



# SEGMENTATION FROM DATA POINTS TO DOLLAR SIGNS

HOW TO BEST  
SEGMENT FOR  
CAMPAIGN SUCCESS

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## EXECUTIVE SUMMARY

For many years, marketers have segmented their customers by examining demographic and psychographic characteristics, and on occasion, survey-derived data. Although these techniques provide valuable insight, when used alone, they fail to reveal the full picture. Namely, what kind of relationship a customer has with a brand.

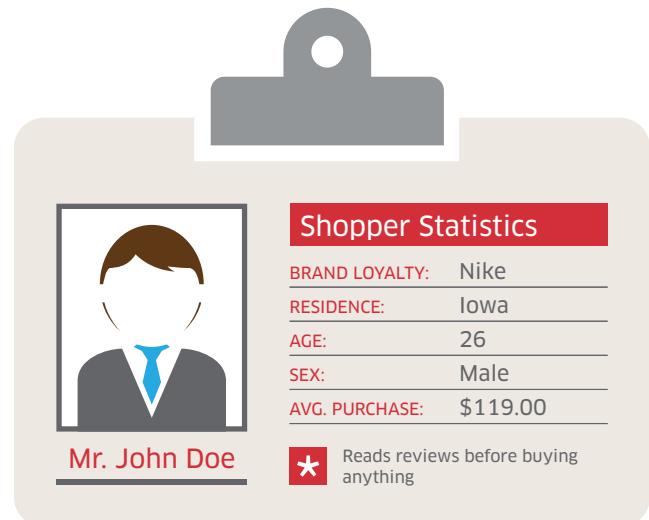
Does your shopper have a high level of engagement with your brand? Does your brand rank high in your shopper's hierarchy of choices? Without knowing these very things, you, as the marketer may fall short of understanding a customer's true potential with your brand.

*This is where behavioral segmentation is crucial to your marketing campaign success.*

Segmentation is a technique based on the knowledge that all consumers are not exactly alike, nor is their behavior. Marketers must be able to recognize and act upon consumers' varying tastes in fashion, shopping styles, communication preference, and much more. Some consumers seek bargains, while others will pay a higher price for quality. For a number of shoppers, appearance is king, while their counterparts are simply looking for utility.

And while opinions and attitudes are important data points for a marketer, consumer behavior matters too. Sure, you want your customers and potential customers to think well of your brand and have positive intentions, but in the end you want them to actually do something that generates revenue for your business.

Fortunately, with the right technology, marketers today have the ability to segment targeted customers into unique groups comprised of people sharing common characteristics, enabling them to deliver the perfect content to meet the specific needs of each segment.



**Shopper Statistics**

BRAND LOYALTY:	Nike
RESIDENCE:	Iowa
AGE:	26
SEX:	Male
AVG. PURCHASE:	\$119.00

**Mr. John Doe**

★ Reads reviews before buying anything

*Segmented audiences are more valuable and more statistically likely to convert.*



With the evolution of real time, instantaneous data, organizations need to use a more sophisticated approach to stay one step ahead of their competitors in order to reach the best audience for their marketing messages and campaigns. This white paper has been written to help marketers better understand behavioral analytics and data segmentation and aims to simplify how marketers can easily recognize some of the appropriate strategies and methods to use when segmenting their marketing campaigns.

*Why are segmented audiences more likely to convert?*

*Because you are able to speak to those audiences more specifically and serve them content and messaging that is highly relevant to them.*

<sup>1</sup> June 2011 e-tailing group and MyBuys *Closing the Cross-Channel Gap Survey*



## WHAT IS SEGMENTATION?

Segmentation is the process of grouping together customers, or potential customers, within a market that share similar needs and demonstrate similar buying behavior.

The world is made up of millions of buyers with their own sets of needs and behavior patterns. Segmentation aims to create groups of purchasers with the same set of needs and buyer behavior. Such a group is known as a “segment.”

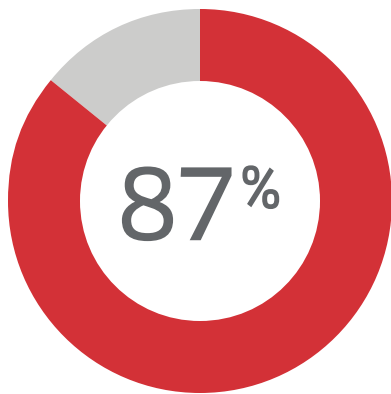
Correctly applied, segmentation is about understanding the needs of customers and how they decide to take one action or another. This insight is used to form groups of customers who share the same or very similar value criteria. From there, a marketer is then able to determine which groups of customers it is best suited to serve and which product and service offers will meet the needs of its selected segments.

