

# Customer Research

## Understanding Your Market

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## Who is our Customer?

Customers are those individuals or organizations that must be satisfied for the organization to achieve results. The *primary customer* is the person whose life is changed through the organization's work. *Supporting customers* are volunteers, members, partners, funders, referral sources, employees, and others who must be satisfied. Paying customers for social enterprise ventures are often *supporting customers*.

Peter Drucker famously declared that the purpose of any business—including any nonprofit business—is to create a customer. Any attempt to establish a venture without intimate knowledge of prospective customers is going to experience serious (and unnecessary) challenges.

“You cannot arrive at the right definition of results without input from your customers—and please do not get into a debate over that term,” said Drucker. “In business, a customer is someone you must satisfy. If you don't, you have no results ... whether you call the customer a student, patient, member, participant, donor, volunteer, or anything else, the focus must be on what these individuals and groups value—on satisfying their needs, wants and aspirations. The danger is in acting on what you believe satisfies the customer. You will inevitably make wrong assumptions. Always go to the customers in a systematic quest for answers.”

## Narrow Your Focus on Prospective Customers

It's natural to want to target as many potential customers (*prospects*) as possible, but this is a mistake: nobody is satisfied when you try to be all things to all people. If you segment your market into groups of prospects with similar characteristics, you can create a more focused strategy to meet the needs and desires of a specific group or groups, thus improving your likelihood of satisfying a customer (and making a sale!)

Targeting your market is simply defining who your customers will be. The market should be measurable, sufficiently large, and reachable: there must be enough members of this group to support your planned activities, and there must be ways to talk directly to your target audience.

There are a few simple steps to take as you begin to develop an understanding of the target markets for your earned income opportunity. You can expect to revisit these steps multiple times as you develop your concept.

1. Define your potential customer groups, payers and participants.
2. Make a list of these groups of individuals and organizations. Write down both current customers and potential markets that you want to serve.
3. Do your research! Learn everything you can about these groups, and the individual people or companies that belong to them.
4. Consider which characteristics distinguish between the various segments or groups, then choose the most attractive market segments based on the variables that best describe them, whether they are individuals or organizations.



## Estimate the Size of the Market

How many potential customers belong to the market segment you want to sell to? This is a critically important question: If there are too few members in your target group, you may never be able to make enough sales to cover your costs, much less generate a profit.

You can start out with a simple internet search. If you plan to offer on-site services (landscaping, housecleaning, plumbing, painting, carpentry, etc.), you'll want to focus on a specific small area like your neighborhood, city, or county. If, on the other hand, you intend to sell products online, you may be more interested in learning how many prospects you can readily reach with your message over the internet. Use your favorite search engine for queries like "Number of full-time psychiatrists in the United States", "What percentage of Americans buy landscape services?", or "How many families with children live in Grandview, Ohio?". Even if your first search doesn't turn up the exact answer you seek, these basic searches will often yield online reports or databases that contain the information you seek.

For more specific, or more complex queries, here's a list of useful online resources to get you started:

### [American Community Survey - US Census](https://www.census.gov/programs-surveys/acs/)

<https://www.census.gov/programs-surveys/acs/>

### [Annie E. Casey](http://www.aecf.org/work/)

<http://www.aecf.org/work/>

### [Columbus Foundation Benchmarking Central Ohio](https://columbusfoundation.org/umbraco-media/2974/report_benchmarking-central-ohio-2016.pdf)

[https://columbusfoundation.org/umbraco-media/2974/report\\_benchmarking-central-ohio-2016.pdf](https://columbusfoundation.org/umbraco-media/2974/report_benchmarking-central-ohio-2016.pdf)

### [BLS Occupational Employment Survey Current Employment Statistics](https://www.bls.gov/oes/)

<https://www.bls.gov/oes/>

### [BRFSS - Behavioral Risk Factor Surveillance Survey](https://www.cdc.gov/brfss/index.html)

<https://www.cdc.gov/brfss/index.html>

### [Brookings Institution](https://www.brookings.edu/)

<https://www.brookings.edu/>

### [Census Explorer](https://www.census.gov/censusexplorer/)

<https://www.census.gov/censusexplorer/>

### [Census Reporter](https://censusreporter.org/)

<https://censusreporter.org/>

### [County Business Patterns](https://www.census.gov/programs-surveys/cbp.html)

<https://www.census.gov/programs-surveys/cbp.html>

### [Feeding America's Map the Meal Gap](http://map.feedingamerica.org/)

<http://map.feedingamerica.org/>



[KIDS Count](#)

<http://www.aecf.org/work/kids-count/kids-count-data-center/>

[National Transit Database](#)

<https://www.transit.dot.gov/ntd/ntd-data>

[Pew Research Center](#)

<http://www.pewresearch.org/>

[Rand Corporation](#)

