# Success Factors in E-Commerce

## Customer Loyalty and Customer Satisfaction

# Using Repeat Customers and Retention Management to Increase Sales

Marketing experts have heard it all before: Existing customers are as important as new customers, if not more so. Customer retention is one of the crucial sales factors in e-commerce; along with traffic, conversion, and shopping cart size.

Nevertheless, theory is not always like practice and a great many marketing or advertising activities are nearly exclusively geared towards attracting new customers. There are many good reasons to focus more on customer loyalty and customer satisfaction in the marketing mix:



✓  Satisfied customers are cheaper and easier to activate.

✓  Satisfied customers return and make more frequent repurchases.

✓  Satisfied customers bring more revenue and profit.

As a result, satisfied customers ensure a positive return on investment (ROI) with their higher repurchase rates and shopping basket sizes, whilst at the same time requiring lower levels of investment.
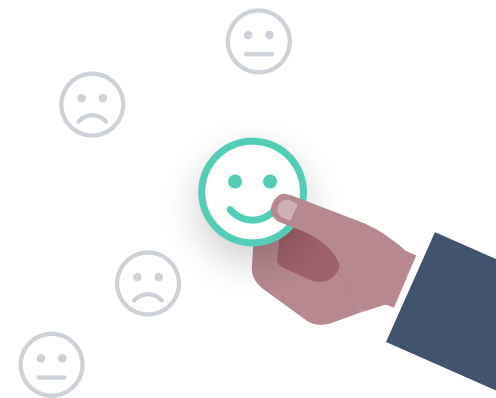
# Retention as a Revenue Guarantor

The bottom line in every company is always based on the same all-important question: How can long-term sales be increased in a targeted and sustainable manner?
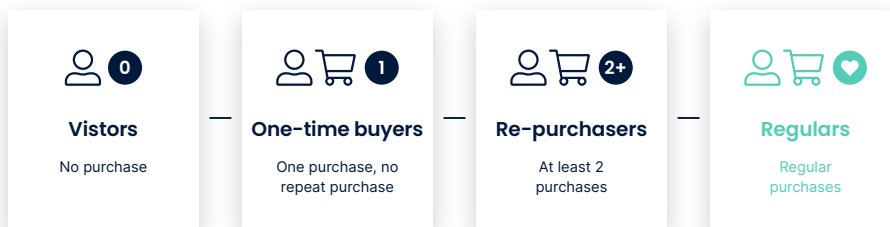
The answer is using four factors – traffic, conversion, shopping cart size, and retention. Retention (also known as customer loyalty), i.e. the ability to encourage visitors to repurchase, is the most important.

**Revenue = (Traffic × Conversion × Basket value) × Retention**

## Typically, e-commerce visitors can be grouped as follows:

- ✓ **Visitors:**
  Do not purchase

- ✓ **One-time buyers:**
  Only one single purchase

- ✓ **Re-purchasers:**
  At least 2 purchases

- ✓ **Regulars:**
  Regular purchases

| | | | |
|---|---|---|---|
| **Vistors** | **One-time buyers** | **Re-purchasers** | **Regulars** |
| No purchase | One purchase, no repeat purchase | At least 2 purchases | Regular purchases |

## In doing so, regular customers present themselves as significantly more profitable than new customers.

- ✓ **Regular customers buy more and more often than new customers.**
  It takes 7 first-time buyers to achieve the sales volume of a regular customer.

- ✓ **Investments in customer loyalty are more profitable than in new customer acquisitions.**
  Depending on the industry and products or services offered, a 5 percent increase in retention rate can increase sales by 25 to 95 percent.

- ✓ **New customers are more expensive than regular customers.**
  On average, it is five to seven times more expensive to attract a new customer than to bind and retain an existing one.
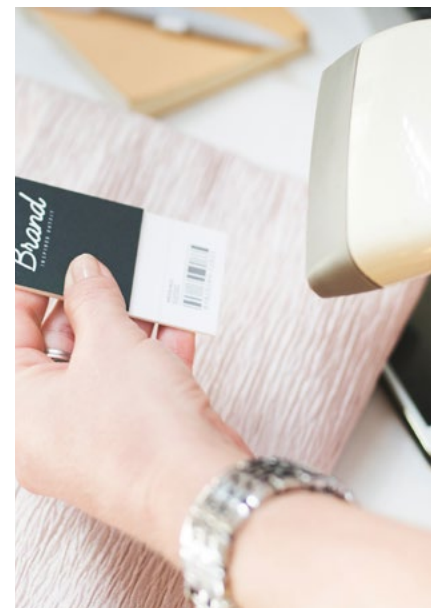
# How can I Turn Visitors and Customers into Regular Customers?

In order to secure the long-term sales potential in e-commerce, it is necessary to retain as many regular customers as possible, using effective binding measures to transform new customers into regulars.

Successful companies have already recognised this for themselves and are increasingly relying on customer loyalty and satisfaction to increase their sales and combat customer churn.

