

# Retention Marketing Playbook for D2C brands



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# 01

## Introduction to Customer Retention Strategy



# Introduction to Customer Retention Strategy

Brands that invest in retention have a better growth trajectory than brands that don't. In a world where brand loyalty is gradually disappearing, it is more important than ever to shift the focus from customer acquisition to customer retention. Hence, the importance of incorporating a good **Customer Retention Strategy** for your brand has become extremely vital today. But first, let's first understand what customer retention entails!

**Customer retention** describes the marketing activities undertaken by brands to transform customers into repeat customers, thereby sustaining engagement with them and boosting business growth. A Customer Retention Strategy is an extremely important part of the funnel that most brands overlook.

In the context of **D2C marketing**, customer engagement & retention is a holy metric that drives sustained growth for brands. Research shows that customers who come back after making a purchase added items to cart 65.16% more than first time customers, converted 73.72% more than first time customers and spent 16.15% more per transaction.

## We found compelling studies that state the following



Increasing customer retention rates by **5%** can help increase profits upto **95%**



Almost **80%** of sales occur from existing **20%** of customers



Retention marketing focuses on existing customers, which can also help acquire new customers



It's cost-effective as it can cost upto 5 times more to acquire a new customer



Brands have a **60%** chance of being able to sell to an engaged customer as opposed to a **5%** chance to sell to a new customer

Customer retention is much easier, easy on the pockets and contains less hassle than acquiring new ones. There's a famous saying -

**'Sometimes you don't see what is right in front of you. All you have to do is open your eyes and see it!'**

This holds true for retention marketing as well.

Brands get caught up in the race to chase new customers when all they have to do is focus on retaining their existing ones to increase long term profitability and bring stable revenue to the business. The whole point of customer retention is reminding and adding value to the customers about the brand, if not then the competitors will use that opportunity. These retained customers not only increase profit, but also provide valuable feedback, and by their own will become brand ambassadors.

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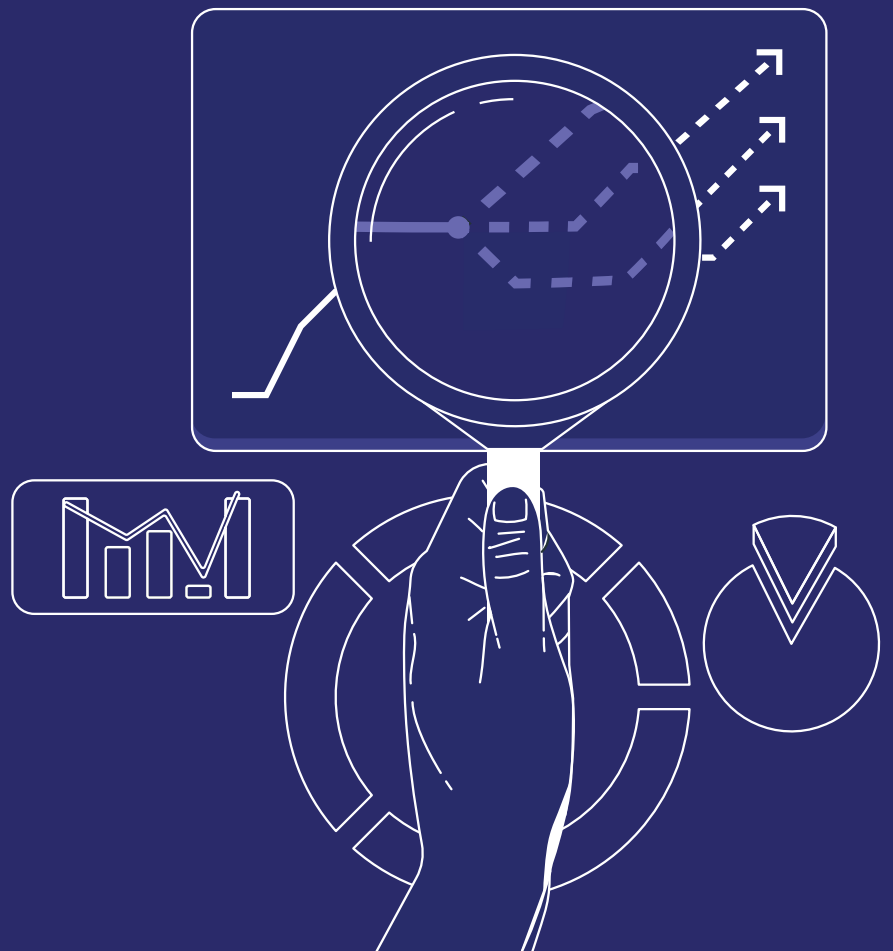
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# 02

## Winning Retention Metrics For Every D2C brand



# Winning Retention Metrics For Every D2C Brand

Let's look at some of the Retention Metrics that can help you craft a winning customer retention strategy.

