



Leveraging Customer Analytics to  
Address the One-Time Buyer Problem

COREY PIERSON and DAVID STYCHNO



For Chester.

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One-time buyers.

One-and-dones.

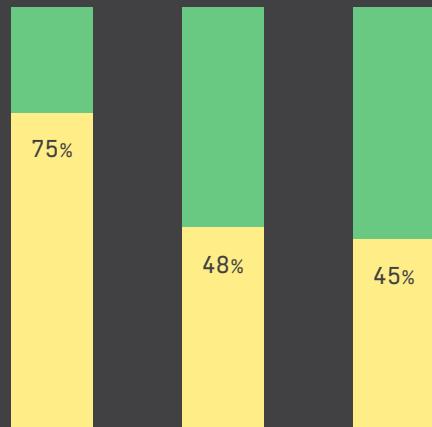
One-buy stands.

Buy-bye-bennys.

Across the retail industry, marketers have countless nicknames to describe the same challenge:

The majority of  
shoppers make  
one purchase and  
never come back.

REPEAT BUYERS VS. ONE-TIME BUYERS  
US E-COMMERCE Jan-Jun, 2016<sup>1</sup>



<sup>1</sup> SALESFORCE COMMERCE CLOUD

Obviously, this whole one-time buyer thing stinks.

And it's a challenge that every marketer faces.

Our goal for this book is to provide marketing leaders with both strategic and tactical advice for how to address this challenge head-on.

First, we describe how we got here — how did the one-time buyer become such a big hurdle?

Next, we discuss the critical functions marketers must 'install' into their organizations and the building blocks required to become equipped to turn the tide.

Then, we get tactical. We outline methods for analyzing one-time buyer segments and how to assemble effective communication programs based on those insights.

We conclude with measurement techniques that help capture the incremental impact of conversion programs on both top-line revenue and Customer Lifetime Value.

We not only hope this book helps transform your marketing team's efforts — we hope you enjoy reading it too.

Corey Pierson  
Co-founder and CEO  
Custora

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Chapter 1

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# The Shark Graph

(Retention is the New Acquisition)

↑ Clustering of customers into various spending buckets

Let's start with the obvious.

Retail is changing. Fast.

A decade ago, the Internet was still an infant. The iPhone didn't exist. It was the Wild West of e-commerce. Brands took notice of the vast opportunity and raced to build online stores and digital marketing teams to connect with their customers beyond the "bricks and mortar." During this period, the name of the game was

### Customer Acquisition.

The guiding principle at the time was for marketers to acquire as many customers for as little cash as possible. It was a glorious era of growth.

Times have changed. The "land grab" days are gone, and if you aren't selling specialized goods, you don't stand much of a chance.

Retailers now compete fiercely for incremental purchases. Discounts are up. Margins are down. Household names are going bankrupt. New business models and new entrants emerge every month. The Wild West has turned into a digital war zone.

Today, marketers have come to realize that

### Customer Retention

is critical for long term growth. It's not enough to acquire a shopper. It's essential to find ways to cultivate new buyers into long-term, repeat customers.

To illustrate this point, we created The Shark Graph.

It's increasingly expensive to acquire new customers, and with so much competition, customers are less loyal and offer less "return" on the acquisition investment.

Profit margins are getting munched.

Expected return for each new customer

Cost of customer acquisition

FIG. 1  
ACQUISITION VS ROI, AKA  
THE DOUBLE WHAMMY, AKA  
"THE SHARK GRAPH"



Customer retention is a vast topic.

To provide some structure, it's helpful to break down retention efforts into stages across the "customer journey."

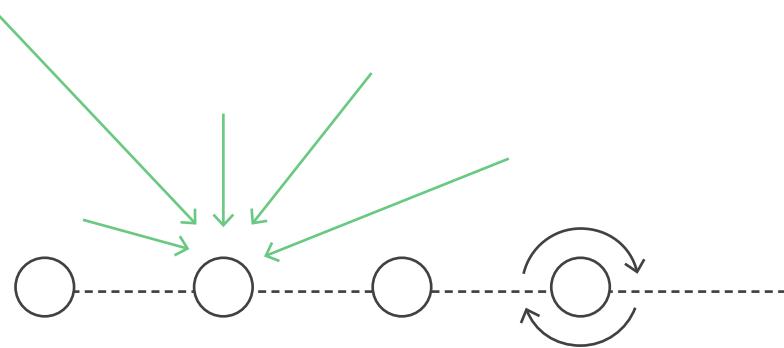


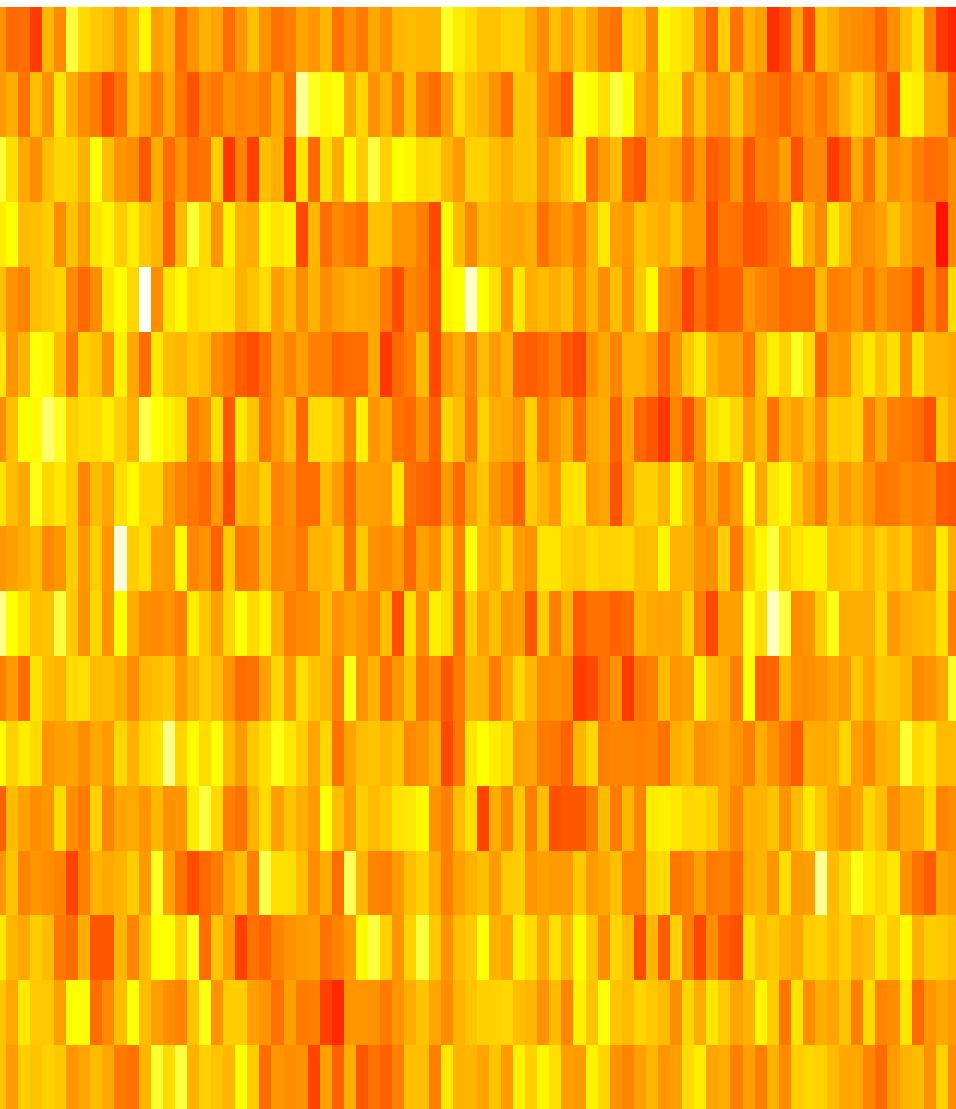
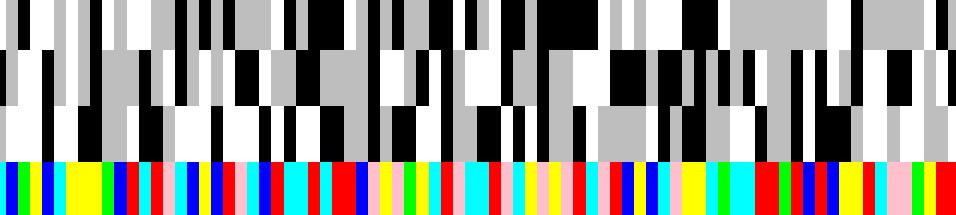
Study upon study reveals how critical repeat buyers are to long-term growth.

- It's 6.7x more expensive to acquire a new customer than to keep an existing one<sup>1</sup>
- Increasing retention by 5% can increase profits by 125%<sup>2</sup>
- 80% of a brand's future revenue will come from 20% of their existing customers<sup>3</sup>
- The top 5% of a customer base can account for 30-40% of revenue<sup>4</sup>
- And so on.

<sup>1</sup>WHITE HOUSE OFFICE OF CONSUMER AFFAIRS, <sup>2</sup>BAIN & CO., <sup>3</sup>GARTNER, <sup>4</sup>CUSTORA RESEARCH

Next, let's take a closer look at that early critical stage of the journey, examine what many retailers are currently doing, and why it isn't enough.





↑ Correlation matrix describing the similarity/dissimilarity of purchasing patterns corresponding to different brands of product

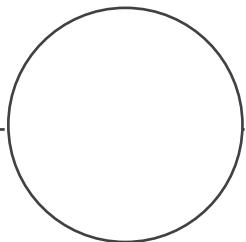
Chapter 2

## Paul Rudd is a Long Way Off

(The Status Quo)

First impressions matter in any relationship. The first date. The first job interview. The first haircut at a salon.

Marketers hope to leverage momentum from the first experience towards a second purchase. The one-to-two conversion is the first step in what hopefully turns into a long-lasting, repeat-buying relationship.



1 Purchase

The numbers back it up. Two-time buyers are nine times more likely to repeat than one-time shoppers.<sup>1</sup>

Granted, there is some debate around this figure.

How much of the 1x-to-2x conversion is "nature" (acquiring great customers) vs "nurture" (an effective welcome series). It's nearly impossible to tell, but most marketers agree it's a combination of both.

As a result, the welcome series has become a critical component of every retention marketing game plan.

The welcome series — an aptly named (and relatively easy to set up) succession of automated emails that introduce a new customer to a brand — is a great start and a clear improvement to the alternative of doing nothing.

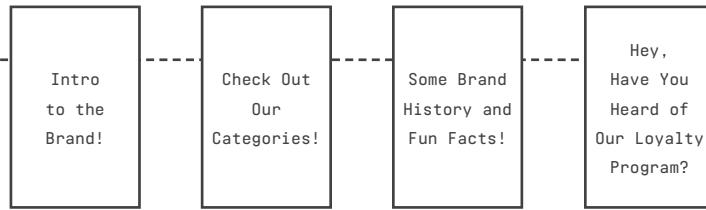


DO NOTHING



WELCOME SERIES

Most marketing teams create a single sequence of emails designed to help new shoppers learn about the brand and product portfolio. Teams set-up the series within their Email Service Provider so all new customers have the same “new customer experience.”



The ideal next step would be to start personalizing the series. In theory, the team would craft a special sequence for every unique shopper.

