

# Optimising Customer Acquisition and Retention

How can retailers improve their strategy to acquire new customers, and retain loyalty?



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Customer  
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## Meet the Experts

**EPSILON™**

*“So much has changed recently, but the fundamentals around using data to inform and drive acquisition and retention remain critical. Delivering growth through an acquisition strategy focused on attracting quality customers is key. Equally important is having the infrastructure to tie customer data together, understand their needs, and engage with them in a meaningful way, so they become profitable, loyal customers. This research sheds light on current approaches, and we offer some suggestions on how retailers can enhance their activity.”*

Epsilon is the leader in outcome-based marketing. We have more than 50 years of experience providing the world's top brands, agencies and publishers with award-winning strategies and technology. We enable marketing that's built on proof, not promises™, specialising in Loyalty, CRM, Technology, Identity management and Data science. Epsilon is positioned at the core of Publicis Groupe's operations around the world.



*“IMRG are delighted to be collaborating with Epsilon, to conduct important research into the challenges and key areas to focus on when it comes to retailers acquiring and retaining customers. We found out where the most common pitfalls are, and how retailers can increase loyalty, in order to present it to our community. Thank you to Epsilon for their insight, and we look forward to a range of online retailers taking value from our findings.”*

We help our members understand and improve their online retail performance through a busy programme of performance benchmarking, data analysis, insight, best practice-sharing and events. We have been tracking online sales since 2000 – and now measure over 120 individual metrics in a series of indexes, providing in-depth intelligence on online and mobile sales, delivery trends, marketing ROI and channel performance.

# Improving Online Retailers' Success Through Data

IMRG conducted a survey to gather information on customer acquisition and retention with the aim to provide industry benchmarks and insightful trends. We asked retailers a series of questions in order to find out the links between various strategies and how this impacted their results.

## Methodology

The aim of our survey was to best understand the links between retailers' practice and strategy, and how this impacted the results they saw. We sought to understand the correlation between strategies such as loyalty schemes and marketing or cookie consent, and how this plays out in the results which retailers see in their data.

The survey was carried out in February 2022. 38 retailers provided answers for the survey. Please note that response rates varied across questions. We are showing all the data we received.

## What's Inside?

What can you expect to find inside our report? Take a look at some of our key topics and themes. If you're looking for something in particular, then we've laid out a guide to where you can find the topic and page number.

## Key Themes:

- Loyalty Schemes
- Marketing and Cookie Consent
- Acquisition
- Conversion Rates

## Customer Loyalty

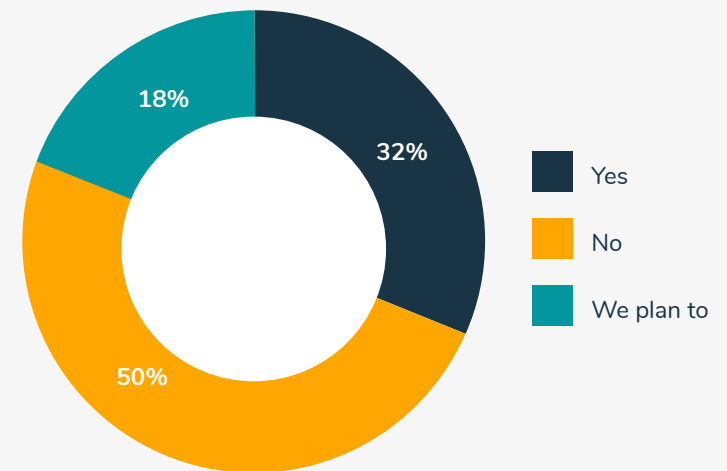
Firstly, we asked our customers about loyalty schemes, therefore the logical place to begin was by finding out whether retailers offered one, or if they were planning to launch one. Interestingly, there was a perfect split between those who said 'no', they don't offer one, and those who said 'yes' or that they were planning to.

### Key Data:

Of our 38 retailers surveyed, there was a 50/50 split between those using, or planning to use, loyalty schemes, and those who weren't.



Do You Offer Any Form of Loyalty Scheme to Your Customers?



### Epsilon Commentary

Winning customers' loyalty is not an easy thing to do with trends constantly evolving, brands actively promoting promiscuity and the rise of digital channels providing customers with so much choice. It's hard for retailers to differentiate themselves and stay connected with their best customers. Loyalty programs can provide a consent based way to engage directly with customers; through building 1st party data you can use these insights to better recognise, engage and reward customers in a more personalised way, building loyalty in the process.

