

A person's silhouette is visible on the right side of the image, standing in front of a wall composed of many small, circular, recessed lights. The entire scene is bathed in a deep red light, creating a monochromatic effect. The person appears to be looking at the wall of lights.

Econsultancy

# Customer Lifetime Value Report

In partnership with

**RedEye**

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# 1. Executive summary and highlights

The **Customer Lifetime Value Report**, published by Econsultancy in partnership with **RedEye**, is based on a survey of marketers across a range of business sectors, as well as agencies and vendors supplying technology and services.

Customer lifetime value (CLTV) is the total worth of an individual customer over the lifespan of the relationship with the company. This report examines the extent to which organisations are employing CLTV, as well as the tactics and strategies they are undertaking to increase customer lifetime value.

These are the key findings of the report:

## Marketers understand the benefits of measuring and increasing CLTV, but many are still getting to grips with the basics

- Only a third (33%) of client-side respondents report that CLTV is a reported and measured KPI within their organisation.
- However, over three-quarters (76%) of respondents claim that driving customer lifetime value is a priority for their organisation. It's clear that CLTV is being prioritised, but many companies are struggling to define the metric as a reported KPI and make the best use of the available data.
- While CLTV is being prioritised, companies are still at the beginning of the journey, with only 1% saying their approach to CLTV is *mature*, while 44% say it is *developing*. Over half (55%) of companies report their approach to CLTV is either *basic* or *non-existent*.
- There is widespread recognition that customer retention strategies are a good investment. An overwhelming majority (91%) of companies report that investment in growing CLTV is more profitable than investment in customer acquisition.

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## Companies need to move beyond conversion rate optimisation in quest to drive CLTV

- The majority (77%) of companies are 'very' or 'quite' effective at turning prospects into sales. However, companies must look beyond conversion rate optimisation, and need to transform new customers into multiple purchasers.
- Just under two-thirds (65%) of companies say they are very or quite effective at turning sales into multiple purchasers. While it is encouraging to see companies gaining ground when it comes to converting prospects, they now need to focus on increasing CLTV to avoid harvesting a database of single purchasers.
- *More effective use of data* is seen by over half (52%) of companies as a top-three tactic for increasing CLTV. Other tactics include *customer segmentation* (cited by 30% of organisations), *cross-selling and upselling* (27%), and *personalised interactions* (27%).
- Over half (53%) of companies are using *social media* to increase CLTV.

The majority (71%) of companies are planning to increase investment in technology that can help improve CLTV.



#### Technology is important for better CLTV, but companies must break down silos and collaborate across teams

- Looking specifically at digital channels that are used to increase CLTV, *email marketing* comes out on top. Almost two-thirds (65%) of companies report that their email marketing platform is utilised to increase CLTV, while *personalisation* is employed by 45%.
- A third (33%) of companies are using their *customer data platform* (CDP) to increase CLTV, indicating that this technology is rapidly gaining momentum.
- *Predictive analytics* is shown to deliver proven results and substantial gains. An overwhelming majority (91%) of companies report that they have seen uplift in CLTV from employing this technique.
- The majority (71%) of companies are planning to increase investment in technology that can help improve CLTV.

#### The greatest barriers to improving CLTV are lack of a single customer view and inability to measure customer lifetime value

- The lack of a single customer view because of data limitations is a top-three challenge for 38% of companies. The same percentage also report an *inability to measure CLTV* is holding them back from increasing customer lifetime value.
- *Poorly integrated marketing technology* is an impediment for 38% of organisations, while a *siloed organisational structure* is preventing 36% of companies from increasing CLTV.
- The majority of companies have not fully integrated their customer data to allow for a focus on CLTV. Seven in ten (70%) companies say that their data hasn't been sufficiently integrated to facilitate a focus on CLTV.
- Only 6% of companies 'strongly' agree that their company personalises multi-stage, multichannel campaigns around key outcomes, thus indicating there is still a long way to go when it comes to personalising campaigns to increase CLTV.



## 1.1 Methodology

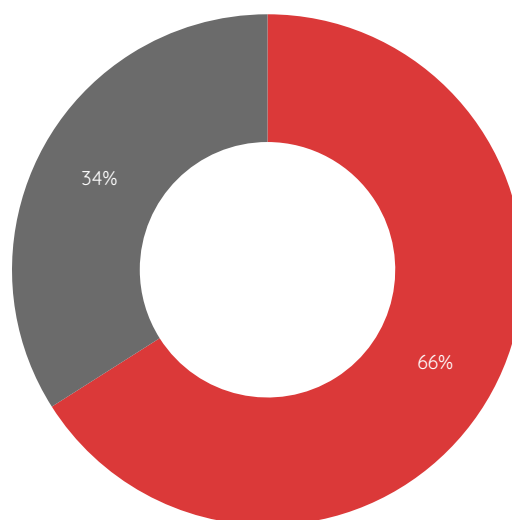
This is Econsultancy's first **Customer Lifetime Value Report** published in partnership with RedEye. There were 610 respondents to our research request, which took the form of an online survey fielded in February and March 2019.

Information about the survey, including the link, was promoted by both Econsultancy and Marketing Week. The incentive for taking part was access to a free copy of this report just before its publication on the Econsultancy website.

The majority (66%) of respondents to this survey are client-side or work for an in-house team. Just over a third (34%) of respondents work for an agency or classify themselves as vendors or consultants.

If you have any questions about the research, please email Econsultancy's Head of Commercial Research Services, Monica Savut ([monica.savut@econsultancy.com](mailto:monica.savut@econsultancy.com)).

**Figure 1: Which of the following most accurately describes your job role?**



■ Client-side (part of an in-house team) ■ Agency / vendor / consultant

Respondents: 610



## 2. Foreword by RedEye

Customer lifetime value is not just a metric. Fully utilised, it is an entire approach to how an organisation develops customer relationships and builds income and profit. On the one hand, it has context and meaning at all levels of an enterprise, and on the other, it has implications for everything from customer experience to loyalty.

That's why RedEye are delighted to sponsor this report and why we are pleased to see that 76% of respondents state that customer lifetime value is a 'priority' for their organisations. Conversely, it highlights a missed opportunity, we believe, that only 1% of organisations have a mature approach to the subject.

Customer lifetime value (CLTV) goes right to the heart of every business. Our customers are our lifeblood. Increasing, or not, the value of each customer has huge implications on the success of a business, especially businesses that have any form of repeat purchase format. I don't believe it is going too far to say that the entire value of a business is built on the number of customers they have and how much they spend. If those metrics increase, all other things remaining equal, the value of that business increases too. The alternative is not something we should waste time contemplating in this report!

An organisation with a mature application of CLTV will know what the key customer 'moments' are for their business, understand their customer journey, be able to map each customer to their point on that journey and address each customer relevantly. For instance, in a lot of organisations it's the second purchase where a customer becomes profitable, where the cost of acquisition has been covered. So, a CLTV-focused strategy will ensure that a business knows who their single buyers are and will build and optimise a specific treatment to optimise the likelihood of that critical second purchase, while also improving relevance, personalisation and crucially improving the customer's experience.

This is why customer lifetime value has resonance at all levels of a business. It can give focus to marketing teams and campaign managers, adding layers of relevance to messaging, especially through marketing automation. But at a board level, CLTV has additional meaning. The number of customers and their value has historical importance for a business, but most critically, also has a forecast value that adds insight to issues as diverse as the future business value and budgeting.

Developing a deeper understanding of a business's CLTV can also drive other benefits. More accurate reporting, with focus on this key metric, helps the marketer make more informed spending decisions. Knowing who your most profitable customers are helps an organisation target customer acquisition more effectively and gives new perspective on discounting and offers. And of course, this whole discussion is really about improving customer loyalty and proving wrong those that say customer loyalty is dead.

But, as the respondents to this report point out, there are a number of barriers to the successful application of CLTV, the most significant of which is data. This comes in a number of different guises. For instance, if your customer data is not in a single customer view then accurately attributing value to a customer is very difficult. Equally, the lack of a single customer view also makes understanding where a customer is on the journey with your brand especially challenging.

I hope you find this report inspiring and instructional, and that it helps you on your journey to truly leveraging the potential of customer lifetime value.



**Matthew Kelleher**  
CCO, RedEye

### 3. Customer lifetime value maturity model

Survey respondents were grouped into segments based on similarities in their approach to customer lifetime value.

The key factor underpinning how developed a business is in their approach to CLTV is whether their business culture supports this objective. The majority of respondents with a developing approach have CLTV as a high business priority, and it is a measured and reported KPI.

The other notable feature of businesses in the 'developing' category is that they are effective in their use of data. This requires having access to the correct data to understand how the customer behaves and to tailor marketing content to engage the desired behaviour. When marketing campaigns are personalised and communications are coherent across channels, the customer experience appears seamless, which can facilitate an increase in customer value for the brand.

Despite being hyped as the 'next big thing', the application of AI and machine learning is low for even the most developed of businesses. The implementation of predictive analytics is more prevalent, with the tendency to initially focus on predicting conversions before progressing through the customer lifecycle, with the ultimate goal being to accurately predict customer lifetime value.

For some businesses, CLTV is just not a focus, they do not yet have the foundations in order such as access to data or using data to personalise marketing campaigns and the customer experience. These are the first steps on their journey to increasing customer value. For these companies the maturity model will provide a guide to strategy they can put in place to continue this journey.

The key factor underpinning how developed a business is in their approach to CLTV is whether their business culture supports this objective.

**Table 1: Customer Lifetime Value Maturity Model**

		Not implemented	Foundation	Developing
Business culture	Business culture is conducive to driving CLTV	No, not at all	We are working on it	Yes, it is conducive
	What priority is given to driving customer lifetime value	Low priority	Medium priority	High priority
Strategy	Marketing channels are organised to maximise CLTV outcomes	No, not at all	We are working on it	Yes, our marketing channels are organised to maximise customer lifetime value
	Focused on cross-channel customer experience	No, not focused	No, but we want to	Yes, and starting to see developments
	Customer lifecycle focus to deliver customer value	Focus on converting prospects to customers and single to multi-purchasers	Focus on reducing churn and unsubscribe rates	Focus on predicting most valuable customers and customer lifetime value
Monitoring success	Customer lifetime value is a measured and reported business KPI	It's not a measured KPI	No, but we are thinking about it	Yes, this is a measured and reported KPI
	Data is used effectively to increase lifetime value	No, not yet	Yes, we are working on it	Yes, we are using our data effectively
Supporting technology	Marketing campaigns are personalised toward key customer behaviours	No, we don't personalise	We are working on it	Yes, most of our marketing campaigns are personalised
	A marketing technology platform is used to increase CLTV	No, not at all	Yes, to some extent	Yes, this is one of its purposes



## 4. Prioritising customer lifetime value

Customer lifetime value (CLTV) can be defined as the total worth of a customer to a company over the lifespan of the relationship. It is a different metric to loyalty because it is tied to the bottom line. CLTV is intrinsically linked with profitability and tangible growth in revenue. Customer loyalty can be measured in many different ways, whereas CLTV is a very distinct metric. It is essential for companies to understand how loyalty subtly differs from CLTV.

