NORTHWESTERN UNIVERSITY | SCHOOL OF CONTINUING STUDIES

Handout: Introduction to Multi-Dimensional Segmentation and Segmented Modeling
PREDICT 410: Predictive Modeling I

Multi-dimensional approach organizes answers to key questions across all marketing channels.

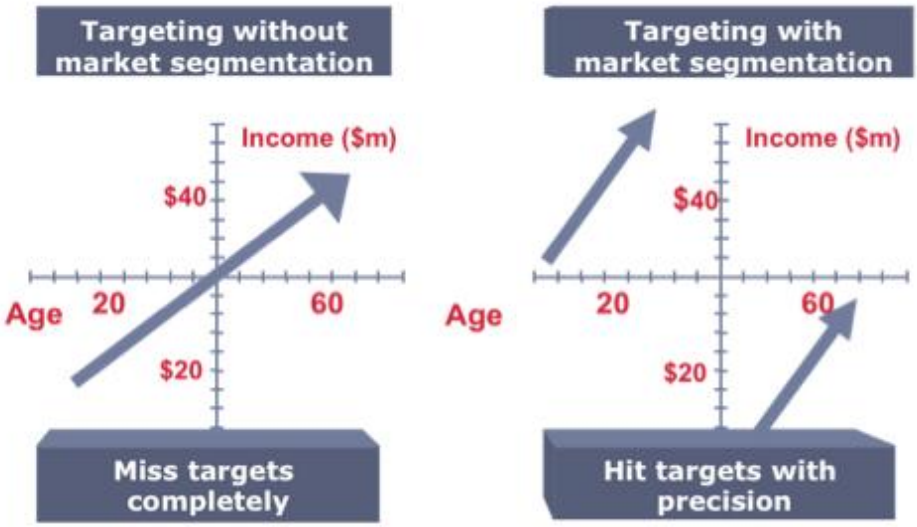
- Who are my customer segments?
- What do they look like?
- What do they believe?
- What is the most effective online and offline approach for each customer group?
- What offers and messaging works best?
- How do they like to interact with me?
- What products and services resonate?
- In what customer segments should I invest?
- Who are my most valuable/loyal customers?

Multi-Dimensional Segmentation: Framework for Maximum Marketing Return

Dimensions may be two to more types of segmentations that can provide the business the maximal insights.

- Value based segmentation
    - Uses customer value to define segments depending on business objective
        - For example, high/low value customer segment
- RFM based segmentation
    - RFM: Recency, frequency, and monetary
    - Used in retail/catalog industry
- Transactional segmentation
    - Uses multivariate statistical methods such as factor analysis, clustering analysis etc., thorough data mining and business rules to form appropriate customer segments based on customers' transactional data stored in its customer database.
- Demographic segmentation
    - Uses multivariate statistical methods such as factor analysis, clustering analysis etc. to form appropriate segments based on customers' demographic information.
- Attitudinal segmentation
    - Uses multi multivariate statistical methods such as factor analysis, clustering analysis, etc. to form appropriate segments based on consumers' opinions and attitudes often collected through survey questionnaires.

Introduction to Segmented Modeling



Benefits of Segmented Modeling

- Precision—each segment is targeting more effectively based on customer *need state*
- Depth—market segments open potential new niche opportunities
- Optimization—promotional offers can be custom tailored to various market segments