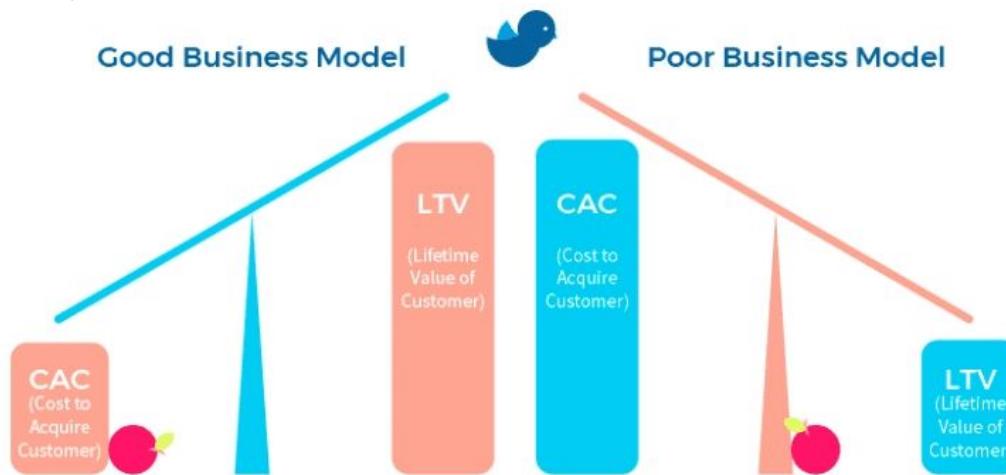

Customer Relationship Marketing

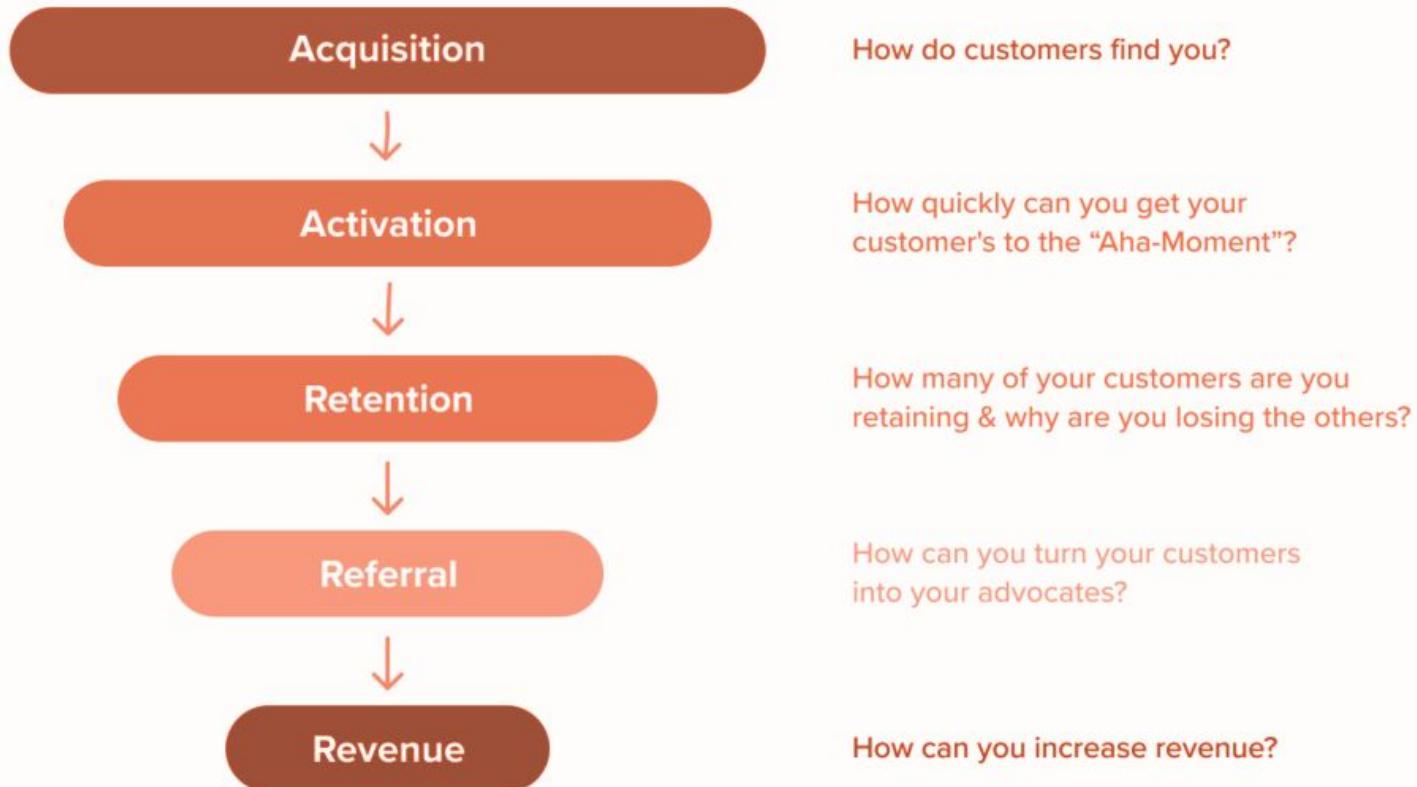
Feb 2022

Aditya Vikram Jain for IIM Kozhikode MDP

Introduction

CAC vs LTV, what it all boils down to, is the lifetime value of your customer more (3x) than what you spent acquiring the customer ?





Acquisition: From visitor to lead

What do you know about the customer ?

- Acquisition source
 - SEO, content
 - SEM
 - Social media ads
 - Coupon sites
- Location
 - Correlates with a lot of other things
- Browsing behavior on landing page

Activation: From lead to customer who sees value

- How do you optimize the funnel ?
- What data about the customer should you require them to give ?
