Unlock the Opportunity of Customer Profiling

How companies tap into the data trove to gain a better understanding of their customers – and increased ROI from marketing programs
Using today’s technology lets brands get to know their customers as never before. It doesn’t stop at personas or audience segments. The potential to track identities across channels and devices, integrating online and offline behavioral data with CRM records and first-party PII, holds out the promise of that holistic 360-degree view of the customer—one of marketing’s holy grails.

Customer profiling has two interrelated functions: It delivers a better (think more accurate) understanding of current customers and then puts that learning to use to help you locate—and develop an accurate understanding of—new customers.

But there’s no one path to finding those customers. Often, what works in one instance, or for one company, does not constitute an ideal method for another. For example, Walgreens looks to its Balance Rewards program to get to know its customers, with the ultimate goal of offering personalized targeted offers to drive purchases.

JetBlue finds that social media alone is not enough to provide a 360-degree view of its customers, so the airline therefore relies on offline conversations with customers to learn their habits and preferences. And TechStyle tracks customers’ purchase patterns and online behaviors, including what they click on, what they don’t click on, while meeting them face-to-face for improved customer insights.

Customers today expect offers to be personalized: According to a recent report from Salesforce, 63% of millennial consumers and 58% of Gen X consumers are willing to share data with companies in exchange for personalized offers and discounts.

It’s up to the brand and their marketers, then, to decipher how to best use data to glean insights. Accurate customer profiles are an imperative for any brand hoping to carve out success in the current commercial landscape.

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**Reaching (for) the holy grail**

Kim Davis
executive editor
DMN
Six Personalization Practices from Walgreens’ Balance Rewards Program

How the retail pharmacy chain uses customer data to make its marketing messages relevant. By Elyse Dupré

Personalization is no longer just a buzzword. For many sales organizations, it’s becoming table stakes.

A 2016 survey of 250 professionals in companies from a wide range of sizes found that 85% of respondents are implementing some form of sales personalization. While 74% of respondents say personalization is “very” or “extremely” important, the study — conducted by personalization platform provider Evergage and research company Researchscape International — found that more than half (55%) of respondents give their personalization efforts a grade of C or lower.

Walgreens is one brand that seems to rise above these rankings. The retail pharmacy chain has personalized its direct mail and digital marketing efforts to effectively communicate with its Balance Rewards members and retain their business.

Growing a personalized program

Walgreens launched Balance Rewards, its rewards program, in 2012. In just five years, it has grown to more than 150 million registered members and more than 85 million active members, offering both its marketers and CPG partners a wealth of data.

Of course, some of Walgreens’ reward members are more valuable than others. By using customer data analysis solution Emnos, Walgreens can identify these high-value customers and then leverage personalization to communicate with them in a relevant way, ultimately driving loyalty. Indeed, Walgreens targets members at each stage of their customer journey, such as through its acquisition, win-back, and loyalty and retention campaigns.

“Personalization is really the future of Balance Rewards,” Mindy Heintskill, VP of loyalty and personalized marketing at Walgreens, said during a panel discussion moderated by Emnos MD Ron Orgiefsky at Retail’s Big Show in New York.

Program leverage

Lisa Zhao, Walgreens’ director of supplier direct marketing, shared the stage with Heintskill and acknowledged that the level of personalization can vary per communication. One way Walgreens personalizes its communications is by purchase data. For instance, Zhao said customers might receive direct mail offers for products they’ve already bought or are likely to buy based on purchases in similar categories. A blog post by Emnos also states that Walgreens can target members based on points earned, time spent in program, nearest store location, and more.

Walgreens’ Thank You is a program that exemplifies how the brand leverages personalization effectively. For the program, Walgreens segments its shoppers into three groups based on their propensity to purchase.

The retail pharmacy chain invests the most in its highest-propensity-to-buy segment. These customers receive targeted communications, including new product samples, direct mail piec-
es, and an email. If they don’t buy, Walgreens sends them a follow-up direct mail piece. Heintskill said the company doesn’t send a follow-up email because it doesn’t want to drive unsubscribes.

Customers with the second-highest likelihood to purchase are exposed to placement ads and are given register coupons to bolster awareness.

Finally, the customers who are the least likely to purchase are exposed to paid search and digital display ads. These ads direct them to a page on Walgreens.com where customers can learn more about the brand. Heintskill said this targeting technique is also effective for reaching customers for whom Walgreens doesn’t have an email address.

“Being able to find them anywhere they are on the internet is amazing,” she said.

