Step 5: Create your Customer Persona

Template in the Handbook

Step 6: Have meaningful Customer Conversations





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