

Customer Analysis

Introduction

When you are planning to start or develop your business, you need to assess your business idea and its potential for turning into a successful social enterprise that can deliver your social objectives. When assessing the market opportunity for your enterprise, you need to gather knowledge about your potential customers, competitors, industry, stakeholders, and risks. This knowledge helps you to identify your strengths and opportunities, but also the weaknesses and risks to your business idea.

This guide will take you through the processes of understanding market opportunity, customer analysis and market research, industry analysis, external market environment analysis, competitor analysis, stakeholder analysis, and social impact assessment.



Whether you are planning to run your social enterprise with a particular focus, or as a community-owned enterprise/village association, you need to consider some basic aspects. The internet provides several guides to help future entrepreneurs assess their enterprise opportunity.

For example, Finnish authorities have created a business planner wizard that covers many aspects including products and services, marketing, and finances. The wizard works in English, Finnish and Swedish, and will work in any country.

- [Business planner wizard](#)

Social enterprises need to make money just like any other business, even if most of their profit is reinvested into social or environmental goals. Therefore, you need to analyse your market opportunity just like every other enterprise, and conduct an ‘industry-market’ analysis. This will help you understand the industry environment you are planning to join, and assess your opportunity to operate in that market profitably.

Social enterprises also have special features to consider, and you should complete a ‘mission-market’ analysis to find out how your activities differ from your competitors’. Social enterprises need to prove their social impact right from the beginning, and a mission-market analysis will help you identify how best you can market your social impact.

The following sections will give you a good start when you are assessing the enterprise opportunities of your business idea.

Customer Analysis and Market Research

Knowledge about your potential customers (and their needs and wants) will help you to create products and services that customers will buy, and to market and sell your products successfully. You can analyse your customers by doing market research.

What is your target market? That is, who are the people that could be your customers?

Answering this basic question gets you started in assessing your enterprise opportunity, and will save you resources in the future. Who are the people who would be interested in purchasing your products or services?

It may include people living nearby, other companies or local public service sector, depending on your type of business. Take time defining your target market, and think of their needs, characteristics, and ways you can show them how your service or product will address their requirements.

We would encourage you to define your target market as clearly and explicitly as possible to help keep you and your business focused, especially at the beginning. You always have the option to broaden your target market later.

- [How to identify my Target Market?](#) (length: 3 minutes)

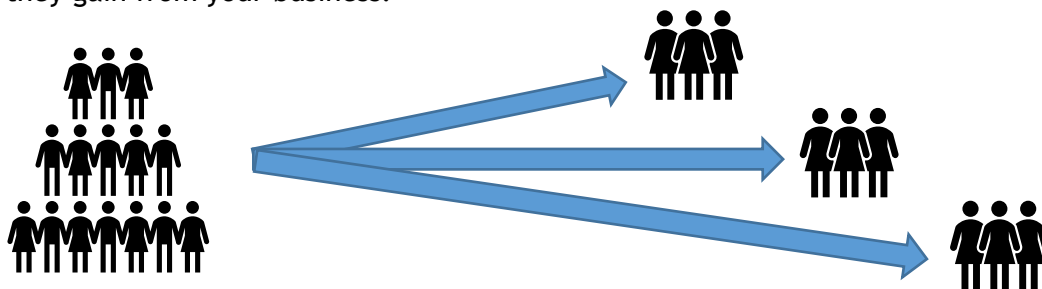
What kind of customer segments can you identify? How large are these segments? What affects their purchase decisions? Which are your key segments?

Market Segmentation

Now you have a good idea about who your potential customers are, next, you can divide them into sub-groups, i.e. segments. By performing a market segmentation, you divide and group your target market into smaller groups that have something in common.

Market segmentation helps you to better target your products, marketing, service design and delivery, to suit specific customer segments you have identified.

You can divide your target market segments any way you feel best suits your purposes or goals. The segments could be based on purchase motives, values, or lifestyle. Segments could also consist of other common features such as geography, demographics, family life situation, or benefits they gain from your business.



