MARKETING SERVICES

WHITE PAPER

MARKET ANALYTICS & SEGMENTATION

4 Steps for Getting in the Customer Targeting Fast Lane

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TABLE OF CONTENTS

2 MODERN MARKETING DEMANDS DEEP CUSTOMER UNDERSTANDING

3 THREE FACTORS HOLD MOST SEGMENTATION EFFORTS BACK

3 STEP 1: ESTABLISH OBJECTIVES FOR YOUR MARKET SEGMENTATION INITIATIVES

5 STEP 2: BUILD AN INTEGRATED DATASET FOR A 360-DEGREE VIEW

6 PRIVACY BY DESIGN

7 STEP 3: UTILIZE YOUR INTEGRATED DATASET IN A CUSTOM SEGMENTATION MODEL

8 STEP 4: ACTIVATE YOUR SEGMENTATION

10 INTRODUCING NEUSTAR CUSTOMER TARGETING ANALYSIS

10 BOOST REVENUE NOW

Modern Marketing Demands Deep Customer Understanding

If you're a modern marketer, relevance is the new black. Just reaching your target consumers isn't enough to earn their attention. You need to speak to them in a way that deeply reflects their personal needs, desires, and lifestyles.

Making relevant marketing a reality centers on knowing your consumers.

- First, you must have a 360-degree view of your customers and prospects that **reveals the patterns** in their interests, attitudes, and behaviors.
- You must look at how they interact with your brand as well as **what they do in the rest of their lives.**
- Finally, you must put this understanding into action with distinct marketing strategies and tailored communications. **Segmentation** is what guides your approach.

So how well does your brand understand consumers?

Marketers and Consumers Both Perceive an Understanding Gap

- **Nearly 80 percent** of consumers said the average brand doesn't understand them as individuals, according to an April 2015 survey by eConsultancy and IBM.[1]
- **Only 60 percent** of marketers said they know how to engage their high-value customers, according to a Forrester study on behalf of Neustar.[2]
- **Only 15 percent** of marketers personalize their marketing messages based on family or lifestyle attributes of their audiences, according to VB Insight.[3]

Today, marketers have more data at their disposal than ever before. So why do so many brands struggle to put it to use? **What does it take to turn disparate data points into a useful segmentation and to apply that understanding at twenty-first century speed?**

This white paper lays out a roadmap for doing just that.

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Three Factors Hold Most Segmentation Efforts Back

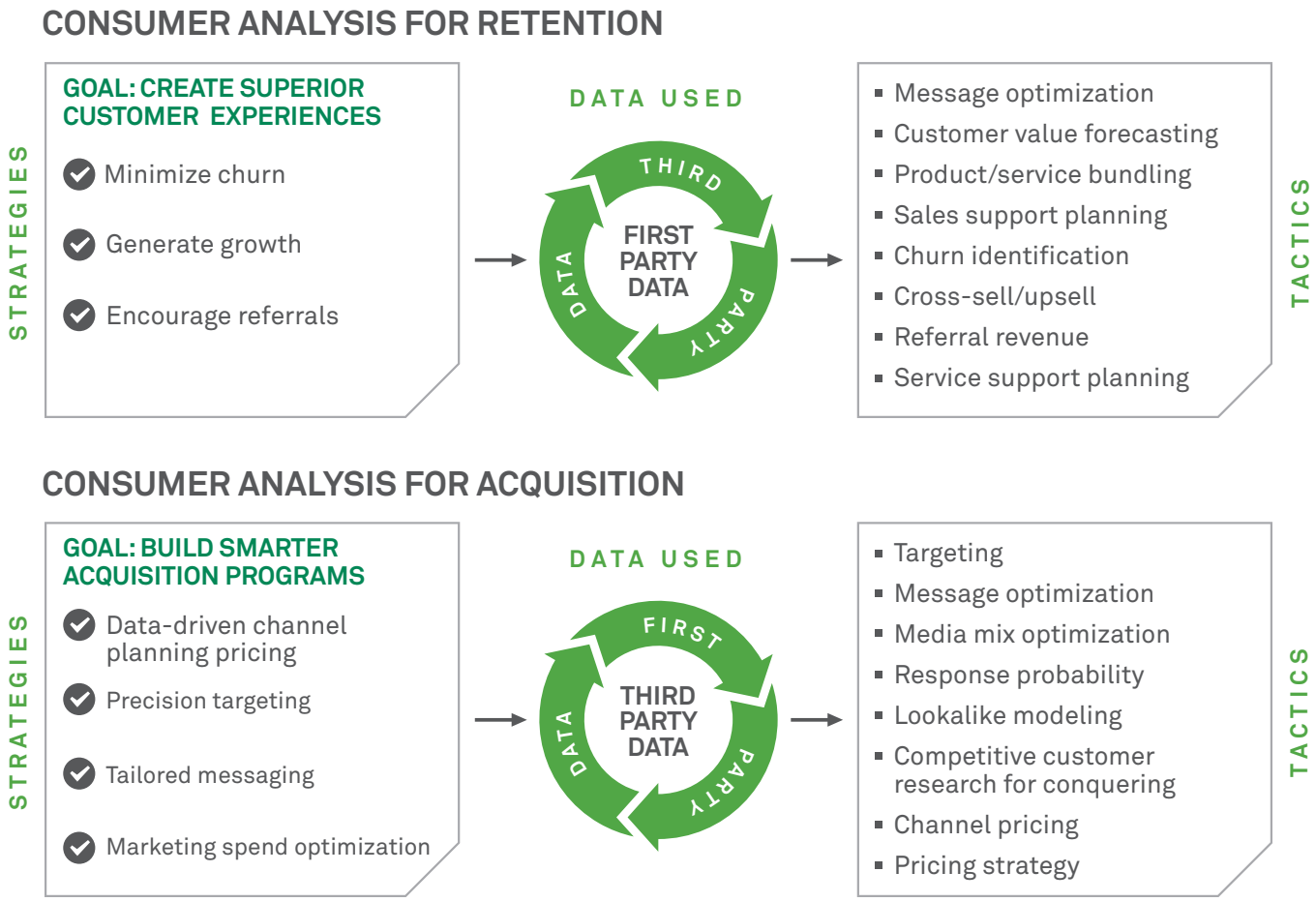
Deep consumer analysis demands that you overcome three broad challenges, as follows.

