

# Understanding Mosaic & Micromarketer

In today's complex marketing world, where every choice is expensive, a powerful geo-demographic 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 geo-demographic segmentation are customer profiling and development, site selection, and targeted direct mail campaigns.

## **Birds of a Feather Shop Together**

Geo-demographic 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 neighbourhoods 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 neighbour 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, neighbours also share similar patterns of predictable consumer behaviour. The need to "keep up with the Joneses or the Popescus" reflects this tendency for neighbours 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 behaviour, 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 houses on land that only yesterday was cornfield. Young families moving into a revitalising urban neighbourhood are living next door to families who have lived in the same apartments for generations. Immigration has led to increasing ethnic diversity across the urban-to-rural spectrum, a trend known as "the suburbanisation of diversity." In today's world, demographic variations exist not only neighbourhood-by-neighbourhood, but in sub-communities within each neighbourhood 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 'football 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 homogenised mass market campaigns, the advent of geo-demographic segmentation systems allows for customised strategies for differentiated markets, a process known as *micromarketing*.

## **The History of Neighbourhood Classification Systems & Mosaic Romania**

While geo-demographic 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 neighbourhood classifications systems include Acorn, PSYTE, Microvision, ClusterPlus and Mosaic. Mosaic was developed by Experian, a global information solutions company based in the United Kingdom, with over 20 years experience in international segmentation. In developing Mosaic Romania, Experian and Geo Strategies collaborated with some of the most experienced geographers, demographers, consumer psychologists and consultants. In a battery of tests, Mosaic Romania has proven to perform as well as, or better, than other national clustering systems and has the added advantage of linkage with 28 countries around the world using Global Mosaic.

## **The Building Blocks of Geo-demographic Segmentation**

Simply put, geo-demographic segmentation systems like Mosaic Romania allow marketers to link socio-economic and consumer data to small pieces of geography, resulting in highly adaptive marketing information.

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

But *where* people live is as important as *how* they live: the Mosaic Romania System also incorporates variables that capture the importance of location. These variables include population density, distance to shopping areas, banks, doctors and urban centres, and the unique influences of each region of the country. In the resulting model, Mosaic Romania identifies 45 distinct neighbourhood lifestyle clusters. Why 45 clusters? Experian and Geo Strategies' 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 geo-demographic 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 standardisation (for Romania, this a process that formats the address to the system adopted by the Romanian Post Office), each record will have a post-code assignment. In Romania, postcodes usually represent one side of the street, part of a street or an average of between 60 households in Bucharest and 300 in the country. The Mosaic Segmentation System has “scored” each post code in the master database with a code representing the neighbourhood cluster type. A simple match between the master database and the survey database using postcodes is used to link the two databases. However, postcodes include a number of addresses, so another process known as *geo-coding* can be used to link databases through a unique element i.e. geographic coordinates. Geo-coding assigns codes for latitude and longitude to each record in the database: this ensures that the master file is 'future-proofed' in the event of the Romanian Post Office changing the assignment of postcodes. It also allows individual point information – such as the location of a bank or a doctor's surgery – to be stored very precisely.

Once databases have been standardised and geocoded, data garnered from a wide variety of additional sources, syndicated consumer surveys, attitudinal research (also known as “psychographics”), and from other government agencies, as well as customer data managed by companies for their clients can be linked to further enrich the information available about the lifestyle and consumer behaviours of the different clusters.

## A Dynamic Model

Since most geo-demographic 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 37% of the present Mosaic Romania system is based on the 2002 Census, demographers and statisticians update the model annually using current population surveys, local statistics, and estimates. One of the primary sources for this up-to-date information is the Institute for National Statistics (INS), supplemented with data and estimates from Eurostat, the National Bank of Romania (BNR) and the World Health Organisation (WHO). This collation of data is a central part of the updates of the Mosaic Romania classification and helps project census information forward to current year-estimates. This allows for the influx of fresh information while still maintaining continuity, making Mosaic Romania a segmentation system that evolves in a dynamic manner along with the development of neighbourhoods in Romania.

