



**STRATHMORE INSTITUTE
DIPLOMA IN ENTREPRENEURSHIP
END OF SEMESTER EXAMINATION
DE 1105: CUSTOMER DISCOVERY AND BUSINESS PLANNING**

DATE: August 21st, 2023

Time: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.

QUESTION ONE (1) (30 MARKS)

How sleep startup Zeo started counting Zs

In the fall of 2003, during an introductory psychology class at Brown University, a group of students learned that when an alarm clock wakes you up during the wrong sleep stage, you wake up feeling groggy. If the alarm clock happens to wake you during the right sleep stage, however, you awake feeling refreshed.

Zeo co-founders Jason Donahue, Ben Rubin and Eric Shashoua and half a dozen others brainstormed ways to find a way to wake someone up feeling refreshed. The group first wondered whether they could predict which sleep stage the sleeper was in based on a timer -- based on what time they fell asleep. After consulting the research, however, they quickly realized that the alarm clock would have to know which sleep phase the person's brain was in and they set about interviewing sleep scientists at Brown and Harvard to see if it was possible. They discovered it was possible to do this using a headband that communicated to an alarm clock.

The Co-founders went ahead to secure some funds from investors and built their first product which they tested with the market. They wanted to ship their product by within a year. As Zeo began testing its prototypes with consumers the startup's plans to make its central offering a "smart alarm clock" that helped users wake up at optimal times began to change. The smart alarm was no longer the thrust of the company.

Consumers were more interested in how well they slept and how they might be able to sleep better, so the smart alarm feature became a welcome bonus. "We went through a major shift," Rubin said. "We went from a company that was all about waking up to a company that was all about sleep. The company hired a team to work on product modifications. The company also repositioned its marketing message.

For the next couple of years, the team was working to build a better version of their product and to find customers who would buy it.

Zeo stopped operating in December 2012, and Q2 2013, it quietly shut down. According to insiders, problems included the business model, with a "suboptimal profit margin", invasiveness of the headband device for some user, and friction caused by the user having to log into the website to enter additional data. Moreover, the sleep data was not necessarily suitable for a small mobile screen. At some point, the company was not able to raise more investment money to sustain operations.

Modified from <https://www.mobihealthnews.com/>

- a) Explain the product development approach **(8 Marks)**
- b) Describe how the customer development approach would have been implemented by the co-founder **(8 Marks)**
- c) Using examples from the case study, discuss three flaws associated with the product development approach. **(6 Marks)**.
- d) Explain the four-phase customer discovery cycle that the co-founders of Zeo should have taken **(8 Marks)**

QUESTION TWO (2) (15 MARKS)

- a) Describe the four types of markets and their key characteristics **(8 Marks)**
- b) Giving examples, explain the SCAMPER tool **(7 Marks)**

QUESTION THREE (3) (15 MARKS)

- a) Explain four benefits associated starting your business with a team **(8 Marks)**
- b) Explain how startups compensate their early employees **(4 Marks)**
- c) Explain the concept of Critical Success Factors when it comes to building a team **(3 Marks)**

QUESTION FOUR (4) (15 MARKS)

- a) Explain the design thinking process **(10 Marks)**
- a) Using an example, explain why and when design thinking approach should be used **(5 Marks)**

QUESTION FIVE (5) (15 MARKS)

- b) Explain the four aspects of feasibility assessment and identify two questions you would ask under each section. **(8 Marks)**
- c) Explain three possible sources of business ideas **(6 Marks)**
- d) Explain the concept of "Creative destruction" **(1 Mark)**