Sample One-Time Buyer Report

Company description

The company analyzed in this report is a manufacturer and retailer of bedding, furniture, and other home fashions. It sells primarily through catalogs and a web site, but also has some outlet stores and high end retailers. This analysis covers online and catalog transactions.

Buyer metrics

- Total number of one-time buyers (OTB):   69,023
- Percent of OTB in population: 45.2%
- Percent revenue from OTB, last 12 months   27.9%
- Median recency of one-time buyers   358 days
- Median time between 1st and 2nd purchase   244 days
- Time for 90% of repeat purchasers to make 2nd purchase   4.1 years
- Percent of OTB with recency between 244 days and 4 years   61.5%

Repeat purchase information

- 24% of all customers make a repurchase within the next 12 months

Purchasing Pattern Conditions	% of One-Time Buyers Meeting Conditions	% of Customers Repurchasing in Next 12 Months
• Spent at least $250 in first purchase	24%	32%
• Spent at least $250 in first purchase • Category Score ≥ 4	10%	39%
• Spent at least $250 in first purchase • Category Score ≥ 4 • Bought product "X"	1%	45%
NOTE: Category Score is the number of different products a customer has purchased.		

Within your one-time buyer population, we can determine customers who have a higher probability of repurchasing based on their initial activity.

Revenue analysis

- Median amount for first purchase, all customers: $124
- Median amount for first two purchases $322
- Gain from 2nd purchase $198
- Number of OTB with 244 days < recency < 4 years   42,449

Revenue opportunity from getting x% of your one-time buyers to make the second purchase:

Response Rate of X%	Buyers	Revenue Opportunity
0.50%	212	$ 42,025
1.00%	424	$ 84,049
2.00%	849	$ 168,098
5.00%	2,122	$ 420,245
10.00%	4,245	$ 840,490
15.00%	6,367	$ 1,260,735

Comparison to industry averages

Recency sizing is done by comparing the number of one-time buyers that have recency greater than the median inter-order time with the total number of one-time buyers. For the sample company, this number is actually lower than the industry average. The higher the bar, the worse the problem.
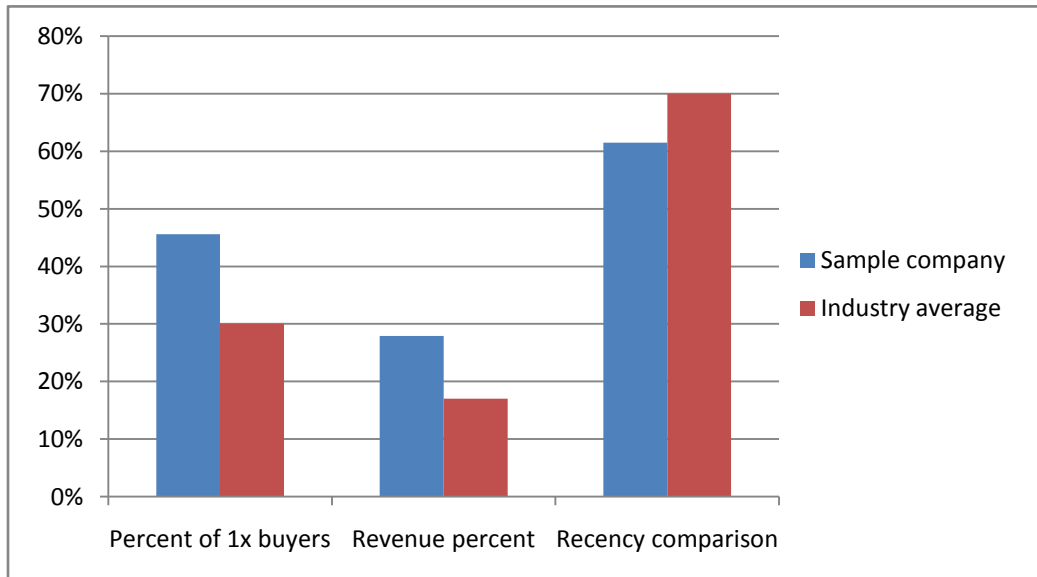
Analyst summary

The size of the one-time buyer population is large compared to industry averages for this type of company on two of the three dimensions—number and revenue contribution. For the recency distribution, the sample company is slightly better. We estimate at least a seven-figure drain on profitability (in the millions of dollars), based on some assumptions around gross margin. However, there is some good news in this picture.

Our analysis of product affinities (not shown here to protect the identity of the sample company) shows a good set of products to offer the one-time buyers and induce them to make the second purchase. Further, almost two thirds of the one-time buyers (42,449) have recency outside the median but inside the time (4.1 years) during which most of the repeat buyers make the second purchase.

Thus, there is a large population of campaign targets. If only 5% of them buy, the company will realize over $420,000.

Given the average order size and the substantial lift in the second order size over the first order, there is a big revenue incentive to use the recommended techniques and to work hard with the targeted one-time buyers to get the second sale.

Campaign recommendations

- Pick an appropriately-sized window between 244 days and 4.1 years. Start at the 244 day mark and move to a longer recency, up to a size that includes about 10,000 one-timers, or however many you can mail to, and still stay within your budget. These are one-time customers who are just past the median recency, on the lower probability of buying side. They are the best targets for getting the second sale. Each month a different group of customers will be inside this window.

- Campaign monthly to the selected customers, up to as many times as deemed profitable from an acquisition stand point. For example, if your acquisition costs are five times the mailing costs, then contact these customers up to five times. For the fifth communication, send a survey to determine their level of interest or reason for non-response. Drop non-responders from your campaign.

- Use cross-sell affinities to determine which products to offer.

- Use more aggressive offers in subsequent mailings.