From Big Data to Big Profits:
5 fresh AI strategies to drive growth

twilio
segment

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Introduction

Remember when Steven Spielberg's 'Artificial Intelligence' hit the screens in 2001? It seemed like a futuristic fantasy back then. But here we are in 2023, navigating a reality where AI and machine learning are not just the imagination of Hollywood, but a veritable business priority.

The race to embrace AI is on, with companies eagerly hopping onto the bandwagon. Yet, there's a catch – many are still figuring out how the pieces of this puzzle fit together.

For AI to produce meaningful results, it needs to be fueled by accurate and up-to-date data. But that's not always a simple task, especially as data volumes continue to grow at exponential rate.

In this guide, we'll show you how to make sense of your data, what to do with it, and practical ways to leverage it with AI.

Foundation of an effective data strategy

Before you pursue AI as an impactful business growth tool, you need to set it up for success. That requires feeding it accurate, straightforward data. Building the optimal data infrastructure is the first step. Otherwise, if you input bad data, your AI system will only spit out useless results – the old "garbage in, garbage out" adage.

To that end, Twilio Segment designed CustomerAI with a strong and coherent data foundation. CustomerAI combines and applies the different components of the Segment Customer Data Platform (CDP) to create an engagement flywheel. The flywheel starts with perceiving, then understanding, and finally activating data.

The primary functions of Segment's CDP are:

- **Collect first-party data** on customer behavior from all your different touchpoints, including website, mobile app, point of sale, and in-store
- **Clean and validate data** to simplify all the information and better understand your customers
- **Unify different data points** to integrate into individual customer profiles using identity resolution
- **Activate all the data** you've collected to send to over 450 out-of-the-box customer engagement integrations

This system generates data that's polished and ready for AI to receive. As you begin engaging with customers based on the data you collect, those interactions produce more data. This cycle cultivates more detailed and precise customer profiles that enable greater personalization.

The journey to data maturity

Once you have a solid data infrastructure, you can move on to extracting insights and taking actions based on them. But it won't happen overnight or all at once. Reaching data maturity is a continuous process that requires a lot of testing, analysis, tweaking, and refining along the way.

To move up the ladder of data maturity, target incremental outcomes at each level. After each milestone, your data quality, access, and implementation will improve.

The Jouney

To Customer Engagment Maturity

The beginning stage, *foundational data maturity*, involves collecting reliable data, unifying the data into customer profiles, and doing some basic activations. Those early activations include:

- **Single-channel targeting:** reaching customers on one channel, like email, SMS, or paid advertising

- **Single-action audiences:** targeting customers who took one individual action, like completing a form

- **Identifying initial preferences:** updating customer profiles with preferences based on available data, like customers' favorite product colors

LEVEL 03
Adaptive
Lead your category with data-driven UX

- Omnichannel targeting
- Interdependent campaigns
- Predicted preferences

LEVEL 02
Advancing
Data drives your KPIs and growth strategy

- Cross-channel targeting
- Multi-step campaigns
- Inferred preferences

LEVEL 01
Foundational
Collect data reliably around unified profiles and act on it to realize business value

- Single-channel targeting
- Single-action audiences
- Explicit preferences

The next level of *advanced data maturity* is when you start to see growth driven by data-based activations. Your activations broaden in scope to include:

- **Cross-channel targeting:** reaching customers on all of your main channels, including email, SMS, and paid advertising

- **Multi-step campaigns:** engaging different customer groups based on purchase intent with different call-to-actions instead of the same blanket messaging

- **Inferring customer preferences:** identifying customers' preferred engagement channels based on which ones they visit most frequently with Computed Traits and targeting them accordingly

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The top of the ladder is the *adaptive phase of data maturity*. At the most advanced level, you're a leader in your category of data-based customer experience optimization. You have a robust data infrastructure consolidated into customer profiles that provide elaborate insights. This level of activation evolves to include:

- **Omnichannel marketing:** creating a connected, consistent, personalized experience for customers on all of your marketing channels

- **Interdependent campaigns:** continuing the customer journey across connected campaigns

- **Predictive preferences:** anticipating customers' likelihood to purchase or churn based on historical data

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Don't skip levels

Each level follows the same three steps to varying extents: data collection, data organization through profile unification, and activating those profiles to engage with customers.

Embracing and trusting this iterative process will lead you to adaptive data maturity. You can't jump from the lowest level to the highest. You have to build, test, and tweak at each level so it's strong enough to support the next layer.

