Bluecore's 2024 Customer Growth Benchmarks Report

Metrics for Identification, Conversion, and Retention in Retail

Reach drives retail growth.

It's critical for acquiring incremental new customers and engaging them in the most relevant way, turning them into repeat customers. Every retailer knows this. But between the deprecation of third-party cookies, rising acquisition costs, and dependency on mass marketing, reach has never been more at risk.

Retail marketers need a framework that drives both short-term gains and long-term profitable growth.

That framework is customer movement.

Customer movement is the practice of understanding customer value and using signal-based strategies to move shoppers from unknown to known; non-buyers to new buyers; one-time buyers to repeat, and eventually loyal, customers; and lapsed to reactivated buyers. Moving customers from one phase of the lifecycle compounds in value over time because long-term growth and profitability come from an active customer base

To understand customer value is to think outside the channel. While channel metrics are important, they are often viewed in a vacuum. Instead, retail marketers must embrace *customer*-led growth metrics. With a customer-driven strategy, marketers leverage the channels to encourage behaviors that drive growth. Channel performance then becomes a key barometer and enabler.

Bluecore data shows that retailers focused on channel-led growth see an average three-year customer retention rate of 22%. On the other hand, **retail leaders who have embraced customer movement see an average three-year customer retention rate of 59%.**

Bluecore's 2024 Customer Growth Benchmarks Report: Metrics for Identification, Conversion, and Retention in Retail is meant to help you become one of the latter and understand *your* greatest opportunities on the road to profitable growth. Ours is the only benchmarks guide focused on customer-led growth metrics, rather than channel-centric KPIs such as open rates and click through rates. Based on the entire 2023 calendar year, this report includes benchmarks from more than 100 retailers across seven different verticals: apparel, footwear, home goods, health and beauty, jewelry and luxury, sporting goods and outdoors, and toys and gifts.

Benchmarks are sorted by the four phases of the customer lifecycle:

Loyalty

Retained or reactivated buyers, as measured by customer retention rate over three years, survivorship of new buyers, and reactivation rate

Retention

From first-time buyer to active buyer, as measured by repeat purchase rate, and purchase frequency and sales per buyer of repeat buyers compared with those of new customers

Acquisition

From unknown to identified shopper, as measured by identification rate

Conversion

From non-buyer to first-time buyer, as measured by the average order value and purchase frequency of new buyers

Understanding your customer file

To understand customer movement is to understand the overall health of a brand's customer base. We do this through the lens of our Customer Movement Assessment, where we analyze the customer file for both quantity — how many you acquire, retain, reactivate — and quality, which is determined by how much they spend (average order value), how often they buy (purchase frequency), and how long they buy (tenure). The analysis includes peer benchmarking to help retailers understand how they compare with an index of similar brands and the industry at large.

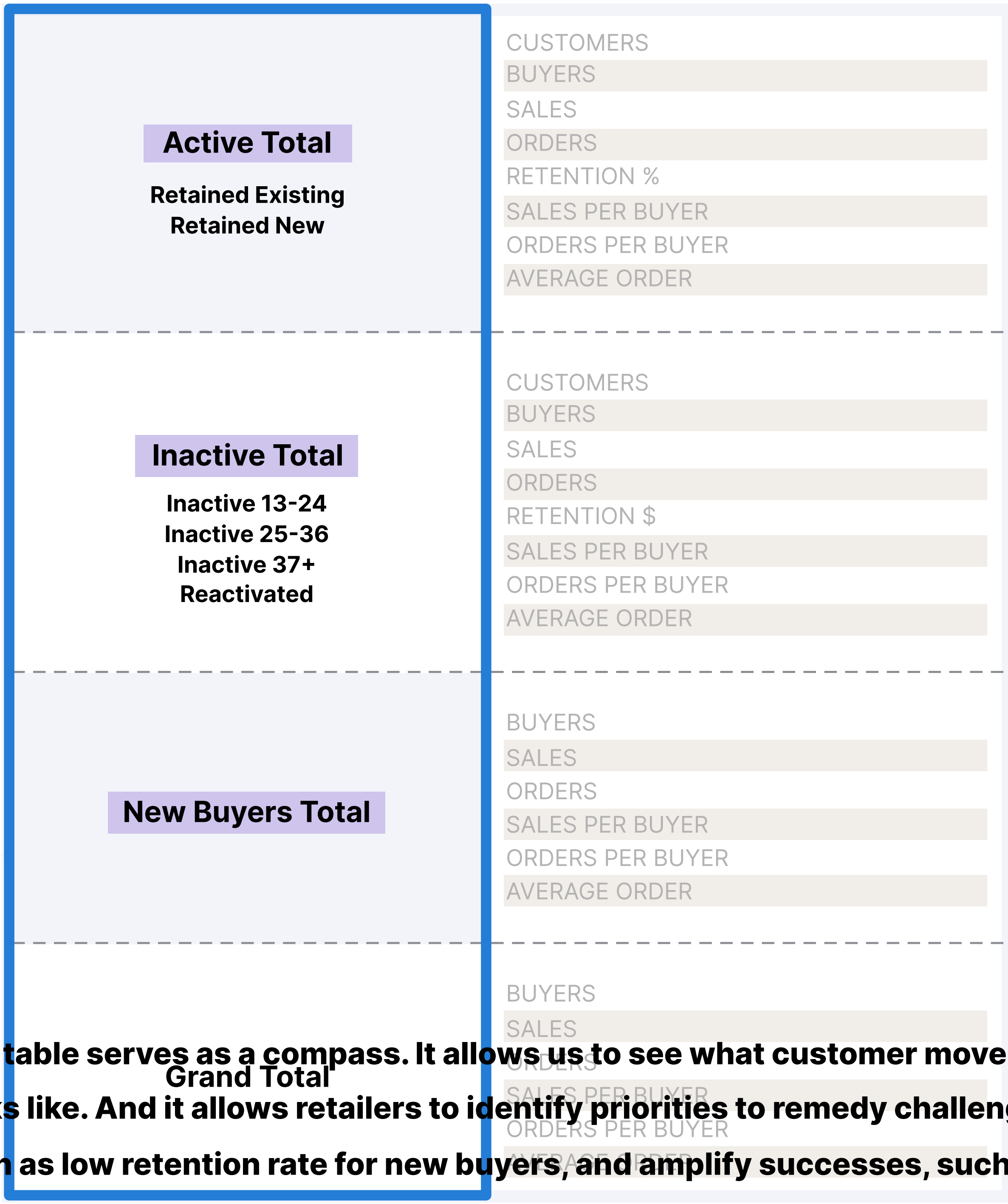
The essence of the analysis is the Customer Movement Table.

