



A Customer Segmentation Analysis

For

“Client Company”

Provided by:



Mosbygrey llc

In cooperation with:



Alan Newman Research
MARKET RESEARCH CONSULTANTS



Introduction

Alan Newman Research and Mosbygrey llc were contracted to conduct a two-phase study of the “Client Company” customer base to determine the viability and potential obstacles to effectively positioning a new store located in “The Target Area” County.

The first phase, which this portion of the study addresses, was to conduct a geodemographic segmentation analysis of the “Client Company” customer database within the “City” Metropolitan Statistical Area, with specific attention being given to the area south of the “The” River. This analysis would provide a clearer picture of “Client Company”’s existing customers, where they are located, and the opportunity that may exist by specific segments.



Methodology

“Client Company” provided their database of customers covering the entire geography of the United States; of the database total, 46,068 were within the “City” MSA with 39,594 actually being appended with segment codes. The “loss” of over 6,000 records was due, in large part, to discrepancies in the database – entries in the wrong fields, misspellings, inadequate or unknown addresses.

The segmentation system used by Mosbygrey llc is a household-based system drawn from a database of over 115 million households that are dynamically appended with demographic and lifestyle data drawn from over 26 sources. The data are constantly being updated to reflect changes in characteristics. This system is a significant improvement over census-based systems that are geographically driven using data supplied by the decennial census where the lowest point of data origination is at the Block Group or Enumeration District level. A critical problem with Census-based systems is the potential error factor in defining household characteristics in an ever-changing societal environment. Too, the greater the timeline from when the data are gathered (ten year cycles) the greater the unreliability of the real and inferred household characteristics.

The system contains 112 segments, which provide a high level of discrimination at the group level, especially when compared to National and Local penetration levels.

The characteristics contained in each segment include: age, income, dominant occupation, population density levels, strong and weak lifestyle traits, credit and automotive traits.

Once each record has been appended, a comparative matrix is developed which indicates the relationship between each segment; the percentage each segment represents in the database; the penetration of each segment against the universe of that segment within the defined market; and, the percentage of the segment in the database versus the percentage the segment represents within the United States.

The data matrix is then analyzed to determine which group of segments represent “Retention” targets; i.e., segments with high representation and penetration but are not worth spending marketing dollars to gain increased share; and which group of segments represent “High Potential” targets for further penetration and development to replace any outgoing population within the retention group of segments.



A third group, those with segment population in the database but which offer little hope of further penetration without excessive cost, are left for subsequent review in the event product mix or targeting criteria and specificity change. These segments are a mix of age groups; generally low household income; lower level occupations; and, for the most part, do not have a sufficient market universe to warrant targeted marketing efforts.



Executive Summary

The “Client Company” customer database populated 77 (69%) of the 112 segments with the “Retention Target Segments” represented by 23 (30%) of those segments. The “High Potential Segments” are found in 12 segments.

Retention Target Segments

The 23 Retention Target Segments have an average penetration against their market universe of 46% and, in some instances over-populate the universe of the segment due to multiple “Client Company” accounts within segment households. This is a phenomenon that exists in the highest demographic and lifestyle segments within the system and is found within 7 of the 23 groups.

With an average age of 57 and a household income in excess of \$100,000 these customers are at the highest level of the demographic spectrum and represent business and community leaders within the “City” market. A review of their physical household locations indicate that these customers are found in the most fashionable areas of the market and represent the thought-leaders and influencers for following demographic segments.

High Potential Segments

With 12 segments represented, the High Potential Segments are 39% of the database and penetrate 20.5% of their market universe; the net opportunity these segments represent are an additional 62,000 households (of a total market potential of 284,000). These segments are represented by an average age of household head of 43 with an income in excess of \$75,000. As a group they are married with children, in occupations where they are in the line of succession, well educated, and are extremely computer literate.

This group is heavily influenced by the Retention Target Segments and will someday move into those segments. Thus the need to develop these customers (those in the High Potential Segments) in order for “Client Company”s to realize their “Lifetime Value”, while developing their peers as new customers to the “Client Company” “experience”.

