

# I was told there would be no math . . . .

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**Examining  
brand and  
loyalty  
measures**

# Today's Agenda

○ ○ ○ ○

- 1 Using data to inform marketing
- 2 Customer Lifetime Value
- 3 Customer Wallet
- 4 Repeat Purchase Rate
- 5 Discount Sensitivity

# Introduction



**Jewel** and **Liz** will be our facilitators for this session.

Goal: Marketing is becoming an ever more quantitative sport with an abundance of key performance indicators and critical metrics. In this session we explore some of the common brand loyalty metrics and establish their importance in your day to day decision making.

## Your facilitators

Jewel Loree



Liz Connors



# Brand Loyalty

**Brand Loyalty can be measured many different ways... but no matter the measurement method its purpose is to understand and document:**

the consumer's emotionally-charged decision to purchase a specific brand again and again; the consumer perceives that the brand meets their expectations and identifies with the consumer on a personal level.

## Brand Loyalty Outcomes

### Strong Brand Loyalty

Brands with strong loyalty will see its customers repeatedly purchase its products, spend a larger portion of wallet on the Brand's products, and be less swayed by marketing campaigns to switch brands

### Weak Brand Loyalty

Brands with weak brand loyalty will see lower repeat purchase rates, more splitting of spend/ switching brands, and will likely need to offer competitive discounts to avoid customer attrition

# Why Measure?

Measuring Brand Loyalty helps you understand how your marketing efforts are influencing your customers over time ○ ○ ○ ○



## Understanding Brand Loyalty is Crucial to Growing Your Sales and Creating Products

### Growing Sales

Sales growth occurs through increasing sales to current customers and acquiring new ones. Understanding data points such as lifetime value and retention rate help to determine appropriate spending for marketing campaigns.

In addition, comparing your statistics to benchmarks or competitors helps to guide your strategic initiatives.

### Product Development

By examining industry benchmarks and competition you can determine what factors contribute to increased loyalty in your category.

This helps when determine what features (flavors, strains, price points, package sizes) to add to your catalog.

# Customer Lifetime Value



## What Is It?

The total amount of money a customer is expected to spend on your products during their lifetime.



## Why Use It?

One of the primary use cases is to determine how much you can spend to acquire a customer.



## How to Calculate It?

$$\text{CLV} = \frac{\text{Avg \$ Amount Spent/Trip}}{\text{Avg \# of Trips}^*}$$

