RETENTION STRATEGIES

INTRODUCTION

From changing consumer behaviours and cost-of-living concerns to increased costs of sale and rising inflation, there's never been a more important or relevant time to focus on building stronger customer relationships. It's long been understood that retaining customers is more cost-effective to businesses than acquiring new ones, but what's less clear is how this culmination of macroeconomic challenges will impact business's retention strategies.

This eBook will help marketers navigate these changes, enabling you to improve your brand's retention strategy through data. But before embarking into the specificities of such an endeavour, let's start with defining what hides behind this generic term.

Retention refers to the marketing strategies aimed at keeping an existing customer engaged with a brand. From a CRM and data marketing perspective, retention takes place in the context of a known customer with a unified ID, which means there is an underlying Single Customer View requirement to enable any of the specific strategies. We will touch more on this topic in the Foundation section of this eBook, but first, let's discuss the value of retention in customer marketing.

WHY IS RETENTION SO IMPORTANT RIGHT NOW?

Although the leaky bucket metaphor has probably been over-used, it does effectively depict the implications of bad retention. In the past decade, the relatively low cost of acquisition through advertising has diverted attention and budgets to filling the bucket as opposed to fixing the leaks.

Recently however, overall costs of acquisition have become increasingly high (+60% over the last 6 years[1]), partially due to a hike in advertising placement prices (Meta +61% YoY, TikTok +185% YoY, and Google +75% YOY[2]), whilst changing privacy regulations are consistently making targeting accuracy and effectiveness more challenging.

Over that same period, customer habits have been deeply disrupted by COVID-19, its succeeding lockdowns and the more recent cost-of-living crisis. Customers have been forced to try new channels and have taken that opportunity to also try new brands. This brand promiscuity, or decrease in loyalty, is an ever-growing challenge for marketers, and a proactive retention strategy is one of the best ways to fight it.

