



Customer LTV analysis

Health & wellness company

Determined the Lifetime value (LTV) of various customer groups to primarily identify the group(s) that is more valuable, and evaluated how LTV trended across customer cohorts to determine the sustainability of the business

Health & wellness company needs to improve its customer LTV

Picture this...

You're looking to determine the Lifetime value (LTV) of various customer segments to identify the segments that are more valuable, and to evaluate the trend of LTV across customer cohorts. You witnessed a significant revenue drop driven by diffusers and hence there is a need to assess how diffusers affect the LTV of customers and impact the overall revenue.

You turn to Accordion.

We partner with your team to determine the Lifetime value (LTV) of various customer groups to primarily identify the group(s) that is more valuable, and evaluated how LTV trended across customer cohorts to determine the sustainability of the business, including:

- 1) Determining the lifetime duration of customers through a comprehensive approach by evaluating the frequency of purchase and duration between consecutive purchases
- 2) Evaluating the LTV of customers classified into various segments, based on acquisition cohort, dominant product category in the customers' based on their 1st purchase, etc.
- 3) Analyzing the LTV trends across various customer segments to understand the driving factors such as lesser spend, fewer transactions, difference in product prices, etc.
- 4) Estimating the incremental LTV generating through driving customers to add specific high-priced products to their purchase basket

Your value is enhanced.

- You understand the sustainability of the business and strategies to be adopted to market the different products based on the study on LTV changes across different customer segments/acquisition cohorts
- You also have the required information to help in efficient decision making on the products to be marketed to acquire new customers and the products to marketed to retain existing customers

KEY RESULT

VALUE LEVERS PULLED

- LTV analysis

Customer LTV analyses

Situation

- Client witnessed a significant revenue drop driven by Diffusers and hence there was need to assess how Diffusers affect the Lifetime value (LTV) of customers, and thereby impact the overall revenue.
- Partnered with the client to determine the Lifetime value (LTV) of various customer segments to identify the segments that are more valuable, and to evaluate the trend of LTV across customer cohorts.

Accordion Value Add

- Determined the lifetime duration of customers through a comprehensive approach by evaluating the frequency of purchase and duration between consecutive purchases
- Evaluated the LTV of customers classified into various segments, based on acquisition cohort, dominant product category in the customers' based on their 1st purchase, etc.
- Analyzed the LTV trends across various customer segments to understand the driving factors such as lesser spend, fewer transactions, difference in product prices, etc.
- Estimated the incremental LTV generated through driving customers to add specific high-priced products to their purchase basket

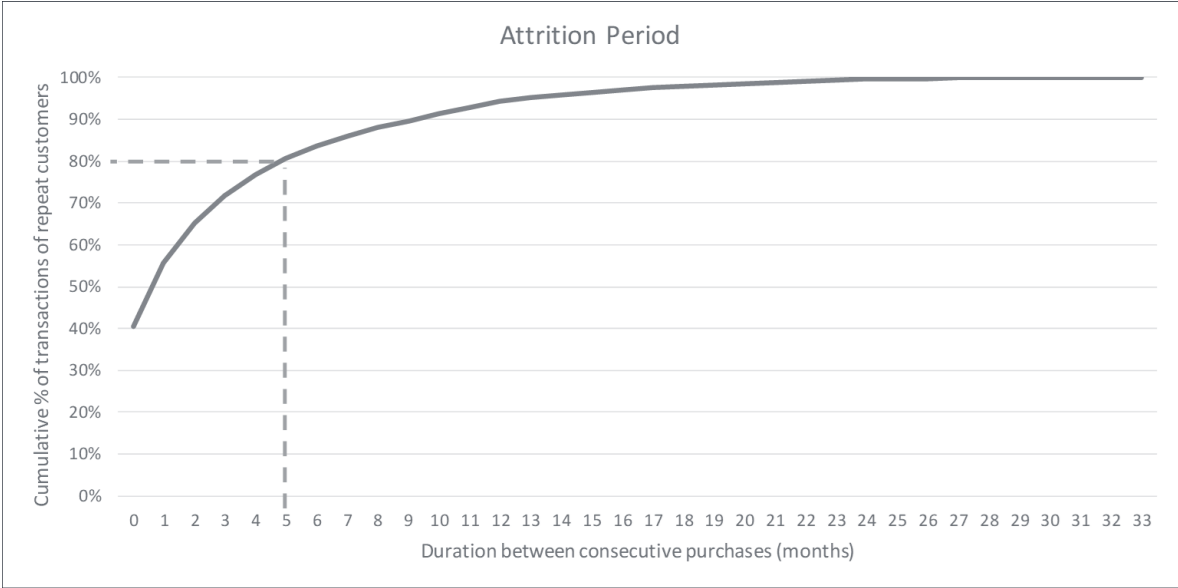
Impact

- Our study on LTV changes across different customer segments/acquisition cohorts enabled the client to understand the sustainability of the business and strategies to be adopted to market the different products
- Our analyses provided the required information to help efficient decision making on the products to be marketed to acquire new customers and the products to marketed to retain existing customers

