



DELIVERING

Time

CUSTOMER
SEGMENTATION

BY UNDERSTANDING
THE CUSTOMER JOURNEY
'HOW' AND 'WHY'

DELIVERING TRUE CUSTOMER SEGMENTATION BY UNDERSTANDING THE CUSTOMER JOURNEY 'HOW' AND 'WHY'

With a keen focus on personalization driving today's retail strategies, retailers are realizing the importance of a sophisticated approach to customer segmentation. Up to **62%** of marketers say that improving audience segmentation to support more precise targeted communications is a top campaign management priority, according to a [survey by Winterberry Group and the Data & Marketing Association](#).

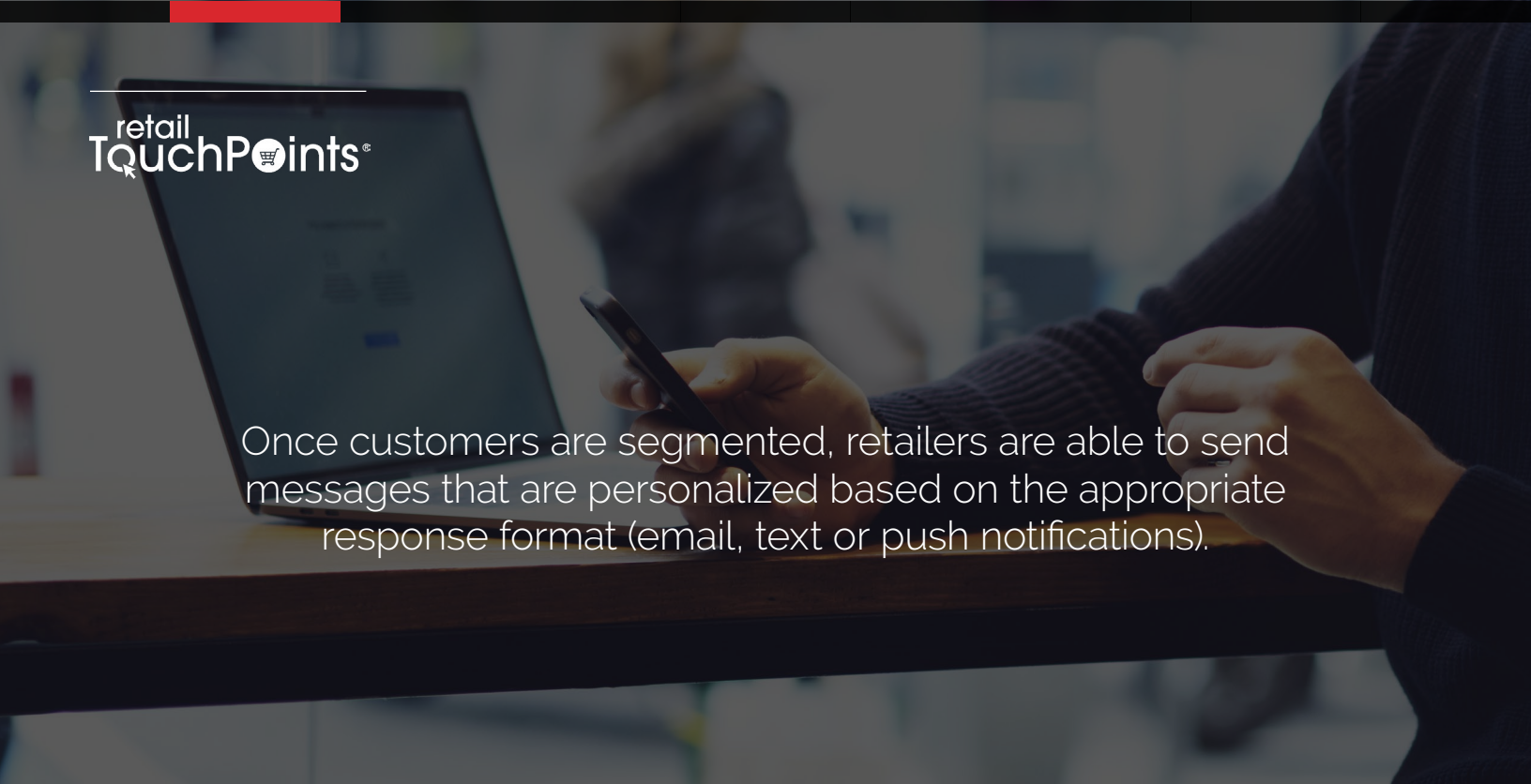
Unfortunately, many marketers are missing a key element of their segmentation strategy: **context**. A majority (**71%**) of marketers still look at basic demographics and behavioral data like search and past purchases (**62%**), according to [CMO Council and RedPoint Global](#). However, only **40%** of retailers measure brand loyalty and affinity, and only **22%** examine psychographic data. These figures indicate that most retailers are not getting the most out of their customer data.

