

Everyone Is Not a Demographic: A Guide to Target Markets for Small Businesses

If you run a small business, maybe you have an idea of your target market. However, a vague idea is not enough to compete in today's ruthless business environment. Without detailed knowledge of your target market, you could be losing business to your competitors or missing out on opportunities to increase sales.

In today's post, we're going to look at what target markets are, how to identify them, examples of target markets, and how to refine and develop target markets by segmentation. There's a lot of ground to cover, so let's get started.

What Is a Target Market?

Simply put, a target market is a specific group of people you have decided to target with your products or services. It could be a large market or a niche market.

Sounds simple enough, right? Well, the concept of target markets can become much more complicated if you offer a product or service with wide appeal, or you have a diverse customer base. If you sell to "everybody," then how are you supposed to define your target market?

The Difference Between a Target Market and a Demographic

Although target market and demographic are closely related terms, they are not interchangeable.

Compared to demographics, target markets tend to be much broader. This is because, for many businesses, their products or services appeal to a wide range of individuals. Target markets can also be affected by considerations such as buying cycles, product shelf life and other elements that may not be driven by people who might be interested in buying what you're selling. In addition, marketers often take the long-term profit potential of a target market into consideration when developing their models and marketing strategies, meaning that they have to focus on the bigger picture.

Demographics, on the other hand, are subsets of a target market that share particular attributes. For example, many television advertisers purposefully target the coveted (and notoriously fickle) 18-35 age demographic. That does not necessarily mean that people who are older than 35 fall outside of the advertiser's target market – it just means they are part of a different demographic.

In other words, you can think of target markets as a collection of demographics that may be interested in your product or service.

How to Identify a Target Market

So, now we know a little more about what a target market is (and isn't), how do you go about identifying one for your business?

Start with Your Existing Customer Base

One of the first steps to identifying a target market for your business should be to take a long, hard look at the people who already buy from you. Even if your current customers seem like a diverse bunch, the chances are pretty good that they will share at least one or two common characteristics. If they don't, perhaps a shared interest is the common thread.

Once you begin to identify commonalities between your regular customers, you can begin to use this information to refine your existing customer base into a target market.

When researching target markets, it's vital that you start broad, but become increasingly granular as you progress. For example, you might start by identifying homeowners as a potential demographic, but then drill down deeper and discover that homeowners with older children, earning a certain annual income who work in a particular sector are your best customers. This level of granularity makes it easier to tailor your messaging to appeal to these individuals, even if your customer base is actually much broader.

A Note on Demographic 'Gray' Areas

One of the most common mistakes made by businesses of all sizes is a failure to recognize that not everyone fits into neat little demographic boxes.

For example, you can use gender as a starting point when conducting research into your existing customer base. However, gender isn't always binary and some people, such as transgender individuals, may not be easily categorized into narrow demographics. It's important to be as inclusionary as possible when looking at potentially sensitive demographics, especially in the imagery and language used in your messaging, otherwise you risk alienating members of your community and prospective customers.

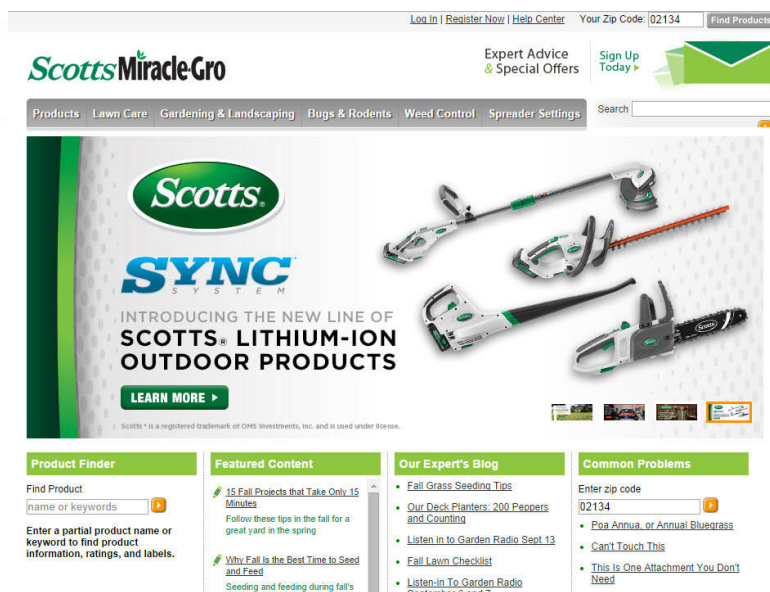
Examples of Target Markets

So, now that we've talked about how to begin identifying target markets for your business, let's take a look at how some brands apply these principles to their marketing campaigns.

