

HubSpot + Sweet Tooth

Getting Started With

Ecommerce Retention & Loyalty

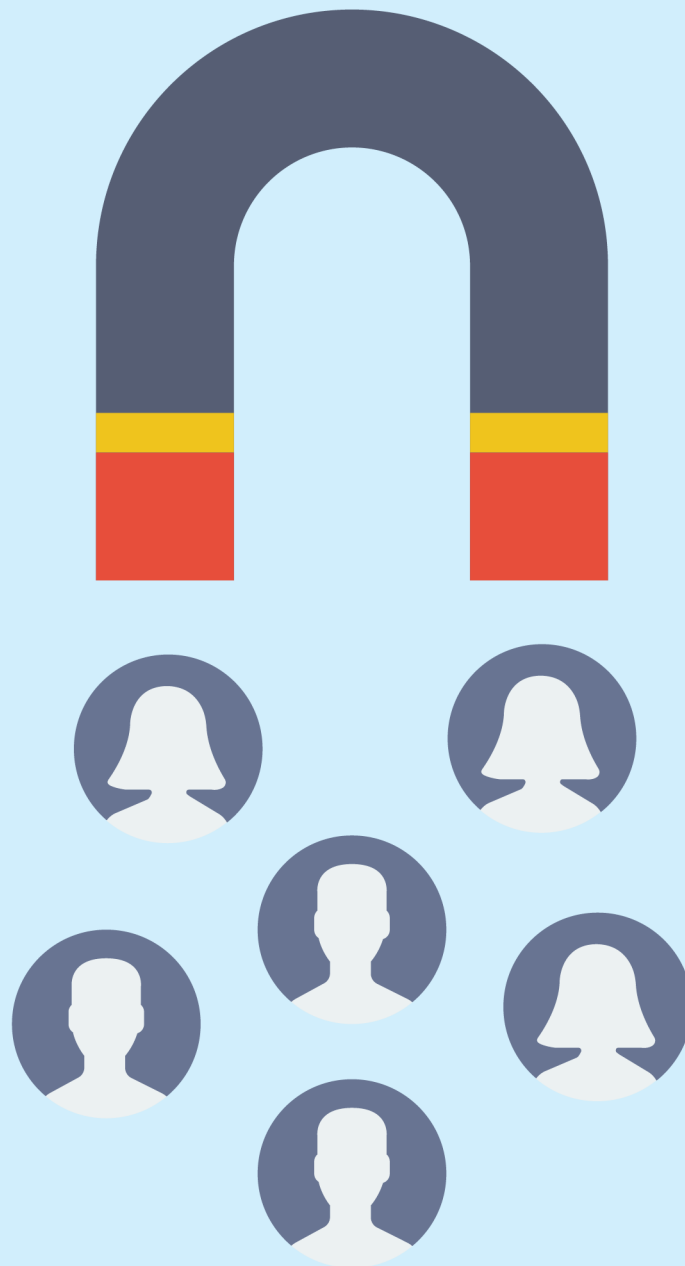


TABLE OF CONTENTS:

(Click on a chapter to hop straight to it!)

I

[Introduction](#)

01

[Chapter 1: What is Retention Marketing?](#)

02

[Chapter 2: How Retention and Inbound Fit Together](#)

03

[Chapter 3: Why You Should Start Retention Marketing](#)

04

[Chapter 4: Typical Ecommerce Marketing Budgets](#)

05

[Chapter 5: What the Elite Stores Are Doing](#)

06

[Chapter 6: How to Start Your Retention Marketing Strategy](#)

07

[Chapter 7: Choose the Right Tools](#)

C

[Conclusion](#)

INTRODUCTION:

I

Most ecommerce companies are focused on acquiring new customers. Unfortunately, the competition is increasing online and the cost of PPC is going up, so it's getting both harder and more expensive to acquire customers. To differentiate yourself from the competition, you need to change your focus to also include customer retention.

01

02

Retaining your current customers can help you increase your customer lifetime value, and make the investment in customer acquisition go much further for your bottom line. You can't have a sustainable ecommerce store without paying attention to your customer experience – including making sure to keep your customers coming back.

03

04

This book will cover everything you need to know about starting a retention marketing strategy for your business.

