

Project 3: Optimizing Babbel Live's Marketing Strategies

This report delves into Babbel's KPI's, evaluating key metrics such as acquisition rates, churn rates, and Net Promoter Scores (NPS) alongside customer effort and service responsiveness. Through a detailed exploration of these indicators, we aim to uncover underlying trends, gauge the efficacy of current strategies, and identify potential avenues for enhancing customer engagement and loyalty. This analysis serves as the foundation for informed decision-making, aimed at optimizing Babbel's market positioning and long-term success.

Business Performance Analysis

Babbel has an average acquisition rate per quarter of 49.08% an average retention rate of 18% and an average churn rate of 80%, these numbers indicate initially, that the platform witnessed a surge in customer acquisition, indicating successful marketing endeavors or compelling product launches. However, this momentum gradually waned, highlighting the challenge of sustaining high acquisition rates. Concurrently, Babbel Live's retention rates exhibited fluctuations, with some periods marked by commendable customer loyalty and others by notable attrition. This variability in retention directly influenced churn rates, underscoring the delicate balance between retaining existing users and mitigating customer turnover.

Despite early successes, Babbel Live faces persistent hurdles in fostering prolonged customer engagement. The ebb and flow of retention rates suggest a need for more robust strategies to nurture lasting relationships with users. Also, seasonal trends and market responses reveal the impact of external factors on customer acquisition, emphasizing the importance of dynamic marketing approaches.

Babbel has performed very well on its Customer Effort Score (CES) surveys. It seems customers find the process of using Babbel to be "very easy" or "easy" about 88% of the time and only 2% find it "difficult" or "very difficult." It is important to note that the 2% difficult/very difficult answers were from only one individual respondent each which may be outliers. The positive responses were overwhelming in our sample set. This leads me to believe that the process Babbel has built is a strength for the business going forward. Our survey also provides a few places to improve as well in order to further build on this strength.

We also took a look at response and resolution times for customer service. The results here were also quite impressive. Our sample set showed a 95% satisfaction rate with 80% of tickets getting a response within ten minutes and 80% being resolved within two hours. Even in the worst case scenarios, we never had a customer waiting more than an hour for a response and only 1 ticket required more than eight hours to resolve. Another great indicator for the quality of our customer service staff is that 90% of tickets are resolved within the first interaction, meaning

our team is capable of quickly and easily solving the problems our clients face. These metrics indicate that our team is well prepared to handle customer problems as they occur and this part of our business can be a big strength of the product.

C3 Analysis

Customer Cohort Chart (C3)										
	Quarter									
Cohort	2021Q1	2021Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2
2021Q1	214	167	118	118	105	94	53	68	62	49
2021Q2		31	16	9	12	9	4	4	4	3
2021Q3			32	12	7	5	3	3	3	1
2021Q4				47	22	14	7	7	6	6
2022Q1					92	57	28	30	23	21
2022Q2						56	18	10	9	6
2022Q3							35	15	10	7
2022Q4								26	6	3
2023Q1									98	54
2023Q2										65
Total	214	198	166	186	238	235	148	163	221	215

