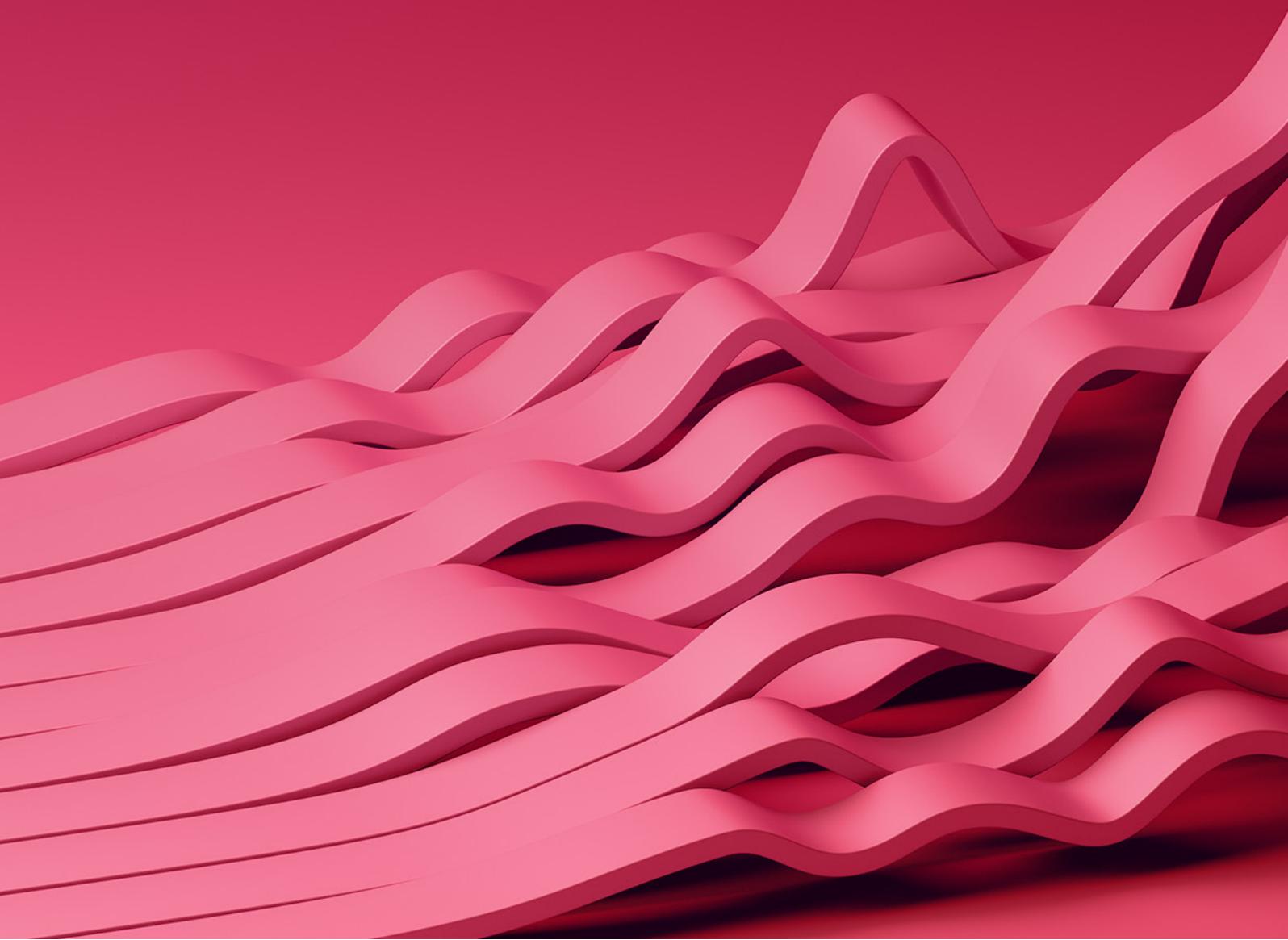


# Maximizing Seller Margins:

The Role of Subscribe  
and Save in Fostering  
Customer Loyalty





## Executive Summary

In today's fiercely competitive Amazon landscape, success hinges on more than just acquiring new customers. It is also about nurturing lasting relationships and maximizing the value each customer brings to your business. Retaining an existing customer, who tends to be a more loyal shopper, is far less costly than attaining a new one. The challenge for sellers is cultivating this loyalty in an environment where price and delivery often tip the scales.

