



HEADER: CUSTOMER AND SHOP SEGMENTATION

WHITE PAPER – May 2007

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The Issues

If customers are to be satisfied with retail offerings the retailer must understand the attitudes and motivations that lie behind their behaviour. It is immensely valuable for the retailer to carry out a segmentation exercise amongst customers in order to gain an understanding of how different segments will make different choices when they are in the shop. Such understanding will help drive sales but will also allow the retailer to effectively remove purchase barriers. Customer behavioural analysis should form the foundation of marketing communications and promotional offers; it has the power to provide the retailer with a clear insight into customer perceptions and allows exploration of the values associated with buying patterns.

The Analysis Method

The FSP method of customer segmentation has been drawn up using research and industry knowledge. It has identified 5 key groups amongst shoppers for fashion merchandise but the methodology is equally applicable to shops based on their target shoppers.

■ Self Perception

The 5 self-perception groups identified by FSP as affecting customer behaviour are largely influenced by the customers' own 'thinking age' (i.e. "how young or old do I feel") and the age related values they are seeking to project

■ Young

Those for whom peer pressure to conform is strong; those who think of themselves as young and regard fashion as a powerful identifying statement.

■ Assured

This group has a self-perception of being young but no longer immature or subject to undue peer group pressure. They make up their own minds and are sophisticated in their choices. They do not adopt attitudes, customs or lifestyles that reflect the typical values of older self-perception groups

■ Family

Driven by financial considerations of home ownership and caring roles, this group will place family before self-indulgence but is likely to migrate to the 'Assured' or 'Classic' segments when spending on discretionary items or for special occasions. The frequency of this migration is likely to be dependent upon levels of disposable income

■ Classic

Typically, though not universally, post family and empty-nesters, this group has many similarities to 'Assured' but often demonstrates a lower level of self-confidence, which manifests itself in statements such as "it's a bit young for me".

■ Old

The self-perception amongst this group can be summarized as having 'given up' in terms of making a positive statement about themselves through their purchases.

Purchase Perception

FSP has identified 4 key perceptions of customers about the merchandise they buy:

■ Fashionable

The dominating influencer here is whether the purchase conforms to peer pressure and is regarded by the customer as making them appear fashionable or 'up to the minute'. Dress codes and group identities are important and often override other considerations such as cost or quality.

■ Individual

These purchases are made to project an image of 'savoir faire' that can distinguish between transitory fashion and good taste. The customer is demonstrating that they understand what suits them and are able to make up their own minds without being unduly influenced by media, fashion statements or peer pressure. It is important that the purchase is not recognizable as being from a particular shop, unless it is a branded item which carries a statement that enhances their self-perception and fulfils a defined need. Style, exclusivity and individuality are deciding factors.

■ Safe

These purchases are perceived as being good 'value for money' with at least average performance levels, and include mass-market branded products that do not make distinctive claims for performance, as well as goods recommended in 'Which?' magazine. These purchases are particularly attractive to those whose self-perception is Assured, Family or Classic and who play safe in their purchasing due to less discretionary spending power.

■ Homely

These purchases are made purely for replacement or utilitarian purposes and have few projected values associated with them. Price will be a determining factor in the choice made.

	Purchase Perception	Fashionable	Individual	Safe	Homely
Self-Perception					
Young					
Assured					
Family					
Classic					
Old					

Conclusion

An insight into customer behaviour is the key that unlocks the door to customer satisfaction. By defining the target segment and targeting merchandise to it, sales will be increased and new potential shoppers will be attracted. FSP has for almost 30 years provided retailers with this essential information, during which time it has built up industry respected experience in this area, helped clients to segment their customers, enhanced client offerings and increased client revenue. FSP has used its detailed analysis techniques to become one of the most skilled retail consultants in the UK, offering each client an approach that is individual and not prescriptive.



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