

# FOUR STEPS CLOSER TO YOUR CUSTOMER

BY LÆRKE MENSEL



A guide for entrepreneurs to understand their customers by using qualitative methods



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# Why and how to understand your customers' problems and needs

## Intro

*"A startup begins with a vision: a vision of a new product or service, a vision of how the product will reach its customers, and a vision of why lots of people will buy that product. But most of what a startup's founders initially believe about their market and potential customers are just educated guesses" (Steve Blank 2006).*

When starting up a business you want to know that the problem you are trying to solve, is truly a problem and to whom. It is therefore essential to get to know your customers' problems and needs to make sure that you are building the right thing - thus building a product that fits the customers' needs and that customers want to buy.

The very first step is therefore to "get out of the building" and talk to customers. Now you might be thinking "but I already know what the problem is, and I already have the best solution to it". However, it is easy to kid yourself about what you think your customers want while at the same time, you cannot go and ask your customers what they want, because often that does not seem to be true either. Therefore, you must get out of the building and get to know your customers.

But how do you do that, getting to know your customers? By using qualitative methods!

This paper will try to help you to gain knowledge and skills in conducting qualitative data by taking you through some of the important steps when preparing and executing qualitative methods. Qualitative methods can help you better understand your customers, thus making sure you use your time and money on building the right thing.

Who is your customer?

Within the health care sector, it can be challenging and complex to identify who your customer is. Is it the patient, the nurse, or the doctor who *uses* the product? Or the purchasing department, financial board, or other decision-makers who will *buy* the product? You can use customer mapping to identify relevant customer segments for your product or service.

# Assumptions

Work actively with your assumptions!

Assumptions, pre-understandings, prejudices - it goes by many names, affect how we design our research, the questions we ask, and whom we ask. Therefore, we must be aware of how our assumptions are affecting our research in order not to restrict ourselves from new understandings. If you truly want to understand your customers' problems and needs, it requires that you go out and talk to them, while being open, curious, and willing to accommodate findings that might oppose your assumptions.

More entrepreneurs have difficulties with widening their horizons as they are blinded by the “coolness” of their solution or product, thus risking overlooking underlying problems and how the customers might use the product in their world. But that is not you - right? ;-)

*“You should care as much about your users' problem as you care about your solution to it”*  
(Dean Gray, mentor at NOME, 2021).

Just to be clear, assumptions are not bad, they are our foundation for understanding, but we should be aware of them and work actively with them. One way to work with your assumptions is to write them down and make them explicit to yourself. As you gather new information, you might obtain new understandings and thereby new assumptions - write them down too. By doing so, it becomes more explicit how your assumptions are affecting your research. Another way to challenge your assumptions can be by continuously discussing them with others, it can be with co-workers, team members, board of directors, study mates, etc., to challenge yourself to be open to other perspectives or interpretations.

# Qualitative methods

To discover and understand your customers' problems and needs are essential for the success of a startup. Qualitative research strives for insights into e.g., humans' subjective positions, motives, opinions, experiences, comprehension, and judgment. These insights can be used to understand and describe human experiences in the context they are lived through. Therefore, methods like interviews and observation can bring some clarity to the question of *how* to get to know your customers. Interview and observation are two methods that have different strengths and therefore complement each other very well. There is no correct order when combining the methods.

## Semi-structured interview

Why is it convenient to use interviews?

Interviews can be used to explore everything we can't see when looking on the "outside" and is therefore useful to get access to the customers' lifeworld or "inside".

Semi-structured interviews are great because they give you some structure on what questions to ask so that you know that you are covering the topics you assume to be important, and at the same time it leaves room to follow up on topics that the interviewees bring into the conversation.

Doing interviews is a craft and it takes lots of practice!

## Step-by-step guide - interviews

### Step 1) What do you want to know?

1. Formulate it as a question to which you want to bring answers.
2. This question will be leading your research = research question.

### Step 2) Who is relevant to talk to?

1. Reflect upon who might be using the product versus who would be deciding to buy it.

### **Step 3) Making the interview guide**

1. Make an interview guide that can help you answer your research question.
2. Start by brainstorming questions.
3. Go through the questions from your brainstorm - does answering each question bring answers to your research question which you formulated in step 1.2? If not, delete the question.
4. When you are only left with questions that bring answers to your research question, make sure that the questions are open-ended questions which means that they are typically starting with
  - Who?
  - What?
  - Why?
  - When?
  - Where?
  - How?

Avoid asking questions that can be answered with yes/no and questions where you provide options (like multiple-choice) because you risk putting answers in your interviewee's mouth.

5. Structure your questions
  - Go through your questions, are they coming in an order that makes sense? If possible, try to somehow sort your questions into categories of different subjects.
  - It is always a good thing to start your interview with questions that are easy or natural for the interviewee to answer, this will get them warmed up. It can be questions like "how old are you?", "can you describe a typical day in your life?", "what was your motivation for participating?", "what do you do for a living?". Thus, remember that these questions still need to be somewhat relevant for your research.
6. Length of the interview
  - A semi-structured interview approximately lasts 30-45 min. However, what is most important is that you beforehand inform and agree with the interviewee on the length of the interview.

