

Segmenting and Targeting the Audience



It's a Winner

Campaign:
"SuperModelquins"

Company:
Old Navy

Agency:
Crispin Porter +
Bogusky

Award:
National Retail Federation,
"Shoppers' Favorite Holiday
Ads" #6 ranking

CHAPTER KEY POINTS

1. What cultural, social, psychological, and behavioral influences affect consumer responses to advertising?
2. What characteristics are used to segment groups of consumers?
3. How does the consumer decision process work?
4. How does targeting work and how is it different from segmenting?

Old Navy SuperModelquins Reveal Secrets

If sales are slumping, as is the case for many companies including Old Navy during the latest recession, what can be done to reverse the downward trend? What role does branding play in the process, and how does brand communication work?

To answer these questions, let's start with a discussion of Old Navy's "SuperModelquins" campaign. Have you seen it? If not, introduce yourself to the models at www.oldnavyweekly.com. You'll discover the mannequins have names, love lives, families, and careers. Here's an excerpt from the introduction video, which highlights Old Navy merchandise as the models reveal their secrets:

Narrator: "The SuperModelquins. They pose. They smile. They pose some more. But what's behind those chiseled good looks and perma-smiles? We'll find out as we meet fashion's hottest new mannequins. Kelly started out as a small town mannequin with big dreams. She was discovered here in the humble window of Wilma's Wearables by a mannequin scout.

Kelly: He offered me a card and a first-class crate to the big city.

Narrator: Kelly was a hit, especially with the soon-to-be men's wear superstar, Josh.

Josh: She was being wheeled by and I just froze.

Narrator: They were soon inseparable. Then a call came in. Old Navy was looking for a star and loved Kelly's fresh-faced look. Her life was moving so fast that love couldn't keep up. In the fall 2005 Josh and Kelly split up. Kelly had found herself a fresh start and new friends like Michelle.

Michelle: Being here with Wesley and my kids keeps me grounded. Well, that and my metal stand.

Narrator: Michelle and Wesley met in the spring of 2001 at an auto show. She was working as a minivan display model, he as a crash test dummy. In 2001, they tied the knot in the bridal section of a department store and two months later they became SuperModelquins. But there was one thing missing from the picture: kids.

Wesley: So we filled out a form and three to four business days later our boy was delivered. Christopher arrived on February 28 weighing 57 pounds, 4 ounces.

What do you think? Do you like the quirky campaign with the talking models? What did you like or not like about it? Do you think it was effective advertising? This chapter challenges you to think deeply about what makes brands work to accomplish their business objectives by truly reaching the minds and emotions of their audiences.

First, some background about Old Navy, an offshoot of the Gap. Although Old Navy has long stood for value—low budget and somewhat trendy fashions—recently it has faced fierce competition from Target and Kohl's. Old Navy's sales were down significantly. Sure, part of the downturn is probably due to the economy. But what can be done to reverse the losses?

Old Navy President Tom Wyatt put his finger on part of the problem: the company lost its way when it abandoned the target of moms with young children and focused on teens. A gold-lamé bikini, such as the one featured in a recent ad campaign, is not what a 25- to 35-year-old mom is looking for, said Wyatt. Moms went elsewhere to shop. The first step of Old Navy's strategy called for a renewed focus on young moms.

To appeal to moms, the campaign used 12 mock supermodels with celebrity-worthy stories. They're featured on TV and the Web on Old Navy's website. They've been featured in a flyer patterned after a celebrity magazine. You can follow them on Twitter. These pseudo-celebs have made appearances at an NBA Lakers game, a celebrity party in New York, and a trendy restaurant in Los Angeles. SuperModelquins—some 13,000 of them—may even have made their way to an Old Navy store near you. (Incidentally, you may be interested to know that the campaign's done wonders for Fusion Specialties, the mannequins' maker.)

In your analysis of the campaign's effectiveness, one of the first questions you should ask yourself is "Does this reach the target audience?" Do you think these SuperModelquins "speak" to young moms? A critical lesson is that ads that are based on understanding the consumer market are more likely to speak to their interests. At the end of the chapter, in the *It's a Wrap* feature, you can find out how well Old Navy achieved its goals.

Sources: www.oldnavyweekly.com; Mae Anderson, "Old Navy's New Ad Campaign Heavy on 'Quirky,'" February 2, 2009, www.money.aol.com; Elizabeth Aguilera, "Old Navy's New Ad Campaign Breaks the Mold and Boosts a Broomfield Mannequin-Maker," March 12, 2009, www.denverpost.com; Anne D'Innocenzio, "Gap Earnings Drop 8.3% But Beat Estimates," February 26, 2009, www.USAToday.com; Jennifer Reingold, "Gap Tries Branding to Boost Sales," February 27, 2009, www.cnnmoney.com.

The success of campaigns, such as the Old Navy "SuperModelquins" campaign, hinges on a critical consumer insight that gives direction to the advertising. By recognizing that the store's ads were speaking to the wrong audience, the CP+B team was able to develop a storyline that young mothers would find interesting and fun; at the same time it showcased fashions that were relevant to this audience.

To better understand that connection, this chapter explores influences on consumers' behavior—in other words, what motivates them as they make purchasing decisions—and then discusses how these factors help define groups of people who might profitably be targeted with marketing communication or advertising messages. By studying these influences on consumer decisions, advertisers can better design effective campaigns through careful targeting of the message and the media.

WHAT INFLUENCES CONSUMER DECISIONS?

Think about something you bought last week. How did the purchase process happen? Was it something you needed or just something you wanted? These are the kinds of questions marketers and advertisers ask about their customers. **Consumer behavior** describes how individuals or

groups select, purchase, use, or dispose of products, as well as the needs and wants that motivate these behaviors. As we proceed through this chapter, keep asking yourself these questions about your own consumer behavior and that of your friends and family.

As our opening story stressed, marketing communication planners need to understand what appeals to customers and why. Then they need to be able to describe prospective customers using characteristics that help predict the likelihood that they will respond to a brand message and, ultimately, buy the brand.

There are various ways to segment consumers and target a market. One way is to divide them by the type of market they represent—either business or consumer—this leads to *business-to-business* (B2B) or *business-to-consumer* (B2C) marketing strategies. Another way is to refer to them either as (1) those who shop for and purchase the product (purchasers or customers), (2) those who actually use the product (users), or (3) influencers—people who help the buyer make a brand choice (children, trendsetters, family, and friends). This distinction is important because purchasers and users can have different needs and wants. In the case of children's cereals, parents (the purchasers) often look for nutritional value and a decent price. In contrast, children (the users) may look for a sweet taste and a package with a prize inside.

Before we review how consumers make a buying decision, let's consider the various factors that influence them: their cultural affinities, their family and friends, their personal needs, and their experiences with a brand. Figure 5.1 is a general model of consumer behavior. It is also a visual road map for this chapter. We will begin by discussing three types of influences that affect the way consumers make purchasing decisions. Then we'll use that knowledge to explain how audiences are profiled, segmented, and then targeted with specific types of messages.

Principle

Buyers may not be the users and users may not be the buyers. Buyers and users often have entirely different needs and wants.

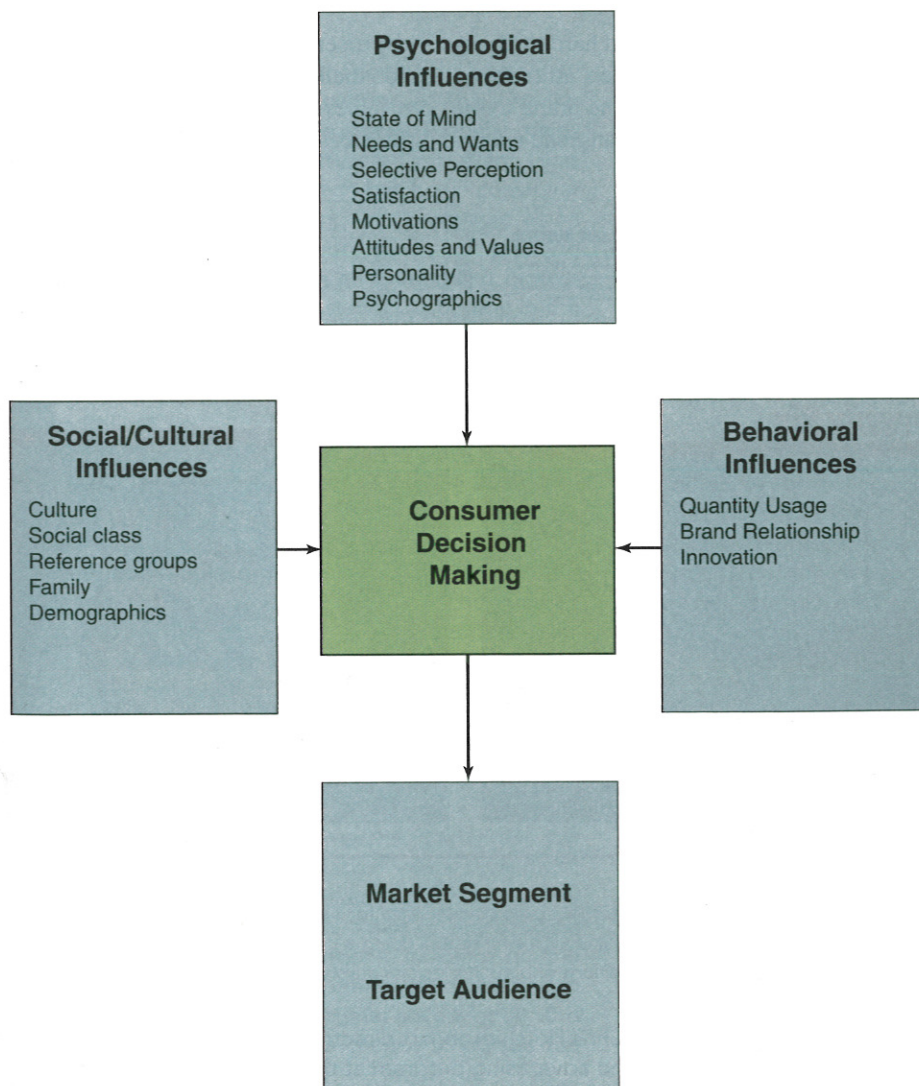


FIGURE 5.1
Influences on Consumer
Decision Making

Cultural Influences

CP+B is known for advertising that weaves cultural insights into sometimes off-the-wall advertising messages, as with the Old Navy SuperModelquins. In other words, marketing communication that moves people often builds on or confronts deep-seated cultural values. **Culture** is made up of tangible items (art, literature, buildings, furniture, clothing, and music) and intangible concepts (history, knowledge, laws, morals, customs, and even standards of beauty) that together define a group of people or a way of life. Culture is learned and passed on from one generation to the next.

Generally culture is seen as providing a deep-seated context for marketing communication, but popular culture—what we see on television, sports, fashion, and music among other areas—is dynamic. Lee Clow, chairman and chief creative direct of TBWA/Worldwide, who also created the legendary “1984” Macintosh commercial discussed in Chapter 1, observed that “you have to do advertising at the speed of culture.” He was referring to the transformation brought by the Internet and other new forms of digital communication, but his point is that “culture is moving very fast and it’s very responsive.”¹

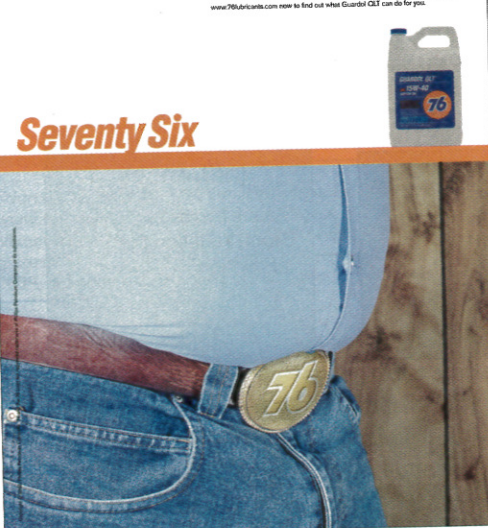
Norms and Values The boundaries each culture establishes for “proper” behavior are **norms**, which are simply rules we learn through social interaction that specify or prohibit certain behaviors. The source of norms is our **values**, particularly cultural values, which represent our underlying belief systems. In the United States, we value freedom, independence, and individualism; in other countries, particularly some Asian and Latin countries, people value families and groups more than individualism. Of course, there are some universals—most people value good health and most women want to look good. An example of ads that appeal to Americans’ nostalgia is the 76 campaign aimed at truckers.

Values are few in number and hard to change. Advertisers strive to understand the underlying **core values** that govern people’s attitudes and guide their behavior. An ad’s primary appeal aims to match the core values of the brand to the core values of the audience. Here are 10 basic core values that, in many cases, transcend cultural differences:

STRONG. SUPPORTIVE. YOU’VE GOT OUR NUMBER.

It isn’t easy keeping a fleet of trucks on the road. Guardol 76 can help. Designed to protect against engine sludge and wear, Guardol 76 can mean less maintenance and more productivity. Chances are you’ve already got a full tank to last. Let us take care of the engine. Call 1-800-HELP-76-1 or visit www.76adverts.com now to find out what Guardol 76 can do for you.

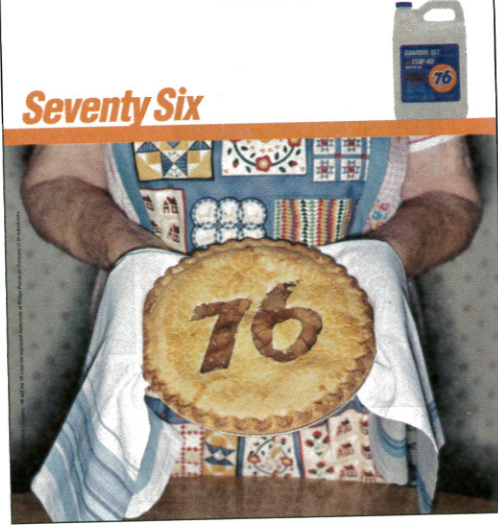
Seventy Six



SOLID. DEPENDABLE. YOU’VE GOT OUR NUMBER.

