THE EVOLUTION OF CUSTOMER RETENTION:

How a Personalized CX Drives
Loyalty and Lifetime Value

Redpoint

Table of Contents

What causes an existing customer to go to a competitor?
Any brand that definitively knows the answer to that question will be unconcerned with retention, proactively eliminating the reasons for customer churn before they occur. Unfortunately, we can never with 100 percent certainty know every reason why customers take their business elsewhere—even though retailers, healthcare organizations, travel companies and other customer-facing industries would certainly like to.

While customer retention has always been somewhat of an inexact science, the traditional school of thought was that offering a quality product or service at a fair price was the baseline for repeat business. But with expanding consumer choices, dynamic customer journeys and largely commoditized products, mindful brands understand that retention is becoming more about offering customers an omnichannel personalized experience.

In a 2021 Harris Poll survey, 82 percent of consumers surveyed (up 5 percent since 2019) said that their loyalty to a brand is determined by the brand's ability to demonstrate a "thorough understanding of them as a unique customer."[1] And according to Gartner, customer experience now drives 66 percent of customer loyalty—more than price and brand combined.[2]

Consumers expect the brands they frequent to have a deep understanding of them as an individual customer, including preferences and intent, transactional history and behavior across channels. To meet this expectation, brands must engage each customer with a consistent voice that reflects a real-time contextual understanding of an ongoing customer journey.

In light of the heightened customer expectations for personalized experiences, customer retention must be viewed through a new prism where price and product matter less than centering a holistic, frictionless experience around the consumer.

89%

of businesses see customer experience as a key factor in driving customer loyalty and retention.[3]

Retention: Difficult Yet Rewarding

Customer retention is defined as the ability of a brand to keep its customers over time. It is a measure of customer loyalty, which itself is closely tied to customer lifetime value (CLV).

There are different ways to predict customer retention, through metrics such as customer satisfaction, customer engagement and repurchase behavior. Brands focus on retention because it is generally understood to be less expensive than customer acquisition, with some studies indicating that it costs up to 5X more to acquire a new customer than retain an existing one. Other research postulates that increasing customer retention rates by just 5 percent increases profits between 25 and 95 percent.[4]

Brands can use CLV to measure the revenue impact of customer experience investments and, ultimately, calculate the ROI of those investments. To use CLV as a metric, however, it is important to differentiate between omnichannel personalization that reflects a deep, personal understanding and surface-level personalization. Consider, for example, a personalized image in a display ad campaign that is measured by open rates. The open rate KPI may measure the success of personalization on one channel, but it fails to measure how personalization influences a customer's behaviors and actions throughout an omnichannel journey.

Forrester describes CLV as

a unifying metric that plays a strategic role in helping companies become customer-obsessed, helping to unite multiple lines of business in always delivering a next-best experience around the potential value of a customer rather than immediate (transactional) value.[5]

Conversely, customer expectations for personalized experiences that lead to higher CLV more closely align with being treated as an individual customer irrespective of channel. For a more informed understanding of customer expectations for a personalized CX by industry, Redpoint commissioned Dynata for surveys of consumers in the healthcare, retail and travel & hospitality spaces:

RETAIL

74 percent of consumers said that *feeling valued and understood* by a brand was the key component in brand loyalty; 64 percent said they would rather purchase a product from a brand that knows them.[7]

HEALTHCARE

44 percent of consumers surveyed said that it is important that a healthcare providers and brands proactively contact them *at the right time and in the right context* to improve the overall experience; 60 percent said it is important for providers to show how well they understand the individual beyond basic patient data.[6]

TRAVEL & HOSPITALITY

39 percent of consumers said that they want to *easily communicate with a travel brand on their preferred channel;* 25 percent said that personalized health and safety communications were important to their overall experience.[8]

Omnichannel vs. Multi-Channel

To meet or exceed consumer expectations for a personalized CX that demonstrates an understanding of a unique customer, brands must adopt an omnichannel framework for customer engagement. The distinction between omnichannel and multi-channel (or even every channel) is that an omnichannel CX refers to being in the cadence of a customer across an end-to-end customer journey. It reflects a real time, cross-channel awareness so that wherever or whenever a customer engages, a brand is ready with a next-best action which by definition is contextually relevant at the moment of engagement.

