NCIDEA™
FOUNDATION
Advancing Entrepreneurship

CUSTOMER DISCOVERY GUIDE

2024

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INTRODUCTION

One of the criteria that NC IDEA uses to evaluate [MICRO](#) and [SEED](#) applications is customer discovery. To some, this is a new concept, but most others have an idea of what this entails. However, few founders have done customer discovery at a depth that will increase the odds of the success of their startup.

We want to give you the tools to do this better. Indeed, it should help you write a better NC IDEA grant application, but more importantly, it will give your company a better chance of success by more crisply articulating your user/buyer and the problem(s) they experience.

If you have questions along the way, or want to get some specific feedback or advice, email us at customerdiscovery@ncidea.org.

01 INCREASING YOUR CHANCES OF SUCCESS

We'll start with some of the reasons why startups fail and how founders can improve their odds by doing more effective customer discovery.
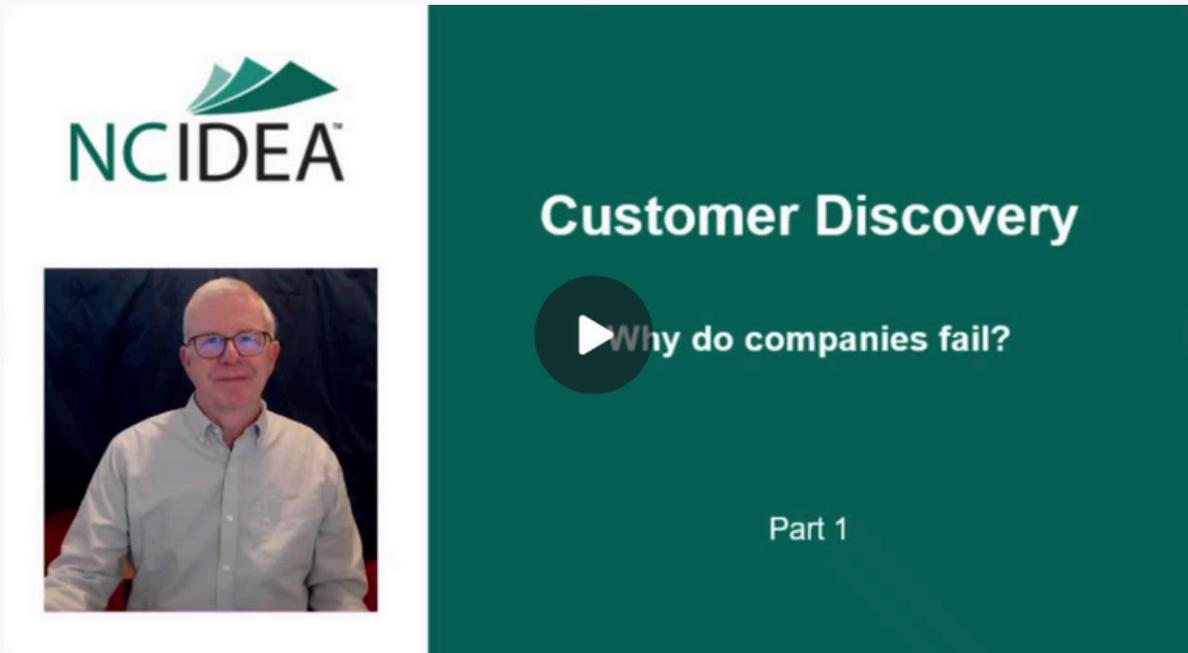

This light-hearted example of how those flaws can create a bad customer interview and how you can do a better interview. It's called "The Mom Test"

If you'd like to dive into more detail on a couple of those Four Fatal Founder Flaws, check out these short videos:

- To see a great example of incomplete observations, check out "The Monkey Business Illusion"
- And more on Confirmation Bias

