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**IMPROVING U.S. ARMY RECRUITING: USING  
MODERN MARKET SEGMENTATION METHODOLOGY TO  
SELECT HIGH-PAYOFF TARGET SEGMENTS**

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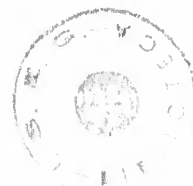
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## GLOSSARY OF TERMS

(Dictionary of Military Terms, 1987)



- AIT—advanced individual training:** after basic combat training, recruits normally attend a second phase of training to learn a specific military occupational specialty or skill.
- ASVAB—Armed Services Vocational Aptitude Battery:** a standardized examination administered to potential recruits to judge their cognitive abilities.
- CA—combat arms:** forces whose primary missions are to participate in combat.
- CS—combat support:** forces whose primary mission is to furnish operational assistance for the combat forces.
- CSS—combat service support:** forces whose primary missions are to provide support to the combat forces, primarily in the fields of administration and logistics.
- Cold War:** a state of international tension wherein political, economic, technological, sociological, psychological, paramilitary, and military measures short of overt conflict involving regular military forces are employed to achieve national objectives.
- DEP—delayed entry program:** Army program in which a recruit can sign an enlistment contract to enter active military service, but can delay his report to the Military Entrance Processing Station for up to one year. This delay is offered as an incentive and allows the recruit to prepare mentally, physically, emotionally, and administratively for basic training.



**drawdown:** period following the end of the Cold War in which the United States government drastically and continually reduced the size of its armed forces as a result of the reduced threat from the former Soviet Union.

**end strength:** the number of soldiers serving on active-duty at the end of the fiscal year which ends on September 30th of each year.

**FY—fiscal year:** year beginning each October 1st and ending each September 30th used instead of the normal calendar year by government agencies.

**GI—government issue:** items issued by the U.S. government. Common nickname for a U.S. soldier.

**GED—general equivalency diploma:** a program taken by a non-high school diploma holder to verify possession of those minimal skills deemed essential and equivalent to a high school graduate.

**MEPS—military entrance processing station:** place where a civilian contracted to enter the military service first reports and is administratively and legally inducted into military service.

**MOS—military occupational specialty:** describes the specific military skills, attributes, and special knowledge in which an individual soldier has been or is being trained to perform his or her military duties.

**NPS—non-prior service:** a soldier who has never previously served and been discharged from military service.

**operational tempo-**the pace at which military forces are deployed and performing real-world missions, either in combat, peacekeeping, peace enforcement, humanitarian relief, or disaster relief.

**peace dividend:** term generally used in the U.S. to describe the funds and resources provided as a result of the military drawdown following the breakup of the Soviet Union and the end of the Cold War.

**propensity:** tendency, inclination, or predisposition to do something.

**RA—Regular Army:** forces of the active-duty Army, not belonging to the Army National Guard or the United States Army Reserve.

**USAR—United States Army Reserve:** federal reserve forces of the United States Army, not belonging to the active forces or the Army National Guard.

## ABSTRACT

During the last few years, the United States Army has experienced great difficulties in recruiting and retaining sufficient numbers of quality soldiers. In 1999, the U.S. Army suffered its worst recruiting year in 20 years (Harper, 1999). The primary causes of the current recruiting crisis include the very robust U.S. economy, record-low unemployment levels, and an ever-decreasing propensity for military service.

To resolve the current recruiting crisis and remain the high-quality, all-volunteer force that it is today, the Army should abandon its traditional mass marketing methods and focus its limited resources in a more effective and economical manner. Current methods waste precious resources on segments that are extremely unlikely to serve in the Army. The Army cannot compete and win in all segments; it must choose.

It is my recommendation that, based on the analysis presented in this dissertation, that the U.S. Army, by adopting target marketing and a selective specialization marketing strategy, can identify, select, and target high-payoff segments where the Army possesses a competitive advantage. To achieve this goal, the Army must conduct a three-step process: market segmentation, market targeting, and market positioning.

The Army must abandon its "shotgun approach" to recruiting American youth by developing customized marketing programs for each of its five recruiting brigades. Through target marketing, the U.S. Army can increase its recruiting effectiveness, reduce its advertising costs per recruit, and, ultimately, resolve the current recruiting crisis.

**KEY WORDS:** segmentation, profiling, evaluation, target markets, positioning.

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# **1. OVERVIEW**

## **1.1. Objectives**

The objectives of this dissertation are to explore specific mechanisms through which the United States Army can implement modern market segmentation techniques in order to decrease recruiting costs per recruit, meet recruiting goals, and allow the Army to remain an all-volunteer force. More specifically, these objectives are:

- Demonstrate that modern market segmentation methodology, specifically factor and cluster analysis, can be used to identify high-payoff target segments and increase the effectiveness of U.S. Army recruiting efforts.
- Recommend methods to increase the U.S. Army's return on its marketing investments by reducing marketing expenditures per recruit.
- Contribute to Army combat readiness by suggesting methods to resolve the current recruiting crisis and help the Army remain an all-volunteer force.

## **1.2. Methodology**

The methodology used in this dissertation follows the three major steps described by Philip Kotler in Chapter 9 of his book Marketing Management: Analysis, Planning, Implementation, and Control:

### **1. Market Segmentation**

- Identify segmentation variables and segment the market.
- Develop profiles of resulting segments.

### **2. Market Targeting**

- Evaluate the attractiveness of each segment.

- Select the target markets.

### 3. Market Positioning\*\*

- Identify possible positioning concepts for each target segment.
- Select, develop, and communicate the chosen positioning concept.

*\*\* Beyond the scope of this dissertation.*

The first step involves gathering market data about today's youth and determining the economic, social, and political factors contributing to the current recruiting crisis. This can be done by gathering and analyzing the most commonly recognized surveys of America's youth: the Pentagon's annual Youth Attitude Tracking Survey (YATS), the Teenage Research Unlimited (TRU), the New Recruit Survey (NRS), Monitoring the Future from the University of Michigan, Sample Surveys Of Military Personnel, and Yankelovich Monitor Data.

The second step is an analytical process involving the analysis and comparison of the various survey data to historical profiles of recruited soldiers. Current profiles can be compared with historical profiles of past Army enlistees in order to identify those market segments that have demonstrated an above average propensity to serve. Segments that have displayed, through the years, an above-average propensity to serve should be chosen as the high-payoff segments where the Army should concentrate its marketing efforts.

In the third step, using the customized profiles from each high-payoff target segment, positioning concepts can be developed to attract target segment members.

Utilizing this three-step process, the high propensity target segments can be identified in order to focus Army recruiting efforts, increase the Army's recruiting

effectiveness, reduce marketing expenses, and, as a result, increase the Army's return on its recruiting investment.

### **1.3. Summary of Conclusions and Recommendations**

Using modern market segmentation theory, the Army's youth market was divided into 50 market segments. These 50 market segments were analyzed and profiled in order to accurately describe their distinctive attributes and characteristics. Next, the 50 segments were evaluated based on the last four years of enlistment contract production for the Army as a whole. Each of the 50 segments were then identified as belong to one of four quadrants: core segments, niche segments, low-production segments, and under-represented segments with high potential.

After identifying and classifying these segments according to total Army production, they were then analyzed according to each of the Army's five recruiting brigade's geographical area of responsibility. At this point, it became possible to identify specific core, niche, under-represented, and low-production segments relative to each recruiting brigade and its unique geographic region.

The results of this analysis clearly demonstrate that, within each recruiting brigade area, there are specific core market segments that should be defended and maintained and other niche segments that could be exploited. There are also under-represented segments that demonstrate great potential. In these under-represented areas, the Army must develop customized marketing campaigns, adapted specifically to the segment profiles previously developed, in order to attract members of these segments. Lastly, certain segments were identified as extremely low-production segments that have traditionally exhibited a low-propensity towards

Army service. In these segments, the Army must not waste precious resources. In other words, Army recruiters can try to recruit members from these segments, but should not “chase” these segments or expend any extraordinary effort in those segments.

It is time for the Army to transform the way it recruits its soldiers. It is time for the Army to abandon its resource-intensive, wasteful mass marketing methods and implement target marketing. The Army must not constantly try to solve its recruiting problems by spending more money on higher pay and larger enlistment bonuses. These are expensive and short-term solutions.

The Army must take a long-term view of solving its recruiting problems and become a more effective and efficient recruiter, as stressed recently by the Army’s top civilian leader, Secretary of the Army Louis Caldera.

*We must continue to be the most effective and efficient organization that we can be. Our need to focus our limited resources on our highest priorities is simply too great to be wasteful or bureaucratic in the way we do business. We must in good faith be good stewards of the resources we have. The Army needs to recruit more effectively, from all of America (Army’s Health, 1998).*

In other words, the Army does not necessarily need to spend more money in order to solve its current recruiting crisis. The U.S. Army, just like any major corporation in today’s competitive marketplace, must utilize modern marketing techniques to attract customers (America’s qualified youth) to “buy” its product (service in the Army).

Market segmentation would allow the Army to focus its limited resources in a more effective and economical manner. The Army should abandon its traditional mass marketing strategy and implement a more concentrated marketing effort to

penetrate high-payoff market segments and reduce its recruiting costs. The U.S. Army should identify, select, and target high-payoff target segments. By using modern market segmentation theory, the U.S. Army can increase its recruiting effectiveness, reduce its advertising costs per recruit, and, ultimately, resolve its current recruiting crisis.

#### **1.4. Structure of Dissertation**

Chapter 2 introduces the reader to the U.S. Army and its missions in order to gain an appreciation for its size, composition, and where Army forces are located throughout the world. Next, the Army's role and mission within the United States national military strategy is explained. Chapter 2 also describes how the U.S. Army became an all-volunteer force and traces its evolution through the years. Beginning with the abolition of the draft by former U.S. President Richard Nixon in 1973, this section traces the high and low points of the all-volunteer Army and concludes with the status of the force today.

The state of the today's youth market in America is the subject of Chapter 3. In Chapter 4 and Annex 1, the reader learns how the Army recruits its soldiers from the U.S. population. From recruiters to advertising to promotions and premiums, these sections describe the Army's traditional methods of mass marketing.

In Chapter 5, current recruiting difficulties are described along with the principal causes of the Army's recruiting crisis. The Army's recruiting and retention policies are based on the assumption that there is an unlimited supply of new recruits. That assumption is now in doubt because there are fewer American youths



inclined toward military service, less public understanding of what the military does, and many alternatives in an expanding economy to serving in the military.

Recent responses by the Department of Defense and President Clinton's administration are discussed in Chapter 6. These short-term solutions to recruiting difficulties include better pay, more bonuses, lower recruiting standards, leadership emphasis within the Army to retain soldiers, and even discussion by some members of Congress about a return to the draft.

Next, chapter 7 describes target marketing according to Philip Kotler. The five basic patterns of target marketing can be read about in greater detail at Annex 2. Chapter 8 discusses the first step of the target marketing process: market segmentation. Market segmentation involves three stages: the Survey Stage, the Analysis Phase, and the Profiling Stage. This chapter discusses cluster analysis and segment profiling. Annex 3 contains a description of the 50 custom segments identified during this stage.

Chapter 9 describes the process of market targeting, or more accurately segment evaluation. Segment evaluation allows the firm to target high-payoff segments. Chapter 10 summarizes the major findings and conclusions with recommendations following in Chapter 11. Closing comments can be found in Chapter 12.

## **2. INTRODUCTION TO THE ARMY AND ITS MISSIONS**

### **2.1. Size, Composition, and Location**

As of October 1999, the U.S. Army consisted of 479,100 active-duty soldiers with 146,000 of these soldiers stationed or forward-deployed in 90 countries around the world (Shinseki, 1999). Elements of the U.S. Army are deployed around the world performing various and complex missions: Kosovo, Kuwait, Bosnia, Korea, Hawaii, Haiti, Honduras, and dozens of other locations.

### **2.2. Role and Mission**

The Army is a strategic instrument of national policy. Army soldiers enable America to fulfill its world leadership responsibilities of safeguarding its national interests, preventing global calamity, and making the world a safer place. The Army does this by finding peaceful solutions to the frictions between nation states, addressing the problems of human suffering, and, when required, fighting and winning the Nation's wars.

The Army's deployment is the surest sign of America's commitment to accomplishing any mission that occurs on land. The U.S. Army is a strategically deployable force. It can arrive at trouble spots quickly, engage as necessary, and be dominant across the spectrum of operations. The Army's forces must be light enough to deploy, lethal enough to fight and win, and survivable enough to return safely home. These forces must be versatile enough to make peace or fight wars. They must be agile enough to transition from peacemaking to warfighting and back again quickly (Shinseki, 1999).

## **2.3. Evolution of the “All-Volunteer Force”**

### ***2.3.1. The Vietnam War Years: End of the Draft***

Throughout most of its history, the United States has had conscription only in wartime. The draft was first used in the Civil War, and, in this century, America has gone to war four times with the draft in place—World Wars I and II, Korea, and Vietnam. After the Japanese attack on Pearl Harbor during World War II, the draft existed almost continuously for more than 30 years. Between 1941 and 1973, 4.2 million men were drafted (Lippman, 1998).

During the Vietnam War and its aftermath, American citizens had begun to question the fairness of who could and could not receive exemption from the draft. As a result, U.S. President Richard Nixon abolished the draft. On June 30, 1973, mandatory military service ended for American men as the United States military became an all-volunteer force (Lippman, 1998).

### ***2.3.2. The Reagan Years: Renewed Military Pride***

In the early 80s, U.S. President Ronald Reagan's military expansion and modernization created the world's most powerful and advanced military force. President Reagan's supreme achievement, apart from winning the Cold War, was to preside over the revival of U.S. military power. Increased tensions with the Soviet Union gave the United States military a renewed sense of purpose and direction. President Reagan revived old-fashioned patriotism that had diminished during the 1960s and 1970s and reversed some of the negative feelings associated with the military resulting from the Vietnam War.

By the middle of the 1980s, military commanders regarded the military force as the smartest, best educated, most trainable, and most disciplined in American history. During this period, the U.S. military did not have to sacrifice quality to attract the required quantity of recruits.

### **2.3.3. *The End of the Cold War***

On November 9, 1989, the Berlin Wall crumbled and the threat environment that the United States Army had trained and operated in for nearly 50 years changed drastically and instantly. Since the end of World War II, the U.S. Army had existed and trained as a forward-deployed Army prepared to thwart a large-scale conventional armored attack into Western Europe by the Soviet Union and other Warsaw Pact forces. After the fall of the Berlin Wall and the collapse of the Soviet Union, the bipolar Cold War between the United States and the Soviet Union thawed and the Army no longer faced a clearly defined and predictable enemy. The Army began to try to define the new world order and the future threat environment. Who were the potential enemies of and what were the potential threats to the United States and its national interests?

After the Persian Gulf War, America began redeploying its forward-deployed troops in Germany and slowly transitioned to a force primarily based in the continental United States. The United States military began a lengthy process to achieve cost savings through force reductions—dubbed the “peace dividend” by the American President and Congress. The Army began to focus not on pre-positioning forces throughout the world, but developing the capability to rapidly deploy forces anywhere in the world from the continental U.S.—developing a force-projection Army.

#### **2.3.4. *The Clinton Years***

A decade after President Reagan left office, the willingness to serve that he inspired has decreased. The military contraction of the 1990s, known as the “drawdown,” reduced the active military force from 2.13 million to 1.36 million (Bacevich, 1999). However, the military services are still struggling to meet even these reduced recruiting requirements.

Based on results of the latest annual Youth Attitude Tracking Survey (YATS), fewer and fewer Americans are willing to serve in uniform. Since 1975, the Pentagon has used the YATS to chart the propensity of young Americans to enlist in the armed forces. Since 1989, the year that President Reagan left office, the figures have continued to decline; for some demographic groups, the decline has been remarkable. Since the Persian Gulf War, among all 16-to-21-year-old men, the propensity to enlist has declined from 34 percent to 26 percent. For African-Americans, the lifeblood of the all-volunteer force, that propensity has dropped from 54 percent in 1989 to 30 percent in 1998. This decrease is even more significant when one considers that 30 percent of the Army is black while only 12 percent of the comparable pool of the civilian work force is black. Only 55 percent of the Army is white, whereas the comparable civilian work force is 72 percent white (Bacevich, 1999).

During the years of the military drawdown, this reduced propensity seemed inconsequential since the Army faced a surplus of soldiers and recruits. The focus was not on attracting new recruits, but reducing the number of soldiers then serving the active-duty Army. Additionally, immediately following the Persian Gulf War, there was a brief surge in enlistments and the Army could be quite selective about

who it accepting into service. There were more than enough willing and qualified applicants. As Secretary of Defense William Cohen noted in his annual report for 1998, "a sufficient number of young men were interested in the military to allow the Services to meet reduced recruiting goals."

However, today, with the drawdown complete and annual recruiting requirements therefore increasing, Secretary Cohen's statement is no longer true. As the drawdown ended and the recruiting requirements began to rise once again, the reduced propensity to serve among America's youth became a visible problem. At a time when the Army's recruiting requirements were increasing, the number of young Americans interested in military service was decreasing. In 1998 and 1999, the Army began to feel the impact of the current recruiting environment. Recruiting the required number of high-quality recruits had begun to impact on current and future readiness.

In 1998, during his last public appearance on Capitol Hill, former U.S. Army Chief of Staff General Reimer emphasized the significance of the transition period from the drawdown years to those of sustaining the recruiting requirements of the now smaller, but stabilized Army. Reimer noted that the end of this century marks a significant turning point—a year of transition. Eight successive years of drawing down the force and 13 years of straight decline in real buying power were trend lines that the Army can no longer sustain if it is going to maintain the trained and ready Army that the Nation requires. Budget cuts and recruiting challenges have provoked severe manning shortages in the Army and contributing a lower state of personnel readiness. In other words, the all-volunteer Army is running out of

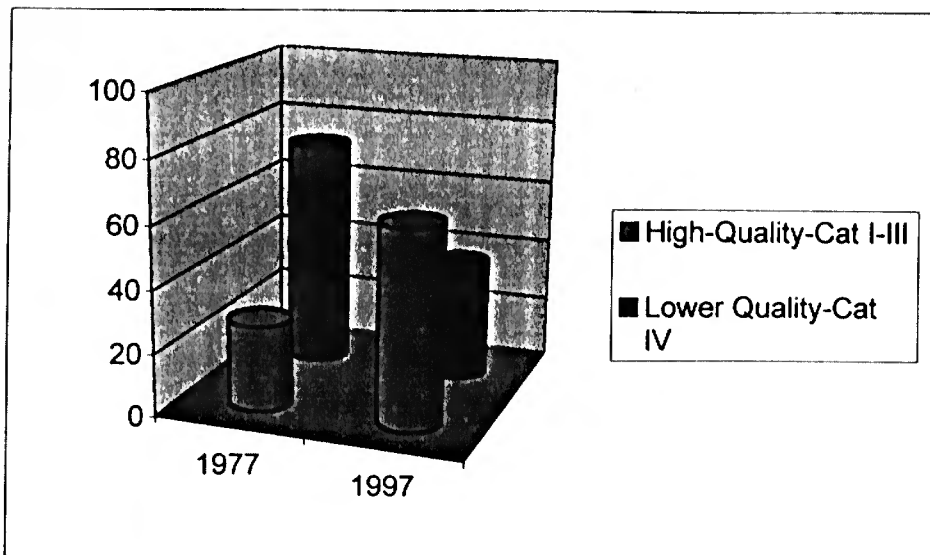
volunteers. As General Reimer said, "We must chart a new direction." (Fiscal 2000, 1999)

### **2.3.5. *Today's Force***

Now it has been more than 25 years since the United States has used the draft. America's all-volunteer armed forces of today are different organizations from those of 1973: smaller, better-educated, more technologically advanced, and much more dependent on women to fill essential jobs (Lippmann, 1998). For senior military leaders, initially hostile to proposals to end the draft, this reliance on volunteers has long been a source of pride. For politicians, the all-volunteer force has been a godsend, enabling them to field a powerful military while freeing them from imposing the politically unpopular draft (Bacevich, 1999).

The quality of the average soldier has risen dramatically since the draft was abolished and the all-volunteer force created. Through the years, the Army has maintained statistics on its recruits and how they have scored on standardized entrance exams. Those that score in the top category are considered "high quality." In 1997, the latest scores available, 62.6 percent of recruits scored as "high quality." Contrast this percentage with the scores of recruits from 1977, during the very first years of the all-volunteer force, when only 27.1 percent of recruits scored as "high quality" (Figure 1). Although these numbers have slipped from the high point of 73.1 percent reached in 1990, today's soldiers are still considered among the very best that the Army has had serving since the end of the draft in 1973 (Levins, 1999).

Figure 1 – Percentage of High-Quality Recruits—1977 to 1997



### 3. THE STATE OF TODAY'S YOUTH MARKET

National cynicism, less patriotism, the '90s lifestyle, a declining sense of adventure, and a high-standards armed forces that is 60 percent married are all factors contributing to the crisis in combat readiness of America's armed services. The proliferation of information services is creating what many call a "global village" in which the world is becoming smaller in many ways. Youth today are more exposed to other cultures than ever before and, in many senses, the Internet is contributing to a merging and blending of various cultures.

#### **3.1. Society Becoming Less Connected to Military**

According to Lieutenant Colonel Hilary Evers III, commander of the Baltimore, Maryland-based Recruiting Battalion, late-20<sup>th</sup> century American cynicism is a big obstacle. "Kids are pretty much the same as they were 40 years ago—they listen to Mom and Dad when it comes to military service." But, he said, parents "are a lot more cynical about military service than adults were 40 years



ago." For the first time since World War II, fathers are coming of age with no experience in the military to pass along to sons and daughters. As World War II veterans die at the rate of 1,000 a week, only 6 percent of Americans under age 65 have seen military service of some kind (Omicinski, 1999).

