

INNOVATE YOUR BUSINESS

PRODUCT NEED? | CUSTOMER | LEADERSHIP | FUNDING

A 4-PART GUIDE



PART 1:

IS YOUR PRODUCT OR SERVICE WORTH PURCHASING?

The Idea

Not every idea is a good idea. The difference between a good idea and a bad idea is, simply put, will people buy. As entrepreneurs, sometimes an idea can seem like the bee's knees inside your head. Before you get married to your product or service idea, have an open mind and be ready for feedback. Ask yourself these questions as you consider if your product or service is worth purchasing:

1. Will people find value in your product or service?
2. Is your product or service able to sustain?
3. Is your product or service a one time purchase or will you have repeat customers?
4. Is your product or service solving a problem? Is it meeting a need?
5. Is there anything similar on the market?
6. How are competitors performing in the market?

Market Research

Go straight to the source by doing market research to determine if your product or service is worth purchasing. Use market research to identify what consumers are able and willing to buy.

- Interview potential customers, placing emphasis on understanding their buying habits.
- What are buyers wanting more of and what are they wanting less of? Does your product or service match up with these wants?
- What are your customers searching for online? Identify keywords they are using.
- Search similar products and services that are already on the market. What are consumers saying about them? Find reviews on what they are doing and compare to what you have planned.
- What substitute products are buyers currently purchasing?

Consider the Common Core Human Needs

What needs are your product or service meeting? Human beings are driven by very similar needs, and these drive their buying decisions. First check if your product or service idea fits at least one and preferably multiple core human needs. This will give you a very good idea before getting any deeper as to whether or not what you have is marketable and if it will sell.

The Seven Common Core Human Needs:

- More Money
- To Feel Better
- To Have Better Relationships
- Save Time or Improve Performance
- To Experience
- To Look Better
- To Protect Themselves

Maintain a Positive Brand Image

Customers are highly influenced and persuaded by other customers. Peer reviews are more powerful than a sales pitch. Consumers enjoy hearing success stories and what other customers are saying about different products and

services. Capitalize on the thoughts of your own consumers in order to portray a positive brand image. Reviews are one of the top determining factors when consumers are considering making a purchase decision. If your customers love your products/services, they will want their friends to know about it. Turn your customers into your advocates by creating incentives for them when they brag about you.

Recall the basic formula for customer value is $\text{Benefits} - \text{Cost} = \text{Customer Value}$. Make sure your products' value and benefits are perceived to be "worth" more than the cost in order to keep customers happy and your business expanding.

Evaluate Your Product or Service with the Value Proposition Canvas

The [Value Proposition Canvas](#) is a simple template that allows entrepreneurs to evaluate their idea through the pains and gains of their customers. Look at your product or service through your customers eyes. As a new customer, is this something you would like to purchase? Using the Value Proposition Canvas will help you identify if your product or service is worth purchasing and what value it will bring.

The Value Proposition:

- Identify your customer's major jobs-to-be-done, the pains they face when trying to accomplish their jobs-to-be-done and the gains they perceive by getting their jobs done.
- Define the most important components of your offering, how you relieve pain and create gains for your customers.
- Adjust your Value Proposition based on the insights you gained from customer evidence and achieve Product-Market fit.

Resource Partner:

The [Venture School program](#) is a 6-7 week program powered by the University of Iowa which emphasizes real-world entrepreneurship and takes you through evaluating your value. Each year, multiple cohort sessions take place around the state of Iowa. The program works for startups, small businesses, non-profits, and corporate innovation teams. For more information on participating in a Venture School near you, [view their schedule](#).

PART 2:

WHO IS YOUR CUSTOMER?

Who is your customer? If the word, 'everybody' comes to mind when you answer this question, let us take a few steps back and dive deeper. 'Why not target all consumers,' you may ask. Well, having a clear target market will help you determine the right messaging for your consumer group, save you time and money, and accelerate the growth of your brand.

Your customer is the most important stakeholder in your business. A deep understanding of your consumer base will help you best position your product or service in the market. As a startup or early-stage company, your product/service will probably satisfy a small segment of the market. As you grow, so will your understanding of the problem you are solving; and with this understanding, your customer profile might evolve.

The first step to identifying your customer is having an understanding of the value your product or service provides. What kind of consumers are seeking those product attributes you provide? Create a customer profile to help you narrow down your customer pool to those who are your target audience. Consider consumer variables to help define the ideal customers. Evaluate the different customer segments that emerge when taking a look at these variables. Find out everything possible about each segment.

