Target marketing can help attract city residents

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Target Marketing Can Help Attract City Residents
By Robert E. Lang, James W. Hughes, and Karen A. Danielsen

The people who choose the city, in sum, are of many different kinds, but they have one thing in common: they like the city. They like the privacy, they like the specialization, and the hundreds of one-of-the-kind shops; they like the excitement—to some, the sirens at night are music—they like the heterogeneity, the contrasts, the mixture of odd people. Even the touch of Sodom and Gomorrah intrigues them; they may never go to a nightclub, but they enjoy the thought that if they were of the mind, there would be something interesting to go out to.

— William Whyte in his classic 1957 essay "Are Cities Un-American?"

As Whyte points out, there are some people who just like living in the city. While suburban growth continues, city living is regaining popularity. It is common knowledge that urban neighborhoods often attract young, single professionals, but a more precise identification of potential city dwellers could help cities understand and develop their comparative advantages. Now, perhaps more than ever, cities need to know which people want to live in them and how their vision of urban life may be accommodated by public policy.

A common concern expressed among urban mayors is that the quality of their city services, especially schools, stacks up poorly against that of most suburbs. Improving public education is often cited as the key to attracting suburbanites to cities. Enhancing school quality is indeed an important element in any urban revitalization effort, but it may be less critical than is commonly assumed. Consider that households made up of married couples with children under 18 now account for only a quarter of the nation's total, down from 4 in 10 households in 1970.

Changes in lifestyle and life cycle, including later marriages, fewer children per family, gay couples, childless marriages, nonmarried couples and singles, and more empty-nest years for couples with grown children, have made so-called nontraditional childless households the norm. These household demographics enable cities to develop a strategy of attracting suburbanites that is more comprehensive than simply improving schools. In fact, the taxes generated by attracting childless households to the city can be used to improve school quality for families with children without adding any additional burden on school systems. Those who study housing impact find that the combination eases pressure on municipal budgets.

Target marketing is a tool that can help cities capitalize on their strengths. Claritas, a commercial target-marketing company in Arlington, Virginia, uses a methodology it developed to categorize groups of people based on where they live and predominant characteristics of neighborhood residents. Claritas divides America's population into 15 social groups and gives them names such as "Landed Gentry" and "Exurban Blues." The social groups result from plotting three socioeconomic statuses (low, medium, and high) against five population density types (rural, town/exurban, second- or edge-city, metro suburb, and metro urban). Social groups roughly classify people by location and income. These groups further segment into 62 more precisely defined "lifestyle clusters," each containing from 0.5 to 2.8 percent of the nation's population.
Lifestyle clusters are derived by matching demographics to consumption patterns. People ultimately fall into a lifestyle cluster based on what they buy.

Two of Claritas's social groups, Urban Uptown and Urban Midscale, are composed of households that are mostly central-city residents, but also many that live in central-city type neighborhoods in what are technically (according to the Census Bureau) suburbs. The lifestyle clusters in those groups are known by their Claritas nomenclature: Money & Brains, Young Literati, Bohemian Mix, Urban Achievers, and other cute nicknames. Collectively, the households in these two social groups can be characterized as "suburban urbanites" when they live in census-defined suburbs. Because they pursue essentially urban lifestyles, suburban urbanites form the group most likely to relocate to central cities.

Suburban urbanites are a considerably more diverse group than the young, single professionals that most of us think of as upscale city residents. Of the 10 lifestyle clusters, only two are predominantly composed of singles; the rest are couples, families, or a mix of singles and couples. In terms of race and ethnicity, just three are predominantly white; four are diverse, two are primarily Hispanic, and one is largely black. All age groups are represented. Executive and white collar occupations dominate, but three clusters include some blue collar or service workers.

Target marketing can help direct development in a number of ways. For one thing, it can enhance opportunities for urban infill development. American cities contain numerous old industrial zones and abandoned warehouse districts, which often lie just outside their downtown areas and are well suited for large-scale infill development. Based on the demographics of suburban urbanites, just building lofts or high rises would fail to attract many of the likely target residents for infill housing. Much broader choices should be offered. For example, in Portland, Oregon's Pearl District, rows of warehouses have been converted into "rear-load," no-yard town houses that typically have about 2,000 square feet with three bedrooms and two and one-half baths. Most have a two-car carport in the rear alley in lieu of a small yard because developers assumed that the dual-income couples whom they targeted were more concerned with off-street parking than gardening. The development has proven successful, with the only surprise being the large number of empty nesters who bought homes. Commenting on this trend in Portland, the Urban Land Institute finds that the empty nesters moving to converted warehouses in the Pearl District "have already owned homes and are eager for the reduced responsibilities inherent in condominium living." Target marketing helps developers match infill housing design with specific populations.

With a combination of smart design and target marketing, urban infill development can help revitalize cities throughout the nation. Many American cities have plenty of room for more residents. For instance, Washington, DC, at one time contained almost twice its current population. The infrastructure supporting much of that population remains in place. Luring new residents to the city therefore can be achieved while minimizing the displacement of current residents.

The risk of displacement is often raised by critics of gentrification who view the return of middle-income suburbanites to cities as a zero-sum game. While the risk of displacement is real,
we think it is outweighed by the even greater risk of losing a chance to secure a larger tax base. Taxing new middle-income residents and spending the money on programs for a general urban population is a benefit that at least partially offsets the pain caused by displacement.

Interestingly, the rich data that come from target market studies may allow cities to channel the gentrification process in creative ways. Knowing the demographic and lifestyle details of neighborhood composition should give cities the capacity to fine-tune their redevelopment efforts. In this way, they may be able to get ahead of the market and direct gentrification to places where it is best accommodated, based on land use and existing lifestyles. Target marketing can help cities expand their already gentrified neighborhoods, while leaving stable working-class neighborhoods largely untouched. To the extent that working-class neighborhoods receive middle-income housing, target marketing data should enable planners and developers to situate such housing very precisely. Used correctly, target marketing could be an effective tool in transitioning to mixed-income neighborhoods.