How to Increase Customer Retention: Strategies & Examples

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Strategies & Examples

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What is Customer Retention & Why is it Important?

By Joseph Hsieh
Founder at Retention Commerce

RETENTION+COMMERCE

Due to the rise of D2C brands and digital saturation, the cost of acquiring customers (CAC) is starting to outpace the intended profit of obtaining them. As a result, online retailers are shifting their focus from acquiring new customers to retaining existing ones, better known as customer retention.

Customer Retention is defined as a brand's ability to retain customers over a set period of time. It's a helpful performance metric that enables retailers to measure their success in inspiring repeat purchases. This provides great insight into how well a brand is performing with regard to customer satisfaction, the quality of their products and the service they provide.

Repeat customers represent only 8% of all eCommerce site visitors but account for 41% of eCommerce revenue.

In fact, there's a 27% chance that a retained customer will return to make another purchase. That return rate leaps to 54% if they can be persuaded to make a second and third purchase. With the likelihood of retention increasing over time, it pays to keep your existing customers happy.

CAC vs LTC
(Customer Acquisition Cost vs Customer Lifetime Value)

COST

MONTHS
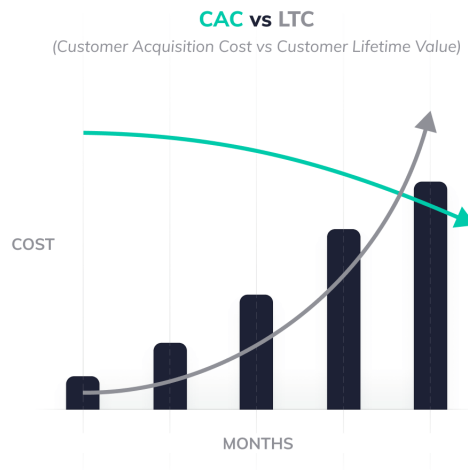
In addition to more frequent sales, retained customers also offer better average order value (AOV) — they're estimated to spend 20% more than first-time purchasers. So, not only are retained customers cheaper to keep around than their first-timer counterparts, they're also more profitable.

Retained customers offer a greater lifetime value (LTV), helping boost the ROI of your initial customer acquisition cost (CAC). It's estimated that boosting customer retention rates by just 5% can increase profits by as much as 95%. This helps reverse the troubling trend of customer acquisition costs (CAC) overtaking customer lifetime value (LTV).

With increased loyalty, higher cart values and more reliable recurring revenue, it's easy to see why a robust customer retention strategy is so important.

"Retention Commerce helps Shopify ecommerce merchants with their retention marketing strategy. We provide done-for-you email automation, retargeting advertising, chatbot/messenger marketing, and loyalty program implementations to help you convert your customers, get more repeat customers, and grow your customer lifetime value."

Joseph Hsieh, Founder

RETENTION+COMMERCE

Strategies to Increase Customer Retention

1. Build Customer Relationships with Email Marketing

By Leslie Wong
Partner Marketing Manager at Klaviyo

KLAVIYO

When it comes to creating an ongoing connection with your customer base, nothing else comes closer than email marketing. From offering personalized value that cements customer loyalty, to keeping customers engaged by actively communicating your brand, email marketing is a powerful ally to customer retention.

Automated email flows have a core role to play in your customer retention strategy. From engaging with customers, collecting valuable customer feedback, to providing personalized recommendations. They allow your brand to optimize the customer experience at key points of the customer journey.

What's more is that every time a customer interacts with your brand, the more refined and targeted your messaging can become. You can use first-party data to create unique customer segments, allowing you to deliver incredibly effective, personalized messages to your customers. As a result, your brand will experience a higher customer lifetime value (CLV) and an increased repeat purchase rate over time.

