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## Values-Based Segmentation

An Interview with David Allison, CEO, Valuegraphics

### David Allison :

David Allison is the founder of the marketing agency Valuegraphics and the author of "Death of Demographics".



The legendary Harvard marketing professor Ted Levitt once wrote that, "If you're not thinking segments, you're not thinking". He added, "To think segments means to think beyond what's obviously out there to see."

Levitt felt that segmentation was crucial because it sparked insight into how customers differ from one another. Knowing what drives the behaviour of different groups of customers leads to better marketing decisions, he believed, since business success is only possible through market differentiation. "The search for meaningful distinction is a central part of the marketing effort", he declared.

The trouble with segmentation, of course, is that it is hard to do. There is no "one size fits all" method of segmentation. There are many ways to segment, each method offering an answer to a different question. How similar are customers in their demographic profile? In their behaviour? In their interests and affinities? In their product preference and usage? In their lifestyle orientation? In their attitudes? It is like trying to solve a Rubik's Cube, pivoting the different sides to come up with the solution.

Which is why most marketers do a lousy job of it. At best they default to the standard approach which is usually some mix of needs and usage segmentation – at worst they take the lazy way out and default to demographics. And even if they land on the right answer, marketers struggle to turn that insight into "meaningful distinction". They make the mistake of using segmentation as merely a tactical tool, and then give up when they realize there is no way to target the segments through most marketing channels. Segmentation becomes just another check box in campaign development instead of what it is meant to be: a tool to drive strategy.

Beyond wrestling with the complexity of segmentation, marketers struggle with truly understanding what drives customer behaviour. We may know what people look like – their preferences – where they live – perhaps what they like to do in their spare time – but then why they do they behave so differently even when everything we know about them is the same? How often do we see people of identical age, income, lifestyle and ethnicity make diametrically opposite choices? That was the puzzle social psychology and behavioural science were supposed to answer. Yet even when behavioural tendencies and biases are revealed, they can be difficult to act upon. The insight becomes a "nice to know" instead of an "aha" moment - just another snippet of information in a persona profile.

What truly explains the decisions people make and the actions they take, according to Valuegraphics CEO David Allison, are their values: the modes of conduct they deem to be personally or socially preferable – the principles by which they live - the beliefs ingrained in them, usually from very early on in life, a function of the social and cultural forces around them. People act in accordance with those values, whether subliminally or not, even when it comes to their favourite brands. They are drawn to others who share their belief

system. Values drive much of human behaviour, in fact, and can explain many of the choices that people make. And today, more than ever, people will choose brands based on the perception of shared values. Values become the tiebreaker.

If as marketers you understand what is important to customers, what motivates them, what is truly meaningful to them, you have a much better chance of relating to them, both as individuals and as part of a “target” audience. After all, a major goal of marketing these days is making meaningful connections with customers.

David makes the case for values-driven segmentation in his newest book “The Death of Demographics” in which he argues that marketers should talk to customers about what they think is important. His company has created a massive global database of values, the first of its kind, which marketers can use to determine the values of their customers.

SS

**Stephen Shaw (SS):** In 2015 you had an epiphany: you realized that demographics were not the best way for marketers to look at the world. Can you share that story?

DA

**David Allison:** My agency at the time was focused on real estate development - condos, resorts, office towers - we did this all over the world. We were quite good at it. And as with any business, you always ask yourself, “Who’s our customer?”. As marketers we have two traditional ways of doing that: demographics - male, female, rich, poor, young, old, black, white, gay, straight, whatever; and then this whole bunch of other stuff that falls into the category of psychographics, which is everything else we know about them - past sales behavior, likes, preferences, wants, desires, needs, interests, etc.

In real estate, inevitably, you’re targeting an aging baby boomer who’s trying to downsize from a single-family home in the suburbs and move into a stacked urban environment. At my company we just called them “Bob and Sally”. Based on what we knew, we had a different kind of “Bob and Sally” for one tower versus another tower, but basically it was always “Bob and Sally” because they had the money. That’s who we were building condos for. So then you’d go and try to sell out all the units.

