

Chapter 2: Defining the Target Customer

Multiple Choice Questions (answer is denoted by an asterisk)

1. Identifying the unmet needs of customers in a target market allows you to:
 - a. Determine competitive solutions
 - b. Determine if a market opportunity exists*
 - c. Make a distribution decision
 - d. Compile accurate financial information

2. What is the last step to bridge the industry sector to target market?
 - a. To understand what a customer does and how they use your product*
 - b. To understand the environment in which customers use your product
 - c. To understand the influences impacting your industry
 - d. To understand the competitive arena

3. What is white space?
 - a. A place where funding is available
 - b. The concept of growing into new customers
 - c. Space on a visual map that reveals a new market opportunity*
 - d. The initial concept of your venture

4. For the chocolate example in the book, examples of new market opportunities for the company included:
 - a. Selling custom printed M&Ms for different types of occasions
 - b. Great tasting energy bars
 - c. Healthy, nutritionally tuned snacks for the elderly
 - d. All of the above*

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5. What characterizes an emerging niche market?
 - a. No customers are willing to try new products
 - b. There are no customers in this niche
 - c. There is no current niche
 - d. No companies are addressing the needs of customers *

6. Why is it important to identify segments with innovative customers?
 - a. So R&D becomes more expensive
 - b. So you can save money on distribution
 - c. So different distribution opportunities become available
 - d. Because innovative customers are more likely to try new products*

7. What is an end-user?
 - a. The person who buys your product
 - b. The person who uses the product*
 - c. The person who sells the product
 - d. The person who offers product support

8. In the farming of the future example in the book, who has become the most interesting "persona" as top priority target customer?
 - a. The Steady Eddy Farmer, who has worked his farm for thirty plus years
 - b. The Up and Comer Farmer, who tends to be younger and a heavy user of technology
 - c. The Sun Downer, who is a part time farmer
 - d. The Livestock Farmer, whose main focus is raising cattle

9. A customer who is stuck on a problem and desperate for help is likely to?
 - a. Look for a cheap solution to their problem
 - b. Be open to a new solution and pay a high price*
 - c. Wait for a solution to come along
 - d. Avoid seeking out a new solution

10. An addressable market _____.

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- a. is the size of the industry
 - b. are the companies competing in an industry
 - c. are customers in a market
 - d. is the size, value, and spending of customers within a specific industry*
11. What is a characteristic of a market segment?
- a. Customers have different needs
 - b. Customers live in different areas
 - c. Customers have similar core needs*
 - d. Customers look for different alternatives
12. What are useful segmentation variables for a B2C customer and a B2B customer?
- a. Age and gender
 - b. Gender and size of business*
 - c. Income and education
 - d. Lifestyle and family size
13. Successful startups typically
- a. try to be all things to all people.
 - b. use mass marketing.
 - c. target a specific industry segment or niche.*
 - d. try to invest the least in acquiring customers.
14. Successful entrepreneurs tend to
- a. take complicated approaches to market segmentation.
 - b. avoid the segmentation issue.
 - c. keep segmentation simple and powerful.*
 - d. target all segments.
15. What are customer attitudes?

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- a. Specific desires and frustrations
 - b. Cognitive values or belief systems of end-users and buyers*
 - c. Physical activities surrounding the use case
 - d. Demographic variables
16. What are customer behaviors?
- a. Demographic variables
 - b. Specific desires and frustrations
 - c. Cognitive values or belief systems
 - d. Physical activities surrounding the use case*
17. What is a key characteristic of a customer segment of a market?
- a. Customers within that segment have different core needs
 - b. Customers within that segment are homogeneous*
 - c. Customers are considered a mass market
 - d. Customers within the segment behave differently
18. Innovative customers
- a. are cautious about adopting new products, services, or experiences.
 - b. drag out the buying decision process.
 - c. are less cautious about adopting new products, services, or experiences.*
 - d. are the same as laggards.
19. In general, successful entrepreneurs
- a. always start capital intensive businesses.
 - b. create a powerful brand backed by an equally powerful product or service that dramatically improves the customer experience.*
 - c. typically try to offer new solutions that are 20 percent better than existing solutions.
 - d. do not care about what competitors do in the marketplace.
20. In a business to business venture entrepreneurs typically can segment customers by
- a. i & ii*

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- b. i & iii
 - c. ii & iii
 - d. i, ii & iii
 - i. Industry segments or niches
 - ii. Size of Company
 - iii. Knowing managers in target customer companies
21. What is not considered a vertical market?
- a. Banking
 - b. Manufacturing
 - c. Running *
 - d. Financial Services
22. Customer segmentation should be: Meaningful, Measureable, and _____
- a. Adjustable
 - b. Actionable*
 - c. Important
 - d. None of the above
23. What would not be a good axes for a customer segmentation grid?
- a. Age Groups
 - b. Genders
 - c. Predicted Industry Growth*
 - d. Income
24. Customers who are willing to give their time to help design & test a solution are often called:
- a. Testers
 - b. Fools
 - c. Lead Users*
 - d. Developers
25. The combination of the target industry segment/niche, the target customer with that industry area, and the amount of revenue that can be generated is called the:

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- a. Target Market
- b. Profit Market
- c. User Market
- d. Addressable Market*

Essay Questions:

1. Why is customer segmentation so very important in crafting the strategy for a new venture? How does that segmentation provide a focus for different activities within the business? Give an example, say for a travel company.
2. Why is it important to try to find innovative customers to start a company – particularly for a B2B venture? What are the different ways that such customers can help an entrepreneur? If you are having trouble thinking of an example, you can take use the case of a software company trying in some way to help doctors improve the care of their patients when they are not in the hospital.
3. Give an example of a simple customer segmentation for a B2C product – such as sneakers; and then, give another example for a B2B service, such as tax accounting/auditing for different businesses. Sketch a customer segmentation framework for each example.