05

This includes:

- The fundamentals of retention marketing
- How it fits into your inbound strategy
- Why it works
- The tools you can use

06

07

...and more general tips and tricks!

C

CHAPTER 1: What Is Retention Marketing?

I

First things first, we need to start with the basics. What is retention marketing?

01

Retention marketing is a new form of marketing that is becoming more and more prevalent in the ecommerce world. The focus of this marketing strategy is to create engaged customers that return to your business to shop again. You likely recognize aspects of retention marketing (and include them in your current marketing strategy), but this shifts the focus from solely prioritizing the acquisition of countless new customers to also looking at the profitability of the customers you already have!

02

03

04

In short, retention marketing is:

“

05

THE ACTIVITIES USED TO INCREASE THE LIKELIHOOD OF A

06

CUSTOMER PURCHASING AGAIN,

07

WHILE FOCUSING ON INCREASING THE PROFITABILITY OF

C

EACH REPEAT PURCHASE.”

Will retention marketing ever become the only way you market your business? No! You will still need to use traditional digital marketing to first acquire customers, but you can increase your ROI from those channels by getting your customers to shop with you more often.

Acquisition vs. Retention Marketing

Retention marketing is never going to completely replace acquisition marketing. Instead, these two methodologies need to be used in tandem. Think of ecommerce marketing as a sport. Some teams are good at offense, and some are good at defense. But will a team ever win only playing one or the other?



RETENTION IS YOUR BUSINESS'S DEFENSE AND ACQUISITION IS

YOUR OFFENSE. PLAY BOTH TO TRULY DOMINATE THE GAME!



The amount of each your business uses will vary based on what you sell, the margins you have, and the industry you are in. The most important consideration, however, is the stage your business is in. This is the biggest influencer of your retention and acquisition mix.

Did you start yesterday? Retention will do nothing for you if you have no customers, so you need to put 100% of your effort and budget into acquisition. However, as you gain a more established customer base and increase your sales, you can start to add more and more retention marketing into your marketing mix.

CHAPTER 2: How Retention and Inbound Fit Together

I

You might be wondering how retention marketing fits into your inbound strategy. Inbound commerce is a truly customer-centric approach to marketing. By understanding your customers, you can make sure that you're getting in front of the right people at the right time. Once you guide your potential customers down a path, you need to continue to build that relationship in a genuine and personalized way.

01

02

Retention marketing helps you to continue that relationship post-purchase. You can drive more revenue from the same number of customers by ensuring they have a good experience with your company. Then, you can personalize their experience with your company to make sure you're aligned with their interests and preferences, encouraging them to purchase through cross-sell, upsell, and reorder marketing.

03

04

05



THE BENEFITS OF RETENTION MARKETING AND INBOUND DON'T

06

JUST END WITH DELIGHTING YOUR CURRENT CUSTOMERS.



07

C

You can work with your current customers to support your acquisition strategy. Current customers can generate word of mouth marketing and user-generated content as a strong acquisition channel.

CHAPTER 3: Why You Should Start Retention Marketing

I

So why start with retention marketing now? In the past, there wasn't as much need for retention marketing. SEM and social media were cheap and effective ways to drive traffic to your ecommerce site. You could afford to sell to someone once and never speak to them again.

01

Unfortunately this isn't the case anymore. These traditional ads are more expensive and less effective than they were in the past.

02

Adwords CPC's are on the rise. Search Engine Land shows non-brand keywords have risen 75% while branded keywords are up 300% from two years ago.

03

04

That is tough to swallow if you are already operating with small margins. There's more competition, which is making advertising more expensive.

05

06



Social media is seeing a similar trend to Adwords. According to a study by AdAge, your organic social reach is on the decline as well.



07



While Facebook says you can expect to reach around 16% of your audience with a post, AdAge says it is closer to only 6%. To get real exposure on social media you can pay for social ads or promoted posts, but that will cost you.



C



Turning to an inbound strategy will help solve your acquisition issues. But to truly differentiate yourself, you need to make each customer you do acquire more valuable. This is where retention marketing fits into your strategy.

With retention marketing, you are essentially increasing the ROI of every acquisition you achieve. There is also the added benefit that a return shopper is 9x more likely to convert on a purchase than a first time shopper.



