

Market Segmentation: The Role of Futures Research

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Why Futures Research is Important

- Trends and discontinuities in demography, lifestyles, technology, and economy can rapidly create new opportunities and threats
 - New types of customer benefits or new ways of delivering or communicating existing benefits
- Hamel and Prahalad, in “Competing for the Future”, refer to this as competition to imagine the future



Why Market Segmentation is Important

- Markets are becoming increasingly diverse and it is rare for mass marketing to be a profitable strategy
- Market segmentation enables more accurate and effective communication of benefits in relation to needs
- Market segmentation helps to identify growth opportunities



Opportunity Identification Using Futures Research

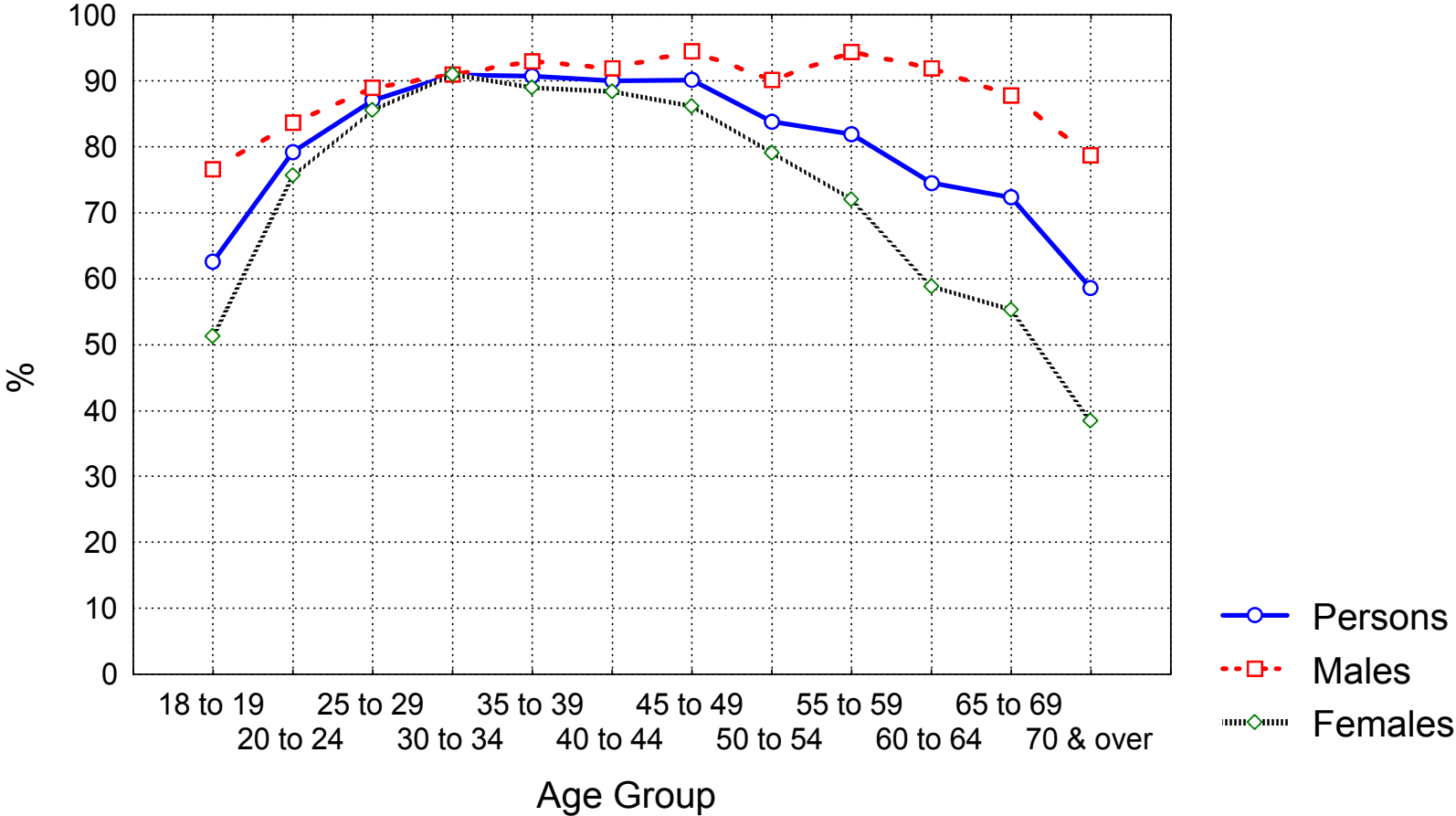
- Two Australian examples of how futures research has enabled the identification of growth opportunities
- While these opportunities were identified several years ago, marketers have been slow to address them and the opportunities still exist
- Also, a growing segmentation problem for the Reserve Bank of Australia and an opportunity for dynamic target marketing



