**Researching customers**

Successful businesses make profits by understanding their customers and identifying their needs. Good customer research helps you choose products, tailor your marketing, and develop sales tactics for the people in your market based on reliable, accurate information.

Customer research should be part of your overall market research and should be conducted regularly. While your market research looks broadly at your customers, competition and industry to identify who you will market to, customer research provides more in-depth information on the needs, wants, expectations and behaviors of your customers.

By identifying information about your consumers such as where they work, what they read and where they look at advertising, you can improve the strategies you use to attract them. It is also important to understand their purchasing behavior and attitudes with regards to brands and products. Testing new product or marketing concepts with potential customers is also a good way to prepare for a launch to see if your work has potential to translate to success.

Identifying your customers' needs and preferences allows you to tailor the strategies and tactics you use in your marketing plan. This will help you to:

* attract more customers
* set the best price for your products
* create the right marketing message
* increase how much your customers spend
* increase how often your customers spend
* increase your sales
* decrease your costs
* refine your approach to customer service.

This guide explains how you can grow your business by identifying customer needs and preferences.

**Identifying customer needs**

Before you start promoting your business you need to know what your customers want and why. Good customer research helps you work out how to convince your customers that they need your products and services.

**Identify your customers**

The first step of customer research is identifying your customers. Your [market research](https://www.business.qld.gov.au/starting-business/planning/market-customer-research/basics) should help you understand your potential customers. Further customer research can help you develop a more detailed picture of them and understand how to target them. It will also highlight key characteristics your customers share, such as:

* gender
* age
* occupation
* disposable income
* residential location
* recreational activities.

**Understand why they shop**

Once you've identified who your customers are, you can find out what motivates them to buy products and services. For example, consider if they make decisions based on:

* work demands
* family needs
* budget pressures
* social or emotional needs
* brand preferences.

**Identify preferred shopping methods**

As well as understanding why they shop, you will also want to understand how they shop. To learn about your customers' preferred method and means of shopping, consider if they:

* shop online, over the phone or in stores
* make spontaneous or carefully considered buying decisions.

**Consider their spending habits**

Different types of customers will be willing to spend different amounts. Find out what financial capacity and spending habits your customers have. For example, consider:

* their average income
* the portion of their income they spend on the type of products or services you sell
* if they budget.

**Find out what they think of you**

Learn about your customers' views and expectations of your business and rivals. For example, find out what they think of your:

* products and services
* customer service
* competitors.

**Customer research methods**

Your customers are the reason your business exists. Gathering as much information as you can about them through customer research will help refine and grow your business. The type of business you have and the kind of information you need to gather will influence the customer research methods you choose. You can conduct customer research yourself or hire a consultant to do it.

The following are some of the main customer research methods. Many of these methods can be combined to achieve multiple customer research goals.

**Advertising and promotion research**

You can gather information about the effectiveness of your advertising by gauging:

* your customers' likely responses to your marketing and promotional strategies through testing in a forum such as a focus group
* the effectiveness of each of your past and planned promotional techniques through analysis of sales data.

**Customer satisfaction studies**

You can determine how satisfied your customers are with your product quality and your [customer service](https://www.business.qld.gov.au/running-business/consumer-laws/customer-service/improving) by surveying customers using:

* informal methods such as conversations with staff or product and service scorecards
* questionnaires that target past and present customers.

**Consumer decision process research**

You can work out what motivates your customers to buy, and what decision-making process they use, through:

* your own surveys and questionnaires
* survey results gathered through [market research](https://www.business.qld.gov.au/starting-business/planning/market-customer-research/basics) relevant to your industry.

**Concept testing**

You can test how well your marketing ideas are accepted by:

* using surveys to work out whether your customers or potential customers see your products as having a rational, useful benefit
* conducting personal interviews or focus groups with your customers to understand how they respond to your marketing ideas.

**Positioning research**

You can work out how your customers and potential customers view your products and performance compared to competitors' by researching:

* the sales figures for each of your market segments
* the attitudes of customers within each market segment.

**Brand testing**

You can determine how your customers feel about your [brand](https://www.business.qld.gov.au/running-business/marketing-sales/marketing-promotion/branding-basics) and product names by:

* using focus groups and surveys designed to assess emotional responses to your product and brand names
* engaging branding researchers to study your brand's performance in your market using existing available brand research.

**Price testing**

You can work out how sensitive your customers are to [price changes](https://www.business.qld.gov.au/running-business/marketing-sales/marketing-promotion/pricing/reviewing-advertising-prices) by using formulas that measure revenue - multiplying the number of items you sold by the price of each item. These tests allow you to calculate whether your total revenue increased or decreased after making price changes by:

* calculating changes in the quantities of products demanded by your customers alongside changes in product pricing
* measuring the impact of your product pricing on product demand.

