



UNITED STATES
POSTAL SERVICE

Gateway into the Household Segmentation Model



Discussion Overview

Gateway to the Household Segmentation Model

- **Segmentation Categories**
- **Segmentation Process**
- **Industry Segmentation**
- **Gateway to the Household Segmentation**
- **Results of Completed Work**
- **Opportunities to Use Information**



Discussion Overview

Gateway to the Household Segmentation Model

- **Gateway to the Household Segmentation**
- **Segmentation Process**
- **Results of Completed Work**
- **Increasing Ad Mail Performance**



Segmentation Process

Gateway to the Household Segmentation Model

- **Define the segments**
- **Research and evaluate the segments**
- **Determine opportunities**
- **Develop recommendations**



Purpose of Household Segmentation

Gateway to the Household Segmentation Model

- **Understand Consumers Based on Relevant Household Characteristics**
- **Identify Discrete and Unique Household Segments in Order to:**
 - ⇒ **Identify new product and service opportunities**
 - ⇒ **Align multiple customer contact points**
 - ⇒ **Develop targeted promotional strategies**
 - ⇒ **Develop a loyalty program**



Segment Formation - The Model

Gateway to the Household Segmentation Model

3 Key Variables Drive Household Segmentation:

Mail Usage

Location

Life Cycle



Household Segment



Household Segments - MAIL USAGE

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- **Households were evaluated based on how much they use postal services (senders/receivers):**
 - ◆ **High mail volume households**
 - ◆ **Medium mail volume households**
 - ◆ **Low mail volume households**

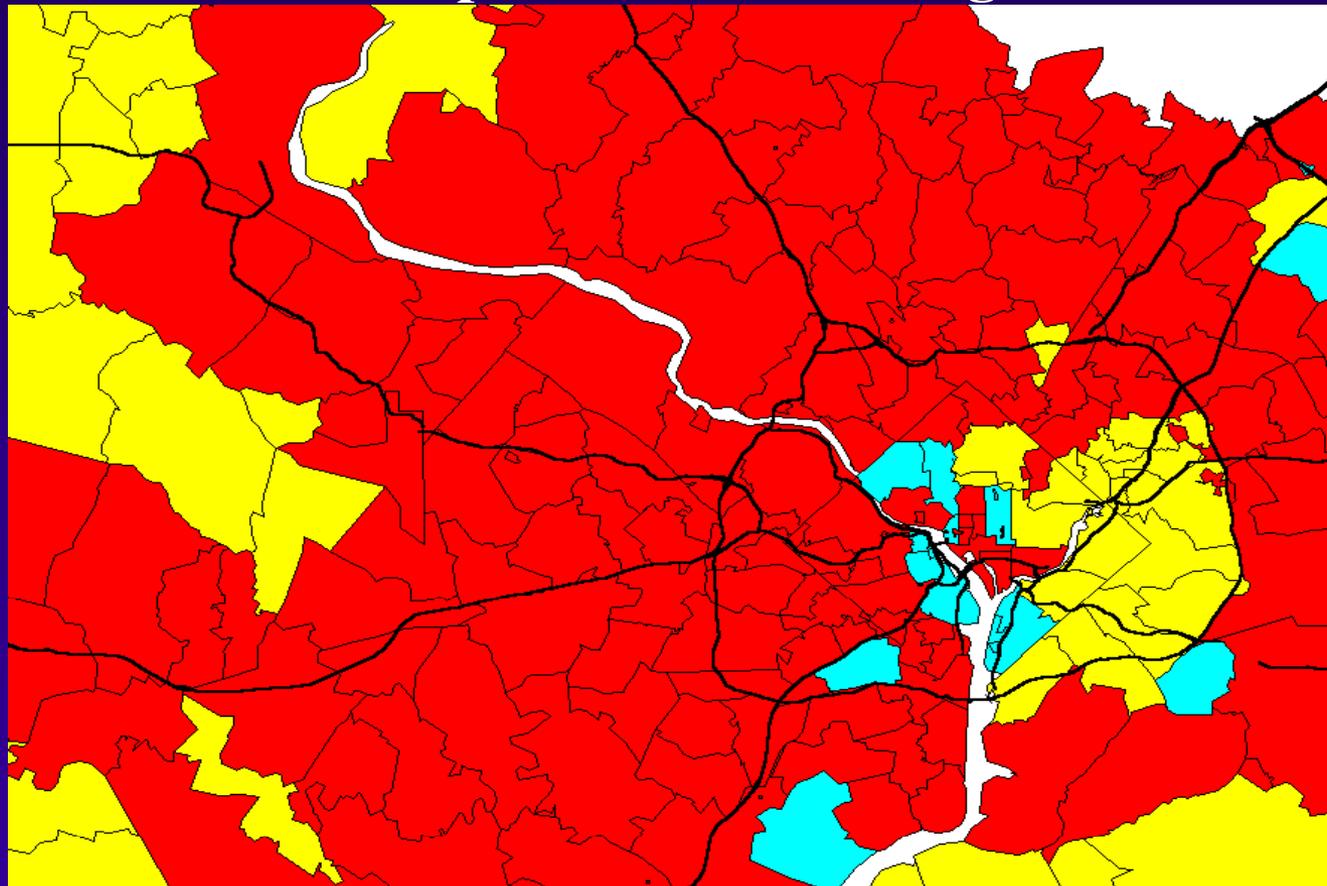
Households differ on the use of postal products and services based on the mail volume they receive and send.



