

BACK TO BUSINESS IOWA PODCAST

A partnership of Iowa State University Extension and Outreach and America's SBDC Iowa

SEASON 1 | EPISODE 4: Evaluating Customer Segments

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Description: *In this episode, Victor Oyervides of ISU Extension and Outreach and Brett Middendorf of America's SBDC Iowa discuss evaluating your customer segments and considering different business models that increase revenue and profitability.*

Transcript:

[music]

Steve Adams, host 00:04

Hello, and welcome to the COVID-19 business development response podcast from Iowa State University Extension and Outreach. This podcast is a collaboration between Iowa State University Extension and Outreach programs, including Community and Economic Development, Farm, Food and Enterprise Development, and the Iowa Small Business Development Centers. These podcasts cover relevant topics for businesses and individuals related to education, research and technical assistance during and post COVID-19.

Steve Adams, host 00:43

I'm Steve Adams, field specialist three at Iowa State University Extension and Outreach, Community and Economic Development and I will be your host for these podcasts. Today our guests are Victor Oyervides, field specialist two, and a returning guest, Brett Middendorf, from the SBDC Ames state office. Hey, I want to say thanks for both of you being here today.

Steve Adams, host 01:10

Okay, in this podcast, we're going to be discussing the Business Model Canvas technique, and specifically for those businesses who must change or, during these times of COVID-19, pivot from their traditional customer models. So Victor, I see that you work collaboratively with the Community and Economic Development and Farm, Food and Enterprise Development, specifically in the area of business development. So could you tell us just a little bit about what your work consists of?

Victor Oyervides 01:44

Yes, training and education-wise, our team is certified by Strategizer on the Business Model Canvas and the Value Proposition Canvas. And we work with small business and entrepreneurs statewide, on building their business models and other areas that I will talk about right now. But in training and education at the moment, we're working with small businesses to help them pivot and rethink and reset their business model in this time of disruption, of COVID-19.

Victor Oyervides 02:17

We are working also on having online trainings of Business Model Canvas and the Value Proposition Canvas and the Business Plan Accelerator and SmartStart, just to start off. And we will be working on other areas, other trainings in the near future too, and technical assistance through this collaboration that you mentioned, through CED and FFED. We're serving Iowans with the full business development continuum, which among the tools that we use include the Business Model Canvas, LivePlan and LaunchU.



Victor Oyervides 02:55

And we assist businesses through business coaching, market feasibility studies, financial projections reviews, business feasibility studies, organization facilitation, strategic planning, and financial benchmarking. And we also work with businesses from pre-launch, to launching, to growth, expansion, and eventually to succession or exit plans.

Steve Adams, host 03:22

Wow, that sounds like quite a collection of resources. It sounds like more being added all the time. Is that correct?

Victor Oyervides 03:29

Yes, we are adding more and we are pivoting our own organization, our collaboration in order to serve here pre- and post-COVID 19.

Steve Adams, host 03:39

It certainly has forced all of us to rethink that. So with your familiarity with Business Model Canvas, what would you like our listeners to know about the Business Model Canvas, or as we refer to it, BMC, program?

Victor Oyervides 03:54

Okay, the BMC program. Basically the Business Model Canvas is a frame where we set up nine building blocks of our business. And among them are the customer segments, the value propositions, the customer relationships, channels, revenue streams, key partners, key activities, key resources and cost structure. I won't go into much detail in each of them.

Victor Oyervides 04:20

But today, because our focus is on customer segments, the customer segments is the group of people, the users or organizations that a business is creating value for, whose problems you're trying to solve, or needs that you're trying to help satisfy. And the value proposition is the bundle of products and services that create value for a specific customer segment. And it's important to understand that it's not just the product, but it helps your customer address a fundamental problem or need. And Strategizer states that to get a job done or kill pains or create gains. And basically this is what the Business Model Canvas is.

Steve Adams, host 05:08

Well there's quite a bit of conversation in the BMC model about pains and gains. Could you touch a little bit on what that really means, and what business owners today ought to be looking at when it comes to pains and gains?

Victor Oyervides 05:20

Okay, Steve, first of all, there's good news. Big Business is slow to respond to these three key areas of getting the job done, killing pains and create gains. Because as you know, they have a big organization and by the time decisions are made, it takes a while. So this is an opportunity for small businesses and entrepreneurs. This is a time of opportunity. And this is the time to be first to enter such markets and meet the needs and solve the problems.

