

# Understanding Your Customers Better

Getting to know your customers is your number one job. The purpose of a business is to create and keep a customer, Harvard Business School professor Theodore Levitt famously observed. That makes understanding your customers the number one job of any business, says marketing expert Richard Toker.

“You can’t get customers and retain them if you don’t understand who they are and what makes them tick,” says Toker, a marketing consultant in Toronto. “The more time you spend thinking about this, the easier all your tactical marketing decisions become.”

## ALL CUSTOMERS ARE NOT EQUAL

Toker says it’s important to keep in mind the 80/20 rule when it comes to customers. It may not be exactly in that proportion, but a large majority of your sales will come from a small minority of your customers. Therefore, it’s important to identify your top customers; nurture their trust and loyalty with great service; and encourage them to buy even more from you through personalized communications, special offers and discounts. Also think about your least profitable clients. How much time, effort and energy have you spent with these difficult clients? Would your time be better spent elsewhere?

1. List your most profitable clients:
  - a.
  - b.
  - c.
  
2. List your top three least profitable clients (think about margin and time spent with them or working on their needs):
  - a.
  - b.
  - c.

You want to ensure you are not treating all your customers as equal because all customers are **NOT EQUAL**.

## PICTURE YOUR TYPICAL CUSTOMER

Looking at your most and least profitable clients will allow you to better focus your offerings as well as your [marketing and sales efforts](#). Try to paint a picture of your typical customer.

- Geography—Where are your customers? The old adage that birds of a feather flock together applies here. When you know where they’re located, you can target your marketing more effectively and seek out new customers in the same area.
- Demographics—Who are they? Are they mostly male or female? How old are they? How much education do they have? How much do they earn?
- Psychographics—Seek to understand their “soft” characteristics—their values, attitudes, interests and lifestyle choices.

- Transactional—How do they like to do business with you? If you're a retailer, are your clients principally online shoppers or do they want face-to-face service? How much do they spend? What kind of products do they buy?

### **Business to Business Company**

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#### Facts

- Industry
- Size of company (profits, number of employees or market share)
- Geographical area
- Corporate structure
- Growth

#### Characteristics

- Number of people in the buying group (position, titles)
- Problem they are trying to solve
- Most important element of your product or solution for their needs

### **Business to Customers Company**

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#### Facts

- Age
- Income range
- Geographical area
- Gender
- Marital status
- Profession

#### Characteristics

- Personality type
- Preferred buying experience
- Values, attitudes, interests, lifestyle
- Problem they are trying to solve

## **HELPING YOUR BUSINESS STAND OUT**

With enough resources, you can drill down even further, segmenting your customer list by different criteria such as spending history, product preferences and responsiveness to offers. You can then tailor marketing tactics to each. By the same token, understanding customers helps your business stand out from competitors by offering them what they want and need. It also helps you to innovate by creating new offerings based on what they desire. "It allows you to develop products that are based on user needs and feelings rather than just the next thing you can come up with," Toker says.

## **DO YOUR RESEARCH**

For market research, you can use secondary sources such as reports, surveys and publications covering your region and industry. There is a wealth of information available from government sources such as Statistics Canada, Canada Business Network and provincial and local agencies. You can also conduct your own research (or hire a marketing research firm to do it on your behalf). This could include conducting interviews, focus groups or surveys.

## **ANALYZING YOUR CLIENT LIST**

For analysis of your client list, you should consider investing in a [client relationship management system](#) (CRM). CRM provides businesses with centralized access to information on existing and prospective clients. Among other benefits, it can be used to identify top customers, segment your customer list and personalize your service and marketing initiatives.