

Get Benefits from LTV Predictions and Use it For Your Marketing Campaign - [White paper]

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Intro - LTV in Marketing Campaigns

While LTV has influence on your company's finance and revenues, it also serves to aid marketing investment decisions. It is like in any investment portfolio, you want to invest more in money and assets that produce a higher returns (ROI). As a result It makes sense to invest more of your marketing budget in customers that are more profitable and prefer to buy from you, cost less to acquire, and recommend your services or products by that helping you to reduce new customer acquisition costs.

Calculated LTV helps you determine in which existing customers to invest and which types/profiles of customers produce the highest LTV. You can use these profiles to acquire new customers that best resemble your existing high value customers. LTV can serve as a valuable guide for deciding how much to spend on acquiring a new customer. In the other side predicted LTV can help you to understand what are the future of your cash flow and even understand what of the marketing channels perform the best at the beginning of each marketing campaign.

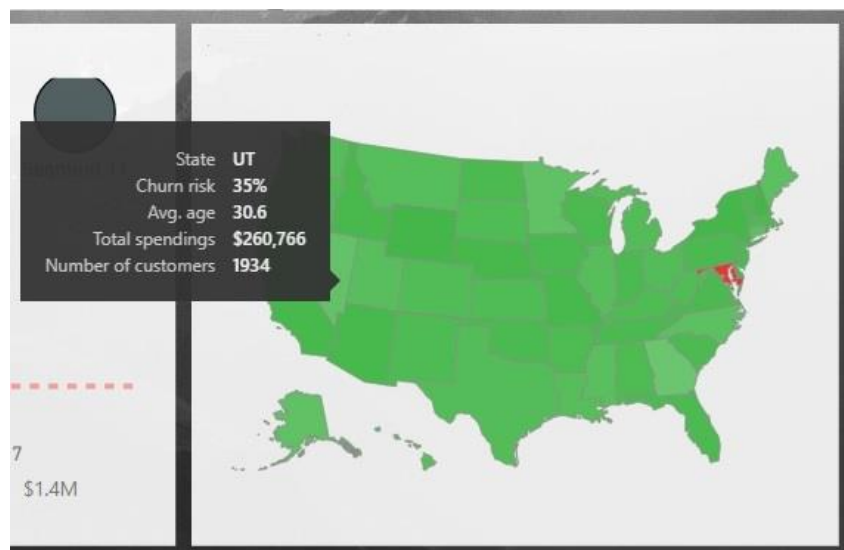
Remember the gold rule, it costs 5 times more to acquire a new customer than it does to retain an existing one. Also, if $\frac{1}{3}$ your LTV is less than 10 percent of sales, you may have an overhead expense problem that needs to be addressed.

Targeted Marketing Campaigns

Using [machine learning model](#) or statistical segmentation results you are able to identify customers who have and will have the highest value for your business at the moment and in the future. Depending on the data that is available, you could combine Machine Learning model results with demographic information (age, gender, income etc.), behavioral information (number visits, time of purchase etc.), or marketing channel information (first touch channel, last touch channel, most frequent channel). Combining all this information your UA and marketing team are able to:

- Serve targeted advertising to high LTV demographics to try finding new high LTV customers from that same demographic. For example, if 20-25 year old males living in NYC have a high predicted LTV, you could use display advertising to serve ads targeted specifically to this demographic.

- Adjust your creative design to appeal to your highest LTV demographics. For example, if 25-30 year old males had a high LTV, you could use images that resonate well with this demographic.
- Use behavioral information such as frequency visits, purchase type, etc., to set up retargeting lists for your campaigns. You could remind your low LTV behavior segments about your company in order to try to increase their LTV; you could also serve additional advertising when someone enters a high LTV behavior segment.
- Decide whether you want to explicitly target low LTV segments. Should you create new marketing campaigns to appeal to them in new ways to decrease churn or increase purchase amounts.



If particular marketing channels bring in high or low LTV customers, you can use this to determine your budgets for each channel.

