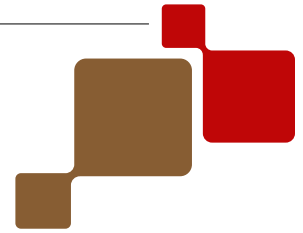


Growing Audience

Using Life-Stage Segmentation
to Drive Strategies



Using Life-Stage Segmentation to Drive Strategies

By **Barbara Cohen and Romy Trahan, Kannon Consulting**

Many newspapers over the past several years have launched new products targeted at 18-34-year-olds. But which 18-34-year-olds? The 24-year-old that recently completed a graduate program and is looking for his first job and first apartment? The 28-year-old mother of two looking for day-care options? The 30-year-old single investment banker looking for his next exotic vacation?

Understanding consumers' life stage, beyond just their age groups, is critical to developing products and strategies that best serve their particular needs. The NAA/ASNE Audience Development Initiative has undertaken a project, in partnership with Kannon Consulting, to understand how changes in consumers' behavior and attitudes provide opportunities for newspaper organizations to grow their audience.

To conduct "life-stage" analysis (or "segmentation"), NAA licensed data for 1995, 2000 and 2005 from a multi-year tracking study conducted by DDB¹ that probes nuanced details of consumer behavior. The DDB study includes a thorough, personal media-usage journal which provides unique data about when and why consumers use different media throughout the day.

Why Segmentation?

Henry Ford famously said of his Model "T" Ford, "any customer can have a car painted any color that he wants so long as it is black." In 1910, marketing strategies began with the product, and marketing initiatives were focused on conveying the key product benefits to all consumers. Since that time, marketers have moved toward a model of providing a portfolio of products that address highly specific consumer needs. One size no longer fits all.

Segmentation is a useful tool that can help a company identify the pool of consumers it wishes to address, better understand behavior drivers and the demands of that customer segment, and develop more targeted products and efficient marketing campaigns, services and price points.

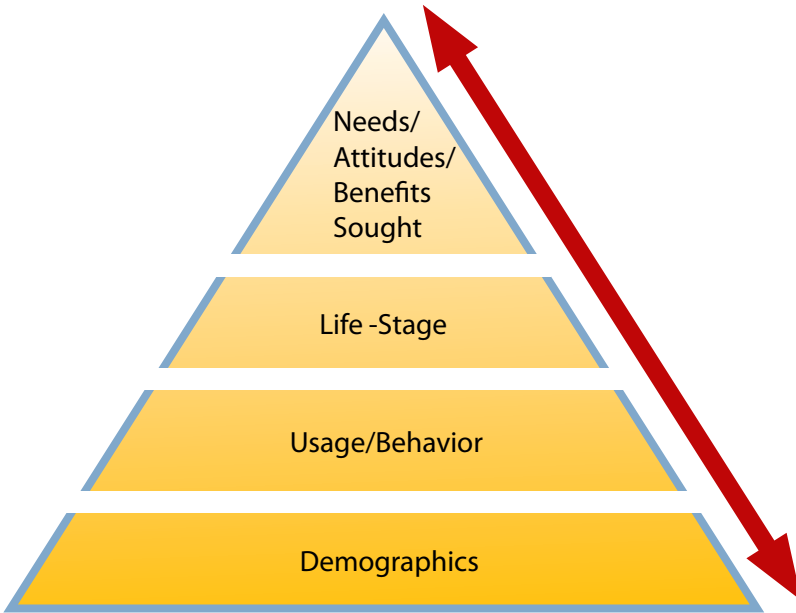
Segmentation can help articulate and coordinate consumer-driven strategies across multiple platforms and throughout all levels of an organization. Implementing a segmentation strategy helps an organization make the most appropriate, and efficient, resource-allocation decisions.

Segmentation Drivers

To perform actionable segmentation, newspapers should divide a market into groups of consumers that are homogeneous in some way. There are infinite traits by which a market can be segmented—the goal is to select attributes that are relevant to a particular product, organization or initiative. For most marketers, the level of segmentation that should be implemented depends upon what its primary application will be. As described in Figure 1, the narrowest segmentations describe the true motivations behind purchases, and often represent emotive or attitudinal attributes of customers. These types of segmentations are most useful in developing strategies, product positioning and customer messages. Towards the bottom of the pyramid, segments describe larger groups of customers for whom similarities are often more broad or superficial.



