

FINANCIAL STANDARD

You are how you spend, not your age

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Age is not the defining factor to how consumers spend on financial services, said a leading demographics expert who argued that labels such as Gen X, Gen Y and Baby Boomers are useless and outmoded.

Ex-KPMG consumer behaviourist Ross Honeywill and co-author Verity Byth have published a new book this month, based on six years of research surveying more than 500,000 consumers, titled “neo power – how the new economic order is changing the way we live, work, and play”.

The book re-defines consumers into two categories: the NEOs, those who will spend in any economic climate as long as their purchase suits their lifestyle aims and values. Then there are the Traditionals, those who are price-driven, love to bargain and stingy with their money.

“What our research uncovered is that consumer behaviour consistently defies most conventional marketing rules,” said Honeywill. “Spending patterns are not predicated on where you live, how old you are or even how much money you earn.”

He even went as far to say, “Any kind of analysis using Gen X, Gen Y and Baby Boomer is the ‘big swindle’ because that is based on one factor, when you were born.” By contrast, Honeywill and Blyth’s research looked at 194 variables which underpinned their NEOs versus Traditionals consumer segmentation.

While Honeywill declined to disclose names, he said that a couple of major banks have looked into using the NEO typology as their key consumer research behind their product development.

“All of the big banks are well-evolved in their customer journey. Some are better than others. But now they can’t have one customer journey but two because the value proposition for the NEOs and the Traditionals are fundamentally different.”

Outside the finance sector, high-end car maker Lexus has used the NEO typology for many years to appeal to NEOs, who account for 24 per cent of the country’s population but a massive 54 per cent of all discretionary spending.

“It would be a bit of a stretch to say the NEO typology is the reason why Lexus is now the number three luxury brand in Australia but it is certainly one of the key ingredients...and we’ve hardwired all our communication and marketing material around NEOs,” said Adrian Barrow, director of planning at Saatchi & Saatchi, the agency that handles the Lexus account.

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