

How to Identify a Target Market and Prepare a Customer Profile

Susan MaGee
Content provided by The Edward Lowe Foundation

WHAT TO EXPECT

This Business Builder will take you through a step-by-step process that will help you identify specific target markets within your industry and provide you with the know-how to create a customer profile.

WHAT YOU SHOULD KNOW BEFORE GETTING STARTED

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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 energies and funds then can be spent more efficiently.

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 printer's target of mid-sized firms with mid-size projects is not a measurable definition. 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-color printing runs of approximately 5,000 pieces is a clear definition.

Once your target market is defined through your knowledge of product appeals and market analysis, and can be measured, you should determine

whether that target market is 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.

Types of Markets

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

1. 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.
2. The industrial market. Individuals, groups or organizations that purchase your product or service for direct use in producing other products or for use in their day-to-day operations.
3. The reseller market. Middlemen or intermediaries, such as wholesalers and retailers, who buy finished goods and resell them for a profit.

IDENTIFYING YOUR MARKET [[top](#)]

Here are three steps to follow when identifying your market:

- Identify Why A Customer Would Want To Buy Your Product/Service
- Segment Your Overall Market
- Research Your Market

Step One — Identify Why A Customer Would Want To Buy Your Product/Service

The first step in identifying your target market is 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 a toothpaste has a stain-removing formula, that's a feature. The benefit to the customer, however, is whiter teeth.

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

An example is anti-lock brakes; they 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.

In one column, list the features of your product/service. In the other, list the benefits each feature yields to the buyer.

Features:	Benefits:
1.	1.
2.	2.
3.	3.
4.	4.

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.

Case Study...A president of a management training firm had been marketing to *Fortune 500* companies 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 to have managers trained. The president agreed to take the job, and found out there was virtually no competition for plant manufacturing training services, because it was less glamorous to train in a manufacturing plant than in executive offices of the *Fortune 500* companies. The president decided to change her marketing strategy and target only manufacturing plants. Their promotional material reflected this change. Within six months the company increased its revenues by 80 percent and created a competitive edge by segmenting its market.

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.

Case Study... Career Options, a job placement firm, has a target market of the unemployed. While it's true that anyone looking for a job is a potential customer, developing a focused marketing strategy to reach such a broad market would be difficult, if not impossible.

Instead, Career Options should target the following segments within the broad group of people seeking employment: recent college graduates and professionals in transition. Both groups share one important characteristic — they need a job — but the two groups have different characteristics, different 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.

Another 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 the other segment is based on the type of sport or activity. They have different promotional campaigns for each market segment.

Larger markets are most typically divided into smaller target market segments on the basis of geographic, demographic, psychographic and behavioristic characteristics:

- **Geographic.** Potential customers are in a local, state, regional or national marketplace segment. 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 the geographic region where your market is located. Identify specific boundaries within which

you will do business.

- **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, and 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 profile 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 customer'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 of 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 socially responsible, stable and strong. 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 variables. Identify the characteristics of your target market.

Consumer Market

Lifestyle

Fun-Seeking

Family Stage

Trendy

Hobbies

Status Seeking

Sports Enthusiasts

Conservative

Forms of Entertainment

Socially Responsible

Publication

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

- **Behavioristic.** 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 and at what time of year customers in a segment use and consume products. It's important to understand the buying habits and patterns of your customers. Consumers do 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, every week, month, quarter, etc.?

Amount of product/service purchased?

How long to make a decision to purchase?

Where customer purchases and/or uses product/service?

Most businesses use a combination of the above to segment their markets. Demographic and geographic criteria will usually qualify your target markets so you can 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 behavioristic factors to construct a promotional campaign that will appeal to the target market.

For example, Career Options is limited to the geographic region where their office is situated because their target customers 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 _____ Yes _____ No
 demographic _____ Yes _____ No
 psychographic _____ Yes _____ No
 behavioristic _____ Yes _____ No

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 great customer service important? Or, is location a deciding factor?

	High	Medium	Low	Not at all
Price				
Quality				
Brand Name				
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				

Step Three: Research Your Market

Some or all these reference tools can be found in the reference collection of any public library or college library that supports local business or a business school:

Federal Government Data:

A great deal of demographic data is either free or inexpensive because it is collected and published by the federal government. The following publications are from the Commerce Department and Census Bureau.

