

2006 Community Tapestry at the Block Group Geography Level

Methodology Statement

A block group, as defined by the U.S. Census Bureau, contains 500 households on average. Segmentation systems arrange block groups with the most similar characteristics into the same segment; those with divergent attributes are separated.

ESRI's segmentation system, Community™ Tapestry™, represents the fourth generation of market segmentation systems that were first developed 30 years ago. Community Tapestry classifies U.S. neighborhoods (block groups) into 65 segments based on their socioeconomic and demographic compositions. Community Tapestry enables users to profile, target, reach, and sell to current and prospective consumers.

U.S. Attributes Used to Build Community Tapestry

Each U.S. neighborhood was analyzed and sorted using more than 60 data attributes including income, source of income, employment, home value, housing type, occupation, education, household composition, age, ethnicity, and other key predictors of consumer behavior. Because the U.S. consumer markets are so diverse, using this large number of attributes is necessary to accurately capture this diversity with the most powerful data available. The data sources used include ESRI's proprietary demographic updates, Census 2000, the national consumer survey from Mediamark Research Inc. Doublebase 2004, and other sources to capture the subtlety and vibrancy of the U.S. marketplace.

Statistical Methods for Building Community Tapestry

ESRI combines the traditional statistical methodology of cluster analysis with our latest data-mining techniques to provide a robust and compelling segmentation of U.S. neighborhoods. ESRI developed and incorporated these data-mining techniques to complement and strengthen the traditional methodology to work with the large amount of geodemographic data and vast numbers of block groups.

Geodemographic data covers a large number of block groups, many of which contain large or small values in their attributes. Robust methods are less susceptible to extreme values and are crucial when dealing with geodemographic data. The traditional methodology of cluster analysis has a long track record in the development of segmentation systems. Complementary use of recently developed data-mining techniques enhances the effectiveness of traditional statistical methodology used to develop Community Tapestry.

For a broader view of markets, cluster analysis was also used to develop Community Tapestry's summary groups. The 65 segments were combined into 12 LifeMode groups based on lifestyle and lifestage. Community Tapestry's 11 Urbanization groups are based on geographic and physical features of the segments and income.

Optimal Number of Segments

Why does Community Tapestry have 65 segments? Community Tapestry's 65 segments serve to effectively describe the U.S. markets. Why are there not 60 or some other number? ESRI employed several methods to ensure the optimal number of segments. The most intuitive measure among the batch of statistics used is the concept of stability. By examining how many neighborhoods' assignments would change, we can assess how stable a solution is. From the analysis of multiple solutions with varying numbers of segments, the solution with 65 segments proved to be the most stable. Other key measures in the analysis include the predictive power of the segmentation system to reveal the diversity of U.S. consumers.

Verification Procedures

Verification procedures test the segments to ensure their stability and validity. Replicating the segments with independent samples verifies the stability. Validity is checked through the use of attributes not employed to develop the segments. Linking the Community Tapestry system to the latest consumer survey data is another critical validity test. A market segmentation system must be able to distinguish consumer behavior, such as spending patterns and lifestyle choices, as expected.

For More Information



For more information about Community Tapestry, call ESRI at 800-447-9778.

Visit our Web site at www.esri.com/tapestry

Visit our Web site at www.esri.com/tapestry

2006 Community Tapestry at the Block Group Geography Level

Methodology Statement

Consumer Markets Revealed

A contrast between the top and bottom of the economic scale reveals the income diversity in the U.S. marketplace. *Top Rung*, Community Tapestry's wealthiest market, has a median household income of more than three and one-half times that of the U.S. median. In contrast, *City Commons* has a median household income that is less than one-third of the U.S. median. It is important to note that for segments in the middle of the economic scale, Community Tapestry also reveals the variations in income.

Today's affluent markets include nonfamily households. For example, *Laptops and Lattes* residents are mostly singles who are primarily in their 20s and 30s, who still rent and have a median household income almost twice that of the U.S. median—not a typical image of affluent households of homeownership married couples in their peak earning years.

Boomburbs neighborhoods characterize suburban sprawl. Nearly three-quarters of this market's homes were built in the last 10 years. As families need more affordable single-family housing, they move farther away from urban areas to raise their young children.

Seniors and young Community Tapestry segments illustrate the increasing age disparity and growth markets of the U.S. population. For example, in *The Elders* neighborhoods, one of Community Tapestry's nine senior segments, half of the residents are older than 73 years, own their homes, and remain active. Although neighborhoods of seniors have increased as a result of the aging U.S. population, those dominated by young households with children have also surged. For example, the *City Commons* neighborhoods are composed of young households with children. Half of this population is younger than 24 years. These and other age-disparate markets will continue to grow as seniors age, children of the baby boom mature, and immigration continues at its current rate.

Immigration continues to affect the ethnic makeup of the United States. Seven of Community Tapestry's 65 segments reveal the growing consumer influence of Hispanic communities as their buying power explodes. More than half of our foreign-born population comes from Latin America to seek better jobs and opportunities for their children. Their numbers are increasing as they become established, raise families, and move up the U.S. economic ladder. This trend reflects the geographic and socioeconomic migration of the foreign-born population away from the traditional "gateway" states and enclaves of earlier immigrants.

For More Information



For more information about Community Tapestry, call ESRI at 800-447-9778.

Visit our Web site at www.esri.com/tapestry

Copyright © 2006 ESRI. All rights reserved. ESRI, the ESRI globe logo, Community, Tapestry, and www.esri.com are trademarks, registered trademarks, or service marks of ESRI in the United States, the European Community, or certain other jurisdictions. Other companies and products mentioned herein are trademarks or registered trademarks of their respective trademark owners.

G21726 Data Tables 08/06sd/kq

Visit our Web site at www.esri.com/tapestry