



Understanding Customers
an introduction to marketing social housing



Northern Housing Consortium

Richard Beevers

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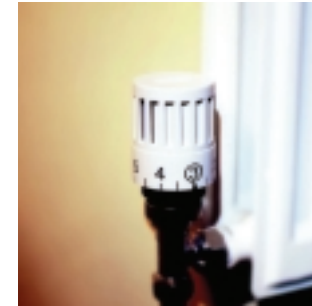


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INTRODUCTION

This handbook, 'Understanding Customers', is the latest in the series produced by the Northern Housing Consortium that makes the link between carrying out the day to day business of running a housing service and improving its performance on a strategic and operational level.

It is generally accepted that understanding our existing and potential customers, knowing what their needs and aspirations are and meeting those needs will improve our service and performance. But :

How much do we know about our customers ?

What do we do with the knowledge and information that we have ?

Do we tailor services based on that knowledge ?

How do we find out more and use the wealth of information that is available to help us improve ?

Understanding customers is fundamental to how your organisation delivers its services and ultimately is integral to an organisation's performance management culture. This book is designed to be a practical guide that can be used immediately to start to understand how your customers affect your organisation.

John Moralee
Chief Executive
Northern Housing Consortium

FOREWORD

In the summer of 1998 I received a call from Sarah at the Chartered Institute of Marketing. "Richard, can you go up to Blackpool and talk at a conference about marketing social housing?" "But Sarah, I don't know anything about marketing social housing!" "It seems you're not alone." replied Sarah.

Recognising my lack of knowledge I attempted to research the field and it transpired that Sarah was right. I could find no specialist publication on marketing social housing. The seminal 900-page work *Social Housing Management* devoted a page and a half to the allocation of housing. The section informed me that from time to time individuals would come forward in search of social housing and that it was important to establish and operate an equitable system of allocating accommodation subject to housing need. The concepts of low demand, choice or homes, opposed to houses, did not figure.

My research became less formal. My grandfather had been Chair of Housing in Rotherham in the 1950s and 60s so my mother became my key information source.

Post-war, I learned, social housing was a bright young thing. Shiny new council estates, sought after for their modern facilities, reasonable rents and fair landlords, had a good name and a long waiting list.

So in September 1999 I duly addressed 150 social housing professionals with my 45-minute lecture on marketing basics. Marketing is about running your business from the customer's point of view - the best way to make a profit, I implored. Marketing is first and foremost a philosophy not just a set of tools and techniques. Customers don't buy goods and services, they buy solutions and satisfaction, holes not drills. I introduced the concept of added value, emotional

benefits that exist beyond the core of successful products. I explained that a marketer's natural instinct is to segment a market, to break it down into clusters of customers with similar characteristics. I spoke of the seven Ps of the marketing mix, the full marketing toolkit that goes way beyond advertising, and the concept of differential advantage, the clear and relevant reason for customers to buy from you rather than anyone else.

And within the limited time available I concluded with the holy grail of marketing, achieving the real insight that separates the marketing men from the boys, understanding who buys your products and why and how they are bought.

The reaction of the audience was very surprising. Surprisingly positive and I was repeatedly congratulated on the quality of my analysis. My talk had been customised as a result of my extensive research with Mrs Beevers but it was bread and butter stuff for any business studies student.

The truth is of course is that a marketing analysis describes perfectly the rise, decline and potential rebirth of social housing. This handbook is aimed at helping social housing managers to deliver the potential by focusing on the most important member of the housing management system - the resident.

Richard Beevers

1 THE MARKETING CONCEPT or WHY BOTHER TO UNDERSTAND YOUR CUSTOMERS?

The marketing concept was developed in the 1950s as an alternative to a product-centred make and sell philosophy. A customer centred approach; marketing is more about farming than hunting. The key task is not to find the right customers for your products, but to find the right products for your customers.

The marketing concept proposes the key to business success is being more effective than competitors in creating, delivering, and communicating superior customer value to its chosen target markets.

Professor Levitt of Harvard University contrasted the selling and the marketing concepts – *“Selling focuses on the needs of the seller, marketing focuses on the needs of the buyer. Selling is preoccupied with the seller’s need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering and finally consuming it.”*

The marketing concept is built on four tenets: target market, customer needs, integrated marketing, and profitability. It begins with a clearly defined market, focuses on customer needs, co-ordinates all the activities that will affect customers and produces profits by satisfying customers.

Target market

Companies do best when they focus on specific markets that share common characteristics and as a result build customised marketing programmes.

Customer needs

A company can define its target market but fail to correctly understand the customers’ needs. There are many such instances, for example Marks & Spencer’s current failure to deliver value to its core clothing customers who are being lured away by Asda and others.

There are different types of needs, often latent, of which customers themselves are not necessarily aware. When it first mooted Saturday opening NatWest found a negative reaction, in fact its test branches were often empty on Saturday mornings. Executives ignored this

reaction and pressed ahead convinced about the viability of the idea. They have been proved right. Customers needed to believe that all branches would be open every Saturday and the test marketing programme had not provided this level of confidence.

Successful companies are often bold, helping customers to understand what they want. The public sector can over rely on consultation instead of taking the lead. You may use an advanced mobile ‘phone. Ten years ago could you have specified to the manufacturer the features you now use regularly? Texting for example.

Sony has successfully introduced many new products that customers never imagined. The Walkman is the classic example. Sony engineers claimed it would not sell, the chairman insisted on going ahead and 25 years later over 250 million Walkmans have been sold.

Why is it so important to satisfy target customers? Simple, because your revenue, your lifeblood comes from two sources: new customers and repeat customer. It is estimated that generating a new customer costs five times as much as selling to an existing one. Customer retention is therefore more important than customer attraction.

Potential customers can be a useful source of intelligence. The impact show homes have on new house buyers shows the concept is relevant to the rental market.

Integrated marketing

When all staff and teams work together to serve your customers’ interests, you have integrated marketing. Colleagues collecting rent, booking repairs, managing waiting lists and dealing with anti-social behaviour should all be trained and motivated to work for the customer. It’s sometimes said that marketing is too important to be left to the marketing department and in the housing business reputations are created by the sum total of thousands of individual customer contacts.

Every member of staff needs to understand the implications of their actions on future buying and recommendation decisions.

In this respect internal marketing is just as important as external marketing. Getting the vision and values of

your organisation over to staff as well as to residents is vital. Many truly customer driven organisations work on the basis of an inverted organisation chart which places customers at the top of the enterprise and shows top management supporting the delivery functions.

Profitability

The marketing concept is fundamentally designed to help organisations achieve their aims. For the private sector this usually means long-term profitability. In social housing read meeting targets and budgets for profitability. Classical marketing assumes that targets and budgets are more likely to be met by focusing on the customer.

Great marketing companies such as Sony, Nokia and Disney all focus on the customer and respond rapidly. They all have skilled marketing teams, but other teams such as sales, production and finance all believe customer is king.

Several academic studies have found a strong correlation between customer orientation and profitability, however in spite of this evidence and the logic of the marketing concept, great marketing companies are few and far between.