# Customer Lifetime Value

Average Sales  
per Trip



X

Average Trips  
per Year



X

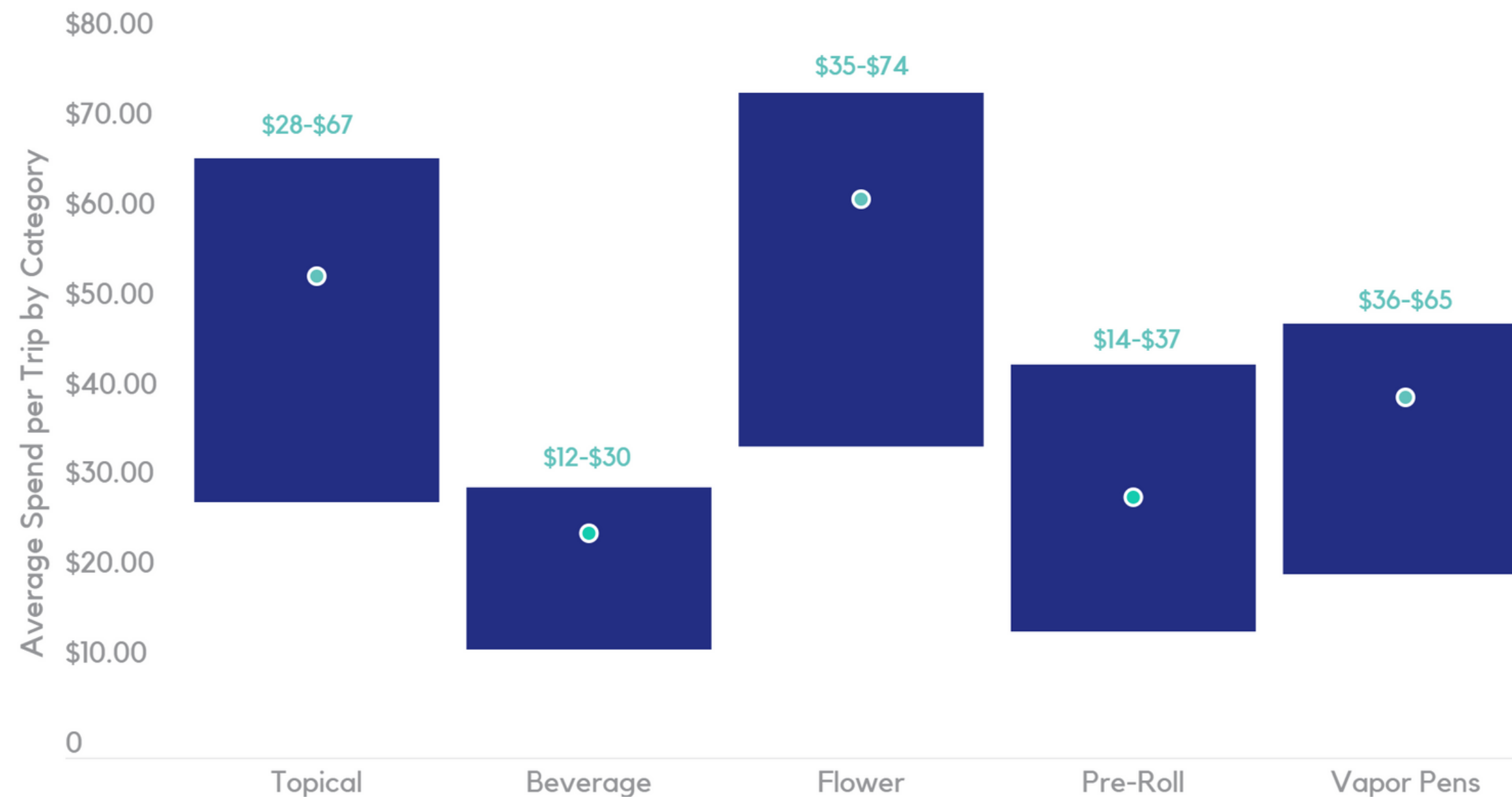
Average # of  
Years Retained



For our purposes today we are going to use the average **yearly** customer value rather than lifetime. Cannabis is still very new and we are just beginning to understand how long we expect customers to stick with a brand through various lifestages, regulation changes, with consistent entrantance (and destruction) of competitors and new formats.

# Average Spend per Trip

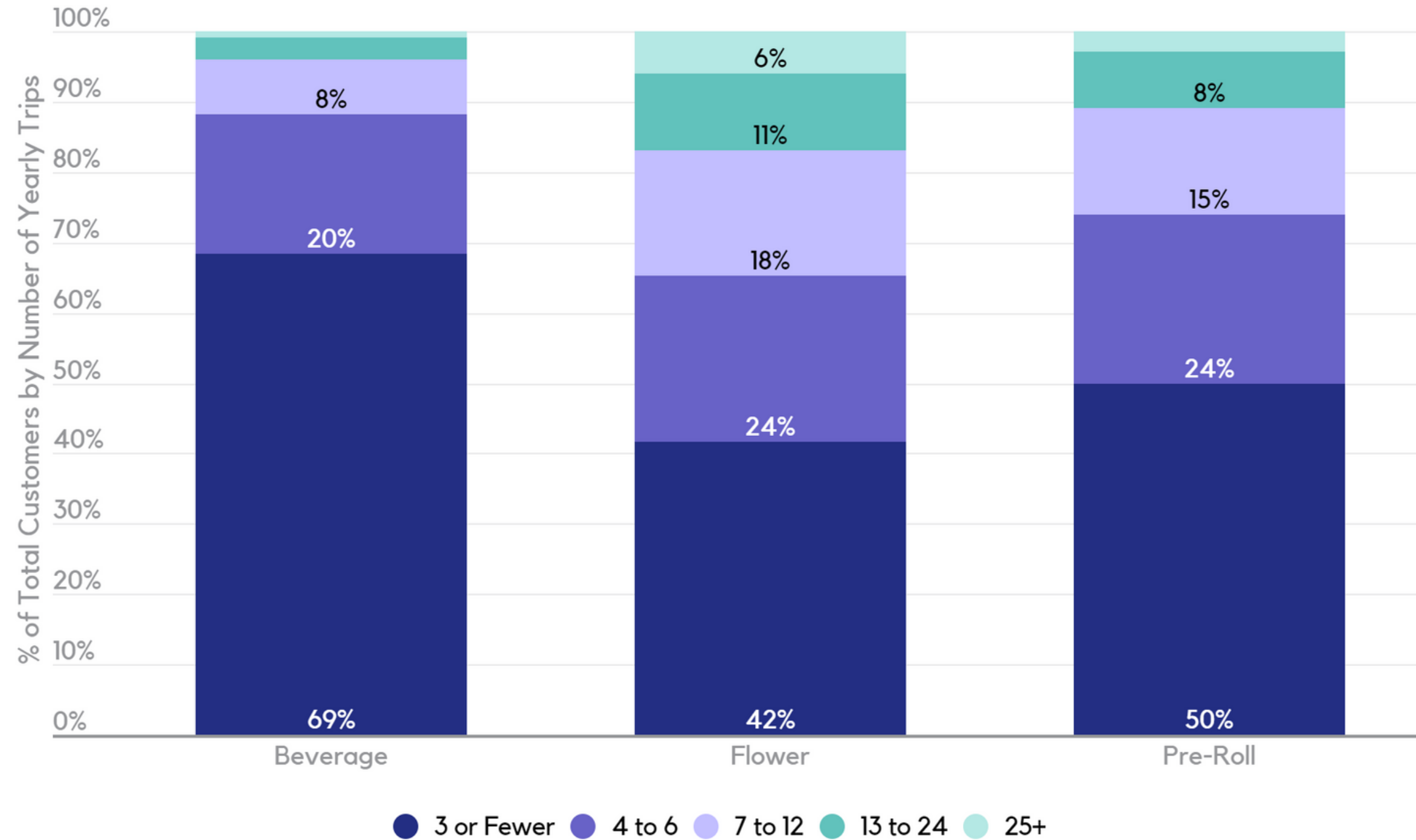
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Average sales per trip vary between categories. Here we see the average \$/trip flanked by the 25th and 75th percentiles. This means, for example, that 50% of people that buy Beverages will spend between \$12 and \$30 with the average person spending \$25.

