A Comprehensive Review of Behavioral Customer Segmentation For A Better Understanding

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Abstract - Segmentation of customers has always been relevant. But now that orchestrating journeys that embody the overall experience, rather than their latest encounter inside a siloed touchpoint, is integral to business success today, an absolute must is a successful segmentation. But only 33 percent of businesses using customer segmentation claim that they discover that it is significantly impactful, as per a recent Forrester survey. The key reason businesses struggle, according to the study, is that the conventional approaches are still being used to customer segmentation, even without exploiting the scope of data of the customer and more sophisticated analytical techniques that are present today. Particularly, they do not use a modern technique for behavioral Segmentation. The traditional Segmentation approaches focused primarily on who the customers are, and considered segments were purely based upon demographic factors such as age or gender and business characteristics such as company size or sector. Only knowing who the customers are is no longer adequate. In this article, to achieve business goals, multiple approaches to behavioral Segmentation that can be used to understand better the client's and their priorities are discussed.

Keywords — behavior, Segmentation, segments, customers, marketers

I. INTRODUCTION

The method of sorting and grouping clients based upon which behaviors they exhibit is behavioral Segmentation. The types of goods and information they acquire or consume, and their interactions with websites or an app or organization involve these habits. Many individuals have everyday routines that cause them day in and day out to do the same thing. For example, if someone is a coffee drinker, he knows the urges and regular requirements of that early morning routine. Marketing people want to know who their metaphorical everyday drinkers are and detach them from others who drink less frequently. Behavioral Segmentation is not just about understanding that individuals have different preferences; it's about optimizing marketing strategies with a clear message to match these behavioral patterns[1]. The aim is to recognize customers' segments that allow you to understand how to meet a group of customers' unique needs or preferences and discover ways to maximize their customers' journeys to measure their potential value to your company.

II. BEHAVIORAL SEGMENTATION

Once their actions know users, mobile marketers may target ads and campaigns particularly tailored to a set of specific audiences[4]. The advantages of Segmentation in behavior include:

Personalization: Segmentation of behavior tells you what a certain group of customers needs and allows one to know which platforms they often use and the kinds of messages they respond to enhance your conversions.

Forecasting: Looking at each segment's pattern, you can recognize the trends and plan for the future more efficiently.

Prioritization: Make smarter choices by recognizing customer segments with high-value and programs with the highest potential market effect on allocating time better, budget, and money.

Performance: To assess market health and track success against targets, monitor growth trends and improvements in key customer segments over some time. This means quantifying the volume and importance of client segments at a high level and tracking how exactly "positive" and "negative" segments expand or shrink over time.

III. BEHAVIORAL SEGMENTATION: EXAMPLES

Behavioral Segmentation considers various factors like acquisition, user journey, how much engagement level of the users, and the retention period of the product.

A. Purchasing Behavior: Segmentation based on purchasing behavior is about finding patterns in how various customers act during the purchase decision process[4]. Purchasing activity will help to recognize:

- How multiple consumers handle the decision to buy
- The scope and difficulty level of the method of buying
- The role that the client take part in the buying process
- Significant obstacles along the road to buying

- The very frequent as well as the least predictive habits of a customer who are making a purchase are

To predict future performance, there are two general ways to use past behavior:

- To forecast future sales, by making use of past purchases

- Using path-to-purchase activity to estimate the probability of completing a purchase

To recognize the key hurdles, marketers need to remove from the way to purchase. A new technique uses the trends in digital behavior to appraise the variety of ways different customers approach the purchasing process.

Depending upon the type of business, there are a number of ways to achieving this. In a recent post, Lacie Larschan conveyed a few examples of this technique or approach in e-Commerce.

Fig 1: Different buyer's characteristics

By forming implicit conclusions depend upon experiences faced online, Lacie characterizes buyers into six unique behavioral segments with corresponding buyer personas:

1. A price-conscious" buy is one who always bargains for the least possible price.
2. The "Smart" buyer is one who first understands every aspect of the product before he commits himself to buy.
3. A "risk-averse" buyer looks far insurance policy, so he will be very careful before buying
4. Some buyers are a kind of "Needs-proof," and they always want some proof about the product, else they don't buy them.
5. Some purchaser who says, "I will get it later" is lazy.
6. The last category belongs to the persuadable one.

B. Occasion Purchasing

This behavioral segmentation view views the timing as a determinant of making a transaction within the life, maybe a day or a month, or a year.

Purchases of life milestones such as buying a house or land; seasonal purchases such as vacation gifts; and regular purchases such as tea or food are all combinations of buying occasions.

With a chance to get them back in for another transaction somewhere later in the day, Starbucks uses behavioral Segmentation to reach the regular daily morning customers. Starbucks uses email marketing and push notifications or alerts to inform regular customers about the offers, like happy hours when offering a little discount.

