



THE ONE-AND-DONE BUYER PROBLEM

UNLOCKING RETAIL'S
SECOND PURCHASE OPPORTUNITY

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THE SECOND PURCHASE OPPORTUNITY

So you've got a one-time buyer problem.

It's a problem that plagues nearly every retailer — but maybe it's not such a problem after all. Maybe it's an opportunity in disguise.

Think about it: One-time buyers have already bought from you. It's not as if you have a non-buyer problem. You engaged those shoppers and drove them to make a purchase once, and the first time is the hardest time. Every time after that should get increasingly easier and less expensive — if you take the right approach.

So what is the right approach to driving second purchases and beyond? And what's the opportunity in driving more second purchases?

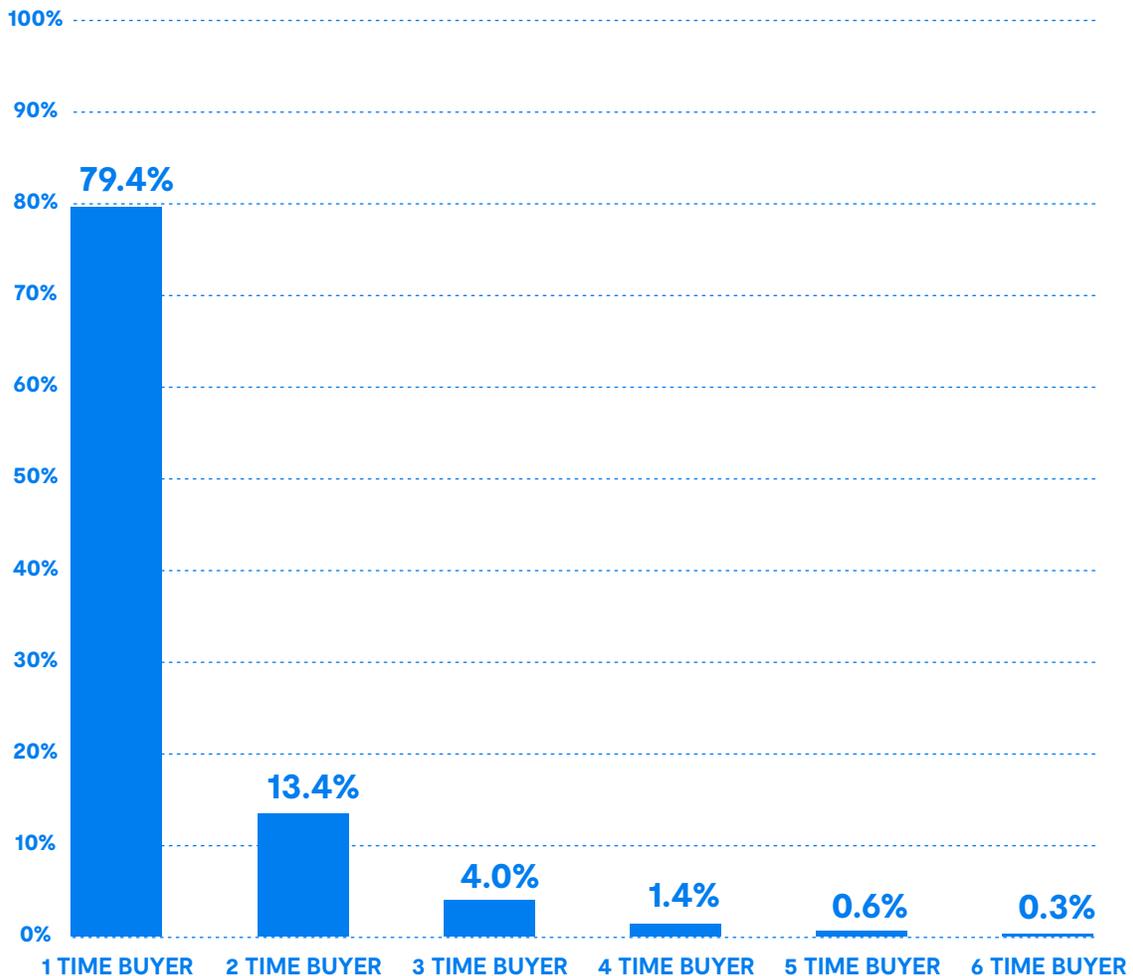
YOU'VE COME TO THE RIGHT PLACE.

WHY THE SECOND PURCHASE IS THE MOST IMPORTANT PURCHASE

The second purchase has taken on almost mythical qualities over the past few years because of both the difficulty many retailers face in attaining it and the potential it holds for those retailers who can make it happen.

Consider apparel retailers, for whom nearly 80% of customers are one-time buyers.

CUSTOMER DISTRIBUTION AMONG APPAREL RETAILERS



Now that's a problem...

That means these retailers are forced to prioritize expensive customer acquisition strategies instead of investing in customer loyalty to maintain the status quo. But loyal customers are far more valuable because they spend more and are less expensive for marketers to convert. As a result, allowing the overwhelming majority of customers to sit in the one-time buyer bucket is a risk many retailers can't afford to take.

