30 MINUTE MARKETER

How to Segment Your Email List for Better Results

10 quick tactics for splitting your list for more targeted content

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30-Minute Marketer: How to Segment Your Email List for Better Results

10 quick tactics for splitting your list for more targeted content

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TACTICS YOU CAN LEARN OVER LUNCH

Welcome to *30-Minute Marketer* – a resource from MarketingSherpa featuring bite-sized tips for busy marketers.

In this report, we focus on segmenting your email lists to achieve better results

In email marketing, targeted messaging begins with segmentation. Targeted emails connect more directly to subscribers' interests, and convince them to open, engage and convert more often.

By segmenting your lists, you can personalize content to best appeal to the particular recipients you want to reach. You can narrow the content's focus based on the segment's characteristics. And, perhaps most importantly, you can avoid bombarding your general list with stuff that won't interest them—thingsreadersmay view as spam.

> ### *Why Care About Segmentation?*
>
> Subscribers who feel like you're throwing a ton of random messages at them are more likely to delete your email or unsubscribe, or, even worse, mark your email as spam and hurt your deliverability.

In this report, we'll show you:

- Why segmentation is so important to an email strategy
- How to win over the skeptics on your team
- Types of data you will need for the segmentation process
- Ways to determine your segmentation types

We know you're in a hurry, so we won't make you wait any longer for these tips about email segmentation!

Enjoy!

Bobbi Dempsey
Editor, *30-Minute Marketer*

About **30-Minute Marketer**

*MarketingSherpa's*30-Minute Marketer *reports were designed with you in mind. We know you've got lots to do and not a lot of time to do it. You need quick, simple tips that you can put into action right away.*

*For each*30-Minute Marketer*, I scour the vast MECLABS library of marketing research, from MarketingSherpa case studies and benchmark reports,to MarketingExperiments optimization tests, and edit all of the research down into an actionable piece that helps you improve your marketing performance right now…or, at least, by the time you're done with lunch.*

As seen in this chart from the MarketingSherpa *2011 Email Marketing Advanced Practices Handbook*, the biggest challenge for email marketers is targeting recipients with highly relevant content. Segmenting your list helps solve this problem by allowing you to target subscribers with content that will appeal to them. Crafting messages that are timely and significant to the reader will increase open and clickthrough rates. Irrelevant emails put your brand's image, reputation and customer relationships at risk.

Chart: Most significant challenges to email marketing effectiveness, by primary channel

Q. How significant are the following challenges to email marketing effectiveness?
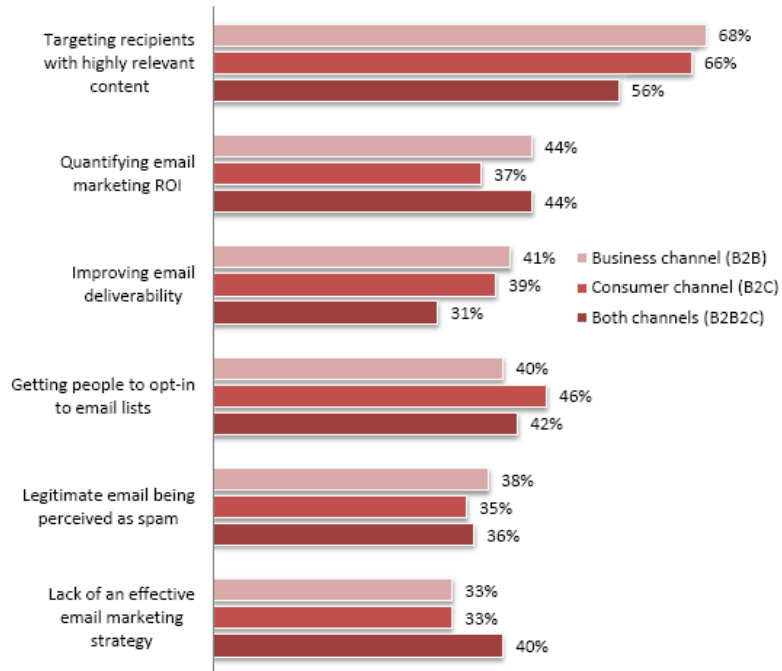
Source: MarketingSherpa Email Marketing Benchmark Survey
Methodology: Fielded Sep 2010, N=1,115

