Strategic Services Marketing

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Customer Analytics and Segmentation Strategies

Hello everyone. In this session, let's explore the role of customer analytics and segmentation strategies. What is customer analytics? Customer analytics involves collecting and interpreting data related to customer interactions, behaviors and preferences. This leverages various analytical techniques to transform raw data into actionable insights for strategic decision making. Customer analytics has different key components as depicted in this particular figure. So, we have customer segmentation, we have behavioral analysis, we have predictive modeling and lifetime value analysis or LTV analysis for that matter.

Customer segmentation is a task of dividing customers into groups based on shared characteristics. Secondly, behavioral analysis deals with understanding how customers interact with services. Predictive modeling deals with forecasting future customer behaviors and trends. Whereas, LTV analysis or lifetime value analysis relates with estimating the long-term value of a customer to the business or service provider.

Let's understand with an example. Let's say customer segmentation. Amazon. Amazon uses customer segmentation to categorize users based on their purchase history, browsing behavior and preferences. This segmentation allows Amazon to target different customer groups with personalized recommendations and marketing messages.

Coming to behavioral analysis, take an example of Netflix. Netflix conducts behavioral analysis by tracking users' viewing habits, time spent on content and interactions with the platform. This analysis helps Netflix recommend content that aligns with individual preferences, enhancing the overall streaming experience. Coming to predictive modeling, forecasting and all those things. Take an example of Pandora.

Pandora employs predictive modeling to forecast users' music preferences. This is similar to Spotify or Amazon Prime Music or something like that. So, Pandora by doing this kind of analysis, they analyze different listening habits as well. Pandora's algorithm predicts the type of songs users may enjoy, contributing to a more personalized and predictive music streaming experience. And coming to lifetime value analysis or LTV analysis, take an example of Google AdWords.

Google AdWords utilizes LTV analysis to assess the long-term value of advertisers. By analyzing historical data on advertiser performance, Google can predict the potential value a customer brings over their lifetime, helping advertisers optimize their campaigns for higher value customers. So, why it is important? Why customer analytics is important and why it is important for services marketing specifically? First is personalization. Tailoring services based on individual customer preferences is a key for successful service delivery. Take an example of Netflix that uses customer analytics to analyze viewing habits, gender preferences and user ratings.

The data is employed to recommend personalized content, creating a tailored and very engaging experience for each user. Secondly, customer retention. Customer analytics helps to identify factors that influence customer loyalty. Take an example of Amazon Prime that utilizes customer analytics to understand shopping behavior, recommendation of products and even offering exclusive deals to the customers. By employing customer data, Amazon Prime can enhance customer retention through targeted promotions and personalized benefits.

Why again customer analytics is important is with respect to optimizing marketing strategies, improvising the effectiveness of marketing strategies and campaigns. For example, Starbucks. Starbucks leverages customer analytics to tailor it’s marketing campaigns. Through its mobile app, Starbucks collects data on customer preferences, purchase history and location to offer personalized promotions, enhancing the effectiveness of its marketing strategies. Next, with respect to enhancing customer experience itself, more use of customer analytics can provide a more personalized and satisfying experience to service customers.

For example, Disney+. Disney Plus leverages customer analytics to understand user preferences for content and viewing habits. By tailoring it’s content recommendations and user interface, Disney Plus enhances the overall customer experience, making it more enjoyable and user friendly. So there is a growing use or importance of customer analytics. I want to discuss six points with respect to this.

First is, companies can understand their shortcomings as well as opportunities using the customer's behavior records. So that is why customer analytics is growing in terms of usage by different firms. Firms can understand where we are falling short at the same time, where are the opportunities for the next future and the growth as well. Secondly, when consumers have access to all information like where to purchase from, what to purchase, how to make payment, etc. Customer's preferences help companies interact with them more efficiently and that is why customer analytics is growing in its usage.

Thirdly, precise knowledge of customers buying patterns and preferences help design future product and services that would bring profit to the company. Next, 360 degree data analytics enables companies to gain a holistic viewpoint of customers, which helps design marketing and even sells campaigns and strategies to bring new customers into the system. Next, well-designed customer analysis help increase customer loyalty, which further adds to the return on investment. And finally, well-analyzed customer analytics help target suitable customers at the correct time thus reducing the campaign cost as well. So adopting customer analytics tools and techniques also saves in terms of cost as well.

Let’s understand this with some cases or examples. Let’s discuss about e-commerce companies for that matter. Let’s assume that an e-commerce company notices a decline in the conversion rates on their website. Visitors are browsing products but they are not making any purchases. So how customer analytics can help this kind of e-commerce platform or firm? The company might decide to leverage customer analytics tools to gain a deeper understanding of user behavior on their website.

