



Conversion, Revenue & Loyalty

*Achieving the Retail Trifecta
Through AI and ML*

A Q&A SESSION FEATURING FORRESTER

Introduction to Forrester Q&A

Retailers today are navigating vast challenges as the industry moves towards a more digital era. Pivoting from a “company-obsessed” model to a “customer-obsessed” one is crucial, and truly key in creating better experiences and determining what the consumer – whether known or unknown – really wants in the moment.

ZineOne recently sat down with e-commerce consumer behavior and technology trends expert Brendan Witcher for a webinar to discuss achieving conversion, revenue, and loyalty, and the retail trifecta by using artificial intelligence (AI) and machine learning (ML) solutions. Following the webinar was a Q&A with Brendan, in which we asked him to dive deeper into some of the challenging issues facing retailers and digital business professionals today.

In this eBook, you will discover how retail leaders **measure the success of their digital strategy and commerce channels**, what online engagement strategies are best to **improve customer experiences and drive positive business results**, how AI and ML are helping to **create competitive advantages and overcome challenges**, and much more.

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How are leading retailers today measuring the success of their digital strategy and commerce channels?

The primary traditional way of measuring success has been in visitor conversion rates and channel revenue. Both, however, can give retailers a false sense of performance impact, as well as lead digital professionals down the wrong paths to try and improve those metrics. In some ways, those metrics are even in conflict with one another. For example, if a retailer wants to raise revenue, they simply need to raise marketing spend, and bring in more – but often less qualified – traffic. This, of course, lowers conversion rates. The same problem exists when marketing spend decreases, causing less qualified traffic to visit the site, which raises conversion rates but lowers overall revenue.

Leading retailers measure success of their strategies and channels differently. While keeping an eye on revenue and conversion, they concern themselves more with metrics that reflect the health of the business. Another way of saying this is, they focus on increasing the number of customers that keep the brand near the top of the consideration list and shop with the retailer when they – the consumers – are ready to buy. Indicators of this are a combination of KPIs including frequency of visits, time on site, clicks per visit, cross-channel conversion, email open/click-thru rates, and adds to digital baskets. Some even bring in social interactions and willingness to write reviews and provide positive feedback.

However, this is important to remember: **Similar to conversion and revenue, these metrics should never be looked at singularly.** For example, if nearly all of these metrics are not improving or moving in negative directions, but time on site or clicks per visit KPIs are going up, this could indicate that visitors are actually having a hard time finding what they want to purchase, or they are confused by the website's navigation. Note that this is only clear when metrics are looked at in a relative way. If time on site and clicks per visit were up, and all other metrics were also climbing, this might indicate that a positive experience is happening for customers. Like a rising tide, a business that is being successful and growing in a healthy, sustainable fashion will see a slow moving – but clearly measurable – positive trend over time of all these performance indicators.

Like a rising tide, a business that is being successful and growing in a healthy, **sustainable fashion will see a slow moving – but clearly measurable – positive trend over time of all these performance indicators.**



What is the biggest mistake you find retailers make in trying to achieve better business outcomes?

A critical shift that we see retailers make – one that causes them to achieve better performance – is moving from company-obsession to customer-obsession. However, because we talk about “focusing on the customer” so much in the retail industry, the words can sound like buzzy, banal platitudes with little real weight. But if we paint a picture of the differences by showing how these strategies each impact customer experiences, the ultimate outcomes of these approaches become striking and predictable.

A company-obsessed strategy is designed around metrics that purely benefit the company’s business position, with little to no regard for impact on a customer’s experience. Examples would be presenting products to customers because of overstocked inventory positions, filling emails with product offerings with the highest margin items, or marketing certain brands to customers because the manufacturer paid the retailer for the placement. None of these actions provide value to most of the customers the retailer interacts with, which makes them part of a company-obsessed strategy.