Methodology to define lifetime period

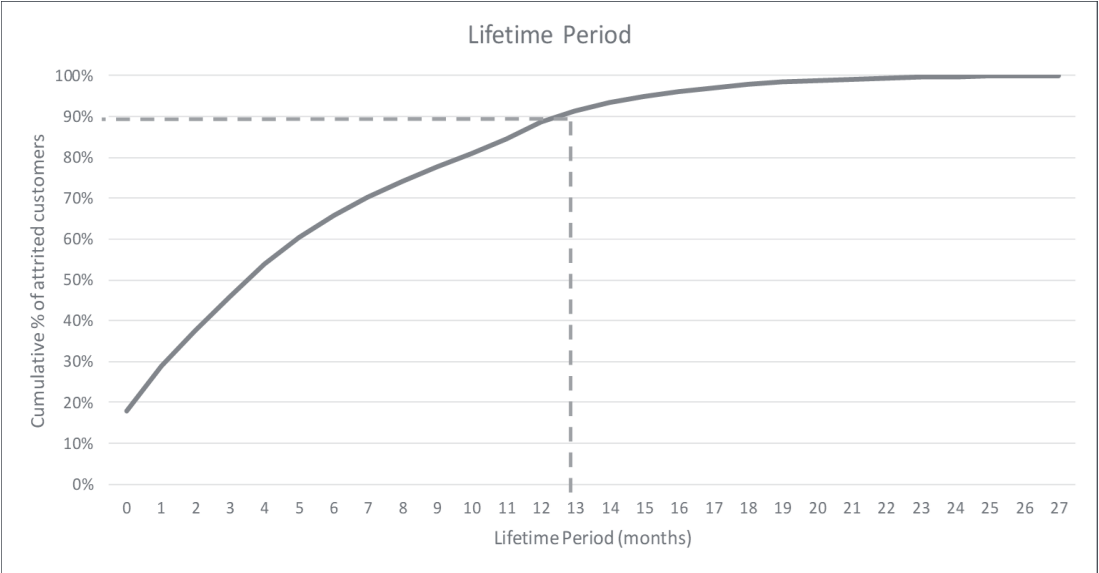
Attrition Period

Based on the distribution of “ number of months between consecutive transactions” of all repeat customers acquired during a specific time period, considered the attrition period to be the 80th percentile value to ensure that the definition is comprehensive of majority of customers.



Lifetime period

Based on the distribution of the lifetime period of customers who attrited as of then, considered the lifetime period to be the 90th percentile value to ensure that the definition is accommodative for a majority of the customer base