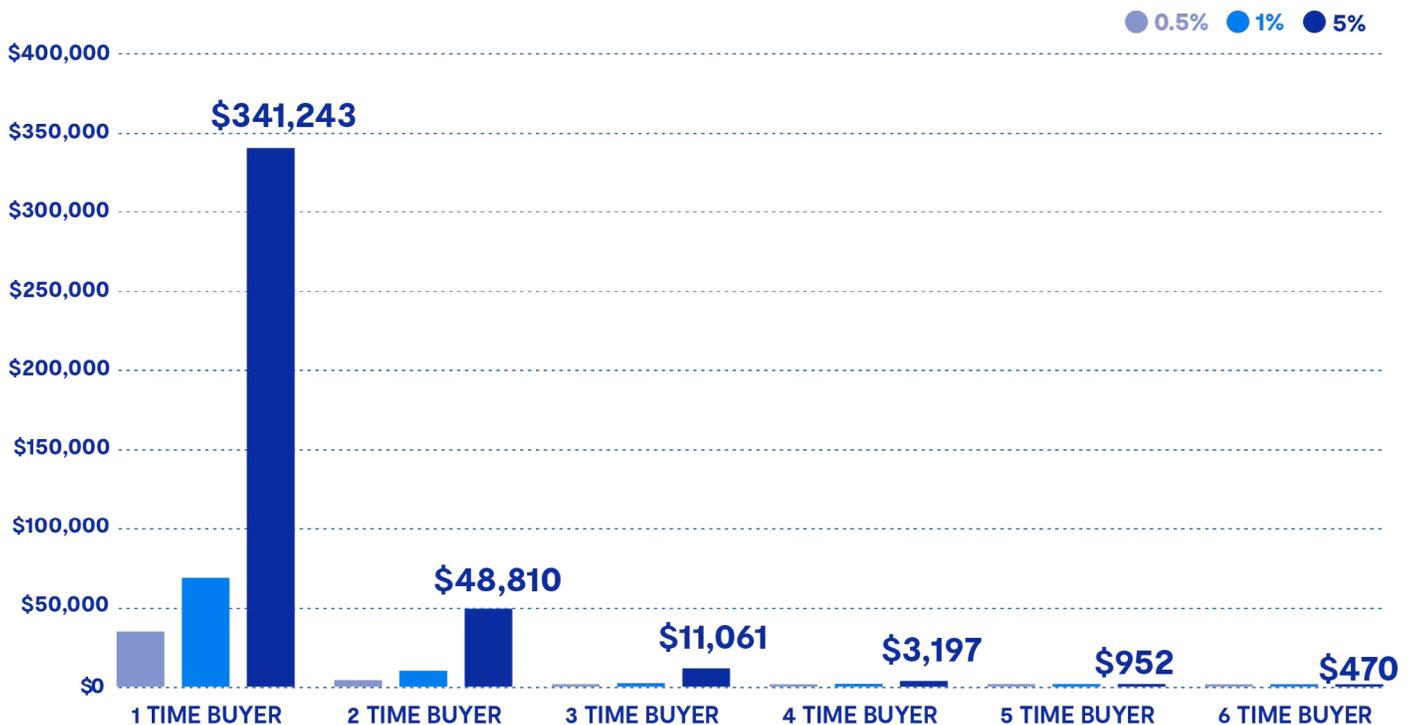
...But it's also an enormous opportunity.

Converting those customers into two-time buyers presents significant revenue potential. In fact, the second purchase is arguably the most critical purchase, because driving a second purchase from one-time buyers is essential to unlocking future repeat purchases and increasing customer lifetime value.

Let's dive into this by looking at two years worth of data from 16 apparel retailers. For any 100,000 buyers, we can expect nearly 80,000 to have made only one purchase in a year. Converting even 5% of those 80,000 one-time buyers into two-time buyers would immediately generate an additional \$340,000 in revenue based on an average order value of \$100.

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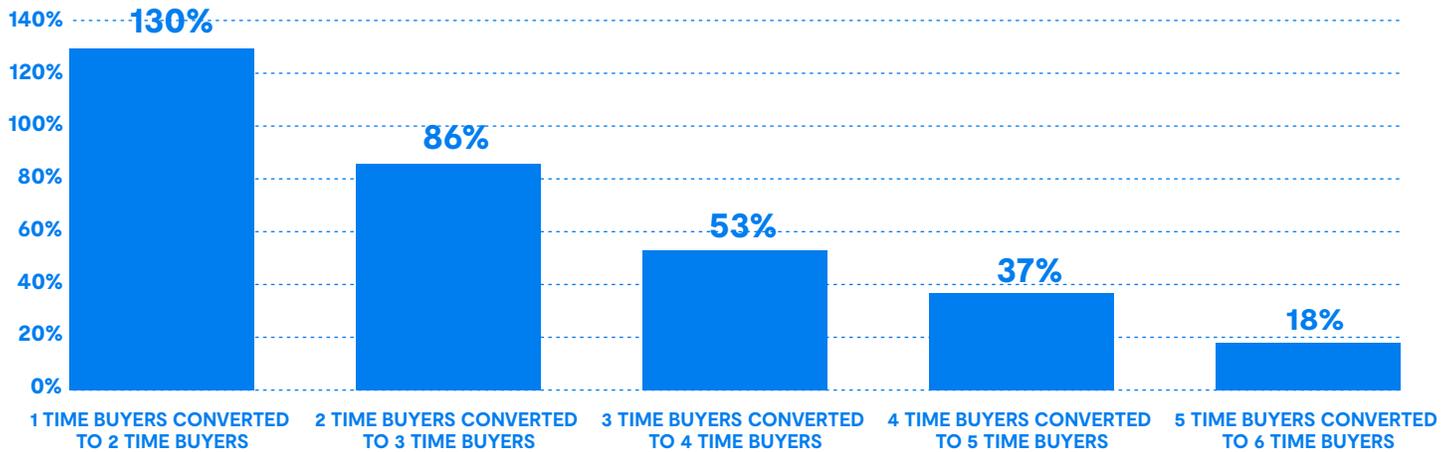
REVENUE GAINS FROM DRIVING ONE MORE PURCHASE FROM APPAREL CUSTOMERS



