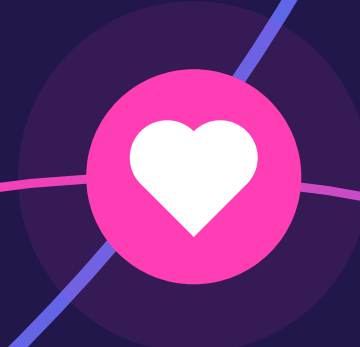


Customer Advocacy

An untapped asset



Introduction

If you're a CFO of an e-commerce Direct-to-Consumer (DTC) brand, you're likely fixated on how to drive efficient and sustainable growth in a market with continuing headwinds. Businesses are increasingly looking at customer advocacy and word-of-mouth referrals as a way to deliver this. In this document, we'll delve into why customer advocacy should be on every CFO's radar and how it can transform the economics of your business.

Customer Advocacy:

An untapped asset

Traditionally, customer advocacy—where satisfied customers become active promoters or advocates of a brand—has been the purview of marketing and customer success teams. However, in a rapidly evolving business landscape where customer acquisition costs are soaring and customer loyalty is dwindling, customer advocacy should be at the heart of how you drive towards sustainable, profitable growth.



Impacting the KPIs you care about as CFO

Like most CFOs I'm sure you are seeing diminishing returns from your traditional marketing channels and your retention rates are in decline; in short your LTV:CAC is not where it should be.

If we take a deeper look at marketing there are two fundamental ways to acquire customers;



Higher LTV

It's obvious how increasing retention improves LTV but so does increasing referrals. Customers who refer not only spend more over their lifetime but so do the customers they refer with 11% higher AOV and 1.8x increased repeat rates than non-referred customers. These referred customers are also themselves more likely to refer which creates a network effect. Over time this can fundamentally change the economics of your business and in the near term will boost your LTV.

Lower CAC

Growing through referral and other forms of advocacy are also the most efficient ways to acquire customers with CPA of referral typically 40% lower than paid channels. Using advocacy data to build your lookalike audiences in Meta and Google has seen multiple brands like Spoke and Seraphine decrease their CPA by between 15% and 50%. The combined impact of this is a huge boost to your LTV:CAC.

Many businesses have already got on board with this customer-centric mindset to growth with boards increasingly tracking earned growth as their north star metric to assess its success.

Earned Growth

Fred Reichheld, creator of 'Net Promoter Score' and Bain Fellow said, "The future of profitability and growth is to get customers coming back for more, and bringing their friends."

Until recently it has been difficult for businesses to understand the economic impact of thinking advocacy first as Fred suggests. In his book, *Winning on Purpose*, Fred introduced the concept of 'Earned Growth', a new metric which solves this problem. Earned growth of a business is how fast that business would grow if you didn't spend a penny on sales and marketing.

The earned growth metric simply measures how much revenue in each period comes from existing-customer repeat and expanded purchases (net of reductions) plus the revenues from new customers who were referred by existing customers.



Earned growth of a business is how fast that business would grow if you didn't spend a penny on sales and marketing.

How will tracking Earned Growth transform your business economics?

Sustainable Organic Growth

By focusing on earned growth, you sustainably build your customer base through exceptional customer experience and word of mouth.

Enhanced Profitability

The money saved from lower paid advertising costs can either boost your overall profitability or be reinvested to drive additional growth.

Competitive Edge

Customers acquired through advocacy spend more, are more loyal and refer more of their friends creating a self-sustaining growth engine creating genuine competitive advantage.

The success of an earned growth strategy is underpinned by three things;

