

Driving Growth With Customer Lifetime Value

April 2019

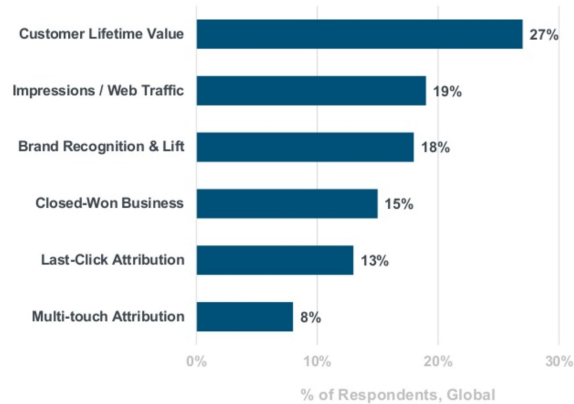
Dave Byrne, Global Solutions Lead

Google

Importance of LTV in Market

Customer Lifetime Value (LTV) = Importance Rising as...
Customer Acquisition Cost (CAC) Increases

What Do You Consider To Be Important Ad Spending Optimization Metrics?



KLEINER PERKINS
2018
INTERNETTRENDS

Source: Salesforce Digital Advertising 2020 Report (1/18). Note: n = 900 full-time advertisers, media buyers, and managers with the title of manager and above. Respondents are P01 companies in North America (USA, Canada), Europe (France, Germany, Netherlands, UK, Ireland) and Asia Pacific (Japan, Australia, New Zealand) with each region having 300 participants. The survey was done online via FocusVision in 1/17.

76

89%

of leading marketers use strategic metrics such as gross revenue, market share or LTV to measure the effectiveness of their campaigns*

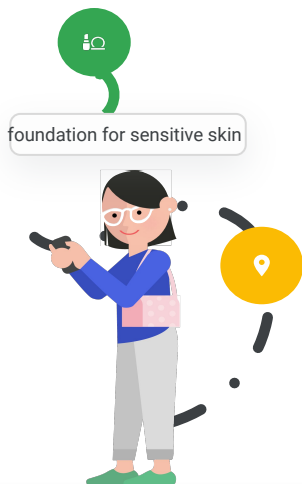
1.5x

Leading Marketers are 1.5x as likely to use a consumer-centric metric, like CLV, to measure success**

*Google/MIT Technology Review Insights, ML Leaders and Laggards, Global, 2018 (Leaders (n=186) defined as >15% increase in revenue OR 15+ point market share increase, Laggards (n=176) defined as <0% growth in revenue OR <0 point marketshare)

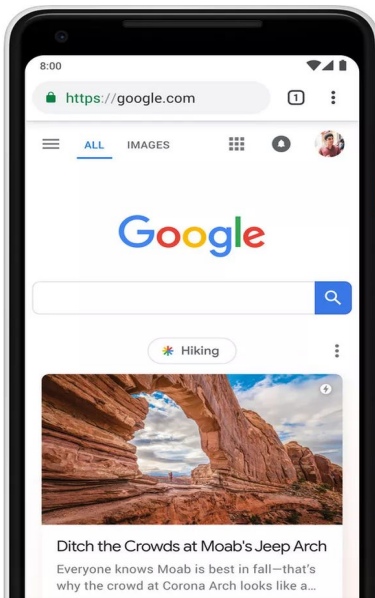
**Source: Bain Marketing Survey 2016

Future of Search



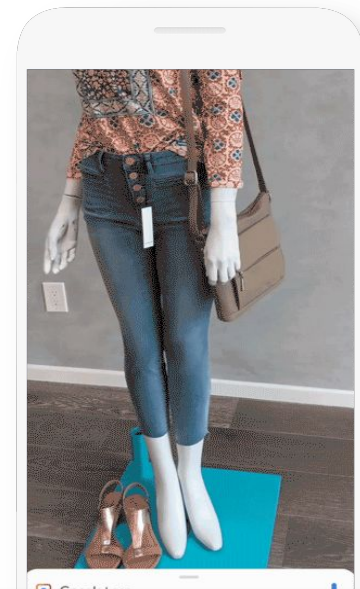
From Answers To Journeys

To help you resume tasks where you left off and learn new interests and hobbies.



From queries to a queryless way to get to information

Surface relevant information related to your interests, even when you don't have a specific query in mind.



From text to a more visual way of finding information

More visual content to Search to help you find information more easily.

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Integrating **business metrics** and **Customer Lifetime Value** into your marketing strategy



SPONSOR



ORGANIZE



SEGMENT



ACTIVATE



EXPERIMENT



Sponsor project and align key stakeholders

What will success look like?



