PRC introduces geo-segmentation in the form of the Neighbourhood Lifestyle Index

The PRC has for the first time in the history introduced a geo-segmentation, in the form of the Neighbourhood Lifestyle Index, to give advertisers and their agencies a new geography-based tool to segment the marketplace.

Photo by Dhyamis Kleber from Pexels.

The Neighbourhood Lifestyle Index classifies areas according to various characteristics; these include how the neighbourhood differs from its surroundings, how stable it is, the demographic make-up and diversity and the income rating. The Index ranges from 1 (lowest income community) to 10 (the most affluent community) and is designed to provide a national perspective on both individual formal and informal residential data, as well as non-residential building datasets.

“We needed to include income in the sample frame for Pams 2019. In order to do this – before researchers enter a home to ask people about their income – we wanted a method of predicting household income based on the suburb/neighbourhood where they live. As a result, we had to look at a geo-segmentation,” explains the PRC’s lead researcher, Peter Langschmidt.

Cornerstone of the credit scoring industry

Geo-segmentation (household neighbourhood characteristics and applicants duration at residence) has been a cornerstone of the credit scoring industry for over 40 years, Langschmidt says.

“That’s why when you apply for finance they ask you your address and the period you have been living there,” Langschmidt says. He points out that the credit industry is over a hundred times larger than the ad industry, and that no finance application has ever asked about LSM/SEM durables in your kitchen, for the simple reason that they have absolutely no bearing on your predictive repayment ability.

“Place of residence and duration has a very strong bearing on future credit behaviour, and I would suggest that they are a good indicator of future brand behaviour,” he says.

He says:

> *With this newoption, planners could simply define a target using NLI 8-10 instead of SEM 8-10. The big advantage of the NLI - think of banks, retailers and automotive dealers, - is that they can tie them directly back to the areas around their stores and conduct micro-marketing on the ground that links to their above the line adspend. This is incredibly powerful,” he says.*

An LSM or SEM is based on a Household and thus cannot be tied back to a store or suburb.
The Pams 2019 insights were delivered via an online launch earlier this month. CEO of the Publisher Research Council, Josephine Buys, said the industry body was extremely lucky to be able to rely on some of the best media research minds in the world.