

Assess Product-Market Fit

Superpower **3**

Conducting user research to uncover customers' needs, barriers, and opportunities

Why is this valuable?



You started off with a hunch about the problem you're solving and how your solution might make life easier for your target customers. But how much do you really know about these customers, their behaviours, and their pain points? Though not always cheap or easy, user research is the best way to find data-driven answers.

Conducting user research is the best way to be sure your solution will be valuable to your target audience and to figure out best how to offer it, describe it, price it, and pretty much everything else. You need to go out into the field and learn as much as you can about whether and to what extent the problem exists, who feels the problem most, how people describe the problem, what their preferences for use are, and whether they might pay for a solution.

You can use a variety of quantitative and qualitative methods to better understand your customers. For instance, quantitative research could be used to map demographic factors (such as age, gender, income, geography or occupation) to usage or needs, and, when combined with psychographic and behavioural data (like attitudes, opinions, values, and product usage data), help you decide who your target segments are. Qualitative research, on the other hand, includes open-ended questions, conversations, and observations to glean customer aspirations, frustrations, rationales, and preferences.

In most cases, this can take the form of in-depth, in-person interviews, phone interviews, or focus groups.

Before you go into the field, you need to know the questions you want answered, i.e. the hypotheses you want to test. These questions/hypotheses help guide your research.

Regardless of the research methods you use, you need to first be as specific as possible when describing your target customer, their objectives and their pain points, to inform the questions you will ask. Without a specific and narrow customer segment, you risk delivering a solution that's too general and broad—one that doesn't solve a problem that is big enough for anyone.

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How much will it cost?



User research can be costly, depending on the level of resources you have internally. If you have a strong sales force and user-centered field team, you may already have the right internal talent to conduct proper research and glean insights re: users' experiences and preferences. However, if your team has not done field research before, you will need to bring in external experience. Consider consulting strategic advisors or hiring qualitative researchers and starting with a small sample of qualitative interviews.

In either case, we have found that experienced qualitative researchers are truly invaluable in helping you distill valuable insights about your customers and understand what is working and what is failing. A good researcher will carefully observe usage, identify friction, and probe for potential solutions. Daily rates for such researchers can range from \$100 to \$1,200 a day depending on their skills and context.


When should you do it?



User research should begin as soon as you identify a pain point, passion, or problem worth solving that you might have a solution for. It should be done regularly and throughout your company development journey.

Evaluate your environment and capabilities to choose methods that will help you better understand the problem you are tackling. You should start with research when you're building your MVP and whenever you're adding a new product feature. Equally, if you have already built something solid, but it hasn't gained the traction you were hoping for, user research can help you take a step back and understand why; what users say might just surprise you.

What type of answers should you expect?



It depends on the type of user research you pursue—quantitative research will help you describe the market opportunity, segment your base, and paint a broad, high-level picture of usage patterns. Qualitative research, on the other hand, is conducted with smaller sample sizes and often uncovers user aspirations, frustrations, rationales for certain behaviors, the language they use to describe the problem and solution, and their preferences in more detail. It is more useful for understanding motivations, barriers, and opportunities for your value proposition.

Getting started:

Understanding your customers

User research and investigation methods are incredibly valuable for building a solid understanding of the customer pain points and problems, and the market opportunity. Evaluate your current environment and capabilities to choose an approach that will help you better understand the problem you are tackling.

One popular approach is design thinking - a process, mindset, and approach to solving complex problems that puts people at the forefront. Also known as Human-Centered Design, it is based on a philosophy that empowers an individual or team to design products, services, systems, and experiences that address the core needs of those who experience a problem. This approach relies on both qualitative and quantitative methods.

Qualitative research allows you to get a deeper understanding of your customers and their needs, as well as to get one-on-one feedback. Speaking to 10 potential customers will give you a good idea of where you are and where you should be going. Quantitative research, on the other hand, is for scale - for example, if you have identified a problem by talking to a few customers, and now you want to find out how widespread that particular problem is.

Qualitative user research

Qualitative research uses open-ended questions, conversations, and observations to glean customer insights and understand aspirations, frustrations, rationales, language, and preferences. These can take the form of:

- > in-person interviews or structured one-to-one conversations with target users;
- > small focus group discussions about participant feelings, opinions, attitudes, behaviors, or beliefs;
- > in-home visits, which involve in-person interviews in a participant's household or business; and
- > ethnographic research, which includes observing a target user's behaviour in as natural a surrounding as possible, such as by shadowing them while they go about their day

In-person interaction examples for inclusive fintech

Use cases

Present participants with examples of different transactions (e.g., school fees, bills), and ask how they would transfer money (e.g., via mobile money, cash) to the intended recipients.

