



**How Ecommerce Brands Can  
Increase Customer Lifetime Value**

# Introduction

For newly established Ecommerce companies, arguably the highest priority is customer acquisition. Earning your first dollar is a huge milestone. Next is receiving your first 100 orders. Yet even after some stores have figured out how to get shoppers to add items to their cart and successfully check out, their businesses never truly get off the ground.

That is because acquiring customers is the first step to building a sustainable business. At that point, the hard work is just beginning. To scale your Ecommerce store, you must continue to acquire new customers but you must also allocate resources to manage customer loyalty and retention.

The goal: **to increase your customer's lifetime value.**

In an article for Forbes, entrepreneur H.O. Maycotte writes,

“Customer Lifetime Value – or LTV, for short – is one of the most important metrics a business can have.

As a measure of the amount of profit you can expect to generate from a customer over the entire time they do business with you, LTV tells you a lot. It lets you know who's in it for the long haul, and who's not; who's going to invest time, energy and money in your products and services for years to come, and who might just be fairweather. That's information you can use to decide how to allocate resources for marketing, customer retention and other areas so that you get the best possible return on those resources.”

By shifting some of your focus away from acquiring new customers and allocating those energies towards engaging and retaining existing ones, fledgling Ecommerce brands begin to afford themselves the luxury of thinking long-term.

In fact, a resource by Stitch, Inc. states,

“[LTV] helps you make important business decisions about sales, marketing, product development, and customer support. For example:

**Marketing:** How much should I spend to acquire a customer?

**Product:** How can I offer products and services tailored for my best customers?

**Customer Support:** How much should I spend to service and retain a customer?

**Sales:** What types of customers should sales reps spend the most time on trying to acquire?”

Of course, many store owners already know how important improving LTV is. However, a majority still are unable to accurately track it for their own business. In 2014, Econsultancy conducted a survey that found 58% of businesses were unable to measure customer lifetime value.

That said, we at Conversio are invested in your long-term success as a store owner. Therefore, we have developed this guide to help you:

- Calculate customer lifetime value
- Benchmark your performance against your peers
- Increase your LTV
- Discover additional ways to grow your bottom line

A simple equation for calculating LTV, according to business coach Brad Sugars, is:

**(Average Value of a Sale) X (Number of Repeat Transactions) X (Average Retention Time in Months or Years for a Typical Customer)**

However, the formula does not yet account for the costs of acquiring a customer. So, Sugars adds,

“Once you have some idea of the lifetime value of your customer, you have two options in deciding how much to spend to acquire him or her:

**1. Allowable acquisition cost:** This is the amount you’re willing to spend per customer per campaign – as long as the cost is less than the profit you make on your first sale. This is a shorter-term strategy that makes the most sense when cash flow is a concern.

**2. Investment acquisition cost:** This is the cost you’re willing to spend per customer knowing that you’ll take a loss on an initial or even subsequent purchase. But you have the cash flow and other resources to absorb your initial marketing investment with this longer-term strategy.”

For early-stage businesses, it is important to consider customer lifetime value in the context of their “allowable acquisition cost.” This is typically the best approach when resources are limited. As your customer base grows though and revenues become more predictable, Ecommerce entrepreneurs should adopt the latter strategy. When bigger brands are ready to scale they should determine their “investment acquisition cost” and use that to inform future business decisions.

One way to determine your “investment acquisition cost” is to calculate LTV factoring in average gross margin across your products. Below, Ometria’s head of Ecommerce Edward Gotham shares a thorough way stores can accurately assess LTV:

$$\text{LTV} = ((T \times \text{AOV}) \times \text{AGM}) \times \text{ALT}$$

In this equation, T = average monthly transactions, AOV = average order value, ALT = average customer lifespan (in months), and AGM = average gross margin.

Best of all? A change in any one of the variables above will have a huge impact on LTV. Therefore, Ecommerce marketers should aim to either increase their average product's gross margin or their average customer's purchasing frequency, order value or lifespan. Using Gotham's LTV formula, store owners can better estimate the value their customers bring to their business.

Now, in case you are curious about how your store's LTV compares to your peers, we have included findings from our 2016 average order value and customer lifetime value study below.

