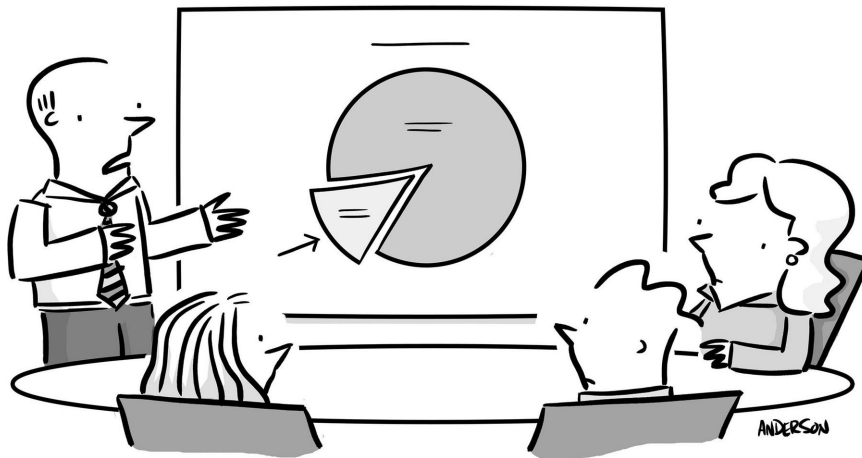


## Your target market isn't demographic

*Enterprise, but not · Identifying your market*



"Every year there are naughty children who don't get any toys. That's a vastly underserved niche I think we can capitalize on."

I don't like the traditional target market definition that focuses on demographics and firmographics:

- We sell to small businesses in the UK.
- Our TV show is targeted at females, 19-29 years old.
- Our fast-casual restaurant appeals to college students and young professionals.
- We target outdoor enthusiasts in the Pacific Northwest

Sometimes this is warranted. If you sell back-office software designed specifically for dentist offices under Norwegian law, then that description is accurate. But my experience is that, for most companies, this sort of market definition incorrectly categorizes the market.

For the TV show: Most females 19-29 don't watch it. Why not—what differentiates those who watch from those who don't? And many people of all types and ages *do* watch it; why? Getting to that deeper reason reveals the actual "target." Even if you're correct—that the named demographic includes many viewers—you're missing the point of your own show, and therefore targeting too many people (the females 19-29 who aren't actually your target) and also too few (all the others who are). You've avoided naming the actually "target."

Indeed, what will the advertisement for that show say? "Hey, if you're a female 19-29, watch this!" No, it will appeal to something else—people who like the genre, people who like those actors, people who enjoy that aesthetic, etc.. Whatever *that* is, is the target market, and should inform the advertisement.

How does this work for software? Consider an email client. It's something that people might use personally or they might use at work. It might be something used at a small company or a large company. It's probably not language-dependent. So these traditional market segmentation dimensions are irrelevant. It might have to do something else, like for people who get hundreds or thousands of emails a day and need special

organization and management techniques and workflows. It may be for people who have assistants. It may be for people who get very little email. It may be for people who worry about security. It may be for people who do systematic outbound campaigns. It may be for a shared support desk. These attributes have to do with the use-cases of the customer, not demographic or firmographic dimensions.

Let's make this concrete with an apparently-inexplicable scenario that most B2B software companies will relate to.

## WHY GOOGLE WILL ALWAYS BUY YOUR SMB SOFTWARE

In the early days of WP Engine, our website design (Figure 1) belied the fact that we were a small company, selling to the small end of the WordPress market. Our customers were SMBs (small businesses) or solo freelancers or very small agencies or individuals who had a successful blog. We were not positioned to be impressive to even mid-sized companies,<sup>2</sup> to say nothing of large enterprises.

And yet, mid-sized and large companies bought it too. Less in the first two years, but substantially in the next two years. But not big “Enterprise-sized” deals like multi-million-dollar contracts, but rather the same plans that the small customers bought. What did it mean? Should we “sell to the Enterprise?”

Many startups see this pattern. Twitter is full of founders with good, simple software, shocked to find that Google, Facebook, Salesforce, and Oracle have become customers, asking the melee-that-is-social-media whether this is evidence that they should “go up-market” with a sales team.

The short answer is: No.



**Figure 1:** WP Engine’s early website design screaming “We’re an SMB selling to SMBs.”

The full answer is: You are accidentally and very understandably under the delusion that “company size” is a good way to characterize your target market. Sometimes that is right—for example if you’re selling ERP software to large manufacturers—but actually it’s *guaranteed* that software designed for small businesses will be purchased by big businesses.

The reason is that *individual teams* at large companies have needs too. Not everything at Google is purchased top-down and forced upon the roughly 27,000 engineers that work there. (If your software is purchased top-down and forced, *then* you are indeed selling to the enterprise, and that should be included in your target market definition.)

Those teams are buying for the same reason the only team at a small business is buying, and *that reason* defines your target market. (And should also define your advertising, positioning, pricing, and features.)

