

The SIGMA Milieus®

Global Early Warning System for Product Positioning and Trends

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Abstract:

In order to be able to begin product development on time, one needs dependable prognosis for consumer attitudes and behavior. In order to reduce the risk of making costly errors in terms of marketing as well as making prognosis for product positioning, the SIGMA Milieus® for Europe, the US, Japan and China are available for use, which, as a service to globally active businesses, depict and quantify, beyond national and regional boundaries, consumers and their value orientations, in light of their social status as well as their attitudes towards products and offers. The holistic classification of customers allows for the identification of clearly defined target groups and their national as well as international potential. The ongoing observation and the linking of the SIGMA Milieus® to concrete market behavior leads, through the use of international comparisons, to a comparatively reliable prognosis of consumer attitudes over a period of time up until the year 2015, and allow for an exact product and market positioning without any scattering loss.

Wouldn't it be great, as it was recently written in an invitation to a convention for market researchers, if one could exactly predict customers', consumers', readers', and users' behaviors one, two, five or fifty years down the road? Admitted, fifty years is a long period of time. Yet, today, one can make pretty accurate prognosis over a period of ten years. And this, even though people are seemingly becoming increasingly unpredictable, more spontaneous and random in their decisions. „Disruptive Trends“ are generally known in “New German” as a phenomena where customers unexpectedly, or a lot faster than expected, accept certain offers, while all of a sudden completely ignoring the ones which should actually “sell themselves”. Due to these kinds of unpredictable behavior of their target groups quite a few businesses have been pushed to the edge of their existence. But were the customers changing their minds, the change of attitude with long time users, or the attractiveness of the new offer really destiny and not predictable?

There is still no guarantee for success, and one still can't predict consumer behavior with absolute certainty. But the risk of a misinterpretation of future developments over a time period of 10 or 12 years can be greatly reduced. Provided one is willing to keep an eye on, compare and analyze attitudes and behaviors of consumers beyond one's own immediate environment. Even if one's own realm of operation is limited to Germany, one can only protect oneself today from undesirable consumer actions, if one is continually informs oneself about what is going on in the rest of the world. Not only because the world has supposedly become a village, the customers have become more mobile, and global exchange of information has become institutionalized, but because "trends" travel, meaning, that trends appear somewhere and only over a period of time are spread throughout the globe.

Three examples from the not to distant past: Online auctions were already a mass phenomena before they changed the European market, the micro car trend started in Japan and now is considerably growing in Europe as well. The GSM technology, on the other hand, first established itself in Europe, before it reached the American market.

Businesses that operate internationally, are dependant on having a reliable early warning system for these kinds of changes in trends, in order to be able to participate by offering competitive and timely products and services.

Demographics haven't been able to explain trends for quite some time now.

Even if most marketing and media strategies still define target groups in terms of demographics, it is almost a platitude, which you wouldn't even want to mention, that consumer demographics really don't explain customer attitudes and trends all that well. To know one's target group today, means to know,

- which habits,
- environmental conditions,
- which basic attitudes, motivations and needs

influence their individual attitudes. If one chooses to ignore this kind of information, one will not be able, in most cases, to satisfactorily determine why one's own product is either preferred or rejected, for which lifestyle the make's positioning is suited, where there'd be chances for growth, and from where one would have to expect risks. Furthermore, the inten-

sity of product usage, which is often mentioned in addition to demographics in order to describe target groups, can only marginally reflect the chances for growth or erosion.

Because more than ever (this too is general knowledge) the act of purchasing reflects the buyers' attitudes towards life, their social and political values (e.g. environmental and health consciousness), their desire to set themselves apart, or conform to others, expressing the identification with either certain specified- or their own demands, their commitment to pleasure or the desire to object. Today it is even possible to choose among low price offers.

The act of purchasing is influenced by an entire network of different aspects.

The "Social Milieus" research approach, which has been, to a large extent, co-developed by Jörg Ueltzhöffer, one of the two founders of SIGMA, systemizes this diversity of everyday life worlds. Milieus describe people and their specific attitudes and life orientations, and outline social groups, whose value orientations, goals in life, lifestyles – and thus also their basic method of consumption – are sufficiently similar. The goal of the milieu analysis is to "paint a complete picture" of people, as a network of many different influences, which, analyzed independent from each other, could never adequately describe behavioral attitudes.

