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The Data-Driven Marketer's Guide to Lifecycle Marketing



The Importance of Lifecycle Marketing

To savvy marketers, it's no longer news that existing customers are crucial to growing your business. According to the Gartner Group, 80% of your company's future revenue will come from just 20% of your existing customer base. The big question for marketers is therefore not whether customer retention is important, but rather how to go about it. How do you capture the attention of these valuable customers -- and more importantly, once you do, how do you keep it?

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The key to true customer retention lies in understanding your customers and tailoring your touchpoints accordingly. This is best achieved through lifecycle marketing. Lifecycle marketing, as the name suggests, is based on the idea that customers go through certain stages during the time they are engaged with your company. From the first spark of interest in your product to the very last purchase they make with your brand, lifecycle marketing focuses on identifying the best ways to engage each customer based on where they are in the customer lifecycle.

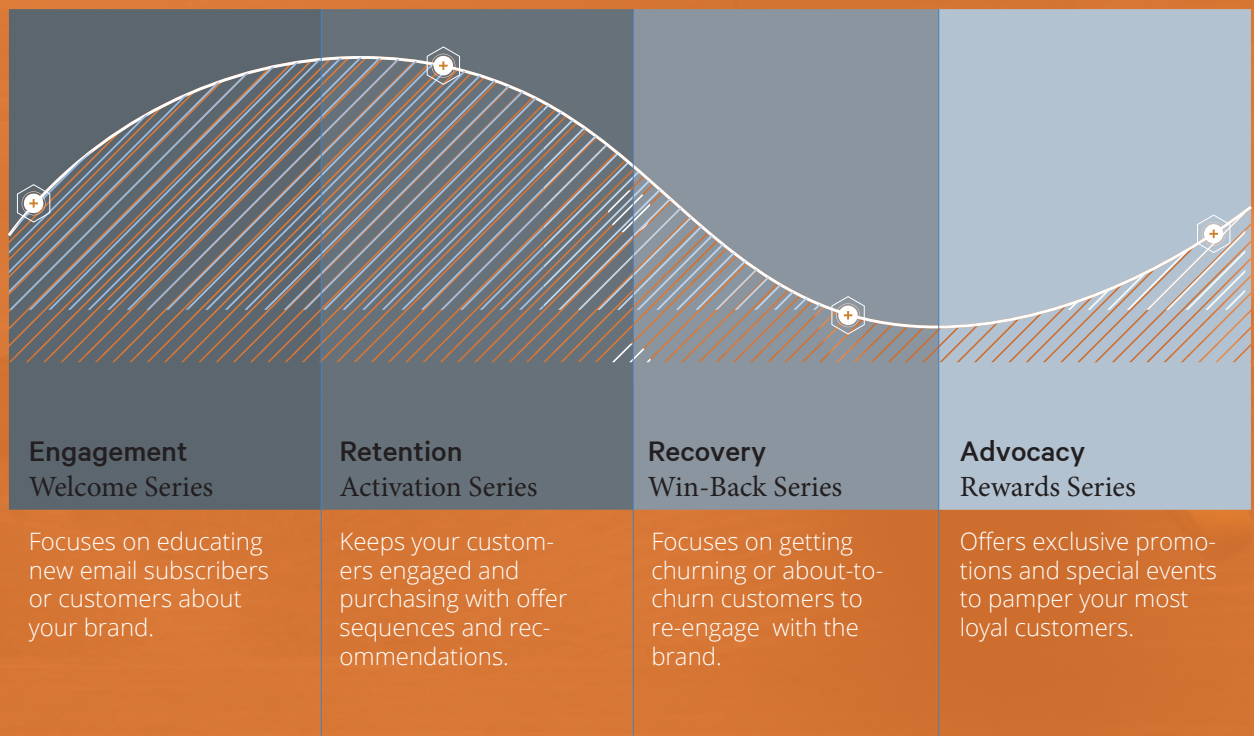
Successful lifecycle marketing uses data science to profile and predict when customers hit critical points in their lifecycles; factors taken into consideration include level of engagement, frequency of purchases, and predicted lifetime value.

What This Guide is For

Lifecycle marketing allows you to nurture each of your revenue sources simultaneously, including leads, repeat customers, churning customers, and upsells. First, however, you must understand the breakdown of the customer lifecycle and the corresponding marketing techniques and email campaigns best suited per stage.

This guide will go through each phase of the customer lifecycle and provide tips, strategies, and best practices on how to build successful marketing campaigns.

Lifecycle Marketing Breakdown



Stage 1:

Engagement Stage Campaign: Welcome Series

The customer lifecycle begins with the Engagement Stage, when shoppers sign up with an email address, start a free trial, or make their first purchase. Customers might be interested in a specific product or an aspect of the brand. They are curious and open to hearing more, and have willingly made the first move to engage.

For brands, making a good first impression is crucial for starting off engagement on the right foot. Your first message sets the tone for the rest of the relationship, so make sure it's memorable, engaging, and tailored. Personalized communications with your customers should start from Day One.

The Welcome Series focuses on educating new email subscribers or customers about your brand, including your products or mission statement. This series of emails, sent over the course of a week or so, is key to captivating your customers and introducing them to your brand values.

