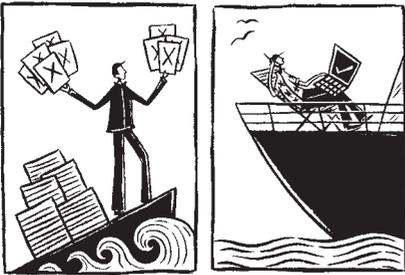


“Whether you think you can or whether you think you can’t, you’re right.”
Henry Ford, founder of the Ford Motor Company.



Finding more of the right customers

Target the right customer

Generally, the fastest way to build your business is to choose, or target, who you want to market to. Every market or niche has a small number of ‘ideal buyers’ versus ‘all buyers’.

Who is the best customer for your product or service? Do you know the profile of your ideal customer? Knowing this can help ensure you are focussing on the right market. For example, your target customer might have the money to buy regardless of whether they want or need what

you are selling. They might live within 30 minutes’ drive and continue to give your business regular monthly cash flow (or repeat sales) via the substantial monthly orders they place. They might drive a modern car and own their own home.

Many business owners have experienced the results of a poor marketing strategy. An advertisement can generate many phone calls, but if they are the wrong callers, it won’t generate sales, only cost you time and lost opportunity while you take the calls. Lead generation does not just mean more customers, it means more of the right customers. In terms of budget, when you are using the target strategy, it’s better to spend a lot of dollars getting a few of the right customers than a few dollars spent on a lot of the wrong customers. (More on this later.)

Interlease is a commercial finance company with offices in Melbourne and Sydney. To help increase quality leads, Interlease engaged a marketing coach. Together they analysed where the highest-quality leads were coming from and segmented the customer database into three key groups.

“Having defined our customers, we were able to design marketing materials tailored to the unique needs of these three segments to ensure a better understanding of our products and services.

“The result has been an increase in response from the three key segments, a better understanding of what Interlease can offer in the market place, and strong high-quality sales leads.”

Rod Toomey, director Interlease Company Pty Ltd

Examples of target marketing

1. You are a computer dealer with a repair centre, but no retail shop front. Your ideal target customer might be:
 - Chief information officers/chief financial officers from Top 500 companies
 - Purchasing/procurement managers from Top 500 companies
 - Businesses located within a 5km radius of your repair centre
 - Private customers, a high percentage of whom are white collar (hence needing new computer equipment)

- Growing businesses
- Well-financed businesses.

This does not mean you should exclude all other business opportunities, but it does allow a sharper focus when it comes to marketing. Having a clear understanding of your target market can help you avoid being distracted by well-meaning sales reps whose marketing options are not aligned to your business needs. It also allows you to really focus on getting ‘inside the shoes’ of this ideal customer. You need to ask questions such as:

- What do they read?
 - What websites do they visit?
 - What associations are they members of?
2. You are a restaurant supplies manufacturer and you want to target the owners of restaurants and cafés online. You know one of the biggest problems faced by these business owners is acquiring and retaining good staff, so a place to advertise your particular product or service might be on recruitment websites advertising for restaurant and café staff.
 3. You are an accountant who wants to service a few wealthy clients rather than a large number of lower-income individuals. You have a total budget of \$5,000. Instead of sending out 5,000 letters at a cost of \$1.00 each, you decide to buy 10 bottles of Grange at a cost of \$500 each and send them with a personal note to 10 potential clients that meet your ‘ideal customer’ profile or criteria.

These tactics are not just for small businesses, but large ones too. One of the more successful campaigns run by a major bank to win new rural customers (farmers) for its commercial division was to direct-mail each highly targeted potential customer a fence post.

The consumer buying path

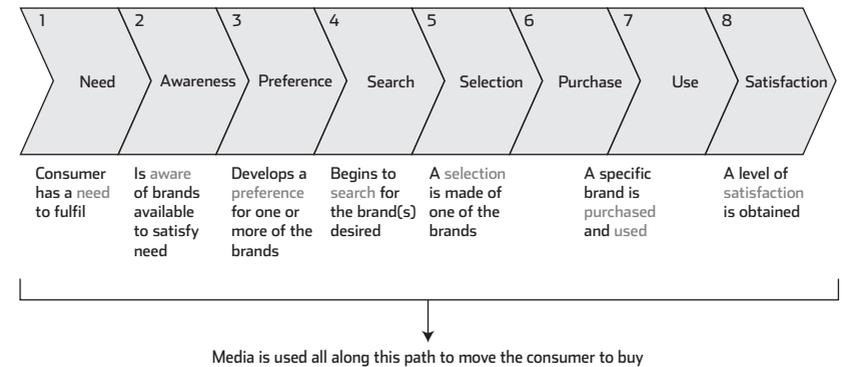
You need to know what the purchasing process is for your ideal customer. For example, having a need and awareness of options is where advertising plays a role. Sometimes the need is established very quickly. Consider waking up one cold morning and finding the hot water service is not

