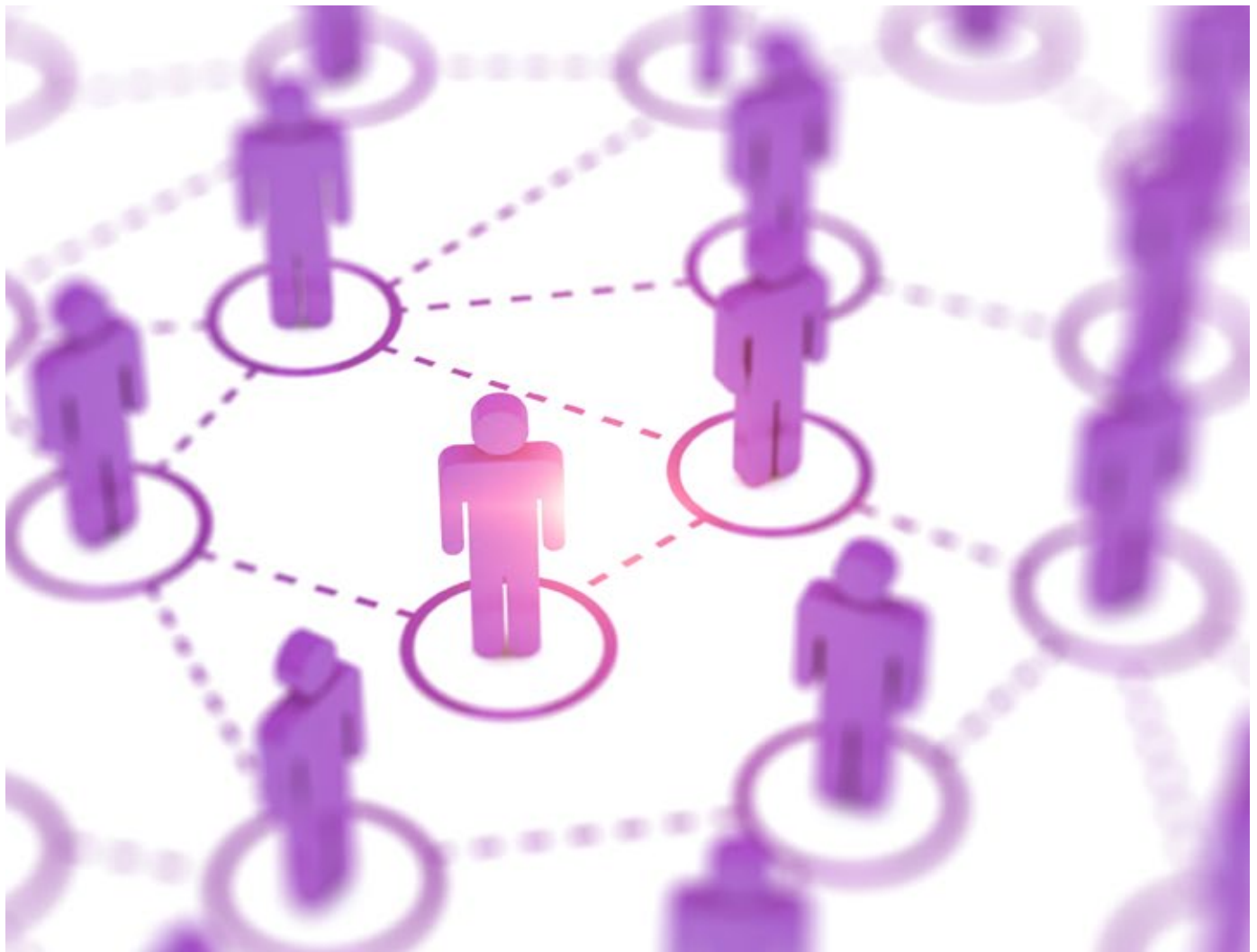




EWARDS

Crafting Targeted Campaigns Through **Customer Segmentation**



In today's competitive business world, connecting with your customers personally is crucial. One of the best ways to do this is through customer segmentation. By dividing your customers into specific groups based on certain criteria, you can customize your marketing to fit their unique needs and preferences. This approach leads to higher engagement and better conversion rates.

What is customer segmentation?

Customer segmentation is the process of dividing a customer base into smaller groups that share similar characteristics. These characteristics can be demographic, geographic, behavioral, or psychographic. The goal is to identify groups of customers who are likely to respond similarly to marketing strategies, allowing businesses to create more targeted and effective campaigns.

Benefits of Customer Segmentation

1 Personalized Marketing: Tailors marketing efforts to specific customer needs, results in **73% higher click-through rates** on emails and **49% higher conversion rates** (Apteco) ([Simon](#)).