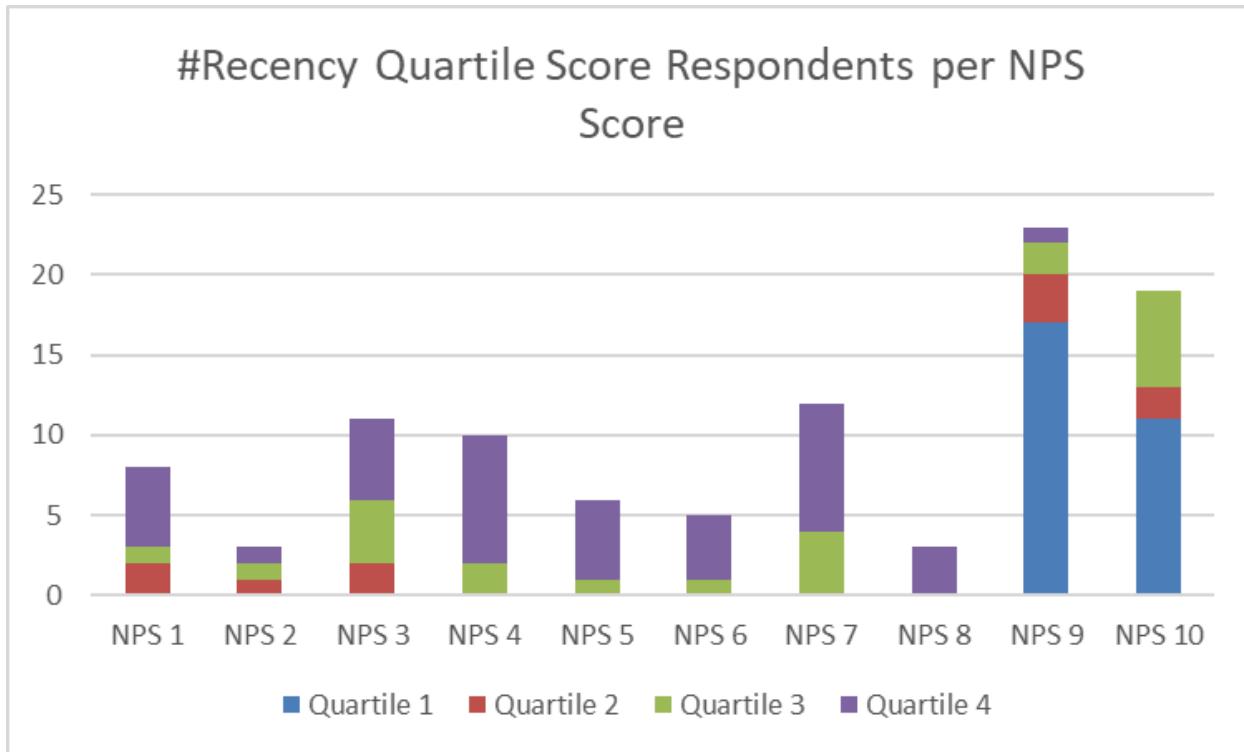
Initially launched in the first quarter of 2021, Babbel Live showed a robust initial enrollment with 214 customers. This cohort, while experiencing a typical decline, retained 49 customers by the second quarter of 2023, demonstrating a longer-term engagement compared to later cohorts.

Subsequent cohorts show varying retention rates, with a noticeable pattern of decreasing retention as time progresses. For instance, the second quarter of 2021 started with 31 customers, but retention dropped sharply to only 3 by the second quarter of 2023. This trend of rapid decline in newer cohorts could signal issues with either the customer experience or external market factors influencing learner engagement and retention.

