



ITERABLE

User Segmentation

PERSONALIZATION PLAYBOOK

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You're reading the first part of Iterable's [Pillars of Personalization Series](#), which covers the four foundations every growth marketer needs to understand to create empathetic and relevant messaging to customers.

Since the mid-1950s, marketers have embraced and practiced the concept of segmentation. Pioneered and created by professor Wendell Smith in a [seminal Journal of Marketing article](#), he states:

[In lieu of mass markets], attention to smaller or fringe market segments, which may have small potentials individually but are of crucial importance in the aggregate, can yield greater consumer satisfaction, continued profitability, and a more secure market position.

In other words? Breaking up your database into smaller groups and [tailoring a personalized marketing message for each of those groups](#) yields a higher return on investment for brands.

Which brings us to now. And a lot has changed since the post-World War II era. Instead of using information like age, gender and occupation to create a segment, marketers have more data than ever before to customize an individual customer's brand experience.

So how do you make that happen?

This is why for this first part of *Pillars of Personalization*, we're going to be talking about all things related to **user segmentation**.

Once you read this guide, you'll learn:

Why B2C brands should rethink traditional segmentation strategies

The four steps marketers need to build their brand's perfect audience

How to self-assess your segmentation capabilities to support your marketing goals

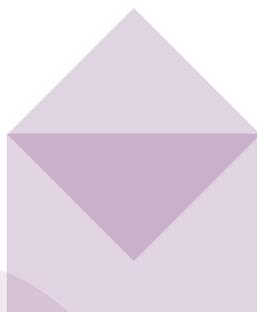
LET'S GET STARTED.

Why B2C Brands Should Rethink Traditional Segmentation Strategies

To understand why traditional segmentation strategies could be falling short for your brand, let's use the example of a 35-year-old customer buying a toy for a child. They discovered the toys through organic search, and this is their first purchase with the brand.

After their one-time purchase, they now receive new product recommendations on Facebook, a 10%-off win-back email campaign, and reminders to fill out their child's birthday profile.

Except the customer doesn't have kids. They were buying a birthday gift for a friend's child.



Of course, this situation could be avoided using basic demographic information. But simply put, brands often forget to ask themselves what audience they're looking for in the first place. Instead, they make assumptions based on what customers have done in the past, not where they would like to go in the future.

Not to mention that traditional segmentation practices may not give your customers the personalized experience they expect.

To break out of old thinking patterns about segmentation and build the audience your brand wants, you need a new process—specifically, four simple steps to help you build your perfect audience.

The Four Steps You Need to Build Your Perfect Audience

To build your perfect audience, marketers can use a process called the [4 Disciplines of Execution framework \(4DX\)](#), developed by FranklinCovey, the leading consulting and training group behind *The 7 Habits of Highly Effective People*. The intent of 4DX is to take strategic objectives, like segmentation, and turn them into an actionable how-to plan.

As applied to segmentation, the four steps are:



Let's break down each of the steps, one by one.

STEP 1

Reflect and Visualize Your Ideal Audience

Instead of trying to come up with a comprehensive segmentation strategy for your entire database, **reflect and visualize what your ideal audience looks like.**

But here's the caveat: Just choose one audience.

Why? Because the first discipline of 4DX is to **focus on one or two goals.** Otherwise, you'll get caught up in accomplishing everyday tasks, which FranklinCovey refers to as "the whirlwind."

Your ideal customer may be a new market segment. It could be a set of existing customers that you're rolling out a new product to. Whoever it is, make sure you're clear on who you're trying to attract to your brand.

You can remind yourself who this type of customer is by asking your team and organization members, referencing previous company goals and strategy documents, doing a customer avatar exercise, or conducting a survey.



Once you have a good grasp on who that ideal customer is, now we can focus on the following question:

What is your team currently doing with segmentation that gets you closer to your ideal customer?

For example, Iterable customer Fender could have assumed it was a guitar manufacturer and continued making guitars, basses, and amplifiers. Instead, it conducted customer research and determined that 90% of people who pick up the guitar quit within six months.

So Fender saw a huge opportunity to attract a new type of customer to its business: an aspiring guitarist. As a result, the Fender Play app was born.

