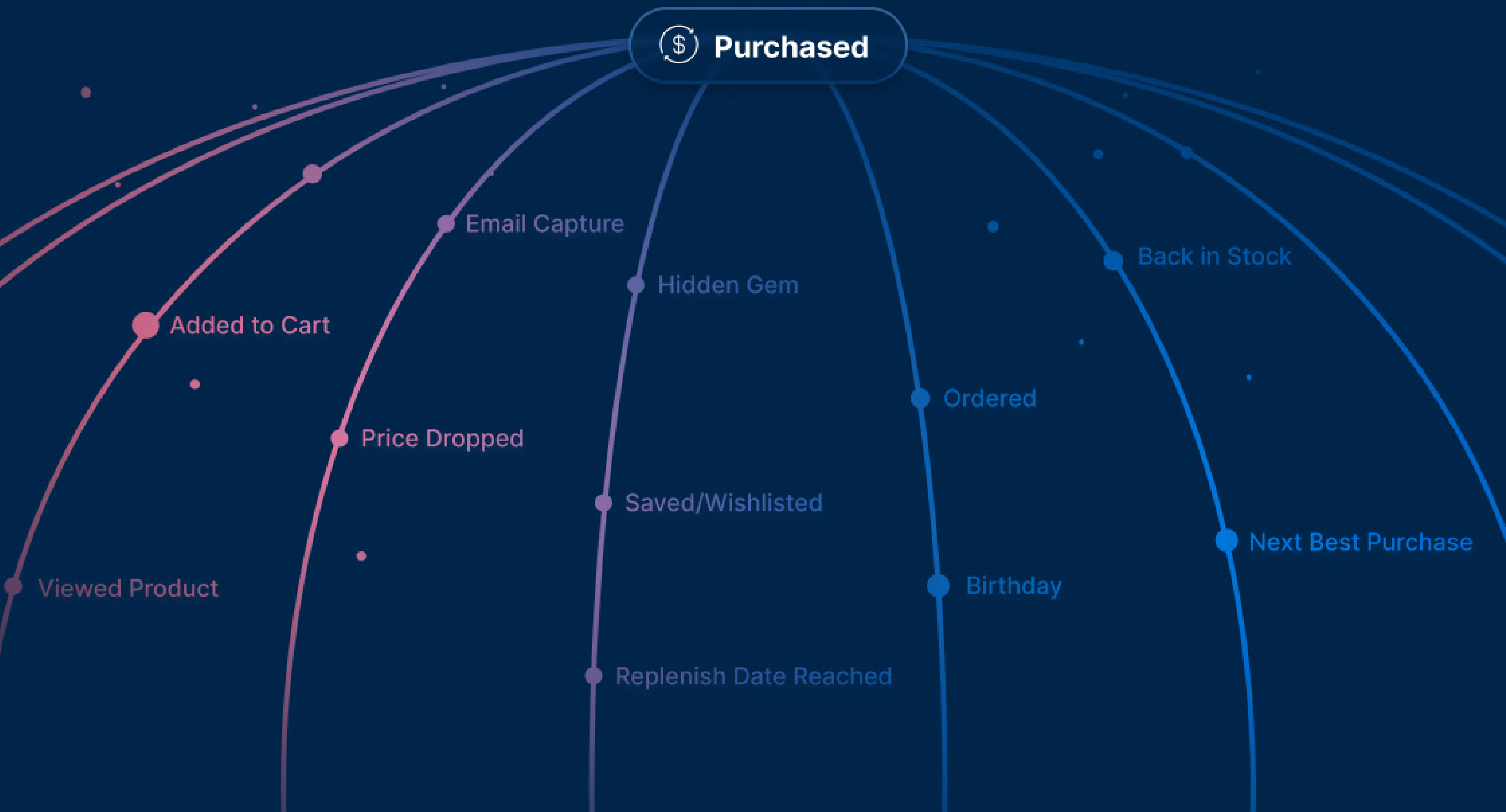
Bluecore

Customer Movement

Retail Strategy for Short-Term Gain and Long-Term Profit



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Retail has always been challenging. **But this time is different.**

Yes, inflation is hammering consumers. Higher interest rates, geopolitical instability, and continuing supply chain snafus are squeezing both marketers and shoppers. But retail faces a number of deeper issues that aren't caused — and won't be cured — by cyclical factors.

Acquisition costs are rising, yet acquisition budgets are getting slashed. Retention strategies are ineffective — and retained customers are the ones who drive profits. Brands are unable to identify the vast majority of their shoppers, and can't contact them through their owned channels. Marketers are unable to see the incremental impact of their efforts, and mistake the volume of their communications for their value. Urged on by heavy discounting, one-and-done buyers are destroying profitability.

Enterprise retail and direct-to-consumer organizations have tried to respond by investing heavily in centralized customer data, in the hopes that having a complete view of the customer will allow them to be more relevant and timely in their communications, driving more engagement and purchasing. But they've yet to reap significant return on those investments. The result: pressure to find cheap leads, a push to new activation technologies, the launch of loyalty programs to boost repeat purchases, affiliate and marketplace programs, and a rush to drop absolutely anything onto the site to drive conversion.

Short-term, some of this might work. Long-term, none of it will. Marketers need a sustainable growth framework that will pave the way to long-term success while still producing short-term results.

