



**START-UP
ENTERPRISES**

Finding your customer

January 2025

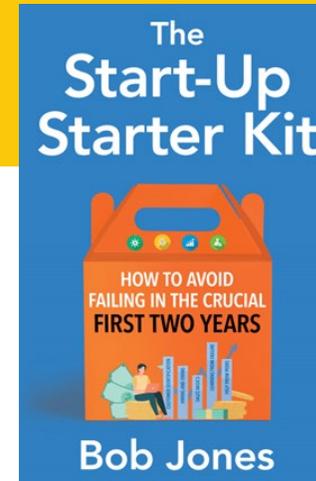
Great technology is not enough

Why are you taking this course?

Lots of reasons – some good, some not so good

My background

- Founder & CEO – startups – MDs – Harvard Medical School
- Author: The Start Up Starter Kit (Amazon)
- CEO of Vitasoy USA (publicly traded, Hong Kong exchange – turnaround)
- Executive positions at Baxter, Abbott, other companies
- Princeton, MIT Sloan (MSM)
- Performing musician
- Volunteer – homeless shelters



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Suppose I move to the Berkshires

Building a business case
Hey, it's not that crazy an idea...

Maybe I could give guitar lessons

I'm a pretty good player, and I like to teach

I could offer different levels of instruction

- Beginning – tuning up, your first few chords
- Intermediate – learn some songs, play in time
- Advanced – modes, soloing techniques, building a style

I'd need a small studio, a couple of amps, a drum machine...

What mistake am I about to make (again...)?



What we often do vs. what we ought to do

We often address the question:

Could I do it?

A better first question is:

Should I do it?

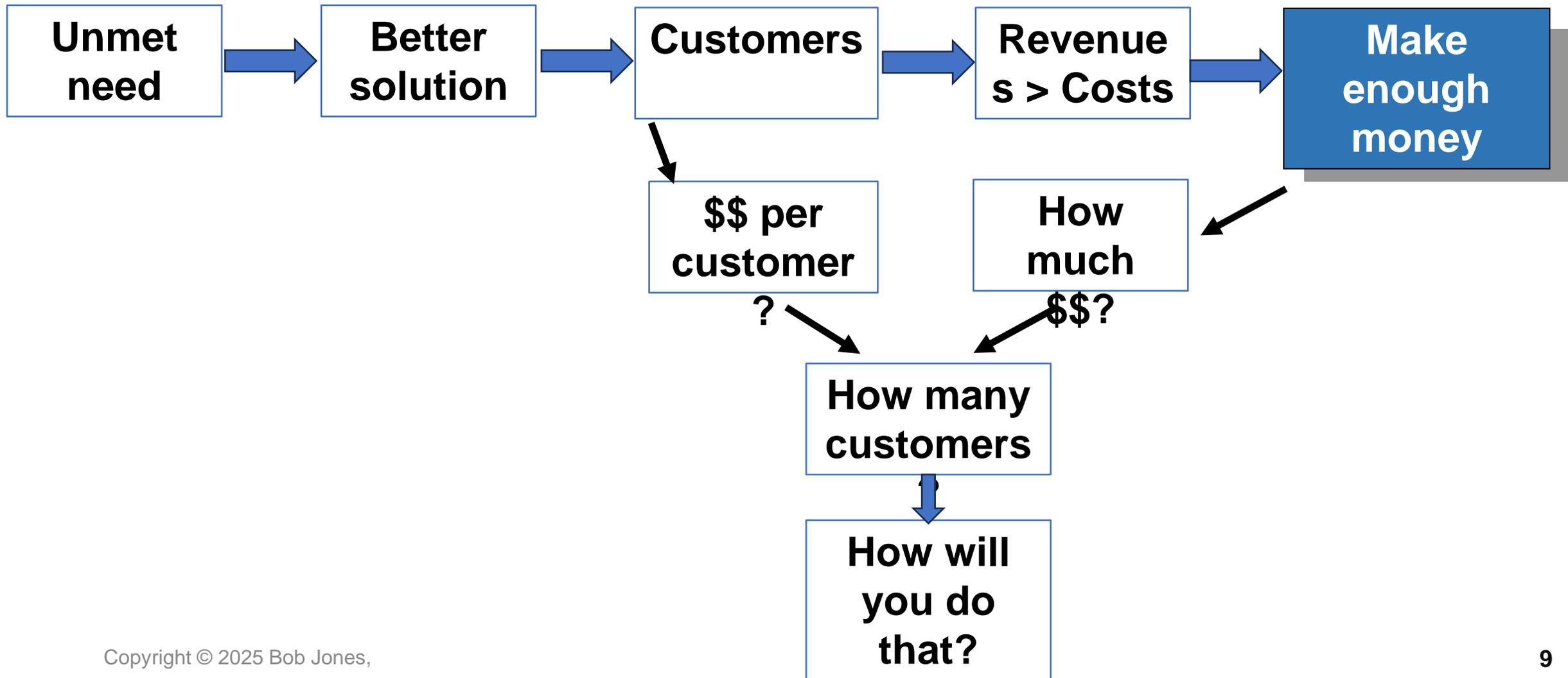
The most important question you need to answer



