Papers

Standard segments for retail brands

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Abstract Anyone responsible for managing and marketing a retail brand can learn a lot simply by classifying the retail chain's outlets into types (segments). The paper describes the development of a set of standard classifications covering all the branches of all major multiple retailers in Great Britain. Segmentz, as the system is called, can classify any retail outlet with a GB postcode on four dimensions. These are the catchment demographics, workplace context (working population and employment mix), local retailing environment and strength of competition nearby. Analyses are then presented on three dimensions (competition being difficult to standardise). Applications include retail site selection, merchandising, monitoring trends in sales and customer preferences, brand positioning and competitor analysis. Standard segments are offered as a simple but effective tool for coordinating the wide range of activities encompassed in modern branded retailing.

THE NEED

Contrary to popular opinion, running a shop is not easy. Running and marketing a whole chain of shops — a retail brand — is very difficult. First, premises appropriate to the brand have to be chosen, massive lease commitments taken on and shops fitted out at enormous expense to appeal to the target market. Next, merchandise that customers will want to buy in several months time has to be selected and promotional material to match designed. Then staff have to be recruited and trained, the extra branches

fitted into the various head office systems and a big splash made in the local media to launch the new stores onto the public consciousness. Finally, the retailer has to keep an eye on the market, fashion and sales trends, the customers, the brand and the competition. By themselves, none of these tasks is hugely difficult — given the right kinds of analysis and support. But the retailer has only to get one of them wrong and they are finished.

If the retailer chooses the wrong locations, they lose money. If they choose the right locations, they still

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lose money if they buy in the wrong stock — or too much of it. If they choose the right locations and the right stock, but get operations wrong they lose customers — *and* money. If the retailer does everything right, but fails to promote the brand or the new stores effectively then sales will not cover the lease costs so, again, they lose money. And if the retailer fails to keep an eye on the market customers will drift away, competitors grow stronger and sales fall.

In addition, although many key tasks concern the market and the brand's position within it, they are commonly undertaken by specialists from different departments, each with their own practices and precedents and no unifying perspective. Property people find sites, effectively choosing the brand's future markets. The property people may also control shop fitting, but the shop design often follows that of the last facelift and bears no relation to the chain's current market aspirations. Buyers select the merchandise, heavily influenced by fashion, what customers bought in the past and yesterday's sales figures. Operations and IT keep the physical and computer systems going — and finance people watch the costs. In the meantime, promotional specialists brief agencies and develop campaigns to support the brand or specific branches. And in the background there is the market — customers buying here and there, fashions changing, sales rising and falling and competitors coming and going.

The job can, of course, be made easier by cloning the brand with no variation and a minimum of nuance (as with McDonald's). Or the job can be made almost impossible by running with numerous partially overlapping brands all vying for the same space and attention (as with many pub chains). In either case, while profits are reasonable, few

retailers change course but, as profits fall, action becomes inevitable. At this point retailers need a set of simple tools to help them. This means tools to help them monitor the market and the competition so that there are no surprises; tools to help them work out where they are and where they are going; tools to help coordinate activity so that all functions pull in the same direction; tools that work at both strategic and tactical levels.

THE IDEA

The authors have undertaken retail consultancy in sectors as diverse as pubs, off-licences, travel, grocery, finance and fashion. In all the most complex projects they classified outlets in some way into types. They have used this approach widely in order to: investigate variations in turnover; plan merchandising; target stores at their local markets; examine new locations; monitor trends; assess the positioning of key players and figure out what they were up to; and decide how to respond. They developed a bespoke solution for each client, making a simple tool quite expensive. The various projects turned out, however, to have much in common in terms of the kinds of segments that proved most useful and the data needed to build them. Crucially, clients found the notion of classifying outlets very powerful and easy. This suggested that it might be possible to develop standard segmentations for use throughout retailing.

A lot can be learnt about a chain of shops — and how to market them as a brand — just by classifying them into types. With two or three different classifications, a lot more can be learnt. By extension, the authors evolved the idea of building several standard classifications, each covering all GB retailers, in the belief that, together, they

would provide valuable insights across retailing. This paper outlines the results of their efforts.

STANDARDISED SEGMENTATION IN OUTLINE

Many of the ingredients needed for segmentation were already available on the market. Anyone familiar with GIS software may purchase a postcode-level lifestyle classification (ACORN, MOSAIC, PRiZM etc.) or workplace database, and use it to classify outlets.¹ This 'do-it-yourself' approach assumes, however, that users know what they want and how to produce it.² The authors' aim was to provide a ready-made product.

Several sources classify towns or shopping centres (not outlets).³ These are interesting because they require suitable catchment areas for each town. CACI's Retail Footprint⁴ goes further by defining the areas from which each retail area attracts its trade, and hence the people who will use it. Such catchment areas are certainly one high-quality tool for segmentation.⁵ They are not, however, the ready-made product the authors had in mind.

Experian's retail pitch quality classification covers only the bigger shopping centres.⁶ In addition, there are many commercially available outlet databases for individual sectors, which may provide segmentation for a few specific purposes.⁷ By contrast, the authors wanted to segment retailing nationally across all retail sectors — and on several dimensions too.

Their goal was ordinary segmentation — a multidimensional classification system covering all the big retailers from fashion to DIY and supermarkets to pubs, and classifying all their branches into types. Moreover, they wanted to be able to classify any postcoded list of

retailers from car sales franchises to pick-your-own fruit farms.⁸ So far as the authors are aware, no offering currently available seeks to provide pre-packaged outlet-level segmentation on several distinct dimensions; none covers all GB multiple retailers irrespective of sector; and none aims to classify any retail outlet with a GB postcode.