"Klaviyo gives brands the opportunity to build long term relationships with their customers. **Using first-party data, brands can unlock a deeper dialogue with their customers based on shopping and purchase behavior, geographic location, personal preferences and more.** You can send tailored recommendations based on past purchases, invite customers into a VIP program to shower them with rewards, and re-market in a personalized way which fosters brand loyalty and translates into greater lifetime value."
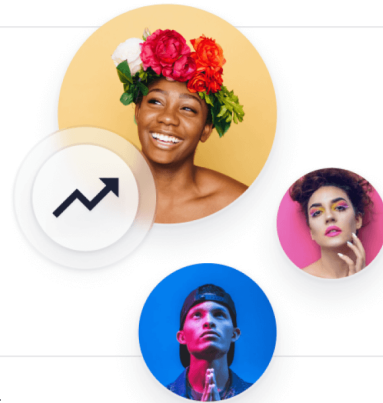
Leslie Wong, Partner Marketing Manager

KLAVIYO

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Calculate & Measure The Success of Your Customer Retention Strategy

Access Template >

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# 3 Must-Have Email Campaigns to Retain Customers

1 Abandoned Cart Email

Imagine this - you're browsing on your phone for some new clothes as you wait in line for your coffee to be prepared. After a few minutes, you triumphantly add a few favorite items to your shopping cart. Your name is called. You quickly slip your phone back into your pocket, and proceed to carry on with your day, now concentrated on the fresh cup of coffee in your hand.

The world is full of distractions and as a result, up to 70% of shoppers will add to cart but fail to check out.

An Abandoned Cart (AC) email campaign will help automate the process of reengaging with shoppers to convert them into loyal, paying customers. By providing a gentle reminder of the purchase they were so close to making, at a time data proves they'll be more concentrated, retailers have the opportunity to win back lost customers.
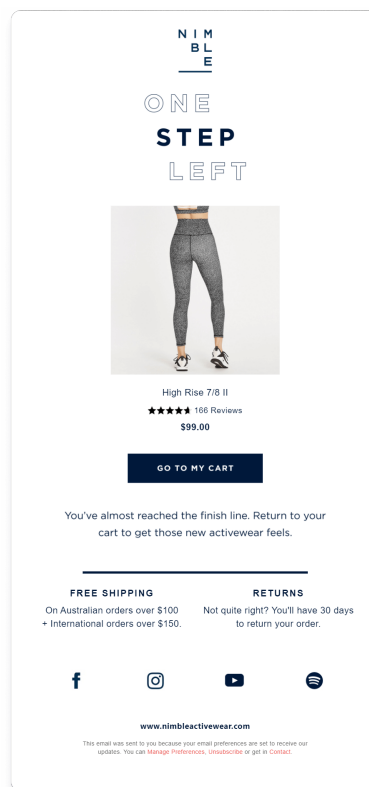
Consider incentivising shoppers with a voucher or special offer included within the AC campaign to help further boost retention. Abandoned cart emails that included a coupon had an above average open rate (44.37%) and click-through rate (10.85%).

To ensure that the product and shoppers purchase intent is still top of mind, we recommend structuring the workflow as:

✓ **Email 1:** Reminder (sent within 24 hours of cart abandonment)

✓ **Email 2:** Follow up (sent within 72 hours of cart abandonment)

✓ **Email 2:** Promotional discount (sent within 120 hours of cart abandonment)

The goal of this email is to persuade the customer to return to your store and complete the final steps of checkout. For maximum impact, retailers need to provide a compelling motivating factor to seal the deal.

✓ **Remove objections -** Provide product benefits and FAQs

✓ **Encourage loyalty -** Include a discount code

✓ **Showcase trust and credibility -** Add social proof to strengthen buyer purchase decisions

A great customer example is women's activewear brand Nimble. The brand included customer review snippets in their Abandoned Cart email campaign and saw a 16% increase in Average Revenue Per Recipient!

