

Exhibit 17.2 Bases for segmentation

Types of segmentation	Demographics	Geographics	Geodemographics	Psychographics	Behavioural
Variables	<ul style="list-style-type: none"> ● Age ● Sex ● Lifestage ● Type of residence ● Income ● Occupation ● Education ● Religion ● Ethnic origin ● Nationality 	<ul style="list-style-type: none"> ● Postcode ● City, town, village or rural ● Coastal or inland ● County ● Region (often based on television regions) ● Economic or political union/association ● Country or continent ● Population ● Climate 	<ul style="list-style-type: none"> ● The segmentation of consumers where they live – using demographic data to classify neighbourhoods 	<ul style="list-style-type: none"> ● Values, attitudes, motivations ● Interest, opinions, hobbies (lifestyle) 	<ul style="list-style-type: none"> ● Benefits sought ● Purchase occasion ● Purchase behaviour ● Usage ● Perceptions and beliefs

marketing communicators can sell more productively and profitably. Exhibit 17.2 presents an overview of the key types of segmentation bases.

Demographic segmentation

Demographics are general customer and consumer characteristics, e.g. age, income, education and gender. Segmentation of the market may be based on the variables outlined in Exhibit 17.2 or there may be segmentation on a multi-demographic basis, that is, a combination of any number of these variables.

Demographic segmentation is the most common method of dividing the overall market (Gunter and Furnham 1992, p. 4). Their popularity is based on the ease with which they can be measured, their association with the sale of many products and services, and the fact that they are useful for the targeting of advertising material through related media. Croft (1994, p. 25) notes, however, that using a demographic base alone 'rarely provides a complete understanding of user differences'. In particular, Croft highlights the problems of segmenting by age alone and gives the examples of those consumers who are 'young at heart' or 'mature beyond their years'. These consumers would not necessarily behave according to their age norms. In fact, changes in population demographics such as the ageing of baby boomers (those born from 1946 to the 1960s) also questions the stability of demographic information. In one study of lifestyle it was indicated that the majority of people 55 and over said they look, act and feel at least 10 years younger than they are. This indicates that, in the case of age, there is a widening gap between chronological age and psychological age. This effect could, therefore, have influence on consumers' purchasing behaviour.

Education, income and occupation together form a **socio-economic segmentation** basis. In the UK, the ABC1 socio-economic system is popular with many advertising agencies. Consumers are divided into six classes (i.e. A, B, C1, C2, D and E) based on the occupation of the head of the household. So for example, consumers in social grade A have higher managerial, administrative or professional occupations and are of upper middle class. Consumers in social grade C2 are skilled manual workers and belong to the skilled working class. However, with increased social mobility and the blurring of class divisions, this socio-economic segmentation system is not as accurate as it used to be.

Demographic segmentation

Segmentation based on general population characteristics.

Socio-economic segmentation

The classification of consumers on the basis of education, income and occupation.

Lifestage

Segmentation based on the different stages of life that people go through, incorporating such factors as age, marital status and family size. The Family Life Cycle (FLC) is an example of lifestage segmentation.

Geographic segmentation

Segmentation based on location measures.

Geodemographic segmentation

Method of segmenting the market based on the classification of small geographic areas (enumeration districts) according to the characteristics of their inhabitants.

Enumeration districts

Small collections of households or properties based on census data collection.

Lifestage is another composite socio-demographic variable that incorporates age, marital status and family size. As lifestage is dynamic in that it incorporates changes that an individual is likely to experience throughout life. Thus, this type of segmentation is not only a major predictor of consumer needs, but indicates when the consumer will be attracted to a particular product field. This is particularly useful for consumer durables. The lifestage segmentation tool was first developed by Wells and Gubar (1966). In View 17.1 illustrates the application of lifestage to financial products and Exhibit 17.3 highlights the nine lifestages in the family life cycle (FLC).

Geographic segmentation

Geographic segmentation involves dividing a market using one or more of the variables outlined in Exhibit 17.2. This data must be regularly monitored due to population shifts.

Geodemographic segmentation

Geodemographic segmentation is the classification of small geographical areas according to the characteristics of their inhabitants. It links demographic data to location and segments customers according to where and how they live.

