

# Research on Members Network Marketing Strategy Based on User Retention Growth Model

**Xiangjun Lai\***

School of economics and trade, South China University of Technology, 518101, China

\*Corresponding Author.

## **Abstract:**

With the maturity of mobile Internet and the continuous penetration of large data into various industries, catering chains have already possessed certain large data operation capabilities. From the perspective of chain catering enterprises, this paper analyses the basic concepts of member network marketing based on big data, and the differences between them and traditional marketing, and combines with the current market environment and technological development of catering industry, to analyze why network marketing based on big data is imperative. At the same time, based on the RFM model, user retention growth model and customer life cycle theory, this paper puts forward the network marketing strategy of catering members based on large data for the characteristics of catering chain marketing.

**Keywords:** *User retention; Big data; network marketing*

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## **I. MEMBERSHIP NETWORK MARKETING BASED ON BIG DATA**

Network marketing based on big data, with data as the core driver, makes full use of the characteristics of large amount, diversity, rapidity and low value density of big data to provide a basis for decision making in network marketing. It acquires a large amount of basic customer information, captures customer consumption behavior data, outlines consumer user profiles, and predicts customer behavior trends. It uses network technology tools to identify and classify consumers. Moreover, corresponding marketing activities are adopted. And it can track the effectiveness of marketing campaigns through data to maximize the effectiveness of marketing campaigns[1].

The main difference between traditional marketing and network marketing based on big data are the following two aspects: First, the traditional marketing campaigns adopt the same marketing plan for all target customer groups, while the network marketing based on big data classifies the target customer groups and adopts different marketing plans for different types of target customer groups, which is more in line with customer behavior characteristics. Second, the marketing effect of traditional marketing campaigns can not be measured intuitively, but can only be vaguely judged, while the network marketing based on big data is capable of data tracking from marketing input to campaign output, and data results are used to measure the

effectiveness of marketing campaigns and accumulate experience for subsequent marketing campaigns[2-3].

## **II. The necessity of network marketing based on big data**

### **2.1 Fierce competition in the catering industry**

The catering industry has entered a period of change and restructuring while maintaining its rapid growth. With the influx of massive capital, the catering ecological environment is being rapidly broken and rebuilt. The catering industry is facing unprecedented competitive pressure while ushering in unprecedented prosperity. The phenomenal craze of hot catering brands such as HEYTEA and Luckin Coffee has given an impetus to marketing professionals from all walks of life to move to the catering industry, and therefore the catering industry is facing an increasing marketing challenge[4-5].

### **2.2 Markets always change faster than marketing**

As Philip Kotler said, "Markets always change faster than marketing". Traditional marketing often has a long planning and implementation cycle, and the implementation effect cannot be completely measured by data. With the rapid development of the mobile Internet, the post-90s and even the post-00s are becoming the main source of consumption, and the market demand is changing day by day. It has become increasingly important to understand the new generation of consumers. Therefore, the analysis and prediction of user behavior based on big data becomes a necessity[6-8].

### **2.3 The penetration of the big data era in the catering industry**

For chain catering enterprises, they already have sufficient resources to obtain massive data as a basis for decision making. Mainstream third-party platforms, such as Meituan and Koubei, have established increasingly perfect data analysis systems, through which they can obtain more three-dimensional consumer behavior data. At the same time, chain catering brands also have certain technical capabilities to build their own brand data center. For example, they can convert and acquire data from customers following the brand's official account, to customers browsing, purchasing, evaluating, forwarding and some other behaviors within the official account through the mobile ordering system. Thus, it can help chain catering companies better understand customer behavior and build a comprehensive customer user profile. It can also adopt precise marketing methods to reach the target customer groups.

## **III. Network marketing characteristics of membership for chain catering enterprises**

### **3.1 Diversification of network marketing channels**

The chain catering have some effect of scale, and have the advantage as big customers in the third-party platforms such as Meituan and Koubei. They are also supported by independent operation teams of Weibo, WeChat and Tik Tok as well as mobile ordering systems. It can adopt corresponding marketing strategies in different channels according to the characteristics of consumer groups in different channels.

