

BUILDING BLOCK

Essential Segmentation Models

THIS SECTION WILL COVER

- The benefits of segmentation
- Types of segmentation models
- Steps for creating Buying- and Relationship-based segmentation models to get you started
- KPIs and benchmarks for measuring whether your segmentation model is working for you and how to optimize it

BUILDING BLOCK

Essential Segmentation Models

WHAT IS SEGMENTATION AND WHY IS IT IMPORTANT?

Segmentation is the art and science of grouping individuals in your database based on similarities in order to create personalized, relevant communications that speak to patrons' specific needs and interests. Segmentation is equally essential for marketing campaigns and one-to-many donor communications.

It's also undeniably effective. The [2019 Spektrix Insights Report](#) found that highly segmented emails were opened 56% more often and clicked through more than twice as often as emails sent to larger segments.

Yet the report also found that, across the arts industry, only 3% of emails sent in 2018 went to groups that

were smaller than 10% of an organization's opted-in database. This points to an opportunity for arts organizations to target their communications and better connect with their patrons when they need them most.

TYPES OF SEGMENTATION

The most common segmentation models are based on grouping individuals by **geography, demographics, behavior, attitudes** or **psychology** — or some combination of these factors.

SEGMENTATION MODELS FOR YOUR ORGANIZATION

Existing approaches

You may already have a segmentation approach that works well for your organization's needs. To test the effectiveness of your approach, you can monitor your email open and click-through rates and ultimately, your sales and fundraising performance. Some models, particularly those which rely on intrinsic characteristics like race or gender, can negatively impact on equity and inclusion and may not be effective as marketing tools. [This analysis](#) by the [American Marketing Association](#) helps illustrate some of the downsides of this approach.

A new or updated approach

If you have not yet implemented a segmentation model or your analysis shows you could improve your approach; or if recent events call for a new strategy, here are some options for updating or building a new model. Whatever method you choose, the goal is to have a model that enables you to send patrons targeted messages that meet your organization's goals.

- **Update your current model** using our Continuous Improvement Building Block.

- **Take note from the experts:** Industry segmentation experts offer tips on which models to use, ranging from psychographic to behavioral to demographic; to combinations of each.
- **Create simple yet effective segmentation models** from scratch using data about audience and donor behavior which is already available in your CRM system.

BUYING-BASED SEGMENTATION MODEL

One easy way to segment members of your audience is by their buying history, which we're illustrating using the Total Audience™ model created by [Indigo Ltd.](#) This model is quick to implement and easy to refine or expand around your own priorities. For example, you could overlay these segments with other audience behaviors or with [Relationship-Based Segments](#), which we'll cover next.

Go to the next page to read more about the Total Audience Model.



INDUSTRY EXPERT

Total Audience Model

Katy Raines, Indigo Ltd.

Indigo Ltd. provides marketing, fundraising and data consultancy to the cultural sector, helping organizations to better understand their audiences and improve their work. Partner and Co-founder Katy Raines is regarded as one of the UK's leading consultants on CRM and segmentation for the arts, and as such has developed and led research and implementation programs for large and middle-scale organizations throughout the UK.

“We think a segmentation model should be simple to implement, easy to understand, and applicable to your entire audience. To ensure it is used consistently for the best possible results, automate the segmentation of individuals in your CRM system and use that to inform what communications, offers, and fundraising appeals an individual receives.”

Katy Raines, Indigo Ltd.

