Why does targeting matter?

Most small business owners have growth in mind. That may be growth in revenue, growth in profits or growth in reputation. A small business’s advantage can often derive from a precisely targeted product/service that recognizes a need and buying behavior that competitors don’t see, finds an emerging “hot” location, or delights customers with a superior customer experience. Identifying growth opportunities and matching needs for investment in resources — both talent and funds — allows you to advance towards your growth plans with the nimbleness that your larger competitors can’t muster.

Key actions to take:

- **Think like your customers**: Targeting is rooted in an understanding of your customers and their relationship to your product or service. The easiest way to get started with targeting is to think like your customers. Why do they buy your product/service? What features do they value? What comments do they make to you about their purchases and the buying experience? What do the individuals they have referred to your business tell you? What is said in comments or reviews on social media or rating sites? Listening and getting into the mind of the customer is the core of targeting.

- **Find similarities and groupings as you explore your ideal customer**: With those voices of customers still echoing, start to think about similarities and groupings. There are four areas that marketers typically explore:
  - **Demographic**: gender, income level, age, education level, family size, job title, religion, industry, ethnicity, etc.
  - **Geographic**: region, city, neighborhood, route, etc.
  - **Psychographic**: Personality, lifestyle, social class, life stage, etc.
  - **Behavioral**: Buying approach, decision making process, readiness to buy, loyalty, etc.

Look for common characteristics that make up your target market(s). Likely, there will be a handful of these characteristics that will describe your ideal customer. Keep in mind that even at an early stage, you may have multiple groupings or segments within your customer base.

- **Picture customer types with buyer personas**: You can define buying personas to help the business recognize and target each customer group based on buying behaviors. For example, a coffee shop may create personas like “Business Barbara” to describe business people who want to get in and out quickly; “Lingering
Larry” for guests who stay around, make multiple purchases, but doesn’t want to be rushed or “Teen Tina” for teenagers wanting to try the most exotic new coffee drinks. You may also find these buying personas carry through to onboarding, product/service delivery and ongoing relationship management where you can group similar customers and tailor your product/service to provide better value as efficiently as possible.

- **Recognize market trends and shifts to find growth:** You might be in business because you have recognized a new product or found an underserved niche that is invisible to competitors. Stay attuned to clues about new trends, shifting traffic patterns, changes in buying behaviors or any fluctuations in demographic, psychographic or behavioral factors that lead you to invest in additional distribution, a new salesperson or a new location. As an agile competitor, you need to either be riding existing trends or anticipating new ones. Explicitly consider which you are doing with every product you offer and market you serve as you consider where to place your next bets.

- **Target your existing customers:** While looking for new trends and shifts for growth opportunities, don’t ignore your top selling opportunity, the customers who know you. Fifty-eight percent of sales come from customer penetration of existing product lines or cross-selling of new products or services. Often, similar products/services can be bundled to create offerings that encourage clients to buy multiple different products from you, increasing sales and customer penetration.

- **Support the most promising target markets:** As you consider possible growth targets, evaluate the cost of marketing initiatives to reach them. What will it cost you to grow or establish your share with a target market? Where would you add sales capacity? Do you need another location to reach a burgeoning neighborhood? At this stage of planning, you are trying to estimate costs so that you can choose the best opportunities and supporting strategies — don’t get caught in the details.

- **Build an investment plan to support your targeting strategy:** With a clear picture of target markets and an understanding of costs to address each, outline your best targeting opportunities. Estimate the amount of investment needed to support each targeting strategy, either from business cash flows or from other funding sources. You also need to consider your level of risk and the limitations on management resources that you can execute. You can then make decisions about which opportunities will yield the best return on investment. Match your targeted growth plans against your available funds and consider whether you need to secure additional funds or financing to carry out your plans.

---

1 SunTrust conducted research with 397 small business owners ranging from $100,000 to $2,000,000 in annual revenue in the first quarter of 2017. The high-growth segment was derived from the fastest growing twenty percent of those companies.