Forbes INSIGHTS

Retentionomics:
The Path to Profitable Growth

A Global Study Of 300 Retail and Publishing Executives

IN ASSOCIATION WITH SAILTHRU

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ABOUT SAILTHRU

Sailthru helps modern marketers at leading retail and media companies build deeper, longer-lasting relationships with their customers. Sailthru personalizes individual customer experiences across digital communication channels – in email, on a brand's website and in their mobile applications. Sailthru-powered 1:1 relationships with consumers help drive higher revenue, improve customer lifetime value and reduce churn for the world's most innovative publishers, including The Economist, Business Insider and Mashable, and the world's fastest growing ecommerce companies, including Rent The Runway, JustFab and Alex and Ani.

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EXECUTIVE SUMMARY

It has been well documented that it is much more cost-effective to focus on nurturing relationships with existing customers than it is to find and convert new ones.

Forbes Insights and Sailthru recently completed a global study of 300 retail and media executives to find out if, and how, they take advantage of the benefits of retention strategies and how that impacts growth and performance.

The survey reveals that while the benefits of retention are widely known, companies significantly underutilize them and routinely fail to make a strong connection between retention and its impact on revenue. In short, there is tremendous room for advancement for all companies—to work smarter, not harder.

This report analyzes companies that excel at retention, or Retention Gurus, which were 14% of the sample, and those that focus on acquisition, or Acquisition Athletes (14%). The remaining 72% of respondents did not skew their budget allocations toward either acquisition or retention, and/or have not experienced the same success with their customer acquisition and retention goals (see detailed definitions on page 5).

The report also delves into the reasons why most companies still struggle to take advantage of retention's benefits, the results this state of affairs can lead to, and key strategies to correct it.

KEY FINDINGS

Focusing on retention pays off.

More Retention Gurus significantly increased market share over the last year (14%) compared to Acquisition Athletes (5%). And Retention Gurus scored better in terms of customer churn. Forty-five percent of gurus did not have increases in churn over the last year, compared to just 33% of Acquisition Athletes. In addition, 88% of Retention Gurus are exceeding their customer acquisition goals.

Inertia is what keeps most companies from becoming Retention Gurus.

For most companies surveyed, the primary factor in making decisions about retaining and acquiring customers is inertia—84% of Acquisition Athletes report doing things "the way they have always been done" when defining customer strategy, compared to just 63% of Retention Gurus.

Companies have not shown signs of trying to break this inertia by investing more in retention.

Seventy-nine percent of acquisition budgets increased over the last year compared to just 42% of retention budgets. Half of all Acquisition Athletes made no change to their retention budget.

Taking full advantage of customer retention strategies requires rethinking budget allocations,

and investing more in technologies that can help companies better achieve and measure retention goals. Currently, 37% of Retention Gurus and 35% of Acquisition Athletes cite technology limitations as a barrier.

Retention Gurus know they need to allocate more of their budget to retention.

Lack of budget is a bigger barrier to measuring retention rates for them (23%) than it is for Acquisition Athletes (7%).

Forbes surveyed 300 executives

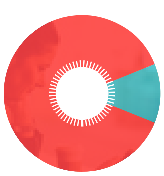
Definitions for Retention Gurus and Acquisition Athletes are detailed below, with a breakout of vertical and geographic data for each segment.

Retention Gurus 14%

Exceeding customer retention and customer acquisition goals; spend more on retention or equally on retention and acquisition; have increased retention spending in last 1-3 years

Total: 43

88% Retail



12% Media

74% United States

21% United Kingdom

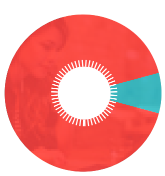
5% Other

Acquisition Athletes 14%

Exceeding customer acquisition goals; spend more on acquisition; continue to increase spending on acquisition

Total: 43

91% Retail



9% Media

30% United States

49% United Kingdom

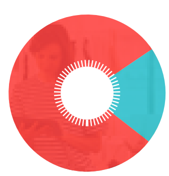
21% Other

The Uncommitted 72%

Have not skewed their budget allocations toward either acquisition or retention; have not experienced success with their customer acquisition and retention goals

Total: 214

80% Retail



20% Media

74% United States

17% United Kingdom

9% Other

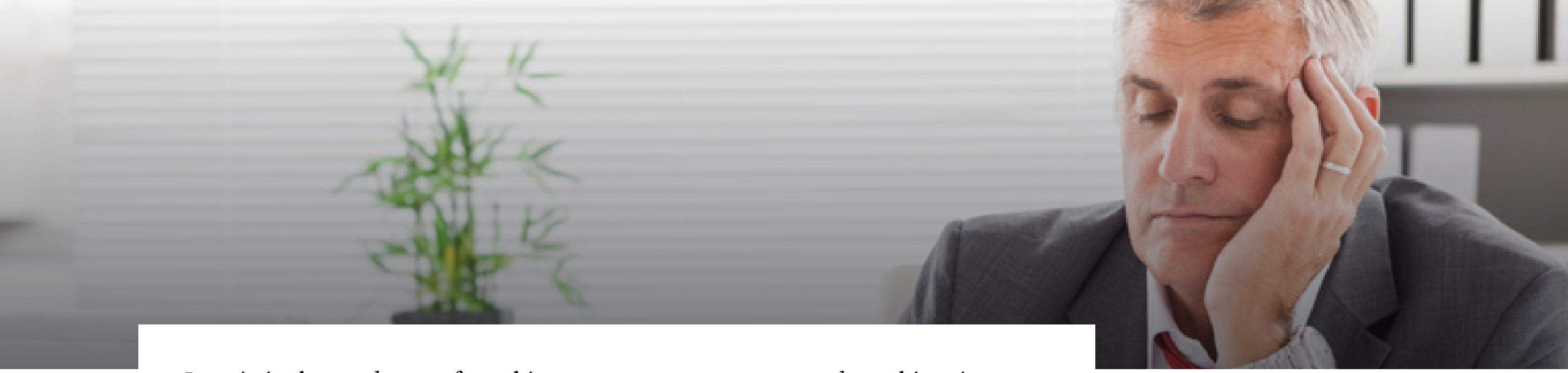
CUSTOMER STRATEGIES

Being a Retention Guru comes with benefits. More Retention Gurus significantly increased market share over the last year (14%) as compared to Acquisition Athletes (5%). And Retention Gurus scored better in terms of customer churn. Forty-five percent of gurus did not have increases in churn over the last year, compared to just 33% of Acquisition Athletes.

Of the total sample, most of the executives surveyed feel they are doing an outstanding job of acquiring new customers, but are just getting by when it comes to retaining existing customers—only 3 in 10 companies believe they are exceeding expectations for retention while 8 in 10 believe they are exceeding expectations when it comes to acquisition goals.

Retention Gurus offer the best of both worlds. They are more versatile when it comes to delivering on customer strategies as they excel in terms of retention, but also overperform against acquisition goals (see chart).

	Customer Retention Goals		Customer Acquisition Goals	
	Above expectations	Meets expectations	Above expectations	Meets expectations
TOTAL SAMPLE	30%	70%	79%	21%
RETENTION GURUS	100%	0%	88%	12%
ACQUISITION ATHLETES	40%	60%	100%	0%



Inertia is the tendency of an object at rest to stay at rest and an object in motion to stay in motion, unless acted on by an external force. Outside of physics, it also plays a role in customer strategy in 21st-century retail and media businesses.

Inertia is the leading influence on making decisions about customer strategy as it relates to growth—78% of all the companies surveyed, and 84% of the Acquisition Athletes, report doing things the way they have always been done. While it plays a role in the decision making of all companies, those who excel at retention are much less likely to cite inertia as the primary factor in customer strategy decisions (63%). (See chart on page 8.)

