

# 8 Ways to Increase Customer Lifetime Value

Customer lifetime value (CLV) is one of the most important metrics to measure at any growing company. Yet, despite marketing departments making CLV a priority, only about 1 in 10 (9%) companies would use CLV as a top metric to measure marketing value and performance.<sup>1</sup> We think this is a mistake.

There are two ways to grow business—first, by acquiring new customers, and second, by retaining existing clients with increased CLV. While growing your customer base is necessary, it's important to remember the impact of customer retention. Research shows it's five times more expensive to acquire new customers than it is to retain, yet brands continue to leave retention and reactivation to chance.<sup>2</sup>

We think CLV is a critical KPI for brands to address and improve. In this white paper we'll give you eight options to improve it.

## What Are You Doing to Extend & Expand the Lifetime Value of Your Customers?

The method to increase your customers' lifetime value varies depending on where they are in their customer journey. If you have solid segmentation and regular access to updated data, there are some key areas where you can focus to make sure you are growing value.

While some of our ideas can be spun to drive new acquisitions, all of the following examples are meant to retain or drive longer lifetime value from customers. Let's dive in.

<sup>1</sup>CMO Council, Report: *C-Suite Scorecard*

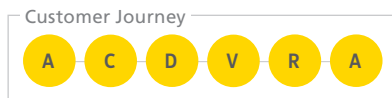
<sup>2</sup>Harvard Business Review, Article: *The Value of Keeping the Right Customers*

# Impacting the Phases of the Customer Journey

The customer journey key below illustrates the steps your customer goes through in engaging with your company to help guide the best tactics for improving customer experience.



## 1. Stop Leaving Critical Journey Touchpoints to Chance



Brands have a lot of opportunities outside of the purchase phase to influence future sales and keep the conversation going with existing clients. These opportunities can be the difference between one-and-done purchases and lifetime relationships.

Put yourself in your customer's shoes. What value can you infuse that keeps your brand top of mind between purchases? Data collection can help enhance the end-user experience, whether through more relevant product recommendations or through streamlining the customer journey. Robust profile information will allow you to get even more creative targeting customers' major life events:

- > Growing family
- > New job
- > New house
- > New pet
- > Loss (if done correctly)

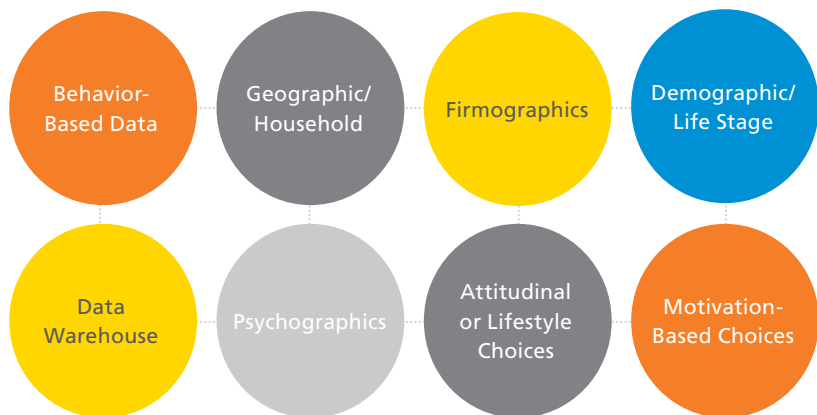
Examples may include non-purchase ways to interact with the brand:

- > Referrals
- > Games
- > Quizzes
- > Testimonials
- > Complimentary products/services
- > Aftermarket and annual inspections/check-ups
- > Social media shout outs
- > Short-form video thank yous
- > Handwritten birthday cards, etc.

Each of these outside-the-purchase-phase interactions can be strung together to create a unique and satisfying loyalty program that your customers don't even know they are a part of because it's presented as a value add. It can also help your company limit exposure on a purchase-only program, which, in a long sales cycle, simply doesn't make sense.

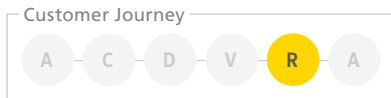
### Discovering Deeper Segmentation

Sadly, a lot of segmentation studies end after analyzing demographics, but there are a number of additional directions brands can take a segmentation study that help to paint a more complete picture of what really makes customers tick. Brands can dive into deeper segmentations by analyzing:



Looking at customers through multiple lenses may help a brand create segments they wouldn't have dreamed of in the past, ensuring they are targeting the right audience with the right offer at the right time.