I

01

02

03

04

05

06

07

C

CHAPTER 4: Typical Ecommerce Marketing Budgets

Once you have decided that a retention marketing strategy is for you, you need to find budget allocation. Most businesses are already using some retention marketing tactics, but haven't formalized their program.

The average ecommerce business's customer base is comprised of 8% repeat and loyal customers. The remainder is first time buyers or browsing traffic.



While repeat customers only represent 8% of your visitors, they represent 41% of revenue. This is because repeat customers are familiar with your company and are willing to spend more and purchase again.



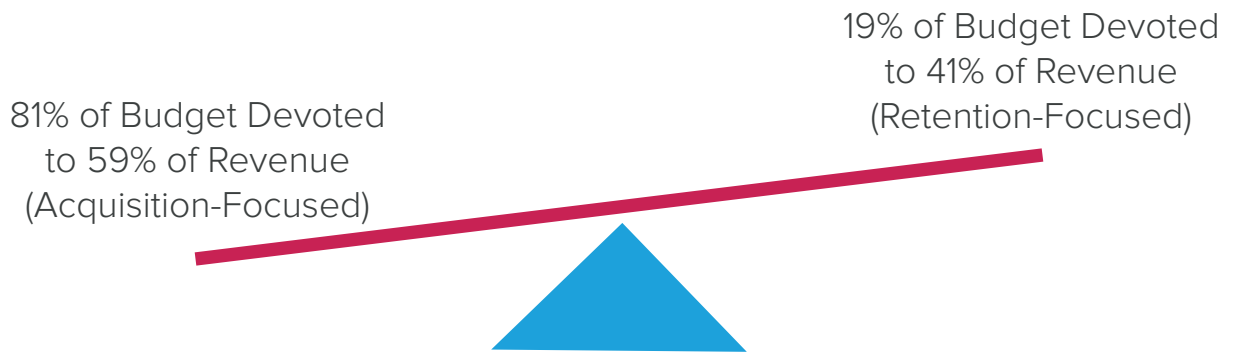
8% OF YOUR SITE TRAFFIC IS GENERATING

41% OF YOUR REVENUE



You may find it surprising that this small but mighty group is actually under-serviced in terms of marketing budget allocation. The average ecommerce business (according to Adobe) allocates 81% of its budget to acquisition marketing and 19% to retention.

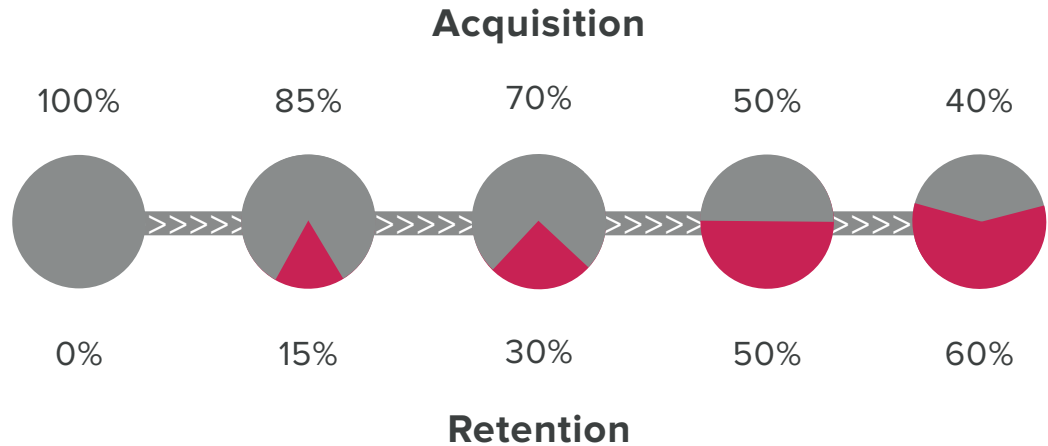
- I
- 01
- 02
- 03
- 04
- 05
- 06
- 07
- C



These numbers may seem fair when you look at the allocation of traffic, but it begins to look silly when you evaluate the percentage of revenue each is responsible for. The marketing split you choose to use is up to you, but it is dictated by the life stage of your business.

