

Challenges and Solutions for Customer Retention

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

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Retailers 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.

What Are the Biggest Challenges in Driving Repeat Purchases for Retailers in North America?

% of respondents, Nov 2018



Source: Retail TouchPoints, "Customer Acquisition and Retention Benchmark Report" sponsored by Extole, Dec 6, 2018

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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.