Community Matters

Crack the ecommerce growth formula
Introduction

Cracking the code for sustainable ecommerce growth is challenging because the rules of the game change all the time.

Retailers that once existed only on digital marketplaces (like Amazon and eBay) can now use self-service platforms to build and optimize their own sites and become far more competitive.

What were once just social media platforms like Facebook and Instagram have since become the fastest way to unlock new audiences at scale. And, let’s not forget the influencer boom when products would sell out after featuring on Zoella’s latest make-up tutorial for 20 seconds.

Then, in the last couple of years, pandemics, privacy changes, and significant challenges to supply and demand have left ecommerce professionals searching high and low for a new answer to ecommerce growth all over again.

Marketers have had their playbooks transformed and the traditional rules of building customer relationships have changed. The way consumers make decisions has shifted too. Instead of shopping based on price and convenience, they’re prioritizing brands they feel connected to and that give them extra value.

This is the point of change at which your customer community has become the greatest tool in your arsenal, guaranteed to fuel ecommerce growth.

Higher Logic even reported that each year a community is active its ROI significantly increases – giving you more revenue to invest back into growth tactics:

Brands with communities see a +1,352% ROI after two years. After 10 years, brands can see as much as a +10,000% ROI.

Higher Logic

The ROI story for a customer community is compelling because a community is what connects shoppers with one another, and the brands they buy from. These emotionally connected community members then complete high-value actions that benefit every stage of a marketer’s funnel. These actions drive up brand awareness, help acquire shoppers, and keep valuable customers loyal and spending more over time.

So, community matters. But how do you build one that’s more than just a Facebook page? How do you build a community that adds value to your business and becomes a catalyst for ecommerce growth?

This report will show you how to transform more of your shoppers into value-adding Insider community members. We’ll show you how to scale your store by attracting the kind of customers that make up a community, what makes the most engaged members tick, and what they want from you.

Here’s the key to ecommerce growth. Time to hop into the driver’s seat and start your community journey.
Exposé: What a community really looks like

The Community Matrix

Our Community Matrix shows that communities are made up of four different personas. Each persona offers different levels of value to your brand (based on the activities they complete that add value to your brand).

The end goal is to reach a community of Insiders. They require the least marketing effort to maintain a relationship with, but that relationship still delivers significant value to your ecommerce growth.

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<thead>
<tr>
<th>Persona</th>
<th>Percentage of Community Base</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lurkers</td>
<td>17%</td>
<td>They like your brand but are passive community members. They see your marketing but need more value from your brand to complete more high-value community-based activities.</td>
</tr>
<tr>
<td>Supporters</td>
<td>51%</td>
<td>They share your brand via word-of-mouth and engage with your marketing. But they need more incentives and attention to bring incremental gains back to your business.</td>
</tr>
<tr>
<td>Drifters</td>
<td>14%</td>
<td>These shoppers are unengaged and aren’t active community members. They have purchased from you and that’s where their emotional relationship with your brand ends.</td>
</tr>
<tr>
<td>Insiders</td>
<td>18%</td>
<td>The best community members you can get. They advocate for your brand without needing incentives. They complete the community-based activities that are the most valuable for your brand.</td>
</tr>
</tbody>
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“Marketing effort to maintain the relationship” is the estimated marketing spend and time needed for the customer to establish an emotional connection to your brand.

“The value they bring to your ecommerce growth” is the volume of participation and engagement they complete that improve your success metrics and contribute to your brand’s revenue and growth.
The Community Personas

So now you know the four Community Personas that exist, let’s dive a little more into their profiles.

Drifters

These shoppers are ghosting you. They don’t engage with your brand outside of purchases and are close to leaving you in the friend zone. They:

- Check out as a guest meaning you’re left with no personal details to re-engage them or personalize their ongoing experience.
- They don’t open your marketing emails or follow you on social media.
- They don’t recommend your brand to others or leave reviews.

But there’s still potential. They’ve purchased from you once – that’s the hardest part. With some TLC, you could push them over the line into Lurker territory.

Lurkers

Lurkers like you, but only from a distance. They engage but don’t participate enough to help grow your brand.