1. **Integrating internal and external datasets** to achieve a true 360-degree customer view.
2. Using this dataset to build a segmentation with **enough precision for relevancy and prediction.**
3. **Putting that segmentation to use within the modern marketing ecosystem** of online ad serving, marketing automation, and website technologies as well as traditional channels like call centers and direct mail. After all, your segmentation can't deliver any value unless it's shaping how you execute cross-channel campaigns.

In the past, each of these challenges has required a lot of time and money to conquer. Fortunately, that's no longer the case. We'll describe four steps that you can take today to achieve a near-term revenue boost from market segmentation.

Step 1: Establish Objectives for Your Market Segmentation Initiatives

Understanding consumers is valuable for its own sake, but you will find that you gain more insight if you have an end goal in mind from the start of your segmentation efforts. Your objectives will fall in one of two areas: customer retention and customer acquisition. In each of these two areas, you'll be deploying different strategies and tactics and taking a different approach to how you use the consumer data that's at your disposal.



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A Campaign Approach Can Provide a Jumpstart

If you want to get the ball rolling quickly and gain some initial learnings, you may decide to take a campaign approach to segmentation. Neustar has seen quick segmentation initiatives achieve positive return—for example, a segmentation specifically addressing website personalization to unauthenticated visitors. (See the Spotlight below)

Once brands go through the process of creating a segmentation model and using it for a discrete business purpose, they realize the strategic value of their models and start applying them across the business.

SPOTLIGHT:

LEADING TECHNOLOGY PROVIDER

With more than 40 percent of its home page visits coming from new visitors, a company that sells technology to businesses and consumers needed insight to build a personalized experience. The company worked with Neustar to segment visitors based on the general interests of people like them. The Neustar solution mapped website visitors to custom-built audience segments based upon the company's most valuable customers. It then used these segments to display home page banners targeted toward different groups' preferences, thus personalizing their site visit from the moment a new customer visited.

"PlatformOne completely changed the way we think about our customers."

– Manager, customer analytics

SUMMARY OF BENEFITS

40%
LIFT IN ORDER CONVERSION

25%
LIFT IN REVENUE PER VISITOR

$1.7
MILLION NET VALUE

117%
RETURN ON INVESTMENT (ROI)

The results of the Neustar initiative have been phenomenal: a **40 percent lift in order conversion** and a **25 percent lift in revenue per visitor.** According to a Total Economic Impact™ study commissioned by Neustar and performed by Forrester Consulting, the company achieved a **net present value of nearly $1.7 million** on its Neustar investment and a **return on investment of 117 percent.**[4]

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Step 2: Build an Integrated Dataset for a 360-Degree View

A true 360-degree consumer view is only possible with an integrated dataset that includes both internal and external data. This may sound complicated, but technology makes it a lot easier than you think.

