emarsys

7 STEPS TO SUCCESSFUL RETENTION AUTOMATION

YOUR GUIDE TO MAXIMIZING REVENUE FROM YOUR CUSTOMER DATA

It costs a lot to acquire a new customer, but most will make a single purchase and then leave. A repeat purchase, on the other hand, costs far less than acquiring a new customer: between four and seven times less.

Retention automation is a simple, well-known concept that deals with this issue. Its objective is to deliver better ROI by turning one-time buyers into repeat customers, rather than simply focusing on acquiring new customers.

The key to retention automation is the basic understanding that even though all customers are individuals, their behavior follows certain patterns depending on where they are in the customer lifecycle. With this in mind, you can begin to analyze them as groups, and connect them to automated campaigns designed to move them in the right direction along the customer journey. Plenty has been written on how programs and multi-channel campaigns can address customer retention based on the customer's current lifecycle stage and their importance to the business. Surprisingly, although the theory is so simple, most companies aren't doing it, usually as a result of a combination of obstacles. We believe that there are seven simple steps your software provider must offer in order to overcome these obstacles to retention automation.

1. Automate and Simplify Data Collection
2. Develop Scoring and Segmentation Criteria
3. Utilize Smart Metrics
4. Integrate Your Engagement Platform
5. Measure the Impact
6. Establish Your Reporting Routine
7. Encourage Experimentation

1. AUTOMATE AND SIMPLIFY DATA COLLECTION

Data centralization and big data models have been major topics of discussion in recent years, and can still be challenging obstacles for companies that don't have the resources to connect all their different data silos. A good retention automation platform can do this for you, freeing your marketing department from having to fight for their share of resources.

But data itself is not always enough. Sometimes you may have more data than you need. "Upload Everything" is a trap; data should only be used for specific purposes. And here's the good news: the information that retention automation needs is quite well defined, making it easier to identify what you need, and simpler to automate.

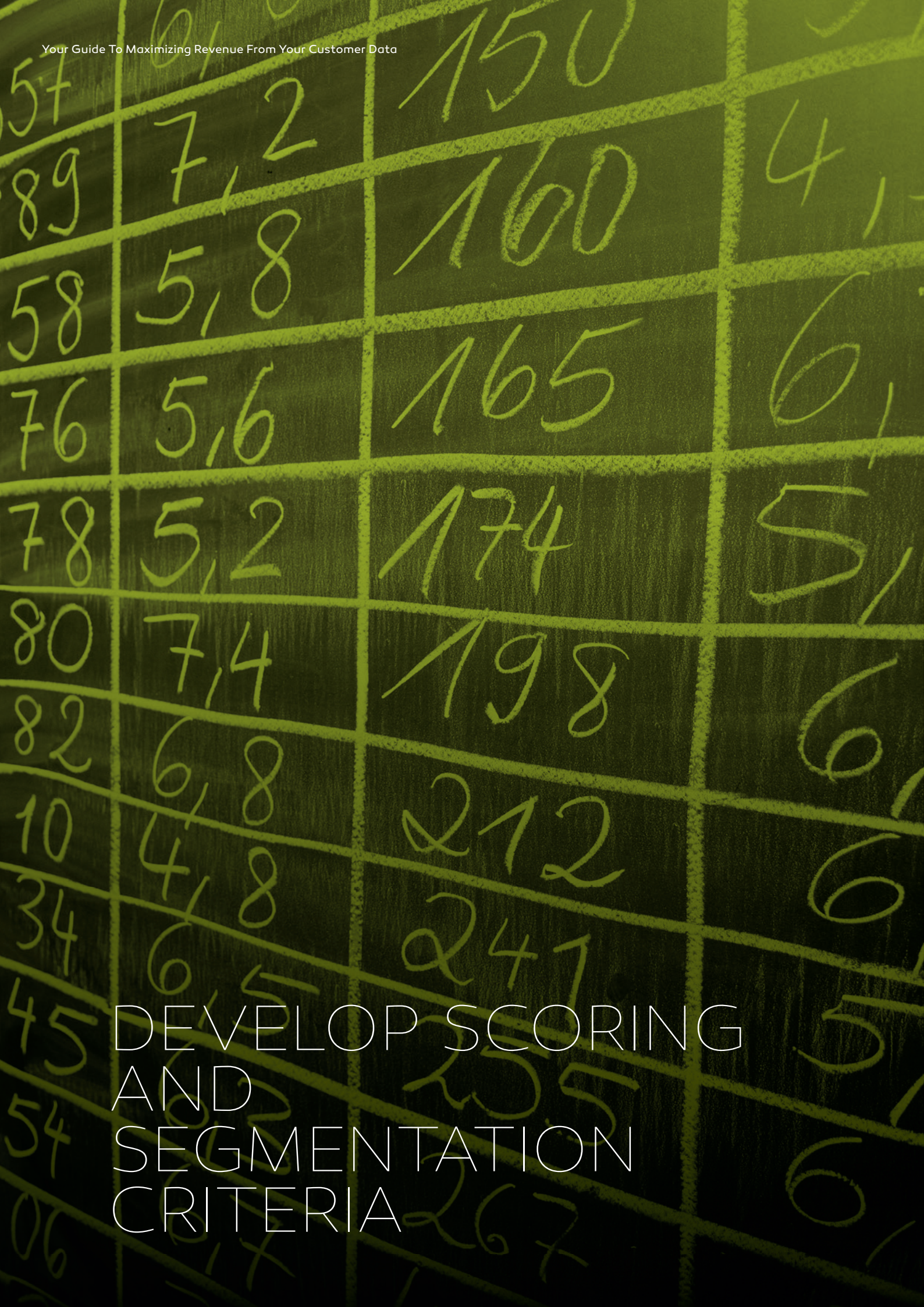
There are two ways a good retention automation platform should help you succeed in this initial and essential step. First, retention automation should define a streamlined and efficient data model to include only what is necessary for the program to be successful. Second, it should automatically collect as much data for you as possible. Let's elaborate on these two points.