In each of these examples, we have to rely on a educated guesswork. However, if we examine each brand's messaging closely, and back this up with some research, we'll be able to infer a great deal about their target markets.

Scotts Miracle-Gro

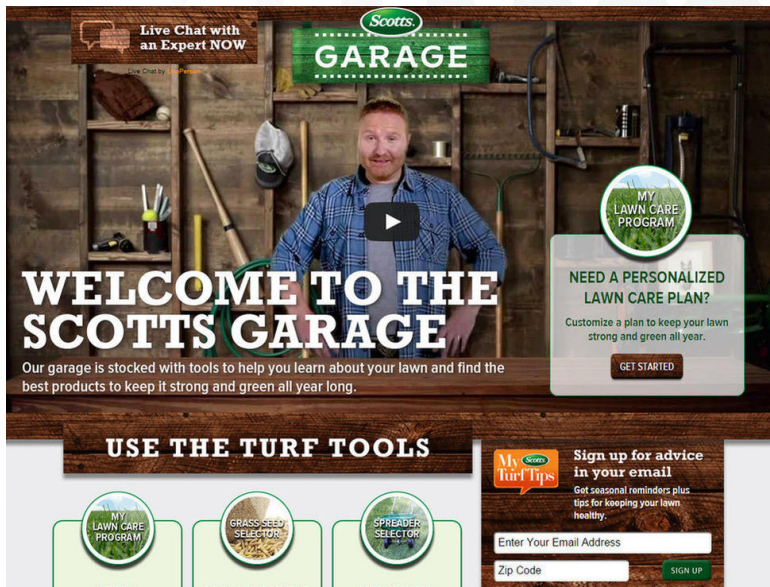
When it comes to lawn care, few brands are as well-known as Miracle-Gro.



The Miracle-Gro homepage tells us practically everything we need to know about Scotts' target market for this particular product. Note the inclusion of information about Scott's new line of Sync System power tools.

Alongside this, you'll see a banner announcing that Ortho, a manufacturer of lawn care and pest control products, recently became a sponsor of NASCAR championship driver, Greg Biffle.

Finally, you'll see a slide with a link to "Scotts Garage," a section dedicated to content featuring lawn care tips, videos, articles and more. o, what does all this tell us about Scotts' target market?



It's obvious that Scotts' target market is predominantly male, as evidenced by the messaging, visuals and content available on their site. We can also infer that another demographic within Scotts' target market is homeowners, as individuals who rent are much less likely to be responsible for taking care of their property's lawn. The NASCAR sponsorship indicates that many men belonging to Scotts' target market enjoy sports, and are likely to use at least some of their disposable income to purchase new power tools to keep their lawn trim.

However, we can use easily obtainable data to learn even more about Scotts' target market. For example, according to data from Bankrate.com, we know that the average U.S. mortgage is approximately \$235,000. Let's assume that a homeowner

has a home of this value, and a 30-year mortgage. Excluding interest, we can determine that the monthly repayment on this mortgage is roughly \$1,121, or \$13,463 per year. Based on an interest rate of 4.5%, we can then calculate that to qualify for this kind of mortgage, the homeowner would have to earn at least \$51,000 per year.

Scotts Miracle-Gro Target Market Profile

So, with a little digging and some basic math, we now know that Scotts' target market consists of individuals who:

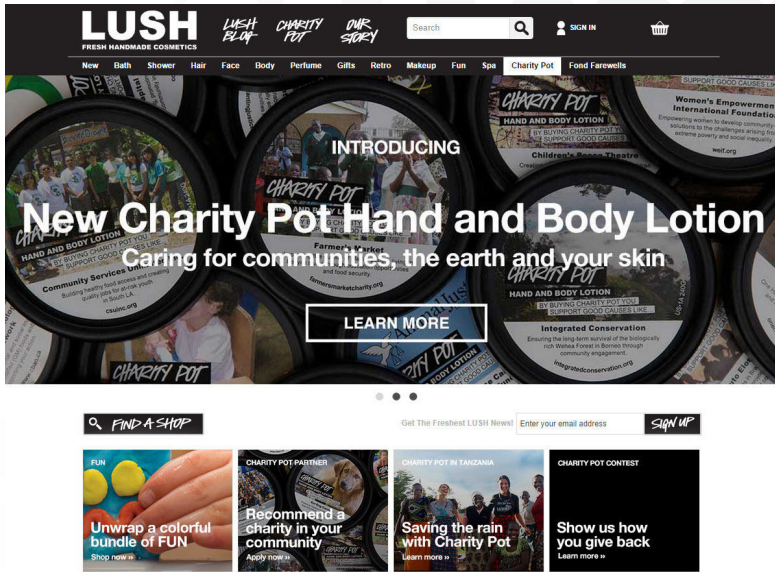
- Are male
- Own their own home
- Earn at least \$50,000 per year
- Enjoy sports

Yes, there's an element of guesswork involved in these assumptions, but this is much more valuable information than "people who want to take care of their lawn," right?

