Discovering the Customer

John M. York, PharmD, MBA
WHAT’S THE TOP MISTAKE THAT STARTUPS MAKE?
IT’S UNDERSTANDING WHO THE CUSTOMER IS AND WHAT HE/SHE WANTS

ARE WE PRODUCT-FOCUSED OR MARKET/CUSTOMER-FOCUSED?
HOW DO WE BETTER UNDERSTAND CRITICAL CUSTOMER NEEDS?
THE BOTTOM LINE TODAY

ITCUD!

GOOB!

NOGIGO!
OUR JOURNEY WILL COVER THE FOLLOWING

The Interview

Question Insights

Exercises
OUR JOURNEY WILL COVER THE FOLLOWING

The Interview

Question Insights

Exercises
HOW DO ENTREPRENEURS DISCOVER AND CONFIRM THEIR BUSINESS MODELS?
NEED TO GET OUT OF THE OFFICE

IF I WERE OUR TEENAGE GIRL TARGET, I WOULD LOVE OUR NEW PRODUCT.

HAVE YOU ACTUALLY TALKED TO ANY TO MAKE SURE?

WHAT? AND LEAVE THIS ROOM?

INTERVIEWING STARTS WITH A STRATEGY

Design your interviews around your client’s key strategic issues

Scott Worthge (UC, Berkeley; VP MFour Market Research; AKA-MarketResearchGuy)
WHAT TO DO FIRST? PLAN

SIX KEY STEPS...

- Define objectives
- Background research and prep
- Develop a few key topics and half dozen questions
- ID the key people to interview
- Gain stakeholder input
- Engage the interviewee

The journey of a thousand miles begins with a single step.
HOW CAN YOU INTERVIEW WITHOUT A SCRIPT?

**FUNNELS TO USE FUNNELS TO IDENTIFY AND UNDERSTAND WHO THE TARGET AUDIENCE IS, HOW ARE THEY DOING THINGS, WHAT IS THE JOB-TO-DO, AND WHAT A MVP LOOKS LIKE?**

**Screening (Who?)**
- Who is the Target Audience?

**Attitude (Why?)**
- 1) Why start up?
- 2) Why need money?

**Experience (What? How?)**
- 1) What is your experience? How has it been?
- 2) How have you done it?
- 3) What skills and resources used?

**Job-to-Do (JTD) (What? How much?)**
- 1) What have been your pains, gains and needs?
- 2) Priority top 5?
- 3) How much important top 1 or 2?

**MVP Value**
- 1) How important?
- 2) How would you use it?
- 3) Work for you?
- 4) Address job to do?

**Minimum Viable Product (MVP)**
- 1) What is it?
- 2) What would it look like?
- 3) Draw (Wireframe)

**Address JTD**
- 1) Identify solutions tried out (skill and resources)
- 2) Worked/Not? How? Why?

**Next Steps**
- 1) Further discovery research
- 2) MVP development & testing to risk

**Ties to Defining Questions and Objectives**
- *: Actionable Deliverable/Decision
MCKINSEY EXAMPLE INTERVIEW GUIDE

- Interviewee: Alan Yackey
- Date: January 24, 2007
- Interviewer: Tim
- Topic: Avon example

**Background of Interviewee**
- Attorney
- Led the incorporation of Avon, Indiana
- Significant experience with annexation in Indiana

**Introduction**
- Current project overview
- My background
- Purpose and duration of the interview

**Key questions to ask**
1. How does the annexation process in IN work?
2. Ask about the Avon incorporation example
3. Lessons learned and tips for White River Township

1. **How does the annexation process in IN work?**
   - General overview and history
   - Process steps
   - Legal requirements

2. **The Avon incorporation example**
   - Rationale for incorporation
   - Precise steps and players
   - Documents produced

3. **Lessons learned and tips for White River Township**
   - Discuss hypothesis for White River Township
   - Seek input as to challenges based on his experiences
   - Jointly develop recommendations for this project

GET THE RIGHT CUSTOMERS

HOW WAS THE CUSTOMER INTERVIEW?

GREAT! I LEARNED FROM MY GRANDMOTHER’S BRIDGE GROUP THAT OUR DATING APP SHOULD HAVE A ROTARY PHONE VERSION.

YOU MAY HAVE MULTIPLE CUSTOMER TYPES
ENGAGEMENT COMMUNICATIONS

Contain:

1) How connected
2) Purpose
3) Relevant background
4) Time involved
5) Key questions/topics (Depends)
6) Ask for or propose times

Example Email 2
To: john.smith@mayflower.com
From: me@me.com

John,

I have been working on some new solutions in the area of expense report management, and I was told that you have a lot of expertise in this area.

