

CHAPTER 1

Demographics

Marketing, Not Apartheid

Demographics matter less and less—not just to marketers, but to everybody.

—MIKE LINTON

When I asked Mike Linton a series of questions about how he goes about targeting consumers by age, gender, and ethnicity, he didn't take the bait. At the time, Mike was chief marketing officer of Best Buy (he is now chief marketing officer of eBay). He didn't deny that Best Buy sometimes ran some ads along ethnic lines, but he also said the segmentation was more about consumer behavior than ethnicity or any other demographic pigeonholes. "We don't talk about individual segments," he said, explaining that the best approach was to customize each store so that it is more attractive to *anyone* who is likely to shop there.

It was a surprising response from the chief marketing officer of a company that had made splashy news about segmenting

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its shoppers based, at least in part, on their demographic profiles. But it echoed what I had been hearing from other top marketers from some of America's most respected companies.

Leslie Kilgore, chief marketing officer of Netflix, told me that her brand didn't profile or target consumers, that it simply offered a great movie-watching experience—a proposition that knows no demographic boundaries.

Anne Saunders, a former senior vice president of marketing of Starbucks (currently with Bank of America), pointed out that the Starbucks experience is pretty much the same for everyone regardless of their age, income, or ethnicity. She said Starbucks' success was mainly due to its rather universal appeal as a coffeehouse.

John Fleming, chief merchandising officer of Wal-Mart, agreed when I suggested that demographics, as a tool of the marketing trade, were not as relevant as they used to be. He said, "Thirty or forty years ago it was very different. Back then, people in different economic zones had different expectations, but that's not really the case anymore. Everybody has access to all the same information, and basically everybody wants it all—whatever the hot new product is, everybody wants it, and they're going to figure out a way to pay for it."

Costco's marketing chief, Paul Latham, told me that while there is "a demographic profile of a Costco member that is more affluent, more college educated, higher in home ownership, with

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generally more kids living at home,” he doesn’t spend a lot of time analyzing Costco shoppers. He added, “Costco has a tremendous amount of information on each of our members, but to be honest, we don’t use a lot of it. The bulk of what we do for our members is done pretty much across the board. All of our coupon programs and internal marketing efforts are pretty much targeted at all of our existing members. . . . We certainly use our member information to help us model for prospective members, but to a large degree we rely on our intuition.”

Perhaps most direct of all was Jim Adams, executive director of marketing for Chipotle Mexican Grill. When I asked Jim whether he targeted any particular demographic, he replied, “Yes—people who eat!”

Jim said that Chipotle instead takes aim at a certain kind of personality. That personality is the type of person “who is concerned about what goes into his or her body, who is looking for superior quality, who wants to go into a cool atmosphere. . . . We’re looking for someone who is not just a price-driven consumer. We’re looking for a quality-driven consumer.”

Are Demographics Discredited?

I put the question of whether demographics were discredited as a means of targeting consumer segments to executives from some pretty successful companies. Their responses were remarkably consistent.

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Larry Flanagan, MasterCard

Demographics are not discredited, but often they are less effective versus behavioral and attitudinal insights. We really focus on looking at the motivation of what really drives behavior as well as understanding transactional behavior.

Cindy Hennessy, Cadbury-Schweppes

The consumption behavior across demographics actually is very pronounced in the beverage category. If you look at per capita consumption by age and type of beverage consumption by age there are some very definitive segmentations.

But as any category matures, demographics must be married with other types of segmentation. Most of that segmentation is psychographic or behavioral. For example, salads simply never sold at a fast-food restaurant in any volume until the last five years, and I think it's because of the aging of the population. People are now trying to undo the damage they've done with their bad eating habits over the years and are now trying to strike a balance.

Ruby Anik, formerly of Best Buy (currently of J. C. Penney)

Demographics are a really good start, but we prefer to go deeper. Just because people live in the same neighborhood or have reached the same stage in life does not necessarily mean they think the same way or want the same things.

