



# CUSTOMER ECONOMICS: DEEPER INSIGHTS, GREATER VALUE

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## *Humanizing + Analyzing Relationships To Drive Revenue, Retention And Returns*

Report | March 2021

**Deloitte.**  
Digital



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# INTRODUCTION

## BRIDGING THE GAP BETWEEN RELATIONSHIPS AND REVENUE

Marketing leaders spend much of their waking hours — and at least a few sleepless nights — thinking about marketing's economic impact on the business. Are your marketing campaigns targeting the right customers? Are customer relationships paying off in the long run? And, most importantly, are you hitting your new revenue-growth goals?

Attributing marketing efforts to financial outcomes hasn't been easy, but re-thinking an old marketing metric can help pave the way. We're talking about customer lifetime value, or LTV, which predicts revenue attributed to the future relationship with a customer.

There's a lot of opportunity for marketers to improve LTV. Just look at the key findings in our report:

- **47% of marketers track LTV slightly well or not well at all**
- **68% rate their CAC to LTV ratio as average, below average or very poor**
- **44% are slightly effective or not effective at segmenting and targeting customer sets with the most potential for long-term value**

A redesigned LTV that reflects the new digital realities and the empowered buyer gives marketers greater insight into valuable customer segments and campaigns that truly impact the customer experience. This allows CMOs to design a more effective, efficient marketing mix.

For LTV to be truly insightful, though, marketers have to re-design LTV in a way that reflects the truth about the empowered digital customer in relation to their company. The formula must take into account a host of factors, among them: customer segmentation, psychographics, discount rates, cost of acquisition (CAC), retention costs, churn rates, revenue per user, transactions per user, commercial metrics, brand health metrics, penetration frequency, advocacy.

In other words, LTV isn't a one-size-fits-all metric or a quick fix. It requires the commitment and ongoing participation of executives across the company. LTV has to be defined and re-defined over time to reflect the changing market, product and buyer. But the payoff can be significant, and there are ways to start small to get buy in and traction.

This report by the CMO Council, in collaboration with Deloitte Consulting LLP, explores why LTV is important, what makes measuring and tracking LTV so challenging, and how marketers can start down the path toward better LTV scores. Our report is based on a survey of over 150 global marketing leaders and in-depth interviews with executives from Informatica, PepsiCo, Electrolux and Redbubble.

# WHY BRANDS NEED CUSTOMER LIFETIME VALUE

Think of LTV as an overall health check on marketing and the business. Are you targeting the right customers? Are they getting the right experiences that lead to brand loyalty? Is the lifecycle of customer acquisition, retention and enrichment paying off?

When we asked marketers what is the most influential factor promoting deeper analysis of customer long-term value, the top answer by far (44%) was strategic organizational focus on customer retention and value creation. That's a pretty good reason.

On a more tactical level, LTV can help marketers justify spending on marketing campaigns targeting particular customer segments. LTV can show that these groups will generate the most amount of sales over their lifetime.

"Media and marketing campaigns were focused on reaching the most amount of people rather than the best people to drive growth," says Ram Krishnan, global chief commercial officer at PepsiCo. "We need to evolve our approach and deliver a personal, valuable experience. We need to work hard to build a long-term relationship with consumers."

The bigger win goes beyond marketing.

Our survey found that a majority of CEOs (53%) and heads of sales (49%) leverage LTV to drive strategic decisions, as well as many line-of-business leaders (44%), heads of business development (38%), chief financial officers (35%), chief revenue officers (33%), and chief experience officers (18%). This finding alone shows that LTV's value spans far beyond the marketing department.

Finally, LTV is a key performance indicator of a company's ability to deliver great customer experiences.

"I don't think companies shouldn't view LTV through the lens of maximizing revenue at every possible consumer touchpoint," says Brett Townsend, head of North America insights at Electrolux. "Consumers see right through it and it turns them off. It should be about making the customer experience so great that they happily, and even excitingly, come back to you the next time they want to make a purchase or engage with your brand."

**CUSTOMER VALUE  
CREATION IS THE NUMBER  
ONE REASON MARKETERS  
ARE FOCUSED ON LTV**



**MARKETERS AREN'T THE ONLY ONES  
LEVERAGING LTV TO DRIVE STRATEGIC  
DECISIONS. THEY'RE JOINED BY:**



# MARKETING'S BLIND SPOT

There's a big opportunity for companies to improve LTV tracking. How big? The vast majority of CMOs — 82% — track LTV only moderately well or worse. More than one out of four don't track LTV well at all.

In terms of real dollars, the CAC to LTV ratio is a good starting point for understanding overall customer economics. Marketers can improve in this area, too. The revenue of a customer over the course of a lifetime should be three times the cost to acquire that customer. Yet our survey found over two-thirds of marketers rated their ratio as average or below.

Marketing's LTV blind spot is odd given that it sheds light on the quality of the customer experience and the strength of the customer relationship, which marketers profess to care so much about. On the other hand, marketers who have LTV in their sights appreciate its value.

"I depend on LTV more than traditional metrics to understand the performance of our investments," says CMO Rebecca Zarate at Redbubble. "This gives us a clear eye on acquiring the right consumer and to see if they're doing what we're expecting, whereas traditional cost and return metrics create a behavior where you don't care about the customer journey or experience, just what channel gets the credit."

LTV is about a brand's ability to cultivate loyal customers, which leads to real economic value. A 2020 Deloitte Digital report found that 87% of consumers are loyal to their favorite brand for three or more years, with 61% making at least three purchases from the brand in the previous six months. Loyal customers also become brand advocates influencing new sales over social media and product review sites.

**ONLY 17%** OF MARKETERS  
TRACK THEIR LTV WELL

**43%** RATE THEIR CAC TO LTV AS AVERAGE  
AT BEST, WITH ANOTHER **25%** RATING IT AS  
BELOW AVERAGE OR VERY POOR



*"I don't think companies shouldn't view LTV through the lens of maximizing revenue at every possible consumer touchpoint. Consumers see right through it and it turns them off. It should be about making the customer experience so great that they happily, and even excitingly, come back to you the next time they want to make a purchase or engage with your brand."*

**BRETT TOWNSEND**

Head of North America Insights  
Electrolux

# MURKINESS OF MEASUREMENT

So why do marketers struggle with LTV? Figuring out what to measure isn't so simple.

"LTV is increasingly hard to capture, track and understand because every business has to develop their own approach to how they want to define the metric," Zarate says. "There's no standard formula given the differences between every business."

