

If you're not talking segmentation, you're not talking marketing

Few hospitality outlets can afford to be all things to all people. In this article David McCaskey considers how some aspects of segmentation enable a firm to better target its efforts through selecting the most promising opportunities.

All our businesses have a catchment area or 'patch' from which we draw the majority of our custom. Research by the Henley Centre in association with the Newspaper Society finds that almost every major element of the average person's life is lived within a 14-mile radius of the home.¹ The distances travelled for various reasons, illustrated in table 1, clearly show how strong is our attachment to our locality. Indeed, despite the widespread discussion of globalisation and general acceptance of how highly transient populations seem to be, it is surprising to discover that over half of us live within a 30-minute drive of our birth-place and that 90% of people go less than ten miles when moving home. Of course, if your business is a destination restaurant, a resort or, for example, seeks to attract weekend-breakers, you may draw from further afield; your catchment may assume the classical doughnut shape drawing from an audience within a half to one-and-a-half-hour drivetime. (Most of our HE students are attracted from a similar distance.)

Our local patch

It is predicted that increasingly time pressures and the rise of home-working will make the local environment and community even more important. Recent research on behalf of the major food retailers predicts a significant loss from their turnovers in terms of 'share of stomach' as over the next decade the UK assumes US eating-out patterns. In the UK currently, 30p of every

pound of food consumption is spent on eating out; in the US today, some 60¢ in every dollar of food spending is spent on eating outside the home. In the UK we're playing catch-up at a rate which would suggest that by 2010 we'll match the present US spending percentage.² Thus, from this potential increase in local

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demand, our catchment acquires even more significance to the future success of our business.

Our patch is usually made up of a hotchpotch of contrasting clusters of people/households which are heterogeneous (as opposed to homogeneous). It is through developing our understanding of the differences or variables in its composition that we can select

Table 1 Average distances travelled from home

For leisure	miles	For shopping	miles
Theatre	12.6	A new car	13.5
Restaurant	8	Carpets/furniture	8.9
Cinema	6.8	Clothes	8.8
Gym/health club	3.1	Computer outlets	8.6
		Major electrical	7.8
For living		Minor electrical	5.8
Moving house	13.5	Car repairs	5.3
Mother's house	12.6	DIY & garden	5.2
Average commute	8.1	Groceries	3.8
School	3.1		

Sources: DETR/ONS/Newspaper society/The Future Foundation

Figure 1 Information options for CO7 9JN

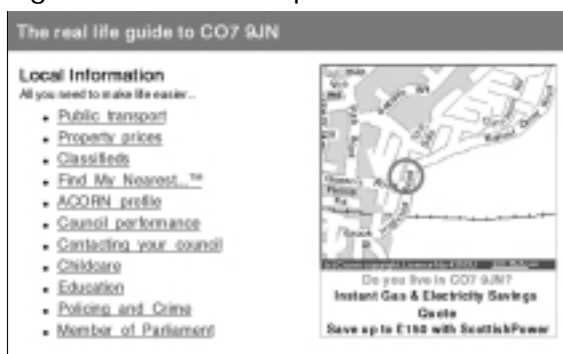
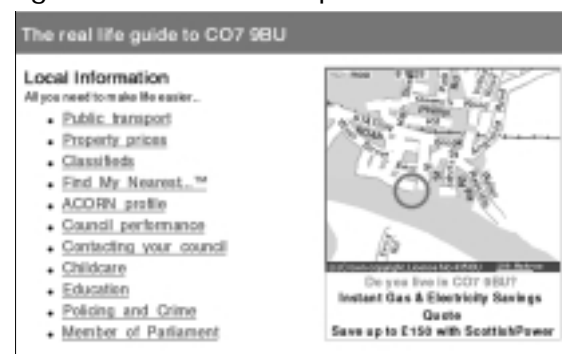