And the revenue opportunity doesn't stop there. Beyond the immediate impact of that second purchase, repeat customers become increasingly valuable over their lifetime. For example, two-time buyers are 130% more valuable than one-time buyers.

While customers' lifetime value continues to grow as they make more purchases (e.g. three-time buyers are 86% more valuable than two-time buyers), the biggest jump in value occurs between the first and second purchase.

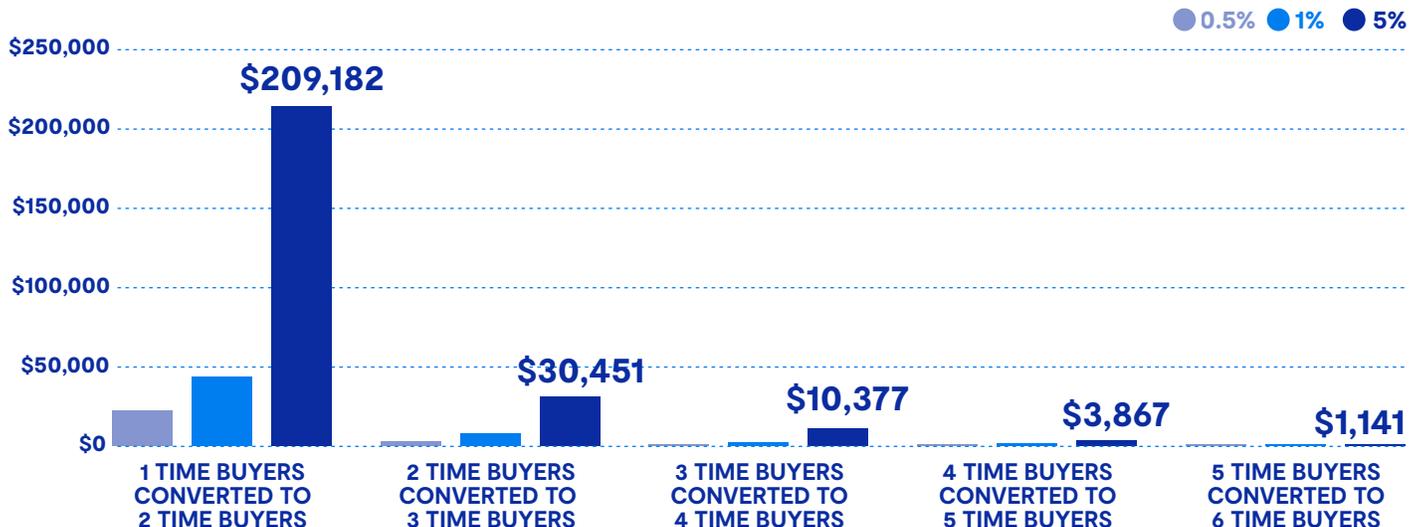
INCREASE IN CUSTOMER LIFETIME VALUE FOR APPAREL RETAILERS



