



# UNDERSTANDING BEHAVIORAL MARKETING AND CUSTOMER SEGMENTATION

## VIDEO - The Importance of Behavioral Marketing and Customer Segmentation

As a marketer, you're expected to be everywhere. Think about all the different channels people engage with: social media, email, search engines, blogs, landing pages, print, retail, television, and radio. Multichannel marketing is essential for effective marketing. You should be in more than one place, but you can't be everywhere. Inbound marketing is about attracting potential customers by being human and helpful. And part of being human is recognizing that we have limits.

To put it another way, if you can't be everywhere, how can you make sure you're in the right places at the right time? What if your customers' behaviors can help you better figure out where to be and what to do?

This is why behavioral marketing and customer segmentation matter.

Behavioral marketing is the method by which companies target audiences based on their behavior, interests, intentions, geolocation, and other metrics using web analytics, cookies, search history, and other insights.

Customer segmentation is the process of separating your contacts into smaller groups of similar profiles. Customer segmentation is an important component to effective behavioral marketing because it allows you to personalize your customers' experiences. As inbound marketers, this is significant because personalization is one of the best ways to make your processes feel more human.



Behavioral marketing is a process that helps you understand your leads and customers better, and segmentation is how you categorize them based on the understanding you gain. It's finding the connection between customer behavior and conversion rates.

Implementing these strategies is a little bit like being a detective. A detective examines clues and evidence to look for patterns and to form a cohesive story. Once the patterns are determined and the story is pieced together, then action can be taken.

As an inbound marketer, your job is to examine all the clues your leads and customers have left behind through things like what they click, what content they download, where they stop engaging, the emails they open or don't open, and the pages on your website that they land on the most. Taking these clues you look for patterns, and using the patterns and themes that emerge, you can take action by grouping customers together in order to serve them in ways that suit their needs.

Behavioral marketing and customer segmentation are strategies that allow you to provide your customers with the right message at the right time. When in place, the impact on business is profound.

According to Disruptor Daily, when behavioral marketing is implemented in email campaigns, companies see a 56.68% increase in open rates. A study done by HubSpot showed that clickthrough rates (or CTRs) have been shown to increase by 147%. A study from Epsilon discovered that 80% of customers are more likely to buy from a company when there is some degree of personalization to their experience. And according to Campaign Monitor, marketers have noted a 760% increase in revenue from segmented campaigns.

Think about Netflix. Even before it became a household name, Netflix had valued behavioral marketing and segmentation by focusing on using recommendation algorithms on its website. As technology progressed, Netflix continued to leverage behavioral marketing and customer segmentation – gaining even more success.

Netflix orients its business analytics primarily on buying patterns and customer behavior. Using software called "Cinematch," Netflix generates personalized recommendations for each customer. To the average user, these recommendations feel entirely unique to their specific tastes and interests, when in reality, Netflix has 1,300 "recommendation clusters." Recommendations are experienced in-app or on their website. They are also incorporated in email campaigns that preview arriving content that fits the user's past viewing patterns. These combined strategies work powerfully to drive engagement.

In the conversation about behavioral marketing, remember, people want an extremely personalized experience. This is about creating mutuality with your customers. As an inbound marketer, you want to provide value to your customers, so much so that they want to give you more data, whether through further use of your product or directly providing personal information. This exchange of information allows you to delight them more. Netflix is able to provide tailored recommendations because of the information customers generate for them by using their services.

Whether you are marketing for a multibillion dollar software company or trying to get a local small business started, behavioral marketing and customer segmentation will be an asset to your organization from spurring engagement to saving money. Implementing these strategies allows you to become more effective with your promotions and lead to investing your resources in the right places. Behavioral marketing and customer segmentation can even help you rectify your mistakes and rebuild trust effectively.

In 2014, one flight of a small Malaysian airline had a devastating crash. To repair trust and recreate customer confidence, the airline used Facebook to launch custom, segmented video ads. Customers were segmented into groups: those who had purchased a ticket since the crash, those who had not purchased a ticket since the crash, and high-value customers such as frequent flyers. Each group was shown a different ad. Humorous videos were populated for those who hadn't flown since the crash while those who had were shown videos regarding fares. Frequent flyers were targeted with content about rates for their most frequent routes. Employing these tactics led to a revenue return more than 30x what was spent on advertising.



