

Tech Round-Up

Email Segmentation and Targeting

BY JASON HAHN

If your company is segmenting its email lists just by using potentially stale attributes like job titles and basic demographics, it's leaving a lot on the table. Today, marketers have more data than they can handle; and much of that data can give them keen insights into consumer behavior and be used to improve the segmentation and targeting of their email lists.

A recent report from Lyris found that 85% of marketers use list segmentation and targeting as part of their email marketing efforts, making it the most popular email marketing practice. However, 39% said segmenting lists by demographics was one of the most effective list-segmentation tactics over the past year, while more up-to-date and granular forms of segmentation (e.g., segmenting by purchase history, type of purchase and website activity) followed behind.

Although a strong majority of marketers are segmenting their email lists, most aren't yet able to take advantage of the more dynamic, behaviorally driven forms of segmenting and targeting, as these stats highlight. This means many marketers may well be sending irrelevant, bothersome—even hopeless—emails to people on their lists, potentially damaging their reputations and putting a damper on their results.

Contrary to what it might sound like, behavioral segmentation isn't an unduly arduous or costly endeavor. In fact, the simplest forms can be done with the email data and manpower a business already has on hand.

Beware of Zombies

Maybe the simplest form of behavioral segmentation is based on the absence of behavior. In other words, marketers shouldn't overlook the opportunity to segment their

lists by dividing up subscribers into two groups: engaged and non-engaged. Brian Kardon, CMO of Lattice Engines, which uses big data to inform sales and marketing professionals, calls these active yet unresponsive recipients “zombie” email addresses. While functional (i.e., no hard bounces), these email addresses never engage with messages that a company sends them.

Kardon says that if someone hasn't responded to an email in the past six months, they're a zombie.

“The big secret between database marketers is that 40% to 50% of lists don't respond back,” he adds. “If you keep the zombies in, you get a false read on your open rates and clickthrough rates.”

Micky Long, vice president and practice director of lead nurturing at Arketi Group, a marketing and public relations firm for B2B technology companies, says starting with this simple form of segmentation will often lead to big results.

“We do this simple segmentation for all clients with the systems to enable segmentation and have found that, typically, marketers engage with less than 20% of their overall database,” he says. “Tracking and targeting this ‘high potential’ segment can yield much better and more accurate metrics than reporting on an entire database.”

“Once the zombies are segmented, you try to reactivate them,” Kardon says. “Think about using a defibrillator to shock those zombies back to life by offering a compelling offer.”

These “win-back” campaigns should focus on getting easy opens and clicks. “If after three to six months they still haven't engaged



with any of your emails, it may be time to stop wasting your money on emailing them,” says Eddie Howard, senior product manager at iContact, an email marketing services provider.

Beyond Opens and Clicks

Opens and clicks are common fare for anyone familiar with email marketing metrics, but segmentation tactics should go deeper. For instance, marketers should consider segmenting lists not just based on who opens or doesn't open an email; they should see who opened an email and set up triggers that will change the amount of time before the next communication is sent to those recipients, versus those who didn't open the email.

“Companies are dynamically accelerating their touches with prospects based on whether there's a connection or not a connection,” Kardon says. For instance, if someone doesn't open an email, the company can send the follow-up message in X days. If, however, someone opens that same email, the company can set up a trigger that will send a follow-up in X minus four days.

Taking this a step further, marketers should also consider segmentation based on the speed of opens. “Fast openers,” according to Howard, are “subscribers who opened



your email in the first hour, 12 hours or 24 hours after the email was sent.” This data will reveal which recipients are quick to read a company’s emails and who might have their smartphones on them throughout the day.

“By identifying those first-to-open subscribers, you can create and segment time-sensitive email campaigns that will not only provide value for these customers, but will also sync them into the ‘read our emails immediately’ mentality that will help drive brand loyalty and excitement,” Howard says. “Marketers should also consider reaching out to these subscribers first for exclusive events, praising them for being so actively engaged.”

These fast openers might also be interested in fast deals. “Use this data to more highly segment your lists, and you might be surprised when your clickthroughs skyrocket,” Howard says.

In addition to opens, there are clicks, which indicate what products, services and types of content subscribers are interested in. This data can easily be used to segment email lists and home in on what subscribers are truly interested in getting in their inboxes. But marketers should go even further than that.

“There’s a limitation if you’re looking only at the email data,” says Justin Premick, director of education marketing at email marketing software and services provider AWeber Communications. He offers an example of an email subscriber for a clothing retailer clicking on an email touting a discount on spring sweaters. However, after that click, the consumer might end up browsing jeans.