Every day, media and retail companies face the push and pull of customer strategy (a company's plan for getting and keeping buyers for its products or services), between spending to retain and upsell to current customers, and spending to find and acquire new customers. Inertia is indeed a challenge, but not the major factor behind customer strategy for Marks & Spencer. "One thing about being a retail organization: you just don't have the opportunity to get stuck in your ways," says Nathan Ansell, Global Director, Loyalty, Customer Insights And Analytics. "It's cliché to say this, but change is the new constant. We are pretty good at challenging ourselves to think differently and solve our customers' needs in different ways."

Comparison with others in the industry is also a critical element of customer strategy, but much more so for Acquisition Athletes (81%) than Retention Gurus (58%). This reinforces the finding that Acquisition Athletes tend to conform to the existing norms—another word for inertia—while Retention Gurus are more willing to break the mold.

Data, the basis of rational decisions, plays a big role in shaping customer strategy as well. Seven in 10 (67%) companies surveyed cite data-driven insights as critical here, and this was the top answer (72%) for Retention Gurus. It was third in line (65%) for Acquisition Athletes, behind inertia and benchmarking.

Projected long-term profitability growth, despite being the foundation of survival for companies, did not break into the top five influences on customer strategy decisions for either segment. Notably, however, Retention Gurus are much more aware of the importance of this (40%) than their Acquisition Athlete colleagues (26%).

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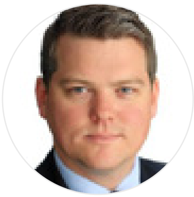

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Nathan Ansell

Global Director, Loyalty, Customer Insights and Analytics

Marks & Spencer

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Which of the following does your organization consider when making decisions about customer strategy as it relates to growth?

	Retention Gurus	Acquisition Athletes
Insights from data and analytics	72%	65%
Inertia—we do it the way it has always been done	63%	84%
What we consider to be the industry standard/benchmarking	58%	81%
Experience of executive team	56%	58%
Projected long-term revenue growth	49%	47%
Projected long-term profitability growth	40%	26%
Projected short-term revenue growth	26%	23%
Projected short-term profitability growth	21%	26%

When asked who in the organization has the most influence on determining the priority of customer retention specifically, more Retention Gurus than Acquisition Athletes cited customer service (56% vs. 37%) and sales (28% vs. 5%) as having significant influence.

When we compare influence in determining the priority for customer retention with influence in determining growth strategy, we find a lot of alignment between functions/levels with the exception of the C-suite. They wield less influence in terms of customer retention priority versus growth strategy (24% versus 31%).

The survey indicates that retention budgets and inertia are the main sticking points for companies. Given the difference in the C-suite's involvement in customer strategy compared to retention strategy, this is an area where companies could improve the decision making process to break through and see real improvement in the area of retention.

At The Economist, the customer experience team, which sits within the circulation marketing team, is the key influence. "To enable us to execute our strategy efficiently and optimally, we created a dedicated customer experience team," says Anna Rawling, SVP of Customer Experience. "It is organized by key stages in the customer lifecycle, with a global-then-local mandate."

> "Given the differences between how the C-suite is involved in customer strategy compared to retention strategy, this is an area where companies could improve the decision making process to break through and see real improvement in the area of retention."

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BUDGET

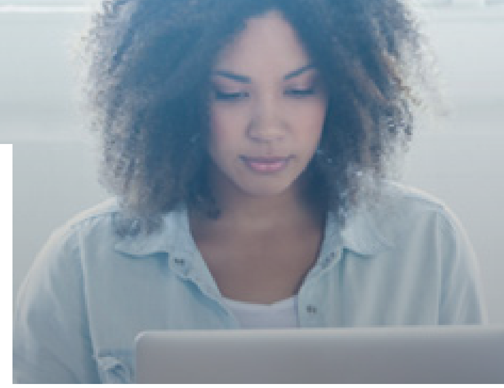
One indication of the importance of retention and acquisition to customer strategy lies in how companies allocate their marketing budgets. Most companies spend almost equally between retention and acquisition, and over the past one to three years, this allocation has remained unchanged or only slightly increased. Whether this change is caused by inertia or having a better handle on spending for retention, the vast majority of budget increases were on the acquisition side—four out of five companies increased here, whereas only two in five increased retention budgets.

4 of 5 companies increased acquisition budgets in last 1-3 years

2 of 5 companies increased retention budgets in last 1-3 years

What would you describe as the top two barriers to investing more in customer retention?

	Retention Gurus	Acquisition Athletes
Inability to measure ROI of retention tactics (other than technology)	42%	33%
Technology limitations	37%	35%
Company's business model or strategy focuses on acquisition over retention	28%	35%
Lack of understanding/buy-in from executives, the board of directors and/or shareholders	28%	35%
Lack of expertise on the marketing team	23%	19%
Lack of budget	23%	7%
Organizational structure does not support it	19%	37%



The top three barriers for retail companies:

Inability to measure ROI (38%)

Lack of buy-in from executives (36%)

Company's business model & technology limitations (tied at 31%)

Media companies struggle most with:

Business model or strategy (47%)

Inability to measure ROI (45%)

Lack of marketing expertise (29%)

"One barrier to investing more into customer retention is having the right tools to mine the data and do something with it quickly," says Haymarket Media's Chief Revenue Officer Mike Medwig. "Inherently we know what the best practices are, but we are still working on getting all the data analysis tools in place. There are tools out there to mine and analyze the data in a meaningful way and to give actionable insights. And we are working on developing a comprehensive strategy across our brands."

That's not to say that retention budgets take the backseat for everybody. "We haven't increased our spend, but we've reallocated budget to deliver huge efficiencies," says The Economist's Rawling. "For example, we spend less on direct mail than we used to and that goes a long way when redistributed to digital, whilst our approach is now global-first rather than regional. We decided we could do a lot more by being efficient. When we optimize efficiency, we will build the business case to invest more in retention."

Some companies do focus their budgets on retention, such as Marks & Spencer. "Our budget is all about retention," says Ansell. "Though we don't necessarily use the word retention. Really it's frequency—we focus on encouraging those who shop less often to shop more often and across categories."

Gannett's USA TODAY NETWORK is another company increasing investments in retention. "The shift to investing more against retention started a few years ago," says Andy Yost, Chief Marketing Officer at USA TODAY NETWORK. "This goes beyond our marketing budget to programs that will help drive engagement."

> One barrier to investing more into customer retention is having the right tools to mine the data and do something with it quickly.
>
> **Mike Medwig**
> *Chief Revenue Officer*
> Haymarket Media

UNDERSTANDING THE CUSTOMER

Both retail and media companies understand the different types of customer data they deal with, though they differ in how much they appreciate individual metrics.

Retail companies have a crystal clear picture of their most valuable acquisition channels and a solid understanding of customer lifetime value—almost all (96%) reported understanding these two metrics. They also have a pretty good grasp on churn rate (86% understand or significantly understand this).

While retailers have strong insights into acquisition-related data, they generally have a murkier picture of existing customers and what makes them tick. Although more than half understand the causes and effects of repeat purchase rates (71%) and customers who purchase only once (64%), neither of these figures as prominently as their understanding of acquisition channels.

Retailers also seem less likely to truly comprehend what causes their customers to remain loyal, and even the Retention Gurus struggle. Notably, only half of Retention Gurus (55%) report understanding their most valuable retention channels. This figure is, not surprisingly, much lower for Acquisition Athletes (26%). Thanks to their understanding of customers, more Retention Gurus (14%) than Acquisition Athletes (5%) were able to translate that understanding of customers into increased market share over the past year. There is clearly room for improvement in increasing understanding of profitable channels and then translating this knowledge into business results for all companies.

