Make Your Emails Matter

Increase Email Relevance Through Segmentation and Targeting

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What is Segmentation?

Segmentation is the process of dividing a market segment into distinct manageable groups of consumers that are likely to behave in a similar manner or share a similar set of needs or characteristics, and selecting one or more groups to target with a distinct marketing message.
Why is segmentation so important?

Segmentation gets results!

With email marketing, batch and blast is a thing of the past. Today’s organizations must gain a better understanding of their target audience. The key objective of segmentation is to increase the relevance of your email communications to add more value and drive response, ultimately increasing revenue for your organization. You want to learn who you engage so you can properly focus your marketing efforts and maximize efficiency, since you cannot be all things to all people.

Segmentation can greatly improve the response of your email marketing campaigns, raising the open rate from an average of 20% to 50%, and raising your clickthroughs from 5% to 30%. This improvement in response is because the message is more aligned with the reader’s interests and needs. Improved email campaign response translates directly into increased productivity, return on your marketing efforts and investment, and higher profitability.
The Email Marketing Continuum

Range of Campaign Tools & Supported Applications:

“Batch & Blast” to ALL subscribers - Effectiveness: Low
- Company Promotions
- News & Updates

A/B Split Testing
- Subject Lines
- Layout
- Design
- Content
- Offer
- Frequency

Segmentation
- Business Segment
- Retail vs. Commercial
- Gender, Age, etc.
- Purchase Frequency
- Region, Language

Email Campaign Automation
- Auto-Response Emails
- Event Triggers
- Behavioral Triggers
- Scheduled Campaigns

Merge Areas & Keyword-Based Templates
- Templates Based on Subscriber Interests and Surveys
- Content Built From Searchable Keywords in Subscriber Data
Once you’ve segmented your list, you can stay relevant with your customers and prospects via ongoing communications that engage them with your brand.

As you observe patterns and begin to know your audience more intimately, you will be able to respond with custom marketing messages and offers that quickly address their varying needs and wants.

You’ve heard it before… it’s all about quality, not quantity. A large email list is not worth much if subscribers are not engaged with your brand.

Tip:
Observe and Serve

The number one reason people decide to unsubscribe from an email is because the message is not relevant to them. Observe your audiences’ online activity so you can segment and serve them appropriately.
Delivering highly relevant content requires much more than capturing basic transactional data or an email address using a subscription form. This is because what you think is relevant and what a prospect or customer finds relevant may be different things. Relevancy should be based on customer understanding and insight gathered from both behavioral and profile-based data. Segmentation lets you capture vital data about who your prospects and customers are and what interests them. The more information you can collect about them, the more innovative you can make your targeting strategies. The more segments you have, the more focused you can be about characterizing the various groups within your email list.

The result: subscribers get useful relevant content and subsequently purchase more.

In a Q1 2009 survey, Forrester Research found that while email marketers are starting to realize that click-based behavioral segmentation works — and that 51 percent of email marketing executives responding to the survey said they’ve used clickthrough data to segment audiences for email campaigns within the past six months — there are still almost half who don’t.

Yet, email marketers who employ segmentation strategies and integrate behavioral targeting are four to six times more effective than those marketers who blast the same message to every subscriber. Those who ‘spray and pray’ with untargeted, mass, generic email blasts will see diminishing returns and a negative impact on opens, clicks, conversions and unsubscribes.
As more marketers embrace segmentation, this raises the stakes for those that “spray and pray”.

“which of the following customer data attributes has your company used to segment audiences for email marketing compliance in the last six months?”

- Click-through data 51%
- Demographic data 51%
- Open rate 48%
- Geographic data 47%
- Recency and frequency of purchase 39%
- Customer spending 30%
- Customer profitability 29%
- Acquisition source code of the list 28%
- Website clickstream data 24%
- Customer service contact 23%
- Customer satisfaction survey 21%
- Widget interaction 6%
- Contribution to product reviews 5%

SOURCE: Q1 2009 Global Email Marketing and On-Site Targeting Online Survey, Forrester (base of 103 marketing executives)

Tip: Keep Your List Up To Date

One-third of US email users create a new email address every year. Use a list cleaning and appending tool to keep in touch with them.
“74% of people are influenced by the opinions of others, and 47% read reviews before purchase.”
— ManageSmarter, September 2009

In addition, the influence of product reviews and social commentary cannot be ignored. Marketers who use product review data within email have reported higher response rates compared to those who don’t.¹

Even in light of higher open rates, higher order values, higher click-through rates and higher conversions, email marketers are still not tapping the full potential of segmentation and list filtering to better respond to the interests and needs of individual customers by serving them relevant content.