Internal Data is Rich but Narrow and Often Inaccurate

Internal data from customer relationship management (CRM) systems, billing systems, or other repositories of customer knowledge are valuable for segmentation. In addition to containing personally identifiable information (PII) that consumers have chosen to share and preferences about communication channels and privacy, internal data tends to be rich in attribute data (purchase propensities, purchase history, best time to contact, etc.) that's actionable for personalizing interactions, cross-selling, and other activities that make marketing more relevant. However, internal data in isolation has several drawbacks:

- **It only represents interactions with your brand.** In the vast majority of cases, internal data cannot create a broader picture of everything consumers do in their lives.
- **Available data on non-customers is severely limited.** Particularly if you're segmenting for a customer acquisition initiative, you need a view that represents people who aren't already your customers.
- Depending on your business model, your internal data may be a **small subset of your customer universe.** This is particularly true for companies such as CPG manufacturers that sell primarily through retail channels.
- **It gets out of date** very quickly—customers don't usually call you every time they move, change phone numbers, or switch their prefered email address. Companies that use Neustar Identity to keep their CRM databases fresh typically update 5-15 percent of the records in their databases every month. (For more information, see the What Is Neustar Identity? section below.)

External Data by Itself Doesn't Differentiate

You probably have ready accesss to multiple sources of syndicated data compiled by a third-party service provider. However, syndicated data may not provide full access to event-level data that brings clarity to the customer journey. In addition, your competitors have the same syndicated data that you do. If you're not enriching it with anything that's unique to your business, your resulting segmentation won't be unique either.

Integrating Internal + External Data Provides Depth, Breadth, and Accuracy

The winning combination emerges when you bring all of your first-, second-, and third-party data into a single audience hub supported by an authoritative identity methodology. The identity methodology is the key to overcoming the biggest barrier to integrating internal and external data: the lack of a consistent way to tie together all of this disparate data while conforming to privacy policies and best practices. The right audience hub will give you very granular data access, so that you can dig as deep as needed to develop precise segments while still segregating PII from other identifiers. (For more information about the concept of privacy by design, see the Privacy By Design section below.)

Neustar market segmentation solutions tap into a robust repository containing 15,000+ consumer attributes. The repository includes demographics (e.g., "Graduate degree"), psychographics, geography, attitudes (e.g., agrees a lot with "My car should have many safety features"), needs, life events (e.g., "Grandchild born in the last 12 months"), purchase behaviors (e.g., "Bought Levi's jeans in last 12 months"), buying preferences, and media preferences.

WHAT IS NEUSTAR IDENTITY?

Neustar Identity is an authoritative identity methodology that reconciles the many identifiers generated in different channels and recognizes them collectively as a single consumer. It connects both past and present identifiers, including name, address, phone number, email addresses, cookies, and mobile device IDs to provide complete and accurate consumer profiles that take situation-specific privacy concerns into consideration.

Not all identity methodologies are created equal. Learn more about Neustar's unique approach.

LEARN MORE //
www.neustar.biz/resources/whitepapers/consumer-identity-omnichannel-marketing

Privacy by Design

As you use internal and external data for segmentation, your systems should maintain strict segregation between PII and any privacy-friendly identifiers, such as cookies and mobile advertising or app identifiers that can be definitively tied to this PII. This requires both technical and administrative safeguards to prevent reverse engineering of privacy protective identifiers, as well as a commitment to the principles of privacy by design.

Privacy by design is the common-sense notion that privacy and security must be taken into consideration throughout the entire lifecycle of collecting and using consumer information, whether it is personally identifiable or not, by everyone who is working with that information. Privacy by design requires:

1. Deep knowledge about the policy and technical aspects of privacy on the part of engineers who build services that tap into consumer identities
2. Deliberate segregation of PII from other identity attributes, such as cookie IDs, when linking data together to recognize a discrete user
3. Administrative and technical safeguards that prevent de-identified information from being reverse-engineered. These include encryption, segregated databases, and other practices that prevent data linkages from being deconstructed.
4. Clear processes to respect consumer choice. People should be asked before their sensitive information is used. People should be able to understand what kind of infor¬mation a company has about them, and they should be able to correct or prevent further use of that information for marketing without compromising their own security in the process.

