2019 BENCHMARK REPORT:
CUSTOMER ACQUISITION
AND RETENTION

RETAILERS SHIFT *Strategies* TO CATCH UP WITH CHANGING SHOPPERS

retail TouchPoints

SURVEY REPORT

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Retailers are at an impasse today — they feel plenty of pressure to attract as many new consumers as possible to generate more traffic and sales, but they also have an equally important task — ensuring that these shoppers will return again and again after their initial purchase. Merchants are discovering that strategies for **both** customer acquisition and retention should **complement** rather than **compete** with one another.

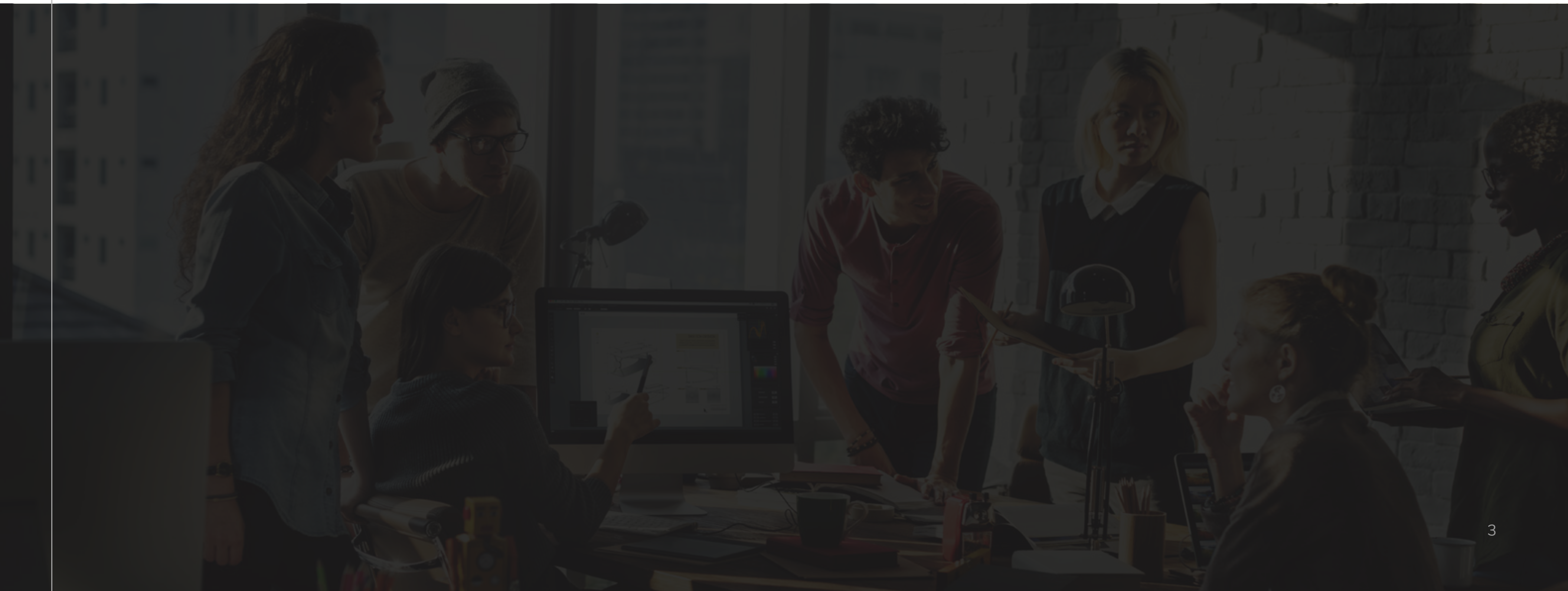
One way retailers have traditionally found a balance between these competing claims is through loyalty programs: **52%** of retailers offer a loyalty program today, with another **12%** planning to implement one. These programs have proven effective: **44%** of retailers say **at least 40% of total revenue comes from loyalty program members**. But retailers are discovering that there are numerous other options they can use to gain a more dedicated following, such as in-store events, content or subscription services.