Do these personalization efforts actually pay off? Zhao thinks so. She said that customers who respond to a targeted campaign have a much higher Net Promoter Score than customers who have never seen one or are new to a targeted campaign. She also said customers notice the targeted offers, sometimes even asking for more.

“Once you respond to one campaign,” Zhao allowed, “you become a believer.”

The aforementioned Emnos blog post states that, according to a longitudinal study of the Thank You program, targeted customers drove more incremental sales and higher long-term value than did a control group.

Following best practices
How can other marketers learn from Walgreens and replicate the company’s success? Here, six points about personalization

1. **Focus on long-term goals, not short-term gains**
   Mindy Heintskill, Walgreens VP, encourages marketers to focus on the long-term objectives of learning and optimizing. Instead of measuring success based on the performance of each campaign, she says, marketers should “start with the end in mind” and establish long-term KPIs.

2. **Run tests often and keep them simple**
   Testing plays a major role in Walgreens’ personalization strategy. Walgreens tweaks its campaigns every quarter to determine which elements are performing well and which ones aren’t. These experiments can range from testing offers and targeting methods to channels and creative.

   Heintskill’s belief in testing was reaffirmed when Walgreens ran a test comparing two different types of creative. Half of Walgreens’ Balance Rewards members saw creative from one agency and the other half saw creative from another agency. The redemption rates from one agency’s creative far outperformed the redemption rates from the other, emphasizing the importance of doing simple testing to derive big learnings.

3. **Follow the data**
   It’s important to have a good gut, but Heintskill says it’s far better to follow the data’s lead — as the aforementioned example shows.

   “Leverage the data,” she adds. “Intuition is just not good enough.”

4. **Reward the best customers**
   Not all customers hold equal value. That’s why Heintskill encourages marketers to reward their best customers and to take care of existing patrons. “It costs you far less to retain a customer than it does to win one back,” she maintains.

5. **Focus on quality, not quantity**
   It can be tempting for marketers to send batch-and-blast emails to their entire customer base. However, Heintskill urges marketers to focus on the relevancy of their messages — even if that means marketing to a smaller group.

   “Don’t risk losing a customer relationship for a marketing agenda,” she says.

6. **Measure everything**
   Heintskill encourages marketers to track everything they can. As she puts it, “If you can’t measure it, don’t bother.”
A convergence of disruption, technological advancements, and internet culture has led to a sea change in the way people make purchasing decisions. This in turn forces marketers to adapt, altering the processes and costs associated with customer acquisition.

Consumers shift between mobile, desktop, tablet, apps, the web, social media, on-demand TV, live streams, digital ads, and a host of other digital formats that weren’t previously part of marketers’ considerations with a fluidity that is incredibly difficult to track. It’s harder than ever for marketers to stitch all of this behavior together into a unified customer picture.

It’s not as if marketers are without tools to operate in this complicated environment. Approaches like people-based marketing and persona marketing enable marketers to apply data from disparate devices to better construct customer profiles. But this isn’t cheap, and as these costs rise, so too does the cost of customer acquisition.

People-based marketing gives marketers the opportunity to make sense of the customer journey and thereby grasp the costs of acquiring new customers. But for all the data they have, companies do not have it perfectly centralized to the point that a true customer journey can be mapped, at least not to the degree that the “walled garden” companies have done.

These walled gardens — culture-defining tech companies such as Amazon, Facebook, and Google, which run the digital world — have deeply integrated data systems in place. Google, for example, can connect users from their phone to their email, any and all Google apps, and any web membership or application that allows Google email registration. This is true mastery of first-party data, and Google and others like it have a near-monopolistic hold on the data that flows through their massive networks.

“Customer acquisition costs could be increasing based on that paradigm.”

From an advertising and agency perspective, sometimes it’s just easier to go to social or Google. It’s a more predictable outcome. — Michael Connolly, Sonobi

Defining paradise
In a world surrounded by walled gardens, the costs of customer acquisition mean a choice must be made: Spend all your budget within walled gardens or invest in data infrastructure that rivals theirs.

“From an advertising and agency perspective, sometimes it’s just easier to go to social or Google. It’s a more predictable outcome,” Connolly says. “That would explain why 92% of the growth we saw in digital went to walled gardens and not premium publishing brands.”