When marketers think of LTV, the first thing to come to mind is the traditional definition — that is, a prediction of revenue attributed to the future relationship with a customer. That's why 66% of marketing leaders in our survey cited revenue per user as a core component for measuring LTV. But revenue per user alone doesn't give the complete picture.

A host of other contributing factors come into play. Among them: transactions per user, sessions per user, session duration per user and page views per user — all of which show customer engagement that can lead to brand loyalty.

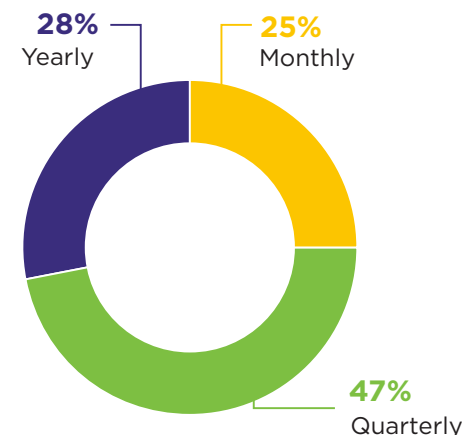
It's important to keep in mind that customer engagement metrics add to the narrative but don't tell the whole story, either. Multiple sessions per user might not have any impact on LTV. Lengthy phone calls, chat sessions and customer service interactions will drive up costs and negatively impact the CAC to LTV ratio.

Companies only focusing on revenue and profit when measuring LTV also exclude their most valuable customers — brand advocates. They're the new, unpaid salesforce influencing peers on buying decisions over social media and online product review sites.

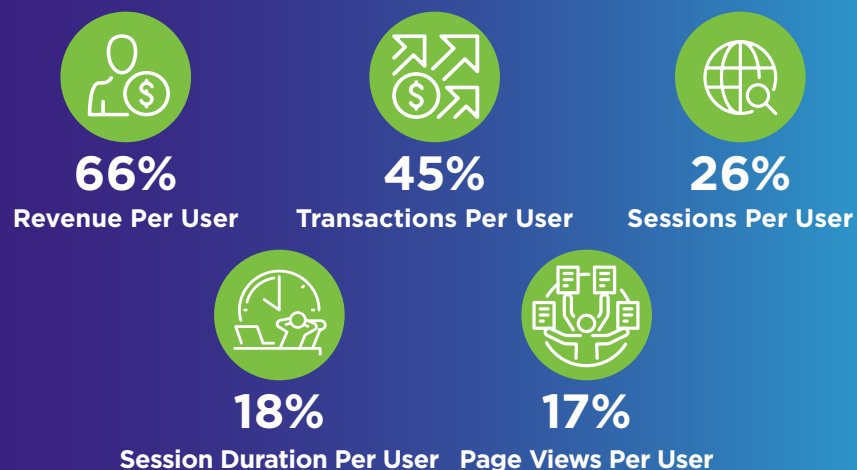
There's no question the LTV calculation can get complex and unwieldy.

"This is the kind of math equation every marketer has to go through for their particular category," PepsiCo's Krishnan says. "You don't have standardized metrics because every industry and category is different, each with a unique set of economics."

## MOST MARKETERS MEASURE LTV QUARTERLY



### THE CORE COMPONENTS MARKETERS USE TO MEASURE LTV INCLUDE:



# UNLOCKING LTV: SEGMENTATION AND TARGETING

Brands wanting to grow LTV should take a hard look at how they're segmenting and targeting customers. Done improperly, a brand can end up wasting resources chasing the wrong customers. Our survey found many marketers (84%) are only moderately effective or worse at segmenting and targeting customer sets with the most potential for long-term value.

Marketers often rely on traditional demographics, but demographics don't reveal buying behaviors that would lift LTV scores. Many marketers would benefit from creating a psychographic of their customer (i.e., personality, values, beliefs, lifestyle, attitudes, and interests) and track online and offline purchasing behavior.

Psychographics, of course, don't apply to everyone. A food and beverage company wouldn't track every customer's psychographic profile and every bag of potato chips bought over the course of their lifetime. Yet even in these cases better customer segmentation and targeting still matter.

PepsiCo segments and targets customer "cohorts," which are made up of people who share a concern, say, about their health. This means they look for drinks with functional health benefits, such as immunity boosters. Cohorts help PepsiCo identify opportunities to deliver value and grow LTV.

"Our aspiration is to track the lifetime value at the consumer cohort level," PepsiCo's Krishnan says. "We think a lot about penetration and the frequency of purchase of our products over a given time period — the dynamics of lifetime value."

**84%** OF MARKETERS AGREE: THEY ARE NOT EFFECTIVELY SEGMENTING AND TARGETING CUSTOMER SETS FOR LONG TERM VALUE



*"Our aspiration is to track the lifetime value at the consumer cohort level. We think a lot about penetration and the frequency of purchase of our products over a given time period — the dynamics of lifetime value"*

**RAM KRISHNAN**

Global Chief Commercial Officer  
PepsiCo

# REPEAT SALES VS. NEW SALES

The dirty little secret of LTV is that it suffers from distraction. Both marketers and business executives are distracted, having set their sights on other priorities. Even though LTV is a metric rooted in marketing, our survey found that only a third of CMOs feel they own it.

“Marketers became addicted to online advertising on ... social networks and forgot about retention and LTV,” Redbubble’s Zarate says.

LTV requires months to set up as marketers figure out how to define, formulate, measure and track LTV in the best way for their particular businesses. It’s a considerable investment and commitment, and many are unwilling to take ownership.

Many business leaders have more pressing priorities, too. They’re often fixated on quarterly results and new sales, whereas LTV is by definition a long-term metric on customer retention. Companies selling products with a decades-long shelf life will have to wait and see if LTV accurately predicts a repeat sale.

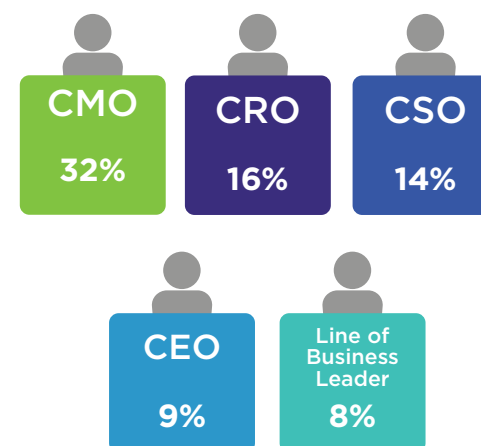
“Building relationships is a marathon, and it takes forward-thinking leadership to look at LTV,” Electrolux’s Townsend says. “Many companies are focused on the here and now, and this year they’re in triage mode. You have to remember that the average CEO tenure is five years. That’s why a lot of companies fall short with LTV.”

