YOUR DEFINITIVE GUIDE TO BUILDING LIFETIME VALUE WITH SEGMENTATION

WHAT YOU’D KNOW IF WE COULD TALK TO YOU
Proving the value of your work as a marketer is not easy and has long been an issue for brand marketing. It’s tempting to focus marketing efforts on in-store activity and big hit advertising campaigns to attract mass attention to your brand. But do these tactics build lifetime value?

“Nothing gets closer to your customers than your products. And if your products could talk, they’d tell you so much about those customers and how you could improve their loyalty!”

Companies who have successfully implemented profiling and segmentation techniques, combined with effective mass campaigns - have seen a gradual but significantly positive shift in companywide profit increases; not to mention more solid brand recognition! They’re seeing their customers with my level of insight!

BUILD LIFETIME VALUE

- Insider Insight

Sales

mass marketing + segment targeting

mass marketing

Time
Influencing a path to purchase in the fast moving consumer goods industry, has traditionally relied on a ‘one size fits all’ approach to marketing. Basic customer profiling may be carried out, resulting in a broad view of an entire customer base, using averages. But it’s not enough.

**AVERAGE IS A DANGEROUS WORD!**

When you drive awareness through mass marketing campaigns, it’s important you have a clear understanding of who your consumers are, what they want and their channel preferences – you need to know your message will hit home. Targeted, more relevant communications improve long term loyalty and customer value. Consumers want to be treated as individuals, not generic groups.

**ONE SIZE DOESN’T FIT ALL**

Trying to reach each individual or type with a blanket approach is never going to work. Even campaigns aimed at reaching a broad audience, need a deep level of customer understanding to be effective.

To drive long term customer loyalty and continued brand strength, you need to know which consumers to invest marketing in, through segmentation models that focus on propensity and lifetime value.

Understanding Motivations

Without detailed customer insights, how can you distinguish between a customer who bought your brand of cat food simply because it was the best price offer at the time; and a loyal customer who thinks it provides the best nutrition?

With an average and immeasurable view of your customers, how can you identify –

- Your best and worst customers?
- Customers with a high repeat purchase rate?
- Their lifetime value?
- How to communicate effectively with them, as individuals?
- The ROI of your marketing campaigns?

**Insider Insight**

Imagine the level of insight you could gain by knowing who’s most likely to buy your products and why; and how you could apply this to grow your brand?
PROFILING – THE INS AND OUTS

It’s not uncommon for a brand’s perception of their target market to be challenged by reality. This can be due to out of date research, changing economic climates, failure to cross reference multiple sources of information or increased competition in the marketplace.

It’s highly likely that you already have a rich resource of data about the people engaging with your brand. But are you gaining maximum insight from it? You could be seeing your customers much more clearly, as individuals instead of averages; allowing you to target more finely tuned communications at them.

YOU MIGHT ALREADY HAVE THE INFORMATION YOU NEED, BUT ARE YOU USING IT PROPERLY?

A high end beauty brand thought they knew who their customers were, based on research they’d conducted through surveys and purchase tracking. But on closer inspection and with more accurate profiling, their most loyal and profitable customers proved to be a lot older and more affluent than first thought. Knowing this, they could target them and more of the same much more effectively, reducing marketing wastage and improving ROI.

- Insider Insight

Despite obvious similarities, your customers engage with your brand in different ways. Sam and Paul are the same age and work in similar industries. However, Sam uses Facebook, while her housemate Paul uses Twitter. He uses public transport, but Sam drives! They are exposed to different channels at different times, and until you can accurately predict these with refined profiling, your messages could be missing them.
Basic profiling using information you already have, is simple. Comparing your data against national statistics, means you can build accurate profiles of how your customers actually look. You can create a more in-depth picture of individual profiles, with the addition of demographic attributes as well as information on lifestyle, purchasing habits and channel preference; revealing more interesting characteristics of subsets within your customer base. The groups can be made even more accurate and specific, by apply propensity modelling, to show you the likelihood of people purchasing your products.

REMEMBER
The determination of channel preference is a key benefit of profiling. Without knowing where the best place to reach your target is, you could be wasting that expensive advertising campaign.

No data doesn't have to mean no insight...
If you’ve yet to collate enough information on your target customers, or have yet to define a target market for your product, Experian can help you with your profiling. We have insight on over 49 million UK adults.

Did you know...
Experian can apply over 500 detailed attributes to your customers for deeper insight; including –

- Life Stage
- Disposable Income
- Channel Preferences
- Fashion Preferences
- Purchase Habits
- Vehicle Ownership Class
A large number of companies go to the trouble of segmenting their market based on consumer research to build a message, but don’t segment consumers to build and deliver an effective marketing strategy. This is a big mistake! Market segments enable you to understand your customers and the best channels to reach them on, but without a segmentation of consumers this strategy still delivers a one size fits all approach to targeting.

You can identify the common needs and behaviours of customer subsets to find out who to target based on sales opportunity, using consumer segmentation. This gives your marketing additional, long term strength by allowing you to focus on the most profitable customers - those that have real potential to add value to your brand.

