FINDING BIG PROFITS
IN THE AGE OF BIG DATA

UNLOCKING THE ENTERPRISE POTENTIAL
OF BEHAVIORAL SEGMENTATION

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SEGMENTATION HAS EVOLVED

> **With the rise of big data, segmentation has become more important to company growth strategies and the bottom line. However, many companies have not unlocked their full potential by doing the right types of analysis.**

Behavioral segmentation, i.e., customer segmentation based on transaction history and trip frequency, has been underutilized due to the costs and time required for analysis - despite its superiority to other forms of segmentation as an input to business decisions.

Now, a behavioral segmentation tool from Aimia offers an effective way to unlock the enterprise potential of behavioral segmentation.

The solution, called Advanced Segmentation, lets clients deploy behavioral segmentation quickly and inexpensively, secure immediate benefits, and establish behavioral segmentation as a means of making smarter business decisions across the enterprise. Today, most companies primarily use demographic or attitudinal segmentation to make business decisions. But today's customers require that brands demonstrate that they understand them better as individuals through the way they are treated – and this is where behavioral segmentation can make a tremendous difference. Since behavioral segmentation is uniquely suited to showing how customers interact in stores or online, brands gain a much more actionable perspective into their customer base. Behavioral segmentation provides brands with that context for customer attitudes and needs by uncovering otherwise hidden connections between their behaviors and their correlation with attitudinal and demographic variables.

"74% of Best-in-Class companies track past business history for improved segmentation and 56% track behavioral attributes for use in segmentation."[1]

-Aberdeen Group

[1]Aberdeen Group, Loyalty Square

WHY BEHAVIORAL IS BEST

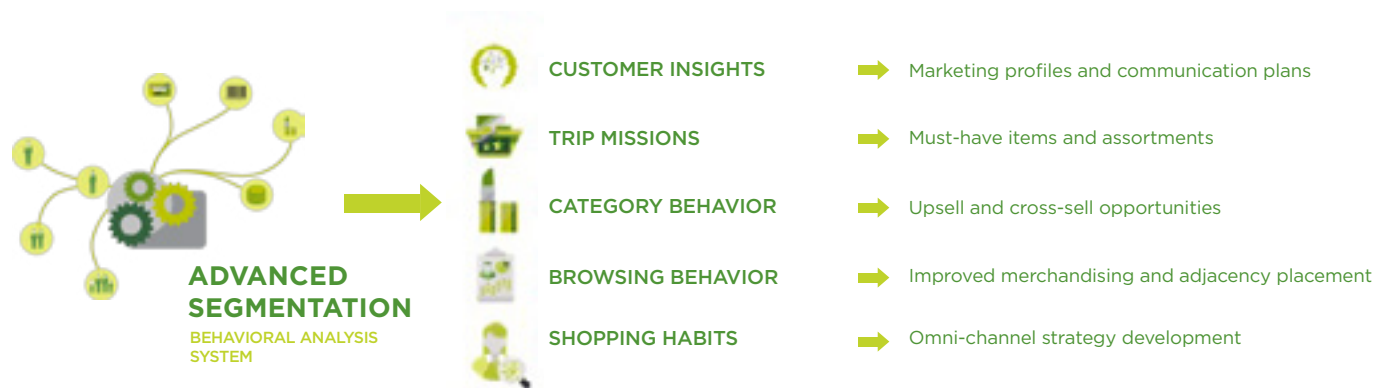|	DEMOGRAPHIC SEGMENTATION	ATTITUDINAL SEGMENTATION	BEHAVIORAL SEGMENTATION
METHODOLOGY	Surveys customers using questions to decipher the dynamic balance of the population	Surveys customers to understand their attitudes towards a specific brand, product or theme	Measures customer-brand engagement behavior using transaction and interaction data
COMMON SEGMENTS	> Age, Sex, Race > Affluency, Location	> Likelihood to shop > Brand Perception (e.g. charitable, affordable)	> Shopping Patterns > Purchasing Behaviors > Social Media Interaction
IMPACT ON ROI	**LOW** Information is too broad requiring unsound inferences about the population	**MEDIUM** Gets a layer deeper to connect the respondents to the brand and forecast member acquisition	**HIGH** Robust information about the customer that translates to what their loyalty is worth and their future value

DILEMMA OF DATA PROCESSING

> **Companies faced with torrents of transaction and interaction data often have a difficult time analyzing it thoroughly and frequently enough to realize its potential to impact strategy.**

Companies want to act quickly on analytical insights as the number one challenge they face regarding big data. Without the proper software, it is virtually impossible to analyze the millions of lines of transaction data, not to mention all the newer brand interaction touch points across social media, mobile, and websites. Furthermore, often companies assign the ever-growing task of customer data processing to a small group of individuals with insufficient resources. Today, many companies do have a segmentation team; however, that does not mean they are successfully using that data to make decisions that create happier customers.

BUILD HIGH-IMPACT ACTIONS FASTER

ADVANCED SEGMENTATION
BEHAVIORAL ANALYSIS SYSTEM

CUSTOMER INSIGHTS	Marketing profiles and communication plans
TRIP MISSIONS	Must-have items and assortments
CATEGORY BEHAVIOR	Upsell and cross-sell opportunities
BROWSING BEHAVIOR	Improved merchandising and adjacency placement
SHOPPING HABITS	Omni-channel strategy development

MERCHANDISING PROCESS

Improved Item Development: own brand strategy, vendor collaborations

Smarter forecasting: sound financial planning and inventory allocation strategies

Enhanced merchandising decisions: segment stores to set, shelf/rack placement and online optimization

Higher ROI from marketing: targeted advertising and promotional strategies to engage specific segments

WHY SHOULD A BRAND INVEST IN BEHAVIORAL SEGMENTATION?

