SPECIAL EDITION

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TOUGH CHOICES

Bells and whistles abound when it comes to e-commerce technology, but retailers have to make practical decisions about which tools really work.

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Technology that works

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The right fit

Several years ago I spent an afternoon visiting the headquarters of a very large retail chain. The retailer's executives were eager to show off the latest online tools they were rolling out, the ways in which they were melding the in-store and online experience (the "omnichannel" buzzword had yet to take root) and how they were remaking their stores to adjust to the new retail environment. The pitch sounded great.

But the same day I drove to one of stores that was being "rethought." I walked over to a store associate and asked him whether he had ever assisted a customer using one of the tablets the retailer had recently issued to employees to help them look up product information or order an item unavailable in the store. "Never," he said. Based on my subsequent visits to some of the chain's other locations, he wasn't alone. I've never seen a store associate use a tablet.

I bring this story up for a simple reason: Technology may be cool or cutting edge (believe it or not, the tablet was both at the time), but it won't make a difference if it isn't used or doesn't improve or enhance the customer experience or the retailer's back-end operations.

In the cover story of this digital edition of Internet Retailer that begins on page 17, Tracy Maple explores how retailers assess which technologies to invest in and how they justify the expense of still-unproven concepts like Neiman Marcus' the Memory Mirror, an interactive, internet-connected mirror that can take a photo of a consumer to enable her to see the outfits she's tried on side by side. The luxury retailer believes the Memory Mirror makes shopping in its stores more appealing, giving it an edge over online competitors. Of course, that only works if consumers use it. And that will only happen if store employees are excited about it and want to encourage shoppers to give it a try.

Zak Stambor, Editor

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Volume 19, Number 7
Internet Retailer (*ISSN 1527-7089*) is published monthly by Vertical Web Media LLC, 125 S. Wacker Drive, Suite 1900, Chicago, IL 60606. Periodicals Postage Paid at Chicago, IL, and additional mailing offices. (USPS 019-477)
POSTMASTER: Send address changes to Vertical Web Media, P.O. Box 29, Congers, NY 10920.
For advertising information, call 312-562-9527. Mail subscription orders or changes to Vertical Web Media, PO Box 29, Congers, NY 10920. For subscription information, call 800-371-1777.
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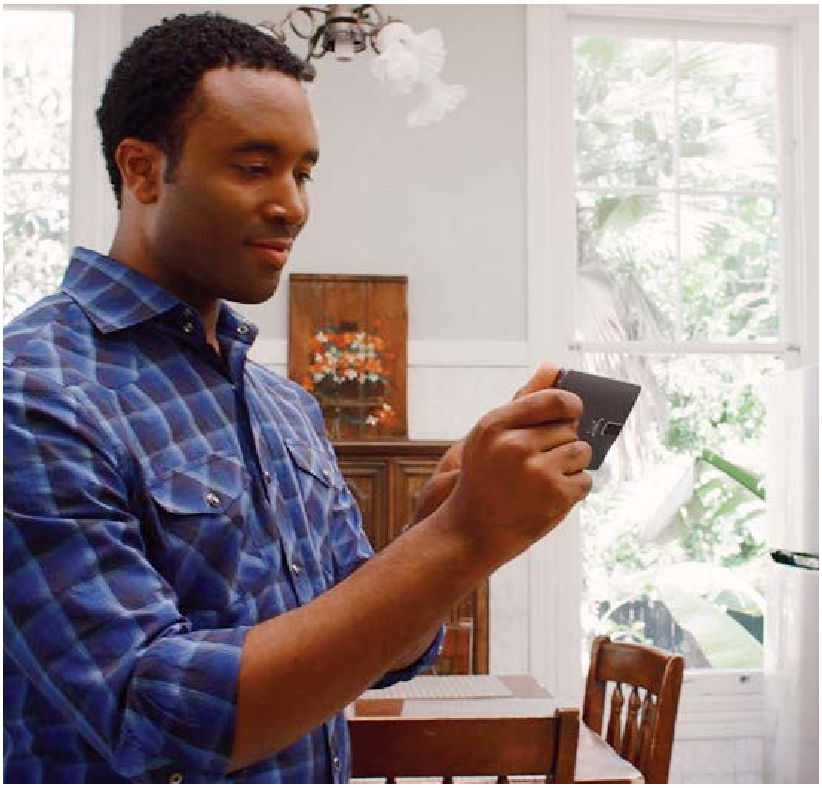


Home improvement retailer Lowe's launched an augmented reality app that allows shoppers to visualize products in their home.

In testing two augmented reality mobile apps, the home improvement retail chain aims to position Lowe's as a technology leader.

Lowe's bets on augmented reality

By April Berthene

Lowe's Cos. Inc. wants to be ready when augmented reality hits the mainstream.

That's why the home improvement retail chain recently began testing two consumer-facing augmented reality mobile apps. Lowe's Vision allows shoppers to see how Lowe's products look in their home, while the other app, The Lowe's Vision: In-Store Navigation app, helps shoppers navigate the retailer's large stores, which average 112,000 square feet.

The retailer's new technology and development team, Lowe's Innovation Labs, developed the apps that rely on Google's Tango technology. The nascent Tango technology, which uses several depth sensing cameras to accurately measure spaces, has yet to be widely adopted; the Lenovo Phab 2 Pro is the only consumer device that has Tango.

In testing two different augmented reality apps, Lowe's seeks to position its brand as a leader as the still-new technology becomes more common. About 30.7 million consumers used augmented reality at least once per month in 2016 and

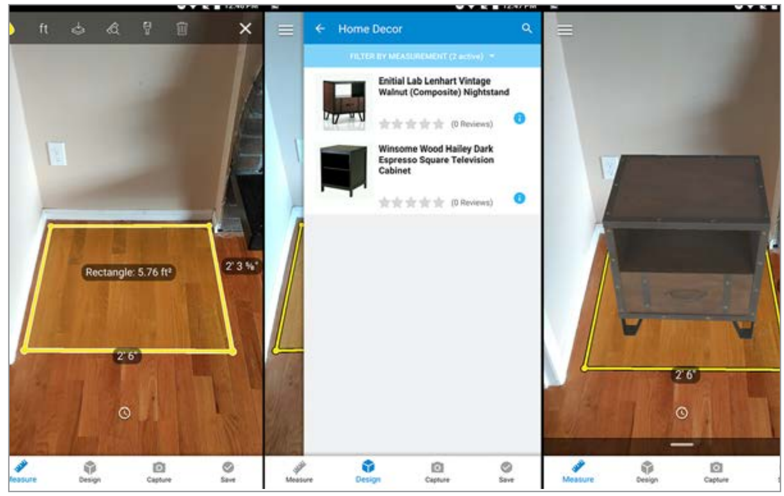
that number is expected to grow 30.3% this year to 40.0 million, according to estimates by research firm eMarketer Inc.

The Lowe's Vision app, which launched last November, allows consumers to use their smartphones to see how Lowe's products look in their home, says Kyle Nel, executive director at Lowe's Innovation Labs. For example, a consumer looking to paint her living room can use the app to see how it will look on the entire wall and how the color coordinates with her couch.

"Visualization is really tough," he says. "We know there are people who want to make a change to their home but don't because they are not sure how one element will go with another element, and all the possible permutations. All those considerations can be paralyzing."

Here's how the Lowe's Vision app works: A consumer downloads the app to her Lenovo device. She then taps on the measure button, which launches her smartphone's camera. The shopper directs the camera at the area where she wants to place products and the Tango technology measures the room. She can then browse through the thousands of 3-D products Lowe's has available. When she taps on a product image, it appears in the camera view on her smartphone's screen. She can move the product around the room with her finger to see how it will look in different places. She can also look at the product from different angles on her smartphone screen by rotating her device and see the product close up by physically walking toward where she placed the object. Shoppers can switch out products and add multiple products into her view.

Shoppers can tell if a product fits in the space they are looking for because the 3-D models are programmed with their dimensions and the Tango technology can accurately measure the space. For example, if the shopper is buying a refrigerator,



The Lowe's Vision app uses Google Tango technology so the smartphone can accurately measure the space, and products are shown to scale.

she cannot pinch and zoom the product image on her smartphone to make it fit in a space. In fact, Lowe's will only show the shopper refrigerators that it knows will fit in that space, Nel says.

Similarly, if the consumer is shopping for paint, the app measures the wall and tells her how much paint she should buy for the project.

While a consumer cannot complete a purchase within the app, the app opens up the Lowe's Android shopping app when she taps a button to buy the product. For now, Nel says, the augmented reality and shopping apps are separate, so if the consumer hasn't downloaded the shopping app she will be redirected to download it in the Google Play store.

Within the app a shopper can also look at product reviews, save a photo of her room with the 3-D models and create a shopping list of those products and save it to her Lowe's account.

Lowe's created its 3-D product models using a proprietary software the retailer developed. Other retailers that have developed 3-D product modeling software, such as home furnishings giant Wayfair Inc., use hand drawing, computer modeling and photography to create the models.

Lowe's in-store navigation app, which is still being tested, is also gaining traction, Nel says based on shopper feedback. While the app can currently be used in two pilot locations—one in Sunnyvale, Calif., which is where Lowe's tests many new technologies because it's close to its technology partners in Silicon Valley, and one in Lynnwood, Wash., where Lowe's has an office—Lowe's plans to roll the feature out to 400 stores this fall, according to Google. Lowe's declined to confirm the number.

The navigation app is meant to help shoppers quickly find products in Lowe's home improvement stores. Lowe's is also testing beacons, which rely on placing small sensors every few feet around the store, Bluetooth and an app to function. However, the technology behind the Lowe's in-store navigation app is cheaper than the beacon-based system, Nel says. The beacon sensor hardware can cost $5-$25 per sensor, which can add up for a 2,000-plus store chain, while the navigation app only requires the retailer to map its stores, he says.

The navigation app enables a shopper to search for the products she wants in the store and to add them to a shopping list. Once she's gathered items in her virtual cart she hits the Begin Navigation button, which launches the smartphone's camera. The app factors in the consumer's location and where the products are located in the store, down to the shelf level. When the shopper holds her smartphone a yellow line appears on the screen on the ground in front of her. Following the yellow line on screen leads her to the first product on her list. An image of the product hangs in the distance so the consumer knows which product she is walking toward.

At the two pilot locations store associates have the Lenovo Phab 2 Pro on hand and consumers can check them out for use while in the store. Although the Lenovo device is the only smartphone that offers Google Tango, Nel is confident more smartphones will incorporate the technology in the future.

Lowe's plans to roll out its in-store navigation app feature to 400 stores this fall.

Consumer awareness of the pilot is varied, Nel says. Some tech-savvy shoppers in the Sunnyvale location have heard about Google Tango and will ask an associate to use the app without being prompted, Nel says. More often, store associates have the smartphones on the floor and encourage shoppers to use them when they ask for directions, Nel says.

Both apps are available in the Google Play store for consumers that have Tango capabilities. Lowe's is not yet marketing the products to consumers.

Lowe's works with an applied neuroscience vendor Neurons Inc. to evaluate how consumers use both of the augmented reality apps. Consumers can elect to be a part of the study in which they use the Lowe's Visions apps and the retailer can examine how they engage with the app and track how their eyes move across the screen. This is a more effective way to evaluate how certain features work in app, rather than a survey, Nel says. For example, Lowe's may have a button that makes rotating an image easy, however, the retailer may find that many consumers don't see the button and Lowe's has to make it more prominent. These types of adjustments would be harder to discover in a written survey where consumers might state the experience wasn't very good, he says.

"Our studies have shown that many augmented reality experiences can be overwhelming, but the experience we created with Tango is a truly intuitive, engaging and a motivating experience," Nel say, without revealing any more specifics on consumer usage.

