

ADDEPTO WHITEPAPER 2019

GET BENEFITS FROM LTV PREDICTIONS AND USE IT FOR YOUR MARKETING CAMPAIGNS



TABLE OF CONTENT

- 02 LTV in Marketing Campaigns
- 03 Targeted marketing campaigns
- 04 Identify your most productive media channel using predicted LTV
- 07 Summary - best practice approach to use LTV in marketing campaigns
- 08 Contact information

LTV in marketing campaigns

While LTV influences your company's finance and revenues, it also serves to aid marketing investment decisions. Like in any investment portfolio, you want to **invest more in assets that produce higher returns (ROI)**. Thus, investing more of your marketing budget in more profitable customers who want to buy what you offer makes sense. Those clients are less costly to acquire and - as they recommend your services or products - help you to reduce new customer acquisition costs.

Calculated LTV helps you determine which existing customers to invest in and which types/profiles of customers produce the highest LTV. You can use these profiles to **acquire new customers** that best resemble your current high-value customers. LTV can serve as a valuable guide for deciding how much to spend developing a new customer.

On the other side, predicted LTV can help you **understand the future of your cash flow** and even understand which marketing channels perform the best at the beginning of each marketing campaign.

Remember the golden rule; **it costs 5 times more to acquire a new customer than to retain an existing one**. Also, if 1/3 of 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 a Machine Learning model or statistical segmentation results, you can identify customers who have and will have the highest value for your business.

Depending on the available data, you could combine Machine Learning model results with demographic information (age, gender, income, etc.), behavioral information (number of visits, time of purchase, etc.), or marketing channel information (first touch channel, last touch channel, most frequent channel).

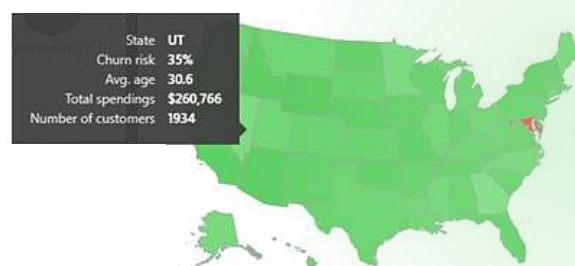
Combining all this information, your UA and marketing team can:

- Serve **targeted advertising** to high LTV demographics to find new 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.

- Use **behavioral information** such as frequency of visits, purchase type, etc., to set up campaign retargeting lists.

You could remind your low LTV behavior segments about your company to try to increase their LTV; you could also serve additional advertising when someone enters a high LTV behavior segment.



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

- Channels that may have appeared undervalued based on the surface may bring in customers with the most repeat purchases.
- Rather than relying solely on one channel - first or the last touch - 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 an acquired user number and predicted LTV. Divide the number of anticipated paying users per number of user acquisitions. In the same way, performance by country can be calculated.

As an example # of acquired users from Facebook is 30 000 -> after seven days, your ML model predicts that there are 5 000 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 the performance of a particular channel/country/region compared to your expenses.

GET POTENTIAL VIPS EXCITED ABOUT YOUR APP

You can use the LTV model to identify potential VIP users or customers. These customers may not have purchased much in the past, but a few recent purchases and some behavioral signals suggest they could become **high-value customers** shortly.