All of these tactics worked thirty years ago in a world where consumers had little choice but to buy from what local retailers had to offer. **But they don’t work with digitally savvy, channel-agnostic consumers who know the ubiquity of retail through online commerce, which gives them almost unlimited choice of who to shop with.** Of course, doing this once won’t immediately drive a retailer’s customers away. But when aggregated over time and done within every experience on a website, every email sent out to customers, and every offer presented in advertising channels, retailers create a “slow burn” of their customer file’s health, making improvements to KPI’s harder to achieve in the long run.

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What online engagement strategies should retailers employ to improve customer experiences that will drive positive business results?

When executed properly, two strategic goals that can potentially drive significant positive outcomes for retailers are to create better real-time and relevant in-the-moment experiences that add value to an unknown consumer's buying journey, and design paths to purchase that inspire unknown consumers to self-identify and provide data that help the retailer better serve the customer in the future. **Why unknown consumers?** There are two reasons: First, for most retailers, the majority of visitors are unknown or not signed in. This creates the largest segmented group a retailer can target in a digital channel, and efforts towards better serving this group will likely scale to a greater degree. Second, the incremental potential of an unknown consumer will likely be greater, given that known customers are likely already having experiences tailored for them.

The first step with unknown consumers is to have technology in place that can assess an individual's behaviors, preferences, needs, and intent in real time. This sounds innovative as a concept – it's not. Good store associates do this with in-store visitors every day, but retailers have been slow to adopt means of doing this online. To some degree, it could not happen until recently, because computing power – including machine learning (ML) and artificial intelligence (AI) – were simply not ready to support this kind of experience.

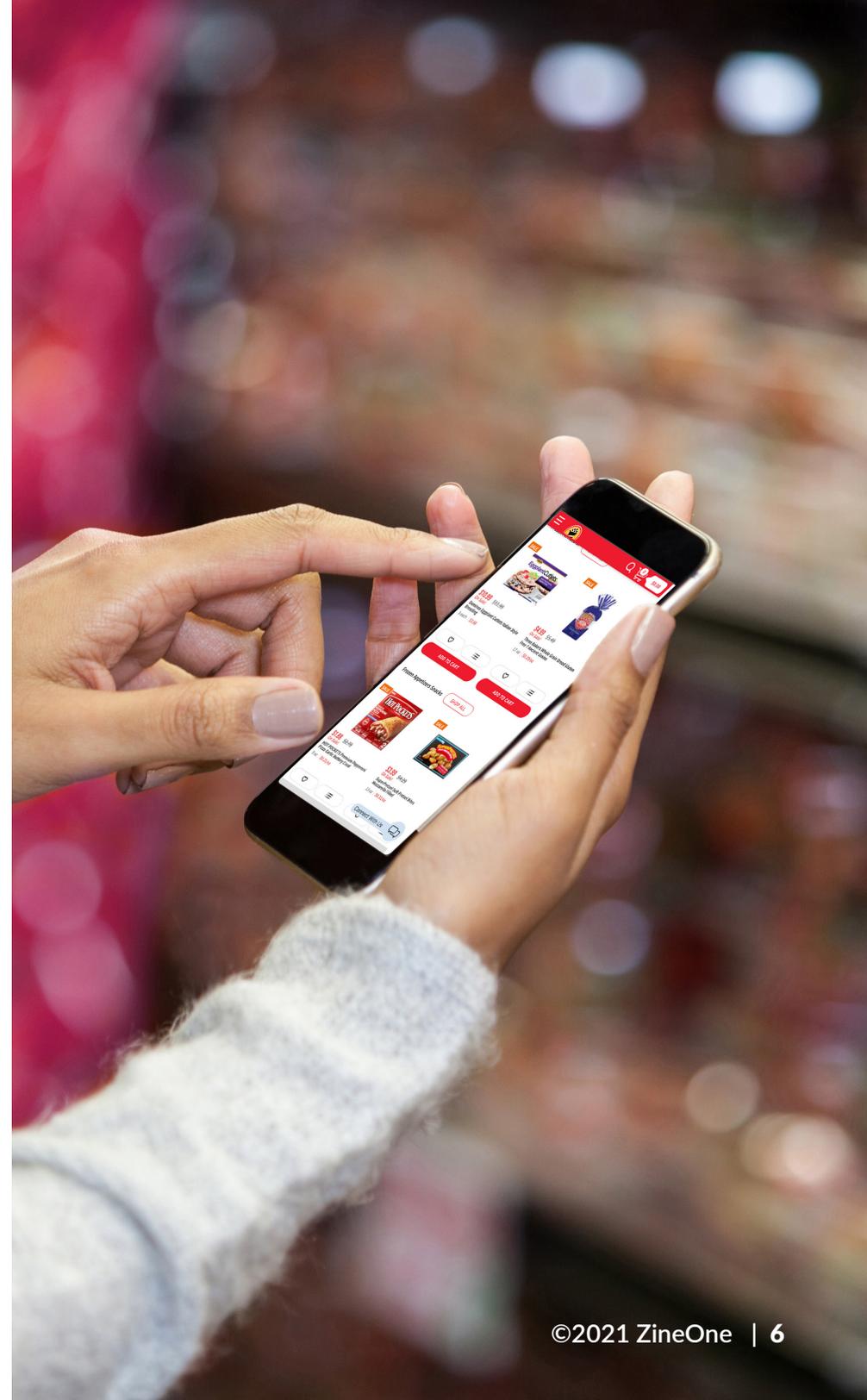
However, today's online engagement technologies can – if robust in capabilities and deployed with purpose – deliver this kind of experience for customers, even without any prior online history.