Although another study shows that as many as three quarters of email marketers claim to use segmentation² they tend to collect basic data. 87% of marketers capture only contact information from subscribers, but only 28% go on to capture demographic data (age, gender, location etc).³ Therefore, based on these statistics, it appears that most marketers fail to capture information that enables targeted messages to be sent to segmented lists.

1. SOURCE: The ROI of E-Mail Relevance, Forrester (2009)

Tip:
Segment Your List by Social Engagement Metrics
Use data like sentiment, forwards, votes, feedback, survey responses, and social commentary.
Why do so many marketers fail to gather and use more detailed data? One reason might be because it seems like a complex and daunting task. It’s true that behavior-based, trigger-based and lifecycle-based segmentation are more time-consuming to set up. However, the reward of segmenting your list using just a few fields of vital data is very high.

So work hard at engaging in a dialogue with consumers about what they want and need, and deliver differentiated messages and experiences.

“Despite additional campaign costs, relevant campaigns increase net profits by an average of 18 times more than do broadcast mailings.”
— Jeannie Mullen and David Daniels, Email Marketing: An Hour a Day (JupiterResearch)

**Tip:**
Keep Content Relevant

Before sending an email to your segment, ask yourself “Are the recipients really going to care about the content of this email?” If the answer isn’t obvious, then you are taking a risk that there will be a higher number of non-responses and opt-outs. The more relevant the content, the more likely the recipient is to pay attention to your next communication.
The most powerful aspect of an email marketing solution is its segmentation feature. Current email marketing tools let you store more detailed data and run very tightly messaged campaigns. You can group your subscribers based on criteria you choose. The key is to find the variable(s) that divide your audience into segments (e.g., socio economic, special interests, geographic regions, purchasing behavior, etc.) that can be measured and acted upon.

With the incredible amount of customer data available today, it is possible to successfully build your business in these groups or ‘segments’ than ever before. This strategy, often referred to as “microtargeting”, enables marketers to tailor their messaging by industry, region, market, age, interest, income, gender, and several other factors. The technology limitations of the past no longer prevent storing detailed information. Beyond that, micro-segments can change as people take different actions, fulfill needs, and shift to new income strata.

Profile targeting has been around forever, but activity targeting is newer, driven by online tools such as web tracking and purchase history.
Data you have already collected:

- **Transactional**: date purchased, products purchased, quantities, method of purchase (online, phone)
- **Lifetime information**: number of sales, number of products purchased, average lifetime order size, average time between orders
- **Contact Information**: customer name, address, phone number, email
- **Source/promo code**: how the customer was acquired
- **Customer type**: repeat buyer, inactive, or a new customer
- **Online behavior**: past opens or clickthroughs, web page visits and conversions
- **Customer satisfaction**: past experiences with your company; survey responses

Data you should collect:

- **Demographics**: age, gender, income, education, race, marital status, family size, region, size of city, job
- **Geography**: countries, states, Zip Codes, telephone numbers, ISPs, and distance from your store
- **Psychographics**: personality and emotionally based behavior linked to purchase choices, such as risk aversion or impulsiveness
- **Lifestyles**: hobbies, recreational pursuits, entertainment, vacations, and other nonwork-time interests
- **Belief and value systems**: religious, political, nationalistic, and cultural beliefs and values
- **Life stages**: chronological benchmarking of people’s lives at different ages (e.g., preteens, teenagers, empty nesters, etc.)
Different people have different lifestyle patterns and their behavior and beliefs may change as they pass through different stages of life. You can discover common wants, needs, behaviors and attitudes, both in your existing database and in a desired marketplace.

Data used to build customer segments based on attitudes, lifestyle indexes, values, beliefs and opinions as opposed to the factual characteristics, include:

- Socioeconomic status
- Personality traits/characteristics (e.g., consumer attitudes, values, behaviors, emotions, perceptions, beliefs, and interests)
- Loyalty/usage (e.g., rarely, frequently, very frequently)

**Micro-segments are very small groups of customers with similar interests, now they can easily be targeted with the latest email sending and tracking technology.**
Automated lifecycle messaging enables you to deliver different messages to different users based on the relationship lifecycle customers have with your brand (e.g., level of engagement, purchases, and behavior).