Segmentation allows you to identify and appeal to potential customers appropriately to make them loyal customers and/or return shoppers. By using segmentation, you can:

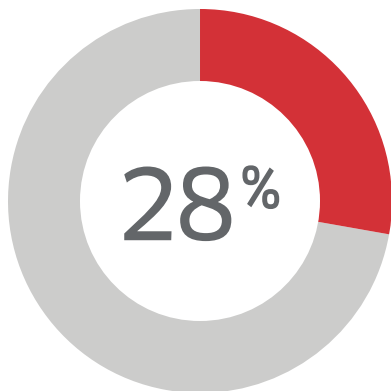
- Speak to the needs and interest of different groups
- Act on behavioral analytics to determine how to influence, encourage, and convert site visitors
- Determine whether there is a product/service fit in high opportunity segments
- Weight whether product enhancements or new products might appeal to targeted groups



Marketing to specific segments doesn't necessarily mean that you target the one "best" segment and exclude others. It means that you know how each segment is likely to react to a special offer, price, promotion or product enhancement, and with that knowledge, you can craft strategies that use the most logical content to elicit the best possible response from each segment. Behavioral segmentation, in particular, provides the building blocks for long-term success as it relies on information about the shopping and buying personalities of your shoppers.



87% of email marketers capture basic information on subscription sign-ups,



but only 28% go on to capture behavioral (shopping habits, buying patterns, etc.) and demographic (age, gender, location, etc.) data<sup>2</sup>

<sup>2</sup> 2010 MarketingSherpa Email Marketing Benchmark report



## SEGMENTATION VS. BEHAVIORAL SEGMENTATION



**Segmentation** is the practice of dividing a group of individuals into smaller groups that are made up of people who are similar in certain respects. You can divide a group based on age, gender, location, role, etc.

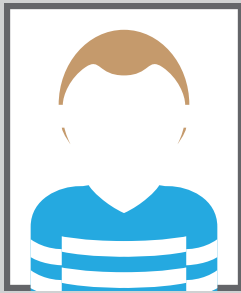
**Behavioral Segmentation**, on the other hand, is used by marketers who wish to market to a particular type of buyer. For example, a user may be segmented by their interest in a certain product, or how they've behaved on and off your site.

It's nearly impossible to effectively market to all different types of people at once. That's why the grouping of like people is so vital. With highly segmented audiences, you are able to create relevant targeted marketing materials that engage each separate group and help influence their buying decisions.

<sup>1</sup> Jun 2011 e-tailing group and MyBuys Closing the Cross-Channel Gap survey

In order to deliver a tailored experience to different shoppers, companies must be able to segment their visitors effectively. Capturing data about how many people are visiting your site and how many pages they visit does nothing to inform you about the types of buying behaviors they exhibit and what factors actually play a role in their converting to paying customers. This is where behavioral segmentation becomes crucial in optimizing your marketing efforts.

## Examples of Different Shopper Types:



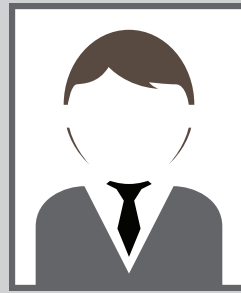
### FREE SHIPPING HUNTER

I like to buy online, but I'll only purchase from retailers offering free shipping.



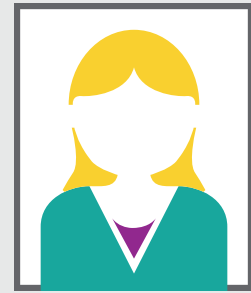
### PREMIUM SHOPPER

I only buy the best name brands, and I'm not opposed to paying higher prices for premium products.



### ACTIVE SHOPPER

I'm always browsing online, and special incentives help me decide to buy when I'm window shopping.



### LOYAL SHOPPER

I belong to loyalty programs and typically like to purchase everything from one store so I can earn rewards.