The matrices for the segmentation breakdown, as well as location maps by customer by segment follow.



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Segmentation Analysis



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This matrix defines the universe (Ttl Mkt) for each segment (Code); indicates the database count for each segment (DB Count); shows an index based upon the percentage of the database by code versus the percentage of the total market by code (NDX v. Mkt); the percentage of penetration of the database count versus the market universe (% Pene); percentage of US households in each segment code (US%); an index of the US% versus the database count (NDX v. US); and the average age of the household head for each code (Age), as well as Average Household Income (HHI).

		Ttl		DB		NDX			NDX v.		
	Code	Mkt	%	Count	%	Mkt	% Pene	US %	US	Age	HHI
1	1	1,963	0.69%	154	0.39%	56	7.85%	1.34%	29	35	\$ 39.6
2	2	2,858	1.01%	345	0.87%	86	12.07%	2.08%	42	32	\$ 39.5
3	3	7,293	2.57%	564	1.42%	55	7.73%	5.36%	27	35	\$ 38.3
4	4	3,606	1.27%	494	1.25%	98	13.70%	0.12%	1,040	46	\$ 95.1
5	5	8,695	3.06%	1,330	3.36%	110	15.30%	3.94%	85	47	\$ 42.3
6	6	8,186	2.89%	974	2.46%	85	11.90%	3.77%	65	65	\$ 39.3
7	7	522	0.18%	81	0.20%	111	15.52%	0.03%	682	72	\$ 94.9
8	8	3,159	1.11%	382	0.96%	87	12.09%	0.51%	189	33	\$ 61.0
9	9	5,326	1.88%	473	1.19%	64	8.88%	1.14%	105	33	\$ 55.7
10	10	10,282	3.62%	741	1.87%	52	7.21%	1.71%	109	35	\$ 55.8
11	11	3,696	1.30%	1,163	2.94%	225	31.47%	0.39%	753	44	\$ 97.4
12	12	13,696	4.83%	1,494	3.77%	78	10.91%	1.85%	204	46	\$ 57.9
13	13	9,231	3.25%	1,030	2.60%	80	11.16%	0.89%	292	64	\$ 56.1
14	14	390	0.14%	106	0.27%	195	27.18%	0.04%	669	72	\$ 100.2
15	15	1,774	0.63%	314	0.79%	127	17.70%	0.52%	153	34	\$ 72.4
16	16	3,031	1.07%	605	1.53%	143	19.96%	1.40%	109	33	\$ 70.0
17	17	5,795	2.04%	903	2.28%	112	15.58%	2.49%	92	36	\$ 69.9
18	18	7,259	2.56%	2,947	7.44%	291	40.60%	2.01%	370	46	\$ 115.1
19	19	10,888	3.84%	2,754	6.96%	181	25.29%	3.69%	188	47	\$ 72.6
20	20	11,161	3.93%	3,187	8.05%	205	28.55%	2.34%	344	67	\$ 69.6
21	21	1,043	0.37%	491	1.24%	337	47.08%	0.31%	400	73	\$ 116.0
22	22	8,662	3.05%	963	2.43%	80	11.12%	2.06%	118	33	\$ 47.4
23	23	5,096	1.80%	604	1.53%	85	11.85%	2.33%	65	32	\$ 41.8
24	24	17,763	6.26%	1,547	3.91%	62	8.71%	6.17%	63	35	\$ 41.9
25	25	3,425	1.21%	933	2.36%	195	27.24%	0.50%	471	45	\$ 96.0
26	26	11,021	3.88%	1,863	4.71%	121	16.90%	4.29%	110	48	\$ 46.4
27	27	24,721	8.71%	3,725	9.41%	108	15.07%	5.68%	166	68	\$ 43.8
28	28	748	0.26%	142	0.36%	136	18.98%	0.16%	224	74	\$ 96.1
29	29	845	0.30%	116	0.29%	98	13.73%	0.32%	92	33	\$ 30.2
30	30	172	0.06%	11	0.03%	46	6.40%	0.10%	28	32	\$ 26.1
31	31	910	0.32%	51	0.13%	40	5.60%	0.79%	16	35	\$ 26.7
32	32	105	0.04%	31	0.08%	212	29.52%	0.01%	783	43	\$ 86.6
33	33	193	0.07%	42	0.11%	156	21.76%	0.16%	66	48	\$ 29.7
34	34	1,162	0.41%	150	0.38%	92	12.91%	0.60%	63	68	\$ 27.5
35	35	18	0.01%	4	0.01%	159	22.22%	0.00%	-	76	\$ 88.5
36	36	225	0.08%	1	0.00%	3	0.44%	0.86%	-	33	\$ 37.5