# Number of Yearly Trips

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The number of trips a customer makes per year varies greatly by category. In beverages the average consumer will only make about 2.5 trips compared with 5 trips for Flower consumers. Flower and Pre-Roll both see >10% of their customers making trips at least more than 1 time per month on average.

# Yearly Customer Value (Flower in CA)

Average Sales  
per Trip



X

Average Trips  
per Year



=

Yearly Customer  
Value



**\$35-\$74 X 5 = \$175-\$370**

Using the purchase range and average yearly trips we find that the reasonable range for an yearly value of a Flower consumer in CA is between \$175 and \$370. This can have a lot of variance in particular by demographic group, income levels, and occasions for use.

# What To Do Next

Knowing the average yearly value of a Flower consumer brands can work backward to understand a reasonable CAC (Customer Acquisition Cost).



## Yearly Customer Value

### Comparative Analysis of Consumer Groups

What types of consumers have larger yearly values?

Are discount driven customers more or less valuable?

How do my acquisitions costs compare?

How long does it take to breakeven on my acquisition costs?

Are there contributing factors we should work on to improve yearly value (repeat purchase rate? wallet share?

discounting? switching?)

### Comparative Analysis of Competitive Brands

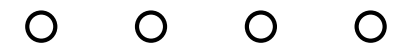
How does my average yearly value compare to the category?

How do my top competitors compare?

Are there brands with higher average yearly values?

What factors are contributing to higher average yearly values?

# Customer Share of Wallet



## What Is It?

The wallet is the total amount of money a customer will spend on all cannabis products. This is their cannabis budget. Wallet share is the portion of that budget spent on a specific product, brand, or category.



## Why Use It?

Understanding the wallet share of your customers helps you know their potential spend as well as find areas for gaining a larger market share within your individual customers' spending.