Four components or dimensions were envisaged:

- geodemis: classifying outlets according to the kinds of people who live nearby
- workplace: classifying on the numbers and kinds of people who work nearby
- retail mix: classification by the kind of retail environment around the site
- competition: based on the distance to major competitors. Since competition is 'in the eye of the beholder', this stood to be the least standard component.

Arguably, there would be a fifth component too. Standard segments cannot be built without assembling the same data for each branch of Asda, Boots, Comet, Dillons and everything else. A means to an end may be, but such a database would be an invaluable resource enabling users to take analysis further. Accompanying the four segmentations, therefore, the authors envisaged simple SegMentor software giving access to detailed data on geodemis, workplace, retail mix and competition for every outlet of all the big retailers.⁹

As anticipated, competition proved difficult to standardise. The best answer seemed to lie in the SegMentor software to be distributed with the segment data. This could allow users to select the multiple retailer(s) they regarded as competition, and a distance beyond which competitors are ignored. For each

retail outlet, SegMentor would then give:

- the distance to the nearest branch of the selected competitor(s)
- the total number of branches of the selected competitor(s) within the distance specified.

This makes it possible to identify building society branches facing competition (eg within 0.25 miles) from several, one, or none of the major players. In the long term, such user-driven segmentation will be developed further, and extended to the other three dimensions. In the authors' experience, however, most users prefer 'pre-built' segmentations where possible.

PRODUCING STANDARD SEGMENTATIONS

A standard way to classify postcodes on each of the three remaining dimensions was needed. The main interest was in classifying retail outlets, but most British postcodes are residential. Therefore a 'retail-focused' national sample of postcodes was designed to provide good coverage of retailing while avoiding segments dominated by residential patterns.¹⁰ The aim was to use the same sample of postcodes to develop all three segmentations, so it was important to achieve a proper balance from each angle.

A database of all Britain's major multiple retailers¹¹ and post offices¹² was summarised to identify all the unique postcodes. These were sorted alphabetically and every *n*th selected. This initial sample was then boosted by adding postcodes from remote rural areas, from areas with few multiples, from non-retail zones and from districts with no sample points. Though the proportion of postcodes from big shopping centres

was in line with national figures, the absolute number was small and more boosters were added. The resulting final sample of 16,140 postcodes gives more weight to areas with any kind of retailing, and down-weights housing, factories, fields or fells, but non-retail areas are not ignored.

From this point, the plan was to build three separate data sets with the scores of the area around each sample postcode, and to use each data set to classify the postcodes into types.

WHAT CATCHMENT AREAS?

It seemed wrong to use a single catchment definition across all three segmentations. The big question was what catchment areas should be used in each case.

Geodem segments were intended to reflect the kinds of people living near each outlet and likely to use it, so both 0.5 and two mile catchments were classified — allowing users to choose the preferred radius.¹³ While 0.5 miles for convenience stores and two miles for comparison retailers could be recommended, it is worthwhile using each in turn to see how much — or how little — results vary. At a theoretical level, standard catchment radii are highly questionable: rich car-owners may travel much further than poor pedestrians. They provide statistical indicators, no more than that, and are used here on pragmatic grounds. Over many years and in a wide range of applications, the authors have found that they work well — providing good initial indicators of the kinds of people who will use each outlet. Many clients whose sites draw customers from considerable distances have argued for catchments bigger than two miles. Affluent customers will not, however, visit a pub in a down-market area just because the

wider surroundings are posh, so it is better to classify sites by what one finds when there. Larger catchments generally have scores closer to the average, and segmentation on this basis tends to discriminate less well. Of course, sites in city centres, airports and major shopping malls may pull customers from huge distances irrespective of local geodems. Here, however, geodems are almost irrelevant — which is why the workplace and retail segments are needed too.

Workplace segments were intended to characterise the area from which those working locally might come to shop during lunch breaks; and a 0.5-mile radius was selected as a realistic limit for the lunchtime catchment. (The maximum distance that significant numbers were likely to travel — mainly on foot).

With retail mix, the aim was to summarise the retailing environment in the immediate locality. Initial experiments used accurate grid references and a radius of 0.1 miles. This worked well in town but not further out — where there was often no other retailer close by. Grouping outlets to census areas (EDs) and using a 0.25-mile radius improved things in rural areas, but blurred previously clear differences in towns. After countless experiments, data both for 0.1 and 0.25 miles were combined to produce a single classification.¹⁴

THE THREE STANDARD SEGMENTATIONS

Using the catchment areas just described, data were assembled for the 16,140 sample postcodes.¹⁵ In outline, information covered the following topics:

- geodems: age, births, social class, ethnic mix, cars, children, students, MOSAIC¹⁶ etc

- workplace: in-commuting, workplaces, total workers, mix by industry,¹⁷ postcode type
- retail mix: total retailers, total multiples, multiples by type,¹⁸ retail parks, concessions.

For each data set in turn, the sample postcodes were classified into types using cluster analysis.¹⁹ The process was far from simple. Decisions about the selection and weighting of variables involved more fundamental decisions about the kinds of segments required. And even when all the questions had been answered, and the clusters finalised, there was more intense thought about how the types²⁰ should be summarised. Some form of overview grouping was regarded as essential: it would be intolerable to have to trawl through 30+ clusters, simply to get a broad picture of the mix of outlets in a chain.

Ultimately, it was decided that each classification would comprise nine top-level segments:

- geodems: grouping the 32 types on mix by social class, age and family status
- workplace: grouping the 37 types on employment density and status of work
- retail mix: grouping the 35 types on retailer type and pitch quality.

