



# Securing Our Future: A Data-Driven Strategy for Customer Retention

An evidence-based plan to deepen loyalty and drive sustainable growth.



# We face a 51.7% churn rate, concentrated in our most valuable segments, but a clear, data-driven path exists to reverse this trend.

Our analysis of customer, transaction, and loyalty data reveals a critical retention challenge masked by high repeat purchase rates. Inaction poses a significant risk to future revenue. This presentation outlines three strategic recommendations to address the core drivers of churn.

## Three Key Findings



**Concentrated Risk:** Churn is highest among high-income customers and in key regions like Liverpool and Birmingham.



**Loyalty Paradox:** Our premier 'Platinum' loyalty tier has the highest churn rate, indicating a disconnect between perceived and actual value.



**Silent Drift:** A significant portion of our highest-value customers are becoming inactive, representing a major hidden revenue risk.

## Three Core Recommendations



**Targeted Intervention:** Launch focused retention campaigns in high-risk regions and segments.



**Reimagine Loyalty:** Redesign the IKEA Family programme to reward true engagement over simple spend.



**Proactive Reactivation:** Implement specific strategies to re-engage high-value, inactive customers.

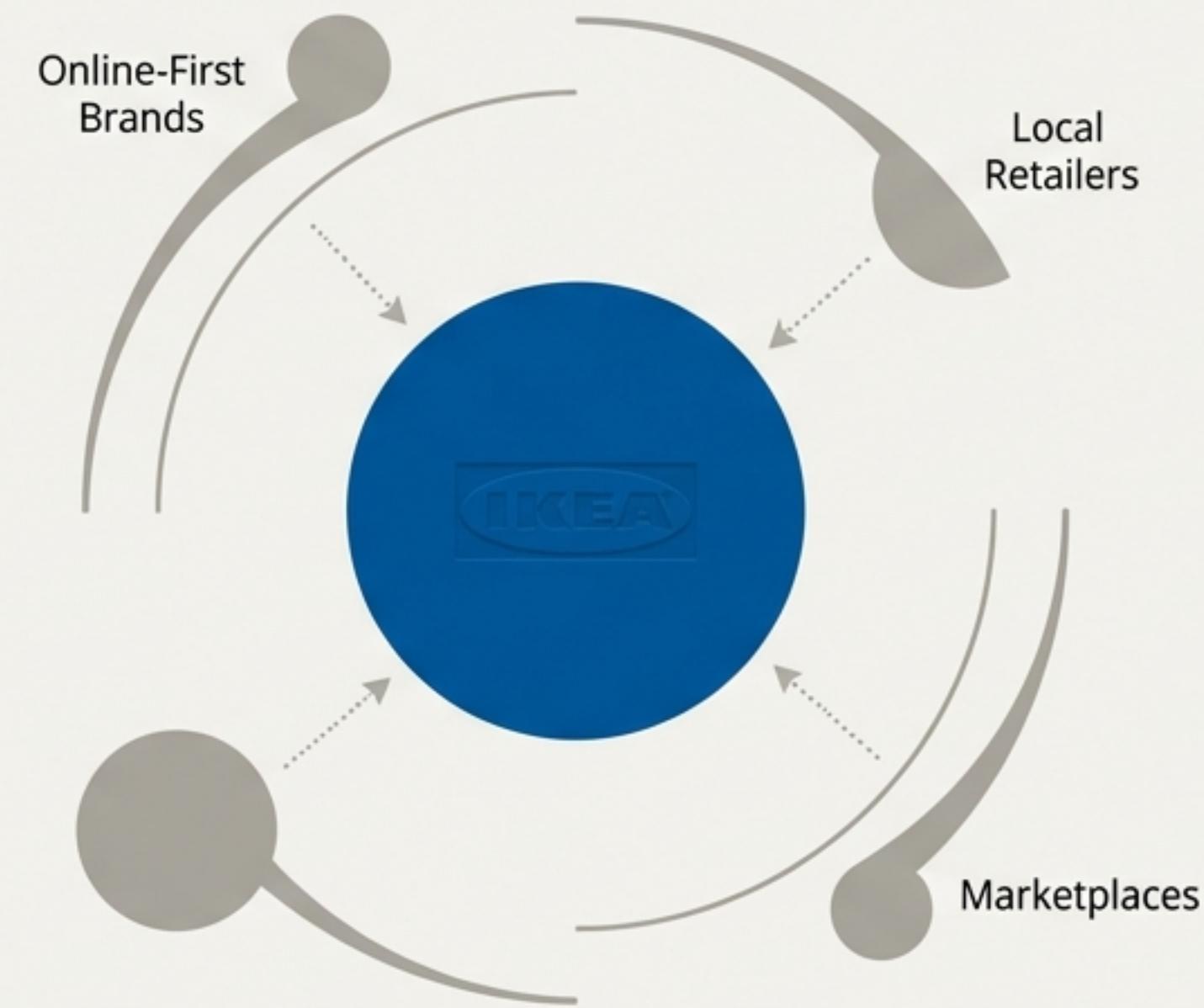
# Increasing competition makes customer retention a critical priority, yet our current reporting provides an incomplete picture.