- Channels which may have appeared undervalued before based on only the first customer purchase may be bringing in customers who have the most repeat purchases.
- Rather than relying on the first purchase, take LTV into account when determining where to spend your marketing budget.

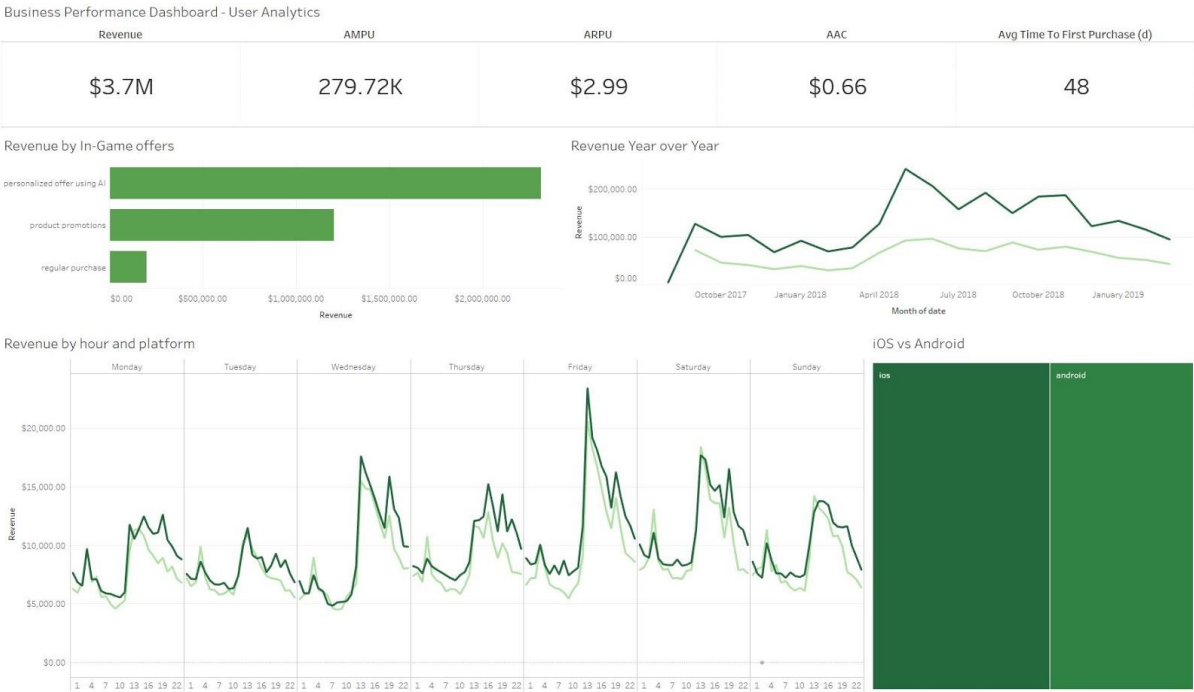
Identify your Most Productive Media Channel using Predicted LTV

Calculate historical LTV and check the channels predicted LTV. You can use total LTV to assess the importance of each channel for your business and to determine how much time and budget you should be spending on each channel.

Calculate channel performance using acquired user number and predicted LTV. Divide number of predicted paying users per number of user acquisition. The same could be calculate performance by country.

As an example # of acquired users from Facebook is 30 000 -> after 7 days you ML model predicts that there is 5 000 of users who will pay in the future more than 50\$ -> Estimated Channel performance is $5\,000 / 30\,000 = 16,6\%$

Additionally you could use metrics about UAC (user acquisition costs) and understand what is the performance of particular channel/country/region comparing to your costs.



Get Potential VIPs Excited About Your App

You can use the LTV model to identify potential VIP users or customers. These customers are those who may not have purchased much in the past, but have a few recent purchases

and some behavioural signals and look like they could become a high-value customer in the near future.

Check predicted LTV by different customer cohorts and use interactive dashboards to analyze that. Extract potential VIP customers and make for them some special offer to monetize them more or faster.

