Module content and topics

Understanding Your Customers: Target Group Analysis

Indicative study duration: 6 hrs

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Learning outcomes and evaluation criteria

Learning outcomes:	Evaluation criteria:
• Researches and understands the needs, preferences, and behaviours target audience to identify opportunities. • Determines the problems or challenges faced by customers that business can address. • Applies target group analysis concepts • Conducts customer interviews to gather in-depth insights.	• Applies qualitative and quantitative research methods by summarizing key insights from interviews and surveys. • Designs and administers surveys to collect relevant data from a target group.

Introduction to target group analysis

- **What is a target group and why is it crucial for small business success?** Using limited resources and the need to focus efforts
- **Qualitative vs. quantitative research:** Understanding the difference and when to use each (with a focus on the value of qualitative interviews for small businesses).
- **The power of customer interviews:**
  - Gathering in-depth insights during product/service development.
  - Using low-cost methods like interviewing in accessible community locations, and using existing networks to find participants.
- **Continuous customer feedback:**
  - Getting crucial insights for ongoing improvement, customer satisfaction, and business growth.
  - Simple ways to collect feedback (e.g., informal chats, feedback boxes, social media polls).
- **Using customer insights to improve and grow:** Adapting the business based on what customers say they want and need.

Understanding your target group helps you sell smarter, not harder. Imagine you're a young entrepreneur in Arusha who makes beaded jewellery.

- A **target group** isn't just *any* customer, but the *most ideal* customers for your beaded jewellery. It's the specific group of people who are most likely to:
  - Appreciate the style and craftsmanship of beaded jewellery.
  - Have a need or desire for accessories.
  - Be willing to pay the price you set.
- It's crucial for your success because:

   - If you *wrongly* assume your target group is "everyone," you'll waste effort marketing to people who simply aren't interested (e.g., men who don't wear jewellery, people who prefer very minimalist styles).
   - But if you *correctly* identify your target group as, say, "fashion-conscious women aged 20-40 in urban areas with a medium income who value unique, handcrafted accessories," you can:
     - Focus your marketing in places they visit (e.g., fashion boutiques, online style blogs).
     - Design styles they'll love.
     - Set prices they're willing to pay.
- So, *accurately* determining your target group allows you to use your limited resources effectively and maximize your chances of selling and growing your business.

It sounds sensible to focus on the right customers for our Arusha beaded jewellery, but the challenge lies in moving from that general idea to concrete specifics.

How does an entrepreneur *actually* pinpoint those 'fashion-conscious women aged 20-40' or *reliably* determine what styles they prefer and what price they're willing to pay? It's not about guesswork or simply hoping for the best.

Instead, small business owners need to employ specific, practical methods to gather reliable information about potential customers. These methods range from conducting simple customer interviews to distributing surveys and carefully observing customer behaviour in local markets and online spaces.

By using these techniques, entrepreneurs can transform vague assumptions into actionable **insights** eg knowledge about your customers that make your efforts targeted and effective.

Finding out about your customers: research basics

- **Why research is essential for small businesses:** making informed decisions and avoiding costly mistakes. Understanding customer needs and preferences.
- **Qualitative research:**
   - In-depth interviews to understand motivations and stories.
   - Focus group discussions to gather collective opinions.
   - Strengths: gaining rich, detailed insights.
   - Weaknesses: may not be generalizable to a larger population.
- **Quantitative research:**
   - Surveys to collect data from many people.

- Quick polls to gather instant feedback.
- Strengths: gathering data from larger groups, identifying patterns.
- Weaknesses: may not provide in-depth understanding of "why."

- **Combining research methods:** Using both qualitative and quantitative approaches for a more complete picture.
  - **Researching competitors:** Observing what competitors are doing to identify strengths, weaknesses, and opportunities.