Predictive analytics<sup>1</sup>, which predicts future customer behaviour, plays a key role in helping to increase CLTV. According to 2018 research from eMarketer<sup>2</sup>, companies are still not clear on the difference between predictive analytics, machine learning and AI. Predictive analytics is a specific set of algorithms that provide the likelihood that something will happen in the future – for example, the probability of purchase or of customer churn. Patterns in the data are identified in order to predict likely future behaviour.

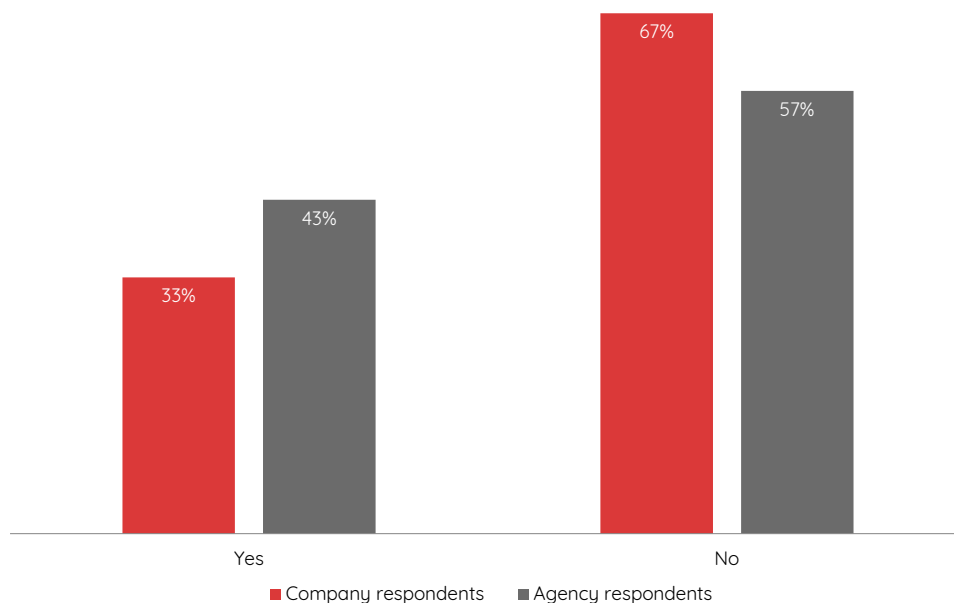
Machine learning is a process for gathering and analysing information to make inputs to feed into AI technology. AI relates to the specific ability to perform tasks with a human-like intelligence, making use of the data gathered from machine learning.

Figure 2 looks at whether customer lifetime value is measured within organisations as a key performance indicator (KPI). A third (33%) of client-side respondents report that CLTV is a measured and reported KPI within their organisation, while 67% report it is not yet measured.

<sup>1</sup> For more information on predictive analytics, download the Econsultancy/RedEye Embracing Predictive Marketing report: <https://econsultancy.com/reports/embracing-predictive-marketing/>

<sup>2</sup> <https://www.emarketer.com/content/why-marketers-struggle-to-define-artificial-intelligence>

**Figure 2: Is customer lifetime value a measurable and reported KPI within your business (or your clients' organisations)?**



Company respondents: 334  
Agency respondents: 167



Over half (57%) of responding agencies report that CLTV is not yet a measured KPI within their clients' organisations.

Driving customer lifetime value is a priority according to both the client-side professionals and agencies surveyed. The majority (76%) of client-side respondents reported that driving customer lifetime value is a *high* or *medium* priority for their organisation (*Figure 3*). Similarly, 74% of agencies reported that driving CLTV was a *high* or *medium* priority for their clients.

This is unsurprising given the major benefits of focusing on customer lifetime value, but at the other end of the scale, some 18% of client-side professionals report this to be a low priority for their organisation, while 6% say it is not currently prioritised.

It is encouraging to see the majority of organisations now recognising that increasing CLTV can significantly benefit their organisation. However, it may be that some companies are still struggling with the reality of how to make the best use of the available data to see a tangible increase in customer lifetime value.

The majority (76%) of client-side respondents reported that driving customer lifetime value is a high or medium priority for the organisation.



#### Voice of the marketer: is there anything in particular you have done that has had a positive effect on customer lifetime value?

*"Better communication with customers and better forward planning with them."*

*"We are new in customer lifetime value, our retention is more of a seasonal thing for us and we are just hitting that period now, so the things we're putting in place (heavy focus on personalisation) haven't realised any results yet."*

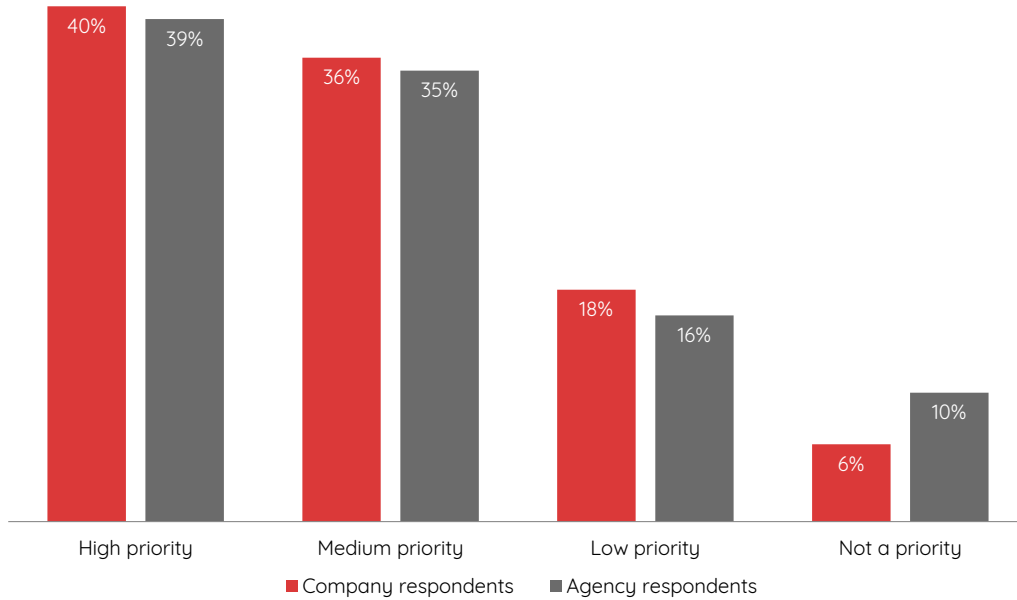
*"I am considering the organisations as the customers who we want to increase CLTV with. The ongoing relationship we build with the employees and the positive feedback they give to their employers seems to have the greatest impact. Some personal contact with people in employee development within organisations can also help. At an individual student level, we have some internal initiatives to encourage continuing education with us after completing one course - this works well with some students."*

*"We have started rolling out a gift cards and loyalty programme globally that can be used in retail stores as well as online."*

*"Creating an insights community to make sure our customers feel heard, proud to get involved and help take the business further."*

*"Post-ordering email chains have proven highly effective in particular, as well as post-ordering PPC retention campaigns. In two years we've increased CLTV from £160 to £220, and customers now order on average 5.6 times, when they ordered 3.8 previously - this number is still growing."*