Geodemographic datasets are built around postal sectors, enumeration districts, postcodes, retail centres, grid squares, media and administrative regions or local authorities. These areas and neighbourhoods tend to exhibit common demographic

IN VIEW 17.1

Lifestage segmentation for financial products

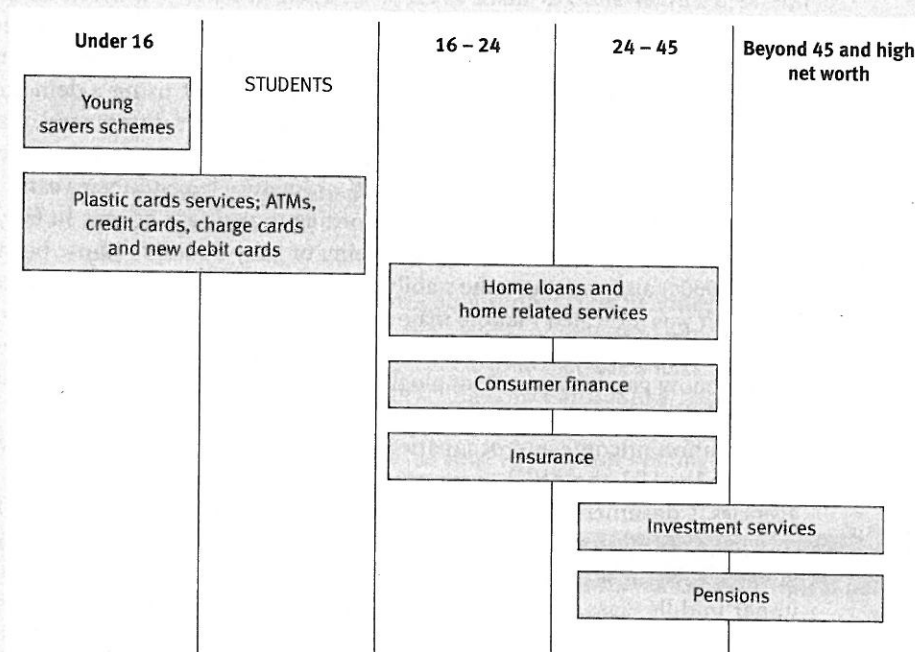


Exhibit 17.3 Stages of the family life cycle (lifestage segmentation)

<i>Stage</i>	<i>Financial circumstances and purchasing characteristics</i>
Bachelor stage Young, single, not living at parental home	Few financial burdens, recreation oriented, holidays, entertainments outside home
Newly wed Young couples, no children	Better off financially, two incomes, purchase Home, some consumer durables
Full nest 1 Youngest child under 6	Home purchasing peak; increasing financial pressures, may have only one income earner; purchase of household 'necessities'
Full nest 2 Youngest child over 6	Financial position better still improving; some working spouses
Full nest 3 Older married couples with dependent children	Financial position better still; update household products and furnishings
Empty nest 1 Older married couples, no children at home	Home ownership peak; renewed interest in travel and leisure activities; buy luxuries
Empty nest 2 Older married couples, no children at home, retired	Drastic cut in income; medical services bought
Solitary survivor Still in labour force	Income good but likely to sell home
Solitary survivor Retired	Special needs for medical care, affection and security

Source: Hooley and Saunders (1993, p. 144). Copyright © 1993 (Hooley, G.J., and Saunders, J.A.), reprinted with the permission of Pearson Education

and lifestyle characteristics, which can be used to distinguish purchasing patterns and responses to advertising campaigns.

Behavioural segmentation

Consumers can be segmented by their behaviour towards a particular product or service, including the variables outlined in Exhibit 17.2. Transactional information on existing customers can be used to derive **behavioural segments** that produce information on current behaviour. For example, customers may be segmented according to their frequency of purchase or the different benefits they seek when selecting a product or service such as convenience, status and performance.

Psychographic segmentation

Psychographic segmentation differentiates and aggregates consumers in terms of psychological dimensions, such as values, lifestyles, attitudes, interests and opinions (Mullen and Johnson 1990). Such segmentation is generally used when purchasing behaviour is correlated with the personality or lifestyle of consumers (Jobber 1995). In this case, consumers with different personalities or lifestyles have varying product or service preferences and may respond differently to marketing mix offerings.

