IMPORTANCE OF CUSTOMER PROFILING, SEGMENTATION & TARGETING

Why is Customer Profiling, Segmentation, and Targeting (PST) important?

Profiling, segmentation, and targeting is the key to a successful commercial model as it assists the business teams (sales, marketing, digital engagement, and sales force excellence) to make better decisions by understanding their customers better, translating brand strategy into effective sales and marketing initiatives and allocate resources optimally to channelize the management's effort in the right direction.

The output of profiling, segmentation, and targeting implementation is better allocation of resources and higher productivity for the business. For example, by resulting in optimized usage of sales and marketing investment, it helps marketing streamline their messaging and promotional mix.

Robust customer targeting brings results. It enables better resources allocation decisions and impacts the top and bottom lines; revenue improves and cumulates over time by focusing the effort on high potential customers.

Incremental revenue to baseline
USD million – 9% additional top line over a 3-year period – illustrative
USD 100 million affiliate runs a profiling, segmentation and targeting initiative; adds
USD 9 million of "extra" revenue in 3 years

100.0

3.5% revenue increase due to better resource allocation (based on our experience and literature)

3.5

85% carryover rate (mature brand)

3.0

85% carryover rate (mature brand)

2.5

Baseline   Year 1   Year 2   Year 3

How do we define PST?

Customer profiling, segmentation, and targeting is a three-step strategic process that starts with gathering information about the customers (profiling) through different sources, grouping the customers with similar attributes (segmentation), and efficient allocation of multichannel resources (targeting).

We define profiling, segmentation, and targeting as follows:

Profiling

- Customer profiling is gathering business-relevant and aligned with brands strategy information about the customers which would enable further segmentation and targeting.
- Customers can be profiled on a variety of criteria; however, the information requirements should be defined based on brand/company strategy.

Some commonly used customer profiling attributes are:

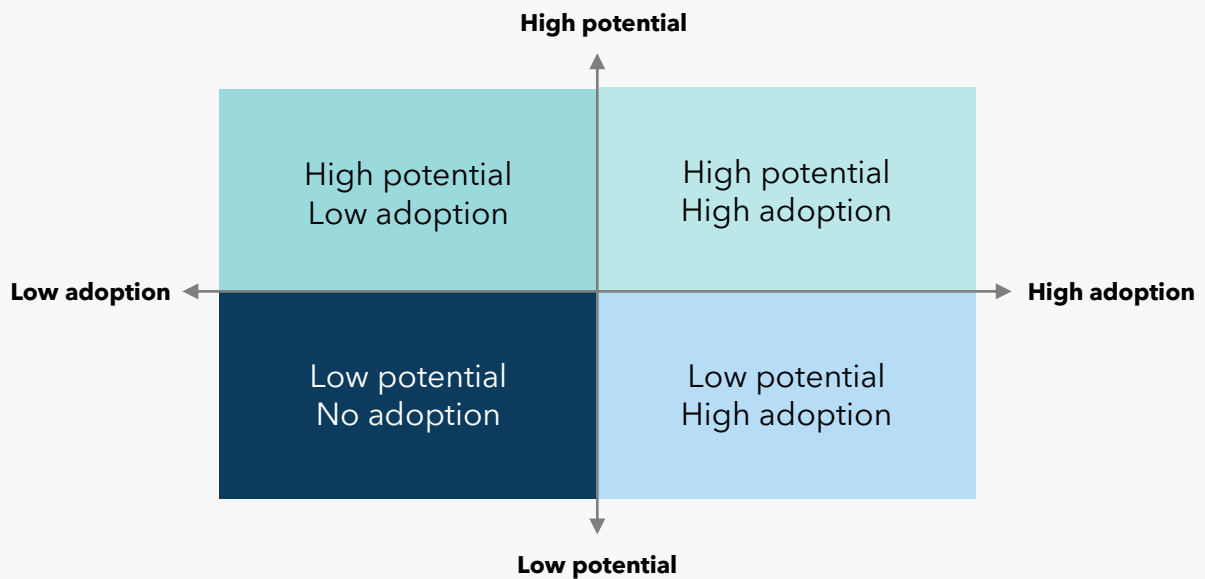|		
Customer potential	Total value of the opportunity or the addressable market	e.g., Relevant patients' volume
Brand loyalty	Prescription or value share of my brand	e.g., Trialists vs. Advocate
Behavior / Attitude	The doctor's affinity to a certain action or behavior	e.g., Early adopters, original brand vs generics driven physicians
Influence	Ability to impact prescription behavior of other doctors	e.g., University hospital KOL vs family doctor
Channel preference	The interest of the doctor in F2F channel and other alternative channels	e.g., Young digitally savvy vs older, non-internet user doctor
Access	Accessibility due to regulatory reasons or willingness to meet an sales rep	e.g, Hospital has restricted the access to doctors for 3 days during the week

Segmentation

- Customer segmentation is the grouping of customers with similar attributes relevant to a strategic objective.
- Customers can be grouped based on their economic potential to define their value for the brands - Value segments to define investment levels, or they can be grouped based on their behavior to certain business aspects – Behavior segments to define Activation strategy.

Value-based segments

Economic potential and brand adoption levels

Value-based segments define:
How much to invest?