It's not surprising that many marketers have difficulty taking a longer view. Internally, marketing teams are often organized by channel, such as email, SMS, and social. The work they do and the technologies they use are either channel-specific or conducted through a channel-centric lens. Often, these channels are impressively siloed. And marketers aren't incentivized to look outside these silos and consider the entire customer experience. In some cases, channel-specific teams compete against each other for conversion attribution.

Those who are leading in retail and direct-to-consumer are thinking very differently. They understand that in retail marketing, every customer that is not retained this year hurts performance — and the ability to hit their comps — next year and for many years after. These retail and DTC leaders are obsessed with customer performance and then look to channel performance as an important barometer and enabler.

They are committed to proactively growing value through their retained base with a very intimate knowledge of their customer file and trends over time, and they benchmark this information against that of their direct peer group. And they understand that even the best retention strategies eventually expire. Without the constant acquisition of new customers to encourage and retain, the future of the business is at risk.

Legacy **Channel-led growth**	Leadership **Customer-led growth**
Metrics are aligned to channel value and marketing performance (revenue per email, click-through rate, return on ad spend)	Metrics are aligned to customer value and contribution margin (identification rate, repeat purchase rate, customer lifetime value)
Merchandise and marketing calendar drive customer communications	Shopper and customer signals drive customer communications
Vague understanding of customer value leads to merchandise-based forecasting	Intimate knowledge of customer value compared to peers enables customer-centric forecasting
Siloed channel strategies successfully engage 20% of the customer file	Customer-focused strategies successfully engage 60-80% of customer file
Combined acquisition and retention budgets	Profits from retained customers fuel the acquisition of new ones
Average three-year customer retention rate of 22%	**Average three-year customer retention rate of 59%**

For a growth marketing strategy to succeed, it must be developed through the lens of the customer. Strategy needs to start with groups of customers — first-time buyers, lapsed buyers, and varieties of repeat buyers, sorted by the time frame in which they were acquired. It needs to distinguish VIPs from a promising tier just below and the vast movable middle underneath.

A strategy that prioritizes customers over channels enables brands to develop hypotheses, launch experiments, and test and learn their way to success. A customer-driven strategy encourages brands to put less emphasis on metrics that describe the outcomes of a particular channel and to put more focus on metrics that describe the behavior of customers and in particular, customer spend over time: retention and reactivation, purchase frequency, average order value, and customer lifetime value. WIth a customer-driven strategy, marketers no longer obsess over channel tactics in isolation; instead, they look to encourage specific behaviors by specific segments or cohorts of customers with relevant channel tactics. Channels become secondary to, and enablers of, corporate value creation.

Today's combination of unusual market conditions and internal dysfunction gives marketing leaders a chance to reset expectations, and to use a new approach to promote customer-led growth to drive short-term gains and long-term profit. That approach is customer movement.

Understanding customer movement

Customer movement is a marketing philosophy and framework that is centered on customers rather than channels. It's the process of moving your customers through the sales funnel — from unknown shopper to known customer to first-time purchaser and loyalist — and re-engaging those who threaten to slip through the cracks.

Customer movement embraces the fact that the journey from unknown shopper to known customer to loyalist is unique for each individual. It acknowledges that customers are always moving — toward retention or churn — and the fact that brands can choose to be proactive in addressing and shaping this movement. To help do this, a customer movement strategy elevates the metrics that provide insight into customer performance: retention and reactivation, purchase frequency, average order value, and customer lifetime value, in order to achieve quarterly revenue goals, annual growth, and profitability. This long-term view into customer performance is essential to developing strategies to address negative trends and over-invest in positive ones. Our research shows that leaders who focus on customer-led growth are increasing the contribution margin from their retained customers by 4x to 12x.

Leaders who prioritize customer movement strategies increase customer retention rates by

4x–12x

This concentration on customers allows brands to use their resources more wisely. A customer movement strategy positions brands to experiment to discover the best ways to drive profitable growth, and then prioritize the implementation of the most promising tactics. For one brand, customer movement may offer the ability to stop offering across-the-board discounts and instead offer customers a personalized incentive to increase average order value — or, if those customers would purchase without one, none at all. Another retailer may use customer movement to more actively engage with the middle of their customer file. Still others may find that the insights from customer movement can boost their efforts to acquire new customers. In each case, customer movement provides enormous short-term value while laying the groundwork for long-term, profitable growth.

Becoming customer-centric: Building a customer behavior analysis

The key tool in analyzing customer movement and developing tactics to promote it is the Customer Movement Assessment. This analysis strips away channel-centric marketing, is tied directly to customer survivorship and value, and focuses insight and development on the important characteristics that determine buying behavior. It also allows peer benchmarking so that a brand can understand how they stack up against the rest of their industry and importantly, against the peer companies likely to be their direct competition. Because of this, the Customer Movement Assessment is not just a tool for the marketing team. It helps marketing to work with the C-suite — especially finance — to determine the investment, payback, and ultimate gains in revenue and profitability that are possible throughout the customer file.