Often companies are driven to real marketing by negative events such as declining sales, low growth, deserting customers, increased competition or poor return on promotional spend. This is certainly the case in social housing, where problems of low demand have aroused interest.

Achieving the marketing concept is often a difficult and slow process. It involves investing time and money, new ways of working and painful recognition that the status quo is not working. Most social housing repairs functions, for example, require total re-engineering to become truly customer driven.

Advances in IT and software are helping to reduce the journey time, but an average sized social landlord should plan on being three years away from alignment with the marketing concept.

THE TESCO STORY

How to achieve and maintain a marketing edge

Core purpose

The core purpose of Tesco is ‘to create value for customers in order to earn their lifetime loyalty’. The importance of customers and value are repeatedly stressed by the Chief Executive, Sir Terry Leahy.

Marketing

The leading edge of Tesco’s success is marketing. Their approach to marketing starts with ‘what you’ve got because you’ll find in there some gem you can build on’. In Tesco’s case the gem was and is a reputation for giving value to customers.

Market research

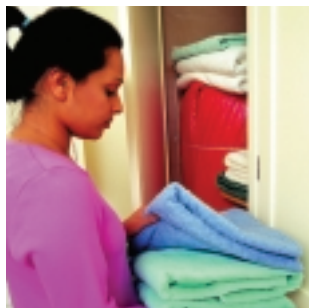
Value is created by understanding the customer better than anyone, and this requires relentless research. One campaign in 1992 involved interviewing 250,000 customers. Customers are interviewed daily, customer panels convene regularly (often attended by Leahy). A Clubcard is used to understand real-life behaviour driving 30 segments of customers based on lifestyle such as ‘shoppers on budgets’. Tesco doesn’t mass market. It picks up on special needs so that ‘one or two don’t slip away’ leading eventually to a flood of lost customers.

Innovate and invest

Based on research-driven customer understanding, Tesco innovates and invests. This includes new ranges such as the value line range, new formats such as metro store, superstore, hypermarkets and home shopping. Innovation has taken Tesco into financial services and involvement in a range of e-commerce. International is another dimension of innovation and investment designed to keep Tesco ahead of the best retailers, not just in the UK, but in the world.

Look after staff

Staff look after customers. Those who understand the customer in the local marketplace will succeed. Local staff are the key to making this happen and are the focus of Tesco’s ‘Every little helps’ values.



Moving targets

On my first business trips in the early 80s I was absolutely delighted to be put up in a room with an en-suite bathroom, a telephone and a TV. Today I would complain bitterly in the unlikely event any of these features were missing. The 'luxuries' offered by your stock in the 50s simply aren't good enough any more. Central heating, alarm systems, a choice of fitted kitchens may be considered as standard by many today. You have to keep up with changing tastes, expectations and behaviours.

Right now your competitors are re-engineering, outsourcing, doing e-business, benchmarking, forming alliances and decentralising control.

What are you doing?

Marketing is leading the response to the challenge of change with a range of concepts, and tools.

- Relationship marketing – focusing on long term relationships not short term transactions.
- Lifetime value – measuring sales over relationship lifetimes not just financial years
- Customer share – capturing more of a tenant's total spend by offering additional services.
- Customisation – individual offers based on customer needs
- Customer database – building information through collection and analysis of customer data.
- Marketing is everyone's responsibility – making sure all customer contacts create a positive impression.

All these concepts are relevant and feasible within the social housing context and landlords who embrace them will survive and prosper well into the 21st century.

THE IRWELL VALLEY GOLD SERVICE

The Gold Service operated by Irwell Valley Housing Association (IVHA) is an approach to the delivery of housing management services that includes offering incentives to tenants designed to encourage a feeling of them having a stake in their home and tenancy.

IVHA is based in Manchester with over 6,000 properties in management, including over 1,400 properties on an estate in Sale, transferred from Manchester City Council. Issues of low demand and high turnover affect many parts of the North West, and some of IVHA's properties are located in areas which are particularly badly affected. Prior to the introduction of Gold Service in the late 90s, the association was focusing its efforts on those properties and their attendant problems: antisocial behaviour, crime, drug dealing, vandalism and abandonment. It was apparent that 80% of the association's efforts were being focused on 20% of customers, those who presented problems to the association. The association's housing management performance in the key areas of voids and arrears showed 8% voids and 9% arrears, both poorer than the average for all associations.

IVHA wanted to improve its housing management performance and address the 80/20 imbalance by working more with customers who did not present problems to the association and offer motivation to other customers to change their behaviour. Gold Service was born out of this desire to change.

IVHA had a varied and ambitious set of aims for Gold Service which were to:

- Motivate and incentivise colleagues to embrace Gold Service and go the extra mile
- Give people services and products they demand and do not want to lose
- Radically overhaul the landlord / tenant relationship
- Reward and encourage positive behaviour
- Reinvent the business

- Make neighbourhoods desirable places in which to live
- Make rented housing more desirable and understandable
- Be open and transparent and inclusive
- Deliver a quality housing management service based on rights and responsibilities
- Promote a reciprocal relationship between landlord and tenant
- Promote customer rights and customer responsibilities
- Reduce negative expenditure

Gold Service rewards good conduct of a tenancy by allowing residents to become members and access a range of incentives, such as £1 a week of membership, paid out in vouchers accepted at 20,000 retail outlets, or negotiated discounts with local or national businesses, or one off competitions for tickets to concerts. Furthermore, Gold Service members also access improved services, such as response times for repairs of 3 hours for emergencies and all other repairs in 3 days. This compares with 1 day for emergencies for non-members, 5 days for urgent repairs, and 20 days for other repairs.

Eligibility for membership was based upon: a rent account being clear for 6 weeks; the tenancy not being subject to a notice for anti-social behaviour or other tenancy breaches; and the application form having been completed. IVHA now says it has 80% of its tenants as members. However at any one time around 25% of members were suspended, mainly because they had rent arrears.

Since the scheme was introduced tenants arrears have fallen, rent collected has increased, and voids available to let have fallen all by significant amounts. Not surprisingly, members are consistently more positive about IVHA's benefits than non-members. Even so, 72% of non-members are satisfied, compared to 85% of members

PATHWAY HOMES

Sunderland Housing has embraced the marketing concept with its Pathway Homes brand. The brand aims to raise the standard of housing regardless of people's income and status, and challenge the traditional concept of buying a home.

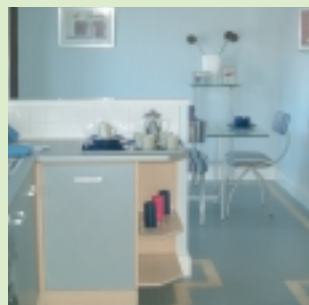
Pathway Homes offers the choice of renting or buying, with a range of two, three and four-bedroom properties. The goal is to build 4,000 homes, not houses, and sustainable communities rather than just housing estates.

Architectural and build standards are very high, with costs being controlled by using Sunderland Housing Group's in-house design and build teams, and the Group's large buying power.

Environmental works including road access and landscaping have also been delivered to high standards, and to an observer the developments could be the work of Persimmon Homes or David Wilson.