The second annual *Retail TouchPoints* **Customer Acquisition and Retention Benchmark Report** is based on a survey of **109** retail executives. The responses provide insights about the newest trends, business models and technologies impacting how retailers gain and retain shoppers, as well as which traditional strategies and solutions are still proving successful in today's rapidly changing landscape.

The survey results reveal mobile's increasing influence on acquisition strategies and highlights the necessity of rock solid in-store experiences to strengthen retailer-consumer relationships, while also covering the growth of subscription retail and the barriers retailers face in retaining shoppers.

The *RTP* editorial team hopes that retailers of all sizes can learn from this survey, to gain the knowledge required to build on their customer acquisition and retention strategies and to succeed headed into 2020.

Glenn Taylor
Senior Editor, *Retail TouchPoints*



Social And Email Lead Acquisition Strategies, But In-Store Interactions, Traditional Ads Still Play Roles

Retailers work to attract new shoppers at every point of the shopper journey, with digital tools such as social networks (**74%**) and email (**69%**) as their top outreach strategies. Additional acquisition drivers include paid online search (**48%**), organic search (**48%**) and online display advertising (**44%**).

The first non-digital acquisition strategy to make the list is in-store interactions with associates (**40%**), with traditional strategies such as TV, direct mail, radio and outdoor advertising at **39%**. One DTC retailer, **Touch of Modern**, actually boosted revenue by **$50 million** with the help of TV ad spending in 2018, showing that getting out in front of the consumer as they watch TV still matters.

"Not only did that perform well for us, it also opened up a whole new channel for us, at a volume that was comparable and larger than marketing on the web," said Jerry Hum, CEO and Co-Founder of Touch of Modern in an interview with ***Retail TouchPoints***. "It alleviated the pressure on the existing channels as well. We actually just pushed a new TV spot that first aired in October [2018]."

Many marketers are capitalizing on retail's biggest growth opportunity, mobile: **31%** say they use mobile ads to acquire customers. Up to **28%** of retailers attract shoppers with two methods new to this year's survey: **content** to draw shoppers in with blogs, e-Books, guides and videos; and **location-specific information** on the web site/mobile app.

Which tools do you use to acquire customers?

(Check all that apply)

Content, Events Claim Bigger Share Of Acquisition Budgets

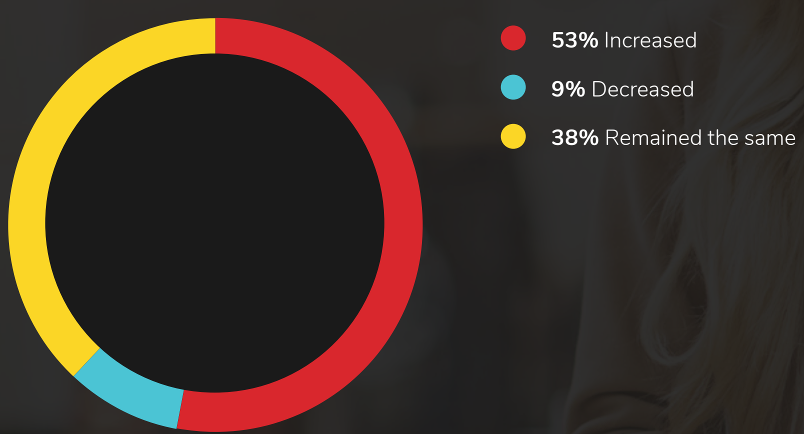
There are signs that marketers are shifting budgets to newer acquisition strategies, such as content (**28%**) and events (**27%**). For example, **62%** of retailers said they used online display ads in 2018, well ahead of the **44%** that leveraged them this year. And while **60%** said they used paid online search last year, that number dipped to **48%** in 2019.

Affiliate marketing also saw a drop in popularity, suffering a **16-percentage-point** dip — from **38%** in 2018 to **22%** in 2019. And while **25%** of retailers used celebrity influencers and **20%** used micro influencers in 2018, those numbers dipped to **14%** and **15%** respectively in 2019.

