



# 2019 CATALOG & INTEGRATED MARKETING SUMMIT

INTEGRATED: THE SMARTER  
PATH TO PROFITABILITY

PHILADELPHIA, PA | APRIL 24-25 2019

## Understanding Contribution by Media Mix and Lifetime Value

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April 24, 2019

cohereOne

- ▶ To Spend the Right \$ to Acquire Based upon Payback Tolerance
- ▶ To Guide Marketing Spend towards Vehicles with Greatest ROI (individual channels or combined)
- ▶ To Identify Early Indicators of Customer Value to Guide Contact Strategy Based on Potential

***Marketers need to do more with less....***

***LTV helps balance short-term returns with long-term profit potential.***

- LTV is profit per customer at various milestones post acquisition

= Cost to acquire + Subsequent value

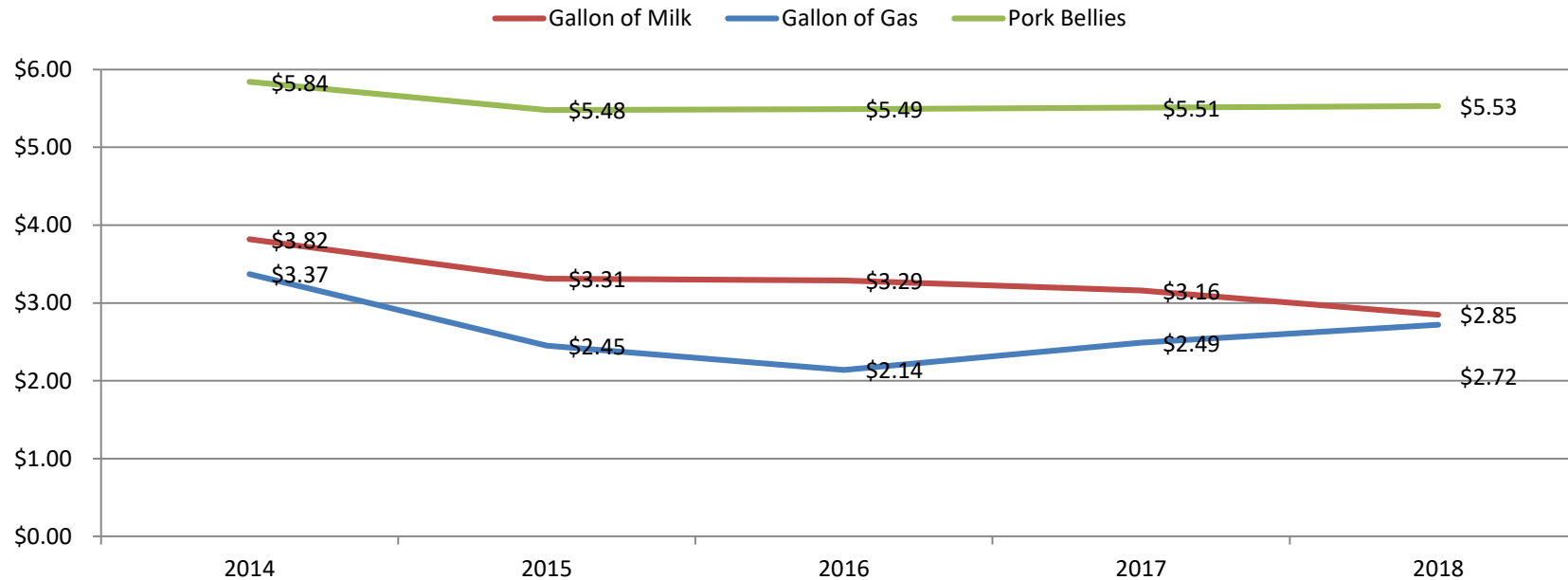
“Each new customer acquired is worth **\$X by the end of Y period of time**”

- Measure
  - In rolling 6 month increments post acquisition
  - Everyone must have an equal chance to rebuy in the measurement period
  - Account for seasonality
  - Compute by Segment (Business vs. Consumer, by Brand, ,etc.)

<b>Months Since Last Purchase</b>	<b>Annual Rebuy Rate</b>
<b>0-12 Months</b>	37.4%
<b>13-24 Months</b>	14.1%
<b>25-36 Months</b>	8.5%
<b>37-48 Months</b>	5.8%
<b>49-60 Months</b>	3.6%
<b>61-72 Months</b>	2.1%
<b>73-84 Months</b>	1.7%
<b>85-96 Months</b>	1.3%
<b>97-108 Months</b>	1.1%
<b>109+ Months</b>	0.7%
<b>Total</b>	<b>38.6%</b>

- Who has a lifetime to wait for payback?
- The end of the customer lifecycle is difficult to measure
- Use actual purchase behavior vs. projecting based upon assumptions and future value of money

## Price Variations in Last 5 Years



- The average cost-of-living increase in last 10 years: 26%
- An item purchased 10 years ago would have cost 26% less than it costs to purchase that same item now.