*“In the early Customer Discovery phase, it is crucial to understand the customer’s life, habits, problems, and pains – do not talk about your solution. Avoid talking about future desires, thus what the customers want. Keep it centered around the customers past and present, meaning facts rather than desires” (Peter Løvschall, business developer SUND Hub, 2022).*

#### **Step 4) Recruiting informants**

1. When recruiting informants be aware that this process can affect the results of your research.
  - Where are your informants recruited? E.g., Through Facebook - ask yourself what are the characteristics of people using Facebook? When recruited from Facebook it might tell you something about their ability to use technology.
  - Who is your target group? And are you sure that this is the most relevant group to learn from?
  - Other things to consider are the distribution of gender, age, novice/experts, where they live, etc.
  - Try not to recruit people you know beforehand as the risk of being biased is high.

#### **Step 5) Planning the interviews**

1. If possible, record the interview. Remember to ask the participant for permission to record beforehand. The advantage of recording interviews is that you can hear them repeatedly which minimizes the risk of your interpretations influencing the data.
2. If you are not able or allowed to record the interview, find someone who can take notes so that you can be fully attentive during the interview.
3. In general, it can be a great idea to bring someone with you to the interview or have someone listening to the recorded interview afterward because then you will be able to discuss and challenge your interpretation with someone else as we often interpret things differently.

## Step 6) Conducting interviews

### 1. Starting the interview

- Make small talk - It is always a great way to connect with the interviewee and to make him/her relax before starting the interview.
- Make a short introduction of yourself and the purpose of the interview.
- Make sure that the interviewee knows his/her rights.
- Repeat how long the interview will last - if you want to keep an eye on the timer, let the interviewee know that if you look at the clock it is to make sure that you keep the time frame and not because you are bored.
- If you have structured your interview guide into different topics you can also briefly mention the topics you will ask about during the interview.

### 2. Remember, that you are a tool in the interview. What you say, the questions you ask, and how you act is influencing the data you are gathering. Therefore, there are some things that you should be aware of when conducting an interview:

- Settings - find a place where you will not be interrupted.
- Active listening - this is all about showing respect and acceptance for the interviewee's perception of reality. This can be done by making nonverbal and verbal statements e.g., holding eye contact, nodding, making small sounds like “mmh”, “yeah”. Further, do your best not to leave any doors open by following up on what the interviewee is telling you. If the interviewee shares a lot of themselves and is then met with an “okay” and you move on to the next question addressing a completely different topic, it might harm the interviewee's will to share information.

You are **not** listening when:

- You get distracted by preparing yourself to ask the next question in your guide.
- You are distracted by other people around.
- You identify yourself too much with the interviewee.
- You make your own interpretations.
- You forget to listen when something is not confirming your assumptions.

*"You have two ears and one mouth because you are supposed to listen double as much as you talk" (Epictetus, Greek philosopher)*

- During the interview, you can make small sum-ups on what you have understood the interviewee has told you to make sure that you have understood it correctly and that the interviewee feels correctly understood. You can use the sentence "So what I am hearing you say is ..... is that correctly understood?" Then the interviewee is allowed to correct you.

## **Step 7) Data processing**

1. The easiest way to handle data is to transcribe the interviews - this is very time-consuming but can be of great value when analyzing your data.
2. There are so many ways of coding and analyzing data and not enough pages in this folder to introduce them all. However, the most important is that your analysis is not based on verifying your assumptions but that you are open to what the data reveals to you. Remember, you want to know your customers' real problems and needs - not to confirm your guesses.

The following steps can be a help to the process:

- A)** Read through or listen to the whole interview to make yourself an overall impression.
- B)** Read/listen carefully through the data and identify units of meaning - highlight these.
- C)** After highlighting units of meaning, write down what you understand from this unit of meaning and give it a topic.
- D)** Gather the insights from all interviews under common topics.
- E)** Remember to keep in mind your research question, this should guide you on which insights are relevant.

Unit of meaning	Explanation/interpretation about what is being said	Topic
Quotation (what is being said)	Write with your own words	Derivation of central topics



## **Step 8)        Making use of your data**

1. The knowledge you have gathered about your customers is not only valuable to understand your customers and develop the right thing but is also used to strengthen your pitch and storytelling. You can use quotes or statements from your interviews to show that the problem you are solving is truly a problem worth solving. Further, your data will give rise to new questions and assumptions which can be relevant to examine.

# Observation

Why is it convenient to use observations?

Using observations can both reveal users' true behavior and preferences and give you valuable insights and knowledge that can help you ask the right questions. It is suitable to examine actions, interactions, and surroundings. It will help you get insights into what people do and how they do it because often, it is the case that people say something they think they do, but which might turn out not to be true.