## How to Calculate It?

$$\frac{\text{Sales in Category}^*}{\text{Total Sales}}$$

\*or segment, brand or product

# Customer Share of Wallet

Total Category  
Sales



Total Cannabis  
Sales



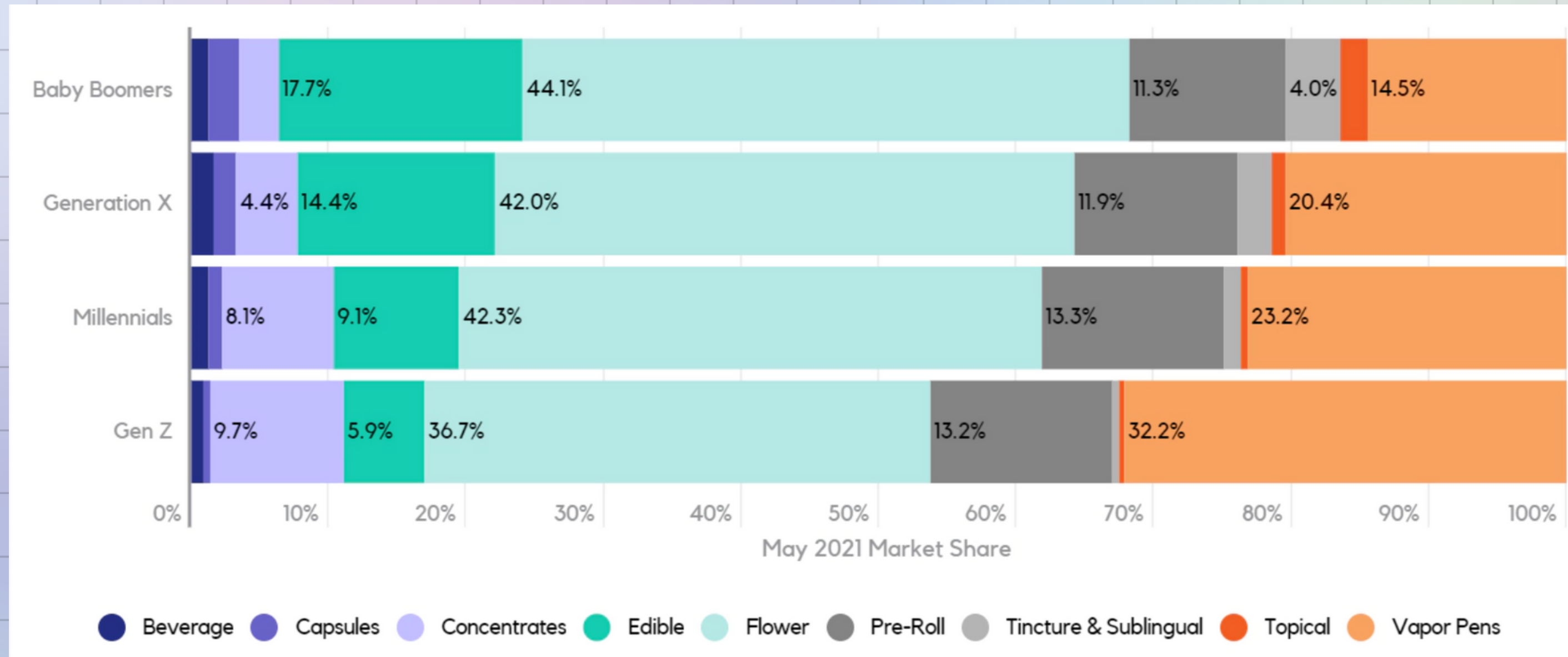
Share of  
Wallet



Share of Wallet can be calculated many ways. Today we are going to look at category share of wallet. However, a common measure is to take brand share of wallet in a given category or a product share of wallet within a given brand. Your choice of numerator and denominator will vary based on the goal of your individual analysis.

# Category Wallet Share by Generation

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Each age groups spends their cannabis budget in different proportions. Here we see that Vapor Pens are a significant part of a Gen Z wallet but Baby Boomers prefer to spend on Edibles and Tinctures.

# What To Do Next

Knowing the wallet share of different groups of customers brands can work to grow their wallet share within in their current customers. This "like-customer" sales growth combined with customer acquisition to create market share growth. ○ ○ ○ ○



## Yearly Customer Value

### Comparative Analysis of Consumer Groups

What types of consumers (demographics? income levels?)

do I see a larger wallet share from?

Are there certain strains, package sizes, or flavors that get more wallet share?

Do customers that buy multi-types of my products result in larger wallet share?

### Comparative Analysis of Competitive Brands

How does my wallet share compare to the category?

How do my top competitors compare?

Are there brands with higher wallet shares?

What factors are contributing to higher wallet share?

What types of products increase consumer wallet?

# Repeat Purchase or Retention Rate



## What Is It?

Repeat Purchase Rate is the % of your Brand's customers that returned to stores and purchased your product again.



## Why Use It?

Repeat Purchase Rate tells us if customers are loyal to your brand. This measure is often used comparatively.



## How to Calculate It?

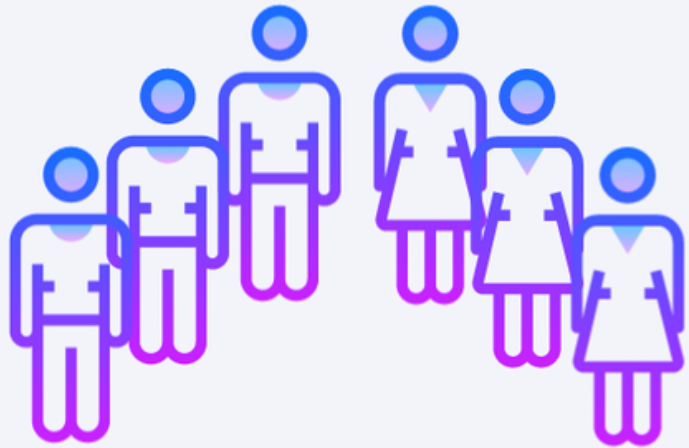
Varies by Industry. For cannabis we use % of customers making a return purchase divided by total customers returning to the category.