Photo by Pavel Danilyuk on Pexels.

Will I make enough money?

Over-simplifying: what do we need?



Basic arithmetic

How much money do I need to make?

\$5,000/
month

How much is a customer worth?

\$25/hour, 2x month

\$50/ month

How many do I need?

100

Can I do that?

- If this seems crazy → next idea
- If I'm still standing → dig in

Hmm...

Answering customer value (1st thoughts)

The unmet need and who has it

School kids

- Very nerdy, stay in their room
- Guys who want to meet girls
- Girls who want to meet guys
- Love music, want to do it well

Who will pay me to meet the need

Parents

- Buy the kid a guitar
- Pay for some lessons
- Watch what happens

\$50/month/kid → 100 kids

Looking at different customers

The unmet need and who has it

Adults in their 30's & 40's

- Been raising their kids, lost track of their own interests
- “I used to play in a band...”
- “I used to sing in a group...”

Older singles

- Lonesome, want to socialize
- Maybe find a little romance
- Love music, want to play/sing

Who will pay me to meet the need

Adults in their 30's & 40's

- Combine private lessons with ensemble jams
- Might pay \$50/hour
- Could be 2x/week → 8x/month

Older singles

- Same format
- Maybe different music

How will I find my paying customers?

Subordinate questions:

- Who am I looking for?
- Where do they look for information & connections?
- **Who wins if I win?** Who would be pleased to support me?

Your thoughts?

- Schools?
- Music stores?
- Church groups?
- Facebook groups? MeetUp?

Your business will not prosper until you know:



1

What am I
really
selling?

2

Who
wants
that?

3

How will I
find them?

4

How will I
make
money?

Questions you should ask regarding your venture

They seem simple, but they're fundamental

Those basic questions



- What's the unmet need that we address?
- Who cares? That is, who is trying to fix that problem? How many of them are there?
- Will they spend money to solve the problem?
- How do I find them and let them know about us?
- How are they solving the problem now?
- Why is my solution compellingly better in THEIR eyes than what they've been doing?
- Exactly who will pay me? Can I make any \$\$?

How does that affect raising capital?

- A standard concern for investors: FEAR that you will lose the money
- Primary goal: determining if you have a chance of succeeding with your business
- Non-negotiable requirement: CUSTOMERS
- Therefore:
 - Do you have any customers? Will you have any? Do you even know that you need them?
 - How will you get them? How much is each worth? How many do you need? How long will it take you to get them?