Lush Cosmetics

Lush Cosmetics' unique selling proposition is that all of its products are environmentally friendly, and have not been tested on animals. Lush's range of products is extensive, and if you've ever used them (my wife loves Lush, so I can attest to their quality), you know how good they are.

At the risk of playing into gender stereotypes, women are more likely to spend more on cosmetics and beauty products than men (though the male grooming industry is worth an estimated \$6 billion annually). However, take a look at the Lush homepage – there are some very telling signals here.



that many people within Lush's target market are either vegetarian or vegan. We can also infer that a substantial part of Lush's target market is under the age of 30, as individuals in this age group are significantly more likely to purchase goods from socially responsible brands.

Lush Cosmetics Target Market Profile

So, based on the above research and information, we can guess (with a reasonable amount of accuracy) that Lush's target market is primarily:

- Women
- 30 years old or younger
- Vegetarian or vegan
- Values socially responsible trade

Again, this doesn't describe all of Lush's customers, but as a brand, it's clear that these characteristics are shared by many individuals within Lush's target market.

For starters, look how much screen real estate is dedicated to advancing Lush's charitable initiatives. This tells us that, as a brand, social and environmental responsibility is one of Lush's core values. The homepage even tells us about an entirely new product line centered around the notion of giving back to community and conservation projects.

Something else that reveals a great deal about Lush and its target market is its products. Many Lush cosmetic products – 81% in fact – are vegan, meaning they are made entirely without the use of any animal byproducts. All Lush products are suitable for use by vegetarians. Lush products are also made by hand by actual people, not mass-produced in factories, and many adhere to fair trade commerce practices and their ingredients are ethically sourced directly from communities, which improves local economies.

Now it's time to play detective again.

We already know that women are more likely to buy cosmetics products than men. Based on Lush's commitment to its manufacturing processes, we can assume

Refining Market Segmentation

So, if a target market doesn't encompass all of your prospective customers, what can you do? Segment and refine your target market.

Market segmentation can help you understand how your products or services appeal to individuals across several demographics within your target market.

Market segmentation typically falls into four distinct categories:

- Geographic
- Demographic
- Psychographic
- Behavioral

Let's take a look at each of these categories in more depth.

Geographic

As its name implies, geographic segments can be used to target people living in a specific area. This could be as large as an entire continent, or as regionalized as a specific bus stop.

Geographic segmentation typically includes at least one or two of the following criteria:

- Continent
- Country
- Country region
- City
- Cities/towns of a specific population density
- Climate
- Areas with specific population thresholds
- Localized areas (neighborhoods, specific retail outlets)

Demographic

Yes, we've been talking about demographics throughout this post, but demographic targeting is an important part of market segmentation. Since we already know what a demographic is, let's look at the most commonly used demographics:

- Age
- Gender
- Family size
- Household income
- Occupation
- Level of education
- Religion
- Race
- Nationality

Psychographic

Psychographic segmentation categorizes people by their personality, interests and other factors. This can be a powerful way of marketing the same product to people from seemingly radically different demographics, and plays a crucial role in the target marketing of businesses like Lush.

Psychographic segmentation can focus on:

- Personality
- Attitude
- Personal values
- Lifestyle
- Social class
- AIOs (Activities, Interests, Opinions)

Behavioral

Behavioral segmentation refers to – yep, you guessed it – how people behave. However, this type of segmentation refers specifically to what potential customers expect from a product or service, and how their actual experiences influence their behavior.

Behavioral segmentation includes factors such as:

- Benefits sought
- Buyer readiness
- Degree of loyalty to a brand/product
- User status
- Occasions

Hitting the Target (Market)

You thought I was going to get through a whole blog post without using a tired target metaphor, didn't you?

Well, although I can already feel your disappointment, I hope that this information has been useful. Just because your product or service appeals to a broad range of people doesn't mean you can't learn more about them and market your business more effectively as a result.

Source: Dan Shewan, WordStream