Retaining Ecommerce Customers after the Pandemic

For much of the spring of 2020, non-essential brick-and-mortar stores were closed, forcing shoppers into new buying habits. Online sellers, without being callous toward the pandemic, may use these new habits to obtain new customers.

But retaining those customers, post-pandemic, takes effort. Merchants should seek to understand the new buyers. To build a meaningful, memorable, and personal relationship with shoppers, you must know something about them and then segment according to their value to your business.

Moreover, customer retention requires action. The actions of ecommerce companies during the pandemic will influence whether or not customers remain loyal over the long-term.

New Shopping Habits

Life events impact our shopping behavior. Examples include marriage, divorce — and a once-in-a-century pandemic. Folks who experience a life-changing event create an opportunity for businesses to establish new relationships.

The coronavirus has driven many shoppers online and sent ecommerce sales soaring for several industry segments, while other retail businesses have ceased to exist or will soon shutter.

Consider these highlights.

- *Net sales at Amazon increased 26 percent to $75.5 billion in the first quarter of 2020, compared with $59.7 billion in the first quarter of 2019. Much of the increase was because of pandemic-related buying.*
- *Ecommerce sales at Walmart jumped 74 percent as millions of customers switched to ordering online for home delivery or picking up in the company's parking lots.*
- *At one point during the lockdown, BigCommerce reported that its merchants selling sporting goods were up 164 percent; automotive-related sellers were up 114 percent; and hardware sellers were up 116 percent.*

Segmenting Customers

To keep shoppers coming back, you need to know something about them — why they buy from your business now and how to keep them.

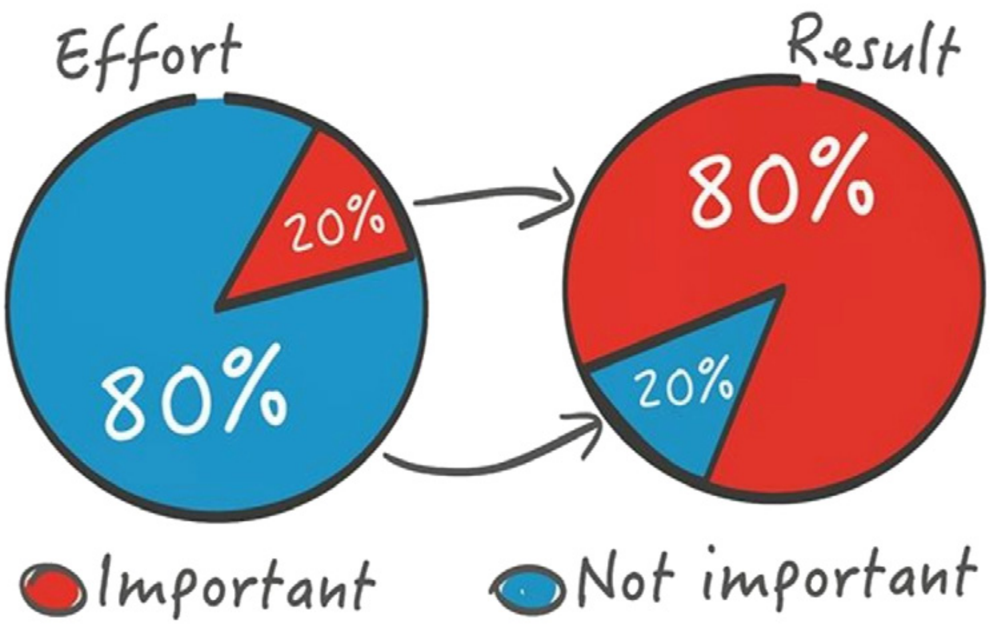
While it's important to retain every customer, the priority should be on those that bring in the most money. There are at least three ways to determine this.

80/20 principle. Let's start with the Pareto principle — the 80/20 principle. It is the idea that there is no equality or balance in the marketplace or life. A relatively small percentage of inputs (20 percent) generate the vast majority of outputs (80 percent).

This is true of products, marketing efforts, customers, everything. A small percentage of shoppers, in our context, likely generates most of your company's profit.

So the first step is to identify the most valuable customers and focus your retention attention on them.

THE 80/20 PRINCIPLE



Source: "Pareto's Principle: Expand Your Business with the 80/20 Rule"

Consider this example. Imagine that in a month your ecommerce business had 100 customers and a total profit of $10,000. If you listed all of your customers and noted how much profit each generated, the 80/20 principle would predict that 20 hypothetical customers were responsible for 80 percent of the monthly profit, or $8,000.

The numbers would be different for your business. An established ecommerce company likely has a greater disparity than a startup between top shoppers and the rest.

An analysis of your products could also be helpful. A relatively small percentage of the items you sell likely generate most of the overall volume. What is the relationship between your top products and your top customers?

RFM scores. Beyond the 80/20 rule, we can assign a value for recency, frequency, and monetary — the "RFM" — to every customer using a five-point scale.

For each category of recency, frequency, and monetary value, divide all of your customers into five segments or groups.

RFM SCORES

5 4 3 2 1

In the case of recency, a value of 5 would be the 20 percent of customers who have purchased most recently, while a 1 would be the customers who have not purchased in a while. A customer who purchased from your ecommerce store 45 days ago might have a recency score of 3.

And you would repeat this step for each case. You could come up with a scale for frequency (the number of purchases in a given period) either separating the groups by percentage — such as the 20 percent of customers with the highest frequency — or with a value. Perhaps segment 5 has made more than 10 purchases.

Finally, for monetary value, assign those customers with the most sales to the segment worth 5.

In RFM, the higher the score the better. A perfect customer would score a 5 in all three groups: shoppers who have made a purchase very recently, who buy from your store often, and who spend the most money.

