

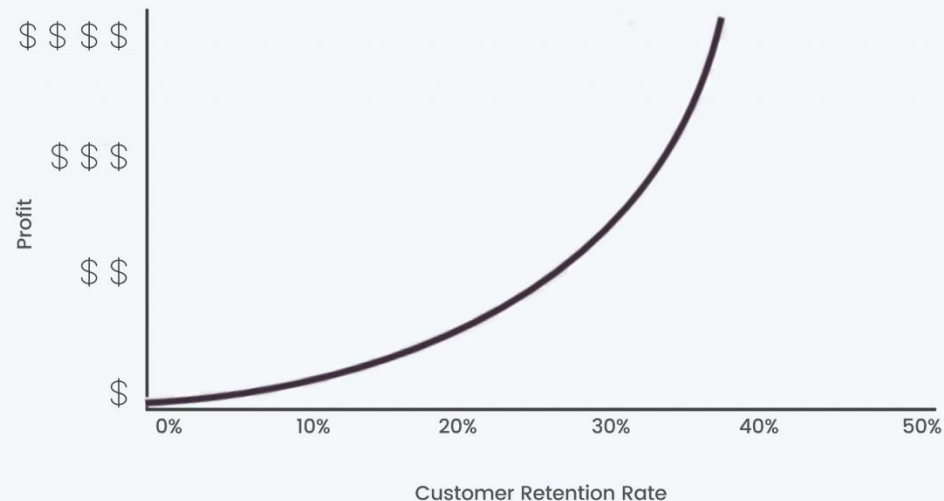
Customer Retention: Grow Your Business and Explode Return on investment (ROI) by Selling More to Current Customers

What is customer retention?

Customer retention is the collection of activities a business uses to increase the number of repeat customers and to increase the profitability of each existing customer.

Customer retention strategies enable you to both provide and extract more value from your existing customer base. You want to ensure the customers you worked so hard to acquire stay with you, have a great customer experience, and continue to get value from your products.

5% INCREASE IN RETENTION, 95% INCREASE IN PROFIT



Customer acquisition vs. customer retention

Customer acquisition vs. customer retention: both are important for sustainability and growth in their own way. The most common pitfall for businesses around the world is that they think that if they have a great product or service, then customer retention will follow naturally.