Avoid projections based upon assumptions to reduce error

- ▶ Transaction level data: (purchase date, dollar, source, channel, brand)
- ▶ Direct mail matchback data: Order ID, Campaign ID, allocated source, date, dollar
- ▶ Email targeted group (date email acquired, promotional status)
- ▶ Online Source/Medium Data (Order ID, Source, Medium, Date)
- ▶ Remarketing information: % with email address, # of times emailed per month, cost per email, # of times new customers mailed in first year, online advertising costs
- ▶ Metrics to compute Contribution
  - ▶ Return Rate
  - ▶ Cancel Rate
  - ▶ Cost of Goods
  - ▶ Initial Mail Cost
  - ▶ Email costs
  - ▶ Fulfillment Cost
  - ▶ List Cost for Prospects, Modeling Costs for Housefile
  - ▶ Other metrics to get to net profit

If you have access to actual data great, otherwise, use formulas to estimate costs

- ▶ Promotional history
- ▶ Return
- ▶ COGs

Search before you buy data

# Determine Attribution Source

Cell #	# of Media	Media Mix
1	1	Catalog/Direct Mail Only
2	1	Email Targetable Only
3	1	CPC Only
4	1	Google "None" Only
5	1	Email Only
6	1	Retargeting Only
7	1	Referral Only
8	1	Affiliate Only
9	1	CSE Only
10	2	Catalog/Direct Mail + CPC
11	2	Catalog/Direct Mail + None
12	2	Catalog/Direct Mail + Email
13	2	Catalog/Direct Mail + Retargeting
14	2	Catalog/Direct Mail + Referral
15	2	Catalog/Direct Mail + Affiliate
16	2	Catalog/Direct Mail + CSE
17	2	Catalog/Direct Mail + Email Targetable
18	2	Email +Email Targetable
19	2	Retargeting + Email Targetable
20	2	Referral + Email Targetable
21	2	Affiliate + Email Targetable
22	2	CSE + Email Targetable

Cell #	# of Media	Media Mix
23	3	Google "None" + Email Targetable
24	3	Catalog/Direct Mail + CPC + Email Targetable
25	3	Catalog/Direct Mail + None + Email Targetable
26	3	Catalog/Direct Mail + Email + Email Targetable
27	3	Catalog/Direct Mail + Retargeting + Email Targetable
28	3	Catalog/Direct Mail + Referral + Email Targetable
29	3	Catalog/Direct Mail + Affiliate + Email Targetable
30	3	Catalog/Direct Mail + CSE + Email Targetable



Cell #	# of Media	Media Mix	New		Existing		Retail		Call Center		Web	
			Orders	\$	#	%	Orders	\$	Orders	\$	Orders	\$
23	3	Google "None" + Email Targetable										
24	3	Catalog/Direct Mail + CPC + Email Targetable										
25	3	Catalog/Direct Mail + None + Email Targetable										
26	3	Catalog/Direct Mail + Email + Email Targetable										
27	3	Catalog/Direct Mail + Retargeting + Email Targetable										
28	3	Catalog/Direct Mail + Referral + Email Targetable										
29	3	Catalog/Direct Mail + Affiliate + Email Targetable										
30	3	Catalog/Direct Mail + CSE + Email Targetable										

Store the attribution code on each purchase for analysis, segmentation and contact strategy

- ▶ Identify all new buyers in a one year time frame
- ▶ Identify first purchase attributes: first purchase dollar, first purchase date, first purchase source and channel
- ▶ Compute subsequent value in rolling 6 month increments from individual acquisition date
- ▶ Combine cost to acquire with subsequent value to obtain near term value in 6 month increments from first purchase up to 5 years.

# Lifetime Value Calculation

New Buyers Acquired in 2018	Catalog/Direct Mail + Pay Per Click	% of New Buyers
New Buyers Acquired	7,052	16%
		Contribution per New Buyer
Initial Contribution upon Acquisition	\$59,746	\$8

Catalog Prospecting Only	% of New Buyers
23,431	54%
	Contribution per New Buyer
-\$56,942	-\$2

