



Target Customer Definition

Class Six

Bill Aulet

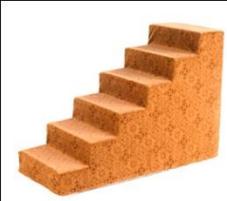
Howard Anderson

Matt Marx



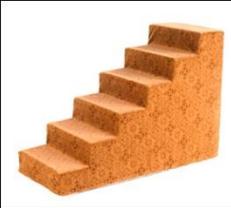
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Target Customer Definition or *“Now that I have my idea and team, what do I do next?”*



3 Stories

- 1. “Guru”.... A software product that guides high school students with 2200 boards and A averages...through applications to elite colleges... which can increase their chances of admission from 6% to 50%

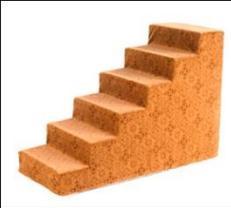


“Elite” ... a training device..

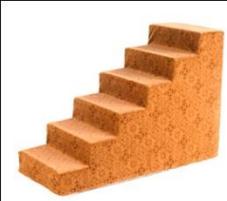
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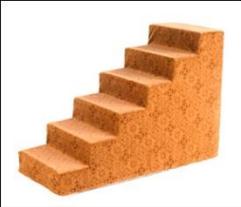


- ... that measures “relative” energy, sleep, heart rate (no strap)... so that coaches can design a workout program for each athlete each day...



3. HR Vision

- A software program
- .that measures “happiness” and
- Can predict when
- Key employees are on the brink of leaving.....



Missing?



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Entrepreneurship 101 Quiz

What is the singular necessary and sufficient condition to have a company?

1.

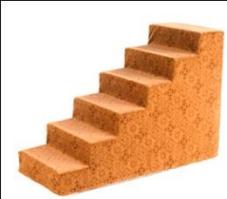


What Should We Be?

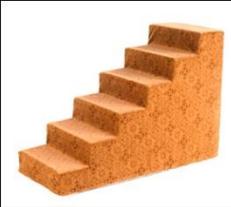
Market-Driven

Target Customer-Driven

Customer-Driven

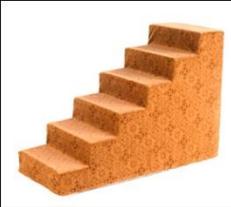


- At the center of the target.... Those who **ABSOLUTELY, POSITIVELY WANT YOUR PRODUCT!!!**
- How many? At what price? Through which channel?
- Guru?Elite? HR Vision?



Technology Adoption

Diagram removed due to copyright restrictions. Figure 11.8. S curve of adoption of an innovation. Dorf, Richard C., and Thomas H. Byers. *Technology Ventures: From Idea to Enterprise*, McGraw-Hill, 2004, p. 248.



Category of Adopters

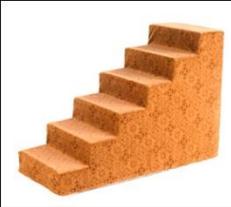
Diagram removed due to copyright restrictions. Figure 11.9. Innovation adoption categories when S_d = standard deviation. Dorf, Richard C., and Thomas H. Byers. Technology Ventures: From Idea to Enterprise, McGraw-Hill, 2004, p. 248.



The Chasm

Diagram removed due to copyright restrictions. Figure 11.10. Chasm model. Dorf, Richard C., and Thomas H. Byers. *Technology Ventures: From Idea to Enterprise*, McGraw-Hill, 2004, p. 249.



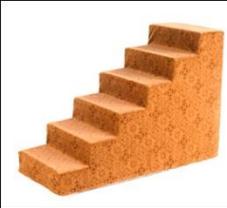


Successfully Crossing the Chasm

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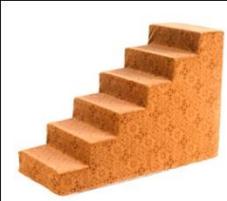
Figure removed due to copyright restrictions. Bowling Alley Market Development.
Moore, Geoffrey A. *Inside the Tornado*. HarperCollins, 2004, p.38.