Customer Movement Table

Customers are sorted into three cohorts:

- **Active**, who have made a purchase in the prior year
- **Inactive**, who have purchased but not in the prior year
- **New buyers**, who made their first purchase in the prior year

Within each segment, the table tracks purchase frequency, total orders and sales, retention percentage and within the inactive cohort, reactivation percentage. Buyers move to the right: up when they're retained or down when they churn.



The table serves as a compass. It allows us to see what customer movement looks like. And it allows retailers to identify priorities to remedy challenges, such as low retention rate for new buyers, and amplify successes, such as high retention of multi-year shoppers. Together, both of these help drive long-term, profitable growth.

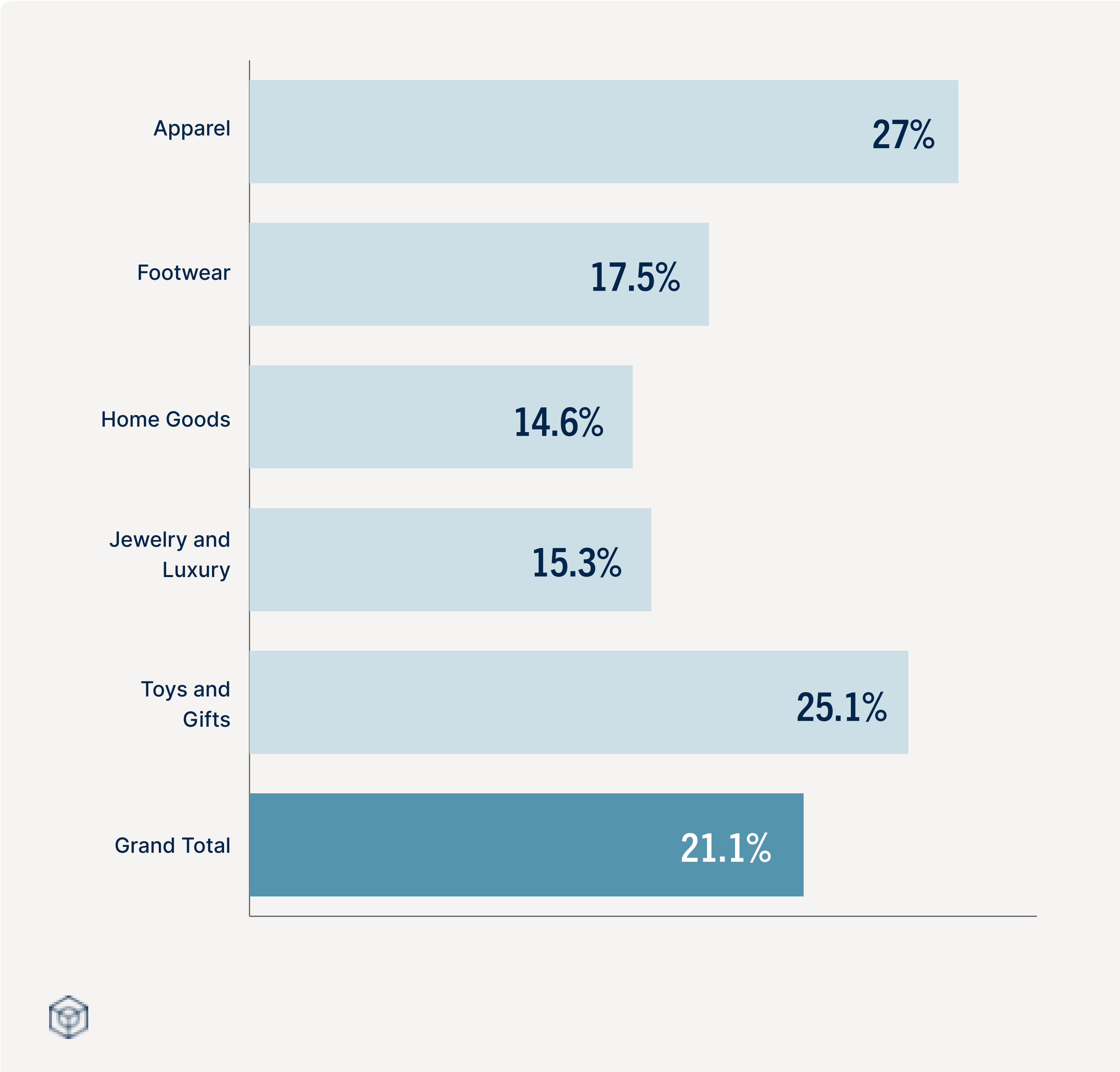
Acquisition: From unknown to identified shopper

Identification is the engine that powers customer movement.

Simply put, you can't influence a customer's movement through the lifecycle without first knowing who they are. Identification is the ability to recognize an anonymous visitor by email address or phone number and match them to previously collected behavior. This is measured by identification rate, or the percentage of website visitors who can be recognized in that manner.

There's no magic number to determine a "good" identification rate, but the number should be as high as possible because that means you have a larger pool of shoppers to reach. Transparency, into both your identification rate and main traffic sources, is monumentally important. That visibility gives you the opportunity to improve your identification rate by implementing technical means and campaigns to recognize anonymous shoppers who aren't logged in, regardless of what device they're using, and associate their actions with an email or phone number.