When we asked who owns this area of strategic growth and profitability, answers ran the gamut: chief marketing officer (32%), chief revenue officer (16%), head of sales (14%), chief executive officer (9%) and line-of-business leader (8%). The right answer, though, needs to be all of the above.

To get this right, everyone needs to be involved, not just marketing. Sales, fulfillment, customer service and other departments have to contribute to the LTV equation.

“You’re way more powerful at moving LTV if you make everyone accountable,” Zarate says. “Everyone needs to understand the role they play in creating a really awesome customer experience. Don’t try to own it all yourself.”

**THERE'S NO CLEAR OWNERSHIP OF LTV, WITH MARKETERS CITING DIFFERENT FUNCTIONAL LEADERS AS LTV DECISION-MAKERS, INCLUDING:**



*“You're way more powerful at moving LTV if you make everyone accountable. Everyone needs to understand the role they play in creating a really awesome customer experience. Don't try to own it all yourself.”*

**REBECCA ZARATE**

Chief Marketing Officer  
RedBubble

# GREAT EXPECTATIONS FROM DATA

Growing LTV through better customer segmentation, targeting and relationships can't happen without a solid data foundation that regularly produces valuable and actionable customer insights that, ultimately, helps nurture customer relationships. Investments in data that help marketers foster customer relationships is an investment in LTV.

“What you're seeing is companies investing not necessarily in customer lifetime value but in building relationships,” Electrolux's Townsend says. “Of course, this will give you better LTV.”

In our survey, the top three challenges for developing lasting customer relationships are related to data and data-driven insights: aggregating the right data for a robust view of the customer (55%), shifting from assumptions to predictive knowledge of customers' needs (47%), and identifying the moments of opportunity to deliver delight and differentiation (44%).

Yet marketers struggle with getting actionable customer insights from data in a timely manner. Nearly 60% of marketers point to inconsistencies with the level of depth and granularity of customer insights, while 36% admit they just don't have the data to know their consumers, let alone anticipate their needs, according to a previous CMO Council study.

According to our survey, here are marketers' seven most sought-after data-driven insights: level of satisfaction, LTV, incidence of churn and defection, brand loyalty, values and beliefs, incidence of repeat purchases, and psychographics.

**55% OF MARKETERS SAY AGGREGATING THE RIGHT DATA FOR A ROBUST VIEW OF THE CUSTOMER IS THE MOST SIGNIFICANT CHALLENGE THEY FACE IN MAXIMIZING LTV**

## THE DATA THEY FEEL WOULD MOST HELP THEM INCLUDE:



**44%** LEVEL OF SATISFACTION



**41%** CUSTOMER LIFETIME VALUE



**37%** INCIDENCE OF CHURN AND DEFECTION



**35%** CUSTOMER PURCHASE HISTORY



**33%** BRAND LOYALTY

# CONNECTING WITH CUSTOMERS

With marketers facing so many LTV challenges, where's the good news? There is a silver lining. Our survey found that marketers have an idea of what they need to do to grow customer relationships and LTV. They are putting the customer at the top of the priority list.

According to our survey, over the next 12 months, marketers will seek to gain a deeper understanding of customers through a unified view of their experiences. They'll attempt to establish lasting connections, identify opportunities to cross sell and upsell, and deepen relationships through more dynamic brand experiences.

Our survey found that the three most important requirements in building long-term customer relationships are customer relationships are: humanizing connections, aligning the organization to fully deliver on the brand promise, and offering products that meet well-defined needs.

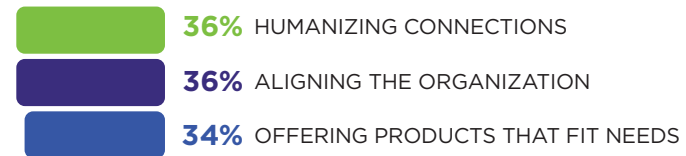
For converting customers, the top four most important initiatives are better communicating the product value proposition (47%), doing more sophisticated targeting, profiling and engagement (42%), improving relevancy of marketing content (42%), and analyzing and addressing customer journey and path-to-purchase obstacles (35%).

"I feel companies need to go beyond simple NPS scores because it doesn't give any insight into why your score is the way it is. You don't know where to start improving when you only have a static metric," Electrolux's Townsend says. "The key is to put in place KPIs that are focused on how you can get better. Then continue to refine the process, make tweaks to the actual measurement and process. The most important thing is that you get back data that tells you how you can improve and where the pain points are."

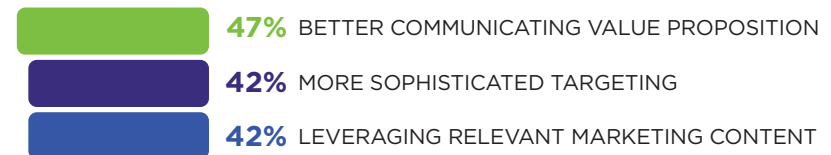
## MARKETERS WORKING TO IMPROVE LTV



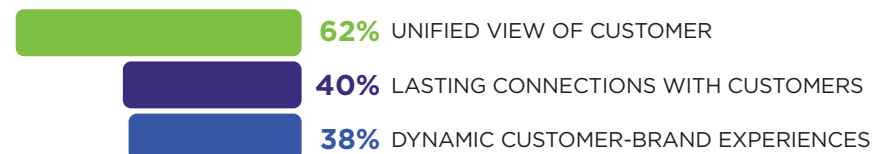
### 1. MOST IMPORTANT REQUIREMENTS



### 2. MOST EFFECTIVE CURRENT INITIATIVES



### 3. FUTURE PLANS








# LOOKING FOR CLUES IN ALL THE RIGHT PLACES

One bit of good news: marketers know where customers leave clues about their needs and expectations. This is vital for marketers to gain data-driven insights and get a more complete view of the customer.

According to our survey, the top five channels for this data are email, social media, web forms, sales reps and customer service. For the most part, marketers do a good job connecting to customers in these channels.

Emerging channels still have a ways to go before becoming effective channels in connecting with customers, with only 21% of marketers rating chatbots as very effective or better and 5% for Internet of Things.