Your Store's Life-Cycle Stage Helps Set Marketing Budget Allocation

The average ecommerce business is allocating 19% of their marketing budget to retention. This is an adequate amount for businesses that are beginning to gain traction. These businesses would be doing consistent orders and have annual revenue around \$100,000 a year. Stores that are more established should be investing more in retention marketing.



As a business grows both revenue and existing customer base, they have more to gain from retention marketing. The above graph shows a rough estimate of what a business acquisition/retention split should be.

Once a business reaches a certain size, it becomes extremely difficult to grow through customer acquisition. At this point it is more advantageous to focus on getting more profitability out of existing customers. This is why you see many offline retailers using a loyalty/points program.

CHAPTER 5: What the Elite Stores Are Doing

I

The marketing budgets presented above are what the average e-commerce business is doing, but the elite ones have already discovered how to drive success with retention marketing.

01

To illustrate this point, let's establish a baseline. Let's say that the average e-commerce business has an average order value of \$78. A study by MarketingSherpa found that the average profit margin in e-commerce is 35%. By that logic the average store is generating \$27.30 in profit per order.

02

03



WITH A \$78 AVERAGE ORDER VALUE AND A 35% PROFIT MARGIN,

04

THE AVERAGE ECOMMERCE BUSINESS IS GENERATING

05

\$27.30 IN PROFIT PER ORDER.

06

However, this has not accounted for the cost to acquire that customer. MarketingSherpa also took a look at the average cost to acquire a customer in e-commerce. They determined that the average cost to acquire a customer is \$12. This seems low, but it also shows you how quickly your profits can deteriorate. The \$27.30 in profit is now only \$15.30.

07

C



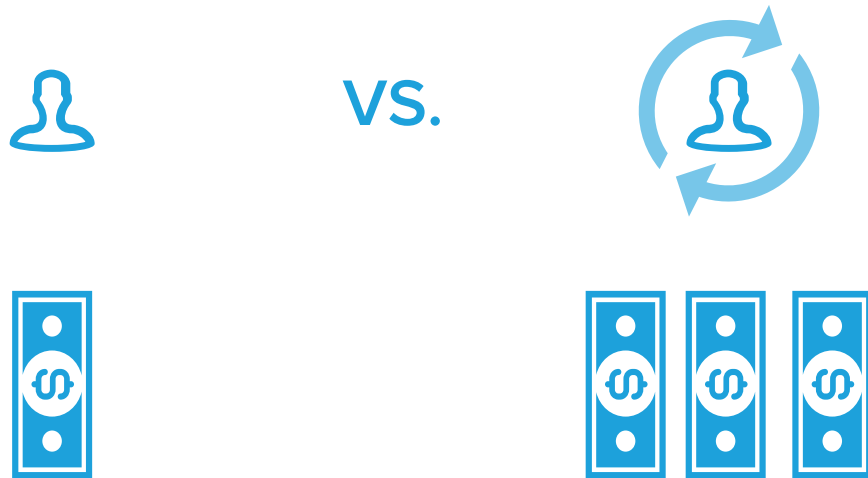
AFTER ACCOUNTING FOR ACQUISITION COSTS, THE AVERAGE

PROFIT PER ORDER IS ONLY \$15.30.

How the Elite Differ

Elite ecommerce businesses know the added value of a retained customer over a first time purchaser. These businesses focus on a customer's lifetime value rather than their transactional value.

A repeat customer spends 3x more than a first time buyer according to RJMetrics. This means that our \$78 dollar average order is now \$234 for these repeat customers. Things are already looking good, but it gets better!



The other benefit of a repeat purchase is that it is cheaper to obtain than a first time one. That \$12 to acquire a customer is not needed to retain a customer. The average retention cost is \$1.70 per customer.

With this increase in order value and decrease in acquisition costs, you are left with a much more substantial profit margin of \$80.20 per order.

I

“

A REPEAT CUSTOMER HAS A PROFIT MARGIN OF \$80.20

01

COMPARED TO JUST \$15.30 FOR A FIRST TIME BUYER!

”

02

You can see why today's elite ecommerce businesses are shifting towards retention. A retained customer represents an 81% increase in profitability over a first time buyer.

