PLAYBOOK for Customer Discovery

This playbook is written for agricultural and irrigation entrepreneurs in Sub-Saharan Africa. Others may also use discovery interviews to learn about key stakeholders, including their needs and pain points. If you are working in the public or non-profit sector to conduct discovery interviews, you may replace the term 'customer' with 'stakeholder' throughout this guide.

This playbook pairs with these resources available at ***waterforfood.nebraska.edu/entrepreneurship:***

- Customer discovery workshop at 2021 Water for Food Global Forum
- Article titled "The what, why, and how of interviewing entrepreneurial ecosystem actors"

What is customer discovery?

Customer discovery is a process of consulting with target customers, in order to understand their problems and needs, test hypotheses about a business model, test a solution (including the value proposition and minimum viable product), and verify that a customer base exists for a business. Customer discovery was pioneered by Steve Blank, a serial entrepreneur and business professor at UC Berkley and Stanford University. He often uses the phrase "get out of the building," meaning that you can't understand people's needs if you just sit behind your desk. Rather, you need to go outside and talk to people.

Who can use customer discovery?

Customer discovery can be used by:

✓ Entrepreneurs and **startups** to understand the needs, pain points, and challenges of customers before they build a product and service, and later to verify that a proposed solution meets customer's needs and that customers are willing to pay for the product or service.

✓ Organizations who want to support entrepreneurs to understand the challenges and opportunities facing startups and how to effectively design policies and provide funding. These organizations can include research institutes/universities, government agencies, multilateral organizations, donors, and more.

What is a **startup**?
Startups are not just smaller versions of a large company. As a startup, you are *searching* for a scalable business model and product.

The #1 reason start-ups fail is that they build something no one wants. Conducting customer discovery first reduces this risk.

Version 1.0 2022-09-14 Grace Mukarusagara, Natacha Akaliza, Raissa Urujeni, Lacey Bodnar

Suggested citation: *Mukarusagara, G., Akaliza, N., Urujeni, R., Bodnar, L. (2022). Playbook for customer discovery (Version 1.0). Daugherty Water for Food Global Institute at the University of Nebraska. https://waterforfood.nebraska.edu/entrepreneurship.*

When should we use customer discovery?

Customer discovery for startups should occur during two key phases of entrepreneurship:

✓ **Phase 1** occurs at the very beginning of a startup, when the business is still just an idea with the founder(s). In this phase, an entrepreneur seeks to understand customers' problems and what they want and need in a solution. This phase also tests hypotheses about the components of the business model.

✓ **Phase 2** occurs once a proposed solution has been identified, and a **minimum viable product (MVP)** has been developed. In this phase, an entrepreneur tests the MVP to verify that customers are willing (and excited) to pay for the product. This ensures a customer base exists before investing more capital to increase production.

A **minimum viable product (MVP)** is a realistic demonstration version of a product which conveys your vision and the initial features to your first potential customers. The customers that believe in your vision will support you as you continue to develop and improve your product.

Why do we need customer discovery?

Entrepreneurs can use customer discovery to:

✓ Verify that your **business model** functions the way you think or expect.
- Are your customers who you think they are? Are their needs what you anticipated? What problems do they most want solutions for, and are they willing to pay for it? How will you deliver the product? Who are your key partners? Etc.

✓ Test your assumptions about a customer's problems, whether the value you're bringing to the customer is wanted, and if any adjustments are needed.

✓ Collect unbiased information for future use.

Nine components of a **business model**:

1. Customer segments
2. Customer relationships
3. Value propositions
4. Channels
5. Revenue streams
6. Cost structure
7. Key resources
8. Key activities
9. Key partnerships

These components can be summarized on a **Business Model Canvas (BMC)**. Download a template at strategyzer.com/canvas/business-model-canvas.

PART 2: RUNNING THE PLAY

Who should be involved in creating the ecosystem map?

At a minimum the startup founder or co-founders should conduct customer discovery. As the startup team grows, other departments–such as engineering or sales–can also participate.