## **Ecommerce Benchmarks: Average Order Value And Customer Lifetime Value**

At Conversio, we analyzed data gathered from Ecommerce stores using our all-in-one marketing dashboard to determine industry-wide and category-specific benchmarks for average order value (AOV) and customer lifetime value (LTV). So, we reviewed all of the different transactions across 24,353 Ecommerce stores using Conversio in 2016 and identified:

- 17.9 million shoppers
- 25.5 million receipts
- \$1.495 billion worth of transactions

What we discovered was:

- Among all the Ecommerce stores surveyed, the average order value was \$58.57
- And the average lifetime value of each of these customers was \$83.73

In 2015, RJMetrics published its 2015 Ecommerce Growth Benchmark report which revealed, "Top performing Ecommerce companies have an Average Order Value (AOV) 36% higher than everyone else." Thus, to truly stand out from the pack, companies should aim for an AOV of \$79.66 or more.

**A caveat to the data:** Every store is different. It's unrealistic to expect an AOV of almost \$60 if most of your products sell for \$3 a piece. At the same time, you would be remiss to accept an \$84 LTV as your metric for success if your business exclusively sells \$300 wristwatches. That said, store owners should consider benchmarking their performance against industry peers.

To help store owners better understand the AOV and LTV of other brands in their niche, we segmented the data we gathered from the Conversio Ecommerce marketing dashboard. Across 19 different categories, we found:

- Stores in the Animal & Pet Care category had the lowest AOV (\$39.08) and LTV (\$57.06)
- Stores in the Furniture category had the highest AOV (\$408.96) and LTV (\$478.93)
- Average stores in 15 out of the 19 categories had a higher AOV and LTV than the universal average (\$58.57 and \$83.73, respectively)
- Average stores in 4 out of the 19 categories had a lower AOV and LTV than the universal average

CATEGORY & INDUSTRY	AVERAGE ORDER VALUE (AOV)	AVERAGE CUSTOMER LIFETIME VALUE (LTV)
Animal & Pet Care	\$39.08	\$57.06
Arts & Crafts	\$84.31	\$112.83
Automotive	\$70.96	\$97.74
Books, Music & Video	\$61.82	\$149.40
Business & Education	\$141.71	\$236.58
Computer & Electronics	\$159.11	\$203.44
Digital Goods & Software	\$71.36	\$126.94
Fashion & Apparel	\$56.72	\$69.73
Food & Beverage	\$60.05	\$91.49
Furniture	\$408.96	\$478.93
Garden & Home Improvement	\$114.02	\$146.67
Health & Beauty	\$67.53	\$92.61
Hobbies & Travel	\$107.24	\$118.72
Jewelry & Accessories	\$50.88	\$61.28
Other	\$58.66	\$84.40
Sports & Recreation	\$101.20	\$128.42
Toys & Games	\$57.04	\$68.41
Travel & Experiences	\$115.68	\$157.32
Wedding & Bridal	\$74.78	\$86.10

Regardless of whether or not your store outperforms the competition, Ecommerce managers should consistently strive to expand their relationship with their customers and increase LTV.

## How To Increase Customer Lifetime Value

Earlier, we pointed out that the four main variables that make up the formula for LTV are:

1. AOV = average order value
2. T = average monthly transactions
3. ALT = average customer lifespan (in months)
4. AGM = average gross margin

By employing and optimizing a variety of integrated marketing strategies, Ecommerce stores can feasibly improve their AOV, T and ALT. To improve AGM, store owners will have to negotiate better rates with their suppliers and reevaluate their pricing strategy.

### 1. How to increase the value of your average order

Before your customers check out and complete their purchase, there are a number of ways to encourage them to add more items to their cart, buy in bulk and purchase premium-priced items to increase their shopping cart totals.

Below are nine strategies you can execute to multiply your average order value:

#### 1. Create cash-back rewards to incentivize minimum order totals

For shoppers, a well-crafted deal can feel irresistible, causing them to consume more than they originally anticipated. An even better promotion, of course, also leaves them feeling happier (rather than remorseful) with their amended purchase. In a blog post for Kissmetrics, conversion rate optimization expert Fabian Alvares suggests that cash-back techniques can help increase AOV. Alvares elaborates,

“Cash-back in the form of gift cards or vouchers such as “Free \$10 voucher on your next purchase when you spend \$40” can really boost AOV and repeat purchases. You can also build partnerships with other companies which allow gift cards or vouchers to be redeemed at several companies such as “\$50 off at CrazyEgg & KISSinsights.”