02 SERIOUS CUSTOMER DISCOVERY

Now that you've seen some of the issues and problems for founders who have done a superficial job of customer discovery, let's look at how you can do it better.
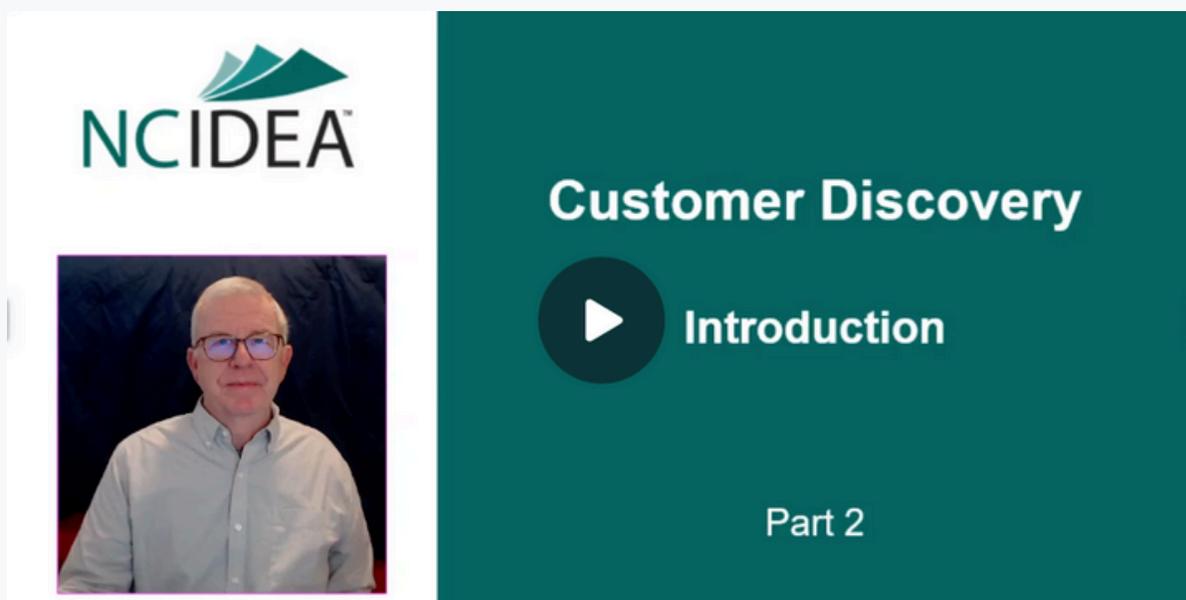
— **Quality more important than quantity**

The key is to do HIGH QUALITY interviews

— **At least 15 Interviews**

or until you start getting consistent messages

03 USING UNBIASED INSIGHTS

The most important concept that we want to convey is how to do effective customer interviews.

While it's not required, we recommend using the Unbiased Insights app to plan, execute, and get independent evaluation of your interviews and customer discovery. The app can be accessed on a mobile device, or as a web page on your PC's browser.
**If you don't use the app, you can still follow the steps.

If you are the founder of a North Carolina startup who will be applying (now or in the future) for a MICRO or SEED grant, we may offer you a free license to use Unbiased. To request a license, fill out this form.

If you are not eligible, you can go directly to unbiasedinsights.co and purchase a license.

There are three steps to customer discovery - Ugh Discovery, Demand Discovery, and Aha Discovery.

The NC IDEA videos in this guide will give you an overview of how to use the Unbiased App. There are more detailed user guide videos available within the app itself and the Unbiased Youtube playlist.

04 UGH DISCOVERY

Until you are actually selling a product, everything you think about your users, buyers, and the problems they're experiencing are hypotheses. This process will allow you to prove these hypotheses.

