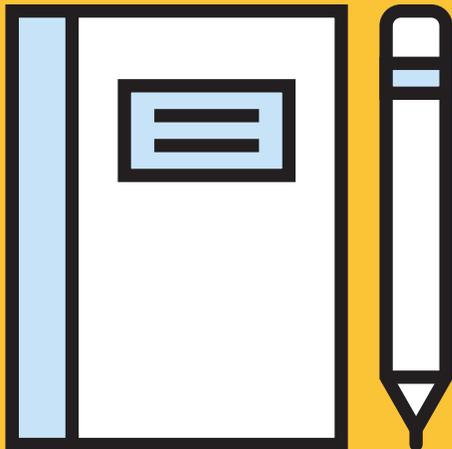


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The ultimate guide to **customer retention.**



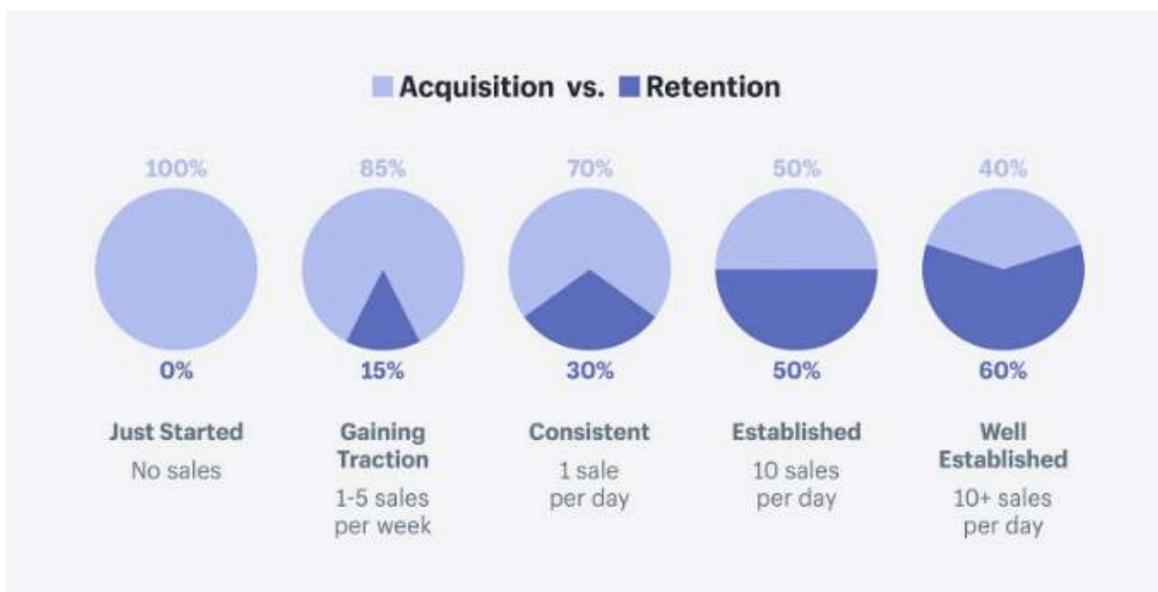
What is customer retention?



Customer retention is your ability to retain customers over time.

With retention marketing, you start to shift the focus of your business from acquiring new customers to keeping the customers you already have happy and engaged with your brand over time.

This doesn't mean you stop trying to acquire new customers. After all, you can't retain a customer you don't have! Instead, you want to find a balance between acquisition and retention efforts that allows your business to grow sustainably over time.



What that balance looks like will depend on how many customers you currently have, but as you acquire more customers over time, you can start to invest more resources into retention tactics like an incredible customer experience, tailored email communication campaigns, or a loyalty program.

Why is customer retention important?

Since the world of ecommerce has become increasingly focused on clicks, conversions and acquisition, you might be wondering why you should shift your focus, resources, and budget over to retention.

Although it's important to find ways to convert site traffic into a sale, it will take more than acquisition strategies to grow. There are a few reasons for that.



