

## **CHAPTER 2**

# **Working with Community Tapestry Data**

### ***An orientation to the lifestyle segmentation system***

This chapter provides an introductory overview of the Community Tapestry lifestyle segmentation system. It is based on the Community Tapestry demonstration CD, which has been integrated into the data CD for this book. In the following exercises you will use this system to develop a direct marketing program for the Silver and Stones\* jewelry store in Santa Fe, New Mexico. You will learn how to use the Community Tapestry tools to determine the values, behaviors, and purchasing patterns of different lifestyle segments and to use this information to develop effective marketing strategies.

Note: You should read this chapter and complete the exercises before undertaking chapters 4 or 5, which use the Community Tapestry system and assume familiarity with it.

\* This is a fictional company and scenario, created for educational purposes only. Any resemblance to actual persons, events, or corporations is unintended.

### ***Learning objectives***

In order to develop a direct marketing program, in the following exercises you will use the Community Tapestry system to:

1. Select attractive Community Tapestry segments for a product or service
2. Identify the dominant Community Tapestry segments to which existing customers belong
3. Identify segment values, behaviors, and purchasing patterns relevant to the marketing program
4. Identify geographic concentrations of Community Tapestry segments that present growth opportunities

### ***Marketing scenario***

If you recently completed the first chapter in this book, you will recall that Silver and Stones, Inc., is a jewelry store in Santa Fe, New Mexico, specializing in original pieces of jewelry crafted by local artisans. Each piece is unique and comes with a certificate of originality and authenticity signed by the artisan who crafted it.

Silver and Stones's primary market is tourists in the four-season Santa Fe recreational area. The store is located near a busy tourist shopping area in Santa Fe that includes several other jewelry stores and souvenir shops. Owners Bill and Belle Buell have been successful in distinguishing Silver and Stones from competing stores with unique pieces that offer tourists distinctive mementos of their Santa Fe experience. Despite higher prices, many tourists return to the store each time they vacation in the area and many have become regular customers. The Buells cultivate this loyalty by asking each customer to provide an address to which they send a quarterly newsletter. Each edition features silversmiths who design pieces for Silver and Stones, with pictures and descriptions of the pieces they have designed.

The Buells wish to increase sales by adding a database marketing program using a direct-mail campaign that targets prospects across the United States. Direct-mail materials will be shorter and more focused than the newsletter, describing a few selected items to recipients and inviting them to order by mail, phone, or the firm's transactional Web site. Current newsletter recipients will be the foundation of the marketing database. However, the Buells wish to extend the database to other households across the country who share the lifestyle patterns and values of their newsletter subscribers. In this chapter, you will use the Community Tapestry system to assist the Buells in this project.

### ***Background information***

The Community Tapestry segmentation system is a product of ESRI. It classifies households in the United States into 65 distinct lifestyle segments. The system combines demographic data with housing, lifestyle, and purchasing behavior information to produce rich profiles of its 65 segments. This provides marketers greater insight into the motivation and behavior of their customers and prospects, something that is not possible with purely demographic segmentation systems.

Community Tapestry is enhanced even further when combined with Market Potential Indexes (MPIs) based on data from Mediamark Research Inc. These indexes report Community Tapestry segment behaviors on an extensive range of attitudes, lifestyle activities, media habits, and purchasing patterns. Specific indexes are included for a range of consumer product categories. As all the indexes are based on a standard value of 100, which represents the national average across all households for that behavior, the patterns of a Community Tapestry segment relative to a set of behaviors are immediately clear. For example, if the MPI for the 04-Boomburbs segment on the behavior "Heavy newspaper reader" is 125, it means that households in this segment are 25 percent more likely than the national average to read newspapers heavily. Therefore, newspapers would be a good medium for communicating with these households. Similarly, the variations in behavior between households in two or more Community Tapestry segments allow marketers to tailor offerings to a defined set of values and behaviors. This is, in fact, what you will do in this exercise for Silver and Stones.