Victor Oyervides 05:51

I would state that you have two basic steps. First of all, step one is very important, to go back and see what is your core business model? What is working right now within your business? What is not

working? And what is your customer segment right now? And what customer segments have you lost, and why? Those are key questions that you should ask before going into step two.

Victor Oyervides 06:18

In step two, yes, we talk about pivoting the business. And that's where we start talking about the three key areas, the jobs to be done. Jobs to be done is, customers hire a product or service to get the job done. And a classic example that Strategizer expresses is about the milkshake, and a certain milkshake business that was on the way to get to work for a lot of employees. So in the morning, this business had a very successful sales of milkshakes because people were requiring the milkshake to get the job done for them to get to work during rush hour, when they're driving real slow, to feed themselves and just to have time passed by.

Victor Oyervides 07:09

So that's really what it is to get the job done. Within to get the job done, we have to look at three areas. Is it a functional job? Is it a social job? Is it an emotional job? And the second key area is pains, and pains describe what does failure look like? And we can go a little later on into the types of pains but right now I'd like to talk about the third key area, and that is gains. And gains describes what does success look like for your business.

Steve Adams, host 07:41

Okay, those are some interesting questions. I never would have thought about the milkshake being a before-work type of beverage, but I think we always associate coffee with that. But that's certainly interesting, that that business model showed that milkshakes were something that people wanted to have in the morning for nourishment and whatnot. So when you talked a little bit there about pains and gains, are there specific techniques there that people ought to consider or you feel like you've kind of touched on all of those you want to?

Victor Oyervides 08:11

It's always good to go a little deeper. As I mentioned, job types, you have to see three different types of jobs. Is it functional? Functional is usually a very technical job that has been done in order to solve a problem. A social job describes how a customer wants to be perceived by others. And the emotional job just describes how a customer wants to feel.

Victor Oyervides 08:36

And I think in time of disruption, these three key areas are important to look into in trying to see a new customer segment is, what kind of job are you trying to solve? Is it a functional, social or emotional job? And it's very important to really study the matter. I'll give you an example. A cleaning business that I know, they looked into this area and they saw that their cleaning business right now is very slow. But they started studying and seeing that companies, offices and other locations need right now deep-cleaning. So they trained and they started doing deep cleaning at the workplaces that have been contaminated. And so their job was has really increased. They're working with customer segments that they had not worked with in the past.

Victor Oyervides 09:28

And that's one area. Another that talking about pains, in pains you have to take into consideration the three types of pains: undesired outcomes, obstacles, and risks and fears. I think in this present situation, this is probably one of the key types that you will be working with in order to rethink your business model is about the pains that your customer segments are suffering at the moment.

Victor Oyervides 09:57

And the third type would be gains, and gains, the three types of gains are really the required—what without this a solution won't work; expected—something that's relatively basic, but the customers expect from a solution; and desired are gains that go beyond what was expected, and gains are unexpected, also gains that go beyond customer expectations and desires.

Steve Adams, host 10:25

That's interesting that you had mentioned the example of the cleaning service, because obviously that is a pandemic pivot that has brought on a new opportunity for that particular business to do that deep cleaning or that health advisory type cleaning that really gets the business back in order to run efficiently. It's also a safety thing too, protecting the current workers and the customers that may come through the door.

Steve Adams, host 10:49

So I guess what I'm hearing here is that initially, businesses then need to identify what the customer jobs are, and then identify some of the pains that they're certainly having now in the midst of this pandemic. Is that correct, Victor?

Victor Oyervides 11:04

Yes, Steve, it's very important in order to pivot, you really do need to know what job is going to be done, and what pains and gains you are going to solve for the customers or add on as a value proposition.

Steve Adams, host 11:18

Yes, understood. So any next steps you want to talk about, Victor, or do you feel like we've covered that?

Victor Oyervides 11:24

I think the steps that we have covered, but it's important, as I mentioned before the steps is, first of all to rethink—rethink what is your business model right now and go through the process of going and doing the Business Model Canvas on these steps. And then the step two is reset, is very important. Reset is the pivot point. It's the point where you're going to make fundamental changes to your business after determining what products that you offer aren't meeting the needs of your intended market. And you seek out new customer segments, or you expand on the services that you are giving your customer segments that you have now.

Victor Oyervides 12:07

An example, a restaurant in Muscatine started during this delivery throughout Muscatine County, not just Muscatine. And they have had so much work that they have been overwhelmed, that they had to bring back employees that they had laid off for awhile.