Ads are getting more expensive and less effective

Platforms like Shopify and Bigcommerce have made it easier than ever for anyone to start their own business. However, this easy access to tools and platforms comes with an unprecedented level of competition, and not only for new customers. You're also competing for increasingly smaller amounts of ad space.



In fact, **ad costs are rising 5X faster than inflation** and becoming less effective. These types of stats clearly illustrate that it costs significantly more to acquire a new customer than retain an existing one, which makes customer retention an invaluable tool to grow your business.



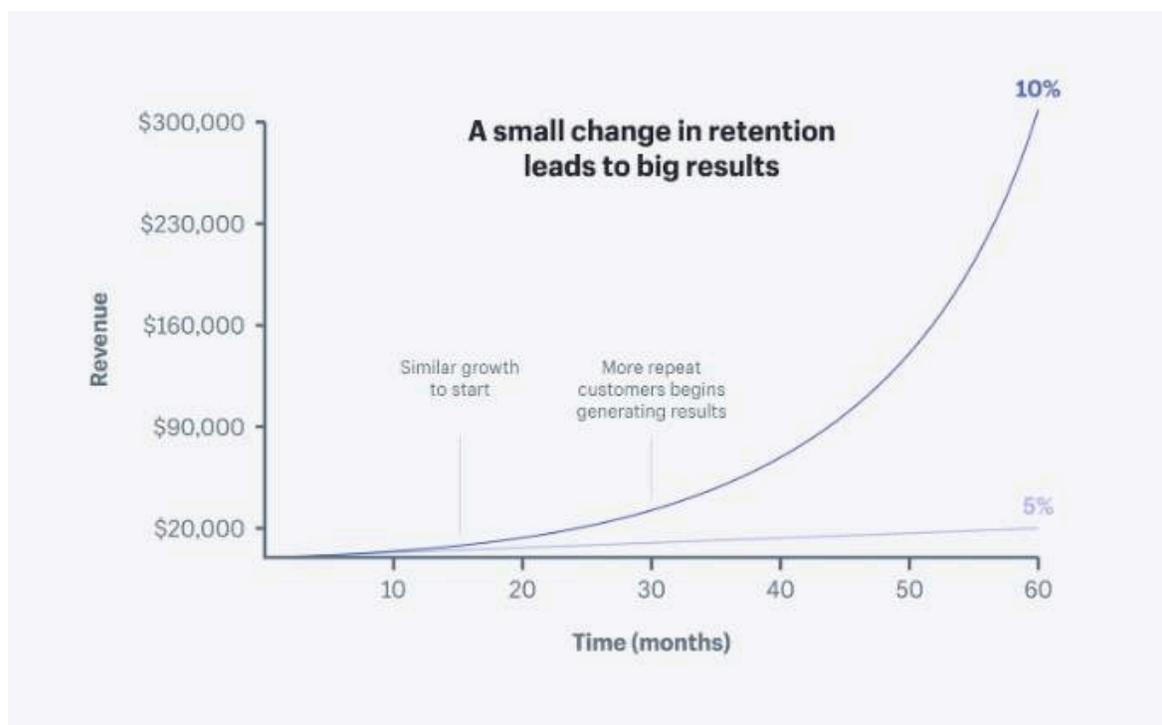
Repeat customers are responsible for a lot of your revenue

Did you know that your returning customers account for only roughly 8% of your store's customer base but make up more than 41% of your total annual revenue?

What's even more incredible is that the majority of ecommerce owners dedicate less than 20% of their marketing budget to retain them.

Shifting a little bit of that budget and focus over to retention can help you drive more repeat purchases and keep your customers engaged over time (not to mention keeping your business ahead of the curve!)

↗ A little lift in retention can deliver huge results



Increasing your retention rates by only 5% can lead to a 95% increase in revenue.

By driving more repeat purchases and investing in your existing customers, you'll be able to increase the profitability of each customer that shops with you. While the change doesn't happen overnight, even the smallest incremental lift in customer retention will start to show impressive results.