Figure 3 Information options for CO7 9BU



and foster custom from those in the locality for whom our particular service is most appropriate. Or tailor our offering to match the needs of a known group or indeed find similar groups who might be tempted. To assist in this, geodemographic segmentation yields much insight into the composition of the patch. This analysis combines micro-location, age, sex, and family grouping along side socio-economic and lifestyle factors. To realise the value of this approach, please visit the website www.upmystreet.com; enter your post code and you'll find an astonishing (if it's your first time) amount of data about your location. There are many links from local weather to pubs, restaurants etc. Now

the next most likely customer to buy is one similar in profile to your current customer

please call up ACORN (A Classification Of Residential Neighbourhoods) and request the full profile.³ You can read a very full vignette capturing the makeup of peo-

ple who live in the chosen postcode segment. Figure 1 shows the map for my location at CO7 9JN. From the two pages of data (figure 2), I find I live in what is categorised as a mature well-off suburb. Some 3% of the UK population live in this ACORN type, this is one of over 50 classifications. I'm surrounded by professionals with high academic qualifications, from the two pages of data my neighbours take more summer and winter holidays than average and have a propensity to eating out etc.

To help understand the value of how this may be useful and, in turn to comprehend the refined granularity (1.6 million UK postcodes average 25-30 houses x 17 population groups and 54 population types) or micro-fragmentation of this CACI system, take a fairly adjacent postcode like CO7 9BU (figures 3 and 4), which is only 100 yards away on the river at the Quay and you'll find an entirely different cluster classed as Type 16: 'Well-off town and city areas' (waterside always commands a premium). This

Figure 2 ACORN data for CO7 9JN

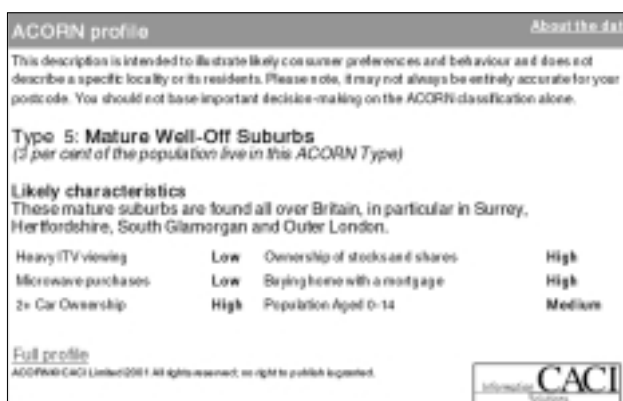
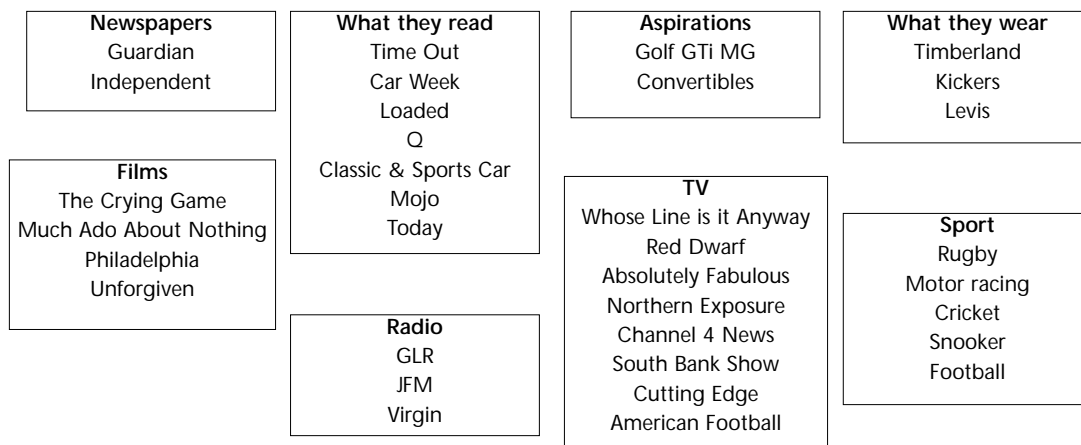