Tactic #1: Be prepared to make your case

Segmentation—or, more specifically, the work and expense involved in segmentation—is not always an easy sell. So it's important that you cite the valuable benefits segmentation can provide. In this MarketingSherpa interview, email researcher Michael Wexler advises, "There's a high cost to entry for classic segmentation testing; it costs more than a simple test. However, this investment helps a lot. It stems lowered results, reporting of spam, unsubscribes, and it results in higher lifetime value per name."

In this MarketingSherpa how-to article on database segmentation, Halley Silver, Director of Online Services, King Arthur Flour, says her team wanted to deliver relevant content to its niche audiences, such as subscribers interested in gluten-free baking or wholesale products. Featuring such content in emails sent to King Arthur's general database typically generated poor results.

This motivated the team to pursue segmentation. The team wanted to identify specific groups within its database to send content that connected with the groups' interests. Doing so would also help avoid sending niche content to the team's entire database, which many subscribers considered irrelevant.

"In my opinion, making sure you're not sending irrelevant messages to each of your customer segments is perhaps even more important than focusing on relevant messaging," Silver says. "By sending irrelevant messages you run the risk of being perceived as a spammer, and your unsubscribe rates go way up."

Fortunately, the resulting numbers helped sway any remaining skeptics. The average clickthrough rates and open rates both showed a considerable increase for the segmented lists compared to the overall lists.

Such results are common among marketers who segment their lists effectively, as Wendy White, Senior Marketing Strategist, Global Media Division, Acxiom, says in thisMarketingSherpahow-to. "It is dramatically effective," says White. "If someone is not segmenting, then they are leaving money on the ground. There is gold in segmentation."

There is one caveat. You may need to warn your team (and stakeholders) to be patient when waiting to reap the rewards of segmentation. Wexler says segmentation tests do not always show immediate results. "It takes a few emails to [recipients] for them to recognize that it's the right email for them. It may take six emails, and maybe they'll only open three of them."

Tactic #2: Assemble the key components

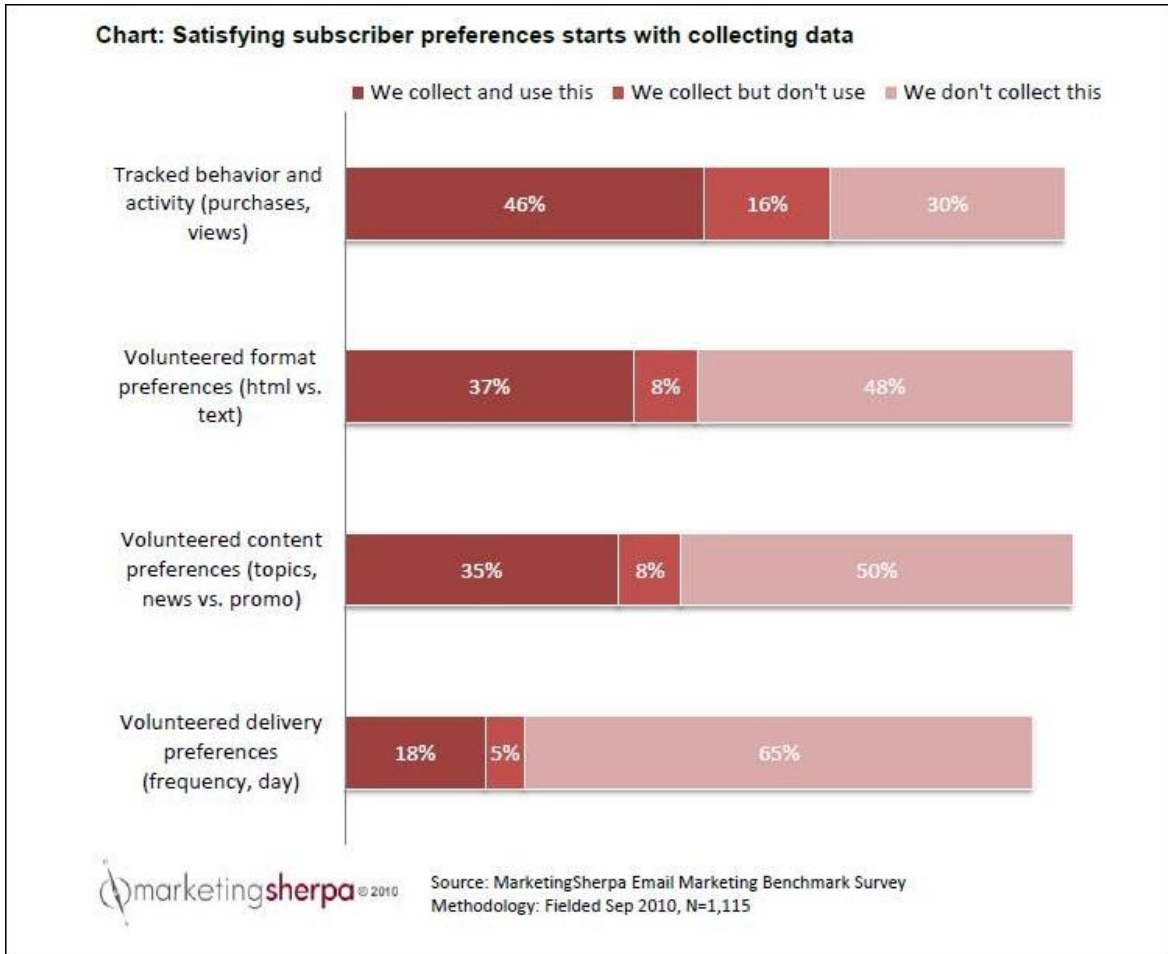White also lists three assets you'll need to effectively segment:

- Email database

Segmentation relies on data. You do not need an elaborate database with 50 fields of information for each subscriber, but you *do* need more than a list of email addresses. Even the most basic data, such as whether your subscribers are prospects or customers, is enough to get started.

"If you are tracking opens and clicks, you have enough information to dramatically improve your performance of your emails," White says. If you do not have enough data, then you need to start collecting it. Here are a few places among the many you can pull from:

- CRM system
- Subscriber preferences center
- Third-party data append services
- Your ESP's tracking data

The following chart, taken from the MarketingSherpa *2011 Email Marketing Benchmark Report*, shows the most popular types of data collected on subscribers, and the percentage of marketers who use them. As you can see, tracked behavior and activities top the list.

Chart: Satisfying subscriber preferences starts with collecting data

■ We collect and use this ■ We collect but don't use ■ We don't collect this

Tracked behavior and activity (purchases, views): 46% | 16% | 30%

Volunteered format preferences (html vs. text): 37% | 8% | 48%

Volunteered content preferences (topics, news vs. promo): 35% | 8% | 50%

Volunteered delivery preferences (frequency, day): 18% | 5% | 65%

marketingsherpa ® 2010

Source: MarketingSherpa Email Marketing Benchmark Survey
Methodology: Fielded Sep 2010, N=1,115

- Testing process

The goal of segmenting your database is to send targeted messages. The only way you can be sure your messages will improve performance is to test them against a control group. Unfortunately, only 39% of email marketers routinely test emails, according to the benchmark report.

- Content

Each new segment you target can multiply the amount of content you need. This is true whether you are altering a single email for each segment, or launching targeted newsletters. This is another reason to start small.