1

SHIFT MARKET SHARE FROM COMPETITORS TO YOUR BRAND

Aimia has partnered for years with a large UK grocer to engage their customers and gain member loyalty. One facet of this engagement has been behavioral segmentation-driven promotions, that aid in the program's great success. Over time, the grocer has been able to convince 75% of its customers to join their loyalty program and today, members of the program are 1.5 times more likely to shop there and to refer friends to the program. This work has also helped to increase the grocer's market share as major competitors' market share has fallen. In a similar vein, Aimia has also supported a major B2B food supplier to understand their clients through behavioral segmentation, increasing loyalty and the bottom line. Learn more about both of these cases here.

2

LIFT CUSTOMER SPEND THROUGH UPSELL AND CROSS SELL STRATEGIES

Our client leveraged a segmented upsell campaign to get customers to step up to brands and products with higher margins. For example, "young and trendy" female shoppers were given an incentive to buy accessories, while "casual men" were given a general incentive to spend $50 and get 10% off their next purchase. Results were stellar, with response rates up to 25%, up from less than 5%. Learn more here.

"I have always believed that technology should do the hard work - discovery, organization, communication."[2]

-Larry Page
CEO of Google

THE SOLUTION

> **After being presented with the same data-processing dilemma repeatedly in recent years, Aimia was determined to find a solution. We did extensive research that eventually led us to Advanced Segmentation.**

Advanced Segmentation automates the creation and deployment of multiple customer segments and associated metrics, delivering results and actionable insights in a matter of weeks. At its heart, the Advanced Segmentation engine provides a suite of complex statistical algorithms that find patterns in high volume behavioral data and creates customer models ideal for use in retail applications.

Advanced Segmentation uses a brand/product hierarchy (such as organic/produce), and customer spend across those hierarchies, to build associations and develop segments through statistical algorithms. An example output might be that 20% of sales come from 15% of customers who are "Health Nuts" - they shop organic food products, AND at times, organic home goods. Companies can leverage such information to improve multiple strategies across merchandising because they truly understand how a customer group shops their entire floor pad or website. Most importantly, Advanced Segmentation is visual and supports train-of-thought analysis and rapid test-and-learn scenarios. It is designed to provide a consistent, proven, and reliable approach that minimizes intellectual capital and skill loss from employee turnover.

HOW OUR CLIENTS USE ADVANCED SEGMENTATION

CUSTOMER STRATEGY

Mobilizing the business around clear customer objectives expressed in a consistent and well understood customer language

CUSTOMER CENTRICITY

Developing their own unique language of customers and launching this throughout the business to drive customer excellence in all channels

STORE PLANNING

Optimizing the use of space and product flow by understanding customer types and customer missions in every location

RANGE BUILDING

Shaping the Buy to address specific customer opportunities driving sales densities and cross-shopping

TURBO CHARGED RESEARCH

Saving on research budgets by using behavioral analytics to frame better and more actionable research

eSHOP OPTIMIZATION

Using Advanced Segmentation attributes to set product ranking for different types of customers and to understand browse to purchase dynamics

WIN BRAND STRATEGY

To get a clear understanding of customer driven opportunities for private brands, their positioning and new product ranges

MEASUREMENT

Deploying accurate customer metrics at all the relevant levels in a timely way to support decision making

LOYALTY & CRM

Loyalty proposition development and communications strategy based on customer dynamics

For a brief demonstration of our behavioral segmentation tool, please click here.

Aimia is pleased to bring this solution to all brands that are committed to improving their ROI and increasing loyalty through smarter personalization. If interested in learning more, please contact us at customer-loyalty.us@aimia.com.

ABOUT THE AUTHOR

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Alex is part of the Loyalty Strategy Consulting team, and comes to Aimia with years of experience as a retail executive and data analyst. His prior merchandising and analytics career at Target spanned from buying home goods to electronics & entertainment, with the financial responsibility of delivering billions in revenue annually. In his tenure, he participated in customer insights strategies with the segmentation team as they looked to improve assortments for the Hispanic customer and drive incremental revenue. Today, he leads economic modeling for Aimia clients in the Americas and specializes in gleaning insights from data analytics to help develop the best loyalty programs in the market.

AIMIA
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Aimia Inc. (TSX:AIM) is a data-driven marketing and loyalty analytics company. We provide our clients with the customer insights they need to make smarter business decisions and build relevant, rewarding and long-term one-to-one relationships, evolving the value exchange to the mutual benefit of both our clients and consumers.

With about 3,200 employees across 17 countries, Aimia partners with groups of companies (coalitions) and individual companies to help generate, collect and analyze customer data and build actionable insights.

We do this through our own coalition loyalty programs such as Aeroplan in Canada, Nectar in the UK, and Air Miles Middle East, and through provision of loyalty strategy, program development, implementation and management services underpinned by leading products and technology platforms such as the Aimia Loyalty Platform – Enterprise and Aimia Loyalty Platform - SaaS, and through our analytics and insights business, including Intelligent Shopper Solutions. In other markets, we own stakes in loyalty programs, such as Club Premier in Mexico and Think Big, a partnership with Air Asia and Tune Group. Our clients are diverse, and we have industry-leading expertise in the fast-moving consumer goods, retail, financial services, and travel and airline industries globally to deliver against their unique needs.

For a full list of our partnerships and investments, and more information about Aimia, visit **www.aimia.com**.