With clustering completed, each of the three classifications was frozen so that none of its types could change. It was then possible to classify literally any site (eg postcodes not in the sample) simply by assembling the standard data for its catchment and allocating it to whichever type its scores resembled most closely. This has been done for all 200,000+ branches of all GB multiple retailers as listed by Retail Locations Ltd. To convey the essential

Table 1: Retailers by Geodem segment

Retail segment	Booze Buster	Oddbins	Wine Rack	Sainsbury	Tesco	Ladies wear	Marks & Spencer	Country Casuals	Dorothy Perkins	Ethel Austin
G1 Up-market urban singles	10	547	140	94	59	209	126	197	81	10
G2 Young family & suburban	67	5	51	163	188	53	42	42	68	55
G3 Up-market family suburban	83	129	321	133	92	44	52	102	60	40
G4 Up-market older mix	39	193	88	138	72	270	300	369	197	98
G5 Elderly & retirement	85	51	156	74	112	73	92	200	134	89
G6 Rural & semi rural	0	0	0	10	21	6	0	0	10	10
G7 Multicultural urban young	44	63	17	145	123	112	142	41	118	120
G8 Down-market family	230	7	14	71	108	50	25	14	65	154
G9 Down-market older mix	78	43	19	80	84	186	239	71	197	203

Figures are indexed to 100 = GB average for sample retail postcodes. Sub-brands included. Concessions excluded

simplicity of the idea, the finished result is called Segmentz.

UPDATING

Although Retail Locations releases a new list of multiple retailers quarterly, it is planned to update Segmentz no more than twice yearly. There will be two kinds of update. On most occasions, the established methodology will simply be re-applied — just turning the handle again with new MOSAIC data, new workplace information and new lists of multiples. Sometimes, however, a more considered update where the whole methodology is reviewed and revised will be undertaken.

The first big update will target retail mix. Instead of using census EDs, the plan is to treat each outlet as a discrete point — removing anomalies due to the odd ED-allocation of some postcodes. More importantly, it will then be easier to develop a simple postcode-level 'site type' indicator accurately distinguishing retail parks, outlet stores, motorway service areas, airports and other specific types of retail environment. It has been suggested that data from Experian's Goad plans might be used to help focus more clearly on retail pitch quality and

multiple penetration, especially in larger centres. Since Goad does not cover all shopping areas, it is not itself a potential new data source, but it could be invaluable in providing objective evaluation of new methods.

The second radical update may be for geodem, depending how far data from the 2001 Census (and the MOSAIC based on it) upset the existing framework.

DOES SEGMENTZ WORK?

There is insufficient space to describe even the nine top-level segments in each of the three classifications. The best way to illustrate the distinctive perspective that each classification offers is to take a few retailers as examples. Tables 1–3 therefore present top-level profiles for nine retail fascias — Table 1 by geodem, Table 2 by workplace, and Table 3 by retail mix. To make comparison easier, all figures are indexed with 100 representing the GB average for the 'retail-focused' sample of postcodes. A value of 50 indicates half the national average and 200 indicates, twice the average.

Geodem segments indicate what kinds of people live near a given retail store.

Table 2: Retailers by workplace segment

Retail segment	Booze Buster	Oddbins	Wine Rack	Sainsbury	Tesco	Ladies wear	Marks & Spencer	Country Casuals	Dorothy Perkins	Ethel Austin
W1 Major magnets	0	355	89	15	31	194	83	161	84	0
W2 Large centres	15	170	42	146	64	329	350	355	215	91
W3 Industrial zones	59	21	34	110	134	22	37	0	30	33
W4 Distribution zones	36	85	64	92	105	185	268	224	303	237
W5 Service zones	14	418	273	178	128	99	111	118	97	23
W6 Housing & industry	170	7	51	92	109	20	2	8	33	76
W7 Homes & distribution	136	51	143	119	157	65	42	48	87	139
W8 Dormitory & service	167	80	146	66	73	18	6	9	15	86
W9 Agricultural & mixed	9	0	0	14	17	8	0	0	7	0

Figures are indexed to 100 = GB average for sample retail postcodes. Sub-brands included. Concessions excluded

Are they rich, or not so rich? Young, or not so young? Table 1 shows that Booze Buster branches are disproportionately in down-market family areas (segment G8). Oddbins is hugely concentrated in areas of upmarket singles, and in two other upmarket types where Sainsbury's is also strong. By comparison, Wine Rack is upmarket suburban, and Tesco looks a touch down-market. So the analysis tends to confirm common prejudices.

Indexing everything against an 'all retail' average has one disadvantage. It can make retailers in the same sector look very similar.²¹ Table 1 shows the scores for all ladies-wear multiples taken together,²² with marked concentrations in 'town centre' segments. Since most ladies-wear retailers follow this pattern, individual fascias share similar characteristics; and it is often best to index each fascia against its own sector. Hence, the last four columns could have been re-indexed with 100 as the ladies-wear average (not the overall retail average as here). To avoid the confusion that might arise from putting two different kinds of index side by side, Table 1 uses shading to highlight those segments where ladies-wear retailers score above the average for the ladies-wear sector as a whole.

On this basis, Marks & Spencer looks a touch middle-aged and Country Casuals even older — with shops concentrated in towns with an older mixed age profile, in elderly retirement resorts and in areas of older upmarket families. Though both retailers have high scores on posh city centre singles, the ladies-wear norm is higher still. By comparison, Dorothy Perkins is stronger in younger suburban and downscale settings. And Ethel Austin's branches are manifestly targeted towards down-market areas.