Additionally, according to Secretary of the Army Louis Caldera, the fact that his own baby-boom generation has failed to pass along patriotic values is further complicating matters. Caldera states that America's youth are "uncomfortable talking about patriotism or about obligations due to the country...[there is] a whole generation that hasn't had those experiences." Caldera adds that it is a cultural thing that would be hard to change. He says that today's youth "can't stand the thought of their independence being taken away. They don't see that the gain—getting hungry, cold, and wet—as being worth the pain" (Omicinski, 1999).

### **3.2. The Information Age Youth: Generations X and Net**

The recruiting climate and the cultural psychology of the target audience have changed according to James Siegel, senior vice president and account director at Young and Rubicam, Inc., the Army's New York City-based contracted advertising agency (New Look, 1998). Computer-literate young people of today's "Information Age" enjoy watching colorful, fast-paced action and video-game-like graphics.

The Generation X population (born after 1964) is more self-oriented and less motivated by a desire to serve their country. Socialization—meaning the process of internalizing Army values, ethics, and attitudes of these youths—will be an important challenge for the Army in the coming years. The Army will be faced with the difficult task of socializing young men and women whose value system may

diverge considerably from the traditional Army ethos. On the positive side, Generation X men and women seek adventure, fun, and physical risk—areas that are very compatible with Army training. Also, they easily accept the authority of the President, are comfortable with the use of computers and information technology, and believe they must work and study hard to achieve success (YATS, 1997).

### **3.3. Demographic Mismatches: Who is Today's Soldier?**

The average soldier in America's Army today is 26 years old and 63 percent are married. More than 95 percent of Army soldiers have a high school diploma and over 20 percent have attended college. Over 85 percent of the Army is male. Only 55 percent of the soldiers in the Army are white (USAREC VIP Briefing, 1999).

There are several segments of the population that are "under-represented" in the military. For example, Hispanics make up 11 percent of the U.S. population of 18 to 44-year-olds, but make up only 6.3 percent of today's military. Even more significant is the fact that among the Army's prime recruiting market, young people ages 17 to 21, Hispanics make up roughly 14 percent of the population, but only 10 percent of new recruits. According to U.S. Census Bureau projections, Hispanics are expected to make up 18 percent of 12 to 44-year-olds by the year 2020. This means that the Army would need to triple the proportion of Hispanics currently serving in its ranks in order to match the civilian population (Jordan, 1999).

Figures 2 through 5 on the following pages describe the demographics of the youth contracted as Army recruits or enlistees (Zsido, 1999).

Figure 2– New Army Recruit Demographics—Race / Ethnicity

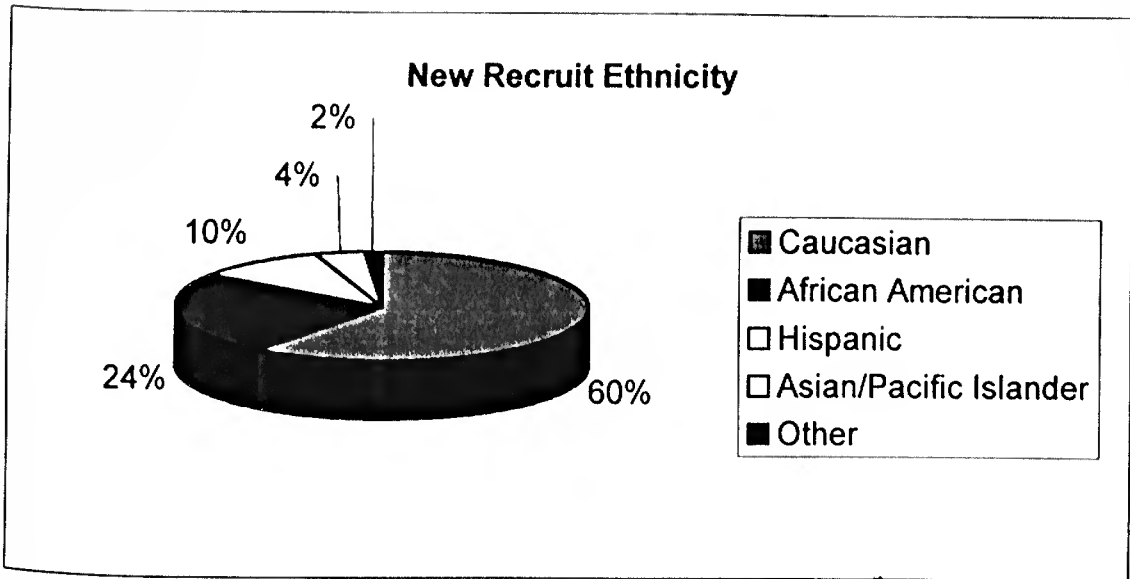


Figure 3– Education Level of New Army Recruits

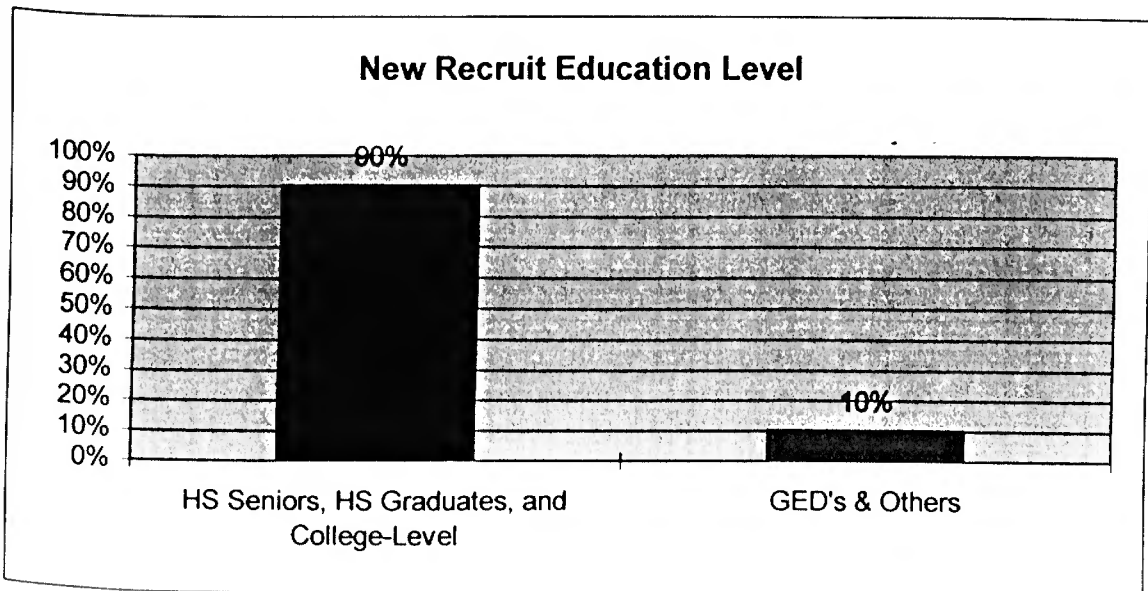


Figure 4— New Recruit ASVAB Test Scores

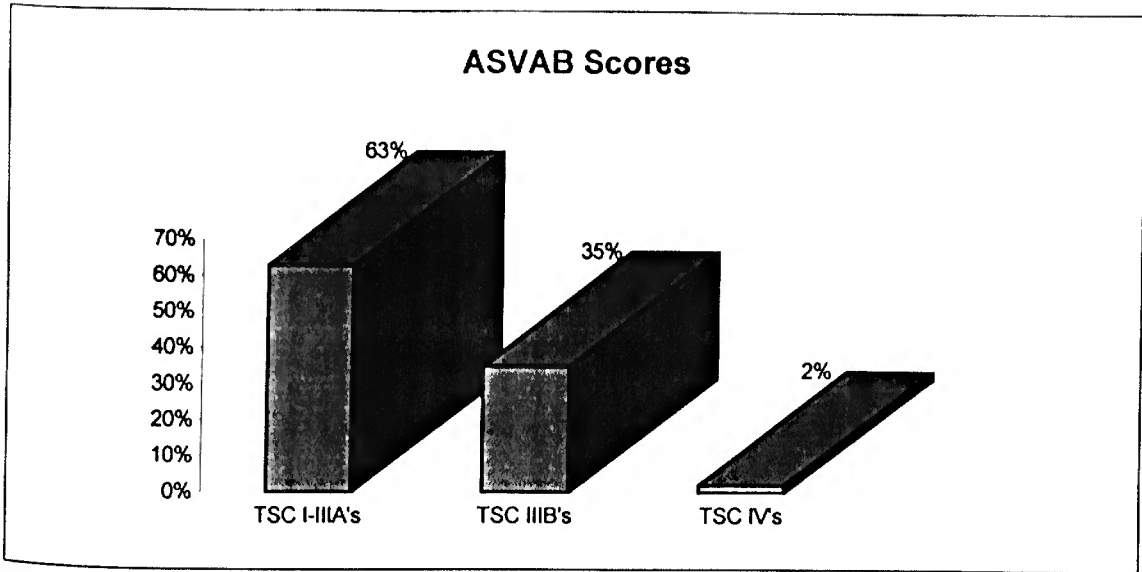
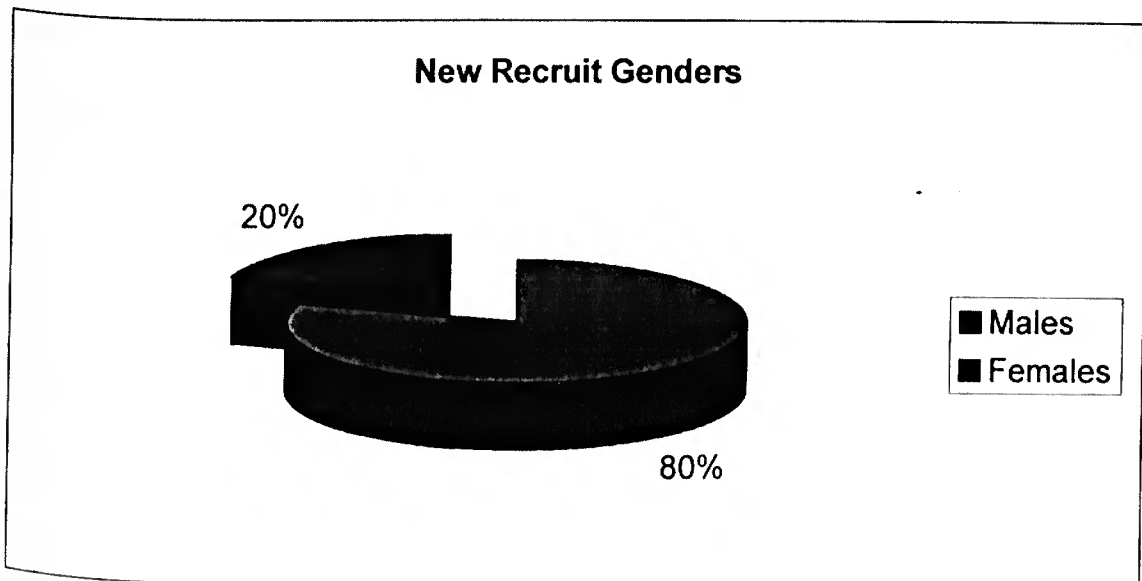


Figure 5—New Recruits by Gender



## **4. THE ARMY'S TRADITIONAL MARKETING APPROACH**

Annex 1 describes in detail how the U.S. Army recruits its enlisted personnel and describes the various components of the Army's marketing program.

### **4.1. Mass Marketing**

Over the years, the U.S. Army has utilized a very typical mass marketing approach to attracting recruits. In traditional mass marketing, the seller promotes one product for all buyers. Henry Ford epitomized this marketing strategy when he produced his Model-T Ford automobile for all American buyers. Henry Ford often quipped that consumers could have the car "in any color as long as it was black."

In many ways, the Army has recruited for many years with the same "as long as it was black" mentality. The Army has marketed itself as a "one size fits all" product. The Army normally launches national television and magazine advertising campaigns instead of campaigns adapted for specific segments or regions. In other words, the Army will run the same television commercial ad nationwide with no adaptations made for different sub-segments of the major mass market.

### **4.2. A Massive and Diverse Market**

Clearly, with a population of over 272 million and an area of more than 9.3 million square kilometers (World in Figures, 1999), the United States represents a broad and diverse population, both demographically and geographically. The target market for the United States Army is described as 17 to 21-year-olds, with the 17 to 21-year-old male population, numbering 9.9 million in 1999, identified as the prime market.

The total number of 17 to 21-year-olds in the United States in 1999 is over 20 million. Obviously, such a large group could be sub-divided into numerous segments in which each segment possessed shared or similar characteristics, desires, or attributes. These segments, having different characteristics and attributes, would theoretically respond to different marketing mix combinations.

A youth from an educated, affluent family living in New York City probably views Army service and its employment opportunities from a different perspective than a youth from a working class, uneducated farming family living in a rural town in southern Georgia. One youth may join the Army to escape small-town life and its limited opportunities. He or she may be attracted by the challenges and rewards of a career of military service. Another youth may view the Army as short-term employment providing valuable training, leadership experience, and college money to continue educational pursuits after the Army. One youth sees the Army as the end; another sees the Army as the means to an end. With this simple example, it is easy to see how different people view Army service differently, looking for different job attributes and having different motivations for serving in the Army.

#### **4.3. Limited Promotion of Army Opportunities**

In addition, instead of promoting the hundreds of diverse jobs that it offers, the Army has promoted itself using only a few limited perspectives. For many years, Army advertising has shown almost exclusively combat soldiers marching on the ground, jumping out of planes, or charging across a battlefield in armored vehicles. This type of advertising appeals to those seeking adventure and action as a traditional combat soldier. However, this narrow focus fails to project to American

youth the plethora of opportunities, benefits, experience, and rewards that the Army offers in other military occupational specialties.

Although the very heart of the Army and its mission is the combat arms soldier, the majority of the Army consists of combat support and combat service support personnel performing various critical functions in support of the combat arms soldier. It is in the combat support and combat service support career fields that the Army offers exceptional technical skill training and experience along with generous educational opportunities. The Army offers a wide variety of job opportunities. However, the Army has failed to promote these less glamorous, but diverse specialties to its broad target audience.

#### **4.4. Different Segments...Same Message**

The Army's undifferentiated marketing campaigns ignore market segment differences and tend to offer only one aspect of its product to the market as a whole. Gardner and Levy, while admitting that "some brands have very skillfully built up reputations of being suitable for a wide variety of people," also noted that "it is not easy for a brand to appeal to stable lower-middle-class people and at the same time to be interesting to sophisticated, intellectual upper-middle-class buyers...It is rarely possible for a product or brand to be all things to all people" (1995, p.37).

If market segments view military service from various perspectives and often seek different job attributes from potential employers, why should the Army use mass marketing techniques and promote itself in the same way to all segments within the market? The answer is that it should not. Are certain segments of this market more likely to be attracted to military service and thus have a higher

propensity to join the Army? The answer is yes. Theoretically, it should be easier and less expensive for the Army to attract members of these high propensity segments.

## **5. CURRENT CRISIS THREATENS ALL-VOLUNTEER FORCE**

Ten years ago, the Army numbered over 780,000 active-duty soldiers and around 300,000 soldiers in Army Reserve units. However, in 1999, the Army had trouble trying to meet recruiting goals to meet its end strength target of 480,000 active-duty soldiers. In 1989, the Army consisted of 18 divisions. Today there are only 10 divisions. Of those 10 divisions, two have been rated unfit for battle according to the Army's combat readiness rating standards, primarily due to a lack of authorized soldiers (Coryell, 1999). In other words, the Army's current recruiting crisis has become a combat readiness issue and, perhaps more importantly, a real threat to the continued status of the Army as an all-volunteer force.

### **5.1. Background**

During the last few years, the United States Army has experienced great difficulties in recruiting and retaining sufficient numbers of quality soldiers. In fact, during fiscal year 1999, the U.S. Army suffered its worst recruiting year in 20 years, falling short by about 7,600 enlistees for the fiscal year (Harper, 1999). The Army is barely reaching its congressionally mandated force level of 480,000 soldiers. With normal turnover, the Army will need to recruit 80,000 young men and women in the current fiscal year, which began October 1, 1999. This requirement is nearly 13,000 more than the number recruited last year (Komarow, 1999).

On November 4, 1999, members of the U.S. Commission on National Security in the 21st Century gave their testimony before the United States House of



Representatives Armed Services personnel subcommittee. During the testimony, the personnel subcommittee chairman, Representative Steve Buyer of Indiana, warned that even if Congress decides to increase the Army's force structure, it is not clear that the Army could attract the number and quality of people it needs given the current recruiting and retention problems. Charles Moskos, a Northwestern University sociology professor specializing in military personnel issues, said the military is having severe problems getting quality people into the service. He warns that the problems could become even worse in the next century unless the military comes up with a new way of filling the ranks (Maze, 1999).

Worse yet, in a disturbing statement on November 10, 1999, current U.S. Army Chief of Staff, General Eric Shinseki, revealed that two division commanders out of the Army's 10 active-duty divisions recently assessed their divisions' combat readiness as a "C-4," the lowest of the Army's four combat-readiness grades. Shinseki explained that the problems within these two divisions do not lie with equipment or troop training, but are due to personnel problems (Army Confirms Combat Readiness, 1999). "Current concerns about readiness are the result of two of the Army's 10 combat divisions reporting a lower-than-normal readiness level for the month of October [1999] in the category of personnel availability," said a senior U.S. Department of Defense official at the November 10, 1999, briefing at the Pentagon (Gilmore, 1999).

## **5.2. Factors Contributing to the Recruiting Crisis**

Effective solutions to the personnel challenges currently facing the Army must be developed and be implemented quickly. However, before discussing potential responses, the causes of the current problem should be identified. The

primary causes of the current recruiting crisis include the very robust U.S. economy, enduring, record-low unemployment levels, and an ever-decreasing propensity for military service. In addition, fewer qualified applicants, high attrition rates, an ever-growing perception of eroding compensation and benefits, fewer veterans, and an increased operational tempo are exacerbating the problem. Each of the above causes will now be discussed in greater detail.

### ***5.2.1. Robust Economy and Low Unemployment***

A strong economy with its lure of higher salaries with fewer personal sacrifices and risks presents a formidable obstacle to the Army's current recruiting efforts. America's expanding economy and a 28-year low in unemployment provides every young American numerous employment options after high school or college. It also affords every outgoing soldier who decides to leave Army service the opportunity for immediate employment with little risk. Soldiers in high-tech aviation, electronics, engineering, medical, and computer fields enjoy many high-paying, attractive job opportunities.

### ***5.2.2. Decreased Propensity to Serve***

According to Lieutenant Colonel James Sullivan, marketing officer for the U.S. Army's Office of the Deputy Chief of Staff for Personnel, there are other factors that hinder current enlistment efforts in addition to a strong economy that provides more options for the people the Army wants. There has also been a decreased understanding of the value of military service since the end of the Cold War. With the elimination of the threat of a major conventional conflict in Europe with Warsaw Pact forces, many young people do not place the same importance on military service as during the Cold War (New Look, 1998).

The Army has had to commit more resources in recent years in order to attract America's youth to military service. The cost of recruiting each individual soldier has more than doubled since 1986 from \$5,300 to over \$11,000 today, representing the challenge of recruiting from a population that is less willing to volunteer for military service (Fiscal 2000, 1999).


### **5.2.3. Fewer Qualified Applicants**

Although recruiting requirements have fluctuated dramatically during the decade-long drawdown, the Army has reached a steady state strength of around 480,000 active duty soldiers. In fiscal year 1999, the Army had a recruiting goal of enlisting 72,550 recruits, but only reached 98.8 percent of this goal. Fiscal year 2000's recruiting goal promises to be even more challenging with a recruiting goal of 82,923 to maintain its steady state strength (Jordan, 1999).

The task of recruiting is becoming increasingly problematic as the Army faces unprecedented competition from the private sector for the same high-quality people. Worse still, only 13 out of 100 recruiting-age youth are fully-qualified to join the Army. In contrast, more than 50 out of this same 100 are qualified to go to college or are already there (Ohle, 1999). Since virtually all of the youth the military seeks are also qualified to go to college, the Army faces unprecedented challenges attracting quality youth in sufficient numbers.

### **5.2.4. High Attrition Rates**

Historically, of those recruits who were qualified for service and signed an enlistment contract, over 30 percent of them fail to make it through their first enlistment term. However, the Army's first term attrition rate has been on the rise—cresting at 41 percent (Ohle, 1999). Obviously, this percentage is too high and



wastes money by bringing in and training many recruits who fail to fulfill their enlistment obligation and never become productive soldiers in the Army. In other words, the Army never receives a return on its investment from many of its enlistees. Therefore, the Army must develop a better system for attracting and identifying high-quality recruits that demonstrate a high probability of completing their entire enlistment term.