Segmentation Variables for the Consumer Market: Qualifying Variables = Demographic and Geographic

Demographic Variables:

- Age
- Gender
- Race/Ethnicity
- Income
- Education/Occupation
- Family Size/Family Life Cycle
- Religion/Language
- Social Class

Geographic Variables:

- Region
- Market Density (Urban, Suburban, Rural)
- City
- County Size
- State Size
- Climate
- Terrain

Determining Variables = Psychographic and Behavioristic

Psychographic Variables:

- Personality Attributes
- Motives/Values
- Lifestyles (Activities, interests, Opinions)

- Sexual Orientation

Behavioristic Variables:

- Volume Usage
- End Use/Reason for Purchase
- Benefit Sought
- Brand Loyalty Level
- Price Sensitivity

Create a Customer Archetype

The consumer archetype is a narrative of the profile you described as your ideal customer, focused on their behavior. Think of it as a way to organize your consumer's personality type or "role" that they identify with. Creating a customer archetype can help you decide how to best tell your brand story and articulate your value proposition. Knowing specific pain points is useful for creating content, but to truly connect with your audience on a deeper level you need to understand their core professional and/or personal motivations. A [customer archetype](#) will force you to think about themes and motivations more than job titles and locations. Focus on what business or personal goals you've helped customers achieve in the past.

Product/Market Fit

Product/market fit describes the stage of a startup company where they have successfully identified a target customer and serve them with the right product. After achieving product/market fit, the next step is to scale by finding more customers within the target market. But, how does one achieve product/market fit?

You can measure product/market fit using primary market research such as surveys that identify what percentage of your users think your new product or service is right for them. But more often than not, product/market fit is less about hypothetical numbers and percentages, and more about an in-depth and tangible understanding of who your customers are, and how they feel about your company and your product or service. Are you creating organic growth within your target audiences where people spread the word on their own?

Price is a major determining factor when understanding your consumers. Are you targeting wealthy consumers or price conscious consumers? What price is most competitive in the market and the most ideal for your target market? Are people willing to pay for your product? If they are willing to pay, you have achieved product/market fit.

Resource Partners:

As you continue your customer discovery, seek resources that will help you better define and understand your market. As you are starting a business, advice from a mentor or business counselor will be valuable to help you avoid common mistakes. Organizations such as [SCORE](#) and the [Small Business Development Centers](#) can help you clarify your ideas and plans.

PART 3:

ESTABLISH LEADERSHIP AND FIND SUPPORTIVE RESOURCES

Leadership Development

Forbes defines leadership as a process of social influence, which maximizes the efforts of others towards the achievements of a goal. Leadership is a concept, a word that places responsibility and respect into the hands of an individual. You can show leadership in so many ways and on various levels. Leadership should not be a topic that makes anyone feel uneasy. Leadership is the easiest way to discover where you bring value and how to use your key strengths.

With every amazing startup or company the common thread between those organizations is outstanding leadership. The individuals behind the operation. When looking at your own business what leadership qualities stick out to you amongst your team? How can you actively work to develop leaders within your business that will benefit your employees, yourself, and the company?

Company leaders are encountering a new phase of hiring and retention. Approximately one-third of employees do not trust management. In addition to this, employers now have to cater to the needs of the millennial generation. On average, after graduating from college, a millennial will change jobs four times before they are 32. Now more than ever, creating a growth minded environment will attract the right employees and empower your current team.

Qualities to look for and build upon:

- **Sincere Enthusiasm** - Build leaders who want to be there and believe in the mission of the company. Enthusiasm is a contagious element that will encourage others in the team to show passion for what they are doing. That passion will be reflected in the work they do and to your customers.
- **Integrity** - Doing what is right even if it is the hard thing to do. Build a team that does not back down or try to cover up mistakes. Find leaders who celebrate the small accomplishments, but also recognize when they need to pivot.
- **Communication** - Communication is key within an organization and begins with leadership. Oftentimes, many problems can be avoided with the proper communication. Build a team of communicators that can take feedback and give feedback in an effective and efficient way.
- **Decisiveness** - A good leader is not simply empowered to make decisions due to their position. They are willing to take on the risk of decision making. They make these decisions and take risks knowing that if things do not work out, they need to hold themselves accountable.
- **Empathy** - Empathy is a quality many leaders have and is a trait that shows true character. Empathy is the ability to understand how others feel, putting yourself in someone else's shoes. Empathy allows for leaders to understand their team and customers.
- **Empowerment** - A good leader has faith in their ability to train and develop the employees under them. Because of this, they have the willingness to empower those they lead to act autonomously. Build a team that sees empowerment as a tool to build trust throughout employees and leadership.

Leadership Resources

Anybody can act as a leader in an organization, regardless of their title. Even the summer intern or the new hire. In fact, these are the individuals who may have the best perspective on things. Encouraging new ideas and creating an environment where intrapreneurship is welcomed will say a lot about your company's leadership values. Companies that are serious about developing leadership within the industry should aim to support the growth and development of their leaders at every level.

Intrapreneurship - The term intrapreneurship refers to a system that allows an employee to act like an entrepreneur within a company or other organization. Intrapreneurs are self-motivated, proactive, and action-oriented people who take the initiative to pursue an innovative product or service.

Gallup's StrengthsFinder: Strengths and Leadership.

Consider further developing yourself or your team through [Gallup's CliftonStrengths Finder materials](#). CliftonStrengths is a company with a mission to develop individuals, teams, and companies through capitalizing on and recognizing strengths. The assessment uses 177 questions to better understand yourself, how you work with others, how to use your strengths, and what areas you need to work on. The assessment measures your talents, your natural patterns of thinking, feeling and behaving, and then categorizes them into the 34 CliftonStrengths themes. Understanding your strengths and your weaknesses is a quality that many leaders need. Request counseling from a Gallup's StrengthFinder Coach [here](#). You may also browse the many different resources they provide including leadership books and assessments [here](#).