"**We know how important social proof is in driving conversions.** Every customer wants to see how other customers have experienced a product. As a brand, you can tell a customer one thing, but people generally trust the mass consensus. **So to be able to pull that information seamlessly into our email campaigns is really great.**"

Vera Yan, Co-Founder

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MBL
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2 Review Request Email

Customers want to feel appreciated. A great way to show this appreciation? Listen to what they have to say. Actively enquire after their experience. Post-purchase communication offers a golden opportunity to re-engage with customers, and establish a positive connection. By requesting a customer review, retailers can gain a solid understanding of the perceptions of their brand.

Reaching out with a well-timed review request also enables brands to improve their overall offering, further increasing the odds of retention. Reviews can inform product improvements, better customer experiences, and fine-tune communications based on feedback.

The kind of rich UGC that reviews can generate is also a great way to showcase and foster brand loyalty. You can power your retention tactics by including UCG within different email campaigns such as welcome emails, product recommendation emails, or abandoned cart emails, a strategy proven to boost CTR.

What's more is that based on your customers' feedback, you can fine-tune future communications with them to build upon their relationship with your brand.
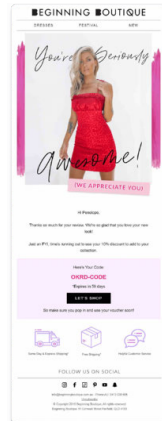
Women's fashion brand Beginning Boutique creates email flows triggered by customer behavior (aka the customers submitted review & rating) to create unique journeys for each customer based on their interactions and loyalty to the brand.

You can replicate some of these successful tactics by implementing the following dynamic review request flow, building up your customer relationship to boost chances of brand loyalty and ongoing retention.

✓ **Email 1: Review Request with Incentive -** encourage customers to leave a review in exchange for a discount for text reviews and for a visual review at an additional discount off. Split the flow into two pathways to tailor messaging for newcomers and returning customers.

✓ **Email 2: Thank You / Follow-up -** acknowledge whether a customer review is positive or negative. For a positive review, send the customer a thank you email to cement their positive feeling towards your brand and products. For a negative review, invite additional feedback in an effort to improve their experience and strengthen the customer relationship.

✓ **Email 2: Reward -** reward your most loyal customers (those who submit three or more reviews) with rewards that increase along with the number of reviews they submit for your brand.

As a result, you'll be able to strengthen the brand-buyer relationship through personalized customer journeys, increase customer loyalty and drive sales through personalized incentives, and encourage future purchases with rich user-generated content on your site.

3 Product Recommendation Email

Your repeat customers are the ones you know best. Their ongoing purchases have given you much more than recurring revenue – they've given you detailed insight into their likes, dislikes, purchasing patterns and more.

To optimize the effectiveness of your email marketing campaigns, put this knowledge to good use. Create segmented email flows that leverage your deep knowledge of customers. This could involve embedding product recommendation feeds in your emails based on:

✓ **Transactional Data -** such as customer purchase history

✓ **Behavioral Data -** such as customer browsing history

✓ **Customer Review Data -** such as customer or product attributes
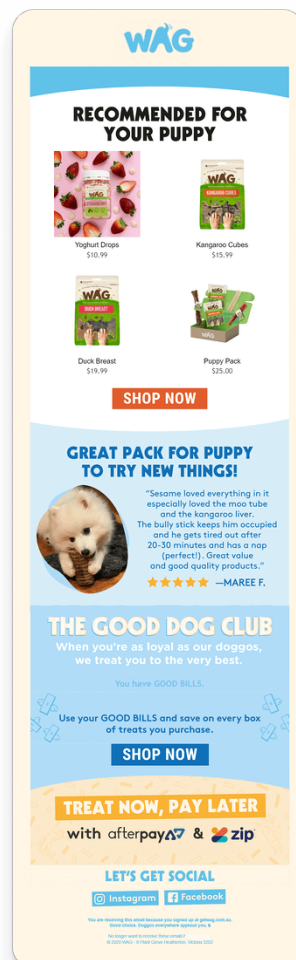
WAG, a natural & healthy dog treat brand, uses key customer insights collected through their customer reviews in Okendo to create powerful customer experiences. As a result, WAG was able to promote personalized products for customers based on key information about their furry friends like age, tastes, and past purchases to dramatically improve marketing effectiveness and customer retention.

