JULY 2023

# Modern Measures:

## New Retention Strategies to Drive Loyalty and Efficient Marketing

**Modern Measures: New Retention Strategies to Drive Loyalty and Efficient Marketing**

## THE NEW IMPERATIVE FOR CONSUMER BRANDS

After decades of stability, the last few years' exponential changes in how people shop– and how brands market and sell– require new methods of understanding and measuring consumer behavior. These needs have not been met by traditional panels, nor the fragmented approaches of collecting user-level data from various vendors across the market.

However, the shopping habits of consumers have become more fragmented, economic stability is a thing of the past as companies fight for profitable growth, and marketing budgets aren't increasing.[1] As a result, business leaders now demand a better understanding of overall brand health and more efficient marketing strategies based on who their valuable customers are. They need nuanced insights into loyalty that truly reflects consumer switching and the consumer groups offering highest lifetime value per acquisition.

To further increase a brand's competitive edge, it's no longer enough to rely solely on metrics based entirely on historical performance. Instead brands need to begin incorporating more modern metrics that can be leading indicators of future performance and ultimately move towards predictive metrics that will help them stay ahead of consumer trends.

**HISTORICAL-BASED METRICS**
Measure past performance

**MODERN METRICS**
Provide leading indicators of future performance

**PREDICTIVE METRICS**
Forecast future performance

Household Penetration
Buy Rate
Purchase Frequency

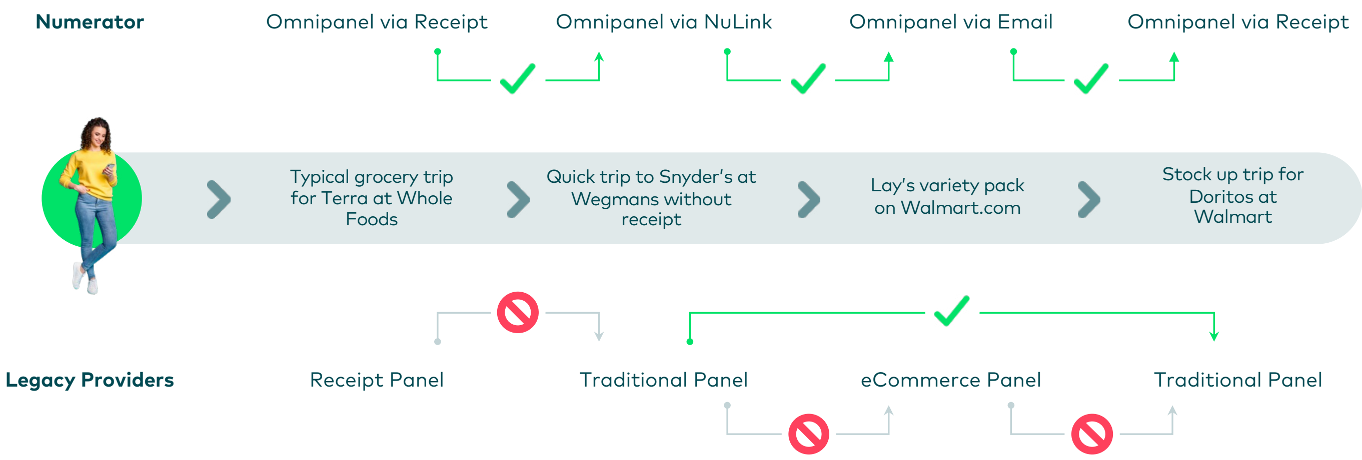
Consecutive Repeat Rate
Customer Lifetime Value

AI-Based Forecasting

[1] Gartner 2023 CMO Spend and Strategy Survey

Yet traditional data collection methods and panels are ill-equipped to support these types of metrics and analyses. They require strict compliance with trip reporting and a substantial sample size to garner accurate results. Moreover, legacy providers rely on datasets that are stitched together, making it difficult to reconcile shopping trips between individual shoppers– thereby limiting their usefulness for past performance, let alone indictators or predictors of future performance.