## The Challenge

IKEA's leadership in home furnishings is being challenged by online-first brands, local retailers, and marketplaces. In this environment, retaining our existing customer base is more efficient and crucial for long-term growth than acquisition alone.

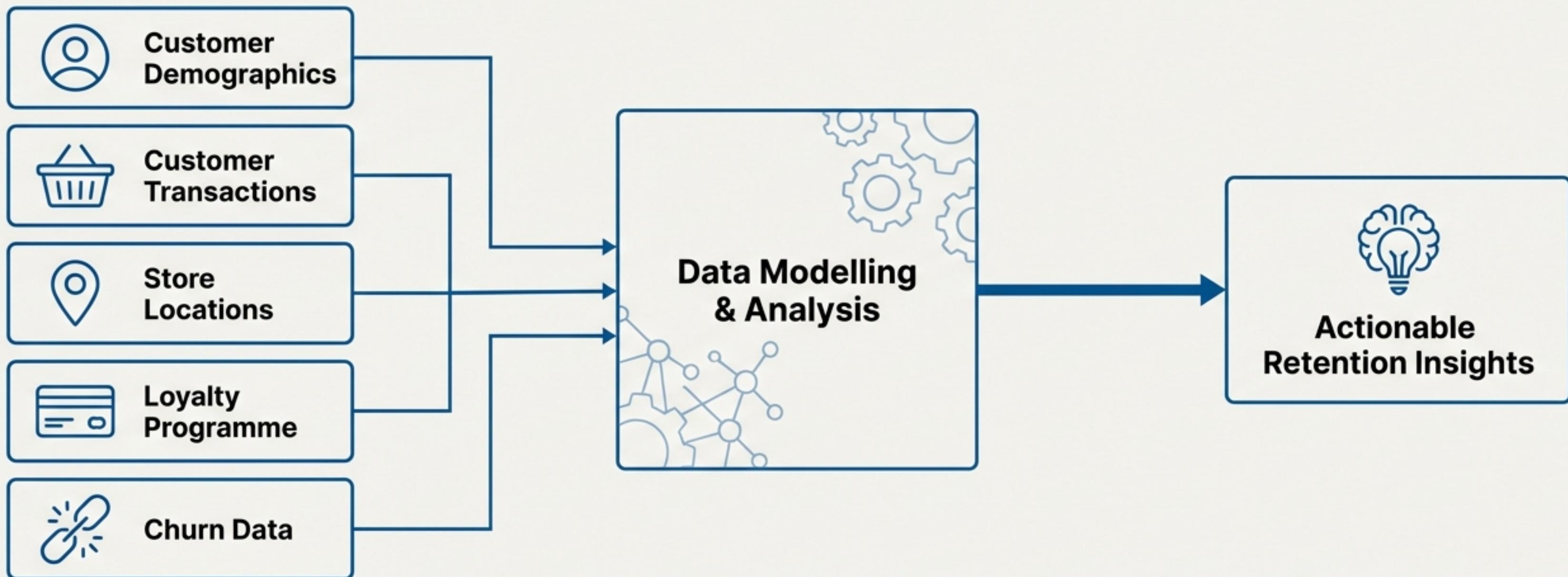
## The Gap

Current reporting is largely descriptive. It tells us *what* is happening (e.g., sales figures) but not *why* customers are becoming inactive or churning, or how effective our retention efforts truly are.



# Our analysis integrates five core datasets to create a single, holistic view of customer behaviour.

To move beyond descriptive metrics, we consolidated previously siloed information into a unified model. This allows us to connect who our customers are with how they shop, their loyalty engagement, and their likelihood to churn.