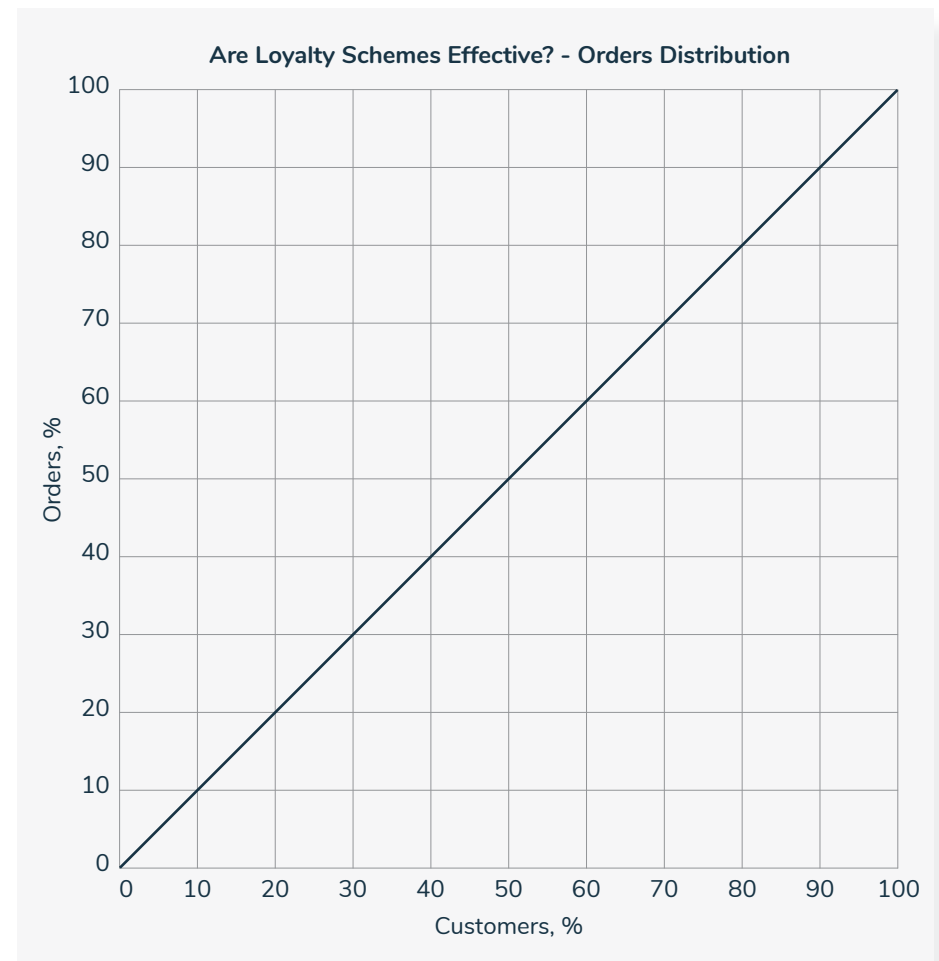
## Are Loyalty Schemes Effective in Driving Repeat Custom?

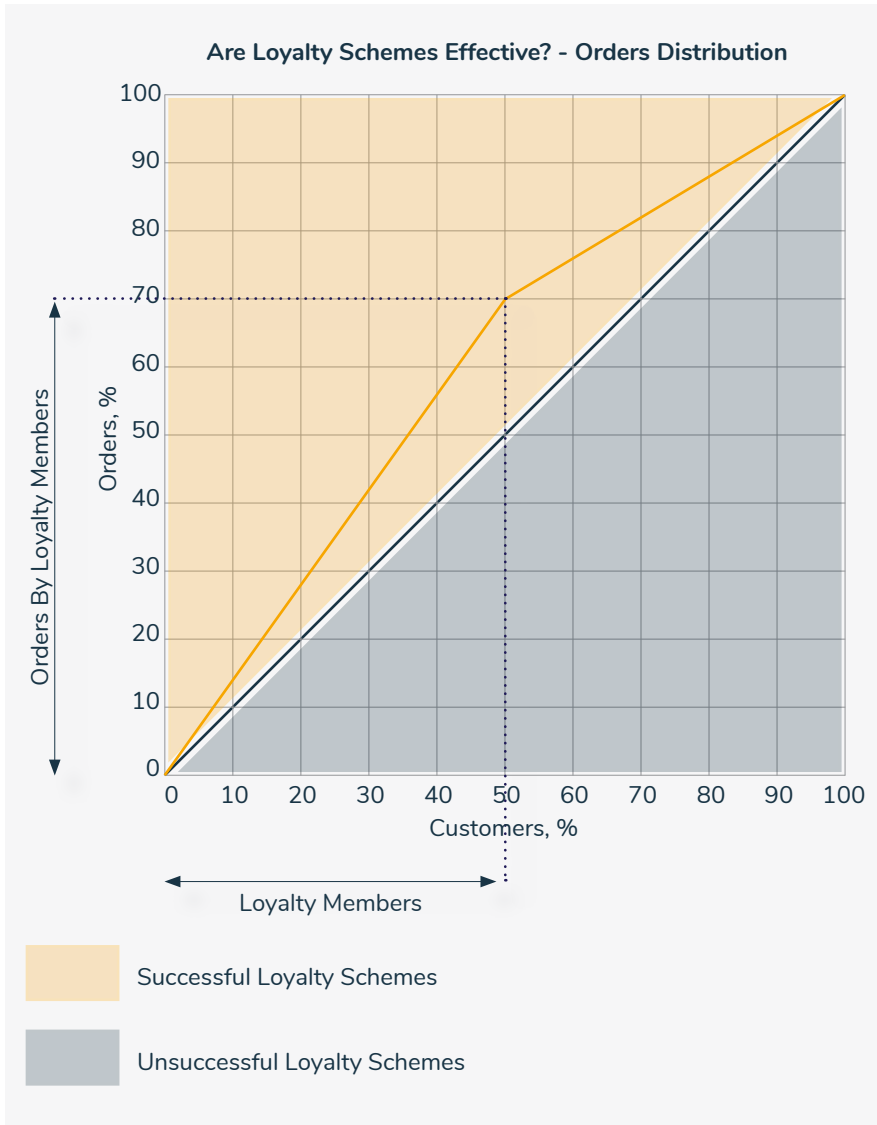
After we'd established that there was roughly a 50/50 split between those who offered a loyalty scheme, and those who didn't, it was then important to understand the effectiveness of loyalty schemes at generating repeat purchases from the same customer.

The chart examines the relationship between the volume of customers and the volume of orders a retailer received in 2021. The horizontal axis depicts the percentage of customers a retailer had throughout the time period, and the vertical axis plots the percentage of orders. Both range from 0 to 100%. The diagonal blue line represents an 'absolute equality' of customer consumption. For example, if every single customer is exactly the same and their consumption pattern is exactly the same, 100% of customers will generate 100% of orders, 50% will generate 50%, and so on... Therefore, this graph is what an unrealistic scenario could look like, as in reality, a retailers' data could never be split in an 'absolute equality' alignment.