Both of the Lowe's apps are in a beta mode and Lowe's will continue to test and tweak them before marketing them to shoppers. ●

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Bob Sherwin, Wayfair's vice president of direct marketing, has helped the retailer build propriety advertising platforms for paid search, display and social remarketing.

Wayfair's vice president of direct marketing rethinks how the online-only retailer markets to shoppers.

Why buy when you can build?

By Zak Stambor

Wayfair Inc.'s advertising budget is bigger than that of just about any retailer save Amazon.com Inc., according to Internet Retailer's Best Digital Marketers in E-Commerce report, which assessed budgets of publicly traded retailers that disclose marketing spend. And Bob Sherwin, the web-only home furnishings retailer's vice president, direct marketing, works to ensure the retailer spends that money—$409.1 million last year—wisely.

Sherwin, who spent four years working at the famously quantitative-oriented consulting firm McKinsey & Co., relies on data to drive his marketing strategy. In that way he fits in with the retailer's overall analytical bent. Examining where Wayfair can maximize its return on investment has led Sherwin and other Wayfair executives to invest in personnel—it now has more than 1,000 engineers and data scientists—to build propriety advertising platforms for paid search, display and social remarketing rather than relying on tools developed by vendors and available to competitors.

"By building the technology ourselves, we can control our destiny and the pace of innovation," Sherwin says. "Before we started building our own technology, our marketing, engineering and data science teams would lift the hood of vendors' platforms and they'd find limitations as to what we could do. We figured we could use additional signals, additional customer data that the tools weren't using at all." At the same time, it didn't hurt that the retailer also cut out the vendors' margins, he adds.

Sherwin works with Wayfair's engineers and data scientists to ensure that as they build and iterate the retailer's marketing tools that they all understand Wayfair's objectives. "It's important that everyone understands the vision, is excited about what we're doing and feels empowered to interject with their own ideas," he says.

That approach helped two years ago when Wayfair first built Athena, a proprietary search engine marketing platform that automates a large share of the retailer's paid search program. Athena draws on the massive trove of historical information Wayfair collects to predict the conversion rate, average order value and margin for a given keyword.

Given Wayfair's massive product assortment of more than 8 million SKUs, Athena enables Wayfair to aggressively use paid search ads to drive sales. The data bares that out: Wayfair ranks No. 5 in Internet Retailer's "Best Search Marketers in E-commerce" report thanks in part to it driving 14.2% of its site traffic from paid search while only allocating 4.5% of its overall sales revenue to paid search—far less than many of its competitors.

Beyond Athena, Sherwin is building out a proprietary display advertising platform that it calls Magellan, as well as a tool that enables it to remarket to shoppers on social networks.

Remarketing had long presented a challenge for Wayfair and its five e-commerce sites before it built its own platform, Sherwin says. "The challenge is determining whether it is worth it for us to go after someone," he says. "It can be an expensive channel and there are a lot of factors at play. We have to find the person and target him on a one-to-one basis. Then, once we find him, what do we show him?" Based on who the customer is, what he's purchased before, his on-site behavior and the particular items he was looking at, the retailer tailors a message that it expects will drive the shopper to click and buy.

The effort is working, Sherwin says. After all, Wayfair's sales jumped nearly 60% last year, including 40% growth in direct retail revenue in the fourth quarter. Moreover, in tests that pit its in-house platforms against vendors' tools, Wayfair's advertising products are winning out.

"We're beating [vendors] when it comes to scale and efficiency," he says. "While their products might be good for the average e-commerce platform, we're tailoring the products we're building to the furniture and décor customer.

As Sherwin works with other Wayfair teams to build out its technical expertise, he and his teams are focused on stitching together a more complete picture of the retailer's customers. "We need to tie together our marketing messages so that we know what message to give what customer at a given time, regardless of whether that's on our site, in an email, a display ad, social media, a direct mail piece or when she calls customer service."

That approach produces a better customer experience while also helping it keep its costs in check, said CEO Niraj Shah, during the retailer's fourth quarter earning call. "[The technology we've built] has helped us significantly in terms of controlling cost, but also to be able to use all the data we collect and put that to good use in terms of being very surgical." ●

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Tough Choices

By Tracy Maple

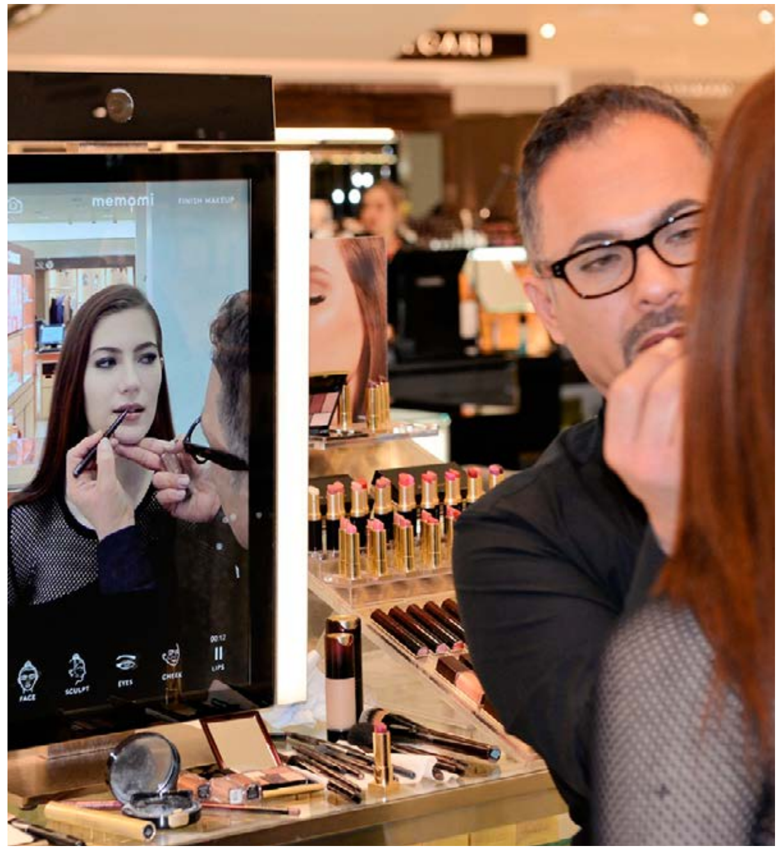
Scott Emmons, director of the Neiman Marcus Innovation Lab, receives dozens of cold calls a day from vendors pitching technologies. Only about 10% of the tools are interesting or intriguing, while the other 90% either don't fit or the retailer isn't ready for them. It's the nature of Emmons' job to research and pursue new technologies that can enhance how the luxury department store chain does business.

But just because a retail technology is available or possible is by no means a reason to pursue it, he says, even though he's had room to "shoot from the hip a little and try things for the sake of trying" in the 13 years he's been with Neiman Marcus. Much of that experimentation has involved in-store technology, but with e-commerce accounting for 30% of the retailer's sales, it's increasingly important to test online tools that

Bells and whistles abound when it comes e-commerce technology, but retailers have to make practical and tough decisions about which tools really work.

can help the retailer gain a more complete understanding of its customers and their behaviors across channels, he says.

The Memory Mirror is one such tool meant to wow customers and gain a better understanding of their preferences. Deployed at more than 20 of the 42 full-line Neiman Marcus stores, the interactive, internet-connected mirror lets shoppers compare outfits or makeup looks side by side that they've already tried on and captured in a 360-degree view with the mirror's camera and software, and the video can be saved and shared online. Emmons declines to say how much Neiman Marcus has spent developing the technology, but the justification for continuing to build new versions of the mirror in the past three years has been that it offers a "unique and useful experience that helps the customer on her shopping journey," he says.



Neiman Marcus has installed its Memory Mirror technology at some of its cosmetics counters.

A high-tech mirror isn't for every retailer, and neither are many of the other technologies currently generating retail industry buzz such as virtual reality, augmented reality and chatbots. Some technologies are aimed at grabbing customers' attention as online retailers jockey for eyeballs, higher sales and conversions, and increased customer loyalty, while others help bolster retailers' behind-the-scenes, back-end operations. Regardless of the tool, retail leaders operate on a budget, which means they have to evaluate and determine if an investment in such tools is worth it. They have to ask such questions as: What problem will the technology solve? What kind of return on investment is it expected to generate? How will it set us apart from the competition? And retail technology specialists emphasize the folly of pursuing a shiny, new technology if the fundamentals—a good mobile site, fast load times, easy site search and navigation—are lacking.

"You have to walk before you run," says Ajay Kapur, CEO of Moovweb, the mobile commerce technology provider to 39 retailers in the Internet Retailer 2017 Top 1000. "One question you have to ask: Is our core e-commerce experience fast and usable? The average retailer can't say yes to that, especially on mobile."

Online retailers should think about Amazon.com Inc., with which most of them compete, and strive to match—or beat–the online giant's experience, such as its fast load time and simple checkout process, he says. An e-retailer should ask, "Do I have an Amazon-like experience in terms of e-commerce?" Kapur says.

Google Inc.'s Accelerated Mobile Pages technology is one way retailers can speed and smooth the mobile shopping process, he says. AMP is a free open-source coding framework that allows businesses, including retailers, to build lightweight mobile pages that quickly load on smartphones.

Online marketplace eBay Inc. has been using AMP, which is geared toward publishers, for a little more than a year, making it one of the first retail businesses to use the technology. AMP on eBay helps consumers who come to eBay's mobile site from a Google search or Twitter, so when a consumer clicks on an AMP eBay link, the webpage should open in two seconds or less. Mobile traffic accounted for 49.6% of eBay's traffic for the three-month period of April-June, according to data from web analytics company SimilarWeb Ltd. AMP coding is just one component of eBay's ongoing technology, and it declined to say whether its use has resulted in more sales or page views. "As one of the world's largest marketplaces, eBay continues to transform its platform to create a cutting-edge shopping experience. eBay invests in all types of technology and complements it with our homegrown tools and expertise and engineers," an eBay spokesman says.

Kapur says an e-retailer's technology investments should focus on ensuring it offers an excellent customer experience. Only then should it reach for more cutting-edge tools. "If you're offering an average experience and investing in something that's unproven, those are not the right priorities," he says.

Increasingly, that means ensuring that mobile shoppers have a seamless shopping experience, says Stephan Schambach, who founded e-commerce

technology provider Demandware and now runs mobile shopping platform NewStore Inc. After all, 51% of consumers made an online purchase on their smartphone, according to a recent Pew Research Center survey.

"As e-commerce evolves, there is a ridiculous amount of hype around the various technologies available to brands, and few are worth the investment. New technology bursting onto the scene garners media interest but offers very few actual examples of its prowess in action," Schambach says. "To successfully lead retailers into an environment in which mobile has flipped the shopping cart, [chief technology officers] need more than technology skills. They need to lead on three critical fronts: innovation, experimentation and strategy."

At U.K.-based online grocery retailer Ocado Group PLC, technology decisions involve a balance between short-term and long-term goals. "Being part of the dynamic market of online retail means we have to keep casting our sights further into the future while also continuing to remain focused on the day-to-day innovations that keep our business running efficiently," says Paul Clarke, chief technology officer.

Ocado.com customers interact with all kinds of technology that they don't fully realize they're using because it's built into the platform, Clarke says. In October, Ocado began using a machine-learning platform built in-house to more efficiently manage its emails and Google's TensorFlow, an open source software library for building machine learning frameworks. With machine learning, the system can learn over time when it is exposed to new data and modifies its initial programming without humans making the tweaks. As emails arrive at Ocado's contact center, the new system determines if they are positive or negative and then assigns a strength of the positive or negative sentiment of the email. The system also tags each message with a description of its content, such as a canceled order, a request for website help or a delivery complaint. It then prioritizes each email based on how quickly it should be read and answered. "We've seen several benefits, including the ability to respond to urgent emails four times faster. It costs about 100 pounds per month [about $129] to run the email system in the cloud but it has already provided a cost saving of about 100,000 pounds in staffing costs," Clarke says.