Identification rate: The percentage of shoppers retailers were able to identify

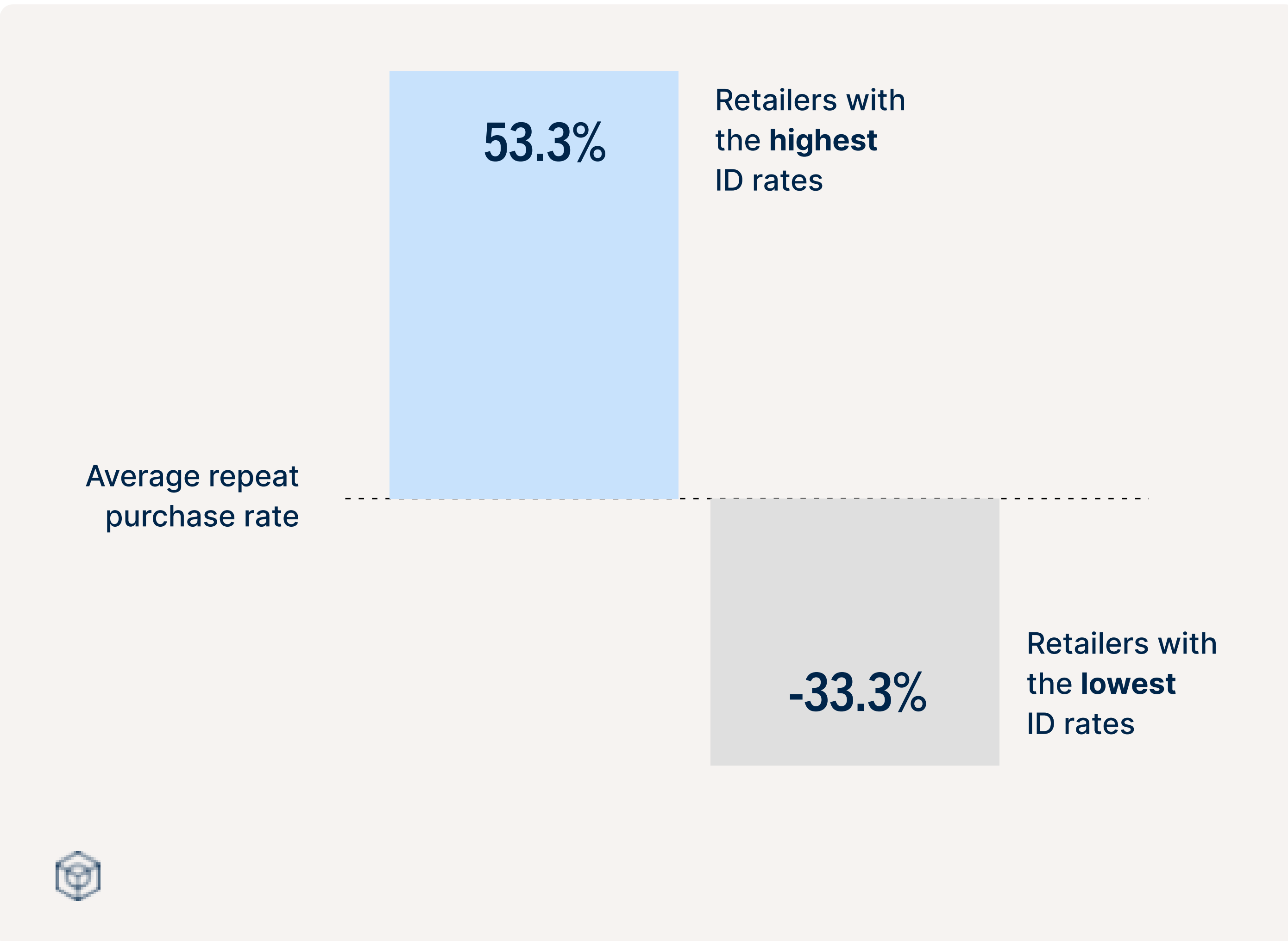


Identification rate is the primary benchmark during the acquisition stage. Because this metric sets customer movement in motion, it's a major opportunity — and should be a major priority — for every retailer, regardless of vertical.

Because the benchmarks in this guide are based on the last calendar year, these averages are based only on those retailers who were tracking their identification rate in January 2023. The health and beauty, and sporting goods and outdoor verticals are omitted from this chart due to a lack of statistical significance.

The more often a shopper visits a website, the more opportunities a retailer has to identify them. Apparel purchase frequency tends to be greater than other categories, which contributes to its strongest identification rate. With unlimited combinations of style, size, and color preferences, **apparel brands' shoppers have unique needs** that may also account for identification being prioritized.

Recognition and retention: Comparing the repeat purchase rates of retailers with the highest and lowest identification rates



Customer retention benchmarks are later in the report, but we're sharing this one here because the retention phase really highlights the impact of identification rate and why it's the engine that powers customer movement. Retailers with the highest average identification rates are better able to recognize their shoppers and as a result, they're better equipped to tailor the shopping experience based on their preferences and behaviors to drive repeat buying.

We found a strong correlation between identification and retention. The retailers with the highest identification rates (more than 40%) saw significantly higher than average repeat purchase rates, especially compared with those brands with the lowest identification rates (below 10%).

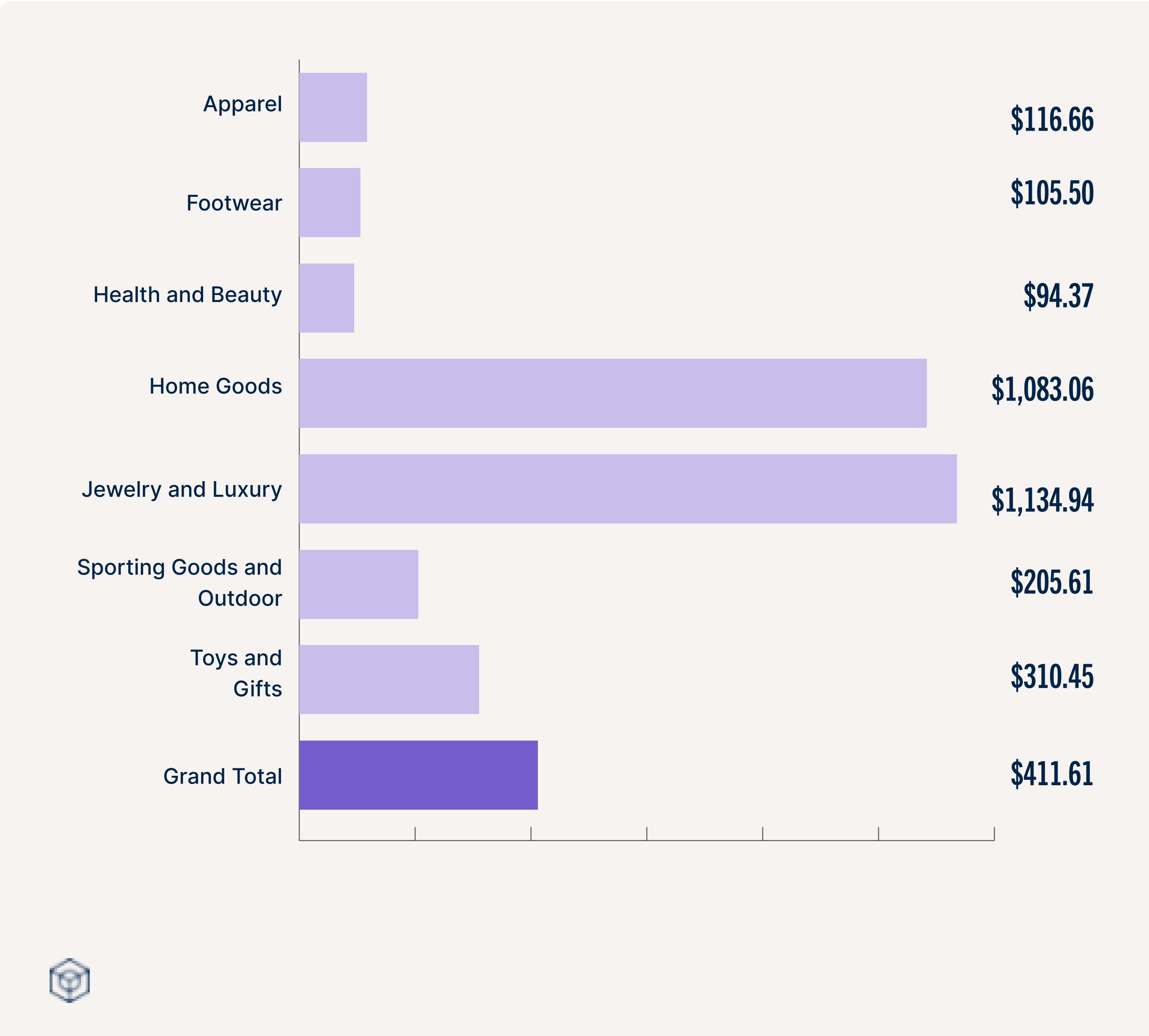
Conversion: From non-buyer to first-time buyer

