CUSTOMER SEGMENTATION: GOOD PRACTICES FOR BUSINESS

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INTRODUCTION

Whether executives/professionals or just consumers, customers today receive information about products and services from various **communication channels**: email, mobile apps, social networking platforms, advertisements and commercials, etc.

These communications tend to be more frequent and intense than ever, while they often include a **"Call-to-Action"** (CtA) to prompt customers to purchase more quickly (e.g. discounts or offers that are about to expire).

Amid this deluge of information, businesses need to focus on designing and running more **targeted campaigns** which include information that directly matches the customer's interests. To achieve this, they rely on customer segmentation.

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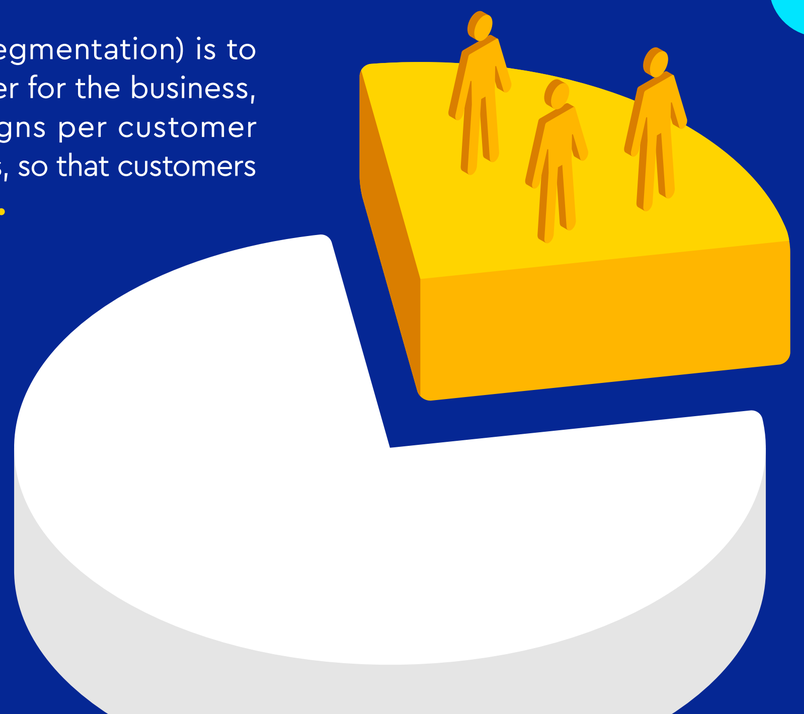
WHAT IS CUSTOMER SEGMENTATION?

Customer segmentation is the process of identifying sub-groups within the organization's customers that are similar in one or more specific characteristics or interests.

The goal of this categorization (segmentation) is to increase the value of each customer for the business, by optimizing marketing campaigns per customer category according to their interests, so that customers receive only **relevant information.**



GLOSSARY

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MARKETING AUTOMATION
A set of tools that automate marketing tasks and repetitive campaigns.

B2B – BUSINESS TO BUSINESS
Business to Business, the process of selling goods to a business or organization.

B2C – BUSINESS TO CONSUMER
Business to Consumer, the process of selling goods directly to the consumer who is the end user of the product.

CALL-TO-ACTION
A piece of content which is included in a marketing campaign, urging the target-group to perform a specific act.

CONTACT
A person (usually a customer) that interacts with the company.

CUSTOMER ANALYTICS
Data about customer preferences and behavior, that provide insights to help a business make informed decisions and design more targeted campaigns.

CUSTOMER JOURNEY
The customer's course, starting with their first engagement with the company and continuing through conversion and after-sales.

CAMPAIGN MANAGEMENT
A series of tasks pertaining to the planning, executing and analyzing of results of marketing activities.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)
The management of customer relationships with a goal to maintain customer loyalty and improve customer experience.

SALES CONVERSION
The point at which a potential lead becomes a customer.

SALES LEAD
The potential customer at an early stage of the sales conversion process, before it becomes an opportunity.

SALES OPPORTUNITY
The potential customer at a later stage of the sales conversion process, when they are qualified as a potential sale.

SOCIAL INTEGRATION
Integration of marketing campaigns with social networking platforms.