STEPS TO CONDUCT CUSTOMER DISCOVERY

STEP 1: Define your interview goals and hypotheses

The first step in conducting a customer discovery interview is to define the goals. During customer discovery, you want to test your hypotheses–your predictions and possible explanations–about your customers and business. It is best to write your hypotheses in the form of a **Business Model Canvas**.

Identifying your hypotheses allows you to have a clear purpose for the customer discovery interview. The BMC guides you in identifying who you should talk to and what to ask to get the most information out of the interviews.

Questions that should be answered during Step 1:

✓ Why do you need to conduct customer discovery?
✓ What are your hypotheses about how your business works, who your customers are, and what your customers want or need?
✓ Who do you want to talk to and why?
✓ What are you hoping to get from them in terms of their opinion and perspective? How will their input help your decision making?

The Business Model Canvas

<table>
<tr>
<td rowspan="2">Key Partners
Who are our key partners and suppliers?</td>
<td>Key Activities</td>
<td rowspan="2">Value Propositions
Which problem are we helping to solve with a product or service, and how?</td>
<td>Customer Relation-ships</td>
<td rowspan="2">Customer Segments
For whom are we creating value?</td>
</tr>
<tr>
<td>Key Resources</td>
<td>Channels</td>
</tr>
<tr>
<td colspan="2">Cost Structures
What are our important costs?</td>
<td colspan="3">Revenue Streams
What value are our customer's really willing to pay for?</td>
</tr>
</table>

PRO TIP: We recommend that every 10 interviews you double-check if you are not missing any target customers. Seek to have diversity among your interviewees to avoid speaking only to people who will confirm your beliefs.

STEP 2: Research and reach out to your customers through their preferred channels

You may schedule an interview in advance or request one spontaneously. When requesting an interview in advance, you can use an email, text/WhatsApp message, or phone call. It helps to consider how your customer usually communicates and how they may prefer to be contacted.

It is helpful to have colleague or friend introduce you to a potential customer. You can draft an email for this colleague to share on your behalf, and work with them to make sure that the content of your email is likely to get you a response. If you do not know anyone connected to your customers, you can send cold emails or make cold calls (contacting a person whom you've never met before), but these have lower success rates. You should always edit and modify your message depending on your relationship with the customer and the cultural context.

Another option to talk with customers is to go to where your customers usually work or gather. If your customers are smallholder farmers, you may find them by visiting a local farmer's market and introducing yourself to the vendors. You may also call ahead to several farming cooperatives and ask if you may visit and speak with leadership and visit with farmers. Other places people may gather can include special events such as agricultural festivals and trade shows, professional meetings like conferences, online chat rooms, or social media pages. You can search online for key events and influencers in your business space and attend events for the purpose of networking.

You may consider including the following information when approaching someone for an interview (see example below):

- ✓ Who you are and why you are reaching out to them.
- ✓ What information you are seeking/what you need from them.
- ✓ How you will use their responses.
- ✓ Any common concerns, such as how their information will be handled; for example, it will not be recorded or made public.

Example message to potential customers:
Hello, my name is Grace, and I am a consultant at the Water for Food Institute. I got your number from [...], and I'm curious to know more about the work you're doing. We heard you're helping other farmers to irrigate. We would really appreciate having a small conversation with you to learn about what you do and the impact you're having on smallholder farmers. Could we schedule a 15-minute phone call?

STEP 3: Conduct the interview

There are several ways in which you may conduct an interview, including in-person, on a video call, or on the phone. When you are conducting customer discovery, it's best to interview one person at a time. Focus groups are not a good way to collect this kind of customer information. You do not want the interviewee to be distracted. Also, we recommend that two people conduct the interview, one to ask questions and another to write notes. This could be yourself and a co-founder, staff member, or friend.