### SINGLE-SOURCED INSIGHTS PROVIDE THE COMPLETE PICTURE AND ALLOWS FOR TRUE BEHAVIORAL ANALYSES




To address these challenges, consumer research must evolve beyond providing aggregated findings at a single point in time and drawing conclusions that may not accurately represent the consumer journey. Research needs to be more detailed, robust, and connected back to the individual shopper, allowing insights professionals to map the consumer journey at scale.

In the past year, Numerator has made substantial investments in expanding the panel's depth and coverage while preserving over four years of historical purchasing data. This investment empowers consumer brands to delve deeper and think more comprehensively about their customer journey.

By capturing consumer data through an innovative mix of as receipts, emails, and connected apps within a single-sourced panel, Numerator is revolutionizing retention and acquisition strategies to drive brands for profitable growth.

**What insights and marketing leaders should know**

Numerator is offering solutions that enable brands to track and understand consumer behavior in a more granular and comprehensive manner that legacy providers are unable to match. By leveraging modern metrics such as consecutive repeat rate and customer lifetime value (CLV), brands gain valuable insights into how loyalty shapes overall brand performance and customer value over time.

Consecutive repeat rate provides a deeper understanding of loyalty by measuring how often consumers return to a brand for their next immediate category purchases. This unique and powerful metric provides a leading indicator into future brand performance while also providing context to direct competition and opportunities for growth. Brands should keep a consistent pulse on the measure and leverage insights gleaned from it to fine-tune marketing strategies, target specific customer segments, and optimize promotional tactics to capture every trip a shopper makes in the category.

Customer lifetime value is another powerful tool for brands to quantify the value of acquired customers over a longer time horizon than traditional metrics. By calculating the spend from retained customers and factoring in churn over time, brands can make informed decisions on customer acquisition costs, retention strategies, and investment priorities. Understanding CLV also reveals valuable insights into different retention behaviors across your customer's demographics and other factors, allowing brands to tailor their marketing efforts and innovate products to capture more valuable shoppers.

Through Numerator's modern data collection methods and robust panel, brands can gain a deeper understanding of the consumer journey, measure brand health, and drive more effective marketing strategies.

# 1 A NEW DEFINITION OF LOYALTY - CONSECUTIVE REPEAT RATE

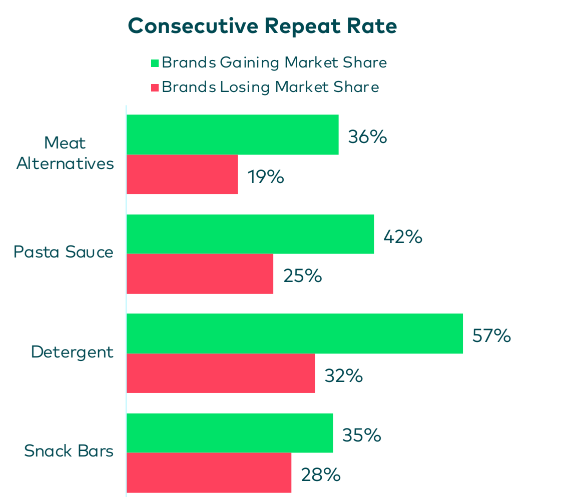
Tracking brand loyalty is essential for insights and brand marketing professionals. Loyalty demonstrates that consumers consistently choose and return to a particular brand, but loyalty is loosely defined.

To measure loyalty, most insights teams rely on a combination of share of requirements and repeat rate.[2] While these metrics provide valuable insights and have their own benefits, they fail to address the fundamental question that marketers need to answer: Is my brand the first choice when my customer has a need? Share of requirements offers spending context compared to other brands, but it doesn't capture whether consumers are willing to return. On the other hand, repeat rate focuses on return customers but doesn't consider the aspect of brand preference. Consecutive repeat solves the condundrum.

**Understanding loyalty through consecutive repeat rates is more effective.** This metric tracks how frequently a brand buyer returns to the same brand for their next immediate category purchase. This is different from traditional repeat rate which measures households that buy a second time regardless of how many other brands were chosen between the time of repurchase, and brands with higher consecutive repeat rates tend to be brands that are gaining market share.

