

## Challenges and Solutions for Customer Retention

Retailers often spend more on customer acquisition, but loyalty remains a priority

## ARTICLE

## Krista Garcia

etailers often focus on customer acquisition—a costly prospect —at the expense of customer retention. Instant gratification can be a bigger incentive than building loyalty over time.

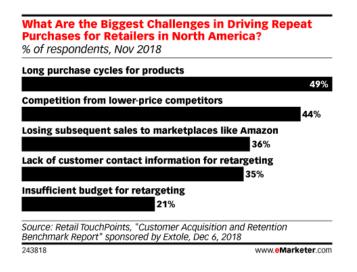
In a November 2018 Retail TouchPoints survey, retailers' spending on acquisition and retention weren't radically different on the surface. Most budgets for both tactics hovered in the 10% to 40% range, but nearly three times as many retailers allocated 50% or more to acquisition.

One-quarter said they could turn 10% to 20% of new customers into repeat purchasers. Roughly the same amount had higher expectations, believing they could turn 20% to 30% of newly acquired customers into repeat buyers.

What are the challenges retailers face with retention? Some of the biggest obstacles cited were competition and losing sales to lower-priced marketplaces like Amazon, but the nature of long purchase cycles for products loomed largest.



Challenges and Solutions for Customer Retention: Retailers often spend more on customer acquisition, but loyalty remains a priority



Top tactics used by these retailers for customer retention were discounts (77%), free shipping (52%) and loyalty program points (44%). A majority (51%) of retailers in this study offered loyalty programs, but points and rewards don't always lead to retention.

This was the year that many retailers pinned hopes on customer experience initiatives. According to an April 2018 Data & Marketing Association (DMA) and Winterberry Group study, a majority (53.2%) of marketers in North America believed enhancing customer experience would lead to loyalty and retention, second only to increasing engagement.

The Retail TouchPoints study highlighted referral programs as a tool to enhance both acquisition and retention. Over one-third (37%) operated a referral program, with 14% planning on offering one. Most retailers (54%) offer discounts to encourage referrals. Giving both the established customer and the referred buyer a discount when they make a first purchase is a feature of many retail startups and subscription companies that rely heavily on word of mouth.

Most retailers in the survey (65%) said referral programs result in sales and revenue increases. Other benefits included increased customer acquisitions, customer retention boosts and building up email lists.

