

Build Customer Loyalty - Identify Customer Needs

A Step by Step Guide to Understanding Your Customers

By BizMove Management Training Institute

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Table of Contents

[1. Introduction](#)

[2. What Are Your Customers Really Buying](#)

[3. Understanding What Drives Your Customers](#)

[4. Timing is Important](#)

[5. How Customers Buy](#)

[6. The Importance of The Location](#)

[7. Who Are Your Customers](#)

[8. Customers Are Dynamic](#)

1. Introduction

Buyer orientation - understanding and satisfying your customers - is essential for commercial success. This guide explains how small companies can profit from understanding their customers.

Understanding one's customers is so important that large corporations spend hundreds of millions annually on market research. Although such formal research is important, a small firm can usually avoid this expense. Typically, the owner or manager of a small concern knows the customers personally. From this foundation, understanding of your customers can be built by a systematic effort. A comprehensive system for understanding is what Rudyard Kipling called his six honest serving men. "Their names are What and Why and When and How and Where and Who."

[Go to Top](#)

2. What Are Your Customers Really Buying

A seller characterizes what customers are buying as goods and services - toothpaste, drills, video games, cars. . . But understanding of buyers starts with the realization that they purchase benefits as well as products. Consumers don't select toothpaste. Instead, some will pay for a decay preventive. Some seek pleasant taste. Others want bright teeth. Or perhaps any formula at a bargain price will do.

Similarly, industrial purchasing agents are not really interested in drills. They want holes. They insist on quality appropriate for their purposes, reliable delivery when needed, safe operation, and reasonable prices.

Video games are fun. They are bought for home entertainment, family togetherness, development of personal dexterity, introduction to computers, among other satisfactions. Commercial customers include arcades, pizza parlors, and assorted enterprises. They benefit from a potential source of income, a means of attracting buyers to their premises, or perhaps a competitive move.

Similarly, cars are visible evidence of a person's wealth, reflection of life style, a private cabin for romance. Or they represent receipts from leases, means to pursue an occupation. . . Some people even buy cars for transportation.

You must find out, from their point of view, what customers are buying. The common names of products mean as little to them as the chemical names on the label of a proprietary drug. (A sick person's real need is safe, speedy relief.) Understanding your customers enables you to profit by providing what buyers seeks - satisfaction.

Products change, but basic benefits like personal hygiene, attractiveness, safety, entertainment, and privacy endure. So do commercial purposes such as quests for competitive superiority or profitability.

Successful manufacturers and service establishments produce benefits for which customers are willing to pay. Successful wholesalers and retailers select offerings of

such demanded benefits that they can resell at a profit. Successful businesspeople, in other words, understand the reason for their customers' buying decisions.

[Go to Top](#)

3. Understanding What Drives Your Customers

The reason that customers buy is logical from their point of view. Understanding customers derives from this fundamental premise. Don't argue with taste.

Everybody is unique. Each person has individual pressures and criteria. Moreover, perceptions differ. The astute businessperson deduces and accepts the buying logic of customers and serves them accordingly.

To learn why customers buy can be quite difficult.

Some buyers hide their true motivations. In many cases the reasons are obscure to the buyers themselves. Most purchase decisions are multi-causal. Often, conflicts abound. A car buyer may want the roominess of a large vehicle and the fuel economy of a subcompact. The resolution of such mutually exclusive desires is usually indeterminate.

Sometimes the reasons why customers buy are trivial. If customers feel indifferent toward a product or store, the selection is apt to be happenstance. Perhaps several rival offerings meet all the conditions that a purchaser deems important. Consequently, minor factors govern. This explains the rationale of the consumer who chose a \$ 22,000 car because its upholstery was most attractive. The point: Pay attention to details. They may be crucial to customers.

Often the best clues are the customers' actions. Shrewd businesspeople respect what people say, but pay special attention to what people do. More important than why customers buy is why former customers have taken their patronage elsewhere and why qualified buyers are not buying. What is now keeping them from buying?

Can this obstacle be surmounted? Businesspeople monitor competitive offerings and buyers' reactions to infer clues. Informal conversations may also reveal some reasons. Special offers may overcome resistance and boost profits.