A customer may be online, in-store, on the phone with the call center, on the mobile app, opening email, or on social media; a real time, omnichannel CX factors in the totality of a customer's behaviors and how those behaviors influence the ongoing customer journey.

These types of journeys can only be tuned to customer expectations if brands have a deep under-standing of the customer, one that is based on data.

More than half of consumers—

63 %

say that personalization is now a standard expectation.

Nearly half—

43 %

say that it is when a brand knows they're the same customer across all touchpoints.[9]

Redpoint

One Redpoint client, a do-it-yourself home improvement retailer that offers same-day in-store pickup or next-day home delivery on phone or online orders, uses Redpoint platform to deliver personalized interactions with customer in real-time across all channels. Prior to Redpoint, it took up to several weeks to fully share data across the enterprise. With Redpoint, data is now collected, processed, aggregated and made available to all channels in the customer's cadence. Cross-sell and upsell offers are facilitated with a real-time, cross-channel awareness. Customers who purchase online might receive an SMS or email offer on a related product before or during pick-up.

Single View of the Customer

A real-time, omnichannel CX that drives customer retention is made possible through having a single view of the customer that eliminates data siloes between channels, processes and departments. To engage a customer with a relevant, next-best action at the right time and on the right channel, there can be no data latency. The elimination of data latency is accomplished by combining customer data from every source, in real time, into a unified customer profile. With a full transactional history and a unique, persistent customer ID resolved from every identifier, brands have an accurate, up-to-date representation of a customer or household for any given moment of a customer journey.

The Golden Record is a single source of truth for the customer because it is continually updated as a journey unfolds.

In the Redpoint CDP, this single customer view is the Golden Record. A true unified customer profile, the Golden Record provides brands and marketers with a customer identity graph that encapsulates a persistently updated view of a unique customer or household's behaviors, preferences, transactions, devices and IDs. The Golden Record is a single source of the truth for the customer because it is continually updated as a journey unfolds. And because it uses persistent keys, it provides a contextual understanding of an individual customer that deepens over time, layering meaning with every new customer behavior.

Accessible to every application and every business or marketing user, the Golden Record provides a contextual understanding irrespective of channel, allowing a brand to engage with a customer with a consistent voice across an omnichannel journey.

Even with a continual influx of new data or new or different customer identifiers, such as a new address, email, marriage or other lifestyle change, a Golden Record is always in the context and cadence of a customer journey and is the foundation for delivering real-time, omnichannel personalized experiences.

Golden Record vs. Unified Profile

An important component of a Golden Record is that its accuracy depends in large part on completing data quality processes at the moment data is ingested. There is a misconception in some corners that a "unified profile" simply refers to integrating data from multiple sources, and that this integrated or single view already possesses relevant keys. But because a profile is only as accurate—and trustworthy—as the recency of the oldest data, any integration of data from sources where the data being compiled are out-of-date will compromise accuracy.

With a Golden Record, a brand is never caught off guard. If notes from a call center interaction indicate a customer is unhappy with the contents of a shipped order, it might be worthwhile to dynamically switch out email content. Instead of an automatically generated email survey about the online purchase experience, an email with a retention offer goes out instead. A Golden Record makes such an interaction possible because the single customer view eliminates the data siloes that often introduce friction into a customer journey.

Identity Resolution and an Accurate Customer Representation

Data quality in the creation of a Golden Record must include advanced identity resolution. Using persistent keys is a vital component in creating a master customer record, but that in turn requires that every customer signal is correctly matched, merged and attached to the proper record, as the data is sourced.

Advanced identity resolution that uses probabilistic and deterministic matching will find, cleanse, match, merge and relate every disparate signal about a customer to produce an accurate, complete and up-to-date view of a customer. Identity resolution also effectively links individuals into a household or other entity (such as a business) that a brand wishes to engage with.