The neat thing about the real estate development industry from a marketing perspective is it has a beginning, a middle, and an end. So we define an audience, spend some money, talk to those folks, and then about three years later, you’re standing in a room with them. What kept happening to me

over and over again at these ribbon cutting ceremonies with the shrimp on a stick and the cheap glass of Prosecco that we called champagne was this moment where I’d say, “Who are you people? Because you’re not the target audience we thought we were talking to.” Maybe 10% or 15% of the people in the room were. But there was all these other people who had no resemblance whatsoever to them. We didn’t target them. We didn’t think about them in our strategies. We didn’t craft messages for them, and yet, here they were. So when I sold my company I said, “I’m going to see if I can solve this.”

So that takes you really quickly into behavioral science. How do humans decide things? And you start looking at psychology, sociology, psychiatry, even neurology. They all have different theories about how people make decisions. But they agree on one central principle: human values drive every decision. So that was the eureka moment. If we could just understand the values of a group of people before we spend a million dollars talking to them, then we would know what we needed to say so that we could drive their decisions in the way we’d like them to go. In retrospect, looking back on those rooms full of people, they weren’t dissimilar at all. On the outside they may have looked different demographically. But since values drive all decisions, they were all in the room because their values had attracted them there. So I thought, okay, let’s see if we can profile groups of people and understand their shared values, then we’d know how to talk to them and get them to do the things we’d like them to do.

SS

Emotions are understood to drive 50% of all decision making. Are emotions and values two sides of the same coin?

DA

What’s driving emotions is values. You’re going to be happy when you find something that aligns with your values. You’re going to be sad when something happens that doesn’t align with your values. You’ll be angry if something is directly threatening your values or how you see your place in the world. So emotions, decisions, behaviors, reactions, everything about who you are as a human, at its core, begins with your values. It’s the base level DNA for who we are. Emotions are part of the equation but emotions are a derivative of values, and they change. Demographics change. You wake up tomorrow,

you're not 18 to 24 anymore, you're 25 to 36 now.

Suddenly you're a whole new person because you're in a different age category? Psychographics are all over the map. Values never change. Values are stable, and give you the best chance of understanding your target audience.

**SS** Can you provide an overview of the Valuegraphics system?

**DA** It's a system where you can use values as a way to position and frame up messages, campaigns, and strategies. As of today, we've done close to a million surveys around the world, long-form qualitative surveys with a team of translators in 152 different languages. We're accurate in 180 countries out of about 186, last time I counted, and we've maintained a plus or minus 3.5% level of accuracy and 95% level of confidence. So what we've built is the world's first global inventory of core human values. For the stats geeks out there, it's a random stratified statistically representative sample of the population of these 180 countries - so it's an exact replica of the real world in miniature. And by looking at that model of the world we can say, "Here's the shared values of these people versus those people." So let me give you a couple of quick stats.

If you look at any of the typical demographic labels that we're all familiar with - age, gender, income, marital status, number of kids - and ask, "How similar are the people inside any one of those cohorts?" In other words, how targetable are they? On average, across all of those different cohorts around the world, people are about 10.5% similar. So how targetable is Gen Z? 10.5%. How targetable are boomers? 10.5%. People who make \$250,000 a year? 10.5%. So flip that around, they're 90% dissimilar. So when we talk to Gen Z there's a 90% built-in fail rate. Now if you put people in groups based on values, they are similar to each other as much as 89% of the time. So that's like saying you could spend 10-cent dollars using demographics to understand people, or you could spend 89-cent dollars using values.

**SS** You've created 56 different value clusters and 15 values archetypes. Explain the difference between a value cluster and an archetype.

**DA** So we asked these million people about what they do, about their hobbies, their interests, the way they live their lives, what's important to them. And then we saw patterns emerging: it turns out there were 56 different ways that people were talking about the things they do, the things that

are important to them. But there's more than 8,000 codes in the Valuegraphics database for those 56 values. So we use the 56 values and the 8,000 definitions for those in the hundreds and hundreds of profiles we've done around the world, and we've yet to see the same profile pop up more than once.