Mail Volume Households

Gateway to the Household Segmentation Model

Capital/Northern Virginia District Detail



Mail Volume

- High
- Medium
- Low



Household Segments - LOCATION

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- **Households were also evaluated, based on location:**
 - ◆ **Urban**
 - ◆ **Small City**
 - ◆ **Suburban**
 - ◆ **Town**
 - ◆ **Rural**

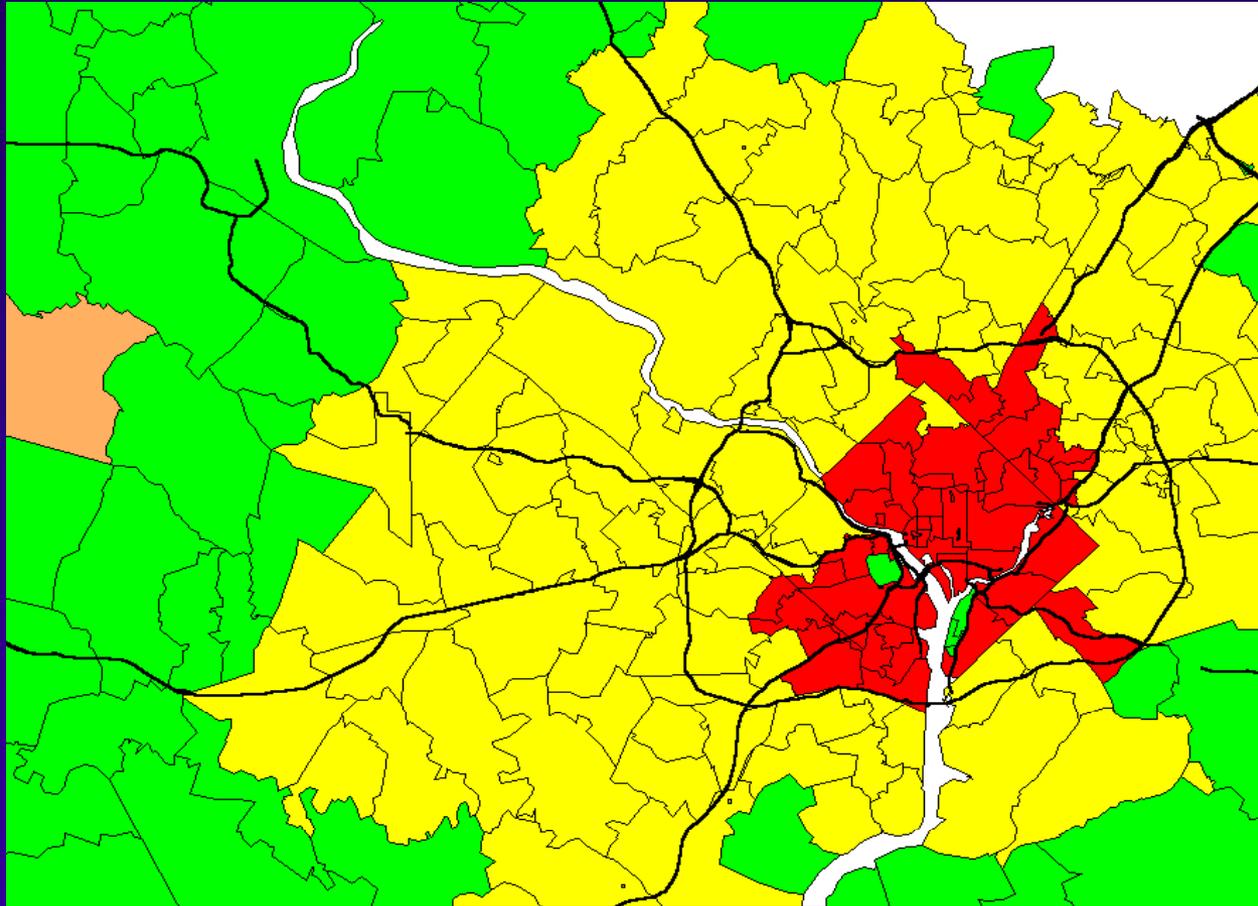
Household attitudes and experiences with the Postal Service differ, based on location, type of delivery, distance from post office, and availability of competitors.