INCREASE IN CUSTOMER LIFETIME VALUE

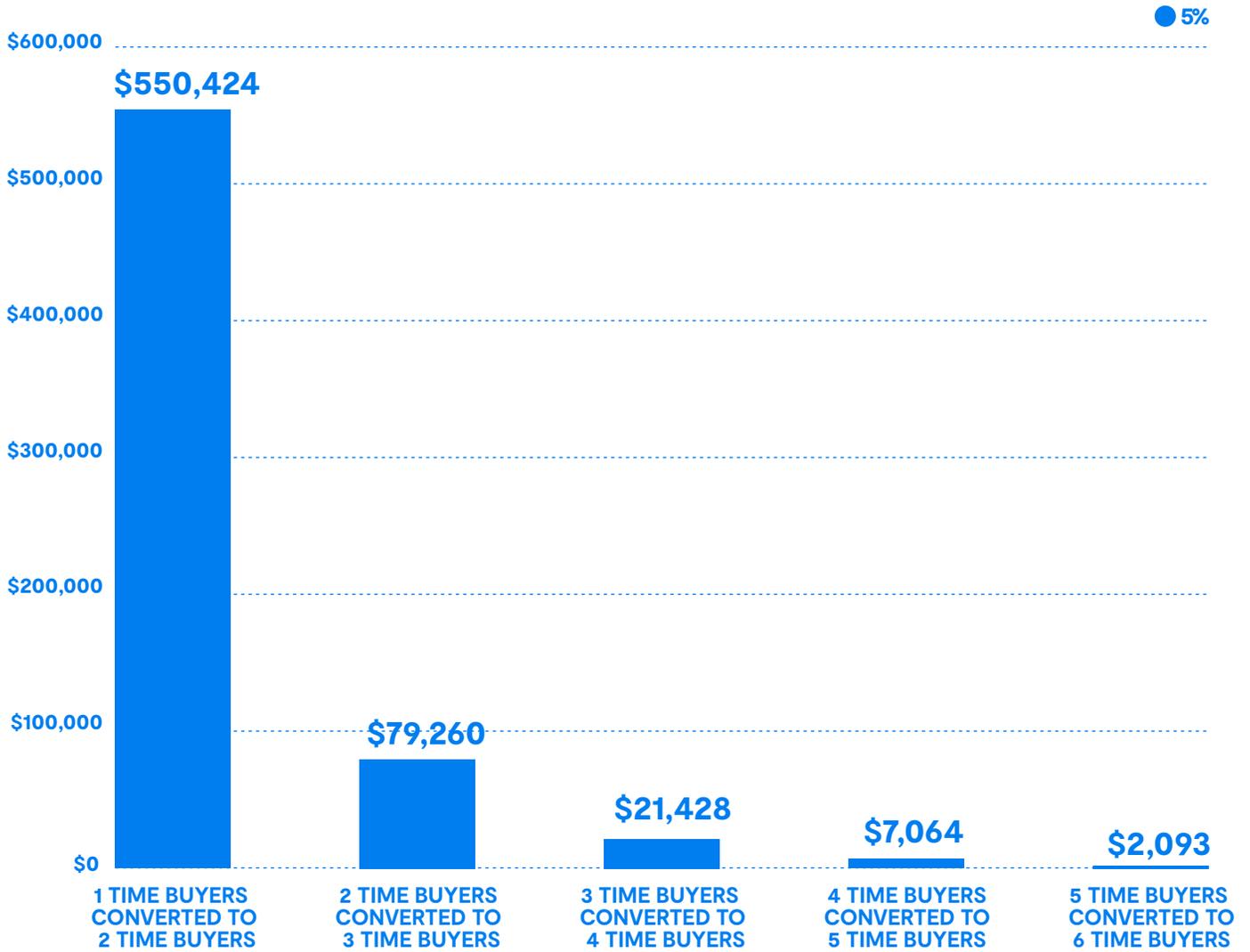
This increase in value means converting just 5% of 80,000 one-time buyers would lead to an additional \$210,000 in spend over the next year (on top of the immediate \$340,000 impact).

FUTURE REVENUE GAINS FROM DRIVING ONE MORE PURCHASE FROM APPAREL CUSTOMERS



Altogether, converting just 5% of 80,000 one-time buyers into two-time buyers represents a potential revenue opportunity of \$550,000 over the next two years. Imagine how that opportunity would scale if you had more than 80,000 one-time buyers or if you converted more than 5% of your one-time buyers.

**TOTAL OPPORTUNITY FROM DRIVING ONE MORE PURCHASE
FROM APPAREL CUSTOMERS**



RESOLVING THE MYSTERY OF THE SECOND PURCHASE

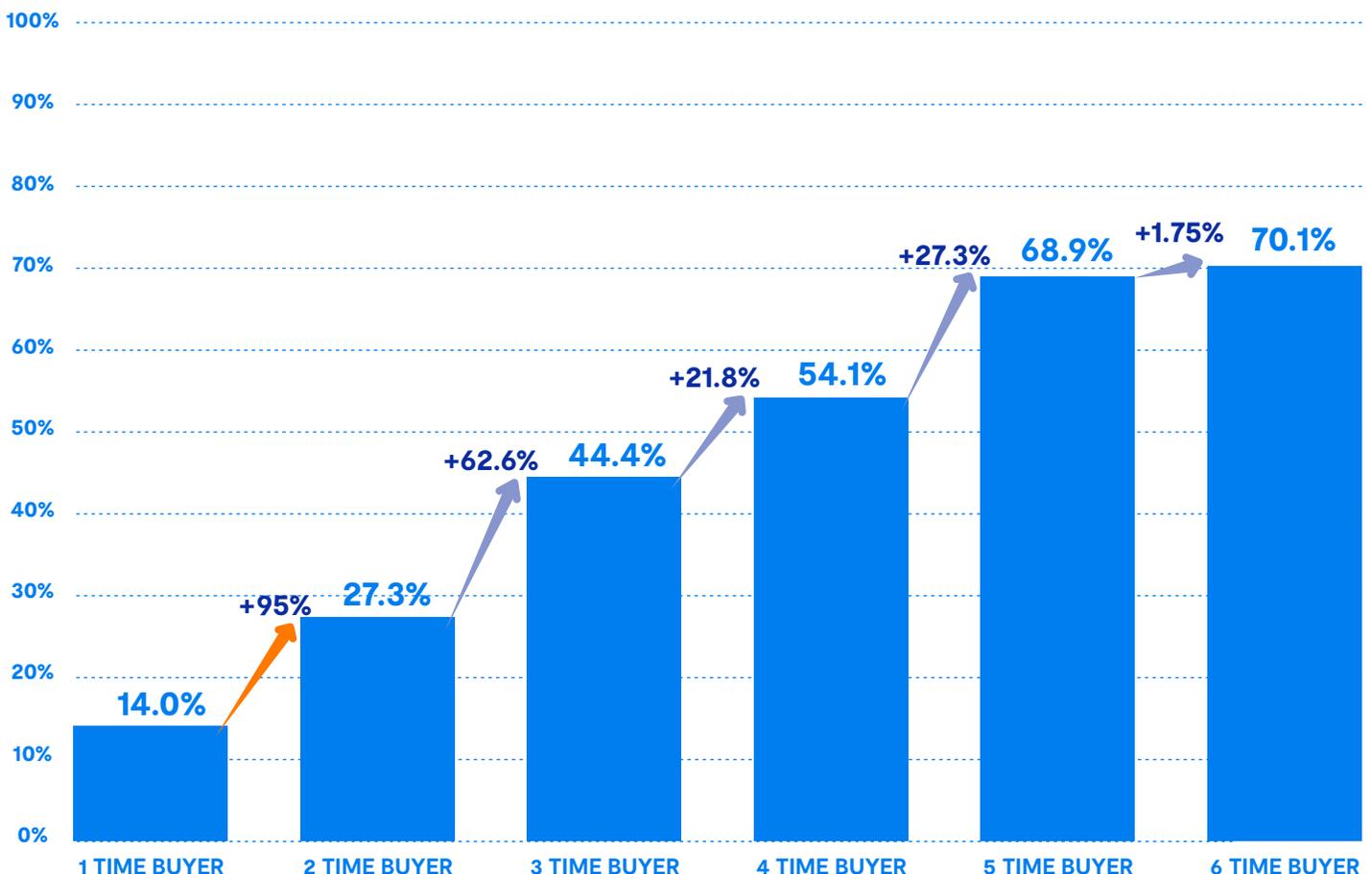
Despite all of the opportunity that comes from the second purchase, unlocking that opportunity has challenged retailers in the past. After all, there's a reason why 80% of apparel customers are one-time buyers. Your competitors also have a one-time