SPOTLIGHT:

LEADING RETAIL BANK

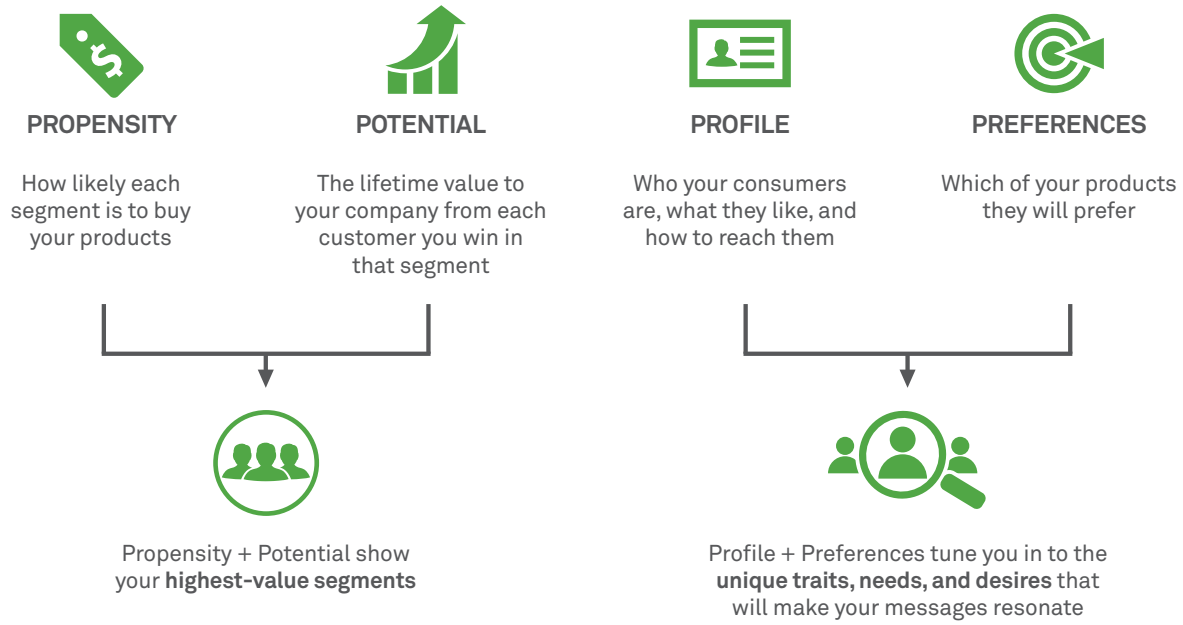
This bank's website gets many visitors, but most are unknown, unauthenticated, or both. With little to no data about site visitors, the bank had to rely on a generic home page that offered the same products, promotions, and messages to all site visitors. Using a combination of CRM data and privacy-friendly analysis of unknown web visitors, the bank identified unique target segments for each of the bank's core product categories using predictive models of propensity to buy. By using Neustar, the bank mapped 72 percent of visitors to one of its segments and directed even brand-new visitors to a more personalized browsing experience.

Step 3: Utilize Your Integrated Dataset in a Custom Segmentation Model

In the past, the cost of custom segmentation has put it out of reach for many marketers. Today, technology-based solutions like Neustar have changed the equation. Once you have your integrated dataset ready, you can build a custom segmentation for the fraction of the cost you might expect.

Uncover the 4 Ps of Customer Understanding

Your segmentation should uncover what we at Neustar call the **"4 Ps of Customer Understanding."**



Taken together, these 4 Ps (not to be confused with the old-school ones) help you:

- Target the right consumers—that is, those most likely to become high-value customers
- Deeply understand them
- Earn their attention by delivering tailored communications aligned to their preferences
- Avoid wasted spend
- Do all of this at scale

Move Beyond Syndicated Segments

Syndicated segmentation solutions may seem like a quick path to customer undersanding, but Neustar clients have found that they usually don't provide the level of precision required for relevancy and prediction. Typically, the 50-60 "one size fits all" segments that come with a generic segmentation schema cannot adequately capture the diversity in consumer interests, attitudes, and behaviors across an industry. For example, a "financial services" segmentation schema may attempt to cover banking, insurance, wealth management, and credit—but the markets for each of these products are quite different.