Overall, **53%** of retailers have increased their customer acquisition budget over the past year, while **38%** say it has remained the same. Like last year, the largest group of retailers (**26%**) spend **10%** to **20%** of their overall marketing budget on customer acquisition strategies, while **16%** dedicate **more than half** their budget to this goal.

The biggest change is that while marketing budgets continue to increase overall, it appears that customer acquisition's portion of those budgets has stayed the same or shrunk. While **16%** of retailers devoted **less than 10%** of their marketing budget to customer acquisition in 2018, that number has since jumped to **25%**.

Has your budget for customer acquisition increased, decreased or stayed the same during the past year?



What percentage of your marketing budget is devoted to customer acquisition?

Only 28% Of Retailers Have A Mobile Acquisition Strategy In Place

Mobile continues to be the largest driver of online shopping growth, with mobile orders increasing **34%** in Q1 2019, compared to **3%** growth via desktop e-Commerce, according to the Salesforce Shopping Index. With shoppers carrying mobile devices everywhere they go, it's more important than ever for retailers to make mobile strategies a priority.

However, many retailers are still trying to figure out their mobile-specific acquisition strategies: only **28%** have one in place, and another **22%** say they are planning to establish one, the *Retail TouchPoints* survey revealed. Nearly half still don't have a mobile strategy in place, and this lack is likely to put them at a disadvantage in 2020 and beyond.

For retailers that are mobile-prepared, they're largely focused on delivering discounts that are exclusive to mobile shoppers; the **65%** that do this significantly outnumber those using in-app advertising (**45%**), push notifications (**42%**) or even mobile-exclusive content (**39%**). These mobile-only discounts align closely with shopper desires: **67%** of shoppers say they are likely to choose a retailer that offers mobile coupons over one that doesn't offer them, according to a BRP survey.

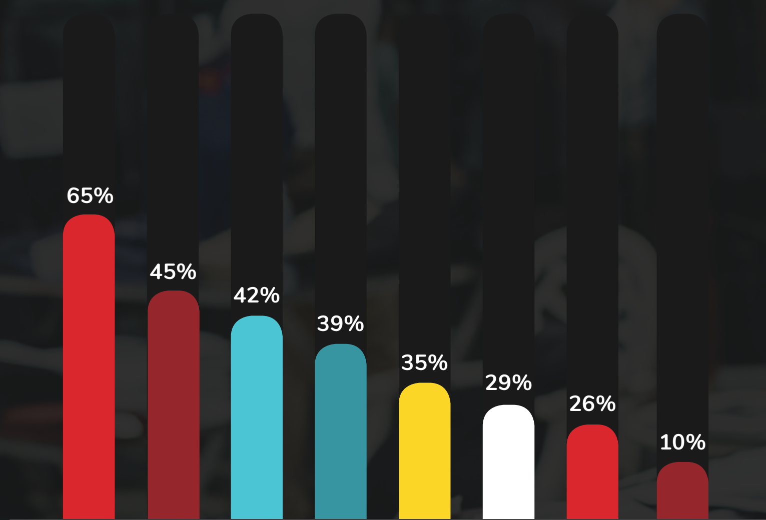
Does your company have a mobile-specific acquisition strategy?

- **28%** Yes
- **50%** No
- **22%** No, but planning to implement

Which tools/technologies are you using to acquire new mobile consumers?

(Check all that apply)

- Mobile-specific/only discounts
- In-app advertising
- Push notifications
- Mobile-specific/only content
- Location-specific information deployed on mobile site/app
- Chatbots/Facebook Messenger
- Progressive web apps (PWA)
- Voice-activated technology



Retailers Still Rely On Discounts To Retain Customers, But In-Store Relationships Continue To Matter