### Key Point:

The blue line represent 'absolute equality' - a hypothetical situation where 1% of a retailer's customer base makes up 1% of orders.





In reality, this 'absolute equality' doesn't exist, as some shoppers are more frequent than others, or may be more or less loyal. So, in order to explore this data, we then plotted a division onto the graph, overlaying our new data. As an example, we plotted a hypothetical retailers' data onto the new graph. In this case, **50%** of loyalty scheme members account for **70%** of orders. So, in that retailer's case, when **50%** of customers are loyalty members, they account for 70% of orders.

The hope of a loyalty program is for it to generate a higher percentage of orders from a smaller percentage of loyal customers. Distribution points for such values will always fall in the yellow triangle on the above chart. On the opposite side, an unsuccessful loyalty program will generate a smaller % of orders from a higher % of loyal customers. Distribution points for such values will always fall in the blue triangle.

So we can conclude that an example of an unsuccessful company might have **60%** of their customers signed up to a loyalty scheme, but only **30%** of their orders being placed by loyalty members (therefore falling in the blue half); successful loyalty schemes might demonstrate **60%** of their customers being signed up to the loyalty scheme, and therefore **75%** of orders come from these customers (placing them in the yellow half).

### Reading the Data:

- Reading along the X axis, you can place the percentage of customers who are loyalty members
- Then, along the Y axis the percentage of orders by these loyalty members can be plotted.
- Successful schemes then fall into the yellow half of the graph, and unsuccessful ones are in the blue.



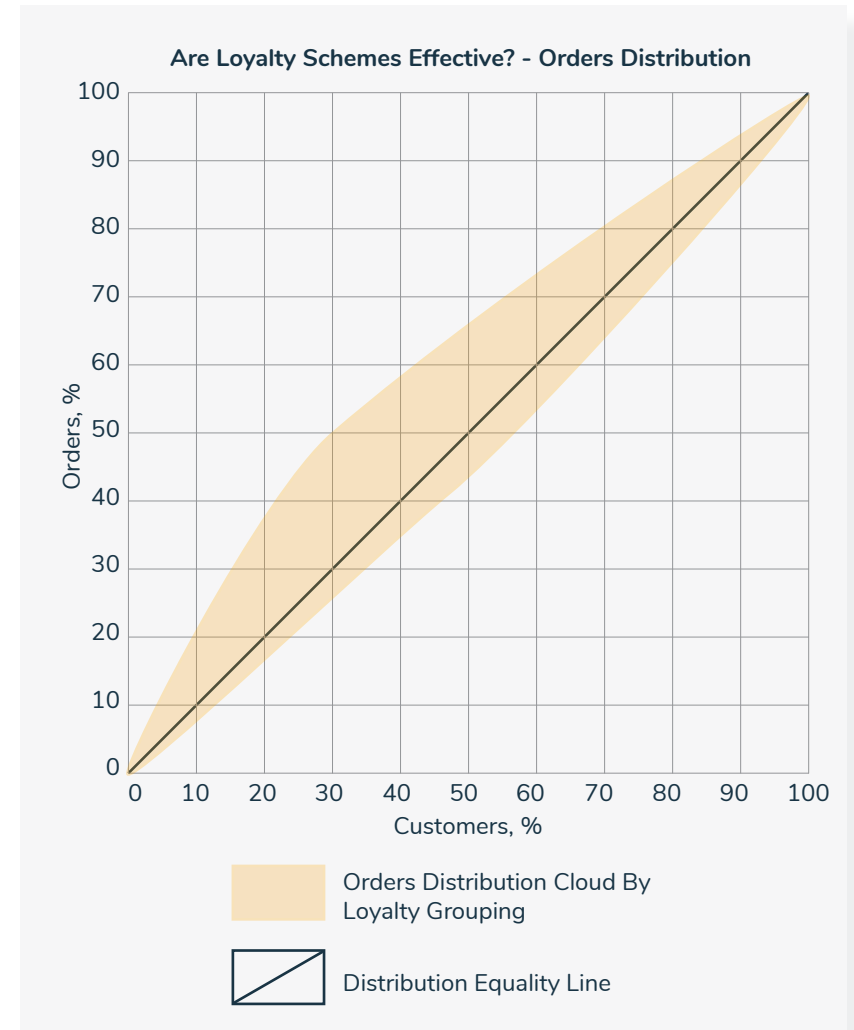
## Where Does Your Loyalty Scheme Stand?

The distribution cloud is mapped on the graph in orange, which shows all the data we received, plotted onto the graph, so it can therefore be considered as representing a market standard (the cloud is used to keep companies' specific data anonymous). This cloud can be used as a marker for finding how your own performance is faring compared to the 'market norm'. If your company falls above the distribution cloud, then your loyalty scheme can be considered to be performing better than the market. If it falls under the orange cloud, then it is underperforming compared to the market. The distribution cloud is useful for measuring your own loyalty scheme effectiveness.

So, to summarise, we can see that loyalty schemes did not significantly shift the order distribution cloud (orange area) from the blue line, which represents absolute distribution equality – the scenario where each 1% percentage of customers would equal 1% of orders – for this sample of retailers. For example, the better loyalty programs might deliver 60% of orders, from 40% of the customer base.

### Epsilon Commentary

These results are unusual as from our experience loyalty programs always attract the best customers (more frequent, larger spend etc.) so this graph would suggest issues with their recruitment strategy – failing to recruit top customers and engaging with members in general. It's well accepted that loyalty program members spend 3-4 x's more than non-members. Therefore, for loyalty programs to be successful brands need to ensure their value proposition is clear and meets the needs of their customers. Loyalty Programs should be easy for customers to enroll, engage, and earn rewards and benefits





## What Are the Most Effective Strategies?

When we asked our retailers what the most effective strategies were for loyalty programs, the answers all struck the same chord. Consumers are most engaged with loyalty programs which offer them a monetary incentive, aka price reductions. Loyalty schemes can occasionally offer customers 'extras' or experiences, such as free cups of coffee, or in-store experience days, but none of these benefits featured in any of the survey responses. The overwhelming majority were focussed on how money off schemes were most effective.