USE A SIMPLIFIED DATA MODEL

The bare data necessities are: your contacts' profile details, their purchase behavior, and details of the products they purchased. With these three perspectives, you can make a positive impact on the customer experience and your repeat sales metrics. For example, this data will allow you to perform the basic RFM (Recency, Frequency, Monetary) segmentation. You can then begin to include data from email, website, and app behaviors, to bring in that extra dimension of engagement to help you learn what your contacts are doing now, and predict what they will do in the future.

AUTOMATE AND SIMPLIFY DATA COLLECTION

This collection of retention automation data can be streamlined by using scripts implemented in your website code, or integrated into your web shop database. When scripts are not practical, or not desired, then a good retention platform should provide secure data transfer protocols for daily file uploads that can still save you time and help you to accomplish the same goals.



DEVELOP SCORING AND SEGMENTATION CRITERIA

2. DEVELOP SCORING AND SEGMENTATION CRITERIA

Once data collection and structure have been established, a retention automation platform can use built-in knowledge and predictive scoring models to build smart and effective segments. RFM analysis is one of the most common uses for this data. If you add engagement scoring into the mix, you get ERFM (Engagement, Recency, Frequency, Monetary). This extended model opens up many options that can help you to engage with your customers and increase repeat purchases. One crucial program that most companies don't have in place is an automated campaign to win back defecting buyers with an incentive based on the buyer's status and spend.

Establishing the basic customer lifecycle segments then allows scoring and segmentation to become even more powerful, by developing groups such as micro-segments, cohort groups, and predictive clustering. There really is no limit to how far you can drill-down through the data to build powerful scoring and segmentation strategies that will create repeat customers.

UTILIZE SMART METRICS

3. UTILIZE SMART METRICS

Each one of these customer lifecycle segments is a living, breathing group of real people. Of course you want to know more about them, but is there any value in knowing each contact in your defecting buyer segment personally? The answer is no.

You do not need to know what each defecting customer bought, or how long they stayed on your website, because you don't need to manage that level of granularity. Instead, use data to analyze the segment and discover its aggregated personality. This analysis will help you focus on the key metrics that will be the fundamental factors behind your success.

FROM DATA TO INSIGHT - USING SMART METRICS

Let's say that you know that if your first-time buyers do not make a second purchase after 47 days, then they are more likely to defect rather than buy a second time. You had previously assumed this threshold was 90 days, but thanks to real-time data you now know waiting 90 days is far too long. Adjusting your strategy so the incentive is sent to the defecting customer near the 47th day, rather than the 90th, means the offer will reach the customer just as they are starting to stray.

The defecting customer segment is constantly evolving, and who can say if the timing threshold won't fluctuate over time? With these smart metrics, you can continuously monitor the results against your goals, and make appropriate changes to your program schedule as necessary.

PREDICTIVE BEHAVIOR MODELING

Predictive modeling is another example of how smart metrics help you understand your data. Using predictive behavior modeling, you can see that if you continue to do what you are doing now, a defecting buyer is 7% likely to convert, and an inactive buyer is 0.08% likely to convert. In the above example, the need for a change in strategy can be identified. As you improve your program, these figures will start to change, and in a short time you can arrive at an optimum balance in your customer engagement strategy.

MOTIVATIONAL METRICS

Smart metrics are only valuable if they motivate you to take action. *What is the ratio of first-time purchases in your industry? Did you know that most revenue comes from first-time buyers that do not buy again?* Usually only 30% of revenue comes from repeating customers. If you are above this figure, you are doing well, but you know this number could be higher. *Can we really accept that most customers will never come back?* A good retention automation platform offers reporting that details this purchase-related data and lets you measure the impact on your business over time.

PREDICTIVE REVENUE

Predictive revenue calculations can be a wakeup call for many marketers. Finding out exactly how much each one of your defecting buyers is costing you could be shocking. Pulling your strategy into focus will show you, for example, how much lifetime revenue your 245 first-time buyers generated yesterday, compared to how much was lost by the 652 defecting customers who became inactive yesterday.

These are only predictions of course, but as they are based on *your* data, and accurate enough you can use them to shape *your* marketing strategy.