## 12 Month NTV

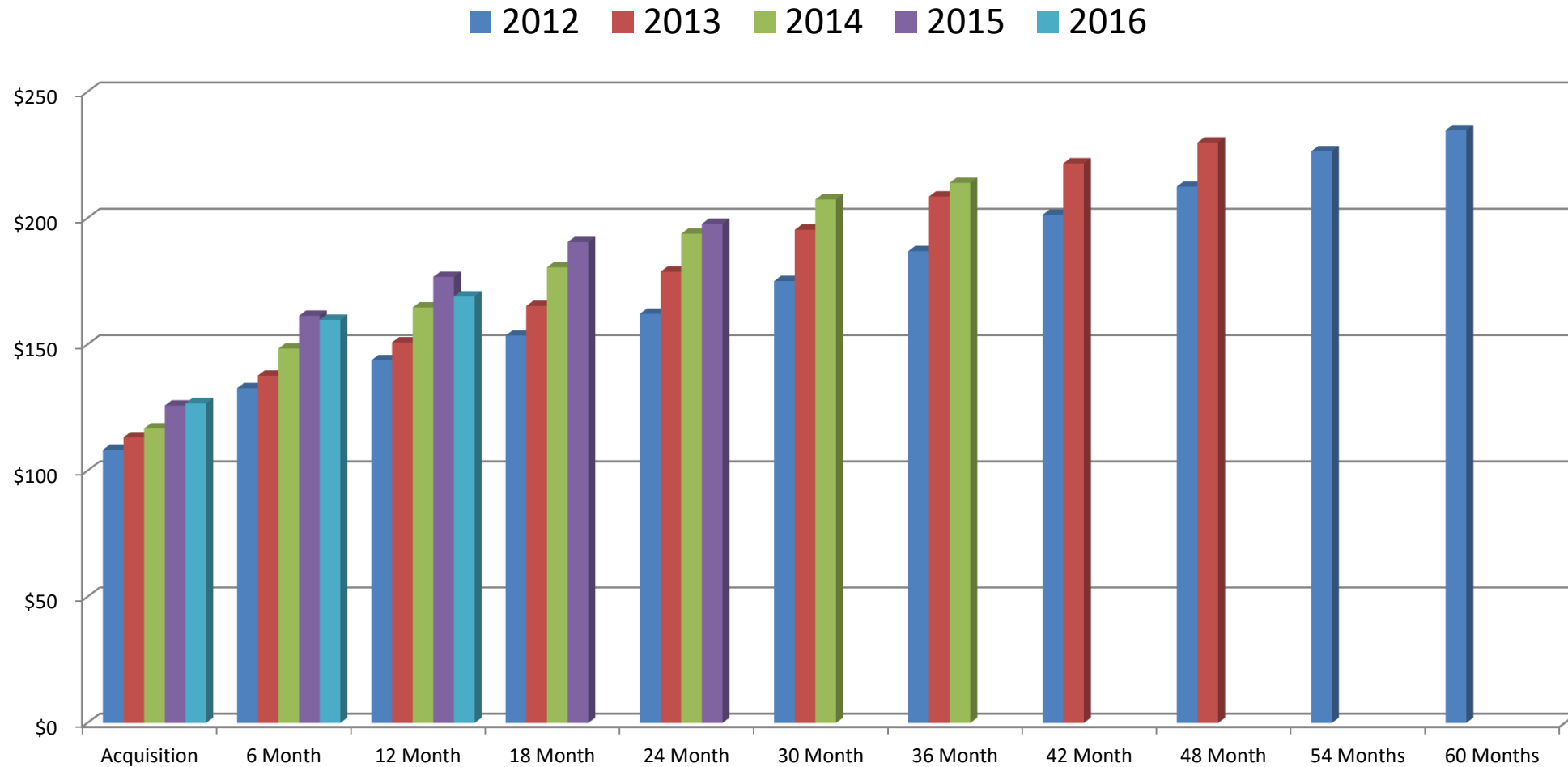
Subsequent Orders	3,314
Order Rate	47%
Average Orders per Repeat Buyer	1.8
Net # of Repeat Buyers	1,875
Net # of Repeat Buyers	27%
Gross Revenue	\$192,238
Returns	\$23,069
Fulfillment Cost \$4 per order	\$13,258
COGs	\$50,751
Net Profit before Promotional Costs	\$105,161
Direct Mail Costs	\$17,489
Email Costs	\$3,385
Online Advertising	\$9,612
Cum Subsequent Profit	\$74,675
Cumulative Profit (includes 1st purchase)	\$134,421
Cum Subsequent Value per New Buyer	\$11
Near Term Value	\$19

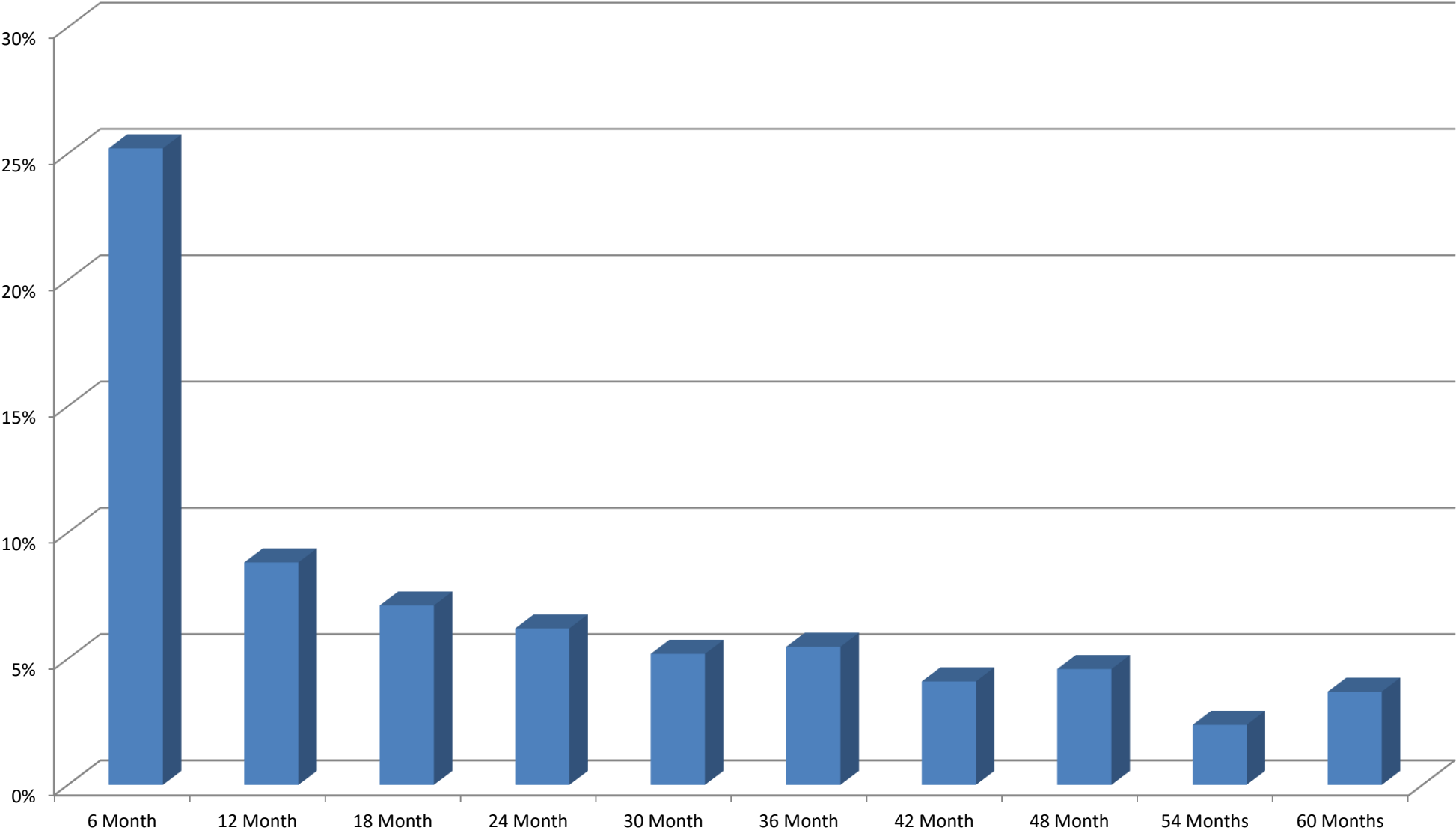
15,230
65%
1.8
8,618
37%
\$883,349
\$106,002
\$60,921
\$233,204
\$483,222
\$58,109
\$11,247
\$44,167
\$369,699
\$312,757
\$16
\$13