The show homes are tastefully decorated, and with knowledgeable sales consultants, complete the private sector image.

Around 70 per cent of the homes built under Pathway Homes will be released for rent, with the remaining 30 per cent available for purchase. Rents start from £61 per week, and prices from £99,000.



2 WHY DO CUSTOMERS BUY?

Paul and Debbie have been living together for 18 months now and their friends complain they hardly see them. Every weekend they seem to be involved in some home improvement project or other and Paul and Debbie are rarely found in the local pub, preferring to relax in front of an edition of Changing Rooms or Property Ladder. Paul's mates were stunned when he declined the annual lads' holiday in favour of saving for a new kitchen. How could anyone prefer Ikea to Ibiza?

The motivations to buy and use products and services can seem simple, for example when we buy orange juice to re-stock the fridge. But is this really so simple? Why orange juice, why not apple or cranberry? Why a particular price bracket? Why one brand rather than another?

Sometimes we are not aware of why we make purchasing decisions. But often they are driven by deep seated beliefs and experiences. To understand such motivations is to understand why consumers do what they do. Why do some people spend hours in front of the TV while others train for marathons? You have read that marketing is about satisfying customers' needs and it follows that we must uncover these needs and establish why they exist.

We can learn much from a psychological approach to understanding motivation and need. Motivation happens when a consumer seeks to satisfy an aroused need. Once a need is aroused, the consumer experiences a state of tension to reduce or eliminate the need. This need may be mainly practical (a hunger need resolved by eating a piece of toast) or it may be emotional (a self-esteem need resolved by taking a partner to a fancy restaurant).

The expensive failure of new estates such as Dr Henry Russell Court in Scotswood illustrates the difference between utilitarian and emotional need. The 50 flats on the estate, just three years old, had immaculate brickwork, perfect roofs and the latest in central heating but no one wanted to live there. The reason? Fear of crime, poor services and a lack of community.

Emotional or hedonistic needs are seen as increasingly important and traditional approaches to consumer behaviour which focus on functional or rational needs are being replaced by exploration of customers' goals, wants and desires.

The level of motivation or drive that a consumer has to reduce the level of tension inspired by an aroused need is a function of many factors such as personality, culture, education, environment and family background.

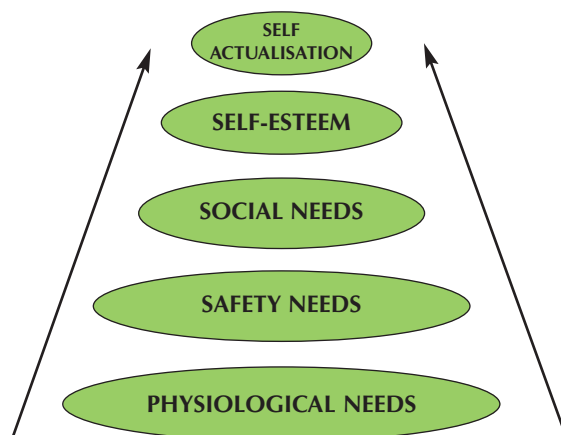
Motives have direction as well as strength. There are many ways in which we can satisfy a particular need and it is the job of marketers to convince us that their solution is the best. They can only do this by developing a deep understanding of our attitudes and behaviour in respect of the needs they seek to satisfy.

Maslow's hierarchy of needs

The field of motivation and need has been the subject of a great deal of research and hypothesis. One of the most influential researchers in the field is Abraham Maslow, a psychologist who set out his idea of the hierarchy of human needs in his 1943 book *Motivation and Personality*.

Maslow argued that the factors that drive or motivate people to act lie on an ascending scale. Once a group or order of needs is satisfied, the individual will not be motivated by more of the same, but will seek to satisfy higher order needs. What's more, a higher order need will not be a motivator if lower order needs remain unmet. Maslow defined five orders of needs, listed in ascending importance:

Physiological	Basic survival requirements
Safety	Protection
Social	Relations with others
Self-esteem	Sense of personal worth, respect and autonomy
Self-actualisation	Sense of achieving one's full potential



Maslow's hierarchy of needs



Maslow's hierarchy of needs applied to housing

Maslow's approach is a general one originally designed to understand personal growth. His universal approach to motivation has been adapted by marketers because it specifies certain types of product benefits people might be looking for, depending on the different stages in their development and their environmental conditions. It is not without its critics, however on balance the model is very useful to marketers.

The model is an excellent illustration of why emotional factors are just as important as rational ones when individuals have an element of choice when deciding on a home.

The context of consumption

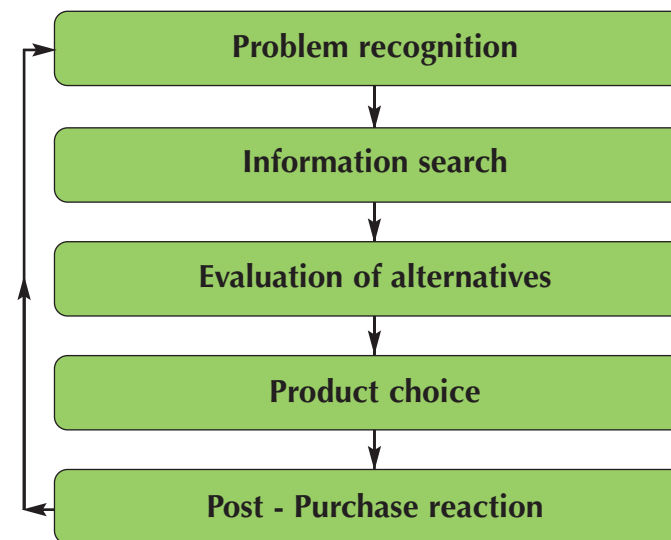
Individuals make purchase decisions for many reasons. Interesting as it is, the *why?* of consumption cannot stand alone. *Who? how? when? where? why? and what?* all require detailed analysis and insight into personal, group, cultural, emotional, situational and contextual differences.

3 HOW DO CUSTOMERS BUY?

Joanne has had enough. She has had a massive argument with her mum and dad because she stayed out late and now she can't get any sleep because her younger brothers are fighting outside her bedroom. It's no way to spend her weekends. She earns reasonable money as a receptionist so why shouldn't she get a place of her own?

Customers make decisions to buy in order to solve their problems. In Joanne's case this is the perceived need for a new home. Just like millions of other customers every day, she goes through a series of stages in order to make a purchase and solve her problem. We can use the phrase *purchasing* in the case of renting a home as Joanne is in fact purchasing the use of a home on a weekly or monthly basis

The purchase decision making process



The post purchase reaction is a judgement on how well the decision worked out. This learning will influence future decision making.

Some purchase decisions are more important than others, so the effort we put into each one varies. Decisions are sometimes automatic, such as which brand of chocolate to buy. Deciding on a new home can involve days or weeks of thinking sometimes to the point of emotional stalemate

Types of decisions

There are three classes of purchase decision making as described by the amount of effort required to make the decision.