Some people still take a great deal of pride in what they make. Take our Guardol 76. For instance, it’s been formulated to significantly extend drain intervals, which keeps your feet going and your profits growing. Pride in performance. Now that’s worth digging into. Call 1-800-HELP-76-1 or visit www.76adverts.com now to find out what Guardol 76 can do for you.

Seventy Six



SHOWCASE

These ads for 76 motor oil ran in national trade publications for the trucking industry. The creative team wanted to associate the 76 brand with Americana using a nostalgic appeal. Do you think this imagery speaks to truck fleet owners who authorize the purchase of commodities such as motor oil?

These ads were contributed by Chris Hutchinson, art director at Wieden + Kennedy, who graduated from the advertising program at the University of Oregon.



1. A sense of belonging
2. Excitement
3. Fun and enjoyment
4. Warm relationships
5. Self-fulfillment
6. Respect from others
7. A sense of accomplishment
8. Security
9. Self-respect
10. Thrift

Thrift and frugality were hallmarks of the recession of the late 2000s and a Harris Poll found that Americans tightened their belts, saved more, spent less, and borrowed less.² The orientation to spending and saving is discussed in the *A Matter of Principle* feature that investigates the post-9/11 admonition to buy more in order to rebuild consumer confidence.

A MATTER OF PRINCIPLE

Patriotism, Spending, and Saving

Wanhsiu Sunny Tsai, Assistant Professor, School of Communication, University of Miami



As an international scholar from an Eastern culture in which saving and long-term financial plans are considered important, I was intrigued by how consumer spending was promoted as an important means of resisting terrorism and rebuilding a prosperous post-9/11 economy in the United States. For example, General

Motors explicitly stated in its post-9/11 campaign that purchasing cars was crucial to "Keep America Rolling."

With the ongoing war in Iraq and a slowing economy in 2006, President Bush urged, "As we work with Congress . . . to chart a new course in Iraq . . . we must also work together to achieve important goals for the American people here at home. This work begins with keeping our economy growing . . . and I encourage you all to go shopping more."

But I have to wonder, what about saving? Is putting money aside believed to contribute to the national economy? Do consumers share the publicized viewpoint that individual spending is related to the nation's economic health? And why is shopping so heavily emphasized in American culture?

My interviews with consumers suggest that the marketplace was a significant place in which consumers could reaffirm core American values such as democracy (which informants expressed in terms of an open market free from government intervention), freedom (in the form of consumer choice), independence (embodied in financial independence and consumer sovereignty), and equality (that is, everyone has a chance to pursue the American dream).

Rather than viewing shopping as a form of self-indulgence, the study participants believed that shopping and buying were helping behaviors through which Americans, including corporate advertisers, joined together to overcome economic hardship and adversity. Furthermore, informants believed that it was excessive spending on hedonistic consumer goods or services such as flat-screen televisions or cruise vacations—not everyday necessities or utilitarian products like gas or breakfast cereal—that had a real impact on the national economy since it was indulgent products that were heavily promoted by advertising.

However, when asked how saving contributed to the national economy, informants had a clear sense of difficulty, hesitance, and uncertainty in formulating arguments. Some even suggested that increased rates of saving and the resultant weakness in spending had led to the current economic slowdown: "[By] squirreling away money into savings, you're hurting other people . . . because then there won't be jobs created."

In general, saving money was regarded as a relatively self-centered practice devoid of the positive, collective, and aggregated effects on the nation's economy—unless the purpose was to save for more and bigger spending in the future. But serious ramifications may be involved. One potential consequence of the emphasis on consumption instead of saving is escalation of consumer debt. According to the latest Federal Reserve study, around 43 percent of U.S. families spend more than they earn. It is understandable that advertisers and policy makers want to stimulate the economy, but they also have a duty to encourage sustainable consumption and to advocate financial literacy and improved financial management among consumers.

Corporate Culture The concept of culture applies to B2B marketing as well as B2C. **Corporate culture** is a term that describes how various companies operate. Some are formal with lots of procedures, rigid work hours, and dress codes. Others are more informal in terms of their operations, office rules, and communication. The same patterns exist in the way businesses make purchasing decisions: some rigidly control and monitor purchases; others are loose and easygoing, and purchases may be less controlled or governed more by friendships and handshakes, as in Japan, than by rules.

The Ogilvy & Mather agency has a statement about its corporate culture on its website. Among other things it sets out these principles: "We are opposed to management by intimidation. We abhor ruthlessness. We like people with gentle manners." Visit www.ogilvy.com/About/Our-History/Corporate-Culture.aspx for an inside view of how this agency articulates its view of its own corporate culture.

Graduates of universities and colleges tend to identify themselves by their school affiliation, as this ad for the Virginia Commonwealth University (VCU) demonstrates. What can you tell about this person's career choice and interests from these bumper stickers?

Social Influences

In addition to the culture in which you were raised, you also are a product of your social environment, which determines your social class or group. Reference groups, family, and friends also are important influences on opinions and consumer behavior and affect many of your habits and biases.

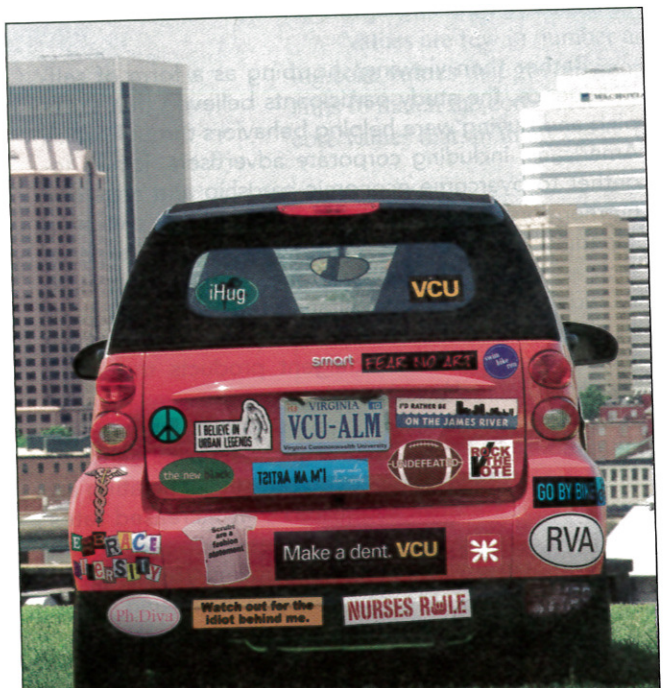
Social Class The position you and your family occupy within your society is called a **social class**, and it is determined by such factors as income, wealth, education, occupation, family prestige, value of home, and neighborhood. In more rigid societies, such as those of India, people have

a difficult time moving out of the class into which they were born. In the United States, although people may move into social classes that differ from their families', the country still has a class system consisting of upper, middle, and lower classes. Marketers assume that people in one class buy different goods for different reasons than people in other classes.

Reference Groups A **reference group** is a group of people you use as a model for behavior in specific situations. Examples are teachers and religious leaders, as well as members of political parties, religious groups, racial or ethnic organizations, hobby-based clubs, and informal affiliations such as fellow workers or students—your peers.

Brand communities, such as the Harley Owners Group (HOG) for Harley-Davidson, are groups of people devoted to a particular brand. To get a sense of how this group operates, check out www.harley-davidson.com/wcm/Content/Pages/Owners/Owners.jsp?locale=en_US. Apple is another company that generates a brand community. One writer described a "Cult of Apple" with "fanboys" and "fangirls" who have Apple stickers on their cars and briefcases, wear Mac or iPod-related clothing, and sport Mac tattoos and shaved Mac heads. He observes that "It's not a brand, it's a lifestyle."³ You can check out some of this at www.CultofMac.com or <http://snurl.com/mactattoo>. The Internet has had a huge impact on the creation of reference groups in the form of online virtual communities that revolve around interests, hobbies, and brands.

For consumers, reference groups have three functions: (1) they provide information, (2) they serve as a means of personal comparison, and (3) they offer guidance. Ads that feature typical users in fun or pleasant surroundings are using a reference strategy. You may be attracted to a particular reference group and want to be like the members of that



At Virginia Commonwealth University, we engage a world that's ever evolving. We apply street-smart solutions to local and global challenges. We embrace a deep understanding of a diverse population. We are future scientists, artists and educators; communicators and performers; doctors and business executives; engineers and social leaders; social workers and politicians.

We create change. We move the needle. We make a dent.

VCUedu
Virginia Commonwealth University

group out of respect or admiration. Advertisers use celebrity endorsements to tap into this appeal. The Old Navy “SuperModelquins” campaign played with the idea that models and mannequins set fashion and appearance standards.

Sociologist David Reisman describes individuals in terms of their relationships to other people as inner directed (individualistic) or outer directed (peer group and society). Advertisers are particularly interested in the role of peers in influencing their outer-directed friends’ wants and desires. On the other hand, inner-directed people are more likely to try new things first.

Family The family is the most important reference group for many people because of its formative role and the intensity of its relationships. Other reference groups, such as peers, coworkers, and neighbors, tend to change as we age. According to the U.S. Census definition, a **family** consists of two or more people who are related by blood, marriage, or adoption and live in the same household. A **household** differs from a family in that it consists of all those who occupy a dwelling whether they are related or not. The family is responsible for raising children and establishing a lifestyle for family members. **Lifestyle** reflects family situation, values, and income. It determines the way people spend their time and money and the kinds of activities they value.

In the 21st century—for the first time in U.S. history—one-person households outnumber married couples with children. This reflects a growing trend in America during the past 30 years to marry later in life, divorce, or never get married at all. Marketers and their advertisers have been right on top of this trend. Banks have created special mortgages, builders are providing homes and apartments to meet the needs of single occupants, and food marketers have introduced “single” portions.

Psychological Influences

We have analyzed **cultural and social influences** on consumer behavior. Now let’s look at the personal characteristics that affect how you respond as an individual. The psychological factors of interest to advertisers include state of mind, needs and wants, motivations, as well as attitudes, personality, and thoughts and thinking patterns.

Perception and State of Mind Your state of mind affects the way you perceive information. Your past experiences with a brand, as well as what your friends say about it, can color your feelings and make you more or less receptive to a brand message. Other mental states—such as anger, fatigue, hunger, excitement, or lethargy—can also affect your behavior because they create internal noise that gets in the way of your reception of a message or provide the impetus to drive you to buy something.

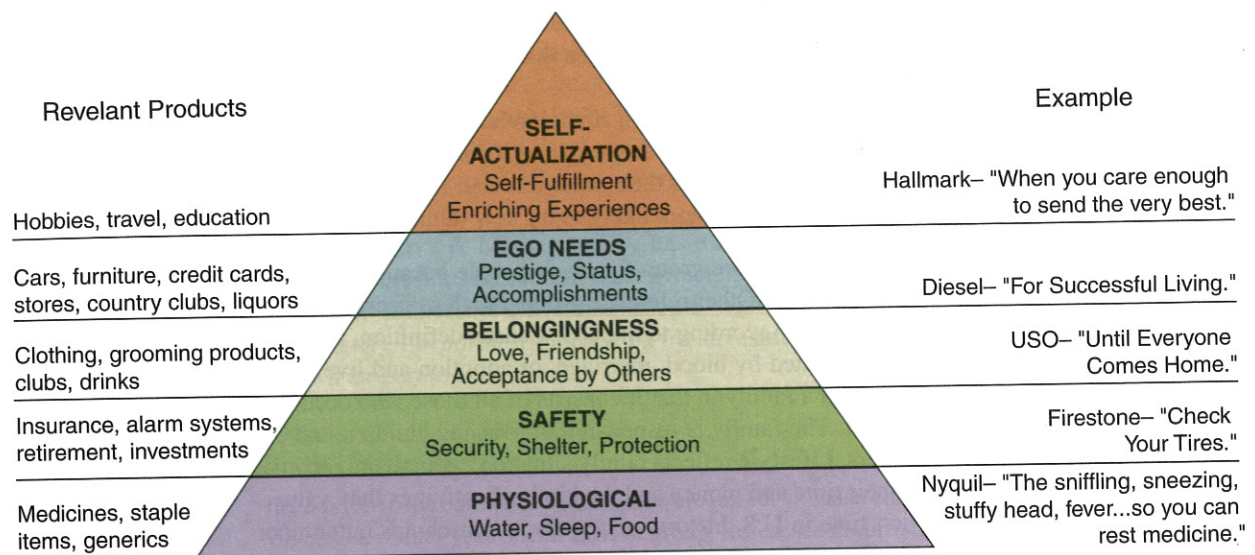
Needs and Wants In Chapter 4, we described needs and wants as two different types of responses that lead to different reactions to an advertising message. The basic driving forces that motivate us to do something that reflect basic survival, such as choose a motel (shelter) or restaurant (food) when traveling, are called *needs*. Primary needs (biological) include the need for water, food, air, and shelter. In the case of the needs pyramid developed by psychologist Abraham Maslow (see Figure 5.2), these are called physiological and safety needs.

Needs we learn in response to our culture and environment are called **acquired needs**. These may include the need for esteem, prestige, affection, power, learning, and, yes, beauty. Because acquired needs are not necessary to your physical survival, they are also called secondary needs. Maslow called them social (*belonging*), *egoistic*, and *self-actualization*. The Old Navy campaign, with its moderate-priced fashion line, builds demand for products that address acquired needs.