buyer problem, and they're doing all they can to lure your customers away with offers, coupons, sales and freebies.

And that makes it no surprise that crossing the chasm from first purchase to second purchase is typically the most difficult for retailers. With every purchase customers make, the likelihood that they will return increases. And we see the biggest jump in likelihood to purchase again between one-time buyers and two-time buyers, as the chances nearly double.

WE SEE THE BIGGEST JUMP IN LIKELIHOOD TO PURCHASE AGAIN BETWEEN ONE-TIME BUYERS AND TWO-TIME BUYERS, AS THE CHANCES NEARLY DOUBLE.

LIKELIHOOD OF CUSTOMERS PURCHASING AGAIN FOR APPAREL RETAILERS



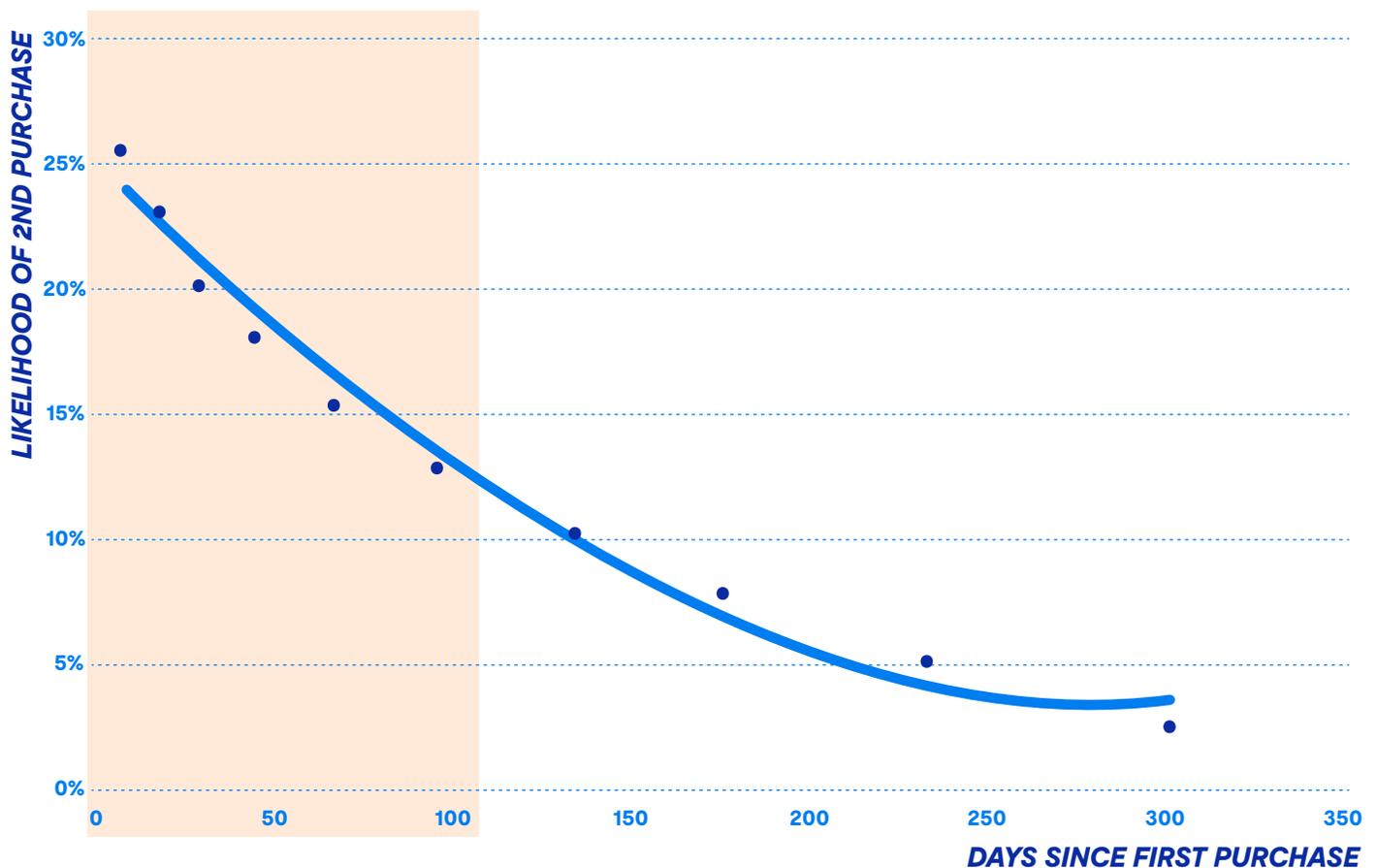
Armed with that information, it's clear that successfully crossing the second purchase chasm requires significant strategy from retail marketing teams. And that strategy comes down in large part to understanding your customers, their behaviors and your products.