INTEGRATE YOUR ENGAGEMENT PLATFORM

4. INTEGRATE YOUR ENGAGEMENT PLATFORM

You might have your own business intelligence solution in-house, or maybe a niche solution focused on a specific industry; it may even be integrated with your engagement platform at some level. But if your customer data is not at the core of everything you do, you risk losing the insights you need.

Your customer data must be part of the core marketing platform that handles your contacts, segments, automation, reporting, content… everything..

Marketers should challenge their vendor, and aspire to have all of their data available in one interface! You should be able to view and analyze data, collect and segment contacts, create content, automate campaigns and reporting, all in one user journey.

Truly integrated data also provides powerful opportunities to used triggered messaging. In other words, if a customer performs an action on your website, a response can immediately and automatically be triggered by the platform. Content should also be fully integrated and personalized to that customer and the actions they have taken. To deliver this, you need well-designed campaigns and, of course, compelling offers. The offers must feature the right products for that person, at that point in time. This 1-to-1 experience can only be done to any degree of scale with a quality product recommendation engine. Retention automation platforms that don't automate this kind of content will leave you short of one of the fundamental ingredients for a successful triggered message strategy.

Integration also means access to multiple marketing channels. While email is the most common channel, it can't be the only one. If the email didn't work for the defecting platinum buyer, then perhaps an SMS message will create more interest. You must do whatever it takes to win them back.

5. MEASURE THE IMPACT

Imagine you have a tailored strategy that follows what has been outlined above. *How do you measure the impact?* Let's say you set up an automated campaign designed to win back defecting buyers. You include an incentive and great product recommendations. After three weeks, you have won back 212 buyers. *Is this good?* Probably. *But could it have been even better?* Maybe - who knows? *If you had done nothing, how many of these 212 defecting buyers would have come back in their own?*

Looking at opens, clicks, or even conversions, won't tell you the whole story. The only way to be sure your campaign made an impact is to have control group testing. If that automated program was sent to 90% of your defecting buyers, and 10% were reserved as a control group, you would be able to see how many of the 10% came back without that campaign. This would show you the true value of your win-back program. You'd know exactly how much revenue the program generated that would not have come in otherwise.

6. ESTABLISH YOUR REPORTING ROUTINE

Retention automation should not be seen as your total business intelligence solution. The strategy should be to establish a specialized system that collects what is necessary to work its magic behind the scenes. Otherwise, you can't see the forest for the trees. Preplanned reporting templates, designed by data scientists with focus on retention automation, will clarify which actions you should take. However, as these reports are developed, be careful not to be distracted with nice-to-have reports. Whether you focus on your segments, performance, or smart metrics, the reports should be tailored to your needs and empower you to make confident decisions based on real, actionable information.

Implement an efficient daily reporting strategy based on the **manage**, **motivate**, and **monitor** concept:

- **MANAGE:** See how contacts are distributed across the lifecycle segments, learn their aggregated personalities, and analyze how behavior changes over time.
- **MOTIVATE:** Discover where the financial potential lies. Identify which issues are costing you money and focus on the revenue opportunity right in front of you. Find out how much of your revenue is from first-time buyers, what is the ratio of your refunds, and so on.
- **MONITOR:** Monitor the results of the actions you are taking to see what performs well and what needs to change.

ENCOURAGE EXPERIMENTATION

7. ENCOURAGE EXPERIMENTATION

People are often scared of change. Companies are typically very set in their ways. It's not always easy to try new things, or to change something you think already works well. But you would always consider a change if you could see that it would lead to improvement, right?

Testing will allow you to experiment with different ideas to see how your customers respond. The results and reactions will change and evolve over time, so testing should be an ongoing part of your marketing strategy. One simple way to start testing is with split testing, where 95% of a segment continue as normal and 5% are diverted to a test variable. Your team, regardless of the channel, should be A/B testing all the time, and you should also make sure it is also implemented in your automated programs. Test segments, content, incentives, channels, timing, anything goes - let the results speak for themselves. One experiment didn't move the needle? Fine, turn it off and try something new. If it did work and looks better than the original, expand it to the remaining 95% and move on to the next experiment.

MAKE IT HAPPEN

Many marketers have started working with big data models, but the problem still persists; the real-world implementation of these ideas is not performing. Consider the power that the software you use possesses, and follow the steps outlined above to keep your customers coming back for more.

These *7 Steps to Successful Retention Automation* should give you what you need to turn your one-time buyers into repeat purchasers. Give it a try, and see how you can dramatically improve your bottom line by maximizing total revenue generated from your existing and loyal customers.

WANT TO AUTOMATE RETENTION AND DRAMATICALLY IMPROVE YOUR BOTTOM LINE?

Take a look at the Emarsys customer intelligence solution, Smart Insight. We built this with retention automation in mind, and it facilitates all the seven steps described above. You'll discover that customer engagement is deeply embedded in our DNA.

Get in touch today and we'll be happy to show you how it can work for you.

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Emarsys USA | 10 W. Market Street Suite | 1350 Indianapolis | IN 46204 | USA
Phone: +1 844-693-6277 | Email: us@emarsys.com | www.emarsys.com
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