

**ADUK resource sheet**



**Customer profiling and segmentation tools**

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### **Do you want your marketing budget to stretch further?**

Most organisations don't have the resources to tell the whole world about what they do, and even the big global corporations would profile and segment before undertaking any promotion e.g. Coca Cola probably wouldn't be advertising heavily in areas with a big retired population, as their product is largely aimed at the youth market.

### **Do you want to improve the effectiveness of your marketing campaign?**

By understanding more about your customers and talking to different segments in the most relevant way (possibly with different product offerings) it is more likely that they will respond and make a purchase. This means that your small marketing budget can go a lot further, as you're increasing the 'hit' rate of the people you are talking to. Click *The Lowry* for an example.

### **Do you want to get audiences to visit more frequently?**

There is another key benefit to talking to your customers in a more *targeted* way – you will build *better relationships* with them. By talking to the customer in the language they prefer, about only the things they are interested in, via the communication channel they like to use, they are likely to feel closer to you, and have a greater sense of belonging to your organisation. This can help in building their psychological loyalty, as well as their behavioural loyalty, which can demonstrate itself in their advocacy of your organisation to others they meet, as much as by increased visits or purchases.

### **If you answered yes to the above then you need to consider the process of profiling and segmentation**

Customer profiling and segmentation have become ever more popular in a world full of customer databases and fast-changing IT systems. However, they are not the sole domain of the organisation with a database. Nor are they complicated concepts to implement. In the arts, it's ever more important to understand what your customers are like, and to make your small marketing spend as effective as possible – customer profiling and segmentation can help you with both of these things.

## STEP 1: WHAT TO THINK ABOUT BEFORE STARTING

There are two questions to ask yourself before embarking on this, as you will tackle profiling and segmentation differently depending on your circumstances

### Question 1: What am I trying to do?

- find 'more of the same' kinds of people?
- find different kinds of audiences?
- Improve your effectiveness with existing customers?
- Build loyalty from your customer base?
- Find sales for a 'niche' product?
- Understand your audience more?
- Fundraise from your audience?
- Know more about my audience?
- Or something else?

Try to define exactly what it is you're attempting to achieve and write it down.

### Question 2: Am I looking for a profile or a segment?

Broadly speaking if you're wanting a DESCRIPTION of your customers, or a section of them – what they are like, how they behave, what they think etc. then you need a customer PROFILE .

### What is profiling?

Profiling is a way of finding out the characteristics of a group of people and describing what they are like. There are broadly two kinds of profiling:

**Demographic profiling** ie. a set of characteristics related to age, profession, gender, life-stage, where they live (this is sometimes called *geo-demographic* profiling), how much they earn

**Behavioural profiling** ie. what the customer is actually doing, such as their frequency, art form preferences, recency of visit, value

Therefore a customer profile is a description – it's like painting a picture of the characteristics of a group of people.

An example of a customer profile description for a theatre audience, based on their actual attenders:

#### Demographics:

- The average age of an audience member is 34.5, with 45% of the audience over 50, and only 6% under 25
- 60% of the audience are ABC1s, with 45% in professional occupations
- The bookers are 55% female and 45% male

#### Behaviour:

- 40% of the audience attend the Christmas pantomime
- Only 25% of the audience attend more than once per year
- 65% of the database have not visited the theatre in the last 2 years
- On average, active customers spend £56.45 per year on tickets

**Things to think about:**

- **How did the theatre get this profile of its customers?**
- **How might it be useful?**

**Am I looking for a profile or a segment?**

If you want to take ACTION which has results and consequences, then you need a customer SEGMENT.

**What is segmentation?**

Segmentation involves splitting customers or potential customers into groups (or segments) within which customers are likely to share a similar level of interest in your product. This is either to offer them a different offering, or to communicate with them about the same offering in a different way.