Layer in Multiple Use Cases

Ultimately, you'll want to make sure that your model can serve use cases at different levels in the enterprise. For example, there may be 50 distinct segments that "live" within your customer base, but different slices of these 50 segements may be relevant for different marketing initiatives. The example below illustrates how to operationalize this approach.

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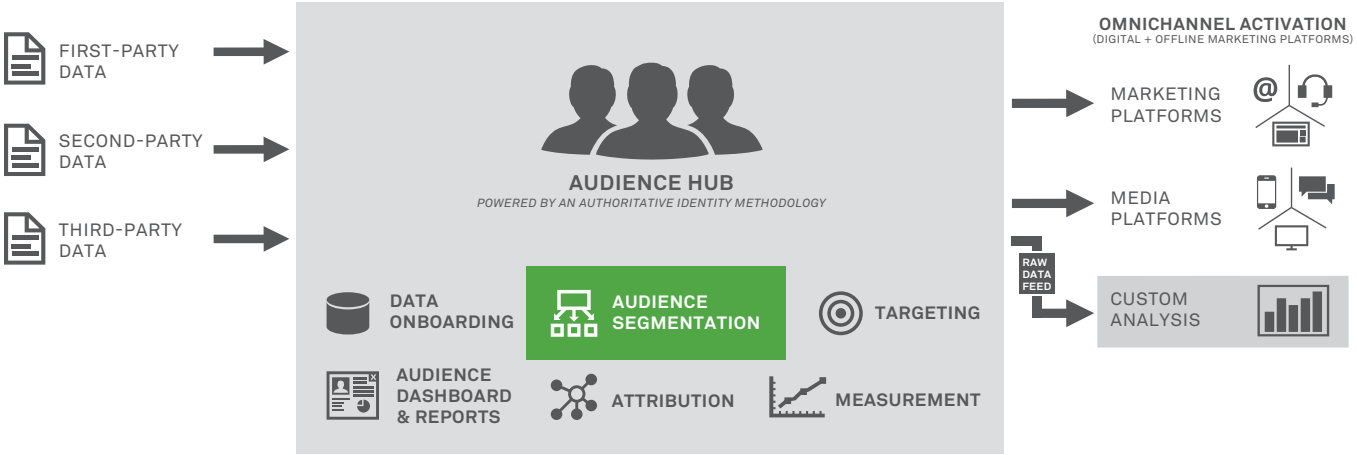
SPOTLIGHT:

LEADING WIRELESS PROVIDER

This well-known brand uses Neustar's market analytics and segmentation solution to create custom target groups for individual tactics as well as to derive higher-level strategic insights. Using internal customer data onboarded to Neustar, the company created 50 customer segments. It then employs different combinations of these 50 segments for individual marketing tactics like display campaigns, call center cross-sell/ upsell programs, and email or website personalization. The company rolls up the 50 segments into 11 distinct strategic groups to meet their needs for higher-level, strategic insights. For an executive audience, these 11 groups are further rolled up into just 3 groups. Every household in the US can then be tied back to both custom segments and target groups, whether or not they are currently customers. In addition, everyone in the company has consistent language to reference when speaking about customers.

Step 4: Activate Your Segmentation

Any segmentation model that can't easily integrate with your online and offline channels will gather a lot of virtual dust on someone's hard drive. Once you build your segmentation, you'll want to incorporate it into your execution workflows for all channels your customers use to interact with you. This includes both online channels like web and media as well as offline channels from call centers to direct mail.



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Below, we've illustrated some ways that you can take action in different channels.

OFFLINE

EMAIL/DIRECT MAIL DATABASES

Enhance customer files by appending segmentation to customer records. Your existing customers deserve more personalized mail.

DIRECT MAIL PROSPECTING

Pull lists based on segment (along with additional metrics like demographics, affluence, buying power, etc.).

CALL CENTER

Immediately identify if an inbound caller is someone with a high propensity to be a valued customer.

Arm your agents to introduce the best cross-sell offers to each inbound caller. For example, a single adventurer may be looking for a much different travel experience than an empty-nester couple.

MARKET/SITE SELECTION

Prioritize expansion efforts by which markets rank the highest in the number of lookalikes for your top-performing segments.

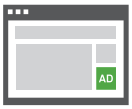
ONLINE

DISPLAY ADVERTISING

Target your digital advertising only to those consumer segments with the right propensity and buying power. For example, an 18-year-old sports car enthusiast who lives on a college campus is unlikely to buy a luxury car.