Whether the Fender team knew it or not, they were applying 4DX. Focusing on an audience of aspiring guitarists keeps them from trying to acquire every user possible, and increases the chance of achieving conversion success within their app.

So before you try segmenting your entire database, always ask yourself who the ideal audience you're trying to attract is.

STEP 2

Select Your Data Points

After you've determined the ideal audience you're looking to attract, the next step is to **select your data points**.

Choosing your data points is one example of implementing the second discipline of 4DX: **acting on a lead measure**.

In other words, a lead measure is an activity you can influence and change.

Compare that to a lag measure, which, as [FranklinCovey states](#), *"tells you if you've achieved a goal, but really isn't in your control whether it happens."* As applied to segmentation, these are statistics like conversions, monthly revenue, and churn.

Marketers can choose from three types of data to create their segments



Demographic Data

“Who are your subscribers?”

Demographic data includes data points, like gender, age, location and marital status.



Lifecycle Data

“When will they close the deal?”

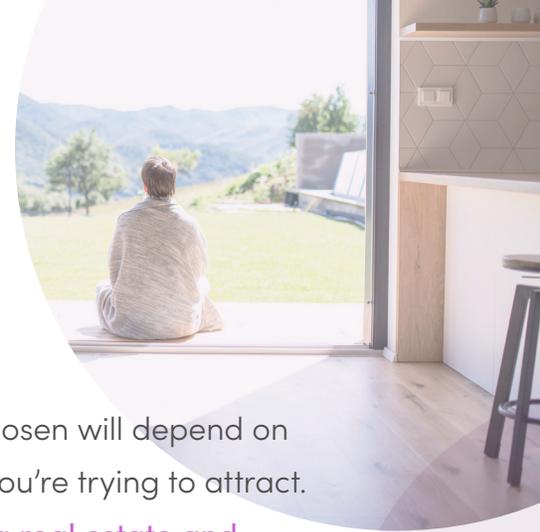
Brands who use lifecycle data want to know which stage of the sales process each of their customers is in.



Behavioral Data

“What are they doing right now?”

Behavioral data focuses on data points that happen on your website or in a mobile app.



The types of data chosen will depend on the ideal audience you’re trying to attract. For example, leading real estate and rental marketplace Zillow leans heavily on lifecycle data when engaging with prospective home buyers.

In contrast, online education platform Creative Live has a preference toward behavioral data to segment and engage new user signups.

However, it’s important to note that while it may seem that more data is better, the data may be old, outdated, or incorrect. So keep those factors in mind while you’re choosing the data points to build your ideal audience.

