The Art of Customer Profiling

Creating and using profiling to deliver intelligent interactions.
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**Introduction**

Creating a customer profile is integral in providing a differentiated experience and a more appealing offer in order to attract and retain the best customers.

Despite how challenging it may be, marketers hoping to make smarter campaign decisions need to take a step back, really understand the types of customers they have and segment them accordingly. Smarter campaign decisions are a necessity in the drive towards ensuring maximum return on your marketing dollar.

Modern marketing is a highly-competitive environment. Today’s consumers are demanding and discerning. Through the increased ability for organisations to store, capture and analyse information, consumers produce more data based evidence on their preferences, likes, dislikes, personal and household attributes than ever before but as a result demand a better level of service in exchange.

There is a definite trade-off in the opportunity that the ever-increasing data pool on consumers creates. In exchange for their personal data, consumers are expecting companies to use the data they generate to know them better and provide more relevant messaging and an enhanced customer experience.

For marketers, a huge part of utilising this data is the ability to connect it to consumers and group those consumers effectively – using common traits, characteristics and behaviours. Grouping customers into these lookalike segments enables brands to more effectively tailor marketing communications to specific types of customers across channels.
1. Why Profile?

The Importance of Understanding Your Audience

The concept of profiling your customers is not new, however, the volume and complexity of data being generated and the sophistication of available analytical tools means that it is now possible to gain deeper and more detailed insights. Importantly, consumers are now expecting organisations to utilise this type of analysis.

Understanding the audience is now more valuable to a business than it has ever been before. And, if the right approach is taken, more attainable than ever before. By following a few fundamental steps, creating a powerful and useful profile of your best and most valuable customers is within reach.

The customer is key here. Improving the customer’s experience should lead to more efficient and effective marketing which, in turn, leads to more loyal customers and improved ROI.
2. How to Create the Most Effective Profiles

Best Practice Customer Profiling

In the modern marketing world, understanding audience is crucial for brands. The consumer demands an appropriate level of service and profiling represents a significant step towards being able to deliver that service. Profiling your customers enables you to draw insights on your most valuable customers, least valuable customers and greatest opportunities.

When you have successfully profiled your customers the findings can be applied across the business, not just in marketing. Applications are just as effective in Fulfilment, Logistics, Payment and/or Credit and Query Management.

The Six Elements of Customer Profiling

The process of profiling customers can be broken down into six steps:

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<td>1 Start with your data</td>
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<td></td>
<td>• Consolidate and add KPIs such as revenue per customer email responsiveness, product mix and purchase channel.</td>
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<td></td>
<td>• Remove duplications and create Single Customer Views.</td>
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<td></td>
<td>• Ensure ‘segments’ of customers are easily identifiable and able to be separated into viable populations</td>
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<td></td>
<td>2 Determine the most effective comparison population for your customers</td>
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<td></td>
<td>• Determine the most appropriate base population to compare your target customer to. Is there a ‘natural’ area from which your customers come from? If you are a retailer this can easily be defined by the regions or catchments around your physical stores.</td>
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<td></td>
<td>• Think about the areas in which it can be ‘reasonable’ to expect a customer to come from. For example if you do not operate in Brisbane it is not appropriate to use the Brisbane population in your profiling base.</td>
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<td>3 Segment your customer groups to target your ideal customer</td>
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<td></td>
<td>• Determine the most appropriate segmentation to use – think about the attributes of your customer that are the most important to understand. What consumer preferences will most influence a potential purchase?</td>
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<td></td>
<td>• Once defined pick a segmentation that best suits these needs. This may include sourcing a Third Party classification. This is an optional step but it is advisable that you ensure your data is sufficient, thorough and strong enough before proceeding.</td>
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<td>4 Create a rich picture of these customers</td>
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<td></td>
<td>• Build a deep understanding of their preferences and motivations in order to target them and ensure your campaign messaging, channel locations and times of day are relevant and, most importantly, effective.</td>
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<td></td>
<td>5 Deploy your targeted campaigns</td>
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<td></td>
<td>• Select target customer segments, being mindful of their channel preferences.</td>
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<td></td>
<td>• Understanding the channel of campaign execution that provides the best outcome plays a large factor in a campaign’s success.</td>
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<td>6 Measure the effectiveness</td>
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<td>• Measure over time by each customer group.</td>
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<td></td>
<td>• Keep track of changes in your competitor’s customers and spatial trends concerning where your best customers are and where they interact with you.</td>
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<td>• Most importantly, use this intelligence to inform your next profiling exercise.</td>
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The Importance of Segmentation

A data-driven segmentation and profiling strategy is an integral step in any marketer’s strategy, whether he or she is looking to build a brand, acquire new customers, or retain his or her brand’s most loyal fans. A segmentation strategy that relies on and employs the value of the data your organisation holds on consumers will result in a more useful and effective outcome.

