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Next-Level Audience Segmentation

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NEXT-LEVEL AUDIENCE SEGMENTATION

RAISING THE RELEVANCE

The point of effective marketing research is to more precisely and efficiently *segment* your target audiences so that your media selection and messaging can be personalized as individually and intimately as possible. Do not segment out your growth markets due to conventional wisdom that does not take into account the new technology, new methodology and exploding communication channels that allow you to now include those groups and their resulting sales.

Effective, efficient marketing communication requires knowing *where* to find the target audiences, *how* to speak to them, *what* to speak about and then *when* to reach them (message timing). "Where do they congregate so I can communicate with as many as possible at a relatively low cost?" "What are their hot buttons likely to be for a particular type of opportunity?" "Would they rather receive an email or a direct mail piece or a message on Facebook?"

In addition to defining primary audiences, we need to identify and engage our target audiences' secondary influencers and communicate effectively with them in a manner that leads them to help move your potential audiences to action.

For instance, a college targeting high school students for enrollment must also deliver its brand message to the students' parents, their peer group and influencers, such as teachers and counselors. When this is accomplished with sequential and dynamically controlled content, it is efficient as well as effective.

TRUE AUDIENCE SEGMENTATION

Market segmentation is the study and categorization of target audiences into subgroups of individuals or organizations sharing one or more characteristics, beliefs or values that cause them to have similar needs and expectations and require a unique communications approach. A true market segment meets *all* of the following criteria:

- It is meaningfully distinct from other segments
- It is homogeneous within the segment (all members share common attributes, attitudes, needs, and/or expectations; also referred to as a cohort)
- The majority of members respond similarly to a market stimulus
- Members can be addressed by marketing initiatives

The segmentation process itself consists of segment identification, segment characterization, segment evaluation and target segment selection. If each segment is primarily homogeneous in its needs and attitudes, members of the segment are likely to respond similarly to a given product, marketing strategy, method or vehicle for marketing communication. That is, they are likely to have similar feelings and reactions to a marketing mix for a given product, sold at a given price and distributed and promoted in a certain way.

SEGMENTATION – A DEEP DIVE

Effective market segmentation requires steely objectivity and significant experience to clearly derive target audiences' real needs and desires without allowing any personal cognitive or organizational bias to color those observations and analyses.

By applying a variety of data and methodologies, we can refine the characterization of segments in a way that is actionable, meaningful and guarantees influential communication.

Intelligent analysis and market segmentation can significantly improve the effectiveness of marketing communications. With intelligent, accurate segmentation, communication can be optimized, the right target audiences can be defined, advertising results can be improved and customer satisfaction can be increased.

They're both 40 years old. Both are college educated. Yet, clearly, brands need to tailor their messages to their distinct lifestyles and interests.

In times only recently past, it was enough to segment your target audiences and differentiate your marketing communications simply based on the target audiences' age range and the similarities in needs, desires and perspectives that each age range cohort shared. That's no longer the case.

As with everything else about marketing, audience segmentation has become more complex. The challenge is not just a function of the rise of the Internet. People have become more individualistic and more diverse in their interests and perceptions from generation to generation. Just as the media options have fractured and multiplied today, so have the needs and personalities of consumers. We can no longer use age-based demographic segmentation alone to craft persuasive marketing messages and predict how the target audience will respond. Demographics are now just one of the multiple and divergent points of information we use to compile and segment target audiences.

Broad demographic groups served marketers well for years as shorthand for knowing the when, what, how and why of communicating persuasively with each segment. Some generalizations can still be made for each segment and are noted, but only if you integrate this information with other personally relevant data of behavior, psychographics and environment in order to make segmentation and messaging decisions.

THE MESSAGE/AUDIENCE AXIS

Technological convergence directly impacts all aspects of marketing. But, when it comes to relevancy of communication, an entirely new dimension is added to the equation. Previously, targeting revolved around what we might call the message/audience axis. Craft the right message for the right audience, and you're on target. Of course, this strategic and creative output needed to be supported by the right media buy. *Oprah* for women.

Monday Night Football for men. Obviously, this is a gross oversimplification, but compared to the media explosion we are undergoing now, it isn't. In fact, media delivery opportunities have become so varied and so personalized, that they require us to rethink what audience relevancy really means today.

Matching the right audience with the right message is great, but if you stop there, you've just missed the 21st century. The new dimension of marketing relevancy is the timing/behavior axis. Traditionally, advertisers such as Ford didn't buy spots on *Monday Night Football* just because that was the ideal time to get men thinking about the purchase of a new truck. It's just where the men were hanging out. The timing element was simply folded into the message/audience axis. In effect, the right time to reach men was any time you could reach them, whether those guys were looking for a new car, interested in trucks or focused solely on football and guacamole.