Extended problem solving – These decisions fit the classical purchase decision model closely. They involve much careful thought and carry a high degree of risk. Decisions around the acquisition of a home usually involve extended problem solving.

Limited problem solving – These decisions are usually more straightforward and simple. Buyers usually use simple decision rules to choose among alternatives. Using general guidelines saves starting from scratch each time a decision has to be made.

Habitual decision - extended and limited problem solving modes involve varying degrees of information search and consideration. Habitual decision making involves choosing with little or no conscious effort. Grabbing sweets at the supermarket check out is an obvious example.



Problem recognition

This happens when the consumer sees a gap between his or her current state of affairs and some preferred state. The consumer believes there is a problem of some description to be solved. Someone who is unexpectedly delayed overnight when away on business has a problem, just as the person who believes his or her house is too small even though it is of a perfectly decent standard.

Joanne's parents' home is warm, safe and contains all mod cons. It just doesn't give her the freedom and independence she craves.

Changing family size, a new job or financial difficulties are all triggers to consider moving home.

Information search

Once a problem is identified, the customer then looks for appropriate information to resolve it. There are different types of information search, often according to the level of problem solving involved. Extended problem solving generally involves the most thorough search. A passive information search can lead backwards through the decision making process and reveal a problem.

There are also internal and external searches. Our prior experience and learning gives us a memory full of impressions of products and services. Most of us will turn to external search at some point, using advertisements, websites or friends as sources of advice.

You need to understand not only how your prospective tenants search for information, but also existing tenants. We know that tenancies are becoming shorter and your residents are moving on more frequently.

Customers are not always rational and we know that an individual's view of the world is unique to them. The amount of external search for most products is surprisingly small and research shows that lower income shoppers actually search less prior to buying than more affluent people.

As a rule of thumb, the more important the purchase, the more detailed the search. All things being equal, younger, better educated people tend to search more thoroughly than others and women tend to search more than men.

These factors tend to point towards the search process being important in home making decisions.

Evaluation of alternatives

We know that many social housing tenants have little or no housing choice, however it is clear that problems of low demand have arisen as those with choice have selected other options.

There have never been so many housing choices. Home ownership has come into the range of people on very modest incomes thanks to innovative financial services products and the aggressive strategies of starter home developers.

Whilst many social landlords are concerned about the image of the social housing brand this is often based on reality and step changes have to be made in the quality of homes and neighbourhoods before consumers with real choice will look in their direction. Sunderland Housing's Pathway Homes developments illustrate not only what is possible but also the degree of innovation required to change the consumer's mindset away from long held beliefs.

The key question for you here is:

How do prospective tenants decide which decision

criteria are important when choosing a home, and narrow down the alternatives to a reasonable number eventually choosing one ahead of others?

As an intelligent young woman, Joanne is likely to consider many options before deciding on her new home. Will she rent or buy? Will she go for a financial investment or flexibility? She is not worried about schools in the area but she probably wants to know that as a woman living alone, she is in a safe neighbourhood.

Product choice

All the options have been considered and information on each has been gathered. How is the decision made?

Evaluative criteria are the dimensions used to judge the merits of competing options. In comparing alternative homes, Joanne could have chosen from among any number of criteria, ranging from the rational, such as affordability or travel-to-work time, to the emotional, such as reputation of the area or decoration of the lounge.

When competing products offer differing criteria, these criteria tend to carry more weight in the decision process than when the alternatives are similar. If all brands being considered rate equally well on one attribute (e.g. if all potential homes come with a garage) consumers will have to find other reasons to choose one over another. Attributes actually used to differentiate among choices are called *determinant attributes*.

Marketers often select strategies to educate customers about which criteria should be used as determinant attributes. A social landlord may for example seek to compare the benefits of home ownership with the benefits of rental.

Post purchase reaction

It is vital to keep your existing customers sold. This publication is about customer behaviour as opposed to customer care, however we know that decisions to

recommend a housing provider or indeed to stay with it when new circumstances arise are largely driven by the personal experience of the tenant.

The decision making unit

Who is your customer? In reality this is rarely one individual as different roles within the purchase decision making process may be played by different individuals. Breakfast cereal may be paid for by parents, however the choice of brand often to children.

In order to influence those who make decisions on social housing you must understand:

Who initiates?

Who influences?

Who decides?

Who pays?

Who uses?

Children, for example, are becoming increasingly influential in family decision making and pester power is moving way beyond the supermarket trolley. Research suggests that in over 20% of households children influence housing choices.

What purchases do kids influence?

	%
Breakfast cereals	73
Clothes	70
Soft drinks	60
Day to day meals	54
Stationery/school materials	54
Holidays	44
Schools	35
Computer	33
Restaurants	30
House	22
Car	17

Source: Saatchi & Saatchi/Taylor Nelson AGB Omnimas

4 RESEARCHING YOUR CUSTOMERS

It follows from the marketing concept that marketers must understand their customers – their characteristics, needs, preferences, behaviour, and product choices. In order to develop strategies and implement marketing programmes, marketers must know about market trends and the forces of the marketing environment. Whilst extremely talented marketers may rely on intuition and experience, it is expected that most will turn to marketing research as an aid to decision making.

There are three related fields of research

Marketing research - collecting data and information, sometimes in an ad hoc way, to solve specific problems. This process is often aimed at solving a particular problem or informing a particular process such as marketing or promotional planning.

Marketing intelligence – comprises the sum total of the accessible knowledge within the organisation. It may be held formally or informally however to be useful it must be capable of being fed into the marketing decision process.

Marketing information system – the framework for managing and accessing internal and external data. This can be as simple as sharing data informally between colleagues or a complex network of information sources driven by advanced IT systems.

Aid to decision making

Market research studies do not make decisions, managers do. If every decision relied on detailed fact founded research then businesses would soon grind to a halt. And in most cases the quality of decision making would not be improved.

Market research comes into its own as an aid for thorny, risky, new or complex issues.

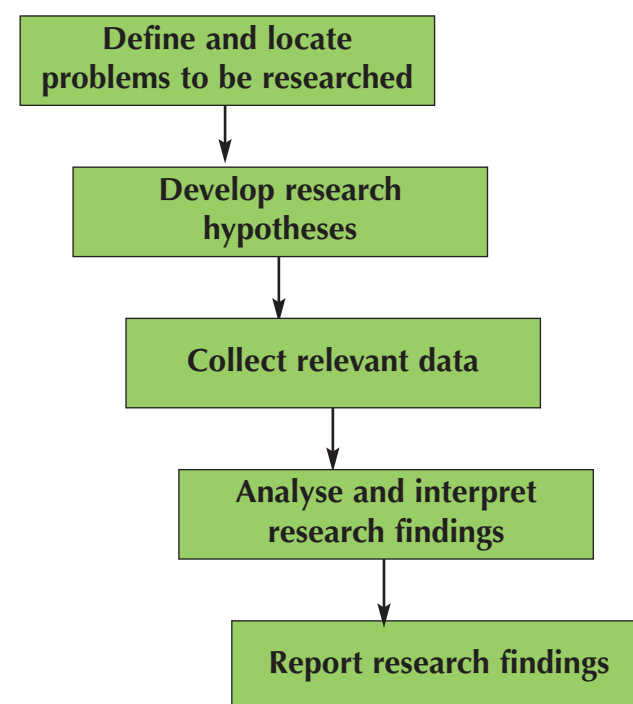
Marketing intelligence is almost osmotic. By immersing him or herself in marketing intelligence, a manager's apparently unresearched decisions are much better informed.