We've really moved to attitudinal and behavioral segmentation. That's what our one-to-one loyalty-marketing program

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is based on. We mine the customer insights based on their needs states and what they've purchased. We don't want you to just buy a box from us. We want to figure out how we can create a whole experience for you.

Spencer Hapoienu, Insight Out of Chaos

I think demographics are becoming more and more discredited. If you think about how everyone uses all the media and how quickly you can change your lifestyle or behavior because of new technology, it renders demographics less and less relevant. For example, YouTube is changing the behavior of lots of different kinds of consumers. We may be talking about a relatively small segment of the population overall, but it is probably a very wide range of demographics that watches YouTube. So I don't know how you can look only at demographics and say, "That's our user base" anymore.

It is safe to say, then, that at least seven of America's smartest marketers have disabused themselves of the idea that consumers can be fully understood as discrete little pockets of men, women, and children; households earning more or less than \$100,000; black, white, or otherwise.

It is not that such profiling isn't sometimes useful or even successful. And it is not as though any of these companies do not engage in it at some level. It is that too often such typecasting is substituted for real understanding about what makes us, the consumers, tick.

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The result is that brands frequently sell themselves short by failing to see their consumers as we see ourselves. More often than not we are more similar than we are different from one another when it comes to what we expect from our brands.

Amazing Met

Before Peter Gelb came along, revenues at the New York Metropolitan Opera “had been flat for six straight years, more tickets were being sold at discount to fill the house, and the average age of the audience had jumped to 65,” reported Stephanie Clifford in *Inc.* magazine.

Peter started by “fixing” the product—“enlisting filmmaker Anthony Minghella . . . to stage Puccini’s *Madama Butterfly*.” But his goal, he said, was not “to suddenly turn the Met into an audience of twenty-year-olds, but to draw upon the broader cultural audience of New York City” and “engage the public in new ways.

“The model for me is professional baseball and football,” continued Peter, “where the more connected they are electronically, the more people want to come and experience the real thing.” For example, he made available free tickets to the show’s final dress rehearsal. He also simulcast the show’s opening performance in Times Square, setting up seats right on the sidewalk.

The bottom line was that revenues for the 2006 season in-

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creased by “more than \$8 million . . . and the overall audience expanded 15 percent.” Advance sales for the next season were up by 10 percent.

- **The Metropolitan Opera didn’t just generate buzz and awareness; it succeeded by communicating that the Met was for everyone.**

Wicked Tweens

The Broadway success of *Wicked* sent other producers scrambling to attract the “tween” demographic, but their scramble was problematic, reported Campbell Robertson in the *New York Times*. The problem was that even though “teenage and tween girls are the demographic of the moment” on Broadway and can create the buzz that makes a hit, they can’t carry a show’s success by themselves. *Wicked* worked because it was “created for a general audience” while also “attracting a fanatical, often face-painted following of teenagers and tweens.”

By comparison, *Legally Blonde*, which was also strongly appealing to teen and tween girls, had a much rougher go of it because just about nobody else seemed to care. That included moms: “This is a little more for *them*,” said Tacey Carroll, who attended a performance of *Legally Blonde* only because her daughter, Jamie, needed a chaperone.

The show’s producers had calculated that *Legally Blonde*

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would work on Broadway mainly because of its \$96 million success as a major motion picture. What they didn't count on, apparently, was that movies are a lot cheaper to produce than Broadway shows, and tickets are a lot cheaper, too.

- **Where a niche audience could create a Hollywood hit, it took a broader cross-section of consumers to see success on Broadway.**

The Great White Way

Conventional wisdom has it that to succeed on Broadway with a musical, you need to attract just one kind of consumer: white middle-aged women. The producers of *The Color Purple* totally blew that particular bit of marketing dogma to pieces, according to an article in the *Wall Street Journal* by Brookes Barnes.