Customer retention closes your customer engagement loop



One of the best things about a retention strategy is that it's designed to improve your customer experience. This is often done by finding ways to add value and engage with newly acquired customers early on in their experience with your brand. These types of interactions will deepen their connection with you and increase the chances they stay invested in your brand in the long run.

How to get started with customer retention

It's hard to improve customer retention if you haven't measured it. Knowing what your retention baseline is beforehand is important before you start implementing new customer retention strategies.

In order to help you do that, we've outlined the most important stats you need to know to get started, including what each of them mean, how to calculate them, and what they tell you.



Repeat purchase rate (RPR)

What it is: the percentage of customers who've made more than one purchase at your store within a specific period of time.

To Calculate:

$$\frac{\text{\# of Customers That Purchased More Than Once}}{\text{\# of Unique Customers (365 Days)}}$$

Why it matters: RPR gives you a clearer snapshot of the effectiveness of your entire retention strategy because it tells you how many customers are engaged enough to make more than one purchase at your store.



Average order value (AOV)

What it is: the average amount a customer spends when they make a purchase.

To Calculate:

$$\text{Total Revenue} \div \text{\# of Orders Taken}$$

Why it matters: AOV tells you how much the average customer spends per purchase when they shop with you. In general, repeat customers spend roughly 7X more than their one-time purchase counterparts making this an important metric to understand.



Purchase frequency (PF)

What it is: how often your customers make a purchase at your store.

To Calculate:

$$\text{Total \# of Orders (365 Days)} \div \text{\# of Unique Customers (365 Days)}$$

Why it matters: when you know how long it takes the average customer to make another purchase, you'll have a better understanding of how engaged they are. If this time is longer than you'd like it to be, you can introduce new strategies designed to engage customers between purchases to increase their desire to buy.



Customer lifetime value (CLV)

What it is: the projected revenue your average customer will contribute over the course of their relationship with your store.

To Calculate:

AOV x **Purchase Frequency** x **Lifespan**

Note: industry experts typically recommend using 1-3 years for your store's average lifespan value.

Why it matters: this metric will help you understand how valuable customers are over time. When this number is higher, it's a clear indication that retention is working. If this is close to your average order value, then it tells you very few customers are making a repeat purchase and that there's room to improve engagement with your existing customers. .



Take action:

Learn about other retention metrics you can use to evaluate your business in our loyalty metrics guide.

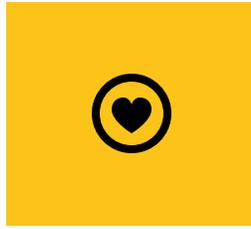
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Building your customer retention strategy

Now that you've got a great understanding of what customer retention is, why it matters, and how to measure it, it's time to start thinking about ways you can improve your own customer retention!

Since there is no limit to what's possible, your retention strategy will be just as unique as your business and the customers that fuel it. In order to help you get started, we've highlighted three of the easiest ways and most effective ways to build a retention strategy.

Provide an incredible customer experience



Effective customer retention strategies all start with one thing – an exceptional customer experience. In the crowded ecommerce landscape, experience has never been more important.



85% of customers have indicated they would pay 25% more for a better customer experience.

Luckily, you already have the number one asset you'll need to build the incredible experience customers are looking for: your team!

When customers notice the people behind your brand have dedicated time to making their experience exceptional, you'll create an emotional appeal for your brand and your products. This emotional appeal is amplified when they get the same exceptional experience every time they engage with you, fostering trust that will keep them emotionally invested in your brand .

Here are a few ways your team can start delivering an incredible customer experience.

Offer multi-channel support options

A really simple way to improve your customer experience is to offer multiple ways for your customers to get in touch with you. Customers will be more likely to reach out if they can connect with you in the same ways that they would connect with their friends and family.

These options could be as simple as Facebook Messenger, on-site chat support, or an Instagram reply. No matter what you choose, they should be channels you know your customers actively engage with and that offer your customers a chance to interact with the real people behind your brand.