<https://www.rand.org/research.html>

[SBA, Office of Advocacy](#)

<https://www.sba.gov/category/advocacy-navigation-structure/research-and-statistics>

[Urban Institute](#)

<https://www.urban.org/research>

[Vital Signs - Benchmarking Metro Detroit](#)

<https://www.greatermilwaukeefoundation.org/community-leadership/vital-signs/>

[YRBS - Youth Risk Behaviors Survey](#)

<https://www.cdc.gov/healthyyouth/data/yrbs/index.htm>

You'll find that there are many, many more resources available. Many of the best resources require paid subscriptions and/or fees for accessing reports. Happily, local libraries often subscribe to these services on behalf of their members, and access only requires a library card. Check with your librarian for availability and assistance with gathering data.



## What Does Your Customer Value?

Before you spend limited resources on marketing an offering or launching a new offering, it's important to have a clear understanding of what your customer perceives as their wants and needs. What do *they* value? What problem are they trying to solve? What desire are they hoping to fulfill? How do they want to access your solution? A thorough investigation will help to minimize your risks and enhance your chance for success.

Market research is oftentimes considered the exclusive realm of the professional researcher. Presidential candidate Ross Perot was fond of saying: "The problem with you people is that what you call market research is what I call looking out the window." True enough, most of what we need to make sound decisions can be gathered through intentional observation throughout each day across each customer interaction and transaction.

## How Does Your Customer Talk About Value?

Whether you're having a conversation, or doing more formal research through focus groups, surveys, and guided interviews, it's important that you ask the customer to define the terms they use.

"Quality", "Convenience", and "Value" (among other terms) are in the eye of the beholder. When you hear a prospect or customer say that they want quality (or any other general or vague description), ask them to describe what that means to them. This is where you'll gain a better understanding of their perspective and will have less likelihood of substituting your own opinion for theirs.

## Customer Research Basics

Start with what you know already, and work to deepen and broaden your understanding. There are many different paths to the information you seek. If you're new to customer research, we recommend that you start with secondary information (already gathered by others), then reach out to customers and prospective customers for primary (direct) research.

## Profile Prospective Customers

To be successful, you need to tailor your efforts to specifically reach that segment of population that will most likely access your earned income opportunity, so your energies and funds can be deployed more effectively.

But are all of the people in these groups alike? Do they react to products/services according to their age and gender? Are there stronger predictors for how they make choices, or in how they fulfill their needs?

Market research indicates that these groupings, or segments, may not always be the most accurate way to classify matching your offering to the needs and wants of individuals within these market segments. For example, P&G recently completed research on new mothers and found at least four distinct groups with different attitudes and needs. Although they were similar in age, income, gender and education, the products they purchased were defined by their views on motherhood.



Thus, target market segmentation can be based on other factors, such as patterns of usage, buyer traits and behavioral or lifestyle variables.

Think about the following when segmenting your markets:

- Who is the selector, the buyer, and/or the third-party payer for the product/service? Is it the same person or different people with different concerns, needs or requirements?
- Who is the user or consumer? Is it the buyer? Does the user have to convince the buyer to purchase or does the buyer choose?

### **Keep Your Research Goal in Mind**

You may already know more than you think. Pay attention to current customer behavior. What are people buying? Why? You can learn a great deal about the buying habits for your offerings by watching current customers, or the customers of your competitors.

Study the trends in your field. Contact trade and professional associations in areas related to the field to learn about the demand for the value you are offering, or to products/services similar to yours or those you are considering. Professional journals will forecast trends and may highlight new programs and services before they hit the market. Conferences, trade shows and other convening events may also keep you abreast of the market: what is hot, what is not, pricing structures, new designs, future partnerships, and the like.

Be sure to apply your own common sense to the data you collect. You may end up with stacks of secondary data. Skim, scan and study the data, and keep your eyes open for information about customer behavior and customer priorities.

### **Guided Interviews**

After you've spent some time identifying and reviewing secondary sources, it's time to go directly to the customer. We often find that conducting a series of **guided interviews** is an excellent first step towards better understanding of customer habits and priorities.

The guided interview is an informal, conversational approach to collecting information from the customer. Rather than using a formal script of specific questions, we find that we learn more at this stage by keeping the discussion loose and informal and allowing the person you're interviewing to fill in your understanding. Rather than asking questions like "How often do you buy coffee at a coffee shop", start out with "Do you enjoy coffee?", then "Tell me about how you like to drink coffee". This allows the interviewee to share stories and insights and will often lead to discovery of new topics for investigation. We recommend that you have a list of four or five bullet points to work from; areas of inquiry that you want to know more about, and that will enable you to ask short questions and learn from long answers. Often, six or eight interviews will be enough to fill in some blanks and suggest areas for further investigation through a survey.