Now the archetypes, they're kind of a storytelling conceit. They're a way for me to tell stories, and in the book we wanted to give people a tool that they could use to figure out the values of their target audience without having to hire us to do the work for them. We wanted to come up with the smallest number of groups possible. There's 15 of them. In the book there's a quiz. The responses will tell you which of 15 chapters in the book you should be paying attention to because your people are most like that archetype. But it's pretty darn courageous to say, "There's only 15 kinds of people in the world." I sometimes say it's like playing the piano with your fists.

**SS** Of those 15 values archetypes that you named, one group that you call out as being the most prevalent are "The Seekers". What makes them unique?

**DA** These are people who are just not quite sure where they are in their life. They're always wondering, "Is this the right apartment for me? Is this the right spouse for me? Is this the right job for me?" I tell a story in the book about people who go and look at open houses, not because they want to move, they're just checking out other people's lives, going, "Oh, if I had a banquette and I put it over on that side, maybe that would be the thing I'm looking for." It's a bit of a silly way of getting the point across, but the Seekers are just seeking something. They might not know what it is, but they are just not content with where they are.

**SS** So when you're on the speaking circuit evangelizing around this concept, what kind of reaction do you get? Are people open to the idea or skeptical?

**DA** Yeah, it's funny. There's often a moment when I'm speaking, after I've told a couple of stories, when the room goes silent. All the fidgeting has stopped. Everyone's put down their phones. You can feel, "I got them. They're here now." That's when people can recognize it in themselves and go, "Oh, my gosh. You're right, that is how I make decisions". Lee Iacocca had this great quote where he said, "Business is nothing more than a bunch of human relationships." And

he hit the nail on the head. So if you understand people, you understand business, all aspects. And to understand people, you need to understand their values. Because values determine all your behaviors, decisions, and emotions.

SS

There's also a geodemographic system called lifestyle segmentation (1) – this idea that “birds of a feather flock together”, also called social clusters – made up of distinct groups of people with shared affinities and lifestyles who tend to live in the same neighborhood. How would you compare and contrast the two systems?

DA

The reason you can put people into a lifestyle group is because they have similar values. Do you want to focus on the cause or the effect? By looking at the values of a group of people - let's make one up here, “Personal growth, ambition, and social standing” - and because of those three values, they are behaving like this. They're thinking about these things. They're going to make decisions like this. And so you're going to use those three values to come up with an entire customer journey for them that rings those bells and pushes those buttons. And the beautiful thing about it is you don't have to pay attention to anything else. You can talk to them about sustainability if you want but make it about their own ambition. Why should you be a sustainable consumer? Well, because it's going to get you ahead in life.

SS

Let's consider the U.S. for a moment. You've certainly seen a migration movement there with people retreating into these enclaves of “like-mindedness” because they're more comfortable being around people who share their world view. It's been called by one sociologist “The Big Sort” (2). Is that what you're seeing, this yearning to live in a neighborhood where you're surrounded by people who don't look at you as a moral adversary?

DA

Again, let's just take a step back and have a look at that premise. The people who live in these gated communities in the United States, they look like each other on the outside. They smile and nod at each other. They're wearing the same brands of clothing, but why? Some of them are doing it because of social standing. That's the value that's being activated by choosing to live that way. Others are doing it perhaps because of ambition. They want to meet the right people so they can get to the next level in their careers. Someone else might be doing it because of family. “I'm

looking for a really good, safe place for my kids to grow up.” So you're going to have a variety of different kinds of people inside that gated community. In a way, that gated community is the same as our opening conversation about the people who came and bought a condo back when I was doing real estate marketing, right? They look like each other, sort of, but on the inside, that's where the values are. That's where it starts to make sense. We're all being motivated by different things.

SS

One of the things you point out in the book about the U.S. is that the number one value is belonging, and you say, “They see life as tribal.” That seems to explain a lot about the state of the U.S. today.