> “Our budget is all about retention, though we don’t necessarily use the word retention. Really it’s frequency—we focus on encouraging those who shop less often to shop more often and across categories.”
>
> **Nathan Ansell**
>
> *Global Director, Loyalty, Customer Insights and Analytics*
>
> Marks & Spencer

Rate your organization's understanding about the following types of customer metrics

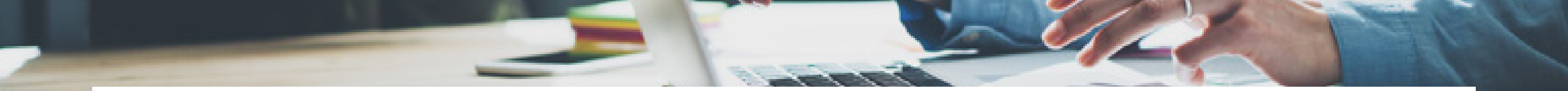
	Retention Gurus	Acquisition Athletes
→ Most valuable acquisition channels	95%	95%
Customer lifetime value	95%	95%
Customer churn rate	84%	87%
Customer repeat purchase rate	68%	54%
→ Most valuable retention channels	55%	26%

Marks & Spencer is one company that does understand what drives retention and creates its most valuable customers. For example, the company expanded its franchise business, with more than 200 stores in petrol stations around the U.K., because it stays close to its customers' needs. "Our top customers shop for food four days out of seven," says Ansell. "This knowledge has transformed our food business. If we didn't understand the extent to which our customers shop for 'food for tonight,' we wouldn't be here. It's a massive part of the story and a big change from just 10 years ago."

All businesses can benefit from this approach, regardless of business model or product line.

The Economist is one media company that values retention data. "Today, we focus mostly on transactional data, tracking KPIs for revenue, term, conversion, pay-up, cancelation, renewal and lifetime value," says Rawling. "We also closely monitor exit reasons and customer service outcomes. We're beginning to track the correlation between digital engagement and retention, as a result of a strategic investment to overhaul our data capabilities."

Retail and media companies employ a number of strategies both for acquisition and retention. The top four are the same for both acquisition and retention—online and mobile messaging, email and customer loyalty programs—though with slightly different emphasis depending on whether the action is for acquisition or for retention.

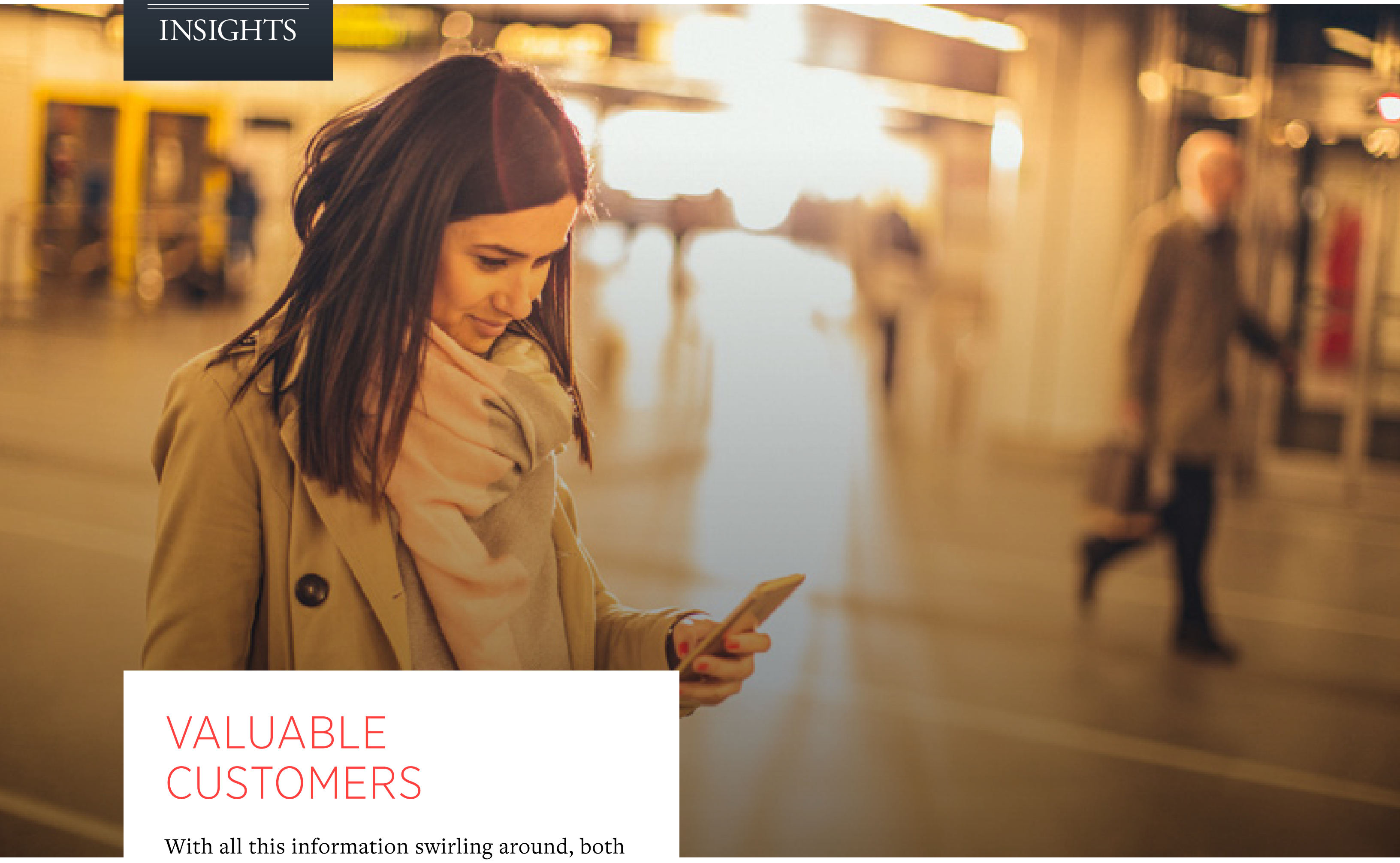


Which of the following does your company do with the purpose of acquiring customers?

	Retention Gurus	Acquisition Athletes
Online messaging	74%	88%
Customer loyalty program membership	70%	67%
Mobile messaging (newsletters, offers)	70%	72%
Email messaging	67%	79%
Direct mail messaging (catalogues, etc.)	65%	67%
Sampling	49%	40%
Discounts	47%	58%
Credit-card-linked program	47%	49%
Rewards	26%	60%

Which of the following does your company do with the purpose of retaining existing customers?

	Retention Gurus	Acquisition Athletes
Customer loyalty program membership	77%	74%
Sampling	70%	58%
Email messaging	65%	70%
Mobile messaging (newsletters, offers)	65%	72%
Online messaging	63%	77%
Discounts	60%	56%
Direct mail messaging (catalogues, etc.)	49%	63%
Rewards	40%	67%
Credit-card-linked program	33%	40%



VALUABLE CUSTOMERS

With all this information swirling around, both media and retail executives are confident they can define the attributes of a valuable customer for their businesses. The most important pieces of information that companies include in their individual customer profiles are acquisition source and geographic location (68% and 67%), followed by basic demographic statistics (64%).

Retention Gurus collect a broader range of information. Acquisition Athletes also take a broad approach to customer data, but focus more on demographics and geography.

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We build a profile that includes a customer’s transactional history and marketing engagement. We are starting to look at how we can overlay more attitudinal insights on this, so we have a very rounded view of valuable customers’ attributes.

Richard Cristofoli
Marketing Director
Debenhams

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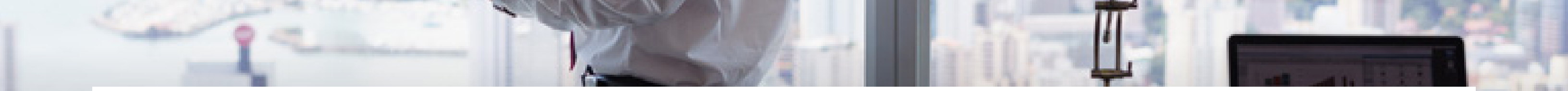


Which of the following are currently included in your individual customer profiles?	Retention Gurus	Acquisition Athletes
Geographic location	71%	83%
Purchase volume/frequency	64%	62%
Acquisition source	62%	74%
Demographics (age, education, etc.)	60%	83%
Behavioral data	52%	62%
Interests/hobbies	10%	12%

"We are absolutely able to define the attributes of a valuable customer," says Richard Cristofoli, Marketing Director at Debenhams. "We build a profile that includes a customer's transactional history and marketing engagement. We are starting to look at how we can overlay more attitudinal insights on this, so we have a very rounded view of valuable customers' attributes."