Each sequence would show the right categories of products, hit the right creative vibe, contain the right language, and be sent when most likely to be opened.

However, personally tailoring each welcome series is challenging for two main reasons:

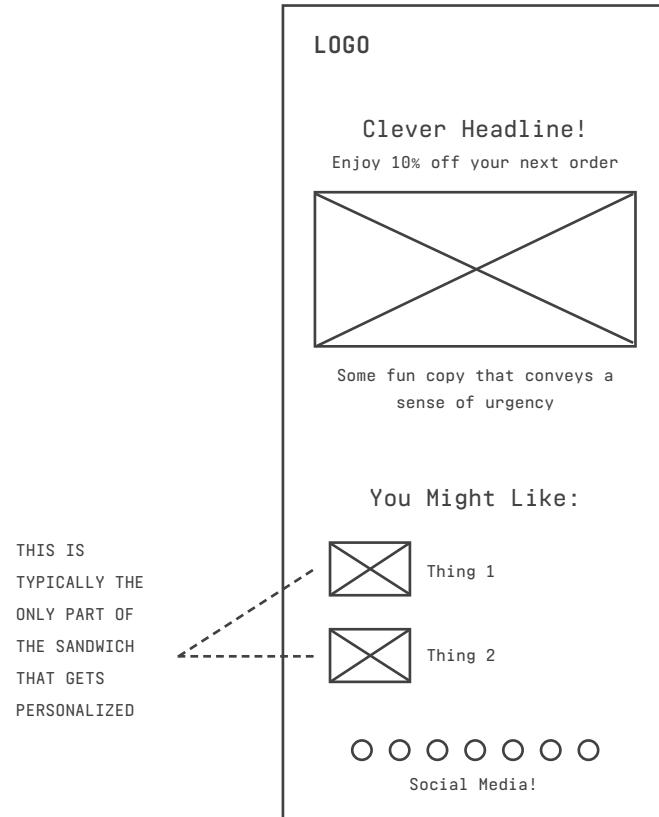
1. Limited data (only one purchase)
2. Creative constraints

Without a magical ability to hand craft a unique experience for each customer, most marketing teams create a generic welcome series — and in some cases they'll layer on a little product personalization.

Product personalization is obviously an important component in creating a relevant message, but it's far from the only one.

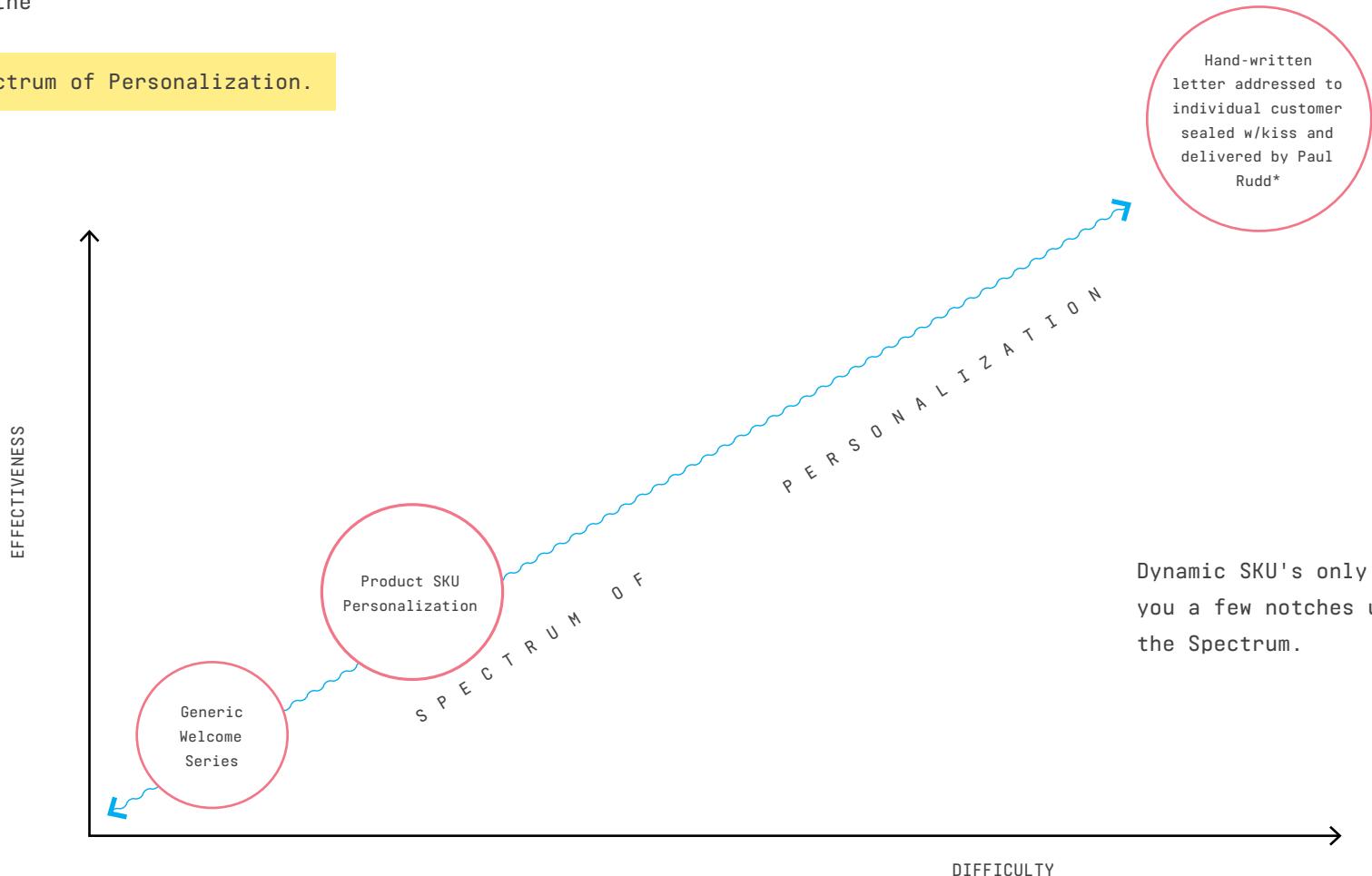
As my father used to say, "Picking the right restaurant is only part of what makes for a good date. You need be courteous, arrive on time, prep the right music for the car, listen more than talk, and don't talk too much about the Eagles."

He never actually said that, but if he did, it would be an apt analogy.



Simply personalizing the SKUs displayed in an email helps, but the impact is marginal. This brings us to the

### Spectrum of Personalization.



Fortunately, more can be done.

Product SKU  
Personalization

S P E C T R U M   O F

P E R S O N A L I Z A T I O N

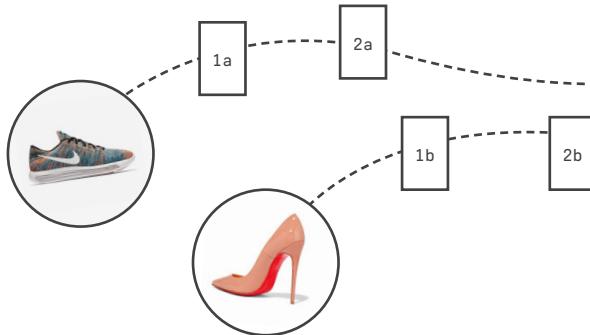
It might sound old-school in this age  
of 1-to-1-single-view-of-the-customer-  
buzzwords, but our trusted friend,

Segmentation,

can take us closer to "Paul Rudd level"  
communications while striking the right  
balance of creative effort.

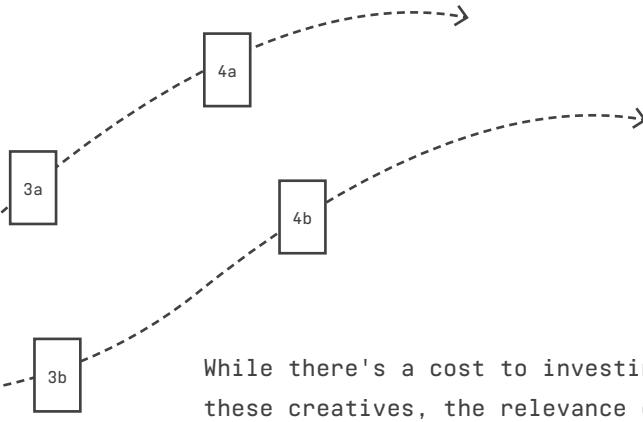
Product SKU  
Personalization +  
Segmentation

Let's say there are two "types" of shoppers within a customer base: "athletes" and "trendsetters."



While it's not realistic to have the creative team design an email for every single customer, it's not as far-fetched to create two versions of each email in the welcome series — one for the athlete and one for the trendsetter.

The narratives for each series could leverage different creative assets, language, and tone.

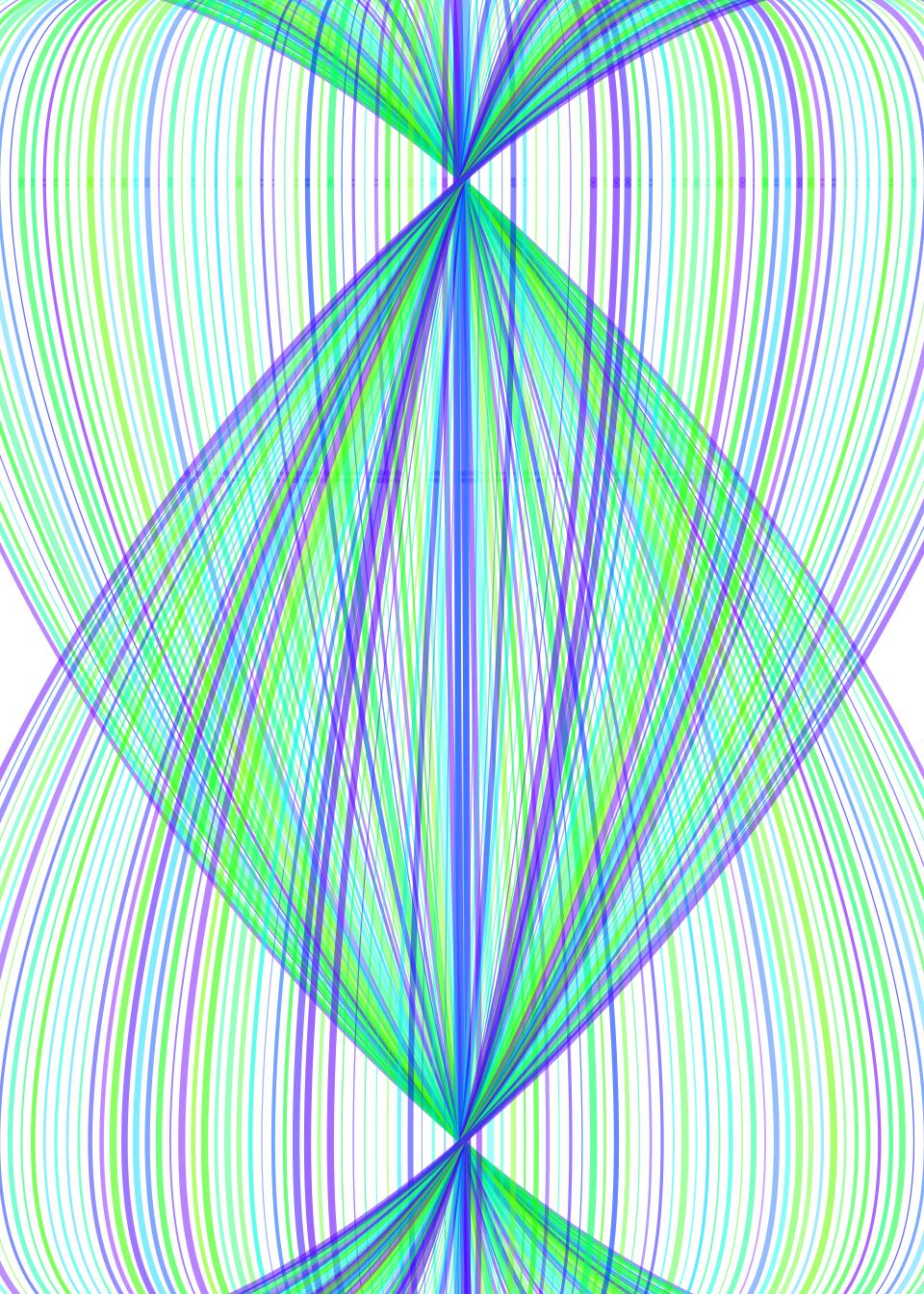


While there's a cost to investing in these creatives, the relevance of the email can improve so much that the return on investment makes it more than worth it.