The second step, which should be seen as a dependency of the first step, is to create paths to purchase that encourage visitors to move from a state of being unknown to a state of being known. What many retailers miss is the fact that providing great customer experiences when a consumer is unknown is more likely to motivate that customer to take action that will turn them into a known prospect or customer. Some examples of such actions include signing up for a loyalty program, downloading the app, contacting a local associate or contact center representative for information, or even simply completing an online purchase. In other words, success in moving prospects from an unknown to a known state – regardless of if they buy or not – can be directly impacted by how relevant and valuable they perceive experiences to be when they are in an unknown state.

Two strategic goals that can drive significant positive outcomes.

- 1. Create relevant in-the-moment experiences that add value to an unknown consumer's buying journey.**
 - 2. Design tailored paths-to-purchase.**
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How is ML/AI playing a role in creating competitive advantages and overcoming challenges for retailers?

There's no shortage of questions around the use of ML/AI (machine learning/artificial intelligence) in business:

- What's the business case?
- How does it differ from older technologies?
- Where is ML/AI being used today?
- What is ML/AI's potential impact on the future?

All topics that are worthy of good answers, but the most important question for the digital professional who is tasked with creating business results now is this: Can we use ML/AI to produce a distinct competitive advantage in the marketplace? And the answer to this question is "Absolutely!" But retailers should not see this as focusing their thinking on robots, drones, and self-driving delivery vehicles. **The real value of ML/AI is being able to turn customer behavior data into insights, take insights and produce actions, and measure those actions to evaluate success – all in real time.**





How is ML/AI playing a role in creating competitive advantages and overcoming challenges for retailers?

For marketing and digital professionals this may sound a bit too automated and risky – especially when discussing the important area of directly personalizing customer experiences. **But the smart application of ML/AI solutions is not to automate everything, but rather just the bulk of the interactions that require little to no oversight.** Keep in mind that there are potentially thousands, maybe hundreds of thousands, of individual clicks and browser inputs that consumers will generate collectively on a website in a single day. These interactions create opportunities. With tools that analyze data and surface business insights – including ML- and AI-based solutions – digital professionals are able to “listen” better to a visitor’s actions and build experiences around their needs, preferences, and in some cases, solving for their pain points. This is true for both known and unknown visitors alike.