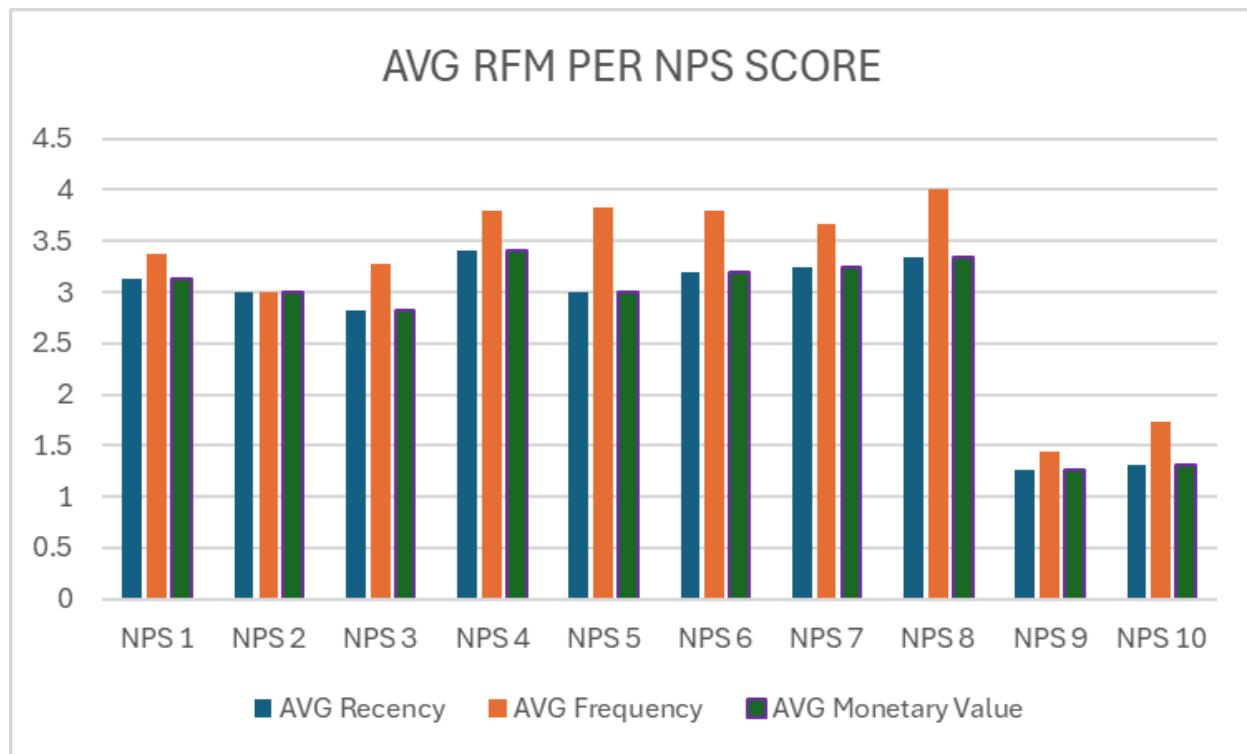
The chart also underscores seasonal trends and market responses to product introductions. For example, there was a noticeable increase in initial enrollments in the first quarter of 2022, which

could be attributed to marketing efforts or enhancements in the product offering, capturing 92 new customers. However, this cohort's retention rate also followed the declining trend, emphasizing the need for strategies focused on long-term engagement.

NPS Score and RFM Correlations



Using the tabel above we can see a clear increase between the number of users that were in the Top Quartile (1) for Recency that gave Babbel an NPS score of 9 and 10. In contrast there were no users that were assigned to Recency Quartile 1 that gave Babbel an NPS score of less than 9. This indicates a strong level of satisfaction from users that have been participating in the new Babbel Live launch.



Additionally we can see from the chart above that there is a clear correlation between the average Quartile value per NPS Score. While there is not much differentiation between NPS Scores between 1-8 there is a very clear decrease in the Quartile Scores for users that gave NPS Scores of 9 and 10. This indicates that as a whole users that have a user that gave a high NPS score to Babbel is also like to be ranked in a high quartile for RFM.

Overall it can be seen that customer satisfaction which is what NPS score is trying to gauge is strongly tied to if a customer will continue using Babbel.

Recommendations:

The insights derived from Babbel Live's performance metrics provide a strong basis for informed strategic adjustments. Despite the promising customer effort scores and effective customer service response rates, the fluctuating retention and high churn rates highlight critical areas for improvement. The retention patterns, especially within newer cohorts, along with the insights from seasonal trends, suggest that Babbel Live's customer engagement strategies require refinement to better sustain user interest and loyalty over time.

To address these challenges, our recommendations focus on enhancing the overall customer experience and engagement through targeted strategies. These include revamping the onboarding process to better communicate Babbel Live's value, implementing personalized engagement initiatives for at-risk customers, and reinforcing customer loyalty through a tiered rewards system. By aligning these strategies with the insights gleaned from our Customer Cohort Chart and NPS correlations, Babbel Live can more effectively optimize its marketing

efforts, ultimately fostering stronger, longer-lasting customer relationships and boosting overall market performance.