# The stark reality: Over half of our customers are at risk of churning.

**51.67%**

Churn Rate

**84.67%**

Repeat Rate

**300**

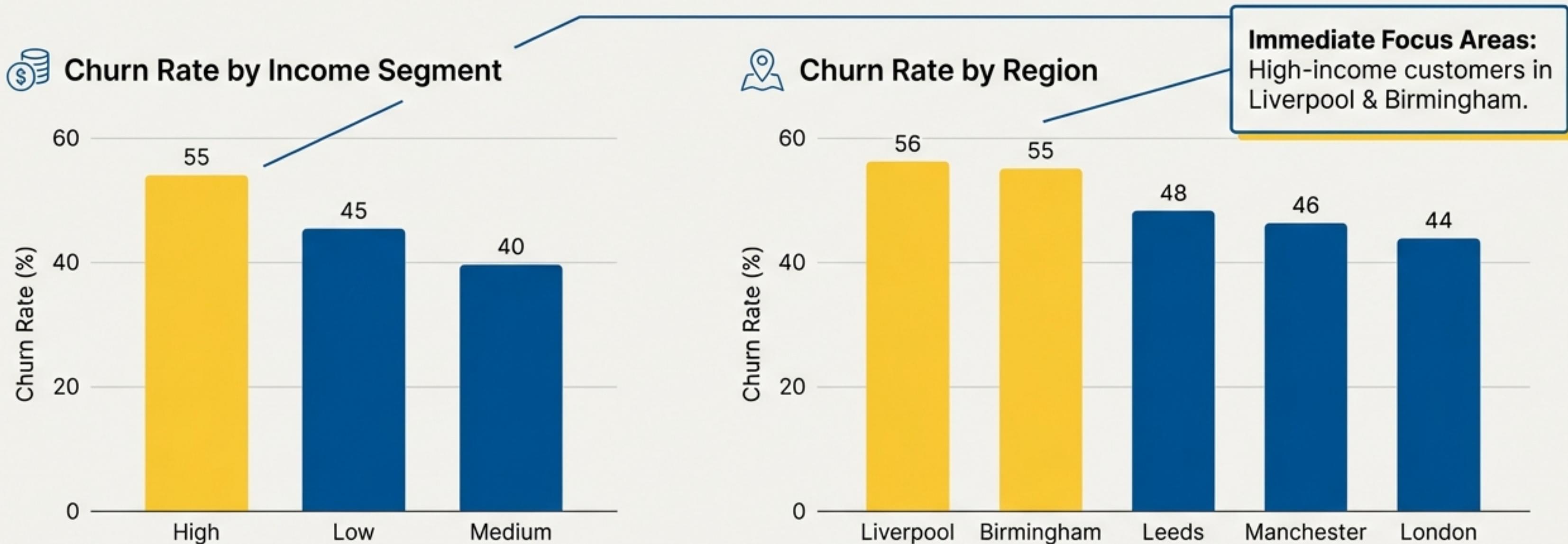
Total Customers (in sample)



A high repeat rate is not protecting us from a dangerously high churn rate.

# Churn is not random; it is hyper-concentrated in high-value segments and key regions.

The overall churn rate of 51.7% is driven disproportionately by specific customer groups. Our high-income customers and those in Liverpool and Birmingham represent the highest risk, giving us a clear focus for intervention.



# A deceptive signal: Our high repeat purchase rate masks underlying retention weaknesses.

**84.67%**

**Repeat Rate**

This indicates that most customers make at least a second purchase.