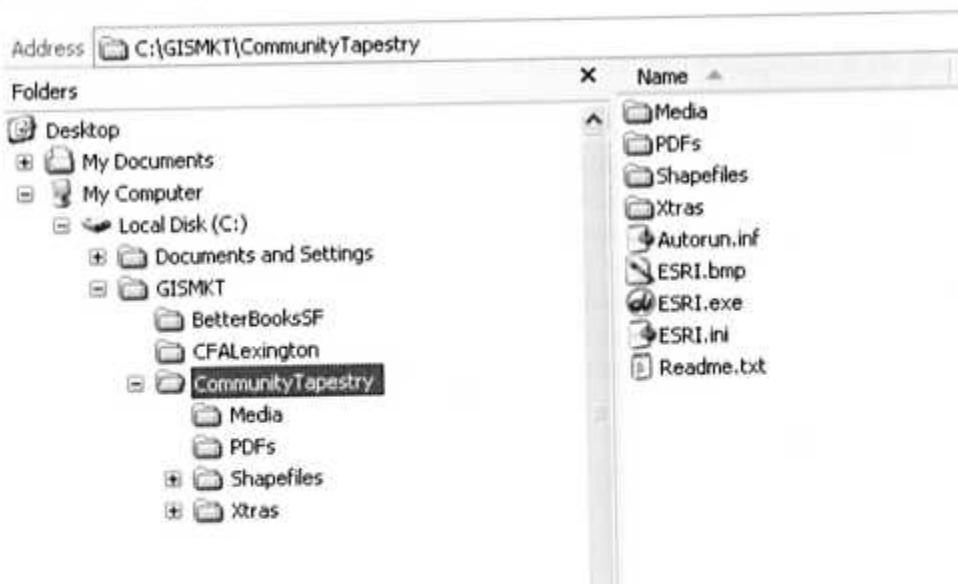
## Exercise 2.1 Explore the Community Tapestry demonstration

To use the Community Tapestry system as an effective marketing tool, you must understand its structure, the segments it contains, and the rich data it provides on the purchasing behavior of segments. Thus, in this exercise, you will:

- Run the Community Tapestry demonstration
- View demographic summary tables and profiles of Community Tapestry segments
- Select Community Tapestry segments and compare their demographics, values, and jewelry purchasing patterns

### Start the demonstration

- 1 Open Windows Explorer by right-clicking Start at the lower left corner of your computer screen, then choosing Explore.
- 2 Navigate to the directory to which you installed the data for this book and expand the **GISMKT** folder, then click and expand the **CommunityTapestry** subfolder.



- 3 Double-click ESRI.exe. This opens the main menu for the Community Tapestry demonstration. (Note: If you do not see file extensions, click Tools > Folder Options, then click the View tab. Make sure the option to "Hide extension for known file types" is not checked.)



## Learn about the Community Tapestry system

- 1 Click About Community Tapestry and read the overview of the Community Tapestry classification system, including the two associated PDF documents. When you are finished, click Home to return.
- 2 Click Using Community Tapestry to view a list of possible applications for the Community Tapestry system. When you have finished reading, click Home to return.

The list of applications you just saw includes some of the tasks you will perform for Silver and Stones.

**View a summary table of the 65 Community Tapestry segments**

- 1 Click Community Tapestry Segment Descriptions, then Community Tapestry Summary Table to open a PDF document containing a summary table of the 65 Community Tapestry segments and their major demographic characteristics.



**2005 Community™ Tapestry™ Summary Table**

	Household	Population	2000-04 Annual Pop Change (%)	House Type	Household Type	Income \$K/Year	Median Age	Diversity Index™	Median HHS Income	Median Net Worth	Median House Value	Home Ownership Rate (%)
United States	112,446,901	289,727,694	1.34	—	—	2.90	35.3	56	\$46,741	\$197,893	\$183,247	68
01. Top Ring	882,898	2,387,243	1.80	Single Family	Married Couple Families	2.90	42.3	30	\$79,688	\$586,383	\$1,014,280	83
02. Suburban Splendor	1,867,187	5,849,882	1.90	Single Family	Married Couple Families	3.24	40.5	32	\$114,509	\$359,337	\$402,969	94
03. Commuters	1,698,268	4,282,830	2.48	Single Family	Married Couple Families	2.80	45.4	33	\$118,418	\$387,378	\$684,514	91
04. Bourgeois	2,147,878	6,790,829	4.84	Single Family	Married Couples w/Kids	3.71	35.8	43	\$103,743	\$181,085	\$308,889	82
05. Wealthy Suburban Suburbs	1,870,431	4,811,985	2.83	Single Family	Married Couple Families	2.82	41.7	41	\$85,136	\$270,317	\$444,858	81
06. Sophisticated Squires	2,457,898	6,423,773	2.01	Single Family	Married Couple Families	3.02	37.4	38	\$80,211	\$218,835	\$244,481	82
07. Exurbanites	2,659,821	7,270,717	1.83	Single Family	Married Couple Families	2.71	41.5	29	\$83,181	\$284,223	\$275,884	91
08. Laptops and Lattes	1,158,452	2,178,859	8.58	Multi-Unit Rentals	Singles (Shared)	1.52	38.1	47	\$80,648	\$272,219	\$705,451	41
09. Urban Chic	1,838,408	5,762,823	1.30	Single Family, Multi-Units	Mixed	2.40	41.4	47	\$84,821	\$282,889	\$833,853	70
10. Pleasant Ville	1,079,844	3,763,387	0.73	Single Family	Married Couple Families	2.68	39.4	38	\$73,073	\$188,415	\$228,830	88
11. Pacific Heights	718,480	2,338,283	8.80	Single Family, Townhome	Married Couple Families	3.21	38.4	78	\$70,038	\$211,243	\$873,886	72
12. Up and Coming Families	3,289,796	9,494,339	4.10	Single Family	Married Couples w/Kids	2.45	31.8	46	\$68,368	\$108,053	\$188,582	88
13. In Style	2,750,811	8,886,156	1.88	Single Family, Townhome	Mixed	3.43	36.3	38	\$87,847	\$188,887	\$291,775	72
14. Prosperous Empty Nesters	3,192,727	5,157,971	0.78	Single Family	Married Couples w/No Kids	2.38	47.2	28	\$86,162	\$234,881	\$187,759	88
15. Silver and Gold	1,075,518	2,138,822	2.90	Single Family/Seasonal	Married Couples w/No Kids	2.07	58.0	16	\$86,548	\$275,871	\$328,810	88

