netcore®
Experience the Infinite

smartech™
a netcore product

PERSONALIZATION PLAYBOOK

Reimagining Offline-to-Online Retail With D2C E-Commerce

Table of Contents

An Opportunity Birthed by a Crisis

The COVID-19 pandemic has and will leave a lasting impact on the global economics, political dynamics, business growth frameworks, and socio-cultural norms. There are no two ways about it. The government-sanctioned lockdowns across countries saw large sections of the population with purchasing power restricted indoors.

The retail industry will feel the aftereffects of the COVID-19 crisis well in 2021, even as lockdowns are getting relaxed and consumer paranoia is de-escalating with each passing day. In fact, the global retail industry is going to lose almost $2.1 trillion in 2020 alone. That's a de-growth of almost 10%.

While the offline retail industry is scrambling to course-correct their way back to survivable re-growth, the e-commerce sector continues to witness blistering growth across categories. In fact, as of April, 2020; there's been a 129% year-on-year growth in US and Canadian e-commerce orders and an impressive 146% growth in all online retail orders.

E-commerce conversion rates have scaled new highs of almost 9% through March, 2020 and beyond - reflecting a high level of shopping urgency, typically seen only during Cyber Mondays.

The numbers tell a stark story - scripted by startling shifts in consumer behavior, purchasing patterns, and spending habits. Consumption has now moved to digital and mobile channels. Even though, some semblance of normalcy is returning, according to a recent study - 24% of consumers stated that they won't be comfortable shopping in a mall for the next 6 months.

Large consumer segments are more motivated than ever to shop online. Demographic segments that relied heavily on offline retail have migrated online for reasons of safety, comfort, and convenience.

Set in this backdrop, the curious mix of consumer demand and market conditions offer **Direct-to-Consumer (D2C) brands** the perfect opportunity to fast-track, test, launch, and strengthen their digital presence through value-driven and customer-centric websites and mobile apps. This holds true for those retailers looking to solidify their transition from offline to online channels as well.

Breaking it Down

What is D2C E-Commerce?

Direct-to-Consumer or D2C is a low barrier-to-entry e-commerce strategy where manufacturers or Consumer Packaged Goods (CPG) brands sell their products directly to the consumer; in the absence of a middle-party such as a retailer or reseller.

In essence, instead of making such products available for purchase on e-commerce marketplaces like an Amazon, Walmart, or BestBuy - a D2C brand would encourage digital shoppers to buy directly through their own website or mobile app.

The likes of Nike, IKEA, The North Face, Warby Parker, and Dollar Shave Club have made the successful transition from merely retailing on e-commerce marketplaces to driving growth through a D2C approach. In fact, Nike no longer sells its products on Amazon anymore; choosing instead to focus on streamlining its D2C capabilities!

And, this rising trend is in direct alignment with customer needs and expectations. According to Retail Dive, a third of US consumers are likely to do at least 40% of their shopping through D2C brands over the next five years.

Value Chain: Traditional B2C E-Commerce

In the traditional scheme of things, a brand manufacturer has to rely heavily on third-party middlemen, with diminishing control as the value chain progresses.

Sure - products get listed on digital marketplaces, but the prospect of competing for discovery, purchase evaluation, comparison, and

and eventual purchase - is daunting. Especially when manufacturers don't always receive data-driven visibility on weak or strong customer relationships forged by the e-commerce marketplace through their product sales.

Financing				
Design	Production	Marketing	Distribution	Sales
		Operations		

■ Brands

■ Distributors

HackingRevenue.com
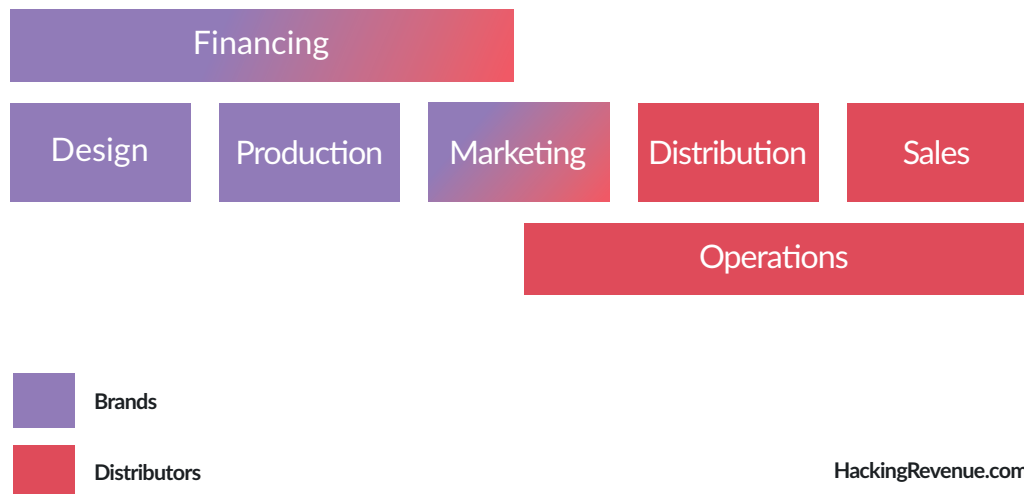
Value Chain: New Age D2C E-Commerce

Now imagine a scenario where the brand manufacturer decides to gather and retain control across the entire value chain.

Right from product design, production, and packaging to marketing, distribution, and sales - all powered and executed by a single "original" party without any middlemen. That's precisely what D2C is all about.

Here manufacturers get the opportunity to protect their profit margins without dilution across multiple middlemen and impact the entire customer journey - right from the first time a customer lands on the brand e-commerce website. From product discovery to first-time completed transaction to repeat purchase behavior - going the D2C e-commerce route allows brands to do all that and more

Financing				
Design	Production	Marketing	Distribution	Sales
			Operations	

▉ Direct To Consumer brands
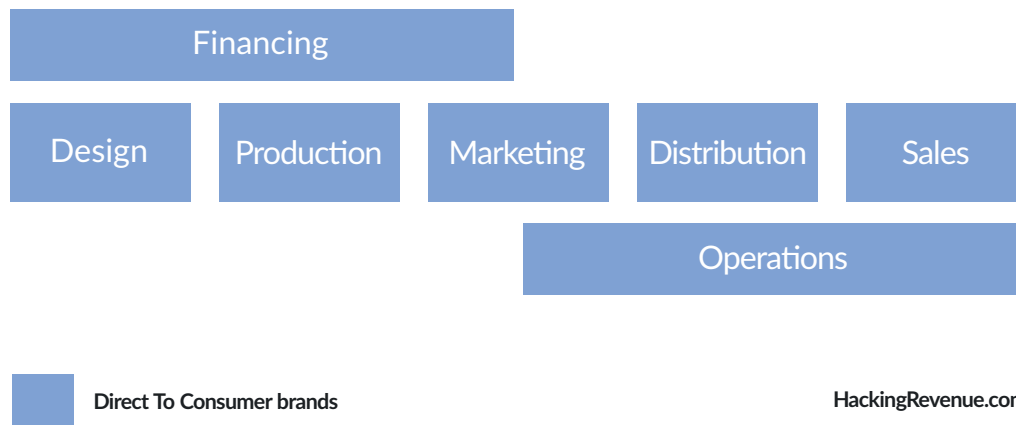
Advantages of D2C E-Commerce

We've seen how the value chain differs between both traditional B2C e-commerce and D2C e-commerce. But, it's worth taking an in-depth look at the advantages it "adds to the cart":

1. Greater access to customer data:

When selling through an e-commerce marketplace aggregator, brand manufacturers often operate in a blackbox with limited to negligible access to customer data. All that data funnels right back into the CRM and data analytics back-end of the marketplace.