“When trying to target that subscriber with future emails, looking only at what they did in their inbox, rather than incorporating the site behavior data that lives in your web analytics software, means you might overlook the most relevant, valuable, profitable content that you could send that subscriber,” Premick says.

On-Site Behavior and Purchases

Once subscribers click on a link in an email, that’s where juicy, segmentation-friendly data is found. Marketers can watch what those people do on their website to get a better understanding of how to segment and target them.

“By integrating tools like Google Analytics with your emails, you are able to see the full

path your subscribers take—from when they open your emails to where they end up at on your site,” says Daniel Miller, sales director for email services provider Benchmark Email. “The more you know about your subscribers, the better you can segment your lists.”

When someone is on your site, it’s important to look at engagement not just in terms of clicks and dwell time, but also in terms of certain microbehaviors, according to Dan Darnell, vice president of marketing and product for Baynote, a provider of personalized customer experience solutions for multichannel retailers.

“Clicks are very noisy,” Darnell says. They might even indicate unhappiness if a user gets lost on a website or doesn’t find what he or she is looking for right away. Sometimes it’s less about the clicks and how much time is spent on certain pages of a site, and more about how a user scrolls through pages and whether that user navigates back to a certain page several times.

The supreme on-site behavior is, of course, a purchase. “Ultimately, companies are earning their keep based on what customers are actually purchasing,” Premick says.

“Purchase behavior is like any other subscriber interaction with your campaign: If you can capture it, you can create a segment around it,” says Anthony Wilkey, strategic client director at Emailvision, a provider of software-as-a-service (SaaS) marketing solutions. “And with purchases behavior, there are several different possibilities for how you might construct those segments to achieve your goals.”

Wilkey offers a few examples:

- Purchase behavior and history can be used to stimulate spending, promote re-orders, and drive cross- and up-selling of other products that fit customer profiles.
- Purchase dates can be used for reactivation campaigns aimed at customers who haven’t made a purchase in a preset time range.
- Total purchase value can be used to reward top spenders with loyalty programs and target customers who make purchases during sales.
- Purchases from a specific product line can be used to promote and cater to customers’ preferred styles, lines, designers, etc.;

Real Time

One of the beautiful things about emails is that the data they yield can often be collected in real time and used to create segments. According to Anthony Wilkey, strategic client director at Emailvision, a provider of software-as-a-service (SaaS), the relationship between this real-time data and resulting segmentation can follow one of three basic patterns:

- **Real time/real time:** “In this scenario, a subscriber’s real-time action elicits a real-time response. For example, Bob clicks the ‘Find out more’ link in the email, and an email with more information is sent. Strictly speaking, Bob is a segment of one, and the way that segment was determined was based on pre-established rules. As soon as the information email is sent, the segment, ‘Bob,’ no longer exists.”
- **Real time/trigger:** “In this situation, a segment is developed based on real-time data; however, the response is not sent in real time. Instead, a trigger, or automated action, is set that will apply to the whole segment. For example, when Bob clicks ‘Find out more,’ he is automatically added to a segment for a preplanned follow-up. Each time someone new clicks ‘Find out more,’ that person will also become a member of that segment. The triggered response could follow the next day or next week. In essence, the data used to create the segment was received in real time; however, the response need not be.”
- **Real time/ad hoc:** “This is the most manual of our segmentation scenarios. In this case, the marketer could be watching his or her dashboard with real-time data with the intent of observing unexpected trends that can then be used to develop segments. Again, the data is received and segments created from real-time information; however, the resulting campaign need not be immediate.”

The latter approach isn’t the most practical and is often taken when a company doesn’t have a proper strategy in place beforehand. “In email marketing, it is generally more practical to automate your campaigns and monitor results, as opposed to monitoring results and then developing a reaction,” Wilkey adds.

It’s up to marketers to find which approach works best for them by testing and seeing how effective their segmentations are.



introduce customers to new products or services; and create segments based on their past purchases.

However, this doesn't mean marketers should focus solely on purchases. They may be great for predicting what someone might be interested in seeing or buying next, but the problem is that they're few and far between, according to Darnell.

Marketers using purchase behaviors to segment and target their email lists must also avoid missing the bigger picture. For instance, they should consider the possible intent behind each purchase. Maybe a pair of jeans a consumer bought is a replacement for a pair purchased six months ago, and maybe that consumer usually buys her jeans in the fall.

"Look at the purchase history in a macro way," Premick says. "The point is not to get stuck looking at just one metric, because one metric doesn't tell the whole story."