Sometimes used interchangeably with Golden Record (or unified customer profile), an important distinction is that a Golden Record is actually a use case of identity resolution. That is, while a Golden Record is incomplete without performing identity resolution, a Golden Record includes data aggregates (last email a customer used, website visit frequency, purchase history last X months, etc.) that are not present or required for identity resolution.

Any customer data platform (CDP) that builds an accurate Golden Record should include identity resolution as a core capability. The value of a personalized CX as it pertains to retention and customer loyalty underscores why data quality is a critical element of identity resolution that far exceeds simply matching records. Rather, resolving an identity across all touchpoints, records, devices, channels and identifiers is what makes up advanced identity resolution and minimizes or eliminates inaccuracies, overmatching or undermatching that will ultimately introduce friction into a customer journey through irrelevant offers or communications.
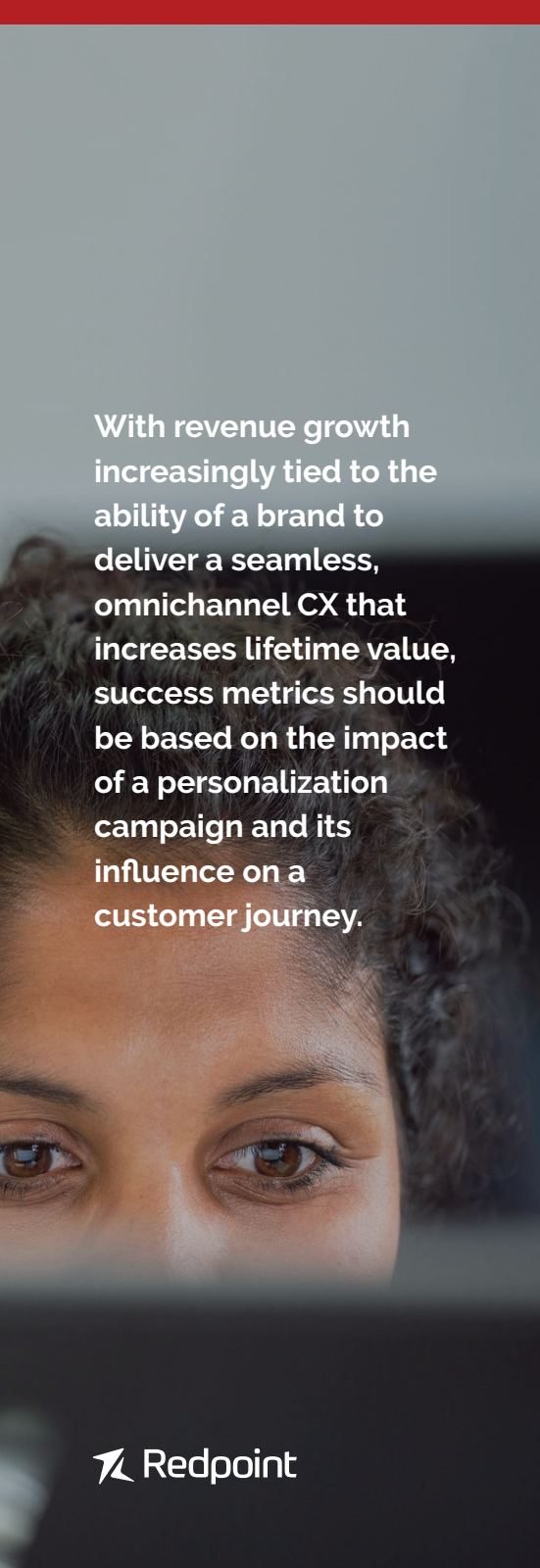
In a Dynata survey commissioned by Redpoint,

70%

of customers report receiving mistargeted information at least once a month (24 percent say daily), with

51%

claiming that it *negatively impacts their customer experience with a brand*.[10]

Redpoint

A Customer-Centric Approach and Revenue

With revenue growth increasingly tied to the ability of a brand to deliver a seamless, omnichannel CX that increases lifetime value, success metrics should be based on the impact of a personalization campaign and its influence on a customer journey.