Example: SHEFIT's Facebook Live sessions



Why we love it:

Hosting a live chat with their customers humanizes their brand and gives them unprecedented access to the people that make their brand magical. Not only that, but it demonstrates their commitment to meeting their customers where they are and making it easier for customers to see the people behind the brand. These connections create an experience that keeps their customers excited long after they click “Follow”.

Surprise your best customers

“ ” **Delight** doesn't have to be time- or resource-intensive. Often the simplest forms of gratitude are enough to make your customers feel like they're valued.

Including handwritten notes with a purchase, offering free products, or giving them free shipping are all ways you can add a little delight to your customer experience and provide another reason to re-engage with you in between purchases.

These tokens of appreciation are even more powerful in the ecommerce landscape when you are often separated from your best customers by a screen. Taking a few minutes to make your best customers feel special can go a long way to creating real emotional relationships that ultimately keep them with you for longer.

Example: Spikeball's Valentine's Day sticker pack



Why we love it:

A small gesture can go a long way in creating an incredible customer experience. The fun, playful tone humanizes their brand and makes the offer more memorable and engaging. These factors, coupled with the tangible value, makes this an impactful way Spikeball has contributed to their customer experience when shoppers least expected it.

Value-add marketing

Value-add marketing is an incredible way to build trust with new, existing, and prospective customers. Building on the idea of delighting your customers, value-add marketing often takes the form of content like blog posts, how-to-videos, workshops, customer stories, and special events. Regardless of the form it takes, value-add marketing is all about finding ways to give your customers an experience that extends beyond a purchase.

Example: Spectrum Collections' The Latest blog



Why we love it:

Their blog is chock full of beauty tips and exclusive peeks behind the scenes that give customers an idea of why they started their business and what they've learned along the way. By regularly releasing new content and letting customers know about it, they're able to strengthen their relationship with customers over time and give them something to look forward to.

Offer a loyalty program



Loyalty programs are by far the most effective customer retention tool. Rewarding customers for taking valuable actions like placing an order, leaving a review, or referring their friends helps you add tangible value to your customers' shopping experience.

“ ” **When customers feel like they have just as much to gain when they purchase from your store as they do, you'll tap into powerful feelings of [reciprocity](#).**

This emotional connection not only increases the likelihood that a customer will purchase from you again, it also decreases the chances they'll shop with a competitor.

In addition to making purchases more often, loyalty [program members also have an average order value that is 12% higher than their non-member counterparts](#), making them a critical part of your growth strategy.



They're also more likely to stick with your brand in the long term, since your program creates a valuable switching barrier that motivates them to stay engaged with your brand over time. By driving ongoing engagement with your brand, you'll move more customers from one-time purchases to repeat customers that you retain in the long term.

With experience launching tens of thousands of loyalty programs all over the world, we've seen some really impressive retention improvements for merchants offering a loyalty program including:



Lift in average sales



Increased customer lifetime value



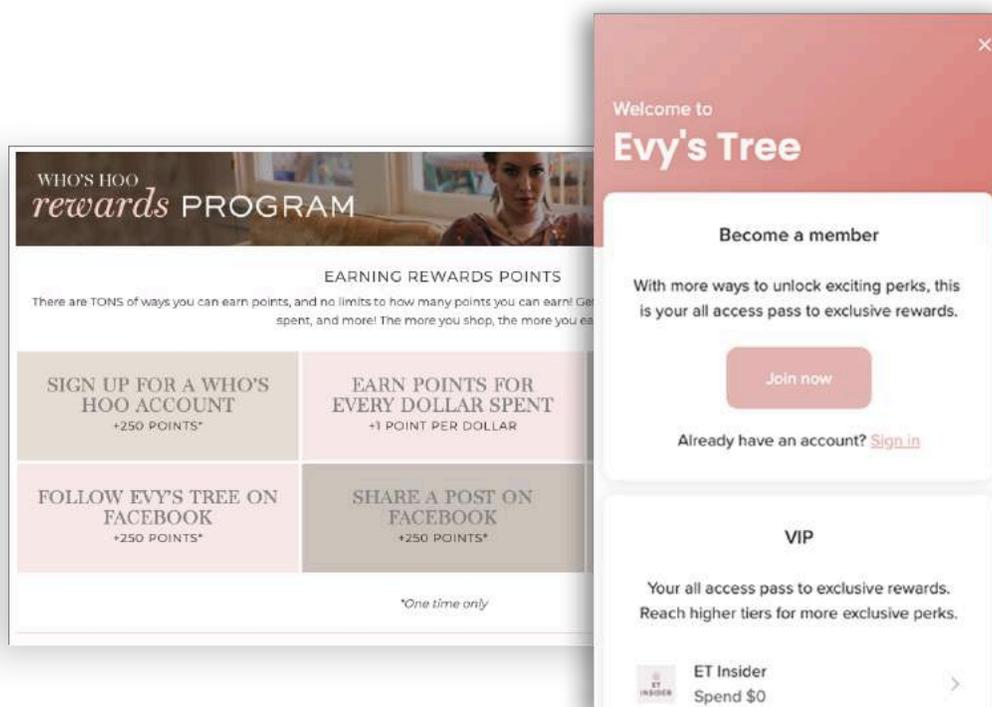
Higher repeat purchase rate

There are countless ways to reward your customers, but knowing when to reward your engaged customers has a significant impact on the effectiveness of your rewards program. In order to build the best experience for your most loyal customers, here are a few specific moments to introduce rewards as a way to help move more customers from a single purchaser to repeat customers.

Offer a reward for new members who join

The most effective loyalty programs make it really easy for new members to see value early on. One of the easiest ways to do this is by offering new members a reward that they can use towards their very first purchase. This signup offer makes it easy to tap into your customer's desire for immediate gratification and establishes a clear sense of reciprocity: they do something small for you and you do the same for them.

Example: Evy's Tree's Who's Hoo program



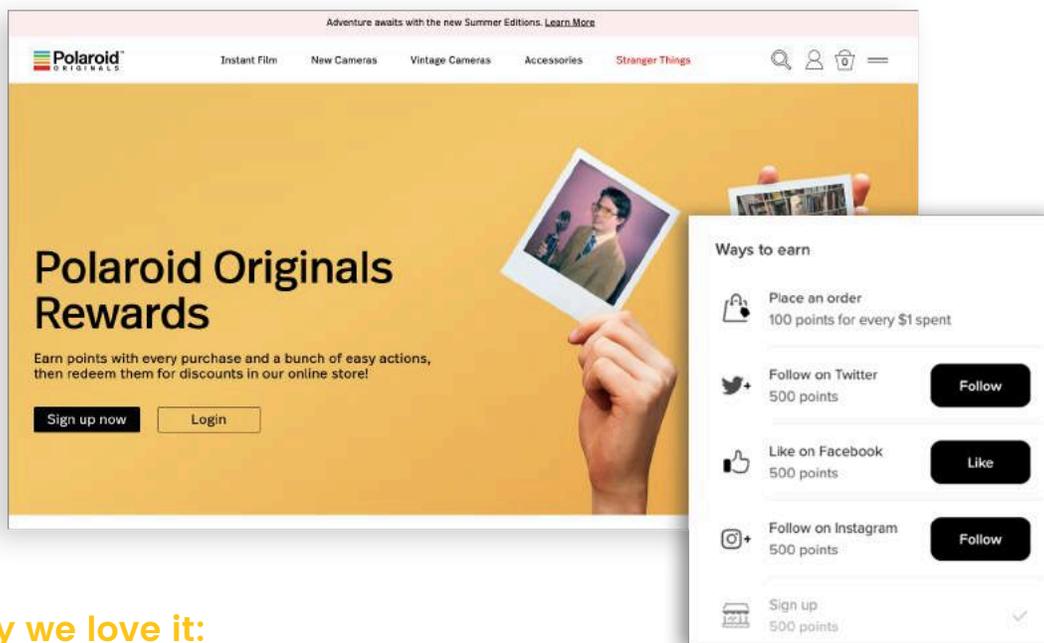
Why we love it:

Simply by joining their Who's Hoo community, each new member receives 250 points. By giving their members a points bonus that puts them well on their way to their first reward, they've added value to their experience. It's this value that will make them more likely to return to make another purchase in the future.