“74.4% of consumers expect a welcome email when they subscribe.”

– BlueHornet Consumer Views of Email Marketing 2013

At a Glance:

Number of Emails:

3 - 4 emails

Typical Length of Series:

7-10 days

First Email:

The first email should be triggered upon signup.

Audience:

- » New subscribers who have not previously engaged with your brand.
- » Customers who made their first purchase without having been on the email list prior to converting.

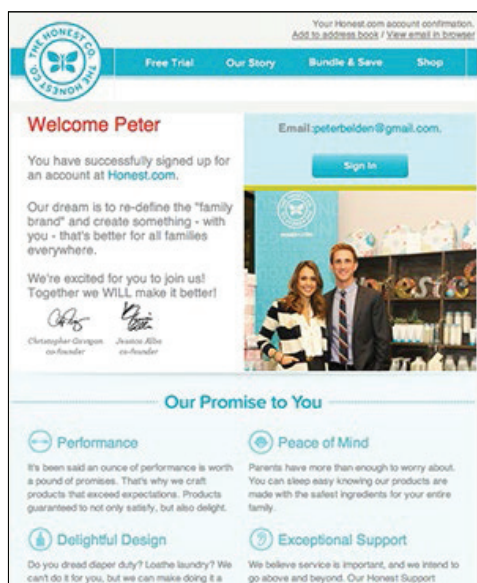
Key Tactics:

- » Introducing brand values
- » Testimonials & reviews
- » Social media engagement
- » Product categories

Welcome Series: Introducing Brand Values

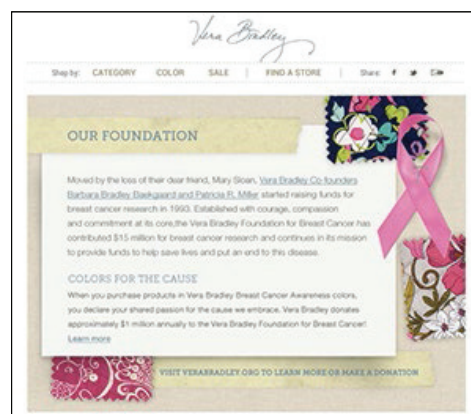
- Include a message from the CEO or founders that summarizes your brand values and promises.
- Clearly highlight what the subscriber should expect from your ongoing emails.
- Personalize the email with the subscriber's first name and other profile information.
- Resist sending an offer in the first email. This trains the subscriber to expect discounts in every communication.
- Include links and instructions on how to update account preferences.

Example 1



The Honest Company creates a personalized welcome email by mentioning their company values and highlighting their brand promise to you. They also personalize it with pictures of their founders and even include their signatures.

Example 2



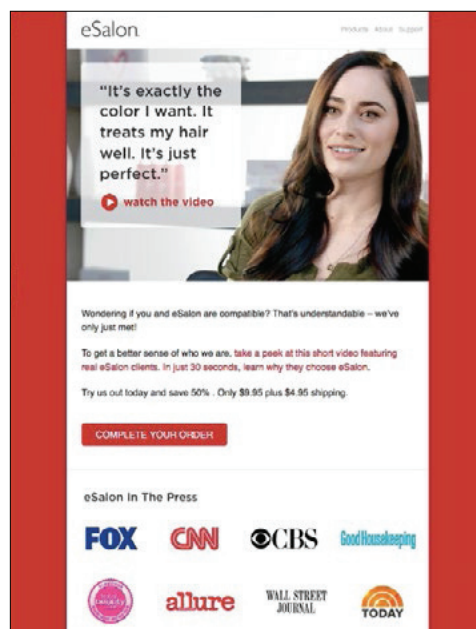
Vera Bradley starts with a story about their vision and values to create an emotional connection with their reader. They also highlight where they will send proceeds from purchases.

Welcome Series:

Testimonials & Reviews

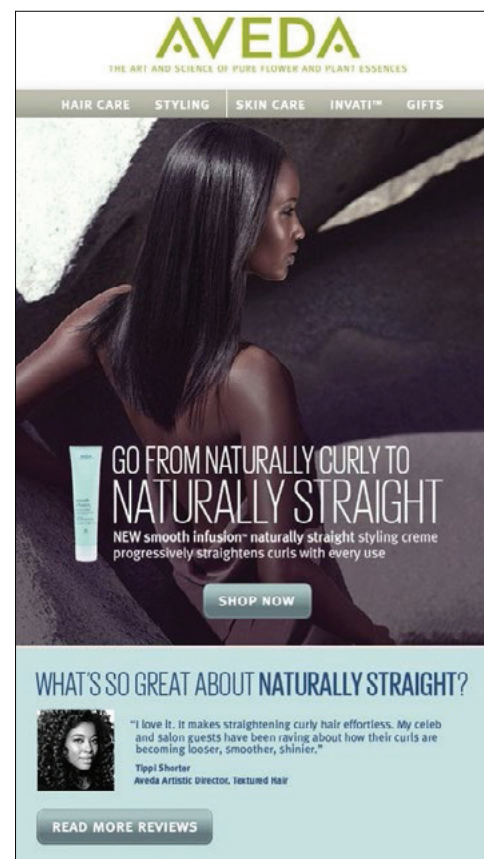
- Testimonials and reviews help build brand credibility and trust. Make sure they are relevant and credible by providing the name, hometown, age, or other important information about the customer.
- Reviews and testimonials should include specific insights or information that will be valuable to the customer, not simply praising the brand.
- Video testimonials have proven to generate the best click-through rates.
- Lay out reviews so they are short, quick, and easy to read.

