Section 4 Lecture
Marketing: Understanding Your Customers
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Hello, and welcome back! I'm Meghan Karavidas, and I work in Esri's Business Development team to help commercial businesses understand the value of location. Today, I'm here to discuss the location advantage in marketing. We will explore both traditional applications of location analytics and some of the newer trends in location-based marketing.

So what are consumers interested in? What products or services will be important to them? The demographic characteristics associated with a particular place, also known as predictors, can help you better understand what products and services local consumers need and want. Predictors vary by geography and culture. Understanding the differences between urban, suburban, and rural geographies can also help inform marketing decisions.

Location-based marketing has increased significantly due to the rise in the importance and adoption of social and mobile technologies. For businesses to compete in the 21st century, it is imperative to understand the ways that your customers get their information. Understanding something about the local business composition can also be key to a successful marketing campaign.

There are local business characteristics, or predictors, that can help you understand the business population as well as the population density. So where are businesses located? What types of goods and services do they buy, sell, or use? How do you best market to those businesses and their employees? And where are the large employers in the area?

Where are hospitals, schools, stadiums, or other types of businesses that might attract a high density of people in the daytime or the night-time? Location impacts the needs of these businesses, their employees, and their customers. And what about the local workforce? Are the workers in a given area predominantly blue-collar laborers, white-collar knowledge workers, or service workers catering to tourists or students? By understanding location, you will better understand how to market, what to market, and the type of message and medium to use to reach your target customers most effectively.

So what if your target market is broad? Using a market segmentation strategy, you can divide a broad target market into subsets of consumers or businesses that have common needs and priorities. Then, you can design and implement unique strategies targeted to each subset.

Market segmentation provides an accurate, detailed description of a country's neighborhoods. It does so by adding demographic and psychographic information to geography. Psychographic factors include interests, attitudes, and opinions. Think about the toothpaste example that we referenced in Week 2. We considered how consumer preferences vary based on the demographic and cultural characteristics of different regions of the world. Similar variations in preferences and consumer behaviors can be observed at national and local scales, as well.

Senior lifestyles reveal the effects of saving for retirement. More affluent seniors travel and relocate to warmer climates, while less affluent, settled seniors are still working towards retirement. Some reside in single-family homes (including seasonal getaways), others in retirement communities or high-rise apartments. Senior households may be described as married, empty-nesters, or singles living alone. Cell phones are popular with seniors, but so are landlines. They subscribe to cable television. And, seniors are often avid readers, although many still prefer newspapers or magazines to digital delivery. Depending on their demographic and socioeconomic characteristics, seniors in the United States form six distinct clusters, or "segments," of consumer preferences and behaviors.

Because people with similar preferences tend to live near one another, each segment has a distinctive geography. To understand which segments your customers fall into, you must collect some information about them. You can do this by using a loyalty program, or a reward or club card. Programs like these date back over 100 years. An early example is S&H Green Stamps. These trading stamps were popular for more than 50 years in the United States, beginning in the 1930s. Customers received stamps at checkout counters of stores and gas stations,

and they redeemed the stamps later for products.

Today, these programs continue to be used across multiple industries, including the retail, entertainment, restaurant, banking, insurance, and travel sectors. Loyalty programs provide detailed information about customers and their purchasing habits. Programs can be simple point systems, tiered systems like airline or travel loyalty programs, or even systems with an up-front fee, such as Amazon Prime.

Surveys are another way to gather information and understand your customers. Understanding your customers is important because it costs a business much more to acquire a new customer than to sell to an existing one. Also, current customers tend to spend more than new ones, so you want to keep them coming back. You can build loyalty and influence repeat customers with marketing efforts that use location data for customer profiling and market segmentation.

So, how do you apply segmentation? You can use the location information from the customer file, the survey, or the CRM system. CRM stands for customer relationship management. By segment coding customer data using the customer address or postal code, you can better understand the types of products and services they prefer.

Imagine you have a customer named John Smith, and you know his purchasing history and the postal code of his home address. By using the postal code, you can determine which segment code he falls into. By knowing this segment code, you can begin to understand a lot more about John's likely consumer preferences. For example, market

segmentation can help you understand the life stage and life mode of your customers, which will also affect their preferences.

Segmentation also helps you understand how urban a place is, or how people have moved from rural to urban areas. Businesses often need to develop product differentiation strategies based on these life stage and urbanization characteristics. By identifying and understanding the characteristics of targeted neighborhoods, you can accurately predict the behavior of people in those neighborhoods. You can also use segmentation data to find more neighborhoods that contain people similar to your ideal customers.

Several companies, including Esri, produce market segmentation data for the United States and other parts of the world. Esri's Tapestry Segmentation dataset classifies neighborhoods in the United States into 68 unique segments. You can look up any Tapestry segment in ArcGIS Online, Business Analyst, or in a web browser with this link.

Let's take a look at what the Tapestry Segmentation dataset can tell us about a U.S. postal code that you may have heard of: Beverly Hills, California, 90210. The description of this segment reads: "We've achieved our corporate career goals and now either consult or operate our own businesses. We're married couples, with older children or without children. Every home maintenance chore in our lavish homes is handled by a variety of contracted services. We can indulge ourselves in personal services at upscale salons, spas, fitness centers, and shop at high-end retailers for anything we desire." As you can see, segmentation and location can be very powerful tools in understanding your customers' preferences and consumer behaviors.

Next, let's talk about the advantages of location-based marketing. Instead of treating customers uniformly, location-based marketing adapts to the particular social, cultural, and personal traits of customers. It does this by making assumptions about their habits and preferences, based on their location at a given time. This is a new approach to marketing that was not even possible a few years ago. Technological advances have allowed businesses and marketers to know more about their customers' locations so that they can target them more effectively.

Finally, let's take a few minutes to look at the integration of location with social and mobile technologies for improved campaign effectiveness. This combination of place and mobile technology has spawned a new term: SoLoMo. A good example of this was demonstrated by a recent promotion by 7-Eleven stores and Pepsi for their AMP energy drink. 7-Eleven stores around the United States used "geofences" and location-based alerts to market to potential customers that were near a store. A geofence is a virtual boundary that, if crossed, initiates a notification or other action. When a user enters or leaves a "geofenced" location (say, within 100 feet of a store), a targeted location-based message is delivered to that person's mobile device. 7-Eleven and Pepsi used this marketing innovation to drive distribution. During the promotion, sales at end-cap displays of AMP Energy were up 70 percent at participating 7-Eleven stores.

If sending the right message at the right time matters to you, then sending it in the right place can ensure that your message is relevant and appreciated. Real-time, location-based messages can be extremely powerful for both marketing and practical applications.

In this section, you've gained an understanding of how geography plays a role in marketing decisions. Asking questions about a place, demographics, consumer habits, and customer loyalty, paired with using the power of location to determine the answers, provides a strong foundation for a business' marketing efforts. Thank you for listening, and I hope to see you at our Business Summit this summer.