## WHY IS REAL-TIME SEGMENTATION IMPORTANT?

Many marketers are stuck in the unfortunate position of having to review consumer data after the fact. Data is pulled, analytics are run, and marketers pore over spreadsheets and data platforms searching to glean important insight into how best to market to different segments.

The problem with this type of system is that by the time the data is reviewed, those shoppers are long gone. And while having access to day, week or month old data is better than having no data at all – **using real time data is infinitely more successful when trying to increase conversion rates.**

Real-time segmentation enables marketers to understand who is shopping on their site at the very moment it's happening. Without the ability to act on real-time data, marketers lose the ability to capitalize on the opportunity of 'now'.



## THE NEED FOR A REAL-TIME CAMPAIGN PLATFORM

Real-time segmentation allows you to see exact up-to-the-second data, without any delay in information. You can immediately see shopper trends, behaviors, purchase habits, and more. But, without being able to act on this insight via a real-time campaign platform, you are not making the most of your data.

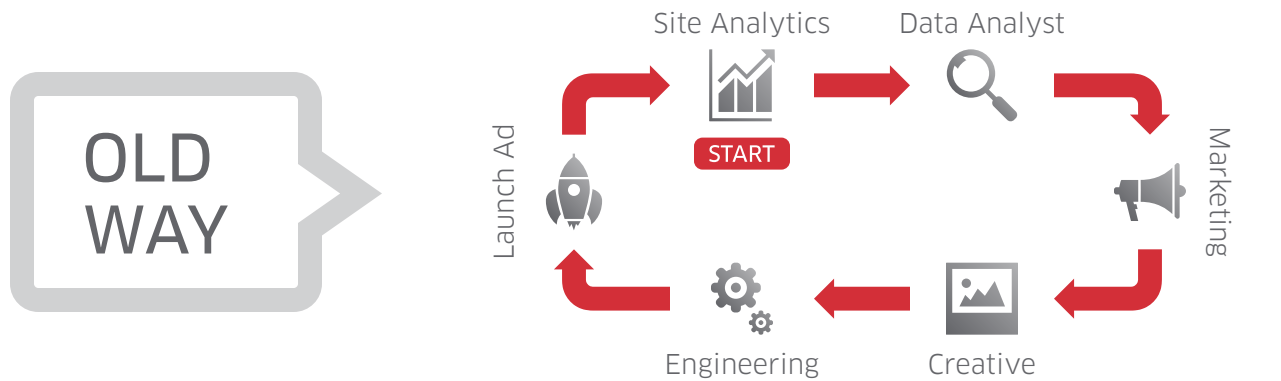
Having a real-time campaign platform not only allows marketers to test different campaigns on the same segments, but it also allows you to launch instant campaigns, such as delivering live onsite offers to smaller groups of people who share similar shopping personalities and buying behaviors. When marketers have the ability to create hundreds of individual funnels based on shoppers' distinct personalities and buying behaviors, they're able to maximize yield and conversion ratio by offering unique messaging targeted specifically to personality-based segments.

Real-time behavioral segmentation is the key to ensuring that your online marketing campaigns reach the most appropriate audience and is relevant to them. By segmenting your audience, you can expect to see significantly higher results from your campaigns.

With the ability to granularly segment audiences based on their onsite and even offsite behavior, marketers can use these segments to act on their customers' individual shopping personalities and begin to customize the user's individual shopping experience to increase conversion rates.

Understanding the motivations that are most likely to result in a sale for each segment of a particular shopping audience can have a tremendous effect on a retailer's sales margins.

With this level of advanced segmentation, companies have the opportunity to make data-driven decisions about how best to market to the different types of people shopping on their sites.



*Segment your shoppers based on their real-time shopping patterns and buying behaviors to deliver the most effective offer to them in the moment that they're actually shopping.*



## WHY REAL-TIME MATTERS

Organizations have been segmenting customers for year, but the era of “Big Data” is making it more essential and also more complicated than ever.

Actionable real-time insight is a foundational element of peak performance segmentation. Utilizing a real-time behavioral analytics platform is the best way to granularly segment groups instantly and respond to their needs with customized messaging – either on or off your own website.

As the quality of data improves (demographic, attitudinal and behavioral), the approaches to segmentation can become more sophisticated. Unfortunately, many marketers suffer from a kind of segmentation paralysis by not fully embracing all the available user data that’s out there and acting on it.

