

[Welcome](#)
[Research Intro](#)
[Market](#)
[Industry](#)
[Financial Ratios](#)
[Household Spending](#)
[Census 2006](#)
[Research Services](#)
[Source Lists](#)
[Market Research / Target Market / Retail Sales / Import / Export /](#)
[Demographics / Ethnic Markets / Income / Location / Business Market / Forecasts /](#)

Canadian Market Research

Target Market

[Click Here for Printer Friendly Version](#)

The most important question your need to answer when you are researching your target market is:

Who is going to buy my product/service today.

The two most important words to keep in mind are "BUY" and "TODAY". Many entrepreneurs misunderstand the meaning of target market and think of it in terms of "NEED" and "SELL"

It is NOT the market you are trying to SELL to.

As an entrepreneur, you will always try to sell to 100% of your potential market and you will rarely turn a sale away but no matter what your business is, there will always be certain people/businesses who will see the benefits of your product/service more quickly than others. It is these "best" customers you need to identify as your target market.

The biggest challenge in the first years of business is generating enough revenue. You do not want to waste time trying to convince people they want your product/service.

Research Tip

Market Subsectors

The [Source Lists](#) include subsectors by major market groupings such as teens, baby boomers, women, income consumers, visible minorities, business operations etc.

[Click here](#) to browse the latest polls and surveys related to your market.

Rather target those consumers/businesses who already need your product/service, recognize its value and are ready to purchase. This “target” market does not need a sales pitch. These “best” customers will act as soon as they are aware of your product/service. It is as if they already have their PO (purchase order) written out and they are just looking to find a business name to fill in at the top.

The most frequent "target" markets cited are "small and medium size businesses" and "wealthy households".

Neither of these market groupings can be considered real "target" markets. They are both massive in size and full of diverse and distinct sub-sectors.

Most small business owners consider themselves first and foremost as part of their industry. An owner of a florist shop considers himself a florist first, a small retailer second and as a small business owner third. If a company approaches him with a business service that is specific to florist shops, he is going to be much more interested than if someone approaches him with a service designed for "small businesses". The company that identifies itself as a specialist for florists gains instant credibility within this subsector of the small business market.

Rather than use their market research to identify the best market - (i.e. that market where they can make the quickest sales) - many new entrepreneurs use it to catalogue every possible customer who might one day be interested in their product. While this type of shotgun approach creates an impressive market profile (both in size and depth) it does nothing towards ensuring that a business will survive those crucial first three years of business when half of all new Canadian businesses fail.

The most dangerous aspect of this type of market profile is that it gives an entrepreneur an inflated expectation of market share potential.

From our experience in helping new entrepreneurs, the greatest problem most micro businesses face in the first year of business is a lack of sales and yet prior to starting their business many of these owners feel their greatest challenge will be in meeting overwhelming market demands.

**Business
Plans
That Get
Funded**

Real examples
from real people



**Ofelia got her
loan approved
in one week.**

*"BusinessPlanPro
helped me put my
plan together."*

*-Ofelia Garcia
of Printing Solutions*

**500+ sample
business plans
included**



**Get your copy
today!**

[Click Here](#)

While enthusiasm and optimism are key to entrepreneurial success, unfounded hope is not.

It is true that an overheated marketplace can pose potential problems for a business however, it is not an issue that the vast majority of new businesses face, especially in the first 12 months of operation. You are much wiser to concentrate your market research on determining how you can make easy sales rather than identifying everyone who might buy your product/service and then expecting that they will.

For example, if you are setting up a childcare centre in Uxbridge Ontario, you might try to assess your market size by determining the number of children under ten in your target market. According to the Financial Post *Canadian Demographics 2005* publication, there are 2537 children under the age of ten in Uxbridge, Ontario.