All the time the manager must be careful to retain the company's regular customers. For instance, a specialty dress shop may try to widen its patronage through a new line at bargain prices. This move could disturb the store's usual patrons. They may take their trade to another store that caters exclusively to their social class.

Many of the dresses were bought for special occasions when projection of a genteel image was important to the customer. Understanding of customers includes awareness of the time of the purchase and use of the merchandise.

[Go to Top](#)

4. Timing is Important

A seller must be ready when the buyer is, lest an opportunity be irretrievably lost. Customers buy when they want an offering and have the time and money to purchase it. Buying patterns can often be discerned from an analysis of customers and their purchases. For example, wants for many consumer goods and services are tied to customers' rites of passage. The following purchase occasions in the adult life cycle are typical:

1. Marriage, separation, divorce
2. Acquisition of a home
3. Change in employment or career
4. Graduate study; running for office
5. Health care, injury, illness
6. Pregnancy, nurture of children
7. Children enter school; graduate
8. Children leave home (for college or permanently)
9. Move to another area
10. Vacations; major social activities
11. Permanent retirement from work
12. Death of a family member.

Shrewd retailers keep track of such key buying events and gain a head start on making sales. Logs of birthdays and anniversaries are a case in point. Additional purchase occasions are impersonal. Seasonal factors include recurring holidays and weather changes. Among other favorable influences on purchases are start of the school year, semi-annual white sales, introduction of new models and clearance of old ones, special price concessions, and improvement in economic conditions or buyer's confidence.

Some of the latter factors also apply to manufacturers. Small plants work closely with their buyers' inventory managers and replenish stock at their reorder point. A current vogue is just-in-time delivery. Interactive computers make replenishment notices routine.

Many consumers have time for shopping only during offhours. In the evenings, and on weekends. The trend from a single breadwinner per family toward having all adults of a household engage in commercial employment has intensified this time peculiarity. Astute retailers adjust their hours, staffing, and availability of merchandise to customers' shopping convenience. Bartenders know that business booms on payday. Manufacturers profit from timing their offers to their customers' budgetary cycles. Thus,

knowing when products are bought and used is a valuable facet of understanding customers.

Although a transaction may be concluded in a moment, most purchases actually entail a drawn-out process.

This process will be described in the next section which analyzes how customers buy.

[Go to Top](#)

5. How Customers Buy

Knowledge of how customers buy pays off in several ways. (1) Sellers can design their offerings to meet the exact needs of their buyers. (2) Sellers can influence decision makers at crucial steps of the buying process. (3) Sellers can lay the groundwork for repeat business.

Buying methods are best visualized as processes. Household purchases usually start when a consumer has a desire or a problem that an acquisition might satisfy or solve. Industrial purchases usually start when a user or a routine sets off a signal (requisition) for approval of a procurement.

People are diverse. Every consumer, every firm pursues a buying process of its own. Buying processes also depend on the significance of the product to the buyer and on other circumstances. Although buying processes are not uniform, some steps are common to most of them. The seller needs to know only these critical steps when he or she can affect the outcome of the buying decision.

Shrewd sellers delve into the behavioral milestones of purchasers. But for each very important customer the buying process should be diagrammed individually, showing names of influencers at each decision stage, elapsed time between stages, and any other pertinent information.

Perhaps a change in life style or a demonstration at a friend's house has caused this consumer to recognize the need for a personal computer. But lack of knowledge and the fear of a wrong decision may counteract this desire. The process continues, however, if advertisements and expected benefits persuade the consumer to act. Despite budgetary constraints and uncertainty about future needs, the consumer proceeds to compare stores and brands.

At this search and evaluation stage advice from present satisfied customers is especially influential. Make sure your customers are satisfied and favorably recommend your merchandise or service. To the contrary, poor shopping facilities or irritating personnel can sway the potential customer against making the purchase from you.

Sooner or later, further search does not seem worthwhile. If the positives still outweigh the negatives, the consumer picks a store and brand. The transaction itself is

consummated quickly, assuming the wanted item is available. The satisfied customer makes recommendations to others and gives you his or her repeated, regular business.

