

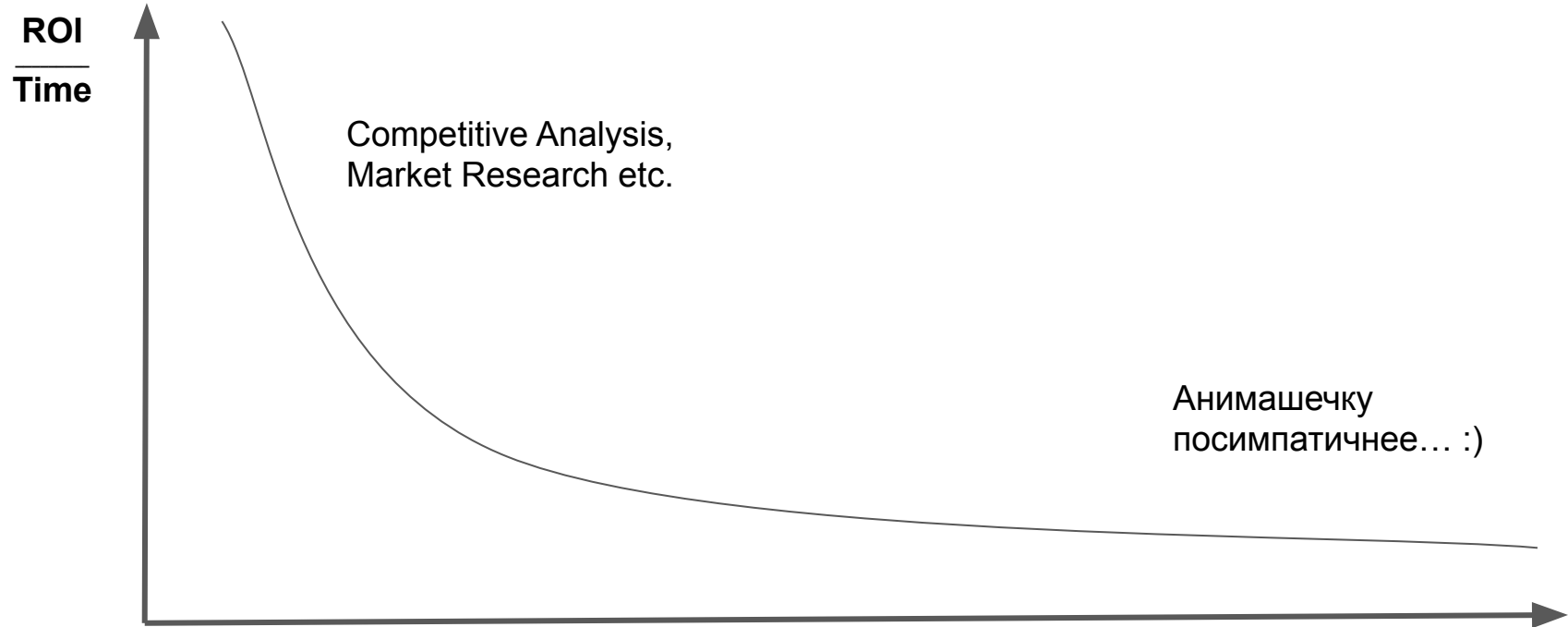


ABCD segmentation and Customer Development



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PRIORITIES...



