

SPECTRA BEHAVIORSCAPE™ FRAMEWORK

Evolution of Segmentation

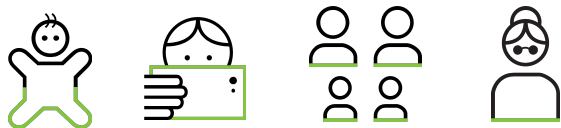
Consumer segmentation has been used for decades to focus time and resources against the most important consumers. With audience, product and media fragmentation and time restricted consumers making more in-store decisions, the pressure is on to create segmentations that will drive volume.

Spectra's behavior-based segmentation moves beyond geographic or demographic consumer targeting. The goals of this segmentation are as follows:

- **Explain** complex purchasing behavior by providing a window into why households behave the way they do.
- **Build** volume-driving, actionable recommendations to focus our clients' spending

Developing Behavior-Based Segmentation

Our researchers set out to discover patterns in consumption behavior by evaluating a range of data sources, including industry-leading Homescan panel, disaggregated at the most granular level. Once patterns emerged, the next step was to align these behavioural shifts with life events that affect households' consumption across a wide array of fast moving consumer goods (FMCG) products. The resulting BehaviorStages are cohesive yet distinctive consumer segments.



Alignment of behavioral shifts:

- changes in level of consumption
- changes in depth of consumption
- changes in attitudes or patterns of usage



Explainable life events:

- changes in age
- changes in marital status
- changes in number or age of children
- other changes in HH composition

The BehaviorScape Breakthrough

BehaviorStages are unique household situations that are described through a combination of demographic variables that motivate consumers' day-to-day purchasing behaviour. These BehaviorStages serve as the primary focus of the BehaviorScape Framework. We add LifeStyles to capture the impact of affluence and urban density, thus completing the consumer picture.

The end result is the industry's most sophisticated, syndicated method of segmenting consumers based on consumption behaviour. Hundreds of clients in the US, including 95% of the top 50 manufacturers, retailers, and brokers in the FMCG industry, use BehaviorScape to identify, locate and communicate with their target households.

Uncovering Category Nuances

Drivers of Customization

Many categories or brand portfolios have unique consumer dynamics that require a customized segmentation framework. Custom segmentations are most appropriate for marketers who:

- Are very invested in a category, with high share driven by a single brand or a portfolio of brands within the category
- Operate within a category in flux. Categories that are growing or declining, have new brands, forms or features require an understanding of the nuances behind the changes.
- Have brands in categories with singular skews, i.e. strongly age-driven, household size-driven, children driven, etc.

We can create a custom BehaviorScape Framework that maximizes lift for your category that is based on the attributes that drive consumption.

JOURNEY THROUGH THE CONSUMER BEHAVIORScape

Let's chart the path of consumers as they evolve over time, using their product choices as a compass. As Spectra's researchers began analyzing differences in consumption behaviour, the first factor that emerged in discriminating behaviour was the presence of children (under the age of 18). These households account for 42% of the overall FMCG volume, and are found within four of the standard 10 BehaviorStages.

Kid-fluence

The first BehaviorStage consists of households with only younger children (under the age of 6). For **Start-Up Families**, life revolves around their children. It's not surprising that this BehaviorStage indexes high for child products; however, what is surprising is the lack of any other kind of products – everything is child related.

For households with at least one older child, the next factor that differentiates behaviour is household size. As the oldest child grows, some of these Start-Up Families move into **Small Scale Families**. These are 2 or 3-person households, where the oldest child is six or older. Most child families move through this BehaviorStage at some point, be it as a result of divorce, children leaving the nest, or simply a small family that chooses to have only one child.

For large families, the next discriminating factor is age of the head of household. Consequently, as families grow larger, they may move into **Younger Bustling Families**, where the age of head of the household is under 40. With 90% of the households having children under the age of 12, the children are still dependent on their parents, and activities are focused around the children's wants and needs.

As these families grow older, they move into **Older Bustling Families**, and both parents and children begin to assert their individuality. Children become more mobile and parents start to establish a more child-free identity.

Adults Only

Households without children account for six of our BehaviorStages. Age of the head of household is the first factor for segmenting these BehaviorStages. As the children of Older Bustling Families or Small Scale Families grow up, they move into **Young Transitionals**. Hopping from college classrooms to first jobs to 'just married', these Young Transitionals are characterized by an abundance of freedom.

For heads of household who are 35 or over, the next key differentiator is whether the household members are living as single or living as couples (or more). Therefore, the next BehaviorStage is **Independent Singles** (age 35-64). Like Small Scale Families, this BehaviorStage likely reflects shifting cultural norms. Most consumers get to this BehaviorStage two ways, either through divorce or from never having married.

Another path Young Transitionals can take is to enter **Established Couples** (age 35-54). Many of these households are dual income families reaching their peak earning potential.

The next BehaviorStage is **Empty Nest Couples**. These households have no children (under the age of 18) and are between 55-64. Beyond Young Transitionals, Empty Nest Couples are probably the BehaviorStage most in flux. Many, but not all, are readying for retirement and have had children leave the house (but still raiding the pantry).

The Neighborhoods

The BehaviorScape journey continues with a stroll through the neighborhoods where consumers reside and shop.

Let's start with a walk through trend-setting, vibrant neighborhoods of **Cosmopolitan Centers**, where households live in a variety of urban housing from high-rise apartments to smart townhouses. This middle to upscale LifeStyle is quite ethnically diverse, providing a clear glimpse into the future of the United States.

Just blocks away is the least affluent of the standard LifeStyles, **Struggling Urban Cores**. Setting this LifeStyle apart from the others is the presence of older, dense housing that has often fallen into decay.

Leaving the densely populated centers, we head into outlying greenbelt **Affluent Suburban Spreads**, the wealthiest of all of the standard LifeStyles. Living in swank town homes and sprawling mansions, this LifeStyle enjoys a high concentration of college educations and occupations at the top of the economic ladder.

As we move further out of the less populated middle to upscale neighborhoods, we enter **Comfortable County**. Often located on the fringe of major metropolitan markets or in secondary cities, these households have the benefits of more space and consequently enjoy a more active, outdoorsy lifestyle.

As we continue our trip, we come across **Modest Working Towns**, neighborhoods distinguished by a heavy presence of blue-collar industries within small cities and metro fringes. This LifeStyle has the second lowest incidence of non-Hispanic Whites, at just over 60% of the total population. African Americans make up the majority of the remaining population. Hispanics are just 17% above the national average.

The final stop, **Plain Rural Living**, takes in thousands of small towns and rural areas, scattered from the rural South throughout the Plains and into the West, with far and away the lowest population densities of any LifeStyle.

| BEHAVIORSTAGE | LIFESTYLE | | | | | |
|---------------------------|----------------------|---------------------------|---------------------|------------------------|----------------------|--------------------|
| | COSMOPOLITAN CENTERS | AFFLUENT SUBURBAN SPREADS | COMFORTABLE COUNTRY | STRUGGLING URBAN CORES | MODEST WORKING TOWNS | PLAIN RURAL LIVING |
| START-UP FAMILIES | | | | | | |
| SMALL SCALE FAMILIES | | | | | | |
| YOUNGER BUSTLING FAMILIES | | | | | | |
| OLDER BUSTLING FAMILIES | | | | | | |
| YOUNG TRANSITIONALS | | | | | | |
| INDEPENDENT SINGLES | | | | | | |
| SENIOR SINGLES | | | | | | |
| ESTABLISHED COUPLES | | | | | | |
| EMPTY NEST COUPLES | | | | | | |
| SENIOR COUPLES | | | | | | |

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