A want occurs when we desire or wish for something—we won’t die if we don’t get it, but it can still provide a strong motivation to try or buy something new. This is particularly true in fashion areas, such as clothing and music. Research has uncovered the power of new and novel. As account planner Susan Mendelsohn explains, “In some cases, we want things just for the sheer fun of newness—think about how many pairs of shoes or the amount of clothes people have.”⁴

Desire is the driving force behind demand and successful brands focus more on what we want than on what we need. Brian Martin, the founder of Brand Connections, has built a list of 10 desires that successful brands satisfy:⁵

1. To feel safe and secure
2. To feel comfortable

**FIGURE 5.2**

Maslow's Hierarchy of Needs

3. To be cared for and connected to others
4. To be desired by others
5. To be free to do what we want
6. To grow and become more
7. To serve others and give back
8. To be surprised and excited
9. To believe there is a higher purpose
10. To feel that they matter

Principle

An item we need is something we think is essential or necessary for our lives; an item we want is something we desire.

Schwartz describes the power of what he calls "mass desire" in his book *Breakthrough Advertising*. He explains that mass desire is the public spread of a private want; it can't be created by advertising, but advertising can address it and channel it to focus on a particular brand.⁶ The trend toward more gas-efficient cars has led to a demand for hybrid cars such as the Prius. If there wasn't a mass desire for this type of vehicle, there would be no market for the Prius. On the other hand, there is also a market for the Cadillac Escalade. Related to needs and wants are satisfaction and dissonance.

- **Satisfaction** A feeling of satisfaction is only one possible response to a brand message or brand experience; more troublesome is dissatisfaction or doubt. People can pay attention to a commercial, then buy a product and be disappointed. One of the reasons is that advertising sometimes raises consumers' expectations too high, in other words, it promises more than it can deliver.
- **Dissonance** Cognitive dissonance refers to a conflict between two thoughts—you want to buy a car but don't have the money. That creates a state of tension. Marketers must address the negative side and, in auto marketing, they do that by offering no or low interest plans to reduce the conflict and make it easier to justify or rationalize the decision. Buyer's remorse is another form of tension and it occurs when there are discrepancies between what we thought we would receive and what we actually received. When there is a difference between reality and facts, people engage in a variety of activities to reduce cognitive dissonance. Most notably, we seek out information that supports our decisions—that's why we pay attention to ads for products we have already bought—and ignore and distort information that does not. For example, car makers use testimonials from satisfied customers. An important category of automotive service called "aftermarketing" is designed to keep customers happy after they buy a car.

Motivations A motive is an internal force—like the desire to look good—that stimulates you to behave in a particular manner. This driving force is produced by the tension caused by an unfulfilled want or need. People strive to reduce the tension, as the Airborne ad demonstrates. At any given point you are probably affected by a number of different motives—your motivation to buy

a new suit will be much higher if you have several job interviews scheduled next week.

Research into motivation uncovers the “why” questions: Why did you buy that brand and not another? What prompted you to go to that store? Understanding buying motives is crucial to advertisers because the advertising message should reflect consumers’ motivations. Unfortunately motivations operate largely at an unconscious level. Some of the reasons may be apparent—you go to a restaurant because you are hungry. But what else governs that choice—is it location, interior decoration, a favorite menu item, or the recommendation of a friend?

In our discussion in Chapter 4 of routine or habit approaches to consumer decision making, we noted the lack of conscious thought about many decisions. That is true also for decisions that are driven by emotions and feelings. Ann Marie Barry described the emerging field of neuroscience in Chapter 4. Applying neuroscience to consumer decision making, **neuromarketing**, the new brain-science approach to how people think, provides a deeper understanding of the way low-attention processing actually works and motivates people into unconscious, intuitive decision making. Ann Marie Barry reports that this neurological research “reveals that visuals may be processed and form the basis of future action without passing through consciousness at all.”⁷ These studies are particularly useful in describing how emotion is the driving force behind motivations that can lead to largely unconscious brand decisions and behaviors.

HOW DO WE SEGMENT CONSUMER GROUPS?

Most brands don’t have unlimited funds to spread their messages in all directions to all people. Instead, cost efficiency—and effectiveness—demands that marketers (1) segment the market and (2) target the audience group most likely to respond. First let’s discuss **segmenting**, which means dividing the market into groups of people who have similar characteristics in certain key product-related areas.

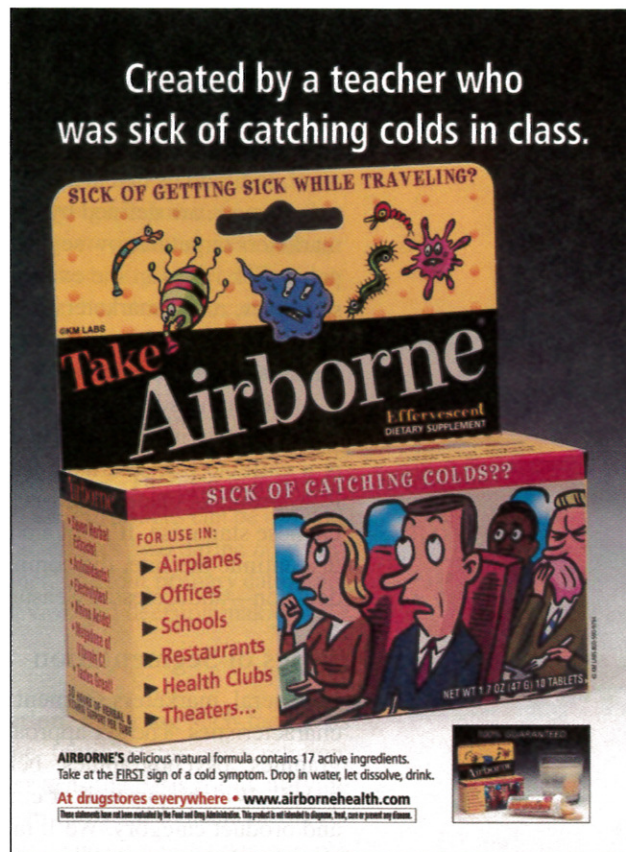
Why do segmenting? Because it’s efficient and cost effective. It costs money to reach people with a brand message and most marketers don’t want to spend money to reach people who aren’t interested in the category or brand. So segmenting does two things: it identifies those people who are in the market, but it also eliminates those who aren’t.

Segmentation Strategies

At one point in its history, Coca-Cola viewed the U.S. market for its brand as homogeneous and used general appeals—such as “Coke is it!”—for all consumers, which is considered an “**undifferentiated**” strategy. But even Coke is sold in different types of places, and people hear about Coke through different types of media. Therefore, customers are grouped almost by definition, based on their contact points with the product. Of course, there are also differences in age, for instance, between a long-time adult Coke drinker and a teenager.

Consumer differences, as well as product variations, determine how marketers address people in marketing communication and reach them using media. In other words, few examples of homogeneous markets exist in contemporary marketing, consequently most strategies are based on a **market segmentation** approach that drives marketing communication strategies.

By using a segmentation strategy, a company can more precisely match the needs and wants of the customer with its products. That’s why soft drink manufacturers such as Coke and Pepsi have moved away from an undifferentiated approach and introduced product variations to appeal to different consumer segments, such as diet, caffeine-free, diet caffeine-free, and flavored



The motivation is obvious for a product that helps you avoid catching a cold when you travel. Do you think it is effective to also feature the motivation of the product’s creator?

Principle

Segmenting is efficient and cost effective when it identifies those people who are in the market, but also eliminates those who aren’t.

versions of their basic products. This approach also allows a company to target advertising messages by more precisely matching the interests, attitudes, and preferences of consumers in each segment of the soft-drink market.

Although marketing has gone global to reach large markets, many advertisers have moved toward tighter and tighter **niche markets**, which are subsegments of a more general market segment. Individuals in a niche market, such as ecologically minded mothers who won't use disposable diapers, are defined by a distinctive interest or attitude. Instead of marketing to the masses, marketers target narrow segments, such as single women in the international traveler category or pogo-stick riders in the extreme sports category. Although large companies may develop niche strategies, niche marketers are companies that pursue market segments of sufficient size to be profitable although not large enough to be of interest to large marketers. Exploritas, for example, markets to seniors who are interested in educationally oriented travel experiences.

Consumers in niche markets may be more passionate about their favorite brands than general consumer markets. For example, Celestial Seasonings sells one variety called Roastaroma. It is a caffeine-free alternative to coffee. True to Celestial's commitment to herbal ingredients, Roastaroma is made from roasted barley, chicory, and carob, as well as cinnamon, allspice, and Chinese star anise. It's not a popular flavor and has a low sales level, but when Celestial tried to discontinue the line, the company was flooded with letters from irate customers protesting the decision—and Celestial Seasonings gave in to its small band of Roastaroma drinkers.

Types of Segmentation

In general, marketers segment their markets using six broad categories based on key consumer characteristics. The six approaches, illustrated in Figure 5.3, are demographics, life stage, geographics, psychographics, behavior characteristics, and values and benefits sought (needs based). Which approach or combination of approaches is used varies with the market situation and product category. We'll talk about the characteristics behind these segments in the discussion that follows.

- **Demographic Segmentation** divides the market using such characteristics as gender, ethnicity, and income. Age is often the first characteristic to be used in defining a market segment.
- **Life-Stage Segmentation** is based on the particular stage in consumers' life cycle, which includes such categories as children, young people living at home, college students, singles living on their own, couples, families with children, empty nesters, and senior singles living alone. Age is a characteristic of life stage, as is living situation.
- **Geographic Segmentation** uses location as a defining variable because consumers' needs sometimes vary depending on where they live—urban, rural, suburban, North, South. The most important variables are world or global, region, nation, state, city, or zip code. Factors related to these decisions include climate, population density, and urban/rural character. Geography affects both product distribution and marketing communication.

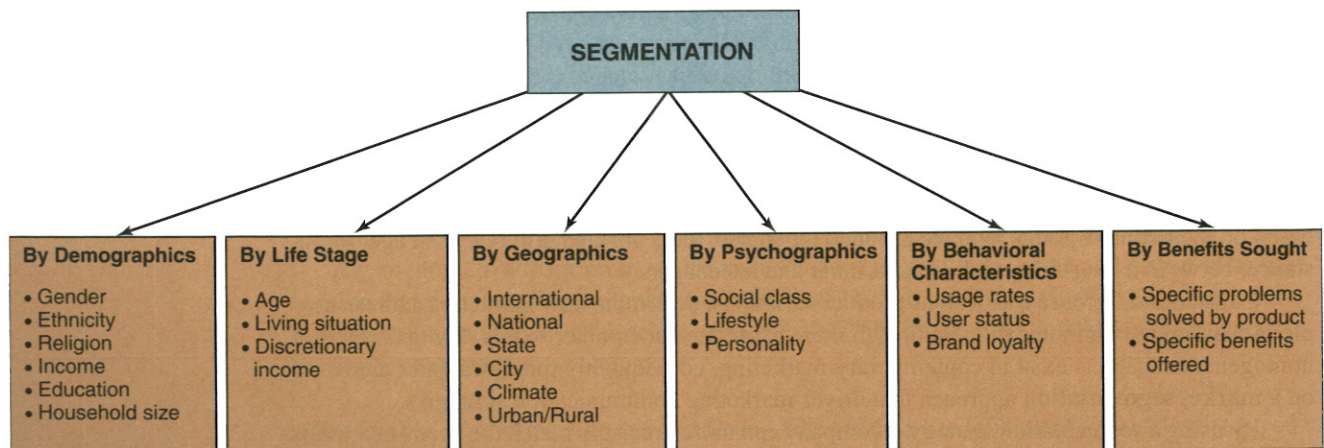


FIGURE 5.3

Market Segmentation Approaches

- **Psychographic Segmentation** is primarily based on studies of how people spend their money, their patterns of work and leisure, their interest and opinions, and their views of themselves. This strategy is considered richer than demographic segmentation because it combines psychological information with lifestyle insights.
- **Behavioral Segmentation** divides people into groups based on product category and brand usage.
- **Values and Benefits-Based Segmentation** groups people based on tangible and intangible factors. Values segmentation reflects consumers' underlying value system—spiritual, hedonistic, thrifty, and so forth. Benefit segmentation is based on consumers' needs or problems. The idea is that people buy products for different benefits they hope to derive. For example, car buyers might be grouped based on whether they are motivated by concerns for safety, gas mileage, durability/dependability, performance and handling, luxury, or enhancement of self-image.

Brand communication, in most cases, is designed to address groups of people who are users of a product or are prospective customers. To describe these groups, planners use a set of terms that represent certain types of cultural, social, and personal characteristics. The idea behind segmenting people is that groups of people to whom advertisers direct their messages can be defined, or profiled, by these key characteristics. Furthermore, those characteristics also define *how* they are different from others who may not be in the market for the product. The four primary categories of descriptive information are demographic, psychographics, behavior, and decision making.

Demographics

The statistical, social, and economic characteristics of a **population**, including such factors as age, gender and sexual orientation, education, occupation, income, family status, race, religion, and geography are called **demographics**. These characteristics serve as the basis for identifying potential audiences, and knowing these factors helps advertisers in message design and media selection for the **target market**. The first place to start when analyzing and compiling demographics is the country's census data. In the United States, the Census Bureau compiles a huge collection of demographic information every 10 years—the most recent census was in 2010.

Age The most important demographic characteristic used by advertising planners is age. People of different ages have different needs and wants. An advertising message must be geared to the target audience's age group and should be delivered through a medium that members of the group use. But age also determines product choice. How old are you? What products did you use 5 or 10 years ago that you don't use now? Look ahead 10 years. What products might you be interested in buying in the future that you don't buy now?

