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CUSTOMER RETENTION: A PERMANENT DUTY

A significant amount of time and money goes into investing in customer acquisition, while brands often neglect to invest in customer retention. Here’s a look at how brands can implement a successful retention strategy.

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THE IMPORTANCE OF CUSTOMER RETENTION

All too often there is a distinct lack of importance placed on specifically targeting and rewarding existing consumers, when in actual fact, an increase of even 5% in customer retention can show a profit increase as high as 95%[1].

To break down why there are misconceptions that customer retention is not worth the time or money, we can analyse two common events: no clear process is determined by the brand for retaining customers when a loyalty program is set up, and that past retention efforts were usually too small to be effective on a larger scale. This puts a ‘bad taste’ in the mouth of brands who come to believe that there is negligible ROI on customer retention – an incredibly false perception.

IMPLEMENTING A RETENTION STRATEGY

Brands can implement a successful retention strategy. We have identified four main components, as demonstrated in the following case study, that can help brands who seek to retain their consumers and see a positive effect on their profit margin.

- The first is to have a clear concept to retain customers based on **profound data analytics**.
- The second, a persistent and performing retention program with the **right creative concept**.
- Third is the right **offers and incentives** to retain.
- And finally, **pre-defined reporting** on the success of the retention initiative.

RETENTION IN ACTION: CASE STUDY

It is perhaps best to demonstrate how effective customer retention can be with a real case study example. A large department store brand with an impressive loyalty program of over 800,000 members, created an offer that they would send twice a year to their members. Sent via standard mail, this offer included a voucher worth $10, with a purchase of $100. This was an expensive initiative for the retailer, and they did not see the response rate that they sought.

THE STRATEGY

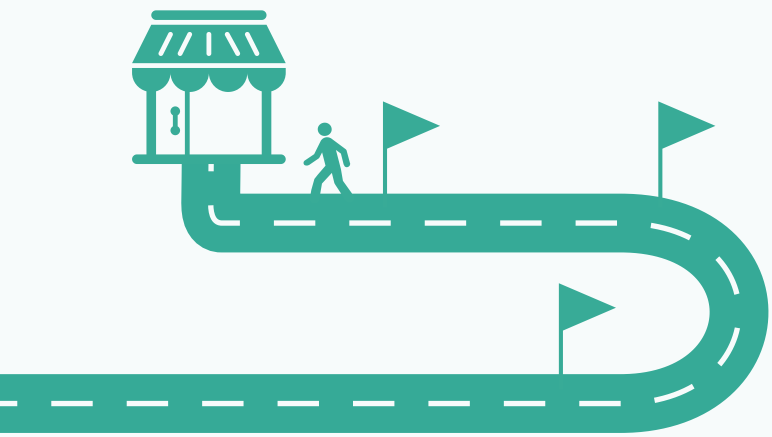
The brand's marketing department developed a new retention concept in which they analysed existing data to determine the moment where the consumer's activity aborts.

The analysts found three clear patterns of where this occurred: at four months, six months, and eighteen months after the last transaction.

Based on these findings, the agency developed a communication that combined the right offers and incentives within each segments of consumers, implementing a campaign that ran each month at the same time to each segment on the verge of inactivity.

THE RESULT

The result of this retention campaign was phenomenal. Over 50% of contacted members responded to the communication (measured both directly and indirectly). The interesting finding was that only half the members actually redeemed the offers that were given to them, while the other half did not but still came back to shop. It would seem that the acknowledgement made them feel valued enough to return to shop at the department store. What's more is that the average purchase as a result of this retention equalled nearly triple the normal purchase amount.



This retention campaign has been running for years now and has been adapted creatively since its initiation. However, the underlying mechanism of data analytics and segmentation has not changed. This shows that the investment into a good, continuous program, focused on retention, pays.

As previously mentioned, an effective customer retention program combines four success factors: a clear concept based on data analytics, a program with the right creative concept, exciting offers and incentives to retain customers, and pre-defined reporting on retention success. Below we dive into each of these concepts in a little more detail.

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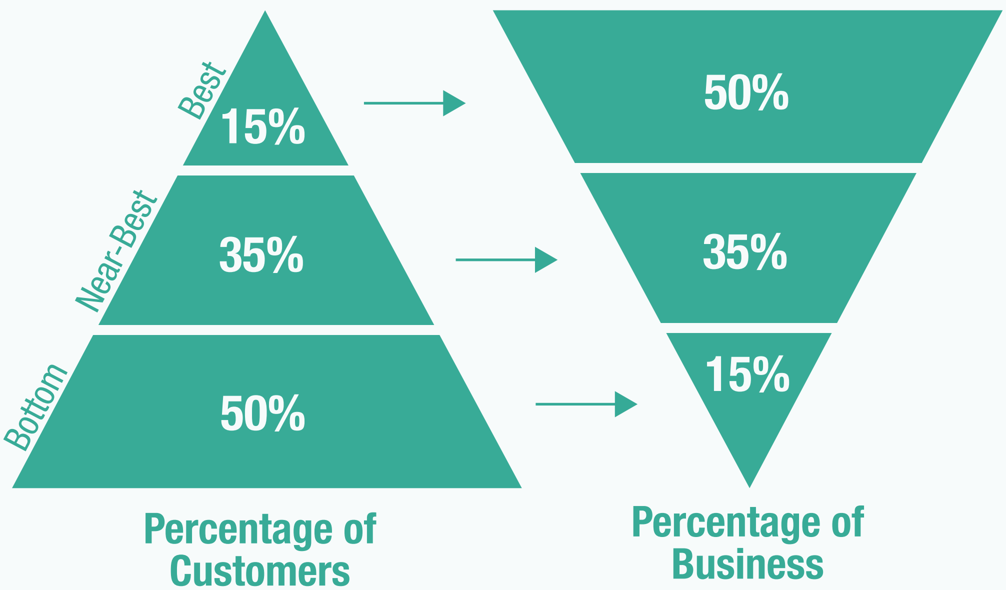
SUCCESS FACTOR #1: DATA DOES NOT LIE

