

Personalize Product Recommendations for Superior Customer and Business Outcomes



Overview

For a growing number of eCommerce sites, product recommendations have become an integral component of the overall merchandising strategy. In fact, it's difficult to think of a successful website that doesn't employ recommendations on the product detail page or within the shopping funnel.

That's because this kind of strategy – as part of the customer's standard shopping experience – leads to more conversions, larger average order sizes, increased sales revenues, improved customer shopping experiences, and stronger customer loyalty. The customer feels the retailer "knows what they like" and almost recreates a boutique sales experience with a favorite salesperson.

With product recommendations, retailers can showcase the breadth of their product assortment – and customers can uncover options, alternatives, accessories, and brand extensions they might not otherwise encounter in a typical shopping visit. Recommendations give e-tailers the opportunity to emulate cash wrap and POS displays, letting the buyer add one last product before closing the sale – maybe a belt for the pants or an everyday lip gloss.

A recent Forrester Research study found that up to 20% of revenue could be attributed to product recommendations. In addition, customers admitted they find these suggestions valuable – 62% found them "useful" and 15% report that they purchased a recommended product.

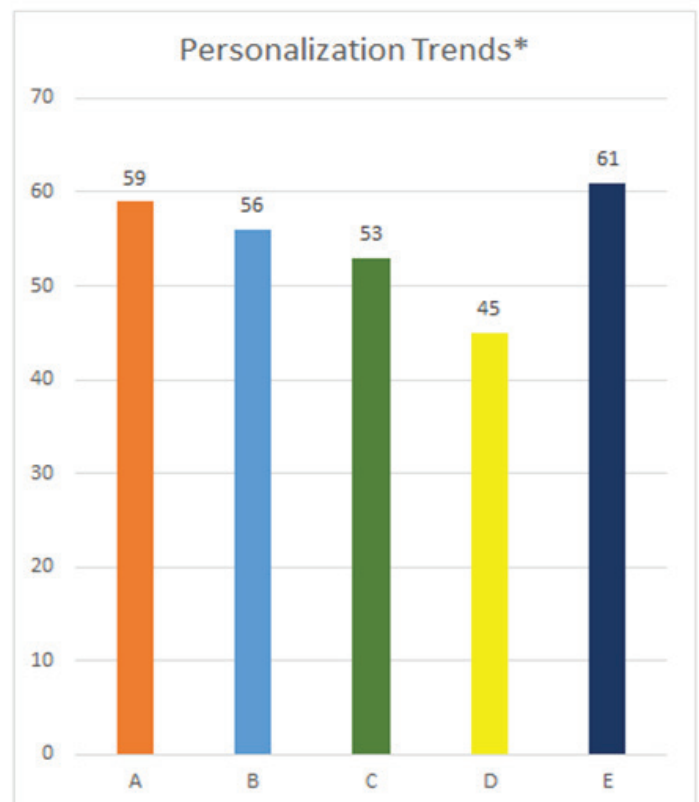
But what's the right way to implement a personalized recommendation strategy? It can take many forms – from where recommendations are displayed to what is included in the product selection – and it could be merchant-defined or provided by a third party. This whitepaper describes the differences among the types of recommendations and highlights best practices for implementing the right product recommendation strategy.

Personalized eCommerce: The Way Forward

Importance of personalization

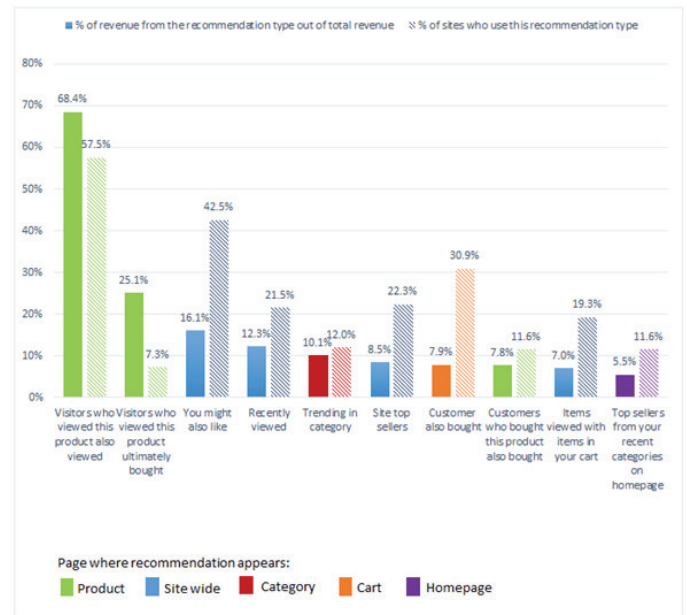
- A. **59%** of online shoppers believe that it is easier to find more interesting products on a personalized online retail store.
- B. **56%** are more likely to return to a site that recommends products.
- C. **53%** believe that retailers who personalize their shopping experience provide a valuable service.
- D. **45%** are more likely to shop on a site that offers personalized recommendations.
- E. **61%** are more likely to return to a site that offers personalized messages through email/text messages.

