HOW TO SEGMENT AND TARGET YOUR EMAILS

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SEGMENTATION AND TARGETING

Consumers are becoming more and more comfortable with targeted advertising and personalized content. They expect marketers to know almost everything about them, and to use that information to create customized experiences.

When consumers visit Amazon.com, they look for recommendations to be fed to them based on what they've purchased in the past: "You bought this, so you might like this." Data-driven customization is commonplace now across all platforms, and email is no exception. **Everyone can market like Amazon.**

Consumers increasingly expect when they share information with marketers — either explicitly at opt-in or implicitly with their buying and browsing habits — that those marketers will use that data wisely.

Segmentation Means Higher Engagement

One of the most valuable ways to use consumer data is to segment and target your lists. Consider this:

- "Email marketers estimate 30% of email revenue derives from targeting to specific segments." — DMA's National Client Email Report - 2013

- "Segmented email campaigns produce 30% more opens than undifferentiated messages." — Monetate's Intelligent Email Marketing that Drives Conversions - 2012

- "76% of all email marketing revenue came from more advanced practices than generic broadcast email." — DMA UK's National Client Email Report - 2013

"More than half of email marketers say that their biggest challenge is targeting subscribers with relevant content. The key to creating engaging campaigns starts with having a clear understanding of what is truly relevant to your subscribers".

**– Andrew Kordek
   Co-Founder, Trendline Interactive**

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Small, segmented sends are more engaging than large, untargeted sends. Marketo's research shows that sending targeted content to smaller groups leads to higher engagement. This makes sense, of course, since the smaller the group, the more focused – and therefore relevant – the message can be. It's basically impossible to be relevant with a "least common denominator" message sent to a large group.

Additionally, [The Marketo Benchmark on Email Marketing study](#) found segmentation to be the highest ROI tactic used by email marketers — higher even than drip marketing or dynamic content.
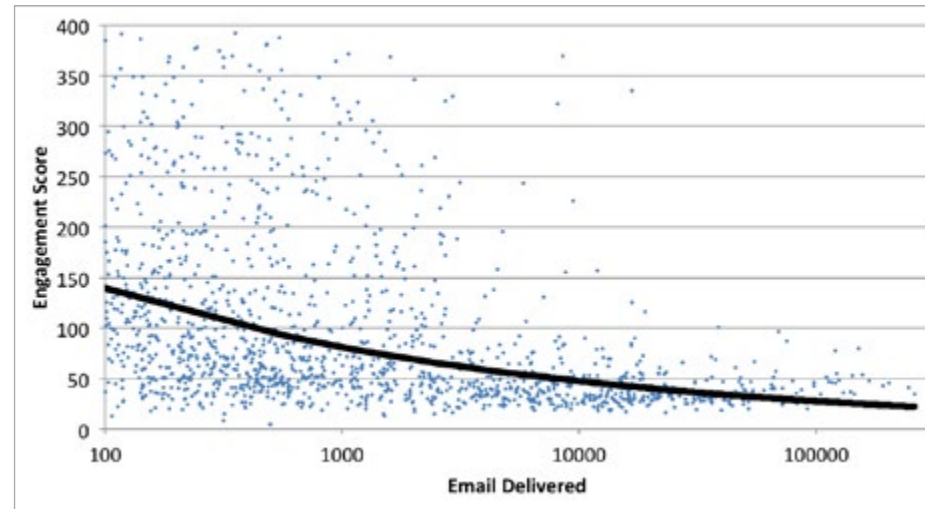
Source: Marketo Benchmark Study research showing the relationship between smaller, more targeted email sends and higher engagement. See Part 6 for the definition of Engagement Score.
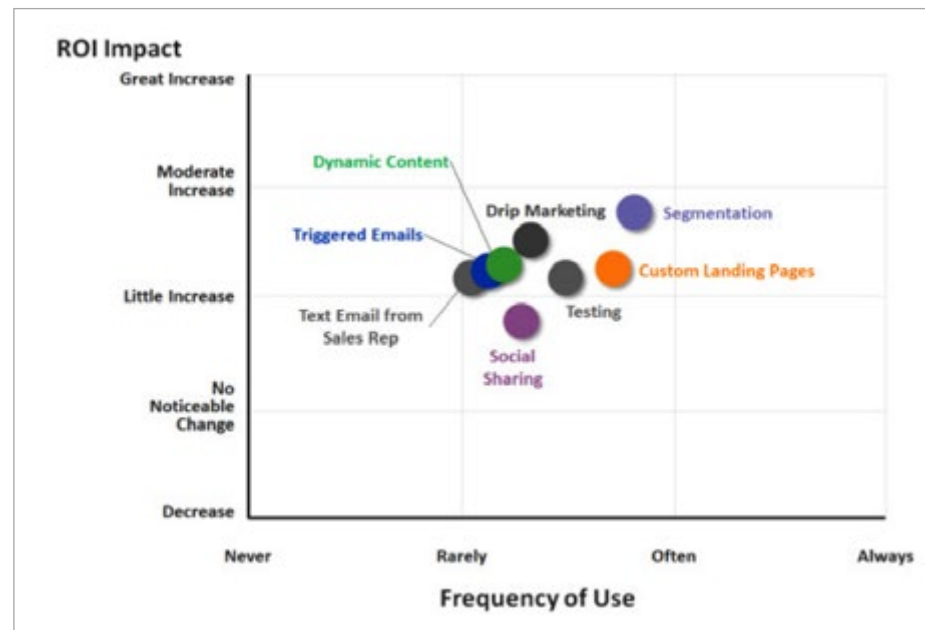
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Types of Segmentation