There are a few big questions to address before moving in this direction.

- » How do you determine the right segments?
- » How do you assign a new customer to a segment?
- » How do you manage and measure the effectiveness of these different sequences?

Next, we'll cover the tools and capabilities required to start building effective segments.



Chapter 3

## Beyond Farketing

(Channels vs. Customers)

↑ A heart shaped function, because  
you know, we love marketing

Before we discuss "recipes" for addressing the one-time buyer problem, we need to make sure we have the right set of "ingredients" in the kitchen.

It's important to remember that the one-time buyer problem is a **CUSTOMER-FOCUSED** challenge.

However, to convert these customers to the repeat stage, many marketers are stuck leveraging a variety of **CHANNEL MARKETING** tools and metrics like click-through rates and impressions.

The goal of a one-time buyer conversion program shouldn't be to generate a spike in immediate "Return on Ad Spend."

It's about ushering customers from the first purchase stage into the repeat buyer stage of the customer journey and building a long-term relationship.

And therein lies the crux of the dilemma.

To convert one-time buyers, marketers need specific customer insights.

It's hard to find those insights buried within channel execution and channel analytics tools. Marketers also need to be able to measure and optimize the one-to-two-time conversion rate.

But again, this metric doesn't live inside of any channel-specific platform.

This leaves marketers in a tough spot. They're baking a cake without an oven. Heating Hot Pockets with a hair dryer. Skinning potatoes with a turkey baster. You get the idea.

In fact, this "channel vs. customer" tension isn't isolated to the one-time buyer problem.

Today, the customer is at the heart of almost all strategic initiatives inside the marketing department.

How do we acquire more high-value customers?

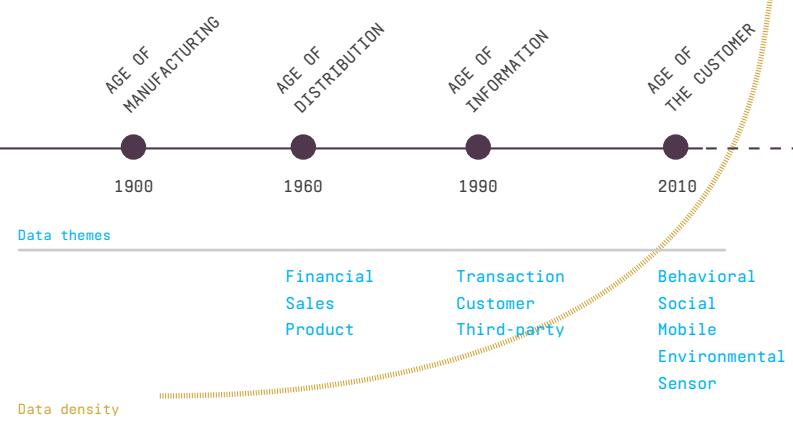
What's our Customer Lifetime Value?

How do we reduce customer churn?

How do we win back customers who used to be loyal shoppers?

In fact, research firm Forrester goes so far as to call this the

Age of the Customer.



Ideally, marketers are answering these big customer questions and addressing their one-time buyer challenge the same way they optimize Search Engine Marketing — with purpose-built tools and metrics like Quality Score, Click-Through Rate, Conversion Rate, Cost Per Conversion, Return on Ad Spend.

But with the current tools and capabilities in-house, marketers face a good deal of resistance, which becomes problematic. Friction in the marketing department.

We call it Farketing.

This term oddly hasn't caught on yet but we'll see what this book does for it.

Farketing is needing to wait a couple weeks, or more, for the Advanced Analytics team to respond to a request to generate predictive insights for a customer segment.

Farketing is a marketer not having the ability to run A/B tests to measure the incremental lift of one-to-two-time buyer conversion rate.

Farketing is when it's too difficult to coordinate the team when you want to test 'email only' vs 'email plus Facebook' within your one-time buyer program.





Now then. What are teams doing  
How are the best teams building  
these challenges in a more

to lubricate all of this friction?

capabilities to go after

intelligent and efficient manner?

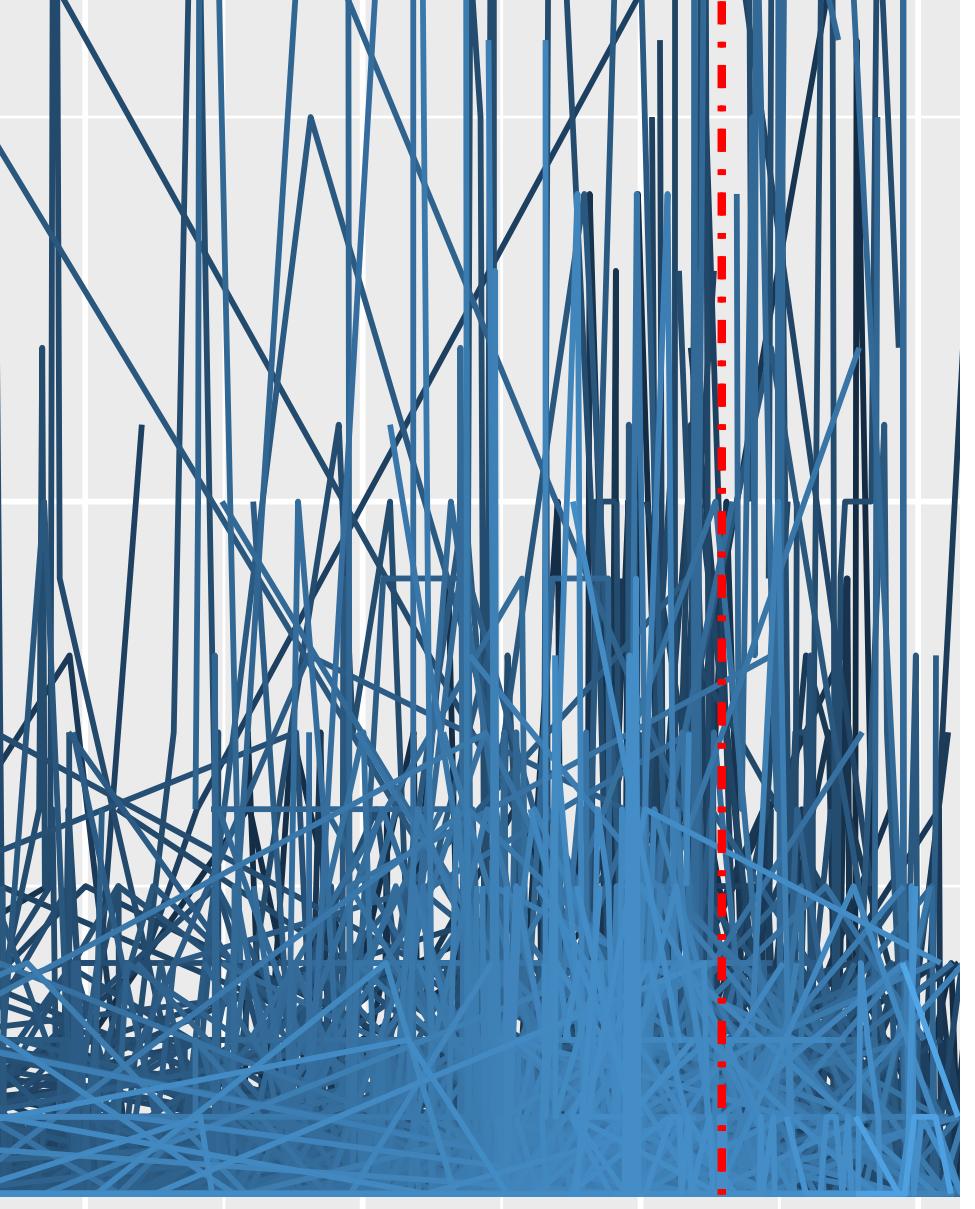
Chapter 4

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## The Hexagon of Power

(The Toolkit)

↑ Frequency of purchases for customers  
unsubscribing in a given week



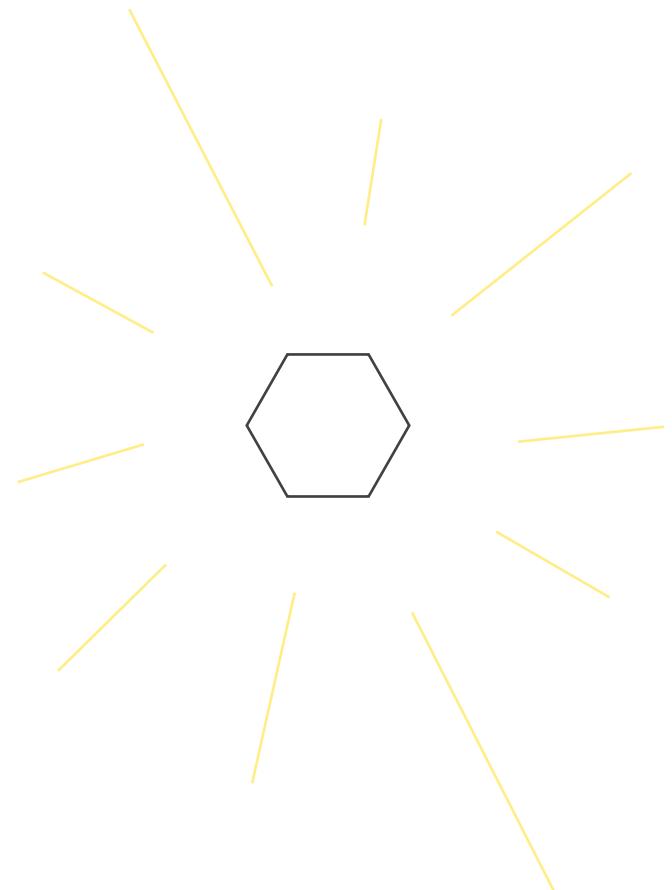
"Customer-centric" is another one of those phrases that we've all heard so much that it's started to lose meaning.

For us, it describes the marketing organization that has removed the "Farketing" in the pursuit of customer-focused initiatives like converting one-time buyers and systematically building more relevant, meaningful, and coordinated communications.

We've identified six critical capabilities that teams put in place to achieve that "nirvana" state of agile, coordinated, and always-improving marketing communications.

