

Understanding Your Customer

1.1 Introduction

The SBA Learning Center presents: Understanding Your Customer.

Produced by the SBA's Office of Entrepreneurship Education, this self-paced course offers guidelines and suggestions for identifying your current and potential customers to improve the effectiveness of your marketing. The subject matter is indexed for quick reference and easy access. It will take about 30 minutes to complete the course. Additional time may be needed to review included resource materials and to complete the "Next Steps" suggested at the end of the course.

Audio is used throughout the training, so please adjust your speaker volume accordingly. A transcript and keyboard shortcuts are available to assist further with user accessibility.

When you complete the course, you will have the option of receiving a course completion confirmation from the SBA.

1.2 Course Objectives

This course has four key objectives:

1. Identify the questions to ask about buying behavior,
2. Identify different sources of data about your customers,
3. Describe how to use data collected to create a description of your customer, and
4. Describe the kinds of changes you might make to your business as a result of your research.

1.3 Course Topics

This course provides information to help you understand your customer. Some of the topics covered in this course are:

- Researching your customers
- Describing your customer
- Adjusting your marketing mix

Many additional resources are identified to help you. Visit the resource icon in the course player or locate additional tools, templates, and mentors on SBA.gov once you finish the course.

Let's get started!

1.4 Why is it Important to Understand Customers?

Customers are not as trusting or as loyal as they used to be. The proliferation of goods and services available on the Internet has become a two-edged sword. On the plus side,

consumers have a greater number of choices. However, there are also a greater number of inferior products or services that might leave the customer disappointed.

Social media, easy on-line comparison-shopping, and an explosion of choices have given consumers more power than ever before. A shopper can easily scan a product bar code with a smartphone and find out what it is selling for in other stores, or pull up consumer reviews and product comparisons on the Internet.

In order for you to reach and convince the right customers to buy your product or service, you need to understand who those customers are.

1.5 Researching Your Customers

Effectively marketing a product or service requires knowledge of the customers you are trying to reach. This may be easy if you are part of the market, but the further you stray from that specific niche the more important it becomes to identify your audience. Conducting customer research will help you tailor your marketing and develop sales tactics based on reliable, accurate information.

Customer research provides in-depth information on the needs, wants, expectations and behaviors of the types of customers who are most likely to buy your product or service.

1.6 Six Questions for Buying Behavior

Let's start with some basic questions that will help you focus in on potential customers. Select each question for details. When you have looked at all six questions, select Next to continue.

Find out who is buying your product or similar products. If you sell directly to individuals, identify gender, age, income, marital status and occupation. If you sell to other businesses, find out their size and kind of business.

What similar product or service sells the best? How does it compare to what you offer?

Is demand higher during specific times of the week, month, or year?

Is your product something that requires higher cash outlay, or is it an inexpensive item? Do most consumers buy on credit or pay in cash?

What purpose will the product serve? Is it providing a service, a specialized function, or some other benefit? What does the customer get, tangible or otherwise, from buying the product?

Are sales of comparable products or services typically purchased through Internet sites or retail stores? Do customers expect delivery or home service?

1.7 How to Identify Customers and Their Needs

There are four basic ways you can identify your customers. Reviewing market research data, tracking customer experience, recognizing the customer's range of choices, and identifying what drives your consumer's buying decisions.

Let's take a closer look at each of these options and see how you can make use of them.

1.8 Market Research Data

Where do you find most of the answers to your buying behavior questions? Through research. There are a number of resources available to you, many being free of charge. Here are six of the most common data sources that you can look into. Select each one for more information. When you have looked at all six, select Next to continue.

The U.S Government offers a wide range of online consumer data statistics that can help you identify customer spending traits and emerging trends. Some of the more useful websites are:

- Consumer Credit Data
- U.S. Bureau of Economic Analysis
- Consumer Product-Related Statistics
- Inflation and Consumer Statistics
- Employment Statistics
- Export Research

Select each link to visit the website.

Trade groups and associations often collect data from their members who which can provide valuable insight into your specific product or service. You can use an Internet search engine to locate trade groups and organizations relevant to your specific product or service.

Many specialized business trade magazines offer free subscriptions or allow free access to their websites. A quick search of the Internet will help you locate publications related to your product or service.

Many colleges and universities will have statistics relevant to your customer base. Business departments or experts in your product or service may have data available at little or no cost.

Customer surveys and focus groups are some of the oldest forms of gathering information on consumers, and the Internet has made them far easier than ever before. The SBA has specific information on surveys and focus groups available on the following webpage on their website: [Improve Your Business With Customer Surveys](#). Select this link to visit their website.