On the flip side, smaller growth-minded businesses can avoid some of the costs of marketing technology investment and shift more budget to a Google or Facebook, where they can reach a high-quality audience of potential customers at scale. They won’t own these audiences wholly, but the new business can grow toward a more sophisticated data structure in time.
Beat the Bad Data Blues
All the solutions you need to market smarter

It’s true – almost 30% of your customer and prospect data becomes outdated or inaccurate every year. With bad data in your system, your emails land in junk boxes, your hard bounces skyrocket, your sales reps fail to connect with their prospects. If you’re facing these issues, Melissa has the tools to beat the bad data blues.

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JetBlue and Alaska Airlines Fly High with Consumer Conversations

Analyses of social media and word-of-mouth conversations measure the brand performance of airlines. By Alexander Neely

Analyses of social media and word-of-mouth conversations measure the brand performance of airlines. By Alexander Neely

JetBlue and Alaska Airlines were named the top-performing airline companies in the U.S. for combined online and offline consumer conversations, according to Engagement Labs’ TotalSocial ranking.

JetBlue performed stronger in offline engagement, which may be attributed to such in-person pop-up stunts and unique campaigns as its recent takeover of New York City’s Long Island Rail Road hub at Jamaica Station, where it offered local commuters special flight promotions.

Alaska Airlines, which reported a $911 million profit in 2016, tops the category’s rankings for its online sentiment, while Delta leads in volume of online conversations.

“Since the airline industry relies so heavily on peer recommendations and customer experiences,” says Ed Keller, CEO at Engagement Labs, “it is extremely important for airlines to know what consumers are saying about them, and that includes both online and offline conversations.

“Together, these have proved to be important drivers of sales,” he says. “Offline conversation is an even bigger factor than social media, one that is often overlooked by marketers.”

American Airlines is the most talked about airline company offline, but ranks as the top airline in Engagement Labs’ recently released Social Misfits report. A “social misfit” is defined as
a brand that performs very well socially either online or offline, but not both, suggesting an opportunity for the brand to improve performance that could drive enhanced marketing effectiveness and ROI.

The hub of the conversation

“As a whole, the airline category performs better in terms of face-to-face conversations as compared to online social media,” Keller says. “The sentiment of online conversation in the airlines category is exceptionally poor compared to most other categories, which means that a lot of the time people are posting about airlines online simply to talk about a bad experience or complaint.

“The offline conversation is much more positive, however,” Keller continues, “which means the airlines are doing something right to drive the types of real-world conversations that drive business.”

Based on these results, Keller believes that airline companies should not only focus on newer marketing tactics online, but also maintain their traditional tactics.

“While online social media is certainly an important customer service channel for airlines, they cannot ignore offline consumer conversations, which are an important business driver and are quite different from online conversations,” Keller says.

“Airline brands that can successfully activate both online and offline word of mouth,” he stresses, “will enjoy greater success than those that take a narrower view of what drives their social influence.”

The rankings of the top U.S. airlines mentioned here are based on Engagement Labs’ proprietary Total-Social data, which measure the most important drivers of brand performance in a detailed and continuous analysis of social media and word-of-mouth conversations.
A Point of Diminishing Segmentation Returns

While bundling like-minded consumers into the same groups increases the likelihood of scoring a sale, is there a point at which marketers can overdo it? By William Terdoslavich

It’s too expensive for marketers to ask everyone if they want to buy the next new thing. They avoid the dragnet for a line baited with the kind of message that will get consumers to bite. The trick is to fish in the right spot, which is where market segmentation comes in.

Bundling like-minded consumers into groups increases the likelihood of a sale. Thanks to the digital revolution, however, marketers can now comb terabytes of data. Algorithms can find correlations that elude human attention, information that marketers can then use to develop market segments.

But at what point can marketers develop too many segments? Experts agree on the basics of segmentation. Where they differ is in how to use technology to keep marketers from overdoing it by over-segmenting.

Triangulating the loop

“The client’s problem is starting with a flawed data set,” says Kent Lewis, president and cofounder of Anvil Media in Portland, Oregon.

Single data sets are risky because they can provide incomplete or faulty data. One needs to triangulate the data set by cross-checking against other data sources, Lewis says.

This is where analysts and data scientists part ways. The analyst looks at primary data, but data scientists create multiple data searches to get a more accurate picture. The data scientist will know the data and the science, but you still need someone who knows the business and the brand, he adds.

Lewis cites several examples. One client used data to craft 10 to 12 personas, but it turned out three to four of those personas overlapped by 80%. Consolidating those segments would have saved the client money.

Another client ran data through Google’s Doubleclick to gain insights into which kind of digital ads to run in which spaces. But the prices programmed into the ad buy were too high, resulting in no placements and zero views of the ad. A human babysitting that project would have caught that mistake, Lewis points out.