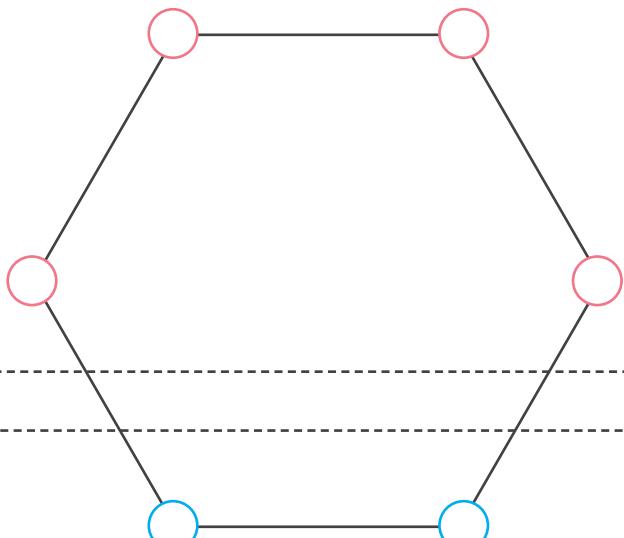
These capabilities combine to create what we (half) jokingly refer to as the

Hexagon of Power.



The Hexagon is a framework for organizing these capabilities (that we'll dive into shortly), which enable two big things.

2. Making those insights easy to use across the organization.



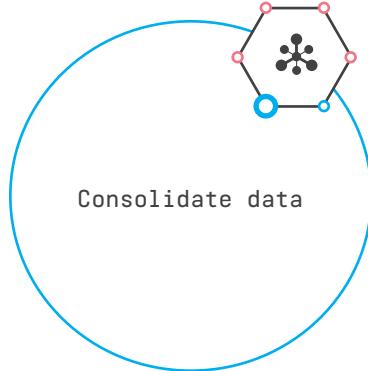
1. Generating customer insights.

Now let's take a closer look.

Generating  
customer  
insights  
has two  
components.

Consolidate data

Apply Advanced Analytics  
(historical + predictive)



To analyze customers, we first need to gather and consolidate all of that customer data.

With so many tools and systems in place, reaching a perfect "360-degree view" of the customer can take many years. However, data consolidation can certainly be sequenced.

The most meaningful data to consolidate is purchase history data. For example, if Larry makes a purchase in 2010, and another in 2011, we need to know it's the same person.

For online-only retailers, this is usually rather straightforward as most systems contain a User ID for every Larry in the database.

For "omnichannel" retailers, however, additional steps must be taken to understand the Larry who buys online is the same Larry who buys in the store.

This type of "connecting the dots" can sometimes be achieved by having a loyalty program in place where the same Loyalty ID exists across both data pools.

In the absence of such a loyalty program, brands are linking the online and offline world by working with data partners (e.g., Experian, Epsilon, Axiom) or by conducting some "fuzzy matching" by looking at the names, emails, and address of purchase records. Once moving beyond purchase history, marketing departments layer in other aspects of customer behavior.



For example, a common next step is to understand the products browsed and "carted" online. In a similar manner, marketing teams will dig into which emails were opened and browsed. And, of course, teams also link up any demographic attributes they have on file for each customer.

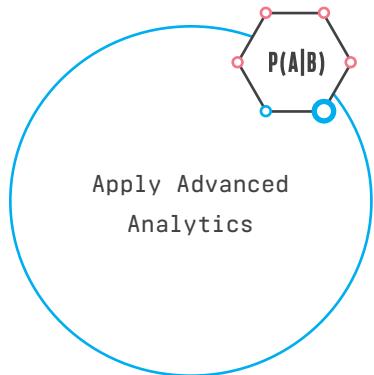
It's not critical to have all of the above in place to get started with customer analysis, but over time, marketing teams should work to build and maintain complete profiles for each individual.

Email?

Some platforms will assist in the "connect the dots" effort, mapping user IDs in system A to user IDs in system B to help build the complete profile. Some platforms will go so far as to help with fuzzy matching when those clean linkages don't exist.

Also, how great is the phrase "fuzzy matching"? So good.

Address?



There is a big gap between  
“having a bunch of data” and

T

“generating customer insights.”

At the end of the day, marketers want  
to understand the preferences of every  
customer and segment. They don’t just  
want to pull up information on “who  
bought cashmere socks last winter”

They want to know:

Who might be interested in purchasing  
those socks this coming winter?

Which of those customers is likely to  
respond to free shipping compared over  
10% off?

What other products might those  
customers be interested in?

When should we reach out to them?

Will they respond best to email,  
social, or direct mail?

In other words, predicting and  
anticipating behavior is the new  
standard for marketing analytics.

With millions of customers and  
billions of data points, generating  
insights requires a substantial amount  
of engineering and data science  
that combines historical data with  
predictive modeling.

Marketing teams that build or partner to develop capabilities in machine learning and predictive analytics are uncovering insights that translate into massive revenue opportunities.

For example, having access to Predictive Customer Lifetime Value ((P)CLV) is a powerful variable when building communication programs around customers for whom there is limited data — one-time buyers, for example.  
:)

We'll dive more into "(P)CLV" in the next chapter, but here's an example calculating what a customer can be expected to spend over a two-year period.

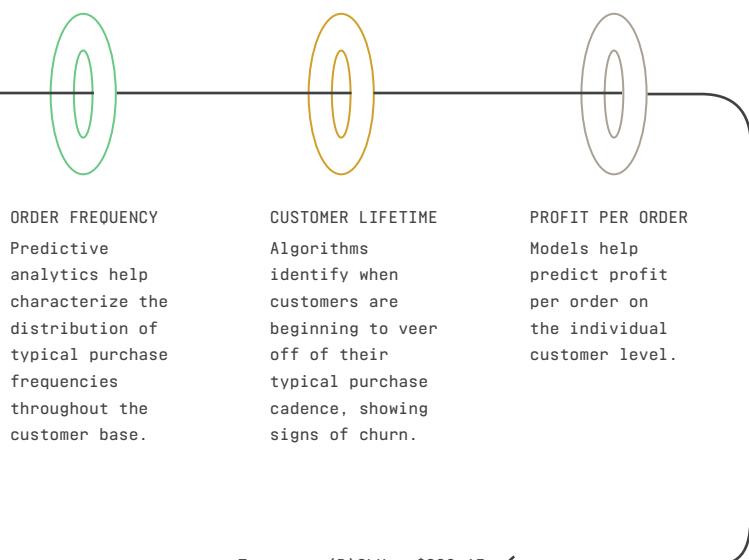


Her transaction data is analyzed across 3 probabilistic variables...

Tina buys a \$40 tiny plastic tree (her first purchase).

Advanced analytical models can also predict things like product affinities, promotional preferences, and engagement preferences.

Every year, teams, vendors, and academics are building upon their research, improving the sophistication of advanced analytics for retail.



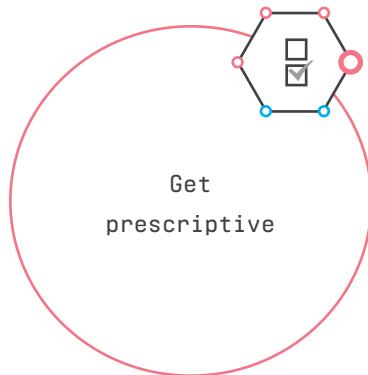


To quote G.I. Joe, “Knowing is half the battle.”

Generating insights is a critical first step, but if marketers don't have easy ways to access and activate those insights, the customer analytics don't drive much value.

Making those  
insights  
easy to use  
has four  
components.





The first big step in “making data useful” is to separate the signal from the noise. The sheer abundance of historical data is overwhelming. Layering on predictive insights for each customer has potential to drive tremendous value — but it’s also

#### MORE DATA.

To remove friction within the organization, we cannot expect marketers to comb through piles of data as they look for the needle in the haystack.

Marketers need guidance on which of those segmentation dimensions are most likely to drive the biggest gains.

For example, imagine a case where the Advanced Analytics team surfaces a data point on each customer described as “product category most likely to be purchased this week.”

At first glance, this sounds exciting and actionable. If the company is falling a bit short on selling their denim product, maybe the marketing team will use this segment to identify denim shoppers for a discount email.

Taking a step back, though, should we be segmenting based on this product affinity anyway? Or would it be more profitable to instead segment on coupon clippers for our discount email? Perhaps some customers have more loyalty to “the deal” than to any specific product.

Marketers can use some guidance on which types of segmentation are most appropriate for different business use cases.

Which data points matter?  
Where are the biggest opportunities?

There's a happy place that sits at the intersection of predictive insights and domain expertise. It's the Land of Curation. The Land of Opinionated Analytics.

### The Land of Prescription.

Teams that don't have access to some sort of filtering mechanism often land in a place where they feel like insights just shit on the shelf. Err, sit on the shelf.



THIS IS KIND OF WHAT THE LAND OF PRESCRIPTION FEELS LIKE



Provide a marketer-friendly interface

Marketers need to understand their customers. Rich customer insights are a prerequisite to any sophisticated strategic analysis (e.g., which customer segments are heating up and cooling down, and what should we do about it?).

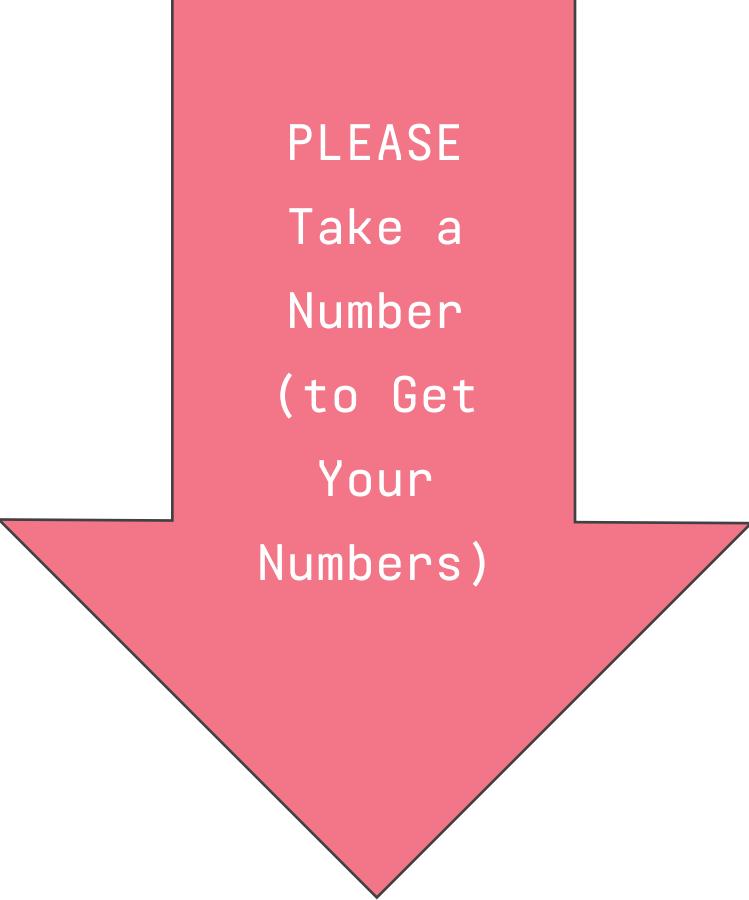
Insights are also critical for any creative brainstorm (e.g., what messaging will resonate with our athletic customers?).