Brookes began by noting that shows featuring African-American characters—such as *Dreamgirls* and *The Wiz*—traditionally play to audiences that are only about 25 percent black. Overall, less than 4 percent of all Broadway show ticket buyers are black. Apparently, they don't call it the Great White Way for nothing.

The Color Purple didn't buy into that kind of prejudice. The marketing strategy combined an ad campaign that conveyed “movement and happiness” with a media strategy that targeted

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“smaller neighborhood publications and newsletters” that normally didn’t advertise Broadway shows.

The show’s Web site was redesigned to raise the comfort level of tourists by including hotel packages and tips on how to get around Manhattan.

Ticket prices were lowered to entice first-timers to take a chance on a Broadway experience. The result was that *The Color Purple* played to audiences who were “over 50 percent black, with some performances in the 80 percent range.”

- **Everything *The Color Purple* did to build a black audience almost certainly would work as well with other audiences—and other shows that don’t necessarily feature black themes or talent.**

Books for Blacks

For the last twenty years or more, the business of marketing has turned itself inside out over the issue of “integrated marketing.” That discussion is all about the challenges of making the various marketing disciplines work together in perfect harmony.

Twenty years later most marketers have still not quite gotten to the bottom of integrated marketing. That so much time and energy have been spent on the topic is more sad than tragic, given that the very concept of “marketing” is premised on the

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integration of its many disciplines: advertising, promotion, public relations, and so forth. The term *integrated marketing* is redundant.

The industry's time might have been better spent discussing *segregated marketing*, or the practice of separating one consumer segment from another in the marketplace. Nowhere is this practice more flagrant than in the retailing of books, where "blacks-only" departments have been the norm at major chains including Borders and Waldenbooks, as reported by Jeffrey Trachtenberg in the *Wall Street Journal*. Barnes & Noble, however, has not segregated books by authors based on their race.

This issue is more relevant than ever because African Americans are spending about twice as much on books today as they did ten years ago. Both memberships and sales for the Black Expressions book club grew by double digits at a time when overall bookstore sales were falling.

Surprisingly, some prominent African-American authors have not been totally enraged about this retail segregation. Brandon Massey, who writes in what otherwise might be classified as the "horror" genre, said he realized that merchandising his books in a blacks-only section of the store helped his base find his books. But he also said he understood that the practice probably limited his sales, too.

No sales data exist that support which approach sells more books, but as Mr. Massey observed, "Most nonblack readers aren't going to go to the African-American section."

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- **A good book is a good book, and its relevance is based on the content of its pages, not the color of its author.**

Whyville, Toyota

“A lot of what we do is based on the mind-set rather than the specific age group,” said Deborah Senior, a marketing manager, explaining to Julie Bosman of the *New York Times* why the Toyota Scion paid for product placement on Whyville.net, an online community for kids.

Other car marketers have used product placement in video and online games to attract customers. Cadillac, for example, placed itself in a Microsoft Xbox 360 game. But Toyota was among the first to apply the idea that maybe it makes sense for a car company to target kids. That is not only because young kids represent an outsized influence on their parents but also because they might grow up with a certain loyalty to Toyota based on fond childhood memories created online at Whyville.net.

Matthew Diamond of Alloy Media and Marketing thinks it is probably money well spent: “You’re establishing that brand presence and positive association, since important buying decisions are forthcoming,” he said.

- **By recognizing that kids are just as interested in cars as anyone, Toyota got a head start on establishing its relevance for years to come.**

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Cool for Kids

When Reveries.com surveyed 254 senior-level marketers and asked about the potential of “adult” brands to be marketed to children, a surprisingly large number—67 percent—said the potential was anywhere from good to excellent. It was surprising mainly because one would have expected more of the marketers to express concern about the potential ethical or moral issues of marketing to kids in certain categories. Then again, we’re talking about the marketing business here!