**51.67%**

**Churn Rate**

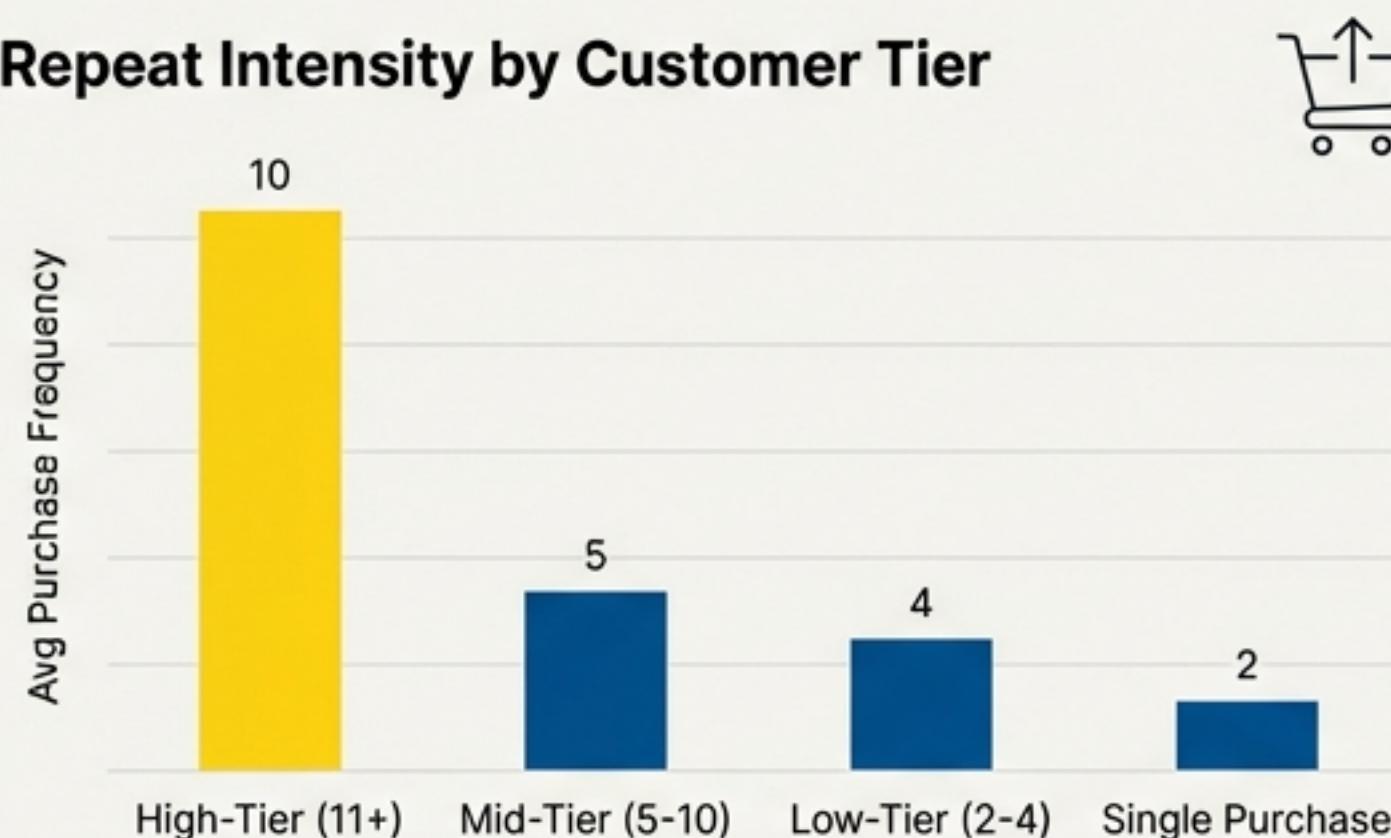
However, over half of our customers ultimately become inactive.

The journey from a first to a second purchase is successful, but we are failing to convert that initial repeat