### **3.2 Three-dimensional portrait of member users**

After the customer browses the store or consumes through the third-party platform, the chain catering

business can obtain the statistical analysis of the customer's basic information, such as age distribution, gender distribution, consumption ratio distribution, occupational distribution of the consumer population, the proportion of other brands most frequently visited by the consumer population, second visits of the consumer and other data. Customers who follow the official account on WeChat and Weibo account of the business will leave some messages. Through the mobile ordering system, in addition to the basic information of customers, the chain catering business can also obtain the browsing records, order details, reviews and repurchase data of customers. Based on these data, a brand user profile can be effectively drawn. Moreover, the user profile formed by combining multi-party data is also more three-dimensional and clear.

### 3.3 Traceable marketing effect

Network marketing based on big data creates data from the input of marketing campaigns, to the exposure, conversion and repurchase of marketing campaigns. Not only can we clearly calculate the input-output ratio of marketing campaigns, but we can also visualize the effect of each aspect of marketing through data, break down the total marketing effect, and identify success stories and opportunities for growth. Combined with the data of each aspect of marketing, we can continuously optimize the marketing campaign strategy through the PDCA cycle.

## IV. Network marketing strategy for chain catering enterprises

### 4.1 Application of RFM model in catering network marketing

Arthur Hughes of the American Institute of Database Marketing proposed the RFM model, which argues that among all consumer data, the customer's most recent consumption behavior (Recency), consumption frequency (Frequency) and consumption amount (Monetary) are of significant importance in measuring customer value and customer profitability.

Under the existing technical conditions, it is effortless for chain catering companies to obtain the above three types of data for consumers. According to the consumer data of each dimension of RFM, it is simple to cluster the consumers by K-means. The groups with certain customer values can be divided into five main categories. The RFMs are numbered in order (1 for high and 0 for low).

First of all, the members with the number 111 are the most valuable customers, who have spent the last time recently, with high consumption frequency and high consumption amount, and are undoubtedly the loyal users. For this type of users, enterprises can provide them with super user privileges by classifying them into different levels of membership to deepen the brand's bonding with these users. At the same time, for this type of members, enterprises can encourage them to speak up for the brand through marketing incentives and other means to activate more potential consumers by fission.

Second, members with the number 110 are important retention users who have spent money recently and frequently, but with low spending amounts. For this type of consumer group, the core task of the brand is to maintain customer stickiness and at the same time provide customers with a more cost-effective experience. Therefore, we can issue limited-time special coupons for products with high unit price to stimulate this category of users to experience the brand's higher value products at a discounted price and increase the

consumption amount of this category of consumers while surrendering the benefits to them.

Third, the members with the number 101 are important potential users who have consumed recently and with low frequency, but with high spending amount. For this type of consumer group, it is necessary to give priority to their development. According to the consumption habits of these users, enterprises can introduce product coupons that meet their consumption characteristics to attract them to revisit and repurchase and increase their consumption frequency, so that they can be transformed into members with the number 111.

Fourth, the members with the number 011 are those who spent money on the brand long time ago, but have a high frequency of consumption and high spending amount. This category of users has a high risk of churn, but has a strong value for the brand and needs to be focused on. Based on customer consumption records combined with evaluation data, enterprises can figure out why customers have not spent money recently, and reach out to customers in time to signal them to come back and retain them.

Finally, members with the number 100 are those who have spent money recently, but with low frequency and amount of spending. Most of the users in this category are new to the brand and have low loyalty to the brand. However, they are close to consumption, so the probability of winning them back in a short period of time is higher, and the marketing investment is more effective. In view of this, companies can launch a portfolio marketing strategy to consciously stimulate consumers' possible consumption tendencies to drive increases in repurchase and consumption amount.

#### 4.2 Application of the AARRR model in catering network marketing

The AARRR (Acquisition, Activation, Retention, Revenue and Referral) model proposed by Dave McClure, a Silicon Valley venture capitalist, also has important implications for network marketing.

In the acquisition stage, enterprises mainly use third-party platforms to put marketing campaigns and get the best place to display their resources so as to get enough exposure. Different platforms should also develop corresponding marketing strategies according to the platform rules and the different characteristics of user attributes. For example, to get enough exposure in Meituan, companies need to maintain the existing user review data, and properly launch group purchase items. In special stages, CPC ads can also be placed for marketing promotion. To get enough exposure on the Tik Tok platform, enterprises need to leverage products from hot topics and services or advertise their brands or products through the KOL, so as to expand the influence of their brands or products in a short period of time. In the user acquisition stage, because the users of the official publicity channels such as the brand's WeChat official account are usually the brand's regular customers, the effect of acquiring new customers through its own WeChat official account, official Weibo account and official website is poor and the input-output ratio is relatively low, which can be operated as an auxiliary means.