In this white paper, we explore the concept of Lifetime Value (LTV) and how sellers, particularly those in the consumables sector, can increase LTV by leveraging Amazon's Subscribe and Save program. We will offer strategic advertising tactics to better segment and different shopper audiences, maximizing value from your most loyal customers.



## Customer Loyalty: An Untapped Opportunity on Amazon

Loyal customers are a significant revenue source for sellers, as corroborated by multiple studies.

 **3x**

According to RJ Metrics, a seller's top 10% of customers spend **three times** more per order than the lower 90%

 **5x**

while the top 1% spend **five times** than the lower 90%.

**153%**  
**more than first-time  
customers**

Similarly, Adobe Ecommerce reports that repeat customers can spend 153 - 397% more than first-time customers. For sellers in the consumables space, there is a massive opportunity to retain these frequent shoppers and upsell them during their repeat purchases.

**Harvard Business Review asserts that just a 5% increase in customer retention can boost a seller's profits by up to 85%.** Nurturing these customers into subscribers via Amazon's Subscribe and Save can result in even more significant profit increases.



## Subscribers spend 2x more

Consumer Intelligence Research Partners reveal that **only 28% of Amazon shoppers use the Subscribe and Save feature, but they tend to spend about \$1,200 annually, more than double the average Amazon Prime customer.** Tapping into this segment can offer significant revenue benefits.

To capitalize on the Subscribe and Save program, it is essential to understand your customer segments. Different shoppers have different buying frequencies and will require tailored advertising strategies to encourage further purchases or subscriptions.

## The 3: 1 Rule

Before delving into Amazon-specific tactics, it is important to understand the significance of LTV for sellers. Leading companies typically evaluate their financial stability through the LTV: CAC ratio, which compares the gross profit earned from a customer over time to the cost of acquiring that customer.

Investors often look for an ideal 3x LTV: CAC ratio, indicating that the LTV is three times the acquisition cost. According to venture capital firm **Andreessen Horowitz**, businesses that maintain this ratio can drastically enhance their profit margins. Improved margins, in turn, allow companies to invest more, fortifying long-term profitability and potentially increasing their valuation.



Subscribe and  
Save Contributes  
to Your LTV:  
Understanding  
Customer  
Acquisition Cost  
(CAC)



## The First Step: Understanding the Shopper Journey

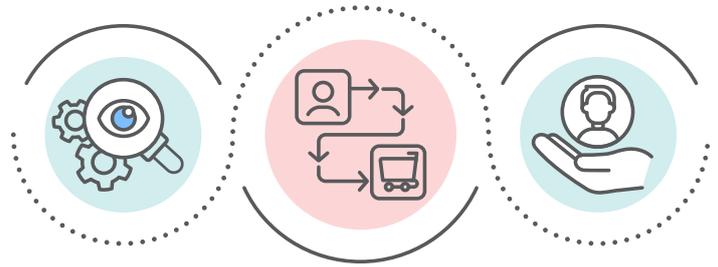
The strategies discussed below aim to utilize Customer Acquisition Cost (CAC) as efficiently as possible while maximizing value from existing customers.

Understanding your target audience on Amazon is critical for lowering CAC and enhancing LTV. Fortunately, Amazon Marketing Cloud (AMC) simplifies the task by providing advanced tools for audience tracking and buyer journey analysis. By leveraging a combination of keyword analytics and past conversion data, sellers can gain an in-depth understanding of customer profiles and purchasing behavior.

Journey mapping also serves as an invaluable tool for brands to scrutinize their audiences against desired customer archetypes. This methodical approach offers a holistic view of the consumer experience, from discovery to purchase, allowing brands to better anticipate and meet the needs of both current and potential customers.

