

# The ultimate guide to customer segmentation



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This content is co-authored by Twilio, SendGrid, and Segment teams.

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# Putting the ‘**custom**’ in customer



Unlike some marketing processes, customer segmentation is a relatively simple concept to understand. Treat each customer as an individual with specific values, needs, and habits. Group those people together based on those traits and show/sell them the products and services on the channels they use, at the time they use them while catering your messaging accordingly. Simple, right?

Right place, right time, right group of people is a bit more complicated in actual practice. A unique end-to-end customer journey isn't a straight line, and your segmentation can be approached in a variety of ways to reach each customer with the right branded message. In short, this simple idea can very quickly become extremely complex.

## In this guide, you'll learn:

- Why customer segmentation is worth the effort to scale your marketing campaigns
- The six different ways to approach segmenting your audiences
- How you can use Twilio Engage to automate your segmentation and help deliver on your marketing objectives

After all... they don't call us Twilio Segment for nothing. Let's divide and conquer!

# What is customer segmentation?

## Other helpful segmentation terms to know:

- **Target audience:** The specific group of consumers most likely to be interested in your product or business. For example, the target audience of a women's clothing store would be women.
- **Segment:** A segment is a smaller group of your target audience based on similar traits. For that same store, they might choose to segment their audience into high-income and low-income customers so they can share products better aligned with customer budgets.
- **Cohort:** A cohort is a more precise segment that links users based on a shared event or characteristic, like anyone who attended the store's grand opening or subscribed to its email newsletter.

Customer segmentation is the process of organizing customers into specific groups based on shared characteristics, behaviors, or preferences, with the aim of delivering more relevant experiences.

Rather than sending the same email, ad, campaign, etc. to everyone in your database, segmentation allows you to pick and choose who receives these messages. By segmenting your audience and engaging a specific subset of customers, your business can serve customers more targeted, personalized content. This can not only increase customer conversions, but improve the ROI of your marketing and advertising efforts.

Think about it. Say you work for a B2B software company whose key buyers are software developers and product designers. How you market your products and services to these two audiences will be very different based on the unique pain points they're trying to solve and how they'll use your software. By splitting these two personas into separate audience segments, you can better cater your messaging and content to their needs, which can help you launch more impactful and cost-effective campaigns.

Of course, you don't have to stop there. You can also segment these audiences even further based on industry, job title, location, etc. to further refine your marketing efforts. We'll explore the different types of customer segmentation models later on.

# What are the benefits of customer segmentation?

## 1. Build better, more personalized customer experiences

Customer segmentation helps you deliver content directly tailored to your customer's likes, needs, and wants. By creating targeted campaigns, your brand can deliver personalized communications and experiences that your customers love.

## 2. Reduce customer acquisition costs (CAC)

Using segmentation, your brand can serve more relevant ads to prospects or customers. Serving up the right content and creative to the right audience can drive clicks and conversions, while reducing your overall customer acquisition costs.

[See how The Motley Fool optimized its ROAS with Twilio Segment >](#)

## 3. Increase customer loyalty

When your customers feel like your brand knows and understands them, they're more likely to do business with you again. In fact, Twilio Segment's [The State of Personalization 2022](#) report found that nearly half (49%)



of consumers say they will likely become repeat buyers after a personalized shopping experience with a retail brand.

#### **4. Boost conversion rates**

Delivering the right message to the right person at the right time makes your audience much more likely to open, click, engage, and, ultimately, convert. Nearly 80% of business leaders say consumers spend 34% more when their experience is personalized.

#### **5. Help your business identify and serve niche markets**

Segmenting your users and targeting your messaging can help your brand reach new prospective customers, as well as find new ways to serve existing markets.

For example, a business selling all-natural cleaning products might target suburban moms as their primary buyer persona, but after some research, they discover there's a large market of pet owners looking for cleaning products that are safe for pets. By segmenting and targeting this audience, this business can increase the number of customers it serves and grow its brand.