Figure 1: Hierarchy of Segmentation Drivers



Segmentations based upon **demographic drivers** should be used when the desired target is broad and the goal is to reach a sizeable number of consumers who are similar in very superficial ways. For example, a marketer might develop a product geared toward a particular ethnic group such as Spanish-speaking Hispanics.

Demographic cuts of consumers are most useful in media buying and promotional strategies. Media choices, including Hispanic magazines such as *Vanidades*, or television programming such as *Univision*, are cost-effective for this group because a large percentage of the audiences of these media fall into

the targeted-consumer segment. Demographics-based segmentation is also useful when developing loyalty programs or deep databases of consumer information.

Usage drivers address the consumer's relationship with a product and how he or she uses it. Traditionally, many newspaper marketing efforts—such as those that target heavy users—fall into this category. While it is more challenging to reach consumer segments defined by usage, the rapid growth of niche media products makes this group more accessible and delivers a more relevant audience with a higher response rate than mass media. Loyalty clubs, airline miles and customer rewards are all strategies that are based on usage segmentation.

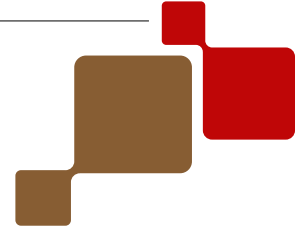
Segmentation based upon **needs/attitudes/benefits sought** groups customers based on their motivations and beliefs. At this level, consumer groups are defined by common needs that cut across demographics or behaviors. For example, this category includes consumers who are concerned about the environment and therefore want to drive hybrid cars.

Consumer segmentations performed at the needs/attitudes/benefits sought level are ideal for organizations to employ when they are engaged in activities such as strategic visioning, developing messages for consumers, or when determining product development and positioning. Segmenting customers at the needs/attitudes/benefits sought level can also provide the best lens through which organizations can perform effective resource allocation to ensure that the resources are being focused most efficiently on work that addresses customer needs.

Life-Stage Segmentation

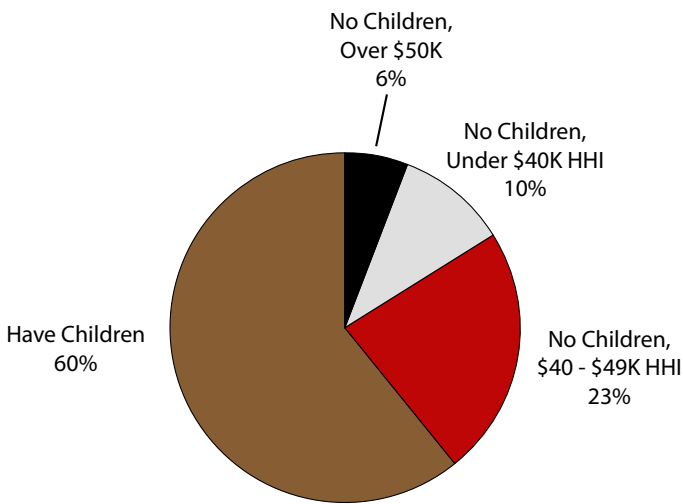
“**Life-stage segmentation**” is based upon a combination of demographic drivers that are closely associated with how consumers choose to spend money and time, for example age, presence of children and income. The most significant factor that substantially impacts the choices that consumers make is the middle driver—presence of children in the home.

Consider the elusive, 18-34 category that so many marketers seek out. As shown in Figure 2, many different consumer profiles exist within that age range, demonstrating that age alone does not sufficiently describe



consumer behavior. Many marketers may not realize that about 60 percent of U.S. households whose head is 18-34 have children living at home. No bar scenes or spontaneous weekend getaways for those folks!

Figure 2: 18-34-Year-Olds in the U.S.



Similarly, at the other end of the spectrum, a 55-year-old man who has children in grade school demonstrates different consumer behavior than a 55-year-old man who is a retired empty-nester. The 25-year-old with children at home may be more similar to the 55-year-old with children at home than she is to her peer who is still in college. Next to presence of children in the home, the next key driver of behavior is often income.