Behavioural segmentation

Segmentation based on behavioural characteristics towards particular goods or service categories.

Psychographic segmentation

Segmentation based on psychological dimensions such as values, lifestyles, attitudes, interests and opinions.

IN VIEW 17.7

Psychographic segmentation for Bird's Eye

Synergy Consulting's psychographic product, The Social Value Group, allocates consumers to one of seven groups on a two-dimensional values trend map, with three main segments: sustenance-driven, outer-directed and inner-directed.

On the values trend map, Bird's Eye MenuMaster occupied the sustenance-driven segment, which was in rapid decline as society moved into other segments. The obvious route would have been to reposition MenuMaster in the outer-directed segment, where values such as looking beautiful for others, looking healthy, having good things and flaunting them are important; but Lean Cuisine got there first, and occupied the territory. To counter this strategy, Bird's Eye repositioned MenuMaster in the inner-directed segment (with its leading-edge values). Unfortunately this was not credible for such consumers because the brand's historical positioning had not been relevant to them. Bird's Eye solution to the problem was to reverse MenuMaster into its original positioning and launch a completely new brand – Healthy Option – aimed at the inner-directed segment. Healthy Option was built to appeal to the value systems of this segment and became a success, giving Bird's Eye two brands within the market and a strategic position difficult for Lean Cuisine to attack.

Neighbourhood RISC dimensions will be particularly predictive where companies sell on the basis of image and identification.

Using Neighbourhood RISC, marketers can identify the marketing messages which are most likely to be successful within any local area and identify the local market areas which are most responsive to promotions which stress any particular aspect of the brand's image.

Only in exceptional circumstances should psychographic segmentation be used in isolation. The true value of Neighbourhood RISC, is as a supplementary overlay and as a segmentation tool to vary the content or copy of a communication.

Using segmentation for marketing communications

Data drives the communication strategy in terms of who to target, what to offer them and how to talk to them. By analysing and understanding the preferences and buying habits of customers you can determine which segments of your customer base have the best future potential. You can then create communication programmes targeted at specific consumers to sell the right products and services to the right customers at the right time. The key uses for segmenting and profiling a target market are:

- to find the best fit between target profile locations and media catchment areas to optimise spend on TV, radio, press, cinema and posters;
- to drive the targeting of direct marketing activity, particularly through postal sector rankings for door-to-door campaigns;
- to understand the facts about your customers;
- to identify new target markets previously undiscovered;

- to point you towards sources of likely sales prospects for a particular product or for a whole range of products;
- to select the most effective media;
- to develop more pertinent marketing communications targeted at the correct type of individuals;
- to choose the most appealing prizes and incentives for dealer events, competitions and promotions;
- to indicate the areas where sales pushes would be most effective;
- to set prices and indicate the type of extra products and services you could offer;
- to add substance to creative briefings and strategic planning of marketing communications;
- to spot similarities and differences between buyer groups, for example, mode of transport, price, gender and age;
- to maximise cross-selling opportunities among existing customers;
- to evaluate the risk of the likelihood of future financial loss when targeting new customers;
- to plan media buys;
- to select direct mail lists;
- to map product usage v. potential;
- to evaluate site locations and trade areas;
- to match the right audience to the right message;
- to position promotions.

(Adapted from *New Perspectives*, July 1996)

IN VIEW 17.8

Using segmentation products to tailor communications

General Cable wanted to build a high-value customer base for its cable business (1.3 million homes in its franchise areas): two main products – cable TV (with all Sky programmes plus cable-exclusive channels as well as the terrestrial services) and a telephone service (Telco). MOSAIC and Financial MOSAIC codes were appended to General Cable's database by matching on postcode. Additionally, individual family, lifestyle and financial information from Claritas was obtained and matched to specific customers by name and address. This process will usually yield a match rate of 30–40%, that is, the percentage of the company's customers that will be found on the Claritas database. The combination of census and lifestyle data enabled precise sub-groups to be more clearly defined. For example, one niche group of Telco customers fitted into the category of 'grannies at home' – single, over 50 years old and usually female, they made a lot of phone calls to keep in touch with their families. Although they didn't generate a lot of revenue, they were loyal customers. Marketers were able to use the information to tailor their offering to the customer more precisely.

Source: *New Perspectives*, June 1997, p.14