As an overlapping challenge, the cost of living crisis and a looming recession are suggesting that there is little time left for brands to prepare for what is to come. During difficult periods, acquisition budgets and major digital transformation efforts tend to get cut or reduced. At that point, the brands with the right technical foundations and the agility to make the most of what they have in place will come out on top.
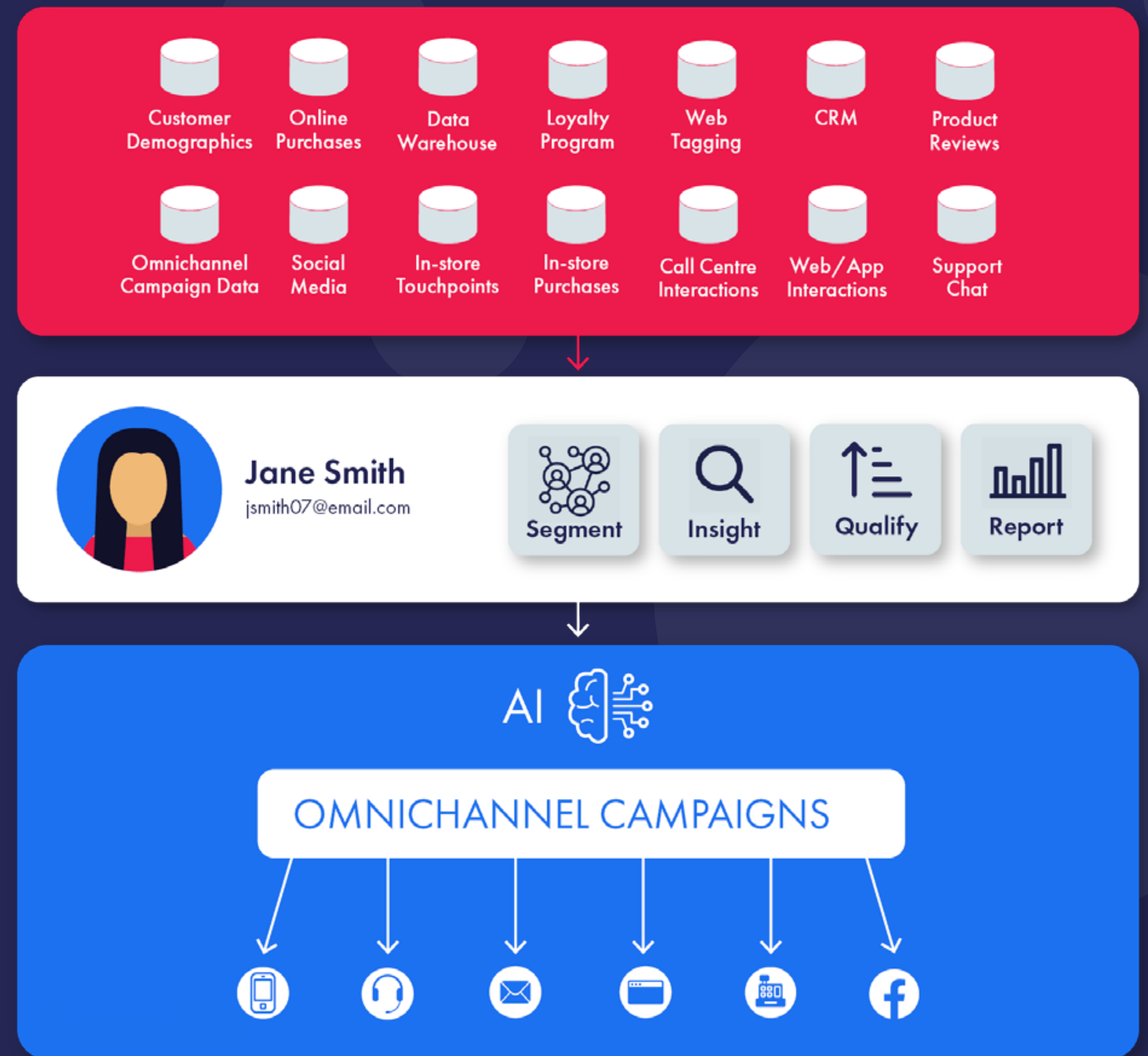
THE FOUNDATION

The technical foundation required to build a great retention program has three main components.

1. It needs to unify customer data across channels in real time into a comprehensive single customer view (SCV).

2. It needs the capability to activate the various strategies outlined below.

3. It needs built-in measurement frameworks that give you the ability to analyse the effectiveness of your programs.

This ability to define and measure retention requires an SCV rooted in the full customer history, as opposed to the last 6 months of data (which is too often the case when you look under the hood of many solutions on the market). This is where a robust Customer Data Platform (CDP) comes into play, but not all CDPs are created equal; if the solution is not fit-for-purpose, the depth and breadth of the data at your disposal can introduce scaling challenges.

UNIFY

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ANALYSE

Jane Smith
jsmith07@email.com

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In terms of measuring retention, it is important for the technical stack to adapt to the brand's definition of retention and its objectives. At a very high level, the idea is to get customers to "do more for longer," but there is no standardised definition for what "more" or "longer" mean. The CDP should not dictate what churn is or what good retention looks like – that should come from the business and the CRM team. Although Customer Lifetime Value (CLV), churn and retention might seem like standard metrics on their face, they are not, and aligning them to the specificities of your brand will make all the difference when it comes to implementing the strategies that will affect them efficiently.

The tools required to implement retention strategies used to rely on simplistic RFM models and standard CLV metrics. Today, the toolset needs to be broader, anchored into the SCV but also providing advanced measurement and modelling that goes beyond both RFM and CLV. The concept of Future Value Modelling is something particularly relevant in this context and one that we will refer to within the strategies section below.