With a seemingly infinite amount of customer data at their fingertips, retailers must ensure they are using it correctly to learn the right lessons about their customers; make better decisions on how an individual shopper behaves at each point of the shopper journey; which products to sell them; and how to bring them back for future purchases.

This special report will dissect and analyze:

- How retailers can send relevant messages depending on consumers' level within the **three-part sales funnel**;
- How **carefully curated advertising** and content marketing campaigns can be top sales drivers for retailers;
- The **most relevant data points** retailers continue to use (and unfortunately, neglect) as they build out segmentation strategies; and
- How brands such as **Adore Me** and **Nike** leveraged customer segmentation strategies to create numerous customer personas and bolster loyalty.

The most successful retailers use segmentation and personalization data beyond their marketing campaigns. "Rather than relying on margin-eroding, mass-market promotions, retailers should be refocusing their efforts on high-profit customers that actually deliver most of the profit," said Karen Voelker, Global Lead of Accenture's Customer Innovation Network (ACIN) in an interview with Retail TouchPoints. "This is about much more than a refreshed CRM strategy. Rather, it is about taking **all of a retailer's customer and product insights and changing how they operate from the ground up**. That includes everything from the business model to product design to merchandising and marketing."




Once customers are segmented, retailers are able to send messages that are personalized based on the appropriate response format (email, text or push notifications).

SENDING RELEVANT MESSAGES AT ALL STAGES OF THE SALES FUNNEL

Today, retailers can segment their customers based on various factors, including email open rates, SMS responses, web site pages and products visited. Once customers are segmented, retailers are able to send messages that are personalized based on the appropriate response format (email, text or push notifications). Context remains vital, especially because a consumer could be engaging with different content at different times and places.

Smart marketers are targeting messages based on the stage of the sales funnel a customer currently is engaged in. Different types of messages are effective at each stage:

- **Top of the funnel:** Emails directed toward different product categories, gauging consumer interest based on a quick visit to the site without making a purchase;
- **Middle of the funnel:** Messages directed largely to those who may have purchased once or twice, based on historic data; and
- **Bottom of the funnel** (most frequent customers): Messages that expand beyond typical accessories to feature new products.

A background image showing two people, a man and a woman, smiling and looking at a device together. The man is on the left, and the woman is on the right. They appear to be in a retail or office setting.

“Once the customer is identified, understanding her profile, location and the current environmental factors (e.g. time, weather, traffic, etc.) enables the retailer to communicate relevant and contextual messages — what we call customer context communications.”

- JEFFREY NEVILLE, BRP CONSULTING

SEGMENTATION OPTIMIZES ADVERTISING, CONTENT MARKETING CAMPAIGNS

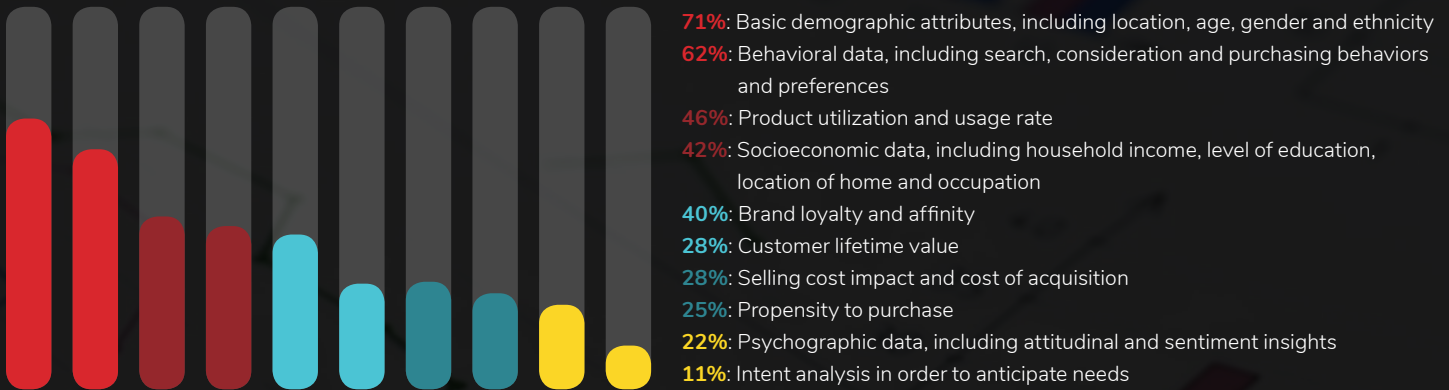
Retailers also can leverage advertising when segmenting online shoppers, but tactics must be carefully planned. An overabundance of advertising might build a different experience for different subsets of consumers, but it also turns off **40% of mobile consumers and 53% of desktop shoppers**. However, **83%** of Internet users agree with the statement: “Not all ads are bad, but I want to filter out the obnoxious ones,” according to the *2017 L2 Data and Targeting Intelligence Report*. This means retailers must remain mindful about the number of ads displayed, while keeping them **relevant to the audience at hand**.