In my case at WP Engine, lots of people have WordPress sites, for lots of reasons. At a small business it might be their main website; at a large

enterprise, it's probably part of a marketing campaign, or for a community project, or for a "labs" team, or all sorts of reasons:

- One of the largest banks in world used us for bank branches publishing their own content.
- One of the largest software companies used us for their developer-relations portal.
- One of the largest software tools companies used us for their public technical documentation.
- One of the one of the largest fast-food chains in the world used us to publish social content in small countries where they outsourced projects to local agencies who could get everything right (culture, language, color, etc).

That's because our target market wasn't "small businesses and individuals with WordPress." It was people with WordPress who valued:

- Enterprise-grade quality (e.g. speed, scale, security, 24/7 high-quality tech support).
- A flexible, open-source, inexpensive-to-build platform where it was easy to hire employees or agencies anywhere in the world.
- Pricing that was 10x to 100x larger than "cheap hosting" but  $\frac{1}{10}$  to  $\frac{1}{100}$  as much as "enterprise CMS solutions".

You could continue asking "why?" Enterprise-grade, because they valued the website (as opposed to throw-away websites, or websites just for fun where price really is an issue). Flexible because they wanted to be able to change it themselves, or because they wanted to outsource anywhere in the world. Areas like consistent content-creation where WordPress is simply easier and better than other CMSs. Individual marketers who already knew WordPress from personal projects, and therefore could build and manage WordPress-based websites better than other CMSs.

The result of this chain-of-whys is internal clarity, and the path to effective marketing. For example, if your segment were "mid-sized companies," what would we say on the home page? "WordPress for mid-sized companies?" Great... soulless, boring, and what exactly the definition of "mid-sized" anyway? But now consider something as simple as "Enterprise-Grade WordPress." Or perhaps "Affordable Enterprise-Grade WordPress." You could make it even more authentic<sup>3</sup> and interesting and better, but at least it's being specific<sup>4</sup> about its strengths (i.e. affordable, reliable, high-quality). It's already an improvement.

## HOW TO IDENTIFY YOUR ACTUAL TARGET MARKET

### Techniques and frameworks

This is part of what you're doing when you find<sup>5</sup> and then interview customers.<sup>6</sup> You're trying to get at their view of the problem you solve, how they describe it, what constraints they have, what would compel them to buy.

You use this information to identify your ideal customer profile<sup>7</sup> and target everything for only them. Don't add company size, or industry, or geography, unless that is inextricably tied to the nature of the product, where it truly cannot be sold or used outside of that boundary.

You use the Needs Stack<sup>8</sup> framework to define where you fit in into customers' "Maslow Hierarchy of Needs." You select the dimensions of Love and Utility<sup>9</sup> at the intersection of your personal motivation and what will delight customers. These intersections are your target market.

In short, this isn't fundamentally different from existing techniques for understanding customers and markets. You're just seeing that there are more important characteristics than demographics and firmographics.



credit 10

"We're transitioning away from small and medium businesses, and focusing instead on tall and grande."

## The testimonial test

The way you can check whether a certain customer profile [B] matches the target market of your existing customer profile [A] is by asking this question:

Would customer [B] be swayed by a genuine, effusive testimonial given by [A]?

That is, would they say: Oh wow, yeah that person's situation is just like mine, so alright, I'm interested, I'll give it a try.

Sometimes proactively thinking about this question helps you to define the target market in the first place. It can even be used to directly test it—by seeing whether testimonials in sales calls light up people's eyes, or whether inserting them on landing pages increases conversions.

In particular: Gather a list of your best customers, where "best" is defined by high retention, propensity to upgrade, reports "10" NPS, proactively leaves positive reviews and advocates for you on social media, engages with beta-testing or ideation for new features. Their shared charac-

teristics help you define your target market, as would asking "what types of organizations and people would care about *their* testimonials?"

George Moore said it best in *Crossing the Chasm* back in 1991, when he defined "a market" as:

- a set of actual or potential customers
- for a given set of products or services
- who have a common set of needs or wants, and
- who reference each other when making a buying decision

People intuitively understand every part of this definition except the last. Unfortunately, getting the last part—... the tendency of [a market] to reference each other when making buying decisions—is absolutely key to successful high-tech marketing.

Notice that he, too, did not mention demographics\* or firmographics, but rather a "common set of needs or wants" and that they see each other as references.

## Market segmentation dimensions for the modern age

Historically, some market dimensions were forced upon us due to technical and societal constraints that no longer exist. It used to be that the only thing TV shows could know about an audience are things like gender and age, mediated by only a few firms like Nielsen, but that's no longer the case. It used to be extremely difficult to accept credit card payments or transact in many countries and many currencies, complying with local taxes and trade laws, but companies like Stripe, PayPal, Paddle, and FastSpring have made that accessible to everyone, breaking down the

\* Contrary to my formulation, he goes on to say that if two people buy the same product, even for the same reason, but don't actually communicate with each other, they are not in the same market. He gives the example of an oscilloscope for monitoring heart beats, saying that a doctor in Boston and one in Zaire have "no reasonable basis for communicating with each other," and therefore they are different markets. I believe this is less true in today's connected world (see the next section), and especially in software, I like the slightly less restrictive version that I gave above.

traditional constraints of geography and currency. AI tech support and translations might soon break down language barriers.

