

# BEST PRACTICES IN SEGMENTATION

“Segmentation” is a concept coined in economics and put to good use in marketing. In the ancient past (say 2005 or so), most of the ways marketers used to connect with prospects were broad-brush push strategies: mass media, direct mail, billboards, skywriting. Segments were hard to define and expensive to reach. The sales team did most of the heavy lifting in lead qualification.

Thanks to online communications that promote interactivity and let prospects raise their hands, we have new ways to understand what people want. This knowledge lets us sift our prospects into segments with common needs, which we can then address with tailored marketing strategies.

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## Online marketing allows cost-effective, tailored one-to-one marketing that was unthinkable a decade ago.

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Segmentation is the key to increasing email marketing metrics and conversion rates for marketing campaigns – and to boosting prospect engagement. You can improve your marketing effectiveness by targeting your campaigns to appropriate segments, rather than blasting the same campaign out to all your prospects.

## BUILD A SEGMENTATION STRATEGY

Begin by working with your historical data and your sales department to define the profiles and behaviors that characterize your existing best customers. You’ll build desirable, productive segments by understanding who buys now, and why they buy. Many marketers build “personas” – profiles of ideal buyers – and then look for prospects that match the personas.

Next, look to your prospects. The two main components to look at when starting your segmentation strategy are demographic or profile data – who the company and person are – and behavioral data. The real power of segmentation comes when you combine these two components to get a clear picture of your target.

1. **Demographic/firmographic:** What factors define your ideal customer? These may include a prospect’s job title, education level, department, and responsibilities; and their company’s size, geographic location, revenue, and industry focus.
2. **Behavioral:** What sort of online body language does a prospect exhibit? Examples include web pages visited, webinar attendance, responses to email offers, marketing content downloads, forms submitted, and purchasing behavior. You can add in time frames to increase relevance.

There are two primary ways to capture data:

1. **Explicit:** This is data that a prospect gives you, such as a job title, or that you can gather directly, such as an IP address. You might capture such data when a prospect fills out a form on your website.
2. **Implicit:** This is data that you gather by observing the prospect, such as which website pages they visit, or by analyzing explicit data sources, such as linking an IP address to a particular company. You could gather such data from programs like a website visitor tracking tool.

## GATHER EXPLICIT DATA THROUGH FORMS

You can use online forms in many ways to capture data: people can fill out information to register for a webinar or download content, or sign up for a newsletter.

## PROGRESSIVE PROFILING

The shorter a form is, the better the odds that it will be filled out. This is partly because it takes less time, but trust is also a factor. Shorter forms feel less invasive, so a prospect who's just getting to know you doesn't feel like a total stranger is asking for too much information.

This short form means that you won't have much information about a prospect to begin with, perhaps just first name, last name and email address (we refer to these as FLEAs). These are early funnel contacts.

Progressive profiling is a good way to learn more about these prospects, so you can move them further into the funnel and sort them into appropriate segments. How it works:

- When a prospect gives you information, that information is stored in a unique profile.
- On a subsequent interaction, your marketing automation system recognizes the prospect and serves a new form that asks for additional information.
- Using a sequence of simple forms builds up the prospect's profile over time.

## BEST PRACTICES

- Create profiles and personas. Know who's likeliest to buy from you by understanding your current customers
- Gather both demographic/firmographic and behavioral data
- Use dynamic progressive profiling
- Create campaigns that target specific segments; the tighter the fit, the better
- Measure regularly, adjust as needed, and evolve
- Don't get too complicated; keep it as simple as possible
- Automate everything that can be automated – forms, progressive profiling, scoring, segmentation, campaigns, nurturing, and the handoff to sales

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- At some point you'll have enough data to segment this prospect intelligently.
  - Once the prospect is in a well-defined segment, you can craft target messaging to this segment that will feel personal to the prospect, enhancing your interactive relationship and further warming the prospect toward sales-readiness.

Each successive form asks for very little information, but increases your knowledge of the prospect's demographic information over time. You're also collecting behavioral data by noting which pieces of content the prospect is interested in.

## HOW TO DEFINE A SEGMENT

Look first for prospects with identifiable common problems or needs that your product or service addresses effectively. Good segments contain members who are as similar as possible to each other inside the group, and as different as possible from other groups. The more contrast, the easier it is to define appropriate marketing tactics and content. Other desirable segment characteristics include:

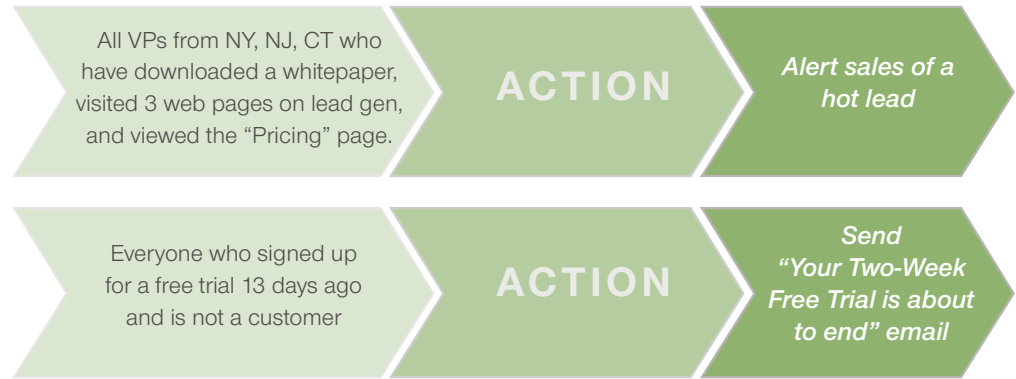
- Well-defined needs, preferably in strategically painful areas
- Size. The segment should be large enough and potentially productive enough to justify the effort
- The willingness to pay for a solution. Look for a shared purchase procedure, and the habit of dedicating budget to solve the problems your solution addresses
- Reachable through marketing tools

## DYNAMIC SEGMENTATION

Using a marketing automation system, it's easy to create dynamic segments by combining profile attributes with observed behaviors. Once you create these dynamic segments, new prospects will move into them as soon as they hit the requirements. Your marketing automation system will also capture every interaction in each prospect's individual activity history, so when the prospect becomes sales-ready, the sales rep reaching out will know everything possible about the prospect's needs and interests.

Setting up automated campaigns or actions allows segmentation to run in the background as your marketing team works on other projects.

In these two examples, dynamic segments will trigger automatic responses.



## DYNAMIC CONTENT

In addition to dynamic segmentation, marketers are also using dynamic content to drive the relevancy of their email marketing campaigns. Dynamic content is a marketing automation feature in which the marketer creates a single campaign that can be sent to multiple segments, while ensuring that text, images, offers, etc., change dynamically to suit the segment a prospect is in. Sending email campaigns this way saves time and allows you to see at a glance how the campaign performed overall, before breaking results down by segment.

More than ever, your prospects and customers expect targeted, relevant communications. The benefits include: stronger customer and prospect relationships, higher email open and click-through rates, increased sales, and enhanced ROI. The challenge is to deliver personalized email communications to your customer base without spending too much valuable time.

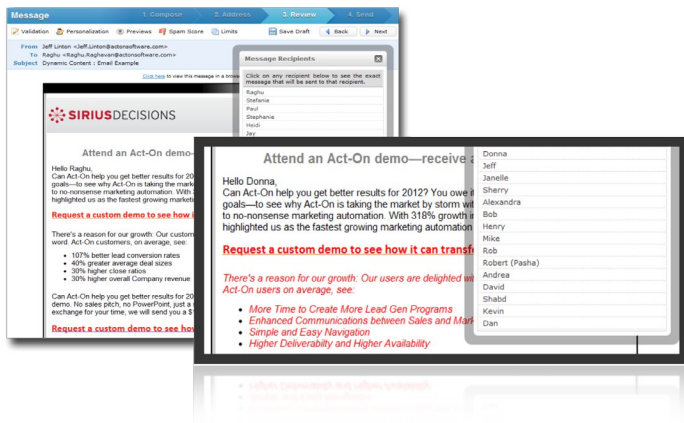
## WATCH A SHORT VIDEO

demonstrating how to segment prospects.

Here's an example of dynamic content. This is the same email message, sent to two different segments.

- John is in a segment defined as “CXOs focused on sales results”
- Heidi is in a segment defined as “marketing directors responsible for the productivity of a small marketing team”

The marketer set the campaign up with dynamic content, then ran only one campaign. If the campaign is captured as a template, the effort scales to save even more time.



## PUTTING IT ALL TOGETHER – SEVEN STEPS TO GETTING STARTED

Once you and your sales department have defined your profiles and personas, here's a suggested process:

1. Begin simply, with two or three segments
2. Begin with simple campaigns, targeted specifically to those segments
3. Collect progressive data and refine; you might move a prospect from one segment to another as you gain information. (Marketing automation can make this happen without taxing resources)
4. Measure success at every step; consider using at least two metrics, perhaps sales bookings and conversions
5. Analyze at regular intervals; how often depends on your sales cycle
6. As you see patterns of good and less-than-good results developing, adjust your campaigns and/or segments
7. Keep evolving. The whole process is dynamic, as customers, context, trends, economics, and your own products and company are always changing

## ABOUT ACT-ON SOFTWARE

Act-On Software's cloud-based integrated marketing platform is rapidly becoming the foundation for successful marketing departments in organizations of all sizes. Act-On's highly intuitive user interface, complete online marketing tool set and affordable pricing starting at just \$500/month have enabled the adoption of marketing automation technologies without dedicated IT support.

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