Workplace segments reflect the numbers and kinds of people who work near the chosen outlet(s). Are they financial whiz kids, factory workers or farmers? And are there tens of thousands of them, a few hundred or just a handful? Table 2 shows that Booze Buster is strong in blue-collar residential areas with low job densities. Oddbins prefers major centres with huge concentrations of white-collar jobs, and other areas with lots of service work. Wine Rack falls between the two, favouring areas with lots of service work and residential areas — provided they do not have an industrial bias. Differences between Sainsbury and Tesco can be picked up too — the former going for

Table 3: Retailers by retail segment

Retail segment	Booze Buster	Oddbins	Wine Rack	Sainsbury	Tesco	Ladies wear	Marks & Spencer	Country Casuals	Dorothy Perkins	Ethel Austin
R1 High Street I	15	172	39	127	95	553	638	585	545	316
R2 High Street II	46	226	145	93	85	90	18	94	108	243
R3 Retail park I	19	119	0	479	305	148	116	52	149	83
R4 Retail park II	42	30	41	105	111	1	0	0	0	0
R5 Car sales	0	19	10	16	28	1	0	0	0	10
R6 Business/mixed	35	130	87	170	155	6	9	0	0	42
R7 Local services	194	104	256	68	85	6	0	0	2	57
R8 Residential	237	20	58	80	106	2	2	0	1	5
R9 Dispersed	6	0	0	20	58	0	0	0	0	0

Figures are indexed to 100 = GB average for sample retail postcodes. Sub-brands included. Concessions excluded

larger employment centres and areas of service work more often in the South, the latter focused nearer homes in areas with lower employment densities and perhaps more blue-collar jobs.

Like all fashion, ladies wear is stacked at the top of the tree, in big employment centres (segments W1-2) and areas of retail distribution (W4). Marks & Spencer follows this pattern — though weaker in major magnets, and strong both in large and retail-oriented centres and in areas of prestigious service employment. Country Casuals is similar, with a strong liking for major magnets and areas rich in up-scale service jobs. By comparison, Dorothy Perkins is weaker in key employment centres, and stronger in middling distribution zones (W4). And Ethel Austin beats the sector average in all residential segments (W6-8) and foci of retail distribution, but not in areas of well-paid service work.

Retail segments reflect the retail environment in which a shop is located. Is it a vibrant High Street, a new retail park, a local parade or overlooking a roundabout on the ring road? Table 3 puts Oddbins in High Streets and some prime retail parks (R1-3), and Booze Buster in local service centres and neighbourhood parades. Wine Rack has a foot in both camps, being strong in secondary High Streets and especially in

local service contexts. And the same distinction works for supermarkets. Sainsbury's is stronger on the High Street and in prime retail parks; Tesco, in residential and local service environments.

In ladies-wear, retail parks may be on the up, but prime High Streets are still the place to be.²³ For years, Marks & Spencer was seen as defining 'prime High Street' — the best pitch for comparison retailers. So it is entirely predictable that Marks & Spencer should be overwhelmingly concentrated there and largely absent from secondary sites. Though Country Casuals also favours prime High Streets, it beats the ladies-wear average on secondary High Streets too. Dorothy Perkins goes further, with a lower proportion of plum sites and more secondary High Street locations. Ethel Austin takes this further still: over a third of its branches are in High Street II, suggesting a reluctance to pay high rents if there is something cheaper just round the corner. The brand also has a few branches in mixed business areas, and in local service/residential contexts — all lower-rent environments.

Given Marks & Spencer's relatively poor performance over the past three years, it may be relevant that it is somewhat behind the ladies-wear average in its presence on prime retail

Table 4: Pubs by geodem segment

Geodem segment	Houses	(%)	Index
G1 Up-market urban singles	2	1.11	13
G2 Young family & suburban	12	6.67	82
G3 Up-market family suburban	111	61.67	370
G4 Up-market older mix	3	1.67	24
G5 Elderly & retirement	11	6.11	55
G6 Rural & semi-rural	24	13.33	285
G7 Multicultural urban young	1	0.56	7
G8 Down-market family	(14) ?	7.78	33
G9 Down-market older mix	2	1.11	9
All houses	180	100.00	100

Index 100 = GB average for the 'retail focused' sample of postcodes.

parks (R3). While Dorothy Perkins is almost exactly in line with that average, Ethel Austin lags behind Marks & Spencer. Country Casuals is even further adrift.

Interesting patterns are a good indicator that the standard segmentation works — though Jackson Pollock shows that something may be interesting without telling very much. It is also heartening that clear differences can be detected in the positioning of individual retailers. Like many of its customers, Country Casuals seems to feel more at home in a traditional town centre than out among the car parks and DIY sheds on retail parks. For Country Casuals as a brand, therefore, High Street positioning 'fits'. Whether it is ultimately more profitable too may be a different question, but it is one which Segmentz is designed to address. Since the chain has (a few) retail park outlets, monitoring sales trends by retail segment should begin to give an idea of the scale of opportunity there compared with the High Street.

The name Segmentz may sound like a marketing cartoon, but it carries a serious message. For segmentation to be more widely used in retailing, it is necessary to dispel the mystique of cluster analysis routines, of geodemographic jargon and

of marketing hype. Instead the focus should be on cost-effective tools that are genuinely useful in accomplishing important practical tasks and helping tackle difficult questions. This is how the authors would want standard segments to be judged, and using this yardstick, they believe that Segmentz does work.

SEGMENTED SITE SELECTION

At the simplest level, standard segments can provide a consistent means to select sites that fit a particular retail brand, helping make the brand more coherent and distinctive. Table 4 profiles a branded pub chain.²⁴ The pubs are not in the sticks miles from anywhere. They are in well-off rural fringes. It is not necessary to have lots of affluent families on the doorstep, so long as they are not too far off. 'Accessible rurality' is the key — places that feel further away from it all than they really are. With an attractive outlook and a traditional old building, the pubs can attract upmarket customers for a casual coffee, a fireside pint or a relaxing meal.