THE PERFECT SCORE

R	F	M
5	5	5

Engagement behavior. Some engagement behaviors make a particular customer especially valuable.

For example, say a direct-to-consumer ecommerce business selling camera tripods has a customer with a 3, 3, 2 RFM score.

R = RELEVANCY?

Assigning a recency, frequency, and monetary score to each customer can help prioritize marketing and outreach. So can relevancy. A customer's gender, age, and household income, as examples, can indicate the likelihood of that customer becoming a long-term buyer — post Covid-19.

A single, 20-year-old male with little income is not likely a strong prospect for a retailer of children's toys. But an affluent 40-year-old female is a potential repeat shopper for a retailer of high-end women's apparel.

Melissa's Consumer Demographic Append Service can enrich a merchant's customer list with impactful data, such as age, gender, income, presence of children, home ownership, and much more — 2 billion records on 250 million U.S. consumers and households.

"R" is for relevancy and targeted, post-pandemic buyers.

ACCURATE CUSTOMER DATA INSTILLS TRUST, LOYALTY

Misspelled names, incorrect shipping and email addresses, faulty language translation: all reduce customers' trust in your ecommerce business.

Melissa's Data Quality Suite standardizes, verifies, and corrects names, postal addresses, email addresses, and phone numbers from over 240 countries, including the intelligent recognition of 650,000 ethnically-diverse first and last names worldwide.

The result is improved communications, satisfied customers, and repeat sales.

That score alone may not qualify her as a top buyer. However, if that customer is a video influencer for camera equipment, her status could be valuable to your business. It might cause you to take retention actions ordinary reserved for the top 20 percent.

How much weight you assign to a behavior in your customer retention plan will be relative to your business, competition, and marketing.

Taking Action

Your business retains customers when it makes those customers happy.

When your customers feel like they have been treated fairly; when your product met their needs; when they feel a sense of reciprocity — they owe your company something — those customers will likely purchase from you again, perhaps many times.

So retaining ecommerce customers after the pandemic, or at any time, requires your company to take actions that will make your customers happy. There are at least six retention actions your business should adopt.

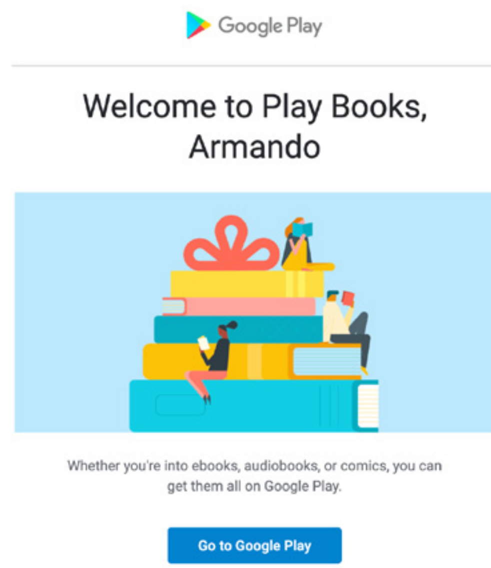
- *Organizational actions: business rules.*
- *Content actions: applied to every customer.*
- *Automatic communications: applied to every customer.*
- *Automatic communications: applied based on customer RFM score.*
- *Manual actions based on customer RFM score.*
- *Manual actions based on special circumstances.*

Organizational actions. Build customer retention into your company's business rules and organizational behaviors. For example, implement a standing rule that customer service agents can spend up to $100 to solve any shopper problem.

Content actions. Content marketing can attract new customers and keep existing customers engaged via useful, informative, and entertaining articles and videos. Your customers will become emotionally attached to the company and develop a sense of reciprocity.

Automatic communications to all customers. When it obtains a new customer, your business should automatically initiate a welcome email series. Similarly, you should have a welcome series for new subscribers to your email newsletter. You might have other, similar, automatic communications, too. A welcome email series yields much more revenue than a single message. The series does a better job of retaining and reengaging customers, in other words.

WELCOME EMAIL



Automatic communications based on RFM scores. Try to identify, test, and evaluate automatic notifications based on customer RFM scores. Say you have a customer with an RFM score of 1-5-2. This tells you that the customer has not made a purchase from your business for some time. But, the customer had previously made several purchases, because he has a frequency score of 5. But despite those purchases, he had not spent too much money with your business, so it probably doesn't make sense to spend a lot of money on retention. Thus, an automatic "win-back" email series might be the best approach.

Manual actions based on RFM scores. Set up automatic, RFM-score-based triggers that require your company to take a manual retention action. For example, a customer with an RFM score of 2-2-5 likely deserves a special retention focus. The customer is among your top shoppers in terms of monetary value to your business. He has made a couple of purchases, but you have not seen an order in a while.

Manual actions based on unique circumstances. Have planned, manual retention behaviors associated with special circumstances. An example is action around Google reviews. If your company receives a negative review, contact the customer to make the situation right.

About Melissa

Customer data is the lifeblood of an organization. For more than 30 years, Melissa has been a leading provider of global identity verification and data quality solutions. Using cutting-edge technology and multi-sourced worldwide reference data, Melissa provides the solutions to incorrect, outdated, or unstructured and fragmented data across multiple systems — improving operational efficiency, marketing and sales efforts, and customer experiences. For more, please visit Melissa.com.

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Takeaways

Customer acquisition is expensive. Fortunately, acquiring customers is relatively easier when they are experiencing a life-changing event or circumstance. The Covid-19 pandemic is a life-changing event. Ecommerce can help consumers obtain products they need.

But it is not enough to generate a few one-time sales. Merchants should seek to retain customers after the pandemic. To do that, consider segmenting customers using an 80/20 analysis; the recency, frequency, and monetary value model; and engagement behavior. Then adopt a systematic way to take retention action, such as the six suggestions above.