



HEY. A Guide to Understanding Your Target Market



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1. Introduction

This guide has been designed to assist you in defining your target market. It describes how to research your market so that you can divide it down into key customer groups and then select the groups that you want to target. The guide also explains why this is important when identifying ways to break in to a new market so that you stand out from the crowd and attract potential new customers to buy from you.

The guide contains a series of practical steps and exercises to help you understand your market and then how to utilise this information. Understanding your target market will help you make better business decisions and help you to remain focused on meeting the needs of your customers. It will also help you to make the most of your marketing efforts by understanding your target customer group(s) in depth.

Information on your target market will be required for both your Business Plan and Sales and Marketing Plan. You can refer to the accompanying guides on Business Planning and Developing a Sales and Marketing Plan to assist you in the planning and writing of these documents.

Intended Readers:

This guide is primarily aimed to assist:

- Individuals who are beginning to understand their market for the first time and who are thinking about starting their first business venture.
- Individuals who have recently started their first business and are now trying to better understand their target market to assist them in defining how they can fulfil their customer needs and understand their market better for sales and marketing purposes.

The information provided in this guide has been prepared for individuals who are approaching this topic for the first time. The guide aims to provide an initial 'First Step' in conducting market research to identify your market in more detail when planning and running your business. It is recommended that you read around the topic area when using this guide to further broaden your understanding of how to identify and understand your target market. You should also consider speaking to a professional business advisor who can answer any specific questions you may have.

Other Guides in the Series:

[A Guide to developing a Business Plan](#)

[A Guide to developing a Sales & Marketing Plan](#)

[A Guide to Branding](#)

[A Guide to Financial Forecasting \(Cash Flow\)](#)

[A Guide to the Marketing Mix \(Media Channels\)](#)

2. Case Study: Beverley Park Homes



During a year of global economic catastrophe David Hall launched three new businesses to complement the one he already had.

David started in 2017 with Beverley Park Homes at Tickton, applying the knowledge gained from years working for an investment company, manufacturing units for holiday parks.

He said: "I was dealing with the parks and realised there was an opportunity to set up making really high-end products."

Within three years the Tickton site was booming and the entrepreneur who had begun his career as an apprentice cabinet maker branched out to launch Oaks of Beverley, crafting the highest quality products for the bedroom and kitchen sectors which had been his passion.

The lockdown delayed plans for a spring 2020 launch but manufacturing started in September that year under the leadership of Joe Oliver, with David handing a majority shareholding to the young man who had served him well as an apprentice a few years earlier.

David said: "Joe is confident, respectful, clever and the type of person you want to work with. I told him about Oaks and he said if he did it he would want more control. I wanted him to have it because I knew if it was his he would drive it."

Oaks has thrived and its premises at Beverley Trade Yard, the Allenby Commercial development off Swinemoor Lane in Beverley, proved ideal for setting up a third business. Minster Leisure Homes fills a gap in the market for lodges built to the same high standards as the Beverley Park Homes portfolio, but smaller to fit lower budgets.

The latest addition is Halls & Oliver, both men combining to bring top-end upholstery manufacturing to the Trade Yard site, a venture which is adding to the 30-plus jobs created by the first three businesses.

Knowledge of the market gave David a head start back in 2017 and he now serves holiday parks throughout Yorkshire and into the north east, with most locations less than an hour from Tickton. But he also took a step further and targeted his clients' customers, selling direct so they could take the Beverley Park Homes style to sites which wouldn't normally invest in that level of luxury.



"We had a few problems when we started and we had a bit of a schooling over the first few products but we got it right. We are still learning and every lodge is better than the last."

David Hall

3. Understanding Your Target Market

What is a Target Market?

A market is a place where people can gather to facilitate the exchange of goods and services. A market is made up of buyers (your potential customers) and sellers (you and your competitors). A market's size can be defined by the numbers of buyers and sellers that are involved, the more there are, the larger is the market. A market can also be defined by the financial value of the transactions of all the goods and services that are exchanged (typically within a year).

Not all the buyers in a market will necessarily need or want what you are selling. For those that do want what you are selling, then there will be groups for which your offerings may be essential, whilst for others, it may just be something that is nice to have. The important thing that you need to find out quickly, as a seller, is what value do each potential customer group associate with your products and services so that you can identify who has the greatest need for what you are selling. These potential customers are the ones you may want to focus on (target). The answer to this question comes from doing market research.

A target market is a group of potential

customers which your product or services are aimed at. Each group of potential customers you choose to target will have common characteristics and needs. The better you can define these, the easier you will find it to understand what needs they have and how well they are being satisfied by your competitors, but more importantly, what needs remain unmet as this can help you to spot any gaps in the market that you could potentially fill with what you sell.