Together, segments G3 and G6 account for 135 of the 180 houses, showing that the brand's prime target is well-off suburban/rural fringes.²⁵ Of the non-core segments, G2 is younger and

Table 5: Supermarkets and workforce size and type

Fascia	Location	Postcode	Workforce segment	Workforce	Business and finance* %	
Tesco Metro	London: Cheapside	EC2V 6EE	W1.2	140,767	114,373	81
Tesco Metro	London: Oxford St	W1C 2HP	W1.3	163,444	66,322	41
Tesco Metro	Manchester: Market St	M1 1PW	W1.2	75,729	28,227	37
Tesco Metro	Liverpool: Clayton Sq	L1 1DP	W2.1	41,993	12,224	29
Tesco Metro	Wolverhampton: Mander Centre	WV1 3NJ	W2.2	38,792	3,153	8
Tesco Metro	Norwich: Guildhall Hill	NR2 1JH	W2.3	19,935	4,019	20
Tesco Metro	Luton: Arndale Centre	LU1 2TF	W2.4	18,531	4,304	24
Tesco Metro	Edinburgh: Nicolson St	EH8 9EW	W4.1	17,147	1,099	6
Tesco Metro	Leamington Spa: Parade	CV32 4DN	W5.1	10,622	2,755	26
Tesco Metro	Romford: Collier Row Lane	RM5 3NL	W7.6	1,584	395	25
Tesco Metro	London: The Broadway, Wimbledon	SW19 1NE	W8.1	9,289	3,074	33
Sainsbury's	Birmingham: Martineau Pl, Union St	B2 4SL	W1.2	58,248	26,470	45

*Note: Percentages based on total workforce whose industry is known. Workforce data from Market Location Ltd.

G5 older. Both, however, are suburban/rural fringe and middle/up-scale areas where the brand fits well. This is not true for all segments. G8 covers down-market family areas — much further from the brand's core market. To put the brand into even sharper focus, it is also worth looking at turnover and profit by segment. And even if the brand is profitable in down-market family areas, does it really belong there? Too many downscale houses may dilute its identity. The chain is, in fact, part of a group that has other brands within which down-market family pubs might be at least a little more at home.

Here then, is a tool that can help retailers target the markets they want to be in — and position their brand more precisely where they want it to be — by opening branches that fit the desired brand identity, and avoiding those that do not. Of course, positioning need not be defined solely in terms of geodems. On the contrary, the importance of workplace in determining the extent of the lunchtime trade means that positioning in terms of geodems and workplace together is often more appropriate in the licensed trade and beyond.²⁶

DRILLING DOWN

Segmentation is not presented here as a technique to by-pass thought. Even at detailed type-level, segment codes are not a roulette wheel for instant retail branding whatever the application. Key decisions about where to open a new branch, or which retail brand fits best should always be based on more than sites in the right segment(s). But the standard segmentation database contains far more than just segment codes: it includes all of the background data on which the segmentation has been based.

Table 5 presents data for a dozen supermarkets. It proves, if there was any doubt, that Tesco Metro is a store format, not a specific type of site. Some Metros provide access to huge pools of white-collar business and finance workers — perhaps ideal for an upmarket deli, a vegetarian offering or a specialist concession. But Metros in Edinburgh and Wolverhampton have more downscale employment with only tiny proportions in business and finance. Looking for financial hubs, Segmentz pinpoints central Birmingham as a hot spot. There is no Tesco Metro, but the Sainsbury's Central in Martineau Place bags 26,500 business and finance workers (45 per cent of the total within half a mile). A

Table 6: Rent and sales by workplace segment

Workplace segment	Rent	Petrol station sales Selected sales	Petrol	'Shop'	Concession sales
W1 Major magnets	222	106	102	93	121
W2 Large centres	158	113	105	95	123
W3 Industrial zones	92	102	97	104	90
W4 Distribution zones	105	106	103	102	107
W5 Service zones	104	108	104	94	104
W6 Housing & industry	69	96	95	106	94
W7 Homes & distribution	91	97	99	103	102
W8 Dormitory & service	85	99	101	96	88
W9 Agricultural & mixed*	49	109	111	91	92

Index 100 = GB average.* Small sample or interpolated.

Sainsbury's Local has now opened just off New Street and a Somerfield on Colmore Row.

The number of business and finance workers is only one of hundreds of database items. So segment codes can be used as an initial filter, setting more demanding benchmark criteria in terms of specific underlying variables. This makes it far easier to select the sites that are 'right' for a given brand²⁷ or concession — assuming the retailer knows what they want.

SEGMENTATION FOR INSIGHT

There is more to standardised segmentation than an arguably better way to select new retail sites or allocate branches to the best brand. Standard segments provide a simple basis for analysing retail performance and for building a coherent picture of the market. Many years' experience in retail segmentation analysis convinces the authors of this. The biggest problem in demonstrating it here is the understandable reluctance of clients to permit publication of the results of analyses undertaken on their behalf. To obviate this difficulty, two sets of analyses follow. The first draws on confidential client data, with strict limits on what may be released and what can be said

about them. The second is based on published data.

Table 6 combines data from three anonymous clients. Information on rent by workplace segment is based on a large sample of shops — showing that rents are massively higher in major employment centres than in residential areas. Predictably, a similar, weaker, pattern emerges using retail segments, with the highest rents in High Street I and Retail Park I. Clearly then, this tool enables comparison of sales and profitability in environments with contrasted cost profiles. What is more, this can be done quickly and easily, without needing to assemble comparable rent and floorspace data for all outlets — as would be necessary if rents were to be used directly to classify branches for analysis.