In an ideal world, marketers would have rich customer insights at their fingertips to support almost every decision that takes place in the marketing department.

Today, it's often far too cumbersome to gain these insights on customers.

In some cases, the organization might have an Advanced Analytics or CRM team that is capable of providing deep, meaningful customer insights.

However, when these teams exist, marketers often have to file tickets to request insights. Because the Advanced Analytics teams often serve the entire organization, those requests can take weeks or moooooo 0oo 0oo 0oo 0oo 0oo 0oo 0oooooooooooooooooooooooooooo 0oooooooooooooooooooo 0oooooooooooo 0ooooo



PLEASE  
Take a  
Number  
(to Get  
Your  
Numbers)

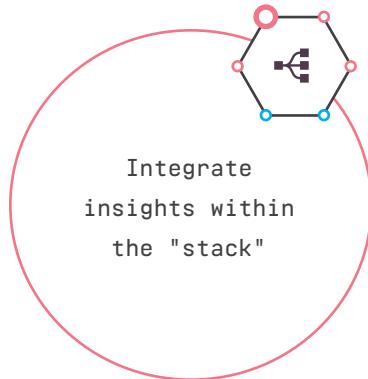
Unfortunately, this lag time takes away a number of opportunities.

For example, consider someone on the marketing team who needs to pull a list of customers with an affinity towards cashmere socks. She needs the list today to help the merchandising team clear out this season's remaining inventory.

If it takes three weeks to get her hands on the list, she simply won't make the request.

When marketers have an intuitive, accessible interface for collecting insights related to common use cases, it can fundamentally change the way the team leverages customer data.

From list-pulling to insights that can inform budget allocation to insights that can inspire creative, rapid access to customer data can unlock numerous opportunities to drive growth and repeat purchases.



Marketers should have a simple way to build an audience and push that audience into all their execution tools.

This is easier said than done.

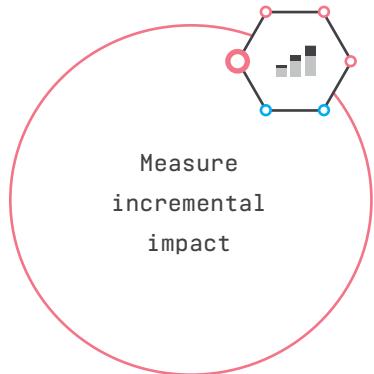
Some execution tools key on a CRM ID, others on an email address, and others on a cookie/visitor ID. Friction in the “audience pushing” process often leads to a state where marketers simply rely on email for targeted messaging.

Teams that build or find partners to help find “the customer” across the stack are able to more rapidly experiment with consistent, cross-channel communication.

Without an easy way to integrate insights across the stack, teams often resort to what's simple: each channel does their own thing with little to no coordination across teams.



OK GUYS, HERE'S THE PLAN!  
JUST RUN AROUND AND KICK THE BALL IN ANY DIRECTION AND  
KIND OF JUST DO WHATEVER YOU WANT!  
AND TRY KEEPING YOUR EYES CLOSED TOO!  
READY BREAK!



Measure  
incremental  
impact

Finally, a customer-obsessed marketing organization needs to measure success on a customer level.

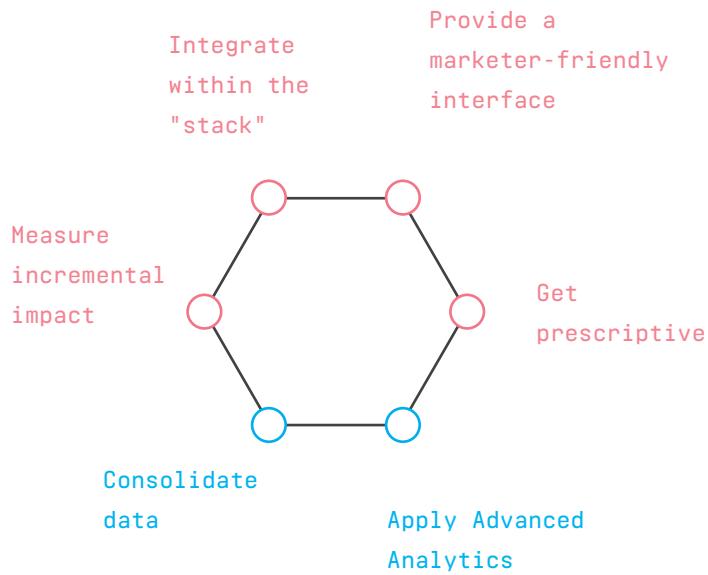
For example, it's not enough to measure the performance of a multi-channel one-time buyer program by simply looking at the last-click revenue generated from an email campaign.

Marketers need a way to measure the incremental impact on Customer Lifetime Value of the one-time buyer program they initiate.

This requires data analysis that is not channel-specific. Furthermore, marketers need the ability to conduct this type of measurement without reaching out for cross-functional support from CRM or Advanced Analytics.

When marketers can run more tests and analyze results on their own, they find the right tactics faster.

Here's what she looks like, fully assembled. Beautiful.



Now, you might be thinking, this is a lot to tackle.

You might also be thinking, "How great would it be if all of these capabilities were enabled all at once — through a single platform?"

Ah, you're in luck.

Another way to describe The Hexagon is a Customer Analytics Platform, and it's what we've built at Custora.

## A Customer Analytics

Platform sits at the center of the Marketing Stack, right between the data warehouse and the marketing team and tools.



Once the six core capabilities are installed within your stack — with a platform like Custora or otherwise — you're ready to start cooking a five-course meal to satisfy those repeat purchase cravings.

MARKETING CHANNELS,  
TOOLS, AND TEAMS

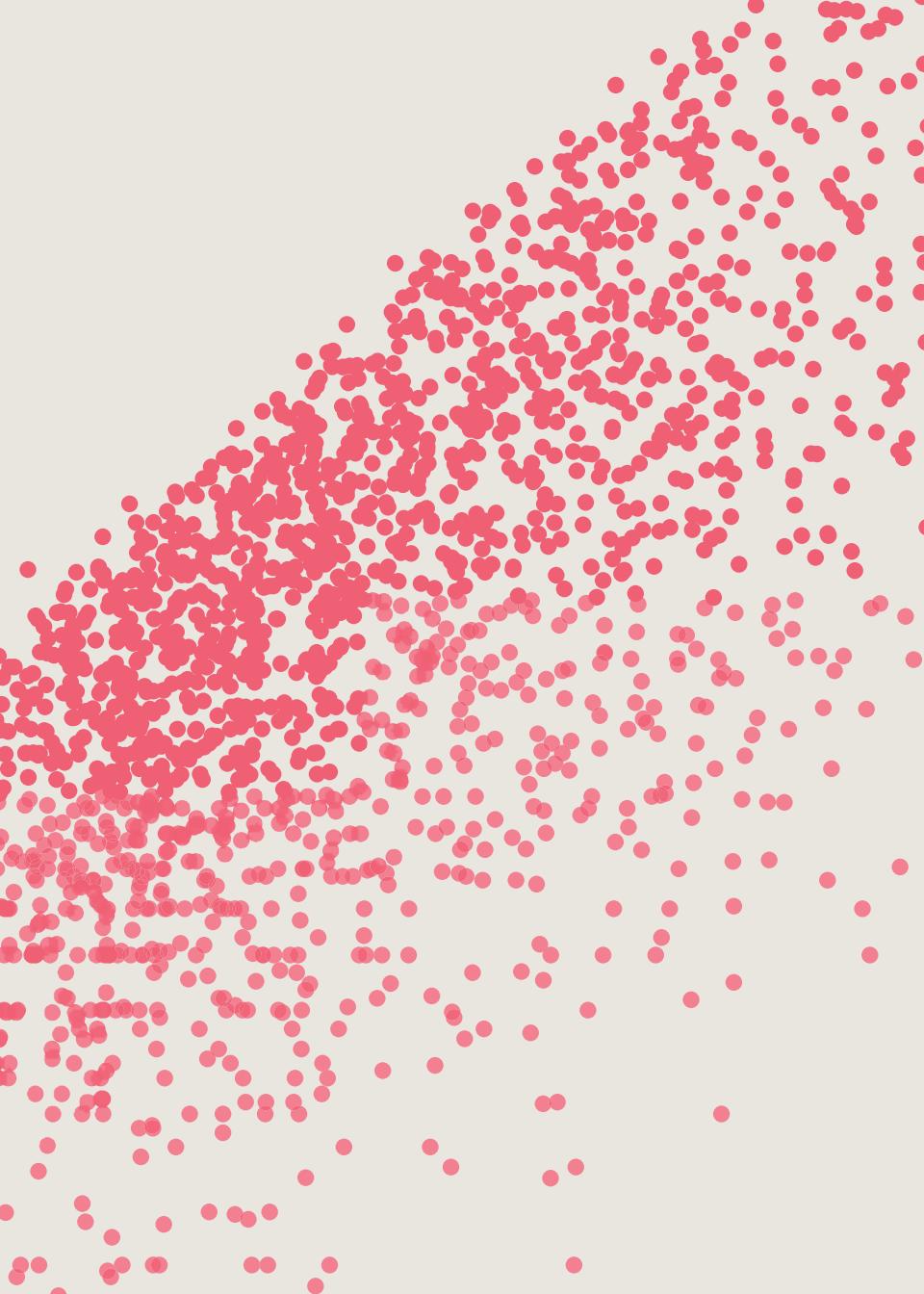
DATA WAREHOUSE +  
DATA SCIENCE TEAM  
(IF ONE EXISTS)

RAW DATA

BLUEBERRY

BUTTERY-SMOOTH +  
EFFECTIVE MARKETING  
COMMUNICATIONS





## Chapter 5

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# Getting Tactical

(Five Steps to Fewer One-and-Dones)

↑  
Predicted Customer Lifetime Value plotted  
against recorded spend

That "honeymoon" period just after a customer makes her first purchase is a particularly crucial time for cementing the relationship.

It's when the customer is still forming an impression of the brand — getting to know the retailer and determining how the brand fits with her values and her life.

The following tactical outline is culled from the best practices of leading retailers and represents the collective know-how of some of the savviest digital marketers around.

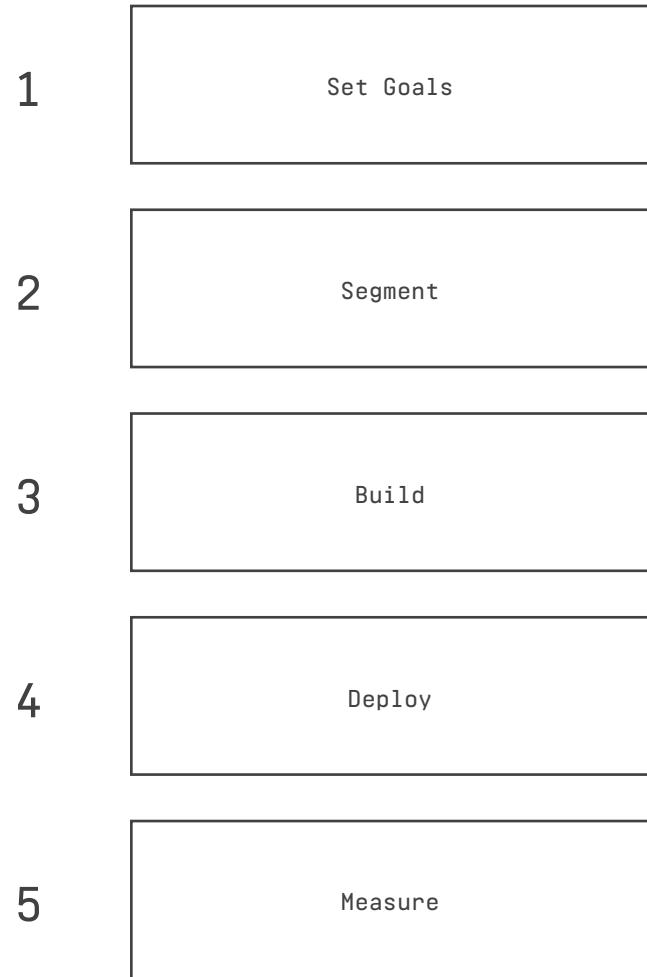
This is the part you could have skipped to if you just wanted to know what to do.

