

UNDERSTANDING MOSAIC

In today's complex marketing world, where every choice is expensive, a powerful geodemographic segmentation system can be a business executive's best friend. It is a versatile tool that allows you to define your target customers with accuracy, understand what makes them "tick," and pinpoint their location on a map. You can then apply carefully selected marketing strategies that will hit the mark with accuracy and accountability. Among the many applications of geodemographic segmentation are customer profiling and development, site selection, and targeted direct mail campaigns.

Birds of a Feather Shop Together

Geodemographic segmentation, also known as clustering, is based on the premise that people tend to gravitate towards others who are like them, settling into communities and neighborhoods of relative homogeneity. Factors that go into clustering include age, income, education, ethnicity, occupation, housing type, and family status. Of course, you are not exactly like your neighbor and your family is not identical to the family across the street, but, painting in broad stroke, demographers have found that the old adage "birds of a feather flock together" is true. And, most important to marketers, neighbors also share similar patterns of predictable consumer behavior. The need to "keep up with the Joneses" reflects this tendency for neighbors to buy the same products, shop at the same stores, drive similar cars, and dine out at the same restaurants.

A World of Increasing Complexity

The classic tale of the town mouse and the country mouse illustrates the basic link between demographics, consumer behavior, and geography. While the urbane town mouse has a sophisticated taste for cakes and cheese, the homespun country mouse is unimpressed; he prefers the simple taste of nuts and seeds. While basic differences between rural and urban dwellers still exist today, the world has become increasingly complex. Wishing to escape congestion and the high costs of city living, upscale professionals are moving out beyond suburbia, building 4-bedroom colonials on land that only yesterday was cornfield. Young families moving into a revitalizing urban neighborhood are living next door to families who have lived in the same row house for generations. Immigration has led to increasing ethnic diversity across the urban-to-rural spectrum, a trend known as "the suburbanization of

diversity.” In today’s world, demographic variations exist not only neighborhood by neighborhood, but in subcommunities within each neighborhood as well.

At the same time, the variety of lifestyle choices we have today further fragments how society classifies itself. From ‘liberal’ to ‘conservative,’ ‘working mom’ to ‘soccer mom,’ ‘baby boomer’ to ‘golden ager’ to ‘Generation X’, we are using a wider range of labels to define ourselves. As differing groups of people move closer together, the need to create more highly defined geographic discriminations becomes critical. Fortunately, advances in technology and an array of rich databases make this possible. Where once basic demographic data was used to develop homogenized mass market campaigns, the advent of geodemographic segmentation systems allows for customized strategies for differentiated markets, a process known as *micromarketing*.

The History of Neighborhood Classification Systems & US MOSAIC

While geodemographic segmentation has been in existence since the mid-1930’s, widespread commercial applications did not begin until 1974, with the development of the PRIZM system by Claritas. Other examples of neighborhood classifications systems include Acorn, PSYTE, Microvision, ClusterPlus and MOSAIC. US MOSAIC was developed by Experian, the global information solutions company based in the United Kingdom, with over 20 years experience in international segmentation and Applied Geographic Solutions (AGS). In a battery of tests, US MOSAIC has proven to perform as well as, or better, than other U.S. clustering systems and has the added advantage of linkage with 19 countries around the world using GLOBAL MOSAIC.

The Building Blocks of Geodemographic Segmentation

Simply put, geodemographic segmentation systems like US MOSAIC allow marketers to link socioeconomic and consumer data to small pieces of geography, resulting in highly adaptive marketing information.

How does the process work? The U.S. Census contains a wealth of valuable demographic and lifestyle information — literally millions of bits and pieces of unanalyzed data. Using statistical models similar to those developed by biologists to classify the natural world, demographers and statisticians are able to group households into clusters based on demographic similarities such as age, ethnicity, income, education, housing type, and presence of children.

