Best practices in segmentation

Grow your business by better identifying and understanding who your ideal customers are, what they want, and how to connect with them.

Your customers and prospects can be a finicky bunch

What works with some, won't work with others. That's because they're different. Maybe they're young professionals just getting started, or they're working parents, empty-nesters, or even retirees. The point is that they're at different points in life, headed in different directions with different financial and purchasing priorities. To win their interest, business and continued loyalty, you need a better understanding of consumers in order to make productive, meaningful offers that align with their evolving wants and needs.

This is where segmentation best practices come into play. By integrating both internal and external data-driven insights into a comprehensive segmentation framework that's leveraged across your business, you can better connect with focused, more relevant and interested audiences. For example, instead of offering all Millennials a premium rewards program, you could aim it at only those who own their own home and likely earn over $100,000 annually.

Applying segmentation best practices can help drive improved marketing and sales performance, as well as operational efficiency, while also helping to create a better, more personalized customer experience across multiple functions, channels and touchpoints.

Here, we explore common segmentation pitfalls and share fresh ideas, tactics, and resources that can help you create a more dynamic segmentation strategy that performs well for your broader organization to measurably improve marketing efficiency, performance, and business profitability.

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What companies are doing today.

Omni-channel, personalization, and customer experience are the “it” words in marketing today. However, incorporating these concepts into an organization-wide marketing strategy can be challenging, if not overwhelming.

For starters, companies frequently struggle with managing and making sense of massive amounts of internal customer data. Often, that data is housed in separate departmental systems or databases that don’t connect or interface with each other. If it’s augmented with third-party data in an attempt to better understand customers and prospects, it can further deepen the “data divide” between departments.

Now let’s explore a different strategy that can help create a more unified, 360-degree view of the consumer across all departments and channels leveraged by an organization.

Take it to the next level: Use syndicated segmentation to establish a framework.

What makes segmentation “syndicated” is its standardized availability across the marketing ecosystem. In other words, it’s already enabled in the marketplace and can be easily linked to widely available third-party data assets such as digital cookies, prospect lists, and market research surveys, instead of requiring additional work and customization.

Internally, it’s turn-key in its structure, data composition, and tools so that it can link together disparate, departmentally-managed corporate data as a unified corporate framework across multiple functions, channels, and programs. Once the internal data is brought into the framework, relevant third-party data can then be layered in to provide a deeper understanding of your customers and prospects relative to one another and the market as a whole. Essentially, a syndicated segmentation framework helps augment what is already known about customers by linking and enriching all internal data assets through one framework, creating a centralized view that’s accessible and transparent across the enterprise.

It’s a best practice that puts everyone on the same page to help organizations:

- Identify and model higher-potential customers based on unique, business-specific data
- Grow and optimize customer relationships by working from a holistic view of the customer
- Create more personalized marketing messages and offers by understanding consumers better
- Improve cross-functional performance throughout the enterprise with a more seamless view of customer data

Consequences of siloed data

While it may help functional teams achieve their objectives, keeping data in departmental siloes also may have negative consequences.

Siloed data can result in a fragmented view of customers across the organization, resulting in missed opportunities to cultivate new and existing relationships.

It’s also operationally inefficient, requiring extra time, money and resources to maintain separate systems.

It can even degrade the customer experience. Think about customers who receive multiple, unrelated emails, or direct mail from the same company. While it may seem trivial, customers notice the disconnect, and it can frustrate them when they’re spending their time and money — and sharing their personal data — with a company that can’t make the connection.

First Steps

If a syndicated segmentation framework is the end goal, what are the first steps to get there?

Before you get started, take the time to look internally and start small. Look within and across departments for the most accessible data that can be easily integrated together such as direct mail and email databases.

You can then append related third-party data that can be directly linked to your internal data. For instance, if you're working with an email database, consider layering in name and address information, and expand from there.

A basic segmentation framework typically begins with internal customer data, or first-party data. This might include household data, such as age, gender, marital status or geo-demographics, along with proprietary transactional data such as purchase history or behavioral data. From there, third-party data can be added. This is where it can get complicated due to the vast amount and quality of data available these days.

While it's tempting to start with the latest, greatest data product — social media data — it's critical to first lay a solid foundation with granular, actionable data that can enrich your existing customer data to help reveal:

1. Who your best customers are
2. Where you can find more customers like them
3. The best way to reach them
4. How you should communicate with them

Before anything else, it's important to first understand household composition, preferences and economic capacity. While this type of data may lack the flashy appeal of social media data, it provides critical customer insights that are the foundation of any successful framework. Census, survey, and household demographic data can help with the household composition and preferences, revealing everything from the presence of children in a household, geographic location, attitudes, and behaviors.

