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# Measuring Marketing Success

***What is the most important indicator of marketing success? How do you measure and track it? Here's one approach…***

by Brian Woolf (August 20, 2013)

The most important indicator of a retailer or service provider's success is its number of returning customers. The size of this number is the result of the clarity and execution of each business' customer-centric mindset. Easy to say; hard to do; and important to measure.

**Two Companies**

The two greatest customer-centric businesses I have personally experienced are Superquinn and Seabourn. Feargal Quinn led his Dublin-based supermarket chain for 40-plus years with an unforgettable mantra: Do what's required to get the customer back. This Boomerang Principle, as he called it, was learned from his father while working in his summer holiday camp; make holidaymakers enjoy their experience so much they'll return the following year. His father's measurement metric? Easy¬—the number of repeat bookings. The Boomerang Principle was the customer-centric philosophy that made Superquinn world-renowned for customer service and its total shopping experience. The company's customer metric was its number of returning customers; data that came from, not surprisingly, its ground-breaking loyalty program.

Seabourn competes in the highly competitive cruise-line industry. It also focuses on repeat bookings and, from my perspective, what they do to achieve this crucial goal is superior to any other cruise line my wife and I have ever sailed on. For example, after three days at sea, each crew member who interacts with passengers is tested, using photos, to ensure he or she knows the names of at least 70% passengers; and, after a week, they are tested further to ensure they know the idiosyncrasies of at least 70% passengers, eg, Mrs Brown prefers probiotic yogurt for breakfast. To practice recognizing our faces, crew members smile and greet us by name whenever and wherever they see us which, in turn, makes for a very pleasant friendly shipboard experience. Result, sailing Seabourn is now our first choice whenever considering a cruise not just because the crew know our names but because of its wide-ranging, customer-centric culture. We are happy to be counted among its many returning passengers.

**How to Measure Returning Customers**

In the Table below (see the end of this article), you will see that, each quarter, customers are placed in one of three categories: Regulars, Newbies, or Reactivated (rows 3-5). Regulars are customers who have shopped at least once this quarter and at least once in the previous quarter, ie, they are active customers in (at least) the two most recent consecutive quarters; Newbies are customers who joined our program this quarter; and Reactivated (or "Occasionals") are those who shopped with us last sometime before the previous quarter (ie, 2+ quarters ago) but have appeared and are active again this quarter. Customers are classified in this way because they have different probabilities of returning next Quarter: Regulars have the highest probability, while Newbies and Reactivated have much lower probabilities. Our focus, therefore, is to monitor the return rate of likely customers, our Regulars. [Note: purists will, rightly, choose to define Regulars as customers who shop in this quarter and the two preceding quarters, thereby excluding Newbies and Reactivated customers who are one or two-quarter-only shoppers. However, to keep this illustrative example simple, we did not show this option in our Table.]

**Customer Activity Cycles**
Each type of business has a regular customer activity cycle (ie, a period in which you would expect a customer to shop at least once). For example, food retailers have found that period to be about a quarter (12-13 weeks); if a customer has not shopped with you at least once in that period she has transferred her business elsewhere. In the case of a Home Improvement Chain, like Home Depot, the activity cycle may be 4 quarters (12 months), and in the case of a wide-ranging retail coalition like, say, shopkick, it might be as low as 1-2 months, although they may begin with a quarter until they have gained a clear understanding of their customer behavior.

**Primary Success Indicator**
The reason why the number of Returning Customers should be our primary success indicator is obvious: if this number is strong and growing, our key marketing components (Selection, Quality, Price, Service, and Experience) are resonating with our customers, directly and indirectly helping them choose to return. It's a customer vote of confidence in our team. Our customers are telling us: keep doing what you're doing! But there are internal economic reasons as well. The more customers' return, the less we have to spend on luring them back with advertisements. And, more importantly, the more often they return the more (on average) they spend on each visit (as I have found in my global research over two decades), and the less likely they are of defecting (which, in turn, means we need to replace fewer customers). Therefore, everything favors focusing on the Regular (ie, Returning) Customer.

**Regular Customers**
The first three rows on the Member Performance Report (MRM) show how many customers were active in the preceding quarter and were active again this quarter; the difference is, of course, Defections, ie, customers who did not return. To measure our success (or otherwise!), the number of Returning Members is measured in two ways: as a percentage increase or decrease in This Quarter versus the Previous Quarter (see row 7) and between This Quarter (this year) and the This Quarter (last year) (see row 9). The second measurement caters for seasonality changes. Showing the results of the most recent 8 quarters enables us to see over recent quarters whether we are progressively getting better or worse than last year. [In the example, the company is holding its own and picks up in the latest quarter.] Likewise, we can see (in rows 12-15) whether our Newbies and Reactivated Members are improving or falling back by comparing their numbers to Returning Members. [In the example they are either stable or improving.]