working. You have a need and you want it met quickly. You are going to make a decision on a purchase far quicker than you would for a new lounge suite. This is when directory advertising such as in Yellow™ is unbeatable. (More on this in chapter 14.)

In the hot water example, as a supplier of this product you need to have a constant level of advertising ‘noise’ in the market. You cannot pinpoint exactly when your ideal customer is likely to need your product, but you do know what they want...a hot shower fast!

This diagram describes the buying process we tend to go through for any product and service.

The consumer buying path



Source: Business Performance International and Bill Lang International

Know your customer

The questions you should ask about your ideal customer are:

- Who are they? What values, aspirations do they have?
- What do we know about their relationship with our category?
- What do we know about their relationships with other brands in our category?
- What do we know about their relationship with our brand?
- What do we know about their relationships with advertising?
- What do we want them to do?

- What are the reasons they are not already doing what we want them to do?
- What can we say and do to achieve the results we want?
- What are good marketing opportunities to reach our ideal customers?
- What has or has not worked well in the past?

Customer segmentation

Let's look at some approaches to defining your customer base and at some of the attributes of each category.

An ageing Australia

Australia, like most countries in the western world, has an ageing population. This is expected to accelerate over the next 20–30 years. While Australians are ageing, many of them are refusing to grow 'old'. As the population ages in Australia, changing trends are impacting growth in different industries. Let's look at some of the fastest-growing categories in the Yellow™ directory in the last four years:

- Wellness
- Health
- Fitness and Exercise
- Finance.

The ageing population also appears to be creating new business avenues, as demonstrated by a number of new and amended category headings in the Yellow™ directory:

- Exercise Physiologists
- Cosmetic Surgery
- Pharmacists – Consultants
- Aged Persons' Support
- Massage Therapy Courses
- Medical Centres
- Scooters – Mobility
- Child Health Centres/Support Services
- Solarium/Tanning Centres.

Generation Z

Generation Z, born after 1994, has grown up with PlayStation, Xbox, the internet on their mobile phone, and Pay TV. They could also be known as the 'On-demand Generation'. These youngsters know they can get whatever they want, whenever they want, from whomever they want. They don't watch advertisements unless they are truly entertaining and they tend to exert maximum influence over parents at an early stage. They truly have 'pester power' down to a fine art. They are technically savvy. If they borrow your mobile phone, don't panic. They are probably not about to call the USA, but just want to play games on it, games you probably didn't even know you had!

Companies that manage their brands well are able to cover multiple segments. For example, you might find Generation Z don't recognise brands such as Microsoft and Sony, but they do know PlayStation and Xbox. This illustrates how both Sony and Microsoft are managing their brands at a generational level.

Generation Y

Generation Y, born between 1976 and 1994, is known as the youth generation. When selling to Generation Y, you should be authentic, be honest and don't try to be cool to appeal to them. They actually understand they have to pay extra for solid, reliable service. Remember this is the group that most likely had their mobile phones disconnected by One.Tel and lost their flights with the collapse of Ansett. Generation Y most importantly communicates via multiple methods, and few of them are face-to-face. They are generally comfortable with SMS text, email, instant messaging, blogs and podcasts, and they like to feel they can interact with your brand.

The danger with some of these classifications, and especially generation Y, is there is an amazing difference between early and late generation; i.e. a 15 year old and a 25 year old. So your target marketing needs to be much more tightly defined or broken into sub-groups.

Generation X

Generation X is almost the forgotten generation. This generation, born between 1965 and 1975, is an entrepreneurial group that has had to deal with some major shifts in the world and economy over the years. No more 'jobs for life' and only one or two career changes, for starters. Keep in mind their baby boomer parents stressed the values of loyalty, trust in big brands and family values.

Generation X-ers have lived and worked through the dot-com boom and many have embraced the entrepreneurial lifestyle and started businesses on their own. Many have their own family, tend to be business/marketing savvy and are usually busy. When selling to Generation X-ers, it is important to get straight to the point. They are busy and won't hang around to see through the hype.

