Want to Understand Your Customers? Go Psycho.

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Customer research tends to be demographically-biased in its design. But it is time for us to go a little psycho on customers — psychographic, that is.

When it comes to purchasing behavior, it is obvious that personalities matter. So why is it that we so often look at detailed website usage or customer data along impersonal demographic dimensions like age and gender? While useful, those characteristics don't describe attitudinal trends which may be more important — and need to be a critical complement to other data.

Psychographics are the data points that describe a user's values, opinions and lifestyle. Think of psychographics as the kind of data a psychologist or anthropologist would use to profile someone, as opposed to the demographic data that a census surveyor wants to collect.

Or consider what information you might want to collect for a blind date. Demographics may be useful to narrow the pool down to, say 30-year old males in Chicago, but would that be enough? To choose your partner, you likely want to consider personality, interests, and values. Similarly, for customers to fall in love with your product or brand, you need to understand their personality and passions and see how those connect with your product or service.

While there's no standard psychographic profile, we can borrow some ideas from psychology. A psychographic profile should tell us about how a person interacts with the world (are they extroverted or introverted? analytical or emotional?) and what they value most (security? family? the environment?). You can combine more "classical" survey methods with questions that are personality or association-based. For example, ask the question: If you (or this product, or this service) were a car, what kind of car would it be? A Mini, a Mercedes, a Range Rover, or a Prius? Each of these cars connotes a different personality and you can use such responses to infer desired personality traits.

In the pre-digital world, gleaning sufficient information to constitute a psychographic profile would often require prohibitively expensive customer anthropology. Imagine researchers observing and following customers as they interact with a product. Now, however, as consumers spend increasingly more time online, a level of digital anthropology is more feasible because consumer data can be better aggregated and analyzed — cheaply.

Cameras within stores can also share tremendous insight. Video anthropologist and consumer researcher Paco Underhill has filmed thousands of hours in retail settings. One discovery: customers buy less when their arms are full of products; shopping baskets in the middle of the store can help increase sales. In an intense retail customer research assignment I once did, we discovered that new mothers were significant purchasers of both diapers and digital cameras — placing these two seemingly disparate product categories closer together helped drive cross-selling.

So, how can you use psychographic data? Suppose you wanted to market a new brand of organic, flaxseed-infused cereal. While there is no clear demographic group for that product, there may be a well-defined pyschographic one. You could target anyone who identified Whole Foods and Eastern Mountain Sports as favorite brands, expressed a concern about health and fitness, and is environmentally conscious. You can also use psychographics to inform *how* you market to a particular group. You could market to "analytical and research-oriented" folks by talking about the cereal's unique formula, while you could reference case studies and endorsements when marketing to people who value expert opinion.

The task for next-generation online audience measurement and sentiment tools, then, is to start understanding traffic along psychographic axes. There are a few ways to do this.

First, members of an audience measurement firm's user panels could complete a psychographic questionnaire: What are their three favorite brands? What kind of car would they like to be? On a Friday night, would they rather stay in and watch a movie or go out on the town?

The second way is to understand what your users are doing before and after they interact with your company and profile the content and audience of those sites. In my HBR piece on customer strategy, we discuss a technique we used at Thomson Reuters called the three-minute rule; we observed what users were doing three minutes before and three minutes after each interaction with the product.

Lastly, so-called "single sign on" services will make associating user behavior on different sites much easier. Google, Microsoft, and Yahoo! all participate in the OpenID project, and Facebook has a competing platform called Connect, which allows a user to log into many sites with one set of credentials. A central database could contain everything from blog comments and self-descriptions on social networking sites to purchasing data and search history.

Pyschographics offer us an ability to understand current and potential customers in terms of the beliefs and values that drive their purchasing behavior. In our more voyeuristic and measurable digital world, psychographics will increasingly drive customer understanding.

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