## 2. Ensure the Renewal



To ensure the renewal or continuation of the customer relationship, consider adding interviews and market surveys to the mix to better help you understand each customer group currently and their plans for the future. It almost seems too easy to ask your customers questions about when they intend to purchase again, but it works.

Next, segment customers and perform analysis to identify which customers are most likely to stick around. A deep data analysis can provide true insights into these segments, but even a cursory data analysis can help identify trends.

### For Subscriptions

- > Are they planning to renew their subscription?
  - If no, ask why
  - If yes, ask if they want to upgrade

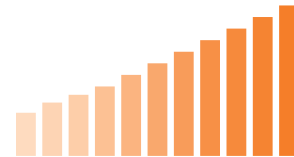
### For Other Products & Services

- > When do they expect to buy again?
- > Do they have additional needs outside the current scope? For example, a tire company asking if a customer has additional vehicles

There aren't a lot of brands having this type of honest dialogue with their customers. To get even more out of your customer survey, target your questions based on what you already know about customers (products purchased, length of relationship, etc.). Use the survey results to perform analysis to better segment your customers as well as identify what sentiment triggers indicate retention or attrition. You can use market research to identify ways you might entice any looking elsewhere to stay.

Eight of 10 marketers say a journey-based approach is very or extremely important to their organization's overall success. But informing those journeys with more than just demographic segmentation can set your brand apart from competition.<sup>1</sup>

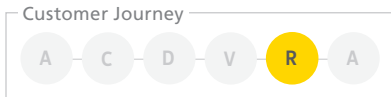
**Tip:** If you need help, spend time with an experienced consultant to map out customer journeys as in depth as you can. An outside consultant will help you and think of things you may normally take for granted or can't see because you are too close to the process.



### Amplify This Idea to 11

If you use AI/ML, leverage these tools to aggregate survey, segmentation and journey data to help predict the likelihood of retention/attrition, and develop a more targeted approach.

### 3. Reduce Churn During Critical Periods With Science & Strategy



Consider a subscription service for this example.

When you think about a subscription service, what comes to mind? Usually, there's the initial need that causes the customer to sign up. Then, they get set up on autopay. They are paying monthly but because they don't need to make changes to the service, they are no longer in the purchase cycle. Instead they are in the maintenance cycle, which means the relationship is more passive than active *except* when they use the service.

As discussed earlier, identifying segments is critical to extending the value of each segment. Subscription services are no different.

Identifying which segment a customer is in can give insights into when that customer might be at risk of cancelling. Even better, if you can use AI/ML to help identify attrition triggers, your brand can start to mitigate customer loss.

However, brands should look beyond leveraging a traditional loyalty program. Why give customers a discount on existing recurring payments? Instead consider identifying critical places along the journey where a touchpoint (e.g., a thank you, an apology, a surprise-and-delight experience, etc.) will drive that extra contract length. This impacts your revenue and benefits your brand. The customer is already on the books. Now it's like a real relationship—a two-way street. And the more effort you put into it, the more you'll get out of it.

Customer Life Cycle			
<b>Current State</b>	Customer orders new service or has service call.	<b>Negative Response</b>	
		Employee drops the ball; customer is upset and frustrated.	Customer complains; ideal outcome unlikely.
		<b>Positive Response</b>	
		Employee provides good service.	Customer is satisfied.
		Customer keeps service.	Customer keeps service.
<b>Desired State</b>	Customer orders new service or has service call.	Gift item addresses dissatisfaction.	Resolution occurs, relationship mended.
		Employee drops the ball; customer is upset and frustrated.	Customer still upset, but appreciates you are working towards resolution.
		Gift item solidifies loyalty, leads to referral.	Customer keeps service.
		Employee provides excellent service.	Customer is happy with service; employee follows up to make sure service is working.
		Customer keeps service.	Customer keeps service.
		Employee nomination program is leveraged by the customer.	Gift item solidifies loyalty, leads to referral.

Here are some examples of promotions that foster a feeling of an ongoing loyalty program to strengthen the connection between brand and consumer but limit exposure. These will work for both a subscription-based or traditional business.

### Fall-Off Activations

If you know someone is likely to fall off around 24 months, start hitting them at 22 months with appreciation and recognition rewards. Offer larger awards at these critical points on the customer journey with the promise of a longer contract length.