behaviour into long-term, sustainable loyalty.  
Simple repeat purchases are not a reliable indicator of retention.

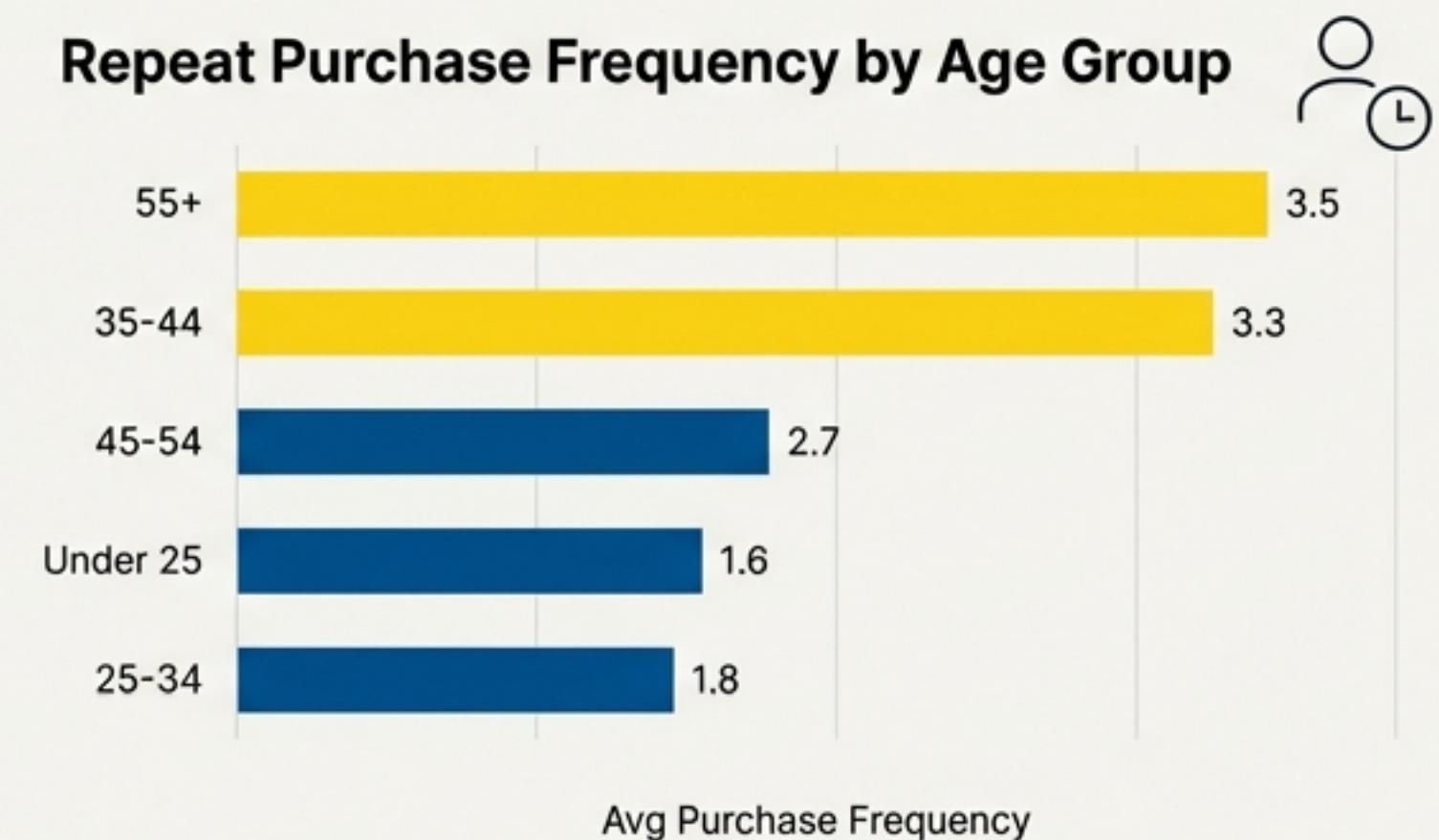
# True loyalty is driven by purchase frequency, led by mature and engaged customer segments.