- 2 Scroll through this table, noting the names of the Community Tapestry segments along with their size and demographic characteristics. When you are finished, close the PDF.

**View segment profiles**

- 1 Back in the Community Tapestry system, click Segment Profiles. This page lists the 65 Community Tapestry segments in a box at the bottom of the window.

**Community Tapestry**

Home | Back

### Segment Profiles

Community Tapestry provides an accurate, detailed description of America's neighborhoods. U.S. residential areas are divided into 65 segments based on demographic variables such as age, income, home value, occupation, household type, education, and other consumer behavior characteristics.

Some of these variables were used to provide a brief profile of the Community Tapestry segments that appear in the table below. The Preferences section shows the Market Potential data that is derived from combining Community Tapestry with consumer surveys from Mediamark Research Inc. Doublebase 2004. Consumer behavior, financial services, media, and automotive preferences are included in these profiles.

65 Tapestry Segments

- 06-Sophisticated Squires
- 07-Exurbanites
- 08-Laptops and Lattes
- 09-Urban Chic
- 10-Pleasant Ville
- 11-Pacific Heights
- 12-Up and Coming Families
- 13-In Style
- 14-Prosperous Empty Nesters
- 15-Silver and Gold
- 16-Enterprising Professionals

To view a segment profile, click on the segment name.

Exit | GIS Software | About GIS | About ESRI

- 2 Scroll through the segment names, then click on one of your choice to open its segment description.

**56 Rural Bypasses**

<b>Segment Number &amp; Name</b>	56 Rural Bypasses
<b>LifeMode Group</b>	L11 Factories and Farms
<b>Urbanization Group</b>	U11 Rural II
<b>Household Type</b>	Family Mix
<b>Median Age</b>	37.1 Years
<b>Income</b>	Lower Middle
<b>Employment</b>	Retired/Skilled/Svc
<b>Education</b>	No HS Diploma, HS Grad
<b>Residential</b>	Single Family, Mobile Home
<b>Race/Ethnicity</b>	White, Black
<b>Preferences</b>	Own dogs Own CD 6 months or less Go hunting Read fishing, hunting magazines Own/lease full-size pickup

**Rural Bypasses**

Click the map above for larger version  
Click again to reduce

The description window displays a summary of the segment you have chosen. In the lower right corner of the window is a map displaying the distribution of this segment by block group across the United States.

- 3 Click on the map to expand it. Click again to return to the segment summary window.
- 4 Repeat this operation to view several segment summaries (click the Back button to see the list of segments).

You are now familiar with the Community Tapestry neighborhood classification system. You will now use the demographic and Market Potential Indexes stored with the Community Tapestry system to compare the characteristics and behaviors of selected segments.

