



RX | RETENTION X

8 STRATEGIES ON CUSTOMER RETENTION

THAT EVERY BRAND SHOULD KNOW



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Maximize Customer Retention

Drawing in new customers is critical for each brand, but the basis for sustainable growth is to keep customers coming back - ultimately producing loyal customers. The numbers don't lie: **It costs 5 to 25 times more to acquire a customer than to retain one.** Through effective retention strategies, you can convert a first-time buyer into an ambassador of your brand.

The best way to assess the effectiveness of your retention strategies is to measure the *Lifetime Value* of your customers. Of course, there are various factors that influence the LTV, but for sure customer retention is one main driver. **A 5% increase in retention leads on average to 95% higher profit.**

The key ingredient for a growing LTV is understanding the needs and preferences of your customers. Once you understand what drives customers to buy from your brand, you can personalize their journey to keep them happy and coming back for more.

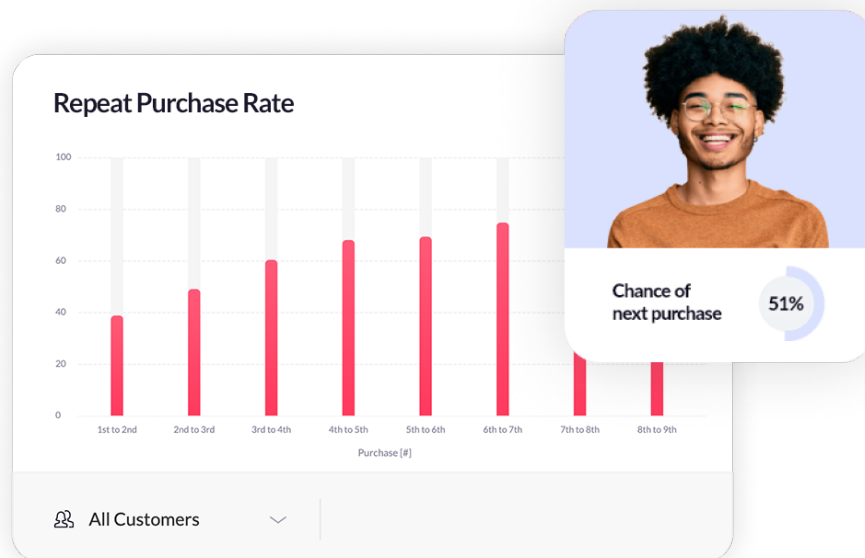
At RetentionX, we've worked with hundreds of consumer brands to develop the most effective strategies for increasing customer retention.

8 STRATEGIES ON **CUSTOMER RETENTION**

- 01 Target Overdue Customers
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#1 Target Overdue Customers

The best customers are the ones you already have! After a customer has placed an order, it is your job to inspire them to place the next one. Therefore, it is important to perform your retargeting campaigns at the right time to increase the chance that they will catch your customer's attention.



Step 1: Understand how many orders it takes to create loyalty

Usually, the biggest challenge is to convert one-time buyers into repeat customers. Benchmarks show that the likelihood of repeat purchases increases with every subsequent purchase - in fact, achieving a second purchase results on average in three additional orders over the customer's lifetime.

So let's understand at which order number your customers become loyal and make it a habit to buy from your brand again and again. You should aim to develop your customers to that loyalty level.



Check this with the [Repeat Purchase Rate](#) report. For each order, this analysis shows the percentage of customers who placed a follow-up order. This report answers important questions such as: How many of your first-time buyers came back for a second purchase? How many of those shopped again for a third time?



Identify the order number at which the repeat purchase rate becomes stable at a high level. Now, it is up to you to incentivize your customers to reach at least that order number.

Step 2: Find the perfect time for your reactivation campaigns

Now that we know which order is critical to creating loyalty, when should it happen? To determine the estimated next order date, RetentionX leverages the [Time Between Purchases](#) report, which analyzes the typical buying behavior of your customers by order count. Based on this data you'll understand, for example, how many days it takes after the first order for a customer to place a second order.

It is important to analyze the purchase frequency separately for each order number as the time between purchases usually decreases with every subsequent purchase.

Based on this, the next order date can be estimated for each customer. Once the estimated next order date has passed without the customer placing the next order, that customer is considered overdue.

Customer ID ⁱ	First Order Date ⁱ	Last Order Date ⁱ	Estimated Next Order Date	Next Order Due ⁱ
51027	12 Jan 2020	12 Jan 2020	11 Apr 2020	OVERDUE
51001	29 Oct 2018	29 Dec 2020	20 Feb 2021	OVERDUE
51081	13 May 2020	04 Nov 2020	28 Jan 2021	OVERDUE
51002	19 Jul 2020	13 Jun 2023	30 Jul 2023	
51064	30 Aug 2020	10 Feb 2021	12 May 2021	OVERDUE

Only your overdue customers should receive additional inspiration or incentives.

Step 3: Segment your overdue customers

To put these insights into action, we need to identify the customers we want to work with based on customer segments.

For this, segment all overdue customers who haven't yet placed the number of orders required to achieve loyalty. E.g., all overdue customers who have shopped either once, twice, or three times. For this purpose, we recommend segmenting only active customers, i.e. those who have placed an order within the last 12 months. Taking *one-time buyers* as an example, the segment conditions are as follows:

