

eCommerce Explosion:

3 Segmentation Tactics to Ignite Conversion

Exploring the importance of customer segmentation to website conversion, and highlighting best practices for delivering more targeted, optimized experiences to online customers.

In 2009, on-demand storage solutions company PODS faced both a significant opportunity and a pressing challenge.

That year, the business discovered that 17 percent of its local business was coming via online ordering—a smaller number than it wanted to see, but one that PODS recognized could be easily improved upon. The problem, however, was that the company's website wasn't exactly set up to capitalize on its eCommerce traffic. And given the competitiveness of the portable storage market and consumers' quickly evolving preference to generate quotes online, PODS also knew that it didn't have the luxury of time if it wanted to improve eCommerce conversion.

So, what did the company decide to do? As PODS eCommerce Manager Chris Hachey revealed in a 2011 presentation,¹ the business began the process of overhauling its web strategy entirely.

That began with the company studying traffic sources and customer behavior to better understand how, when, and why visitors came to PODS' website, as well as what they did once they got there. From there, PODS could design web elements and page content that were optimized for each of those segments, and create web experiences that were much more likely to drive conversion throughout the buyer lifecycle.

The effectiveness of that segmentation effort was significant. A year after beginning its segmentation initiative, PODS' eCommerce business had increased by nearly 50 percent, and its orders-to-visits conversion rate jumped 48.1 percent. Even more incredibly, all of that also happened during a time when the housing market and economy—two historical influences on the health of PODS' business—were in the tank.

WHY SEGMENTED EXPERIENCES ARE CRITICAL TO ECOMMERCE CONVERSION

Ultimately, PODS' experiment proves that customer segmentation isn't a has-been marketing strategy that's lost its relevance in an ephemeral online world. In fact, at a time when customers increasingly expect to be able to quickly and easily find information that's uniquely suited to their needs, customer segmentation may be more valuable than ever.

Of course, when we say “customer segmentation,” we don't mean it in the traditional sense that most business owners are used to. Gone are the days where creating segments based on broad criteria like age and gender, or even demographic and geographic data are wholly sufficient. Today, eCommerce merchants must be able to appeal to their customers in much more individualized ways through highly targeted customer segments.

Generating and implementing that level of segmentation is a bit more complex than it used to be, however.

Instead of relying primarily on customer surveys and basic transactional data, modern segmentation involves real-time analytics and customer behavioral data, both of which are designed to help companies better understand and market to more specific buyer needs and interests. For instance, instead of simply creating a segment of buyers from California who like dogs, a pet supplies retailer could target microsegments of buyers who:

- Prefer furless dogs to avoid allergic reactions
- Have multiple dogs with sensitive stomachs and want to buy food in bulk
- Like to buy seasonal outfits or costumes for their smaller dogs

¹ PODS/Bridgeline Digital, “Understanding User Intent”: <http://bit.ly/13EAMFN>

The ultimate goal of this form of modern segmentation is to move away from a shotgun eCommerce approach and instead embrace a more personalized strategy. One that takes data like browsing history, geo location, traffic sources, and customer intent into consideration, and delivers messaging so relevant to individual visitors' unique needs that they can't help but convert into paying customers. According to one study, that level of segmentation can translate into traffic sources that are four times more valuable than non-segmented audiences.²

3 SEGMENTATION BEST PRACTICES TO DRIVE CONVERSION

Of course, it's one thing to simply state the importance and value of website segmentation to eCommerce conversion, and quite another to implement a strategy that actually derives real value from it.

So, what exactly should your eCommerce business be doing to appeal to its customers on a more individualized level? And, maybe more importantly, how can you do that in a way that yields significantly higher conversion and stronger revenue streams?

Unfortunately, there's no simple answer to those questions, largely because the segmentation approach that drives the best conversion for your business will likely be as unique as the buyers you're trying to appeal to. That being said, there are three segmentation best practices that you should keep in mind as you optimize your website for more targeted visitor experiences.

BEST PRACTICE #1: STUDY WEB BEHAVIOR AND RESPOND ACCORDINGLY

When a customer visits your site, they very often leave a virtual trail that's as unique as their own fingerprint. Maybe they view a few products in a similar category, look only at blue or red items, and add a few of those items to their cart. Or maybe the uniqueness of their web behavior stems more from the traffic source (i.e., paid ad, affiliate link, or organic search) that led them to your site.