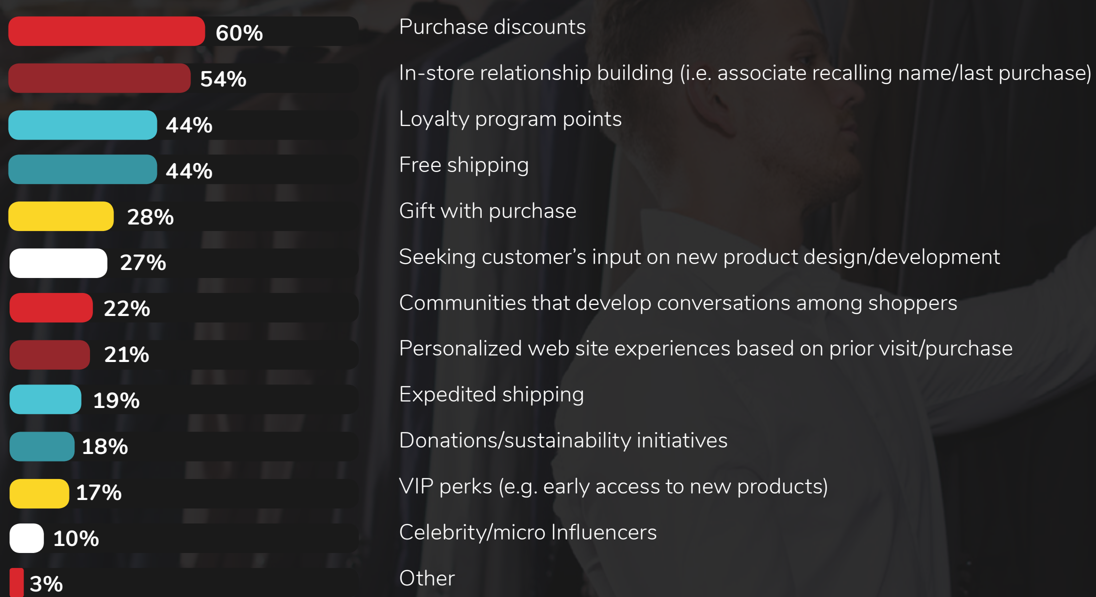
A Forrester Research report estimated that acquiring new customers can cost **5X** more than retaining new customers, a statistic that has led many businesses to focus their efforts on **keeping already loyal shoppers happy**. This thesis has since been supported by numerous other reports; **90%** of happy consumers are more likely to purchase again, and **93%** were more likely to be repeat customers at companies with excellent customer service, according to HubSpot.

Naturally, retailers use a variety of techniques to ensure that shoppers keep coming back. Discounts still lead as the top customer retention tool (**60%**), ahead of in-store relationship building (**54%**), the *Retail TouchPoints* survey indicates. As in-store shopping gives way to online shopping, retailers are looking to find new ways to leverage customer data in the store. This could enable associates to recall a shopper's name or last purchase, and enable them to cater to consumers on a more personal level than had been possible a few years ago.

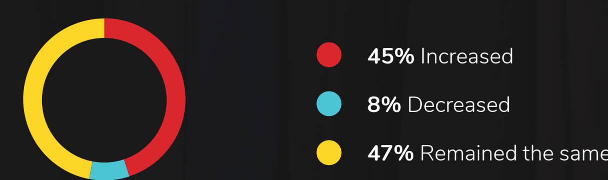
Retailers are beginning to focus more attention on the post-purchase part of the shopper journey. "Thank customers for their purchases after the goods have arrived," recommended Richard Shapiro, Founder and President of The Center For Client Retention, during a recent webinar. "Don't just send them a confirmation order. Provide personalized promotions and offers, and periodically keep in touch through push notifications with meaningful messages. That shows the customer that the brand wants to do business with them and appreciates their business."

Iris Nova tracks retention rates at its two **The Drug Store** locations, enabling the company to determine the optimal next step for bringing the consumer back. In a session at the 2019 Retail Innovation Conference, Iris Nova CEO Zak Normandin said: "Because we're building a dataset around consumption behavior as it relates to our beverages, we know that if you come in and grab a bottle every week and then decide to stop, we can reach out to you [via mobile] and say: 'We saw you're not purchasing any more. Could you tell us why? And how can we make this a better experience for you?'"

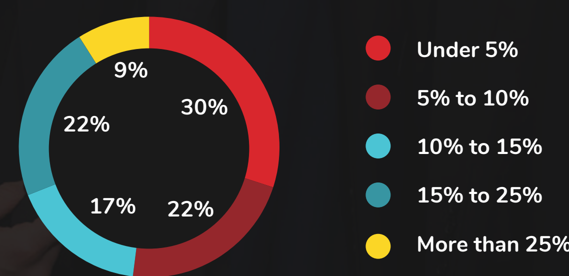
What tools do you use to retain customers?



