

A decorative banner with an orange-to-yellow gradient background. It features a globe on the right, a series of envelope icons in the center, and a binary code sequence at the bottom.

# Exploring the Six Factors of Relevance: The Fundamentals of Customer Segmentation

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As an e-mail marketer, you know that you must achieve relevance in your campaigns in order to capture the attention of target audiences and drive them to take action. By definition, relevant e-mail is tied to a recipient's location, interests, attributes, behaviors, and other important factors. As a result, relevance can increase e-mail productivity (improves opens, clicks, conversions, revenue, and profit) and bolster customer engagement. So, the question really becomes, where do you begin creating relevance?

The answer is effective customer segmentation. Often the term "segmentation" evokes fear and dread because one envisions complicated processes and combing through volumes of information stored in a data warehouse. But effective segmentation does not have to be difficult. The reality is that you can segment based on behavioral data you are already garnering from your e-mail programs. With little effort, you can obtain, and in some cases, ascertain, demographic and psychographic data that will give you further insight into your customer segments and what is most relevant to them.

Whether taking a more basic approach or performing extensive data gathering and analysis (i.e. customer modeling and scoring), there is a core set of fundamental segmentations that consistently outperform across the most successful e-mail marketing programs. Following are five simple yet effective segmentations that can drive relevance and deliver results. Best of all you are probably already capturing and regularly reporting on the data for these segmentations – why not use it?

## **E-mail behavior (opens and clicks)**

Very likely you are testing and measuring the elements of your e-mail programs to learn what works and what doesn't. By leveraging the behavioral data you are collecting on the "opener" versus "non-opener" you can design campaigns that have greater relevance to your targets, and therefore, generate a higher number of clicks. While opens are the first critical step in reaching your intended audience, clicks tie closer to conversions and ultimately drive higher response.

So, the right message must resonate with the right person at the right time in order to increase conversion rates. This seems to be an elementary concept, but think about how many times you've been targeted for things of little or no interest to you. Don't make the other guy's mistake. Through an easy analysis of a target's e-mail behavior, you can devise programs that have a high impact.

For example, based upon data you already have, you could see that a particular target recently opened special offers on golf bags and personalized golf balls. You can deduce that this person has an interest in golf and can be targeted for relevant sales and coupon promotions. If he doesn't make a purchase after opening your first message, segment him into the "opener" category and follow up with subject lines that will grab his attention and drive a spontaneous purchase: "Last chance: big savings on drivers and other clubs." If he falls into the "non-opener" category, craft a follow-up message that will create a sense of urgency to buy: "Don't miss out: rock bottom prices on golf clubs." The single act of changing a subject line can make the difference between a purchase and a missed opportunity.

### **Purchasing behavior (RFM)**

This segmentation is made up of three components, commonly referred to as RFM: recency, frequency, and monetary. Recency points to when a customer last made a purchase and can be broken down into intervals such as 7 days, 30-day, 90-day, six month, and one year periods. Frequency refers to how often a customer makes a purchase; again, on average, every three months, six months, or one year. Monetary is how much a customer spends with each transaction and collectively over a period of time.

Of course your best customers have the highest numbers in these categories and should be marketed to in a distinct way; but even segmenting by one of these elements alone can also increase hit rates. You can design a marketing campaign that maps directly to one or all of these purchasing trends. For example, if you have a customer who makes a purchase about every three months, you could market to her near the end of this cycle, offering a special or discount that will entice her to not only buy again, but possibly increase spending.

### **Purchase category**

You already know what customers have purchased in the past. From this you can deduce what may interest them in the future and design more targeted e-mail campaigns. For example, if your customer recently purchased a mattress or bed, you could segment her out as a target for special offers on bedding or pillows. If your customer purchased a golf bag and clubs three months ago, you could



follow up with a targeted e-mail promotion for a week-long savings on golf attire. This simple strategy can have a tremendous return if executed well.

### **Preference center and survey data**

Preference center data and/or data garnered from surveys is infrequently used or rarely leveraged to its fullest, yet it can serve as strong basis for customizing a marketing program and improving e-mail relevance. You may already have a preference center set up on your Web site, particularly if you produce a newsletter or require a login and password for accessing the site. This center allows prospects and existing customers to dictate what kinds of information they'd like to receive about products and specials, and how often they'd like to hear from you. Your target audience is telling you directly how best to reach out to them – accept this gift and run with it!

One more thought to keep in mind: these centers and surveys also provide you with another opportunity regularly correspond (whether it be every six months, yearly, etc.) with customers to update or revise their preferences. This helps to ensure that you continue to approach them with information and promotions specifically relevant to them.

### **Demographic or psychographic data**

Lastly, you may not already be tracking this information (such as whether a customer is male or female) because it is more explicit. However, you can easily figure it out from other data you've collected; directly ask customers for it (of course only information that customers would likely feel comfortable sharing) or purchase it. For example, results from a brief survey asking customers for their zip code can enable you to segment them by geographic location and give you insight into what is relevant to them. For example, if they live in the Pacific Northwest, you can presume that they have a need for rain gear and offer them special discounts on umbrellas or raincoats.

### **Yes, it is this easy**

You don't need complex customer models and sophisticated publishing grids (kudos to those of you who have successfully built them) to effectively segment customers. You can see how something as simple as changing a subject line based on information you have already gathered about a particular customer can make a huge difference. Small incremental changes can be very easy, but also have a big impact on the relevance of your e-mail marketing and the company's bottom line.



All this said, it is important to note that you should always look at the specific results you are generating today from your e-mail marketing programs to determine their effectiveness. There is no single silver bullet that guarantees success for every company.

The bottom line is that if you aren't already segmenting your target audiences, you should be. If you are, then ask yourself how you can continue to hone and optimize the segmentation model that is driving your e-mail content. And, lastly, can you answer with confidence whether your current practices are indeed enabling you to reach your target audiences, capture their attention, and drive them to take action? Consider these five fundamentals as a checklist for not only jump starting segmentation activity, but evaluating your approach to existing programs.