

Endless Gain

How lagniappe and Oxytocin can help you boost customer retention



Providing a great customer experience is directly linked to higher customer retention rates for e-commerce businesses. Numerous studies have indicated that happy and satisfied customers are more likely to stay loyal to a brand and continue doing business with the company over the long term. For example:

- Loyal customers are 5 times more likely to repurchase, 5 times more likely to forgive a mistake and 4 times more likely to refer a friend to a business, according to Bain & Company.
- Increasing customer retention rates by just 5% can lead to an increase in profits ranging from 25% to 95%, according to the *Harvard Business Review*.
- Customers who feel an emotional connection with a brand have a 306% higher lifetime value, according to the *Journal of Consumer Research*.

Giving customers something extra

There are many different ways e-commerce retailers can help their customers have a better buying experience. One interesting and cost-effective method is referred to as “lagniappe.” This is a small gift or bonus given to customers by a seller, especially in a retail or hospitality setting. The word “lagniappe” comes from the Louisiana Creole and Spanish language. It is derived from the Spanish word “la ñapa,” which means “the gift” or “something extra.”

In the context of e-commerce, lagniappe is a way for businesses to express appreciation to their customers and create a positive impression. It is a gesture of goodwill that can strengthen customer loyalty and encourage repeat business.

Here are a few examples of lagniappe practised by e-commerce retailers:

- A high-end women’s fashion retailer sends loyal customers (those who spend over a certain amount of money within a certain timeframe) an unexpected gift, such as an aromatique hand wash worth approximately £35. This is delivered in a beautiful, branded box with a card saying “Thank you for being a loyal customer.”
- An online health and beauty retailer gives free samples to customers based on current and previous purchase behaviour.
- A fashion retailer gives loyal customers an item of clothing, such as a plain white t-shirt, based on customer data it stores.

- An outdoor furniture retailer surprises loyal customers by giving them a personalised barbecue tool set.

These small gifts, or lagniappe, are not advertised to customers beforehand so they come as an unexpected surprise. They are ultimately designed to create commercial reciprocity because these businesses know it is up to **25 times more expensive** to acquire a new customer than to retain an existing one, according to the *Harvard Business Review*.

Also, the probability of selling merchandise to an existing customer is between 60% and 70%, while the probability of selling to a new prospect is only between 5% and 20%, according to Marketing Metrics.

Oxytocin: the “love hormone”

Unexpected gifts in the form of lagniappe can have a profound impact on customers’ emotions and foster a strong emotional connection between customers and a brand. This emotional connection comes from the release of Oxytocin, which is also known as the “love hormone.”

Oxytocin release is often triggered by positive social interactions, physical touch and emotional intimacy. It can be released during moments of bonding, caregiving or when someone experiences feelings of love, trust or empathy.

By its nature, oxytocin builds generosity, trust and a bond. These emotions are not only felt between humans, but they’re also felt between customers and businesses. A study published in 2021 by Jorge A. Barraza tested whether consumer-brand relationships can be influenced by oxytocin. It found that humans do express loyalty to consumer brands, much like they do in human relationships.

Develop a competitive advantage

The data is clear that positive customer experiences drive brand loyalty and influence how much business customers will do with e-commerce retailers in the future and how often they’ll recommend these retailers to their family and friends.

To develop a competitive advantage, retailers need to embed positive customer experiences in their operating fabric, become more customer centric and prioritise building strong and lasting customer relationships. By understanding, meeting and surpassing customer expectations, you can gain a competitive edge, drive growth, reduce cost of sale and maintain a sustainable advantage in the marketplace.

About Endless Gain

Endless Gain is a results-focused, pioneering optimization & experimentation agency that solves real business problems for e-commerce companies for whom maximising online performance is vital. We are a dedicated team of highly experienced e-commerce

professionals who turn business challenges into commercial opportunities to accelerate revenue and profit growth.

Endless Gain is not a marketing generalist agency. We focus exclusively on improving your customers’ e-commerce experiences.

It’s our relentless focus and passion because we know that your growth and success depend on the strength of your customers’ experiences.

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