

The Power of Target Markets

“The aim of marketing is to know and understand the customers so well the product or service fits him and sells itself.”

Peter Drucker

Question: What is the best way to fail in business?

Answer: Try to be all things to all people.

This leads to the importance of having a well-defined target market. A market you know so well that you understand their needs, their wants, their problems, and their opportunities. Because you know these wants, needs, problems and opportunities, you have the products, service, and expertise to deliver satisfaction.

Your target market should be small enough for you to fully serve, but have a large enough critical mass to provide you with enough customers and revenue. In other words, it should be large enough to support your practice.

Segmenting Your Market

The first step in selecting your target market is to break the market down into segments. The segments are normally broken down into two major categories:

Demographics, using criteria such as:

- age
- education
- profession
- gender
- income
- marital status
- ethnicity
- religion
- life cycle (such as newlyweds, married 10-20 years, married over 65, etc.)

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Psychographics, using criteria such as:

- lifestyle, such as active, sedentary, trendy
- social class
- activities, hobbies
- attitudes, beliefs
- political affiliation

Advantages Of Defining A Target Market

1. By narrowing down you market, you can better understand them.
2. By differentiating yourself and your products and services within the well defined market, you keep price from becoming the differentiator.
3. You will be able to tie into their communication network. What magazines do they read, what TV shows and movies do they watch? What groups do they belong to and where do they meet? Which groups should you speak to? This knowledge will help you as you spend advertising dollars or as you make your marketing efforts.
4. By being focused on your target market, the members of that market soon understand that you are totally committed to them, and that will make a difference as they make their buying decisions.
5. Having a well defined target market and serving those customers well will actually increase sales outside of the target market.

Selecting Your Target Market

You should select your target market by taking these steps:

1. Create a profile of your ideal client. What do they look like? What interests, what age group, etc? Make sure you select a target market that you will enjoy working with.
2. Make sure you select a segment where you have expertise or you are willing to work to gain that expertise. One advantage of having a well defined target market is that by knowing it so well and being able to satisfy the needs of the customers with your products and services, you will be perceived as an expert, the "go to person."
3. Next you should conduct some research on your selected market. How big is it? How many potential buyers are there? Are there enough buyers and will they spend enough money on your offerings to support your business?

Develop a strategy to maximize your effectiveness with this base of customers.

4. Research your competition. How do your products and services compare? What are your customers saying about your competitors? What do you need to add to your arsenal to better serve your market?
5. Define your niche. I have heard the term "niche" used interchangeably with "segment" or "target market." However, let's define it as your "what." What do you do for your customers? For instance, you might "help newlyweds start an insurance program" or "help marrieds with children fund a college education" or "help divorced women set up an investment program."

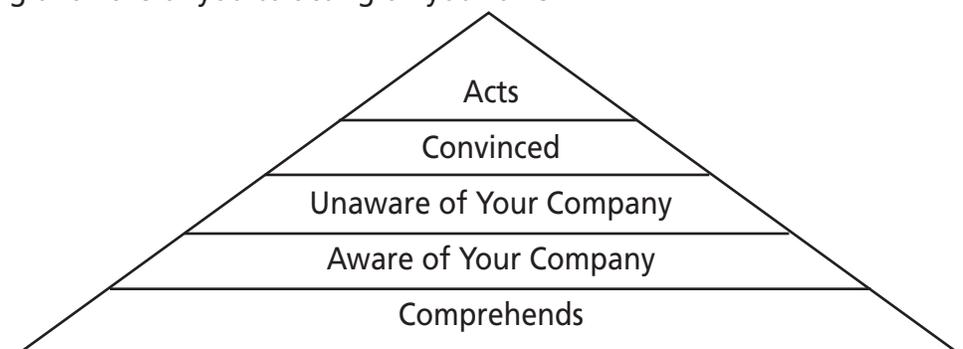
What's Next?

Now that you have defined your target market and your niche, you should develop a strategy to maximize your effectiveness with this base of customers.

- Learn everything you can about them.
- Have a clear statement about which problems you can solve, and which solutions you offer.
- Join industry or community organizations.
- Subscribe to industry industry publications or hobby periodicals.
- If you are comfortable doing so, write articles for those publications.
- Interview clients in this target market to get more information about their wants, needs, problems, and opportunities.
- Ask for referrals to other people in the target market for the purpose of interviewing them. The purpose of the interview is not to make a sale, but to gather more information about the market and its needs.
- Speak to groups in this segment.
- Find out more about your competition. What products or services are they offering? What is their price? How well have they penetrated the market?
- Serve the market with excellence!

The Promotion Pyramid

David Ogilvy in his book, *Ogilvy On Advertising*, made the point that the purpose of marketing is to move the customer up the Promotion Pyramid from being unaware of you to acting on your offer:



At the start, the customer is not aware of your presence in the marketplace. Your initial efforts are to make him/her aware of who you are and what you do. The next step is to help him/her comprehend what you do, who you do it for and how you do it. The market should then be convinced that you are the solution, and the final step is to help them act, or make the decision. In your efforts to penetrate the market, you should be aware of where the market and the individual prospects are on the Pyramid. You will be better able to recognize where they are on the Pyramid and to help them move up the Pyramid by understanding them through a good target marketing strategy.

Module Project

Using *Worksheet VIII*, define your Target Market. Remember, you do not have to use all the demographic and psychographic breakdowns. Just use the ones that help you have a clear picture of who your target market is.

Worksheet VIII

Define Your Target Market

My ideal client is:

My target market is prospects and customers that are in the following groups: (Remember, you do not have to use all of the criteria to define your target market.)

Demographic

Age: _____

Gender: Male___ Female___ Both___

Education: H.S. ___ Some College ___ College Grad ___ Post Grad ___

Profession: _____

Income Range; \$ _____ to \$ _____

Marital Status: M ___ S ___ Divorced ___ Widow/Widower ___

Ethnicity: _____

Religion: _____

Life Cycle: _____

Other: _____

Psychographic

Lifestyle: _____

Social class: _____

Activities/Hobbies: _____

Attitudes/Beliefs: _____

Political affiliation: _____