They collect data on customer interactions, for example data including browsing patterns like analyzing the pages consumers visit, the products they view and the time spent on each product page. They can also collect data with respect to abandoned cart data, identifying instances where customers have added items to their shopping cart but do not complete the purchase. And they can also collect some demographic information like in terms of age, gender, location and so on. So what insights can be collected from this kind of customer analysis? Through the analysis of this data, the e-commerce company can discover several insights, for example high abandonment rate. Many customers are abandoning their shopping cart before completing the purchase.

That’s one reason or one insight. Secondly popular products. Certain products are consistently viewed but not frequently purchased. That is also a good insight. Third demographic trends.

A particular demographic segment shows higher bounce rate. So they are not purchasing, they are visiting website but still moving out without buying anything. This indicates a potential mismatch between the product offering and the customer preferences. So how that particular e-commerce can strategically respond to based on these insights? First is retargeting campaigns. So the company can implement targeted, retargeted advertising campaigns to remind customers about items left in the shopping cart.

With respect to product recommendations, this e-commerce player can utilize machine learning algorithms to provide personalized product recommendations based on the customer's browsing history. And even they can go for website optimization where they can improve the user interface and checkout processes as well to reduce friction and enhance overall shopping experience. Now let’s look at another example, retail chain, right. Have a scenario of where in a large retail chain operating both in let's say physical stores and online, wants to enhance its marketing strategies to stay competitive in a landscape where consumers have access to vast amount of information about product prices and even reviews as well. So let's say this retail chain, how customer analytics can be implemented.

The retail chain here might invest in advanced customer analytics tools to gather and analyze data from various touch points including purchase history, where in analyzing what products customers have purchased in the past. They can also assess online behavior, tracking online interactions such as product searches, page views, and even time spent on those websites. They can also try to grab social media engagement and insight related to this. For example, monitoring customer engagement and interactions on their social media handles or platforms. And at the same time, they can also collect some demographic information with respect to age, gender, and even location of their customers.

How these insights can help? First individual preferences. So identifying these insights will help to identify specific products and categories that each customer prefers based on their purchase history and online behavior. With respect to shopping pattern, it's important to understand the timing of purchases, whether customers prefer online shopping or in-store visits, and their preferred payment methods as well. Analysis coming from social media engagement or trends can help that particular retail chain to recognize popular products or trends by analyzing social media interactions, mentions, hashtags, and so on. So with respect to these insights, these retail chains can come up with some strategic responses.

For example, personalized promotions. So they can send targeted promotions and discounts to customers based on their individual preferences. Firm can implement customized recommendations. They can implement recommendation engines on their website and mobile applications to suggest product that align with each customer preferences. They can also go for optimizing inventory management.

This involves adjusting inventory levels based on historical data to meet the demand for popular products. Let's take another example, again for a more service industry that is banking industry, which is largely employees CRM tools, that is customer relationship management tools as a customer analytics platform. So a large bank wants to enhance its customer acquisition strategies and improve the overall customer experience. The bank operates through various channels, including physical branches, online banking, and mobile apps, and so on. So how customer analytics can be useful here? The bank can implement a comprehensive CRM system that integrates data from all customer touchpoints, including transaction history, customer service interactions, online and mobile interactions, where they can track customer activities on the bank's website, mobile apps, and social media platforms, and so on.

And at the same time, they can also have access to data like demographics and socioeconomic data. For example, gathering information on socioeconomic data to understand diverse customer base. Through the implementation of a 360 customer analytics through this particular CRM platform, the bank gains valuable insights related to number one, individual financial profiles. So understanding each customer's financial needs, preferences, and goals. Secondly, they can also have access to preferred communication channels.

It is important to identify the channels through which customers prefer to interact with the bank, whether it's through in-person visits or phone calls or through digital platforms. Bank can also have data or insight coming from life events. So recognizing significant life events, such as job changes, marriages, and any other kind of events can significantly impact customers' financial needs as well. Based on these insights coming from this CRM platform, a bank can be armed with more strategic marketing and sales strategies. For example, a bank can go for personalized product recommendation.

For example, offering financial products and services that align with individual customer needs, such as targeted savings account or investment options or even loan products as well. Bank can also go for tailored communication, customizing communication strategies based on the preferred channels of individual customers, ensuring timely and relevant interactions. Thirdly, the bank can also implement proactive customer service. So they can anticipate and address customer needs before they become issues, providing proactive support and personalized assistance as well. So these examples highlight the importance of having customer analysis or analytics at place across each service provider.