Market Analysis Criteria: How to Chose Beachhead Segment

1. Is the target customer well funded and are they readily accessible to our sales force?
2. Do they have a compelling reason to buy?
3. Can we today, with the help of partners, deliver a whole product to fulfill that reason to buy?
4. Is there no entrenched competition that could prevent us from getting a fair shot at this business?
5. If we win this segment, can we leverage it to enter additional segments?
6. *Can we show results in a one to two year timeframe?*



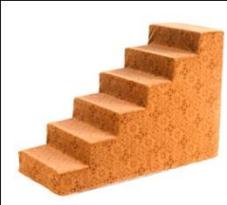
The innermost circle

- Will be 10 X as likely to buy your product as the next circle...
- The second circle will be 5 X as likely as the third circle..



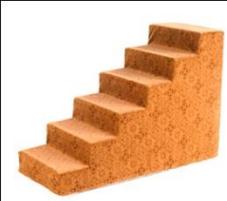
**So you have to choose one,
which one do you choose?**





Zen and the Art of Entrepreneurship

- Become one with your customer
- Make the lines very blurry between you and your target customer
- In this case, hiring Mark Conahan

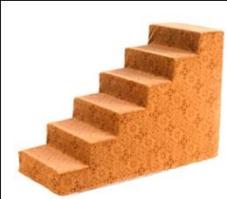


Your problem...

- You don't exactly know who is in the innermost circle

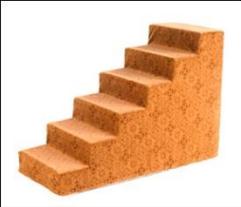
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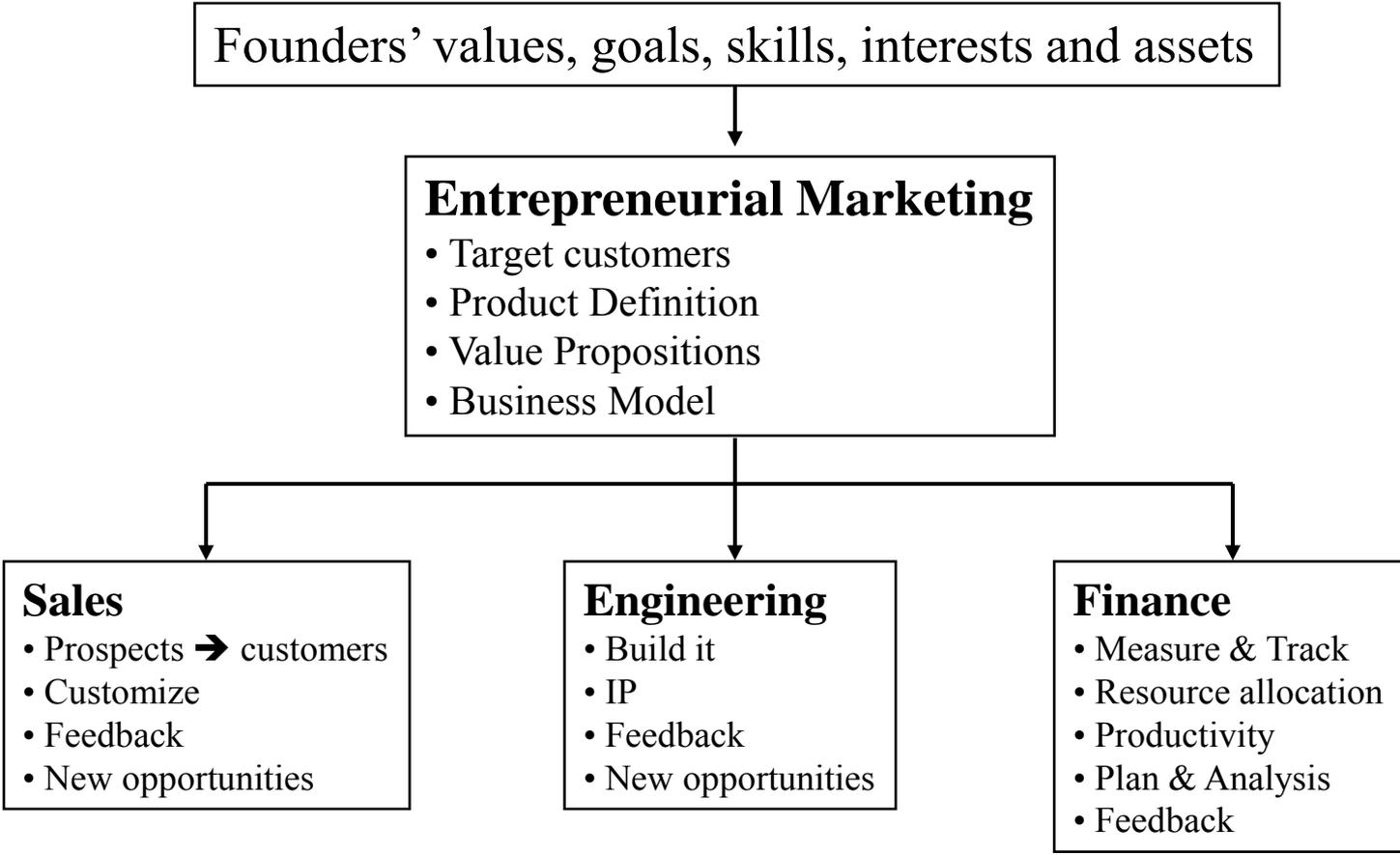