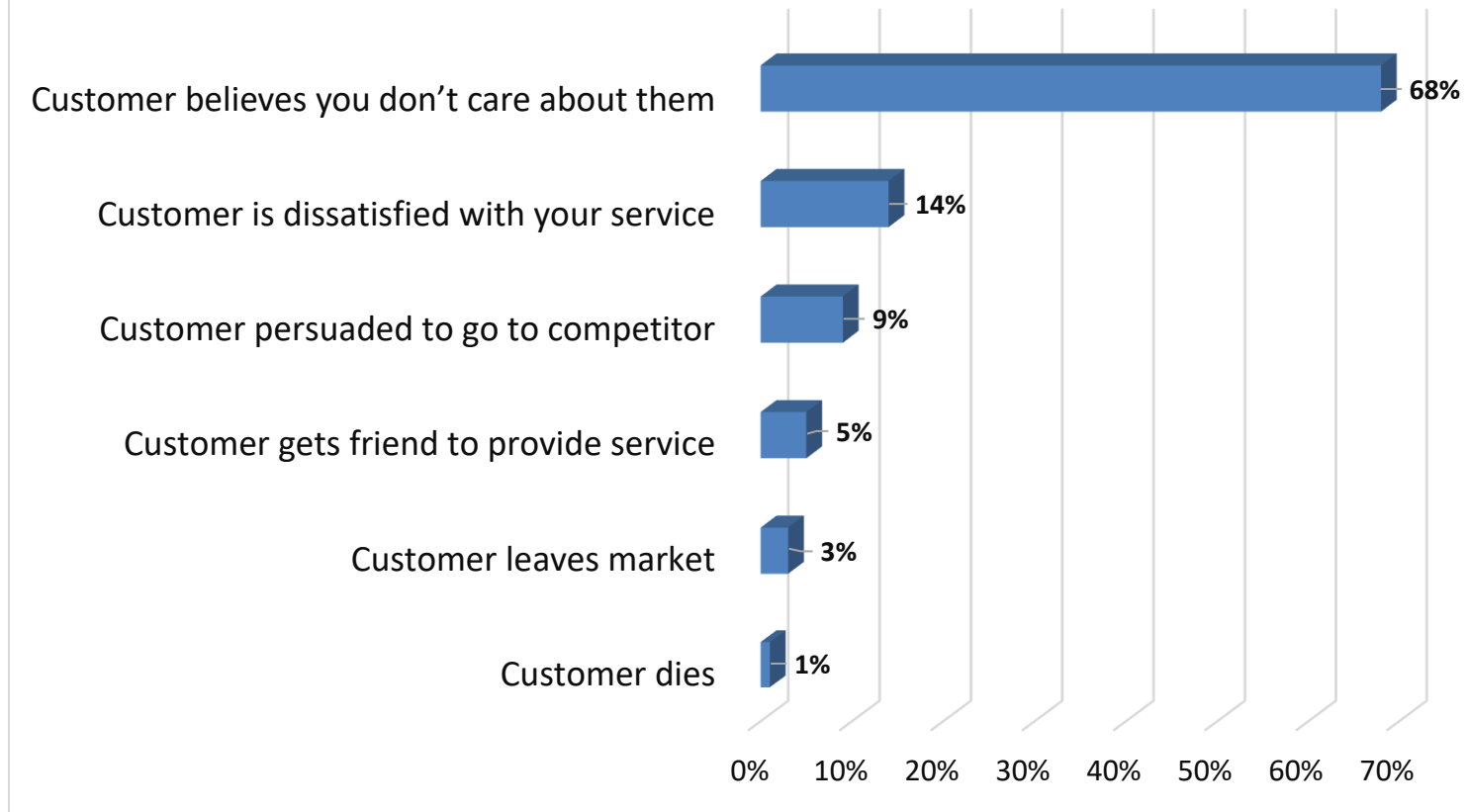
Acquisition grows your customer base

It's fairly obvious that without any customers to serve, there's no reason for a company to exist in the first place. You had to acquire at least a few customers in order to launch your business. Now, the ongoing process of customer acquisition allows you to grow your customer base and obtain even more opportunities to conduct business.

Retention grows customer LTV

A **customer's lifetime value (or LTV)** is the projected value of that customer over the entire course of his relationship with your company. It's no secret that loyal customers who consistently purchase from your brand are almost always more valuable to your company than one-time buyers. A strong customer retention strategy enables you to maximize the LTV of your customers by encouraging them to bring their business back to you, again and again.

Why Do Customers Leave A Company?



Customer Acquisition & Retention Marketing Stats

- Acquiring a new customer can cost five times more than retaining an existing customer.
- Increasing customer retention by 5% can increase profits from 25-95%.
- The success rate of selling to a customer you already have is 60-70%, while the success rate of selling to a new customer is 5-20%.
- One customer experience agency found loyal customers are 5x as likely to repurchase, 5x as likely to forgive, 4x as likely to refer, and 7x as likely to try a new offering.

- U.S. companies lose \$136.8 billion per year due to avoidable consumer switching.
- American Express found 33% of customers will consider switching companies after just one instance of poor customer service.
- The probability of selling to an existing customer is 60-70%, while the probability of selling to a new prospect is only 5% to 20%.
- It costs up to 7x more to acquire a new customer than to retain an old one.
- Increasing customer retention by 5% increases profits by 25-95%.
- 44% of companies have a greater focus on acquisition vs. 16% that focus on retention.
- 65% of a company's business comes from existing customers.
- For most industries, the average customer retention rate is below 20%.
- Loyal customers spend 67% more than new ones.
- Only 40% of companies and 30% of agencies have an equal focus on acquisition and retention.
- 89% of see customer experience as a key factor in driving customer loyalty and retention.
- Existing customers are 50% more likely to try new products and spend 31% more than new customers.
- 82% of companies agree that customer retention is cheaper than acquisition.

Customer Retention Metrics

Let's look at three of the most important customer retention metrics and examine why they matter.

1. Repeat customer rate
2. Purchase frequency
3. Average Order Value (AOV)

1. Repeat customer rate

Repeat customer rate is the backbone of customer retention. It measures the percentage of customers willing to make a second purchase from you. Measuring your repeat purchase rate is an excellent way of evaluating how well your retention strategy is actually working. The higher this metric is, the more willing customers are to return to your store.

How to calculate repeat customer rate

When it comes to measuring retention metrics, it's easy to get lost in a sea of complicated calculations. Thankfully, calculating your repeat customer rate is fairly straightforward and only requires two pieces of information:

A. Number of customers with more than one purchase

This refers to the number of customers who have made more than one purchase in a specific period of time. I recommend looking at an entire year to see the big picture.

B. Number of unique customers

This is the number of different customers that purchased from your store in a distinct time frame. Note that this is different from number of orders.

2. Purchase frequency

Purchase frequency shows you how often customers are coming back to buy from your store. This is especially important when you consider that **repeat customers are responsible for 40% of the average store's annual revenue.**

How to calculate purchase frequency

Calculating your store's purchase frequency is similar to calculating repeat purchase rate. Using the same time frame you chose for your repeat purchase rate (e.g., a single month), divide your store's total number of orders by the number of unique customers.

3. Average Order Value (AOV)

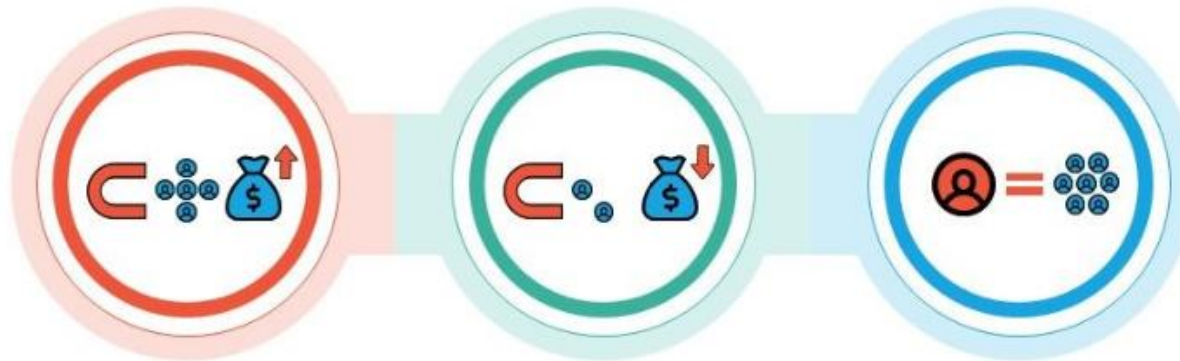
Once you understand repeat purchase rate and purchase frequency, it's time to maximize how much each of those purchases are worth. This metric is known as average order value, and refers to the amount of money a customer spends in your store on each transaction.