Amazon uses sophisticated segmentation to recommend products to customers based on their browsing and purchase history, **resulting in 73% higher click-through rates on emails and 49% higher conversion rates.**



amazon

2 Improved Customer Satisfaction: Enhances the customer experience by addressing specific preferences, with companies seeing a **10–30% increase in customer satisfaction scores** ([Simon](#)).

Sephora leverages segmentation in their loyalty program, providing personalized rewards and recommendations. **This approach has led to a 10–30% increase in customer satisfaction scores.**



SEPHORA

3 Increased Loyalty: Companies utilizing segmentation report a **5–10% increase in customer retention rates** ([Apteco](#)).



4 Resource Optimization: Businesses can **reduce marketing costs by up to 20%** if they focus on segmented marketing ([Simon](#)).

Procter & Gamble segments its audience for its various product lines, such as baby care, beauty, and household products, which has helped the company **reduce marketing costs by up to 20% by focusing on segmented marketing.**



P&G

5 Maximized ROI: Increases return on investment by targeting the right customers. **Companies experience a 20–40% increase in ROI on marketing spend** through effective segmentation strategies (Apteco) ([Simon](#)).

Coca-Cola employs segmentation to create region-specific campaigns that resonate with local audiences, resulting in **a 20–40% increase in ROI on marketing spend.**



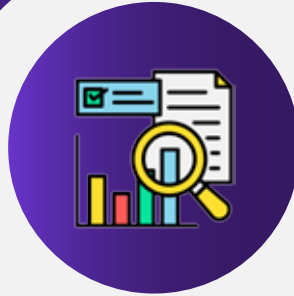
Coca-Cola

How it Works



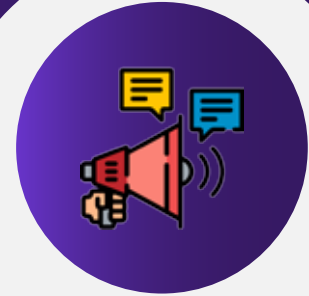
Tailored Strategies:

Adapts marketing strategies to each segment's unique behaviors and preferences.



Data Analysis:

Analyzes customer data to identify patterns and similarities.



Effective Campaigns:

This approach creates more effective and engaging marketing campaigns.

Key Parameters for Segment Creation

To create meaningful segments, it's crucial to focus on parameters that capture the essential aspects of customer behavior, such as **engagement, spending patterns, and responsiveness to promotions**. Here are some key parameters:



1. High Frequency of Visits:

DEFINITION

Customers who have made frequent purchases over a specific period.

METRIC

Purchase Frequency

THRESHOLD

Customers with at least six purchases in the last six months.

IMPORTANCE

Frequent visits indicate high engagement and the likelihood of responding positively to promotional messages.

2. High Average Basket Size:

DEFINITION

Customers who buy multiple items per transaction.

METRIC

Average Basket Size (ABS)

THRESHOLD

Average basket size of at least 4 items per transaction.

IMPORTANCE

Larger basket sizes suggest a preference for bulk buying or an interest in multiple product categories.

3. High Basket Value:

DEFINITION

Customers who spend significantly in each transaction.

METRIC

Basket Value (BV)

THRESHOLD

Average spend per transaction above the median spend of all customers.

IMPORTANCE

High spenders are valuable because they generate more revenue per purchase.

4. Affinity for Specific Products:

DEFINITION

Customers who consistently purchase a specific product or category.

METRIC

Affinity Ratio for Product

THRESHOLD

Affinity ratio for a specific product > 0.5.

IMPORTANCE

Understanding product affinity helps in targeting promotions for those specific items.

5. Responsiveness to Discounts:

DEFINITION

Customers who frequently use discounts or coupons.

METRIC

Discount Usage Frequency

THRESHOLD

Customers who have used a discount on at least 50% of their purchases.

IMPORTANCE

These customers will likely respond positively to sales and special offers.

6. Recent Purchase Activity:

DEFINITION

Customers who have made recent purchases, indicating current engagement.

METRIC

Recency (RFM Analysis)

THRESHOLD

Customers with a recency score of 4 or 5.

IMPORTANCE

Recent activity indicates ongoing interest and engagement with the brand.

