

Marketing to Barry, Buzz and Sophie

Shopper segmentation has been around for decades, but better research capabilities are making it more of an emphasis

By Ed Finkel

For Best Buy, the targets are a soccer mom named Jill, an affluent professional named Barry, family man Ray, and a younger guy, Buzz. CVS hopes to see more of Sophie, an older empty nester; Caroline, a young, single working woman; and Vanessa, who's married with children. Wal-Mart doesn't name names, but it's looking for "brand aspirational," "price value shoppers" and "trendy quality seekers," to name just a few.

This array of categories represents what some see as the biggest trend to impact in-store marketing in the coming years: customer segmentation. While the concept of target markets has been around for decades, the nexus of 21st century data-mining capabilities and the emergence of P-O-P as a top-tier advertising medium means that customer segmentation in-store will be a lasting and effective way to reach shoppers, says Chris Hoyt, principal with Hoyt & Co., Scottsdale, Ariz., whose company provided Hoyt Publishing (no relation) with the aforementioned retailer classifications.

"The CPG industry, for a long time, has been an epidemic-driven industry," with trends that peak and then fizzle out, he says. "On the other hand, I think shopper marketing has legs. This is not just another movement that is going to die." He adds: "I can't think of adjectives to tell you how big this is. And it's going to stick."

"Segmentation is *the* trend," agrees Kenneth Harris, managing director for Cannondale Associates, Evanston, Ill. "When a new item is introduced, a retailer will no longer ask the price, volume or marketing support [first]. The informed question is going to be, 'Who is the target? How does that relate to my consumer target? What type

of trip will they purchase this item on? When will they be buying it? And, as a result of all that, how is the best way to merchandise it on shelf, away from shelf, on display?'"

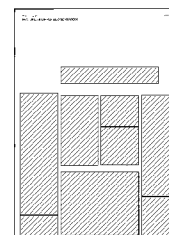
Eugene Fram, professor of marketing at the Rochester Institute of Technology in New York, traces segmentation back to at least the 1950s. But, "The techniques for segmentation, through the use of the computer and data mining and modern electronics, have increased the ability to segment markets significantly," he says. "We can go much further and describe behaviors, and drill down to link products to specific buying behaviors. The displays, the signage, the verbiage that they can use can be more tailored."

Segmented P-O-P

Respondents to the 2008 *P-O-P Times* Trends Survey (see January issue for full coverage) evidently agree that at least certain types of chains are asking for customized displays based on their segmentation research. On a scale from 1 to 5, with 5 being the most customized, respondents saw hardware chains Home Depot (3.79) and Lowe's (3.86) as the leaders in that area. Superstores like Wal-Mart, Target, Costco and Sam's Club, and the electronics heavyweights Best Buy and Circuit City, also hovered just below these chains.

Hoyt, who estimates that 60% of major retailers have followed Best Buy's lead in developing such classification systems during the past five years, believes the trend will last because retailers and CPG companies agree on the need for the concept — and because it will lead to more honest communication between them.

"Both retailers and manufacturers have a vested interest in the same



thing: to delight and motivate the shopper,” he says. “We are focusing on a completely new and sophisticated plateau. Manufacturers are doing a lot of this type of [segmentation] homework. Instead of presenting [marketing pieces] to the retailer as a ‘fait accompli,’ they’re saying, ‘We have some ideas here. Let’s sit down and talk about it.’ This is the basis for true collaboration, not the bullshit, partnering type of stuff.”

That doesn’t mean it will be easy, Hoyt warns. “The challenge, now, is to take this up to the next plateau and align brand segments with retailer segments,” he says. “That’s going to be a very challenging and difficult task. But it’s going to happen because it only has to happen once,” and then perhaps be updated every five years.

CPG companies will also need to know whom they’re targeting with new products, Harris says. Otherwise, “when a retailer says, ‘Which segment are you targeting?’, you’re dumbfounded. You have no idea. That can’t happen. You have to be aware,” he says.

Harris uses Kashi cereal as an example of how a product might be targeted to multiple segments, based on his own company’s labeling system. What Cannondale calls “green enthusiasts” will be an easy sell for Kashi, he says, but “golden oldies” might use the product for “medicinal purposes” and “traditional families” might see the cereal as a healthier alternative to what they usually buy.

