One of the most important factors for determining market feasibility is the customer base for your product. Understanding your customers means understanding their reasons for buying the product/service. It is critical to identify the group of people with

1. **The greatest need for the product/service AND**
2. **The willingness to purchase the product/service**

Identifying potential customers and their locations help businesses determine if these customers can be reached. If they can be reached, we can continue to determine the market feasibility of the project. If not, then not much time, effort or money was used. **Starting feasibility assessments with customer identification saves businesses money in the long run.**

Identifying customers requires answering three basic questions.

1. **Who are your customers?**
2. **Where are your customers?**
3. **Can you access your customers?**

**Who are your customers?**

There are two steps to identify your customers – qualitative assessment and quantitative assessment. To identify a base of customers qualitatively, you must consider a variety of characteristics potential buyers of your product will have in common.

- **Demographic variables** such as age, income, education, gender, occupation and family size.
- **Geographic variables** such as urban, suburban, rural, regional population distribution and city size.
- **Personality variables** such as social class, values and life-styles.
- **Behavior variables** such as benefits desired from the product, usage rate and the level of brand loyalty expressed toward similar products/services.

Once you know what attributes your typical customer will possess, you can determine the number of people who fit the description. **The number of potential customers must be large enough to generate a satisfactory volume of sales.** If not, the business will not succeed and nothing else in the market feasibility study, business plan or marketing plan matters.

There likely will be a large number of potential buyers in the marketplace. However, no one business can be all things to all people. In order to reach potential customers effectively and efficiently, you must select a specific market that you believe has the potential to be the most profitable for you. For start-up businesses, this often involves limiting market potential geographically due to capital constraints and familiarity with customer base. Although there may be markets with greater profit-potential that are not located within your business’ region, it will be extremely expensive to transport your product to these markets. When all costs are considered, markets within a smaller distance of your business may be the most profitable for you.

**Where are your customers?**

Now that you know what your typical customer profile is and how many people fit the description, you must identify where these customers are located. Part of the answer may come from the geographic variables determined in the first step of the process. However, now you must also determine the most concentrated geographic areas of individuals who fit your typical customer profile. You can find this information by using the Internet or your local library. Sources such as the U.S. Census Bureau and
the Office of Social and Economic Data Analysis (OSEDA) publish population breakdowns and other demographic information by regions. Once you have determined areas with the highest concentration of your potential customers, you must consider where your business is located and decide where you want to market your product based on your ability to reach these consumers.

**Can you access your customers?**
The final question you must answer in this component of the feasibility study is whether or not you can access your customers. There are a variety of factors that may interfere with your ability to reach potential buyers: gaining shelf space in retail stores, establishing brand recognition and creating an effective distribution channel, just to name a few.

**Even if your potential market is huge, it won't matter if you can't access it.** For example, suppose your product is a new type of breakfast cereal. While this is a large market, there are a few “big players” that dominate it and make obtaining shelf space in this category very difficult. It also will be difficult to gain brand recognition with such strong competitors. However, if you come in with a unique product such as pepper jelly, you will be much more likely to gain shelf space and brand recognition because your product will stand out.

Knowing who your customers are, where they are located and if you can access them is key to determining the potential success of your business.

---

*Reprinted with permission Agricultural Marketing Resource Center, Iowa State University.*