The advent of a new Census (2012), however, will provide an opportunity for more substantial revisions. Both Geo Strategies and Experian demographers and consultants are already working with INS towards the next Census of Romania. With this new information, Mosaic will be at the forefront of 21st century geo-demographic segmentation for Romania, able to analyse the impact of the latest demographic trends such as the emerging middle class, migration between town and country and the reverse, decreasing population counts, an ageing population, international migration, increasing consumerism and the impact of EU membership.

The contribution of this scientific cooperation is recognised by the organisations involved as extremely beneficial in the characterisation of the key support aspects which underpin the country's economic development, now and for the future.

## **Micromarketer: Putting Geo-demographic Segmentation 'On the Map'**

The inherent beauty of geo-demographic segmentation is its simplicity: it makes complex marketing nuances easy to visualise. With the advent of desktop publishing and Geographic Information Systems (GIS), it is easy to use geo-demographic segmentation data within mapping software. Far easier to analyse than spreadsheets, colourful, "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: post codes, communes, counties, regions, Bucharest sectors and designated market areas or DMAs (for example, television viewing markets). The wealth of consumer data available today makes it possible to target at a local, granular level, while "rolling up" the data to look at whole market potential.

## **The Power of Mosaic**

The key to Mosaic Romania's power and versatility is finely-tuned targeting. By sorting through, and condensing an overwhelming amount of demographic, lifestyle, and consumer behaviour information into an easy-to-understand classification system, Mosaic helps businesses to both accurately describe their customers and locate them on a map. Geo-demographic 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 post 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, telecommunications, 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 organisation might profile its donors in order to target certain post 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 a major retailer of household goods. Their target market was for young families with children and, after a successful launch in Bucharest, they were keen to expand into other areas of Romania. However, a detailed analysis of customer records and purchasing habits revealed that, in addition to their normal target market, they had uncovered a latent demand in other demographic groups: this was very important information as it rapidly became clear that Romania's historical legacy meant that international norms did not apply on a local scale. Extra information which was factored into the analysis was the distance (or time) that people were prepared to travel for these goods and for the special consumer experience offered by this market operator.

Using Mosaic, Geo Strategies identified the top five Mosaic Types who were buying this store's products in Romania. These were: Type A03 (*Corporate High Flyers*), Type C10 (*City Entrepreneurs*), Type C11 (*New-wave Energy*), Type E19 (*Skilled Blue Collar*) and B06 (*Suburban Ambition*). The next step was to survey the whole of Romania to identify the top three areas where there were significant concentrations of these particular groupings and to calculate the disposable income (the income left after families have paid for the basic necessities) in those areas.

The result of this study was most interesting: the retailer concerned had originally intended to build a new store but, as a result of the study, they decided to go ahead with two stores based on the detailed consumer and area information which is now available for Romania.

## **Reaping the Benefits of Segmentation Analysis and GIS**

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 geo-demographic segmentation system such as Mosaic Romania are:

- **Versatility:** From customer acquisition and retention, to site selection and to analysing market potential, geo-demographic 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 analyse than spreadsheets, colourful, easy-to read maps provide busy executives with a clear snapshot of their key markets.
- **Cost Effective:** Finely tuned targeting allows marketers to “home 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 post code to get started.

For more information on Mosaic and Micromarketer and their application and linkages, please contact us at –



Geo Strategies Ltd  
 St John's Innovation Centre  
 Cowley Road  
 Cambridge CB4 0WS  
 United Kingdom

T (UK): +44 1223 205080

T(RO): +40 722 244940

E: [mosaic@geo-strategies.com](mailto:mosaic@geo-strategies.com)

W: [www.mosaic.geo-strategies.com](http://www.mosaic.geo-strategies.com)

W: [www.business-strategies.co.uk](http://www.business-strategies.co.uk)