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# audience segmentation in retail media:

a strategic blueprint for value-driven growth



This resource has been developed by the [IAB Australia Retail Council](#)

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# introduction

## a maturing channel

Retail media has evolved from a tactical sales driver into a strategic, full-funnel channel. Increasingly integrated into the broader media mix, it offers advertisers, agencies, and retailers the ability to connect with consumers at the point of purchase and throughout the purchase journey. Audience segmentation lies at the heart of this capability, transforming how first-party data is activated and how value is realised.

This paper sets out a strategic framework for modern segmentation, evaluates the limitations of older approaches, and offers explicit best practice recommendations for advertisers, agencies, and retailers. It draws on IAB-aligned principles: transparency, measurement rigour, privacy-first design, and collaborative frameworks.

**Data readiness** is therefore a critical enabler. Retailers must invest in unified customer views, robust taxonomies, and operational infrastructure to progress along this maturity curve. Without these, advanced segmentation types remain aspirational rather than actionable.

**Real time triggers or signals** can enable a highly personalised response methodology inside buying windows. Advanced data pipelines, supporting event-based workflows, allow integration from live customer interactions to message emitters.

## the segmentation maturity journey

Not all retail networks are able to offer sophisticated segmentation from the outset. Segmentation maturity typically develops through three stages:

### 1. Foundational (Data Readiness)

- > Reliance on demographic and basic transactional data.
- > Limited targeting options, focused mainly on broad awareness.
- > Key challenge: siloed systems and inconsistent identifiers.

### 2. Developing (Operational Segmentation)

- Introduction of RFM analysis, basic lifecycle models, and mission-based targeting.
- > Improved data unification across online and offline sources.
- > Segments increasingly actionable across multiple formats.

### 3. Advanced (Predictive & Contextual Intelligence)

- > Propensity modelling, predictive CLV, real-time eligibility, and mission/context overlays.
- > Segments activated seamlessly across on-site, in-store, and off-site channels.
- > Clean rooms and incrementality testing become standard.

## segmentation toolkit

The following segmentation types can be combined to create multidimensional audience strategies. Each has distinct benefits, applications, and caveats.

Segmentation Type	Best For	Key Inputs	Watch-Outs
RFM (Recency, Frequency, Monetary)	CLV modelling, loyalty, retention	Transactional history	Static, backward-looking; may overvalue one-off bulk buyers
Shopper Missions	Contextualising purchase occasions (weekly shop, distress trip)	Basket patterns, survey data	Resource-intensive; misclassification risk if relying on behavioural data only
Propensity & Next-Best-Action	Trial, upsell, churn prevention	Purchase patterns, browsing, price sensitivity	Requires validation; avoid over-targeting
New-to-Brand / New-to-Category	Launches, category expansion	Multi-year purchase data	Ensure clean data and consistent definitions
Price Sensitivity & Promotion Responsiveness	Optimising promotions, margin-aware targeting	Promo exposure vs. redemption	Avoid over-subsidising habitual deal-seekers
Affinity & Market-Basket Associations	Cross-sell, basket expansion	SKU-level baskets, time stamps	Keep recommendations contextual, not intrusive
Customer Lifecycle	Always-on CRM and media orchestration	Engagement history, tenure	Align KPIs across teams
Churn-Risk & Retention-Uplift	Retailer-led retention efforts	Frequency decay, declining basket size	Primarily relevant to retailers, not advertisers; requires uplift modelling
Channel & Fulfilment Preferences	Creative/format alignment	Order method, location, delivery preference	Standardise reporting across formats
Attention & Media Responsiveness	Optimising media mix by channel	Past channel performance	Requires normalised metrics