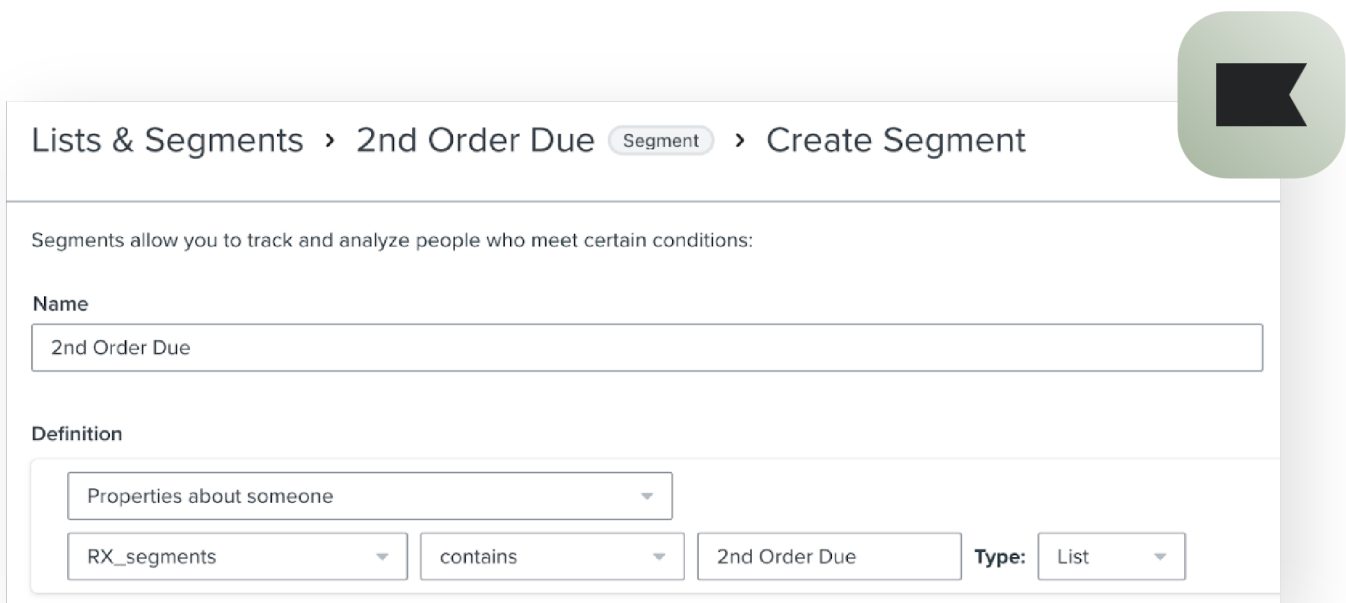
The screenshot shows a segmentation tool interface. At the top, there is a text input field labeled 'NAME' containing the text '2nd Order Due'. Below this is a section labeled 'DEFINITION' which contains a list of conditions. The first condition is 'Customers who have' followed by a dropdown menu showing 'Total Orders', a dropdown menu showing 'exactly', and a text input field containing '1'. The second condition is 'Customers who have' followed by a dropdown menu showing 'Next Order Due', a dropdown menu showing 'exactly', and a dropdown menu showing 'Yes'. The third condition is 'Customers who did' followed by a dropdown menu showing 'place an order', a dropdown menu showing 'exactly', a text input field containing '1', and a dropdown menu showing 'time'. The fourth condition is 'in the last' followed by a text input field containing '1', a dropdown menu showing 'year', and a dropdown menu showing a list icon. Each condition has a plus sign button to its right. Between the conditions are 'AND' and 'OR' buttons to indicate logical relationships.

Create the *2nd Order Due* segment with just one click from our [segment suggestions](#) in RetentionX.

Step 4: Create dynamic email audiences

To engage with these customers, start by connecting your favorite email marketing platform, e.g. Klaviyo, to RetentionX. Make sure to select *Segments* to add to your contact profiles. Thereby, you have your insights where your marketing team needs them.

Unlike traditional subscriber lists, segments are dynamic, meaning they grow as customers meet the segment conditions, and shrink when they no longer meet them. Use your customer segment information to create audiences which target your overdue customers, reaching them at the right time.



Lists & Segments > 2nd Order Due **Segment** > Create Segment

Segments allow you to track and analyze people who meet certain conditions:

Name

2nd Order Due

Definition

Properties about someone





RX_segments contains 2nd Order Due **Type:** List


The same customer segment can be used simultaneously across all your channels:



#2 Create The Perfect Next Offer

How can you inspire customers to repurchase? Instead of firing off the next coupon code, lead customers to the logical next purchase. Make sure you show your customers products that are interesting and relevant to them - based on their purchase history.