## 1. Customer Retention Rate

It is the number of customers who returned to repurchase over a specific period of time (week/month/year).

A high CRR is proof of an effective strategy in place. It is the most important metric to determine customer loyalty, and a KPI to know if loyalty marketing strategies are working or not.

**The formula to calculate Customer Retention Rate is :**

**Customer Retention Rate =**

$$\frac{[(\text{Number of Customers at the End of Time Period}) - (\text{Number of New Customers Acquired During The Time Period})]}{(\text{Number of Customers at The Start of Time Period})} \times 100$$

**An increase of 5% Customer Retention rate, can raise the profit by 25 to 95%! Higher the rate, better the result. The average retention rate for e-commerce is around 30%.**

## 2. Churn Rate

Churn rate is the metric to measure the rate at which a business loses their customers within a specific time period. To prevent losing customers, churn rate should be constantly monitored and brands should incorporate measures to decrease the churn rate over a period of time.

The formula of churn rate is :

$$\text{Churn Rate} = \left[ \frac{\text{Lost Customers}}{\text{Total Customers at the Start of Time Period}} \right] \times 100$$

**To keep the churn rate at low; good customer support and experience is extremely crucial. Lower the rate, better for the brand.** The ideal churn rates by industries are - Online Store 38%, IT 81%, Media 84%, Professional Services 84%, ED-Tech 27%,

## 3. Purchase Frequency Rate

Purchase Frequency Rate helps to determine how frequently a customer purchases within a specific period of time.

The formula of Purchase Frequency rate is :

$$\text{Purchase Frequency Rate} = \frac{\text{(Total number of purchase within a given time period)}}{\text{(Total number of unique customers who made purchases within that same time period)}} \times 100$$

**The longer the time frame used, the higher your Purchase Frequency will be.** D2C that sell larger, high-value goods can expect to have a lower Purchase Frequency than businesses selling consumable products. It is one of the most commonly used KPI to track business growth, especially for D2C.



#### 4. Average Order Value

D2C brands have to keep in mind that they have to nudge repeat customers to increase their cart value. The key benefit of increasing average order value is that the brand makes more money from each transaction, boosting total profit, and the marketing return becomes cost effective.

**The formula of Average Order Value is :**

$$\text{Average Order Value} = \frac{\text{Total Revenue}}{\text{Number of Orders Taken}}$$

There are tried and tested methods to increase the AOV like having bundled deals, giving free shipping and discounts amongst others.

# 03

## Best Practices for 2022



# Best Practices for 2022

## Why is Retention Marketing Important to E-commerce brands?

E-commerce businesses rely on Retention for growth and sustainability. Retaining the existing customers is much cheaper than acquiring new customers. Retention Marketing is a form of a marketing strategy that focuses on engaged and existing customers to return to your brand again, along with the acquisition of new customers.

New campaigns to expand the customer base require a separate strategy. Customer loyalty is any brand's asset, in the case of D2C it is the loyalty which brings the same person to come back and purchase from the same website or app again and again. By practising retention smartly, trust is earned and kept intact which eventually leads to a higher LTV of customers.

## Here are some best practices under retention marketing for e-commerce/ D2C brands that can help add incremental value to the business and increase customer retention rate -



### Abandoned Cart Reminders

Most D2C sites have an abandoned cart rate of 15%. Abandoned Cart Reminders are used to remind their customer about the items they were close to purchasing but left in the cart. It pushes them to come back and complete the purchase. As soon as they leave the platform, reminders should be started to make them come back to complete the purchase via channels like Email, SMS, Push notifications, Whatsapp, Facebook, Instagram.

The purchase cycle may take days, weeks, or even months. 73% of consumers rely on reviews and ratings for buying decisions. If one or more products are high rated, then that has to be highlighted in the reminder notifications. As per the latest study, cart abandonment emails have a greater than 6% conversion rate.



### Personalised Customer Journey

Based on the interaction of the customers with the brand, they can be segregated into different segments as per their individual brand loyalty.

To make customers feel included, telling them about their customer journey is important. An email about whether they have completed one year of subscription, continuous purchase every single month, or maybe purchasing specific items on repeat etc will make them excited about the brand and their journey with the brand. Along with that email a discount coupon can nudge them to make a purchase.

Research shows that 91% of the customers are more drawn to make purchases from the brand which provides them personalised offers, and recognizes them. Personalised product recommendations boost CTR by 300%! Higher CTR means more engagements which leads to more conversions.



### Surprising Them

Customer delight is always an important parameter which determines the success of any business. People love surprises, as it makes them happy without any notice. After receiving a surprise offer often 2/3rd of the customers end up purchasing something, they did not even plan to. Similarly 80% newly acquired customers make their very first purchase after receiving an offer.



