

How to... Identify a Target Market and Prepare a Customer Profile

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This document covers:

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- TYPES OF MARKETS
- IDENTIFY YOUR MARKET
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 - Step Two: Segment your overall market
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- CHOOSE THE SEGMENTED TARGET MARKET(S) YOU WILL SELL TO

1. WHAT YOU SHOULD KNOW BEFORE GETTING STARTED

In order to market your product or service, it is imperative that you tailor your marketing and sales efforts to specifically reach the segment of population that will most likely buy your product or service. It is critical that you first determine or clearly identify your primary market. Your energy and funds can thereby be spent more efficiently and effectively.

If you don't know who your customers are, how will you be able to assess whether you are meeting their needs? Since success depends on your being able to meet customers' needs and desires, you must know who your customers are, what they want, where they live and what they can afford. We've all heard a business owner say, "My product is terrific! It appeals to everyone." Many of us have also seen small businesses that try to be all things to all people. This is a difficult, if not impossible, bridge to cross.

Targeting your market is simply defining who your primary customer will be. The market should be measurable, sufficiently large and reachable.

For example, a definition of being a printing service for mid-sized firms with mid-size projects is not measurable. However, a target market of firms within a radius of 20 miles, with annual revenues of \$10 to \$25 million and a need for four-colour printing runs of approximately 5,000 pieces is a clear definition.

Once your target market is defined, based upon your knowledge of product appeals and market analysis, and can be measured, you should determine whether the target audience is sufficiently large enough to sustain your business on an ongoing basis. In addition, your target market needs to be reachable. There must be ways of talking to your target audience.

2. TYPES OF MARKETS

A market is simply any group of actual or potential buyers of a product. There are three major types of markets:

- **The consumer market.** Individuals and households who buy goods for their own use or benefit are part of the consumer market. Drug and grocery items are the most common types of consumer products.
- **The industrial market.** Organizations and the people that work for them that purchase your product or service for use in their day-to-day operations or to produce/manufacture other products to sell.
- **The reseller market.** Middlemen or intermediaries, such as wholesalers and retailers, who buy finished goods and resell them for a profit.

3. IDENTIFY YOUR MARKET

Listed are three steps to follow when identifying your market, they are:

1. Identify Why A Customer Would Want To Buy Your Product/Service
2. Segment Your Overall Market
3. Research Your Market

3.1 STEP ONE: Identify Why a Customer Would Want To Buy Your Product/Service

The first step in identifying your target market involved understanding what your products/services have to offer to a group of people or businesses. To do this, identify your product or service's features and benefits. A feature is a characteristic of a product/service that automatically comes with it.

For example, if toothpaste has a stain-removing formula, that's a feature. The benefit to the customer is whiter teeth.

While features are valuable and can certainly enhance your product, benefits motivate people to buy.

For example, anti-lock brakes are features on a car, but the benefit to the consumer is safety.

By knowing what your product/service has to offer and what will make customers buy, you can begin to identify common characteristics of your potential market.

For example, there are many different consumers who desire safety as a benefit when purchasing a car. Rather than targeting everyone in their promotional strategy, a car manufacturer may opt to target a specific group of consumers with similar characteristics, such as families with young children. This is an example of market segmentation.

Using the table below, list the features of your product/service in the first column. In the other column, list the benefit(s) each feature yields to the buyer:

FEATURES		BENEFITS	
1		1	
2		2	
3		3	
4		4	

3.2 STEP TWO: Segment Your Overall Market

It is a natural instinct to want to target as many people and groups as possible. However, by doing this your promotional strategy will never talk specifically to any one group, and you will most likely turn many potential customers off.

Your promotional budget will be much more cost effective if you promote to one type of customer and speak directly to them. This allows you to create a highly focused campaign that will directly meet the needs and desires of a specific group. Again, this is called market segmentation.

Market segmentation is the process of breaking down a larger target market into smaller segments with specific characteristics. Each group requires different promotional strategies and marketing mixes because each group has different wants and needs. Segmentation will help you customize a product/service or other parts of a marketing mix, such as advertising, to reach and meet the specific needs of a narrowly defined customer group.

An example of market segmentation is the athletic shoe industry. Major manufacturers of athletic shoes have several segmented markets. One segment is based on gender and another segment is based on the type of sport or activity. They have different promotional campaigns for each segmented market.

Case Study 1

A president of a management-training firm had been marketing to Fortune 500 companies for more than a year. She received some business, but the competition was fierce. One day, she received a call from the owner of a manufacturing plant who needed their managers trained. The president agreed to take the job, and found out there was virtually no competition within the manufacturing industry, basically due to it being less glamorous to train in a manufacturing plant than executive offices of the Fortune 500 companies.

The president decided to change her marketing strategy and target only manufacturing plants. Their collateral material reflected this change. Within six months the company increased their revenues by 80% and created a competitive edge by segmenting their market.