How to calculate Average Order Value

Just like purchase frequency, your average order value should be calculated using the same time frame you set for your repeat purchase rate. From there, all you have to do is divide your yearly revenue by the number of orders your store processed. Shopify reports also calculates this number for you.

HOW TO CALCULATE CUSTOMER RETENTION RATE

$$\text{CUSTOMER RETENTION RATE} = \frac{\# \text{ of Customers at the End of Time Period} - \# \text{ of New Customers During Time Period}}{\# \text{ of Total Customers at Start of Time Period}}$$



Increasing customer retention rates by **5%** increases Profits by **25% to 95%**

A **2% increase** in customer retention has the same effect
Decreasing cost by 10%

Worth 10X as much On average, loyal customers are worth **up to 10 times as much** as their first purchase

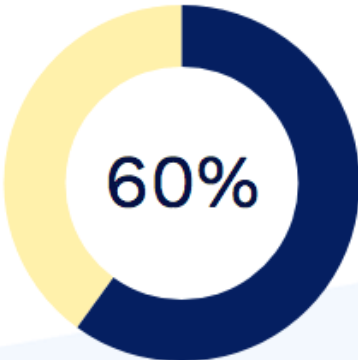
Why Is Customer Retention Marketing Important?

The success rate of selling to an existing customer is 60-70%, while the success rate of selling to a new customer is only 5-20%.

Understanding the aspect of customer retention for turning them into brand loyalists will be crucial to fuelling your business through the ups and downs. Implementing retention tactics and ideas can significantly impact your business in three key ways.

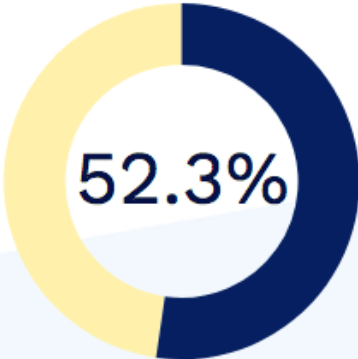
- **Cultivate customer loyalty** – The right client retention programs help you create an experience that not only satisfies your customers but also engages them in a more meaningful interaction with your brand, forging loyal relationships.
- **Increase customer lifetime value (CLTV)** – Increasing customer retention rates by 5% increases profits by 25% to 95%. Hence any business that wants to grow its bottom line, needs to equally focus on retaining customers as well acquiring customers for sustainable growth.
- **Build positive word of mouth** – The best customer retention tactics enable you to develop lasting customer relationships who become loyal to your brand. Eventually, they might even turn out to be your brand ambassadors and spread positive word of mouth. That new potential customer trusts their friend and is then more likely to follow through on a purchase with you. Now, your customer retention strategy becomes a part of your customer acquisition strategy.
- **Customer Retention Increases Profit**- A 5% customer retention rate increase can boost your profits by 25% to 95%. Customers that stick around spend more and when you let those customers slip through your fingers, you're waving goodbye to serious profit gains.
- **Lower Cost Per Purchase**- It can be 5 to 20 times cheaper to get a repeat purchase than it is to get new customers to buy your products and services. That means retained customers will be cheaper and easier to 'nudge' into another purchase as opposed to a potential new customer.

For brands they are loyal to, consumers are willing to:



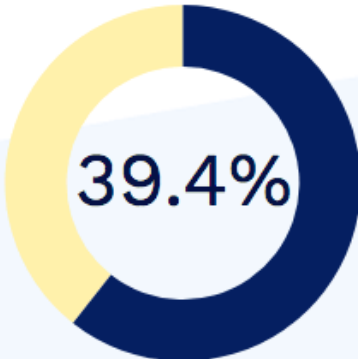
RECOMMEND

60% of customers will tell friends & family about a brand they're loyal to.