Future Value Model

Using channel-agnostic transactional and behavioural data, Planning-inc's Future Value Model (FVM) employs machine learning to create operationalised, forward-looking marketing that CRM teams can leverage to influence customer behaviour, drive more impactful campaigns and increase customer loyalty. Unlike traditional CLV, FVM uses omnichannel behavioural data to better gauge propensity to purchase or lapse and creates a targeting framework to maximise ROI and conversions.

Finally, having the same data platform and decisioning tools across all inbound and outbound channels and departments within your brand is also an important consideration. Even further, the setup needs to be agile enough to adapt to the fast-changing market conditions and technological landscapes.

Once your foundation is built and your first-party data strategy is in order, you can begin to implement the following strategies to build customer loyalty and increase retention.

KEY STRATEGIES FOR RETENTION

1. Get the basics right

Although it might seem obvious, many of the basic strategies for retention such as abandoned baskets, abandoned browse or product recommendations are often implemented too simplistically, eliminating the benefits for customers (or worse, serving them communications that are irrelevant or contradictory to their buying journey). To give these strategies the best chance for success, it's integral to get a 360-degree view of the customer's behaviour and employ AI to determine the Next Best Action.

Product recommendations will, for example, become dramatically more effective when using the full depth of customer data and augmenting it with predictive analytics to serve the product most likely to convert, on the channel most likely to convert. Summarised simply, whatever the strategy, better personalisation leads to better retention.

2. Understanding the value

Reporting on metrics such as incremental revenue or ROMI (return on marketing investment) are critical to any marketing department trying to effectively direct resources and focus. But what about the value for the customers themselves? Having a more granular understanding of what the value perception is for each customer can help design retention strategies accordingly. For example, price-sensitivity is always a factor, particularly in times of economic uncertainty, and customers who value a bargain will be drawn to discount brands or will shop primarily during the sales. In other words, they perceive value for money as important.

Price is an obvious example; there are other aspects of a brand's product or service that are valuable to a customer, but they might be harder to identify. For some customers it might be the convenience of express delivery or the ability to pick-up from an easily accessible branch. For others it might be the confidence that stock is always available, the ease of use of the website, or the exclusive products not found elsewhere. More and more, it might come down to the brand's sustainability stance. Depending on whether a customer is perceiving value in cost-cutting or carbon-cutting will affect the choice of retention message. Importantly, it is not something that will show up on an old RFM model. Rather, marketers need to derive insights from first-party data, embracing customer satisfaction and CX as part of their value proposition and use those insights to speak directly to differentiated sub-segments of their base. This leads us to our next point...

3. See nuance in churn prevention

This one might seem obvious (seeing as churn is the opposite of retention). But, before looking at reducing churn, it first needs to be defined and identified. Churn models are often solely based on transactions, even though transactions are just a small sliver of customer behaviour. At a minimum, the modelling should take into account ancillary datasets such as customer service data, return data, browse data, etc. There are many nuances in behaviour – is a web visitor who is not currently purchasing actually disengaged with the brand, or are they just not purchasing? If it's the latter, there are likely to be actions to reengage the customer that will maximise their future value rather than letting them drift into the dreaded churned segment. In any case, churn is not just a one-dimensional propensity measurement.

4. Developing customer journeys

Retention starts on day 1 of the customer relationship. Welcome journeys are an effective way to convert a solitary transaction into an experience that promotes brand loyalty. Here it's important to consider automation and personalisation, but it is also a great place to introduce educational or empathic messages, not just asking for the review that ultimately only serves the brand. The journey is technically transaction-driven but should not feel transactional to the consumer. Rather, a welcome journey should make the customer feel validated in their purchase or sign-up and provide a sense of community, personality or value.

Secondly, it's important not to forget about existing customers; it's one thing to make them feel special on the first date, but what about the subsequent interactions? Trust and loyalty build over time and so should your customer journeys. There are numerous opportunities to build additional mini journeys at the various points of the customer lifecycle.