“The machines are great at finding answers,” Lewis explains. “They just don’t know how to ask a question.”

“The challenge with this is really how to create segments,” points out Matthew Lee, president of San Diego–based BusinessOnline.

Trying to create affinities based on internet activity is less than reliable. “There is a lot of noise in that data,” Lee says. “But there is no transparency in how they get the data.” He advises marketers to proceed with caution because data quality may vary.

BusinessOnline works in the B2B space, using data to hone enterprise-level sales with complicated cycles. The segments are pretty small: basically C-level executives. “Our clients are not going to spend into a black hole,” Lee says.
BusinessOnline invested in a data platform using its APIs to connect with Google, Facebook, and LinkedIn. Called Data Weld, it ports information into a data model for analysis to determine if a segment is promising, Lee reports. The bottom line? The segment that produces the sales pipeline will be spotted quickly — or not.

“Customers want to spend less and get more,” Lee acknowledges. This puts the heat on marketing managers to be good stewards of the campaign with little room for error and waste.

“We see confusion and frustration with technology,” he says. “We engage with clients looking for us to fix that.”

Check twice, then think twice

“Be sure you identify the segment in a reliable way,” says Art Markman, professor of psychology and marketing at the University of Texas, Austin.

The goal is to dodge false leads. Run the analysis on half the data set, then run the same analysis on the other half. Some finely grained segments showing up in the first run-through may be flukes or outliers and can be discounted if they do not show on the second run-through.

According to Markman, two concepts come into play: spurious and silly. The more finely grained the segment, the likelier it will be spurious. “It’s silly if you cut so fine a line that you may not see someone with those characteristics again,” he says, adding that cross-validation is important, because you want the analysis to be confirmatory, not exploratory.

In walking this back to market segmentation, Markman stresses that a segment has to be “not spurious” and must exhibit future behavior that is predictable. Illustrating this by example, Markman points to early adopters — people who have to be the first to buy new tech gadgets. They will buy an iPod, then a smartphone, then earbuds, then Bluetooth speakers. The segment generates repeat sales.

Not knowing human behavior can leave a marketer in the dark. The market segment appears arbitrary — the marketer doesn’t know what the secret ingredient is that drives that particular segment. Either the marketer is blamed for not doing a good job when the campaign fails, or he comes to distrust big data.

“Do not treat technology as a black box, throwing data into the meat grinder and eating the sausage that comes out,” Markman says. Someone on the team has to understand the causal forces that shape a segment, or “you will never know when you are going off the map,” he adds.

So how much segmentation is too much? “That’s a loaded question,” says Chad Pollitt, author, professor, partner, and VP for audience at the Native Advertising Institute.

“Generally speaking, you have to keep persona segments on the low end,” he says, anywhere from one to five, with three being ideal. Then you craft specific content strategically targeted to those buyer types.

Almost human

Artificial intelligence and machine learning have changed the equation. “Today, with artificial intelligence, machine learning algorithms, natural language processing, and a host of other technologies, we’re able to delve into big data,” Pollitt explains.

Over time, AI will filter those segments, winnowing down to the most effective. But AI can also overlook LTV — lifetime value — slices of the market that, while small, may generate value through repeat sales.

Pollitt offers Experian Hitwise as an example. Tapping into just a portion of all the clicks at the ISP level, Hitwise uses data to craft 200 “eerily accurate” personas, right down to photos of homes, neighborhoods, and the TV likes of “persona families.”

“Introductory marketing jobs are being taken over by AI,” Pollitt says. Algorithms can handle work flows of emails and social, predicting which consumers will open and respond. “As long as the outcome and the KPIs reach the boss’ expectations,” he adds, “they will keep using it.”

And the technology is only going to get better.
TechStyle Goes Beyond Big Data

Ever since the proliferation of digital and mobile channels, big data has been in vogue. That’s not to say that face-to-face customer feedback has gone out of style. TechStyle’s fast-fashion division — home to apparel, footwear, and styling brands JustFab, ShoeDazzle, and PS — has shown this to be true with its in-person initiatives.

Fashionably data driven
As a membership-based online-only division with three million members, TechStyle’s fast-fashion sector has no shortage of data.

When customers first visit, they’re asked to complete a style preference quiz. This quiz might ask them which pictured outfit they’d like to wear for a night out or which pair of boots they’d want to have in their closet. Customers are also asked to provide their shoe and clothing sizes and basic demographics (age and ZIP code).

After answering these questions, customers are then ready to complete their profile by providing their name, email address, and password. TechStyle even offers new-member discounts to sweeten the deal.

