

insights



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Are you recognising your life style tribes?

Sainsburys recently compared two stores with similar demographic profiles and sales volumes. It found contrasting spending patterns in each store. On closer analysis, demographic similarities were superficial, concealing differences in lifestyles that had very real business consequences.

Accordingly, it adjusted its marketing and selling strategies for both stores.



New insights on demographic change

Fundamental changes in demographic profiles and personal lifestyles are now well documented. Many financial services organisations have reduced their emphasis on age, occupation, income and gender as key indicators of buying behaviour. They are increasingly using lifestyle analysis to determine current and future profitability of customer segments.

Recent ground-breaking work by Professor Richard Scase, based on a unique long term study of British life styles, suggests that the emergence of life style tribes should increasingly be at the root of sales tactics, service delivery and decisions around customer segmentation.

This new concept emerged from the British Household Panel Study which tracked the same individuals in a representative sample of the UK population over a ten year period. Amongst many valuable trends, the findings suggest:

" Lifestyle tribes should be at the root of sales tactics, service delivery & customer segmentation"

- The fluid nature of personal relations and family forms renders assumptions about age-related lifestyles obsolete. There is now little validity in segmenting into the traditional categories of 16-24, 25-34 etc. For example, women used to marry in their early twenties and had their first child at around 24. Now a first child is more likely to be born when the mother is in her very late twenties or early thirties. For many high achieving women it can be even later.

- Occupation is no longer a useful indicator of financial security and life-long earnings. The 'affluent' are increasingly vulnerable to redundancy, early retirement and insecure or unpredictable employment patterns. Witness the collapse in confidence and earning capacity of those in the ICT industries who, only a couple of years ago, were making investment decisions as extremely self-confident consumers.

- Within the 45-54 and 55-64 groups, there are now great differences in patterns of employment, retirement, lifestyle, live-in relationships, etc. The mass affluent group has already been

targeted but clearly contains many sub-segments. There is also the 'sandwiched generation' which has both elderly relatives and dependent older children to support. Financial demands are even more complex among those who have offspring from more than one long-term relationship. An increase in life expectancy (from mid-70s to early mid-80s) is also changing the spending and investment attitudes of these older consumers.

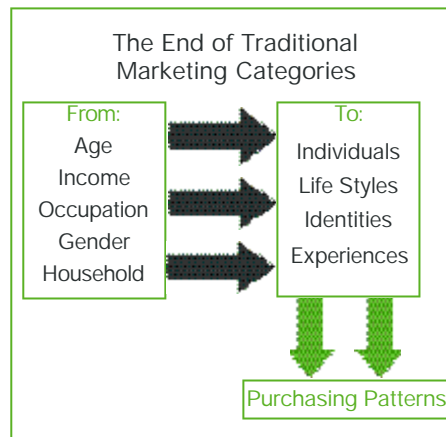
- Single person households will make up c. 40 per cent of the UK population by 2010. The growing proportion of 'singles' in the 30-40 category is stretching the 'age band of youth' and related lifestyle, attitudes and spending patterns. Singles in their 50s - a rapidly growing segment - regard themselves as 'younger middle aged'. Hence, the growing passion for sports cars and 'fashion' rather than comfort clothes among both 'middle aged' men and women. It is a trend that caught out Marks and Spencer, who are still working to catch up. The 'Frasier' generation destroys the traditional assumptions of marketing to this older age category.



What are life style tribes?

With the growing limitations of traditional marketing categories, there is a need for new models. These can only be based on lifestyle tribes - groups of consumers whose buying habits, attitudes, leisure pursuits and overall preferences are now determined by shared experiences - not derived from demographics. Their characteristics cannot be purchased from advertising agencies. It is something that companies have to do themselves. They have to create their own relevant lifestyle tribes in terms of what is important in developing their core customer base.

An example of one such possible group is knowledge workers. They trade and work with their brains and usually make decisions on the basis of analysis and appraisal. They are often highly individualistic and non-conformist. As consumers they are inclined to reject and disbelieve, so advertising and marketing directed at them is largely wasted.



Other tribes could include single, childless, high achieving women; groups committed to the environment and organic living; and post-work affluents who are dedicated to self-enrichment through travel and life style investment. All of these presently exist within company databases and need to be found and treated appropriately.

"Individual markets and actual customer needs may be quite different from those sales managers think they have been dealing with"



What are the implications for business organisations?

Most financial services organisations are working hard on making themselves more customer focused. Updating marketing strategies, installing CRM systems, working to leverage the value of their brand, effecting wide ranging culture change programmes all figure high on the list of key activities. Richard Scase's research adds a new dimension to such initiatives.

Senior management needs to assess the concept of life style tribes and the opportunities to truly differentiate their business in the

minds of key customer segments. Marketing models and related software may need to be adjusted. Sales processes and tactics need to be rethought. Sales managers in the field (branch networks, call centres etc.) will need help to sell to their perceived target groups. Individual markets and actual customer needs may be quite different from those they think they have been dealing with.

Theirs is likely to be the greatest challenge. All customer facing staff will need guidance and coaching to adjust their perceptions and skills.

The paradox of the confident consumers is that they are both more knowledgeable and more confused. With more turbulent lifestyles and ever-changing work demands, the ramifications for financial services are significant. Food retailers such as Sainsburys and Tesco, car manufacturers such as Ford and Renault are getting to grips profitably with the life style tribe concept. The timing is right for financial services companies to do the same.

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Authors



Joe Liddane, European Managing Director, has spent the past 15 years consulting to the financial services sector on a wide range of people performance issues.



Richard Scase is one of the UK's leading business strategists and authoritative business forecasters of scenarios for this century. He is a regular broadcaster and writer contributing to the debate on how future socio-economic and global trends are likely to affect business strategies.