

Segmentation finds individuals who are similar.

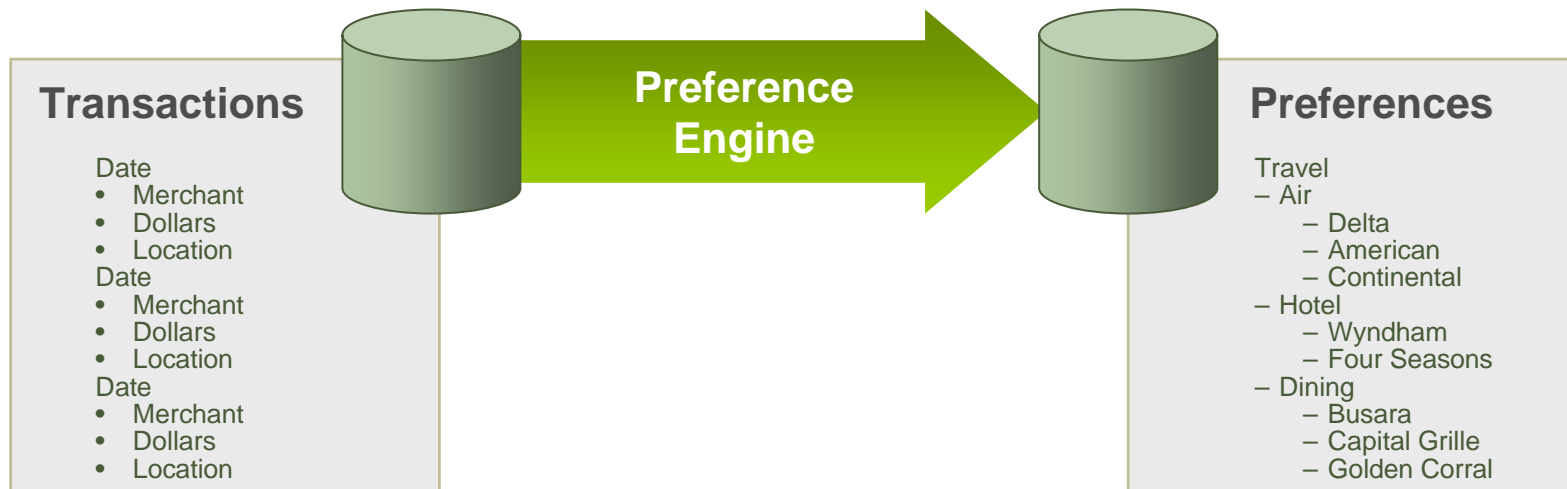
- Sometimes similar is measured by perceived value:
 - a profitable segment
 - an undecided segment
 - an inactive segment
- Sometimes similar is measured by your customer's responsiveness:
 - prefers phone to mail
 - prefers value over service
 - more concerned about the environment than cost
- Different segments are needed for different purposes.
 - A group that responds to one message may not have the same response as a group to a second message.
 - A common mistake is to use a segmentation developed for one purpose in a different context, for example, using consumer segments to partition the electorate.

Different segmentations require different data.

- A segmentation based on perceived value may require:
 - past purchases
 - historical revenue
 - models of expected revenue and losses
 - past purchases
- A segmentation based on a customer's responsiveness may require:
 - test results from prior message tests
 - response models built off of hold message tests
 - polling results