But *where* people live is as important as *how* they live: the US MOSAIC System also incorporates variables that capture the importance of location. These variables include population density, distance to shopping areas and urban centers, and the

unique influences of each region of the country. In the resulting model, US MOSAIC identifies 60 distinct neighborhood lifestyle clusters. Why 60 clusters? Experian analysts sought to strike an optimum balance between discrimination and practicality: they needed to have enough clusters for each to be distinct, without having so many clusters that they became unwieldy. At the end of the day, businesses must be able to use them to develop realistic and effective marketing strategies.

What makes geodemographic segmentation exciting to marketers is the ability to link a multitude of databases by clusters — and then use that information to project propensity to purchase at various levels of geography. Cluster models are linked to survey data using a few different methodologies. If an address has been through address standardization (a process that formats the address to United States Postal Service requirements), each record will have a ZIP+4 assignment. ZIP+4s or 9-digit ZIP Codes usually represent one side of the street or on average 7-12 households. The MOSAIC Segmentation System has “scored” each ZIP+4 in the master database with a code representing the neighborhood cluster type. A simple match between the master database and the survey database using ZIP+4 code is used to link the two databases.

However, not every address can get a ZIP+4 code, so another process known as *geocoding* can be used to link databases. Geocoding assigns codes for block group and latitude/longitude to each record on the database. Since each block group in the United States represents a neighborhood — and each neighborhood has been “scored,” the two databases are linked through the common block group code. In fact, often marketers choose to use block group segmentation assignments for analysis because block group boundaries remain relatively stable over time — whereas ZIP+4 codes were created by the Postal Service to speed the delivery of mail, and are changed often.

Once databases have been standardized and geocoded, data garnered from a wide variety of additional sources, including customer files, syndicated consumer surveys, attitudinal research (also known as “psychographics”), and from other government agencies can be linked to further enrich the information available about the lifestyle and consumer behaviors of the different clusters.

A Dynamic Model

Since most geodemographic segmentation systems are based on the massive decennial Census data, marketers looking for up-to-the-minute information may be concerned that the models are stagnant, and quickly become obsolete. Quite the opposite is true.

While the present US MOSAIC system is based on the 2000 Census, demographers update the model annually using current population surveys, local statistics, and list counts. One of the primary sources for this up to date information is Experian’s

market leading INSOURCE file. INSOURCE is a household level database that contains information on 98% of US households. This database is a central part of the annual update of the US MOSAIC classification and helps project census information forward to current year-estimates. This allows for the influx of fresh information while still maintaining continuity, making US MOSAIC a segmentation system that evolves in a dynamic manner along with the neighborhoods of the United States.

With the advent of a new Census the new US MOSAIC system will be up and running — incorporating not only the new Census information and the Experian INSOURCE file, but financial data, automotive data, and information about catalog purchases and magazine readership as well. With this new system, US MOSAIC will be at the forefront of 21st century geodemographic segmentation, able to analyze the impact of the latest demographic trends such as the aging of America, the waning of the nuclear family, and the emerging influence of the Hispanic consumer.

G.I.S.: Putting Geodemographic Segmentation 'On the Map'

The inherent beauty of geodemographic segmentation is its simplicity: it makes complex marketing nuances easy to visualize. With the advent of desktop publishing and Geographic Information Systems (GIS), it is easy to use geodemographic segmentation data within mapping software. Far easier to analyze than spreadsheets, colorful, “user friendly” maps provide busy executives with a clear snapshot of their key markets. And like a camera with a good zoom lens, these geographic information systems can “pan in and pan out” to different levels of geography and examine everything from national markets to variations on the local market level. Among the different levels available are: ZIP+4, ZIP code, census tract, county, state, designated market areas or DMAs (television viewing markets), and Metropolitan Statistical Areas (MSAs). The wealth of consumer data available today makes it possible to target at the individual household level — while “rolling up” the data to look at whole market potential.