**Program to Date**
At the beginning of each quarter, in row 16, we see the number of members who have become active members since the very start of the loyalty program and before the beginning of the quarter. [Note: if desired, this can be recalibrated every 5 or 10 years.] Added to those numbers are the customers who joined us each quarter (row 17). This bottom area is sometimes called our

"humility" section for, when compared to the current numbers of active members, we are reminded of all those who have joined us over time and haven't stayed on as customers. It prompts the questions: Were we just not the right fit? If not, how did we disappoint them?

## Closing Comment

*The road to success is paved with good information* is an expression I was taught many years ago. I think you may agree with me that improving the retention of our Regular Customers is one of the most significant contributions we, as marketers, can make to our organizations. If so, and you don't currently have good information about your Returning Customers, you may find the above to be a helpful table to adopt or adapt.

| | **Member Performance Report (MPR)** | LY | LY | LY | LY | TY | TY | TY | TY |
|---|---|---|---|---|---|---|---|---|---|
| | Rolling 8-Qtr Results | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| 1 | Members Active in Previous Qtr (PQ) | 925,000 | 880,000 | 898,000 | 923,000 | 944,000 | 969,000 | 997,000 | 1,035,000 |
| 2 | Defections (Not Returning from PQ) | (225,000) | (169,000) | (166,000) | (178,000) | (184,000) | (192,000) | (196,000) | (209,000) |
| 3 | **Returning Active Members (in PQ)** | 700,000 | 711,000 | 732,000 | 745,000 | 760,000 | 777,000 | 801,000 | 826,000 |
| 4 | New (Joined This Qtr) | 100,000 | 104,000 | 105,000 | 108,000 | 114,000 | 120,000 | 128,000 | 144,000 |
| 5 | Reactivated (Last Active 2+ Qtrs ago) | 80,000 | 83,000 | 86,000 | 91,000 | 95,000 | 100,000 | 106,000 | 111,000 |
| 6 | **Total Active Members TQ** | 880,000 | 898,000 | 923,000 | 944,000 | 969,000 | 997,000 | 1,035,000 | 1,081,000 |
| 7 | Returning Members B(W) % TQ>PQ | | 1.6% | 3.0% | 1.8% | 2.0% | 2.2% | 3.1% | 3.1% |
| 8 | Tot Active Members B(W) % TQ>PQ | | 2.0% | 2.8% | 2.3% | 2.6% | 2.9% | 3.8% | 4.4% |
| 9 | Returning Members YTY B(W) % | | | | | 9% | 9% | 9% | 11% |
| 10 | Tot Active Members YTY B(W) % | | | | | 10% | 11% | 12% | 15% |
| 11 | Defection Rate (Def/Active Mem in PQ) | (24%) | (19%) | (18%) | (19%) | (19%) | (20%) | (20%) | (20%) |
| 12 | New/Returning Members % | 14% | 15% | 14% | 14% | 15% | 15% | 16% | 17% |
| 13 | Reactivated/Returning Members % | 11% | 12% | 12% | 12% | 13% | 13% | 13% | 13% |
| 14 | New Members YTY B(W) % | | | | | 14% | 15% | 22% | 33% |
| 15 | Reactivated Members YTY B(W) % | | | | | 19% | 20% | 23% | 22% |
| | **Member Details Since Launch** | | | | | | | | |
| 16 | Members Since Launch, at BOQ | 4,077,000 | 4,177,000 | 4,281,000 | 4,386,000 | 4,494,000 | 4,608,000 | 4,728,000 | 4,856,000 |
| 17 | New Members Joining TQ | 100,000 | 104,000 | 105,000 | 108,000 | 114,000 | 120,000 | 128,000 | 144,000 |
| 18 | Members Since Launch, at EOQ | 4,177,000 | 4,281,000 | 4,386,000 | 4,494,000 | 4,608,000 | 4,728,000 | 4,856,000 | 5,000,000 |

# About the author...

Brian Woolf is a global leader in loyalty marketing and has written three definitive works on the subject, Measured Marketing: A Tool to Shape Food Store Strategy, Customer Specific Marketing, and Loyalty Marketing: The Second Act. He devotes his time to helping retailers develop, critique and strengthen their loyalty programs.

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