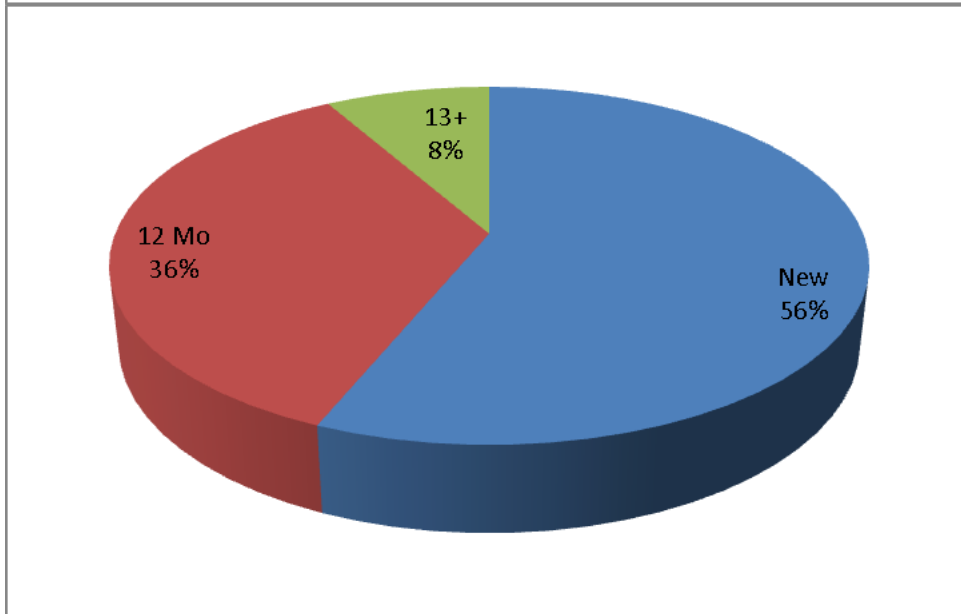
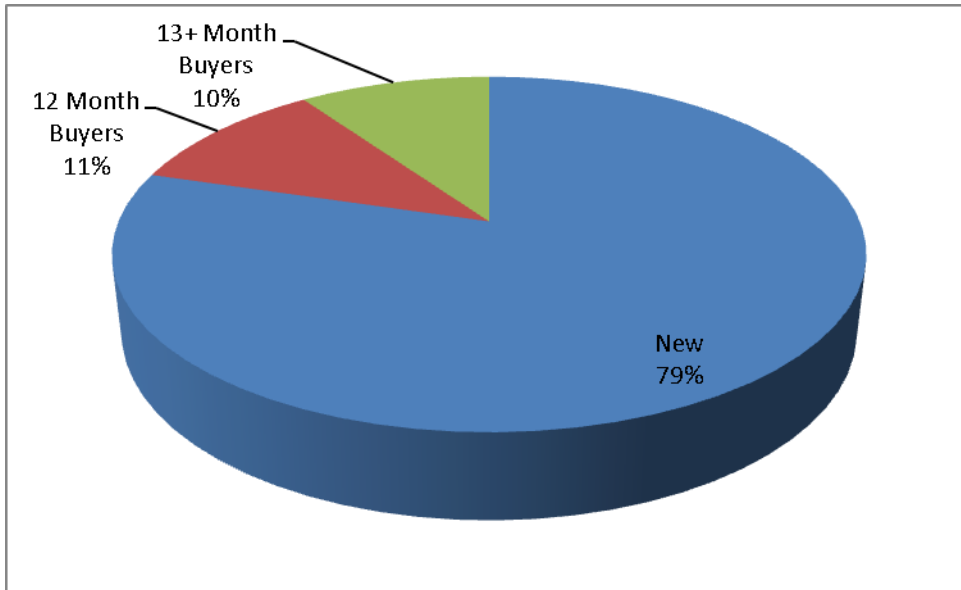
- LTV can be generated by:
  - Original List Source/Attribution Source
  - 1<sup>st</sup> product category
  - 1<sup>st</sup> dollar
  - 1<sup>st</sup> month
  - Demographic or Firmographic attributes
  - Site vs. Contact (B2B)