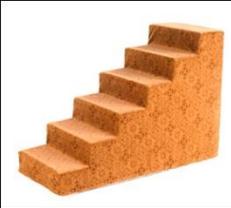
Creates Great Focus

- Persona is critical
- Creates concrete focus – is this what the persona would value? Pay for?
- Critical to also understand the DMU and DMP
- You will have to address each key player
- This will not happen on Day 1 but will evolve over time and you know what the goal is
- But finding your target customer is essential ... and a testable hypothesis



Simple Logical Flow



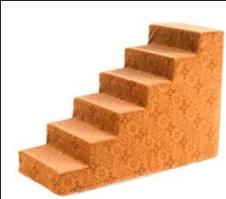


Systematic Method: 24 Steps

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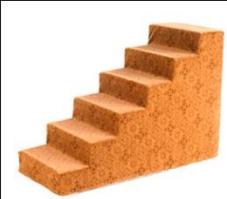


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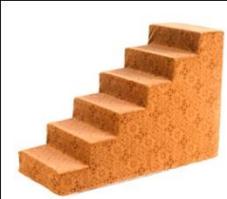
All 24 Steps

	Topic	Status	Comment
	<u>Entrepreneurial Product Marketing elements:</u>		
1	Market Segmentation		
2	Selecting 1 Beach Head Market		
3	Target Customer Profile		
4	TAM (Total Address Market) Sizing for 1 st Mkt		
5	Persona		
6	Use Case		
7	High Level Initial Product Spec		
8	Quantified Value Proposition		
9	First 10 Target Customer List		
10	Definition of "Core"		
11	DMU (Decision Making Unit)		
12	DMP (Decision Making Process)		
13	Broader TAM		
14	Proof that "Dogs Will Eat Dog Food"		
15	Uniqueness/Competitive Advantage		
16	Business Model		
17	Pricing		
18	LTVOAC (Life Time Value Of An Acquired Cust)		
19	Sales Process Map		
20	COCA (Cost of Customer Acquisition)		
21	Identifying Key Assumptions		
22	Test Key Assumptions w/ Scientific Method		
23	Define MVP (Minimum Viable Product)		
24	Product Plan		



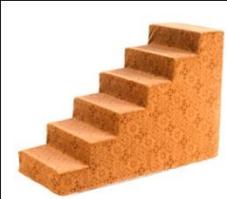
The Keys To Success with this Process

All of the following analysis must be done by deeply engaging with potential real customers with an open mind (not selling to them) and carefully listening to what they say and what is really meant. Getting strong relationships with potential customers and really understanding their needs and the value you can bring them is the real gold in this process. Of course you need strong analytic skills and a fast clock speed to get this done but usually it is the last of on going honest customer dialogue that undermines the value of this process.



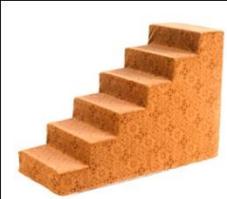
Step #1: Market Evaluation

Systematically identify and **evaluate the top market opportunities**. This generally is a long process but it is important to not let it go on indefinitely. There will likely be many paths to success and it is important that you choose one but not necessarily the perfect one. There likely is no perfect one. It is better to try a market and find out if it will work out and learn that it will not rather than be a state of “analysis paralysis”. Set a reasonable time frame and aggressively explore multiple markets in an exploratory fashion (not a sales manner) with primary open mind market research techniques.



