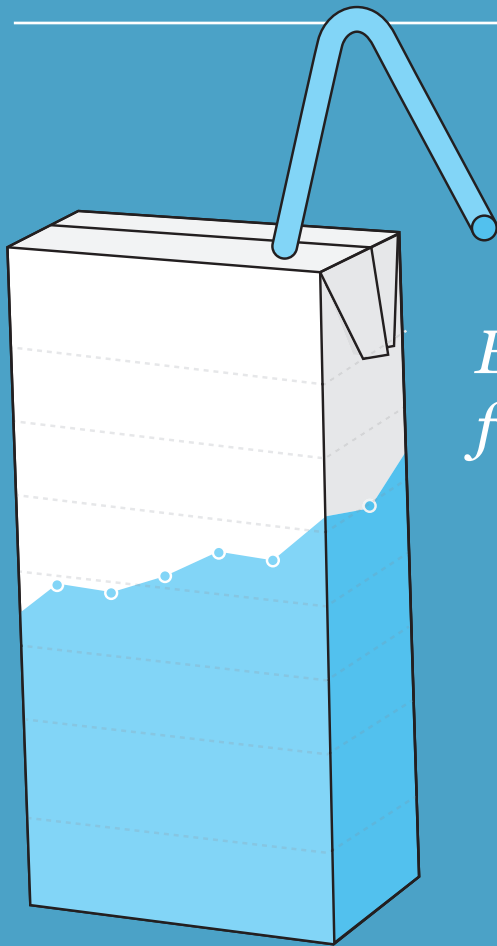


The Marketer's Guide to

EFFECTIVE VISITOR SEGMENTATION



*Extracting the Real Juice
from Your Analytics Data*



DYNAMIC YIELD

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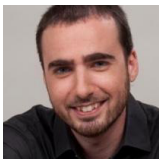
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Intro

Data-driven marketing practices are on the rise. Over the last few years, marketing professionals have been spending more resources on data-driven marketing solutions. Yet, while effective data analysis can provide the means to achieve rapid growth and create a data-driven marketing machine, most Marketers fail to use effective behavioral data in their customer segmentation analysis and subsequent targeting solution execution.

In an increasingly challenging digital environment that demands brands to empower individual consumer needs, Marketers are constantly looking for new opportunities to interact with their customers and deliver meaningful and highly engaging customer experiences. With these efforts, a lot of confusion arises when trying to understand the relationships between data, segmentation and personalization. This eBook aims at discussing the importance of visitor segmentation as the fuel that drives winning personalized customer experiences.

About the Author



Yaniv Navot is the Director of Performance Marketing at Dynamic Yield. Yaniv is an accomplished digital marketing expert, with vast experience in SEM, Web Analytics and Conversion Optimization.