Do Older Women Turn in Their Licence?

% of People Who Drive: 1992

Source: ACNielsen

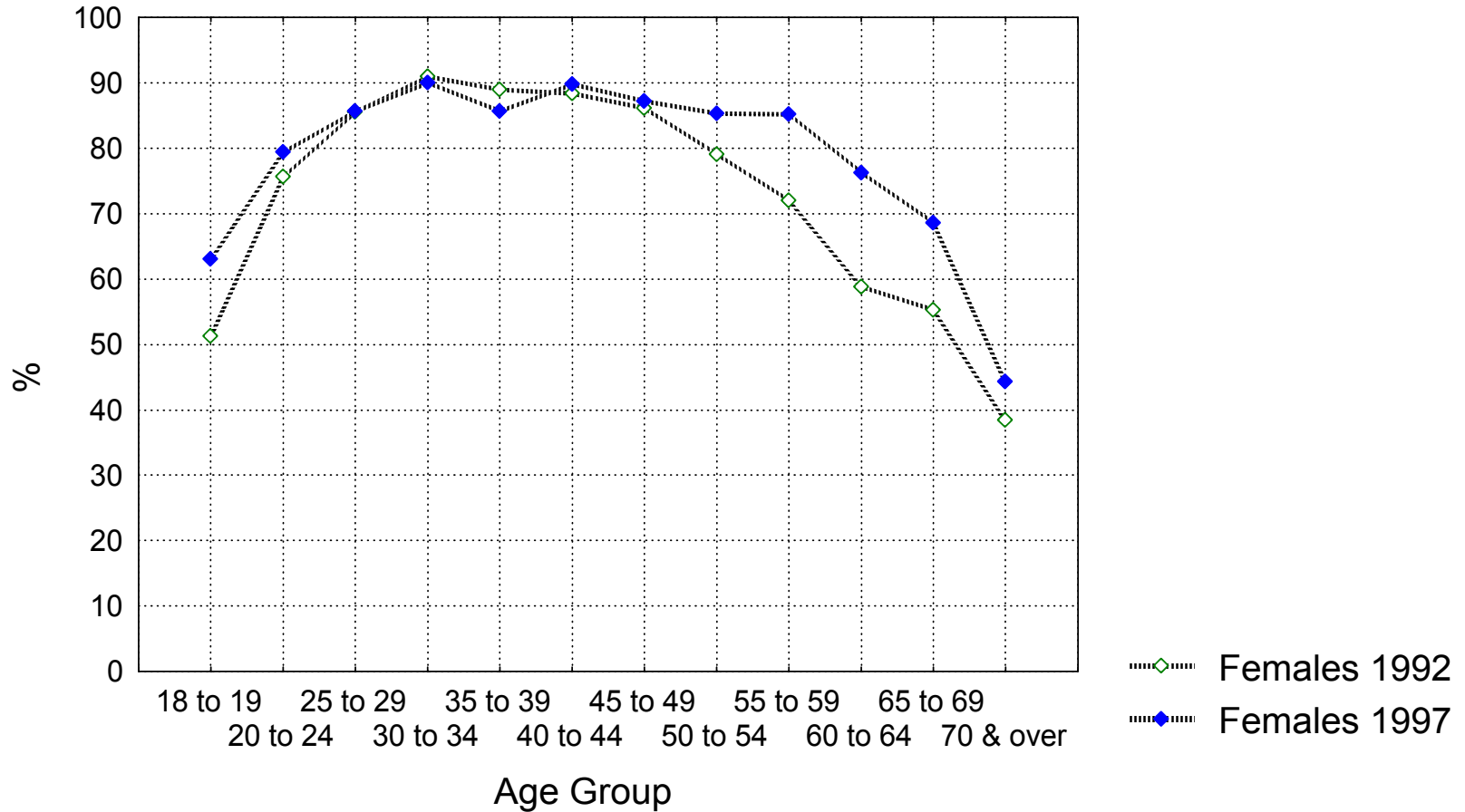


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No – a Generation Effect

% of Females Who Drive

Source: ACNielsen



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The Car for the Older Woman