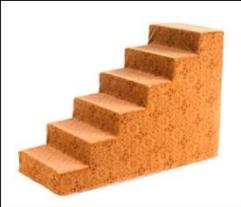
Step #2: Select One Beach Head Market

After a sufficient period of evaluation, choose **one** opportunities and pursue it with great focus. It does not have to be the biggest opportunity or clearly the best opportunity, but it does have to be a beach head application with sufficient size, profitability and significance that when you win it, it will produce positive cash flow for the venture and position the company well for the future.



How to Chose Beachhead Segment

1. Is the target customer well funded & readily accessible to our sales force?
2. Do they have a compelling reason to buy?
3. Can we today, with the help of partners, deliver a whole product?
4. Is there entrenched competition that could block us?
5. If we win this segment, can we leverage it to enter additional segments?
6. *Can we show results in an acceptable timeframe?*



Target Customer Profile Example

Customer profile

Gender	Male, female
Age	45 -50, Ethnic – Chinese, Indian, Prep School
Region	USA
Occupation	Professional
Social level	Medium, high
Characteristics	“Tiger Mom/Dad”
User category	Will do most ANYTHING to get kid into elite college
Other	Active users of social networks, outgoing personalities

Ride Sharing



Step #4: TAM Sizing for 1st Market

Make a first pass **TAM** (Total Addressable Market) calculation on this first market. This is how much annual revenue there is available to you for your product if you achieved 100% market share. This is only for your first “beach head” market which you should be able to do with some clarity. The strong preference is for a bottoms up type of analysis where you can show from your primary market research how many of the potential customer you have identified and then extrapolate this to the broader market. Complementary to this but much less compelling on its own, is a tops down analysis where you are working with market analysis reports and extrapolating without direct interaction and validation. Often, very important subtleties are missed in tops down analysis.



TAM Sizing Example

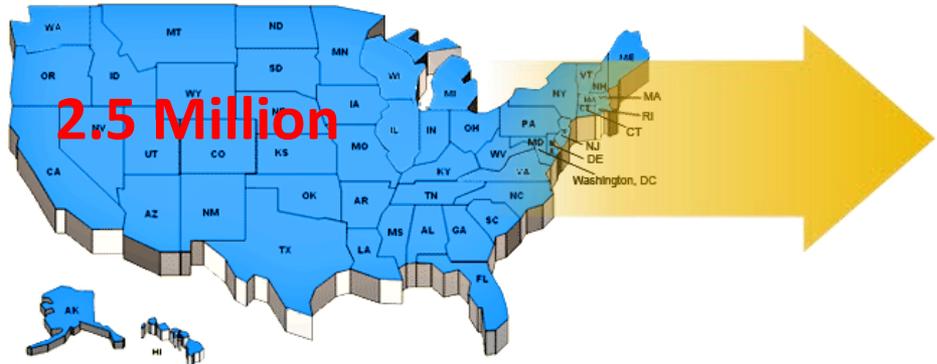
Name: Amy Hyemin Moon

Nationality: Korea

Residency: **USA**

"Selfie" photo of girl with glasses removed due to copyright restrictions.

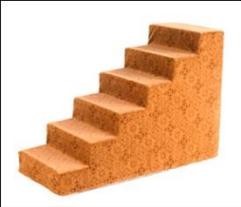
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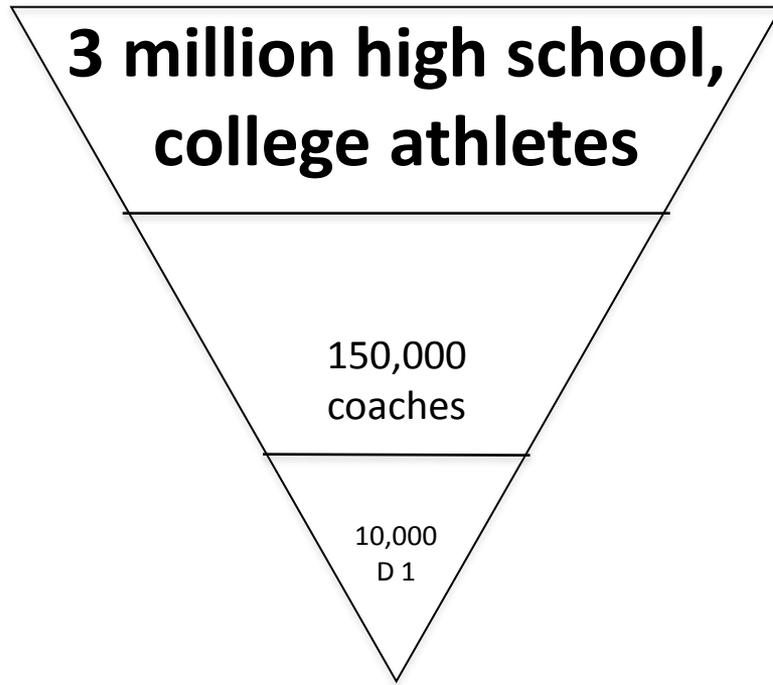
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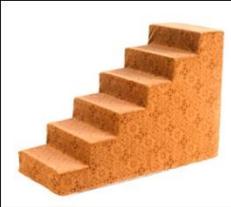