However, a smart retailer will not automate everything. Some interactions are better left to be assessed by a professional and managed by exception. For this, ML/AI also plays a role, by evaluating the confidence of a data point in the context of the journey to assess next best action. **When confidence is too low, no action is taken, but rather the solution allows the journey to continue until confidence in the next best action is achieved, and the experience is then tailored to the visitor.** In such situations, a side action would be to elevate the information to a person or team to assess, so they are aware of the circumstance and determine if it needs attention.



What are some of the most successful ways you've seen retailers engage and personalize experiences for unknown visitors to a website?

Depending on the vertical of the retailer and the type of consumer, there are **three strategies that very often directly and positively affect the performance of converting unknown visitors on a website.**



The listen and respond strategy. This is the ability to take every click throughout a customer journey and turn it into a message to the retailer saying, “This is what I value.” That isn’t always a product – it can be hovering over a value message such as free shipping, or even clicking on the details for placing a BOPIS order. Once the consumer “says” something to the retailer, the web experience should reflect that the retailer got the message and is building experiences and communications around what they have been “told.”



The value/data exchange strategy. F.U.N. stands for “finding unknown needs” and this occurs when a retailer or brand goes beyond trying to read the tea leaves in visitor clicks by adding functional elements, where visitors are encouraged through value offerings to interact with the site and provide information directly about their preferences, needs, and pain points. A good example of this is the unknown visitor welcome process at online retailer StitchFix. Their process offers value in exchange for data up front and uses numerous steps during the sign-up process to gather information about the visitor and tailor each step of the journey, all based on the activity in previous steps.



The just-one-thing strategy. This strategy is laser-focused on getting a single data point that helps technologies operate more efficiently and effectively in tailoring an experience to an unknown visitor. One or two minor pieces of information are requested by the website that can help reveal numerous experience options for the system to consider. For example, Home Depot will ask a visitor for a zip code, which would allow for localized pricing and for sorting products that are more likely to be available in the visitor’s local store. Footwear retailers may ask if the visitor’s intent is a purchase for themselves along with their shoe size, which helps what size is the default on product description pages and suppresses items from the website that are not available in the visitor’s size. This request is often done through a simple interstitial rendering when the visitor first arrives at the site, but it can occur later in the buying journey if appropriate.

Key Findings from the Conversation

Retailers seeking to increase conversions, boost revenue, and gain loyalty must develop a new, customer-focused mindset. As they strive to improve their commerce channels and achieve better business outcomes, they should implement proven online engagement strategies that address both known and unknown consumers and leverage ML/AI to turn customer behavior data into actionable insights.

Through these efforts, retailers will be better equipped to create relevant in-the-moment experiences that add value to the customer's unique buying journey, and can design paths to purchase that inspire consumers to provide data that helps the retailer better serve them in the future.

About ZineOne

In the realm of digital transactions, predictive responses need to be immediate, relevant, and accurate. ZineOne's Real-Time Marketing platform enables businesses to understand and deliver a contextual experience for their prospects and customers to influence desired outcomes. Powered by Customer DNA™, ZineOne's platform has enabled its retail, telecommunication, and hospitality customers to realize over \$1 billion dollars in new revenue. The patented platform and its continuously learning models provide deep insights into any visitor across digital and physical channels while delivering intelligent customer experiences in critical moments that delight customers, foster loyalty, and increase revenue. [Learn more at www.zineone.com](http://www.zineone.com).



Our Special Guest for the Q&A Session:

**Brendan Witcher, Forrester
VP/Principal Analyst**

Brendan Witcher serves digital business strategy professionals and is an expert on consumer behavior and technology trends in the commerce engagement space. He is an authority on market developments and vendors that help deliver today's leading strategies and tactics in digital excellence. Brendan has written more than 150 industry-leading research reports and is a trusted adviser to over half of the US Fortune 100 companies – including eight of the top 10 – that sit at the forefront of dealing with digital disruption. Brendan is sought after for comments and insights by industry media such as Bloomberg, CNBC, Marketplace, NPR, PBS, The Economist, Time, and The Wall Street Journal.