Using a specific set of characteristics such as demographic, geographic, or psychographic variables to segment your database enables customer profiling and the creation of specific audiences. Brands can then develop campaigns tailored to these groups delivering communications that are timely and relevant.

Top Tips for Segmentation

1. **Understand your audience**
   If a brand has a solid understanding of its ‘real’ audience it can more clearly define who its best customers are, who its least valuable customers are and where new opportunities may lie.

2. **Select the right channel**
   Smoke signals or text message? A brand that understands its audience and how they like to contacted is more capable of tailoring its offerings to suit those customers.

3. **Don’t try and be too clever**
   Too many segments or too many inputs can result in segmentation that is overcomplicated and difficult to use.

4. **Think about the ‘end’ user**
   Who will ultimately be using the segmentation? How much would you like the ‘segments’ to permeate your organisation? In most cases, the segmentation outcome that appeals to the widest audience will be the most effective. In short, everyone from the statistical analyst to the call centre operator should be referring to customers by segment.

5. **It’s all about looks**
   In order to make your segmentation appeal to the widest audience, the ‘look and feel’ of each segment becomes significantly important. Of course, statistical rigour and excellence should be front of mind, but the names of segments, colour schemes, imagery, etc. all add to the mass appeal of a segmentation solution.

6. **Apply, apply, apply…**
   Once the segments are built, make sure they can actually be applied to your customer data. Too often, organisations embark on extensive and expensive segmentation exercises that cannot actually be easily applied to customer data and in effect, become in effect, become inactionable.

7. **Segments are not static**
   How vulnerable are the segments to change? If technology use heavily influences your customers behaviour and hence segment, then a segmentation solution that changes dynamically may be the best solution.

8. **Go outside**
   Many external data solutions can provide a more effective segmentation of your consumers for a much lower cost (both in terms of money and time). An additional benefit can be access to sources of consumer insight that otherwise would not be available.
3. Using a Profile

Measuring Your Audience

So once you have selected the most appropriate segmentation and created the representative profile of your customers, how do you use this to effectively create an actionable audience for targeting?

There are a multitude of signals and factors to consider when creating and measuring an audience. It is important to think about the attributes of your customer that are the most important to understand. Ensuring the definition of the audience accurately reflects the profile of your customer means that you are able to more accurately define the size of the opportunity for any/all marketing campaigns.

While not ‘metrics’ as such, the data that is most helpful in defining this audience can be classified into three main types: Geo-demographics, Behaviour and Customer Journey.

It is the combination of all three that allows marketers to most successfully build a quantifiable picture of the target consumer and develop the best strategy to acquire them.

Geodemographics – Where, Who?

Metrics that describe who and where a person or group of people are will enable you to locate and measure your “likely” customer, based on your profile.

These factors include:

• Geography – Location will help determine the most relevant path to purchase
• Household – Income, Family situation, Age, Gender and Property details all help with assumptions on customer needs and wants

A market based segmentation, such as Mosaic, is a particular example of geodemographics in action:

Source: Mosaic Australia
Behaviour – How, When?
This type of information is the measure of the behaviour of consumers. Understanding what your customers are doing in their spare time and their influences can be meaningfully beneficial to accurately targeting your customers.

These include:

- Beliefs and motivations, not just for consumption of your product but in all areas
- Media consumption preferences, such as when they prefer to engage with messages from a brand via email
- Lifestyle preferences, such as physical activity and social preferences:

### Food & Drink
Expensive restaurants are not worth the money
- I buy the same food every week
- I like to have traditional meals at home
- I try to buy organic food whenever I can
- I like to drink wine with my meals
- Went to a fast food place for takeaway
- Went to a licensed restaurant
- Went to a BYO restaurant
- Went to a pub or hotel for a meal
- Went to a pub or hotel only for a drink

Source: Mosaic Australia
• The websites they visit, how long they spend there, what device they are on and the keywords they use, including time of day:

Source: Experian Australia Email Insights

This type of data is often not collected and/or captured by businesses, making this a style of consumer information that third party suppliers can more simply provide.

Customer Journey – Why?

This will provide the granular detail of why a consumer interacts in a certain way and whether they buy products spontaneously or via multi-stage evaluations.

Knowledge of these facets of consumption will help build an applicable and viable target audience based on your profile; including

• **Path to Purchase** – Understanding what decisions were made leading up to the purchase, including what content was seen and engaged with, where this engagement occurred and for how long?

• **Marketing Attribution** – What marketing was responsible for the decision to spend?
The importance you place on each channel will be dependent on your ability to measure the success of each channel.

• **Social Presence** – How did your customer talk about your brand and their purchase?
Did they involve other people in the decision? Where did they talk about your brand and their purchase?

All these aspects feed into an ability to create applicable target audiences and hence an ability to apply the profile of your organisation’s customers.
4. Create Deeper Understanding

Enrich Your Data

It is an unlikely situation that you will have too many insights about your best customers. Once you have built the most appropriate profile of your customers, the quest for further enrichment of this profile shouldn’t stop.