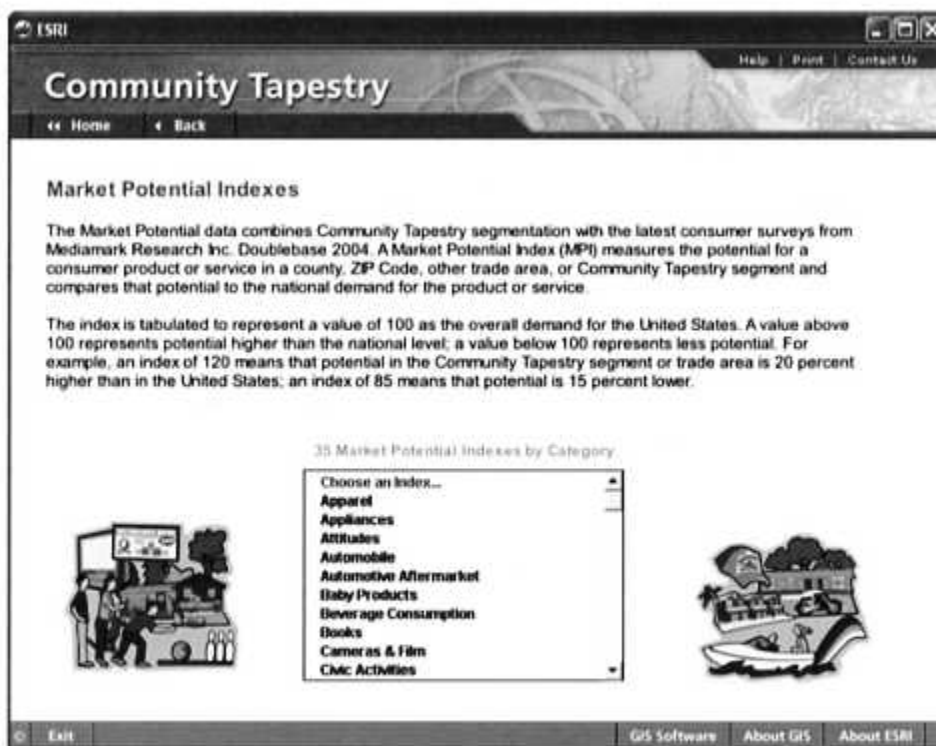
## Compare demographic characteristics

- 1 Choose two Community Tapestry segments you wish to compare.
- 2 Open the Community Tapestry Summary Table (click Home, Community Tapestry Segment Descriptions, Community Tapestry Summary Table) to view the demographic characteristics of the segments you selected. Record the appropriate values in the table on page 38, under the section labeled Demographic measures.

This side-by-side comparison provides some sense of the demographic differences among the Community Tapestry segments. However, the greater value of the system lies in the insights it provides into differences in values, behaviors, purchasing patterns, and media habits. To reveal these dimensions of the Community Tapestry system, you will use the Market Potential Indexes included in the system.

## Compare Market Potential Indexes

- 1 From the main menu of the Community Tapestry system, click Community Tapestry Segment Descriptions, then click Market Potential Indexes.



Read the description of the Market Potential Index system. Note that it compares the values and behaviors of Community Tapestry segments based on an index system with a base of 100, which represents the national average. If a segment has a value greater than 100 for an MPI, the residential households in that segment are more likely than the national average to report that value or behavior. A value less than 100 indicates that the households are less likely than the national average to report that behavior.

You will find some relevant MPI values for the two groups you have selected so you can better compare the groups.

- 2 For each of the two segments you are comparing, record the MPI values for the items listed in the table on the following page. You should already have recorded the demographic measures. For example, the first category you want to explore is "Attitudes." In the Market Potential Indexes box, click Attitudes. In the window that appears, find the place where the attitude item and your segment meet in the matrix, then record that value in the table. Use the Back button to access a new category.

Community Tapestry segment (number and name)		
<b>Demographic measures</b>		
Household Type		
Average Household Size		
Median Age		
Diversity Index		
Median Household Income		
Median Net Worth		
Home Ownership Rate		
<b>Market Potential Indexes</b>		
<b>Attitudes category</b>		
Consider self very conservative		
Consider self middle of the road		
Consider self very liberal		
<b>Leisure Activities/Lifestyle category</b>		
Went to beach in last 12 months		
Danced/went dancing in last 12 months		
Dine out once a week		
Attended movies in last 6 months		
Went to zoo in last 12 months		
<b>Media category</b>		
Heavy viewer of daytime TV		
Heavy viewer of prime-time TV		
Heavy magazine reader		
Heavy newspaper reader		
Heavy radio listener		
<b>Shopping category</b>		
Ordered any item by phone/mail/Internet last 12 months		
<b>Apparel category</b>		
Bought fine jewelry in last 12 months		
Spent on fine jewelry in last 12 months, < \$400		
Spent on fine jewelry in last 12 months, \$400-\$749		
Spent on fine jewelry in last 12 months, \$750+		
Spent on fine jewelry in last 12 months, sterling		



*What differences do these values reveal relative to the demographics, values, behaviors, and shopping patterns of the two Community Tapestry segments you have selected?*

Your exploration of the Community Tapestry system is complete.

## Exercise 2.2 Integrate Community Tapestry data into marketing strategies

You are now familiar with the information included in the Community Tapestry system and how it can be used to identify differences in demographics, lifestyle activities, and purchasing patterns between segments. You will now use the Community Tapestry tools to develop potential marketing strategies for expanding the sales of Silver and Stones. Thus, in this exercise you will:

- Develop three different marketing strategies for Silver and Stones using the Community Tapestry system
- Choose the best strategy and use Market Potential Indexes to plan a direct marketing program

### Select Community Tapestry segments as target markets and identify geographic concentrations

In the first strategy, the Buells would identify Community Tapestry segments with favorable purchasing patterns for jewelry, seek out geographic concentrations of those segments, and devise marketing strategies to serve them.