Sacrificial concepts

Present participants with concepts or product ideas that can be sacrificed or discarded if they don't like or understand them. Ask participants their impressions and opinions.

Simulated activity

Present participants with images of common expenses, and ask how they would allocate a hypothetical price amount on the expenses.

Extreme, mainstream

Talk with both extreme and mainstream users of a product or service to understand the needs of fringe users that might be appealing or early adopters.

Phone show-and-tell

Ask people to show you their phone and walk you through how they send messages, use apps, play games, send money, pay bills, etc.

Intercept interviews

Stop people on the street or in a market to ask them questions. This is great for testing smaller hypotheses, or understanding context.

Qualitative user research can be completed in-house, or can be done via a third-party. If you decide to do it yourself, keep in mind that:

- > End-customers typically have limited awareness of products and services, and often negative experience with formal financial services.
- > It's important to build a culture of customer empathy, putting customer experience at the centre.
- > You should pay attention to norms, whether religious, cultural, gender, etc. Avoid judgement and unhealthy power dynamics, and be aware of privacy and security risks around your presence or conversation topics.
- > It's important that someone on your team speaks the local languages. Use visual aids whenever possible.
- > You should respect people's time and consider incentives, particularly if you're asking them to forgo work and daily income.
- > Your team needs to get really good at listening closely to what customers say, repeating statements back to ensure understanding, and asking additional probing questions.
- > You should focus on understanding why customers find certain benefits valuable, as this will help you better understand how customers think and what they care about.

- > During interviews, different customers will use different words to describe the same idea, and responses will vary widely in how high-level or specific they are. Be prepared, and take note of the language they use, which you can incorporate in your marketing materials to better reach them.

Quantitative user research

In contrast, quantitative user research relies on statistical analysis of numerical data. This can include analysis of existing datasets (see below for inclusive finance data resources), or analysis of newly-generated data, which can usually be conducted by conducting a survey and inputting responses to create a dataset. If you decide to collect new data, you can speak to individual users with the help of enumerators, use a web survey tool like SurveyMonkey or Decipher, or work with a specialised 3rd party to help you design and implement your survey in person, or via call, text message, or the web.

Quantitative surveys typically include modules for some or all of the following:

- > **Demographic data:** information about the individual and her/his household
- > **Level:** other characteristics of lifestyle, resilience, and household status
- > **Product impact:** feedback and feelings about a product and its utility
- > **Psychographic and behavioural factors:** Attitudes, opinions, and values about various topics
- > **Availability and use of alternatives:** Products, penetration, and pricing for alternative offerings and target customer usage trends

In designing your survey instrument, try to make use of existing modules and questions so that you can benchmark your results against larger datasets. The following resources have instruments that you can use as templates:

1. [Customer Research Surveys by Accion Venture Lab](#)
2. [Global Findex](#)
3. [FinScope Survey](#)
4. [Financial Inclusion Insights Surveys \(FII\)](#)
5. [IMF Financial Access Survey](#)
6. [GSMA MMU Survey](#)
7. [MIX Market](#)
8. [FSPMaps](#)

Interpreting your results

Once you've collected and cleaned your user research data, you can turn it into meaningful insights that can help your team better understand your target users and make them more concrete and relatable. Note there is a crucial difference between findings and insights. For example, "10% of people have smartphones" is a finding, but what does it mean? Is access a problem? If so, that's an insight.

Before you go further, go back to your research questions/hypotheses and map your findings against them—include quotes, so that you don't forget exactly what was said, in the language your customers use. Next, take a step back and look at what your findings are telling you and why they might be the case—these are your insights.

Even if you discover the opposite result to what you were expecting, it's still a result. A negative result could be useful, for example, to help you understand if the product is moving in the right direction or if you are missing something.

Some tools for organizing research findings include:

Customer personas:

A persona is a hypothetical archetype based on real people that represents your core target customers, or a segment of your target customers - typically it encapsulates your lowest hanging fruit. Building and referring back to a persona can help to ensure everyone in the company is aligned with

the same target customer, and all products and marketing materials are designed to speak to them and to meet their specific needs. The key is to incorporate specific characteristics of a number of different people into one portrait.