In follow-up interviews, I asked folks from Cadbury Adams, LEGO Systems, Nintendo, and GoldnFish Marketing about which traditional “adult” categories had the most potential for growth by marketing to kids.

Bill Higgins, Cadbury Adams

There is a growing trend among kids to have an interest in badge-value electronic devices—spurred on by the iPod. The potential for other technology like BlackBerry, for example, may be limited because of the costs involved. However, for kids, instant messaging, instant communications—maybe BlackBerry could take that and shift it.

Chuck McLeish, LEGO

Financial services are an opportunity. Kids really are not taught some of the fundamentals of saving, building wealth, how to spend money, balance a checkbook, and think about longer-

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range goals. It is not the most interesting thing to a kid, but it would be a tremendous service if that could be done.

Perrin Kaplan, Nintendo

Health clubs, perhaps. There should be a place that serves those who have the paunch in the middle and those who will get the paunch in twenty years. South Beach should not be just for older people.

Steve Gold, GoldnFish

The PGA—I've never understood, when there are so many kids who golf in this country, that there has never been an effort to make golfing go younger. I'm curious from the sport's perspective why that is, why they've never even made an attempt at creating a kids' circuit of events or somehow making it more entertaining.

Let 'em Eat Grapes

Marketing's cloistered view of kids as just another demographic group isn't just a missed opportunity; it's a disservice to kids. The reason is that most marketing to kids centers on the food and beverage category. On any given day an Internet search of the term *kids marketing* is dominated by links to Web sites and news stories about children and obesity. That is just so sad and so revealing about where marketing's energies tend to focus.

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One would hope that *kids marketing* would turn up all kinds of cool campaigns that actually help kids lead better lives somehow. Not a chance.

You can accuse me of not looking hard enough, but in the more than nine years that I've scoured daily newspapers and other periodicals in search of what is innovative or merely interesting in marketing, I can only remember finding one news article about a major marketing campaign that truly took kids' health to heart. That was a 2006 story by Tara Parker-Pope in the *Wall Street Journal*.

It was about a campaign called Verb, which was designed to get kids to exercise. Part of the campaign involved television commercials, but its centerpiece was half a million 6-inch yellow rubber balls imprinted with the word **VERB** and distributed to kids, primarily via schools and camps. The kids were supposed to play with the ball, blog about the experience, and then give the ball to a friend. According to the *Journal*, a follow-up "study of more than 2,700 schoolkids . . . showed that 9- and 10-year-old kids who had seen the Verb campaign reported one-third more physical activity during their free time than kids who hadn't seen Verb."

Verb was as imaginative as it was effective, so much so that it earned Arc Worldwide, the agency behind it, an award at the prestigious Cannes Lions International Advertising Festival.

Unfortunately, instead of more campaigns like Verb, we have more and more of the usual run of stories about kids and the obesity epidemic. For example, topping a search of kids mar-

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keting stories was an article in the *Wall Street Journal* about a research study by the University of Liverpool that suggested a rather strong connection between what kids watched on television and what they ate as a result.

The study was of two groups of kids, ages five to eleven, who watched ten ads followed by a cartoon. One group saw ads for toys, while the other group saw ads for food. The kids were then offered a spread of snacks, ranging from healthy to junky. The five- to seven-year-olds who saw the food ads ate “14 percent to 17 percent more calories” than the kids who saw the toy ads. Among nine- to eleven-year-olds, the caloric intake was “84 percent to 134 percent higher.” Naturally, the overweight kids ate more of the “sugary, high-fat foods.” The only good news here, according to the report, was that “kids’ consumption of healthy foods, such as grapes . . . also jumped after seeing food ads.”

Whether this study can be considered conclusive is debatable, but its findings certainly seem obvious and predictable. Advertising is supposed to motivate consumption, after all, and it is always comforting to see advertising work as advertised!