Wealth and economic data based on a foundation of direct-measured™ financial assets can then help enhance demographic and preference data with actionable insights that can help reveal if consumers can afford a product, service or solution. Wealth and economic data can yield insights around a customer's estimated affluence, credit usage, income, spending capacity, financial durability, and more.

For example, survey-based data may estimate that households with teenage children prefer a SUV over a minivan. Yet, at the household level, estimated spending capacity data may show they can only afford a compact car, not a SUV. If you're an auto dealer, this expanded insight can help to better focus your marketing efforts on people who not only want a specific type of vehicle, but can also afford it — such as married couples with teenage children who meet specific discretionary spending criteria. To that point, the more insight you can add around economic capacity, the better. A consumer might look like a good prospect, but if their affluence, income, and spending capacity are below average, they may not be an ideal prospect for a premium-priced offering.

With a strong base of core household and economic insights in place to help identify your most interested and qualified audiences, you can then layer in other data types to further define and customize segments based on unique business functions and needs across the organization.

The key to success is the right mix of segmentation data

- Demographics
- Device use
- Media consumed
- Economic capacity
- Geo location
- Preferences

The value of flexibility

While custom frameworks built for one company are tailored for highly-specific business needs, a syndicated segmentation framework offers the added value of flexibility.

Once the framework is established and implemented, it provides the same view across an enterprise, yet it can be customized by application and department. This is critical because preferred consumer groups are constantly changing, and may need to be addressed differently across channels and departments within the enterprise. For instance, while Marketing may identify a smaller, more focused consumer group for a premium direct mailer, Sales may simply need a roll up by territory for estimating market demand and establishing benchmark goals.

Client-customized versions of syndicated segmentation can also be established to focus on specific data or results that help address a unique business need. For example, the final section of this eBook features a use case in which client-customized syndicated segmentation can be used by financial services organizations to more consistently connect across multiple channels with more ideal customers who have a minimum threshold of estimated assets.

Apart from allowing departments to differentiate audiences and messages across channels, a syndicated segmentation framework provides the freedom to:

- **Routinely analyze a customer base** to help identify high-potential customers and prospects
- **Group customers into segmentation cohorts** based on core drivers of the business
- **Design and launch marketing plans** with unique creative, channel execution and promotions

What's more, as business needs evolve, the framework can be adjusted to realign all the moving parts — internal data, third-party sources and customer segment groups — to better address fast-changing conditions, emerging marketing practices, and demands in the consumer market.

Future revisions

After a syndicated segmentation framework is established and in use, it's important to monitor and track performance and use that data-driven insight to help refine audiences and strategies. For example, you might compare campaign responders and non-responders, drilling down by neighborhood (ZIP+4), households, or even individuals to determine which audience variables delivered the most conversions. With a more seamless, cross-organizational segmentation framework in place, much deeper comparison and analysis metrics are also possible in order to help improve functional outcomes, achieve key performance indicators, and help optimize overall organizational performance and profitability.

A syndicated segmentation framework offers the added value of flexibility to help improve outcomes and optimize profitability.

Moving forward: One for all and all for one... segmentation strategy, that is

Organizations of all sizes, across all industries, as well as most business functions within an organization, can utilize a syndicated segmentation framework to help strengthen performance in critical ways.

First, by creating a single, cross-organizational view of the customer, individual departments can get on the same page about customer value, opportunity, trajectory, and more, to better optimize customer relationships regardless of how, where or when you interact with them. For instance, Marketing can more precisely identify audiences for specialized products and offers, and highlight new audiences within an existing customer base. Sales can then nurture those audiences with consistent and related follow-up communications that boost the likelihood of conversion.

Also, creating a deeper customer profile with detailed third-party insights around household demographics, finances, and economic capacity can help improve outcomes, functional performance, and operational efficiency by enabling a series of more focused, personalized messages, and offers. This personalized content can work for larger groups of consumers, rather than attempting one-to-one communication, and is more practical to create and manage.

Last, having the flexibility to view all customers across an organization through a single lens, while still being able to drill down and identify unique groups by department, channel, and more, helps empower all teams to improve the customer experience and outcomes at various touchpoints.

Maybe most important of all, your customers should not only notice the extra effort to understand them better, they'll often appreciate it and potentially reward you with more business.

