

Look Sharp, Look Deep



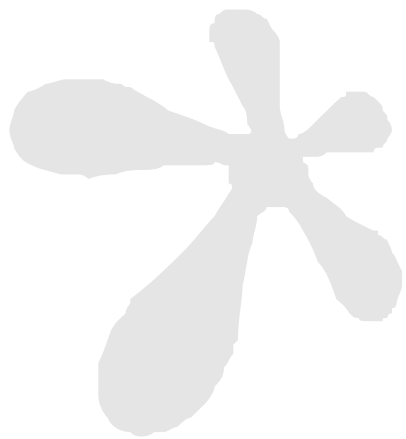
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Customer Segmentation in Online Shopping Mall

By CCMedia

Don't scratch the surface, scratch deep



Blindfolded? / In the dark? / Lost?

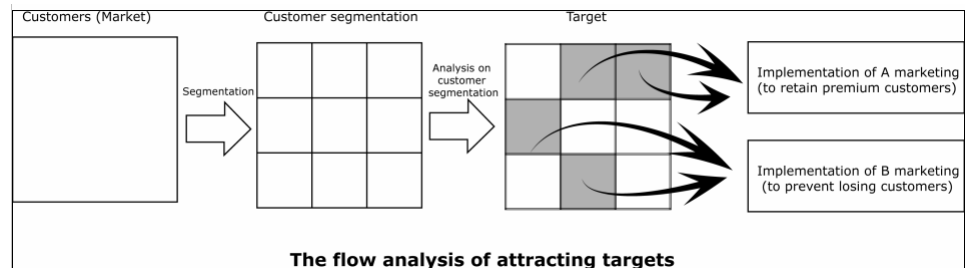
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Customer Segmentation in Marketing

Marketing Customer Segmentation
 Conventional Perspective
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 Connection between the Two
 Summary

One of the most important things of marketing is customer segmentation. In general, a market is somewhere for product swap and service offering. From the perspective of sellers, market refers the actual or potential customers for certain products or services. The viewpoint on more effective marketing varies according to different segmentation of customers based on their attributes.

Customer segmentation refers to segmenting customers according to homogeneous customers in environment, needs or even purchasing models. The purpose to apply customer segmentation is to have versatile utilization of different needs and environment.

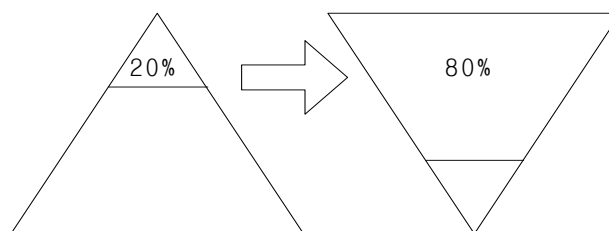


The premise to operate marketing mix is to devise customer segmentation to meet the marketing needs. In a word, one needs to locate the precise targets according to their needs and types and then go into marketing stages.

Conventional Perspective on Segmentation

In terms of conventional perspective on segmentation, every significant marketing campaign goes to the most lucrative target or the most loyal customers. Segmenting customers according to their contribution to your revenue is apparently the main task in terms of conventional perspective on segmentation.

Why they used to do this is all about the high costs used in marketing activities. This way, it makes senses that they only focus on customers with high ROI.



Conventional Perspective on Segmentation (2 – 8 rule). The top 20 % customers bring in 80 % of the revenue.

Online Approach of Customer Segmentation

E-marketing has transformed the convention method into a new model. The variation is poles apart.