## WHILE CUSTOMERS LEAVE MOST SIGNALS OVER EMAIL, THE MOST EFFECTIVE SIGNALS OCCUR THROUGH SERVICE AND SUPPORT INTERACTIONS

CHANNELS WHERE CUSTOMERS LEAVE SIGNALS ABOUT THEIR NEEDS		EFFECTIVENESS OF THE SIGNALS IN THESE CHANNELS				
		EXTREMELY EFFECTIVE	VERY EFFECTIVE	MODERATELY EFFECTIVE	SLIGHTLY EFFECTIVE	NOT EFFECTIVE AT ALL
	73% EMAIL	17%	39%	27%	14%	3%
	54% SOCIAL MEDIA CHANNELS	11%	36%	25%	16%	11%
	54% WEB FORMS	3%	23%	41%	26%	7%
	53% INTERACTIONS WITH SALES REPS	26%	40%	24%	5%	5%
	53% INTERACTIONS WITH SERVICE/SUPPORT	33%	41%	21%	2%	3%

# CONCLUSION

There is no denying that measuring LTV is hard. Challenges abound, and everyone has to participate to make it work. But the rewards are equally great. LTV helps executives across the company make smarter decisions about optimizing budgets, nurturing relationships, and growing revenue over the span of a lifetime.

That said, marketers have much work to do in segmenting, targeting, measuring and tracking customers with the highest potential for profitable revenue. They have to identify customers with hard-to-measure value such as brand advocacy. They have to change their mindset from customer acquisition to customer retention.

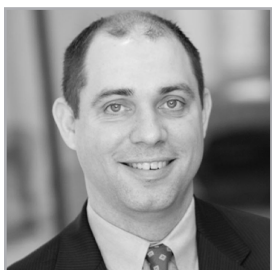
Most importantly, marketers have to convince others in the C-suite that LTV is worth pursuing.

“It’s going to be really uncomfortable at first, but you have to make sure everyone’s aligned so that you can say, ‘I’m going to put my spend budget against this metric, and that’s all we’re going to watch,” Zarate says.

## SUGGESTIONS FOR HOW TO GET STARTED:

- 1 **Coordinate** with sales, customer service, fulfillment, and other departments to collect metrics that impact LTV, in order to calculate the ROI from acquisition and retention costs.
- 2 **Analyze** first-party and partner network data to identify, segment and target customers with the highest potential for net profit.
- 3 **Aggregate** data to better understand customer satisfaction, LTV, incidence of churn, brand loyalty, values and beliefs, incidence of repeat purchases and psychographics.
- 4 **Focus** on using this data to deliver more personalized, valuable customer experiences that will lead to long-term relationships.

# EXPERT COMMENTARY



**TIM GREULICH**  
Managing Director, Deloitte Consulting LLP  
Operational Customer Experience Practice  
Lead, Deloitte Digital



## FROM EMOTIONAL BONDS TO BUSINESS VALUE

The last twelve months have been unique and challenging on many levels. Customer relationships and engagement capabilities were tested. Customers had to choose to put brands into categories of essential/non-essential and experiential/non-experiential, and brands had to renew their focus on retention and maintaining a profitable customer base, even as they remained prepared to move back to acquisition and 'return to normal' messaging. It was enough to test even the most sophisticated of brands, when it seemed as if every day brought new information, new marketplace and community conditions, a new mood.

And yet, the principles needed to rise to this challenge were in many ways a continuation of trends that were already in place. Prior to 2020, it was already increasingly important for brands to relate to their customers and build real, emotionally rich bonds of loyalty. The companies that managed the challenges of 2020 and retained customers were organizations that already focused on long term customer value, invested in building operational customer experience capabilities and real time feedback loops, and not only extended digital capabilities, but humanized them as well.

The need for increased customer visibility and real time feedback loops to measure and drive long term relationships was exposed

during this time. This survey further exposed the gaps in organizations' abilities to understand true customer value and make informed, near real-time decisions with that value as a key input. And this need to create more real-time, human experience will not end when the pandemic ends. It is a trend that is here to stay and is accelerated with each digital innovation.

Brands can continue to build deeper and more loyal connections to customers at an enterprise scale by taking tangible steps to operationalize their customer experience feedback loops and measure customer value. We call the business discipline that guides these actions operationalized human experience, or OpHX. To get started, we recommend that companies focus on four key initiatives — the pillars of the OpHX discipline:

- **Reimagining your enterprise-wide strategy to better humanize core operating principles and to tie more closely to experience management operating processes.**
- **Reorganizing, incentivizing and empowering employees to build experiences, offerings and systems of value for the customer while creating a culture that is difficult for competitors to match.**
- **Recognizing that customer data is likely underutilized, undervalued and increasingly a proprietary differentiator for your organization — and that robust governance can help you use that data correctly in ways that elevate the experiences of customers.**
- **Respecting that this new way of working is difficult and cannot happen without investing in harmonious technology that helps meet customers where they are and predict where they want to be — and that can scale to meet grow customer demands.**

The bonds that brands can build through these initiatives are what inspire customers to stay loyal, to advocate on behalf of favorite brands, to forgive them when problems occur — ultimately driving LTV for the company.

## EXECUTIVE PERSPECTIVE

**BRETT TOWNSEND**

Title: Head of North America Insights

Company: Electrolux

Industry: Household Appliance Manufacturer



“Building long-term customer relationships is a marathon. It takes forward-thinking leadership to look at customer lifetime value.”

## #LEADERSHIP

Starting down the path of predicting a customer's economic lifetime value isn't for the faint of heart. It takes investment to set up measuring and tracking systems and consistency to tweak and improve the process year after year. Despite these efforts, decades will pass before you know if those predictions proved to be right.

“Building long-term customer relationships is a marathon,” says Brett Townsend, head of North America insights at Electrolux. “It takes forward-thinking leadership to look at LTV.”

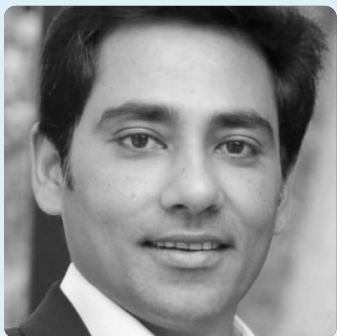
Leadership has to look at the bigger picture, too. LTV is more than just the revenue attributed to a customer over the course of a lifetime. LTV shouldn't be about squeezing every penny out of a consumer but rather to give consumers great experiences to show you really care. The goal should be to have a consumer want to continue their relationship with your brand. Customers loyal to the brand have long memories and will continue to purchase your brand when the need for replacement arises.

