

LET'S TALK BUSINESS

Ideas for Expanding Retail and Services in Your Community

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Lifestyle and Consumer Cluster Systems

A Powerful Tool For Understanding Consumers In Your Trade Area

In *The American Demographics* article *Birds of a Feather*¹, Susan Mitchell explains how marketing professionals are using geodemographic *cluster systems* to learn more about their current customers, identify new potential customers, and make better marketing decisions. She relates how marketing data firms can provide detailed customer profiles that can help you better focus your product mix, the services you offer, and your marketing efforts to target specific high potential customer segments.

Cluster systems are based on the premise that "birds of a feather tend to flock together." Ever notice that the homes and cars in any particular neighborhood are usually similar in size and value. If you could look inside the homes, you'd find many of the same products. Neighbors also tend to participate in similar leisure, social, and cultural activities.

Cluster systems use these tendencies to redefine neighborhoods into smaller similar groups. The clusters are based on demographic similarities (income, education, and household type) and the groups' common lifestyle preferences and expenditure patterns (attitudes, product preferences, and buying behaviors).

Several private data firms offer *cluster systems*². The firms use data from the U.S. Census and other sources to separate neighborhoods throughout the U.S. into distinct clusters. They utilize state-of-the-art statistical models to combine several primary and secondary data sources to create their own unique cluster profiles. Most systems begin with data from census block groups that contain about 340 house-

holds. In more rural areas, the data is more typically clustered by zip code.

To use these valuable marketing resources you simply need to know your customers' home address or zip code. Then, you can purchase data that provides a detailed description of the predominant clusters in your trade area. The data is easy to obtain and reasonably priced. Once you receive the information, you are ready to begin your analysis and start making more informed marketing decisions.

Sample Cluster: "Small Town Working Families"



"Small Town Working Families" is one particular cluster used by one of the major marketing data firms. The firm provides data to compare this clusters' lifestyle, and spending with demand for all U.S. consumers. The index value of 100 equals the average U.S. demand. The data reveals that households in this sample cluster spend more visiting zoos (\$1.26 versus the U.S. average of \$1.00) but, spend only \$.66 gambling at casinos versus the \$1.00 national average per household.

<u>Sample Category</u>	<u>Index</u>
Visit Zoo	126
Play Board Games	116
Go Casino Gambling	66
Attend Movies	88
Buy Lottery Tickets	78

ACORN Consumer Clusters in Wisconsin³

Ranked as a percent of total households

Middle America, 17.3%- This rural, slightly older, and family-oriented market is the largest consumer market. The neighborhoods are newer, owner-occupied, single-family homes and the income is average. Their budget priorities are home-oriented (improvement, children's apparel, lawn equipment) with leisure activities including hunting, fishing, and needlework. Most families own pets and take domestic trips by car.

Newly Formed Households, 12.5% - This moderate-income market is physically active. Unemployment and poverty are low with half of the work force employed in the manufacturing and service industries. Average home value is 40% below the national average. They are active in bowling and playing billiards/pool, performing volunteer work and taking domestic trips. Most drive older cars and use coupons for groceries.

Semirural Lifestyle, 6.1%- These consumers are a prosperous population who have opted for semirural locales and lifestyles. They maintain their livelihood by self-employment -- many of them working at home. Although their residence is more rural, this older, married market has retained some urbane preferences, such as visiting museums. As homebodies, they are interested in reading, needlework, and cooking.

Heartland Communities, 6.0% - These small towns and communities dot the interior of the country from Minnesota down through Arkansas. Their citizens are older, lifelong residents; their children have moved away. This is a good mail-order market for clothing and shoes, and they are top-ranked for outdoor vegetable gardening, flower gardening and buying videos at discount stores. They are likely to own a dog.

Older Settled Married Couples, 5.7% - These residents of established suburban neighborhoods are middle-aged and middle-income. They are upscale and domestic, and spend their time visiting the zoo, casino gambling, bowling, and taking domestic vacations. Many households include school-age or adult children, with emphasis on savings over investments. Spending is home-oriented. Almost 20% draw retirement incomes.

Baby Boomers with Children, 5.6% - This is a homogeneous type who spends their time and money on home and family-oriented activities and goods. There is little time for civic activities. With a very high labor force participation rate, many are migrants and are still moving to find the best jobs or locations. Less likely to have completed a 4-year degree, their homes are owner-occupied and valued 20% below the U.S. average.

Rustbelt Neighborhoods, 5.3% - This older population resides in the older, industrialized cities and towns of the Northeast and Midwest. They spend money on their homes and their home teams and participate in civic activities. They tend to drive used cars, splurge on lottery tickets, and are top-ranked for using coupons for beauty and household cleaning products. They rank among the highest for watching videos.

The quality of segmentation system is directly related to the data that go into them. High quality and useful systems allow you to predict consumer behavior. In a retail business targeting tourists, it should allow you to identify products and services that might appeal to this market segment. This usefulness depends on incorporating data on lifestyle choices, media use, and purchase behavior into the basic demographic mix. This supplemental data comes from various sources such as automobile registrations, magazine subscription lists, and consumer product-usage surveys.

Lifestyle and consumer cluster systems can provide a broad, overview of consumers in a trade area. While there are limitations to these systems (no system can perfectly describe consumers), they do offer a first-step in analyzing the diversity and market potential within a community.

Consumer Clusters in Your Community

Do you want to learn more about the consumer clusters in your community? The UWEX Center for Community Economic Development offers educational programs to help you analyze the consumer profiles of residents in your zip code area using information from a leading marketing data firm. Please contact us through your local Extension community resource development educator.

¹ *Birds of a Feather* by Susan Mitchell, February 1995, American Demographics, A copy of *Birds of a Feather* is available at: http://www.demographics.com/publications/ad/95_ad/9502_ad/9502af03.htm

² The four major general-purpose neighborhood-based cluster systems are:

- ACORN, from CACI Marketing Systems, 1100 North Glebe Road, Arlington, VA 22201; telephone (800) 292-2224;
- ClusterPLUS 2000, from Strategic Mapping, Inc., 70 Seaview Avenue, Stamford, CT 06192-0058; telephone (203) 353-7500;
- MicroVision, from Equifax National Decision Systems, 5375 Mira Sorrento Place, Suite 400, San Diego, CA 92121; telephone (800) 866-6510;
- PRIZM: Next Generation, from Claritas, 201 North Union Street, Alexandria, VA 22314; telephone (800) 284-4868.

³ ACORN, CACI Marketing Systems

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