

Methodology

Your Data Building Blocks for Discovering the Attitudes that Influence Consumers' Purchases

STI: LandScape is an innovative neighborhood segmentation system that first groups consumers by traditional geodemographic characteristics, and then offers companies the opportunity to further segment consumers by innovative lifestyle attitudes that influence consumers' distinctive purchasing styles.

LandScape's neighborhood segmentation system includes 15 categories and 72 segments — created by clustering consumers at the U.S. Census block group level who share similar geodemographic characteristics, including family status, affluence, age, ethnicity, and level of urbanization, and who are statistically different from other consumer segments.

In addition, unlike any other segmentation system, LandScape offers 21 optional Lifestyle and Environmental Indicators that deliver even more fine-grained consumer segmentation. These Indicators were created using data from leading U.S. organizations, such as the CDC, FBI, and USDA.

Also, STI partners with Mediamark Research to offer LandScape users direct access to leading consumer survey data, covering every major purchasing category.

Why Consumer Lifestyle Attitudes are Important?

For decades, retailers have used socio-economic-based market segmentation tools to identify who their customers are demographically and where they live geographically. But today's intensifying business challenges require even more sophisticated consumer segmentation.

Lifestyle and Environmental Indicators deliver a powerful new way to understand consumers' purchasing propensities. For example, one household may be the first to purchase new technology, while another may wait years to adopt new phones, TVs, and computers. One household may exercise regularly, while another prefers a sedentary lifestyle. One household could be influenced by the GLBT lifestyle, while another is more conservative. LandScape's innovative Indicators help make distinctions such as these among consumer groups.

For example, when comparing two typical families living in the same neighborhood, typical segmentation may find that they are both upper-middle-class, have 2.5 children, live in highly urban areas, and have 40-something heads-of-the-households. Demographically speaking, they are the same. However, LandScape's Indicators also show that their attitudes are very different. One family votes conservatively and the other less conservatively. As a result, one household may be more likely to purchase a Lexus and the other a Cadillac — two similarly priced products representing two different lifestyle choices. Only LandScape has the power to parse out these subtle consumer lifestyle differences — so companies can make more informed and profitable business decisions.



Neighborhood Personality Formation

In every market, there are distinct neighborhoods with specific “personalities,” which are based on the combined characteristics of the people who live in them. Neighborhoods typically form for one of three reasons: tradition, environment, and development. Understanding how neighborhoods form can lead to a better understanding of lifestyle market segmentation.

- **Tradition.** Specific neighborhoods have traditionally attracted certain personality types, so the people who live in them tend to share similar lifestyles.
- **Environment.** Similar types of consumers are attracted to similar environmental factors, including cultural mores, school quality, work proximity, and natural features, such as water access and views.
- **Development.** When developers develop specific tracts of land, they have certain demographic characteristics in mind, such as “single professionals” or “married with children.” Each group prefers a specific type of domicile, and the developers build homes according to the consumers’ preferences and needs.

Note: There is typically a level of crossover between these three primary neighborhood formation factors. For example, a single person may move into a development designed for families, because the area is close to his or her workplace. But segmentation is based on probabilities. So, just because 5% of the homes in a specific area are “single households,” does not negate the fact that the other 95% are “married with children.” Every segmentation system is created around an economies-of-scale rule, which dictates that each market segment has a significant enough base of similar customers to make the market worth targeting.

Part 1 — LandScape’s 15 Category and 72 Segment Methodology

Neighborhood segmentation is fundamentally the science of differences. While it groups households together in a general “birds-of-a-feather” philosophy, it also separates consumers who are dissimilar. Along with the traditional socio-economic attributes that distinguish every household, each household also has a set of lifestyle attitudes that influence its residents’ buying habits.

With this in mind, STI initially attempted to merge traditional demographic data with non-demographic “attitudinal” consumer data. However, this level of segmentation created about 500 neighborhood segments. This was not acceptable, because every segmentation system relies on an economics-of-scale rule. This rule dictates that each segment must have a significant enough base of similar customers to make the market worth targeting. As a result, STI first segmented U.S. neighborhoods at the block group level using STI: PopStats data and a classic segmentation methodology. Then STI created 21 Lifestyle and Environmental Indicators that can be appended onto the segments for more fine-grained segmentation.

LandScape’s neighborhood categories and segments are created using a combination of two mathematical techniques: Factor Analysis, which is the process used to identify the primary factors that characterize neighborhoods, and Recursive Partitioning, which is the process used to refine those factors into smaller and more meaningful groups.

Factor Analysis. In most cases, only a handful of factors describe the majority of discrepancies between groups or events. Therefore, as STI’s segmentation models progressed through their analysis, the models constantly evaluated which factors are the keys to describing and, more importantly, differentiating market segments. For example, they found the following demographic categories have the greatest impact on distinguishing neighborhood segments: age, income, ethnicity, education, marital status, dwelling type, and presence of children. In addition, factor analysis allows for many other demographic characteristics to enter into the neighborhood segmentation analysis.