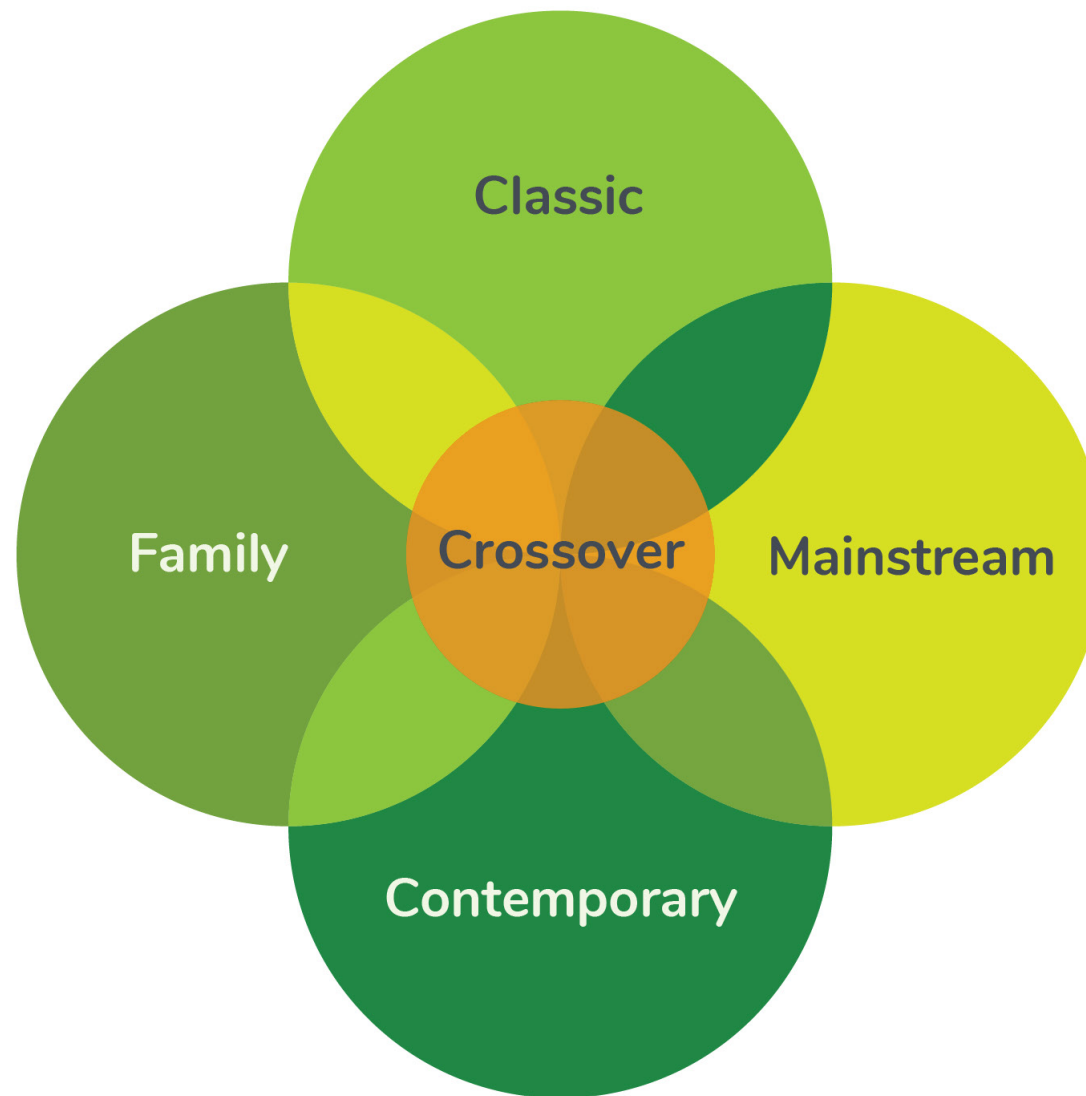
TOTAL AUDIENCE MODEL

The Total Audience Model segments individuals by their buying history based on five main categories:

- 1. Family:** Patrons who attend shows geared towards children and families. Their attendance is occasional and socially motivated: they come for a family treat.
- 2. Classic:** Patrons who choose established art forms like classical music, opera, ballet, fine art and classical drama. They are artistically led but take fewer risks.
- 3. Mainstream:** Audience members who want a good night out. They tend to choose rock and pop performances, comedies or musicals.
- 4. Contemporary:** Patrons who want to experience new works of art and like taking risks. They enjoy dance, devised theatre and new writing.
- 5. Crossovers:** People who attend a range of programming and like 'a little bit of everything.' This segment is small but powerful: usually only 5-10% of bookers, crossovers are likely to be frequent and loyal attenders.



Pictured: Punctuate! Theatre & Alberta Aboriginal Performing Arts production of Bears presented at Factory Theatre February 2018. Photo by Alexis McKeown.



HOW TO BUILD YOUR BUYING-BASED SEGMENTATION MODEL

To build your own Buying-based segmentation model, follow the steps below. To illustrate each step, we're using examples from the Total Audience model.

1. Decide the buying criteria you want to segment on.

Example: Event type

2. Categorize the items you are selling by your buying criteria. Find the categories that make sense for your organization by looking at purchasing history from previous years.