Marketing information systems often provide hard facts and measurements and become part of the decision making process.

The marketing research process

Classically, there are five stages to the marketing research process. Recognising and respecting these stages leads to better research design and better quality information.

5 stages of market research



The most important stage, because it has leverage on the entire process is problem recognition. As the great anthropologist Claude Levi-Strauss said *"The wise man doesn't give the right answers, he poses the right questions."* If you define the research problem well, the correct methodology will often follow easily. If you

struggle with market research it's usually because you don't have a clear understanding of your desired outcome.

It is important to consider the fourth and fifth steps in the process before defining the third. A great deal of time and money are wasted when data are collected without a thorough understanding of how they will be stored, analysed and interpreted. Costly recording and convoluted statistical analyses can easily result.

Data collection

Data can be quantitative or qualitative in nature. Quantitative relates to the numerical - *how many? how much?* Qualitative relates to value judgements – *why? how?*

Both forms of data are useful, the nature of the problem will tell you which is most useful in a particular case.

There are two categories of data collection, primary and secondary. Primary is original work which you conduct or commission yourself. Secondary is already in existence. Paradoxically you should always look to secondary data first. There is wealth of free and useful information available on line and in research libraries.

Commissioning primary research requires careful consideration. Validity and reliability are key research concepts. A data collection tool is valid to the degree that it actually measures what it claims to measure. A reliable data collection tool leads to similar responses in similar situations.

Northern Housing Consortium provides a comprehensive research section, which includes advice to members on commissioning research and undertaking research in-house. NHC has a wealth of secondary data sources and extensive experience of undertaking housing and housing-related research projects.

Qualitative research

To gain an understanding of who buys your services or how and why they are bought you may need to undertake qualitative research. These techniques often produce a deep level of insight into attitudes and behaviour.

Qualitative research methods may stand alone however they are often used as a prelude to quantitative research. They can define a problem, generate hypotheses, identify key variable factors and develop quantitative research designs. They are inexpensive and fast. Because of the low number of respondents involved, these exploratory techniques cannot be used to generalise about the attitudes and behaviours of the whole population. They are however, very valuable for exploring an issue and are in very common use. They are generally much better than quantitative research at probing the surface for drives and motivations.

Most qualitative research involves depth interviews or focus groups. These may include projective techniques, unstructured prompts or stimuli that encourage the respondent to reveal their underlying motivations, beliefs and attitudes.

Given the nature of qualitative research and the skill required in interpreting raw findings, it is wise to commission a specialist agency with qualitative research experience.

Secondary data for housing markets

Murie identifies long-term trends and changes that have contributed to areas of low housing demand, as well as referring to more immediate factors. The paper is mainly concerned with the significance of changing demand for the social rented sector and social landlords although it also refers throughout to the private rented sector and home ownership

Several key actions that housing associations and others should consider are identified including the need to rethink repairs and maintenance strategies, and change policies for upgrading existing housing stock, demolition, marketing, resource allocation and regulation.

Other excellent sources of secondary data for marketing purposes include the ODPM, the Chartered Institute of Housing, the National Housing Federation, the Northern Housing Consortium and the Countryside Agency. The vast majority of research is available easily, quickly and cheaply on the internet.

An interesting source of information for housing markets is *Social Trends*, currently in its 34th edition. A flagship publication from the Office for National Statistics, it draws together statistics from a wide range of government departments and other organisations to paint a broad picture of our society today, and how it has been changing.

Each of the 13 chapters focuses on a different social policy area, described in tables, figures and explanatory text. As housing influences and is influenced by many policy areas, *Social Trends* is an excellent tool for both understanding and guiding further research into housing markets. It can be found at http://www.statistics.gov.uk/downloads/theme_social/Social_Trends34/Social_Trends34.pdf

Selecting the headlines from just two policy areas, the implications for social housing providers are noted in the table opposite. Clearly it is important to establish trends at a local level.

Policy area	Policy strand and finding	Marketing implication for social housing provider
HOUSEHOLDS AND FAMILIES	Household composition The proportion of one-person households in Great Britain increased from 18 to 29 per cent between 1971 and spring 2003.	Is there sufficient one-person housing stock?
	In 2001 around half of Black Caribbean and Other Black families with dependent children in Great Britain were headed by a lone parent.	Is there a special segment for Black Caribbean and Other Black families which would feature enhanced support for lone parents?
	Family relationships In England, 56 per cent of men, and 37 per cent of women aged 20 to 24 lived at home with their parents in spring 2003. (Table 2.9)	Is there a special segment for those living at home with their parents?
	Family formation In 2002 almost 41 per cent of all children were born outside marriage in the United Kingdom, compared with 56 per cent in Sweden and 4 per cent in Greece.	Is there a process to track growing families into larger accommodation?
LIFESTYLES AND SOCIAL PARTICIPATION	Everyday tasks Women spent an average 3 hours 35 minutes a day doing household tasks (cooking and washing up, housework, and washing and ironing), around 1 hour 30 minutes longer than men.	Are kitchens a strong focus in refurbishment and redevelopment plans?
	Leisure activities In 2002 around 85 per cent of men and women watched television every day. The most popular type of programme across age groups was the news.	Are there enough TV points in refurbishment and redevelopment plans? Are satellite/cable TV opportunities exploited?
	e-Society and communications Three quarters of all adults in the United Kingdom owned or used a mobile phone in May 2003.	Is SMS messaging used to communicate with tenants and prospective tenants?
	Household Internet access was five times greater in 2003 than in 1998; from 9 per cent of households in the UK accessing the Internet in April to June 1998 to 47 per cent in April to June 2003.	Is Internet access available in housing offices? Is email used to communicate with tenants and prospective tenants? Is Internet access considered in refurbishment and redevelopment plans?
	Holidays and tourism Nearly 40 million holidays were taken abroad in 2002. The most popular destination continued to be Spain.	Are bulk buying schemes considered for holidays and other luxury items?
	Social participation Two thirds of people enjoyed living in their neighbourhood and two fifths felt they could trust their neighbours.	Is this measured on a local basis? Are neighbourhood improvement plans in place?



The detail of the report gives useful insights into customer behaviours and attitudes.

On a national level details about the destination of those leaving social housing and the origination of those arriving in social housing has obvious implications for targeting new tenants and designing messages to prevent defection.