- 1 From the home page of the Community Tapestry demonstration system, click Community Tapestry Segment Descriptions, then click Market Potential Indexes.
- 2 On the Market Potential Indexes page, click the Apparel category, and in the new page scroll to the fine jewelry items near the bottom of the list.
- 3 Focus on the item Spent on fine jewelry in the last 12 months, \$750+. Scroll to the right through the values of the 65 segments. Identify the one with the highest value for this measure.



*Which segment has the highest value for this measure? What is the MPI measure for this group?*

- 4 Click Back, Home, Community Tapestry Segment Descriptions, Segment Profiles to reach the Segment Profiles list. Find 10 - Pleasant-Ville in the list, and click it to view the profile of this segment.

- 5 Click the map to enlarge it. Note the concentrations across the country.



The map displays where concentrations of Pleasant-Ville households are across the country. Armed with this information, the Buells could choose to reach these potential customers with additional retail sites in these locations or a range of direct marketing approaches targeting the ZIP Codes of these concentrations with specific offers, print catalogs, and a transactional Web site.

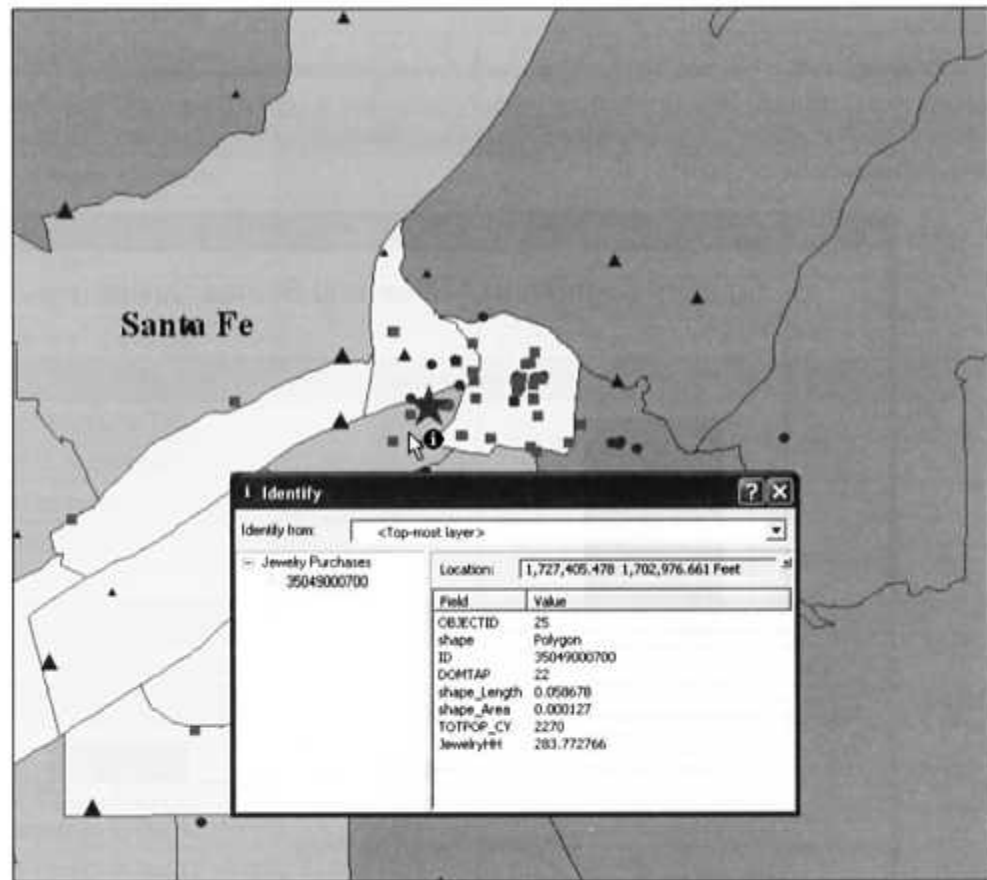
The weakness of this approach is that the selection of a target segment is largely speculative. That is, households in the 10 - Pleasant-Ville segment are a strong market for fine jewelry in general, but not necessarily for the Silver and Stones product line in particular. In this approach, the firm selects segments that *might* be good customers rather than identifying segments that *are* good customers. The other two strategies avoid this weakness.

## Identify dominant Community Tapestry segments in current market area

The second strategy assumes that the majority of customers for a retail store reside in the proximity of that store. This approach is very commonly used in retail market area analysis. Once a firm understands the characteristics of the customers it is serving, it can increase sales by improving its offerings to those customers and by seeking concentrations of similar customers in other geographic areas.

