



Understanding Your Customers and Your Competition

Launching New Ventures: Entrepreneurship & Strategy for Technology-Driven Startups

Prof. Chris Tucci and Prof. Marc Gruber



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Understanding Your Customers and Your Competition

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Welcome back! In this segment we are going to talk about understanding your customers and your competition. Two key issues that are of importance for developing your marketing plan, and for developing your accompanying marketing agenda. But, before we delve into this topic, I want you to step back and think about it from the customers perspective and not the entrepreneur perspective. Think about your daily purchasing decisions for a minute. You are in an environment where you get constantly bombarded with new information where you have lots of products to choose from. And sophisticated buyers actually check out online where the cheapest product is available. So, what you're dealing with, as an entrepreneur, are these types of customers that are much more educated than they used to be. They have multiple options; they can buy off-line, they can buy online often times. So, in that sense, you are dealing with a subject out there that is, first, of vital importance to your firm's success. But, on the other hand, also not so easily graspable like it used to be. So in that sense, market research and competitor analysis are of vital importance.

Notes

Summary



0m 00s



Market Research & Competitor Analysis



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Market Research should give you the insights on a particular customer and Competitor Analysis should give you the insights on what the competition is doing to steal away that customer from you. They have attractive offerings, so you need to beat the competition away. So, ultimately, what we are trying to do in this segment is to give you an understanding of which kind of information you're going to need to understand your customers solidly, in a very thorough way, and which type of information you're going to need to understand your competition, and how the competition tries to steal that customer from you.

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1m 16s

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So, let's start with looking at your customers. From the entrepreneurial marketing perspective, customer analysis is important for two main issues. First, for making sales. Meaning, you have to understand your customers in order to fulfill their needs. In order to convince them to purchase your product. But beyond that-- and that is listed on the second bullet point here, the question arises, "What do your customers expect from your venture?" So, understanding customer needs also has a venture dimension in the sense that the customers will be in touch with your venture. And the customers will, for instance, need warranty. They need to have a safe person. They like to have contact with your venture. And all of that, actually, shapes the impression and their buying behavior. On the other hand, you have an important dimension towards understanding customers. That is, customers should create value for your venture. That's beyond making sales, that's value creation.

Notes

Summary



Two important dimensions of entrepreneurial marketing:

1 For making **sales**:

Understand Customer Needs

- What do your customers actually need?
- What do your customers expect from your venture?

2 For **creating value** for your venture:

Understand Customer Value

- How much value do your customers create for your firm?
- How should I invest my limited resources (incl. your attention)

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And, in order to understand how customers create value for your venture, there are a couple of questions to ask and two of the most important ones are listed here: "How much value do your customers create for your firm?" And "How should I invest my limited resources"-including your attention, towards different types of customers so that I can actually create value for my venture?" So, why is it so important that you understand the specific needs of your target customers? First, of course, you want to deliver value to them. So in order to understand what type of functionality they need in a product you need to understand their needs. Second, you want to create an exceptional customer experience. It's not only an experience where the customer purchases the good, but beyond that, he or she should feel excited buying your product and enjoying using it, because the greater the experience, the more word of mouth they will create. And finally, of course, you want to beat your competition. And by better understanding the needs of your target customers, you will have a better angle towards that front that I've mentioned as well.

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Summary



2m 56s



1. Interact with your customers & try on your customer's perspective

Dive deep into your customer's world with **interviews**, trying to understand:

- How she views your product/service offering and your company
- How she compares & chooses between alternative offerings
- How often she will need to purchase your product / service, etc.
- Look at the customer's points of contact with your future business

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In order to understand your customers, you can engage in a number of activities. I'll provide you with some easy guidelines, a three step process that will help you ask the right questions and note the right elements in this process. The first step would be interacting with your customers and trying on your customers' perspective. It's a vital step; it's a step where you dive deeply into your customer and try to understand, "How does your customer look at your product? How does she compare between alternative offerings? How often will she purchase your product service?" And you should also look at your customers' point of contact with your future business. Do they shop online? Do they shop offline?

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4m 00s

2. Track the customer's journey.

Follow the experiences of key customers as they traverse your future company's processes and channels.

- Note where the experience breaks down
- Note where the experience is strongest
- Note where improvements can be made



Etc. For the second step, you can then try to track the customers journey. And this is a bit challenging with a new firm because many of the processes that the customers will experience are not yet fully defined. Some of them might exist, some might not exist. But note especially when their experience is breaking down, where the experience is strongest and note also where improvements can be made to that experience. And, if you're in the venture design phase still, you can say; "Okay, what kind of cliffs would I experience as a customer when I would engage with my company?" And, in asking that type of question you can have very deep insights at this venture design phase about how to structure your processes and relationships, and your point of contact with your customers.

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4m 42s



3. Seek patterns in the behavior of target customers.

- Build a database of all your interactions with customers & all the information you have collected
- Look for patterns in their behavior
- Consider whether you have segmented the market in the best way possible
- Look for ways to better meet their needs

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The third point would then be to say, "Okay, I've gathered this type of information. I've gathered the information from the the interviews I did with my customers. Now I can try to understand patterns in the behavior of your target customers." So, for instance, you can build a database of all your interactions with your customers. All the information you collected so that you have a good over view of what you have learned. And then engage in some meta-learning. You can look at patterns in their behavior and consider whether you have segmented the market in the best way possible. And look out for ways to better meet their needs.

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5m 32s

Understanding the value your customers give to your firm **EPFL**

You can **analyze your customers based on potential sales**, and thus understand how much revenue you may get from a given group of customers.

This type of analysis will help you understand...

...which customers are worth your efforts and expenses

...which customers could better be served with lower-cost approaches (e.g., digital, fewer visits...)

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Overall this is a learning process, you are engaging in a entrepreneurial venture that is often times launching innovation which then means, well, of course I don't know everything in advance. And, customer learning is one of the most important learning processes that you will face in your venture creation process, so take this very seriously. In addition, you want to understand how much value your customers are going to provide to your firm. You can analyze your customers based on potential sales, and thus understand how much revenue you may get from a given group of customers and this type of analysis will help you understand two things: first, which customers are worth your efforts and expenses. Not all customers are worth while being catered to. And this actually provides you with a second point here: which customers could be better served with lower cost approaches, for instance. So, for instance, with customers that are providing less value to your company, you could say I engage with those customers only in digital ways, with emails, with website interfaces and I could visit them less often, less frequently if you're more in a business that is relying on direct customer contact. Give them fewer phone calls to remind them of a purchasing decision.

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6m 07s



So on the one hand, you are trying to understand your customers in order to be able to better cater to them. And on the other hand, you're trying to understand your customers in order to create value for your venture, meaning that, you're trying to understand which type of customers that are actually producing that value for you and which types of customers don't. The second key element that I want to discuss with you in this segment is your competition. And there are two big questions that are related to this larger topic. Number one, who are your competitors in the first place? This is often times not so evident, especially if you are trying to commercialize innovation. And second, what do you need to know about your competitors? Once you know who they are, what information do you need to gather about them to get a solid and well rounded understanding of their activities and their potential future activities. So, the intended outcomes of this type of analysis are straight forward, I would say. It's like first trying to understand what these other firms offer, so that you can make your product services and marketing stand out. It will allow you to get an understanding of the competitors' pricing, so set your prices competitively.

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Summary



0m 11s

The big questions:

1

Who are your competitors?

2

What do you need to know about your competitors?

The intended outcomes:

- Make your products, services and marketing stand out
- Set your prices competitively
- Respond to rival marketing campaigns with your own initiatives
- Assess any threats posed by both new entrants to your market and current competitors
- Be realistic about how successful you can be

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It will help you to draw up and develop marketing campaigns that might be more appealing to your customers than those of the competition. It helps you to assess any threats posed by new entrants to your market and current competitors. And, ultimately, also helps you to be realistic about how successful you can be with your venture. How much of the market space is already taken up by the competition? "Where do I have to fight hard to overcome the competition?" And this gives you a better understanding also about your future growth potential. So a number of key benefits that are through competitor analysis were rendered to your venture.

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8m 38s

Your competition: The analysis

Your analysis should include your main competitors, and their strengths and weaknesses.

- Their offering
- Their prices
- Their channels: how they distribute & deliver
- Their reputations
- Their marketing messages
- Their brand and design values
- Who owns the business and what kind of person they are
- Their strategies to build customer loyalty
- Whether they innovate products & processes
- Their staff count and the calibre of staff that they attract
- Their annual report - if they're a public company
- Their media activities - website as well as local newspapers, radio, television, etc.

The more information you have about your competitors, the better.

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Your analysis of the competition should include your main competitors, and particularly, their strengths and weaknesses. So, look at their offering, their prices, their distribution channels, their reputations, their marketing methods, their brand and design values, who actually owns the company, and what kind of person these people are. Their strategies to build customer loyalty, whether they innovate products and processes. Their staff count and the caliber of staff they can attract. Their annual report if they are a public company, and their media activities. Do they have a website, and would they engage in local newspaper advertising, radio and television, etc? And the more information you have about your competitors, the better it is! Because it provides you with a more solid ground for making your decisions about where your firm is going to compete, and how your firm is going to compete against these firms.

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Summary



Your competition: The analysis

Your analysis should include your main competitors, and their strengths and weaknesses.

REMEMBER: Everyone has competitors.

- If it's an innovation, what are the current substitutions / alternatives / workarounds?
- How are these procured?

The more information you have about your competitors, the better.

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So, often times entrepreneurs come to me and say, "Well, we do not have competition, we have such an innovative product that does not yet exist in the market place." And I have to say; "Well, in that case you haven't done your job thoroughly enough." Try, really, to understand your customers and your competition. Because, even if it's an innovation, there are other substitute products out there that are catering to similar functional needs of your customers. There are alternative products, and work-arounds that might exist. So, they're saying, "Well, we do not have any competition" often times is only an indicator that you haven't done your homework well enough. So, take this competitor analysis quite strongly and to the heart. And try to understand, "Well, this is an opportunity for me to learn more about my company and my market place." What is particularly interesting is also looking into your competitors' customer.

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Also look into your **competitors' marketing**:

- **Who** are your competitors?
- How have they **segmented** the market and what they sell to each segment?
- What are their **strengths** and **weaknesses** as perceived by their customers?
- Do they have any **long-standing customers**?
- Have they had an **influx** of customers recently?

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Who they are, how they have segmented the market, and what they sell to each segment. Your competitors' strengths and weaknesses as perceived by their customers. Whether there are any long standing customers that they are catering to in which you might not be able to win over immediately to your company. Unless you have a very, very compelling value proposition. And if they have had an influx of customers recently because this is an important indicator of whether, they have something very attractive to offer to the market. So, you can combined this on the one hand with your customer interviews. You can understand very well by talking to customers. How they think and what they take into consideration. But you can also look at market reports and other types of reports to help make you understand "Well, how are the trends in my market evolving?" and "Is my competition maybe offering something that's highly appealing to customers?" This is vital information for the shaping of your product and for your marketing campaigns.

Notes

Summary



11m 11s

Understanding your competition



What you can learn
from and do better



What they're doing
worse than you



What they're doing
the same as you

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It ultimately comes down to three main insights. First, what can you learn from your competition and do better? Second, what is my competition not doing as well I am doing it? Or plan to do it? And, what are they doing equally as well then you are? So, if you look at all three elements-- these elements provide you with point on where to improve, also where you can potentially beat your competition. Especially in the design phase, you can say, "Well, I designed my company in a way, and my product in a way that I attack my competitor from their weakest angle." But keep in mind the customer still needs to value the dimension of what you're trying to beat here. And, what are you doing equally well as your competition, you can say, "Can I improve on that experience and make it a differentiator of my business?" So that the customers will actually say, "This is a great point that your company is offering that I've never seen at any other competing firm."

Notes

Summary



12m 11s



Market Research & Competitor Analysis



So I am going to choose your product." So in sum, what we have discussed in this segment is actually-- it's pretty straight forward, but it actually means a lot of hard work. But I urge you to do this work, engage in this type of work because it presents you with the nuts and bolts of firm creation. Often times people say, "Well, your business plan doesn't master and doesn't survive the first customer contact." But only if you've never spoken with a customer before. You have to understand what your customers want and who your competitors are in order to develop a compelling business plan and business concept. And this is exactly where this part comes in. Market research and competitor analysis. So, we've looked in this segment at a couple of key steps that you can engage in order to understand your customers very well in order to understand your competitors very well. Try them out, and I am curious to find out what you've learned. Good luck!

Notes

Summary



13m 14s