Location-based Households

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Capital/Northern Virginia District Detail



Location

- Urban
- Small City
- Suburban
- Town
- Rural



Household Segments - LIFE CYCLE

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■ The households were further analyzed by “Life Cycle” :

- ◆ Young Singles/Couples
- ◆ Families
- ◆ Older Singles/Couples
- ◆ Mixed

Household needs and behaviors vary by types of consumers within the household, number and types of financial accounts, disposable income, and leisure time.

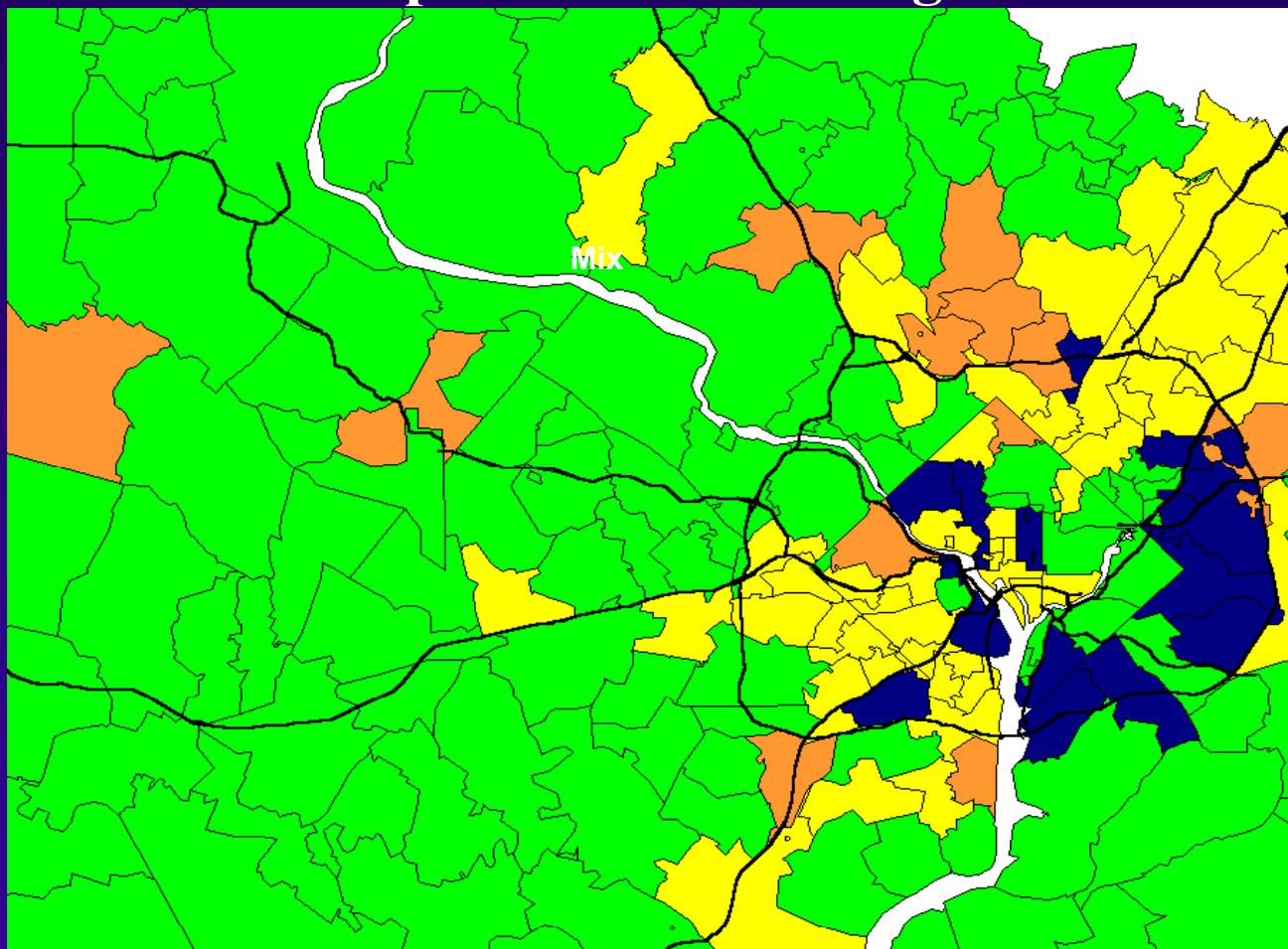