With accurate analyses of the correlation between sales and customer loyalty, our customer Internetstores was able to determine a 62 % higher repurchase rate for satisfied customers. Aroundhome reports a 68 % higher upsell rate and an 8 % higher customer lifetime value when comparing satisfied and dissatisfied customers.

What they have in common: They use NPS® as a tool for evaluating customer loyalty and satisfaction as well as for customer recovery.

## What is NPS?

NPS stands for Net Promoter Score®/Net Promoter System® and denotes a statistic/methodology for determining and improving customer satisfaction and retention. It determines the probability of customers recommending a company/product to friends/colleagues.

In addition to the actual analysis level, the Net Promoter System is also characterised in particular by the action system, the so-called "closing the loop" measures, in order to further increase customer loyalty. These measures:

✓ To immediately identify dissatisfied, potentially departing customers

✓ To quickly use personalised measures to win back critics

✓ To alert relevant stakeholders, analyse reasons for emigration, and identify improvements

# How Do You Determine the Net Promoter Score?

**Step 1:**

## Survey Customers

On a scale from 0 to 10, how likely are you to recommend "Brand / Product" to a friend or colleague?

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

very unlikely                                                very likely

**Step 2:**

## Categorize Answers Based on the Submitted Score

☺ **Promotors (score of 9 or 10)**

They are loyal fans and advocates of a company who are likely to recommend it to others and have high repurchase rates.

😐 **Passive (score of 7 or 8)**

They are basically satisfied, but have no emotional attachment to the product or company. They may also buy from the competition.

☹ **Detractors (score of 0–6)**

They are dissatisfied and tend to leave quickly. In some circumstances, they express their displeasure by leaving negative reviews or comments on social media.

**Step 3:**

## Calculate the NPS

Based on the total number of responses received, the percentage of detractors is subtracted from that of promoters. The passives are not included in the equation. The result is a number between -100 and +100. An example:

---

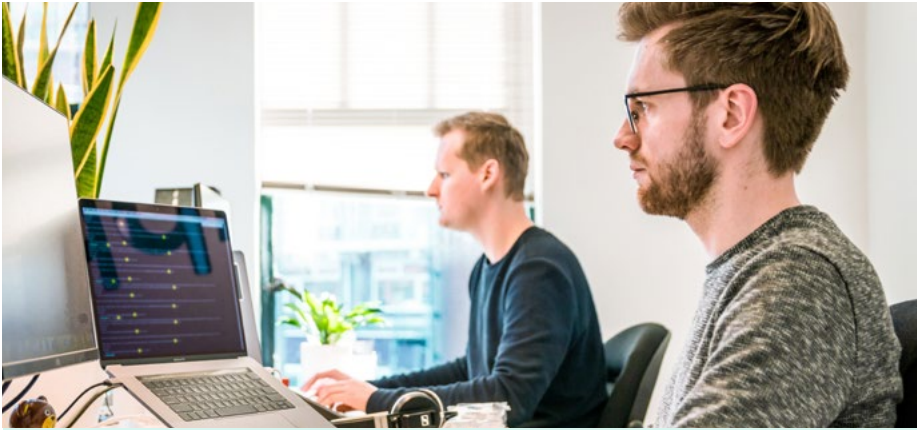Promoters: 98 | Passives: 20 | Detractors: 32
Total number of responses: 150

∨

% of Promoters: 65 | % of Detractors: 21

---

∨

% of Promoters - % of Detractors: 21 = NPS
65 - 21 = 44

---

**NPS data can be used to:**

✓ Train employees and improve service quality

✓ Introduce product and process improvements

✓ Address customers personalized according to their experience

✓ Identify reasons for dissatisfaction and churn

✓ Perform a customer health check and identify critics

✓ Use promoters for free referrals

✓ Create growth and revenue forecasts

✓ Build and increase customer loyalty and retention

✓ Increase customer lifetime value and repurchase rates

## Following up on NPS feedback

### ☺ Promoters:

• Identify reasons for their positive experience
• Ask for reviews on rating portals
• Continue to build loyalty through referral programs
• Show appreciation with thank you messages

### ☺ Passives:

• Determine & analyze user behavior
• Ask for potential for improvement
• Offer additional service & support
• Review competitor offers & provide better options

### ☹ Detractors:

• Open tickets in customer service and actively reach out to customers to resolve issues
• Initiate apology & reconciliation measures
• Question & analyze reasons for negative experience
• Initiate improvements based on feedback

# Customer Experience Management with zenloop

zenloop offers customised NPS surveys for every touchpoint along the customer journey.

This guarantees both the highest response rates and actionable feedback to increase customer retention. Our integrated experience management platform identifies relevant trends and customer segments. Important data points and comments are automatically analysed. Identifying critics as well as the benefit of using loyal customers for recommendations has positive effects on customer loyalty, repurchase and conversion rates.

**Net Promoter System® with zenloop**

## Need more Informationen?

Our experts are happy to help and are always available for a free consultation on all aspects of zenloop and NPS.