Elite... training

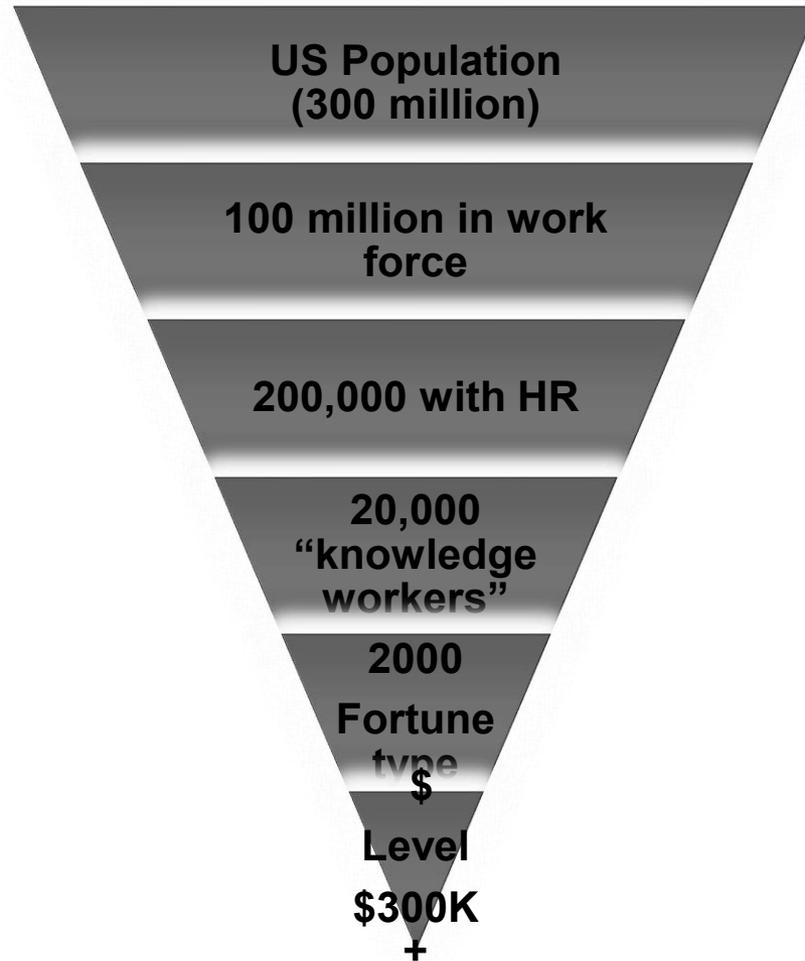
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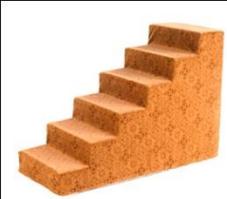


TAM Sizing Example: HR Dept



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Step #5: Persona

Build a **Persona** that very clearly and viscerally visualizes the target customer decision maker/end user to all involved. The Persona should not just be a factual description of the buyer but also social and emotional factors such as what incents them, their priorities, what they fear, what industry groups they belong to and other systemic factors that will influence the purchase and adoption of your product. Your persona should be a real person but also representative of the broader market so that if you meet the persona's need, the others will be equally pleased.

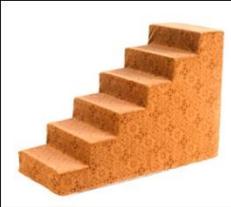


Persona Example: Good enough?

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Photo of white male, 18-40 years old removed due to copyright restrictions.