Enhanced Onboarding & User Research:

1. Conduct user research (surveys, focus groups) with newer cohorts to understand drop-off points and pain points in their learning journey.
2. Analyze app usage data to identify areas where the user experience can be improved, specifically for new users.
3. Refine the onboarding process to provide a clearer understanding of Babbel Live's value proposition and ensure a smooth learning experience.

At-Risk Customers:

1. Conduct surveys or send targeted in-app messages to understand the reasons for decreased engagement.
2. Address any pain points or frustrations identified, potentially offering personalized solutions, improved features, or incentives to return.

"Cannot Lose Them" Customers:

1. Analyze their past interests and learning goals to suggest relevant content or learning paths they might have missed.
2. Offer exclusive re-engagement incentives like discounted access to premium features tailored to their interests, or limited-time challenges to reignite engagement.

Champions:

1. Implement a tiered loyalty program with rewards based on engagement and spending.
2. Offer exclusive content like access to live sessions with expert instructors or participation in special events.

Potential Loyalists:

1. Leverage user data to personalize recommendations for learning paths and content based on their initial interests and progress.
2. Create targeted social media ads and email campaigns showcasing success stories and emphasizing the long-term benefits of fluency.

Leverage Seasonal Trends:

1. Increase marketing efforts during these times, tailoring messaging to resonate with potential customers considering language learning.
2. Consider offering seasonal promotions or targeted discounts to capitalize on increased interest

In conclusion, Babbel's comprehensive analysis of business performance, encompassing acquisition, retention, and customer satisfaction metrics, highlights both its strengths and areas needing improvement. The correlation between NPS scores and RFM quartiles, particularly the positive feedback from users in the highest quartiles, underscores the importance of targeting

and retaining high-value customers. However, the decline in cohort retention rates over time suggests that maintaining long-term engagement remains a challenge. To capitalize on its strong customer service metrics and favorable CES responses, Babbel should focus on enhancing user engagement strategies and tailoring its offerings to meet evolving customer needs more effectively. By addressing these areas, Babbel can strengthen its market position, enhance customer loyalty, and drive sustainable growth.