Again, there are broadly two kinds of segmentation:

**Demographic segmentation.** i.e. splitting customers into groups based on their characteristics eg. with children / without children, over 65 or under 25, living in one area rather than another

**Behavioural segmentation** i.e. splitting customers into groups based on their behaviour eg. what kinds of art forms they attend, how frequently they visit, how much they spend, when they attend

Therefore segmentation is about deciding (often from information gleaned from a profile) which aspects of the customers' demographics and/or behaviour are worth pulling out as a common group of people.

**Examples of gallery segmentation**

**Demographic:**

- People with children
- People without children

**Behavioural:**

- people who are interested in contemporary visual art
- people who are interested in 'celebrity' art
- people who are interested in the architectural qualities of the building

**Things to think about:**

- **How did the gallery decide that these were its segments?**
- **How might they be useful?**

**New thinking**

Another kind of segmentation is becoming popular, called psychographic segmentation. This segments people by their attitude to your product / service rather than either their demographics or behaviours, finding people who share the same views, attitudes and beliefs. This may be particularly interesting in the arts, where a 55-year old may be as attracted to what you do as a 21-year old. The 'baby boomers' generation are particularly interesting here – they consider themselves to be young at heart, and would probably not respond to traditional segmentation for over 50s. Click [here](#) for articles on this.

However, it isn't easy to predict psychographics, or to find more people with the same attitudes, so this method can be quite costly. It is seen to be more accurate than demographic segmentation, and in some cases more effective than behavioural.

### **What is targeting?**

Targeting is deciding which of the segments to approach, and design a particular communication or offering specifically in a way that best meets their needs.

Remember, the idea is to have people with similar motivations in your segment, so that they can be communicated with in the same way (but differently from other segments). It is unlikely that you will be able to afford the time or money to target every segment, so you should prioritise which segments are most important to you, and the most likely to respond. You may then develop specific communications or offerings for a few of these segments.

#### Example of targeting at an Opera Company

An opera company wanted to raise money for a big new production by Wagner they were putting on. They knew that the most likely people to donate to this would be people who had seen them frequently. Therefore they created a segment of people who had seen them over ten times. They then split this group into people who had seen them perform a Wagner opera, and people who had not been to Wagner.

They developed a communication for the 'Wagner attenders' from the artistic director, stressing how much he particularly wanted to put on this particular opera, making references to parts of the music, and encouraging them to give so that Wagner's music could live on.

For the non-Wagner attenders, they developed a communication stressing the need for the company to produce large new productions on a regular basis, and how it would help the company internationally

#### **Things to think about:**

- ***Can you think about how you would create a communication about the same event differently for different segments?***

#### **New thinking**

Technology is making it possible for segments to be much smaller, and to target people much more accurately based on their behaviour, rather than grouping them into segments where certain assumptions have been made. Amazon, for example, offers recommendations based on your behaviour, but which are specific to you. This 'customisation' of content, particularly in websites where you are recognised (either by a login or a cookie) is particularly powerful in building relationships with customers, and is often talked about as the concept of a 'segment-of-one', implying that each individual customer can receive their own customised communications and offerings. Click *here* for articles on this.