“Point-of-sale might be designed with different header cards,” he says. “The companies that are going to execute this well are going to figure out how to do flexible packaging and flexible point-of-purchase, shifting on the fly, so it doesn’t take a major, major initiative. By tweaking it, you’re going to make something new out of something old. No one’s going to be able to afford 20 different pieces of point-of-sale.”

Nikki Baird, managing partner at Retail Systems Research, Miami, believes segmentation mostly has impacted SKU assortment. “It’s, ‘We’re

going to have 10 deep of this item, and only five deep of this item, and two deep of this item,’ at this particular store. And then, ‘We’re going to reverse all that at this other store.’”

Retailers and CPGs haven’t become sophisticated enough for segmentation to impact in-store marketing all that much, Baird says. “There might be a decision that in one store, this is going to be an endcap, and in another store, we’re just going to put signage on the shelf,” she says. “But it’s hard enough to get them to put up the endcap displays in the store to begin with, let alone have an endcap display that’s unique.”

Keep Segments Short

Practically speaking, retailers become overwhelmed with any segmentation scheme that has more than four classifications, says Herb Sorensen, global scientific director of shopper insights for TNS, New York. Beyond that, “a retailer looks at this and says, ‘My gosh, what am I going to do with this? I’m trying to run a store here.’ You come up with 20 segments, people might say, ‘tremendous insight,’ but it’s totally worthless. What’s the retailer supposed to do? Run 20 different stores?”

“You can kill yourself in detail,” agrees Ted Taft, managing director of Meridian Consulting Group, Wilton, Conn. “You need to set up a manageable number of what I’ll call buckets or stores that recognize obvious shopper differences. Most stores will not have 100 different variations, but they won’t have one, either. An optimal number is typically four or five. Some [retailers] will tell you that every store has its own planogram, and yadda yadda yadda, and sometimes that’s true. But there’s not 100 dif-

ferences within a chain.”

Another issue that adds to the complexity — many customer segments overlap with one another. First of all, companies need to account for demographics, psychographics, where the customer buys and why, says Randy Erdahl, president of Decision Intelligence, Minnetonka, Minn. Then, Sorensen notes, they have to take a step back and realize that people who buy one item on Wednesday might come in for 100 on Saturday.

“All of those single purchases or ‘small baskets’ are being purchased by the very same people,” he says. If a grocery store targets only 100-item stock-ups, “good luck with that,” he adds. “They’re going to head down the street” for smaller trips.

Many stores fill their databases with shopper-card information that can quickly get overwhelming, Taft says. “You’re tracking every transaction in a store,” he says. “People say, ‘This is killing us.’ It’s too much of a drain on time and manpower.”

Michael Payne, director of analysis for Miller Lite at Miller Brewing Co., Milwaukee, says his company has developed a Best Buy-like segmentation scheme during the past three to five years, although he declined to share the specifics. “I don’t know if [segmentation] is more important,” he says. “I just think we’re getting better at it, getting more sophisticated. It’s hard to market beer to a 45-year-old. There’s got to be more to it — it’s for an empty-nester, it’s for a family with kids — there’s got to be a reason [to buy], a need state.”

At the 2008 Kellogg Market-

ing Conference at Northwestern University, Evanston, Ill., Suzy Cirulis, director of customer relationship management for Gap Inc., spoke about the apparel store’s target customer: “Cindy,” a married professional who shops at Banana Republic for officewear, goes to Gap Maternity when pregnant and to Old Navy for baby clothes. At the same conference, Kate Whittington, group manager for guest insights, Target, discussed using segmentation research to better lay out a store to reach the need state of a 31-year-old mother with a new baby.

For Miller Brewing, though, with multiple customer classifications, Payne doesn’t expect stores to customize P-O-P to each segment. “There’s a whole bunch of ways you can bucket people,” he says. “What we’re trying to bucket is consumer needs.”

Work in Progress

A survey Hoyt & Co. conducted indicated that most CPG companies are in the testing phase: 80% said they were using customer segmentation in six accounts, and another 10% said 15 or more accounts. “The reason it’s only six accounts, for some companies, is they’re figuring out what their return-on-investment is,” Hoyt says. “We don’t have a lot of models, or benchmarks, precisely because it is so new.”