As you look for sources of customer information, don't forget the data you may already have available from your own records.

If you have a website, use tools to track how customers interact with it. Do they put a bunch of products in the cart and then leave when you ask them to sign before checking out? Do they all immediately go to the clearance section? Do most of them prefer to contact a sales representative?

TRANSCRIPT - Understanding Your Customer

Your own sales data and inventory data can provide a wealth of information, including locations, what the most popular products or services are, and buying habits.

1.9 Question 1

Consumer credit data is an example of customer information that is available through which of the following sources? Choose the correct answer and then select Submit.

- A. Business magazines and web sites
- B. Trade and professional groups
- C. Government sources of market data
- D. Customer surveys/focus groups

Consumer credit data is an example of customer information available through government sources of market data.

1.10 Track Customer Experiences

Several methods are available for tracking your customers' experiences which can lead to better understanding of your customers' needs. Select each tab; then select Next to continue.

Try a 'Secret Shopper'. Secret shoppers are pre-qualified individuals who get paid to make specific purchases of your product or service and provide information about their experience. This can be objective, such as "Did you have trouble accessing the web site?" or more subjective, like "How friendly was the staff?"

Interact with customers. Locate members of your target market and ask them to try your product or service and provide feedback. You can set up a localized event or arrange for personal demonstration to relevant businesses. See if potential customers are willing to use or sell a prototype of the product or service.

Follow a customer's order. Track the progress of a customer's order from initial placement to final delivery. If you are just getting started or can't duplicate the customer experience for other reasons, role-play a customer to determine what the experience might be. Will there be someone to help with a specific problem? Are there issues with delivery or support?

If you have a physical store, set aside time to actively watch customers as they flow through it. Do most of them head directly to the product they want, or do they browse? Do they bring their children and, if so, do their children direct their purchases? You can learn a lot about your customers by observing them.

1.11 Recognize Customer Range of Choices

Stand in your customer's shoes. Research exactly what other options your customer's have available and how they compare to your product or service. This will not only increase your awareness of how your own product or service compares, but provide insight into your competitor's strategies.

What does your customer think of your competition? Unless you have a ground-breaking product or service, your potential customer is probably already buying something similar

from someone else. It is important to determine who the customer's current supplier is, if the customer is happy with their current supplier, and if you offer the customer any benefits over current suppliers. You can get this information by checking out Customer Forums on competitor's web sites, product blog sites, and commercial review sites. You can also get this information simply by asking potential customers using surveys.

1.12 What Drives Customers Buying Decisions?

You need to understand the process that most customers use when they decide to purchase something. While not exact, this process can usually be divided into five distinct stages. Select each stage for a description and example of each. When you have looked at all five stages, select Next to continue.

This is the first stage in the buying process. If there is no need, there is no purchase.

For example, Joe's television is not working. Joe needs a new TV.

The second stage is searching for possible solutions to the problem.

For instance, Joe reviews store flyers and websites for information on televisions.

Once the research is completed, the consumer enters the third stage, alternative evaluation. After comparing available choices, the consumer selects what he or she considers to be the best choice.

Returning to our example, Joe finds the top-rated TV is too expensive. The second model is not available in local stores and will have to be ordered. However, the third TV is an off-brand that has nearly the same performance rating as the second-rated brand and is available locally.

The purchase decision is the fourth stage. Once the consumer has evaluated the different solutions available, he or she can choose the product or brand that best fits the need and make the actual purchase.

In our example, Joe decides to buy the less-expensive off-brand TV that is available right away rather than wait to order one that is only slightly better in the ratings.

The final stage is the post-purchase behavior in which the consumer evaluates how well the product or service fulfilled his or her needs and expectations.

For instance, Joe hooks up the TV and it works well, but he soon discovers it doesn't have the audio output connections he had expected. Joe decides to stick with brand-name products in the future.

1.13 Question 2

A customer is deciding which restaurant to go to, and is comparing some friend's recommendations, reviews in the local paper, and personal experience to decide which one to go to. Which stage of the consumer buying decision process is this? Choose the correct answer and then select.

- A. Information search
- B. Purchase decision
- C. Need recognition
- D. Alternate evaluation

The customer is comparing information gained by researching options, so this is the alternative evaluation stage.

1.14 Describing Your Customers

The more information you have about customers, the easier it is to target your marketing efforts. Existing customers are critical sources of information, both for finding ways to increase their spending, and for identifying opportunities to find new customers.