Generation X-ers are part of the computer age and, like Generation Y, are usually very comfortable communicating via email and SMS. They especially like to use online tools. Before you approach Generation X-ers with your marketing, you are best to ask which method they prefer to use and then communicate that way.

Baby Boomers

Baby Boomers are those born between 1946 and 1964. They are the wealthiest generation ever, and most are in a hurry to spend their wealth.

Events such as 9/11 in the United States and the Bali bombings are just more reasons for this group to live their dreams. This group has helped drive major economic change in Australia including:

- Sea change (seaside living)
- Tree change (rural living)
- Caravan sales
- Boat sales
- Prestige car sales
- Growth in small business
- Wealth management
- Cosmetic surgery
- Health retreats

- Organic food
- The wellness industry.

To name just a few.

Boomers generally like face-to-face relationships, at least in the beginning. That's how they have always done business. They usually like to keep young, they like to look young and they want it all now. They tend to live for the moment and have realised they can't take it with them so many are spending the inheritance Generation X and Y would otherwise have received.

Again, lumping all people aged more than 43 into the Boomer category is too limiting so further segmentation could be:

- 43–61 = Pre-retirees
- 62–75 = Active retirees
- 76+ = Seniors.

These groups should help you define your market, but if you are one of the many Australian business owners who say "I sell to everybody" then there is another method of segmenting markets. This new method is known as New Economic Order (NEO) marketing, and refers to segmentation based on behaviour i.e. what you do rather than who you are.

NEO marketing

NEO marketing comes to us from the Australia-based Centre for Customer Strategy (CCS). The CCS believes target customers can be divided into just three groups: NEOs, Evolvers and Traditionals. The CCS believes there are some five million NEOs in Australia. But what is a NEO? They are not defined by age, geography or sex. They are defined by their behaviours. Following are some behaviours usually exhibited by NEOs (based on a comparison with Traditionals):

- Buy twice as many books
- Fly three times more frequently
- Drink four times more premium wine
- Eat at restaurants five times as often
- Utilise phone and internet banking five times as often

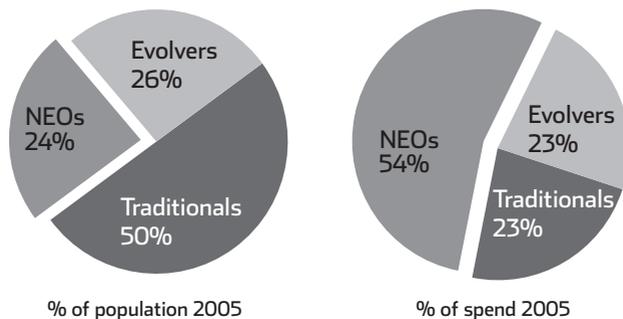
- Use mobile phones three times as often
- Use technology to accelerate time
- Cherish change
- Have a sense of style that fuels spending
- Explore the world via relationships
- Insist on authenticity
- Insist on individuality.

Traditionals

Traditionals are an important market too. Traditionals like stability and preserving wealth. They define themselves by their job titles and status symbols. Think of a person in their 70s, managing their superannuation online, and comfortable communicating via a personal digital assistant like a Palm Pilot or Blackberry device. This person is a NEO. Think of a person in their 30s who has just bought their first pre-paid mobile phone. They rent because they don't want to take on debt. This person is a traditional. Traditionals can be wealthy – they just don't tend to buy as often as NEOs.

To small businesses, this research is important because, while NEOs only represent around 25% of the population, they represent some 50% of consumer spending according to the CCS, and this is growing as more Traditionals become NEOs.

NEOs in Australia



Source: NEOs Ross Honeywill, Verity Byth 2004

Tools and techniques to acquire the right customers

Once you have established who the right customer is, there are a number of channels through which to acquire these customers, including:

- Broadcast advertising
- Search engine marketing
- Online marketing
- Voice/wireless/mobile marketing
- Local advertising directories
- Direct marketing
- Telemarketing
- Joint promotions
- Referrals programs
- Word of mouth.

We will discuss these mechanisms in subsequent chapters, but first let's cover off three low-cost techniques: referral programs, joint promotions and word of mouth.

Low-cost ways to target your customer

Referral programs

One of your most powerful marketing tools is your existing customer base. They have already dealt with you in some capacity (e.g. purchased your product or used your service) and, assuming they had a good experience, they are likely to be happy to continue dealing with you in the future.

