Old is gold: The ROI of customer retention

By Ariella Brown December 29, 2020

ONLINE SHOPPING   SMART RETAIL   DISCOUNT AND LOYALTY CARD

Maintaining customer loyalty is essential to growing your business because retention yields far greater ROI than acquisition. Marketing automation makes it easy to reward your loyal customers and keep them coming back.

Avoid this mistake

One of the most common mistakes found in marketing is measuring success strictly in terms of new customers acquired rather than looking at sales coming through old customers. This leads to businesses offering promotions only for new customers, letting the old customers know they are taken for granted.

A typical example of this is an internet company offering very low rates only to new customers. When existing customers inquire about the promotion, they are told it's not for them, and that makes them feel like the neglected girlfriend in this image:

Don't let that be you letting go of the customer who has proved valuable overtime just to chase a new one.

The internet companies who focus only on acquiring new customers and not on keeping old ones fail to grasp that they are losing out as the customers leave each time the promotional rate ends.

That is the very antithesis of loyalty that is built on customers staying with you long term. It also costs the companies a great deal in lost business.

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Retention not only costs less but is a proven way to achieve greater profitability. That's because it costs 5 times more to acquire a new customer than it does to retain an old one.

Results will definitely vary, though Frederick F. Reichheld and Phil Schefterthey declared in The Economics of E-Loyalty that "increasing customer retention rates by 5% increases profits by 25% to 95%." Those figures are still the ones cited by experts even decades later.

And the probability of selling to established customers ranges from 60 to 70% as opposed to the 5-20% odds of sales to new customers. The reason retention can prove so profitable is that it increases the lifetime value (LTV) of your customers.

For those reasons, loyalty programs need to be at the core of your business growth strategy to show appreciation to those who have stuck with you and keep them coming back. Remarkety makes it easy to set up.

Ready to see if it can work for you? Try it for free or book a demo.

Loyalty programs and marketing automation enhance each other

Marketing automation and loyalty programs work together to foster a feeling of familiarity with a business and incentivize more sales over time. Having a loyalty program in place also improves your marketing automation because it incentivizes data collection.

That data allows your marketing automation to more accurately segment your customers and assess their buying behavior. That makes it possible to make your marketing strategy that much more effective.

When you use an automated marketing system like Remarkety's for your email communication, you tap into a powerful means of strengthening your connection with your loyal customers.

Marketers find the medium of email to be the most effective means of communication for customer retention. It works so well because it can be easily customized to automatically respond to your customer's behavior.

1. Set up the loyalty reward program that fits your brand

One size does not fit all for loyalty rewards. Select the one that is appropriate for your business:

- A simple points system: A certain number are awarded for purchases, and they translate into rewards of dollars toward other purchases. Many retailers do that in the form of GapCash, Bean Bucks, or the rewards that CVS delivers at the end of a season.

- Tiered rewards: This varies rewards to incentivize customers to go up a level. Banana Republic does that with its Lux card that is reserved for better customers and gives them free shipping and other perks. The average cardholder vs. the Lux cardholder makes an automatic segmentation division.

- Free automatic discount: For stores that use branded payment options like Target's RedCard and Lowe's store card, this gives customers an automatic 5% off purchases at no cost to them. The advantage of this is that it's simple for the

users who don't have to keep track of points or worry about losing rewards that expire.

- Paid membership discount: This is the Amazon Prime model that costs something but delivers value in free shipping, free access to digital materials, and some special discounts on Prime Day. Other retailers like Bed Bath and Beyond have adapted their own version with a member discount of 20% plus free shipping that costs customers $29 a year. The idea is that when you're paying for something, you're much more likely to use it often. The success of Costco's model shows people are willing to pay upfront for a return of greater savings.

- Special rewards or events: It shows a nicely personalized touch to connect them with the specific customer, like a birthday offer or one on the anniversary of their having become a customer or the like. In general, though, these can be anything that makes the customer feel like they're getting something more than the general public is. Examples include special sales, exclusive promotion codes, gift cards, or VIP previews of seasonal or exclusive offerings.

Note that the only way an exclusive offer is convincing as something really special is if it has some form of personalization. That brings up to the next important aspect to consider in capitalizing on marketing automation for loyalty.

2. Personalize Communication to Keep it Relevant

According to McKinsey & Company, targeted communications that customers find relevant to them lead to greater loyalty and can increase revenue growth by 10 to 30%. Foregoing that gain leads to huge amounts of money left on the table.

In an article published in Harvard Business Review, John Zealley, Robert Wollan, and Joshua Bellin recount, "consumer research we've worked on at Accenture shows that in the U.S. market alone, companies are losing $1 trillion in annual revenues to their competitors because they are not consistently relevant enough."

Marketers are aware of that, which is why 67% of marketing leaders surveyed in 2019 make a point of using marketing automation to create a personalized customer experience, according to HubSpot.

Without automation, creating personalized content becomes a huge, time-consuming project. But having a solution like Remarkety's in place enables retailers to effortlessly deliver the right offer to the right customer at the right time, on the right channel.

Its predictive, data-driven product recommendations bring up the items that match your customer's needs and tastes. Working off real-time response to your customers' activity, it will identify when there is a signal of interest in buying and send out the message on the most effective medium for that particular customer.

3. Maintain that customer connection

"Customers can now see their engagement with the brand as an ongoing relationship, rather than a one-and-done purchase," Zealley, Wollan, and Bellin point out in the HBR.

That means that marketing communication has to remain consistent and seamless across all channels and at all stages of the customer's life cycle. Automated marketing helps you do that by sending out content that keeps them connected, including:

- Requests for reviews on the product and delivery experience
- Promotions for free shipping, referral bonuses, etc.
- Birthday greetings
- Newsletters with helpful information on health, holiday celebrations, etc.
- Opportunities to give their input into new product designs
- Personalized recommendations for products based on what they've bought or browsed

The last option is a central tool for upselling and cross-selling. With predictive analytics, marketing automation can send out dynamic emails or texts to deliver personalized recommendations that are more likely to convert because of their relevance.

4. Beyond emails and texts

Remarkety allows you to consolidate the data on your various communication channels, including emails, text messages, web messages, and even social media ads, thanks to its integration with Facebook and Instagram. That gives you more options for tailoring your campaigns to deliver a personalized communication experience.

Integration across your communication on your site, email, text, and social channels not only assures a consistent and seamless experience for customers across channels but can lead to more successful campaigns in the future. Cross-channel tracking also gives you more insight into what makes your customers tick, which will increase the accuracy of your marketing in the future.

It all comes down to this: show your customers you value their business and they will deliver greater value to your business by building up their own LTV.