

The better you know your customers,  
the better your results.

32 years old, online shopper, repeat buyer,  
waiting to hear from you.



Your best customers are right under your nose. Or more specifically, they're in your database and just waiting for you to reach them. Your database provides all the information you need to make your mailings more targeted and effective, providing you set it up with your marketing needs in mind.

Ideally, a company should have some kind of Customer Relationship Management (CRM) initiative to keep customers aware of its products or services, and Direct Mail is perhaps the ideal medium for CRM. The cornerstone of successful CRM programs is an advanced form of data management called segmentation. You are about to see how segmentation can help CRM and Direct Mail achieve astounding results.

**Segmentation & Direct Mail:**  
Your best customers are waiting in your database.

# Database segmentation: How you use it makes all the difference.



## Segmentation Primer – Classifying Customers

You can identify and segment customers based on literally any available data. There are a few proven effective segmentation types that can be employed. The robustness of your data often determines the types of segmentation you should use. There are four main segmentation methods:

### 1 Demographic Segmentation

Almost every database contains demographic information about customers. Demographic information is nothing more than an identifying characteristic within a given population. These can be things like age, gender, ethnicity, income, family or marital status, educational background, and so on.

**Pros:** Readily available, easily defined, simple to implement

**Cons:** Offers only basic differentiations; does not involve customer mind-set, purchase history, or other preferences

**Direct Mail note:** You can also segment by ZIP™ Code.

### 2 Attitude Segmentation

To segment on attitudes, you must first find out what they are. This involves the “psychographic profile” of a customer. Asking a series of questions can provide valuable information about what your customer thinks about your product, service, and company.

**Pros:** Includes customer thought processes, is more focused than demographic segmentation, allows for more detailed messaging strategy

**Cons:** Samples are not necessarily an accurate representation of the attitudes of the entire database, may require the addition of other segmentation techniques to achieve best results, customer attitudes can change quickly

**Direct Mail note:** Reply cards, mailed surveys, and coupon questionnaires are all effective ways to incentivize customers to share their information through the mail.

### 3 Behavior Segmentation

You can use your customers’ history with your company to define their behavior. What did they buy? What didn’t they buy? When did they buy, how often did they buy it, and from where? Who else do they buy from? Research can even reveal why customers buy products and services the way they do. Based on this behavioral information, you can surmise what products to develop and how to market them more effectively.

**Pros:** Reveals customer motivation, focuses on customers who are likely to make a purchase, provides marketers with reliable prospects, can be used to determine customer value

**Cons:** Does not address new customers, customer motivations can vary widely, not all behavior is a reliable indicator of customer habit or loyalty

**Direct Mail note:** A mailed coupon or similar promotion is an excellent way to discern what will motivate a customer, and with Direct Mail, different promotions can be tested across a segment.

### 4 Benefits Segmentation

Also known as “needs-based segmentation,” this type of segmentation states that customers in different benefit segments have different needs. Companies can assign benefits to products and then segment customers based on which benefits they’re



drawn to. Some customers will fit into multiple benefits segments, while others may have a unique need.

**Pros:** Addresses customers’ needs, uses relevant product data to classify customers, helps create a clear marketing message, gives customers what they want

**Cons:** May not take customer loyalty or other factors into account, requires a robust database, can be a “trial and error” process

**Direct Mail note:** Benefits segmentation can be efficiently tested using Direct Mail, thanks to its measurability.

Whether you have a lot of customer data or very little, you can segment your customer base to create more effective communications. The key to successful segmenting is to focus on a few reliable commonalities within the segment. Trying to apply too many characteristics can fragment segments beyond usefulness or make them too complex and narrow to use effectively. In addition, the more traits you assign to a segment, the more likely that customers will change, rendering the segment obsolete.

By combining different types of segmentation, a few vital shared characteristics can be determined and used to improve the efficiency and effectiveness of a Direct Mail CRM program, and Direct Mail can, in turn, improve your segmentation as well.



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## Relevant messages, better results

When building a CRM program with Direct Mail, many companies use a very broad message that can be understood by a wide audience. They assemble lists with as many likely customers as possible, and they send as many pieces as they can. The average response to such messages is generally low, simply because the message itself is irrelevant to the majority of those viewing it.

In contrast, a well-segmented customer list allows you to:

- Craft relevant messages to an interested audience
- Target messages to high-value customer segments and personalize content
- Forecast response more accurately
- Predict a segment’s value for future mailings

Alan Rosenspan, president of Alan Rosenspan & Associates, cites on his website ([alanrosenspan.com](http://alanrosenspan.com)) the benefits of relevant messaging at the top of his list of important factors to improve response, determine the customers who are most likely to respond, and send them a relevant message. “You don’t want to try to sell swimming pools to people who live in apartments.”