Whatever the case may be, each morsel of information they leave behind provides data that can be used to paint a more complete picture of who that customer is and what they care about. From that, you can create more targeted messaging that appeals to each visitor's specific behavioral patterns, and remove impediments that might be preventing visitors from converting.

For instance, if a visitor entered a specific keyword to find your site, you can use behavioral segmentation to ensure that visitor is greeted by content related to that keyword when they arrive at your home page. Similarly, if a returning customer comes back to your site, you could offer specific promotions or discounts based on their past purchasing or browsing history.

Regardless of the behavioral targeting strategy, the key to more personalized segmentation is gathering as much information as possible, and delivering real-time experiences that are unique to each customer's individual needs or interests. As you do that, however, make sure you keep these three things in mind:

1. **Don't assume anything:** The key to web-based behavioral segmentation is to leverage real insight derived from users' on-site activities. That will allow you to serve

² MarketingProfs, "Segmented Audiences are 4x More Valuable": <http://bit.ly/70z7sJ>

up recommendations that reflect their actual history, deliver content that encourages them to explore your site further, and optimize their website experience in ways that prompt specific actions.

- 2. Avoid manual behavioral tracking if possible:** While it is possible to manually monitor visitor behavior and deliver recommendations ad hoc, it's not typically the most efficient or effective way to manage behavioral segmentation. Instead, consider using an automated solution that can properly manage recommendations and other personalization efforts, and deliver content, offers, or conversion prompts in real-time.
- 3. Continually monitor customer behavior and adjust as necessary:** Given the transient nature of the Internet and online consumers' ever-changing preferences, it's critical that you keep tabs on the factors that influence a customer's web behavior and adjust your segmentation strategy as necessary. For instance, if you notice that men are buying a specific color of t-shirt one season and a different color the next, you may need to consider creating seasonal segments. Alternatively, that insight could also indicate that buyer preferences are changing. In both scenarios, you may need to reconsider the parameters of your segments.

KEY TAKEAWAY: The more information and context you can gather during a web visitor's journey, the easier it will be to deliver a fully optimized, relevant website experience. You may not use every piece of behavioral data you cultivate, but collectively that information will help you paint a much more complete picture of your visitors.

BEST PRACTICE #2: ENCOURAGE WEBSITE VISITORS TO SELF-SEGMENT

While behavioral segmentation can be an incredibly effective means for delivering targeted website content and product recommendations, it remains—to a certain degree—an inexact science. After all, online behavior isn't always a perfect indicator of a web visitor's true intent, and customer preferences are prone to change based on factors that your business can't control, foresee, or understand.

Thankfully, self-segmentation can help you skirt that issue.

Essentially, the goal of self-segmentation is to greet website visitors with a few segmented options, and strongly encourage them to tell you more about themselves. Doing that will allow you to direct customers to information and product pages that directly align with their interests, and remove some of the broad guesswork that spoils many segmentation efforts.

For instance, if you run an online clothing store, a few self-select options on your homepage could include: Men, Women, Kids, and Sale. Once a visitor clicks on one of those links, they could then be guided to a secondary page with another series of segmented options (i.e., Shirts, Pants, Shorts, Shoes, etc.). And from that page, you might provide even further segmented options (i.e., Color, Size, etc.).

The basic purpose of this approach is to remove some of the confusion around what your business does and whom it serves, and speak more relevantly—and immediately—to specific customer needs. Importantly, self-segmentation is not a strategy that's limited to home page design. In fact, there are myriad other ways to encourage customers to segment themselves, including:

- **Developing content (blog posts, case studies, etc.) that appeals to a very specific segment, and tracking visitors who click on that content.** If a website visitor clicks on a blog post titled, “Top 10 Toys for Newborn Baby Girls,” it’s a safe bet that you’re dealing with a customer who is interested in baby girl related products. Knowing that, you can re-direct that visitor to a landing page that features only those products, or send a follow-up e-mail with specific baby girl product recommendations. Both actions are likely to improve conversion.
- **Monitoring cart abandonment.** While this point could also fall under web behavior, cart abandonment is also a form of self-segmentation. If a registered customer continuously places the same products in his or her cart but always fails to complete a purchase, you might consider sending an e-mail that provides more information about those products, or greeting that customer with a coupon code the next time they visit your site.