Table 5.1 U.S. Population Age Breakdowns

Group	In Millions	%
9 and younger	41.1	13.5
10–19	41.6	13.7
20–34	62.0	20.0
35–44	42.5	14.0
45–54	44.4	14.6
55–64	34.0	11.2
65–74	20.1	7.0
75–84	13.0	4.2
85 and older	5.7	1.8

Source: American Fact Finder, U.S. Census Bureau, retrieved September 9, 2009, from http://factfinder.census.gov/servlet/QTTable?_bm=y&-qr_name=PEP_2008_EST_DP1&-geo_id=01000US&-ds_name=PEP_2008_EST&-lang=en&-format=&-CONTEXT=qt.

Consider the age categories in the following list and the breakdowns in Table 5.1. What is the size of your age group? Which groups are the largest and smallest, and what types of products would they be most interested in buying? An age group often targeted by advertising planners is ages 35 to 54. This group could be generally described as middle aged—how important is it in terms of its size? The following list describes some of the other more common age-related population categories that are used by marketers:

Age-Related Population Categories

- Referred to as the **Greatest Generation** by Tom Brokaw in his book by that name, this generation born in the 1910s through the late 1920s lived through the Great Depression and fought World War II. A small group, these seniors are in their final years. This group opened up college education to the middle class after the war and lived frugal, yet financially satisfying, lives.
- Known as the **Silent Generation** or **traditionalists**, these people born from the late 1920s to the war years are now active seniors. They were described in a national poll as the generation having the most “positive impact” on the American economy for their role in fueling the postwar boom.⁸
- **Baby boomers**, people born between 1946 and 1964, represent the largest age-related category in the United States. The 78 million baby boomer consumers are now in the final years of their careers, having made a huge population bulge as they have moved through the life cycle. While they were growing up, boomers’ numbers affected first schools, then the job market, and now retirement programs and health care. This generation has been influenced by significant societal movements and scientific breakthroughs, from the Civil Rights movement to the anti-Vietnam War protests to putting a person on the moon, although the term *boomer* has also become associated with greedy, spoiled, divorced, mega-shoppers who want it all.⁹
- A newly identified subgroup called **Generation Jones** is the younger baby boomers who were born from the mid- to late 1950s through the mid-1960s. The *Jones* reference comes from their continuing need to chase the dream of affluence by trying to “keep up with the Joneses.”
- **Gen X**, also known as **Baby Busters**, is the group whose 70 million members were born between 1965 and 1979. Now adults, they have been described as independent minded and somewhat cynical. They are concerned with their physical health (they grew up during the AIDS outbreak) and financial future (the job market became more difficult just about the time they entered).
- Sometimes referred to as the **Me Generation** because of their affluent younger years, those born in the 1970s to early 1990s are characterized as more self-absorbed and narcissistic than their parents, although that changed as they confronted the *dot.com* bust at the end of the 1990s.
- Born between 1980 and 1996, members of **Generation Y** are also known as **Echo Boomers**, as well as the **Me Generation**, because they are the children of baby boomers. They are important to marketers, because they are next in size to the boomer generation with 100 million plus members. This generation is also described as the **Digital** or **Net Generation**¹⁰ because they grew up with computers and are seen as more technologically savvy than their older siblings or parents. This group is now the young adult market that marketers want most to reach because they are in the formative years of their brand relationships. They are the first generation to grow up with e-mail and cell phones.
- **Millennials** encompass those 80 million children born from the late 1990s into the beginning decade of the new century. Also called the *iGeneration*, these folks spend considerably more time texting and using social media than even the older Net Generation. Initially marketers were delighted to find that these kids (and their doting parents) were brand conscious and more willing than their predecessors to wear a brand logo as a badge.¹¹ But that changed as they became teenagers and had to confront the problems of the recession that dragged down the economy in the late 2000s. They are known as the most environmentally educated generation with 76 percent believing that brands should be ecologically conscious. They are also seen as having outlandish personal expectations and a feeling of entitlement,¹² although the recession may have toned that down a bit.

Age is a key factor in media plans because age usually determines what media you watch, listen to, or read. Note how the radio script for the public service LATCH campaign about child car safety, which we introduced in Chapter 4, plays with the idea of generations. The older the

age group, the more likely they are to use media daily or several times a week and the more likely they are to read newspapers. Overall usage patterns for each medium vary by age group. For instance, 88 percent of “mature” audience members watch local broadcast news.¹³ Kids ages 8 to 18 now spend more than 7 1/2 hours a day with electronic devices, which include smart phones, computers, televisions and video games, a finding that shocked researchers in 2010 who thought the day couldn’t continue to expand to fit in more wired activities.¹⁴

AD COUNCIL / US DEPARTMENT OF TRANSPORTATION

LATCH Campaign – :60 Radio

ZRAG-11806R

“Generations”

1BON-08-0033

04/30/08 – Produced

07/1/08 – Final Mix

07/15/09 – Expiration Date

VO: First, there was the “Lost Generation.”

SFX: Music up and under: Jazz Age swing.

VO: Then came the “Greatest Generation.”

SFX: Battle sounds.

VO: Followed by the “Silent Generation.”

SFX: Silence.

VO: The “Me Generation.”

SFX: Acid rock.

VO: And “Generation X.”

SFX: Video game sounds.

VO: Now comes the over-scheduled, over-protected, hyper-parented generation...

SFX: Baby’s laugh.

VO: ...three out of four of whom are riding in car seats that aren’t being used correctly. The LATCH system is in most cars and makes it easier to be sure your child’s car seat is installed correctly. Just clip it to the anchors (CLICK), attach the top tether (CLICK), and pull the straps tight. To find out more, visit safercar.gov.

Anchor. Tether. LATCH. It’s the next generation of child safety
(*SFX of baby’s laugh*)—for the next generation.

A message from the US Department of Transportation and the Ad Council.

SHOWCASE

In Chapter 4 Trent Walters, account director for the Richards Group, explained the thinking behind the U.S. Department of Transportation’s LATCH campaign, which is a public service effort by the Ad Council. Here is a radio script from that PSA campaign.

A graduate of the University of North Texas, Trent Walters was nominated by Professor Sheri Broyles.



Age is driving a fundamental shift in U.S. marketing strategy. For 50 years, marketers have focused on reaching young people, not only because they are in the formative years of making brand choices, but also because the youth market during that era was huge in terms of numbers. Now with the boomer bulge moving into retirement, there is tension between the temptation to focus on young people and the realization that wealth and numbers belong to this active senior market. Not only is the senior marketing getting larger, a Pew Research Center study finds a growing generation gap between old and young. Almost 80 percent believe the viewpoints are dramatically different and this shows up in attitudes toward religion, values, morality, lifestyles, manners, and work ethic.¹⁵

Gender and Sexual Orientation An obvious basis for differences in marketing and advertising is gender. The fact that interests marketers is that women account for 85 percent of all consumer purchases in the United States.¹⁶ So it's important to know what attracts a female market and how you build brand relationships with them. The Boston Consulting Group spotted the first stages of the United States evolving to a matriarchal society in the mid-2000s.¹⁷ Their research, and more recent studies, point to the increasing percentage of women in college,¹⁸ which also may mean eventual changes in income and occupation patterns.

Many brands are either masculine or feminine in terms of use, as well as brand personality. It is unlikely that men would use a brand of cologne called "White Shoulders." The Gillette Company found that the majority of women would not purchase regular Gillette razor blades, so they introduced brands exclusively for women, such as the Daisy disposable razors. An interesting story is that Marlboro started off as a cigarette marketed to women and was later targeted to men with the cowboy image.

Gender stereotypes have been a problem in advertising for decades and some believe that may be because the majority of the work has been created by men. Jessica Shank, a copywriter at Goodby, Silverstein & Partners, explored that idea and concluded, "If most of the work specifically aimed at women were any indication of modern life, we'd all be at home dancing with our mops and fretting about plastic food storage." She explains, "There's a real disconnect between the lives women lead and the way advertising portrays our daily lives and desires."¹⁹

During the past decade sexual orientation has also become a marketing issue as gay and lesbian consumers have become serious target markets. Bob Witeck, CEO of Washington, D.C.-based Witeck-Combs Communications, estimates that the buying power of this market is conservatively estimated at \$712 billion. He's basing that on a population estimate of approximately 15 million, which would be 6.7 percent of the population.²⁰ In the *A Matter of Practice* feature at www.pearsonhighered.com/moriarty, Witeck explains how this market dealt with the economic downturn.

Education, Occupation, and Income According to the 2009 Census Report, U.S. males are falling behind females in higher levels of education. Generally, white U.S. consumers attain higher levels of education than blacks and Hispanics. For advertisers, education also tends to correlate with the type of medium consumers prefer. Consumers with lower education are higher users of television, especially cable. Consumers with higher education prefer print media, the Internet, and selected radio and cable stations. Likewise, education dictates the way copy is written and its level of difficulty. Examine ads in *Fortune* or *Forbes* and you will find different words, art, and products than you will in *People* or *tabloid* publications. Advertisers don't make value judgments about these statistics. Their objective is to match advertising messages to the characteristics of the target audience.

Most people identify themselves by what they do. In the United States there has been a gradual trend from blue-collar occupations (manufacturing, for example) to white-collar occupations (management and information). There have also been shifts within white-collar work from sales to other areas, such as professional, technical, and administrative positions. The number of service-related jobs continues to increase, especially in the health care, education, and legal and business service sectors. Much of this transition is a direct result of computer technologies, which have eliminated many labor-intensive, blue-collar occupations. This shift has affected advertising in a number of ways: today, advertisements seldom portray blue-collar jobs, for example.

Another key demographic indicator for many advertisers is income. You are meaningful to marketers to the extent that you have the resources to buy their products or services or contribute

to their causes. The patterns of income distribution generally show that the most affluent 20 percent has 50 percent of the total U.S. consumer income; the bottom income groups, which combined include 60 percent of the population, get by on about one-fourth of the total consumer income.²¹

Advertisers track trends in income, especially **discretionary income**, which is the amount of money available to spend after paying for taxes and basic necessities, such as food and shelter. Some industries, such as movie theaters, travel, jewelry, and fashion, would be out of business if people didn't have discretionary income. Discretionary income has been found to be a more reliable predictor of spending than income.²²

Family Status Age also relates to family status. The trends during the past 30 years have been for people to increasingly be older when they marry, and the number of families also continues to shrink. Although families dominate American households, they are fewer in number than in 1980. In data reported in 2009, 67 percent of the households were families and 33 percent were singles. The composition of households is particularly important in media planning where many of the decisions are based on reaching households who subscribe or view programs, rather than individuals. That's because the media vehicles generally report their data, and compute their impact (readers, users, viewers) based on household estimates.

Race, Ethnicity, and Immigration In the United States, ethnicity is a major factor in segmenting markets. According to 2009 Census Bureau data, Hispanics make up 15 percent of the population and have overtaken African Americans at 13 percent as the largest ethnic group. African Americans, however, have seen a dramatic increase of more than 55 percent in their buying power since 2000.²³ Asians are 5 percent. Hispanics are the fastest growing minority, and the U.S. Census Bureau estimates that by 2050 they will make up 30 percent of the total population. These three major categories make up more than a third of the U.S. population, that is, roughly one in every three people are now minorities. All three groups are projected to make up more than half of the U.S. population in 2050.

Multicultural strategies that recognize these trends have been important for a number of years, but will dominate the practice of advertising in the midcentury. According to multicultural analysts, "The U.S. is more multicultural than ever."²⁴ What changes in advertising would you expect to see as a result of such a dramatic change in the racial profile of the country?

After nearly two years in a recession, the 2009 annual survey found that for the first time in nearly 40 years the foreign-born population declined with fewer low-skilled immigrants from Mexico and elsewhere. However, the survey found continuing increases in high-skilled immigrants from India and other Asian countries.²⁵ The survey also found that about one in five U.S. residents spoke a language other than English at home—mostly in California, New Mexico, and Texas.²⁶ In three metro areas—Miami, San Jose, and Los Angeles—more than a third of residents are foreign born. Data from Synovate's Diversity Markets Report, found that of all Hispanics, most were (56 percent) were U.S. born.²⁷

Media use differences may also be based on ethnicity. For example, a Nielsen study found that Hispanic viewers are more likely to watch commercials in their entirety than non-Hispanic viewers. Nielsen has found that Hispanic audiences are more influenced by advertising than other U.S. consumers—they are more likely to base their purchasing decisions on advertisements, and they are less cynical about marketing.²⁸

Self-identity is also affected by race and ethnicity. This is another reason diversity is so important in advertising—both in the ads themselves but also in the minds of the professionals who create the advertising—a point well made in the *A Principled Practice* feature.

The point is that many marketers are employing multicultural strategies to better serve their customers. McDonald's chief marketing officer, for example, reports that 40 percent of the fast-food chain's customers come from the Hispanic, Asian, and African American markets, and 50 percent of customers under the age of 13 are from those segments. He observes that

Principle

Income is a key demographic factor because consumers are meaningful to a marketer only if they have the resources needed to buy the product advertised.

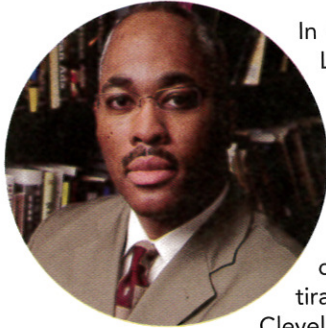


This ad for Tide targets the Hispanic culture. The translation is "The salsa is something you dance, not what you wear." If you were on the Tide team, would you recommend using this ad? Why or why not?