There are many more ways in which behavioral marketing and customer segmentation can be used. Beyond email marketing and advertising – retargeting campaigns, abandoned cart recovery, upselling, and cross-selling are all types of behavioral marketing and customer segmentation. The goal is not to do all of these things but to figure out what your customers need and want, and to communicate in a way that reaches them where they are.

You can't be everywhere and do everything, but you can use data to figure out when and where to be in order to attract, engage, and delight your customers in a helpful and human way.

## **VIDEO - The Fundamentals of Behavioral Marketing and Customer Segmentation**

Behavioral marketing and customer segmentation are two vital skills for any inbound marketer.

There are five fundamental steps for integrating behavioral marketing and customer segmentation into your processes:

1. Define the interactions you want to track.
2. Implement tracking.
3. Analyze and report how people are behaving on your website.
4. Use this information to segment your contacts.
5. Use your segmentation to nurture.

An effective behavioral marketing and segmentation strategy is built on a foundation of good data. You need to have accurate information in order to be helpful.

The first step in this process is to define the interactions you want to track. This step gives you clarity on the data you are working with. Interactions come in all different forms: clicking a CTA, time spent on a specific page of your website, opening an



email, signing up for a newsletter, or the amount of times a user visits your site in a day. If this seems daunting, ask yourself: Who are you trying to reach? What do they need? And what are the best ways to reach them?

You could also consider: Where do you see drop-offs in your funnel reports? Or where does engagement decline in the customer journey?

Here's a pro tip: Pay attention to areas where there might be significant discrepancies in conversion rates and also to the points where your conversion rates are lowest.

A part of defining the interactions you want to track is analyzing the available data. Perhaps your CRM already builds reports about your most visited landing pages and where those visitors are coming from – leverage the data that's already accessible to you. Audit your data and collection process. Ask yourself: What are you tracking and why? Conversely, ask yourself: What are you *not* tracking and why?

For example, you may know the general demographics of your audience, like the location of the people who are accessing your website. That's a good starting point. You might even have information on the kinds of devices most used in the areas your customers live. Instead of inferring from general data, consider obtaining specific data. If part of your marketing strategy involves a lot of image-based content, begin tracking the types of devices your customers use to view your site. That data helps you design images that render optimally on their screens.

As an inbound marketer, you are trying to determine what your customers need. As you discern what to track, you can anchor yourself in metrics that will assist you in being more helpful to your customer.

The second step in this process is to implement tracking. Knowing what you want to track is not enough. You have to put it into action. Depending on what you have decided to track, find appropriate tools to mine the information you need.



If you're tracking email marketing, run reports on CTA interactions and open-rates. A word of caution: The iOS15 update prevents people from accessing open-rate information as they did previously. However, by segmenting your customers into Apple users and non-Apple users, and analyzing the open-rates of your non-Apple users, you will gain accurate open-rate information. If you're tracking your social channels, consider tools like SproutSocial, BuzzSumo, TapInfluence, or the social analytics tools in HubSpot's Marketing Hub. If you're invested in understanding the way your customers behave after they land on specific pages of your website, consider using Hotjar to track heatmaps.

There are a myriad of web analytics tools. Fortunately, that means there is one that will best support you in determining the interactions to track which is also the first step in our process. If you notice your greatest pain point is converting visitors on your website into leads, Google Analytics might be a helpful tool in gaining more insight. If you're actually more interested in tracking customer intent, Google Search Central might be the tool you enlist. If you have high engagement on your business's Facebook page, Facebook's Insights tool might be the most direct way toward useful data. SimilarWeb is software that helps you gain insight on other sites your visitors are also frequenting, and HubSpot has a built-in traffic analytics tool that can sync up to your website. As you navigate all the possible tools, don't lose track of what you're trying to measure. As an inbound marketer you can't be everywhere, so it's important to clearly define the spaces you need to be in to get the most relevant data.

After you've implemented tracking, your next step is to analyze and report how people are behaving on your website. This step is about making sense of the data you've attained. What is the story behind the data? Understanding and organizing your data is how you will be able to use it well later.

For example, let's say you notice high traffic from a product-based blog post, you might pull a report that lists all the people who have visited this post. You might also analyze the heat map to see where people are spending the most time. In this step, you'll want to notice spikes or dips in specific behaviors and quantify them.

