UNDERSTANDING DEMOGRAPHICS

WHO ARE YOUR CUSTOMERS?

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OUR GOAL IS TO HELP YOU...

WORK SMARTER & BE MORE PROFITABLE
Introduction

The goal of this book is to shed some light on how to create a better management system that is focused on growth. Demographics are often looked at as a tool for the marketing team, when in fact it should also be used with/for the sales team as well as a management tool for the business owner or CEO.

Ideally, as the CEO you should be spearheading the proper demographic data to develop a unified team working towards the same goal. You can no longer accept a disjointed sales and marketing force.

Today customers are too smart and the old ways of selling and marketing no longer work. So beyond aligning your marketing and sales team you should be using these tools to set the foundation for the ability to track and measure growth goals.

Your first run with demographics may be totally wrong and more of a guessing game than a solid outline of your perfect customer. You need to understand that this is an ongoing work in progress. Again, the success rate will vary depending upon how new you are to demographics or how long you have been in business.

Once you create your first set of demographic data, you can then test things through your sales and marketing efforts. Then record this data,
your wins, and your losses in order to redefine the exact prospect you are going after.

Keep in mind defining demographic data is part one in a more strategic approach of understanding your customers and knowing how to attract more of them. In the future you will build on your demographics using psychographic data and eventually getting to the point where you actually create more advanced buyer personas to define and bring the prospect to life. This will keep you and your team focused on consistently disqualifying the wrong prospects and spending more time talking to and attracting the right prospects.
So what are demographics? Demographics are the act of defining the physical characteristics or your prospect or customer. Using socioeconomic characteristics of a population expressed statistically such as:

**B2C:** age, sex, occupation, education level, income level, marital status, religion, birth rate, death rate, average size of family, average age at marriage, etc.

**B2B (sometimes called Firmographics):** age of business, number of employees, number of locations, geographic location(s), local vs. regional vs. national vs. international clients, annual revenue, type of industry, virtual vs. brick and mortar business, number of on-site employees vs. telecommuting employees, cutting edge vs. laggard in their industry, etc.

An example is the census, this is a collection of demographic factors associated with every member of a population.
WHY ARE DEMOGRAPHICS IMPORTANT?

In any business, you are doomed to failure if you do not understand your customers. Demographics allows you to create segments to identify specific consumer markets. The goal is to build segments like “most profitable customers” and “most enjoyable customers to do business with” or “clients with the best sphere of influence that are willing to make introductions to new qualified prospects.” Demographics should be the first step in defining your best customers and then used and built on to start establishing trends. Over time you can use these trends to stay current with buyer needs and wants and to measure if they are changing and to notice when they are changing so your team can adjust quickly.
WHY SHOULD CEOS BE INVOLVED?

The CEO should be guiding this process in order to hit growth goals. This really is a strategic tool to help both sales and marketing become more focused. The more targeted and strategic you get about understanding your customers, their needs and their desires, the better you will be at delivering a remarkable experience. This will in turn create customer evangelists, more sales and higher profits. Who doesn’t want that? Every business is different, but every business should be able to define their 3 to 5 top customer segments they want to go after. Doing this at the top allows both sales and marketing the ability to get on the same page and keep everyone working towards the same goals.
There are a few ways to get started building demographic data. Often times before you create demographics you need to understand why you are creating them. Sometimes it will be to run direct mail campaigns, sometimes it will be more strategic to define who your best prospects are or for ways to break into new markets.

Here are a list of questions to ask when creating a new demographics:

- Why do you want demographics?
- How will you use them?
- Are you able to do this alone or will you need help?
- What are the goals you are trying to reach tied to the development of the demographic data?
- Who needs to be involved in this development? CEO, Sales, Marketing, 3rd Party Consultant, Other?
Internal Ideas for Creating Demographics

This depends upon how new the business is. Obviously a Start-Up is going to have less resources than a company with several years under their belt.

• **Sort & Organize Clients using Quickbooks** (or similar accounting software): If you have several clients you’ve worked with, why not start by going through the list of client and creating a list of clients that you really loved working with. Then create a second list of most profitable clients. Or create a list that is Industry related (vertical markets).