Online Perspective on Customer Segmentation

Comparison	Conventional Perspective	Online Perspective	Segmentation
Marketing Cost	High	Low	Focus on premium customers -> to extend targets in the market
Customer Loyalty	High	Low	Premium customers first -> look for potential customers
Versatility	few (transaction and member information)	versatile (activities related to your internet operation)	Demographics of customers -> visits, preferences
Response Cycle	slow	Real-time	Fixed and long-term segmentation -> flexible segmentation
Customer Value	Previous transaction	Current interests	Past customer value -> value of existent and potential customer
Marketing ROI	Difficult to estimate	Easier to estimate	Minute segmentation

* “high” and “low” in the chart are in a comparative scale

(1) Marketing Cost

With the advancement of the Internet, it benefits you to cut down your cost on marketing. The targets of your marketing can be extended to every client even to anonymous visitors.

(2) Customer Loyalty

In terms of brick-and-mortar venues, customers have higher loyalty to them due to distance, prices and the like. However, the Internet can't maintain higher customer stickiness because of its low mobility and less convenience. This suggests you continually explore more potential customers and maintain existent customers.

(3) Versatility

To obtain significant customer data is the most important thing in segmentation. Based on the infinity of online data, you can analyze your customers from many perspectives.

(4) Response Cycle

In terms of physical shopping malls, customers need to spare time to visit shops. For convenience, they might try to buy things in bulk at a time so the frequencies are low. Unlike physical shops, online virtual shopping malls are open twenty-four seven. Customers have access to online shopping malls anytime anywhere and therefore the frequencies are high. For conventional physical shops, the customer cycle usually refers to a year or six months. Since the customer cycle is unpredictable in the online environment, the segmentation shall vary from a year to six months or even a week.

(5) Customer Value

What makes online perspective most distinct from the conventional customer segmentation is the value built from the past and extended to future. The online perspective processes the data in a real-time manner. That is, if customers are interested in your products, they may make the purchasing decision in a very short time. This way, these customers are actually the most loyal ones from the online perspective.

(6) Marketing ROI

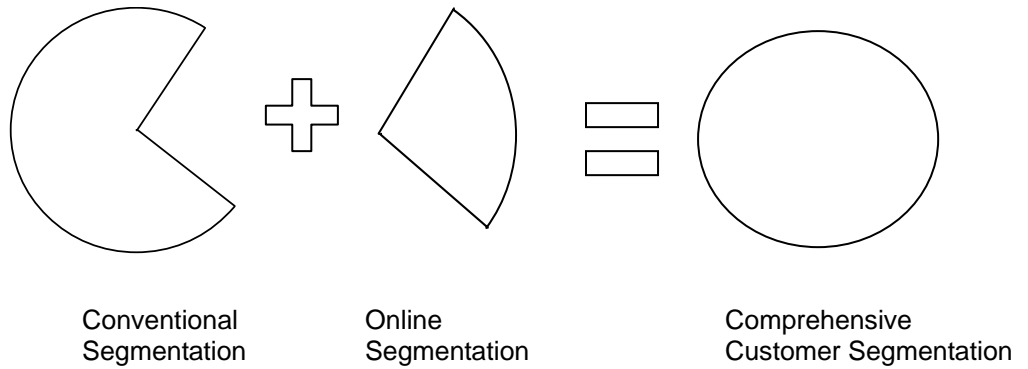
To convert marketing ROI into numerical value is difficult for both conventional and online models. However, it is still easier to analyze a precise ROI in physical marketing channels. For example, by putting your banner in different positions of the page helps you estimate the popularity and preferences to different target groups. In a word, if you can segment and direct different target groups to their favorable pages and content, analyses on ROI value will be more precise and hence you can better target your right customers with effective marketing campaigns.

Connection between the Two

When using conventional segmentation in online shopping mall, you cannot apply customers' online behavior or preferences to devise your marketing mix.

Therefore, to complete comprehensive customer segmentation, you can integrate transaction and member data with online log data.

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Value on customer segmentation is generated by customers. You can segment your customers according to the transaction items, purchasing frequencies and the like.

The significance of anonymous customers is great in e-marketing. Anonymous customers are always something physical marketing channels can't reach or analyze. On the contrary, they can be easily targeted by the means of internet technique. To convert anonymous customers into potential buyers is a very important link in e-marketing.



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