



## Segmentation Simplified

A Survival Guide to Shortening the Sales Cycle



Whitepaper

TERADATA INTEGRATED MARKETING APPLICATIONS: DIGITAL MESSAGING

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## Segmentation Simplified

The competition to get your email read in an ever crowded inbox is increasing. Companies are becoming more sophisticated with their email marketing through personalisation and targeting.

The key objective of segmentation is to increase the relevance of your emails to drive responses and add more value to your customers, ultimately increasing revenue and sales for your organisation.

Delivering highly relevant, targeted campaigns requires more than just capturing an email address on subscription. The more information collected then the more chance you have of segmenting and personalising your emails with content relevant to each subscriber. Even though more than three quarters of email marketers claim to use segmentation<sup>1</sup> they tend to be basic techniques. 87% of marketers capture basic contact information on subscription but only 28% go on to capture demographic data (age, gender, location etc).<sup>2</sup>

So based on this, it seems that the majority of marketers are failing to capture the sort of information that enables more sophisticated segmentation.

“Your overall email strategy has to change including a greater focus on segmentation and targeting.”

- Chad White, Research Director,  
Smith Harmon.  
Extract taken from DMA's  
National Email Benchmarking  
Report

But why? Is it because over-whelmed by all the options that 'segmentation' provides? Or have we simply not upgraded our website data capture form yet?

One of the biggest obstacles to implementing effective segmentation within your email programmes is knowing where to start.

To help you kick start the process we have written this guide to highlight the main areas you should think about as follows:

1. Setting your objectives
2. Finding the right data
3. Profile-based segmentation
4. Behavioural-based segmentation
5. Utilising segmentation effectively

We understand that segmentation may feel daunting so we hope you find this guide of some use in de-mystifying this key email tactic.

## Setting your objectives

Before choosing how to segment your database, it is important to identify your objectives. What do you want to achieve? What will make the campaign a success for you?

It doesn't have to be a complicated process: even the simplest segmentation techniques can greatly boost performance. One of the most important things you need to remember when planning an email campaign is that each of your customers and prospects are different and need to be treated individually. You may have new purchasers, regular purchasers or lapsed purchasers and each one has a slightly different relationship with your brand. Here are a few key objectives to segmenting your database:

### Increasing relevance

An understanding of different customer segments allows you to tailor your offer to individuals to make your email stand out and capture the attention of your customers. Therefore the key objective of segmentation is to increase relevance.

### Increasing your Return on Investment (ROI)

Segmentation is one of the most effective methods of reducing costs, primarily because your message can be sent to a smaller number of recipients to achieve the same conversions. By carefully targeting your offers to different segments of your list you can avoid sending your message to the whole file and save costs.

<sup>1</sup> Forrester/MarketingProfs Global Interactive Marketing Maturity Online Survey  
<sup>2</sup> MarketingSherpa 2010 E-Mail Marketing Benchmark Report



### Growing your response rates

Similar to ROI, segmentation will allow you to see your email performance increase vastly as the content is of greater interest to the viewer. This also encourages forwards and should reduce your unsubscribe rate.

### Identify patterns and behaviour

Creating segments allows you to analyse the performance of different content or offers against different groups.

### Retaining customer interest

Segmentation will help to move away from sending blanket emails that are often deleted without being read. Emails that are targeted and catered to specific interest or pursuits will encourage a more responsive user.

### Finding the right data

There are many ways that a database can be segmented and the best place to start is by determining which makes the most sense for marketing your product or service. Segmentation is driven by data, therefore you need to evaluate what you already have at your fingertips.

### Current database

What information do you currently hold on your customer base? Are you using it effectively and how is it attributed to the users that you hold? It is important to recognise the relevant data that you hold against email addresses. Once the required attributes have been identified, they can easily be created within your email marketing platform, so you are ready to upload your information and start segmenting.