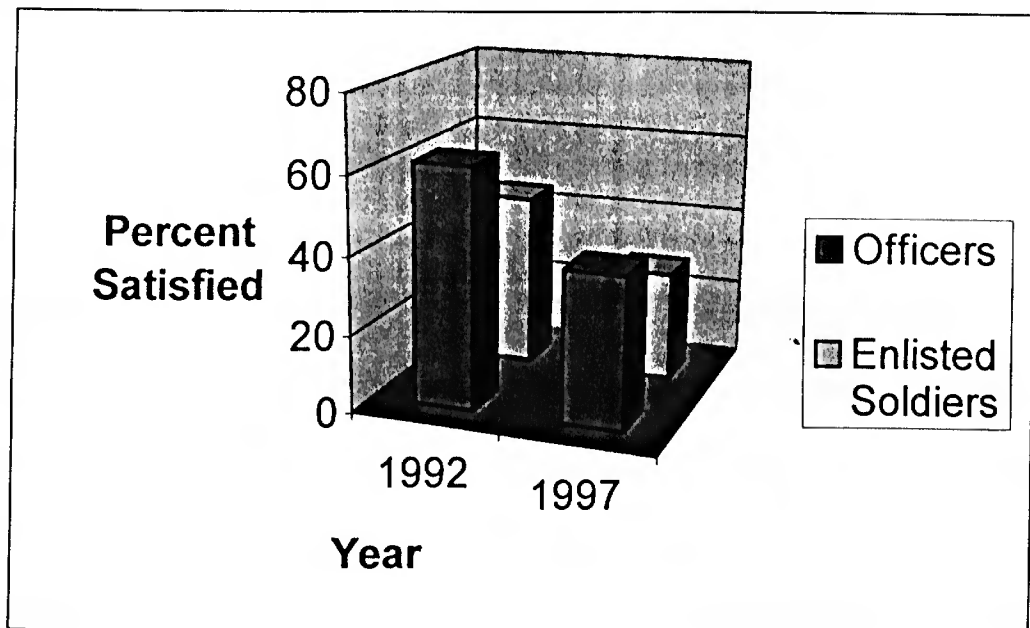
### ***5.2.5. Eroding Compensation and Benefits***

According to the 7<sup>th</sup> Quadrennial Review of Military Compensation, there is a 13.5 percent pay differential between the civilian sector and the military (Military Recruitment, 1999). Today's soldiers are concerned about the reduced value of retirement benefits that they will receive under the Military Retirement Reform Act of 1986, commonly known as Redux. Redux has had a very negative effect on recruiting and retention by reducing military retirement pay at 20 years of service from 50 percent to 40 percent. The effects of the Redux plan are only now becoming significant as the first generation of servicemembers affected by the reduced package will begin retiring from service during the next few years. As seen in Figure 6, since 1992, satisfaction with retirement benefits has fallen from 61.8 percent to 39 percent for officers and from 44.8 percent to 28.1 percent for enlisted soldiers (Fiscal 2000, 1999).

The intent of the Military Reform Act of 1986 (Redux) was to encourage service members to remain in the military after 20 years with the goal of the higher retirement pay achieved at 30 years. The real value of the retirement benefit package offered to today's service members is actually 25 percent less than the retirement packages offered under previous systems. In sharp contrast to the

original intent of Redux, there has been very little evidence that the 40 percent retired pay after 20 years has actually motivated many service members to remain until 30 years to achieve 50 percent retired pay (Fiscal 2000, 1999).

**Figure 6 –Satisfaction with Retirement Benefits**



According to the most recent Personnel Pay Survey, almost 70 percent of the respondents indicated that retirement pay was an important factor in their career decision. The most disturbing aspect of the survey reports that 84 percent of respondents under the Redux plan felt that the 40 percent retirement pay they had to look forward to after 20 years of active duty service was insufficient to make them want to remain until they were retirement eligible (Military Recruitment, 1999).

### **5.2.6. Declining Population of Veterans**

The gap between the military and the American public is likely to grow since fewer and fewer of those citizens will be veterans in the near future. The number of

living World War II veterans continues to decline, reducing the desirable influence they have historically had on the decisions of young Americans to serve in the military (Military Recruitment, 1999). Additionally, a majority of the veterans from the Vietnam War had such a negative experience while serving that they sometimes discourage young men and women from joining the military. America has not been involved in a large-scale war of long duration since the World War II, Korea, and Vietnam Wars produced millions of veteran service members. In fact, the Army has not been as small as it is today since before the Japanese attacked Pearl Harbor in 1941 and the U.S. entered World War II.

In Congress, for example, most members have no military experience. In the House of Representatives, the proportion of members who wore a uniform has declined from 40 percent in 1993 to 30 percent in 1998. In the Senate, the percentage fell from 61 percent to 48 percent. President Bill Clinton is one of the only presidents from the 20<sup>th</sup> century who has no military experience (Lippman, 1998).

According to Theodore A. Wilson, a military historian at the University of Kansas, most American citizens today are not affected by the military experience, and increasingly, their parents' lives weren't affected by military service either. The cross-section of American society experiencing military service is becoming narrower and increasingly limited to the less educated and less financially fortunate (New Look, 1998).

### ***5.2.7. Increased Operational Tempo***

As a guest speaker at a recent Veterans Day ceremony, retired Air Force Major General Earl Peck warned the audience that American society was ignoring

its military at a time when those forces are being asked to do much more with dwindling troops. "Americans, I think, are unaware that it's still a very dangerous world," Peck said. As evidence, he pointed to missile tests by North Korea, the availability of weapons in the former Soviet republics, and the increasing might of China (Coryell, 1999).

The Army's operations tempo is 300 percent of its Cold War average, despite a decline across the Army of 34 percent of end strength. While President Reagan deployed U.S. forces 17 times during his eight-year presidency and President Bush 14 times during his four years in office, President Clinton has ordered U.S. forces overseas more than 46 times (Coryell, 1999). Defense analysts do not expect the pace of operational deployments to slow appreciably in the years ahead. On any given day, the Army maintains over 122,000 soldiers forward stationed in Europe, the Pacific, Korea, and other critical areas. Additionally, the Army has over 28,000 soldiers deployed daily in shaping operations around the world. Over 6,000 soldiers are deployed in support of Task Force Falcon in Kosovo operations. Another 6,200 soldiers are in Bosnia as part of Task Force Eagle in support of Joint Forge (Readiness, 1999).

Since the end of the Cold War, the U.S. Army has assumed many diverse missions that involve more than traditional warfighting. Today, the spectrum of operations extends in intensity down from major theater wars to peacekeeping and peace enforcement, disaster relief, and other types of stability and support operations. Since 1989, the Army has participated in 3,435 major deployments, many of which are small-scale contingencies in support of U.S. national security interests. In nearly all these deployments, the Army has provided the bulk of

deployed forces. In many cases, soldiers remain on the ground today shaping the operational environment.

## 6. RECENT RESPONSES TO THE RECRUITING CRISIS

In recent months, the recruiting situation for the United States Army has become a crisis situation. The Army only met its required endstrength in fiscal year 1999 due to superb retention of current soldiers, not to bringing in new recruits to replace those leaving the service. The seriousness of the situation is becoming quite clear as many senior Army leaders and members of Congress have recently expressed their concerns. These senior leaders claim that the 480,000-soldier active Army is being stressed due to personnel and budget cuts and is overextended because of continuing global deployments to places like Bosnia, Kosovo, and Korea. The Army's top civilian leader, Secretary of the Army Louis Caldera, recently acknowledged these concerns. "There is no question that we have been feeling some strain after 14 years of declining budgets" (Army's Health, 1998). On November 8, 1999, in a memorandum addressed to every general officer in the Army, the Army Chief of Staff, General Eric K. Shinseki, stated that recruiting is the number-one mission on his essential task list (Dickey, 1999).

Many senior government leaders consider current levels of defense spending to be dangerously low. In fact, the total budget for the Department of Defense currently accounts for less than 3 percent of the United States' Gross Domestic Product—the lowest level of spending on defense since before the Japanese attack on Pearl Harbor during World War II. The fiscal year 1999 budget capped 13 straight years of decline in real buying power for the U.S. Army (Fiscal 2000, 1999)




Curiously enough, given the limited defense budgets of recent years, the initial responses to the recruiting difficulties have been addressed with increased spending in the form of better pay and increased enlistment bonuses. In addition, the Army has lowered its education standards for new recruits, implemented a Hometown Recruiter Program, and greatly emphasized both retention and recruiting to Army leaders. The most drastic response has come from a few Congressmen who are advocating the return of mandatory military service—the draft.

### **6.1. Better Pay and More Bonuses**

With the Army missing its recruiting goal in fiscal year 1999 and internal Army documents predicting that the service will most likely fall short again in fiscal year 2000, Army leaders are looking for solutions (Scarborough, 1999). Leaders inside the Pentagon and President Clinton's administration have proposed straightforward solutions: better pay, improved benefits, and more advertising to market the "product". In other words, they advise addressing the issue by increased spending. However, with the defense budget decreased by 40% since President Clinton took office, increased funding for recruiting is limited. The Army already spends more than \$11,000 in recruiting costs for each enlistee contracted—thousands more per recruit than the other military services spend (Harper, 1999).

The Army did achieve an end strength of 479,100 active duty soldiers, well within its mandated end strength thanks to congressional interest in and subsequent passage of the Fiscal Year 2000 Defense Budget. The FY 2000 Defense Budget included a large pay raise, pay table reform, and retirement reform



legislation. Congress hoped that this legislation would help the Army, at least in the short-term, recruit and retain quality soldiers.

However, despite the huge packet of Army guarantees—sign-up bonuses of \$3,000 to \$11,000; \$50,000 in college money; guaranteed repayment of up to \$65,000 in college loans for some sought-after military specialties, there were not very many young people who decided to try out the Army “product” (Omicinski, 1999). As a result, on November 18, 1999, the Army increased enlistment benefits to record levels, hoping to attract more young people into uniform. The newest inducements include a near doubling of the signing bonus, from \$11,000 to \$20,000, for recruits agreeing to enter certain military occupational specialties (Komarow, 1999).

The Army has also loosened its criteria for its “quick ship” bonuses. The Army pays quick ship bonuses to recruits who leave for basic training within 30 days of signing their initial enlistment contract. Previously, the Army had only been paying these bonuses to recruits who scored in the top three enlistment test categories. However, the Army recently began offering these bonuses to recruits in a lower test category as well. Recruits from this lower category have traditionally had higher attrition rates than recruits from the top three categories (Military Recruitment, 1999). Therefore, if attrition rates remain unchanged, a higher percentage of the recruits who drop out will have already been paid bonuses, thus further increasing the Army’s recruiting costs.

## **6.2. Reduced Standards for High School Graduates**

The Army maintained a goal throughout the 1980s that 95 percent of all recruits would be high school graduates—as opposed to holders of a general

development education (GED). During the period between 1987 and 1996, the percentage of traditional high school diploma graduates remained fairly steady at about 94 percent (Military Recruitment, 1999). However, given today's difficult recruiting environment, the Army reduced this requirement to only 90 percent. Ten percent of recruits can now have the alternate credential—the GED (Komarow, 1997).

### **6.3. Hometown Recruiter Program**

One particularly successful response was the Army's aggressive use of the Hometown Recruiting Assistance Program. In this program, the Army selects new soldiers just out of advanced individual training (AIT) and then sends them home for a short period to talk to young people in their neighborhoods about the advantages the Army has offered to them. This program generated over 30,000 recruiting contacts by the end of fiscal year 1999 (Readiness, 1999).

### **6.4. Leadership Emphasis on Retention and Recruiting**

Another successful short-term response was the tremendous effort by leaders—non-commissioned officers and officers—to reenlist soldiers in record numbers. The retention rate, an indication of increased soldier job satisfaction, was the most significant factor enabling the Army to meet its end strength goals (Readiness, 1999).

### **6.5. Congress Threatens to Reinstate the Draft**

Recruiting and retention have been so poor during the last few years that many congressmen are now discussing reinstating the draft to correct the severe manpower shortages and to ensure that all Americans share the burden of service.

Nearly all of the Army's senior leadership vigorously oppose the return of mandatory service after witnessing the qualitative revolution in the Army after the draft was abolished.

## 7. TARGET MARKETING AS AN EFFECTIVE SOLUTION

The responses by the Clinton administration and senior Army leaders can be categorized as near-term solutions at best. Despite increased enlistment bonuses, reduced standards, and other "quick-fixes," the recruiting crisis is not disappearing. If anything, it is getting worse since the Army's recruiting expenses per recruit are climbing and the Army is still failing to meet its recruiting goals.

*The Army continues to spend more money instead of spending money more effectively.*

The Army's marketing approach is ineffective and wastes precious resources. With its "shotgun blast", mass marketing approach, the Army is using a "one size fits all" advertising campaign: continuously launching commercials nationwide with no regional adaptation. In a country of over 270 million people and nearly 9.4 million square kilometers, this approach lacks any type of focus. Just like any other firm in corporate America, the Army must identify which market segments it is going to compete in and develop marketing strategies to succeed in those target segments.

To increase the number of American youth recruited into the Army and, at the same time, reduce costs per recruit, the Army must implement a more effective marketing campaign. This paper suggests target marketing as a solution. Target marketing would allow the Army to increase the number of youth recruited and

decrease costs by focusing precious marketing resources on high-payoff segments. In other words, the Army must identify and focus more effectively its limited advertising dollars on these "high-payoff" segments. The key to this approach is identifying those groups of young people that have an above-average propensity to serve in the military. After identifying these high-payoff segments, Army marketers could create custom profiles of each segment and fashion specific advertising campaigns to reach specific target segments.

*The Army must abandon the "one size fits all" marketing mentality. The Army should adopt a "different sizes for different segments" approach and only try to "fit" certain, selected segments, not all of them.*

## 7.1. Target Marketing Explained

Markets consist of buyers who differ in numerous ways. According to Philip Kotler of Northwestern University, companies that decide to operate in a broad market eventually recognize that they normally cannot serve all customers in that market. The decision to compete in a broad market normally involves targeting customers who are too numerous and diverse in their purchasing requirements. Instead of trying to serve too many diverse customers, a company should normally attempt to identify those market segments that it can serve most effectively. In other words, by adopting a strategy of target marketing, a company selectively chooses its markets and serves them better than the competition.

In target marketing, a seller first divides the major market into identifiable market segments, each with distinct characteristics. Next, the seller targets one or more of these target segments, developing products and marketing programs specifically adapted and tailored to each segment. Instead of a marketing program

directed toward the major market as a whole (a "shotgun" approach), the seller can focus on the customers whom they have the greatest chance of satisfying (a "rifle" approach) (Kotler, 1997).

## **7.2. Target Market Selection Patterns**

After identifying segments with unique, identifiable, and distinguishable characteristics, traits, and attributes, the segments must be evaluated, each one individually, for attractiveness. According to Kotler, different market segments should be evaluated in terms of two factors: the overall attractiveness of the segment, and the organization's objectives and available resources (Kotler, 1997).

First, the organization must determine whether or not the segment has the desired characteristics that make it attractive, such as size, profitability, growth, economies of scale, appropriate level of risk, and so on. For example, for the Army, the segment must consist of a sufficient number of qualified youth (medically, physically, mentally, and psychologically) that make the Army's marketing efforts in that segment worthwhile.

Second, the organization must consider whether investing in the segment makes financial sense given its resources. In the Army's case, these resources are limited and are provided by the U.S. government. The firm should seek to target those segments in which it can provide a superior offer to members of that segment when compared with a competitor. The Army's competitors are not only civilian employers, but also the other military services of the United States, who are competing for the same American youth.

Having evaluated different segments, the firm must then decide which segments to compete in and how it plans to serve those chosen segments. In other

words, it must decide, given the potential segments, which segments it will choose to target.

Philip Kotler describes five different patterns of target market selection (1997)

1. Single Segment Concentration
2. Selective Specialization
3. Product Specialization
4. Market Specialization
5. Full Market Coverage

These five patterns of target market selection are described in greater detail in Annex 2.

### **7.3. The Advantages of Target Marketing**

For the U.S. Army, target marketing offers several advantages over its traditional mass marketing approach. With target segments, the Army can select specific job attributes, benefits, training, or experiences that the Army offers and promote them to the target segment most likely to value those aspects of Army service. The Army can adapt its marketing message and distribution channel for that message to match the customized profile developed for the specific target segment. By promoting aspects of Army service that are most important to that specific target segment and presenting them in such a way that attracts the interest and attention of that segment, the Army can distinguish itself from other employers competing to employ the same target segment members.

*By using its limited advertising dollars to target specific high-payoff segments, the Army minimizes the non-productive costs associated with advertising in segments whose members exhibit an extremely low propensity.*

Target marketing requires that the marketing team take three major steps. The first step is market segmentation.

## 8. MARKET SEGMENTATION

Michael Porter of Harvard University (1998) defines market segmentation as the identification of differences in buyer needs and purchasing behavior, thus allowing a firm to serve segments that match its capabilities with distinct marketing programs. According to Wheelen and Hunger (1998), through market research, corporations are able to use market segmentation to determine which segments they will seek to serve and to position their products in the most advantageous manner possible against their competitors. For the Army, this means defining who they can serve best: better than civilian employers and even better than the Navy, Air Force, or Marine Corps. The task is to identify those segments of the U.S. population that view serving in the Army in a positive way and see the Army as employer offering beneficial training, pay, experience, and benefits.

A market segment consists of a large identifiable group within a market. Segment marketing recognizes that consumers differ in their demographics, geographical locations, attitudes, wants, and habits. However, it is obviously too expensive for a company to try to customize its marketing mix to each individual consumer. There is a compromise between mass marketing and individual



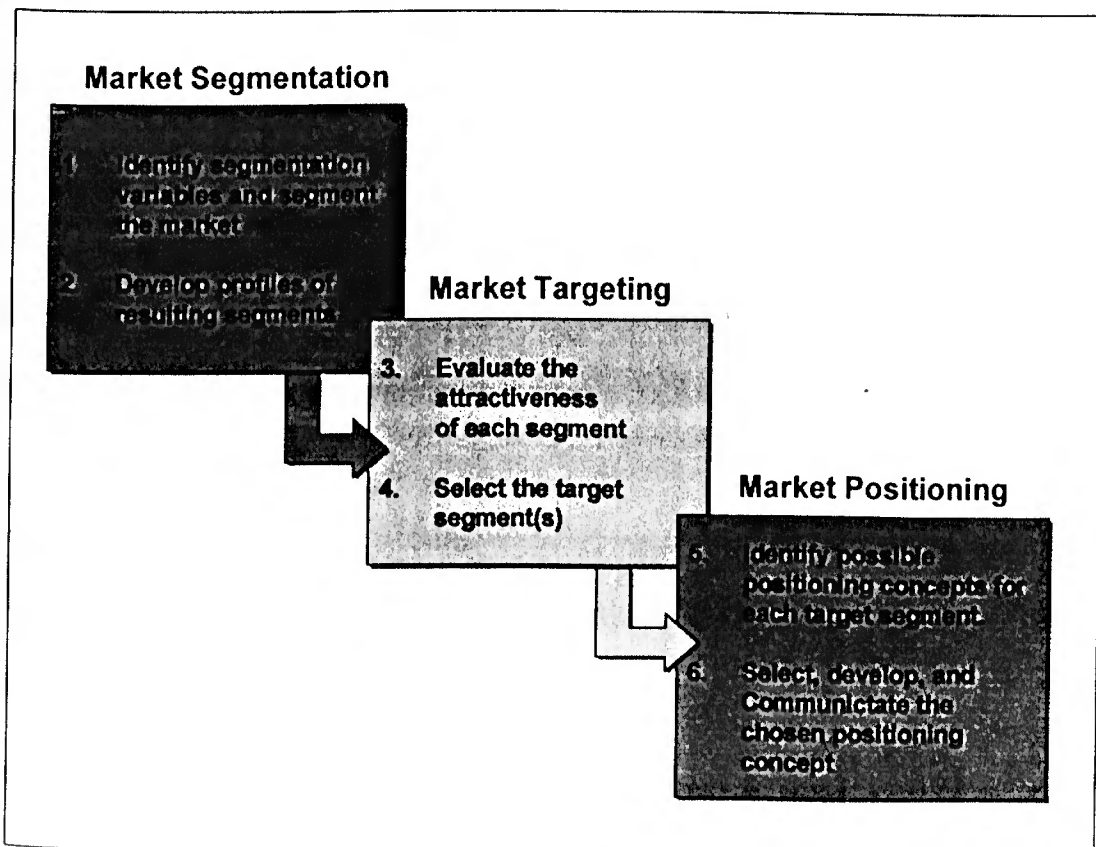
marketing: segment marketing: targeting selected segments through market segmentation.

Market segmentation is achieved by first identifying and profiling these distinct groups of consumers. Consumers belonging to specific segment exhibit similar characteristics, wants, and needs. They are similar, not identical. Thus segment marketing does not have the precision of individual marketing but it is much more precise than mass marketing (Anderson and Narus, 1995).

### Steps of Target Marketing

As shown below in Figure 7 (Kotler, 1997, p. 249), target marketing involves three major steps: market segmentation, market targeting, and market positioning.

**Figure 7– Steps in Marketing Segmentation, Targeting, and Positioning**



## **The Youth Market Survey**

The market researcher first conducts initial market research involving exploratory interviews and surveys to gain insight into consumer attitudes, motivations, and behavior. The researcher will attempt to collect data on attributes and their importance ratings; brand awareness and ratings; attitudes toward the product; product-usage patterns; demographics, geographics, psychographics of the respondents; and other environmental factors.

To gather information about the youth market for the U.S. Army, many market research tools can be employed. The most useful perhaps is the Youth Attitude Tracking Study (YATS). The Pentagon, the headquarters of the United States Armed Forces and the Department of Defense, has conducted the annual Youth Attitude Tracking Survey since 1975. The Youth Attitude Tracking Survey consists of a 30-minute phone survey given to 10,000 military aged youths from 16 to 24-years-old. Teenage Research Unlimited (TRU) also conducts a direct mail survey using a representative sample of 2,000 Teenagers from ages 12 to 19-years-old. The Army also conducts the New Recruit Survey (NRS), a direct mail survey of new recruits entering service involving a sample size of 34,000 Regular Army (RA) and 8,600 United States Army Reserve (USAR) soldiers. The University of Michigan, with a program named "Monitoring the Future," surveys 17,000 high school seniors per year in the Spring along with longitudinal surveys of 2,400 randomly selected respondents.

## **Segmentation Variables**

Segmentation variables can be divided into broad categories (geographic, demographic, psychographic, and behavioral). The major segmentation variables

that are most commonly used by market researchers for consumer markets are listed in Table 1 below (Kotler, 1997, p. 257).

**Table 1– Major Segmentation Variables for Consumer Markets**

Geographic	Region, City or Metro Size, Density, Climate
Demographic	Age, Family Size, Gender, Income, Occupation, Education, Religion, Race, Generation, Nationality, Social Class
Psychographic	Lifestyle, Personality
Behavioral	Occasions, Benefits, User Status, Usage Rate, Loyalty Status, Buyer-Readiness Stage, Attitude Toward Product

The first major step of implementing a target marketing strategy is market segmentation, as seen previously in Figure 7. This first major step involves three stages: the survey stage, the analysis phase, and, finally, the profile stage.

