BizTweak

Making Entrepreneurship Easier

MARKET INTELLIGENCE

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INTRODUCTION TO THE MODULE

In this module, you will learn what market research is and why it is so important for any businesses. Besides, you will get an extensive understanding of how market segmentation works, how to conduct competitor analysis and steps to create ideal customer profile. By the end of this module, you will get to learn how to figure out a unique selling point, what is a competitive advantage and how to sort out best WTP for your business as well.

Topics to be covered in this module are:

- Market Research
- Competitive Advantage
- Market Segmentation
- SAM SOM TAM
- Competitor Analysis
- Proof of Concept
- Ideal Customer Profile
- Summary
- Unique Selling Point
- Quiz

MARKET RESEARCH

HOW CAN THE COMPANY CONDUCT MARKET RESEARCH?

What is Market Research?

Market research is the process of gathering information about your business's buyers' personas, target audience, and customers to determine how viable and successful your product or service would be, and/or is, among these people.

What Does Market Research Tell You?

Market research provides insight into a wide variety of things that impact your bottom line, including (but not limited to):

- Where your target audience and current customers conduct their product/service research
- Which of your competitors your target audience looks to for information, more options, or to make a purchase
- What's trending in your industry
- Who makes up your market and what their challenges are
- What influences purchases and conversions among your target audience

1. Interviews

Interviews allow for face-to-face discussions (in-person and virtual) so you can allow for a natural flow of conversation and watch your interviewee's body language while doing so.

2. Focus Groups

Focus groups provide you with a handful of carefully-selected people that you can have tested out your product, watch a demo, provide feedback, and/or answer specific questions.

3. Product/ Service Use Research

Product or service use research offers insight into how and why your audience uses your product or service, and specific features of that item. This type of market research also gives you an idea of the product or service's usability for your target audience.

4. Observation-Based Research

Observation-based research allows you to sit back and watch the ways in which your target audience members go about using your product or service, what works well in terms of UX, what roadblocks they hit, and which aspects of it could be easier for them to use and apply.

5. Buyer Persona Research

Buyer persona research gives you a realistic look at who makes up your target audience, what their challenges are, why they want your product or service, what they need from your business and brand, and more.

6. Market Segmentation Research

Market segmentation research allows you to categorize your target audience into different groups (or segments) based on specific and defining characteristics — this way, you can determine effective ways to meet their needs, understand their pain points and expectations, learn about their goals, and more.

7. Pricing Research

Pricing research gives you an idea of what similar products or services in your market sell for, what your target audience expects to pay — and is willing to pay — for whatever it is you sell, and what's a fair price for you to list your product or service at. All of this information will help you define your pricing strategy.

8. Competitive Analysis

Competitive analyses are valuable because they give you a deep understanding of the competition in your market and industry. You can learn about what's doing well in your industry, what your target audience is already going for in terms of products like yours, which of your competitors should you work to keep up with and surpass, and how you can clearly separate yourself from the competition.

9. Customer Satisfaction and Loyalty Research

Customer satisfaction and loyalty research give you a look into how you can get current customers to return for more business and what will motivate them to do so (e.g. loyalty programs, rewards, remarkable customer service). This research will help you discover the most-effective ways to promote delight among your customers.

10. Brand Awareness Research

Brand awareness research tells you about what your target audience knows about and recognizes from your brand. It tells you about the associations your audience members make when they think about your business and what they believe you're all about.

11. Campaign Research

Campaign research entails looking into your past campaigns and analyzing their success among your target audience and current customers. It requires experimentation and then a deep dive into what reached and resonated with your audience so you can keep those elements in mind for your future campaigns and hone in on the aspects of what you do that matters most to those people.

Now that you know about the categories and types of market research let's review how you can conduct your market research.

How to Do Market Research

1. Define your buyer persona.

Before you dive into how customers in your industry make buying decisions, you must first understand who they are.

Categorize them based on the following variants

- Age
- Gender
- Location
- Job title(s)
- Job titles
- Family size
- Income
- Major challenges

2. Identify a persona group to engage.

Now that you know who your buyer personas are use that information to help you identify a group to engage in conducting your market research with — this should be a representative sample of your target customers so you can better understand their actual characteristics, challenges, and buying habits.

3. Prepare research questions for your market research participants.

The best way to make sure you get the most out of your conversations is to be prepared. You should always create a discussion guide — whether it's for a focus group, online survey, or a phone interview — to make sure you cover all of the top-of-mind questions and use your time wisely.

4. List your primary competitors.

List your primary competitors — keep in mind listing the competition isn't always as simple as Company X versus Company Y.

To identify competitors whose products or services overlap with yours, determine which industry or industries you're pursuing. Start high-level, using terms like education, construction, media & entertainment, food service, healthcare, retail, financial services, telecommunications, and agriculture.

The list goes on, but find an industry term that you identify with, and use it to create a list of companies that also belong to this industry.

5. Summarize your findings.

Are you feeling overwhelmed by the notes you took? We suggest looking for common themes that will help you tell a story and create a list of action items.

To make the process easier, try using your favorite presentation software to make a report, as it will make it easy to add in quotes, diagrams, or call clips.

Feel free to add your own flair, but the following outline should help you craft a clear summary:

- **Background:** Your goals and why you conducted this study.
- Participants: Who you talked to. A table works well so you can break groups down by persona and customer/prospect.
- **Executive Summary:** What were the most interesting things you learned? What do you plan to do about it?
- **Awareness:** Describe the common triggers that lead someone to enter into an evaluation. (Quotes can be very powerful.)
- **Consideration:** Provide the main themes you uncovered, as well as the detailed sources buyers use when conducting their evaluation.
- **Decision:** Paint the picture of how a decision is really made by including the people at the center of influence and any product features or information that can make or break a deal.
- **Action Plan:** Your analysis probably uncovered a few campaigns you can run to get your brand in front of buyers earlier and/or more effectively. Provide your list of priorities, a timeline, and the impact it will have on your business.

Lastly, let’s review a resource that can help you compile everything we just discussed in a simple yet effective way

HOW TO DETERMINE WHO YOUR PRODUCT IS FOR?

Look at your current customer base.

Who are your current customers, and why do they buy from you? Look for common characteristics and interests. Which ones bring in the most business? It is very likely that other people like them could also benefit from your product/service.

Check out your competition.

Who are your competitors targeting? Who are their current customers? Don't go after the same market. You may find a niche market that they are overlooking.

