E-Commerce Customer Acquisition Snapshot

custora

Seeking patterns in a new era of acquisition.

The last few years have spawned massive changes in the world of online marketing. With U.S. e-commerce sales now topping $200 billion annually, digital marketers are getting savvier than ever.

Customer acquisition trends reflect this evolution. Organic search still leads as the largest channel for online customer acquisition. But as more retailers move towards a "free-to-paid" subscriber model and rely on third parties to help drive visitors to their sites, email and affiliate channels have seen an explosion in growth over the past few years.

The savviest marketers in the new era of e-commerce will be looking beyond just where customers are coming from. They'll be looking at the value of new customers acquired across channels, platforms, and geographies. And it turns out - not all customers are created equal.

The study is an effort to reflect on the rapidly changing landscape of customer acquisition and shed additional light on what's shaping the future of e-commerce growth.

KEY FINDINGS

1   Customer acquisition via email has quadrupled over the last 4 years.

2   The Lifetime Value of customers acquired through Twitter is 23% lower than average.

3   The most valuable online shoppers tend to come from more rural states, yet fashion brands find many of their best customers in densely-populated coastal states.

Customer acquisition via email has quadrupled over the last 4 years.

Email marketing has been a growing trend in e-commerce, with an increasing number of retailers building communities and collecting email addresses, then converting those "members" into customers. Organic search continues to grow as a reliable channel, (accounting for nearly 16% of customers acquired) reinforcing efforts to complement products with relevant and informative editorial content along with investing in search engine marketing.

ACQUISITION CHANNEL GROWTH
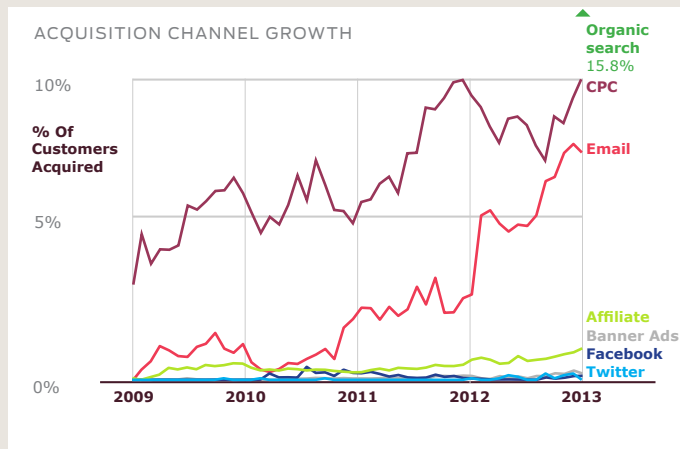
Channel	Percentage of Customers Acquired				
	2009	2010	2011	2012	2013
CPC (Cost per Click)	5.39	6.71	7.89	9.71	9.82
Email	0.88	0.75	2.64	5.34	6.84
Google	0.51	1.60	1.33	0.98	1.72
Organic	10.35	13.14	15.05	16.22	15.81
Referral	3.63	6.04	7.30	7.70	6.39
Banner	0.01	0.04	0.09	0.15	0.46
Facebook	<0.01	0.16	0.22	0.05	0.17
PPC (Pay Per Click)	<0.01	<0.01	0.01	0.30	0.23
Affiliate	0.34	0.44	0.42	0.75	0.96
Twitter	<0.01	<0.01	<0.01	<0.01	<0.01
CPM (Cost Per Impression)	<0.01	0.02	0.03	<0.01	<0.01

The CLV of customers acquired through Twitter is 23% lower than average.
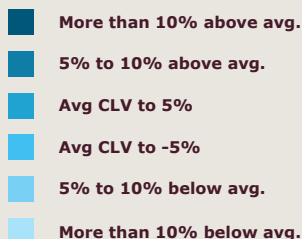
Customer Lifetime Value (CLV) refers to the future profit a company expects to earn from a customer throughout his or her relationship with the business. Overall, the highest-value customers arrive through organic searches (54% higher than average). Surprisingly, customers acquired through Twitter tend to be worth about 23% less than average. This may be attributed to the frequency of discounts offered within tweets.

CUSTOMER LIFETIME VALUE BY CHANNEL (NORMALIZED)
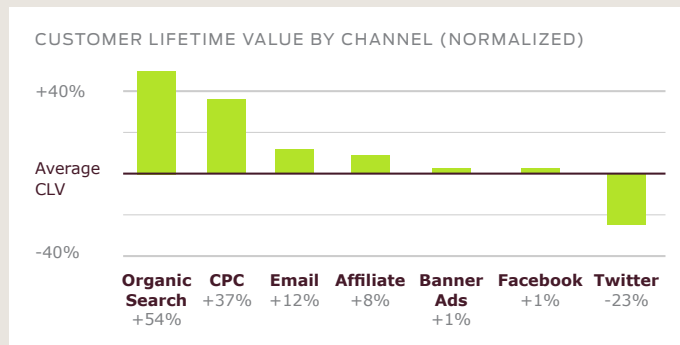
Channel	CLV (Percentage Relative to Average)
Affiliate	7.53
Banner Ads	1.34
CPC	36.90
CPM	-5.30
Email	11.81
Facebook	1.31
Google	13.35
Organic	54.25
PPC	9.60
Referral	26.10
Twitter	-23.36

The most valuable online shoppers overall tend to come from more rural states.