Put fall-off activations on high gear: When you do something nice for a customer out of the blue, later on ask them how it's working/if they are enjoying it with no other call to action. It looks like you're just following up, but you can get some valuable feedback about the touchpoint while subtly reminding the customer that you care.

### Milestone Rewards

Data analysis and Artificial Intelligence can help identify which milestones are most impactful for your brand. At these key milestones, infuse a value add to reinforce the service/brand. Maybe it's an award, maybe it's a phone call, maybe it's something else. The point is to show appreciation and deliver unexpected value. Market research can help identify what will best resonate with each segment.

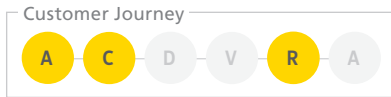
### Recognize Brand Ambassadors

The best customers should get bigger and better touchpoints. There's nothing that says you have to treat every customer exactly the same. You just have to make sure there is equity in your brand interactions and offers.

That doesn't mean you shun low-value customers. They just have a different path (maybe focused on brand education, growth initiatives, etc.). Recognizing a brand ambassador's achievements is an important part of making them feel valued and part of your team. While cash awards obviously attract attention, other incentives like store credit, gift cards, freebies and other items of value can work just as well.



## 4. Win Back Customers With Honest & Transparent Offers



Your employees are going to make mistakes. Customers are going to leave your brand. But in some cases, most cases in fact, those customers just want you to fix the problem and acknowledge the issue. What if you could reactivate those customers with something that has the power to turn a casual fan of your brand into a rabid brand ambassador?

Reactivation is about transparency. If there was a gap in service, it needs to be acknowledged honestly. It's okay to ask for forgiveness, and another shot at keeping a customer's business. But, if you attempt to make amends—and don't address the product or service issue—and it happens again, you can probably say goodbye to that customer forever. According to research:<sup>1</sup>

**94%**

of customers relate most to brands that emphasize transparency.

**81%**

of consumers say they would consider a brand's entire portfolio of products if they switched to that brand as a result of increased transparency.

**56%–70%**

of the customers who complain will do business with a brand again if the problem is resolved.

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**If customers feel you acted quickly and to their satisfaction, up to 96% will do business with you again, and they will probably refer other people to you, according to the White House Office of Consumer Affairs**

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Being honest is most critical. Whether you infuse an award or a follow-up offer, admitting that there was a problem reinforces that your brand is honest, and that you want to help and know you can do better.

Studies like the one mentioned above have shown that rectifying a mistake can actually strengthen the brand relationship.

Reactivation is better than implementing higher and higher activation awards (like percent-off coupons that discount margin).

This type of promotion makes sense for long sales cycles because customers are likely spending a larger sum on the product or service. Bigger client spend justifies a bigger award. Also, retaining with an award is almost always cheaper than acquiring a new customer.

The call to action is key, because you want to make sure whatever you ask of customers it locks them into enough spend to generate a positive ROI. Consultants and your own legal department can help ensure you meet all federal and state laws while still capturing attention.

If you want to reinvigorate dormant customers, you have an opportunity for some fun. Where mistakes need to be dealt with directly, reactivating dormant customers can be silly, compelling and off-the-wall. The key is to provide high perceived value. If that value lives in your service or product, fantastic. If it's passively consumed, what other value can you bring to the customer in the form of rewards or experiences?

## CUSTOMER RETENTION CLIENT STUDY

### Problem

Our client was bleeding customers. Between 500–1,500 customers per day were cancelling services, mostly for poor service experiences.

### Program Goal

Retain and reactivate customers with an award.

### Strategy for Customer Retention

Target customers who recently canceled their subscription due to poor service. ITA Group recommended an honest and unique communication campaign paired with an offer for Omaha Steaks if the customer gave our client a second chance.

### Strategy for Customer Reactivation

Target customers who hadn't paid their most recent bill with an offer of Omaha Steaks if they paid their bill over the phone.

### Tactics

Deploy two experts in customer service and strategy to work with the client's team on training before the campaign. Then, the small outbound call team ran a three-day campaign to engage customers.

### Prediction

Our modeling suggested that we could save them almost \$900 per retained customer in lost revenue and acquisition costs, and drive at minimum a \$2:1 ROI.

