



THE POWER OF SEGMENTATION

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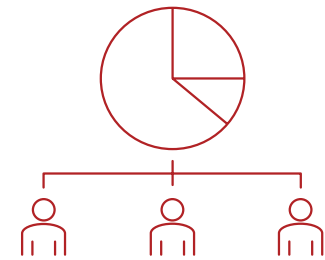
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INTRODUCTION

The digital marketing landscape has been rocked by external factors beyond its control. Changing and rising consumer expectations, the looming demise of third-party cookies, economic uncertainty and an exponential growth in data have left every marketer facing a daunting set of hurdles blocking their goals. Many tried and tested methods for how to understand an audience and personalize communications fall short in the new era of customer experience. Yet, in a world powered by technology advancements, marketers are being urged to go back to basics to gain a firm understanding of their customers. And the key is segmentation that is dynamic, granular and actionable.

Segmentation helps organizations understand customers' challenges and concerns, providing incredible audience insight that business users of customer data leverage to create tailored customer experiences across an omnichannel customer journey.

Segmentation is the ability to divide customers into cohesive yet distinct and granular groups that can be targeted with relevant messaging, content and offers delivered in the context of an individual customer journey.





Old School vs. New School Segmentation

Marketing segmentation is not a new concept, of course, but there is an important distinction to make between automated segmentation that helps organizations derive a deeper understanding of a customer base at scale, and more traditional methods that rely on a marketer's hunch, or arbitrary groupings that may not accurately reflect a customer's precise movement through a customer journey, such as:

System limited

Using a CRM platform to send either the entire customer database or a subset (e.g., men 25-34) a blanket e-mail, with each customer receiving the same content. This, of course, may only be relevant for a small section of recipients, while introducing friction into the customer journey for the other recipients for whom the message is irrelevant or outdated.

Channel limited

Sending communications tailored to static customer groups on a channel basis. Building a segment that can only be applied to a specific channel discounts the dynamic nature of a customer journey, in which customers move frequently through digital and physical channels as a journey progresses. What's more, these groupings can rapidly become out of date as consumer information and behaviors change, making the attempt at personalization void.

When marketers episodically build lists of customer groups, the effectiveness of the segmentation model deteriorates quickly. Customer intent and preferences are always in flux. In addition, customers move, change e-mail addresses or get married and change their name. They reach a new life stage, their preferences may alter or their habits are impacted by major events, such as COVID-19 or a job loss.

But in the digital age, where individuals communicate with brands across multiple channels, marketers need to be able to reach them with messaging that resonates, on their channel of choice. They must identify smaller cohorts or segments within their overall audience and tailor the communications to those are likely to respond with different messaging.

Putting successful segmentation into practice relies on many factors, depending on the business objective. For example, perhaps you want your customer to register for an account, sign-up for a newsletter or purchase a product or service. This journey can be achieved by finding the customers you specifically want to engage with and delivering tailored messaging to drive conversion.

Questions to Ask for a Successful Segmentation Strategy:

- **What business and marketing goals do you want to achieve?**
- **Which customer groupings enable you to best achieve those goals?**
- **How do you want to move each customer segment to action?**



The Data Challenge

Clean, accurate, high-quality data that is captured and stored correctly is a foundational requirement for successful audience segmentation. It is also important to capture customer data from a variety of sources to develop a true picture of the customer, beginning with an organization's own fit-for-purpose, first-party data. High quality first-party data is needed to segment an audience with confidence that the segment accurately captures the right customers. Successful audience segmentation depends on knowing everything there is to know about a customer through a single customer view built on first-party data, which may also include data enrichment steps.

First-party data may include gathering information directly from the individual to be able to learn more about them. Sometimes referred to as zero-party data, it's when an individual volunteers first-party data—such as an email address—in exchange for something of value, like a discount. First-party data also includes any information a customer provides through interacting with a brand over time. Through transactions, web browsing sessions, call center contacts, social media, in-store visits, returns and other engagements, a customer provides a trove of information about their behaviors and preferences, which allow brands to become more sophisticated with how they segment customers.

That said, gathering data about each consumer across every source into a customer data platform in real time to provide a single customer view is a challenge in itself, let alone leveraging it to generate actionable insights and inform campaigns. Handling this level of data and updating it as it happens is too complex to complete manually and can lead to poor data quality, which has an enormous impact on the accuracy—and trustworthiness—of segmentation further down the line.