Next, you'll see examples of syndicated segmentation frameworks being used in various industries to further refine key audiences for more precise, optimized campaigns that can help deliver improved profitability and growth opportunities...

Use Case:
Smarter, more focused brand marketing across channels

Challenge

Within the financial services industry, many organizations are shifting toward a more "client-centric" branding and communications strategy. To position a firm as a company that understands its customers and their varying needs, while also driving new business, financial institutions can consider a marketing and segmentation strategy that helps them consistently connect across multiple channels with more ideal customers who have a minimum threshold of estimated assets.

Response

Equifax works collaboratively with financial organizations of all sizes to jointly develop, or enhance, syndicated segmentation frameworks that address their specific business needs. Using its exclusive estimated wealth and economic data, analytics, and modeling expertise, Equifax can help firms build custom preferred-customer segments based on financial-based segmentation systems, find households that better match those segments both offline and online, and help evaluate that marketing efforts were viewed by and acted on by desired customers and prospects.

For instance, one approach can involve focusing on improving branding and acquisition efforts aimed at specific high-potential groups. This can include several unique components:

- **Data:** Internal account information can be combined with estimated financial asset data, other financial behavioral characteristics such as investing complexity and advice orientation, and demographics to define criteria for custom messaging segments. Equifax can then identify existing clients within these segments and categorize all new clients on a regular basis.
- **Offline and online:** These custom messaging segments can be applied offline and online to both prospects and existing clients across multiple media channels. The onboarding of offline-developed attitudinal and financial behavioral attributes to the online world is critical here, since many financial institutions are acquiring more new business via online channels

Results

Identifying consumers who likely meet desired household, behavioral, wealth, and investment criteria can help improve campaign performance and budget efficiency. Also, instead of just focusing on clicks for campaign measurement, campaign results can be tracked based on both the number and the quality of new accounts opened. This allows firms to measure the success of digital agencies or internal campaigns based on the ability to reach and convert households within their critical custom segments. Based on prior analysis, firms have used our financial-based segmentation systems to identify billions in potential new assets, grow long-term value (LTV) by 5%, and achieve a 30% lift in new accounts opened.*

Industry: Financial services

Digital audience segmentation can be applied at the household level. This can help firms more efficiently target ads toward a much smaller and more receptive household audience as opposed to the entire universe of online visitors.

Identify customers who meet financial and investment criteria to help improve campaign performance and budget efficiency.

Campaign results can be tracked by the number and quality of new accounts.

Success is based on the ability to help reach and convert households within critical custom segments.

Use Case:
Enhance customer loyalty programs

Challenge

Retailers are typically faced with several challenges in assessing and growing their loyalty program. It can be difficult to identify customers and prospects with high estimated spending, who are not yet enrolled. It can also be hard to identify low-potential program members, such as those who may have qualified for inclusion through a single big purchase versus consistent high-volume purchases, who could contribute to inefficient marketing spend.

Response

Retailers can work with Equifax to score their customer records and loyalty program files with measures of estimated household spending capacity to better differentiate customers based on their likely spending ability and identify new high-value customers for their loyalty programs. Retailers can add a variety of solutions such as Economic Cohorts®, Affluence Index™, Spending Power™, or Financial Durability measures to their existing framework and divide their customer records into the following groups:

1. **Current long-term customers** who are not yet part of the loyalty program, to identify those high-spenders that should be added to the program and receive marketing promotions. These customers likely warrant increased marketing focus, and could provide incremental revenue.
2. **New customers**, to quickly help identify those with high spending potential that should be offered loyalty program membership. Retailers can quickly implement tailored marketing efforts for these households and take action to include them in loyalty programs.
3. **Current loyalty program members**, to identify those who may not meet program objectives. These customers are likely to have lower estimated discretionary spending capacity compared to other customers, and may not be an optimal match for the loyalty program.