Life-stage segmentation can be performed on any data set that contains data on age, presence of children in the household and income. In addition, several research vendors provide enhanced, life-stage segmentation processes,

such as the Claritas PRIZM NE Lifestage Methodology. These methodologies employ socioeconomic and demographic traits to classify where households are clustered based upon the premise that birds of a feather flock together.

How to Apply Life-Stage Segmentation

Life-stage segmentation serves as a good model to be used by organizations that are new to segmentation because it provides intuitive segments that are easy-to-create, understand and communicate. For example, most people know what is meant by the segment description: upper-income, empty nesters. This segment's needs, behaviors and buying habits are likely to be fundamentally different from those of lower-income families. Many advertisers also speak in terms of consumer life stages when they target advertisements to young people or families.

Life-stage segments may be easy-to-define and target with advertising and media, and are also one of the most straightforward processes to apply and use. Most pre-existing databases, including syndicated research such as that from Scarborough Research, can be segmented into life stages.

Since the premise behind life-stage segmentation is that having children is a major milestone that fundamentally impacts the way consumers spend money and free time, the data set is divided into three buckets: those who have not yet had children; those who have children under eighteen at home; and those whose children have grown and left the home.

For example, one segment of young consumers would broadly represent singles and couples who are under 45-years-old and child-free. A second broad segment, called family, would be composed of all consumers who have children under age 18 living at home, regardless of their age. A third group that we might call mature would broadly encompass all consumers who are 45 years or older and have no children under age 18 living with them at home.

Next, within each group, consumers can be sorted into smaller, and more easily targeted, segments based on their household-income levels, as shown in Figure 3.

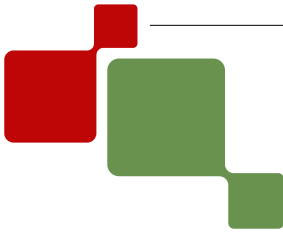



Figure 3: Illustrative Life-Stage Segments

 Wealth	Young	Family	Mature
	Upper-Income-Young	Upper-Income-Families	Upper-Income-Mature
	Middle-Income-Young	Middle-Income-Families	Middle-Income-Mature
	Lower-Income-Young	Lower-Income-Families	Lower-Income-Mature

Once segments have been defined, any research that includes data on age, income and presence of children can be cut into life-stage segments in order to provide insight about consumer behaviors and attitudes. While this example shows nine segments, the number of life-stage segments can be adjusted based upon the number of respondents within a given data set.

Selected Research Findings

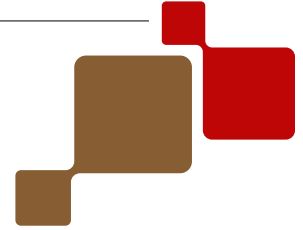
This segmentation tool was applied to DDB’s annual consumer research study, resulting in several new observations about media usage and consumer behavior in the U.S.

Following are some noteworthy, and particularly valuable, data points from the study to help newspapers think about product innovation or audience strategies. (A more complete set of DDB data analyses are available on the Growing Audience Web site at www.growingaudience.com.)

Respondents from the DDB research were divided into nine life-stage segments as follows:

Figure 4: Life Stage Demographic Definitions, 2005 DDB Research

Lifestage Classification	Reported Age/ Presence of Children	Reported Annual Household Income	2005 Study	
			N	%
“UY/Upper-Income Young”	Under 45; no children in the home	Over \$70K	165	5
“MY/Middle-Income Young”		\$30 - \$69K	181	6
“LY/Lowere-Income Young”		Under \$30K	160	5
Total “Young” Group			506	16%
“UF/Upper-Income Families”	Children in the home	Over \$70K	424	14
“MF/Middle-Income Families”		\$30 - 69K	544	18
“LF/Lower-Income Families”		Under \$30K	355	12
Total “Family” Group			1323	44%
“UM/Upper-Income Mature”	45 and Over; no children in the home	Over \$70K	388	13
“MM/Middle-Income Mature”		\$30 - 69K	477	16
“LM/Lower-Income Mature”		Under \$30K	345	11
Total “Mature” Group			1210	40%
Total Sample			3039	100%



When the weighted sample from the DDB research was compared with information from the U.S. Census, it was determined that the distribution across demographic dimensions, including age, income and presence of children, is a fairly good representation of the U.S. population.