### **8.1. Survey Stage**

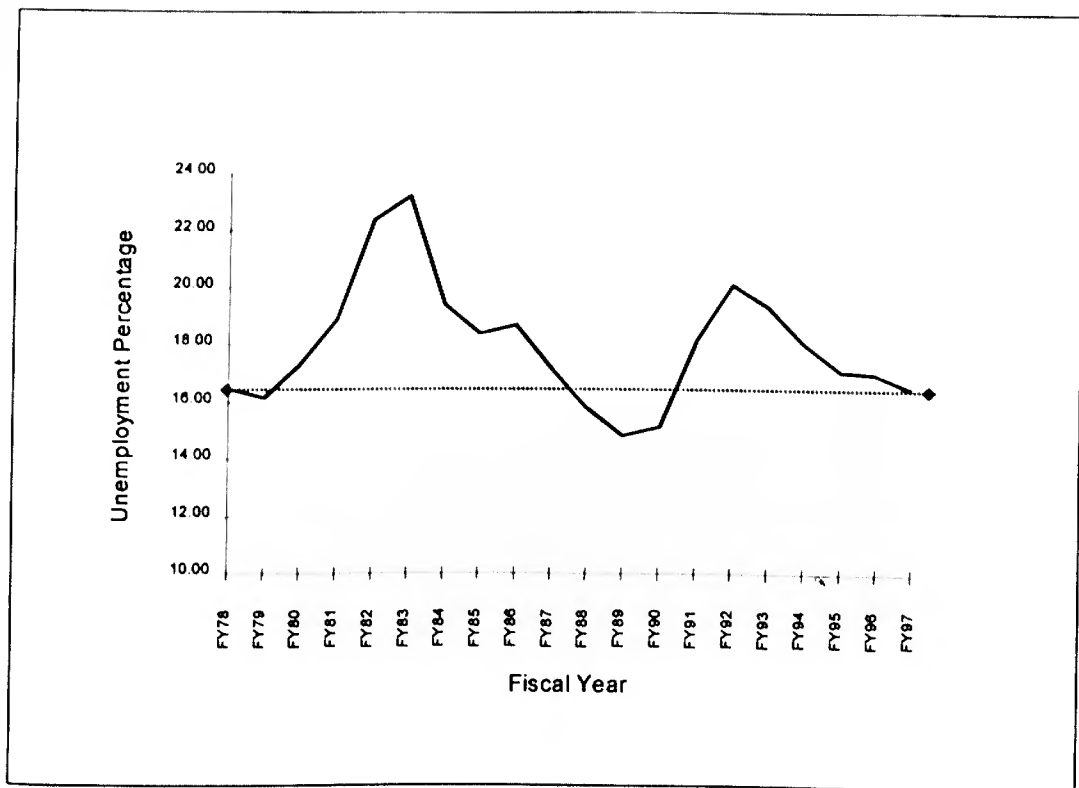
The purpose of the survey stage is to gather all available data pertaining to the Army's recruiting market: the U.S. youth population, particularly from the prime

market of 17 to 21-year-olds. The information required include surveying the economic, educational, and sociopolitical environments; market size; general characteristics and attitudes of the youth population; their propensity to serve in the military and the Army in particular; and desired job attributes;

### ***8.1.1. Economic Environment***

The economic environment is perhaps the primary contributor to the U.S. Army's current recruiting crisis. The continuous economic expansion of the United States economy throughout the late 1990s has created plentiful employment opportunities for America's youth. Alan Greenspan, Chairman of the Federal Reserve, calls it "the best economy in 50 years". Unemployment fell to a 30-year record low in October 1999—just 4.1 percent according to the U.S. Labor Department (Recruiters, 1999). An unemployment rate this low is what economists call "full employment." Figure 8 shows unemployment figures for American youth in the Army's prime market of 17 to 21-year-olds from 1978 to 1997. In other words, the only Americans unemployed are those not looking for a job or who are temporarily between jobs. The job market is extremely competitive and the economists forecast continued economic strength through the year 2002.

Figure 8– Youth Unemployment: 1978 to 1997



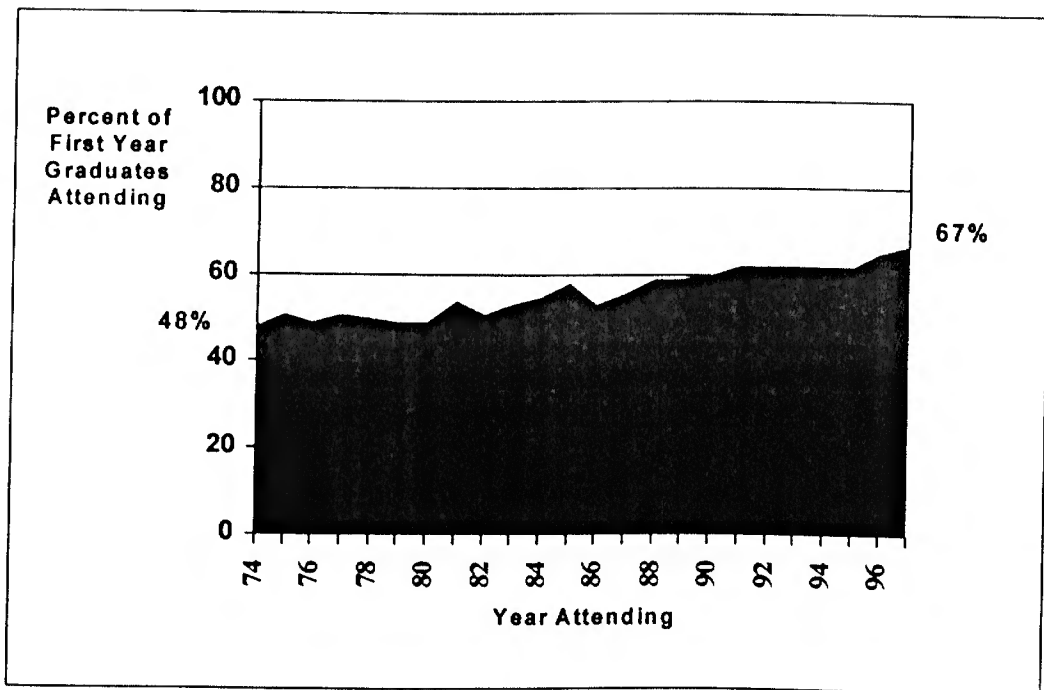
Continued good economic news will make the Recruiting Command's job even more difficult. Low unemployment and continued growth in jobs forces companies to try harder to find workers, including offering better pay and bonuses. This means high school graduates who are not going to college—the key market for Army recruiters—have more choices other than joining the Army.

### **8.1.2. Educational Environment**

More high school graduates are choosing to immediately pursue undergraduate-level education in the nation's universities and community colleges. As shown in Figure 9, over a period of 23 years, the percentage of high school

graduates attending college during the year following graduation has risen from around 48 percent to over 67 percent (Young, 1999).

Figure 9- College Continuation Rates for Recent High School Graduates 1974-1997



In other words, in addition to competing with civilian employers and the other military services in the job market, the Army must also compete with America's colleges and universities for America's high school graduates. Increased college funding opportunities have greatly contributed to the increased number of graduates attending college. Additionally, today's youth understand that in today's job market it is essential to have a degree in order to succeed. Of the youth surveyed, around 33 percent want to go to college but lack the financial means to attend college. Another 33 percent want to attend college and have the financial means available to attend. The remainder do not want to go to college.

Although college enrollments are increasing, the dropout rate is high with only 50% receiving an undergraduate degree. Many analysts predict this dropout

rate to increase about one percent annually during the coming years (Young, 1999). Therefore, although there are more high school graduates enrolling in college today, fewer and fewer are actually completing the programs and graduating. These students dropping out of college before graduation represent a potentially high-payoff segment for the Army. These students generally are highly-qualified and also tend to be looking for employment and are trying to repay college loans. The Army's college loan repayment option would probably be very attractive to someone in this group.

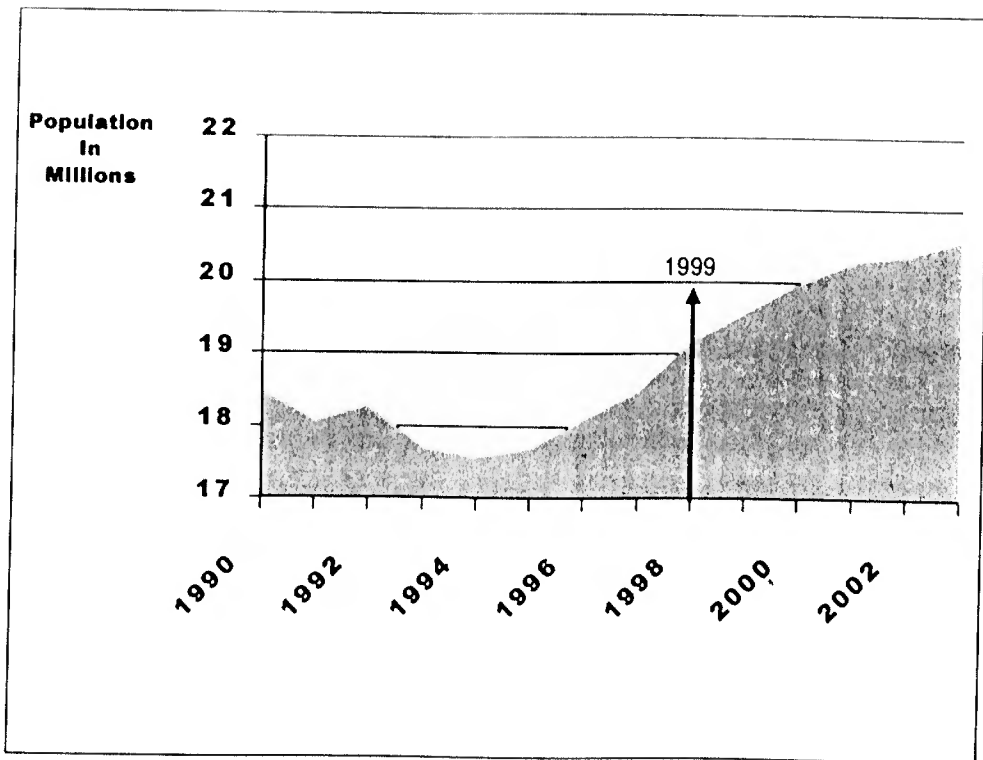
### ***8.1.3. Sociopolitical Environment***

As President Clinton continues to use the United States Armed Forces to shape the new international environment and influence the post-Cold War world, support in the United States for a stronger military is on the rise. Also, the public's confidence in its institutions is rebounding. On the negative side, veteran representation within the nation's public institutions is declining and is expected to continue to decline into the near future.

### ***8.1.4. Size of the Market***

The primary market for the Army has grown steadily over the last four years and Woods and Poole expect the increase to continue in the coming years. As shown in Figure 10, the 17 to 21-year-old population was 17.5 million in 1995 and is projected to grow to around 20.5 million in 2003 (Zsido, 1999).

Figure 10– Total U.S. Population of 17 to 21-Year-Olds

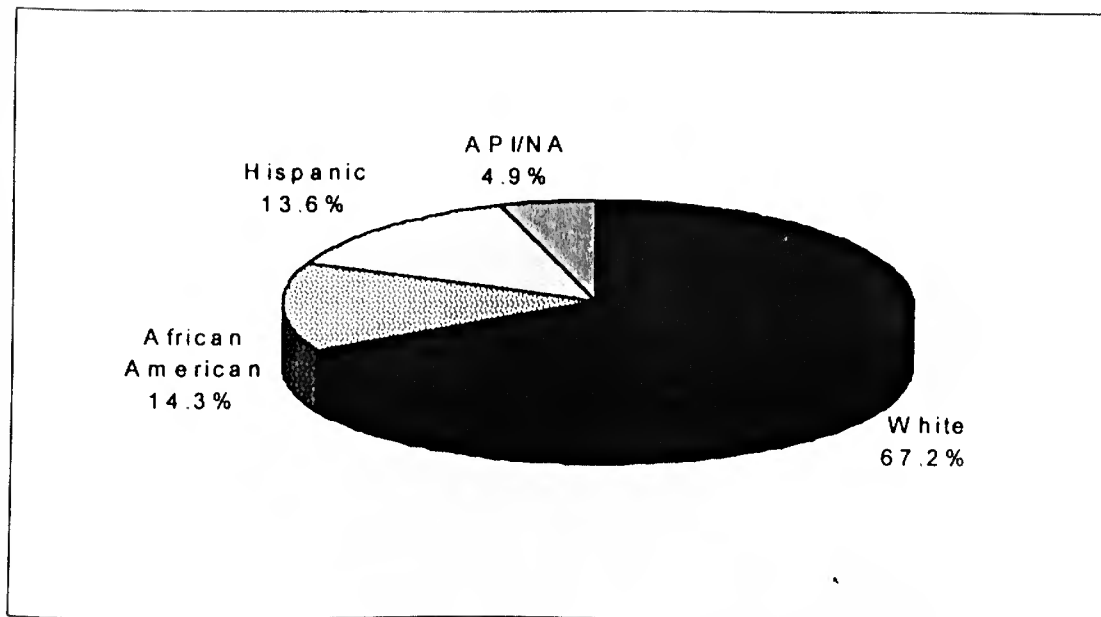


In addition to an increase in raw numbers of youth in the Army's youth market, there is ever increasing ethnic diversity within the population itself. As seen in Figure 11, ethnic minorities now make up one-third of the youth population and the percentage of minorities is expected to rise dramatically in the coming years (Young, 1999).

*Some minority groups are under-represented in the Army when compared to their representation in American society as a whole.*



Figure 11 – 1999 Ethnicity of U.S. Population among 17 to 21-Year-Olds

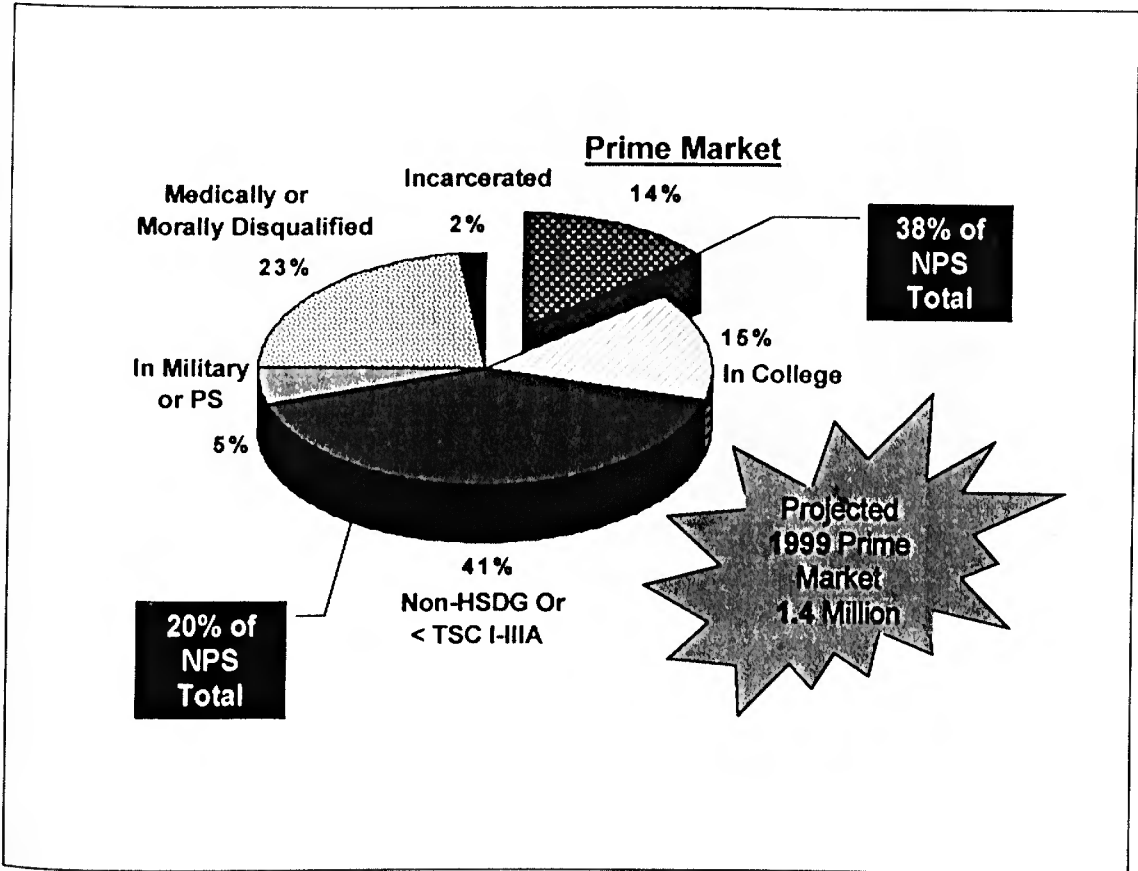


### 8.1.5. Prime Market

Over 80 percent of the Army's recruits each year come directly from 17 to 21 year-old males. In 1999, the number of 17 to 21-year-old males in the U.S. population is projected to reach 9.9 million, growing to 11.4 million by 2010. However, of the total market of 17 to 21-year-old males, the Army considers only around 14 percent of them as the *prime market*—fully qualified, desirable young men who are not currently in the military, college, or incarcerated (Figure 12). The 1999 prime market of males is projected to number 1.4 million, growing to around 1.65 million by 2010 (Zsido, 1999). This prime market, or only 14 percent of all 17 to 21-year-old males in the U.S. population, provides 38 percent of the Non-Prior Service (NPS) total. Forty-one percent of the 17 to 21-year-olds are not high school graduate degree holders (HSDG) or failed to score in the top three test score categories on the Armed Services Vocational Aptitude Battery (ASVAB)

standardized entrance exam, but make up 20 percent of the non-prior service (NPS) recruits.

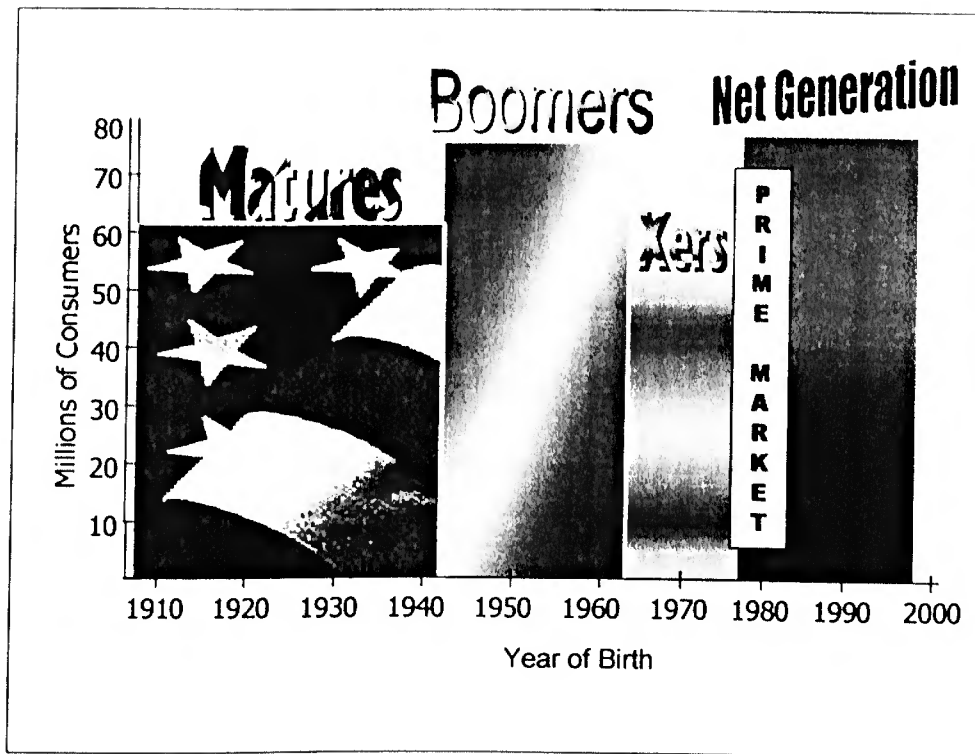
Figure 12– U.S. Youth Population of 17 to 21-Year-Olds by Segment



### 8.1.6. The Generations and Youth Attitudes

The prime market for the Army consists primarily of members from the generation described as the “Net Generation,” while still attracting a small number of recruits from “Generation Xers” (Figure 13). Today’s recruiting-age youth from Generation X and especially the Net Generation have unique attitudes, important themes, and desires as consumers.

Figure 13— The Generations of the U.S.—1910 to 2000



America's youth of the late 1990s create winning situations for themselves. Although they are willing to work hard and create a winning situation for themselves and desire financial success, they also value a balance between work and leisure. They are unwilling to compromise fun and contentment. They view work, jobs, and education as tools to create the fulfilling life they desire (Youth Attitude Tracking Survey, 1997).

Differing from past generations, the X and Net Generations readily accept diversity, notwithstanding race, gender, or lifestyle. These youth are savvy—accustomed to the proliferation of advertising, entertainment, and news media and distribution channels. They are not easily swayed in their views and they value their independence. Important themes of the Net Generation include strong independence and a sense of autonomy. They value free expression and have

strong views. Members of the Net Generation recognize the value of innovation, trust, and investigation. They possess a certain immediacy in their desires—once they decide they want something, they want it immediately. As consumers, the Net Generation youth want options, customized products, the right to change their mind, and like to try out a product before they purchase it (Youth Attitude Tracking Survey, 1997).