Whether they're browsing, searching, or adding an item to their cart, every action a shopper takes represents a signal. These signals are especially powerful when they're layered with product signals, such as whether an item is a new arrival or low inventory.

Once you've identified a shopper, **you can use signal-based messaging to reach and engage them in the most relevant way** to nurture that first purchase.

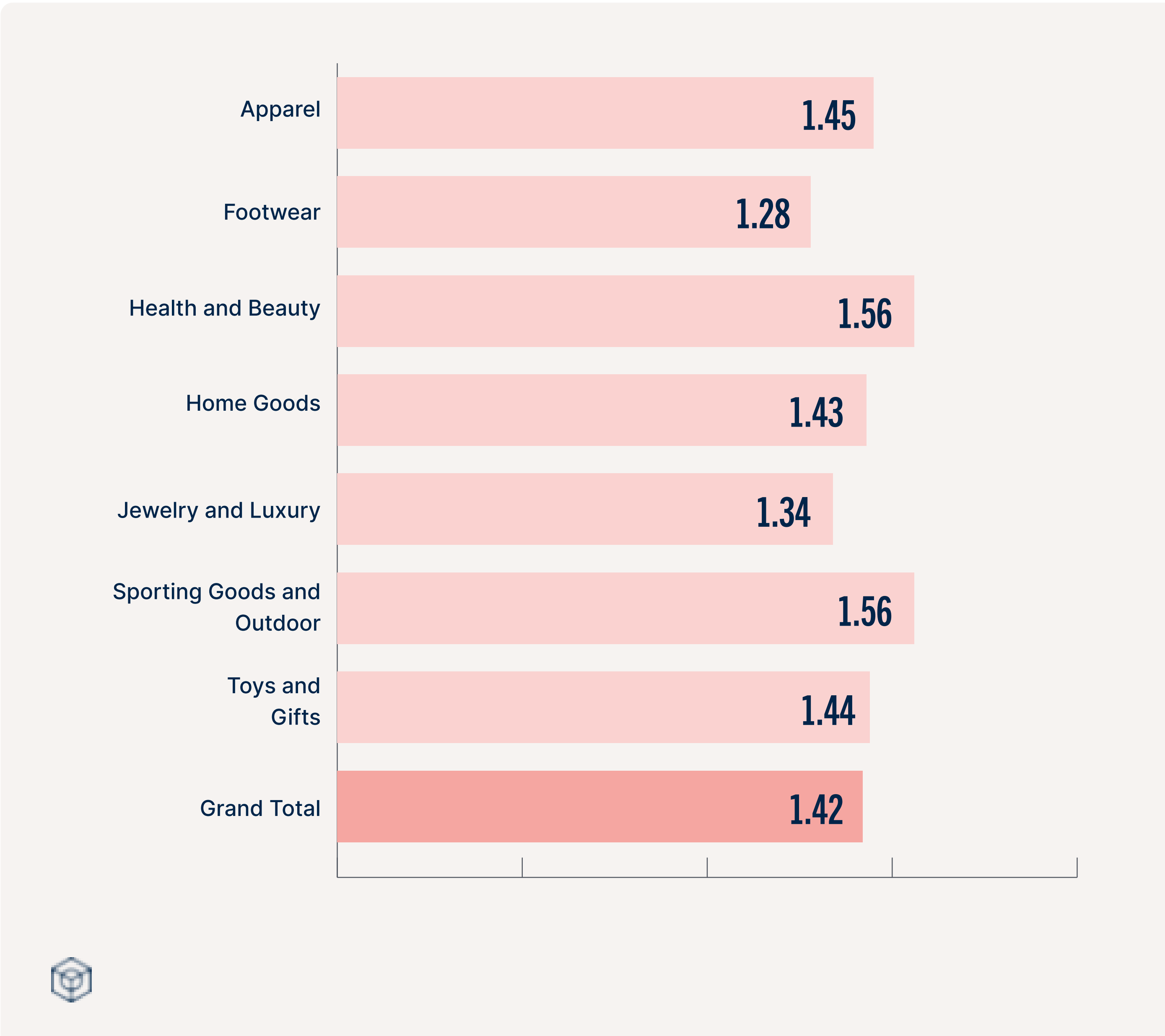
Conversion benchmarks are based on new buyers who purchased for the first time last year.

Average order value: How much new customers spent



Average order value varies wildly, given that brands in the jewelry and luxury, and home goods categories have naturally higher price points than footwear or apparel. The first purchase in home goods also tends to be a big one. Shoppers are far more likely to buy a couch before accessories than they are to start with a rug and then find a complementary couch.