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37	37	135	0.05%	5	0.01%	27	3.70%	1.02%	1	37	\$ 36.0
38	38	563	0.20%	20	0.05%	25	3.55%	2.96%	2	35	\$ 34.5
39	39	83	0.03%	19	0.05%	164	22.89%	0.08%	60	46	\$ 92.3
40	40	295	0.10%	29	0.07%	70	9.83%	1.92%	4	48	\$ 39.7
41	41	549	0.19%	35	0.09%	46	6.38%	2.55%	3	68	\$ 36.3
42	42	24	0.01%	4	0.01%	119	16.67%	0.03%	34	74	\$ 91.6
43	43	9	0.00%	1	0.00%	80	11.11%	0.33%	1	35	\$ 38.2
44	45	24	0.01%	1	0.00%	30	4.17%	1.20%	0	36	\$ 35.5
45	46	5	0.00%	1	0.00%	143	20.00%	0.06%	4	48	\$ 94.5
46	47	19	0.01%	3	0.01%	113	15.79%	0.75%	1	49	\$ 38.9
47	48	46	0.02%	3	0.01%	47	6.52%	1.70%	0	69	\$ 38.9
48	50	11,898	4.19%	1,232	3.11%	74	10.35%	2.82%	110	74	\$ 45.5
49	51	2,711	0.96%	281	0.71%	74	10.37%	0.81%	88	32	\$ 41.6
50	52	12,181	4.29%	930	2.35%	55	7.63%	4.03%	58	32	\$ 40.6
51	53	737	0.26%	91	0.23%	88	12.35%	0.25%	92	34	\$ 93.4
52	54	4,980	1.76%	714	1.80%	103	14.34%	1.12%	161	42	\$ 45.7
53	55	9,743	3.43%	1,333	3.37%	98	13.68%	1.91%	176	64	\$ 42.7
54	56	66	0.02%	8	0.02%	87	12.12%	0.04%	51	74	\$ 96.1
55	64	1,201	0.42%	110	0.28%	66	9.16%	0.27%	103	29	\$ 34.9
56	65	81	0.03%	29	0.07%	257	35.80%	0.07%	105	31	\$ 31.4
57	66	505	0.18%	66	0.17%	94	13.07%	0.53%	31	31	\$ 30.5
58	67	155	0.05%	162	0.41%	749	104.52%	0.02%	2,046	40	\$ 88.3
59	68	143	0.05%	95	0.24%	476	66.43%	0.09%	267	48	\$ 37.1
60	69	446	0.16%	183	0.46%	294	41.03%	0.16%	289	66	\$ 33.7
61	70	37	0.01%	33	0.08%	639	89.19%	0.00%	-	74	\$ 91.0
62	71	5,007	1.76%	75	0.19%	11	1.50%	0.66%	29	32	\$ 29.1
63	72	2,504	0.88%	72	0.18%	21	2.88%	0.77%	24	32	\$ 27.7
64	73	13,273	4.68%	307	0.78%	17	2.31%	2.51%	31	37	\$ 27.4
65	74	1,522	0.54%	12	0.03%	6	0.79%	0.03%	101	46	\$ 92.1
66	75	4,192	1.48%	236	0.60%	40	5.63%	0.90%	66	46	\$ 31.6
67	76	13,696	4.83%	564	1.42%	30	4.12%	1.64%	87	65	\$ 28.7
68	77	216	0.08%	4	0.01%	13	1.85%	0.01%	101	73	\$ 90.9
69	78	122	0.04%	88	0.22%	517	72.13%	0.21%	106	35	\$ 95.5
70	79	50	0.02%	66	0.17%	946	132.00%	0.06%	278	34	\$ 115.1
71	80	78	0.03%	102	0.26%	937	130.77%	0.32%	81	37	\$ 102.2
72	81	634	0.22%	893	2.26%	1009	140.85%	0.45%	501	46	\$ 168.1
73	82	299	0.11%	331	0.84%	793	110.70%	0.22%	380	49	\$ 118.9
74	83	408	0.14%	507	1.28%	890	124.26%	0.35%	366	66	\$ 106.2
75	84	145	0.05%	229	0.58%	1132	157.93%	0.09%	643	74	\$ 169.4
76	99	3	0.00%	1	0.00%	239	33.33%	0.04%	6	35	\$ 29.2
77	103	-	0.00%	4	0.01%	-	-	0.03%	34	48	\$ 28.9
		283,705	100%	39,594	100%			99.96%			