Appendix

Exhibit 1

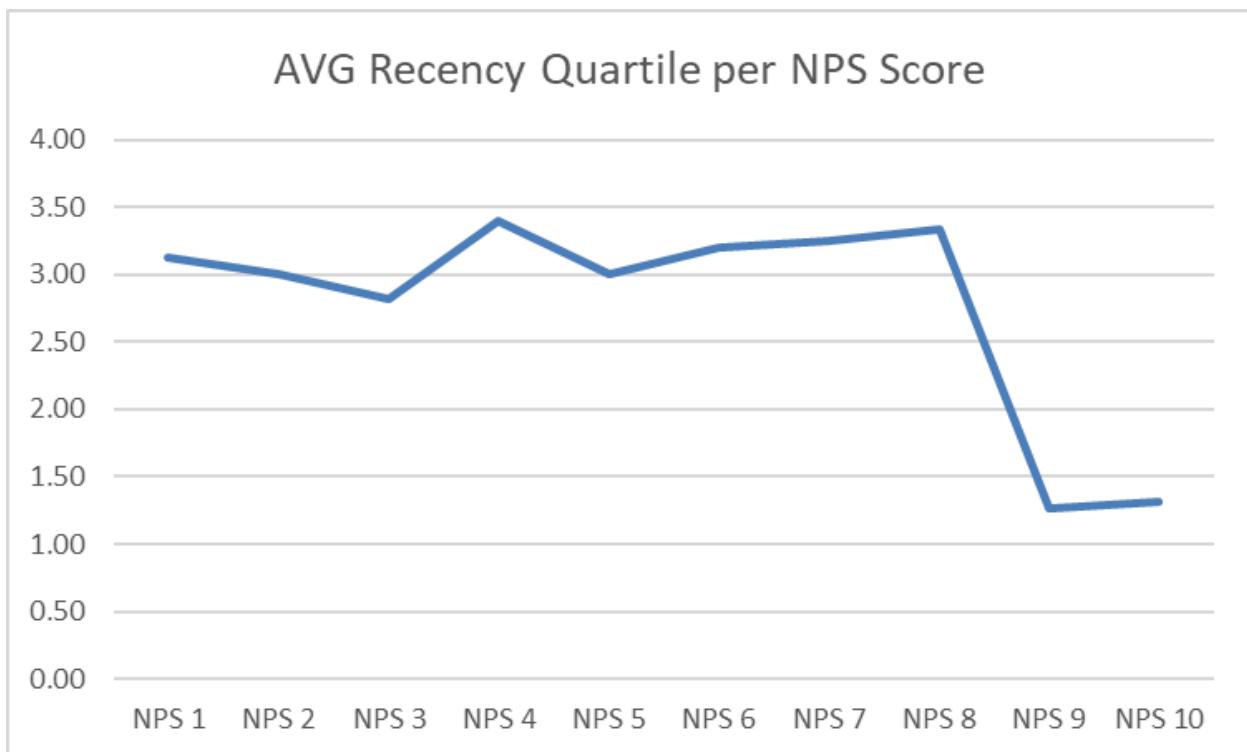


Exhibit 2.

