Psychographic segmentation and profiling of millennials in Davao City

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Abstract

As there were no millennial psychographic segmentation studies done in Davao City, the researchers embarked on this particular study and focused on the values and purchasing behavior (lifestyle and attitude) of the millennials. The researchers localized the psychographic segmentation study as the culture in Davao City based on values may be different from other cities of the country. The study was based on the List of Values (LOV) theory by Kahle (Kahle, Beatty, & Homer, 1986). The variables used in the conceptual framework were anchored on Kahle's variables: self-respect, security, warm relationships with others, self-fulfillment, sense of accomplishment, being respected, sense of belonging, fun and enjoyment, and excitement.

The study was descriptive, exploratory, and correlational in design. It measured the variables using the following multivariate techniques: Factor Analysis and Cluster Analysis. The 280 millennial respondents were randomly selected at the 5 major malls in Davao City, and survey questionnaire was used in collecting the data.

The study manifested major segments of millennials that can be targeted by the marketers. Psychographic segmentation conducted resulted to four (4) segments identified namely: the Contented Millennials who are described as impulsive and spontaneous shoppers, the Utilitarian Millennials who are the rational shoppers, the Humble Millennials who are hedonic shoppers, and the Proud Millennials who are smart and practical shoppers. The researchers offered recommendations for each segment that the mall marketers, retailers and future investors can pursue or consider for their decision making. Moreover, the findings may be used by the academe to discuss and describe the psychographics of the millennials. Future researchers may also use the findings to develop and deepen any related studies.

Key Words: Psychographic Segmentation, Millennials, Values and Attitudes, Buying Preferences, Purchase behavior

Introduction

Marketers segment the whole market and identify which to target and serve (Tynan & Drayton, 1987), since taking the whole market is too big and maybe very difficult and challenging. Segmentation becomes necessary to define the market segment to serve and meet their varied needs. However, as most marketers rely on a priori segmentation, also referred to as commonsense segmentation (Dolnicar, 2004), it is done without the benefit of research. And usually, they treat

customers based on demographic group membership only (Rotfeld, 2007). Therefore, they would miss out on the influences on consumers' buying behavior, which include but not limited to values, attitude, and lifestyle (Pride & Ferrell, 2011).

In Davao City, while it is a big geographic market for consumer goods, segmentation studies done were mostly about buying preferences of various market segments, profiled through their demographic and geographic data. And as a market, the Millennials, or Generation Y, with their growing influence on evolving trends across all industries (KMC Savills, 2016), is also the most prominent to target among the various generation cohorts.

In Davao City, the millennials comprised 35% of the population in 2017 (source: http://www.davaocity.gov.ph/davao/demography.aspx). Indeed, there is significant value on focusing on this particular generation to understand their psychographics, as they are bigger in proportion compared to the older generation, Gen X and Baby Boomers, which accounted for 17% and 10% respectively.

Thus, this study was localized on the psychographic segmentation of Davao City millennials based on values linked to their attitude and lifestyle, to gain insights on how they are as shoppers.

Psychographic Segmentation

Pride (2011) discussed psychographic segmentation as dividing a market in a terms of personality characteristics, motives and lifestyle. For motives segmentation, a market is divided according to consumers' reasons for making a purchase; for lifestyle segmentation, it is divided according to how they spend their time, importance of things in their surroundings, beliefs about themselves and broader issues, and some demographic characteristics (Vyncke, 2002).

Several studies have established the value of psychographic segmentation over demographic segmentation. Boote (1981) reported that in a study with 450 restaurant diners, brand preference is not differentiated with respect to demographic characteristics of consumers whereas, it revealed differences in brand preference when based on value orientations.

Personal Values

The List of Values (LOV) theory by Kahle (Kahle, Beatty, & Homer, 1986) formed the basis of the variables used in this study namely, self-respect, security, warm relationships with others, self-fulfillment, sense of accomplishment, being respected, sense of belonging, fun and enjoyment, and excitement.