This brings us to the matter of behavior. The behavior advertisers were targeting was their audience's viewing behavior (or listening behavior, or reading behavior), not their buying behavior.

It was relevant enough to know that the men most likely to buy the F-150 were most likely to watch *Monday Night Football*, compared to other shows. What if you could know when those members of the *Monday Night Football* watching universe had actually visited a dealership or did a little window shopping online? Furthermore, that they had hit the truck pages?

We know that guys love to check out vehicles even when they're not buying them. What if you could tell when a *Monday-Night-Football*-watching, truck-loving male of the species had visited those truck pages several times within a week, indicating heightened

interest and perhaps could pair that information with visits to a credit union site for car loan research? Then you sent them your new truck messaging. Now, that's taking relevancy to the next level by achieving ideal timing, triggered by actual behavior. This is the new dimension of marketing relevancy that technological convergence supports.

Data mining companies are already negotiating partnerships with high-traffic sites to purchase behavioral information from their users and aggregate it across the Internet. This "intent data" can be used by marketers to target for demographic, geographic, lifestyle and purchasing patterns. The availability of such intent data will make ultrahigh relevancy a standard benchmark for high performing organizations in marketing.

Let's say you're a resort in Vail, Colo. It's great to know that families enjoy your atmosphere and price point. But, how much more useful would it be to also know of people shopping for flight information to Denver during ski season? What better time to reach out to those people with a special offer than when they are actually planning their ski vacation? This offer could arrive by way of a carefully crafted online contact. Or it could be promoted in the form of advertising purchased and placed specifically because of this information. In this way, this ultrahigh, time-sensitive relevancy can generate far greater value in media purchasing.

Already, agencies and marketers can use intent data to define a standard audience, then track them across any online ad network or portal. This information allows us to not only drive campaign choices, but also to track success, or lack thereof. Wouldn't it be nice to know if you're off target before you've committed a full quarter's media spend?

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Traditional "Age and Era" POPULATION SEGMENTATION

The GI Generation born 1905-1924

Formerly, this was a key consuming generation responsible for the postwar blossoming of the American consumer market. Today, these seniors have their consumption limited mainly to health care, assisted living and funerals. The segment is shrinking dramatically in numbers as well. This segment can also be targeted through their Boomer children/caregivers. They still respond to late night TV ads, especially with an age-appropriate spokesperson.

The Silent Generation born 1925-1944

This is the smallest generational segment in numbers. These seniors are now mid 60s to mid 80s. Their consuming days are mostly behind them. As a group, their lifestyle reality means they respond to messages including "maintain your independence," "delay aging," "paid by Medicare" and "stay in your own house." They love a deal and can be reached through traditional print and broadcast media, especially newspapers. They are happy coupon clippers.

Boomers born 1945-1964

Baby Boomers are 75 million strong and consuming with a vengeance. They are now retiring at a rate of about one every eight seconds. They have been proven to respond to messages of convenience—make their lives easy and save them time. Value is also important to Boomers so, "no rip-offs, man." While good numbers of them have transitioned in one degree or another to the Internet, they can still be reached as well with conventional print and broadcast media. The biggest Boomer marketing success reflecting these trends? Viagra.

Generation X born 1965-1984

This segment can never consume at Boomer-like levels because there are 9 million fewer of them. Gen X favors cyberspace over traditional media. The Internet's breadth and fragmentation makes them a challenge to reach. Examples of top Gen X product successes? The iPod, iPhone, iPad and the i-whatever-Apple-says-is-the-next-cool-thing. The folks at Apple aren't just talented technologists; they're also branding experts at creating and defining what's cool for this generation segment in particular.

Generation Y born 1985-1995

There are 90 million of them consuming at a rate of 500% of that of their Boomer parents. It's the first generation to routinely have brand new cars in high school parking lots and conduct much of their social life online. They are highly fickle consumers—fashion styles can barely keep up with them. They look for "green" companies and those that have a good humanitarian record in dealing with workers. The principal media for reaching them is cyberspace, but again, fragmentation can make online contact tricky. Oddly, they do respond to direct mail and anything that is personalized for them.

Generation Z born 1996-present

Also known as "Generation Next" and the "iGeneration," these are the true "digital natives," having been online and connected their entire lives. This generation's oldest representatives are only about 15 years old as I write this, so it's difficult to speculate about their characteristics because not as much is firmly established about their characteristics or behaviors compared to the other generations.

Latinos, Approximately 20-40 Years Old

Some 15 million to 20 million strong, this geographically defined market is here to stay. A valuable market segment, especially at the supermarket. They can be targeted with conventional Spanish language or mainstream media, but just translating a promotion from English to Spanish is often a deadly mistake. If you're going to use Spanish-language media, create the content in culturally appropriate Spanish.