Use of the Internet over the print product is most significant with consumers in the upper-income young segment: According to the personal media-usage journals, 70 percent of consumers read the newspaper on a past weekday or weekend day versus 56 percent who used the Internet in the same time frame. However, in three segments, average daily Internet usage already outpaces average daily readership of the newspaper.

For the upper-income-young segment, which primarily is composed of affluent, double-income households with no children, 85 percent accessed the Internet versus 63 percent who read the newspaper.

For the middle-income-young segment, which reflects a wider range of young singles, 73 percent accessed the Internet versus 66 percent who read the newspaper.

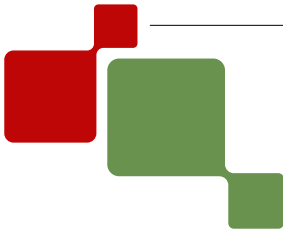
Finally, for the upper-income-family segment, the most affluent families with children in the home, 77 percent used the Internet versus 73 percent who read the newspaper.

Implication: While all strategies developed by newspaper organizations must take the growth of the Internet into account, audience strategies for the three segments in which Internet usage already outpaces newspaper readership—upper-income-young; middle-income-young; and upper-income families—must proactively address this trend. New products and services for this audience should either be online or reflect the features and benefits that these online-focused segments have come to expect.

News, as a topic of interest, is declining: Several of the questions in the DDB survey ask consumers the extent to which they agree with statements in order to assess attitudes and beliefs. One of these statements is: “I need to get the news every day.” In 1995, 50 percent of respondents agreed with that statement² versus 42 percent in 2005. The decline was steepest with the upper-income-young segment—the percentage of whom agreed with this statement declined from 52 percent in 1995 to 38 percent in 2005. Furthermore, just 18 percent of total respondents—and 28 percent of upper-income-young respondents—say they check the news online weekly.³

Figure 5: “I need to get the news every day” —DDB Lifestyle Study²

		Young			Family			Mature		
		UY	MY	LY	UF	MY	LF	UM	MM	LM
		Upper-Income Young	Middle-Income Young	Lower-Income Young	Upper-Income Families	Middle-Income Families	Lower-Income Families	Upper-Income Mature	Middle-Income Mature	Lower-Income Mature
“I need to get the news every day”	Total									
“I need to get the news every day” - 1995	50%	52% (103)	39% (79)	39% (78)	50% (100)	44% (88)	37% (75)	66% (131)	61% (121)	59% (118)
“I need to get the news every day” - 2000	44%	33% (76)	36% (81)	34% (76)	44% (100)	36% (83)	31% (71)	56% (126)	55% (125)	56% (126)
“I need to get the news every day” - 2005	42%	38% (91)	32% (75)	32% (77)	45% (107)	35% (84)	32% (76)	59% (140)	48% (115)	47% (111)
Point change, 1995-2005	-8%	-14	-8	-7	-5	-8	-6	-7	-12	-12



Implication: For all consumers—and for the upper-income-young segment in particular—news may not be the main element that consumers are seeking when making media selections. Newspaper companies may need to compete by developing and promoting other services they offer, such as advertisements, non-news information or even games. Ultimately, to win, newspapers may need to be about more than news.

Newspaper readership still heavy on Sunday mornings: In 2005, 52 percent of respondents read the newspaper on Sunday mornings, according to the personal media-usage journals. However, that number has declined from 62 percent in 1995. The middle-income family segment—one that is particularly important to Sunday preprint advertisers such as discounters and grocery stores—shows the most precipitous decline in Sunday readership, down sixteen percentage points from 59 percent in 1995 to 43 percent in 2005. At the same time, 60 percent of this segment reports watching television on Sunday morning in 2005, up from 46 percent in 1995; and 15 percent accessed the Internet on Sunday morning in 2005.

Implication: As Internet usage at home becomes more common—driven especially by increased broadband penetration among consumers—newspapers may need to flesh out an Internet strategy that protects their share of consumers' time during the essential, Sunday-morning daypart and that reflects the increasing use of Internet in the home. This new strategy will be vital to retaining Sunday newspapers' share of advertising spending.

Upper-income-mature consumers are embracing the Internet: The growing, upper-income-mature segment, frequently described as affluent, empty-nest Baby Boomers, consistently reports the highest readership of newspapers. In 2005, 85 percent of this segment reported reading the newspaper on an average day, versus 70 percent of the total population, and upper-income-mature readership levels are declining at a relatively slower rate.