Data analytics will be able to precisely identify the timelines of activity and inactivity and usually, several clusters of activity will be found. The frequency and interval of, or between, purchases can vary dramatically amongst customers and loyalty program members. It is important to not forget the 15/50 rule of Customers to Business *(see graphic below)*, in which the top spending 15% of consumers make up 50% of the business, while the bottom 50% of consumers make up 15% of the business. Visualizing this purchase behaviour for these main segments makes identifying purchase patterns easier, especially when the data analytics may give results that contradict commonly held conceptions about a business's consumers.

The 15/50 Rule of Customers to Business

The impact of high-value loyalty program members

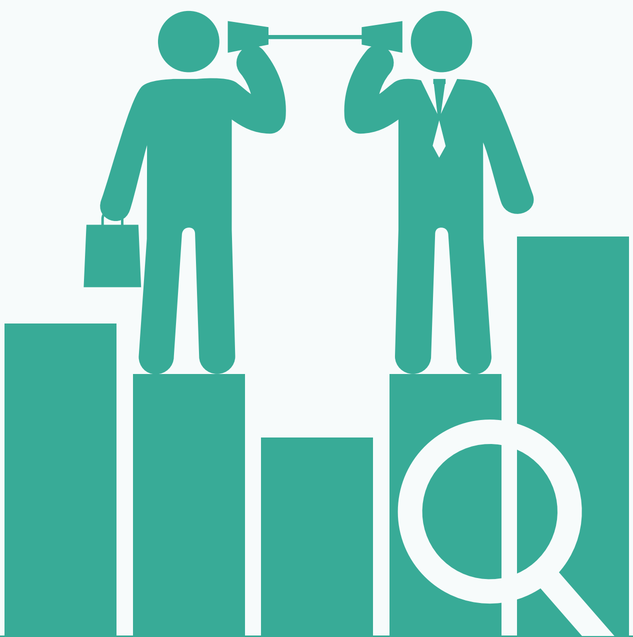


Source: THE LOYAL TREATMENT, Maximizing Customer Value Through Engagement. A report on the findings of the 2013 LoyaltyOne Customer Engagement Study. By Dennis Armbruster, July 2013.

SUCCESS FACTORS #2 & 3: CREATIVE CONCEPT PAIRED WITH INSPIRING INCENTIVES

To win back consumers and members, a strong creative concept and valuable offers and incentives are necessary. Surprising consumers by recognizing them through creative promotions with great rewards has an extremely high value and ROI to brands.

This may include digital rewards such as music downloads or Uber credits, that they can instantly access on their mobile devices, or offers tied to their loyalty program card for easy redemption in-store. These types of personalized incentives will add value to the lives of your consumers, creating an emotional connection to the brand and lasting loyalty. Another consideration is to distinguish the most valuable consumers who deserve a more substantial reward, from those who could be warmed up with an offer that is less personal but will jumpstart their path to loyalty.



It is important to develop your program based on the facts found through data analytics. If the expected results from a program do not arise, there are many variables that may have affected it – including the brand's expectations. Connecting with your consumers can take time, and it is important to develop a two-way line of communication to gather more data and continue adapting the creative messaging of the campaign and the incentives offered.

SUCCESS FACTOR #4: PREDEFINE YOUR REPORTING

Finally, reporting must be defined at the start of the project. This should encompass both direct and indirect measurements: direct results stem from the redemption rates of offers and incentives initiated by the campaign, and the indirect results are the consumers who returned to shop – with assumption that they did so as a result of the retention program.

The full cycle of the consumer should be nurtured, from acquisition to purchase and continuing on to retention post-purchase. Utilizing data analytics, creative campaigns that incorporate relevant rewards, and reporting, customer retention programs can prove to be worth the investment and successful in building a loyal consumer base.

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Snipp is a global loyalty and promotions company with a singular focus: to develop disruptive engagement platforms that generate insights and drive sales. Our full service offerings include shopper marketing promotions, loyalty, rewards, rebates and data analytics. We also provide clients with the expertise to create, manage and promote their marketing programs. SnippCheck, our unique receipt processing engine, is the market leader for receipt-based purchase validation. Snipp has powered hundreds of promotions and loyalty programs around the world for Fortune 1000 brands and world-class agencies and partners.

REFERENCES

[1] http://www.skyglue.com/the-value-of-an-existing-customer/