Measuring results is part science and art. "We find the most important markers for any successful technology are feedback, adoption and impact on sales," he says. "However as a disruptor, we often have to take leaps of faith when it comes to new features and solutions that customers might never ask for, or might not even realize they would use, until they are delivered. There are time you can be data driven and there are times when you have to follow your instincts in terms of driving experimentation," Clarke says. Ocado's Smart Platform robot hive, which is part of the retailer's warehouse automation system that picks and packs online grocery orders is an example of that experimentation, he says. It involves a densely packed mobile network that allows Ocado to control 1,000 robots from a single base station and communicate with them 10 times a second in an area about the size of an Olympic swimming pool.

"We find that our customers are particularly interested in any technology that can help them shop faster,

'THERE IS A RIDICULOUS AMOUNT OF HYPE AROUND THE VARIOUS TECHNOLOGIES AVAILABLE TO BRANDS.'

—Stephan Schambach, founder of NewStore Inc.

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'ARTIFICIAL INTELLIGENCE AND CHATBOTS HAVE THE POTENTIAL TO HELP MY TEAM OF LIVE AGENTS.'

—Scott Emmons, director of Neiman Marcus Innovation Lab

with lower friction, better service and greater delight. For example, we were early adopters of the watchOS ecosystem and developed the first Apple Watch app for online grocery shopping," Clarke says. Ocado won't reveal statistics about its Apple Watch app but says more than 55% of orders come from mobile devices.

Technology that works for one retailer may make little sense for another. For example, virtual and augmented reality tools make sense for an online furniture seller looking to help a consumer get a better sense of how a product would fit his space but may not work for a sporting goods retailer.

"With AR and VR, you can visualize how furniture will look in my room," says Anderee Berengian, CEO of Cie Digital Labs, which helps retailers and brands develop digital strategies and develops tech startups of its own. "I don't know looking online, or even in a store, if I need a 7-foot or 9-foot sofa, or how that sofa would look with my end table. Augmented reality allows us to see that and ensures that I make the right purchase. It means fewer returns for a retailer and it creates greater engagement with brands, which means more loyalty."

Home furnishings e-retailer Wayfair Inc., for example, has been actively working on augmented reality and 3-D modeling since 2015, rolling out an augmented reality Android app in mid-2016. As of May 2017, when it reported its fiscal first quarter results, Wayfair had more than 25,000 SKUs modeled in 3-D, which is a small fraction of its more than 8 million products. These models of Wayfair products—a dining set or lamps, for example—can be deployed using 3-D modeling software SketchUp, which architects, engineers, designers and construction professionals use to show clients design renderings in 3-D to give a more realistic view of a room than a photo or drawing. 3-D models also can be used in augmented and virtual reality platforms, such as those that allow a shopper to visualize what a sofa would look like in her living room. However, a virtual reality app called IdeaSpace is, for now, only available to consumers via Google's Daydream VR headset. Wayfair executives in May said more smartphones will incorporate 3-D sensing technology within the next year and a half, and that will give more consumers the ability to use Wayfair's augmented reality apps.

While the 3-D models are essential to Wayfair's virtual reality and augmented reality experiences, the models also benefit the retailer's website images because they offer a less expensive way to produce lifestyle images on its sites, co-founder Steven Conine said on a recent earnings call. That's because the retailer's library of 3-D product models can be used to digitally render a 2-D image that features multiple products, which is less expensive than using photo studios with the real products. While e-commerce revenue is surging at Wayfair—it jumped 32.1% in the fiscal first quarter—the e-retailer has yet to post a profit and has not detailed how much it has spent on 3-D and augmented reality technology.

Some technologies take time to work. For instance, Neiman Marcus's first Memory Mirror, which was installed in early 2015, didn't get the green light on its first proposal, Emmons says. "It took a good 12 months of work to build a use case and the hardware to convince the business side to try it. We have three different flavors of the mirror today—it's a robust fleet of mirrors that offer a digital experience and gives us information about our customer." As the technology improves, so does the ability to measure everything from how often shoppers use the mirror to whether it increases dwell time in stores as shoppers virtually "try on" more clothes. "I am always thinking about how to leverage what we're great at in stores and deliver that experience online: How to convert a high-touch, strong relationship business and deliver that to an online customer," he says.

Customer service is another area where retailers have to weigh the cost and benefits of new technologies, and where chatbots increasingly come into play. "Artificial intelligence and chatbots have the potential to help my team of live agents that service online customers," Emmons says. Bots, which are computer programs designed to interact and converse with humans online, can find and share product information much faster than a human and would allow Neiman Marcus customer service employees to concentrate "on more difficult or out-of-the-ordinary needs for customers," he says. "We're just dipping our toe in. We've had our first pilot program and are considering how we can do this in a bigger way." He declines to reveal the results of the pilot program.

Schambach believes chatbot technology is worth evaluating. Already retailers such as Sephora have tested chatbots on the messaging app Kik that enable consumers to discuss trends, view product information and reviews, receive recommendations, and even purchase on product pages within the app.

Despite their promise, chatbots often fail to deliver business value—such as generating more sales leads, and improving customer service efficiency—or customer value—such as saving customers' time, and improving customer experience —says Xiaofeng Wang, a Forrester Research Inc. senior analyst. That often reflects a retailer's unclear purpose for the bot and poor planning.

While many merchants around the world already use chatbots, or plan to do so this year, many retailers make mistakes like not clearly defining their purpose, setting goals that are too ambitious for their existing capabilities and launching them before they are ready, she says. "Today's successful chatbots are driven more by keywords than by machine learning. They can deliver quick-hit information such as the latest promotions and provide shortcuts to content such as tutorials. Most chatbots' cognitive capabilities are still far too limited to deliver context- or intent-based personalization or advise customers about complex products," Wang writes in a recent report.

Bots are still in their early stages, but are growing increasingly common. Last year, 5% of companies surveyed in Forrester's 2016 Global Mobile Executive Online Survey said they used chatbots regularly, 20% were piloting them and 32% were planning to use or test them in 2017. The survey, conducted in the fourth quarter of 2016, was of 139 business-to-consumer mobile executives from around the world, and about 15 (11%) were retail and e-commerce executives, Forrester says. "Chatbots offer plenty of analytics for a brand to assess, including engagement levels, conversation length, sentiment, response rates, chatbot mentions, and click-through rates," the authors write.

Auto parts retailer Pep Boys hasn't tested chatbots with its customers but says it's considering them and evaluating how the technology could influence staffing,

'CUSTOMERS SAY THEY WANT WHITE-GLOVE SERVICE OR THEY DON'T WANT TO TALK TO A HUMAN AT ALL.'

—Chris Vitale, vice president of digital operations and e-commerce at Pep Boys

says Chris Vitale, vice president of digital operations and e-commerce. Recently he had to call a phone number to activate a credit card. "A person answered and I was like, 'Are you serious? Can I get a prompter?' And we're seeing that trend: Customers say they want white-glove service or they don't want to talk to a human at all," he says.

But Pep Boys doesn't base its technology decisions on an executive's personal experience. There is a protocol. Executives ask about the result a technology aims to drive such as increase revenue, boost conversions or page speed, or improve customer satisfaction, Vitale says. And they want proof of concept on as many things as is practical. An attempt to launch a new selling tool on its site—Vitale declines to detail how it was supposed to work—had received capital funding but was scrapped after issues arose during implementation.

A retailer that tosses technology onto a website or into a store without thorough, regular testing as well as training for employees, risks annoying and alienating customers when the technology doesn't work. Michael Klein, director of industry strategy for the Adobe Marketing Cloud, notes a visit to a high-end bed and bath store in New York City. The store had a 5-foot touchscreen monitor with a menu option, text and arrows as if a user could scroll and interact with the screen, ostensibly to see product demos and settings in which products were used. "None of it worked," he says. "When I asked a store associates, they weren't aware it wasn't working and they eventually copped to the idea that this screen was controlled by corporate in California, and they had no control over the experience."

On the other end of the spectrum, a visit to the San Francisco store of women's apparel retailer Reformation offered an experience that blended form and functionality. The store was sparse with 40-inch video screens installed among traditional racks of clothing. "Store associates were there at the entrance to help educate shoppers about what to do," Klein says. "The store had one of every item, in extra small, on display. You could touch and feel the garment on the rack, but you use the monitor to build a dressing room. The screens sent the intelligence to the back of house to tell you what's in inventory—there's no going through hangers and hangers to find your size." An associate places the customer's choices in a dressing room, and customers can interact with an associate from there. "It was very clean and inviting and an almost 50-50 division of product and technology," Klein says.

At Ocado, which not only sells groceries online but aims to sell its e-commerce platform technology to other grocery e-retailers, the company has three strands of innovation. "The majority of our time and resources go into 'business as usual' innovation and elements of this are woven into everything we do in all three strands," Clarke says. "Then we have our R&D teams who work on high-end technologies such as robotics and machine learning. And finally we have our advanced research teams grouped under the 10x department that looks for game-changing opportunities working on the '10 times over 10%' principle," he says.

The key to technology investments is not to get distracted by the shiny new objects that plenty of companies want to sell to retailers. There are many solutions in search of a problem, but figuring out the issues that need to be solved and focusing on technology that shores up the fundamentals of e-commerce is the most important step. ●

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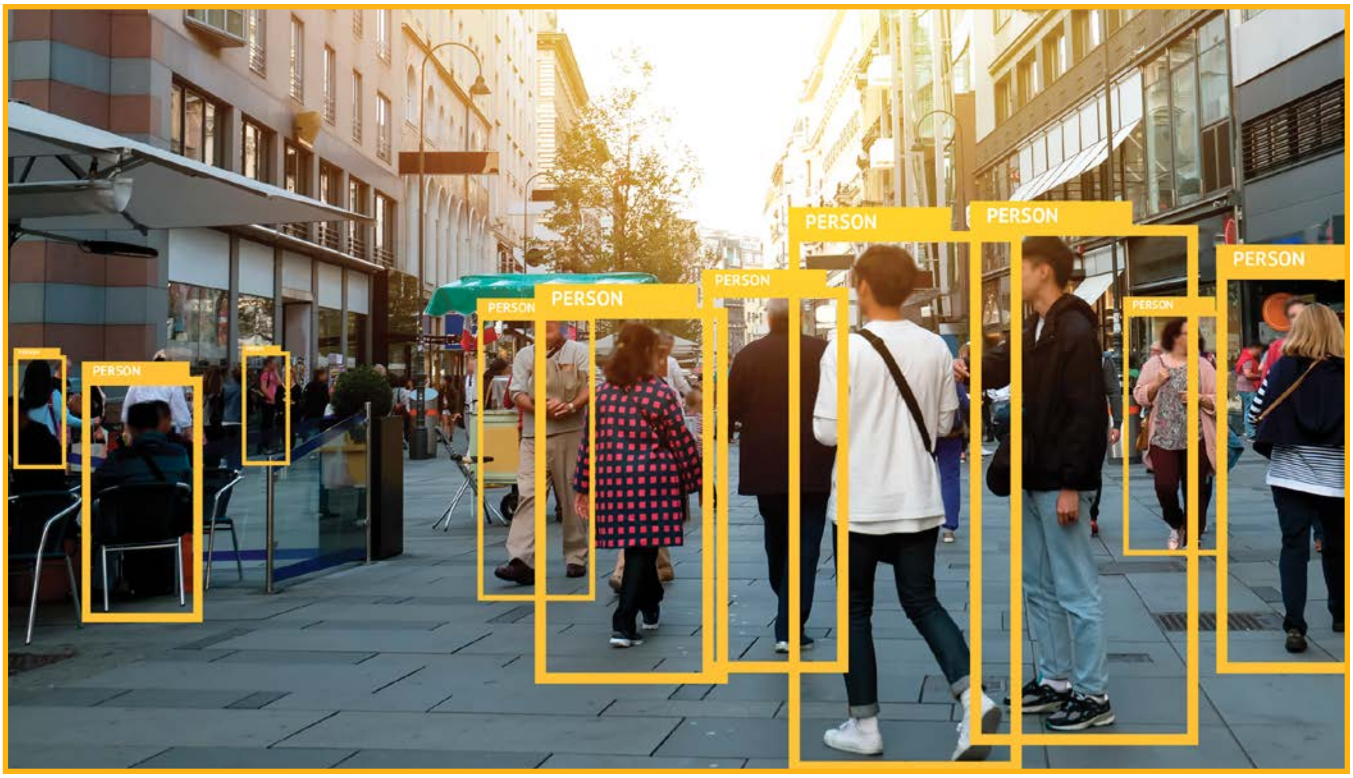


