Session 8 – Customers and Their Problems

"I'm afraid we need to look for something else."
"This just isn't working for me!"
"I wish I could find something better."

Complaints like these are like beautiful music to the ears of entrepreneurs because they indicate the existence of potential customers with a problem that needs to be solved.

In this video, we are going to focus on critical questions that you need to answer to begin the customer discovery process – are you solving a REAL problem? If so, what is it? And who has the problem? These are foundational questions. If you just make quick guesses and move on to creating solutions, then your business is almost certain to fail. So, let's spending some time drilling down on customers and their problems.

One of the most important questions all new businesses face is "who is going to buy what I want to sell?" The process of figuring who your customers will be begins with discovery - a search for the people or organizations that have a problem and will be willing to pay for your solution.

To keep things simple, I'm going to talk about customers as individual people for the rest of this video. Please keep in mind, though, that your customers could be couples, families, groups, businesses, government agencies, or nonprofit organizations.

The best way to start the customer discovery process is by writing down your best guesses about who you think has a major pain or dissatisfaction that will cause them to demand your solution. Try to include as much detail as possible. Factors that distinguish your customers from others are particularly important to note. These factors represent your customer segment hypotheses.

For example, maybe you think teenage boys who live in the suburbs, have a passion for skateboarding, and reject anything that is sold in the mall are really going to like your idea for a new clothing line. Or maybe you think working moms, who have to juggle work and family responsibilities, but can't afford to pay people to help with household tasks like cleaning and yard work are going to be your target customer segment for a new product."

One exercise that can be particularly useful in surfacing your customer segment hypotheses is to draw a picture of a typical customer and try to tell a story about him or her in the context in which they experience the pain or unmet need you're aiming to address. Such a story should provide a rich description of the customer's characteristics – her age, position or role, economic standing, and lifestyle – and factors that will drive behaviors - her motivations, preferences, influences and influencers. If you can't tell a rich and compelling story about a typical customer and the context in which she experiences the pain or unmet need you're aiming to address, then you need to spend more time thinking about who is really going to want to buy what you want to sell.

One final note about customers. You may believe that your solution will appeal to more than one distinct segment of customers. If so, great; focus on the one where you believe its appeal will be the strongest because they are most likely to be early adopters.

After developing a customer archetype or rich description of who you think your typical customers will be, it's important to define the problem you're solving from the customer's perspective.

One of the best ways to think about defining the problem is to consider what job the customer is hiring you to do?

For example, people hire Google when they need to find information. They hire FedEx when they need to send something to someone with perfect certainty that it will arrive on time. And they hire Proctor & Gamble's Swiffer product when they need to clean the floor.

Asking questions about how members of your target segment perceive the problem can also help with problem definition. For example, how does the customer,

- View the problem?
- Feel about the problem?
- Experience the problem?
- Explain the problem to a friend?
- Try to solve the problem now?
- Work around the problem now?
- Feel the severity? (Need a pain reliever or vitamin?)
- Experience the frequency (constant or infrequent)

Your answers to these questions become assumptions about the problem that can be tested when you talk to potential customers. One thing to remember when you talk to potential customers is that you want to listen to them because "Customers don't care about your solution. They care about their problems." Dave McClure, 500 Startups

Another technique that can be used to define the problem you're trying to solve is called root cause analysis or the 5 why's. The basic idea is to keep asking why something is a problem until you identify its essence or root cause.

For example, many patients end up hospitalized for disease states when effective home treatments are available. This is a big and expensive medical problem. Let's try using root cause analysis to define the problem. We'll start with the problem statement: too many patients end up hospitalized. Why? Because they wait too long before seeking treatment? Why? Because they fail to recognize early warning symptoms? Why? Because they lack a convenient and effective home monitoring solution.

At this point, we have identified the root cause of the need for a convenient and effective home monitoring solution to prevent the problem of unnecessary and expensive hospitalizations. If there are enough people who share this root cause problem, and view it as a major point of pain, then creating a home monitoring solution might be the basis for a viable business.

> David Pensak – "When I was teaching at the graduate level, one day a women comes into class, it's right before Christmas, she's just started her 9th month pregnancy, and she says, "My baby's going to be an orphan." "Gee Joann, that's an awfully harsh thing to say, I know your husband,

what's going on?" and she said, "Well, he decided last night, he was going to do the laundry." "You're going to kill him for that? That's certainly not going to set a good precedence for husbands everywhere." And she says, "Yea, he took my two suits, they're my most prized possessions, that were dry clean only, and he put them in the washing machine." But the neat thing about that is that led to a discussion about why that was a bad thing for apparel. And suddenly a dialog began and all kinds of new ideas came bubbling out, and four new companies started as a result of his washing his wife's good suits in the washing machine. So you never know when the next idea is going to land upon your shoulders and just be open to it."

The next video will focus on basics of interviewing as a means for testing our hypotheses about customers and their problems. For now, I'd like to leave you with two quotes. The first is from Charles Kettering, who invented the electrical starting motor for General Motors and also helped to found the Sloan-Kettering Cancer Center.

"A problem well stated is a problem half-solved." - Charles Kettering, Inventor, Holder of 186 patents

Spend time now to ensure that you really understand the problem or you'll end up wasting a lot of time and money later when you discover that you're not solving a REAL customer problem.

Second, as this second quote from Ted Levitt reminds us, be sure to look at the problem from the customer's point of view.

"People don't want to buy a quarter-inch drill. They want a quarter-inch hole!" - Theodore Levitt, Harvard Marketing Professor