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Life Cycle Households

Gateway to the Household Segmentation Model

Capital/Northern Virginia District Detail





Household Segments - QUANTIFICATION

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We Have Quantified Each Segment to Determine:

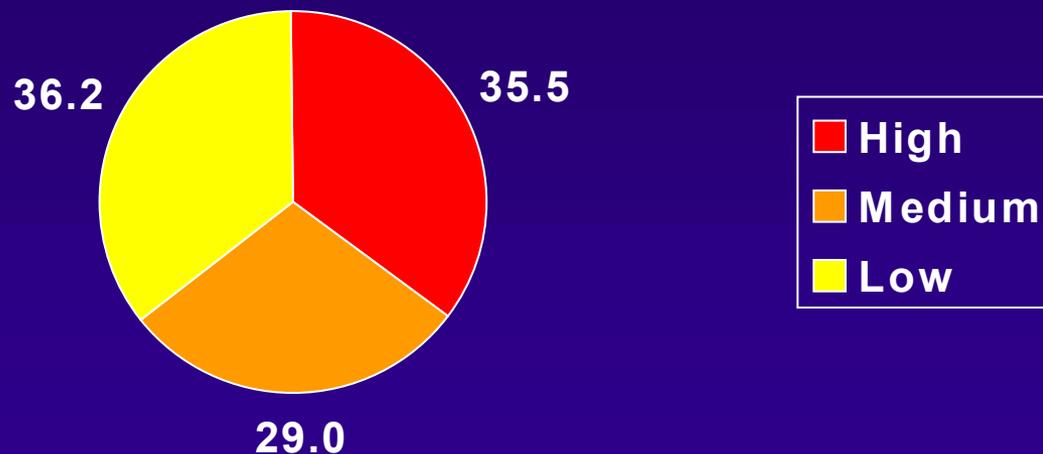
- **Number of Households**
- **Sender Revenue**
- **Receiver Revenue**
- **Product / Service Revenue**



Household Segments - Mail Usage

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Mail Volume Households (Millions)