Most importantly, you need to take the time to understand your ideal window of opportunity for driving second purchases and the products that are most likely to help drive those purchases.

When it comes to the ideal window of opportunity, data reveals that the first 100 days after a customer's first purchase are the most critical because 60% of second purchases occur within 100 days after the first purchase. Following that first 100 days, the chances of a second purchase hover and then dip below 10% — and those are odds that no retailer wants to bet on.

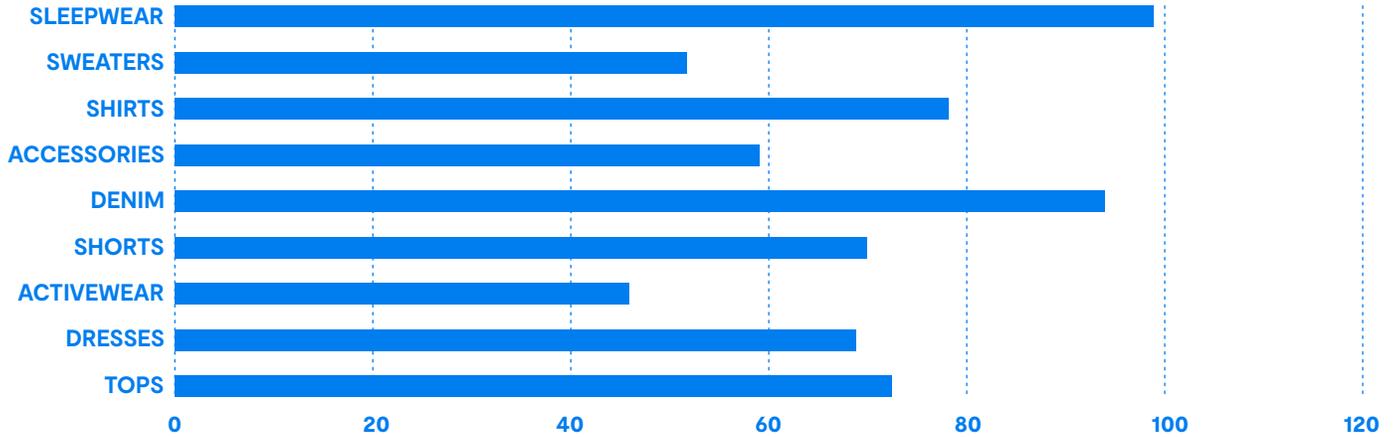
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LIKELIHOOD OF ONE-TIME APPAREL BUYERS MAKING A SECOND PURCHASE



It also pays to break down this window of opportunity based on the product category of customers' first purchase. For instance, when analyzing its second purchase data, one apparel retailer found that the median days to next purchase differed based on product category.

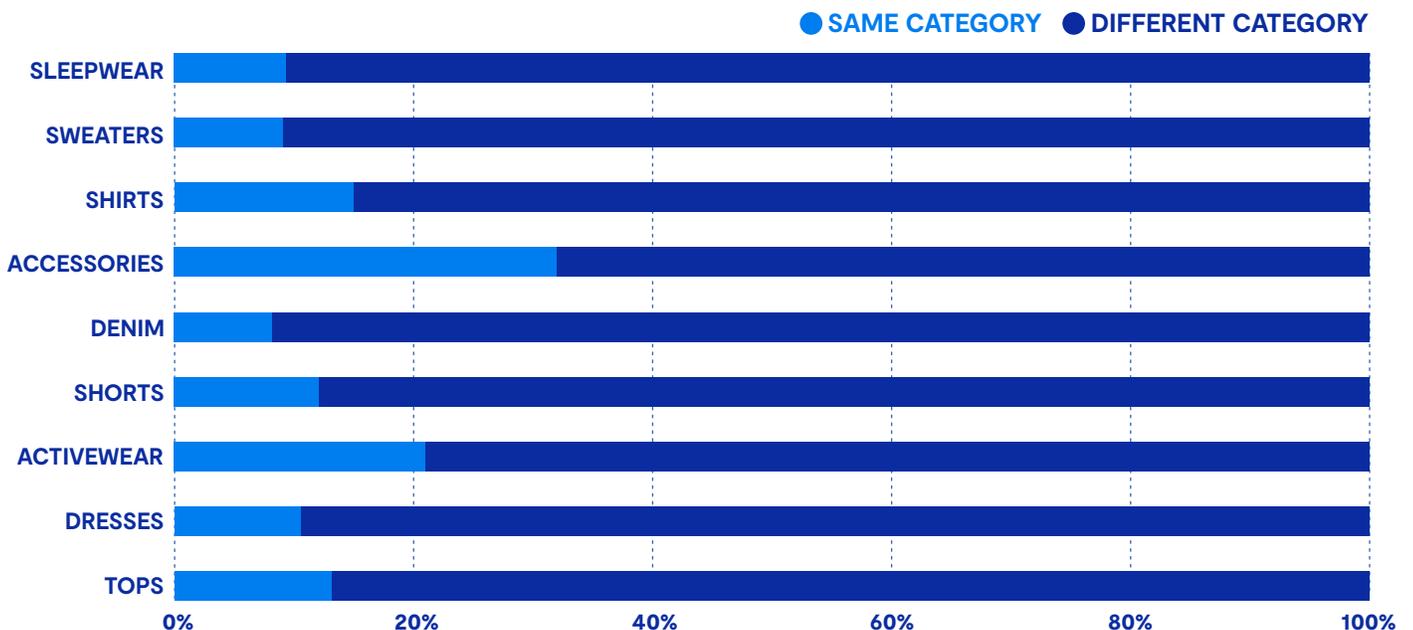
MEDIAN DAYS TO NEXT PURCHASE BY CATEGORY