Has your budget for customer retention increased, decreased or stayed the same during the past year?



What percentage of your total revenue comes from referred customers?



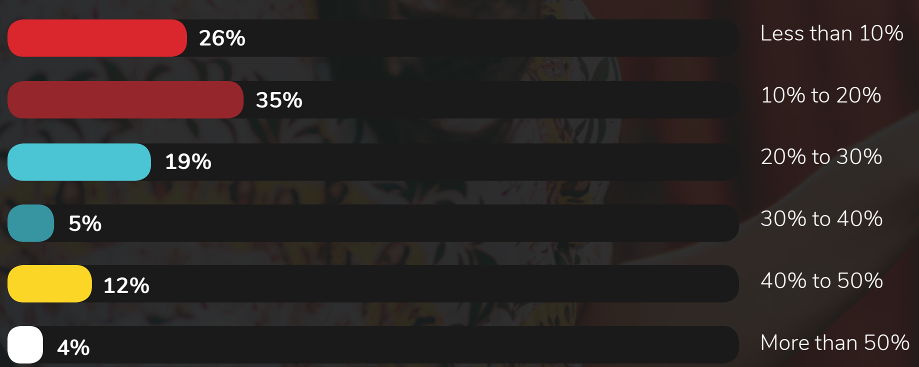
Retailers Are More Efficient At Retaining Shoppers Despite Lower Marketing Spend

Up to **45%** of retailers increased their customer retention budget this year, but an even bigger chunk (**47%**) actually kept their budget the same as last year. This stasis is further reflected in the marketing budgets of these retailers, showing that the overall percentage of money allocated to customer retention has slipped.

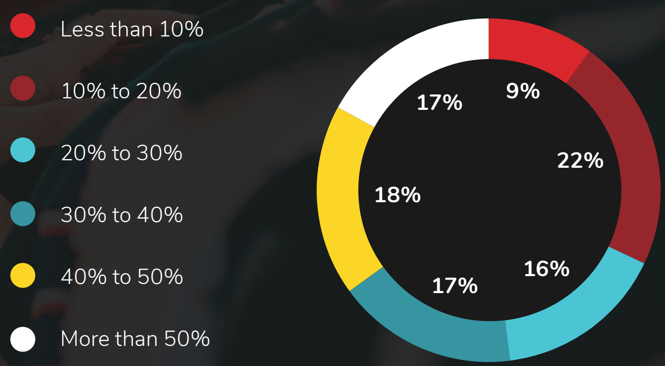
While **23%** of retailers in 2018 said they spent **30%** to **40%** of their marketing costs on customer retention, that number plummeted to less than **5%** this year. On the other hand, the two lowest percentage brackets — **less than 10%** of marketing spend and **10%** to **20%** of marketing spend — both grew, from **19%** to **26%** and **23%** to **25%** respectively.

Regardless of spending, retailers are *slowly but surely getting better at turning newly acquired shoppers into repeat purchasers*. While **14%** of retailers said that more than half of new customers were converted last year, that number jumped to **17%** in 2019. Improvements weren't limited to only the top retention performers; the retailers that converted **30%** to **40%** of shoppers into repeat purchasers jumped from **12%** to **17%**, while the number that got **40%** to **50%** to buy again climbed from **12%** to **18%**.

What percentage of your marketing budget is devoted to customer retention?



What percentage of newly acquired customers are you able to turn into repeat purchasers?



Low-Price Competitors, Marketplaces Present Top Shopper Retention Challenges

The improvements in retention rates arrive in the face of major challenges. More than half (**51%**) of retailers cite competition from lower-price competitors, and **44%** of retailers attribute the loss of subsequent sales to marketplaces like **Amazon**. It's worth noting that these two concerns have grown compared to last year, when **44%** were worried about low-price competitors and **36%** were intimidated by marketplaces.