*Reference: www.crazyegg.com

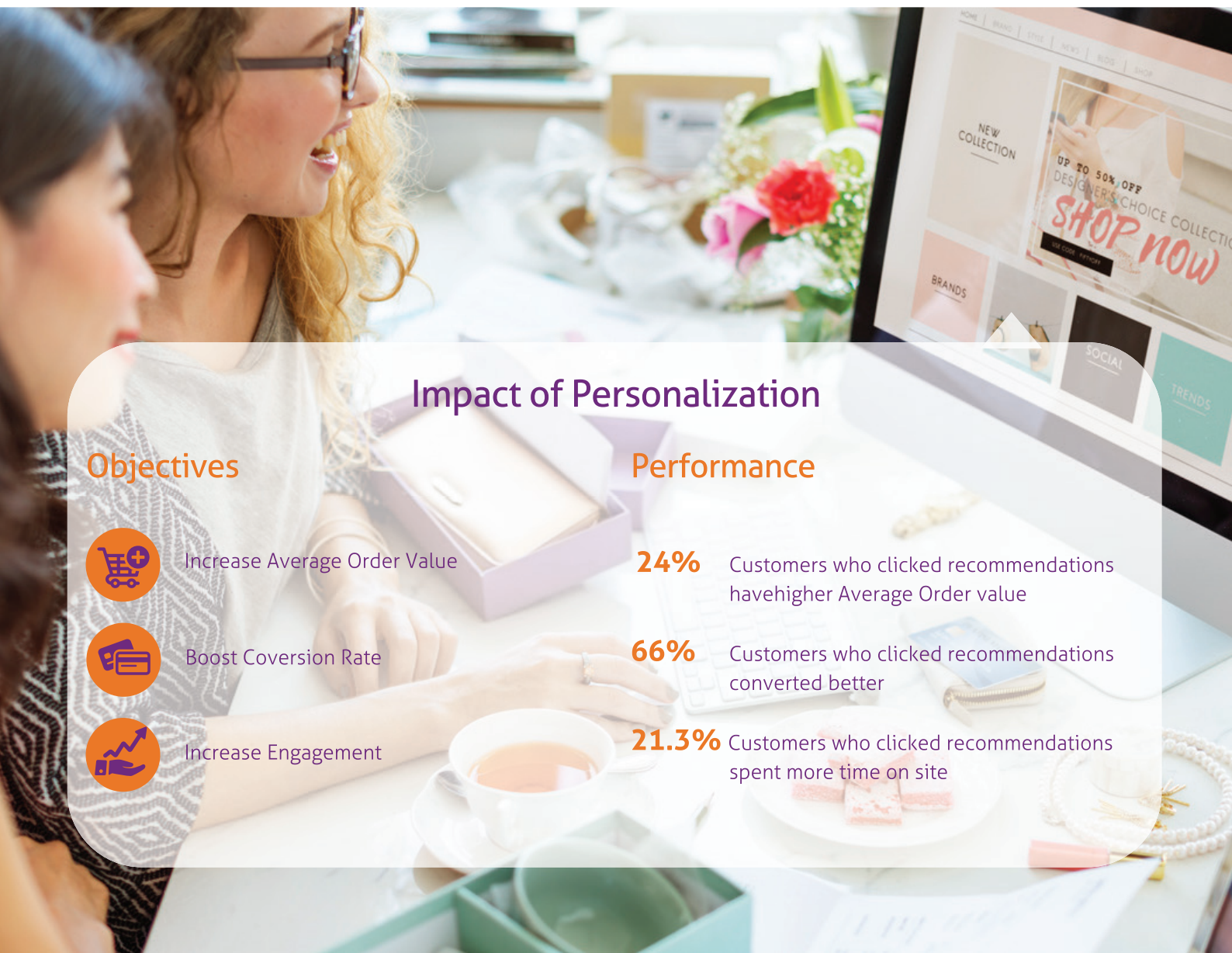


Types of Personalization

- This data was collected from ecommerce websites located in 26 countries across North and South America, Europe and Australia, selling products ranging from clothes, sports, food and wine to books, music, office supplies and computers. The data spans 1.5 billion shopping sessions over a period of three months.
- It clearly depicts product and category pages as clear winners in terms of displaying recommendations
- The data shows that the revenue generated from personalization is tremendous and is going to grow even higher in future due to high demand of personalization by consumers.
- Personalization not only increases revenue but also builds a sense of loyalty and comfort for consumers, thereby resulting in longer associations and better conversions.