Once you've mapped out your ideal window of opportunity, you can marry that knowledge with data about which products are most likely to help drive that second purchase. Specifically, this data should provide insight on the likelihood that

customers will make their second purchase from the same product category as their first purchase. In turn, that insight can help inform targeted campaigns to drive second purchases from one-time buyers.

WHAT IS PURCHASED NEXT?



HOW TO PUT YOUR SECOND PURCHASE STRATEGY INTO MOTION

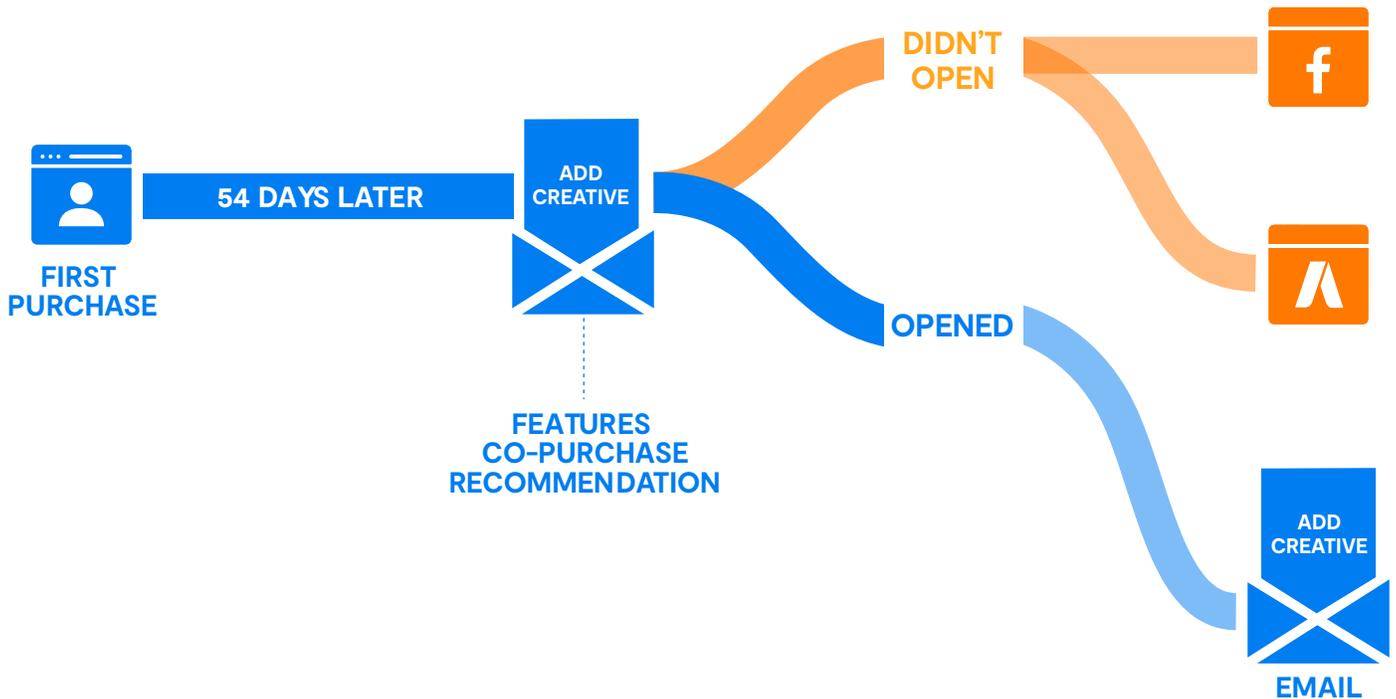
Once you've made the case for your second purchase opportunity and mapped out common second purchase buying patterns, there's only one thing left to do: Put your second purchase strategy into motion.

One of the best ways to do so is to start with the data on your customers' median time to second purchase based on the product category of their first purchase. Using that knowledge, you can build an automated campaign to target one-time buyers at the time when they are most likely to buy again.