**Figure 3: How much of a priority is driving customer lifetime value for your organisation (or your clients)?**

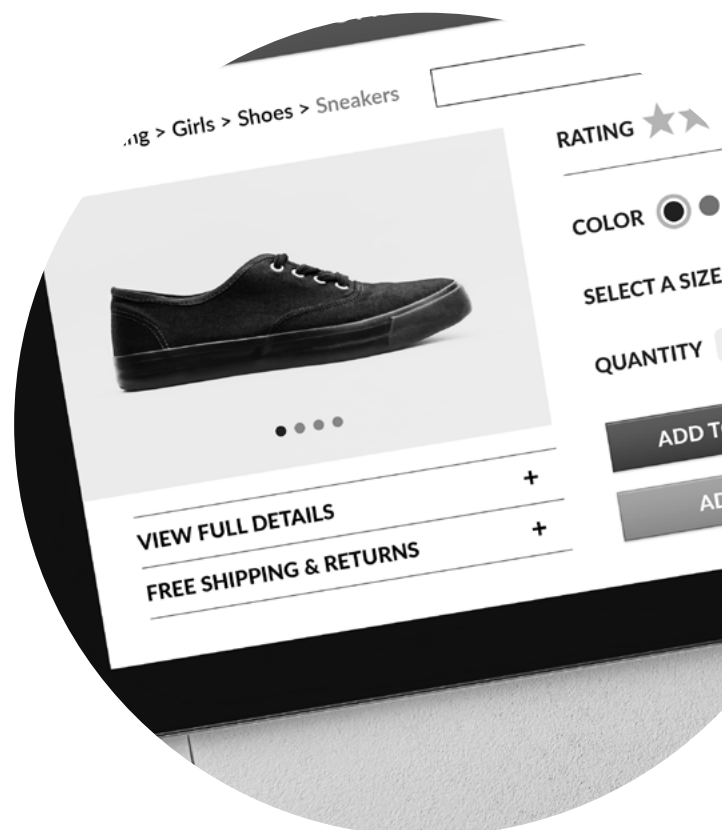


Company respondents: 335  
Agency respondents: 166

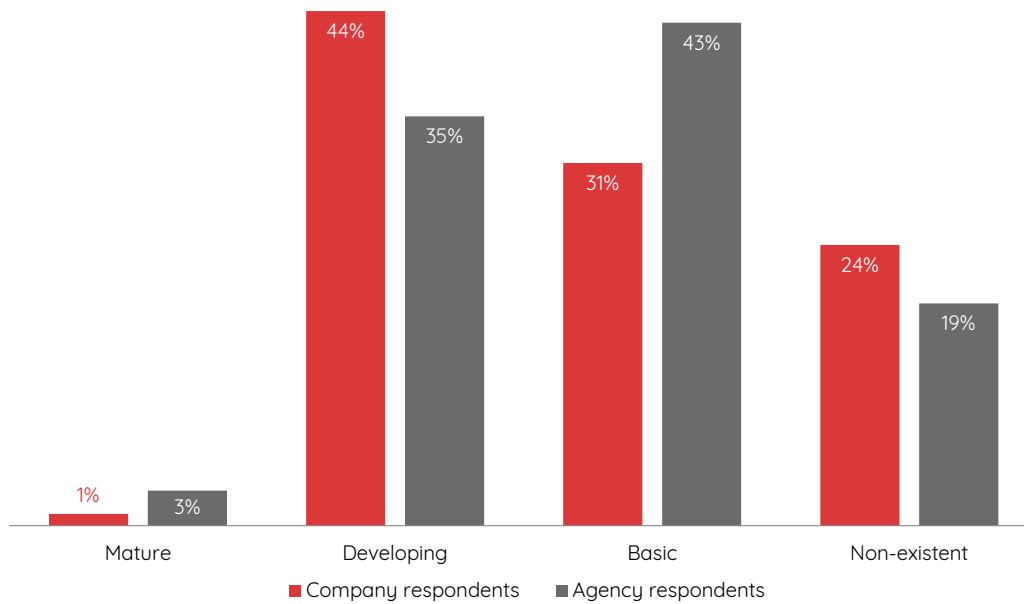
Looking at *Figure 3* and *Figure 4* together, it seems that although understanding CLTV is a priority, most organisations are, in reality, still at the beginning of the journey or just starting out.

While 44% of companies say their approach to customer lifetime value is *developing*, over half (55%) report their company’s approach is either *basic* or *non-existent*. CLTV is clearly on the agenda, but most companies are not yet in an advanced enough position to reap the potential benefits.

The majority (62%) of agencies taking part in this survey reported that their clients’ approach to customer lifetime value was either basic or non-existent. Just over a third (35%) reported their clients’ approach was *developing*.



**Figure 4: How would you describe your organisation's (or your clients') approach to customer lifetime value?**



Company respondents: 335  
Agency respondents: 164

When compared to customer acquisition (Figure 5), the overwhelming majority (91%) of companies felt that investing in CLTV delivers the better bang for your buck, although there was far less disparity among agencies surveyed.

Just over half (53%) of supply-side respondents reported that their clients' perception was that investing in CLTV would be more profitable than investing in customer acquisition. This compares to 47% who said their clients considered CLTV investment to be less profitable. This is in sharp contrast to companies surveyed, where only 9% reported that CLTV would be less profitable than investing in acquisition.

When it comes to assessing the profitability of CLTV versus investment in customer acquisition, companies are better placed than agencies to evaluate the financial rewards. They are able to directly gauge the cost effectiveness of CLTV investment compared to acquisition.

According to Forbes<sup>3</sup>, it costs five times as much to attract a new customer than it does to retain an existing one. In addition, research by Bain and Company<sup>4</sup> indicates that increasing customer retention rates by 5% increases profits from 25% to 95%.

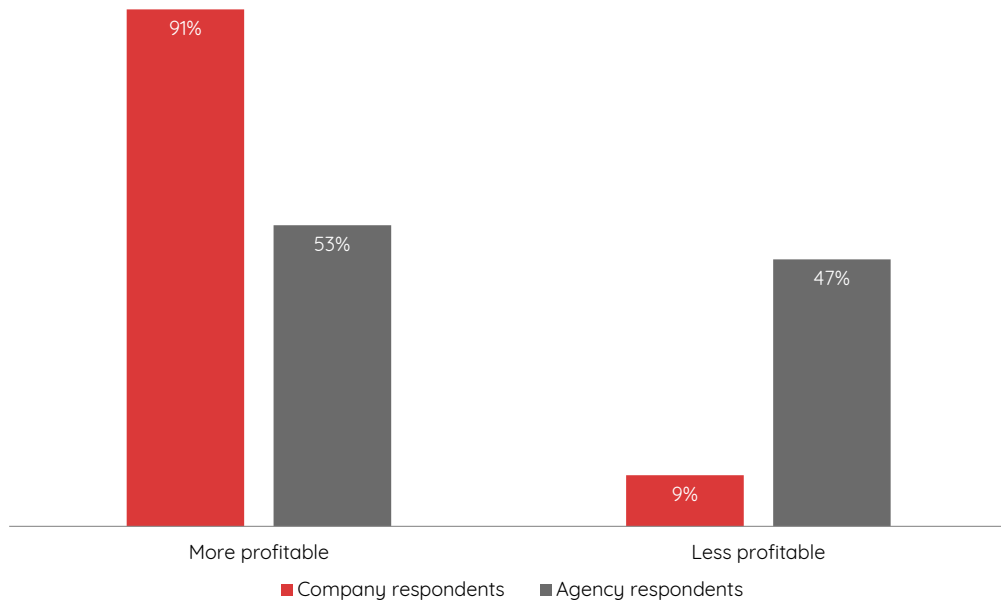
The research findings reinforce the established view that the cost of acquiring a new customer is higher than retaining existing customers; it seems that the message is finally getting through to companies.

If companies offer a good customer experience, it makes sense the customers who are already advocates will continue to transact regularly, if the brand continues to focus on increasing loyalty. In contrast, attracting a new customer requires significantly more processes and therefore associated costs. Bearing this in mind, while companies of course need to market to new customers, a focus on nurturing and retaining existing customers and leads will result in better performance and sustainable growth on the bottom line.

<sup>3</sup> <https://www.forbes.com/sites/jiawertz/2018/09/12/dont-spend-5-times-more-attracting-new-customers-nurture-the-existing-ones/>

<sup>4</sup> [http://www2.bain.com/Images/BB\\_Prescription\\_cutting\\_costs.pdf](http://www2.bain.com/Images/BB_Prescription_cutting_costs.pdf)

**Figure 5: Do you (or your clients) consider investment in growing CLTV as more or less profitable than investment in customer acquisition?**



Company respondents: 335  
Agency respondents: 164



**Voice of the supplier: is there anything in particular your clients have done that has had a positive effect on customer lifetime value?**

*“Improving multichannel touchpoints to remind customers of new updates and the benefits of products. Better visibility of who is buying what and when to segment experiences based on previous user interactions.”*

*“Investment in integration between systems to create a more comprehensive overview of customers and their interactions – online and offline.”*

*“The majority are still at the stage where they bought the technology but don’t know how to make it work. And, despite the purchase of technology, most of them are still struggling to create a single customer view.”*

*“The concepts of customer experience and customer lifetime value are in their infancy in my region.”*

# 5. Tactics and strategies to drive CLTV

A core part of increasing customer lifetime value is the science of predictive analytics. Using numerous, sophisticated datasets, companies are able to look at patterns and derive the likelihood of a future event, such as a purchase, or sign-up, to drive conversion rates and increase customer lifetime value.

When behaviour is identified using predictive analytics models, companies can encourage behaviours that positively affect profitability, or discourage negative behaviour, such as unsubscribes or churn.

Figure 6 looks at the capabilities of companies across the range of tactics and strategies designed to improve CLTV. Sales dominate the areas where companies feel most confident. The majority (77%) of companies report that they are 'very' or 'quite' effective at *turning prospects into sales*, and only 23% report their company is ineffective at this.

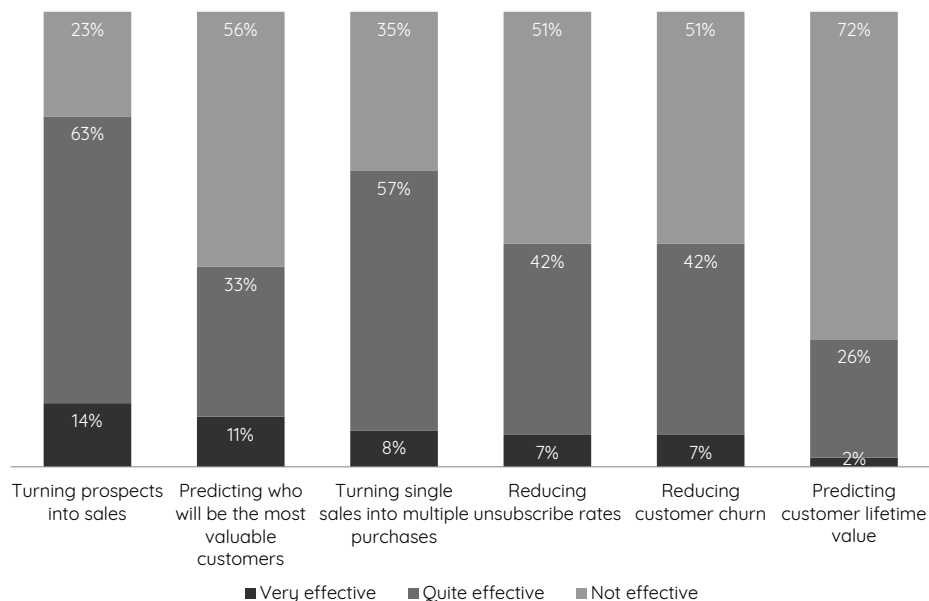
Converting prospects into transactional customers is a core part of the customer acquisition strategy that is essential for the bottom line. However, companies are slightly less effective at converting these initial customers into multiple purchasers.

The results show that just under two-thirds (65%) of companies report they are 'very' or 'quite' effective at *turning sales into multiple purchases*, but over a third (35%) of professionals report they are ineffective at this.

The majority (77%) of companies report that they are 'very' or 'quite' effective at turning prospects into sales.

## Company respondents

Figure 6: How effective are you at the following?



Respondents: 298

If companies have a database of predominantly single-purchase customers, it is unhealthy for profitability. Repeat purchase is essential for long-term customer value and loyalty. While companies can't afford to discount the importance of acquiring new customers, retaining them and extracting the most value from existing customers is essential for sustainable and long-lasting growth.

Companies are less confident when it comes to predicting future customer behaviour. This further reinforces the findings in the previous section; although companies understand the potential benefits to be reaped from predictive analytics, very few have a firm grasp of the fundamental principles and how to put an appropriate strategy into practice.