Example #1: Regain®

Nutrition supplement for
patients with renal failure

Background

- I was running the clinical nutrition division of a California medical company
 - \$300MM company, on track to go public → we'd all make \$\$\$
 - Nutrition division was very profitable business
- Saw impending market changes → my business would go away → threatened our ability to go public (oops...)
- I wanted (and needed) to explore new opportunity
- Potential re-positioning of corporation
- First in country to do this → no model for success existed

The market/customer need (then)

- 400,000 dialysis patients, rapidly growing market; it was easy to locate both the patients & the caregivers
- Patients were generally fluid-restricted, clinically malnourished, need life-long nutrition supplementation
- All existing nutrition supplements were liquids → obviously bad for fluid-restricted customers
- We had the technology to formulate a nutrition supplement that met customers' specific needs without fluid—a food bar: Regain™

Clinical question: does it work?



- Ran clinical trial (even though it was not required for non- Rx products)
- Got results published in *Annals of the National Kidney Foundation* (peer-reviewed, prestigious)
- Bottom line: It worked. (Solid scientific support → product measurably improved patient health)

Our business planning



Dialysis patients see a **doctor** re: dialysis regimens, and see a **dietitian** re: their nutritional requirements

Our market research – ask the opinion leaders:

Renal physicians: would you recommend?

Renal dietitians: would you recommend?

Competitive analysis: all competing products are liquids, ours is the only entrant with no fluids

Market projections: big business opportunity → revenue forecast for corporation → exciting!

Product launch: developed marketing materials, trained sales force, made product, went to market

The result: DISASTER



- Sales < 10% of forecast



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Why?

- We surveyed the clinicians, but:
 - they don't buy it
 - they don't eat it
- When we finally talked to the patients
 - they didn't want it
 - they couldn't afford it
- Retailers: wouldn't carry it (Why not?)



Also my
customers!

How did this affect me and my job?



Our company was on track to show Wall Street that we were a good candidate for a public offering

IPO → My colleagues and I would own stock worth significant \$\$\$

My shortfall put the IPO at risk

Monthly senior management meetings

Had to report my results to my colleagues on senior management team

Embarrassing (to say the least)

This was like a slow-motion train wreck: it just got worse and worse

And it went on for an entire year...

What we did about it

Learned about inside sales

Learned about local patient publications

Got Medicaid reimbursement: 40 states

Felt really bad

Sold the business



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Example #2: NiteBite®

*Timed-release glucose bar™
for the nutritional management of hypoglycemia*

New company, new product



- Moved to Boston, launched new company with Harvard scientists
- Selected diabetes as field, based on an insight about something the customers needed and weren't getting

The market/customer need (then)

1

10 million diagnosed people with diabetes; chronic disease → manageable but incurable

2

Goal of management: keep blood sugar from being too high or too low

3

4 million used insulin to lower their blood sugar

4

All insulin-using diabetics were at risk of hypoglycemia: blood sugar goes too low

Medical background

- Hyperglycemia: major cause of retinopathy, nephropathy, neuropathy
- Hypoglycemia: must be treated right away, leads to fainting, can lead to coma

Hypoglycemia at night (in those days...)

- Insulin users typically ate a night-time snack
- Constant anxiety trying to manage evening regimens of insulin & night-time snack
- But there was a bigger problem...
- Greatest fear: "...dying in my sleep"



Image courtesy of Diari La Veu. License: CC BY-NC-SA



**For the
Nutritional
Management
of Hypoglycemia**

Our answer: NiteBite®

- 1** Patented formulation: nutrients that turn to glucose at different rates: called it “timed-release glucose”
- 2** Designed to lower incidence of hypoglycemia without causing hyperglycemia
- 3** Tasty; non-medical name, packaging (Why?)
- 4** Looks like “energy bar” rather than “medicine”