Challenges and Pitfalls

As marketers have gained access to more and more data, their work has become both harder and easier. "The challenge is deciding what's important and what's not," Premick says.

Concurrent with the process of finding the most pertinent data for its segmentation purposes, a business must also remember that segmentations and the behaviors they're based on may be outdated in a matter of weeks, if not days.

"Just because someone is interested in women's hats today does not mean that per-

son will be interested in the same thing next month," Howard says. "Keep up with your subscribers' behaviors and adapt accordingly."

Darnell says that marketers shouldn't get caught staring in their rearview mirrors. "They know what the last thing was that you bought and they kind of bucket you based on that," he says. The key is to remember that just because someone was interested in something two weeks ago doesn't mean they're interested in it today.

Sometimes a purchase may not be part of a pattern at all. "For example, someone who purchases a children's toy once is not necessarily a frequent purchaser of kids' merchandise," Wilkey says. "It could have been a holiday gift, and they may not ever buy another toy. To base their future offers on that one purchase could prove counter-effective if the recipient deems your communications irrelevant."

Misleading online behavior may also come in the form of a child using its parent's computer, for example. The child's product searches will probably not be indicative of what the adult user of the computer is actually looking for.

Even if a marketer gets all the fundamentals right, there's the possibility that the company's email service provider won't cooperate with these dynamic types of segmentation. "In many cases, marketers will need to export and manipulate data in a spreadsheet," Howard says. "However, the benefits far outweigh the efforts. Even if this is done monthly or quarterly, the results will be worth it."

The Future

Cookies and creepy emails may worry today's consumers, but the future will hold even more aggressive forms of segmenting and targeting, according to Long. He sees the future of segmentation and targeting for emails and beyond as something that will be straight out of the scene in "Minority Report" where in-mall displays cater to the protagonist's proximity, even saying his name as he walks by.

"That's where we're headed. That's clearly where we're headed," Long says. He calls this "a hope and a fear."

As big companies continue to stockpile big data and as mobile channels continue to be perpetually omnipresent, extreme one-to-one marketing will grow in prominence. "If we do it right as businesses, it'll be great," Long says. But if businesses abuse this access to data and consumers themselves, deploying intimately targeted messages without invitation, it will get ugly.

"Both of those eventualities will happen," Long adds, noting that (some) companies will do this well while others will spam people.

Until then, the "future," so to speak, of dynamic email segmentation and targeting based on behavior is already here, according to Darnell. "If you deny that much longer and don't jump on this idea that you need to personalize content for specific people based on their interests and what they're engaged with, I just think you're going to get left behind."

A Sampling of Vendors

Bronto

Privately held

<http://bronto.com/>

Washington Building

324 Blackwell Street, Suite 410

Durham, NC 27701

(Office in the U.K.)

Contact: 919-595-2500; info@bronto.com

Founded: 2002

Number of employees: 155

Number of clients: 1,000+

Sample clients: Dean & DeLuca, Totes Isotoner, Timex, Samsonite, California Performing Arts, eCampus.com

Pricing: \$3,000 for yearly use of the platform and CPM for email and mobile sends

Feature list: <http://bronto.com/platform>

Campaigner

Brand under j2 Global (NASDAQ: JCOM)

<http://www.campaigner.com/>

6922 Hollywood Blvd.

Hollywood, CA 90028

Contact: Seamas Egan, corporate sales representative:

Seamas.Egan@j2.com, 613-733-0000

Founded: 1999

Number of employees: 600+

Number of clients: Thousands of professional marketers, including more than 10,000 SMBs

Sample clients: Century 21, Sotheby's, Coldwell Banker, State Farm Insurance, Allstate, Bank of America, Wells Fargo

Pricing: <http://www.campaigner.com/pricing.aspx>

Feature list: <http://www.campaigner.com/email-marketing/>

Constant Contact

NASDAQ: CTCT

<http://www.constantcontact.com/>

Reservoir Place

1601 Trapelo Road

Waltham, MA 02451

(locations in Colorado, Florida, California, New York, England)

Contact: 866-876-8464

Founded: 1998

Number of employees: 1,000+

Number of clients: 500,000+

Sample clients: Boston Duck Tours, Staffing Advisors, AAA Translation, Palatine Chamber of Commerce

Pricing: <http://www.constantcontact.com/pricing/email-marketing.jsp>

Feature list: <http://www.constantcontact.com/email-marketing/index.jsp>

**ExactTarget**

NYSE: ET

<http://www.exacttarget.com/>

20 North Meridian Street

Indianapolis, IN 46204

(locations in New York, Atlanta, San Francisco, Seattle, Toronto, Europe, Australia)

