

ENHANCE CUSTOMER ENGAGEMENT WITH SPOT-ON RECOMMENDATIONS

A guide to prescriptive analytics
driven next-best-actions in retail



Cross-sell is great, but hard to get right at scale

The best way to drive higher basket value is to tactically intervene when the customer has already decided to buy a product from you. The store associate recommends a product that complements the chosen product and enhances the customer's shopping experience.

We have experienced this - when the friendly waiter recommends a bottle of wine that goes with the entrée you ordered, or an associate suggested a scarf that would make the jacket in your hand look stunning.

High performing businesses know that to do this well they need to quickly assess what type of customer they are engaging with, what they have bought earlier, what they are looking to buy and what is the best product, offer and content for them. The best in the business make this entire process natural, non-intrusive and the customer feels like it's in her best interest.

The challenge, however, is to scale this to all associates and all customers. It takes years of training, skill and the ability to talk to customers, decipher their responses and work towards a choice. High-end fashion and speciality retailers have high margins, and can invest in skilled associates who can help the customer pick merchandize that goes well together, and is in line with the customer's tastes.

The million-dollar question is, how do retailers replicate this model when they are not selling a thousand-dollar piece of clothing, or in the online world where thousands of customers are browsing at the same time and it is not possible to provide a human interaction.

What does a good recommendation look like?

Given that relevant product and offer suggestions can increase basket size by 10 to 30% for most fashion retailers, how can they adopt this widely and successfully?

There are three main strategies to focus on.

1. Empowered store associates: Fashion retailers who desire to up their game on in-store experience and turn their associates into skilled consultants should empowering them with rich actionable insights and prescriptions.

Store associates need to have insights on who the customer is, what are her style and brand preferences, how much does she usually spend, what is her spend potential, what item is commonly bought with the item that the customer is considering to buy, availability of the items, product information about both the considered product and potential cross-sell product, sales of recommended item this month, and any active promotions for the customer.

If such information is available at their finger-tips, any store associate can quickly elevate to become an expert consultant that customers enjoy talking to, and gain value from during every interaction.

2. Personalized customer touchpoints: Customers today use a wide range of digital technologies for shopping and retailers have an opportunity to capitalize on those digital shopping moments to introduce products that enhance the purchase. Digital touchpoints can help serve thousands of customers simultaneously and with a good degree of consistency.

Retailers can provide additional item recommendations over e-commerce product and cart pages, mobile apps, social media, kiosks and magic mirrors. On digital media, they can also suggest how frequently the items are bought together, social desirability of the products, promotions, free-shipping offers and reviews that can help motivate the customer to buy additional products.

Personalization on digital touchpoints may be easier and customers typically find this less intrusive, and relevant messages will motivate them to explore more and increase the likelihood of making additional purchases. Also, every digital engagement could be served back to the system as learning and will help improve future recommendations.

3. Effective post-sale engagement: Timely marketing tactics can also encourage customer re-visits, as you inform them about additional items they would love, and promotions you are currently running on them. These relevant messages can prompt them to make a visit to the store or explore the website sooner than they otherwise would have.

Retailers can personalize marketing messages for the product-likely-to-be-bought-next to every customer and set up multi-touch engagement over email, mobile apps or social media platforms. Providing trend insights and number of customers who have bought the recommended product will improve the likelihood of the customer re-visiting and making a purchase.

In trip cross-sell strategies focus on smaller ticket items that incrementally increase the basket size. In post-sale scenarios, however, retailers can promote big-ticket items - being a fresh shopping trip, the customer will be mentally tuned to spend a higher amount.

Under the Hood of Modern Next Best Action

Highly effective next best offer systems rely heavily on AI and advanced analytics to help deliver personalized experience to thousands of customers and to empower hundreds of associates with relevant insights. There are four must-have modules in a good next-best action system.

1. Behavioural Analytics

By analyzing historical purchases, browsing data, marketing engagement metrics, demographics details, loyalty data and 3rd party data for every single customer you can build a wide set of actionable customer personas. Analytical techniques like clustering are deployed to statistically segment customers into distinct buckets.