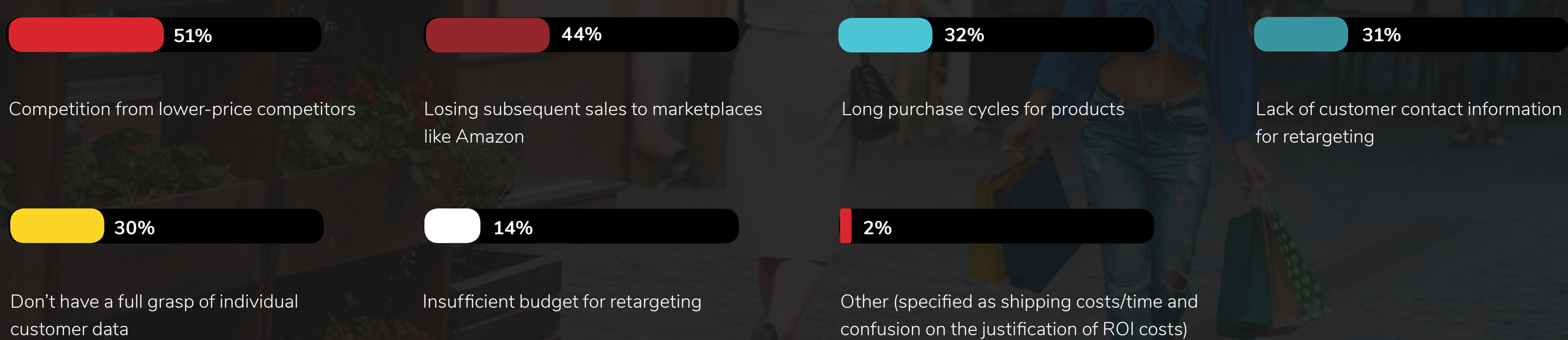
When a retailer doesn't win in a price competition, it simply has to make up the difference in experiences that keep shoppers from going to these low-price options.

"When most people talk about customer experience, they might be talking about a specific interaction, whether it's on one channel or another," Shapiro said. "But to me, as well as many others, the customer experience starts with that first interaction with the company and **should never end**. When someone walks into a physical store, buys a product on e-Commerce, or engages with a mobile device, the experience is paused. When you think of a play vs. pause button on your phone, it's critical that a brand thinks of a way to reboot that customer experience — to press play after it's been stopped. This makes the customer feel wanted."

On a positive note, retailers appear to be making progress in addressing internal barriers to customer retention. While **49%** of retailers saw long purchase cycles for products as a top retention challenge in 2018, that number dropped significantly, to **32%** this year. Also, fewer retailers in 2019 struggle with a lack of customer contact information for retargeting: **31%** in 2019 compared to **35%** last year.

What are your biggest challenges in driving repeat purchases?

(Check all that apply)



Subscription Still Has Room For Growth; 59% Of Shoppers Keep A Subscription For 6 Months Or More

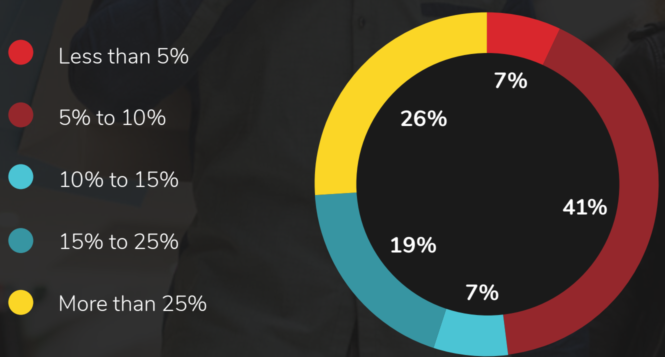
Subscription-based retail can serve as a powerful tool to retain customers, by providing shoppers with a different set of products every month and potentially introducing consumers to new merchandise. In fact, retailers report greater revenue (**67%**) and greater profitability (**61%**) after launching subscription services, according to a survey by NAPCO Research.

The average customer spends **60%** more in the six months following enrollment into a recurring program, according to Ordergroove's subscription study.