SKU	PROBABILITY	AOV	
 RB251	84%	\$243	
 AD525	41%	\$125	
 M52W2	25%	\$242	79
 A529s	8%	\$189	21



Recommended Product 84%

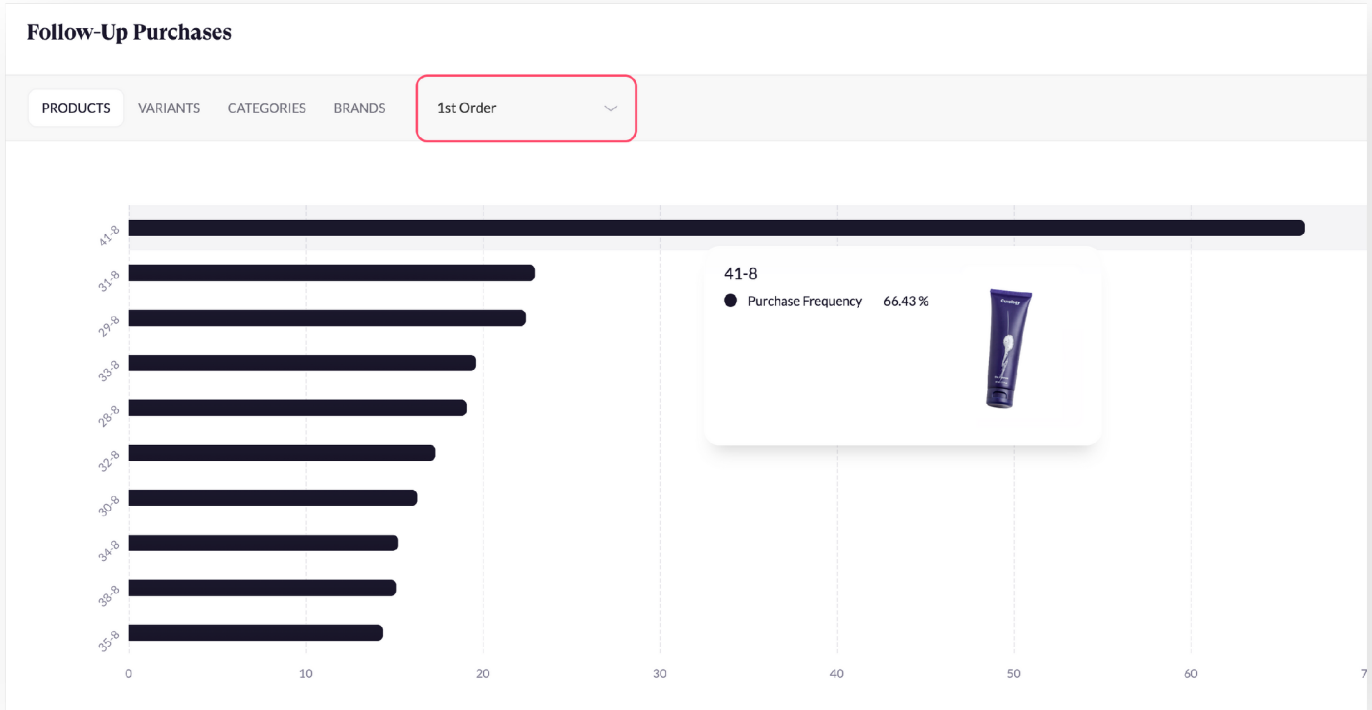
🔗 2nd Order

Step 1: Identify your best-selling products by new customers

Use the [Follow-Up Purchases](#) report to identify your best-selling products in your customers' first order. This guarantees that we work with products for which there are sufficient data points from follow-up purchases.



In this case, you can see that the product chosen the most for your first-time buyers is the *Cleanser*.



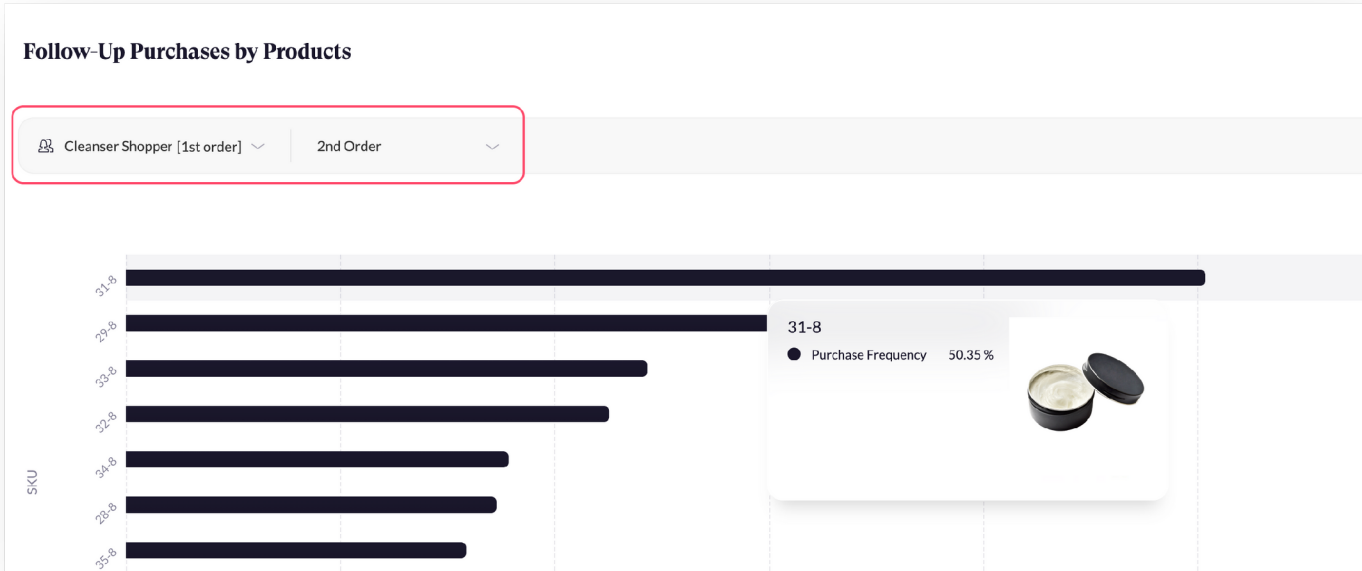
Step 2: Create a segment

In order to analyze their purchase behavior, create a segment grouping all customers who shopped for the cleanser in their first order.

The segment definition form is titled "NAME" and contains the text "Cleanser Shopper [1st order]". Under the "DEFINITION" section, the criteria are defined as: "Customers who did" (dropdown), "place an order" (dropdown), "being their" (dropdown), "1 st" (dropdown), "order" (dropdown), and "over all time" (dropdown). Below this, the criteria are further refined: "where" (dropdown), "SKU" (dropdown), "is one of" (dropdown), and "41-8" (dropdown). There are also minus and plus icons for adjusting the criteria, and a plus icon at the bottom right to add more criteria.

Step 3: Analyze the product journey

What does a customer who bought the cleanser first typically buy afterward? These are exactly the products that should be part of your reactivation campaigns.



Select your newly created segment and analyze their second order: after buying the *Cleanser*, most customers come back to purchase the *Facial Mask*.

Step 4: Identify your key customers

Create a segment that identifies all one-time buyers who purchased the best-selling product, but have not purchased the 2nd order bestsellers yet.

