Hult International Business School

FUTURE LEADERS

CHALLENGE IDEA RESEARCH

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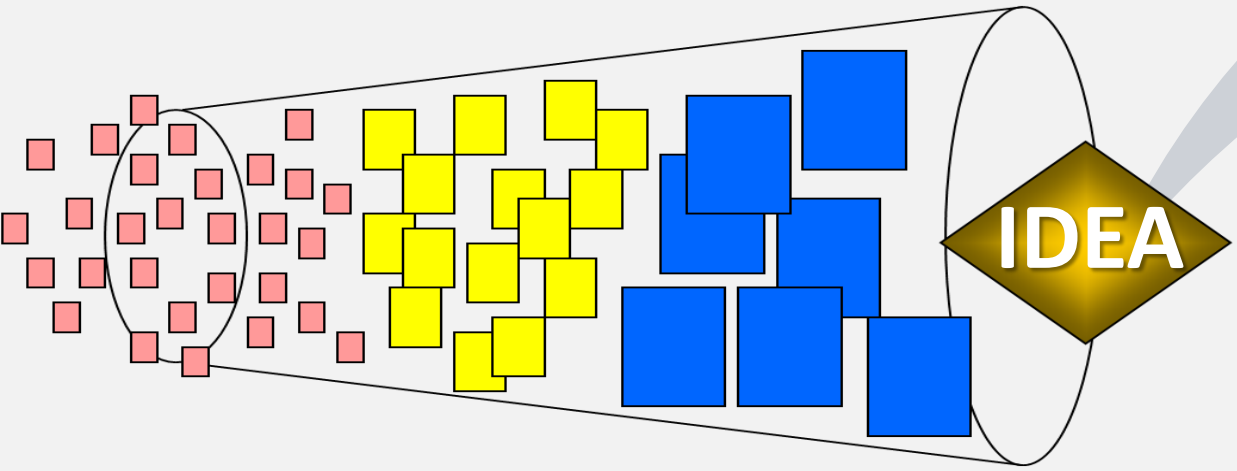
Innovation Idea Process: Initial Steps

