Identifying products that contribute to customer growth and profitability

CPG

Business Challenge

A US-based energy drink brand, with a large customer base in the eSports community, wanted to identify which product categories were best for acquiring new customers with long-term value. Having this information was key to allocating their marketing resources to their best advantage. But without the methodology or analytics expertise, it struggled to determine which product categories contributed the most to customer growth and profitability.

Solution

Netscribes' analytics team broke the problem down into three parts:

- Acquisition contribution: How many new customers did each product category attract?
- Long-term customer value: Of the customers acquired, how many came back for a repeat purchase and how much did they spend?
- Profitability: How many of the customers were profitable?

To derive these insights, we leveraged the client's historic transactional data, including customer IDs, product information, date of purchase, and POS data.

Acquisition contribution
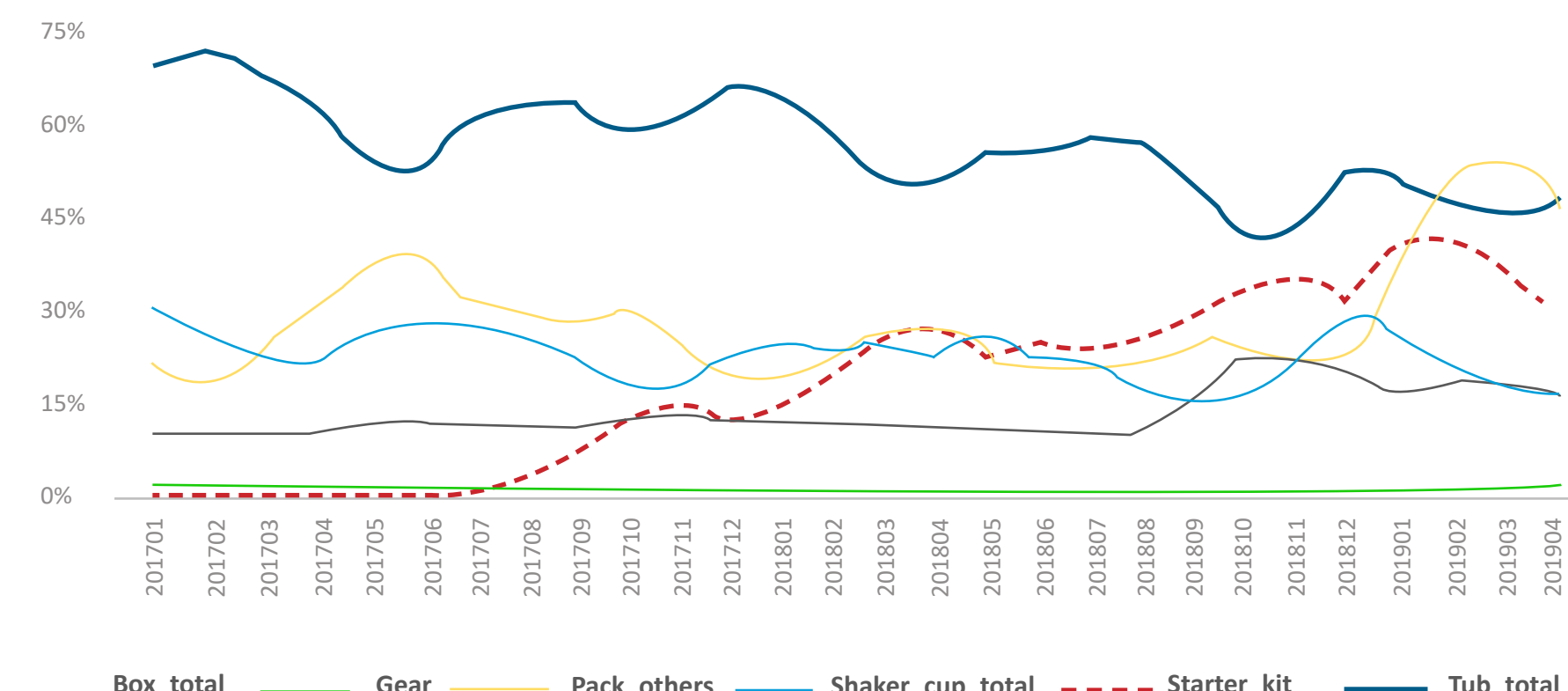
Next, we studied the purchase behavior of customers over 12 months to find out how many had returned and how much they spent during that period.