Marketing gets smarter

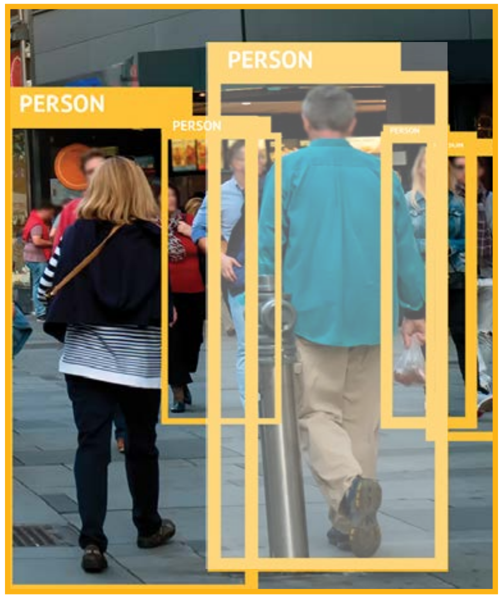
By Zak Stambor

All it took for U.K.-based personalized picture book retailer Lost My Name to reduce its cost per acquisition 17% was to automate its Facebook advertising campaign.

While Lost My Name allocates some money in its budget for TV ads in November and December—when the vast majority of its sales occur—it spends roughly 70% of its paid marketing budget on Facebook ads, says Anne Thouas, the retailer's head of awareness marketing. Until last year the retailer managed its Facebook advertising campaigns in-house. But as the retailer's business grew and expanded into new markets, Lost My Name reached a point where it

Artificial intelligence enables retailers to dive deep to find marketing strategies that work. But humans still have a role to play.

either had to hire more staff or an agency to help manage its Facebook campaigns or turn to an advertising automation vendor, preferably one that used artificial intelligence and machine learning, she says. After all, a number of vendors have popped up over the last few years with artificial intelligence- powered platforms that they promise will enable retailers and other marketers to efficiently run a large number of tests, crunch data, and quickly learn and adjust based on those results at a pace that would be impossible for a human to achieve.



Marketing offers an ideal use case for artificial intelligence given the large trove of data marketers have to work with, says Joe Stanhope, a Forrester Research Inc. vice president and principal analyst. "Our brains can only do so much," he says. "They have a certain amount of cognitive capability. The customer experience is moving so fast that humans can't keep up. We need machines to close the gap between what we can do as people and what we should do to engage with customers." However, the technology is still in its early days and, for the most part, it is only beginning to help retailers improve their performance and boost engagement.

Even so, Lost My Name was intrigued by the idea of using an artificial intelligence-based system to automate its Facebook advertising campaigns. The retailer's Facebook ads largely consist of direct-response link ads that seek to drive consumers to the retailer's site, along with some retargeting ads directed at the retailer's existing customers and consumers who have visited the retailer's site. In particular, it liked how technology from digital marketing vendor Smartly.io enables a retailer like Lost My Name to choose a goal, say drive sales or clicks to a retailer's website, and set a budget. The technology then tests the retailer's ad campaigns to determine the optimal budget distribution for the stated goal.

To gauge whether automation would help it scale its Facebook advertising program, it pitted automation technology developed by Smartly.io against a staff member who manually allocated the retailer's budget. Within a few days of launching its test, Lost My Name saw the Smartly.io technology shifting dollars around in ways that on the surface seemed overly aggressive, Thouas says. For instance, on one day the system allocated 200 pounds ($255.80) out of a 2,000 pound ($2,558) budget to a particular ad set. The next day it increased that spending to 800 pounds ($1,023.20).

"We would never make such a big swing," she says. However, the technology's algorithm paid off as it boosted the retailer's conversion rate by 36.1% and reduced its cost per acquisition 17.0%. Those results convinced Lost My Name to switch to Smartly.io. The vendor typically charges 5% of the ad spend but Lost My Name received a discounted rate because the companies share an investor.

'AN AGENCY DOESN'T ENABLE YOU TO DIG AS DEEP AS QUICKLY AS AI.'

—Guido Campello, CEO of lingerie brand Cosabella


CAKE & ARROW

'AI-BASED MARKETING AUTOMATION HAS ALMOST UNLIMITED PROMISE.'

Susan Etlinger, industry analyst at Altimeter Group

Smartly.io has transformed the way Lost My Name approaches Facebook advertising, Thouas says. "We were way too quick to give up on creative that didn't seem to work," she says. Smartly.io is more patient with ads that fail to deliver immediate results. Instead of giving up on them, it tests them again a few days later. The method has helped the retailer discover that "bad luck" may cause an otherwise-effective ad to fail to produce results, she says.

Lost My Name is just one of a number of retailers that are finding that artificial intelligence and machine learning enable them to conduct more experiments and quickly examine, and react to, the results of those experiments. However, a number of retailers have also found that, despite the benefits of artificial intelligence, the technology still has its limits.

"AI-based marketing automation has almost unlimited promise," says Susan Etlinger, industry analyst at Altimeter Group, a business management consultancy. "It can help marketers find and correct for unintended biases. It can help marketers discover that they're underserving a particular segment." But, no system is perfect and the systems are only as good as the data they have to examine, she adds.

Take a brand like Cosabella, which has been pleased with artificial intelligence's benefits, but still sees a role for marketing agencies.

Adgorithms LLC's artificial intelligence marketing platform Albert has enabled the lingerie brand to make fast decisions, which is particularly useful for a fashion retailer that needs to react swiftly to trends. For instance, it recently found that certain keywords such as "pajamas" and "lingerie" drove particularly strong returns in the middle of the night, or that consumers are looking for, but failing to find or buy, certain products in a category, such as maternity lingerie.

"Artificial intelligence enables us to better understand how we can drive sales of our brand collection," says Guido Campello, the retailer's CEO. "An agency doesn't enable you to dig as deep as quickly as AI."

After years of working with a marketing agency, the retailer last October turned to Albert to help it manage its marketing and media buying. The retailer made the change because its sales suddenly slowed after years of double-digit growth. After Cosabella input the key performance indicators it was looking for, the channels it sought to compete in, budget parameters and creative materials, the system drew on the retailer's customer data to quickly identify user behavior patterns across paid search and social media. Those insights enabled the vendor to offer the retailer suggestions for how to optimize and scale its campaigns, he says.

At the same time, the retailer enabled Albert to take what Campello calls "substantiated, pragmatic risks." "It's like we have someone on staff who can process data incredibly quickly," he says. "That enables us to make our ad spend as efficient as possible."

Albert's ability to run highly targeted tests enables the retailer to move quickly to ensure it is telling "different stories to different customers at the right time," he says. The retailer can talk about a maternity lingerie campaign on Monday, develop the creative the following day and have results it can analyze by Friday. That's a far cry from the agency the retailer used to work with that would take up to five or six months to develop a campaign, Campello says.

The first month that Cosabella began working with Albert, the technology helped it quickly and efficiently scale its ad campaigns. Initially, the Albert system cut back the retailer's ad spending by 12%, but then quickly restored the spending back to prior levels once it found what worked. Within the first few months, the retailer produced a 336% return on ad spend, and a 155% increase in revenue that it directly attributed to Albert.

However, Cosabella also learned that Albert requires supervision. For example, the retailer found the technology was spending too little, when a higher budget would have produced more profit. "When you're dealing with an agency, it is more than happy to increase your budget," Campello says. "But Albert could see that if we wanted to increase our spending we'd be less efficient with our ad dollars. We had to make the call that that was OK."

Those types of quirks are an inherent part of dealing with artificial intelligence, Etlinger says. "Machines are literal," she says. "So you need to keep a critical watch on what they're doing."

But with supervision artificial intelligence can significantly bolster a retailer's marketing efforts. For instance, Albert has enabled Cosabella to move its marketing in-house without it having to hire any new talent. Its 10-person marketing department produces its creative in-house. It then feeds Albert images and copy, which the technology can mix and match in ads that it dynamically serves to consumers based on the products and content those shoppers, and consumers who behave similar to them, have looked at on the retailer's site.

Despite the gains Cosabella has made thanks to artificial intelligence, Campello believes there is a place for specialized agencies which is why he plans to hire three or four agencies throughout this year that have specific specialties, such as maternity or plus-size, to complement Albert's output.

"While Albert can handle the day-to-day collection and reporting processes, the agencies can add a human dimension, such as content development," he says. For instance, an agency could help the retailer offer a sports bra tie-in with a gym that's running a membership campaign aimed at women.

That approach makes sense, Etlinger says. After all, those type of relationship-building marketing efforts can't be automated. ●

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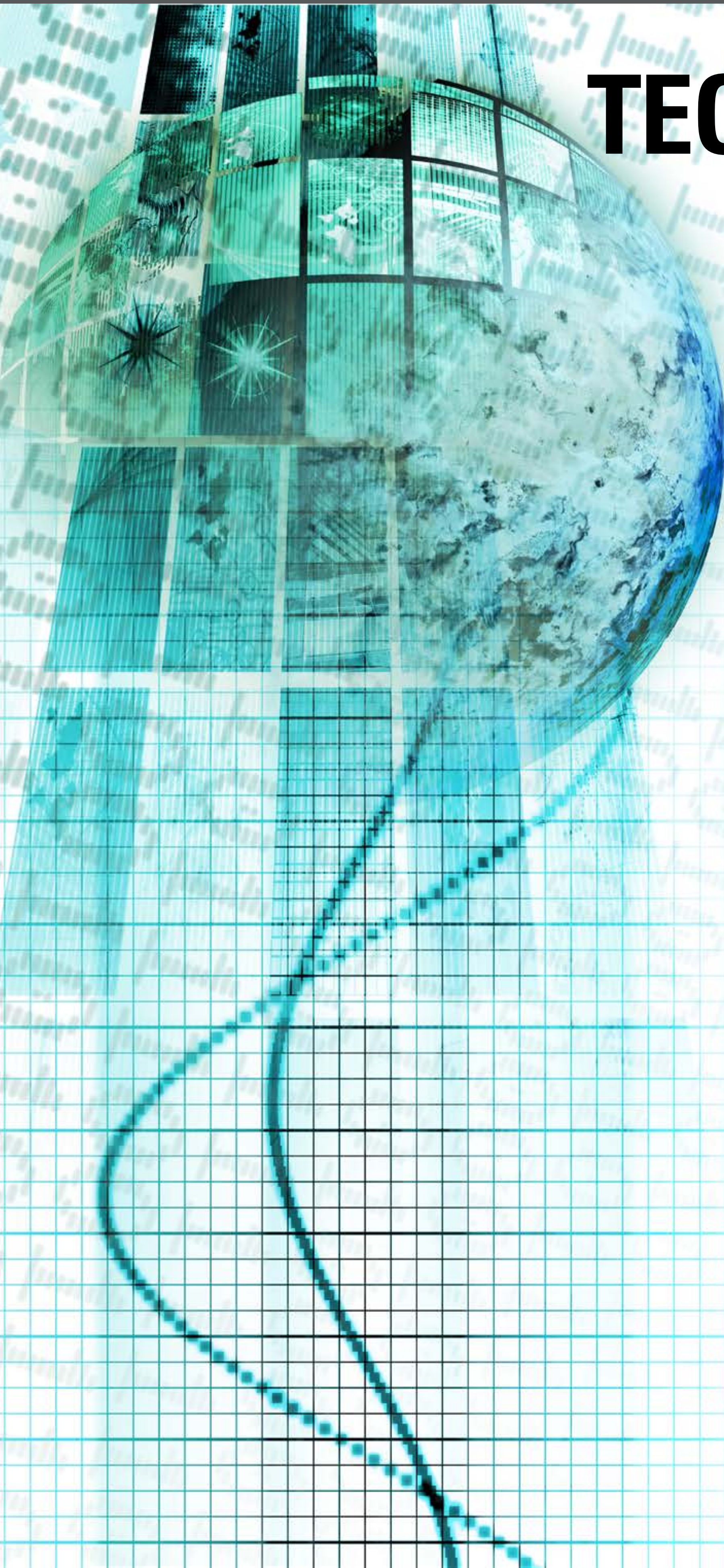


