

AN AVAIL INTELLIGENCE WHITEPAPER

The behavioral merchandising vendor checklist



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Executive Summary

The purpose of this brief white paper is to give guidance to you as a retailer when evaluating vendors of behavioral merchandising solutions.

A behavioral merchandising solution allows a retailer to use the collective behavioral data of all visitors and customers to automatically and in real-time promote the right products at the right time, to each individual visitor at each point of interaction - ultimately empowering consumers to merchandise to each other in a personalized way.

The objective of using a behavioral merchandising solution is to:

- Improve relevancy of the shopping experience for visitors
- Relieve the retailer's organization from manually maintaining merchandising rules
- Improve conversion rates as well as average order values of the retail operation
- Maximize revenue and profitability from advertising spend

The following is a 12-point check list that Avail believes may be relevant to you as a retailer and that you may want to consider when choosing your behavioral merchandising vendor.

1. Designed specifically for retail usage
2. Covering the complete customer interaction cycle
3. Capturing and considering multiple behavioral sources
4. Multi-channel, multi-currency, multi-language
5. Superior in generating relevant merchandising
6. Allowing for merchandiser control
7. Reliable, granular metrics & evaluation
8. Scalable and resource-efficient
9. Fast, flexible and robust to integrate
10. Handling personal integrity issues
11. Enhanced with support and industry expertise
12. Success-proven and endorsed



The checklist



1. Designed specifically for retail usage

The solution should be designed and built from the bottom up for retailers like yourself specifically. There are a number of aspects why this is important and most of them will only become obvious to you once you have used the solution for a while. But to name a few, the solution should have an easy-to-use control panel that allows for merchandiser control that uses retail-vocabulary in the user interface, it should support multiple languages and multiple currencies, it should cover all thinkable interaction points between a retail site (not a media site or a corporate intranet) and its visitors.



2. Covering the complete customer interaction cycle

The behavioral merchandising solution should be able to merchandise the right products to each individual visitor at every touch point across the interaction cycle or the "customer journey", including:

- Landing pages
- On-site Search pages
- Category pages
- Product detail pages
- Shopping cart page
- Outbound emails, order confirmations
- Return-customer pages ('MyPages')



3. Capturing and considering multiple behavioral sources

In delivering behaviorally targeted merchandising to individual visitors along the customer journey, the solution should be able to take into account multiple sources of behavioral data, such as:

- Search phrase used on external search engine (e.g., Google) when arriving to your site
- Search phrase used on your on-site search engine
- Products clicked on during visit
- Products put in basket during visit
- Products purchased during last visit
- Products purchased during life-time of customer



4. Multi-channel, multi-currency, multi-language

The solution should be channel agnostic, meaning it should be possible to deliver behaviorally targeted merchandising to individual visitors, independent of which channel they use to interact with you, including:

- Website (and more than one website if applicable)
- Email
- Affiliate sites
- Mobile
- Call-centers
- In-store kiosks

If you are, or think you will be, operating retail or eCommerce operations in more than one country, selling to consumers in more than one currency and having staff speaking more than one language, the solution must also be able to support multiples currencies and multiple languages. That goes for everything from being able to accept price rules in multiple currencies, being able to report its effectiveness (sales generated, ROIs, click-through-to-purchase, etc) in multiple currencies to providing an easy-to-use administration interface (control panel) in the languages that your staff speak.



5. Superior in generating relevant merchandising

The solution should not just recommend top selling items (which easily becomes the case when simplistically trying to create a solution for e.g. "people who bought this item also bought..."). If it does, chances are merchandising will not be as relevant to individuals and chances are it will recommend items that you would have sold even without the merchandising solution.

Instead, the algorithms of the solution should be designed to dig deep down in the long-tail of the product catalogue for surprising, yet highly relevant product recommendations for each visitor. And it should take into account what the visitor/customer just did, in deriving merchandising promotions for the interaction next second (in other words; doing once-per-night, batch-calculations of cross-sell and up-sell recommendations between products is not good enough for maximum relevancy).



6. Allowing for merchandiser control

However clever the algorithms of the solution may be, there will always be business situations in which you want to limit the freedom of operation of the algorithms. As an example; you may want to restrict the algorithms from recommending items from a certain category, or you may want to always recommend newly released items that has a 'release date' in the past 60 days on the landing page of your site, or you may not want the algorithms to recommend items above a certain price level on the shopping cart page. The solution should provide an easy-to-use control panel allowing non-technical merchandising experts to exercise manual control when and as appropriate (although it should not require rules to function).



7. Reliable, granular metrics & evaluation

The solution should provide integrated metrics of the isolated contribution to conversion rate as well as average order value, being able to factor out other influencing factors such as seasonal variations, campaigns, etc.

Ideally, it should allow you to test different types of recommendations (with different rules and filters, see above) against each others to evaluate which setups works the best (although, again, it should not require you to do on-going testing in order to function and deliver results).



8. Scalable and resource-efficient

Behavioral merchandising requires massive number crunching. The solution should do the necessary crunching to deliver relevant merchandising in real-time, even with very large amounts of behavioral data, without creating an exponential growth in hardware requirements (because if not, it will ultimately fail to scale for very large retailers - no matter if it's installed on your servers or provided as an on-demand service by the vendor).



9. Fast, flexible and robust to integrate

The solution should be possible to integrate in the way that suits corporate IT policy, either as an on-demand SaaS delivery or for local deployment within firewalls, with robust failure-safe architecture never at risk of compromising user experience. To allow maximum flexibility, the solution should be possible to integrate both server-to-server (web-services) or client-side (Javascript executed in browsers).



10. Handling personal integrity issues

There is a lot of debate going on about behavioral targeting and personal integrity. The solution should never require or use any form of personally identifiable information about visitors and customers to function. This way, you avoid personal integrity issues to the greatest possible extent, and you can truthfully argue that the solution simply allows anonymous visitors to improve relevancy for each other.



11. Backed by strong support and industry expertise

The vendor should ideally be able to be your long-term partner in merchandising excellence; being able to provide best-practices business advice as well as 24x7 support and performance monitoring in all the languages your staff speak.



12. Success-proven and endorsed

Ultimately, if a large number of retailers like yourself uses and have used the solution for a period of time and they can testify to the business improvements it brings, you can probably rest assured it will work for you too. But make sure the solution is endorsed not just by small size eCommerce startups, but by a significant number of large, multi-channel retailers in your specific vertical category of retail, testifying to its actual success.