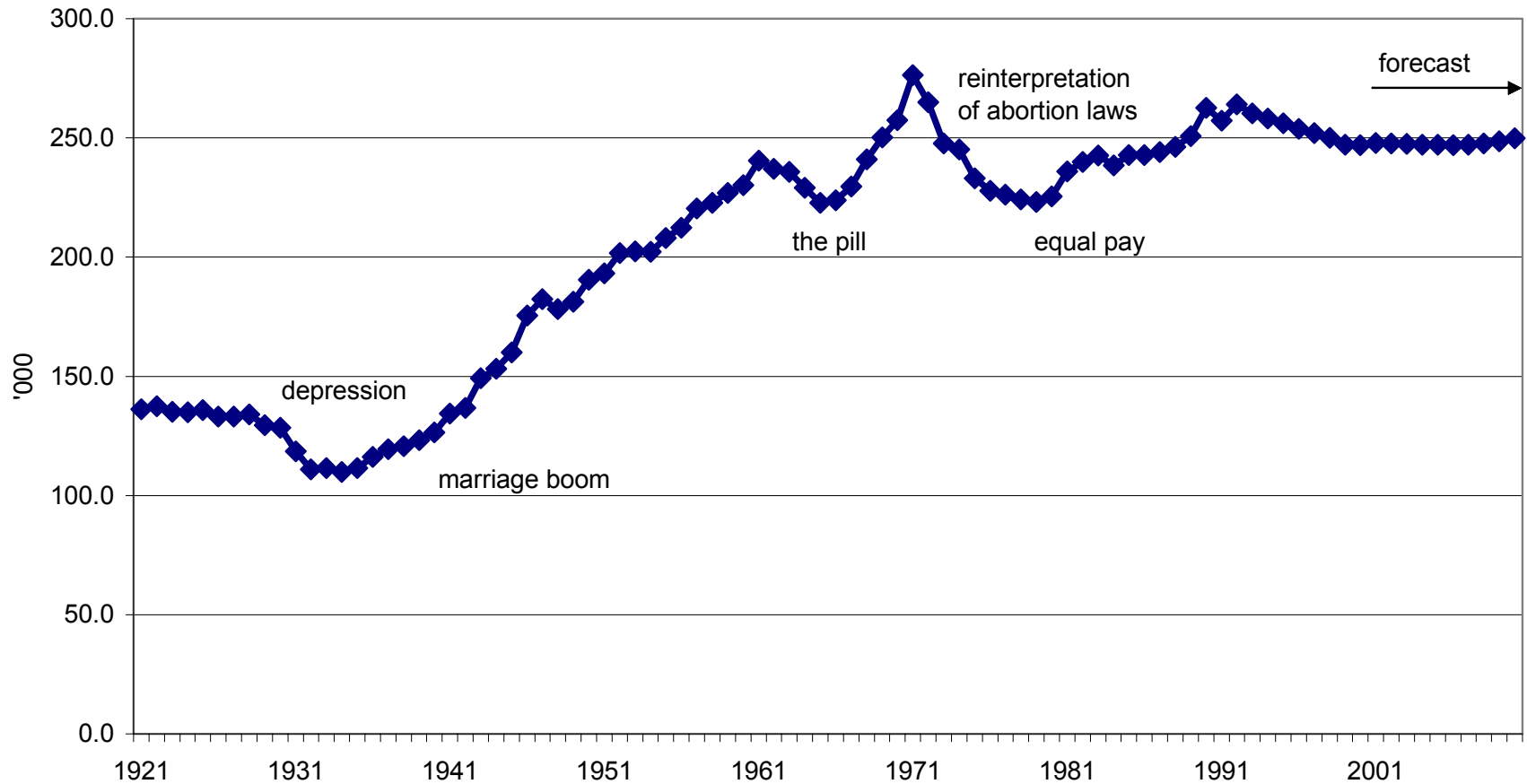
- Rapid growth in the 55+ age groups
- Plus increased incidence of driving amongst females 55+
- Have made it worthwhile to research the needs of this growing target and to develop and communicate a matching set of benefits



