

# The art of customer profiling

Why understanding audience is important and how to do it

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## 1. The importance of understanding your audience

### 1.1 Why is it important to understand your audience?

Modern marketing is a highly-competitive environment. Today's consumers are demanding and discerning. They produce more data than ever before but at the same time demand a better level of service.

They expect relevancy of messaging and a good 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 such segments enables brands to more effectively focus tailored marketing communications to specific types of customers, across channels.

Customer profiling and the creation of these audiences via segmentation enables brands to create campaigns tailored to each group. These can be messaging a brand's most valuable customers, attempting to attract customers similar to those best customers or creating bespoke campaigns for segments that might require different message.

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 go deeper than ever before. By doing this brands can carry out profiling exercises that produce actionable results which are consistent across channels. Due to this advanced capability understanding audience is now more valuable to a business than it has ever been before.

The customer is key here. Improving the customer's experience will lead to more efficient and effective marketing which leads to more loyal customers and greater ROI.

In this white paper we will look over the reasons why brands need to profile their consumers, how they can do it and then run through some practical examples.

#### Define audiences – Informed, accurate and consistent

If a brand has a solid understanding of its audience it can clearly define who its best customers are, who its least valuable customers are and where opportunities may lie.

#### Understand – Personalisation, relevance

A brand that understands its audience and is profiling its customers is capable of tailoring its offerings to suit those customers. This includes the ability to personalise communications and marketing across all channels to make them more relevant to the people receiving them.

#### Recognise – Consumer-centric engagement

Knowing your customers allows a brand to recognise customers and make them feel valued. Tied in with the previous point about personalisation this improves the customer's experience, their loyalty and the long-term value of that customer to the brand.

#### Target – Efficient and effective advertising

A good appreciation of audience provides the potential for more effective and efficient advertising through the above mentioned personalisation and understanding - driving higher response rates and ultimately increasing sales and return on investment.

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### 1.2 Diversity within postcodes

To truly understand customers, and to enable usable customer profiles, an extremely detailed level of data is required.

The below image and corresponding key, which is a snapshot from Mosaic, clearly shows the range of variation within a single postcode. There are 11 different consumer segments in this example with different groups found next door and across the road from each other.

- B09 – Empty Nest adventure – Mature couples in comfortable detached houses who have the means to enjoy their empty nest status
- F25 – Dependable me – single mature owners settled in traditional suburban semis working in intermediate occupations
- G27 – Thriving Independence – Well-qualified older singles with incomes from successful professional careers in good quality housing
- H32 – First-rung Futures – Pre family newcomers who have bought value homes with space to grow in affordable but pleasant areas



### 1.3 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 as their interests change –sometimes due to significant events. 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)

One example of the changing nature of consumers is epitomised by the Mosaic group we call Rurbanites.

Rurban Locations are suburbanites in search of a rural idyll while maintaining their town lifestyles. They want sought after villages and towns with access to transport hubs and within commute of major cities.

Due to the nature of the lifestyles they wish to lead and the practicalities of where they live the Rurbanite group is more likely to be interested in higher-end products, have a higher propensity to buy products online and are more likely to require delivery services.

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.

Keeping tabs on changing lifestyle trends is important when considering your audience and attempting to profile your key customers.

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### 1.4 The changing consumer

Consumers are rapidly moving online. 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.

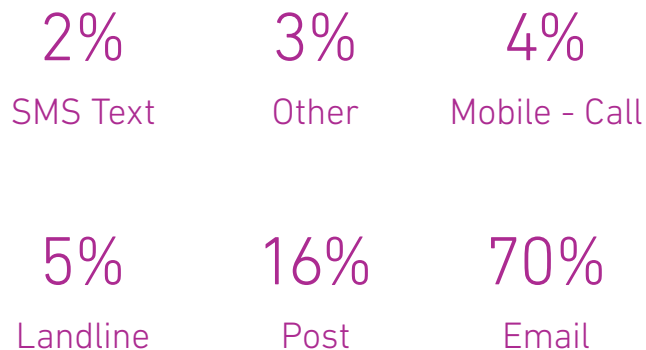
To use a family as an example - less common are the family evenings with everyone watching the same television. In today's world many families look like the one below. They may be ostensibly watching the television but they are also each engaging with a wide range of other devices - from tablets to mobile phones.