Retention Target Segments



The **Retention Target Segments** comprise 23 segments and the column headings are the same as the Segmentation Matrix, with the addition of : Major media imperative (Media); Marital Status; Presence of children in the household (Children in HH); type/preference of automobile (Auto); and major interest (Interest).

High Retention Households

		Ttl		DB		NDX v.						Marital	Child		
	Code	Mkt	%	Count	%	Mkt	% Pene	US %	Age	HHI	Media	Status	in HH	Auto	Interest
1	7	522	7.05%	81	2.38%	34	15.52%	0.03%	72	\$ 94.9	TV	Married	No	Premium	Civic
2	14	390	5.27%	106	3.11%	59	27.18%	0.04%	72	\$ 100.2	TV	Married	No	Premium	Civic
3	21	1,043	14.08%	491	14.42%	102	47.08%	0.31%	73	\$ 116.0	TV	Married	No	Premium	Civic
4	28	748	10.10%	142	4.17%	41	18.98%	0.16%	74	\$ 96.1	TV	Married	No	Premium	Civic
6	32	105	1.42%	31	0.91%	64	29.52%	0.01%	43	\$ 86.6	Radio	Not Married	No	Premium	Hobbies
7	35	18	0.24%	4	0.12%	48	22.22%	0.00%	76	\$ 88.5	TV	Not Married	No	Premium	Civic
8	39	83	1.12%	19	0.56%	50	22.89%	0.08%	46	\$ 92.3	NP & Mags	Married	No	SUV	Civic
9	42	24	0.32%	4	0.12%	36	16.67%	0.03%	74	\$ 91.6	TV	Married	No	Premium	Civic
10	46	5	0.07%	1	0.03%	44	20.00%	0.06%	48	\$ 94.5	NP & Mags	Married	No	Premium	Civic
11	53	737	9.95%	91	2.67%	27	12.35%	0.25%	34	\$ 93.4	NP & Mags	Not Married	No	Premium	Computer
12	56	66	0.89%	8	0.23%	26	12.12%	0.04%	74	\$ 96.1	TV	Not Married	No	Premium	Civic
13	67	155	2.09%	162	4.76%	227	104.52%	0.02%	40	\$ 88.3	NP & Mags	Not Married	No	Foreign	Computer
14	70	37	0.50%	33	0.97%	194	89.19%	0.00%	74	\$ 91.0	TV	Not Married	No	Premium	Civic
15	74	1,522	20.55%	12	0.35%	2	0.79%	0.03%	46	\$ 92.1	NP & Mags	Not Married	No	Premium	Civic
16	77	216	2.92%	4	0.12%	4	1.85%	0.01%	73	\$ 90.9	TV	Not Married	No	Premium	Civic
17	78	122	1.65%	88	2.58%	157	72.13%	0.21%	35	\$ 95.5	NP & Mags	Not Married	No	Foreign	Culture
18	79	50	0.68%	66	1.94%	287	132.00%	0.06%	34	\$ 115.1	NP & Mags	Married	Yes	Premium	Culture
19	80	78	1.05%	102	3.00%	284	130.77%	0.32%	37	\$ 102.2	NP & Mags	Not Married	No	Foreign	Civic
20	81	634	8.56%	893	26.23%	306	140.85%	0.45%	46	\$ 168.1	NP & Mags	Married	No	Foreign	Civic
21	82	299	4.04%	331	9.72%	241	110.70%	0.22%	49	\$ 118.9	NP & Mags	Married	Yes	Foreign	Civic
22	83	408	5.51%	507	14.89%	270	124.26%	0.35%	66	\$ 106.2	NP & Mags	Not Married	No	Premium	Civic
23	84	145	1.96%	229	6.73%	344	157.93%	0.09%	74	\$ 169.4	TV	Married	No	Premium	Civic
		7,407	100%	3,405	100%		45.97%	99.96%	57	\$ 104					