# Customer Retention Rate

BETWEEN 12 AND 6 MONTHS AGO

BETWEEN 6 MONTHS AGO AND TODAY

Original Cohort



PURCHASED BRAND X + CATEGORY



Retained Loyalists



PURCHASED BRAND X ONLY

Retained



PURCHASED BRAND X  
AND OTHER BRANDS

Lost



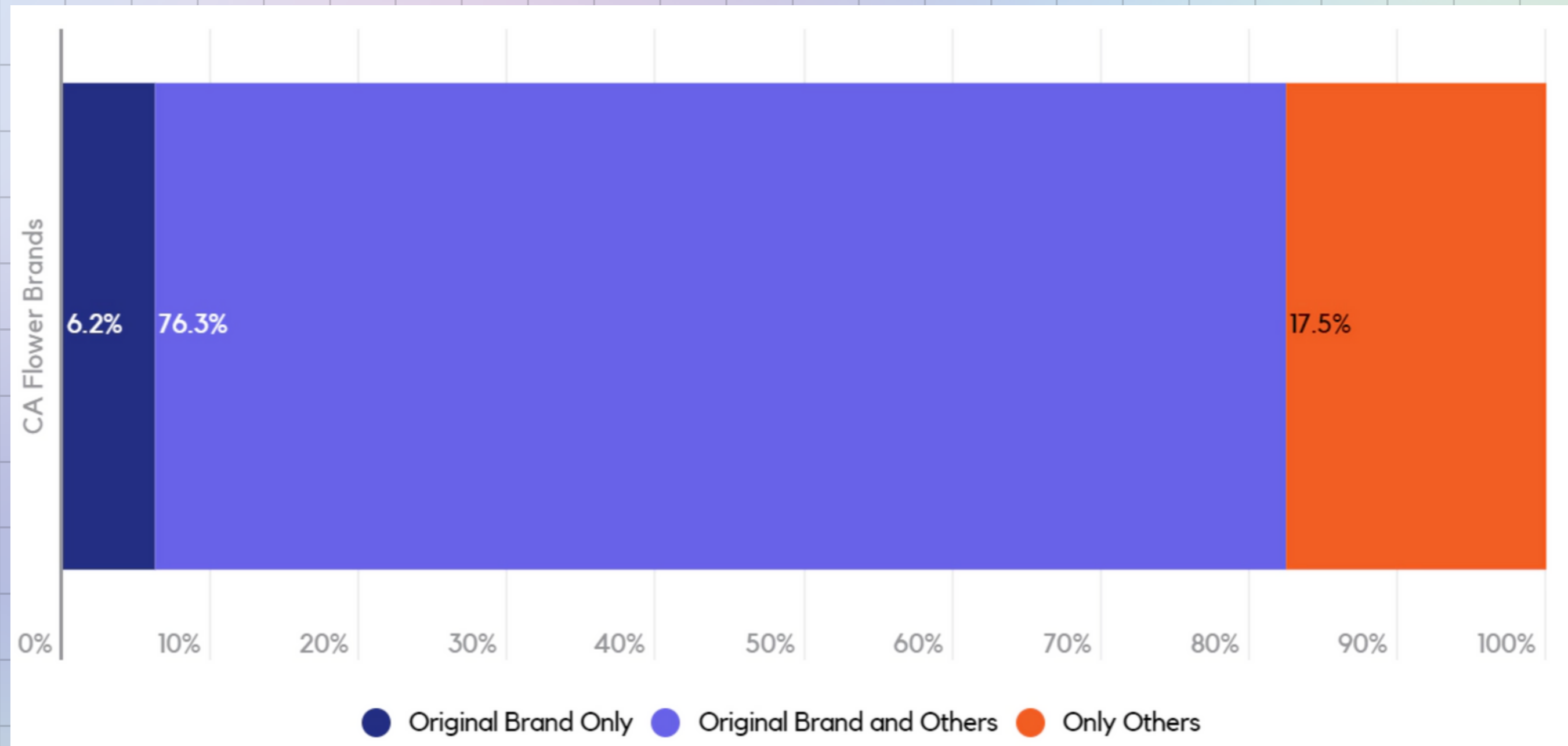
PURCHASED OTHER  
BRANDS ONLY



DID NOT REPEAT  
PURCHASE  
IN CATEGORY

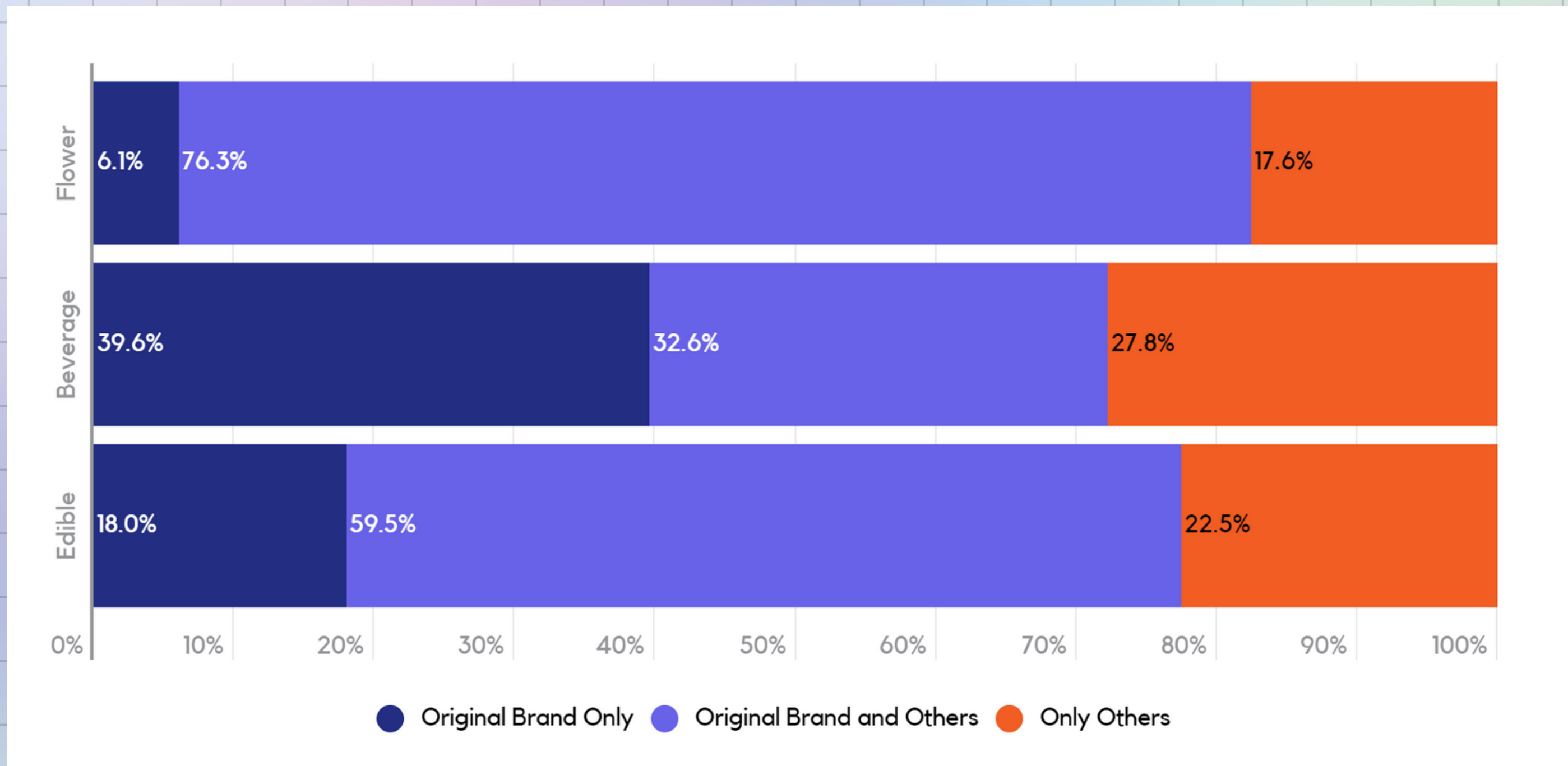
# Brand Loyalty

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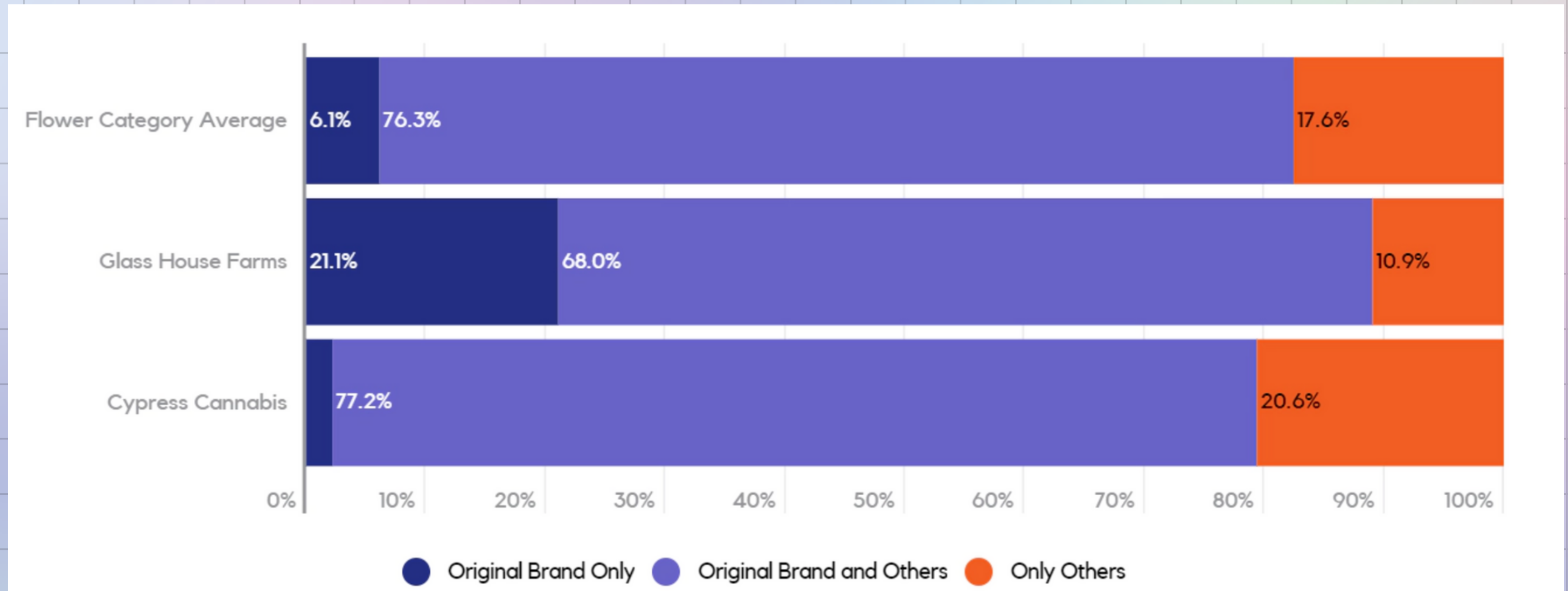
On average, the top Flower brands in California are losing about 18% of customers to other brands. Only 6% of Flower customers are true dedicated brand loyalists.

# Customer Retention by Category



Beverages and Edibles pose a very different scenario. We see a large concentration of exclusively loyal and exclusively disloyal customers.

# Customer Retention by Brand



On average, the top Flower brands in California are losing about 18% of customers to other brands. Only 6% of Flower customers are true dedicated brand loyalists.

# What To Do Next

Knowing your repeat purchase or retention rate you can better understand if you are retaining the customers that you have acquired.



## Retention Rate

### Determining Root Causes Behind Retention

Has your attrition (opposite of retention) rate changed over time? Is it improving?

Which brands (or strains or flavors or price points) are my customers most likely to be switching to?