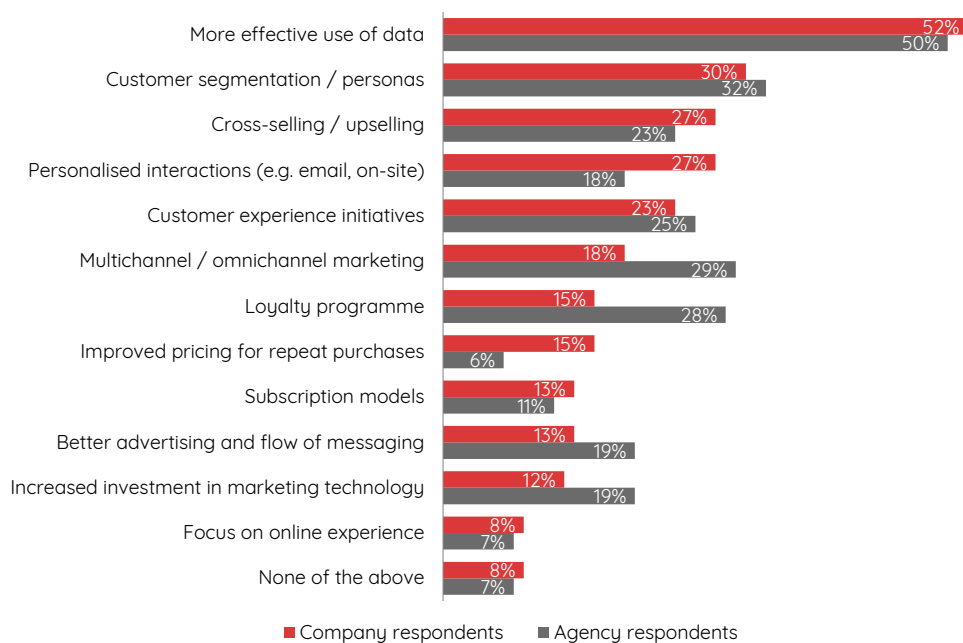
The majority (56%) feel they are not effective at predicting who will be their most valuable customers. In addition, only 28% feel they are 'very' or 'quite' effective at predicting customer lifetime value, while 72% report they are ineffective at this.

Figure 6 also looks at behaviours that need to be discouraged. Only 7% of companies report that they are 'very' effective at reducing unsubscribes or churn, while 42% report that they are 'quite' effective. However, over half (51%) of companies report that they are ineffective at discouraging churn and unsubscribes.

There are many tactics for increasing customer lifetime value, including segmentation, cross-selling and personalising interactions.

Over half (52%) of companies surveyed felt that better use of data is highly effective for increasing customer lifetime value (Figure 7). Interacting one-on-one with the customer is a proven tactic to increase CLTV so companies need to make effective use of data by gaining a single view.

**Figure 7: What tactics or strategies has your organisation (or have your clients) found to be most effective for increasing customer lifetime value?**



Methodology note: Respondents could check up to three options.

Company respondents: 320  
Agency respondents: 145



### Case study: FootAsylum – using predictive analytics to target key stages of the customer journey

AI-driven predictive modelling was used by RedEye to help FootAsylum identify the prospects most likely to purchase, tailor the customer journey and increase customer lifetime value.

From the company's existing database, they created two segments: those with a high propensity to purchase and those with a low propensity. These segments were then divided into 50:50, with half receiving an enhanced campaign and the other half receiving FootAsylum's normal email campaign.

A model was created that provided advanced analytics about FootAsylum's prospects. The strategy was to create a dedicated multichannel journey, encouraging prospects that are likely to purchase, to convert.

Undertaking advanced analytics allowed FootAsylum to better understand their prospects. By segmenting their customers into different groups, FootAsylum created separate messages for each cluster, encouraging them to convert.

Looking at the 'high propensity to convert' segment, FootAsylum saw a 27.5% increase in conversion rate, when comparing the segment that received the dedicated campaign against the control cell that received the normal 'business-as-usual' campaign.

This highlights that when companies acquire relevant customer information, they are armed with the ability to enhance their messaging and deliver highly relevant and engaging content to their prospects.

Looking at the segment with a lower propensity to convert, FootAsylum saw a mammoth 115% increase in sales. The communication for this segment was tailored towards nurturing prospects, rather than explicitly driving conversion. Identifying these two segments allowed FootAsylum to send targeted and specific messages, resulting in a clearly demonstrable uplift in sales.

Source: <https://www.redeye.com/our-work/case-studies/footasylum>



## Customer segmentation is considered to be effective by 30% of companies surveyed.

Part of a successful CLTV strategy involves data unification and depositing all the data from different channels and platforms into a single storage solution. Data warehousing services offer a viable solution for garnering a holistic view and measuring and benchmarking insights from different sources.

Customer data platforms (CDPs) are gaining traction among marketers; this is a type of packaged software that creates a persistent, unified customer database that is accessible by other systems. The software pulls data from multiple sources, cleaning and structuring it to create a single customer profile. The difference between CDPs and traditional CRM systems is that a CDP is able to ingest a large volume of data from multiple sources, whereas CRM systems mainly use historical and general customer data.

*Customer segmentation* is considered to be effective by 30% of companies surveyed. Just as some customers are more profitable than others, certain segments may provide companies with greater value. Companies can set up personas taking into account historical data such as purchase history, type of device or location.

Creating segments over multiple data points allows companies to analyse trends and build up a shopping experience that is relevant to a particular type of customer. Each segment may have particular needs and expectations, and segmentation allows teams to personalise the experience for each group.

Dividing customers into different groups allows companies to gain visibility into who are their most valuable and engaged customers. Companies can reward these segments by targeting them with special offers, perks or exclusive products.

Just over a quarter (27%) of survey respondents reported that *cross-selling/upselling* is effective for increasing customer lifetime value. Cross-selling can be an efficient strategy to boost CLTV when used in tandem with better use of data and personalisation. More sophisticated datasets allow companies to offer products and services that are highly relevant and engaging to an existing customer, based on an understanding of their individual needs.

*Personalised interactions* were found to be effective by 27% of organisations. Once companies have used the science of utilising data effectively to create segments and personas, personalisation is the art of reaching them effectively to make the experience highly engaging and relevant. Companies need to make personalisation a top priority, as it makes the difference between a good experience and one that the customer finds memorable and increases their lifetime loyalty.

Further down the line, looking at tactics that are not deemed to be effective, *subscription models* were only cited by 13% of companies surveyed. Whereas previously customers may have been tied into long contracts such as for mobile phones or for gyms, these tactics are not conducive to loyalty and now feel stale. Forcing the customer into a long-term commitment with no option to cancel (without a hefty fee) will win no favours with consumers. Rather than locking them in, companies need to make the experience enjoyable so that customers come back to purchase of their own accord.

A deeply enriching customer experience will keep the customer coming back for more. Customers are now accustomed to flexible pricing models such as pay-as-you-gym, or short-term mobile phone contracts (some which also give the option of rolling over unused data), so tying them into long-term contracts now feels archaic.

It is surprising to see that only 15% of companies deem *loyalty programmes* to be among the three most effective strategies for CLTV, compared to a much higher percentage of agencies (28%). A great many companies are now offering loyalty programmes, but to be effective, retailers need to be mindful that the rewards and perks they are offering are engaging and valuable. Many companies are still rewarding their customers with dated incentives such as money-off vouchers, and given the ubiquity of online voucher codes and sales, consumers may not perceive these to be of real value.

An example of a memorable loyalty programme is the myWaitrose scheme that rewards shoppers with a free tea or coffee. While Waitrose have kept the free tea and coffee element of their rewards programme, last year they scrapped the element that allowed customers to save 20% on ten items of their choice, as consumers found it too confusing. Companies need to take into account the extent to which their principal customers are interested in a particular perk and whether it can be seen to tangibly increase customer lifetime value.

Figure 8 shows the tactics that companies of different sizes are employing and have found to be effective. Among larger companies, with annual revenues of £50m+, many more have found that effective use of data is among the top three strategies for increasing CLTV.

Although there is more to appropriate use of data than just the technology alone, companies with bigger budgets for data platforms are able to extract sophisticated insights that can be used to drive strategies that increase CLTV.

Larger companies are more likely to rely on the use of data, with 62% reporting that data has been effective for increasing CLTV. Among smaller organisations (with annual revenues of up to £50m), 43% have found better use of data has been instrumental in increasing CLTV.

A slightly higher percentage of smaller companies have found cross-selling, personalisation and investing in customer experience initiatives to be more effective for increasing CLTV than larger companies.

Cross-selling and upselling was reported to be effective by 29% of smaller companies, compared to 24% of larger companies. Personalisation was found to be effective by 30% of smaller companies and 24% of larger companies. Just over a quarter (26%) of smaller companies said customer experience initiatives were effective for increasing CLTV, compared to 21% of larger organisations.

### Company respondents

**Figure 8: What tactics or strategies has your organisation found to be most effective for increasing customer lifetime value? (larger vs. smaller companies)**



Methodology note: Respondents could check up to three options.

Respondents: 320

Figure 9 shows the range of tools used to increase customer lifetime value. *Social media* is thought to be important by over half (53%) of companies surveyed. The ability to interact with customers as they embark on their social journey is essential for increasing long-term loyalty.

It is important to understand that as social media proliferates, customer loyalty is no longer about the post-purchase experience. Loyalty and value starts from before the customer creates a transaction, from the moment that they have any sort of interaction with the brand.

Understanding the influencer model and the value of the company's most important customers is paramount for increasing CLTV. While the top influencers themselves may not transact as much directly as other customers or may have low-cost transactions, they encourage other consumers to spend more, increasing the long-term loyalty of their followers and fan base.