Frustratingly, the data sets where Segmentz performed best cannot be published here. For confidentiality reasons, figures from a chain of petrol stations do not even cover all sales. They do however, show differences by workplace segment in both sales and product mix, with shop sales weak in rural areas and in big employment centres. Data on sales through supermarket concessions are more impressive — showing that outlets in big employment centres out-perform those in

Table 7: Good food and workplace segments

Workplace segment	'Modern'	British	European	Exotic and global	Materials based+	Quality index	Cost index	Value for money
GFG GB average	55.3%	41.2%	38.5%	15.6%	4.7%	3.59	£43.63	8.22
GFG GB index	100	100	100	100	100	100	100	100
W1 Major magnets	73	54	117	186	81	97	114	85
W2 Large centres	86	69	115	139	124	97	100	97
W3 Industrial zones*	90	61	87	214	177	132	118	113
W4 Distribution zones	92	92	122	69	120	99	98	101
W5 Service zones	87	72	122	133	53	93	97	96
W6 Housing & industry	121	127	87	71	67	98	92	106
W7 Homes & distribution	118	117	91	44	205	99	97	102
W8 Dormitory & service	102	98	107	97	71	104	97	107
W9 Agricultural & mixed	128	179	50	30	49	108	97	111

Index 100 = GB average for Good Food Guide restaurants. Note* too few restaurants for reliability. + Vegetarian, organic, seafood etc

blue-collar industrial areas and suburban dormitories. The real point is that all these results — and similar ones for geodems and retail segments — can be assembled quickly to provide a multidimensional picture of almost any retailer.

Table 7 summarises an analysis of 893 GB restaurants with full entries in the 'Good Food Guide 2002' (GFG). While GFG restaurants are in no sense a retail brand, the table shows the value of top-level segments in understanding variations in restaurant offerings and prices.

Results show that restaurants in residential areas with fewer jobs locally (W6–9) are more likely to serve British food (not European or exotic); costs are lowish and value for money²⁸ is above average. In work for a chain of restaurants operating a single menu nationwide, it was found that customers in these sorts of areas favoured red meats and traditional fare rather than fish, vegetarian or 'adventurous' items. The main exception, captured by geodems,²⁹ was posh suburbs, reflected here in the low score on British food of up-scale service dormitories. The other side of the coin is the expense account belt —

major magnets, large centres and service zones — where cuisine is more often European, exotic or a fusion of influences. Eating out is dear here and value for money is below average.

In one sense, this is obvious stuff. Everyone knows that it costs more to eat at Claridges than in Cleckheaton. But standard segments offer a postcoded analysis framework that knows the difference too. With geodems showing how expensive it is to eat in affluent suburbs, and retail segments confirming that few GFG restaurants are desperate enough for customers to pay High Street rents, almost any retail data can be cut every which way to get an understanding of the business. And, as a framework for monitoring change of all kinds on an ongoing basis, multidimensional segmentation is hard to beat.

THE POSITIONING CHART

Large pub companies generally have tended to concentrate investment and brand development in growing city/town centres and upmarket segments, neglecting houses in down-scale contexts and how they may serve customers there more profitably. Such issues can be

Table 8: Pub positioning chart

Workplace segments	Major and large		Medium density zones			Residential		Rural	
	W1	W2	W3	W4	W5	W6	W7	W8	W9
Geodem segments									
G1 Up-market urban singles	H	H			H	H		H	
G2 Young family & suburban		H	B	H	B	B	B	B	B
G3 Up-market family suburban		H	B	BH	B	B	B	B	B
G4 Up-market older mix		H	H	H	H	B	H		
G5 Elderly & retirement		H	B		BH	B		B	B
G6 Rural & semi-rural							B		
G7 Multicultural urban young	H	H							
G8 Down-market family		B			B				
G9 Down-market older mix		H	B		B				

Key: B Beefeater BH Beefeater & Hogshead H Hogshead

addressed directly using standard segments. For example, a simple table whose rows and columns are respectively the geodem and workplace segments (Table 8) may be produced, and this grid used to plot any retailers.³⁰ So far as branded pub chains go, the bottom right of the chart is under-developed. A few brands (eg Brewsters) are strong in the down-market family and other down-scale segments, but they are mainly the preserve of tenanted pubs and unbranded managed houses. The received wisdom has generally been that investment returns will be greater elsewhere.³¹

As an example, Table 8 shows the positioning of two branded pub chains — Beefeater and Hogshead — chosen because minimal overlap makes them easy to plot here in black and white. Hogshead is town-oriented with an upmarket singles bias. It is strong in large employment centres and other areas of up-scale white-collar work and stylish young people. Beefeater comes over as middle-market, suburban and family-oriented, focusing on young and upmarket family areas and relatively affluent retirement resorts. It is weaker in down-market family areas, even there favouring zones with white-collar service jobs.

It may not be necessary to plot All

Bar One or Country Carvery in this way to understand their positioning. For most retail brands, however, much can be learned from the positioning chart and its extensions — which competitors to watch, how many branches, which towns, which sites. It does not reduce the need for flair and innovation in retailing, but it does help ensure that flair is set to work where it will be most effective.

The positioning chart can be used to visualise the games that competitors play with, or against, each other. The table is effectively a 'battle-plan' on which may be plotted the positioning of individual retail chains — showing who really competes with whom. Extending this idea, the chart can be used to help adjust a retailer's positioning relative to competitors by disposing of some existing sites and/or opening up new ones in the target sectors to effect the geographical part of the required re-balancing. Obviously, the brand's image and advertising persona may also need equivalent adjustment.