Our business planning

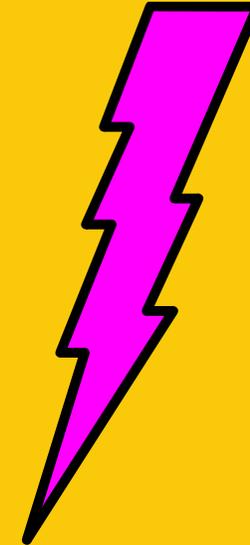


- 1** We engaged clinicians, parents and patients in product formulation
- 2** Interviewed prospective customers: concerns, price, distribution points, who do you trust?)
- 3** Went to support group meetings
- 4** Picked ad agency →knew diabetes →instead of hypodermic needles, our first ad: flying pigs

The results: very exciting



- Ran ads:
 - At 100 calls/day, we got more phones
 - At 200 calls/day, hired more sales staff to answer the phones
 - At 300 calls/day, installed a database to track all these people
 - At 500 calls/day, rented tables & chairs to hold the extra computers, started training our new staff → we might be onto something
- Hired/trained inside sales force
- Penetrated all major pharmacy chains & were stocked in all major wholesalers without ever paying slotting fees (very difficult)
- The lesson: understanding our customer helped us invent a better product and build a successful business



How we reached our consumers