With this in mind we can see that the devices that people are browsing on and how and when they are browsing is becoming more diverse. Just one example of this is that last Christmas 11% of people said a tablet is their primary browsing device.<sup>1</sup>

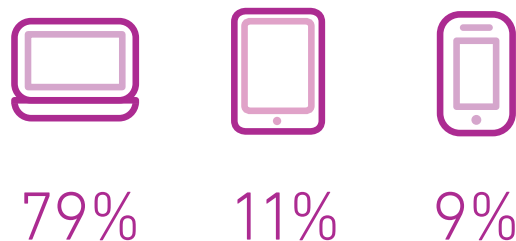
### 1.5 Channel preferences are changing too

Consumers' first choice of communication channel when being contacted by companies



Source: Mosaic UK: See the full infographic here: <http://ex.pn/Q7az3V>

Not only is consumer channel preference changing as new channels provide new communication opportunities but different groups and types of consumers have different preferences.



<sup>1</sup> Source: Experian Festive Insights Consumer Research 2013

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### **1.6 Do you know your customers?**

At this point marketers should be asking themselves whether they truly understand who their customers are. Not just in terms of names and contact addresses but also what devices they are browsing on, the sort of products they buy from other sites and when they are likely to browse.

So ask yourself, do you know how many of your customers are on their phones? What about tablets?

Each factor is a different browsing experience and as marketers we need to know who our customers are in order to be able to better cater for them. A happy customer is far more likely to return.

For more information on the Always On consumer read this free white paper: <http://ex.pn/1ulldDI>

## 2. Best practice customer profiling

In the modern marketing world understanding audience is crucial for brands. The Always On consumer demands a level of service and customer profiling is a huge step towards being able to provide 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 should be applied across the business, not just in marketing. Consistency is key.

But how do you do it?

In the following sections we will first explain the theory and then provide some practical examples in the form of case studies.

### 2.1 The six elements of customer profiling

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

1

**Start with your data.** Consolidate and add KPIs such as revenue per customer, email responsiveness, product mix and purchase channel. Remove duplications and create Single Customer Views (for more information on the benefits of a Single Customer View read this introductory white paper: <http://ex.pn/1ER2Toh>)

2

**Enhance and enrich** first party data using third party data. This is an optional step but it is advisable that you ensure your data is sufficient, thorough and strong enough before proceeding to the next step

3

**Segment your customer groups** so you can target your best customers or the customers you feel represent the greatest opportunity

4

**Create a rich picture of these customers on and offline** (and your competitors' customers) so you can target them and ensure your campaign messaging, channels, locations and times of day, are relevant.

5

**Deploy your targeted cross-channel campaigns** to the selected customer segments

6

**Measure the effectiveness** of your campaigns over time by each customer group. Keep track of changes in your competitors' customers, spatial trends concerning where your best customers are and where they interact with you