Example 1



eSalon includes a short and relevant testimonial displaying a customer photo in an eye-catching location.

Example 2



Aveda's testimonial answers a question and gives more information about the customer, including their hair profile.

Welcome Series:

Social Media Engagement

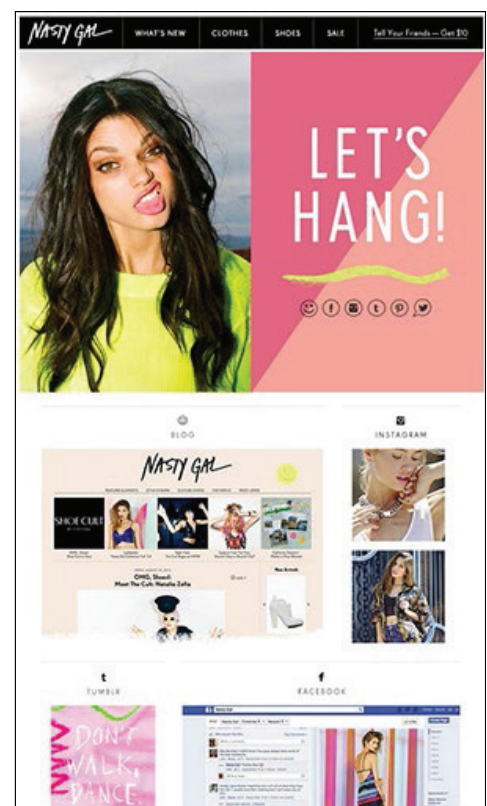
- Dedicate one email in your Welcome Series to encourage subscribers to engage with your brand through multiple channels. This allows them to engage with you through their preferred platform, which builds longer-term relationships.
- Use images and screenshots of each social network rather than generic icons to increase click-through rates.

Example 1



eSalon displays both social media icons and images for each network.

Example 2

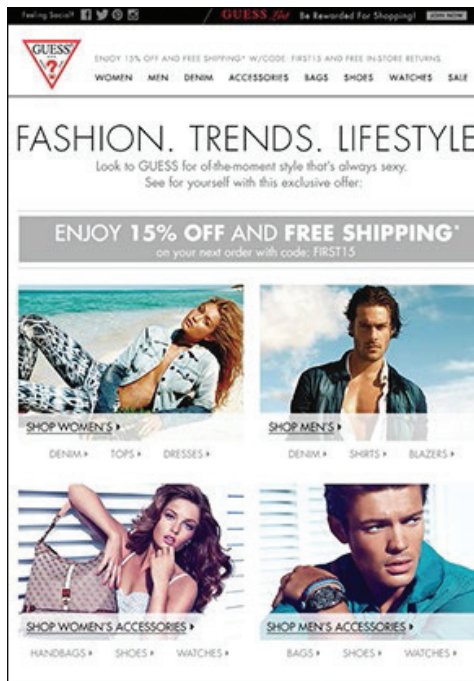


NastyGal also uses smaller social icons and large images for each social network.

Welcome Series: Product Categories

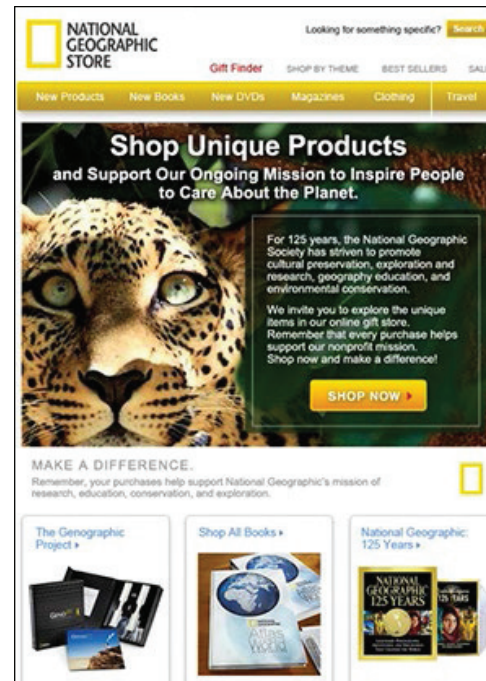
- Educate your new subscriber about your brand's product offerings.
- This is a high-level overview of your products and services compared to future, more personalized emails that go into specifics.

Example 1



Guess includes an introductory sentence about their brand image and what you can expect from them. Then they highlight all their categories to give you an overview of what their brand offers.

Example 2



National Geographic Store highlights that by buying their unique products, you will be helping a good planetary cause. They also show a range of product categories.