Personalized marketing should focus more on *providing consistent, targeted and relevant content and messaging*. As many as **52%** of consumers are likely to switch brands if a brand does not make an effort to personalize communications, while **65%** say that personalization influences their loyalty to a brand, the L2 report said. Additionally, **63%** of Millennial consumers agree they are willing to share data with companies that send personalized offers and discounts, making the context as to **where the shopper is, what device they are using and why they are using it** all the more important in sending the right message.

“Once the customer is identified, understanding her profile, location and the current environmental factors (e.g. time, weather, traffic, etc.) enables the retailer to communicate relevant and contextual messages — what we call customer context communications,” said Jeffrey Neville, Senior VP of E-Commerce at BRP Consulting. “Customer context is defined as the interrelated factors of customer insights and environmental conditions that make the shopping experience relevant to the individual customer. This information must be instantly available when a customer enters the brand’s web site, mobile app, or store for effective customer engagement.”

CUSTOMER SEGMENTATION BY THE NUMBERS

SENIOR MARKETERS STILL LEVERAGE MOSTLY BASIC DATA TO DRIVE THEIR SEGMENTATION STRATEGIES, BUT THERE ARE PLENTY OF ATTRIBUTES THAT RETAILERS HAVE NEGLECTED.



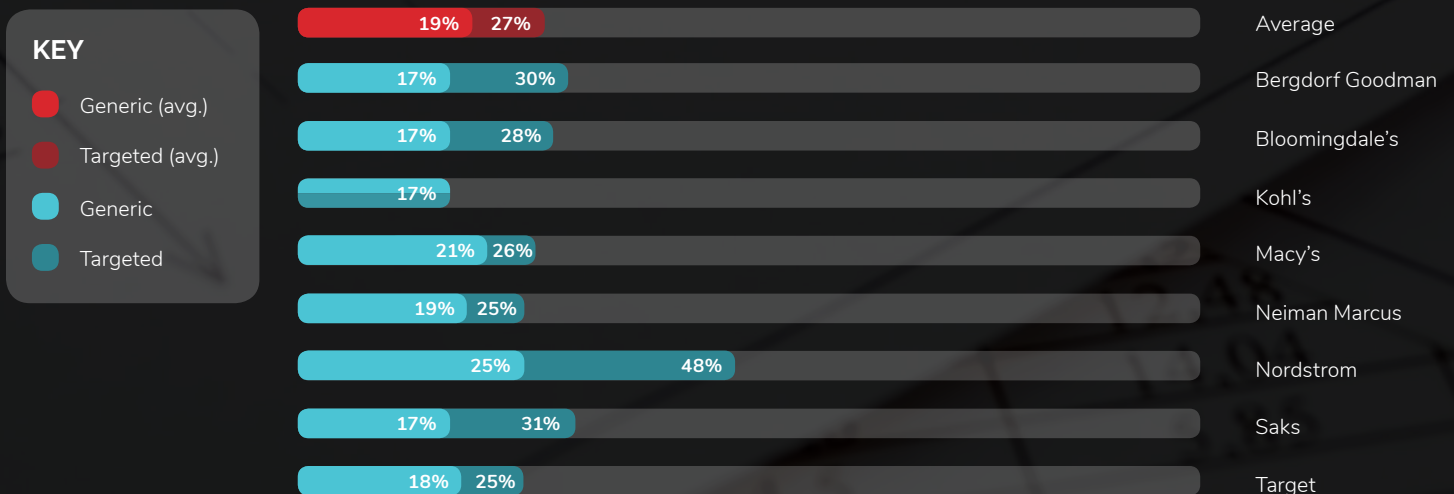
Source: CMO Council, The State of Engagement: Bridging the Customer Journey Across Every Last Mile