## Referral Points

83% of people trust a recommendation from a friend or family. Trust factor is the main reason why referral works so well. With rising e-commerce and tracking technology, easy and effective referral marketing concepts have come into play. Referral programmes are great to increase email lists, promote the brand and boost revenue. Extremely easy to set up, they run automatically and are cost effective for newly acquired customers, and mostly they help in improving customer loyalty.



## Active the Inactive

Customer acquisition is almost 7 times more expensive than reactivating the inactive ones. Lack of engagements, change in purchasing behaviour, poor customer service can be the reason for them being inactive. Brands need to monitor their behaviour and push tailored content toward them catering to their needs. Some ways to activate the dormant customer base is using sale tactics, discount coupons, and customer surveys.



## Win back lost customers

Lost customers have more value than cold leads and they are more cost effective than acquiring new ones. There is a 20 to 40% chance of getting back lost customers as opposed to new customer acquisition. To know the reason for their leave, surveys will help. Based on their answers, special offers can be tailored for them.



## Improve Customer Service

As mentioned above, customers heavily rely on reviews and ratings. So neglecting the complaints will affect sales as well as the customer retention rates. A brand yearly loses around 10-20% customers just by not properly attending to the needs of the customers. Customer satisfaction is the key to any business, especially D2C. Almost 96% of unsatisfied customers do not even lodge a complaint. A brand needs to ask customers whether they are happy with their service or not, also their suggestions on improving what's lacking.

# 04

## Important Tools



# Best Tools For Retention Marketing

## 1

### **Salesforce Marketing Cloud**

Salesforce Marketing Cloud comes with solutions to attract more buyers using personalised marketing at scale. The CRM ecommerce marketing solution provides an effective all-around platform. Vetted email templates, easy-to-understand controls, multichannel customer service, pre-defined event triggers, predictive content, and advanced tracking and reporting features, all based in the cloud make reliable retention campaigns a reality. Icing on the cake is the predictive analytics and personalization builder in Marketing Cloud that helps deliver individualised experiences to customers at scale. If you are looking to boost your ecommerce sales, Marketing cloud is the one of the best tools in the market today.

## 2

### **WebEngage**

WebEngage enables businesses to create personalised experiences at a massive scale. It provides services for Email Marketing, SMS Marketing, WhatsApp Marketing, Push Notifications, Facebook Remarketing, Google ads,

D2C brands can create immersive multi channel engagement strategies. Brands can connect their users through their choice of channel, one or multiple. It helps in driving brand loyalty and increase customer engagement with well-timed, relevant, personal, and contextual messages, to personalise the campaigns at scale. In a few clicks a brand can set triggers, create actions, check conditions, and introduce flow control with an intuitive drag and drop journey designer. Highly recommended for growing D2C brands that are looking for one easy to use retention platform with advanced features.

# 3

## **Clevertap**

CleverTap is a SaaS-based customer lifecycle management and mobile marketing company which provides mobile app analytics and user engagement products. It is an all in one platform, behavioural analytics, audience segmentation, and cross-channel messaging in a single platform. The platform delivers a seamless omnichannel experience at every lifecycle stage with messaging campaigns across 12 channels including push, email, in-app, WhatsApp, and more. From cohort analysis and conversion funnels to profile data and uninstall tracking, their platform is jam-packed with all the behavioural analytics you could hope for. It connects data in meaningful ways to personalise messages, accelerate product discovery with predictive recommendations, and build automated campaigns.

# 4

## **Contlo**

Contlo is a customer data and marketing platform for e-commerce and D2C brands that enables e-commerce stores to increase sales, drive customer loyalty. The tool enables you to generate more revenue, increase retention, and automate personalised experiences for your D2C customers through AI powered CDP + Omnichannel Marketing Apps.

With Contlo's AI powered hyper personalised automations like cart abandonment, customer loyalty, post purchase engagement, D2C brands can get a lot of benefits. It can create micro segments of customers based on their shopping patterns, predictive behaviours and custom properties to improve conversions with well-targeted, personalised experiences. Through Email, texting, push notifications, direct mail, WhatsApp it helps brands to connect with their customers in a meaningful way.



# 05

## Summary & Conclusion



# Summary

It's a well-established fact that companies have a greater focus on customer acquisition as compared to customer retention. In the marketing industry it is often said, 'Your best customer is the one you already have'. The real mines are hiding in those existing customer lists, missing out on them will be a great loss for any brand.

**The goals of customer retention are not just to increase the number of customers but instead:**



Increase customer return rates and bring back old customers into the purchase cycle



Improve purchase frequency and ensure that customers stay in the purchase cycle



Decrease customer churn rates

In Retention Marketing, the priority should always be increasing brand loyalty of their existing customers. The growth of any D2C brand lies within that base. Retention Marketing increases the customer experiences, and this experience translates to better brand loyalty. Clear communication is what is needed to diminish the barrier between the customers and the brand, most of the brands need to have that as a key focus area for a successful strategy.

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