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Segmentation for Serious Strategy

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Very few people we know have actually been through a complete segmentation exercise, so here's our attempt to give you a quick run down on the immense value it can bring to you.

First off, it's a fairly intense exercise, so if you think the outcome is going to be yet another PowerPoint presentation, think again. It will require a lot of involvement, but the results are more than worth it.

Statistics & not logic gives us segments

There are a number of statistical approaches to segmentation, and these work differently from the usual "logical" approach we follow.

For instance, you could say that "We must target (very) high ticket size customers who did a single transaction in the last quarter of last year and then never again". Is this a very tactical list of customers – YES. Is this a valid segment for your marketing initiatives – PROBABLY NOT.

The point is to use a statistical method to let those clusters of similar customers form. And form with multiple attributes being considered simultaneous. The human mind just cannot do this, so don't try to beat that! You may have your notions, but give the statistics a free hand, and validate outcomes with your business know-how.

Too many, too few

There is something like too many segments. One can find a way of dividing up your customer base into 50 clusters, but can you really figure out what to do with them? Not really. It's very difficult for the human mind to stare at these 50 segments, make sense of them in relation to each other (especially given that a number of them are bound to look very similar), and figure out an action point to proceed with.

On the other hand, if you have too few clusters, there are many interesting ones that never surface as you're looking at the broad brush-strokes that you already knew existed.

Is it worthwhile to know that you have a large segment of low value lapsers? Maybe not, but hidden within that large segment is a smaller cluster of multiple transaction low value lapsers that can be of great interest. You need to be able to ferret that out without getting overwhelmed.

The answer lies in iterations. Do both, and then go with the fewer segments with an occasional look at the smaller clusters that each large one can be split into.

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Making use of it all

The easiest thing in the world is to create segments, have a meeting and presentation, feel excited about the whole thing, and then do nothing whatsoever.

The way to handle it is to literally create pen pictures of all the segments. Eg. Here's a segment of under 28 year olds who came in for the first time and never again last year and transacted mostly for product category A doing an average purchase value of Rs. 700, and largely came in on the weekend.

Let the marketing team, product team, top management – everybody, now participate in a workshop where they stare at these pen-pictures, take notes, ask questions, and then individually and collectively decide what segments are priority for what action (retain, cross sell, up sell, win back, upgrade etc).

The various individual views are captured through a structured form, and the outcomes are collated for discussion and then a final recommendation on the strategy for each segment going ahead.

Keeping track

On an ongoing basis, you need to keep track of how you're doing. Which segments are increasing/ decreasing in terms of their population? How much money is being spent on the segments? Was it in line with the earlier decisions?

Eg. Segment A

Is a segment whose most defining attribute is the value of the customer. Average value in the population = Rs. 5000. Average value in Segment A = Rs. 45,000

The second most defining attribute is Tenure. Average tenure in the population = 14 months. Average tenure in Segment A = 27 months

The third most defining attribute is Recency. Average recency in the population = 14 months. Average recency in Segment A = 27 months

The fourth most defining attribute is City. % population in Mumbai = 23%. % Segment A in Mumbai = 0% And so on…

One can hence classify this segment as High Value + Long Tenure + Lapsers who are Not from Mumbai. One can now start to build the strategy around what actions are relevant for this segment (how to win them back), and how to track them over time (how many customers move in and out of this segment every month?).

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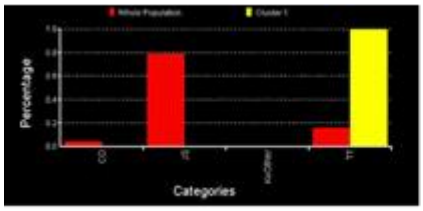

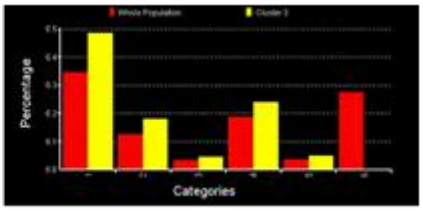

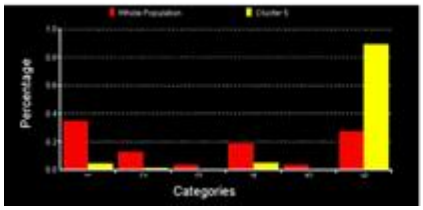

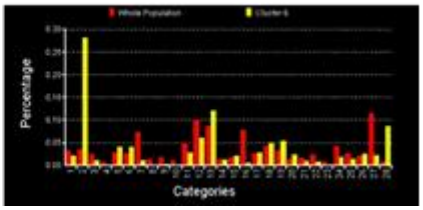

Cartesian's Segmentation Wizard is a unique tool that draws rich insights from your data and arrives at an effective and efficient set of segments that can be targeted. The tool helps increase productivity of marketing efforts, reduces wastage and increases ROI.

What we deliver

- What segments exist within your database?
- Which of these segments are useful from a marketing perspective?
- What can you do with these segments that will add to your marketing ROI?
- What is the action plan for each segment?
- How do you monitor and track these segments?