1. The first step is to concisely write your product concept. It's more straightforward and less polished than an elevator pitch, and it can certainly be used as the basis for your elevator pitch.
2. The next step is to clearly articulate who is going to buy your product – the persona.
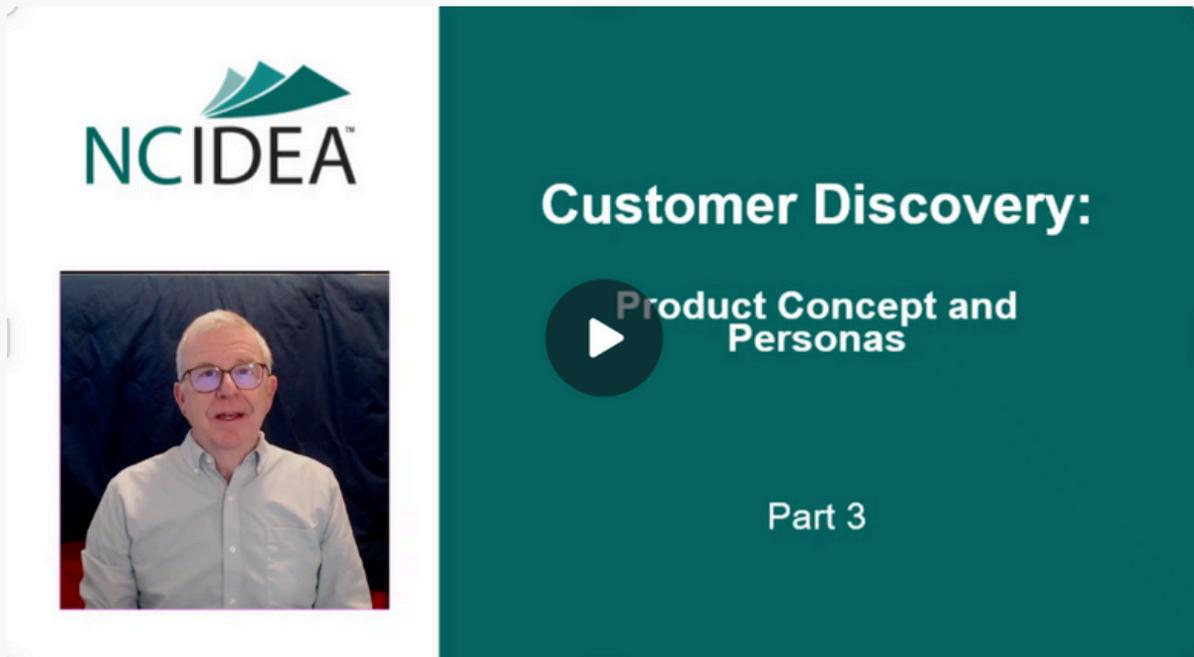
CUSTOMER INTERVIEW DETAILS

The next step, creating your first hypothesis of their Ugh Journey, is a little more involved. It is crucial to understand in detail how your customer experiences the problem. This is absolutely necessary before you begin customer interviews.
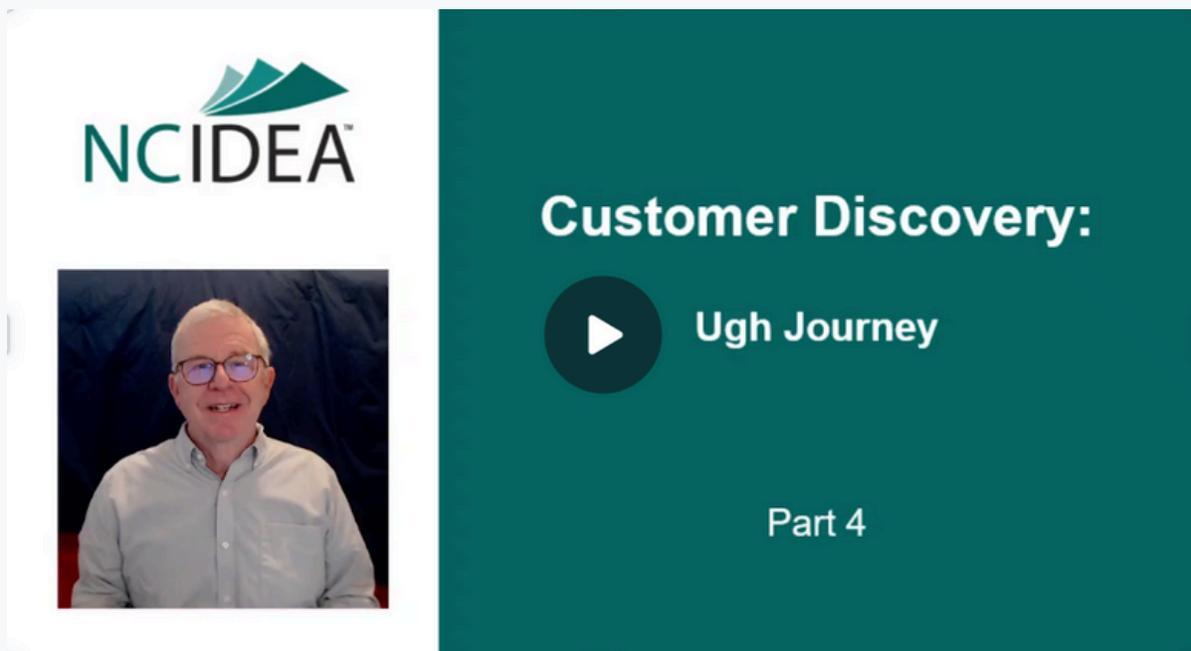
Whether or not you are using the Unbiased app, the key to effective customer discovery is doing great customer interviews. They don't have to be long - you can do this in less than 10 or 15 minutes - but you must dig into the details and gain real understanding. This next video will give you a guide for how to structure your interview.