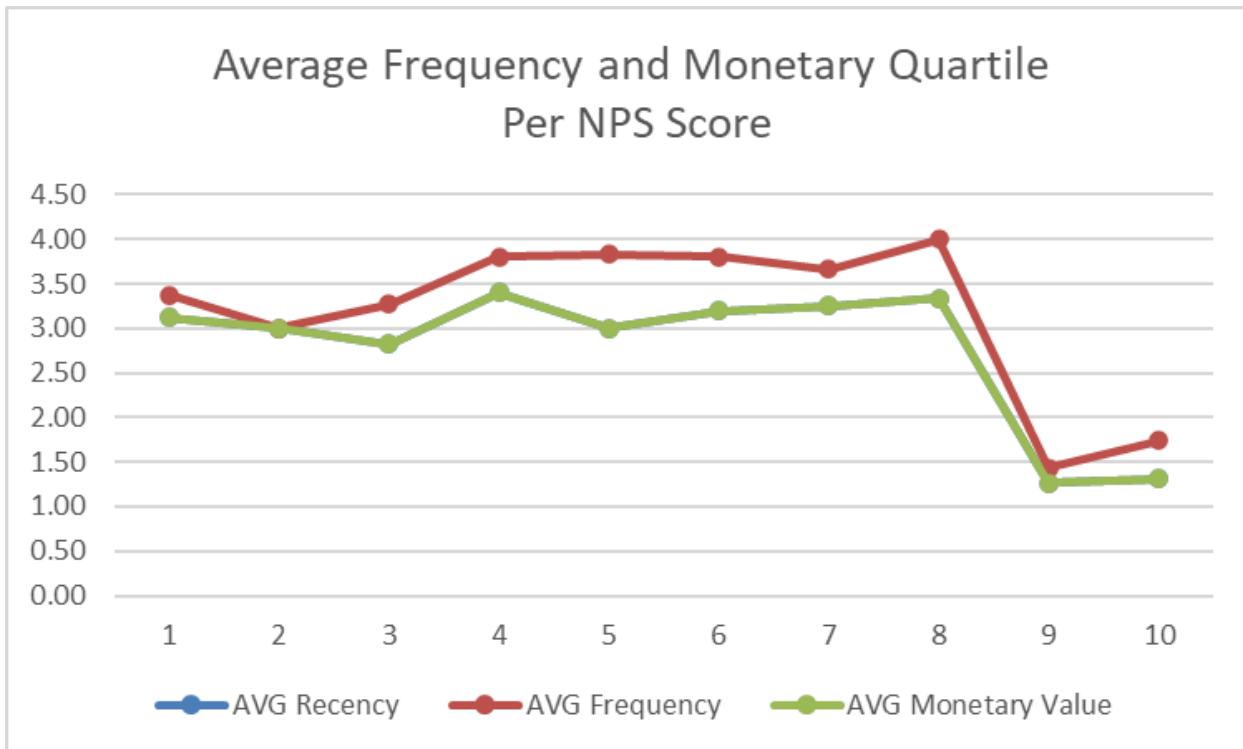


Exhibit 3.

