



Stop Guessing! Identify Your High Value Customers

Customer Segmentation in the Era of Big Data Marketing

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WHO are your high value customers?

WHAT are their preferences and characteristics?

WHERE can you find them?

WHEN is the right time to connect with customers?

WHY do you need to connect with them strategically?

WHY do you need to connect with them strategically?

HOW do you communicate with this customer group?

Segmentation Works When

Key Stakeholders are Involved
Objectives are Clearly Stated
Variables are Measurable

Segments are:

- Identifiable
- Relevant
- Sizeable
- Stable
- Reachable

Introduction

In English language, grammar rules state that adverb clause usually answer questions of who, what, where, when, why and how. In the world of B2B marketing, these clauses answer questions through which you can find your perfect high value customer group

Customer segmentation is an integral part in understanding, WHO your customers are, HOW you can provide value to them and WHAT value they can provide.

The underlying objective of segmentation is to provide customized solutions to convert prospects into customers, to retain customers as customers, to urge them to purchase more and to make them brand advocates.

You need to stop guessing and KNOW the 'Who, What, Where, When, Why and How' of your customers.

Customers here also refer to business clients and not just consumers. Segmentation is not only applicable to B2C companies; it has become relevant to B2B organizations as well.

When Segmentation Works!

Before delving into the methods of segmentation and different segments, you need to consider what your objectives, are and how they can make your segmentation initiative successful

- Identifiable – Each segment needs to be distinct based on specific variables such as attributes, behavior or preferences.
- Measurable – Each variable that you identify to segment customers needs to be measurable, currently as well as in the future.
- Relevant – Segments formed need to bear context with strategic decisions and should be integrated with your marketing plan.

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- Sizeable – you need to have segments that are big enough to justify marketing to them. Selling to an individual or small group does not usually make marketing efforts very viable.
- Stable – Segmentation needs to be fresh with changing customer landscape. When dimensions and variables shift, segments need to be reformed with renewed focus and objectives.
- Reachable – Based on responses to marketing stimuli and other variables, profitable segments identified need to be reachable.

Segmentation Methods

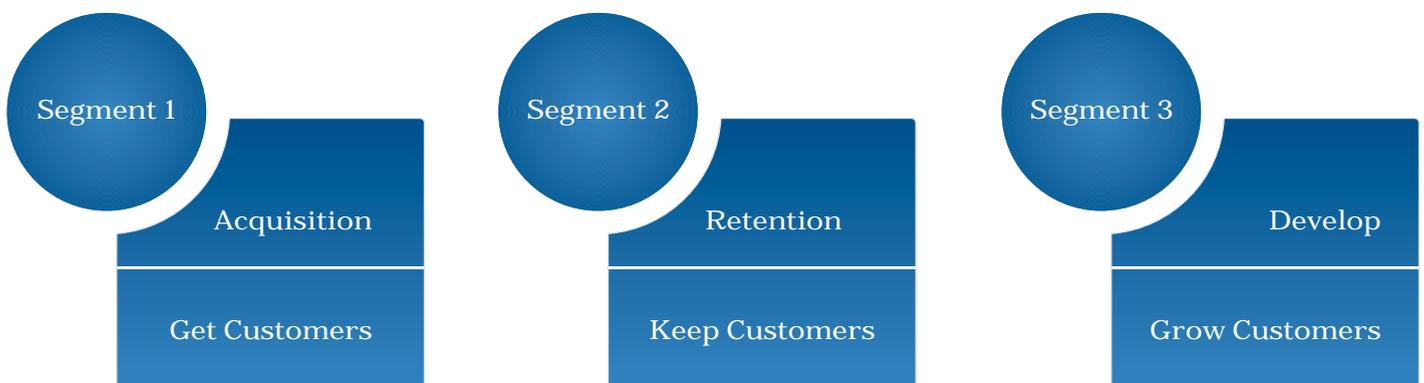
There are 3 fundamental metrics used in conventional methods of segmentation, which include:

- Demographic Metrics – Categorizing group of customers based on age, gender, education, marital status and occupation. In B2B terms it will be company size, based on number of employees or core business metrics such as revenues.
- Geographic Metrics – Customer grouping based on spatial dimensions such as absolute metrics of North, East, New York, New Jersey; or relative measures of population such as urban, rural and suburban; or categorizations based on economic regions such as Silicon Valley.
- Psychographic Metrics – Identification of customers based on preferences, attitude or emotional dimensions. In B2B terms psychographic segmentation usually involves grouping based on characteristics and personality of the target market.

The 3 methods of segmentation include:

Segmentation Method	Definition	Usage	Examples of Customer Segments
Macro-Segmentation	Based on typical segmentation of market values and preferences	Used in identifying and defining brand values, market propositions and in focusing on mass marketing initiatives.	"Adults", "Youth", "Urban", "Rural", "Paid Subscribers"
Micro-Segmentation	Action-oriented and tactical segmentation for immediate targeting	Used in acquisitions, customer churn prevention and daily direct campaigns (up-sell and cross sell)	"Bargain Hunters", "Seasonal Roamers", "Location Patrons"
Strategic Segmentation	Segmentation based on strategic metrics for long term differentiation.	Used in optimizing marketing, sales and service and in resource allocation and strategic planning.	"High Value", "Status-Symbol", "Potential" or "Growable", "Technos", "Savers"

An easy approach to managing segmentation is by understanding business goals, objectives and priorities. Based on overall objectives to get, keep or develop customers you can prioritize and organize segmentation based on acquisition, retention or development.



Another way to manage segmentation and resource optimization is to allocate communication channels based on value of customer segments.

Customer Value

Keep and Retain	Grow Customer Share	Maximize Profit, Minimize Cost	Divest
Most valuable or high value customers	Most potentials or growable customers	Marginal customers	Unprofitable or least potential customers

Media, Direct Mail, Telemarketing, Social Media, In-person Service Reps, E-Channels

Reverse Segmentation – The Paradise of Targeted Marketing

Marketers find it difficult to find a common ground in customer segmentation. They either have cool sounding segments based attitudinal and behavioral characteristics or demographic based segments that do have distinct attitude or behavior. Targeted messaging to both of these segments individually is not easy. This is where Reverse Segmentation pitches in.

In reverse segmentation, you first identify market segments based on behavior and attitudes, and then find ways to target them through demographic, firmographic, media or channel usage information.

Questions you need to ask to determine segments based on attitude and behavior are:

- What does your customer currently have / own?
- What is your customer's buying behavior and pattern?
- What are their interests?
- What message will resonate with them?

The next set of questions you need to ask to determine segments based on demographics are:

- How do you currently target your customers?
- How can you reach potential customers?
- What media channels do they popularly used?
- What are the variables you would possibly use to target potential customers?

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By combining psychographics and buyer-graphics, you can combine basic customer data or facts with new research on customer characteristics, therefore producing valuable information that could be used in better messaging and segmentation. What you gain out of reverse segmentation is a deeper understanding of customer segments (segment loyalty and profitability) and a better understanding of how you can relate and communicate with them.

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