The Big Data challenge is not a race to see who can accumulate the most information; it is a race to understand customers more intimately, and to act on that knowledge in real time.

This need for real-time data is very much at the center of the biggest challenges that marketers face today. Consumers are provided with so many options and have access to information at nearly every waking moment. If you, as a marketer, miss the window of opportunity to convert a potential customer, you’ve likely lost the sale as they’ll simply move on to the next available retailer/vendor that can fulfill their needs.

Real-time data about the purchasing triggers for different segments of shoppers is essential when marketing teams are working to increase purchase conversion rates and average order values. This behavioral data is also extremely helpful for increasing engagement rates for your brand loyalty program and email/newsletter sign-up efforts.

When you know what people are seeking in an experience with your brand, or if you can narrow down shopping patterns or ingrained behaviors within a particular segment of site visitors, then you are able to serve ads and offers that are specifically designed to direct each segment’s behavior with the best possible conversion rates.



## USING SEGMENTS

Segmentation is the idea that beneath the aggregate totals, there may be interesting insights which can only be obtained by drilling down into the data. Information like bounce rate, time on site, and pages visited is interesting only if it is possible to create a context for them. Segments can be used to determine which of your site visitors are:

- Cart Abandoners
- Active Shoppers
- Loyalty Shoppers
- First Time Shoppers
- Bargain Hunters
- Return Shoppers
- High Value Shoppers
- Need Reviews Shopper
- Free Shipping Hunters

When businesses factor in shoppers' personalities and buying behaviors into their marketing decisions, shoppers find the products they're looking for more quickly and are rewarded with the incentives that mean the most to them. In return, businesses maintain their margins by not giving away huge discounts across the board. By identifying a customer's desires and concerns more accurately, marketers can greatly reduce the number of off-target communications while saving substantial marketing dollars.

### Example:



*If these offers were based on a purchase price of \$100, this business would increase sales revenue by more than 10% – \$4,600 by simply varying offer amounts based on each shoppers' behaviors, instead of giving away 20% across the board.<sup>3</sup>*

By utilizing a real time marketing platform to segment site visitors, companies can dramatically increase sales and boost margins by delivering strategic offers that will drive shoppers to buy.

<sup>3</sup> For calculations, see Sources & Calculations on page 20



## WHERE TO START

Before beginning the process of segmentation, you need to know what data you have available. A deeper analysis of your site's data as well as your customers' behavioral data is the first step in helping to make the right choice in targeting your marketing campaigns. Additionally, once you have started to segment your programs it is crucial to measure their impact and continuously adjust, modify, test and learn from the results.

The following three items will help you get started with segmentation:

- Create Segments
- Identify the Opportunities
- Utilize and Test Segmentation

### 01 Create Segments

Start by reviewing the data and dividing site visitors into groups based on similarities in buying behavior. You can segment by:

- **Items Searched** (i.e. Yellow Dresses; Basketballs)
- **Customer Location** (i.e. 90028; Los Angeles)
- **Products Viewed** (i.e. SKU# 44532, BrandX Grey Hoodie)
- **Campaign / Ad Group / Keyword** (i.e. Shoes; Wine)
- **Demographic** (i.e. Age 18-32; Male/Female)
- **Place in Buying Cycle** (i.e. Abandoned at checkout page)
- **Purchase Patterns** (i.e. Product > Read Reviews > Checkout)
- **Loyalty Level** (i.e. Club Member; Non-Member)
- **Interest Level** (i.e. Product Views Over 5)
- **Date of Visit** (i.e. First of the Month; July 25th)
- **Number of Visits** (i.e. 1; 3; 5)
- **Frequency of Visits** (i.e. Twice in 2 days; 3 times in 1 month)
- **Referring URL** (i.e. FavoriteBlog.com; Google)
- **Cart Value** (i.e. \$25 - \$36; >\$99)
- **Paid/Organic Search Terms** (i.e. New Shoes; Battery-powered Flashlights)

*By grouping similar shoppers together in a segment, you are creating different "Opportunities". Opportunities, in turn, allow you to tie a segment to a campaign in real time.*

## 02 Identify the Opportunities

Once you have a handle on the data, you'll need to start thinking like an investigator and sift through your audience to understand where your marketing opportunities lie.