The Redpoint® CDP resolves data quality issues at scale through automated and exception-based processing. Its pre-built functions can quickly and easily cleanse, standardize and enrich data and apply the industry's most advanced identity resolution capabilities, allowing brands to recognize customers, connect devices, systems and sources and map individuals across households, companies and groups.

Identity Resolution

Implementing effective identity resolution is a critical step in delivering quality data. Identity resolution works by correlating any information on an individual visiting your stores, website, call centers or any mode of interaction. Each time a known or unknown visitor gives off a new signal, such as interacting with some content, adding an item to the cart, or updating some personal information, it is added to their customer record, keeping it accurate, up-to-date and importantly, not duplicated. Persistent keys and tunable matching and merging guarantee that a master customer record is a precise representation of the individual customer, household or entity engaging with the business. Having this 360-degree view enables marketers to achieve complex granular audience segmentations and communicate with the customer on an individual level. The result: marketers can provide relevant messaging at the right time on the customer's channel of choice, moving with the customer by matching the dynamism of an individual customer journey.

A 360-degree, single customer view is known as the Golden Record, a pristine, unified customer profile that is the basis for delivering a personalized, omnichannel customer experience. Because a Golden Record is continuously updated in real time as new data comes in, marketers are assured that it presents a precise, real-time view of a customer as the customer moves through a customer journey.

Creating segments using a customer Golden Record likewise ensures that a segment itself is an accurate, up-to-date representation of an audience.





Case study: GBH

Public media organization GBH partnered with Redpoint to improve their segmentation capabilities to drive engagement with a specific cohort of people: younger donors. Their legacy systems prevented them from obtaining a comprehensive, single customer view and they had inadvertently created thousands of duplicate accounts and records, which held them back from achieving their goal.

However, with Redpoint, GBH collates all the information it holds on its donors to create precise, one-to-one interactions across dynamic, omnichannel customer journeys. As a result, the organization performs complex granular segmentations, leading to increased net revenue.

How Redpoint Can Transform your Segmentation Capabilities

To achieve personalized customer experiences across the omnichannel customer journey, marketing needs to deliver on three key pillars: data, insight and action. The middle pillar, "insight," is often overlooked or misunderstood, yet it is crucial in adding context about what makes a customer unique or to derive their intentions. For example, by using only demographic or static data, such as a customer's name, address or e-mail, you cannot understand their preferences or behaviors to truly tailor their experience. Therefore, you need actionable insights, which are underpinned by segmentation.

Through segmentation, organizations have better information about their audience and, as a result, can more accurately target customers and deliver on KPIs. With Redpoint, segmentation becomes even more powerful, as marketers can create single segments down to the individual that can be universally applied across any channel. But how does Redpoint empower you to deliver a differentiated customer experience (CX)?

Dynamic, automated segmentation

The traditional method of building segments is through lists: marketers extract and divide an audience, turn the segment into a list and push the list into a channel where they then execute a campaign.

Conversely, Redpoint uses a rules-based approach. Continually updating data from various sources to adjust audience segments in real-time, dynamic, rules-based decisioning has the flexibility to move with a customer or group of customers as they proceed throughout an omnichannel customer journey. Built once, segments change on the fly as real-time data is ingested according to a pre-determined rule tied to a business objective. By using dynamic rules instead of lists, segments are accurate and up-to-date at the precise moment of engagement, independent of channel.

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The Redpoint Difference

Configure adaptive rules and machine learning models to create audience segments and apply them to interactions, campaigns and journeys.

Visualize segments before use to gain audience insights and select best responses.

Optimize CX with **dynamic responses.**

Drive high customer value with re-usable dynamic cross-channel segments and clusters.

A new customer behavior, time-based triggers and geo-based triggers are among the many conditions and variables that move customers into and out of a universal segment that is dynamically updated with inputs from different channels. Any change to a Golden Record—at any point in a customer journey—may move a customer into or out of a segment according to a pre-defined rule. The rule is responsive to the change in underlying data.

With the Redpoint CDP, a dynamic segment matches the dynamism of a customer journey. This customer-centric view of segmentation is not concerned about a specific channel or where the customer interacts, but is rather focused instead on dividing an audience according to attributes that are important and meaningful to understanding the customer.

Attributes may be diagnostic or demographic (age, gender, income, location, etc.), modeled (churn propensity, likelihood to purchase) or calculated (total lifetime purchase, last channel used), with any combination used to formulate rules and drive segmentation.