- How do you prevent customers from abandoning before the Aha moment

Aha Moments for Tech Companies

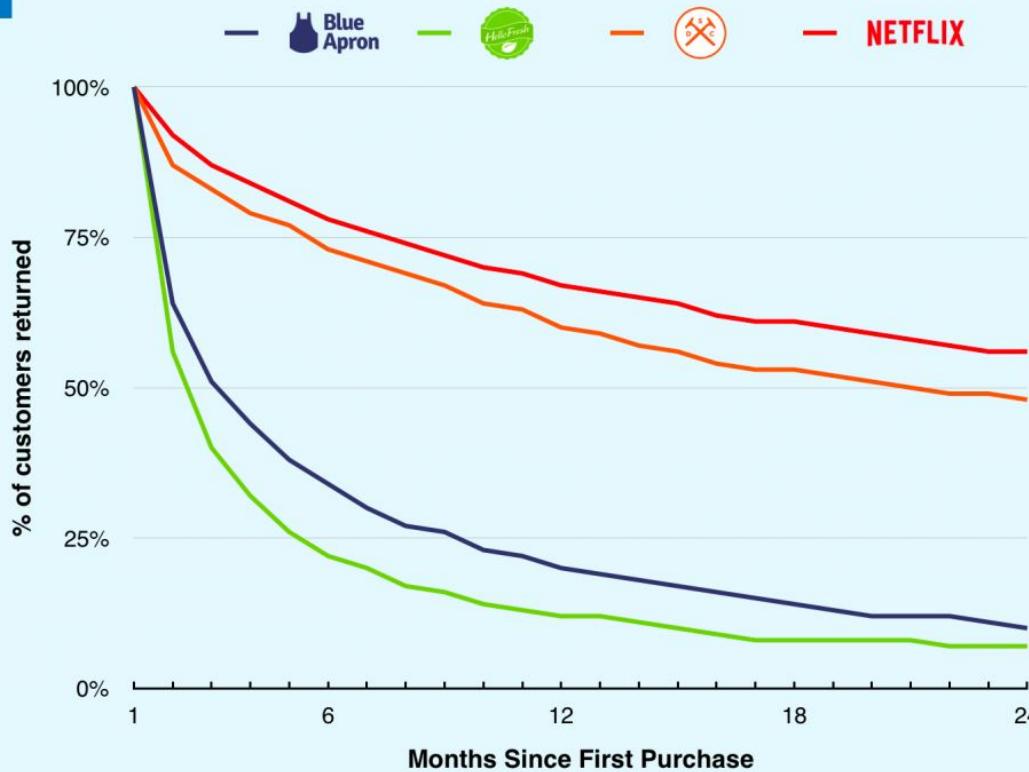
 Connect with 7 friends in first 10 days Chamath Palihapitiya, Former Head of Growth	 2000 messages sent within a team Stewart Butterfield, Co-Founder and CEO
 Save 1 file in folder on 1 device ChenLi Wang, Former Growth	 Returning 1 day after sign up Nabeel Hyatt, Former GM
 Follow 30 users Josh Elman, Former Head of Growth	 X connections in Y days Elliot Schmukler, Former Product Manager



Retention

- How often do customers engage with you ?
- How often do they transact ?
- Are they successful in their goals ?
- Leading vs lagging indicators
 - How to measure churn before churn actually happens ?