Are my customers more likely to be transient or discount sensitive?

### Comparative Analysis of Competitive Brands

Which brands have the highest loyalty?

Are there product strategies that make this true?

Is pricing or discounting the main driver? Is the market I am playing in commoditized in the eyes of the consumer?

# Discount Sensitivity



## What Is It?

How sensitive a consumer is to a discount or change in price – high sensitivity means the customer is willing to switch products or brands if a discount is present.



## Why Use It?

This helps you price your products as well as better compete for customers by understanding their willingness to buy based on price cues.

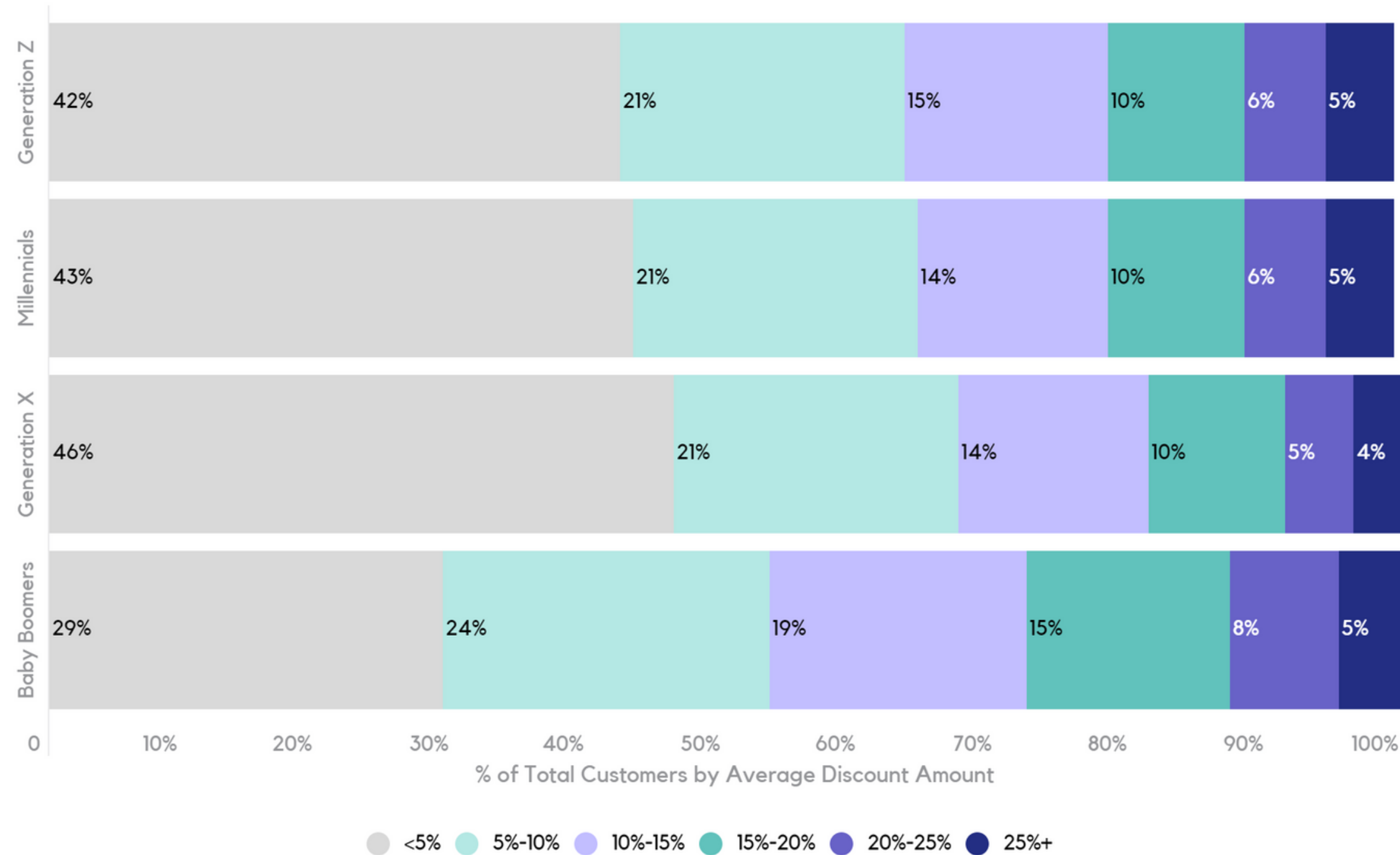


## How to Calculate It?

Today we will compare different groups of consumers by the proportion of customers that purchase items with varying levels of discounts.