There are two primary approaches to gathering customer insights:

- **Qualitative research:** This involves directly engaging with customers to explore their individual experiences, perspectives, and feelings. Methods include:
  - **Interviews:** Conducting one-on-one conversations to gain in-depth understanding of customer motivations, needs, and challenges.
  - **Focus groups:** Facilitating group discussions to gather collective feedback, explore diverse opinions, and observe customer interactions.
  - **Observation:** Observing customer behaviour in natural settings (e.g., in a shop, at a market) to understand how they interact with products or services.

Qualitative research provides rich, nuanced data that can reveal the "why" behind customer actions and preferences.

- **Quantitative research:** This focuses on collecting and analyzing numerical data to identify patterns, trends, and measurable insights across a larger customer base. Common methods include:
  - **Surveys:** Distributing questionnaires (online or offline) to gather standardized information from a significant number of customers.
  - **Polls:** Conducting quick, single-question inquiries to gauge immediate customer opinions or preferences.
  - **Data analysis:** Analyzing existing data (e.g., sales records, website analytics) to identify trends and correlations in customer behavior.

Quantitative research is valuable for measuring customer preferences, identifying statistically significant trends, and quantifying the size of market segments.

Qualitative research: interviews, focus groups, observations

- **Effective interview techniques:**
  - Designing open-ended questions to encourage detailed responses.
  - Active listening and probing for deeper insights.
  - Building rapport and creating a comfortable environment for the interviewee.
  - Practical considerations: choosing appropriate locations, recording and note-taking.
- **Facilitating focus group discussions:**
  - Recruiting and selecting participants to represent the target group.

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    - Developing a discussion guide with key topics and questions.
    - Managing group dynamics and ensuring all voices are heard.
    - Techniques for stimulating discussion and gathering diverse perspectives.
- **The power of observation:**
    - Types of observation: participant vs. non-participant.
    - Identifying key behaviors and interactions to observe.
    - Methods for recording observations (field notes, checklists).
    - Ethical considerations in observation (privacy, consent).
- **Analyzing qualitative data:**
    - Transcribing interviews and focus group recordings.
    - Identifying key themes and patterns in the data.
    - Techniques for coding and categorizing qualitative data.
    - Drawing conclusions and generating insights relevant to the research objectives.

Open-ended questions encourage participants to express their thoughts, feelings, and experiences in their own words. This allows to find nuances, complexities, and unexpected insights that might be missed with more close-ended questions. By asking detailed stories, open-ended questions can lead to a deeper understanding of the target group's perspectives, motivations, and behaviours. This is invaluable for entrepreneurs seeking to develop customer-centric products and services.

A well-designed question should invite elaboration without being vague or leading. Instead of asking "Did you like the product?", which can be answered with a simple "yes" or "no," an effective open-ended question would be "What were your thoughts and feelings about using the product?". The first question limits the participant's response, while the second encourages them to share their experience in more detail. Avoid questions like "What did you like most about the product's amazing features?", as this pushes the participant towards a positive response.

To illustrate further, consider these examples:

- Bad: "Isn't our service great?" (This is leading and assumes a positive response)
- Good: "How would you describe your experience with our service?" (This is neutral and invites a detailed response)
- Bad: "Do you prefer the red or blue design?" (This limits the response to a choice between two options)
- Good: "What are your thoughts on the design options available?" (This allows for broader feedback and suggestions)

Quantitative research: surveys, polls

- **Designing effective surveys:**
    - Defining clear survey objectives and target audience.
    - Choosing appropriate question types (multiple choice, rating scales, open-ended).
    - Structuring the survey for clarity and logical flow.
    - Avoiding bias in question wording and survey design.
- **Conducting surveys:**
    - Selecting appropriate survey methods (online, paper-based, phone).

- Determining sample size and sampling techniques.
- Distributing the survey and maximizing response rates.
- Ethical considerations: ensuring anonymity and confidentiality.