Example Calculation in Excel

Sample Data

CUSTOMER_ID	PURCHASE_DATE	AMOUNT	SKU	BASKET_SIZE	DISCOUNT_USED
1	2023-01-01	150	A	5	Yes
1	2023-01-15	200	B	6	No
2	2023-02-01	100	A	4	Yes
2	2023-02-20	150	A	5	Yes
3	2023-01-02	250	A	3	No
3	2023-02-15	300	B	8	Yes
4	2023-03-05	200	A	5	Yes
4	2023-01-10	300	C	7	Yes

Filter and Create the Segment:

Use these calculations to filter customers who meet the thresholds:

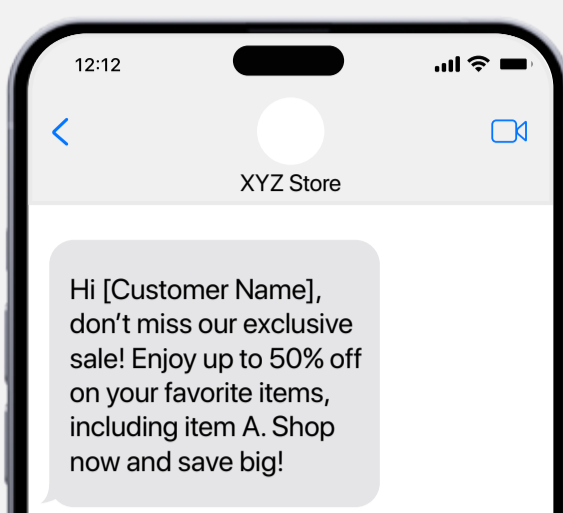
CUSTOMER_ID	TOTAL_PURCHASES	AVERAGE_BASKET_SIZE	BASKET_VALUE	AFFINITY_RATIO_ITEM_A	DISCOUNT_USAGE_FREQUENCY	REGENCY_DAYS	REGENCY_SCORE
1	6	5.5	175	0.75	0.67	155	4
2	4	4.5	125	0.67	0.67	147	4
3	5	5.5	275	0.5	0.67	118	5

Targeted Campaign Strategy

Personalized Sale Notifications:

Send tailored messages about upcoming sales, highlighting products they frequently purchase.

Tool: Use HubSpot's CRM to personalize email marketing campaigns based on customer purchase history.

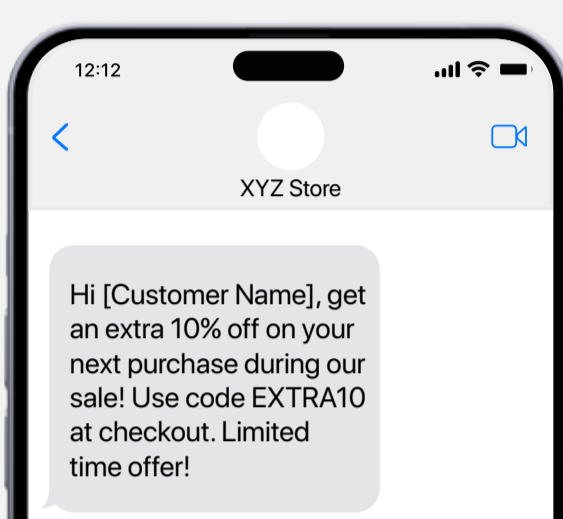


Example Message

Incentive Offers:

Provide special incentives, like extra discounts or loyalty points, for purchasing during the sale period.

Tool: Create personalized incentive offers based on customer behavior and purchase history.

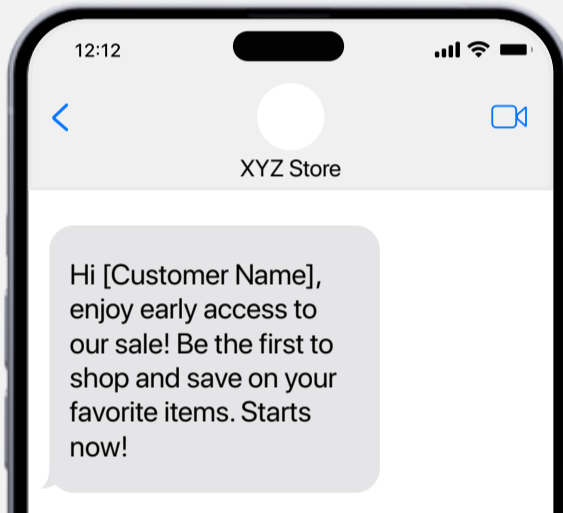


Example Message

Early Access:

Offer early access to the sale for these high-value customers.

Tool: Segment high-value customers and send them early access notifications.