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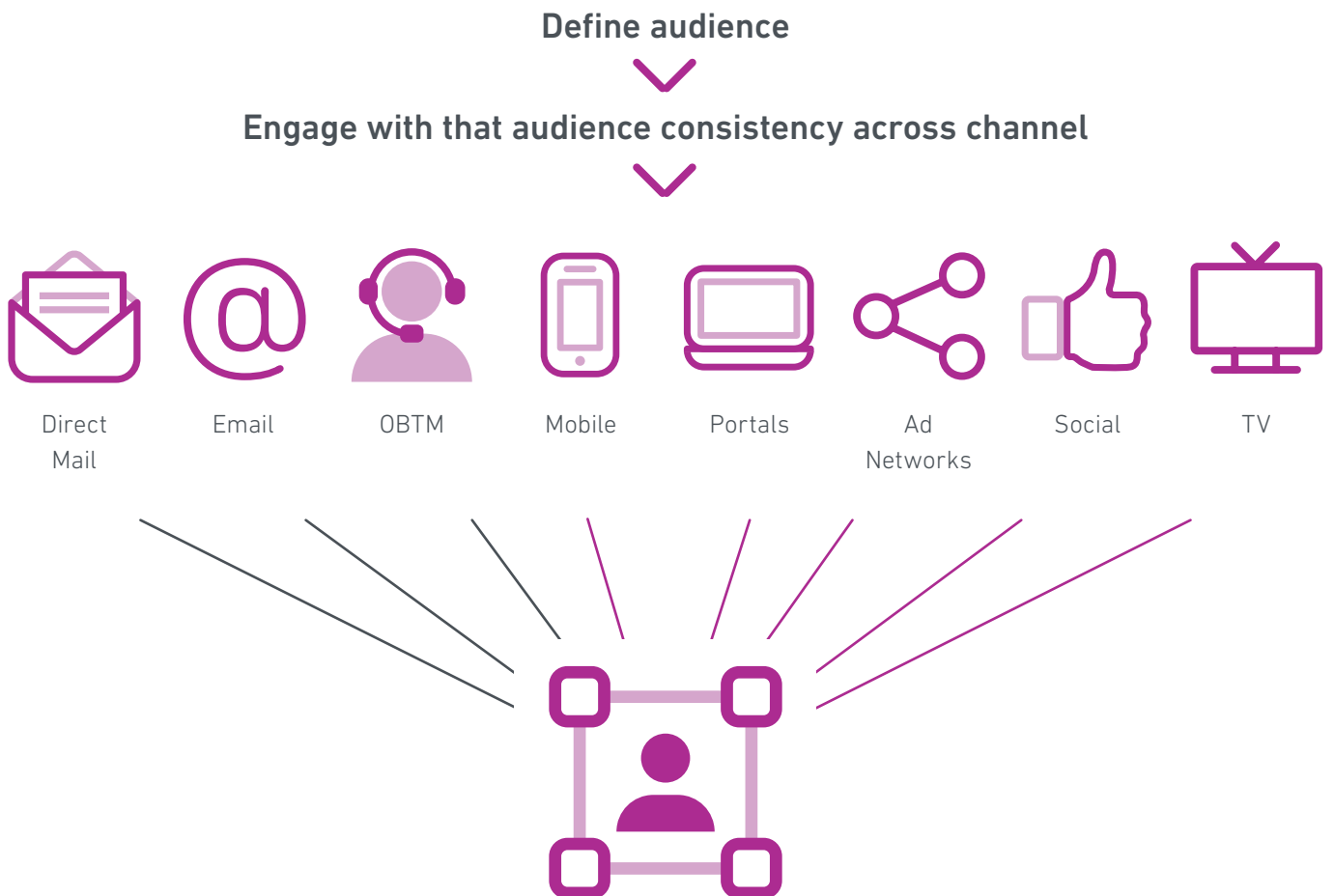
### 2.2 Target - build once but use multiple times

The number of channels available to marketers and the diversity of consumer engagement with those channels is increasing all the time.

Often marketers will have to make compromises when they design campaigns – restricted by the targeting capabilities within each channel.

That is all changing and it is now possible to build consistent definitions of target audiences that can then be reached, without translation or compromise, across all channels - including television.

This level of customer profiling has traditionally powered and informed activities within channels such as direct mail, email and out of home – but increasingly that same insight-driven targeting can be used to target channels such as display, mobile and social – to great effect.





### 3. How do you measure audience?

There are a multitude of signals and factors to consider when measuring an audience. While not 'metrics' as such, this data can be classified into three main types: Demographics, Behaviour and Customer Journey.