A careless entrepreneur might estimate from that figure that there are 2537 potential customers in the market. If she figures all she needs is 60 full & part-time children to be profitable, she might begin worrying about waiting lists and screening tests, after all her market appears to be 40 times the size of her classroom. Given such "potential", staffing issues and space limitations may be considered an issue even before start-up

BUT WAIT,

To more accurately determine market potential we have to recognize the fact that just because a child is under ten does not mean that they will attend daycare. Moreover customers are better defined as households rather than individual children. According to the Stats Can 2003 Survey of Household Spending only 7.4% of all households in the GTA (of which Uxbridge is a part) use out-of-home childcare. Another 4.4% use some sort of in-home care and the remaining 88.2% of households do not pay for any childcare at all. (Click here for more information on the [Survey of Household Spending](#))

Given that there are 7421 households in Uxbridge, this means that the existing market is approximately 549 households ($7421 \times 7.4\%$). This figure is substantially less than the original 2537 estimate, however this gives a much more realistic picture of the actual marketplace.

Of course we will also need to consider the number of competitors already active and the number of families each of them serves before we can fully anticipate market potential. We also need to identify the key aspects of our business that establish market

credibility such as in this case location, appearance, cleanliness of facilities, and staffing credentials.

Market research should not be a “feel good” exercise that totals up all the customers that will, should and might buy your product/service some day in the future. Its sole purpose is to identify the easiest way to make money. Target your most avid purchasers and let your product/service sell itself.

Your target market is NOT the market to which you are trying to sell but rather the market that is most likely to buy!

It is NOT the market that NEEDS your product/service.

Many new entrepreneurs fall into the "irresistible product" trap. They believe they have developed a product or service that is so unique or so effective that the market cannot help but buy it. They identify a market that needs their product/service but they neglect to research whether this market is willing to actually purchase it.

A prime example is the Small Office / Home Office sector. This market is expanding quickly and a variety of ancillary services have developed. These include research assistance, computer consulting, office support, strategic planning etc. While it is clear this sector is expanding, what is often forgotten is that many of these new businesses have small or non-existent budgets.

Micro businesses need marketing services, but in most cases they are not willing or able to pay for them. The quality of your service and its value will mean nothing if a business has already "maxed out" its credit card and only has \$500 in the bank.

Your target market must not only need your product/service but also recognize its value and be willing to pay for it.

When you are conducting market research make sure you clearly understand the market that needs your product/service and the market that is able and willing to pay. In most cases they are one in the same, but in today's economy it is possible (and often quite profitable) that they are different.

If you find the market that needs your product is unwilling or cannot pay for it, do not give

up. More and more we are seeing business models where companies have two target markets: one that uses a product/service and the other that pays for it.

One example is a company that provides business planning and mentoring services. They found that their primary market (new entrepreneurs) was willing to pay for their services but that they were not willing to pay the price necessary to make the business profitable. What the company did therefore was identify major financial and retail corporations that were interested in reaching the small business market in a direct and effective way. The company was able to offer these corporations the opportunity to reach this niche market through exclusive sponsorships. The corporations in effect subsidize the small business programs for the entrepreneurs who use them.

Another example is a company who wanted to provide information on herbal remedies. The market that needed their product was anyone interested in alternative remedies but the company realized that it would be difficult to actually sell to this market. There were already many books available and a magazine did not seem viable.

The company therefore came up with the idea of producing a newsletter that would be sold to health food stores. The newsletter would be customized with the health food store's logo and monthly specials. It would then be given away free of charge to store customers as an advertising promotion. The market that needed the information but was unlikely to pay ended up getting it for free. The paying market (the health food store) meanwhile gained crucial credibility among its customers as being the author of the informative newsletter.

Regardless of whether the you have a target market that buys and uses your product/service or a target market that buys and a separate market that users, in the end it your market research all comes down to who is going to buy your product/service today!

Next: [Retail Sales](#)

© John White, GDSourcing - Research & Retrieval 2006

[Home](#) - [Research Intro](#) - [Market](#) - [Industry](#) - [Financial Ratios](#) - [Household Spending](#) - [Census](#) - [Research Services](#) - [Source Lists](#) - [Contact](#)