A PRINCIPLED PRACTICE

Making Blacks Visible

Jason Chambers, Associate Professor and Assistant Dean College of Media, University of Illinois



In the early 1990s, Kay Lorraine, a Chicago-based advertising producer, assembled a cast and crew on location to film a commercial for a Cleveland grocery chain. She hired a multiracial cast to reflect Cleveland's diversity, but the client representative, after seeing the black actors at the taping "had a fit and wanted them off the set." Lorraine refused. After several tense moments, he relented. "O.K." he allowed, "they can push the shopping carts around in the back, but make sure they don't touch the food." So Lorraine filmed the commercial with the black actors in the back of the scene and not touching any of the products—quietly pretending that they were not there.

Although Lorraine's encounter with a prejudiced executive took place late in the 20th century, it could have happened in nearly any decade and in any place in America. For much of the century, to include African Americans in a commercial, even one aired in a city with a large black population, was anathema to many executives. Indeed, many of the people who

decided the advertising and marketing direction for their companies simply acted as though blacks did not exist as consumers for their products. Therefore, they often gave them no place in their advertising, unless individuals like Lorraine, black consumers, or advocacy groups pressured them to do so.

Lorraine risked losing the account when she openly confronted the representative's prejudice. Advertising is a service business. Agencies exist to meet the needs of clients and those clients have complete power over where their advertising dollars go. That Lorraine, a white woman, took this stand was due in part to the hard work of numerous African Americans in the advertising and media industries. Over the course of several decades, these men and women stood up to the negative and denigrating treatment by advertising agencies and American corporations, and their hard work helped make the black consumer market visible. As this examination of the advertising industry will show, too few others acted with Lorraine's courage to include blacks in advertisements—or as employees in advertising agencies. Yet it was only through this sort of pressure that the advertising industry ever changed at all.

Excerpt from the Introduction to *Madison Avenue and the Color Line: African Americans in the Advertising Industry*, by Jason Chambers, University of Pennsylvania Press, 2009.

these "ethnic segments are leading lifestyle trends," and they are also McDonald's most loyal customers.²⁹

Religion One area that connects culture to demographics is religion. Religion is sometimes a useful factor because of the increasing importance of product bans. In terms of demographics, Christianity is the largest religion both in the United States and in the world. Islam is one of the fastest growing faiths in the world and may soon overtake Christianity in numbers worldwide. As an indication of that growth, National Public Radio reported that *Mohammad* has become the top male name in England, many European cities, and also in the world.³⁰ There is also a large percentage of the population, both in the United States and worldwide, that is secular or unaffiliated with any organized religion.

Some religions forbid certain products. Mormons, for example, avoid tea, coffee, caffeinated soft drinks, alcohol, and tobacco. Muslims also avoid alcohol and both Muslims and Jews avoid pork products, as well as other food products that aren't certified as halal (Muslim) or kosher (Jewish). Most religions celebrate gift giving, such as some Native American faiths and Christianity at Christmastime. Other religions affect people's choice of clothing and adornment. Religion has also become a huge factor in determining political choices and adherence to certain causes. It depends on the product category, but religion can be a key factor in identifying those who are or are not in the market for a good, service, or idea.

Geography Marketers study the sales patterns of different parts of the country because people residing in different regions need certain products. For example, someone living in the Midwest or the Northeast is more likely to purchase products for removing snow and ice than a Floridian. Differences also exist between urban areas and suburban or rural areas. Swimming pools that sell well in a residential suburban neighborhood would not be in demand in an urban neighborhood filled with apartment buildings.

Another important role for geography is in media planning where a **designated market area (DMA)** is used in describing media markets. A DMA is identified by the name of the dominant city in that area and it generally aligns with the reach of local television signals. The Seattle-Tacoma DMA in Washington, for example, covers some 13 counties in the northwest corner of the state.

Psychographics

Just as demographics relates to social characteristics, psychographics summarizes personal factors. The term **psychographics** refers to lifestyle and psychological characteristics, such as activities, values, interests, attitudes, and opinions.

Sometimes these complex psychographic factors are more relevant in explaining consumer behavior than are demographics. For example, two families living next door to each other with the same general income, education, and occupational profiles may have radically different buying patterns. One family may be obsessed with recycling, while their neighbors rarely bother to even keep their newspapers separate from their trash. One family is into hiking and other outdoor sports; the other watches sports on television. One is saving money for a European vacation; the other is seriously in debt and can barely cover the monthly bills. The differences lie not in their demographics, but in their psychographics—their interests and lifestyles.

Advertisers use psychographics to depict fairly complex consumer patterns. Libraries of psychographic measures can be purchased from research firms, or a company and its advertising agency can create its own set of psychographic measures to fit its particular product. These psychographic measures can then be used to describe customers (such as heavy users of gourmet coffee), their response to advertising message strategies (taste comparison ads), or their media choices (heavy users of the Internet).

Attitudes An **attitude** is a predisposition that reflects an opinion, emotion, or mental state directed at some object, person, or idea. Advertisers are interested in attitudes because of their impact on motivations. Because attitudes are learned, we can establish them, change them, reinforce them, or replace them with new ones. However, most attitudes are deeply set, reflect basic values, and tend to be resistant to change—you can hold an attitude for years or even decades. Attitudes also vary in direction and strength; that is, an attitude can be positive or negative, reflecting like or dislike, or it can be neutral. Attitudes are important to advertisers because they influence how consumers evaluate products, institutions, retail stores, and advertising.

One trend that depicts changing attitudes is what *Time* magazine editor Richard Stengel called “ethical consumerism,” which refers to consumers who buy according to their conscience, whether it be a concern for supporting local businesses and ecology and energy efficiency or boycotting wasteful packaging and sweatshops. The *Time* poll found that 82 percent said they shop local and 40 percent said they purchased a product “because they liked the social or political values of the company that produced it.” At the same time, many companies have found that social responsibility attracts investments, as well as customer loyalty. Stengel explains, “With global warming on the minds of many consumers, lots of companies are racing to ‘outgreen’ one another.” This results in business practices that build a positive “triple bottom line”: profit, planet, and people.³¹

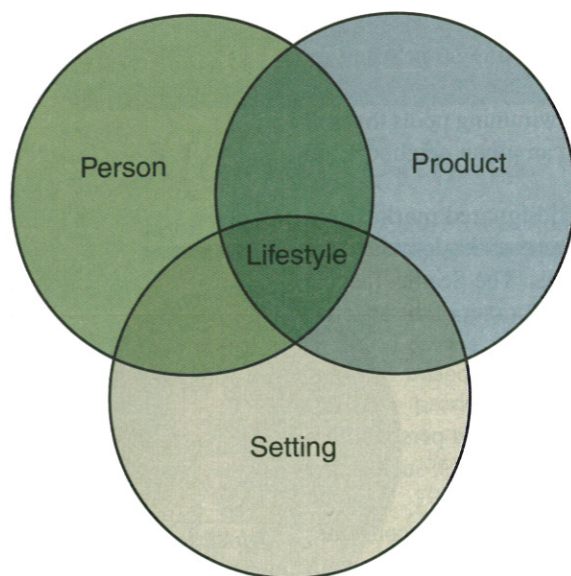
Lifestyles Psychographic analysis looks at lifestyles in terms of patterns of consumption, personal relationships, interests, and leisure activities. The DDB advertising agency has been conducting lifestyle research annually in the United States since 1975. The agency surveys 5,000 men and women on nearly 1,000 questions pertaining to such diverse topics as health, financial outlook, raising kids, shopping, religion, hobbies, leisure activities, household chores, politics, even their desired self-image. The survey also asks people about the products they use (from soup to nuts!) and their media habits. This wealth of information makes it possible to paint a vivid,

Principle

Often differences in consumer behavior lie in psychographics—consumers’ interests and lifestyles—rather than in demographics.

Principle

Strategies that are designed to affect attitudes focus on establishing, changing, reinforcing, or replacing them.

**FIGURE 5.4****Lifestyle Components**

Products are linked to lifestyles in the way they reflect the interests of people and the settings in which the products are used.

detailed, multidimensional portrait of nearly any consumer segment that might be of interest to a client—and it also lets the agency spot changes and trends in people's lifestyles over time.

Former DDB strategy director Marty Horn says that “DDB believes that advertising—and all other forms of marketing communication—is really a personal conversation between the brand being advertised and the consumer, and the better we know the consumer with whom we are conversing, the more engaging and persuasive our message will be.” The agency's Life Style Survey is an important source of information that lets this conversation happen. Horn explains, “The DDB Life Style Survey helps us get a more ‘up close and personal’ look at who our clients’ customers are than what conventional research alone can provide.”

Horn describes an example of the use of the Life Style Survey data to segment an audience for the Blood Center of Wisconsin when the center found itself low on donations. The DDB research team was able to describe frequent donors as sociable, doting parents, hard working, information seekers, and community leaders. The communication strategy was refined to appeal to a more professional working people audience and the center saw a turnaround in its level of donations.

Some of the most common lifestyle patterns are described by such familiar phrases as *yuppies* (young urban professionals) and *yuppie puppies* (their children). These terms are group identifiers,

but they also refer to a set of products and the setting within which the products are used. For example, yuppies have been characterized as aspiring to an upscale lifestyle, so products associated with this lifestyle might include Cole Haan shoes, Hermes scarves, and BMW cars.

As a result of the recent recession, the idea of sustainable living became more popular, particularly with older boomers who adopted the New Urbanist lifestyle, which means leaving a smaller carbon footprint on the planet by selling their suburban homes, moving to lofts or in-town condos, and selling their second cars so they could drive less and walk more.³² Figure 5.4 illustrates the interactions between the person, the product, and the setting in which a product is used.

As part of their services to clients, some research firms create lifestyle profiles that collectively reflect a whole culture. We discuss two of these proprietary tools here: the Yankelovich MONITOR's MindBase and the VALS System from SRI Consulting Business Intelligence (SRIC-BI).

The Yankelovich MONITOR™ has been tracking consumer values and lifestyles since 1971. Its MindBase™ tool uses the MONITOR database to identify groups of people with distinctive attitudes, values, motivations, and lifestyles. (Check this company out at www.yankelovich.com/index.php?option=com_content&task=category§ionid=21&id=42&Itemid=88.) Although the database can be used to custom design segments for individual clients, MindBase has identified eight general consumer groups that span the four generations of matures, baby boomers, Generation X, and echo boomers. The eight MindBase categories are as follows.³³

- **“I Am Expressive”** Lives life to the fullest; not afraid to express my personality; active and engaged; “live in the now” attitude; believes that the future is limitless and I can do anything I put my mind to.
- **“I Am Down to Earth”** Cruising through life at my own pace; seek satisfaction where I can; hope to enhance my life; I like to try new things; I treat myself to novel things.
- **“I Am Driven”** Ambitious with a drive to succeed; self-possessed and resourceful; determined to show the world I'm on top of my game.
- **“I Am Sophisticated”** Intelligent, upstanding with an affinity for finer things; high expectations; dedicated to doing a stellar job, but I balance career with enriching experiences.
- **“I Am at Capacity”** Busy and looking for control and simplification; a demanding and vocal consumer; looking for convenience, respect, and a helping hand; want to devote more of my time to the important things in life.
- **“I Measure Twice”** Mature; like to think I'm on a path to fulfillment; live a healthy, active life; dedicated to a secure and rewarding future.
- **“I Am Rock Steady”** Positive attitude; draw energy from home and family; dedicated to an upstanding life; listen to my own instincts for decisions in life and in marketplace.

- **“I Am Devoted”** Traditional; rooted in comforts of home; conventional beliefs; spiritual and content; like things the way they’ve always been; doesn’t need novelty for novelty’s sake or newfangled technology.

The VALS™ system by research firm SRIC-BI is known for its values and lifestyles system, which categorizes consumers according to psychological traits that correlate to purchasing behaviors. Advertisers correlate these VALS groups with their clients’ products and use this information to design ads and select media. (Check out this system at www.sric-bi.com/vals.)

Figure 5.5 shows the eight VALS groups, as well as their three primary motivations (ideals, achievement, and self-expression) for buying products and services. “Thinkers” and “Believers” are motivated by ideals—abstract criteria such as tradition, quality, and integrity. “Achievers” and “Strivers” are motivated by achievement, seeking approval from a values social group. “Experiencers” and “Makers” are motivated by self-expression and make value purchases that enable them to stand out from the crowd or make an impact on the physical world. The VALS groups on the top half of the figure have more resources—a combination of education, income, energy, innovativeness, and self-confidence—than the groups on the bottom half. You can take the survey yourself and find out your own VALS type at www.strategicbusinessinsights.com/vals/presurvey.shtml.