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



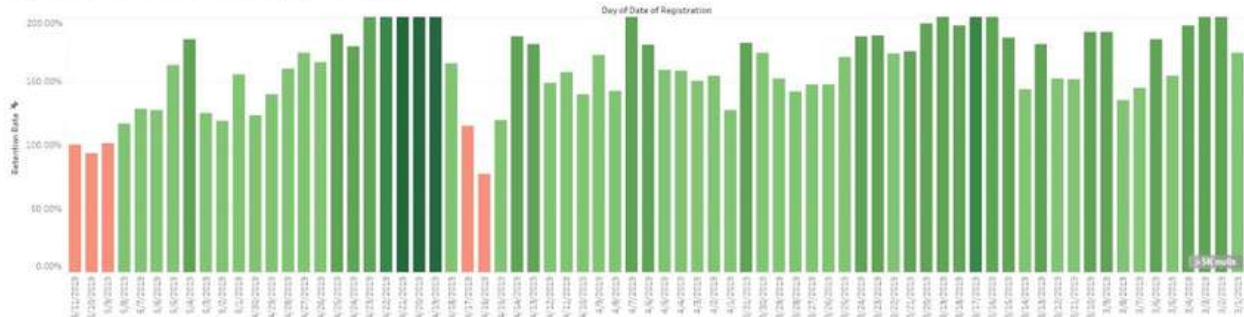
GIVE SPECIAL ATTENTION TO YOUR MOST VALUABLE CUSTOMERS

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



CREATE A MOST VALUABLE CUSTOMER LOOKALIKE AUDIENCE

Daily Cohorts - User Retention and LTV by Days From Registration



Harness the **power of LTV** to identify your best customers and create a Lookalike Audience through Facebook or other customer acquisition channels. 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.