"Once you get into segmenting, you start to realize you don't have one list. You have a bunch of little lists that you had previously been managing under one roof, and so you break those out and you start to treat them as individual campaigns," says Justin Premick, Director, Education Marketing, AWeber.
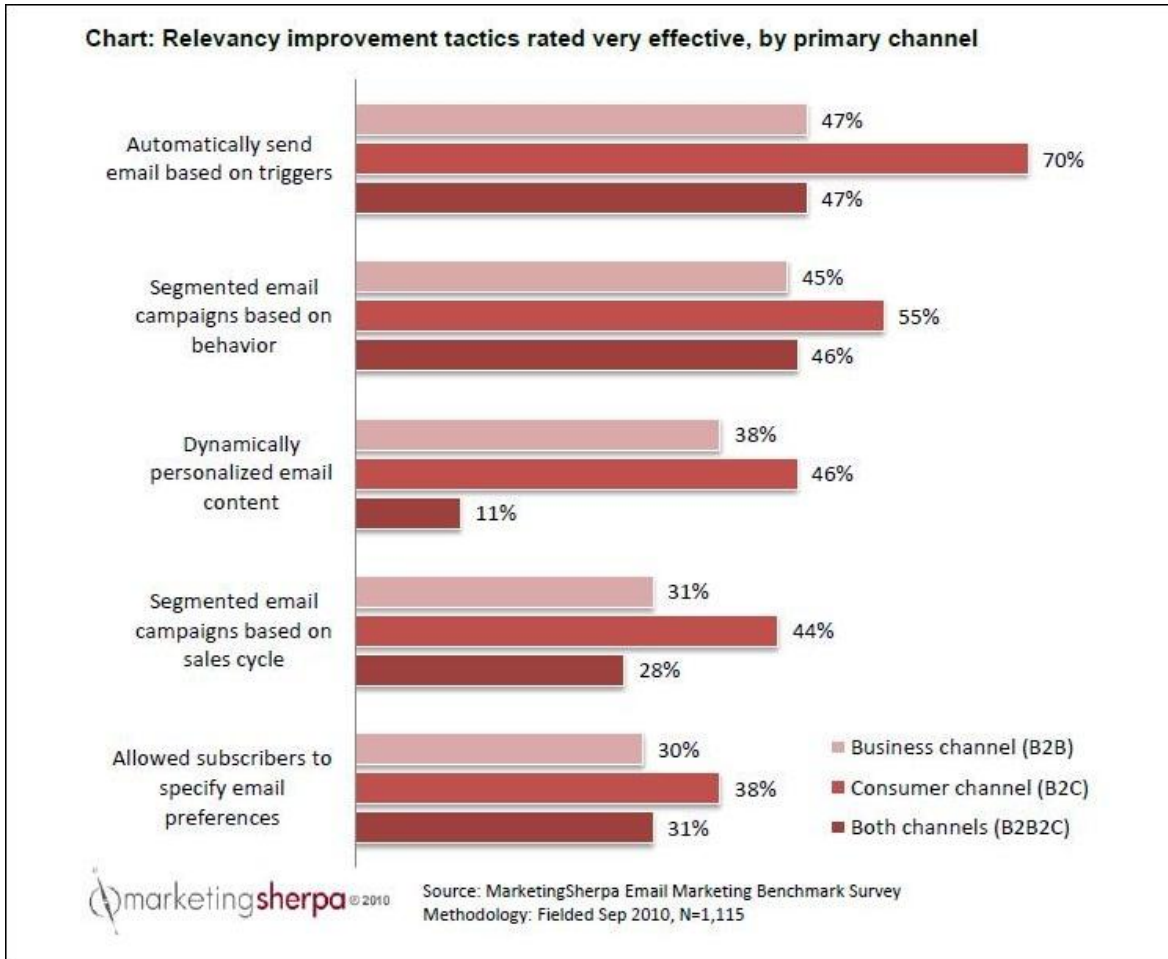
Tactic #3: Collect as much data as possible

This MarketingSherpa how-to on database refinement identified the four types of data you can use:

Endemic data is information solicited from – and provided by – the subscriber. It includes contact and demographic information, as well as preferences.

Transactional data, as one might expect, is information captured during transactions. It includes financial information, as well as when and where the interaction occurred.

Behavioral data encompasses actions that occur once, such as abandoning a cart, as well as activities observed over time that help you establish patterns of behavior. These include when subscribers open emails, types of websites they visit and their tendency to use coupons.