Broken silos

Bring together partners from Marketing, Finance, Tech, and Agency teams



A common goal

Align cross-functional team around a single goal: value LTV for key customer segments



Aligned metrics

Update marketing metrics to align with business outcomes—prioritize conversions over CPAs



A segmentation based on CLV won't be spot-on immediately. But we think that if you don't have some type of lifetime value calculation, even at a broad level, it will soon be **impossible to reach the customers that matter most to your business.**"

— George Popstefanov, CEO at PMG Agency



Organize data for customer analysis

What will success look like?



Collected

Combine data from web analytics and customer data sources, like CRM databases



Coverage

Confirm that the data is adequate in size and of good integrity



Composition

Organize the data consistently and make it accessible with a unique customer identifier

More touchpoints

900+

digital interactions before purchasing

More devices

30%

of people in the US use 5 or more devices

More online to offline interactions

76%

of people who search on their smartphones for something nearby visit a business within a day



How can Google help simplify the complexities of measurement?



Measure
cross-*everything*

Marketers must be able to measure **cross-channel, cross-platform, cross-device**, and eventually **cross-media** while protecting user data



Prove
business impact

Marketers will focus on **metrics that show a direct impact on business outcomes** versus intermediate metrics



Harness machine
learning & automation

Marketers will rely on machine learning and automation to achieve **personalization experiences at scale**



Embrace simplicity

Marketers will choose tools that are **simpler, easier to use, and better integrated** in order to deal with growing complexity



Segment by customer lifetime value

What will success look like?



Customer LTV model

Choose the best LTV model based on business setting and customer variation



Customer segments

Model existing customer data to understand predicted future value



New insights

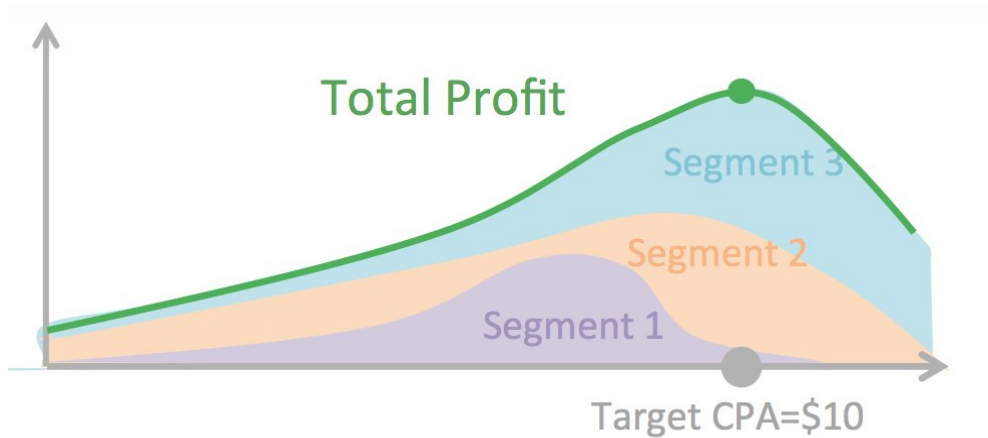
Identify common characteristics of most profitable customer segments

Importance of Segmenting Customers



CPA = \$10
Average Attrition = 58.5%
Average Lifetime = 1.7 years

Segment for Maximizing Profit/Value



	Customers in %	Attrition rate in %	Lifetime in years
Segment 1	70	65	1.5
Segment 2	20	35	2.9
Segment 3	10	6	16.7

$$\text{Max Profit on Segment 1} + \text{Max Profit on Segment 2} + \text{Max Profit on Segment 3} \geq \text{Non-segmented Max Profit}$$



Stop marketing to the average

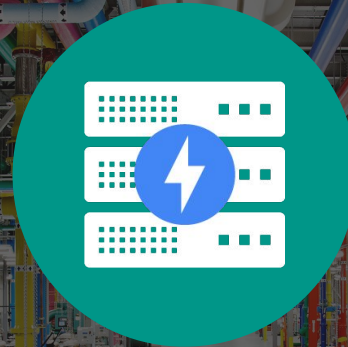


Proprietary



Your Data

The Right Technology



= **SUCCESS**



Activate segments through marketing

What will success look like?



Process defined

Design your data onboarding strategy internally or with the help of a third party



Connected KPIs

Tie media KPIs to customer lifetime value segments which will drive long term business outcomes



Aligned audiences

Align your audiences with your marketing strategy (i.e. customer acquisition, retention, or cross-sell)