Segmentation Type	Best For	Key Inputs	Watch-Outs
Occasion/Temporal	Occasion/Temporal Timing campaigns (pay day, seasonality)	Timestamped purchases, events, weather	Coordinate with ATL campaigns
Geo & Catchment Clusters	In-store and local activations	Store data, postcode catchments	Test via matched-market experiments
Consent & Privacy-Tiered	Privacy-first activations	Consent records, preference centres	Design segments to adapt to regulatory change
Eligibility & Stock-Aware	Suppressing wasted impressions	Real-time stock, fulfilment SLAs	Requires robust operational integration
Predictive CLV Models (Pareto/NBD, Gamma-Gamma)	Long-term value forecasting	Longitudinal data	Needs explainability for buy-in
Creative-Messaging	Testing creative variants	Mission proxies, category affinities	Validate causality with A/B tests

## stakeholder alignment

### advertisers

- > Break down silos between brand, shopper, and performance teams.
- > Leverage first-party and retailer data for intent-driven segmentation.
- > Align KPIs to shared outcomes such as incrementality and lifetime value.
- > Collaborate via clean rooms for secure data integration.
- > Demand transparency and ethical data practices from partners.

### agencies

- > Develop retail media centres of excellence with standardised playbooks.
- > Act as a bridge between siloed advertiser teams and multiple RMNs.
- > Push for common metrics, transparent reporting, and adoption of IAB measurement standards.
- > Design campaigns with incrementality testing built in.
- > Champion brand safety, data ethics, and long-term strategic value.

### retailers

- > Invest in data readiness, unifying online and offline sources.
- > Drive cultural change to secure cross-functional buy-in.
- > Provide transparent, standardised metrics and consistent reporting.
- > Diversify offerings across on-site, in-store, and off-site channels.
- > Enable closed-loop measurement through clean rooms and holdout testing.
- > Treat data ethics and privacy as a competitive differentiator.
- > Take ownership of churn-risk and retention-uplift segmentation, ensuring advertisers have stable, engaged audiences.

## measurement and best practice

- > Use incrementality testing (geo-holdouts, A/B, control groups) to prove causal impact.
- > Standardise reporting across RMNs for comparability.
- > Report beyond ROAS: include CLV growth, basket expansion, and new-to-brand metrics.
- > Build creative best practices: segment-driven creative should be validated with robust testing.
- > Always embed privacy-by-design principles in segmentation.

### Conclusion: Towards Audience Intelligence

Audience segmentation in retail media is no longer about broad descriptors. It is about intelligence – combining value, context, behaviour, and ethics. By adopting a robust segmentation toolkit, aligning stakeholders, and adhering to IAB best practices, advertisers, agencies, and retailers can unlock a sustainable flywheel of growth. Retail media will then serve not only as an advertising channel, but as a strategic growth engine delivering measurable value across the entire customer journey.

## appendix 1: audience segmentation by use case

Marketing Objective	Segmentation Approaches	Data Inputs	Activation Tactics	Measurement
Launch New Product	New-to-Brand, Propensity, Creative Personas	Multi-year history, browsing, affinities	Off-site prospecting, inspirational content	New-to-brand sales, trial rate, incrementality
Grow Basket Size	Affinity/Basket, Missions, RFM	Basket-level data, SKU associations	Contextual cross-sell offers, in-store prompts	AOV uplift, incremental basket items
Win Back Lapsed Customers	Lifecycle, RFM, Propensity	Recency/frequency, engagement drop-off	Personalised win-back offers, EDM, off-site retargeting	Re-purchase rate, retention lift vs control
Increase CLV	RFM, Predictive CLV, Lifecycle	Longitudinal purchase data	Loyalty rewards, exclusive offers, expanded category promotion	CLV growth, migration across value tiers
Protect Margin	Price Sensitivity, Eligibility & Stock-Aware	Promo redemption, stock levels	Tiered offers, OOS suppression, margin-aware pricing	Promo ROI, incremental sales net of subsidies
Brand Building	Missions, Occasion/Temporal, Personas	Shopper journeys, seasonal data	Full-funnel creative campaigns, thematic activations	Awareness, perception, reach quality
Retention (Retailer focus)	Churn-Risk & Uplift	Frequency decay, declining spend	Loyalty comms, personalised retention campaigns	Retention rate, incremental saves vs control

# appendix 2: glossary of audience segmentation terms

## Core Concepts

### Audience Segmentation

The process of dividing a broad consumer audience into smaller, more defined groups based on shared behaviours, needs, or characteristics. In retail media, segmentation enables targeted advertising using first-party data to maximise relevance and measurable impact.