Through using data to find insights into the way your best customers think, feel and behave, marketers will be able to make (and justify) smarter decisions about messaging and campaign execution to appeal to these consumers.

Part of the process in building these rich insights is to ensure you understand how the market and consumers, in general, are changing.

Changing Consumer Trends

Consumer trends are constantly changing. The way we live our lives is always evolving and it is important that brands understand that the consumer does not remain the same. Their interests can be influenced by things like lifestyle changes and demographic changes. For example:

Experian data indicates that when a couple are expecting a baby they are 30% more likely to move home, 29% more likely to buy a new camera and 28% more likely to extend an existing TV package.

Source: Mosaic UK

This is just one example of the ever-evolving consumer landscape and goes to show just how important it is for brands to have the analytics, data collection and processes in place to ensure they can keep track of who their customers are so they can tailor the messages to better suit them.

The Changing Consumer

Marketers are well aware that the explosion in media channels continues and that consumers are moving fluidly across them and increasingly multi-tasking. The availability and adoption of technology means that there are a rapidly increasing number of consumers that are ‘Always On’ – and they expect brands to be the same.

69% of online adults say that they use their phone or computer at least somewhat often while watching television and 67% of those have done so in the last 24 hours.

Source: Experian Report – Smarter Strategies for Successful Acquisition Programs

To use the pictured family as an example – less common are the family evenings with everyone watching the same television. They are all engaging with a range of other devices – from tablets to mobile phones.
To further complicate matters, today’s omni-channel consumers demand that marketers know them at each and every point of engagement – regardless of device – and engage with personalised messaging, content and offers. There is a need for your organisation to build the best and most accurate profiles to inform any marketing activity – if you sound like you don’t know or understand your consumer then potential customers will go with someone who does!

Channel Preferences Are Changing Too

Consumer channel preferences are changing as new channels and technology provide new opportunities for interacting. Different groups and types of consumers have different preferences further complicating the customer journey.

![Source: Mosaic UK](image)

At this point marketers should be asking themselves whether they truly understand who their customers are – do you know by which channel they prefer to be contacted?
5. Conclusion

Power is now in the hands of the customer – as well it should, it’s their money – and because of this the emphasis has to focus on those customers. We have an unprecedented level of data, but as marketers, we need to use that data effectively to communicate with customers in a highly personalised, timely and relevant manner. Brands that fail to do so will struggle to survive because the consumers will simply switch to a competitor’s brand.

In this environment, deep knowledge of your customer is crucial. Knowing who they are, what they do and where they do it enables a brand to better define its audience and more effectively engage with them. The development of new technologies, both online and offline, means that understanding who’s doing what and where is easier than ever before.

Developing a detailed profile of your consumers allows a brand to build more personalised and relevant messaging for specific customers providing them with a superior customer experience which in turn boosts marketing efficiency and effectiveness.

Understanding the marketplace, competitor behaviour and most importantly, your customers’ behaviour are all enormously important to building the right profile.

Customer profiling is the best way to segment your customers to enable you to make the most of the customers you most care about. Remember – it’s about improving their experience and knowing more about them is the first step towards this.

The findings of a customer profiling exercise should be embedded within every department across the business. In marketing, knowing your audience helps companies interact with existing customers and find new ones. However, insights from a customer profiling exercise will also benefit customer service and product development.

Knowing your customer intimately is the key to delivering exceptional customer experience. Understand each customer’s values and how to reach them with messages that will resonate with them. Once you have a detailed view of your first party customer data enrich it with third-party demographic, behavioural and preferential data to deliver highly personalised, intelligent and relevant interactions. Once armed with an intimate understanding of your customer you are then able to develop highly effective, tailored and relevant content that resonates and adds value at every interaction.
**Key Takeaways**

1. **Understand**
   Not only must marketers know who customers are, but they must have the intelligence to understand what customers want and how to reach them with messages that will evoke response.

2. **Define**
   Your customers’ demographics, behaviour and journey to purchase all significantly influence the size of your audience and hence the profile of the target customer.

3. **Enrich**
   Combine available data to ensure you have sufficient insight of who your customers are and their particular preferences. Consider third party sources in order to supplement whatever data the organisation holds on their customers.

4. **Share**
   Don’t just use your findings within the marketing team. Profiles (and segments) have much more power when used across your business. Understand everything your business does to ensure you are a consumer-centric organisation focussed on the most important customer profiles.

"Intelligent interaction to me, as a marketer, means that it’s important to have as much information as you can about the target or the consumer that you’re looking to reach because you want to understand them, what drives them, what motivates them, what makes them tick, why it is that they might be more likely to be engaged in a certain category versus someone else, why they might respond more to one kind of ad or one kind of message than something else."

**Priscilla Moll,**
Advertising Effectiveness Research Manager, Time Inc.
(People en Español)