

Attrition

Ed Higdon: Today we're going to talk about how we help our customers battle attrition. Attrition in the retail world is a significant issue. Sometimes it's not attrition to where the customer actually stops shopping with us. It's when the actual value of that customer degrades over time. Our research has shown that if you look at a customer's top 20% of their database, half of those customers a year later will no longer be in the top 20%. Of those that drop out they will drop 50% in value. If you're a top customer at spending a \$1,000 a year, a year later half of those people spending a \$1,000 a year will be spending about \$500 with you. Huge impact to the retailer.

Most retailers have attrition plans in place and communication plans. They look like this. If a customer hasn't shopped with you in the last six months then I'll send a communication out to them giving them a great offer and hoping that they come back. That makes a lot of sense, in general, but what if you have a customer that shops 12 times a year with you? If you wait six months to communicate to them you've already lost six buying cycles. That customer is gone. They've switched to a competitor. You've lost them.

We've developed an individual model that help us look at an individual customer and target their particular buying pattern. It look kind of like a heartbeat. We can model them every day and understand how they're moving. Are they speeding up or slowing down with us, which is fine as long as that heartbeat continues at a normal pattern. That's fine. They're staying on their normal buying behavior. But what we've been able to do is to identify these critical barriers. When we see a customer cross a critical barrier, in this case they're slowing down, which means they're slowing down their buying behavior. That is a signal that they have statistically significantly changed their buying patterns, and they're declining in their value.

This is the point that you need to communicate to your customer with that better offer. The strategy of the better offer is a good one but the timing can be wrong. It's the timing that's critical in battling attrition and this is how we help our clients do it at Lift361.