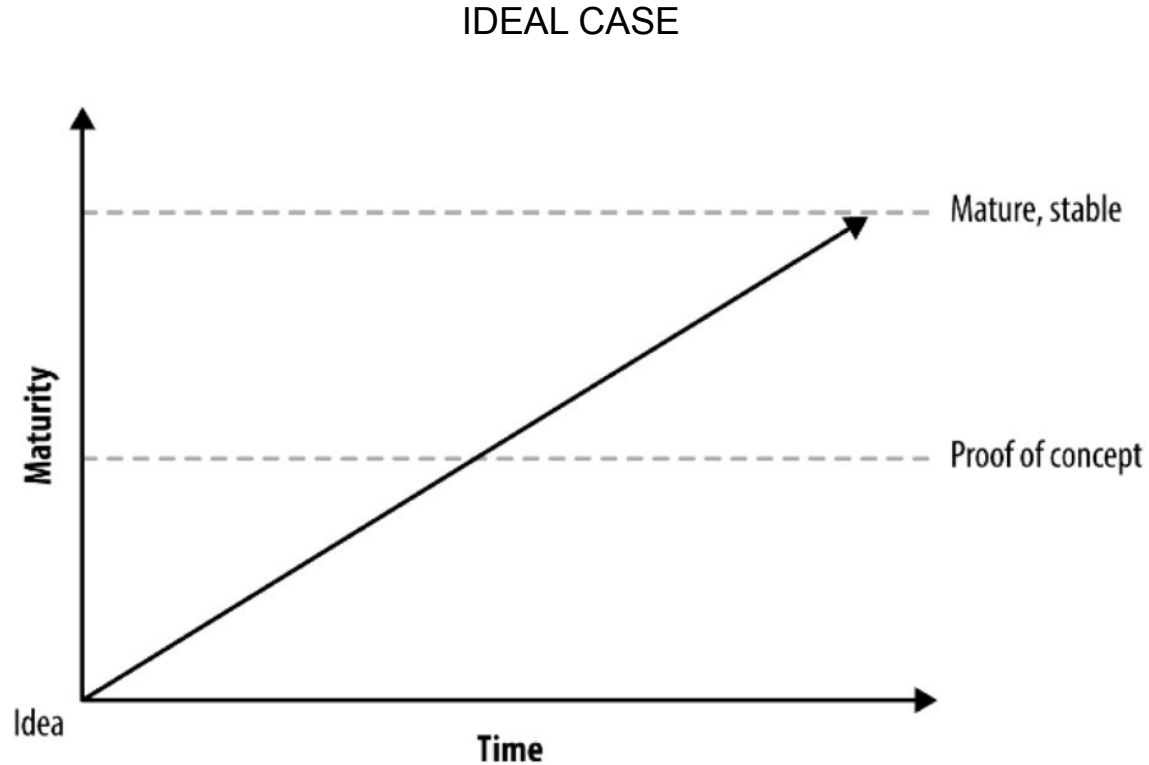
Doing the Market Research Right!

(Growth-Oriented Model)