TECHNOLOGY THAT WORKS

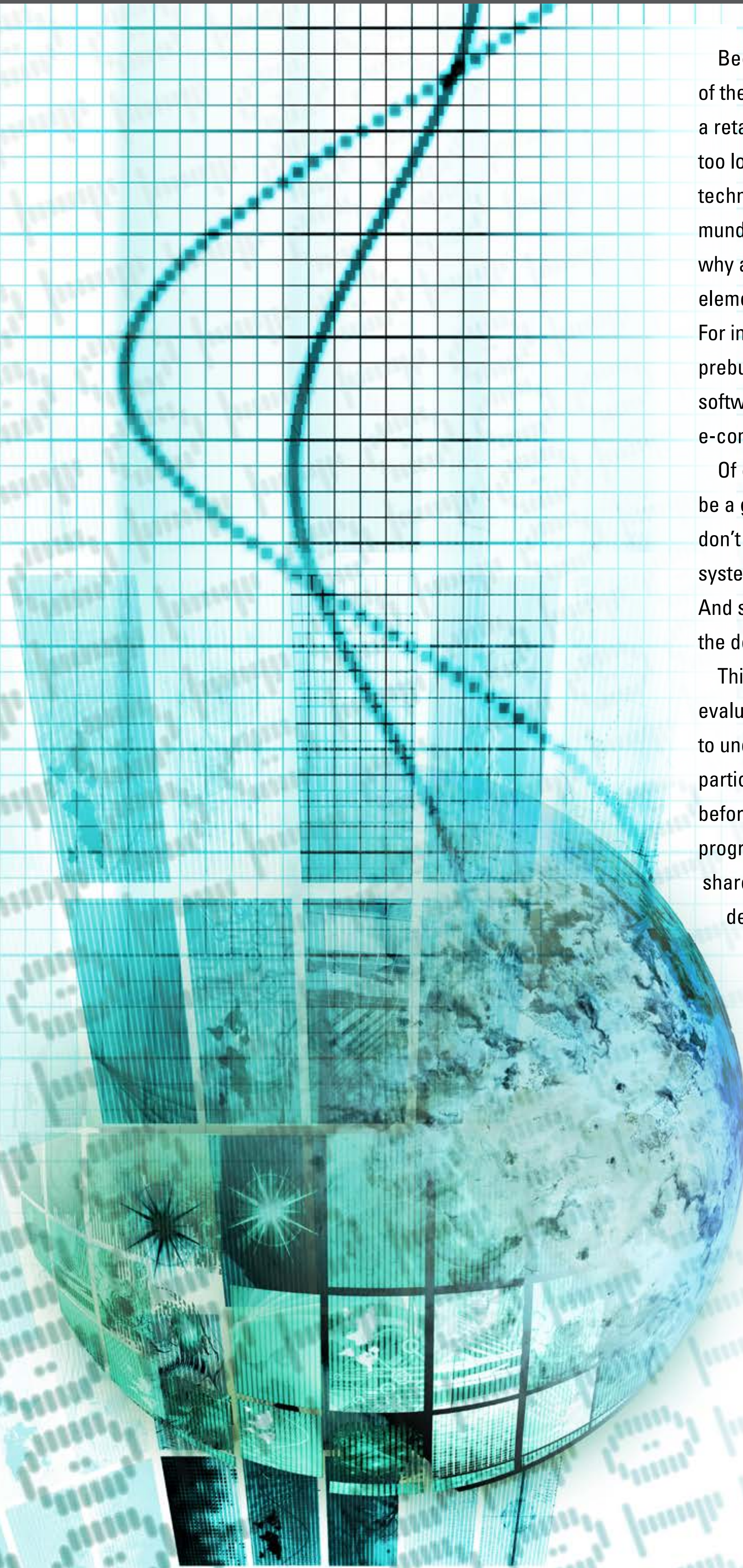
GIVEN THE FRANTIC PACE OF E-COMMERCE INNOVATION, IT'S INCREASINGLY IMPORTANT FOR ONLINE RETAILERS TO BE QUICK TO EMBRACE THE LATEST TECHNOLOGIES.

E-COMMERCE MOVES QUICKLY.

In an industry growing roughly 15% a year, retailers need to be agile or risk joining the 13 retailers that have filed for bankruptcy this year.

Keeping up means staying abreast and implementing the latest technological changes that promise to upend nearly every aspect of a merchant's business—from progressive web apps that enable consumers to have a fast-loading app-like experience on a mobile website to robots that work alongside people in warehouses. After all, e-commerce technology is rapidly changing as it grows smarter, faster, and often, more cost-effective.

That explains why 85% of online retailers in a February Internet Retailer survey said they planned to boost their e-commerce technology spending this year, including 19% of respondents who planned to spend at least 25% more than they did last year. Retailers cited a number of reasons for increasing their spending, including to help them attract more customers, increase their conversion rate and improve their site performance.



Because of the rapid pace of change, speed is of the essence in implementing new technology in a retailer's operations. After all, if a retailer takes too long to put a particular element in place, the technology that was once shiny and new may be mundane by the time it starts working. That explains why a number of survey respondents sought to add elements that were relatively simple to deploy. For instance, 53% listed the availability of many prebuilt integrations with other e-commerce software as a top priority when selecting an e-commerce platform.

Of course, not every technology that promises to be a game-changer pans out. There are those that don't integrate well with a retailer's existing systems, and consumers reject or ignore others. And still other technologies that simply fail to deliver the desired results.

This means retailers need to be scrupulous when evaluating how to allocate their dollars. They need to understand consumer trends, as well as how a particular tool can serve those desires. For instance, before they decide whether to invest in building a progressive web app, they need to understand what share of their customers visit their site via a mobile device and whether there's something lacking in their current mobile design.

In the following pages, you'll find Internet Retailer's interviews with several industry leaders about some of the latest e-commerce technologies. The conversations center on how the latest tools can, and are, helping retailers better serve customers' needs—and improve the retailers' results.

The right e-commerce platform makes all the difference

DENIZ IBRAHIM
product marketing principal at BigCommerce, a cloud-based e-commerce platform

Having an e-commerce platform that fits an e-retailer's needs and goals is critical to online success. Many of the most reliable platforms feature integrations that enable merchants to reach prospective customers through online marketplaces, social networks and a branded online storefront. They also help e-retailers optimize their sites for mobile devices and offer easy checkout experiences for today's on-the-go shoppers.

But some e-retailers are still working on outdated platforms that don't offer the capabilities some of the new, more innovative, cloud-based platforms do, says Deniz Ibrahim, product marketing principal at BigCommerce, a cloud-based e-commerce platform. Ibrahim discusses how the right e-commerce platform can help retailers drive more traffic to their sites, boost conversion rates, and offer superior site performance and design—both today and in the future.

Why does an online e-retailer need to have the "right" e-commerce platform in place?
Technology can be burdensome and expensive to manage. That means merchants should view their e-commerce platform as a truly integrated business partner that manages the back-end technology while allowing the merchant to focus on growing its business.

How is the current state of e-commerce challenging retailers?
The way consumers shop has changed and merchants must be able to reach their customers wherever they are shopping. E-retailers have turned to solutions to effectively and efficiently reach their customers wherever they may be—whether it be on a branded online store, Amazon, eBay, Instagram or Facebook.

At the same time, e-retailers face a continuous battle to drive checkouts. With less than 26% of all carts completing checkout on desktop, and less than half that completing their purchase on a mobile device, e-retailers have to find ways to ensure that shoppers become buyers.

Finally, shopping experiences have changed. E-retailers can no longer simply put up a site and expect sales. They must have fast page loads and engaging shopping experiences that include descriptive product pages. Shoppers need to be able to interact with an e-retailer's products and the brand.

What kinds of tools can help e-retailers address these challenges?
They need a robust set of tools to attract and convert customers, streamline operational efficiencies and grow their online business. BigCommerce, for example, offers these capabilities at a fraction of the cost of alternative tools.

Our ecosystem includes integrations with leading shipping and payment providers. Our open and extensive API allows retailers to customize their sites to fit their businesses. Our catalog management capabilities allow a merchant to scale—with no caps on SKUs or products. Our one-page checkout integrates with digital wallets and is fully responsive. And our storefront development and management platform helps merchants get a site up and running in half the time of other platforms.

Do you have an example of an e-retailer that has boosted its sales thanks to this type of platform?
Spearmint Love, the online baby and children's clothing and accessories store, has been on BigCommerce's e-commerce platform since the company was founded in 2013. It has generated substantial growth through the use of social media, particularly Facebook and Instagram. Since implementing the platform, its sales have risen 991% and its conversion rate is up 38% year over year.

Another example is golf equipment e-retailer BombTech Golf. After switching to BigCommerce's platform, it grew its revenue 841%, its customer base rose 428% year over year, and its conversion rate jumped 62% year over year.