WHEN COMPARED TO AVERAGE ENGAGEMENT RATES OF NON-SEGMENTED PROMOTIONAL EMAIL CAMPAIGNS:



Source: MailChimp: Effects of List Segmentation on Email Marketing Stats

WHEN COMPARING OPEN RATES OF GENERIC VS. TARGETED EMAILS AT DEPARTMENT STORES AND BIG BOX RETAILERS, SEGMENTED CAMPAIGNS ALWAYS COME OUT ON TOP:



Source: L2 Intelligence Report, Data & Targeting

"We'll send them updates on what's new and what's just been released. Then there are people that buy only rarely. For those customers we might send them discounts because we want to try to re-engage them."

- JOSSELIN PETIT-HOANG, ADORE ME

ADORE ME BOOSTS ACTIVE CONSUMERS 2.3X WITH SEGMENTATION

Adore Me segmented its customer base via a customer marketing cloud platform, using it to send **daily emails to five distinct customer personas**. With the help of the solution's predictive customer modeling tools, Adore Me identified additional personas that would respond to highly targeted campaigns.

In less than one year, Adore Me was communicating with **66 unique customer personas** on a monthly basis, using email, mobile push notifications, in-app messages, Facebook Custom Audiences and the Google Display Network. The results have been dramatic:

- **15%** increase in monthly revenue;
- **22%** increase in average order amount;
- **2.3X** growth in the number of active customers; and
- **85%** of customer campaigns are fully automated.

"The customers that are very engaged, the lingerie lovers, want to see and buy a lot of new styles," said Josselin Petit-Hoang, CRM Marketing Manager at Adore Me, in an interview with *Retail TouchPoints*. "We'll send them updates on what's new and what's just been released. Then there are people that buy only rarely. For those customers we might send them discounts because we want to try to re-engage them."

SUCCESSFUL CUSTOMER SEGMENTATION COMES DOWN TO CONNECTING DATA SOURCES

Q&A WITH ERIK ARCHER SMITH,
SR. MANAGER OF ACCOUNT BASED MARKETING AT ARM TREASURE DATA

Retail TouchPoints (RTP): What kinds of data should retailers be looking at when segmenting their consumers?

Erik Archer Smith: In some ways this might sound too convenient, but I truly believe it. It's not a matter of the best data sources, it's just making sure that your existing data sources are actually connected, and can communicate back-and-forth. Session times, average web views, in-store purchases, all of those metrics are table stakes.

There's four phases of the customer journeys — connecting, analyzing, predicting and influencing customer data. Once the customer journeys have been connected to all the different data sources, that's the right place to apply machine learning to look at the common and uncommon patterns.

When we think about personalization, I'm a 5'7" white male who is married, has two cars and a dog. There are 50 million people who have those exact attributes, so if you're connecting those standard data points, you're not going to be able to personalize to me. But if you start connecting disparate data sources, you may find something interesting about me, like this person is a movie buff, and that's the one characteristic you need to create a customer journey that's personalized to me.

The interesting stuff comes when you're able to connect with data sources like weather and holidays, and you'll start to notice buying behaviors that are not predicted by most digital marketers, and that gives you the best insight to personalize on a granular level.

RTP: Are there a certain number of customer "segments" that you feel are appropriate for retailers? How many should they have to truly differentiate distinct types of shoppers?

Smith: Hundreds and hundreds, if not thousands. That's the point that I want to stress.

When people think "here's my typical shopper" and there's five types listed, that will fail because it's not even like the Millennial generation is up-and-coming...they're very much here. The research shows that they expect a personalized experience. That's why Amazon and Netflix are doing so well; they aren't sitting there thinking 'What are my 12 sets of customers?' They were thinking about personalizing at as granular a level as possible.



Erik Archer Smith is a data-driven marketing and sales professional at Treasure Data with 10+ years experience helping companies scale during phases of hyper-growth. Smith got involved with tech early and built the first social media site in Japan using open source technology in the early 2000s. When not working, he enjoys spending time at the beach with his wife and dog, and obsessing over his automated, indoor garden to finally grow the perfect habanero pepper.

That's where machine learning and AI comes in. Some of our customers went from about 20 segments to nearly 350 in a couple of weeks. One beverage company had all this granularity from their segments that they were pulling from loyalty apps and web purchases, and they started pulling in location data from mobile apps. They further segmented and started looking at time stamps. Are you somebody that goes by this location as a commuter, or someone who goes by this location on a weekly or monthly shopping trip? Even getting a segment to that level could make the difference between just engaging the person and making a sale.