Unless you did.

In which case, welcome.

And make sure you read the rest.  
It's not bad.

Once you've installed the capabilities outlined in the previous chapter (or installed Custora :) ) into your stack, the process for building an effective one-time buyer program or super-charged welcome series can be broken down into five phases.



# 1. Benchmark current performance and set goals

Before any team can create a plan, it needs to benchmark its current performance and determine short- and long-term goals.

As marketers, after all, we can only improve and optimize the things we measure.

There are two important metrics to keep an eye on as we look at the early part of the customer lifecycle.

The first is a metric that captures the current "one-time buyer conversion rate." However, we can't just simply calculate a "1x-to-2x" conversion rate and call it a day.

A one-time buyer could, in theory, make that elusive second purchase 60 days after the first purchase or 600 days after the first purchase. For the metric to be practically useful, we can't wait 600 days for the statistic to update.

We developed a metric that we call the

**Early Repeat Rate (ERR).**

It's defined as the percentage of new shoppers who make their second purchase within 60 days of their first.



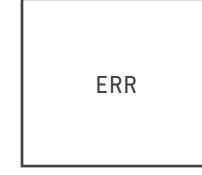
While the ERR doesn't capture the total number of one-time buyers who will convert into repeat buyers, it serves as a leading indicator of the overall conversion rate and provides the marketing team with more timely (and useful) feedback.

The second critical metric is Predictive Customer Lifetime Value (P)CLV — a prediction of the total amount of revenue or profit a single customer will generate throughout her relationship with the brand.

Predicting the lifetime value of a new customer might seem like a tall task, but academics and vendors (like Custora) have made great strides in generating accurate predictions.

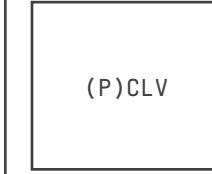
(P)CLV is important to provide a little check-and-balance to the Early Repeat Rate.

For example, imagine a marketing team that tries to improve the ERR with extensive promotions following the first purchase. In this case, the ERR will likely increase substantially. However, the (P)CLV scores will drop considerably.

A small square icon containing the letters "ERR".

#### Early Repeat Rate

How many of our one-time buyers make a repeat purchase? Within 30 days? 60 days? 90 days? 1 year? (This may vary depending on the nature of the business/category. A luxury accessory brand, for example, might have a 90-180 day window.)

A small square icon containing the letters "(P)CLV".

#### Predictive Customer Lifetime Value

How much a customer is expected to spend over their relationship with a brand. P(CLV) for an individual customer is a function of predicted order frequency, spend per order, and "lifetime" (how long she will remain an active customer).

To get started, most teams will record the current ERR, set some goals to improve those numbers, and keep an eye on (P)CLV as they put plans in motion to ensure it stays constant over time.

## 2. Identify and analyze one-time buyer segments

Now that the right benchmarks, Key Performance Indicators, and goals are in place, we shift gears to address the opportunity. As you might remember from Chapter Two, this means we need to isolate a couple (at least) of unique customer segments.

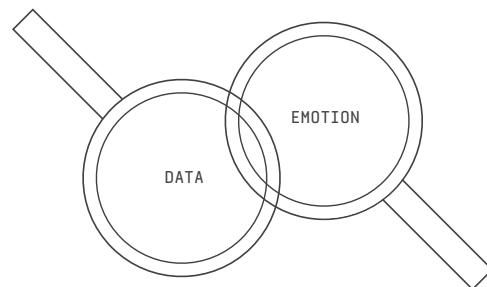
Ultimately, we want to create a communication plan for each segment. The first order of business is to uncover which segments exist in the customer population.

We believe in "data-first" segmentation. That is, we think it's best to first look to the data to uncover sizable pockets of customers who behave (i.e., make orders) in a similar manner.

Then, layer on descriptive information such as demographics and qualitative observations obtained through surveys and focus groups.

This is counter to the "qualitative-first" approach that is commonplace for many retailers. Unfortunately, "qualitative-first" approaches often begin in The Land of Aspiration. That is, there's a tendency for marketers to carve out segments \*they wish\* existed in their population — regardless of whether or not they are there.

Starting with data keeps us grounded in reality.



There are a number of ways to conduct a data-driven segmentation exercise.

For example, one method that marketers use to surface the most distinct personas or audiences in their customer base is

### Predictive Affinity Clustering.

Algorithms like "k-means clustering" can help sift through large volumes of data to uncover hidden patterns. For example, customers who have similar interests or tend to purchase similar types of products. These analytic approaches can help sort even brand new customers into known clusters or "series" based on leading indicators of purchase behavior.

It's now common for retailers to staff an analytics team who might tackle this sort of challenge. If such a team doesn't exist in-house, there are vendors (like Custora!) who can help.

### LAYER IN DEEPER INSIGHTS

Data-driven segmentation approaches like clustering can help marketers tease out the most important behavioral segments. As marketers, it's important to be able to relate to these segments on an emotional and intuitive level — not just as mathematical clusters.

Quantitative enrichment analysis can help identify what demographic attributes make each segment unique. For example, perhaps 65% of the "trendsetter" cluster comes from the East Coast, while 70% of "athletes" come from California.

Qualitative approaches (i.e., data gathered from interviews, surveys or psychographic information garnered from Facebook or other social media) can provide visibility into segments' lifestyles, attitudes, secondary interests, and other brand affinities.

## DEFINE VALUE PROPOSITIONS

The insights gleaned from these quantitative and qualitative segment discovery approaches should help the marketing team define a clean, crisp communication strategy for each segment.

Here are some of the dimensions on which the marketing team should now feel empowered to tailor its messaging:

### Leading Message / Proposition

Do we emphasize our brand's convenience, high-fashion credentials, or affordability?

### Merchandise Assortment

What types of products or brands should we showcase?

### Look and Feel

Obviously all marketing communications should appropriately reflect the brand. But within those constraints, how can we tailor the imagery and messaging? Perhaps one version is approachable, another aspirational, and another whimsical.

One fashion brand, for example, discovered that customers resembling their family shoppers (e.g., those purchasing kids' brands) tended to favor approachable, convenience-driven messaging.



STOCK UP  
AND SAVE!

In contrast, customers showing an affinity for haute couture tended to gravitate to more aspirational, brand-heavy communications.



BLACK IS THE  
NEW BLACK

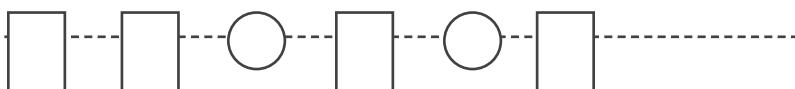
These types of insights can serve as the creative foundation upon which a one-time buyer program will be built.

### 3. Build journeys and triggers for each segment

With segments and value propositions in hand, we can start thinking of our one-time buyer program.

First, some semantics. In this book, we'll refer to your "program" as the complete set of emails you put in place to help with "1x-to-2x" conversion.

A program combines a  "series" and  "triggers." A series (e.g. the welcome series) is a sequence of emails you send over time for a given segment (e.g., "trendsetters" or "athletes"). Triggers are occasional automated messages that you layer on top.



First things first, we can think about the base series we want to build for each segment. A few pointers to guide our thinking:

- 1) The goal is to get more customers to convert by 60 days. That doesn't mean we need everyone to convert on the first email. It's all too easy to fall into a trap of trying to communicate everything at once in the first email, Often a simpler message is more powerful.
- 2) Resort to the value proposition exercise. If the trendsetters are all about being "first", the creative content of each message should speak to that emotion.
- 3) It's important for these messages to stand out as customers will also be receiving standard emails during this time. Try to maintain a consistent narrative and explore ways — from subject lines to the creative content — to differentiate.

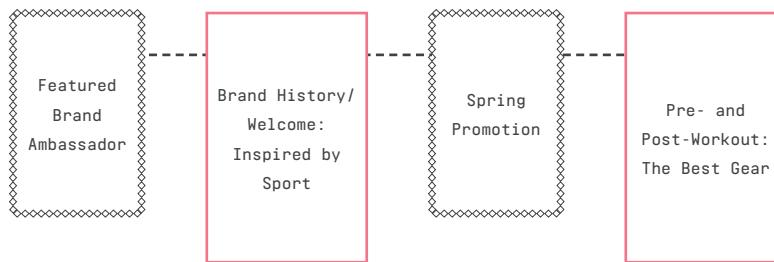
4) As a general rule of thumb, consider two "welcome" touchpoints per week. On other days, customers will receive standard daily/regular communications. If possible, consider building a total of 12-16 creatives per series to last the first two months. If that seems like a tall request, consider easing into it with a four week series.

5) Assume the creatives will be refreshed a few times a year. That is, focus on merchandise for the season. You don't want your series to focus on winter wear for new customers who join in May.

WEEK 1



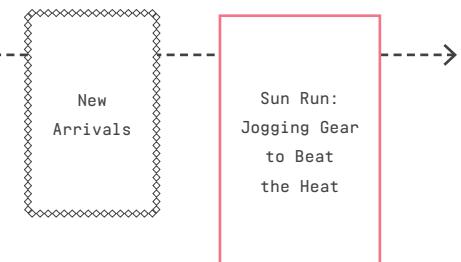
"Athlete" Series



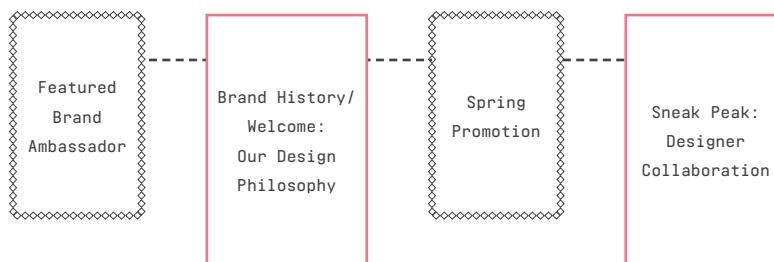
WEEK 2



Invitation  
to Engage  
on Social  
Media!



"Trendsetter" Series



Invitation  
to Engage  
on Instagram  
and get  
Exclusive  
Deals!





The series forms the basis of the one-time buyer program. However, we can spice things up a bit further with triggers.

There are a couple beautiful aspects to triggers. For one, they're automated. Once you set them up, you can forget about them take solace in knowing that your ESP is routing them out to the appropriate users at the appropriate time.

For another, they're evergreen. The creative team only needs to generate a single creative for a trigger. That creative can be used in an evergreen manner because a single customer does not go through the same trigger more than once.