5. Building trust

Building on the topic of improving transaction-triggered journeys, it is important to treat customers as valued partners as opposed to just wallets. Even when building your marketing calendar, you can alternate between sales-driven communications and educational, service, or empathic messages. Those messages are opportunities to provide value in a different way and to fight the marketing fatigue that renders customers blind to the repetitive sales messages.

The challenge most CRM teams face in implementing such a strategy is that there is a lot of pressure internally to send sales-driven messages. In retail, category managers typically need support from the CRM team to achieve their target, leaving marketing's campaign list heavy with too many demands on too many topics. This is where category affinity modelling and calendar optimisation can be powerful tools to balance out targets, messages and overall marketing pressure and, in turn, can power your retention strategy.

Category Affinity Model:

Planning-inc's Category Affinity Model identifies complex behavioural patterns to predict channel-agnostic upsell and cross-sell strategies, enabling marketers to priories content and offers based on what a customer is most likely to engage with. These strategies ensure communications are personalised and relevant, which leads to a reduction in opt-outs, boosted basket sizes, increased conversions and maximised ROI.

Campaign Planner:

Campaign Planner from Planning-inc is the intuitive calendar optimisation solution that uses machine learning to support advanced audience selection based on your brand's unique customers and contact rules. With a simple drag-and-drop calendar UI, Campaign Planner's intelligent forecast engine simulates campaign scenarios and adjusts your targeting and segmentation selections by propensity to convert, enabling you to make the most out of your campaigns.

Trust can also be increased through implementing greater transparency. GDPR has brought a lot of attention to the privacy topic, both for brands and consumers. Nonetheless, there is a difference between doing the minimum demanded by law or hiding behind technical loophole, and proactively playing with the first party data card on the table. Giving a user easy access to their full data profile is an opportunity to ask for confirmation or completion of their interests. Explaining how this helps in the brand's objective to be more relevant on the site or in communications can sound risky, but can also be refreshingly transparent and lead to overall better data quality and better customer relationships.

6. Tackle the unsubscribe

This is probably one of the most under-estimated retention issues. Once a customer has unsubscribed, the brand is relatively powerless at communicating. It is seen as a low percentage of each campaign, but those 0.1% x DB size x mailing frequency x CLV amount to surprisingly large amounts of revenue.

Again, no secret here – increasing relevancy, carefully managing marketing pressure and removing campaign overlaps are key. Using affinity modelling to do so tends to be the most effective way of sending fewer (but better targeted and more effective) communications.

Providing an easy-to-use and granular preference centre is another great mitigation tool. The idea here is to divide your marketing plan into campaign and communication types which are reflected in the preference centre. Instead of having a choice between subscribed and unsubscribed, the customer can select only the topics that are relevant to them. Those can be anything like "New products we love", "Trendiest products of the month", "Early sales access", "Back in stock notifications", etc... This can also help modelling a customer's interest.

7. Loyalty/Reward Programs

Over the years, the traditional loyalty schemes have lost a lot of their attractiveness. The points or miles have plagued brands' balance sheets whilst customers have realised that the value had been greatly over-stated or could be changed or taken away at any point)!

The "surprise and delight" model is a more cost-effective and less transactional way of rewarding loyal customers. Here, it is critical to reward the customers according to their future value rather than just measuring their spend so far. Future Value Modelling is the tool we use to focus the spend onto those up-and-coming loyal customers.

That being said, "surprise and delight" doesn't need to be at odds with more traditional approaches to loyalty schemes, but it's important that the loyalty scheme truly delivers value rather than an endless tally of meaningless points that result in marginal savings. Whether this takes shape as exclusive offers, added benefits like free delivery, early product or sales access, discounts or value-added content will need to be tested and optimised to deliver the best outcomes for your brand.

8. Facilitating interactions

There are numerous strategies that can be implemented to improve CX, although many of them fall in the hands of the App and Web developers. However, outbound communications have a critical role to play in maintaining the continuum of great experience – that's where CRM and CX come together.