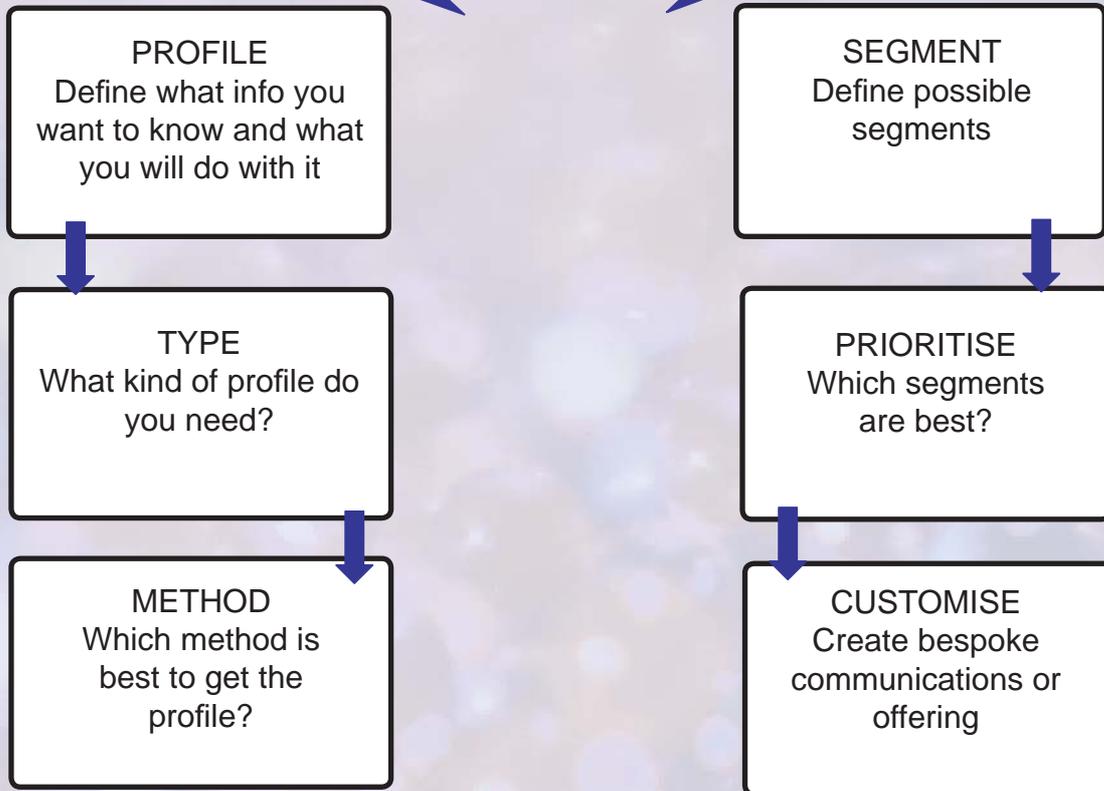
## What am I trying to do?

Define your purpose

Do I want to describe my customers or do something with them?

Description

Action



The path you take from there will depend on whether you have decided to PROFILE or SEGMENT.

In many cases you will need to do customer profiling first, in order to find out more about them, and then use that knowledge to make decisions about how best to segment and target them. Click the *Lowry case study* for an example.

### The process of profiling

There are three steps to this:

1. define what you want to know
2. decide which type of profile to use (e.g. demographic, behavioural)
3. decide what method is best in order to gather this profile

#### 1. Defining what you want to know

Having defined the purpose of your project you need to work out what information you need. For example, if I have decided that I want to find more people similar to the audience I currently have, then I first need to know what my existing audience is like.

It's important to know what you will do with this information when you have it, in order to get the right information in the first place. For example, you could find out how many of your existing audience own dogs, but it's not going to help you find more people who are likely to attend the theatre.

The most typical kind of profiling used in this instance is geo-demographic profiling, where you obtain a demographic profile of your audience by looking at their postcodes. From just the postcode you can find out the likely make-up of your audience in terms of life stage, income, profession, etc. Click *Audience Intelligence, a guide to desk researching audiences and visitors* by Leo Sharrock, amh - for more on this.

## 2. Deciding on which type of profile to use

Do you need information about their demographics (profession, age, gender etc) or their behaviour? In our example above, we probably need to know demographic information, linked to where people live, so that we can find more people like them in other areas.

## 3. Decide on which method is best to get your profile

Depending on what information you need, there are various methods for obtaining a profile:

For demographic information:

- you can profile the postcodes of existing attenders, using MOSAIC<sup>1</sup> or ACORN<sup>2</sup>. The postcodes may be collected via your box office system, or simply by asking a good sample of customers for their postcodes as they come through the door.
- you can conduct a survey collecting information from customers- by post, email, face-to-face, or by telephone. The advantage of this is that you can collect more information than is contained in the typical geo-demographic profile. (E.g. other interests, newspaper readership, number of children, etc.)
- you can use [Arts Council Area profile reports](#) (click link) and Census data about the population in your area to compare your audience with the population at large

For behavioural information:

- you can analyse your database to look at art forms, crossover, frequency, spend, etc (see the *Lowry* case study later – click to case study)
- you can conduct a survey asking people how they have behaved either at your organisation or elsewhere
- you can use [Arts Council TGI profiles](#) about arts attendance to compare your audience with the wider UK public.

