

HOW TO

FREE
GUIDE
SERIES

Define your target market

Know your potential customer



Gain clarity on who you market to

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What is a Target Market?

Many businesses can't answer the question: *Who is your target market?* They have often made the fatal assumption that *everyone* will want to purchase their product or service with the right marketing strategy.

A target market is simply the group of customers or clients who will purchase a specific product or service. This group of people all have something in common, often age, gender, hobbies, or location.

Your target market, then, are the people who will buy your offering. This includes both existing and potential customers, all of whom are motivated to do one of three things:

- Fulfill a need
- Solve a problem
- Satisfy a desire

To build, maintain, and grow your business, you need to know who your customers are, what they do, what they like, and why they would buy your product or service. Getting this wrong – or not taking the time to get it right – will cost you time, money, and potentially the success of your business.

The Importance of Knowing Your Target Market

Knowledge and understanding of your target market is the keystone in the arch of your business. Without it, your product or service positioning, pricing, marketing strategy, and eventually, your business could very quickly fall apart.

If you don't intimately know your target market, you run the risk of making mistakes when it comes to establishing pricing, product mix, or service packages.

Your marketing strategy will lack direction and produce mediocre results at best. Even if your marketing message and unique selling proposition (USP) are clear, and your brochure is perfectly designed, it means nothing unless it arrives in the hands (or ears) of the right people.

Determining your target market takes time and careful diligence. While it often starts with a best guess, assumptions cannot be relied on, and research is required to confirm original ideas. Your target market is not always your ideal market.

Once you build an understanding of who your target market is, keep up with your market research. Having your finger on the pulse of their motivations and drivers – which naturally change – will help you to anticipate needs or wants and evolve your business.

Types of Markets

Consumer

The Consumer Market includes those general consumers who buy products and services for personal use, or for use by family and friends. This is the market category you or I fall into when we're shopping for groceries or clothes, seeing a movie in the theatre, or going out for lunch. Retailers focus on this market category when marketing their goods or services.

Institutional

The Institutional Market serves society and provides products or services for the benefit of society. This includes hospitals, non-profit organizations, government organizations, schools and universities. Members of the Institutional Market purchase products to use in the provision of services to people in their care.

Business to Business (B2B)

The B2B Market is just what it seems to be: businesses that purchase the products and services of other business to run their operations.

These purchases can include products that are used to manufacture other products (raw or technical), products that are needed for daily operations (such as office supplies), or services (such as accounting, shredding, and legal).

Reseller

This market can also be called the “Intermediary Market” because it consists of businesses that act as channels for goods and services between other markets. Goods are purchased and sold for a profit – without any alterations. Members of this market include wholesalers, retailers, resellers, and distributors.

Determining Your Target Market

Product / Service Investigation

The process for determining your target market starts by examining exactly what your offering is, and what the average customer’s motivation for purchasing it is. Start by answering the following questions:

Does your offering meet a basic need?	
Does your offering serve a particular want?	
Does your offering fulfill a desire?	
What is the lifecycle of your product / service?	
What is the availability of your offering?	
What is the cost of the average customer’s purchase?	
What is the lifecycle of your offering?	

How many times or how often will customers purchase your offering?	
Do you foresee any upcoming changes in your industry or region that may affect the sale of your offering (positive/negative)?	

Market Investigation

- On the ground.** Spend some time on the ground researching who your target market might be. If you're thinking about opening a coffee shop, hang out in the neighborhood at different times of the day to get a sense of the people who live, work, and play in the neighborhood. Notice their age, gender, clothing, and any other indications of income and activities.
- At the competition.** Who is your direct competitor targeting? Is there a small niche that is being missed? Observing the clientele of your competition can help to build understanding of your target market, regardless of whether it is the same or opposite. For example, if you own a children's clothing boutique and the majority of middle-class mothers' shop at the local department store, you may wish to focus on higher-income families as your target market.
- Online.** Many cities and towns – or at least regions – have demographic information available online. Research the ages, incomes, occupations, and other key pieces of information about the people who live in the area you operate your business. From this data, you will gain an understanding of the size of your total potential market.
- With existing customers.** Talk to your existing customers through focus groups or surveys. This is a great way to gather demographic and behavioral information, as well as genuine feedback about product or service quality and other information that will be useful in a business or marketing strategy.

Who is Your Market?

Based on your product / service and market investigations, you will be able to piece together a basic picture of your target market, and some of their general characteristics. Record some notes here. At this point, you may wish to be as specific as possible, or maintain some generalities. You can further segment your market in the next section.