Businesspeople can create sales by predisposing potential buyers to their product or store. Manufacturers can offer exclusive benefits in their goods, such as friendly relations, efficient operations, and easy manuals. Enticing advertisements help persuade prospects to visit a retail outlet and ask about a particular brand. Creative salespeople overcome the customer's objections and doubts and close the sale. Post-transaction service keeps the customer satisfied. Referrals usually follow.

Specific details are needed to track acquisition of something complex, say a computer. On the other hand, less detail is needed if the purchase is laundry detergent or some other staple with which the customer is less involved. In the latter case, depletion of the home inventory triggers a routine, leading directly to choice: the usually purchased brand. If the usual brand is out-of-stock or another brand is on sale, a substitute may be bought quickly. Brand comparisons follow or may be omitted.

Some products are bought when an emergency need for them arises. A physical examination and the filling of a prescription are urgent when sickness strikes. Arrangements for funerals follow immediately after the death of a family member. Umbrellas are in demand when it rains. An unexpected snow storm generates extra calls for tire chains, towing services, and car batteries. Often, convenient availability determines when these goods and services are purchased. And even if customers do have ample time to select merchandise, sellers who stand ready to supply wanted or expected brands are apt to gain preference and profit when shoppers decide where to buy.

People want options. Although convenient availability is the main buying criterion for many routine household products, savvy merchants stock a selection conforming to the diverse preferences of their patrons. Some people demand manufacturers' advertised brands. Resellers' brands are favored by others. On some classes of goods, generic brands have become popular in recent years. Moreover, many consumers seek occasional variety. Clearly the decision of which products to stock is important.

It is more important yet on shopping goods because buyers compare them before purchase. And it is most important on specialty goods, those preselected by brand name. If a store does not stock these uniquely wanted brands, a prospect will leave without buying. Whoever offers them on acceptable terms gains the sale.

[Go to Top](#)

6. The Importance of The Location

From a multitude of studies emerge different criteria for deciding where to shop. Most research on the subject agrees that store location is a major consideration, Stores usually draw most of their patronage from their surrounding neighborhood.

Savvy store managers make a special effort to understand the shopping-related motivations and preferences of local residents. New managers of fast-food units, for example, canvass nearby dwellings and introduce themselves to the households. Some supermarkets maintain consumer advisory boards to elicit suggestions and reactions. Other means of communication with customers include informal conversations at the store and suggestion boxes with interviews and awards.

Incidentally, complaints are an excellent guide for making store policies more amenable to customers. Personnel should be instructed to thank patrons for their comments. Prompt consideration, followed by a personal letter from the store manager, is highly desirable.

Location is extremely important to "captive" buyers. Exclusively franchised utilities, shops in isolated hotels, and cafeterias or automatic vending machines in factories are examples. At the opposite extreme, shoppers escape spatial restrictions by buying from mail-order firms or telephone solicitors.

Other patronage influences vary. They depend on the type of product, type of store, and the characteristics of the consumer. The offered assortment's perceived quality, depth, and breadth certainly are very important, along with price. This does not imply that all goods have to be top quality or all prices the lowest. Perceptions are decisive.

If quality seems high, some customers infer that prices are high too regardless of the facts. The important point is to understand customers and to provide what causes them to buy. For example, assurance of repair service weighs heavily with the worrier type of customer. A convenience-minded buyer is concerned with parking space or delivery service.

Of course, shoppers must be told that wanted goods and services are available. Advertising helps disseminate this information. So does a store's reputation for consistent policies of satisfying its customers.

Occasional promotions inject some excitement into the tedium of shopping. Some clients like to socialize, which can absorb much of an employee's time and may even annoy other buyers. Nevertheless, personnel should be friendly and helpful. Also influential, for some customers, is the apparent socio-economic level of other shoppers.

Personal affinity for other customers or for salespeople is a decisive factor in the success of party-selling, e.g., household goods and in-home selling (cosmetics). The choice of where to buy items requiring major outlays (securities, and insurance) often revolves around from whom to buy.