**Customer service audit**

You can work out whether you provide adequate customer service by:

* developing customer surveys or feedback forms
* conducting customer panels or phone surveys.

**Mystery shopping**

You can perform quality control on your own store, or research your competitors', by employing a mystery shopper to enter the store as a customer to assess features such as:

* sales staff behaviour and attitudes
* customer service approaches
* sales techniques and strategies.

**Social media monitoring**

Another way to measure customer feedback and your customer service is by monitoring your social media engagement and feedback. Social media (particularly Facebook) is becoming a common element of many business's marketing and is increasingly used by your customers to provide feedback, share customer service experiences and make complaints. It can also be used to run surveys and test concepts. If managed well, it can be one of your most powerful customer research tools.

**Choosing the right customer research methods**

Accurate, well-planned customer research helps you make smart decisions about how to market and position your business. Choosing the right method of customer research will help you answer important questions about your customers.

**Identify your research goals**

To choose the right research methods, you need to clearly identify your research goals. Here is an example of some research goals you might set for your business:

We will:

* find out our customers' needs
* find out our customers' preferences
* work out how to make our customers aware of our products and services
* work out what motivates our customers to buy from us
* work out how to improve or change our products or services to meet our customers' needs.

**Find the research methods that meet your needs**

After you identify what you need to know, then ask yourself which research methods will give you that information. This table shows you how to list the questions you need answered, and identifies the research methods you can use to answer them. Organise your questions under the 7 Ps of marketing that influence your business - product, price, promotion, place, people, process and physical evidence.

| **What we need to know**  | **Research method**  |
| --- | --- |
| **Product** |
| Why would customers buy our product instead of our competitors' products?  | * Consumer decision process research
* Positioning research
* Mystery shopping
 |
| How do our customers feel about the names of our products?  | * Brand testing
 |
| Will my customers want to buy this product?  | * Concept testing
 |
| How do our products compare with those of our competitors?  | * Mystery shopping
 |
| Do our products and services meet our customers' needs?  | * Customer satisfaction studies
 |
| How do our customers perceive our product relative to our competitors' products?  | * Positioning research
 |
| **Price** |
| How much are our customers willing to pay?  | * Consumer decision process research
 |
| How sensitive are our customers to price changes?  | * Price testing
 |
| How does our pricing compare to our competitors in terms of value for money?  | * Positioning research
 |
| **Promotion** |
| What are the best ways to promote our products and services?  | * Advertising and promotion research
 |
| What response am I likely to get from a certain promotion?  | * Advertising and promotion research
 |
| Where will our promotional dollars be best spent?  | * Advertising and promotion research
 |
| How effective are the different promotional activities?  | * Advertising and promotion research
 |
| What will motivate our customers to buy?  | * Consumer decision process research
 |
| **Place** |
| Is our place of business easy for customers to access?  | * Customer satisfaction studies
 |
| Are our customers able to access our business more easily than our competitors'?  | * Customer satisfaction studies
 |
| Do our current distributors sell our product in a quality manner?  | * Mystery shopping
 |
| Do people research us on the internet before coming to our store?  | * Consumer decision process research
 |
| Would people buy from us online?  | * Consumer decision process research
 |
| **People** |
| Do I have the right people with the right skills and attitudes?  | * Mystery shopping
* Customer service audit
 |
| Do the salespeople selling our product provide adequate service?  | * Mystery shopping
* Customer satisfaction studies
* Customer service audit
 |
| Do our salespeople require customer service or product training?  | * Customer satisfaction studies
* Customer service audit
 |
| **Process** |
| Do our customers find it easy to do business with us?  | * Customer satisfaction studies
* Customer service audit
 |
| **Physical evidence** |
| Do our customers like the layout of our stores?How recognizable is our brand? | * Customer satisfaction studies
* Customer service audit
 |

**Customer research process**

A well-organised customer research process produces valid, accurate, reliable, timely and complete results. Carefully gathered research results that reflect your customers' opinions and needs will help you [grow your sales](https://www.business.qld.gov.au/running-business/marketing-sales/sales) and improve your operations.

To get the results you need, set and follow recognised customer research processes.

**Set your objectives**

Consider your customer research goals and define a clear set of objectives that identify what you need to know and what you're going to do with the information. Make sure your objectives don't presume your outcome, and be SMART about setting them:

* **S**pecific - state clearly what you want to achieve
* **M**easurable - set tangible measures so you know when you've achieved your goals
* **A**chievable - set goals that are within your capacity and budget
* **R**elevant - set goals that will help you improve particular aspects of your business
* **T**ime-bound - set goals you can achieve within the time you need them.