Consumer Target Market Framework

Market Type:	Consumer
Gender:	<input type="checkbox"/> Male <input type="checkbox"/> Female
Age Range:	
Purchase Motivation:	<input type="checkbox"/> Meet a Need <input type="checkbox"/> Serve a Want <input type="checkbox"/> Fulfill a Desire
Activities:	
Income Range:	
Marital Status:	
Location:	<input type="checkbox"/> Neighbourhood <input type="checkbox"/> City <input type="checkbox"/> Region <input type="checkbox"/> Country
Other Notes:	

Institutional Target Market Framework

Market Type:	Institutional
Institution Type:	<input type="checkbox"/> Hospital <input type="checkbox"/> Non-profit <input type="checkbox"/> School <input type="checkbox"/> University <input type="checkbox"/> Charity <input type="checkbox"/> Government <input type="checkbox"/> Church
Purchase Motivation:	<input type="checkbox"/> Operational Need <input type="checkbox"/> Client Want <input type="checkbox"/> Client Desire
Purpose of Institution:	
Institution's Client Base:	

Size:	
Location:	<input type="checkbox"/> Neighbourhood <input type="checkbox"/> City <input type="checkbox"/> Region <input type="checkbox"/> Country
Other Notes:	

B2B Target Market Framework

Market Type:	Business to Business (B2B)
Company Size:	
Number of Employees:	
Purchase Motivation:	<input type="checkbox"/> Operations Need <input type="checkbox"/> Strategy <input type="checkbox"/> Functionality
Annual Revenue:	
Industry:	
Location(s):	
Purpose of Business:	
People, Culture & Values:	
Other Notes:	

Reseller Target Market Framework

Market Type:	Reseller
Industry:	
Client Base:	
Purchase Motivation:	<input type="checkbox"/> Operations Need <input type="checkbox"/> Client Wants <input type="checkbox"/> Functionality
Annual Revenue:	
Age:	
Location:	<input type="checkbox"/> Neighborhood <input type="checkbox"/> City <input type="checkbox"/> Region <input type="checkbox"/> Country
Other Notes:	

Your Target Market: Putting It Together

Based on the information you gather from your product / service and market investigations; you should have a clear vision of your realistic target market. Here are a few examples of how this information is put together and conclusions are drawn:

Target Market Sample 1: Consumer Market

Business: Baby Clothing Boutique	Business Purpose: <i>Meet a need</i> (provide clothing for infants and children aged 0 to 5 years) <i>Serve a want</i> (clothing is brand name only, and has a higher price point than the competition)
Market Type: Consumer	
Gender: Women	
Marital Status: Married	

<p>Market Observations:</p> <p>located on Main Street of Anytown, a street that is seeing many new boutiques open up, proximate to the main shopping mall two blocks from popular mid-range restaurant that is busy at lunch</p>	<p>Industry Predictions:</p> <p>large number of new housing developments in the city and surrounding areas two new schools in construction expect to see an influx of new families move to town from Any city</p>
<p>Competition Observations:</p> <p>baby clothing also available at two local department stores, and one second-hand shop on opposite side of town</p>	<p>Online Research:</p> <p>half of Anytown's population is female, and 25% have children under the age of 15 years Anytown's population is expected to increase by 32% within three years The average household income for Anytown is \$75,000 annually</p>
<p>TARGET MARKET:</p> <p>The target market can then be described as married mothers with children under five years old, between the ages of 25 and 45, who have recently moved to Anytown from Any city, and have a household income of at least \$100K annually.</p>	

Target Market Sample 2: B2B Market

<p>Business: Confidential Paper Shredding</p>	<p>Target Business Size: Small to medium</p>
<p>Market Type: B2B (Business to Business)</p>	<p>Target Business Revenue: \$500K to \$1M</p>
<p>Business Purpose:</p> <p><i>Meet an operations need (provide confidential on-site shredding services for business documents)</i></p>	<p>Target Business Type:</p> <p>produce or handle a variety of sensitive paper documentation accountants, lawyers, real estate agents, etc.</p>
<p>Market Observations:</p> <p>there are two main areas of office buildings and industrial warehouses in Any city three more office towers are being constructed, and will be completed this year</p>	<p>Industry Predictions:</p> <p>the professional sector is seeing revenue growth of 24% over last year, which indicates increased client billing and staff recruitment</p>

<p>Competition Observations:</p> <p>one confidential shredding company serves the region, covering Any city and the surrounding towns provide regular (weekly or biweekly) service, but does not have the capacity to handle large volumes at one time</p>	<p>Online Research:</p> <p>Any city's biggest employment sectors are: manufacturing, tourism, food services, and professional services</p>
<p>TARGET MARKET:</p> <p>The target market can then be described as small to medium sized businesses in the professional sector with an annual revenue of \$500K to \$1M who require both regular and infrequent large volume paper shredding services.</p>	

Segmenting Your Market

Your market segments are the groups within your target market – broken down by a determinant in one of the following four categories:

- Demographics
- Psychographics
- Geographics
- Behaviors

Segmenting your target market into several more specific groups allows you to further tailor your marketing campaign and more specifically position your product or service. You may wish to divide your ad campaign into four sections, and target four specific markets with messages that will most resonate with the audience.