THE REST OF THE STORY

In today's markets, on an increasing level we are finding that it is no longer good enough to plan and execute marketing communications based simply on broad age and generational similarities in beliefs, values and expectations. We must dig deeper.

Without more information, how can you explain or respond to the fact that, for example, two 45 year olds, who appear demographically identical, can have diametrically opposed perceptions and expectations on many issues and products.

This conundrum, and our ability to solve it, has been a powerful new business development point with potential new clients for our agency for years.

Fortunately, we now can use psychographic, behavioral and sociographic data to supplement information about broad demographic segments in order to better plan and target marketing communications. In addition, we can analyze and account for environmental and other external factors that may affect communication with a particular target audience, such as transaction, behavioral and trigger-based messaging. By further segmenting the broad traditional age-based demographic categories, we can begin to craft our messaging more effectively by analyzing and

understanding social status, group interactions and buying habits.

This type of analysis allows us to think of individuals in a target audience segment in very concrete terms and in great detail. By combining the various types of research data available to us with consumers' environmental and behavioral information and their real-time progression in the buying cycle, we can know a lot about each of the members of the segment. We know what turns them on, what turns them off, what messaging catches their attention, what holds their attention, what makes them tune out, what they have been searching for or buying in the last few days or hours, and what brings them to the next level in the buying sequence. In short, with good, objective research data from a variety of sources and solid experience in analyzing and applying that research, along with the deployment of dynamic marketing funnels, we can know, with confidence, how, when and where to communicate persuasively and engagingly with any segment of the target audience.

After demographic segmentation (only the very tip of the starting point in an accurate segmentation formula), the next step in focusing on your target audience is psychographic segmentation: sorting an audience segment along more behavioral lines related to attitudes, interests, needs, wants, values, beliefs, personality or lifestyle. You've already read about the fracturing diversity of target audiences in the marketplace. Psychographic variables help smart marketers take into account the cultural implications of this diversity and use that information as a tool to further refine the messaging and the reach to our audiences.

In my organization, we use a modified version of the "VALS" psychographic profiling model, which can filter a demographically segmented audience or group of audiences in seven dimensions as detailed below. This additional layer of information can make messaging

much more effective and efficient because we have a stronger sense of who we're talking to. VALS is an acronym for "values and lifestyle" and was developed at the Stanford Research Institute.

SEVEN PSYCHOGRAPHIC PROFILES (VALS)

BELONGER
This largest group makes up about 40% of the population. They are "the average person, in the average town, in the Midwest." They love community and being with family and friends. They frequently drive U.S.-made pickup trucks or large U.S.-made sedans. They are very nationalistic and don't like change. Their best time is spending time with their friends, talking, having fun and hanging out. They are hardworking, extremely conservative in their views and most likely religious. They will often buy because of personal relationships, so you need to take the time to get to know them. Belongers are very brand loyal.

ACHIEVER
The Achiever is a group of about 5%-7% of the population. This is the serious businessperson who is constantly looking to become more and to make more. Power and physical wealth is the major stimulator that makes this person perform day in and day out. This individual is likely to drive a Lexus, BMW, Mercedes, Porsche or other high-end luxury car. In contrast to the Belonger, these people need to be individuals, to set themselves apart from the rest. They will always buy the top-of-the-line and the latest in technology. Achievers control about 90%-95% of the money in the U.S. If you want to effectively talk to Achievers, make sure you make it quick, and make sure your message talks about individuality, about innovation and, most of all, about power, money and profit.

EMULATOR
Emulators make up about 15% of the population.

Everyone in this group would love to be an Achiever, but isn't. The emulator will try to do anything to make himself or herself look like an Achiever with the goal of attracting the opposite sex or the approval of peers. They will buy the flashy, but lower-end foreign imports or domestic copies because they can't afford true luxury. It might be the top rap artist, the top movie actor, the top sports star they are trying to copy, not the businessman. This group suffers from low self-esteem, needs peer approval, is usually under 30 years old, frequently not financially stable, but will spend whatever money they have on anything that will make them look like their ideal: successful. If you want to talk to Emulators effectively, you need to make sure that whatever you are trying to sell them will make them seem just like the person they are emulating: the successful Achiever.

SOCIALLY CONSCIOUS TYPE A
The Socially Conscious psychographic group is comprised of two types. Type A is about 20% of the population and Type B is about 7%. Type A is concerned with the effects their actions have on society as a whole. They want to make the world a better place. They are environmentally concerned, they recycle, they buy things that are environmentally friendly and drive fuel-efficient cars. They believe in schooling and teaching children and are frequently highly educated, mostly in the liberal arts. They like to help the homeless and the poor, the socially disadvantaged. Slightly conflicted, they are quite cynical about society and its flaws, yet take a generally positive view of how the future could be. You must sell something that is making a positive difference to either society or the environment. Being educated, these people can quickly see through fake environmentalism and social conscience.