The most important aspect is to facilitate the navigation from the messages through to the rest of the journey. For example, this can be done through deep links into the specific area of an app mentioned in the message, it could be a link that preloads a saved basket even if the customer has not authenticated yet, or simply linking to the specific product or category based on propensity as opposed to the website's homepage.

Another way to facilitate interactions is to add value in the way a shop assistant would. For example, an abandoned browse on a product that is out of stock could trigger a message suggesting an alternative product with similar attributes, a message when the product is back in stock, or a list of the closest locations where it is available in store.

There is a full range of triggers that can be automated such as notifying a customer when a product they've showed interest in is nearly out of stock or when its price has been reduced. Of course, in order to execute these triggers successfully, the CDP underpinning the process needs to have real-time behavioural data, but also access ancillary datasets such as products and stocks.

Real-time capture and activation:

Unilyze, the CDP from Planning-inc, is built to support a robust Single Customer View through synchronous and asynchronous data loads, so you can see and react to customer activity in real time whilst safely storing the full depth of your brand's historical data with no storage limitation.

9. Contextual personalisation

Customer experience strategies such as those listed in the previous section will require a breadth of data coming from various areas of the business. Once this has been established, your data platform can help you connect to, and leverage, external data source such as weather, game results, maps and more. All of these data sources can be used to enhance messages with highly contextual personalisation that will utilise the customer's data in the context of their environment. How would you react to a message notifying you that you could pick-up an item out-of-stock online from a store in your area? What if it suggested you go tomorrow because it will be sunny and that you are only 12 minutes' walk from the branch?

10. Central decisioning

As mentioned in the unsubscribe section, managing overlaps between campaigns is crucial in avoiding conflicts that translate into disconnected messaging and excessive marketing pressure. Decisioning relates to the process of deciding which communication a customer should receive and which they should not. The difficulty is that between triggers, journeys, and busy campaign calendars, the risk of mismanagement is high. It's not just a question of data planning – it's important to utilise tools that can automatically apply suppression rules and have a centralised system to avoid discrepancies caused by data silos.

11. High value inbound to outbound

We've previously covered numerous scenarios utilising triggers to follow up an inbound event like an abandoned basket or browse with an outbound communication such as an email. Those are effective and scalable, but might not be appropriate for high-value product and high-value customers. In those specific cases, it can be worth routing the outbound notification to a more personalised channel, like a call centre. For example, if a known client is attempting to buy a £20k TV but the transaction wasn't completed, a call from a service agent might provide both a great customer experience and a high-value transaction.

Those scenarios require great timeliness and accuracy of data, as well as a holistic approach to omnichannel customer communications.

12. Mix and match

The final recommendation is not to limit yourself to a set of strategies, but to mix and match them to create new and even more impactful strategies. For example, we know that we can limit unsubscribes by giving the option to opt-down, which is a temporary opt-out or a reduction in frequency. The next level is to personalise the opt-down itself by using customer or contextual data. The preference management page could propose a return after the holidays to someone with kids, before the next sale to someone price-driven, or just in time for the next season launch to a fashion afficionado. This strategy requires an understanding of where the customer sees value but also ticks the boxes of personalisation and powerful customer experience.

CONCLUSION

Before deciding which strategies will be the next to enhance your retention arsenal, it is worth noting that many use the same foundation and building blocks. Although getting a point solution to address one scenario will work in the short term, it will also create yet another silo of execution and make it harder for further strategies to be added in a coherent and productive way. That's why a customer data platform is not just a technical tool to link-up data, it also needs the ability to coordinate and optimise the overall CRM strategy.

Planning-inc Ltd
75 Bermondsey Street
London
SE1 3XF

contactus@planning-inc.co.uk

GET IN TOUCH TO LEARN HOW PLANNING-INC CAN HELP YOU ADVANCE YOUR RETENTION STRATEGY THROUGH CUSTOMER DATA.

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