### DEFINING CONSECUTIVE REPEAT RATE


### BRANDS WINNING SHARE HAVE STRONGER CONSECUTIVE REPEAT RATES




Source: "Breakout Brands: Why Some Brands Take Off...and Others Don't" by Jared Schrieber

[2] Share of Requirements is the share of wallet among brand buyers within the category.
Traditional repeat rate is defined as the % of shoppers purchasing the product at least twice within the specified timeframe.

Examining loyalty through this lens unlocks several insights. One example is that marketers can identify their most direct competitors (i.e. those that win the next category purchase) and tailor their targeting strategies accordingly. Another is that insights professionals and marketers can also leverage consecutive repeat rates to anticipate future market share gains and accelerate their brand sales.

**Consecutive repeat rate provides insight into potential market share gains.**

Beyond just having an indicator of overall brand performance, insights professionals are constantly seeking ways to determine if they will gain market share. Market share can be impacted by several factors, including: penetration, price and loyalty.

Consecutive repeat is one of several measures to be used for anticipating future market share performance. In a stable market, brands that are large should have an equally large share of consecutive repeat trips[4] and vice versa. Misalignment between these two measures could indicate potential shifts in the market.

When a brand captures more than its fair share of consecutive repeat trips, it suggests that they have a strong product that encourages buyers to return. In this case, the brand should focus on penetrating new households to further increase their market share in the upcoming quarters and drive equilibrium. On the other hand, if a brand is underperforming and capturing less than its fair share of consecutive repeat trips, it indicates a lack of loyalty and potentially a negative product experience. Brands that lag have been seen to rely on short-term sales tactics that do not encourage repeat purchasing. To defend against share loss, brands should look to identify promotional strategies that drive both trial *and future repeat*. If they continue to heavily rely on price promotions that drive trial, their market share could be expected to decline in the following quarters.

[4] Share of consecutive repeat trips is a ratio of consecutive trips made for the brand divided by total number of consecutive trips made across all brands in the category

Let's look at the prebiotic and probiotic soda category as an example. Our analysis for the category found that brands in this category that over or underindexed on their fair share of consecutive repeat trips saw their market share move accordingly in the next three quarters in 80% of instances.

## BRANDS OVERINDEXING ON CONSECUTIVE REPEAT SEE SIMILAR SHARE PERFORMANCE

Latest 12 Months Ending 3/31/2023 by Quarter | Prebiotic & Probiotic Sodas

| | Q2'22 Performance | | | Dollar Share Change from Q2'22 | | |
|---|---|---|---|---|---|---|
| **Parent Brand** | **Share of Consecutive Repeat Trips (CRTs)** | **Share of Trips** | **Index, Share of CRTs vs Share of Trips** | **Q3'22** | **Q4'22** | **Q1'23** |
| Olipop | 63.7% | 54.8% | 116 | Gained | Flat | Gained |
| Poppi | 23.7% | 24.5% | 97 | Gained | Gained | Gained |
| Health-Ade Pop | 5.8% | 11.7% | 49 | Lost | Lost | Lost |

Source: Numerator Insights | Total Commerce Panel

In cases where the share movement didn't align with the share of consecutive repeat trips, other variables such as penetration and price played a role. For instance, in the case of Olipop, their share remained flat in Q4 '22 due to lagging penetration. Despite Olipop maintaining strong loyalty, brands with weaker loyalty can still gain market share through other strategies, such as increasing household trial in the case of Poppi (launched in 2020), or by adjusting pricing and promotions. What this means is that insights professionals will want to create a holistic overview across these measures to provide context in determining market share shifts.

One might wonder if repeat rate could serve the same purpose in identifying future performance. In most cases, the answer is no. In our example, **consecutive repeat rate was twice as likely to indicate share gains three quarters in advance, when compared to traditional repeat rate.** Similar results were observed in other categories, with consecutive repeat rate being five times more likely to identify share gains in liquid hand soap, and twice as likely in specialty surface cleaners.