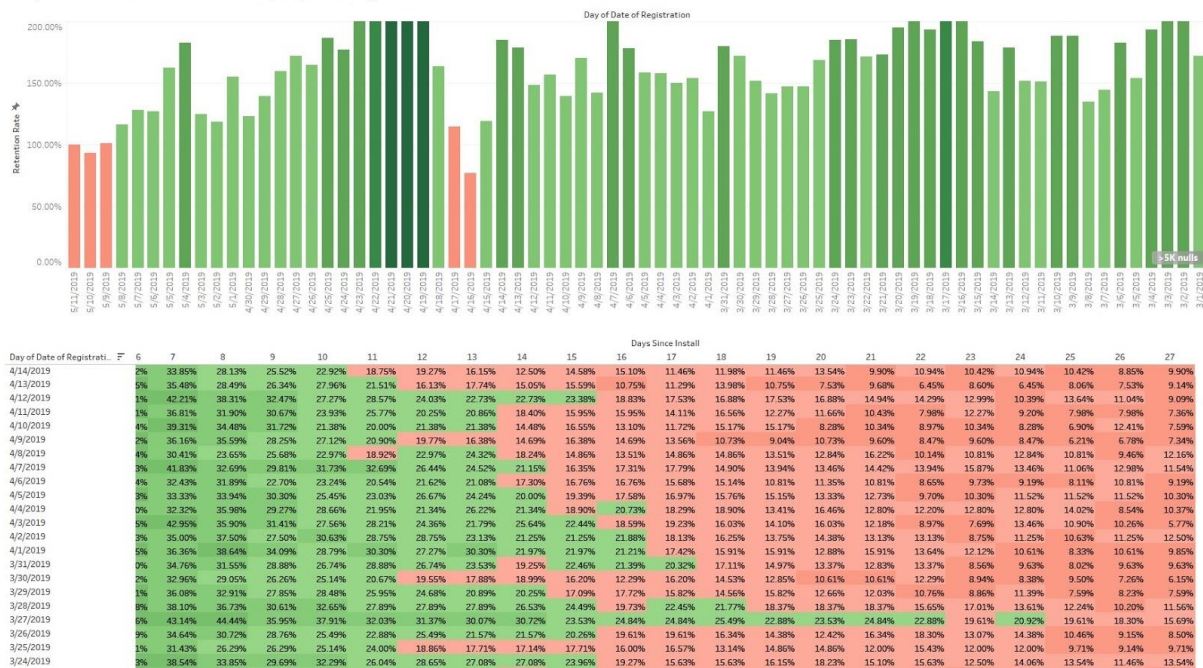
Give Special Attention to Your Most Valuable Customers

You can use Total LTV to target your most valuable customers with personalized messages. Invite them for a special offers and give targeted discounts. Treat them like the superstars that they are. As an example, a push notification campaign could invite them to test some new VIP features for 5 days for free and purchase after that by promotional price.

Create a Most Valuable Customer Lookalike Audience

Harness the power of LTV to identify your best customers and create a Lookalike Audience through Facebook or other customer acquisition channel. Make a segment that filters based on a high or top 10% of customers' total LTV. From there, use Facebook's Lookalike Tool for example to run a targeted ad campaign.

Daily Cohorts - User Retention and LTV by Days From Registration



Use Predicted LTV to Extract Customer Insights

Understand how customers with LTV and no future LTV react to different products, game levels, offers and communication.



Summary - Best Practice Approach to Use LTV in Marketing Campaigns

- Audience segmentation – when [predicting LTV](#), the greatest approach is firstly to look at your audience segments: everything from user demographics to the type of browser they use and interactions within your applications. When done correctly, user segmentation lets you create buyer personas relevant to your business as well as for each step of the marketing funnel.
- Machine Learning LTV Modeling – The next step would be to turn to quantitative prediction machine learning models, which analyze your audience segments to determine the kind of creative/offer that your audiences would find most engaging.
- Automation – this stage entails integrating prediction models and user targeting methodologies into a system that would use A/B testing to run your campaign most efficiently: knowing exactly when to launch or stop it or deducing what kind of relevant creatives/offers should be served to users to reach maximum ROI.