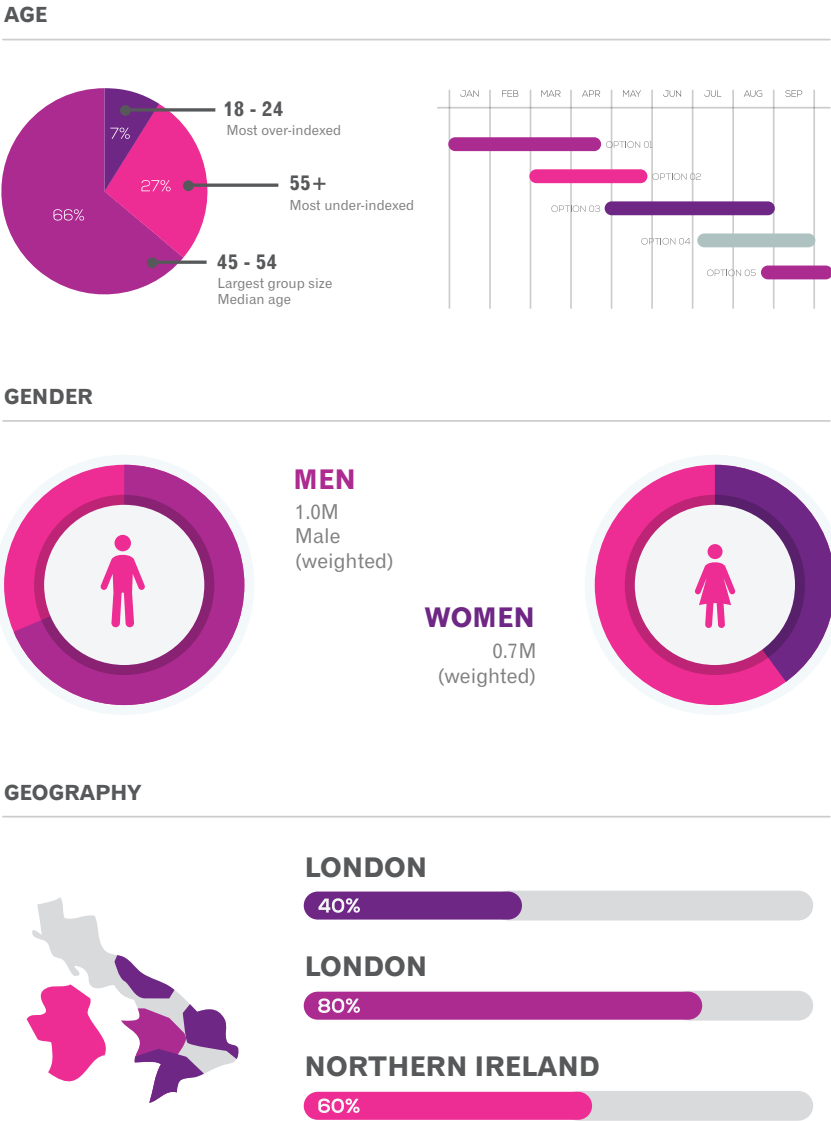
It is the combination of all three that allows marketers to successfully profile customers, create segments and efficiently market to relevant groups.

#### 3.1 Demographics – where, who?

Demographic metrics describe who and where a person or group of people are. These factors include:

- Geography - Location and rural diversity help determine most appropriate path to purchase such as online and through store
- Household - Income, Family situation, Age and Property all help with assumptions on customer needs and wants
- Likes and Dislikes - Understanding what media each group consumes and how open each group is to offers and contact preferences

The below is an example of age, gender and location demographics data.