Why are product recommendation emails great for customer retention? Because customers will receive emails that provide them with personalized value, making them feel closer to your brand and therefore make them more inclined to open future communications.

As a result, this will allow you to build deeper relationships with your customers, increasing your customer lifetime value and ultimately conversion rate. In fact, personalized emails deliver transaction rates six times higher than their non-personalized counterparts.

2. Encourage Loyalty with a Reward Program

By Neomi Avron
Marketing Manager at Rise.ai

rise.ai

Loyalty programs have come a long way from the battered old stamp card kept at the back of your wallet, but the psychology supporting them remains unchanged. We like to return to the areas in which we feel invested – emotionally or financially. We enjoy the perception that our purchase is valued and appreciated.

Rewarding loyalty is one of the most effective ways to ensure customers are invested in your brand. In fact 34% of customers say that they wouldn't remain loyal to a business if it wasn't for their loyalty program.

A loyalty program is directly linked to your store, so customers will be keen to return to make the most of them. From offering store credit on a purchase, money back for buying gift cards, rewards for reviewing and more, a loyalty program of this nature can go far when encouraging repeat customers.

Research shows that 79% of customers are more likely to continue doing business with a brand when they participate in a loyalty program. By implementing an effective loyalty program, your brand has a significant opportunity to improve customer retention rates, increase your customer lifetime value, and keep customers away from the competition.

"**Rise.ai is the leading gift card and store credit solution for online brands.** Using Gift Cards, brands can launch advanced retention experiences, from gift card promotions, to effective ways of using store credit for refunds, and also launch advanced rewards campaigns that accumulate directly into your customers' digital wallets."

Neomi Avron, *Marketing Manager*

rise.ai

How to Create a Successful Reward Program

1

Make your reward program visible

You can't have an effective rewards program if nobody knows about it.

When encouraging your customers to join your loyalty program, show them what they have already earned through their purchases – and will lose if they don't take advantage of the opportunity to join your loyalty program. It's important to clearly communicate the rewards your customers can earn, as well as how and when.
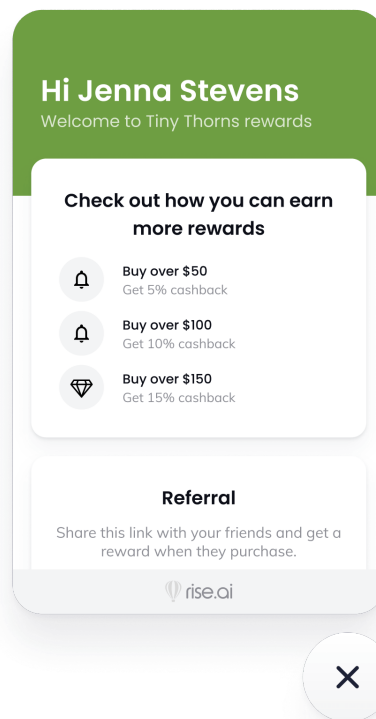
You'll want to make sure your rewards program is visible across different points of the customer journey to actively encourage customers to join. For optimal visibility, consider highlighting your rewards program on your:

✓ **Homepage -** capture customers interest by creating a dedicated hero image or pop-up.

✓ **Checkout -** remind customers of their ability to join your rewards program at the point of sale by including an account creation checkbox during guest checkout.

✓ **Email -** send strategic emails to your customers inviting them to sign up for your rewards program and offer personalized rewards based on their purchase history.

✓ **Social media -** create posts and stories promoting tier level rewards your brand community can unlock.

✓ **In-store displays -** make sure the benefits given online cross over into the physical store experience if you have a brick-and-mortar store in addition to your online store.

With a string of brick-and-mortar stores across the US, the Miami Heat knew they needed a digital solution that could work both online and offline. They took care to ensure a seamless omnichannel integration, enabling their fans to stay loyal at every opportunity.