The core value of segmentation with Redpoint is that the platform creates and activates dynamic segments using both rules and machine learning to deliver relevant, personalized experiences. Redpoint configures dynamic rules and models to build and apply segments universally, optimizing them dynamically throughout an ongoing customer journey. This approach is central for brands to take a customer-centric view of which customers they're targeting—independent of channel.

CLUSTERED AUDIENCES:

Find Similarities Among Groups of People

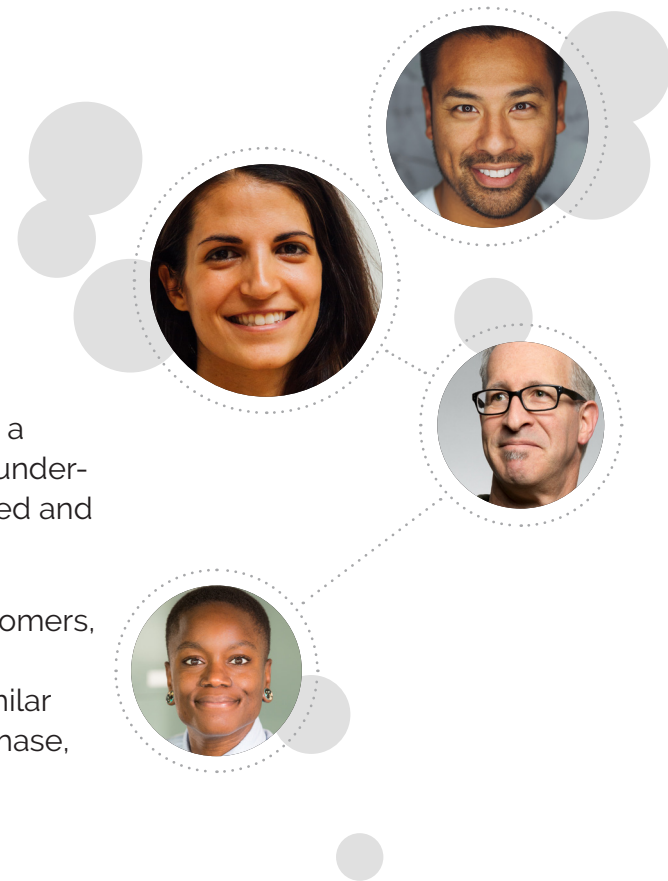
Machine learning is increasingly becoming important in segmentation to find similarities among a large number of customers beyond the power of the human brain. By analyzing patterns in the underlying data, machine learning algorithms discover commonalities that may otherwise go unnoticed and that, in turn, may be used to build segments to drive a campaign.

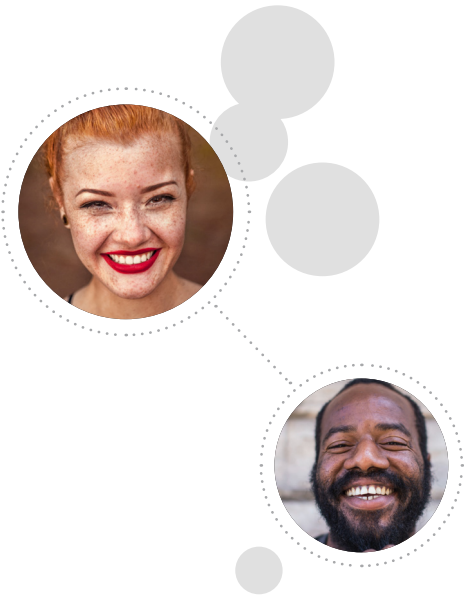
Redpoint's Clustered Audiences model finds trends and patterns among huge numbers of customers, using the audience itself to layer context and meaning into segments with automated machine learning. The segments can include affinities, logical relationships, preferences or behaviors similar between customers. It then calculates why, or why not, those commonalities will lead to a purchase, customer retention, acquisition or another desired business outcome.

Clustered Audiences in the Redpoint CDP includes visualization tools, with decision trees and charts offering users the ability to see what distinguishes clusters and understand the basis for why a model clustered an audience a certain way.

A statistical or visual representation of two or more variables in relation to one another that is both distinct and cohesive (e.g. product affinity vs. demographics) yields the outcome that marketers want, i.e. a framework for establishing a meaningful correlation between data points.

Every marketer planning a campaign wants a firm understanding of how one group of customers differs from another. The deeper the insight—that is, understanding what motivates them, the essence of their relationship with the brand—the better a marketer understands how one group is likely to respond vs. a different group, or how each group best aligns with campaign goals.