We've already seen some examples of what dimensions we might use instead. Here's a list of ideas; most will not be applicable, but they'll get the thoughts flowing:

Dimension	Notes
Individual vs team	Sometimes can be “both,” e.g. if a free single-player-mode gets people hooked, but teams is where the money is, e.g. project management like Asana or Notion.
Integrations	Nowadays, most software interacts with other software, whether part of a workflow, or because of the addition of AI, to-do system, project management, or chat.
Other software used daily	What else do they use every day, whether that suggests integration or just helps to characterize what customers expect and experience
Processes	What other processes and workflows do they use, or aspire to use, particularly as those intersect your product?
JTBD success	What objective numbers are they held to? Which are vital vs operational? Which are satisfied vs maximized?
Professional success	How are they evaluated? How do they get promoted? How are they seen as a success in their field? Early-career professionals have different priorities than mid-career or late-career individuals, regardless of company size.
Personal success	What fulfills them? What makes them happy? What is do compelling, they will put up with other things they don't like, or advocate for you within the company? (Their Needs Stack. <sup>8</sup> )
Role inside company	Are they customer-facing or inward-facing? Do they interact with other departments or keep to themselves? What do others expect of them?
Title	What titles does this person with this role have? Probably a variety, especially if the product should span companies in different industries, or of different sizes.
Problem ownership	Who “owns” the problem you're solving? Is it centralized in one role or distributed across a team or organization? Is the problem-owner and solution-owner the same person?
Cultural attributes	Does their organization prioritize productivity or work-life balance? Do they teeter over ethical lines or stay firmly in or out of bounds? Are they focused on external innovation or internal efficiency?

Dimension	Notes
Work style	Do they work from home, only in office, or hybrid? Are they separated from co-workers by time zones? How many hours do they work per day? Do they work synchronously or asynchronously?
Technical acumen	Where are they on the spectrum from “engineers who will argue with you about algorithms” to “technophobes reluctantly using devices they hate”?
Risk tolerance	Organizations analyze risk and accept risk differently. For example, creating new markets requires customers who accept risk. Risk-attitude is uncorrelated with company size.
Tech stack philosophy	Do they prefer open-source, proprietary, cloud-native, or on-premise solutions? Often stems from values, not just technical needs.
Update cadence	Do they prefer frequent incremental improvements or infrequent but substantial updates? Shapes product development rhythm.
Communication culture	Are they email-heavy, Slack-dependent, or meeting-oriented? Affects how they'll use and integrate your product.
Organization size	SMB is often bought by larger, but not vice-versa. Best when selling top-down, or when the organization itself is relevant, e.g. HR software.
Organization growth trajectory	Is the customer in hyper-growth, steady state, or declining? Each stage creates different priorities and constraints.
Regulatory environment	How heavily regulated is their industry or function? What regulations? Affects feature needs, compliance requirements, and risk tolerance.
Budget type	Does the buyer have a fixed/annual budget, flexible budget, or “find money when needed” approach? Is there a clear budget threshold <sup>11</sup> where the sale is significantly different?
Sales process	Is this a top-down sale or bottom-up freemium / PLG? If the former, that might also be correlated with company size; the latter often isn't.
Decision cycle	Some make decisions in hours, others in weeks, others in quarters.
Emergency vs deliberate	Is the decision made because of an urgent condition (e.g. security breach) or is it made deliberately, with research, comparisons, or trials? Do they run pilots and A/B tests or make all-or-nothing commitments?
Adoption stage	Is the customer willing to take on technical- and vendor-risk in order to achieve special differentiation or exceptional results (“Early Adopter”)? Does the customer want to see testimonials and other social proof before they buy (“Majority”)? Is the customer being dragged kicking and screaming into the buying decision (“Laggard”)?
Maker vs administrator	Is the primary user a person who is creating, making, delivering, or someone who is managing, monitoring, analyzing, reporting?

Dimension	Notes
Business model	Subscription, one-time, transaction-based, usage-based, freemium, ad-supported, etc? Can dictate what metrics they care about most, how they can pay, and how they see the product fitting into their value-chain or cost structure.
Learning style	Do they prefer video tutorials, documentation, 1:1 training, or figuring things out themselves? Shapes marketing, onboarding, and support.

Most of your answers will be “don’t know” or “don’t care,” and you should invent new dimensions, but hopefully this gets you moving on the path to a better target market definition.

When in doubt, go back to your current, best customers. Your target market is the set of potential customers that your best customers self-identify with, in the sense that they would view each other’s testimonials as compelling.

They themselves might not know exactly why; it’s your job to figure out what characteristics define that set. But your best customers hold those answers. Through analyzing the problems they face, the way they wish to solve them, and the rest of their context, through observation and interrogation, you can develop a crisper list of characteristics that you can then target in marketing, identify in sales, and optimize for in product.

Discovering what you were always meant to be, and now becoming that, on purpose.

*Current version of this article:*

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