Contact: 866-558-9834**Founded:** 2000**Number of employees:** 1,678**Number of clients:** Approximately 6,000 direct clients (approximately 10,000 total clients when considering those from approximately 500 marketing service provider partners)**Sample clients:** Microsoft, Toyota, Expedia, Intuit, Gilt, Zappos.com, AAA**Pricing:** Given upon consultation**Feature list:** <http://www.exacttarget.com/products/email-marketing>**Experian CheetahMail**

Division of Experian (LON: EXPN)

<http://www.experian.com/cheetahmail>

475 Anton Blvd.

Costa Mesa, CA 92626

(locations across the country; headquarters in Dublin, Ireland)

Contact: info@cheetahmail.com**Founded:** 1998 (CheetahMail acquired by Experian in 2004)**Sample clients:** BJ's Wholesale Club, Urban Outfitters, American Eagle, DIRECTV, EA, Carnival**Pricing:** Given upon consultation**Feature list:** <http://www.experian.com/cheetahmail/email-marketing.html>**Lyris**

PINK:LYRI

<http://www.lyris.com/>

6401 Hollis Street, Suite 125

Emeryville, CA 94608

Contact: 888-465-9747**Founded:** 1994**Number of clients:** 5,000+**Sample clients:** NBCUniversal, UNICEF, Morgan Stanley, American Public Media**Pricing:** Given upon consultation**Feature list:** <http://www.lyris.com/us-en/products>**MailChimp**

Privately held

<http://mailchimp.com/>

512 Means St

Suite 404

Atlanta, GA 30318

Contact: <http://kb.mailchimp.com/contact>**Founded:** 2001**Number of employees:** 130**Number of clients:** More than 3 million people and companies**Sample clients:** GigaOM, Smashing Magazine, Betabrand, Atlanta Humane Society, Vice UK, Rovio**Pricing:** <http://mailchimp.com/pricing/>**Feature list:** <http://mailchimp.com/features/>**Responsys**

NASDAQ: MKTG

<http://www.responsys.com/>

1100 Grundy Lane, Suite 300

San Bruno, CA 94066

Contact: 800-624-5356; sales@responsys.com**Founded:** 1998**Number of employees:** 1,000**Sample clients:** Whole Foods, Southwest Airlines, Newegg, Epson, Lenovo, Lufthansa**Pricing:** Given upon consultation**Feature list:** <http://www.responsys.com/marketing-optimization/product-suite/interact-campaign>**StrongMail**

Privately held

<http://www.strongmail.com/>

1300 Island Drive

Suite 200

Redwood City, CA 94065

Contact: 800-971-0380; 650-421-4255; info@strongmail.com**Founded:** 2002**Number of clients:** 600+**Sample clients:** FOX Sports, Viacom, Dow Jones, Guess, Cisco, zulily, eHarmony, McAfee, Marketo**Pricing:** Perpetual or term licenses that are based on volume requirements**Feature list:** <http://www.strongmail.com/>**VerticalResponse**

Privately held

<http://www.verticalresponse.com/>

50 Beale St., 10th Floor

San Francisco, CA 94105

Contact: 866-683-7842; askus@verticalresponse.com**Founded:** 2001**Number of employees:** 109**Number of clients:** 100,000+**Sample clients:** Ghiradelli, eCornell, OfficeMax**Pricing:** <http://www.verticalresponse.com/email-marketing/pricing>**Feature list:** <http://www.verticalresponse.com/email-marketing>**Yesmail**

Privately held

<http://www.yesmail.com/>

309 SW Sixth Avenue, Suite 700

Portland, OR 97204

Contact: David Stodd, business services consultant: 503-419-0630, David.Stodd@yesmail.com**Founded:** 1997**Number of employees:** 300**Number of clients:** 350+**Sample clients:** Warner Brothers, Scholastic, Saveology, HP, Kimberly-Clark**Pricing:**

- Program Implementation Services: Various packages are available, each of which can be configured based on unique client need. These services are charged as a one-time fee.
- Ongoing Services: Committed services, at a minimum; traditional email campaign management, message transmission and account management services are charged on a monthly basis.
- Optional Services: Various associated products and professional services are available to help clients drive their programs, charged according to usage of each service or on an hourly rate basis, with bundled hourly rates available.

Feature list: <http://www.yesmail.com/email-marketing-platform/features>

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