Blog

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Psychographics: A Deeper Understanding of Your Customers

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Psychographics can reveal very deep and unique differences among consumers based on the stores they shop, the products they purchase, and the brands to which they're loyal.

The key motive driving any retailer's interest in analytics is to understand and predict shopper behavior. To that end, different types of data are gathered and analyzed, among which are those that describe the profile of a shopper. Characteristics such as age, gender, race, ethnicity, marital status, and household income are essential for customer segmentation and targeting. In fact, analysis of this demographic data has long been the preferred method of examining and predicting customer behavior. But the data has its limitations. The effects of marketing on the choices and behavior of shoppers is psychological and therefore more deeply measured by a very different category of data known as psychographics.

Going Beyond Demographics. Although often lumped together, psychographic data is fundamentally different from demographics. Instead of treating customers as part of a larger group, psychographic analysis views each one as an individual. It starts with information on their social attitudes and values—how they think. It then provides information on their interactions with retail categories—how they buy. This kind of data can reveal very deep and unique differences among consumers based on the stores they shop, the products they purchase, and the brands to which they're loyal. Because of this level of individual detail and the deep insights that it yields, psychographic analysis is far more granular than group-level demographic analysis. And the insights it yields are far more valuable. What's more, segmentation based on psychographics is a significantly more informative and powerful component of consumer insights.

Collecting Psychographic Data. Psychographics can be gathered in a number of ways. One significant source comes in the form of credit and loyalty cards. RetailNext's own ShopperBase product gathers both demographic and psychographic data from multiple sources, including loyalty cards, to create a detailed profile of customers. Customers can also provide this data more directly: when filling out in-store surveys and product reviews, taking part in focus groups and interviews, commenting on product blogs, responding to email campaigns, redeeming offers, and interacting through social media. In those cases, it's important to look at not just the *what*, but also the *how*. What kinds of blog posts get the most interaction? What kinds of emails get opened most frequently? What types of offers get redeemed most often?

Turning Data into Insights. By combining basic buyer and demographic data with richer psychographic information, you can generate a comprehensive profile of your customers that provides a clear and detailed view of their specific buying habits and lifestyle preferences. The result will be deeper data-driven insights, enabling you to fine-tune your retail operation in a way that ultimately targets your customers more effectively.

Armed with psychographic data, you can:

- Reveal customer perceptions about brands—both yours and your competitors'
- Identify factors that motivate customers in their brand choices and shopping habits
- Learn which customers are most likely to respond to specific offers and overall marketing campaigns
- Discover the best geographical areas for your stores based on the geographical areas that best match your customer profile
- Identify the mix of products that's most profitable for each store based on the customer profile for that area
- Understand the particulars and nuances of your brand's market

Turning Insights into Action. With the rich insights generated from psychographic data, you can create distinct, meaningful, and high-value customer segments. These segments can then be used to model customer personas that go well beyond what static demographics alone could have provided. Projecting those models onto the general population will give you an actionable understanding of your marketing targets. The new knowledge you gain about your customers will allow you to hone your marketing strategy in ways that will target them more accurately in the future. Furnished with a deeper understanding of your customers' passions and preferences, you'll be able to:

- *Streamline acquisition efforts* by leveraging new (or revised) customer segmentation and the resulting personas to redirect the way you prospect new customers
- *Sharpen positioning* by changing the tone of your messaging at all touch points to be more resonant with customers—in your print catalog, website, email campaigns, or call center scripting—and better connect your products and services to them
- *Enhance customer service* by better informing your representatives about the individuals they're likely to be helping
- *Optimize merchandising* by sourcing or developing the products that speak most to your customers
- *Extend branding or products* to more closely mesh with customer lifestyles

In the end, the insights you gain from a robust analysis of psychographic data can strengthen and sharpen your decision-making. You'll know that the moves you make will be right ones, because they reflect the interests and motivations of your customers. And with recent advances in retail analytics, this information is easier than ever to collect, analyze, and visualize. To learn more about how you can gather demographic and psychographic data from your customers, visit the RetailNext ShopperBase product page.
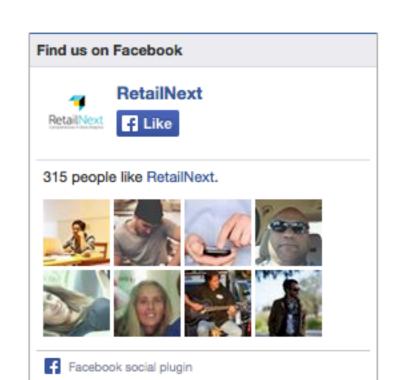
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