The two main ways to segment your list are:

1. **Who they are:**
   Demographic attributes, such as income, title, age, and location.

2. **What they've done:**
   Past behaviors and transactions.

As we will see, segmenting according to behavior is the single most essential tactic an email marketer can adopt to increase relevance.

Segmentation Based on Demographics

Knowing who your contacts are is an important part of being relevant in your messaging. Here are eight common ways to segment using demographics:

1. Gender
2. Age (or birth year)
3. Job title
4. Company size
5. Industry
6. Interests
7. Geography
8. Birthday month

As we will see, segmenting according to behavior is the single most essential tactic an email marketer can adopt to increase relevance.

Segments Are Used In Two Ways:

1. To pull targeted lists, and send different emails to each segment.

2. To customize a single email for different segments using dynamic content. Dynamic content allows you to create one email template with content that varies based on the recipient. (We go into detail about this later in the guide.)

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Example: Segmenting by Age
In the campaign below, Fit For Me segmented customers using each subscriber's year of birth, and then adjusted the tone of the writing and images to be relevant to each group. Even though you may not be able to read the copy of the message, you can clearly see how the images are adjusted based on age.

Personas
Personas are research-based profiles of archetypal customers that represent the needs of many. Creating personas brings a human element to your campaigns by allowing you to focus on your customers as real people, and then communicate with them on a more natural level. You can name each persona, give them a storyline, and even assign lifestyle attributes and pain points. For example:

- **"Sam the Shopper"** is partial to impulse purchases and likes to "add to cart," provided that each additional item is under $25 and relevant to his needs.

- **"Cyril the CEO"** is an information-hungry whitepaper hoarder, who is looking to league up with thought leaders in his field.

- **"Wendy the White Wine Enthusiast"** will buy any California white that isn't a heavily-oaked Chardonnay, and that happens to be offered in bulk at a discount greater than 20%.

If you haven't already, take the time to create a few buyer personas that represent your customer base, and then use those personas to segment your communications. For more on personas, visit our blog and read "Improve Your Targeting and Tell a Story By Creating Buyer Personas."

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Keep Your Forms Short, But Your Data Rich

Where do you get this demographic information?

Ideally, keep your Web forms short to help prevent users from getting frustrated and giving up on the conversation process. So how do you get that data without directly asking them? Try the following:

1. **The Page Two Experience:** Capture basic contact information on the first page of your site, and then ask for more information on subsequent pages. Waldow Social successfully uses this technique.

2. **Progressive Profiling:** When you recognize repeat Web visitors, ask for new information each time they fill out a form. With each completed form, you progressively add to their profiles.

3. **Preference Center:** Once customers have subscribed to your email marketing, invite them to your email preference center, where they can customize their profiles and help you help them.

4. **Data Augmentation Services:** There are many vendors specializing in either business data or consumer data, that can help you "clean" and augment your data.