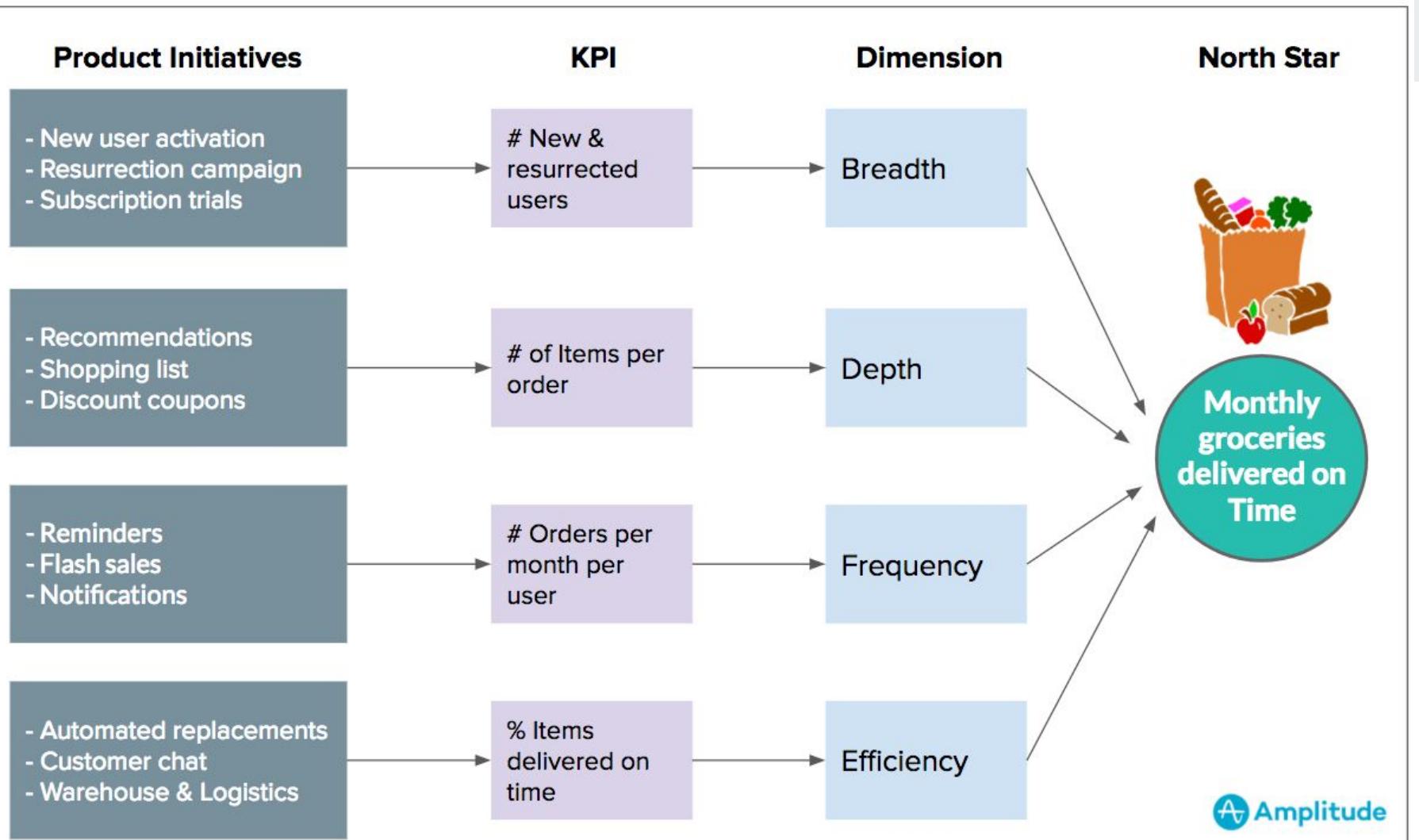
Customer Retention *



Source: Second Measure

* Median customer retention for all cohorts from March 2015 - March 2017. A customer is retained for the period if they transacted in that period or the period prior.