# Six types of segmentation

- 1 Demographic
- 2 Behavioral
- 3 Geographic
- 4 Psychographic
- 5 Values-based
- 6 Technographic



# Demographic



## What is it?

Demographic segmentation groups users by common human characteristics?

- Age
- Sex/Gender
- Race
- Marital status
- Education Level
- Religion
- Occupation/Job Title
- Industry
- Income level

Because this information is fairly easy to collect from users, it's often the most commonly used form of segmentation and a great place to begin if your business is just starting to experiment with this marketing process.



## Why demographic segmentation:

Again, this is one of the most common ways businesses categorize their users. Our gender, age, income, etc. strongly influence what we care about, the products we use, and how we use them. Using this information, businesses can anticipate user behavior and serve relevant content that resonates with customers from every walk of life.

## Demographic segmentation in action

November and December are the most important months of the year for many retailers since consumers spend generously for the holidays. During this time of year, many businesses use demographic segmentation to serve more targeted content to their audiences.

Here are a few examples of how a retailer might segment customers by:

→ **Gender:** A retailer could send product recommendations to a user based on their gender (e.g. showing dresses to a woman).

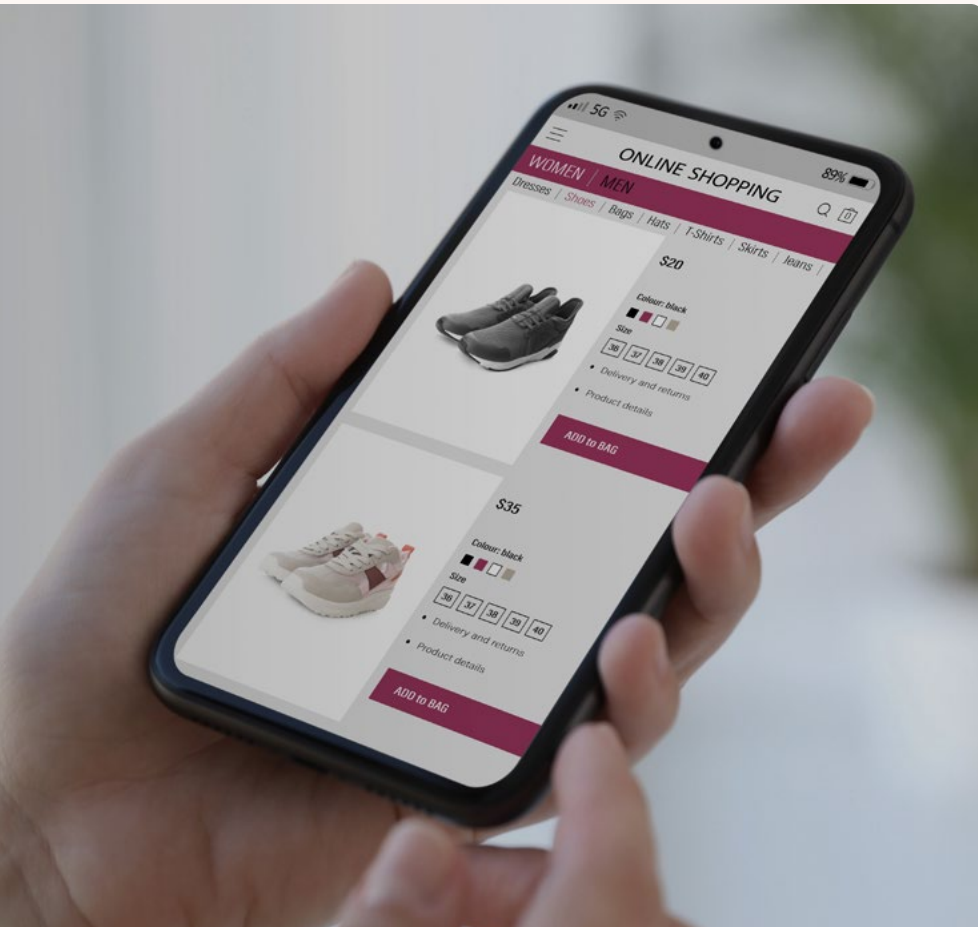
- **Marital status:** If a retailer knows a customer is married, they can send “For Him” and “For Her” gift guides to help the recipient buy the perfect gift for their special someone.
- **Religion:** A brand can choose to send Jewish customers Hanukkah gift ideas, rather than irrelevant Christmas content.
- **Income level:** The business might send more expensive, luxury product recommendations to higher earners, and more affordable recommendations to lower earners.