> "Before creating our customer movement analysis, we were assuming that our repeat customers were increasing at a consistent rate year over year. Customer movement gives us more visibility into the customer value, how that has changed over the past few years, and what we can do to improve in the future"
>
> **Jenn Slegers, Director of CRM for Carhartt**

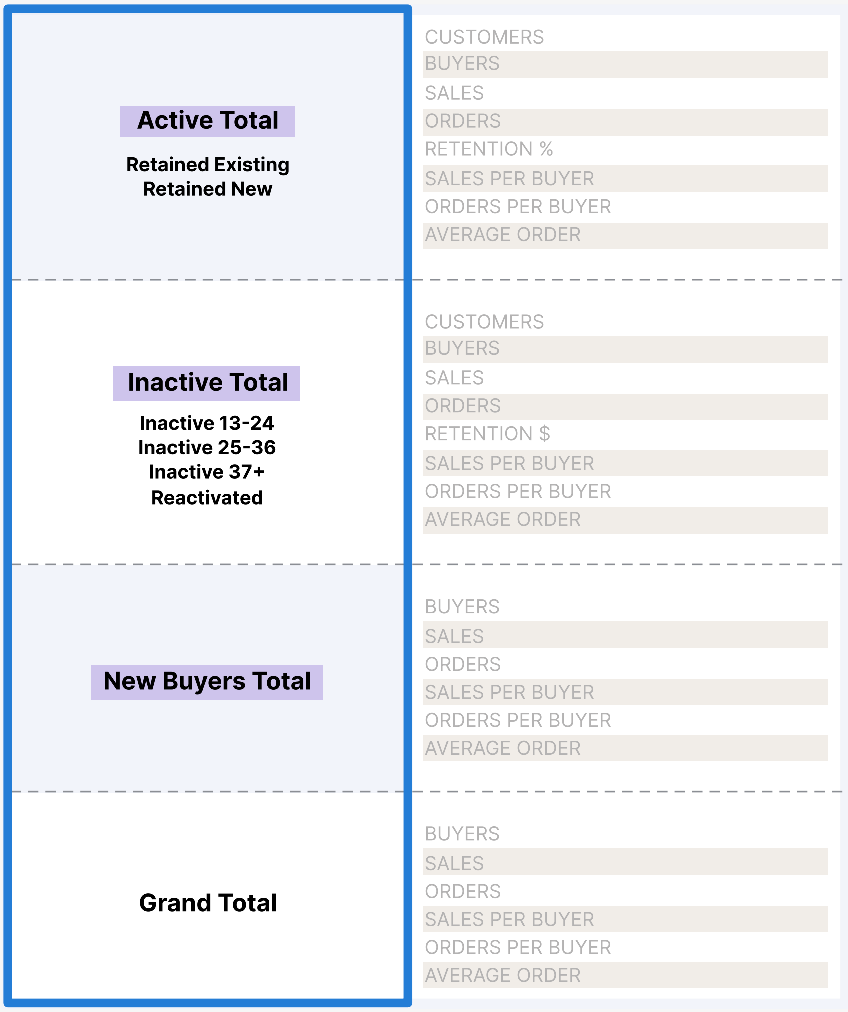
The Customer Movement Assessment illustrates both the quality and the quantity of a brand's customer relationships. Marketers influence both of these:

> Quantity is influenced through acquisition and retention. With each customer retained, there is the potential to create revenue both this year and in the future. With each customer that churns, the brand loses the opportunity to create revenue, both this year and in the future.

> Quality is determined and influenced by factors such as average order value, orders per buyer, and tenure.

Each of these factors contributes to the overall stability of the brand.

Analyzing customer behavior sorts customers into three segments:



Active: Customers who made a purchase in the prior year. This group includes:

Retained existing customers: Those who were active in the prior year

Retained new: Buyers from the prior year

Inactive: Customers who have made a purchase, but not in the last year. This cohort is divided into three groups: 13-24 months, 25-36 months, and 37+ months.

New buyers: These shoppers are buying for the first time. They show up in the customer movement table the year they make their first purchase.

For each segment, the customer movement table tracks a number of metrics:

Active Total	CUSTOMERS
	BUYERS
	SALES
	ORDERS
	RETENTION %
	SALES PER BUYER
	ORDERS PER BUYER
	AVERAGE ORDER
Inactive Total	CUSTOMERS
	BUYERS
	SALES
	ORDERS
	RETENTION $
	SALES PER BUYER
	ORDERS PER BUYER
	AVERAGE ORDER
New Buyers Total	BUYERS
	SALES
	ORDERS
	SALES PER BUYER
	ORDERS PER BUYER
	AVERAGE ORDER
Grand Total	BUYERS
	SALES
	ORDERS
	SALES PER BUYER
	ORDERS PER BUYER
	AVERAGE ORDER

Customers: Shoppers within this segment that have not made a purchase this year

Buyers: Shoppers within this segment that did make a purchase this year

Sales: Total dollar sales contributed by this segment

Orders: Total order count contributed by this segment

Retention %: Buyers from this segment that purchased this year, divided by the number of customers who were in the segment at the beginning of the year

By gathering historical data and combining it with data from the current year, you can begin to see what customer movement looks like. Buyers move up and to the right when they are retained, and down and to the right when they churn.

Below, you can see where next year's customers are coming from. They're the sum of customers who were retained in the active segment, and customers who were reactivated from the inactive segment.