- 1 Review the map below, taken from chapter 1, which also featured Silver and Stones. The store's location is indicated by the purple star. It is displayed over a thematic map that indicates the dominant Community Tapestry segment of the census tracts in the Santa Fe area. The DOMTAP field in the Identify window displays the number of the dominant Community Tapestry segment in the census tract where the Silver and Stones store is located. Record the number for this segment in the Market-area-based strategy column of the table on page 43.
- 2 Working in the Market-area-based strategy column of the table, use the Community Tapestry Summary Table PDF and the Market Potential Indexes feature of the Community Tapestry system to find and record the dominant segment name, the demographic measures, and the MPI values for the indicated items. You will repeat this process for the next strategy.

This approach can be very profitable for traditional retailers. Identifying characteristics of the market areas of successful stores can be a very fruitful way of selecting additional retail sites and using direct marketing approaches to reach customers with similar characteristics. Indeed, these approaches are illustrated in several chapters of this volume.



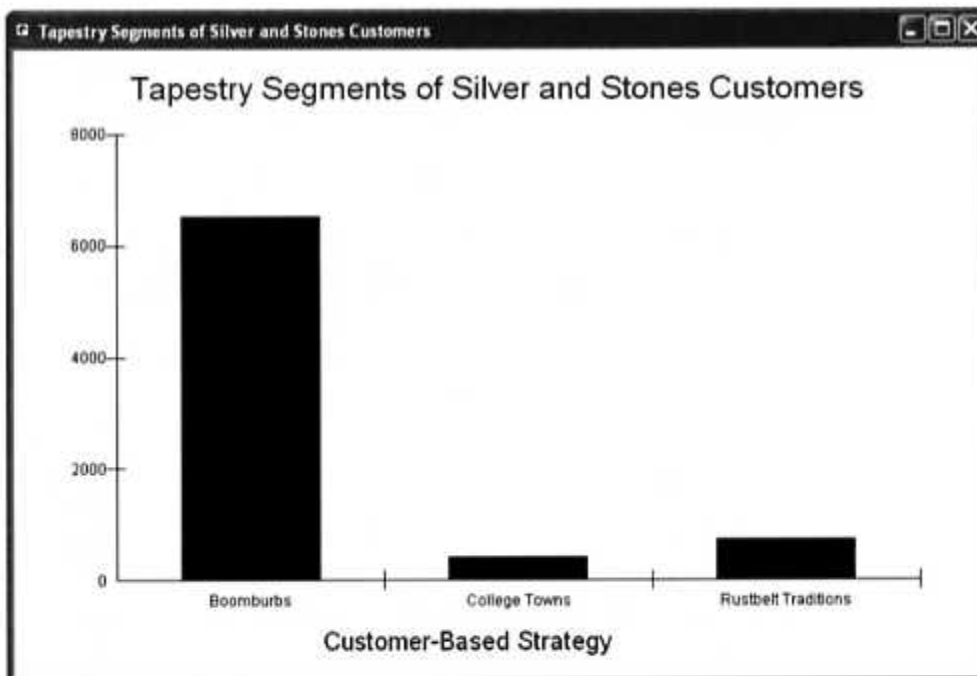
However, the approach can also have weaknesses. The difficulty lies in the assumption that a retailer's primary customers live within proximity of the store. In the case of Silver and Stones, however, the target customers for the expansion project are tourists who visit the city on vacation. Thus, the assumption of a geographically compact market area may not be appropriate in this case. This does not mean that their customers do not share similar demographic and lifestyle characteristics, but merely that the firm must use another method to discover them. You will explore such a method in the third marketing strategy option.

## Identify dominant Community Tapestry segments among current customers

The third strategy assumes that the current customers of a retail establishment provide a profile for identifying new prospects. This approach is particularly useful in this case, as the target customers for Silver and Stones's sales expansion project are tourists who do not live in the Santa Fe area. Since the company maintains an address database of many of its customers, it can use this information to develop its customer profile.

The key piece of information in this case is ZIP Code data, which is used to match customers with Community Tapestry data. In this process, each customer in the Silver and Stones customer database is assumed to belong to the dominant Community Tapestry segment of the ZIP Code area in which he or she lives. Using ArcGIS software, the matching process is achieved with a table join operation based on the ZIP Code field. You will have a chance to execute this operation in later chapters.

Once the association is created, the firm can look for concentrations of Community Tapestry segments in its customer base through a summary operation on the dominant Community Tapestry segment field. A graph based on the joined data table, shown below, displays the Community Tapestry concentrations visually.



- 1 Review the graph above. Use it to identify the largest Community Tapestry segment among Silver and Stones customers. Record the number and name of this segment in the Customer-based strategy column of the table on the following page.
- 2 Working in the Customer-based strategy column of the table, use the Community Tapestry Summary Table PDF and the Market Potential Indexes feature of the Community Tapestry system to find and record the demographic measures and MPI values for the indicated items.

