QIVOS

WE CREATE CUSTOMER **LOYALTY**

MTV analysis
for customer segmentation
and loyalty marketing

For Public Use

Overview

"Multivariate" means many variables and - in the context of marketing – it is all about analyzing multiple variables from the customer database to get a deeper understanding of spending behavior.

This increased understanding of customer behavior permits customized offers, relevant creative messaging, and more accurate media targeting, particularly with email and behavioral targeting techniques. Powerful offer targeting will significantly increase your response and sales conversion rates.

Why sacrifice profit margin

on "Brand Lovers"?

If I just knew who they are, I could offer

them an exclusive experience

instead of a discount!

On the other hand,

I can always offer a discount

to the "Price Sensitive" customers,

making them get what

they are really looking for.

If I just knew who they are.

This is what MTV is all about!

MTV analysis

The most common form of multivariate analysis in marketing is cluster analysis. Cluster analysis uses specific techniques to allocate customers into segments based on how similar, or dissimilar, they are to each other.

By collecting and analyzing customer interactions, retailers can start to group their customers into different segments using insights, for instance annual spending, average basket, average frequency.

Why MTV analysis is an important and necessary tool:

• It is used to study more complex sets of data, i.e., customer database.

• Marketers can gain an ability to glean a more realistic picture than looking at a single variable.

• For brands and retailers who want to remain relevant and has been shown to grow sales and increase profitability and customer lifetime.

Overall, multivariate analysis, due to the underlying data sets' size and complexity, requires much automation effort. With the continued and rapid growth of machine learning power, multivariate methodology plays an increasingly important role in data analysis. Multivariate techniques, once solely in the realm of theory, are finding value in the application.

How MTV methods are used and customer segmentation

One of the critical advantages of multivariate analysis is that it allows patterns and trends within the data to emerge which might not have been clear when only analyzed at a single level. Many market research areas would benefit from multivariate analysis such as marketing campaigns, new product development, better product placement, new product launch etc.

Customer segmentation is an essential part of building that understanding. Through segmentation, retailers gather insights to pinpoint their marketing strategies and deepen customer loyalty.

More specifically, MTV (multivariate) Analysis is a customer segmentation technique that uses past purchase behavior to divide customers into groups with similar characteristics combining both quantitative (basket, transactions, revenue etc.) and qualitative variables (favorite product group, seasonality, promo sensitive etc.).

It is essential to divide customer database into groups, with homogenous behavioral characteristics:

a. Highest to Lowest Spenders:

Characterizing the segments based on average annual spending (i.e., the combination of the average basket and average frequency), as the highest to lowest spenders:

• Highest Spenders, whoever has the highest average annual spending in relation to the other segments.

• High Spender, whoever has by far a higher average annual spending relative to the average of the total and at the same time lower than highest spenders.

• Medium Spenders, whoever has average annual spending close to the average of the total.

• Low Spenders, whoever has by far a lower average annual spending relative to the average.

• Lowest Spenders, whoever has the lowest average annual spending in relation to the other segments.

b. Devoted to Newest members:

Segments based on average Customer lifetime (CL) are characterized as Devoted to Newest, based on the duration in months or years from their

registration date until the last date of the analysis. Consequently, the segments may be characterized as follows:

• Devoted, whoever has a high average Customer lifetime, and remains active throughout the scheme.

• New and Newest, whoever has an average Customer lifetime less than or equal to six months.

c. High promo sensitivity:

High to Low Promo sensitivity (or Very Strong to Weak) are the segments based on revenue after specific days, such as 6, from the promos sent through the system, in relation to their total revenue (% revenue after promos). It is preferred to exclude automated SMS such as, for example, birthdays, redemption alerts, etc.

Consequently, the segments are characterized as follows:

• High (or Strong), the segment with a more significant difference % revenue after promo than the total average % revenue after promo.

• Medium, any segment with % revenue after promo close to the total average % revenue after promo.

• Low (or Weak), who has by far lower % revenue after promo than total average % revenue after promo.

d. Prefer product categories or brands:

Preferred "specific store" are the segments based on their spending in the specific stores during the entire period of analysis in relation to the total spending of each segment.

e. Prefer seasons:

Preferred "specific periods" are the segments based on their spending during specific periods in relation to each segment's total spending. The periods are divided into main seasons and secondary seasons. The main seasons are defined as the 4 seasons of the year: Winter, Autumn, Spring, Summer, and then as secondary seasons are characterized by extensive periods of discounts or essential promos.

Benefits of MTV and Personalized communication

Personalized marketing involves the identification of the different market segments. Therefore, businesses may decide to focus on just one or a few of these segments. A target marketing strategy differs from mass marketing tactics. Marketers have been moving away from mass marketing endeavors. They are increasingly targeting smaller segments with similar behavioral characteristics, based on MTV analysis, and/or other methods, such as RFM.

By dividing the market into segments, marketing managers can acquire a better understanding of customers' needs and wants. That enables them to customize or to 'tailor' the company's marketing activities more accurately and responsibly to the individual customers' likings. Segmentation marketing supports businesses in meeting and exceeding their customers' requirements.

Customer segmentation enables marketers to adopt a more systematic approach when planning. That leads to better exploitation of marketing resources, resulting in developing a more finely tuned marketing program. For example, marketers can design and execute personalized communication with targeted activities, based on the customer segmentation, such as if they are promo sensitives or have a preferred season.

The Leading Customer Segmentation and CRM Automation Solution

It is preferred for marketers to utilize technology. The customer segmentation software helps marketers implement a systematic approach to planning, executing, measuring, and optimizing a complete, highly personalized customer marketing plan.

The QIVOS CLOUD is a (SaaS) Customer Data and Loyalty Platform that enables marketers to identify shoppers in the real world, analyze their behavior and connect with them in real-time like the way they do in the digital world.

Qivos customer insights solution enables you to gain valuable customer and business insights. We monitor the program's progress and functionality and provide you with monthly reports of the programs' performance, your

customers' analytics, along with recommendations for next steps and actions.

Qivos' team, with MTV technique, analyzes your customer's consuming behavior that derives from multiple indicators: intervals, seasonal preferences, preferences on specific products and specific events within the year.

About the author

QIVOS is a marketing technology agency, with 17 successful years and international presence in 8 countries. It has received numerous awards as the Loyalty Agency of the Year and is internationally referenced as one of the leading companies in its field (Forrester Loyalty Marketing Report, Transparency Market Research). It has developed the Qivos Cloud, a (SaaS) Customer Data & Loyalty platform that enables marketers to identify shoppers in the real world, analyze their behavior and connect with them in real-time like they do in the digital world.

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