### Segmentation Maturity

A framework describing an organisation's progression from basic to advanced segmentation capabilities:

- > **Foundational:** Basic demographic or transactional segmentation; limited targeting options.
- > **Developing:** Operational segmentation using lifecycle and mission-based models.
- > **Advanced:** Predictive and contextual intelligence powered by modelling and real-time data.

### Data Readiness

The state of having clean, unified, and privacy-compliant customer data infrastructure. Essential for enabling sophisticated segmentation.

### Unified Customer View (UCV)

A single, integrated representation of a customer across all touchpoints (online, in-store, mobile, etc.), supporting consistent targeting and measurement.

## Segmentation Types and Techniques

### RFM (Recency, Frequency, Monetary)

A classic model categorising customers by how recently, how often, and how much they purchase—used for loyalty and CLV (Customer Lifetime Value) modelling.

### Shopper Missions

Segmentation based on the context or purpose of a shopping trip (e.g., weekly shop, top-up, distress purchase). Useful for contextual targeting and creative alignment.

### Propensity Modelling / Next-Best-Action

Predictive models estimating the likelihood of future actions (e.g., churn, trial, or upsell). Used for personalisation and retention strategies.

### New-to-Brand / New-to-Category

Identifies customers engaging with a brand or category for the first time—key for measuring acquisition and category growth.

### Price Sensitivity & Promotion Responsiveness

Segments consumers by their likelihood to respond to discounts or promotions, supporting margin-aware marketing.

### Affinity & Market-Basket Associations

Based on products commonly purchased together (basket analysis). Enables cross-sell and upsell recommendations.

### Customer Lifecycle Segmentation

Maps customers through stages such as acquisition, growth, maturity, and lapse, allowing for dynamic CRM and media activation strategies.

### **Churn-Risk & Retention-Uplift**

Predicts customers likely to stop purchasing and designs interventions to retain them. Typically retailer-led.

### **Channel & Fulfilment Preferences**

Identifies customers' preferred purchasing channels (e.g., online vs. in-store) and delivery modes, ensuring optimal creative and placement strategies.

### **Attention & Media Responsiveness**

Classifies audiences based on engagement levels with specific media channels, optimising investment efficiency.

### **Occasion / Temporal Segmentation**

Targets customers around specific moments (pay day, holidays, weather-driven demand). Supports contextual campaign planning.

### **Geo & Catchment Clusters**

Groups audiences geographically for localised campaigns or in-store activations.

### **Consent & Privacy-Tiered Segmentation**

Segments customers based on consent level or privacy preferences, ensuring compliant targeting and flexible activation.

### **Eligibility & Stock-Aware Targeting**

Suppresses advertising to customers where products are out of stock or unavailable—minimising wasted impressions.

### **Predictive CLV Models**

Forecasts a customer's future value using statistical models (e.g., Pareto/NBD, Gamma-Gamma), aiding long-term planning.

### **Creative-Messaging Personas**

Human-centric audience groupings for creative testing and message tailoring; often derived from mission, behaviour, or affinity data.

## **Supporting Concepts**

### **Clean Rooms**

Privacy-safe data environments enabling advertisers and retailers to match, analyse and activate overlapping data without sharing raw identifiers.

### **Incrementality Testing**

A measurement approach (using A/B or geo-holdouts) that isolates causal impact of campaigns, moving beyond proxy metrics like ROAS.

### **Closed-Loop Measurement**

Connecting media exposure to actual sales or behavioural outcomes, ensuring accountability for retail media performance.

### **Data Ethics**

The responsible use of consumer data in a privacy-first, transparent, and compliant manner—viewed as a competitive differentiator.

### **Operational Infrastructure**

The systems and workflows needed to turn data insights into actionable audience segments and campaigns.

### **Value Flywheel**

A concept describing the cyclical reinforcement between improved segmentation, stronger media performance, and data enrichment.



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