JOIN LOYALTY PROGRAM

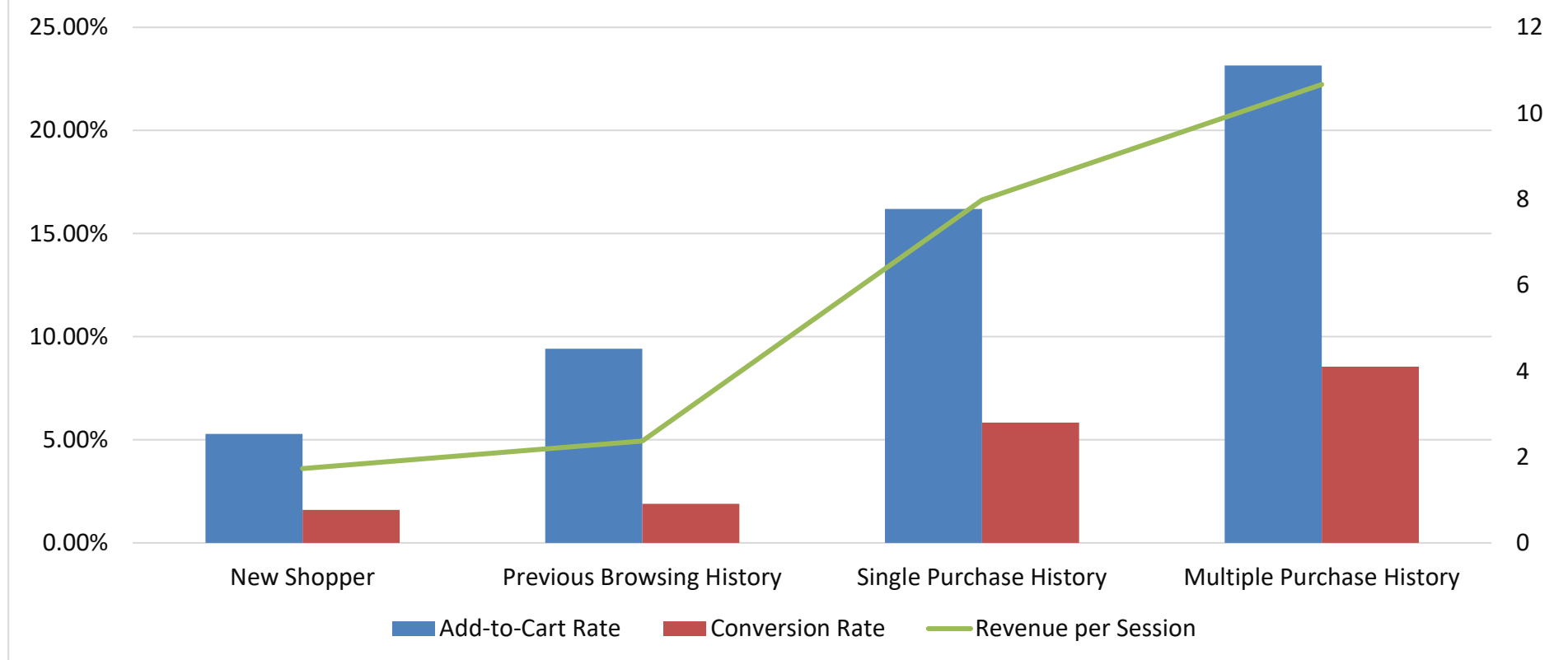
52.3% of customers will join a loyalty or VIP program.



SPEND MORE

39.4% of customers will spend more on a product even if there are cheaper options elsewhere.

E-Commerce KPIs, By Shopper Loyalty Segment



How Making The Customer Experience The Focal Point Can Increase Customer Retention

- **Improve customer satisfaction** – A satisfactory interaction with your brand undoubtedly creates a great impression and experience that encourages customers to retain your business.
- **Convert first-time customers to loyal customers** – When customers are delivered consistent service they are delighted with the experience and develop loyalty towards your brand.

- **Improves customer advocacy** – Happy customers not only have high lifetime value but also turn out to be the best brand advocates. They share their experience with their friends to improve brand credibility.



Some Important Customer Retention Strategies

1. Improve your customer support

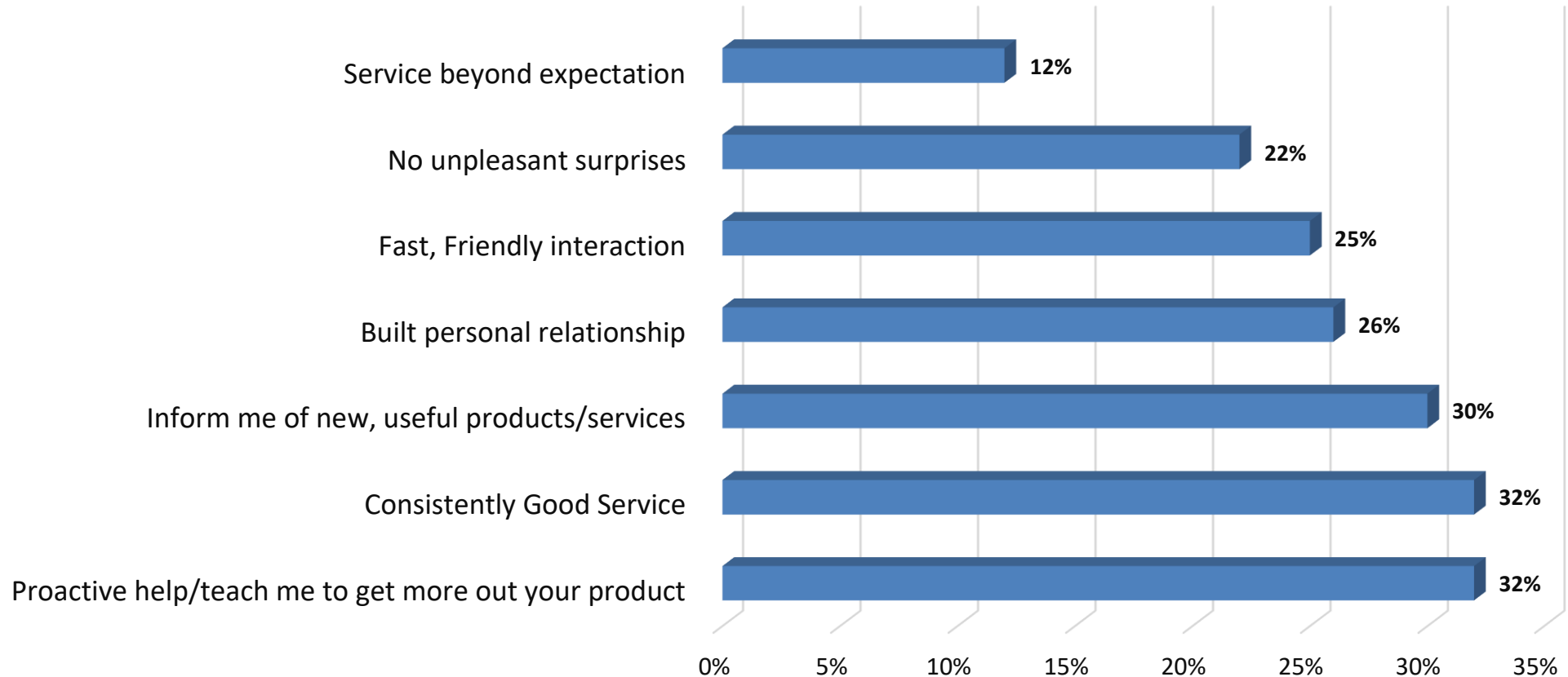
Support systems help you effectively communicate with your customers and provide them with the right level of support. A support system can help both pre- and post-sale by enabling you, or a customer service rep, to clearly communicate with the customer.