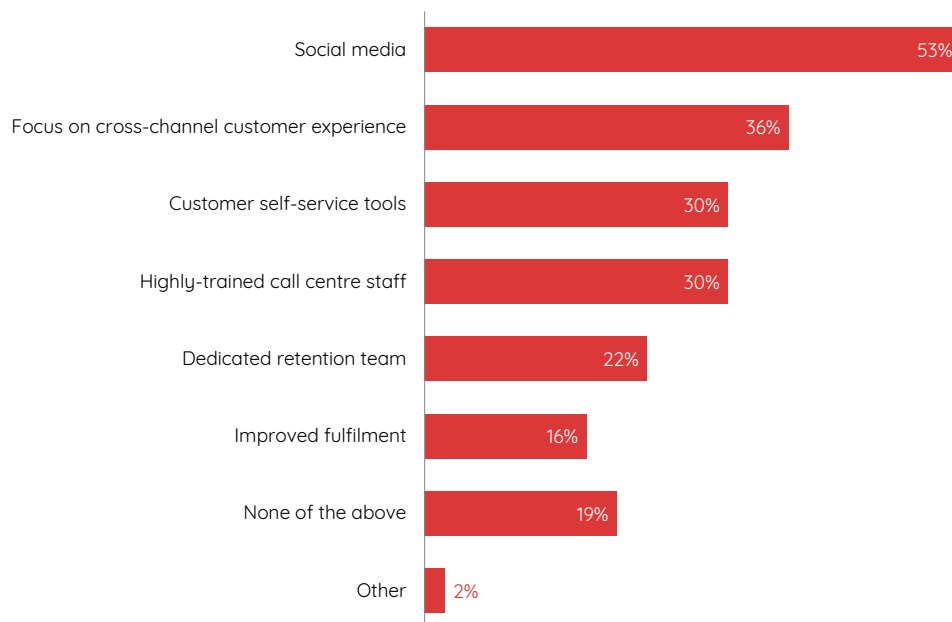
They are a small but significant group for companies as they foster word-of-mouth marketing. These influencers can become key brand advocates and indirectly drive sales by sharing products through their networks. Companies can increase the loyalty of these brand advocates by reserving perks and special offers for the most important influencers.

A *focus on cross-channel experience* is thought to increase CLTV by 36% of companies surveyed. To tackle CLTV head on, it is essential that companies can manage multiple device interactions to attain a single view of the customer. Customers are now channel-agnostic, so the challenge for companies is to improve the customer experience and make better use of data to optimise each and every moment, regardless of channel.

Organisations need to drill down into customer behaviour as they interact with the depth and breadth of online and offline channels. A focus on optimising the cross-channel experience will allow companies to reach customers wherever they are, whenever they interact with the brand.

### Company respondents

Figure 9: Are you employing any of the following to increase customer lifetime value?



Respondents: 281

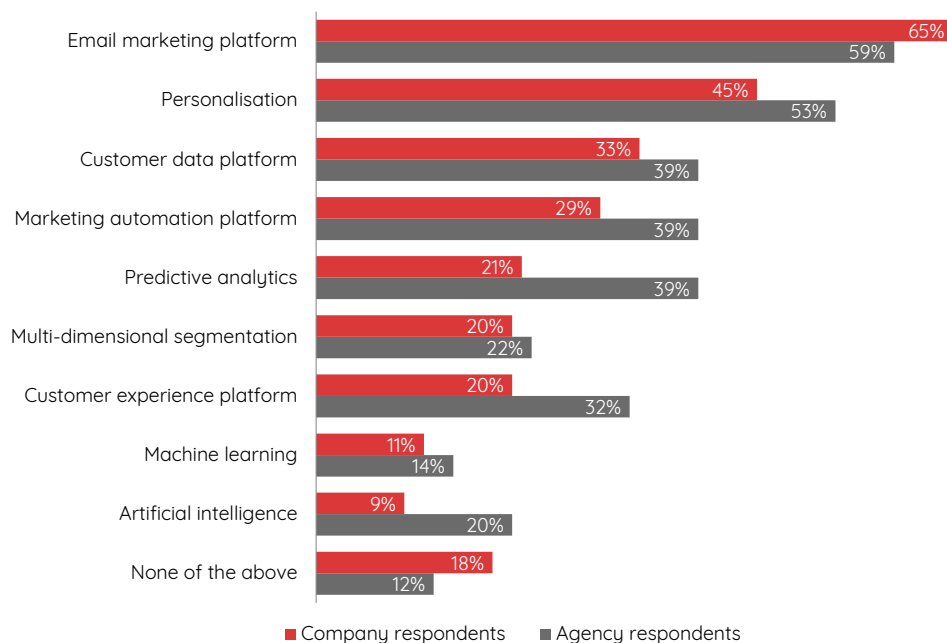
## 6. The role of technology

This section looks at the different marketing technologies that can be employed to help increase CLTV. Crucially, measuring CLTV is not just about the technology, but it's about taking a holistic approach. Companies need to avoid internal silos in order to track individual customer journeys, so this means working across departments and joining up the different parts of the business. It means that marketing teams need to collaborate with operations, customer services, customer retention and customer support teams.

In terms of the channels employed, brands need to focus on optimising each and every interaction, whether online or offline, but given that digital is inherently measurable, focusing on online channels is a good start. The wins in improving CLTV through online channels will filter through to the rest of the organisation. As companies elevate the online experience, they will also strive to maintain the expected level of engagement and service quality offline or in physical store locations.

Although measuring CLTV isn't just about the technology, digital platforms have changed the game because the customer journey can be measured much more easily and defined using tangible KPIs. Customer lifetime value has always been considered to be important, but the technology allows companies to track individual customer behaviour, which means they can target customers with truly individualised marketing, rather than targeting broadly defined segments.

**Figure 10: Which of the following types of technology have you (or your clients) used to help increase customer lifetime value?**



Company respondents: 293  
Agency respondents: 117

A focus on reducing unsubscribes is also an effective strategy to help increase CLTV through email. With a number of key metrics available, email allows for extreme personalisation and a highly targeted, engaging experience.



When it comes to digital channels, email marketing comes out on top. Almost two-thirds (65%) of client-side professionals report that their *email marketing platform* can help increase customer lifetime value (*Figure 10*). This is unsurprising as email has a number of key metrics associated with it that can benchmark loyalty. Companies can calculate CLTV according to the value and profitability of the customer throughout their email subscription lifetime.

A focus on reducing unsubscribes is also an effective strategy to help increase CLTV through email. With a number of key metrics available, email allows for extreme personalisation and a highly targeted, engaging experience.

*Personalisation* has been employed by 45% of companies to increase CLTV. Given that increasing CLTV is fundamentally about enhancing the experience at every customer moment, it is unsurprising that personalisation is one of the top priorities. The vendor results show that agencies are slightly more enthusiastic than their client-side counterparts, with over half (53%) reporting their clients have used personalisation.

Personalisation has to feel natural to the consumer. Rather than simply using hackneyed greetings, a successful strategy needs to go beyond using simple data, such as the customer's name. Personalisation techniques have to be responsive and relevant, incorporating many types of data, such as account location, historical transactional data and browsing history.

A third (33%) of companies have made use of their *customer data platform* to increase CLTV. Enhanced customer data can help companies get more granular insights into customer behaviour, allowing them to optimise interaction at every touchpoint. In addition, CDPs have the added ability to cleanse vast volumes of data to extract a single customer profile that can be used to optimise individual customer journeys.

Looking further down the chart, only a fifth (20%) of companies are currently using *multi-dimensional segmentation* to increase CLTV. It seems that many organisations are missing a trick, as segmentation allows companies to gain greater visibility into which of their customers are the most profitable and create highly individualised, engaging content for each targeted group.



## Case study: Travis Perkins – growing the VIP segment and boosting CLTV

Using its proprietary customer data platform, RedEye built a series of predictive models that work on top of Travis Perkins' database. The models analyse all customer activity, from past transactions to website engagement to understand patterns of behaviour.

Artificial intelligence is harnessed to deliver highly personalised messages to every individual on the Travis Perkins database, according to that prospect's or customer's behaviour. Every customer receives a message specific to their stage in the customer lifecycle.

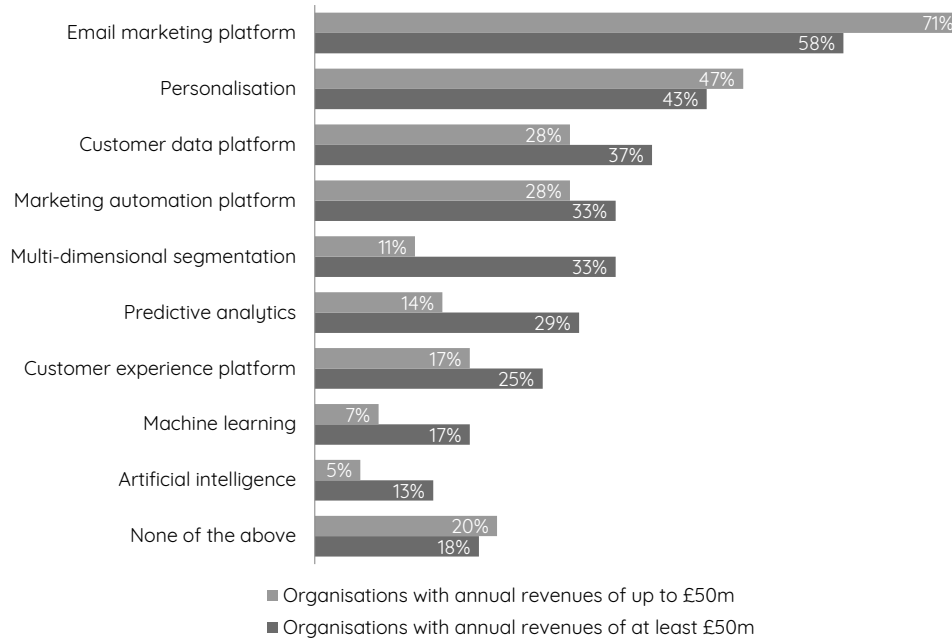
The VIP Model was used to search for patterns of activity that reflected the behaviour of existing high-value customers, helping to identify Travis Perkins customers who were likely to become VIPs in the future.

Travis Perkins then had the opportunity to use multichannel communications to engage those customers and encourage increased spending. The company's VIP segment grew by 5.3%, with customers identified within this group seeing a jump in customer lifetime value of 198%, amounting to an increase in average spend of £194 per customer.

Source: <https://www.redeye.com/RedEye/media/RedEyeMediaLibrary/PDFs/Case%20studies/Travis-Perkins-VIP-Case-Study.pdf>

**Company respondents**

**Figure 11: Which of the following types of technology have you used to help increase customer lifetime value? (larger vs. smaller companies)**



Respondents: 293

Figure 11 looks at the types of technologies used to increase CLTV by company size. Larger companies are more likely to use a wider range of different technologies, whereas smaller companies have a bigger dependency on email marketing.

For organisations with revenues of up to £50m, email marketing is the primary way of increasing CLTV, with 71% reporting their company uses an email marketing platform. This compares to 58% of companies with revenues of at least £50m.

The use of predictive analytics in particular (which is heavily technology- and platform-dependent) is strongly aligned to company size and therefore budgets. Larger companies are more than twice as likely to employ predictive analytics to increase CLTV (29% compared to 14% of smaller companies).