		2022	2023
Active – Prior Year Existing	CUSTOMERS	286,395	**431,379**
	BUYERS	101,466	143,515
	SALES	$29,494,031	$43,176,503
	ORDERS	211,217	308,628
	RETENTION %	35%	33%
	SALES PER BUYER	$291	$301
	ORDERS PER BUYER	2.08	2.15
	AVERAGE ORDER	$139.64	$139.90
Active – Prior Year New	CUSTOMERS	1,228,380	1,440,112
	BUYERS	200,102	197,822
	SALES	$34,459,387	$38,643,800
	ORDERS	319,353	325,457
	RETENTION %	16%	14%
	SALES PER BUYER	$172	$195
	ORDERS PER BUYER	1.60	1.65
	AVERAGE ORDER	$107.90	$118.74
Active Total	CUSTOMERS	1,514,775	1,871,491
	BUYERS	**301,568**	341,337
	SALES	$63,953,418	$81,820,303
	ORDERS	530,570	634,085
	RETENTION $	20%	18%
	SALES PER BUYER	$212	$240
	ORDERS PER BUYER	1.76	1.86
	AVERAGE ORDER	$120.54	$129.94
Inactive Total	CUSTOMERS	1,813,718	2,897,114
	BUYERS	**129,811**	193,623
	SALES	$20,269,263	$31,997,517
	ORDERS	176,371	266,528
	RETENTION %	7%	7%
	SALES PER BUYER	$156	$165
	ORDERS PER BUYER	1.36	1.38
	AVERAGE ORDER	$114.92	$120.05

This shows quite clearly that each customer who is not retained becomes a lost opportunity in the next year, and long after. If your customer count is down 5% this year, that will make it harder to reach your targets next year. Too often, the answer is desperate over-discounting, which hurts the long-term value of the brand and trains shoppers to expect a discount.

The customer movement analysis also shows customers who churn — they generally move down and to the right. Below, buyers are churning from an active or inactive segment into a deeper inactive segment.

		2022	2023
Active Total	CUSTOMERS	1,514,775	1,871,491
	BUYERS	301,568	341,337
	SALES	$63,953,418	$81,820,303
	ORDERS	530,570	634,085
	RETENTION %	20%	18%
	SALES PER BUYER	$212	$240
	ORDERS PER BUYER	1.76	1.86
	AVERAGE ORDER	$120.54	$129.04
Inactive – 13-24	CUSTOMERS	676,535	1,213,207
	BUYERS	69,181	111,959
	SALES	$11,143,338	$18,715,909
	ORDERS	96,168	158,249
	RETENTION %	10%	9%
	SALES PER BUYER	$161	$167
	ORDERS PER BUYER	1.39	1.41
	AVERAGE ORDER	$115.87	$118.27
Inactive – 25-35	CUSTOMERS	453,172	607,354
	BUYERS	30,900	39,345
	SALES	$4,681,266	$6,535,300
	ORDERS	41,474	53,134
	RETENTION $	7%	6%
	SALES PER BUYER	$151	$166
	ORDERS PER BUYER	1.34	1.35
	AVERAGE ORDER	$112.87	$123.00
Inactive – 36+	CUSTOMERS	684,011	1,076,553
	BUYERS	29,730	42,319
	SALES	$4,444,660	$6,746,307
	ORDERS	38,729	55,145
	RETENTION %	4%	4%
	SALES PER BUYER	$150	$159
	ORDERS PER BUYER	1.30	1.30
	AVERAGE ORDER	$114.76	$122.34

The Customer Movement Assessment can become your compass. By benchmarking your figures against aggregate data from industry peers, you'll start to discover opportunities for improvement.

Here's a sample of what benchmarking data can look like:

	[Brand]	Bluecore Customers	Peer Group
Purchase Frequency	1.45	3.7	3.1
New Buyer Penetration	77%	59%	70%
2-Yr Buyer Retention	12%	20%	10%
3-Yr Buyer Retention	3%	21%	18%
Reactivation Rate	2%	7%	5%
AOV Growth	86%	74%	89%

And, like other leaders who adopt customer movement strategies, you'll be on the road to reaping a significant improvement in contribution margins from your retained customers compared to your new ones.

These results don't come from another tool or channel tactic. They're the outcome of incremental shifts in the way you understand your file health and your customer base, the way you set your goals, and the experiments you prioritize. They're also the outcomes of the focus you create for your team and the alignment you create with technology, merchandising, and finance.

When you think about file health:

Do you have an acquisition problem or a retention problem? Both? Neither? How does that change your budget for both acquisition and retention?

When you think about your customer base:

Do they have a high value? What is their average order value, orders per buyer, tenure, purchase frequency, and retention rate?

While marketers tend to place a lot of emphasis on average order value, retention has the biggest impact on profitability. Because frequency and retention are inseparable, it's important to focus on retention to drive profit, and frequency is a leading indication of retention — more important than average order value.

When you set goals:

How granular are they? Are you focused on retaining first-, second-, or third-time buyers with a high average order value? Optimizing subscriber-to-buyer conversion rates based on affinities? Targeting the acquisition of predicted high-value customers? Reactivating former replenishment customers?

Leading retailers are building customer-centric strategies aimed at improving specific levers in customer value. When placing customer value at the center of strategic planning, everything from media, to creative, to merchandise supports the overall goal of creating profitable growth through customer value.