Visualizations of clusters, propensity, affinity and other statistics, rules or models through scatter-grams, pie charts, bar graphs, colored heat maps or even 3D visualizations become important tools for preparing and executing campaigns.

Using Clustered Audiences is another way Redpoint removes the need for “gut-based” decisions, instead relying exclusively on data to drive decisions.

Attributes developed through machine learning, such as with propensity modeling, may themselves be used to create segment rules.

Propensity modeling allows you to parse data through a series of algorithms, which will objectively determine the likelihood of a desired outcome, such as a customer's propensity to purchase a specific product. The model will return a score or will classify customers based on how they're likely to behave.

The predictive score shows the likelihood of a customer taking an action, which can be built using a pre-made template or custom-made by the marketer. By using known data about a customer or cohort of customers, the technology is able to predict future behaviors relying solely on data.

Once a predictive model has been applied to show, for example, how likely a customer is to respond on different channels, you can apply another model on top of it to get a narrower view of how to target customers. For each channel, you can then discover what time of day they are most likely to respond, or what type of offer they are more likely to respond to, creating smaller and smaller cohorts that allow for more relevant personalized communications.

When a propensity score is used for segmentation purposes, like other attributes it can change over time, meaning any segment created based off a score will retain its dynamic nature as an individual customer journey unfolds.

CONCLUSION:

What Can Segmentation Achieve?

Any organization trying to better understand their customers and achieve revenue-based KPIs can benefit from automated segmentation with the Redpoint CDP. Having a deep understanding of a customer through the creation of meaningful and highly accurate segments is a foundational requirement for delivering a relevant CX across an omnichannel customer journey. But what does having a customer on the receiving end of a consistently relevant, hyper-personalized experience actually achieve?

Increased Acquisition

2 in 5 consumers will not do business with a brand who doesn't offer personalized experiences¹

Better Retention

80 percent of consumers will only shop with brands that understand them²

Improved Brand Loyalty

82 percent of consumers are loyal to brands who show a thorough understanding of them as a customer³

Stronger Engagement

Segmented campaigns have 14 percent higher open rates and 101 percent more clicks than non-segmented campaigns⁴

Greater revenue

Segmented audiences generate increased revenue of up to 760 percent, with targeted and segmented emails bringing in average of 58 percent of all revenue⁵

And that's not to mention lower interaction costs and better return on investment. In a world where 74 percent of consumers feel brands are falling short of delivering an excellent customer experience, it's increasingly challenging for marketers to meet these sky-high expectations.

At Redpoint, we understand how hard it is to delight customers and deliver the level of personalization they've come to expect in a digital-first, omnichannel world. But with challenge comes opportunity, and meeting customer expectations for a personalized experience is a challenge we've helped hundreds of organizations across retail, healthcare, financial services, travel & hospitality and media & telecommunications solve.

We worked with hospitality provider Xanterra Travel Collection to transform their customer data from siloed and unusable to now creating 360-degree views of every customer and granular segmentation down to the individual. Xanterra also uses Redpoint to identify distinct key customer segments and create detailed personas and experience maps to target broader groups at scale, which led to triple-figure improvements as high as 839 percent. They also saw an uptick in cross-selling and increased brand loyalty.



With Redpoint, innovative companies are transforming their customer experiences across the enterprise and driving higher revenue. Redpoint's solutions provide a remarkably unified, single point of control where all customer data is connected and every customer touchpoint intelligently orchestrated. Delivering more engaging customer experiences, highly personalized moments, relevant next-best actions and tangible ROI—this is how leading marketers lead markets. To learn more, visit [redpointglobal.com](https://www.redpointglobal.com).

Endnotes

¹ Redpoint & Harris Poll 2021 <https://www.redpointglobal.com/resources/harris-poll/>

² Redpoint & Dynata 2021 <https://www.redpointglobal.com/press-releases/80-of-consumers-more-likely-to-shop-with-brands-that-show-they-understand-them/>

³ Redpoint & Harris Poll 2021 <https://www.redpointglobal.com/resources/harris-poll/>

⁴ Hubspot 2022 <https://www.notifyvisitors.com/blog/segmentation-statistics/>

⁵ Hubspot 2022 <https://www.notifyvisitors.com/blog/segmentation-statistics/>

⁶ Redpoint & Harris Poll 2021 <https://www.redpointglobal.com/resources/harris-poll/>



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