Segmentation allows companies to maximize effectiveness by focusing on customers who are most receptive to the message. Relevant, timely messaging will strengthen loyalty and create advocates for products and services.

**The take-away:** Segmentation offers you the opportunity to develop marketing messages that are more relevant to your intended recipients. Because it provides you with the insights needed to create specific messages – including personalized messages – and to include information relevant to the individual customer, segmentation can vastly increase the effectiveness of your Direct Mail.

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### Segmentation increases Direct Mail efficiency

There are obvious benefits of segmentation to Direct Mail efficiency. There are many ways that this efficiency can be realized, depending on a given company's methodology.

- 1 Get the desired result using fewer mail pieces – Sending a more relevant message to fewer customers means you can achieve results on par with larger, less targeted campaigns. However, segmentation is not really intended to reduce your investment in marketing – it represents the opportunity to get the most out of marketing dollars.
- 2 Mail the same number of pieces with better response – Instead of cutting back, you might send the same number of pieces, but target specific segments with different messages. More relevant messages usually see more response, which drives up your ROI. Personalization adds extra oomph.
- 3 Focus on high-value customers – Segmentation lets you identify and focus on the customers who are most lucrative. This can lead to bigger returns on your investment.

Andy Wright, President of Brand Loyalty at Carlson Marketing, sees segmentation as an obvious approach for direct marketers. "In this multi-channel world, the marketer has many options. Direct Mail is one that can be useful in reaching higher-value segments. A strong offer presented in a creative way to a highly segmented audience breaks through the clutter and has the potential to make a great impact. Lower-value prospects can be pitched through lower cost methods."

**The take-away:** Your company can use segmentation to take full advantage of the versatility of Direct Mail – especially in CRM. Segmentation combined with Direct Mail enables you to spend marketing dollars where they will conceivably do the most good and gives your company options to approach customers given your budget.

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### Improving Segmentation with Direct Mail

Direct Mail is a perfect fit with segmentation because of its powerful targeting and analytical abilities. When you begin segmenting your database, a great deal of trial and error can be involved. Often, it may be difficult to ascertain the ideal segments immediately due to insufficient data, poor data upkeep, or simply having too much data to analyze.

Direct Mail offers you a perfect venue to test and identify segments. Because Direct Mail can be sent to samples of nearly any size, you can use it to test segments before dedicating more marketing dollars to them. This allows you to test the waters, so to speak, to find out if your segmentation is accurate. Better segmentation leads to more effective Direct Mail, which leads to better segmentation, and so on.

Furthermore, Direct Mail can aid in segmentation by helping you collect and compile relevant customer data. Including questions on a reply card or a short survey, offering multiple choices for fulfillment, and even sending customers to a website are ways that Direct Mail can open a channel of information from your customers. With more information, you can uncover newer, larger, and even more profitable segments.

**The take-away:** Segmentation and Direct Mail are excellent partners because each builds on the strength of the other. Good segmentation can drastically increase the effectiveness of a Direct Mail program, while Direct Mail offers many ways you can gather more information to increase the effectiveness of your segmentation efforts. By taking advantage of this binary relationship, you can achieve outstanding results.

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## Caveat Segmentor

Segmentation is an excellent marketing tool, but it's not foolproof. Segmentation is educated speculation based on available data. It is more of a sketch than a painting. Not every individual will fit perfectly into a segment, so it is possible to neglect customers because they do not fit a certain profile.

Also bear in mind that segmentation has a "sweet spot." Too little information results in general segments which, while they can be very useful, do not take full advantage of segmentation. Too much information combined with over-analysis can result in too much segmentation – fragmentation. A fragmented database can cause messaging overlap and segment volatility as customer traits change.

Lastly, segmentation requires continual data gathering, analysis, and attention. Segments can change over time. Simple changes to products, prices, the economy, and any number of other factors can have an effect, and you must be vigilant and continually examine your segments for accuracy.

### Take advantage – segmentation and Direct Mail

The key to a loyal customer base is CRM, and the key to effective CRM is segmentation. Direct Mail and segmentation build "learning relationships," a fundamental CRM concept.

Direct Mail allows you to take full advantage of the quantitative and qualitative aspects of segmentation to strengthen your customer communications and get more positive results.

Furthermore, Direct Mail's personal nature helps you create strong bonds with your most valuable customer segments to increase loyalty. Direct Mail can help you segment more accurately and gather more data on your customers.

With segmentation, Direct Mail becomes an even more powerful marketing tool for your company.