### Demographic information you can collect with Twilio Engage:

- First name
- Last name
- Age
- Birthday
- Gender
- Phone
- Email



# Behavioral



## What is it?

Behavioral segmentation, also called event data, separates customers based on specific ways they've interacted with your brand. Common behaviors brands use to build audience segments include:

- Creating an account
- Viewing a specific website page
- Using a specific product feature
- Requesting a demo
- Adding an item to their cart
- Abandoning an item in their cart
- Completing a purchase

## Why behavioral segmentation:

Every action your users take on your website or app is a powerful indicator of their intent. For example, if a user spends a lot of time viewing a B2B business's product and pricing pages, they're clearly interested in learning more about your offerings and whether your products and services are a good fit for their company. On the other hand, a user who signs up for your email newsletter but never opens it might not be as motivated.

Tracking user behavior and understanding which key events are strong indicators of intent can help your business know exactly when to send targeted content that can help push your users to take your desired action.

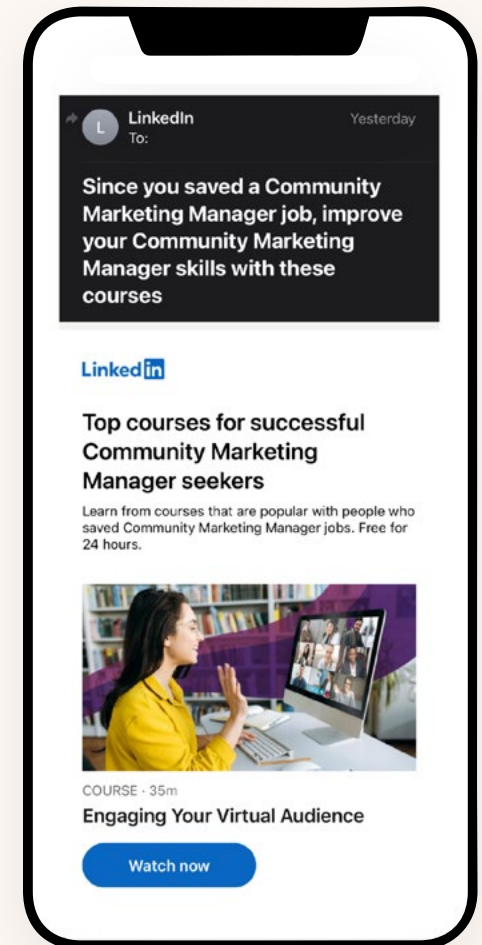
## Behavioral segmentation in action

Business social media platform LinkedIn uses behavioral segmentation to send users personalized content based on job openings they recently saved. After a user saved a Community Marketing Manager job posting, the company sent them an email and in-platform notification inviting them to brush up on skills needed for the role. A motivated

job applicant can sign up for LinkedIn Learning to access these relevant courses and more after the free 24-hour offer expires – helping them gain the skills they need to get a leg up in the hiring process.