STEP 3

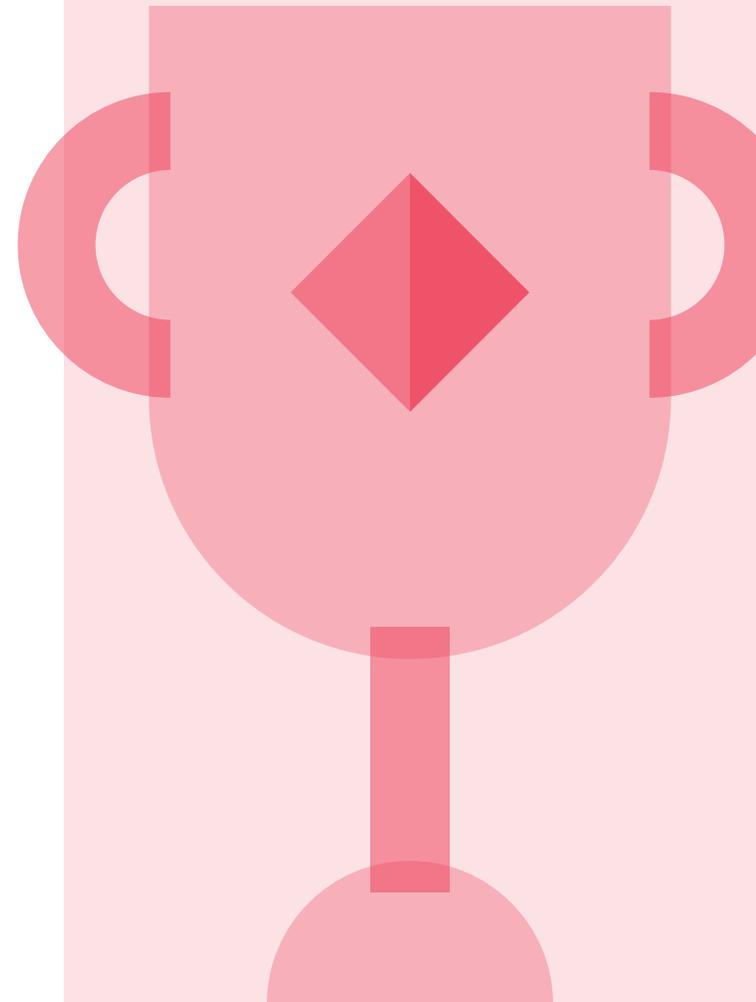
Build and Send a Test Campaign

After selecting data points to create a segment, marketers need a way to generate results to verify if they are targeting the right people. To do so, they must **build and send a test campaign**.

Don't overthink this step too much. At Iterable, we are believers in the [minimum viable campaign](#), so create something that you can iterate and improve on with later versions.

Once your test campaign is live, it's imperative to follow the third discipline of 4DX by **keeping a compelling scoreboard**. [FranklinCovey emphasizes the importance of this discipline](#) for the following reasons:

Great teams know at every moment whether or not they are winning. They must know, otherwise, they don't know what they have to do to win the game. A compelling scoreboard tells the team where they are and where they should be, information essential to team problem-solving and decision-making.



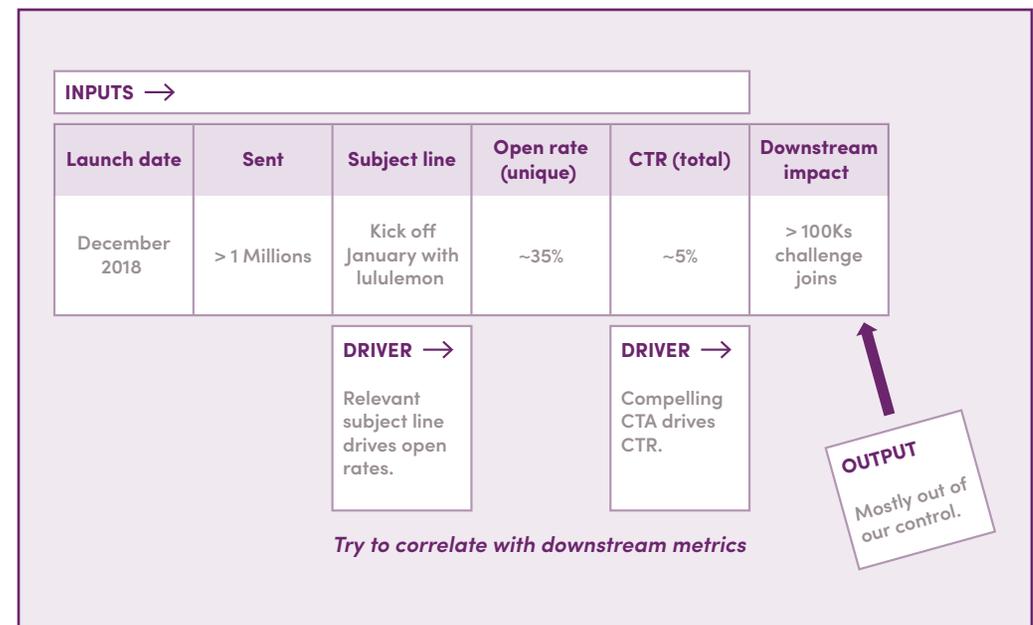
Based on the test campaign you created for the segment in question, you can create a scoreboard with the following measures:

- Your launch date
- The number of people who received the campaign
- The subject line

In addition to showing the lead measures, [FranklinCovey states the importance of also showing the lag measures](#) on a scoreboard. So for our test campaign, an example of a lag measure might include:

- The open rate
- The click-through rate

You can see a similar approach executed by [Iterable customer Strava](#) when it collaborated on a campaign with lululemon athletica. Note that while their team uses the terminology of inputs and outputs, it's the same as the 4DX terminology of lead and lag measures.



Fitness app Strava tracks a marketing campaign using lead and lag measures.