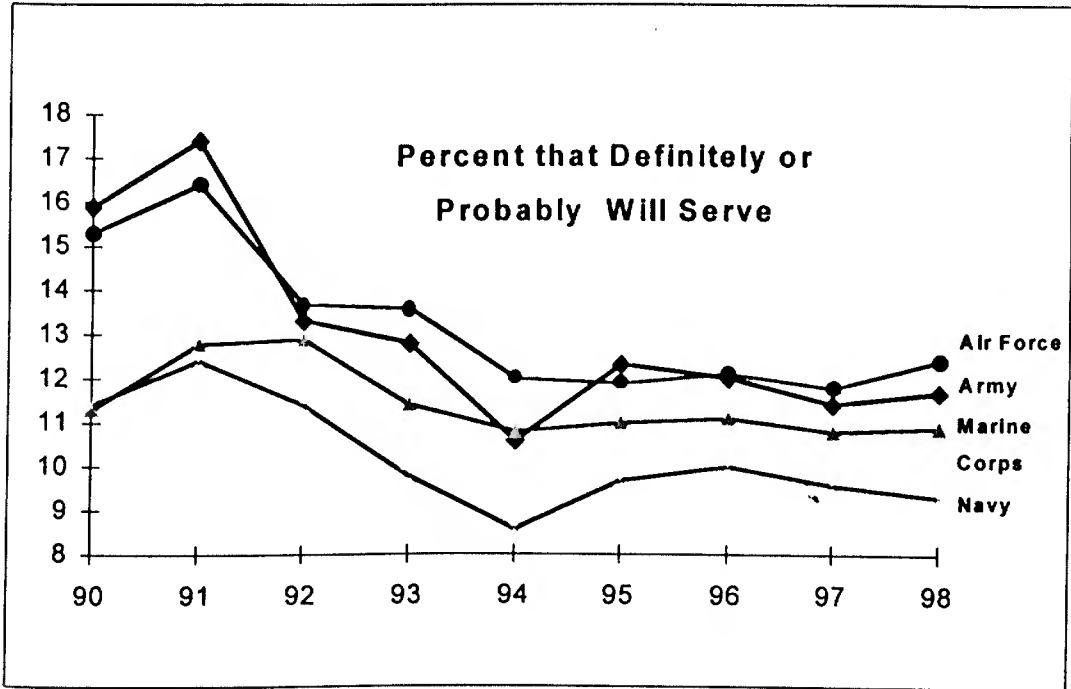
Additionally, the Net Generation, also known as the Y Generation, are not interacting socially with other people as much as previous generations, creating a generation of withdrawn, shy, less confident young people. A study recently conducted by the Fortino Group, a consulting firm in Pittsburgh, claims that children ages 10 to 17 (known as the Generation Y-ers or Net Generation) will spend nearly one third of their lives—or 23 years and two months, on average—on the Internet (Hammond, 1999). The Fortino Group conducted the study over nine months and the study involved 6,000 people of all ages and with varying levels of Internet practical understanding. Based on the results of the study, the Fortino Group predicts some possible trends: those in this age group may experience 31 percent fewer face-to-face interactions than the Generation X-ers before them.

### **8.1.7. *Propensity to Serve***

Unfortunately, for the U.S. Armed Services, the number of American youth considering military service has decreased since a decade-long peak in 1991 following Operation Desert Storm during the Persian Gulf War with Iraq. Of the four military services, the Army holds the second-highest percentage of youth displaying interest in military service, displaying positive propensity to serve. As shown in

Figure 14, the propensity to serve in all services has declined since 1991, but all have been steady since 1994 (Youth Attitude Tracking Survey, 1997).

Figure 14— Propensity of 16 to 24-Year-Old Males

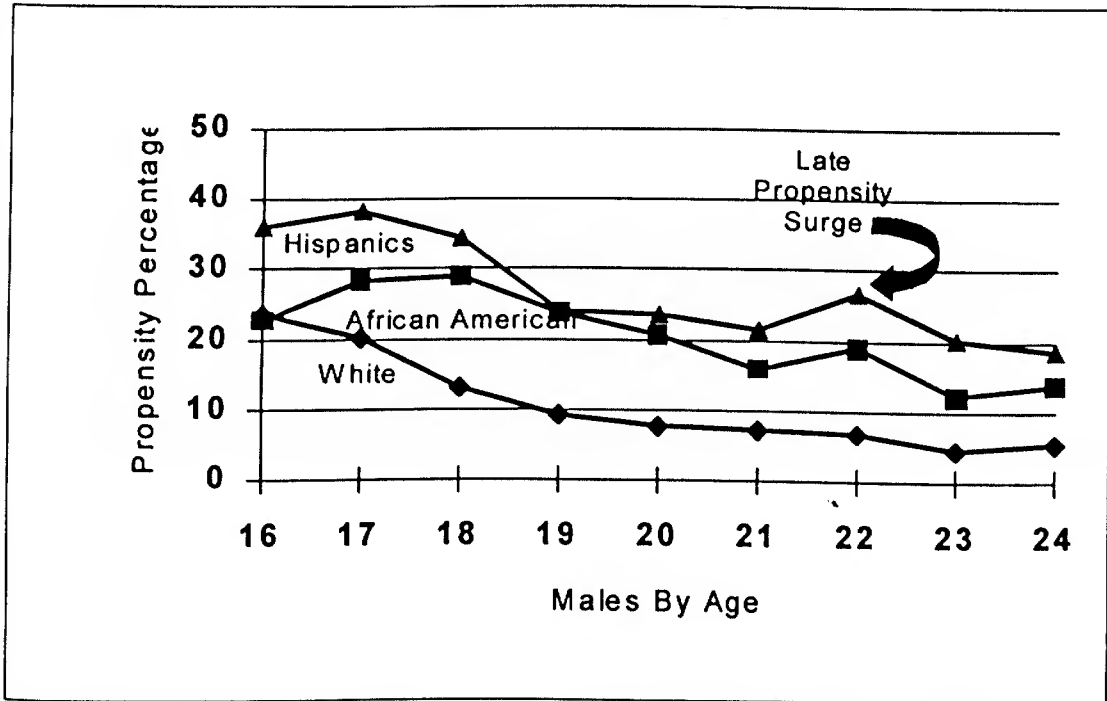


Even more disturbing than the decreased propensity to serve is the more than 10 percent increase in the number of youths who stated that they would “definitely not” serve in the armed forces with 55 percent stating they would “definitely not serve in the Army” (Youth Attitude Tracking Survey, 1997).

As shown in Figure 15, when these same youths were surveyed concerning their propensity to serve in the Army specifically, as opposed the Navy, Air Force, or Marines, whites, Hispanics, and African-Americans demonstrated very different propensity patterns. White youth’s propensity to serve in the Army peaks at age 16 while they are still attending high school with no recovery in their propensity to serve following the continuous decrease after age 16. Minorities, however, experience a peak in propensity around age 17 with a late propensity surge around

age 22. Female propensity followed the same general patterns as males (Youth Attitude Tracking Survey, 1997).

Figure 15- Army Propensity by Ethnicity



### 8.1.8. *Desired Job Attributes: What They Want*

When asked in the Pentagon's annual Youth Attitude Tracking Survey to list the job attributes most important and those least important to them, less than 50 percent listed the opportunities for travel and adventure among the most important. However, these are exactly the attributes that the Army tends to emphasize most and promote aggressively in its marketing efforts.

Of the most important attributes any job, military or civilian, should offer, over 80 percent of the youth listed, in order of most importance to less important, the following items:

1. Job with Good Pay
2. Job Security / Steady Job

3. Personal Freedom
4. Environment Free from Sexual Harassment
5. Job to Be Proud Of
6. Job That Prepares Them for a Future Career
7. Job Where They Learn a Trade or Skill
8. Non-routine Work

*Although the Army offers all of the attributes most important to today's youth, the Army has traditionally most strongly emphasized the less important "non-routine work" aspect of adventure.*

### **8.1.9. Attractive Aspects of Military Service**

When asked what attributes of military service interested them, American Youth responded with

1. Pay for education
2. Job training
3. Pay
4. Sense of duty or obligation to the nation.

The least interesting aspects of serving in the military listed were family tradition, national defense, a last-resort employer, and the opportunity to get away from gangs.

### **8.1.10. Job Attributes: Civilian versus Military**

Throughout the 1990s, America's youth increasingly view a civilian job as providing a greater number of satisfying attributes than a military job. Given certain

attributes, the surveyed youth are asked to choose which job—military or civilian—they think would be more likely to satisfy a particular attribute. Attributes include descriptions such as “work as part of a team,” “opportunity for adventure,” or “provide skill training in preparation for a future job.” From 1992 to 1998, the following attributes have risen dramatically—over 10 points—for civilian jobs:

- ↑ Doing Something For Your Country
- ↑ Working in a High-Technology Environment
- ↑ Role in Decision Making
- ↑ Preparation for a Future Job
- ↑ Work as Part of a Team
- ↑ Opportunity for Adventure

In surprising downward shift, the following attributes have decreased more than 10 points for a military job:

- ↓ Do Something for Your Country
- ↓ Work as Part of a Team
- ↓ Develop Self-Discipline

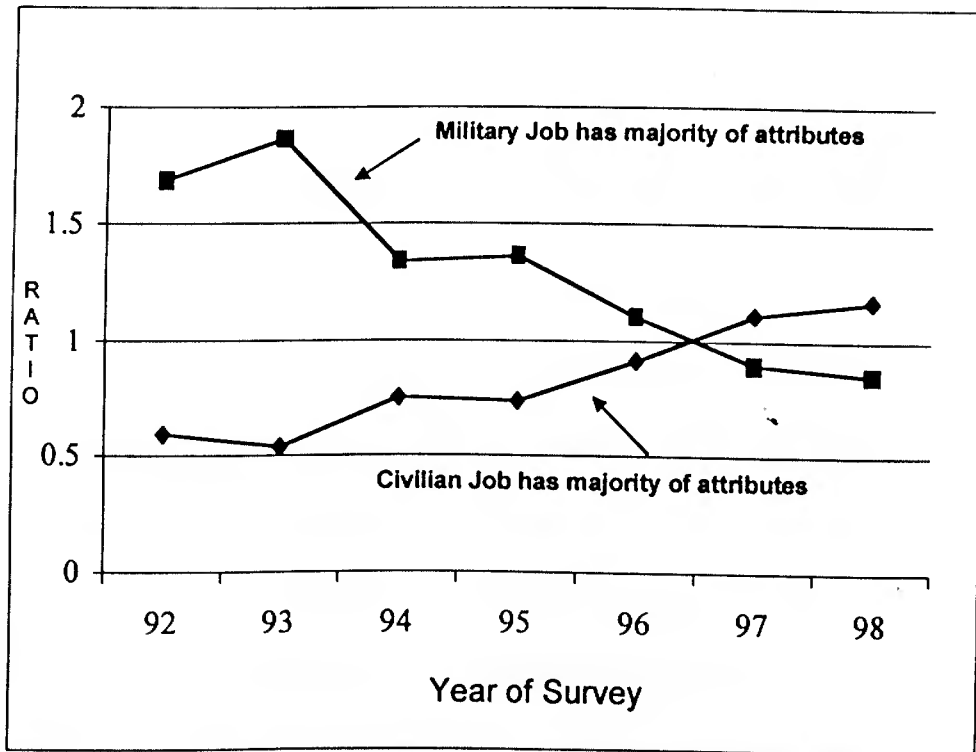
The fact that these three attributes have greatly decreased for the military job says something about the image of military service among today’s youth. Historically speaking, these three attributes—service to country, teamwork, and self-discipline—served in great part as the very definition of military service. It appears that the image of military service is undergoing drastic transformation in the public mind.

As shown in Figure 16, since 1997, American youth surveyed by the Department of Defense have indicated that a civilian job would be more likely to have the job attributes important to them than would a military job. This trend



indicates a steady erosion or shift from a military job toward a civilian job throughout the 1990s (Youth Attitude Tracking Survey, 1997).

Figure 16 – Job Attributes—Military versus Civilian



The Army obviously offers unique job attributes that most civilian companies cannot equal. However, the Army has failed to effectively communicate those unique attributes to the public. The public does not currently value the attributes that the Army offers, instead looking to civilian employers to fulfill their desires for these characteristics.

### 8.1.11. Barriers to Service

According to the most recent Youth Attitude Tracking Survey, the biggest barriers preventing them from considering military service as an employment option were:

1. Military Lifestyle
2. Other Career Interests
3. Long Commitment Involved
4. Threat to Life

Among the smallest barriers listed were low pay, negative publicity, and not being fully qualified for service.

### **8.1.12. Impressions of the Military in America**

When young Americans were asked where they got their impressions about life in the military, the top four responses were 1) movies and television, 2) friends their age, 3) older friends, and 4) a family member. Veterans play a large role in forming the image of the military in a young person's mind. However, as the number of World War II, Korea, and Vietnam veterans continues to dwindle in the coming years, this influence will continue to decrease in American society. Contributing to the problem is a low endorsement rate of military service from those soldiers serving on active duty in the Army. When active duty Army soldiers were asked "Would you personally recommend the Army to a male youth?", only 48 percent replied "yes". This percentage was even lower—only 33 percent—when asked if they would recommend the Army to a young female (Sample Survey of Military Personnel, 1999).

## **8.2. Analysis Phase**

After gathering data from various market research tools, the data must be analyzed using *factor analysis* to remove highly correlated variables. During the analysis, the market was divided into six basic major segments, as shown on the next several pages in Figures 17 through 22.

1. High School Graduates
2. College Students
3. High School Seniors
4. Females
5. Hispanics
6. African-Americans

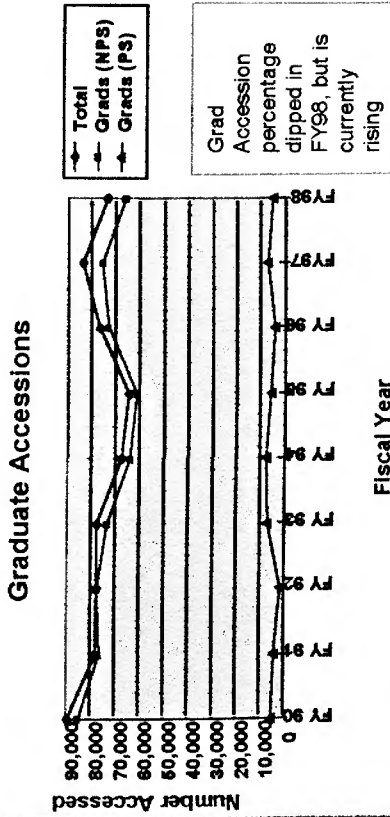
Although it is useful to discuss the market in terms of these six major groups, these six groupings fail to take into account all potential segments. These six groups are not mutually exclusive and subgroups can be created between them. For example, obviously there are females (major segment 6) who are Hispanic (major segment 5) in their senior year of high school (major segment 3). This group constitutes an entirely new segment with its own unique characteristics. These unique segments can be better identified through household classification or lifestyle segmentation. The next section discusses the 50 segments that were identified using cluster analysis of U.S. households.

Figure 17 – The High School Graduate Segment

## The HS Graduate Segment

- 3.9 million qualified 17-21 year olds. (Source: Woods and Poole)
- 2.72% growth rate
- 59% of RA NPS production

## Historical Performance



## Wants and Thoughts...

Source: YATS 97

### Attributes:

- Want Job Security and Personal Freedom
- CA/CS takers

### Incentives:

- Money for college
- Skill Training
- Pay

### Military Impressions

- Money for college
- Develop Discipline
- Physical Challenge

### Barriers:

- Military Lifestyle
- Family Obligations
- Commitment

## Influencers

- Peers
- Parents
- Movies/TV

## Propensity

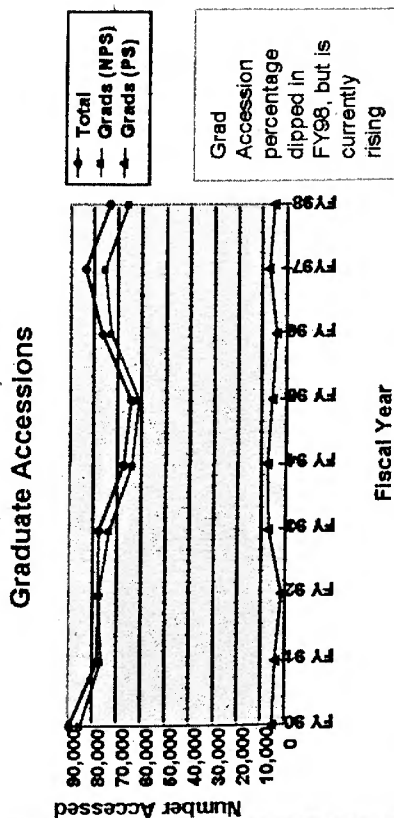
- Men more propensed for RA
- Women more propensed for USAR
- Propensity among lowest of all segments

Figure 18 – The College Segment

## The HS Graduate Segment

- 3.9 million qualified 17-21 year olds. (Source: Woods and Poole)
- 2.72% growth rate
- 59% of RA NPS production

## Historical Performance



## Wants and Thoughts...

Source: YATS 97

### Attributes:

- Want Job Security and Personal Freedom
- CA/CS takers

### Incentives:

- Money for college
- Skill Training
- Pay

### Military Impressions

- Money for college
- Develop Discipline
- Physical Challenge

### Barriers:

- Military Lifestyle
- Family Obligations
- Commitment

## Influencers

- Peers
- Parents
- Movies/TV

## Propensity

- Men more propensed for RA
- Women more propensed for USAR
- Propensity among lowest of all segments

Figure 19 – The Senior Segment

## The HS Graduate Segment

- 3.9 million qualified 17-21 year olds. (Source: Woods and Poole)
- 2.72% growth rate
- 59% of RA NPS production

## Wants and Thoughts...

Source: YATS 97

### Attributes:

- Want Job Security and Personal Freedom
- CA/CS takers

### Military Impressions

- Money for college
- Develop Discipline
- Physical Challenge

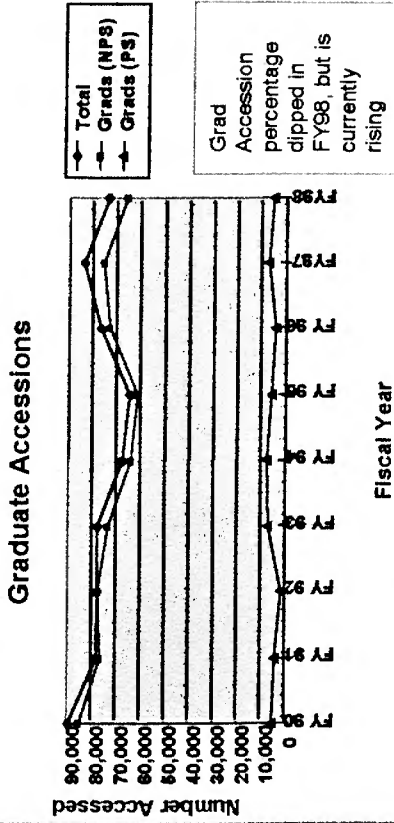
### Incentives:

- Money for college
- Skill Training
- Pay

### Barriers:

- Military Lifestyle
- Family Obligations
- Commitment

## Historical Performance



## Influencers

- Peers
- Parents
- Movies/TV

## Propensity

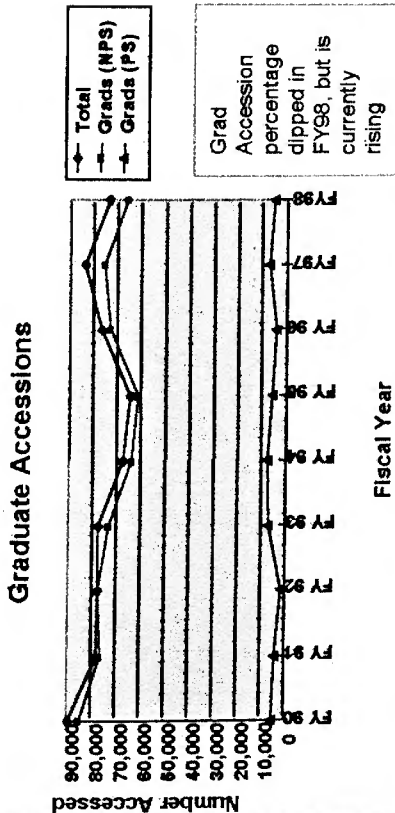
- Men more propensed for RA
- Women more propensed for USAR
- Propensity among lowest of all segments

Figure 20 – The Female Segment

## The HS Graduate Segment

- 3.9 million qualified 17-21 year olds. (Source: Woods and Poole)
- 2.72% growth rate
- 59% of RA NPS production

## Historical Performance



## Wants and Thoughts...

Source: YATS 97

### Attributes:

- Want Job Security and Personal Freedom
- CA/CS takers

### Military Impressions

- Money for college
- Develop Discipline
- Physical Challenge

### Incentives:

- Money for college
- Skill Training
- Pay

### Barriers:

- Military Lifestyle
- Family Obligations
- Commitment

## Influencers

- Peers
- Parents
- Movies/TV

## Propensity

- Men more propensed for RA
- Women more propensed for USAR
- Propensity among lowest of all segments

Figure 21 – The Hispanic Segment

## The HS Graduate Segment

- 3.9 million qualified 17-21 year olds. (Source: Woods and Poole)
- 2.72% growth rate
- 59% of RA NPS production

## Wants and Thoughts...

Source: YATS 97

### Attributes:

- Want Job Security and Personal Freedom
- CA/CS takers

### Incentives:

- Money for college
- Skill Training
- Pay

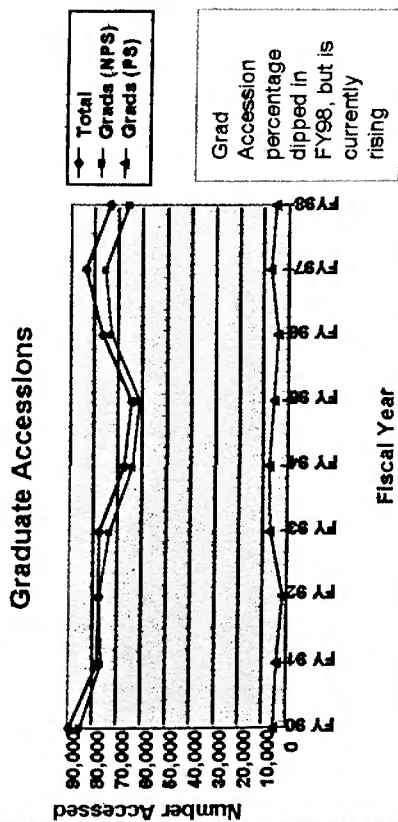
### Military Impressions

- Money for college
- Develop Discipline
- Physical Challenge

### Barriers:

- Military Lifestyle
- Family Obligations
- Commitment

## Historical Performance



## Influencers

- Peers
- Parents
- Movies/TV

## Propensity

- Men more propensed for RA
- Women more propensed for USAR
- Propensity among lowest of all segments



Figure 22 – The African-American Segment

## The HS Graduate Segment

- 3.9 million qualified 17-21 year olds. (Source: Woods and Poole)
- 2.72% growth rate
- 59% of RA NPS production

## Wants and Thoughts...

Source: YATS 97

### Attributes:

- Want Job Security and Personal Freedom
- CA/CS takers

### Incentives:

- Money for college
- Skill Training
- Pay

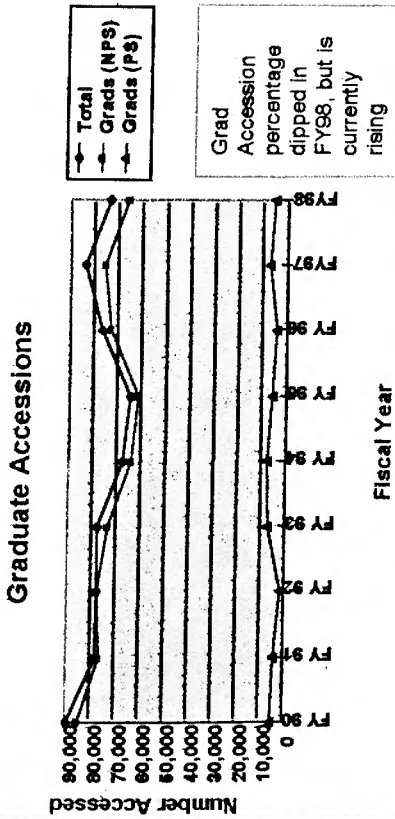
### Military Impressions

- Money for college
- Develop Discipline
- Physical Challenge

### Barriers:

- Military Lifestyle
- Family Obligations
- Commitment

## Historical Performance



## Influencers

- Peers
- Parents
- Movies/TV

## Propensity

- Men more propensed for RA
- Women more propensed for USAR
- Propensity among lowest of all segments

In addition to segmenting by individuals, it is possible to segment the U.S. population according to household type or lifestyles. Lifestyle segmentation can more effectively describe the segments. By including not only segmentation variables such as age, sex, ethnic background, education, geographic location, but also household characteristics such as media habits, income level, purchasing patterns, family size, hobbies and interests, and previous military service, among others, a more complete description of the segment is achieved.