Purchase frequency: The number of orders per new buyer during the first year

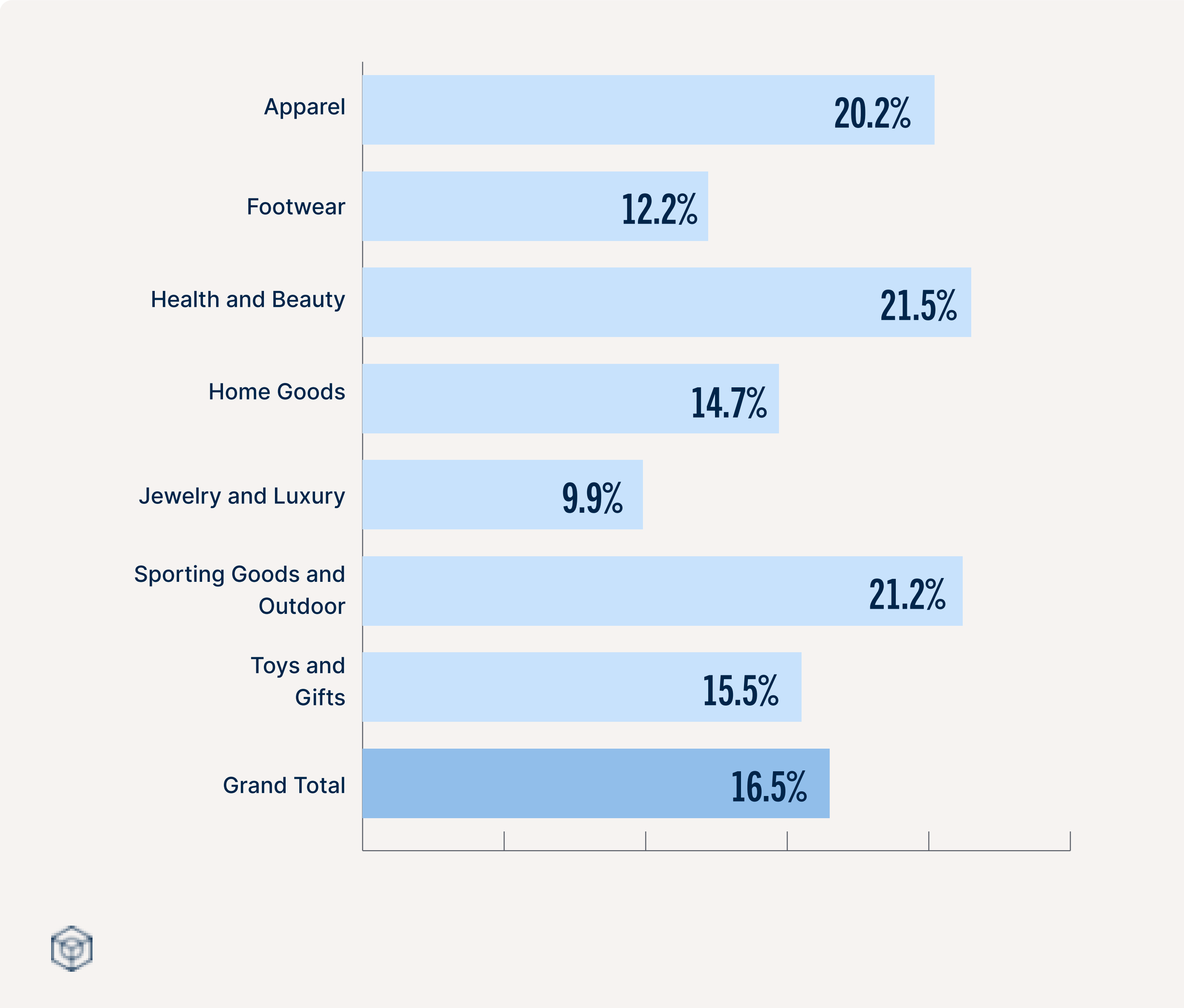


The one-and-done epidemic doesn't discriminate. Our data shows that 74% of a retailer's customers are one-and-done, and these fickle shoppers drag down the average fairly consistently across every vertical. The number of a retailer's orders divided by the number of buyers, purchase frequency is a powerful benchmark, one that's inextricably linked with customer retention. It also represents a major opportunity to grow with signal-based messaging.

Retention: From first-time buyer to active buyer

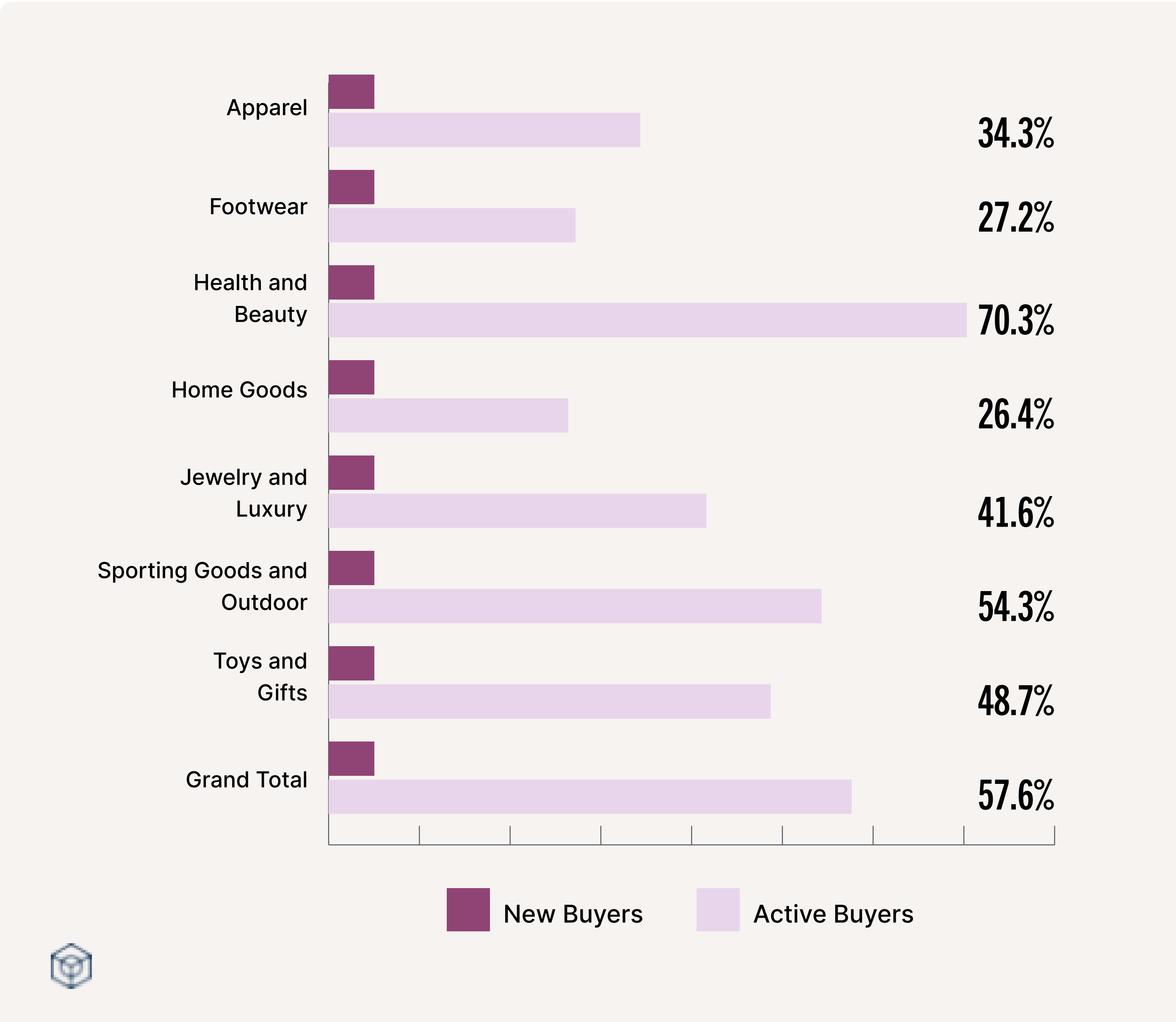
Once someone has made that first purchase, you have a strong foundation for retention: the stage of the customer lifecycle that matters most. **Repeat customers are the lifeblood of retail** as they have the biggest impact on a brand's profit. Once someone crosses the threshold into a repeat customer, you have a much better chance of retaining them. Bluecore research found that once a customer buys twice, the likelihood they buy a third time goes up to 95%.

