

Topic 2: User experience

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Welcome to the Digital Transformation for Internationalisation course!

This is the second topic of the "**User Experience**" programme, which aims to develop the concepts associated with the first domain of digital transformation: **Customer**. This topic is the basis for the rest of your digital transformation journey. Here you will begin to understand your company from the customer's perspective and make strategic decisions based on these insights.

Content: Customer segmentation

The **objective** of this document is to present the main relevant concepts that will guide you in understanding your customer, and allow you to gain the knowledge and skills necessary to apply them in your company.

Come and join us! Let's keep learning together

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Customer segmentation

Customer segmentation is the process by which you divide your customers up based on common characteristics – such as demographics or behaviors, so you can market to those customers more effectively.

These customer segmentation groups can also be used to begin discussions of building a marketing persona. This is because customer segmentation is typically used to inform a brand's messaging, positioning and to improve how a business sells – so marketing personas need to be closely aligned to those customer segments in order to be effective.

The marketing “persona” is by definition a personification of a customer segment, and it is not uncommon for businesses to create several personas to match their different customer segments. But for that to happen, a business needs a robust set of customer segments off of which to base it.

Why segment customers ?

Customer segmentation is popular because it helps you market and sell more effectively. This is because you can develop a better understanding of your customers' needs and desires.

- Customer segmentation will help you increase customer lifetime value. This means clients will stay longer, and spend more.
- Drive greater loyalty. Instead of customers visiting your company two times a year (with a big basket size), segmentation can give you insights that will help you get customers returning 5x a year with smaller basket sizes. Although each basket is smaller, you've increased customer loyalty because they are interacting with the business more frequently.
- The better the customer is known by the company, the better the company can develop a product or service suitable for the customer. It stops the process of guessing what the customer might want and puts a stamp on the customer's needs and desires.
- Improve customer experience. According to a census, 81% of the customers get disappointed with the brand if the customer experience is unsatisfactory. And out of them, 44% display their dissatisfaction on social media.

Why segment customers?

- Figure out which segment is more profitable and let go of the features which might be less fortunate. It would also be more comfortable to modify the details that have more potential and improve those prospects.
- Reduce the risk of customer disengagement with the brand. With the segmentation's help, it is easier to improve the products and services by making them more personalized and according to customers' desires.
- Price optimization. With the help of demographics, the customers can be segmented into groups for whom special offer packages and deals can be designed.
- Improve the overall marketing strategy as there is a better understanding of what the customer wants.
- Better product development because as the number of customers increases, more information about the likes and dislikes can be obtained to improve the product's features and usability.

Customer segmentation models

Customer segmentation models can be categorized according to demography, according to psychography, according to the goal of the customer and according to purchase pattern.

According to Demography

The target is on the customer's demography. A demographic survey is held and completed with the general information found through google analytics or CRM.

Different questions about marital status, ethnicity, income, etc., depending on the purpose, are asked to the customer.

With this information's help, customers can be categorized into groups like whether they are single or are their parents or would they pay more money for quality and comfort, etc.

According to Psychography

Sometimes customers are segmented according to their attitude and personality.

For this segmentation, a survey is required. The survey comprises questions with options like highly agree and highly disagree.

Customer segmentation models

A few of the generalized questions can be:

- When was the last time the customer bought something?
- How many times did they purchased?
- What was the amount of money that they spent?

With the help of this analysis, the company can figure out the High-Value Customers.

If the company focuses on the appropriate customer for a particular product, then with proper marketing and sales, there can be an increase in the revenue.

According to the goal of the customer

While trying to segregate customers according to their goal information from CRM, analytics tools, survey results have to be mixed. The behavioral information is recorded when the customer makes a purchase or takes action like adding things to the cart.

Similarly, surveys can be conducted on customers to check whether their preferences are the same compared to the last time or have changed.

For example, customers are more inclined towards organic and sustainable packaging. So the company might want to survey whether or not they want to give up on plastic packaging completely.

According to Purchase Pattern

The purchase pattern helps in understanding what the customer would like to buy according to the previous purchases. The customers can be segmented based on who kept buying from the brand and which of them disengaged. And these customers are known as active customers and lapsed customers.

This model helps to understand who are the new customers and who are the previous customers. By creating this demarcation, it is easier to provide help to the new user than those who are well versed with the process.



For further information on the customer segmentation process, refer to the CGAP Customer Segmentation Toolkit [Customer Segmentation Toolkit \(cgap.org\)](https://www.cgap.org/customer-segmentation-toolkit)

What is the customer journey?

Customer journey is the path someone goes through to become your customer. Basically, it's a process that involves all the interactions a customer has had with your company until they reach conversion.

Your company needs to clearly visualize all the stages of the customer journey so that you can improve it. With a visual map, you can understand a consumer's pains, motivations, actions and touchpoints with your business. The customer journey can encompass the entire consumer experience that happens around your website, ecommerce, social media, physical store and other platforms.

Why map the customer journey?

They help you design more usable products and services

Often things are not designed to meet user needs. A website or service may be designed based on constraints of the software or hardware or typically the priorities of the business that is operating the service. In this situation, the way the system works often doesn't match the customer needs and thus fails to deliver the optimum user experience.

They help you understand how other people see the world

One of the most fascinating aspects of user experience design is getting insight into how people behave and understand the world around them. Every project will uncover some unique behavior that you could never have anticipated and these presents a continual source of challenges for the company to cater to. User behavior and understanding of how to do something is a difficult thing to articulate and communicate to project teams. Customer experience maps provide a great way of sharing this knowledge in an easily accessible format.

They help you compare different channels

Users often use a variety of channels to fulfill their needs, such as a website, a call center, and a mobile application. You can use a customer experience map to understand how each of these channels is performing against specific user needs.

They help you spot content and functionality gaps

During the mapping process, it can quickly become apparent where there is a user need that a product or service is failing to fulfill. These gaps are then prioritized and are used as a roadmap by development teams to improve the product or service.