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*
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 ______________.
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?
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 of 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*
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:
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.