Award points when a customer makes a purchase

You work hard to convert your site traffic into a sale, so why stop there? Showing your customers that you appreciate their investment in your brand can be as simple as awarding them points each time they place an order. When customers feel like they have just as much to gain from an order as you do, you'll give them every reason to come back and make another purchase.

Example: Polaroid Originals Rewards program



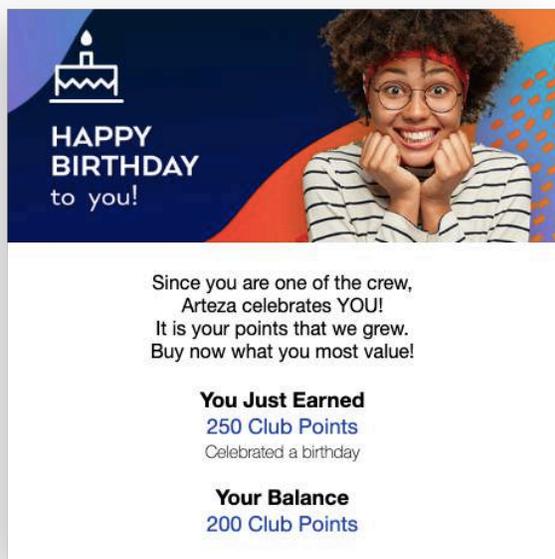
Why we love it:

Polaroid makes it easy for customers to see value with each purchase. By awarding points each time their customers place an order, they've added value to their shopping experience. As customers earn more and more points, it becomes less appealing to shop with a competitor, making their points balance a powerful motivator to stay engaged with your brand over time.

Celebrate birthdays with a reward

It feels amazing when someone wishes you a happy birthday! Joining in the celebrations with a birthday wish and an exclusive reward is a great way to make your customers feel special and build on other personalization efforts. When your customers see that you've taken the time to celebrate with them, they'll feel more emotionally invested in your brand. This connection will give them every reason to come back to reengage in the future.

Example: Arteza's Arteza Club



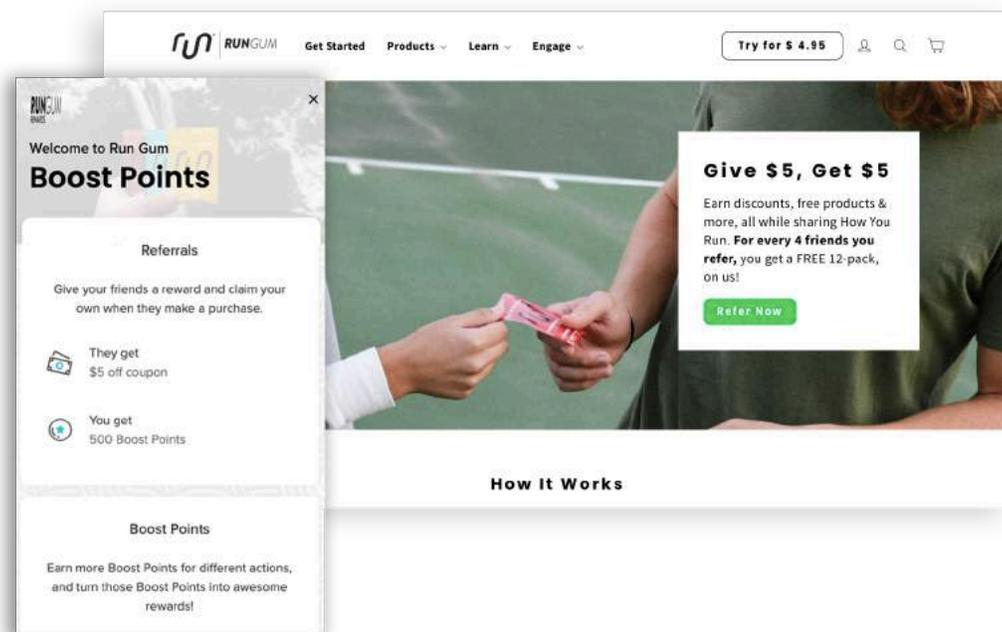
Why we love it:

By sending along a fun birthday message and an exclusive birthday points reward, they've given their customers a compelling reason to revisit their store and treat themselves to something special by placing another order.