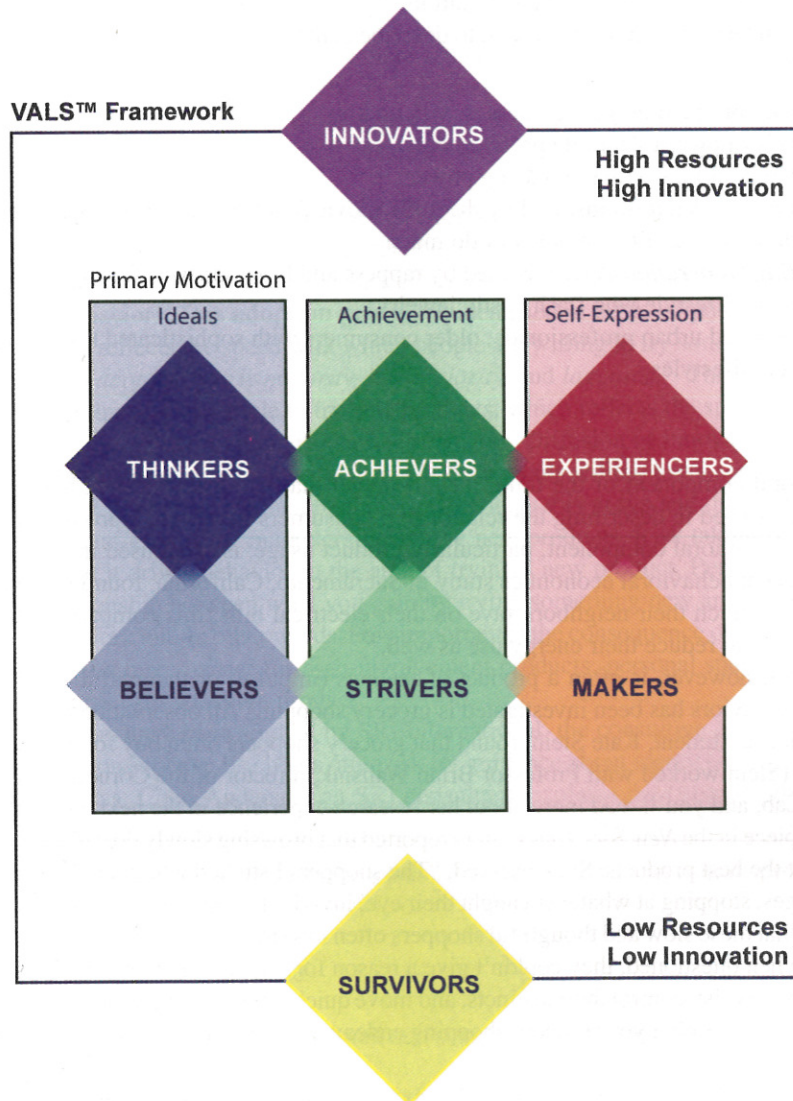


FIGURE 5.5
VALS™ Lifestyle
Framework

The lifestyle groups as identified by VALS-BI research. Where would you place yourself? Your parents?

Courtesy of SRI Consulting Business Intelligence (SRIC-BI). All rights reserved. www.sric-bi.com/VALS

The VALS framework enables advertisers to discover which VALS types buy which products so they can select an appropriate target. VALS also describes the communication styles of each VALS group so the advertiser can design ads using images and copy in a style that will grab the target group's attention. In addition, by using GeoVALS™, the advertiser can place the ad where concentrations of the target live. In addition to the U.S. system, Japan-VALS™ and UK-VALS™ have also been developed.

Sociodemographic Segments One common approach to demographic segmentation that has entered mainstream vocabulary comes from referring to people in terms of when they were born. Although these categories are age driven and we discussed them in an earlier section, these market segment terms also refer to lifestyle differences. We've talked about the incredible impact baby boomers have had as a market category, so you can understand their importance as a market segment, but savvy marketers recognize the many differences in lifestyles and attitudes among this huge population. Generations X and Y, as well as the echo boomers, are also important demographic segments, but their sociodemographic characteristics may represent more consistent lifestyle differences.

Seniors are also referred to as the *gray market* and divided into two categories: young seniors (ages 60 to 74), called the *Boomer-Plus* group,³⁴ and older seniors (ages 75 and older). Seniors, both younger and older, comprise a huge market, especially in the United States, and also a wealthy one. As baby boomers move into their retirement years, this senior market will become even larger relative to the rest of the population.

Other fun terms that have been used to describe demographic and lifestyle segments include the following:

- **Dinkies** Double-income young couples with no kids
- **Guppies** Gay upwardly mobile professionals
- **Skippies** School kids with purchasing power
- **Slackers** A recycled term inspired by the 1991 movie *Slacker*, referring to teenagers and young adults who don't care much or do much
- **Bling-Bling Generation** A term coined by rappers and hip hoppers referring to people with a high-rolling lifestyle who flash costly jewelry
- **Ruppies** Retired urban professionals; older consumers with sophisticated tastes and generally affluent lifestyles.

Behavior

The behavioral component of the think/feel/do model that we discussed in Chapter 4 is a key strategic factor used in describing the relationship consumers have with a product category or a brand. That behavioral component, particularly product usage, is often used in segmenting consumers. A recent behavioral economics study in Sacramento, California, found that when people were told how much their neighbors save on their electrical bills, this comparative information motivated them to reduce their energy use as well.³⁵

Behavior, however, is often a product of feelings (impulse) or thoughtful search. One area where such behaviors has been investigated is grocery shopping. An observational study by a University of Florida student, Kate Stein, found that grocery shoppers often buy food impulsively and irrationally. (Stein worked with Professor Brian Wansink, director of the Cornell University Food and Brand Lab, and you'll read more about her research experience in the next chapter.) Published as an op-ed piece in the *New York Times*, Stein reported that browsing slowly doesn't necessarily help you pick out the best products. She observed, "The shoppers I studied who took the longest, examining packages, stopping at whatever caught their eye, invariably spent more money." Furthermore, she noticed that these slow and thoughtful shoppers often loaded their shopping carts with unhealthy items that, when questioned, they couldn't give a reason for buying. In other words, the best shoppers use a grocery list, control their instincts, and move quickly through their product selections. For more tips on streamlining your grocery shopping endeavors, check out [www.mindlesseating.org](http://www.mindless eating.org).³⁶

Brand Usage and Experiences A critical behavior predictor called **usage** refers to how much of a product category or brand a customer buys. There are two ways to classify usage: usage rates and brand relationship, as Table 5.2 illustrates. *Usage rate* refers to quantity of purchase: light,

Table 5.2 Consumer Categories Based on Product Usage

Quantity	Brand Relationship	Innovation
Light users	Nonusers	Innovators
Medium users	Ex-users	Early adopters
Heavy users	Regulars	Early majority
	First-timers	Late majority
	Loyal users	Laggards
	Switchers	

medium, or heavy. Heavy users typically buy the most of a product category or a brand's share of the market. An old rule of thumb called the Pareto rule states that 20 percent of the market typically buys 80 percent of the products. That explains why the heavy-user category is so important to marketers and why planners make special efforts to understand this key customer group. Heavy users and brand loyal buyers are usually a brand's most important customers, and they are the most difficult for competitors to switch away from a brand. **Switchers** are people with low levels of brand loyalty who may be willing to try a new brand.

We mentioned in a previous chapter that experience marketing has become an important idea. You know the old saying that "getting there is half the fun." The experience of shopping, for some women, is as important as, or maybe more important than, what they buy. In a larger sense, our decisions are often based on what our experience has been with the brand—how well it performed, how easy it was to use, how well customer service responded to questions, and so forth.

Principle

In many product categories, 20 percent of the users buy 80 percent of the products.

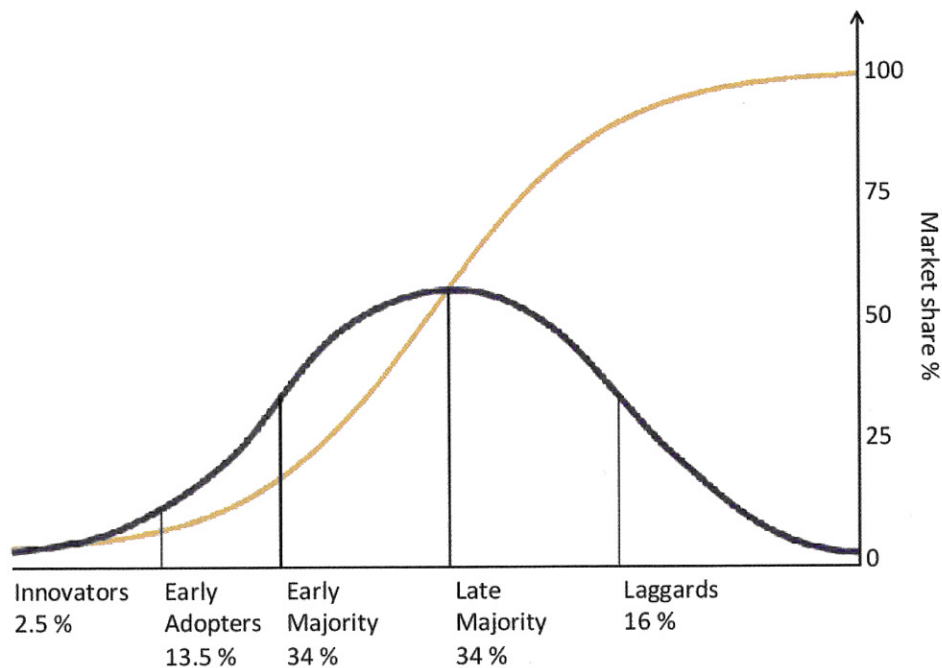
Innovation and Adoption Another type of behavior has to do with how willing people are to try something new and how willing they are to risk buying new products. Everett Rogers developed the classification system which he called the *diffusion of innovation curve*, to identify innovation and adoption behaviors. This **adoption process** is identified in terms of personal behavior and how the behavior reflects the speed with which people are willing to try something new, such as *innovators*, *early adopters*, *early majority*, *late majority*, and *laggards*.³⁷ This system is directly related to the willingness of people to try new products, which reflects the speed of **diffusion** of new ideas. See Figure 5.6 for an interpretation of Rogers' Diffusion of Innovation model.

The innovator category, which is the group of brave souls willing to try something new, represents only about 2.5 percent of the population. Obviously this group and the early adopter category are important groups for marketers launching new products. Risk taking is a personality characteristic, but it drives behavior in the area of trying a new product. **Perceived risk** is your view of the relationship between what you gain by trying something new and what you have to lose if it doesn't work out. In other words, how important is the consequence of not making a good decision? Price is a huge barrier for high-involvement products; personal status and self-image may be a risk barrier for a fashion product.

Early adopters have been studied by SRI International, the consulting company behind the VALS segmentation scheme. Its clients often ask for guidance about identifying early adopters of innovative products. Cheri Anderson, an SRI consultant, explains the company has discovered that early adopters:

- Are people involved in unusual activities and whose level of activity will disproportionately affect the behaviors of others
- Have many weak social contacts
- Are masters of their own universes
- Are high media users
- Have a more complex history of personal and sexual relationships

Who are these people? SRI's research has found that "contrary to popular belief, there is no one innovator or early adopter group but adoption patterns vary with the product category. Early adopters are in different strata and roles in society and cannot be identified by demographics

**FIGURE 5.6****The Diffusion of Innovation**

This version of Rogers' diffusion of Innovation model shows the usual bell curve with data estimating the percentage of people in the standard adoption categories, however, it also presents a percentage line that estimates the cumulative effect of successive groups of consumers adopting a new idea until it eventually reaches a saturation level.

Source: Tungsten, http://en.wikipedia.org/wiki/Everett_Rogers. Based on Rogers, E. (1962) Diffusion of innovations. Free Press, London, NY, USA.

alone. Anderson explains why early adopters are important to research firms such as SRI: "By understanding what motivates and de-motivates different early adopter groups, we can help our clients identify targets and steer their brands for successful market entry."

Trends and Fads The phenomenon of trends and fads is related to lifestyle and psychographic factors, as well as the fascination with choice in a consumer culture. We've seen "acre homes" and fancy bathroom retreats, as well as low-carb diets, healthy food (oat bran, antioxidants), natural products, fitness fads and personal trainers, hybrid cars, carbon trading, simple life (don't buy things), and local products (don't buy things that use a lot of gas in transportation to get to your local store). Even Girl Scout cookies are trying to appeal to people by using new formulations that are low in trans fats.³⁸

Young people are particularly involved in trends. For example, the way teenagers dress and talk and the products they buy are driven by a continuing search for coolness. **Trend spotters** are professional researchers hired by advertisers to identify trends that may affect consumer behavior. **Cool hunters** are trend spotters who specialize in identifying trendy fads that appeal to young people. They usually work with panels of young people in key trendsetting locations, such as New York, California, urban streets, and Japan. Loic Bizel, for example, hunts Japanese super trendy fads as a consultant for many Western companies and designers. Through his website (www.fashioninjapan.com), you can get a taste of those cool ideas and fashion in Japan's streets and life, such as studded high tops and spray-on stockings.

CONSUMER DECISION MAKING

Another important factor in identifying a brand's potential customers is the way consumers go about making product choices. A complicating factor is the increasing number of choices. Brand variations clutter shelves and media choices seem unlimited. Chicago agency Brandtrust believes the consumer decision process is "a complex alchemy" set in play by product features plus consumers' past experiences with shopping in the product category.³⁹

In Chapter 4 we looked at a number of models from a marketer's point of view. Now let's examine them from the consumer's perspective. The traditional view of consumer decision making, which is similar to the more classic AIDA-based models of message impact, is based on a linear, information-processing approach. It suggests that most people follow a decision process with fairly predictable steps: (1) need recognition, (2) information search, (3) evaluation of alternatives, (4) purchase decision, and (5) post-purchase evaluation.