“My belief is that it's important to build a relationship,” Townsend says. “I believe it's an attitude and an approach.”

Townsend can tell what matters most to brands simply by the advertisements, campaigns and stories they tell. Are they maximizing revenue or building relationships? Are they looking at the short-term or in it for the long haul?

“It's everything that comes out of a company,” Townsend says. “I see some companies build their brand on functional, easily replicated things like price. I see others build their brand by making an emotional connection. That's really where you separate.”

## EXECUTIVE PERSPECTIVE



### ASH PARIKH

Title: Senior Vice President and Head of Marketing

Company: Informatica

Industry: Technology



“It's not about driving business for the vendor; it's about the vendor delivering value throughout and beyond the lifetime of the customer – it's about a partnership and not a transaction.”

## #VALUE

In a world changed forever by the pandemic, customers are now looking to do things safely, get additional value from what they have, and stretch their precious dollar, says Ash Parikh, senior vice president of marketing and head of marketing at Informatica.

“It's much more important and easier to retain customers and engage them to increase loyalty than acquiring new ones,” Parikh says. “There's a twist in the LTV story, and CMOs can help!”

LTV has become a lot more about conversational engagement, he says. Consider the typical subscription business model: You need to know the buyer's journey intimately, what the customer is trying to achieve at every step of the way, what benefit they are looking to gain, what challenges they are looking to overcome, and where they're going to truly find value.

“You need to present the customer with a kind of map of what you can deliver, where they can find immediate success and, more importantly, ongoing value,” Parikh says. “Today, you not only need to think about landing the customer but making sure they see quick value in the product or service and continue to do so throughout the lifetime.”

It's both a challenge and opportunity to track the customer relationship, he says. Marketers should leverage modern digital technology, such as intent and affinity data, to understand every heartbeat of the customer — e.g., engaging on your website, downloading a piece of collateral, reading a blog, visiting a virtual booth during, asking a question on a webinar, and all other touch points throughout the buyer's journey.

“What I really want to know is the customer's true intent so that I can follow up with the right content, the right offers and the right recommendations, at the right time,” Parikh says. “LTV is a two-way street: You keep delivering value, and they will keep coming back for more!”

## EXECUTIVE PERSPECTIVE



### RAM KRISHNAN

Title: Global Chief Commercial Officer

Company: PepsiCo

Industry: Food and Beverage



“All of us will get better educated about LTV. We'll start thinking more purposefully about the lifetime value of return on a single dollar spent on acquiring that consumer.”

## #COHORTS

If you think customer economics is a simple calculation, think again.

Ram Krishnan, global chief commercial officer at PepsiCo, knows how challenging it can be. As a leading food and beverage company, PepsiCo doesn't track the lifetime value of every consumer. Rather, Krishnan identifies and tracks LTVs of clusters of consumers, which he calls “cohorts,” who share a concern that influences their food and beverage buying decisions.

The goal is to calculate the ROI from customer acquisition and retention costs of cohorts using data from PepsiCo's vast retailer partners' CRM systems. To do this, Krishnan looks closely at two main parts of the equation.

The first is the cost of conversion; the second is the cohort lifetime value. Using partner network data and first-party data, Krishnan can learn the number of consumers PepsiCo is converting, the cost of conversion and predict the lifetime revenue of each cohort.

Customer insights emerge, such as the need to get e-commerce customers to put PepsiCo products in their online basket on the initial

visit to a retailer. Odds are the consumer will buy the same brand on repeat visits, which makes marketing efforts that make a personal connection to a cohort before they make the initial visit so critical.

“We need to evolve our approach and deliver a personal and valuable experience every single time a consumer interacts with our brand,” Krishnan says. “If we anticipate the consumer needs, we can actually use the data to shape almost a non-linear journey and deliver more value and first-life experience.”

If PepsiCo is successful in converting customers of a cohort on the initial visit, LTV goes up exponentially. That's how Krishnan justifies expenditures.

But what works for PepsiCo likely won't work for you.

“There aren't any standardized metrics, because every industry and category has a unique set of economics and a different customer journey,” Krishnan says. “I urge every company to look across an array of metrics — revenue, profit, brand health, penetration frequency, lifetime value and value creation.”

## EXECUTIVE PERSPECTIVE



### REBECCA ZARATE

Title: Chief Marketing Officer

Company: Redbubble

Industry: Retail



“You’re way more powerful at moving customer lifetime value (LTV) if you make everyone accountable. Everyone needs to understand the role they play in creating a really awesome customer experience.”

## #CX

Redbubble, an online marketplace where artists around the world can list and sell their designs, knows its customers. People looking for unique products to buy for gifts or for themselves - with over one million artists on the platform, you’re sure to find what you’re looking for. CMO Rebecca Zarate is at the center of this fiery cauldron, matching the right customers with the right experiences to drive LTV.

“I depend on LTV more than traditional metrics to understand the performance of our investments,” Zarate says. “This gives us a clear eye on acquiring the right consumer and to see if they’re doing what we’re expecting, whereas traditional cost and return metrics create a behavior where you don’t care about the customer journey or experience, just what channel gets the credit.”

Zarate knows just how challenging LTV can be to define, measure and optimize. That’s because LTV is no longer about squeezing the most revenue from a customer over their lifetime. It’s really become a referendum on the company’s ability to deliver a unique customer experience.

“LTV is increasingly hard to capture, track and understand because every business has to develop their own approach to how they want to define the metric,” Zarate says. “There’s no standard formula given the differences between every business.”

Every customer-facing department contributes to the customer experience, which means they need to participate in and take responsibility for LTV. “Don’t try to own it all yourself,” Zarate says. “Everyone in the company needs to understand the role they play in creating a really awesome customer experience.”

“You’re way more powerful at moving LTV if you make everyone accountable,” Zarate says. “It’s going to be really uncomfortable at first, but you have to make sure everyone’s aligned so that you can say, ‘I’m going to put my spend against this metric, and that’s what we’re going to watch.’”



