

‘Everyone’ Is Not A Demographic: A Guide To Target Markets For Small Businesses

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? 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.

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 businesses' target marketing.

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)

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