Analyze your product/service.

Write out a list of each feature of your product or service. Next to each feature, list the benefits it provides (and the benefits of those benefits). For example, a graphic designer offers high-quality design services. The benefit is a professional company image. A professional image will attract more customers because they see the company as professional and trustworthy. So ultimately, the benefit of the high-quality design is gaining more customers and making more money.

Once you have your benefits listed, make a list of people who have a need that your benefit fulfills. For example, a graphic designer could choose to target businesses interested in increasing their client base. While this is still too general, you now have a base to start from.

Choose specific demographics to target.

Figure out not only who has a need for your product or service, but also who is most likely to buy it. Think about the following factors:

- Age
- Location
- Gender
- Income level
- Education level
- Marital or family status
- Occupation
- Ethnic background

Consider the psychographics of your target.

Psychographics are the more personal characteristics of a person, including:

- Personality
- Attitudes
- Values
- Interests/hobbies
- Lifestyles
- Behavior

Determine how your product or service will fit into your target's lifestyle. How and when will your target use the product? What features are most appealing to your target? What media does your target turn to for information? Does your target read the newspaper, search online, or attend particular events?

Evaluate your decision.

Once you've decided on a target market, be sure to consider these questions:

- Are there enough people who fit my criteria?
- Will my target really benefit from my product/service? Will they see a need for it?
- Do I understand what drives my target to make decisions?
- Can they afford my product/service?
- Can I reach them with my message? Are they easily accessible?

HOW DO YOU KNOW WHERE THE CUSTOMER IS LOCATED?

What is Location Data?

> Location data is geographical information about a specific device's whereabouts associated to a time identifier.
>
> This device data is assumed to correlate to a person – a device identifier then acts as a pseudonym to separate the person's identify from the insights generated from the data.
>
> Location data is often aggregated to provide significant scale insights into audience movement.

What Technology is Needed to Gather Customer Location Data?

> These are the most commonly used devices:

Cell towers

> Cell towers are tall metal structures that facilitate mobile phone calls, texts and data usage. Typically, they're standalone or placed on rooftops at the height of 45–90m.
>
> Whenever a person uses their mobile phone, their location can be triangulated as a signal will have been 'pinged' from the closest 2/3 towers.
>
> Link identity to a phone number using a loyalty card or online account data, then find out where your customers are and what their daily routine is.

Beacons

> Beacons are small, inexpensive Bluetooth Low Energy devices that can track customers within a 50m radius.
>
> Despite having a more limited range than GPS, cell towers and Wi-Fi, beacons are significantly more accurate when placing customers.
>
> Customers have to agree to use beacons. Approval is often given when a person downloads a company's app. Customers can then be sent highly targeted marketing resources when close to your branches.

RFID

> Radio-frequency identification (RFID) uses tags or smart labels to store information on a product or location.
>
> This technology is similar to barcode scanners but can be used out of the line of sight. RFID can also gather data over time and transmit this data automatically.
>
> RFID is now widely used for inventory management. It can also be paired with social media or CCTV images to locate customers and gauge their reaction to products.

GPS

> GPS is a satellite-based navigation system that plots users' locations from an altitude of 20,000km.

On the most simplistic level, logging your GPS coordinates online allows customers to travel to your branch using sat nav.

You can also set up geofences. These enable you to automatically carry out pre-programmed actions when a person enters a certain area, such as dispatching an ad when a known customer is close to your store.

IoT

The Internet of Things (IoT) is a relatively recent development that enables connected devices to transfer information between one another.

This can give you access to a wealth of information that could enhance your location intelligence and help you adapt products/services to known customer behaviors.

Find out when customers use products, where they use them, how frequently they use them and tailor your marketing approach and inventory accordingly.

Wi-Fi

Wi-Fi is now almost ubiquitous in homes and many businesses, using radio waves to transmit information to anyone with access permission.

By offering free Wi-Fi and asking for a few basic registration criteria, you can track customers' online activities, offer targeted deals and provide mobile payment options.

Begin integrating all this technology into your commercial operations and pair with advanced location planning software to take your business strategy to the next level.

Where Does Location Data Come from?

The source can have a significant effect on accuracy, scale and the precision of devices. So, from where does location data come? There are three primary sources:

- The bidstream
- Telcos
- Location SDKs

A comprehensive marketing plan is a key component to building and sustaining a profitable business. No matter what industry your business is in, whether it delivers a product, a service, or both, your marketing plan must competitively attract customers.

Location-Based Marketing Defined

As the name implies, location-based marketing focuses on marketing to consumers of a particular geographic area through their mobile devices (smartphones, tablets, etc.)

To understand location-based-marketing's flexibility, first learn what components go into targeting local customers based on passive (organic search engine results) and active forms of marketing (reaching out to existing customers and potential customers within your town, city or similar geographic location).

Step 1: Planning and Establishing a Baseline

Now that you have a better understanding of what location-based marketing is, there are some considerations and research you will need to perform. The following questions should be asked for each component of a location-based marketing campaign. This provides your organization with a good starting point to customize your location-based marketing campaign.

- **Mobile-Optimized Website**

Does your organization have a mobile-compatible website?

Determining this is the first step to building a successful location-based marketing campaign because if they can't read it in a mobile-friendly format (smartphone, tablet, etc.), they will move on to another business that has already created a mobile-friendly website.

- **Keyword Selection Strategies**

Determining a keyword strategy is the next component to think about. What keyword research tools are you already using, or not using?

Take a survey of your existing research capabilities, including free and premium tools. Also, look at your existing content's keyword optimization. Are they currently geared more towards your product, service, or location? This will make a big difference in your location-based marketing campaign and whether it will garner more organic growth in search engine results.

- **Creating Content**

What type of content exists on your website and social media? Does your content speak only to your product and potential customers? Does it include information about your local community, city, or town?

Asking these questions helps determine what keywords, if any, are related to your business' location. Depending on the amount of content speaking to your business' location, it will help you determine how much you might need to emphasize your business' location versus its product or service content.

- **Technology to Sense and Reach Customers**

How important and relevant is a location-based marketing campaign to your business? Do you have a storefront in a busy shopping center or is it located on a side road?

If you have a physical location and you have little foot-traffic despite traditional methods of advertising (print ads, radio and television), then a location-based marketing campaign may be necessary. Similarly, a business in a heavily trafficked city or shopping center, with a lot of competition, may benefit from it.