Do people seem to hover over the section that has product specs? Or are they scrolling to the bottom of the page to inspect your CTA? If your data shows many of



your visitors spending significant time on your post without converting to customers, explore enlisting smart content to further nurture these contacts into leads.

After analyzing and reporting how people are behaving on your site, the next step is to use this information to segment your contacts.

Remember customer segmentation is the process of breaking up your contacts into smaller groups of similar people. The point is being able to communicate to each of your segments in a way that fits them best. Chances are you wouldn't talk with your grandma in the same manner as your best friend. And your communication with your best friend is probably different than how you talk with your boss.

The data you've gathered regarding your contacts and their behaviors fuel the way you divide your contacts. Simultaneously, when segmentation is done well, it can propel more of the behaviors you desire your customers to take. A study by MailChimp showed that segmented email campaigns' unsubscribe rates were 9.36% lower than campaigns that were not segmented.

Find patterns of behaviors. Maybe in your high-traffic, product-based blog post there's a group of people who click the CTA at the bottom of the page to download the e-book you've provided, while another group, who spent at least five minutes on your page, didn't click the CTA. These could be two ways to segment your visitors.

Segmentation can be categorized as implicit or explicit.

Implicit segmentation is based on characteristics implied by your contacts' behaviors. Here, you are analyzing your customers' habits and behaviors and making inferences. If your website is an e-commerce store for pet products, implicit segmentation would be identifying shoppers who look at multiple dog products as dog owners. You can't be sure that they are dog owners, they could just be browsing items to buy for a friend's dog, but you can still enhance their experience by personalizing ads to their behavior, such as recommending leashes that match the collars they have been browsing.

Explicit segmentation is based on clear characteristics provided by your contacts or conversions. When the person browsing dog products gives you their email to receive a discount and shares they have a dog on your form, you could categorize them as a "dog owner," which would be explicit segmentation.

Your segmentation strategy should use both implicit and explicit segmentation. Implicit segmentation paints an incomplete picture, but it gives you an outline to start coloring in. Implicit segmentation allows you to get to know who you're interacting with on the other side of the screen. Gathering information allows you to personalize communication based on the inferences drawn from that data. This leads to a higher chance of conversion and a customer who gives you explicit information. Explicit segmentation allows you to personalize based on tactile data.

HubSpot Associate Product Manager Kit Lyman puts it this way: "Implicit segmentation is synonymous with correlation, and explicit segmentation is synonymous with causation."

The final step to your process is using your segmentation to nurture. Effective segmentation identifies where your customers are in the buyer's journey, and assists your customers in taking the appropriate next step in their individual customer journey.

The right next step for people who have browsed for five minutes but have not clicked the CTA is probably not the same as the people who do click the CTA. People actively pursuing more content show that they are further along in the buyer's journey. Software that develops smart content on your website or a retargeting campaign using cookies could nurture that first segment, while an email campaign that includes a demo or promotion could better nurture those prospects who took the step of responding to your CTA.

Think through the best ways to respond to the data you've been gathering. Whether it's retargeting ads, email nurturing, directly passing certain segments onto sales, or smart content, consider how you can use the information you have to generate leads.



Implement these steps to leverage behavioral marketing. Confidently know what your customers need and segment to meet them where they're at in a way that's human and helpful.

## **VIDEO - Behavioral Marketing and Customer Segmentation: An Interview With HomeTrust Bank**

Behavioral marketing and customer segmentation are important strategies for any inbound marketer. Let's meet a marketer who effectively implements these strategies in their daily work.

*My name is Scott Fahy. I'm the Vice President Digital Marketing Manager at HomeTrust Bank. HomeTrust is a mid-sized regional community bank with over thirty branches across four states in the American southeast. We serve personal customers, we serve business customers, and we serve commercial customers. We've got about a seven or eight person marketing team, and so we're really lean but we get a lot of things done.*

Behavioral marketing and customer segmentation are not only relevant to large corporations. If you're a marketer for a small business or a mid-sized company, you can find ways to be intentional with using data to understand your customers more and communicating with them more effectively. Learn how Scott and his team got started.