Figure 4 ACORN data for CO7 9BU



The contrasting profiles of two neighbouring areas. ACORN data reproduced by kind permission of CACI Ltd from Upmystreet.com. See also <http://www.caci.co.uk/cp-acorn-neighbourhood-class.htm> (© CACI Ltd)

Figure 5 Good time men



Source: Ian Wilson 'Carlsberg Ice Beer' Case Study in *European Case Book on Principles of Marketing* pp 246–258 Edited by Saker J. and Smith G. (Prentice Hall, Hemel Hempstead 1997)

high status, high spending neighbourhood is similar to Kingston upon Thames and Richmond. Its affluent professional population eat out a lot, they are also 60% more likely than average to be vegetarian. Using Upmystreet in conjunction with the Royal Mail (Consignia) Postcode Finder on that site, you can quickly draw up an entire analysis of your catchment area. About 70 postcodes would cover my extended village giving me the full and diverse patchwork. It's a marketing truism that the customer most likely to buy your services is one who has used them before, this may in turn be extended to suggest that the next most likely customer to buy is one similar in profile to your current customer.

Brand-building by database

Certainly these are similar to the location techniques applied by the major hospitality and retail players. For example Bass and Whitbread, when they are deciding which brand and where to build it, or visa versa, use a range of geodemographic methods. Bass have a vast database of the user types who frequent their different pub brands. They know distance travelled, favourite tittle, lifestyle, spending power etc. They then seek locations where there are enough people of that type to allow for a successful operation. Bass's system is more sophisticated as it introduces fuzzy logic as a mapping ingredient, and of course having built the outlet it is important to invite in the customers for

whom it was built. If necessary, a list-broker will provide the names and addresses of those to be called to the bar. As each of these companies is opening over 100 outlets per year their approach may be formulaic but it is effective.⁴ Another example may be evidenced

single women who can afford to live alone will enjoy a full social life with trips to the theatre, gym, cinema, restaurants, friends and evening classes

from their hotels divisions where all new sites for both Travel Inn and Express by Holiday Inn are pre-calculated to open at above 70% occupancy and achieve 85% plus within their third year of operation.

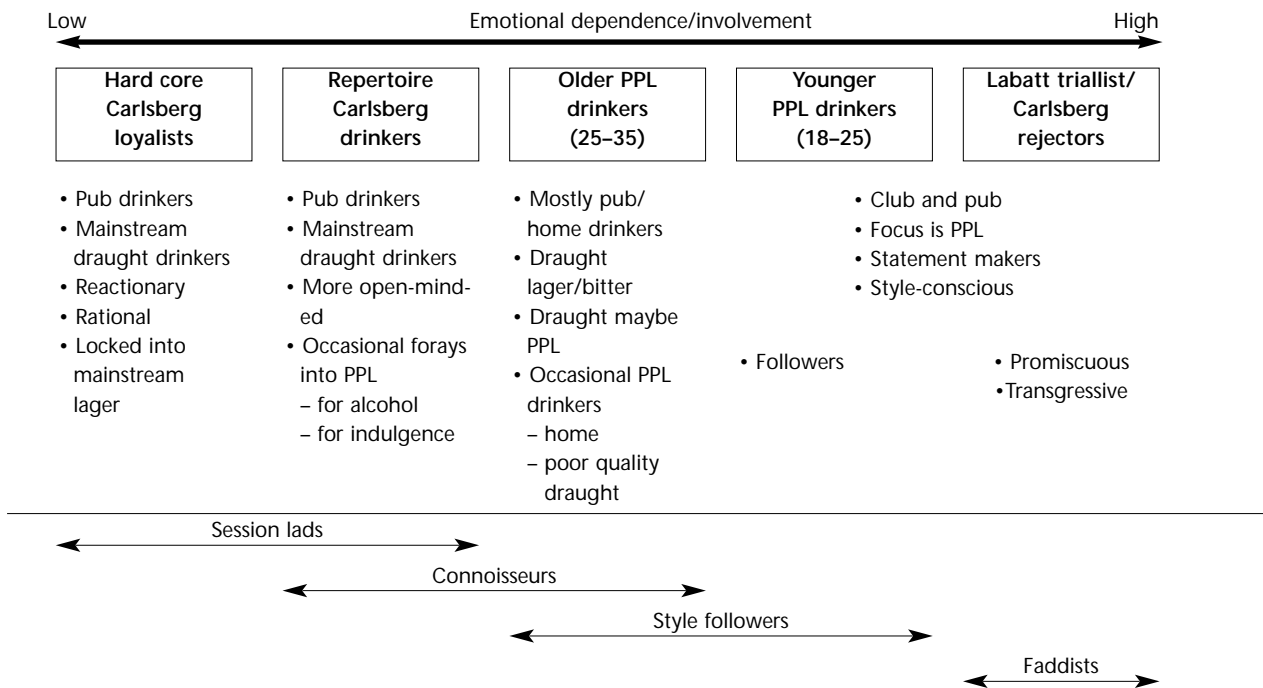
The development of thumbnail sketches or potted biographies of our current and potential customers is fundamental to understanding them, in turn helping to better our product development and positioning.