5. **Click Paths and Transactions:** By paying attention to a user's click path and transaction activity, you can make inferences about his demographics. For example, marketers at Bluefly infer gender based on whether a shopper visits the women's section of the site or the men's section. But be careful; your buyer might be shopping for a spouse, friend, or significant other! As another example, at Marketo we present a navigational choice by offering links to "Solutions for Small Business" and "Solutions for Global Enterprise" on our site.

A BETTER WAY TO SEGMENT: BASED ON BEHAVIORS

Knowing who your customers are is great, but *knowing how they behave* is even better.

Actions speak way, way louder than words. Knowing your prospects in terms of their personas and demographics tells you what they might be interested in, but knowing how they behave tells you what they definitely are interested in. You can ask your contacts about their interests in an effort to cater your content to those interests, but, the truth is, they rarely provide accurate data, and interests change over time.

Learn to Read Buyers' Online Body Language

Behavioral data can be highly predictive of future decision-making patterns and road-to-purchase activity. A prospect's browsing and search activity relate directly to his intent; his social sharing activity can indicate future purchase possibilities; and emails opened, links clicked, and content consumed indicate good ol' interest.

The information gleaned by paying attention to a consumer's digital behavior is her online body language. By tracking and interpreting online body language, you can determine where she is in her buying journey and what problems she might be trying to solve. You can even begin to figure out what interests her, what annoys her, and what persuades her.

When you combine online body language with transactional and purchase data — transactional history, products purchased or owned, usage data, and so on — you have solid and very powerful information to go on.

But when behavioral data is not used, your emails could be considered dissonant interruptions. The last thing you want is for a subscriber to wonder why you sent him a discount coupon on Friday for a product he purchased on Thursday. Without behavioral targeting, what you consider a nice drip campaign might feel more like water drip torture to a recipient.

Always be aware of the laws related to capturing customer activity data. If your privacy policy isn't accurate, or if you're capturing data without informing customers, it could be considered a breach of browser security. In many countries, this could violate privacy, data protection, and consumer protection laws. Consult legal counsel for the specifics in your jurisdiction.

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The Value of Behavioral Targeting

When David Daniels, co-founder of the Relevancy Group, was an analyst at Jupiter Research (acquired by Forrester Research in 2008), he reported that targeting emails based on Web click-stream data increased open rates by more than 50%, and increased conversion rates by more than 350%.

Similar research from Gareth Herschel at Gartner found that **event-triggered campaigns performed five times better than traditional batch campaigns.** Forrester research recently found that only 17% of companies assessed themselves as mature practitioners of behavioral marketing – but those mature practitioners grew revenue faster than they planned (53% versus 41%).

Target Type	Open Rate	Click-through Rate	Conversion Rate
Untargeted broadcast emails	20%	9.5%	1.1%
Triggered from user actions	27%	9.3%	2.3%
Targeted with web click data	33%	14%	3.9%

Source: Jupiter Research

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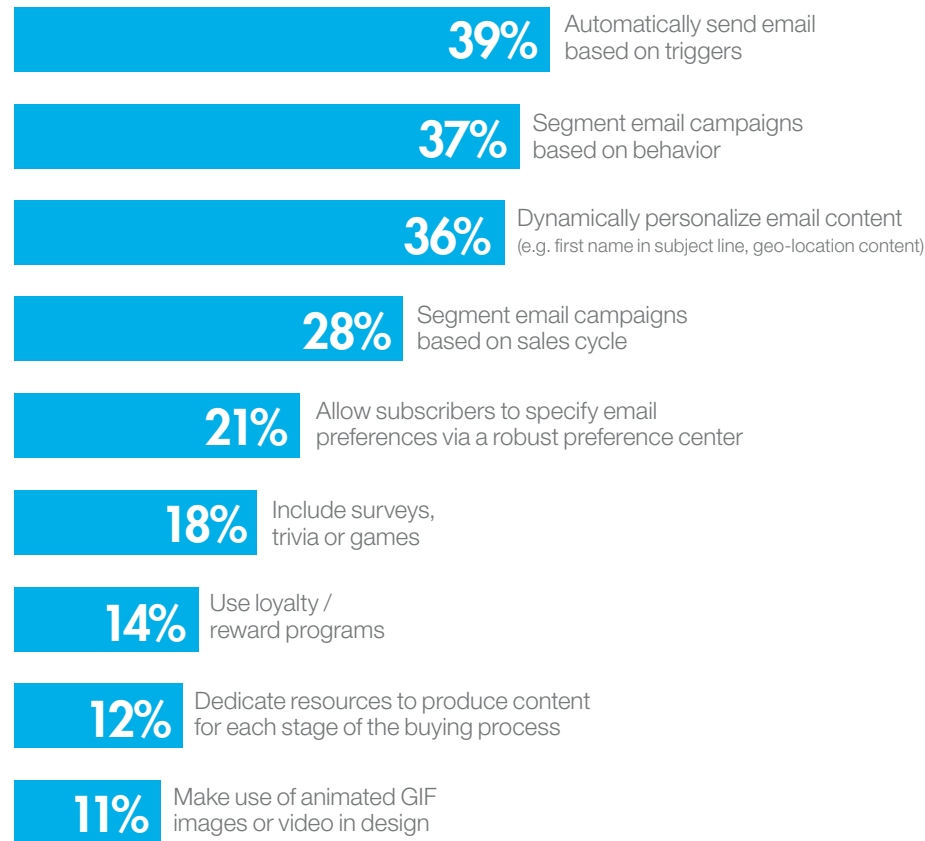Triggered emails and segmenting campaigns based on behaviors are the top tactics to improve email engagement.