Next, the six major groups, or segments, were subdivided further into minor groups, or clusters. By identifying distinguishing characteristics of each segment, a segment profile can then be created.

### **8.3. Profiling Stage**

According to Philip Kotler (1997), each cluster should be profiled based on its distinguishing attitudes, behavior, demographics, psychographics, and media habits. Each segment can then be given a name based on a dominant distinguishing characteristic (1997). The U.S. households in this project were clustered and segmented based upon the following weighted variables:

- Affluence
- Age
- Housing Type
- Household Relations / Family Size
- Race
- Occupation
- Education Level
- All other variables

The critical assumption here is that similar households will behave the same in terms of buying motives and attitudes (propensity toward military service) regardless of geographical location. However, as discussed later, this does not mean that each geographic area will have the same high-payoff segments. Later, further analysis of the segments by geographic location will reveal unique patterns within each recruiting brigade's geographical area. In other words, each recruiting brigade may have more or less success with certain segments when compared to another recruiting brigade. However, at this point, differences in geographic location are ignored.

Using cluster analysis, 50 different segments were identified. Next, the 50 clusters were studied to identify distinguishing characteristics, traits, and attributes within each segment.

*Annex 3 contains brief descriptions of the Army's 50 custom household segments*

## **9. MARKET TARGETING**

After having identified the various distinct segments within the market, one must then identify which segments will be targeted. In other words, which of the identified segments offer superior potential. Some segments may display above-average potential and are segments where the firm can outperform the competition by meeting the needs of the segments better than competitors. In this analysis, segments were compared to historical Army recruiting data to determine which segments have, in recent years, been above-average producers for the Army.

The purpose of the next step, data analysis, is to identify in which of the 50 segments has the Army outperformed the competition and from which segments has the Army received a greater proportion of its recruits.

### **9.1. Data Analysis: Army Contracts by Custom Segment**

In July and August of 1999, while working with the Demographic Analysis Cell of the Program Analysis and Evaluation Division of the U.S. Army Recruiting Command, 310,344 records from previously contracted recruits from the period August 1995 to July 1999—a period of 48 months—were classified into one of the 50 custom segments previously described. The operation successfully placed over 90 percent of recruits' records (279,472) into one of the 50 segments that most appropriately and most accurately described the recruit.

Next, two percentages were calculated. The first percentage represented the number of previously contracted files that came from each segment. The second percentage represented the proportion of the total number of U.S. households (99,956,289) represented by each segment.

The next step involved comparing the percentage of recruits contracted from a particular segment with the percentage of total U.S. households that the segment represented to obtain an index. An index of 100% indicates that the proportion of Army recruits contracted from a segment exactly match that segments proportion of households in the United States. For example, looking at Table 2 on the following page, segment number 24 represents a potential target segment. The reasoning behind this is that the Army has previously recruited 4.4% of its soldiers from this segment. However, this particular segment only represents 2.2% of U.S. households. The corresponding index of 197.8 signifies that the Army recruited

nearly double the percentage of its recruits from this segment compared to the segment's proportion of U.S. households.

### Sample Calculation of Index

#### ☆ Step 1

$$\begin{aligned} \text{Number of Contracts from Segment 24} &= 12,181 \quad \div \\ \text{Total number of Contracts for Period} &= 279,472 \\ &= \mathbf{0.043586} \text{ or } 4.4\% \end{aligned}$$

#### ☆ Step 2

$$\begin{aligned} \text{Number of Households in Segment 24} &= 2,202,095 \quad \div \\ \text{Total Number of U.S. Households} &= 99,956,289 \\ &= \mathbf{0.022031} \text{ or } 2.2\% \end{aligned}$$

#### ☆ Step 3

$$\begin{aligned} &\text{Proportion of Contracts from Segment 24 / Total Number of Contracts} \div \\ &\text{Proportion of Households in Segment 24 / Total Number of Households} \\ &\text{equals an index of } = 0.043586 / 0.022031 = 1.97842 = \mathbf{197.8\%} \end{aligned}$$

**Table 2– Army Contracts by Custom Segment**

Segment	Contracts	Army %	U.S. HHs	U.S. %	Index
1	718	0.3%	1,115,158	1.1%	23
2	2,331	0.8%	1,144,081	1.1%	72.9
3	2,900	1.0%	1,915,423	1.9%	54.2
4	3,270	1.2%	2,760,399	2.8%	42.4
5	6,360	2.3%	2,321,268	2.3%	98
6	4,161	1.5%	1,800,197	1.8%	82.7
7	563	0.2%	675,324	0.7%	29.8
8	3,017	1.1%	2,719,286	2.7%	39.7
9	111	0.0%	72,905	0.1%	54.5
10	11,994	4.3%	5,760,443	5.8%	74.5
11	12,982	4.6%	3,362,314	3.4%	138.1
12	3,576	1.3%	3,170,887	3.2%	40.3
13	176	0.1%	621,781	0.6%	10.1
14	254	0.1%	367,537	0.4%	24.7
15	9,078	3.2%	4,326,929	4.3%	75
16	19,773	7.1%	6,023,187	6.0%	117.4
17	11,034	3.9%	2,431,197	2.4%	162.3
18	16,226	5.8%	4,649,071	4.7%	124.8
19	179	0.1%	84,019	0.1%	76.2
20	2,027	0.7%	1,733,465	1.7%	41.8
21	210	0.1%	370,284	0.4%	20.3
22	4,377	1.6%	2,312,153	2.3%	67.7
23	11,256	4.0%	5,026,452	5.0%	80.1
24	12,181	4.4%	2,202,095	2.2%	197.8
25	10,963	3.9%	3,182,202	3.2%	123.2
26	410	0.1%	166,801	0.2%	87.9
27	863	0.3%	323,708	0.3%	95.4
28	5,761	2.1%	1,598,569	1.6%	128.9
29	1,657	0.6%	486,564	0.5%	121.8
30	1,060	0.4%	1,225,149	1.2%	30.9
31	688	0.2%	623,820	0.6%	39.4
32	4,344	1.6%	2,121,408	2.1%	73.2
33	608	0.2%	409,048	0.4%	53.2
34	2,138	0.8%	513,248	0.5%	149
35	11,821	4.2%	3,221,777	3.2%	131.2
36	2,774	1.0%	1,490,987	1.5%	66.5
37	417	0.1%	557,431	0.6%	26.8
38	30,286	10.8%	8,546,042	8.5%	126.8
39	8,731	3.1%	3,729,294	3.7%	83.7
40	16,937	6.1%	4,617,487	4.6%	131.2
41	6,672	2.4%	1,774,926	1.8%	134.4
42	8,062	2.9%	1,462,140	1.5%	197.2
43	669	0.2%	273,531	0.3%	87.5
44	450	0.2%	132,645	0.1%	121.3
45	3,739	1.3%	1,606,525	1.6%	83.2
46	12,835	4.6%	3,014,943	3.0%	152.3
47	2,323	0.8%	697,141	0.7%	119.2
48	1,549	0.6%	1,033,458	1.0%	53.6
49	303	0.1%	107,420	0.1%	100.9
50	4,658	1.7%	74,170	0.1%	2246.2
<b>Total Contracts</b>	<b>279,472</b>	<b>100%</b>	<b>Total U.S. HHs</b>	<b>99,956,289</b>	<b>100%</b>

In other words, if all other things are equal, there should be the same proportion of contracts coming from a segment as the proportion of U.S. households that the segment represents. Segmenting the market in this way allows the Army to define and understand the differences between the segment and the diagonal "line."

The line is the "expected" plot of the segments when the proportion of recruit contracts coming from a particular segment equals the proportion of U.S. households that the particular segment represents

## 9.2. Selection of Target Segments

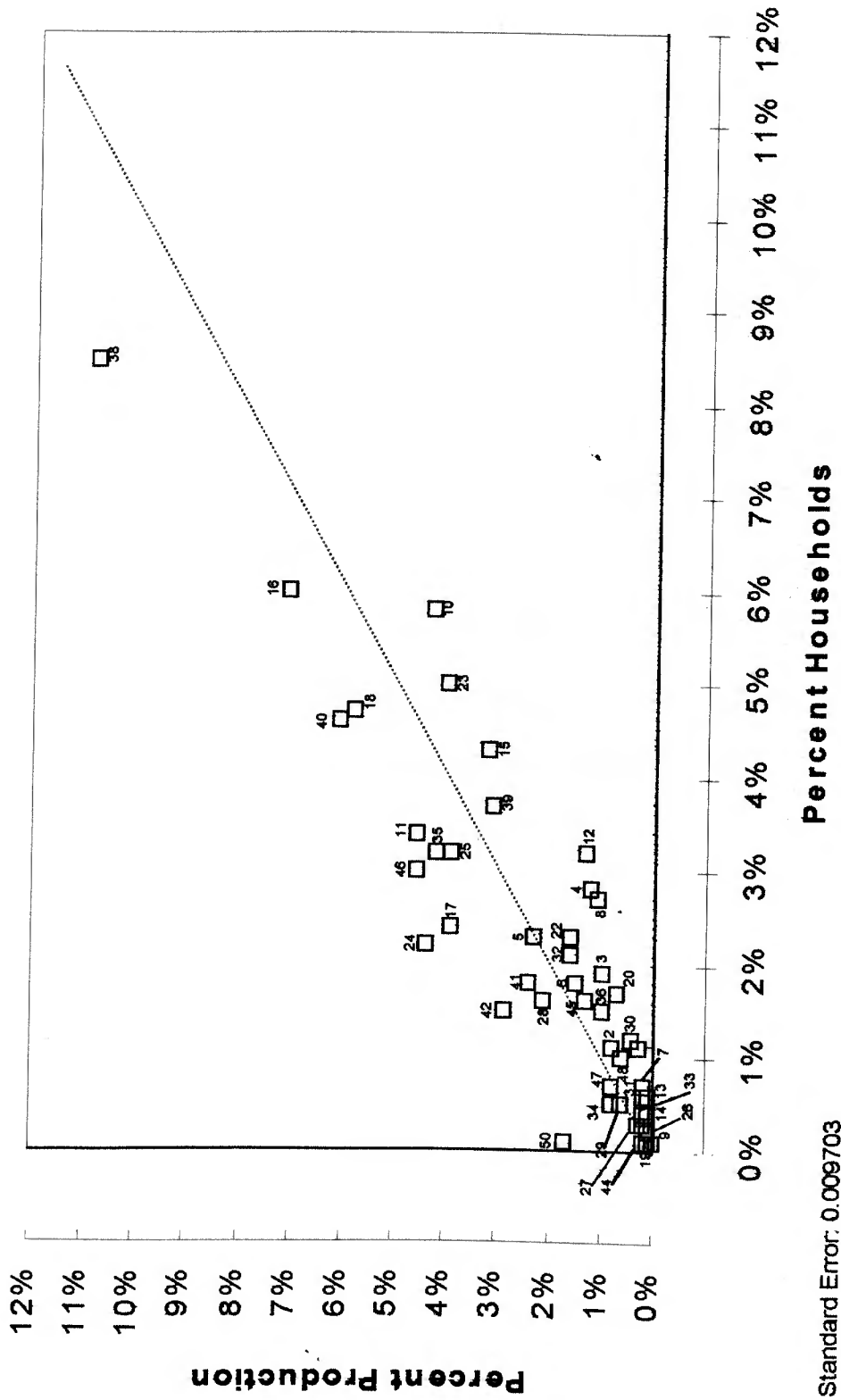
Referring to Figure 23 on the next page, the segments that plotted above the diagonal line, defined above, indicate that the members from this segment have displayed, at least in the past four years, a higher propensity or likelihood to enlist in the Army. Conversely, those segments plotted below the line are not as likely to buy our product—Army service.

Segments plotted above the line represent high-payoff segments for the Army.

By studying these segments above the line, and perhaps on the line, the Army can create profiles of each segment. From these profiles, the Army can develop positioning concepts that would more than likely appeal to members of each segment. Therefore, the Army customizes its recruiting efforts more effectively and efficiently.

Figure 23 - Army Contracts by Custom Segment

# Army Contracts by Custom Segment



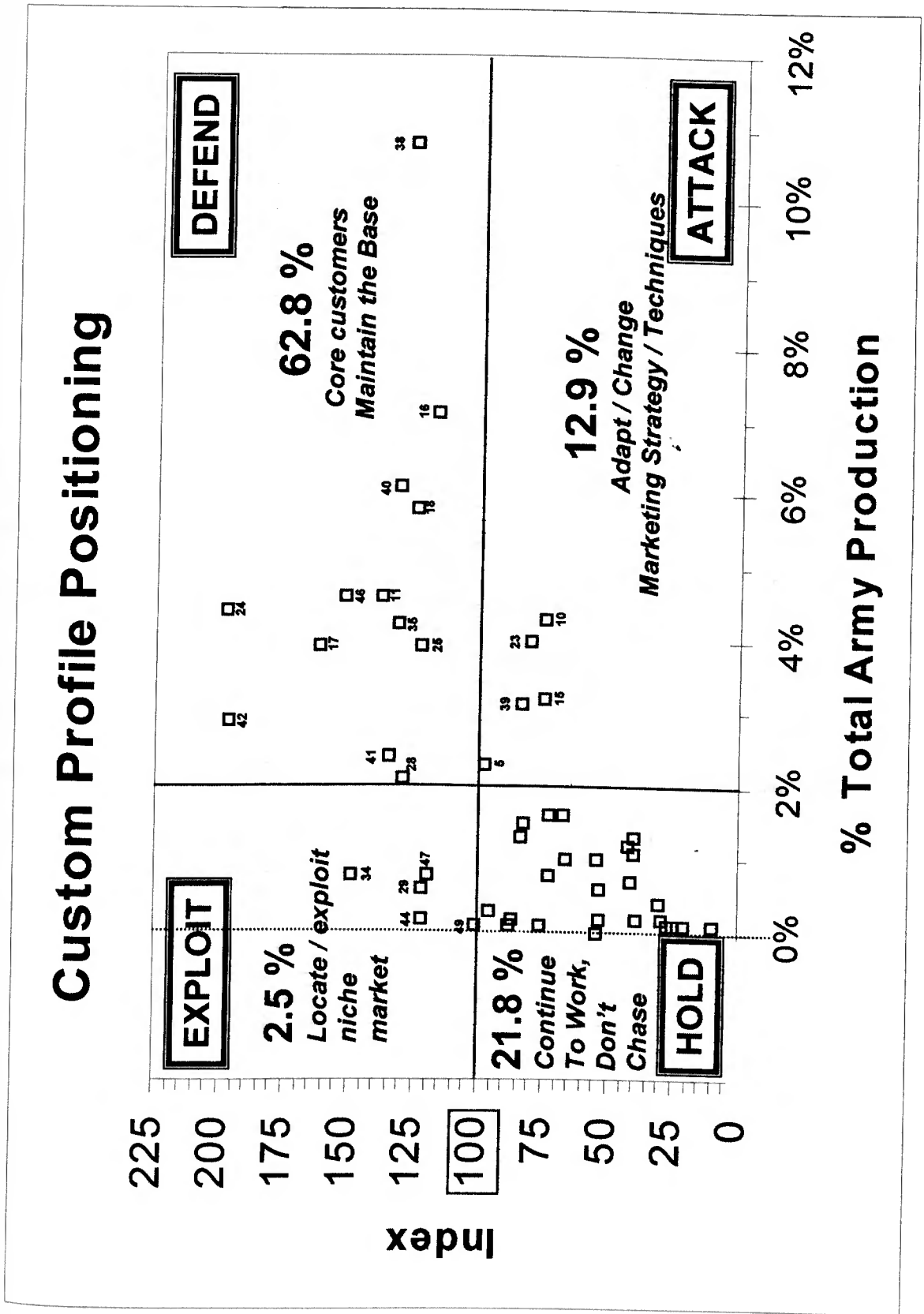




As seen on the following page, Figure 24, currently 18 segments comprise the Army's core segments without consideration to geographic area, producing nearly 63 percent of all contracted recruits. Five segments produce a large percentage of the Army's contracts, but are underrepresented when compared to the segments' proportion in the U.S. population. The Army could attempt to improve its penetration of these five segments (segments 5, 10, 15, 23, and 39) through adapted, targeted, and more intensely focused marketing efforts. These underrepresented segments seem to present the Army with a good opportunity to exploit.

In the upper left hand corner of Figure 24, five extremely small segments are producing more than their proportionate share of recruits for the Army. It seems to reason that the Army holds some sort of competitive advantage in these niche markets. In these five segments, the Army must determine to what it owes this success. The Army must not only ensure that it maintains its advantageous position in these segments, but it should attempt to exploit this favorable situation.

Figure 24 – Production Analysis of Segments



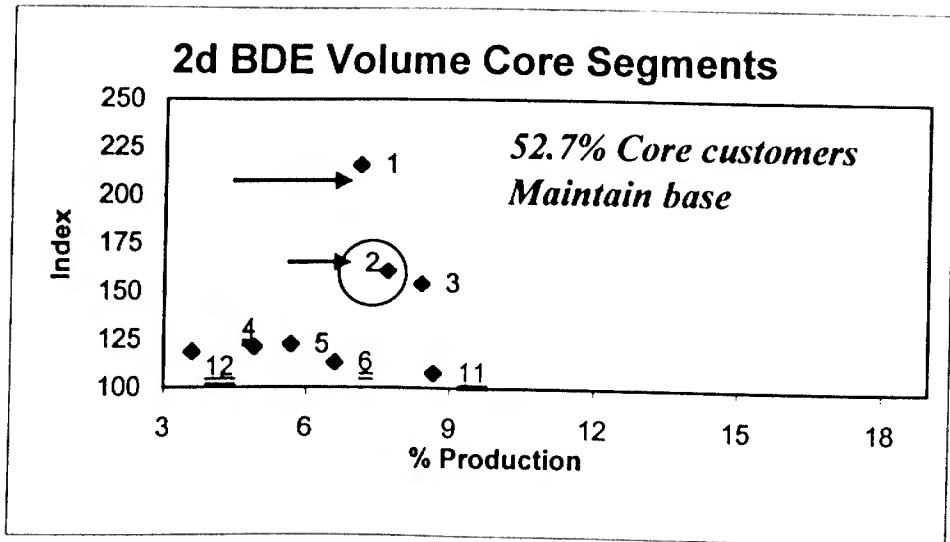
### 9.3. Target Segments by Geographic Area

Next, the cluster analysis was repeated, but, this time, consideration was given to the performance of the different segments according to their geographic location—specifically within each recruiting brigade's area of responsibility.