But, a D2C model allows such brands to gather valuable customer data-points - demographic, geolocation, device-related, behavioral, multi-channel campaign interaction, etc. This real-time collection and tracking of diverse data-points will help D2C brands develop a 360-degree underlined view of individual customers.

What are the most commonly viewed, "added to wishlist", or purchased products for a particular customer? How often does he/she come to the website or launch the app? What is the average order value during each purchase session? What is his/her preferred method of payment? This customer data layer becomes the foundation for laser-focused segmentation, personalization, and granular actionable insights.

2. Build 1:1 customer relationships at scale:

Getting listed on an e-commerce marketplace is all well and good. Sure - products will be purchased. But, customer relationships can't be forged.

A D2C model allows brands to build, communicate, deploy, deliver, and monitor a value-driven storyline consistently. It allows brands to control and finetune the customer experience seamlessly, instead of being left to the mercy of a traditional e-commerce marketplace.

Personalizing customer experiences across various digital touchpoints is critical to ensure that customers keep returning to the brand's website or mobile app. Not just that. 1:1 customer experiences can also be extended to in-store settings, closing the loop on true omnichannel personalization.

The better a brand understands the explicit and implicit needs of individual customers, the stronger the customer relationships. Customers bank on being satisfied every single time, while D2C brands benefit from uplifting Customer Lifetime Value (CLTV). This has a direct impact on customer engagement, retention, and loyalty.

3. Greater control over product catalogs, pricing, and profits:

While working with an e-commerce marketplace will give brand manufacturers direct access to a sizable target audience, it'll offer limited scope in terms of controlling prices.

But, a D2C player can pass on that competitive pricing advantage directly to customers by cutting out the middlemen completely. Greater control over pricing also means greater control over long-term profits and margins.

A D2C model also allows brand manufacturers greater control over their merchandise and inventory. Not only can brands then offer customers exactly what they want from a wider assortment of available products - at more affordables prices - but also account for what products need to be discounted or sold on sale to manage inventory costs more efficiently.

Here are some of the other key advantages that D2C e-commerce can offer brand manufacturers, in a nutshell:

Traditional vs digital (D2C) commerce models
Opportunities as compiled by Deloitte

Dimension	Traditional	Digital (D2C)
Reach	Finite	Unlimited
Personalization	Mass market	Personalized
Loyalty	Basic	Advanced
Access to customer	Limited, periodic	Comprehensive
Pricing	Partial control	Full control
Speed to market	Slow	Fast
Merchandising	Limited control	Full control
Assortment	Limited	Full
CAPEX	High	Low
Overhead	High	Low

Customer Acquisition vs. Retention in D2C E-Commerce

The initial challenge of driving traffic to the D2C website or securing mobile app downloads is critical to overcome. New customer acquisition will set the flywheel in motion for future customer engagement and retention.

Depending upon the budgets at the brand manufacturer's disposal, this can be achieved through a mix of both traditional and digital advertising (apart from organic digital efforts).

According to Marketing Land:

"While traditional marketing (billboards, physical banners, QR codes on product samples, etc.) is often curbed by finite ad inventory and budget constraints, digital advertising exists as an open marketplace in which any digitally-fluent player can launch a far-reaching campaign - and, do so relatively cheaply."

But, as more established brand manufacturers adopt the D2C e-commerce model, digital customer acquisition costs (CAC) are increasing rapidly.

Targeted social, paid search, and mass multi-channel marketing will only work to a certain extent. But, this approach will not reduce CACs. Instead, we have now reached a stage where **CAC is often greater than Customer Lifetime Value (CLTV).** This essentially means that the amount a customer spends with a D2C brand is far less than the cost incurred in acquiring them.Those are alarming waters to enter and navigate.

CAC Vs CLTV
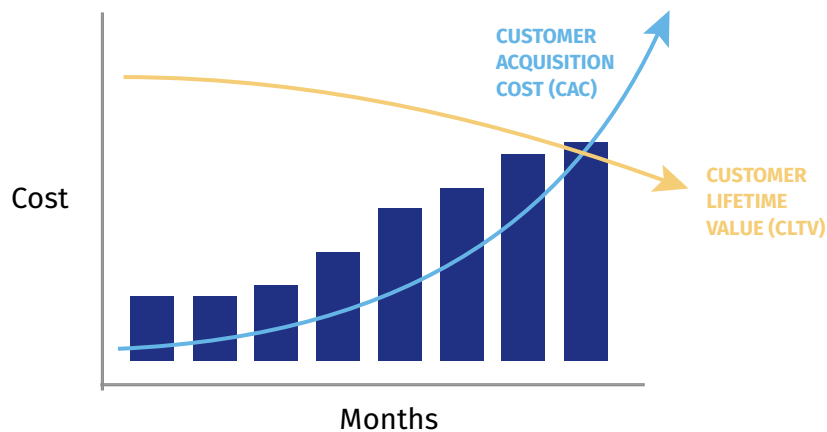
Source: Marketing Land

All of this indicates that D2C e-commerce brands need to religiously and relentlessly focus on customer engagement and retention. Especially since acquiring new customers can cost 5 - 25X more than retaining existing customers.

What does this mean? We've entered an era where customer retention is the new acquisition in the D2C e-commerce space. And, one sure-shot way to make that happen is through omnichannel personalization, powered by AI.

Getting the House in Order: Customer Data Collection & Tracking

Before brand manufacturers can reap the benefits of 1:1 personalization, they need to build a solid foundation of and on critical customer-level data-points. The key data-points that require constant tracking include:

- **Demographic Data:** Customer name, age, gender, etc.
- **Geolocation Data:** Place from where the website is accessed, timezone, IP, etc.
- **Device-level Data:** Device type and model, browser type, OS and version, etc.
- **Behavioral Data:** Products searched for, viewed, added to cart, or purchased. Recency and frequency of window-shopping and purchase, preferred modes of payment, historical interactions with and responses to multi-channel marketing campaigns, etc.
- **Offline Data:** Purchase history from physical stores, recency and frequency of store purchase, customer category (based on loyalty programs), preferred modes of payment, etc.

All these data-points will help shape a unified view of individual customers - fuelled by both historical and live actions and inactions of customers on the D2C e-commerce website or mobile app.

It will also help reconcile both offline and online data to create a singular bird's eye perspective, enabling brands to better understand their customers. For such pivotal data cannot exist in silos and must be funnelled into a basic Customer Data Platform (CDP).

In essence, the unified view of individual customers must contain data-points that follow the **4R Principle:**

- Right
- Relevant
- Rich
- Real-time

With AI as an able ally, D2C brands can actually go one step further and gather both clickstream and customer eyeball data. Gaining visibility on what customers click is a must-have. But, also gaining visibility on products that customers "see-and-don't click" and "don't see-and-don't click" provides invaluable intel on individual customer behavior.

Once brand manufacturers have this bedrock in place, it sets the tone for effective omnichannel personalization. Essentially, the more customer data that can be gathered, tracked, and reconciled across platforms and channels; the higher the degree of personalization and ability to power 1:1 customer experiences at scale.

Omnichannel Personalization in D2C E-Commerce

1:1 personalization has gone beyond being a buzzword, especially in e-commerce. And, it is no longer restricted to merely addressing your customers by their first names or wishing them on their birthdays or anniversaries! That degree of personalization just doesn't work in 2020.