## Here are some of the available purchase signals available via AMC:

-  **Purchase Frequency:** Examines the regularity and duration of customer purchases for specific products.
-  **Path to Purchase:** Identifies the channels that most influence customers throughout their buying journey.
-  **Average Order Value by Segment (AOV):** Monitors the average expenditure per order, segmented by different customer groups.
-  **Cart Abandonment Rate:** Indicates the proportion of shoppers who add items to their cart but do not complete the purchase.
-  **Bounce Rate:** Measures the percentage of visitors who exit without purchasing after only viewing the Product Detail Page.



## Business can also target shoppers according to past shopping behavior:

-  **New-to-Brand (NTB) Shoppers:** These are Amazon shoppers who have never purchased from a seller. Sellers can leverage AMC to analyze keyword search history, identifying the terms that lead to new-to-brand shoppers to specific product pages.
-  **Past Shoppers:** These shoppers have purchased from a seller before. AMC also enables sellers to understand the purchase history of returning customers, thereby aiding in upsell or re-engagement campaigns.
-  **Loyal Shoppers:** These shoppers purchase regularly from the seller and are ideal targets for Subscribe and Save campaigns. Using Amazon's Demand-Side Platform (DSP), sellers can create retargeting campaigns to encourage these shoppers to subscribe, increasing LTV.

```

SQL code
1 /* Report on the number of users fitting multiple purchase criteria */
2
3 WITH purchase AS (
4   SELECT
5     user_id,
6     COUNT(DISTINCT event_dt_utc) AS purchase_count
7   FROM
8     conversions
9   WHERE
10    event_subtype = 'order'
11   GROUP BY
12    user_id
13 )
14
15 SELECT
16   SUM(CASE WHEN purchase_count >= 1 THEN 1 ELSE 0 END) AS purchased_1_or_more_times,
17   SUM(CASE WHEN purchase_count >= 2 THEN 1 ELSE 0 END) AS purchased_2_or_more_times,
18   SUM(CASE WHEN purchase_count >= 3 THEN 1 ELSE 0 END) AS purchased_3_or_more_times,
19   SUM(CASE WHEN purchase_count >= 4 THEN 1 ELSE 0 END) AS purchased_4_or_more_times,
20   SUM(CASE WHEN purchase_count >= 5 THEN 1 ELSE 0 END) AS purchased_5_or_more_times
21 FROM
22   purchase
23
  
```

[Run](#)

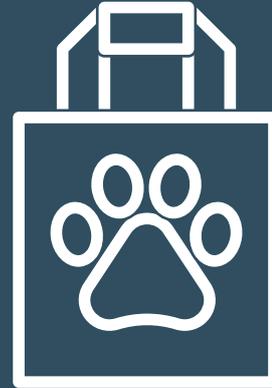
Example of AMC query to map audience size based on purchase frequency.



For example, consider a pet food retailer specializing in healthy options aiming to build strong customer engagement and loyalty on Amazon. Utilizing AMC, the retailer can identify key terms that yield the most NTB sales and those which attract a higher volume of repeat customers. Armed with this data, targeted product ads can be designed to effectively engage these different shopper profiles.

The retailers' past shoppers can range from occasional shoppers to frequent shoppers. If shoppers purchase dog food frequently, there is an opportunity to upsell or convert them into loyal customers.

Once regular shoppers are established within the pet food retailer's customer base, Amazon DSP ads offer an avenue for creating retargeting campaigns to drive subscriptions. The retailer can test a variety of ad copy and visual elements to identify which versions yield the greatest subscription rates. Crucially, the success of this tactic builds upon the preceding two steps. Nurturing shoppers from initial discovery to loyalty is essential for maximizing a seller's LTV.



## Case Study: Pet Food Retailer

Together, these three interconnected tactics equip sellers with the insights needed to better understand diverse customer segments and convert them more efficiently. For example, **one Quartile customer who used this loyalty strategy experienced a 24% sales increase in units ordered and a**

## **28% rise in product sales year-over-year,**

largely attributed to the Subscribe and Save program. The success of these campaigns hinges on scalability, best achieved through strategic utilization of technology—both Amazon’s native tools and external partnerships.