### Behavioral event fields you can track with Twilio Engage:

- User Signed Up
- Account Created
- Trial Started
- Email Opened
- Feature Used



# Geographic



## What is it?

Geographic segmentation categorizes users into groups based on their physical location. This can be as broad as a region (e.g. North America) or as specific as a city (e.g. San Francisco). Here are a few ways businesses segment users by their geographic location:

- Country
- City
- Time Zone
- State
- Real-time location

## Why geographic segmentation:

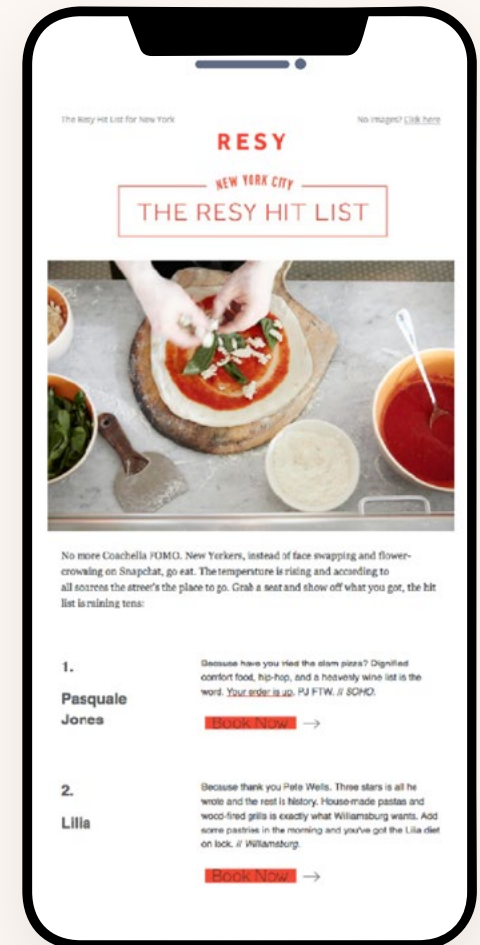
Where someone lives and works can help your business better market to them. You can use this information to:

- Optimize when you send email and SMS messages based on recipient timezones
- Send targeted offers for in-store-only deals
- Invite prospects to nearby events in their city
- Announce the grand opening of a nearby store
- Serve relevant content based on regional seasons/weather
- Share content based on whether a recipient lives in an urban, suburban, or rural area
- Identify the best language to use when communicating with customers from this region

## Geographic segmentation in action

Online restaurant reservation service Resy uses past reservations to determine a customer's city and provide additional recommendations in their area. From sharing hot new spots to neighborhood gems, Resy serves up targeted nearby recommendations for their food-loving users to explore.

Want to get started with email segmentation? Check out Twilio SendGrid's [The Essential Guide to Email Segmentation!](#)



# Psychographic



## What is it?

The hardest to segment, and potentially the most valuable because of it. Psychographic segmentation relies on dividing your audience based on how people “think” and “feel” about certain values or products.

You may be thinking, but how can I possibly track such nebulous traits? Good question. While collecting data on your customer’s psychographics may be difficult, it’s not impossible. Here are a few traits to consider when segmenting psychographics:

- Values
- Social Status
- Hobbies
- Habits
- Needs (physical, emotional or financial)

Specialized software such as Twilio Engage can help monitor (with their consent) customer behavior and collect the first-party data necessary to start tracking psychographic behavior.

From there, you can monitor customer online activity whether that's through activities like:

- Purchase behavior (do they always buy shoes and dresses at the same time?)
- Social media activity (do they follow three of your competitors' accounts?)
- Conducting your own research (surveys, focus groups, reviewing call transcripts, and monitoring reviews for keywords)

With this information, you can start to make increasingly more educated targeting to the right customer, following up with new recommendations, and building customer profiles that lead to better engagement and long-term loyalty over time.