Personalized and contextual experiences are what customers need, demand, and expect. In fact, 80% of customers are more likely to make a purchase when brands offer personalized experiences, consistently.

And, these experiences extend across multiple digital touchpoints; right from the first time a customer lands on the website or launches the mobile app - and across multiple marketing channels such as email, app push notifications, browser push notifications, etc.

Having worked with hundreds of leading e-commerce brands across the globe, we believe that here's how D2C e-commerce websites (or mobile apps) can unlock the true power of AI-led personalization:

Onsite Personalization

This refers to all aspects of personalization that D2C brands can power directly on their website, when a customer is in an active session. Right from offering the most relevant product recommendations across specific webpages to creating a personalized storefront to customizing banner images and Calls-to-Action (CTAs) based on time of day or geolocation - onsite personalization is the key to capturing greater customer wallet-share.

Here are the most bulletproof real-time onsite personalization use cases:

## 1. Personalize the navigational flow across the website:

D2C e-commerce customers are unique individuals, so showing the same website or mobile app to both first-time visitors and repeat customers doesn't work anymore!

By leveraging every customers' browsing behavior and purchase history, D2C brands can customize how they want them to navigate across the website. The more tailor-made the navigational journey, higher the chances of directing them towards a potential conversion event; i.e. purchase.

D2C e-commerce marketers can also experiment with dynamic website elements such as graphics, banner images, and Calls-to-Action (CTAs) to optimize the persona-based viewing and navigation experience.

For instance: A D2C brand selling manufactured sports apparel and equipment can personalize the Home Page viewing and navigation flow across their e-commerce platform depending on whether a new, first-time visitor or a repeat registered customer lands on the website or mobile site.

Notice how Nike does it. Based on a male customer's live browsing behavior and past purchase history, Nike recommends running shorts and t-shirts on their website aiding easy navigation, quicker product discovery, and potential conversion.
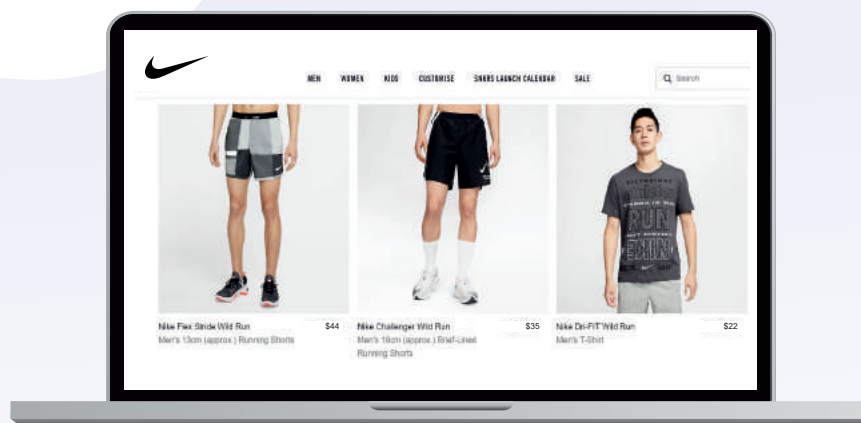
2. Display relevant product recommendations on the Home Page:

Modern marketing has driven home the fact that one size doesn't fit all. By moving beyond first-degree personalization based on geolocation, gender, or time of day - D2C brands can leverage the power of AI to begin displaying 1:1 product recommendations on the Home Page itself.

Each of these recommendations is tailor-made to individual customers and takes into account various factors - historical shopping and browsing behavior, search inputs, trending and best-selling items, etc.

This vastly improves product discovery and saves customers the time spent on searching through the entire product catalog. It's simple - by directing individual customers to what they're most likely to click on, add-to-cart, and buy - D2C brands can shorten paths to purchase and prevent drop-offs.

And, what better screen real estate to grab the customers' attention than the Home Page of the D2C e-commerce website?!

Showcasing relevant product recommendations on the Home Page can **increase Click-through Rates (CTRs) by almost 90-120%.**

<u>For instance:</u> In the case of a consumer electronics aggregator looking to double-down on increasing conversions through their website, it could recommend relevant Headphone brands and models to a customer who has previously viewed but not purchased from this product category. These recommendations would take into account the prices, brands, models, and colors of previously viewed Headphones.

See how Bose, based on a customer's historical browsing behavior and real-time search inputs, personalizes the Home Page banner to show noise-cancelling headphones that he/she would be most interested in.
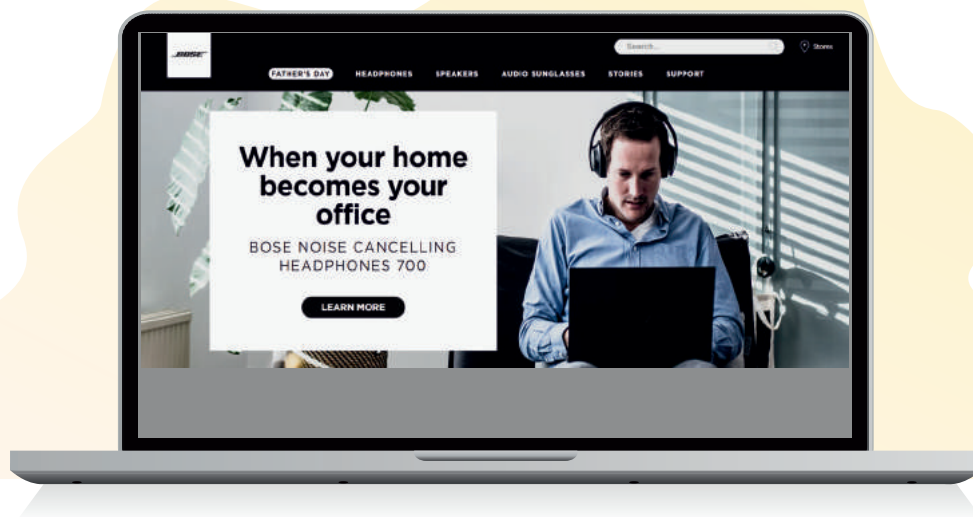
3. Personalize the product search experience:

Any search made by a website visitor or repeat customer on the website is a solid signal of intent. Intent to view a product. Intent to evaluate a product. Intent to eventually purchase a product. And, brands need to value these search inputs.

Every search action undertaken by a specific customer tells brands about their instant wants, needs, and preferences. And, the objective must be to direct these customers to exactly what they want faster.

With the assistance of a robust AI engine, D2C e-commerce platforms can now instantly populate the most contextual product recommendations based on the partial or full search terms inputted in the search tab. This also takes into account historical searches made.

These recommendations continue to get more accurate with each subsequent search action that a customer makes, helping marketers to significantly reduce the path from product discovery to purchase.

This can **increase conversion rates of customers who search by almost 20%.**

For instance: As a D2C player that specializes in the online retail of cosmetics, the brand can start giving the most relevant product recommendations for lipsticks when a customer is searching for a particular shade of lipsticks - most applicable to that particular customer.