The key issues are:

- 1 How to identify and describe our various targets.
- 2 How to best convey the most appropriate features of our services in user benefit terms.
- 3 How to capture the essence of the experience/s we offer.
- 4 Where to distribute and how to promote.
- 5 How to maintain and develop long-term relationships.

In their search for consumer segmentation variations, derived from demographics, which would produce tighter segmentation and thus a better understanding of customer needs and wants, the planners at

Figure 6 Use of beer as a vehicle for self-expression



Source: Ian Wilson 'Carlsberg Ice Beer' Case Study in *European Case Book on Principles of Marketing* pp 246-258 Edited by Saker J. and Smith G. (Prentice Hall, Hemel Hempstead 1997)

Carlsberg/Tetley along with TGI (Target Group Index) data developed two distinct profiles which applied to above-average consumers of lager from all age groups and social grades. As illustrated in figure 5, their 'Good Time Men' and the accompanying 'Good Time Boys' are classics of their time, with a charming period flavour. Developed in the early 90s they could easily and readily be updated to today's brands, media etc. A

existing range of Pilsner, Export and Special Brew, they considered an approach which was based on the degree to which customers exhibited different degrees of dependence on beer as a vehicle for self-expression.

From this emerged the proposition that *only Carlsberg achieves the desired balance between the distinctiveness of ice beer and the heritage, authority and confidence of an international brewer's reputation.*

independent women will flock to the doors of restaurants which can best meet their pre- and post-event refreshment needs

The model produced in figure 6 has many facets to weigh up and obviously has potential applications elsewhere in the hospitality industry and other consumer sectors. These models need to be handled with care, particularly in the conclusions that may be drawn

classroom exercise which much stimulates interest and amusement is to set the task to profile 'Good Time Women' and 'Good Time Girls' (important segments to be consider later).

about new product opportunities.⁵

Through our improved understanding of what our customers read, watch, wear and aspire to we can achieve a better empathy as we are more turned on and tuned into their wavelength. Indeed any form of analysis which brings us closer to the customer is valid. Another example from Carlsberg is cited. When they went on to launch their Carlsberg Ice another Premium Packaged Lager (PPL) to complement their

Segmentation guidelines

In approaching segmentation, or grouping your customers into clusters according to their backgrounds and needs, certain criteria should be considered.

1 Measurability

Identifying and quantifying the potential of each segment accurately to ensure that it makes tangible commercial sense as a viable sub-group.

