

Customer Lifecycle Marketing

Ever read an article on marketing and not actually understood it? Even though you think you understand the meaning of the individual words, somehow then marketing men string them together it makes no sense at all. This is because Marketing people use their own special kind of language. Like the way programmers use words like 'objects' and 'methods' to mean something completely different to what everyone else knows their meaning to be. Marketeers have their own special meanings for certain concepts. Often you will get a few acronyms thrown in too to confuse you further.

Customer lifecycle marketing articles are amongst the worst ones for this kind of behaviour. Instead of writing in plain English, these marketing experts seem to prefer to use jargon and short hand to convey their message. So before explaining what customer lifecycle marketing (CLM) is, we should cover the common terms you might come across when researching it.

CRM – customer relationship management – this is the process by which a company manages it's interactions between current and future customers. Often this involves using technology to track when the customer had had any contact with the company, and who is responsible for looking after them.

CR- conversion rate (covered in the previous chapter) – basically the percentage of visits to your website that result in a sale.

RPV – Revenue per visit – how much each customer visit to your website is worth on average – this is a better measure of overall conversion rates as it takes into account the value of purchases, not only the number

CLV – Customer Lifetime Value – basically a measure of how much that customer will be worth for the lifetime of their involvement with your company. If the customer makes a single one-off purchase, then the CLV is the same as the single sale. It is impossible to accurately predict future spending behaviour, but there is a method called predictive analytics then tries to do this.

Operating a business on a single sale process model is very inefficient. That's like throwing away your socks after wearing them every day and buying lots of new pairs. To increase your business value, you need to continue getting sales from the same customers as well as creating new customers. You cannot just rely on a single customer experience to get repeat custom. This is where CLM comes in.

Customer Evolution

In CLM, the customer passes through 5 distinct levels:

Prospect – lead – single purchase customer – repeat customer – loyal customer

In this model, the customer is given a label which starts off as a prospect and goes through the cycle until they become a 'loyal customer'. When working in this model, the focus is very much on advancing the person from one stage of the cycle to the next. Another phrase used to describe this model is 'evolution marketing'. At each stage of evolution you will lose customers. Not all prospects become leads, not all leads go on to purchase. So the focus of your efforts is to prevent as much leakage as possible from the stages. In this way, the CLV for each person is optimised.

The marketing process

There are a number of models for CLM marketing. One such model advocates a 5 stage process of:

1. Reach – getting the attention of people we want to reach
2. Acquisition – in an ecom website this means getting the people to visit the website
3. Conversion – getting the people to make a purchase
4. Retention – getting the people to buy more – e.g. cross selling, up-selling, discount codes etc.
5. Loyalty – getting the person to become more than a customer and because a 'brand ambassador' – e.g. advising friends to use your website or writing good reviews for your products.

A simpler model is that which proposes 3 stages:

1. Acquisition – getting leads
2. Activation – converting leads into customers
3. Retention and Loyalty – getting repeat customers

The two models are quite similar in their approach, although the first model is perhaps better in that it better fits the evolution marketing model.

For online businesses, there are 3 challenges:

1. How do we get people to visit the website
2. How do we get people to buy things from the website
3. How do we get people to come back and buy more

Of the 3, the last one is the most significant. Getting people to come back and buy means you have won customer loyalty. This will increase the number of visits to the website from new customers if the loyal customer tells their friends. It also means that those visitors will have a higher opinion of the site and trust it more so will be more likely to purchase (challenge 2) and in turn they may become repeat customers if they have had a good buying experience. In this way, customer lifecycle can be seen as a circular process. At each stage of the process, your aim should be to prevent people from dropping off the cycle. This can be achieved by providing a good quality sale, and by following up on sales.

Post sale marketing

Many online businesses do not follow up on sales. They might add the customers email address to an email distribution list and send them the same batch email that they do to all their email subscribers. To increase return purchases, you need to focus more on what the customer is interested in. There are a few ways in which this can be done:

1. Interest based marketing – have different marketing lists for different interests, eg an email list for people who have previously bought bikes, and then another one for people who have previously bought car accessories – and then create different marketing emails for each.
2. Previous activity based marketing – Amazon is very good at this. If you look at watches on Amazon, then quite likely the next email you get will be ‘hey look at these great watches’.
3. Staged marketing – this involves having a series of marketing messages (eg an email course) and after being added to the marketing list, the customer received these messages at regular intervals. This is quite effective in situations such as pregnancy where you can send them a week by week update on what to expect from their stage of pregnancy.
4. Countdown marketing – can be used in cases such as when a subscription is about to end. An email is sent a few weeks before prompting them to update their subscription, then another a week before saying their subscription will end next week. Then a couple days before send a ‘last chance to subscribe at the lower price’ email, and then one after the subscription has ended to say ‘Resubscribe now’

Whatever method you use, the important thing is that you continue your engagement with the customer. After working so hard to get the prospect to turn into a customer in the first place, it would be crazy not to keep them as a customer, because if you don’t, someone else will.