Gift voucher after x purchases



A 'welcome 10% off' offer



Money back in the form of reward vouchers



We reward with 'points' which can be exchanged for £ off. Double/Triple point incentives.



Money off vouchers



Money off - 10% off their 2 favourite bands



Targeted offers / discounts



Money off programs

### Epsilon Commentary


Offers and discounts are often cited as one the key reasons that customers join a loyalty program. But they are also the most expensive and difficult to sustain. Monetary benefits are a key component, but we believe that the most successful programs have a balanced loyalty strategy that delivers both transactional (points/money off) and emotional (engagement/experiences) benefits to their customers.

## What are the Key Challenges of Loyalty Schemes?

Following on from the benefits, we then asked retailers what challenges they encountered when running loyalty schemes, but the answers were varied, and there was no singular response, as in the previous question. Instead, we collated a few of the most common, varied responses.


 Ensuring it's functional in stores as well as online


 People registering with multiple email addresses


 Clarity of reward / redemption

 Buy in from management at all

 Repeat purchase

 Recruitment, engagement, cost of reward

 Recruiting new members, enticing users to join (rather than checking out as a guest) as customers are too reliant on discount codes than using their points

 Omnichannel functionality, currently store only. Cost of rewards. Increased customer contacts

 Integration with ESP, Refer a Friend module has not been successful at all

### Epsilon Commentary

These are all key elements retailers need to consider when designing a program – creating a differentiating value proposition and branded customer experience, backed by robust ROI case. The most occurring themes seem to be around acquiring best customers and then engaging them properly.

**Engagement** – it sounds like this maybe hasn't been properly thought about in the design process around how you take a customer on that journey and build LTV through having an ongoing dialogue with them.

**Acquisition** - Loyalty Programs need to be easy to understand, easy to enrol, earn, and reward to firstly acquire people and then engage them ongoing. The loyalty program needs to be central to the business but-in across senior management, all stakeholders and be supported by the right marketing/communication strategy. The role of the loyalty program (post launch) is not about acquisition, it's about focusing on your best customers and engaging them effectively. However, Epsilon has a unique capability that can enable retailers/brands to recruit new best customers.

## The Benefits of Loyalty Schemes

When used in the correct way, loyalty schemes can have positive impacts for online brands, however, the results might vary in the data depending on what the retailers' desired outcome is.

In this table, we split our retailers into three groups:

**Group A = Loyalty scheme**

**Group B = No loyalty scheme**

**Group C = Using a loyalty scheme, or going to use one**

We then saw some interesting results when looking at how these three groups' performance fared in conversion ('CVR') growth in percentage, and their average CVR. In **group A**, the retailers who used loyalty schemes, we can see that conversion is the highest, and the growth in their revenue was also highest. Then, in **group B**, the retailers without any loyalty schemes, they had lower conversion, and revenue growth was lower too.

**Group C** was created to include the retailers who have a loyalty scheme but are displaying unusual results, and those planning to use a loyalty scheme in the future. Whilst their revenue growth is the lowest, as well as their conversion rate, this isn't necessarily bad.

We reached the conclusions that for **group A** there was positive growth due to successful loyalty schemes likely being used alongside other marketing tools. **Group B** shows normal performance, without the use of any marketing schemes. And **group C** would need to add other marketing tools in order to see their performance move up, so for example the use of a loyalty scheme alongside other marketing tools in order to make it successful. Therefore for **group A** and **B**, it can be seen that performance is higher for those retailers using loyalty schemes alongside supplementary tools to make the investment worthy.