In a study done by Thompson (2009) entitled Interpreting Kahle's List of Values: Being Respected, Security, and Self-Fulfillment in Context, he applied the LOV model using qualitative method. The results showed significant variance between respondent portrayals of each value. In their descriptions, each student drew upon distinct and varying themes in unique approaches to each concept. However, no single inclusive definition could be derived for security, and self-fulfillment. Thompson recommended that further research on the validity of Khale's List of Values

should focus on acquiring larger, representative sample from which generalizable data can be obtained, and hence a more appropriate quantitative tool.

People often purchase products for the benefit of value fulfillment (Khale et al., 1998). Values provide clues about how a society operates because values are also central to society. Some scholars view values as the individual's representation of a society's goals.

Further, as 'the function of marketing is to help consumers fulfill their values' (Khale & Kennedy, 1998), there is a need to do psychographic segmentation to understand what customers value and how these can be fulfilled by marketers.

Millennials Segmentation

According to a study by Rebecca Lau (2015), about the new perspective of Millennials, there are five distinct segments that emerged from the research and analysis of this study: 1.) the Up & Comers, a diverse group of males that tend to be the life of the party; with a high income and elevated education levels, this group has money to spend, but low awareness of even the most common brands; 2.) the Mavens are the Millennial mom segment which tend to be high income earners with a baby in tow; 3.) the Eclectics, primarily comprised of female free spirits looking for the perfect deal, had a 100% awareness rate of Amazon; 4.) the Skeptics, seemed to be the quintessential video, gamers showed their priorities focused on social media, sci–fi films and fast food; and 5.) the Trendsetters are the most likely to start or try a new trend and keep up with the latest entertainment gossip and have large social networks to stay connected; trendsetters also seem to purchase across the widest variety of brands the most often

Looking at the generation, as a whole, the study showed three top drivers as the most important when choosing a brand or retailer: 1.) being trustworthy, 2.) high quality, and 3.) low price. However, within each segment the top drivers did vary. The Mavens, for example, demand easy access to information as one of their top three drivers. Meanwhile, the Up & Comers and Trendsetters prefer a no-hassle return policy.

The majority of Millennials tend to prefer using cash or a debit cards when making a purchase.

In order to target these segments correctly and effectively, Lau identified five themes that are important to consider. To win with Millennials, brands must strive to create an experience, make it frictionless, offer customization, build loyalty and demonstrate value.

Methods and Data Measurement

The study was conducted in the five major malls in Davao City, namely: Abreeza Mall, Gaisano Mall of Davao, NCCC Mall of Davao, SM Mall- Ecoland, and SM-Mall Lanang. The Millennials shoppers aged 18-34 were purposively and randomly selected. About 56 millennial respondents per mall (or a total of 280 for the 5 malls) were intercepted by the interviewers who were positioned at the mall entrance during late afternoon of Friday, Saturday, and Sunday. This was based on the mall study of Te (2007) where the shoppers' traffic is observed during late

afternoon of Fridays, Saturdays and Sundays. Roughly every third incoming millennial shopper queuing at the mall entrance at the specified time was randomly selected.

The survey questionnaire is composed of 3 parts. Part 1 is about values; Part 2 is about buying preferences; and Part 3 is about their demographic data. The survey questionnaire was validated by three (3) sociology and psychology experts to minimize the ambiguity of questions used.

Data Analysis & Findings

Cluster Analysis

The main multivariate technique used in the study was hierarchical cluster analysis. The study came up with four major clusters. The clusters formed were cross tabulated with the millennials' buying preferences and demographic data as basis for profiling them as follows.

The Contented Millennials. They value warm relationship with others, sense of accomplishment, self-respect, self-fulfillment, fun and enjoyment in life, sense of belonging, and being respected. Generally, they share the same buying behavior with the other millennials except that compared to other segments, they are least attracted to discounted items, least mindful of good customer service, least particular about other customers' behavior, least value sharing of friends' best value shopping experience or checking out online friends for latest shopping information and hanging out activities. They do not plan their day and time of shopping and don't think twice about the price when they really like a product. They are best described as impulsive and spontaneous buyers. The majority of millennials in this segment are female (58%), belonged to the 18-21 years of age bracket (67%), single (94%), college students (64%), and have no income but allowance only (58%). The other millennials in this segment, are in the 22-25 (18%) and 26-30 (16%) age bracket, college graduate (18%), employed by private companies (18%), and earning Php8,00-15,000 (15%) and Php15,001-30,000 (12%) monthly.