We started this journey because of personal frustration, and we're trying to figure out how to make expense reporting much less painful. Would you have 30 minutes to give us some advice, and share some of your experiences in this domain?

I assure you that I'm not selling anything. I would be happy to come by your office or arrange a quick video conference, at your preference.

Many thanks,

Jane Doe

Example Voice Mail Message

"Hello, my name is Jane Doe. I was referred to you by James Smith, who said I would benefit from your advice. I am currently researching how companies are handling their expense management workflows. I understand you have a lot of expertise in this area. I was hoping to take just 30 minutes of your time to ask you a few questions. I'm not selling anything and I would be happy to share my research conclusions with you. You can reach me at 555-555-5555. Again, this is Jane Doe, at 555-555-5555, and thank you for your time."

DO THE PAINFUL INTERVIEW
DURING THE INTERVIEW - BEGINNING

- In person, **one interviewee at a time**
- Thank them and frame the interview
- Start with softball questions and keep it human
DURING THE INTERVIEW - MIDDLE

- Expand into more significant questions
- Get them to tell a story
- Look for solutions and priorities
- Disarm your own biases
- Watch Body Language
- Make it conversational
ACTIVE LISTENING

Eye contact

Nodding

Leaning in

Body language

Don’t talk too much

No pitching

EMPATHY

WALK A MILE IN HER SHOES
TIME MANAGEMENT

Balance between gently redirecting an interviewee to your main objectives while not being too brusk or seeming rude

Stay focused and on the reservation
END OF THE INTERVIEW

Summarize key take home points

Thank the interviewee and let them know if any next steps

Ask if anyone else to recommend, or anything you missed
NOTES VERSUS RECORDING

<table>
<thead>
<tr>
<th>Recording Interview</th>
<th>Interviewer Takes Notes</th>
<th>Additional Person Takes Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Gold standard</td>
<td>• With those who are not comfortable with 2 people in the room or being recorded</td>
<td>• When you can’t record.</td>
</tr>
<tr>
<td>• Get permission</td>
<td>• Juggle active listening and notes</td>
<td>• Focuses the interviewer and the note taker to take more detailed notes.</td>
</tr>
<tr>
<td>• Still need notes</td>
<td></td>
<td>• Intimidation factor</td>
</tr>
<tr>
<td>• Test your equipment before</td>
<td></td>
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</tbody>
</table>

Additional Person Takes Notes
• When you can’t record.
• Focuses the interviewer and the note taker to take more detailed notes.
• Intimidation factor
AFTER THE INTERVIEW

FOLLOW UP

Have notes ready with key takeaways within 24 hours
Send a thank you note to the interviewee
Keep your team in the loop
Update Business Model Canvas

DOCUMENT

ANALYZE/APPLY

Example information to gather or make assumptions about for this exercise:

<table>
<thead>
<tr>
<th>Item</th>
<th>Answer or Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td></td>
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<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Estimated Income</td>
<td></td>
</tr>
<tr>
<td>Interests Outside Work</td>
<td></td>
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<tr>
<td>Workplace/Company</td>
<td></td>
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<tr>
<td>Industry</td>
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</table>

Title

What is this person trying to achieve in their job?

<table>
<thead>
<tr>
<th>Functionally</th>
<th>Emotionally</th>
<th>Other</th>
</tr>
</thead>
</table>

What things are causing this person problems in their job?

<table>
<thead>
<tr>
<th>Functionally</th>
<th>Emotionally</th>
<th>Other</th>
</tr>
</thead>
</table>

Other notes:

NAME: ____________________________________________

Complete this worksheet from the perspective of the person you observed and interviewed during your Painful Interview.

1. I am ____________________________
   (person & profession)

2. I’m trying to ____________________________
   (name the thing the person is trying to accomplish or get done)

3. But __________________________________
   (what’s in the way?)

4. Because __________________________________
   (your best guess or hypothesis about the root problem)

5. Which makes me feel ____________________________
   (name the emotion the person feels)

INTERVIEWS SUMMARY

1. How many?
2. Customer type/persona?
3. Learned?
4. Hope applied to BMC, VPC, and MVP
5. Pivots and why
INTERVIEW: SUMMARY REPORT

Key insights:
1. Avon is a relevant example
2. There are several challenges that can be overcome
3. Annexation is a slow and complex process

1. Avon is relevant
   - It’s recent—1995
   - Rationale/motivation for incorporation was better services and more control
     → Farmers were selling their land to the highest bidder, and the highest bidder was often an irresponsible developer—the development often wasn’t what the town had planned or would like to see. If the town had incorporated earlier, it could have prevented much of the bad development with zoning guidelines.
     → It had crime spilling over from Plainfield.
     → Wanted to annex 1100 acres in Hendricks County.
   - Citizen and government effort led to actual incorporation of a new town
     → The town didn’t annex enough land, though, and it is still dealing with bad development on the outskirts of town. When Avon tries to annex more land, it is annexing poorly developed land, not free land that can be used for business development.

