3D View of Customers

Ed Higdon: Today we're going to talk about how we help our clients understand their customers better. We have a foundation that we leverage. It's a three dimensional view of the customers that we've leveraged across time to help our customers really under their customers.

The first dimension that we look at what we call a profile. Profiles are demographically driven, psycho graphically driven. We really want to understand the customer's lifestyle. How many kids they have, how much money they make, what kind of cars they drive, what restaurants do they go to, what movies do they go watch? That helps us relate to our customers better, to understand what products they're likely to buy, what brands they like, what the right messaging should be to that group, what offers they might respond to better than others.

Some easy examples would be like a soccer mom versus an empty nester versus a young professional. If you think about it, my mom is gonna be moved by a different message and offer and product than my wife would be moved by, which would be a little bit different than what a young professional would be moved by.

The second dimension we like to look at is what we call a segment. Segments are based on the buying behavior of the customer. At this point, I don't care how much money you make, how many kids you have, I want to understand how many times you're shopping with us, what products you're buying, how many categories you're shopping in, how many different stores you shop with us, what time of the years you're shopping with us, what kind of margin are we getting on you, are you responding to offers? Things like that will help us understand segments. A lot of times retailers already have a customer segment developed. They use a tiering system. Tier one customer may be your best customer that shops five times year and spends $500. Tier two is $400 spend. Tier three is a $300 spend and so on. We think you need to look a little deeper and understand their behaviors than just a simple tiering system.

For example, my wife and I might spend $600 at the same retailer, but she does it in 12 trips at $50 a trip and I do in two trips at $300. My wife would be what we call a best customer. I would be more of what we would call a wardrober, somebody that shops a couple times a year and spends a lot of money buying a lot of different categories. You obviously want to market differently to the two of us. My wife, she would be more driven by frequent communications with postcards showing the most recent product, maybe smaller offers. For me, you'd want to send me a catalog once or twice a quarter to show me the new stuff that's out, the newest stuff and a broad array of products as I'm likely to buy a lot of products. The segmentation the way we do it allows you different segment strategies and different marketing strategies to appeal to each one of those segments.

The third dimension we like to look at is what we call attributes. Attributes can be anything. Are they members of your loyalty program? Do they have a credit card with you? Where do they live? A customer in the north is likely to buy a sweater from you in October. A customer in the south or southeast, it might be December or right before Christmas, so marketing based on the geography might be different. Life stage is another one. If you have a young professional who is a best customer that just had a baby, you might want to market them differently than you would a young professional who's a best customer who just bought a house for instance.

For us, it's the three dimensional view of the customer that allows us to really understand the customer database in a manageable way. What we end up with when we have these three dimensions, if we have several profiles and several segments and several attributes, we end up with a cube, similar to a Rubik's Cube if you grew up when I did. Each individual cube within the Rubik's Cube is a different way to market to a group of your customers. It's based on their lifestyle, their buying behavior, and any other attributes that may make sense. That's how we do it at Lift361.