Larger companies are more likely to use a wider range of different technologies, whereas smaller companies have a bigger dependency on email marketing.

There is 'significant uplift' from employing predictive analytics, according to 32% of respondents, while 59% report 'some uplift'.

Predictive analytics is gaining considerable momentum, as it delivers proven results, and this is the area where companies are most likely to see substantial gains.

As Figure 12 shows, there is 'significant uplift' from employing predictive analytics, according to 32% of respondents, while 59% report 'some uplift'. Only a minority (9%) do not see any uplift at all, highlighting the effectiveness of predictive analytics as an indispensable tool in the marketing arsenal.

As the Econsultancy/RedEye *Embracing Predictive Marketing* report<sup>5</sup> highlights, optimising the customer experience is high on the agenda for marketers. Companies can deliver exciting customer experiences by employing data-driven marketing that focuses on the individual and creating highly engaging content.

Segmentation is also important as 96% of client-side professionals reported that multi-dimensional segmentation has resulted in either 'significant' or 'some' uplift in CLTV, although only 17% have seen significant gains.

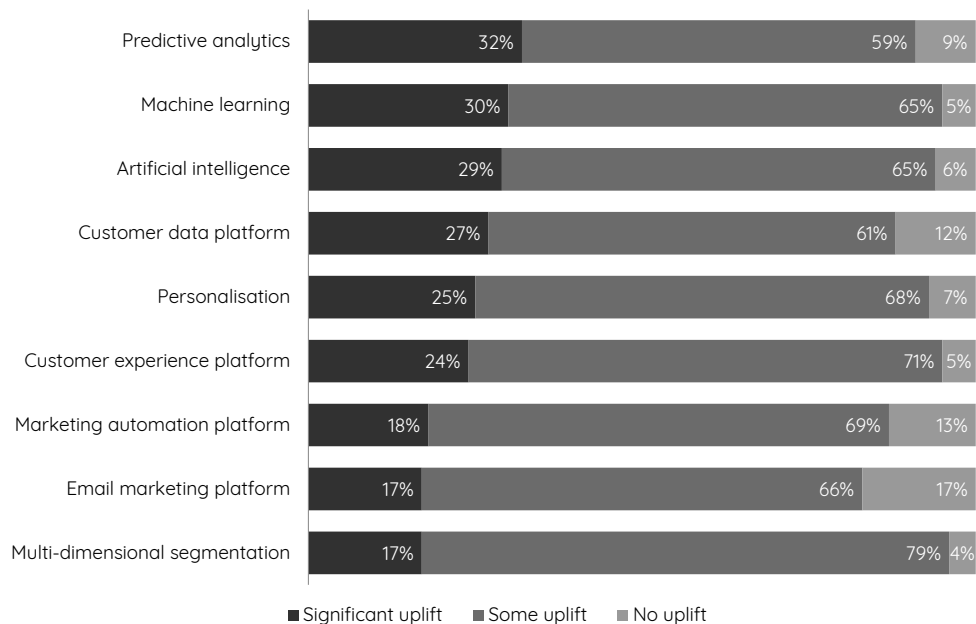
The number of companies employing these technologies is expected to increase in the future. According to a Gartner research paper<sup>6</sup>, over 50% of multichannel marketers will fully leverage multi-dimensional segmentation and predictive analytics to engage with consumers by 2020, growing from 35% in 2017.

<sup>5</sup> <https://econsultancy.com/reports/embracing-predictive-marketing/>

<sup>6</sup> <https://www.gartner.com/doc/3880127/smart-hubs-dumb-spokes->

### Company respondents

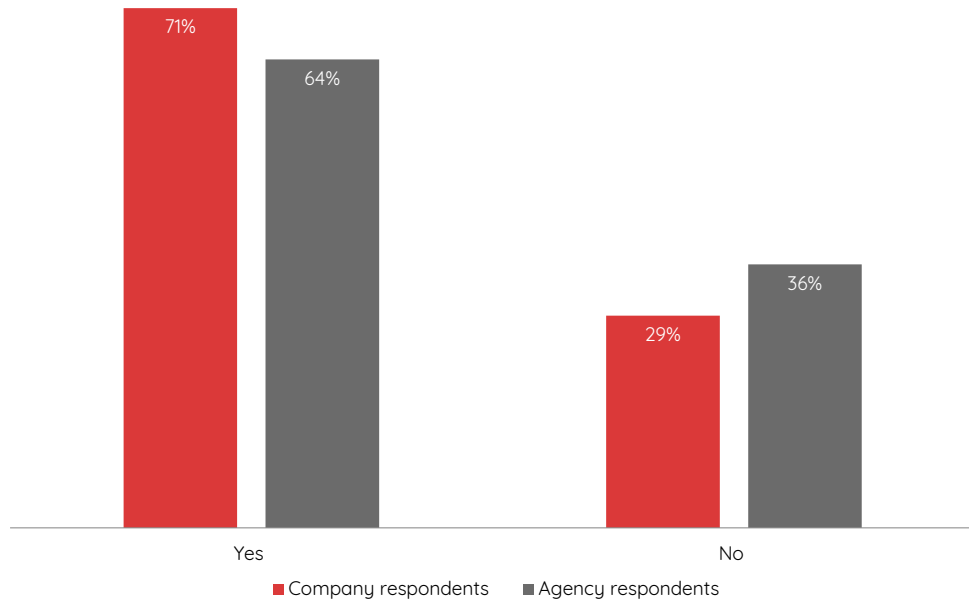
**Figure 12: What level of uplift in CLTV have you seen from employing these technologies?**



Respondents: 293



**Figure 13: Are you (or your clients) planning to increase investment in technology that can help improve customer lifetime value?**



Company respondents: 293  
Agency respondents: 117

The majority (71%) of companies are planning to increase investment in technology that improves CLTV.

With the widespread recognition that customer retention strategies deliver the better bang for your buck, it is encouraging to see that the majority (71%) of companies are planning to increase investment in technology that improves CLTV. Almost two-thirds (64%) of agencies report that their clients are planning to increase technology investment.



# 7. Challenges and barriers

Figure 14 shows the barriers to increasing customer lifetime value. Most companies broadly understand that improving CLTV is a huge opportunity for growth, but the sticking point is the ability to measure accurately and make the best use of the data.

The results indicate that fewer companies struggle with understanding the opportunities, or with attaining senior executive buy-in; rather, it's about better education and implementing the right technology that would foster a better understanding of measuring CLTV.

The inability to attain a single view of the customer because of data limitations is a top-three challenge for 38% of companies. The same percentage also report an *inability to measure CLTV* as one of the most significant impediments.

Data is essential for curating a strategy to measure CLTV. Understanding how to make better use of the data will allow companies to create a single customer view, and measure profit at every customer interaction. These profits across single transactions can be cumulatively added over an individual customer's lifespan to gauge the long-term value of a particular customer.

Attaining a single view can only be achieved if different departments (and subsequently) different technologies work in harmony. The results show that different platforms are not yet being used collaboratively, as poorly integrated marketing technology is thought to be a barrier by 38% of companies surveyed.

**Figure 14: What is limiting your (or your clients') ability to increase customer lifetime value?**



Methodology note: Respondents could check up to three options.

Company respondents: 272  
Agency respondents: 109

As well as enabling the different marketing platforms to collectively work together, it is also paramount to collaborate across different teams. The results show that internal silos are still an issue for 36% of client-side professionals. Cross-team culture would make it easier for companies to gain visibility about customer behaviour at every stage of the interaction. The data must be made available to every department and shared throughout the organisation.

*A lack of understanding about the opportunities* is holding back fewer companies, but with just under a quarter (24%) still failing to recognise the benefits associated with increasing CLTV, there is still a need for better education to drive home the message.

Just over a fifth (21%) of companies report that a *lack of senior buy-in for investment* is preventing them from increasing CLTV. However, the agencies surveyed consider this to be a greater limitation, with 36% reporting this as a top barrier.

Just over a fifth (21%) of companies report that a lack of senior buy-in for investment is preventing them from increasing CLTV.

Figure 15 shows the challenges to increasing customer lifetime value by company size. The findings highlight that internal silos are holding back larger companies (those with an annual revenue of £50m+) from increasing CLTV. While this is an issue for only 26% of smaller companies, siloed structures are holding back 49% of larger companies surveyed.

### Company respondents

**Figure 15: What is limiting your ability to increase customer lifetime value? (larger vs. smaller companies)**

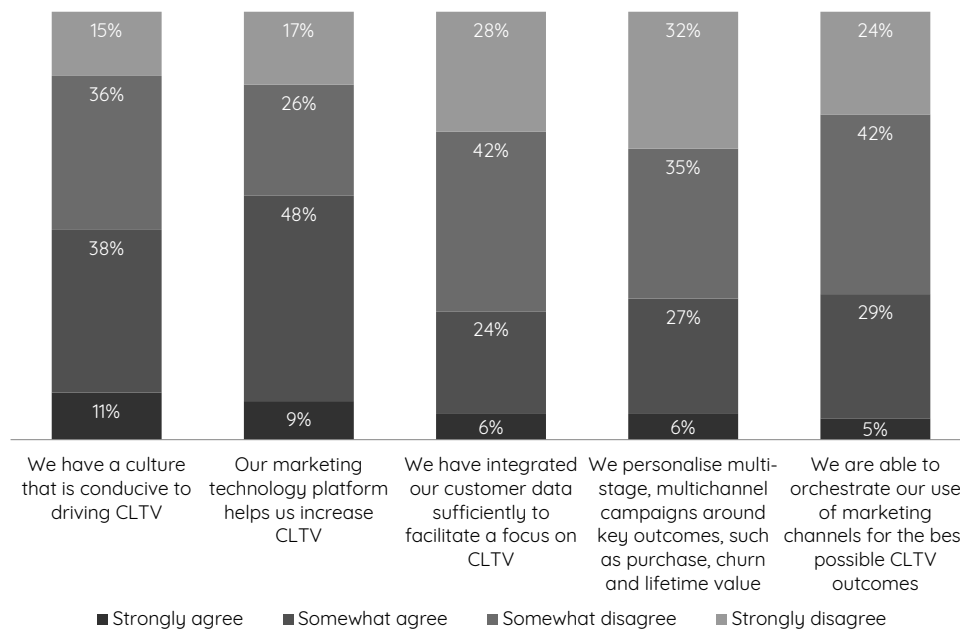


Methodology note: Respondents could check up to three options.

Respondents: 272

## Company respondents

Figure 16: To what extent do you agree or disagree with the following statements?