What kind of information should you collect? It depends on your type of business. If you primarily sell to individuals you will want to identify age, gender, location, spending habits and income. For companies that sell mostly to other businesses, you want to find out their product or service type, size, how much they spend and what other suppliers they use. Analyze sales records, talk to customers and consider sending out a survey. Having this information on hand makes it easier to distinguish why customers buy from you.

Create a customer database that includes as much feedback as possible on how they rate your products or services. Make sure that you provide details of each customer's purchasing behavior: products or services purchased, when purchases were made, and by which means. Keep records up-to-date with information on who your customers are, what they're buying, and what you have done to attract them. Accurate profiles let you focus marketing resources where they are likely to be most effective.

1.15 Create Personas

Who are your customers? Teenagers who play computer games? Working mothers? Professionals such as lawyers or corporate officers? Unless you are very lucky, your product or service probably won't appeal to everyone.

A more efficient and effective way to market is by using customer personas - hypothetical characters who represent your typical customers.

Select each step, then select Next to continue.

When creating a persona, try to create a few fictional people who summarize the bulk of your customers.

Envision an actual person for each of these persona. Try to imagine the types of marketing that would affect that person's purchasing decisions.

At the same time, you should create personas for the types of customers who are not currently buying from you, and see if you can work out why and what you can do to influence them.

Once you've created your personas, use them to predict how each might react to different marketing approaches.

For instance, a persona who commutes to work might be reached more effectively by radio advertising during morning and evening drive times, while another who uses public transportation might be reached by printed advertisements or the web ads.

Compare your hypothesis against existing data, such as sales figures, to determine what effect different approaches had on sales.

The more use you make of personas and marketing hypotheses, the more accurate picture you will have of your customer base and the most effective means of reaching them.

1.16 Understand Customer Intent

Sales and marketing used to rely solely on historical sales figures to try to predict how and when customers would pull the purchasing trigger. Today, clues to customer intent can be found through comments on social networks, customer browsing history, email acceptance rates, and many other data resources. This means determining customer intent requires data analysis to mine for the insight that can improve your marketing effectiveness.

Customers use Internet resources and social media to discover new products and services. When they want to find out more about a product, they use marketers' websites and retail stores. Brand or product loyalty can be indicated by signing up for email lists or loyalty programs, or liking a brand on Facebook.

1.17 Four Steps to Finding Customer Intent

Here are four steps to identifying customer intent using data analysis. Select each step to learn more. When you have looked at all four steps, select Next to continue.

Step 1: Identify where the customer starts.

The path taken prior to a customer purchase is crucial to understand intent. At what point did the customer start to think about buying a product or service like yours?

Did they begin with a search engine or respond to a promotional coupon in the mail?

Did they come from a competitor's web page, or had they seen an ad in a magazine?

Internet site management tools installed on your web page can provide data on the paths customers take to your web site, and you can use surveys or questionnaires to get information from customers visiting a physical store.

Step 2: Collect all customer actions data available.

Use all of the data you have access to. Your own resources could include kiosks, call centers, mobile apps and web data.

Outside resources might be number of product page views, vendor shopping basket additions, customer forum comments, and help requests.

Step 3: Study patterns.

Which customers are reading or writing product reviews?

What products are being compared to yours, and which options are studied?

Careful study of consumer interest will allow you to tailor your marketing to meet emerging patterns.

Step 4: Use data as research in lieu of expensive surveys.

Your web data is your best asset to find out what people actually do.

What features or characteristics get more attention in searches and reviews?

You can highlight those in your marketing.

1.18 Question 3

You study information on all of your customers and come up with three fictional characters that embody the characteristics and traits that seem to be common. This is an example of what practice? Choose the correct answer and then select Submit.

- A. Anticipating needs
- B. Creating personas
- C. Describing customers
- D. Determining unique values

Creating fictional characters that embody the characteristics and traits that seem to be common to your customers is an example of creating personas.

1.19 Anticipate Customer Needs

Many of the activities we take for granted now, such as streaming videos on You Tube and sharing images and video on Facebook, were impossible to do just a few years ago. This is because home computer and handheld device storage, processing power, and bandwidth have grown to previously unimagined levels. No one asked for these now-common services at the time because no one had any idea the technology would ever have such capabilities.

The point? Instead of asking customers, “What would you like?” and giving it to them you need to ask yourself, “What would my customers really want if they knew what was possible?” “Could I give it to them?” and “How can I create customer awareness of a need or convince my customers of a need that they are unaware of?”