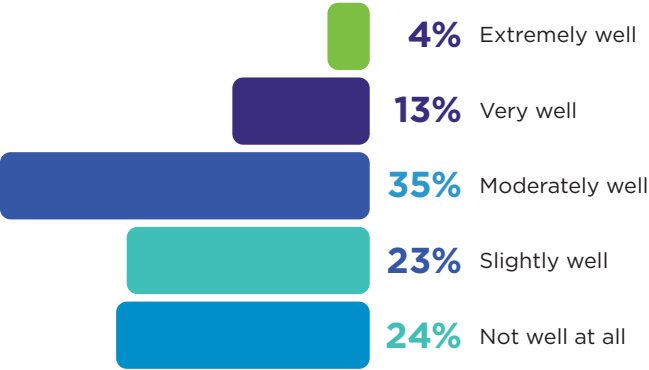
**CUSTOMER ECONOMICS:**  
DEEPER INSIGHTS, GREATER VALUE

# DETAILED FINDINGS

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*The detailed findings represent  
survey results from a Q4 poll of 150  
senior marketing leaders globally.*

**Q1** How well do you track your customer lifetime value (LTV)?

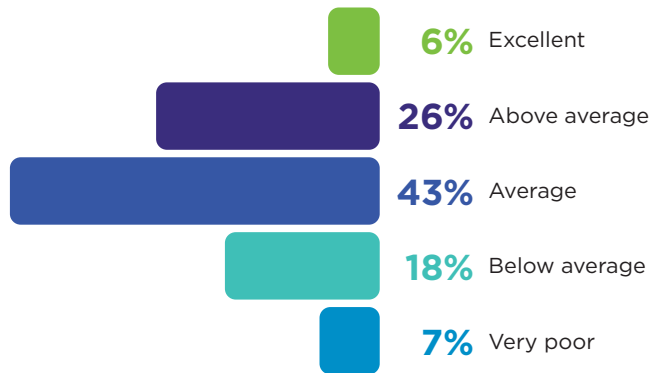


**Q2** What are the core components you use to measure LTV? (Select all that apply)

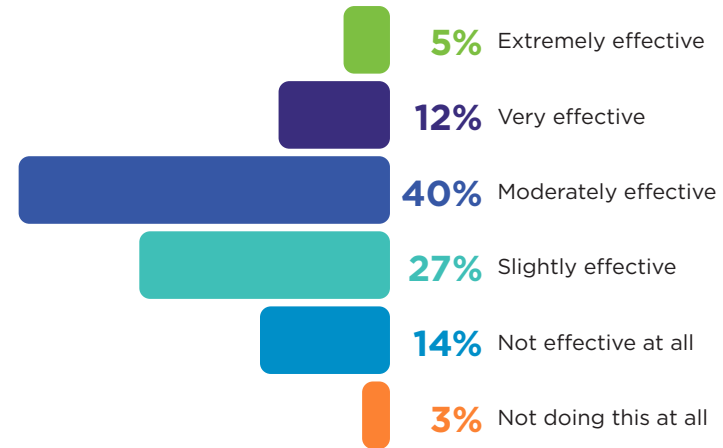


**Q3** How often is your LTV measurement refreshed?**Q4** Which other cross-functional partners leverage LTV to drive strategic decisions?

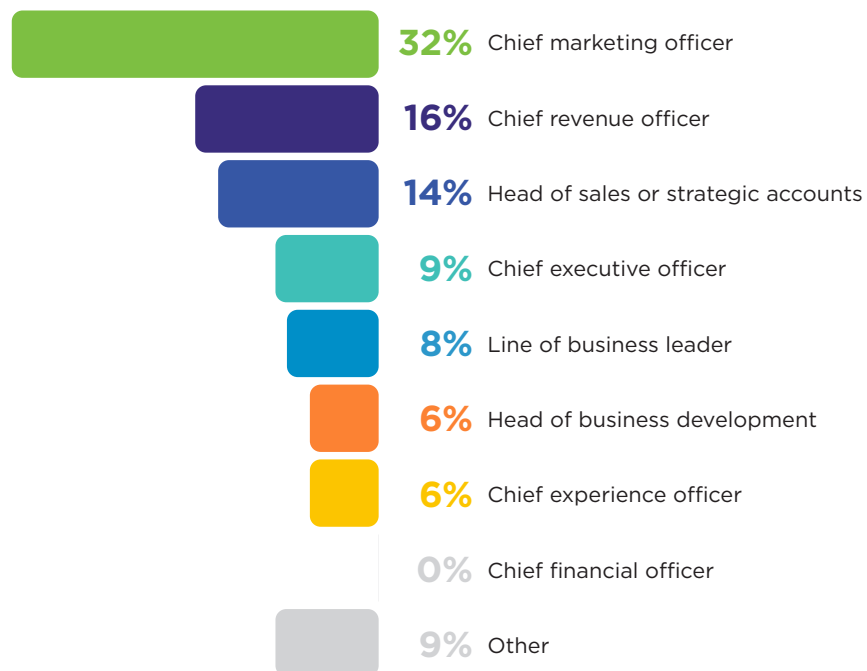
**Q5** How would you rate your customer acquisition cost to customer lifetime value ratio?