- > Good personas should fit on a single page and include:
 - Name, photo, job, demographic data, a quote that conveys what they care about - sometimes a photo is helpful
 - Needs, goals, motivations, attitudes, and behaviours
 - Frustrations and pain points with current solutions
 - Understanding and expertise in the relevant domain
 - Product usage context (i.e. smartphone in an off-grid village)
 - Technology adoption life cycle segment (innovators)

Customer empathy maps:

An empathy map is a collaborative tool teams can use to gain deeper insight into their customers. Much like a user persona, an empathy map makes customers more concrete and relatable. The map can represent a group of users, such as a customer segment. It is a good idea to complete an empathy map after the user research phase, before jumping into developing your value prop and identifying product requirements. It is a useful tool for distilling and organizing qualitative data from interviews, focus groups, etc.

- Filling in qualitative customer data (e.g., thoughts, feelings, attitudes) at each touchpoint
- Understanding your moments of truth, or highs/lows of experience that illuminate insights and opportunities for improvement

Customer journey map:

Customer journey maps capture each step in an individual's journey using a specific product or service. You can generate a map for each persona you developed for your target customers. This tool is best leveraged with the full team present, so you can capture and synthesize knowledge, especially from those with experience in customer-facing interactions.

- > The customer journey mapping process includes:
 - Understanding context: determine which specific journey you want to describe with the journey map
 - Defining the stages in the journey (i.e. awareness, selection, payment, upgrade)
 - Detailing each touchpoint a customer has with your brand, product, and staff along the journey. Describe what the customer does at each stage, and the communications they receive

Making insights actionable

Insights can help you identify and improve your product, your processes (e.g. customer service), and your value proposition, as well as to gain a better understanding of your customers. Now what? Turning these insights into action items is absolutely essential.

This table can help you think about how to act on findings from user research:

Field experience	Customers love your product but don't understand a key aspect. This could be a feature that could benefit them even more or even your pricing model - anything that is causing confusion.	Customers shared their frustrations with a certain part or feature of your product.	When you ask your customers what value they hoped to get from your product, the answers surprised you and made you wonder if they were talking about your product.
Implication	Once you've identified the key area of confusion, you know what you have to solve for, which makes it a lot easier than shooting in the dark.	Frustrations are little gems that can be leveraged using your agility as a startup to make quick changes.	When customers' answers differ from your assumptions, you can either move to provide the solution they are looking for, or you can reconsider your messaging strategy so that customers have a better sense of what you are actually providing.
Next step	You may need to make changes either on the UI/UX front or in your messaging.	Revisit your customer journey map or build one if you haven't.	Revisit your value proposition canvas or build one if you haven't.

The goal is to integrate user research and insights to build a "product improvement engine" in your company. What this means is that you should talk to your users and watch them use your product, on a regular basis, organize your findings into insights—and take action. Then do it again and again, until you reach product-market fit. If you improve your product 5% every week, it will really compound!



If you do not build a product users love, you will eventually fail.

Sam Altman, former president of Y Combinator and now CEO of OpenAI

Case Study

Mexican PAYGo provider Graviti was able to harness user research to better understand what marketing messages were landing and why. These insights improved their marketing strategies and dramatically reduced CAC.



Challenge

Graviti is a fintech startup that aims to unlock affordable and convenient access to essential services for unbanked and underserved families in Mexico, starting with solar water heating. Graviti has formed partnerships with local distributors, who install solar heating systems in customers' homes. The startup has crafted an exceptional product, and the sales team is able to convert leads into sales at extremely high rates.

The startup was founded in Mexico City by a team with a strong background in pay-as-you-go (PAYGo) services and technology. They knew that PAYGo could serve as a powerful mechanism for expanding access to essential home appliances, especially given Mexican families' limited access to formal financial services.

In choosing an entry point, they noted that piped gas is not widely available, so most families depend on trucks that deliver heavy gas cylinders for heating needs. Given this gap, the team launched Graviti's services with a solar-powered water heater, which can provide hot water more reliably than gas can, and can help families save money in the long run.

While Graviti's portfolio has been growing impressively, the team was worried about customer acquisition costs. When Catalyst Fund first started working with them, they had not developed a specific marketing pitch or refined the customer segments they wanted to target. Instead, they depended solely on broad social media advertising campaigns for acquisition. These campaigns are expensive, and, since they were not targeted very narrowly, the number of leads generated per campaign was quite low.