DA

Oh, my gosh. In the United States, the number one most important value, as you've said, is belonging. Second most important value is family. And in Canada, it's the inverse, family is first, and then belonging. So, watching what's been going on in the States with their political environment over the last few years, we hear stories all the time about an uncle and an aunt who aren't invited to Thanksgiving dinner because they're on Team Red instead of Team Blue. We have political disagreements here in Canada within families, but you don't not invite them to Christmas dinner.

SS

In your book you do split out the U.S., yet you lump in Canada with Mexico, which seems a little bit counterintuitive. What was your rationale for that?

DA

There are two countries in the world that have a dominant influence on their region. In North America that's the U.S. of course. So we pulled them out and looked at them on their own. I wanted Canada to have its own region but logically it just didn't make any sense. The other one is China. If we'd left China in there with all the rest of Asia, then the numbers that you'd see for Taiwan, and Singapore, and India would be incredibly skewed because of what China does to the data.

SS

It's not just countries that can have different values – isn't it true of regions within a country too?

DA

Yeah, absolutely. So okay, let me tell you how we actually do this work. Say you're a reading glass manufacturer and you're interested in how you can get more customers. Demographically, we know there's an age qualification. And let's say these reading glasses are made out of solid platinum so they're really expensive. So that means there's going to be an income qualification. And they're very, very

wide because I have a giant head, so these are definitely for men. So we got rich men who are of a certain age - that's our target audience for this particular style of reading glasses.

So what we do is we go out and we find a statistically representative sample of people who meet that description and ask: "Are you interested in buying reading glasses in the next little while? What do you think of these ones? Do you think those are the best ones you've ever seen? Cool, do you mind if we ask a couple of questions?". And we only need to ask them three, four, five questions. And it's just enough that in the aggregate, when we've talked to 1,300 to 1,800 people who fit that description, we go into the benchmark study and pull out all the rich data profiles we have of people who match them. And then for that manufacturer, we say, "All right, you've got some similarities between this group and that group, but there's a lot of differences between these two groups. So if you're going to think about marketing messages, or placement of stores, or a redesign of your packaging, you're going to have to think of this as two audiences because you've got a big divide here - or guess what, you lucked out. They're all exactly the same on the inside. Their values are identical so you can just go forward with one approach.

SS

Looking at those 56 value clusters, it seems to me there are more things that should bring us together than drive us apart - you refer to them as "togetherness values", there's five of them. They explain the human species, to a large extent.

DA

We did a study of people who watch Fox versus people who watch CNN. I thought it would be a more interesting way to see what's going on than just political ideology. I did it because I thought I'd be a bit of a shit disturber and that I'd get banjo-picking hillbillies versus elite academics locked in an ivory tower. And I thought, "This would be great press." All I wanted out of life was Anderson Cooper to say, "According to a Valuegraphics study," just once during the evening news. And so I was hoping for some big divide, and actually what I found out is they're very similar. On the inside, Americans on either side of this giant divide have so many more things in common with each other than they do that are different, and so many things more in common with each other than I think they want to admit. It gives me hope that at some point in the future they're going to find their way home.

SS

It is about finding common ground, for sure, which brings me to a question. Every company has its values, whether

they live up to them or not. How important is it that those values align with customer values? How important is it for them to be in sync?

DA

I love this question. Thank you so much for asking it. I have a really hard time with most organizations and the methodologies they use to determine their company values because I believe that no matter how well intentioned they are, it ends up being an exercise in what I call business poetry, choosing some words that everybody loves and putting them up on a wall. And they're chosen, again, with good intentions, but I'd say that any company who can show me that anyone would notice if their values were swapped out for their competitors' is very rare. They all say things like "cooperation, and diversity, and excellence" - that's a favorite one, excellence. Except it's not a value!

Think of it as a Venn diagram. Where the circles overlap you'll find a set of two or three values that work for everyone, all the stakeholders. Those are your company values. Whether you like them or not, those are truly the place where the C suite should start having conversations about, "What do we stand for?"

SS

What if customers are spread fairly evenly across different groups? What's your default segmentation at that point?