# Value Tapers off with Time

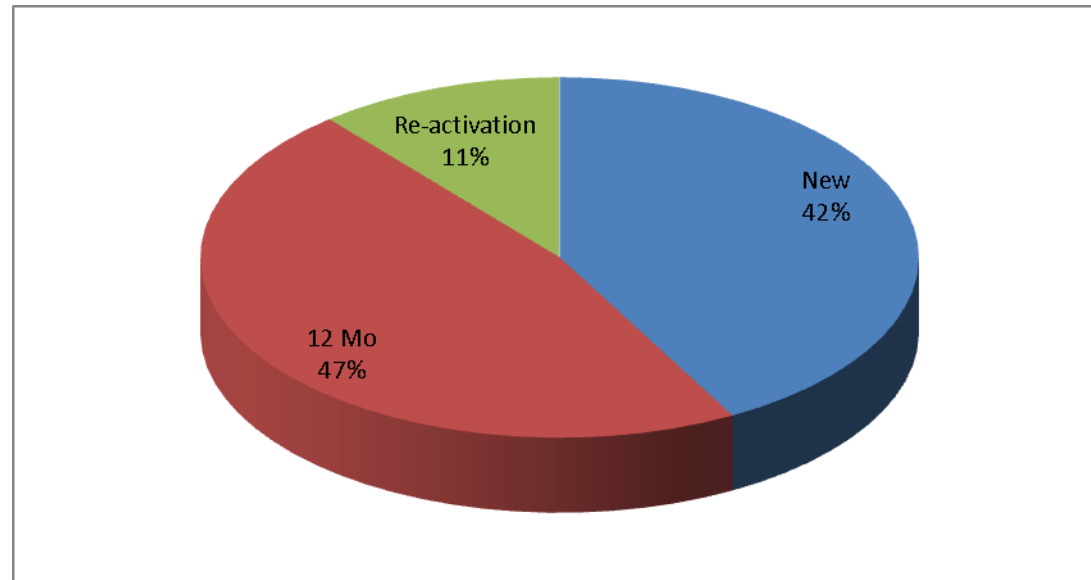
New Buyers	Acquisition	6 Month	12 Month	18 Month	24 Month	30 Month	36 Month	42 Month	48 Month	54 Months	60 Months
2012	\$108	\$133	\$144	\$154	\$162	\$175	\$187	\$201	\$212	\$226	\$235
2013	\$113	\$138	\$151	\$165	\$179	\$195	\$209	\$222	\$230		
2014	\$117	\$148	\$165	\$181	\$194	\$207	\$214				
2015	\$126	\$161	\$177	\$190	\$198						
2016	\$127	\$160	\$169								
Avg	\$118	\$148	\$161	\$172	\$183	\$193	\$203	\$211	\$221	\$226	\$235







LTV is just one piece of the puzzle. You need to understand where your revenue is coming from and plan/react accordingly.

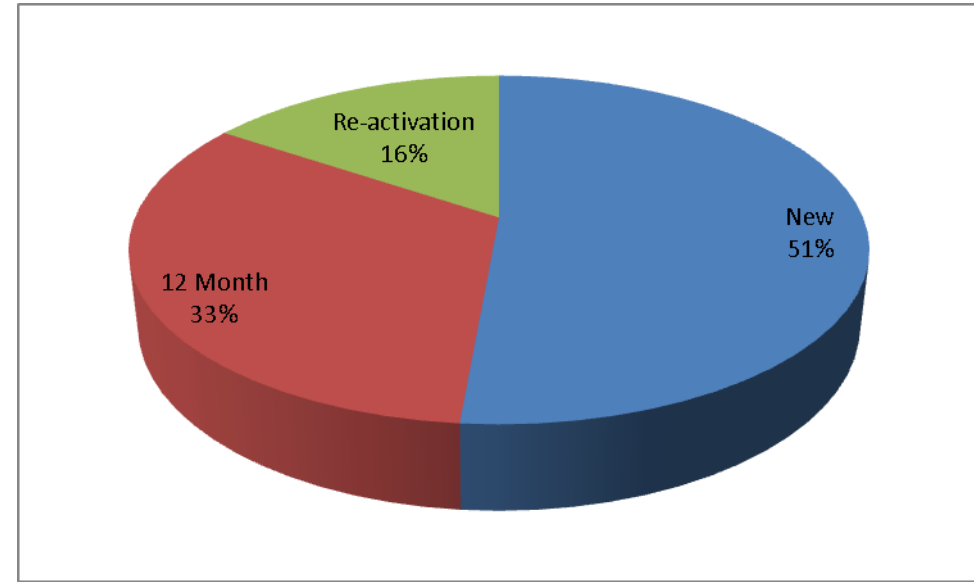


Months Since Last Purchase	Beginning Inventory as of Jan 1 for the year	Rebuy Rate	Orders / Buyer	Gross Demand/Buyer	AOV
New	250,000		1.02	\$501	\$489
0-12 Month	500,000	24.97%	1.24	\$605	\$486
In-active Subtotal	1,372,500	5.02%	1.00	\$521	\$521
13-24 Month	300,000	10.53%	1.01	\$517	\$515
25-36	250,000	6.77%	0.99	\$545	\$551
37-48	240,000	4.41%	1.02	\$535	\$523
49-60	190,000	3.13%	0.97	\$500	\$516
61-72	150,000	2.47%	0.99	\$511	\$517
73-84	130,000	2.11%	0.96	\$430	\$450
85-96	112,000	1.46%	0.98	\$481	\$490
97-108	500	1.55%	0	\$0	\$0
Total	1,872,500	10.35%	1.4	\$552	\$394

Year end provides an annual view of each metric for projection.  
 Monthly provides YTD trends so you can react.