Separately, brands that fall behind in consecutive repeat have opportunity to reassess their product offering to address consumer needs and drive market share elsewhere. As an example, Health-Ade, holding strong consecutive repeat performance within their primary domain of Kombucha, has recently discontinued their Health-Ade Pop line to focus on their core offering.

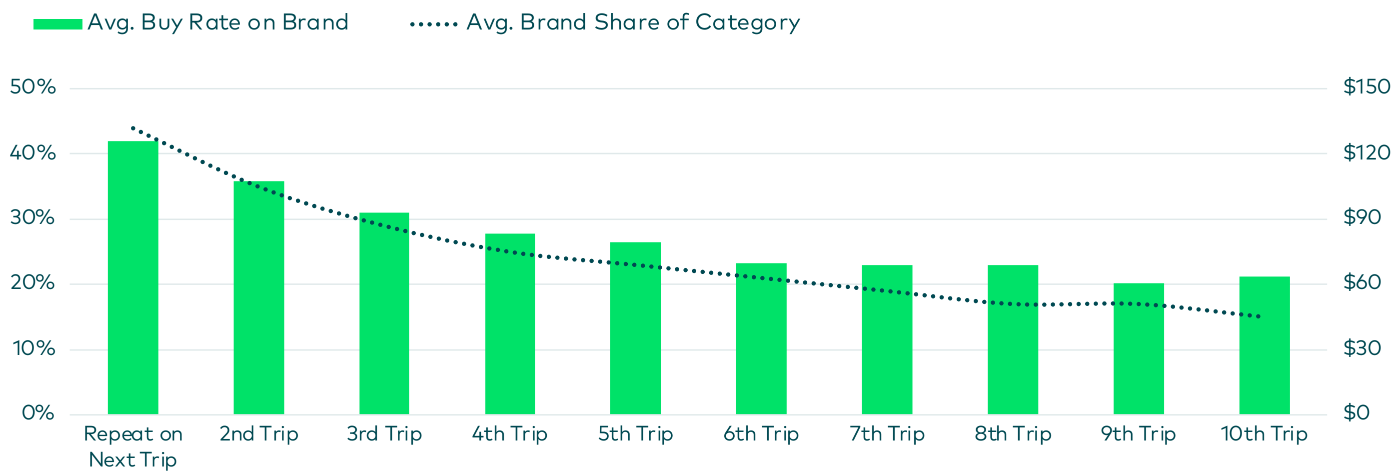
**Closing the gap in repurchasing drives brand value.**

Consecutive repeat rate serves as more than just a leading indicator for share performance— it is a closer reflection of loyalty itself.

To illustrate this point, let's examine the dog food category and the value of repeat brand buyers at different stages of their purchasing journey. Shoppers who repurchase the brand on their next dog food purchase spend 17% more on the brand overall compared to those who repurchase two trips later. Additionally, as brands manage to close the gap, the share of spend on the brand grows significantly. Immediate repeaters grew 10 percentage points more share to the brand compared to those who purchase the brand two trips later.

### WINNING THE NEXT IMMEDIATE TRIP DRIVES BRAND SPEND AND SHARE

Time Lag Between Repurchasing Brand | Dog Food | All Channels | 01/01/2018 through 06/30/2023




Source: Numerator Insights | Total Commerce Panel

Defining repeat on the basis of when it occurs in a series of category trips highlights the crucial element of winning consumers at each opportunity in a way that regular repeat rate cannot quantify. By setting targets to drive consecutive repeat purchases, brands can establish a measurable way to assess the impact of loyalty-centered marketing campaigns. This approach allows brands to quantify the effectiveness of their efforts in fostering customer loyalty and ultimately driving their overall performance.

**Leveraging consecutive repeat in your brand planning.**

Insights leaders can seize the chance to provide stakeholders with valuable thought leadership by developing a comprehensive scorecard that tracks households, pricing, and consecutive repeat, allowing them to better anticipate share performance in the upcoming quarters.

Consecutive repeat rate also serves more than just a scoring measure. Brands should consider other significant applications, such as:

- **Crafting sell-in or defense stories:** By highlighting the brand's strong loyalty through consecutive repeat, brands can effectively present compelling narratives during sales negotiations or defend their position against potential delisting.