Questions we asked about our target consumers:

How do we find those spending money to take care of themselves?

Where do they look for advice? Who do they believe?

The best answer: **Certified Diabetes Educators**

Learned about the AADE, learned about “locate an Educator”

What do the CDEs worry about? How can we help?

What we did

Hired team for Inside Sales, trained, monitored and paid them
Eventually: several thousand advocates working on our behalf

Who wins if you win (& wants you to win)?

Who influences your customers? What do they care about?

Background: Certified Diabetes Educators

15,000 in the USA; 12,000 were members of the AADE

Many held monthly meetings with patients → always needed new content

CDE's biggest concern:

Us → CDE: "it works, and your patients will love it"

→ CDE tells patients

CDE → pharmacists (retailers!) re: patients

Pharmacists would agree to take the product

No mention of "slotting fees"

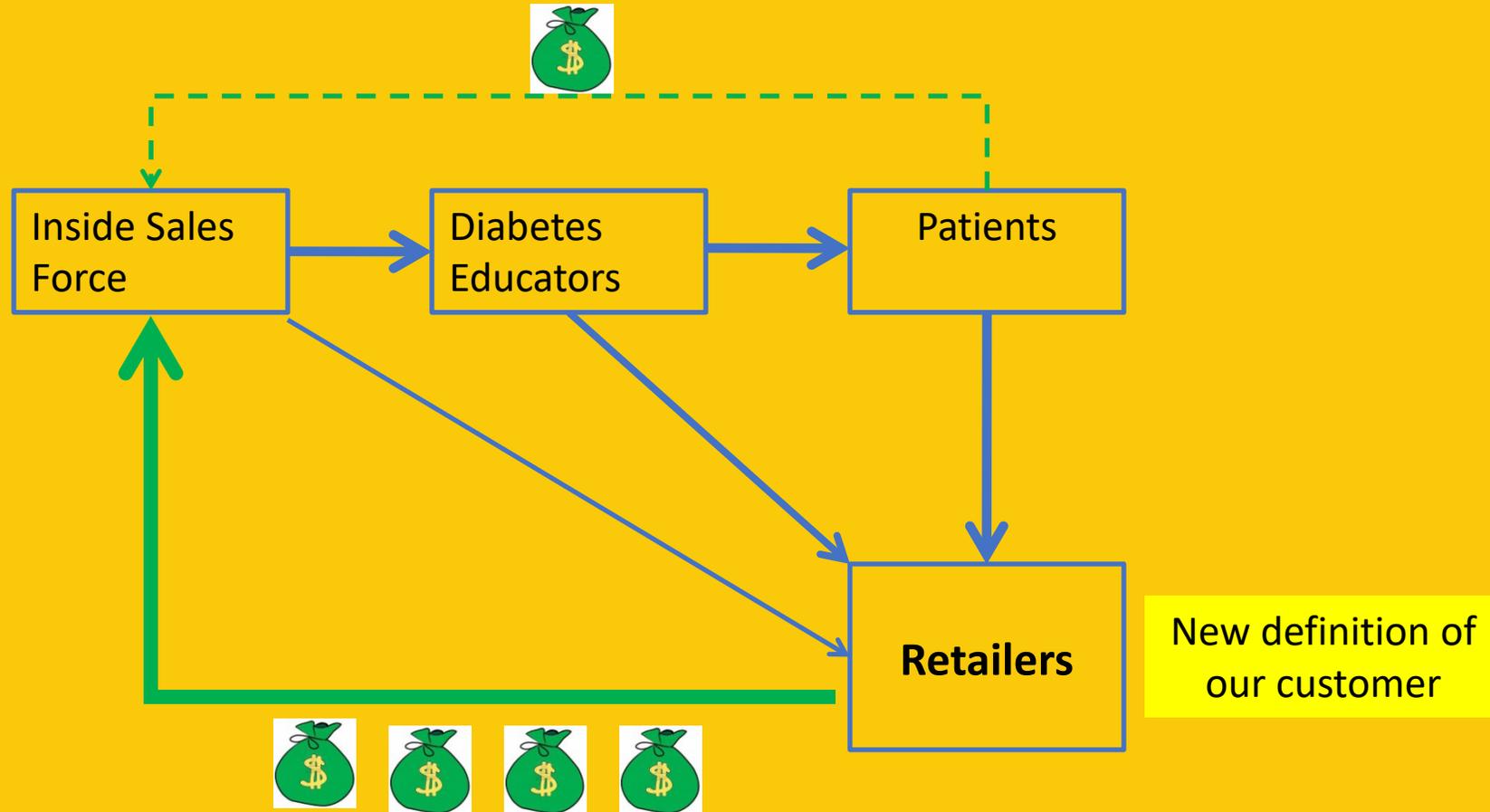
What gave us that negotiating power?