Segment	Starting Count	Expected Rebuy Rate	Projected Buyers in CY	Expected \$ per Buyer	Projected Revenue from Existing Buyers		
12 mo	500,000	25.0%	124,850	\$605	\$75,485,732		
13+	1,372,500	5.02%	68,900	\$521	\$35,864,825		
	1,872,500		193,750		\$111,350,557		
Total \$					\$229,123,989		
New Buyer Revenue					\$117,773,432		
Avg \$ per New					\$501		
New buyers					235,000		
					status quo		
2019 Status Quo					2019 10% Growth	2019 20% Growth	
					\$229,123,989	\$252,036,387	\$274,948,786
					\$117,773,432	\$140,685,830	\$163,598,229
					\$501	\$501	\$501
					235,000	<b>280,718</b>	<b>326,437</b>
						119%	139%



Year end provides an annual view of each metric for projection.  
 Monthly provides YTD trends so you can react.

# Case Studies

## Why NTV/LTV is Critical

## Single contact value

- Catalog by far the highest, with email strong as well
- CSE and Retargeting have the lowest value

Media Mix	Acquisition	12 Month Demand	12 Month Net Cont
Catalog Only	\$80	\$207	\$207
Email Only	\$97	\$152	\$152
CPC Only	\$68	\$100	\$100
Website Direct Load Only	\$78	\$113	\$113
Email Click to Buy Only	\$95	\$135	\$135
Retargeting Only	\$59	\$92	\$92
Affiliate Only	\$79	\$108	\$108
CSE Only	\$69	\$86	\$86
Organic Only	\$72	\$105	\$105
Other Only	\$62	\$80	\$80

## Multiple contact value

- Catalog in combinations with CSE or Email is the strongest combo
- Catalog in combination with Affiliate or Retargeted the weakest combo

Media Mix	Acquisition	12 Month	12 Month Net Cont
Catalog + CPC	\$67	\$95	\$95
Catalog + Website Direct Load	\$62	\$92	\$92
Catalog + Email Click to Buy	\$71	\$95	\$95
Catalog + Retargeting	\$54	\$79	\$79
Catalog + Affiliate	\$60	\$81	\$81
Catalog + CSE	\$93	\$164	\$164
Catalog + Organic	\$64	\$92	\$92
Catalog + Other	\$98	\$122	\$122
Catalog + Email	\$96	\$155	\$155
PPC + Email	\$79	\$119	\$119
Email Click to Buy + Email	\$89	\$143	\$143
Retargeting + Email	\$68	\$114	\$114
Affiliate + Email	\$85	\$117	\$117
CSE + Email	\$75	\$115	\$115
Website Direct Load + Email	\$88	\$139	\$139
Organic + Email	\$80	\$123	\$123
Other + Email	\$76	\$103	\$103

Media Mix	Acquisition	12 Month	12 Month Net Cont
Catalog + CPC + Email	\$76	\$110	\$110
Catalog + Website Direct Load + Email	\$65	\$88	\$88
Catalog + Email Click to Buy + Email	\$54	\$84	\$84
Catalog + Retargeting + Email	\$63	\$90	\$90
Catalog + Affiliate + Email	\$104	\$131	\$131
Catalog + CSE + Email	\$104	\$131	\$131
Catalog + Organic + Email	\$73	\$115	\$115
Catalog + Other + Email	\$109	\$141	\$141

- Catalog in combinations with Email and CSE or Affiliate is the strongest combo

## Total customer value calculated by source

- Initial contribution may look poor, but future value will change the dynamics
- Use total value to determine where to invest marketing expenditures

Acquisition Source	12M Demand	Margin	Acquisition Cost/Cont	Marketing Cost	12 Month Value
Catalog	\$97	\$49	(\$12)	\$7.60	\$29.10 ←
Email	\$46	\$23	\$1	\$7.60	\$16.47
Affiliate	\$33	\$17	(\$4)	\$7.60	\$4.90
Direct Load	\$42	\$21	\$0	\$7.60	\$13.55
Social	\$43	\$22	\$5	\$7.60	\$18.90 ←
Unknown Web	\$44	\$22	\$0	\$7.60	\$14.40
SEM Non Brand	\$27	\$14	\$14	\$7.60	\$20.10 ←
SEM Brand	\$53	\$26	\$16	\$7.60	\$34.84
SEO Non Brand	\$40	\$20	\$10	\$7.60	\$22.27
SEO Brand	\$47	\$23	\$13	\$7.60	\$28.66
Offline	\$135	\$68	\$0	\$7.60	\$59.90

## If mix of acquisition is changed the value of your active file changes

- Same number of customers acquired annually
- Value of initial demand declines
- Value of 12 month value declines
- Double Whammy!



**January 2016 - December 2016**

Allocated Promo	12M 1st Time Custs	1st Order Demand	Subsequent 12M Orders	Subsequent 12M Demand	Orders/New Customer	Demand/New Customer
Catalog	8,052	\$980,932	6,870	\$736,306	0.85	\$91
Direct Load	3,172	\$320,984	1,732	\$148,074	0.55	\$47
Affiliate	840	\$70,194	363	\$27,788	0.43	\$33
Email	5,919	\$509,909	3,606	\$271,311	0.61	\$46
SEO Non Brand	5,062	\$464,011	2,499	\$222,122	0.49	\$44
SEM Non Brand	7,665	\$630,009	2,976	\$234,823	0.39	\$31
SEO Brand	358	\$38,547	235	\$20,401	0.66	\$57
SEM Brand	5,714	\$597,809	3,269	\$300,042	0.57	\$53
Web Unk	2,751	\$259,327	1,703	\$141,772	0.62	\$52
Misc	1,476	\$139,787	1,275	\$200,115	0.86	\$136
<b>Grand Total</b>	<b>41,009</b>	<b>\$4,011,508</b>	<b>24,528</b>	<b>\$2,302,754</b>	<b>0.60</b>	<b>\$56</b>