Idea
Understanding
SWOT

Discovery



Feasibility

Launch
and Grow

Managing
a Start Up

“ Ideation “
Creating Idea’s

Customer Understanding Grid

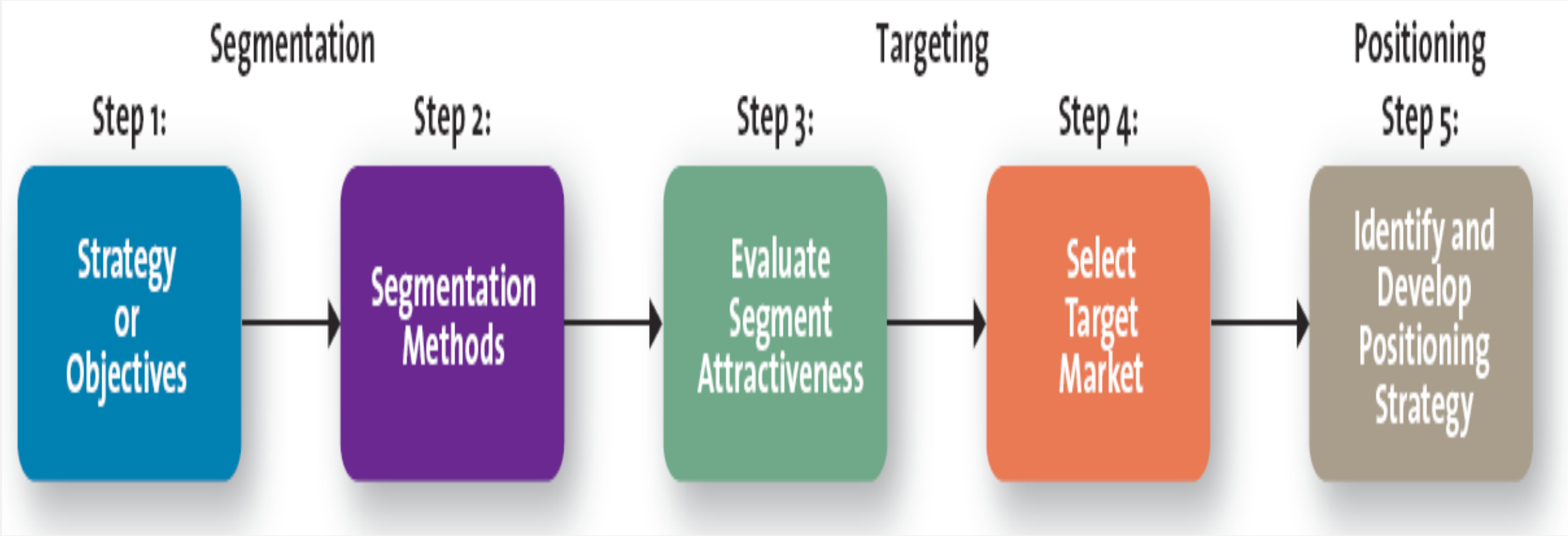
Your IDEA

Product/Service

	Do Not Understand	Understand	Interested
HIGH			
TBD			
Low			

SUMMARY OF CUSTOMER UNDERSTANDING RESEARCH

Finding Your Customer Segmentation, Targeting Process

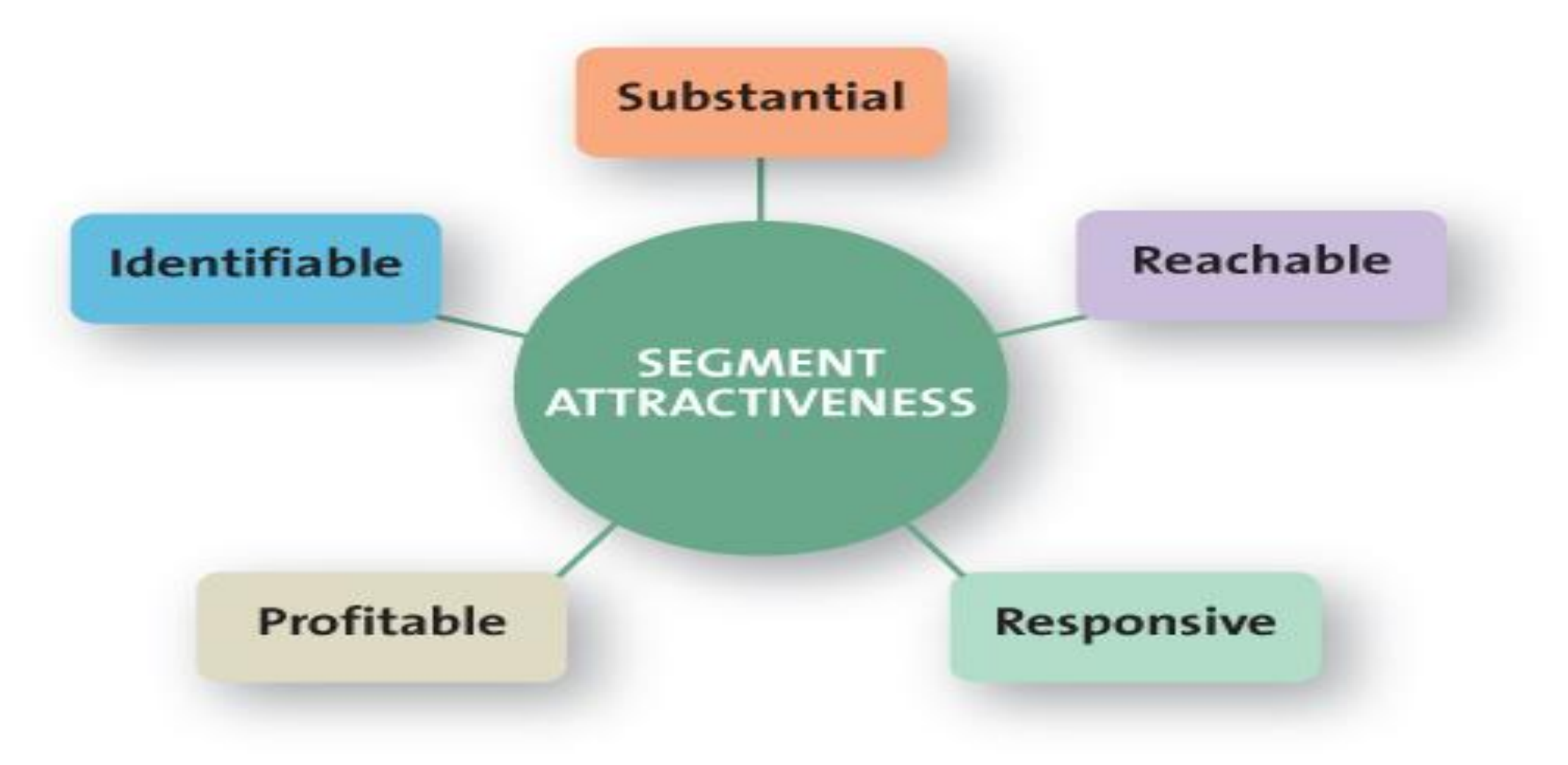


Step 2: Segmentation

EXHIBIT 8.2 Methods for Describing Market Segments

Segmentation Method	Sample Segments
Geographic	Continent: North America, Asia, Europe, Africa Within U.S.: Pacific, mountain, central, south, mid-Atlantic, northeast
Demographic	Age, gender, income
Psychographic	Lifestyle, self-concept, self-values
Geodemographic	Urban, exurban, established, sophisticated town-houses, bohemians, affluent retirees
Benefits	Convenience, economy, prestige
Behavioral	Occasion, loyalty