Respondents: 306



### Voice of the marketer: are there any other challenges that are hindering your attempts to drive customer lifetime value?

*"Lack of understanding of subscriptions within organisation. Lack of understanding of CLTV."*

*"The people who would be naturally responsible for driving customer lifetime value are too distant from the people who have the day-to-day contact with the customers."*

*"Marketing expertise is no longer seen as key to driving company performance. The marketing department has been made redundant, not to be replaced with similar expertise."*

*"Lack of ownership internally. Lack of understanding about the opportunities. Data limitations / no single customer view."*

*"This is a new area for us, so as the new marketing manager it's my responsibility to drive this change and I'm on a learning curve. I have support, buy-in and investment from senior management, and we're just looking at sourcing the right software."*

*"Having a better idea of customer personas and driving better product segmentation, understanding buyer cross-sell and upsell behaviour."*

*"The speed at which we can adopt a different culture and attitude to focus on key initiatives. Lack of roles and responsibilities within the business."*

Over half (57%) of companies surveyed report that their marketing technology helps increase CLTV.



Figure 16 shows the extent to which companies agree with key statements about CLTV.

### Company culture

Just under half (49%) of companies surveyed report that their internal company culture is conducive to driving CLTV. While companies recognise the importance of data, many still have a long way to go before they can call themselves a data-driven organisation. Data-driven marketing requires a data-led organisation. The main barriers holding back companies are company culture, technology infrastructure, organisational structure, as well as recruitment, lack of skills and retention of staff.

A stovepipe organisational structure remains the biggest issue for companies and in order for companies to integrate and share their data across departments, change needs to come from the top. Senior management buy-in is required, but at the same time, organisations also need to recruit people with the right skills to implement change quickly.

The right organisational mindset is required to make the shift towards customer-centric strategies. As every department works together, companies can optimise the customer experience at every touchpoint.

Data must be shared across the business, with different departments working together collaboratively. The ability to demonstrate the results and cross-department benefits can be an effective way to break down the silos, as this encourages file sharing across the business through a single unified database.

### Technology

Over half (57%) of companies surveyed report that their marketing technology helps increase CLTV. While technology may not be the be-all and end-all, software platforms can certainly make it easier to gain a single view of the customer and predict customer lifetime value based on previous behavioural and transactional data.

Many companies also find that legacy platforms may not be beneficial for a greater collectively focused CLTV strategy, but a culture of data sharing across the organisation can recompense for antiquated technology. If companies put in appropriate processes in place, they can demonstrate the wins from garnering analytics and customer behavioural data.

### Data integration

The majority of companies have not yet sufficiently integrated customer data to allow for a focus on CLTV. Only 6% 'strongly' agree that data is sufficiently integrated, while just under a quarter (24%) 'somewhat' agree.

Data integration is related to organisational structure, as cross-team collaboration is essential for garnering insights to put an action plan in place.



## Voice of the marketer: who within your organisation is ultimately responsible for driving customer lifetime value?

The word cloud below highlights that most respondents feel that the marketing department should ultimately be responsible for driving customer lifetime value. While the responsibility for CLTV may sit within the marketing team, companies need to avoid a ‘walled garden’ approach, as the data, resources and insights are important for all departments across the business.

Many respondents also feel that the responsibility for increasing CLTV lies with senior management, including company directors and managers, indicating that most companies are employing a

top-down approach. The advantage of a top-down approach is that companies have senior-buy in, but they must ensure that this buy-in filters throughout the rest of the organisation and that there is appropriate sharing of resources in order to implement change at a grass-roots level.

Encouragingly, ‘everyone’ is also frequently mentioned, illustrating that many companies recognise the importance of a collaborative, cross-channel approach that integrates many departments and business functions across the organisation.



# marketing



Only 34% of companies strongly or somewhat agree that they are able to 'orchestrate their use of marketing channels for the best possible CLTV outcomes'.

### Personalisation

Personalisation is still at the early stages of development, with only 6% of responding organisations strongly agreeing that they personalise 'multi-stage, multichannel campaigns around key outcomes, such as purchase, churn and lifetime value', while 27% say they somewhat agree.

It is clear that some customers are more profitable than others. By creating broad segments, companies can understand the behaviour of different customer groups and thus tailor specific content for each group. In addition, by predicting the likelihood of negative behaviour, such as unsubscribes and churn, companies can provide targeted, individualised content to win back disaffected customers.

It is important to note that personalisation is about identifying distinct customer behaviour and then targeting content for each customer segment. A positive and personalised customer experience can make all the difference when interacting with undecided purchasers. Personalised content includes individualised emails, dynamic web content or automated engagement. Effective content personalisation takes into account many data points to paint a highly relevant picture of customer engagement.

### Use of marketing channels

Only 34% of companies strongly or somewhat agree that they are able to 'orchestrate their use of marketing channels for the best possible CLTV outcomes'.

In order to optimise the customer experience at every touchpoint, companies need to gain a single view of the customer, so that they can reach their consumers at their choice of channel. Companies need to understand it is no longer about reaching the customer after they make a transaction; the journey starts with the moment that a customer interacts with the brand. A holistic, multichannel approach must be employed in order to drive long-term loyalty and CLTV.



## 8. Five recommendations to boost CLTV

### 1. Prioritise customer lifetime value as a recognised KPI within the organisation

Customer lifetime value is a distinct and highly defined KPI that differs from other related metrics such as customer loyalty. The majority (67%) of client-side professionals report that their company is not yet measuring CLTV as a core KPI.

CLTV can only be a priority if every department within the organisation understands the benefits. There needs to be better education among employees at all levels of the organisation. Senior management buy-in is also required to start prioritising CLTV; at the same time, companies need talent and skills at a grass-roots level. While senior management will be signing off the strategy, a bottom-up approach is also needed, so companies need to recruit people with the right skill-set and passion to make things happen. At a more junior level, it is only when initiatives are put in place that companies will see progress and wins from developing a greater focus on CLTV.

It is an old saying that acquiring a new customer costs significantly more than retaining an existing one, but with the right talent, better education and awareness as well as a shift in company culture, companies can demonstrably prove that increasing CLTV is directly linked to sustainable revenue growth and profitability.

While companies are beginning to prioritise driving CLTV, many are just starting out and need to develop their approach to reap the benefits.

### 2. Look beyond customer acquisition and conversion...understand how to nurture existing customers

The overwhelming majority recognise that investing in growing CLTV is more profitable than customer acquisition strategies. Of course, it is fundamentally important for the business to acquire new customers, but in terms of budgets, companies should understand that prioritising CLTV will deliver a higher return on investment.

In addition, a customer acquisition strategy cannot function effectively without the addition of a plan to also increase CLTV. As well as acquiring new customers, businesses need to ensure the possibility of future, repeat and multiple purchases. This means going over and above conversion rate optimisation to extract the most value from existing customers.

A database of single, one-time purchasers is unhealthy for the company's profitability, so to derive long-term, lasting value from existing customers, companies need to understand how to nurture existing prospects and keep them coming back to the brand.

As well as acquiring new customers, businesses need to ensure the possibility of future, repeat and multiple purchases.



### 3. Get on board with predictive analytics – or risk losing out on proven benefits

Predictive analytics is the science of predicting future customer behaviour, and then coming up with a strategy to either encourage positive behaviours or discourage unwanted customer actions. While only 21% of companies are currently using predictive analytics, 91% of those report they have seen an uplift in CLTV from utilising this technology.

It is clear that investing in predictive analytics will result in the greatest uplift in CLTV, and it is proven to be highly effective with clearly demonstrable results. By looking at patterns in the data, companies can predict the likelihood of a future customer event, and then incorporate these findings into the marketing plan to encourage or discourage certain types of behaviour.

Companies can use predictive analytics technology to direct budgets to the tactics that deliver better results, optimise conversion rates and increase customer lifetime value. Predictive analytics can also unmask the likelihood of negative metrics such as unsubscribes or churn, with organisations formulating specific strategies to reduce the chance of these unwanted outcomes.

### 4. Become a data-led organisation to encourage data-driven marketing

One of the biggest barriers preventing companies from increasing customer lifetime value is the lack of a single customer view, often relating to limitations around effective use of data. A data-driven marketing strategy requires the internal infrastructure and company culture of a data-led organisation, where data is not just stored, but also shared and utilised across teams in every department across the company.

Data unification and systems integration are essential for fuelling an effective CLTV strategy. Companies have a wealth of data available to them through a variety of sources. As boosting CLTV requires a highly personalised, individualised customer experience strategy, it is essential that companies have a holistic view. This can be achieved by depositing all the data from different sources into a single storage solution.

CDPs or customer data platforms are gaining momentum. Investing in a CDP is an effective way for companies to tackle the vast volumes of data, which can often spiral out of control. The key advantage of a CDP is that the platform is able to ingest vast volumes of data from a variety of sources. It goes beyond the traditional CRM platform that mainly uses historical and basic customer data. By cleaning the data from multiple sources, CDPs create a single customer profile.

Internal silos are also holding back 36% of companies surveyed. Optimising the customer experience at every single touchpoint to increase CLTV requires input from every department within the organisation. Not only must the data be made available to every team, but companies also need a culture of working collaboratively across different departments. Therefore, breaking down the silos and changing internal company culture is paramount for making CLTV a priority within the organisation.

Armed with data, companies can gain visibility into the value of different customers, as naturally not all customers will lead to the same levels of uplift on the bottom line.



**5. Individualise the customer journey to make it highly relevant and engaging at each and every moment**

Long-lasting customer value stems from a deep understanding of customer behaviour and gaining a single view. Companies need to go beyond segmentation in broadly defined groups, to hyper-segmentation, where the customer experience is individualised.

A single view provides companies with the data and insights needed to personalise the experience, to create highly engaging and relevant content. As customers are becoming increasingly channel-agnostic, companies need to optimise the experience at every moment the consumer interacts with the brand.

Armed with data, companies can gain visibility into the value of different customers, as naturally not all customers will lead to the same levels of uplift on the bottom line.