Advanced technology is not the only aspect of your product that should be anticipated. What about your customer service tactics? Review competitor offers and policies and see where there may be inadequacies. Consumer forums and blogs often have posts about “I wish they

would...” and “Wouldn’t it be nice if they...? This is another time you can put yourself in your customers’ shoes. Step back and examine the whole buying experience from your customer’s point of view. What would make it easier? How can you provide something that your competitors do not?

1.20 Understanding Your Unique Value Proposition

A unique value proposition identifies the benefits you provide, who you provide them to, and the unique way that you do it. It’s a positioning statement that describes the consumers you want to target, needs that you meet, and why your product or service is the best alternative. There are four steps to developing a unique value proposition: Define, Evaluate, Measure and Build. Select each step to learn more. When you have looked at all four steps, select Next to continue.

DEFINE the Need

Charles Kettering, an American inventor, engineer, and businessman once said, “A problem well stated is a problem half solved.”

In order to understand the unique value your product or service provides, you first need to clearly identify the need that it meets. Remove your product or service from the alternatives your consumer has available and apply the four ‘U’s to the need or problem:

- **Unworkable:** Does your product or service correct a situation where there are measureable consequences for inaction?
- **Unavoidable:** Does your product or service address requirements associated with regulatory controls or government legislations?
- **Urgent:** How critical is the need your product or service fulfills? Is it one of the top priorities for a consumer?
- **Underserved:** How many alternatives do consumers have to your product or service?

EVALUATE Your Solution

What is unique and compelling about your product or service?

Does it approach the identified need differently?

Can it be protected to prevent or discourage duplication by competitors?

MEASURE Benefits vs. Drawbacks

New products or services usually have both good and bad points. Your gizmo may provide a tremendous number of new features for a potential customer, but if it is very difficult to use or expensive to buy, you have to make sure the benefits greatly outweigh the drawbacks.

BUILD Your Unique Value Proposition

With defining, evaluating and measuring steps completed, you are ready to build your value proposition.

Here is a suggested framework:

- Our product/service is for (target customers)
- Who are unhappy with (situation or alternative)
- Our product is a (new product)
- That provides (solution)
- Unlike (current alternatives)

1.21 Adjusting Your Marketing Mix

After identifying your customers and developing your unique value proposition, you should take a hard look at the marketing mix that makes up your marketing campaign and see where changes could or should be made. Start by evaluating sales performance against your original marketing plan. If it's still working well and addresses the consumers you have targeted, then little needs to be done. However, if you have seen a slump in sales, or your current marketing efforts do not adequately cover the potential customers you have identified, corrective action may be needed.

Other important factors to consider are expenses and difficulties associated with adjusting a marketing campaign. Compare the possible benefits of making the changes against the identified costs. Select each of the four 'P's' to see how you might apply the knowledge gained from understanding your customers.

Product

Use the data from identifying customers as a basis for evaluating your product or service. Can you adjust product features based on positive or negative feedback?

Pricing

Is this the primary factor your customers use to determine the attractiveness of a product or service? Leverage your unique value proposition to justify being a higher priced alternative, or apply knowledge of your customer base to find a more competitive price.

Placement

A clear understanding of your customers may include insight into better avenues for your sales tactics. Do most consumers purchase products or services like yours online? Or do they prefer to go to a traditional retail store? Is there a change you can make that will give potential customers more convenient access?

Promotion

Your marketing efforts should reflect both the identified customers and your unique value proposition. Make use of this information to target the right buyers with the most compelling reasons to buy your product or service.

1.22 Identify New Areas of Expansion

Your customer research may identify new business opportunities in the form of an un-serviced or under-serviced market. You may also become aware of emerging trends such as population shifts, increasing levels of education, or additional leisure time which bring new opportunities for marketing your product or service.

In order to explore these potential markets, you need to define the new target, research the target, decide whether to proceed and if so, create a new marketing plan. Select each step for more information. When you have looked at all the steps, select Next to continue.

Step 1: Define the New Target

Determine which of the following categories characterizes the demographics and the geographic location of the new target market:

- Same Target Group, New Geographic Area
- New Target Group, Same Geographic Area
- New Target Group, New Geographic Area

Step 2: Research the Target

Use your customer personas to determine the following information:

- Is there current interest in your product or service?
- Is the target market expanding or shrinking?
- What alternatives are already available?

Step 3: Make the 'Go/No-Go' Decision

Determine the growth potential for your products or services and whether or not it is a sound financial decision to expand your market. The quality of the research you have done on identifying your customers and establishing your unique value is the critical risk factor here.