Approach & methodology

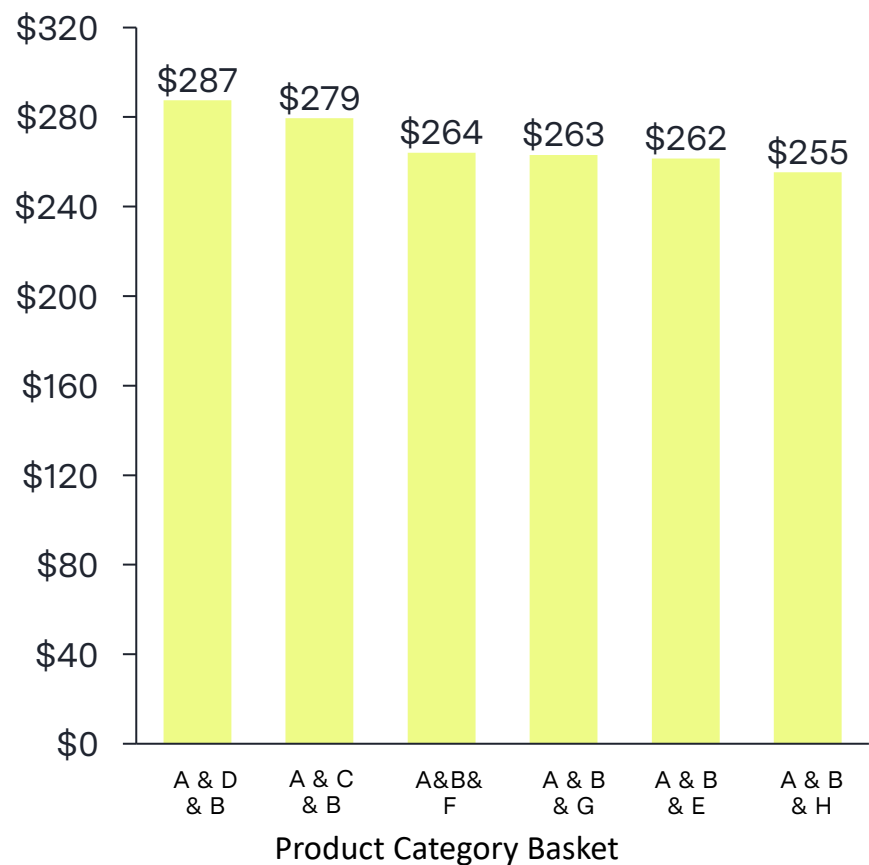
CUSTOMER LTV ANALYSIS

Lifetime period	Determined the average lifetime duration of customers by evaluating frequency of purchase and average duration between consecutive purchases
1 st Purchase Basket	Analyzed the LTV of customers starting with different purchase baskets in their 1 st purchase
Primary Category	Analyzed LTV of customers by segmenting based on Primary Category ¹ of the 1 st purchase basket to identify drivers of high LTV customers
Incremental LTV	Analyzed the incremental LTV generated from driving customers purchasing other products to purchase a Diffuser
Acquisition Cohort	Evaluated LTV across customer cohorts (acquisition period) to determine the key factors driving LTV in newer cohorts vs. older cohorts

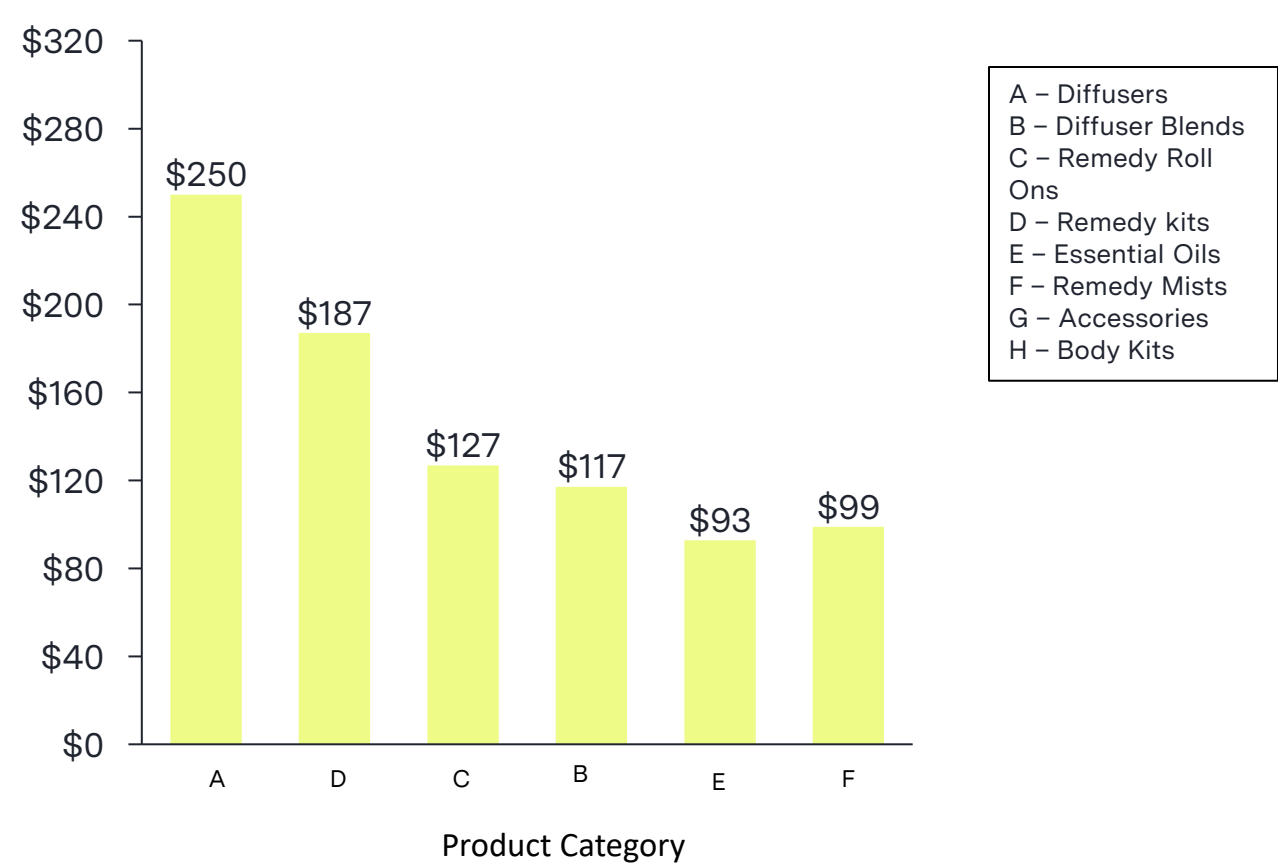
1 LTV refers to the first 18-month spend of a customer
2 Primary Category refers to the dominant category (the highest priced product) in the 1st purchase basket