With that introduction, you can create an interview guide in Unbiased. This is not meant to be a script, which might result in a stilted and awkward conversation. Rather, it is meant to ensure that you don't miss the key questions that you need to ask. As you become more practiced with your interview techniques, it will be easier for you to dive into details that you may find. You can watch the videos within the Unbaised app to see specifically how to create the guide.

It is critical that you record your interview. You want to use direct quotes from your customer to validate your hypothesis - you don't want to interpret what they said. We recommend an app such as <u>otter.ai</u> that automatically transcribes the recording for you. (there are other apps available as well)

To give you an idea of how an interview might work, here are two examples, inspired by a company that was in our <u>NC IDEA LABS</u> program several years ago.
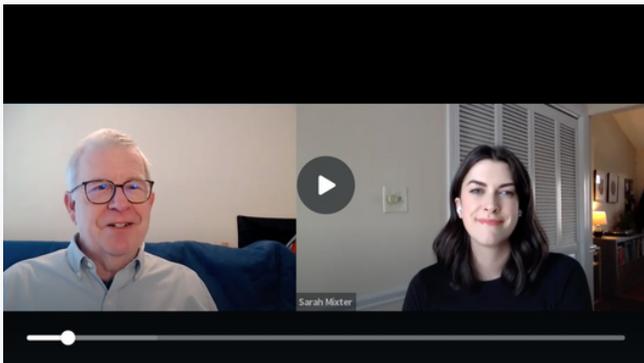
MOCK INTERVIEW - PRODUCT USER
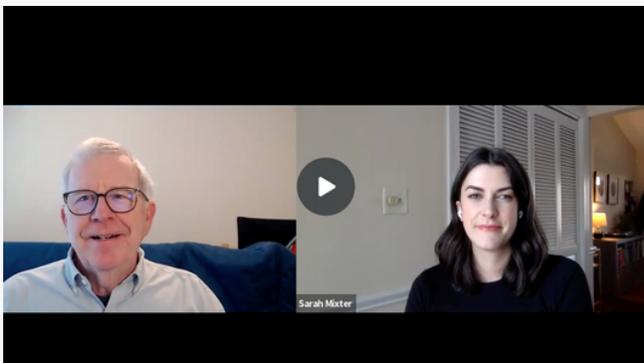
MOCK INTERVIEW - PRODUCT BUYER

Steve Blank, who is one of the people who created the customer discovery process, has created several videos that illustrate how to do great interviews. All of these are pretty short, and each will give you tips on conducting great interviews.

01 — **Understand the Problem**

02 — **Pre-planning your interview Pt.1**

03 — **Pre-planning your interview Pt.2**

04 — **Pre-planning your interview Pt.3**

05 — **Interview gaffes: Assuming you know**

06 — **Interview example: Discovering a different business model**

07 — **Interview gaffes: Empathy**

08— **Customers Lie!**

Now also might be a good time to go back and look at "The Mom Test" video if you didn't earlier.

INTERVIEW EVALUATION

Remember those fatal founder flaws that were mentioned at the beginning? Keep those in mind as you evaluate your interview.

Now is the time to read the transcript of your interview, extract the customer quotes that support or contradict your hypotheses, and make an overall determination if that interview proves or disproves the concept, personas, and ugh journey. Or perhaps the result is ambiguous. Hopefully, as you do more interviews, you will become better at getting to an unambiguous result. A good rule of thumb is this: If you brought that quote into a courtroom, would a judge agree that it is definitive, unambiguous, courtroom-worthy evidence of validation.

See the videos within the [Unbiased app](#) on how to capture the evaluation within the app.

The best way to determine if you have fallen victim to those fatal flaws is to have someone such as a mentor or an advisor do an independent evaluation of your interview.

UGH DISCOVERY WRAP UP

Now it's up to you - practice a few interviews on friends and family. Tell them they need to be dead honest with you and not worry about hurting your feelings - you need honest feedback!

Then get out of the building and start talking to your potential customers. You'll get better as you do more of these.

If you'd like to get some feedback on your concept, personas, ugh journey, interview guide, or an evaluation of your interviews, send us an email at customerdiscovery@ncidea.org

05 DEMAND DISCOVERY

So now you've identified the customer problem at a detailed level, and you've collected quotes that articulate exactly how the customer (not you!) experiences the problem.