2. There are several challenges that can be overcome
   - Lots of analysis necessary
     → He likened annexation to a business transaction. The problem seems to be that an offer is made, but not accepted by some because it is not explained. The offer needs to be clear, translated into dollars and cents. People respond emotionally to tax issues. Municipalities need to approach them with a benefit-cost analysis.
   - Significant communication effort
     → Those annexations that involved good communication went well, and those that involved poor or nonexistent communication had problems. People should have more power.
     → Notification and communication with citizens and townships are important.
   - Funding for mailings and other process requirements

3. Annexation is a slow and complex process
   - It took a long time
     → The fight lasted more than a year, during which Westfield launched an aggressive campaign to win over landowners.
   - Legal requirements
     → De-annexation is an option if cities fail to provide services within a three-year time frame.
     → It would be even longer and more complex for the size of the WRT annexation
     → Approximately 10–30 times as large

MAKING SENSE OF THE INTERVIEW

Quantitate

Look for Patterns

Expect False Positives

Truth Curve
OUR JOURNEY WILL COVER THE FOLLOWING

The Interview

Question Insights

The Mom Test
HOW MANY OF YOU THINK IN QUESTIONS?

WHY IMPORTANT?
WHAT DO QUESTIONS ACCOMPLISH?

- Spurs learning and idea exchange
- Fuels innovation and better performance
- Builds trust among team members
- Mitigate business risk by uncovering unforeseen pitfalls and hazards

ASK THE RIGHT QUESTIONS

BEFORE WE GET TO OUR RISKY ASSUMPTIONS THAT COULD CRATER OUR ENTIRE BUSINESS, WHAT DO YOU THINK OF THE FONT COLOR ON THIS PACKAGING BURST?

It’s Not About You!

WHAT’S THE JOURNALIST’S FIVE?
JOURNALISTS RELY ON FIVE KEY QUESTIONS
OF THESE, WHAT’S THE POWER QUESTION?
WHAT’S THE VALUE OF THE 5 WHY’S?

DEFINE THE PROBLEM:
For example: Got caught speeding.

1. Why?
   - Late for work.

2. Why?
   - Wake up late.

3. Why?
   - Alarm clock didn’t work.

4. Why?
   - Batteries were flat.

5. Why?
   - Forgot to replace batteries

SYMPTOM
ROOT CAUSE
WHAT’S THE VALUE OF OPEN-ENDED

Ideal
• Allows for interviewee to elaborate and provide greater insight

Watch Outs
• Avoiding the question
• Going off the reservation

General Open Ended Questions
• What would happen if...?
• I wonder...
• What do you think about...?
• In what way...?
• Tell me about...?
• What would you do...?
• How can we...?
• How did you...?
• In what way...?
• What do you suppose...?
WHERE CLOSED-ENDED MAKE SENSE

Not really!

- Yes or No (or do you agree) is very limiting
- If so, THEN TIE with WHY as a follow up...

OK

- If so, use a rating scale (1-7, Hot-Cold)
- Offer choices
- Rank order
- Follow with an open-ended- WHY!
- Can quantify responses
AND DRILL DOWNS ADD VALUE AND SHOW ACTIVE LISTENING

Seize Opportunities

- Listen for valuable insights

“Egging on” to clarify

- What else?
- Tell me more about that?
- How did you do that? What worked?
- Not? Why?

“Egging on” to clarify
TO GET CLARIFICATION

Repetition or parrot
• Repeat what respondent just said and wait for him/her to provide additional clarification

Closed-Ended
• Yes or No to confirm position
SOME USEFUL QUESTIONING STRATEGIES?

“Please help me understand...

Opinion

STEP IN SOMEONE
ELSE’S SHOES

UC San Diego

Rady School of Management
“Imagine that the U.S. is preparing for the outbreak of an unusual Asian disease, which is expected to kill 600 people. Two alternative programs to combat the disease have been proposed. Assume that the exact scientific estimate of the consequences of the programs are [as shown below]. . . . . Which of the two programs would you favor?”
REFRAIN FROM LEADING THE WITNESS

Frames the question to drive a particular response

Injects Bias

Example:

“According to the New York Times, alpha beta is the most promising new cancer drug, don’t you think?”
DON’T FALL INTO PITCH (SALES) MODE!

I’ve got a product or idea, what do you think?