### Result

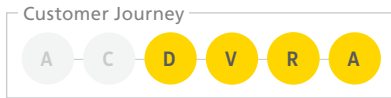
The program was exceptional, **driving over a \$9:1 ROI.**

:1

	Calls	Conversations	Winbacks	Answer %	Close %
Service 1 Results	1,282	288	28	22%	10%
Service 2 Results	653	191	22	29%	12%
<b>Grand Totals</b>	<b>1,935</b>	<b>479</b>	<b>50</b> (48 Steak Packages)	<b>25%</b>	<b>10%</b>

Total Investment (Steak Packages + Communications)	Loss/Gain Revenue*	Campaign-Collected Revenue	Total Estimated Revenue	Estimated ROI
<b>\$4,800.00</b>	<b>\$43,200.00</b>	<b>\$6,240.84</b>	<b>\$49,440.84</b>	<b>\$9.30:1</b>

## 5. Increase Lifetime Value Through Cross-Selling & Upselling



Imagine if a brand could take just 10% of the audience

who buys the base product or service and get them to upgrade or select an added feature. But how? Most companies that successfully cross sell use one of the following tactics:

- > Bundle additional services or products with their current products
- > Leverage manufacturer investments (dollars or product) to create added value and encourage interest in something new

But there are other opportunities to grow wallet share. One is to increase the perceived value of awards and experiences for higher levels of spend. This is another area where segmentation is critical. Digging in to clearly understand your audience and what they find motivating can be hugely beneficial.

### Here's An Example:

A customer's free trial or introductory pricing on a new subscription is set to expire in a few days. They've set an alarm to cancel it before being charged again.

If customers choose to cancel early, your brand is out revenue. But what if you gave the customer an option to receive up to two months of an add-on service or product without payment in order to keep their existing service? Now the company is purposefully attempting to retain customers with two months of a value-add product or service.

Basically, it's a contract extension at a time where customers are attempting to make a decision about their long-term relationship with the company, and it's a low-risk investment for the brand if set up thoughtfully.

Let's take it a step further—what if you could infuse something of value that doesn't negate the monthly recurring charge?

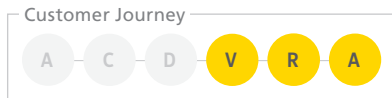
### Here's An Example:

Create exclusive events for certain product or service users who upgrade or add to an existing product or service. That way you can promote the new benefit (experience) to the right segment and inevitably pull some customers forward into a cross sell to be a part of something exclusive and awesome.



Market research firms can help identify the right incentives and design a tiered and segmented rule structure to attract high-value targets. Look for a consulting and execution partner who pays attention to your budget but also has the expertise to find out what will get your customers excited for your program.

## 6. Infuse Surprise & Delight



We mentioned this briefly in the “Reduce Churn During Critical Periods With Science & Strategy” section, but it’s so powerful, let’s take some time to discuss the tactic in more detail. Imagine if a customer spends \$3,000 in a year at their

grocery store. Then out of the blue, the grocery store sends the customer a branded tumbler thanking them for being a valued customer with the option to fill the tumbler with a preferred drink every time they come into the store (even coffee from the little Starbucks or Dunkin’ stand). What message would that send to the customer? A promotion like that checks a lot of best-practice boxes for designing a compelling customer experience program, including:

1. Surprise and delight
2. Identify and reward (best) customers differently
3. Humanize the brand
4. Accurately calculate CLV

Underestimating CLV can cause companies to be too cautious with their investments hindering growth and limiting profit. But overspending—as a result of overestimating CLV—presents an equal risk to underspending.

In addition to the hard benefits of the tumbler, the free drinks, and the status, as a manager of the grocery store you can now identify your best customers as soon as they walk in. The tumbler is a form of badging that helps you ensure the customer stays engaged and links positivity with your brand.



## 7. Amplify Experiences & Engagement When Customers Increase Spend



If a customer is willing to spend a little more, they can

unlock secret awards or experiences. This is a fun one. Think of your brand as a game or a quest. What status or award or secret service can you infuse into your rules that participants can unlock?



### Here’s Some Examples:

Caesars Palace ran a promotion a few years back for guests who stayed at every one of their properties in a calendar year. While it was a small percentage of people who tried to complete, it was more than Caesars expected, and the promotion drove a significant amount of incremental revenue from top customers. Another example is McDonald’s and In-N-Out Burger’s “secret” menus. Gamifying the whole experience with your brand can foster incredible relationships with the segment that values that kind of interaction.