Additionally, a dynamic personalization platform backed by AI, will see the AI engine "crowd-learn" from searches made by other customers as well. So, if there is a particular shade of pink lipstick that is most searched; this would also show up as a similar product recommendation
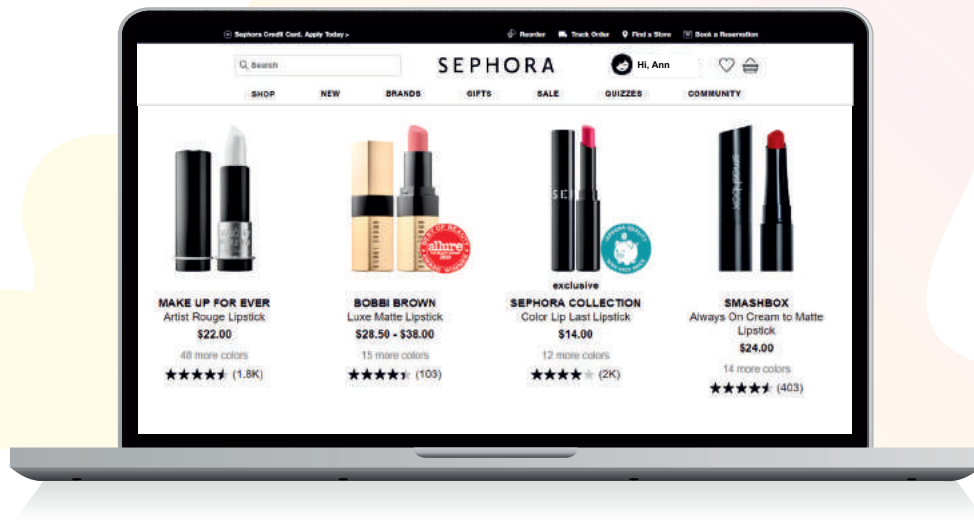
For Customer A:

Notice how Sephora shows 4 lipsticks, out of which 3 are in shades of red (customer's interest based on past purchase and browsing history) and 1 lipstick with high ratings that is pink in color, also as a recommendation. .
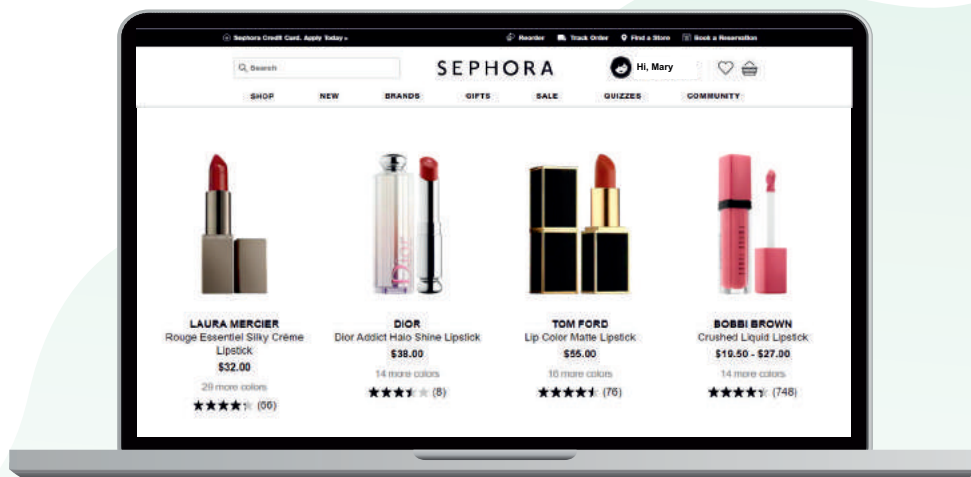
<u>For Customer B:</u>

Notice how for this customer, Sephora shows different recommendations - 3 lipsticks with shades of pinkish-red and 1 lipstick which is silver, but has high ratings.

4. Showcase real-time AI-led predictive recommendations across the website:

Falling customer attention spans and quick access to alternate competitors in the same industry vertical or product category can fuel switching behavior. This is why D2C brands need to respect the time an individual user potentially invests when he/she lands on their website or mobile site. Near-instant product discovery and top-of-sight visibility become critical to conversions.

In fact, according to the National Retail Foundation, 30% of all e-commerce sales can be attributed to personalized product recommendations. Not just that. 80% of customers actually expect e-commerce platforms to offer them these relevant recommendations to improve their shopping experience.

With the help of a powerful AI-backed personalization platform., D2C e-commerce brands can now show the most relevant product recommendations - to individual customers - across other key webpages such as their Product Display Page and Product Listing Page.

These 1:1 recommendations get more refined with each shopping session that a particular customer engages in. And, one way to ensure that is by choosing an AI-led personalization solution that accounts for both clickstream data and customer eyeball data.

This implies that negative signals for any product recommendations that are "seen-and-not clicked" and "not seen-and-not clicked" feed right back into the AI engine - all in real-time; enabling D2C brands to improve behavioral predictions by as much as 20%.

The AI engine should be able to learn intuitively and eventually predict with a great degree of accuracy what an individual customer is most likely to click on, add-to-cart, and purchase.

<u>For instance:</u> For a D2C brand that specializes in formal men's wear, AI can help provide shirt recommendations based on colors, shades, sizes, designs, and prices that are most apt to an individual customer. They can also open up cross-sell opportunities by suggesting other items like cuff-links, ties, and trousers that would go best with the chosen shirt.
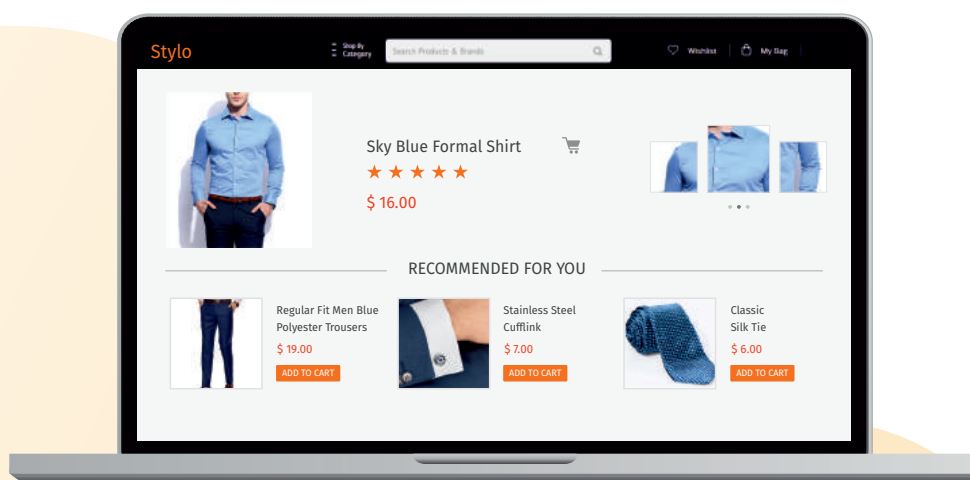
## 5. Re-order product categories for greater 1:1 context:

Any D2C [e-commerce](#) brand, across industries, is likely to have hundreds of products within their product catalog.

Leveraging AI, brands can re-order these categories in real-time for individual customers so the most relevant product recommendations show up right at the top.

Remember the Golden Rule?

Near-instant product discovery and top-of-sight visibility become critical to conversions. And, creating these personalized product catalogs can actually **increase Click-through Rates (CTRs) by 60-80% and conversion rates by 20-30%**.

For instance: Based on gender you can reorder your product category to show gender specific clothing categories OR based on browsing behavior, past searches you can reorder the product category for every individual customer. This will ensure instant product discovery and conversions.