# Discount Sensitivity

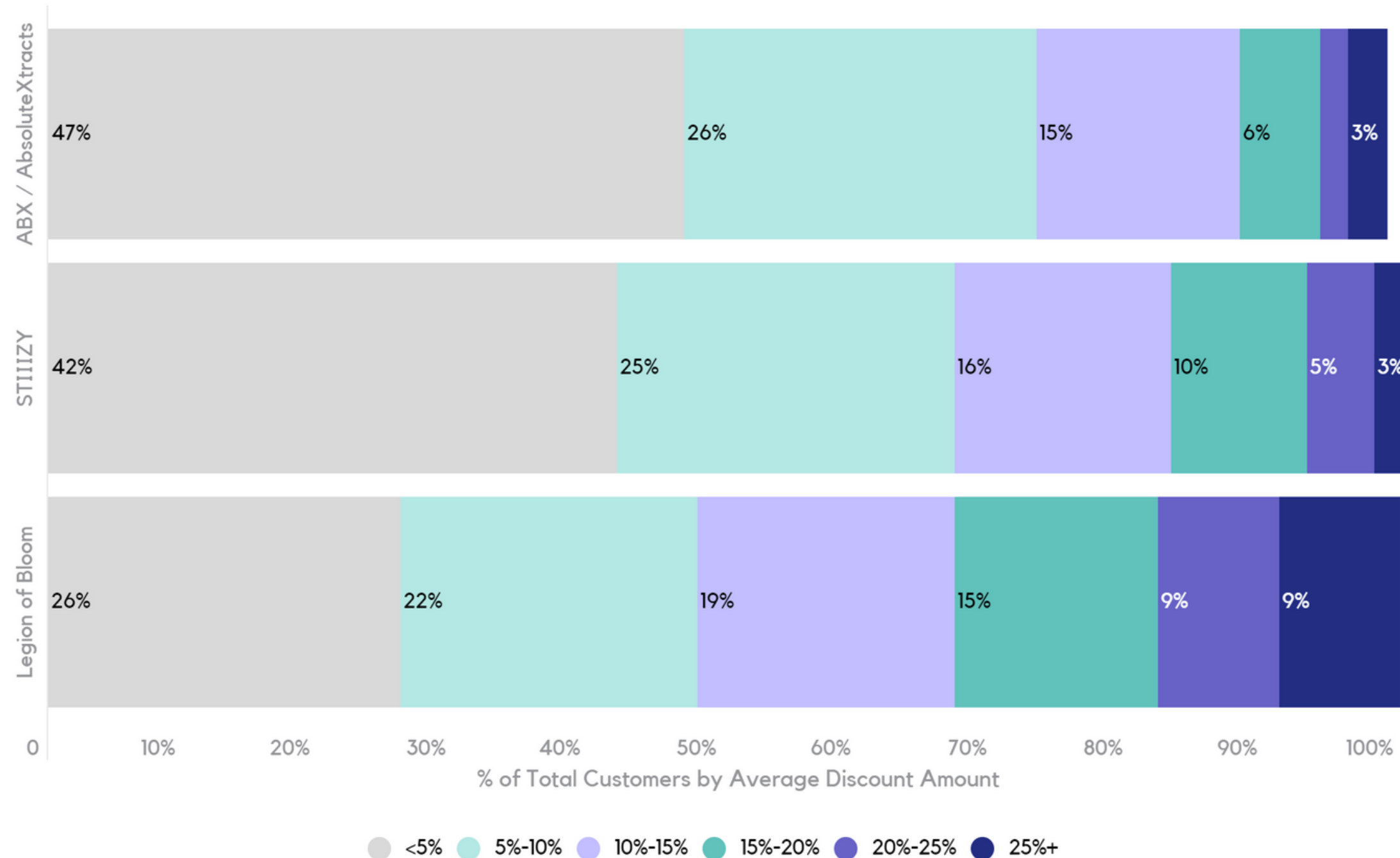
Discount sensitivity varies with age. Here we see Generation X is the least sensitive to discounts. In contrast younger individuals (that don't have high earning power yet) and older individuals (likely on fixed incomes) are much more discount sensitive.



# Discount Sensitivity

Here we see that ABX customers are least sensitive to discounts whereas Legion of Bloom customers generally purchase products that are heavily discounted.

Stiiizy's sits in between the two and is a proprietary format.



# What To Do Next

Knowing how sensitive various customer groups are to prices and discounting helps you to determine the most effective way to discount your products to grow



## Discount Sensitivity

### Reviewing Your Target Customer

Is the customer group your are targeting generally price sensitive?

Are discounts common in your category or trade area?

Is your category commoditized in the eyes of the consumer? How do you stand apart if your intentions are not to compete on price? If competing on price how will you track competition?

### Comparative Analysis of Competitive Brands

How are your main competitors discounting and pricing their products?

Are there recent trends or new entrants running a pricing strategy?

If you are a discount player or have discount sensitive consumers which other brands also have highly discount sensitive consumers?

# Recap

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1

Brand Loyalty data helps brands better position and price their products as well as compare to competition

2

Customer Lifetime Value helps determine reasonable acquisition costs

3

Customer Wallet helps us understand how our consumers spilt their spend

4

Repeat Purchase Rate helps us determine if we are satisfying the needs of our customers

5

Discount Sensitivity is a way to determine if pricing or discounting changes could benefit your brand.

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# Appendix

# Additional Reading

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## Marketers Need to Stop Focusing on Loyalty and Start Thinking About Relevance

The days of “buying” loyalty with rewards or rebates are over.

 Harvard Business Review / Mar 21, 2018



## What is Price Sensitivity? Definition + How to Measure It

Let's examine the importance of customer price sensitivity and two of the best methods for collecting