Driving Growth With Customer Lifetime Value

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Importance of LTV in Market

Customer Lifetime Value (LTV) = Importance Rising as... Customer Acquisition Cost (CAC) Increases

89% of leading marketers use strategic metrics such as gross revenue, market share or LTV to measure the effectiveness of their campaigns*

Leading Marketers are 15x as likely to use a consumer-centric metric, like CLV, to measure success**

*Google/MIT Technology Review Insights, ML Leaders and Laggards, Global, 2018 (Leaders (n=186) defined as >15% increase in revenue OR 15+ point market share increase, Laggards (n=176) defined as <0% growth in revenue OR <0 point marketshare

**Source: Bain Marketing Survey 2016
From Answers To Journeys
To help you resume tasks where you left off and learn new interests and hobbies.

From queries to a queryless way to get to information
Surface relevant information related to your interests, even when you don’t have a specific query in mind.

From text to a more visual way of finding information
More visual content to Search to help you find information more easily.
Integrating **business metrics and Customer Lifetime Value** into your marketing strategy
Sponsor project and align key stakeholders

What will success look like?

Broken silos

Bring together partners from Marketing, Finance, Tech, and Agency teams

A common goal

Align cross-functional team around a single goal: value LTV for key customer segments

Aligned metrics

Update marketing metrics to align with business outcomes—prioritize conversions over CPAs
A segmentation based on CLV won’t be spot-on immediately. But we think that if you don’t have some type of lifetime value calculation, even at a broad level, it will soon be impossible to reach the customers that matter most to your business.”

— George Popstefanov, CEO at PMG Agency
Organize data for customer analysis

What will success look like?

Collected
Combine data from web analytics and customer data sources, like CRM databases

Coverage
Confirm that the data is adequate in size and of good integrity

Composition
Organize the data consistently and make it accessible with a unique customer identifier
More touchpoints

900+
digital interactions before purchasing

More devices

30%
of people in the US use 5 or more devices

More online to offline interactions

76%
of people who search on their smartphones for something nearby visit a business within a day
How can Google help simplify the complexities of measurement?

- **Measure cross-everything**: Marketers must be able to measure cross-channel, cross-platform, cross-device, and eventually cross-media while protecting user data.

- **Prove business impact**: Marketers will focus on metrics that show a direct impact on business outcomes versus intermediate metrics.

- **Harness machine learning & automation**: Marketers will rely on machine learning and automation to achieve personalization experiences at scale.

- **Embrace simplicity**: Marketers will choose tools that are simpler, easier to use, and better integrated in order to deal with growing complexity.
Segment by customer lifetime value

What will success look like?

Customer LTV model
Choose the best LTV model based on business setting and customer variation

Customer segments
Model existing customer data to understand predicted future value

New insights
Identify common characteristics of most profitable customer segments
Importance of Segmenting Customers

CPA = $10
Average Attrition = 58.5%
Average Lifetime = 1.7 years
Segment for Maximizing Profit/Value

<table>
<thead>
<tr>
<th>Segment</th>
<th>Customers in %</th>
<th>Attrition rate in %</th>
<th>Lifetime in years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment 1</td>
<td>70</td>
<td>65</td>
<td>1.5</td>
</tr>
<tr>
<td>Segment 2</td>
<td>20</td>
<td>35</td>
<td>2.9</td>
</tr>
<tr>
<td>Segment 3</td>
<td>10</td>
<td>6</td>
<td>16.7</td>
</tr>
</tbody>
</table>

Max Profit on Segment 1 + Max Profit on Segment 2 + Max Profit on Segment 3 ≥ Max Profit

Target CPA=$10
Stop marketing to the average
Your Data + The Right Technology = SUCCESS
Activate segments through marketing

What will success look like?

- **Process defined**
  Design your data onboarding strategy internally or with the help of a third party

- **Connected KPIs**
  Tie media KPIs to customer lifetime value segments which will drive long term business outcomes

- **Aligned audiences**
  Align your audiences with your marketing strategy (i.e. customer acquisition, retention, or cross-sell)
Using their CRM data they determined an Expected Lifetime Value for their customers and used that data in Google Analytics to create audiences and similar audiences based on most valuable segments.

11% increase in conversion rate

17% increase in ROAS
Experiment, extend, and evolve

What will success look like?

Known value-drivers
Identify the activities that drive higher acquisition and retention of your best customers

Evolving benchmarks
Use results to continue to adjust targets from previous analysis

New audiences
Iterate the audience creation process and targeting based on KPI achievement
Evolve from legacy measurement and media KPIs—to create and capture demand among your highest LTV customers

**SPONSOR**

Get a champion: Name a trusted partner to be the leader of aligning stakeholders and KPIs across teams and functions.

**ORGANIZE**

Combine data: Export current data from primary systems, including CRM and marketing, and combine for use in modeling.

**SEGMENT**

Make the model: Use proprietary or public tools to segment customers by LTV.

**ACTIVATE**

Use the model: Use the segmentation in your marketing, like AdWords, prioritizing investment in your best customers.

**EXPERIMENT**

Extend the capability: Use the new segments to reach new customers, like similar audiences.
## Building a client for LTV success

<table>
<thead>
<tr>
<th>Advertising Strategy</th>
<th>Business Structure</th>
<th>View of the Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic</strong></td>
<td>Optimize to shallow, non-differentiated conversion(s)</td>
<td>Marketing / other orgs siloed</td>
</tr>
<tr>
<td><strong>Developing</strong></td>
<td>Defined messaging strategy for remarketing, cross-sell, and up-sell</td>
<td>Open communication between marketing and other depts</td>
</tr>
<tr>
<td><strong>Ready</strong></td>
<td>Differentiated conversions and messaging based on value / quality</td>
<td>Marketing has a pulse on current understanding of the value it drives for the business and how it contributes to the overall goal</td>
</tr>
<tr>
<td></td>
<td>Data at the customer level available, but segmented across data sources</td>
<td>Historical data by individual customer collected centrally</td>
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</tbody>
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