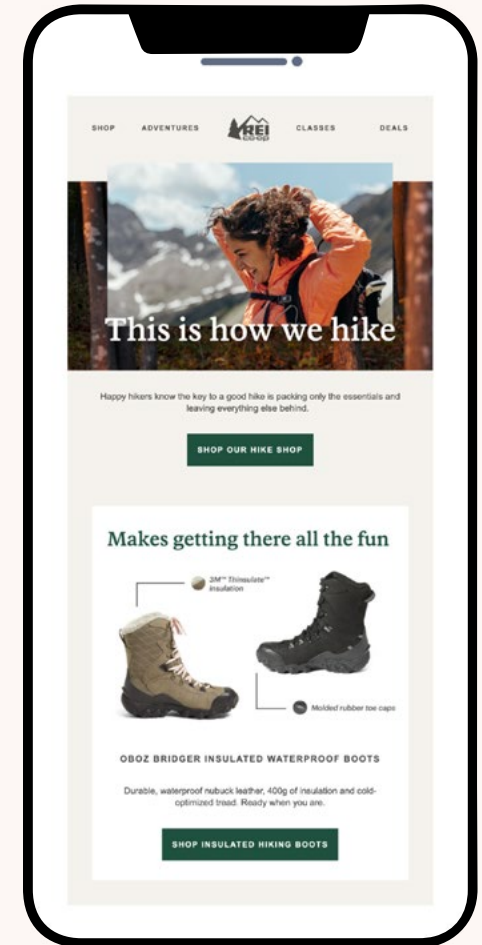
## Why psychographic segmentation:

Ever known someone so well that you got them the perfect gift? A rare, unicorn event! Collecting psychographic data is no simple task but if you master your customer's purchase preferences the payoff can lead to repeat purchases and long-term loyalty perhaps more than any other kind of segmentation.

Psst, with the impending degradation of third-party cookies next year, we can't stress enough how integral first-party data is to success in psychographic segmentation. Consider getting started by collecting that first-party data through a platform like Twilio Engage.

## Psychographic segmentation in action

After buying a pair of hiking boots from outdoor gear retailer REI, a customer was sent an email based on that purchase as well as a sale to prompt her next. This gives REI even more insight into what kind of outdoor activities she is into over time. From there, REI can make suggestions that might be right up this customer's hiking path because they can segment intelligently based on her previous shopping history.



# Values-based



## What is it?

Value-based segmentation looks at your best customers and segments them according to their financial value.

With 69% of businesses saying they are moving budget to channels with the greatest ROI, evaluating your customers based on their financial value is just smart segmentation. Knowing who your best customers are means that you can truly know how to maximize your marketing return on investment.

Focus on data that evaluates the lifetime value of your customers which will help you see which target audiences cost the least to attract, maintain, and bring back for future sales.

[Read more about how to drive customer LTV in our recent ebook](#)



## Why value-based segmentation:

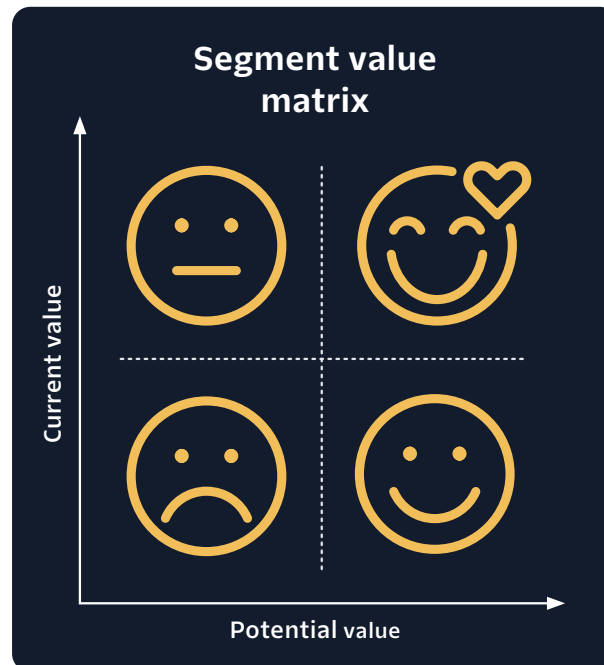
Because now, more than ever, it's about your business bottom line. With more and more companies focusing on profit and scalability, knowing your customers that are spending the most time on your marketing channels is integral to success.

As you evaluate your marketing budget in the year ahead, build out customer segments consisting of top and low spenders in a platform like [Twilio Engage](#). This will help you ensure you're getting the greatest bang for your buck as you consider where your budget goes.