DA

So that determination is, I think, best left to individual organizations to decide. Back to real estate, and this applies across the board: Let's say one segment in your profile is family oriented; the other segments are hardworking, workaholic kind of folks who are all about ambition, and social status, and trying to get ahead in life. You can't build a building that's going to make both groups happy so you've got to pick one and say, "We're going to lean in favor of this one versus that one". So the more narrow you go, the more specific you can build something, the faster the uptake, the more loyal the people will be. They'll feel like you made this just for them, and that's the goal.

SS

Where I think it can really pay off - put aside the targeting question for a second - is influencing the values and beliefs that a company stands for and where they should invest back into the community.

DA

Absolutely. Look at Bud Light. They decided, with all good intentions, to try and support the trans community, did a very small thing to help Dylan Mulvaney and give her a bit of money and one can of beer with an image on it.

That was the extent of it, and that was someone sitting in a boardroom going, “You know, it’s Gay Pride Month and the trans community is something that a lot of people are paying attention to, so let’s reach out and let’s do this thing.” And we all know what happened. Their stock price halved and the blowback was insane. The fact is, not every company should support all things. Bud Light maybe shouldn’t be supporting the LGBTQ-plus community. Maybe they should be supporting childhood poverty, adult literacy, or cancer research. There’s a bazillion things they could be doing to be good corporate citizens. And instead of a random decision made through a few discussions internally, if you know what people care about deep inside their hearts and you set your strategy for your ESG work accordingly, you’re going to resonate. So it’s a way to de-risk those decisions.

SS

Is the way to go here to find common ground - the causes that line up with the values of the majority of customers?

DA

I don’t think that a Valuegraphic profile for an organization should be the way that you decide on a specific issue. You still need those conversations with your stakeholder groups. But it can point you in the right direction. There’s a term in the research world called “the last mile”: when you are about to make a decision, you pile up all the stats and data you possibly can, all the data, put it all on the table, and then someone’s still got to say, “Okay, based on all that, I think we’re gonna do this.” The distance between the research and that decision is referred to as “the last mile”. But if you know the values of the people you’re trying to impact, that last mile becomes the last hundred yards. You still need to make a guess. It’s not going to tell you what to do, but it’s going to tell you what direction to go.

SS

The other opportunity for companies is to create social movements. In the book you give the example of North Face versus Patagonia.

DA

Everybody knows what Patagonia is all about. It’s about the environment and about sustainability, and when we profile Patagonia shoppers, we see, for example, the value of personal responsibility is incredibly high. So Patagonia’s positioning is, you as a customer of ours are going to help the environment. Even their community giving program offers micro-grants to small organizations to do something good in the community. Instead of them making a big, splashy donation, they’re letting

you do it - personal responsibility. They got to a place where they understand who’s buying their stuff, and what their values are. Even the founder said, “I’ve got enough money. I’m ready to retire. All the profit from this point forward goes to saving the planet.” It’s the biggest values-driven mic drop in history. I can imagine the Vice President of Marketing for North Face going, “What the hell am I supposed to do now?”. And if you look back in the timeline, suddenly there’s all these big environmental donations from North Face, and Arc’teryx, and everybody else who plays in that space saying, “Hey, we’re doing a good thing over here, too.”

With North Face, one of the values that really ranks high for their consumers is creativity. These people see themselves as creative, and they gravitate towards anything that will give them the chance to be more creative. So if I was North Face, what I would be doing is finding out every way I could double down on owning creativity, and letting Patagonia have environmentalism.

Anecdotally, here in Vancouver where I live, there’s lots of film crews out on the streets all the time shooting movies. You walk by and look at these crowds of people who are working behind the camera, and 75% to 80% of them are wearing North Face. So it’s been adopted by the film industry as the brand of choice.

SS

Which values do you personally cherish?

DA

I want to see if we can’t get people to stop using demographics as a way to understand other people. Because if we just change that, if we don’t do anything else, if we just change the way we look at people – not as black or female or old or gay, but as people - we can make the world a better place. That sounds like a cliché, but it’s true.



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