What is your call to action for retailers that need to update their platforms?
They should look for a platform partner that will help them scale their business seamlessly, reach customers across channels and deliver the best shopping experience from discovery to purchase. That partner should be devoted to building capabilities that will ensure the e-retailer not only has the best e-commerce platform today, but also for years to come. ●

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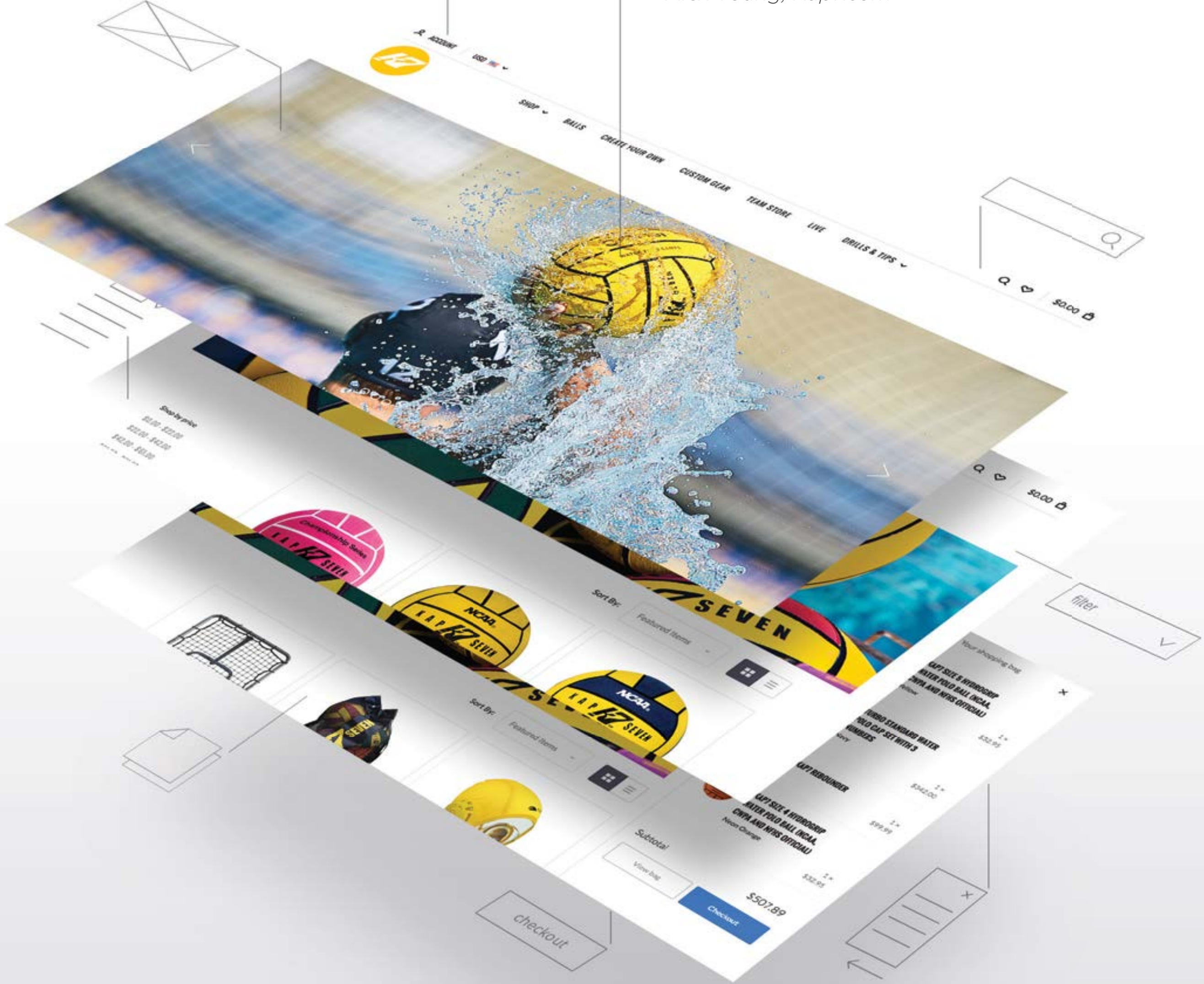
-Alex Young, Kap7.com



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BIGCOMMERCE

Automated locker systems help retailers address supply chain challenges

Consumers' expectations for how and when their online orders are delivered have changed. Most online shoppers aren't willing to wait a week or more for their packages to be delivered. They expect their online orders delivered quickly. They also want to choose how they receive these purchases, including a growing segment of consumers who do not want online purchases shipped to their homes.

KENT SAVAGE
CEO of Apex Supply Chain Technologies

Kent Savage, CEO of Apex Supply Chain Technologies, an internet of things-based automation provider, discusses how e-retailers can compete more effectively in this new age of shipping and delivery by offering shoppers a diverse a range of fulfillment options.

What are the most critical shipping and delivery challenges retailers face?

Many retailers have customer-friendly apps and e-commerce platforms. But often, in-store pickup options are an afterthought. This can create confusion as to where and how an order should be picked up, frustrating the consumer.

Inefficient fulfillment processes require too much employee involvement. This drains productivity and adds to the consumer's confusion and frustration—all of which increase the retailers' costs. Store employees are better served helping customers with new purchases instead of handing out parcels that have already been ordered and paid for online.

How can retailers overcome these issues?

By automating the order pickup process and allowing customers to pick up their online purchases in a store, retailers are giving customers the convenience they demand. This also allows e-retailers to expand to an offline presence without the expense of full-scale retail locations.

In the back of house, similar self-serve automation ensures mobile devices, including scanners, tablets and POS devices, can be managed effectively. This reduces the issues and costs caused by lost and damaged devices.

How is this system helpful to retailers?

In-store self-serve lockers enable consumers to avoid paying shipping charges while providing the flexibility of picking up orders when and where it's convenient for them.

For back-of-house operations, retailers are automating mobile device management. For one customer, we recently deployed 17,000 self-serve lockers across their enterprise to manage its in-store scanners. The lockers ensure this valuable equipment is always returned at the end of each shift. Employees always have the tools needed to do their jobs as a result, making them more productive. And with fewer damaged or lost devices, retailers decrease their costs. The data from these activities is available online, making it easy for the retailer to get store-level visibility into the status and use of this critical, inventory-tracking equipment.

How can they accomplish this?

They should partner with a technology provider offering solutions that are scalable, affordable, and easy to use and implement. With Apex, for example, retailers only need an electrical outlet and internet connection to begin using our devices and cloud-based software platform. This platform records every device action and integrates with a retailer's order management, point–of-sale or warehouse management system.

What retailers are currently using this type of technology?

Some of the largest brands in the world, including Amazon, are using it. Amazon has deployed more than 1,000 self-serve, automated devices through several of its distribution centers to manage inventory tracking assets and consumable warehouse supplies.

What should retailers be doing now?

These are dangerous times. We read stories about retail casualties every day. But it doesn't have to be this way. By leveraging technology like automated click-and-collect lockers with customers and self-service lockers for managing inventory management devices in the back of house and in distribution centers, retailers can compete, thrive and survive in this tough environment. ●

Handheld IT Device Management

Click & Collect Order Pick-Up

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Adapting to the rapidly changing e-commerce landscape

Retailers that want to survive need to be able to quickly react to changes within e-commerce. Many e-retailers sell across multiple channels and need to be agile to respond to operational demands and to control their inventory from one place. But that's not always easy to do.

Jodi Alperstein, vice president of product at inventory and order management technology provider Stitch Labs, talks about how online retailers can adapt by staying nimble—not only to compete, but also to survive.

JODI ALPERSTEIN
Vice president of product at Stitch Labs, an inventory and order management provider

How are e-retailers adapting to the changes within e-commerce?

Agility is imperative, and technology vendors are relentlessly trying to help retailers meet that need by providing them with ways to stay nimble. In the past, retailers would turn to cumbersome enterprise resource planning (ERP) software or expensive, homegrown systems, but these technologies usually can't accommodate rapid change and growth.

Now, technology vendors are "unbundling" the traditional ERP and focusing on doing one mission-critical function particularly well. Some of these vendors, such as Stitch Labs, are creating partner networks to advise retailers on which products fit best with their platforms and which will best handle their workflow.

What are "partner networks" and how do they fit in?

It can feel like an overwhelming decision to make the shift from traditional systems to an agile technology stack. Retailers have invested a ton of time and money into them, but they aren't future-proofed.

Retailers know they need to modernize their operations, but understanding where to start can be daunting. That's where the idea of a partner network—companies a vendor has vetted and with whom they have mutual customers—becomes critical.

For example, our partner network system connects retailers to best-in-class tools that extends the value of our offering. Our customer success teams are not only experts on Stitch, but on these partner technologies, so they can advise our customers on the best possible tools and workflows for their businesses.

How can e-retailers overcome these challenges?

They need to think about how to scale their businesses early on. Retailers should be prepared for growth, whether that's slow and steady or rapid. Talking with software vendors about their current sales, as well as their expected sales over the next few years, can help retailers ascertain whether a specific tool or technology can accommodate their needs now, as well as grow with them.

How are vendors such as Stitch helping retailers?

Retailers need flexibility that they can't get from traditional inventory management systems. Ambitious growth requires organization, but retailers have to stay nimble. It's important to have a platform focused on modern retail that helps retailers act on new opportunities.

Inventory is a retailer's most important asset, and mismanaging it can be detrimental to a brand's success. They need technology that enables them not only to be more efficient while reducing costs, but also to increase sales, reduce overstocks and out-of-stocks, and allocate their capital to best drive growth—and that's what Stitch offers.

How do retailers need to think about the future?

The future of retail is changing and will continue to change—and they need to be nimble to keep up. They should feel excited that there is an inventory management solution outside of spreadsheets and million-dollar ERP systems that can accommodate their growth and remain flexible. ●


EFFICIENTLY MANAGE AND SELL INVENTORY ACROSS YOUR MULTICHANNEL BUSINESS.
MODERN RETAIL RUNS ON STITCH LABS

Leveraging personalization and automated merchandising helps online retailers compete

To drive sales in today's competitive online shopping arena, retailers need to entice consumers by effectively merchandising their products. They also need to ensure their site search makes it easy for shoppers to find what they're looking for. And, perhaps most importantly, personalization—which is the art of displaying products or offers on a site based on who the shoppers is—can boost sales and maximize profits.

But implementing effective search, personalization and merchandising strategies is easier said than done. Gareth Dismore, CEO of SearchSpring, a site search and merchandising platform, discusses why retailers face these pain points and how they can overcome them to increase their conversion rate, automate merchandising and prioritize the highest value opportunities to drive a strong return on their ad spend.

GARETH DISMORE
CEO of SearchSpring, a site search and merchandising platform

What challenges do retailers face with site search and how can they address them?

Today's shoppers prize speed and convenience above all else. Many e-commerce sites continue to use traditional site search, which relies on basic keyword matching technology but does not account for the ways customers currently search, causing conversion problems.

Advanced technologies, such as artificial intelligence (AI) and natural language processing (NLP) mitigate these issues by understanding the semantics of a search query. For example, if someone searches for "Nike shoes" they won't see Nike gym bags, as they often do with traditional keyword search engines.

How can retailers effectively manage merchandising?

Online merchandising teams often tell us that they don't know where to focus their time. They are often spread thin between adding products to the site, manually merchandising and creating landing pages. Moreover, they often lack the appropriate data and insights to help them prioritize where to focus their teams to drive the highest conversions.

Automation and better insights can help them alleviate both pain points. Leveraging AI and machine learning can provide reports to focus their teams on the 20% of products that drive 80% of revenue. Lastly, automated merchandising tools can help teams reduce time spent manually merchandising by up to 40%, boosting profit and morale.

What are the biggest personalization challenges retailers face?

Retailers know they need to give shoppers the same level of personalized service as an in-store associate, but have to avoid coming across as "creepy." Striking the right balance is key.

To deliver a higher level of personalization, online retailers need search capabilities that "learn" from past searches and shopper input to tailor search results in accordance with individual customers' tastes.

What tools can help retailers?

Retailers need a platform, such as SearchSpring's Relevancy Platform, that delivers intelligent search capabilities based on a new form of NLP known as "product awareness" that can identify the primary item a consumer is searching for. This approach uses historical searches to learn which types of words are the most important qualifiers for various products.

Merchandisers should partner with a vendor like SearchSpring that can provide insights that help them identify where they can get the highest ROI from their work and time. That partner should also help them implement automated techniques that enable results to be displayed according to a wide variety of business goals such as profits, specific brands and new products.

How can retailers start addressing these issues now?

They need to embrace automation to stay competitive, be more efficient, nimble and spend less time doing manual tasks. Time is a commodity for retailers, and automation frees up e-commerce teams to focus on more strategic goals like brand building, sourcing better product, improving shipping speeds, and delivering and increasing customer value. ●


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Warehouse execution systems help retailers compete with Amazon

RON GERACE
Senior vice president of product and marketing at Exchange Solutions, a provider of cloud-based customer engagement and loyalty products

If online retailers want to thrive, they need to offer customers a positive and satisfying experience from start to finish. After all, a single bad experience will lead 58% of consumers to never use a company again, according to a recent survey conducted by customer service vendor NewVoiceMedia.

And as e-commerce becomes increasingly competitive, customer experience is expected to grow in importance. By 2020, customer experience will overtake product and price as the key brand differentiator that leads a shopper to click the Buy button, according to a recent report by the consultancy Walker Information Inc.