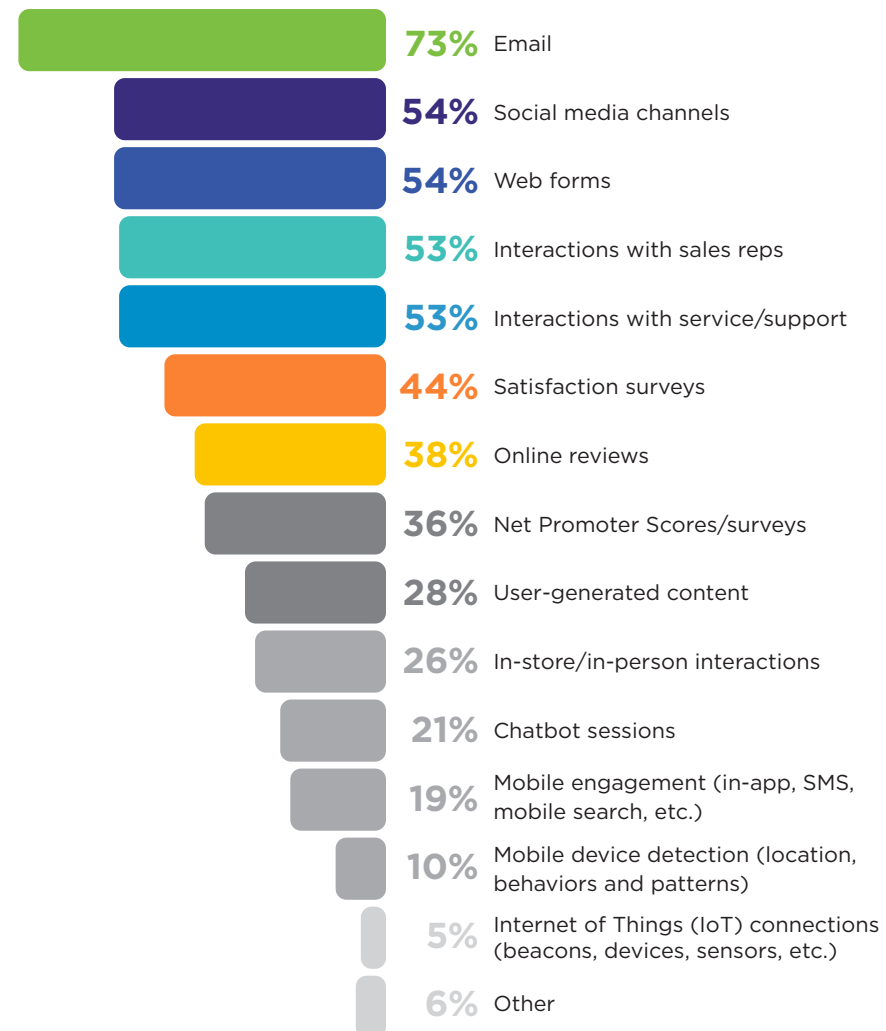
**Q6** How effective is your organization in segmenting and targeting customer sets with the most potential for long-term value?



**Q7** Who owns this area of strategic growth and profitability? (Please select one)



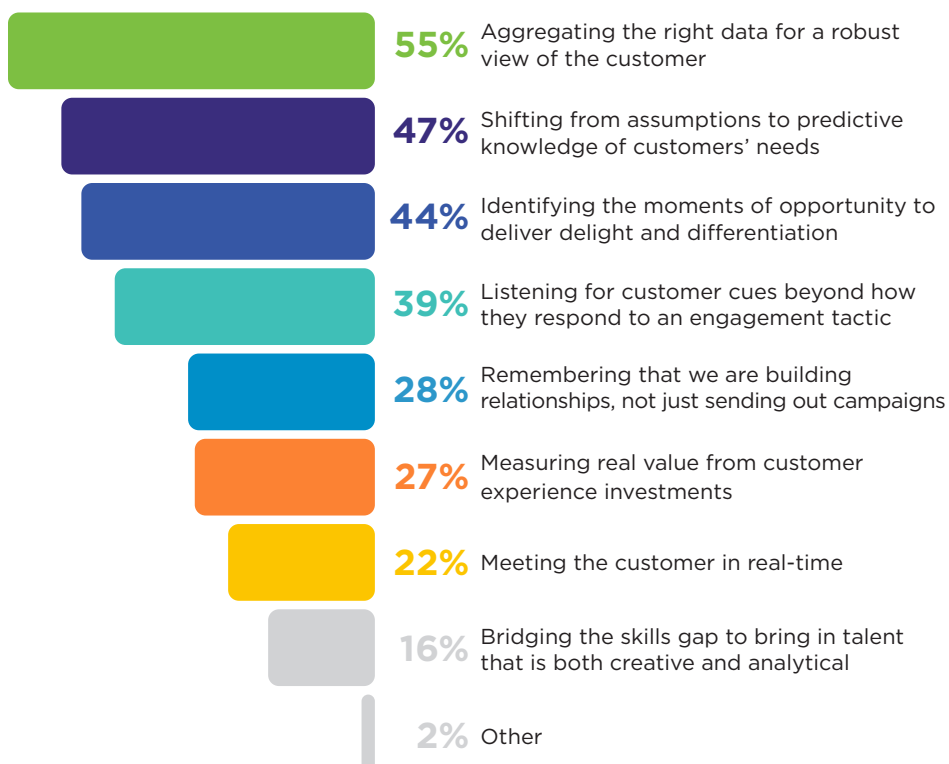
**Q8** In which of the following channels do your customers leave signals or information about their needs and expectations? (Select all that apply)



**Q9** How effective do you find each of these channels in connecting with your customers?

	EXTREMELY EFFECTIVE	VERY EFFECTIVE	MODERATELY EFFECTIVE	SLIGHTLY EFFECTIVE	NOT EFFECTIVE AT ALL
Email	17%	39%	27%	14%	3%
Web forms	3%	23%	41%	26%	7%
Chatbot sessions	2%	18%	31%	22%	27%
Satisfaction surveys	10%	24%	36%	17%	12%
Net Promoter Scores/surveys	12%	28%	29%	16%	16%
Interactions with sales reps	26%	40%	24%	5%	5%
Interactions with service/support	33%	41%	21%	2%	3%
In-store/in-person interactions	29%	35%	13%	4%	19%
Online reviews	9%	25%	30%	23%	13%
User-generated content	6%	27%	33%	21%	13%
Social media channels	11%	36%	25%	16%	11%
Mobile engagement (in-app, SMS, mobile search, etc.)	7%	22%	31%	22%	17%
Mobile device detection (location, behaviors and patterns)	4%	12%	37%	23%	25%
Internet of Things (IoT) connections (beacons, devices, sensors, etc.)	2%	12%	22%	32%	32%