DEFINITION

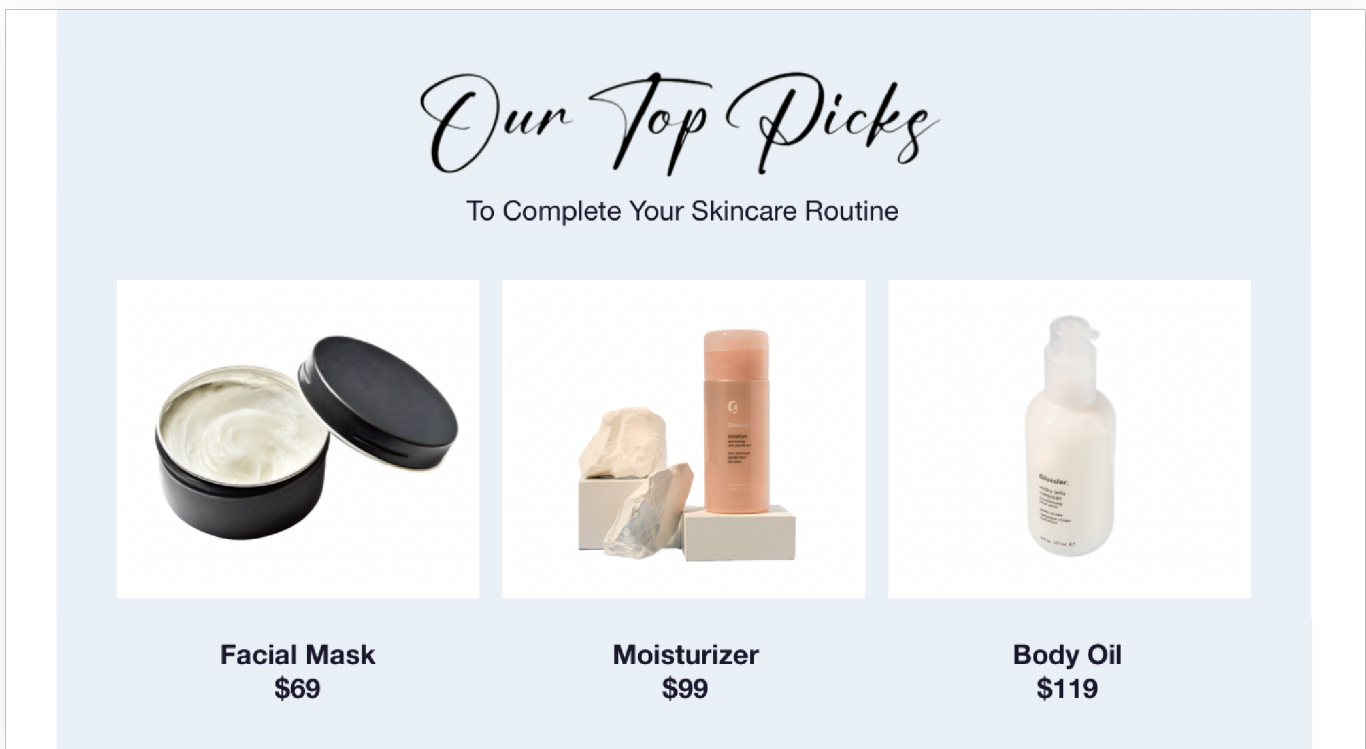
Customers who did place an order exactly 1 time over all time

where SKU is one of 41-8

and SKU is none of 31-8

Step 5: Customize the content of your campaigns

With open rates getting lower, personalization has to be the bread and butter of your email strategy. Create dedicated post-purchase campaigns for your top 5 bestsellers from new customers, for example, to provide them with relevant product suggestions instead of sending them a generic newsletter. In this case, target all the customers that purchased the *Cleanser* but not the *Facial Mask*, and promote it - along with the other bestseller in the second order. Based on their previous purchases, these are the products that they will logically be interested in.

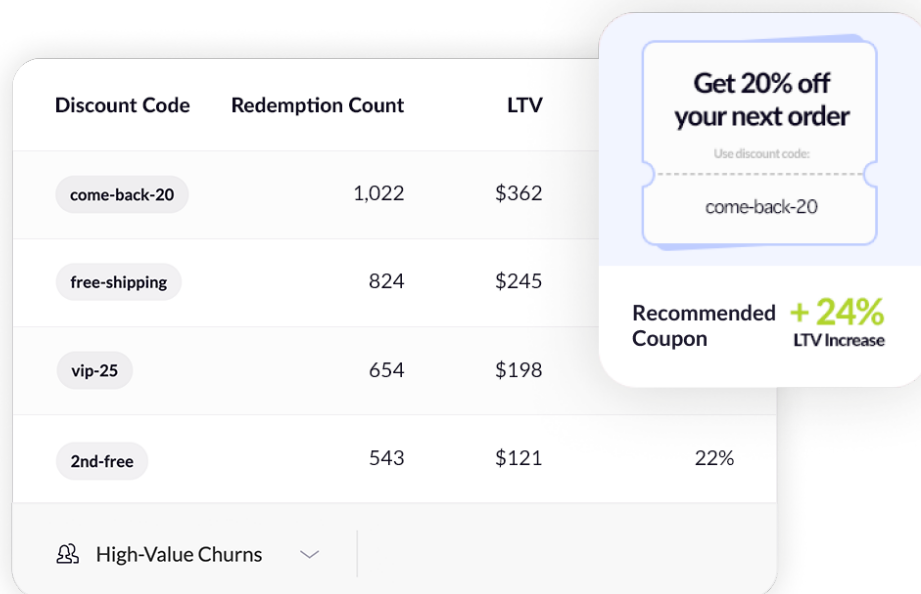


The graphic features a light blue background with the title "Our Top Picks" in a large, black, cursive font. Below the title is the subtitle "To Complete Your Skincare Routine" in a smaller, black, sans-serif font. Three product images are displayed in a row, each in a white-bordered box. The first box shows a black jar of cream with its lid off, labeled "Facial Mask \$69". The second box shows a collection of skincare products including a bar of soap, a tube of cream, and a bottle of oil, labeled "Moisturizer \$99". The third box shows a white bottle of oil, labeled "Body Oil \$119".

For many brands, it's also a good idea to set up an onboarding series to educate your customers about the products they bought. This fosters product adoption and lays the foundation for customer loyalty.

#3 Set Effective Incentives

Everyone loves a good deal, and nothing makes a customer happier than receiving a coupon that is irresistible, relevant, and highly targeted. Coupons are not only great for attracting new customers, but also for building customer loyalty. A coupon strategy that relies on extensive customer data will be a successful re-engagement campaign. The goal should not only be to trigger the discounted purchase, but also to incentivize long-term customer loyalty.



Step 1: Analyze the performance of your promotions

Use the [Best Coupon Codes](#) report to understand the performance of your promotions. Tracking the popularity of your coupon codes by the redemption count is important, but it's not the most decisive KPI for evaluating their success.



To understand if your coupon codes drive loyalty, the following two KPIs are crucial:

- The **average LTV** of customers that redeemed a coupon. This metric is impacted by the gross margin of each purchase, and the number of orders placed by customers.
- **Repeat Purchase Rate**, showing on average how often customers buy again after redeeming the coupon.