Case Study 2: Career Options Job Placement Firm

Career Options, a job placement firm, has a target market of the unemployed. While anyone looking for a job could be a potential customer, it's hard to know where to focus their marketing to reach the market. Instead, Career Options decides to target recent college graduates and professionals in transition. Both groups share one important characteristic — they need a job, but the two groups have different characteristics, needs and wants. New college graduates, for example, are young and often unsure of career paths. They have little experience in resume writing and interviewing. Professionals in transition may be dealing with the trauma of being fired or laid-off. They usually have a defined set of skills and a career path. We'll come back to this example later.

Market Segments

Larger markets are most typically divided into smaller target market segments on the basis of the following:

- **Geographic.** Potential customers or organizations are segmented in a local, state, regional or national marketplace. If you are selling a product such as farm equipment, geographic location will remain a major factor in segmenting your target markets since your customers are located in particular rural areas. Or, if you own a retail store, geographic location of the store is one of the most important considerations.

Climate is a commonly used geographic segmentation variable that affects industries such as heating and air conditioning, sporting equipment, lawn equipment and building materials. Decide if your business is going to do business on a local, regional, national or international level. Identify specific boundaries as to which you will do business. Identify the geographic region where your market is located and think about changes to your business model if seasonality is pertinent.
- **Demographic.** Potential customers are identified by criteria such as age, race, religion, gender, income level, family size, occupation, education level and marital status. Choose

those characteristics of your demographic target market that relates to the interest, need and ability of the customer to purchase your product or service.

For example, a target market for a real estate developer selling luxury vacation homes near Walt Disney World would include professional married couples approximately 30 to 45 years old with young children with incomes of more than \$100,000.

Another example of targeting through demographics is Liz Claiborne Apparel Company. They have named their target market, her name is Liz Lady. They know Liz Lady's age, income range, professional status, family status, hobbies and interests. Every decision from marketing to design is based on Liz Lady's profile.

A demographic for a business would include such factors as customer size, number of employees, type of products, and annual revenue. If you are a business-to-business marketer for example, you may want to consider segmenting according to your target market's size. A printing company may decide to target only magazine publishers that publish more than one magazine because they need high volume accounts to make a profit.

Identify the following DEMOGRAPHIC characteristics regarding your market.

Consumer Market

Age	
Income	
Gender	
Profession	
Education	
Family Size	
Homeowner	
Marital Status	

Business Market

Geographic Location	
Size of Company	
Annual Revenue	
Number of Branches	

Number of Employees	
Industry	
Age of Company	

- Psychographic.** Many businesses offer products based on the attitudes, beliefs and emotions of their target market. The desire for status, enhanced appearance and more money are examples of psychographic variables. They are the factors that influence your customers' purchasing decision. A seller of luxury items would appeal to an individual's desire for status symbols.

Business customers, as well as consumers, can be described in psychographic terms. Some companies view themselves as cutting edge or high tech, while others consider themselves as socially responsible. Still others see themselves as innovative and creative. These distinctions help in determining how your company is positioned and how you can use the company's position as a marketing tactic.

For example, Southwest Airlines has positioned itself as an innovative and fun airline that takes passengers on short, inexpensive excursions, whereas Delta chooses to promote reliability and safety.

The following are PSYCHOGRAPHIC descriptions. Identify which characterize your target market:

Consumer Market

Lifestyle	
Fun-Seeking	
Family Stage	
Trendy	
Hobbies	
Status Seeking	
Sports Enthusiasts	
Conservative	
Forms of Entertainment	
Socially Responsible	

Image

Environmentally Conscious	
Influencer	
Subscriptions	
Family Oriented	
Technical	
Workforce Type	
Management Style	
Other	

Business Market

Business Style	
Industry Leader	
Business Stage	
Innovative	
Employee Relations	
Conservative	
Trade Associations	
Socially Responsible	
Business/Products Stable	
Services Used	
Employee Friendly	
Publication Subscriptions	
Workforce Type	
Management Style	

- Behaviouristic.** Products and services are purchased for a variety of reasons. Business owners must determine what those reasons are, such as: brand, loyalty, cost, how frequently they use and consume products, and time of year. It's important to

understand the buying habits and patterns of your customers. A consumer does not rush and buy the first car they see, or the first sofa they sit on. A Fortune 500 company doesn't typically make quick purchasing decisions.

Answer the following questions regarding your market:

Reason/Occasion for Purchase?	
Number of times they'll purchase?	
Timetable of purchase (week/month/quarter)?	
Amount of product/service purchased?	
How long to make decision to purchase?	
Where does customer purchase?	

Most businesses use a combination of the above to segment their markets. Demographic and geographic criteria will usually qualify your target markets because you need to establish if segment members have enough money to purchase your offering or if they're in a location that's accessible to the product. Most businesses then use the psychographic and behaviouristic factors to construct a promotional campaign that will appeal to the target market.

For example, Career Options is limited to the geographic region of where their office is situated because their target markets want to work in that area. In their advertising they will appeal to psychographic factors such as the desire for stability and income.

Take a moment to decide which segmentation criteria will be most helpful to you in segmenting your target market:

- Geographic _____ More Helpful _____ Less Helpful
- Demographic _____ More Helpful _____ Less Helpful
- Psychographic _____ More Helpful _____ Less Helpful
- Behaviouristic _____ More Helpful _____ Less Helpful

Next, identify what is important to your customers and rank these on a scale of high, medium, low or not at all.