For example - if your social enterprise idea offers childcare services, your natural target market will be parents, but this is too wide. You may want to have a target market segment dedicated to single parents, parents who work past school hours, or parents who are incomers to the area and don't have family nearby to look after their children.

There are four main types of market segmentation, described below. This information is also available in a short video:

- [‘The 4 Main Types of Market Segmentation and Their Benefits’](#) (length: 6:30 minutes)

1. Demographic Segmentation



This is the most commonly used type of segmentation. Divides users based on variables including: Age, gender, income, occupation, education level, marital status, religion, or nationality. This is usually where brands begin in the segmentation process because this info is easy to collect, and simple to measure and analyse.

2. Geographic Segmentation



Groups users based on their geographic details. The key markers taken into account are: Location, urbanicity/rurality, climate, culture, and language.

3. Behavioural Segmentation



Groups users based on their actions. Tends to be gathered and analysed through algorithms or online tools like Google analytics. Behavioural data collects and tracks things like a user's 'dwell time' on a website, the online reviews and ratings they have left, and whether they are new or returning customers.

4. Psychographic Segmentation



One of the most subjective and difficult to quantify, but one of the most valuable. Focuses on a user's psychological attributes, such as: Personality, values, attitudes, opinions, interests, and lifestyles. Offers a personal look into what consumers like, dislike, need, want, and love.

Overall, segmentation helps to focus marketing efforts, making sure products, services and campaigns are streamlined and delivered to the most appropriate audience for your brand.

Using the following video resources, you can learn more about market segmentation: what it is, which kind of customer characteristics may serve as grouping factors, and how segmentation can help you.

Video Resources for Market Segmentation

- [Segmentation, Targeting, Positioning \(STP\) Marketing Model](#) (length: 8 minutes)

Following on from the previous video, this informs on how to select the most attractive segments (considering size, profitability, ease of reach), and how to position your product differently to your competitors in the minds of your customers (your value proposition). Also goes through a real-world example to explain the power of the STP model.

- **Segmentation for Social Enterprises: Part 1 and Part 2**

These are two 15 minute lectures from the University of Pennsylvania. Part 1 explains how to identify segments from the hand you have been dealt, and gives considerable detail and examples about the types of segments you could consider. Part 2 explains how you select segments, using a table template to score segments for attractiveness. Explains importance of not focusing on too many or too few segments, and works through real life examples.

- [Lecture Part 1](#): (length:15 minutes)
- [Lecture Part 2](#): (length:15 minutes)

Understanding Your Customers

After you have gained a good insight about your key customer segments, you should get to know them in greater detail. One way of doing so is to create an empathy map. This means that you interview some of your potential customers and find out what they say, do, think, and feel. Mapping ensures that your team understands customer characteristics in a similar way, and can also support you later in decision-making.

Who is currently providing your potential customers or key segments with the services that you are planning to produce? Which delivery channels are they currently using? How loyal are they to service providers? Do they make purchase decisions by themselves or does someone else buy the service for them?



Resources for Understanding Your Customers

- [How to Understand my Customer?](#) (length: 3:20 minutes)
- [What is an Empathy Map?](#) (length: 8:30 minutes)
- [Template for an Empathy Map](#)

Another way to familiarise with your customers is to picture your customer's journey from the point where they just think about using your product/service, to the actual using phase, and ultimately to the after-usage point. This tool may help you to realise something new about your processes.

- [How to understand my customer's experiences with a product or service](#) (length 3:50 mins)

Forecasting Change

Finally, you need to consider the possible changes in customer base and behaviour. Maybe you can identify a demographic change in your target market, or you anticipate that a new distribution channel will become available next year. You need to forecast the changes that could affect your customers, then you can assess how customer changes affect your enterprise and make a plan for your own reaction.

Perhaps the changes will encourage you to offer your products to a new customer segment or make alterations to your product or service. When you are assessing the enterprise opportunities you should also consider the potential future development.

What kind of life cycle does your product or service have? How long are the usual product lifetimes in your industry? Can you forecast the advances in relevant technology, materials, environmental requirements, or competitors' products?

Do you need to consider patents? And if you are delivering services, are there changes in your customers behaviour or your target market's needs? Details in legislation?