



Enterprising Rural Families™

This newsletter is an instrument of the *Enterprising Rural Families: Making It Work* program of the University of Wyoming Cooperative Extension Service. For further information concerning the Enterprising Rural Families program or on-line course contact information@eRuralFamilies.org or go to <http://eRuralFamilies.org/>.

TIP OF THE MONTH:

Not everyone needs to participate in every decision, but people should participate in those decisions they will have to implement.

As a leader, you have at least two choices when it comes to involving your team in making a decision. One is simply to consult with team members and then make the decision yourself. Alternatively, you can work with others to come to a consensus about the decision. When a consensus decision is made, you have the option of remaining neutral and simply facilitating the decision process or becoming a member of the group making the decision. The role you choose depends on several factors, such as your comfort with letting the group decide, your ability to avoid over-influencing the group's decision, how much you have to be involved in implementation, and whether team members want your involvement.

An Online Newsletter October, 2010 Volume VI, Issue 10

Customer Analysis: Doing Market Research

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When exploring new market, small business managers often think very intently about some things (how and why their product will be fabulous and that they'll make lots of money). But they may do that to the exclusion of thinking intently on exactly how they will achieve their success.

Identifying customers and having a very clear idea of who is going to buy a product and how to reach them is a core part – if not the most important part – of a venture's success. To understand the market, we need as much information as possible about the specific characteristics of your ideal customer. Some people want a high quality product or service (at a premium price). Others want the lowest-cost option available. Some are willing to travel to buy it. Others want it on their doorstep.

As you consider a venture, gaining a thorough understanding of the market will help you create assumptions that will successfully guide your decisions. Your goal is to have a written profile of customer segments and financial estimates of the revenue generated by the market. Both of these will help you develop your product, production and marketing plans.

Market Research

Successful marketing means that you understand your target customer's needs, demands and wants better and faster than your competition. Essentially, market research is an organized way to learning these things about your customers (whether they are existing or potential). With effective market research you are better able to provide a product that creates value for your customers.

Some basic market research, even for small businesses that are close to their customers, on these segments can detect some key trends in your industry and region. And it can help in avoiding mistakes for the small business on a very limited budget.

Some simple trend research via personal observation may be all that is needed to keep your product offering useful. If you're



selling directly to the end user, like through a farmer's market stand or a storefront, do you make a point to engage buyers about their interests and needs? Simple questions may be all that is needed to understand what is becoming more of an interest to your market or uncover fresh markets. It is a simple way to check in to see if your service is up to snuff or if people are having any problems. It is also a way to identify home-runs people have had with your product or service – if you find a delighted customer, you can help them become an advocate for you amongst their friends and colleagues. You could do this by suggesting they mention your product to them or give discounts to people who are referred profiling them in a newsletter – something that spreads the word. As a costless and easy method, the payback of engaging clients directly can be immediate.

Market researcher Faith Popcorn offers some practical suggests some practical market research methods which can be highly effective.

- Reading as many current publications as possible.
- Watching the top 20 TV shows and movies. These influence and reflect consumer behavior.
- Talk to at least 150 customers a year about what they're buying and why.
- Talk to the 10 smartest people you know. They can offer valuable insights.
- Listen to your children.

To test the trends you've spotted as you talk or research, go to the next level and do some more formal research. Markets are described by demographics such as age, sex, ethnicity, education, occupation, income, family status and geographic location. Based on your observations you can use

✓ Census reports collected by the Department of Commerce (available at libraries and chambers of commerce) www.census.gov.

✓ Demographic data from The *Statistical Abstract of the United States* (Government Printing Office) www.census.gov/compendia/statab. Regional data are available from *The State and Metropolitan Data Book* (Government Printing Office) www.census.gov/compendia/smadb.

✓ State Departments of Commerce and local chambers of commerce may have useful local information.

Markets are also defined by psychographics. While demographics may define the outward appearance of your customer, psychographics defines why they buy products. As a tool for market research it provides insight on lifestyle and buying style. For instance, do your customers tend to receptive to new products, or among the last to buy them?

Unless you know these characteristics then any market survey you do of existing or potential clients will not be particularly useful to you. Surveys will help you gather answers to the questions you have. And they may provide surprising information. While you may think that customers buy from you because of your location, it may actually be because your polite sales force is preferred to a competitor's aggressive force.

A simple worksheet for collecting information is at the end of this article.



Psychographics is statistical data which defines potential customer's general attitudes, behaviors, decisions and opinions. In other words, psychographics define and measure lifestyle choices, or describe how people feel or act.