Once you have these lists, review them and look for similarities within each group. Your goal should be to find what make companies in each group similar or different. If you start to see trends based on the fun clients, start writing down what you find. The same goes for the other groups. At the end of this process you should have a few ideas on what your ideal customers should look like. Eventually you would want to clean up this list and start creating buyer personas based on this data in order to get the ideal buyer understood by all employees.

• **Interview your Current Customers**: Since you already have customers, why not ask them a few questions to really paint a better picture of who they are. Every industry may be a little different, but start by creating a list of 10 questions and then do a phone interview. Do not be too intrusive, but make sure you are getting enough data to outline what makes them similar or different.
External Ideas for Creating Demographics

How advanced you want to get with your demographic data depends upon what your goals are. If you want to use these tools to set up a new strategic direction for the company and the sales and marketing process, you may need to bring in an outside consultant who specializes in being strategic with demographic data and creating buyer personas and new business development.

• **Use Online Tools and/or Resources:** There are several list companies out there. Some are credible and some are rather questionable. This is where an expert can help. Keep in mind these are just a few of the ones we trust, but if you need very targeted specific industry-related demographic lists you may need to use a more specialized list provider.

  • Hovers: [http://www.hoovers.com/sales-leads.html](http://www.hoovers.com/sales-leads.html)
  
  • InfoUSA: [http://www.infousa.com/](http://www.infousa.com/)
HOW TO GET STARTED USING CUSTOMER DEMOGRAPHICS

Again, you need to understand how YOU will be using this demographic data. The CEO will have different purposes for understanding the data than the Sales Team and the Marketing Team.

See the chart on the next page for a breakdown of ways to use demographics for each position.
How will this Demographic Data be used within the company?

<table>
<thead>
<tr>
<th>CEO</th>
<th>SALES</th>
<th>MARKETING</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strategic understanding of “BEST” customers and prospects</td>
<td>• Strategic definition of who to talk to and where to find them</td>
<td>• Brand development and design based on “real” customer’s Wants, Needs, &amp; Desires</td>
</tr>
<tr>
<td>• Management tool used to keep Sales &amp; Marketing on the same page</td>
<td>• Sales process should be built around these customers and their needs</td>
<td>• Messaging created to cater to these targeted prospects</td>
</tr>
<tr>
<td>• Accountability tool to keep all efforts focused on same goals</td>
<td>• Development of positioning statements to engage and start sales conversation based on customer needs</td>
<td>• Creation of mailing lists to send direct mail campaigns</td>
</tr>
<tr>
<td>• Tool to understand trends, goals, and understand how to break into new markets</td>
<td>• Creation of calling lists</td>
<td></td>
</tr>
</tbody>
</table>

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TEST AND ADJUST IF NEEDED

Early on you may be creating a list that seems good to get started with, but as the sales team starts calling you may find your target customer needs some work. It may be best to start with the sales team, because they should already know if this demographic fits in to their world and current list of contacts they have been calling on. Unless you are trying to break into a new market or vertical, you sales teams can work the list and give you feedback quickly with little loss if the list needs work.

Ideally after you do minor adjustments to your target customer demographic, you shouldn’t have to continue to make adjustments unless there are big changes in the industry or market you are going after or the company changes its focus. As mentioned before you may want to create a few lists that are segmented into categories or industries. So you may have a master list broken down into 2, 3, 5 or more segments depending on your company and strategy.
THOUGHTS ON GOOD AND BAD EXAMPLES OF DEMOGRAPHICS IN USE

Understanding your customers and creating products and services to meet their needs, wants & desires.

Take Starbucks as an example of a company who is always researching what the customer wants or needs. They obviously know their customers and meet and exceed the customer experience on many levels. Here are a few examples of what they know about their customers.