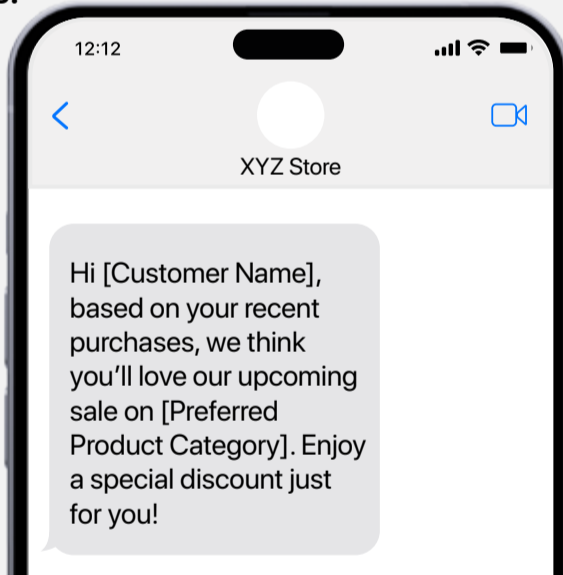


Example Message

Dynamic Content Personalization:

Use AI to tailor the content of your messages dynamically based on individual customer profiles and behaviors.

Tool: Utilize AI to generate dynamically personalized content based on customer profiles and behaviors.

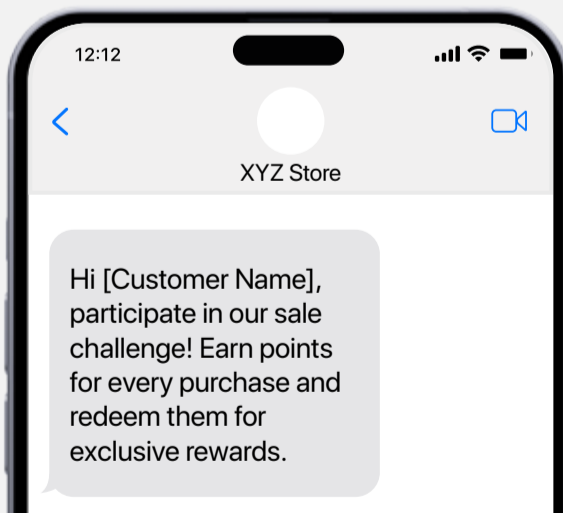


Example Message

Gamified Rewards:

Incorporate gamification elements such as challenges, badges, and points for participating in the sale.

Tool: Implement gamification elements to engage customers and reward them for participation.

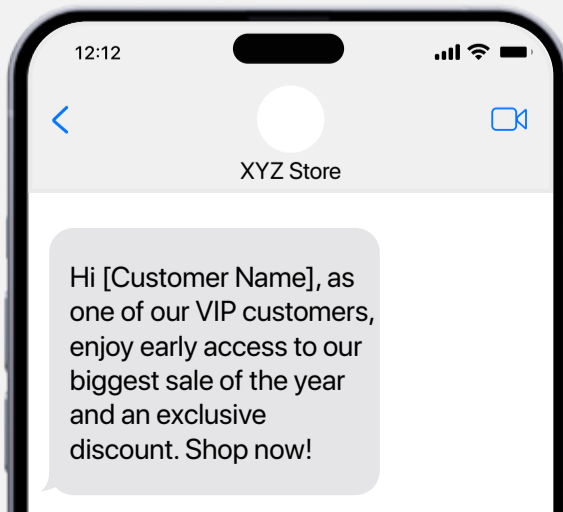


Example Message

VIP Exclusives:

Offer exclusive deals and early access to your top-tier customers to make them feel valued.

Tool: Reward your top-tier customers with exclusive deals and early access.



Example Message

Data Enrichment and Predictive Analytics

Predictive Analytics:

Utilize predictive analytics to forecast which customers are most likely to respond to specific types of promotions based on their historical data.

Tool: Implement machine learning models to predict customer behavior and tailor campaigns accordingly.



Data Enrichment:

Enhance your customer data with third-party information to gain deeper insights into customer preferences and behaviors.

Tool: Use Clearbit to enrich your customer data with additional insights from social media profiles, online reviews, and demographic information.



Clearbit

By leveraging these tools, you can create highly personalized and effective targeted campaigns that resonate with your customers and drive engagement.

Feedback and Continuous Improvement

Customer Feedback Loop:

Collect feedback after each campaign to understand what worked and what didn't, and continuously refine your strategies.

Tool: Implement post-campaign surveys or use social listening tools to gather insights. SurveyMonkey and Hootsuite Insights, for example.



A/B Testing:

Regularly perform A/B testing on different elements of your campaigns (e.g., message content, send times, incentives) to determine the most effective strategies.

Tool: Test different subject lines, promotional offers, and call-to-action buttons to see which combinations yield the best results.



By incorporating these additional parameters and strategies, your playbook will be more comprehensive, allowing for more precise targeting and personalized engagement with your customers. This holistic approach will not only drive higher engagement and sales but also foster long-term customer loyalty.

EWARDS

SCHEDULE A DEMO

2000+
Brands

9
Years

55+
Cities

4+
Countries

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