Reference source: www.optinmonster.com



Impact of Personalization

Objectives



Increase Average Order Value



Boost Conversion Rate



Increase Engagement

Performance

24%

Customers who clicked recommendations have higher Average Order value

66%

Customers who clicked recommendations converted better

21.3%

Customers who clicked recommendations spent more time on site

Roadblocks to Personalization

- Increased costs
- Need for relevant talent with knowledge of new technologies
- Ability to integrate with other platforms
- Right execution and alignment with business needs
- Regular monitoring to track effectiveness
- Compliance and privacy challenges
- Scalability challenges

Key Considerations for Selecting a Vendor for “Product Recommendations”

- Breadth of Portfolio – do they offer more than product recommendations?
- Product vertical experience
- Pricing model
- Can they support end-to-end customization needs?
- Synergy – are they aligned with your business goals?
- Ease of use

Implicit vs Explicit Recommendations

- The terms implicit and explicit recommendations differentiate between recommendations based on mathematical algorithms and merchant-specified recommendations. Implicit recommendations are automatically updated based on key data inputs such as real-time customer behavior, customer history, demographics, and the catalog assortment itself. These algorithm-driven product recommendations eliminate time-consuming and difficult manual updates of making recommendations based on analytics, new arrivals, or out-of-stocks.
- eCommerce platforms enable merchants to define explicit product recommendations for any number of SKUs. These product placements might be presented on your website under labels such as “What’s New,” “May We Also Recommend...,” “You Might Also Like...,” and “Best Sellers.” They may appear in different sections of the storefront – home page, category display pages, product detail pages, and the shopping cart. Admin tools give you complete control of these product relationships and navigation/presentation.
- Some leading companies in the market offer strong domain expertise and powerful implicit recommendation technologies such as Certona, MyBuys, Rich Relevance, and Strands.

- Despite the availability of such technology, most retailers are understandably reluctant to completely remove themselves – and their years of experience, natural aptitude and intuition – from the merchandising process. Explicit recommendations enable the merchant to manually define certain key relationships among products or between products and categories that might not be immediately apparent from the algorithms but that, nonetheless, make sense to the merchandising team.
- With implicit technologies, merchandisers retain the ability to make explicit recommendations. You can blend your “intuition” picks with the algorithms’ picks. You can also test your recommendations head-to-head so you have the confidence that you are presenting the “best-converting” selections to customers.

Why Implicit Technology?

- *Robust Data Capture and Mining*
You can use many different technologies and services to drive your product recommendation efforts – but every effective strategy starts with data. Once you’ve captured the data, you need to process it to initiate the beneficial shopper experience you want to project. The recommendation-algorithm inputs can include customer data (address, product preferences, and purchase history), implicit data captured through clickstream behavior or referring sources, and multi-channel data from loyalty programs or call centers. By sifting and mining this data to uncover patterns and testing various scenarios, you can optimize your recommendations to deliver the maximum impact.
- *A More Efficient Merchandising Team*
Forrester Research surveyed retailers who reported that merchandising teams spend as much as 25% of their time just in manually setting up a small set of product recommendations that may or may not be relevant to the customer. With implicit recommendations, the algorithms and rules engines continuously calculate the most relevant product recommendations for each customer browsing your website. That lets you focus on other aspects of merchandising and marketing – such as analyzing results, conducting A/B tests, or updating sorting rules. You can still hand-select recommendations – so you can continue to tap into your expertise – but the algorithms do the heavy lifting. With more automatic updating and less manual intervention, you might also use implicit recommendations in other areas of the marketing mix/channels such as transactional e-mails, marketing e-mails, or mobile messaging.

Why Implicit Technology?