39% Automatically send email based on triggers

37% Segment email campaigns based on behavior

36% Dynamically personalize email content (e.g. first name in subject line, geo-location content)

28% Segment email campaigns based on sales cycle

21% Allow subscribers to specify email preferences via a robust preference center

18% Include surveys, trivia or games

14% Use loyalty / reward programs

12% Dedicate resources to produce content for each stage of the buying process

11% Make use of animated GIF images or video in design

Chart: Relevancy Improvement Tactics = Level of Effectiveness
Q. Please indicate the level of effectiveness for each of the relevancy improvement tactics your organization is using.

Segmented email campaigns based on behavior
50% **50%**

Automatically send email based on triggers
45% **55%**

Allowed subscribers to specify email preferences
27% **67%** **6%**

Segmented email campaigns based on sales cycle
23% **74%** **3%**

Dynamically personalized email content
10% **90%**

■ Very Effective ■ Somewhat Effective ■ Not Effective

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"Online behavioral models built with Web traffic, search behavior, lifestyle data, and demographics are particularly effective at identifying prospects not found with traditional demographic prospecting models."

– McKinsey, The Coming Era of 'On-Demand' Marketing

Campaigns Based on Topic of Interest

At Marketo, we created different email engagement tracks based on focused topics that might interest customers: email marketing, social marketing, and marketing automation, to list a few. We then used behavioral triggers to determine when to add a person to each track.

For example, when a prospect downloads social content, we assign him to the social marketing nurture track. In that track, he receives a set of social-marketing focused emails. Once he's received all of our social content, we automatically trigger him back into the regular track. By using these smart segmentation tactics, we've experienced much higher engagement.

	Standard Nurture	Triggered Interests	Lift
Open %	21.7%	34%	57%
Click to Open %	23.4%	37.1%	59%
Click %	5.1%	12.6%	147%

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Examples of Behavior Targeting

Here are some basic examples of behavioral targeting.

Email:

- Which emails did a consumer open and/or click on?

- Which emails did she NOT open and/or click on?

- Which type of offer does she respond to most often?

- How long ago was her last interaction with an email — three days, three weeks or three months?

- Who responds frequently, who rarely interacts?

Social:

- Did a consumer mention your company on Twitter?

- Did she navigate to your site from Facebook?

- Did she share one of your messages?

- Did she comment on one of your blog posts?

Website:

- Did a consumer visit your website? If so, how recently?

- What content did she download or view?

- What keywords were used to navigate to your site?

- How long did she stay on your website?

- How many pages did she view while there?

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More Examples of Behavioral Targeting

There are many other ways to use behaviors in email targeting.

Campaign Response

Target new campaigns based on how buyers have responded to prior campaigns. If a consumer always responds to content downloads but never to event invitations, stop targeting her for events. Instead, give her more content to download. This tactic requires the ability to track conversion success or, even better, to look down the funnel to see what actually happened during her experience.