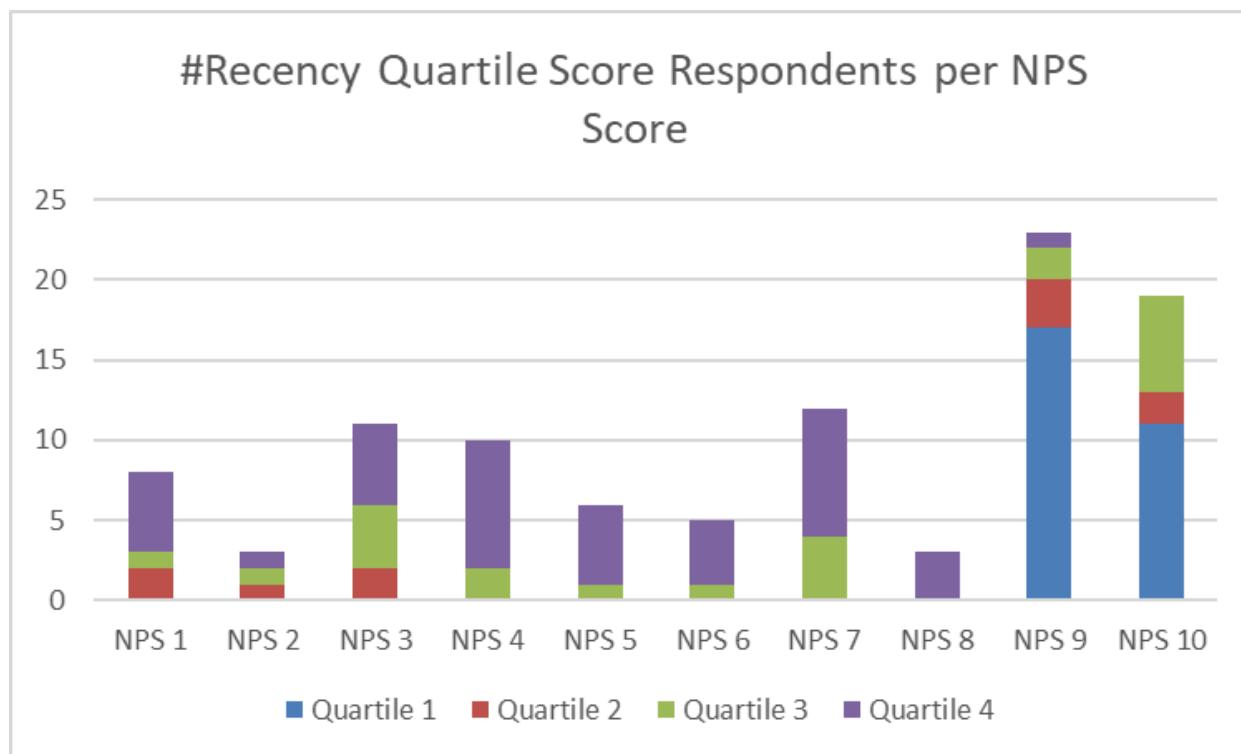


Exhibit 4

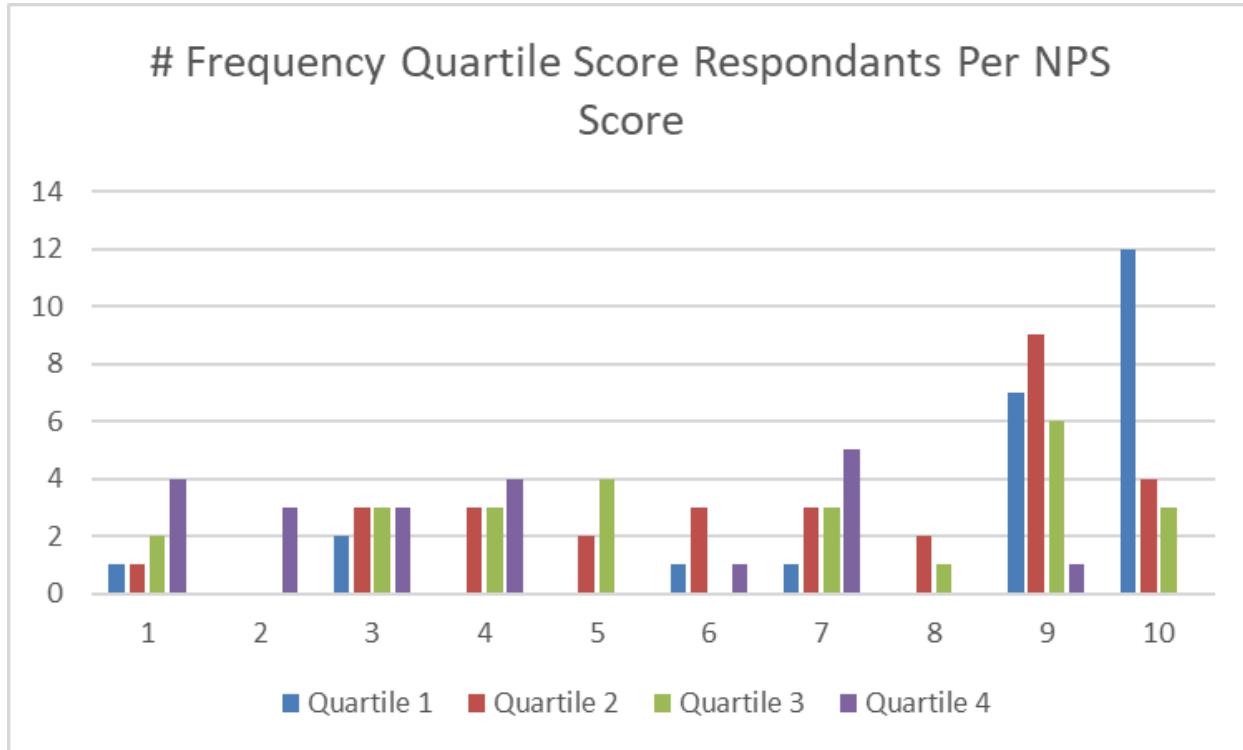


Exhibit 5.

NPS Score	AVG Recency	AVG Frequency	AVG Monetary Value	Number of Users
1	3.1	3.4	3.1	8
2	3.0	3.0	3.0	3
3	2.8	3.3	2.8	11
4	3.4	3.8	3.4	10
5	3.0	3.8	3.0	6
6	3.2	3.8	3.2	5
7	3.3	3.7	3.3	12
8	3.3	4.0	3.3	3
9	1.3	1.4	1.3	23

10	1.3	1.7	1.3	19
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Exhibit 6.

Frequency Quartile (Total Purchases)		Recency Quartile (Time since last purchase)			
		1	2	3	4
		0-3 months	3-6 months	6-12 months	12+ months
1	<i>4+ Purchases</i>	8.6%	1.7%	6.8%	7.8%
2	<i>3 Purchases</i>	7.6%	3.9%	3.1%	10.6%
3	<i>2 Purchases</i>	4.2%	4.1%	5.5%	10.9%
4	<i>1 Purchases</i>	0.6%	4.9%	6.4%	13.2%