STEP 1: MARKET CEMETERY

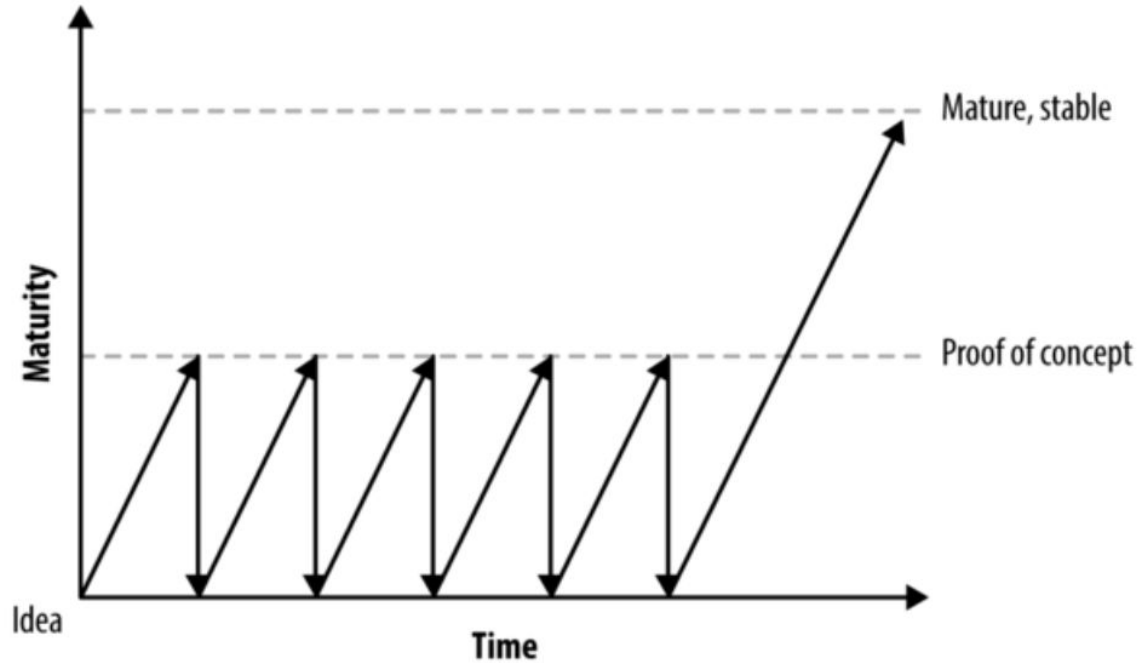


STEP 2: RISKIEST ASSUMPTION TESTING



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REAL CASE



STEP 3: FIND A PAYING SEGMENT

One of the riskiest assumptions is that **THERE IS** a paying segment.

Don't worry, there's always place in the luxury market ;)

STEP 4: PRODUCT VALIDATION

If you fit in, people start buying!

Get as much data, as possible

STEP 5: CHECK BUSINESS VALIDATION

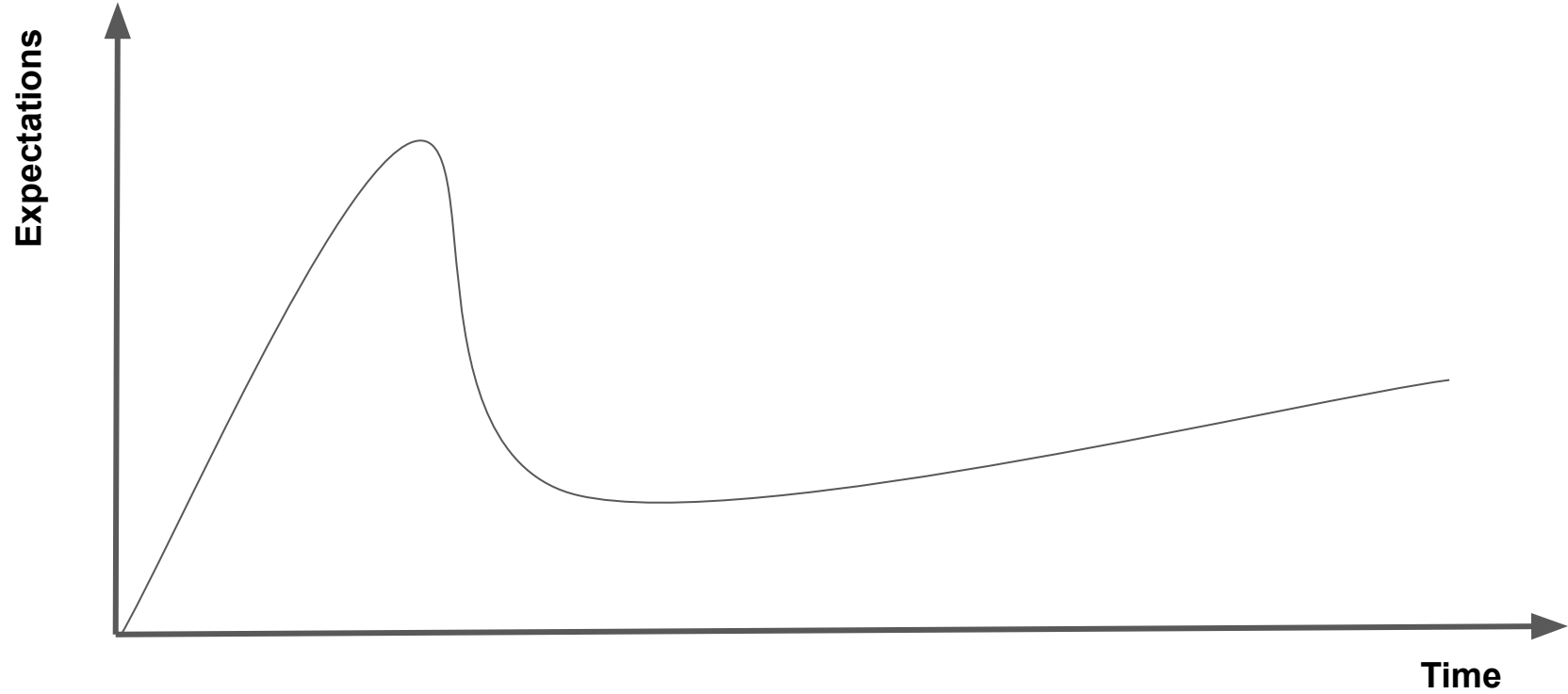
Even if you're selling, you may still be losing money in the market. If this is the case, it has to be changed asap.

