

Every Piece of the **Puzzle Combined**

Your Handbook for **Cohort Analysis**



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INTRODUCTION

Marketing in today's era has become more challenging than before. You can find your target customers displaced anywhere around the globe, scrolling through multiple digital channels, at diverse combinations of time that suit them. And if your advertising campaigns are to stay upbeat, they need to match the often dynamic, but mostly congruous, tastes of these digitally-active users. But does that mean you should spend your days juggling between piles of granular data? Not at all!

If too little data can leave you paralyzed, excessive data can leave you too puzzled to act. In the bid to treat each customer as a unit, you can often miss the cues they leave behind in a collective. So, if people-centric marketing is in your mind, it's time to take a step back - Quite literally!

Zooming out on the small steps can give you a hint of the direction in which your campaigns are headed. For instance, instead of assessing the daily activity of every user in a region, viewing the activity report of all the customers in a given time frame, area, or age group, can unlayer a totally different metric of campaign impact for you. And that's just how cohort marketing works in essence.

Phew! Too much, too fast? Let's break it down for you.

*So, first question first - **What does cohorting mean?***



CHAPTER - 1 THE BASICS

WHAT IS COHORT ANALYSIS, AND WHY SHOULD YOU GIVE A

HOOT ABOUT IT?

A database is said to be “cohorted” if it segments customers based on a certain set of common characteristics displayed over a considerable period of time. You can pick any demographic to create a cohort, for instance, gender, country of origin, device preference, etc. The more particular the filters, the more refined will be your cohort data.

Furthermore, assessing the activity of different cohorts can help you study the behavior of customer groups, and understand how they interact with your product or service. Correspond your user cohort analysis reports with the campaigns, and you would get a three-dimensional view of marketing activity that ties the effects to their causes. With such deeper analytics, it'll be easier for you to answer some of the toughest marketing questions, like:

- Which are the favored media sources and timeframes of the customers?
- How quickly do customers churn?
- How often do customers from a cohort make repeat purchases?
- How much revenue does the cohort generate over time? When does it hike, or fall?
- How does the cohort's behavior compare to that of other cohorts?

And the list is endless.

Trends identified from cohort analysis can guide your user acquisition campaigns, and help you create re-engagement strategies that actually pay off. All of that by simply giving you actionable insights, instead of mind-boggling rows of numerics!

COHORT VS. CHURN VS. SEGMENTATION

WHICH REPORT DO YOU NEED?

Now that you know WHAT is cohorting, it begs the question - WHY do you need cohort analysis? After all, isn't it just another report in a long list?

While other reporting formats isolate bits of data, customer cohort analysis helps you to view the interlinkages between "seemingly unrelated" data streams. This in turn reduces the time you need to spend pinpointing problem areas, identifying their root causes, and optimizing your campaigns for better results.

In short, if you have only one hour to deliver a smashing report about your campaign - cohort reports are the only ones you need to check!

Questions to Ask	Segmentation Report	Cohort Analysis Report	Churn Report
What is it?	Categorizes customers based on given statistical traits.	Groups customers that share similar statistical traits, over a given period of time.	A singular category of customers who have unsubscribed from a product, or brand service.
When is it relevant?	While customers are using the product, or availing service.	Useful in case of all active customers, especially those with high retention.	After the customers have stopped visiting the App, or website.
Where can it help?	Gives customer insights to optimize marketing resources for long-term growth.	Helps to view the realtime response of customers to campaigns, providing insights for improving the engagement and retention rates.	Can indicate the reasons for poor subscription, and early dropout rates.
How is it measured?	Shared demographics of the customers e.g. city, device, source of traffic, age, region, device, etc.	Daily sessions, time per session, activity chart, average revenue per customer, interaction with in-App events etc.	Uninstalls, long term inactivity, low LTV, high number of customer tickets, and negative reviews.

DIFFERENT TYPES OF COHORT ANALYSIS (AND HOW TO READ THEM)

ACQUISITION COHORT ANALYSIS

Analyzes the behavior of customers based on the time they were acquired, rather than their activity. That's why it is also known as time-based cohort analysis. It typically presents periodic data collected over weeks, months, or a quarter, for example, revenue, customer lifetime value, number of sessions, etc.

By running cohort retention analysis for each segment of users, businesses can identify the factors that contribute to customer retention, develop targeted marketing campaigns for specific cohorts, or improve the customer experience for specific cohorts.

BEHAVIOURAL COHORT ANALYSIS

Also known as segment-based cohort analysis, it focuses on the behavior of customers based on specific actions or events that they take, rather than the time that they were acquired. Taking it a step further from the former, this type of cohort data analysis gives you an insight into the “when, where, and why” customers churn in your sales funnel. With this information, businesses can optimize their marketing campaigns or in-App engagement strategies to address the needs of each segment of customers, thereby improving the overall ROI.



WHAT MAKES COHORT ANALYSIS THE “X” FACTOR OF SUCCESSFUL CAMPAIGNS?

