

URL: <https://stvp.stanford.edu/blog/videos/know-your-customer>

Verma talks about how the biggest mistake when identifying a market segment is not identifying the customer with the purchasing power. Your original market can be narrow, and will eventually grow, he says, but only if the correct customers are targeted. Find out who is making the final decisions about a purchase.



Transcript

First and foremost, talk to all the women that buy stuff because I think in our case we made a fundamental decision in not talking to mothers.. Now, extrapolate that, find your customer segment and make sure you know who your real customer is.. Because, in this case, we made a doozy of a mistake which could have been devastating where we basically said, "Ah, tracking children is the market application" but the person with the power, the mother, we did not talk to.. The guy who was all excited about the technology we talked to, he didn't have the power.. That's what I mean by you need to find your customer, find out who's making the purchasing decision.. Is it the operations group? Is it the IT group? IT group has a totally different goal than the operations group.. And so you just need to find out who is your real customer and really drill down.. The other thing I'm a big believer, again, I have strong opinions about some of these business philosophies that I espouse today.. Don't try to focus on size of market and all of the other stuff.. You just need to do that at some peripheral level..

What you really need to do is find a customer with a very clear problem.. Make sure you can solve and make sure that there are at least two or three of them.. And by the time you get to two or three of them you'll figure out other customers.. But if you get caught up in this macroscopic trend of "I don't think it's a billion dollar market so I really shouldn't go after it!", you won't start anything.. I don't think there are billion dollar markets that just start like that! To find a narrow segment, expand it, expand it, expand it but you got to make sure you know who's making the purchasing decisions.. I mean, it really is the golden rule "He who has the gold makes the rules." In this case, you find the customer with the gold make sure you follow their rules and then you will be successful..