## Surveys

A well-designed survey instrument will allow you to solicit many answers to the same set of questions. If you choose your audience carefully, you can learn a great deal about customer preferences and perceptions. Please note: it is important to have a significant number of responses in order to validate your results. Surveying six respondents is unlikely to yield any useful data.

Decide whether and when you have enough data to make a decision. Often, when market information is applied to your current situation, new strategies begin to emerge. You may already have much of this data but just haven't thought of it as market research. For example, some sources may be customer service inquiries, complaints, front-line staff, special events, service and professional associations, grant proposals, patterns of service or sales.

## Customer Must-Haves

The purpose of the work in this area is to identify as precisely as possible—and from your customers' point of view—the critical success factors that must be present in order for your offering to be attractive to your target customers. *The key here is to focus on what is critical to the customer, not to you and your staff.* Keep Peter Drucker's warning top of mind; "The danger is in acting on what you believe will satisfy the customer. You will inevitably make wrong assumptions."

There are two kinds of critical success factors—customer factors and operational factors. The identification of critical success factors should involve many subject matter experts as well—a diverse group will provide better collective wisdom.

Make a list of requirements for the program and the target markets. If you did not have these items, customers would not select you or operating the program/service would not be possible.

Examples of the critical success factors for a specific offering could be related to expertise needed, access to customers, transportation, ticket sales, appropriate facilities, payment options, and the like.

- If you provide services to people who are culturally diverse, one of your critical success factors may be bilingual materials or speakers.
- Another critical factor might be delivering your offering quickly. Be sure to define what "quickly" means to this customer group: A call back within a day? An assessment interview within a few days? A counseling appointment within a week?
- In some cases, the most critical success factors might even be internal. For example, the ability to reduce turnover among your part-time employees, or the skills/accreditation needed by staff might be critically important to satisfying your customers.
- Strive to be specific and customer-centered. For example, convenience and quality are often cited as critical success factors. What does each mean for your customers? Are they different for each customer segment?

Make a list of all the items you can think of before eliminating some and/or combining them into the top five. Then you begin concentrating only on the most important factors. Five is a good upper limit. If you do not pay attention to these items, you will be unsuccessful at achieving your objectives.



## Exercise—Customer Must-Haves

Offering: \_\_\_\_\_

### Customer Factors

Critical Success Factor #1: \_\_\_\_\_

Why do customers feel this is essential?

Critical Success Factor #2: \_\_\_\_\_

Why do customers feel this is essential?

Critical Success Factor #3: \_\_\_\_\_

Why do customers feel this is essential?

### Operational Factors

Critical Success Factor #1: \_\_\_\_\_

Why is this essential?

Critical Success Factor #2: \_\_\_\_\_

Why is this essential?



## Behavioral Variables

Another way to plan for marketing success and the real reasons why people buy/use products and services is to examine the behavioral variables that make them unique as a group of individuals/organizations.

*Lifestyle (Activities, Interests, or Opinions):* preferences such as “doing things as a family”, “never enough money to buy what is needed”, “enjoys bargains”, “likes to travel”, “enjoys cultural activities”, “values down time,” “cares about persons with disabilities”, etc..

*Personality:* People are tribal: We tend to form groups based on our interests, be they travel, sports, causes, hobbies or other interests.

*Image:* We often place importance on social status, work ethic, perceived generosity, and other reflections of self-image, or perceived image.

## Demographics and Psychographics

Demographics and psychographics are key tools for effective marketers.

Demographics are specific characteristics that distinguish a target population or market. These factors include socioeconomic statistics, as well as factual data such as age, sex, education level, income level, marital status, occupation, religion, birth rate, death rate, and so on.

Psychographics include an analysis of consumer lifestyles to create a detailed customer profile. Market researchers conduct psychographic research by asking consumers to agree or disagree with statements about activities, interests, and opinions. Results of this exercise are combined with geographic data (place of work or residence) and demographics, such as age characteristics, to develop a more “lifelike” portrait of the targeted consumer segment.

## Other Segmentation Considerations

Other considerations include geographic descriptions which include areas served, by ZIP code, city, county, region, and so on, types of areas (urban, rural, suburban, etc.) or the nature of locations served (e.g., business districts), life-/business-style descriptions and purchasing pattern descriptions.

All of these combined offer you opportunities to paint a crystal-clear a picture of your target customer or customers.



**Exercise—Basic Market Segmentation**

Program / Initiative: \_\_\_\_\_

WHO is seeking value?

WHAT value do they seek?

WHY do they seek this value?

HOW do seek this value?



## Exercise—Target Customer Characteristics

Complete the following exercise for each target market for your offering to the best of your ability now. You will confirm your assumptions after conducting market research and feasibility inquiries.

Target Customer : \_\_\_\_\_

Demographic characteristics:

Geographic characteristics:

Life / Business-style characteristics:

Psychographic characteristics:

Other:

