



Segmentation 101

Best Friends[®]
SAVE THEM ALL



What is segmentation?

Segmentation is the process of taking a group of constituents and breaking it into “parts” for the purpose of **message customization** and **analysis**.

Segmentation is important for two different purposes: **tracking** and **targeting**.

- **Tracking** allows you to more accurately track where donations are coming from, and what types of appeals or messages your donors respond to better.
- **Targeting** allows you to customize the messaging to your donors. By analyzing which segments respond to particular appeals or message types, you can refine future appeals to better target different types of donors, supporters, prospects.



What is segmentation?

Segmentation allows you to send the **right message** to the **right person** at the **right time**, utilizing known behavioral patterns to inform this decision-making.

Segmentation also helps foster a deeper connection with a large set of constituents by allowing for more meaningful personalization of communications.



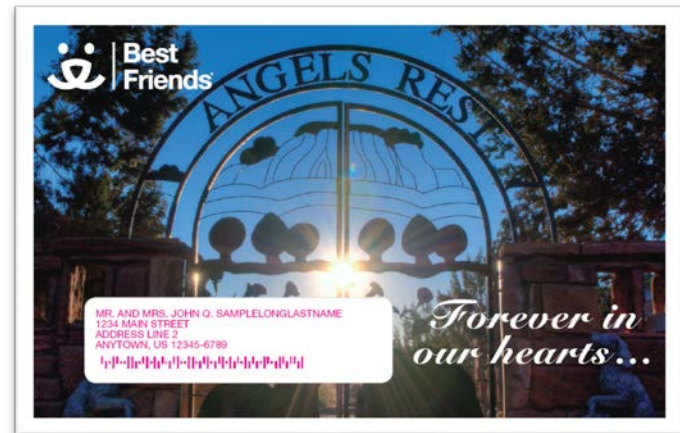
Other benefits of segmentation

Split testing allows you to refine your approach further by testing two or more variables within a package to see which might garner a better response rate or larger gift (generate more donations). The test results help drive future strategy.

For example, you might test a plainer outer envelope vs. a more colorful outer envelope:



VS.



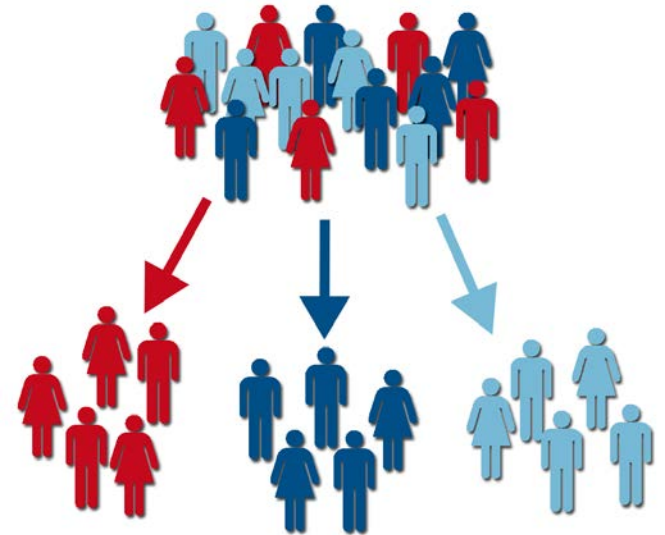


What is a segment?

Segments are the individual “parts” in which your group of constituents is broken down.

You can segment your file using many different types of data points, such as:

- Recent giving behaviors
- Demographic information
- Interests or affiliation
- Other behaviors





RFM (recency, frequency, monetary)

RFM segmentation is tried and true, and has been used by many organizations for a long time. A typical RFM segment might look like this:

[recency] [frequency] [monetary value (HPC)]*

Example: 0-6 months, multi, \$5.00 – \$14.99

Donors who fall within this segment gave their last gift between 0 and 6 months ago [recency], they have given more than one gift in their lifetime [frequency], and their largest gift was between \$5 and \$14.99 [monetary value].

*HPC means highest previous contribution. You can also select MRC (most recent contribution), average gift, etc.



RFM

Benefits

- RFM is a longstanding and highly tested method that has worked for many organizations.
- RFM is easy to quantify and it create new segments.
- Donors who have given more recently, have given multiple gifts, and have given larger gifts are more likely to give again. Targeting donors based on recent giving behavior will allow you to select the best segments who are most likely to respond.

Drawbacks

- It's a one-dimensional way to look at your donors. There may be more valuable data points to use for your selection criteria.
- There's a limited number of selection variables, which could limit personalization opportunities.



How does Best Friends segment?

Two years ago, we switched from RFM segmentation to a behavior segmentation strategy.

We still apply some basic RFM selection criteria, but we added additional data points, such as relationship to the organization (volunteers, visitors, adopters), response behaviors (newsletter-only donors) and channel preference (digital-only donors, multichannel donors).



Benefits of behavior segmentation

- It gives us a much deeper look at our relationship with these donors as well as donor preferences.
- It saves money: It's easier to identify lower-performing segments, which we can exclude from many of our mailings.
- It allows more personalization: Segmenting on relationship type and behavior allows us to talk to donors in a way that lets them know **we know who they are**. They are not just a number to us.

Example: Create a package for volunteers who donate, recognizing and thanking them for volunteering and donating.



Source codes

Source codes are the life blood of direct mail. They are codes that are printed on reply devices to indicate the solicitation type, package version, segment, etc.

Without source codes, we wouldn't have the ability to track responses in a meaningful way.

Be sure to have a unique source code for all of your mailings. Each segment within the mailing should have its own unique source code.