Media companies have slightly different priorities than retail companies when it comes to creating customer profiles. Behavioral data (65% versus 57%) and acquisition source (80% versus 66%) are slightly more important here than for retailers.

Customer lifetime value (CLV) is a critical metric for all retail and media organizations. Four out of five companies surveyed calculate it, and seven out of 10 are able to move understanding of CLV up the chain of command. Given the level of attention companies pay to this key piece of data, it is surprising to find out that few of the companies surveyed are able to tie customer lifetime value to its impact on revenue and growth—only 15% say they can do this. Another 40% report that management does recognize the value of this key metric, but they are not able to tie it directly to revenue and growth. Furthermore, only one in five companies report that everyone in the organization who needs to understand customer lifetime value actually does.

Retention Gurus score better on their approach to CLV. But, considering that this is a critical metric to understanding and acting on retaining customers, they also have some ground to make up to take full advantage of CLV (see chart). To truly strengthen the connection between revenue and customer

lifetime value, companies could combine acquisition source with behavioral data, predictions and other data types. This would refine the process and improve accuracy of measuring CLV and tying the metric to revenue.

How does your organization approach the concept of customer lifetime value?

	Retention Gurus	Acquisition Athletes
Management understands its impact on revenue and growth	19%	9%
Management knows it is important, but cannot tie it directly to revenue and growth	33%	42%
All parties that need to understand customer lifetime value do so	21%	14%
One or more internal groups understands the value, but the information does not move higher up in the organization	12%	16%
The organization does not calculate customer lifetime value	16%	19%

Notably, media companies are better at connecting CLV with revenue and growth (22% versus 13% retail). Take The Economist, for example.

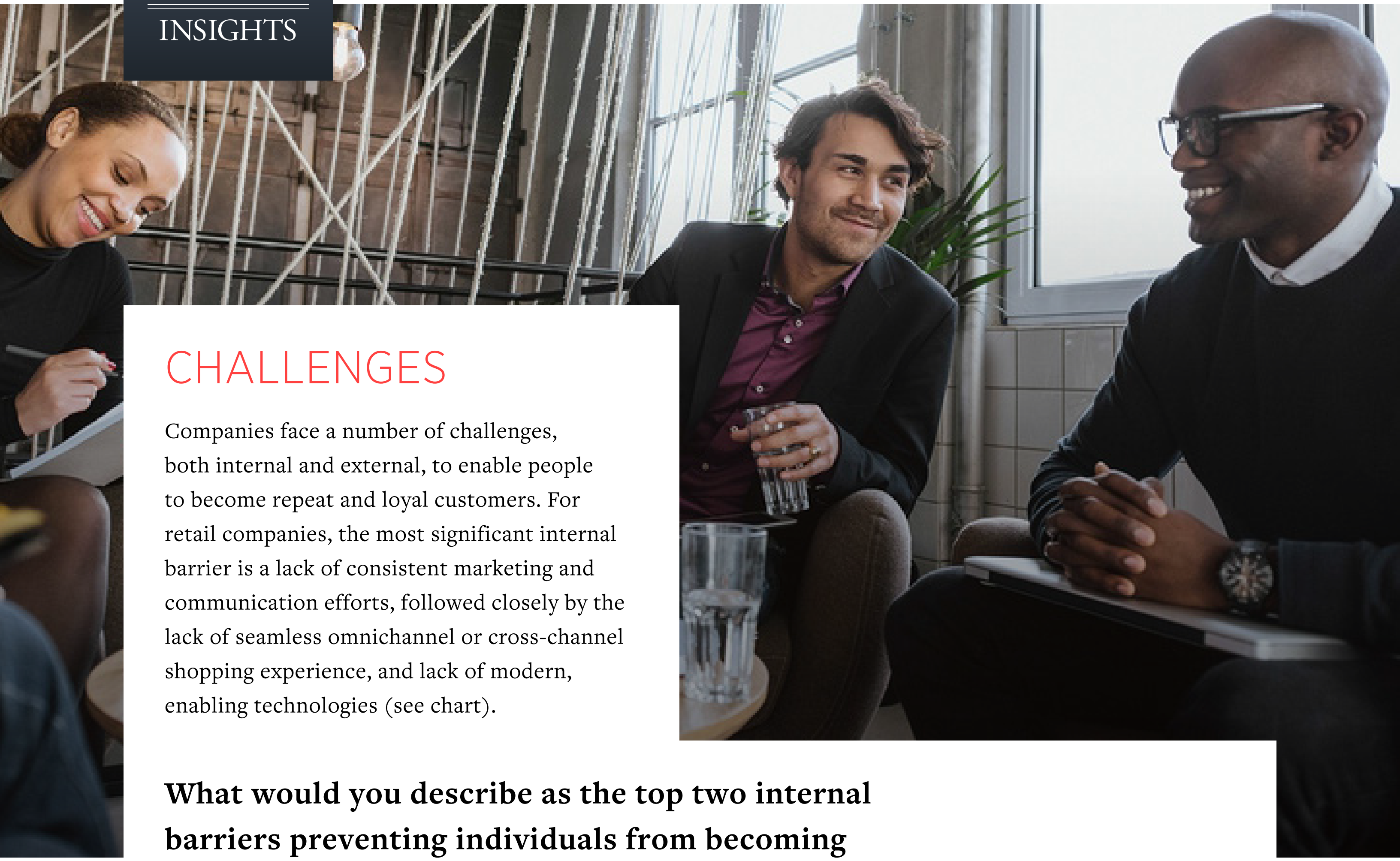
“Our strategy is directly linked to our five-year plan to double the profitability of circulation,” says Rawling. “My team has volume, revenue, and lifetime value targets, all of which contribute directly to our gross margin target. This is the first time in the 20 years I’ve worked here that we have a senior management focus on retention. That’s made a huge difference. The commitment from senior management to delivering a step-change in retention has enabled us to resource more effectively, and influence the whole customer experience, not just the renewal transaction.”

“My team has volume, revenue, and lifetime value targets, all of which contribute directly to our gross margin target. This is the first time in the 20 years I’ve worked here that we have a senior management focus on retention. That’s made a huge difference.”

Anna Rawling

VP of Digital Engagement and Retention

The Economist

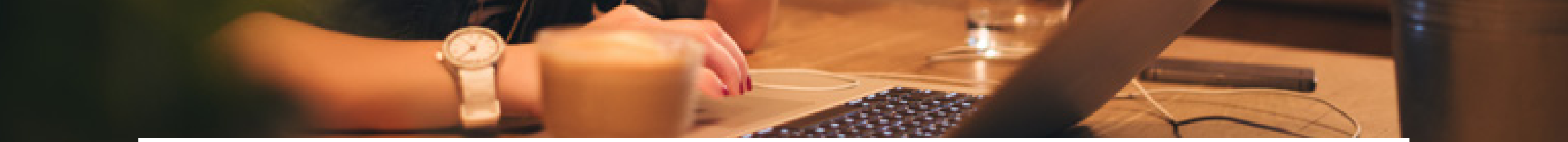


CHALLENGES

Companies face a number of challenges, both internal and external, to enable people to become repeat and loyal customers. For retail companies, the most significant internal barrier is a lack of consistent marketing and communication efforts, followed closely by the lack of seamless omnichannel or cross-channel shopping experience, and lack of modern, enabling technologies (see chart).

What would you describe as the top two internal barriers preventing individuals from becoming repeat/loyal customers of your business?

	Retail
Lack of consistent marketing efforts/communication	51%
No seamless omnichannel/cross-channel shopping experience	40%
Lack of modern, enabling technologies	40%
Lack of personalization	27%
Poor/inconsistent customer service	21%



Debenhams' Cristofoli understands the value of creating an omnichannel shopping experience for its customers. "We need to ensure that we make customer experience as seamless as possible, allowing customers to interact with us consistently through whatever channel they wish."