The starting point for these ideas, was to give the customer the possibility to display his subjective reality without any external influences and the most amount of freedom. He himself gets to describe what is important in his life, what only interests him marginally, - or doesn't interest him in the least. He describes the every day life world from his point of view, opens the door to his apartment to show us what his subjective reality actually looks like, and through that forms a basis for the development of "statement clusters" with which one can then produce individual research segments („SIGMA Milieus“).

Measuring social status against basic value orientation has proven to be an optimal way to depict these milieus. Here, the *social status* describes the formal classification as a summary of the objective (mostly demographic) characteristics, e.g. level of education, job, income etc. The *value orientation*, depicted on the horizontal x-axis, represents the textual classification of the social groups, like different lifestyles, desires and goals, spirituality/religion, attitudes towards work, efficiency and much more.

SIGMA Milieus® in Germany

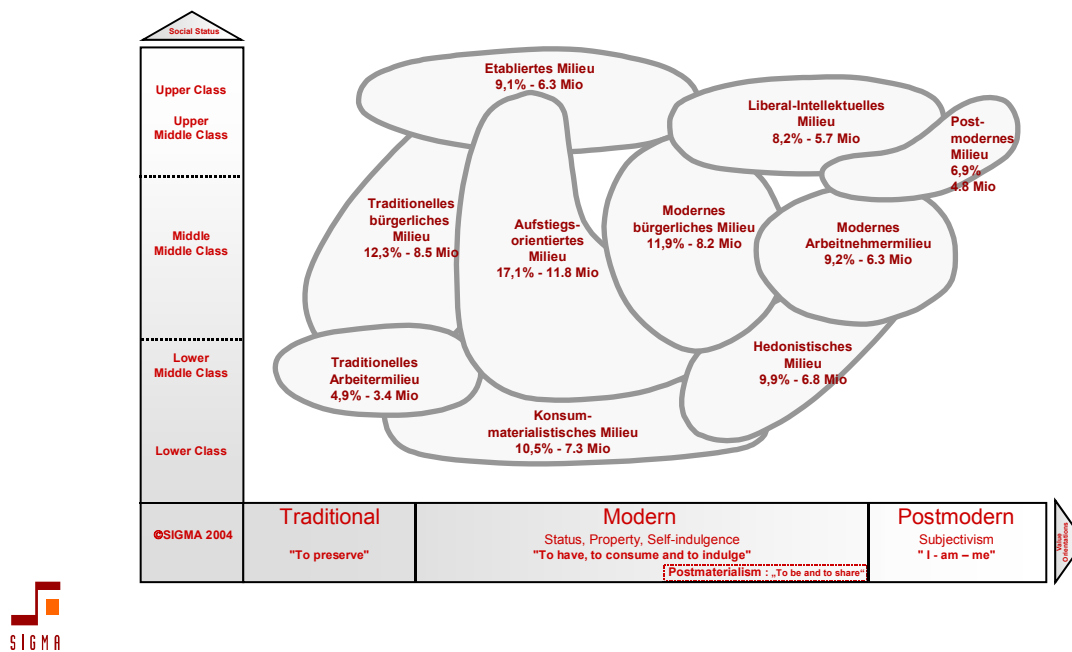


Fig. 1: SIGMA Milieus® in Germany

A model, on which you can depend

In Germany 10 Milieus are derived from this, which, over time, have proven to be stable and clearly distinct from each other. A currently commissioned study has proven this once again: Here 2000 people, which were interviewed and classified in regards to their milieus in 1999/2000, were once again contacted 5 years later, once again classified according to their respective milieu and at the same time were asked about changes that had taken place in their lives. Luckily, more than four fifth of those who were contacted participated. As was to be expected, people's circumstances in life had drastically changed: People got divorced, since had to tackle unexpected economic problems or had gotten ahead further in their careers than expected, were single again or had since bought a house with a garden and had started a family. And still: Roughly $\frac{3}{4}$ of the people in question remained completely stable in regards to their value orientation and their place in the respective SIGMA Milieu®, the others for the most part into the closely neighboring milieus. It was interesting though, that most of the milieu switches occurred in the direction of modern milieus, thus these individual milieu switches reflected the general modernization process in society.