- **Building retention strategies:** Analyzing which brands are winning consecutive trips in comparison to yours can offer insights into potential innovation and marketing opportunities.

- **Informing sales efforts:** By identifying retailers that are winning the next consecutive trip for your brand, brands can make informed decisions regarding assortment updates and in-store marketing activities.

> **"This [consecutive repeat] is foundational data - even without business questions, up front we should know how loyal our customers are and how that changes period over period. This should be one of our KPIs that we should measure - almost like a brand health score."**
>
> - Global Portfolio Director, Fortune 500 Company

## 2 BUILDING A MORE EFFICIENT RETENTION MARKETING STRATEGY - CUSTOMER LIFETIME VALUE

Direct-to-consumer brands enjoy a significant advantage in maintaining a clean and consistent customer database. With all transactions tied to a single alias, these brands can track the consumer journey and overall customer value over time. This allows them to identify and retain new shoppers more effectively and efficiently by building marketing campaigns for consumers they know will provide a strong return. This isn't the case for many consumer brands where they product is sold across various channels and tracking households across those channels can be fragmented. By having single-source, longitudinal data with strong trip reporting, consumer brands will now have a chance to understand the true long-term value of their customers.

**How is customer lifetime value capture and utilized?**

Numerator's customer lifetime value (CLV) analyses offer valuable insights into the average revenue generated by acquired customers over a long time horizon. This involves calculating the spend from customers who consistently remain purchasers of the brand and factoring in churn effects.

Naturally, the value of retained customers exceeds that of the overall average, which includes customers who discontinue their relationship with the brand shortly after their initial purchase. The difference in value between these two groups is often significant. Customers who continue to make purchases from the brand for three years after their initial entry tend to be several times more valuable than those who lapse after the first year.

To illustrate this point, let's examine the breakdown of households for Nestle's Lean Cuisine Frozen dinner & meals. Our analysis reveals that **retained Lean Cuisine households hold over five times more value than non-retained households over the three year horizon.**

This trend raises important questions for brand managers: "Who are these valuable buyers? Are there any actionable demographic or psychographic characteristics that distinguish them from low-value buyers? What can we do to keep buyers in our brand for longer?"

In this Lean Cuisine example, our findings indicate that retained shoppers are more likely to be urban, affluent singles who need help in the kitchen and want