Not only does this facilitate repeat purchases, it also makes it a no-brainer for customers to buy a bit more to reach the minimum spend threshold to earn their cash-back rewards.

## 2. Provide special discounts with higher shopping cart values

Unfortunately, shoppers won't spend more if you only ask nicely. Rather, you have to offer them something that will make them abandon their earlier shopping budget. The irony is: customers are willing to spend more to save an extra dollar. One simple way to encourage higher average order totals is to offer a discount when customers add enough items to their cart to hit a specific spending threshold. For instance, an E-commerce store can offer the following to incentivize increasingly higher order totals:

- **Light discount:** 10% (or a flat \$10) off an order of \$100 or more
- **Moderate discount:** 20% (or a flat \$40) off an order of \$200 or more
- **Deep discount:** 30% (or a flat \$90) off an order of \$300 or more

Using tiered minimum order discounts, you'll see many customers checking out with high enough average order totals to earn, at least, a slight discount (in the tiers above, that'd be \$100 or more). Some bargain hunters who already wanted to several of your products may actively try to spend just enough to unlock your next best discount (\$200 or more, using the earlier discount structure). Your most loyal customers and the most aggressive coupon clippers will aim to add the right number of items to their cart to trigger your biggest discount (spending \$300 or more with the above promotional structure).

Two tips to remember when using this strategy, of course, are:

1. Be mindful of your margins and set exclusions. That way, the discount won't apply to low margin products so you won't end up selling them at a loss.
2. Decide what you want your minimum order value(s) to be based on what you hope your average order value(s) are after the discount is applied. A \$10 savings on purchases of \$100 or more, for instance, realistically helps store owners achieve a new minimum AOV of \$90 or more with the promotion.

## 3. Offer free product to encourage specific consumption behaviors

Another strategy for facilitating higher order totals is offering customers a free gift when they spend more than a predetermined minimum amount. Free gifts customers may enjoy include:

- Your best-selling products in sample-size
- Excess inventory you would like to offload
- Seasonal items that are festive and fun

Ecommerce marketers, alternatively, can also pair certain SKUs together and offer more targeted freebies with specific purchases. For example, rather than offering customers a free mug when they spend \$50 or more at your online coffee shop, you can throw in the mug if they simply add one of your larger coffee bags (40 ounces or higher) to their cart, regardless of their order total.

#### 4. Establish a free shipping threshold

A free shipping incentive helps drive better sales two ways. First, many customers are more than willing to spend a bit more to avoid having to pay for shipping fees. Second, free shipping minimizes shopping cart abandonment.

According to a study by Deloitte which was featured in VWO's blog, "40% of customers are willing to buy more items if they qualify for free shipping." Mohita Nagpal, the author of the post, adds, "But there's also a lot of research to suggest that the lack of free shipping is the biggest reason for cart abandonment." And, in fact, Ecommerce growth consultant Kune Campbell notes in his article for LemonStand,

"Another study by Professor David Bell at Wharton University goes on to show that shipping and handling costs triggered 52% of the abandonment of online shopping carts – this corroborates with research compiled by BI Intelligence (in June 2014) highlighting why so many U.S. shoppers abandon their carts. 58% of shoppers claimed that they abandoned their shopping carts because the total figure they had at checkout was more than they expected or could afford."

#### 5. Cross-sell and upsell products

Amazon drives more than one-third of its revenue from personalized cross-selling, powered by email, product-page and checkout product recommendations. Other Ecommerce brands capture more share of wallet through strategic upsells too, based on the items a customer already has in her cart. For consumers and store owners, carefully produced cross-sells and upsells are a win-win. And for Ecommerce brands to effectively trigger additional spending, they must factor in up to eight powerful psychological principles:

1. **Compound value** - offering related products together to improve their collective value to the customer
2. **Convenience** - delivering a subscription service to simplify the product replenishment process and instantly multiply your LTV
3. **Incentives** - encouraging additional spending in exchange for marginal savings
4. **Paradox of choice** - minimizing purchasing options to streamline a customer's decision making process
5. **Prestige, ego-bait and self-preservation** - providing premium product, marketed as almost self-indulgent, to cater to your customers' egos
6. **Reciprocation** - giving away free product which can encourage customers to want to spend more almost as a 'thank you' gesture
7. **Scarcity and urgency** - labeling products that are low-in-stock or highlighting limited-time offers to prompt more impulse purchases
8. **Social proof** - reinforcing the value of certain purchases by featuring positive customer reviews and showcasing your best-selling or trending products

## **6. Bundle complementary or similar products**

Some of your products are better when they are bundled in a kit or package. This allows customers to use the items together and enhance the value they receive from each of the goods.