## Test yourself

Try to describe how you take off a cardigan but without doing it. Afterward, take off your cardigan to see how you do it. There are many things that we do not think about how we do, and therefore can be hard to explain.

This section takes you through some relevant steps that you should be aware of when doing observations.

## Step-by-step guide - observation

### Step 1) What is the purpose of your observation?

1. This is an important question to make the most useful study.
2. Write down the purpose.

### Step 2) Planning your observation

1. Setting
  - When will you be doing your observation?
  - Where will you be doing your observation?
  - Who will you be observing?
  - What tools will you use for writing notes?
  - Is it possible to record what is being observed? This can be very helpful when doing user tests.
  - Make sure that your role at the observations is clear to the participants.

2. What form will your observation take?

- Structured/unstructured? Are you completely open to the field and what it presents, or have you already made yourself some focus points for what you will be looking for? Ask yourself what the strengths and weaknesses of the two approaches are in your case.
- Qualitative/quantitative? This depends on the purpose of your observations.
- Open/hidden? Do people know that you are doing an observation or are you blending in with the surroundings? Be aware of the ethics of your choice.

**Step 3) Taking notes**

1. When taking notes during an observation it is important to write down what you see without starting to interpret and analyze. This means that you will simply write down exactly what is happening as it is happening and then you save your analytical thoughts for later. Instead of writing “he is happy” make descriptions of what he did to make you think he was happy e.g., “he is smiling”.
2. If it is not possible to take notes during your observation, write down notes as soon as possible after your observation. While writing down, remember to distinguish between the action that happened and your interpretations of the action.

**Step 4) Level of participating**

1. The role of the observer can be on different levels from nonparticipation to complete participation during observations (James P. Spradley - Participant Observations). When doing passive participation, you are watching from the sideline whereas an active participant is an active actor in the situation while at the same time studying the practice.
  - In some fields, you will be restricted in your active participation e.g., observing a surgeon doing heart surgery.
2. Be aware - the more you know about a situation as an ordinary participant, the more difficult it is to study it, whereas the less familiar you are with a social situation, the more you can see the tacit cultural rules at work.

DEGREE OF INVOLVEMENT	TYPE OF PARTICIPATION
High	Complete
	Active
	Moderate
	Passive
Low	
(No involvement)	Nonparticipation

### Step 5) Data processing

1. The same steps from analyzing the data from your interviews can be used to analyze your observations.

**A)** Read through your fieldnotes to make yourself an overall impression of the observations made.

**B)** Read carefully through the data and identify units of meaning - highlight these.

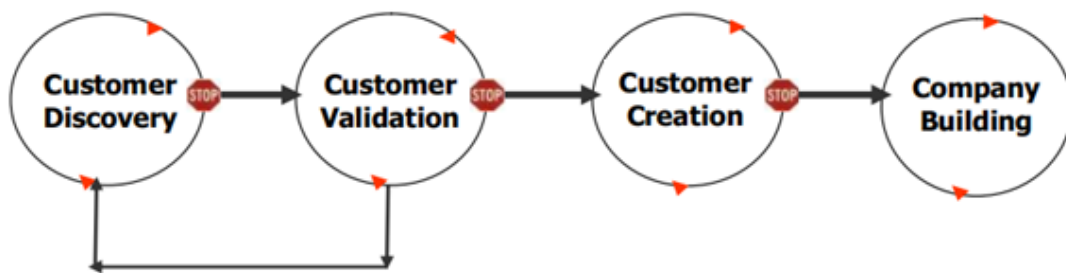
**C)** After highlighting units of meaning, write down what you understand from this unit of meaning and give it a topic.

**D)** Gather the insights under common topics.

★ You can implement the observations under the common topics from your interviews, or the other way around, depending on the association between the investigations.

**E)** Again, the most important thing is to stay true to what you have observed. Do not let your assumptions or interpretations be a filter for what you can see.

# The Customer Development Model



*The Customer Development Model by Steve Blank (Blank 2005).*

*“Many startups lack a process or methodology for discovering their market, locating their first customers, validating their assumptions, and growing their business”* (Blank 2005). Therefore, Steve Blank formulated the Customer Development model, which, if you follow it thoroughly, will increase your startup’s chances of success. The Customer Development Model is split into four stages which are all entailing customer-related activities that a startup needs to unfold.

The steps in the Customer Development model make it a great tool to illuminate how both quantitative and qualitative data should be used to develop sustainable businesses.

- ❖ Using **qualitative methods** during **Customer Discovery** will help you to clarify and understand a problem that a customer wants to be solved and if your product will meet the customer’s needs.
- ❖ Using **quantitative methods** during **Customer Validation** you will be able to measure and confirm if you have customers and if they are willing to pay for your product.

That a customer downloads your app or clicks on a link to buy your product can both be indicators that your customers are interested in your product. However, only talking to your customers will make you understand the problems your product is solving and the needs it accommodates.

To increase the success of your startup and build products that are based on your customers’ actual problems and needs, and not your guesses, it is essential to use qualitative methods!

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