Segments Can be Defined by Spending Behavior

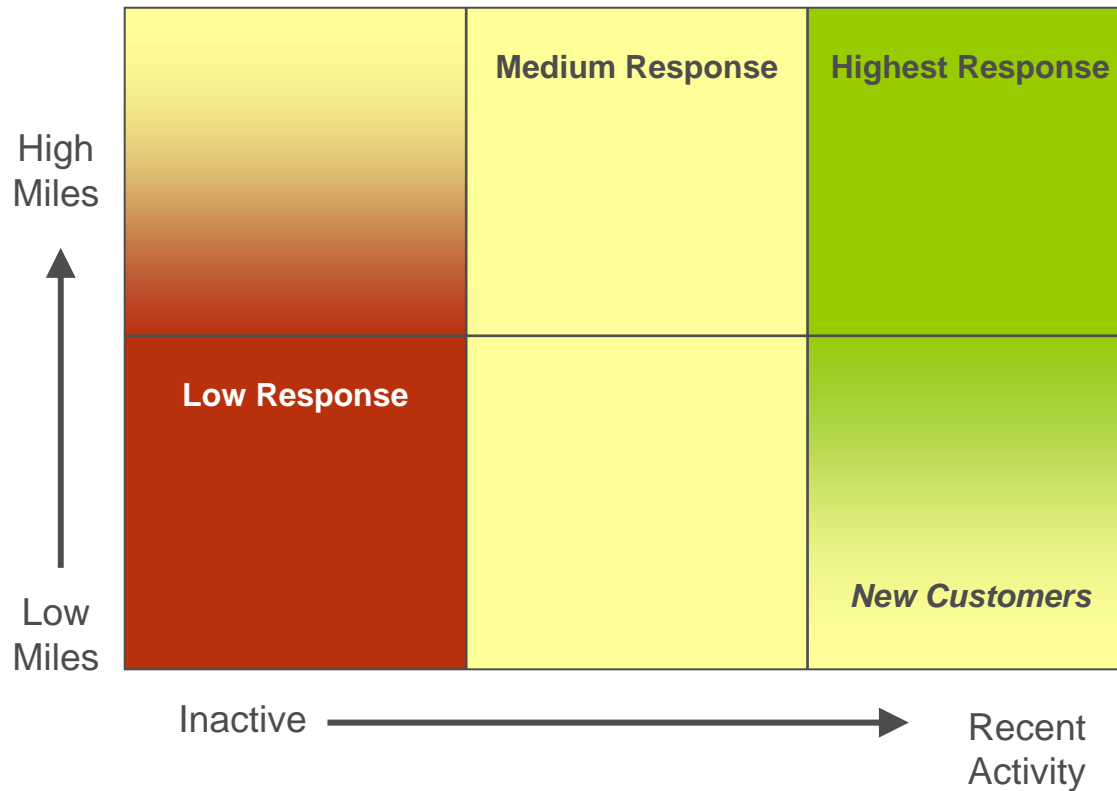
- One way that customers talk is with dollars.
- Interests and needs can be derived from credit card transactions.
- Purchases reveal merchant and spending category affinities.
- The goal is to quantify level of interest.
- The challenge is making millions of transactions to a useable.
- Over 16,000 unique merchants are used to identify an interest in travel.
- Over 49,000 unique restaurant names.



Segments within Category can Define The Value Proposition

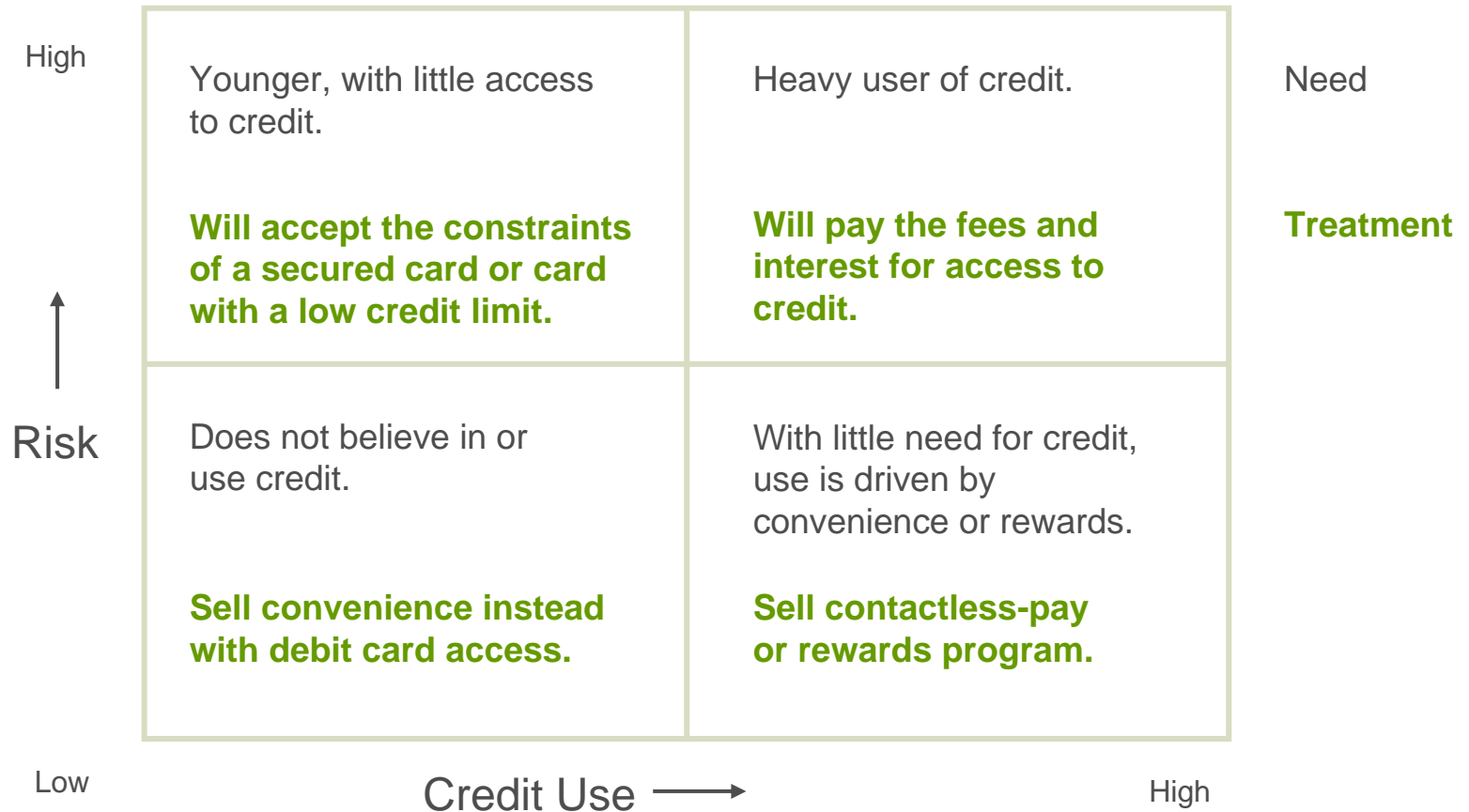
Stimulate spend of less-engaged customers.