The Power of MOSAIC

The key to US MOSAIC's power and versatility is finely-tuned targeting. By sorting through and condensing an overwhelming amount of demographic, lifestyle, and consumer behavior information into an easy-to-understand classification system, MOSAIC helps businesses to both accurately describe their customers and locate them on a map. Geodemographic segmentation allows businesses to answer the four critical questions necessary to develop effective marketing strategies:

- Who are our current and potential customers?

- What are their lifestyles like?
- Where do they live and where can I find more like them?
- What media is the best for reaching them?

With this knowledge in hand, businesses can apply “on the mark” targeting methods across a wide array of marketing decisions. Applications include customer profiling, customer acquisition and retention, media planning, market potential analysis, site selection, identification of sales trends over time, and targeting zip codes to enhance the effectiveness of direct mail campaigns.

With its remarkable versatility, **MOSAIC’s segmentation system can be used by virtually any consumer-based industry**, from the automobile industry to retail, media, health care, or financial services. A retailer of trendy clothing and accessories for teenagers, for example, could use segmentation analysis to select the ideal location for its newest store. A utility company might want to match up its current service contract customers with their media preferences in order to develop a targeted advertising campaign to attract new customers. A supermarket chain could determine which of its stores will sell out of organic baby food and which stores will only move a few jars. A non-profit organization might profile its donors in order to target certain zip codes for a less costly, higher yielding direct mail appeal.

An example of MOSAIC’s use in innovative problem solving can be found in a recent analysis conducted for Remedy Intelligent Staffing, a national provider of temporary staffing services primarily to companies in the clerical, call center and light industrial segments. Remedy’s dilemma was this: the unprecedented economic growth in the 1990s led to a high demand for Remedy’s services, but with unemployment at an all-time low, suitable applicants were scarce. Traditionally successful recruitment methods — classified ads, walk-ins — were no longer getting the job done. Remedy’s challenge was to locate qualified applicants and retain them in their temporary positions for the duration of their assignment. With the assistance of Catenate Consulting, an AGS Reseller, US MOSAIC was used to profile 175,000 Remedy candidates. Three distinct applicant groupings emerged: *Metropolitan* (well-educated opportunity seekers); *Second City Families* (family-oriented candidates, many re-entering the work force); and *Melting Pot* (highly transitory folks with immediate financial needs). With in-depth knowledge about the characteristics and aspirations of each target group, Remedy was able to tailor its recruitment programs accordingly. Maps were generated to pinpoint areas with excellent recruiting potential. Remedy was then able to seek out candidates on their “home turf:” at PTA meetings and Little League activities, in adult education classes, and at apartment complexes. The end result is that Remedy is now able to attract highly qualified applicants through a targeted recruitment program that is more successful and cost effective than the older, “hit or miss” methods.

Reaping the Benefits of Segmentation Analysis

In today's rapidly changing business environment, marketers who employ segmentation analysis clearly have the competitive edge. By knowing who their customers are and how best to reach them, companies can both increase the level of satisfaction of their current customers while also expanding their customer base. Some of the major advantages of choosing a geodemographic segmentation system such as US MOSAIC are:

- **Versatility:** From customer acquisition and retention to site selection to analyzing market potential, geodemographic segmentation can be used by virtually any customer-based industry to address a host of marketing needs. Once a customer base is profiled and targeted, media planning can be applied across the entire marketing mix including billboards, print advertising, cable, radio, and the Internet.
- **Accountability:** By periodically measuring the prevalence of certain key clusters in its customer base, a business can track the effectiveness of its marketing strategies over time.
- **User Friendly:** Far easier to analyze than spreadsheets, colorful, easy-to-read maps provide busy executives with a clear snapshot of their key markets.
- **Cost Effective:** Finely tuned targeting allows marketers to "hone in" on their audience, resulting in less expensive and higher yielding marketing strategies.

Any company with a desire to learn more about its customers can benefit from an ongoing segmentation analysis. All it takes is an address-or some type of identifier such as a telephone number or ZIP Code- to get started. For more information on MOSAIC and its applications and linkages, call 877-944-4AGS.