## Glossary

- **Database Management:** Collecting various data on customers and using it to further marketing efforts, resulting in increased loyalty and sales. Database management includes data mining, list selection, list hygiene, and testing and analytics. The focus is on data quality and collection.
- **Customer Segmentation:** Also known as segmentation, involves identifying specific customer traits within a database and using the information to craft and implement more tightly targeted sales messages to the customers who are most likely to respond. Segmentation is the process by which companies define specific opportunities within their customer database and develop products and marketing communications to take advantage of those opportunities. In short, it's about understanding customers in order to better meet their needs. The more marketers know about the customers, the more efficient they can be in deploying unique messages to the right customers at the right time.
- **Customer Relationship Management (CRM):** The processes used by a company or organization to govern contact with customers. CRM is the combination of activities that results in a continuing line of communication with customers and addresses how that communication is created and executed. These activities include database management, segmentation, and marketing.

## What your data really is.

It probably looks like a giant spreadsheet, but it's much more than that. Your data is a representation of people and families. In it, you'll find brand-loyal customers and bargain hunters. They can be your neighbors or people a world away. They're repeat buyers and cross-shoppers. It could be a local family or a family who just arrived. And no matter who it is, one thing is certain: Together, they form your database – a critical asset to your business, and one you should value to the utmost.

For more information and case studies, visit [delivermagazine.com](http://delivermagazine.com)





## PUSHING THE ENVELOPE

### Verizon Reaches Out to Small Businesses

By: Frank S. Washington

It's no secret that big companies often don't do well when making overtures to small businesses. In many instances, their outreach efforts fail not because big businesses don't have anything worthwhile to offer but because major marketers aren't very good at holding the attention of small entrepreneurs.

But a recent, award-winning campaign by Verizon did indeed capture the fancy of many small businesses – and earned some notice from the big boys too, for both its effectiveness and its simplicity.

In fall 2006, the telecom giant began sending out a test mailing of Direct Mail pieces that bore a striking resemblance to an all-too-familiar office-supply staple – the interoffice envelope. Verizon targeted 11,851 small businesses with the envelopes, which featured the words “INTERNET NOTICE” stripped across the top and the crossed-out names of fictitious previous recipients. A final “name” – “Cable User” – was unobscured, a cue for business owners to “cross out” their cable provider and switch to a high-speed digital subscriber line (DSL) provided by Verizon.

The envelope was accompanied by a cover letter – with the heading “For Speed, For Features, For Price...Verizon Business DSL” – that was signed by Verizon small business marketing director Marquita Carter.

In an interview, Carter explains that Verizon officials settled on the three-month “Interoffice Envelope” campaign after tests suggested its simple familiarity stood a strong chance of cutting through the promotional clutter that confronts many small businesses.

“The iconic look of an interoffice envelope – who's going to just toss that out?” asks Carter rhetorically. “We tested this approach and got some really strong results. It bettered our control number by 30 percent.”

Carter says a test is part of every Direct Mail campaign at Verizon. The company sends out two or more different pieces of Direct Mail and measures which one generates the most calls and conversions to sales. The responses are benchmarked against the control campaign, which is the best campaign from the last Direct Mail cycle.

*Continued*

# PUSHING THE ENVELOPE (cont.)

## Verizon Reaches Out to Small Businesses

But even before they decided on the campaign, she says, marketers at Verizon were investing considerable time and research into small businesses, a segment that spends more than \$5 trillion annually on goods and services, according to the most recent federal numbers. Like many big businesses, the \$90 billion communications company is continually looking for new inroads into the mom-and-pop market.

"We put a lot of time, energy and research into understanding what makes them tick, what keeps owners up at night and what are the approaches that are really going to get their attention," explains Carter. "We're always testing and trying to find ways using Direct Mail to get the attention of a small business owner."

Such research is what helped Verizon's business marketing team decide to target a select group of businesses with the Interoffice Envelope campaign. Rather than take a scattershot approach, Verizon targeted small businesses with particular connectivity needs, promoting services like its rapid FiOS Internet connection to companies that handle matters such as engineering designs, financial documents, X-rays, legal files and data backups.

"Our focus is on what we consider a sweet spot – small businesses with fewer than 10 employees, businesses that really form the backbone of the U.S. economy, businesses that really have a need for high-speed Internet," says Carter.

That focus partly helped Verizon capture a 2007 ECHO Award for the "Interoffice Envelope" campaign at the Direct Marketing Association conference last year.

"We felt terrific about winning the award," says Carter. "It's always good to have your work rewarded. It showed how we moved the needle. It wasn't just about pretty pictures."

And while Carter says that Verizon uses a variety of media to get the attention of small business owners, Direct Mail will remain a constant in its messaging efforts. "It may vary from quarter to quarter, but we always have a constant stream of Direct Mail going to small businesses," Carter notes. "It's one of the most efficient ways to reach them." **D**

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