Our most loyal customers are not defined by one or two repeat visits, but by their consistent purchasing over time. This behaviour is most prominent in the 35+ age demographic and our 'High-Tier' customers (11+ purchases).

Repeat Intensity by Customer Tier



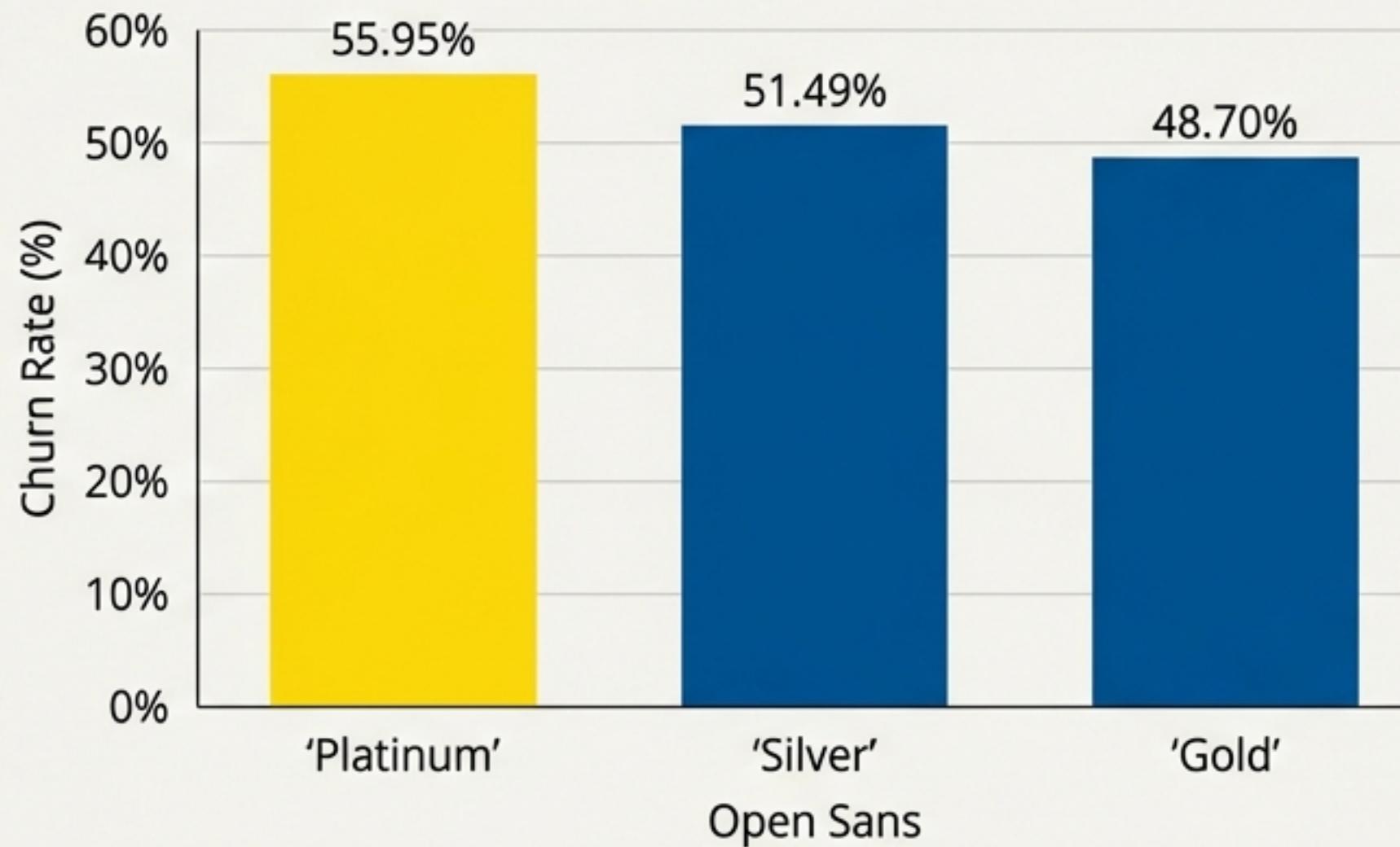
Repeat Purchase Frequency by Age Group



Our retention strategy should focus on moving customers from 'Low-Tier' (2-4 purchases) to 'Mid' and 'High' tiers, using our most engaged age groups as a model.

# The IKEA Family paradox: Our 'Platinum' tier members are the most likely to churn.

Loyalty Tier Effectiveness vs Churn



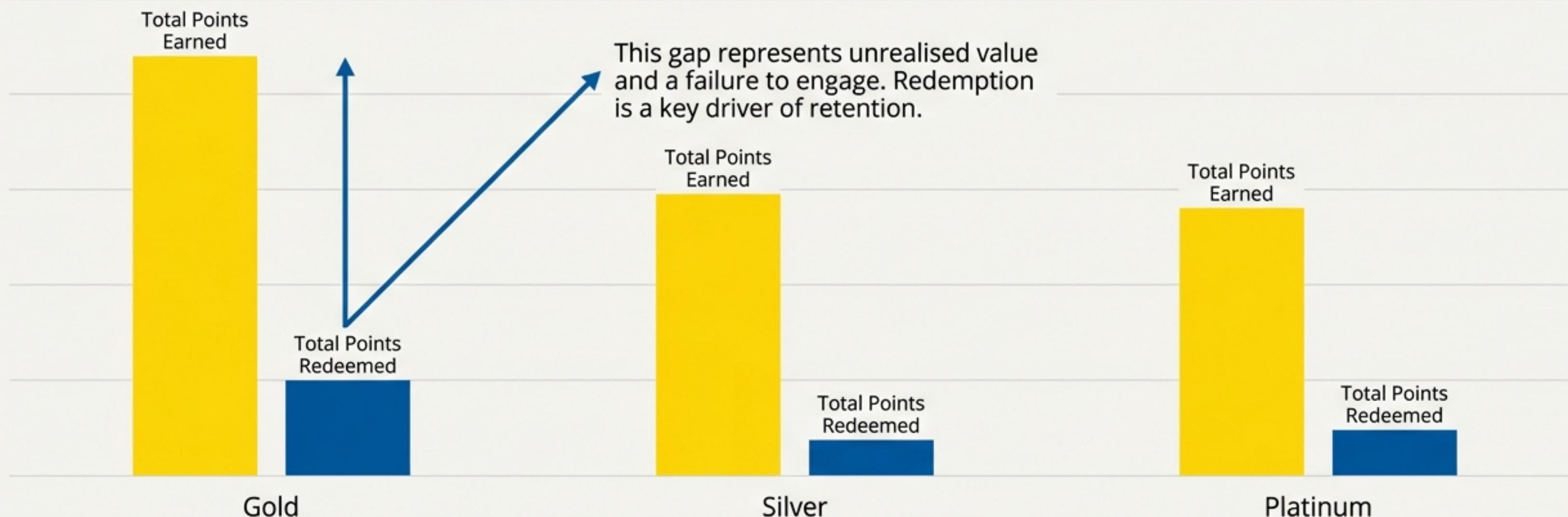
Loyalty Tier	Total Customers	Churned Customers	Churn Rate (%)
'Gold'	115	56	48.70
'Silver'	101	52	51.49
'Platinum'	84	47	55.95

Our highest-value loyalty tier, designed to retain our best customers, is failing. This suggests the benefits are not aligned with what drives genuine loyalty and engagement for this crucial segment.