A customer movement analysis illustrates an uncomfortable fact of retail life. New customers are not immediately profitable. They pay back their cost of acquisition over time. Profitability comes after a customer is acquired and purchases a second, third, and fourth time. The quality of the customer determines the rate of return on the investment needed to acquire them.

That's why it's critical to know how long it takes a customer to recoup their acquisition costs. That payback time, in effect, helps the marketing team work with the CFO: illustrating that an investment in new customer acquisition is likely to be repaid at a certain rate within a certain time period.

This same information also helps set the range for how many net new shoppers you need in one year and how many of those you need to retain. It will allow you to determine how many customers are needed in different frequency ranges — how many two-time customers, three-time customers, etc. Once you've completed that analysis, you'll also be able to see the blends of different customer cohorts that will be required to hit your numbers. And your channel experts can start developing ideas to help attain these improvements. With a healthy list of tactics, the next step is to estimate the impact of each one, and then prioritize them by their potential impact and the effort required to execute on each.

Brands that use strategies not informed by a customer movement analysis too often make the mistake of prioritizing tactics with the highest perceived revenue value. But if these tactics are reaching customers who are already on the path to being retained, there's no incremental value in this pursuit. The tactics aimed at moving a specific cohort of customers that were not already on this path to purchase may have a much smaller reach, but a dramatically higher incremental value. That makes it a tactic that should be prioritized.

Identification: The engine that powers customer movement

To use customer movement effectively, brands must be able to reach their customers with contextual messaging: relevant to their place in the customer journey, and also reflective of their individual behaviors and preferences. This means being able to recognize a shopper — known or unknown — and capturing every action the shopper takes across multiple devices.

From browsing to searching to clicking and purchasing, this customer behavior data represents “signals” to retailers. A successful customer movement strategy also means being able to combine those signals with real-time product data such as color, size, category, price, and inventory status.

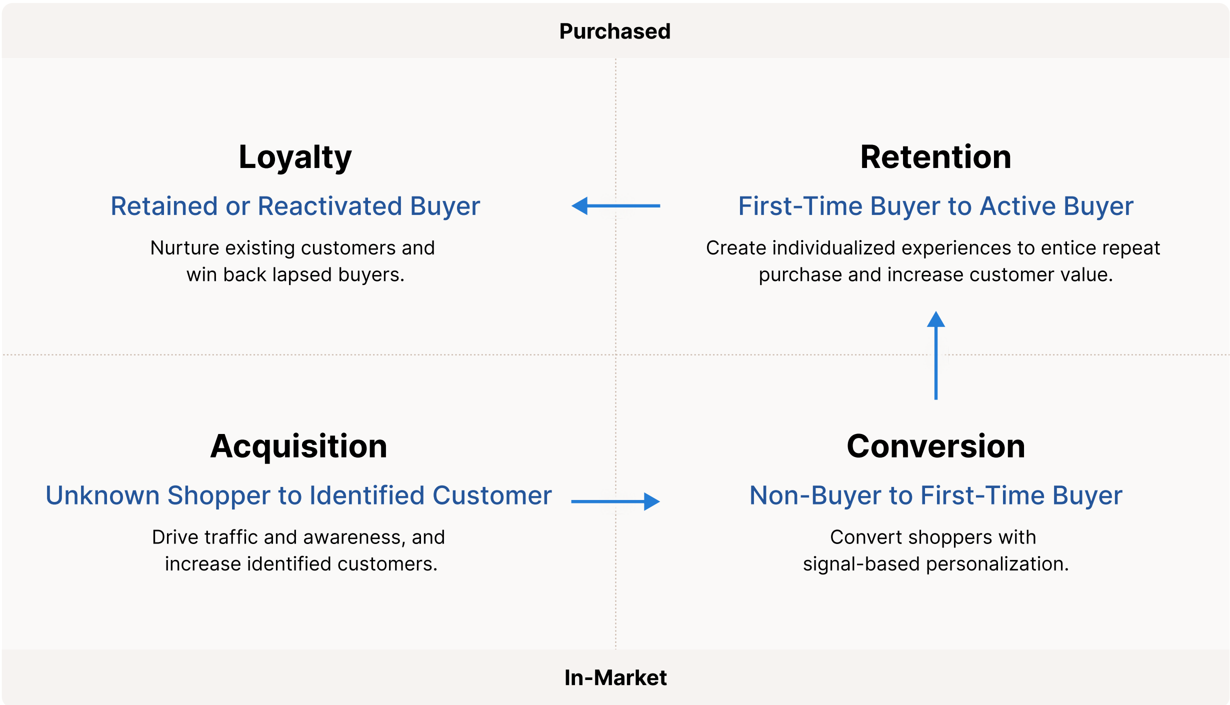
Shopper identification is a critical foundation to growing revenue. It brings return on ad spend and retention through the ability to better engage shoppers and encourage them to buy. An organization’s identification rate is its percentage of site visitors who can be messaged directly via email or SMS. On average, brands are unable to identify 74% of the shoppers that arrive at their sites, yielding an identification rate of just 26%.

