The National Information, Security & Geospatial Technologies Consortium

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Lesson 2: Customer Analytics

INTRODUCTION

In the previous lesson, you learned how to examine the market potential of your business venture through identifying your typical customer, analyzing the geographic size of the market and market trends, and investigating competitor profiles.

In this lesson, you will delve deeper into who your customer is through customer analytics. This lesson explores your customers' demographics, psychographics, and behavioristic information. In addition, it is important to examine the purchasing power and the lifestyle of your customers. The lesson culminates in a customer analysis for your business venture.

LEARNING SEQUENCE

Required Readings	Read the following: Online Lesson Material
Multimedia Resources	View the following: Joseph Pine: What Consumers Want
Required Assignments	Complete the following: Customer Analysis Worksheet

CHECK PRIOR KNOWLEDGE

In this lesson, you will learn about the psychographics of your customers. This warm-up activity will help you put the term *psychographics* into perspective.

Psychographics deals with the motivation behind wanting to purchase a product or service. It is the information you want to extract from your customers' brains to inform your marketing efforts, and ultimately, get your customers to buy your product or service.

Think about a product or a service you recently purchased that you would consider a significant purchase. What was going on in your brain that caused you to make the purchase? Was it an emotional decision? Did you have to decide between two sellers? If so, what made you buy from one over the other? The answers to these questions describe how psychographics work.

Write down a few of your thoughts about your own psychographics during your purchase. How can you translate this experience into learning why your customers will buy from you and not someone else?

Recommendation: Capture your responses to the "Check Prior Knowledge" activities and other various exercises presented in this course in a journal or notebook. Since many of these activities and exercises will not be turned in to your instructor, you should capture the information in one place. By writing this information down and reviewing it, you will begin to see themes emerge that will help you as you complete the course.

FOCUSING YOUR LEARNING

Official Course Competencies
By the end of this course, you should be able to:

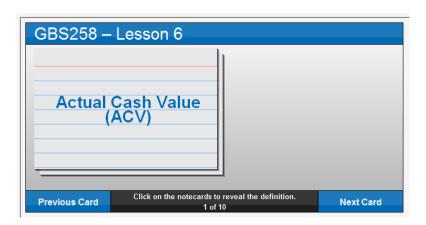- Describe how to evaluate the potential of the market.

Lesson Objectives

By the end of this lesson, you should be able to:

1. Define psychographics.
2. Evaluate the purchasing power of the customer.
3. Explain the lifestyle demands of your customers.
4. Create a customer analysis for the target customer base for your business.

Key Terms

As you read your assignment for this lesson, pay close attention to the key terms and phrases that are listed throughout the lesson. These terms and concepts are important to your understanding of the information provided in the lesson.

INSTRUCTION

Understanding the customer is a critical component of an entrepreneur's business success. Gathering data about customers is an activity that big business has done for many years. Today, thanks to the accessibility of information on the Internet, entrepreneurs can easily gather the same customer information available to the big companies. The activity of gathering and examining information about customers is known as customer analytics. Customer analytics include demographic, psychographic, and behavioristic information that best describes customers.

Demographics

In Lesson 1, you examined customer demographics. As a quick review, customer demographics are a statistical analysis of a population of humans. Customer demographics include age, gender, geographic location, household income level, profession, educational level, and marital status. In essence, customer demographics identify who your customers are today and who they will be in the future, pinpoint where they live and work, and estimate how likely they will be to buy your product or service. Customer demographics inform decisions about how to spend your marketing dollars, how to communicate effectively with your customer, and how to locate potential new customers.

If your customer is a company instead of an individual, demographic analysis changes dramatically. When examining a possible corporate customer, entrepreneurs will want to spend time researching a company's number of employees, types of products and services, annual revenue, year founded, and location of both the headquarters and any other business locations.

Whether your business is marketing to individuals or companies, understanding customer demographics is critical to an entrepreneur who has a limited amount of money to spend on acquiring new customers, retaining current customers, deciding on an investment in new products or services, or expanding into a new territory.