**Q10** What has proven to be the biggest challenge for the organization as it develops lasting customer relationships?



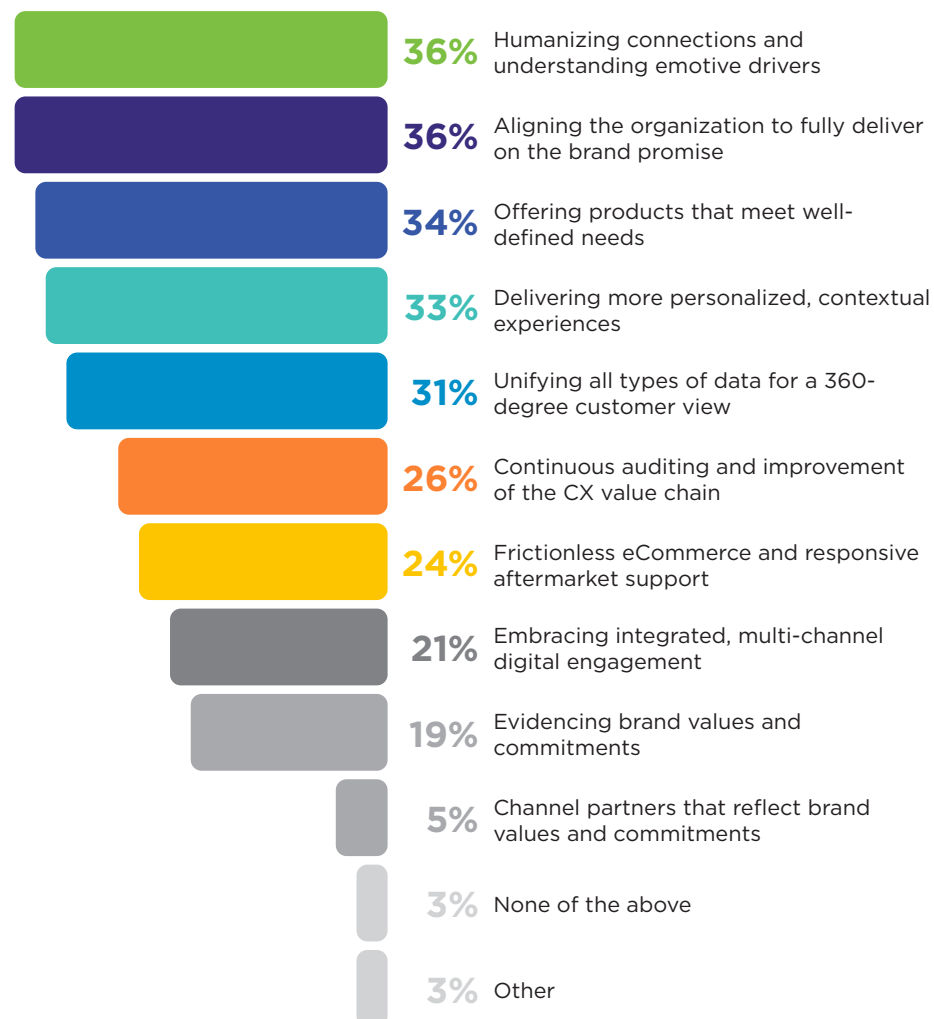
**Q11** What data-driven insights would help you better qualify and maximize the potential value of customers? (Select top five)



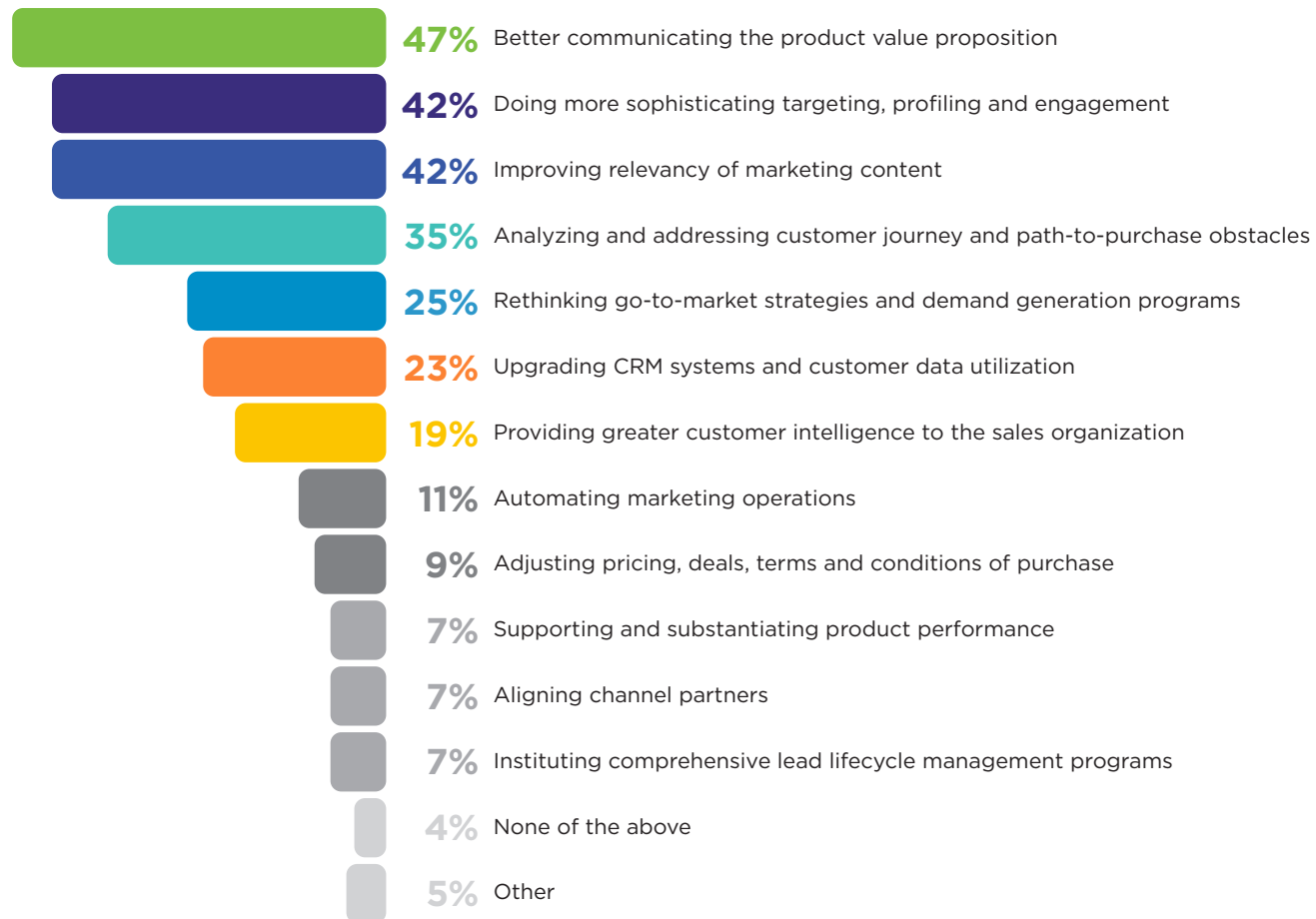
**Q12** What is the most influential factor prompting you to deepen analysis of customer long-term value?



**Q13** What are the three most important requirements today for brands to better create long-term relationships with customers? (Select top three)



**Q14** What are the three most important initiatives you doing to convert customers more effectively? (Please select top three)



**Q15** Looking at the next 12 months, what are your top three priorities to drive long-term customer relationships? (Select top three)



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