2   Automate engagement with reward program members

Once you have customers locked into your rewards program, you'll be looking for ways to amplify their engagement.

Automated WorkFlows allow you to increase customer retention by creating a variety of unique opportunities for customers to receive rewards and engage with your brand. As a result, you'll be able to increase repeat sales and build deeper relationships with your customers.

Below, we've established three workflows you can set up to maximize the effectiveness of your rewards program:

✓   **Reward customers for creating an account -** customers with store accounts tied to a loyalty program are 36% more likely to return and have an average cart value 39% higher than customers without. By creating an account, customers can securely save payment methods, shipping addresses, shopping carts, and order information, creating a faster seamless checkout experience.

✓   **Reward customers for their first purchase -** there's only one chance to make a first impression, so make yours count. Sending credit to your new customers will establish brand loyalty right off the bat and significantly increase the chance that first-time purchasers will turn into repeat customers. This program helps you maintain loyal customers, and makes them feel valued and appreciated.

✓   **Reward customers for their loyalty -** you want to give your customers a strong, tangible incentive to continue buying with your brand. Make rewards at higher spend levels worth exponentially more than rewards at lower spend levels. For example: spend $10, get a $2 reward. Spend $100, get a $25 reward. Spend $1000, get a $300 reward. This will allow you to create loyalty tiers for your customers (bronze, silver...), and rewards them accordingly. This program makes it worthwhile for your customers to become loyal, returning customers, because they know that the more they spend, the more store credit they will receive back.
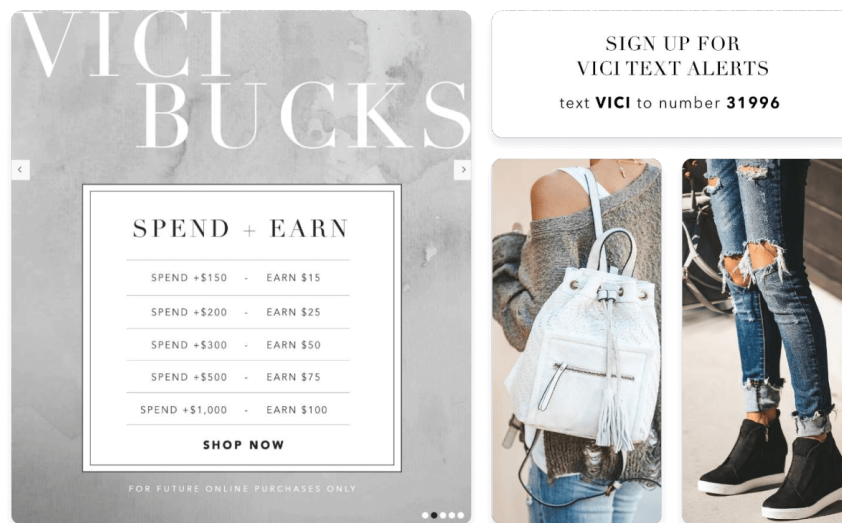
[66% of customers](#) have been shown to modify (i.e. increase) their spend in order to maximize a program's benefits. By giving customers multiple ways to earn and level up their rewards, you're encouraging better, broader engagement with your brand.

Creating a tiered reward system is great for staying in touch with your customers on a regular basis. so you can ensure your brand is top of mind. — for example, letting them know how close they are to unlocking a new tier.

Free Fly Apparel offer a great take on this approach, [cleverly integrating the ethos of their brand into the packaging of their tiers](#). Members of the loyal program are referred to as "Freedom Finders" and can level up from entry to become "Frequent" flyers, eventually attaining "Freedom" flyer status. This is a great example of a retailer using a loyalty program to double down on their branding, enhancing customer relationships and, in turn, retention.

"Rise's upgraded gift card capabilities made us more efficient and enhanced our customer experience. 70% of our customers are male, and they have no patience for hassle – they want to come in, purchase and leave. Rise made that possible, and it earned us not only savings in man-hours but customer loyalty, which we all know is priceless."