**January 2017 - December 2017**

Allocated Promo	12M 1st Time Custs	1st Order Demand	Subsequent 12M Orders	Subsequent 12M Demand	Orders/New Customer	Demand/New Customer
Catalog	4,831	\$588,559	4,122	\$441,783	0.85	\$91
Direct Load	3,172	\$320,984	1,732	\$148,074	0.55	\$47
Affiliate	966	\$80,723	417	\$31,956	0.43	\$33
Email	7,103	\$611,890	4,327	\$325,573	0.61	\$46
SEO Non Brand	5,568	\$510,412	2,749	\$244,334	0.49	\$44
SEM Non Brand	9,045	\$743,411	3,512	\$277,091	0.39	\$31
SEO Brand	358	\$38,547	235	\$20,401	0.66	\$57
SEM Brand	5,714	\$597,809	3,269	\$300,042	0.57	\$53
Web Unk	2,751	\$259,327	1,703	\$141,772	0.62	\$52
Misc	1,476	\$139,787	1,275	\$200,115	0.86	\$136
<b>Grand Total</b>	<b>41,009</b>	<b>\$3,891,449</b>	<b>23,341</b>	<b>\$2,131,142</b>	<b>0.57</b>	<b>\$52</b>



## If mix of acquisition is changed the value of your active file changes

- Next year value of customer file automatically reduced
- Following January will experience an 8% reduction in customer performance all things equal
- If mailing a catalog, active buyer \$/B would be down when comparing YOY because of change in value of customer

	Customers	Jan	Apr	Jul	Oct	Jan
Catalog	8,052	\$196,057	\$196,057	\$196,057	\$196,057	\$196,057
Direct Load	3,172	\$36,584	\$36,584	\$36,584	\$36,584	\$36,584
Affiliate	840	\$6,930	\$6,930	\$6,930	\$6,930	\$6,930
Email	5,919	\$62,603	\$62,603	\$62,603	\$62,603	\$62,603
SEO Non Brand	5,062	\$54,417	\$54,417	\$54,417	\$54,417	\$54,417
SEM Non Brand	7,665	\$84,315	\$84,315	\$84,315	\$84,315	\$84,315
SEO Brand	358	\$2,452	\$2,452	\$2,452	\$2,452	\$2,452
SEM Brand	5,714	\$75,548	\$75,548	\$75,548	\$75,548	\$75,548
Web Unk	2,751	\$27,332	\$27,332	\$27,332	\$27,332	\$27,332
Misc	1,476	\$17,170	\$17,170	\$17,170	\$17,170	\$17,170
		\$563,406	\$563,406	\$563,406	\$563,406	\$563,406

	Customers	Jan	Apr	Jul	Oct	Jan
Catalog	4,831	\$117,629	\$117,629	\$117,629	\$117,629	\$117,629
Direct Load	3,172	\$36,584	\$36,584	\$36,584	\$36,584	\$36,584
Affiliate	966	\$7,970	\$7,970	\$7,970	\$7,970	\$7,970
Email	7,103	\$75,125	\$75,125	\$75,125	\$75,125	\$75,125
SEO Non Brand	5,568	\$59,856	\$59,856	\$59,856	\$59,856	\$59,856
SEM Non Brand	9,045	\$99,495	\$99,495	\$99,495	\$99,495	\$99,495
SEO Brand	358	\$2,452	\$2,452	\$2,452	\$2,452	\$2,452
SEM Brand	5,714	\$75,548	\$75,548	\$75,548	\$75,548	\$75,548
Web Unk	2,751	\$27,332	\$27,332	\$27,332	\$27,332	\$27,332
Misc	1,476	\$17,170	\$17,170	\$17,170	\$17,170	\$17,170
		\$519,160	\$519,160	\$519,160	\$519,160	\$519,160



Sales for illustrative purposes

## Identify changes in value over time

➤ Customer value can change based upon underlying business performance

➤ Initial acquisition and demand exceeded prior year, but LTV declined across the board

➤ Transitioned acquisition from catalog to search and affiliate (higher value to lower value)

➤ Double whammy when overall business performance declined

**January 2015 - December 2015**

Allocated Promo	12M 1st Time Custs	1st Order Demand	1st Order AOV	Subsequent 12 Mo Orders	Subsequent 12 Mo Demand	Orders/New Customer	Demand/New Customer
Catalog	8,052	\$980,932	\$122	6,870	\$736,306	0.85	\$91
Direct Load	3,172	\$320,984	\$101	1,732	\$148,074	0.55	\$47
Affiliate	840	\$70,194	\$84	363	\$27,788	0.43	\$33
Email	5,919	\$509,909	\$86	3,606	\$271,311	0.61	\$46
SEO Non Brand	5,062	\$464,011	\$92	2,499	\$222,122	0.49	\$44
SEM Non Brand	7,665	\$630,009	\$82	2,976	\$234,823	0.39	\$31
SEO Brand	358	\$38,547	\$108	235	\$20,401	0.66	\$57
SEM Brand	5,714	\$597,809	\$105	3,269	\$300,042	0.57	\$53
Web Unk	2,751	\$259,327	\$94	1,703	\$141,772	0.62	\$52
Offline	1,476	\$139,787	\$95	1,275	\$200,115	0.86	\$136
<b>Grand Total</b>	<b>41,009</b>	<b>\$4,011,508</b>	<b>\$98</b>	<b>24,528</b>	<b>\$2,302,754</b>	<b>0.60</b>	<b>\$56</b>