During the activation stage, companies mainly target users acquired through third-party platforms to stimulate consumers to place orders for conversion through a combination of cost-effective product mix and marketing campaigns as well as the management of online revealed image. Companies can direct customers to the brand's own system to place orders through the third-party platform, creating the best consumer

experience for customers for the first time.

In the retention stage, combined with the RFM model, companies can adopt the most effective marketing methods for different characteristics of consumer groups to ensure a certain percentage of retained customers. In the retention stage, companies need to focus on the consumer review data. According to a large number of data studies, each customer review represents the opinions of 26 consumers. Therefore, companies need to pay great attention to the feedback of consumers. Effective maintenance of negative customer reviews can help the brand to spread by effectively converting the users of negative reviews into loyal users or even seed users of the brand.

During the revenue phase, companies need to consider customer value in a comprehensive manner when conducting the overall evaluation of their marketing campaigns. The value of each customer consists of three components: historical value, current value, and potential value. Historical value refers to the realized customer value, which is important as the value generated by customer transactions. Current value is the value that will be created for the company based on the existing consumption behavior pattern of the customer. Potential value refers to the customer value that the company adds to its business by promoting the customer's motivation or recommendation to others through effective marketing means. Therefore, when evaluating the revenue of marketing campaigns, companies should combine the big data model to judge and calculate the value of the three parts of the customer in a comprehensive approach.

The referral stage is also one of the core advantages of network marketing. The customer communication of network marketing can be measured by targeted tracking. On this basis, the chain catering enterprises can establish a feedback mechanism to encourage seed users. By tracking the seed users to effectively spread the fission behavior, the enterprise can give the seed users a certain reward as a referral incentive. In this way, it can effectively stimulate loyal users to spread the brand and deepen their brand loyalty. Social attributes can be added to the customer's consumption behavior. Luckin Coffee's marketing campaign, "Give One Get One" (a free coffee coupon for regular users who successfully invite new users), is a representative of a campaign that effectively promotes customer growth.

#### 4.3 Catering network marketing strategy combining the customer life cycle theory

As users' age and life status change, their demand for brands will change as well. Especially in the catering industry, where new brands and innovative categories are constantly emerging, customer loyalty is becoming less and less, and customer life cycles are becoming shorter.

With the support of existing network technology, chain catering companies already have certain resource advantages in the membership acquisition stage. However, users in the acquisition stage still lack loyalty to the brand, and their value contribution to the brand is generally low. Therefore, according to the primacy effect, the best experience of the first time will effectively enhance customer satisfaction and promote members to progress to the membership enhancement stage. In this stage, the main task of the company is to cultivate customers into high-value members through demand-stimulating product mix and marketing campaigns. Therefore, it is important to effectively identify member characteristics and accurately predict

member behavior trends, so as to propose the most attractive product mix and marketing campaigns for members at this stage. In this regard, companies need to make full use of big data as a basis for decision-making. In the member maturity stage, customer brand loyalty is in a stable state, and will contribute more customer value to the brand. For this stage of users, it is necessary to give key attention to their retention. Once customers enter the decline stage, companies will have to pay more to wake them up. Companies need to drive customers to repurchase through higher discount concessions, and to maintain close interaction with customers to keep their loyalty stable again. Finally, there will be a group of customers who choose to leave the network, and this group of customers has the lowest input-output ratio for marketing.

Therefore, network marketing based on big data should focus on extending the time that customers spend in the maturity stage. Companies should keep the brand and products fresh for users at this stage and promote explosive growth for users at this stage. In this way, it can both drive the acquisition of new users in the incremental market and improve the stickiness of members in the maturity stage through social attributes.

## V. CONCLUSION

As McKinsey alleged, "big data has penetrated into every area of today's industry and business functions and has become an important factor in production. People's mining and application of massive data heralds the arrival of a new wave of productivity growth and consumer surplus." It has become a major challenge for all sectors to seize the golden key of big data and unlock the secrets of growth in network marketing. In this paper, the membership network marketing strategy of chain catering enterprises based on big data is not only applicable to chain catering enterprises, but also provides some reference to catering enterprises or even retail enterprises that have some capabilities of data acquisition and mining as well as data application.

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