Still, data collection doesn’t stop there. As customers continue to engage with TechStyle’s brands, the company tracks their purchase patterns and online behaviors, including what they click on, what they don’t click on, and what they include in their shopping carts.

“We have thousands of skews on the site at any given point and time,” says Traci Inglis, CMO of TechStyle’s fast-fashion division.

Trendsetting targeting
By tapping into this data trove, Inglis and her team can personalize customers’ online and email experiences. For instance, they might tailor the products featured in an email based on customers’ indicated preferences, or offer customers different discounts based on their membership status, which is determined by the number of points they earn for purchases.

In addition to personalizing digital channels, Inglis creates targeted print catalogues. Say a customer purchases only shoes from footwear and apparel brand JustFab. TechStyle might send that customer a print catalogue containing a call to action to check out the edition’s clothing pages. A week later, the brand will send an email containing a digital copy of that catalogue featuring the same messaging.

“That’s one of maybe 30 examples of how we might slice and dice the catalogue messaging,” Inglis says.

In person is in vogue
Apart from using data for marketing purposes, TechStyle uses intelligence to forecast product demand. According to Inglis, the company has an “enviable” 95% accuracy rate, resulting in just 5% leftover inventory.

Still, Inglis knows she has to look beyond TechStyle’s database if she wants to truly understand customers’
needs and wants. “Sometimes big data just isn’t enough,” she admits.

She thought back to her early days in retail, when she would talk to customers in stores to get feedback. She knew that she couldn’t replicate the exact experience, mainly because TechStyle’s fast-fashion brands don’t have brick-and-mortar stores. So she did the next best thing by launching a dinner program in which customers and employees meet face-to-face to dine and share insights.

**The new meet and greet**

TechStyle hosted its first dinner party last August. In the beginning, the dinners were solely JustFab initiatives to which only the most profitable customers were invited. However, the company has since rolled out the project to other brands, including footwear brand ShoeDazzle and activewear brand Fabletics, which is outside the company’s fast-fashion division. Inglis also says that the company now invites customers from all membership tiers so that it can better identify and address their needs.

Each dinner has about 50 guests and is based in a city where TechStyle has a significant customer concentration. It entails hosting a catered dinner at its Los Angeles headquarters or renting out a banquet room elsewhere. TechStyle also offers guests a gift card as a thank-you for attending.

While Inglis says these dinners cost the company “a lot less than you would think,” she also says that they’ve already paid for themselves. Indeed, the insights that TechStyle has accumulated through these in-person initiatives have helped it launch a slew of new products and programs.

For instance, after hearing that customers had a hard time finding fashionable wide-width shoes, TechStyle started selling them. It also expanded its plus-size collection and is working to restock its best sellers faster as a result of this face-to-face feedback.

One of the biggest benefits of the program is that customers chat with employees from across the organization. So everyone from marketers and designers to CEOs and merchants have the opportunity to attend the dinners — and the company has seen significant benefits as a result.

For example, Inglis says that a customer told TechStyle’s e-commerce tech team that she was frustrated that she had to scroll to the top of the screen anytime she hit the back button on her mobile device. Not only did the team fix the issue, but Inglis says that TechStyle also saw mobile sales improve as a result.

“You never know where the right insights are going to come from, and we want to make sure that we get every one of them,” she says.

In addition to these dinners, TechStyle started doing in-home visits where designers, marketers, and merchandisers — even the CEO — stop by customers’ homes to speak to them about their closets. As with the dinners, Inglis says these visits provide valuable insights. For instance, while customers could tell TechStyle that they want sexier or more casual clothing via a survey, she says, in-home visits help better understand how customers define these terms, especially considering they mean different things to different people.

“It’s really helping me fill the gap between understanding the quantitative big data piece and the qualitative [of] who she is and what does she really want from us,” Inglis says.

**Stylish strides**

To date, TechStyle has hosted five dinners in three cities and has made seven in-home visits. Inglis says that the company is also researching how to expand this program in European cities. However, she says that this is more challenging because the company needs enough staff members who speak the local languages in order to be on safe ground.

While Inglis acknowledges that making time for face-to-face interactions isn’t easy, she encourages marketers to start small and do it.

“Customers pay your paycheck, right?” she asks. “If you’re not keeping them happy and if you don’t know them, then you’re not going to be able to compete.”

Besides using data for marketing purposes, TechStyle uses intelligence to forecast product demand. The company has an “enviable” 95% accuracy rate, resulting in just 5% leftover inventory.
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