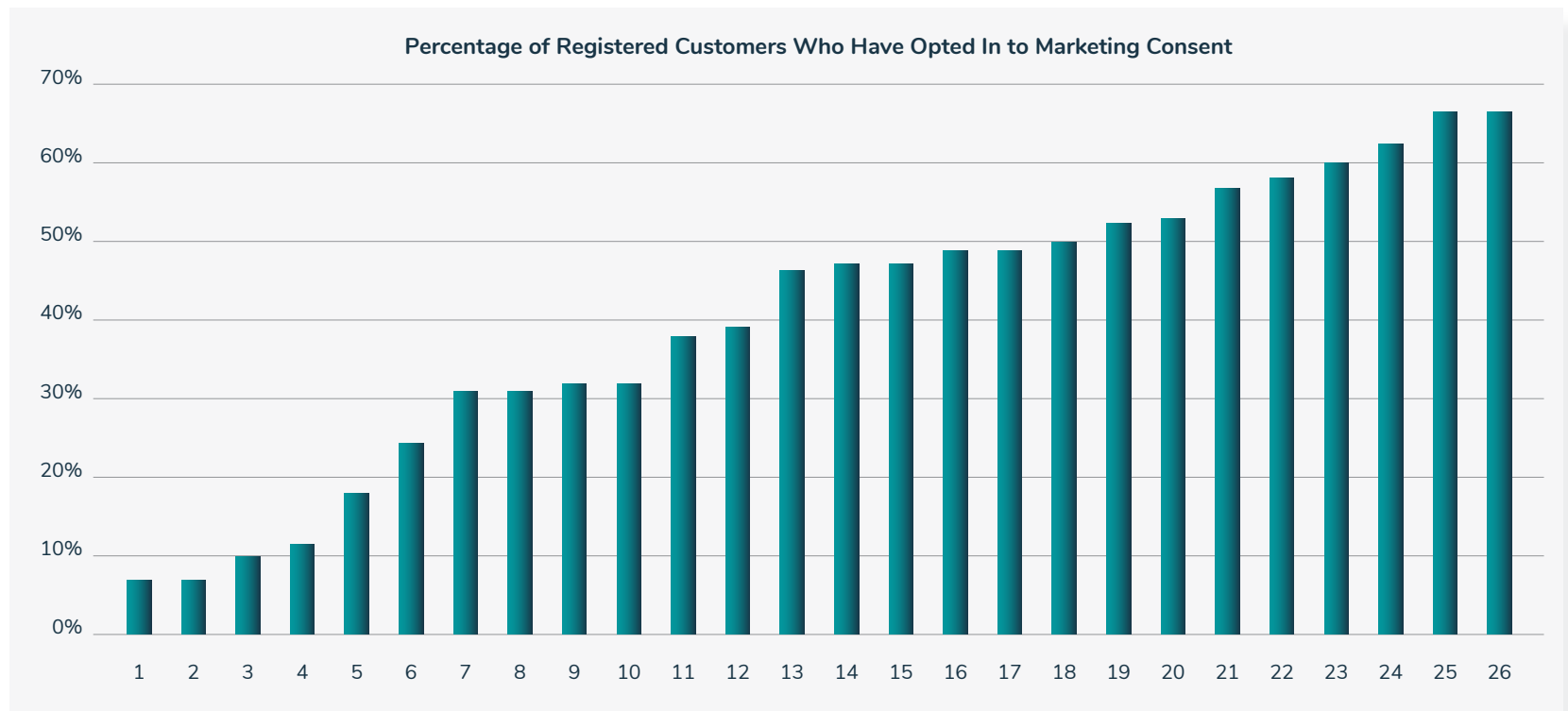
We can conclude that loyalty schemes can increase conversion rate and yearly growth, most likely in particular when successfully used with monetary discounts, as we discovered in our previous survey findings.

	CVR Actual Growth 2020 To 2021 (% Points)	Average CVR 2021 %
Group A	+1.3% To +4.4%	5.7%
Group B	+0.0% To 1.1%	3.0%
Group C	-2.0% To -0.1%	3.8%

## Marketing and Cookie Consent

All of the retailers in our sample said that they had a marketing consent 'tick box' on their site, as it's required by the law, so we wanted to find out the best way to deliver this on-site experience for the customer. The average opt-in rate of these retailers' customers was **40%**, and the graph shows these results.

Whilst the average gives a rough idea as to the rate of opt-in, we can see from the graph that actually there's quite a big difference between the lowest and highest rates. A few retailers had under **10%** of site visitors opting in, whilst the highest rates were almost **70%** for others.



IMRG conducted some extra research to see why some retailers might have such a high opt-in rate compared to others. Our focus was on the presentation and placement of the opt in 'tick box'. Could the wording, colours, size or location affect the opt in rate from customers?

We concluded that the answer is actually no, these user interface options had no noticeable effect on the percentage of those opting in or out of data collection. IMRG studied every retailer who gave us their opt in rate and could not find any discernible characteristics between the top rates and the lowest. This is a useful conclusion for retailers, as it means customer opt-in rates are likely related to their personal relationship with your brand as opposed to any UX dynamic they may be tempted to explore.

### Epsilon Commentary

The approaching death of third-party cookies and identifiers means retailers must build up their first-party data to deliver effective marketing and targeting in the future. But this requires consumer permission, making it critical to obtain opt-in consent. Retailers must focus on building trust and incentivising consumers to give their permission to ensure they're in a strong position going forward.

### Reading the Data:

User interface variations don't actually impact the opt-in rate for onsite cookies and data collection



## Cookies, Pop-Ups and Tracking

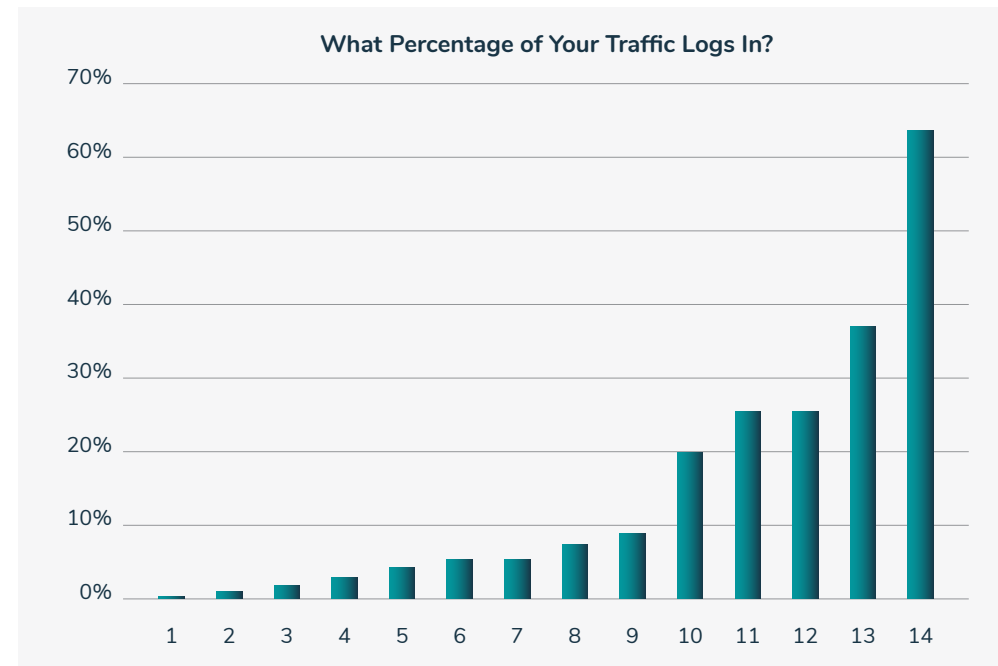
There are two main approaches to the cookie consent pop-up:

1. The first is a message that pops up, asking for confirmation from the visitor, but importantly they are still able to navigate around the website. Links, menu bars and images are all clickable. The cookie popup follows the visitor around the website as they navigate.
2. The second option is where the website is essentially 'locked' until the visitor acknowledges the cookie pop-up. The visitor cannot progress anywhere beyond the landing page until they act upon the pop-up.

