Psychographic Segmentation

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Psychographics marketing

Psychographics marketing may be a concept that you are not fully aware of, but it is an essential part of marketing. Psychographics marketing involves dividing potential customers into groups, according to their psychological characteristics. This sounds incredibly complicated, but it is actually a relatively simple concept once you understand it.

What is psychographics marketing?

Most marketing involves certain demographics, which refers to factors such as the age, location, marital status, ethnicity and religion of the person in question. Psychographics goes beyond this to ask questions of the lifestyles, behavior and attitude of the person in question to build up a more detailed picture of who they are. These tend to be directly related to consumerism, and the type of products that people prefer to buy based on their lifestyle choices.

Why is psychographics marketing important?

Surveys that ask these types of questions are vital to market researchers, who often use them to gain information on people who have bought their products in the past, or are tempted to do so in the future. Psychographics in marketing can
work alongside demographics to allow marketers to promote their products and services or in the case of social marketing attitudes and behaviours effectively. As many marketers concentrate predominantly on demographics, using psychographics marketing as well can leave marketers one-step ahead of their competition.

In the past, marketers could easily target the people that they wanted to buy their products. For example, they could target men or women aged 18-35 who lived in the city. This was done using demographics. With the introduction of psychographics, marketers can now target specific men or women within that demographic, such as men or women who like to work out, or eat healthy. They can do this by promoting their products, programs and services in communications vehicles focussed on the health and wellness area. It is a cost-effective way of targeting specific people that may buy your products, services or programs.

**What does psychographics marketing involve?**

If a product, service, or program caters for more than one psychographic group, there will need to be more than one marketing campaign, as campaigns aimed at just one psychographic group is likely to only draw in people from that particular group. Likewise, a campaign that is aimed at a general psychographic group is unlikely to attract customers from the particular group that was being targeted.

Psychographic segmentation is sometimes also referred to as **behavioural segmentation**. This type of segmentation divides the market into groups according to **customers’ lifestyles**.

It considers a number of potential **influences on behaviour**, including the attitudes, expectations and activities of consumers. If these are known, then products and services and marketing campaigns can be customised so that they appeal more specifically to customer motivations.

The main types of psychographic segmentation are:

**Lifestyle** – different people have different lifestyle patterns and our behaviour may change as we pass through different stages of life. For example, a family with young children is likely to have a different lifestyle to a much older couple whose children have left home, and there are, therefore, likely to be significant
differences in consumption patterns between the two groups. One of the most well-known lifestyle models, the “sagacity lifestyle model”, identifies four main stages in a typical lifestyle:

- Dependent (e.g., children still living at home with parents);
- Pre-family (with their own households but no children);
- Family (parents with at least one dependent child); and
- Late (parents with children who have left home, or older childless couples).

Each group is then further subdivided according to income and occupation.

**Opinions, interests and hobbies** – this covers a huge area and includes consumers’ political opinions, views on the environment, sporting and recreational activities and arts and cultural issues. The opinions that consumers hold and the activities they engage in will have a huge impact on the products they buy and marketers need to be aware of any changes. Good recent examples include the growth of demand for organic foods or products that are (or are “perceived” to be) environmentally friendly.

**Degree of loyalty** – customers who buy one brand either all or most of the time are valuable to firms. By segmenting markets in this way, firms can adapt their marketing in order to retain loyal customers, rather than having to focus constantly on recruiting new customers. It is often said that it is ten times more profitable selling to existing customers than trying to find new ones. So the moral is – work hard at keeping your customers.

**Occasions** – this segments on the basis of **when a product or service is purchased or consumed**. For example, some consumers may only purchase flowers, wine or boxes of chocolates for celebrating birthdays or Christmas, whereas other consumers may buy these products on a weekly basis. Marketers often try to change customer perception of the best time to consumer a product by promoting alternative uses for a product.

**Benefits sought** – this requires marketers to identify and understand the main benefits consumers look for in a product. Toothpaste, for example, is not only bought to maintain healthy teeth and gums, but also because of its taste and in order to help combat bad breath!
Usage – some markets can be segmented into light, medium and heavy user groups. E.g. airline travellers.

Psychographic segmentation is a method of dividing markets on the bases of the psychology and lifestyle habits of customers. It is the marketers of products and services who use this technique in order to decide their marketing strategy. Marketing a product requires a deep understanding of the customer’s psychology, along with their needs, in order for the product to be accepted. Marketers carry out a number of activities in order to better understand the psyche and the habits of the customers, so that they can accurately predict the response to the product or service they are selling, and thus make accurate marketing and sales projections.

Understanding psychographic segmentation is not that hard once you see the complete benefits of the concept. When a marketer decides to market a product, service or program she or he has to realize that there are a lot of differences between customers of different localities, ages and nationalities. Thus, he has to divide the market into various segments, and target each segment individually so as to maximize his marketing dollars. These segments are divided on a variety of factors like age, sex, lifestyle, income level and psychology.