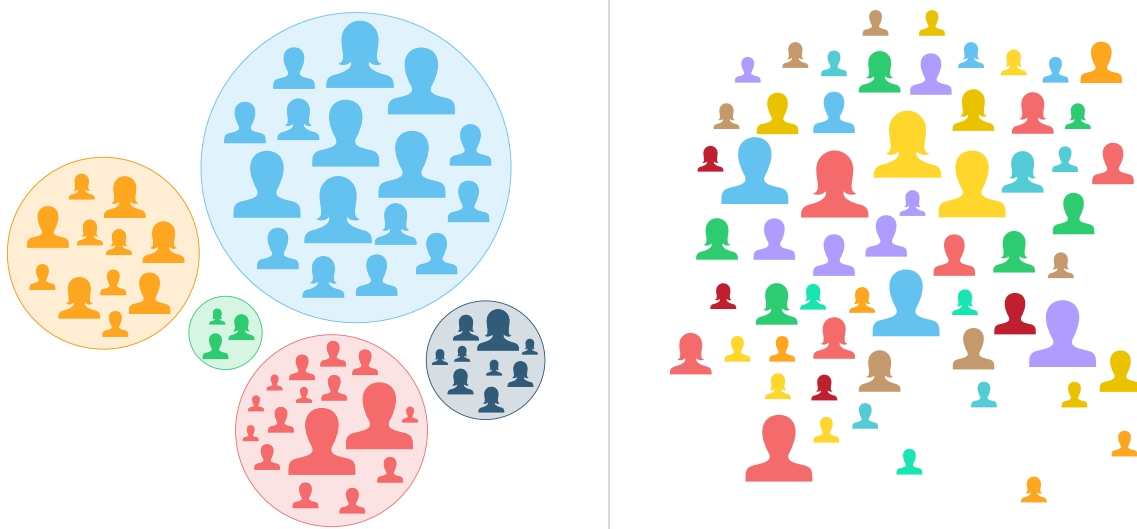
The Real Definition of Segmentation

Let us start by demystifying a common myth: Visitor segmentation does not mean the same thing as personalization. Segmentation represents the process of discovering groups of individuals with a common, yet broad, set of characteristics, such as a geo-location, IP address, time of visit, etc. Personalization on the other hand, is segmentation stripped to its roots. It's about tailoring highly relevant content at the most personal individual level. Real personalization enables Marketers to focus on the things that matter most to their individual customers, so that instead of focusing on generic correlations between groups, Marketers can tailor individual experiences and respond directly to their customers' ever-changing needs in real-time.

Traditionally, a good example of partitioning customer bases into segments is the grouping of customers into clusters by combining the transactional data of customers with similar characteristics. This segment can then be used to analyze the behavior of these customers, or serve them with relevant content based on their needs and interests. With real personalization, a product purchase history can be used to personalize an individual customer experience. This objective can be realized using a personalized recommendation widget (like the one we offer at Dynamic Yield) so that each individual customer sees completely different offers, tailored to his or her needs.

Segmentation models suffer from high levels of aggregated heterogeneity, and are generalized to all group members, while personalization models usually suffer from a scarcity of data for individual customers. There's a strong connection between data, segmentation and personalization. Getting personalization right is much easier when there's a solid understanding of the characteristics of the segments it is based on. A common practice is to first discover and analyze the most valuable and profitable visitor segmentations and only then personalize.

Segmentation vs. Personalization



Segmentation models suffer from high levels of aggregated heterogeneity, and are generalized to all group members, while personalization models usually suffer from a scarcity of data for individual customers. There's a strong connection between data, segmentation and personalization. Getting personalization right is much easier when there's a solid understanding of the characteristics of the segments it is based on. A common practice is to first discover and analyze the most valuable and profitable visitor segmentations and only then personalize.

The Importance of Segments

Visitor segments allow us to differentiate between the behaviors and intent of individual visitor groups. They are the fuel that drives our marketing analysis, testing, optimization and personalization efforts towards success. These powerful cohorts allow us to see **what** and **who** is driving the end-result, and act accordingly. Without them, we end up looking at meaningless, useless numbers.

For instance, let's say we're looking at a report for the last 7 days with the following metrics:

- Unique users: **13,020,403**
- Revenue impact: **\$260,408**
- Average revenue per user: **\$0.02**

Can we conclude anything valuable from this? The answer is, obviously, no. This information is absolutely useless because too many pieces of the puzzle are missing. We have no relative context for this data, and we can't compare these metrics over time to perform trend analysis. Basically, there isn't any real story to tell here. To obtain any measure of practical insights from your analytics data, asking the right questions within the correct context is absolutely key.





















Remember: Storytelling Means Everything to Your Data

Web analysts process data with the purpose of telling a story, much like journalists. They configure the data so as to transform cold numbers into extraordinary human narratives. By separating signals from noise, a crystal clear picture is revealed. For them, it is a complicated challenge to extricate the real story from the countless possibilities that exist within the same data, which can range from time-sensitive themes, prediction, behavior and correlation. However, the right story will animate your data with fantastic results.

You can use segmentation to help reveal those stories by isolating different audience personas and relating them to the data based on common behaviors, sources, demographics, interests and more. Data segmentation facilitates the transformation of aggregated, out-of-context data into clear and valuable insights.

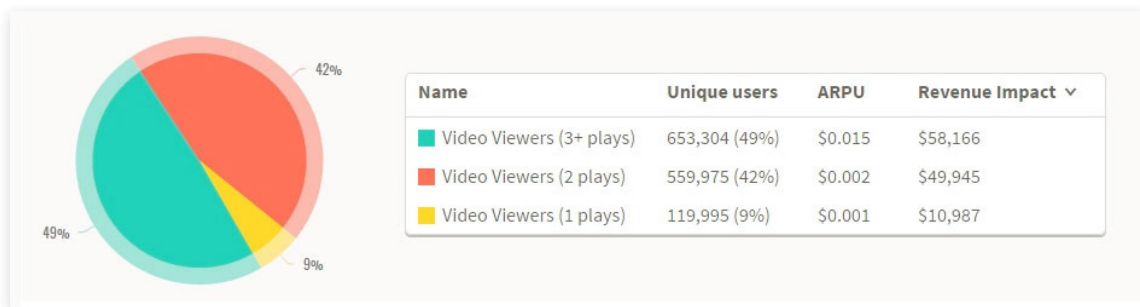
Segmenting aggregate metrics, like the ones mentioned earlier, can have a tremendous impact on your marketing activities, eventually leading to better insights, conversion and revenue. If we take a second, deeper look at the data from a structured, segmented point-of-view, we may define several interesting segments to study and then reveal the real story behind the data.