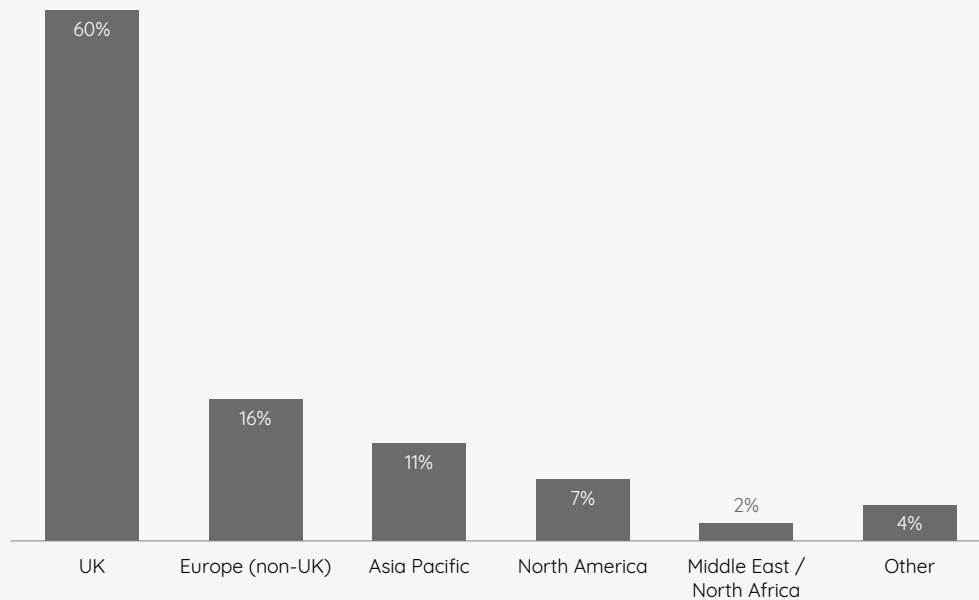
It is no longer about the post-transactional experience; with the rise of social media, the customer journey starts from the moment that users first interact with the brand. In addition, some users, or even key influencers, may not even transact with the company but may have a higher value because they drive their followers to purchase products and services.

It is essential for companies to understand the benefits of the influencer model; while influencers themselves may not have a high transactional value, they may still impact profitability by encouraging others to subscribe, sign up or make multiple purchases with the company.

Offering rewards and perks is another tactic to ensure customers keep coming back and thus increase the lifetime value of the company's most influential, loyal or valuable customers. Making customers feel as if they are getting exclusive offers or special treatments deepens their relationship with the brand. This, in turn, increases the likelihood of repeat purchases and reduces negative behaviours such as likelihood to churn.

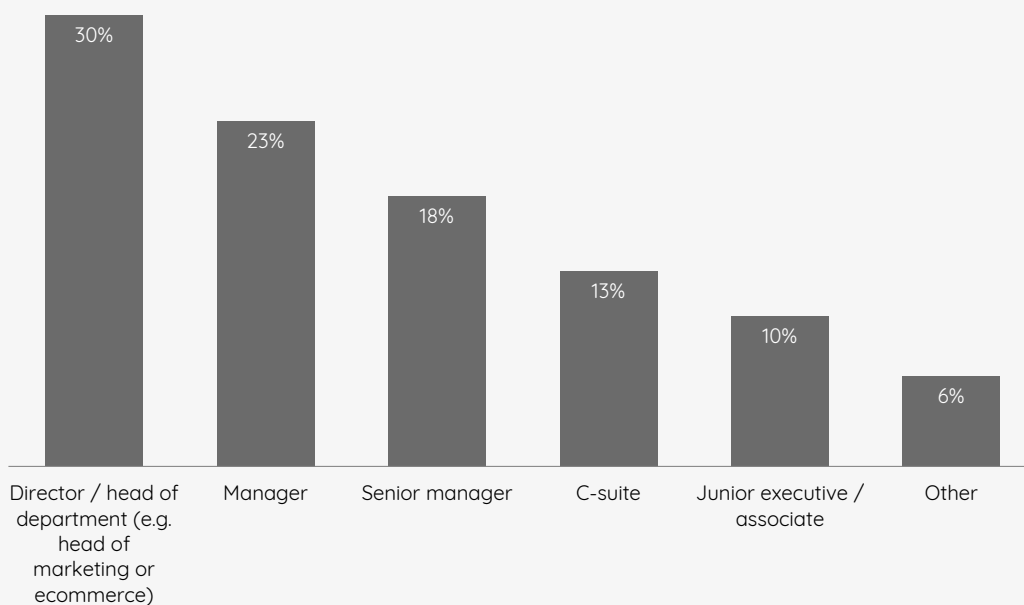
## 9. Appendix: respondent profiles

Figure 17: In which country / region are you (personally) based?



Respondents: 388

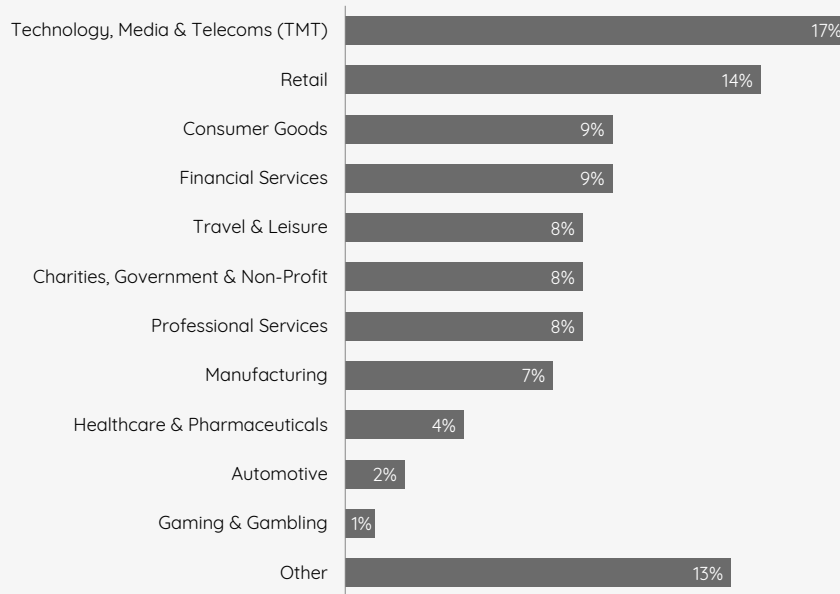
Figure 18: What best describes your position in the company?



Respondents: 579

**Company respondents**

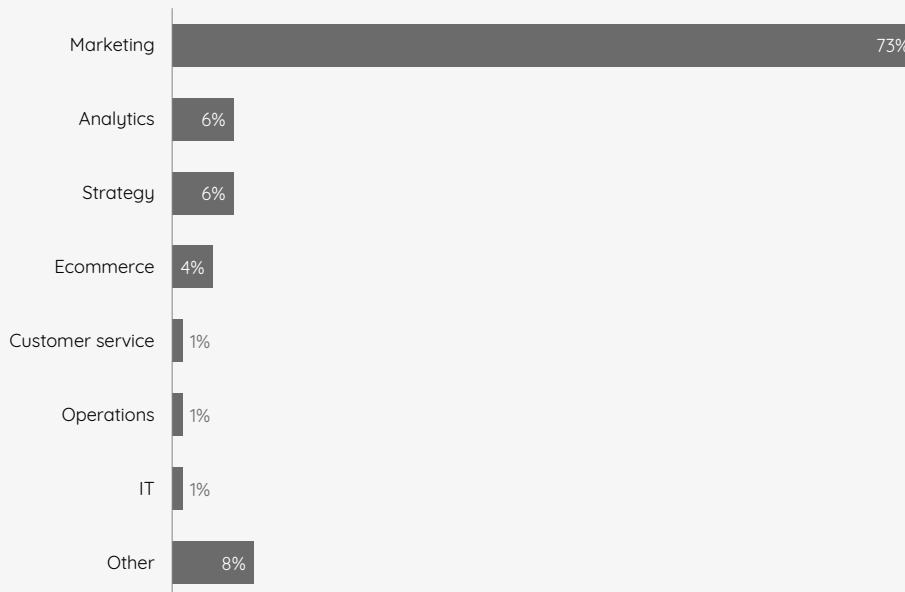
**Figure 19: In which business sector is your organisation?**



Respondents: 373

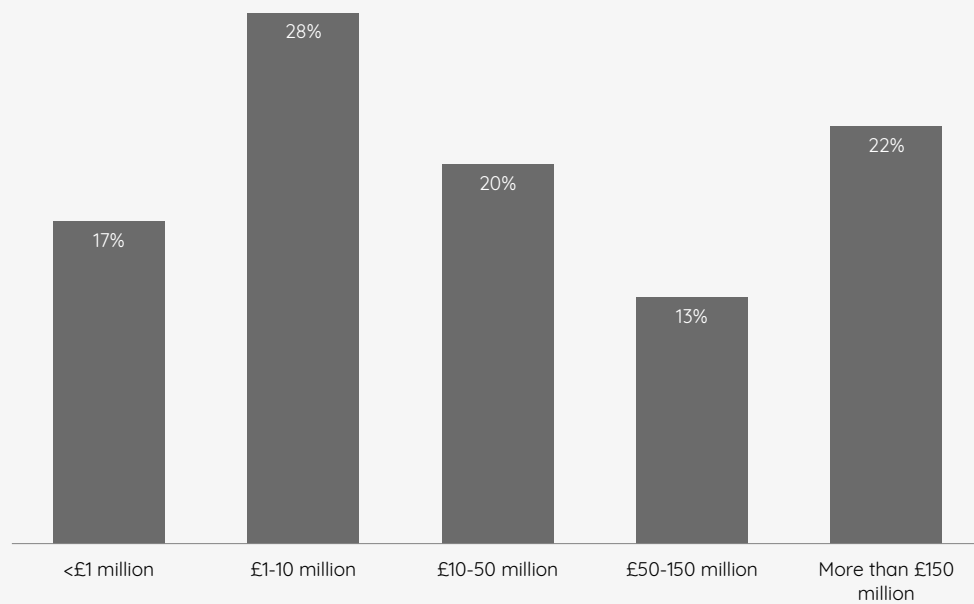
**Company respondents**

**Figure 20: In what business function do you work?**



Respondents: 372

**Figure 21: What is your company's annual revenue approximately?**



Respondents: 365

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Econsultancy's mission is to help its customers achieve excellence in digital business, marketing and ecommerce through research, training and events.

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We're fans of big words like 'data-driven predictive analytics,' but really, we believe that sophisticated solutions can be simple. Wherever you are in the process of automating your marketing, the RedEye team is there to help.

RedEye has three UK offices (London, Milton Keynes and Crewe) and clients include Travelodge, Interflora, Travis Perkins, Hotel Chocolat and Footasylum. Learn more at [www.redeye.com](http://www.redeye.com).