Marketing has traditionally been rated on performance-based metrics tied to channels such as open rates, clicks or satisfaction surveys. A customer-centric approach that recognizes marketing as a key partner and driving force in orchestrating an omnichannel CX will instead rate performance and tie incentives to metrics aligned to the customer, such as revenue by segment.

Analyzing revenue by segment incentivizes every marketing team to create a holistic experience for an entire segment audience. Segments can be measured against the totality of the customer journey and include every interaction—what the customer did online, a call with a booking agent, the return of a satisfaction survey, a returns process, etc.

By creating new or different segments, an organization can do a/b testing at scale, comparing the segment approach to success metrics that are tied to channel, and then also having the means to analyze a segment's lifetime value.

In transitioning from channel-centric success metrics, a brand is more aligned with the dynamic nature of a customer journey, where a customer will seamlessly move in and out of channels. And because the customer views a relationship with a brand through the entirety of interactions, attaching revenue to a segment provides for a more consistent approach where a brand communicates with a customer with the same understanding across every channel and every touchpoint.

Drive Customer Retention with Redpoint

Redpoint provides the basis for your CDP solution that ingests and integrates all enterprise customer data, automates data quality so data is precise and fit-for-purpose, and makes it accessible in real time. Regardless of source—batch or streaming, internal or external, structured or unstructured, transactional or demographic—the Redpoint CDP provides an always-on, continuously updated Golden Record available at low latency to all touchpoints and users across the enterprise.

Innovative customer experiences across an omnichannel journey require clean, continually refreshed, connected customer data that is accessible on demand. The Redpoint CDP provides this capability, enabling trans-formative customer experiences that support virtually any use case, from segmentation to real-time omnichannel personalization.

Having a single customer view with the Redpoint CDP is the foundation to delivering the types of customer experiences that drive revenue, high ROI and an increase in lifetime value.

According to McKinsey,

76 percent of consumers say that receiving personalized communications is a key factor in prompting consideration of a brand, and 78 percent say that such personalization makes them _more likely to repurchase._[11]

The link between personalization and revenue is now obvious, and data-driven brands recognize that customer retention is about providing value that transcends price and product, reflected by demonstrating a personal understanding of a customer across an omnichannel customer journey.

Endnotes

[1] Harris Poll 2021

[2] https://www.gartner.com/en/marketing/insights/customer-experience-strategy

[3] Huify consulting

[4] Huify consulting

[5] https://www.forrester.com/report/Make-Customer-Lifetime-Value-Your-Polaris-For-LongTerm-Growth/RES150315

[6] https://www.redpointglobal.com/resources/infographic-healthcare-cx/?utm_source=website&utm_medium=solutions&utm_campaign=healthcare

[7] 2022 dynata survey

[8] https://www.redpointglobal.com/press-releases/up-up-away-77-percent-of-americans-are-planning-getaways-this-year/

[9] https://www.redpointglobal.com/resources/addressing-the-gaps-in-customer-experience/

[10] https://www.redpointglobal.com/press-releases/70-of-consumers-receive-mistargeted-information-from-brands-at-least-once-a-month/

[11] https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/the-value-of-getting-personalization-right-or-wrong-is-multiplying

Redpoint

US Headquarters | Tel: +1 781 725 0250
EMEA Headquarters | Tel: +44 (0)20 3948 8170
www.redpointglobal.com

Redpoint empowers marketers to transform customer experiences through personalized, real-time omnichannel experiences in the precise context and cadence of an individual customer journey. Redpoint perfects your customer data and provides actionable insights through a relevant, timely and always-updated Golden Record. With a single point of control over customer data and journeys, marketers deliver hyper-personalized experiences that drive customer acquisition, engagement, loyalty and retention.

EB-CUSTRET0424-01