



Projecting Market Potential Using LifeStyle Segmentation



Executive Summary

Premium Knowledge Group original research (2003-2006) developed attitudinal and behavioral patterns it defined as “LifeStyle.” These patterns became the basis for LifeStyle segments. These segments demonstrate clear preferences for brands and brand attributes (e.g., fashion, function, comfort, value, etc.).

In 2006-2007 Premium Knowledge Group identified a statistical relationship between LifeStyle segments and patterns of use of shopping channels such as “brand name specialty apparel stores,” “factory outlet stores” and internet shopping.

In 2008 through an analysis of a national data base (from Knowledge Base Marketing (www.kbm1.com)) Premium Knowledge Group was able identify the LifeStyle of 71+ Million individuals living in households with incomes of \$75,000 or more. **As a result, it is now possible to project penetration and potential market size on a market-by-market basis as well as nationally on a channel-by-channel basis.**

The term “life style” originated from the studies of social stratification by Max Weber, a German economist who conducted many observations in the United States as well as in Europe.

Weber identified four social classes: Working class, petty bourgeoisie, property-less intelligentsia or specialists and classes privileged through property and education.

He argued that what a class member does with the resources available to him is “even more diagnostic than the sheer amount of resources one has...

“One person’s status symbol is another person’s useless extravagance....’a specific *style of life* can be expected from those who wish to belong to the (selected) circle’. (Italics in the original Weber)...lifestyle is a learned pattern of consumption activities...that serves as an orienting force to a consumer...motivated to make sense of their social world”

Today we would add that where something is purchased is as indicative of LifeStyle as what is purchased

What is “LifeStyle?”

LifeStyle is the pattern of choices made by a person (or household) regarding the disposition of discretionary income and time. Each LifeStyle pattern is formed by a specific set of motives (we call them “personal drivers”) related to the social implications of consumption.



Max Weber

The 10 patterns of use of these seven shopping alternatives reflect significant differences (relative importance) in the following clusters of motives for consumption. There are a total of 44 motives clustered in these groups.

- Importance of function and value
- Importance of being seen as unique
- Importance of pride and self-confidence
- Importance of feeling good
- Importance of social conformity

The table on the next page is an overview of some of the patterned differences by LifeStyle. The table uses Fashion and Apparel examples. Premium Knowledge Group has assessed over 1200 variables differentiating the LifeStyles from each other.

As the table demonstrates it is possible to determine the potential market-size by LifeStyle segment and also by any combination of apparel attributes.

Premium Knowledge Group has performed this estimation of market size by LifeStyle and by combinations of attributes for several clients.

Overview of Market Size and Differences by LifeStyle

LifeStyle Segment	Trendy	Traditional	Unique	Practical	Aspirers	Popular	Precise	Understated	Economical	Me
Percent of total population	12.3	8.7	8.5	5.0	16.3	8.0	11.3	9.0	11.1	9.5
Average Number of channels used	6	1.8	5.3	4.6	1.7	3.9	.2	2.5	3.5	3.2
Annual Spend on Apparel	\$3800	\$1600	\$5600	\$3200	\$6700	\$4900	\$6200	\$5000	\$4200	\$6000

Estimating Local Market (and/or channel) Potential.

LifeStyle segmentation is particularly powerful tool at the local market level. Because PRI-STAT™ LifeStyle data base enables the identification of LifeStyle by individual within households within ZIP codes, it is possible to segment local trade areas by LifeStyle and set very specific goals for store level marketing and sales.

For example, the table indicates the number of households (22,462) in two affluent ZIP codes (75225, 75205) in the Dallas area. It identifies, by individual, the percentage belonging to each LifeStyle. This analysis can be further refined by age, income, gender, etc. A local retail store can apply this information in the following manner:

- Identify the LifeStyles of its best current customers by matching their names and address against the PRI-STAT™ LifeStyle data base.
- Develop very specific and accountable marketing efforts to focus on prospects of a similar LifeStyle.
- For example if the majority (say, 200) of a local retailer's best customers were in the Unique LifeStyle segment, the retailer would know that there were at least 1400 more potential best customers in the immediate trade area (1614 total Unique -200 current Unique =1414 potential Unique) who are not yet best

Segment	Frequency	Percent
Aspirer	3156	13.45
Economical	4267	18.19
Practical	768	3.27
Precise	1492	6.36
Trendy	5414	23.08
Traditional	1714	7.31
Understated	660	2.81
Popular	2163	9.22
Unique	1614	6.88
Me	2214	9.44