Step 2: Implementing the Campaign

- **Mobile-Optimized Website**

Depending on the size of your business and how much time, money and effort you'd like to invest in your mobile site, Marketing Land points out four different ways to have a mobile website live with respective benefits and drawbacks.

- **Option 1. The Fully-Hosted Mobile Site**

This mobile version of the full desktop/laptop version is based on the original website, but is not necessarily the same layout. As Marketing Land points out, with a fully-hosted mobile site, visitors are redirected from the original website to the mobile version.

- **Option 2. Reverse Proxy Solution**

For businesses looking for a little more control, reverse proxy mobile websites provide more, but not complete control. Automatically "translating" the desktop version into a mobile-friendly format, this option still requires hosting on a third-party server. This option can also be completed in as soon as a few weeks, but does not provide complete translatability as a from-scratch mobile website. For example, content within Flash and other formats are not always transferable.

Option 3. Cloud Platform Mobile Site

Hosted on your own domain, a cloud platform mobile site," permits developers to customize it with CSS3, JavaScript, and HTML5, along with automatic detection of different devices and their data display capabilities.

Option 4. CMS-Driven Mobile Site

Marketing Land points out that for businesses with content management systems already in place, a template can be developed and put into place with an existing CMS setup. However, one draw-back is that an add-in is necessary to determine and customize to each device (smartphone, tablet, etc.) a user is viewing your mobile website with.

Keyword Selection Strategies

The keyword selection process is not a complex one, but also cannot be taken lightly. It goes without saying that you want to use keywords relevant to your geographic area (city, town, etc.). These words will help Google steer your content towards your respective geo-fenced area. Crafting keywords and ensuring they are relevant takes more strategy.

Using the keyword tool, multi-and-long-tail keyword phrases can be tested. By paying attention to the "Local Monthly Searches" field, you will determine which of your keywords are popular, and which are not.

From there, keywords can be naturally inserted into your articles, blog posts, and website content—any content that will be optimized for your mobile website presence.

Technology to Reach Customers

Along with implementing a search engine strategy campaign—based upon a mix of location and industry/product keywords discussed above—location-based-marketing is accomplished through mobile apps, some of which enable check-ins and check outs.

- **Mobile Apps**

There are two approaches for your business to engage customers through apps. Whenever a customer approaches your pre-defined geo-fencing area, Marketing Land pointed out that their mobile app can automatically notify them of a deal, coupon, or promotion.

The first, according to the Social Media Examiner, is to list your company in one of the following apps: Foursquare, Grocery iQ, Where, Pushpins, The Coupons App, and Cellfire App.

Step 3: Challenges Marketing Professionals Face

Companies are in different stages of growth, and that includes adapting their marketing plan to the fluid nature of business. There are two specific factors that owners and marketing professional implementing location-based-marketing plans face.

- **Competition from Other Companies**

This first challenge is what every company faces in every industry—their competitors. Whether you sell coffee, you sell phones or you sell groceries, competition is not going away. So, your marketing plan must adopt something that differentiates itself from the competition.

While there are only so many ways to market to a potential customer, there are virtually unlimited ways to sell a complete experience, and not just a product. If you sell phones, let your customers make a test call or a test text to let them see if they like the interface, call quality or functionality.

- **Algorithm Changes**

Google is always improving its algorithms to help consumers find high quality websites, including those run by small business owners. According to WordStream, understanding why "eBay lost 80 percent of its Organic Rankings" can help you learn what not to do and what to do when creating unique content for your location-based-marketing campaign (and your traditional website SEO campaign).

Step 4: Importance as Part of Complete Marketing Plan

You can take advantage of marketing directly to customers in your store. Or reach them as they pass by your business on foot or while traveling down the road by car. Interacting with customers when it matters most is the strength of location-based-marketing. Combined with the already high, and increasing mobile device use rates, targeting customers with location-based marketing allows you to compete with businesses across your city.

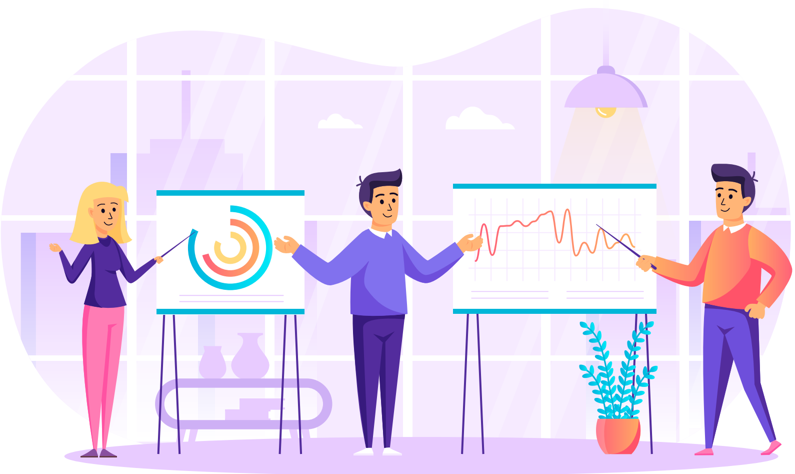
Your location-based marketing can benefit passively from your search engine optimization (SEO) keyword practices. Implement location and demographic-focused keywords for neighborhood specific pages, such as your city and neighborhood names. When combined with a mobile optimized website, you increase the chances that residents and visitors find your business when they are looking for a place to eat, have a drink, or go shopping.

Step 5: Benefit from Location-Based Marketing

As Marketing Land out, it is wise to keep up with current trends, location-based marketing provides a high return-on-investment. The website cites a 72 percent likelihood that customers will show immediate interest in direct, call-to-action marketing message when a customer sees the retailer in person.

Making Location-Based Marketing Work

If you understand your needs, see what components you need to create and add to, evaluate, refine and keep monitoring, your location-based marketing campaign can be an effective arrow in your marketing quiver.



MARKET RESEARCH

DO YOU KNOW WHO YOUR TARGET MARKET/AUDIENCE IS?

DO YOU KNOW WHO YOUR MOST IMPORTANT CUSTOMERS ARE?

Analyzing your customers allows you to identify those who best fit your business priorities. These will depend on your strategy - for example, if you are launching a new product your aim might be to build sales as quickly as possible, whereas if you have cash flow problems you might value customers who pay quickly.