Repeat purchase rate: The percentage of first-time buyers who made a second purchase

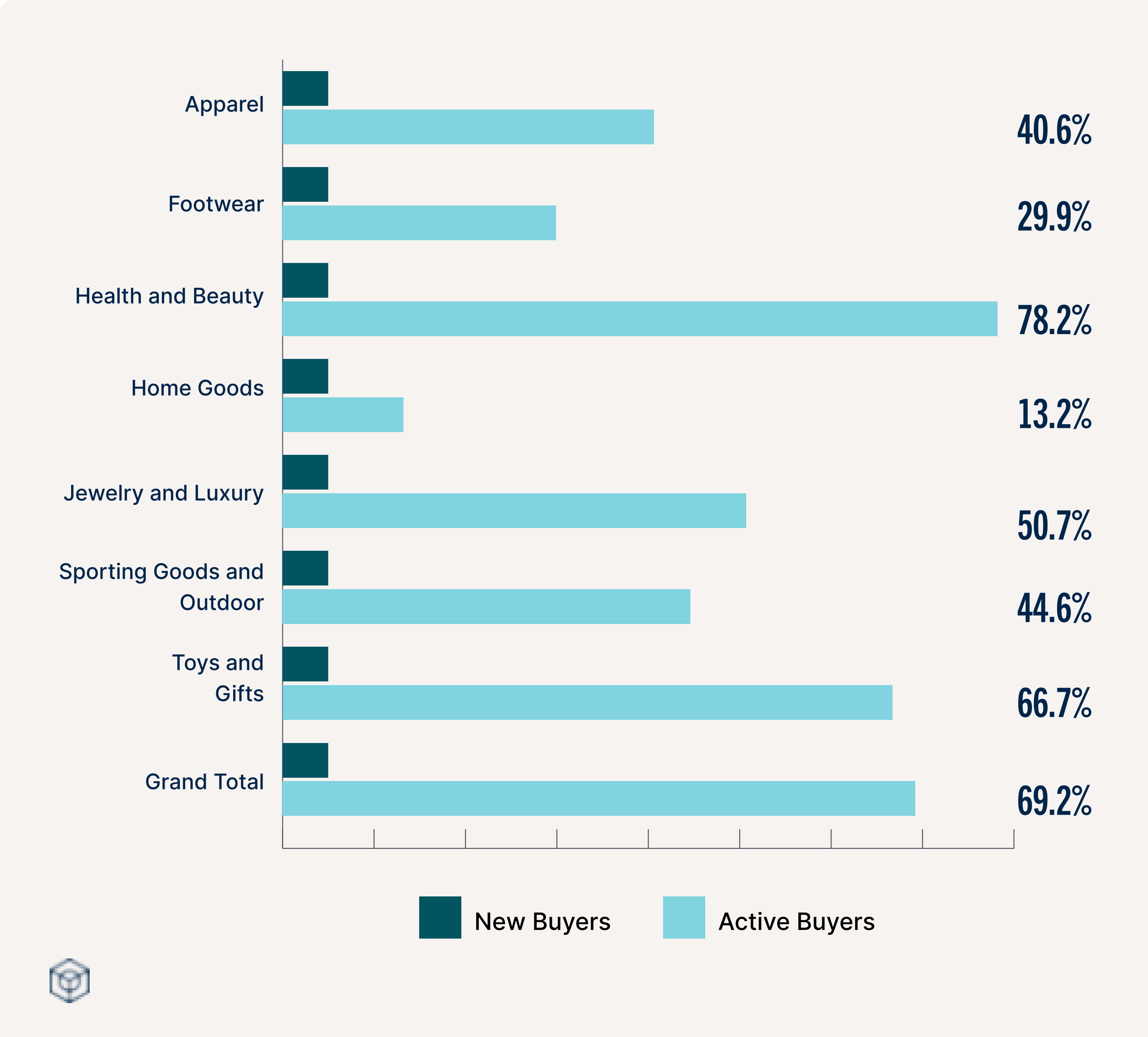


With a sense of their product, channel, and discount preferences and behaviors — as well as what they already have, and may still need — you can curate the shopping experience based on the individual to nurture that second purchase. Second purchase rate was highest in the health and beauty category, which deals in consumables that will need to be replenished. There are also many opportunities for cross-selling and co-purchasing across products and categories within this vertical. With large product catalogs that lend themselves to complementary purchases, sporting goods and outdoor, and apparel retails weren't too far behind.

Purchase frequency growth: The percentage increase in orders per buyer from new to active buyers



Revenue growth: The percentage increase in sales per buyer from new to active buyers