Coupon Code ⁱ	Redemption Count ⁱ	New Customer ; Share	AOV ⁱ	LTV ⁱ	Repeat Purchase ; Rate
WELCOME10	18,753 54 %	47.05 % -1 %	\$537.61 0 %	\$1,668.83 1 %	1.87 1 %
REFERAFRIEND20	7,625 -37 %	48.64 % 2 %	\$537.82 0 %	\$1,650.76 0 %	1.87 1 %
X951M	5,715 -53 %	47.96 % 1 %	\$534.01 -1 %	\$1,613.15 -3 %	1.78 -4 %
REACTIVATION10	3,822 -69 %	47.49 % 0 %	\$539.51 0 %	\$1,674.83 1 %	1.88 2 %
HAVEFUN	1,952 -84 %	48.00 % 1 %	\$536.14 0 %	\$1,616.85 -2 %	1.76 -5 %

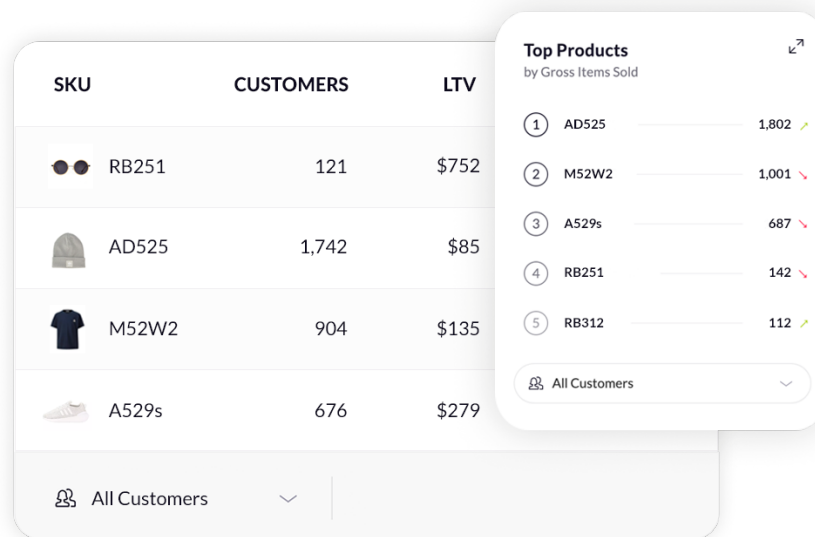
Step 2: Eliminate harmful discount codes

Only promote discount codes that lead to high repeat purchase rates, and refrain from promoting codes that only trigger one discounted purchase, as they don't add sustainable value to your brand! Also, be clear about what type of incentive works best: free shipping, percentage or absolute discounts, or free samples.

It's hard to find one all-rounder that works for everyone. Therefore, we'd recommend analyzing the performance of discount codes for your individual customer segments separately. That way, you can find out which incentives work better for top customers than for small buyers, for example.

#4 Promote Products That Drive Loyalty

If brands don't meet their expectations, consumers are increasingly happy to turn to a competitor that does. Although turning shoppers into lifelong customers is challenging, it should be your top priority. But not all products are equally effective in helping you achieve this. It's time to discover which products lead to high satisfaction and repeat orders, and which products become an integral part of your customers' daily lives and are purchased again and again. When strategizing your retention efforts, it's key to promote the right products.



Step 1: Identify products leading to follow-up purchases

Under [All Products](#), you'll find all metrics needed to understand their performance. With the help of the *Share of Orders Leading to a Follow-Up*, you can see how many orders containing the product result in a subsequent purchase. These products with a high *Share of Orders Leading to a Follow-Up* are true retention drivers.



To ensure that the *Share of Orders Leading to a Follow-Up* is calculated over a significant sample size, first filter by the number of orders, which should ideally be higher than the average number of orders per product.

Product Title	Orders	Orders Leading to a Follow-Up	Share of Orders Leading to a Follow-Up	Follow-up Orders incl. the Product	Share of Follow-up Orders incl. the Product
 <u>Cleanser</u>	20,115	14,443	71.80 %	8,256	41.04 %
 <u>Moisturizer</u>	11,073	7,912	71.45 %	3,765	34.00 %
 <u>Daily Routine Package</u>	31,513	22,078	70.06 %	14,943	47.42 %

Especially if you are offering *beauty & cosmetics, supplements, or food & beverages* products, make use of the *Share of Follow-up Orders incl. the Product* to find out which products also lead to repeat purchases of the same product. Products with a high share are part of your customers' daily routine and should be advertised actively.





Step 2: Optimize your product placement

Once you have identified which products keep your customers coming back, it's time to promote them as the flagships of your store and give these products high visibility:

- Choose the top 5 products, for example, and make sure they appear high up in your online shop and don't get lost on the downstream pages. Featuring these products in a dedicated section is also a good way to ensure visibility.
- But even before a prospect lands in your store, they should already see these products in your ads. Banish products from your campaigns that are ordered by lots of customers but have a low *Share of Orders Leading to a Follow-Up*, and focus on products that promise high retention rates.

Step 3: Identify cross-selling opportunities

Another way to promote these products is to include them in your email campaigns. Use your data insights and run these promotions only to an audience they are relevant to. For this, use the **Cross-Selling** report to understand which products are usually purchased in combination with the products showing the highest *Share of Orders Leading to a Follow-Up*. Simply filter the chart for the appropriate product, e.g. the *Cleanser*.

Cross-Selling			
	Product Combination	Purchase Frequency	Orders
	<u>Cleanser - Body Lotion</u>	8.82 %	42,327
	<u>Cleanser - Moisturizer</u>	6.18 %	29,630
	<u>Cleanser - Serum</u>	6.08 %	29,140
	<u>Cleanser - Toner</u>	5.29 %	25,369

In the next step, identify all of the customers that have purchased the products that are usually bought together with your top retention product (*Body Lotion, Moisturizer, or Serum*), but have not yet purchased the top retention product itself. Your goal should be to encourage these customers to buy the cleanser as well, knowing that this is a product that will boost loyalty.