Steve Adams, host 12:24

So, as we look at this maybe being a catastrophe for some business, by making those pivots, businesses found opportunity that they didn't know existed before, and now they're able to take advantage of those opportunities. And I can certainly see with this delivery business, for example, that those people are probably going to turn into very loyal customers in a post-recovery period. Would that be your guess as well, Victor?

Victor Oyervides 12:48

Yes, yes, that is my guess. And I think this is a time for opportunity. We have to think outside the box. I always tell entrepreneurs and small business owners, we have to go and seek out what is not functioning and not our business model, and work on the business model. And as a team, the business

development team, we are here to serve Iowa statewide in developing business models working on the Business Model Canvas.

Steve Adams, host 13:17

This is probably the time of, and a perfect example of the saying in the military to where it's time to improvise, adapt, and overcome.

Victor Oyervides 13:24

Yes.

Steve Adams, host 13:25

So that's where we're at. Yes, well, Brett, I know you've been researching businesses that have pivoted recently with particular customer segments. Could you provide us with a few examples or what seems to be working, what's not working? And what've you been finding, Brett?

Brett Middendorf 13:40

Sure, thanks, Steve. I think you know, very along the lines of what Victor is talking about, a lot of different businesses have started that process of rethinking how they can best serve their customers in this time specifically. You know, probably the most common examples we're seeing across the country are distilleries who used to make vodka and gin are now making hand sanitizer because the demand is actually greater for hand sanitizer than some of the liquors they used to produce.

Brett Middendorf 14:04

Also, it's very common, I know you've probably seen them in your own lives, people who have access to large swathes of fabric have begun producing their own face masks and selling those and distributing them to customers, maybe as a gift to customers, or maybe just as a new business product that they're trying to sell themselves.

Brett Middendorf 14:21

But what I think is actually kind of most interesting, and most important are what restaurants are doing. Victor gave a great example of expanding again, their delivery geography for one restaurant, but lots of different restaurants are really struggling, obviously, because they were the first to be shut down. And you know, they're trying to understand, how do I serve customers? How do I still generate some revenue and come up with some really clever ideas, I think.

Brett Middendorf 14:43

So one restaurant I read about has almost become a type of bodega, which is a small grocery store in New York. And so they've used their suppliers for the restaurant to create fresh produce for their customers, baking supplies. They'll put together kits that you know, can be one stop, you just come and get your kit and they'll hand it to you and you walk away, or they can deliver it. But just trying to serve their needs of their customers and generate some income in a different way, which I thought was pretty interesting.

Brett Middendorf 15:11

A lot of restaurants I've seen around Iowa already, specifically Mexican restaurants, are packaging their margarita mix. You know, every Mexican restaurant has their own special formula. And people really are interested in having those, even in this time where they can't eat in the restaurant. So again, some of these restaurants are packaging their margarita mix, maybe having the liquor in there and selling them under their liquor license is totally fine right now. And that's just again, another way to kind of bring in some of that income that they've been missing these past weeks.

Brett Middendorf 15:40

Finally, what I thought was also really cool was, and this might work well in Iowa, I think, I saw a restaurant become a distributor for its own organic farms that supply its produce and its other products. So that farm doesn't have a distribution channel, doesn't have a way to get things out to customers without the restaurants, and this restaurant is partnering with them in order to get that produce, you know, to good use, to have people eat it and enjoy it, but also hopefully generating again some income.

Steve Adams, host 16:07

Well, that's a wonderful example there a vertical integration too. And so you are actually helping your supply chain stay open and stay in business at the same time as you're passing off their goods to other customers out of your restaurant. So again, that's a vertical integration issue that wow, I hadn't thought about that. That's terrific.

Brett Middendorf 16:27

Yeah, well, as Victor was saying, you got to think outside the box. And I thought that was really clever of this particular restaurant to do and to support their suppliers as well.

Steve Adams, host 16:36

Well, yes. And he looked at a lot of pay it forward things going on right now too, right? I mean, people buying gift certificates from restaurants, you know, maybe paying for their next haircut or something else, you know, by paying it forward basically, again, places. So I think you know, also, you know, thinking outside of the box, and making sure we're all on the same team are probably things that go hand in hand. with one another, right?

Brett Middendorf 17:01

I mean, yeah, I think you're right. And the other thing I think that is really important here is for these companies, these restaurants, to stay in touch with their customers, whether that be through, you know, Facebook or through Instagram, some way to keep in contact. Because when you're ready to make that new offering that they're not expecting from you, you need to have that camaraderie as you're talking about that you know, willingness to help out, and your customers are your best channel for that sort of support. A good friend of mine manages a jewelry store in St. Joseph, for example. And they have of course, closed down as being a non-essential business. But every day on Instagram at 10 o'clock, they post another gem or another bracelet or another ring or something up there, and they've gone to what they call jewelry by appointment.