When starting your market research, you may begin by looking for a broader more diverse group of potential customers, such as 'business owners'. This initial group can often be broken down further into more specific sub-groups, for example, 'health and beauty business owners', 'technology business owners' etc. We call these smaller customer groups Market Niches or Market Segments.

Understanding those market segments is vital to business success. Not only does this help you to focus on those potential customers that you are most likely to sell to, it can also mean that you are dealing with a relatively small number of potential customers to start with. This can make your business start-up journey much easier to cope

with and can help you to direct your marketing activities in a more focused and affordable manner.

Once you have established your business in one market segment, you can then focus on breaking into the next, and so on, to get your business to grow.

Throughout this guide you'll be working through ways to identify the specifics of your target customers so that you can make well informed decisions as a business owner as to what will best meet the needs of your target customers.

Analysing your Products or Services

As you begin to understand your target market, it is essential that you take time to analyse your products or services and identify what value these offer potential customers. You can do this by writing a Value Proposition Statement. This is a short statement which explains what value your product and service offerings provide to potential customers, in particular those you want to target. This will help you to explain how your products or services solve a problem or pain they may have. It can also help you to identify what makes your business different from any of the competitors, highlighting why they should choose you. It is important to understand this as early in your entrepreneurs' journey as you can.

You can start your research by following the steps below:

1. Describe your product or service.
2. Explain the 'Customer Pain' you are resolving or the value you are bringing to your customer?
3. Explain how your products or services aim to overcome or resolve the 'Customer's Pain'?
4. Explain your differentiation (what makes your business different from your competitors)?

As you work through the rest of this guide and begin to identify and select a variety of specific customer groups, you may be required to repeat these steps multiple times, once for each type of customer group so that you can tailor your products and services to meet the specific needs of the customer group you decide to target.

What is Market Research?

Market research enables you to gather information about the nature and size of a market, potential customers and your competitors. Analysis of the information and data collected can give you a detailed understanding of the market, the opportunities that may exist for you and which customer groups present the best chances for growth.

It is important that as a business owner, you use a variety of market research techniques (outlined in the next section) to gather sufficient information and data to help you to understand where your business fits into the marketplace and how you can 'stand out' (differentiate yourself) using your unique selling points (USP's).

Market research can also be used to help you to create sales and marketing plans as well as to identify how your products and services may be developed to more precisely meet the needs of your target customers and any upcoming market trends.

It is important to understand your competitors too and what they are currently offering to the marketplace. By taking time to research your competitors you can also begin to understand and assess who their ideal customer is and if your target customers are the same.



4. Practical Steps to Identifying Your Target Market

There are numerous techniques you can use to research your target market and understand your target customer's needs. Below are a number of different techniques and methods you can apply to research your target market. These will be essential for planning your sales and marketing activities.

Ways to Conduct Market Research:

It is important to consider what market research methods are going to be insightful and valuable for your business. There are two types of research we can undertake, namely primary and secondary research.

Primary Market Research

Primary market research is required to be done when the information you want to capture has not been previously gathered or is not readily available to you. This means that you have to arrange to gather it yourself, for example, you may need to contact key individuals directly to obtain the information you want about your potential customers. The data can be collected as either qualitative data (which is non-numerical data such as text information) or quantitative data (which is numerical or statistical data). Examples of ways to conduct primary market research includes:

- Focus Groups: A focus group is a method which brings a select number of potential customers together (usually 6-10) to ask for their comments on a range of market topics. This can include you're their thoughts about product or service. A focus group meeting can be done in

person or virtually and it can be run as an interview with multiple people at the same time. A focus group is typically made up of a representative range of the market population, where possible, to provide a more balanced range of feedback and information.

- Surveys and Questionnaires: Surveys and questionnaires are a series of multiple, easy to answer questions, on a form or document. Using this technique can be a great way to capture information about your customers, their opinions and their needs. You can provide multi-choice questions as well as more detailed explanation questions. By carefully selecting your questions, you can gather a wide range of information on numerous topics of interest to help you to answer the key questions you want information about. Be careful to avoid including too many questions, you don't want to put people off completing them for you.

- Test Marketing: Test marketing is used to trial a product or service launch to a small section of customers in order to get their feedback. This can be done by providing a sample of your product or experience of your service. This method is a great way to understand how the larger market may react to your business and also highlight to you any additional benefits or issues that the customer finds when using your product or service before you launch on mass.

- Visiting Trade Fairs or Exhibitions: Another technique which can strengthen your market research is visiting Trade Fairs or Exhibitions which are appropriate to your business and industry, for example, food exhibitions for food-based businesses. Conducting 'On the Ground' research like this can be beneficial for understanding your competitors and the market you are entering. It is also a great way to observe how customers are reacting to products or services that are similar to yours.

- Mystery Shopping: Mystery shopping involves pretending to be a customer and shopping with a competitor to find out more about their product and service offerings. This can be a good way to understand your competitors, what they are offering to the market and understand their customer journey process. This can help you identify what worked for you as a customer and what will make your business unique.