03

04

05

06

07

C

CHAPTER 6: How to Start Your Retention Marketing Strategy

I

Once you've decided to commit to develop a retention marketing strategy, how do you actually get started? The best place to start is to calculate benchmarks for where you are now. That way, you can measure your improvement and tweak your strategy as appropriate. There are several metrics to measure and keep an eye on throughout the process.

01

02

Repeat Customer Rate

03

Your store's repeat customer rate is the percentage of your customer base that is coming back to purchase again. Remember, it is more expensive to acquire a new customer (seven times more expensive!) than it is to retain an existing one.

04

05

To measure your current RCR, take the number of repeat customers and divide it by the total number of unique customers. Be sure you are dividing by unique customers and NOT orders.

06

Customers With More Than One
Purchase

07

$$\frac{\text{Customers With More Than One Purchase}}{\text{Unique Customers}} = \text{Repeat Customer Rate}$$

C

As you focus more on retention marketing, you will notice that your revenue from repeat customers will start to climb.

Purchase Frequency

When you make getting return business a focus, your customers will start to shop with you more often. This metric is known as your purchase frequency. It is the average number of times a customer will shop with you during a given period of time.

$$\frac{\text{Total Orders}}{\text{Unique Customers}} = \text{Purchase Frequency}$$

Even a slight increase in purchase frequency can lead to a big impact on revenue.

Customer Lifetime Value

This is the holy grail metric of customer retention. It tells you what each customer is worth to your business over their entire shopping life.

$$\text{Average Order Value} \times \text{Purchase Frequency} \times \text{Average Lifespan} = \text{Customer Lifetime Value}$$

Most of you will know your average order value, and even your purchase frequency, but average lifespan is a tricky one. As a rough estimate, you can use 1-3 years.

Benchmark Your Metrics

Once you have calculated the metrics above, take note of them. This is your baseline for retention. These metrics will show you if the retention tools you have chosen are effective.

This brings us to the next step of starting your retention strategy: selecting the right tools.

I

01

02

03

04

05

06

07

C

CHAPTER 7:

Choose the Right Tools

I

01

There is no single retention tool that is hands down the best for every business. The ideal tool depends on what you sell, your customer demographics, and your overall business strategy. It is also important to note that retention tools are complementary — they work better when used together. Here are five retention tools you can evaluate for your business.

02

1. Amazing Customer Service/Experience

03

Let's start basic. Your customer service and customer experience are one of the most significant contributors to customer retention. If a customer didn't enjoy shopping with you, they will not be back. Similarly, if they had a post-purchase concern that was not addressed, they won't want to shop with you again.

04

05

Before you look into more advanced customer retention tactics, ensure your service and experience are top notch.

06

2. Support Systems

07

Support systems allow you to provide that top notch service your customers are craving. They help you to turn customers with problems into loyal customers. Many questions occur after a purchase. By answering them appropriately, you can nurture these customers into becoming profitable, lifetime customers.

C

Tools like help desks and live chat systems help you add a human touch to the support of your online business. A human touch is exactly what customers need to come back again and again.

I

Live chat software is one of the easiest ways to give your store a human feel. Customers like to deal with other people instead of automation, since it makes them feel valued. Depending on the level of support you need to provide, you can start small with limited live chat and move up into larger help desk software when you're working with a larger team.

01

02

3. Retention Emails

03

You likely already use email marketing to sell your products. But you can also use email marketing strategically to encourage current customers to come back and shop again.

04

05

For example, if you know the average time between purchases, you can segment your customers based on last purchase date. If customers have gone longer than the average time without purchasing, you can give them an extra nudge to come back and shop again.

06

07

The best part of this tactic is that you can use your current email service provider to send these retention emails, targeting specific segments of your audience.

C



4. Personalization

Every merchant should be using personalization in their marketing efforts. No one likes to be put through a generic process or talked to like they are just an order number, especially if they have bought from you already!

I

01

02

03

From adding a customer's name to all communication, to personalized product recommendations and cross-sells like those you see on Amazon, there's a ton of ground to cover with personalization. Regardless of the level of personalization you decide to implement, it is crucial to create a customer experience that fosters customer loyalty. After all, a happy engaged shopper is one that has a higher purchase frequency.