It's probable that you'll need some help with whatever profiling you choose – so talk to your regional audience development agency and they'll help you work out the best way to achieve this.

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1 A form of geo-demographic profiling by *Experian*.

2 A Classification of Residential Neighbourhoods, by *CACI*.

## The process of segmentation

There are three steps to this:

1. define the criteria on which you will segment (e.g. frequency, age, art form etc) and create the possible segments
2. assess the segments you have for size and attractiveness
3. develop customised communications or offerings to suit the segment.

### 1. Define the segmentation criteria and how you will create the segments

Depending on what your purpose is will determine on what basis you segment your audience. For example, if your purpose is to sell more tickets for the forthcoming contemporary dance production, you will probably create a segment of people who have attended similar productions before. However, you may also create other segments based on previous attendance. For example – your ‘dance’ segment could be split into people who have seen the forthcoming company before and people who have not.

You need to be clear how you will create these segments. For example, can you create them on your database system, or will you need another method of doing this?

You might use customer self-selection such as the *TATE Modern*

### 2. Assess the segments you have

It's important to assess which segments are your ‘best bets’. If you're involved in creating mailshots for your organisation, you probably do this instinctively, but it's an important step.

If you have a number of segments, assess each of them for:

- size (how big is the segment? Are there enough people to merit targeting them?)
- attractiveness (how attractive is the segment? Are they likely to respond?)

For example, you might have a huge segment of pantomime bookers, but they may not be an attractive proposition for your contemporary dance performance.

Selecting the segments and creating the required communication for them is known as **TARGETING**.

### 3. Develop customised communications or offerings to appeal to the segment

This part of the segmentation process is crucial, because if you don't now create different and customised offerings or communication for **EACH** segment, all your hard work so far has been wasted.

There are two ways in which you might customise:

- Customised **communications**: create different communications for each segment. This may be different direct mail letters, different adverts, different media channels and different methods of communication. The more you know about the segment, in both behavioural and demographic terms, the more likely you are to create an effective communication.

### New thinking

Psychographic segmentation is used to help many products decide which media channels to use (ie. in which publications or places to advertise).

- Customised **products**: in some cases, organisations create customised products, or modified product offerings for their different segments, as well as customised communications. For example, you might create a package for families that includes a free workshop for the whole family with their tickets for a production.

In the case of *TATE Modern*, they created both customised product offerings for different segments of their audience, and bespoke communications for each one.

### **How often should you profile and segment your audience?**

Some organisations profile their audiences annually. Tyne and Wear Museums have an annual benchmarking survey, which includes both demographic and behavioural information about their visitors (collected via face-to-face interviews). They use this to both monitor their performance against targets, and to inform how they prioritise their segments for future communications.

Segmentation is usually 'fit for purpose', i.e. a new segmentation for each campaign or season you are communicating. However, there can be benefits to identifying some segments that stay in place over time. the *Lowry* in Salford is using this to great effect in their season communications.

### **Summary**

Hopefully you've decided that profiling and segmentation has some benefit to your organisation. The key things to remember are:

- decide what you're trying to achieve
- work out if you're profiling or segmenting
- be very specific about the profile or segment you need and what you will do with it
- if possible, keep your segments in place over time
- get the offering (product or communication) right!
- Monitor what works so that you can learn more about your segment and improve effectiveness in the future

It's not rocket science – and it does work! Good luck.

### **Tate Modern mini case study**

For many organisations that don't have customer data, such as most museums and galleries, it's more difficult to segment the audience. Morris Hargreaves McIntyre worked with Tate Modern; using various research and observation techniques to identify segments by the way they used the building.

## Case studies

They worked with the curators to create different routes through the gallery, picking out works of art that might be most interesting to them, depending on what they wanted to get out of their visit. Therefore, the product itself was customised to the needs of each segment.