Step 3: Evaluate Segments



Is the Segment Profitable

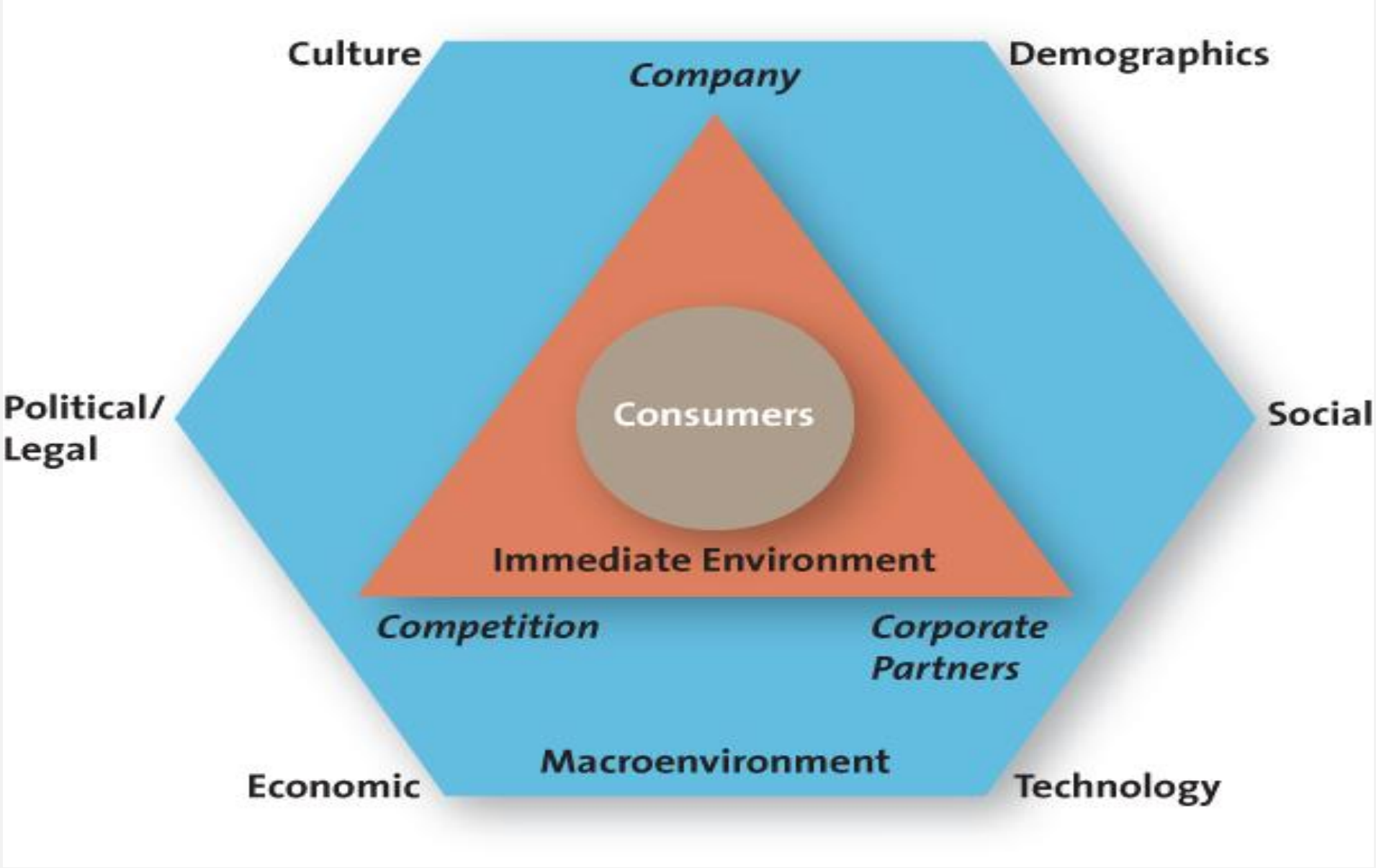
EXHIBIT 8.7 Profitability of Two Market Segments for Camillo's Lawn Service

	Homeowners	Businesses
Segment size	75,000	1,000
Segment adoption percentage	1%	20%
Purchase behavior Purchase price Frequency of purchase	 $100 12 times	 $500 20 times
Profit margin percentage	60%	80%
Fixed costs	$400,000	$1,000,000
Segment profit	$140,000	$600,000

Time To Think About a Segmentation Strategy

Applying a SWOT to your Idea !

EXHIBIT 2·4 SWOT Analysis for Starbucks, McDonald's, and Dunkin' Donuts

		Environment	Evaluation
		Positive	*Negative*
Starbucks	Internal	**Stengths** Strong brand identity Retail & grocery store network	**Weaknesses** Reliance on joint ventures and licensed stores Rapid growth erodes customer experience
	External	**Opportunities** Expansion in China	**Threats** Potential saturation of the U.S. market
McDonald's	Internal	**Strengths** Strong brand identity Global retail store network	**Weaknesses** Sensitive to changing global markets Price elastic target market
	External	**Opportunities** New product categories Ronald McDonald house	**Threats** Future sourcing sustainability Customers nonacceptance of McCafe
Dunkin' Donuts	Internal	**Strengths** Strong regional brand identity Loyalty program	**Weaknesses** Mass-market focused Franchise inconsistency
	External	**Opportunities** Retail store growth in the U.S. Global retail expansion	**Threats** Intense competition in the specialty and overall coffee market Economic instability for franchisees

Environment Analysis Framework