I’d like to get your opinion on our solution? (not during discovery)
REMEMBER QUESTION BIASES

Selection  Confirmation

Generalization  Overconfidence

Optimism  Acquiescence


Jon L. York, PhD
Cal Poly, SLO
OUR JOURNEY WILL COVER THE FOLLOWING

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Question Insights

The Mom Test
TELL ME ABOUT THE MOM TEST

WHAT IS IT?

HOW DOES IT RELATE TO STARTUPS?
THE MOM TEST TAKE HOME

**Talk about their life instead of your idea**

**Ask about specifics in the past instead of generics or opinions about the future**

**Talk less, listen more**

**Deflect complements**

**Anchor fluff**

**Dig beneath ideas**

**Google for trivia**

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# THE MOM TEST QUESTIONS

<table>
<thead>
<tr>
<th>#</th>
<th>Question</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Do you think it’s a good idea?</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Would you buy a product which did X?</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>How much would you pay for X?</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Would you pay for a product which did Y</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>What would your dream product do?</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Why do you bother?</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>What are the implications of that?</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Talk me through the last time that happened?</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>What else have you tried?</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Where does the money come from?</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Who else should I talk to?</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Is there anything else I should have asked?</td>
<td></td>
</tr>
</tbody>
</table>
"DO YOU THINK IT'S A GOOD IDEA?"

Awful!

- Only the market can tell if your idea is good.
- Everything else is just opinion = self-indulgent noise
- High risk of false positives.

Fix It! Ask them-

- Show you how they currently do it.
- Which parts they love and hate.
"WOULD YOU BUY A PRODUCT WHICH DID X?"

Bad question.

- Asking opinions and hypotheticals from overly optimistic people who want to make you happy.
- The answer to a question like this is almost always "yes," which makes it worthless.

Fix it. Ask HOW?

- They currently solve X, costs them, and time it takes.

Rule of thumb:

- Anything involving the future is an overoptimistic lie.
"WOULD YOU PAY X FOR A PRODUCT WHICH DID Y?"

Bad question:
• The fact that you've added a number doesn't help.

Fix it:
• Ask about what they already do now, not what they believe they might do in the future. Price your product in terms of value to the customer rather than cost to you.
• Another way to fix it, if you're far enough along, is to literally

Rule of thumb:
• People stop lying when you ask them for money.
"HOW MUCH WOULD YOU PAY FOR X?"

Bad question.

- This is exactly as bad as the last one, except it’s more likely to trick you because the number makes it feel rigorous and truthy.

Fix it: Ask-

- About their life as it already is.

Rule of thumb:

- People will lie to you if they think it's what you want to hear.
"WHAT WOULD YOUR DREAM PRODUCT DO?"

Sort-of-okay question:

- But only if you ask good follow-ups.

Fix It- Ask?

- Why they want these features?

Rule of thumb:

- People know what their problems are, but they don't know how to solve those problems.
"WHY DO YOU BOTHER?"

Good question!

- I love this sort of question.
- It's great for getting from the perceived problem to the real one.

Rule of thumb:

- You're shooting blind until you understand their goals.
Good question!

- This distinguishes between I-will-pay-to-solve that problems and that It’s-kind-of-annoying-but-I-can-deal-with-it "problems."

Rule of thumb:

- Some problems don't actually matter.
Good question!

- Whenever possible, you want to be shown, not told, by your customers.
- Learn through their actions instead of their opinions

Rule of thumb:

- Watching someone do a task will show you where the problems and inefficiencies really are, not where the customer thinks they are.
Great question!

- What are they using now?
- How much does it cost?
- What do they love or hate about it?
- How much would those fixes be worth?
- How traumatic would it be for them to switch to a new solution?

Rule of thumb:

- If they haven't looked for ways of solving it already, they're not going to look for (or buy) yours.

Roger’s Diffusion of Innovation
"WHO ELSE SHOULD I TALK TO?"

Great question!

• Yes!
• End every conversation like this!

Rule of thumb:

• Always look for additional leads.
"HOW ARE YOU DEALING WITH IT NOW?"

Great question!

- Beyond workflow information, this gives you a price anchor.

Rule of thumb:

- While it's rare for someone to tell you precisely what they'll pay you, they'll often show you what it's worth to them.
Great question!

- Usually, by the end of the meeting, people understand what you're trying to do.
- Since you don't know the industry, they'll often be sitting there quietly while you completely miss the most important point.

Rule of thumb:

- People want to help you. Give them an excuse to.
IT’S ABOUT DISCOVERING THE RIGHT CUSTOMER, HIS/HER NEEDS, AND DELIVERING THE VALUE PROP