Customer LTV based on first purchase

LTV¹ of customers based on 1st purchase Category basket



LTV¹ of customers based on 1st purchase Primary² Category

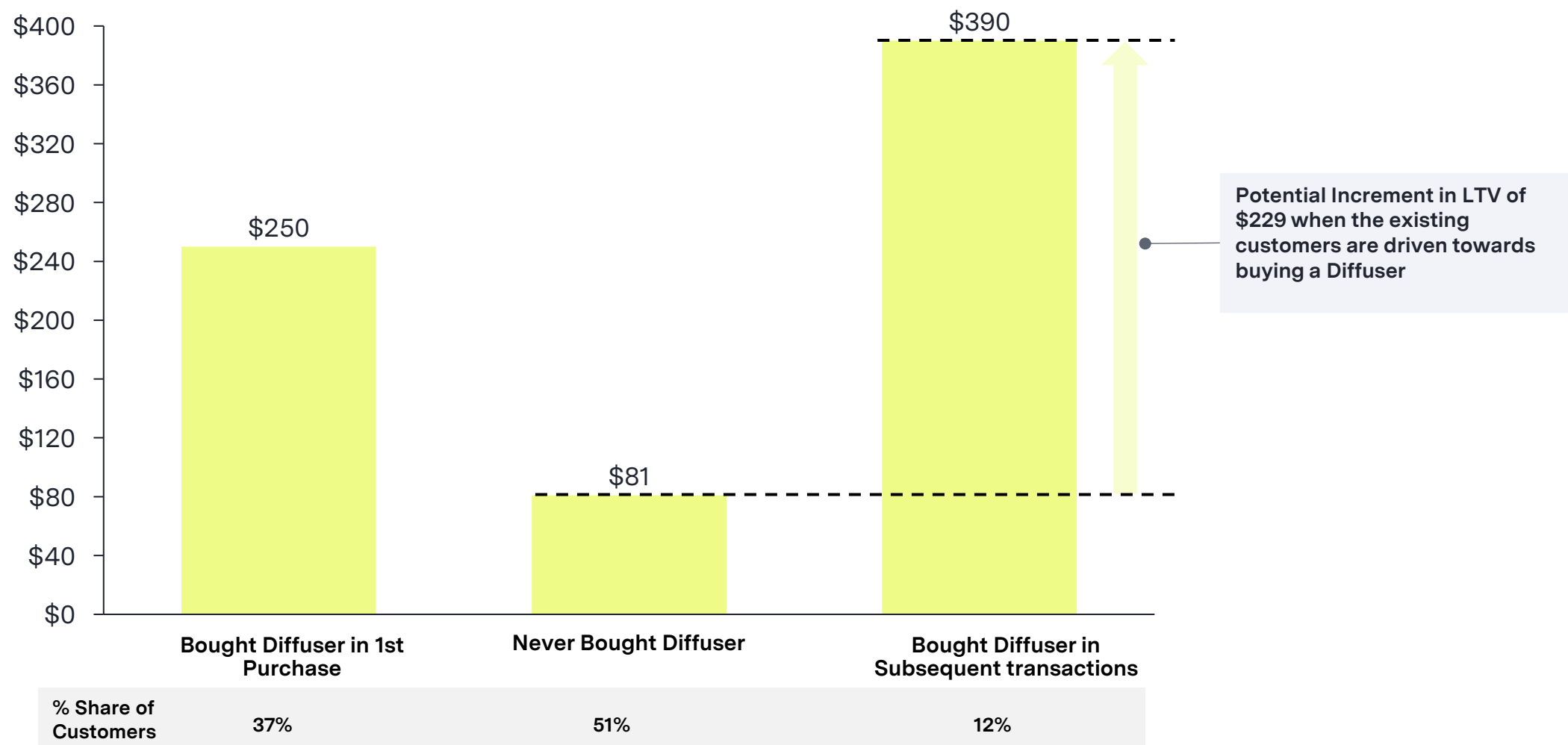


Customers starting with Diffusers (A) , Remedy kits (D) & Blends (B) in 1st purchase basket generate the highest LTV

