

THE END OF TRADITIONAL MARKET SEGMENTATION

Market segmentation by demographics has been a proxy for understanding the needs of customers since formally introduced by Wendell Smith in 1956. Traditional market segmentation has allowed companies to hypothesize consumers' specific needs and desires based on generalizations.

Organizations can no longer rest on segmentation in an era of widely accessible individualized data. Access to technology, the vastness of networks, and the convergence of people and ideas has changed the way customers behave.

To truly understand what drives your customers, forget about age, gender, and racial divisions – it's about experience.

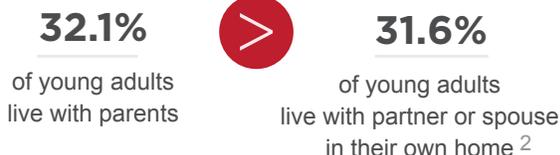
The way in which individuals experience life and self identify has been shifting away from the traditional demographics of age, gender, and race.

WHO WE ARE

% of U.S. infants who are **multiracial** or **multiethnic** ¹

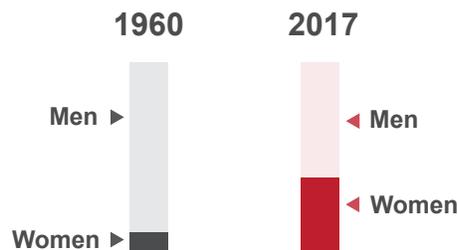


HOW WE CONNECT



WHAT WE EXPECT

Who's the breadwinner?



Currently, in **40%** of American households with children under the age of 18, women are the primary breadwinner. ³

The "new demographics" of what connects similar customers focuses on experiential aspects - **adoption of technology, diversity or distribution of interests, and the widening of a shared environment or network.** These cut across traditional, static demographics tells us more about what drives customers to seek out experience and what they expect or want from that experience. These aspects drive human (and therefore customer) behavior.



Customers are now organizing into demographically agnostic, self-selected communities – affinity communities – that are driven by the adoption of technology, the diversity or distribution of interests, and/or the widening of a shared environment or network.

HOW LEADING COMPANIES ARE UNDERSTANDING THEIR CUSTOMERS...

Real World Example

Coca-Cola is exploring the use of AI to better understand their customers. Even though the tool may make assumptions about age, gender, and race; it is more accurately gathering information around behavior, such as rate of speed a customer is moving through a store. Coke is using this insight to improve its customers' experiences. As Greg Chambers, Coca-Cola's global group director of digital innovation, states, Coca-Cola is "totally committed to behavior-based marketing."

Learn more about what Coca-Cola is doing here:

<https://venturebeat.com/2017/07/05/coke-ai-strategy-takes-its-cue-from-sting/>



We now choose our own communities, which inherently makes us more invested, more active, and more expectant of tailored market offerings.

QUESTIONS TO UNDERSTAND IF YOUR ORGANIZATION IS PREPARED

- Who are your customers and what is driving their consuming behavior?
- How are you segmenting your customers? How successful is your methodology at predicting customer behavior?
- How will you adapt to affinity communities, as well as departures from other traditional structures?
- What happens when you no longer market to groups, but to individuals?
- How do you use knowledge about human behavior to customize experience around an individual's interest?

**Successful organizations understand what is driving their customers' behavior, how to anticipate it, and how to proactively meet demands.
How are you engaging with your customers?**

- 1 Pew Research Center
<http://www.pewresearch.org/fact-tank/2017/06/06/the-rise-of-multiracial-and-multiethnic-babies-in-the-u-s/>
- 2 Pew Research Center
<http://www.pewsocialtrends.org/2016/05/24/for-first-time-in-modern-era-living-with-parents-edges-out-other-living-arrangements-for-18-to-34-year-olds/>
- 3 Pew Research Center
http://www.pewsocialtrends.org/files/2013/05/Breadwinner_moms_final.pdf