

Most app users churn within 3 months—here's how to avoid becoming a statistic

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Imagine there are two shoppers using your baby apparel app. The first is a one-time visitor who buys a \$500 gift for a baby shower. The second is a new mom who spends \$100 each month on purchases for her baby. If you just looked at revenue, the first customer would appear to be worth more. But if you think about these people in terms of [customer lifetime value \(CLV\)](#), the relationship with the new mom could be worth more over time. A lot more.

Also, consider this: [80% of all app users churn within three months](#). With numbers that high, the odds of becoming a statistic are more likely than not. Employing CLV metrics can help stem the tide.

CLV measures the value a person brings to a business across all of her interactions over time—not just a single transaction. A focus on increasing CLV is crucial for marketing apps because it's a surefire way to draw more of the customers you care about and drive ongoing engagement with them. Leading marketers—those who increased their business results by 10% or more last year—are 1.5X as likely as the mainstream to use CLV to measure how effective their marketing is.¹



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Source: Bain Marketing Survey 2016 (n=487, Leaders n=114).

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Interested in making CLV a priority metric for your business? Start by following these steps.

Make customer experiences everyone's job

To make CLV a priority, successful organizations must put the customer at the center of everything they do. Remove silos around in-store, digital, and mobile so teams can focus on one clear business goal rather than individual metrics (such as engagement or clicks) that don't necessarily tie to growth. Let's look at [Hilton](#) as an example.

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The hotel chain sought to deliver great customer experiences by removing friction from travel moments. But their brand marketing, digital marketing, e-commerce and demand generation teams were operating in silos. The departments merged to create a single team with a single focus: creating better experiences for travelers.

As a result, the Hilton marketing team developed an app that lets its Hilton Honors members at select hotels choose rooms, bypass check-in lines, and use the app to unlock their door. Hilton's efforts have paid off: its app has a 90+% retention rate.

Building this customer-centric mindset is critical for app-only businesses too. Aligning all business groups to a business outcome such as CLV, and encouraging [cross-functional collaboration and data sharing](#) can help provide a holistic view of the customer across all touchpoints and drive long-term brand growth.

Identify your CLV VIPs

Once you've built a customer-centric culture, the next step is to understand who your highest-value customers are. Take into consideration how much revenue a customer drives over her lifetime and how much it costs to manage the relationship.

Let's look at how this could play out in the financial services industry. A recent study by [Bain](#) found that every time a customer calls or visits a retail bank, it costs \$4. But if that transaction can be completed via an app, it costs only 10 cents. When evaluating CLV for different audience segments, you can consider how many interactions each group has taken via your app versus in person, and how much this costs your brand.

But apps don't exist in a vacuum, so if you're a multichannel business, look at the CLV of a user across all of your channels. For example, a shopper may regularly use an app to get inspiration and then buy in-store. If you just looked at their in-app behavior, you may mistakenly categorize them as a low-value user. CLV can help bridge the gap to give you a more accurate view of your most profitable customers across all of their interactions.

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Turn to machine learning to achieve CLV at scale

Shaping your business around CLV can seem like a daunting, even impossible task, but it doesn't have to be.

Machine learning is playing a part in helping successful businesses lean into CLV. That's because machine learning is especially helpful in optimizing user engagement and retention, both of which are critical for business growth.

You likely know it's more expensive to acquire new users than retain existing, profitable ones. Machine learning can help reduce some of the cost and risk in finding and acquiring high-value customers by using data from existing high-value customers. If people who make a purchase within 30 days of downloading your app spend 50% more than those who don't, machine learning can optimize campaigns to find more of these profitable users. And the more it learns, the more it continues to optimize.

The more attributes of high-value users the machine learns, the more it continues to optimize.

Instant messaging app Viber is using Google's machine learning to drive business growth. The marketing team was focused on one business goal: grow the number of loyal users. They provided Google with the aggregated data inputs needed for the machine to learn and understand who their best customers are. Then they let technology go and find similar users at scale.

"Using Universal App campaigns with action optimization helped us acquire more [high-quality] users with better budget utilization. It allowed us to directly optimize our campaign for our business goal, which is to acquire loyal users," said Moshi Blum, head of user acquisition. As a result of these efforts, Viber has seen a 21% higher user retention rate.

Building lasting relationships with app users is no easy feat. But if you want to engage and retain customers through your apps, forget [vanity marketing metrics](#) and concentrate on customer lifetime value. Not all customers are created equal. Be sure you're reaching and engaging those who will drive your business forward for long-term success.

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Sources

1 Bain Marketing Survey 2016 (n=487, Leaders n=114).