# A missed opportunity: The vast gap between points earned and redeemed signals low engagement.

Customers are accumulating points through spending, but a significant portion of these points are never redeemed. This indicates that the rewards are not compelling enough to drive repeat visits or reinforce loyal behaviour. The programme is functioning as a passive data collection tool, not an active retention driver.

Total Points Earned vs. Redeemed by Loyalty Tier



# Promotions drive a marginal increase in spend, not long-term loyalty.

**51.00%** of transactions use a promotion, yet our churn rate remains at **51.67%**.



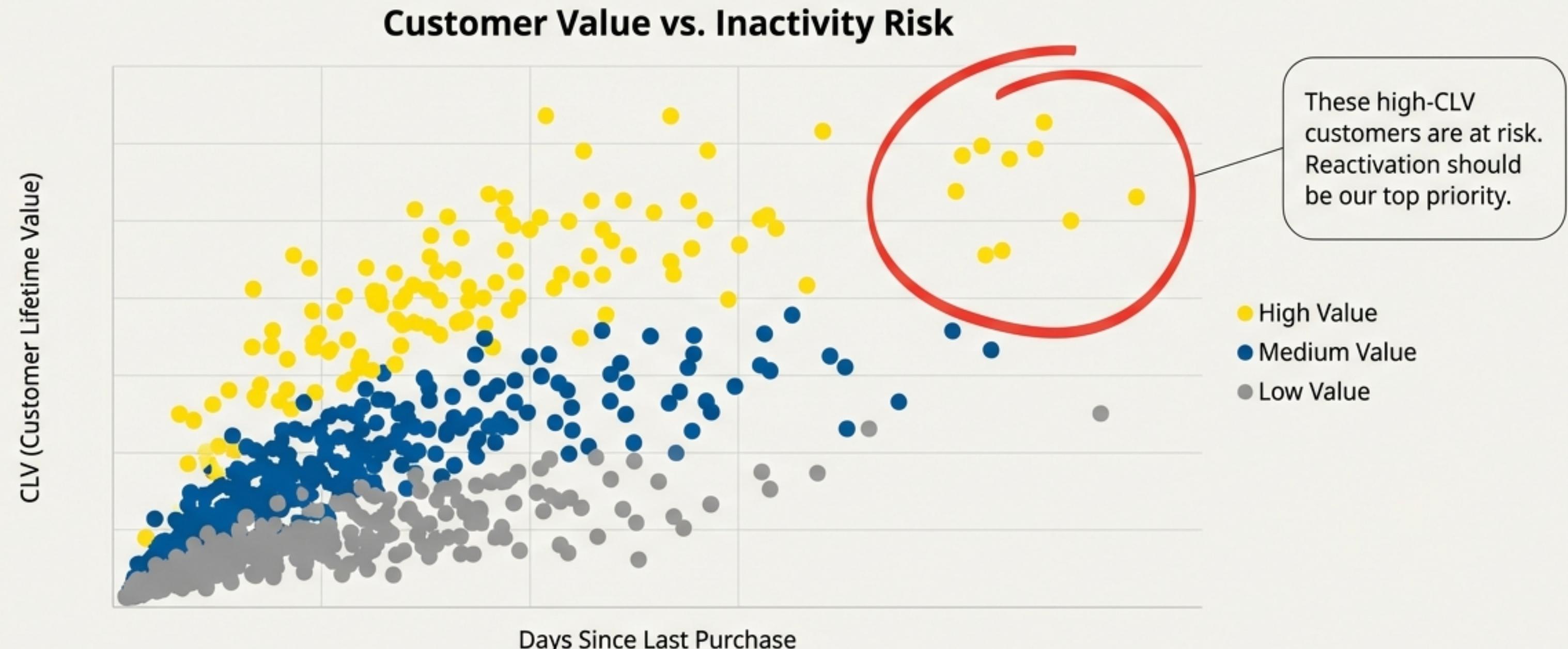
Despite widespread use, promotions only increase the average transaction value by £1. They have no discernible impact on reducing the underlying churn rate.



Our current promotional strategy is an inefficient tool for building lasting customer relationships. Resources should be shifted from blanket promotions to more targeted, reward-based retention initiatives.

# The silent risk: Our highest-value customers are becoming increasingly inactive.

A small group of customers contributes a disproportionately high share of total Customer Lifetime Value (CLV). Our analysis shows that many of these high-value customers have extended inactivity periods, representing a hidden but significant future revenue risk.



