

Defining Your Target Customer

The process of defining your target customer is not about limiting to whom you sell, but simply to whom you actively try to reach with your marketing materials.

Few companies, with the exception of perhaps Coca Cola or McDonalds, have sufficient funds to support a true mass market campaign, reaching all consumers.

Instead, savvy marketers look to narrow down their audience to those people who are most likely to buy. Their goal is to craft a message which is relevant to these prospects. It is about reaching the right customers, with the right message, at the right time!

MARKET SEGMENTATION

Defining your target customer starts with a process called **Market Segmentation**. To segment a market, begin by dividing potential customers into distinct groups on the basis of needs, characteristics or behaviors. This helps identify which groups might require separate products or which types of marketing will be most effective.

For consumer products evaluate demographic factors such as age, income, education, gender, marital status, and profession. Consumers with specific hobbies or lifestyles may have a greater need for your product or service. And for some products geographic factors such as parts of the country or specific neighborhoods may be relevant criteria.

Companies offering business-to-business products and services segment their markets as well. Instead of age and income, factors such as the size of a target company (sales volume, number of employees), types of employees (blue collar, white collar), type of industry or product produced provide the criteria for segmentation.

Here are a few examples of how market segmentation works for both consumer and business to business applications.

First consider the possible market segments a graphic designer specializing in web site development might target. As a free lance designer, he has already decided to target small to mid-size companies. While he can not offer all the services of a larger firm, he feels his low overhead will allow him to be price competitive.

In this case, the initial description is a good start, but it is still too broad. In an average city there are literally thousands of companies which meet this description, so further segmentation is required.

The additional criteria the designer chose to include in the segmentation analysis include annual sales and the number of years in business. He also looked at who his potential customers were selling to; other business entities or consumers? And finally

what type of services were they likely to be seeking from the designer was included in the analysis.

As you analyze potential customers, you do not need to create an exhaustive list. The goal is to identify which segments are more attractive, providing greater revenue opportunities which are compatible with your core skill set or product offering.

	Segment A	Segment B	Segment C	Segment D
\$ Volume	< \$1 million	< \$1 million	< \$1 million	< \$1 million
Years in business	< Two years	< Two Years	> Two Years	> Two Years
Customer	Business	Consumers	Business	Consumers
Benefit sought	First web site Functional design Monthly e-newsletters	First web site User-friendly design e-commerce support required	Revision to existing site Functional design Monthly e-newsletters	Revision to existing site User-friendly design e-commerce support required

By breaking down the market into segments of potential customers with similar needs the designer can develop a marketing strategy which targets one of these groups.

He might choose to target small companies, less than two years old who provide goods or services to other businesses. Then can develop marketing materials, advertisements, press releases, and copy on his company web site which promotes his expertise in this area.

Some other valuable activities for this designer:

- Joining the local chamber of commerce
- Creating a direct mail campaign, or e-campaign to owners of business registered in last 90 days
- Teaching an e-commerce workshop at a local community college or conducting public seminars
- Writing a column for a local business publication

Define Your Goals

Once you have clearly defined your target customer you are ready for the next step in the process: **Defining your Goals.**

Goals should form the foundation of all of your business activities. They should clearly define what you are trying to accomplish with your marketing investments

Goals serve as the yardstick by which you measure the performance of your marketing investments. They help you determine if the activities were successful and worth repeating.

Different goals require different action plans. By stating specific goals in the beginning of your planning cycle, you can objectively evaluate various marketing strategies, choosing the ones which best meet your company's needs.

S.M.A.R.T. GOALS

To be an effective foundation for your marketing efforts your goals must be S.M.A.R.T.: **Specific, Measurable, Action Oriented, Realistic, and Time Based.**

Specific: Your goals should describe what you are trying to accomplish. It is not enough to say you want to be successful or grow your business. Your goals must be more specific.

Do you want to increase overall revenue or the profit on each sale? Do you want to increase the number of new clients, or the amount of sales to existing ones? Do you want to increase sales of all of your products or shift the mix of business to a few of the most profitable products you offer?

Measurable: This is the next level of refinement of your goal. It answers the question "how much"? Are you expecting a 10% increase in sales or a 50% increase? Do you want 25 referrals from a trade show booth or 250? The measurable aspect of your goal helps you decide how large an investment to make in your marketing efforts, and also determine if the program was a success and worth repeating.

Action Oriented: Every goal needs an action plan, a series of small steps which help you achieve the results you desire. Without a viable action plan, it is almost impossible to accomplish your goal. As you develop your action plan be sure to clearly identify your role and the roles of others in your organization and your support network.

If you are introducing a new service in a particular market one of your goals may be to build brand awareness. An initial goal may be five feature articles or mentions in local newspapers in the first six months. The action plan to support this goal would include writing press releases, identifying contacts at key publications and distributing the releases.

Realistic: Your goals should challenge you and your team to do more than they have done in the past. At the same time, an unrealistic goal, well beyond your capabilities can have a negative effect on your business. It is demoralizing to your team, if they feel no matter how hard they try they can not achieve the goal.

In addition to guiding activity, goals establish the level of expenditure you make; bigger goals require bigger investments. If you are unrealistic in your goal definition, you may spend more money than is appropriate for your business.

Time Based: Establish time frames and deadlines. Do you want to grow 20% this year or this quarter? Is your goal to add 5 new customers this month or this week? Shorter time frames often require larger investments to accomplish the same goals.

Marketing Pyramid Summary

1	Transactions	How many sales do you need?	
2	Conversion Rate	What % of qualified leads do you close?	
3	Qualified Leads	Transactions/Qualified Leads	
4	Referral %	What % of leads do referrals generate?	
5	Advertising %	1 - Referral Percent	
6	Ad Lead Target	Advertising % x Qualified Leads	
7	Target Concentration	What % of your target needs your services now?	
8	Exposure Target	Target Concentration x Ad Leads	
9	Frequency Factor	How often must someone see your message?	
10	Total Impressions	Frequency x Exposure Target	