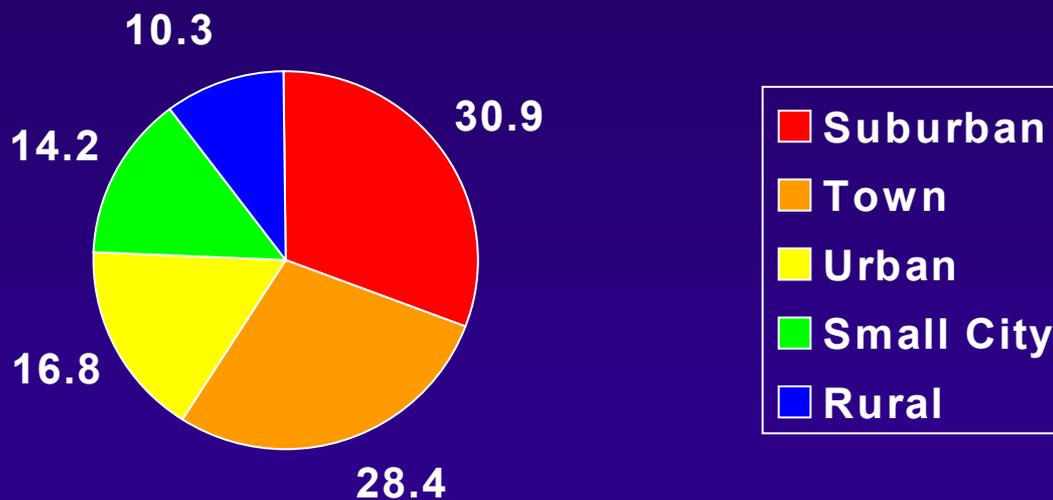
Total U.S. Households = 100.7 million



Household Segments - Location

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Households (Millions)

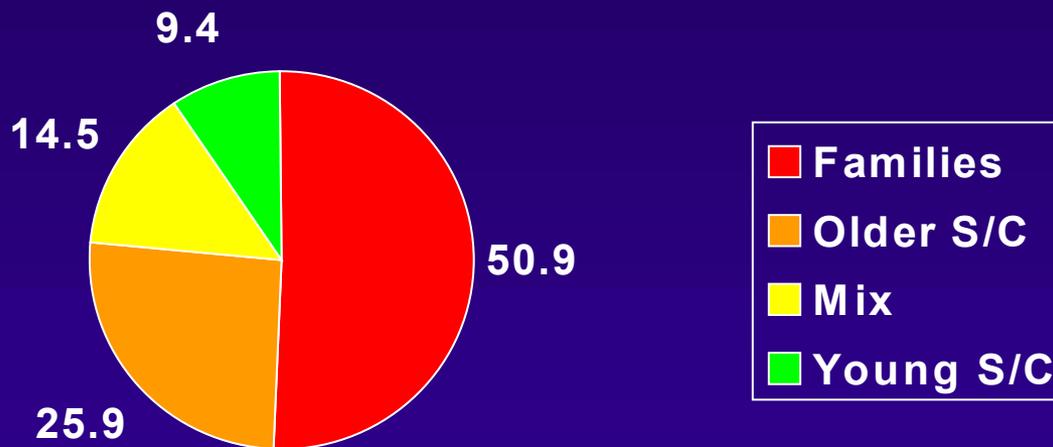




Household Segments - Life Cycle

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Households (Millions)





Gateway to Households Segments

Gateway to the Household Segmentation Model

1. High Mail Volume Segments

H1	Urban	Young Singles & Couples
H2	Suburban	Young Singles & Couples
H3	Suburban	Families
H4	Suburban	Older Couples
H5	Town	Families

2. Medium Mail Volume Segments

M1	Urban	Families
M2	Small City	Older Couples
M3	Suburban	Mix
M4	Town	Families

3. Low Mail Volume Segments

L1	Urban	Mix
L2	Small City	Families
L3	Town	Families
L4	Town	Older Couples
L5	Rural	Families