- [*Statistical Abstract of the United States*](#) (annual)

Published by the U.S. Department of Commerce, this publication provides one-stop shopping for a demographic portrait of life in the United States. Tables include information on just about everything: school enrollment, voting patterns, employment projections, the federal budget, production figures, family income, public expenditures, vital statistics, labor force information. While the emphasis is on national information, many tables represent states and regions with a smaller number covering metropolitan areas and cities.

- [United States Census](#)

Every 10 years, the United States Census Bureau, in its attempts to count the number of people in the United States, gathers a vast array of data about its citizens. The most current Census is available in print format in many libraries. For the first time the Census is also available in CD-ROM. The Census Bureau also monitors the population through its regular surveys, including the monthly [Current Population Survey \(CPS\)](#). The March issue of CPS contains household and income data. Contact the Census Bureau Call Center at 301.763-4636 to obtain the annual publication [Census Bureau Catalog and Guide](#), which explains publications available from the Census Bureau and how to order them. The customer service department of the Census Bureau can be reached at 301.763.4100.

- Data for American States

The simplest way to collect state and local data is to check regional Web sites and make a telephone call to the appropriate source. Regional Web sites can be located through the [State and Local Government on the Net](#) Web site. City or county planning departments often compile demographic data. Additional sources for local information are chambers of commerce, local business associations, regional economic development groups, realtors and school boards. Local experts may also be able to help you with

detailed data. Some of the Census Bureau reports are broken down to the state, county, zip-code, and city block level.

- [County and City Data Book](#)

Contains data for 50 states, more than 3,000 counties or county areas, 243 SMSA's, and 840 cities of 25,000 inhabitants or more.

- [State and Metropolitan Area Data Book](#) (annual)

The *SMA Data Book* provides demographics for each state and metropolitan area, as well as counties and central cities.

Commercial Sources of Demographic Statistics:

Online databases and CD-ROM products have made it much easier than it used to be to sift through the mountains of information created by the Census Bureau and other gatherers of statistics. For a complete listing of demographic and other databases, consult the [Gale Directory of Databases](#) (available at most large libraries). The following sample of databases is available through database vendors such as [Dialog](#). You can also use online search engines such as Yahoo! and Google to find database compilers and other vendors.

- [Population Demographics](#) from [Claritas](#).

The Population Demographics database provides access to the decennial Censuses, as well as estimations and projections developed by Claritas. The database provides census information in an easy to use and comprehensive manner. Information can be searched by a variety of fields, including age, sex, race, industry, occupations and geographic areas. Current year estimates and five-year projections are also available for certain data.

- [ESRI](#) reports

The company that publishes the *Sourcebook of Zip Code Demographics* and *Sourcebook of County Demographics*, listed below, invites you to order brief local demographic reports online.

- Local sources

Enter "**demographic data**" and a place name in the search blank of a search engine such as Google or Yahoo! to find still more online sources.

Demographic Publications:

- [*American Demographics*](#) — monthly magazine containing articles on demographic trends.
- *Sourcebook of County Demographics* and *Sourcebook of Zip Code Demographics*. [ESRI](#) publishes these volumes that identify dozens of local potential-customer characteristics annually.
- [*Demographics USA*](#), City and County editions. Trade Dimensions International publishes these volumes that are similar in concept but have little overlap with the *Sourcebooks* from ESRI.
- [*Lifestyle Market Analyst*](#) from SRDS (annual).

Demographic, Psychographic and Behavioristic:

The primary vehicles to obtain this information are surveys and focus groups. Surveys are typically anonymous and try to reach as many members of a target market as possible. Focus groups, on the other hand, attempt to get an understanding of a specific market segment by questioning eight to 12 members of that group to discover what psychographic and behavioristic factors might motivate the entire group. You should consider hiring a marketing research firm, since executing both questionnaires and focus groups can be complex undertakings. If hiring a marketing research firm is out of the question for your business at this time, here are some suggestions for conducting your own survey research:

- Your current customers can provide you with insight on potential customers and how to appeal to them. You may also discover an opportunity to produce additional products to serve this market or improve on an existing product. Ask yourself: What do I need to learn about my customers? Then construct questions that will provide the answers. It can be as simple as asking a current customer:
Why did you purchase this product? or, How can this product be improved? Make sure you give them enough space to answer.
- If you have a retail outlet, you have the means of distributing a customer comment card or questionnaire. A suggestion box is also a vehicle for obtaining information about your customers and their wants and needs.
- When mailing monthly invoices or statements, include a questionnaire and return envelope. If you provide an incentive to those who return it, such as a free gift or premium, you increase the chances of getting it back.
- Get statistics on the subscriber population for the trade journal that serves the market you want to segment. Most major publications have demographic and behavioristic profiles of their readership. If

you're a manufacturer of a part used in printing presses, a magazine focusing on the printing industry can provide you with valuable segmenting information. Simply call the advertising department and ask for a media kit. While you're talking to the publisher's representative, ask if there are any regular or special articles you should see for useful trade and demographic statistics.

