



Consumer Segmentation

Digital Marketing Best Practices

Goal: Build engagement, improve customer satisfaction and increase program conversions for residential and business customers.

Strategy: Deliver highly relevant content and marketing messages to targeted segments based on residential and business customers' behavior, demographics, interests and preferences.

Personalization isn't just a preference for consumers—it is an expectation. Business and residential customers want to see messages that are relevant to their needs and interests, and they don't want to be bothered with messages they don't care about. By identifying these segments, and delivering the right messages to the right audiences, energy utilities can improve customer satisfaction and increase program conversions.

How to Create Audience Segments

An audience segment is any group of customers sharing identifiable characteristics that are unique and different from other customers.

- **Segment only when relevant.** A group of customers who own red cars is not very useful to energy utilities; a group of customers who own electric cars is useful. Customer segments should align with messaging strategies or conversion goals.
- **Segment only when necessary.** It's more efficient to communicate with a few large segments rather than many small ones. Don't create a new segment if you don't require a unique messaging strategy for that segment.

Segmentation Factors

Customers are typically segmented according to four types of characteristics. Below are examples that apply to energy utilities.

- **Demographics:** age, gender, income, home ownership. Demographic information may be obtained from energy utility customer records or third-party databases. Can be very effective when targeting program messaging.
- **Geography:** service territory, zip code, neighborhood. Extremely important for outage communications.
- **Psychographics:** interests and beliefs. Typically volunteered by customers via surveys or inferred from other factors, especially via machine learning. Relevant psychographics include Environmentally Conscious, Community-Oriented or High-Tech Motivated.
- **Behavior:** actions taken by customers. This includes program participation, purchases (electric vehicles, Energy Star appliances), or reading behavior on a website or email.





Segmentation Examples

How can energy utilities benefit from segmentation? The following examples show how messaging strategies can address specific audiences to increase engagement and conversions.

- **Income-based messaging:** Low income program messages can be targeted to households that meet eligibility requirements or triggered by behavioral factors such as high bills or late/missed payments.
- **Marketplace promotions:** Specific products can be promoted to segments based on content engagement (reading articles about smart thermostats or Energy Star appliances), interests and demographic information.
- **Homeowners vs. renters:** Energy-efficiency messaging, marketplace or other program promotions can be targeted based on a customer's ability to undertake major home improvements.
- **Environmental vs. money-saving motivations:** Segments with different interests and concerns respond to energy-efficiency messages differently, even when the end result (reduced energy use) is the same.

SECC's Solar/EV Segmentation

This segmentation example, based on psychographic and demographic factors, was created by Smart Energy Consumers Collaborative to reflect consumer awareness of new technologies. It shows how unique messages would speak to each segment's particular interests.

SEGMENTS	PERSPECTIVES	KEY DEMOGRAPHICS	AWARENESS AND INTEREST IN SOLAR/EV
Green Champions	<i>"Smart energy technologies fit our environmentally aware, high-tech lifestyle."</i>	Youngest, more likely to be college-educated	Relatively highest levels of awareness and interest in all types of solar and EV, nearly four times the interest level of Status Quo
Savings Seekers	<i>"How can smart energy programs help us save money?"</i>	Younger, more likely to be college-educated	Lower levels of awareness and interest in all types of solar and EV
Status Quo	<i>"We're okay; you can leave us alone."</i>	More likely middle age, lower income renters, living in non-single family dwellings, less likely to be educated	Relatively lowest level of awareness and interest in all types of solar and EV
Technology Cautious	<i>"We want to use energy wisely, but we don't see how technologies can help."</i>	More likely homeowners who are older in age, less likely to be college-educated	Marginally higher than Savings Seekers on awareness and moderate interest in solar and EV
Movers & Shakers	<i>"Impress us with smart energy technology and maybe we will start to like the utility more."</i>	More likely middle age, higher income, single-family homeowners, college-educated	High levels of awareness comparable to Green Champions on average, but moderate interest levels in solar and EV





Using AI to Create Segments

Machine learning (also known as artificial intelligence) is the most effective way to build audience segments. Machine learning algorithms are capable of finding connections and identifying common characteristics in massive data sets that humans would simply never see.

Questline's machine learning process follows these steps:

1. **Collect and normalize customer data.** This typically includes energy utility records from multiple databases. In addition to billing and service history information, it should include customers' program participation and marketplace purchases.
2. **Add Questline engagement data.** A customer's newsletter, email and webpage engagement activity can be a strong indicator of which topics they are interested in and which type of messages they respond to.
3. **Add third-party data.** Providers such as Experian can match demographic data (such as household income) to customer records.
4. **Machine learning.** Computer algorithms identify connections and common characteristics within the data set and generate recommended segments.
5. **Testing and refinement.** After the recommended segments are used in a marketing campaign, the results (conversion rates) are added back into the data set to validate the machine learning, refine and improve future segments.

Business Segmentation by Industry

Business owners and managers are starved for time and attention. More than any other utility customers, the business audience looks for relevant messaging—and does not want to waste time with messaging that is not relevant.

Questline launched a pilot program to test the performance of a small business newsletter segmented by industry. The segmented newsletters featured a hero article specific to each industry as well as a unique subject line that addressed that industry. Compared to the control (unsegmented) newsletter, the industry-segmented newsletter overall achieved a 12% increase in engagement (CTOR) during the six-month pilot.

- Manufacturing segment: **8.2%** increase in CTOR
- Restaurants segment: **10.7%** increase in CTOR
- Builders & Developers segment: **15.6%** increase in CTOR
- Education segment: **20.3%** increase in CTOR

*Recommendations based on Questline research and performance metrics.
For more, see the annual [Energy Utility Email Benchmarks Report](#).*