## 8. Deliver Exceptional Customer Experience by Empowering Employees



Often, employees are the face of your brand. It cannot be stressed enough: the customer lifetime value often rests in the hands of an hourly-wage, front-line employee (or even scarier, a front-line channel partner who you have no control

over). Making sure employees and channel partners are educated and empowered to deliver exceptional experiences in store, online and over the phone is a major gap for many brands. Don't fall into this trap. Keep these four things top of mind:

### 1. Training & Education

The most effective customer experience training programs aren't academic, they're *actionable*. A strong learning and development strategy is key to improving employee knowledge of the customer's needs and offering exceptional services every time. When training employees, use practical, real-life examples to convey specific techniques for creating impressive customer experiences and shaping customer perceptions in a positive way.

### 2. Recognition & Empowerment

Recognizing and empowering employees who perform well supports long-term behavioral change and also helps you create employee brand advocates who will remain loyal to your company for years to come. When you have your employees on board to strengthen your brand name and what it stands for, all of a sudden your employees will enjoy serving customers more, creating a welcoming atmosphere and opportunities for selling and/or upselling your products to customers. Ideally, this positivity extends to employees' social circles as well, creating opportunity for new customer growth.

### 3. Well-Being

Great customer experiences start with happy employees. The more you value your people, demonstrate genuine concern for their physical and emotional needs, and enable them to make the most of their talents and abilities, the more your people will reflect that level of care outwards through their work and attitude.

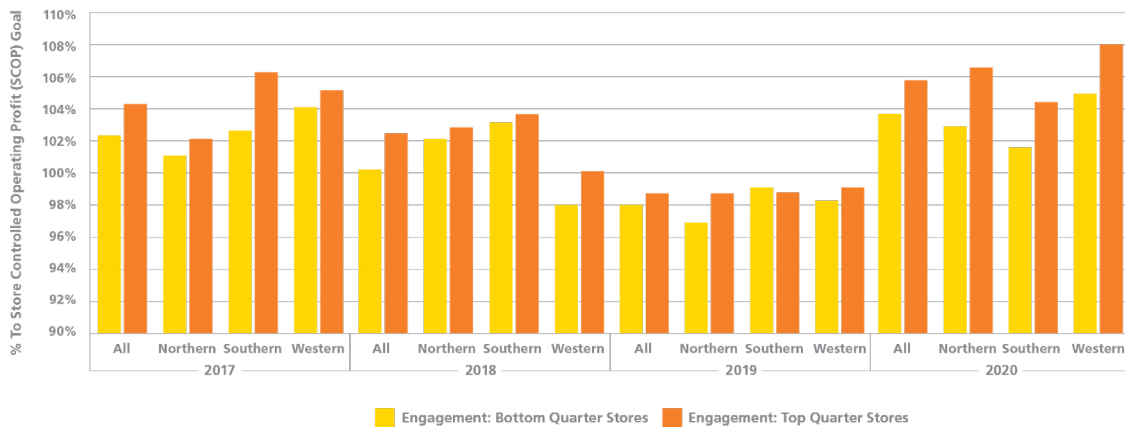


## 4. Voice of Customer

Listening and effectively training your employees to act upon customer feedback about their experiences with your products or services will help you focus on customer needs and expectations, and opportunities for improvement. Offer the chance for customers to submit real-time feedback. But remember: collecting the feedback only gets you so far.

[A study by Forrester](#) showed that only 12% of brands felt their VoC program was mature, meaning 88% were doing nothing with their customer feedback. Take action on data trends and communicate to your employees the customer feedback that is driving change to ensure complete company alignment.

**We've seen stores that actively engage and recognize employees drive up to a 4% lift in operating profit over stores who don't.** This Fortune 50 retailer noticed consistent differences in a key financial measure (Store Controlled Operating Profit) when comparing highly and low engaged store locations. These differences are relative to market fluctuations and illustrate the relationship between investments in employee experience and customer experience.



## Ready to Boost Customer Lifetime Value?

Extending CLV through increased spend or exposure to your brand through the 8 tactics is great, but make sure you adhere to a consistent business-case calculator to predict outcomes.

Customer lifetime value goes hand in hand with customer retention, satisfaction and brand loyalty. It is the financial benefit of having repeat customers. Businesses with high CLV are able to grow more independently of ad costs and enjoy a stable cash flow. Having a clear grasp on current CLV and knowing where you want to take it opens countless doors to creative promotions and unique experiences that will not only grow your bottom line, but also help drive home the psychological benefits of the relationship between your brand and your customers.