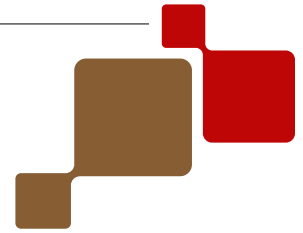
At the same time, however, Internet usage has grown to 70 percent among affluent empty nesters in 2005. A disproportionate percentage of this segment engages in many online activities: In 2005, 75 percent explored a hobby or interest, 69 percent searched for health or medical information, 60 percent shared photos with friends or family and 52 percent made travel reservations online.

Implication: The core newspaper audience is becoming increasingly facile with many different Internet applications. As they become more familiar with the functionality and customization that the Internet offers, they may migrate away from the print newspaper as it currently stands. The core product must be modified to address the specific needs and interests of upper-income-mature consumers, and consider the way in which they seek out content, to continue to maintain their high readership.

Web-based services and interfaces are popular among consumers across all segments: 56 percent of the total population made banking transactions over the Internet in 2005, and 53 percent planned a trip on the Internet. The percentage who engaged in these activities is even higher across the upper-income segments.

Industries such as finance and travel are setting the standard for the level of automation and functionality that a Web interface can offer. Businesses that cannot offer a comparable level of service will be regarded as archaic and difficult to use.

Implication: Newspaper organizations must invest in improving interactions with customers across all levels. Everything from online requests and confirmations for vacation stops, to customized content and subscription by section, may need to be accommodated in the future.

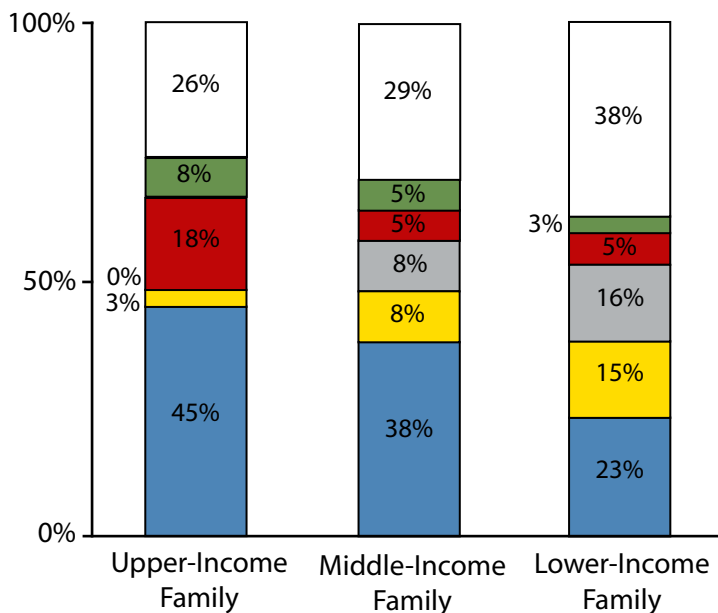


Identifying Opportunities: A Major Metro Example

Once the life-stage segmentation technique has been applied, newspapers can develop innovative and actionable frameworks to set priorities and formulate strategies that address the most valuable segments. When target segments are clearly communicated, both internally and externally, the company will make better resource-allocation decisions and become consumer-centric across all functions and at all levels.

For example, you can determine the reach of the various products in a portfolio by life-stage segment and use the inherent differences to drive product and promotion strategies. For the purpose of this illustration, we focus only on the three segments in the family group: those who have children under eighteen in their home.

Figure 6: Audience Reach by Life-Stage Segment—Illustrative Major Metro

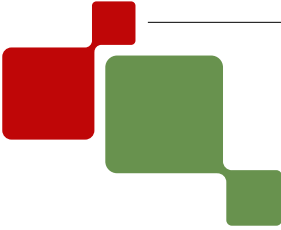


In this illustrative example of an “audience reach analysis,” the core newspaper, and newspaper Web site, show far greater penetration with upper-income families and, hence, should be considered the priority in terms of marketing to this group of consumers. However, a niche product drives readership with those in the lower-income-family segment. Readership of the newspaper Web site in lower-income-family households is not very high, and therefore would probably not be an integral part of initiatives designed to attract this type of consumer.