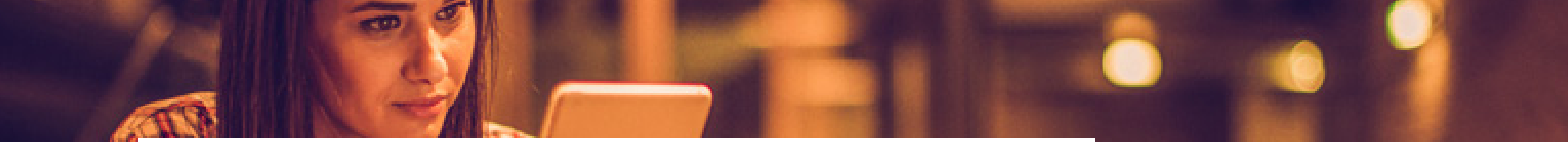
And Marks & Spencer understands that the lack of proper technology can have a real impact here. "We have plenty of information about our customers," says Ansell. "The big focus for us is to link that data together more effectively. We are pulling a lot of different types of data together and rolling out a new model to enable employees to hunt for insights via a self-service model, to extract insights on a daily basis and act autonomously."

Retention Gurus are much more likely to provide and measure an omnichannel / cross-channel experience. Regarding measurement, 18% of Retention Gurus measure and track the impact of the omnichannel environment on customer behaviors, versus just 5% of Acquisition Athletes. Additionally, providing a seamless omnichannel / cross-channel experience and the use of personalization are less likely to be barriers for Retention Gurus. When it comes to personalization, only 16% of retail Retention Gurus cited this as a barrier to preventing customers from becoming repeat/loyal customers, whereas 46% of retail Acquisition Atheletes cited this as one of their top two challenges to meeting these goals.

Like retailers, media companies struggle with providing seamless cross-channel experiences and with access to modern, enabling technologies.

What would you describe as the top two internal barriers preventing individuals from becoming repeat/loyal customers of your business?

	Media
Lack of cross-channel reader experience	45%
Lack of modern, enabling technologies	35%
Lack of personalization	33%
Lack of consistent marketing efforts/communication	31%
Content quantity/quality	31%
Website/mobile app user experience	24%



USA TODAY NETWORK, which includes USA TODAY and 107 local brands such as Detroit Free Press and Arizona Republic, works to reach its customers where they are and give them what they need. “Much of our audience is engaged with social media,” says Yost. “At the same time, when they come to our content, either directly or through other platforms, we need to ensure we have compelling content for deep engagement. We aim to move beyond ‘one and done’ traffic and have seen that investments in personalization, experiences, and innovative content like virtual reality boost engagement.”

Like retailer Marks & Spencer, Haymarket Media understands the role technology plays in retention efforts. “We can define the attributes of a valuable customer—there are certain actions and behaviors that we know a valuable customer takes,” says Medwig. “But the internal challenge is data management. We have the data, but how we shape and analyze it requires third-party tools.”

In addition to barriers that prevent developing repeat customers, companies face barriers to investing more in customer retention. The biggest challenge for all companies is an inability to measure the ROI of retention tactics (not including technology concerns)—39% cited this, with this being the biggest challenge for Retention Gurus. Acquisition Athletes are most likely to find organizational structure a barrier to investing in retention, though cause and effect is unclear. Is that a true barrier or simply the explanation of why they are so good at acquisition?

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Andy Yost

Chief Marketing Officer

USA TODAY NETWORK

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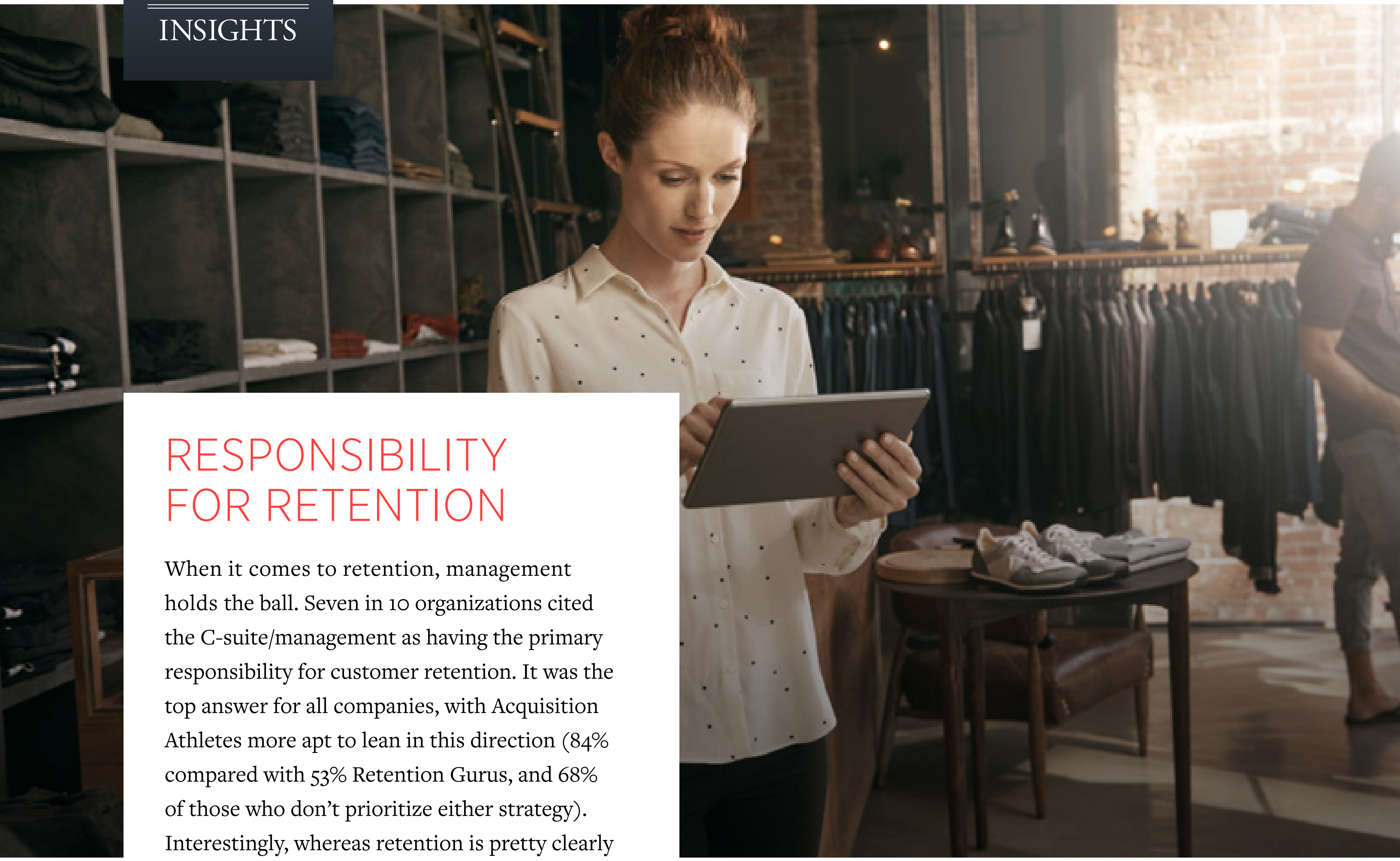
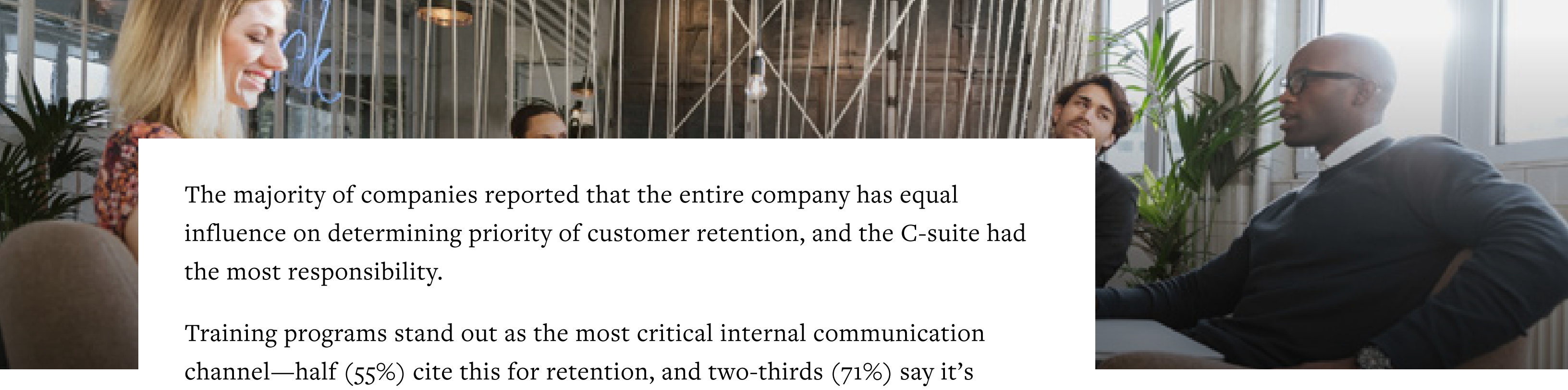