..... STEP N: МАКЕТИК ПОСИМПАТИЧНЕЕ.....

In other words, **think money!**



EVALUATION...



EVALUATION...

People tend to OVERESTIMATE progress for a **10 years** prognosis and UNDERESTIMATE it for **200 years**.

Hence, short-term profits shouldn't be overlooked.

PRIORITISATION...

- Feature 1
- Feature 2
- Feature 3

When deciding which feature to do, only ask 1 question:
where are you losing more money?

PRIORITISATION...

WHICH CUSTOMER SHOULD WE FIRST LISTEN TO?

1. Will buy if you fix
2. Please fix, it doesn't work.
3. I wanna use it
4. It hurts so much, please, please, please, fix this, I'm losing money now!



PRIORITISATION...

WE DON'T KNOW WHO PAYS MORE YET!

PRIORITISATION...

You shouldn't believe what they say,
instead look at their past.

FACTS > ASSUMPTIONS

PAST = FACTS

ABCD SEGMENTATION

A	20% time spent from the customer support team
B	80% revenue generated
C	80% time spent from the customer support team
D	20% revenue generated

ABCD SEGMENTATION

- A** Most valuable segment. Generates most profits with least resources.
- B** Middle of the road (towards **C**). Has potential to transfer to **A**.
- C** Middle of the road (towards **D**). Eats up a lot of the time and resources. Might become a **B**.
- D** Spending time and resources here is all in vain. Should be let go.

ABCD SEGMENTATION

Yet why do we tend to listen to C and D more...



ABCD SEGMENTATION

Because sometimes they're **LOUD!**



ABCD SEGMENTATION: IMPORTANT METRICS

- Sales revenue
- Revenue potential

f (MRR; CMRR; ARPC)

- Contribution margin
(selling price per unit - variable cost per unit)
- Support costs

FINDING THE A & B SEGMENTS

1. *TALK TO EXPERTS*

At the initial point of the startup 1 person may be worth 100 potential users at the research stage.

FINDING THE A & B SEGMENTS

1. *TALK TO EXPERTS*

1. Find the person whose name is mentioned by multiple people
2. Reach out (even via FaceBook or LinkedIn is enough sometimes)
3. If they don't respond, ask mutual connections to mention your name around them
4. Be persistent and polite (instead of anger you feel for being neglected at first)
5. Become interesting to them :)

FINDING THE A & B SEGMENTS

2. *TALK TO COMPETITORS*

- Either directly and honestly...
- Or through their previous employees



FINDING THE A & B SEGMENTS

3. *FIND THE PAYING SEGMENT*

1. Write 3-5 hypotheses who's your top client
2. Research
 - If true: YAY
 - If not: you've still learned a lot, e.g.
 - Context of the problem
 - The pain points
3. Adjust the product for this segment
4. Try to sell the idea (even the prototype) at an interview
5. Test: who purchased? Why? Why not?

FINDING THE A & B SEGMENTS

4. FOCUS ON A & B

Ask “*How would you feel if you could no longer use <product name>?*”

If “**Very Disappointed**” is less than **40%**, then there’s likely no Product-Market fit

FINDING THE A & B SEGMENTS

4. *FOCUS ON A & B*

Analyze the “Very Disappointed” segment and try to rebuild the product around them and their specific needs. Find their AHA-moment.

KEEP IN MIND

- Your loudest users mustn't be your most paying ones (even if it's your direct manager/stakeholder who's asking for it **right here, right now!**)
- Your **extreme users'** needs are not necessarily the same as the needs of your most paying users
- Your **A-Team** better be involved with the most segments with most potential (mainly B)

THANKS :)





QUESTIONS?

Let's Talk!

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You can also always reach me at diana.melkumyan@sflpro.com!