### **Insights from the Strategist**

“Utilizing data from AMC has been crucial for enhancing our targeting capabilities, enabling us to not only pinpoint new customers, but also to gain insights into our returning customer base. This wealth of information allows us to adopt a highly detailed targeting approach, granting us full visibility into purchase journey, such as frequency, complementary product selections, time intervals between purchases, and timing trends (including time of day, day of the week, and seasonality).”

*Karla Park, VP of Channel Solutions in Customer Strategy*



Quartile provides the technology platform and application programming interface (API) integrations that enable sellers to automate and optimize acquisition and loyalty campaigns on Amazon. Utilizing its proprietary artificial intelligence (AI) advertising platform, Quartile leverages Amazon Marketing Stream to **adjust bids for each product in near real-time based on changing shopping behaviors**. This technology identifies product-level conversion rates spike and which keywords deliver the highest value in terms of metrics like conversion, Average Order Value (AOV), aligned with specific business goals.

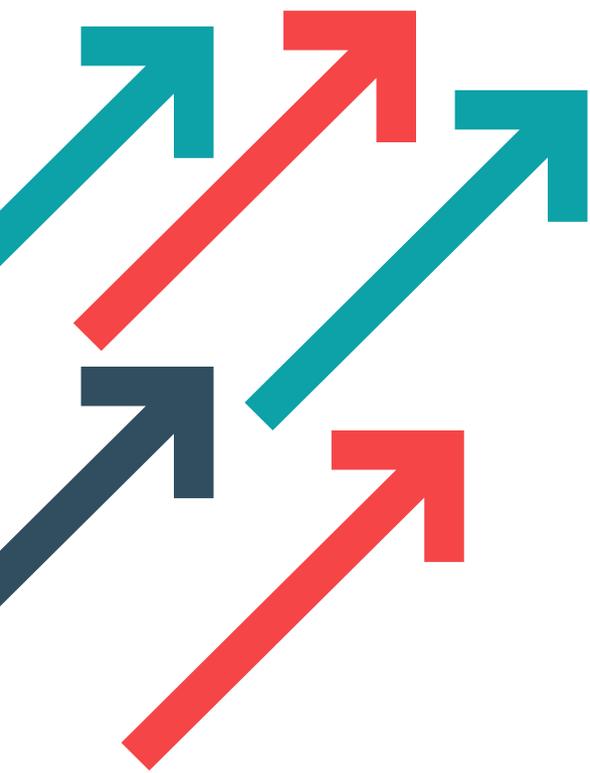
This automated approach helps sellers maintain low acquisition costs by preventing overspending on underperforming keywords or products during different times of the day. Instead, sellers can reallocate those savings to drive greater engagement and loyalty.

Integrating with AMC, **Quartile simplifies the process of analyzing shopper behavior**, including purchase history, and trending brand and non-brand keywords. These insights power impactful loyalty strategies, such as retargeting campaigns via Amazon DSP or sponsored product ads targeted at the most relevant keywords high-value shoppers use. The **result is greater LTV at a significantly lower acquisition cost**.

By leveraging Amazon's Subscribe and Save feature, sellers can adapt to the fluid market, delivering personalized, value-driven experiences that retain customer engagement and loyalty over the long term, while keeping acquisitions costs low. Retailers that harness the potential of subscription models and improve their LVT:CAC ratio are uniquely positioned to succeed in today's competitive market and lead in this fast-evolving industry.



## How Quartile's Technology Improves LTV: CAC



## Discover How Quartile Can Elevate Your Acquisition and Loyalty Campaigns

Interested in how Quartile can support your e-commerce marketing efforts? Quartile's platform not only supports Amazon but also integrates with various other advertising channels, including Walmart, Facebook, Google, Instacart, and more. In addition to best-in-class technology, Quartile combines years of experience and expertise in e-commerce and advertising to deliver quality managed services to our clients.



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Optimization Platform**

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