Engender loyalty of high-value customers.



Similar Needs can Drive Similar Treatments.

A customer segmentation to define the credit card product of choice.



Segment to Focus on Your Best Customers

- 10% of your customers will often generate up to 80% of your profit

Share of Accounts



Share of Profits



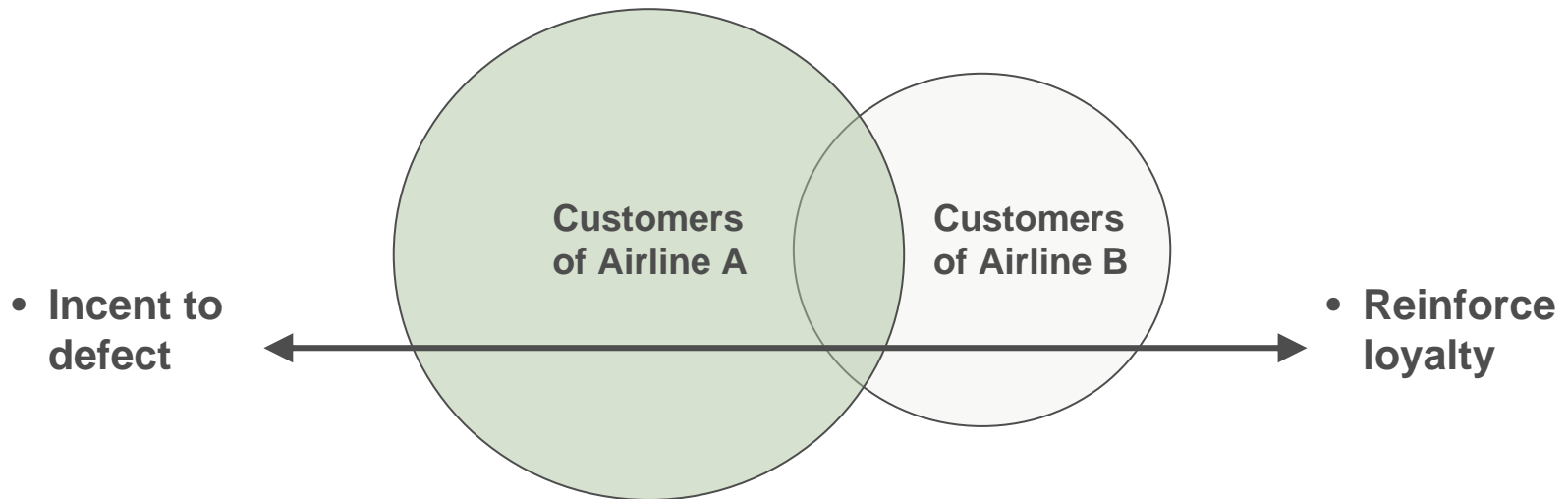
Identifying these customers helps you *target* your programs and spend.

Segmenting this group by their needs and interests helps you *deliver* the most compelling message.

Segmenting on Wallet Share Can Drive Incentives

- Increase incentive inversely to share of wallet.
- Targeting allows for richer rewards without cannibalizing base

Example: Increasing B Market Share:



Segmentation Evolves Over Time

New segments are created as new data becomes available.