For Inc.com, entrepreneur Veer Gidwaney explains,

“When a fashion designer creates her collection, she doesn't design individual stand-alone pieces. Instead, her collection is cohesive, which makes it easier for consumers to build different outfits, rather than trying to piece together styles on their own.

The thing is, the average consumer has little to no idea how it all comes together. She gets a general idea of what's supposed to go together based on how the models wear the outfits, then when she feels confident, she'll start creating her own custom looks.

When it comes to complex decisions that involve many different factors, consumers will often look to companies to provide curated options they can pick and choose from. This type of customization is called bundling, and almost any business can find a way to improve its customer experience by adding this option.”

Indeed, sometimes individual products alone may make little sense to consumers. When you bundle complementary products though, you specially curate a package that your shoppers feel confident in purchasing. This inventory management tactic also helps stores increase their average SKU prices, thus making it easier for customers to exceed current average order values when multi-product bundles are added as a single item to a customer's shopping cart.

## **7. Provide bulk discounts**

Ecommerce marketers can safely assume that customers who have added a particular item to their cart already see the value in it. Therefore, to increase their AOV while incentivizing their shopper to spend more, stores can introduce bulk discounts on purchases of two or more of the same product.

VWO's Mohita Nagpal shares an illustrative example,

“Paperstone, an office supplies company, used Visual Website Optimizer to launch a bulk discount deal on its website. It ran an A/B test and found the bulk discount deal increased its average order value by 18.94% and revenue by 16.85%.”

### 3. Employ email drip campaigns

Pawel Grabowski of WisePops defines drip marketing as,

“A sequence of pre-defined emails, sent to everyone on your mailing list on a specific schedule. The sequence never changes, meaning that anyone added to the list will receive the same emails as anybody else, in the same order.”

Five major types of drip email campaigns (series), according to Conversio founder Adii Pienaar, include:

1. **The welcome series** - This introduces new customers to your brand and can include up to four emails delivered over four weeks.
2. **The post-purchase series** - This engages customers shortly after their most recent purchase to gather feedback and encourage repeat orders. In the example below this can include up to five emails over four weeks.
3. **Win-back campaigns** - For idle or inactive customers who haven't purchased from your store in a while, this is a three-part drip campaign that takes a 'last ditch' approach to reconnecting with former customers over two weeks.
4. **Abandoned cart follow-ups** - Your customers may not always be ready to commit to their purchase when they've added items to their shopping cart. To recover more of your abandoned carts, use this three-email series over three days to bring those shoppers back so they can complete the checkout process.
5. **Anniversary emails** - Once a year, you get to celebrate a special occasion with customer by offering them a fun reward for their loyalty.

### 4. Use retargeting and other advertising strategies

When your customers leave your Ecommerce shop, it's easy for them to forget about you. They have other interests, passions and responsibilities, after all. However, your business can only thrive if you are able to recapture the attention of existing customers over and over again.

To keep your brand top-of-mind while customers surf the web, use retargeting and other advertising strategies to complement your email marketing initiatives. Here are several paid marketing campaigns you can pursue:

- **Retargeting** which displays ads to shoppers who have already visited your store
- **Product listing ads** which allow customers to browse your products on Google and other search engines
- **Facebook ads** which show up in-feed (on a customer's Facebook News Feed or Instagram feed) or as side banner ads
- **Promoted Pins on Pinterest** which feature your products alongside similarly styled pins

Knowing they can save more now, consumers may be inclined to stock up on items they love rather than take on the responsibility of having to remember to repurchase when supplies run low.

## **8. Offer financing on high-ticket items**

Companies with high-priced products commonly encounter hesitant shoppers who are reluctant to spend hundreds of dollars (or more) on a single purchase. In fact, for some shoppers, saving up that much money to use all at once may not be easy. So, to enable your customers to acquire the products they want, Ecommerce stores can offer order financing.