Starbucks Delivers... Education because their customers are often inquisitive, environmental, and like to have fun. Education comes in many forms. They use samples of new coffees, drinks or food products to get people tasting and trying new things to expand the customers tastes in coffee and related products.
Starbucks Delivers… **Consistency** because their customers want to know what to expect in each product. They know the quality is high, the brand experience will always be the same and even if they get one bad product it is easy to over look because of the overall high standards delivered through out the buying experience.
Starbucks Delivers... **Fun** because their customers think of Starbucks as their home away from home or office. This means having fun creative employees who work well with customers and also fun activities to enhance the experience. Often you can find games for customer playing, music CDs for sale and playing in the store, local musicians playing, local art hanging on the walls (for sale) and employees who strike up a fun conversation and start to build a relationship with you if you frequent this local shop. You can see how Starbucks is creating a sense of community with it’s customers.
Another example of a company who understands their customers is Zappos. If you studied either one of these companies you would learn a lot about how to understand your customer better. Both of these companies make this a high priority. Here are a few samples of ways Zappos understands demographics and the customer:

Zappos Delivers... **Happiness** not just to customers, but also vendors. They create an experience unlike any other shoe company. They throw parties for their vendors which builds their relationships. They often provide free shipping and other perks for their customers. They also invest time in building a corporate culture that creates the best user experience for the customer. So they deliver happiness to customers, employees and vendors. Being that everyone is happy, they perform better, connect better and expectations are always met and often exceeded which attracts more of the type customers they are going after as well as customer evangelists.

Photo by Larry Tomlinson

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Zappos Delivers… **Wierdness**. Being a little different is what makes the people over at Zappos tick. This comes through though in the people they attract. They have found a market that wants a different way to do things (buy shoes online as well as a different user experience through it’s employees). By making wierdness part of their culture but also deliver professionalism into the wierd culture, customers are able to get a great product, a great user experience in ordering and have fun in the process.
Ok, although I hate the credit card industry as a whole, I gotta give them some props when it comes to marketing. This industry mastered using demographics. They invested in it heavily and do a ton of marketing so they can test what works and what doesn’t.

They’ve exploited demographics to the point of laws needing to be passed to protect consumers. Think about it, in order to get a life long customer you have to go for younger and younger customers… right? Keep in mind we do not agree with this predatory practice, but we want to paint a picture of the power of demographic data.

So Visa and the other banking industry giants knew their prospects wanted to live the high life so they made it easy, they offered a way for customers to get what they wanted NOW and not have to wait until they could afford the items. Consumers traded a sense of urgency and instant gratification for a lifetime of ongoing payments. Because credit card companies stayed ahead of the curve, they were able to promote that this was normal and everybody’s doing it. So why not follow the masses. It didn’t happen over night and it took a ton of research to understand the customer and their psychology to be able to push the wright buttons to get people to get on board. I’m sure the early days were though especially with people like Henry Ford saying things like credit is folly and promoting that credit was bad, not the car industry makes a huge portion of their money off of the interest of car loans.
Then the credit card companies figured out ways to capitalize on “living the dream”. Since all American’s (I’m only using the US because I have first hand knowledge here, but it could be the same the world around) like to get something for free, the credit card companies started offering free items to get people in the door. Again, this is because they understood what motivates customers. They did tons of research and do even more marketing (direct mail mostly) to track and measure which headline or offer or free giveaway stirs up the most interest and new customer sign ups.

Since we (as a society at large) are such suckers, the free gift didn’t have to be anything very impressive. It could be a low quality sports team t-shirt with a Visa logo on it (promoted at sporting events and getting people to sign up for a free t-shirt so you can walk away with the perceived valuable item to remember this event). Or what about the free university frisbee, t-shirt or beer koozie given away to the college student who is already low on money, but wants to fit in and sees this as a solution to kill two birds with one stone.
So as you can see, these companies built a whole industry by knowing their customers and prospects. Again, I do not condone or recommend you use demographics to the point of manipulating people in a malicious way or become predatory and take advantage of people by doing something that will harm the consumer as (I feel) the credit industry has done. I do however need to make it clear on how important making the right offer to the right person is. When we are talking about business and business growth, I think the Starbucks and Zappos models tend to be doing a little better (again this is my opinion).

So depending upon what stage you are at in your business may determine where you start when it comes to building customer demographics. Obviously if you’re a new business or in startup mode, you will need to build this stuff from scratch. If you’ve been around the block a few times, you may have a stable of current and past clients that you could ask questions to start to build some stronger demographic data. I’m hoping these examples also got you thinking about the importance of not only creating these demographics, but then also testing them through sales conversations and through marketing. Doing A/B Testing to see which headline, offer or statement works best with your prospects is how you can apply testable results to your marketing and sales efforts. Test, Test, Test is how you continually grow and improve both areas.