RESPONSIBILITY FOR RETENTION

When it comes to retention, management holds the ball. Seven in 10 organizations cited the C-suite/management as having the primary responsibility for customer retention. It was the top answer for all companies, with Acquisition Athletes more apt to lean in this direction (84% compared with 53% Retention Gurus, and 68% of those who don't prioritize either strategy). Interestingly, whereas retention is pretty clearly the responsibility of top management, acquisition is more diffused throughout the organization, whatever the balance of retention or acquisition focus (see chart).

Who has primary responsibility in your organization for customer retention? Who has primary responsibility for acquiring new customers?

	Retention	Acquisition
C-suite/management	68%	35%
It is everyone's responsibility	17%	28%
Marketing	12%	32%
Sales	1%	3%
Customer service	1%	1%



The majority of companies reported that the entire company has equal influence on determining priority of customer retention, and the C-suite had the most responsibility.

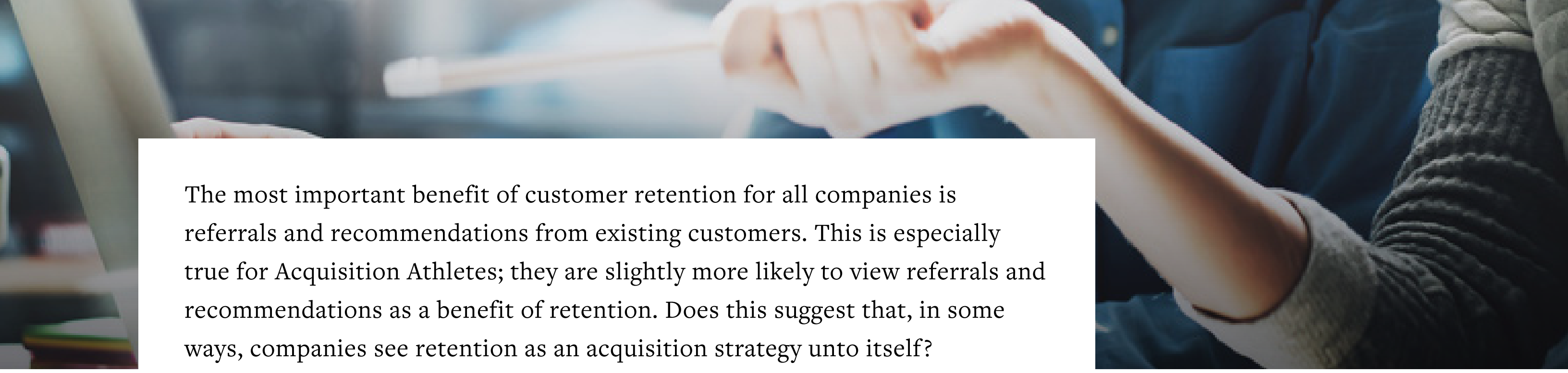
Training programs stand out as the most critical internal communication channel—half (55%) cite this for retention, and two-thirds (71%) say it's critical for acquisition information. The data shows that there is room for improvement in terms of communicating the benefits and best approaches to retention internally.

Companies consider both retention and acquisition part of their mission and also use key performance indicators as a way to communicate the value of these strategic initiatives. There is little variation between media organizations and retailers in their approach.

There are some exceptions worth noting—media companies are much more likely to communicate information about retention as part of the organizational structure or strategy (41% compared with 32% retail) and to focus on acquisition as part of the company culture (53% compared with 31% retail companies).

How is the focus on customer retention communicated internally?

	Retention Gurus	Acquisition Athletes
Part of the mission	53%	47%
Via key performance indicators	49%	53%
Taught in training programs	49%	65%
Part of the organizational structure or strategy	44%	37%
Built into company culture	40%	33%
Through employee incentives	33%	44%



The most important benefit of customer retention for all companies is referrals and recommendations from existing customers. This is especially true for Acquisition Athletes; they are slightly more likely to view referrals and recommendations as a benefit of retention. Does this suggest that, in some ways, companies see retention as an acquisition strategy unto itself?

Interestingly, creating predictable revenue is not seen as a top benefit of retention—it falls fifth on a list of six. Not one of the Acquisition Athletes considers predictable revenue a benefit of retention, though they do recognize the benefit of increasing revenue per customer, and do so at roughly the same rate as their more retention-focused colleagues. Only one in 10 (12%) of the Retention Gurus recognize the value of predictable revenue. This leaves much room for growth for all companies in how they recognize the benefits of retaining customers and the impact on the company's bottom line.

Which of the following is the most important benefit of customer retention for your organization?

	Retention Gurus	Acquisition Athletes	All Respondents
Referrals and recommendations from existing customers	28%	37%	32%
Reduction of marketing costs	23%	26%	16%
Increased revenue per customer over time	14%	16%	14%
Driving incremental purchase from existing customers	14%	16%	19%
Predictable revenue	12%	0%	10%
Profitable revenue	9%	5%	9%

MEASUREMENT

As the axiom states, you can't manage what you can't measure. And for the retail companies surveyed, customer satisfaction matters—as measured by customer satisfaction score (54%), net promoter score (44%) and customer effort score (44%). Quantifying the satisfaction level of customers is the single most important method retail companies use to determine the effectiveness of retention programs (32%), though the Acquisition Athletes are less likely to rely on this alone (they also like customer lifetime value).

There are, however, differences in how Retention Gurus and Acquisition Athletes approach measurement. Retention Gurus place more emphasis on the all-important metric of customer satisfaction.

Which of the following data points is most important for your organization in measuring retention program effectiveness? (Retail)

	Retention Gurus	Acquisition Athletes
Customer satisfaction	37%	23%
Frequency of purchasing	16%	18%
Recency of purchasing	11%	5%
Acquisition cost	11%	13%
Customer lifetime value (based on past reporting)	11%	21%
Predicted customer lifetime value	11%	10%
Average order value	5%	10%

“Attrition is still a very valid metric, which we keep a close eye on,” says Cristofoli. “However, we also place a lot of focus on the early life phase of a new customer’s journey to ensure we do the right things to encourage a new customer to not simply come to us once, but become a regular loyal shopper and ultimately an advocate of Debenhams.”

For media organizations, customer lifetime value is what matters, and is measured the most. Nearly one-third say CLV is most important (29%), followed by average page views per session (22%).