The fact that, over time, people continuously are part of specific milieus, as well as the stability of the milieus, does not only prove the practical relevance of this model (people do not change their general view of life on a yearly basis) but is also the methodological as well as theoretical prerequisite to serve as a marketing basis for ongoing product development: Non one can build on computer simulated target groups, which would continuously change in terms of complexity and interpretation. On the other hand, the continuity of model and method is also a prerequisite for being able to detect anomalies and changes in attitudes and behavior quickly, and with a high degree of certainty.

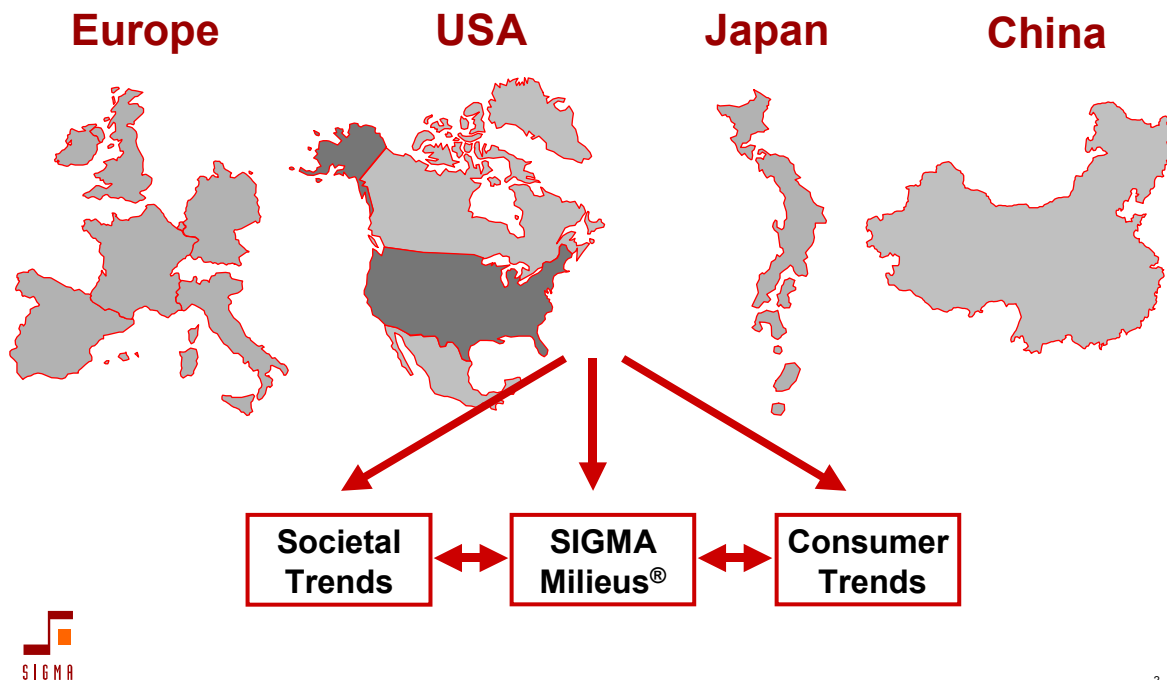
Yet, this doesn't mean that for the sake of continuity, statements that are defined at a certain point remain unchanged for decades as a matter of principle. Quite to the contrary – stability requires a continual examination of relevance and/or the reflection “reality”, and if needed, careful adaptation.

Observing others has always helped in finding oneself.

Already in the early 90s it became apparent that the purely German view of society allowed for the definition of status, yet was not able to deliver adequately dependable prognoses. Being able to recognize trends in such a timely fashion that a business can react to them with adequate offers, means they have to be detected as early as possible. This in turn means being able to determine even the smallest deviation in behavior as a future norm – a task bearing a great potential for error. This kind of risk can be reduced if these (still) small deviations can be observed in other countries as well, or have already evolved.

Thus the model of the social milieus was expanded by SIGMA initially to include all of Europe, followed by the US, Asia (Japan, SEA, MAINLAND China, Taiwan), Australia and South Africa.

SIGMA Research Regions



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Fig. 2: SIGMA Milieus®: Regions

The global segmentation of markets has led to the definition of 12 “**SIGMA Transnational Consumer Cultures®**” in Europe, and corresponding models for the US, Japan and Mainland China. The trick here was to understand that in all 4 major cultures comparable value structure can be depicted, even if they can’t be defined through a row of identical statements or identical lifestyles. The postmodern Japanese operationalizes his values according to his cultural tradition, local lifestyles and certainly to the given possibilities, just like the post modern American will present himself differently than the German one according to his social upbringing and environment. It is of deciding importance to recognize the common value structure, and thus the socio culturally related target groups beyond national and regional boundaries, without forgetting to take into consideration the necessary information regarding national and regional peculiarities which are important to marketing decisions. The model for the intercultural formation of milieus is being continually updated since 1996 and regularly quantified.