Ecommerce blogger Ben Feldman of Affirm writes,

“Many customers are looking for quick, transparent financing options to help ensure that a repeat purchase fits into their monthly budget. This is particularly true for Millennials who are budget-conscious but are shunning credit cards (63% of them do not own even one credit card). To win over these customers again, offer alternate financing options like Affirm’s monthly installment plans, which provide budget flexibility and real-time credit decisions. In a recent case study with high-end clothing resale marketplace Tradesy, repeat purchasing among customers using Affirm was 88% higher than for other customers.”

Financing options remove a lot of the friction that comes with purchasing high-ticket items. They even open doors for customers who couldn’t otherwise afford a \$3,295 watch up-front, but could afford 12 monthly payments of \$290.

## **9. Clearly state an easy and painless return policy**

According to Magento’s ebook *Five Strategies for Success: Increasing Your Average Order Value*,

“One of the biggest concerns customers have about shopping online is whether or not they can return the items they purchase.

If a customer thinks that returning something will be costly or difficult, he/she will buy fewer items to minimize their return risk. However, research shows that the more items customers buy, the more they actually keep (meaning they don’t return more items when the process is easy, they just want to know that easy returns are an option).”

Thus, to facilitate a higher AOV, stores must first offer, then highlight, an easy and painless return policy which should encourage shoppers to try more of your products practically risk-free.

Three things to remember:

1. Make sure you are indeed targeting the right customer with the right product to minimize your rate of returns.
2. Do not force shoppers to buy products they will be unable to fully appreciate as that will lead to a decrease in customer satisfaction and an increase in product refunds.
3. Also, provide adequate customer education so users maximize the value they receive from their purchase, and you'll be surprised by how infrequently people send product back.

## 2. How to increase purchasing frequency

After you have passed the first hurdle of acquiring a customer, the next challenge is getting them to return and place repeat orders. And it's clear why you would want to do this. Our research shows that repeat customers, on average, have a 27% higher average order value when compared to first-time shoppers. Furthermore, loyal customers have a lifetime value that is 253% higher than your average first-time buyer. Here's a quick snapshot of our data:

TYPE OF CUSTOMER	AVERAGE ORDER VALUE (AOV)	AVERAGE CUSTOMER LIFETIME VALUE (LTV)
First-Time Buyer	\$54.58	\$54.58
Repeat Customer	\$69.00	\$192.31

Ometria's Edward Gotham recommends four tactics for converting first-time buyers into repeat customers:

### 1. Spruce up your post-purchase emails

After a shopper completes a purchase, Ecommerce brands can employ different email marketing tactics to re-engage their acquired customers.

*But why do that?*

Well, research from the Direct Marketing Association's (DMA) 2015 National client email report reveals email drives \$38 in ROI for every \$1 spent and, in one case study, Ecommerce store CoffeeForLess saw a \$500,000 increase in revenue in six months after introducing data-driven post-purchase emails to its marketing arsenal.

In your post-purchase correspondence (whether it be a customer's receipt, a follow-up email or a win-back campaign), think about ways to strategically prompt repeat purchases.

First and foremost though, provide your email recipient with some sort of value. Five ideas include:

Product education materials that will help them learn more about the products they've already purchased

Reminders of products they've left in their shopping cart or wishlist

Coupons and other special promotions you've offered exclusively for your customer

Notifications that certain products are back in stock

Personalized recommendations of items your customer may like (based on their purchasing history)

To further optimize your post-purchase emails, Conversio marketing director Kim Budd advises, "Use words your customer uses. This will help them better identify with your brand and can increase customer loyalty."

## **2. Include unexpected rewards in your product's packaging**

There is a ton of anticipation and build up leading to the unboxing experience. Some have spent days, even weeks, contemplating their purchasing decision, only to wait a little while longer for their order to be packaged, shipped and delivered. When it arrives at the customer's door, there's always this sense of excitement. And that's a rare opportunity store owners should capitalize on.

To create moments of delight, include unexpected extras in your product's packaging such as:

- Free samples so your customers can try out the rest of your inventory (and if they like any particular products, they'll place a new order)
- Special, limited-time discount offers (which will encourage faster repeat purchases with your satisfied customers)
- A creative and handwritten thank you note (that will help your customer develop a stronger sense of brand loyalty)

Within your product packaging too, consider asking for (and maybe even incentivizing) customer feedback. Here are three reasons why a prompt for customer reviews is important:

1. Your most recent customers can help you identify ways to improve the purchasing experience
2. A positive review can be used in later marketing materials to acquire additional customers
3. A negative review gives you the opportunity (one you might not have otherwise had) to win-back disappointed or underwhelmed shoppers

Of course, your goal shouldn't be to only convert first-time buyers into repeat shoppers. You should aim to get all of your customers to complete new purchases more frequently. In fact, data from Conversio's all-in-one Ecommerce marketing dashboard shows that, on average, with every new purchase a customer makes, their average order value increases (and, naturally, their lifetime value also increases).

