



# Methodology

## Community™ Tapestry™

### How We Built a Portrait of U.S. Markets

Based on the foundation of ACORN's proven methodology introduced more than 30 years ago, the Tapestry segmentation system classifies U.S. neighborhoods into 65 market segments. Neighborhoods with the most similar characteristics are grouped together, while neighborhoods showing divergent characteristics are separated.

#### What Attributes Are Used?

Each neighborhood is analyzed and sorted by over 60 attributes, including income, source of income, employment, home value, housing type, occupation, education, household composition, age and other key determinants of consumer behavior. The U.S. consumer markets are diverse in many ways. The use of large number of attributes reflects the diversity and the need to capture them with the most powerful data available. The data sources include Census 2000, ESRI BIS' proprietary 2003 demographic updates, Acxiom's InfoBase consumer database, Mediamark Research Inc.'s national consumer survey, and other sources to capture the subtlety and vibrancy of the U.S. marketplace.

#### Why 65 Segments?

A frequently asked question about a geodemographic segmentation is why this number of segments. Tapestry's 65 segments describe the U.S. markets. Why not 60 or some other number? We employed several statistical methods to ensure the most optimal number of segments. The most intuitive measure among the batch of statistics used is the concept of *stability*. By examining how many neighborhoods would change their assignment, we could assess the stability of a solution. From an analysis of solutions with different numbers of segments, the solution with 65 segments proved to be the most stable.

#### How Is Tapestry Built?

Tapestry 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 BIS incorporated and developed these data mining techniques to complement and strengthen the traditional methodology to work with large amount of geodemographic data.

Geodemographic data covers a vast number of neighborhoods with many of them having very large or small values in their attributes. Robust methods are less susceptible to extreme values and are crucial in dealing with geodemographic data. The traditional methodology of cluster analysis has a long track record in developing segmentation systems. Complementary use of data mining techniques developed in the recent years enhances the effectiveness of traditional statistical methodology in developing Tapestry.

Cluster analysis is also used in developing the summary groups. The 65 segments are combined into 12 LifeMode groups based on lifestyle and lifestage. These groups provide a broad view of the segments. They are ideal when users want to work with fewer markets than the full 65 segments. The 11 Urbanization groups present an alternative way of combining the 65 segments and are based on geographic and physical features of the segments along with income.

#### What Verification Steps Are Taken?

Verification procedures follow the creation of the segments to ensure their stability and validity. Replicating the segments with independent samples checks stability. Validity is checked through the use of characteristics not used to generate the segments. Linking the Tapestry segmentation system to the latest consumer survey data is the critical test. A market segmentation system must be able to distinguish consumer behavior—spending patterns and lifestyle choices—as expected.

For more information, call 800-292-2224/East or 800-394-3690/West  
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