

# Using Segmentation and Targeting for More Effective Email Marketing

Tailor your messaging to the RIGHT audience.

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### EMAIL IS NOT LIKE EVERYTHING ELSE

Today, your organization has access to one of the most powerful tools ever developed for marketing. That's no exaggeration. Email marketing can easily be your most compelling, most engaging, most cost-effective way to reach both current customers and prospects - unless you waste that potential and treat email as if it were just another marketing tool.

That's exactly what most marketers do with their email marketing efforts. They neglect all the possibilities and use email as if it were radio, TV, or a newspaper, creating one message and broadcasting it to the entire audience.

The most effective kind of email is the exact opposite of broadcasting. It delivers messages of narrow interest to narrow segments of your audience. Any type direct marketing becomes increasingly effective as it becomes more personal. The more data you can access about a particular customer or prospect, the more personal your message can become.

That's because no two customers or prospects are exactly alike. They have different needs and interests, and may even have widely different impressions of your organization and what it can do for them. The amount of time they're willing to devote to your messages differs, too. Some will happily read every word of a lengthy email newsletter. Others will glance at a large block of text and hit the delete button without a second thought.

Only email makes it easy to deliver messages to each segment of your audience that are perfectly targeted to their needs, interests and preferences. And only email gives you the ability to know exactly how each recipient is reacting to your message. By tracking your recipients' email behavior and other characteristics, using that information to segment your large audience into much smaller groups, and delivering targeted, relevant messages to each of those groups, you can achieve an unprecedented level of engagement that will translate into higher customer retention and ROI.



## WHAT IS SEGMENTATION?

Segmentation is not a complicated concept. It's as simple as breaking your entire list of customers and prospects into smaller groups that share common characteristics. Those characteristics may be based on demographics, on behavior, on the nature of their business or relationship with your organization, or any other factor that may differentiate them from others on your list.



For example, suppose you operate an online retailer that serves outdoor sporting enthusiasts. That's a very broad universe. If you drill down into your customer base, you'll find that you can divide customers into groups by the primary interests. Some prefer biking, some hiking, some fishing, some camping, and so forth. And, of course, some enjoy multiple activities.

Within those groups, you can perform additional segmentation. Those who enjoy fishing may be divided into freshwater and saltwater enthusiasts. Among bicyclists, you'll have everyone from extreme mountain bikers to people who enjoy a slow cruise through the local park. Some campers will trek to wilderness settings, while others bring the comforts of home with them.

You can also segment based upon interaction with your emails. In addition to seeing who opened your email, you can determine who performed particular actions, such as clicking on specific links.

## HOW MANY WAYS CAN YOU SEGMENT A LIST?

The potential for segmentation is limited only by your imagination and the amount of information at your disposal. Some of the most common approaches include:

**Basic demographics.** This includes familiar categories such as gender, age, location, size of company, and similar factors.

**Engagement.** How does the recipient react to your emails? Here, you can differentiate those who open all emails from those who view only a few, identify those who click links (and which types of links they click), and similar actions.

**Source.** If your sign-up includes how the recipient found you, you can segment your list by sources such as referrals, search engines, promotions, and other means.

**Lifecycle.** New prospects, first-time customers, and people who have done business with you for years may all have very different perceptions and needs - and offer varied opportunities to marketers. Prospects could be measured by how their email address was acquired and how long they've been on the list.

**Occupation.** You can segment by both the type of work performed and the level within a company. A message directed at purchasing agents is likely to be very different from one aimed at C-level executives.

**Employer.** By obtaining information about each recipient's employer, you can also segment your list by company size or industry.

**Technology.** What percentage of your list is reading your emails on their Blackberries or iPhones? An email message designed for easy reading on a traditional platform such as Microsoft Outlook may not work as effectively on much smaller screens.

**Value.** The names on your list have different values to you. Metrics could include how much a recipient has ordered in the last year, their average order size, and number of products purchased.

**Multiple factors.** You can even assemble multiple factors into a matrix. For example, our sporting goods store could develop a segment of female mountain bikers under the age of 35 who were past customers but hadn't ordered from you within the past year.

One way to help others in your organization understand the segmentation concept is to develop a "persona" for each to use internally. To personify the matrix example from the last paragraph, the sporting goods store creates a persona it calls "Karen," and assigns the entire under-35 female mountain biking characteristics to that persona. That makes it easier for the staff to develop messages that connect with those recipients at a personal level. (Never share those personas with customers or provide any signals that you're segmenting them that way. Most people see themselves as unique individuals, and might take offense at broad-group portraits.)



Finally, as you develop your segmentation, consider your overall goals for using email marketing. Perhaps you want to increase sales. Transform more prospects into paying customers. Or build repeat business among current customers. How you segment your list should reflect your goals.

## SEGMENTATION AND CUSTOMER ENGAGEMENT

One of the most effective forms of segmentation is by engagement. Essentially, it involves segmenting your list based on how recipients have interacted with previous emails. Each time you send an email message, some (we hope just a few) recipients will not open it. Of those who do open your message, some will click on links or visit your website, while others will forward the message to a friend or colleague. Each of those activities counts as a level of engagement.

What makes segmentation by engagement so powerful is that it allows you to send different types of messages based upon your own experience with the recipient. For example, if you know that a recipient nearly always opens your emails and clicks through to key links, that recipient is probably pretty happy with your organization and your messages. But if a recipient hasn't been opening messages or showed an interest in any of your links, you may need to pique his or her interest. One way is to send a special email that includes some kind of inducement for action, such as a discount or a free gift.