04

5. Loyalty and Rewards Programs

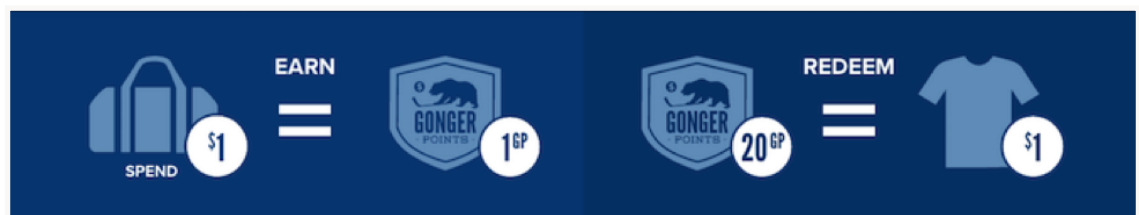
A loyalty and rewards program is one of the most effective customer retention tactics at your disposal. It allows you to reward points to shoppers to encourage them to come back. This creates a switching barrier they will need to ignore if they want to choose a competitor in the future.

05

06







07

C



An example of a loyalty point program

A rewards program allows you to not only encourage repeat purchases but other profitable actions as well. You can reward points for actions like social shares, social follows, registrations, and referrals. Essentially, a loyalty program becomes the hub for all of your customer retention activities.

 50 GONGER POINTS Register & Place Your first order	 10 GONGER POINTS Review our Products
 10 GONGER POINTS Signup for our Newsletter	 2 GONGER POINTS Share products on social media
 50 GONGER POINTS Referred friends registers & Place first order - Refer Now	 5% OF PURCHASES 5% GP of repeated purchases from referred friend

Loyalty programs have been popular in retail for several decades now and for good reason! Building an online loyalty program is faster than building it in-store, making them more effective when implemented online, and there are some great tools to help you out.

CONCLUSION:

I

It's not too late (or too early!) to incorporate retention elements into your marketing. As acquisition becomes more competitive, you need to maximize the value of the customers you do acquire.

01

By using the budget allocation, benchmarking, and tool selection recommendations, you'll have a retention marketing plan (and strategy) in place in no time.

02

03

Investing in retention will help set your company up for long-term ecommerce success. After all, you're investing in customer acquisition already. Make sure your acquisition budget is going as far as it can by getting more value from your existing customers.

04

05

06

07

C

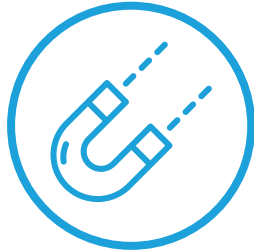
Created by:

Susannah Morris | [@swmorris2](#) | Ecommerce Marketing Manager, [HubSpot](#)

Alex McEachern | [@alexmcea](#) | Loyalty Marketing Specialist, [Sweet Tooth](#)

HUBSPOT: SMARTER ECOMMERCE MARKETING

Whether you're starting a business from the ground up or trying to accelerate growth for a more established brand, HubSpot can help you:



ATTRACT NEW CUSTOMERS

Drive traffic to your site using our first-in-class search engine optimization (SEO) tools, social media monitoring, and blogging platform.



CONVERT TRAFFIC INTO SALES

Upwards of 95% of site visitors don't buy anything on their first visit. Build and optimize product pages and emails that deliver a more compelling online shopping experience.



PERSONALIZE THE REMARKETING PROCESS

Use website behavior and individual campaigns and on-site experiences for abandoned cart nurturing, upsell campaigns, and reorder marketing.



TRACK AND ATTRIBUTE REVENUE

Use closed loop reporting to track customers from their first site visit through their latest purchase for direct attribution reporting between marketing efforts and digital dollars spent.

[REQUEST A LIVE DEMO](#)

[GET A FREE ASSESSMENT](#)

SWEET TOOTH REWARDS: LOYALTY PROGRAMS FOR ECOMMERCE



Sweet Tooth allows you to create a white label loyalty program for your ecommerce business. A loyalty program gets your shoppers spending more, shopping more often, and even telling their friends.

Click below to learn how a Sweet Tooth program can change your business!

[Start Your Loyalty Program!](#)