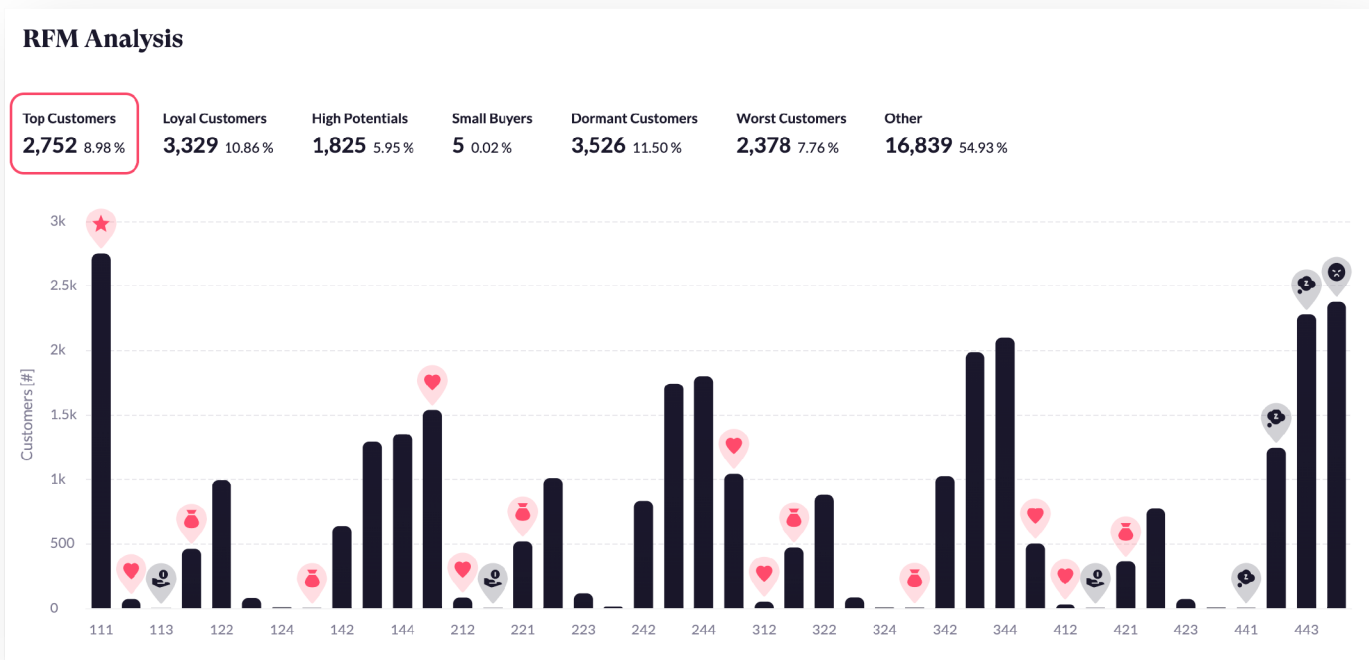
#5 Reward Your Top Customers

Every customer is different, and for those that stand out from the crowd, you should offer special recognition to make them feel appreciated and rewarded. It's important to also keep in mind that not all benefits increase the quality of your customers; therefore, it's important to understand the results of your current incentives and choose the ones that will keep your top customers repurchasing over and over again.

Step 1: Define your top customers

Use the [RFM Analysis](#) and divide your customer into groups to understand their potential based on three variables:

- **Recency:** Number of days since the last order
- **Frequency:** Total number of orders
- **Monetary Value:** Generated net revenue



Your top customers perform best on all three factors and are therefore the ones you don't want to lose.

Step 2: Create a segment

Identify all customers defined as top customers based on *RFM analysis*. You can also create the segment from our segment suggestions with just one click.

NAME

Top Customers

DEFINITION

Customers who have RFM Status one of Top Customers

If the segment is too small (less than 100 customers), include your high potential and loyal customers as well.

Step 3: Recognize your top customers

Now that you know who your top customers are, it's time to reward them, e.g. with:

Appreciation gift

'Thank you' emails are old news! If you frequently have promotions running, customers may also not be as excited about another discount, no matter how steep it is. Show your top customers that you care about them by adding a gift to their next cart. However, you must walk the fine line of choosing something valuable for your customers, but not too expensive.

Exclusive access

Providing your top customers with a sense of exclusivity will increase their loyalty and improve their overall experience with your brand. It could be giving them access to a new product that hasn't officially been launched or granting them early access to your sales.

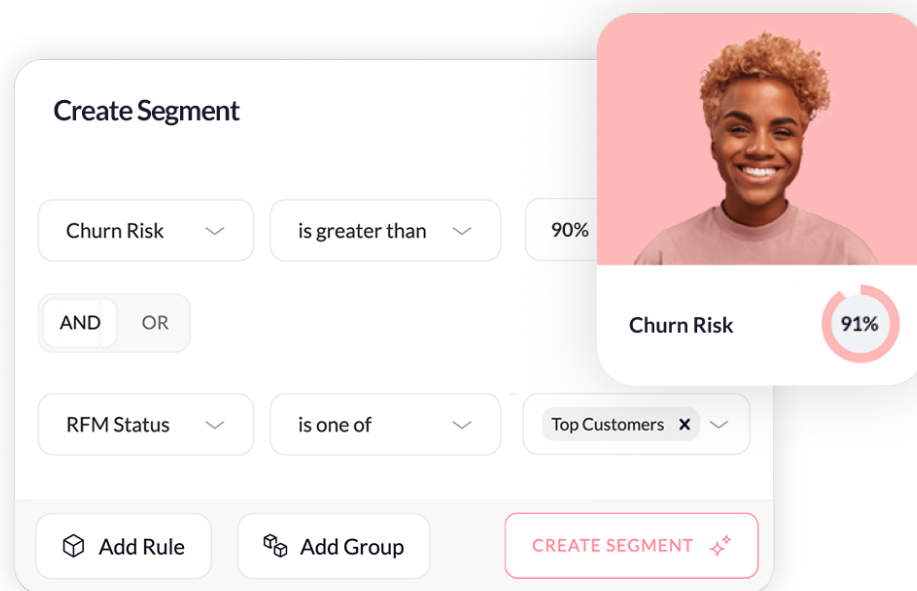
Loyalty program

There is no better way to keep customers engaged in the long run than setting up a loyalty program that will increase rewards throughout their journey, e.g. earning loyalty points with every purchase.

No matter which reward you choose, don't forget to analyze the **LTV** of your top customers. The cost of rewards should be well balanced with the value that each customer adds to your brand.