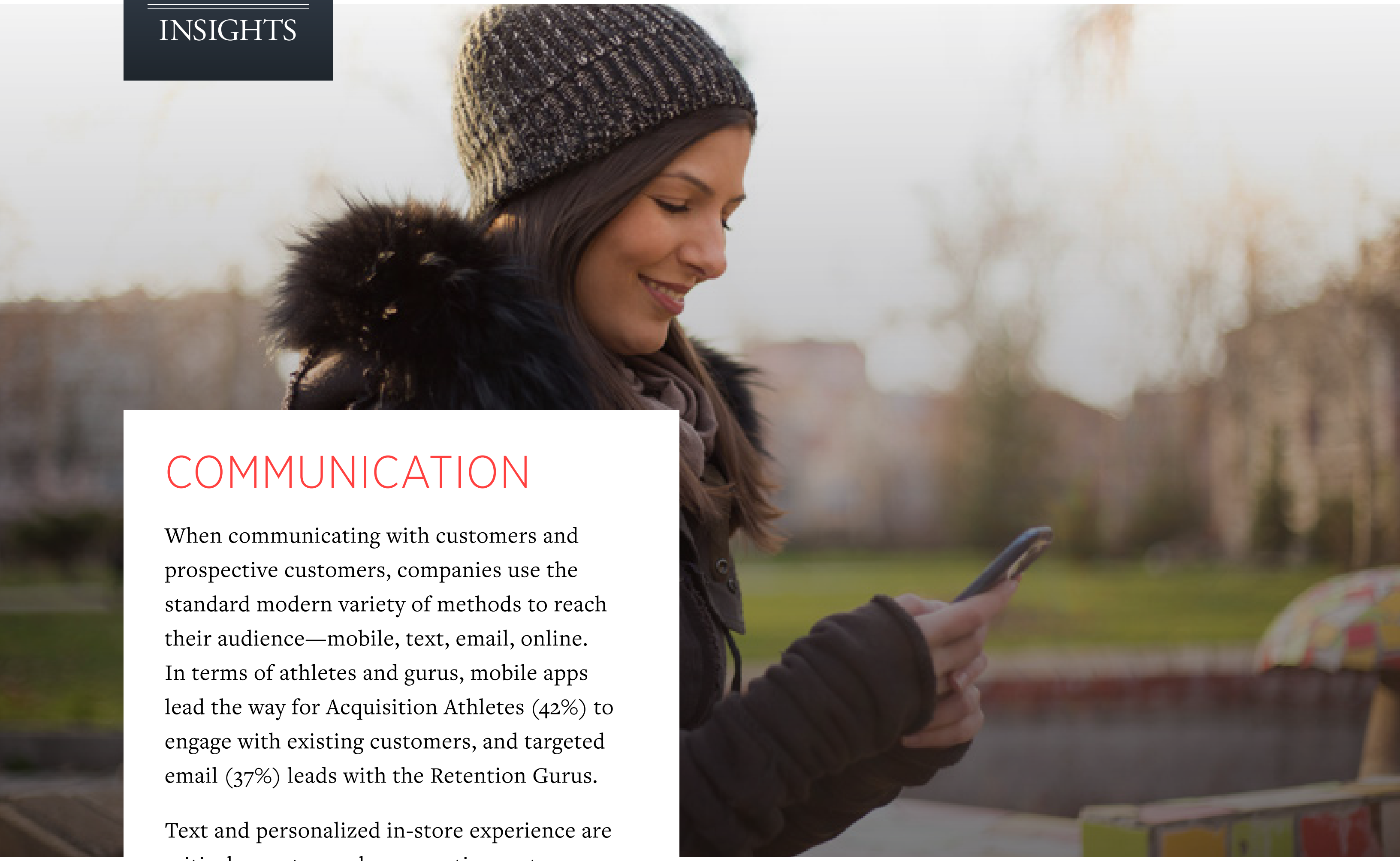
The Economist created a lifetime value model that allows it to calculate acquisition costs by channel, and apply fulfillment and retention costs and retention rates. “This enables us to establish the best product, price and term combinations to optimize profitably,” says Rawling.

> We place a lot of focus on the early life phase of a new customer’s journey to ensure we do the right things to encourage a new customer to not simply come to us once, but become a regular loyal shopper.
>
> **Anna Rawling**
>
> *VP of Digital Engagement and Retention*
>
> The Economist

True to the lack of focus on retention, less than half (42%) of the companies surveyed consider measurement and calculation of customer retention rates to be important or extremely important—with media companies finding it slightly more important (49%). This is true for Retention Gurus as well as Acquisition Athletes. These low rates are caused by lack of technological resources and tools to calculate retention rates, according to 75% of respondents. Half of respondents also note that the lack of focus on retention is caused by priorities skewed to acquisition. Interestingly, lack of budget is a bigger barrier to measuring retention rates for Retention Gurus (23%) than it is for Acquisition Athletes (7%). Retention Gurus are indicating that if they want to continue to outperform the market, they need to allocate more budgetary resources to retention.

Curiously, given the value of loyalty programs for facilitating communication, driving sales and providing key insights into customer data, only 17% of companies surveyed report having a defined customer loyalty program—21% for Retention Gurus and 9% for Acquisition Athletes. Retention Gurus may have loyalty programs in a slightly higher percentage, but it is hardly an inspiring number given the technologies available and the opportunity for two-way engagement with customers. Of those companies that do have loyalty programs, none believe their programs are highly effective, though two in ten believe their programs are effective.

Marks & Spencer is one of those retailers that does have a loyalty program—Sparks—which began in late 2015. Within six months, the program had 4 million members. The company designed Sparks to be an experiential program, not just a way for customers to accumulate and spend points. The program includes tailor-made offers based on buying behavior, such as previews of new products or invitations to events. The company also recognizes the unique value of the program to provide information about customer interests to add to its pool of data and help drive insights.



COMMUNICATION

When communicating with customers and prospective customers, companies use the standard modern variety of methods to reach their audience—mobile, text, email, online. In terms of athletes and gurus, mobile apps lead the way for Acquisition Athletes (42%) to engage with existing customers, and targeted email (37%) leads with the Retention Gurus.

Text and personalized in-store experience are critical ways to reach prospective customers. Text is big for Acquisition Athletes (42%), but not as significant an option for Retention Gurus when communicating with prospects.