Table 2 Wells and Gubar life-cycle stages

Category

- 1 Bachelor stage
(young single people not living with parents)
- 2 Newly married couples without children
- 3 Full nest I (youngest child under 6)
- 4 Full nest II (youngest child 6 or over)
- 5 Full nest III
(older married couple with dependent children)
- 6 Empty nest I
(no children living at home, family head in work)
- 7 Empty nest II (family head retired)
- 8 Solitary survivor (in work)
- 9 Solitary survivor (retired)

Source Worcester, R and Downham, I (eds) *Consumer Market Research Handbook* 3rd edn (McGraw-Hill 1986) p. 394

2 Accessibility

Your ability to reach the segment with a specific and cost-effective communications mix.

3 Distinctiveness

Each segment should be significantly different from any other segment enabling the organisation to sufficiently well tailor the service to attract the required customer.

In taking this approach, your business should be able to reap many benefits, these include:

- A much enhanced understanding of your customers and your competition.
- More appropriate services are finely tuned to the needs of a particular customer cluster.
- Greater customer satisfaction and a potentially longer relationship.
- Focus on sub-markets to optimise yield and in-turn develop new segments and markets.

In addition, you should achieve a more efficient allocation of resources with more effective short- and long-term market planning, leading to improved sales and profitability.

Figure 7 shows some of the segmentation variables for use in consumer markets. Let's look at one aspect of demographics using the Wells and Gubar life-cycle stages illustrated in table 2.

There is a furniture store in Colchester which adver-

tises nationally—Hatfields—whose Managing Director, Tony London, states

90% of our custom comes from the Empty Nest 1 category. As soon as the children leave home, their parents often come here to totally re-plan and invest in their houses, selecting furniture that no longer needs to be child and teenager proof.

This is also the group which now has the three essentials of time, money and inclination to eat out and to sleep out. This they do with gay abandon, as if they have been released from a long period of deferred gratification.

Watch out for gender differences

Structural change in the UK's population is further detailed in Professor Richard Scase's study, *Britain Towards 2010*. He finds that

There is a growing segmentation between the lives of single men and women. Single women in their 30s and 40s have well developed social networks and are involved in a wide range of social activities.

Men on the other hand seem to be sad, isolated, lonely cases. The hard truth seems to be that living alone is good for women, but bad for men.

While single women who can afford to live alone will enjoy a full social life with trips to the theatre, gym, cinema, restaurants, friends and evening classes—in many cases—reaping the benefits of psychotherapy, their male equivalents will be far more likely to be spending their time lounging around the home. Washing down their

Figure 7 Segmentation variables used in consumer markets
Geodemographic segmentation

<p>Demographic variables</p> <ul style="list-style-type: none"> Sex Marital status Family size and background Race/ethnic group Education Income Home ownership Socio-economic class Court judgments 	<p>Benefit variables</p> <ul style="list-style-type: none"> Usage rate and volume Product benefits Consumer need satisfied Technical aspects Price sensitivity Brand loyalty End-use Benefit expectations
<p>Geographic variables</p> <ul style="list-style-type: none"> Region Urban/suburban/rural Population density City or county size Market density Residential location Housing type Climate 	<p>Psychographic variables</p> <ul style="list-style-type: none"> Lifestyles Personality Self-image Value perceptions Social aspirations Psychological aspirations Motives

Behavioural segmentation



Budget hotel operators are masters of segmentation. Accor, one of the pioneers, is busy adding to its network in the UK. Just opened is this unit in Hull, with the bar (right) their 38th hotel in the UK, and their 638th in the world. As always the stress is on the low starting price of £29.95. Also offered is a '15-minute service guarantee': Ibis will solve any little problem for which it is responsible in 15 minutes or the guest will not pay for the room. (Accor)

*take-away curries with beer while watching videos or playing computer games.*⁶

Commenting on this report, social forecaster Alex McKie said

Women have a huge range of choices now about how they lead their lives and the roles they play. It is very different for men whose role is increasingly ambivalent.