2.6% of Ttl Market

[Note: The High Retention households contain several segments where the Head of Household is beyond retirement age and these represent approximately 4% of total customers.]



High Potential Segments



The High Potential Segments, 12 of the 77 populated by “Client Company” customers, represent households that are or have been purchasers, though perhaps not at the dollar value or frequency of the High Retention group.

Representing 40% of the database, this group is a significant portion of the total “City” market households – 27.4%.

High Potential Segments - Moderate to High HHI

		Ttl		DB		NDX v.						Marital	Children		
	Code	Mkt	%	Count	%	Mkt	% Pene	US %	Age	HHI	Media	Status	in HH	Auto	Interest
1	4	3,606	4.64%	494	3.10%	67	13.70%	0.12%	46	\$ 95.1	NP & Mags	Married	Children	SUV	Computer
2	8	3,159	4.06%	382	2.40%	59	12.09%	0.51%	33	\$ 61.0	Mags	Married	Children	Sports Cars	Sports
3	10	10,282	13.22%	741	4.66%	35	7.21%	1.71%	35	\$ 55.8	Books	Mix	No Children	Sports Cars	Sports
4	11	3,696	4.75%	1,163	7.31%	154	31.47%	0.39%	44	\$ 97.4	NP & Mags	Married	Children	Leased	Domestic
5	12	13,696	17.61%	1,494	9.39%	53	10.91%	1.85%	46	\$ 57.9	NP & Mags	Married	Children	MiniVans	Computer
6	15	1,774	2.28%	314	1.97%	86	17.70%	0.52%	34	\$ 72.4	NP & Mags	Married	Children	Sports Cars	Computer
7	16	3,031	3.90%	605	3.80%	98	19.96%	1.40%	33	\$ 70.0	NP & Mags	Married	Children	MiniVans	Computer
8	17	5,795	7.45%	903	5.67%	76	15.58%	2.49%	36	\$ 69.9	NP & Mags	Mix	No Children	Sports Cars	Computer
9	18	7,259	9.33%	2,947	18.51%	198	40.60%	2.01%	46	\$ 115.1	NP & Mags	Married	Children	SUV	Computer
10	19	10,888	14.00%	2,754	17.30%	124	25.29%	3.69%	47	\$ 72.6	NP & Mags	Married	Children	MiniVans	Computer
11	20	11,161	14.35%	3,187	20.02%	140	28.55%	2.34%	67	\$ 69.6	NP & Mags	Mix	No Children	Premium	Civic
12	25	3,425	4.40%	933	5.86%	133	27.24%	0.50%	45	\$ 96.0	NP & Mags	Mix	Children	Premium	Computer
		77,772	100%	15,917	100%		20.47%	99.96%	43	\$ 77.7					