Having a live chat or help desk tool available can turn a customer question into a sale or a customer complaint into a resolution, whether they come in on site, through email, or via social media. Very often, an effectively resolved complaint or problem can turn an unhappy customer into a loyal, repeat customer. And that's to say nothing of the value of customer feedback, which can help you improve your products and your overall shopping experience.

According to a survey by Oracle, poor customer service is the biggest reasons why customers leave. In fact, 89% of customers move on to a competing brand after having a bad experience with one company. Maybe your customers aren't feeling a connection with your company, or they don't feel that they're appreciated enough. Reaching out to engage with your users can help you earn their loyalty and reduce churn rate.

Impact on Repurchase or Recommendations

Delightful experiences and their resulting impact on customer loyalty



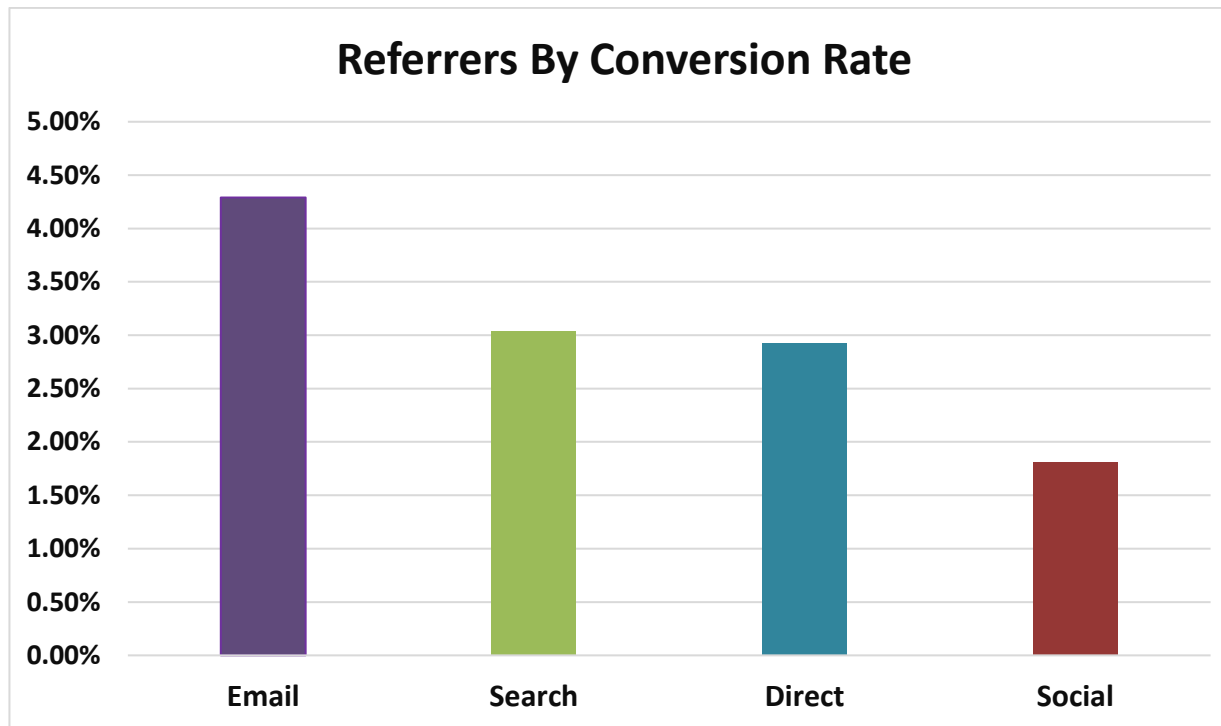
2. Send engaging emails to customers

If purchase frequency is the backbone of customer retention, email marketing is the backbone of customer engagement and your retention toolkit.