Static Birth Number Forecast

Births in Australia

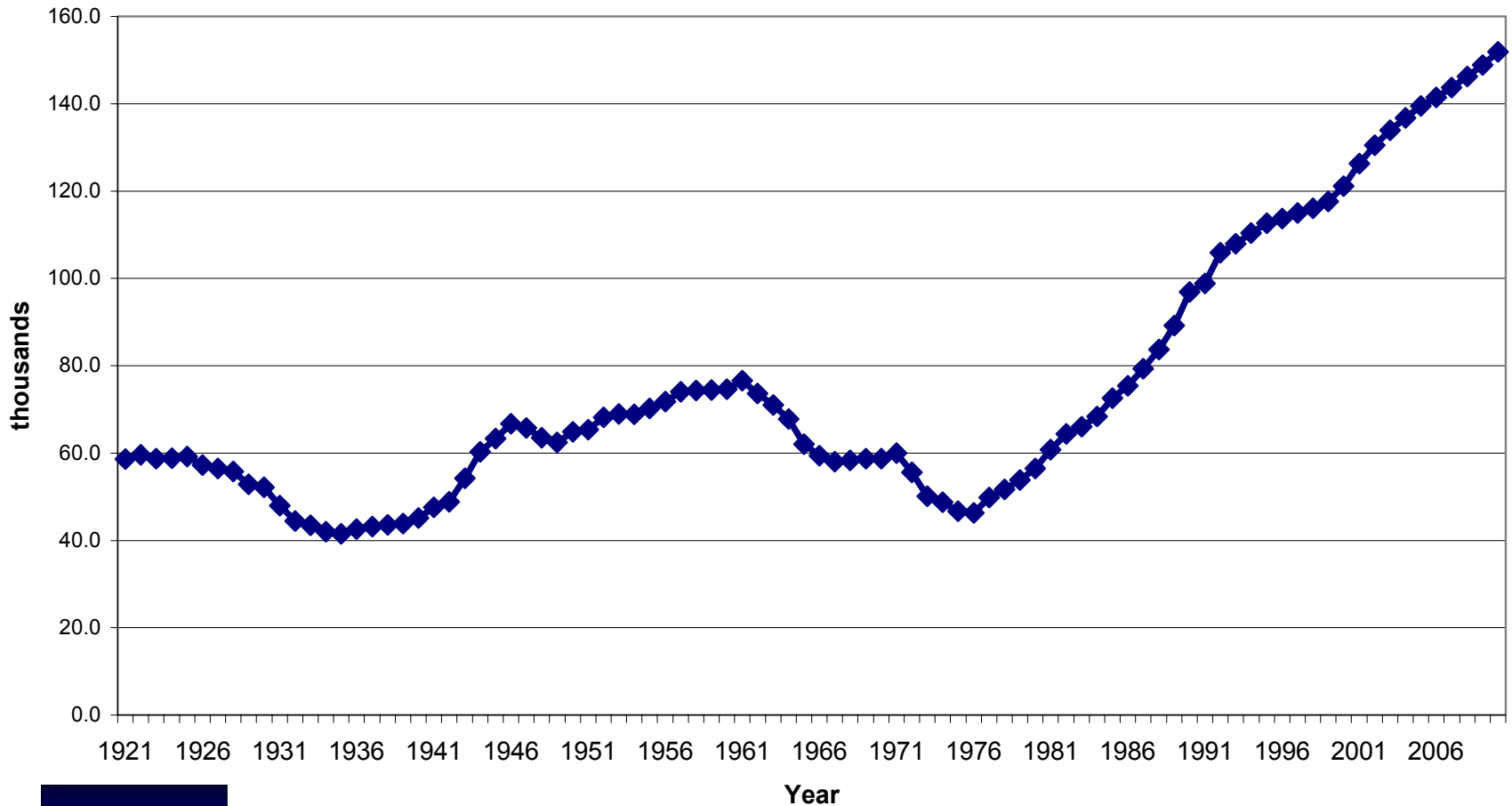
Sources: data, ABS; forecasts, foreseechange