REALITY CHECK

Geodem, workplace and retail mix are not independent dimensions. Retailers concentrated in service-oriented workplace contexts almost inevitably

Table 9: Sales trends by segment 1997–2002

Workplace segments	Major and large		Medium density zones			Residential		Rural	
	W1	W2	W3	W4	W5	W6	W7	W8	W9
Geodem segments									
G1 Up-market urban singles	123	113		106	110	102	95	98	
G2 Young family & suburban		107	80	104	106	98	103	101	
G3 Up-market family suburban		109		103	100	95	96	94	101
G4 Up-market older mix	104	106	97	104	109	96	94	92	
G5 Elderly & retirement		110	79	98	94	98	93	96	91
G6 Rural & semi-rural				111			96		
G7 Multicultural urban young		104		98	102	95	82	90	
G8 Down-market family	98	94	84	88	92	83	84	88	79
G9 Down-market older mix	106	100	91	95	102	93	93	91	

Index 100 = same share of turnover as in 1997

have upmarket geodem; those mainly in industrial areas have down-scale profiles. This may be seen as a limitation. It is also a true reflection of the simple geographical fact that if a retail business is located close to centres of high-status service work then it is likely to be closer to upmarket housing too. Until affluent lawyers, for example, start moving out to live in old industrial areas, this will not change. Nor can retailers have their cake and eat it. Decisions on one dimension have consequences on others. For a firm selling very upmarket furniture going only for very high status centres could be a mistake, leading it to concentrate in smaller towns and larger suburbs with highish rents and relatively small numbers of the best customers. It might be better to locate in lower rent retail parks with good car accessibility, reducing the need for delivery. But here the firm is likely to land in young family suburban areas (G2) rather than in the posher upmarket family suburbs (G3) where more of its customers live. And real high-flying customers may still be thin on the ground. The other option is big city centres. There rents are higher, delivery more of a problem and the firm will still be some distance from its target customers, but it will probably get in more of the highest flyers.

Store location, then, is like

three-dimensional chess where the three dimensions are not independent — something not obvious from a blank positioning chart. The simplest way to take into account the relative rarity of certain combinations of geodem and workplace segments is to index the chart against an appropriate base (eg all sites of selected competitors or all retailers). When this is done, the scores on the positioning chart reflect the permutations of segments actually available and are less open to misinterpretation.

ON WATCH

The positioning chart is not just a game of battleships for close competitors. Nor should brands be re-positioned at whim, without evidence that it is necessary. On the other hand, standard segments can sometimes provide the evidence. Anyone managing a retail chain stands to learn a great deal by using a segmentation matrix to keep a watchful eye on trends in sales by product and trends in total turnover.

Table 9 shows sales turnover trends 1997–2002 for a retailer represented here as part of the ladies-wear sector.³² Using its postcode, each of the retailer's branches has been classified on two dimensions — geodem and workplace. The table presents sales in 2001–2002

indexed against 1997.³³ Over the five years, business moved away from residential neighbourhoods and towards larger centres with high employment densities (segments W1–2). The overall magnitude of change in this case is modest — it would have been more exciting to uncover a potential windfall or looming disaster. Movement is shown to have been towards upmarket/singles environments and away from down-scale and suburban family areas. Though branches in residential young family suburbs (G2 W7–8) also saw relative growth, further analysis shows this was due to strong turnover trends in some retail park sites. Clearly Table 9 gives an idea of what kinds of branches have a long-term future if current trends continue — and this has a bearing on where new branches should be opened and on the rents that it is worth paying there.

One question facing the retailer here is whether to try to reverse or slow down the trends identified in Table 9. To help decide, sales mix by segment would be looked at. This would indicate whether the ground lost in down-market family areas is across all products or just in specific categories. It may also show whether it is worth varying the merchandise mix for stores in down-market or family segments. Where tailored merchandising is adopted, data on product sales by segment suggest how to merchandise each segment.

Here then, is a tool that helps retailers to evaluate the positioning of competitors, to position their own brands and to target the markets they want to be in. It helps them identify new locations that fit with that targeting and avoid sites that do not. And it provides a means to interpret the trends in sales of new and existing products, making it possible to keep product design, buying and merchandising under constant

review. It also offers, however, a clear framework within which to monitor the market, the competition and the evolving preferences of customers. In this changing context, it also generates the insights needed to distinguish stores that ‘ain’t broke’ from those that ‘need fixing’, making it easier to anticipate trends and to develop responses before problems become serious.

One response might be to avoid new stores in segments that ‘need fixing’. An alternative could be to adjust the brand’s product range, or the merchandising of branches in specific segments, to achieve a better match with observed trends in demand. There are many other distinct possible responses. Sometimes, several may be used together. The great strength of standard segments is in providing a single set of tools with which to review developing trends, and a common language in which actions may be defined and agreed.

Retailing has one classic difficulty, summed up in the cliché that it is hard to get ‘everyone singing from the same hymn sheet’. Standard segments help improve coordination by making it easier to see the connections between the activities of different specialists in separate departments. Using standard segments, it is easier to see the implications of recent sales trends for future site selection, for product purchasing, for merchandising, for marketing and promotional strategies and for all the other interconnected activities that make up multiple retailing. Standard segments may be an over-simplification, but they do at least ensure that everyone has the same understanding of where things are going — and what needs to be done about it. So they are an over-simplification that gets everyone working together for the future of the brand.