Emails give you the opportunity to continue building a relationship with your customers before and after their initial purchase. It's critical that each message you send adds value to your customer's experience. If it doesn't, you run the risk of losing them.

Increasing concerns over how businesses collect and use a customer's personal data, rapid spread of misinformation, and flooding of branded content, together contribute towards the fundamental shift. More than 55% of customers claim that they don't trust the businesses they buy from as much as they did before.

A way to go about and stand out in the market is by becoming a trustworthy source of industry tips and insights. Too many email newsletters are thinly-veiled affiliate marketing machines or focus 99% of their energy on upselling existing customers to more expensive programs. Instead of taking this tired approach, invest in a newsletter that becomes a retention asset.



3. Secure your payment gateways

With cybercrimes on a rise, it's important to assure your customers that your payment gateways are safe and secure to use. It's been seen that most customers abandon their purchases at the last step as they find the payment modes untrustworthy.

Adding the following security protocols and badges on your website may help retain customers better than before.

- **SSL for secure connections** – SSL encrypts necessary payment related information and ensures payment security.

- **PCI certificate** – The Payment Card Industry Data Security Standards (PCI DSS) provide guidelines on what you need to do to secure sensitive data while processing payments.
- **Tokenization** – It replaces sensitive customer data with a randomly generated string of characters which further reduces the risk of data breach.
- **3D secure** – Three Domain Secure is a messaging protocol that contains three domains: the receiving bank, technology processing the transaction, and the issuing bank. It helps to add an additional layer of security to prevent frauds.

4. Improve The Entire Customer Experience

The easiest way to improve customer retention is by making your customer experience better.

There are many different ways you can improve customer service:

- **Reply to questions and concerns from customers in a timely fashion and with information that's helpful.** If customers have to wait for ages to get in contact with you and then when you do respond, they get some unhelpful fluff response, that's a one-way ticket to customer churn.
- **Reach out to unhappy customers or customers who haven't come back.** If you find poor reviews or if you're able to reach customers who haven't come back for another purchase, that customer information can sometimes be the most important and useful information. Sure, the five-star reviews are great to boost your ego, but they won't help you improve. Talking to customers who didn't have the experience of their dreams can a) help convince customers to continue working with you and b) offer potential new ideas to improve customer experience.
- **Include a handwritten "Thank You" note in your shipment.** A handwritten note feels more personal than a printed form letter and will be a welcome surprise for your customer. Customers like to know they matter and are more than just a price tag to your brand, so when you address them personally, they're more likely to feel good about supporting your brand again in the future.

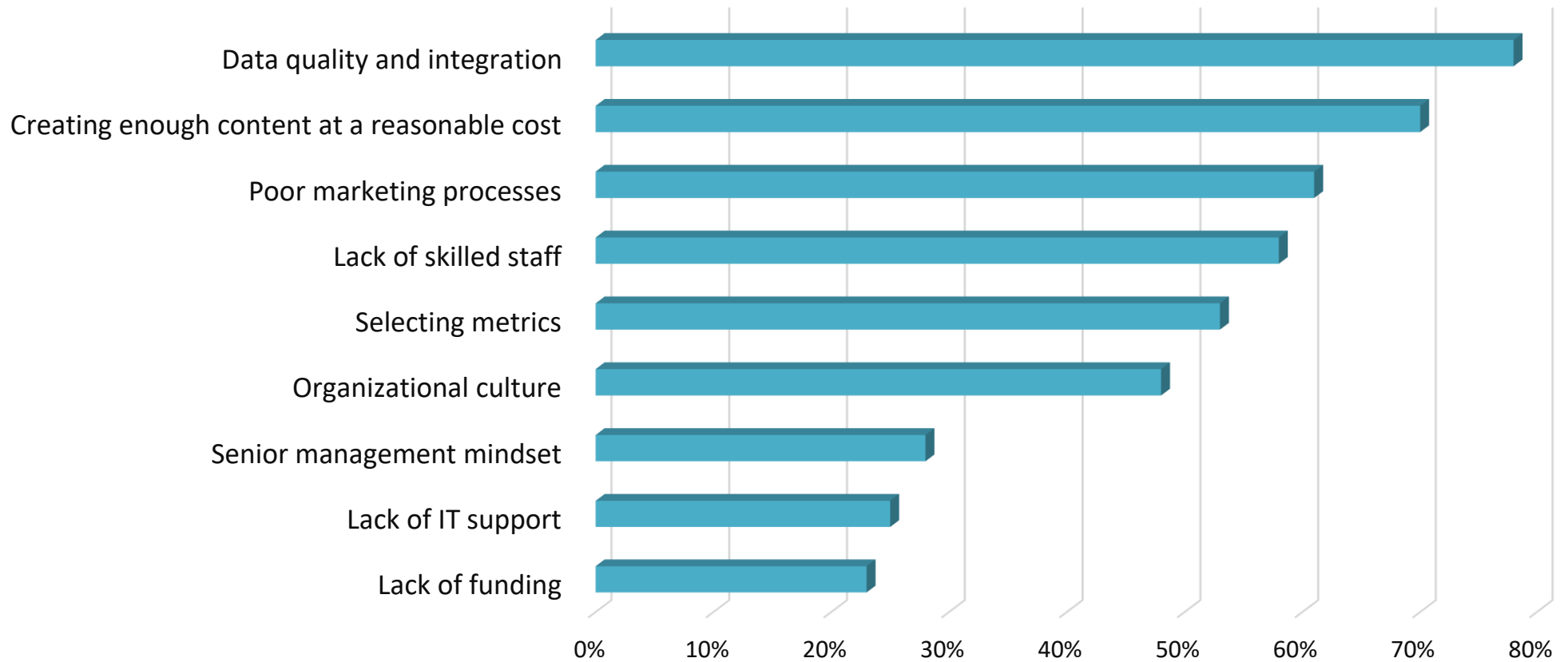
5. Use automation to re-engage customers