Lily Ackerly, Customer Service Lead

FR≋≋ FLY

3 **Optimize reward program promotion and engagement with customers**

This is a fantastic opportunity to turn your loyal, returning customers into brand advocates.

To start, you'll want to take a look at your different channels and establish which ones are driving the most interaction with your rewards program. Customer behavior data will allow you to track which channels brought customers to your rewards program and the types of interactions they made. This will allow you to greet each customer where they are and enable them to interact with your brand in a way that's suitable for them.

Once you've established optimal channels for engagement, it's time to fine-tune your messaging. Here, you'll want to use customer transactional data to create personalized reward messaging that resonates with your customers previous purchase history. This can help you activate a new customer, foster loyalty with an existing customer, or bring an "at-risk" customer back into your program.
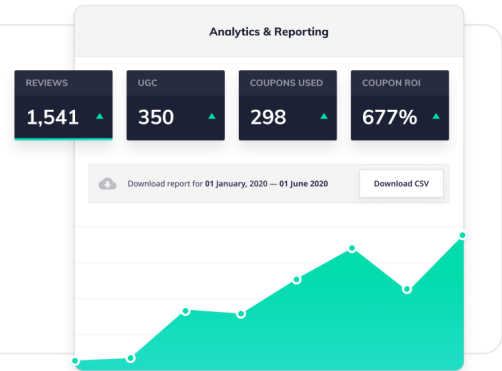
Timing is everything. The time in which you send a reward to a customer can play a major role in the effectiveness of your reward programs. You can perfect the timing of your reward deliveries by utilizing customer data such as spend patterns. This will allow you to pinpoint when customers use their rewards most to adjust your reward send times accordingly to receive the greatest ROI. However, special calendar events like Valentine's Day, Christmas, and birthdays always call for the perfect time to send your customers a little special something.

WorkFlows			Create WorkFlow
Name	**Trigger**	**Action**	
Mother's Day WorkFlow >	Account Created	Issue Store Credit	
Holiday Rewards - Cart Value >	Order Created	Issue Store Credit	
Holiday Rewards - Gift Card Purchase >	Order Created	Issue Store Credit	

Look for new ways to make your loyalty program stand out. Think about offering out-of-the-box rewards for your customers to separate yourself from the competition such as exclusive products, personalized experiences and the ability to share rewards with family, friends and charities to spark some interest amongst your customers.

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Analytics & Reporting

REVIEWS	UGC	COUPONS USED	COUPON ROI
1,541 ▲	350 ▲	298 ▲	677% ▲

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3. Facilitate Recurring Revenue with a Subscription Service

By Chase Alderton
Growth Marketing Manager at ReCharge

ReCharge

From Dollar Shave Club's smooth operation to the flawless market disruption of BeautyPie, in recent years, we've seen a huge growth in the popularity of subscription services. Their success is hardly surprising – who wouldn't want a steady supply of their most regularly used or favourite consumables dropping onto their doorstep at a discounted rate? With retention baked into the model, subscription provides benefits for both consumer and retailer.

Subscription services offer the kind of top notch customer experience that DTC brands thrive on. When it comes to making a purchase truly seamless, it's hard to think of a more perfect checkout process than one which is fully automated.

For retailers, this is a huge asset. It brings all the benefits of reliable, recurring revenue and helps the brand keep its place as first choice for customers thanks to a regular, scheduled delivery.

"While acquisition is important for subscription brands, retention is where the impact is truly felt. **Because subscription products are delivered at a specific cadence controlled by the customer, there is an element of retention that is naturally built in.** When merchants leverage proper customer touchpoints like upcoming charge notifications and delivery status emails or texts, brands can build a retention machine that can deliver lifetime value multipliers greater than 10X."