## Value-based segmentation in action:

By knowing your best customers, you can engage them in referral programs and customer loyalty deals such as early access to sales, custom discounts, birthday and anniversary rewards, and more. For customers who haven't purchased in a while, offer comeback incentives like a free gift with purchase or a limited-time offer to

get them back in your sales loop. Knowing your customers' lifetime value enhances value-based segmentation, so you can reach them accordingly.



# Technographic



## What is it?

As technology advances, even the programs and platforms your customers use can be grouped for segmentation. Technographic segmentation refers to dividing your audience based on the types of technology they use and how quickly they adapt to using it.

For example, a technology company might sell a project management product that is supported by several different platforms such as Monday, Airtable, and Asana. Their customers vary on which program they use and it's important for the company to not send a blanket message regarding one particular platform.

Using technographic segmentation, the company personalizes its marketing messaging for each of these subgroups. Maybe one segmented message is about how their tool can enhance a user's workflow on Asana and the other message is a limited time, 15% off on their product exclusively for Monday users. Further still, you could also encourage both late and early adopters of new tech and segment them for when you bring a new product to market.

## Why technographic segmentation:

With so much software out there, the added touch of personalizing your message to include the software the recipient already uses can be super useful in improving the ROI of your marketing campaign, especially in a B2B setting. Plus, this particular style of customer grouping can easily be layered on top of other segmentation. For example, customers who use Hubspot who live in New York City who work in sales, and so on and so forth.

For a very specific deal or offer, it can be incredibly effective.

## Technographic segmentation in action:

A customer looking to connect all the platforms and programs they track data (in this instance, everything from Big Query to Monday.com) might click on this ad because it speaks to a painpoint of having multiple platforms and not having one way to coordinate the data between them.

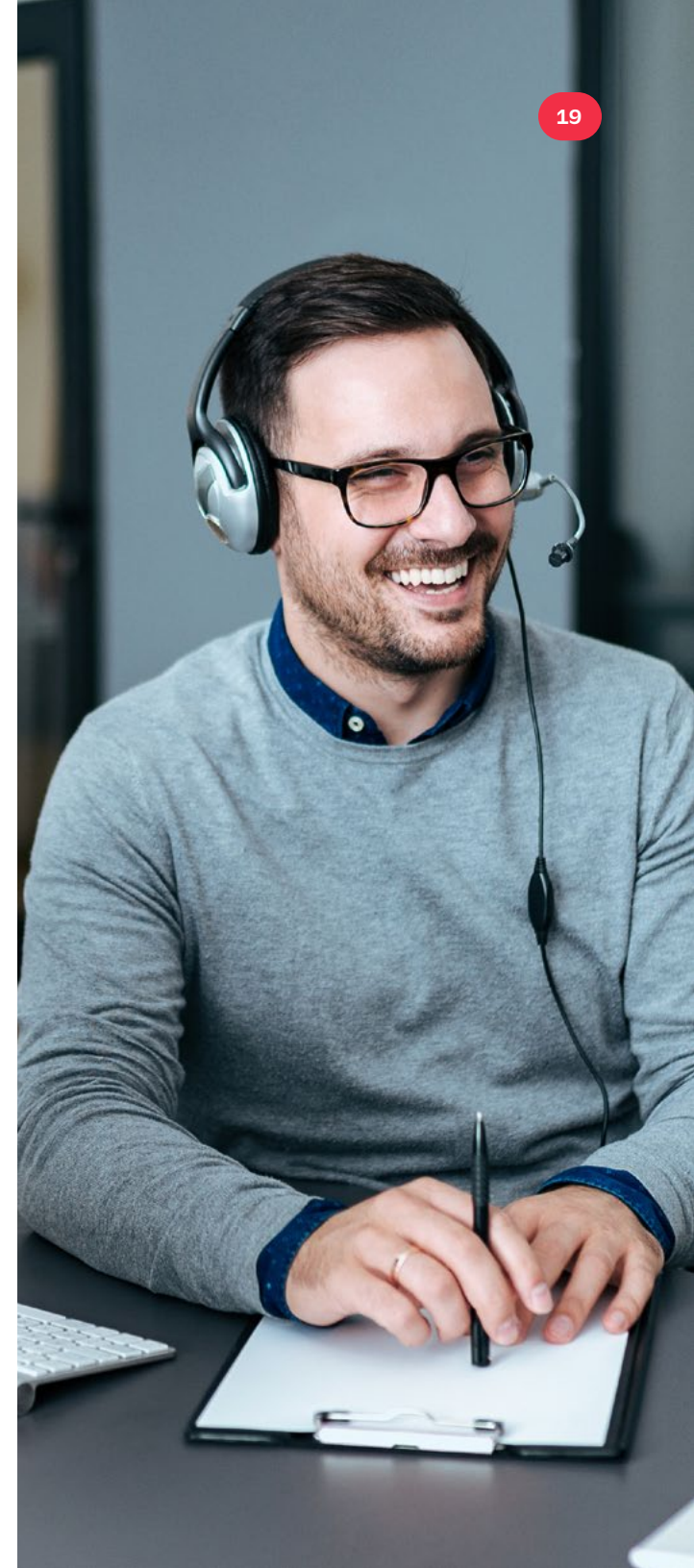
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# Segmentation in review