Start with these four questions:

### WHO

#### *Who are you targeting?*

People from the South? Shoppers who have placed \$45 or more in their cart? Visitors who search for TVs?

### WHAT

#### *What are these people doing?*

Abandoning on the shipping page? Reading product reviews? Browsing women's shoes section?

### WHEN

#### *When do you think they'll be receptive to your messages?*

5 days before the 4th of July? After clicking on a product more than once? Upon arriving to your homepage?

### WHERE

#### *Where should you reach these people?*

A specific product page? Your contact page? Front and center on the homepage?

### ***Pro-Tip: Audience Segmentation Vs. Content Segmenting***

***Segmenting Your Audience:*** Segmenting your audience is the art of using behavioral analytics to group people into segments based on their shopping personalities and buying behaviors.

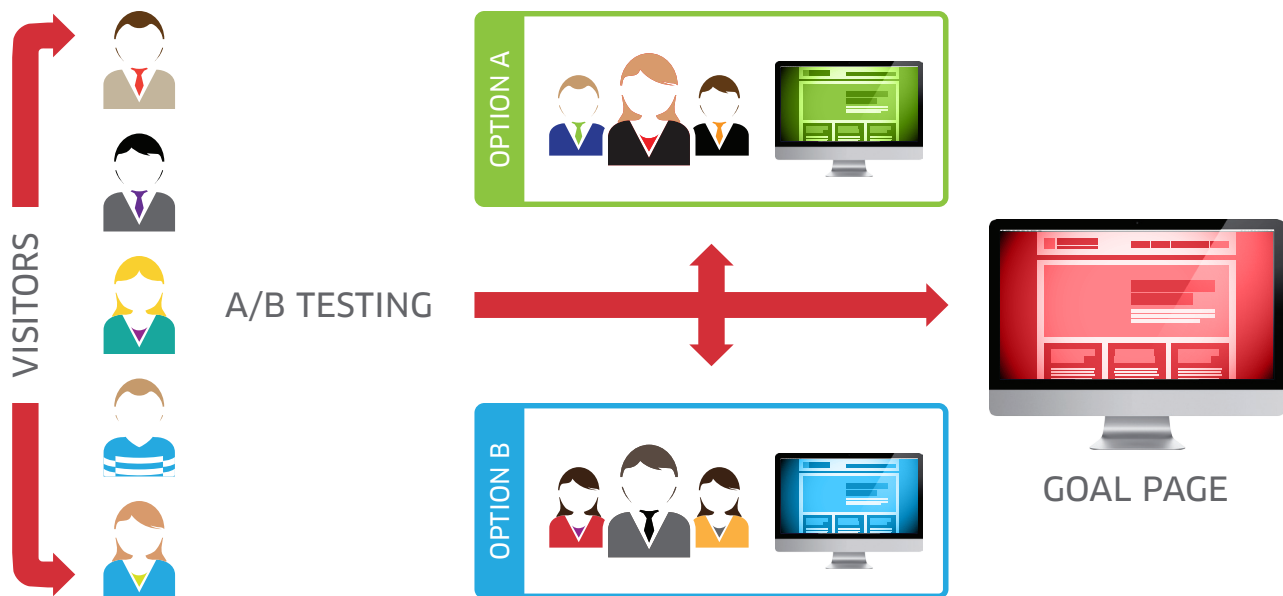
***Segmenting Your Content:*** Segmenting your content is very similar to floor merchandising in brick-and-mortar stores. When segmenting your content, you want to ensure that your messaging and offers reach your audience on the appropriate pages of your site. Using a feature that enables you to target your site content to visitors based on the areas they've visited within your site can help ensure that your men's sales messaging doesn't land on a women's shoes page.

## 03 Utilize and Test Your Segments

Unless you're lucky enough to have proven effective segmentation strategies in place, you're probably going to have to begin with some A/B testing to determine which segments will work best for your brand. Creating relevant segments is very much an exercise in creativity and patience.

For example, you may have an idea that shoppers living in Florida will react positively to a discount offer on bikinis, but you're not sure which discount will be more effective for driving sales. You could run a campaign to test which offer is more effective by serving half of your site visitors a "10% Off" onsite offer, and the other half a "Free Shipping" offer.

By tracking your campaign with a real-time analytics and campaign platform, you can quickly determine which campaign makes the most sense for your shoppers in Florida.