Day of Date of Registrati...	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
4/14/2019	7%	33.86%	28.13%	25.52%	22.90%	18.75%	19.27%	16.15%	12.50%	14.50%	15.10%	11.46%	11.80%	11.46%	13.54%	9.92%	10.94%	10.47%	10.94%	10.42%	8.85%	9.50%
4/15/2019	9%	25.49%	28.49%	26.34%	27.90%	21.51%	16.13%	17.74%	15.05%	15.57%	10.75%	11.29%	13.90%	10.75%	7.53%	9.60%	6.45%	8.60%	6.45%	8.00%	7.52%	9.14%
4/16/2019	1%	40.21%	34.31%	32.47%	27.27%	28.57%	24.03%	22.72%	22.72%	22.72%	22.72%	18.80%	17.52%	16.88%	17.52%	14.59%	14.29%	12.99%	10.39%	11.64%	11.04%	9.89%
4/17/2019	1%	36.81%	31.80%	30.67%	23.93%	25.77%	20.25%	20.86%	18.42%	15.95%	14.11%	15.55%	12.27%	11.56%	12.42%	7.98%	12.27%	9.25%	7.98%	7.98%	2.86%	
4/18/2019	0%	39.31%	34.40%	31.72%	21.30%	20.00%	21.30%	21.30%	14.42%	16.55%	13.10%	11.22%	15.17%	15.17%	8.28%	10.34%	8.37%	10.34%	8.28%	6.90%	12.41%	7.39%
4/19/2019	0%	36.16%	35.09%	28.25%	27.12%	20.90%	19.77%	16.30%	14.69%	15.39%	13.52%	10.72%	9.64%	10.72%	9.62%	8.47%	9.62%	8.47%	6.21%	6.78%	7.34%	
4/20/2019	0%	30.41%	23.60%	25.48%	22.97%	18.92%	22.97%	24.32%	18.24%	14.80%	13.51%	14.80%	14.80%	13.51%	12.84%	16.22%	10.14%	10.81%	12.84%	10.81%	9.46%	12.16%
4/21/2019	0%	41.82%	32.60%	29.81%	31.72%	32.69%	26.44%	24.52%	21.15%	16.32%	17.31%	17.99%	14.90%	13.94%	13.40%	14.42%	13.94%	15.87%	13.40%	11.00%	12.98%	11.54%
4/22/2019	0%	32.42%	31.89%	22.70%	23.24%	20.54%	21.62%	21.08%	17.30%	16.74%	16.76%	15.68%	15.14%	10.81%	11.39%	10.81%	8.66%	9.73%	9.19%	8.11%	10.81%	9.19%
4/23/2019	0%	33.23%	33.94%	30.30%	25.45%	23.02%	16.67%	24.24%	20.00%	19.29%	17.50%	16.97%	15.70%	15.15%	13.32%	12.73%	9.70%	10.30%	11.52%	11.52%	11.52%	10.20%
4/24/2019	0%	32.23%	35.98%	29.27%	29.66%	21.96%	21.94%	26.22%	21.34%	18.90%	20.78%	18.29%	18.90%	13.41%	16.46%	12.82%	12.20%	12.82%	12.82%	14.02%	9.54%	10.37%
4/25/2019	0%	42.95%	35.80%	31.41%	27.52%	28.21%	24.30%	21.79%	25.64%	22.44%	18.50%	19.23%	16.03%	14.32%	16.03%	8.97%	7.69%	13.46%	10.90%	10.90%	10.20%	10.77%
4/26/2019	0%	35.09%	37.42%	27.50%	30.62%	23.75%	28.75%	22.11%	21.25%	21.88%	18.12%	18.25%	13.79%	14.09%	12.12%	12.12%	8.70%	11.25%	10.67%	11.25%	12.50%	12.50%
4/27/2019	0%	36.26%	38.64%	34.09%	28.79%	30.30%	27.27%	30.20%	21.97%	21.97%	21.21%	17.42%	15.91%	15.91%	12.88%	15.91%	13.64%	12.12%	10.61%	8.32%	10.61%	9.85%
4/28/2019	0%	34.74%	31.50%	28.88%	26.74%	28.88%	26.74%	22.82%	19.25%	22.44%	22.82%	20.32%	17.11%	14.97%	13.27%	12.83%	13.27%	8.54%	9.62%	8.02%	9.62%	9.62%
4/29/2019	0%	32.96%	29.05%	26.26%	25.14%	20.47%	19.55%	17.08%	18.99%	16.20%	12.29%	16.20%	14.53%	12.85%	10.61%	10.61%	12.29%	8.54%	8.30%	9.50%	7.26%	6.15%
4/30/2019	1%	36.08%	32.91%	27.85%	28.48%	25.96%	24.69%	20.89%	20.25%	17.09%	17.25%	15.82%	14.56%	15.82%	12.60%	12.60%	10.76%	8.86%	11.39%	7.89%	8.22%	7.89%
5/1/2019	0%	38.10%	36.72%	30.61%	32.65%	27.89%	27.89%	27.89%	26.52%	24.49%	19.73%	22.45%	21.77%	18.37%	18.37%	16.37%	15.65%	17.01%	13.61%	12.24%	10.20%	11.56%
5/2/2019	0%	43.14%	44.44%	35.95%	37.91%	32.63%	31.27%	30.07%	30.72%	23.52%	24.84%	24.84%	25.49%	22.88%	23.52%	24.84%	22.88%	19.61%	20.92%	19.61%	18.30%	15.69%
5/3/2019	0%	34.64%	30.72%	28.76%	25.49%	22.88%	25.49%	21.57%	21.57%	20.26%	19.61%	19.61%	16.34%	14.38%	12.42%	16.34%	18.30%	13.07%	14.38%	10.66%	9.15%	8.50%
5/4/2019	1%	31.42%	26.29%	26.29%	25.14%	24.00%	18.88%	17.71%	17.14%	17.71%	16.00%	16.57%	11.24%	14.86%	14.86%	12.00%	15.42%	12.00%	12.00%	9.71%	9.14%	9.71%
5/4/2019	0%	38.54%	33.88%	29.69%	32.29%	26.04%	28.65%	27.04%	27.04%	23.90%	19.27%	15.63%	15.63%	16.10%	18.09%	15.10%	15.63%	12.50%	14.06%	13.54%	15.40%	13.64%



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 best approach is to look at your specific audience segments, clustered based on demographic, type of browser they use, interactions within your applications, etc. When done correctly, user segmentation lets you create buyer personas relevant to your business and for each marketing funnel step.
- **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 creative/offer your audiences 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. It enables to set the moment of launch or stop the campaign and suggests what kind of relevant creatives/offers should be served to users to reach maximum ROI.

Contact information

If you are looking for more details or want to ask us some questions, don't hesitate to [contact us anytime.](#)

Our experts will be happy to help you!



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