"The opportunity to engage customers relevantly, in real time, with the right messaging to foster an environment that creates the most personal customer shopping experience, is a must-have for e-retailers," says Ron Gerace, senior vice president of product and marketing at Exchange Solutions, a provider of cloud-based customer engagement and loyalty products. "If a retailer isn't driving relevant customer engagement, it is under-performing its potential."

Most successful retailers have already raised consumers' expectations, and technology has helped retailers deliver the tailored types of experiences that shoppers desire, he says. But there are still plenty of retailers that fail to prioritize customer engagement and loyalty programs, he says. "The perception is that it is an 'involved' process to implement and launch a customer engagement tool and proving its value is simply too difficult," he adds.

But advancements in cloud-based customer engagement and loyalty tools have provided a solution to those problems, Gerace says. For instance, a vendor can offer a customer engagement capability. "Compared to the 'old days' where it had to be put on a road map, these tools allow for rapid deployment, nimble updates and they enable practical use of advanced analytics and lower costs compared to traditional, on-premise solutions," he says. "All you need is the ability to set a tag and provide banner space on the e-commerce site. Everything else will be handled by the cloud-based engagement product."

Gerace points to products such as Exchange Solutions' ES Engage, which identifies consumers who are highly likely to abandon their carts and presents them with personalized offers in real time to prevent abandonment. "It helps get a customer to convert, grow average order values, increase repeat purchase frequency, drive broader category penetration, keep customers longer and create advocates," he says. "It essentially drives customer lifetime value while lowering the cost of promotion and incentive."

Several Exchange Solutions clients have seen success with its tools, including one international home improvement retailer. While the company wanted to boost online revenue without sacrificing its margins, personalizing its marketing messages based on customers' past behaviors wasn't working.

After implementing ES Engage, the retailer saw almost immediate success. Within three months, its conversion rate jumped 15%, its average order value (AOV) increased by $29 per order, and it got a six times incremental revenue in return on its investment in the tool.

Those results are in line with others that have used ES Engage, Gerace says. On average, Exchange Solutions clients experience a 15% lift in conversion, a 10% top-line revenue increase and a 15% AOV increase.

"All e-retailers need to grow their businesses and usually that means growing revenue while maintaining or growing profitability," Gerace says. "By delivering the right message at the right time to the right customer, the cost of incentives and promotions dramatically drops—and by driving greater customer satisfaction at lower costs, customer engagement tools are creating many heroes in e-retail."

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Product data management feed tools give e-retailers a leg up

MARCEL HOLLERBACH
Chief marketing officer of Productsup, a provider of cloud-based product data management tools

As e-commerce grows and evolves, retailers are scrambling to find their places at the top. And their product data may play a key role in whether they succeed. With the vast amounts of product data many retailers have and the numerous channels on which they may want to apply it—on Google, Amazon, Facebook, PriceGrabber and elsewhere—properly managing and optimizing that data is often an enormous challenge.

"There is an evolution taking place in the world of e-commerce," says Marcel Hollerbach, chief marketing officer of Productsup, which provides cloud-based product data management tools. "With the market expanding, more and more budget is being allocated to shopping ads and campaigns driven by product data. In order for marketers to realize the full revenue potential of the channels they wish to sell their products on, they need to start by gaining control of their product data feeds."

It's only when retailers fully control their product data—and can optimize that data—that they can truly influence the performance of their marketing campaigns, Hollerbach says. "Seven years ago, advertising around product data was very static," he says. "But now, with more players in the market and ad fatigue, performance marketers in e-commerce need to find new ways of grabbing attention."

Many retailers confront obstacles when they try to manage product data on their own, Hollerbach says. As a result of large product data feeds, the process very often takes too long, is too complex or retailers simply don't understand feed requirements and lack the ability to perform necessary edits or processes.

"Today, many feed-management tools are still complex, necessitating support from third parties. And on top of that, they only offer basic optimization possibilities," he says. "With more marketing channels popping up that rely on the merchant's product data, creating high-quality product feed exports has become quite a challenge."

Previously, updating product attributes, fixing formats or tailoring feeds to suit the specifications of each shopping channel was a tedious task and required IT's help, Hollerbach says. Adopting a cloud-based product data management platform changes all of that, he says.

"The cloud platform lets e-commerce marketers finally take ownership of their data," Hollerbach says. "Being in control means merchants can maximize the full revenue potential of the channels they promote their products on."

For example, Hollerbach says Productsup's product data management tool is easy to use because there's no coding required. It saves time because it sets up automated imports and exports. It improves data quality by merging, structuring and standardizing multiple product data imports into one master record. It boosts sales by creating feeds for many shopping and marketing channels worldwide. And it manages a retailer's return on investment by importing external tracking data from analytics tools, such as Google and Adobe.

In 2015, GenXtreme wanted to boost its performance shopping campaigns on Google, the channel known to have the most demanding feed requirements. The work-wear company turned to Productsup because of Productsup's Google Shopping feed expertise and its ability to provide pre-configured channel templates and analyses.

After implementing the product data management tool, Jan Koenigs, GenXtreme's chief marketing officer, says he immediately noticed three benefits: it was easy to optimize, it helped the company expand into new markets and it simplified ROI management. GenXtreme also increased its click-through rate by 40% on Google Shopping.

"With the tool at our disposal, it has become really easy to scale our product data marketing as the business grows, and vice versa," Koenigs says. ●

Jodie Fox is co-founder and chief creative officer of web-only Shoes of Prey, which allows shoppers to design intricate shoes.

Shoe industry veterans scoffed, but Jodie Fox built an online business that makes each pair of shoes from scratch and delivers it within two weeks.

6 million pairs of shoes, each one custom-made

By April Berthene

Jodie Fox couldn't find a pair of shoes she truly loved.

So she decided to design them herself. The Australia native flew to a shop in Hong Kong where she designed 14 bespoke pairs in one hour. Back at the office, where she worked as a lawyer, Fox's co-workers flooded her with compliments on her freshly minted shoes and asked her to design custom shoes for them. And that's how Fox got the idea for web-only retailer Shoes of Prey.

Fox teamed up with two Google Inc. employees, Michael Fox, her husband at the time, and Mike Knapp to launch Shoes of Prey in October 2009. The e-commerce site allows shoppers to design every detail on a shoe, down to the color of a pump's piping. The pair is made on demand and then shipped directly to the customer in two weeks.

But of course, it takes a lot more than an idea to grow a successful

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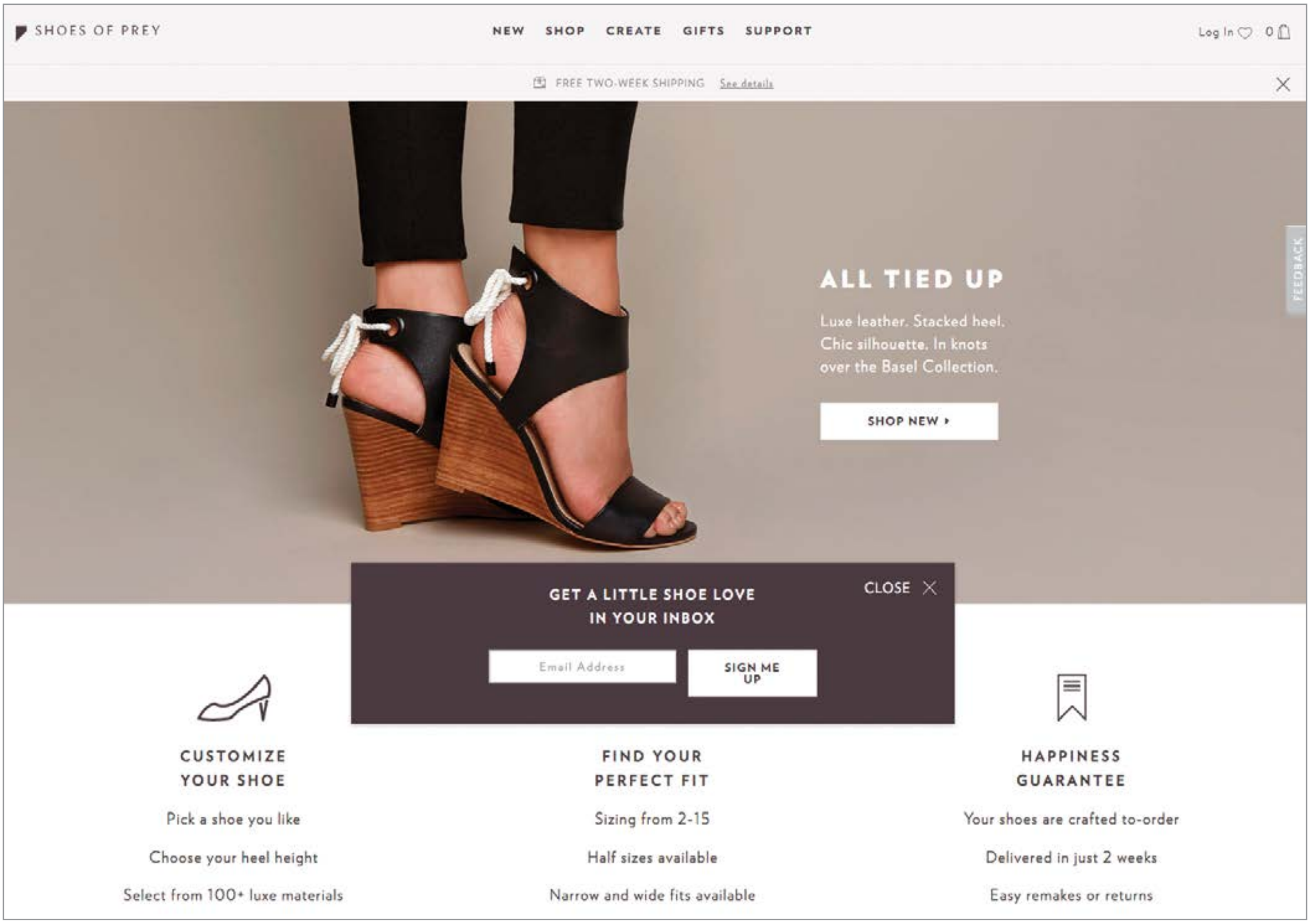


Rather than order inventory in bulk, Shoes of Prey lets women design their ideal shoe.

e-commerce business—especially one in which every product is unique. "The challenges were extraordinary," says Fox, who now serves as the retailer's chief creative officer.

For starters, not one of the three co-founders knew how to make a pair of shoes. The trio traveled and spent a lot of time with shoe manufacturers learning about the shoe construction process. They quickly discovered that it's hard to scale a business when the manufacturer has to make one intricate pair of shoes at a time.

Most retailers order inventory in bulk rather than manufacture products "on demand." Fox, however, saw this as an opportunity not only to let women design their ideal shoe, but as a way to prove that on-demand, mass customization is a financially savvy and ecological businesses model.

'We see our customers are comfortable shopping online, and truly the future of mass customization for the near term is online.'

"They were relentless in terms of persuing this vision of mass customization," says Anna Henderson, who works in human resources at Shoes of Prey.

"It was also challenging in that we had a lot of people in the industry telling us the idea wouldn't work," Fox says. One particular supplier sent her an email that read, "I thought I should let you know that you'll be out of business in three months' time."