Let's have a look at the performance report of the top 5 visitor segments to a website:

AUDIENCE GROUPS				
Name	Unique Users (%)	ARPU	Revenue Impact ▾	
 Tech & Gadget Enthusiasts	2,364,518 (39.3%)	\$0.05	\$119,394.62 	 
 Video Enthusiasts	1,333,274 (22.1%)	\$0.06	\$119,098 	 
 Sports Fans	4,914,322 (81.6%)	\$0.02	\$117,349.96 	 
 Social Influencers	2,131,852 (35.4%)	\$0.04	\$105,104.54 	 
 World News Readers	2,874,673 (47.7%)	\$0.03	\$50,386.6 	 

When analyzing these pre-defined segments, it becomes clear that the "Tech & Gadget Enthusiasts" yielded the highest revenue impact. That being said, there's another interesting segment to explore, the "Video Enthusiasts", with an average revenue impact of \$0.06. Compared to the overall average revenue impact of \$0.02, that's a 200% lift! This data tells us that we need to focus our marketing efforts on these two most valued segments.

But why stop there?! Realizing that there's something impactful with the group of video enthusiasts, we can now delve deeper into the stats and create sub-groups of segments based on the number of videos watched. For example, the following chart reveals that visitors with 3 or more video plays have had the highest revenue impact, with a 93% lift, compared to visits where only a single video was watched. Now that's interesting!



The process of analyzing segmented visitors can be thrilling, because it's an opportunity to uncover some of the truths behind the numbers.

Nevertheless, it's an ongoing, time-consuming cycle. You usually start by studying new segments. You continue by discovering interesting groups. You analyze the data and finally, you conclude actions to be taken upon those groups.

Persona-based Segments

Uncovering patterns and trends in behavior is a key step for Marketers who are analyzing, optimizing or personalizing web sites. This ongoing effort can be achieved by creating segments in their analytics tool. Unfortunately, the standard, ready-made segments that many web analytics tools offer are too limited. In this article, I will outline practical segmentation ideas that you can use to find actionable insights to fuel your personalization or optimization plan.

Segments allow us to narrow down the volume of data to extract the essence hidden within.

One suggested technique that can be used to make the segmentation process more insightful and effective is to form highly relevant persona-inspired segments. As an example, Amy Schade, Director at Nielsen Norman Group, identified [five distinct types of eCommerce personas](#):

1

Product-focused shoppers – Highly-focused, goal-driven shoppers who know exactly what they're looking for. These can be either new or returning customers. The key metric would be time-to-purchase at the session level. Since they know exactly what they want, they tend to purchase quite quickly. To pinpoint these shoppers, create a segment for sessions with a really short time-to-purchase.

2

Browsers – Leisurely shoppers who are looking to be inspired or are simply killing time. Browsing customers tend to spend a relatively great deal of time on the site. To identify these browsing sessions, look for unconverted segments with long session durations. These visitors may convey a huge opportunity for you to influence their decisions and turn them from browsers into buyers.

3

Researchers – Highly motivated, goal-driven shoppers who are looking to learn and become educated about a specific product. These customers tend to spend a lot of time exploring specific product pages, learning about features, prices, delivery terms, etc. To detect the researchers, look for sessions with a relatively long time spent on product pages. If you're offering any in-depth product materials, such as explanatory product videos, how-to articles, review articles, and so on – these shoppers may be spending time following these pages as well.

4

Bargain hunters – Customers who are on the lookout for the best available deals. To locate these customers, look for common bargain-hunting behaviors, such as repetitive visits to products on sale, customers with coupon redemptions, customers who are sorting category pages by price, etc.