Stage 2:

Retention Stage Campaign: Activation Series

The next stage in the customer lifecycle is the Retention Stage. At this stage, customers have signed up for a free trial, or have completed their first purchase. This is a crucial moment in the customer's lifecycle because they have already completed one transaction, but they're not yet truly invested in the brand itself.

How companies reach out to customers during this window determines whether the customer will be a one-time buyer or repeat purchaser. It's critical to keep ongoing marketing campaigns from getting stale by using the data gathered during the first purchase. After determining what segment a customer fits into, the main objective is to generate additional conversions through personalization.

Building brand loyalty is crucial to creating lifelong customers. After a customer makes an initial purchase, marketing campaigns need to focus on keeping their attention by creatively engaging with them on a regular basis.

The Activation Series is built to convert free trial subscribers into paying customers, and to encourage customers who have completed one transaction to become repeat buyers. This series is key in building brand loyalty by providing value to the customer through tailored messaging and offers, based on data collected from previous interactions with your company. The main focus is to drive conversions through personalized content and discounts.

At a Glance:

Number of Emails:

4 - 6 emails

Typical Length of Series:

10 - 14 days

First Email:

Should be sent after first transaction or toward end of trial period

Audience:

- » Customers who have completed a first purchase
- » Subscribers who have signed up for a free trial offer but have not converted to a paying customer

Key Tactics:

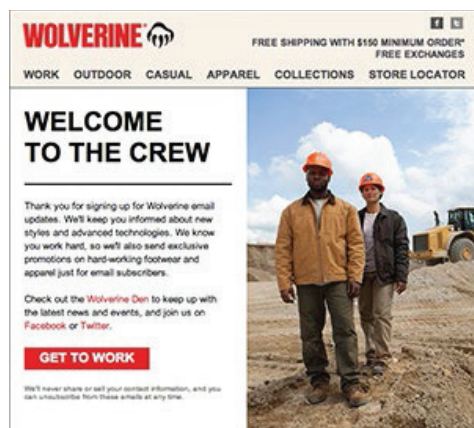
- » First offer email
- » The offer sequence
- » Personalized product recommendations
- » Overcoming the Gmail inbox

» Activation Series: First Offer Email

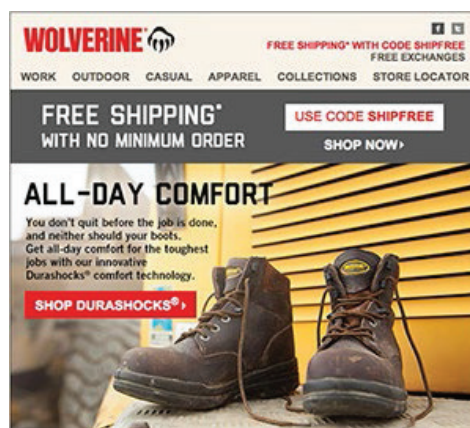
The first offer should be free shipping, free exchanges, or a free gift with purchase, rather than a percentage or dollar amount off the listed price. It's important to set appropriate expectations for future emails so that customers don't expect a steep discount each time.

- Ease into offers to prevent sending out unnecessary ones.
- Not all brands can allow free exchanges or free returns, but it's a great way to provide an enticing offer with value -- without providing a margin-damaging discount.
- Adding a free gift will also entice a conversion without reducing the price of the purchased item. Excess inventory or last-season accessory items can be added for relatively low cost.

Example 1



Example 2



Wolverine's first Activation email includes free shipping with a \$150 minimum purchase. Their second email offers free shipping with no minimum purchase.

Activation Series: The Offer Sequence

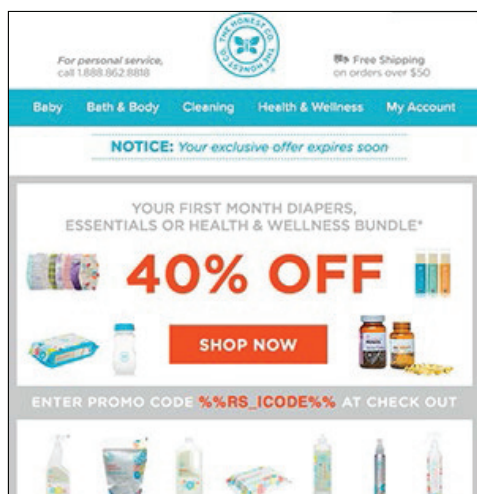
After sending free shipping or gift-with-purchase offer, it's time to be more aggressive with dollar- or percentage-off discounts.

- Create two paths within the series, one for high Customer Lifetime Value (CLV) subscribers that receive higher discounts, and one for low CLV subscribers that receive lower discounts.
- Vary the types of promotions you offer to maximize your probability of conversion. This will also help you identify the offer affinity for each individual.