It resulted in a series of communications at TATE aimed at different segments. When arriving in the foyer, visitors were offered leaflets, depending on the circumstances in which they were visiting the gallery. For example, there was a leaflet for people on a first date, guiding them to the works of art that might be interesting to break the ice!

For more information visit <http://www.lateralthinkers.com/projects/index6.php>  
Or the AMA 2006 Museums and Galleries Day report:  
<http://www.a-m-a.co.uk/images/downloads/MMG06Report.pdf>

### **The Lowry, Salford mini case study**

#### **Purpose**

The Lowry in Salford wanted to improve the effectiveness of their season communications.

#### **Profiling**

They knew that the best predictor of those who were most likely to book was their audience's past behaviour.

So they used database analysis to profile their audience by frequency of attendance and annual ticket spend.

They found that they had a small number of customers who were attending very frequently and accounting for a large proportion of their income, and a large group of customers who had only ever attended once. However, they were using the same season communications regardless of customer loyalty, and wanted to see if customising communications with different segments may improve their effectiveness.

#### **Segmentation**

They split their attenders broadly into four segments, based on frequency and annual ticket spend:

- high value (>£100), high frequency (>3 times per year)
- low value (<£100), high frequency
- high value, low frequency
- low value, low frequency

They further segmented the low frequency segments according to their behaviour, finding that there were broadly five sub-segments:

- 'classic theatre' bookers (opera, drama, musicals)
- families,

- comedy and music bookers,
- dance bookers
- once only's (people who had only ever been once)

They therefore had approximately 14 different segments, for which they could develop bespoke communications

### **Customised communications**

The team re-worked their season brochure into a short-format brochure, a full brochure and a comedy and music leaflet. They then tested the various segments with the different approaches and monitored the results.

They discovered that:

- for the low frequency segments it was usually more cost effective to send the short-format brochure, which was cheaper to produce and yielded a higher return on investment than the full brochure
- the comedy and music bookers were 3-4 times more likely to respond to the bespoke comedy/ music communication than the full brochure
- the high frequency segment continued to respond well to the full brochure
- they needed to test other communication methods with the once only attenders, as the brochure of any kind was not effective

The approach they have taken has both reduced cost and improved effectiveness, and is now allowing the organisation to invest in new communications for first time attenders and once only attenders in order to build a new loyal audience.

### **Where to go for help:**

#### **Audience profiling**

The best place to start is always with your audience development agency – see <http://www.audiencedevelopment.org/agency.php> to find the nearest one to you.

You can discuss with them what you're trying to achieve, and they will help you work out if you need MOSAIC/ACORN profiling, research, or another kind of profiling.

Also, read *Leo Sharrock's online resource*

#### **Audience segmentation**

If you use a box office system your system supplier may provide training on this, so check with them first. However, it's important to have decided broadly how you want

to segment first, and they can show you how to do it.

Alternatively, some consultants and freelancers will segment your database for you, but will need to know what you want them to achieve.

If you don't have customer data, you will undoubtedly need to conduct research in order to profile and segment your audience. Again, it's best to start with your audience development agency, but many consultancies and research companies undertake this work too.

#### **Online / other resources:**

**Segmentation:** AMA issue of *JAM* on segmentation – available to download from [www.a-m-a.co.uk](http://www.a-m-a.co.uk)

**Psychographic segmentation:**  
<http://www.restaurant.org/rusa/magArticle.cfm?ArticleID=684> .

**Segment of one:**  
*Using Business Intelligence to find the segment of one* (Michael Melzer)  
<http://www.thewisemarketer.com/features/read.asp?id=51>

*Segment of One Marketing* (David Edelman)  
[http://www.bcg.com/publications/publication\\_view.jsp?pubID=717&language=English](http://www.bcg.com/publications/publication_view.jsp?pubID=717&language=English)

ACORN: <http://www.caci.co.uk/acorn/whatis.asp>

MOSAIC: <http://www.experianbs.com/Content.asp?ArticleID=566>