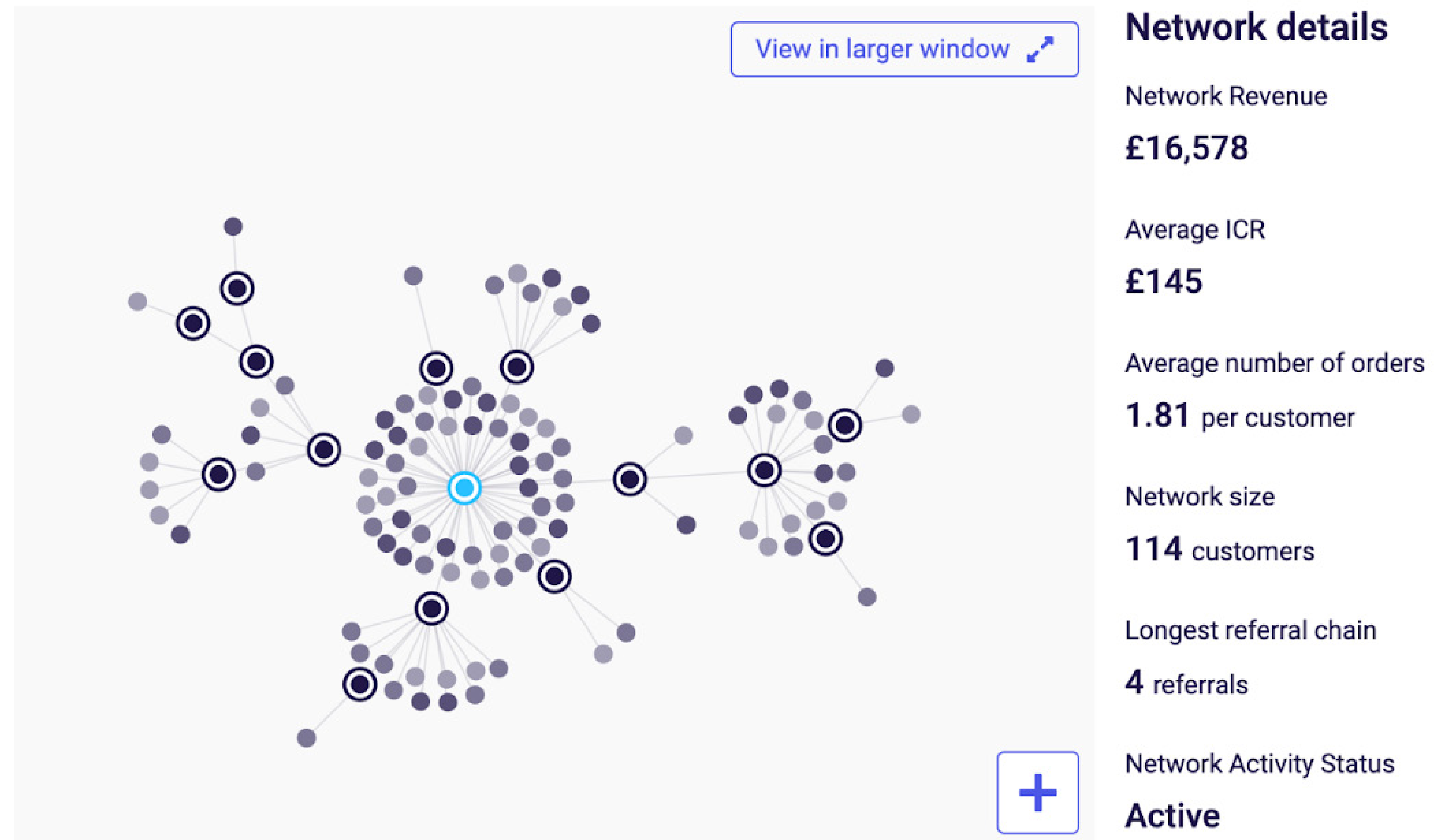
- 1) understanding who your advocates are,
- 2) nurturing them and
- 3) acquiring more of them. And this is where Mention Me comes in.

How the Mention Me Platform delivers for a CFO

Discover your Brand Advocates

For the first time the Mention Me platform allows brands like yours to understand who is recommending your business to their friends and family and how these referral networks grow over time. By understanding who is most active for your brand you can reimagine your VIP customer marketing and ensure they do not lapse. You can understand who is predicted to be your future advocates and nurture them through exceptional customer experience and drive them to even more advocacy for your brand through actions such as referral, leaving reviews or posting on social media. Using the Mention Me Platform has seen one leading luxury fashion brand increase retention of VIP customers by over 60%.

In the opposite image from the Mention Me platform users can clearly identify their most valuable referral networks. The blue circle highlights the network starter, this information can be used to inform micro - influencer programs which can drive savings in traditional paid marketing strategies.

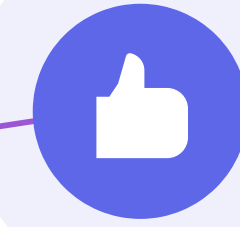


Nurture and Activate Future VIPs

The Mention Me platform can accurately predict who your best customers will be in the next 12 months. This is unique because not only do we predict what they will spend but also how many others they will bring to your brand and what they will spend.

By activating this data you can enhance your segmentation strategies to ensure that those with the potential to be high revenue customers for your brand have the right treatment at each customer touch point such as outbound comms, in their contact with your service teams or even in store. Using advocacy data within your segmentation strategy has been proven to increase engagement rates by **more than 80%** and driven a further **increase in referral of 36%**.

Using this data can also make your paid channel spend more efficient. For example, by using data generated on the Mention Me Platform for those who are predicted to be low value and low loyalty customers, one leading health food business was able to achieve efficiencies with their remarketing spend. This resulted in seeing conversion rates on reactivation campaigns **increase by 27% while maintaining the existing budget**.