You can also use this framework as a resource to communicate the status of your AI strategy to stakeholders. Sharing how the process works will demonstrate the specific steps needed to start seeing results. This will help the wider team get on the same page with the intentional approach and timeline.
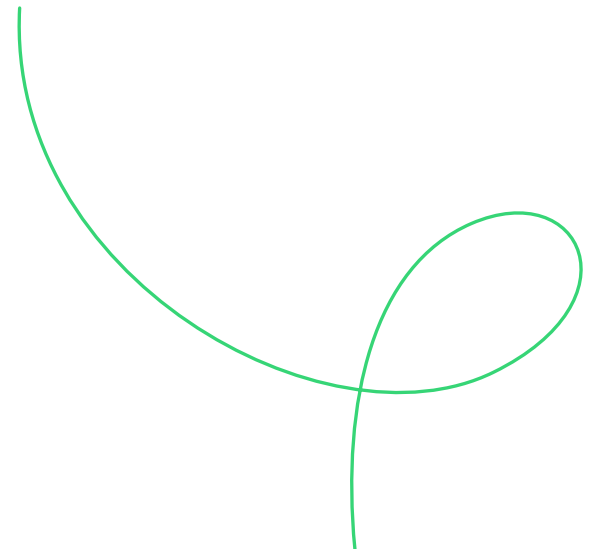
5 data-driven AI strategies

The following strategies are dependent on having a robust data infrastructure in place. If you don't have clean data that's accurately aligned with customer profiles, you can miss opportunities or risk sending the wrong message to customers.

Put these strategies into action to learn more about your customers and how to make meaningful connections with them:

Use RFM Modeling to understand customers

The RFM model is a way to identify and organize your customers into different categories based on essential behavioral shopping traits. This is a longtime, tried and true business practice that is bolstered by machine learning.

The way you apply it to your database will determine just how effective it can be.
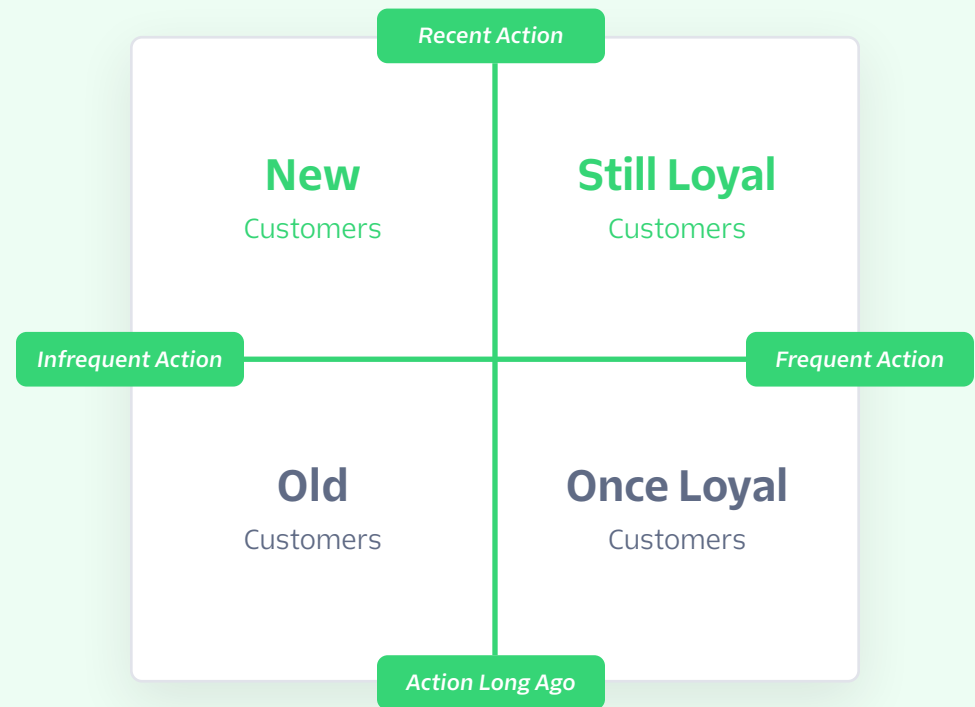
The components of RFM modeling include:

- **Recency:** The last time a customer bought something
- **Frequency:** How often a customer makes a purchase
- **Monetary:** How much money a customer spends on a purchase

Using the RFM model enables you to identify these characteristics of your customers by assigning scores to them. That will show you which consumer group they belong to, which will determine how you engage with each one.