**CUSTOMER LIFETIME VALUE OF LEAN CUISINE FROZEN DINNERS & MEALS**

New to Lean Cuisine and Entering between 07/01/2019-06/18/2020

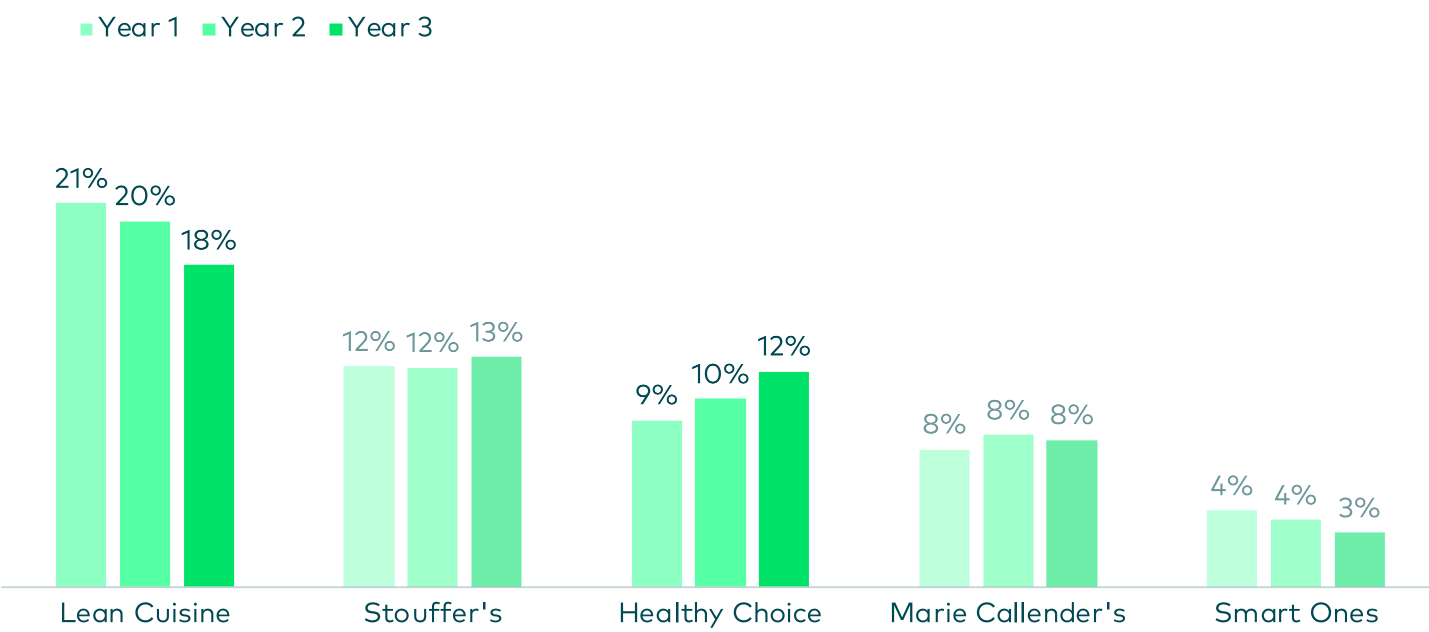

Source: Numerator Insights | Total Commerce Panel to move their diet away from meat. Armed with these insights, brand managers can prioritize marketing strategies to target these specific households and explore innovation that addresses their specific pain points to continue growing acquisition.

Furthermore, an advantage of utilizing consumer panel data to measure lifetime value over the likes of internal datasets is that brands can develop strategies based on actual consumer behavior outside the brand's four walls. This allows for understanding what are risks and opportunities to driving lifetime value.

Continuing with our example, we discover that among the Lean Cuisine households retained throughout the three-year cycle, Lean Cuisine's share of wallet declines after the first year. Instead, ConAgra's Healthy Choice took in share of wallet among retained households. By uncovering these purchasing insights throughout the customer journey, brands can survey these shoppers to understand the shift in spend, address whitespace and tailor their brand marketing efforts to target competitive brands or even private label.

**NESTLE'S LEAN CUISINE HAS OPPORTUNITY TO COMPETE AGAINST CONAGRA'S HEALTHY CHOICE IN SUBSEQUENT YEARS**

Share of Frozen Dinner & Meals Spend by Parent Brand | Among Retained Lean Cuisine Customers




Source: Numerator Insights | Total Commerce Panel


# AN INDUSTRY PERSPECTIVE ON CUSTOMER LIFETIME VALUE

We chatted with **Jeff Klimkowski, Co-Founder and Chief Financial Officer of DUDE Wipes** to ask about his perspective on how they have used Numerator's customer lifetime value to drive their business forward.

**Numerator:** How does customer lifetime value (CLV) incorporate into DUDE Wipes overall business strategy?

**Jeff:** At DUDE Wipes, our only goal is to continue to disrupt the +$13bn US bath tissue category. This focused approach requires us to continuously improve our product to help our customers have the best butt wiping experience washing away the things dry toilet paper leaves behind. That is why it is extremely important for us to understand a baseline of our customer's lifetime value and repurchasing rates. As we continue to innovate in our category through best in class product experience and distribution expansion, it will provide us with a better understanding over the coming years of what the impact these improvements have had on these measures and where to grow.

**Numerator:** Why do you believe measuring CLV with Numerator is important for an emerging brand?

**Jeff:** We've realized the two levers that meaningfully drive long term value for our brand and ultimately an increase in CLV is having a superior product coupled with strong distribution. Given emerging brands like DUDE Wipes are typically smaller with less pull at retailers than large CPG, that really only leaves one lever that emerging brands can control to drive an increase in CLV. So creating a baseline CLV and monitoring changes year over year as our product improvements roll out and distribution increases is of critical importance for DUDE Wipes.