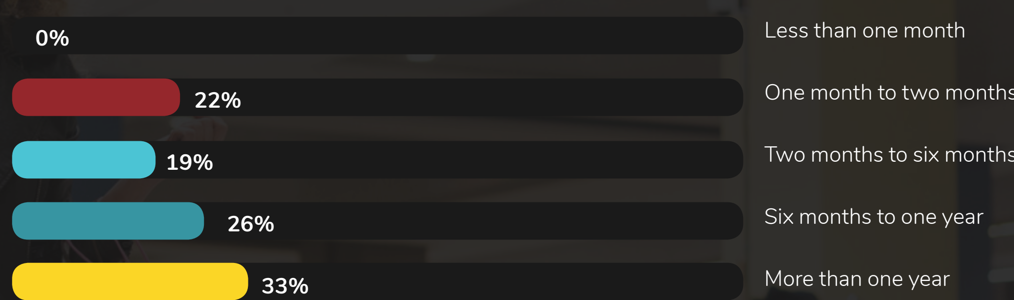
Yet across the industry, the *Retail TouchPoints* survey reveals that there is still room for growth within subscription retail, as only **25%** of retailers offer a subscription model within their business. Nearly **60%** of shoppers maintain subscriptions for at least six months.

However, more retailers appear to be warming up to the model — in the past three months, Urban Outfitters announced a women's apparel subscription box program, Schick parent Edgewell Personal Care acquired Harry's for **$1.37 billion**, and Walmart is testing a grocery subscription delivery service and has added KIDBOX-branded styleboxes to its web site.

What percentage of your customers have used your subscription offering?



On average, how long do shoppers typically maintain a subscription they sign up for?



Measuring Customer Lifetime Value Is Still No Easy Task

The term **Customer Lifetime Value (CLV)** is frequently thrown around as a way for businesses to assess the revenue a potential consumer can generate over the course of their entire relationship with a company. But CLV isn't yet a consistent, agreed-upon metric in the way that a Net Promoter Score (NPS) is, because companies typically calculate it using their own parameters.

In fact, slightly fewer retailers are using — or have plans to use — CLV as a metric to calculate how much they should financially invest in customer retention efforts, showing that retailers still have trouble measuring long-term success. The percentage of retailers that say they **don't** presently use CLV jumped from **41%** last year to **48%** in 2019.

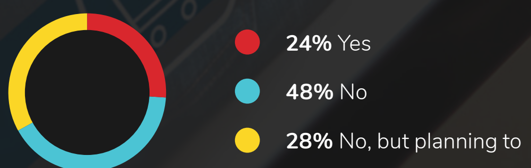
One problem is that there are still too many metrics used to define CLV, with the top factor being types of *products purchased*, at **63%**. On the surface, this makes sense — consumers who keep coming back to a retailer are likely to have a certain product they may have bought early on that they are highly satisfied with. However, this measurement doesn't sufficiently account for variations in product lifecycle, which will be shorter for a piece of apparel than it would be for a major appliance.

Beyond product choices, there's heavy variance among the CLV metrics retailers prefer, particularly when it comes down to consumer demographics (**52%**), social media activity (**31%**), email open rates (**30%**) and shopping habits that cover a specific time of day or day of the week (**29%**).

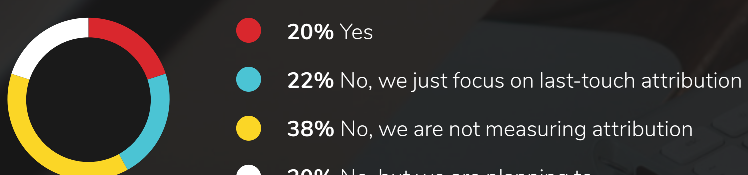
This excess of data may actually be detrimental to retailers that don't have proper data management solutions in place, which would allow them to collect shopper information, sort it and interpret it efficiently.

While fewer retailers seem to have a grasp of CLV, that number drops even further when taking multi-touch attribution into account. While the 2018 *Retail TouchPoints* survey revealed **27%** of retailers used multi-touch attribution to measure customer value, only **20%** of merchants are taking advantage of these models this year. To make matters worse, **38%** flat out say they don't measure attribution in 2019, **12 percentage points** higher than the **26%** that said they didn't measure attribution last year.

