



DELIVERING VALUE WITH DATA-DRIVEN,  
SEGMENT-BASED MARKETING

EXECUTIVE WHITE PAPER

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## Introduction

With the decline in conventional print revenues and the increase in competition, print-based service providers need to differentiate themselves with offerings that provide customers with more value. For many companies, the answer is multi-channel communications.

Multi-channel communications is the use of a number of media vehicles to reach consumers. These vehicles include the web, e-mail, text messaging, social media and print. This offering is the next logical step for print service providers because it leverages current investments and existing customers to create new revenue opportunities.

However, truly successful campaigns require strategic market intelligence to identify who to communicate with and what message is most effective for each consumer group. Therefore, the core of the campaign is data, which can lead to better management of the customer lifecycle. So there are a number of potentially complicated pieces to the puzzle. Transitioning to this kind of business is a big step. The stakes are high and the consequences of getting it wrong are enormous.

## The Customer Lifecycle

A key to profitability for any business is the ability to manage customers throughout the customer lifecycle. This is made up of three phases: customer acquisition, customer development and customer retention.

The acquisition phase is primarily about marketing and persuading customers to take some sort of action toward buying goods or services. During this phase, it is critical to maximize the relationship with the customer. Who are they? Why did they respond to the offer? How likely are they to buy and buy again? Collection of this data is critical to the long-term success of the customer relationship.

That leads to the development phase, where it is determined how to optimize communications, and deliver relevant, cost-effective campaigns that will maximize the likelihood of purchase, the size of the transaction, and customer loyalty moving forward.

The retention phase measures the activities of repeat customers, tracking what they do when they receive an offer. By watching the individual actions of repeat customers, businesses can respond optimally to their needs, then up sell and cross sell products and services, as well as re-acquire customers lost to the competition.



## Leveraging Data

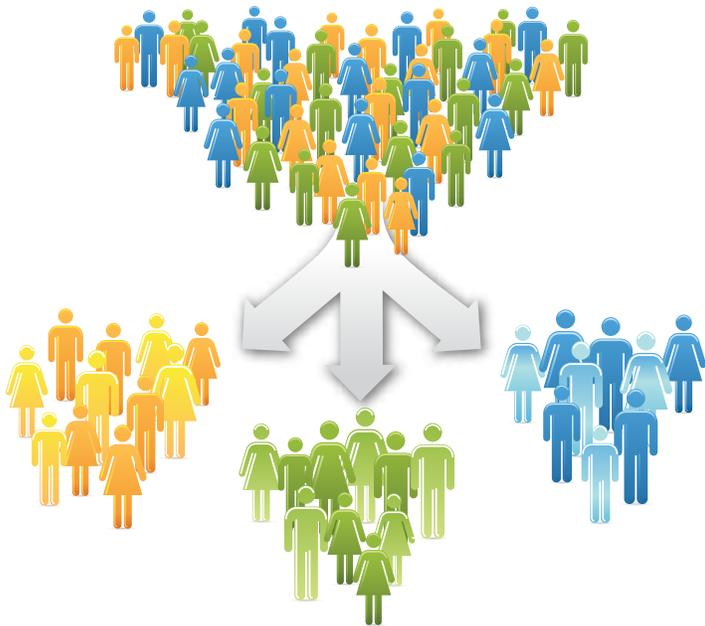
In multi-channel communications, success depends on what you know, what else you can find out, and how you can leverage it. And the value of data grows as you add to it and refine it over the entire customer lifecycle, a process some refer to as “persisting the data.”

The starting point is raw customer data. The data is then enriched by additional information, such as census or geo-tracking data, which will give you more information about the individual customer. Other critical data activities include data cleansing and data hygiene to identify and deal with the all-too-common instance of bad, corrupted or redundant data.

## Segmentation

The results of this process feed into the ability to offer market segmentation. The days of one-size-fits-all approaches are long over. A successful marketing campaign will get the right message to the right customers at the right time.

Market segmentation helps you achieve this by taking what you know or can find out about the customer base, and reveals groups who have similar wants and needs, or those who make purchases or use products or services in the same manner.



## Segmentation Techniques

There are many ways to segment markets, from simple to complex, but in the end, the result should be the ability to target the people most likely to buy. Here are three widely accepted techniques:

### Grouping customers

*Cluster analysis* helps organize customers into groups, each with unique characteristics that can be marketed to. The analysis identifies:

- Group size and potential profitability
- The characteristics of each segment, e.g. wealthy, educated, empty nesters, upwardly mobile
- Differences in the average response between each segment
- The understanding of what is important to each segment to determine what to offer

### Grouping attributes and variables

*Factor analysis* can take thousands of variables and organize them to a reduced set of composite variables that reflect the essence of the larger group. This uncovers major social patterns. Composite variables include:

- Marketing: What drives preference for one product over another. In the case of soda, is it the flavor, the commercials, or the brand?
- Social Sciences: How income, occupation, race, employment, schooling, age, or family effect patterns
- Psychology: How happiness, success, stress, or hardship effect the decision-making process

### Predicting response and future group membership

*Discriminant analysis* helps you understand the drivers of response. It allows you predict which customers will be more profitable, and also lets you assign new customers to existing groups. It examines:

- Whether or not there are significant differences between the segments
- Which of the variables contribute most to the segment differences
- Overall accuracy of the segment classifications

## Targeted Customer Communications

The result is the ability to provide true targeted marketing, which enables you to get to appropriate prospective customers more efficiently. The benefits of this approach are enormous:

### Generating better returns and business growth

Customer needs differ, and market segmentation allows you to tailor campaigns and messages to specific groups and needs, resulting in higher response rates and therefore higher return on your customer's marketing investment.

### Achieving cost savings

Segmentation helps you determine which groups are the best targets for certain campaigns and which groups you shouldn't bother with because they are unlikely to respond. You can therefore reduce wasted marketing dollars.

### Building closer relationships with your customers

By increasing your customers' return on marketing investment, you can concretely prove your value to your customer and become their preferred partner. This also allows you to differentiate your business in a way that is more profitable than competing on price alone.

## Choosing a Partner

While the potential of this approach is clear, it can be a daunting step for a print company that has never ventured into this area before. However, there are intermediate steps that can be taken toward this goal. Depending on the company's level of experience, they can consider buying software that will do much of which has been discussed here. However, proper implementation would require at least some knowledge in data analysis and programming, plus the resources to change your business model.

Another option is to hire marketing and data science consultants, or partner with a vendor that offers a complete campaign package or service offering. Working with an experienced marketing services team enables service providers to get ramped up much more quickly and with fewer headaches. Their capabilities should include:

- Data analytics
- Marketing sciences
- Operations and technology
- Project management and delivery
- Maintenance and support services
- Multi-channel campaign execution
- Data security
- Integration services

## Conclusion

The ability to target specific groups of customers with individualized programs is a critical marketing advantage and is open to almost any service provider: commercial printers or transactional printers, large or small. Whether the customer is in retail, automotive, finance, non-profit, real estate, or government, every business has a product or service to market or sell, and data-driven direct marketing is one of the most effective ways to help ensure the highest return for a customer's marketing expenditures, allowing service providers to become a more indispensable partner.

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