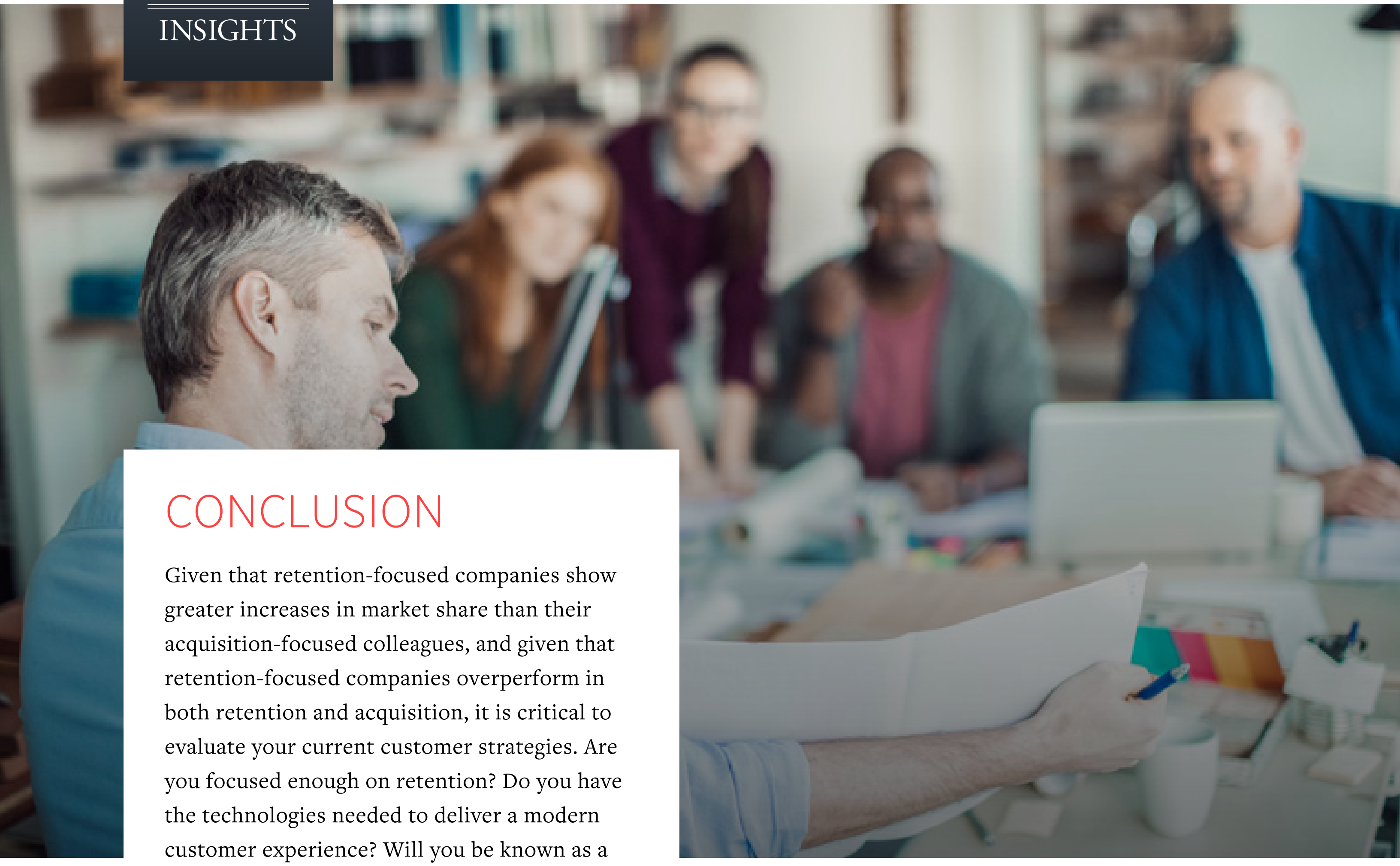
Online digital advertising is a key communication channel for Retention Gurus. When it comes to communicating with existing customers, 33% report using this method (compared with just 7% of Acquisition Athletes). When engaging with their prospects, 40% of Retention Gurus find this a valuable tool, whereas only 19% of Acquisition Athletes look to this way of communicating.

Both retail and media companies fall pretty closely in line with each other with these methods. The biggest difference is with in-store experiences. This is a critical investment for retail companies when dealing with current customers (32%).

What are the top three ways you invest in communicating with your customers (retention) and with your prospective customers (acquisition)?	Existing Customers	Prospects
Mobile application	37%	21%
Personalized in-store experience	29%	37%
Text (SMS) messaging	29%	38%
Online forum	28%	28%
Targeted email, such as geographic, lifestyle, etc.	27%	20%
Personalized/targeted website content	27%	27%
Telephone	27%	32%
General (non-personalized) email	25%	16%
Social media	20%	19%
Re-targeting	19%	18%
Online/digital advertising	14%	23%
Personal or handwritten cards or notes	9%	14%
Online customer accounts	6%	7%
Video	2%	1%

Personalized messaging is valuable for companies when focused on retaining their customers. Seventy-four percent use personalized messaging to increase membership in customer loyalty programs. Indeed, companies that are acquisition-focused see this as most valuable (91% compared with 67% of Retention Gurus). This suggests that some companies view having a loyalty program as a way to get new customers rather than a method to nurture existing relationships and upsell or cross-sell specific products and services, another retention opportunity lost.

Even with the recognition of the value of personalization, a full third of both media (33%) and retail (27%) companies believe lack of personalization is an internal barrier to building a more loyal customer base. Roughly a third invest in some form of personalization as a communication channel with existing customers: targeted email, such as geographic, lifestyle, etc. (27%); personalized or targeted website content (27%); and personalized in-store experiences (29%).



CONCLUSION

Given that retention-focused companies show greater increases in market share than their acquisition-focused colleagues, and given that retention-focused companies overperform in both retention and acquisition, it is critical to evaluate your current customer strategies. Are you focused enough on retention? Do you have the technologies needed to deliver a modern customer experience? Will you be known as a leader who drives success in this modern era?

Key priorities for profitable growth:

Customer satisfaction

Start with customer satisfaction. Make it an important data point in measuring the effectiveness of your retention program, as Retention Gurus do today (37% for Retention Gurus as compared with 23% for Acquisition Athletes). Improve your understanding of the customer lifetime value metric (CLV) and identify technologies that support tying CLV to revenue—it will lead to more frequented sales.

Technology

Technology is the top enabler of customer strategies, yet 37% of Retention Gurus cite technology limitations as a barrier. Thirty percent ascribe lack of focus on retention strategies to inadequate technology resources and tools to calculate retention rates. Technology is more important for Retention Gurus, as they collect a broader range of information over longer periods. Retention Gurus are also more data-driven than Acquisition Athletes (72% vs. 65%).

Resources

Reconsider your budget allocations. Currently, acquisition budgets are showing more growth than retention budgets. At the same time, companies face barriers to investing more in customer retention. Almost a quarter of Retention Gurus (28%) cite their business strategy being focused on acquisition as a barrier to investing more in retention. Interestingly, lack of budget is a bigger barrier to measuring retention rates for Retention Gurus (23%) than it is for Acquisition Athletes (7%). Retention Gurus are indicating that if they want to continue to outperform the market, they need to allocate more budgetary resources to retention and pay more attention to predicted long-term profitability growth, which is paradoxically second to last in influencing customer strategy decisions for their companies.

Culture

Make sure that the customer retention strategy is part of your corporate culture and mission. Currently, more Retention Gurus than Acquisition Athletes have incorporated the retention messaging into their culture (40% vs. 33%). Equally important is an organizational structure that supports the retention strategy. While organizational structure is less of an issue for Retention Gurus (19%) than it is for Acquisition Athletes (37%), this is clearly an area that needs improvement.

“

Every modern organization focuses on customer experience. The most successful modern marketers invest in and set specific retention goals, measure the value of their valued customers through that lens, and use that data to inform their acquisition strategies for sustained profitable growth.

Neil Lustig

CEO

Sailthru

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Forbes INSIGHTS

RETENTIONOMICS: THE BUSINESS CASE FOR SUSTAINED PROFITABLE GROWTH

Your organization can significantly increase market share and long-term revenue by increasing its focus on profitable growth through strategic investments in retention. Yet, more than one third of all respondents cited a lack of understanding and buy-in from their executives, board of directors and/or shareholders as one of the top two barriers to investing more in retention.

Use these facts to build your business case for shifting strategies:

Companies that increased their spending on retention in the last 1-3 years had a near 200% higher likelihood of increasing their market share in the last year compared to those spending more on acquisition.

Management teams at companies spending more on retention are twice as likely to understand the impact of customer lifetime value on revenue and growth.

Churn impacts all organizations, but those focusing on retention are 36% more likely to see no increases in customer attrition year-over-year.

Companies focused on retention are nearly 50% more likely to consider projected long-term profitability growth when making decisions about customer strategy.

Top performers connect acquisition and retention and rate their performance in both as being above expectations: 100% in achieving retention goals and 88% in achieving acquisition goals.

Retention-focused organizations are 1,200% more likely to view predictable revenue as the most important benefit to customer retention whereas of companies focused on acquisition the most significant benefit is viewed as referrals.

Data-driven decisioning is the top influencer on customer strategy decisions at organizations increasing investments in retention versus being third in line for companies focused on acquisition.

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METHODOLOGY

This report is based on a survey of 300 retail and media and publishing executives conducted in March/April 2016 by Forbes Insights. All executives are VP or higher, and 48% of those surveyed are members of the C-suite. Management responsibilities represent a range of functions—including e-commerce, marketing, operations, audience development/subscription and general management. All firms represented in the survey are based in the United States and Europe. They have annual revenues of $25 million or more; 32% have revenues of more than $1 billion.

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