Chart: Relevancy improvement tactics rated very effective, by primary channel

Tactic	Business channel (B2B)	Consumer channel (B2C)	Both channels (B2B2C)
Automatically send email based on triggers	47%	70%	47%
Segmented email campaigns based on behavior	45%	55%	46%
Dynamically personalized email content	38%	46%	11%
Segmented email campaigns based on sales cycle	31%	44%	28%
Allowed subscribers to specify email preferences	30%	38%	31%

Source: MarketingSherpa Email Marketing Benchmark Survey
Methodology: Fielded Sep 2010, N=1,115

As you can see from the chart above, marketers find segmentation based on behavior to be one of the most effective relevancy improvement tactics.

Computed data is created by performing calculations on one or more variables. The resulting factor can be as simple as distance from a retail store or as complex as expected lifetime profit value.

Tactic #4: Develop segments based on long-term behaviors

We've illustrated the value of behavioral data above. This MarketingSherpa how-to on email relevance expands on the value of studying long-term behaviors in your segmentation efforts.

When you collect behavioral data over the long term, you learn enough about customers to accurately group them with others who behave and respond in a similar fashion. Segments create a collective intelligence useful and often actionable for members of that grouping.

For example, you can determine if subscribers are brand- or price-sensitive. For specific products, such as 3D televisions, you can group consumers by the size of the TV they bought, to recommend what type of 3D glasses they need.

Once you've identified a behavior-based segment with shared behaviors and tastes, it opens up the possibility for customer-generated content – namely recommendations, ratings and reviews. You can leverage the probability that people within a segment will resonate and respond to the opinions and views of others in that grouping.

Tactic #5: Identify your segmentation types

In the MarketingSherpa blog post, Email Marketing: Groupon's segmentation strategies across 115 million subscribers, senior reporter Adam T. Sutton shares some tips from John Becvar, Sr. Director of Relationship Marketing at Groupon.

Segmentation #1: Geographic

Groupon's core business value proposition, Becvar said, is about discovering great local things to do. As the company's reach expanded into more than 500 cities, it found more subscribers and adapted its definition of "local."

"Being geographically relevant is the first most important thing," Becvar said. The company first segmented its list by general metro areas. Then, getting more specific, it targeted offers by ZIP code. Now the company wants to determine not only which offers are available near a subscriber's home, but also which are available near places they often visit.

Segmentation #2: Product type

Groupon was a pioneer in the daily deal market. Competitors have since emerged, some of which target niche categories such as travel or home goods. Not to be outdone, Groupon's marketers started offering specific types of local deals via email, not just local deals in general. A few examples of Groupon's newer, more-specific email programs:

- Groupon Getaways – focuses on travel
- GrouponLive– focuses on live events
- Groupon Now! – same-day deals

Segmentation #3: Lifecycle

Every subscriber was treated the same when Becvar joined the company, whether they bought zero deals or 100. Groupon has since "tried to evolve that into a more of a lifecycle strategy," he said.

For example, new subscribers receive a series of 12 messages over their first 45 days in the program. The emails are designed to excite and engage new subscribers with the brand. "For the best customers, we're doing things to reward, recognize, and retain them as well," Becvar said.

Segmentation #4: Personal data

The team also gathers data to personalize its emails. Three types of data Becvar mentioned that help drive Groupon's personalization

- Self-reported – such as age, gender, zip code
- Appended – data purchased from third-party services
- Behavioral – data based on what subscribers click and purchase

Tactic #6: Consider other segmentation approaches

Your specific segmentation types may vary depending on your goals and consumer characteristics. This MarketingSherpa Email Summit Wrap-Up Report shared two ways Summit speakers segmented their databases:

By customer profile

Don McNichol, Director, eCommerce and Direct Marketing, Intermix, analyzed purchase records to identify three types of customers:

- VIPs who spend tens of thousands with the company annually
- Sale shoppers who only buy when there's a sale or discount
- Brand shoppers who are loyal to a specific brand

By targeting messages and offers to each group, the team achieved a 90% increase in open rates, a 46% increase in clickthroughs, and a 28% increase in email marketing profit.

By email activity

Brooks Bell, President, Books Bell Interactive, revived the AARP's email newsletter program by performing a series of tests on segments of the audience identified by email activity:

- Active – clicked in the last four months
- Passive – opened in last four months but did not click
- Inactive – no opens or clicks in the last four months

Through several tests and campaigns aimed at re-engaging passive and inactive subscribers, they were able to generate a 59% increase in their active subscribers.

