From Data to Insight to Action:

Five Strategies to Achieving Better
E-commerce Performance

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Whitepaper

Exchange Solutions

Shopping online has already replaced much of the traditional in-store browsing, riding escalators, and waiting in check-out lines. People love the convenience of shopping from their own personal device, visiting e-commerce sites at all hours of the day and night, as well as being able to price match in real-time while online. As e-commerce continues to grow at a rapid pace, there is a heightened focus on the customer shopping experience and valuable opportunities to improve e-commerce site performance.[1]

For example:
- The average online cart abandonment rate is 68.6%
- Approximately $4 trillion worth of merchandise was abandoned in online shopping carts in 2014
- 36% of shoppers didn't finish a checkout process because they found a better price elsewhere

When you have a customer online, in the moment, you have a window of opportunity to modify their behavior just by asking, and offering something in real time. Below are five techniques to modifying a customer's in-session shopping behavior.

1. Timing

We already hinted at this. It is far better to influence a customer *in the moment* rather than chase an abandoned cart. Most abandoned cart email and re-marketing campaigns show lift, but many customers are not reachable once they exit the session. They were anonymous when they showed up and remained anonymous when they left. But how do you know if they are going to leave *before* they actually do?

Customers have a "tell" – unlike in store, the e-commerce retailer knows the customer is present on their site *and* what is on their mind. Every click, page load, and add to cart event gives a clue as to whether they are just looking for information, actually shopping or really intending to buy. A customer's likelihood to convert is *predictable*.

If you knew (or had a hunch) they were going to abandon the session before checking out, wouldn't you want to intervene? It's better than waiting until they leave (walk out of the store) and trying to follow them (into the parking lot!). Customers might find that odd.

2. Targeting

As mentioned, a customer's likelihood to convert is predictable. So is their spend. Spend in specific categories, write reviews, refer friends … you name it. So how to decide? Let's consider two different behaviors: Conversion and Average Order Value (AOV).

You can use a customer's clickstream to understand the relationship between their browsing behavior and their likelihood to convert (even if they are anonymous). Their add-to-cart behavior provides additional clues around potential spend. Once you understand these relationships (unique to each retailer) you can create a targeting strategy.

1 BargainFox gathered 65 proven statistics from major research studies and business publications

Consider the diagram below:

Offer Eligibility Check		
Probability % Conversion: High	No Offer	AOV
Probability % Conversion: Low	Conversion	Conversion
	$ Gap Low	$ Gap High

If a customer is demonstrating behaviors indicative of a high likelihood to convert and their current cart is close to or higher than their predicted AOV, there is no need to get in the middle! This customer will do exactly what you want them to do with no additional encouragement required.

However, if this customer is showing potential to spend more than what they currently have in their cart, you would want them to spend more. Otherwise, if their likelihood to convert is low, your desire would be for the customer to check out with what they already have.

If you include additional behaviors such as cross-category sales and refer a friend, you now have a multi-dimensional decision matrix for each customer. Knowing these propensities and potential value for each behavior allows you to test the levers to see where the strategy is most effective for each customer.

3. ▶ Relevance

An oldie but a goodie. Now that you made a decision (in milliseconds) about what you want the customer to do, how do you go about asking? This goes back to the customer experience that e-commerce retailers spend so much time on and is very important. This tactic has several sub-keys to success:

- **Creative** – The offer should contain your logo to add credibility and be completely integrated to the site's look and feel, otherwise you risk 'banner blindness' if it looks too much like a third party offer.

- **Placement** – There are hundreds of pages on the site, where should the offer go? It makes most sense to place into context of the behavior you are trying to drive – Conversion and AOV related offers are best placed in the universal banner (below the L1 header), on the shopping cart page (above the promo code field), shopping cart hover (below subtotal), add to cart lightbox (below subtotal), and coupons/savings page (in line with other coupons).

- **Message** – like all online executions, a simple message suffices – but lead with the benefit. Receive $X off if you spend at least $Y now.

- **Engagement** – Ensure the customer has an opportunity to react to the offer by accepting, declining or ignoring (more on this in # 4 below).

- **Cadence** – Once the customer engages, a dialog begins where encouragement messaging follows the customer, reminding them of the benefit that awaits them and how much more they need to spend to achieve it. Once the customer completes the offer, there is a reveal of the benefit and then confirmation of the award once they complete the checkout.

Simple testing, measured through offer engagement rates, will ensure the appropriate customer experience.

4. Engagement

In # 3, we alluded to the importance of giving the customer the opportunity to react to the offer. This attribute has many advantages:

- It ensures the customer is actually aware and actively participating in the dialog. You now have someone who is interested in closing a deal.

- It prevents you from awarding customers for behaviors they will do anyway. Mass promotions may drive volume, but much of that volume is discounted business that you would have gotten anyway. A one-to-one offer can drive as much incremental revenue as a mass promotion, but at a much lower marketing spend to you.

- Feedback helps refine the targeting. If customers are actively declining or ignoring offers, you can assess the issue. You can determine whether it's due to the mix of conversion or AOV offers, the award value, etc.

Any adjustments you make to the parameters of your customer strategy will present immediate feedback via this tracking mechanism. For example, a richer AOV offer will manifest itself in higher acceptance and completion rates. No surprise that the richer the offer, the greater the engagement. This is why the last key is the most important.

5. Profitability

The most compelling thing about the ability to leverage in-session data to predict behavior is that it can be translated into individual economics for every interaction. If you can estimate the likelihood to convert and potential spend, you can understand the gap between the expected spend (conversion propensity x actual cart) and the potential spend.

You can also introduce margin into the equation so that offers are margin aware. The size of the gap dictates what you can afford to give back to the customer and remain a profitable transaction should they complete the offer. Every interaction delivers incremental benefit. These economics translate into an *allowable investment* for this customer and this particular interaction.

The allowable investment is how much you are willing to give back to the customer if they were to complete the offer. This can be turned into any number of incentive types:

- In-session discount
- Promo code for future purchase
- Loyalty points
- Free shipping
- Gift with purchase

The array of incentive types is limitless, but for most customers, cash is king[1]:

- 40% of shoppers prefer discounts on purchases over loyalty points or gifts
- 68% of consumers believe that digital coupons have a positive impact on a retailer's brand

That said, many premium brands try to avoid discounts, making loyalty currencies or other incentive alternatives much more attractive.

What to Expect

The results of this approach are pretty compelling. One retailer in the DIY space saw these results:

- 1.3% improvement in conversion rates based on product added to the cart
- $23 increase in average order value
- Offer acceptance rates between 25-30%
- Offer completion rates over 30%
- Actual spend tied to an in session coupon was 15% higher than target spend; and over 30% higher for AOV offers

Incremental revenue was attributed to higher margin categories due to margin-aware offers. The retailer changed nothing else in terms of marketing, promotions or other abandoned cart initiatives. The positive results gained were over and above the retailer's business as usual efforts.

About Exchange Solutions

Exchange Solutions designs, builds and operates Smarter Loyalty programs that improve conversion, customer lifetime value, retention and profitability. Smarter Loyalty programs use data-driven, personalized incentives to drive valuable customer behaviors, while optimizing marketing spend.

Our cloud-based platform permits rapid implementation in all channels, in real-time, customized to each client's needs. Our proprietary approach and in-market experience deliver quicker results, better ROI, and deeper customer engagement than traditional promotional or loyalty programs.

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