RTP: Are there any steps retailers are still having a rough time with when it comes to properly segmenting consumers?

Smith: A lot of it is still steps one and two — connecting and analyzing the customer data. If you're a large retailer, you may have a bunch of subsidiaries that you've purchased over time, and the technology for subsidiary A may be different from subsidiary B. Or if you're a franchise model, your earliest franchises may have implemented one technology, and then as the company develops, newer franchises put in another one.

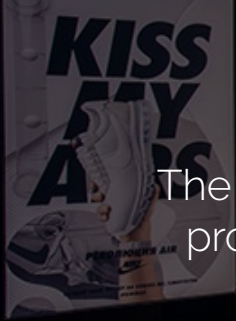
There's just a complexity around getting all this data tied together, and I don't think this complexity needs to be there anymore. A lot of retailers are still thinking too narrow. They're thinking they need a digital footprint and a mobile footprint, and really it's about connecting all that together.

RTP: What is the most critical insight you've learned from your customers?

Smith: The problem is that when you're only using web store information and digital information to build a recommendation for a web store, you're limiting yourself to a web store. One of the things we found is that using the mobile device as a delivery system for in-store buying behavior seems to be part of the secret.

A mobile app itself wouldn't know if you were interested in buying a checkered shirt or vest if the shopper only purchased those items in-store. When I'm walking by a store I may not know that they have what I want until I walk in there. You need to tie those two journeys together. What our customers have started to do is analyze in-store buying behavior and deliver information of potential items of interest to shoppers as they walk by within a 500-foot radius. Take the in-store buying behavior, analyze that and deliver it over to mobile using geofencing technology.

Certain clients of ours have seen a 100% increase in mobile coupon redemption and a 40% increase in in-store revenue with that methodology.



The more than 100 million members of the Nike+ loyalty program spend nearly 4X as much as non-members.

NIKE USES SEGMENTATION AS IT SEEKS TO GROW LOYALTY PROGRAM 3X BY 2023

During Shoptalk 2018, **Nike** Chief Digital Officer Adam Sussman revealed that the footwear giant has more than 100 million members in its Nike+ loyalty program. But the company has a lofty five-year goal of tripling this number, because these members spend nearly **4X** as much as non-members.

Sussman attributes these results to correctly targeting three consumer personas:

- The “**Weekend Runner**,” a 30-year-old woman preparing for her first marathon. As an active user of the Nike Run Club app, the company has a significant amount of data on her training regimen, including pace, as well as her achievements;
- The “**Style Shopper**,” a 26-year-old woman who wants to be on-trend before, during and after workouts. This shopper explores a wide range of product and storytelling tailored to her interests, while sharing content with friends for the most premium, personal, curated shopping experience; and
- The “**Dedicated Sneakerhead**,” a male from New York who is sneaker-obsessed but may have also had poor experiences in the past buying Nike launches.

“[The program] delivers incredible value and they are more engaged,” Sussman said during the event. “We deliver the exact right product, experience and storytelling — it makes a tremendous difference.”

“Product teams should be leveraging data-driven creativity to better understand the audiences they are actually designing for, and marketing promotions should be grounded in granular insights about the profitability of individual products and customers.”

- KAREN VOELKER, ACCENTURE

BUILDING AN EFFECTIVE SEGMENTATION STRATEGY

As retailers continue to learn how their customers react to these segmentation strategies, they will ultimately gain greater insight into who their best spenders are and who will continue to come back. These strategies would bring the greatest benefits when they are deployed throughout the entire enterprise.

“Product teams should be leveraging data-driven creativity to better understand the audiences they are actually designing for,” said Accenture’s Voelker. “And marketing promotions should be grounded in **granular insights about the profitability of individual products and customers**. In this way, customer insights can be woven throughout the whole business, reorienting the retailer’s organization around the high-profit loyal customers with the biggest impact on the bottom line.”

Simply put, the next step in improving customer segmentation is building out a strategy designed to discover the context embedded within consumers’ actions. In learning where a shopper is, what device they use, the time of day/day of week, and even what the weather is like in their area, retailers can tailor their strategies to significantly impact the shopper’s responsiveness. While contextual communications have not become a part of every retailer’s toolkit, they show promise in improving a retailer’s ability to segment consumers, and in doing so bolster their overall personalization strategy.

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Glenn Taylor is a retail journalist covering all aspects of the industry with interests tilted toward AI-driven personalization, conversational commerce and financial/business related news.

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