- 30% open marketing emails – they’re listening to your message but they don’t click through on offers or content you’re promoting.
- 10% will follow you on social media but that’s as far as it goes. They don’t amplify your activity by liking, commenting on, or sharing posts.

They’re paying attention but you’ve got to put more effort in for them to give back to your community.

Supporters

Supporters engage with your marketing, tell others about you, and feel emotionally connected.

- 54% will recommend you to friends and family, helping you acquire more customers who trust you from the get-go.
- 43% write reviews so you have more social proof to build confidence in your brand.
- 28% click-through on marketing emails, improving your click-through metrics.

Supporters aren’t fully committed to your brand just yet. However, with a little more effort, this large segment of your community could sub in and join you as an Insider.

Insiders

Insiders are the community members you’ve got to aim for. They’re your biggest cheerleaders and are always driving gains for your brand with their community-wide advocacy.

Even though they only make up around 20% of your customer base, they account for 50% of your total revenue. They repeat purchase often and complete value-adding actions that contribute to your growth.
Here’s more on the actions they complete and how they increase the success of KPIs for any ecommerce brand.

**Insiders create user-generated content**

54% of Insiders create original posts about brands they like. A large proportion of them will also leave reviews that act as social proof.

This user-generated content (UGC) builds brand awareness as prospective customers will see your brand for the first time. It also acts as a trust indicator for new customers as they see someone they know who values your products, meaning they’ll convert quicker. 75% of customers say that UGC makes brands appear more authentic and 88% of people trust reviews written by other shoppers.

**The KPIs Insider-UGC improves**

On social media, these Insider-created posts will increase your:

- Number of profile visits
- Social follows and engagement (through likes, comments, and shares)
- Traffic to product pages and website visits as new customers will be curious to check your products out

Meanwhile, reviews written by this loyal customer cohort will:

- Improve your conversion rates as customers will see reviews as a trust indicator
- Reduce your cart abandonment rates as reviews will squash any hesitations customers may have

**Insiders refer others to your brand**

With their UGC and community-wide advocacy, Insiders are also more likely to recommend you to friends and family. This helps you cost-effectively acquire more customers who are like-minded and convert quicker.

This organic word-of-mouth promotion saves you money as you’re bringing in new customers without investing in costly acquisition channels. In fact, researchers have found that a 10% increase in word-of-mouth translates to between a 0.2-1.5% increase in sales.

**The KPIs Insider-referrals improve**

- They keep your customer acquisition costs (CACs) low while keeping the ROI of these channels high. This is because your Insiders bring in highly-engaged website traffic at the fraction of the cost of digital advertising
- They increase your AOV as referred customers trust your products from the get-go meaning they’ll spend more per transaction
- They improve your gross profit margin as you’ve put in less investment to acquire these customers and they spend more per transaction

Researchers have found that a 10% increase in word-of-mouth translates to between a 0.2-1.5% increase in sales.
Insiders build emotional connections with other customers

46% of Insiders say they would write or respond to posts shared in online community spaces. 54% said they would chat with other customers in these spaces too.

By opening up the lines of communication with other customers, Insiders help make new customers feel connected to your brand. Once they feel aligned, these shoppers will stay loyal long-term as they’ll feel tied to you over other stores in the market. This will mean they’ll continue to engage and spend with you long-term.

These emotional connections then contribute to a lift in revenue. According to research, 70% of emotionally engaged customers spend up to two times more on brands they’re loyal to. Plus, emotional engagement could drive a 5% uplift in annual revenue.

The KPIs emotionally connected Insiders improve

- They increase your retention rates and purchase frequency as customers remain loyal and spend for longer
- Because of the above, you’ll increase your CLTV

Insiders share their personal data

In the new opt-out era – where privacy updates and data transparency are making consumers more protective over their data – brands don’t have the information they need to deliver personalized experiences. This can be damaging. Particularly because 70% of customers say they would be loyal to a brand if they’re given personalized offers.

Insiders help you collect more customer data in the opt-out era. 55% said they would share their personal information in exchange for tailored experiences. This is because they already trust your brand to use their data safely to elevate your customer experience.

You’ll then be able to deliver tailored experiences that make Insiders feel like you know them on a personal basis. When they feel this way, they’ll recommend you to others as they’ll want their loved ones to experience the high standard of customer service you offer.