Tactic #7: Start with a single segment

As seen earlier, King Arthur Flour did not jump headfirst into segmentation. Instead, the team focused on a single segment: subscribers interested in the brand's retail store.

Starting with a single segment helped Halley Silver's team in the following three ways:

- Managing unforeseen challenges

The team was able to work through the growing pains from new strategy in a controlled environment. The team would also know what to expect when launching new segments later on, and would have a tested process for segmentation and delivery.

For example, after struggling to keep up with deadlines for emails going to the retail subscribers, Silver's team built four email templates for all emails going forward. This reduced time spent on design and revision, and enabled the team to focus more on the creative material and content that had proved to lift results.

- Adjusting strategy

Emails to this first segment began as a daily alert about specials at the retail store and menu options in the store's bakery. The team had to quickly shift from a daily email with detailed information to a monthly email with general highlights.

"It was incredibly difficult to get that daily content we wanted to send. We were trying to find out what was going to be in the café and what the bakery was going to be baking on a certain day. But if they didn't have the ingredients, they had to switch gears and it was operationally quite difficult."

This transition was simpler than it would have been if the team had also been establishing several additional segments (which also might have needed adjusting).

- Proving results

The marketers were able to prove that segmenting and sending targeted content improved results, giving them the confidence to expand the strategy and gradually add more segments.

"The open rate was high, the unsubscribe rate was low, the clickthrough rates were high, and we sent out the emails and saw people coming into the store. It was as simple as that," Silver says.

Tactic #8: Treat inactive subscribers as a segment

As this MarketingSherpa how-to on email relevance shows, not all segmentation needs to be complex. By using email analytics to recognize and group inactive subscribers into a segment early in the process – perhaps after six weeks, rather than six months – you improve your chances of re-engagement.

In general, the approach to reactivation is simply doing something different than you usually do in emails for that specific segment.

A reactivation program can be as simple as reducing the amount of email you send that segment of your list. Moosejaw, an outdoor gear and apparel retailer, uses this approach. When the company finally sends an email to the disengaged group, they employ humor and surprise to earn back their interest.

Tactic #9: Avoid the temptation to go overboard

While some segmentation can be great, excessive segmentation can be wasteful . How segmented do you really have to get? "Not one-to-one," says Michael Wexler. "You don't need to segment to every single person. It just so happens that many people cluster together. A lot of people like 'Star Wars' for example. You certainly have to treat them differently than fans of 'Harry Potter,' but you don't have to treat them differently from each other."

"For resource allocation, pick the groups that appear to be high value, and then combine others. With high value groups you spend a bit more; with others you're throwing away a bit of power. You have to play with it to determine which ones may not make enough of a difference to segment for."

Tactic #10: Leverage internal resources for content

The whole point of segmentation is to allow you to target content of interest to specific consumers—but this in turn can lead to another challenge: how to then come up with all of that content to deliver to these segmented lists.

Developing and formatting content was the most time-consuming part of King Arthur Flour's email program, Silver says. Every email the brand sends includes a recipe that is related to the audience's interests. For example, gluten-free subscribers will receive gluten-free recipes, and subscribers who are interested in the education center will receive recipes that are taught at the school.

Silver's strategy is to repurpose content from throughout the company, enlisting staff to write blog posts, provide recipes, or help in other ways. She also reaches out to the appropriate stakeholders related to each email segments. "They are as eager to build their lists and their program as we are. So they are usually very responsive in terms of helping develop content for the emails."

Another way Silver's team regularly generates content is through repurposing content used in other marketing efforts and recipes that are developed for other areas of the company.

"We definitely reuse as much as we can and try to take advantage of what is already out there," she says. "Then it is just a matter of adapting and publishing it for email and the Web."

Useful links and resources:

Email Marketing: LEAPS Methodology for Improving Performance

"Mind Type" Segmenting Lifts Email Donations 42.5: Six Steps to Find Subscribers' Underlying Motivations

Email Marketing: Groupon's segmentation strategies across 115 million subscribers

Marketing Testing and Optimization: The value of being wrong

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