We partnered with Numerator to build our CLV because of their massive omnipanel. There is no data partner better positioned today that can provide emerging brands the size and depth of insight with a more accurate, total picture of our omnichannel customers.

### About DUDE Wipes

DUDE Wipes was founded by lifelong friends out of their apartment in Chicago in 2011. Their origin story is not like most companies. This brand was born out of late-night sessions over beers, funny conversations, and genuine friendship. The founders appeared on 'Shark Tank' in 2015 to raise the Company's only outside capital in a suspenseful, must-see deal with Mark Cuban.

Today, DUDE Wipes is the fastest-growing brand in the $13bn+ U.S. bathroom tissue industry, rapidly taking share from legacy players & bringing innovation to stale categories in the bathroom. As the only native brand to the wet toilet tissue segment of the bathroom tissue category, DUDE Wipes is disrupting toilet paper through superior products and strong consumer engagement using humor and boldness to create trust that is driving consumer habit change in the bathroom.

In 2022 alone, DUDE Wipes continues to wipe up the competition as demonstrated by the following:

OVER
**1.5 B**
Butts wiped

**$100M+**
of 2022 POS sales

OVER
**15,000**
Stores nationwide and Amazon

**The importance of CLV in your brand planning.**

Understanding a customer's CLV is crucial for businesses to make informed decisions regarding customer acquisition, retention, and investment strategies. By knowing the CLV, businesses can determine the appropriate amount to invest in acquiring new customers and retaining existing ones. Additionally, CLV can help identify potential opportunities to elevate customers into becoming even more valuable to the brand by finding when and why consumers drop off in their purchasing.

Below are three clear actions marketers should take as they think through how they implement CLV into their strategy and workflow.

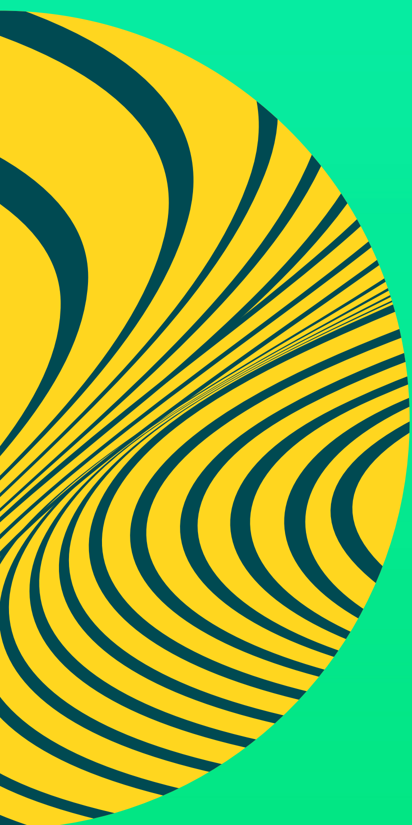
- **Bringing CLV to finance teams:** By sharing CLV with finance teams, marketers can make the case internally for additional marketing investment in their brands. Additionally, integrating CLV into overall budget planning can help determine where and when marketing spend will be most efficient.

- **Creating audiences based on your most valuable customers:** Build a targeting strategy once you have determined which customers are most valuable to your brand. Analyze their demographics, psychographics and purchasing behaviors to determine who they are, where they shop, and what drives their purchase.

- **Closing gaps for less valuable customers:** Understand why less valuable customers drop off from your brand and understand which brand they shift to instead in subsequent years. Create innovation, fill distribution gaps, and build marketing based on these consumers' purchasing habits.

**The time for change is now.**

As Numerator moves towards ushering in a world of modern measures and ultimately predictive analytics, brands and retailers will find new ways to reimagine the way they should track and measure their consumer today to pave a path for growth tomorrow. Insights and marketing leaders have a rare opportunity to move ahead of the market by bringing modern measures to the forefront of their strategy.



Numerator

## Interested in learning more about how modern metrics fit into your brand strategy?

Reach out to your Numerator account partner to set up a strategy share out session with your team where we will go over key marketing principles and measures and how to apply them to your brand.