Referring simply means asking your existing customers to introduce your business to people they think may be interested in your products and services. In most cases, people won't believe what you say about your business, but if someone they know says it, then it must be true! This technique is simple, effective and cheap. Your new customer is likely to be happy because they feel they can trust your products and don't have to search around to find a good supplier. The referring customer is likely to be happy, especially if they are part of your customer care program and can receive a benefit or bonus for the referral (more on this later). And you are happy, as you have potentially increased your turnover with minimal cost.

Joint promotions

A joint promotion, in its purest form, is the process of working with another business for mutual benefit. In essence, a joint promotion is about adding value to sales propositions. To identify ideal joint promotion partners, you need to know your target market and what, outside your products and services, they are interested in. A used car dealer would not benefit from teaming up with a toy shop, but might appeal to the same audience as a driving school.

Once you have identified potential joint promotion partners, you need to consider what will appeal to them without diminishing their own offering. For example, a used car dealer would probably not be interested in a partnership with a new car dealer – they are direct competitors. Take a minute to answer this: “What could I give another business owner that will benefit their relationship with their customer in return for referral business?” Some examples:

1. A beauty salon offers a free leg wax to anyone who visits a neighbouring hair salon. The hair salon gets to give something for free to their potential customers, and the beauty salon has the potential to win a loyal customer.
2. A dry cleaning business offers a 50% discount to anyone who visits a nearby tailor. The tailor offers one free hemming service to people who visit the drycleaner. Both businesses benefit from potential new clients and improved relationships with their current customers.
3. A car wash offers a free vacuum to potential customers of the local tyre centre. People who are considering new tyres might be in the mood to have their car washed and vacuumed.

The problem with many businesses is they generally rely heavily on just one or two forms of marketing. If you form 10, 20 or 50 joint promotion partnerships, you could potentially open the door to a constant stream of customers and substantially broaden your market. Consider what the return on investment might be when your initial outlay for a joint promotion giveaway is targeted versus a mass approach for the same outlay. Remember, a client who is given a free leg wax worth \$20 could

end up spending the same amount once a month, if they are happy with the service... that's a great return on investment over the years!

Word-of-mouth marketing programs

Word-of-mouth (WOM) marketing programs have generated some real momentum in recent times. In the United States, they have even established the WOMMA, Word-of-Mouth Marketing Association. WOM is all about recognising one of the best forms of advertising you can have is a recommendation from a friend or a trusted source. So WOM marketing is all about educating the person or trusted source about your product or service so they refer it to others. This method requires a strong understanding of your ideal customer, who they listen to, and who they consider their mentors. Coca-Cola employed WOM with the launch of Coke Zero. The company provided Coke Zero to key ‘influencers’ in its target market a few weeks before it started its mainstream advertising. You can do this in your business. For example, a sports equipment manufacturer might provide some free products to the leading sports clubs in their area. They can give them for free or for a trial period, and they can ask for feedback in return. This is not the same as sponsorship which we will discuss later.

WOM also covers areas such as people talking about your product in emails, blogs and at social gatherings. A key point is that you, and whomever you select to trial the product or service, should be up front about your relationship. This only enhances your name as it shows honesty and integrity. A downside of WOM is if your product is not up to scratch, you may receive negative feedback, which tends to spread faster than good news.

How much should I spend on acquiring new customers?

Acquiring customers can be the most expensive component of marketing and in order to preserve cash flow you need to spend wisely. Many small businesses have grown with little or no advertising. They have, however, often spent money on other forms of marketing. You can reduce your marketing spend by investing your time researching your target market. Before you go down this path though, ask yourself a couple of questions: How much is my time worth? Remember time is money. It is not free.

How would your mentor or an entrepreneur do it? Investigate the cost of a professional marketer. Sometimes what seems like an expense can save or make you money in the long run.

Methods for setting a marketing budget

- **Affordable method** – setting the budget at what the company can afford
- **Percentage of sales method** – setting the budget at a determined percentage of current or forecasted sales, or as a percentage of sales price
- **Competitive parity method** – matching competitor spend
- **Objective-and-task method** – defining specific objectives and setting budgets for those objectives to be achieved

Again, know your customer base and their buying cycle. Remember to factor in such things as:

1. **Seasons** – allocate money to promote summer and winter sales
2. **Events** – allocate money to promote occasions like Mothers' Day, Fathers' Day, Christmas, Valentines' Day
3. **Rev-up promotions** – allocate money to respond to economic issues such as interest rate rises.