1 LTV refers to the first 18-month spend of a customer
2 Primary Category refers to the highest priced category in the basket

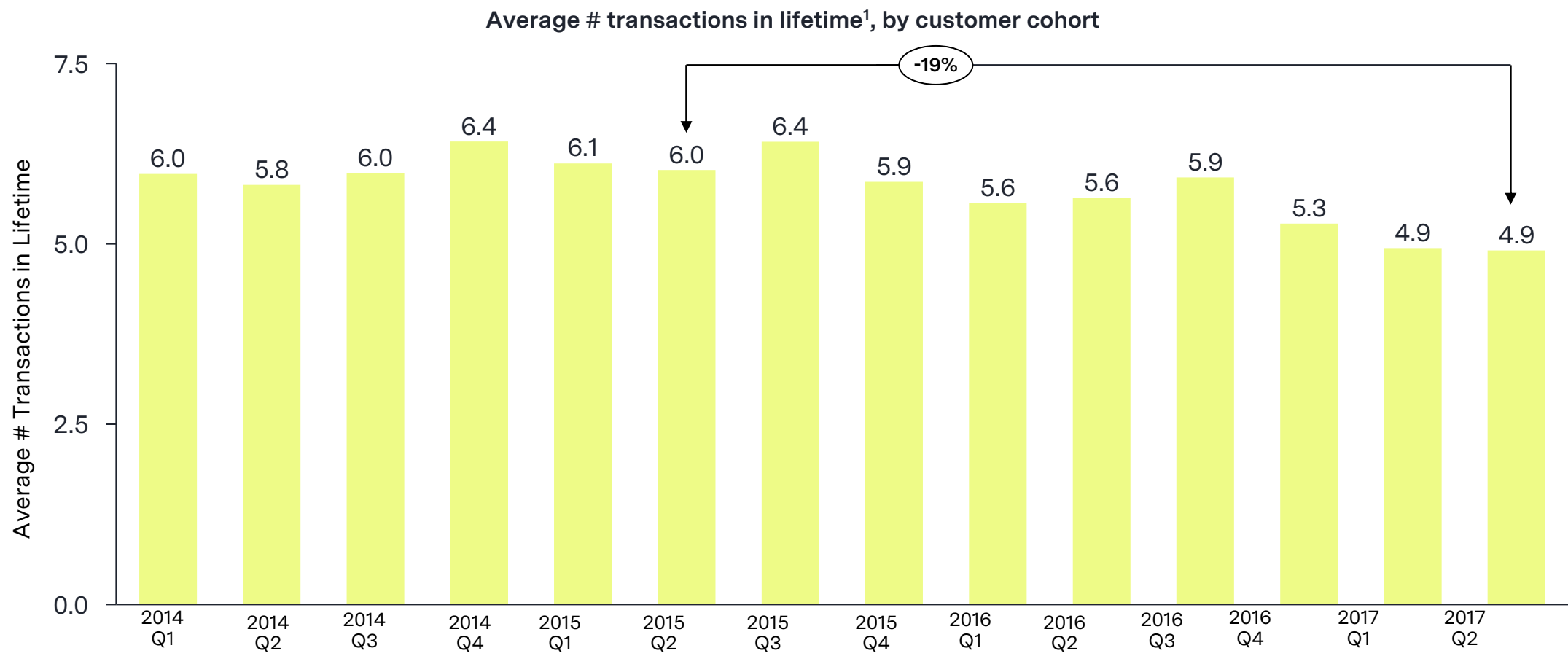
Customer LTV based on purchase of a product category

LTV¹ of customers based on purchase of Product Category - A



¹ LTV refers to the first 18-month spend of a customer

Average number of transaction in the lifetime by customer cohort



The drop in LTV was primarily driven by customers making 1 lesser transaction on an average (6 in 2015Q2 vs. 5 in 2017Q2) coupled with...

¹ Lifetime refers to the first 18-month of a customer

...Decline in average spend, particularly 2nd transaction onwards