*Behavioral marketing and customer segmentation for us usually starts with a question: What if? What if there was a way to let our teams in the branches know when a customer of theirs had clicked through an email or was showing interest in an offer on one of our landing pages?*

Scott and his team implemented the five fundamental steps for integrating behavioral marketing and customer segmentation into their processes. Remember, our five steps are to:

1. Define the interactions you want to track.
2. Implement tracking.
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4. Use this information to segment your contacts.
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### **What did defining the interactions you wanted to track look like?**

*Our sales cycle is long, so we really needed to find customers showing intent to apply for a loan. I broke that down into interactions we knew HubSpot could help us track as the customer moved through our campaign. We send email first, so email interactions like opens, or clicks on a CTA button were my first stop. The next interaction happens on a landing page, so what behaviors could HubSpot help us track there? Clicks, time on page, pageviews – those were all great interactions to consider. We also needed to find a way to gauge or to quantify intent – applying for a loan online isn't like buying shoes. Using a combination of customers who clicked on the email CTA button and then setting a threshold of how many times a customer visited the page but didn't click through on the call-to-action button – all of those signals allowed us to define that intent.*

Scott and his team examined the data provided by the tool they were already using and determined what would be most useful considering their campaign and goals. They defined the interactions to track across email marketing and their landing page that would help them gain insight on customer intent.

### **What did implementing tracking look like?**

*My go-to for implementing tracking is to create a test list in HubSpot. Lists are great because they're flexible. You can let them run for a few days and see what comes back. If the data the test returns isn't exactly meeting your needs, it's easy to adjust filters, add or subtract properties, and really dial in the mix that you need. Previously, we had built this type of behavioral marketing using what I call "bubble gum, duct tape, and soda straws" where we used the platforms that we had on hand, kind of tied them all together with Zapier, and then delivered those notifications to an internally built platform. It wasn't elegant, but it worked!*

Scott and his team used the list tool within HubSpot to track the interactions they had defined as relevant to their campaign. Whether you are cobbling together multiple platforms or have found a singular system that works for you, the point is to attain the data you deemed pertinent.



## **How did you analyze and report on how people were behaving on your website?**

*Because our products aren't impulse purchases – there are not many people who are just going to fill out a loan application on a whim – we knew most of the visitors to the landing page would bounce, but the ones who were interested were going to come back. Finding the right number of page visits, where it wasn't right away and we're emailing you the second you land on the page at the first visit (that wasn't right), and then if that number was too high we weren't going to have enough customers in that segment. So looking at those different criteria through lists and reports, those helped landed at the Magic Number of three pageviews.*

Understanding general trends of behavior within their industry, Scott and his team analyzed user interaction with their website and reported on those who visited their landing page multiple times. They set a number that would allow them specificity in segmentation without excluding a majority of customers.

## **How did you use this information to segment your contacts?**

*Based on what we learned in our analysis, I built a workflow with triggers that matched the test list of customers who clicked through the email, visited the landing page three times, but didn't click on that call-to-action button on the landing page. This would automatically enroll anyone who met those criteria into a two-part follow up in our nurture cycle.*

Scott and his team utilized the workflows tool to enroll segments of customers into campaigns that were customized to their behavioral patterns.

## **How did you use that segmentation to nurture?**

*Customers who enrolled in this segment were nurtured two ways: First, a personalized email was sent nudging them toward applying online or contacting their banker to apply. The second way was through a notification email sent to their banker, telling them to schedule a follow-up call with the customer.*

After segmenting their customers, Scott and his team attributed specific nurturing actions for the marketing and sales teams. Scott and his team achieved remarkable results using the five steps.



*The use of behavioral marketing and segmentation improved the results of our campaigns considerably. We went from a 0.5% response rate without any type of behavioral triggers to as high as a 2.3% response rate with them. We also got some great feedback from our bankers telling us how incredibly helpful it was to not only know who to reach out to but when. The additional nurturing we did in the email to the customers also helped make that a really warm phone call for our bankers!*

Consider how you might apply these five steps into your industry. What interactions do you need to track? How would you begin tracking those interactions? How would you analyze and report on the data you gain? How would you use your analysis to segment your contacts? And how would you use segmentation to nurture?

Integrating these steps into your process will allow you to utilize behavioral marketing and customer segmentation more effectively so you can attract, engage, and delight your customers!