Customer A ▶
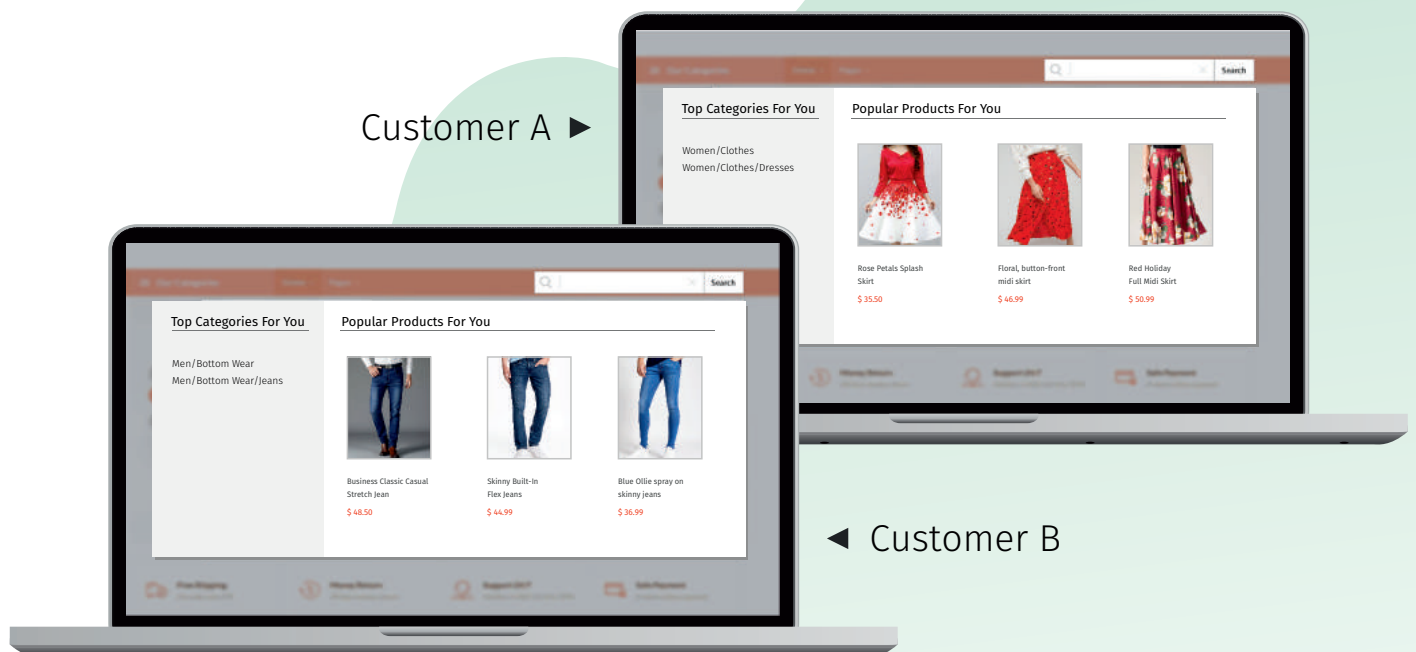
◀ Customer B

6. Create a personalized virtual storefront:

Directing customers to what they want has to be a relentless pursuit, as part of a larger personalization strategy.

D2C brands can climb higher up the personalization mountain by creating a virtual storefront or boutique for individual customers. Not only should this contain product recommendations with the highest probability of purchase, it should also continue to get dynamically refreshed based on individual customer eyeball data.
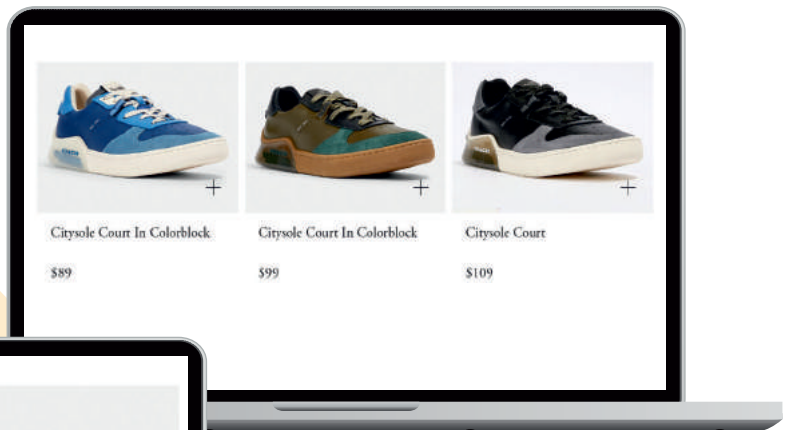
This means that this specially curated list of products should account for those recommendations that work and those that don't, and refresh automatically - based on how many seconds a customer spends hovering over an item.

These time-stamped signals loop back into the AI engine of a personalization platform, making it smarter, with every interaction that a customer has with the website.

Building a personalized storefront can actually increase **Click-through Rates (CTRs) by almost 120-150%.**

For instance: For a D2C e-commerce platform that specializes in footwear, a college student who has historically purchased sneakers and casual shoes will see a very different personalized boutique vis a vis a corporate professional who is more on the lookout for formal shoes. These recommendations need to be driven by unique preferences and intents as well.

Personalized boutique
for a college student: ▶

Citysole Court In Colorblock
$89

Citysole Court In Colorblock
$99

Citysole Court
$109

Mott Driver
Comparable Value $228
Now $99
57% OFF

Mott Driver
Comparable Value $228
Now $99
57% OFF

Mott Driver
Comparable Value $228
Now $99
57% OFF

◀ Personalized boutique for
a professional looking for
formal shoes:
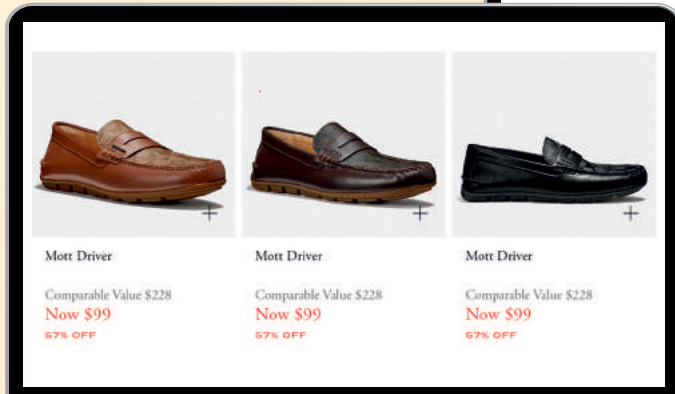
7. Deploy live contextual recommendations via exit intent pop-ups or web messages:

D2C brands can optimize their onsite personalization strategy by triggering relevant product recommendations and appropriate offers at individual customers through web messages.

These can be triggered when a customer lands on certain pre-defined web pages, when a customer scrolls a finite percentage on certain pre-defined web pages, or is just about to exit these web pages.

With the help of AI, D2C e-commerce players can then intelligently trigger such web messages only when they truly make sense, without disrupting the ongoing customer experience.