Psychographics

The "Check Prior Knowledge" activity in this section introduced you briefly to the term *psychographics*. A psychographical customer analysis goes one step further than demographics. Psychographics studies the personalities, activities, attitudes, lifestyles, values, and interests of current and potential customers. It is the culture of your customers. Psychographic profiles are used when determining marketing and advertising efforts, gathering opinion research, and studying humans in social research.

A perfect example of psychographics is in the area of generational studies. Every generation that exists in the country has different values. The older generation may value a more traditional sales approach, which includes a face-to-face relationship. They like buying from people they know or who know their names. Although the older generation can be defined as a demographic group, the psychographic information related to their generation will be more important when trying to sell them a product or service. Younger generations, on the other hand, value the use of technology to complete transactions. Therefore they value the ease of obtaining a product or service and may or may not value the relationship with an individual salesperson. Understanding the psychographics of your customers can make the difference between the success and failure of your business and, possibly, give you an advantage over a competitor who only uses demographics to define its customers.

If your business is targeting corporate customers, the psychographics of organizations include categories like corporate culture and management style. They also include the answers to questions about the business itself. Is it a market leader, innovative/cutting edge, growing versus stable, family-friendly, employee centric, or environmental friendly? Corporate psychographics dig deeper into the organization's culture to create a picture of the inside of the company. If an entrepreneur is targeting an organization with whom to work, the entrepreneur will need to dig into the internal workings or psyche of the organization and become a partner to help solve a business problem or provide an opportunity related to the future of the company.

Behavioristics

Customer behavioristics look deep into your customers' behaviors related to their usage, loyalties, or buying response to products or services. Behavioristics include a customer's brand loyalty (brand usage), degree of use (how much/how often), and motives (why they buy). Behavioristics also consider what benefits the customer is seeking, the customer's decision-making process, and the factors that are most important to customers. Behavioristics can include choices about the quality and variety of

products or services and expectations about customer service, price, discounts/sales, convenience, and terms.

> **For Example**
>
> An example of behavioristics at work is the idea of bundling products and services. Today, a customer can go to one trusted company and buy many needed services. Think about TV, Internet, and phone services currently offered in homes. Bundling has changed the way customers buy products and services today.

Behavioristics are harder to apply to corporate customers. Understanding how and why corporations buy products and services can be extremely lucrative for an entrepreneur. However, getting a foot in the door is difficult. An entrepreneur should look beyond typical corporations and seek out the Federal government. You will be required to jump through some hoops, though. Here are some ideas offered by the Small Business Association for doing business with the government:

"Selling to the Government – Get Started With These 5 Steps"

"Federal Marketing: 7 Tips for Getting Your Share of the Government's Year-End Dollars"

Purchasing Power (Buying Power)

Once you understand the demographics, psychographics, and behavioristics of your customers, it is important to be able to define your customers' purchasing power (otherwise known as buying power). Purchasing power is defined as the amount of goods and services that your customers' money can purchase. Buying power varies between groups of customers according to their lifestyles. Therefore, if an entrepreneur operates in a variety of demographic areas, the entrepreneur will need to ensure that all of the customers' needs are being met. Watch this video about what consumers really want.

Intimately knowing customer demographics, psychographics, and behavioristics is extremely important to the success of any entrepreneurial venture. As you complete the assignment for this lesson, you will get to know your customers or your potential customers better than your competitor, and that is the goal.

SUMMARY

In this lesson, you learned about your customers' demographics, psychographics, and behavioristics. In addition, you learned about the value of purchasing power and how purchasing power is linked to lifestyle. Finally, you discovered how important it is to understand the needs of your customers.

In the next lesson, you will learn about the power of research in creating customer, market, and competitive assumptions. At this point, you should be very familiar with the power of research. Understanding more about your customers' analytics, markets, and competitors will create a solid foundation for your entrepreneurial ventures.

ASSIGNMENTS

Non-Graded Activities

The following activities will help you practice the concepts from this lesson. You are not required to submit them to your instructor.

1. Read the online lesson material and watch all videos.
2. Complete the "Check Prior Knowledge" activity.

Graded Assignments

The following is a required assignment for this lesson.

1. Customer Analysis Worksheet worth 60 points