It seems that men are much more dependent on a wife for emotional and psychological support, while women have always been less dependent on one person in the emotional sphere. This brave new world for single women is also reinforced in the latest findings of a study commissioned by Warner Brothers. This analysis concludes that

Women frequently go round in groups of friends to return to movies they have enjoyed. They regard some films like joining a book-reading circle, to be actively shared, an attitude not common amongst men. Teenage girls were found to have gone in groups to see Titanic several times.

As M&S found, the next big issue is maintaining and developing the service experience so that it retains their interest and long-term custom

*Thirty-somethings flocked to see Bridget Jones's Diary in groups.*⁷

These groups of independent women will flock to the doors of restaurants which can best meet their pre- and post-event refreshment needs, and those which

provide a whole evening out experience. This will be far removed from some of the more decorous provision made for 'hen nights'.

Another major segment is that defined as 'Baby Boomers', which is the largest and most economically powerful cluster in both the UK and the Western World, the focus of my next article.

There are many other geodemographic segmentation systems:

- Experiens with MOSAICS
- CMT's National Shopper Survey which identifies 20 personae—behavioural types ranging from 'Bon Vivreur' to 'Craftmen and Homemakers'
- Pinpoint
- Target
- RSL's Sagacity, a life cycle/income/occupation analysis.

Of course, identifying custom and attracting it to our premises is only one aspect of the use of segmentation.

As Marks & Spencers, Sainsburys and, most recently, Whitbread Brewers Fayre and McDonalds have found, the next big issue is maintaining and developing the service experience so that it retains their interest and long-term custom. There are many ways of

analysing, measuring and segmenting your customer base.

Peter Burgess of Somerford Research (9 May 2002) found that

despite the adoption of CRM initiatives designed to give



enough to desire and prefer hassle-free dealings; and rational enough to pay a reasonable price for these attributes.

We need to carry out an audit to find out why our customers really buy from and what they think of us; to find out what are their options; to find out their needs for the future; to determine how loyal or committed they are to us. One way of segmenting the latter would be to categorise them against the MORI Excellence Model as shown in figure 8 and devise marketing plans for each section of the loyalty ladder. Through this division of our customer base, approached rigorously, and by

the best customers the best service, customers are becoming less committed to using only one or two outlets.

Repertoire buying is increasing, particularly amongst the young who are happy to switch regularly. There has been a fundamental change in attitudes towards the notion of value.⁸

The Henley Centre's Planning for Consumer Change research indicates that customers are increasingly rational seekers of value: rational enough to want to identify products of superior performance; rational

challenging our existing assumptions about our customers we should be able to

- 1 Ensure that we are and continue to be the customer's best option.
- 2 Better recognise the customer's perception of reality (it's the one that counts).
- 3 Develop an understanding of the individual customer and their profitability.

The segmentation process combined with targeting enables a series of well developed marketing plans to

be produced which attract and satisfy various closely defined groups of customers. A strategy which is undifferentiated—all things to all men—is less and less appropriate as customers become more exacting in their individual needs.

There is a well-known marketing anecdote which demonstrates segmentation and targeting and is seasonally appropriate as we turn back the clocks. Unfortunately there is much carnage on the roads at this time of year and many pets meet a sudden end. An inventor has come up with a possible solution to this—React-to-Light Doggie Boots—they'll twinkle and thus can be seen. How can a marketing plan be developed which best uses our scarce marketing resources?

Figure 8 MORI excellence model



Source:

We use a listing company like Marketing File.com, they can provide names and addresses for over one million households who have bought canine insurance this year. (Alternatively, Sainsburys may sell use of their pet club listings). It is truly astonishing what can be purchased fully segmented into lists.

We don't actually buy the list, only a one off usage (lists are seeded with names to check against our possible misuse) They are priced per thousand names. So, let's buy 5,000 names to test the response and feasibility of this new product. We'll devise five types of sales letter, adopting that which generates the best response. You'll know if this comes off as in November you will start to hear 'Twinkle, Twinkle little dog'. Next year's brand extensions, for cats and pet owners are already on the drawing board. Good luck with your segmenting and targeting.

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