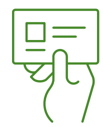
Results

Retailers can often direct their marketing efforts to customers who are more likely to provide long-term spending opportunity for their brands. Based on past analyses, retailers can possibly expect to increase revenue potential and increase marketing efficiency by up to 25 percent* by:

- Adding current customers likely to have high spending potential to the loyalty program
- Rapidly identifying likely high-spending new customers and quickly pursue incremental sales opportunities through tailored marketing efforts
- Removing households with lower estimated spending capacity from the loyalty program
- Reallocating marketing dollars from less-qualified loyalty program members to newly-found households based on likely spending capacity

Industry: Retail

Marketing efficiency can potentially **increase by up to 25 percent*** by implementing these steps:



Add current customers likely to have high spending potential to the loyalty program

Rapidly identify likely high-spending customers and quickly pursue them with tailored marketing efforts

Remove lower-potential households from the loyalty program

Reallocate marketing dollars from less-qualified to newly-found high-potential households

Use Case:
More effective upselling and cross-selling

Challenge

To remain competitive, cruise line marketers must be able to identify new audiences for marketing programs beyond their traditional older, higher-income target audience. Likewise, they need to increase the efficiency of upsell campaigns for upper-tier staterooms and other high-value upgrades.

Response

Cruise marketers can add affluence and discretionary spending insights to their life-stage segmentation framework. For example, a modeled household index allows marketers to score households from 1 to 1,000 based on their estimated affluence, a key component in determining which households are more likely to be able to afford cruise vacations or premium upgrades. The higher the score, the more likely it is for the household to have discretionary funds available to spend.

Spending measure correlates with cruiser profiles

To address the challenge of identifying new audiences, Equifax analyzed the correlation between a current cruise customer's existing spend and discretionary spending capacity score. Typical analysis revealed strong correlations:

- As spending with the cruise line increased, so does the cruiser's discretionary spending capacity score
- Younger cruisers generally have a disproportionately higher incidence of 500+ discretionary spending capacity scores relative to the overall population, suggesting that higher spending capacity early in life can translate into a higher likelihood of preferring cruise travel

Incorporating a measure of spending capacity into an existing segmentation system can help identify younger prospective cruisers with the same spending profile as younger established cruisers.

Previously homogenous households can be differentiated by spending capacity:

To increase upsell efficiency, cruise marketers can further refine the $125K+ income bracket typically used for upgrade promotions into smaller sub-groups in order to help fine-tune marketing programs for premium offers.

Equifax can append discretionary spending capacity scores to a file of current cruisers with an estimated income over $125K+. Analysis of past cruisers who have consistently chosen premium staterooms often is correlated with very high scores and can reveal a tipping point for a new segment of cruisers for upgrade promotions. Also, it is often possible to better determine correlations of preference for suites or balcony staterooms with a specific discretionary spending capacity score.

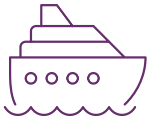
Results

By incorporating discretionary spending capacity measures from Equifax into the promotional strategies of cruise lines, marketers can augment their traditional prospecting techniques and potentially find fresh sources of prospective new cruisers. At the same time, cruise marketers can often better match offers for premium accommodations and upgrades with cruisers based on their unique estimated spending capacity level and purchase ability.*

Industry: Travel and hospitality

To identify **new audiences**, cruise brands can work with Equifax to detect correlations in spending capacities, cruiser preferences, and household discretionary funds to help increase upsell efficiencies.

Further refine $125K+ income bracket to help fine-tune upsell marketing efforts



Better predict cruisers' room preferences by using discretionary spending capacity scores

Why work with Equifax for your segmentation

Our insights are based on about $24 trillion in anonymous, aggregated measured consumer assets collected from leading financial services firms. This “direct-measured” data represents about 45 percent of all U.S. consumer invested assets and serves as the foundation of our unique measures of anonymous, estimated household wealth, income, spending, credit, investment style, and financial durability. With this complete view of the consumer wallet, combined with key demographic, behavioral, and lifestyle attributes, marketers can leverage our advanced consumer segmentation systems to grow their customer base, reach desired audiences via all channels, and deepen customer relationships.

Contact us to boost your segmentation with a 3P’s segmentation analysis

To help firms get started with segmentation or enhance their existing segmentation strategies, Equifax offers custom analytical projects to help you better understand who your customers are, what they are like and where you can find more of them. Projects combine your firm’s data with proprietary financial and economic insights from Equifax to help you better identify and understand your target audience and engage with them via the right message and channel.

The analysis can include our comprehensive three-step process — Profile, Personify, Pinpoint (the 3P’s) — or just one or two components to help you answer your business questions.

- **Profile:** Identify top customers based on first-party data, financial and economic measures and behaviors, and MRI-Simmons data
- **Personify:** Create target groups and describe them in terms of financial and economic measures, attributes, lifestyles, behaviors, demographics, media habits, and channel preferences to inform communications and media strategies
- **Pinpoint:** Find target audiences via traditional marketing channels and in the digital landscape to effectively engage them

Contact us today to learn more.

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