100 Million
Households

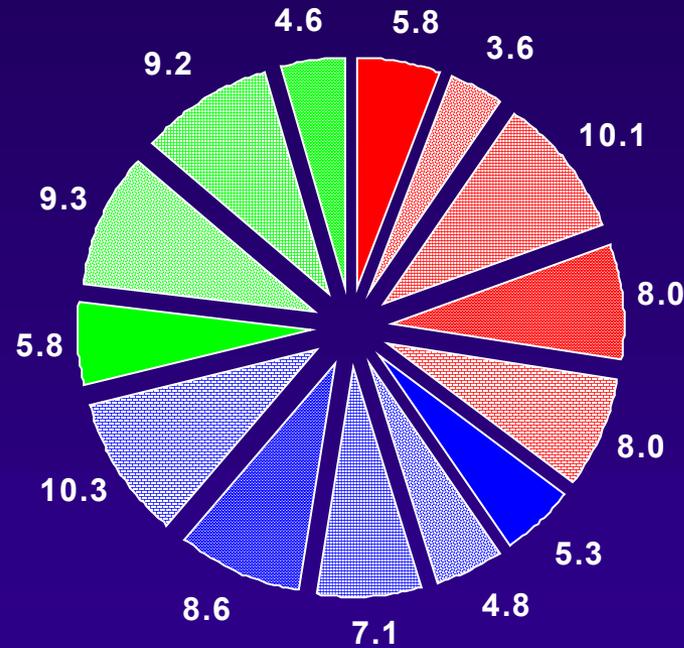


14
Segments



Gateway to the Household Segments

Gateway to the Household Segmentation Model



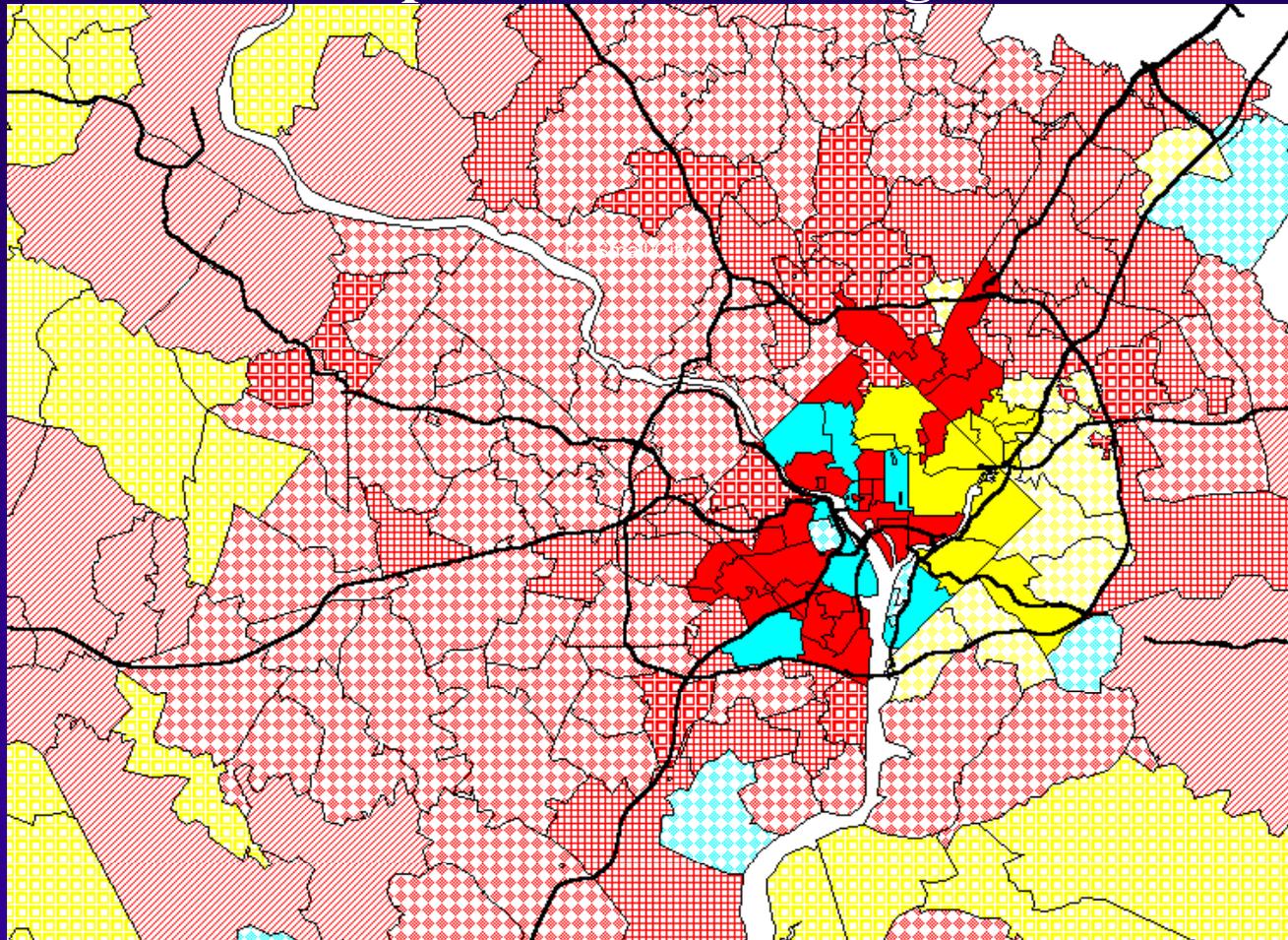
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|----------------------------------|-------------------------------|--------------------------|-------------------------------|
| ■ H1-Urban Young Singles/Couples | ■ H2-Suburban Singles/Couples | ■ H3-Suburban Families | ■ H4-Suburban Older Couples |
| ■ H5-Town Families | ■ L1-Urban Mix | ■ L2-Small City Families | ■ L3-Town Families |
| ■ L4-Town Older Couples | ■ L5-Rural Families | ■ M1-Urban Families | ■ M2-Small City Older Couples |
| ■ M3-Suburban Mix | ■ M4-Town Families | | |