A good segmentation should consist of clusters that are:



Identifiable

Each cluster should be distinct from the others on the defined parameters and should be easily identifiable.



Actionable

Each cluster should have a differentiable marketing action that will move customer behavior in the desired direction, and the cluster should indicate levers that will influence this behavior.



Substantial

Individual clusters should have enough members for effective targeting. A segment that is too small would not justify the investment required for differential treatments. However, keep in mind that a segment that's too large may not sufficiently capture the inherent differences among its members.



Accessible

The clusters should have a high percentage of 'reachable and responsive' customers - customers that are reachable to marketing, and respond to the efforts aimed at them.



Stable

Clusters should to persist over a reasonable time for effective targeting, tracking and growth.

2. Recommendation Engine

This uses Machine Learning algorithms that match product and offer choices to the unique traits of individual customers. Recommendation engines consume persona and purchase information and automatically pick the product-most-likely-to-be-bought-next from the entire catalogue and push it into a range of execution systems.

Good recommendation engines can also consume triggers from web, mobile app, kiosks or point of sale and in real-time respond with the best item to recommend across a range of devices. The ability to set up rules for recommendations like inventory check, promote certain categories, persona-based inclusions or exclusions, store-based inclusions or exclusions can help drive better customer experience and meet business objectives.

In addition, by consuming feedback of customer behaviour and purchases (or lack of it) in response to past recommendations, the next set of suggestions get increasingly accurate.

3. Association Mining

This helps marketers identify associations between products, and between customer and product which is useful for identifying cross-sell avenues, product bundling opportunities and next best action for a customer.

Association mining can identify associations at the following levels:

- Pairwise: Product A x Product B (People who buy A also buy B)
- Multiple: Product A and B x Product C (People who buy products A and B also buy Product C)
- Customer to Product: Customer Attribute A to Product A. (People of certain category, for example, female customers are likely to buy product A).
- Sequential: Product A now x Product B future (People who buy product A now will buy product B in future).

4. Omnichannel Execution Platform

This enables marketers to engage with customers on their preferred channel or on a recommendation engine suggested channel. Today, retailers can reach customers over web, mobile app, email, social, kiosks or through store associates with clienteling apps. To succeed with recommendations, they should be able to access all these channels and pick the right combinations for the given customer context.

US based supermarket chain with 100+ stores and over 3.5 mn customers uses personalized recommendations across channels with Manthan Customer Marketing Platform

Business Scenario

The retailer was sending standard weekly offers mailer to all customers. Multiple channels were deployed; however, often inconsistent messages were sent on different channels leading to customer frustration. Due to poor relevance of offers to customers, redemption rates and customer engagement was poor.

Manthan Approach

With Manthan Customer360, a centralized warehouse of customer data was created, resulting in deep insights about customer behaviour, preferences, loyalty and journey with the brand.

Descriptive and predictive modelling was used to identify item affinities, purchase sequence, behavioral clusters and propensity to buy.

These customer insights were used to generate personalized recommendations across email and online channels such as website banners, contextualized by their home store.

