

Database Health

KPI Checklist



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**Customer Database Health Metrics**

The five metrics below can all be set-up and tracked by brands to monitor the health and performance of customer database.

**1.Active Base**

This helps you understand how many customers in your database are actually engaging with your brand at any one point in time. It is important to keep an eye on this metric alongside the overall size of your customer base. As if your active base is shrinking it is an early warning sign of brand disengagement and attrition. Activity can be measured based on the last monetary transaction a customer has made or interaction such as contacting customer services. The activity period will depend on the nature of your business and purchase cycle. So for example, if you brand is a low frequency purchase such as Electronics then weekly active period won't be relevant. However, a grocery business will measure activity on a weekly basis.

**2. Activation Rate**

Many companies have a target for new customer acquisitions and spend money designing campaigns to achieve this. However, activation on acquisition is important as the ROI from marketing cannot be availed until this happens. A good example is when customers register on an e-commerce website and remain dormant without a transaction. One strategy most brands adopt is to understand the behavior of new customers post acquisition using analysis. The output from the analysis is used to design a series of communications otherwise known as 'onboarding journey' to improve activation and customer engagement rates.

**3. Attrition Rate**

Attrition or churn is when customers have reached the end of their lifecycle with your product or brand. Similar to activity each type of business will have its own unique lifetime length of a customer. To measure attrition you will need to be able to identify unique customers. The most common measurement is Annual Attrition Rate which measures the proportion of unique customers that were active 12 months ago are still active today. If your acquisition rate is lower than your attrition rate, then you have a leaky bucket situation, and you need to take preventative measures to retain customers. Attrition Rate is the converse of Retention Rate which measures the proportion of customers that remain in your database.

**4. Contact Rate**

Designing a good customer registration process will be key factor on the quality of contact data that is captured. Often a database may have a large number of customers but most of them are 'ghosts' or not contactable. Ghosts will impact the value of the database and limit the reach of brand communications. There are two areas to consider when understanding contactable customers. The first is has the data been collected? For example, making email or mobile number a mandatory field where registration is done online. The second is how good is the quality of data inputted? Using email validation tests and providing set options rather than free text for collecting demographics will improve quality capture. Tackling contact rate starts with reviewing data collection process to stop further ghosts being created. For the ghosts that exist already the brand needs to identify customer touchpoints for opportunities to collect this data post registration such as at the Point of Sale (POS).

**5. Opt-Out Rate**

At CloudSocio we often cite the importance of a good customer contact strategy. As the impact of over communication or worse irrelevant communication will be a high opt-out rate. This is when customers actively choose not to receive any marketing communications from your brand. Immediately your opportunity to increase $ value and keep that customer engaged has significantly reduced. A good benchmark is that less than 1% of your database should be opt-out at any point. If this rate is higher than the first point is understanding why members are opting out. Before a member completes opt-out process add a list of reasons e.g. 'leaving country' or 'email content not relevant' so that insight can be collected and reviewed. Once you know why customers are opting out you can work on improving this metric.

We hope you enjoyed this read, if you have any questions on this document then please contact our team at info@cloudsocio.com.