SIGMA Milieus® in Europe 2004

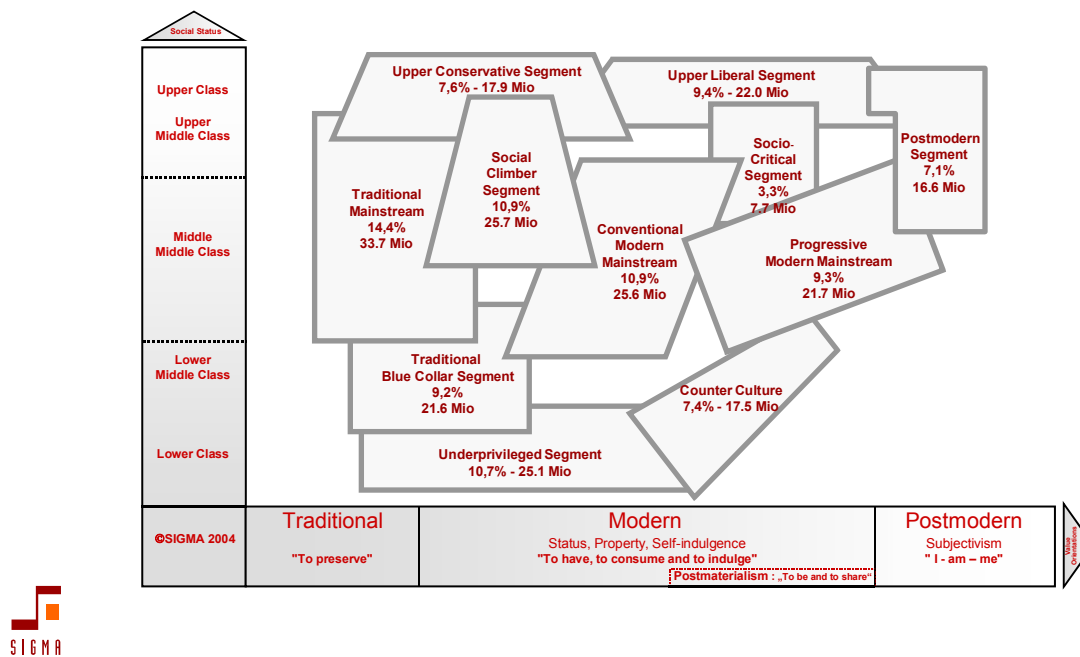


Fig. 3: SIGMA Milieus® in Europe 2004

A large number of companies, especially from the ranks of the globally active automotive industry like the BMW Group, smart, DaimlerChrysler, GM, Honda, Nissan-Renault, PSA (Peugeot-Citroen), Toyota or the Volkswagen Company today use the SIGMA Milieus®, especially when it comes to detecting trends and subsequently launching the appropriate product developments and positioning new models.

The evolution of trends requires an “appropriate environment”.

Trends don't just start anywhere or simply within “society”, but normally need a certain socio-cultural environment, - meaning they start in specific milieus, from which they then spread. In most cases one would simply look at society or make the usual target group distinctions as : “Men/women between the ages of 20 – 49”, thus losing sight of any new or divergent behavior – even if one was to specifically focus on certain attitudes, power users or other groups solely defined by a single trait.

To know in which milieu the dynamics of a society originate makes it a lot easier for marketing to establish oneself in the respective milieu as a manufacturer or owner of a make, in order to profit from this kind of dynamism. It is not always the same milieu which shapes or



bb.4: Postmodern Life Worlds in Germany, the US und Japan

With the use of SIGMA Target it!®, a computer aided instrument, which can assign people to their according milieu within 90 seconds, and modern marketing with mikrotyp SIGMA in co-operation with ACXIOM®, one is able today, at the level of a single household, to exactly pinpoint where one can find the respective milieus and reach them without any scattering loss.

Design is the center piece of the product.