The next question is can you find 100 people who find that problem painful enough that they are willing to respond to a call to action. This is particularly important for CPG products - as we stated earlier, the existence of similar products indicate there is interest, but can you generate interest in YOUR product?
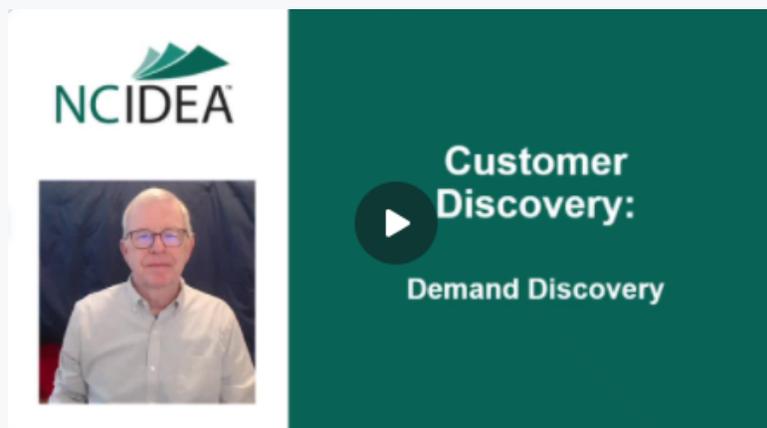
NC IDEA Customer Discovery

06 AHA DISCOVERY

So now you've collected contact information for 100 prospective customers, it's time to test your proposed solution on them.
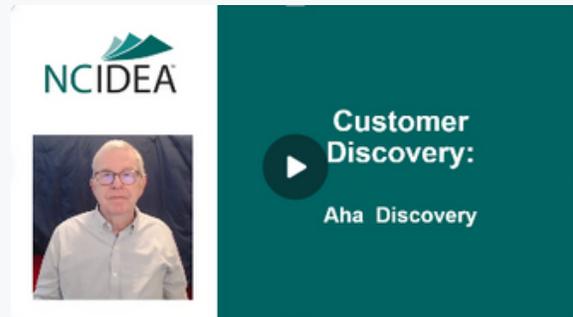

07 WRAP UP

We often get asked "How many interviews do I need to do?" First, quality interviews are more important than quantity. Second, it's probably more than 20. Generally, if you haven't detected a pattern or a trend, or keep hearing different things, you probably need to keep interviewing. But you might hit on something early and after 5 or 10 quality interviews you are hearing the exact same thing.

We're excited that you want to learn more about customer discovery. We have been making grants to startups for more than 15 years, and the biggest indicator of success has been founders taking the time to understand at a deep level the customer's problem.

If you are interested in getting feedback or would like to meet with one of our staff to answer questions about your approach, please email us at customerdiscovery@ncidea.org.
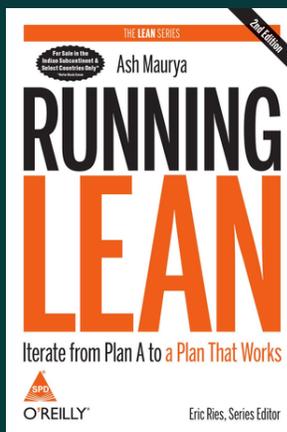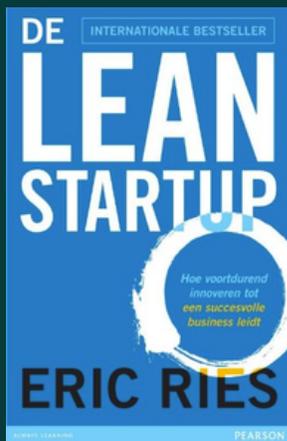
Good Luck!

08 ADDITIONAL RESOURCES
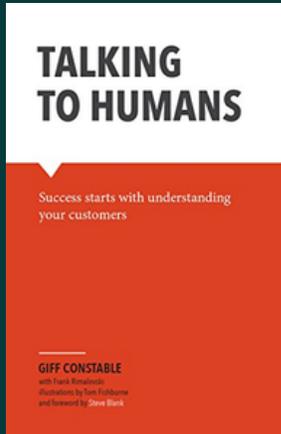
TALKING TO HUMANS

by Giff Constable and the

accompanying assumptions worksheet

RUNNING LEAN

by Ash Maurya

LEAN STARTUP

by Eric Reiss