**Plan your research**

Good planning allows you to use creative and logical approaches to gathering information. Your plan will be influenced by the type and complexity of information you require, your team's customer research skills, how soon you need the information and your budget.

Identify your list of questions and decide on the research methods that will best achieve your objectives. Detail your research approach and give some initial thought to how you'll collate and analyze your data.

**Collect and collate your findings**

List your research steps, data needs and collection methods. This will help you keep track of your research processes and make sense of your findings. It will also allow you to check that your research accurately reflects your customers' and market's opinions. Create a table to record:

* consumer research activity
* the data needed
* your data collection method
* your data analysis steps.

Remember, research is only valuable and usable when it is valid, accurate and reliable. Relying on flawed research is dangerous. It can leave you at risk of basing your important decisions on incorrect findings and lead to customer losses and decreased sales. Be careful not to turn one opinion into your research findings.

It's important to make sure your data is:

* valid - well founded, logical, rigorous, sound and unbiased
* accurate - free from error and includes the required detail
* reliable - can be reproduced by other people researching in the same way
* timely - current and gathered within an appropriate time frame
* complete - includes all the data you need to support your business decisions.

Learn about [collecting and storing customer information](https://www.business.qld.gov.au/running-business/consumer-laws/customer-service/customer-information).

**Analyze and understand your research**

Data analysis can range from simple, straightforward steps to technical and complex processes. Take a common sense approach, and choose your data analysis method based on the research you've undertaken.

**List and group your information**

Choose a spreadsheet that allows you to easily enter your data. If you don't have a large amount of data, you should be able to manage it using basic spreadsheet tools available in standard office software. If you have collected more comprehensive and complex data, you may need to consider using specific programs to manage it, such as a database system or customer relationship management (CRM) program.

Choose a simple structure to record your data - for example, a table that allows you to list survey questions vertically in your table and record your responses as numbers categorised by age, gender, income, or other factors that are important to you.

**Review and interpret your information to draw conclusions**

Once you've gathered all your data, you can scan your information and interpret it to draw conclusions and make decisions. Review your data and then:

* identify major trends and themes, problems, opportunities and issues that you observe, and write a sentence about each
* record how frequently each major finding appears
* list your findings in order of most common to least common
* assess and separately list the strengths, weaknesses, opportunities and threats you have identified in a [SWOT analysis](https://www.business.qld.gov.au/starting-business/planning/market-customer-research/swot-analysis).

**Develop conclusions and recommendations about your research**

Before you make any conclusions about your research, revisit your research objectives. Consider whether the process you've completed and data you've gathered helps answer your questions. Ask yourself what your research revealed and identify your conclusions and recommendations. Review your findings and, based on what you now know:

* choose a few strategies that will help you improve your business
* act on your strategies
* look for gaps in your information, and consider further research if necessary
* plan to review your research outcomes, and consider how effective your strategies have been.
* **Customer research tool**
* A key aspect of understanding your customers is to discover why they buy from you. This information will help you to target your advertising to the customers who want your products and services.
* To do this, you can examine the common reasons why customers buy products or services - this is called the buying benefit.
* Find out why your customers buy from you by reading the buying benefits below, and type the information relevant to your business into the fields.
* In **products and services** you can list the products and services you have that provide the listed buying benefit to your customers.
* In **customers** you can list the type of customers in your market segment who are likely to be drawn to particular benefits.

| **Buying benefit**  | **Products/services**  | **Customers**  |
| --- | --- | --- |
| Seeking approval  |  |  |
| Seeking attention  |  |  |
| Avoidance of fear  |  |  |
| Avoidance of loss  |  |  |
| Avoidance of pain  |  |  |
| Belonging  |  |  |
| Charity  |  |  |
| Comfort  |  |  |
| Compliance with a prepared specification  |  |  |
| Convenience  |  |  |
| Ease of preparation  |  |  |
| Economy  |  |  |
| Enjoyment of beauty  |  |  |
| Envied by others  |  |  |
| Feeling that one has a bargain  |  |  |
| Feeling that one has done others a service  |  |  |
| Gain  |  |  |
| Love  |  |  |
| Multi-tasking  |  |  |
| Nostalgia  |  |  |
| Pleasure  |  |  |
| Price  |  |  |
| Pride  |  |  |
| Profit  |  |  |
| Safety  |  |  |
| Satisfaction (personal)  |  |  |
| Security  |  |  |
| Self-esteem  |  |  |
| Status  |  |  |
| Style  |  |  |
| Support for local industry  |  |  |
| Value |  |  |

**Surveys, focus groups and interviews**

Focus groups, interviews and surveys are referred to as [primary research tools](https://www.business.qld.gov.au/starting-business/planning/market-customer-research/basics/methods). They help you collect new or original information. The benefit of conducting your own research, rather than using secondary information (e.g. from internet sources and trade publications) is that you can tailor your questions specifically to your business and you can gather more in-depth information.