We found that the first option is adopted by **76%** of websites in IMRG's survey, the second was the remaining **24%**. This shows that being able to navigate the site, with the cookie pop-up following you, is most widely adopted.

Leading on from this, the average opt out rate was only **12%**, ranging from **1% to 26%**, however, we couldn't find any noticeable pattern between opt out rate and the cookie pop-up approach. This suggests there isn't a noteworthy way to create a higher opt-in percentage.

When looking at other forms of tracking website customers, we asked our sample of retailers what percentage of their customers log in. Only 14 of the respondents were able to give us the data to answer this question, so the sample size isn't large enough to make sweeping conclusions, however the results were of interest. Anything between **0% to 63%** of these retailers have their customers log in when they browse. Logged in customers create the best source of trackable activity for retailers, and indeed as third party cookie accuracy has more and more trouble, it's slightly alarming that a source for first party data is so low. This may often be why loyalty schemes are used (if not for monetary incentive to maintain brand loyalty), in order to create a trackable system which benefits both the retailer and the customer.



## Acquisition

We went on to learn about how retailers acquire their customers to begin with, through a 'last click attribution' model. This method tracks which platform site visitors came from, measured by the platform they clicked the link to the site on. The timeframe we asked these retailers for data from is September 2021 to January 2022, so the data shows how visitors landed on each brand's site during this timescale.

As shown in the graph, we can see that affiliates came out on top, with an average of **8%** of visitors coming from this source. Affiliates can mean voucher sites, to student discounts; blue light cards to influencer codes. The majority of traffic seems to be drawn through these partnerships and brand deals, however, there's an argument to say that when customers see a 'promo code' box, they might then go in search of a code, despite landing on the site through different means.

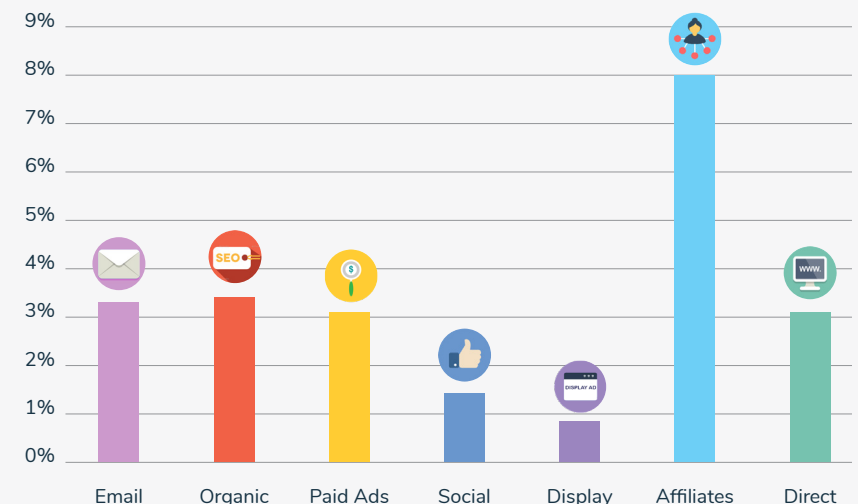
With relatively equal popularity, were email, organic, paid ads, and direct—around **3%**. Social and display came out in last place. Whilst the results for social might seem shocking, given the prevalence of social in branding and sales, it might be for less obvious reasons than simply 'poor performance'. Social is a difficult channel to measure, as it often builds up brand awareness and loyalty, but this doesn't necessarily translate neatly into direct revenue using the last click attribution model.

### Epsilon Commentary

Understanding acquisition effectiveness comes down to using the right metrics. While last-click attribution is widely used, there's growing recognition that giving all the credit to the last touchpoint a customer engaged with is distorting channel value. Retailers, instead, must start measuring incrementality to identify the uplift that can be attributed to their marketing activities. This is critical to understanding which marketing channels have the most impact on the customer journey. Only with these transparent insights can retailers have the confidence to make key marketing decisions and allocate budgets to those best-performing channels.

> Contents

Industry Average Conversion Rates  
Based on Total Sessions and Last Click (Sep 21 to Jan 22)



## Which Channels Produce the Best Website Conversion?

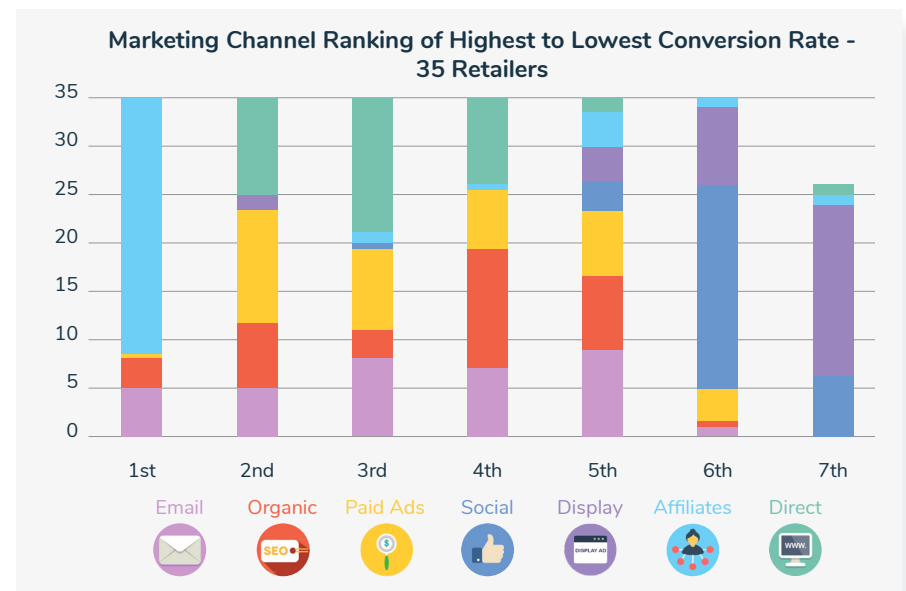
IMRG then established a ranking system, to see how each of these systems performed—not in averages, but by which channel produces highest conversion. IMRG counted how many times each marketing channel was the highest converting channel for each retailer, then how many times it was the 2nd highest, 3rd, 4th etc. The results then show a fair representation of which channels are the best and worst for conversion, regardless of the actual CVR value—eliminating the potential skews from high/low converting websites).