Triggers are like the salt and pepper in your one-time buyer program. Segmentation provides the foundation of the recipe and triggers enable us to tweak things slightly to resonate with the tastes of individual shoppers.

There are two categories of triggers than can boost the performance of your 1x-to-2x program: promotional triggers and cross-sell triggers.

Within each category, the important variables are the timing (i.e., when to send the trigger?) and the content (i.e., which offers and which products should we show?).

Thus far, we've stayed far away from the dreaded "P-word." Pumpkins. Just kidding. Promotions.

As we mentioned in the introduction, promotions are eating into margins and making long-term growth a real challenge. As a result, marketing teams are trying to significantly cut back on promos whenever possible.

That said, marketers also live in the real world — where monthly revenue goals are important and promotions influence shopping behavior.

The challenge is in leveraging promotions in the smartest manner possible. Triggers offer a way to strike this balance and assist in the 1x-to-2x conversion without shaking too much promo-salt on the overall new customer experience.

From a timing perspective, rather than rely on a one-size-fits-all approach to post-purchase triggers (e.g., 30 days), we can use analytics to identify the optimal timing for each individual shopper.

For example, repeat customers who start off buying accessories might tend to make a second purchase by day 45.

Likewise, repeat customers who start off buying dresses might have a tendency to purchase a second product 90 days later.

Identifying those crucial inflection points in the post-purchase cycle — when an individual customer may be most receptive to making a second purchase — is essential for making sure post-purchase triggers resonate with customers at the right moment.

We can also optimize the types of promotions offered. Everyone has a preference. Some customers love their buy-one-get-one-free deals. Others can't resist anything 25% off. Some jump only when free shipping is offered.

Marketing teams are learning how to tailor promotion types for different customer segments. Sometimes these insights can be gleaned from analyzing past promotions. But if not, marketers can run experiments to understand which tactics resonate with which segments.

# BOGO

## CROSS-SELL TRIGGERS

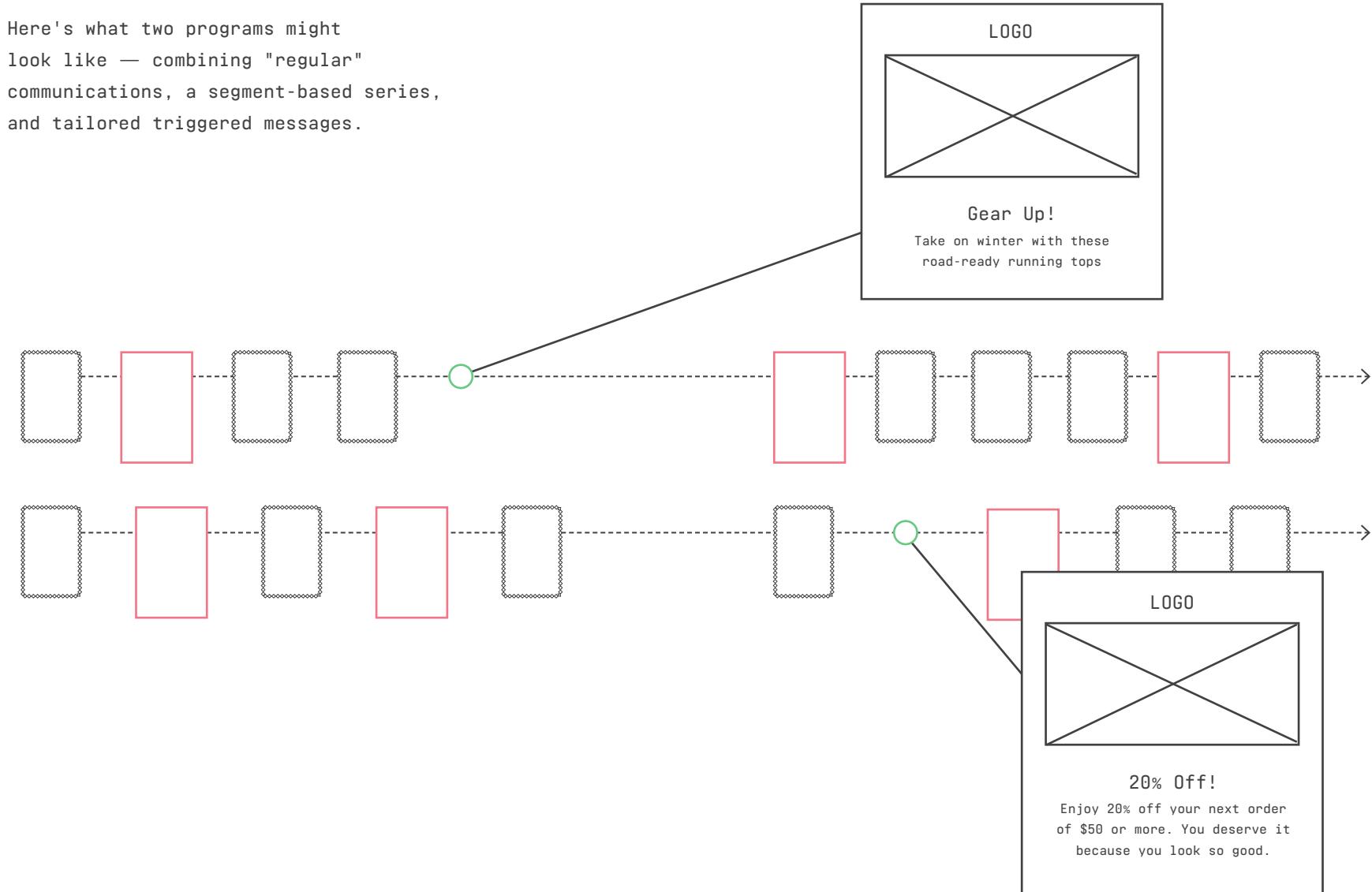
The other area in which triggers add some spice to the welcome series is a cross-sell trigger based on the first item purchased.

If a new shopper bought a pair of running sneakers, we might know (from rigorous data analysis, not just our hunch, of course) that when customers follow up to make a second order, it's usually a running tee in the summer and a headband or hoodie in the winter.

On the other hand, customers who first order a designer skirt follow a different path.

For those shoppers, the second purchase is usually another dress which takes place about two months after the first purchase. These types of insights, both in the timing and the content, can offer a touch of personalization that boosts the performance of the overall program.

Here's what two programs might look like — combining "regular" communications, a segment-based series, and tailored triggered messages.



## 4.

# Deploy!

If only marketing was as easy as simply writing up the script. Logistics (AKA Farketing) can be a real beast. There are a few main topics to think through as you shift into operational mode.

- 1) Prioritize during set-up
- 2) Use hold-out groups
- 3) Keep segments up-to-date

### 1) PRIORITIZE DURING SET-UP

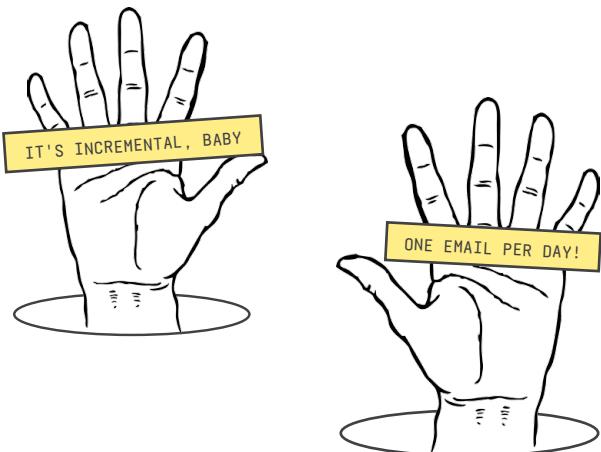
Most popular ESPs support the ability to build a series (or a journey, or a sequence — insert your favorite feature name here).

Depending on your ESP, you might set up the promotional triggers and the cross-sell triggers within the same "journey," or these might be set up separately.

The next thing to consider is prioritization. There are a couple schools of thought on this.

On the one hand, you can view both the core series and the triggers as incremental. Customers who receive those emails would receive both the standard, daily email \*and\* the 1x program emails.

If you follow this route, be sure to set the series emails for a different time in the day. For example, if your daily email goes out at 9am, perhaps configure the welcome emails to go out around 4pm.



On the other hand, if you are trying to reduce the number of emails you are sending per week, you might prefer to avoid the incremental approach.

Down this path, you'll want to ensure that all users who receive a welcome email (series or trigger) do not also receive the standard, daily email. ESPs vary in how they enable this type of prioritization.

Some brands enforce a global "one email per day" rule. If that's the case, you can simplify life by ensuring your series and trigger emails go out first thing in the morning.

Some will require that you create a daily suppression list of folks who will receive series or trigger emails.

If that's the case, you need to setup a process to keep those lists updated.

## 2) USE HOLD OUT GROUPS

As we discussed above, our goal is to improve the Early Repeat Rate. We plan on trying a variety of stories and tactics as new customers flow through these programs.

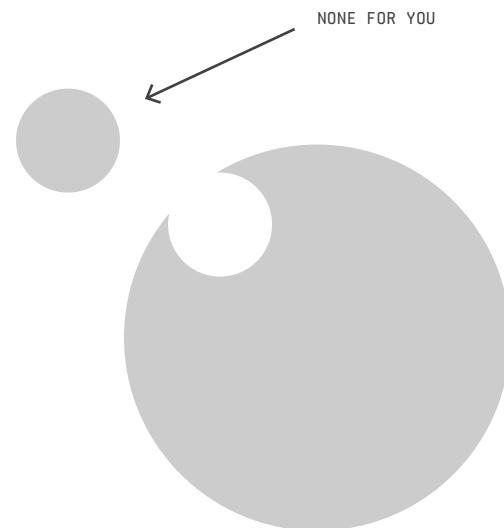
Accordingly, we need sharp statistics on how our ideas impact the ERR. The only way to enable this is to hold out randomized control groups. Say what?

Broadly, if we add one thousand new customers in our athlete segment, we'll want to 'hold out' a group of them, at random, who will not receive any emails from our one-time buyer program.

Later, we'll be able to compare the performance of users who receive the program versus those who don't.

This sets us up for some high-quality incremental measurement that we'll explore in greater depth in the next chapter.

For now, however, note that you'll want to automate the "hold out" step. If this sounds like a little bit of a logistical nightmare, not to worry, as there are tools (like Custora!) that take care of all these nuts and bolts for you, so you can focus on the creative aspects of improving the program rather than the logistical details.



### 3) KEEP SEGMENTS UP-TO-DATE

Once your program is all set up and you have a system in place for measurement, it's time to put things in motion.

Of course, the first step is that you have to identify which customers belong in which segment! Depending on how you've defined the series, there are a couple ways you can do this.

If the series are very straight-forward, perhaps you can set up a rule in your ESP based on the first product type purchased.

For example, if the customer purchased sneakers, set them on the Athlete series. If a dress, over to Trendsetters. Many ESPs enable this type of simple triage if you have your purchase data integrated into their platform.