- Are they price sensitive?
- Are they looking for the highest quality?
- Is their customer service important?
- Is location a deciding factor?

	HIGH	MEDIUM	LOW	NOT AT ALL
Price				
Quality				
Brand				
Variety of services				
Salespeople				
Customer Service				
Special Offers				
Promotional Campaign				
Packaging				
Convenience of use				
Convenience of purchase				
Location				
Guarantees				
Store/Office Decor				
Payment Terms				
Other				

3.3 STEP THREE: Research Your Market

Below is a sample of a customer profile and analysis that would be compiled by our case study, Career Options.

Constructing a similar profile will assist you in developing the proper marketing strategies to be successful in your target market. Remember, no two-customer profiles will be the same. Depending on your product or service, your customer profile will include information relevant to your target market.

Many companies seek out information on a potential user's lifestyle, loyalty, and spending habits. Businesses that advertise heavily want to know the media habits of potential customers as well. Whatever information will help you better promote and sell your product should be included in your customer profile.

Career Option's Sample Customer Profile:

PROFESSIONALS IN TRANSITION SEGMENT				
Gender	30% Female		70% Male	
Age	10% 26 - 30	30% 31 - 40	30% 41 - 55	30% 56 - 65
Income	25% 30-40K	25% 40 – 50K		50% 50 – 60K
Marital Status	80% Married		20% Single	
Level of Education	60% Bachelors Degree		40% Masters Degree	
Occupations	10% Health Care	20% Financial	30% Marketing/ Advertising	40% Hi-Tech Fields
Jobs Sought	70% Same Field		30% New Field	

Most Important Benefits:

- Assistance in finding work quickly.
- Want a better job.
- Want equal salary or increase.
- Stability.

Psychographic Summary: This segment closely associates work with self-esteem. They feel pressure because most have families and comfortable lifestyles to maintain. They are not interested in forging new careers but want stability.

Upon completion of their customer profile, Career Options will now have a good idea of how to serve the needs of this target market. Their advertising will emphasize that Career Options specializes in helping professionals find good paying jobs quickly.

They will also discover that most of their potential customers in this segment are seeking employment in technical industries. Advertising in various local industry publications would therefore be a good way to reach this market segment. They can also develop an expertise for counselling and placing hi-tech career professionals.

4. CHOOSE THE SEGMENTED TARGET MARKET(S) YOU WILL SELL TO

After identifying and defining the possible segments within your target market, you must face the critical question of whether or not it would be profitable and feasible for you to pursue each identified segment, or choose one or two. To make this decision, you must answer the following questions:

- **What is the financial condition of my firm?** If you have limited resources at this time, you may want to direct your marketing efforts to only one segment. It would be better to have a concentrated advertising campaign to reach one segment than it would be to advertise sporadically in an attempt to meet two.
- **What segments are my competitors covering?** Are they ignoring smaller segments that I can possibly exploit? The printing company previously mentioned may decide to pursue small magazine publishers because they have many competitors currently serving the needs of larger publishers.

Or, Career Options may discover that in their geographic location there are several firms that specialize in helping professionals in transition, therefore they may decide to specialize in the recent college graduate market.

- **Is the market new to your firm?** If so, it may be better for you to concentrate on one segment for now, and expand to others when your initial segment has been successfully penetrated. Developing new markets takes a greater commitment of time, money and energy.

Important Considerations:

- If you pursue one segment of your target market and the demand for your product decreases, so will your financial strength. In essence, you are putting all your eggs in one basket.
- When your firm becomes well established in a particular market segment, it may be difficult for you to move to another segment. This may occur due to your market reputation or popularity. *For example, if Career Options becomes known for helping college graduates find jobs, unemployed professionals may perceive them as only having the expertise to serve that market.*
- After you have mastered one particular segment, you can then begin to develop another. This strategy of directing your firm's marketing efforts at one or more market segments by developing a marketing mix for each specific segment is known as the Mullet-Segment Strategy. An example of a product that was traditionally targeted at women and is now being targeted at both men and women is hair coloring.

The marketing mixes for this strategy may vary by product, price, promotional material and distribution methods. It is not uncommon for a firm using the multi-segment strategy to increase its sales by focusing on more than one segment, since you would have marketing mixes aimed at each segment. However, this strategy would require additional processes, you may incur higher production costs. Additionally, different promotional plans and distribution efforts will result in higher marketing costs. Make sure the costs don't outweigh the benefits.

Now think about all the characteristics you have identified and start formulating the promotional campaign that will best address this specific target market. Start to formulate a picture or description of your ideal customer. Make sure everything you do, from design and price to marketing, addresses your market.

STILL HAVE QUESTIONS? CONNECT WITH US!

Women's Enterprise Centre is a non-profit organization devoted to helping BC women start, lead and grow their own business. If you own a business, or are thinking of starting one, connect with us for business loans up to \$150K, skills training, personalized business advice, mentoring, practical resources and a supportive community to help you realize your business potential.