Activity is defined as opening and clicking, both of which are treated separately. The crucial elements of this type of segmentation technique are the rules that you set for each segmentation level, which will be highly dependent on your email activity. Below are some example rules for a retailer sending out approximately 4 emails a month:

**Customer has engaged…**

* A – within the last month
* B – between 2 and 3 months ago
* C – over 3 months ago
* D – has never opened or clicked

This type of behavior-based segmentation can be set up to run automatically within your email database, not requiring any input from the user other than to utilize the data that is being fed through. The data is captured on a live basis, i.e. opens and clicks are recorded as soon as they happen, giving you the advantage of knowing that the segmentation you are using is 100% up to date. This is something that cannot always be guaranteed using profile-based segmentation.

However, depending on what your niche is, it may serve you well to segment based on the circumstances that are influencing consumer decisions, rather than segmenting the market based on demographic or psychographic characteristics. For instance, you may be a Financial Advisor that sends out email newsletters containing topics covering financial planning. If a subscriber clicks
Retirement Counseling vs. Child Education Planning, you can safely assume you have an older target. You can get even more granular. If the subscriber clicks on Retirement Counseling rather than Mid-30’s Guide to Planning for Retirement you have someone later in the buying cycle. In this example, the consumers who chose retirement counseling will have different needs than the consumers who clicked on mid-30’s guide to planning for retirement.

An automated email system allows you to track activity and engagement level.

Tracking a prospect’s first online engagement with your company through the entire sales funnel will allow you to craft more relevant messages that will not only help you build stronger connections with your customers, but will increase conversions and drive revenue.

If you start to think of your email campaigns

Relevance-empowered email drives higher top- and bottom-line improvement.

Dollars Generated Per Month (in thousands)*

- Monthly Revenue
- Monthly Net Profit

<table>
<thead>
<tr>
<th>Type of Campaign/Tactics Used</th>
<th>Monthly Revenue</th>
<th>Monthly Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Targeting</td>
<td>$159</td>
<td>$40</td>
</tr>
<tr>
<td>Web Analytics</td>
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<tr>
<td>Social Targeting</td>
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<td>$306</td>
</tr>
</tbody>
</table>

*Metrics are based on a Forrester executive survey. Based on 2.8 million pieces of email per month, CPM ranges grow with program complexity, assuming $39 AOV and 40% product margin.

Source: Q1 2009 Global Email Marketing and On-Site Targeting Online Survey, Forrester (base of 103 marketing executives)
as central to your marketing strategy, it becomes clear that you can maximize your message through segmentation, customized merge fields, and triggered automation.

**Segmentation**

Divide your email list into groups of like-minded individuals and send messages that resonate with each group (e.g., subscribers interested in Message A receive Message A; and Message B is served to subscribers interested in Message B).

Which audience segments will be most receptive to what you have to offer?

Audiences are influenced in different ways by different types of content. If you sell numerous products, or are targeting more than one group, then it makes sense to divide your audience into small segments so that you can market specific products to specific groups, or craft your message to suit the characteristics of the different segments. For example, let’s say you sell tax software for home and business. You’ll want to separate your audience into two groups: “home” and “business,” so that you can tailor your marketing messages to meet the specific needs of both types of users. This way, you won’t bore the home users with irrelevant facts about the benefits for C Corporations, S Corporations, Partnerships, and LLCs, while the business users won’t think less of you for talking about advanced tools and guidance for homeowners.

When users register the tax software, ask them whether they are using it for home or business use. If you would like to further target specific industries within the business group, ask those users to provide details about the industries in which their businesses operate.

If you own a nursery and flower shop, you might try segmenting your database by zip codes. Geographic (location) targeting lets you target your ads to specific cities and neighborhoods within a certain radius of your location, which can increase open rates and conversion rates simultaneously.

If you are a shoe retailer, you might try segmenting your prospects and customers by demographics (e.g., gender, income).
By combining geographic segmentation with psychographic (socioeconomic status, or personality) variables, you begin to gain a better understanding of the customer which will enable you to hone your message to deliver more relevant content. For example, a female customer in a high income bracket makes a purchase every three months. You should set up an automated nurturing campaign to market to this customer near the end of this cycle, offering discounts to entice her to not only make another purchase, but possibly increase her spending.