The aim is not that everyone should be humming the same fateful tune when

a business finally fails. Dangers can be recognised and trends spotted early, so that effective and well coordinated avoiding action may be taken in good time. It is in precisely this role that standard segments have a part to play. Used imaginatively, they can provide a consistent and alert multidimensional lookout, knitting the essential day-to-day interdisciplinary detail into a strategic overview that may be used to steer the brand. By this means — and however strong the economic or competitive crosswinds — all the brand's different functions can be coordinated as the chain responds to new challenges and new opportunities.

In sum, the authors believe that segmentation analysis can help retail brand managers to get their act together — and keep it that way. It is hoped that the assortment of examples presented in this 'taster' will encourage many retailers to investigate the value of standard segments in the context of their own businesses.

References

- 1 Well-advertised GIS software includes MapInfo, Tactician and GeoConcept. Data providers include CACI, Claritas, Experian, Blue Sheep, Retail Locations and Market Location.
- 2 Producing a segmentation on this basis requires familiarity with a GIS and statistical analysis tools, an understanding of retail data issues, and lots of time.
- 3 Verdict classifies towns. TWRA/FPD Savills and CB Hillier Parker rank shopping centres and monitor rents. See for example TW Research Assocs (2002) 'The definitive guide to retail & leisure parks 2002'.
- 4 See www.caci.co.uk/retail-footprint.htm. This lists many of the same applications as envisaged here for standard segments. The key difference is in the amount of preparation and preliminary analysis required.
- 5 An alternative might be CB Hillier Parker's National Survey of Local Shopping Patterns, which also defines catchment areas. In the terms used here, both this and Retail Footprint focus on geodem catchments.
- 6 Experian data come from Goad plans covering most major centres but few smaller shopping areas.
- 7 CGA classified pubs. Many other suppliers provide outlet data for one sector — IGD for supermarkets, AA for hotels, ABTA for travel. Whether these constitute simple segmentations depends on the marketer's purpose.
- 8 The authors also wanted rapid updating to be possible. During development they have done three updates.
- 9 Segmentz comes on CD complete with SegMentor software to make it easy to select the retailer(s) required, to generate profiles, map competitors and so on.
- 10 The authors could have started by classifying all 200,000+ GB retail multiples. They used their sample of c16,000 instead to avoid multi-counting postcodes shared by many retailers. It also allowed imbalances to be corrected without full detailed data on independents. The result, they hope, is less biased towards multiples.
- 11 Retail Locations Ltd provided data on multiples; Market Location Ltd. provided data on independents.
- 12 Inclusion of remote sub-post offices proved very useful in ensuring adequate coverage of rural areas.
- 13 Segmentz itself includes data for five miles too. These were not used to produce a segment classification.
- 14 The authors used enumeration district data for 0.25-mile radius, and point to point address-level data for 0.1 miles.
- 15 Choosing the catchment areas and selecting the variables to be used were, in fact, one iterative process.
- 16 The MOSAIC lifestyle classification of postcodes was supplied by Experian Ltd. Regular updates are roughly every 18 months. A major update will follow release of the 2001 Census data.
- 17 Workplace and employment data from PrimeFile Plus are supplied by Market Location Ltd. Updating is continuous on a two-year cycle.
- 18 Data on multiple retailers were supplied by Retail Locations Ltd. Regular updates are quarterly.
- 19 The authors used SPA's own (iterative reallocation) cluster analysis routine because this can classify virtually unlimited numbers of cases and/or allocate unclassified cases to the most appropriate type. SPSS nearest centroid sorting provides similar functionality rather less conveniently.
- 20 Geodems has 32 clusters; workplace 37; retail 35. A few clusters reflect data quirks not objective reality.
- 21 Using the detailed types instead of the nine broad groups reduces the problem, but takes more space!
- 22 Retail Locations' ladies-wear category is used to generate the figures presented here.
- 23 For ladies-wear retailing, the 35 retail mix types allow High Street I & II to be broken down in more detail.
- 24 To avoid embarrassment, the chain's owners have requested that its identity be concealed.
- 25 Analysis using the detailed 32 Geodem types helps confirm this. See Shaw, M. G. (2002) 'Inns and Outs', 'SPA Segmentz CD: Chapter and verse', SPA Marketing Systems Ltd.
- 26 The importance of variations in the level of business by time of day is noted by Nolan, J. (2002) 'Coffee

- time: a break from conventional location analysis', *GEO:connexion*. Vol. 1, Iss. 5, pp. 30–31. For an idea of how this relates to standard segments see Shaw, M. G. (2002) 'Circuit Diagram', 'SPA Segmentz CD: Chapter and verse', SPA Marketing Systems Ltd.
- 27 Ultimately, using additional criteria produces bespoke segments built from standard components.
 - 28 The Guide scores each restaurant out of 10 on cooking quality. The Quality Index = 100 for the average restaurant's score of 3.59 points. Value for money = quality/cost (average 8.22 points per 100).
 - 29 For analysis of the Good Food Guide by geodem segments see Shaw, M. G. (2002) 'Food for thought', 'SPA Segmentz CD: Chapter and verse', SPA Marketing Systems Ltd.
 - 30 Another pair of dimensions may sometimes be more appropriate. Shaw, M. G. (2002) 'Location, location, location', 'SPA Segmentz CD: Chapter and verse', SPA Marketing Systems Ltd. uses geodems *v* retail mix to plot the overlapping positions of Pizza Hut and Bella Pasta.
 - 31 This is now beginning to change. Greene King, for example, is developing a relatively downscale brand called The Academy of Life aimed at 'lads'.
 - 32 Material does not relate to ladies wear exactly but to some other sector, and is provided by a client who may not be identified. To maintain confidentiality, data have been adjusted and values interpolated.
 - 33 Indexing removes the effects of inflation and overall growth. Index scores of over 100 indicate cells that accounted for a higher proportion of total turnover in 2002 than they did in 1997.