Using advocacy data within your segmentation strategy has been proven to **increase engagement rates by more than 80%** and driven a further **increase in referral of 36%**.

Shifting the economics of your business

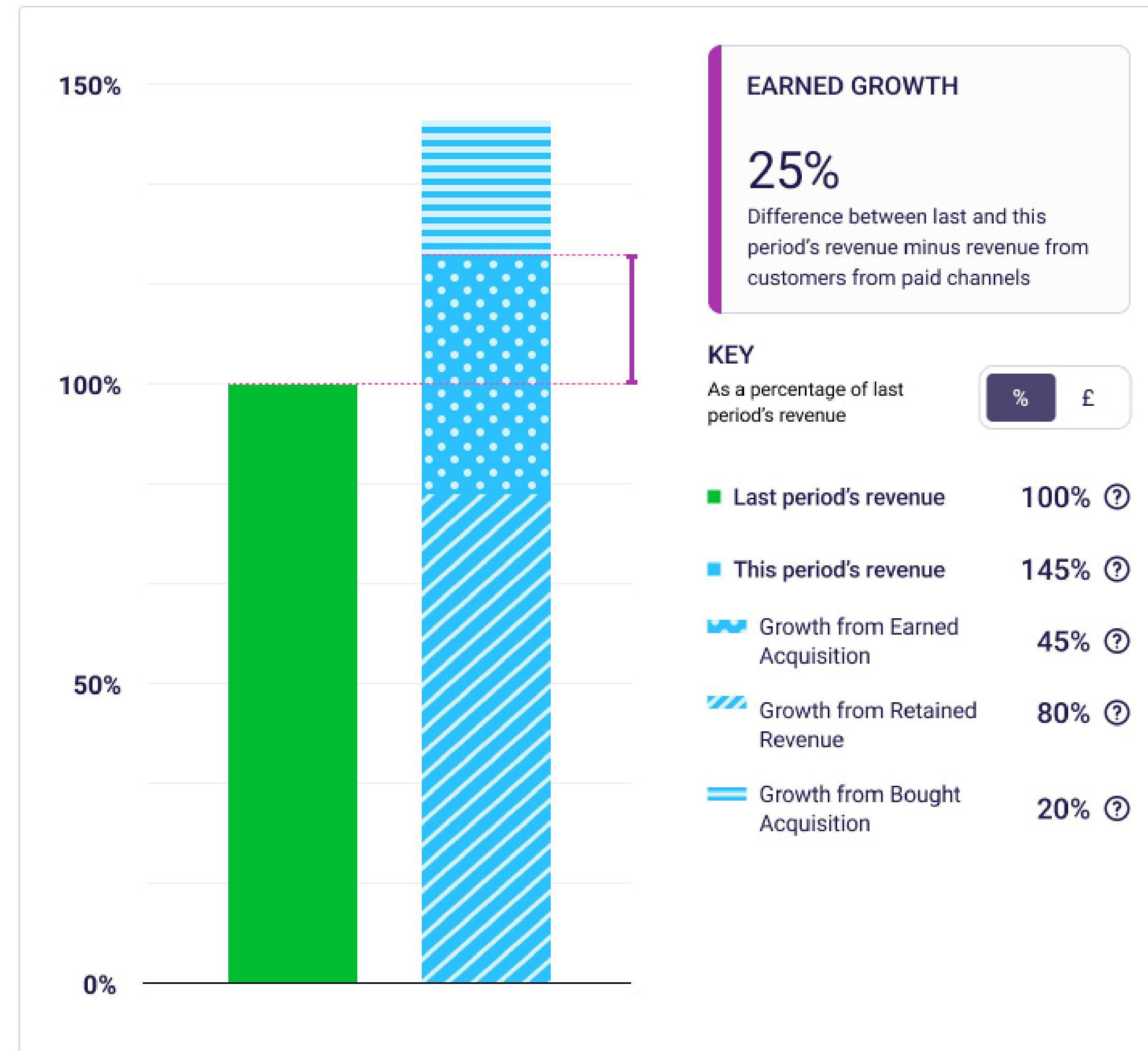
Mention Me is the first platform in the world to allow businesses to accurately track their Earned Growth.

As mentioned above, by using Earned Growth as one of your north star metrics you can completely transform your economics over time and build a truly sustainable business which is best positioned to weather the economic headwinds. Many leading businesses have already made this transition and use the Mention Me Platform to report on Earned Growth in their Senior Leadership Team meetings, Board Updates and Investor calls.

