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## Target Customer Criteria

Selecting a target audience is an important step in clarifying your company strategy. All customers are not created equal. Your strategic position will appeal more to some customers than others. If you are marketing a Lexus you are likely to appeal to a different customer than if you are selling a Chevrolet. It is even true of products that appear alike on the surface (like running shoes or toothpaste).

It is not just about what price range a customer seeks but also the desired benefits and how well you provide them. Nike is about athletic performance even for the weekend warrior while Adidas has selected a fashion approach—each appealing to a different set of customers.

Many companies think the right customers will find them. If you have a good product and it matches their need, won't they then buy from you?

First, they have to be clear about what you offer. Second, there must be a fit between what you offer and what they want. Finally, once you know which customers make a good target, don't you want to speak to as many of them as you can? To find them and share your message you must know who they are and where to locate them.

So how do you decide which customer to target? Answer three questions:

1. *Whom do you make money on?*
2. *Who do you best satisfy?*
3. *Who is growing?*

Start by figuring out what customer group you make money on as measured by financial contribution. Look back to your customer analysis and try to determine which customers you are making the most money with now (profit as well as revenue) and what they have in common. If they are business customers, are they from the same industry? Approximately the same size? If they are consumers, are they from the same demographic or life-cycle group? Do they use your product similarly?

Once you figure out who is your most profitable segment ask yourself why they are your customers—what is it about your service that is especially appealing to them and drew them to you in the first place?

Even more importantly, what is their future buying intent and if they intend to continue to buy from you—why? You want to make sure that what you do well appeals to their core needs.

Finally, determine the future prospects of this group. Do they belong to a growing segment of the market or not? Just because they are your best customers today does not guarantee they always will be.

Most companies find it difficult to select a primary target segment. The focus of a clear target is an important strategic decision that reinforces that you know what you do well. Having said that you may also have secondary and tertiary targets. Targeting isn't black and white but shades of gray—but it does have a bulls-eye.

An airline like Southwest targets families on a budget, but they also appeal to economy-minded business people. The key is that their strategic position—value pricing—is appreciated by those that fly with them and those passengers are generally willing to make the trade-offs required to obtain the value. The strategic position is designed to appeal to your target, but others might find it appealing as well (and they become the secondary or tertiary target groups).

A primary target for home equity loans may be people who want to fix up their homes, but a secondary target might be a parent with college-age children who need to finance their education. The benefit of understanding the hierarchy of customers is that you can align your resources accordingly.

This is as true in your operating budget as with your marketing resources. Unless you have an unlimited budget, chances are you have to decide where to spend your dollars. To determine that, if you know who your primary customers are and understand what matters to them, you first spend where you will increase their satisfaction and enthusiasm for your offer.

Since your secondary and tertiary targets likely appreciate the same thing, the investment satisfies all audiences. The difference may come in how you reach these different audiences—not in the business model you use to satisfy their needs. As a rule of thumb, invest 80% of resources in the top tier, 15% in the middle tier and 5% in the third tier.

## Target Customer Criteria Template

Attribute	Primary	Secondary	Tertiary
Example: - Customer Size in Revenue - Service Requirements - Industry Leader - Growth Potential	\$500 million + Average Yes 10% +	\$200 million + Low Yes 5% +	\$50 million + High Yes Flat
1.			
2.			
3.			
4.			
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6.			
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10.			