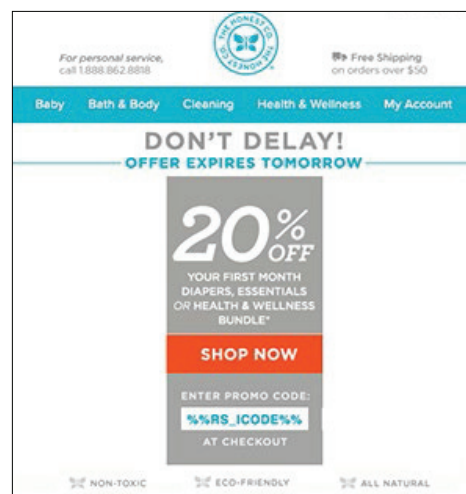
“72% of consumers sign up for emails to get discount.”

– BlueHornet Consumer Views of Email Marketing 2013

Example 1



Example 2



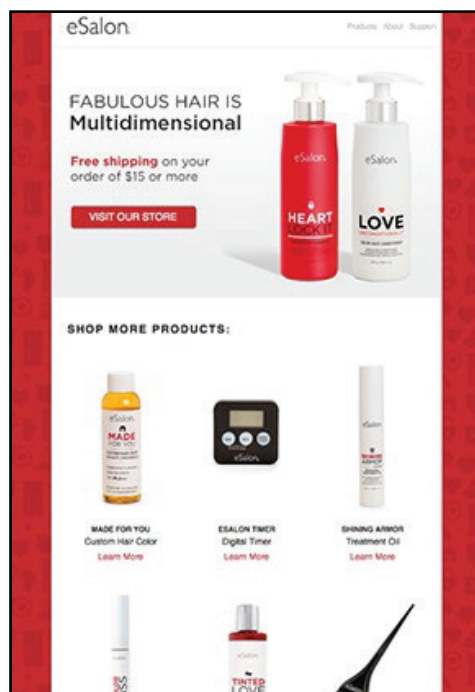
The Honest Company offers 40% off to their High CLV customers in Example 1 as a way of rewarding them and offers 20% off to their low CLV customers in Example 2 as an incentive to make another purchase.

Activation Series: Personalized Product Recommendations

Product recs are powerful when it comes to encouraging customers to purchase. Feature the recommended items directly in the emails; based on the type of customer, include an incentive for purchase.

- The products you feature should be personalized based on your customer's online browsing or purchasing behavior.
- If specific products of interest have not been detected, use the information from the signup process to figure out the product categories that are most likely to interest the subscriber. This includes any gender, demographic, or geographical information.
- Don't list specific pricing in the email. Use a "Learn More" button or the amount of discount to encourage click-throughs and further engagement.

Example 1



eSalon offers a free shipping incentive, and displays similar products to the ones customer previously browsed on their site.

Example 2



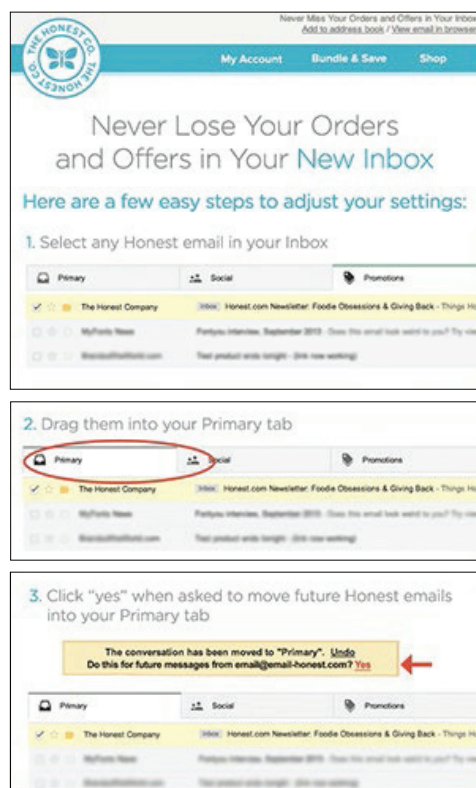
Camping World highlights their new arrivals and feature products similar to ones the customer previously browsed on their site.

» Activation Series: Overcoming the Gmail Inbox

The Gmail inbox has been the bane of the email marketer's existence ever since they introduced the tabs system, which sorts all marketing emails into a separate "Promotions" folder. Overcoming the Gmail inbox is a big step closer to successful customer engagement.

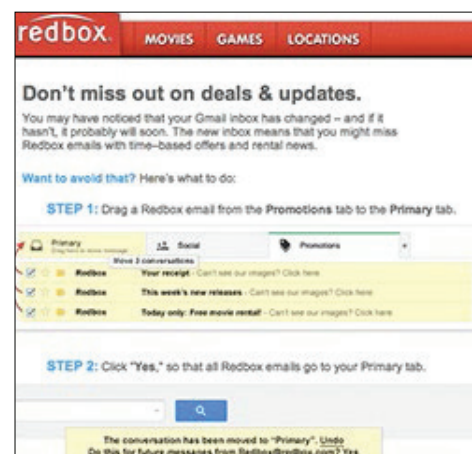
- If the subscriber has not clicked through after the fifth email, deliver instructions that show how to move your emails into their primary Gmail folder.
- Provide a compelling reason why the subscriber should move your emails to the inbox, such as not missing orders, deals, or important updates.
- The key to getting the customer to move your emails to the primary inbox is genuinely good or valuable content.