C. Benefits Sought

There are various benefits, but of course, it varies from customer to customer. Some consumers Order something like Barista online using the app provided, receive them in the office, pay online, and they will enjoy. But some customers wish to go to the shop and enjoy to have it. It all depends on the comfort level of the customers.
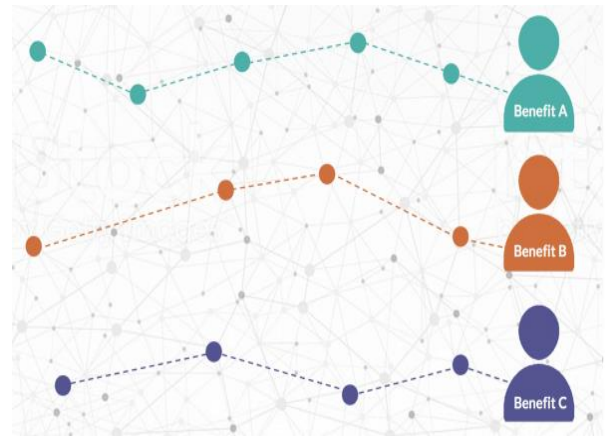
**Fig 2: Different customers seeking different benefits**

D. Usage

How much do customers use your product or service? How do they use it? Based on the frequency at which the different customers buy products, the Segmentation can be done. It is purely based on the actions carried out by the customers. How much do Airbnb customers travel? How much do clients shop Amazon products? How much do clients log-in and use your program for a B2B SaaS company? How much time are they spending? How do they use it? What functionality do they utilize? How many people use it for the same account or company? Segments based on the volume or recurrence of usage

- Heavy users, also called super users, often spend most of the time using the solution provided by you and buying it. These happen to be the most enthusiastic and committed clients who will trust your products.
- Normal or medium-sized consumers are clients who use or buy semi-regularly, but not too much. These may also be event-based or even time-based.
- Customers who use or buy much less in quantity compared to other types of customers are light

users. This could also mean one-time customers, depending on your business.

These usage-based behavioral segments are crucial for knowing why some types of consumers sometimes become light or heavy users. One can evaluate various actions and methods by segmenting to maximize the usage of existing customers and draw more new customers with a greater probability of adopting the same patterns of user activity as super users.
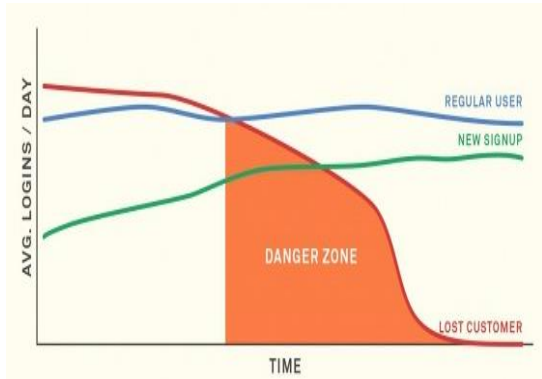
Fig 3: Segments based on the volume or frequency of usage

E. Customer Loyalty
Loyalty is one of the very significant behavioral segmentation elements. It is not good to neglect users who show loyal conduct towards the business. Reward program establishment is one of the very well-known strategies used by marketers to reciprocate loyalty among clients. A rewards program can be as simple as a type of mobile stamp card called "buy 8 get the 2 free". To construct the retention and loyalty of very long-term users among app users: treat loyalty as royalty.
Additional factors or parameters for behavioral Segmentation include:
- Satisfaction with customers
- Tier of interaction
- Status of Customer

III. STRATEGIES OF BEHAVIORAL SEGMENTATION
Regardless of the actions of a consumer, a technique that executes well is personalization. We all possess some affinity, of course, for our names, for instance. If advertisers can learn to use this efficiently, customers are more likely to be sensitive; personalization should be more than addressing individuals through their names.

- **Retarget the Desired Habits**
Marketers obtain useful insights into behavioral patterns based on the use of consumers, similar to the basis of

economic forecasting[2]. For instance, YouTube has developed an advanced recommendation engine that can help users retarget similar videos that they would find very interesting.

- **Using Segmentation based on Location**
Another technique is to observe location data based on their past, present, or predicted Location to market to consumers[3] strategically. Geofencing is a wonderful technique for sending push alerts to app users when they are involved, like within a kilometer radius of your business, in a certain area.

- **Price Per Unit**
In business, nowadays, we do not see face-to-face encounters. Rather information is captured through user profiles. For instance, using data from devices and understanding how different audiences buy these devices. For example, Apple products are usually purchased by a more affluent consumer, given their hefty price tags. Personal computers and Android devices are very less costly and thus more appealing to a less affluent consumer.

- **Suggest More Features or Goods**
Behavioral Segmentation helps create recommendation engines that will make perfect product or function predictions that each consumer will be interested in next. For example, Amazon uses past behavior to recommend other products and the buying history of patterns or segments with similar behaviors. A direct consequence of behavioral Segmentation, these product recommendations.

- **Perfect Timing**
Some sets of users have a regimented routine, whereas some others are very much versatile. It can be useful to know when to push alerts, email marketing materials, or any other kinds of messages to get users back and understand the pace at which users will re-engage with a particular app.

- **Become Historical**
We have already observed that past conduct is a strong predictor of potential conduct. With its "Quick Access" dashboard of quite commonly opened documents, Google Drive is a perfect example of this. This involves not only recently opened documents but also documents that are normally opened when you open the drive.

IV. CONCLUSION
We can initiate optimizing the users depend upon the behaviors they display. Now, we have a strong understanding of what behavioral Segmentation is all about and how it can be used. Knowing every step of the user or customer journey is very different for each consumer, difficult to predict. Still, of course, it is a very crucial step for marketers to execute. It is no easy task to give the correct information to the right or correct individual, also at the right time. Inside the mobile

marketing plan, there are plenty of moving pieces. Successful marketers should make each customer's experience feel personalized while also retaining scale, is behavioral Segmentation. Here are more methods that applying this segmentation approach will affect your app's output: 1) Building knowledge of the client base and improving partnerships with clients.2)Reducing mobile marketing costs and increasing the lifetime value of customers. 3)Analyzing insights to have significant decisions across all the functions of the organization. For example, product upgrades, sales, customer relationship management, etc. In addition, to have a scalable, quick-to-deploy framework, processes have to be automated.

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