Action

To address high acquisition costs and generate velocity for growth, the team knew they needed to improve their targeting and messaging strategy. Catalyst Fund helped them do so by conducting user research with both current customers and churned leads. The team conducted qualitative interviews with both groups in an effort to uncover what convinced users to eventually purchase the product, and to understand why some leads decided against it.

The interview guide included a series of open-ended questions, starting with basic demographic and household-level information, like age and number of dependents. Next, the researcher asked leads about their (previous) hot water solution to understand why they might have been searching for something new. Then, they asked how leads found out about Graviti, their perception of the value proposition offered by the startup, and their experience with the sales team. For current users, the team also asked about installation experiences and other feedback. For those that decided against purchasing, the researchers probed the reasons why and whether they went on to pursue other solutions.

The research found that active users tended to have bigger families and multiple sources of income, while churned leads were single breadwinners with smaller families. In both cases, leads already knew about solar-water heaters and needed little information about what the solution entailed. In fact, most knew someone personally who has (and loves) their solar home system, attesting to the importance of referrals and social proof.

Interestingly, the research also found that churned leads were still interested in Graviti, providing another source of high-quality leads. Finally, the team also realized that both users and leads were interested in water heaters as a way to “invest” in their homes and well-being, and that the all-in-one financing and installation package from Graviti was the primary selling point.



If I would have gotten this solar system before the pandemic, it would have helped me out a lot, I mean right now we are tight on money, so saving up on gas could have helped a bit, but still some help, I do regret not getting it earlier.



I think that right now, I would be very happy saving money, I would feel protected, or maybe not protected, but with some peace of mind knowing I have to spend less on natural gas, I just got cut to a half-time shift so any kind of saving means the world to me right now.



Result

Based on these insights, the team helped Graviti design a new approach to user segmentation, marketing and engagement. To start, the team segmented leads into four groups and prioritized those that were already interested in solar-powered water heaters. This group did not need to be educated on solar water heaters or convinced of their merit. Rather, they needed to be convinced why they should choose Graviti specifically, over other options. Insights from research indicated that the most appealing elements of Graviti's offering were the financing options, the all-in-one concept, which included free installation and superior service, and the speed and immediacy with which users can access Graviti's products.

Zeroing in on this segment, Graviti adjusted their messaging and conducted several experiments through social media and search ads, including retargeting campaigns for existing leads. They tested two campaigns: one highlighting the all-in-one qualities of the service and one highlighting the speed and immediacy delivered by Graviti, and tested this against their original ads which simply promoted the water heater and its price. This new approach resulted in so many qualified leads that Graviti needed to suspend the campaigns to hire several new members for the sales team in order to serve them!

Resources:

[How to measure NPS](#) an explanation from Wikipedia

[Wootric](#) is a tool to help you measure and monitor NPS

Learn more about Human-Centered Design from [IDEO](#) and download their toolkit.

For B2C businesses:

[CGAP's Customer Experience Workbook](#) is a super in-depth guide that will really help you map out everything you need to understand your customers.

For B2B businesses:

You can create [Ideal Customer Profiles \(ICP\)](#) instead of personas to define an ideal customer by more than four factors (company size, industry, geography revenue, pains, needs, etc.)

[Building your ICP](#) watch Ryan Williams, VP of Sales at Leadgenius talks about: Ideal Customer Profile, Buyer Persona, How to find leads using various tools, Org mapping, Buyer's journey, typical buying process, Ideal Client and Qualification Frameworks.

About Catalyst Fund

Catalyst Fund, managed by BFA Global, is a global accelerator that supports inclusive tech innovators and facilitates the growth of innovation ecosystems in emerging markets. The Catalyst Fund Inclusive Fintech Program, supported by the UK Foreign, Commonwealth and Development Office (FCDO) and JPMorgan Chase & Co., and fiscally sponsored by Rockefeller Philanthropy Advisors, provides startups with catalytic grant capital, bespoke venture building support from emerging markets and fintech experts and access to a global network of investors and corporate partners, while sharing learnings and insights with the broader inclusive tech ecosystem. Its mission is to accelerate the development of affordable, accessible and appropriate digital financial solutions to improve the financial health of the world's 3 billion underserved. Its focus markets include Kenya, Nigeria, South Africa, Mexico, and India.

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