Example 1



The Honest Company displays three rotating screens within the email that clearly show the step-by-step process of adding emails to the Gmail primary folder.

Example 2



Redbox also demonstrates how to display all future emails from them in the primary Gmail inbox.

“Over 20% of marketing emails never make it to a subscriber's inbox.”

– Econsultancy, 2013



Stage 3:

Recovery Stage Campaign: Win-Back Series

It's an inevitability all marketers must accept: the moment customers feel bored, unhappy, or undervalued, they'll pick up and leave. Customer churn can be defined as when a customer unsubscribes from your service, ceases to purchase from you, or simply stops engaging with your brand.

Constantly eating away at your business profits, customer churn will remain an ongoing problem if the right prevention measures are not put in place. This is the Recovery Stage of the customer lifecycle, where companies identify the churning or about-to-churn customers to get them to stay.

The Win-Back Series does exactly what the name suggests by focusing on these at-risk or already-churned customers to win them back and encourage them to re-engage and repurchase. An effective Win-Back Series rebuilds your relationship with unhappy or indifferent customers and renews their interest in your brand.

Nobody likes losing customers. Traditional efforts to reactivate churning customers involve creating a segment of subscribers that have not purchased within a specific time period, and then delivering a static email with a standard discount. A Win-Back Series segments churning customers based on customer data, and delivers individualized campaigns that are relevant and engaging.

At a Glance:

Number of Emails:

4 - 5 emails

Typical Length of Series:

30 days

Audience:

- » Customers at risk of churning
- » Customers who have recently churned

Key Tactics:

- » "We Miss You" email
- » Win-Back offer
- » Reminder Email
- » Plain Text Email

"70% of buying experiences are based on how the customer feels they are being treated."

– McKinsey, 2006

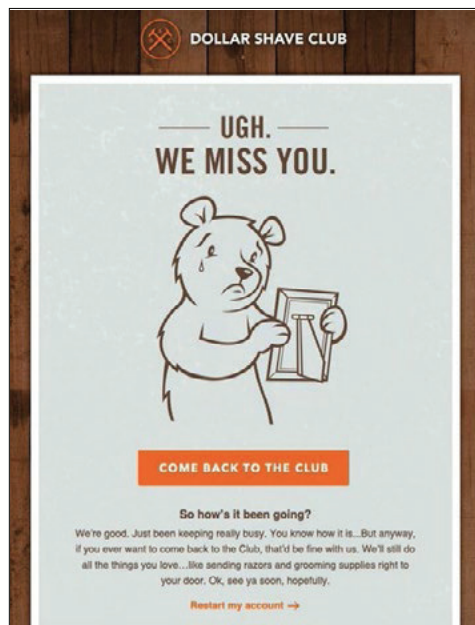


Win-Back Series:

“We Miss You” Email

- Get straight to the point and use the opportunity to demonstrate your company character and voice.
- Stay brand-consistent with your messaging, color scheme, and creative, but make sure this message stands out from previous standard emails.
- Deliver the email on the most optimal day and time based on each customer’s open, click, and sales data.
- Make the purchasing decision easy with clear calls-to-action.

Example 1



Dollar Shave Club personalizes their email with an image that suits the company voice and brand and included a large CTA button.

Example 2



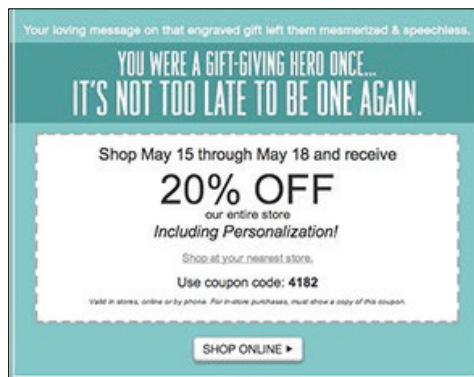
Orvis sends a clean and simple email offering a small discount upon purchase.



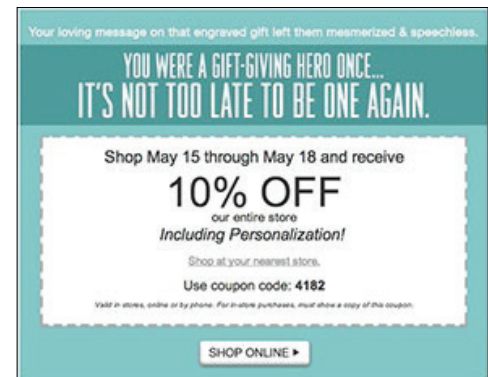
Win-Back Series: Win-Back Offer

- Offer high or low discounts depending on CLV. For example, a customer predicted to have a high CLV may be offered a steeper discount as a token of loyalty, while a customers with low CLV can be sent a smaller discount to encourage a second purchase.
- Create urgency with time-sensitive discounts. The best performing offers typically expire within 1-5 days.