14 Household Segments

Gateway to the Household Segmentation Model

Capital/Northern Virginia District Detail



-  H1-Urban Singles/Couples
-  H2-Suburban Singles/Couples
-  H3-Suburban Families
-  H4-Suburban Older Couples
-  H5-Town Families
-  M1-Urban Families
-  M2-Small City Older Couples
-  M3-Suburban Mix
-  M4-Town Families
-  L1-Urban Mix
-  L2-Small City
-  L3-Town Families
-  L4-Town Older Couples
-  L5-Rural Families



Segment Information Actionable

Gateway to the Household Segmentation Model

- **Segments identify:**
 - ◆ **Product and/or service preferences**
 - ◆ **Psychographics**
 - ◆ **Demographics**

of every “neighborhood” so that consumer behavior can be predicted
- **Each “segment” has a specific potential for the purchase of a product or service**
- **Each ZIP Code and each ZIP+4 Code is assigned a “segment”**



Segment Information Provides Opportunities For Improved Marketing

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- **Identifies the best place to focus resources**
- **Easy to implement**
- **Easy to track**
- **Easy to refine with time**



H2 HIGH MAIL VOLUME Suburban Young Singles & Couples



**Profiles
Created For
Each Segment**

Household Portraits



Sample Segment Profile: High Mail Volume Suburban Young Singles and Couples (H2)

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- **Upwardly Mobile Pre-Family Suburbanites**
- **White with above average number of Asian and Pacific Islander**
- **Completed 4+ Years of College**
- **Executive/Administrative Management Occupations**
- **Median Household Income of \$52,984**



Sample Segment Profile: High Mail Volume Suburban Young Singles and Couples (H2)

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- **Housing type: 2-10+ Housing Units, Renter-Occupied**
- **Households: 3.6 million**
- **Population: 8.8 million**
- **Shopping at Nordstrom**
- **Spent 20 or More Hours Online in the Last Month**

Annual Segment Revenue Totals --All Products

(All numbers in millions)



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Gateway to the Household Segmentation Model

	HHs	\$ Receiver	\$ Sender	\$ Total
H-Segments	35.5	11,722	2,635	14,357
M-Segments	29.0	7,703	1,705	9,408
L-Segments	36.2	8,023	1,909	9,932
TOTAL	100.7	27,448	6,249	33,697

Sources: 1998 Household Diary Study, 1998 WEFA Study; Claritas

Annual Segment Revenue Totals -- All Products

(All numbers in millions)



Gateway to the Household Segmentation Model

		HHs	\$ Receiver	\$ Sender	\$ Total
H1	Urban Singles\Couples	5.8	1,802	349	2,151
H2	Suburban Young Singles\Couples	3.6	1,069	297	1,366
H3	Suburban Families	10.1	3,235	796	4,031
H4	Suburban Older Couples	8.0	2,629	559	3,188
H5	Town Families	8.0	2,987	634	3,621
M1	Urban Families	5.8	1,136	281	1,417
M2	Small City Older Couples	9.3	2,670	634	3,304
M3	Suburban Mix	9.2	2,480	475	2,955
M4	Town Families	4.6	1,417	315	1,732
L1	Urban Mix	5.3	1,164	229	1,393
L2	Small City Families	4.8	1,079	296	1,375
L3	Town Families	7.1	1,511	344	1,855
L4	Town Older Couples	8.6	1,956	467	2,423
L5	Rural Families	10.3	2,313	573	2,886
	TOTAL	100.7	27,448	6,249	33,697