

Considerations for Reengaging New Online Customers



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With over half the world's population sheltering in place and the economic lockdown barreling on, consumers have rapidly adapted their shopping and media consumption behavior to fit their new reality of life at home. As such, major implications to the media and marketing landscape have taken form, resulting in ecommerce and online shopping operations to carry the weight of the entire retail industry as storefronts remain closed.

Surprisingly many brands have hit their stride, utilizing reduced competition in the marketplace and the resulting greater SOV to their advantage by acquiring new customers in droves. The challenge for many marketers now is how to shape and execute the plans to re-engage these new audiences. Our focus here is to establish a framework for identifying these groups and creating executable strategies for your business.

Shoppers in the time of COVID-19

Retailers that have acted quickly, pivoting to or doubling-down on their ecommerce strategies, are seeing success in moving seasonal product and providing much-needed cash flow. These new online sales have driven an influx of new customers. Post-pandemic winners and losers will be determined based on those who act quickly to maximize this acquisition and develop precise retention strategies, and those who don't.

The surge in new customers for brands that have continued to invest during this time can be attributed to various marketplace factors, including:

- More efficient CPMs/CPCs with some of the large retailers pulling back on spend
- Distribution center delays from competitors
- Overall macro consumer behavior shifts to digital with mandatory stay-at-home regulations
- More appealing offers such as free shipping, sitewide % off, etc.

Early action by some PMG customers resulted in:

30%

Reduction in costs to acquire a new customer

60%

YoY increases in new customers

10%

Reduction in new customer acquisition among marketers who scaled back digital investment

Identifying and cohorting (grouping) these new customers is necessary for developing a reactivation strategy. From these trends, two large audience cohorts emerge — **Forced Online & Deal Driven**.

Forced Online

The *Forced Online* cohort is a group of consumers who shop primarily in-store. Shelter-in-place orders have forced them to ecommerce to fulfill their retail needs, from necessities to luxuries. Given the duration of this crisis, these digital behaviors could likely coalesce. Retailers will have to design ways to replicate the best parts of their in-store experience online. And more importantly, retailers must reevaluate forecasts for their physical stores in both the short and long-term.

Deal Driven

The second group is the *Deal Driven*; individuals taking advantage of the steep discounts retailers have in-market to bolster sales amid falling consumer confidence. Following the 2008 recession, retailers struggled to return to full price selling, having trained customers to expect discounts. The threat of that cycle presents itself again. However, just as these shoppers are currently vital to sell-through, they are important to long-term growth. With proper nurturing, this Deal Driven group is worth retaining.

Elements of reactivation

Five key elements that should be taken into account when working on a new customer reactivation plan include Audience, Creative Messaging, Timing, Channel Mix, and Measurement. In this section, we will cover how to approach each element.

1. Audience

Your reactivation strategy is dependent on how you classify your new customers as well as how you suppress your existing audiences.

The best approach is to identify three to four audience cohorts that have the highest LTV opportunity. There is an additional step here as implementing a strong look-a-like strategy based off your highest LTV cohorts, to extend reach and refuel the new customer cycle.

All audiences should be treated differently because the reason behind one's first-time purchase varies (e.g., sale, store shopper that is now buying online, product exclusivity, product category, etc.). Therefore, creative personalization is a key step to give new customers the best experience with the brand and entice them to purchase again.

2. Creative & Messaging

Speak to a distinct value proposition with inspiring creative to drive engagement. Personalization and ad relevance are vital to building the relationship with new customers. Identify areas of opportunity that drive the highest LTV, such as communicating the benefits of becoming part of a loyalty program and perks to downloading the app. Test multiple creative imagery and messages per audience cohort to better understand which elements within the creative will drive the highest performance. This is also a great opportunity to utilize cross-selling strategies in order to introduce first-time purchasers to other relevant product categories.

3. Timing

Incorporating new customers into your brand strategy must be done in a timely manner. The best practice is to send a welcome email to new customers within 24-48 hours, introducing them to the

brand while highlighting your core values. If applicable, this is also an opportunity to recommend loyalty sign-up if this hasn't yet happened, explaining the benefits of said program. Try to spread out the purchase confirmation email and the welcome email to maximize the benefit of these two sends.

Immediate activation of a CRM management should follow. Reactivation of new customers within 30-60 days, in theory, tends to drive the highest LTV. It is recommended to reach these new customers shortly after their first purchase to strengthen your relationship, reiterate your value proposition, and retain them long-term. This can also be done with a special incentive (discount) to encourage repeat purchase behavior. Timing may differ slightly for each brand, so there's an opportunity to test to figure out the optimal timing for your reactivation strategy.

4. Channel Mix

So you've essentially addressed the *Who, What, Where, and When...* but what about the *How*? The process to determine how you want to take the previous steps and turn them into executable actions should also be a checklist of sorts. Thoughtful execution is critical as the insights gained from your channel mix will play a significant role in the success of your efforts with these new audiences.

Research the media consumption behaviors that are related to each of your audience cohorts and use these to deliver a framework for how you want to re-engage. Be sure to focus on media channels that deliver the strongest conversion opportunities for you and your business.

FOR EXAMPLE

As social distancing and the WFH status of many increases, more and more people are spending their time online. For many developed nations, this has translated into a significant increase in mobile phone usage as well (more than 70% in NA).

There is not a singular channel that a customer will use exclusively — your exposure across multiple environments is what is going to give you the best opportunity to re-engage successfully.

FOR EXAMPLE

The increase in mobile phone usage due to lockdown measures in most urban areas has seen a drastic increase in mobile gaming. With more time spent on phones, the diverse mobile environment provides multiple options for brands to make a second approach.

Once you've isolated which media channels you want to move forward with, **use the audience cohort process to identify where you will gain your best efficiencies from a spend and conversion standpoint.** Look to these channels as your immediate opportunities in measuring the success of your initial approach.

FOR EXAMPLE

Look at potential historical data or industry benchmarks to identify which channels you've seen have these types of efficiencies. Channels like paid search and social media are great in providing real-time data that can keep your campaigns operating efficiently.

Establish a test and learn approach to identify which channels are driving the best performance.

This is another best practice, and a necessity given that our engagements with these new audiences are still relatively new. Our goal should not be just to get these consumer pockets to buy, but we should learn from them as these learnings will spill over into other future initiatives.

5. Finally, **measurement**. How do you gauge success when you've taken all the right steps towards executing your plan? Define clear KPIs across your channels to inform you of the performance of your media and team alignment, which brings your test into focus.

- **Value of New Customers:** LTV or first AOV / Basket size of new customers.
- **Brand Reengagement:** % of new customers taking other actions with the brand that drive or are related to LTV (e.g., joining loyalty programs, signing up for email, engaging with site content, etc.).
- **Purchase Reengagement:** Return purchase rate and time until second purchase. Return purchase rate would be the % of customers in a given cohort who return to make another purchase.
- **Cost of New Customers:** How much are you willing to pay to acquire that next best customer? How margin rich are these new customers, especially during this pandemic?

We believe it's key to remember these are new customers and you need to give them a reason to come to you other than a deep discount, which is why alignment on the KPI of bringing in high value customers takes priority in unison with a ROI-centric mindset. The goal of investing in this strategy is high value growth over time, while not forgetting the need for consistent, short-term sales.

Thanks for reading!

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