27.4% of Total Market

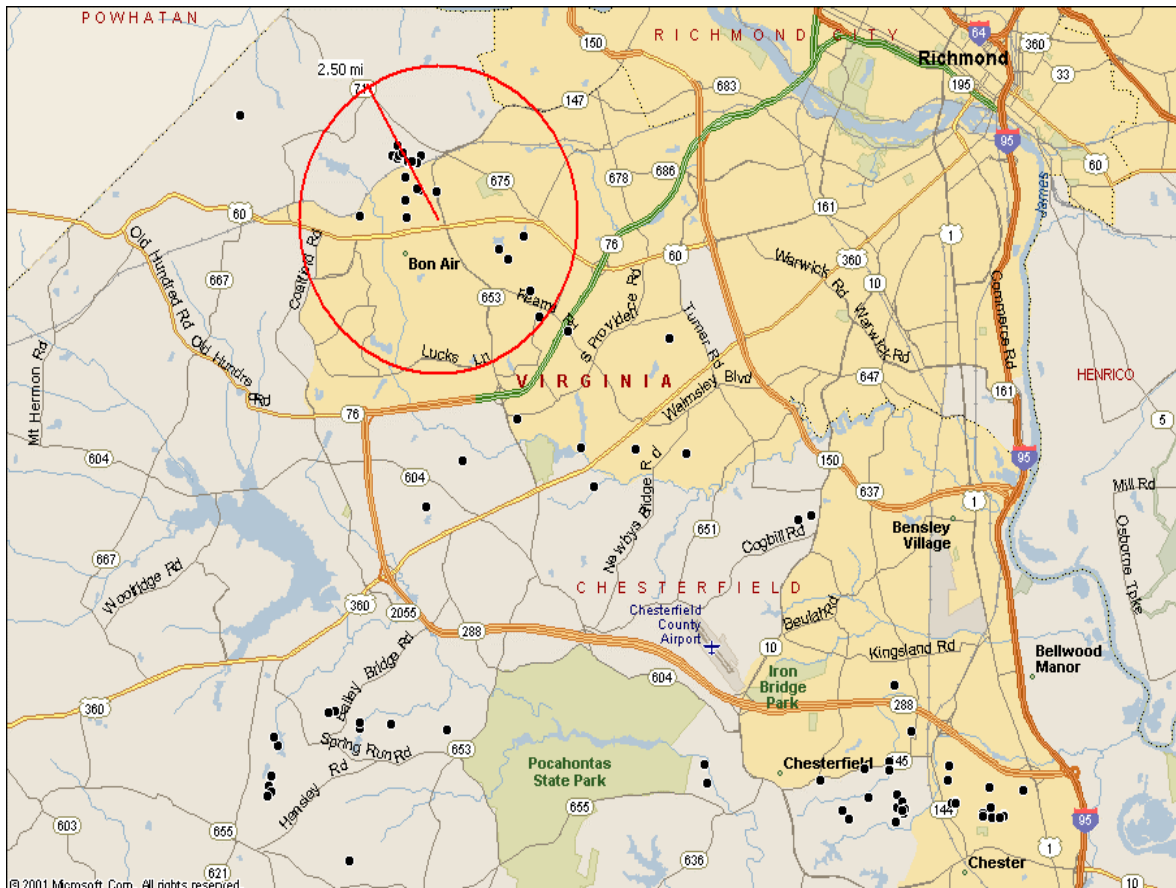
Non-Targeted Segments

The non-targeted segments, equaling 51% of the “Client Company” customer database, have an average age of 44 with a household income of \$37,100. Admittedly there may be individuals within segments that may represent potential but, as a rule, those individuals will shop “The Client Company” regardless of specifically targeted messages.

Code 11

1,163 in the database, potential = 2,533 (market-wide)

Average Age = 44 HHI = \$97,400



Married homeowners, these households are computer literate and use convenience banking services (ATMs & On-line), a high percentage of the automobiles in this segment are late model leased vehicles. They are not heavy users of electronic media.