However, most businesses want customers who are as profitable as possible. Customers tend to be more profitable if they:

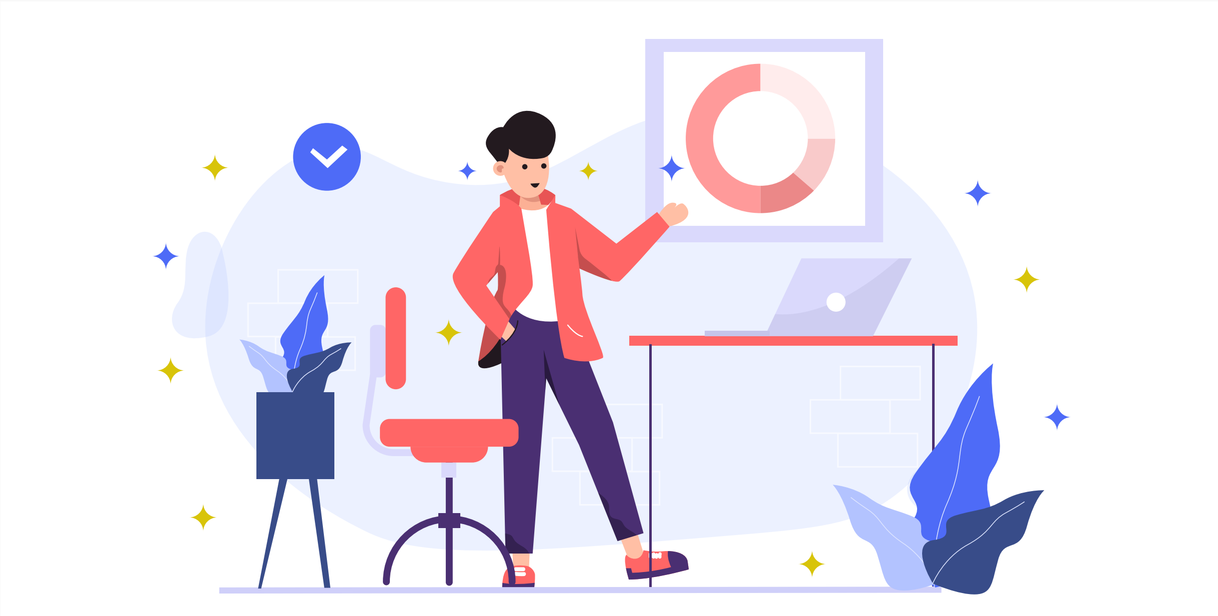
- Buy high-margin products
- Pay full price without negotiating discounts
- Place a small number of large orders rather than many small orders
- Do not cancel or amend orders
- Pay on time, without being chased for payment
- Do not require extensive after-sales service

By analyzing your records, you can assess how profitable each customer is. In some businesses, just a few customers are responsible for almost all the profits. Some of your largest customers might be among your least profitable. You may even find that there are some customers you would be better off without.

But remember that, no matter how much money they gave you in exchange for your products or services, they are all important, and you should treat all of them very well. Often there are circumstances and facts that you don't know about your customers. This means you need to get to know them better. Knowing your customers and their motivations will help you better understand their purchase habits, and more importantly, the power that they hold in bringing in revenue for you.

COMPETITOR ANALYSIS

DO YOU KNOW HOW YOUR CUSTOMERS ARE CURRENTLY PAYING?



To know about competitors pricing, the following bullets can help you.

List price

You may not know how much your competitor discounts, but if you can find their list price, it can be helpful. You probably want to set your list price relative to theirs (plus or minus the value difference). Then assume they are offering industry-standard discounts.

Partners

If you use a sales channel or other types of subcontractors who also partner with your competitors, they likely have the information you seek. They may not share it with you, but it doesn't hurt to ask.

Salespeople

Your salespeople will tell you what they hear in an account. Often, they will learn how much the competitor is charging. Be very careful here. Ask sales where the information came from. If the information came from a buyer's procurement agent, they are likely telling you your competitor's price is lower than it really is. However, if the price came from an engineer or a user that's part of the decision process, you can probably trust it.

Build a database

Consider creating your own competitor price database. Every time you hear a price, enter it into the database. Log who gave it to you and the original source of the information. Over time, you may create a pretty clear picture of your competitor's prices and maybe even their pricing strategy.

DOES YOUR COMPANY SELL ONLINE?

Before you attempt to develop a solution for a problem, you first need to confirm whether there is actually a problem in the first place.

Very often, businesses set out to solve the wrong problems, problems that are not even there.

To avoid this, you need to go through this step where you try to define the problem in the simplest terms possible.

This step clarifies why it is important to find a solution for the problem. To confirm that you actually have a problem, you need to ask yourself the following questions:

What is the basic problem?

State clearly and concisely the problem you are trying to solve and why you think it is a problem. Define the scope of the problem and explain the impact the problem is having on the organization, the consequences of leaving the problem unsolved, and if possible, the emotional toll of the problem on those involved.

What are you trying to achieve?

What is the desired outcome if you were able to come up with a perfect solution to the problem? This is where most organizations get it wrong. They don't take enough time trying to understand the desired outcome in the perspective of the customers or other beneficiaries.

Who will benefit and why?

Of course, if you are trying to solve a problem, there needs to be someone who will benefit once it is solved.

How others are addressing the problem?

Even if you have never dealt with such a problem before, it is highly unlikely that the problem is unique to your organization.

There are probably some other businesses and organizations that have successfully solved a similar problem. Investigate which other companies that have had similar problems and what they did to solve it.

- What processes or technology did they use?
- What worked for them?
- What didn't work?
- Why did they choose one solution over the other?
- How much did it cost them to develop and implement the solution?

Finding out this information can also save you lots of crucial time and resources and help you find new angles of looking at the problem that you might have overlooked.

DO YOU KNOW WHO ARE THE PEOPLE CURRENTLY SOLVING THIS PROBLEM?

The people who are currently solving the problems are your competitors. A competitive analysis is required to compete in the ever-expanding markets. A competitive analysis is a strategy where you identify major competitors and research their products, sales, and marketing strategies. By doing this, you can create solid business strategies that improve upon your competitor's.

There is no business without competition today. However, with the increased usage of the Internet as a place where you can purchase products and services, you're no longer competing with local businesses only. You are also in competition with businesses from other cities, and other countries too.

They might offer similar products to yours that can reduce the sales of your product as a result. But competition is not just about taking away money from you. You can also gain a lot of capital and market share if some of your new competitors want to sell their products with your help or want to sell their companies to yours.