Patient compliance

High quality sales force for free



The Selling Flow Chart



Getting into retail channels,

1

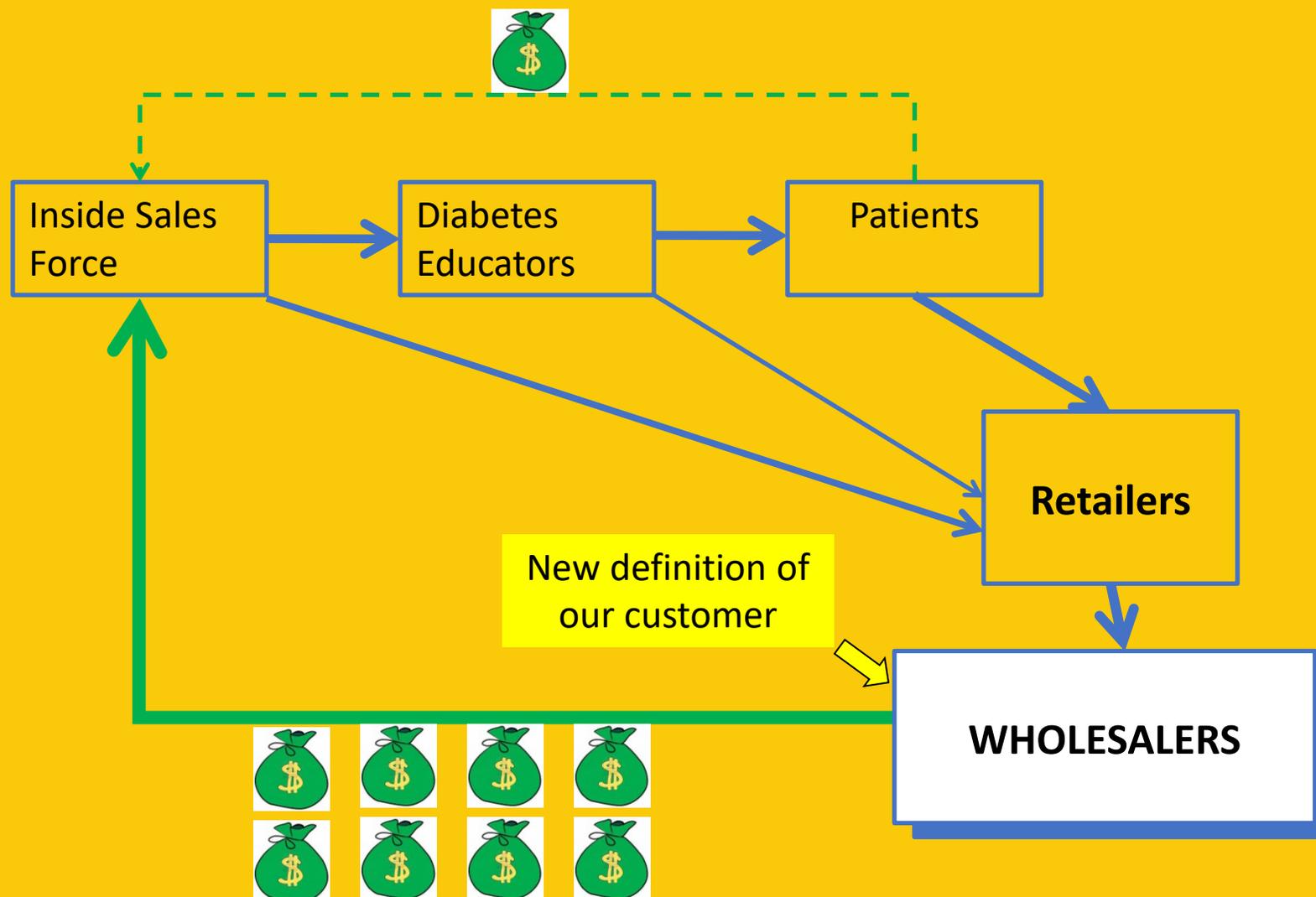


- Our ads generated incoming calls from consumers:
 - Qualifying questions
 - Right answer → free sample
- Follow up with consumers:
 - Did you get our product? Your reaction? Open-ended questions...
 - For a limited time: free shipping – would you care to order?
 - Then: aren't you about out? Time to re-order?

Getting into retail channels, 2

- The close (consumer):
 - No more free shipping → Would you like to buy NiteBite where you buy your insulin?
 - Where's that? May I call them?
- The close (pharmacy):
 - “Your customers want our product & you don't have it”
 - “What can we do about that?”
 - We took their initial order → re-orders at larger volumes
- No one ever mentioned “slotting fees”
- What gave us that negotiating power?

The Next Step: Wholesalers



Turning up the heat...

New customers: wholesalers and major chains



- New customer: wholesalers [what do they care about?]
 - New Orleans trade show → 25 drug stores → called their wholesaler
 - “You don’t know me, but I’ve sold ‘em and built in a profit for you”
 - Put us in your system & take the money → no work for you
 - Now we could tell pharmacists, “Your wholesaler stocks our product.”
- New customer: major chain stores [what do they care about?]
 - Clearwater, FL meeting to discuss slotting & slotting fees
 - “How would you like us to answer their question?”
- No mention of “slotting fees”
- What gave us that negotiating power?

Results, in conclusion



- 1** Impressive growth in sales
- 2** Extraordinarily high reorder rate
- 3** Got a great deal of publicity
- 4** Got numerous offers to buy business, sold to \$1B pharmaceutical firm

Lessons and questions

Lessons

- I've learned a lot of lessons from these (sometimes painful) experiences
- Help me summarize them
- What should I have learned from these experiences that might be relevant to building my next sales model?