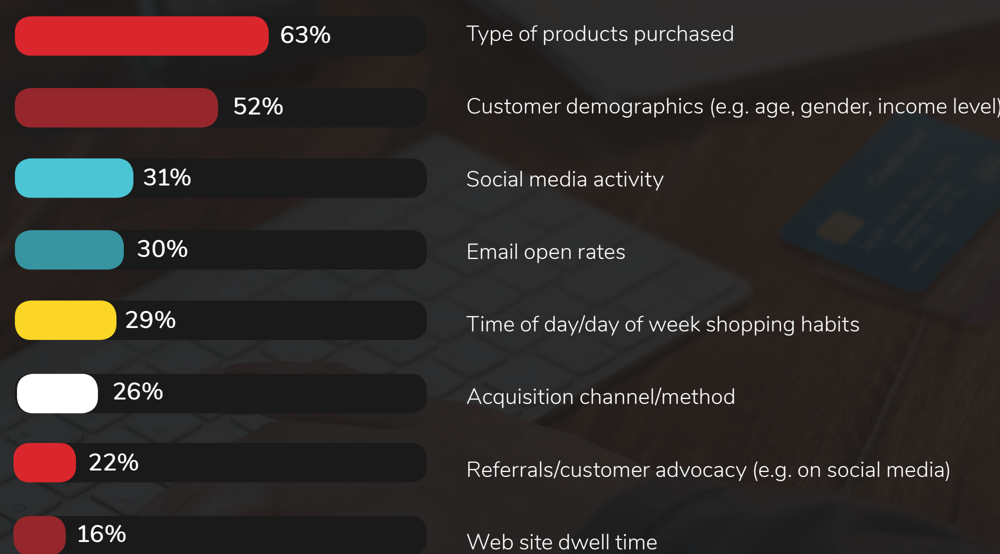
Do you use CLV to calculate your financial investment in retention efforts?



Do you use multi-touch attribution models to measure customer value?



Beyond recency, frequency and spend, which metrics do you use to define Customer Lifetime Value (CLV)? *(Check all that apply)*



Top Takeaways For Investing In Customer Acquisition And Retention

Nailing down the customer acquisition and retention efforts that work for a retailer's particular business model will have to become more commonplace in this hypercompetitive retail environment, where consumers have virtually every purchasing option at their disposal. In the wake of **Amazon Prime Day**, perhaps one of the biggest recent examples of customer acquisition and retention success, retailers are now being forced to make significant investments in how they approach marketing, merchandising and data analysis, all while rethinking what it takes to gain and retain a "loyal" shopper.

Key takeaways from the second annual *Retail TouchPoints* Customer Acquisition and Retention Benchmark Survey include:

- **Social** and **email** continue to be top acquisition strategies, but retailers shouldn't neglect **in-store interactions** or traditional advertising venues across **TV** and **direct mail** to get the word out about their business;
- Retailers appear more apt to **spend heavily on customer acquisition than customer retention;**
- **Mobile-specific acquisition strategies** are growing as the audience does, whether through **mobile ads** or **exclusive discounts**, and will continue;
- More retailers **maintained their customer retention budgets than increased them** in 2019, but they are **retaining more consumers than they did in 2018**;
- Only **25%** of retailers offer **subscription-based model**s, but **60%** of shoppers stay with a subscription for at least six months, presenting a major opportunity to offer exclusives on new merchandise; and
- Measurement of **CLV** and **multi-touch attribution** has actually gotten tougher for retailers as the variances among shopping channels/habits continues to increase. Retailers must streamline their data management capabilities and pinpoint exactly who their most valuable consumers are if they want to understand these metrics better, and use them to both acquire and retain these shoppers.

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P 201.257.8528
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ABOUT THE AUTHOR

Glenn Taylor, Senior Editor

Glenn Taylor is a retail journalist covering all aspects of the industry with interests tilted toward AI-driven personalization, conversational commerce and financial/business related news.

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