For example, the baby clothing store may choose to segment its target market by psychographics, or lifestyle. If the larger target market is *married females with children under five, between the ages of 25 and 45, who have a household income of at least \$100K annually*, it can be broken down into the following lifestyle segments:

- Fitness-oriented mothers
- Career-oriented mothers
- New mothers

With these three categories, unique marketing messages can be created that speak to the hot buttons of each segment. The more accurate and specific you can make communications with your target market, the greater impact you will have on your revenues.

Market Segmentation Variables

Demographic	Psychographic	Geographic	Behavioristic
Age	Personality	Region	Brand Loyalty
Income	Lifestyle	Country	Product Usage
Gender	Values	City	Purchase Frequency
Generation	Attitude	Area	Profitability
Nationality	Motivation	Neighbourhood	Readiness to Buy
Ethnicity	Activities	Density	User Status
Marital Status	Interests	Climate	
Family Size			
Occupation			
Religion			
Language			
Education			
Employment Type			
Housing Type			
Housing Ownership			
Political Affiliation			

Understanding Your Target Market

Once you have determined who your market is, make a point of learning everything you can about them. You need to have a strong understanding of who they are, what they like, where they shop, why they buy, and how they spend their time. Remind yourself that you may *think* you know your market, but until you have verified the information, you'll be driving your marketing strategy blind.

Also be aware that markets change, just like people. Just because you knew your market when you started your business 10 years ago, doesn't mean you know it now. Regular market research is part of any successful business plan, and a great habit to start.

Types of Market Research

Surveys

The simplest way to gather information from your clients or target market is through a survey. You can craft a questionnaire full of questions about your product, service, market demographics, buyer motivations, and so on. Plus, anonymous surveys will produce the most accurate information since names are not attached to the results or specific comments.

Depending on the purpose—whether it is to gather demographic information, product or service feedback, or other data—there are a number of ways to administer a survey.

1. Telephone

Telephone surveys are a more time-consuming option but have the benefit of live communication with your target market. Generally, it is best to have a third party conduct this type of survey to gather the most honest feedback. This is the method that market researchers use for polling, which is highly reliable.

2. Online

Online surveys are the easiest to administer yourself. There are many web-based services that quickly and easily allow to you custom create your survey, and send it to your email marketing list.

These services can also analyse, summarize and interpret the results on your behalf. Keep in mind that the results include only those who are motivated to respond, which may slant your results.

3. *Paper-based.*

Paper surveys are seldom used and can prove to be an inefficient method. Like online surveys, your results are based on the feedback of those who were motivated for one reason or another to respond. However, the time and effort involved in taking the survey, filing it out, and returning it to your place of business may deter people from participating.

Keep in mind that surveys can be complex to administer and consume more time and resources than you have planned. If you have the budget, consider hiring a professional market research firm to lead or assist with the process. This will also ensure that the methodology is standard practice and will garner the most accurate results.

Website Analysis

Tracking your website traffic is an excellent way to research your existing and potential customer's interests and behaviour. From this information, you can ensure the design, structure and content of your website is catering to the people who use it – and the people you want to use it.

User-friendly website traffic analytics programs can easily show you who is visiting your site, where they are from, and what pages of your site they are viewing. Services like Google Analytics can tell you what page they arrive at, where they click to, how much time they spend on each page, and on which page they leave the site.

This is powerful (and free!) information to have in your market research, and easy to monitor monthly or weekly, depending on the needs of your business.

Customer Purchase Data (Consumer Behavior)

If you do not have the budget to conduct your own professional market research, you can use existing resources on consumer behaviour. While this data may not be specific to your region or city, general consumer research is actual data that can be helpful in confirming assumptions you may have made about your target market.

Your customer loyalty program or Point of Sale system may also be of help in tracking customer purchases and identifying trends in purchase behaviour. If you can track who is buying, what they're buying and how often they're buying, you'll have an arsenal of powerful insight into your existing client base.

Focus Groups

Focus groups look at the psychographic and behavioural aspects of your target market. Groups of six to 12 people are gathered and asked general and specific questions about their purchase motivations and behaviours. These questions could relate to your business in particular, or to the general industry.

Focus group sessions can also be time consuming to organize and facilitate, so consider hiring the services of a professional market research firm. You may also receive more honest information if a third party is asking the questions and receiving the responses from focus group participants.

For cost savings, consider partnering with an associate in the same industry who is not a direct competitor, and who would benefit from the same market data.

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