magazineluiza

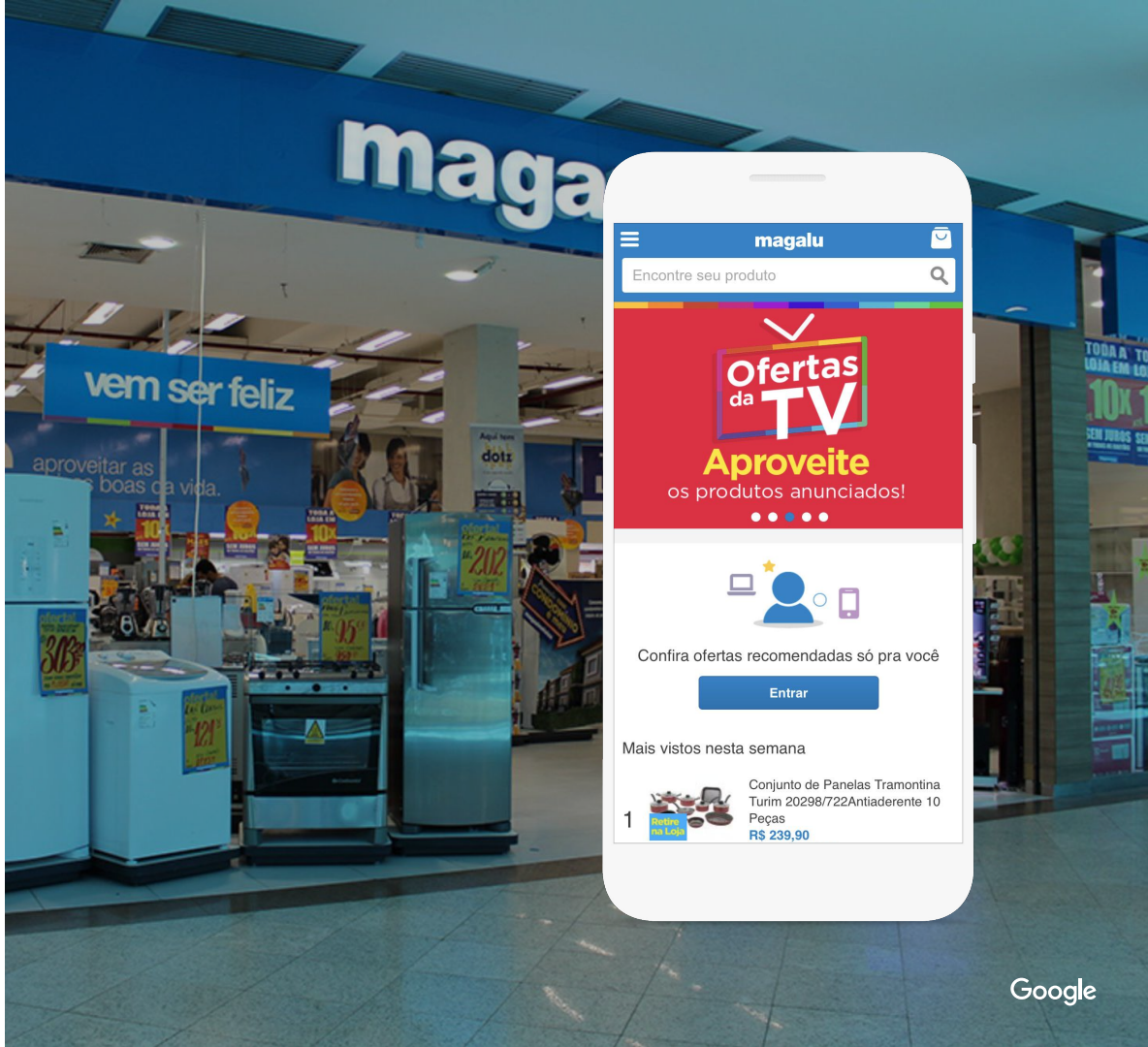
Using their CRM data they determined an Expected Lifetime Value for their customers and used that data in Google Analytics to create audiences and similar audiences based on most valuable segments.

11%

increase in conversion rate

17%

increase in ROAS





Experiment, extend, and evolve

What will success look like?



Known value-drivers

Identify the activities that drive higher acquisition and retention of your best customers



Evolving benchmarks

Use results to continue to adjust targets from previous analysis



New audiences

Iterate the audience creation process and targeting based on KPI achievement

Evolve from legacy measurement and media KPIs— to create and capture demand among your highest LTV customers



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Get a champion: Name a trusted partner to be the leader of aligning stakeholders and KPIs across teams and functions.



ORGANIZE

Combine data: Export current data from primary systems, including CRM and marketing, and combine for use in modeling.



SEGMENT

Make the model: Use proprietary or public tools to segment customers by LTV.



ACTIVATE

Use the model: Use the segmentation in your marketing, like AdWords, prioritizing investment in your best customers.



EXPERIMENT

Extend the capability: Use the new segments to reach new customers, like similar audiences.

Building a client for LTV success

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	Basic	Developing	Ready
Advertising Strategy	Optimize to shallow, non-differentiated conversion(s)	Defined messaging strategy for remarketing, cross-sell, and up-sell	Differentiated conversions and messaging based on value / quality
Business Structure	Marketing / other orgs siloed	Open communication between marketing and other depts	Marketing has a pulse on current understanding of the value it drives for the business and how it contributes to the overall goal
View of the Customer	Single transaction / lead based	Data at the customer level available, but segmented across data sources	Historical data by individual customer collected centrally