At the beginning of the interview, let the customer know that it is just a friendly conversation and show sincere curiosity in their story and opinions. Avoid asking questions that prompt yes or no answers, which limit the information you will receive. Also, do not imbed the answer you are seeking into the question. It is best to ask open-ended questions. If you forget to phrase your question as open-ended, you can easily correct this by following up with questions like "Why" or "Can you tell me about that experience?" For example:

Closed-ended question		*Open-ended question*
Who are your suppliers?	→	Your supply chain is really interesting to me. Could you tell me why and how you started working with your suppliers?
Do you currently irrigate?	→	Could you tell me about what influences your decision to irrigate?
Would you rather buy an irrigation pump that is light-weight or high capacity?	→	Why did you purchase the irrigation pump that you currently own? What factors will you consider if you buy another pump?

At the end of the conversation, we recommend you ask several closing questions:

- ✓ Is there anything else I should have asked you?
- ✓ Based on our conversation, can you recommend someone else that I should talk to? If yes, would you be willing to connect me to this person?
- ✓ Does your interview partner/notetaker have any questions they would like to ask?

Remember, customer discovery is NOT a sales pitch. You are not trying to convince or persuade your customer to buy your product or solution at this time. Rather, you are gathering information and listening to their needs, preferences, and priorities. Let the customer be the center of these conversations, not yourself or your business.

PRO TIP: When you ask a question, wait until the interviewee answers. Listen and don't rush to fill the "space" when the interviewee pauses, because they might be thinking or have more to say.

STEP 4: Summarize your interview

Shortly after each interview, sit down with your partner to talk about what went well and what didn't and how to improve moving forward. Each person should summarize what they heard and what they thought was most important. This helps you to combine the key insights and themes from the various aspects of the conversation and identify any follow-up or clarifying questions needed.

We strongly recommend that the note-taker write a summary of the interview within 24 hours. It is best to write up the interview notes within a day, when the discussion is still fresh, and you remember the details. We suggest that the notetaker type the summary first and then send it to the interviewer for review. Also, it is a good idea to save your notes in an easily accessible and organized way, so that you and other team members can continue to learn from the interview in the future.

It is helpful to keep a list or a spreadsheet with the names and contact information of everyone you have talked to, so you can reach out to them again if needed. You can also add columns as desired for the dates of initial contact, interview, and follow-up, as well as a short summary of the interview.

STEP 5: Thank and follow-up with your customer

Especially if you have scheduled an interview in advance or collected the customer's contact information, remember to follow up promptly after you have interviewed them. This should include a thank you message, any clarifying questions (if needed), and any information or next steps promised during the interview.

STEP 6: Update your hypotheses as needed

Developing a business model (Phase 1) and a minimum viable product (Phase 2) is an iterative process, meaning you should continually incorporate new information and feedback to improve your strategy and design. As you iterate, you may discover new hypotheses and questions to test, which will lead you to conduct more interviews.

Customer discovery does not have a definitive end point. Most likely, you will pause or stop your customer discovery interviews at the completion of each phase for which you use customer discovery. This means:

1. When you are confident you have an accurate and complete business model canvas and that you understand your customer's problems and needs, and
2. When you have a scalable solution or product to launch.

ADVICE FROM DAUGHERTY WATER FOR FOOD GLOBAL INSTITUTE TEAM MEMBERS

Ask your customer for their preferred venue or language. In our case, we started off using English but quickly realized that people were more comfortable using the local language, so we switched.
-Natacha Akaliza

If people don't agree with you, politeness may make them think they cannot give you an honest answer. Disarm politeness by letting people know you just want to talk and that you care about their opinion.
-Ferdinand Turatsinze

It may take you 10 interviews or even more to getting comfortable with asking questions and understanding where you need to follow-up. Don't get discouraged and keep trying!
-Raïssa Urujeni

Every interview will look different, so you should adjust to each situation. Actively listen and pay attention to non-verbal cues. Start with a list of prepared questions but ask questions spontaneously based on where the conversation takes you.
-Polly Musayidizi