Growth **Earned Growth**

Earned Growth over the last 12 months

Last calculated 12-May-2023

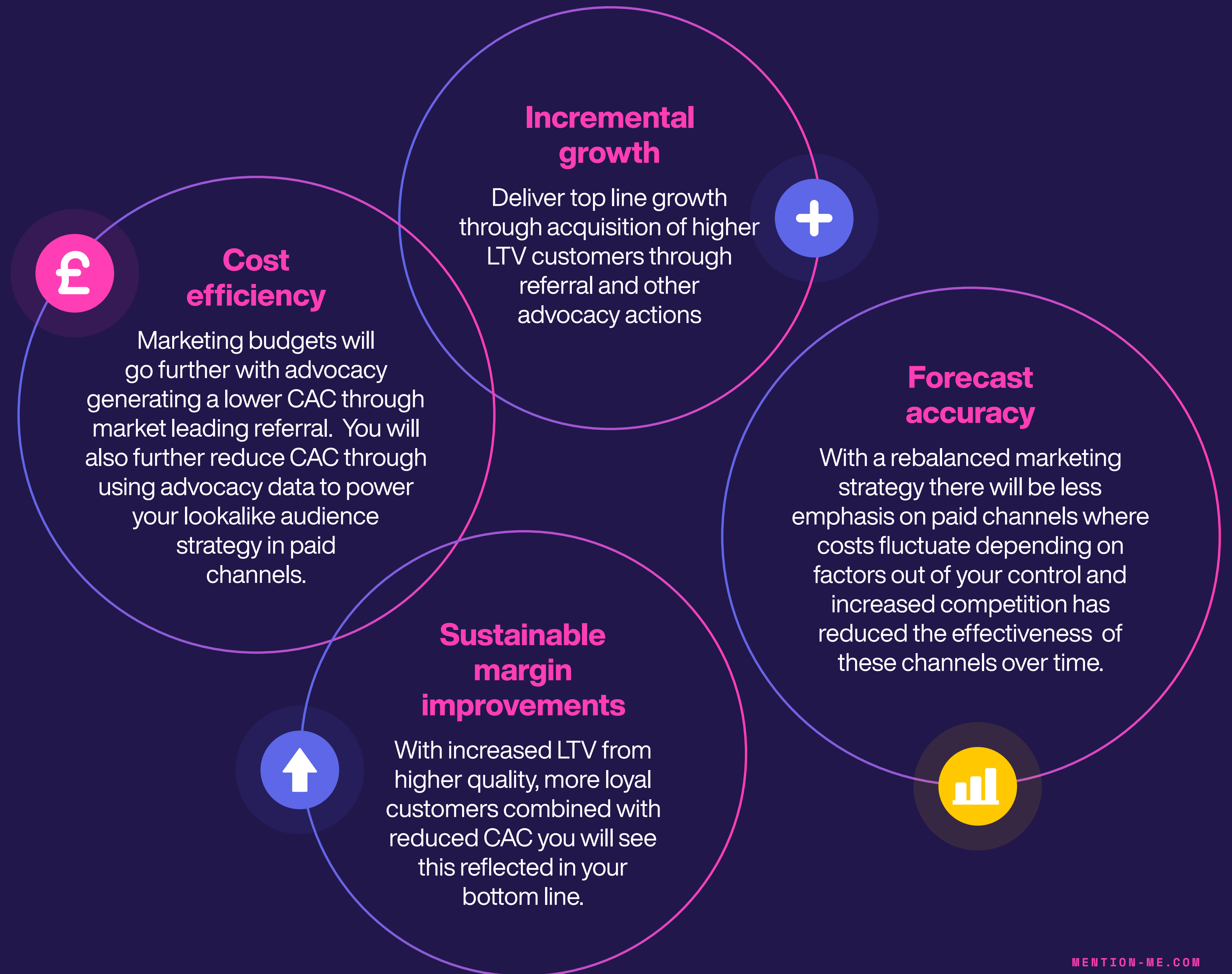


An example of how Earned Growth reporting looks in the Mention Me platform.

Advocacy First

The best way to grow your business

As a business builds out their advocacy program CFOs will see the following benefits which compound over time.



Conclusion Making Customer Advocacy Part of the CFO's Playbook

While it may seem unconventional for a CFO to delve into the realms of customer advocacy and word-of-mouth referrals, the financial implications are too significant to overlook.

By taking a vested interest in customer advocacy, you're not just ticking off a corporate responsibility box; you're contributing directly to the bottom line and the long-term sustainability of the business.



Written by
Rebecca Hooley
CFO, Mention Me

If you would like to know more and receive an estimate of how much advocacy could improve your CAC:LTV then **please contact Mention Me for a free advocacy consultation call.**