High CLV Customer offer



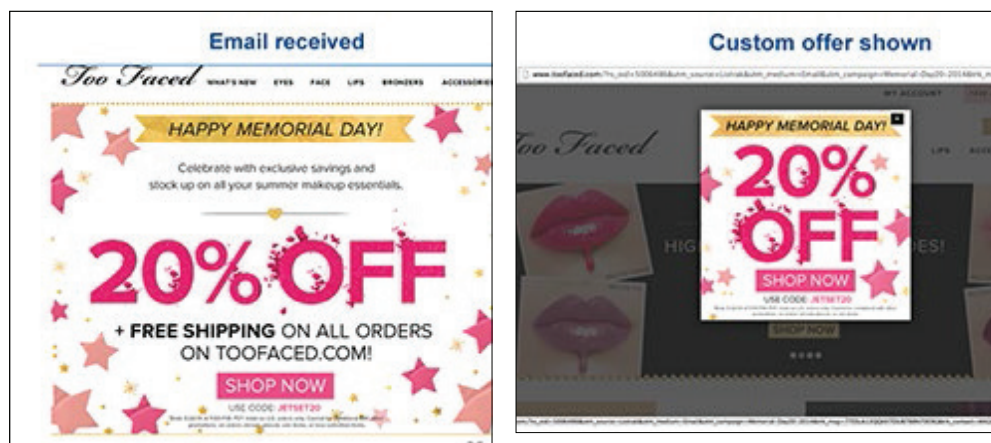
Low CLV Customer offer



Win-Back Series: Reminder Email

- This email is a follow up to the win-back offer email as a final encouragement to use the offered discount.
- The creative and messaging should stay consistent with the initial offer email so that the customer is easily reminded of the discount.
- Send the reminder email within 24-48 hours of the offer expiration to create urgency.
- An onsite pop-up also serves as a great reminder and will increase conversion when customers return to the website.

Example 1



Too Faced offers 20% off plus free shipping to celebrate Memorial Day. Once a customer visits their site, a pop-up also displays the same offer in a consistently branded way.



Win-Back Series:

Plain Text Email

- Text-only emails increase the likelihood of engagement because they stand out amongst your previous emails, and appear to be from one person.
- Personalize this email with the customer's name and profile information if possible.
- If your company provides great customer service, the email should contain the signature of a customer service representative to show that it's a personal outreach.

Example 1

Hey<<Test First Name>>,

Sounds like you weren't loving your blade. Shoot me an email if you want to give a different blade a try. I'd love to help you find one that is better fit.

Hope to hear from you soon.

Bethany

Bethany S.
Member Services Associate
Dollar Shave Club
Venice, CA

Dollar Shave Club put together a simple and personalized text email that reflects a private email a customer would receive from a friend.



Stage 4:

Advocacy Stage Campaign: Reward Series

The final stage of the customer lifecycle is also what's considered the ideal stage for customer retention: the Advocacy Stage. The customers in the advocacy stage are the ones who regularly engage with your brand on one or more channels, who purchase frequently, and who like your brand so much that they'll spread the word to their friends and families.

They are, as the name suggests, advocates -- and therefore your most valuable customers. As such, the Reward Series focuses on rewarding high-value and loyal customers through special incentives, private events, and other perks to keep them happy and engaged.

Customers in the Advocacy Stage are already pleased with your brand and your service, so companies should go the extra mile in order to continue to surprise and delight. Nurturing a sense of exclusivity for VIP customers is a great way to elevate the overall shopping experience.

Customer advocates should be identified by analyzing transactional and behavioral data. Determine campaign frequency by the value and date of their last purchase, in addition to how long they've been a loyal customer.

At a Glance:

Number of Emails:

3 emails

Typical Length of Series:

90 days

Audience:

- » High-value customers who continually purchase
- » Loyal customers who are influencers in social media or other areas
- » Brand advocates that promote your brand and spread the word

Key Tactics:

- » Thank you incentive
- » Anniversary email
- » Exclusive sales & events

“Word-of-mouth recommendation is the primary factor behind up to 50% of all purchase decisions.”

– Baesman, Nielsen, McKinsey Quarterly

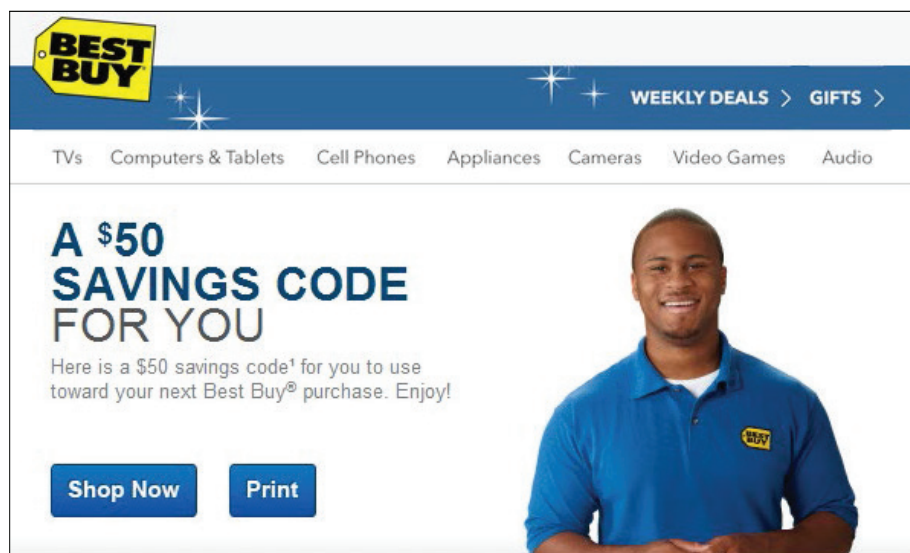


Reward Series:

Thank You Incentive

- Text-only emails increase the likelihood of engagement because they stand out amongst your previous emails, and appear to be from one person.
- Personalize this email with the customer's name and profile information if possible.
- If your company provides great customer service, the email should contain the signature of a customer service representative to show that it's a personal outreach.

