

Understanding Your Target Market

By AllBusiness.com

No business can be all things to all people. Instead, you must reach specific customers and satisfy their particular needs. As an entrepreneur, you must identify those customers and understand as precisely as possible what they want.

The process of finding and studying potential customers for your venture does not have to be complex or expensive — but it is extremely important. In a nutshell, it requires you to find out everything you can about the customers you intend to pursue. Once you have that information, you'll have a much better chance of capturing those customers for your business.

The facts you need to know about your target market fall into these three categories:

Demographics

Begin your research by checking the demographics of the region you plan to target. You'll want to know the population's make-up in terms of age, gender, income level, occupation, education and family circumstances (married, single, retired and so on).

To find that information, you'll probably need to visit the local library. Good sources available at most libraries include:

- Country and City Data Book, published by the U.S. Department of Commerce
- Survey of Buying Power Data Service, published by Sales and Marketing Management

You could also use a search engine like google, to look up demographic data, such as data from the most recent US Census.

Geographic and lifestyle factors

Give some thought to where and how your target customers live. Are they Southerners or Yankees; urbanites, suburban soccer moms, or country folk? Are they risk-takers or conservative; athletes or couch potatoes; spenders or savers? The answers will help determine what you can sell to them, how you should sell it, and at what price.

Customer needs

Consider all the reasons why people might buy your product or service. For example, say you're opening a string of health clubs. Will your customers come to meet other people, to take exercise classes or to play racquet sports with their friends? Find out by talking to people in the local fitness industry and by quizzing friends or acquaintances who go to health clubs. Then you can design and market your club accordingly.

Once you've considered the key demographic factors, you can begin to assemble a customer profile, a more focused statement that describes your target market in detail. Consult that profile when you make decisions about issues such as what products and services to offer or advertise; how much to charge for various products; and expansion plans.