KEY TAKEAWAY: The reality of eCommerce is that no two customers are exactly alike. And while behavioral data will give you a good sense of why customers come to your site and what they’re looking for, it doesn’t always explicitly reveal the things that individual customers care about the most. Self-segmentation can mitigate that issue, allowing you to see things through your visitors’ eyes and guide them to the point that’s most likely to drive conversion.

BEST PRACTICE #3: USE ANALYTICS TO DELIVER REAL-TIME SEGMENTATION

If there’s just one segmentation theme that should be crystal clear by now, it’s this: Customer relevancy remains the Holy Grail of eCommerce conversion.

So, it shouldn’t be shocking that a study recently completed by Lyris and the Economist Intelligence Unit found that personalization was a top strategy of businesses in 2013.³ What is somewhat surprising, however, is how few businesses are successfully executing that strategy. According to the Lyris/EIU study, 70 percent of buyers say those businesses’ attempts to personalize their experience mostly came off as “superficial.”

The question is: How is that happening at a time in which customers are leaving larger trails of breadcrumbs behind them with every online click or in-store interaction?

Part of the problem is that a mountain of information isn’t enough on its own to convert real-time data into true buyer and segment insight (like what causes one customer to buy and another to leave your site). To do that, your eCommerce company not only needs to generate and track volumes of customer data, it must also use the right tools to put that data into context.

Admittedly, that sounds like an overly complex—and expensive—undertaking for many eCommerce merchants. But here’s the good news: Numerous marketing analytics tools and technologies exist today to help businesses manage “Big Data,” and eCommerce merchants can easily augment their own customer data with third-party information to improve the specificity and accuracy of their segmentation efforts.

3 Lyris/Economist Intelligence Unit, “Mind the Digital Marketing Gap”: <http://bit.ly/11UQ7ko>

For instance, through eCommerce analytics services like Spearmint and Rapleaf, merchants can quickly access information about customers—such as average purchase size or purchase frequency—that allow them to make more informed marketing decisions.

TRANSLATION: There's no reason to be afraid of "Big Data."

With the right tool, it's a relatively simple process to capture real-time, granular website data, and segment and analyze those data points to identify leading indicators of success. In other words, you'll not only be able to better understand where, when, and how individual customers are interacting with your website, you'll also be able to take immediate action to do something with that information.

At the end of the day, that's the key to improving segment relevancy and effectiveness. By correlating a customer's interests, transaction history, and behavioral data with outside data that provides greater segment context, you can target the most valuable prospects for specific products or categories, and determine the best methods to stimulate conversion among those segments—all in real-time.

IS YOUR BUSINESS READY TO EMBRACE A MORE TARGETED SEGMENTATION STRATEGY?

The closing argument for on-site segmentation and visitor experience personalization is simple: By delivering the right messaging, the most appropriate

content, and an optimal visitor experience at precisely the right time, your business can dramatically improve customer satisfaction and sales.

Just ask diving equipment retailer Divers Direct, and online personalized gift shop Personalized Creations.⁴

After segmenting website visitors in ways that allowed the business to present more relevant website content and promotions to individual buyers, Divers Direct experienced an 83 percent jump in revenue for first-time customers, and 65 percent stronger conversion among existing customers. Similarly, Personal Creations leveraged its users' on-site activities to serve up recommendations that more accurately resonated with each buyer's true interests. The result? A 25 percent jump in online sales conversions, which generated 60 percent larger sales order values and a 150 percent increase in the number of items per order.

Not bad for a relatively small investment.

After all, eCommerce merchants collectively spend billions of dollars every year on tactics like online advertising, paid search, search engine optimization, e-mail marketing, and social media with the hope of steering traffic to their websites. The problem with that investment is this: Getting visitors to your site is just the first step in the conversion process. Inspiring them to actually take a specific action once they get there is an altogether different challenge.

Ultimately, that is the purpose of on-site segmentation—to not only drive traffic to your site more efficiently, but also to more effectively convert that traffic once it gets there. The question that eCommerce merchants need to ask themselves is whether they're doing enough in today's quickly changing online environment to achieve that result.

4 MarketingProfs, "Website Conversion Success Stories": <http://bit.ly/9RcdZF>



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