Motivate your best customers to share your brand with a referral reward

Your best customers are also your strongest advocates because they already know and love your brand. Offering these advocates a reward to share your brand with others is a powerful way to not only strengthen your relationship with your best customers but also get your brand in front of new ones. When your customers feel like they've got something to gain from sharing your brand with others, they'll have more reason to do so.

Example: Run Gum's Give \$5 Get \$5 program



Why we love it:

By rewarding both your best customer and the friend they're referring, RunGum's added value to their experience. This value will keep both your existing customer and your new customer connected to your brand. These feelings of reciprocity foster a strong emotional connection that will keep them coming back to make purchases in the future.

Build a personalized email marketing strategy



Email is one of the most effective retention tools out there. It helps you keep in touch with everyone who discovers your brand and also helps distribute things like value-add content to the people who want to see it.

However, email can very quickly make your customers feel like nothing more than a number on a subscriber list. Sending every customer the same content makes it impossible for them to feel valued and special, decreasing the chances that they'll develop a lasting emotional relationship with you. That's why building a unique content experience for every customer is so important.

“ ” Leveraging personalization in your ongoing email communication is a powerful retention tool that can keep your brand top of mind between purchases.

Not only that, but it also has the power to establish trust in your brand over time. That power grows exponentially when you consider that 90% of customers like receiving emails from the brands they shop with.

The trick is delivering the personalized value they're looking for. That's where segmentation comes in handy. Segmentation allows you to group your email subscribers into groups that share similar qualities, and there are two common ways to do that.



Demographic segmentation

Customers are grouped by shared characteristics like age, gender, income or location. This kind of information could be gathered through a customer account or survey.



Psychographic segmentation

Customers are grouped by shared behaviors like purchase decisions, purchase habits, hobbies, or values. This kind of information could be gathered through your ecommerce customer reporting or loyalty program data.

Once you know who your customers are and the qualities they share, it becomes much easier to build tailored messages that will add personalized value to their shopping experiences. Here are a few ways you can start segmenting your customer lists and what you could send them to add more value to their relationship with your brand.



Customers that just made their first purchase

What: a simple note thanking them for their recent purchase or the story behind your brand.

When: immediately after they've made a purchase.

Why: shows them you value their business and invites them to stay engaged with you between purchases.



New subscribers

What: a brief overview of the type of content they can expect to see as a subscriber.

When: immediately after they subscribe.

Why: setting expectations of what they'll see in the future gives them a reason to look forward to (and open!) the next email you send them.



Customers who interacted with your support team

What: a thank you for reaching out and/or an invitation to provide additional feedback to make their experience better in the future.

When: 24-48 hours after they interact with your team.

Why: showing your customers that you value their feedback and want to use it to improve their experience helps you foster trust. When customers trust your brand and believe you genuinely care about their experience, they'll be more likely to continue engaging in the future.

Steps for building a successful customer retention strategy



SET YOUR BASELINE

Know what your current retention baseline is so you can measure the impact and effectiveness of your customer retention strategies.



BUILD YOUR CUSTOMER RETENTION STRATEGIES

Know what your current retention baseline is so you can measure the impact and effectiveness of any new customer retention strategies.



PROVIDE AN INCREDIBLE CUSTOMER EXPERIENCE

Create emotional appeal for your brand and your products by giving your customers a glimpse of the people behind your brand.



OFFER A LOYALTY PROGRAM

Add tangible value to your customers' shopping experience by rewarding customers when they complete valuable actions like placing an order.



BUILD A PERSONALIZED EMAIL MARKETING STRATEGY

Build a unique customer content experience with a tailored email marketing strategy.

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