“It is an approach that is still at an embryo stage,” Rochester Institute’s Fram agrees. “Although the tools have been around for a long time, it’s a technique that’s time has come.”

You wouldn’t know it from talking to retailers, though.

Most contacted by *P-O-P Times* either did not return calls or refused to specify their segmentation classifications, echoing David Weinberger of The Home Depot, Atlanta, who said: “You’re asking about the holy grail here. No one wants to tell anyone how they do this stuff because they don’t want anyone to copy them.” Most CPGs, aside from Miller, couldn’t be reached either.

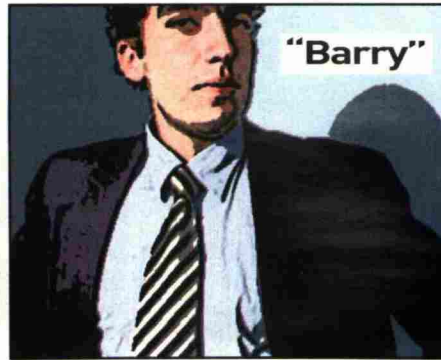
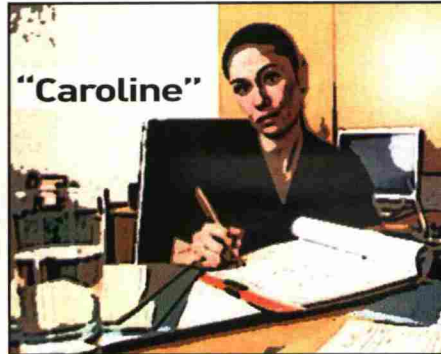
One retailer that did speak on the record, Best Buy’s top competitor Circuit City, Richmond, Va., does not use customer segmentation but has been rolling out a concept store called The City that provides for maximum flexibility in in-store marketing, says Ron Brunette, vice president of store environments for the electronics chain.

The store lacks traditional aisles and shelving, he says, with products sold on giant tables in “laboratory” areas, with everything live and arranged for consumers to be able to test out different products together. All the tables are on wheels, making it possible to switch around the store’s design however desired.

Although the stores have “certain key demographics” it targets, there are no “Jill,” “Barry,” “Ray” and “Buzz” customer profiles, Brunette says. “That’s the Best Buy world,” he says. “That’s something we don’t believe in.”

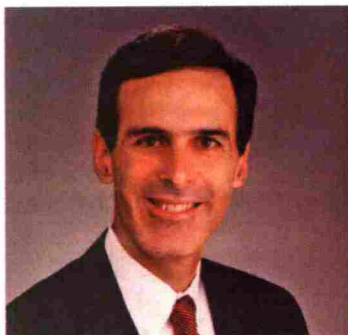
Circuit City fears such profiling might cause its store associates to treat different customers differently. “It sometimes can provide reasons to not give the very best service to everybody,” Brunette says. “Sometimes, I think you learn more from the customer who doesn’t buy

than the customer who is an easy sell." ■



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CPG retailers have wasted no time in jumping on the segmentation bandwagon. Now we have:

Examples of Retailer Developed Shopper Segmentation Classifications – 2007

SAM's	Safeway	CVS	Food Lion	Ahold	Kroger
Office Administrator	Budget	Caroline	Golden Years	Urban Seekers	Finest
Business Reseller	Convenience	Yanessa	Dinks	Traditionalists	Watching the Waist Line
Institutional Buyer	Health & Diet	Sophie	Getting By	Quick Fixers	Family Focus
Foodservice	Driven	Anna-Maria	Comfortably	Good Lifers	Grab and Go
Entrepreneur	World Culture		Carpooling	Deserving Diners	
Traditional Club	Fresh & Premium		Babies and Bills	Budgeters	Traditional
Shopper	Living on a Budget		Wealthy Elite		Convenience
Demanding/	Etc.		Savvy Singles		Budget
Experiential Shopper			Country Living		
Mom/Family CEO					
Active Boomer					

Source: Hoyt & Company Internal Research, 2007

This chart from Hoyt & Co. lists some retailers and their shopper segments.