Example: Family, Classic, Mainstream, Contemporary

3. Label each of your events with where they fall into your criteria. Do this with current and previous events in your database for at least the past two years. Categorize new events as part of their setup going forward.

Example: Labelling your annual holiday shows for the past two years with a *Family* tag in your system.

Include canceled events in your labelling, because they still give you valuable data about what patrons are interested in.

4. Agree the criteria for any attendee to be assigned to an audience segment, based on the events they have attended in the past. Ideally, you should be able to segment a patron after just one purchase.

Example: When a patron purchases a ticket for a show tagged as *Contemporary*, they are added to the *Contemporary* audience segment.

5. Use your CRM system to apply labels to audience records based on the criteria they meet. This should mean that anyone who purchased a ticket during your defined timeframe is now assigned to a segment. Consider setting automatic rules to update a person's segment if their buying behavior changes in the future.

Example: Create a *Contemporary Buyer* label that applies to audience members with at least one *Contemporary* event purchase over the past two years, and which is applied automatically going forward.

6. Set a date to review and refine your segmentation. Find guidance in our Continual Improvement Building Block.

RELATIONSHIP-BASED SEGMENTATION MODEL

Another way to segment your audience is based on their total engagement with your organization. Relationship-based segmentation can help you encourage loyalty and bring your audiences back again and again. It also helps you inspire patrons to spend more and engage philanthropically with your organization.

Whatever your business model, encouraging loyalty pays off: The industry knows that it costs up to 25 times more to sell to a new customer than to engage one who has already been through the door (see the [2019 Spektrix Insights Report](#) for more on this).

Our Loyalty Building Block gets into specifics on building loyalty. Here, we'll focus on using loyalty to craft relationship-based segmentation models that help you communicate different messages and offers to patrons based on their relationship with you.

RELATIONSHIP-BASED SEGMENTATION MODELS FOR YOUR ORGANIZATION

Existing approaches

You may already have a Relationship-based segmentation model that works for your organization. We recommend that you regularly evaluate how this existing segmentation model is helping you engage audiences. Use our Continual Improvement Building Block to regularly evaluate and hone your existing model. This is especially important in times of change, when audience and donor behaviors are likely to shift substantially.

HOW TO BUILD YOUR RELATIONSHIP-BASED SEGMENTATION MODEL

To build a simple but effective Relationship-based segmentation model, start by thinking about three variables: relationship depth, longevity and recency. These factors can help you target your communications while remaining simple enough to execute efficiently.

We've provided some segments below as a starting point, but as every organization is different, your own segment categories may differ.

Note: We're only covering mass communications segments in this guide. Spektrix users who want advice on one-to-one communications with major donors can find that [here](#).

1. Decide the *relationship criteria* you want to segment on and create categories for each segment.

Examples:

- **One-time ticket buyer:** People who have only ever visited your venue once
- **Regular ticket buyer:** People who have a

habit of attending, but have not engaged with a loyalty program. We recommend defining this segment as current if they have attended two or more times in an 18-month period.

- **Subscriber or benefit-led member:**

People who have joined a loyalty program primarily for its benefits, e.g. to see a full season at a package rate, or to use behind-the-scenes membership benefits actively.

- **Philanthropic member or donor:**

Patrons who have donated in response to a primarily philanthropic ask; for example, donating the value of their canceled tickets with no promise of benefits in exchange. This may be a new segment for some organizations.

Note: Use the Continual Improvement Building Block to categorize members or donors as *Benefit-led* or *Philanthropic*.

- **Credit-holder (new segment):** Instead of asking for refunds following Covid-19 event cancellations, many patrons chose to convert ticket value into credit held by the organization. This new segment has demonstrated loyalty to your work and is useful to keep track of for the future.

2. Decide on your timelines. For each segment, define how long a patron qualifies as new to the segment, current to the segment and when they lapse out of the segment.

3. Use your CRM system to apply labels to behaviors which assign people to each segment.

Example: Someone who has purchased a subscription within the last 18 months qualifies as a *Subscriber* and is automatically labelled as such.

4. Set a date to review and refine your segmentation. Find guidance in our Continual Improvement Building Block.



Essential segmentation models: additional resources



Use the [Segmentation Model Worksheet](#) to build your own buying-based segmentation in your CRM system.

Spektrix Users: Click this icon to view a pop-up list of Support Center articles to help you implement this advice in your system.