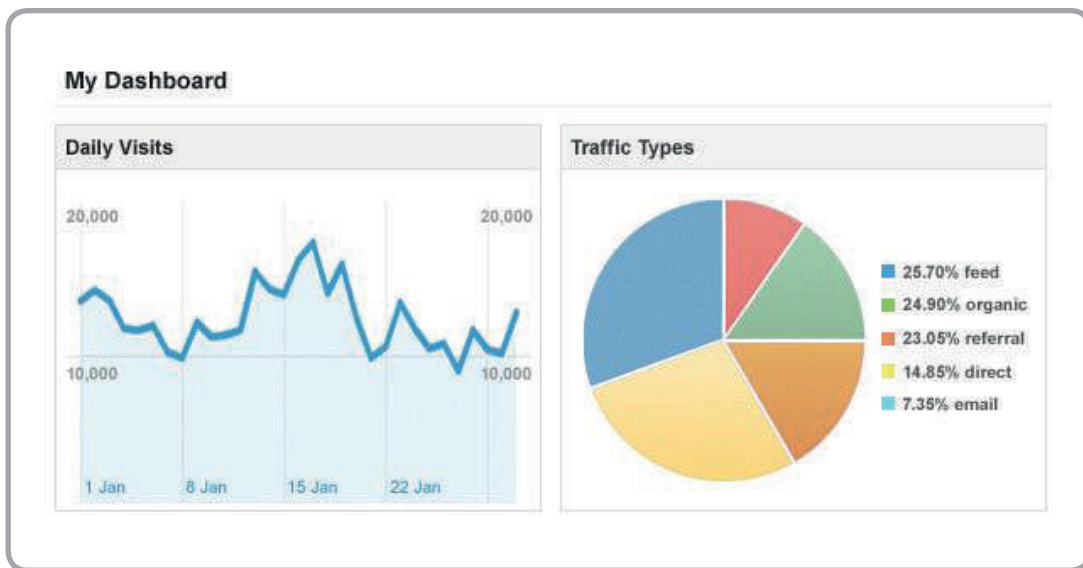


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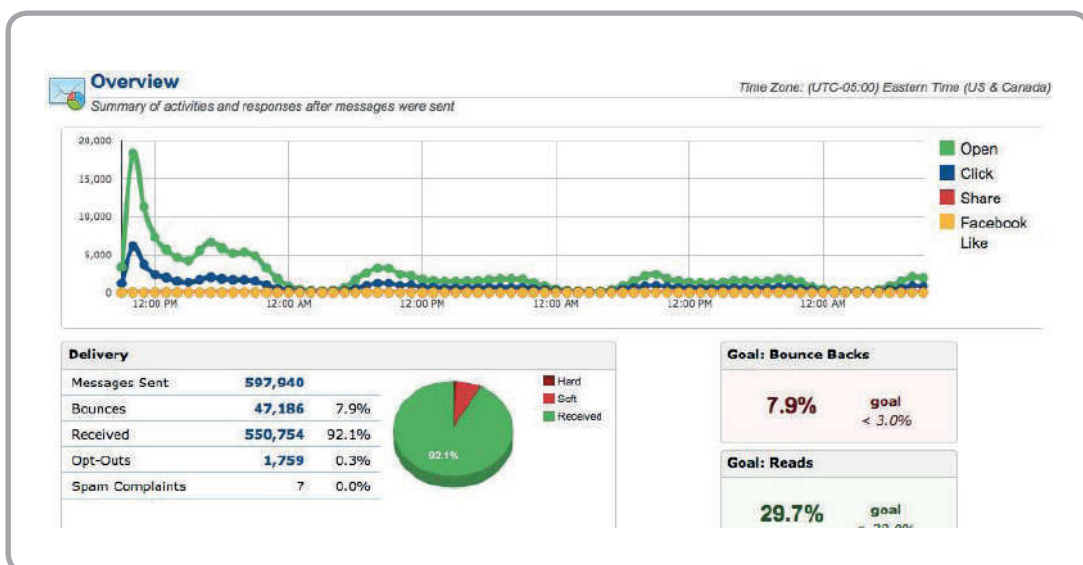
## 3.2 Behaviour – how, when?

This type of information is the measure of the behaviour of consumers when online. These include the websites they visit, how long they spend there, what device they are on, and the keywords they use.

- Web Analytics - Determines the products and content they are interested in and the upstream of how they found your brand
- Email Behaviour - Shows when they engage with the brand and what topics they are interested in
- Device Analytics - Shows how and when they interact with you during the day and what their preferred method of interaction is



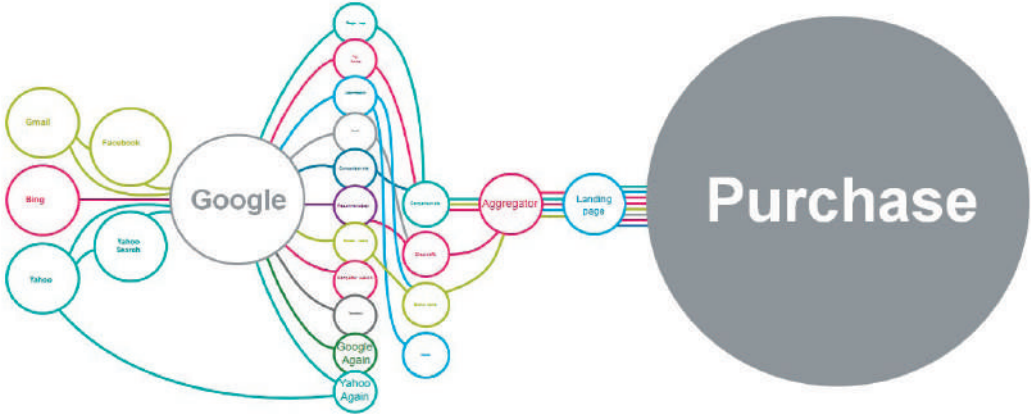
Above, an example of some of the web analytics available and, below, some sample email behaviour data