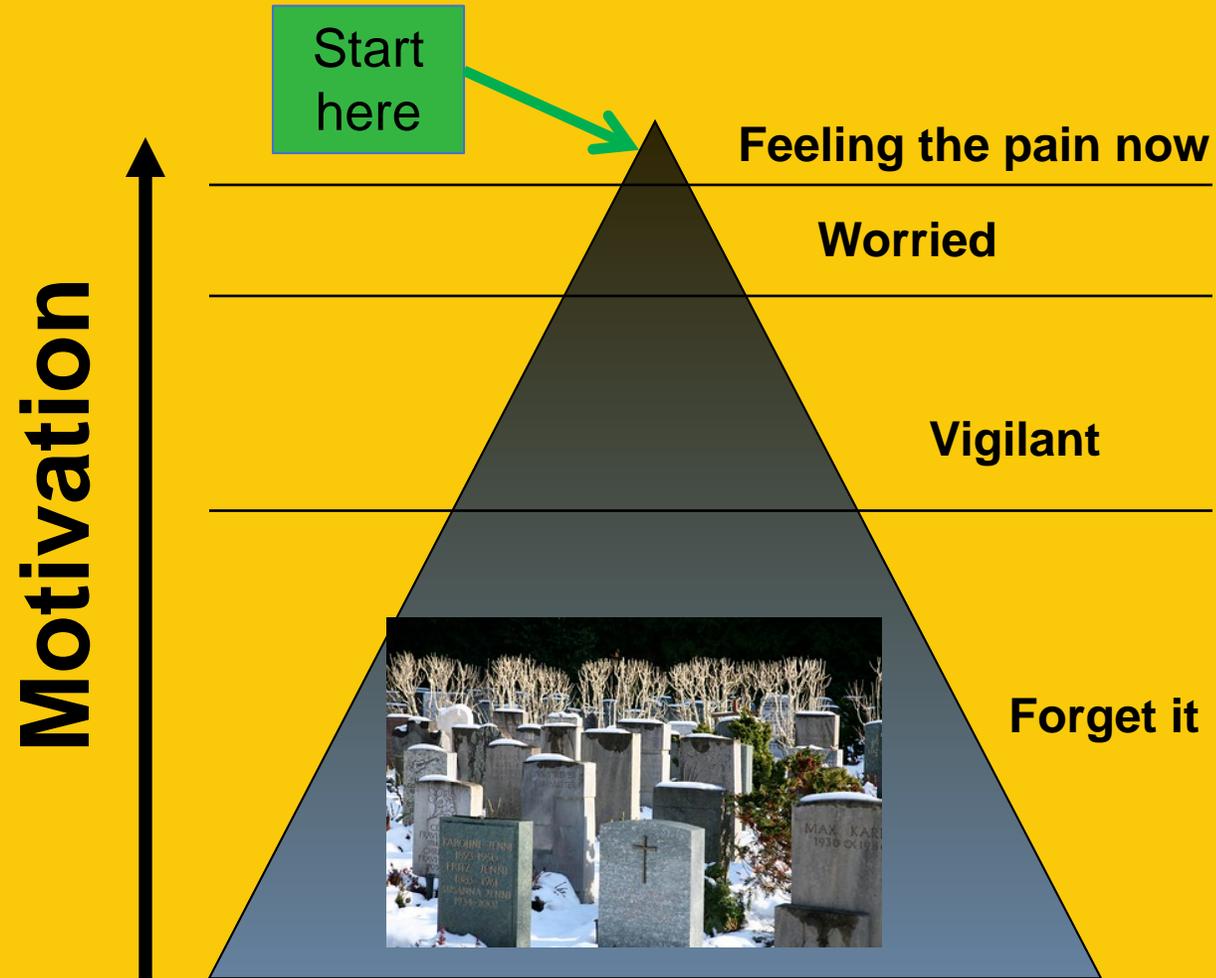
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Lessons I hope I've learned



- Know your customers intimately: what are they really buying?
- Products which are “for everyone” aren’t for anyone → positioning is imperative (“air for scuba divers...”)
- Face it: no one needs your product or service (I don’t need these glasses...)
- They might need its benefits → sell the benefits first, then the “reason to believe”

My view: market segmentation



Graveyard Image by [twenty_x](#) on flickr. CC BY NC

Changing buying habits



For consumers to change their buying habits requires a LOT of motivation

Powerful motivators include:

Pain

Fear

Greed

Vanity

Virtue is a tough sell

What motivator was I addressing with Regain?