There are two types of segmentation approaches that FMCGs need to focus on:

1. Market segmentation
Many FMCG marketers invest in research to understand attitudes, behaviours and consumption patterns before building market segmentations.

Although these segments are clearly defined in the research, in order for them to be actionable in the real world, they must also be clearly attributed to members of the UK population. Matching market research data to Experian’s extensive data on over 49m UK adults gives the comprehensive insight that you need into the demographics and lifestyles of consumers within a segment, enabling you to identify the consumers that match that segment.

2. Customer segmentation
Transactional data from loyalty schemes or customer relationship programmes can be used to segment your most valuable customers according to –

- **Purchase**: based on the recency, frequency and value of purchases
- **Engagement**: based on how regularly and recently consumers respond to your communications

This pin points the customers that are most profitable, allowing you to set different upsell and cross sell strategies. Additionally, matching your best segments to the whole country allows you to locate more of the same types, driving effective customer acquisition.
Knowing Where to Focus

DRIVE BETTER STRATEGY WITH SEGMENTATION

Segmentation checklist:

☑ Segments are identifiable on prospect or customer data, rather than just conceptual groups that you cannot action or track.

☑ Each segment must be different from the others, so it’s possible to easily define the characteristics of each segment.

☑ Members of any segment should display behaviours similar to others in that segment, but different to those in other segments; and these patterns should be stable over time.

☑ It must be possible to implement segments – the people within them should be accessible and a large enough group to justify marketing activity.

☑ The segments must be relevant enough and show sufficient potential to satisfy business objectives, in line with the brand.

- Insider Insight

If you are allocating consumers to segments on a database remember to give your segments names that stand out and mean something, but that aren’t offensive to those in the segment; as they can request this information under the Data Protection Act!

Experian sell ready built segmentation sets for you to use. Using Mosaic UK, you can identify the customer types most likely to engage with your brand and use the insight to benchmark all marketing decisions. This provides real insight into who your customers are, and more importantly, the demographics, lifestyles and behaviour of individuals and households in the UK. It can also help you to identify different sub groups within your audience, which can be used to determine different strategies.
A COMBINED STRATEGY THAT WORKS... AND LASTS!

AS SOON AS YOU OBTAIN A CLEAR VIEW OF YOUR CUSTOMERS, YOU NEED TO USE IT, HANG ON TO IT AND REMEMBER TO UPDATE IT!

Now you’ve successfully segmented your customers it’s time to put everything into action. Use your profiles and segmentations carefully to send the right campaigns down the right channels to the right people; so that combined with your regular, mass market campaigns, they have the best chance of reaching profitable customers and strengthening your brand message.

*Segmentation only fails or is seen as a waste of money if it isn’t recognised and implemented on a company scale, as an effective strategy with full commitment from everyone - from top line management like CEOs and Financial Directors to the people at grass roots level who deliver your campaigns.*

This isn’t a miracle quick fix, it’s a common sense plan for long term success, improved brand awareness and more effective customer communications. It’s likely that you’ll see some positive results immediately in terms of sales and small revenue increases; but over the course of a year, with this strategy firmly in place, the rise should be continual and steady, showing growth that you can directly attribute to your efforts.

**Mini Case Study**

*Boden* works with Experian to ensure that customer insight drives targeted marketing; tailoring to customers’ needs and delivering demonstrable ROI. Segmenting customers based on their transaction history, helps improve understanding and identification of its highest value customers.

A higher degree of personalisation can be achieved, by targeting the right products and promotions to the right people and tailoring messages to give customers what they want - increasing efficiency and driving sales.

**Profiling and Segmentation**

are business-wide concepts, not just marketing initiatives. They must be continually implemented, influencing decision making right from the top level on a day to day basis!
Experian’s UK consumer database holds insight into the lifestyles and behaviours of:
- **49.7 million** UK adults
- **42.3 million** prospectable customers
- using more than **500 variables**

Our level of data provision and our exclusive, ready to use profile and segmentation models mean we’re the best choice to help with your FMCG marketing improvement initiative.

What we can do for you...

**Data quality & multi-channel customer engagement**
Audit, capture, cleanse and enhance your data for reliable, relevant and timely customer insight and engagement across all channels.

**Maximise local market potential**
Place your on and offline assets with precision, identifying profitable outlets, aligning products and services to local needs and acquiring customers with pinpoint accuracy.

**Multi-channel analytics & big data insight**
Analyse, understand and deploy your multi-channel marketing data in smart ways for actionable insight that drives, refines and measures successful campaigns.

**Define & target your marketing audience**
Apply rich data resources to classify and segment existing and new customers for greater understanding of their lifestyles, finances, propensities and behaviours.

To find out more, email us at data.analytics@uk.experian.com or visit www.experian.co.uk/colin

Don’t miss instalment 2 of our 3 Part Guide for the FMCG Market, where we focus on ‘How to locate your customers via the perfect channel’.

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