Chase Alderton, Growth Marketing Manager

ReCharge

How to Retain Customers with a Subscription Model for Your Brand

The subscription model of recurring revenue can be adapted to suit any vertical, from services through to physical products. In this section, we'll take a look at three common setups, and explore why they're so beneficial when it comes to customer retention.

1 **The Access Model**

The access model consists of the customer paying a recurring fee for access to a service or product. The time period that they pay for could be anything from a month through to a full year. The control is in the hands of the retailer, and of course, the longer the period, the longer the guarantee of customer retention. Because of this many retailers choose to offer a range of timeframes, discounting the rate for a full year over a month by month approach.

The model is advantageous to both retailer and consumer. On one hand, the margins and scalability of a digital product or service offer increased profitability. On the other, the opportunity to dip in and out of access to an otherwise more costly product increases accessibility. SaaS is obviously a standout vertical when it comes to the access model of subscription, but it's also working well for an increasingly digitized publishing industry.

A great example of the access model is <u>Siren Marine</u> which offers digital subscription memberships to its Internet of Things "Connected Boat" technology. Complimentary to the way that its customers use its boats, it offers a "seasonal" subscription, in addition to monthly and yearly options.
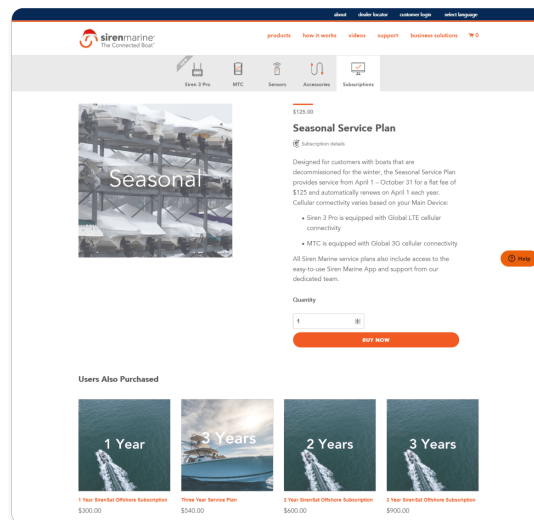
2 The Curation Model

The curation subscription typically entails a monthly subscription of curated products relating to an interest, theme or hobby.

From skincare to apparel and craft supplies, this model's success lies in the element of surprise and delight. Customers don't know what they'll receive, but careful product selection on the part of the brands involved ensures that each delivery is perfectly judged.

When it comes to choosing and procuring products, brands working within this model know their niche and vertical intimately. Additionally, companies will often leverage <u>algorithmic assistance</u> (based on an <u>initial customer survey</u> and continued aggregated feedback) to ensure customers are delighted every time.

In recent times, the curation model has proved <u>a real disruptor to the online groceries industry</u>, as brands such as Hello Fresh pull together regular deliveries of ingredients to enable more adventurous home cooking.

A fun case study here comes from Pusheen, an iconic internet cartoon character who commands an army of loyal fans. By channeling people's love of this little cat into a regular delivery of beautifully branded goods, a successful subscription business was built that continues to thrive.


3   Replenishment Model

The replenishment model of subscription saves customers time and the frustration of running out of a product they regularly consume or use. This works best for low value, high frequency everyday consumables; think dishwasher tablets and toilet paper.

By offering a range of time periods, customers can adapt their subscription to meet their level of consumption and ensure that a steady stream of their desired product is sent directly and automatically to their door. They will never have to worry about running out of contact lenses, clean tees or coffee (unthinkable!) again. The ease and convenience of this model sets brands up for high levels of customer retention.