Cohort segmentation marketing is the “new” trend in the industry, and a special favorite of digital marketers for all the obvious reasons. When your campaign data runs into the risk of being over-complicated, even the best insights turn into vanity metrics. But with cohort retention analysis, you are sure to get a deeper dive into customer profiles, and business health.

Here are some more areas where cohort charts can help:

- Predictive Analytics:** *Cohort analysis helps businesses identify patterns in customer behavior. By comparing the activity rate of different cohorts, they can make sure that their marketing campaigns evolve with the taste of their customers.*
- Improving customer retention:** *By understanding the behavior of customers who have churned in the past, businesses can identify patterns and take proactive measures to prevent future churn.*
- Optimizing marketing campaigns:** *Noting the response of cohorts for marketing campaigns can help businesses to pinpoint the factors that prove to be instrumental in acquiring new customers and retaining existing ones.*
- Increasing customer lifetime value:** *Once you make a cohort of all the high LTV customers, you can track their behavior and take steps to increase their spending over time.*
- Propelling product development:** *Get to know what works, and what doesn't. See how different cohorts interact with a product or service to mark areas for improvement and optimize the product/service for different user segments.*



CHAPTER - 2 HOW IT WORKS

PUZZLING OUT THE STEPS OF CREATING YOUR OWN

COHORT ANALYSIS REPORT

Clearly define the purpose and objectives:

Determine the key questions you want to answer, the metrics you want to track, the data sources, and the target audience for the report. Choose a meaningful cohort to analyze, such as customers who signed up in a particular month, customers who purchased a specific product, or customers who exhibited a particular behavior.

Choose relevant metrics:

Determine the metrics that will be most relevant and insightful for your analysis. Examples include customer retention, revenue per customer, or time between purchases. Make sure that you use relevant time-frames for each metric.

Visualize the data and analyze results:

Create tables, graphs, or charts to analyze and understand the data. Use clear and intuitive visualizations that highlight key insights. Based on the insights and conclusions, identify opportunities to improve user retention by cohort.

Communicate the results:

Put your learning to practice with re-invented marketing campaigns that use visualizations and data storytelling to engage the target audience.



HOW DO THEY DO IT

EVERYDAY USES OF COHORT ANALYSIS IN DIFFERENT INDUSTRIES

- E-commerce:** *Helps businesses understand buyer behavior over time, identify high-value customers, optimize marketing campaigns as per the favored styles, products, or shopping time, and improve customer retention.*
- SaaS:** *Useful to understand customer retention and churn trends (especially during the initial phases), identifying in-App events that can contribute to increasing customer lifetime value, and developing targeted marketing campaigns for different user segments based on their App usage trends.*
- Healthcare:** *Uses patient behavior metrics, such as appointment frequency or medication schedule, to identify opportunities to improve patient engagement with the product/service and re-target the relevant cohorts for upselling.*
- Finance:** *Cohort analysis is an easy way for FinTech giants to analyze user spending patterns, credit utilization, and investment interests.*
- Gaming:** *A/B testing gets a better edge with cohort retention analysis, where player response and engagement are tracked to optimize game features and mechanics.*



E-commerce

SaaS

Healthcare

Finance

Gaming

ANOTHER SIDE OF THE COIN

CHALLENGES OF COHORT ANALYSIS MARKETING

- Data quality:** Cohort analysis relies on accurate and complete data. If the data is incomplete, inconsistent, or inaccurate, it can lead to incorrect insights.
- Data integration:** If you're running a cohort assessment, it is imperative to collate data from multiple media sources. This can be challenging if the data is stored in different formats or locations, or if there are issues with data governance and ownership.
- Sample size:** Requires a large enough sample size to be statistically significant. If the sample size is too small, it can be difficult to draw meaningful conclusions.
- Segmentation criteria:** Choosing the right segmentation criteria is critical for the success of cohort analysis. If the criteria are too broad or too narrow, it can skew the results.

Using Trackier's **comprehensive attribution platform** can streamline your marketing analytics, without any manual effort or additional costs. Don't believe us? Go ahead and **give it a try!**



Data
quality



Data
integration



Sample
size



Segmentation
criteria

FINAL THOUGHTS

- *Cohort analysis can be a powerful tool for identifying trends that might not be apparent in other types of data reports.*
- *Cohort analysis involves dividing users into cohorts and tracking their behavior and metrics over time. It gives deeper insights compared to churn and segmentation reports because it assesses realtime data.*
- *Key metrics for cohort analysis include retention rate, revenue per customer, customer lifetime value, and acquisition cost.*
- *It can be used in a variety of industries, including e-commerce, SaaS, healthcare, finance, and gaming.*
- *Common challenges of cohort analysis include data quality, data integration, sample size, and segmentation criteria.*



SETTING UP YOUR COHORT ANALYSIS REPORTS?

Let us give you a hand!

contact us