- Requesting a customer-organization's annual report will provide you with business demographic information.
- Work with a local college. If you need help in designing and executing a market survey, contact a marketing professor at a nearby college and offer it as a class project.
- Identify your potential customers and question them.
For Example: Career Options might go to the state unemployment office and conduct a survey, or visit a local college and conduct a survey among college seniors.
- Trade associations can provide valuable information for industries not only on demography and market size, but on competition and trends for growth areas as well. Trade associations usually sponsor trade shows. A printer serving the magazine market would attend a trade show for that industry. But if this printing company was considering targeting new markets such as book publishers or greeting card publishers, then attending trade shows for those industries would be a prime way to identify and question potential customers.

SAMPLE OF A CUSTOMER PROFILE AND ANALYSIS [\[top\]](#)

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% 56-64

Income:

25% 30-40K 25% 40-50K 50% 50-75K

Marital Status:

80% Married 20% Single

Level of Education:

60% Bachelor's degree 40% Master's degree

Occupations:

10% Health Care 20% Financial
30% Marketing/Advertising 40% Hi-Tech Fields

Job Sought:

70% Same Field 30% New Field

Most Important Benefits:

1. Assistance in finding work quickly.
2. Want a better job.
3. Want equal salary or increase.
4. 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.

Having completed the customer profile, Career Options will have a good idea of how to attract and serve customers in 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 counseling and placing hi-tech career professionals.

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. You'll have to decide how much emphasis to place on a potential user's lifestyle, loyalty, and

spending habits. If you're going to advertise heavily, you'll 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.

CHOOSE THE SEGMENTED TARGET MARKET(S) YOU WILL SELL TO [\[top\]](#)

After identifying and defining the possible segments within your target market, you must face the critical question of whether 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. A concentrated advertising campaign to reach one market segment is likely to be more effective than a diffuse campaign attempting to reach 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 there are many competitors currently serving the needs of larger publishers. Or, Career Options may discover that since in their geographic location there are several firms that specialize in helping professionals in transition, they should 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. Directing your firm's marketing efforts at more than one market segment by developing a marketing mix for

___ Segment your market.

___ Divide larger target market segments into smaller segments.

___ Decide if it would be profitable and feasible for you to pursue each segment.

RESOURCES [[top](#)]

Books

[*The Successful Business Plan: Secrets & Strategies*](#) by Rhonda Abrams and Eugene Kleiner. (Running R Media, 2000).

[*The Marketing Plan: How to Prepare and Implement It*](#), 3rd ed. by William M. Luther. (AMACOM, 2001).

[*Developing a Creative and Innovative Integrated Marketing Communications Plan: A Working Model*](#) by James R. Ogden. (Prentice Hall College Div., 1998).

Web Sites

"[Sales and Marketing: Researching Your Market](#)," by Laura Tiffany. Entrepreneur.com, 2001.

"[Getting the Dirt on Your Market](#)," by Rhonda Abrams. RhondaOnline.com, February 2002.

"[Hitting Them Where They Live](#)," by Kate Maddox. *BtoB* (September 15, 2003).

"[How to Identify, Target Your Best Customers](#)," by Rebecca Bell Ellis. *BtoB* (May 5, 2003).

"[Slices of Lives](#)," by Meredith Levinson. *CIO* 13:21 (August 15, 2000), 126 (4).

About the writer — Susan MaGee, formerly Publicity and Book Club Sales Director for Running Press Book Publishers, now operates her own Philadelphia-based business specializing in public relations and business writing.

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The Edward Lowe Foundation was created by Ed and Darlene Lowe in 1985 to "champion the entrepreneurial spirit." Headquartered near Cassopolis, Michigan, the foundation works with entrepreneur support organizations nationwide to encourage peer learning among second-stage business owners. Before his death in 1995, Ed Lowe, the creator of Kitty Litter, had become an advocate for entrepreneurship as the key to the success of the free-enterprise system.

Contact: 800-232-LOWE(5693) or edwardlowe.org

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