For instance: In the case of a D2C player that sells mattress , if a customer has viewed a particular mattress; but is about to leave the Product Display Page - a well-timed web message will encourage this new web visitor to register and avail code on his/her first time purchase , based on the product he/she viewed. This smart CTA button that does not say "Subscribe" but says "Yes, Send me my offer" will associate the subscription with a direct benefit for the user through the offer.
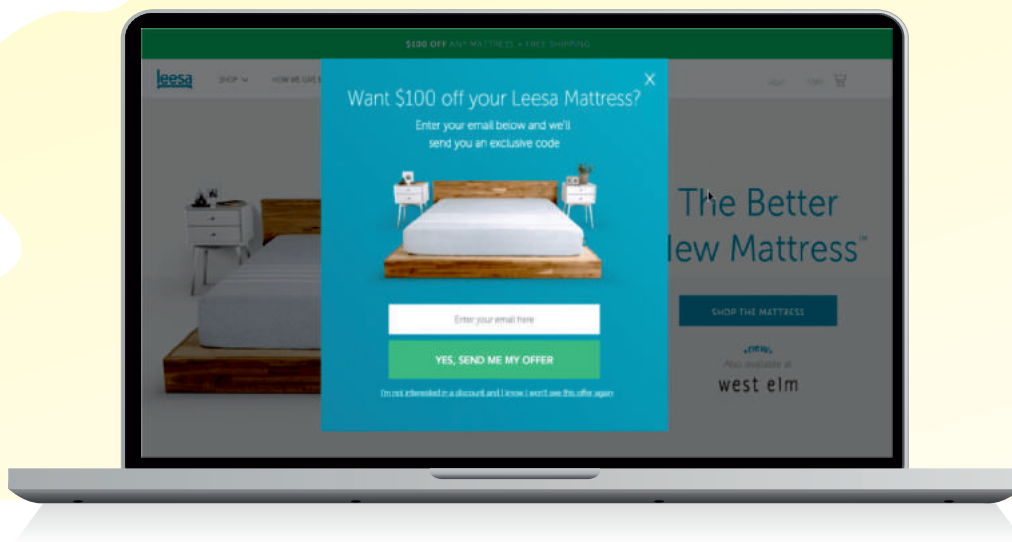
Journey Personalization

While personalizing the onsite shopping experience is key to crafting sticky and contextual customer experiences, D2C e-commerce brands need to go beyond that and actually deliver relevant product recommendations across other digital touchpoints - across different stages of individual customer lifecycles.

Every customer's eventual path to purchase is unique. Not every customer is likely to go from product discovery to checkout during a single active session on the website, mobile site, or mobile app.

smartech™
a netcore product

Let's consider the example of a D2C brand manufacturer that retails home furniture and interior decor products. There are customers looking to purchase more ergonomic work chairs, as more and more professionals work from home during this COVID-19 crisis. Here's what will happen:

- Some customers will land on the website, search, discover, and complete purchase within a single active session on their laptop
- Some customers will search the product category over their smartphone, add the product to their shopping cart over their tablet, and complete actual purchase on their laptop - same buying journey but across multiple devices and sessions
- Some customers will discover and evaluate a few products in the same category, but drop-off - he/she will have to be incentivized to come back to the platform and complete purchase

This makes it important to craft and orchestrate intelligent customer journeys that trigger and deliver laser-focused product recommendations across high-impact marketing channels such as:

- Email
- App push notifications
- Web push notifications

Here are the kind of contextual recommendations that D2C e-commerce brands must deliver to pursue conversions even when customers are inactive on the website, mobile site, or mobile app; with AI doing all the heavy-lifting:
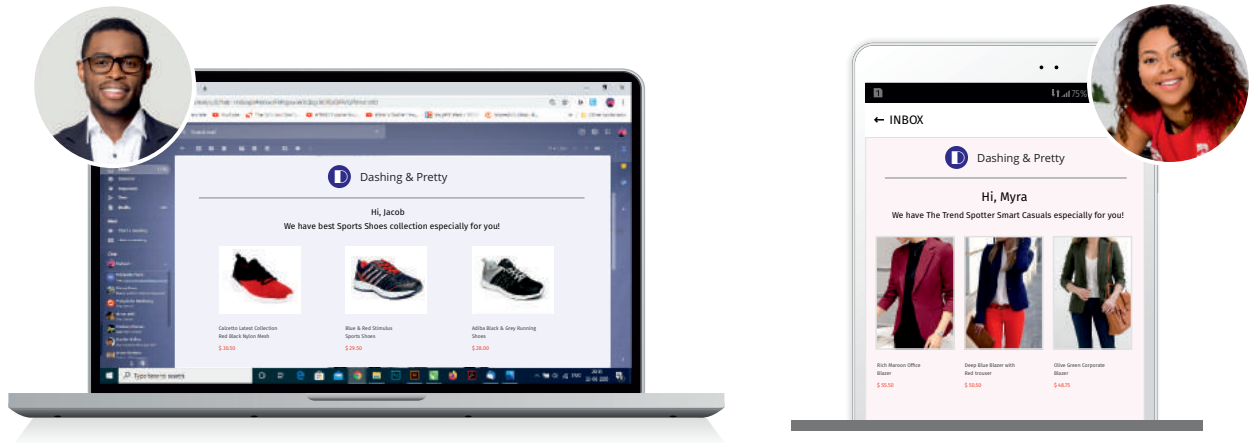
Email + APN Recommendations

1. "Suggested for You" Recommendations:

These must be the best possible recommendations tailored to individual customers based on their general historical behavior; i.e. product/product categories viewed, items added to cart, purchase, etc.

For instance: Let's build on the above example of a D2C brand manufacturer that retails home furniture and interior decor products. A male customer who has previously purchased a bedside table, can be recommended bedside lamps that go best with that table (based on design, price, shades, sizes, etc.). On the other hand, a female customer who has recently purchased the same bedside table, can be recommended scented candles, alarm clocks, curios, or artificial potted plants.

Same product. Different buyer personas. 1:1 relevant product recommendations

2. "Cart Abandonment" Recommendations:

These must be generated based on the products added to individual customers' digital shopping carts where the customer may have dropped-off or not completed a purchase.

For instance: A customer looking to purchase a children's closet adds the product to the cart but doesn't complete the purchase. The D2C brand manufacturer, in this case, can trigger closet recommendations based on similar price range, color, and dimensions. Additionally, it can recommend what beds or side-tables would go best with this to complete the room's aesthetic.

smartech™
a netcore product

3. Buying Pattern Recommendations:

These must be generated based on individual customers' most recent product purchases.

For instance: A customer who last purchased a red carpet for the living room, can be recommended smaller rugs, cushions, and curtains that go with the color, texture, and visual aesthetic of the previously bought product.

4. Viewing Pattern Recommendations:

These are triggered based on individual customers' most recent products or product categories viewed.

For instance: In the same case, if a customer has viewed a red carpet and not added to cart or checked out; the brand manufacturer can trigger recommendations of other carpets that are red, maroon, or mauve - based on the price range, texture, and size.

5. "Best-Seller" Recommendations:

These must be generated based on the highest selling products on the D2C e-commerce website, mobile site, or mobile app. These should comprise of products that are being purchased the most when compared to other products over a period of time.

For instance: Due to increased adoption of work-from-home, a large number of customers have been purchasing ergonomic work chairs, cushions, and laptop stands from the D2C platform. So, ergonomic work chairs have emerged as a best-selling product across categories over the last 3 months.

6. Trending Recommendations:

These must be generated based on the most trending products on the D2C e-commerce website, mobile site, or mobile app. Essentially, these should comprise of products whose consumption has shown a percentage increase over a period of time.

For instance: Building on the same example, specific ergonomic work chair models or laptop stands have outperformed others in the same category and are now trending.

7. Recently Viewed Recommendations:

These must be generated based on the most common products that have been recently viewed by individual customers on D2C e-commerce platform.

8. "New Arrival" Recommendations:

These must be generated based on the new products that have been added to the D2C brand's available product catalog.

For instance: This would include relevant recommendations around new items added across product categories that are most contextual to individual customers.