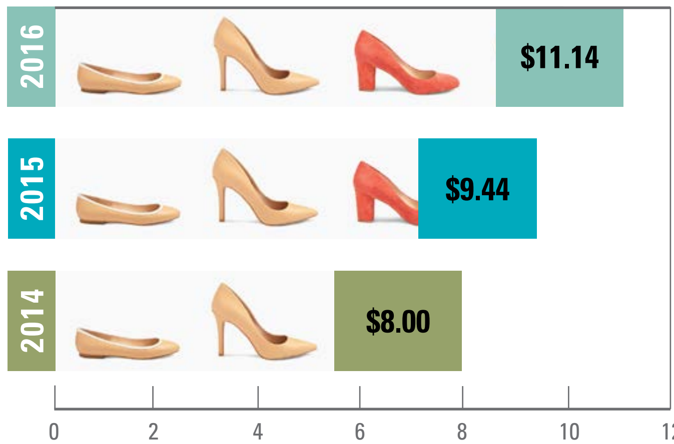
Fox and her co-founders pondered if the supplier was giving them the right advice or if he was getting in the way of their good idea. But determination—and a touch of arrogance—prevailed and they eventually found a few suppliers who would make the shoes, Fox says. The victory, however, was small.

"It quickly became apparent that they could not scale with us at the pace we were growing," Fox says.

And so the partners decided that if they wanted it done right, they would have to build the shoes themselves. On Dec. 24, 2014, Shoes of Prey opened its own manufacturing facility in Dongguan, a city in the heavily industrial Guangdong province of southern China.

Having control of its facility also allows the retailer to ship its shoes faster. Previously it took eight to 10 weeks, and now the retailer ships the product in two weeks. While this is still a far cry from Amazon Prime's two-day shipping, Fox says customers are willing to wait for a custom-made shoe.

A BUSINESS MODEL THAT CLICKS



Shoes of Prey's online sales, in millions of dollars

Source: Internet Retailer's Top500Guide.com

Close to 50% of Shoes of Prey's sales are from U.S. shoppers, with Australia the second-largest market.

Manufacturing was just one challenge Shoes of Prey solved on its journey to prove the viability of on-demand mass customization. The role of the physical store was another. Department store chain Nordstrom Inc. opened Shoes of Prey Design Studios within six of its U.S. stores in 2014 and Shoes of Prey also opened a store in Australia. In 2015, Shoes of Prey relocated to the U.S. from Australia to make it easier to work with Nordstrom and other U.S. investors.

However, the stores didn't perform as hoped, and toward the end of 2015 Shoes of Prey started to close them. The decision was a financial one, Fox says, as the stores consumed 25% of the company's budget but contributed only 15% of sales. And when Fox looked at it that way, and knew the sales volume produced by the website, the decision was easy, she says.

"We see our customers are comfortable shopping online, and truly the future of mass customization for the near term is online," Fox says.

To date, consumers have designed and purchased 6 million pairs of shoes on ShoesofPrey.com. The retailer has also raised about $25 million in funds. Since the company began in 2009, the team of three has grown to 200 employees, which includes workers in the company's manufacturing facility.

Thanks to the internet, when Shoes of Prey launched, it instantly had a global reach. Today, close to 50% of Shoes of Prey's sales are from U.S. shoppers, with Australia as the second-largest market. After that it's a mix of countries, with France, the U.K. and Japan leading the pack, Fox says.

This type of growth, however, would not have happened unless she and her partners were 100% focused on their customers, Fox says.

"It's about stepping into the customers shoes," Fox says. A terrible pun, she admits, but nevertheless true. ●

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BY RALPH TKATCHUK

DATA HAS NEVER BEEN MORE IMPORTANT TO RETAILERS

RETAILERS HAVE ACCESS TO A VAST AMOUNT OF DATA THAT CAN HELP THEM BETTER UNDERSTAND THEIR CUSTOMERS, COMPETITORS AND FUTURE TRENDS.

Ralph Tkatchuk is founder and operator of TK DataSec Consultancy, which provides advice on e-commerce security.

Data has never been more important to retailers. While successful merchants have always used data to make business decisions, the volume and types of data available have changed, as have the tools available to retailers to collect and make use of this valuable commodity.

Businesses can leverage the new powers provided by data to see through organizational walls into your competition's inner working, to see customers as individuals in a practical sense, to see opportunities for greater efficiency throughout the supply chain, and to see what effect, if any, your marketing is having on potential customers.

62% of retailers report using information and analytics to gain a competitive advantage against other retailers, according to a recent IBM survey. Further, the 2017 Retail Trends and Predictions report from point of sale software vendor Vend Ltd. says that performance benefits drive retailers to apply data to all parts of the retail process.

SEE CUSTOMERS DIFFERENTLY

Online data services can literally put names to your customers' faces. Their real power, however, lies in their ability to associate a particular individual with tastes and tendencies that allow a retailer to tailor its messages and offers to that individual.

More than half of consumers are more likely to shop in a store or online at a retailer that recognizes them by name, according to recent Accenture research cited in the Vend report. The report suggests that all retailers, including smaller ones, should seize on the opportunity to target customers with content tailored to their data, such as their purchase histories and location. This may mean promoting products to the consumers who are most likely to buy them or it may mean offering shoppers incentive programs tailored to their specific interests or behaviors.

The number of consumers willing to share information and preferences with retailers increased from one in three to over half from 2014 to 2015, according to Accenture, a clear sign of consumers' growing preference for a personalized retail experience.

SEE COMPETITOR INVENTORY

Having access to competitors' sales and inventory data can provide retailers with several advantages.

Services like Amzpecty's Amazon Seller Tool can provide retailers with price trends and their competitors' sales data. Amzpecty estimates each seller's daily sales and detects major adjustments in their inventory.

If a competitor consistently sells significantly more of the same item, there is a reason why. Knowing that reason can help you adjust your approach to increase sales. Similarly, if a competitor suddenly orders a huge quantity of a certain product, it probably expects its sales to rise. If you can identify the reason why, you can adjust your inventory or marketing, based at least in part on the picture of your market provided by data analysis.

SEE THE FUTURE (OR CLOSE TO IT)

Using constantly refreshed data on current trends, historical sales, and other factors allows retailers to predict demand with striking accuracy. Russian booksellers ramping up advertising in anticipation of a cold snap and clothing company Patagonia minimizing waste with inventory efficiency based on demand prediction are examples of this principle in action.

Retailers can create trend-forecasting algorithms with an open-source software platform such as Hadoop or they can outsource the task to a data services company. As far back as 2013, half of the Fortune 50 were using Hadoop to process data. Predictive survey platform Prediki uses data analysis to provide the marketing intelligence, and is one of many tools available to businesses of all sizes.

SEE THE REAL IMPACT OF YOUR MARKETING

Even retailers that take an omnichannel marketing approach by reaching out to customers in every possible way, from social media to broadcast advertising and everything in between, have to constantly weigh their decisions. How should various channels be used? In what context do you want to deliver your message? At what time? Retailers that collect data on how many consumers visit their website, how long they stay, and how many visitors make a purchase can use that information to help them determine the best use of their marketing resources.

62% of retailers report using information and analytics to gain a competitive advanatage against other retailers.

According to Salesforce's 2016 State of Marketing Report, 60% of social media "high performers" tie together customer data from disparate sources to create a single view of the customer, compared to only 4% of "low performers." This personalization of the feedback the retailer receives, in the form of likes, clicks, and other metrics beyond sales, enables them to accurately target shoppers and to appreciate the importance of relationship building prior to a shopper making a purchase.

DATA DRIVES DECISION-MAKING

Retailers have long collected sales and customer data to draw direct insights into improving operations, and many had begun to explore the possibilities now provided by technology. New approaches to data collection and analysis made possible by computer technology are delivering wide-ranging benefits to many businesses, in effect giving them new eyes, with the ability to see the retail environment differently.

Those retailers using data to find new ways to engage with consumers, identify new opportunities for efficiency, stay ahead of the trend curve, and maximize the cost-effectiveness of their marketing efforts will have a better basis on which to make important business decisions. ●


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BY LIAD AGMON

HOW PERSONALIZATION WINS HEARTS AND MINDS ONLINE

ONCE MARKETERS DETERMINE THE RELATIONSHIP THEY WANT WITH CUSTOMERS, THEY CAN FIGURE OUT HOW TO CRAFT IT AT SCALE. THAT SETS THE STAGE FOR A PERSONALIZATION STRATEGY.

Liad Agmon is the CEO of Dynamic Yield, which provides customer segmentation technology designed to enable personalization, product recommendations and one-to-one messaging.

For 10 years, I began every workday with a trip to the same coffee shop. Over time, the owner and his entire staff came to know every one of my idiosyncrasies. They knew me as a renegade bachelor, a proud soon-to-be husband and newly minted dad. Throughout each life stage they served up quality advice with bigger and bigger portions of caffeine.

Here's the rub: Shiny new coffee shops with better brew kept popping up nearby, but I returned religiously because I love a place "where everybody knows my name."

Across the retail industry, brands spend hundreds of millions of dollars in advertising each year to get me to "enter" the coffee shop. However, most retailers badly underinvest in giving me a reason to stay. Both the online and in-store experiences are impersonal and often indistinguishable from competitors, greatly devaluing the brand.

The delicate job of ensuring that an emotional connection is made between a consumer and a brand falls directly on the highest level of a company's leadership. Steve Job's genius wasn't just his ability to develop world-class products and scae a business—his trickier and less tangible brilliance was making me feel something each time I see that familiar bitten fruit. This is the essence of personalization.

In an era of decreasing brand affinity, personalization is far more than just a tactic to boost top-line growth. Personalized experiences are marketers' core means of differentiating in an increasingly commoditized world.

REBUILDING THE CUSTOMER EXPERIENCE

It wasn't that long ago that if you wanted to know what was going on in the world, you had little choice but to read a newspaper. It served as the medium that filtered world events and presented them to you in a concise manner. For decades, retail functioned in much the same way. If you wanted a decent pair of jeans, you hopped in the car and drove to the closest store where your options were only as good as the store merchandiser's decisions.

Furthermore, mid-market and enterprise retailers around the world

grew accustomed to having an ironclad grip on the medium in which the customer shopped. Customer journeys were linear, defined by the retailer based on the layout of the store.

Today, all those decades of optimization are for naught as mid-market brands have lost control of the customer experience. Access to online resources has fundamentally changed consumer expectations and allowed consumers to define the buyer journey on their own terms. Retailers now compete with hip artists selling through Etsy, as well as Amazon, which can ship just about anything to a consumer's door within a couple days.

As Amazon continues to expand its reach, retailers of all sizes are being drawn into battles they cannot win, losing badly in operational efficiency, breadth of products and price. With no means to battle economies of scale, retailers can only hope to win by delivering a superior customer experience.

Marketers need to ask one fundamental question: What is the relationship we want with our customers and how do we craft it at scale? Once the former question is answered, the stage is set for personalization.

PERSONALIZATION IN ACTION

The first step to delivering a uniquely enjoyable customer experience is knowing your customer. Thus, the key is having infrastructure that allows for data from your website, mobile app, CRM, third-party sources and in-store behavior residing in one platform.

Once all of your data is unified, marketing becomes less of a guessing game. Rather than inundating your users with thousands of options, you can be a digital concierge, curating product recommendations based on the shopper's actions across channels, the devices she uses to shop and even the weather. You can start to know your users in the same way that my barista knows me.

Once all of your data is unified, marketing becomes less of a guessing game.

Let's now a look at a common use case: leveraging CRM records to serve personalized experiences based on past purchases. Obviously, this is a successful way to increase conversion rates and top line by immediately creating a web page or app tailored around products that I've already bought. What's less obvious is how this simple data integration can be a bridge to connecting with a consumer.

Since a retailer knows what I have purchased, it can easily deploy a "Welcome Back Liad" overlay as soon as I arrive on the website, perhaps with items that complement to my previous purchases. In doing so, the retailer increases the liklihood that I'll buy something, it also makes me smile for a moment and form an positive association in my mind.

Marketers have long appreciated how deploying a successful personalization strategy can greatly boost revenue and drive conversions. Despite this, few marketers really understand the effect that speaking one-to-one to consumers online can have in establishing a brand's identity. Personalization is far more than a small piece of your marketing stack—it is the single most important element of building your brand online. ●

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