Shoppers in rural areas tend to have fewer options for buying specialty goods locally and make more purchases online.

- More than 10% above avg.
- 5% to 10% above avg.
- Avg CLV to 5%
- Avg CLV to -5%
- 5% to 10% below avg.
- More than 10% below avg.

CUSTOMER LIFETIME VALUE BY STATE

Wyoming +28% Yow!
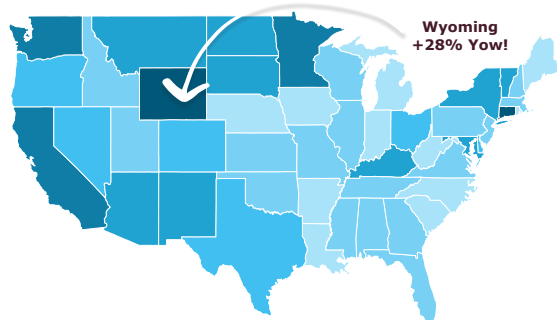
However, fashion brands find their best customers in densely-populated coastal states (with a few exceptions).

Trendier fashion-focused brands who might appeal to younger demographics find their most valuable customers on the coasts in areas such as New York, Los Angeles, Portland and Boston. Interestingly, New Mexico and Wyoming still rank number 3 and 4 respectively in customer value.

STATES WITH THE HIGHEST CUSTOMER LIFETIME VALUE FOR ONLINE FASHION RETAILERS

	+15%
Average CLV	
	-15%

| NY | CA | NM | WY | OR | MA |
| +15% | +11% | +6% | +5% | +5% | +4% |
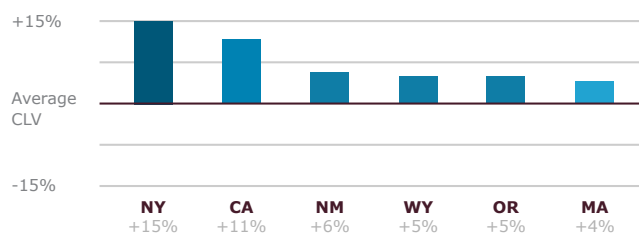
Shaded row = featured state

State	All Retailers' CLV % Relative to Average	Fashion Retailers' CLV % Relative to Average
AK	-4.96	-23.20
AL	-8.80	-12.47
AR	-11.65	-9.04
AZ	3.16	-11.22
CA	9.21	11.04
CO	-2.72	3.85
CT	18.61	4.43
DE	-2.08	-3.95
FL	-7.06	-5.17
GA	-5.35	-4.63
HI	9.97	-9.87
IA	-14.43	-16.17
ID	-6.21	-9.31
IL	-5.43	3.44
IN	-12.03	-13.32
KS	-6.84	-16.32
KY	3.35	-18.63
LA	-10.43	-4.20
MA	-7.23	4.22
MD	1.16	-0.79
ME	-11.50	-16.01
MI	-11.84	-11.27
MN	5.58	-5.89
MO	-8.88	-11.63
MS	-8.24	-10.82
MT	2.74	-4.34
NC	-12.83	-10.45
ND	1.55	-10.65
NE	-10.05	-13.20
NH	-9.23	-20.32
NJ	-5.09	1.07
NM	3.97	5.96
NV	-1.79	1.00
NY	2.78	15.35
OH	-4.86	-10.08
OK	-6.53	-14.78
OR	-4.22	5.45
PA	-7.47	-8.08
RI	-14.55	-9.35
SC	-11.21	-10.57
SD	1.75	-13.35
TN	-8.26	-8.55
TX	-1.84	-2.09
UT	-8.56	-9.75
VA	-5.42	-2.98
VT	0.11	-8.53
WA	5.99	-2.15
WI	-9.62	-12.53
WV	-12.66	-25.84
WY	27.50	5.79

Methodologies / Answers to FAQs

These findings are derived from data spanning 72 million customers from 86 U.S. retailers across 14 industries. Acquisition channels were obtained via the "utm_medium" tag in Google Analytics. The UTM tags were used as the retailer recorded them in Google Analytics. Some retailers use different tags for their campaigns, hence the presence of both CPC and PPC and Google and Organic in the report. Percentages are of the total acquisition numbers. Customers who came to the site directly, or through a link without a utm_medium tag, are not listed in any channel. Customer Lifetime Value numbers refer to the amount customers spent in the two years after their initial purchase (initial purchase inclusive). When customers made their first purchase less than two years prior to data collection, their expected purchases for the remaining time were calculated using Custora's statistical models and used in the overall calculations. Fashion-related numbers were derived from seven clothing/apparel retailers.

About Custora

Custora is a customer acquisition and retention platform and the leading provider of predictive customer lifetime value analytics for online retailers.

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