Recursive Partitioning. In data analysis, recursive partitioning means to split a dataset into two or more subgroups to improve the homogeneity of each subgroup. The partitioning process recurs until a desired outcome is achieved: which, in the case of LandScape, was when a reasonable size and number of market segments were created. The LandScape model was constructed by first identifying the factors that best subdivided the data into a set of groups. Then each subgroup was evaluated again with factor analysis to determine the best way to subdivide it, and so forth and so on. To insure that certain highly specialized sub-groups did not influence the factoring process, they were first removed from the equation (e.g., group quarters).

Part 2 — LandScape's Lifestyle and Environmental Indicator Methodologies

LandScape's 21 optional consumer Indicators can be appended to the neighborhood categories and segments. Each Indicator is mutually exclusive and can be used alone or in combination. The Indicators cover five categories: Social, Health, Crime, Environment, and Migration.

Social Indicators

- **Technology Pioneers.** Based on the correlation between innovation adoption and occupations, education, and industry affiliations.
- **Power Brokers.** Measures people's financial support of political activities and social issues based on the Federal Elections Committee (FEC).
- **Conservatism.** Measures people's support of conservative issues in precinct-level elections.
- **Gay Chic.** A measure of people's association with the GLBT lifestyle based correlative research.
- **Urban Views.** This measure of population and business density is created by combining data from STI: PopStats and STI: WorkPlace.

Health Indicators

- **Health Zone.** An amalgamated score of the other four CDC health indices.
- **Size Matters.** From a CDC survey measuring the population's body-mass index.
- **Eat Your Veggies.** This CDC survey indicates people's propensity to eat veggies and fruits.
- **Smoke Signals.** Data from the CDC survey measures the number of smokers.
- **Bodies in Motion.** The CDC survey data on people's activity levels.

Crime Indicators

- **Burglary Crime Risk.** Crimes in which property is stolen or taken against the owner's will, as reported by the FBI's Uniform Crime Reports (UCR).
- **Larceny Crime Risk.** The unlawful taking of property from the FBI's UCR.
- **Motor Vehicle Theft Risk.** Stolen vehicles from the FBI's UCR.
- **Robbery Crime Risk.** The taking or attempted taking of property from the FBI's UCR.
- **Aggravated Assault Crime Risk.** Unlawful attacks from the FBI's UCR.

Ecoregions Indicators

- **The Business Climate.** Weather rankings from the National Climatic Data Center (NCDC).
- **Exploring Ecoregions.** A geographical index from the U.S. Geological Survey (USGS).
- **The Gardening Zone.** Rankings of geographical planting zone data according to the U.S. Department of Agriculture (USDA).
- **Birds-Eye Views.** Ranks geographical data on elevation and terrain from the USGS.
- **Water World.** Ranks neighborhoods' proximities to navigable bodies of water based on data from the USGS.

Migration Indicator

- **Americans on the Move.** Ranks population migration at the county level based on data from the IRS's migration files.

LandScape's Partnership with Mediamark Research

Mediamark Research & Intelligence (MRI) conducts the leading national survey on consumers' purchasing habits, called the *Survey of the American Consumer*[™]. This survey data is available to LandScape users. STI and MRI created this partnership to be more responsive to companies conducting consumer research. Through this alliance of two of the most respected consumer data providers, companies can gain access to an unprecedented selection of consumer intelligence at the neighborhood level.

MRI's survey collects information on adult consumers' media choices, product use, demographics, and lifestyles. The use of nearly 6,000 product and service brands across 550 categories are measured, along with the readership of hundreds of magazines and newspapers, Internet use, TV viewership at the program level, national and local radio stations, Yellow Pages use, and out-of-home exposure.

To capture this high-resolution view of the market, MRI does something unique in the survey industry: every year 26,000 consumers are interviewed, face-to-face, in their homes. This unique research method delivers higher levels of reliability, credibility, and completeness than traditional mail and phone surveys. Also, because it's single-source survey, the data provides a detailed picture of the fragmented and continually evolving media marketplace and the 220 million adults who drive it. One set of answers from one set of respondents allows marketers to better understand the context in which media and consumer choices are made.

LandScape Opens Doors to Consumers' Lifestyles — and New Research Opportunities

The combination of LandScape's 72 segments, 21 Lifestyle and Environmental Indicators, and Mediamark's survey data gives companies a complete spectrum of insight on consumers — including where they live and who they are geodemographically, their attitudes are on everything from politics to health, and what they are actually purchasing for their home, personal life, and leisure.

Unlike other neighborhood segmentation systems, LandScape allows companies to open doors to new opportunities and innovative frontiers in consumer and market research. These new levels of consumer insight allow companies to better target consumers, understand markets, and make more informed decisions in every department across their enterprise — including site selection, merchandising, and marketing.

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