We can see that once again, affiliates come out as the most successful means of converting customers to the checkout, whilst direct, paid ads, and organic saw mixed results.

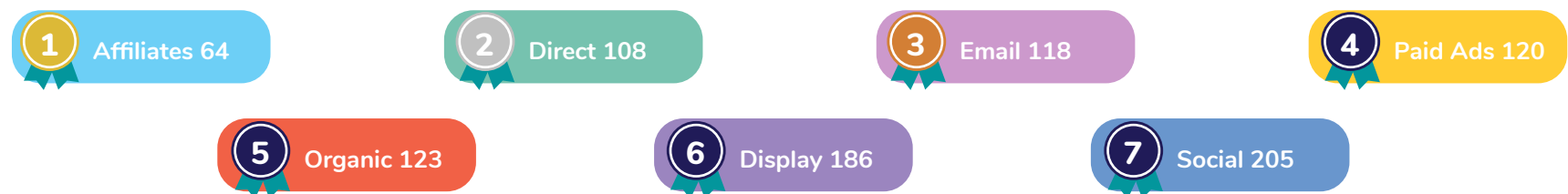
Affiliates are by far the best converting marketing channel, recording the top conversion for 26 different retailers. Retailers did not specify what sort of affiliates are included in their submitted figures, but a confident assumption could be made that its largely made up of voucher code and cashback sites. As proven in the Loyalty section of this survey, 'money off' mechanisms prove to be popular.

Social and display channels are the lowest performers, social in particular ranked poorly, clocking in at 6th place across 21 retailers.

A final ranking can be generated via a scoring system, a 1st place equals 1 point, 2nd place is 2 points, 3rd is 3 points etc. Totalling up the positions of all marketing channels across all of the 35 retailers produces the below final ranking of marketing channels effectiveness at generating conversions. The lowest score wins:



### CVR Rank:





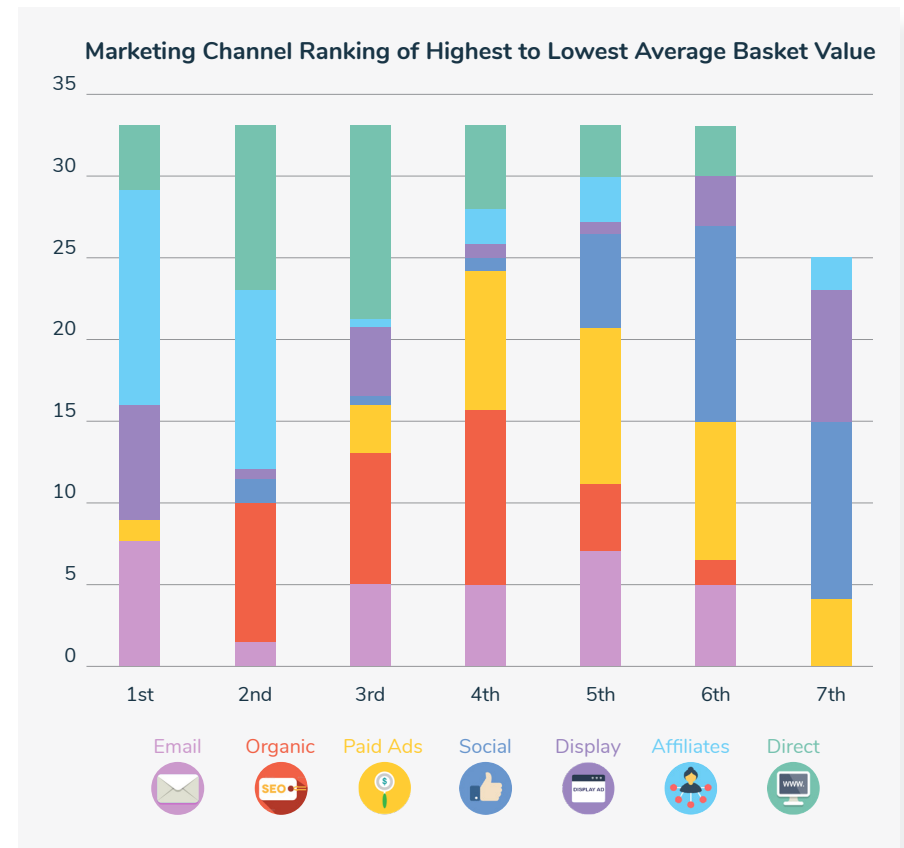
## Which Channels Produce the Best Average Basket Volume?

We then employed the same system as with the conversion rate, to best understand which channels provide the highest average basket volume. We did this by counting the number of times a channel generates the top basket value for each retailer, then the number of times it is the 2nd highest, then 3rd, 4th etc.