The KPIs more Insider data improves

- Increased brand loyalty and higher CLTV from Insiders (and customers who are yet to become Insiders) as personalized experiences will make them spend more
- Increased account creation and data points shared so you can better target and re-engage shoppers
- More customers acquired as Insiders will want to tell others about the unique, tailored experiences you offer

When you transform Lurkers, Drifters, and Supporters into Insiders you’ll see success at every stage of the marketing funnel. Their community-wide advocacy and involvement will contribute to more brand awareness, lower acquisition costs, higher conversion rates, and increased loyalty.

Your marketing spend will become more efficient while delivering an increased uplift in revenue. You can then invest this extra revenue back into growing your business.

This is all well and good. But, the percentage of Insiders who make up a community base is alarmingly low. Keep reading to find out how to turn those Drifters, Lurkers, and Supporters into all-important Insiders.

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What Insiders want

Insiders are motivated by three things.

- Transactional perks
- Experiential benefits that improve their shopping experiences
- Brand alignment and opportunities to build emotional connections

Transactional perks
What makes an Insider complete more community-based actions

85%
Free delivery

83%
Discounts

Try running double point events instead of discounts. This is when a member gets double the points they would normally get per dollar they spend.

Natural skincare brand, Facetheory, gave their customers double points during Black Friday. As they see their points balance grow, they’ll return to redeem rewards later on. Meanwhile, you haven’t had to lower your costs or narrow your profit margins.

Faciehory has something special planned for you. For the whole week of our Black Friday promotion, you’ll earn double points* every time you shop.

Happy Mammoth (the supplements brand) use loyalty tiers to give free shipping on orders over $90 to members in their “Silver VIP” tier. But for members in their “Gold VIP” tier, they offer lifetime free shipping on all orders.

It’s no shock that transactional perks motivate community members to complete Insider-like actions. They want to save money in return for being an active contributor to your store. But, to avoid excessive discounting or cheapening your brand, be selective with the financial benefits you give.

When offering free delivery or shipping perks, give members differing levels of the perk depending on their loyalty to you.
You could also offer Insider-only discounts. The London-based jewelry brand Astrid & Miyu gives members of their loyalty program access to the “A&M Archive” where they can get discounts on bestsellers from past seasons.

These measured approaches to transactional perks show customers you value them, without them getting used to or expecting low prices. Plus, each method gives them the aspiration and motivation to return to you as they derive more value from every transaction.

Experiential benefits

Insiders love experiences. They thrive off the promise that their shopping experience will be elevated through experiential perks. They want deeper knowledge of the brand they’re connected to and to feel like a VIP.

Brands like Missoma (a jewelry brand) and LIVELY (an underwear brand) have created member-only spaces on their websites that include exclusive content that resonates with their community. Missoma’s “The Link Up” houses exclusive interviews with up-and-coming creatives. And, the LIVELY shared the “LivingLIVELY” series during lock-down where they hosted online yoga and baking classes.

<table>
<thead>
<tr>
<th>% Access to more product knowledge by being a member</th>
<th>% Content on topics they’re interested in</th>
<th>% The opportunity to test new products</th>
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<tbody>
<tr>
<td>83</td>
<td>81</td>
<td>76</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>% Invites to exclusive events</th>
<th>% The feeling of a VIP status</th>
<th>% Being able to access sales or new products before other customers</th>
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<tbody>
<tr>
<td>72</td>
<td>71</td>
<td>82</td>
</tr>
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</table>
The time when you’re getting customers to opt-in for this exclusive content is the perfect opportunity to ask them for more of their personal details too. You could roll out a survey that asks them about their interests or how they like to consume content. You can then use this data to send them personalized emails or roll out specific retargeting ads featuring content they’ve expressed interest in. These surveys will also give you an insight into the content your Insiders want from you so you can tweak your strategy to meet their requests.

Another way to make customers feel like VIPs is to give them early access to sales, new products, or best-sellers. Brands like Waterdrop, the micro-drinks company, give members of their program early access to their product collaborations before other customers. And, Averr Aglow give their Insiders early access to their best-selling SPF when it comes back into stock.

By giving them extra experiences unavailable to other customers you’re showing Insiders you care about their loyalty and they’ll keep spending as a result.