Identification and identity resolution are easily confused. Identification is the ability to recognize a shopper or customer. Identity resolution merges information that a marketer collects across different environments into a global ID. Resolution has gained significant traction from retailers on the premise that it allows a marketer to create a 360-degree view of the customer to inform multichannel marketing. But merging information takes away context. A global ID doesn't preserve the data that's associated with specific mobile behavior or desktop behavior. And the actions someone takes on their mobile phone are different from the actions they take on their desktop. A brand's ability to move customers is decreased with identity resolution but increased with identity recognition.

To improve your identification rate, it's important to be able to measure it accurately and often (weekly is optimal for most retailers). This allows you to track the success of different strategies in boosting the rate. You want to give shoppers every opportunity to self-identify and to share their contact information, but bear in mind that identification is too important to be left up to the customer alone. You need to consider how you're capturing their information, how you re-identify shoppers across devices and cookie-clearing, and the creation of complete profiles.

Campaigns: Customer movement in action

There are four phases of customer engagement, each with its own opportunities for marketers. Let's start the customer lifecycle at the bottom left of this chart, and move counter-clockwise.



1. The first job of the marketer is to generate interest, get shoppers to their site, and identify those shoppers.

2. Once the shoppers are active and in-market, the goal is conversion. Here, marketers can use personalized, relevant content, based on a combination of shopper and merchandise attributes.

3. After a shopper has purchased, the next step is to encourage them to do it again, by sending personalized post-purchase communications over time.

4. The last phase of the cycle is loyalty: maintaining a relationship with a customer and generating enthusiasm so that the brand stays in the consideration set when the customer is ready to purchase again.

Marketers can use this chart to determine which types of campaigns are most likely to make a significant difference in their results.

1. If your customers are buying often, congratulations! You want to be focusing on acquisition.

2. If there is a high drop-off from the first to the second purchase, it's time to look at retention.

3. If there's lots of activity in a customer's first year but little thereafter, concentrate on lapsed customers. In a reactivation campaign, it's especially helpful to know exactly when customers tend to lapse.

4. If there is a gradual taper in spend, the loyalty quadrant may be the most relevant. Be on the lookout for customers who sign up for a loyalty program but don't make a big purchase, as they may be planning to make a large purchase or a series of regular purchases. At the same time, brands must be mindful of how they promote their loyalty programs — a generous one-time offer can encourage customers to sign up for the program, make a single purchase, and become a one-and-done.

Most brands have all, or nearly all, the data they need for this type of analysis. But since the data is often too siloed to generate insights in real-time, an investment in infrastructure or other technology may be required.