Source codes

Best Friends source code structure

Constituent Source STCMMYYEPKGTSEGMT							
SOLICITATION TYPE	OUTBOUND CHANNEL	MONTH	YEAR	EFFORT	PACKAGE	TEST	SEGMENT
Position 1-2	Position 3	Positions 4-5	Positions 6-7	Position 8	Positions 9-11	Position 12	Positions 13-16
GC = Golden Circle	M=Mail	01 = January	11 = 2011	1=First Effort		R=Remainder	House Segment
NR=Newsletter	E=Email	02 = February	12 = 2012	2=Second Effort		T=Test	
AP=Follow ups/Appeals	P=Phone	03 = March	13 = 2013	3=Third Effort		C=Control	
RN=Renewal		04 = April		4=Fourth Effort			
BL=Monthly Giving		05 = May		5=Fifth Effort			
MA = Magazine		06 = June		6=Sixth Effort			
TY=Thank You		07 = July		7=Seventh Effort			
WD=Web		08 = August		8=Eighth Effort			
VI=Welcome Center		09 = September					
RG=Major Giving		10 = October					
PG=Planned Giving		11 = November					
SW=Stewardship		12 = December					
CF=Corps/Foundations		00 = All Year					
NF=Misc							

Ex: **AP**M**07**171**AR**5**C**N**M**C**D**

Appeal | Mail | Mailed July 2017 | 1st effort | Angels Rest low \$ package | Control | Multi-year, multi-gift donor



Source code parts*

- **Solicitation type**: Used to track type of mailing, such as appeal, newsletter, renewal, acquisition
- **Outbound channel**: Tracks the channel in which the message was sent, such as mail, email, website, telemarketing
- **Month/year**: Keeps track of when the mailing was sent
- **Effort**: Used to track multiple efforts in a campaign (e.g., follow-ups)
- **Package**: Tracks which version of the mailing the segment received
- **Test**: Tracks if it is a control or test package so you can measure the effectiveness of various testing or package techniques
- **Segment**: Identifies the segment for which the donor was selected

**You may not need such extensive source coding, but at minimum you should track the parts in orange above.*



Waterfall segmentation

Most organizations use a “waterfall” segmentation process, which creates a hierarchy of segments. Segments at the top receive priority over segments below.

Donors can exist in more than one segment at a time, so you should give careful consideration to the order of your segments.

- Someone can exist in the monthly donor segment and also exist in the digital-only donor segment. If we create a special package for monthly donors, we will place the monthly donor segment higher, so we can ensure that they are selected for the monthly donor package.
- Make sure your selections are mutually exclusive so that once someone is selected for a segment, he/she can't be selected for an additional segment.



Measuring responses

Job Type	Source code	Job Description	Mail Date	Actual Qty	Response Percent	Total Donations	Total Receipts	Average Response	Total Cost	Net
APPEAL	APM1116	FY17 Holiday Appeal	11/1/2016	10,000	4.00%	400	\$17,072.00	\$42.68	\$3,500.00	\$13,572.00
APPEAL	APM0317	FY17 Spring Appeal	2/1/2017	7,000	4.31%	302	\$15,545.00	\$51.47	\$2,000.00	\$13,545.00
APPEAL	APM0617	FY17 Summer Appeal	5/1/2017	8,000	4.38%	350	\$14,562.00	\$41.61	\$3,000.00	\$11,562.00
APPEAL	APM0917	FY17 Fall Appeal	8/1/2017	8,000	5.26%	421	\$16,923.00	\$40.20	\$3,000.00	\$13,923.00
				33,000	4.46%	1,473	\$64,102.00	\$43.52	\$11,500.00	\$52,602.00
NEWSLETTER	NRM1216	FY17 Holiday Newsletter	12/1/2016	10,000	4.56%	456	\$16,987.00	\$37.25	\$3,750.00	\$13,237.00
NEWSLETTER	NRM0617	FY17 Summer Newsletter	6/15/2017	8,000	4.29%	343	\$15,437.00	\$45.01	\$3,200.00	\$12,237.00
				18,000	4.44%	799	\$32,424.00	\$40.58	\$6,950.00	\$25,474.00
LAPSED	LPM1016	Lapsed #1 OCT	10/05/2016	6,000	1.48%	89	\$4,005.00	\$45.00	\$3,000.00	\$1,005.00
PROSPECT	QQM1016	Acquisition #1 OCT	10/05/2016	12,000	1.01%	121	\$3,765.00	\$31.12	\$5,000.00	(\$1,235.00)
LAPSED	LPM0217	Lapsed #2 FEB	2/1/2017	6,000	0.98%	59	\$3,987.00	\$67.58	\$3,000.00	\$987.00
PROSPECT	QQM0217	Acquisition #2 FEB	2/1/2017	12,000	0.93%	112	\$3,997.00	\$35.69	\$5,000.00	(\$1,003.00)
LAPSED	LPM0617	Lapsed #3 JUN	6/1/2017	6,000	1.02%	61	\$2,287.00	\$37.49	\$3,000.00	(\$713.00)
PROSPECT	QQM0617	Acquisition #3 JUN	6/1/2017	12,000	0.83%	99	\$3,421.00	\$34.56	\$5,000.00	(\$1,579.00)
				54,000	1.00%	541	\$21,462.00	\$39.67	\$24,000.00	(\$2,538.00)

You can use a spreadsheet to measure responses to all of your mailings, including average gift, total raised, net per donor, cost per dollar raised, and much more. Other metrics to track: package results, acquisition list results, ask string tests, retention rates, reactivation rates.

See the “Sample Direct-Mail Summary Report” for a template.



Tools for segmentation

- Excel
- Raiser's Edge
- Microsoft Access
- NeonCRM

You can also work with a letter shop or a direct response agency, which can do your segmentation for you.