However, despite advertising’s apparent effectiveness among kids in this study, no reasonable person could blame advertisers for single-handedly turning our kids into “plumpkins.” That would be untrue. The obesity problem is much more complicated than that. But wouldn’t it be great if the brightest minds in the marketing business applied more of their creative talents to solving the childhood obesity problem than they do to contributing to it?

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A big part of the problem is that we, as adults, tend to underestimate kids (actually we, as marketers, tend to underestimate people in general). But the Verb campaign shows that kids are, in fact, eager to have fun with a ball if we encourage that. The Liverpool study suggested that kids would just as soon eat grapes if that is what they were offered.

In fact, there was a great story in the *New York Times* about a guy named Timothy Cipriano who runs the cafeteria at Bloomfield High School in Connecticut. His coworkers were astonished when Timothy unloaded “several bushels of fresh Connecticut corn.” They thought he had misplaced his mind. They were used to working with the kind of corn that came in cans. They didn’t think the kids would touch corn with a husk on it. But guess what?

“We steamed it and put it out there,” said Timothy. “The kids shucked it themselves and went crazy for it. We ran out halfway through the first shift.” Witness the power of not underestimating kids.

Gay Cars

As Alex Williams wrote in the *New York Times*, “Cars are no more straight or gay than cellphones, office chairs or weed whackers,” but that hasn’t stopped perceptions that certain cars can be statements about a driver’s sexual orientation.

Such perceptions tend to swirl most often around the new

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VW Beetle, the Mini Cooper, the Mazda MX-5 Miata, and, of course, the Subaru Outback (known among some drivers as the Lesbaru). Of those cars, only Subaru has made an overt effort to appeal to gay drivers, having run an ad campaign starring Martina Navratilova and the slogan, “It’s not a choice. It’s the way we’re built.” Ramone Johnson, a gay journalist, actually compiles a list of “Top 10 Gay Cars,” and Gizmodo, the gadget blog, ran results of a reader poll on the most gay automobiles.

Some gay consumers are understandably incensed by such surveys. “We’re really polling people’s prejudices here,” said one respondent to the Gizmodo poll. But others, such as Judith Halberstam, proudly drove a black Mazda 3 hatchback that she said was “butch.” She commented, “If you are a masculine woman, you might not feel bad about it, so you might become excited about knowing how to fix your pickup or driving a ’68 Mustang.”

Meanwhile, Frank Markus of *Motor Trend* magazine observed that cars favored by gay consumers were often a function of the fact that they usually didn’t have kids. That meant they tended to buy more expensive and less practical cars. In other words, gay consumers can be a highly attractive segment for car marketers.

Adam Bernard of General Motors said the company pursued the gay marketplace without regard for any potential fallout among other consumers. “Frankly, the money’s all the same color,” he said. In fact, according to data compiled by Gaywheels.com, the most frequently researched cars are the

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Toyota Yaris (\$12,000), “followed by the Toyota Camry, which was the No. 3–selling car in America” in 2006.

- **When it comes to buying cars, the similarities between gay and straight consumers are bigger than the differences.**

Brokeback Strategy

Brokeback Mountain, the famous movie about gay cowboys, was one of the most profitable and most praised in 2006, but it owed much of its success to women and straight men. According to a *Wall Street Journal* article by John Lippman, the film’s distributor, Focus Features, pursued a marketing strategy that was deliberately designed to avoid having the film tagged as an art-house film for gays. Appealing to women was key to the strategy. Movie posters emphasized that the movie was a love story of sorts, while the movie’s trailers emphasized the happier sides of the relationships between the cowboys and their wives. The trailers also were paired with films with plenty of female appeal, such as Jodie Foster’s *Flightplan*.

The proof of the strategy’s effectiveness was evident in the way the film’s audience composition shifted over time. On the first weekend the audience was indeed 60–40 gay males. However, over the next three weeks the split flipped to 60–40 females. After *Brokeback Mountain* won at the Golden Globes,

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straight men started to buy tickets, and women accounted for about 55 percent of the total.