Remailing

Remailing is like retargeting for email. With it, you give your original email a second chance by sending it again a few (3 to 5) days later — and perhaps with a different subject line — to contacts that did not open it. You could also resend emails to those who opened, but did not click, with a different call to action, or with altered content. E-Loan recently garnered 13% more purchases as a result of a three-part email promotion strategy: recipients were sent similar emails (with a slightly different message) on three different occasions.

Content Interactions

The content a consumer views tells you a lot about his interests. For example, if a consumer uses the mortgage calculator on a financial services company's website, he is likely interested in mortgage products. Making the connection between content interaction and email targeting is vital, and not that hard. If a prospect has read reviews of a particular product on your site, common sense dictates that you would promote that product.

If another prospect visits a key product Web page twice in one week, send him a special offer, and alert the sales team! On a related note, if a consumer has already seen content offered on your website, then it makes sense to exclude him from an email campaign promoting that content.

Revenue Stage

Use different messages for prospects that have never bought and are not currently evaluating solutions, prospects who are actively evaluating solutions, and active customers. You can identify these segments by integrating your email with your transactional or CRM system.

Transactional Data

Using actual transactional data can be one of the most powerful forms of behavioral targeting. For a financial services company, this can include balance information and deposit and withdrawal transactions. For a telecommunications firm, it can include data usage and add-on purchase history. A travel company noticing that a particular customer travels to Paris every April can use transactional data to offer a related discount.

A BETTER WAY TO SEGMENT: BASED ON BEHAVIORS

Non-activity

Targeting emails based on "missing" behavior can be just as powerful as targeting specific behaviors. For example, you can target consumers that do not respond to a campaign (no open; no click; no conversion) or that have not visited your website in a specific amount of time. A more sophisticated example: a customer who regularly makes a deposit on the first Friday of the month, but then misses a date, might deserve a check-in.

Propensity Models / Scores

You can use scores to predict propensity for customer behaviors, such as readiness to buy, probability of responding to offers, retention actions, cross-sell offers, and likeliness to churn. This can be based on statistical models, but you can also score based on simple rules. For example, you might assign a customer two points every time he visits your website, and four points each time he downloads a whitepaper.

One-Time Buyers vs. Repeat Buyers

Loyal customers require a different message than those merely sampling your goods. Out of all the choices they have, they've chosen your company not just once, but many times. Your loyal customers are also the people who with each transaction tell you they want you to succeed. Make sure they understand how important they are to you.

Example: Segmenting

In the campaign below, the surgical weight loss center Slimband segments their lists based on surgery date and surgery recovery stage. Demographic data is based on what your business cares about, so for Slimband, they customize based on information pertaining to surgery and recovery. Take a look an example email Slimband customizes for their patients who are day 1 post-op.

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Post-op Recovery   Day 1

Home | My Slimband Community | Blog | Tools | Events | Contact

DAY 1: CLEAR FLUIDS STAGE

It's been one day since your surgery and today you begin your clear fluids stage. Clear fluids can include chicken, beef, and vegetable broths, as well fruit juices like apple, cranberry, and grape. You will be following the clear fluid plan for the next 5 days.

It is crucial that you **remember not to eat anything during this stage**, as doing so could lead to severe pain and complications with your band.

It's a good idea to mix things up to avoid boredom. You might try having a glass of half apple, half cranberry juice for variety, or try making your very own homemade broth.

Remember to drink lots of water to stay hydrated but avoid drinking any soda, fizzy water or other carbonated beverages as these will not only cause gas pain but could also lead to complications with your Slimband. When drinking, take small sips rather than gulping the liquid down, and do not drink with a straw as it can also lead to excess gas.

DAY 1: TIP OF THE DAY

Dr. Patrick Yau
Chief Bariatric & General Surgeon

"Staying mobile will help you avoid gas pain, a sharp pain in the shoulders coupled with chest tightness that some patients experience in the days following surgery. Moving around should provide some relief." – Dr. Patrick Yau

Action of the Day

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Anniversary

Target customers based on the anniversary of a purchase. Norm Thompson, a men and women's fashion retailer, does this well. Exactly one year after a customer makes her first purchase, she receives an email thanking her for being a loyal customer and offering her a 20% discount off her next order. See Waldow Social for how Norm Thompson perfects its messaging in this campaign.