**Tip:**
Let Your Subscribers Self-Segment

*Ask your subscribers what you need to know and add it to your subscribers’ profiles. This gives you a clear idea of how the segments, and your communications with them, will differ.*
With this type of segmentation strategy you deliver highly targeted, meaningful and hyper-relevant messages that are unique to each subscriber based on profile and life stage when they want to receive them. This type of approach serves to create experiences that enhance the relationship between customer and company by building deeper, more meaningful and sustainable interactions as they pass through different stages in their purchasing lifecycle, while at the same time reducing the untargeted emails that clutter the inbox.

**Customized Merge Fields**

In order to add demographic information to your email database, create the new fields/attributes in your email marketing solution and then upload your list. Your subscribers will be matched by email address and the new attributes will be added to their record. You can then tailor a message automatically, sending the right message to the right people at the right time.

**Triggered Automation**

Filter people based on triggers and actions, such as a particular event in time (i.e., a certain date), or behavior (clickthrough action), or purchase, and market to them specifically based on that behavior. The result is that an email response to the segment will automatically be sent when the trigger clause(s) are met; these email responses can contain changeable content or static content, sent to the recipient immediately or over a period of weeks, once the event is “triggered” by the recipient. Once configured and automated, your email campaigns are executed without effort.

**Tip:**

**Timing Is Everything**

*Automated trigger emails cater to the immediate interests and needs of the recipient and elicit higher responses because they are timely and more relevant.*
One of the most frequently asked questions we get is, “How often should we send email messages to our list?”

Our answer: “Not too much, but not too little.”

Since your goal is to increase email relevance, you should use list segmentation to determine the content your subscribers want to receive, in order to send each prospect or customer the most relevant message at the right time. You should use this technique to determine what contact frequency is appropriate (e.g., while responses may be higher with weekly mailings for one group, another group may respond better when mailing frequency is bi-weekly or monthly; you can test sending a higher frequency to your most engaged members).

Generally, subscribers will not mind receiving emails from you if the messages are relevant.

**Tip:**

Don’t Send Too Often, or Too Infrequently

Gain insight from customer feedback, preference center data, and email metrics for factors that can help you set useful frequency parameters.
Don’t Send Too Infrequently

It’s important to find the right balance when it comes to sending email. Although you don’t want to abuse the privilege by sending too frequently, it’s also possible to send too infrequently. If you go for long periods of time without sending any email communications, and then you start sending regular blasts around a holiday, specific event or season, you may once again trigger unsubscribes or spam reports.

Although you must decide the right frequency for your particular business, try not to let more than a month go by without contacting subscribers, either with regular content relevant to your subscribers or with administrative requests, such as an invitation to update their preferences, product updates, scheduled training courses, new data sheets, and other service-related materials.

Watch for trends. Declining response, open and clickthrough rates can be signs of list fatigue.

The key to establishing the right contact frequency is to plan, test, modify, analyze and refine your campaigns. The following factors can help you set useful frequency parameters:

Customer Feedback

Are you paying attention to what your subscribers are telling you when they unsubscribe from your email or newsletter? (You should ask subscribers why they are unsubscribing, either through a short survey or comment field). They might be letting you know that you’re sending too much email, or the messages you’re sending are not relevant.

Email Metrics

Since email provides marketers with more data than most marketing channels, use your own metrics to evaluate and establish your frequency mix. Determine frequency based on the responses you receive to each email marketing campaign. That said, if you change the frequency of your email campaigns, be sure to test the increased frequency on a small sample of your total customer base before deploying to the entire group.
For example, if 20 percent of subscribers clicked on the “Order Now” link in your email, but only 10 percent of them converted by completing the transaction, wouldn’t you consider the ones who clicked but did not buy interested leads?

Email makes it easy to try and convert the other 10 percent. You can tailor a campaign to the folks who expressed interest in your product or service, test the creative and offer, and then send it about a week after their original click-through. Keep a close watch on the responses you receive. Use your metrics as a map to adapt a strategy for conversion.

**Customer Preference Center**

Defer more and more to the communication preferences of your subscribers and allow them to select how frequently they want to receive messages from you, and the type of content they want to receive (e.g., email triggers such as product updates and service reminders). Basically, the more relevant the messages you send, the more you can increase your email frequency.