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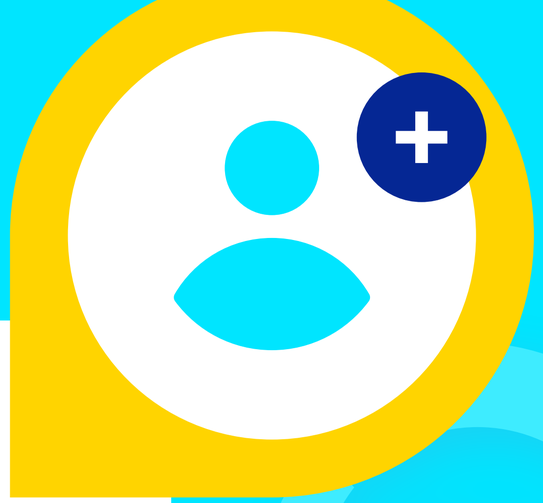


CUSTOMER PROFILING

IS THE CREATION OF A VIRTUAL "PORTRAIT" FOR EACH CUSTOMER THAT WILL BE USED TO HELP THE BUSINESS ADD THE CUSTOMER INTO SEGMENTS.

The customer profile may include:

- → DEMOGRAPHIC DATA
- → GEOGRAPHIC LOCATION
- → PURCHASING BEHAVIOR
- → PREFERENCES IN RELATION TO THE PURCHASE/DELIVERY OF PRODUCTS OR ADDITIONAL SERVICES
- → COMMUNICATION PREFERENCES

With the customer profile created, the business is now ready to proceed with segmentation.

CUSTOMER SEGMENTATION

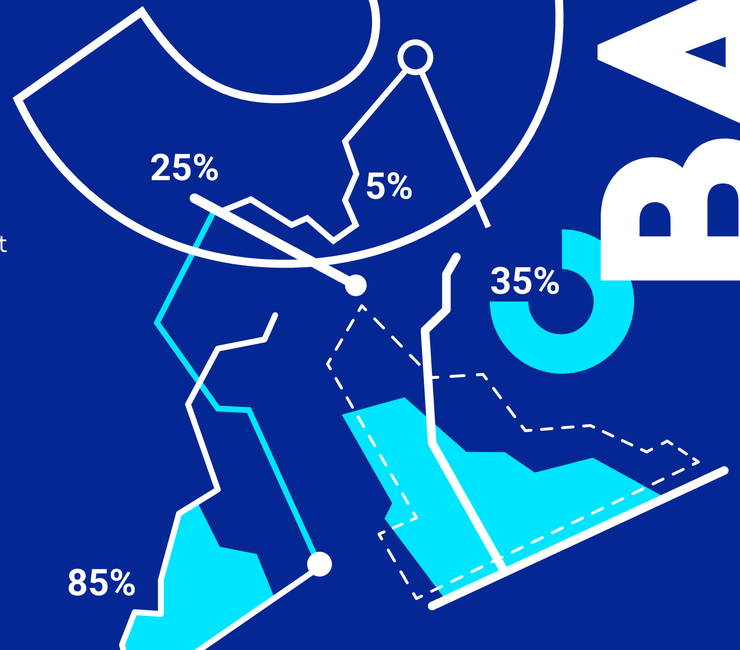
5 BASIC CATEGORIES

The main categories that businesses usually use for market segmentation are as follows:

1 DEMOGRAPHICS SEGMENTATION
This segmentation is based on customer demographics, which may include gender, age group, socio-economic class, marital status and education.

2 GEOGRAPHIC This location-based segmentation can be broad (e.g. county or city) or narrow (e.g. postal code).

3 BEHAVIORAL SEGMENTATION
More common in B2C models, behavioral segmentation is concerned with consumer behavior in relation to the product or service, collecting data on product usage (e.g. frequency), brand loyalty, effectiveness of promotional activities, purchasing behavior, etc



4 PSYCHOGRAPHIC SEGMENTATION
This segmentation focuses on data related to customers' lifestyles, their perceptions and beliefs, their personality, interests and hobbies, etc. Like behavioral segmentation, psychographics are most commonly found in B2C models.

5 FIRMOGRAPHICS SEGMENTATION
Also known as emporagraphics, this segmentation applies only to B2B models and categorizes client companies in relation to qualitative characteristics such as the number of employees, turnover, annual growth rate, etc.

COMMON BUSINESS CHALLENGES

Market Segmentation is not a simple process. To do it right, we need accurate commercial goals, proper data management, smart IT tools; but also people with knowledge and experience to manage all of the above.

However, businesses often face challenges with customer egmentation. The most common are:

- Lack of direction in marketing, sales or customer service management
- Lack of collaboration amongst the marketing, sales and customer service departments
- Lack of sufficient resources (money, time, people) to manage multiple marketing activities
- Poor prioritization of the segments
- Inability to identify segments or difficulty choosing the right segments for the business, based on its products or services
- Inadequate customer relationship management (CRM) system that cannot support customer segmentation or actions by segment
- Inadequate training of users in the use of software

COMMON BUSINESS CHALLENGES

The above challenges are common and many businesses may face at least one of them at some point. To cope, they can focus on:

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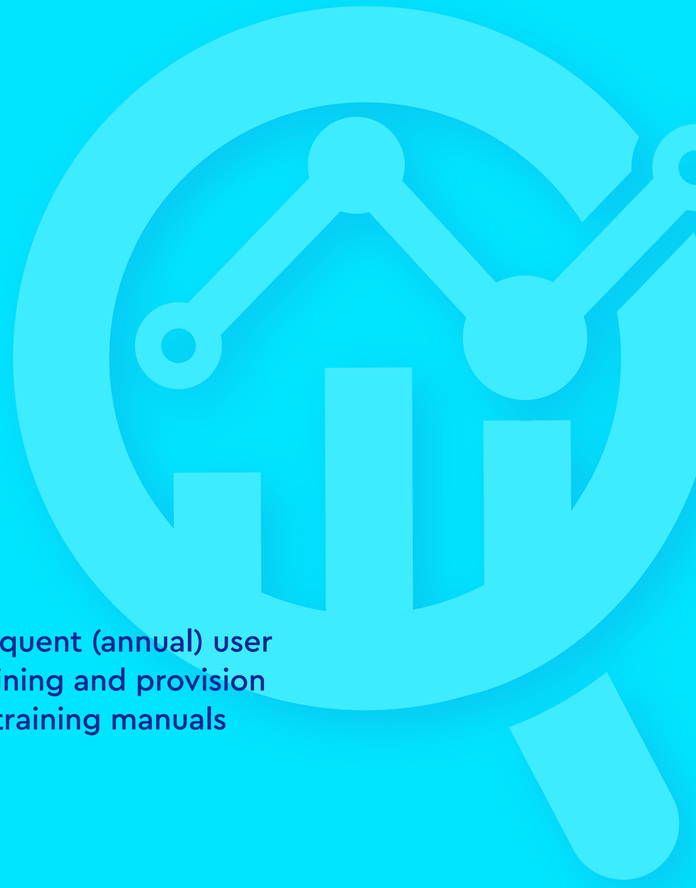
1. Development of a crystal clear business plan and objectives for the individual divisions of the company, including market segmentation (e.g. objectives by geographic region or by vertical market)

2. Integration of standard operating procedures for each department of the business

3. Prioritization of commercial objectives, for better prioritization of segments and better management of any available resources

4. Frequent (annual) user training and provision of training manuals



Finally, it is important for the company to select not only a smart CRM tool, but also an experienced technology partner who will help the company with configuration, so they can collect and exploit the right data.

THE POWER OF CUSTOMER ANALYTICS IN MARKET SEGMENTATION

Amongst the commercial tools that a business can employ, the most successful are the ones that can, either directly or indirectly, have an impact on customer experience.

Customer Analytics falls into this very group, as it offers a number of direct and indirect business benefits for the business.

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In particular, advantages of using Customer Analytics for Market Segmentation include:

GREATER CUSTOMER SATISFACTION
Communication with the customer is targeted and accurate, without distributing irrelevant information that may annoy the customer

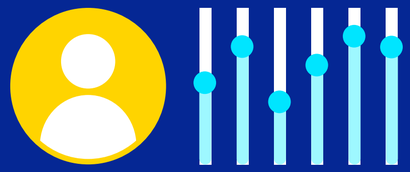
HIGHER CUSTOMER LOYALTY INDEX
Satisfied customers are more likely to stay engaged with the business for longer

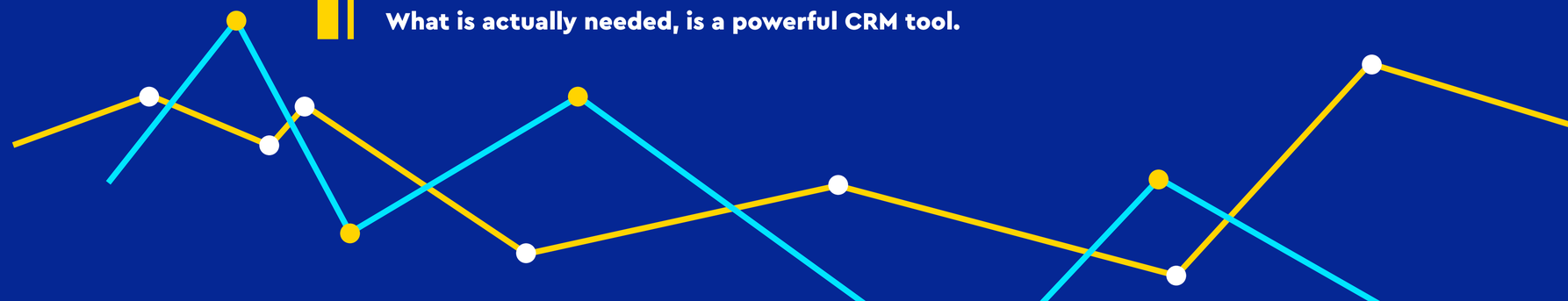
IMPROVED AWARENESS OF THE COMPANY'S BRAND NAME
Customers associate their experience with the brand. If the experience is positive, their perception of the business will also be positive

REDUCED COSTS SPENT ON IDENTIFYING AND ATTRACTING NEW CUSTOMERS
When customers return for repeat purchases, the business is able to invest more strategically in sales growth.