That's why you need to have a constant market research process for new competitors.

What you need to know about your competitors

Monitor the way your competitors do business. Look at:

- The products or services they provide and how they market them to customers
- The prices they charge
- How they distribute and deliver
- The devices they employ to enhance customer loyalty and what back-up service they offer
- Their brand and design values
- Whether they innovate - business methods as well as products
- Their staff numbers and the caliber of staff that they attract
- How they use IT - for example, if they're technology-aware and offer a website and email

- who owns the business and what sort of person they are?
- their annual report - if they're a public company
- their media activities - check their website as well as local newspapers, radio, television and any outdoor advertising

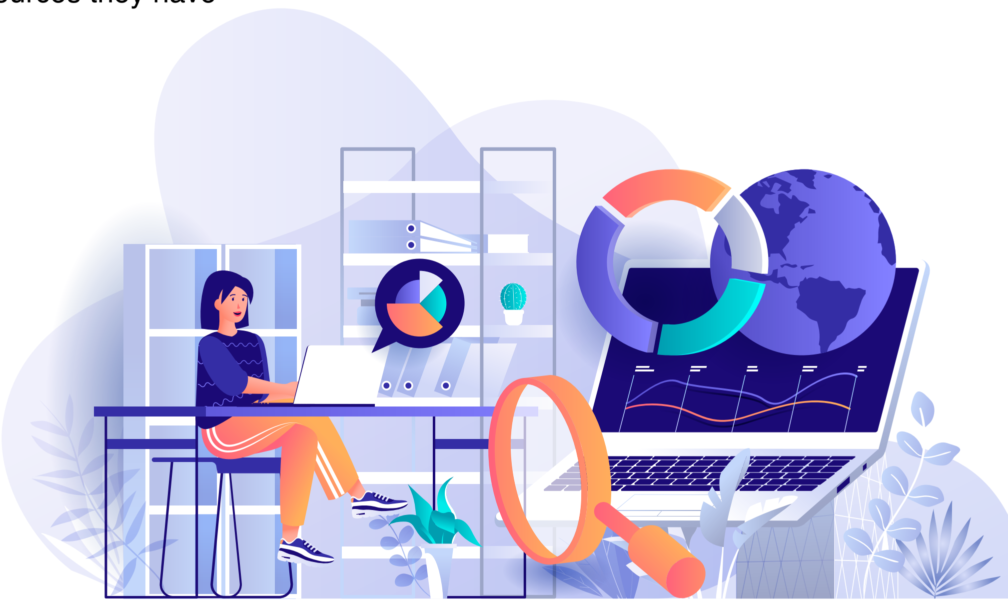
Find out as much as possible about your competitors' customers, such as:

- Who they are?
- What products or services different customers buy from them?
- What customers see as your competitors' strengths and weaknesses
- Whether there are any long-standing customers
- If they've had an influx of customers recently
- What they're planning to do

Try to go beyond what's happening now by investigating your competitors' business strategy, for example:

- what types of customer they're targeting?
- what new products they're developing

what financial resources they have



HAS THE COMPANY ACTIVELY IDENTIFIED A COMPETITOR IN THE MARKET?

Read about your competitors. Look for articles or ads in the trade press or mainstream publications. Read their marketing literature. Check their entries in directories and phone books. If they are an online business, ask for a trial of their service.

Are they getting more publicity than you, perhaps through networking or sponsoring events?

If your competitor is a public company, read a copy of their annual report.

Go to exhibitions

At exhibitions and trade fairs check which of your competitors are also exhibiting. Look at their stands and promotional activities. Note how busy they are and who visits them.

Go online

Look at competitors' websites. Find out how they compare to yours. Check any interactive parts of the site to see if you could improve on it for your own website. Is the information free of charge? Is it easy to find?

Business websites often give much information that businesses haven't traditionally revealed - from the history of the company to biographies of the staff.

Use a search engine to track down similar products. Find out who else offers them and how they go about it.

Websites can give you good tips on what businesses around the globe are doing in your industry sector.

Organizations and reference sources

- Your trade or professional association, if applicable.
- The local Chamber of Commerce.
- Directories and survey reports in any business reference library.

IDEAL CUSTOMER PROFILE

DO YOU KNOW HOW YOUR CUSTOMERS PREFER TO PAY?

Availability of multiple payment options means greater convenience for customers and hopefully more sales for your business. A good combination would be to allow payments by all major credit cards along with direct bank transfers. Industry data reveals that Credit Cards are the most preferred mode of payment. But there are others who choose alternative modes of payment like Debit Cards, Direct Debit, Bank Transfer and even Cash On Delivery. The wider the choices you can provide to your customer, the greater the scope of revenue growth and business expansion.

Lets' list the various payment options that you could offer:

- Payment though all major Credit and Debit cards must be allowed
- Bank Transfers through services like PayPal
- Digital wallets like Apple Pay and PayLah and other contactless payments
- Electronic checks that are supported by most major gateways
- Financing options services like eBillme that allows ecommerce outlets offer a simple form of financing to customers
- Gift Cards- either store specific or those issued by major Credit Card companies
- Having the option of Cash on Delivery (COD)

DO YOU HAVE A PROFILE FOR YOUR IDEAL CUSTOMER?

Defining Ideal Customer Profile

An ideal customer profile is a hypothetical description of the type of company that would realize the most value from your product or solution. These companies tend to have the quickest, most successful sales cycle, the greatest customer retention rates and the highest number of evangelists for your brand.

You define the ideal customer profile using firmographics, including:

- The average size of the company
- The average company revenue
- The ideal industry or industries
- The ideal location of the company

… and so on. Depending on your product, service or brand, you may want to include other data points to help you identify the right market segments for you.

How does this imaginary organization provide value to your business?

- First and foremost, they pay you for the value you provide them. But there are many other secondary ways a customer could benefit your company.
- They might help refer you to other companies.
- They might become advocates for your company.
- They might give you access to resources to grow your business.
- They might provide you with valuable insights into new opportunities.
- They're pleasant to deal with and don't require excessive amounts of support.
- They might let you use their logo and provide a testimonial that you can use in your marketing materials.
- They might just be a constant and never-ending stream of positive feedback and encouragement for your team.

How to create an ideal customer profile

Now let's walk through the process of actually creating your ideal customer profile. While many consultants and experts would like to turn this into a complex undertaking, it helps to keep in mind that defining your ideal customer profile is essentially about one thing: understanding your customers better.