## PUTTING SEGMENTATION INTO PRACTICE

If you aren't already obtaining data that you can use for segmentation purposes, you can implement several basic techniques. First, start collecting information as soon as the customer or prospect begins a relationship with your organization, whether that's an information request or an email newsletter sign-up screen.



While you probably don't want to subject someone to a 20-item questionnaire, most people won't mind if you ask two or three basic questions, especially if you present them in a way that suggests you'll use the information to serve them better (and assure them that you will protect their privacy). Make sure the questions you ask are relevant to how you intend to segment your list. Our sporting goods store could ask about the prospect's areas of interest, for example.

To gain segmentation data for existing or past customers, consider sending an email with a brief questionnaire. As an incentive (and a sales builder), our sporting goods store could offer a special one-time discount to anyone who completes the questionnaire.

Over time, look for opportunities to fill gaps in information about those on your list. If customers deal with your organization by phone, a screen that lets the customer service representatives know what data you lack will allow them to ask the correct questions.

## SEGMENTATION AND MESSAGE CONTENT

Now that you've segmented your recipients, you need to consider the messaging you'll use to communicate with each segment. Remember that segmentation and targeting are the philosophical opposite of broadcasting, so you don't want to send identical messages to different segments of your list.

In fact, when you employ segmentation, relevance becomes critically important. Let's go back to our sporting goods example. If a particular customer's only interest is in mountain biking, and the store a series of email messages focused on fishing and hunting, she'll begin to view their emails as an unwanted annoyance, and will stop opening them - maybe even just before they send out word about their big sale on mountain bikes. The same thing can happen within a larger segment. A customer who fishes on freshwater streams every weekend will probably have zero interest in saltwater gear. Send him messages about deep-sea fishing, and he may come away thinking that the store isn't right for him.

## THE VALUE OF TESTING

Traditional direct marketers have long understood the value of testing their messaging and offers. Segmentation gives email marketers the opportunity to do the same.

One way you can test the effectiveness of a message or offer is to send it to a small percentage of a particular segment. After the recipients respond to the message or offer, you can project the response rate across the full segment. Suppose our sporting goods store wanted to test a special discount on backpacks among its hiker segment, which totals 40,000 names. They create an email message featuring the discount,



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and send it to 2,000 of those names, or five percent of the segment. 1,800 of the recipients open the email, and 1,500 click through to look at the offer. Of those, 80 actually buy backpacks, representing 4 percent of the recipients. The retailer can project that a mailing to the remaining 38,000 names would be likely to produce 1,520 orders for backpacks.

Email marketing is also well-suited for another form of testing. Called split testing, it involves sending two or more different emails to different portions of the segment. Those emails might include different offers or different messaging. If the sporting goods store sends a second email featuring a free canteen with every backpack purchase to another 2,000 of the names, they could compare the performance of that offer with the discount, determine which is most effective, and then roll the better offer out across the entire list.

Testing does not have to be a one-time thing. Savvy email marketers constantly test subject lines, offers, copy, and other elements to see which works best. Segmenting their lists allows them to compare how different messages and offers perform among different segments.

### THE FEEDBACK LOOP

Segmentation is not a one-time activity. Ensuring that your organization’s segmentation strategy is as effective as possible requires constantly reviewing its performance. If your email marketing service provider offers accurate, in-depth reports of deliverability, opens, click-throughs, and similar metrics, you can examine those by segment and determine the effectiveness of your effort. If you take that a step further and link that information to sales data, you’ll be able to identify which approaches are most effective, and what segments of your list need additional information.



Paying attention to member engagement and the specific items that provoke positive reactions can help you further refine your segmentation efforts. If one of the recipients in the mountain biking segment is clicking on links for camping-related material, it’s a signal that he or she has developed an interest in camping and may be receptive to more emails about that subject.

### LOOKING AT ONE ENGAGEMENT MODEL

Delivra’s system is an excellent example of a simple, highly effective tool for segmenting by engagement. The system, which tracks the performance of clients’ emails through a variety of metrics, uses a mathematical calculation to consider how each recipient has interacted with previous mailings. For example, a recipient who opens and clicks links in a mailing will rank higher than one who doesn’t.

The calculation provides a rating of past activity. Delivra clients can then specify parameters related to that rating when segmenting lists. That way, they can easily select all the potential recipients whose past activity were above or below a specified threshold. Once the client identifies that threshold, the system determines the number of records matching the criteria.

As with other types of segmentation queries, the customer engagement model can be used in conjunction with other demographic data that a client is collecting simply by adding it with an AND or OR operator. As an example, if a client is collecting state information, he could create a segment containing list members that live in California and have an engagement rating greater than a specified level.

### *ABOUT DELIVRA*

Delivra helps organizations communicate by providing email marketing software and services. The company empowers marketers of all sizes by providing them with the user-friendly tools and support systems that they need to create, send, and track email programs. In addition to the easy-to-use SaaS model software, the company also provides ancillary services necessary to make email campaigns successful.

Delivra is a privately held company founded in 1999 and headquartered in Indianapolis. Its clients span all major industries including associations, business services, consumer products, education, entertainment/travel, financial services, healthcare/insurance, not-for-profit, publishing, sports, and marketing/advertising agencies. To learn more, go to <http://www.delivra.com>.



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