Step 4: Create a New Marketing Plan

Once you make the decision to enter a new market, the next step is to develop and implement a strategic marketing plan for your new customers. This plan should focus on three key areas:

- Promote your product or service
- Deliver your product or service to the customer
- Cultivate the new market

1.23 Question 4

Fill in the blank. The four steps to building a unique value proposition are Define, Evaluate, blank, and Build. Choose the correct answer and then select Submit.

- A. Measure
- B. Market
- C. Mandate
- D. Manipulate

The four steps to building a unique value proposition are Define, Evaluate, Measure, and Build.

1.24 Summary

Your customers are individuals with different emotions and personalities that affect their buying decisions. Clearly identifying who your customers are is the most effective way to focus your marketing effort and increase sales.

In this lesson we looked at:

- Identifying the questions to ask about buying behavior
- Identifying different sources of data about your customers
- Describing how to use data collected to create a description of your customer
- Describing the kinds of changes you might make to your business as a result of your research

With the information you have gained, you should now be better prepared to reach and convince the right customers to buy your product or service.

1.25 Resources

SBA has a broad network of skilled counselors and business development specialists. Below is a short description of our resource partners:

- There are more than 1,000 **Small Business Development Centers (SBDCs)** located around the country. SBDCs provide management assistance to current and prospective small business owners.
- **SCORE** is a powerful source of free and confidential small business advice to help build your business. More than 10,000 SCORE volunteers are available to share their experience in lessons learned in small business.
- **Women's Business Centers (WBCs)** assist women and men in achieving their dreams by helping them start and run successful businesses. Over 90 WBCs are located around the country.
- The **SBA** has over 60 **District Offices** located throughout the country to help you start and grow your business.
- The **SBA Learning Center** is a powerful virtual campus with online training, videos, tools and links to local resources.

- The SBA's **Office of Women's Business Ownership (OWBO)** serves as an advocate for women-owned businesses. The office oversees a nationwide network of 110 Women's Business Centers that provide business training, counseling and mentoring geared specifically to women, especially those who are socially and economically disadvantaged. The program is a public-private partnership with locally based nonprofits.
- The **Veterans Business Outreach Program (VBOP)** is designed to provide entrepreneurial development services such as business training, counseling and mentoring, and referrals for eligible veterans owning or considering starting a small business. The SBA has 15 organizations participating in this cooperative agreement and serving as Veterans Business Outreach Centers (VBOC).
- **Procurement Technical Assistance Centers (PTACs)** provide local, in-person counseling and training services for you, the small business owner. They are designed to provide technical assistance to businesses that want to sell products and services to federal, state, and/or local governments. PTAC services are available either free of charge, or at a nominal cost. PTACs are part of the Procurement Technical Assistance Program, which is administered by the Defense Logistics Agency.

Find your local resource using our handy [zip-code tool](#).

1.26 Have a Question?

- Call SBA at 1-800 U ASK SBA (1-800-827-5722)
- E-mail SBA at answerdesk@sba.gov
- Locate a SCORE counselor, SBA district office near you, or an SBDC office near you at www.sba.gov/local-assistance.
- To provide feedback, comments or suggestions for other SBA online content, please email learning@sba.gov.

1.27 Certificate

Congratulations on completing this course. We hope it was helpful and provided a useful overview on Understanding Your Customer. Click the certificate to receive a course completion confirmation from the U.S. Small Business Administration.

2.0 Recommendation

A.C.T. NOW!

The Article, Course and Tool below are related to the course you just completed. They are provided to help you take action on your path to entrepreneurial success. You can also get in-person assistance for all of your business needs through a local resource center. And if you liked the course, please help spread the word by sharing it with your friends!

[Click here to share on Twitter](#)

[Click here to share on LinkedIn](#)

[Click here to share on Google Plus](#)

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Read an SBA Article

The article, [3 Simple Ways To Improve Customer Satisfaction](#), outlines three simple things you can do to embed customer service into your business philosophy and day-to-day operations.

Take Another Course.

SBA's [Market Research](#) course describes how you can get the information you need about your customers, the market, and your competitors in order to succeed.

Try a Tool.

The [American Fact Finder Tool](#) from the U.S. Census Bureau American FactFinder provides access to data about the United States, Puerto Rico and the Island Areas. The data in American FactFinder comes from several censuses and surveys.

You can also get in-person assistance for all of your business needs through a local resource center. And if you liked the course, please help spread the word by sharing it with your friends!

Find local assistance!

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