#6 Win Back Lost Customers

Losing customers is an unpleasant reality for any consumer brand. The chance of winning back a lost customer is much higher than the chance of converting a prospect into a new customer. While not all lost customers are necessarily worth your efforts to win them back, some of them may even be more valuable to your business than new prospects.



Step 1: Define your inactive customers

Inactive customers are those who stopped buying from your online store. Of course, with non-subscribers, it is difficult to determine if a customer is no longer buying. At RetentionX, we define inactive customers as those who have not placed any order in the last 365 days

Step 2: Pick out former customers with high value

Trying to win back every single customer who churned might have a negative impact on your profitability. To make sure that you are making the most out of your efforts, target inactive customers that previously had a high engagement with your brand: create a segment identifying inactive high-value customers. We, therefore, recommend focusing on customers whose LTV is in the top 10%.

The screenshot shows a segment builder interface with the following components:

- NAME:** A text input field containing "Inactive high-value customers".
- DEFINITION:** A visual logic builder with two main conditions connected by an "AND" operator.
 - Condition 1:** "Customers who did" (dropdown) → "place an order" (dropdown) → "exactly" (dropdown) → "0" (input) → "times" (text). This is followed by "in the last" (dropdown) → "365" (input) → "days" (dropdown). A plus sign (+) is on the right.
 - Condition 2:** "Customers who have" (dropdown) → "LTV" (dropdown) → "in the best" (dropdown) → "10%" (input). A plus sign (+) is on the right.
- Logic:** Between the two conditions, there are "AND" and "OR" buttons, with "AND" selected.
- Controls:** Minus (-) and plus (+) icons are used to add or remove conditions.

If you have activated the **Forecast Plus add-on**, use the Churn Risk property in our segment builder and exclude inactive customers with a low churn risk, as our engines still predict a fair probability for these customers to repurchase.

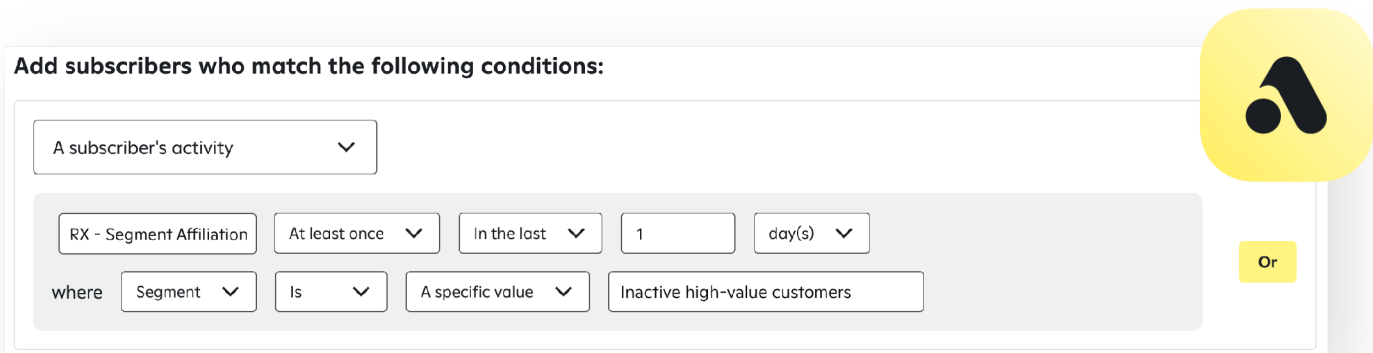
Step 3: Run your win-back campaigns

Whereas overdue customers often just need a gentle nudge to wake them up, it is essential to differentiate your communication with inactive customers, as those usually need to be re-introduced to your brand and products.

A win-back campaign is most effective when it's run across multiple channels. Discount codes are an integral part of any win-back campaign as they are one of the most effective ways to convince inactive customers to make a purchase.

An SMS campaign with a discount code can make for a great first point of contact in a win-back initiative. In contrast, email is the best channel to send visually engaging content. A win-back email works to tempt inactive customers with images of exciting new products and get them in the mood to buy. Send a win-back campaign email a couple of hours after the initial SMS to inspire customers to spend their new discount code.

Just set up a dynamic audience, e.g. in Attentive, based on the segment affiliation of your customers.



#7 Boost Subscriptions

It's no secret that shopping behavior has changed fundamentally in recent years. One of these new behaviors is buying goods on a recurring basis. As a result, the subscription market is now being accepted by all verticals. A question you may ask is: how do subscriptions affect customer retention rates? Subscribers have higher LTV and repurchase rates than non-subscribers; therefore, growing your subscription business increases the overall quality of your customers.

Step 1: Create a segment of your active subscribers

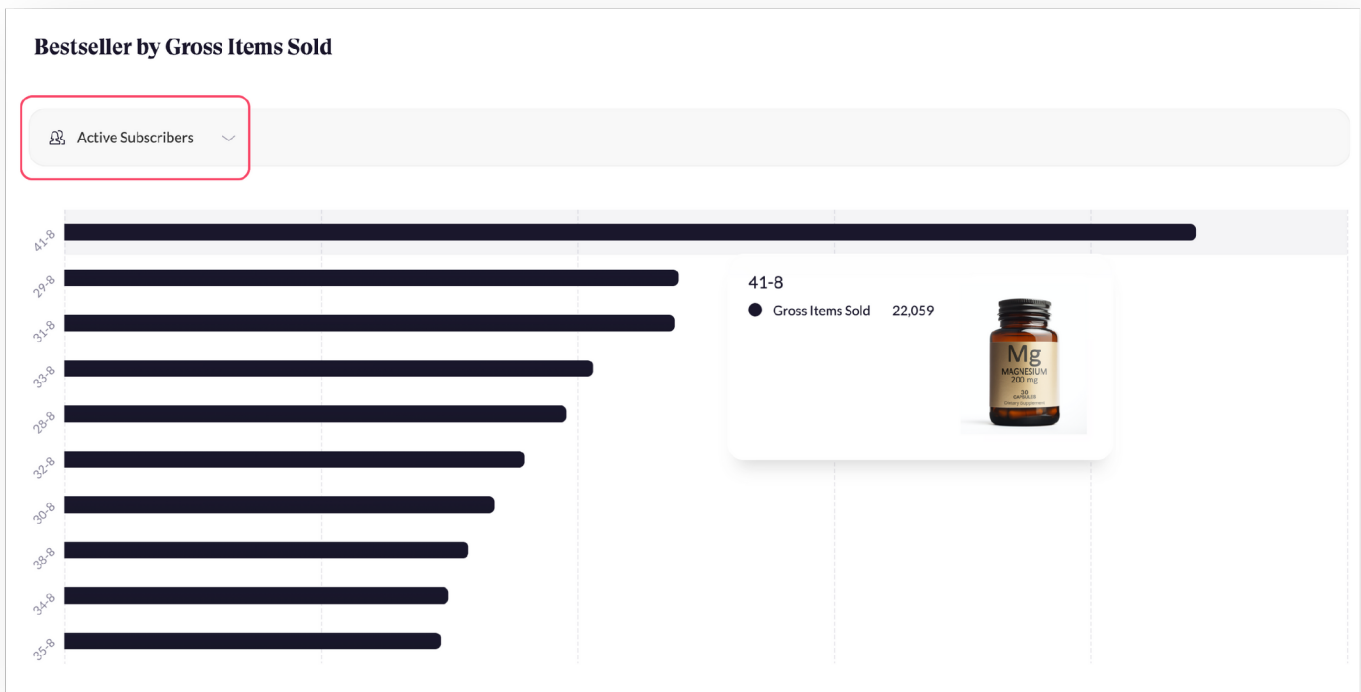
Get to know your subscribers and learn which products they sign up for. The easiest way to differentiate your subscribers and non-subscribers is by creating segments based on tags.