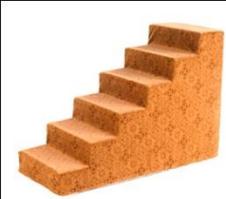


Persona Example: eGallary

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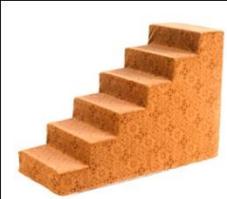
Photo of young professional white male removed due to copyright restrictions.





Persona Example

- Chuck Kirby, Facilities Manager, IBM NE Data Center in Littleton, MA
- 20K Blade servers today growing at 15% per quarter for past two year and for the foreseeable future
- Second generation American
- Lives in Medford
- Medford High to Middlesex Community College
- Moved to Winchester
- Family with 2 kids (12, 15)
- Mid-career, many years at company, technical, maintenance focus, vocational degree
- Been in job for 5 years and seen three managers already
- Promotion path forward is to manage more facilities
- AFCOM, Uptime Institute, Green Grid, starting to read blogs (Hamilton & Manos)
- Ford 150 pickup truck, Beeper always on, volunteer fireman mentality
- Customers' Customer and Their Priorities (think mindset of a utility customer)
 1. Reliability, 2. Growth, 3. Costs, 4. "Greenness" – PUE



Step #6: Use Case

Develop and step through in detail an illustrative and pretty standard **Use Case** for the need, acquisition and benefits of your offering. It is extremely important to go all the way through a use case with your target customer of first how your product/service will work for the target customer. How exactly does it fit into the value chain? What are the key interface points? Why exactly would they acquire it? What barriers to adoption might arise? It is also important to extend your use case to not just how the target customer would use your product but then to the wider acquisition and post installation support process.



Use Case Example: TeleVito

Photo of an old man removed due to copyright restrictions.

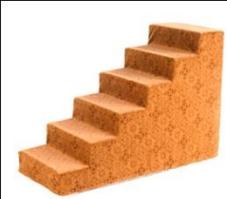
Diagram of a typical electrocardiogram setup removed due to copyright restrictions.

Photo of a young doctor removed due to copyright restrictions.

- Age 54
- Grandfather of 6 grandchildren
- Suffered a heart attack in 2008

- Has acute heart condition
- Visits hospital EVERY WEEK
- Routine EKG monitoring for cardiac pattern recognition

- Needs reliable data
- Needs a simple to use device
- No cost for the device and tests



Step #9: First 10 Target Customer List

Now that you understand your customers well and you have a use case and value proposition, make a list of the **Top 10 Target Customers** that will benefit from your product after you sell it to the first one from the persona you described above. Hopefully you have already spoken to these customers and you have some level of commitment from them to acquire, test or pilot your product once it is available.



First 10 Target Customer Example

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Leo Cohen	Andrea Wahlgren
23	20
London	USA

Carolina Froberg
20
Sweden

Chan Ny Sih
26
UK

Chiara-Livia
Gerer

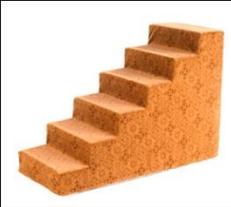
Oli Moran
25
UK

21
Brazil/Portugal

Ronnit
Wilmersdoerffer
22
Germany

Naomi-Chaya Tsion
25
Israel





Fill in: Guru, Elite, HR Vision.

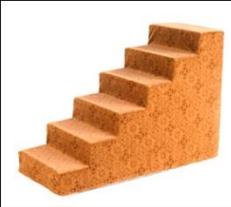
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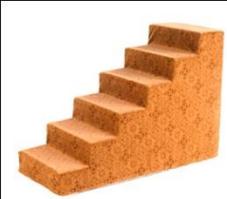


First 10

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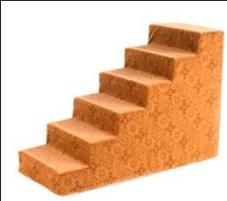
				Contacted
1				Y
2				Y
3			.	N
4				Y
5				Y
6			.	N
7				Y
8				Y
9				Y
10				Y





Customer → Market → Customers

- ▶ Focus on your ***first*** market only
- ▶ Richly describe your target customer in all dimensions
- ▶ Name them specifically – do a use case all the way through
- ▶ Describe the “as-is” state
- ▶ Name the ones you specifically have spoken to who have this pain/opportunity
- ▶ Describe Key Characteristics of target customers/market
- ▶ Describe their ability to get funding to buy new solutions
- ▶ What is the compelling factor/event that will make them buy
- ▶ Who are other entrenched players
- ▶ Extrapolate this to a Broader Market (Sizing the overall TAM)
- ▶ Then return to specificity by naming the next 10 target customers
- ▶ If successful, what would be your next logical market?