Primal Blueprint offers a great example of this kind of replenishment model in action. With a product line of weight loss supplements supporting a best-selling book, customers were able to keep a steady supply of the products they needed to support their lifestyle changes over time.
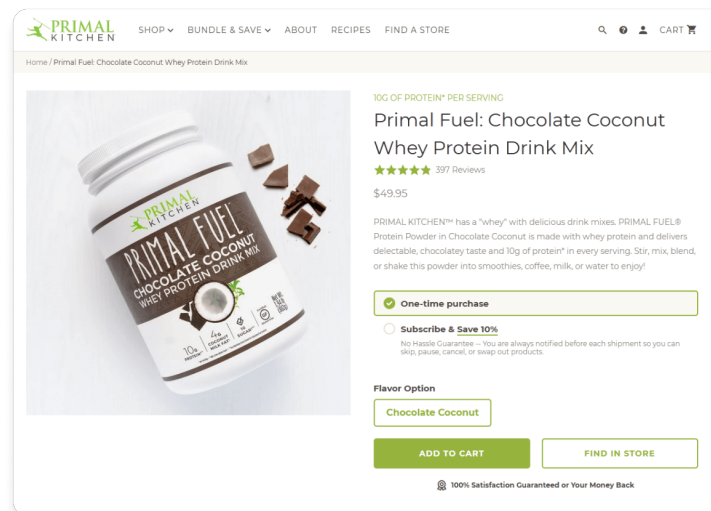
"At Springline Coffee, our focus is selling small-batch, high-quality coffee. **Because we sell a consumable product in a saturated market, our best bet for sustained and forecastable profits is signing customers up for subscription plans.** Recharge has helped us take single and sporadic one time purchasers and convert them to a sustainable number of sales that we can forecast each month. **As a business that recently launched, the ability to forecast our sales while seamlessly delivering great experiences to our customers has been a hands down win for us.**"

Joseph M. McCarthy, Co-Founder

SPRINGLINE
COFFEE

While the subscription model has proven to be an incredibly popular selling format for ecommerce retailers over recent years, it's not without its challenges. Relying on economies of scale and reliable recurring revenue, customer retention is an absolutely core component.

This means keeping churn rates low – once a customer has been won, every care should be taken to keep them happily subscribed and automatically billed. Reducing churn is the most cost-effective way to drive long-term growth for a subscription business.

1 ## Survey every customer at the point of cancelation

The first step to reducing customer churn is understanding why your customers want to cancel their subscription. An effective way to source this information is by including a survey on your cancellation page. This will allow you to collect enough customer insights to plan future retention strategies in order to actively combat customer churn.

2 ## Deliver personalized, reason-based offers

There are a number of reasons why customers choose to cancel their subscription. They could be interested in another product, looking for one that's more cost effective, or changing the frequency in which they use your product. Whatever the reason may be, you'll need to make sure that your retention strategy is targeted towards that customer's specific need.

Present customers who wish to stop their subscription with a list of retention strategy responses. You can then persuade them away from canceling their subscription by responding with a personalized offer. Some examples include:

- ✓ "This is too expensive" — to which you can respond with a special discount offer.

- ✓ "I want a different product" — to which your brand can respond with an option to swap their subscription product.

- ✓ "I already have more than I need" — to which you can respond with an option to skip or pause the next order.

Subscription Cancellation Reason:

I gotta let you down and desert you due to my financial grievances

Custom Response:

Don't go! Get a discount for your su
discount code for 50% off storewid
duration of your subscription with u

🏷 **APPLY DISCOUNT:**

PLSDONTGO

Get 50% off storewide!

3 ### Optimize your subscription model offerings

Reducing churn is a constant effort for subscription businesses. Luckily, your customer data provides a plethora of insights that can be used to optimize your messaging for current and future customers.

Outside of evaluating customer cancellation data, you can use behavioral data as well as transactional data to understand the type of message and channels that reach your customers best. You can then use this data to build unique customer journeys to deliver personalized messaging that will resonate with each and every one of your customers.

It's important to constantly test and segment your messaging for customers to establish which approach works best for achieving your retention goals.

Building a Customer Retention Strategy for Your Online Brand

Customer retention is a crucial element of any brand's success, and with acquisition costs and competition rising, it's only growing in importance.

By ensuring you have a firm handle on the current state of your customer retention, you can easily monitor the improvement that your enhanced retention strategies bring.

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