Example 1



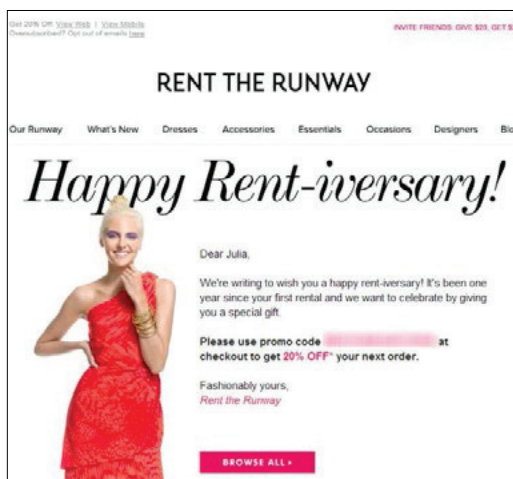
Best Buy offers a highly valued customer a specific savings amount on their next purchase.



Reward Series: Anniversary Email

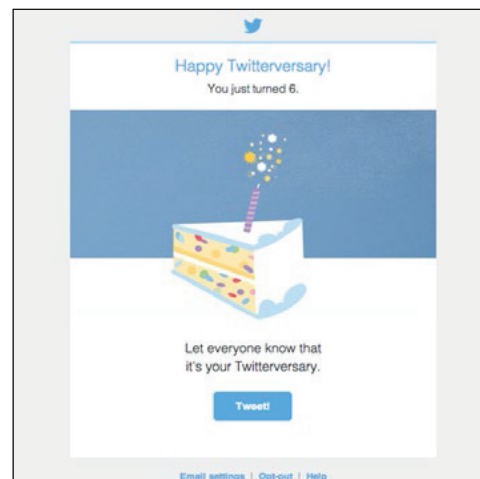
- Keep it short, clean, and to the point.
- Have some fun with the content to ensure this message stands out from previous marketing newsletter emails.
- Deliver on a yearly, half-yearly, or quarterly basis.
- For an extra special touch, include a discount or a special free gift with next purchase.

Example 1



Rent the Runway offers a discount to customers after one year of their first purchase.

Example 2



Twitter acknowledges how long customers have had an account through a cool birthday email.



Reward Series:

Exclusive Sales & Events

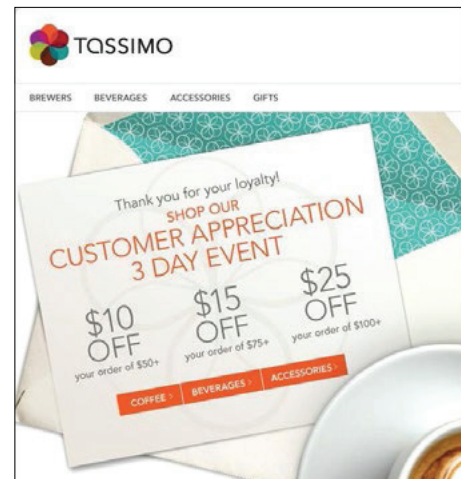
- Create sales or events exclusively for your high value and loyal customers.
- If margins are tight, sneak peeks or early access to upcoming sales events also add an element of exclusivity.
- Make it clear you appreciate them as a customer: ensure the events are fun and that the discounts are deep enough.
- Include instructions on how to redeem discount in the email.

Example 1



Taste Cafe holds an exclusive onsite event for loyal customers.

Example 2



Tassimo holds a sale with a set of discounts for their loyal customers.

Conclusion

In the past few years, it's become more and more apparent that customer retention is crucial for long-term business success. The evidence is abundant: according to a study by Bain & Company, increasing customer retention rates by just 5% increases profits by 25% to 95%.

Effective customer retention comes from treating your customers as individuals and sending them the right messaging that matches the stage they're in. Whether a customer is new, a brand advocate, or about to churn, sending them the messaging that will enhance their relationship with your brand is key. Smart marketers are finding that utilizing Lifecycle Marketing tactics is crucial to retaining and strengthening their customer base.

When it comes down to it, your customers just want to be treated as people, not line items in a profit column. Data-driven lifecycle marketing helps you do just that, by delivering relevant touchpoints at each stage of the customer's engagement with your brand. **When executed correctly, lifecycle marketing enhances and extends the relationship between your company and your customers -- a win-win scenario for all parties involved.**