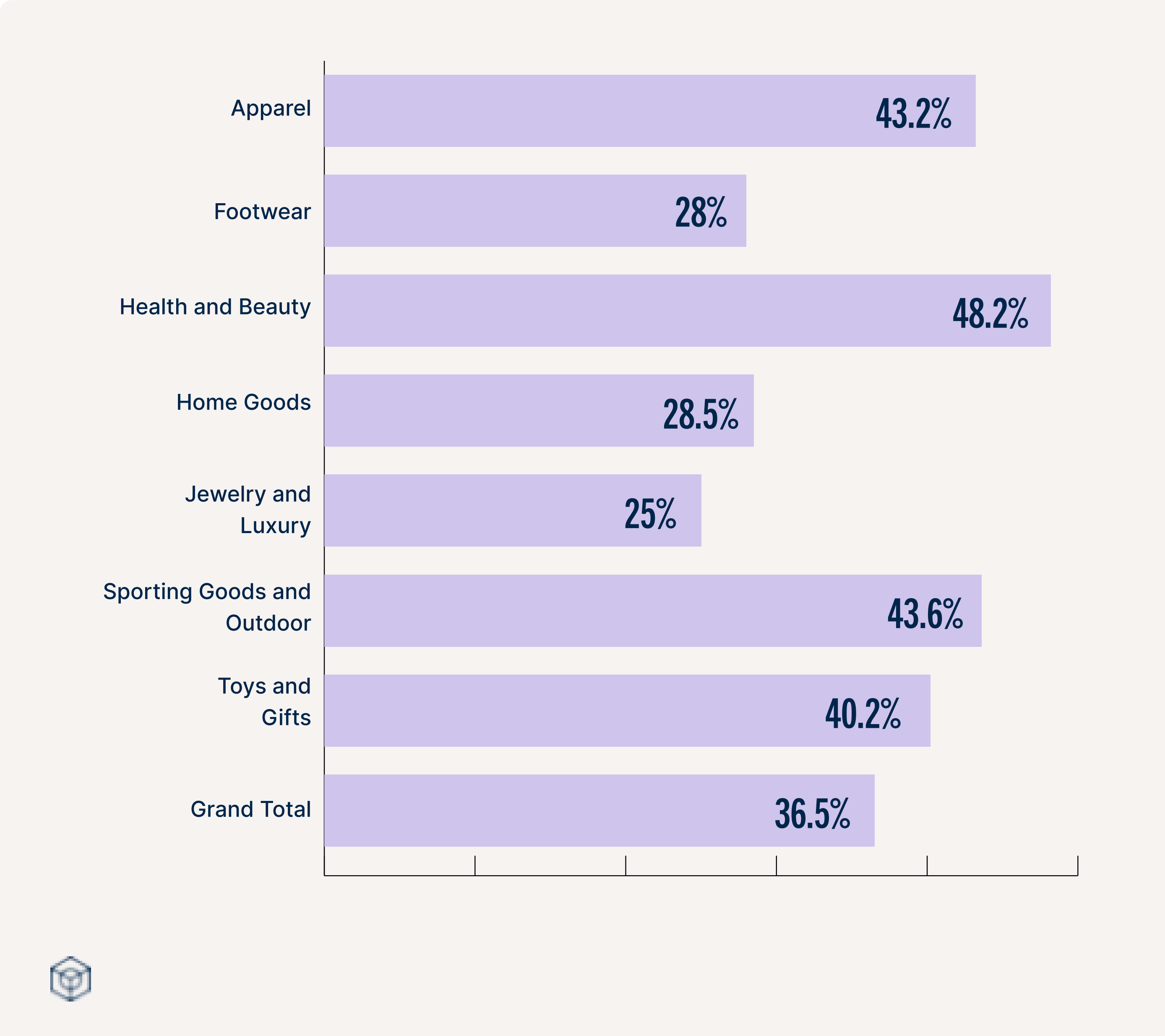
The percentages mark the difference in purchase frequency and sales per buyer, a metric defined by a retailer's revenue divided by the number of customers, between new and repeat buyers. These benchmarks serve as a litmus test for strong customer retention, demonstrating that repeat buyers order — and spend — more than new customers. This is consistent across every vertical.

Health and beauty reigned supreme across both of these benchmarks, but it's the jewelry and luxury category that really highlights just how much repeat customers drive a retailer's profitability. These brands had the lowest repeat purchase rate of the seven verticals, but those customers shopped and spent far more than those who were newly acquired.

Loyalty: Retained or reactivated buyers

Loyal customers are the best customers. This group is small but mighty, creating an outsize contribution to your revenue. Across Bluecore's customer base, 35% of sales come from the top quartile of customers. Engagement is a continuous process, especially since customers can lapse and need to be reactivated. Luckily, you have the strongest pool of signals to work with to maintain relationships with your most loyal customers and welcome those who have lapsed back into the fold.

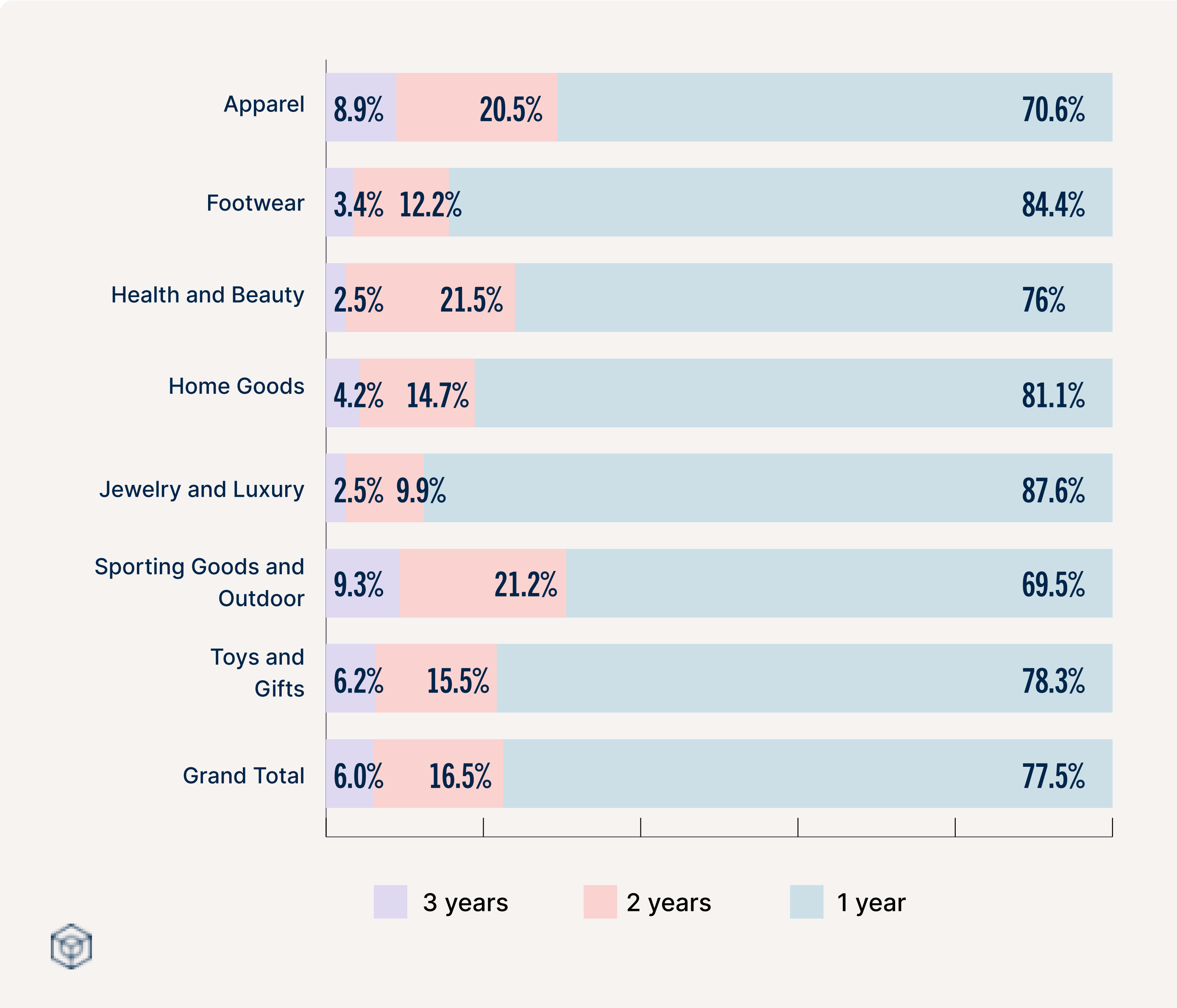
Length of loyalty: Retailers' average third-year customer retention rate