The audience reach analysis can then be used to create a second tool, a “product-segment matrix,” that highlights strengths and opportunities for a newspaper organization in its market in light of the competition.

Figure 7: Product Segment Matrix—Illustrative Market

	Family		
	Upper Income	Middle Income	Lower Income
% of households	14%	18%	12%
Daily Newspapers	Core Newspaper	Community Newspaper	
Online Products	Newspaper.com	LocalTVNews.com	
Niche Products			Hispanic Newspaper



In this example (figure 7), the product-segment matrix indicates that while this newspaper has a strong foothold across two channels (print and online) with the upper-income-family segment, usage of the newspaper's product portfolio is not as strong amongst the middle-income-family segment; in fact, middle-income families turn disproportionately to competitive, local-news sources.

Because middle-income families tend to be an important segment to many advertisers, and represent a large percentage of the households in this market, this situation may present an opportunity for the newspaper organization to make changes to their product, marketing messages and/or promotion strategies to drive usage up amongst this segment.

These tools also help to identify and probe those consumers in each segment who do not read any newspaper, in print or online. With additional research, marketers can determine whether they have the right products to meet the content needs of these consumers, and what new-product opportunities exist to acquire them.

Next Steps

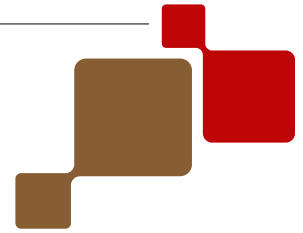
Performing and implementing life-stage segmentation will serve as an important first step in aligning the organization around customers' needs and preferences.

Next steps are as follows:

- 1) Review the life-stage segmentation analysis of the DDB data at www.growingaudience.com. That analysis, at a national level, may give you insights on segment behavior in your own market.
- 2) Conduct a basic, life-stage segmentation analysis of existing consumer data for your market, based on the segments outlined in this report. You can conduct more granular segmentation (i.e., three age breaks rather than two), but the segments identified here are enough for a good start.
- 3) Ultimately, in order to develop products, further primary research is recommended to better determine the needs and benefits sought by target consumers.
- 4) Review the recommendations in **Growing Audience: A New Approach to Product Development** at the Growing Audience Web site. That report, based on best practices inside and outside the industry, will help you develop a process for product development once you've identified the market segments providing the greatest opportunities.

The Audience Development Initiative will be supplementing existing analysis with data from recent NAA studies on shopping behavior, newspaper Web site users and newspaper engagement. The new analysis will be available in June at www.growingaudience.com.

In addition, a segmentation analysis on race and ethnicity is underway. The results of that analysis will be available by July.



About the Authors

Kannon Consulting is a strategy and marketing consulting firm that helps clients in changing, dynamic industries grow their revenues. The firm's goal is to provide clients with the expertise and analytical structure to compete successfully in the new environments they face. Clients have been in a range of industries, including media, telecommunications, staffing, retail and health care. Recent work has incorporated audience aggregation and market segmentation tools to identify how media companies should focus resources for the highest return.

Barbara G. Cohen is president and founder of Kannon. She has over twenty-five years experience in marketing and consulting, throughout which she has consistently championed the customer's viewpoint. Prior to founding Kannon, Barbara began her marketing career with Procter & Gamble in brand management. She joined Booz Allen Hamilton in 1982 and was elected to the partnership in 1988. There, she extended, challenged and refined traditional ways of marketing to aid clients whose industries were discovering the need to establish marketing strategies; often for the first time.

Romy Trahan is a senior consultant at Kannon, where she draws on a background in consumer products to bring new marketing approaches to media clients. Prior to joining Kannon, Romy developed initiatives to enhance consumer engagement as a Director of Marketing for Estée Lauder. Romy received a B.A. in American Studies from Yale University, and an M.B.A. from the Kellogg School of Management at Northwestern University.

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¹ The DDB Life Style Study is a nationwide study conducted annually since 1975. Five thousand self-administered questionnaires are mailed to individuals and filled out at their leisure. The survey consists of approximately 1,000 items that tap people's attitudes, opinions and interests on a wide variety of subjects: product use and ownership of "big ticket" items, media habits and demographics.

² Percent of respondents who responded "I generally agree with this statement" or "I definitely agree with this statement."

³ Internet usage statistics reflect usage among those respondents who have accessed the Internet in the past year only.



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