They’ll also be more likely to advocate for your brand and share UGC on your behalf. This will help you cost-effectively acquire new customers who have the potential to become Insiders down the line too. They’ll want to join your loyalty program to benefit from the exclusive content and early access.

But that’s not all. This UGC acts as genuine social proof you can use in your marketing collateral. You could either use it in campaigns when your new product officially launches. Or use content they post about your online events on your social profiles to tempt passive customers to join your community and complete more value-adding activities.
Brand alignment

What makes an Insider complete more community-based actions

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<th>83%</th>
<th>76%</th>
<th>80%</th>
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</thead>
<tbody>
<tr>
<td>Being able to communicate directly with the brand</td>
<td>Being able to talk to others with shared interests</td>
<td>Being able to contribute to a cause they care about</td>
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<table>
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<tr>
<th>76%</th>
<th>74%</th>
</tr>
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<tbody>
<tr>
<td>Greater understanding of what a brand stands for</td>
<td>An understanding of the brand’s story and history</td>
</tr>
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</table>

Today’s customers want to feel emotionally aligned with the brands they shop with. This is even more important to Insider community members. If they feel like your brand has the same vision and values as them, they’re going to feel more connected, spend more, and recommend you to others who are like-minded.

To make customers feel aligned with your brand, give them member-only access to community spaces (like a Facebook group). Once they’re here, make sure the lines of communication between your brand, your Insiders, and other customers are open and they’re proactively engaging with people who share their interests.

Annmarie Skin Care, for example, has a member-only Facebook group where customers talk to one another, post their experiences with the products, and share eco-conscious beauty hacks.

This approach lets their Insiders connect with like-minded customers, deepening the relationship with the brand. Meanwhile, Annmarie Skin Care gets valuable feedback directly from their community they can use for future product development.

Next, to demonstrate brand alignment, use your loyalty program to allow shoppers to contribute to causes they’re passionate about.

For example, Green People let their customers exchange their rewards for a donation to the British Red Cross to help people affected by the war in Ukraine.

Wild and Beautiful Collective Insiders
- Private group | 1.8K members

DONATE YOUR POINTS TO SUPPORT UKRAINE

Our hearts go out to all those affected by the current crisis.

The British Red Cross is the World’s Deparmentarian organization and it’s in desperate need of donations that will help to provide quick and effective relief to people affected by the invasion in Ukraine. You can donate as little as 100 points or as many as you would like.

Donate your points and we will match your donation.

Donate on your account
2. Select “Collectives”
3. Select “British Red Cross donations”
4. Green People will then make your donation.

Thank you.
Other brands use their loyalty program to reward customers for completing thoughtful actions. The fashion brand, Never Fully Dressed, gives customers loyalty points as part of their pre-loved initiative. The brand then sells these second-hand clothes on Depop. This shows that Never Fully Dressed supports the circular fashion economy (a cause that their community is passionate about).

An additional benefit of showing how you’re aligned is that your Insiders will be motivated to create more, genuine UGC on your behalf. They may tell the world how many donations they’ve helped make, or how your brand is supporting worldwide issues. This will help you bring in more like-minded customers organically who convert quicker. Immediately they’ll feel emotionally bought in as they know you care about the same things as them and they’ll be excited by the prospect of their purchases contributing to a larger cause.

Closing thoughts

If you’re stuck on a treadmill chasing sustainable ecommerce growth, we hope we’ve opened your eyes to a few things.

With all the changes ecommerce brings, investing in your Insiders will help you improve KPIs across your marketing funnel. Please them with financial and experiential perks, as well as brand alignment, and they’ll thank you by completing actions that contribute to more advocacy, engagement, and loyalty.

These activities don’t only build the CLTV of your existing Insiders, but they also help acquire and transform Lurkers, Drifters, and Supporters into highly-engaged, valuable shoppers.
About LoyaltyLion

LoyaltyLion is a data-driven loyalty and engagement platform, helping fast-growth ecommerce merchants power longer-lasting relationships and sustainable growth. Our unique combination of best-in-class technology and dedicated loyalty expertise helps thousands of Marketers drive more revenue from highly-engaged, highly-valuable customers.

loyaltylion.com