An effective personalization platform should be able to leverage its AI engine to accurately map these products to the ones that are most relevant to individual customers and hit upon the ideal recommendations, capable of nudging him/her towards an eventual purchase.

Depending upon what channels of customer engagement are working best for which customer segments and buyer personas, brands must optimize their multi-channel mix as well as the send-times for these campaigns.

## Re-target existing customers with personalized ads

As highlighted, digital customer journeys might begin somewhere and end somewhere else. So, paths to conversion can be unique and non-linear.

Regardless of a D2C brand's best efforts at encouraging digital customers to make a purchase on their e-commerce platform, there will be drop-offs and even complete dormancy.

That's precisely where an AI-backed personalization platform kicks in to target individual customers with the most relevant product recommendations through optimized re-targeting ads across Google, Facebook, and Instagram - at the right time.

<u>For instance:</u> A D2C brand that sells footwear; can re-target existing customers with the most relevant recommendations that are contextual to an individual customer's search history. Depending upon where he/she is most likely to see this ad, AI can help display an optimized ad, encouraging the customer to click and land back on the website or mobile site.

Observe how Cole Haan shows personalized Facebook ads based on a customer's search history and entices the customer with discounts on the same product to encourage purchase.
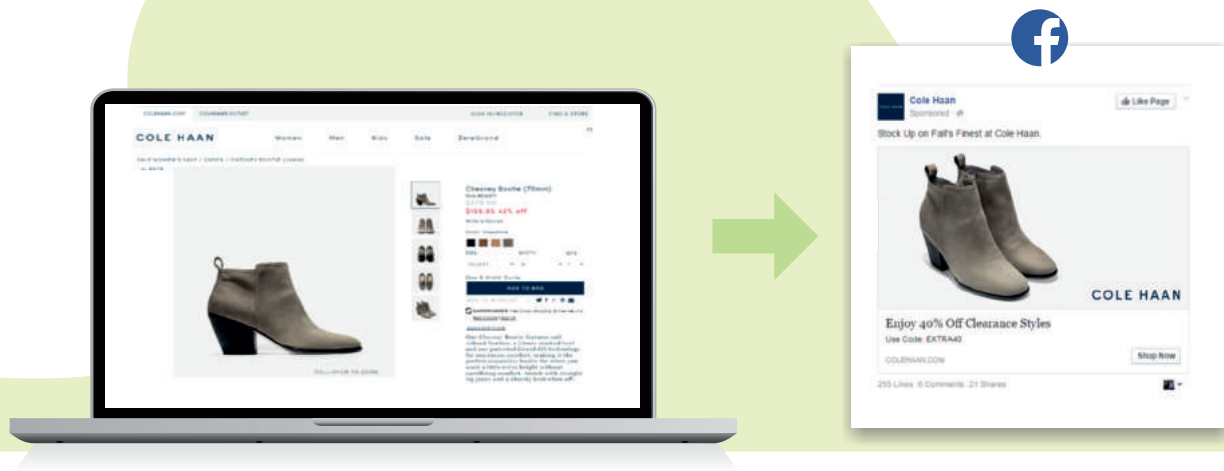
Such an all-encompassing approach completes the final cog in the omnichannel personalization framework, with AI helping D2C brands accomplish the 4 Rs of modern marketing; i.e. delivering the Right product recommendation or offer to the Right customer at the Right time, and on the Right channel, platform, or device.

A powerful personalization platform should also enable D2C brands to extend omnichannel personalization to the mobile app experience as well, especially since the entire online retail ecosystem moves fluidly across devices and platforms today.

Tracking the Metrics that Matter the Most (TMTMTM)

Discovery
Acquisition
Conversion
Retention
Advocasy

Based on the e-commerce funnel, there are key metrics that D2C brands need to consistently track and optimize for on a weekly, monthly, and quarterly basis. The impact of 1:1 omnichannel personalization has a direct impact on consideration, conversion, and retention metrics.

Acquisition Metrics

1. Customer Acquisition Cost (CAC):

This is a measure of how expensive or inexpensive it is to acquire a new paying customer.

$$\text{Customer Acquisition Cost (CAC)} = \frac{\text{Total Marketing Spends}}{\text{Total Number of New Customers}}$$

Marketing spends would include all expenses incurred on paid search, digital advertising, or channel-specific campaigns, etc. D2C e-commerce brands must constantly compare this metric to the Customer Lifetime Value (CLTV) to ensure that CACs don't outstrip the CLTV.

AI-led personalization can enable D2C brands to bring down their CAC while increasing CLTV over a period of time.

Conversion Metrics

1. Overall Conversion Rate:

This metric provides clarity on the percentage of website or mobile site customers or mobile app users that actually complete a final conversion event; i.e. product purchase.

$$\text{Conversion Rate} = \frac{\text{Total Conversions}}{\text{Total Number of Converted Customers X 100}}$$

AI-led personalization can actually help D2C e-commerce brands boost overall conversion rates by almost **8-13%.**

Conversion rates can further be broken down to gain more granular insights based on key parameters such as:

- **Paid digital channels:** Google AdWords, SEO, Facebook, Instagram, etc.
- **Marketing channels:** Email, app push notifications, web messages, web push notifications, etc.
- **Specific campaigns:** For instance; a seasonal flash sale or an influencer marketing program Product categories
- **Product categories**

2. Return on Advertising Spend (ROAS):

This metric offers D2C e-commerce brands the opportunity to measure the effectiveness of their digital advertising campaign on channels such as paid search or social media marketing.

$$\text{Return on Advertising Spend (ROAS)} = \frac{\text{Gross Revenue from Ad Campaign}}{\text{Cost of Ad Campaign}}$$

For instance: A D2C e-commerce platform that retails fashion apparel, has spent $2,000 on a Facebook campaign in a single month and the campaign results in revenues of $12,000 over the course of the month. The ROAS in this case will be 6:1 ($12,000 divided by $2,000).

This means that for every dollar spent on advertising on Facebook, the brand makes $6 in converted revenue.

AI-led personalization and 1:1 product recommendations can uplift ROAS over a period of time.

3. Add-to-Cart Rate:

This is the percentage of customers who place at least one product in their virtual shopping carts during an active session.

$$\text{Add-to-Cart Rate} = \frac{\text{Sessions with Cart Product Viewed}}{\text{Total Number of Sessions}}$$

Add-to-cart rates are important to track, since they can indicate the effectiveness of the product catalog, 1:1 recommendations, and website UI/UX.

Almost 30-40% of customers that add a product to their cart, go on to complete a purchase. So, D2C brands stand to benefit through an increase in revenue by increasing their add-to-cart rates.

AI-led product recommendations can actually **increase add-to-cart rates by almost 6-9%**. Moreover, triggered recommendations delivered across other marketing channels can help reduce the overall cart abandonment rates as well.

4. Average Order Value (AOV):

This is the average $ amount that D2C e-commerce customers pay for the products in their virtual shopping carts when they checkout.

$$\text{Average Order Value (AOV)} = \frac{\text{Total Revenue}}{\text{Total Number of Completed Orders}}$$

The higher the AOV over a period of time, relative to a platform's Daily Active Users (DAUs) and Monthly Active Users (MAUs), the greater the marketing ROI, revenues, and profits.

AI-led personalization can help increase the AOV by opening up opportunities for cross-selling and upselling through real-time 1:1 product recommendations of suggested items, "most commonly purchased together" product bundles, etc.