5

One-time shoppers – Customers who are not entirely familiar with your site. These could include first time visitors with characteristics similar to bargain hunters, researchers, product-focused shoppers and even browsers. If you're offering checkout without registration, these customers are more likely to buy from your site. To uncover these users, segment single-session visits. You can explore this segment deeper by comparing unconverted versus converted sessions.

Instead of looking at endless ways of segmenting visitors, focus your efforts on your top five personas and think about the distinct characteristics that represent each group of visitors. Best-selling authors Jeffrey & Bryan Eisenberg suggest taking it even further by encouraging Marketers to [combine personas and storytelling](#) to implement a more agile process. Story-based personas can convey narratives of how each type of group is engaging with your brand and impacting your business.

Of course, if you'd like to extend your efforts, there are many ways of segmenting visitors. Standard segments can include dimensions such as geography, traffic sources, devices and page views. If you're looking for more advanced segments (and you should), here are a few examples of valuable metrics that you can use to differentiate between different groups:

1

Revenue impact – Discover high-value customers by profiling your highest yielding customers. For example, focus on basket size as your metric, capture the top percentile of your top spenders by segmenting visits with a relatively high revenue per session, visits with orders of over \$XXX in revenue. Analyze the behavior of this key segment and act accordingly to optimize and personalize experiences, encouraging these customers to spend even more. A deep understanding of the characteristics of these personas may help you motivate other customers to become top spenders as well.

2

Engagement or action taken – Measure different engagement levels with your brand and segment visitors by looking at specific groups, such as video watchers, visits with social media interactions, type of product engagement and so forth. Once you have this data, you can start optimizing your site based on it. So, for example, if you find that video enthusiasts are a highly profitable segment, you can delve deeper into the data and segment additional sub-groups, based on the number of videos watched. By doing that, you may find that visitors with three or more video plays yield the highest revenue, compared to visitors with just one or two video plays.

3

Type of content consumed – Categorize content based on brands, categories or type of page. For example, segment customers who have shown interest in specific brands, categories (or sub-categories), products, and even product attributes, such as specific colors or price ranges.

4

Visitors with past conversions versus no conversions – This is a fairly classic, but important, segment to look at. Instead of just looking at all of your segmented visitors, segment converters and non-converters based on traffic sources, such as paid versus organic search, display advertising, specific referrals and so on. Make the most out of these reports by locating traffic sources with a high revenue impact.

5

Customer intent – Categorize different types of groups by looking at intent cues, starting from research to purchase. For example, segment researchers by locating unconverted visitors who may be at the early stages of the funnel, learning and collecting information about your products, promotions or prices.

To Conclude

By profiling and segmenting customers and visitors, Marketers can effectively target and deliver uniquely tailored content to increase engagement and ultimately improve conversions. What's more, state-of-the-art Software-as-a-Service (SaaS)-based personalization solutions have resulted in the dramatic progression of effective audience segmentation far beyond classification based on demographics alone. These advanced segmentation processes can collect and analyze huge amounts of data, including user interests and preferences, behavioral and past interactions, such that the time needed to assess, engage and direct consumers to act has diminished remarkably. Thus, digital Marketers now have the ability to both understand their customers' rationales as well as to adapt their digital marketing strategies to connect with them.

At the highest level, your personalization technology is the central tool that links together behavioral data collection, analysis, and customer segmentation to directly impact and enhance the creative process of constructing buyer personas, producing insights that you can test and optimize in real time. As more Marketers learn to adopt personalization technology into the workflow, consumers will benefit from more relevant experiences, which will increase both conversions and revenue.

With the right technology in hand, it's only a matter of following the right path to achieve the ultimate goal of delivering a seamless, one-to-one customer experience. Orchestrate your marketing strategy wisely and you'll be able to serve customers and prospects more effectively across all your inbound, outbound and real-time channels.



About Dynamic Yield

We leverage automation and advanced machine learning to provide personalized user experiences and continuously optimize all website components, tailored for individual users.

Designed for the marketing professional, Dynamic Yield helps Marketers to be efficient and rapidly optimize performance results by allowing them to quickly upload limitless experiments and offer a personalized user experience without any assistance from engineers or designers. Integration requires a single line of JavaScript code; from then on, anyone can operate the system all by themselves.

Dynamic Yield is used by major retail, media and online brands such as The New York Times, NBC, Kenneth Cole, Lamoda and Playtech, to name just a few, to deliver improved user experiences resulting in satisfied customers and higher revenue.

Contact Us

to learn more about our real-time
personalization solutions