**January 2016 - December 2016**

Allocated Promo	12M 1st Time Custs	1st Order Demand	1st Order AOV	Subsequent 12 Mo Orders	Subsequent 12 Mo Demand	Orders/New Customer	Demand/New Customer
Catalog	6,170	\$774,127	\$125	3,871	\$424,963	0.63	\$69
Direct Load	3,018	\$264,135	\$88	1,386	\$117,539	0.46	\$39
Affiliate	2,633	\$262,074	\$100	988	\$84,203	0.38	\$32
Email	5,425	\$435,262	\$80	2,722	\$201,800	0.50	\$37
SEO Non Brand	4,753	\$416,089	\$88	1,918	\$146,798	0.40	\$31
SEM Non Brand	12,671	\$999,953	\$79	4,289	\$318,725	0.34	\$25
SEO Brand	130	\$13,378	\$103	94	\$7,887	0.72	\$61
SEM Brand	4,809	\$454,435	\$94	2,413	\$201,187	0.50	\$42
Web Unk	1,160	\$111,515	\$96	597	\$60,595	0.51	\$52
Offline	4,537	\$555,210	\$122	2,733	\$467,219	0.60	\$103
<b>Grand Total</b>	<b>45,306</b>	<b>\$4,286,177</b>	<b>\$95</b>	<b>21,011</b>	<b>\$2,030,916</b>	<b>0.46</b>	<b>\$45</b>



## Important considerations in the budgeting process

- If significant changes in marketing expenditures by promotion source are taking place, know the short term and long term ramifications
- If transitioning expenditure from a higher value source to a lower value source, understand the need for increased performance
  - i.e \$100 in Catalog expenditure = \$350 SEM Non Brand expenditure to “break even”
- Adjust performance expectations based upon prior year acquisition mix
  - i.e. Catalog \$/B decrease of 8% on active buyers as covered in prior slide



Current company goals would determine what level to evaluate LTV

★ Growth = 24 or 36 month investment to acquisition

Profit = 12 month investment to acquisition

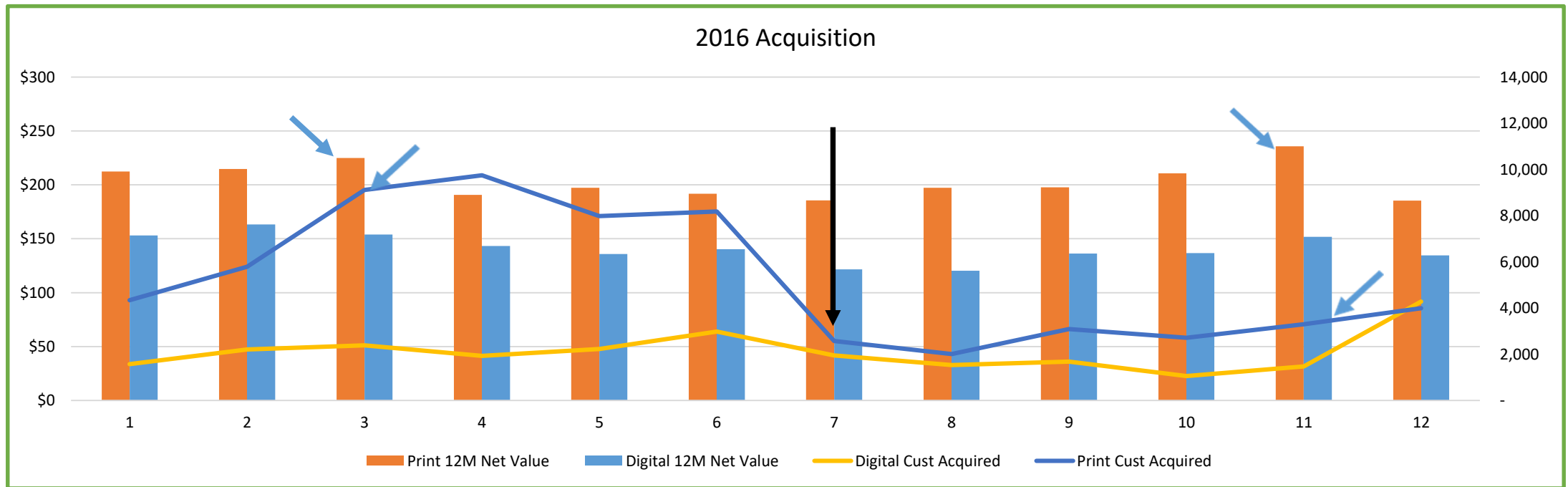
	Demand					Net Contribution				
	12M	24M	36M	48M	60M	12M	24M	36M	48M	60M
Holiday Catalog	\$268	\$483	\$656	\$813	\$956	\$93	\$168	\$228	\$282	\$330
Holiday Non Catalog	\$169	\$233	\$316	\$392	\$461	\$40	\$73	\$99	\$122	\$142
<b>Total</b>	<b>\$156</b>	<b>\$281</b>	<b>\$381</b>	<b>\$473</b>	<b>\$556</b>	<b>\$50</b>	<b>\$92</b>	<b>\$124</b>	<b>\$152</b>	<b>\$178</b>

Net Contribution - Incremental				
\$93	\$75	\$60	\$54	\$48
\$40	\$33	\$26	\$23	\$20
<b>\$50</b>	<b>\$42</b>	<b>\$32</b>	<b>\$28</b>	<b>\$26</b>

## Value will vary by seasonality and depth of marketing

- Expand acquisition efforts where value is high
- Understand ramifications of changes in marketing



# Thank You!

**2019 CATALOG &  
INTEGRATED  
MARKETING SUMMIT**



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