Automation is allowing some of your routines to be handled automatically by a software. The most popular is “marketing automation.” Monitoring and keeping your customers abreast manually is time consuming. Because there are so many processes to be repeated daily, in order to keep your brand fresh in the customer’s mind. Truth be told, there are still challenges of marketing automation. The most obvious is the data quality and integration. Poor marketing process is also a big factor.

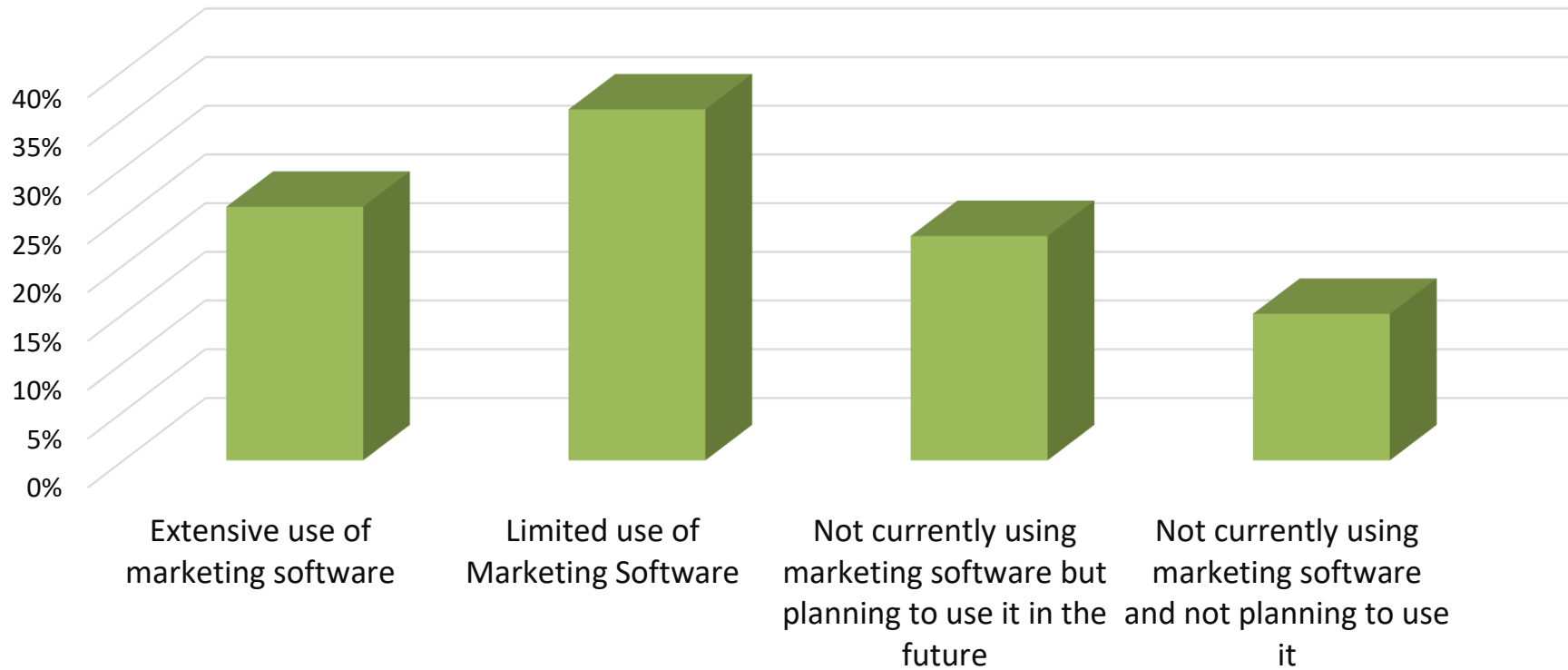
Marketing automation is one of the fastest-growing technologies out there, according to Forrester’s Marketing Automation Technology Forecast, 2017 to 2023. Initially used for large enterprises, marketing automation tools have become more prevalent and scalable for small and mid-sized businesses. No wonder marketing automation is no longer a nice-to-have, it’s a must-have.

Marketing automation technology is expected to show a 14% compounded annual growth rate (CAGR) over the next five years. The highest growth for “through-channel marketing automation” platforms will reach 25% annually, with “lead-to-revenue automation” platforms at 19.4%.