Step 1: Make a list of your best customers

Create a list of your 10 best current customers. Then you want to know two numbers:

How much is the customer paying you?

1. How much value is the customer getting from using your solution? (You should not assume a number here—instead, ask your customer. Ideally, call them and ask them directly. But if that doesn't work you can also ask them via email or as part of a survey.)

The second number they tell you should be a multiple of the first number. So if they pay you $100 a month, they should be getting at least $200 of value in return from using your solution.

It's not enough that they pay for your solution. They need to actually get significant value from it and be aware of the value derived from your solution.

Sell to your customers in three stages

Don't assume that this magically happens by itself. You should take charge of making this happen by selling them in three stages:

- **Before they buy,** you need to sell them on the promise of your solution. You need to convince them that your solution has the potential to make them successful, and is worth investing in.
- **After they buy,** you need to sell them on actually implementing your solution. It's not enough that they just paid you for it—they actually have to invest time and resources into utilizing it, so that the promised value is actually created.
- **After they've received the value,** you need to sell them on realizing that it's your solution that has created the value. You need to ensure that the people in the organization are aware of the value your solution has created. This is not something that happens by itself, it's something that needs to be engineered and directed

Don't have 10 ideal customers yet?

If you can't come up with 10 customers, drop everything else and focus on getting these 10 ideal customers. Either support some of your existing customers over to the top until they reach that level of success with your solution, or bring in new companies and onboard them to ensure their success with your solution.

Step 2: Find common attributes

Now look at this list of your ideal customers, and ask yourself: what do they have in common?

This is where you have to brainstorm and do your research. Dig deep and come up with lots of attributes for each of these 10 companies so that you later find commonalities. You want to be creative and approach this from very different angles, even if some of them might not seem relevant or meaningful at first. The goal at this step of the process is to come up with an extensive list of attributes first.

Step 3: Prioritize attributes of your ideal customers

In the prior step your goal was to come up with a long list of attributes that your best customers have in common. The next step is to identify the ones that really matter.

An ideal customer profile is only useful if it provides clarity. Overloading it with a set of 35 attributes won't do you no good. This shouldn't become an exercise in memorizing company traits. Instead, it should help everyone in your company quickly and easily understand and envision who the ideal customer is, and is not.

Aim for somewhere between five to ten main attributes to define your ICP.

Step 4: Fill out the ICP template

We've created a simple template for you to help guide you and your team through this process.

Our interactive quiz guides you through the process of finding the right template for you, and then you can build your own ICP profile.

Your ideal customer profile template

The best way to go about this is to identify which questions are worth asking your ideal customers. Here are some ideas to get you started in different directions:

- What's the size of the organization? (Measured in revenue, number of customers, number of employees, etc.)
- What's the size of the relevant department?
- Do certain job titles exist in the organization?
- Which industry or niche are they serving?
- From which academic institutions did they recruit their employees?

- Which companies have current employees previously worked at?
- Do they largely promote people from within the organization, or do they mostly bring in experienced leadership from outside? (e.g. in the first case, they might value training their personnel higher, versus in the latter they have more demand for recruiting services)
- How long have they already been in business?
- What's the number one reason that would prevent them from buying your solution?
- What's the number one reason that would make them decide to buy your solution? What makes your offer appealing to them?
- What goal do they want to achieve with your solution?
- How are they currently trying to achieve this goal?
- Why did they decide to try this approach? (What was the decision-making process that led to this choice?)
- What's the main pain point with their current approach?
- What are the three most important features for them?
- What's their buying process like?
- Did they ever make a purchasing decision to fulfill the need? If yes, how often did they already do this?
- Which industry publications, blogs or websites are they following?
- What kind of tools or services are they using?
- Where are they located? (Geographic region? Rural vs. urban area?)
- Any recent personnel change? Restructuring? Other recent events in the company?
- Seasonal or temporal factors? (e.g. Spending remaining budgets before end of year? Selling remnant advertising before going to print? Having to meet goals before end of quarter? Low demand during summer?)
- How have they been affected by changes in the economy or other developments outside their sphere of influence?
- What kinds of social media platforms do they use?
- What kind of usage patterns do they show?
- What's their culture like, what values do they practice?
- How do they position themselves in the market?
- What words do they use to describe their product or service?

- In which directories do they get listed?
- Which associations or trade groups are they members of?
- Are they more driven by a desire to be innovative or to reduce risk?
- Which trade shows or industry events do they attend?
- How technically sophisticated are they?
- Where do they source their materials?
- What distribution channels do they use?
- What's their awareness stage? Do they already know your product and just aren't motivated enough to buy? Do they know the end-result they want but not that your solution is capable of delivering it? Do they know that they have a problem, but have no idea how to solve it? Aren't they even aware of the problem, and need to be educated of the fact that they have a tremendous opportunity for improvement?

UNIQUE SELLING POINT

IS THERE A SPECIAL THING, ATTRIBUTE OR CHARACTERISTIC THAT YOUR COMPETITORS ARE NOT ABLE TO COPY OR OBTAIN?

A unique selling point (USP) is a factor that differentiates a product from its competitors, such as the lowest cost, the highest quality or the first-ever product of its kind. A USP could be thought of as "what you have that competitors don't."

A successful USP promises a clearly articulated benefit to consumers, offers them something that competitive products can't or don't offer, and is compelling enough to attract new customers.

A strong selling proposition, well communicated, will help customers quickly understand what your business offers and why they should choose you over the competition.

Finding your USP means having a good understanding of your target market, your competition, and your industry.

A step-by-step guide to creating your USP

- Make a list of what you know about your target audience.
- Make a list of all the needs that your product or service could meet - these attributes are all potential selling points for your business.
- Screen these against trends and competitors. Now remove the selling points that

are already being well met by competitors. Don't forget that your USP is a unique selling proposition so you are looking for a gap in the market.

- Match each potential USP against what you and your business are especially good at, and how you want to be seen.
- Conduct short interviews with about ten people in your target market to choose the strongest USP for your business.
- Double-check that you have the right USP. Does it convey one strong benefit? Is it memorable? Is it clear who the brand is targeting from the USP? Can you deliver what it promises? Is it really unique - or could a competitor claim the same thing?
- Use this positioning to develop your business and your marketing strategy. Evaluate your activities using your USP as a benchmark.
- Keep monitoring trends and new competitors that could affect how customers see your USP.