Once again, affiliates are the stand out performing channel. IMRG found this to be an interesting outcome. This is because affiliates are suspected to be heavily inclusive of voucher code websites, which would suggest a lower ABV, but perhaps the discount is encouraging people to purchase more, knowing they are getting a larger overall sum discounted at the checkout.

As before, a ranking score can be given to each channel based on its number of 1st places, 2nd, 3rd etc—the lowest score being the winner.

### ABV Rank:



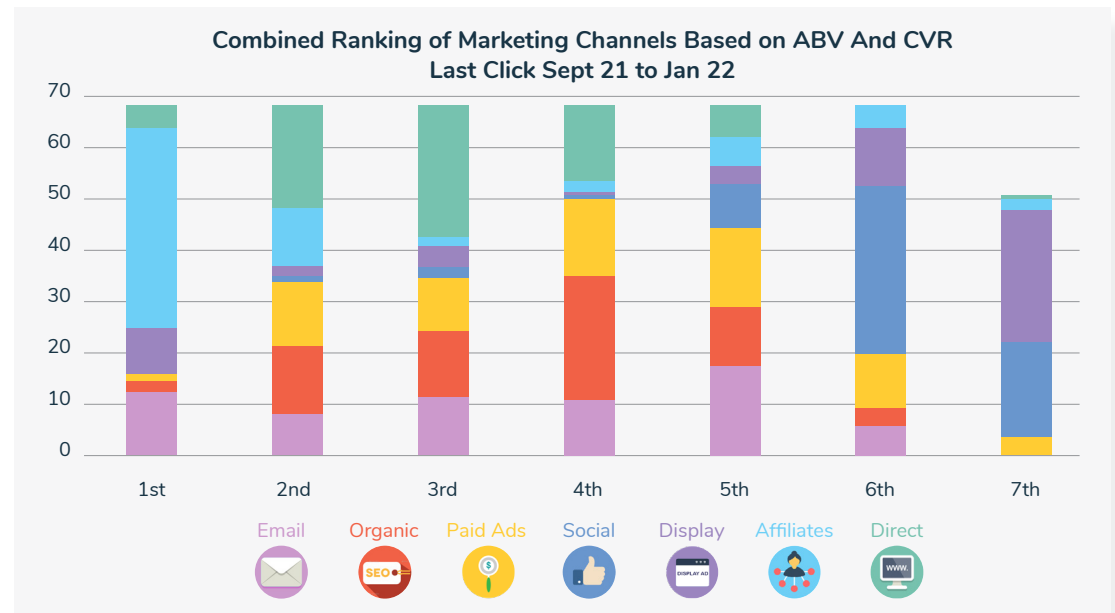
## Ranking Marketing Channel Effectiveness Based on CVR and ABV

Finally, a marketing channel's effectiveness is best evaluated with both CVR and ABV considered in combination, after all, they are both integral to a website's final revenue figures.

The below shows the combined number of 1st places, 2nd places, 3rd and so on, for each marketing channel and then their overall ranking.

### Epsilon Commentary

While affiliates appear to be the stand-out channel for conversions by some margin, when it comes to actual spend, as shown by the average basket value, others are much more closely aligned. This could indicate that these other channels, which are potentially less reliant on voucher code discounts, may be more profitable for retailers than affiliates. Again, this comes down to having insights into how the channels are working together and influencing the customer journey. Only then can accurate decisions be made around effectiveness.



## Conclusion

We can see from our final 'score table' that social generates an average of 7% of traffic, but can only muster 3% of revenue. This is likely due to poor conversion and basket values, though as explained above, the method of measurement here does have caveats.

The highest traffic share comes from paid ads and SEO (30% and 24% respectively), but as shown earlier, these channels are not as effective at converting customers and generating higher spend. The challenge therefore rests with retailers to work out ways to increase the conversion of these popular channels, particularly the organic traffic as it should in theory retain the best margin.

**In our final ranking we saw that affiliates are the standout winner, followed by a close grouping of the direct, email and organic channels holding the middle ground. Social is the clear loser in the ranking.** It was last for both conversion and basket values—an interesting outcome given the high profile status social activity holds within most retail companies. It's worth repeating at this point that the data for all the marketing channel figures is based on a last click attribution model, an approach that is likely unkind to the effectiveness of social channels and masking its true value to a retailer.

### Epsilon Commentary

When it comes to acquisition, retailers should be focusing on recruiting prospects that reflect the profiles of their existing best customers, as they should go on to become regular, profitable buyers. By using insights into their current customer profiles and channel preferences they can better target their activity and acquire more valuable recruits.

#### Final Rank:



## Key Takeaways:

- Loyalty schemes don't always correlate with success, but there is evidence that the conversion rate can increase in companies using them, as they've been shown to potentially increase growth and conversion.
- The methods of displaying cookie opt-in and out doesn't necessarily change the percentage of those customers who opt-in. Instead, brands must build customer loyalty and engagement to create such trust.
- Affiliate marketing channels perform best based on last-click attribution, followed by direct and email. However, social channels may be undervalued in this model, and still provide great importance to a company's brand.

### Epsilon Key Takeaways

- Ultimately marketing success comes down to using data and insights to inform your strategy. While less than a third of responders offered a loyalty scheme, these are critical to help retailers gather data and begin to understand their customers. Building relationships, trust and delivering relevant, personalised communications and experiences so customers continue to be loyal buyers all start with data.
- Consumer privacy concerns, increasing regulation, and industry changes are all impacting how marketing will be carried out in the future. Retailers must be set up to maximise the collection and application of first-party data to future-proof their marketing, target their acquisition strategy and drive their retention activity.
- To deliver effective marketing, retailers must adopt an incrementality approach to measuring success. Only by understanding actual outcomes and the value each channel delivers can they truly make insightful, relevant and impactful marketing decisions.



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