### Email registration data

There are a few questions you should ask yourself at this stage including: How effectively do you collect

## Hint

**Here are some simple segmentation hints and tips to get you on your way:**

- Start with a strong offer
- Get to know the interests of loyal customers
- Segment your database into cold, warm and hot leads
- Use automated emails wisely
- Make the segments specific
- Don't underestimate the value of personalisation
- Don't define a profile too much as you run the risk of creating a micro-niche
- By balancing reach and relevance you'll have the makings of a very successful campaign

data at subscription point? What information should you collect? And how much data is too much? As well as capturing the email address, this is a prime opportunity to collect additional information about a user that can be used to segment future mailings. You can either do this at the initial sign-up stage, or you can grab basic information and then follow up with a welcome email taking them to an incentive-based preference centre page where the user can specify further information and interests, which can be used for more sophisticated segmentation.

## Identifying prospects from customers

Are you currently able to separate your prospects and customers from sales information, whether online or offline?

This is a key area of segmentation that can allow for strong marketing strategies for each segment.

## Other marketing systems

Taking advantage of other means of data capture is also vital for successful segmentation. This includes the following sources:

- Website shop
- Web analytics
- Competitions and surveys
- Customer service/CRM systems

Other areas of data procurement as described above can easily be designed and set up to increase the ease of the collection process. For example, a competition page can be developed so that the information is written straight into your email marketing database along with any segmentation information that may have been captured during the 'competition entry' process.

## Take Note!

A recent survey by Jupiter that compared to our US counterparts, more UK email marketers focus on data that inform sub-scriber engagement, and are better aligned with tactics that drive higher relevance!

- Source: Jupiter Email Marketing Adoption, 2008

## Email response data

By reviewing the statistics from your current messages, you can obtain valuable information regarding the popular links that have been clicked in your previous messages and who did the clicking. This can be used to identify your most popular product areas as well as help to begin segmentation of the database based on these products.

Using an email marketing tool such as Teradata's Digital Messaging Center, it is possible to measure the performance of different categories of links. For example, if a customer clicks on a link to the toys, on a regular basis, then over time you can build up a picture of the customer and the products he/she is

## Statistic

A recent survey by the DMA showed that the majority of marketers intend to increase their focus on segmentation by 50%.

- Source: DMA Email Benchmarking Report, Q4 2008.

interested in. This allows you to segment at a highly targeted level. If you're keen to target based on a broader prospective, it is also possible to mark users based on those who open a specific message or those who click across a range of links in a message.

## Profile-based segmentation

Basic demographic segmentation through profile data (age, gender, geographic location etc) is fairly easy to implement and can be one of the most effective ways of targeting your message. Most of this data should be collected at the initial contact or capture stage with the customer. Areas that are often segmented by profile include:

### Geography

Ensure you know where your prospects and customers are based, to help you refer them to their nearest store.

### Prospects that have become clients

Once an email recipient has become a customer you have the perfect opportunity to talk to them with a different tone. It would be disastrous if a new client was sent a marketing campaign with a better deal than the one they have just taken up OR for a prospect to receive a 'VIP' offer destined for a long-term client.



## Demography

Take into consideration quantifiable customer characteristics including age, income, location, number of children and so on.

## Calendar-based

A forthcoming 'event' such as a subscription renewal or a recent action can also determine how your database is profiled. Alternatively you can send them personalised messages such as birthday greetings with tailored offers.

## Behavioural-based segmentation

Whilst profile-based data forms the basis for a strong customer focused email, it is reliant upon your customers actually telling you about themselves. A powerful way of segmenting your email database is to look at customer activity including click behaviour and browsing and purchase history. By understanding the way in which customers are behaving, you can often learn more about them from what they do rather than what they tell you. For example, by looking at purchase frequency, you can monitor when a loyal customer suddenly stops shopping.

## Statistic

MarketingSherpa's benchmark guide shows that segmented campaigns produce at least 30% more opens and 50% higher CTR than undifferentiated campaigns.

- Source: MarketingSherpa Email Marketing Benchmark Guide, 2009

When looking at email engagement, activity is defined as opening and clicking, both of which are treated separately. The crucial elements of this segmentation technique are the rules that you set for each segmenta-

## Take Note!

Dave Chaffey, one of the UK's most well-known email marketing 'gurus' defines segmentation as follows: *"Identification of different groups within a target market in order to develop different offerings for each group."*

- Source: [www.davechaffey.com](http://www.davechaffey.com)

tion level which will be highly dependent on your email activity. A set of example rules for a retailer sending out around 6 emails a month are as follows:

Customer has engaged...