Results



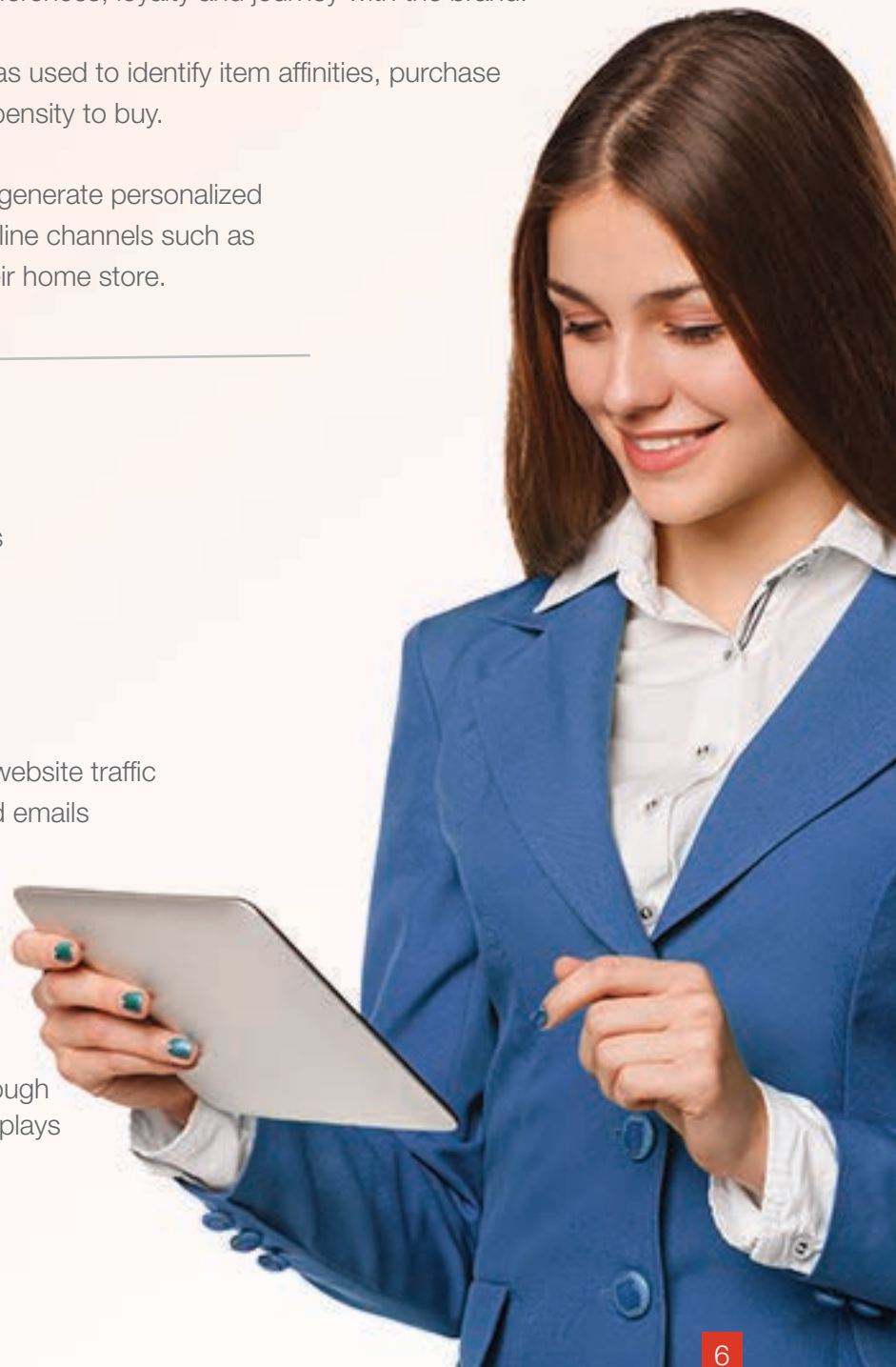
50% increase in email open rates



15% growth in website traffic through targeted emails



5% reduced bounce rate through personalized displays on website



The logo for Manthan, featuring the word "MANTHAN" in a bold, sans-serif font. The letter "A" is stylized with a red diagonal slash through it. The logo is set against a white rectangular background.

MANTHAN

ABOUT US

Manthan is a leading cloud analytics company that has pioneered analytical applications for consumer-facing businesses. We excel in the application of decision sciences, advanced math, and artificial intelligence and have a restless ability to invent and bring ideas to life. Headquartered in Bangalore with offices in Santa Clara, London, Dubai, Mexico City, Singapore and Manila, Manthan's current client footprint spans 22 countries. Leading investment firms like Norwest Venture Partners, Temasek Holdings, and Eight Roads (Fidelity International Limited) feature on Manthan's board. **For more information, go to www.manthan.com**