*The results demonstrated that the segments representing the core, underrepresented, niche, and low-production quadrants differed greatly within each recruiting brigade.*

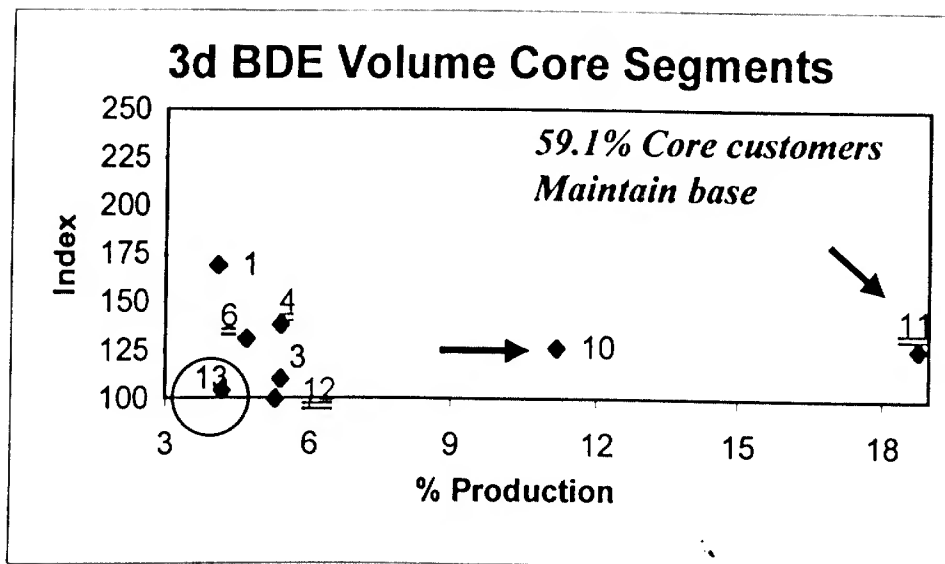
Examples of core segments for the 2nd, 3rd, and 6th Recruiting Brigades are shown in Figures 25 through 27 on the following pages. The charts clearly demonstrate that each recruiting brigade has a unique recruiting environment and requires a customized marketing approach. These findings suggest that the Army could develop marketing campaigns by recruiting brigade in order to customize its message to the custom profiles of the high-payoff targets within that geographic area. Today, the Army is advertising at a national level, undifferentiated by target segments within a geographic region.

Figure 25 –Production Analysis—2nd Recruiting Brigade (Geographic Area)



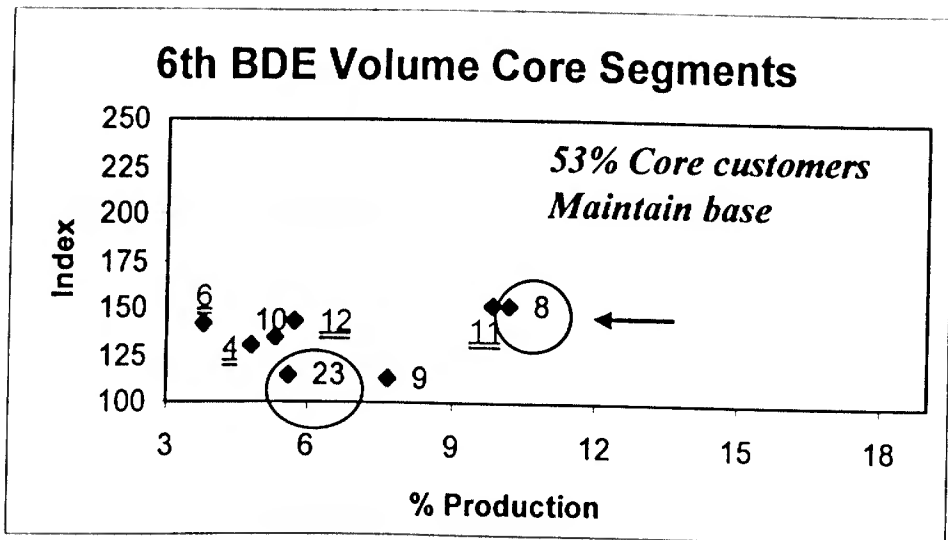
- Each of the core segments produces less than 9% each
- Segment 2 is unique to 2d Brigade as far as volume and index.
- Segment 1 is a core segment in 2d Bde, but is only 0.3% of total Army production with an Army index of only 23.
- Segments 1 and 2 are in the lower left quadrant of total Army production chart and are considered “work but don’t chase” segments. However, segments 1 and 2 are clearly strong performers in 2d Brigade.

Figure 26 –Production Analysis—3rd Recruiting Brigade (Geographic Area)



- Segment 11 contributes more than 18.5% of total contracts for 3rd Brigade compared to 4.6% of total Army production.
- Segment 13 is unique to 3d Brigade as far as volume and production, with an index 10 times greater than segment 13's total Army production index of only 10.1.

Figure 27—Production Analysis—6th Recruiting Brigade (Geographic Area)

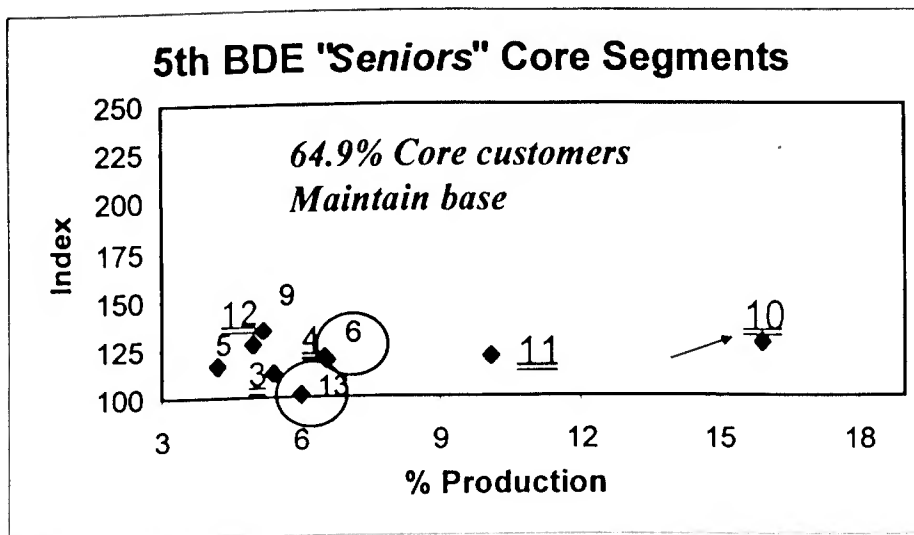


- Segment 8 is unique to 6th Brigade in that it has an index of over 150 in 6th Brigade compared to a total Army production index of only 39.7.
- Segment 8 is the top producing segment within 6th Brigade with over 10% of total contract production in the brigade.
- Segment 23's index of nearly 114 is unique to 6th Brigade. Segment 23 only indexes at 80.1 as far as Army-wide production.

Segments 4, 6, 11, and 12 all have indexes above the expected value of 100 and form a part of the core segments for all three brigades: 2d, 3d, and 6th. This simple example serves to illustrate the complexity of the market in which the Army is recruiting and how much analysis must be done in order to determine the unique market environment that each brigade operates in.

Next, let us not only isolate the segments within a particular brigade, but also see how the particular 50 segments perform within one specific brigade within the six major segments. The 5th Recruiting Brigade will be used to demonstrate how a particular brigade can have very unique circumstances within its recruiting environment. For example, as shown in Figures 28, 29, and 30, the *High School*, *College*, and *African-American* core segments display different characteristics than the numbered segments do when compared to aggregate total Army production

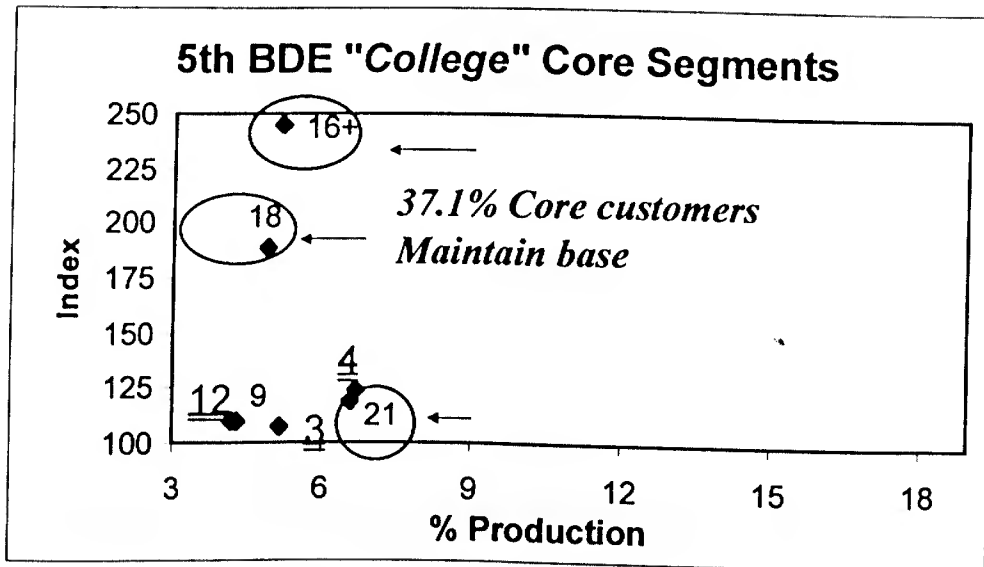
Figure 28—5th Brigade High School Core Segments



Most obvious here in this analysis is the importance of Segment 10 in 5th Brigade, producing over 16% of total recruiting production. Also worthy of noting is the fact

that Segment 13, and especially segment 6, are unique in that they greatly out-index the segments' indices of Army production as a whole.

Figure 29—5th Recruiting Brigade College Core Segments

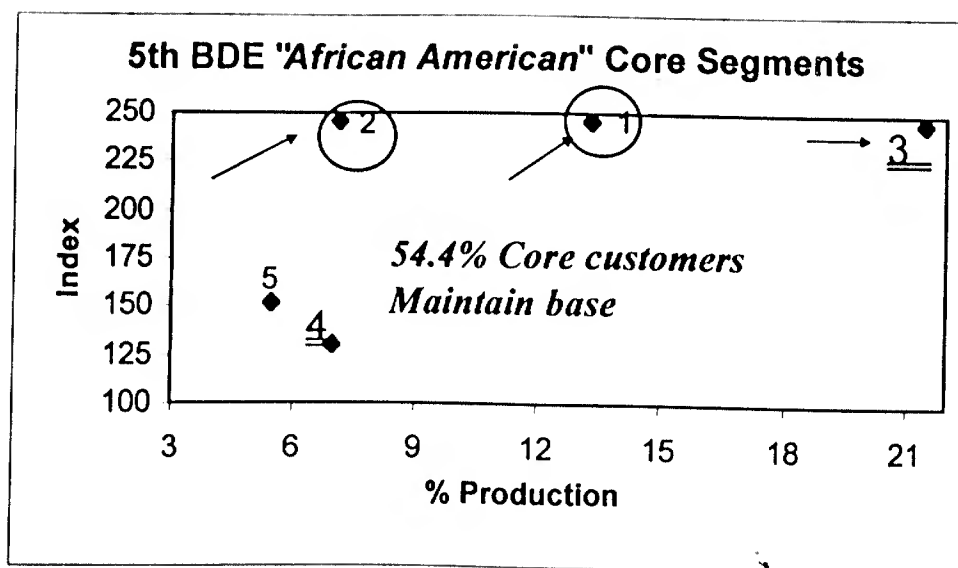


What is interesting to note here is that segments 16 and 18 basically index at just over 100 in total Army production. However, in 5th Brigade, segments 16 and 18 index at over 150 and 225 respectively and are excellent performers. In addition, segment 21, with an overall index of only 20.3, weighs in 5th Brigade at well over 120. This is unique to 5th Brigade.

Perhaps most noteworthy in this particular chart is the fact that all other top producing segments, as far as total aggregate Army production, are all under-represented in 5th Brigade:



Figure 30—5th Brigade African-American Core Segments



The analysis of the African-American segments in 5th Brigade produced what were perhaps the most surprising and most noteworthy results. Here, in 5th Brigade, wealthy and affluent urban-dwelling African-Americans in 5th Brigade constitute the majority of African-American recruits. In fact, segment 3 produces over 21% of all contracted African-Americans. Segments 1, 2, and 3 all index below 100 in total aggregate production, but are extremely strong in the African American market segment.

It is evident that after conducting this detailed market segmentation and segment evaluation, each recruiting brigade should know which segments make up its core, under-represented, niche, and low-production quadrants. Without this knowledge, the only option available is the continued use of the Army's traditional "shotgun" approach to recruiting and marketing.

However, armed with detailed knowledge of their target segments, the recruiting brigades, together with USAREC, can focus on the appropriate target segments. In this way, the brigades maximize their effectiveness and minimize the expenditure of precious resources. The Army and its recruiting brigades must not simply identify and evaluate the various segments and their respective impact on recruiting operations. Army recruiters must continually survey the marketplace and conduct market segmentation to identify shifts and changes in the market as they occur.

If the U.S. Army Recruiting Command embraces modern market segmentation theory, it will have the tools necessary to effectively and efficiently recruit the required numbers of quality soldiers.

## **10. CONCLUSIONS**

The analysis conducted in this study clearly demonstrates that American youth from certain market segments are more likely to enlist in the Army than others. Given the higher propensity to serve in certain market segments, it should be more effective and more economical for the Army to focus recruiting efforts on these high-payoff segments. The Army should minimize its recruiting efforts in segments that demonstrate a lower-than-average propensity to serve and have historically provided very few recruits to the Army. In summary, the analysis produced the following conclusions:

1. Recent efforts by the Clinton administration and senior military officials have failed to resolve the Army's current recruiting crisis.
2. Costs associated with recruiting an individual soldier are increasing.

3. Current Army marketing efforts fail to distinguish low-propensity segments from high-propensity segments and tend to communicate one recruiting message to all segments nationwide.
4. It is possible to identify distinct segments representing core, niche, under-represented, and low-production segment groups within each recruiting brigade's area of responsibility
5. Each recruiting brigade operates in a unique environment. The Army can no longer afford to communicate the same recruiting message to all segments throughout all areas of the country. The Army must target segments within each brigade and create profiles of those segments.
6. By developing custom profiles based upon the target segments, the Army should be able to increase the effectiveness of its marketing campaigns since the Army will understand the attributes, characteristics, and media habits of the target segments within each recruiting brigade'
7. By increasing recruiting effectiveness through target marketing, the Army should also decrease the recruiting costs per soldier.

## **11. RECOMMENDATIONS**

Based on the findings in this study, the Army should adopt a selective specialization marketing strategy. The Army does not have the universal appeal or the immense resources required to attempt to compete in the market as a whole. Although at least 50 segments have been identified, the Army should not approach these segments in the same way nor with an equal amount of effort or expense. The Army should recruit in these segments, but, in order to appeal to the different

needs, desired attributes, and characteristics of different segments, it must adapt its marketing methods. The Army should create a distinctive brand image that appeals to particular segment or group of segments, based on the custom profiles, in order to capitalize on the unique aspects of each segment.

Before addressing recommended marketing strategies for the Army recruiting brigades, let us discuss some more general recruiting opportunities that apply to all of the recruiting brigades and the country as a whole.

### **11.1. General Recruiting Opportunities**

In addition to adapting and customizing a marketing campaign to support the each recruiting brigade's target segments, there are several additional recruiting opportunities for the Army as a whole to exploit.

- Expand recruiting and advertising efforts to reach more of the fast-growing and underrepresented Hispanic population.
- Expand recruiting into the four-year, two-year, and technical colleges in order to exploit attractiveness of the Army's college loan repayment programs and simultaneously increase access to top-quality youth.
- Include attrition as a factor in measuring and rewarding Army recruiter performance. In other words, instead of linking recruiter success and rewards to the number of recruits who are enlisted or who report to basic training, link recruiter success and awards to the number of recruits who graduate from basic training and become productive service members. In other words, recruiters would have more incentive to enlist high-quality recruits instead of more numbers that

do not necessarily produce soldiers who are more productive in the long-term.

- Increase the number of general education development (GED) holders recruits by developing and using careful and thorough screening criteria. Not all non-high school diploma holders should be rejected; some may be potential high-quality soldiers if given the opportunity to excel.

## 11.2. Specific Strategies for the Four Quadrants

The Army should require each brigade to conduct a production analysis within in its own geographic area to identify its unique core, underrepresented, niche, and low-production segments. The U.S. Army Recruiting Command could then assist each recruiting brigade by developing marketing campaigns that are adapted to targeted segments *within each recruiting brigade's area of responsibility*, with the marketing campaigns supporting the following strategies:

- Core Segments: STRONG DEFENSE
- Underrepresented Segments: ATTACK
- Niche Segments: EXPLOITATION
- Low-producing Segments: HOLD

In other words, each recruiting brigade in the Army must defend and maintain its particular core segments (upper right quadrant of the production analysis for the brigade). These core segments demonstrate a higher-than-average propensity to serve and have provide a large proportion of contract production for the Army. These segments form the solid foundation for the Army's recruiting efforts.

In the under-represented segments (lower right quadrant), the Army should attack to increase representation. These segments are producing, but produce fewer recruits per household when compared to the population as a whole. The Army must go on the offensive and attack these segments with an aggressive, customized marketing campaign. The Army must take "customers" away from its competitors, the other military and civilian employers, in these segments. As under-represented segments, it seems reasonable that recruiting and marketing campaigns can be improved in these areas in order to attract the segment members more effectively.

Within the niche segments (upper left quadrant), the Army must gain a firm understanding of its competitive advantage within these segments and remain vigilant in protecting this advantage against other competitors. In the low-production segments, the Army must not waste precious resources. The Army may continue to contract new recruits from these segments, but it must not waste scarce and finite resources by specifically targeting these segments. Excess or extraordinary recruiting efforts directed toward these segments will be unlikely to produce a sufficient return on investment.

Since there are distinct, identifiable segments in the U.S. youth market that display propensities towards military service, it reasons that the Army should focus its resources on the high-propensity segments. If those segments already exhibit an above-average propensity towards military service, it should be easier, and cheaper, for the Army to attract them to enlist in the Army.

By knowing which segments tend to produce the majority of its enlistment contracts, the Army can build profiles of these segments and focus its advertising (television, radio, print media). Through the custom profiles, Army marketers should

understand the media habits of segment members: what they watch on television, what type of radio stations they listen to, what type of print media they read, and so on. Improved marketing in the underrepresented segments could produce significant increases in recruiting numbers.

## 12. CLOSING COMMENTS

The quality of today's Army speaks for itself. In the last decade of the 20<sup>th</sup> century, the all-volunteer U.S. Army defeated the Soviet Union and the Warsaw Pact without firing a shot and destroyed the fifth largest army in the world in 100 hours of ground combat. A draftee Army did not do these things; a well-paid, well-led Army of volunteers did.

The Army must attract and retain the highest quality people. As an all-volunteer force, the Army must be competitive in its recruiting operations in the U.S. labor market. As recognized by military and political leaders today, the success of the all-volunteer force is necessarily precarious, dependent on a populace willing and able to serve. Therefore, the Army's ability to remain an all-volunteer force obviously depends on its ability to continue to attract sufficient numbers of volunteers at a reasonable cost.

America's youth, as well as those adults who influence their decision-making, must view the U.S. Army as a professionally rewarding and personally enriching environment within which people take pride in being part of one of the Nation's most highly esteemed institutions.

The Army should implement modern market segmentation techniques to identify, select, and target segments. Target marketing will not only increase the Army's recruiting effectiveness, but should also reduce its costs per recruit

contracted. With target marketing, the Army can focus its resources on high-payoff target segments with higher propensities to serve and obtain more recruits for the resources expended.

Immediate action is required to reverse the disturbing recruiting trends of the last few years. A highly trained professional Army is expensive to recruit and even more expensive to maintain, but it remains the best guarantor of continued peace and prosperity for America and the rest of the world (Danckert 1999). The cost of not maintaining America's high-quality, all-volunteer Army would be much greater.



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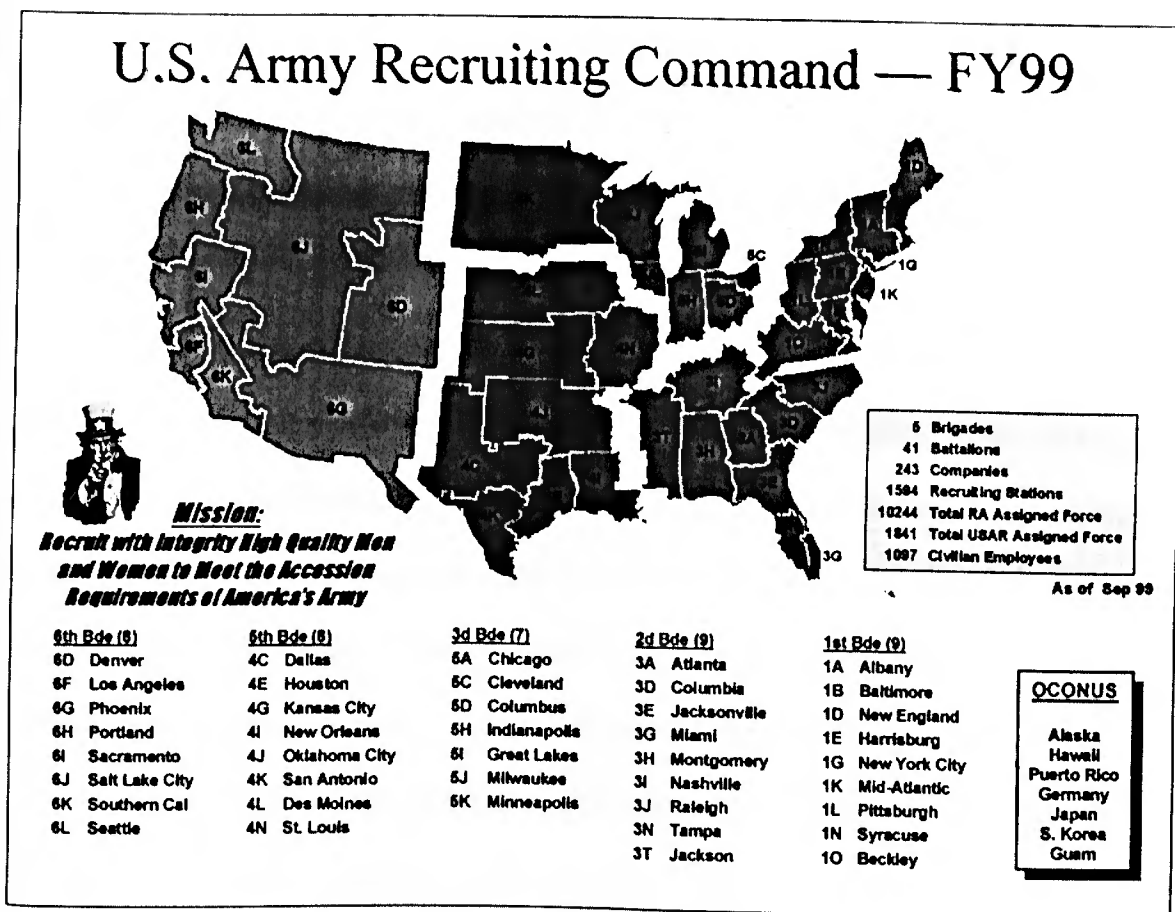
## **14. ANNEX 1: HOW THE ARMY RECRUITS**

### **14.1. The United States Army Recruiting Command**

The United States Army Recruiting Command (USAREC), headquartered at Fort Knox, Kentucky, is the product of 25 years of refining tools, techniques, and business practices. The Recruiting Command traces its beginnings to the 1970 Gates Commission, which charted a course for maintaining military strength without conscription (Welker, 1998). The difficulties faced by USAREC in the late 1970s and the steps taken to overcome them serve as lessons for a future in which USAREC must preserve the means to succeed despite conditions of undoubtedly greater austerity for the Army.