DO YOU KNOW THE COMPANY'S PRODUCT OR SERVICE DIFFERENTIATION?

Differentiation allows you to provide superior value to customers at an affordable price, creating a win-win scenario that can boost the overall profitability and viability of your business. However, not all differentiation strategies are equally effective, and some methods may be more important to invest in than others in order to stand out from the competition.

Product Differentiation

Product differentiation is probably the most visible. It includes actual physical and perceived differences, of which the latter can be acquired through advertising. Product differentiation may take the form of features, performance, efficacy (or the ability of the product to do what it is purported to do), meeting specifications, or a number of other criteria. This is the general area that most B2B marketers — and probably most consumer marketers as well — spend the majority of their time and dollars.

The problem, though, is that product differentiation is short-lived. It is remarkably easy to duplicate almost any product innovation. Of course, the western world has a sophisticated intellectual property rights ethic and legal system that provides copyright and patent protection. From a practical standpoint, though, these do not present challenges. In fact, many businesses choose strategically not to patent since it tells competitors exactly how to duplicate the advantage. At best, a product innovation is protected for the life of the patent. At worst, when a patent does not exist, anyone with enough capital to buy a machine may be a competitor in a matter of days or weeks.

Service Differentiation

Differentiation of service includes not only delivery and customer service, but all other supporting elements of a business such as training, installation, and ease of ordering. To many, these seem like the simple components of a business — the blocking and tackling or the foundational elements that do not require sophistication. But think about a business-like McDonald's. Like their Big Mac or not, they know how to differentiate on service. With very few exceptions, you will get the same product and the same service at a McDonald's in Texas that you will get in Georgia, Connecticut, or California. And in each location, the fries will be cooked the same, have the same amount of salt, and be served up equally as fresh from the fryer.

Factors to Consider for Differentiation

A difference is worth establishing when it meets at least one of the following criteria:

- **Valuable:** the perceived benefit exceeds the cost
- **Important:** delivers a benefit critical to success
- **Distinctive:** unique or offered in a distinctive way
- **Superior:** better technology, faster
- **Emotional:** ties to a core emotion — love, hate, desire
- **Communicates:** understood and visible
- **Preemptive:** cannot be easily copied
- **Affordable:** customers can pay the higher price
- **Profitable:** contribution (margin times volume) exceeds cost of difference

COMPETITIVE ADVANTAGE

HAS THE COMPANY IDENTIFIED A KEY COMPETITIVE ADVANTAGE?

Competitive advantage refers to factors that allow a company to produce goods or services better or more cheaply than its rivals. These factors allow the productive entity to generate more sales or superior margins compared to its market rivals.

Competitive advantages are attributed to a variety of factors including cost structure, branding, the quality of product offerings, the distribution network, intellectual property, and customer service.

Competitive advantages can be broken down into comparative advantages and differential advantages.

- **Comparative advantage** is a company's ability to produce something more efficiently than a rival, which leads to greater profit margins.
- A **differential advantage** is when a company's products are seen as both unique and higher quality, relative to those of a competitor.

How to identify your business's competitive advantage

What can you offer to your audience, that none of your rivals can claim to?

To identify your competitive advantage, you must map out:

- How you deliver value or benefits to customers
- Who your target market is
- Who else is operating in the same, or similar, space to you

Your competitive advantage lies in unlocking the most engaging benefit, for your target audience, and delivering it in a way that no other business can.

SAM SOM TAM

HAS THE COMPANY IDENTIFIED A KEY COMPETITIVE ADVANTAGE?

DO YOU KNOW HOW MUCH OF YOUR MARKET IS ACCESSIBLE?

Unless you're a monopoly, you most likely can't capture the total accessible market for your product or service. Even if you only have one competitor, it would still be extremely difficult to convince an entire market to only buy your product or service. That's why it's crucial to measure your serviceable available market to determine how many companies would realistically benefit from buying your product or service.

To calculate your serviceable accessible market (SAM), count up all the potential customers that would be a good fit for your business and multiply that number by the average annual revenue of these types of customer in your market.

DO YOU KNOW HOW MUCH OF YOUR MARKET IS IN YOUR REGION/LOCALITY?

It will be difficult for a start-up to penetrate the entire SAM so you will need to set realistic goals and target a subset of SAM that is located in your region and you can realistically reach during the first few years of your business. That's SOM or serviceable obtainable market. Being your short-term goal, SOM is the one that matters the most. If you are seeking funding, your investors will expect you to have a realistic objective and judge you on your ability to achieve that objective.

In order to estimate your SOM correctly, look at the competition in your precise niche and the total niche volume. Compare your product, marketing, pricing and sales plans to the competition in order to estimate which part of the niche you may get.

DO YOU KNOW THE TOTAL MARKET SIZE?

Total addressable market or TAM refers to the total market demand for a product or service. It's the maximum amount of revenue a business can possibly generate by selling their product or service in a specific market. Total addressable market is most useful for businesses to objectively estimate a specific market's potential for growth.

There are 2 main methods that can be used to calculate TAM – top-down and bottom-up approaches.

- **Top-down approach** uses industry research from such companies like Forrester, Gartner, and others which can be obtained from open sources to get estimates of the population that comprises the target market. Then you should logically apply geographic, demographic, and economic assumptions to eliminate irrelevant segments and narrow down the large segment to specific market segment.
- **Bottom-up approach** is more reliable because it lies on primary market research. You should count the total number of customers in a market by adding up the number of customers that each company in this market has and multiply that number by the average annual customer revenue in this market.

TAM reflects the full market potential but realistically, no company can ever capture 100% of the total available market.

TAM is a relevant metric among many others for you to cover when building a sustainable business model. Don't get lost in the metrics and make sure you understand them correctly.

PROOF OF CONCEPT

HAVE YOU CONDUCTED A PROCESS OF PROVING THAT YOUR TARGET AUDIENCE IS WILLING TO PAY FOR YOUR SERVICE/PRODUCT, AT THE PRICE YOU WANT?

What is willingness to pay?

Willingness to pay (WTP) is the maximum amount a customer is willing to pay for your product or service. This makes willingness to pay a crucial factor when finding the best price to sell a product at, for both the seller and buyer. Reaching a happy medium between the two entities must be done in order to make a sale.

WTP varies based on a number of factors but is one of the best ways to conceptualize overall demand at any given time. Due to this variability, WTP is typically expressed as an aggregate number with a corresponding range of upper and lower limits.