A typical way to arrange these groups of customers is to divide them into five percentage ranges for each factor, starting with the top 20%. For example, you could identify the top 20% of customers who most recently purchased and put the remaining in descending order of recency in 20% buckets. Then, you could do the same for the level of frequency and monetary value for each customer.

If you multiply all those scores together, you'll end up with 125 different segments. That's a lot for marketers who are developing content and messaging to reach each customer segment. The solution to this puzzle is to practice clustered RFM. Clustering different customer groups together based on a sliding scale of RFM scores gives you a much easier format to work with.

Then, you can target each customer group according to which bucket they belong to. So, you'll want to retain new customers and re-engage older customers with tailored outreach and engagement tactics for each.

Recent Action

New
Customers

Still Loyal
Customers

Infrequent Action

Frequent Action

Old
Customers

Once Loyal
Customers

Action Long Ago

Example of how to organize a clustered RFM structure

Anticipate customers' readiness to buy with Predictive Traits

While RFM modeling evaluates previous customer behavior, predictive analysis looks at future activity and identifies engagement opportunities. This helps you foresee the likelihood of repeat customers.

To accomplish this feat, you need the right tools, and that's where Segment's Predictive Traits feature comes in. This AI-driven capability makes it easy for anyone on the team, regardless of technical expertise, to discover the probability that a certain action will be taken by a customer.

For example, you can see how likely your customers are to make a purchase in the next 30 days. Along with likelihood to purchase, this tool can look at predicted LTV (Lifetime Value), likelihood to churn, and predictive goals.

Predictive Traits will then assign a score based on the likelihood of action for each customer. Then, you can sort those customers by score and target different sets with custom messaging. Since marketers can manage this tool themselves, it frees up the data science team to work on more high-level, complex projects.

Drive retention and repeat customers with dynamic coupons

Once you know which customers are ready to buy again based on your predictive analysis, you can work on convincing them to take that next step. This is where AI can step in to generate special offers for customers at just the right time.

Talon.One is an integration that presents coupons, promotions, and discounts to customers based on your designated predictive audiences. For example, this tool can send a promo code when it identifies a new customer or a different offer to re-engage a previous customer.

Sending targeted offers to customers is a powerful retention tactic, and retaining customers is crucial for business growth. It can cost up to five times more to acquire a new customer than to retain an existing one.

RV products and services company Camping World used this approach to re-engage users who had abandoned their online shopping carts. Camping World uses Segment Connections to collect and track customer data across different touchpoints. They activate that data through different campaigns using Twilio Engage.

Using these tools together, Camping World was able to identify a cart abandonment customer segment and target them with personalized offers.

Segment recipe

Conditions

When **all** of these are true:

Customer Segment (Customer Profile) is equal to "NewUser"

Cart Items Total (Current Session) is greater than **10**

Coupon Code (Coupon) is equal to "CASHBACK"

+ Add Condition

Effects

Apply these effects:

Create coupon for the **Current Customer** in the **current campaign**, has **additional properties**, has **attributes**

Display **an Info** notification to your user, with the title: **Your cashback coupon!**

✓ **Acquiring a new customer can cost FIVE times more than retaining an existing customer, so it's important that you give users a good reason to keep coming back.**

✓ **By integrating Talon.One with Segment, you can use predictive traits to create dynamic coupons for users who are** ready to buy**.**

✓ **Talon.One can use any 'if this, then that' logic to build promotions. Check if the customer is** ready to buy **(defined by the audience we created in Segment) and therefore eligible for the promotion.**

They sent a message to these users which included a discount code for the specific products that were viewed. This contributed to a 12% increase in conversion rates generated by the campaign.

Personalize user experience with Recombee's AI-powered algorithms

One of AI's most powerful attributes involves real-time capabilities. For instance, Recombee is an AI integration that serves recommendations based on real-time customer activity.

Recombee can access customer profiles to understand how far along customers are in their journey at any given interaction point. Based on this info, you can display personalized recommendations on the current web page where the customer is or the following one they visit.

An example of personalized recommendations would be products that align with similar categories, styles, fabrics, or sizes of a customer's previous purchases. With this type of machine learning, you can present tailored recommendations instead of generic CTAs to check out best-selling products.

Segment's CDP can also be the data source for companies' proprietary recommendation engines like it is for outdoor clothing eCommerce brand Norrøna. By combining its recommendation algorithm with Segment's CDP, Norrøna guided their shoppers across their extensive product catalog, including many different collections. This strategy increased product discovery significantly and, ultimately, conversions by 50%.