Households resident under one year: current tenure by previous tenure, 2002/03

England		Percentages						
		Previous tenure						
		New household	Owned outright	Owned with a mortgage	Rented from local authority	Rented from registered social landlord	Rented privately	All tenures
Current tenure								
Owner-occupied								
Owned outright	5	62	27	-	0	5	100	
Owned with a mortgage	16	5	54	2	2	22	100	
Rented from social sector								
Local authority	20	4	5	44	6	21	100	
Registered social landlord	18	5	5	22	28	23	100	
Rented privately								
Unfurnished	17	4	19	4	3	52	100	
Furnished	24	4	7	1	3	61	100	
All tenures	17	9	28	8	4	33	100	

Source: Survey of English Housing, Office of the Deputy Prime Minister

Statistics about attitudes to problem neighbourhoods provide both a research agenda and an action plan.

Residents' views of problems in their neighbourhood: by whether living in a poor or other neighbourhood, 2001

England		Percentages		
	Poor neighbourhood	Other neighbourhood	All	
Litter and rubbish in the streets	57	34	36	
Problems with street parking	48	37	38	
Fear of being burgled	47	33	34	
Problems with dogs/dog mess	41	32	33	
General level of crime	40	23	25	
Vandalism and hooliganism	36	21	22	
Heavy traffic	35	26	27	
Troublesome teenagers/children	34	19	21	
Poor state of open spaces/gardens	29	14	15	
Presence of drug dealers/users	28	11	13	
Pollution (including air quality and traffic fumes)	23	15	16	
Graffiti	21	11	12	
Problems with neighbours	20	11	12	
Racial harassment	6	2	3	

Source: English House Condition Survey, Office of the Deputy Prime Minister.

Information developed more directly for marketing purposes is available from a range of commercial enterprises however the lack of commercialism in the social housing sector and the lack of customer focus in the private housing sector have limited the development of relevant off the shelf reports.

The 2001 census, a key source for *Social Trends*, is available online at www.statistics.gov.uk/census2001 and this provides excellent data down to ward level.

Online research providers such as www.the-list.co.uk provide an excellent start point to search what is available from market research houses such as Keynote, MBD and Mintel. Executive summaries of reports such as MBD's *Residential Care For The Elderly* (May 2003) are available free online. A visit to a reference library in a major city such as Leeds, Manchester or Newcastle is also recommended.

A more advanced approach is to commission a data house such as Experian or Equifax to build a picture of an area of your choosing, such as a particular estate. Reports can be tailored to different aspects of lifestyle and can compare any target population to any other population in Great Britain, for example at the national, regional or sub-regional level.

Community Data Services (CDS) is available online at www.comdata.co.uk to all (NHC members can subscribe to a higher level via the Consortium's website). This service, provided by the Northern Housing Consortium, provides a single source of socio-economic and housing data for local authority areas in England. It is an excellent source to support research and decisions around economic development, housing markets and area regeneration.

Guidelines for effective research

- Don't research what you already know. If your repairs service is lousy, don't spend money proving it.
- Don't put off inevitable decisions by commissioning research into problem areas.
- Check your methodology will give valid and reliable results.
- It is often possible to reach a compromise between intuition and formal research.
- Always look to secondary sources of information before conducting primary research.
- Generally a mix of techniques is required to inform a study, not just one.
- Spend time internally defining a research brief before going to an external agency.
- Always talk to three agencies to get a view on a research problem. Market research is often more art than science and therefore subjective.
- Understand the value and limitations of statistics, particularly sampling. Qualitative research is not designed to be statistically significant but it should be business significant.
- Remember you make the decisions, not the research.

5 SEGMENTING YOUR CUSTOMERS

Market segmentation is considered to be one of the key elements of modern marketing. The technique is an analytical process that puts customers first, helps maximise resources and emphasises business strengths over competitors.

Any market consists of customers with similar needs, however customers are never homogenous. They want different benefits, are willing to pay different amounts, purchase different quantities and read different media. It is therefore sensible for a marketer to break the market down into segments and customise a tailored offer for one or more target segments.

The airline industry offers an excellent example of segmentation at work and the need to constantly reevaluate segmentation criteria. In the early days of air travel, airlines did not segment their market, however it soon became clear that passengers held differing expectations. Business flyers valued convenience, comfort and flexibility whilst tourists were more price conscious. By examining a range of pricing options airlines began to offer three levels of service on the same plane – economy, business and first class. Not only were revenues and profits optimised, but the needs of all customers were more closely met. The 1990s saw the advent of the budget airline, a whole new business model that focused on cost cutting. This obsession with price at the expense of extras such as inclusive meals and haute-couture uniforms has created a new market segment and driven many traditional airlines to bankruptcy.

Why segment?

There are several reasons to segment your market.

Match customers needs	By focusing on distinct needs you are more likely to satisfy your target customers.
Enhance financial performance	If customers pay for what they want there will be less waste in your business and you are likely to achieve a relatively higher price.

Improve opportunities for growth	Segments grow at different rates within overall markets. Tracking at this level allows you to target high growth segments.
Retain customers	The more closely you meet your customers' needs, the less likely they are to defect.
Target communications	You can make messages more relevant and place them in appropriate media.
Compete effectively	A specialist will tend to take a higher share of a segment than a generalist. Segmentation is the best way for a minnow to beat a giant.

How to segment

The market segmentation process consists of three stages, segmentation, targeting and positioning. Once suitable segmentation variables have been chosen, groups of customers displaying similar characteristics can be clustered together in order to discover which groups could be targeted most effectively. Targeting involves deciding which of the groups are of priority and the number of groups to target. Positioning refers to the organisation's decision of how to position itself in the mind of the consumer and designing an appropriate marketing strategy to convey this intention.

Segmenting your market is more art than science. The critical task is to define the right variables, which can be either *basic customer characteristics* or *product related behavioural characteristics* as illustrated in the table opposite.

Basic customer characteristics

Demographics

Age	Sex
Family	Marital status
Race	Religion
Family life-cycle	

Socio-economics

Income	Occupation
Education	Social class

Geographic location

Country	Region
Type of urban area	Type of housing
Urban/rural	

Personality, motives and lifestyle

Consumer's personality	Consumer's lifestyle and aspirations
Motives for purchasing/consuming	

Product related behavioural characteristics

Purchase behaviour

Brand loyalty -vs- triggers for switching

Purchase occasion

Novelty	Frequency
Event	Location of supplier

Benefits sought

Specific requirements from product/service

Consumption behaviour and user status

Heavy users versus light and non-users

Attitude to product/service

Different consumers' perceptions

The application of basic customer characteristics in the housing context is obvious. The use of product related behavioural characteristics is less so but still feasible. For example, benefits sought could include dealing with the lack of a credit rating or a rental/mortgage deposit.

There is no single way to segment a market, but there are some criteria to check the effectiveness of a particular approach. Segments should satisfy the following conditions:

- Measurable** - the chosen segment must be measurable.
- Substantial** - the segment must be of significant size to make targeting viable and worthwhile.
- Accessible** - the segment must be capable of being reached by a tailored marketing mix.
- Stable** - the segment must be viable for targetting over a certain period of time in the light of the fast-changing business environment.

Segmentation in practice

In spite of the theoretical benefits of market segmentation, it is not unusual to encounter practical problems in introducing a segmentation based approach in either complex or very small organisations. For this reason practicality should be added to these tests of segmentation strategies.

