



Predicting Life Time Value of Customers – Tuning Marketing Costs

Company and Industry

The client is a growing retailer offering high end nutritional and dietary products. Their sales are mainly through their digital sales channel.

Impact

Armed with our analytics, the client focused on influencing two customer segments: customers who are most likely to start purchasing products and customers with high residual life time value. With a precise understanding of the best channels for reaching the most profitable customers, the company fine-tuned its customer acquisition budget to generate higher ROI.

The client reduced their marketing costs by over 8% while converting another 0.25% of customer base into paying customers.

Problem

200,000 customers signed up for accounts, but less than 5% of these customers purchased the firm's products. The client wanted to influence more of these customers to make purchases and increase the amount that each customer spent. The client also wanted to recognize and reduce the waste in marketing initiatives.

Solution

Using customer profiles and transaction history, Scintel used Prophecy to build various predictive models including Customer Life Time Value (CLTV) and Residual Life Time Value (RLTV).

Prophecy also identified the attributes common in high value customers, including their preferred acquisition channels. Using the predictive models, the client recognized and monetized these high value customers.

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Now we have a better understanding of waste in marketing spend; and a scientific way to locate our most valuable yet inactive customers. The analysis gave us an empirical basis to acquire high value customers during the acquisition phase.

– Chief Marketing Officer