What motivator was I addressing with NiteBite?

The point

- Figure out who will find your offering to be both important and unique (or at least, better...)
- Figure out how to find them, tell them about your offering
- Take their order

Power marketing in two easy steps

**Find out what
your customers
want**

Give it to them

A different way of looking at this

It's not sales, it's forensics...



- Instead of “promoting your product,” it’s “finding your customer”
- Customers “hire” products to do a job
- Design your products to do a specific job for a specific kind of customer
- Then go find those customers
- If you’ve done this right, the selling will be easy



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Ways to do that:

- TALK with your prospective customers – there's only so much you can glean from reports or **social media**
- Brief rant: using social media for market research
- KNOW them: how do they view their problem?
 - What are they buying now to solve the problem?
 - What do they read? To whom do they go for advice? Who are their influencers?
- Understand what's behind what they're asking for (Henry Ford quote)



You do have competition

- If customers aren't spending money now to solve the problem you are addressing, it's not a problem
- Whatever they're buying now is your competition
- How is your solution BETTER in the eyes of your customer?

Customers buy VALUE

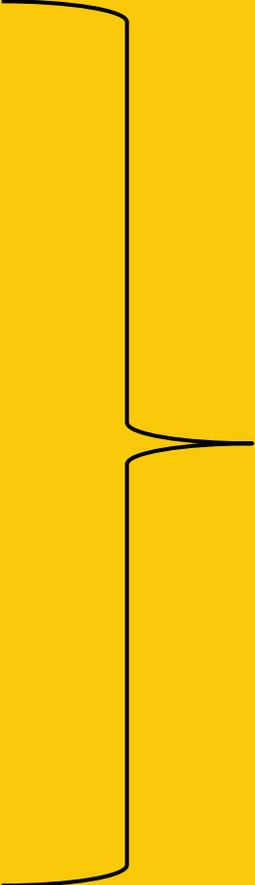
More lessons re: building the sales model



- 1** Even if customers need your product or service, if they don't want it, you can't sell it
- 2** In the early stages, it doesn't matter who needs it—what matters is who wants it
- 3** If you can't find your customers, you can't sell your product
- 4** If you can't communicate your product benefits within seconds, you can't sell it

Acid test: the 30-second sell

- If you can't tell your story to a customer in 30 seconds or less, you're in trouble
 - You need focus to create web sites, brochures, collateral material
 - Your idea may not have real benefits to your customers (or you may not understand them)
- If you can't summarize your story for an investor in 30 seconds or less, you're unlikely to raise money
- Remember: customers buy BENEFITS. Tell us the benefit of your idea/product/service.
- This takes more work than you'd think...



Your homework for next Tuesday: Pitch your business in three minutes, then in 30 seconds

Final questions you should ask

- Where do my customers go for help/advice re: this problem? Exactly how will I reach them?
- Who will be my first customer? Paint a picture of the typical customer
- What evidence do I have that they will be willing to pay for my product?
- How much will they pay?
- Where will they buy my product?
- Who is responsible for sales?

Remember my guitar lesson example

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Your Questions ?

Summary

The only non-negotiable requirement for a successful business is CUSTOMERS

For your business to succeed, you must provide something that is important and unique TO SOMEONE

Therefore,

- Figure out who really WANTS your product or service

- Find them and tell them about it

- Take their money

THANK YOU

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