DIGITAL REMARKETING

Tailor messaging in remarketing initiatives to the interests of specific segments. For example, a single SUV buyer with a downtown zip code purchases for a much different reason than a family who lives in a rural area.



WEBSITE

Personalize messaging on your website from the moment consumers land on it. Show big-screen televisions to homeowners and lightweight laptops to business travelers.

SPOTLIGHT:

MAJOR HEALTHCARE INSURER

With the Affordable Care Act, a major healthcare insurer was looking for the insights to help them understand who bought insurance during the first enrollment, analyze those buyers, create segments, and look for trends. The company knew that Millennials were less likely to have insurance, but these consumers don't show up as heads of household and are less reachable through traditional channels. Working with Neustar, the company was able to segment Millennial audiences and target and convert them online, at scale. According to a marketing manager responsible for the initiative, "We want to know that an ad created for an uninsured young person with no children is getting clicked on by him or her. With that kind of knowledge, available in real time, we can understand our audience's attitudes and behavior and adjust ads in mid-flight."

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Introducing Neustar Customer Targeting Analysis

Neustar Customer Targeting Analysis is a fast, customized services engagement through which a Neustar team of experts works with you to:

- Assess your data and determine which attributes are linked to specific strategic or operational questions
- Develop a custom segmentation for your business
- Surface actionable consumer insights to help you optimize your marketing strategies and focus your campaign investments

Our unique methodology uses the ElementOne Analytics framework and an incredibly robust consumer dataset containing over 15,000 attributes to augment your customer records and build actionable target groups customized to fit your business needs.

In addition to demographic data, Neustar Customer Targeting Analysis can provide a wealth of information about each customer group's lifestyle preferences, shopping behaviors, media habits, and geographic distribution. With these insights, you can describe, identify, locate, and quantify your best customers in order to optimize your marketing strategies and focus your campaign investments. The average Neustar Customer Targeting Analysis project takes just three weeks from data onboarding to actionable segmentation.

Neustar Customer Targeting Analysis uses Neustar's market analytics & segmentation solution. The offering takes full advantage of:

- The **ElementOne Analytics Framework,** which provides the building blocks for precise, customized segmentations
- A **robust consumer data repository** containing more than 15,000 consumer attributes
- **Neustar Identity,** which enables accurate integration and normalization of internal and external data and provides a 360-degree view of your consumers

A Customer Targeting Analysis engagement includes an optional, value-added pilot of The ElementOne Analytics Platform—a real-time data exploration, visualization, and reporting interface that enables insight discovery and custom segmentation model development. Your team will gain hands-on experience with this powerful solution in close collaboration with Neustar experts.

Boost Revenue Now

In the past, customer segmentations have been too expensive, too time-consuming, and too difficult to use for everyday marketing execution. Today, you have a much faster and more effective approach to understanding your customers. It's time to stop drowning in data and to start profiting from it. You'll be surprised about how easy it is to take action on the four steps we have described in this white paper in a matter of weeks.

Contact Neustar to learn how a Customer Target Analysis engagement can:

- Boost short-term and long-term revenue
- Spend valuable budget more efficiently
- Make smarter decisions
- Deliver a superior brand experience

Endnotes

1. Stefan Tornquist, "The Consumer Conversation Report," produced by Econsultancy in partnership with IBM, April 2015, https://econsultancy.com/reports/the-consumer-conversation/.

2. Forrester Consulting, "Marketing Relevance in An Omnichannel World," a Forrester Consulting Thought Leadership Paper commissioned by Neustar, August 2015 https://www.neustar.biz/resources/whitepapers/omnichannel-marketing-relevance-report/.

3. Andrew Jones, "Marketing Personalization: Maximizing Relevant and Revenue," August 19, 2015, http://insight.venturebeat.com/report/marketing-personalization-maximizing-relevance-and-revenuel.

4. Dean Davison, "The Total Economic ImpactTM of Neustar PlatformOne," Forrester Consulting, March 2015. https://www.neustar.biz/resources/whitepapers/platformone-forrester-tei-report.

ABOUT NEUSTAR

Neustar, Inc. (NYSE: NSR) is the first real-time provider of cloud-based information services, enabling marketing and IT security professionals to promote and protect their businesses. With a commitment to privacy and neutrality, Neustar operates complex data registries and uses its expertise to deliver actionable, data-driven insights that help clients make high-value business decisions in real time, one customer interaction at a time.

More information is available at www.neustar.biz.

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