Delight customers with AI-powered chatbots

Another valuable retention strategy features AI-powered chatbots that can resolve issues and perform fundamental tasks self-sufficiently. Customer data plays another important role in this strategy. The customer profile data equips CustomerAI with all the info it needs to predict and respond to customer inquiries.

AI chatbots can surface order numbers and individual items aligned with previous purchases to streamline customer communication. They can also connect to transaction APIs to perform functions like generating shipping labels, sending confirmation emails, and refunding orders.

Just as Predictive Traits can alleviate the workload for data scientists, AI chatbots give the customer service department more capacity to address complicated matters. And you can add the data collected through chatbot conversations to build deeper customer profiles.

Automating customer support interactions with chatbots contributed to significant upgrades to TravelPerk's contact center.

TravelPerk implemented AI chatbots to simplify workflows and address customer inquiries with the context needed to resolve them efficiently. The results included faster response times, quicker resolutions, and an increase in Net Promoter Score to 95%.

AI chatbots that operate based on customer data provide a much higher quality customer experience than ones with basic, uniform functionality. They have the ability to manage an entire customer interaction without intervention from a real customer support agent.

Leverage Twilio Segment to unleash the power of AI
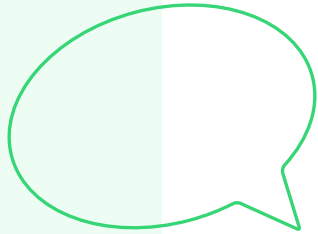
Twilio Segment represents much more than just an AI tool. It encompasses a holistic ecosystem strategically crafted to tap into the potential of data.

Accessing and translating data is what powers personalization. And personalized targeting and marketing lower customer acquisition costs, boost lifetime value, and drive engagement.

AI accelerates data collection and activation so you can build your infrastructure and leverage it faster. With these AI strategies, you can create meaningful customer interactions at the appropriate times, achieving industry-leading status.
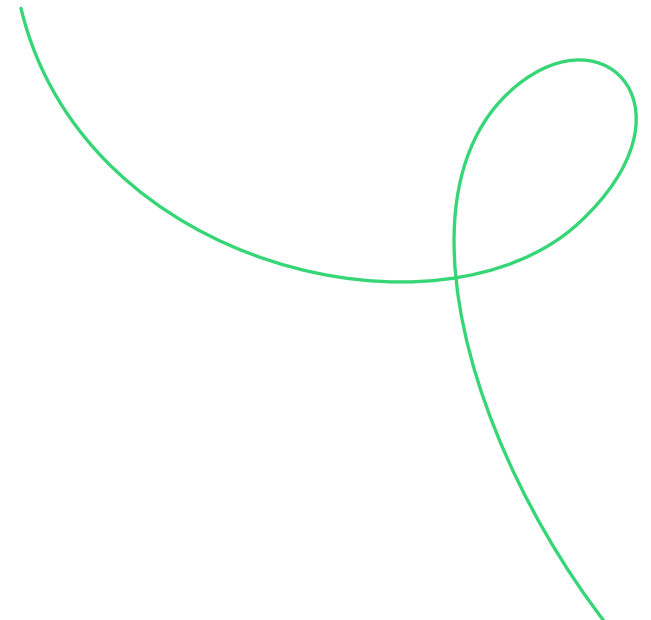
About Twilio Segment

Twilio Segment is the leading CDP with more than 450 pre-built integrations to different data sources and destinations. It provides a complete solution that eliminates the need for manual data cleansing, complex data engineering processes, and analytics reporting functions.

By automating all of the backend customer data operations, Twilio Segment puts companies in a position to get the most out of their first-party data and retain customers at a higher rate. As consumer sentiment, industry trends, and regulatory enforcement push companies away from depending on third- party data, the need for an alternative source of customer data cannot be understated. First-party data is the solution, bringing a competitive advantage as it fills the gaps where third-party data falls short: accuracy, relevance, and building customer trust.

Schedule a demo to learn how to get the most out of your customer data with Twilio Segment.

Recommended reading

7 Ways to Use AI to Superpower Your Marketing Strategy

From automating manual tasks to optimizing ad campaigns, learn how marketers can use AI to work smarter, not harder.

Download the guide >

Personalization in the Age of AI: How 4 Brands are Shaping the Future

Learn how top businesses are improving customer engagement by creating more targeted marketing campaigns.

Download the guide >

10 Essential Steps to Build an AI-Ready Organization

Explore the foundations of a successful AI strategy and learn how to unlock the true potential of AI for your business.

Download the guide >

Thanks for reading

If you would like to learn more about what Twilio can do for your business, please contact the Segment sales team.