Many social housing providers already use segmentation strategies to target specific groups such as students, asylum seekers and elderly people.

NORHAG, a network of Registered Social Landlords, proposed a comprehensive segmentation approach in its *Marketing Toolkit*, published in 2000, identifying nine distinct target markets.

- Single male, aged less than 65
- Single female, aged less than 65
- Single male, aged 65 or over
- Single female, aged 65 or over
- Two or more adults, not couples, no children
- Couples, aged under 65, no children
- Couples, aged 65 or over, no children
- Families
- Lone parent families

The approach included recommendations on the marketing approach for each target market. The following table illustrates NORHAG's recommended approach for single females, aged less than 65.

NORHAG'S MARKETING APPROACH FOR SINGLE FEMALES AGED LESS THAN 65	
Feature	Requirement of target market
Service emphasis	Day to day repairs Housing improvements and modernisation Dealing with complaints efficiently Estate cleaning Resolving neighbour nuisance
Property	Size less important Good condition Security Good heating Easy access
Location	Peace and quiet Local, accessible transport, shops, GPs Know area already
Services	Good access to care services On-site support staff Convenient payment methods Noise reduction support
Communication	Reassure on safety and security Reassure on peace and quiet Reassure on mix of community with appropriate imagery Emphasise convenience / accessibility of local shopping Promote via health centres/clinics /women's clubs in area
Pricing	No special considerations

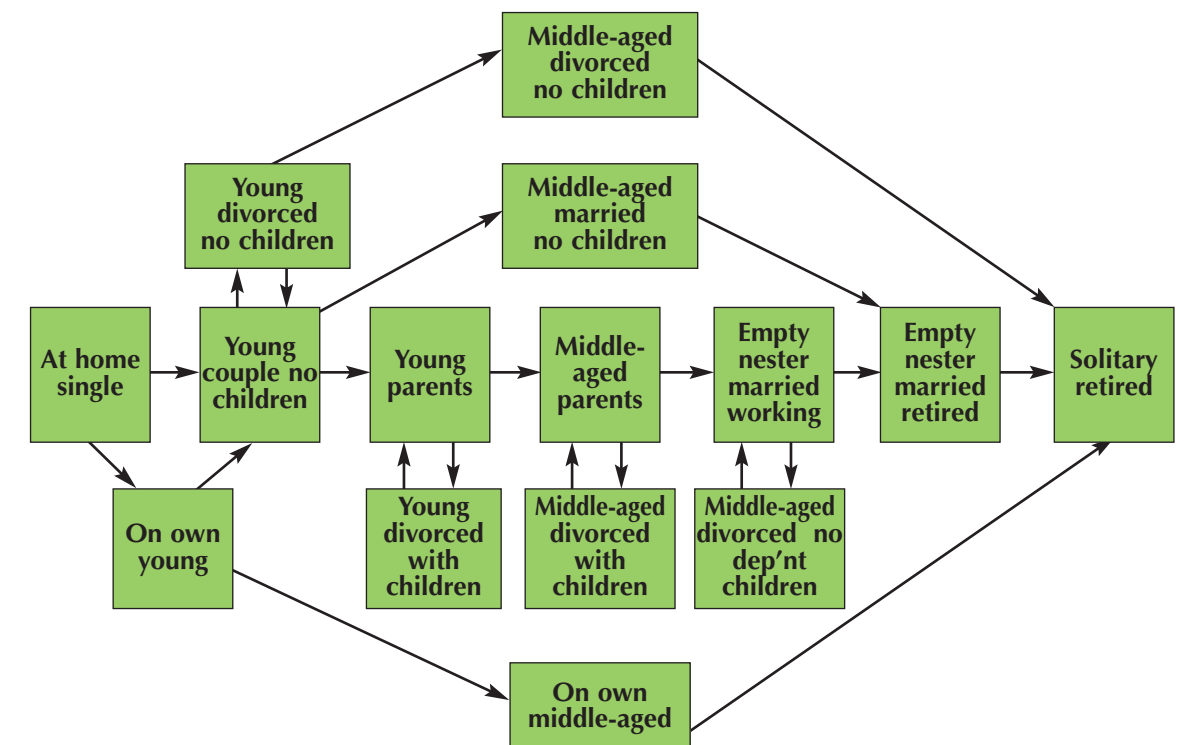
The family life cycle is a particularly relevant approach to segmenting residential property markets, given the obvious connections between home and family life. In addition to helping identify needs at a particular stage of the life cycle, the model also allows social landlords to predict changes in circumstances and potential home moves.

Stages in Family Life Cycle

1 Bachelor stage:	Young, single, not living at home. Few financial burdens. Fashion opinion leaders. Recreation oriented. Buy: basic home equipment, furniture, cars, holidays.
2 Newly married couples:	Young, no children. Highest purchase rate and highest average purchase of durables: cars, appliances, furniture, holidays.
3 Full nest I:	Youngest child under six. Home purchasing at peak. Liquid assets low. Interested in new products, advertised products. Buy: washers, dryers, TV, baby food, chest rubs and cough medicines, vitamins, toys.
4 Full nest II:	Youngest child six or over. Financial position better, Less influenced by advertising. Buy larger-size packages, multiple-unit deals. Buy: many foods, cleaning materials, bicycles, music lessons, pianos.
5 Full nest III:	Older married couples with dependent children. Financial position still better. Some children get jobs. Hard to influence with advertising. High average purchase of durables: new, more tasteful furniture, travel, unnecessary appliances, boats, dental services, magazines.
6 Empty nest I:	Older married couples, no children living with them, head of household in labour force. Home ownership at peak. Most satisfied with financial position and money saved. Interested in travel, recreation, self-education. Make gifts and contributions. Not interested in new products. Buy: holiday, luxuries, home improvements.
7 Empty nest II:	Older married. No children living at home, head of household retired. Drastic cut in income. Keep home. Buy: medical appliances, medical-care products.
8 Solitary survivor:	In labour force. Income still good but likely to sell home.
9 Solitary retired:	Retired. Same medical and product needs as other retired group; drastic cut in income. Special need for attention, affection and security.

Sources: William D. Wells and George Gubar, "Life -Cycle Concepts in Marketing Research," *Journal of Marketing Research*

Changes through the Family Life Cycle

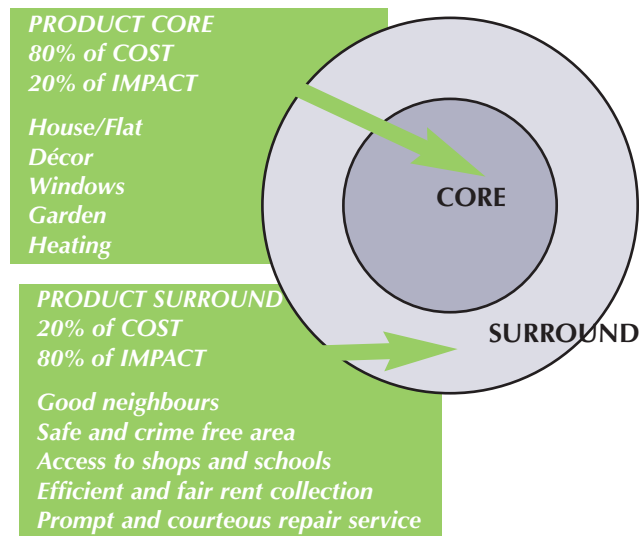


6 OTHER USEFUL MARKETING CONCEPTS

This handbook is intended to introduce you to the principles of marketing and consumer behaviour. There is a wealth of marketing literature and education which cannot be covered here, so in the meantime here are a selection of key concepts to whet your marketing appetite.