The mission of USAREC is to "recruit with integrity high-quality men and women to meet the accession requirements of America's Army." It consists of five brigades, which encompass the continental United States. There are also recruiters outside the continental United States (OCONUS) covering Alaska, Hawaii, Puerto Rico, Germany, Japan, South Korea and Guam. The Recruiting Command operates 1,594 recruiting stations and employs over 12,000 soldiers and nearly 1,100 civilian employees, as shown in Figure 26 below (USAREC Homepage, 1999).

Figure 31– U.S. Army Recruiting Command



In many ways, all-volunteer recruiting has kept the Army from growing insular and separate from other institutions of American society. Army recruiters live and work in all the communities of the nation. In order to do their job, they must gain community support by making a case for Army service with educators, business people, and community leaders. They must also learn to deal with the media. Through this activity, the American public is better informed about the Army and, additionally, soldiers returning to their principal military specialties after a tour in the Recruiting Command cannot fail to have a better understanding of the troops they will lead and the role of the Army in American society.



## 14.2. Army Recruiters

Recruiters are Army personnel selected to work at recruiting stations around the country and are the ones who actually communicate with prospective recruits and do the initial screening of applicants. If the applicant is eligible and makes the decision to enlist, the recruiter processes the enlistment contract—the paperwork that officially inducts a person into the Army.

Today there are more than 7,000 active Army and Army Reserve recruiters and they live in virtually every community in the nation, working from nearly 1,600 recruiting stations (Welker, 1998). In many areas, where no military installation is nearby, Army recruiters are the Army in their towns. In high schools, colleges, and communities across the United States, Army recruiters offer opportunities and options no other employer can match for many of today's youth.

Recruiters are responsible for selling the benefits of Army service to various audiences, including potential recruits, their parents, and teachers. Recruiters prescreen applicants for military service using established criteria. Those applicants who pass the initial screening are sent to one of 65 military entrance processing stations (MEPS) located throughout the United States. At these MEPS, applicants take a battery of tests and receive a thorough medical examination. Applicants who are selected for service sign an enlistment contract and enter the Delayed Entry Program (DEP), in an unpaid status, for up to one year. Recruits have time while in this program to prepare mentally and physically for basic training. Recruiters are responsible for managing the DEP by providing recruits with information and instruction that will help them to transition from civilian to military life (Military Recruitment, 1999).

Before leaving for basic training, recruits return to the MEPS for final processing. After basic training, most recruits attend specialized technical training based on their specific military occupational specialty (MOS) that may last anywhere from a few weeks to more than one year before reporting to their first duty assignment. Most initial enlistments last 4 years, including the time spent in training.

### **14.3. Advertising**

Army advertising creates opportunities for recruiters and reinforces their success. Advertising makes recruiting easier and helps make the recruiters' missions achievable. Advertising creates awareness of Army opportunities and generates for the recruiting force its initial contacts with America's youth.

The Army will spend \$100 million during fiscal year 2000 on television ads-- its highest budget ever and much more than any other armed service (Omicinski, 1999). In the United States, more than 98 out of 100 households have a television set and therefore offers the Army a distribution channel to penetrate nearly all households (World in Figures, 1999). Army advertising is often spectacularly good. Thirty-second bursts of excitement on their television screens entertain people who enjoy watching soldiers in action. These commercial ads evoke emotional responses, excite, and inspire viewers. Advertising industry associations single out Army advertisements for creative excellence and industry trade journals have called the Army's "Be All You Can Be" campaign one of the nation's best (Army Advertising, 1999).

Because of Army advertising, potential recruits are already somewhat aware of Army opportunities and benefits before speaking with a recruiter. The

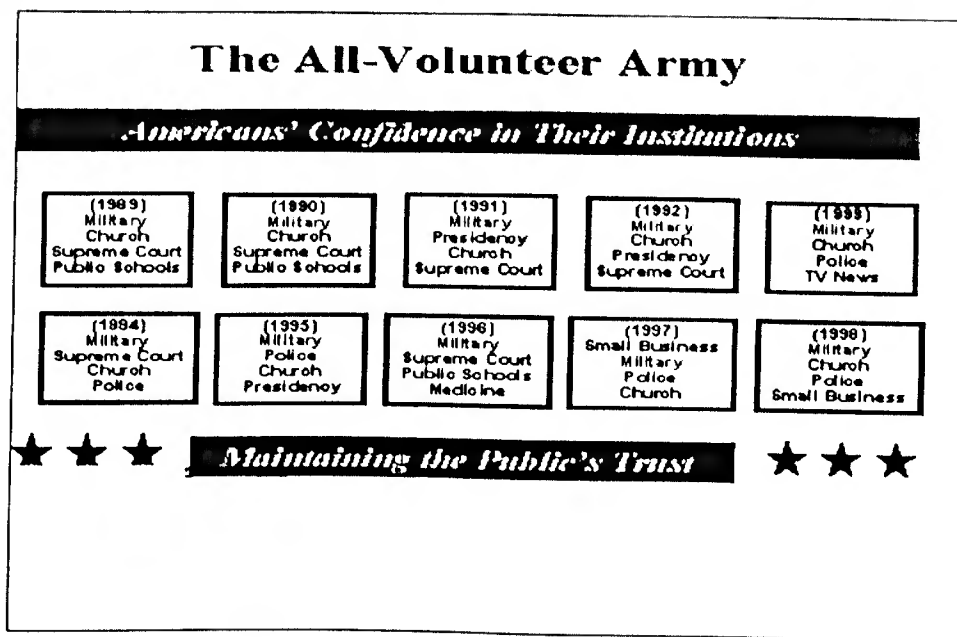
advertisements tell thousands of potential enlistment prospects that a recruiter can't personally reach how they can pursue their interest in the Army by calling 1-800-USA-ARMY or mailing a postage pre-paid Business Reply Card or by inquiring through the U.S. Army Recruiting Homepage on the Internet at [www.goarmy.mil](http://www.goarmy.mil).

The Internet is a new distribution channel to reach even more of America's youth. Today's information age youth are extremely computer literate and spend a lot of time on the Internet. In fact, half of United States households now have at least one computer—the highest percentage in the world today (World in Figures, 1999). Most new recruits report seeing or hearing Army advertisements before contacting or being contacted by a recruiter (Army Advertising, 1999).

Army advertising is the first voice a prospective enlistee hears on the subject of Army opportunities, often well before he or she reaches enlistment age. It is a voice which creates interest that recruiters will have to satisfy and raises questions for recruiters to address.

Army advertising addresses directly the problem that makes recruiting difficult: few well-qualified young people can visualize themselves in uniform except in a national security emergency. These young people are not anti-military—Gallup polls tell us that the Army is well respected by the public—they just have other plans. In fact, as Figure 27 below shows, the latest Harris Poll shows that the military, once again, topped the list of American institutions commanding public confidence (VIP Recruiting Brief, 1999).

Figure 32— Americans Confidence in Institutions



Although the quality and dedication of the men and women in uniform command such respect from all Americans, a majority of young Americans do not consider themselves to be “in the market” for the Army’s “product”—military service.

If a person is not in the market for the product that a store is selling, then they are unlikely to enter the store. Army advertising gives American youth a reason to enter the Army’s “store”—the recruiting station. By advertising the many benefits of Army service, such as the Montgomery GI Bill, the Army College Fund, enlistment bonuses, valuable training, and leadership experience, the Army’s advertising gives a young person a reason to come into the recruiting station and learn more about the Army and what it offers.

More important, advertising first involves potential recruits at a very personal level with the idea of being soldiers. Television commercials show soldiers doing things that young civilians can picture themselves doing. Full-color pictures in magazine ads do the same for those who watch less television. Radio commercials paint sound pictures. In addition, a great slogan, set to a tune that is hard to get out

of one's head, tells the young person that Army service can help them meet their highest aspirations—help one “Be All You Can Be.”

Army advertising creates a picture of Army service that people in the business world would call a “brand image.” It is not the only possible picture of the Army, but is one that bright young Americans can put themselves in easily.

Simplicity and consistency are most important because an 18-year-old sees and hears less than one hour's worth of Army advertising in one year (Army Advertising, 1999).

Television advertising tends to be the most effective media for Army advertising due to its impact and ability to “display the product.” Radio commercials are used for high frequency exposure of the Army message at a reasonable cost. Magazine advertising is used to reach high quality young adults who do not spend as much time watching television.

Only recruiters put people in the Army. However, advertising presells the Army for recruiters.

#### **14.4. Publicity and Promotions**

The Army's marketing communications involve more than just advertising. Recruiters benefit from favorable media attention paid to the Army, even if no specific recruiting message is communicated. This type of media attention comes under the heading of publicity. Positive Army publicity can come from submitting news releases to the local newspaper when someone enlists.

Positive visibility for the Army can also come from promotional activities, such as participation with a community event or local sports team. Promotional programs help recruiters promote the Army without delivering a direct recruiting

sales message. These programs are designed to show recruiters and the Army as caring and responsible members of the local community.

#### **14.5. Direct Mail**

Although television advertising is very important to the Army's marketing campaign, about 65 percent of all advertising leads or contacts come from the Army's large direct mail program. Each year, the Army mails over 12 million direct mail solicitations to students, graduates, and young professionals (Army Advertising, 1999). The main objective is to have recipients complete and return the Business Reply Card contained in each packet.

#### **14.6. Premiums**

To encourage recipients to complete and return the reply card provided with the direct mail literature, the Army awards premiums to those who respond. The premiums awarded are usually pens, coffee mugs, cup coasters, pencils, calendars, and even athletic socks that have the Department of the Army seal or the slogan "Be All You Can Be." These premiums have proven to be extremely effective and have historically increased the response rate by over five times than the response rate of direct mailings without a premium offer. Of the number of direct mail recipients that respond, only five percent result in an enlistment contract. Although the conversion rates to an enlistment contract remain the same, with the use of premiums, the Army can increase the number of respondents and therefore increase the number of contracts (Army Advertising, 1999). Converting five percent of 50,000 responses naturally equates to more contracts than five percent of only 10,000 responses.

## **14.7. Costs of Recruiting, Training, and Attrition**

The Army's investment in its enlisted personnel consists of both fixed and variable costs. The fixed costs can be thought of as overhead or infrastructure costs that are not easily or quickly changed and cannot be directly associated with a single enlistee. Examples of these costs are the total number of recruiters or drill instructors or the money spent by the Army on a television advertisement campaign for recruiting. The variable costs are directly connected to each recruit, such as costs for issuance of clothing and pay and allowances for each enlistee.

When the Army calculates its cost, or advertising investment, per recruit who reported to basic training, it includes the costs of advertising, leasing recruiting facilities, joint advertising and market research, recruiter cars, supplies, and recruiter and support personnel salaries. The figures also include recruit enlistment bonuses and college fund expenses. These figures do not include the cost of transporting recruits to and from basic training or the cost of housing, feeding, clothing, and paying the recruits while they are at basic training. According to U.S. Department of Defense (DOD) figures, it costs between \$8,900 and \$12,400 to recruit and train an applicant through basic training (Military Recruitment, 1999). The Army's costs are historically higher than the other services due its extraordinarily high advertising costs associated with getting an applicant to basic training. These figures suggest that the Army could significantly reduce its costs per recruit by attracting more recruits per dollar spent.

In other words, if the Army could identify high-payoff segments where it could focus its scarce advertising budget, the Army should be able to successfully attract a higher number of high-quality applicants for every dollar spent.

## 15. ANNEX 2: THE FIVE PATTERNS OF TARGET MARKETING

1. **Single-Segment Concentration.** The company selects a single segment and seeks to dominate the competition in this segment. Concentrated marketing involves higher than normal risks given that all of the firm's business is in a single segment that could take a sudden downturn.
  
2. **Selective Specialization.** Here the firm selects a number of segments, each one attractive and appropriate, given the firm's objectives and resources. There may or may not be synergy among the segments, but this strategy diversifies the firm's risk.
  
3. **Product Specialization.** Here the firm concentrates its efforts on making a certain product or service that it sells to several different segments. With this strategy, the firm attempts to build a strong reputation in the specific product area. There is the risk that the firm's one product could be supplanted by an entirely new product or technology.
  
4. **Market Specialization.** Here the firm concentrates on serving many needs of a particular segment or customer group. The firm gains a strong reputation with this customer group by specializing in serving its particular needs. The downside risk of this strategy is that the



customer groups disappears, decreases in size, or suffers a loss in purchasing power.

**5. Full Market Coverage.** Here the firm is attempting to serve all customer groups with all the products that they may need. Only extremely large firms can ever hope to undertake effectively such a strategy.

## 16. ANNEX 3: THE 50 CUSTOM SEGMENTS DEFINED

**1 Upper Crust** These are families with older children located in the suburbs. They have very high levels of income and education and work in executive, managerial and other professional occupations.

**2 Lap of Luxury** These are family home owners, with children, living in the suburbs. They have a very high level of income and education and work in sales and other white collar occupations. Many households contain two or more workers.

**3 Established Wealth** These are families with and without children. They are typically home owners located in suburban areas. They have very high levels of income and education and work in white collar, executive and managerial occupations.

**4 Mid-Life Success** These are households with very high incomes living in suburban areas. They are home owners with very high property values, primarily working in white collar occupations such as sales.

**5 Prosperous Metro Mix** These are typically married couples with young children, living in suburban and urban areas. They have high income and education levels, are home owners and work in white collar occupations.

**6 Good Family Life** These are typically high income, married couples with children. They live in rural areas and live in owner-occupied, single family detached units. They have a high level of education and work in white collar occupations.

**7 Comfortable Times** These are typically high income households, with slightly older than average married couples, with and without children. They live in

the suburbs, own their home, have a high level of education and work in white collar occupations.

**8 Movers and Shakers** These are typically households containing singles and couples, with two workers and no children. They live in the suburbs and some urban areas and have high levels of education and income.

**9 Building a Home Life** These are typically married couples, with children, living in owner-occupied, detached single family units. They have a medium-high income level and live in rural and suburban areas.

**10 Home Sweet Home** These households are typically married couples with one or no children at home. They have an above average household income, own their home and are primarily concentrated in the suburbs.

**11 Family Ties** These households are generally families with children, living in suburban areas in the west. They have a medium-high level of income, have attended some college and live in houses built between 1960 and 1979.

**12 A Good Step Forward** These are typically 22 to 34 year olds living in non-family households with one or two people. They are concentrated in urban areas, are renters, have a high household income and very high per capita income.

**13 Successful Singles** These are renter-occupied, non-family households, usually containing one person and sometimes two, located in urban areas. They have very high income and education levels and white collar occupations.

**14 Middle Years** This segment has a high income level, a high concentration of people 45 to 59 years of age, and typically work in white collar occupations. They are slightly above the national average in owner-occupied units in the suburbs.

**15 Great Beginnings** Households with one or two young adults, renting in urban and suburban areas. Their household income is slightly higher than average, as is the percent that have college degrees and white collar occupations.

**16 Country Home Families** These are typically married families with children, located in rural areas. They have a household income very near the national average, own their home and work in blue collar occupations

**17 Stars and Stripes** These are typically young families with a relatively large number of children. They live in urban and some suburban areas, have household incomes around the national average and work in blue collar occupations.

**18 White Picket Fence** These are typically suburban families with one or two children. They have household incomes around the national average, live in owner-occupied housing and work in blue collar occupations.

**19 Young and Carefree** This segment consists primarily of young adults without children. They are typically one and two person households renting in urban and suburban areas. They have a medium-high income level and white collar occupations.

**20 Secure Adults** Older singles and couples, living in the suburbs with no children and a household income near the national average. Typically home owners, living in single unit detached or mobile homes.

**21 American Classics** These are older singles and couples, living in suburban and rural areas. They are both home owners and renters, with incomes near the national average, medium-low education with a high percentage receiving retirement income.

**22 Traditional Times** This segment is comprised of singles and couples, some with one or two children, with medium-low levels of income and education. They live in suburban areas, in owner-occupied units and work in blue collar occupations.

**23 Settled In** These are primarily older couples, with no children in the household, or single person households. They live in suburban areas, have medium levels of income and education and a high likelihood of being retired.

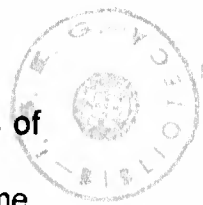
**24 City Ties** These are families with a relatively large number of older children. They live primarily in urban areas and have medium-low income and education levels. They tend to have blue collar occupations and take public transportation to work.

**25 Bedrock America** This segment consists of families with children, located primarily in rural areas. They have low income and education levels, are home owners with low property value and work in blue collar occupations.

**26 The Mature Years** These households are singles and couples, with and without children, located in suburban and some rural areas. They have low income and education levels, work in blue collar occupations and have low property values and rent levels.

**27 Middle of the Road** This segment consists primarily of households with children, located in rural areas. They have medium-low income and low education levels and work in blue collar occupations, especially farming, forestry and fishing.

**28 Building a Family** These are slightly younger than average households, with children, located in rural areas and living in older homes. They have low income, property value and education levels and work in blue collar occupations.



**29 Establishing Roots** These are primarily families with large numbers of children, located in rural areas and living in older homes. They have low income, property value and education levels and work in blue collar occupations.

**30 Domestic Duos** This segment consists primarily of seniors, with one or two people in the residence, located in suburban areas. They live in multi-unit housing, have a medium-low income level and a relatively large percentage receive retirement income.

**31 Country Classics** These are owner-occupied households, containing mature couples and few children. They live in rural areas, have low household incomes and work in blue collar occupations.

**32 Metro Singles** This segment consists of households containing relatively young singles, some couples and few children. They are typically renters, located in urban areas, with medium-low incomes working in administrative and blue collar occupations.

**33 Living Off The Land** These are married couples, many with children, located in rural areas. They are typically low income home owners, living in older houses with a low property value.

**34 Books and New Recruits** This segment consists of young, single adults, living in rental or group housing, in urban and suburban areas. They have above average education and medium-low income levels and many work in white collar occupations.

**35 Buy American** These are married families, many with children, living in suburban and rural areas. Most are home owners with low property value and

household income, working in blue collar occupations. Relatively few have education beyond high school.

**36 Metro Mix** Typically young singles, living in non-family households, located in urban areas. Primarily renters with medium-low income, little college education, working in administrative support and service occupations.

**37 Urban Up and Comers** This segment consists of singles, primarily living alone, in rental property. They live in urban areas, have a high level of education, medium-high income and work in white collar occupations.

**38 Rustic Homesteaders** These are primarily rural households, containing married, middle aged adults, with older children. They have little education beyond high school, low income and work in blue collar occupations.

**39 On Their Own** These are typically young adults and seniors, living in renter-occupied households, located in urban and suburban areas. These households typically contain one to two persons, have a low level of income and many work in white collar specialty and blue collar service occupations.

**40 Trying Metro Times** This segment typically consists of young single adults with young children, and seniors, located in urban and suburban areas. They are mostly renters, with low income and education and blue collar occupations.

**41 Close-Knit Families** These are urban households, with relatively young adults and a large number of children. They are typically renters, with very low income, little education, working in blue collar occupations.

**42 Trying Rural Times** These are rural households with a large number of children. They are primarily home owners, with very low incomes, little education, working in blue collar occupations.



**43 Manufacturing USA** This segment consists of very low income households located in urban and suburban areas. They are young adults and seniors, many with children, living in renter-occupied housing. They have low levels of education and work in the service sector and other blue collar occupations.

**44 Hard Years** This segment contains primarily young adults and seniors, renting in urban areas. They have very low income and education levels, live in multi-family dwelling units and work in blue collar occupations.

**45 Struggling Metro Mix** These households are typically young singles, renting in urban areas. They have relatively few children, a low level of income, lower than average education and many employed in service positions.

**46 Difficult Times** These are primarily families with a relatively large number of children. They have very low income and education levels, and are mostly renters and work in the service sector and other blue collar occupations.

**47 University USA** These are typically young singles with very low incomes, living in non-family households and group quarters, located in urban areas. Many are currently in college, living in one or two person households, in structures with ten or more units.

**48 Urban Singles** Primarily young adults and seniors, renting in urban areas. They are single occupant households with few children living in structures with over 50 units. They have a very low income level and a less than average level of education.

**49 Anomalies & 50 Unclassified** Non-homogenous segments which should not be included in a marketing plan.