Steve Adams, host 17:45

You're still planning on getting engaged and you see a ring and it pops up that you like, you can make an appointment, come by and get your ring out of the store. So I mean, yeah, that's another pivot point. You know, that's what's happening there.

Brett Middendorf 17:57

So yeah, I actually I read the one other story I'd like to share with you that's really interesting. I think this is a company that produces hair products. And because all the salons have been shut down, you know, they just, their demand dropped to zero. And what they decided to do was partner with individual stylists to allow the stylist to give online lessons about hairstyling or using products or something on Instagram or on Facebook, and then give those stylists sort of a coupon code that they could then go to this hair products producer and they would be able to track to which salon stylist referred them to the business. The customer would still get their products, because lots of people are

working in this and need to look professional on their Webexes and whatnot. But that also gives a cut to that salon stylist and allows them to continue to make some sort of living through this tough time.

Steve Adams, host 18:45

Regional newspaper too, again thinking outside of the box. There was a dog grooming place in Omaha that set up a social distancing station along with masks and sanitizers, but you could still bring your dog in and they'd still groom your dog. Now you can't get a haircut but you can get your dog groomed, right? I mean, who'd have thought that would ever happen

Brett Middendorf 19:05

[laughter] Yeah, that's a surprise to me too.

Steve Adams, host 19:08

Victor, based on your discussion, will these resources be available for clients to review?

Victor Oyervides 19:13

Yes, though the FFED website. First of all, we will have trigger questions on the three points that we touched on today: the customer jobs, customer pains, and the customer gains—three sheets that have nine different questions. Example, on the customer jobs. The first question is, what is the one thing that your customer couldn't live without accomplishing? And what are the stepstones that could help your customer achieve this key job? And there are many more questions that will guide a small business owner or entrepreneur on working on their customer segment at this moment. Also, a recording of the webinar will be available online next week with details on how to pivot and identify new customer segments as a follow up to this podcast.

Steve Adams, host 20:05

Okay again, for those that don't remember, the FFED stands for Farm, Food and Enterprise Development. And Victor, if the listeners out there today wanted to contact you for any additional information, technical assistance or other details, how might they initiate that conversation with you?

Victor Oyervides 20:21

Directly with me, they can email me at oyervides@iastate.edu. And also we can be contacted directly to the business development team through the FFED website and looking up enterprise development team and the contact informations are there. All of our team, the business development team, which is a collaboration between both organizations, are certified in the Business Model Canvas through Strategizer, who created the Business Model Canvas.

Steve Adams, host 21:01

If they needed to reach out to the Iowa Small Business Development Centers, what would be the best way to do that? And again, I have certainly checked out your website. They're just an absolute plethora of COVID-19 resources out there. But again, how might they contact you or initiate a conversation with an SBDC?

Brett Middendorf 21:21

Sure, Steve. Yeah, no, I think definitely the best place to go is our website. That address is www.iowaSBDC.org.

Steve Adams, host 21:30

Great. And again, I've been up there several times, but just would tell the listeners, there's more information out there on COVID-19 than I've seen on many other sites so far. So really take advantage

of that if you if you possibly can, and don't let any stone be unturned I guess as we go through this pandemic crisis that we're all living through. So Victor, you get the chance at any last words, do you have any final comments you'd like to make?

Victor Oyervides 21:55

Definitely a lot of small business owners, entrepreneurs, one question they have is, what do I do now? And I can say that this is not a time to slow down. This is not a time to stick our heads in the sand like an ostrich and see how everything comes out. This is a highly recommended to change our actions from reactive to proactive, to plan an action and the Business Model Canvas is a perfect tool for this phase. And it's a time to rethink and reset our business models.

Steve Adams, host 22:27

Providing us with some opportunities that maybe we didn't have before, and I think again, as we go forward and work on this together, that we'll probably have a stronger business, not a weaker business. And we might also have some contingency plans in place if we were ever to see something like this happen again. So I think that's a real plus.

Steve Adams, host 22:46

Well, hey, I gotta say thank you to you both for taking the time to visit with us today. Victor, Brett, we do appreciate it. And we certainly appreciate all the work you're doing to assist small businesses at this time. Again, if you've got any questions about this Back to Business podcast, please feel free to contact me, Steve Adams, and I can be reached at stadams@iastate.edu. And again, thank you for listening.

Steve Adams, host 23:14

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