Psychographic variables are also known as IAO variables - Interests, Activities and Opinions. The marketer needs to analyze these 3 factors primarily in order to understand the psyche of the customers. Then he can adopt a suitable marketing strategy, or he can alter an existing marketing strategy. The habits that consumers generally display with regard to a certain class of products will determine their reaction to the product or service that a marketer is offering them.

Psychographic Segmentation Variables
The variables that come into play when we speak of psychographic segmentation are primarily psychological in nature. The following variables could be said to be a part of the process of psychographic segmentation.

- Interests
- Activities
- Opinions
• Behavioural patterns
• Habits
• Lifestyle
• Perception of selling company
• Hobbies

Using these factors as a base, a marketer can determine how a particular group of customers will respond to the launch of a new product or service. Psychographic segmentation should not be confused with demographic segmentation. Demographic segmentation primarily takes into consideration the age and the gender of the targeted customer group.

**Psychographic Segmentation Example**
Consider a company that manufactures high end luxury cars. This is a product that cannot be afforded by people from every income group. Only individuals falling in high income groups are realistic customers of this specific product. That is the primary basis of segmentation for the car manufacturer that forms the basis of their marketing plan.

**Psychographic Segmentation Advantages**
Apart from the obvious advantage of increased sales, there are a few other intricate advantages of psychographic segmentation as well.

• Increased brand value of the organization in the eyes of the customer.
• Greater usefulness of the product for the customer.
• Better inputs for the design of new products that the customer will like.
• Lesser amount of money spent on marketing, as it is now more specific.
• Easier to target a specific type of customer base.
• Simpler to derive effective and efficient marketing strategy.
• Greater degree of customer satisfaction and customer loyalty, resulting in higher amount of customer retention.

The advantages of psychographic segmentation are well known to any marketer who wishes to sell his product or service. The scale of or size of the organization are irrelevant when this concept comes into play. Even the smallest scale marketer knows the benefits of psychographic segmentation, and he will apply it to this marketing strategy, either knowingly or unknowingly.
Market segmentation is an essential part of the marketing process. It allows organizations to allocate their market into groups that have the same similarities which are relevant for decision making in the marketing strategy. Then organizations can target their market to serve it effectively, they can differentiate the market, define the opportunities and threats and tailor the marketing mix. To be useful, segments selected should be measurable, substantial, accessible, differentiable and actionable. The market can be segmented in different ways; the three most popular techniques used are: behavioural segmentation which analyse benefit sought, purchase occasion, purchase behaviour, usage and perception and beliefs; the second is psychographic segmentation which analyse the lifestyle and the personality of consumers and the third is profile segmentation which base its researches on demographic, socio-economic and geographic variables.

Psychographic research can identify similar values, attitude, and lifestyle or personality groups, but the two main variables used in psychographic segmentation are the lifestyle and the personality of the customer: Personality is an individual's pattern of character that influences behavioural responses such as self-confidence, dominance, sociability. This variable is important to be understood because people tend to see themselves in a way and purchase products to satisfy their self-concept so people see them in the way they want. Lifestyle is a person's pattern of living as expressed in this or her interests, opinions and activities. It is considered to be a rich descriptor of people buying patterns. Often, people buy brands because those brands relate to their way of living. Psychographics are necessary to firms because they can investigate into specific product category and brand decisions by consumers and can be used to paint the big picture of consumer lifestyle.

Psychographics has proven to be a very useful tool for organisations in their marketing research. It identifies target markets that could not be isolated using only demographic variables. Psychographics are designed to measure the consumer's predisposition to buy a product or service, the influences that stimulate buying behaviour, and the relationship between the consumer's perception of the product benefits and his/her lifestyle, interests and opinions. Often researchers have turned to psychographics because of the limitation encountered in demographics. An advantage of psychographics is that it describes segments in terms directly relevant to advertisement campaign and market planning decisions of organisations.
It has also appealed marketers for its power to combine the richness of "motivational research" with the statistical sophistication of computer analyses and, provide corporate strategists with rich descriptive details for developing marketing strategy; it has the ability to give marketers a big image of the consumer's lifestyle. There is also the appealing advantage that psychographic segments which are developed for markets in one geographic location are generalizable to market in other geographic locations. Psychographics are essential for discovering both the explicit and the hidden psycho-social motives that so often spell the difference between acceptance and rejection of the brand.

But psychographics have limitations. Researchers have found reliability problems: first there are no standardized methods to evaluate the stability of results of psychographic techniques and incertitude in this area weakens predictive power. Therefore it will throw doubts in whether the segment and market targeted are reliable or not. The main problem is that psychographics attempt to measure intangible and diffuse concepts, values and attitudes are not easy to measure as every single person has a different personality and consequently have different opinions and interests. It has also been pointed out that there is little cross-study evidence on reliability so findings cannot be compared and improved.