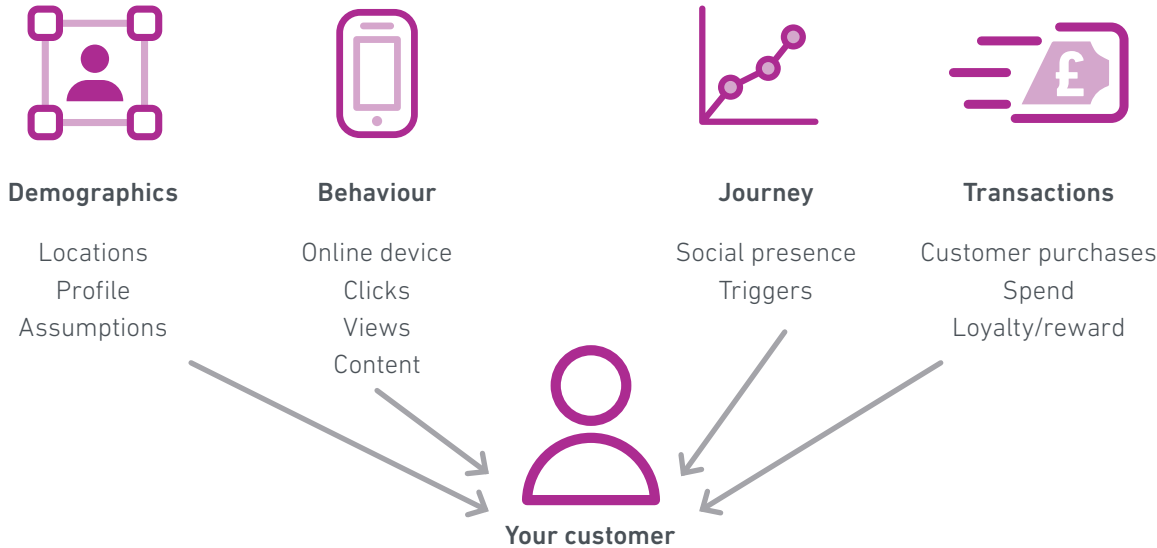
**3.3 Customer journey – why?**

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

- Path to Purchase - Understanding what decisions were made leading up to the purchase. What content was seen and engaged with?
- Marketing Attribution - What marketing was responsible for the decision to spend. What importance should you place on each channel?
- Social Presence - How did your customer talk about your brand and their purchase? Did they involve other people in the decision?



These are just a few examples of some of the many factors affecting a customer's path to purchase.



All these aspects feed into a brand's ability to profile its customers and create applicable audiences.

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### 4. How to profile your customers – case study examples

Theory is wonderful. However, sometimes it is difficult to transfer that theory into the business world.

What follows is a real life example case study which shows how the art of customer profiling can directly benefit a business.

The case study is for an (unnamed) online travel agency where the task was to profile the audience so that messaging could be better tailored to each individual.

In this example we used information from Experian's Mosaic segmentation tool.

#### 4.1 Case study - online travel agency:

The client was interested in identifying travel preferences and needs of three customer segments. The aim was to then design bespoke targeted messaging that would cater to each segment's individual requirements and liking.

##### Segment definition

The client's existing data was profiled and enriched using Experian's third party data to find the same audience in the behavioural data.

We were then able to use these insights to find lookalike matches – people who fitted the profile of the company's best customers. These were matched to Mosaic segmentation groups. Group A, B and O



**Destinations**

The next step was to understand the popular destinations searched for by each group.

Using our online intelligence tools we were able to pull the following search data showing which travel destinations each group was most interested in.



Group A

- Domestic**
  - London
  - Edinburgh
  - Glasgow
- **International**
  - Paris
  - Dubai
  - Barcelona
  - Rome
  - Venice



Group B

- Domestic**
  - Manchester
  - York
  - Edinburgh
- **International**
  - France
  - Spain
  - Italy
  - Dubai
  - Australia



Group O

- Domestic**
  - London
  - Edinburgh
  - Glasgow
- **International**
  - Paris
  - Amsterdam
  - Dubai
  - Berlin
  - Singapore

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So what does the search data tell us about these audiences? Which destinations interest them at home and abroad?

- **Group A - preferred Luxury City Breaks**

Mosaic type - City Prosperity: People with substantial wealth who live in the most sought after neighbourhood – Luxury City breaks

- **Group B - preferred Family Holidays to European and Long Haul Destinations**

Mosaic type - Prestige Positions: Experienced professionals in successful careers enjoying financial comfort in suburban or semi-rural homes

- **Group O – preferred Global City Trips**

Mosaic type - Rental Hubs: Young, well-educated city dwellers enjoying the vibrancy and diversity of urban life

### Likelihood of searching for specific travel related things



We can also identify the types of holiday that these groups are more or less likely to be interested in.