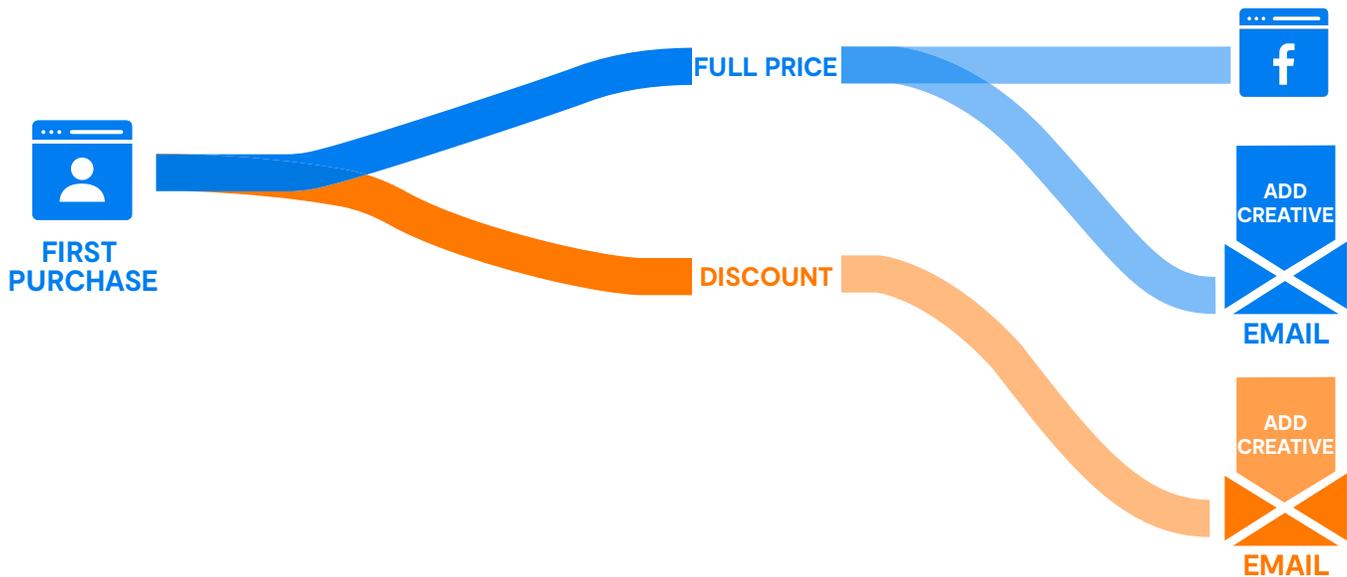
The timing alone should give this campaign a performance boost, but there are other steps you can take to make it even more effective. For example, if you start with an email, you can include personalized product recommendations based on (a) the likelihood that customers will purchase from the same product category a second time and (b) common co-purchase patterns.

From there, you can also map out a second touch based on how customers engage (or don't engage) with your first email. Specifically, you might send customers who opened (but did not make a purchase from) your first email another email, since they are clearly receptive on that channel. But you might want to try a different approach for non-openers by targeting them on another channel like Facebook or AdWords.

Ultimately, your campaign might look something like this:



To take this approach one step further, target customers differently starting with the first touch based on the nature of their purchase. For example, you might segment full price buyers from discount buyers and recommend sale products to the discount buyer group. Notably, this type of segmentation allows you to be more strategic with your paid media budget, as you can choose to spend media dollars only on full price buyers.



Regardless of how exactly you structure your campaign, it's important to remember these four keys to success:

1. TIMING: Connecting with one-time buyers at the right time is essential to increasing the likelihood that they'll make a second purchase. While the first 100 days are the most critical across the board, it pays to do an analysis for your customers to determine common second purchase windows based on different product categories.

2. RECOMMENDATIONS: Beyond getting the timing right, you need to entice your customers with targeted product recommendations. Doing so comes down to the data. In addition to analyzing the likelihood that customers will make their second purchase from the same product category as the first, you should also layer in specific product recommendations based on common co-purchase patterns.

3. CHANNEL: Once you get the “when” and the “what” down, it's time to think about the “where.” For example, using a mix of channels can help you target customers who are less responsive to email. Whatever your mix, it's important to create a consistent and coordinated journey for your customers across all of these channels.

4. AUTOMATION: Nailing the previous three points once, let alone for every one-time buyer, isn't easy. In fact, the only way to get it right on an ongoing basis is to automate the entire process. To do so, you'll need to create a “second purchase trigger” that launches a set number of days after a customer's first purchase. From there, the more you can automate any following touches — including segmenting customers based on their engagement with the first email — the more revenue you'll generate.

DON'T LET ONE-TIME BUYERS BECOME ONLY-TIME BUYERS

One-time buyers are retail gold: They present an incremental revenue stream and a chance to foster valuable new customer relationships.

But while that first purchase is an achievement and the mark of a strong customer acquisition program, what comes after that first purchase is just as important. And for most retailers, it's what comes after that presents the biggest problem.

Given that approximately 80% of customers haven't made a second purchase, it's clear that many retailers have yet to fully capitalize on this opportunity. However, doing so can lead to significant revenue growth in both the short and long term by bringing in more orders and by laying the foundation for customer loyalty.

With that in mind, it's time to turn your one-time buyer problem into a second purchase opportunity.