- **Consistent and Current Recommendations**
With automatically updated implicit recommendations, your site is always up to date with fresh alternatives based on what's happening in your business – such as recent customer behavior, bestselling items, new products, clearance items, or stock outages. Instead of remembering to update your explicit recommendations based on the changes in your assortment, implicit recommendations will automatically update them. The product feed to your selected vendor ensures all your products – new and existing – are included in the recommendation set.
- **Greater Insight into Buyer Behavior**
Your analytics reports might contain some surprises for you when you see what combinations of products your customers are actually buying. Although you offer a specific shirt to match a pair of pants along with a distinctive belt, your customer may mix and match products for completely different – even unrelated – reasons. Explicit recommendations get you started, but implicit recommendations enable you to personalize offerings for each customer instead of making blanket recommendations for the majority.
- **Additional Product Positioning**
Product recommendations needn't be limited to "You May Also Like..." suggestions. With implicit recommendations, you can also present what customers have recently viewed, bestselling items, or other selected data points – on the same page (such as on www.Kiehls.com). Or you can vary the types by page. For instance, you might present "You May Also Like..." on product detail pages but show the "Also Viewed..." recommendations with the shopping cart.

Approach for Product Recommendations...

Placement

eCommerce practitioners constantly emphasize the importance of presenting information and offers "above the fold" – and product recommendations are no exception. But it's essential to balance that strategy with the primary intent of the page. For example, the homepage may not be the optimal location for product recommendations because of other branding and promotional efforts going on. Putting your recommendations on the same page could become too visually overwhelming and distract your customers from the primary messaging on the page. However, the homep-

age might be a perfect location to showcase individual products based on customer analytics. As always, it's important to evaluate what aligns with your business goals and above all – test your strategy on an ongoing basis. Here are some of the more popular ways to place product recommendations:

- **Product Detail Page** – Clothing retailer Theory uses product recommendations on its product detail pages to show customers how to complete a look with all accessories.
- **Search Results** – Giorgio Armani utilizes product recommendations on the "No Search Results" page so the page is not a dead end for customers. Instead, it becomes a launching point to relevant products that can re-engage the customer in the shopping process.
- **Cart** – Pfaltzgraff presents product recommendations right within the shopping cart to encourage customers to add complementary products to their orders.
- **Triggered E-mails** – Luxury Apparel retailer MCM uses email medium to showcase product recommendations
- **Non-Commerce Pages** – Yves St. Laurent uses non-commerce pages to showcase product recommendations – in this case, bestsellers. Customers can see product choices in traditional content pages.

Best Practices for Product Recommendations

Tap into Your Expertise

As every merchandiser knows, algorithms sometimes overlook valuable product and business knowledge. You need the ability to apply your own intuition and experience – expertise that lies beyond the reach of algorithms – to make savvy recommendations that connect with buyers – and at the same time support your business objectives. Third-party technologies that provide a robust merchant suite allow you to define your business rules based on merchandising initiatives, inventory management, and even margin goals.

Keep the Messaging "On-Brand"

Presentation is everything in retail – particularly in the crowded and competitive eCommerce market. Let your customers know why you're choosing to present these specific recommendations on the page. Are they best-sellers? Do these items complete or extend an ensemble? If you are harnessing the wisdom of the crowd, tell the customer that. There is power in letting customers

know that fellow customers who bought this product also bought certain other products. It confirms customer choices and assures customers that they are savvy shoppers.

Keep Testing

Using the product recommendations you've selected (either implicitly or explicitly) and the messaging on your page, you can conduct A/B tests on a regular basis to optimize your efforts. This will help you uncover which recommendations have the bigger impact on revenue, allowing you to align with your buyers' preferences. You can also see what messaging resonates the best. With up to 20% of revenues on the line, it's worth the time to get it right.

Progressive Personalization

Progressive personalization technology is yet another solid option. Among its key features, the most important are its ease of use and the high level of precision it offers. Progressive personalization takes into account

How Mindtree Can Help?

Mindtree has implemented multiple personalization solutions in real time to help its clients stay ahead of their competition by offering best-in-class personalization, leading to increased revenue and customer engagement.

Here's a look at some of the solutions

the behavioral patterns of thousands of visitors. At the same time, it includes granular details in the analysis such as the visitor's gender, age, income level, relationship status and few important characteristics corresponding to the theme of the website. This type of data is easier to obtain and easier to use, and offers very precise results – recommendations will only show products a particular visitor can buy.

Measure Results

Finally, carefully monitor your clickstream data and analyses/reports to learn what recommendation strategies are pulling in the most revenue for you. For instance, do lower-priced recommendations get added to the cart more frequently? What's the right number of recommendations to make: Two? Four? Eight?

In the fast-paced world of eCommerce, it can be tempting and easy to "set it and forget it" – especially if a product displays on the page. You need to regularly measure the results of your recommendations to ensure you're showing the right product.



Personalization through Conversational Commerce

Mindtree has developed an intelligent, self-learning chat-bot that can provide personalization to customers by providing customized recommendations on-the-fly, based on customer's user history and other behavioral aspects.

Personalization through Headless AAM+Commerce Integration

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