The Utilitarian Millennials. They value security and recognition, warm relationships with others, sense of belonging, security, being respected, excitement, self-fulfillment, and self-respect. They exhibit the typical behavior of the millennials in Davao City. However, they are the least demanding among the four (4) segments in terms of buying brand new products and branded products. They plan their day and time of shopping. They respond to store sales promotion and enjoy shopping alone. They are the rational and value shoppers. The majority of millennials in this segment are female (60%), belonged to the 18-21 years age bracket (51%), single (92%), most of them are college students (50%), and have no income but allowance only (45%). The other millennials in this segment, are in the 22-25 (29%) and 26-30 (14%) age bracket, college graduate (31%), employed by private companies (23%), and earning Php8,001-15,000 (26%) and Php15,001-30,000 (13%) monthly.

The Humble Millennials. They value self-respect, however, they feel they do not have much to be proud of yet. This could mean that they need to work on things that they can be proud of to reach that level of healthy self-respect. In contrast to the other segments, they have the least number to prefer cash payment, to shop for best price, to avail of store sales promotion and to shop alone. Half of this segment prefer a small specialty store while the other half prefer the department

store. They are not price-conscious. Shopping is a source image-building for them to boost confidence and self-esteem. They can best be described as hedonic shoppers. The majority of millennials in this segment are female (54%), belonged to the 18-21 years of age bracket (64%), single (98%), college students (56%), and have no income but allowance only (59%). The other millennials in this segment, are in the 22-25 (24%) and 26-30 (10%) age bracket, college graduate (28%), employed by private companies (14%), and earning Php8,001-15,000 (15%), Php15,001-30,000 (11%), Php8,000 and below (10%) monthly, respectively.

The Proud Millennials. They value and enjoy being respected as they do not fear being misunderstood and have not yet experienced being hurt. Among the general buying behavior of the Davao City millennials, they have the most number who prefer convenient location for shopping, consider the overall store concept as very important, and prefer good customer service where personnel regard customers highly. They do not like crowded or busy shops. They are the most demanding customers of a shopping mall or store. They prefer buying branded products, and are most interested with brand new products with variety of choices. They know what they want – quality products. They check out online friends for shopping tips and seek out friends for their best shopping experience, meaning they seek opinion from others. They shop around for best prices, are attracted to discounted items and willing to wait for store sales promotion to enjoy some discount. They consider price before buying for products that they really like, but not too priceconscious. They can be best described as smart and practical shoppers. The majority of millennials in this cluster are female (55%), belonged to the 18-21 years of age bracket (58%), all single (100%), college students (42%), and have no income but allowance only (42%). The other millennials in this cluster are in the 22-25 (24%) and 26-30 (12%) age bracket, college graduates (46%), employed by private companies (24%), and earning Php8,001 and below (18%), Php8,00115,000 and, Php15,001-30,000 (at 12% each), and Php30,001-50,000 and over Php100,000 (at 6% each) monthly.

The Similarities and Differences of the Identified Segments

In terms of their values, the Contented and the Utilitarian are very similar in valuing (1) warm relationship with others, (2) self-fulfillment, (3) sense of belonging, (4) self-respect, and (5) being respected. They differ in terms of sense of accomplishment and fun and excitement in life which only the Contented segment values; and security and excitement which only the Utilitarian segment values. The Humble and the Proud segments are similar to the Contented and the Utilitarian, only in terms of self-respect and being respected, respectively.