**Tip:**
Keep Them Engaged

*The number one reason people decide to unsubscribe from an email is because the message is not relevant to them. Keep your audience engaged by ensuring your email communications are targeted specifically to your audience.*
A robust email marketing solution allows for greater precision and flexibility in testing than other forms of marketing, and advanced features such as segmentation, A/B testing, and automation enhance your ability to match your subscribers’ interests.

### Segmentation

When it comes to segmenting, testing allows you to gather evidence and metrics which you can use to draw conclusions and drive decisions, rather than relying on gut instincts. Start with a single attribute to divide your mailing list and continue to subdivide until you reach divisions that include groups of like-minded individuals expected to respond to your emails in similar ways.

As discussed above, methods include demographics, geographic, psychographic, lifestyle, belief and value systems, life stages.

Some marketers choose to implement a simple segmentation process that treats subscribers who frequently open messages differently from those who only occasionally, rarely, or never open messages. Another strong segmenting technique is to segment an email list by customer activity, including click-behavior and purchase history.
Segmentation, Plus A/B Testing

Once you have segmented your mailing list based on actionable data, send different emails to each group. The campaign with the highest percentage of opens, clickthroughs, forwards, conversions, and least amount of unsubscribes should be sent to the remaining recipients. As you gather more actionable data, you can continually test targeted, relevant communications, such as:

- **Offers and Incentives**: Determine what offers are likely to increase engagement and conversion from your target audience (e.g., pricing, discounts, and free trial vs. hard sell, free shipping vs. discounted shipping).
- **Best day and time**: Divide your list into various groups and send on different days and at different times, to determine the best combinations for your mailings.
- **Email creative**: Test design and navigation; use a different image or layout to elicit different behaviors from your customers (e.g., text email vs. HTML, columns vs. a single layout, or test graphics and colors).
- **From Field**: Select a name that is instantly recognizable to the recipient to indicate that your message is from a credible and trusted source.
- **Subject lines**: Test different subject lines for different customer segments (e.g., use of personalization vs. non personalization, short subject lines vs. longer ones).
- **Landing pages**: Create and direct people to different versions of your landing page (A/B test) to determine which version is more appealing and effective.

You’re not trying to be all things to all customers. You’re trying to be one thing to one customer.
Measure and Analyze Your Test Results

Now that you’ve collected all that data, it’s time to measure and analyze the results to gain a better understanding of your subscribers. Even the smallest percentage difference can mean a significant increase in response rates and revenue.

- Opens increased by %
- Clickthroughs increased by %
- Conversions increased by %
- Website traffic increased by %
- Calls increased by %
- Sales increased by %
- website traffic increased by %
Conclusion

Segmentation is the tool that enables you to identify different groups of customers and prospects, and provide the best possible products and services to meet individual wants and needs.

Although segmenting your list takes more time and effort, it doesn’t need to be a daunting task. Even the most basic segmenting will result in significantly higher conversion rates than one-off email blasts alone. Start by dividing your list into smaller groups of people who share certain characteristics and send each group a focused, targeted and personalized communication. Segmenting your list allows you to create hyper-relevant content that is targeted to each subscriber.

By targeting your message, you increase the probability of them opening, reading and purchasing from you. The key is to properly select the appropriate variables for list segmentation, and ensuring that each segment receives a unique and personalized message that is relevant to their needs. Again, email marketing offers wonderful segmentation opportunities. If you are not segmenting your list and sending more relevant communications to your target audience, start doing so today. If you are segmenting your list already, try to find new ways to narrow your segments. The more segments you have, the more focused you can be about characterizing the various groups within your email list.

The churn rate of acquiring new customers will cost you more than identifying the most engaged subscribers on your list through segmentation.

Effective segmenting will not only help you optimize your list by differentiating between profitable and less profitable customers, it will have a substantive impact on your bottom line, and put you ahead of your competition.
Founded in 1995, Net Atlantic, Inc. is a global email service provider (ESP) offering email marketing solutions, branded reseller programs and dedicated email marketing servers. Net Atlantic’s goal is to help businesses maximize ROI with email tools like video emails, triggered and sequential mailings, A/B/N split testing, conditional messaging, custom surveys, click streaming, spam analysis tools, open database connectivity, and an open API (application program interface for even further customization). Net Atlantic was one of the first email marketing companies.

Visit www.netatlantic.com, or contact an account executive toll-free at 978-219-1900.