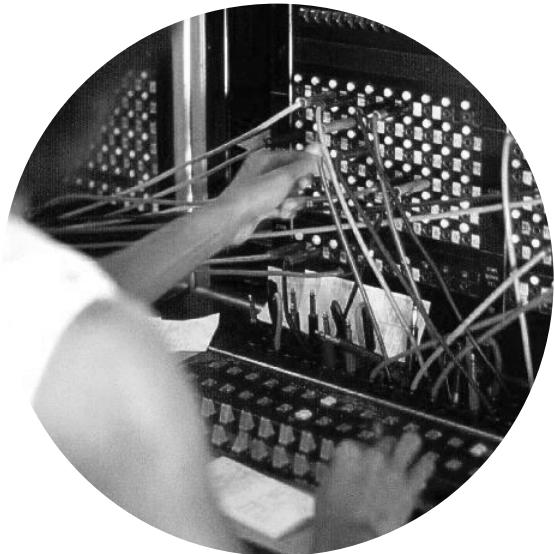
However, this approach tends to get sticky (Farketing alert) once the rules become a bit more complex.

If you look into your crystal ball a year from now, you'll notice that you have four or five series. Things are no longer as simple as "You bought a dress? You're a trendsetter!"

After all, you have a "urban professional" series in addition to your "trendsetter" series now. Maybe this new dress-buyer belongs in that bucket?

Moreover, in this happy land of the future, you look at more factors than simply the first product purchased.

You look at the whole set of products the customer viewed, you look at the channel where you acquired the customer, and you look at the demographic info you have on hand. All this information helps you place a customer in the right series.



IMG: JOSEPH A. CARR (CC)

While the simple rule-based approach is a good starting point, you'll want to build or partner with a vendor to avoid a complex rule-based decision tree down the road that might feel something like this.

Vendors (like Custora? Yes) can help with advanced, predictive analytics. They can constantly monitor new customers and assign each new customer into the right bucket so you can spend more time focusing on the creative aspects of improving conversion and less time on — yes, there is a theme here — logistics.

## 5. Measure and Optimize

"The best laid schemes o' Mice an' Men,  
Gang aft agley." - Robert Burns

No matter how brilliant our original series and triggers are, and no matter how well we plan, some of our ideas will resonate and some simply won't.

No predictive analytics, no matter how accurate, can fully capture the complex interplay between art and science that makes great marketing so effective.

That's why the most successful marketing strategies are built on a firm test-and-learn foundation.

Before implementing any new one-time buyer marketing initiative, retailers should test with two broad goals in mind: "tactical" and "strategic."

### TACTICAL

Which message is the most effective at driving post-purchase conversion for a particular segment?

### STRATEGIC

What is the impact of our programs?

How much incremental benefit is a particular program (e.g., a one-time buyer post-purchase program) creating?

Most marketing professionals are familiar with testing methods that attempt to answer tactical questions.

Consider the use of A/B testing, where variables are altered between two different marketing communications or tactics, and user responses under each scenario are recorded.

Such experimentation can help optimize the placement or color of on-site buttons, email subject lines, or the creative within a display advertisement.

A/B testing is an essential tool in the marketing toolkit, especially for fine-tuning existing marketing programs. But truly strategic testing can help answer questions with broad organizational implications like the ones above.

To do so, it goes beyond gauging simple channel engagement metrics (e.g., opens and clicks for email, clicks or likes for Facebook).

Instead, it attempts to measure the incremental, multi-channel impact of a particular marketing initiative or experiment.

CALL TO ACTION



CALL 2 ACTION!

The cornerstone of this kind of testing is the use of a

### Holdout Control Group.

As briefly mentioned in the previous chapter, this is a randomly selected subset of customers from the same group within an experiment who are “held out” (i.e., suppressed) from receiving a particular communication.

For example, a 10% sample of trendsetters might not receive 1x-to-2x program emails while the other 90% receive the full program. Depending on the test setup, the holdout group may receive a “business as usual” communication instead of no communication.

The goal of holdout testing is to proxy how the segment in question would have responded without the marketing action. What would have been the baseline?

For example, how many one-time trend-setters would have naturally converted into repeat customers if the retailer hadn’t implemented a 1x-to-2x program? How many converted with the program in place?

Armed with this knowledge, the marketing team can make confident assertions about the incremental impact of different communication strategies. It can then opt for the approach that has lead to the most significant lift in repeat-purchase penetration.

Another benefit to control group-driven testing is that it naturally enables marketers to measure customer-level impact across a variety of channels.

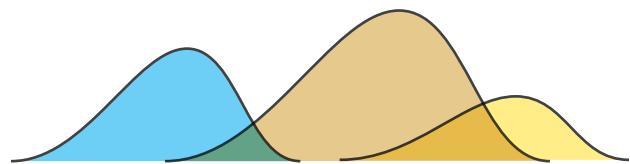
Specifically, it allows them to compare shopper behavior (e.g., purchase rate, revenue per user) between test and control groups across all channels — rather than just looking at response rate of any single channel.

As a result, marketers can test a variety of approaches and discover what combination of marketing vehicles work most effectively for each segment.

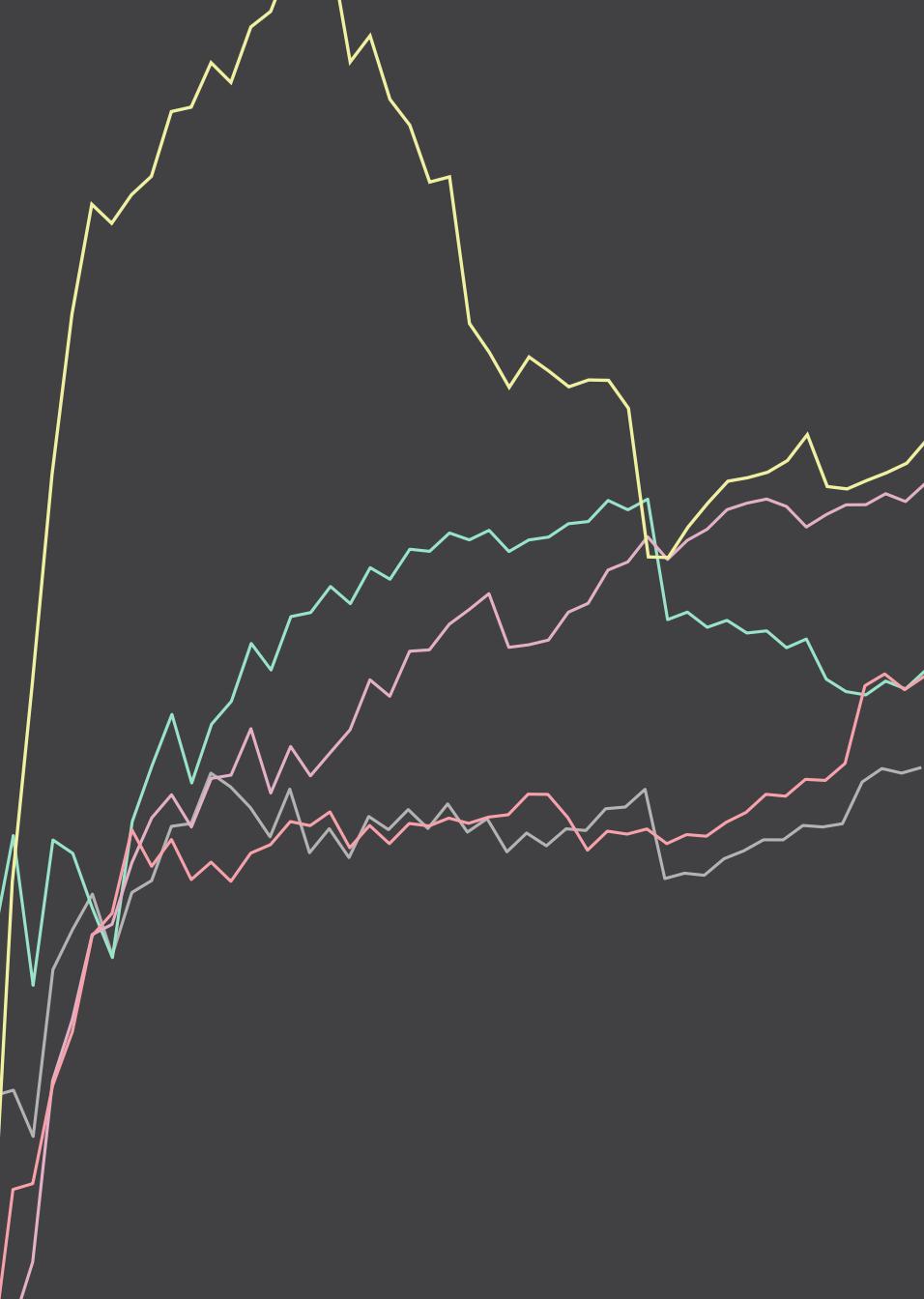
For example, a marketing team might discover that for their trendsetter segment, the greatest incremental lift in one-to-two-time conversion rate occurs when the post-purchase series is orchestrated across email, direct mail, and display.

In contrast, for the athletes segment, a combination of email and on-site personalization might result in the greatest positive impact.

The most successful marketers take a systematic approach to holdout testing. They use holdout control testing to measure the sequencing, content, and channel combination of communications for each one-time buyer segment.



As a result, they're able to quantify the incremental impact of each additional marketing touchpoint and curate the optimal experience for each customer.



↑ Collection of heart rates recorded from readers of this book who suddenly realized they can do something about one-time buyers

## Chapter 6

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# The End?

(A Tidy Summary that Mostly References  
Custora and How We'd Love to Meet You if  
We Haven't Already)

Solving customer challenges like the one-time buyer problem is critical to sustainable growth for retailers.

There's no silver bullet when it comes to solving the one-time buyer problem — but it starts with adopting customer analytics tools to derive insights and speed execution across channels.

And it requires a constellation of connected events, initiatives, and mindset shifts to capture the tremendous opportunities locked away within the customer base.

Self-serve, always-running customer analytics solutions are changing everything for marketers.

They empower marketers to explore data without assistance — putting the power of insight into their hands. And because they surface the insights in a timely manner, marketers don't miss out on opportunities.

Platforms like Custora also make it possible to immediately take action on those insights.

With a prescriptive approach to surfacing valuable insights, marketers boost the likelihood of purchase and can systematically drive new, more profitable marketing initiatives.

In other words, they can move from a one-size-fits-all approach to a much more nuanced understanding of their most important segments — like the many flavors of customers who tend to make one purchase and never come back.

To learn more about using customer data to solve the one-time buyer problem and other customer-centric challenges, or to get nerdy about "k-means clustering," please say "hi" at [custora.com](http://custora.com).

## ABOUT CUSTORA

Custora is the leader in advanced customer analytics for retail.

We help brands systematically grow Customer Lifetime Value.

Most marketing departments are filled with powerful channel marketing tools, but it's still hard for organizations to put customer-focused programs in place to convert one-time buyers into repeat buyers, reduce churn without increasing promotions, and acquire more high-value customers.

The Custora Customer Analytics Platform gives executives and channel marketers the power to systematically increase lifetime value. Custora provides executives with a strategic customer lens to identify blind spots and prioritize growth opportunities.

The platform also puts predictive insights directly into the hands of the marketing team. Custora integrates with marketing execution tools and makes it easy to build customer-centric strategies, deliver customer-focused campaigns, and measure impact across channels.

Custora is helping over 100 great brands like Tiffany & Co., Guess, ANN Inc., Tory Burch, Chico's, Nordstrom companies, Backcountry, Teleflora, and Crocs grow revenue, reduce promotions, and improve profit margins.

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Vicky Williams Graham  
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Erin Hubbard  
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Nicki Kornbluth





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