Buying Preferences

When analyzed according to their buying preferences, the identified segments, the Contented, the Utilitarian, the Humble and the Proud segments are similar in their attitude towards shopping. At least 70% of the millennials in Davao City have similar buying preferences. (1) They prefer brand new products (73.9%) and look for products with most value in terms of services and prestige (94.6%). They are more interested with products that offer a variety of choices (model and features) to choose from (86.1%). (2) They prefer conveniently-located store where they can easily find the needed product (92.1%). (3) With regards to stores, they consider overall store concept (atmospherics, amenities, merchandise) as very important for them to enjoy their shopping experience (86.1%); where there is good customer service (78.2%) and other customers' behavior

enhance their overall shopping experience (77.1%). They do not like to shop in a crowded or busy environment (79.3%). (4) They like friends sharing best value shopping experience (86.1%), except the Contented segment (67%). Interestingly, the Proud millennials indicated that they like it (100%). (5) They usually get attracted to discounted items (84.3%), will respond to sales promotions to enjoy some discount (77.9%), and shop around for best prices (77.9%). They prefer to use cash (78.9%),

The four (4) segments of millennials in Davao City are also similar in that less than 70% of them in each segment, enjoy shopping alone (62.1%), check out their online friends for latest information about shopping and hanging out activities (60.4%), prefer a small specialty store than a department store (55.7%), and are willing to pay more for product/brand that will make them look good (52.1%).

Moreover, less than 70% of them plan their day and time of shopping (64.6%), except the Contented who do not plan at all (52.1%); prefer to buy branded products (63.6%), with the Proud highest in number (73%); and don't think twice about the price when they find a product that they really like (62.5%), with the Contented (76%) also highest in proportion.

However, they vary in their attitude in some areas, such as in terms of sharing their best value shopping experience, at least 85% of each of the millennial segments, except the Contented, agree to that statement. Interestingly, only the Proud millennial with 73% of them, prefer to buy branded products. As to planning their shopping day and time, it was only the Contented millennials who indicated that they do not plan, meaning shopping is spontaneous. The rest of the segments indicated that they plan ahead, with Utilitarian segment at 78% in proportion. Generally, less than 70% of the respondents per segment indicated agreement to the statements that they prefer a small specialty store than a department store, with the Humble millennials split in their preference between a small specialty store and a department store; that they enjoy shopping alone, which means that a significant number of them, across different segments consider shopping with others; that they are willing to pay more for product/brand that will make them look good, which can be an indication that their motive is beyond looking good only; and that they check out online friends' opinion for shopping and hanging out activities. This last item indicates that, generally, they have a mind of their own, and they know what they want.

Conclusions and implications for future research

Based on the findings, the following conclusions are arrived at: (1) The majority of the Millennials are female, belonging to the 18-21 age bracket, dominated by single, college students, and relied on allowance for their purchasing power. (2) The millennials in Davao City placed higher importance on the following values and are ranked respectively: a. Fun and Enjoyment in Life b. Sense of Accomplishment, c. Warm Relationship with Others, and d. Self-Fulfillment. However, the other values, Sense of Belonging, Excitement, Security, Self-Respect, and Being Respected, respectively, are still valued, although at a lesser intensity. (3) The Millennials in Davao City like to buy brand new products that offer most value in terms of services and prestige, and variety of choices (model and features) to choose from. They highly prefer conveniently located stores where they can easily find the needed product. They consider the overall store concept (atmospherics, amenities, merchandise) as very important to enjoy their shopping

experience; where the store personnel demonstrate high regard for customers; and other customers' behavior enhance their overall shopping experience. They do not like to shop in a busy and crowded environment. They like it when friends share with them their best value shopping experience. They shop around for best prices before actually deciding; they get attracted to discounted items, and wouldn't mind waiting for store sales promotion to enjoy discounts. They do not use credit or debit card in their purchases, but use cash instead. And, (4) Four segments were formed for psychographic segmentation. Segment 1 is labelled the Contented Millennials who are described as impulsive and spontaneous shoppers. Segment 2 is labelled Utilitarian Millennials, the rational shoppers. Segment 3 is labelled the Humble Millennials who are hedonic shoppers. Segment 3 is labelled the Proud Millennials who are smart and practical shoppers.