903 in the database, opportunity = 4,892 (market-wide)

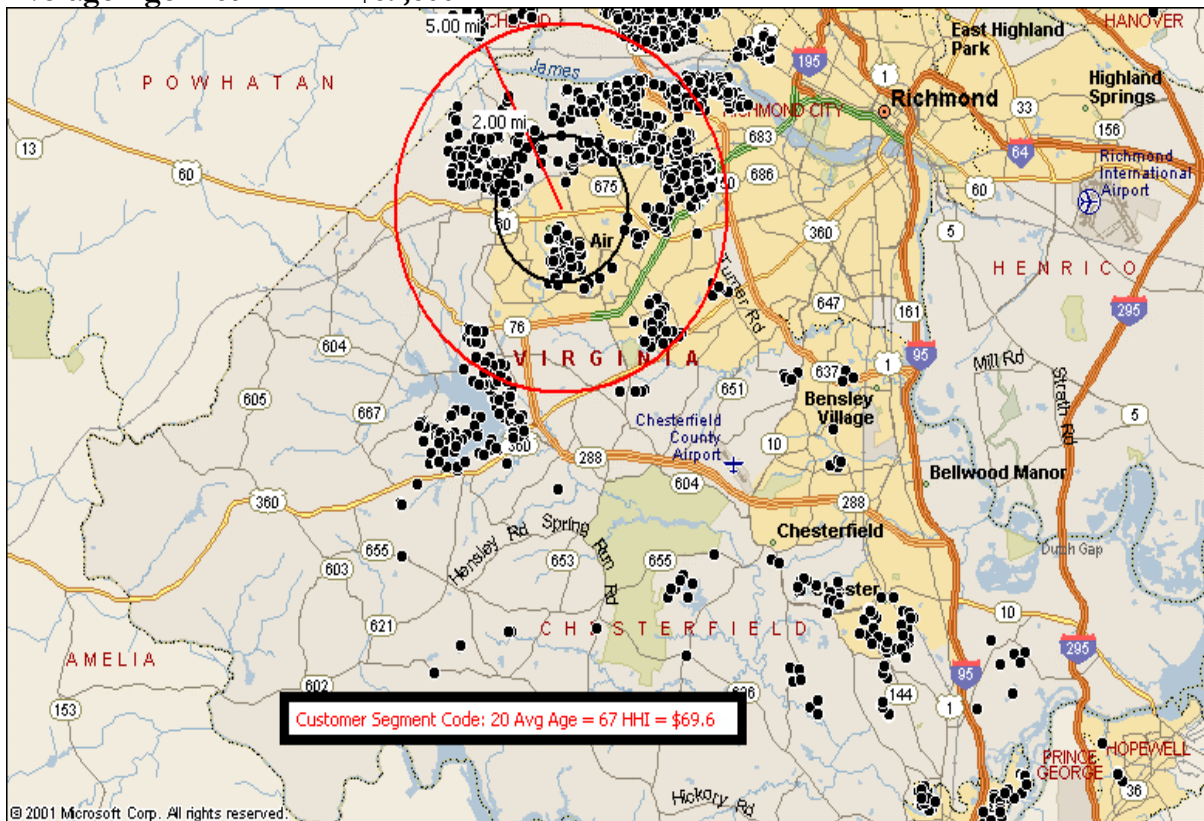
Map of the Richmond, Virginia area. A red circle highlights the Bon Air area, with a line pointing to the label 'Bon Air' and a distance marker of '2.51 mi'. The map includes labels for Richmond, Henrico, Chesterfield, and Powhatan counties, as well as major roads like I-95 and I-295. Other locations shown include Bensley Village, Chesterfield, Chester, Bellwood Manor, and the Richmond International Airport.

14

Code 20

3,187 in the database, potential = 7,974 (market-wide)