Our [A/B Split Testing Guide](#) examines exactly what A/B Testing is, explains how this successful testing method works, and shares information about how to plan and deploy effective campaign tests. In addition, we provide valuable testing tips and use cases to help drive more conversions.



## SEGMENTATION EXAMPLES

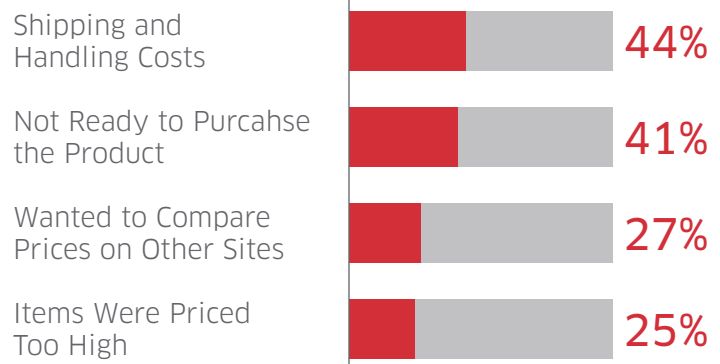
## 01 Cart Abandonment Segment

Today's online shoppers are savvier than ever. They like to shop around, research products, compare prices and look for discounts. This is why marketers must understand that everything from a price change to the slightest unexpected delay in a checkout process can lead to shoppers going to a competitor's site.

# 88%

Did you know that **88% of consumers** completely abandon their online shopping carts without completing a transaction?<sup>4</sup>

### Top Reasons Why Shoppers Abandon Their Shopping Carts:



To prevent shoppers from dropping off your site before making a purchase, you can use segmentation to group all site visitors who have placed items in their cart and did not make a purchase before leaving your site - these are known as cart abandoners.

Let's take a shoe retailer for example. If this retailer's behavioral data reveals that a large number of their site visitors have placed \$25 or more worth of products in their cart, but are abandoning your site on the shipping page, you could conclude that these sales are lost at the point in which these consumers discover shipping fees.

*To prevent cart abandonment, we recommend creating a segment that consists of all shoppers who place \$25 or more worth of merchandise in their cart, but do not complete the purchase.*

You can then target an on-site offer, such as "Free Shipping" or a promo code to this segment.

<sup>4</sup> Kiss Metrics Abandonment Issues Infographic



## 02 Organic Search Referral Segment

By using behavioral analytics, you can determine what channel shoppers are using to get to your website. Are visitors coming to your site directly? Are they arriving via paid search or from an online ad? Maybe they're coming from a blog, Facebook or Pinterest. By discovering where your site traffic is coming from, you can narrow in on certain segments.

*To create a segment based on a particular group of incoming traffic, we recommend that you create a segment of shoppers who have arrived to your site through an organic search referral (such as Google, Yahoo, etc.) or via the keyword he/she was searching.*

By narrowing in on this information you can then display an onsite product carousel or customized message to this segment when they land on the shopping cart review page. We recommend showing product reviews or displaying a carousel of other items similar shoppers have looked at. By providing this segment of shoppers with additional information about a product they want, you can decrease the likelihood that the consumer will navigate away from the purchasing page.

## 03 Engaged Shopper Segment

Engaged shoppers are a great segment to target promos and offers to as they typically are already engaged with your brand or interested in a product on your site. You can determine an engaged shopper by looking at how frequently the individual has visited your site within a certain time frame, and how long he or she stays on a particular page.

*To create an engaged shopper segment, we recommend segmenting shoppers who visited your site two times within three days, did not make a purchase, but lingered on your site for a long time.*

Once you've created an engaged shopper segment, you can then target offers such as "Free Shipping", a percentage off, or a "Buy One, Get One Free" deal on the particular product they've been looking at.

### Real World Case Study:



*An online hat retailer wanted to target their "toe-in-the-water" shoppers – those who placed low dollar items into their cart and proceeded to continue shopping. The retailer used behavioral segmentation to message specific shoppers with an upsell and in doing so, increased their average order value.*

*PRO-TIP: To actively encourage engaged shoppers to buy, we suggest using Escalating Offers. Escalating Offers allow you to offer discounts in increasing or decreasing increments and at certain times.*

*For example, the first offer could read, “Buy Now & Save 20%”. After a set amount of time or impressions, the second offer would decrease and read, “Buy Now & Save 15%”. If the shopper still didn’t convert, the third offer could read, “Buy Now & Save 10%”. Your shoppers will not want to miss out on further savings and will feel more inclined to buy as the offer amounts lessen.*

#### 04 Geo-Targeted / Location-Based Segment

By using site analytics, you can determine what geographic locations your shoppers are coming from. Are they visiting from out of the country, or out of the state? Maybe they’re just down the street from you. By creating location-based segments and geo-targeting your ads, you can incentivize and engage with visitors on a more personal level.

