

Identifying your target customer

BUSINESS GUIDE

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Why is it so important to know your customer?

There are two crucial reasons. The first is at the market research stage, before you can undertake good, accurate and reliable market research you must first be able to identify who your target customer is so you can design your market research around reaching the right people.

Secondly, it's crucial to understand who your target customer is so you can market your product or service effectively to that person. Otherwise you are likely to spend time and money on marketing at too wide an audience that are not likely to be potential customers.

Splitting your customers into different groups will enable you to identify the profitable ones, and enable you to target effectively.

What is a 'target' customer?

The following guidelines will help you think about what your typical customer might look like:

- **For existing businesses** – identify different segments among existing customers by looking for groups with similar characteristics.
- **For new businesses** – brainstorm who your product or service is most likely to be attractive to, who is going to want to buy?
- Is your target customer an individual consumer (often referred to as Business to Consumer selling or B2C) or another business (referred to as Business to Business or B2B)?

For each identified segment think about the similarities between customers or likely customers in that group and the differences between them. This will enable you to better understand what aspects of your product or service appeal to each of the groups so you can adapt your product or service, or at least the marketing of that product or service to their requirements.

By segmenting in this way, you could work on other aspects of your business such as delivery, service, reliability, customer service, packaging, convenience that is important to that market segment. You may need to adapt your proposed or existing pricing or distribution methods in accordance to this.

Don't forget that when you are thinking about these segments also remember to think about the person who is making the buying decision. For example, you may be offering riding lessons to children but it is their parents who you need to market to or research.

Consumers can be broken down by:

- Age
- Location
- Gender
- Income level
- Education level
- Marital or family status
- Occupation
- Ethnic background
- Personality type
- Attitude
- Values
- Interests
- Hobbies
- Behaviour



Business customers can be broken down by:

- Industry
- Type of business
- Size of business
- Location
- Market share or dominance