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But Boom in Births to Mothers 30 +

Births to Mothers 30+



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30+ Mums

- Until 2000, more babies were born to mothers in their 20's than in their 30's
- This has now reversed
- Mothers in their 30's are very different to mothers in their 20's, in terms of experience and attitudes
- Researching and exploiting these differences can yield an opportunity to offset a static market by growing market share



Both of these case studies involve segmenting by generation

A new generation is often very different to the previous generation when they were the same age

These discontinuities provide opportunities to marketers who have researched the future



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A Segmentation Challenge for the Reserve Bank – and an Opportunity for Dynamic Market Segmentation

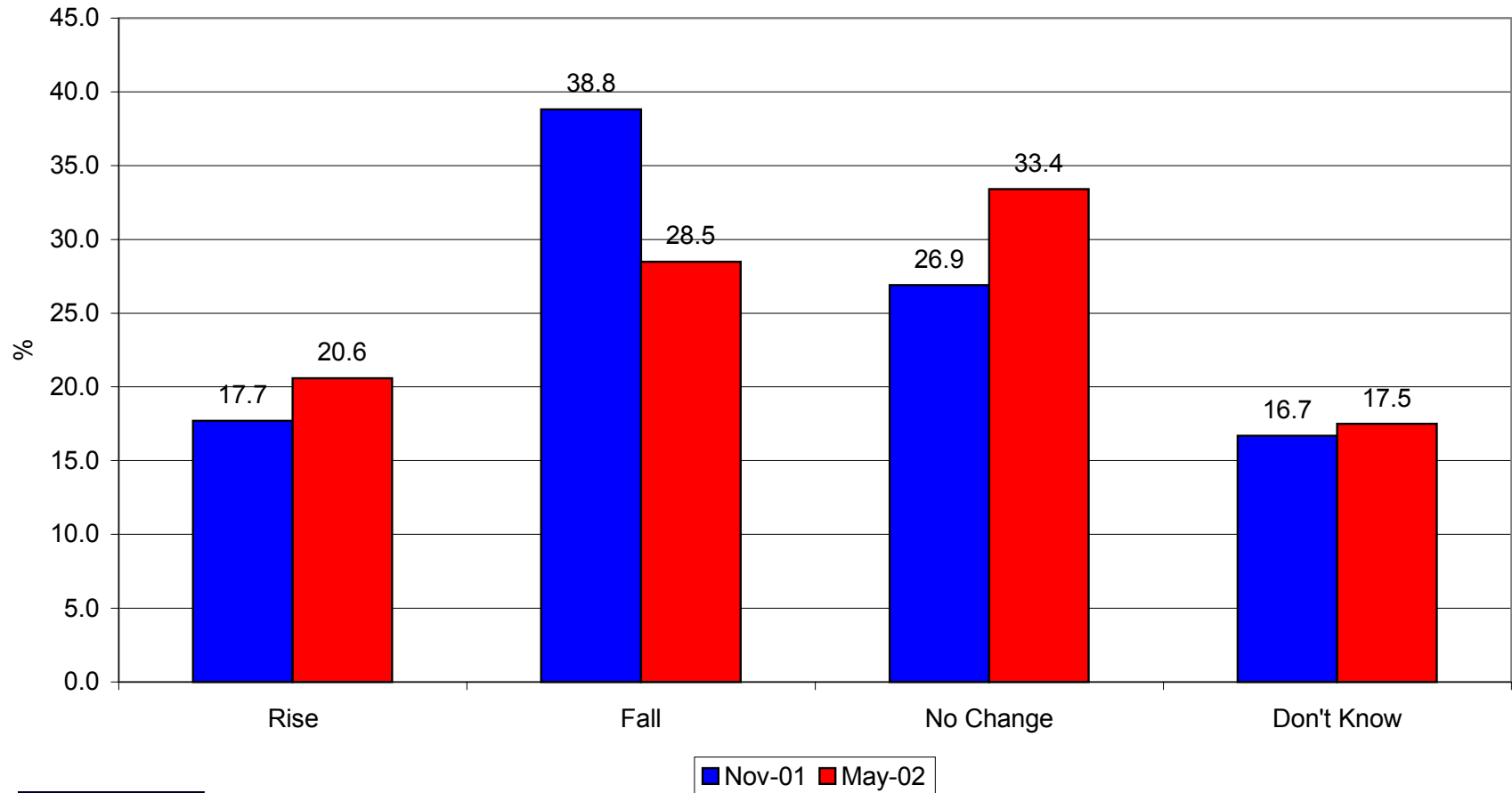
- Interest rates are used by the Reserve Bank of Australia and their counterparts internationally to stimulate or dampen demand so as to control inflation
- But the power of interest rates to modify demand has vanished in Japan and is in question in USA and elsewhere
- The problem is that changing interest rates is a “mass” strategy in an increasingly segmented consumer market