One can observe that when it comes to purchasing decisions, meaning make and product preferences, things are becoming more and more unpredictable and less reliable. Not only in respect to elections there is, all of a sudden, this rather high percentage of shift in votes, - product and make loyalty are also subject cycles which are continuously getting shorter. Make and product message are decoded just as easily as the most intriguingly concocted communication strategies. The consumer reacts with both the head and the heart, and especially spontaneously.

The arrangement of one's own every day life world, meaning how one wants to live, how one wants to present oneself to the world, which makes, products and services one prefers, which ones one rejects, how one sets oneself apart from different groups of people, in order to not be confused with them etc., is increasingly becoming equal to the forming of an identity in regards to every day life aesthetics. It's actually more of a "feeling" (emotional) process as a thinking one. "Every day life aesthetics" in this context is not only related to beauty, but refers to the fit between consumers' values and aesthetical orientations on the one side, and the manufacturers' products and market communication on the other. Styling as a way of satisfying one's needs, design as something that gives worth to one's identity! Consumers do not only prefer one product over the other because of its innovative character, but because of the fascination for the design. It fits the personality, it fits one's own value pattern, one chooses it because the design fits the personality, even if the value of the product alone would not justify the choice.

This kind of aesthetical fascination has meanwhile become a key trend throughout all product categories. The 'aesthetisation' of everyday life, and thus, of consumption, is unrelentingly imposing its rules on the marketing of products and services. **Design isn't just the cherry to top off the product, - it has become its center piece.** "The aesthetical perspectives, which were once considered rather dubious", says the social philosopher Wolfgang Welsch

when looking at the societal change, “increasingly prove to be the ones that are closer to reality and easier to decipher.”

As always, when people make decisions using their intuition rather than being rational, the subjective certainty with which the decision is made is bigger and the decision is made more quickly. Something that consumers want is always more convincing than something one needs. If one can not produce this kind of coherence, if one does not know about the existential orientation of one’s target groups, one is quite possibly going to be surprised by the reaction (or rather unresponsiveness) of “one’s” customers. This necessary congruency between people and products, in the end, leads to the fact that markets become highly diverse, that big coherent offers become less and less prevalent, and that niche offers ultimately become the dominant form.

SIGMA describes this phenomena, in which people chose their own “form of existence” rather through what they personally experience than through rational introspection, as „Identity Engineering“.

The current triumph of the flat screen TV was predictable.

Manufacturers, which 24 months ago were only looking at the currently rather small market shares of flat screens in the TV segment (<3%), were at risk of overlooking this market trend, and through that giving up their own market share to new vendors.

What was overlooked, was the growing interest in the technological/aesthetical design of one’s own living space in the trend leader milieus, in which these news products seemed to fit perfectly: The SIGMA trend indicator produced data showing that 80% (!) of all the respondents, especially the post moderns, answered that a flat screen tv would fit their style of interior decoration “really well”, or “well”. This clearly showed that – given the right price – a flat screen TV would not only be a niche product for rich people or technology freaks, but that it really had the potential to be sold in volumes, pushing the current “tube technology” to the fringes. The rapid slump in prices, and the resulting dissemination of flat panel PC monitors on the market consequently led to a much faster than expected dissemination of this kind of innovation. Manufacturers, who missed the boat on including flat panel TVs in their line of products aren’t only complaining about the loss of sales and profits, but in many cases, now also have a credibility problem in the eyes of those who trusted the make and its competence.

Especially when it comes to new technologies one can clearly see the strong necessity of a global view concerning consumer behavior in combination with the consumer's value structures. If, on an international level, the same milieus react to the same innovations, one can be sure that these developments will spread globally time delayed.