Community Tapestry segment (number and name)	Market-area-based strategy	Customer-based strategy
<b>Demographic measures</b>		
Household Type		
Average Household Size		
Median Age		
Diversity Index		
Median Household Income		
Median Net Worth		
Home Ownership Rate		
<b>Market Potential Indexes</b>		
<b>Attitudes category</b>		
Consider self very conservative		
Consider self middle of the road		
Consider self very liberal		
<b>Leisure Activities/Lifestyle category</b>		
Went to beach in last 12 months		
Danced/went dancing in last 12 months		
Dine out once a week		
Attended movies in last 6 months		
Went to zoo in last 12 months		
<b>Media category</b>		
Heavy viewer of daytime TV		
Heavy viewer of prime-time TV		
Heavy magazine reader		
Heavy newspaper reader		
Heavy radio listener		
<b>Shopping category</b>		
Ordered any item by phone/mail/Internet last 12 months		
<b>Apparel category</b>		
Bought fine jewelry in last 12 months		
Spent on fine jewelry in last 12 months, < \$400		
Spent on fine jewelry in last 12 months, \$400–\$749		
Spent on fine jewelry in last 12 months, \$750+		
Bought fine jewelry in last 12 months, sterling		

Use the graph and table above to answer the questions on the following page.



*Does the dominant Community Tapestry segment in the market-area-based strategy match that of the customer-based strategy? Which best reflects the composition of the firm's tourist customer base? Why?*

## Use Market Potential Indexes to plan direct marketing program

Once you have identified the target segment for Silver and Stones's new marketing program, you may use the MPI system to fine-tune the offering. Specifically, you may use the system to identify specific media behaviors and buying patterns. As an example, use the system to answer the following questions about the preferred Community Tapestry segment you identified above.



*From the Media category: What two types of magazines do households in this segment read most frequently? Which two sections of daily newspapers would reach them most effectively?*

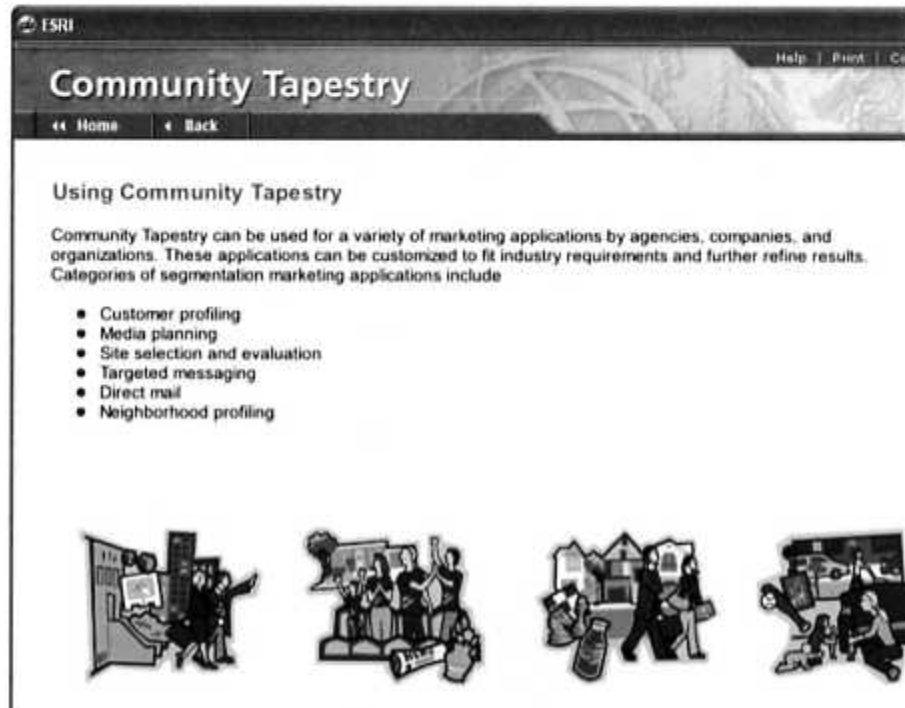
*From the Internet category: Does the segment use the Internet several times a day? Has it ordered items from the Internet in the last 12 months?*

*From the Yellow Pages category: Does the segment purchase goods by phone or mail from catalogs? How much has the segment spent on phone and mail orders in the past 12 months?*

*How will this information help Silver and Stones promote its direct marketing program? How appropriate is such a program for reaching this segment? Is it likely to increase sales? Explain your conclusion.*

## Review the Community Tapestry system

- 1 Return to the home screen of the Community Tapestry demonstration system and click Using Community Tapestry to reach the page describing the potential applications of this system. You visited this page at the beginning of this chapter.