Whether you should use order or customer tags depends on your subscription payments platform. The best way to check this is under [All Customers](#) (for customer tags) or [All Orders](#) (for order tags).

The screenshot shows a user interface for defining a segment. It is divided into two sections: 'NAME' and 'DEFINITION'.
Under 'NAME', there is a text input field containing 'Active Subscribers'.
Under 'DEFINITION', there is a sequence of dropdown menus and a plus sign button. The first dropdown is 'Customers who have', the second is 'Customer Tag', the third is 'one of', and the fourth is 'Active Subscribers' with a small 'x' icon to its right. A plus sign button is located to the right of the final dropdown.

Step 2: Identify best-selling products among active subscribers

It's time to dive deeper into your active subscribers. Which products do they most often subscribe to? Select your newly created segment and analyze its **Bestsellers**. These are your most popular subscription products that deliver recurring orders and therefore high LTVs.



Step 3: Identify non-subscribers who purchased the bestseller multiple times

Non-subscribers who have already purchased a product multiple times without signing up for a subscription are the perfect audience to promote the subscription - all you need to do now is set the right incentives and get them to subscribe to the product they already love!



Let's create a segment of all non-subscribers that purchased your subscription bestseller already multiple times:

NAME

Non-subscribers that purchased your subscription bestseller multiple times

DEFINITION

Customers who did order a product at least 2 times over all time

where SKU is one of 41-8

and Order Tag is none of Subscription First Order Subscription Recurring Order

Step 4: Promote your subscriptions





Reach out to all customers identified with the newly created segment and inform them about the benefits of subscribing, for example:


- **Subscribe and Save:** Offer a discount if your customer pays for an ongoing subscription.
- **Subscription Box:** Offer a curated box of uniquely hand-selected products that your customers choose to receive every few weeks or months.
- **Membership:** Offer special privileges to members who subscribe.

Are you using Recharge to manage your subscriptions? Set up the integration with RetentionX and track the [conversion of non-subscribers into subscribers](#).

#8 Acquire Better Customers


Level up your customer retention strategy and start right at the acquisition stage: Influence the quality of customers early on and only attract high-potential customers. To do this, identify the best-performing customers that you already have and acquire those that are similar to them.

Campaign	Conversions	ROAS (by LTV)	
TOF - Conversion	 3,022	254%	
Awareness	 1,824	845%	
Shopping	 1,054	325%	24%
MOF - New Arrivals	 1,023	185%	22%



Google Ads

START SYNC

 All Customers

Step 1: Segment your top customers

Again, use the [RFM Analysis](#) to identify your *Top Customers* based on *Recency*, *Frequency*, and *Monetary Value* and create a segment grouping them.

NAME

Top Customers

DEFINITION

Customers who have one of

Step 2: Create powerful audiences

Now that you have identified your top customers, it's likely they have a lot in common with the people who aren't yet customers but will love your brand. It's all about reaching your most promising prospects.

After connecting your marketing platforms to RetentionX, create audiences, e.g. in Meta, TikTok, or Pinterest including all your top customers.

The screenshot displays the RetentionX dashboard with a search bar at the top. Below it, there is a table of customer segments. Each segment includes a name, a 'DYNAMIC' status, the number of customers, and the added revenue. A dropdown menu is open on the right side, showing options for creating an audience on various marketing platforms.

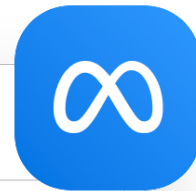
Segment	Customers	Added Revenue
Top Customers	3,466	+\$26,270
Active Customers	47,098	+\$442,072
2nd Order Due	6,139	+\$46,118
High Potentials	2,421	+\$15,084
Loyal Customers	6,940	+\$48,539

- Google Ads
- Meta Ads
- TikTok
- Pinterest
- Attentive
- Shopify

Once the audience is created, it is always kept up to date. Customers are added and removed whenever they join or leave the segment.

Step 3: Create a lookalike audience

Find more new customers that are similar to your top customers! Create a campaign and target like-minded users. Therefore, choose a lookalike of 1-3% depending on your original audience size.



Create a Lookalike Audience

Select your lookalike source

[RX] Top Customers

Create new source ▾

Select audience location

Countries > North America

United States

Search for regions or countries Browse

Select audience size

Number of lookalike audiences ⓘ

1 ▾

2.7M

0% 1% 2% 3% 4% 5% 6% 7% 8% 9% 10%

💡 A 1% lookalike consists of the **people** most similar to your lookalike audience source. Increasing the percentage creates a bigger, broader audience.

You don't have enough data to create a lookalike audience?

No need to worry! Just expand your segment criteria and include your *High Potential* and *Loyal Customers*.

GET IN TOUCH!



retentionx.com



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