Value added

The principle of value added suggests that a product must be considered at two levels, its core and its surround. The product core is usually the physical product that is on offer and solves the customer's rational needs. The product surround or 'value added' are associated elements, which solve the customer's emotional needs. The greater the product surround the greater the value added. The product core has most potential to dissatisfy a customer, the product surround the most potential to satisfy.



Product core

The house on the right is perfectly acceptable at the product core.



Product surround

A glimpse at the product surround of the same house reveals a different story.

Product life cycle

The product life cycle concept suggests that sales of a product or service change over time in line with four main stages of 'life'.

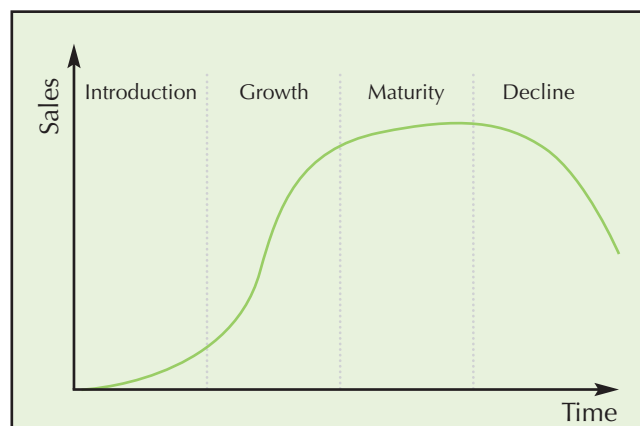
Introduction - Customers and retailers learn about the product and take up is modest.

Growth stage - Sales accelerate as awareness and understanding of the product grows

Maturity stage - Sales level off as the market becomes saturated.

Decline - Sales decline as new alternative products are introduced.

Extension strategies are used during the maturity and decline stages to try and extend the product's life cycle. These may include price reductions, other special offers and attempts to identify new uses and new users.



Summary of Product Life-Cycle Characteristics, Objectives and Strategies

	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing Number	Stable number beginning to decline	Declining number
Marketing Objectives	Create product awareness and trial	Maximise market share	Maximise profit while defending market share	Reduce expenditure and milk the brand
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversity brands and items models	Phase out weak
Price	Charge cost-plus	Price to penetrate market	Price to match or best competitors'	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in the mass-market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyalists
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

The 7 Ps of service marketing

The marketing mix, the full set of tools available for an organization to satisfy its target markets consists of seven Ps. This is a useful classification to ensure that a marketer is responding in all areas where consumers make judgements.

THE MARKETING MIX						
PRODUCT	PRICE	PLACE	PROMOTION	PEOPLE	PHYSICAL EVIDENCE	PROCESS
Range	Level	Location	Advertising	Leadership and motivation	Environment: furnishings, colour, layout, noise layout	Policies
Quality	Discounts, allowances, commissions	Accessibility	Personal Selling	Training and development	Facilitating goods	Procedures
Level	Payment terms	Distribution channels	Sales Promotion	Rewards and incentives	Vehicles	Mechanisation
Brand name	Customer's perceived value	Distribution coverage	Publicity	Discretion, commitment, interpersonal behaviour	Uniforms	Employee discretion
Service Lines	Quality/Price differentiation	E-strategy		Attitudes	Promotional materials	Customer involvement
Warranty				Other customer behaviour, degree of involvement, customer contact	Tangible clues	Customer direction
After sales service						Flow of activities

CRM

Customer relationship management (CRM) is defined as 'The IT-enabled integration of data across multiple customer contact points to enable the development of offers tailored to specific customer needs'.

Interest in CRM has grown enormously over the past ten years thanks to the increase in computer processing power and better connectivity between different IT platforms.

Key processes such as repairs and lettings could be simplified and speeded up by the use of IT based enquiry logging and workflow. Customers could log requests electronically, repair lead times and costs could be reduced by issuing works instructions through PDAs held by repairmen, and assets could be made to work harder by using GPS satellite systems to track vehicles and tools.

Data warehousing and analysis techniques could lead to a much better understanding of target audiences and more tailored housing management regimes.

Marketing audit and planning

If you are serious about marketing you should create a marketing plan.

This is a systematic process, which will force you to take a cold hard look at where you want to be as an organisation (goal setting), where you are now (situation review), how you will close the gap (strategy formulation) and how you will deliver success (resource allocation and monitoring).



From Marketing Plans - How to prepare them: How to use them, by Professor Malcolm McDonald

The situation review is a very useful exercise in its own right and it will lead you to answer the key questions raised in this handbook. The marketing audit you will undertake will give you a thorough understanding of your capability (internal audit) and your market opportunity (external audit).

Marketing Audit Checklist

INTERNAL AUDIT

Marketing strategy

- Target markets
- Marketing mix
- Differential Advantage

Marketing systems

- Structure
- Internal marketing

Marketing function

- Product
- Price
- Place
- Promotion
- People
- Process
- Physical evidence

EXTERNAL AUDIT

Market place

- Size
- Growth
- Segmentation

Competition

- Like-for-like competitors
- Substitute competitors

Macro-environment

- Socio-cultural
- Legal
- Economic
- Political
- Technical

Customer service

You may wonder why the subject of customer service has not been examined in these pages.

Understanding Customers is aimed at encouraging you to explore all the requirements of your customers. Such

an exploration will lead you to understand why customer service is important and why residents get so upset when it is poorly delivered.

Delivering appropriate levels of service is part of the next stage of the marketing story. It is beyond understanding, it is about doing.

Appendix - Reference sources

Audit Commission		www.audit-commission.gov.uk
Chartered Institute of Housing		www.cih.org
Chartered Institute of Marketing		www.cim.co.uk
Community Data Services		www.comdata.co.uk
Countryside Agency		www.countryside.gov.uk
Government Offices	North East North West Yorkshire & Humberside	www.go-ne.gov.uk www.go-nw.gov.uk www.goyh.gov.uk
H.M. Treasury		www.hm-treasury.gov.uk
Homeless Pages		www.homelesspages.org.uk
Housing Corporation		www.housingcorp.gov.uk
Housing Today		www.housing-today.co.uk
Inside Housing		www.insidehousing.co.uk
Joseph Rowntree Foundation		www.jrf.org.uk
Market Research Society		www.mrs.org.uk
National Housing Federation		www.housing.org.uk
Northern Housing Consortium		www.northern-consortium.org.uk
Office of the Deputy Prime Minister		www.odpm.gov.uk
Roof		www.roofmag.org.uk

Notes



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