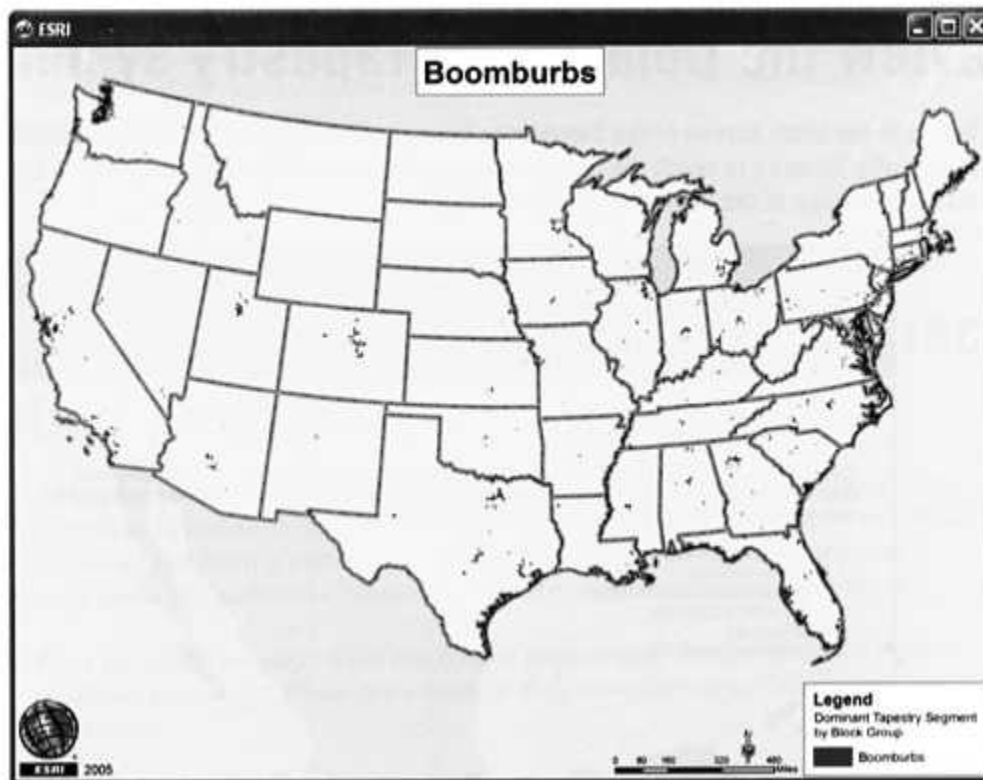


In designing a sales expansion strategy for Silver and Stones, you have performed several of these applications. First, you saw how using ArcGIS to associate each customer with a Community Tapestry segment and then summarize the number of customers in each segment creates a Community Tapestry profile of the customer database. In this exercise, you did not perform the actual data association, but you examined the results in the form of a graph. This allowed you to identify the Community Tapestry segment that will be the target of the direct marketing program. This is a customer profiling application of the Community Tapestry system.

Once the desirable segment is identified, the next step would be to design the communication message for the direct marketing campaign. For this task you would use the MPI values related to attitudes and lifestyle activities to craft the specific message for the audience. This is a targeted messaging application of the Community Tapestry system.

The next step is to communicate the selected message to the target audience. This would be done via direct mail and media promotion. The direct-mail campaign would be aimed at ZIP Codes in which the targeted Community Tapestry segment is dominant. These specific areas would be identified using ArcGIS software. Then you would be able to send mailings aimed at the areas highlighted in the concentration map for this segment, shown on the next page. This is a direct-mail application of the Community Tapestry system.

Media promotion will be used to supplement the direct-mail campaign and convince prospects to order online, by phone, or by mail. You used the MPI Media category to determine the appropriate media for this campaign. This is a media planning application of the Community Tapestry system.



The Buells wish to pursue a direct marketing growth option focusing on the 04-Boomburbs segment whose members visit their store as tourists. However, many retailers find that their best customers are those who live near the store in which they shop. In this situation, the Community Tapestry system is relevant to the growth strategy of opening additional retail stores. In general, this approach creates a profile of the market area for an existing successful store, and then seeks out additional geographic areas whose profile matches this model.

When you identified the dominant Community Tapestry segment in the census tract in which Silver and Stones is located, you were using a simplified approach to the neighborhood profiling application of the Community Tapestry system.

Once the model retail store profile is identified (in this case, that of the 22 - Metropolitans segment), the firm would seek out geographic concentrations of that target segment. This process again relies on the Community Tapestry segment concentration map. This is a site selection and evaluation application of the Community Tapestry system.

- 2 Close the Community Tapestry demonstration system and any other open windows.

### ***Congratulations! You have completed the Community Tapestry project.***

In these exercises, you explored the major applications of the Community Tapestry system and used them to understand Silver and Stones customers more fully. Your knowledge of this system will also help you with the Meiers Home Furnishings and Community Farm Alliance exercises found in chapters 4 and 5, both of which use Community Tapestry data to devise marketing strategies. These chapters illustrate how marketers can use the rich consumer data in the Community Tapestry system to serve customers more effectively and profitably.