Some other tactics to enhance AOV include:

- Offer a free-shipping threshold
- Provide discounts on specific product categories or products
- Showcase time-sensitive deals that create a sense of FOMO!
- Set up an effective loyalty program that banks on gamification
- Incentivize the shopping experience through a referral program and social sharing

Retention Metrics

1. Customer Retention Rate (CRR):

This metric offers clarity on the percentage of existing customers that a D2C e-commerce brand can maintain over a period of time. The higher the retention rate, the higher the AOV, CLTV, and revenues.

$$\text{Customer Retention Rate (CRR)} = \frac{\begin{array}{c}\text{(Number of Customers at the End of a Time Period}\\ -\\ \text{Number of New Customers Acquired at the Start of that Time Period)}\end{array}}{\text{Number of Customers at the Start of the Time Period X 100}}$$

For most CPG brands adopting a D2C e-commerce model, a retention rate of 30-35% over 8 weeks is considered super-healthy.

AI-led personalization helps D2C brands build sustainable 1:1 customer relationships that encourages them to keep returning to the e-commerce platform. This has a direct impact on the CRR, driven by increased customer satisfaction and loyalty.

2. Customer Churn Rate (CCR):

This metric offers clarity on the percentage of customers that a D2C e-commerce brand has lost over a period of time and is inversely proportional to the retention rate.

$$\text{Customer Churn Rate (CCR)} = \frac{\begin{array}{c}\text{(Number of Customers at the Start of a Time Period}\\ -\\ \text{Number of Customers at the End of a Time Period)}\end{array}}{\text{Number of Customers at the Start of the Time Period X 100}}$$

D2C brands can benefit greatly by leveraging AI-led personalization and 1:1 recommendations to provide greater value to both new and existing customers; for the time, effort, and money they spend being associated with the e-commerce platform. The lower the CCR, the higher the CRR, AOV, and CLTV in the long-run.

3. Customer Lifetime Value (CLTV):

This is the total $ amount that a D2C e-commerce brand will earn from customers over the entire lifespan of their relationship with the brand.

CLTV is a function of and has a direct correlation with:

- **Average Order Value (AOV) = Total Revenue / Total Number of Completed Orders**
- **Average Purchase Frequency Rate (APFR) = Total Number of Purchases / Total Number of Customers**
- **Average Customer Value (ACV) = Average Order Value (AOV) / Average Purchase Frequency Rate (APFR)**
- **Average Customer Lifespan (ACL) = Total Customer Lifespans / Total Number of Customers.**

$$\text{Customer Lifetime Value (CLTV)} = \frac{\text{Average Customer Value}}{\text{X}} \text{Average Customer Lifespan}$$

It might sound complex on the surface, but a good personalization platform will auto-compute and display all these critical metrics on the reporting dashboard - offering real-time visibility on all digital and mobile marketing efforts.

AI-led personalization has a direct positive impact on the CLTV for any D2C e-commerce brand, while also driving down Customer Acquisition Costs (CACs) in the long-run.

Omnichannel Personalization: Advantage; D2C Brand

Imagine a fiercely fought lawn tennis match between A and B that has gone to the final set. Both players are going to battle tooth-and-nail to gain that elusive advantage and resulting break. That's exactly what an AI-led personalization strategy helps a D2C player gain in the e-commerce court.

This will enable offline-to-online brands to:

- Increase e-commerce website conversions by **8-13%**
- Increase add-to-cart rates by **6-9%**
- Uplift marketing ROI by **10-12X**
- Elevate website click-through rates (CTRs) by **30-60%**
- Improve individual customer-level behavioral predictions by **20%**
- Supplement both offline and online shopping experiences through unified views on individual customers
- Craft and deliver 1:1 customer experiences at scale
- Optimize inventories by managing surpluses or supply gaps through relevant product recommendations
- Maximize Average Order Value (AOV), Customer Lifetime Value (CLTV), profits, and margins by unlocking greater mind, wallet, and market-share
- Enhance Customer Retention Rates (CRRs) by building more memorable and satisfactory shopping experiences, consistently

While AI-led omnichannel personalization will help D2C brands develop a major digital dividend, they shouldn't lose sight of other equally important strategic and tactical elements. Customer satisfaction is a

function of delivering seamless, reliable, and consistent <u>customer</u> <u>experiences</u> over a long period of time.

And, for that to happen, brands also need to focus on:

- Seamless website or mobile app UI/UX
- Fool-proof virtual payment gateways and flexible modes of payment
- Sturdy packaging
- Reliable in-time last-mile delivery
- Provision for new-age package collection; eg: contactless delivery

The new rules of e-commerce marketing are already in play. But, relentless focus on the holistic customer experience - backed by personalization - can go a long way in bending those rules in a D2C brand's favor!

Build vs. Buy: Decoding the Eternal Debate

We've outlined the criticality of adopting an AI-led omnichannel personalization strategy to the long-term and repeatable success of any offline-to-online D2C brand. And, it is extremely tempting to build these capabilities in-house as an initial go-to-market response.

But, powering an effective personalization and recommendation engine-led machinery isn't as black and white as it seems to be on paper. In fact, it can cost a D2C e-commerce platform upto $100,000-300,000 and precious tech man-hours to build out a Minimum Viable Product (MVP) in-house, in this regard. Also, the time to test and take these capabilities to the market will be only as soon as 4-6 months from attempting to build this in-house.

Brands would be better served bringing on board an external third-party personalization vendor to produce near-instant conversion uplifts, for a fraction of the cost. Evaluating and finalizing an external personalization vendor is associated with a negligible time and monetary cost, that pales in comparison to the long-term impact on business metrics.

We've put together a list of key factors that we believe a D2C brand needs to consider while building a personalization solution in-house:

- Timeframe for deployment
- Resource, talent, and tech investment
- Customer data control
- UI/UX control
- Scalability and customizability
- Maintenance and upgradation
- Industry expertise

And, to further enable D2C e-commerce brands to carefully and quickly evaluate qualified external personalization vendors, we've compiled a Request for Proposal (RFP) guide that asks a checklist of 60+ consideration questions that a brand must get complete clarity on. These revolve around personalization platform capabilities such as:

- Ease of Integration
- Customer Data Collection & Tracking
- Onsite Personalization
- Journey/Channel Personalization
- Experience Testing & Optimization
- Dashboard Reporting
- Product Support & Consultancy

An advanced analysis of internal personalization pain-points, in addition to understanding how a particular external vendor can help resolve these at scale will comprise a giant leap in setting a highly effective omnichannel personalization flywheel in motion.

The Road to Retention & Regrowth

The COVID-19 crisis has altered the way businesses and retail brands, in particular, view and adapt to the new normal. Crises often create opportunities. And, beyond the doom-and-gloom of lost sales, churned customers, sunk costs, and escalating overheads; there is light at the end of the consumer demand tunnel.

D2C brands need to be proactive to ensure the delivery of customer-centric, value-driven, and sustainable customer experiences at scale. That's precisely where AI-led omnichannel personalization comes in. Weaving this into the fabric of the end-to-end value chain will only help develop a competitive edge, deepen customer connects, and enhance brand reputation majorly.

The faster such brands arrive at and accept this realization and prudently choose a third-party personalization vendor to support their growth vision, the faster their alignment to evolving consumer needs, demands, and expectations.

1:1 omnichannel personalization is the present and future. And, D2C brands now need to take that giant leap towards delivering those contextual customer experiences - today - just like the giants like Amazon have been for years.

To know more about the
omnichannel personalization solutions offered

smartech™
a netcore product

Get in touch with us

— **Trusted By 5000+ Brands** —