*To create a location-based segment, you can group site visitors from certain countries, provinces, cities, zip codes, regions, or even DMAs (designated market areas).*

Once you’ve created a location-based segment, you can provide personalized deals and offers based on things such as their city’s sports team, their region’s climate, or maybe even share promos that are happening at nearby participating store locations. For example, you can provide Los Angeles-based site visitors with a “Save 15% of all Lakers apparel” deal and Chicago-based site visitors with a “Save 15% off all Bulls apparel” deal.

#### 05 Reward Loyalty Shoppers

Repeat customers generate recurring revenue and serve as marketers for your business, and thus, make a great segment to target. Your site’s order history can help you identify repeat buyers, from which you can then further analyze to see if their purchases were triggered due to a promotion or a price reduction.

*From this data, you can create two segments of repeat customers – those that buy from your site without a promotion, and those that buy from your site with one.*

*PRO-TIP: For the best bang for your buck, we recommend you create an even more specific segment and identify repeat customers who not only buy from your site repeatedly, but also have signed up for your email subscriptions.*

You can use any of these segments to send on-site thank you offers such as, “Thanks for shopping with us! Here’s \$5 off your next purchase. Enjoy!”

## 06 Advanced Segments

In addition to the segments mentioned above, there are also more advanced segments you can create and target your marketing campaigns at. By combining several audience data points – location, purchase frequency, time spent on site, etc. – you can create a custom segment that reaches a very specific group of shoppers.

- **Example #1 of an advanced segment:**

Group engaged shoppers who have visited your site twice in one day, have spent more than 45 seconds on a particular product page, and did not make a purchase.

With this advanced segment, you can then deliver a one-time only percentage off on that particular product or use escalating offers to encourage these shoppers to buy.

- **Example #2 of an advanced segment:**

Group visitors from a specific city (i.e. Los Angeles) who arrived to your site from a social media site (i.e. Facebook), browsed specific SKUs (i.e. #9856HK1) AND abandoned their cart on the shipping page.

With this advanced segment, you can deliver a Free Shipping offer to prevent this segment from abandoning their cart.



## CONCLUSION

A well-rounded segmentation strategy includes using behavioral site analytics and completing thorough campaign testing. The significant revenue gains seen by brands employing advanced segmentation tactics proves that more focused marketing drives increased brand engagement, higher conversion ratios, and more effective managing of profit margins.

Great marketing campaigns are rarely created overnight, or by someone simply trusting their gut. Great campaigns are a result of organizing good data, asking the right questions, tailoring customer experiences in real time, and testing your campaigns.

Marketers who are interested in exploring the possibilities with segmentation should seek out site analytic platforms that gather visitors' real-time behavioral data and have the capability to serve personalized messaging to specific shopper segments while they're on your site. In doing so, marketers can enhance customer engagement while also driving sales, average order values, and conversions.

For more information on segmentation or how to enhance your segmentation with SteelHouse, please reach out to us at [contact@steelhouse.com](mailto:contact@steelhouse.com)





## SOURCES & CALCULATIONS

<sup>1</sup> June 2011 e-tailing group and MyBuys [Closing the Cross-Channel Gap Survey](#)

<sup>2</sup> 2010 MarketingSherpa [Email Marketing Benchmarck Report](#)

<sup>3</sup> Calculation: \$45,600 compared to \$50,200 is a difference of \$4,600 – or just over 10% increase in revenue.

VERSUS

\* 50 customers x \$100 sale x 20% off = *\$4,000 in sales revenue*

\* 120 customers x \$100 sale x 15% off = *\$10,200 in sales revenue*

\* 400 customers x \$100 sale x 10% off = *\$36,000 in sales revenue*

= **\$50,200 TOTAL Sales Revenue**

<sup>4</sup> Kiss Metrics [Abandonment Issues Infographic](#)