Average Age = 67 HHI = \$69,600

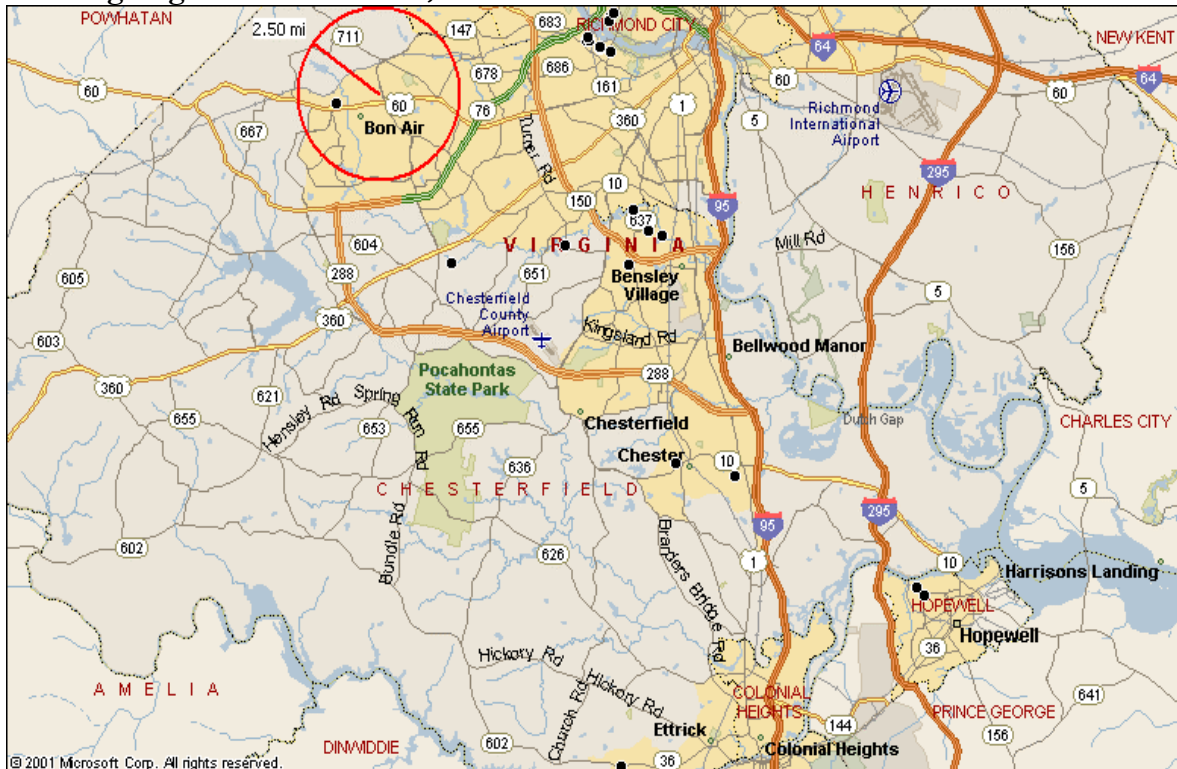


The oldest segment included in the High Potential category, these are married, executive-level households with high discretionary income. Civic-minded investors, they are social and enjoy their “empty nester” status. Typically their automobile preferences are premium-priced American built vehicles: Lincolns, Cadillacs, Chryslers.

Code 25

933 in the database, potential = 2,492 (market-wide)

Average Age = 45 HHI = \$96,000



Obviously not particularly well represented south of the “The”, this final segment of the High Potential group are typical “average” moderate to high income households. Better educated, they read newspapers and magazines, are computer users, have investments and are relatively style conscious. Vehicles tend to be premium priced cars with an emphasis on Jeeps, Mercedes, Audis, etc.



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Strategic Recommendations



Strategic Recommendations

One of the interesting findings of this analysis is how pervasive the “Client Company” customer base really is. When we began this study “perception” dictated that the “Client Company” customer was typically “Old “City”” and confined to very distinct segments and geographies. While true for the most part, “Client Company” has been able to effectively penetrate the “Corporate Gypsy” market – typified by “Area X” and “Area Y” – where the customers are from outside the area and have to be “educated” on the “Client Company” positioning of “quality, value, and personal service”.

The segmentation of the “Client Company” database provides the insight for modifications to the marketing effort, going forward, to be more specific with media options and promotions. Conceivably, very specific targeted messages – graphics, copy, price points, SKUs – can be developed that impact existing and potential customers.

This enhanced understanding of the “Client Company” customer can be helpful in determining which sections of the newspaper to place a display ad; what formats to explore for radio; what programming on television would be the most productive; what key words to use to drive people to the “Client Company” website.

Going further, especially with the data gleaned from the primary research, it is possible to determine the SKU mix and price point needed to broaden the “Client Company” customer base and generate a greater Return-On-Investment.