Challenges To Marketing Automation



To What Extent Does Your Company Use Marketing Software to Manage Lead Generation



6. Personalize your follow-ups

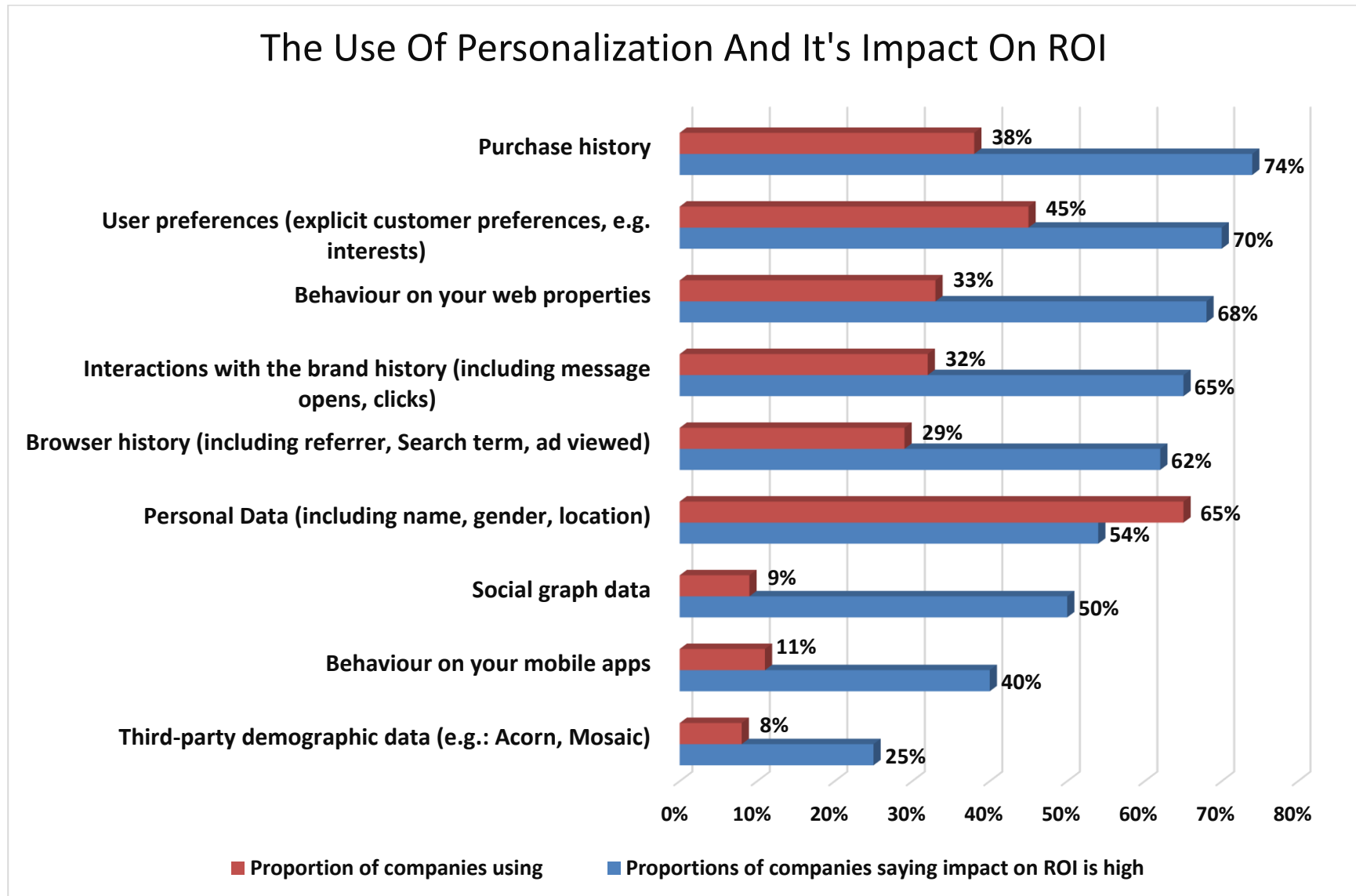
Treating each customer as an individual is a key to retaining the maximum customers. It doesn't matter if you are sending an email, recommending a product, or giving out customer rewards.

Focusing on the individual consumer is the key to success. Successfully personalizing your loyalty program can lead to a 5.2X lift in word of mouth mentions, and a 3.5 lift in spending caused by the program.

A relationship is something that is established between people, and CRM software makes it easier for you to see your customer as a person and not just a number. When you register a new customer in CRM, use the information given, providing it's with their consent,

so you can personalize the communication in the future. The more information you have, the easier it will be to tailor your follow-up strategies.

The effects of personalization cannot be understated, as research from Econsultancy found that personalization based on purchase history, user preferences and other relevant information typically found in CRM software delivers a high impact ROI.



Conclusion

Improving customer retention and building customer loyalty doesn't happen overnight. It will take time and effort to grow your relationship with your customers and earn their trust. Judging by the several successfully implemented retention campaigns we have seen, there are always two common denominators to a high retention rate: great products and excellent customer service. Exceptional end-to-end customer experiences are the best way to earn customer trust.