PURCHASE FREQUENCY	AVERAGE ORDER VALUE (AOV)	AVERAGE CUSTOMER LIFETIME VALUE (LTV)
1	\$54.48	\$54.48
2	\$62.15	\$124.30
3	\$68.54	\$205.61
4	\$72.24	\$288.95
5	\$74.53	\$372.63
6	\$76.88	\$461.29
7	\$76.89	\$538.23
8	\$79.69	\$637.54
9	\$80.36	\$723.20
10+	\$90.98	\$1,502.59

### 3. How to retain existing customers, increase their lifespan and minimize churn

According to Harvard Business Review editor Amy Gallo, "acquiring a new customer is anywhere from five to 25 times more expensive than retaining an existing one." Knowing that, store owners should allocate a large portion of their marketing dollars towards retention marketing to minimize customer churn. Bob Thompson, CEO of CustomerThink, says,

"Take a stab at estimating LTV, and you might be surprised, even shocked, at how important it is to keep a customer. All other things being equal, keeping a customer longer means increasing LTV."

When asked what he advises Ecommerce entrepreneurs should do to improve LTV, Thompson responds,

“Focus on identifying the key reasons why customers leave and plug the “leaky bucket” of customer defections. Poor service is usually a top reason, but it’s not the only one.”

When business owners begin to solve the issues that cause customer churn, they see a huge positive impact to their bottom line. Research from consultancy Bain & Company claims, “increasing customer retention rates by 5% increases profits by 25% to 95%.”

To build lasting relationships with customers, companies need to employ a multi-channel and integrated Ecommerce marketing strategy. Pini Yakuel, founder and CEO of retention marketing software provider Optimove, believes,

“Different people are more receptive to communications via different channels. Facebook, mobile push notifications, email, text messages, and phone calls – some people are simply more accepting of messages arriving through certain channels, while others find those same channels annoying. Determining which channels are preferred by which customer personas is a powerful way to improve the response rates and uplift of your customer marketing campaigns.”

Here, at Conversio, we have noticed that our own customers respond a lot better to email and in-app messaging than to any other marketing channel we have tried. So, we invest heavily in those mediums and spend fewer resources on less effective communications methods.

**A word of advice:** Every organization has a finite amount of marketing resources. Avoid spreading your marketing budget and staff hours too thin by trying to be good at everything. Instead, invest in the one to three major channels that attract your ideal customer.

Another major reason why customers will remain loyal to your brand is if you help them extract the most value from their purchase. To do this, you need to offer thorough customer education materials and responsive customer support. Additionally, shoppers become fiercely loyal to businesses that regularly interact with them and act on user feedback. Conversio’s resident marketer Kim Budd insists,

“Human interactions with customers not only brings in the human element but enables you to understand your customer’s pains and then it is easier to address those issues and add value.”

## 4. How to improve product margins

Most Ecommerce managers are inclined to offer their customers their lowest prices possible, forcing themselves to operate on razor-thin margins. While it is noble to want to give your shoppers a good deal, lower prices may be a hindrance to long-term growth.

One way to increase your LTV is to raise your average gross margin. And to accomplish that, you must do one of two things:

1. Raise prices
2. Lower costs

Though the idea raising your prices may feel uneasy, you must realize that you are actually doing yourself a disservice by maintaining your current prices. In fact, customers can accept price increases from stores they frequent and are used to regular price fluctuations. According to Business Insider's Hayley Peterson, Amazon averages 2.5 million price changes across its products each day. Peterson notes, "In one case, Amazon changed the price of a single item eight times in one day."