	Demographic	Behavioral	Geographic	Psychographic	Values-based	Technographic
<b>Targets users based on</b>	Common human characteristics	Specific actions users have taken	An individual's physical location	Physical, emotional, or financial habits or needs	A user's financial value to your business	The types of technology an individual uses
<b>Examples</b>	<ul style="list-style-type: none"> <li>→ Age</li> <li>→ Gender</li> <li>→ Race</li> <li>→ Job Title</li> <li>→ Industry</li> </ul>	<ul style="list-style-type: none"> <li>→ Creating an account</li> <li>→ Viewing a specific web page</li> <li>→ Requesting a demo</li> <li>→ Adding an item to cart</li> </ul>	<ul style="list-style-type: none"> <li>→ Country</li> <li>→ City</li> <li>→ Time Zone</li> <li>→ State</li> </ul>	<ul style="list-style-type: none"> <li>→ Values</li> <li>→ Social status</li> <li>→ Hobbies</li> <li>→ Habits</li> <li>→ Needs</li> </ul>	<ul style="list-style-type: none"> <li>→ Customer lifetime value</li> </ul>	<ul style="list-style-type: none"> <li>→ Types of software an individual uses</li> <li>→ Type of smartphone a user has</li> </ul>
<b>Difficulty</b>	Simple	Simple	Simple	Advanced	Moderate	Advanced

# Set yourself up for segmentation success

Segmentation, on its face, isn't a hard concept to grasp. You probably already knew of the value and what it can do to personalize your customer's experience with your brand. Choosing the right segmentation model can make all the difference in both personalizing your messaging on a granular level AND increasing customer engagement thus resulting in more leads and a higher ROI from your marketing campaigns.

The tricky part, of course, remains in HOW to segment correctly based on your business goals and your customer's needs.

Sure, you could ask your engineers to manually pull customer data, stick it in an ever-growing spreadsheet, create one-off segmentation lists for your campaigns, and

rinse and repeat anytime you need up-to-date data. But, this process is slow, inefficient, and depends solely on the availability of engineering resources.

Luckily, software can automate much of this segmentation for you, saving your engineers time and giving your team the ability to build your own audiences in real-time autonomy. From collecting and consolidating first-party data to building unified customer profiles you can use for segmentation, the right tool can help you target the right message to the right person at the right time.