**Surveys**

Surveys are fixed sets of questions, which are usually used to collect quantifiable information (e.g. the percentage of people happy with a particular product). Questions in surveys are usually:

* multiple choice
* true/false or yes/no
* rankings or ratings (e.g. 1-5, or strongly agree/disagree scales).

You can also include open-ended questions that give people the chance to answer a question with a statement; however, these tend to be better suited to qualitative research methods such as focus groups and interviews where you can ask follow-up questions to get more information.

Surveys are usually most effective when carried out face-to-face, but can also be completed over the phone, online, or through the post. Postal surveys are generally better suited to existing customers as they have an affinity with your business and are  more likely to respond.

Keep your surveys short by not asking too many questions. Make sure your questions are clear and easy to understand. This will help you get more useful information and reduce the chances of participants losing interest or giving misleading answers. Test your questions on friends or family to make sure they are easy to answer.

**Focus groups and interviews**

Focus groups and interviews are based on a set of questions or discussion points. Sometimes they might include visual concepts and even product samples to trial. They are most effective for qualitative research, as they let you explore people's opinions and attitudes (e.g. how they feel about your products and what improvements they would like to see in your business).

When preparing for focus groups and interviews, you need to develop a list of questions and key points so that you can have a productive conversation with your participants. To get the most out of a focus group or interview:

* ask open-ended questions - ones that can't be answered with 'yes', 'no' or another single word (e.g. rather than ask 'are you happy with our products?' ask 'which of our products are you happy with and why?')
* repeat participants' answers to make sure you understand what they are saying
* ask follow-up questions if you need more information about a participant's answer.

Plan where and when you will conduct focus groups or interviews and think about who will conduct them. You may decide to use a professional market research company to help if you are unfamiliar with the process. Make sure you record the answers from the interview and conversations in the focus group. You might do this with a sound recorder or take written notes. Typically focus groups last 1-3 hours and focus group participants are usually paid to attend.

**Selecting participants**

The number of participants in your surveys, focus groups or interviews is called the sample size. A large sample size will give you a clearer picture of your customers than a small one. While there is no set method for deciding how large or small your sample should be, it will depend on what type of primary research you are conducting (focus groups, interviews or surveys) and the time and budget you can allocate to your research.

As focus groups and interviews are generally more in-depth than surveys, you may not need a large sample size to get useful information. A typical focus group may consist of 6-8 people but you may need to conduct a number of focus groups to get the ideal mix of information you are after. For surveys, a larger sample size will help you draw more reliable conclusions from the data you collect.

The participants you select for your research must be able to answer your questions. Make sure they are familiar with the topic you are discussing, as targeting the wrong population can result in inconclusive or misleading data. Usually you select focus group participants based on criteria relevant to your customer profile e.g. women, aged 35-45, with children in primary school.

Your participants might be existing or potential customers, depending on what you are trying to find out with your research. Before you conduct any research with your participants, make sure they agree to participate and outline any potential issues, such as confidentiality. Explain to them how you will use their information, and give them the opportunity to opt out at any time if they want.

**Customer profile chart**

Profiling your customers gives you the opportunity to understand a range of key information about them - including their income level, location and buying behavior. Researching your customers to create a customer profile will help you to understand who they are, so you know how best to reach them from a marketing perspective. For example, if your customers are active in the local school community, you could promote your business by sponsoring the school fete each year.

Create a profile of your customers by reading the questions below and typing your answers into the customer profile chart.

| **Who are they?** | **My customers** |
| --- | --- |
| Age (e.g. child, teenager, young, middle aged, retired) |  |
| Family (e.g. size, non-traditional, extended) |  |
| Gender (male, female) |  |
| Occupation (e.g. laborer, technical, professional) |  |
| Income level (e.g. lower, middle, high) |  |
| Education (e.g. primary, secondary, tertiary) |  |
| Cultural background (e.g. Caucasian, African, Asian) |  |

| **Where are they?** |  |
| --- | --- |
| Location (e.g. inner city, suburbs, rural) |  |
| Distance (e.g. distance from your business, locality preference) |  |
| Residence (e.g. low, medium, or high density housing) |  |

| **Customer characteristics** |  |
| --- | --- |
| Personality (e.g. leader, status conscious, outgoing, introvert) |  |
| Buying behavior (e.g. comfort, convenience, economical, pride) |  |
| Buying patterns (e.g. seasonal, usage rate, frequency of purchase) |  |
| Lifestyle (e.g. health conscious, family orientated, career orientated, community active) |  |
| Expectations (e.g. service, quality, risk, influence) |  |