SIGMA Research Ownership of New Technologies

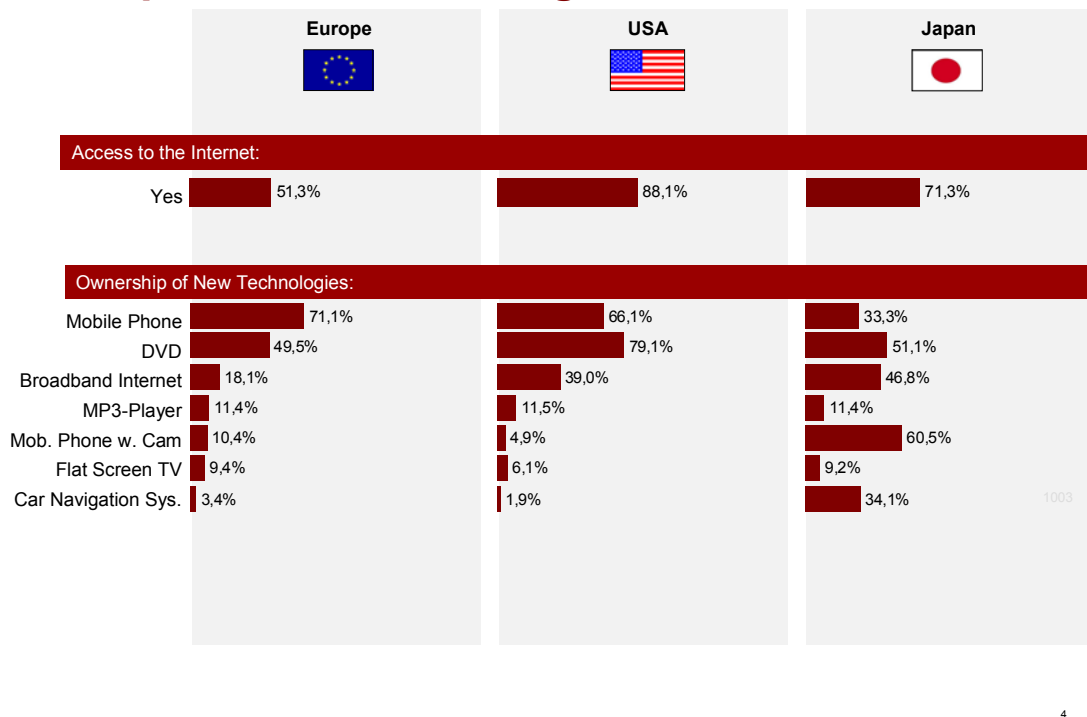


Fig. 5: Ownership of new technologies in Europe, USA und Japan 2004

SIGMA Milieus as a global positioning instrument: the example of MINI

In order to genuinely build a make from ground up and make it big, two things are necessary, according to Karl-Heinz Kalbfell, the former marketing director at BMW, where he was responsible for the re-launch of the BMW MINI: It has to be clearly positioned and anchored in a broad spectrum of the population. The primary task for marketing, while developing the new MINI, was to define the target group. But who actually needs a car this small and is furthermore able to afford or willing to pay that amount of money, not only for BMW quality, but also for that kind of "cult"?

Back then, the SIGMA milieus were able to provide us with a quick response: The Postmodern Milieu was to be the communicative target group, the volume target group the Progres-

sive Modern Mainstream The Postmodern Milieu was to be the communicative target group, the volume target group the Progressive Modern Mainstream. The Postmodern Milieu is the one usually “pushing” the trends, and is mainly concentrated in large cities, thus having the necessary parking problems and the required self-confidence, to feel they are worth it investing in that kind of car. Trendsetters alone might make a brand strong, but still not big enough. That’s why the target group was expanded into the mid section of society – yet still post-modern enough, to set itself apart from the world of the main make, BMW.

Knowing the target group means knowing the lifestyle, the basic attitudes and the value orientations which the product will have to accommodate. In the specific case of the new MINI, it was evident how to directly reach the target group: Through the internet! The future users of the MINI were able to actively participate in the realization of their ideas how such a car should be: In an ongoing process, BMW, with the help of online market research and potential customers - using an online dialogue, adjusted the communicative positioning and the product design of the car itself. In the end it proved to be a respectable success on the market, and - surprise surprise, it was not only “loved” by it’s buyers, but by BMW marketing as well: BMW’s director of marketing research Uwe Ellinghaus: “Our target group strategy, based on the SIGMA Milieus®, was right on the mark.” (media & marketing 7/2004)

SIGMA Clients 2004/2005

Automobile Industry: 8 organizations with 21 brands

- BMW Group (BMW, MINI, RR)
- DaimlerChrysler
(smart, Mercedes Benz, Chrysler)
- General Motors
(Opel, Saab, Chevrolet)
- Honda
- PSA (Peugeot, Citroën)
- Nissan
- Toyota (Toyota, Lexus)
- Volkswagen AG (Volkswagen,
Audi, Skoda, Seat, Bentley, Bugatti)

Media, Financial Services, Home Entertainment

- ADAC Verlag
- BMW Financial Services
- Bauer Verlag
- Deutscher Bankenverband
- LOEWE.
- Springer Verlag
- Süddeutsche Zeitung
- ZDF