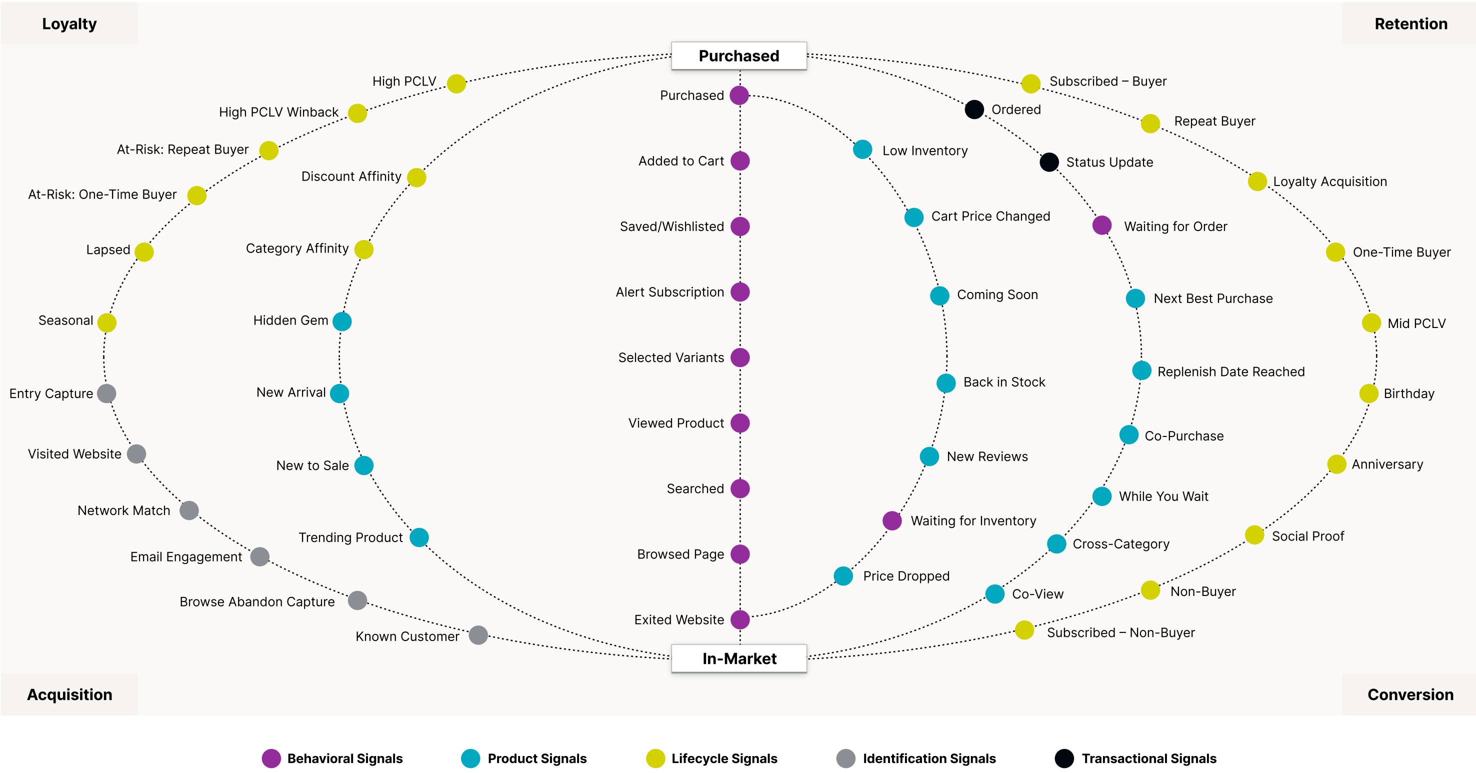
Tactics for relevance and engagement

Brands typically take advantage of only a small fraction of the possible tactics available to them to move shoppers through the lifecycle. They have a short supply of shopper signals and data to which they can respond, and a short list of tactics and campaigns they can activate to capitalize on conversation opportunities. If their data is siloed, they have even fewer use cases they can potentially execute against.

The Bluecore Globe on the next page contains the four quadrants discussed above and then overlays signal-based tactics that can be used to engage with each customer at each stage of the customer lifecycle.

Each quadrant contains a multitude of opportunities to use relevant tactics to engage with customers and to bring them closer to conversion. Each dot represents just one of these opportunities — and each dot could contain an entire series of campaigns with variations based on factors such as acquisition source, last touch, predicted purchase value, or product preferences. The opportunities are far beyond the current state of most brands' marketing efforts.

The **purple dots** represent opportunities for tactics that are linked to consumer behaviors, such as viewing a product or adding it to cart. The **blue dots** represent tactics related to merchandise, such as back-in-stock and trending communications. **Black dots** are transactional while **gray dots** represent identification signals. And the **yellow-green dots** show lifecycle tactics, mostly related to loyalty and reactivation of lapsed buyers.



The Bluecore Globe also shows that moving customers also means moving product. Many of the tactics incorporate product data: the arrival of new stock, price changes, the introduction of new colorways, low stock, and trending, among others. But customer movement and product movement are even more deeply intertwined: If your goal is to improve acquisition by 5% in the next year, you need to understand which products tend to be first-time purchases for high-performing customers. And you need to attract customers who have an affinity for that product category. Marketers need to work with the buying team to explain that certain products will get more push, and therefore may need more inventory, because they tend to attract customers with a high long-term value.

The Bluecore Globe: Enabling a fluid customer experience so you can identify and communicate with shoppers no matter where they are in the customer lifecycle

Communications represented in the Bluecore Globe are designed to be heavily personalized. Batch emails are useful for bringing shoppers to your website, and they're helpful when you don't know enough about your shopper to personalize. But they're not revenue drivers, and shouldn't be viewed that way. When a customer is on your site, the most important task is to respond to the customer context with relevancy. Once you're able to identify customers as they enter any of these stages, you can have relevant triggered communications ready to serve them, in whatever channel is the best fit, and tailored to their level of intent. Batch, personalized, and trigger messaging all need to work together to drive customer engagement and conversion. At home furnishings retailer Lulu and Georgia, the thoughtful integration of these tactics yielded 5% list growth and a 133% increase in first-time buyers in just 9 months.

LULU AND GEORGIA

At home furnishings retailer Lulu and Georgia, the thoughtful integration of these tactics yielded:

5% ↑ list growth

133% increase in first-time buyers ↑

in just 9 months

The most common strategy is for brands to use the tactics marked by purple dots running up the middle of the globe. The click attribution is generally very high for these communications, because the customer has already done most of the work, and they're lower in the funnel. The customer has shown their interest, and in some cases have already added items to a wishlist or to their cart. Without the ability to test for incrementality, a marketer can mistakenly believe that an email reminding the customer to buy after one of these actions was persuasive. In reality, that customer may have made the same purchase even without the nudge. Activating the other tactics in the globe allows marketers to expand their activities higher up in the funnel, responding to a much wider variety of signals.

But even within the bottom-of-funnel tactics, most brands will find room to improve their results. Some will send one message for cart abandonment, for example, and another will send a series. Many will never test to determine if the additional messages encourage customers to purchase or, possibly, annoy them. Similarly, many elements of these messages can and should be personalized, and delivered through various channels. All should be tested and updated on a regular basis – over time, repetition without adjustment will yield diminishing returns.

While the most-used tactics are triggered by customer behaviors, they ignore possibilities based on merchandising. They also are less effective with customers at other stages of the customer lifecycle.

Testing across the Bluecore Globe based on a customer movement analysis is what yields incremental revenue. While tactics like “wishlist” may be built for a small audience, this is a group of customers who have demonstrated clear intent. Conversion rates for these campaigns are often 30-40x of other messages. Marketing and customer relationship management teams may not prioritize such tactics because of the relatively low total revenue impact, but if this is incremental revenue, the value is likely far higher than it is for tactics with significantly more reach.