Now let's move on to the next part, that is customer segmentation. Customer segmentation is wherein customer analytics is largely used of. Now let's move on to the next part, customer segmentation. Customer segmentation is a key aspect for planning and delivering any services to particular customers. A service provider must be sure to understand which specific segments are there and which of these segments he or she is going to serve.

So what is customer segmentation then? Customer segmentation is the practice of partitioning a customer base into groups of individuals that have similar attributes. There are different types of customer segment models. So any service provider can use either one of these or a combination of these to identify different segments of customers. Let's have a look at each one of these type in detail.

First here is demographic segmentation model. Here the division of the market is based on demographic factors such as age, gender, income, education, marital status and even occupation. For example, an insurance company which might target different age groups with specialized policies for example student plans, retirement plans and so on. Second segmentation type model is geographic segmentation model. Here the division of market is based on geographic factors like location, climate, population density and even cultural preferences sometimes. For example, a beverage company like Starbucks might offer different product variations based on regional test preferences.

Next type is psychographic segmentation model where the division is based on lifestyle, values, interest and even personality traits of your customers. For example, a fitness brand might target health conscious consumers with an active lifestyle emphasizing products that align well with their values and interest in staying fit and healthy. Another type of segmentation model is behavioral segmentation model. Here the division is based on lifestyle, values, interest and again personality traits but more specifically with respect to product usage. For example, an online retailer might offer exclusive discounts to customers who frequently make purchases.

So, they have their own lifestyle, values and so on but they are displaying a specific behavior, a buying pattern which is used as a base to segment those customers. Next type is formographic segmentation model. Here the division of market is based on company size, industry and revenue. This is very much in context of B2B services or B2B context. A B2B software company might offer different solutions for small businesses, mid-size and enterprises and large corporations, tailoring to products to that particular specific needs of each segment.

Another base is or another type of model is needs based segmentation model. Here the division based on customer needs, pain points and preferences. For example, an e-learning platform might offer different features and courses for students, for professionals and even for hobbyists, those who are having some personal development goals. Next comes benefit segmentation model. Here the division is based on benefits sought by customers.

For example, car rental firms like Ola and Uber, they offer different rental services based on benefits sought by customers like Plus, Prime, Prime Plus and so on so as to choose from different ride options given to them. Finally, we can have value based segmentation model. Here the division is based on customer values, beliefs and attitudes, more abstract kind of things. For example, an eco-friendly brand might target customers who value sustainability and environmentally conscious products. Creating marketing messages that align with these kind of values for those customers is nothing but value based segmentation model.

So, what is the process of going through customer segmentation strategy? So, this particular diagram depicts the flow of steps that needs to be followed while going for customer segmentation. So, we start with setting clear objectives, then gathering data, identifying segmentation criteria, segmentation analysis, create customer profile, then comes implementation of targeted marketing strategies, personalise customer experiences, monitor and measure those things and finally iterate and optimise. First step here is setting clear objectives. Define the goals of your segmentation strategy whether it is improving marketing effectiveness or increasing customer satisfaction or expanding into new markets. Having a clear objectives will guide the segmentation process.

Second step is gathering of data. Collect relevant data about your customers. This can include demographic information, purchase history, online behaviour, feedback and any other data points that provide insights into customer characteristics and preferences. Third step is identify segmentation criteria. Choose criteria that are meaningful for your business and align with your objectives. This could include demographic, psychographic, behavioural, geographic and even other relevant factors as well.

Then comes segmentation analysis. Use statistical analysis, machine learning or even other methods to identify patterns and groups within your customer data. This step involves clustering similar customers based on chosen criteria. Then comes creating customer profiles. Develop detailed customer profiles for each segment. Include information such as age, income, preferences and buying behaviour.

This helps in visualising and understanding each segment better. Next step is implementing targeted marketing strategies. Tailor your marketing strategies for each segment. This could involve personalised messaging, customised promotions and even specific product recommendations. Ensure that your marketing channels align with where your target segments are most active.

Then comes a stage of personalised customer experiences. Extend segmentation beyond marketing to other customer touchpoints. Personalise the customer experience based on the characteristics and preferences of each segment. This could include website personalisation, targeted customer support or even product recommendations as well. Then monitor and measure.

Establish KPIs, key performance indicators for each segment. Regularly monitor and measure the performance of your segmentation strategy. Analyse customer engagement, conversion rates and even other relevant metrics. Based on this comes last step that is iterate and optimise. Customer segments may evolve over time influenced by changes as well in the market or shifts in the consumer behaviour are also expected. So regularly review and update your segmentation strategy to enhance its continued relevance and effectiveness.

So in this session we tried to explore the role of customer analytics and we also looked at segmentation strategies as well wherein we looked at segmentation models as well as the stepwise approach to go for segmentation. Thank you.