In selecting a retail store, many customers consider physical features. Layouts can invite or repel patronage. Motorists who are in a hurry, for instance, are apt to use a gasoline station at which business can be transacted quickly. Altogether, buyers perceive a mix of tangible and intangible factors that comprise a store's atmosphere. Accordingly, they either do or don't feel comfortable about shopping there.

To the casual observer, all supermarkets seem more or less alike. But, in fact, store managers can regulate many of the above-mentioned variables and thereby affect where shoppers buy. According to recent studies in several American cities, household buyers perceive supermarkets in their neighborhood as sufficiently different to determine their patronage preference. The four main types of supermarkets offer: (1) High quality at commensurate prices, (2) Lowest price level in the area, (3) Swift completion, (4) Friendly atmosphere. Each can profit by appealing to a different segment of buyers. the topic of the next section.

[Go to Top](#)

7. Who Are Your Customers

Identification of customers and prospects makes effective targeting possible. Small business owners pride themselves on knowing their customers personally. In the industrial field, understanding of each major customer and buying influence is essential. When dealing with a large number of customers, however, individual familiarity is not feasible. Hence mass merchandisers and others in this situation group their customers, whose reactions to offerings are similar, into segments. Then they design a separate appropriate marketing program for each segment.

Strategies vary, A small firm might prosper by concentrating its resources on one segment. Because customers are volatile, the specializing firm is vulnerable to sudden change in its target segment's patronage. Hence some companies address several segments simultaneously. Although expensive, a strategy of employing different tactics for different segments can be quite profitable. Other firms scatter offers to just anybody. They hope that segments will select themselves.

One basis for segmentation is geographic. Retail customers are apt to live or work in the store's vicinity. Industrial buyers tend to concentrate regionally. So do users of services. Intensive cultivation of local potential customers can be efficient and lucrative. Personal knowledge of local buyers and a shared community spirit help cement relations with these customers.

Segmentation is an art. All "honest serving men" - what, why, when, how, where, as well as who - can be the key to segmentation. Whatever the basis, each identified segment should have sufficient purchasing power to make a special effort commercially worthwhile. Accessibility is vital. How can the segment be reached? Are advertisements, telephone solicitations, or personal visits efficient? How about trade shows or personal contacts? The ideal segment is stable in purchase needs and loyalty, helping you fend off competition.

Besides segmentation, understanding of customers also requires insight into their buying roles. The buyer for a one-person household or one-person business is the initiator of the order, the decider, and the user. Even in this case, however, some outsiders are influential.

In larger households or businesses, these buying roles are usually played by separate individuals. It helps you to know who activates (requisitions) purchases, who exerts influence, who decides what and where to buy, who uses the product-and what their criteria are. Then you tailor and target your offerings to satisfy each major participant in the buying process.

As has been shown, understanding of customers enables a seller to increase sales. This same understanding can equally serve to reduce costs. Higher sales at lower costs inevitably boost profits.

A small firm that understands its customers can buy or produce exactly what they want-and nothing else. The firm's sales effort is efficient because it builds on why its customers want to buy not on why others buy, or why the vendor wants to sell.

Merchandise can be ready when customers need it. Thus a knowledgeable seller avoids unnecessary inventory costs or penalties for late delivery. Understanding how customers buy lets a seller employ promotional media, appeals, and timing for maximum effectiveness. Transportation costs are lowered by shipping merchandise to where it is needed. Knowledge of who comprises suitable segments and the separate buying roles can reduce the waste of soliciting unqualified or uninterested people.

[Go to Top](#)

8. Customers Are Dynamic

The best source for you to learn about customers is your personal interaction with them. At work, social and civic activities, and chance encounters, people talk and reveal their attitudes and motivation. Listen to your customers. You can also keep abreast of purchasing patterns by observing competitors' practices and by asking sales personnel who is buying what, where.

Articles in business and trade newspapers and magazines give information on products, trends, marketing, finance, the economy. Trade directories, Yellow Pages, and brokers' direct-mail lists identify who buyers are, and most industries have associations and specialized marketing research that provide insights for understanding customers.

[Go to Top](#)

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