Before long, *Brokeback* was doing well in theaters nationwide, including in America's heartland where one chain reported that *Brokeback* was beating the film *Munich* by three to one. "I wouldn't say people are not seeing it because of its homosexual content," said Debby Brehn of Douglas Theatres in Lincoln, Nebraska.

- **Emphasizing its relevance to audiences beyond its base enabled *Brokeback Mountain* to catapult itself from "an art-house movie for gays" to a mainstream blockbuster hit.**

American Women

American Airlines hit some serious turbulence when it "started a Web site just for its female travelers," according to Joe Sharkey, writing in the *New York Times*. American said it was just trying to demonstrate its "continued commitment to the women's market," but apparently many women weren't exactly impressed.

"There are so many things that are infuriating about this lip-service nonsense that I can't begin to list them all," said Julie Pfeffer, a frequent flier. "Why does AA feel that female travelers need things explained to them that male travelers don't? Are we that dumb?"

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As one flier put it, “I’m quite indignant that AA thinks this kind of silly fluff is going to appeal to me. I want a clean plane, a comfortable seat, and good service at a fair price. . . . That’s what my husband wants. That’s what my colleagues of both genders want. . . . Instead, they offer us dirty planes, wretched seats, and increasingly awful service—sometimes at reasonable prices, sometimes not—and wholly silly programs like this one.”

Another angry customer suggested AA should get its employees to treat passengers better and “have someone who understands the human spine . . . design their seats.”

- **Hopefully, American Airlines learned that stereotyping its customers is worse than being irrelevant. It is insulting.**

Speed of Song

In the short time it was around, Delta’s Song Airlines was often criticized for being a pale imitation of JetBlue. Less well known was that every little thing Song did to please its passengers went back to a very simple insight: that women are the gatekeepers of air travel decisions and that airlines all but ignore them.

As Tim Mapes, the airline’s chief marketing officer, explained in a 2004 interview with *Reveries.com*: “We decided to let every other airline talk to the 48 percent of the U.S. population that is

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male and be the one airline that is positioning itself to better meet the needs of the other 52 percent of the population.”

So, did that mean Song was a “women’s airline”? Tim Mapes said that it did not. “The economics of the business simply just don’t allow that,” he said. “What was interesting was that by building an airline designed to meet the needs of women, we met the needs of just about everyone else.”

- **Song may have failed as an airline, but Tim Mapes deserved credit for understanding the difference between targeting a consumer segment and creating a relevant brand experience.**

Relevant brands often find their focus within a key demographic group but do not shape their strategies purely on issues of age, gender, ethnicity, or income. Sometimes the result is surprising, but, more important, it is also a growth driver for the brand.

When he was chief marketing officer of Dunkin’ Donuts, John Gilbert told me that Hispanics were a key source of growth for the brand, but there was a twist: “The insight is that most U.S. Hispanic consumers would like to have the product for which a brand is best known. So for Dunkin’ Donuts it’s donuts and coffee; Hispanics don’t want us serving flan. However, it isn’t a stretch to believe that Hispanic products for general-market consumers could be a reasonable product for us at some point.”

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In other words, Hispanic consumers want what is non-Hispanic, and the non-Hispanics want what's Hispanic! What matters here is that Dunkin' Donuts, if it applied its insights carefully, would be more relevant to more people all around. That would give it an even stronger platform for growth.

Rick Ridgeway, Patagonia's president of communications, expressed a similar reluctance to put too much stock in demographics-only approaches: "Patagonia is not a very demographically constrained brand. Our apparel doesn't seem to have any negative connotations for young people just because older people wear it. When we dig into why, it goes back to Patagonia's core values, which seem to be values that cut across generational lines."

- **Relevant brands are focused on achieving growth by basing their strategies on relatively simple insights that are far more universal than a demographics-only perspective could ever be.**

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