The movable middle

When brands target discrete segments of their customer base, they're most likely to try to appeal to their most loyal customers. If a brand sends messages only to customers who already love the brand and are frequent buyers, the marketing metrics will look a lot better than if a brand attempts to engage folks who are more resistant.

The ability to predict customer behavior is strongest with the very best customers and the very worst. That's because customer data platforms most typically include transactional data, but lack event data, such as real-time shopper behavior and real-time inventory updates. Transactions lend themselves to a structured data format — handled quite well by most customer data platforms — while events are typically unstructured. So most marketers have plenty of data about their very best customers, but relatively little about anyone else.

This has meaningful implications for in-house data science products. In-house data science teams have often built models for personalization that are often highly effective in continuing to move previous highly-engaged buyers. That's because this is the data that their customer data platform gives them to work with. But they're not as effective as creating movement in the middle of the file. For that, they need additional signals.

For most retailers, getting even 5% of the vast middle of their customer list — anywhere from 60% to 80% of all of their customers — to buy more frequently would be significant. Once a customer buys twice, the likelihood of buying a third time goes up 95%. Data analysis from Bluecore retail strategists found that during Black Friday, most sales came either from first-time buyers (53%) and from the true loyalists — people who have bought from a brand at least three times (32%).

Consider one of our clients, which sells consumer electronics. This retailer has tiny retention rates, but those customers who do buy repeatedly stay with the brand for many years. Unfortunately, there are not enough of these longstanding, highly profitable customers to support the business.

It turns out that these very best customers are small businesses that buy laptops for their employees. And email is one of the primary means for their marketing team to communicate with these small business customers. The email team is measured on revenue per email. And because laptops drive high revenue per email, the email team promotes laptops to the exclusion of everything else.

That metric — revenue per email—is causing the retailer to sacrifice both retention and profitability. If the retailer successfully promoted laptop cases and peripherals to their lapsed customers, it's true that the revenue per email metric would come down. But the retailer would improve their retention rate, their revenue, and their profitability.

How do you know if a customer is movable? Look at their level of engagement. Any site activity is a good sign, as is a click-through from an email. There's also the rule of two: Someone who has browsed at least two product categories is more promising than someone who has only browsed one. Someone who has engaged with your brand through at least two channels is a better prospect than someone who only engages through one channel.

Reinventing strategy and budgeting with customer movement

At most brands, budgeting and planning begin at the top of the organization and are filtered down to marketing teams. Most marketers know this all too well: It results in the feeling of having pulled a rabbit out of a hat to somehow make your annual numbers, only to be told that next year, the increase needs to be twice as much. Customer movement is most powerful when it facilitates a bottom-up approach to setting financial goals, and when marketers are able to make the number of customers they've retained or acquired their first priority. Customer movement makes even more of an impact when it allows merchandising and marketing to work together to fulfill customer demand.

A bottom-up approach does not, by itself, enable customer movement. It's possible to take a bottom-up approach and still focus on metrics that are channel-specific, such as traffic, orders, and conversion rates, and then try to optimize those.

A customer-driven approach starts with the number of customers a brand has at the start of the year. Those customers have a rebuy rate, which may vary by the period in which they were acquired. They also have an average order value. With this information, a marketing team can determine a good share of the baseline revenue that can be expected from existing customers in the next year.

Meanwhile, the finance department has most likely set a growth rate. The gap between their projection and the amount the marketing team expects to bring in from established customers needs to be filled by new customers. By understanding how much new customers buy, and how much they cost to acquire, a marketing team can determine the budget they need to meet the expectations of the finance side. Often, acquisition gets more expensive over time. It may make more sense to try to increase the purchase frequency of existing customers. This is one place you'll want to look at all your available tactics, and all your available channels, to help boost demand. But you're building the baseline case by starting with your customers.

By developing a growth strategy that is customer-led, marketing teams can better work with others in the organization to set and meet goals. And they'll have the data to support additional or new investment when it's needed.

Conclusion

In the current environment, retailers and direct-to-consumer companies can't afford a wait-and-see approach. Instead, they need to proactively develop new growth strategies, mindful that their customer files are their most valuable assets. Customer movement enables marketing teams to see beyond channel-centric silos to develop strategies that efficiently move buyers through the funnel and recapture those who are lapsed. From unknown shopper to known shopper, then from first-time buyer to repeat buyer and loyalist, customer movement gives marketers the tools to address each customer with messages that are relevant to them personally and to their place in the customer lifecycle. This greatly increases the number of customers who receive effective marketing messages, ties marketing activities directly to the organization's profit and loss, and drives short-term profitability while building the foundation for sustainable growth.

About Bluecore

Bluecore's retail shopper identification and customer movement technology quickly generate incremental revenue for enterprise brands by turning more anonymous shoppers into known customers, and repeatedly and efficiently moving them through the purchase funnel.

With transparent IDs and real-time product data built directly into campaign workflows, alongside point-and-click predictive models, retail marketers can bypass manual processes to trigger hundreds of communications based on any signal and automate the content, offer, recommendation, and timing of every email, mobile, site, and paid media message for each individual shopper.

More than 400 brands trust Bluecore to rapidly increase customer retention and drive profitable growth, including Express, NOBULL, Lenovo, Teleflora, Alo Yoga, and Lulu and Georgia. For more information, visit [Bluecore.com](https://www.bluecore.com).