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SOCIALLY CONSCIOUS TYPE B

Very much like their cousins in Type A, most of the generalizations of Type A will apply to Type B, except that while Type A believes that there is hope for humanity as a whole, Type B has given up on humanity as a whole, and has moved off into their own small communities where they live socially conscious lives within their socially conscious group. One can find these little islands spread all around the country, not only in the hippie communes in California, but also those that have sequestered themselves away in the hills of Montana, religious communities in Texas and communes that can be found all over the country that don't believe in personal property. These people are mostly self-sufficient and purposely cut themselves off from the world, so they are unlikely to be open to marketing offerings.

BALANCED / TOTALLY INTEGRATED

The Balanced segment is the smallest of all the groups, accounting for only 1%-2% of the population. The Balanced group is basically a mixture of the Achiever and Socially Conscious types. You might say these are Achievers with a Social Conscience. There are many examples of people who have grown rich, who have achieved power and wealth, but still are concerned to ensure that their rewards don't come at the expense of society, rather with the cooperation, and to the benefit of humanity and nature as a whole. For the most part, they are too busy to listen to you unless you have something of specific interest to offer them. They will do their research before seeing you or will have the staff do so.

NEEDS DRIVEN

This final segment consists of about 12% of the population. These are people who buy on impulse and instinct, depending on what they need at the time. Even if on a budget, they will often pay more because, instead of doing the weekly shopping trip to the supermarket where things are cheaper, they will buy things last minute at the corner store. Another curious thing about this group is that they will frequently flash money around. In this way, there is a bit of emulator there, but they are not trying to emulate anyone in particular, they only want to prove that they have money.

In addition to this VALS-modeled data on attitudes, expectations and behaviors, smart marketers turn to a litany of other research databases that segment the consumer and business markets into more precise behavioral groupings.

EXTERNAL/ENVIRONMENTAL FACTORS

Once we have determined the demographic and psychographic segmentation of target audiences, we overlay any environmental or other external variables that may impact the audience segments' perceptions, expectations and reactions. A dynamic marketer must look at both geographic and sociographic variables to fine-tune the understanding of the audiences and optimize communication with them. Among the factors we consider are:

Geographic variables

- Region of the World or Country: East, West, South, North, coastal, hilly, etc.
- County Size: Metropolitan Cities, Small Cities, Towns
- Density of Area: Urban, Semi-Urban, Rural
- Climate: Hot, Cold, Humid, Arid, Rainy

Sociographic variables

- Gender
- Family Size
- Family Life Cycle
- Socioeconomic Status
- Religion
- Nationality/Race
- Language
- Brand Loyalty
- Product End Use
- Readiness-to-Buy Stage
- Decision-Making Unit

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In addition to the demographics, psychographics and sociographics of an audience, we also need to look at what we call the "customer lifecycle." By determining where a prospect or customer may currently be in terms of their consideration and purchase relationship to a product or brand, we get an even stronger indication of what they need and want to hear, as well as how to communicate it most effectively and deliver the message most efficiently. The four phases of the customer lifecycle are: Awareness, Consideration, Purchase and Loyalty. The addition of the industry's recent breakthroughs in dynamic information sharing across media channels and departments with the right kind of marketing resource management platform also lets us know, in real time, information such as: what the targets have been purchasing at a store online or offline; what their interactions are with the contact center; what they have been searching; what content they have been clicking on; what pages they are taking the time to view; which features/attributes of your brand, product, service or experience you offer that the customer does not care about.

This is how prospects and customers move through their evolving relationship with a product or brand, from hearing about it for the first time to becoming a long-term customer: Awareness > Consideration > Purchase > Loyalty.

BUT DON'T STOP HERE …

A smart marketer does not stop gathering and analyzing data until they're convinced they have exhausted the resources available. At our firm, we are constantly speaking with, and analyzing the motives and buying behavior of consumers and business decision-makers and seeking out additional reliable sources of information. A great deal of our research involves the Internet and primary data analysis. But you would be surprised at how often we learn something about a market or competition in a particular category by studying their local sales efforts. When we are hired to deploy a marketing strategy, we literally leave no stone unturned in becoming experts on markets, competitors and target audiences. For one client, we invested significant time in the field, researching their stone quarry operations to better understand an operational issue that was restraining a marketing initiative.

The depth of previous experience and new methodology at our firm allows us to sort through any gray areas of target audience behavior to make firm, black-and-white decisions about how best to communicate with them.

We often conduct man-on-the-street interviews or mystery shop at our clients' competitors, even requesting proposals from them as we pose as potential customers. Our objective is to see firsthand how they interact with prospects, all in order to confirm, support or refute the strategic positioning and tactical approach to the market.

FABCOM IS A FULL-SERVICE STRATEGIC MARKETING AND ADVERTISING AGENCY

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