Replenishment Date

Companies that sell consumable products can predict when buyers will run out by looking at typical usage patterns, and then send an offer to replenish in advance of the predicted date. Mapping customers' buying cycles is a great tactic for small items, such as hearing aid batteries, as well as big-ticket items, such as car leases.

Other Date-Based Data

PaperStyle, an online invitation and stationery store, targets brides-to-be by sending a series of email reminders based on crucial dates: when to send invitations, when to think about wedding favors, and when to buy bridal party gifts. PaperStyle has found that targeting brides in this way generates an open rate three times that of their bulk mailings, and a click rate twice as high. Additionally, PaperStyle found that these emails generate four times the revenue of their bulk mailings.

As another example, Algonquin College of Applied Arts and Technology, the largest college in Eastern Ontario, recently embarked upon a revitalization of its recruitment processes. The college replaced its traditional batch and blast email campaign with automated conversations based on various factors, including a prospective student's graduation date.

In this program, prospective students were sent invitations to on-campus events, program sessions, and tours, and they were provided with application process information and important application dates.

As a result, prospective student engagement soared: Algonquin's open rate is now 23.5%, with some individual click through rates climbing to over 10% from 2-3%. They also saw an increase in visitor loyalty of 8.1% over the previous year.

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Cart Abandonment

Shopping cart abandonment is the scourge of ecommerce for vendors. In fact, many sources cite shopping car abandonment rates in the mid-60% range. There are a lot of potential reasons for this, including that some consumers use shopping carts to compare prices and shipping rates before they're ready to commit, and others get distracted or frustrated before completing the purchase. But regardless of the rationale, cart abandonment is a good reason to use a behavioral targeted campaign to nudge your subscribers to finish their order.

Send one personalized email reminder, or even a series of reminders to follow up! According to the e-tailing group's 2012 Merchant Survey, shopping cart abandonment emails was the single highest ROI personalization technique used by e-tailers, with 55% of those surveyed responding that such campaigns were either very successful or somewhat successful.

Recency, Frequency, and Monetary (RFM Analysis)

Direct marketers have been using recency, frequency, and monetary (RFM) analysis for years to sort customers by most recent purchase date, dividing them into equal groups and assigning points to the groups.

For example, if you use quintiles (which is most common), the 20% that make up the most recent purchasers are given 5 points; the next group, 4; and so on, until you get to the bottom 20%, which are given a score of 1. With segmented RFM groups, marketers can target promotions to each group separately. One campaign could target the top most recent buyers, for instance, while another could be aimed at those who haven't made a purchase in a long period of time. You do the same thing by frequency of purchase and total monetary value of the consumer's spending.

Using quintiles, you end up with 125 segments of equal size, coded from 5-5-5 (5 points for very recent purchases, 5 points for very frequent purchases, and 5 points for high value purchases) down to 1-1-1 (1 point for responding a long time ago, 1 point for responding only once, and 1 point for resulting in little or no value.

This technique works great in traditional marketing models like direct mail, where sending is expensive per piece and it might behoove a company to send only to the customers most likely to buy. But since email campaigns carry a much lower cost — perhaps as low as zero marginal cost, depending on the email provider — RFM doesn't make a lot of sense for email marketing. *More specific behavioral strategies — targeting based on actual products purchased, content consumed, keywords used — makes more sense.*

About Marketo:
Marketing Software.
Easy, Powerful, Complete.

Marketo (NASDAQ: MKTO) provides the leading cloud-based marketing software platform for companies of all sizes to build and sustain engaging customer relationships. Spanning today's digital, social, mobile and offline channels, the Marketo® solution includes a complete suite of applications that help organizations acquire new customers more efficiently, maximize customer loyalty and lifetime value, improve sales effectiveness, and provide analytical insight into marketing's contribution to revenue growth. Marketo's applications are known for their breakthrough ease-of-use, and are complemented by the Marketing Nation™, a thriving network of more than 150 LaunchPoint™ ecosystem partners and over 30,000 marketers who share and learn from each other to grow their collective marketing expertise. The result for modern marketers is unprecedented agility and superior results.

Headquartered in San Mateo, CA, with offices in Europe and Australia, Marketo serves as a strategic marketing partner to more than 2,500 large enterprises and fast-growing small companies across a wide variety of industries. For more information, visit: **www.marketo.com**.

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