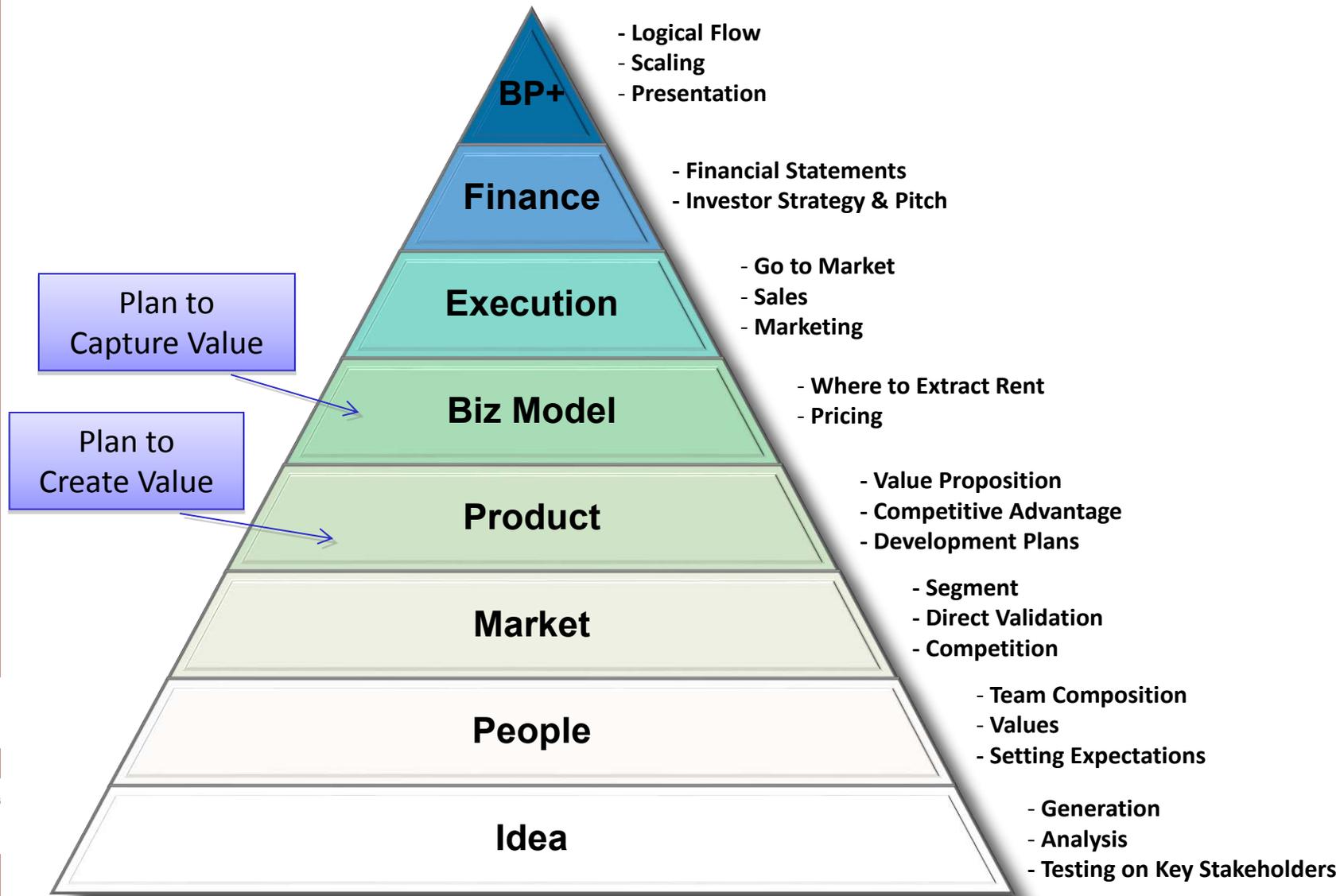
Looking Ahead

1. By now your team should be formed and finalized
2. Would like you to have met at least once
3. Next class we focus on Primary Customer Research
4. Review your teams and make sure they are complete – your ideas may morph (and almost always they do in real life) but for this class, your team will stay the same



Logical Flow of Course

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