This benchmark is the next step from the repeat purchase rate data in the previous section. Though both benchmarks have the exact same order, with health and beauty retailers in first place and jewelry and luxury brands in seventh, the charts have one major difference. Proving the stickiness of repeat purchasers, every vertical saw a significant increase in customer retention during the third year.

Customer survivorship: The percentage of new buyers that retailers

retain over time

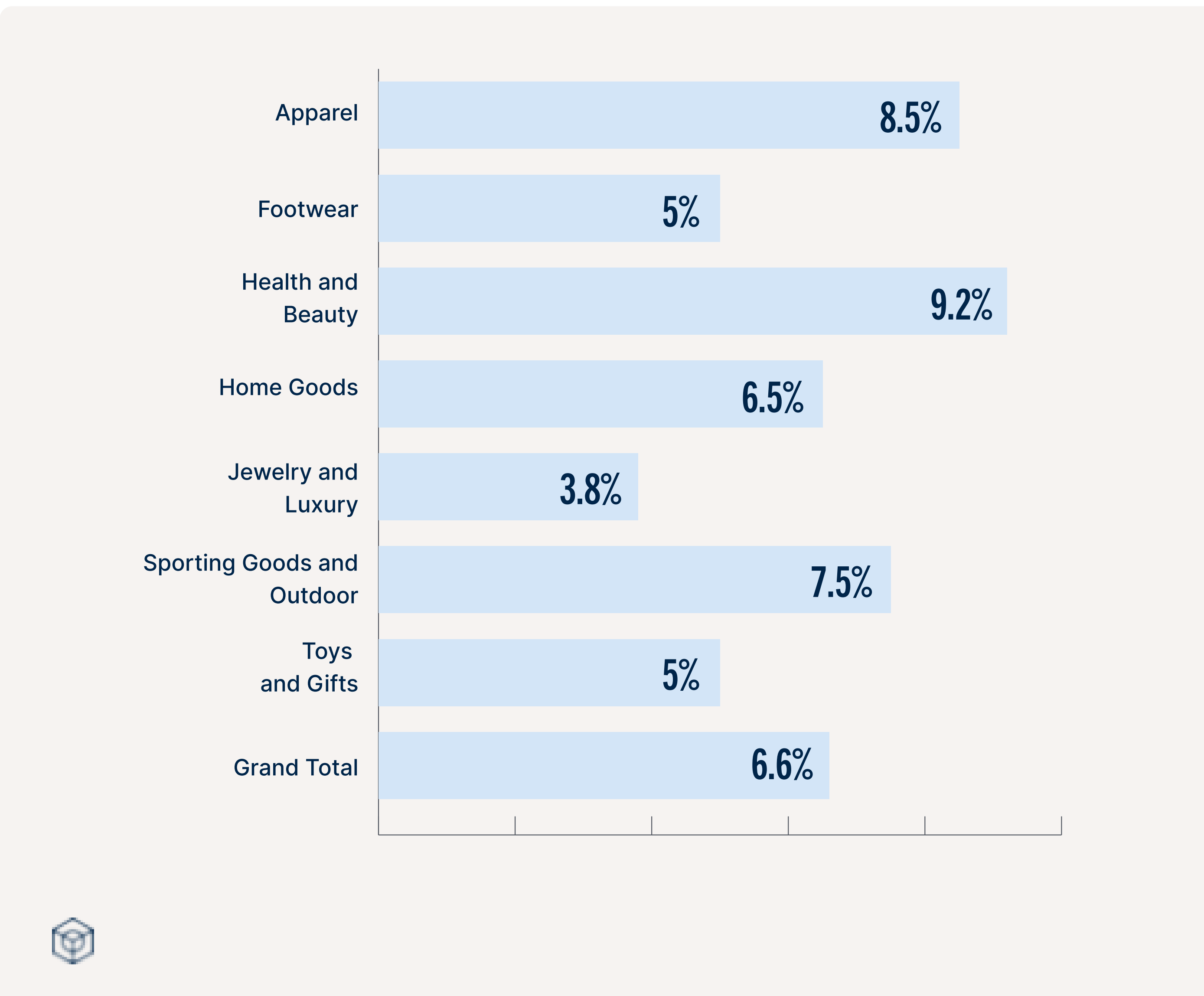


Customer loyalty increases over time, but retention is anything but set it and forget it. We refer to survivorship as the percentage of *new* customers retailers retain for two and three years.

To create the most accurate comparisons, we use the number 100 as a proxy. This means that 100 people made a purchase during their first year and across Bluecore's customer base, 16.5 purchased during the next year as well. That's the middle color. Then in year 3, 36.3% of those 16.5 bought again, which translates to the color on the bottom: 6.

That bottom number demonstrates how many of those repeat buyers are retained for a third year, a universally small percentage that emphasizes just how crucial it is to nurture repeat buyers.

Reactivation rate: The percentage of lapsed customers retailers were able to reactivate



The loyalty stage of the lifecycle includes inactive customers, who have previously made a purchase, but not in the last year. This benchmark represents those lapsed customers who were reactivated this year, a major opportunity across every vertical. Reactivated buyers are hidden gems. Compared with new buyers, their purchase frequency is 7.7% higher and they spend 12.7% more. Reactivating customers also costs less than activating new ones.

Assess your customer movement

Our Customer Movement Assessment helps retailers aim their investments and strategies at the highest-priority growth opportunities within their customer base. Conducting an in-depth analysis of your customer file across active, inactive, new buyer cohorts, our retail strategy team makes surgical recommendations for capitalizing on incremental growth opportunities.

In addition to the analysis, you'll receive peer benchmarking for purchase frequency, survivorship, new buyer penetration, and AOV growth, prescriptive campaign recommendations, and a full strategy blueprint for how Bluecore can help you achieve your highest growth priorities.

Click here to request your own assessment and join the customer movement.

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