Recommendations

Based on the findings and conclusions, the following are recommended:

Taking the millennials as a whole in an undifferentiated marketing strategy, mall marketers must be able to satisfy their needs in terms of their values and buying preferences. They should be provided a shopping experience that is not only satisfying but also delighting. a) Every store concept that will be adapted should consistently be fun and joyful. This includes atmospherics and amenities, in-store events, among others. For the atmospherics and amenities, retail management should continue to examine competitors and the industry, as a whole, for latest innovative styles and designs of stores or malls. Activities and events should be offered to sustain their patronage and encourage frequent visits. Marketing researches should be conducted to understand their changing lifestyle and tastes; b) As a corporate strategy, when expansions are considered, serious efforts should be exerted in the market study to determine the most convenient location according to their perception; c) Merchandise management should focus on stocking variety of choices for them. As they value services and prestige, marketers must continue to discover ways to delightfully surprise them, for example, redesigning paper bags, reusable packaging, etc.; d) Customer service should also be continuously improved by ensuring that genuinely friendly and welcoming front liners, e.g. guards, sales people, etc. interact with this type of customers. They should be accorded courteous service because they value good service. Trainings should be regularly conducted for frontline sales personnel; e) Promotional activities should be attractive enough especially those that encourage value shopping. When discounts are offered and sales promotion are advertised, significant savings should be highlighted. More innovative ways should be considered such as online discount coupons redeemable when making purchase should be made available to this target market. Seasonal sales should be advertised more loudly; f) Develop CRM or customer relationship management through loyalty card which will be offered for free exclusively for the millennials. As mentioned, they comprise 35% of the population both at the national and local level. As they will also grow from being a college student relying on allowance only to being gainfully employed, some years from now, their purchasing power over the years would also improve. This will enable the company to keep track of the spending and shopping behavior of this group and respond to their specific needs and wants.

In a differentiated marketing strategy, in which the Contented Millennials are considered as a target market, constituting 11.8% of the millennials, mall marketers should include the following in addition to those recommended in number 1. As they are impulsive and spontaneous

shoppers, latent needs and desires should be triggered. a) Stimuli such as music, colors, store smell, lighting and other amenities, and even the attire of the store personnel (i.e. uniform) should be configured such that it matches the desired store atmosphere or ambiance enticing to this group of customers; b) Mall marketers should also ensure that merchandise displays are attractive and strategically located in the store; and point-of-sale areas be filled with attractive displays to trigger impulse buying; c) Promote products with a theme about being contented or being pampered with the amenities in life; and d) Psychological pricing strategy should also be resorted to. Use of effective communication materials, i.e., color, font size and style, etc. should be used.

In a differentiated marketing strategy, in which the Utilitarian Millennials are considered as a target market, constituting 36.4% of the millennials, mall marketers should include the following in addition to those recommended in number 1. As they are rational and value-conscious shoppers, a) Marketers should ensure that there is a wide of variety of merchandises available for them. Effective and efficient inventory management and proper display should be a major consideration of the store management, such that products are easy to find and always available; and b) As they plan their day and time of shopping, changes in merchandise placement and store layout should be minimized so as not to upset them and waste their time.

In a differentiated marketing strategy, in which the Humble Millennials are considered as a target market, constituting also 38.6% of the millennials, mall marketers should include the following in addition to those recommended in number 1, except recommendation 1.e. As they are hedonic shoppers, who are not price-conscious, and least responsive to store sales promotion. a) Marketers should ensure that promotional efforts be focused on building their desired image and self-esteem. Opinion leaders, ideal personalities and exemplars, and pleasant experiences that they can identify with will be effective advertising and promotional concepts to adapt or to showcase; b) Specialty store operators can focus on them as their target market. They need to align their store image with the desired image of this group of customers to be effective.

In a differentiated marketing strategy, in which the Proud Millennials are considered as a target market, constituting also 11.8% of the millennials, mall marketers should include the following in addition to those recommended in number 1. As they are smart and practical shoppers, who are described as demanding customer, opinion-seeker and not too price-conscious, yet responsive to store sales promotion, a) Marketers should ensure that product availability is guaranteed, and new products are displayed and promoted; b) Store websites should be available for this market segment as they are also checking online for latest trends; and c) Price discounts and store sales promotions should be communicated to them in various media, such as through Facebook, Twitter, etc.

For Further studies: a) A follow-up study should be done to measure their perceptions regarding brands or companies and/or their buying preferences either through multi-dimensional scaling (MDS), multi-dimensional unfolding (MDU) or correspondence analysis; and b) A follow-up study should be done for deeper understanding of the buying preferences with their buying motives through triangulating the results of qualitative and quantitative studies.

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