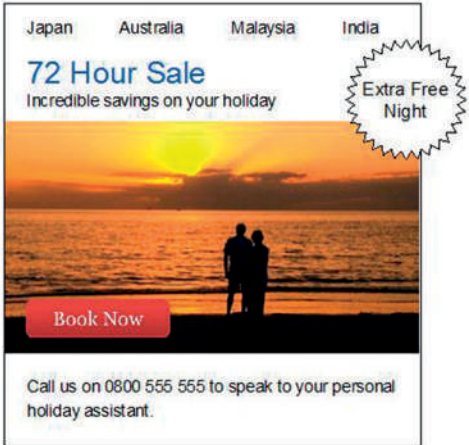
More likely  
Less likely

- **Group A – Luxury holidays + Restaurants**
- **Group B – Family, All inclusive Holidays**
- **Group O – Restaurants, nightlife, deals**

**Actioning these insights**

Using these insights we were able to advise the client to build messaging taking into account each group’s likely preferences. This meant that members of each segment only received the message that they were more likely to be interested in.

In this way the data drives the content development strategy to create a truly engaging and relevant message for the consumer.



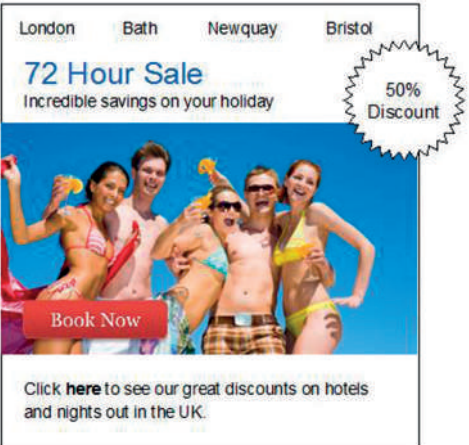
**Group A**

- Like to holiday abroad
- Prefer non-money offers
- Clicked on inspirational images
- Prefer VIP contact



**Group B**

- Prefer to holiday in Europe
- Prefer monetary discounts
- Clicked on family images
- Prefer web for contact not phone



**Group O**

- Prefer to holiday in the UK
- Need large discounts to convert
- Clicks on high energy images

### 5. Customer profiling is an art form

In the modern world a brand's customers are its greatest asset and its greatest challenge.

The power lies with the customer – as well it should, it's their money – and because of this the emphasis has to focus on those customers. Improving their experience and the relevancy of the messaging – whether that's email, social, direct mail or digital advertising – is the optimum way to increase marketing efficiency and effectiveness.

With the rise of the Always On consumer we have an unprecedented level of data but as marketers we have a responsibility to use that data to better service those customers. Brands that fail to do so will struggle because not only is the Always On consumer producing more data – they are also more discerning and far more demanding.

It is this environment which shows that understanding and knowing who your customers are 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 sophisticated online analytical software means that understanding who's doing what online and where is easier than ever before.

Profiling consumers allows a brand to define a clear set of messages and imagery for specific customers to improve their customer experience and boost marketing efficiency and effectiveness.

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.

Well-defined customer segments enable brands to build audiences based on what they want to achieve. An audience of a brand's most loyal customers needs to be treated differently from an audience of customers who have only ever engaged once.



### 5.1 Key takeaways

- Consumers are more savvy, more connected and more demanding than ever before. They expect a seamless experience of brands, regardless of channels
- Combine first party data with third party data to ensure you have a sufficient insight of who your customers are and their particular preferences
- Profile your customers and create customer segments to target each group with more specific and relevant marketing
- Improve the customer experience by tailoring your messaging to each individual segment
- By understanding your data and profiling your customers you can be a lot smarter about how you message, engage and interact with your cross-channel customers
- Don't just use your findings within the marketing team. Use customer profiles to define everything your business does to ensure you are a consumer-centric organisation

Experian Marketing Services is a leading global provider of consumer insights, targeting, data quality and cross-channel marketing. We help organisations intelligently interact with today's empowered and hyper-connected consumers. By helping marketers identify their best customers, find more of them, and then coordinate seamless and intelligent interactions across the most appropriate channels, Experian Marketing Services' clients can deepen customer loyalty, strengthen brand advocacy and maximise profits.

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