Not all Unhappy at the Prospect of Rising Rates

Preferred Interest Rate Movement in Next 6 Months

source: foreseechange

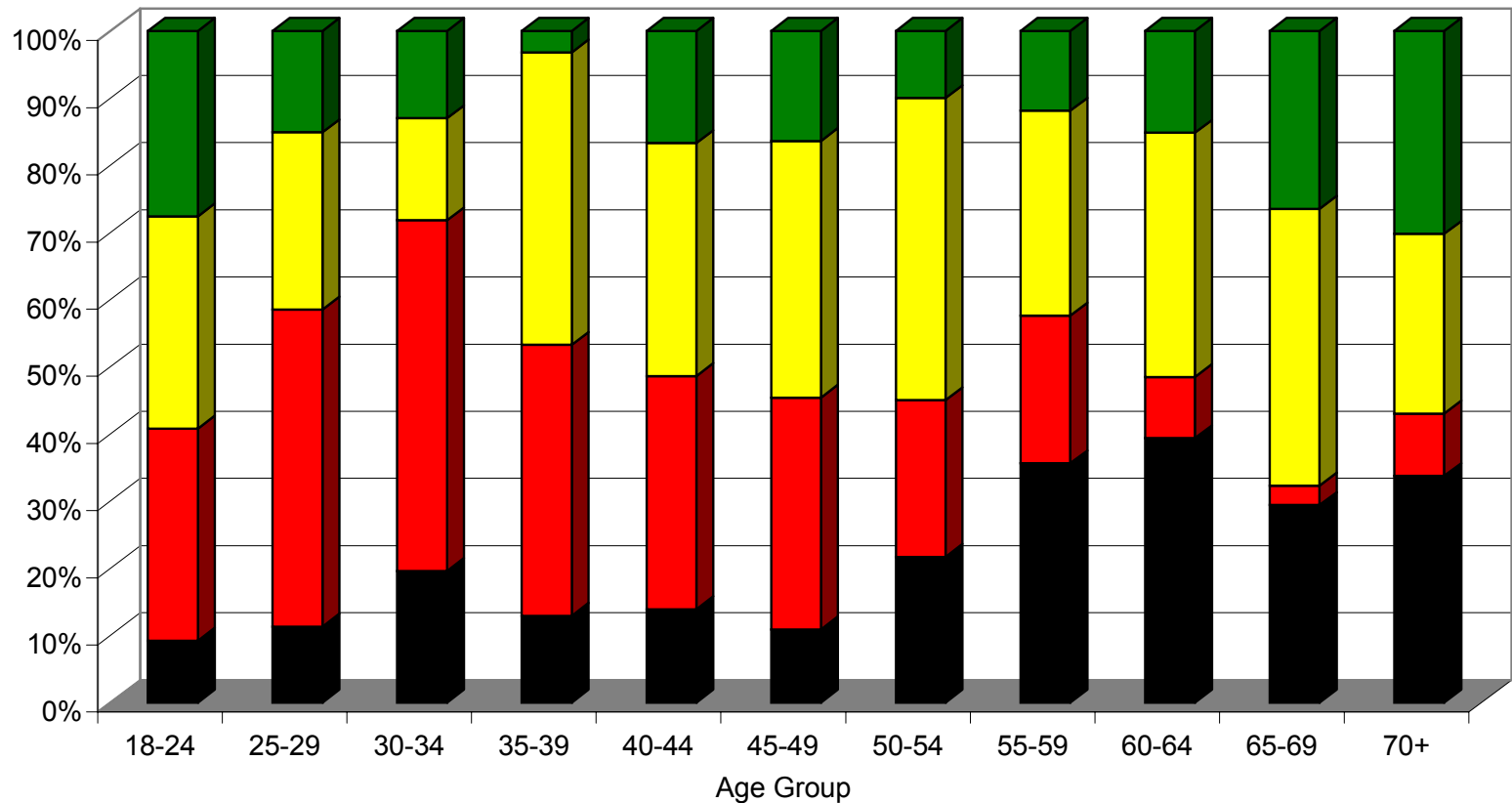


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Over-55's Want Higher Rates

Preferred Movement in Interest Rates in Next 6 Months (May 2002)

source: foreseechange



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■ Rise ■ Fall ■ No Change ■ Don't Know

Interest Rates Lose their Potency

- People 55+ are more likely to prefer higher interest rates than lower interest rates
 - Net recipients of interest
- The population over 55 is growing rapidly and within the next 10 years, there will be as many people wanting higher interest rates as wanting lower interest rates
- The Reserve Bank have little time left to develop a “segmented” interest rate strategy before becoming completely impotent in their ability to influence consumer spending
- Marketers can dynamically allocate resources according to interest rate movements
 - Spend more on targetting 55+ demographic when rates are rising
 - Spend more on targetting 30-50 demographic when rates are falling



Potential Perils of Technology Forecasts

- My 1999 article predicted a “digital” divide
 - Usage is still very low amongst over 55’s and penetration growth is slowing at younger ages
- There were some very optimistic forecasts for e-tailing, but these were based more on what was technologically possible than on benefits sought (and not sought) by consumers
- Cast a critical eye over technology forecasts and try to imagine “perverse” effects
 - In the late 1970’s there were confident forecasts of a 28 hour week and paperless offices
 - In reality, technology has not enabled us to have more leisure time but has put us into squirrel cages



Some Information Sources on the Future

- www.foreseechange.com has a broad range of forecasts, information, opinions, and links to other sites
- Australian Bureau of Statistics has population and household projections
- American Demographics (www.demographics.com) provides sound information on social trends in America
- The Economist magazine has a good quarterly technology survey
- Wired magazine has some good technology articles
- Australian Foresight Institute (www.swin.edu.au/afi) has a very good set of links to other sites



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