- Family and Friends: Don't also forget to ask the opinion of your friends and family. They may not always be your primary target customer group but they will also have a good idea of what you are trying to achieve and be able to give you honest feedback on your business product or service and the value you are proposing.

Secondary Market Research

Secondary market research is conducted by using information that has already been gathered by someone else. The examples below are examples of secondary market research:

- Public Sources: Public sources such as libraries can provide a good source of information when researching a broad industry or market (such as food) and gathering free information on market trends.

- Commercial Sources: This can include magazines, newspapers and journals which may include information on your market or competitors which you can analyse.



What is Market Segmentation and Why is it Important?

When we conduct initial market research, we typically look at the broader area of the market we are interested in. We can then dive down into more detail in those areas of the market that we want to research further. This approach helps us to spend our time more productively and to enhance our knowledge of the market that is most relevant to our business. It also enables us to break down a large market space into much smaller segments where we can look more closely at the types of potential customers that may reside in a specific segment and select those that we think may want to buy what we are selling. This process is called market segmentation and it can be incredibly powerful in helping you to find where to break into a new market segment and grow, one segment at a time.

Market segmentation is the technique of dividing your customers into more specific groups based on needs and qualities which they have in common so that you can select those groups you want to target.

It is important to segment your market into more specific customer groups ensure that you do not waste valuable resources (such as time and money) on promoting your product to the wrong customers. The more you understand your customer, the more you can meet their needs and the easier it is to target them and reach them. It also helps to differentiate your business from your competitors and improve customer retention (keeping customers as return purchases) as you understand their specific needs more thoroughly.

Understanding How to Segment Your Market in Detail

Once you have conducted your market research and understood how your product or service fits into the marketplace, there are numerous ways in which you can begin to segment your customer groups into more specific groups with distinct similarities. Using the guides and outlines below, begin to work on which segments could apply to your customer groups; identifying the needs of each customer segment you identify and how you could meet each of the applicable customer segment group's needs.

- **Geographic** segmentation is grouping your customers into groups based on their geography.

When assessing your customer groups by geographic segments you can consider location of your customers, language, climate and population of locations.

- **Demographic** segmentation is grouping your customers into groups based on their age, gender, income or occupation.

- **Psychographic** segmentation is grouping your customers based on their personal opinions and psychology.

When segmenting our customers by psychographic qualities we can group them by lifestyle attitudes, their values or common interests for example sport or eco-friendly products.

- **Behavioural** Behavioural segmentation is grouping your customers based on their similar behaviour patterns.

Behavioural segments can be used to identify customers who may shop with you for occasion, for a specific benefit or engage and purchase from your business using specific platforms or methods, for example customers who engage with you via a certain social media platform, may not be reachable via other methods.

Using these segments can help you to create suitable promotional campaigns and strategies to ensure that you are reaching the most suitable market segments with your products or services.

Use the worksheets and templates below to begin planning and conducting your market research activities and begin to break your findings down into customer segments.

5.

Market Research Planning

Company Name:
Date:

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1. Conducting Market Research

a. Primary Research

What primary research are you going to conduct?

(List here any primary research activities you are planning to carry out or may be useful for you and your business).

Who am I going to approach with my primary research and how?

(Use this space to explain who is your target for your research and how are you going to contact them? You can write here any steps which you need to take to enable you to conduct the research – for example write survey questions or contact a local community to organise a focus group).

What do I hope to learn or understand from this research?

(Explain here the main reasons you need to conduct this research and what you intend to find out from it. It could be for example, more information on the customer's problems or their feedback on your product/service. This will help you to keep focused on the key information you need when conducting your research).

b. Secondary Research

What secondary research am I going to conduct?

(List here any secondary research activities you are planning to carry out or may be useful for you and your business).

What sources will you use to find your secondary research?

(Use this space to make a list of what sources you intend to use for your secondary research such as online searches, library resources etc.).

What do I hope to learn or understand from this research?

(Write here the main reasons you need to conduct this research and what you intend to find out from it).

2.Using your Market Research

Using the below tables, collate the information you discover from your market research to analyse your competitors and your customer group segments.

a. Competitor Research Analysis

Competitor	Product/Service offered	USP's	Strengths	Weaknesses
(The name of competitor here)	(A description of their products or services here)	(List all of their unique selling propositions here)	(Write all of their strengths here)	(Write any weaknesses or areas for improvement here)

b. Customer Research Analysis

Individual or source	Demographic	Geographic	Psychographic	Behavioural	Problems identified	Further comments/ feedback
(The name of individual or source used e.g. anonymous survey)	(Any key demographic information)	(Any key geographic information)	(Any key psychographic information)	(Any key behavioural information)	(Any problems identified for the customer in the current market)	(Any further comments or feedback)



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