High potential
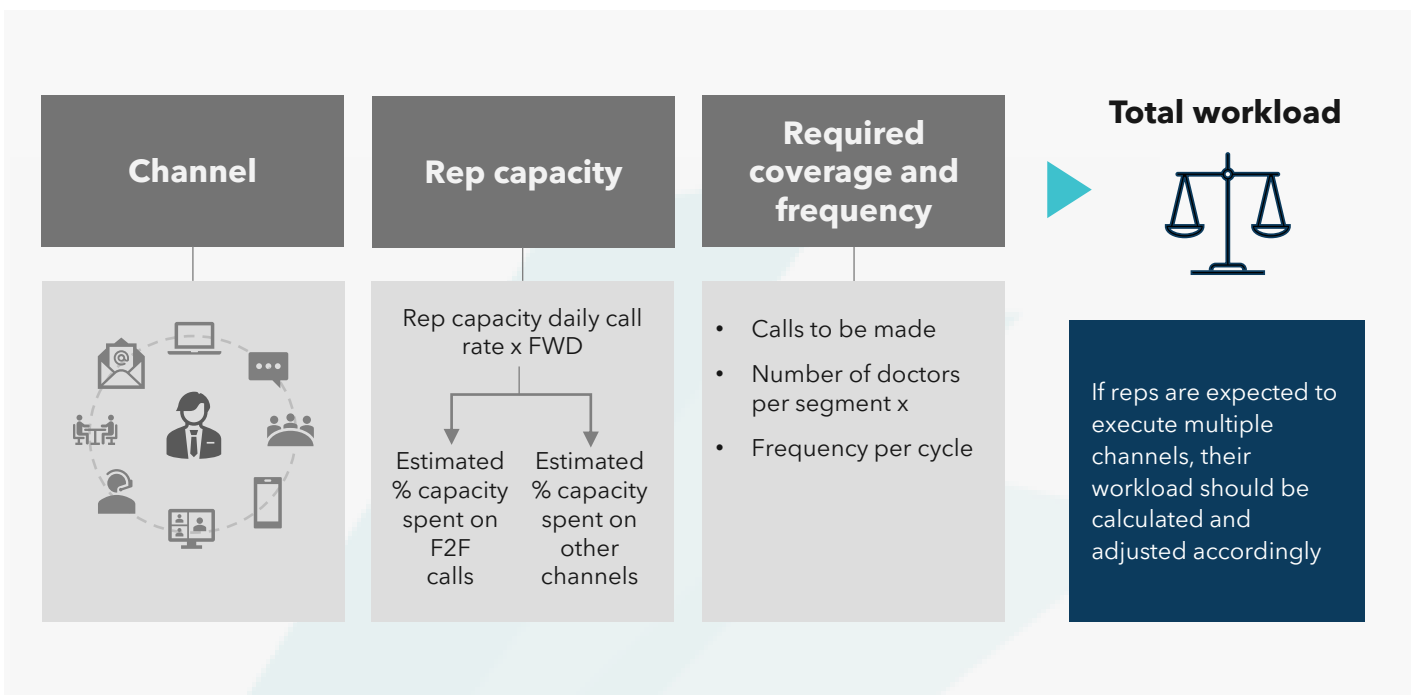
High potential Low adoption	High potential High adoption
Low potential No adoption	Low potential High adoption

Low adoption ← → **High adoption**

Low potential

Behavior segments

Defined by the key target behavior that needs to be modified to increase brand adoption

Behavior segments define:
How to activate?

Prescription choices

Recommends actively but competitor brand	Recommends only when patients ask	Does not believe in nutrition supplements	No malnutrition testing

Channel preferences

Collaborators	Dialogue affable	Information gatherers	Rep friends

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Targeting

- Customer targeting assumes allocation of resources to the relevant segments. Here we state how much of each of the resources (promotional mix) should be assigned to this segment.
- With the growing customer acceptance, the channels to communicate have increased significantly and therefore all available channels should be considered during resource allocation.
- Matching the engagement tactics with customer needs is the key to successful engagement.

Customer's needs

Brand objectives

Customer's channel preferences

Rep capacity

Engagement Tactics

Customer's segment

Access restrictions

Customer's persona

Rep targets

There are several key factors one must consider when developing engagement tactics

Each factor influences differently from the communication channel being used, the frequency, and the content delivered by it

Channel	**Rep capacity**	**Required coverage and frequency**	**Total workload**

Rep capacity daily call rate x FWD

Estimated % capacity spent on F2F calls

Estimated % capacity spent on other channels

- Calls to be made
- Number of doctors per segment x
- Frequency per cycle

If reps are expected to execute multiple channels, their workload should be calculated and adjusted accordingly

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Key Takeaways on Customer PST

When it should come to a good customer profiling, segmentation and targeting (PST) process and valid results we can summarize these 5 key takeaways:

1. An ideal Customer PST initiative should provide insights across the sales and marketing spectrum, informing who to target, what to communicate, and how to engage

2. Alignment to brand strategy is the key for the success of a PST initiative

3. PST should be a cross functional effort; engage and align all stakeholders from the onset and throughout

4. In order to create an impactful engagement plan with a good channel mix, be sure to consider all relevant factors such internal capabilities, cust-omer preferences, sequencing and workload etc.

5. It is important to monitor the execution of customer PST by the sales force to avoid deviations from the promotional plan; rules of change management should be clearly defined.

Summary

These processes when applied correctly will maximize ROI. Having a tool that will be able to automate these processes and provide a step-by-step guidance will not only be able to save time but increase productivity in the organization. Xpower customer targeting is a secure cloud solution designed specifically to address the business challenges of pharmaceutical and life science companies. It is a global solution that fulfils regional requirements.

Lookout for our next white paper in the series where we deep dive on the customer PST in the era of multichannel engagement.

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Xcellen was founded in 2015 with a vision to transform expensive consulting engagements into products, making best practices affordable to many life sciences companies. We are committed to innovation that adds value to our clients: our solutions address true client needs and are built upon our extensive knowledge in the field.

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