Customer Value in USD (12 months)
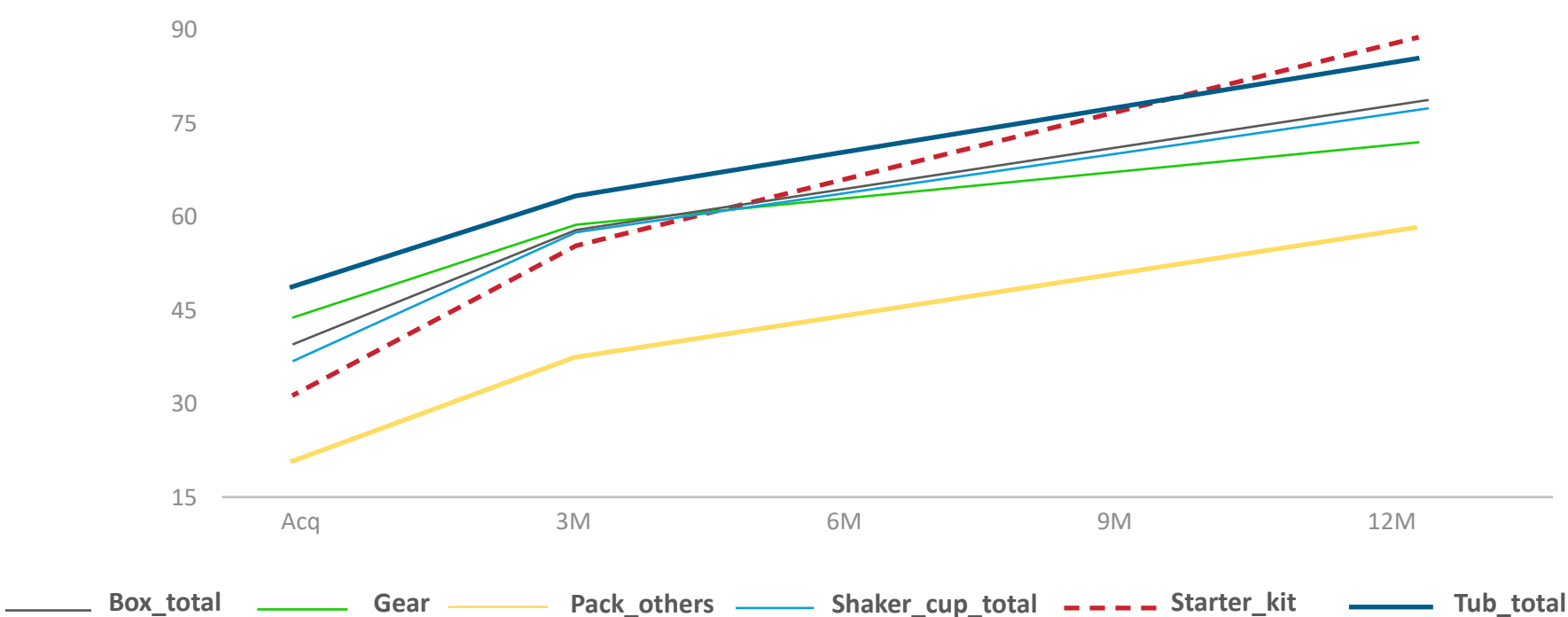
With a low ticket size, but frequent transactions, Starter kits topped other categories in terms of customer value.

Sales vs. Profitability

In the final step, we analyzed sales against the costs associated with each product category, such as marketing, logistics, discounts, and commissions, to determine the profit margins. For the first time, the client saw that Starter kits contributed little to its profits despite its ability to acquire more customers. Tubs, on the other hand, was a more profitable product category and ranked second in driving sales.

Benefits

Based on such insights, the company could:

- Create ideal product bundles, define effective price points, and boost profit margins
- Chart better cross-sell and up-sell strategies to boost sales of other products
- Design effective customer acquisition strategies by promoting the most purchased and profitable products

> You guys have been so great to work with this year, I have enjoyed it, and I try to sing the praises of your work every chance I get when talking to key stakeholders at other brands in the gaming space.
>
> \- Chief Marketing Officer at the client company

Gain strategic guidance to drive better pricing and product marketing decisions.

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