If you are like most Ecommerce stores though, you probably haven't adjusted your prices recently. Sell with WP's Beka Rice asks,

"Have you raised your prices lately? Have they stayed the same for 1-2 years? You may want to consider incrementally raising prices each year on your products. I'm sure your operational costs go up periodically, and you can reflect these increased costs in your product prices so they don't eat into your margins. "

Rice also advises,

"A good time of year to do this is before holiday sales. As you'll probably be discounting all products in your store for the holiday season, raising your regular / non-sale price at the end of October or beginning of November, but then discounting items for holiday sales, ensures that customers won't "feel" the effects of this price increase immediately, but they'll still see the "new" regular price so it's not a shock."

For stores that want to offer free shipping and full refunds on all customer orders too, you can use strategic increases in price to offset the cost of shipping product and the inevitable cost of returned goods.

To improve your margins, businesses may also work out better rates with all of the vendors up and down their supply chain. You may be surprised by how much leverage you actually have when you arrive at the negotiating table with your manufacturing partners and shipping providers.

A few tactics you can use to get more favorable rates are:

- **Knowing your supplier's costs.** Armed with this information, you can better determine who's actually offering you a good deal and who's trying to exploit their customers' naivety.
- **Agree to longer-term contracts.** This allows you to set predictable costs now and mitigate against future rate raises.
- **Offer indirect value.** Whether it be referrals to other clients or an opportunity for your supplier to enter a new market, remember that you and your business can leverage more than just cash to lower your costs.
- **Purchase product off-season.** Some manufacturing facilities have cyclical sales, which means they are in high demand during the holiday seasons but low demand other times during the year. If you're not subject to the same holiday rush as other retailers, work with your suppliers to fulfill product orders during the off-season.
- **Keep alternative options available.** Regularly send out requests for proposals to other suppliers who may offer more favorable prices, which your existing vendors may feel compelled to match.
- **Provide cash up-front.** If you are in a cash flush position yet want to curb your costs, offer your vendors agreeable payment terms with more cash up-front in exchange for a discount on services.

## 4 Additional Tips For Maximizing LTV

To further fuel business growth, Ecommerce entrepreneurs need to do four things:

1. Discover who your most valuable customers are
2. Figure out how to acquire more quality shoppers
3. Nurture deeper relationships with the rest of your customer base
4. Determine when and how to gracefully fire bad and unprofitable customers

### 1. How to identify your most valuable customers

When you audit your customer base, store owners instantly see a huge spread between their least active and most active shoppers.

At that point, identifying your biggest spenders and most profitable customers comes easy. Common behaviors they will exhibit, according to a guide from the Chamber of Commerce of Metropolitan Montreal, include:

- Buying high-margin products
- Paying full price for products
- Seldom amending or cancelling orders
- Demanding less after-sales service

This helps keep margins healthy and customer service headaches to a minimum.

Of course, small business expert Barry Moltz suggests other qualitative questions to ask in determining your best customers are:

- Who helps drive the most customer referrals?
- Do they have a particularly influential personal brand (which can lend your store credibility among other consumers)?
- Are they offering valuable customer feedback that can help improve your operations, processes and products?

Once you've developed a buyer persona for your most valuable customers, the next hurdle is discovering where they came from and how you can acquire more of them for your business.

## 2. How you can get more quality customers

After you have identified your most valuable customers, you can work backwards to see how you've acquired them in the past. Conversio's Kim Budd suggests,

“Follow the customer's journey from when they were first made aware of your product all the way through to purchase. This enables you to uncover critical customer pain points and understand how best to speak to them using your marketing materials.”

That way, you can identify the marketing channels where more high-value customers may live. For instance, if you notice most of these customers came from a particular audience segment on Facebook, you will want to double down on campaigns targeting that segment.

Alternatively, you can see if there are any **common threads in their purchasing behaviors**.

For example, an electronics store may realize their most profitable customers are ones who have purchased at least one laptop from them in the past. That's because those same customers will then return to the store and purchase anywhere between three and 15 tech accessories. Compare that to the average shopper who typically buys a handful of cheap smartphone accessories and has a LTV that is one-tenth the value of the store's laptop buyers. In this instance, managers of the electronics store should try and push more of its customers to purchase one of the laptops in its inventory.

**Bottom line:** You don't always have to look far to gain more of your most valuable buyers. Ecommerce marketers can pinpoint ways to make existing customer relationships highly profitable.

### 3. How to build authentic and profitable relationships with all of your customers

Your best customers exhibit uncommon behaviors compared to the rest. They frequent your store more often, spend more money with each visit, refer many of their friends to your business, and leave gushing reviews of your products.