- **Understanding polls:**
  - Purpose of polls: gathering quick feedback and opinions.
  - Designing clear and concise poll questions.
  - Limitations of polls: potential for bias and limited depth of data.
- **Analyzing quantitative data:**
  - Entering and organizing survey data.
  - Calculating descriptive statistics (frequencies, percentages, averages).
  - Visualizing data using charts and graphs.
  - Interpreting results and drawing meaningful conclusions.
- **Tools for quantitative research:**
  - Free online survey tools (e.g., Google Forms).
  - Spreadsheet software for data analysis (e.g., Google Sheets, Microsoft Excel).
  - Social media platforms for conducting polls.

When you do a survey, it's important to ask enough people. This is called the sample size. A bigger sample usually gives you more reliable results. For example, if you ask only 3 people about their favorite phone brand, their answers might not represent everyone's opinion. But if you ask 100 people, you'll get a better idea of what most people like.

However, you don't always need to survey *everyone*. If you're selling to a small village, surveying 50 people might be enough. But if you're selling online to the whole country, you'll need a much larger sample to get accurate information.

Creating effective surveys

- **Basics of good question design:**
  - Using clear and concise language.
  - Asking only one question at a time.
  - Offering relevant and exhaustive answer options.
  - Choosing appropriate question types for the information needed.
- **Avoiding pitfalls:**
  - Identifying and eliminating leading questions.
  - Avoiding confusing or ambiguous questions.
  - Recognizing the impact of question order.
- **Sample size:**
  - Explaining the importance of a representative sample.
  - Discussing how sample size affects the reliability of results.
  - Providing basic guidance on determining an appropriate sample size.
- **The importance of testing your survey:**
  - Conducting pilot tests to identify potential problems.
  - Gathering feedback on clarity and length.
  - Revising the survey based on test results.

When you make a survey, you need to choose the right kinds of questions. There are a few main types. Multiple-choice questions give people a few options to pick from, like "What is your favorite color? (a) Red (b) Blue (c) Green." These are easy to analyze.

Rating scales ask people to rate something, like "How much did you like the product? (1) Not at all (5) Very much." These help you measure opinions.

Open-ended questions let people write their own answers, like "What do you think about our service?". These can give you rich information but take longer to analyze. The best choice depends on what you want to learn. If you need simple numbers, use multiple-choice or rating scales. If you want detailed opinions, use open-ended questions. Sometimes, it's good to use a mix of different question types in one survey.

Suggested activities and exercises

Customer interview

- Define the objectives of the interview and the key information you want to obtain.
- Develop open-ended questions to explore customer motivations, needs, and challenges related to a specific product or service idea.
- Identify your target participants and plan how you will recruit them.
- Conduct the interviews, practicing active listening and effective probing techniques.
- Summarize and analyze the interview data to identify key themes and customer insights.
- Present your findings and recommendations based on the interview results..

Implementation:

- Duration: 2-3 sessions
- Group work
- Deliverables: Written interview plan, interview transcripts or notes, summary of findings, presentation.
- Use peer evaluation by other students to give feedback.

Survey questionnaire development

- Develop a survey questionnaire to collect data from a larger group of potential customers.
- Define the objectives of the survey and the specific information you need to gather.
- Choose appropriate question types (e.g., multiple choice, rating scales, open-ended) to effectively capture the desired data.
- Structure the survey logically and ensure clarity in question wording and instructions.
- Consider how the survey will be distributed (online or offline) and plan for maximizing response rates.
- Pilot test the survey with a small group to identify any potential issues or areas for improvement.
- Analyze the survey data to identify trends, patterns, and key customer preferences.
- Present the survey findings and their implications for business decisions..

Implementation:

- Duration: 2-3 sessions
- Individual or pair work
- Deliverables: written survey questionnaire, pilot test feedback, summary of survey results and presentation.
- Use peer evaluation by other students to give feedback.

Assessment methods

- Portfolio of group work presentations, materials
- Peer evaluation
- Class participation and discussion

Further reading

Saunders, M. N. K., Lewis, P., & Thornhill, A. (2023). *Research methods for business students* (9th ed.). Pearson Education Limited.

Wieruch, L. (2019, July 17). *Step-by-step guide to a successful target group analysis*. Mynd. https://blog.mynd.com/en/successful-target-group-analysis/

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