A - within the last month

B - between 1 and 2 months

C - over 2 months ago

D - never opened/clicked

This type of segmentation can be set up to run automatically within your email database, not requiring any input from the user other than to utilise the data that is being fed through. The data is captured on a live basis, i.e. opens and clicks are recorded as soon as they happen, giving the user the advantage of knowing that the segmentation they are using is 100% up to date. This is something that cannot always be guaranteed using profile-based segmentation.

Two key strategies that can be implemented using behavioural based activity are:

- Engage with your best customers on a regular basis, giving them the VIP treatment that they deserve and will appreciate.
- Re-engage the customers that have lapsed. These users, i.e. segment D, should be treated in a completely different way. They were once interested in you and your products but are not engaging with you so you need to develop a strategy to win them back.

To further advance and utilise this type of segmentation, it could easily be combined with the different types of data that you have collected on your customers. For example, if information on 'product lines purchased' is available, then a targeted campaign that was aimed at high openers and clickers (category A) and purchasers of toys could be developed. This type of sophisticated targeting and segmentation will have a direct and positive impact on the performance you'll see for your campaigns. The results you should be able to monitor will be significantly higher than a similar campaign sent to an unsegmented database of email addresses.

A similar type of campaign could also be adopted in an attempt to re-engage the customers that have had a low open or click rate. Your email platform should allow for simple cross reference of both types of segmentation. This allows for the creation of a campaign strategy that could target customers that have not been engaging in marketing emails in the last six months, however have previously shown an interest in electronic products. In an attempt to re-engage this segment, it is a common practice to send a 're-introductory' email that includes an incentive to purchase.

## Quote

"It is much more cost-effective to send emails to specific segments rather than a blanket 'broadcast-to-everyone' approach. It is also best practice because the email is more likely to be relevant."

- Source: Econsultancy Email Marketing Roundtable briefing, November 2008

## Utilising segmentation effectively

Once you have segmented your data, it will only become valuable once you start to implement it into your creatives.

### Methods of implementation include:

#### Subject line testing

On a very basic level, segmentation can be implemented in order to test different subject lines depending on who the email is being sent to. Although simple, it is still an effective way to use segmentation due to the high level of impact a subject line can have on opening of an email.

#### Creatives containing user-based content:

There are three options that allow for this type of segmentation handling:

- Create completely separate content for each segment when you are segmenting on a strongly differentiated area, e.g. one email for male, one for female. This allows for clear targeting and for the most specific information to be presented to the viewer.
- Creating segment based areas within a generic creative giving the option to include information you feel necessary for all recipients to receive as well as targeting them with products that are specific to their own taste/interest.
- Date triggered programmes provide you with a fantastic opportunity to contact and reward customers on a certain date, whilst simultaneously reminding customers of your brand and reinforcing the benefits at a time when they are most responsive and likely to purchase.

The amount of segmentation achievable using both of the above methods can allow for very sophisticated targeting. Both methods give the option to include multiple stipulations when defining the areas of your database you would like to include.



According to MarketingSherpa's 2010 Email Marketing Benchmark Report, there hasn't been much change in the percentage of organisations collecting and using segmentation in the last three years. In 2007, 53% of companies were collecting extended business contact information compared to just 54% in 2007, so despite the increasing importance of relevancy and personalisation, organisations are simply not taking the right steps in increasing their focus on delivering these practices.

Segmentation isn't as scary as it sounds. Put simply by dividing your database into smaller chunks of people who may share a certain characteristic and treating them as a separate audience for targeted emailshots, you can conquer them through focused, targeted and personalised communications which will result in the formation of better relationships and an improved response to the campaign.

Good luck!

## Statistic

Click rates for segmented versus non-segmented campaigns are five times higher the last 90 days of the year.

– Source: MarketingSherpa  
Email Marketing Benchmark  
Guide 2008

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