Why can't all of your customers act that way too? *Fortunately, they can.*

To improve customer engagement, a few key strategies are:

- **Build an authentic brand** with values and a mission that resonate with customers
- **Prioritize customer success** to ensure customers extract the most value from their purchase
- **Create engaging content** to encourage ongoing brand conversations
- **Listen to your customers** and act on their feedback
- **Invest in research and development** to improve existing products and produce new ones

Of course, only the highest performing Ecommerce brands will be able to achieve all of these things, which will help their business gain a competitive edge that will be irresistible to shoppers.

Bob Thompson of CustomerThink states,

“Based on my research, industry leaders do two things much better than laggards. First, they are much more likely to act on customer feedback, rather than just using survey data for reporting and analysis. Second, they focus on continuous innovation, attempting to increase the value the customer receives in big and small ways. This makes it less likely that a competitor will steal a customer away.”

Your customers demand the best. And you should strive to build an Ecommerce brand and store that's deserving of their hard-earned money.

### 4. How to terminate relationships with bad customers

The sad truth is: not all customers are created equal. What's worse is that some customers are simply undesirable. Business journalist Anne Field explains,

“What exactly constitutes a bad customer? That depends on your business. It can mean someone who simply isn't profitable, demanding more time than is cost-effective. But it also might include a customer who consistently pays late, is never satisfied, requires too much hand-holding, or is downright verbally abusive.”

Bad customers also commonly request frequent refunds and dispute orders through their credit card companies, which can lead to costly chargebacks. While it is easy to decide to let a buyer with bad behavior go, ask yourself the following questions before you blacklist anybody:

- Are there fundamental flaws with my product or delivery that's causing customers to ask for refunds?
- Is my customer success team slow to respond when customers call or email in to complain?
- Do we need to produce additional customer education materials to help users fully understand how to get the most out of their purchase?
- Are bad customers placing a huge strain on customer service resources and are they negatively impacting team morale?

The answers to these questions can help you distinguish between what Groove's Len Markidan calls challenging customers and bad customers. Markidan explains,

"Challenging customers are not necessarily bad customers. In fact, the ROI of delivering excellent customer service to challenging customers is often higher than the "easy" interactions.

Customers who are having trouble with your product – and tell you about it – are giving you one of the greatest business gifts imaginable."

He adds,

"Simply by solving the problem of one "challenging" customer, you could improve your product for dozens of others.

Bad customers, on the other hand, offer little upside for giving in to their demands.

Bad customers are toxic to your business, and more than any other danger that they pose, bad customers roadblock your time and attention that should be spent on the 99% of customers who actually benefit your business in return for the value you deliver."

As a store owner, it is important that you treat bad customers with class and tact to preserve your brand's overall reputation. Hopefully, too, this can help mitigate the backlash you receive from abusive customers you've fired.

Markidan offers a four-step process for doing this:

### **1. “Be positive and appreciative.”**

Even when you deliver bad news, Markidan says, the use of positive language can defuse hostility and leave the customer feeling better at the end of the interaction.

### **2. “Re-frame the situation.”**

Do not place blame on the customer. Also, avoid a confrontational tone as that may trigger further aggression from your customer. Instead, point to what Markidan calls your business’s “inability to meet their needs.”

### **3. “Make the customer whole.”**

Provide full or partial refunds to departing customers as a final act of goodwill. Though the cost may be avoidable for most Ecommerce businesses, it is a small price to pay to rid yourself of a problem customer and to be able to reallocate your resources towards more scalable activities.

### **4. “Apologize, and suggest an alternative.”**

Nothing is more humbling than saying, “We’re sorry.” Acknowledge that you did not meet your customer’s needs to help them feel heard and their concerns validated. To part on even better terms, suggest other stores your customer can shop at to fulfill their needs moving forward.

## **Closing Thoughts**

The most successful Ecommerce brands obsess about customer lifetime value and combine customer success, marketing, product development and innovation, cost management, and pricing strategy to tackle issues they face with their AOV and LTV.

Hopefully after you execute some of the aforementioned tactics, you’ll see an increase in your LTV, enabling your business to grow even faster moving forward. Here at Conversio (previously Receiptful), we’re here to help. So, if you have any issues implementing these steps or simply want to try out our all-in-one Ecommerce marketing dashboard, give us a shout at [help@conversio.com](mailto:help@conversio.com).