Tracking results on your test campaign doesn't have to be complicated. Updating statistics on a physical whiteboard or sharing a spreadsheet should suffice. The goal is to make sure your team knows what's happening on a real-time basis and make adjustments as needed.

STEP 4

Report Progress Weekly

Once you've built and sent your test campaign, it's time to evaluate the results.

While it'd be great if every test campaign your brand ran were a roaring success, let's say your experiment didn't generate the results your team hoped for. However, it's hard to tell whether it's due to the components of the message sent or the segment itself.

Therefore, the last step in this process is to **report progress weekly**, which you can do during a team huddle or one-on-ones with management.

This tactic aligns with the **fourth discipline of 4DX**, which is to **create a cadence of accountability**. To move forward on achieving any goal, FranklinCovey believes teams need weekly meetings to:

1. **Report on commitments**
2. **Review the scoreboard**
3. **Clear the path and make new commitments**



So as applied to segmentation, having regular meetings to report on progress will help marketers decide whether it's worth investing effort into testing new campaign ideas or modifying a subject line or call-to-action button.

But let's say your experiments aren't giving you the results you're expecting. According to Garin Hobbs, Iterable's director of deal strategy, marketers should:

Look for any recent aberrations in program performance or individual engagement and use those as leading indicators of risk of churn/attrition (which typically indicate a lack of perceived value, personal relevancy, or both). Then automatically trigger some progressive profiling that seeks to discover an individual's new/changed disposition or priorities.



Garin Hobbs

Director of Deal Strategy

@ Iterable

In other words? If poor performance continues despite best efforts, you can evaluate the data points you initially selected for your segment and consider getting more data, recreating the segment with different data points, or come up with another audience to target.

Hobbs also notes the following about reviewing segments regularly:

Most marketing teams only review their segments once a quarter or twice a year. However, events like holidays, elections, and natural disasters can impact your brand's customers in vastly different ways. The best marketers anticipate these events and proactively brainstorm and create new segments on a near-weekly basis.

Like any goal worth achieving, repetition is the key to success. If you plan to go through the steps of building your perfect audience, make sure to **report on your progress weekly** to understand whether your test campaign is reaching the right people, or if you should try another audience segment.

Now, a Recap on User Segmentation

Thanks to modern technology, B2C marketers have more than enough data points to create meaningful customer segments. However, it takes more than simply knowing a customer's age, gender and occupation to uncover their true motivations around a purchase.

We discussed the example earlier about the 35-year-old customer buying a toy for a child. Traditional marketing practices might bombard them with promotional emails, but they may only be making a one-time purchase as a gift.

That's why we at Iterable rely on four simple steps to build your brand's perfect audience.

Ready to take the next step in building your perfect audience? [Make a copy of our self-assessment template](#) to evaluate how your current segmentation strategy supports your marketing goals today.

The four steps are heavily influenced by FranklinCovey's [Four Disciplines of Execution \(4DX\) framework](#) and include:

- 1. Reflect and visualize your ideal audience**
- 2. Select your data points**
- 3. Build and send a test campaign**
- 4. Report progress weekly**

Now that you have a better understanding of modern segmentation, what are you going to do to build your brand's perfect audience?

About Iterable

Iterable is the growth marketing platform that enables brands to create, execute and optimize cross-channel campaigns with unparalleled data flexibility. Leading brands, like Zillow, SeatGeek and Box, choose Iterable to power world-class customer engagement throughout the entire lifecycle.



Data Flexibility at Your Fingertips

Access real-time user, behavioral and event data to trigger personalized messaging at virtually unlimited scale. Support an audience of millions while appealing to each subscriber's unique preferences.



Unified Brand Experience

Orchestrate seamless customer engagement across email, mobile push, SMS, in-app, web push, direct mail and more throughout every lifecycle stage, from activation to re-engagement.



Agile Iteration & Optimization

Launch, measure and fine-tune campaigns with ease to deliver more relevant messaging faster than the competition. Experiment and iterate on-demand to determine the right content, channel and cadence for each user.



Customer Journey Mapping

Visualize the entire customer journey and build sophisticated, cross-channel segments and campaigns with Iterable's intuitive, drag-and-drop Workflow Studio.

If you want to learn more about Iterable, please request a demo.

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