Market Segmentation:
The Role of Futures Research

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August 2002
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 on opportunity for dynamic target marketing
Do Older Women Turn in Their Licence?

% of People Who Drive: 1992
Source: ACNielsen

Age Group

% of People Who Drive: 1992

Persons

Males

Females

18 to 19
20 to 24
25 to 29
30 to 34
35 to 39
40 to 44
45 to 49
50 to 54
55 to 59
60 to 64
65 to 69
70 & over

%
No – a Generation Effect

% of Females Who Drive
Source: ACNielsen

- Females 1992
- Females 1997

Age Group
18 to 19 20 to 24 25 to 29 30 to 34 35 to 39 40 to 44 45 to 49 50 to 54 55 to 59 60 to 64 65 to 69 70 & over

%
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

- Depression
- Marriage boom
- Pill
- Equal pay
- Reinterpretation of abortion laws

Forecast
But Boom in Births to Mothers 30 +

Births to Mothers 30+

Year

thousands

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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
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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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 targeting 55+ demographic when rates are rising
  - Spend more on targeting 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](http://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](http://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](http://www.swin.edu.au/afi)) has a very good set of links to other sites