

BILL AULET: So now that we understand at a high level what market segmentation is, the question now is, how do you do market segmentation? And this is actually quite a fun process if you do it correctly. If you already have a technology and people are buying it and experiencing it, you can actually just go to them and say, what are you using it for? And that will start to give you input.

If you have an idea, it's not as easy to do that. But really what we're going to do here is we're not going to be limited just by what's already being done. We're going to get the team together. And we're going to think out of the box.

What are all the different potential things? And no idea is too crazy. Brainstorming is a very good thing. The crazier idea, the better because it opens the aperture.

And so then, you're going to systematically make a list or lay out all the different opportunities that you can think of. And it's interesting because in my company, some of the first ones that we thought were so obvious-- we're going to do this-- ends up being ones that we didn't do. It with some other idea they came up in brainstorming.

But once we laid out what the different opportunities are, now that was just brainstorming in a room. They might not be good ideas. We have to go out. And the answer lies in doing primary customer research.

So we're going to go out and talk to real customers to find out what their problems are, what they think of this idea. It's not-- we have to understand their needs as well. Because they're not going to be able to design the product for us. So doing primary observational market research is fundamental.

My thesis at MIT was on this. And what I saw was that you have to have a good process. But it's not just the process that matters. It's actually walking in the customer's shoes and using good inquiry techniques, not advocating for your product but understanding what they're about.

You need to walk in the customer's shoes. You need to understand them rationally, of course, emotionally, and also socially. What drives them? What do they kind of fear most in the world?

But now, we're going to understand their job as well by watching them. And this is what we call

primary customer research. Then, we're going to narrow down these markets.

So we might have 20. And we're going to do a first pass on market research. And then, we're going to say, all right, we can't do 20. We can only do six to eight of them.

And then, once we do that, we've narrowed the field. And then, we do another push of market research, primary market research to do this. Do not trust what you just see on the internet.

Do not trust a report from a group, as reputable as Gartner might be. Go out, and see for yourself. Because the answer lies with the customer.

You have to do this yourself. Don't download your eyes and ears. This primary market research is one of the most fundamental important things that you're going to do.