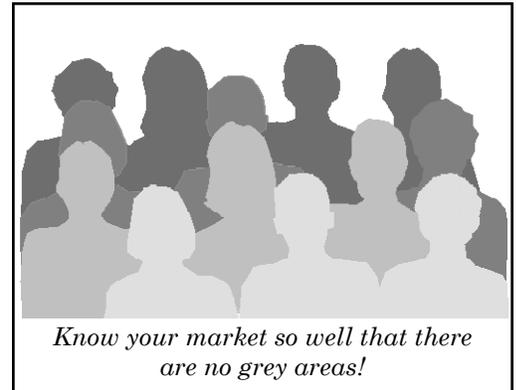
How to create an effective market survey questionnaire

Questionnaires are a common method of gathering information, as are focus groups. Questionnaires are the most common method of collecting information on a market. The structure and word choice must be done with care. Begin by determining what you need to know, and then write a sequence of questions that gathers the information. Write simple, unbiased questions.

Identify the Audience

Begin by thinking about the groups of target customers that comprise your market segments. For instance, students, faculty, and staff are different market segments. So are home offices, small businesses, and large businesses.

For mail-out survey for which you have not already collected mailing information, the US Post Office has compiled a list of direct-mail oriented resources on a web site: www.usps.com/directmail.



Writing the Questionnaire

A brief introduction will be needed to give the reader an idea of who you are and the importance of their responses. The type of question you use will vary with the information you wish to collect. You might consider open ended, multiple choice, rating, fill-in-the blank and so on.

Questions to Consider

Asking yourself questions from the list below may help you discover important factors that your business can capitalize on.

Demographics

- *Who will be your customers? Briefly describe important customer groups.*
- *Are there any demographic trends that support your business concept?*
- *Have there been any shifts in the economy that will likely make your business prosper?*
- *Are there clear segments in the market? Describe them.*
- *If your business can be broken down into different categories, list the total market for each of these categories.*
- *What is the growth potential for each segment of the market?*
- *What are the most important changes occurring among each of your important customer groups – i.e., size, buying preferences, need for financing, production practices, etc.?*
- *How difficult is it to retain a customer?*
- *How much does it cost to support a customer?*
- *Who makes the decision to purchase for your customers? Is the decision maker well informed of their options?*
- *How is the purchase decision made? Is the decision made well in advance or on short-notice?*
- *What need(s) do you fill for your customers? How do the needs you fill differ across customer groups?*

Target Market

Who is your primary target market?

- *Who are your secondary target markets?*
- *How did you arrive at this conclusion?*
- *Within these primary market businesses, who is typically the decision maker about purchases from a company like yours?*
- *What will you sell to each of the customers?*
- *Has the market continued to grow over the past 5 to 10 years? What support do you have for your conclusion?*

- *How is the purchase decision made? Is the decision made well in advance or on short-notice?*
- *Who makes the decision to purchase for your customers? Is the decision maker well informed of their options?*

Final Thought

At a recent conference, one of the speakers had a good reminder: “Starting a business is a lot of hard work, so you should make sure it is what you really want to do. Research all the areas before you start. And go into the business with an open mind, knowing up front that you'll make mistakes.”

Getting the target market and the marketing approach right will pay off in the end. You may be successful by accident, but do you have the resources and patience to try the “poke and hope” approach?

Here are some other sources for marketing information (as well as management insight):

- ▶ Trade associations,
- ▶ State and federal agencies,
- ▶ Industry sources (chemical companies, feed companies, equipment dealers),
- ▶ Tax advisors, accountants and/or lawyers,
- ▶ Farm publications,
- ▶ Web sites and e-mail newsletters,
- ▶ Other people in your business, and
- ▶ Lenders.

SUCCESSFUL MARKET RESEARCH



- ✓ Have a plan
- ✓ Know the market
- ✓ Understand your customer's needs
- ✓ Identify the audience
- ✓ Study the demographics and the psychographics
- ✓ Use as many resources as possible



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October, 2010 Volume VI, Issue 10

Customer Segmentation Worksheet ¹

Complete this worksheet for each major product you plan to produce. Develop a profile of each customer segment based on the four areas provided.

Product _____

Customer segment	1	2	3
Geographic			
Demographic			
Psychographic			
Needs/Preferences			
Significant Changes			

¹Based on "Worksheet 4.1: Customer Segmentation" in *Building a Sustainable Business*, pg. 186