Software Economics

Customer Segmentation
Value Proposition Canvas

Value Map (create value) - Customer Profile (observe customers)
Customer Jobs

Jobs describe the things your customers are trying to get done in their work or life.

Functional Jobs:

Performing or completing specific tasks or solving specific problems (track time, write report, clean the apartment).
Social Jobs:

When the customer wants to look “good” or gain social value/reputation. These jobs are about how the customer wants to be perceived by others.
Customer Jobs

Personal/Emotional Jobs:

When customers aim at achieving a certain emotional state or feelings such as be entertained, sense of security.
Customer Jobs

Supporting Jobs:

Jobs customers do when buying or consuming value.

- **Buyer of value** – jobs relating to buying value such as standing in checkout line, taking delivery etc.

- **Co-creator of value** – jobs related to co-create value such as posting products reviews, participating in creating or designing a product

- **Transferor of value** – jobs related to ending a value proposition such as cancelling a subscription, reselling a product etc.
Context:

Going to the movies with kids is different than going with your partner.

Importance:

Not all jobs have the same importance for all customers, some matter more, other jobs matter less.
Customer Pains is anything that causes the customer to become annoyed before, during or after getting a job done, or prevents them from getting the job done.
Customer Pains

Undesired Outcomes and Problems:

Things that does not work
Things that does not work well
Things that have negative side effects
Things that cause bad feeling (look bad, bored)
Customer Pains

Obstacles:

Things that prevent customers from getting started with a job

Things that slow the customer down
Customer Pains

Risks (undesired potential outcomes):

Things that could go wrong with important negative consequences.
Degree of Severity

Not all pains are equally painful.

From insignificant – moderate – extreme.

Make the Customer Pain clear and concrete.

Instead of “waiting in line is waste of time”, make it more concrete by “waiting in line more than 3 minutes is a waste of time”.
Customer Gains

Customer Gains are when the customer is getting the outcome or benefits they want.

**Required gains** – basic expectation such as calling with smartphone.

**Expected gains** – fairly basic gains that are expected such as good design from Apple.

**Desired gains** – usually gains that customers would say if asked.

**Unexpected gains** – go beyond expectation such as App Store.
Customer Gains

Gain Relevance:

From “Nice to have” to “Essential”

Be specific – instead of “better performance”, it is better to say “increased performance of more than x”.

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Common mistakes

- Mixing several customer segments into one profile
- Mixing jobs and outcomes
- Focusing on functional jobs only and forgetting social and emotional jobs
- Listing jobs, pains, and gains with your value proposition in mind
- Identifying few jobs, pains, and gains
- Being too vague in descriptions of pains and gains
Value Proposition Canvas

Value Map (create value) - Customer Profile (observe customers)
In a start up, you work with the business model canvas but

- You make hypothesis which may or may not be true

- You need to seek data, information (meet customers, ask, understand) to verify your hypothesis

- Understand your customers so you can describe them “in detail” (customer archetypes)

- Get to know your customers, understand their problems/needs, gains, pains and jobs.

Why is this a good approach?
Customers in a Market
Market Segmentation
Market segmentation is the dividing a market into different clusters of customers.

In each segment, customers are different between segments but similar within.
Example of Customer Archetype

Customer segment/ Archetype

- Busy men and women in Manhattan
- Gym-addict
- Limited time/ will to buy and cook food
- Often eat breakfast/ lunch/ dinner in the office/ on campus
- Frustrated by lack of easy to order healthy options
- Not on a diet, but values healthy habits
- Always forget to order food because too busy

Jennah
Lawyer, 38
- Works in Bryant Park area
- Knows what she should eat but has no time
- Affluent, less price sensitive

Simon
CBS student, 28
- Tired of CBS limited food offering
- Price sensitive but willing to pay a premium for healthy food and lose some weight
- Want to learn what does healthy means

Michael
Banker, 49
- Not price sensitive as his company pays for meals
- Like varied gourmet food

Example from http://www.slideshare.net/sblank/2-8-element-foodday-5-final
Exercise

Choose a company – an “IT” company.

Choose wisely as you will work with this company for several sessions and its included in your first assignment.

Examples: Toggle, Fleep.io, Transferwise, Wordpress, etc.

1. Who are they targeting (customer) i.e. for whom are they creating value?

2. What is the customer profile (jobs, pains and gains)

About 20 minutes
Market Types

Existing Markets:
- Market is known,
- customers want faster/better/cheaper products,
- often technology driven
- Red Ocean

Re-segmented Markets:
- Finding a new segment within an existing market
- Niche – organic food
- Low cost provider – Ryan Air
- Blue Ocean
Market Types

New Markets:
- Customers and product don’t exist yet
- What can be offered that has not been offered so far?
- Blue Ocean

Clone Markets
- Adapting a business model of another market to a local market
Technology Adoption Lifecycle

INNOVATION ADOPTION LIFECYCLE

Revenue Pattern for Existing Market

From wikipedia
Technology Adoption Lifecycle

Revenue Pattern for Resegmented Market

Innovators

Early Adopters

Early Majority

Late Majority

Laggards

"The Chasm"

Area under the curve represents number of customers

Technology Adoption Lifecycle

From commons.wikipedia.com

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