- **Need recognition** can vary in terms of seriousness or importance. The goal of advertising at this stage is to activate or stimulate this need.
- **Information search** can be casual (reading ads and articles that happen to catch your attention) or formal (searching for information in publications such as *Consumer Reports*). Advertising helps the search process by providing information that is easy to find and remember. For low-involvement products this stage may not occupy much time or thought or it may be skipped altogether. Another way to describe consumer behavior in terms of information needs includes such terms as *searchers* and *impulse buyers*. Searchers are driven by a need to know everything they can about a product before making a purchase, particularly major purchases. In contrast, people who buy on impulse generally do so without much thought based on some immediate desire such as thirst or hunger. Usually there's not much at stake, so the risk of making a bad decision is much lower. It is true, however, that even major purchases, such as cars, can be made on the spur of the moment by people who are not dedicated searchers for information.
- **Evaluation of alternatives** is the stage where consumers compare various products and features and reduce the list of options to a manageable number. They select certain features that are important and use them to judge alternatives. Advertising is important in this evaluation process because it helps sort out products on the basis of tangible and intangible features. Even with low-involvement products, there may be what we call an **evoked set** of brands that are all considered permissible. What are your favorite candy bars? The brands you name makes up your evoked set.
- **Purchase decision** is often a two-part decision. Usually, we select the brand first and then select the outlet from which to buy it. Is this product available at a grocery store, a discount store, a hardware store, a boutique, a department store, or a specialty store? Sometimes we select the outlet first, particularly with impulse purchases. In-store promotions such as packaging, **point-of-purchase displays**, price reductions, banners and signs, and coupon displays affect these choices.
- **Post-purchase evaluation** is the last step in the rational process. As soon as we purchase a product, particularly a major one, we begin to reevaluate our decision. Is the product what we expected? Is its performance satisfactory? This experience determines whether we will keep the product, return it, or refuse to buy it again. We referred to *cognitive dissonance* in the discussion of satisfaction and this is also an important factor in the post-purchase evaluation step. Many consumers continue to read information even after the purchase, to justify the decision to themselves. Guarantees, warranties, and easy returns are also important for reducing the fear of a purchase that goes wrong.

This set of steps is hierarchical and suffers from the limitations we discussed in Chapter 4. We know that involvement, for example, is an important variable in consumer decision making and that the involvement level varies with product category, affecting how people make brand decisions. In other words, the process consumers go through in making a purchase varies between low-involvement and high-involvement purchase decisions (see Figure 5.7). Note that with low-involvement situations, there is little or no information search and the decision may be more of an impulse purchase. In contrast, high-involvement products and decisions use the traditional information-processing approach, which invites more information seeking and careful consideration of decision factors, such as quality or price.

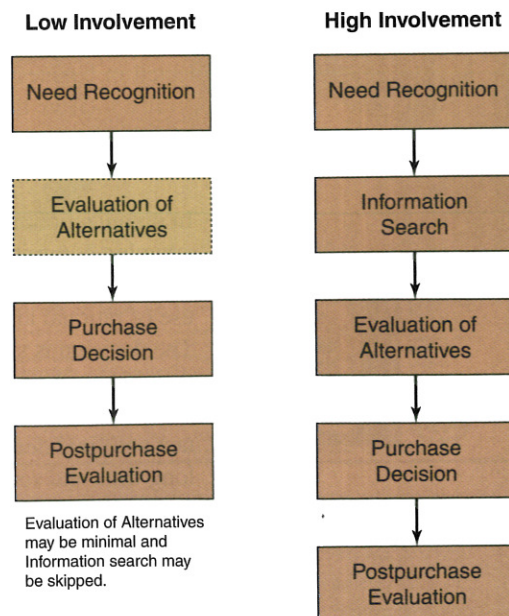


FIGURE 5.7

Low- and High-Involvement Decision Processes

The decision processes people use for low- and high-involvement products are quite different. What have you purchased recently that could be considered low- or high-involvement products? How did your decision process compare to these models?

Table 5.3 Different Paths to a Purchase Decision

<i>Path</i>	<i>Goal</i>	<i>Example</i>	<i>Advertising's Objective</i>
Think—feel—do	Learning, interest	Computer game, CD, DVD	Provide information, emotion
Think—do—feel	Learning, understanding	College, a computer, a vacation	Provide information, arguments
Feel—think—do	Needs	A new suit, a motorcycle	Create desire
Feel—do—think	Wants	Cosmetics, fashion	Establish a psychological appeal
Do—feel—think	Impulse	A candy bar, a soft drink	Create brand familiarity
Do—think—feel	Habit	Cereal, shampoo	Remind of satisfaction

The Paths to a Brand Decision

Given the importance of involvement, let's reconsider the classic information approach to brand decisions. In Chapter 4 we introduced the think/feel/do model of consumer response to a message. That same model is useful in analyzing the many different ways consumers make brand decisions.

The idea is that the path to a decision depends on the type of product and the buying situation. If you're hungry (a feeling drives a purchase decision), you grab a candy bar without much information search. If you try a sample product and like it (behavior is the driver), then you may buy the product without much evaluation of alternatives. In other words, not all responses begin with thinking about a product, nor do they follow the same route to a decision. Table 5.3 illustrates the many ways a purchase decision can be made.

Given all of the different ways consumers go about making a brand choice, you can see why brand planners need to know how this decision process works for a specific product category. Obviously the message would be different for a consumer who is searching for information to buy a computer and considering the differences between brands in comparison to someone who makes an impulse purchase like buying a soft drink. That's why this information becomes an important part of a consumer profile when identifying prospects to target in a campaign.

Influences on B2B Decision Making Many of the influences that affect consumer buying also are reflected in business-to-business marketing. However, we also know that B2B decision making generally follows the informational route. Emotion may still be important in certain situations (e.g., the buyer wants to impress the boss), but ultimately these decisions usually are more rational than emotional for the following reasons:

- In organizational buying, many individuals are involved in reviewing the options, often with a buying committee making the final decision.
- Although the business buyer may be motivated by both rational and emotional factors, the use of rational and quantitative criteria dominates most decisions.
- The decision is sometimes made based on a set of specifications to potential suppliers who then bid on the contract. Typically in these purchases, the lowest bid wins.
- The decision may span a considerable time period and create a lag between the initial contact and final decision. On the other hand, once a decision is made, it may be in place for a long time and sometimes is supported by a contract.
- Quality is hugely important, and repeat purchases are based on how well the product performs.
- Personal selling is also important in B2B marketing, so advertising is used to open the door and generate leads for the sales force.

TARGETING THE RIGHT AUDIENCE

Traditionally a market is first divided to identify segments, and then potentially profitable segments are selected to be the target audience for a marketing communication effort. Through **targeting**, the organization can design specific communication strategies to match the audience's needs and wants and position the product in the most relevant way to match their interests. Targeting is also the key factor in selecting the right media.

Consider, for example, how Niman Ranch of Bolinas, California, built a luxury brand for its beef. The obvious target would be upscale consumers who value natural food and are willing to pay more for the best. But that's not the route Niman Ranch took. Instead it bypassed consumers and marketed directly to prestigious chefs whose restaurants featured the brand on their menus. By using an innovative targeting strategy, Niman moved from commodity to a cachet brand that has brought huge growth to the little company. More recently with the interest in organic products and local farming, Niman has become a model for knitting together a network of hundreds of small-scale, organic farmers that leverages economies of scale, while at the same time leaving farmers in control of their local operations.⁴⁰

It is important to remember that the changing media environment, with its opportunities for consumer-initiated messages and two-way communication, is creating new approaches to targeting. In the Age of Twitter, targeting is less about aiming an ad than it is about listening and responding.

Profiling the Target Audience

Regardless of whether the marketing communication is using one-way or two-way communication strategies, planners still need some sense of who they are talking to and with. The target is first of all described using the segmentation characteristics that separate a prospective consumer group from others who are not as likely to buy the brand, such as women who buy hair color. The target audience is then profiled using descriptive information based on the demographic and psychographic factors we've discussed in this chapter. For example, what are the target audience members' ages, income, education, geography, and critical psychographics? What motivates them? **Profiles** are descriptions of the target audience that read like a description of someone you know. These are used in personalizing the consumer to develop on-target media and message decisions. Analyze how Clairol appealed to its target market in the classic "Does She or Doesn't She" campaign.

Pretend you're launching a new diaper service. The first consideration is identifying common characteristics of the parents in your target market. What are your brand features and how important are they to parents: price, features, materials, ecological sensitiveness, and so forth. In the large market of parents of infants, who cares for the features that are most distinctive for your brand?

You know that mothers are primary caretakers of infants, and you know that mothers are not all alike—but in order to narrow your target, what makes them different? Some are affluent, while others struggle to get by. Are these important factors for the brand (inexpensive or expensive?), or do factors other than income need to be considered? If so, what are they?

You build a profile by starting with the most important characteristic—matching the key brand features to the interests and concerns of the market. In the diaper service example, that would be gender, of course, and then age, let's say women ages 18 to 35. Then you add other factors, such as income, urban versus rural dwellers, education, or whatever factors come up in research as important predictive variables for your brand.

As Figure 5.8 illustrates, each time you add a variable, you narrow the market as you come closer to the ideal target audience. The objective is to get the largest group that can be defined in such a way that you can direct a message that will speak to people in that group and that you can reach with specific media. Once these predictor variables have been sorted out, it should be possible to build an estimate of the size of this target market.

Does she...or doesn't she?

Hair color so natural only her hairdresser knows for sure!TM

Happiness can be a thing called trust—or the joy of being sure of someone. Or even some things...like one's looks or the color of one's hair! That's why for her, Miss Clairol is sheer heaven. Not only does she trust it to keep the color young, fresh, natural looking, but she knows it's the most effective way to cover gray. And this is like discovering how to make time stand still.

Hairdressers recommend Miss Clairol and use it above all other colorings because their professional reputations depend on beautiful results. They know nothing else comes up to Miss Clairol or keeps hair in such fine condition. And that, too, is why more women use it than any other haircoloring. Quick, easy. Try it yourself. Today.

MISS CLAIROL[®]

Even when up, her hair looks natural. Miss Clairol keeps it shiny, healthy. Completely covers gray with the younger, brighter, lasting color no other kind of haircoloring can promise—and live up to!

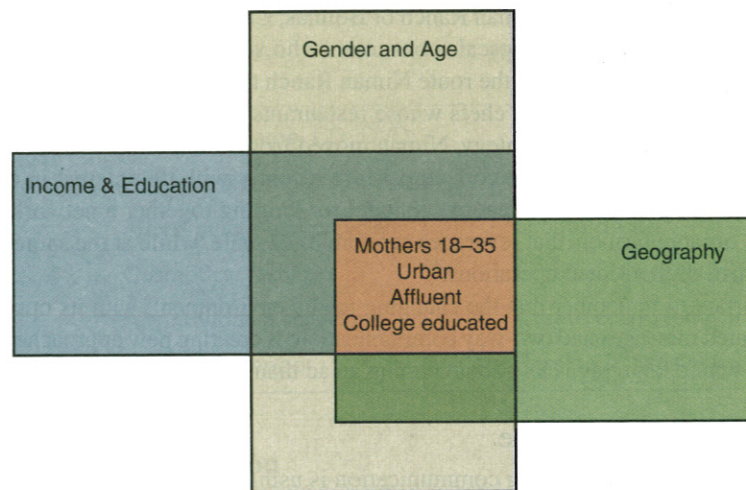
MISS CLAIROL[®] HAIR COLOR RATION is a trademark of Clairol Inc. © Clairol Inc. 1964

CLASSIC

One of advertising's most familiar slogans moved women who were tired of being told that there are things ladies don't do, such as color their hair. Legendary copywriter Shirley Polykoff understood these emotions and that it was okay to be a little bit naughty as long as you were nice. In 1967 *Time* magazine reported that the number of women who used hair color increased from 15 to 50 percent after this campaign began in 1956. The campaign also appears as #9 on Advertising Age's list of the Top 100 Campaigns in history. What lesson can you learn from a successful ad like this even if it's 50 years old?

FIGURE 5.8**Narrowing the Target**

As descriptors are added to the identification of the target, the number in the middle of the target gets smaller. As this target is defined, the size of the group can be predicted.



An example of how consumers can be profiled comes from Forrester Research, which uses a research approach called “design personas.” Harley Manning, research director for customer experience, describes the concept as “a model of a customer’s goals, needs, attitudes, and behaviors distilled from interviewing and observing real people in a market segment.” He explains that when you build a “persona,” you have a vivid profile of a type of person. For example, he referred to “Stanley,” a person used by J.P. Morgan to model its active, savvy investors. He notes that this type of person won’t be satisfied with a simple account summary and instead wants advanced portfolio details.

Principle

Each time you add a variable to a target audience definition, you narrow the size of the target audience.

Behavioral Targeting Although behavioral characteristics have always been important, **behavioral targeting** based on Internet use is getting more attention because of the increasing importance of digital marketing. It’s also changing the focus of targeting in general, particularly for brand campaigns that hope to increase customer interactivity. The Internet makes it possible to deliver ads personalized in terms of a customer’s own usage patterns.⁴¹ Amazon, for example, has pioneered the practice of promoting books to people based on their past purchases. The idea is that a person who is only known by an ISP number gets a specially targeted ad based on sites visited or purchases made online.

As David Rittenhouse, of Ogilvy & Mather, explains, “Online media have emerged as a preferred channel for behavioral targeting due to the massive amount of data available on Web users’ browsing patterns and the dynamic nature of the way ads are delivered.” He makes the point in *The Inside Story* that this has opened up new opportunities for marketers to use better targeted and more cost-efficient and relevant messages. Check out his digital agency, neo@ogilvy, at this website: www.ogilvy.com/About/Network/Neo.aspx.

Microtargeting

A targeting practice that has emerged from political campaigning is called **microtargeting**, which refers to using vast computer databanks of personal information to identify voters most likely to support one candidate or another. This **data mining** practice, which enables advertisers to direct highly tailored marketing messages to narrow slices of a segment, was refined for George Bush’s 2004 reelection campaign and used again in the midterm elections by California Governor Arnold Schwarzenegger, as well as other candidates, both Democrat and Republican, in the 2008 election. From these data banks, political experts can tell what car or cars likely voters will drive, as well as their choices in recreation, leisure time activities, and restaurants.

Microtargeting has applications beyond politics. Several marketers have been able to profile prospects by carefully analyzing data on their regular customers to identify these revealing tendencies and characteristics.