INCREASED TURNOVER AND BETTER PROFITABILITY
By having consistently satisfied customers, the business can have repeat sales, upselling, and promote new products and services to its existing clientele.

Customer Analytics is data that, if utilized correctly, will pay off manifold for the business. However, in order to exploit this valuable asset, knowledge, planning and technological tools are required. **What is actually needed, is a powerful CRM tool.**





TECHNOLOGY

There are a few technological features that can indeed assist a company with Customer Analytics, and most of them would be part of a solid CRM tool.

WHEN SELECTING A CRM SOLUTION, MAKE SURE IT WILL COVER ALL OF YOUR COMPANY'S CRITICAL BUSINESS UNITS AND OPERATIONS, SUCH AS SALES, MARKETING, CUSTOMER SERVICE AND SLAS.

Additionally, your new solution should include **RFM Analysis** (Recency, Frequency, Monetary).

RFM Analysis is a **dynamic feature** that allows businesses (especially those with a B2C go-to-market model) to increase sales by leveraging data on consumer behavior in relation to **recent purchases** (when the most recent purchase took place), **frequency** of purchases (how many purchases have been made) and **value** (what is the monetary value of the purchases).

Here's a list of key features you should expect your new CRM solution to have.

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KEY FEATURES FOR CUSTOMER RELATIONSHIP MANAGEMENT

- Sales Force Automation
- Visit Plan
- Sales Commissions Management
- Opportunity Management
- Contract Management
- Subscription Management

KEY FEATURES FOR MARKETING

- Customer Profiling and Segmentation
- Marketing Campaigns
- Questionnaires / Surveys
- SMS/MMS Marketing
- RFM Analysis
- Event Management

KEY FEATURES FOR SERVICE MANAGEMENT & CUSTOMER CARE

- Service Management
- Service Level Agreement Management (SLAs)
- Complaints Management
- Knowledge Base Management
- Request for Approval
- CTI Integration
- Integration with Microsoft Outlook

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AMONGST THE VARIOUS TOOLS THE MARKET HAS TO OFFER, ENTERSOFT CRM PROVIDES A COMPREHENSIVE FEATURE-RICH SOLUTION FOR MARKET SEGMENTATION.

See below why.

SUCCEED WITH ENTERSOFT CRM

ENTERSOFT CRM IS AN INNOVATIVE CUSTOMER RELATIONSHIP MANAGEMENT PLATFORM, DESIGNED TO ADDRESS THE COMPLEX REQUIREMENTS OF SALES, MARKETING, CUSTOMER SERVICE AND MAINTENANCE SERVICE (SLAs) DEPARTMENTS.

It can be fully integrated with ERP systems, providing a unified environment for 3600, real-time insight of customers and contacts.

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Entersoft CRM can help businesses plan, organize and monitor commercial operations and contacts with their customers.

ADVANCED ROLE BASED ANALYTICS, **REPORTING** and **BUSINESS INTELLIGENCE** capabilities empower organizations to develop targeted marketing campaigns, successful promotions, sales strategies and policies.

Its rich features also include:

- **GRAPHICAL INTERFACE (DRAG & DROP)**
- **SEGMENTATION WITH UNLIMITED CRITERIA, EITHER STATICALLY** (e.g. geographic, demographic, survey responses) **OR DYNAMICALLY** (e.g. turnover, purchase frequency, product range, number of calls, etc.)
- **LIMITS FOR SEPARATING "DEPARTMENTS" ON EACH RESULT - SCENARIO**
- **BUILT-IN DATA MINING CLASSIFICATION TECHNIQUES (ABC CLASSIFICATION, RFM ANALYSIS)**
- **"TARGET AUDIENCE LIST" FOR COMMERCIAL EXPLOITATION**

With its powerful features, **Entersoft CRM** also ensures:

- **MORE TARGETED ACTIVITIES PER CUSTOMER GROUP**
- **DEEPER UNDERSTANDING OF CUSTOMER PREFERENCES AND NEEDS**
- **MORE EFFICIENT ALLOCATION OF SALES & MARKETING RESOURCES**
- **MAXIMIZATION OF CROSS SELLING AND UP SELLING**

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EASY TO ADAPT AND VERSATILE, ENTERSOFT CRM

Easy to adapt and versatile **Entersoft CRM** can increase customer visibility, while providing seamless teamwork, improving employee productivity and advancing the customer experience.

Discover more on **entersoft.gr/products/crm**

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