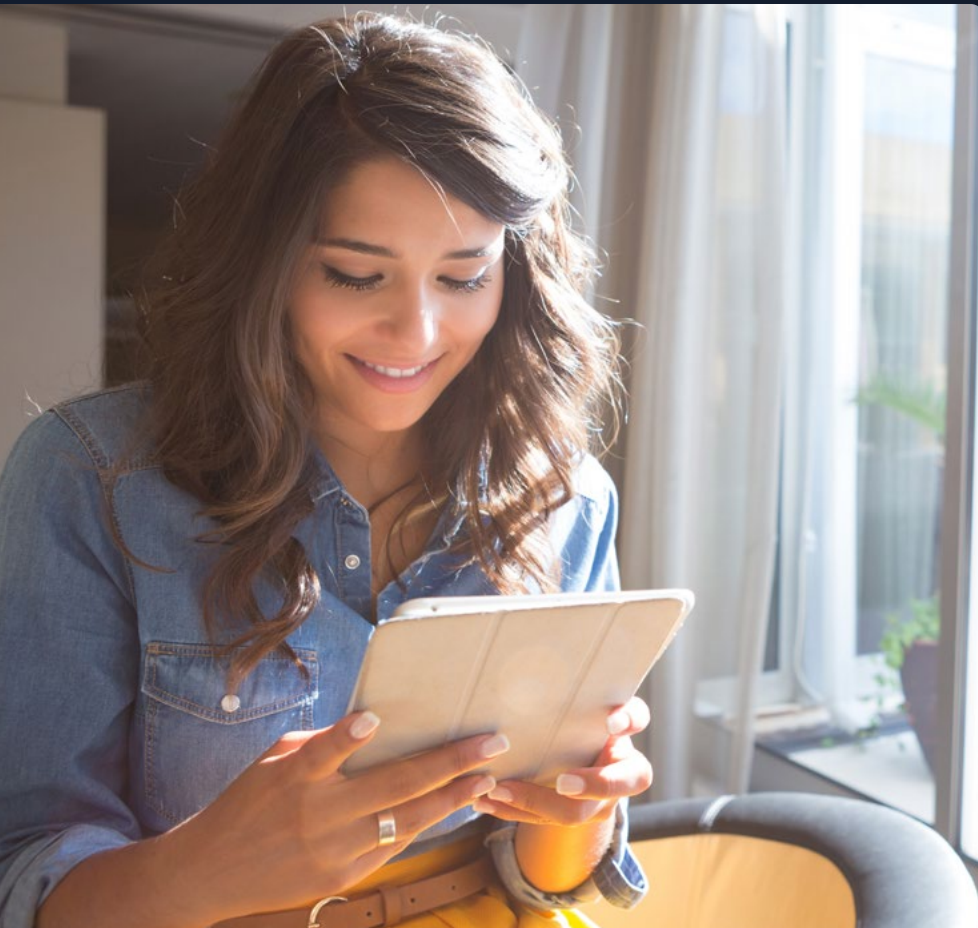
And [Twilio Engage](#) helps you do just that.

**How simple can it be to segment your audiences and create even more personalized messaging? Let us show you how.**

**Schedule a demo [here](#).**



# About Twilio Segment



**Twilio Engage uniquely puts the power of a native customer data platform (CDP) and native omnichannel together in one solution so marketers can build data-first, personalized experiences that reduce costs and grow lifetime value.**

Built “data up” on Twilio Segment’s CDP, Twilio Engage enables marketers to quickly activate real-time, first-party data across best-in-class engagement channels from a unified solution without needing to rely on engineering resources—so you can go from idea to campaign in minutes. By providing a complete view of the customer and the ability to easily create and scale multi-step customer journeys across any digital channel, Twilio Engage helps marketers deliver more engaging and relevant customer experiences while driving long-term, efficient growth.

# Recommended reading



## Your guide to quitting third-party cookies

Learn what's changing with third-party cookies, how it will affect businesses, and four opportunities to bring data collection in-house.

[Download guide](#)



## 15 ways to use data to engage your customers

Learn how to leverage data to optimize your messaging and create personalized experiences across channels.

[Download guide](#)



## 6 ways to drive customer LTV

Learn how to focus on customer retention and loyalty to drive scalability and profitability.

[Download guide](#)



Thanks for reading  
If you would like to learn more about what Twilio can do for your business,  
please [contact the Segment sales team](#).