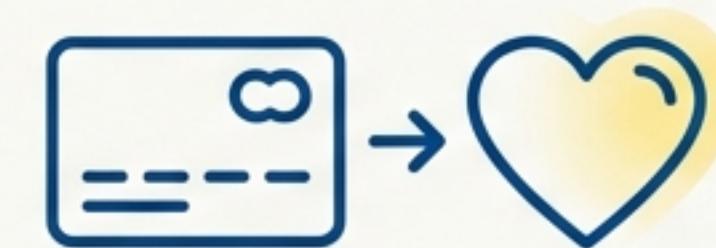
# Strategic recommendations for building a more loyal and profitable customer base.

Based on the preceding insights, we propose a three-pronged strategy that moves away from ineffective, one-size-fits-all tactics towards a more targeted, engagement-focused, and proactive approach to customer retention.



## Recommendation 1: Targeted Intervention

Focus resources on the specific customer segments and regions where churn risk is highest.



## Recommendation 2: Reimagine the IKEA Family Programme

Transform the loyalty programme from a passive, spend-based system into an active driver of customer engagement.



## Recommendation 3: Proactive & Personalised Reactivation

Leverage category insights and CLV data to win back our most valuable, at-risk customers.



# Recommendation 1: Launch targeted interventions for our highest-risk segments.



## Focus Area 1: Geographic Campaigns

- **Action:** Prioritise Liverpool and Birmingham for dedicated retention campaigns.
- **Tactics:** Implement store-specific offers, local community engagement events, and targeted digital advertising within these postal codes.



## Focus Area 2: High-Income Segment

- **Action:** Develop a specialised communication and offer strategy for high-income customers.
- **Tactics:** Focus on new product lines, design services, and loyalty benefits that appeal to this demographic, rather than generic discounts.



## Focus Area 3: Store-Level Support

- **Action:** Support newer stores (opened 2019-2022) with onboarding and local engagement initiatives to build a loyal base from the start.





# Recommendation 2: Reimagine the IKEA Family programme to reward true engagement.

 **From:** A spend-based model



 **To:** An engagement-based model



## Action 1: Redesign the Platinum Tier

**Problem:** Highest churn rate (55.95%).

**Solution:** Replace spend-based benefits with rewards that encourage interaction.

Examples: early access to new collections, free design consultations, exclusive in-store events. The goal is to make members feel valued, not just rewarded for spending.



## Action 2: Incentivise Points Redemption

**Problem:** Large gap between points earned and redeemed.

**Solution:** Launch campaigns specifically designed to drive redemption.

Examples: 'Points-only' exclusive products, bonus rewards for redeeming points within a certain timeframe, simplified redemption process online and in-store.



## Action 3: Shift from Blanket Promotions

**Problem:** Promotions are ineffective for retention.

**Solution:** Reallocate promotional budget towards tier-specific, personalised offers that are more relevant and impactful.

# Recommendation 3: Leverage key categories and proactively reactivate high-CLV customers



## Action 1: Use 'Hook' Categories for Engagement

**Insight:** Electronics and Food & Beverages are top categories for our most loyal customers.

**Tactic:** Use these categories as engagement enhancers. Create targeted communications about new electronics or special in-store restaurant offers to drive repeat visits among mid-tier customers, helping them graduate to high-tier.



## Action 2: Launch a High-CLV Reactivation Programme

**Insight:** High-value customers are silently churning.

**Tactic:** Instead of blanket promotions, create a tier-specific reactivation campaign for inactive Gold and Platinum members in Liverpool and Birmingham. Offer a high-value, personalised incentive (e.g., "Welcome back, here's a gift for your next project") to win them back.

# Our path forward: Phased implementation with significant potential impact on revenue and loyalty.

## Proposed Next Steps (3-month plan)



### Phase 1 (Month 1)

Form a cross-functional team (Marketing, Store Ops, Data) to design and launch a pilot retention programme in Liverpool and Birmingham, targeting high-income and high-CLV inactive customers.

### Phase 2 (Month 2)

Begin redesigning the Platinum tier benefits based on customer feedback and engagement principles.

### Phase 3 (Month 3)

Develop and test the first 'hook' campaigns using the Electronics category.

## Expected Impact



**Reduced Churn:** A 10% reduction in churn among our high-income and Platinum segments could retain significant annual revenue.



**Increased CLV:** Successful reactivation of high-CLV customers will directly protect and grow future revenue streams.



**Enhanced Engagement:** A redesigned loyalty programme will create a more defensible, long-term relationship with our most valuable customers.

**Thank you.**  
**Q&A**