Factors that affect willingness to pay

A number of factors affect your customer's WTP. Everything from the current market environment to a customer's personal preferences has a direct impact.

Take these factors into account when determining the correct WTP for your target customers.

1. The state of the economy

When the economy is doing well, WTP is likely to increase. A general recession or issues specific to your industry will cause WTP to decrease. Watch for indicators of these general market shifts when thinking about your own subscription pricing.

2. How trendy/in-season a product is

For products and services with a high amount of seasonality, like Halloween costumes or lawn care, WTP will fluctuate with the seasons. Fluctuations like this are generally consistent and easy to track as long as you know how the market has behaved in the past.

Trendiness, however, will be much more difficult to monitor. What's trendy is highly variable and highly specific to the market you're working in, so it's important to stay on top of changes as they occur.

3. Consumer's personal price points

Every customer has a different personal history that informs how they think about price. While it's impossible to account for each and every customer's possible background, you can examine how different aspects of your industry impact the customer directly.

4. Circumstantial needs in different consumers

Just as consumers have personal feelings about price points, their individual circumstances have a direct impact on WTP. This can be anything from their geographical location to personal goals.

5. The rareness of a product

The less something is available, the more valuable it will become. The same is true for WTP. If your customers perceive the product or service that you're selling as rare, or scarce, it will raise their willingness to pay.

While this can be used to your advantage, increasing the rareness of a product too much can make it seem unattainable for some customers. Always consider your individual buyer personas to make sure you're not pricing too far outside their grasp.

6. The quality of a product

Consumer perception of quality has a direct impact on WTP in much the same way as rareness. The higher the quality, the higher the willingness to pay

How to find your perfect WTP

We hate to tell you, but there is no “perfect” WTP. Finding the right variable for your company requires a lot of research and continual reevaluation. Reassess consumer willingness to pay every six months to ensure you’re still in line with current market conditions.

So, how do you collect this data?

1. Consumer research

Finding the right WTP for your product requires an in-depth understanding of consumer demands. This research will help you create better-qualified buyer personas, which helps you create a pricing strategy that is optimized to the customer.

2. Direct/indirect surveys

Surveys are the best tool you have for finding out what individual consumers value and to assess their WTP. Two types of surveys are particularly effective in this case:

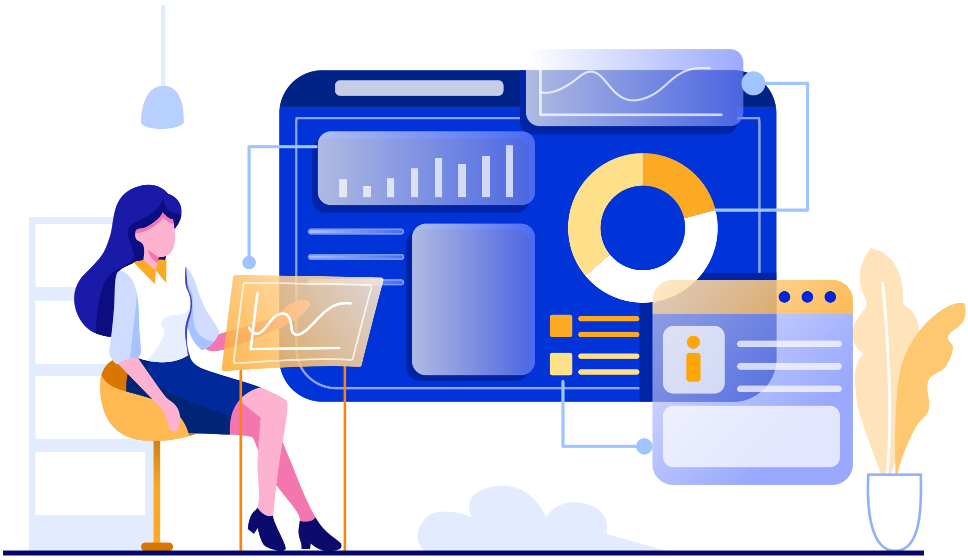
- **Direct surveys -** Ask customers about their WTP for certain products or services using open-ended questions.
- **Indirect surveys -** Give customers a series of different products or services to choose from and ask which of the options the customer is most willing to pay for.

3. Market data

Whether you’re new to the industry or an established brand, the market has an impact on WTP. Research how your competitors’ price their products, and you can build a great baseline for finding your own WTP.

4. Customer surveys

Your customers are a great source of actionable information about WTP. They’re able to provide direct answers based on their experiences with the product, which can surface more insights than the hypothetical questions you’re asking consumers.



MODULE SUMMARY

HAVE YOU CONDUCTED A PROCESS OF PROVING THAT YOUR TARGET AUDIENCE IS WILLING TO PAY FOR YOUR SERVICE/PRODUCT, AT THE PRICE YOU WANT?

In this module, you have learned:

- Market research is the process of gathering information about your business's buyers' personas, target audience, and customers to determine how viable and successful your product or service would be.
- Knowing your customers and their motivations will help you better understand their purchase habits, and more importantly, the power that they hold in bringing in revenue for you.
- A competitive analysis is a strategy where you identify major competitors and research their products, sales, and marketing strategies
- An ideal customer profile is a hypothetical description of the type of company that would realize the most value from your product or solution
- A successful USP promises a clearly articulated benefit to consumers, offers them something that competitive products can't or don't offer, and is compelling enough to attract new customers.
- It will be difficult for a start-up to penetrate the entire SAM so you will need to set realistic goals and target a subset of SAM that is located in your region and you can realistically reach during the first few years of your business.

QUIZ

Q1: "Campaign research entails what your target audience knows about and recognizes from your brand." True or False

- True
- False

Q2: Which of the following components is NOT used to gather customer location data?

a. Wi-Fi

b. RFID

c. Beacons

d. GSM

Q3: Customers tend to be unprofitable if they__________ (Fill in the blank)

a. buy high-margin products

b. negotiate discounts

c. do not cancel or amend orders

d. pay on time

Q4: Which of the following works as a digital wallet?

a. PayPal

b. Apple Pay

c. eBillme

d. Skrill

Q5: Competitive advantages can be broken down into__________ and _________ (Fill in the blanks)

a. comparative advantages

b. contemporary advantages

c. diversified advantages

d. differential advantages

Q6: “SAM stands for Serviceable Accessible Market” True or False

- True
- False