Enneagram Assessment: Personality and Leadership.

Assessing personality traits has become popular amongst many companies and organizations. Understanding yourself and your teammates is important to achieve efficiency and effectiveness. The Enneagram Personality Test is an assessment that will take you through several questions and give you results at the end pertaining to a certain 'type'. This free personality test will show you which of the 9 personality types suit you best. See how you score for all 9 Enneagram types, and understand where you fit in the Enneagram personality system.

The Enneagram is an emotionally focused system of understanding people. Each of the 9 types of the Enneagram has its own driving force, which is centered around a particular emotion. Some types experience strong emotions, while other types aim to avoid emotions in one form or another. Having an understanding of your own personality type and those of your team will help everyone work better together. As a leader, understanding how you work will help you best deal with people and situations. Send out this link to your fellow colleagues and see where you fall in the Enneagram system.

Never stop learning.

Even the most qualified CEOs can still find room for growth. Continue to find avenues to help you grow in your personal and professional goals. The ability to admit your mistakes or admit your challenges can say a lot about you as a leader. Learning can come from so many places and look vastly different:

- Find professionals in your field and create connections with them. Don't be afraid to reach out to those leaders that you admire. More than likely they will be willing to talk with you. It is hard to find help and get your name out there if you never try!
- Seek out podcasts, blogs, books, or conferences that discuss leadership and growth. As for some food for thought, here are a few reads to seek growth as a leader:
 - Seven Habits of Highly Effective People - Stephen Covey
 - The Five Dysfunctions of a Team - Patrick Lencioni
 - The Energy Bus - Jon Gordon

Resource Partner:

The Iowa Association of Business and Industry (ABI) has served as the state's unified voice for business since 1903. ABI's mission is to nurture a favorable business, economic, governmental and social climate within the state of Iowa so our citizens can have the opportunity to enjoy the highest possible quality of life. For more than 35 years, the ABI Foundation has been dedicated to developing Iowa's workforce and leaders through statewide educational programs. Learn how to become involved in ABI's leadership development programs by visiting their [webpage](#).

PART 4:

SOURCE CASH-FLOW AND FUNDING

Funding

The number one way young companies are financing startups is from their own personal savings ([bootstrapping](#)). The second most common resource of funding is credit cards, and the third is from [friends and family](#). Before you dive in, think of the best options for funding your business. Make your decisions wisely and consider how these decisions will roll out for the future of the company. Is bootstrapping your business going to be the way to go for you? Or will friends and family be your go-to?

However, some young businesses are able to explore [conventional bank loans](#), that is, if you have the collateral to secure the loan. Iowa offers several small business [financial assistance programs](#) in the form of loans and forgivable loans. Eligibility for these programs may be based in part on demographic requirements, job creation, capital investment, wage standards, quality of employment offered and economic benefits for the state and local community.

According to the Kauffman foundation, less than 20% of fast-growing companies acquire [venture capital funding](#). (Venture capital funds are managed through venture capital firms primarily made up of professional investors. The funds come through many different sources including individual investors, corporations and others.) With that being said, funding gaps are increasingly being filled by [angel investors](#) and peer-to-peer investors. (Angel investors are individuals who have the ability to provide startups with a small to significant amount of capital. This capital is usually provided to startups in exchange for some equity in the business.) Unlike venture capital firms, angel investors will not often require immediate returns and understand that growing a startup into a profitable business can take a long time.

Seeking funding from individuals outside your circle of friends requires preparation. In order to make your startup as attractive as possible for an angel investor, consider the following:

- Prepare an organized and researched business plan.
- Develop a deal [sheet](#).
- Figure out your valuation.
- Create a business pitch.

Source Cash-Flow: The BCG Matrix

The [growth share matrix](#) was developed in 1968 by BCG's founder, Bruce Henderson. The growth share matrix is used by about half of all Fortune 500 companies. The growth share matrix is a portfolio management framework that helps companies decide how to prioritize their cash. It is a table, split into four quadrants, each with its own unique symbol that represents a certain degree of profitability: question marks, stars, pets (often represented by a dog), and cash cows. By assigning products, services, attributes, etc. to one of these four categories, businesses can decide where to focus their resources to generate the most value, as well as where to cut their losses. Use the matrix to easily analyze the sources of cash flow that are most beneficial to your company and what sources are impacting your company negatively.

The matrix reveals two factors that companies should consider when deciding how to create [recurring revenue](#)—company competitiveness, and market attractiveness—with relative market share and growth rate as the underlying drivers of these factors.

Each of the four quadrants represents a specific combination of relative market share, and growth:

- **Low Growth, High Share.** Companies should milk these “cash cows” for cash to reinvest.
- **High Growth, High Share.** Companies should significantly invest in these “stars” as they have high future potential.
- **High Growth, Low Share.** Companies should invest in or discard these “question marks,” depending on their chances of becoming stars.
- **Low Share, Low Growth.** Companies should liquidate, divest, or reposition these “pets.”