Game	Companies	Hypothetical North Stars
Attention	 	<ul style="list-style-type: none"> - Time spent actively engaging with feed - # of Subscribers watching > X hrs of content per month
Transaction	 	<ul style="list-style-type: none"> - Purchases per prime subscriber - Purchases per customer visit/session
Productivity	 	<ul style="list-style-type: none"> - Avg records created per account - # Engaged cloud subscribers





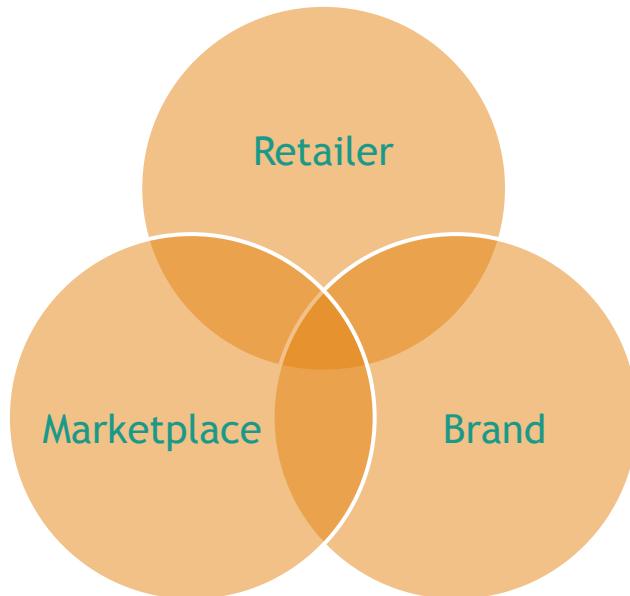
Revenue

- What pricing to apply for a customer ?
- Which promos and coupons to promote ?
 - Why do companies use coupons ?
- What selection to show to a customer ?

What do you do with customer data in e-commerce?

- Convenience
- Selection
- Pricing

“E-commerce Company”





A price is not just a price

A/B testing has shown very different conversion rates for

- \$50 + Free Shipping vs \$45 + \$5 shipping
- \$45 vs \$50 + \$5 coupon “won” by spinning a wheel and is time limited
- \$50 upfront vs \$45 upfront + \$5 extra charges once the user gets to check out

Goals for an e-commerce company

Pricing a product can serve distinct goals, for any given product, a company may want to optimize for

- Total profits. Orders X Margin per order
- Orders
- GMV
- Customer acquisition
- Customer retention
- Inventory clearance
- Reduce decision making for customers i.e. free shipping, always lowest price etc
- Reduce returns and refused deliveries
- Retain sellers

Pricing Strategies



Pricing Strategies

- Price discovery
 - For high vol. products, vary price between A and B to find local maxima of the near term goal
 - For low vol. products use category/brand level rules to determine margin and price-point
 - Drive competition among sellers to lower selling prices/ transfer prices
- Price according to customer
 - Lower prices shown to organic traffic with lower CAC
 - Higher prices for customers with high return history
 - Lower prices shown to customers with lower purchasing power,
 - Predicted by location, view and purchase history
 - Discounts for students and seniors (low purchasing power)
- Price by pre-paid vs postpaid orders, post-paid orders have lower margins because of high returns

How to be right ? Test it.

- Separating correlation from causation.
- Attributing success to initiatives.
- How do you overcome your own biases ?
- How do you manage stakeholders with different views on what to do ?

How to be right ? Test it.



Stage 1 : Develop your hypothesis.

I think that applying COD charges to users with high return rates will be net +ve

Stage 2: Determine the data you'll need to capture.

Don't run a test where you can't measure the results. Create the results beforehand with dummy data

Stage 3: Build your experiment.

Find the cheapest way to test your hypothesis

Stage 4: Run your test.

Collect data, know how long to collect it, know statistical significance

Stage 5: Measure your results.

Were you right ?



What do you need

- Ability to get the actual data you need when you need it
 - CDPs
 - ETLs
- Robust A/B testing platform
 - Allow every valuable experiment to run