But sometimes it doesn’t work. An example of what sounded like a good idea at microtargeting comes from Chevrolet’s “Come Together and Worship,” a 16-concert tour with top Christian-music performers. The idea was that the Christian-music psychographic reflected a segment of

THE INSIDE STORY

Behavioral Targeting: An Emerging Online Strategy

David Rittenhouse, Senior Partner and Planning Director, *neo@Ogilvy*



It's not a new concept for marketers to observe consumer behavior and use the resulting insights to improve program performance. Advertisers have long led the charge, taking certain types of behavior as indicators of interest, grouping them into segments, and matching ads to them.

What Is Behavioral Targeting?

Behavioral targeting is about matching ads to interests indicated by *recency* and *frequency* of consumer behaviors, collected unobtrusively. For example, imagine a consumer shopping for a car and researching the purchase online. She visits car-related Web pages and reads reviews, sales listings, and other automotive content. She does this four times in a 30-day time span within a network of websites. This type of behavior pegs her as an "auto shopper," a segment comprising type of content plus frequency of recent visits.

A behaviorally targeted ad placement would deliver an impression only after the Web user had met these predefined criteria that put her into the "auto shopper" segment. The ads would not necessarily be delivered in automotive content, but in some cases via the least expensive ad space available.

OgilvyOne was among the first agencies to test behavioral targeting. Our own advertiser case studies have shown that behavioral targeting improves the composition of target audiences, lowers the cost of tar-

geted impressions, and increases responsiveness to advertisements.

An early test run in the United Kingdom with a major technology client showed strong increases in audience composition over more traditional types of online ad placements. Since then, we have run behaviorally targeted placements for other clients across other categories, such as financial services and pharmaceuticals. These tests confirmed our earlier findings, showing decreased impression and response costs. Other marketplace studies have shown behavioral targeting to increase product sales and brand metrics such as brand awareness and preference.

A Word on Privacy

Internet user privacy has been raised as a potential issue with behavioral targeting. When done properly, no personally identifiable information is collected. Ads are not matched to an individual (name, address, date of birth) but to an interest segment (shopping for a car). Behaviorally targeted ads are paid for and served as part of publisher pages, not pop-ups generated by a piece of spyware, so they are controlled to ensure that the relationship with the reader (and the advertiser's brand) is not damaged.

The Internet Advertising Bureau (IAB) and consumer advocates have come out in favor of behavioral targeting in its present form, as long as consumers are informed and given a choice.

A graduate of the University of Colorado where he received a master's degree, David Rittenhouse was nominated by Professor Sandra Moriarty.

Chevy's Americana audience. The Jewish community, however, wondered why Chevy was favoring one religion over others, and influential Christian leaders criticized the idea as "blurring the lines between the commercial and the sacred."⁴²

Ethical Issues

In addition to the privacy issue raised in *The Inside Story*, other ethical issues are involved with segmenting and targeting. Let's consider two examples of ethical quandaries surrounding the advertising of potentially unhealthy products to specific segments, such as targeting young black men in inner cities with malt beer ads and children with commercials for sugary foods.

One of the biggest issues in targeting is the emphasis in many advertising programs on targeting young consumers. It started back in the 1950s and ever since then, marketers and advertisers have tried to reach the trendsetting youthful audience. But the growth in the numbers of older consumers has led to some resentment about the continuing emphasis on young people as a general targeting strategy. It's a particular problem in television programming, most of which

is aimed at twenty-somethings. With 78 million boomers now in their “power years,” advertisers are rethinking their emphasis on youth.

Looking Ahead

In this chapter we’ve discussed demographic and psychographic characteristics and how they are used in segmenting and targeting. How these characteristics are identified is the topic of the next chapter where we’ll discuss the research needed to support these basic strategic planning decisions.



IT'S A WRAP

A Model New Way to Connect with Customers

Reconnecting with a valuable segment of the target audience helped Old Navy improve its fortunes. Attracting value-conscious moms seems to be paying off. As a result of improving the clothing lines, stores, and merchandising and promotional strategies, the brand was able to build and maintain its strong value message, which translated into sales.

The Gap, Old Navy’s parent company, posted a 45 percent profit increase in the fourth quarter of 2009, thanks in large part to Old Navy success. Sales at the Old Navy stores that have been open at least a year rose 7 percent.

A key insight about the target audience and a clever campaign using some quirky mannequins that talk helped Old Navy create positive brand perception in the eyes of the target audience: young moms. Old Navy sells more than inexpensive, cool clothes at a good price. Its brand sells fun. Old Navy’s President Tom Wyatt said, “There are a lot of people that portray value, but no one portrays value with our quirky spirit.”

A J.D. Power study revealed another sign of brand effectiveness. The study evaluated favorable online mentions of retailers by 22- to 29-year-olds and found that value brand Old Navy closely followed some more trendy brands, such as Anthropologie and Bath & Body Works.

Old Navy is starting to receive recognition for its creative work, as well. The National Retail Federation asked more than 9,900 consumers across the nation to name their favorite holiday campaign. “Super-Modelquins” ranked high at number six.

Key Points Summary

1. **What cultural, social, psychological, and behavioral influences affect consumer responses to advertising?** The social and cultural influences on consumer decision making include norms and values, society and subcultures, social class, reference groups, age, gender, family status, education, occupation, income, and race. Psychological influences on consumers include perception, needs and wants, learning, and motivations.
2. **What characteristics are used to segment groups of consumers?** Advertisers identify audiences in terms of demo-

graphics, psychographics, product-related behavior, and decision making. Demographic profiles of consumers include information on population size, age, gender and sexual orientation, education, occupation, income, family status, race, religion, and geography. Psychographic profiles include information on attitudes (activities, interests, opinions) and lifestyles. Behavior profiles emphasize brand usage, as well as innovativeness and risk taking, and participation in trends and fads. Quantity of usage is an important characteristic of a profitable market. The relationship the con-

sumer has with the brand in terms of use and loyalty is also important. Finally, the innovativeness of people in the group in terms of their willingness to try something new is another important behavioral factor in segmentation.

3. **How does the consumer decision process work?** The information-driven decision process involves five stages: need recognition, information search, evaluation of alternatives, purchase decision, and post-purchase evaluation. The paths approach to consumer decision making identifies a multitude of different routes that a consumer may take to reach a purchase decision.

4. **How does targeting work and how is it different from segmenting?** In contrast to segmentation, which involves dividing a market into groups of people who can be identified as being in the market for the product, targeting identifies the group that would be the most responsive to an advertising message about the product. Both segmenting and targeting use social/cultural, psychological, and behavioral characteristics to identify these critical groups of people. But targeting uses this data to build a profile of the ideal person to whom the marketing communication is directed.

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Key Terms

- | | | | |
|--|---|---|-----------------------------------|
| acquired needs, p. 135 | culture, p. 132 | microtargeting, p. 154 | segmenting, p. 137 |
| adoption, p. 149 | data mining, p. 154 | motive, p. 136 | social class, p. 134 |
| adoption process, p. 149 | demographics, p. 139 | neuromarketing, p. 137 | switchers, p. 149 |
| attitude, p. 145 | designated marketing area (DMA), p. 145 | niche market, p. 138 | tabloid, p. 142 |
| behavioral targeting, p. 154 | diffusion, p. 149 | norms, p. 132 | target market, p. 139 |
| brand communities, p. 134 | discretionary income, p. 143 | perceived risk, p. 149 | targeting, p. 152 |
| cognitive dissonance, p. 136 | evoked set, p. 151 | point-of-purchase (PoP) display, p. 151 | trend spotters, p. 150 |
| consumer behavior, p. 130 | family, p. 135 | population, p. 139 | undifferentiated strategy, p. 137 |
| cool hunters, p. 150 | household, p. 135 | profiles, p. 153 | usage, p. 148 |
| core values, p. 132 | lifestyle, p. 135 | psychographics, p. 145 | values, p. 132 |
| corporate culture, p. 134 | market segmentation, p. 137 | reference group, p. 134 | |
| cultural and social influences, p. 135 | | | |
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Review Questions

1. In what ways does the culture in which you grew up affect your consumer behavior? Describe and explain one purchase you have made recently that reflects your cultural background.
2. What are reference groups? List the reference groups to which you belong or with which you associate yourself.
3. What is the difference between needs and wants? Give an example of something you have purchased in the past week that represents a need and another that represents a want.
4. What are the key behavioral influences on consumer behavior? For example, say you want to go out to eat on Friday. Analyze your decision about where to go in terms of behavioral factors.
5. What are your key demographic and psychographic characteristics? Build a profile of yourself and give an example of how each one might be used in planning an advertising campaign targeted to someone like you.
6. What are the key steps in the adoption process, and how do they relate to product purchases? Who do you know who might clarify as an early adopter? As a laggard? Profile those two people and identify the key characteristics that make them different in their orientation to new ideas or products.

7. Define targeting. How does it differ from segmenting? Explain how Old Navy approached the segmenting and targeting decision in its SuperModelquins campaign. Do you

think this approach is effective? How would you make the targeting more relevant given the opportunities offered by interactive communication?

Discussion Questions

1. Analyze the corporate culture at various agencies and clients. Start with the statement on www.ogilvy.com/About/Our-History/Corporate-Culture.aspx for an inside view of how this agency articulates its view of its own corporate culture. Then find at least one other agency or client website that refers to its corporate culture, and compare that statement with Ogilvy's. (Start with the companies whose websites have been mentioned in this chapter or previous chapters.) Where would you prefer to work and why?
2. We discuss inner- and outer-directed personalities in this chapter. Check out the following articles about Reisman's theory on these or other websites and then write a profile for yourself and your best friend. Compare and contrast your orientation toward your peers. www.helium.com/items/232453-are-you-inner-or-outer-directedfredasadventures.com/everyday-life/are-you-an-inner-or-outer-directed-person
3. Consider the social factors that influence consumer decisions. Identify two demographic or psychographic factors that you think would be most important to each of these product marketing situations:
 - a. Dairy product company (milk, cheese, ice cream) offering an exclusive packaging design that uses fully degradable containers
 - b. A new SUV that is lighter in weight, runs on ethanol, and gets better gas mileage than the average SUV
 - c. An athletic clothing company that is sponsoring the next Pogopalooza, the world championship of extreme pogo
4. The U.S. Census projects that minorities will grow to 50 percent of the population by 2050. What are the implications? What challenges will this pose for advertisers and marketing communication agencies? Analyze the impact of this demographic change on a product category. First choose a minority group that we discussed in this chapter. Then choose a product category—either car insurance, organic fruits and vegetables, or health clubs. For your product, develop a list of research questions you would like answered that would give you better insight into this group and help you better target this population. What consumer characteristics—demographic factors, psychographics, and buying behavior—are important in segmenting and targeting this group?
5. Analyze the decision making involved in choosing your college:
 - a. Interview two classmates and determine what influenced their decision to attend this school.
 - b. How did you—and the people you interviewed—go about making this decision? Is there a general decision-making process that you can outline? Where are the points of agreement and where did you and your classmates differ in approaching this decision?
 - c. Draw up a target audience profile for students attending your college. How does this profile differ from another school in your same market area?
6. You are working on a new account, a bottled tea named Leaf's Alive that uses a healthy antioxidant formulation. The sale of bottled tea, as well as healthy products, is surging. Analyze your market using the following questions:
 - a. What consumer trends seem to be driving this product development?
 - b. What cultural, social, psychological, and behavioral factors influence this market?
 - c. Plot the consumer decision process you think would best describe how people choose a product in this category.
 - d. Choose one of the VALS (www.sric-bi.com/vals/) or Yankelovich MONITOR's MindBase groups that you think best describes the target market for this product (www.yankelovich.com/index.php?option=com_content&task=category§ionid=21&id=42&Itemid=88). Explain your rationale.
7. **Three-Minute Debate:** One of your classmates argues that the information-driven approach to a consumer decision is absolutely the most important route and that advertising strategies should focus on that type of situation. Two other classmates disagree strongly: One argues that a feeling-driven approach is much more effective in generating a response, and the other says the only thing that counts is driving action, particularly sales.
In class, organize into small teams with each team taking one of the three positions. Explain your team's position in a short presentation for your classmates.

Take-Home Projects

1. **Portfolio Project:** Choose two VALS and two MindBase categories. Find one print advertisement that appears to be targeted to people in each category. Explain why you think the ad addresses that audience. Do you believe that the categories are mutually exclusive? Can consumers (and ads directed to them) be classified in multiple categories? Why or why not?
2. **Mini-Case Analysis:** Review the chapter opening and closing story about Old Navy's SuperModelquins campaign.

The agency is known as being tuned into cultural trends, so how does this campaign reflect a cultural or social insight? What psychological insight helps explain the thinking behind this campaign? From what is presented in this mini-case, develop a profile of an individual member of this target audience.

Team Project: The BrandRevive Campaign

How do people make decisions to buy your product, whether a good or service, or participate in the case of a nonprofit? For goods, assign your team members to different stores to do unobtrusive "aisle checks" by standing in the aisle and observing shoppers considering purchases. For services and nonprofits, observe customers, if possible, or interview prospects about their decision making in this category. Then, as a team, write up a report that describes how people make decisions about brands in your product category.

- Analyze the decision: Is it a brand decision? A price decision? An emotional decision? Or is it based on some other feature?
- Analyze the information search: Do they study labels, read product literature, go online and search for information, listen to sales pitches, or make a snap decision? How important is information in the decision?
- From what you can observe, what other features are important in decision making in the category?
- Present your findings in a one-page report and a PowerPoint presentation that is no longer than three slides.

Hands-On Case

The Century Council

Read the Century Council case in the Appendix before coming to class.

1. From the case study and your own personal experiences in college, what factors do you believe most strongly encourage binge drinking on college campuses?
2. What efforts to curb underage drinking are you aware of, and do you believe they are successful? Why or why not?
3. You have been asked by the Century Council to develop target market profiles of different types of underage drinkers on college campuses. Write detailed descriptions of these different people with enough detail that we feel as if we know them personally.