

REACHING THE INDIRECT CUSTOMER

How to build customer relationships and collect intel in the age
of e-commerce data monopolies





WELCOME TO THE AGE OF THE INDIRECT CUSTOMER

Amazon has created a new reality with their marketplace of convenience and consolidated fulfilment. A wealth of products, personalized recommendations, seamless checkout, quick delivery – it's no surprise that more and more people are spending a significant part of their customer journeys within the Amazon ecosystem.

The digital marketing paradigm has shifted accordingly: Brands build up product desire, but Amazon owns the point of conversion. A staggering 56 percent of US, UK, German and French shoppers now use Amazon as a starting point for their purchasing journeys. And 51 percent go to Amazon even if they have found something they liked on another site, because Amazon offers suggestions, additional information and price comparisons.¹

With that said, Amazon and competitors Wal-Mart and Target not only own the point of conversion. They also own all the rich customer intelligence that was previously available to brands.

This new commercial dynamic leaves brands in a tight spot: They still earn revenue when Amazon sells their

products. Which is good. But key performance indicators and sales data are no longer captured, including who bought their products and how frequently.

With key data streams diverted into the Amazon river, relationship marketers are finding themselves on the sidelines. Their customers are increasingly becoming 'indirect customers' whose buying habits exist behind a veil of mystery. But nevertheless, brands are still under pressure to serve personalized customer experiences and consumer-first marketing, no matter where their customers choose to make their purchases.

Navigating this brand-new digital marketing landscape will require a certain finesse on behalf of brands and marketing agencies. This white paper maps out the extent of e-commerce data monopolies and provides marketers with proven strategies to plug into rich customer data streams of their own. Based on best practices using the latest engagement marketing technology, it shows how to build long-term relationships based on trust and relevance. Best of all, this white paper is free to read, even for non-Prime members.

AMAZON BY THE NUMBERS

- **49.1%** Amazon market share in U.S. e-commerce²
- **+100 million** Amazon Prime members worldwide³
- **\$119** current cost of one-year Amazon Prime membership⁴
- **37%** U.S. internet users shop frequently on Amazon, 24% are loyal shoppers⁵
- **\$1,300** per year average Amazon spend for Prime members⁶

¹ <https://searchengineland.com/report-google-beats-amazon-product-search-reach-rival-sees-greater-loyalty-282570>

² www.emarketer.com/newsroom/index.php/amazon-has-nearly-50-of-us-e-commerce-market

³ www.forbes.com/sites/amitchowdhry/2018/04/19/amazon-prime-100-million-members/#62ec3fa95433

⁴ www.latimes.com/business/la-fi-prime-membership-20180427-story.html

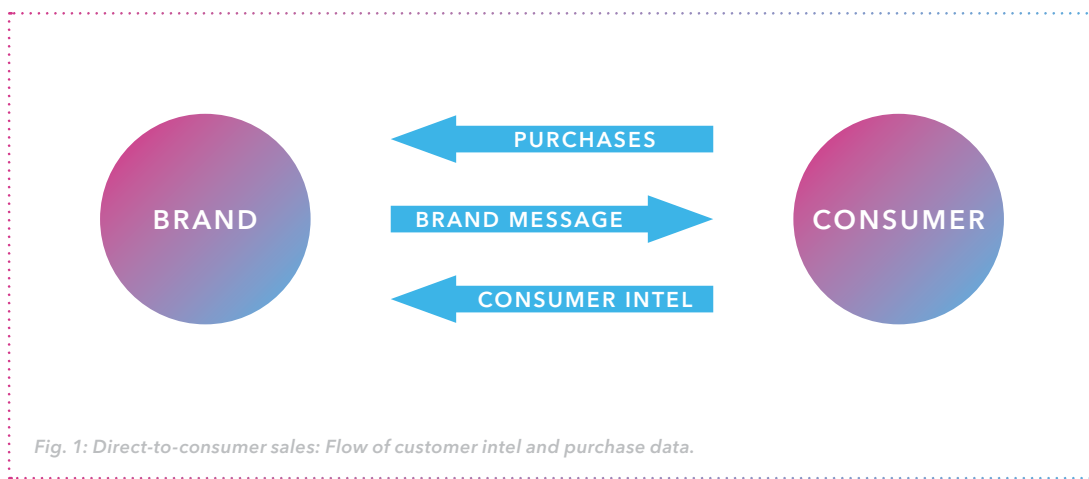
⁵ http://totalaccess.emarketer.com/chart_jpgs/240001-241000/240444.jpg

⁶ www.forbes.com/sites/amitchowdhry/2018/04/19/amazon-prime-100-million-members/#62ec3fa95433

1 THE REAL IMPACT OF E-COMMERCE PLATFORMS

E-commerce data monopolies are forcing brands to achieve more with less data. This is easier said than done, because large parts of consumer intelligence now flow into gated data repositories owned by e-commerce platforms, not the brands themselves. It's a landmark shift in the flow of consumer intelligence and testament to the real impact of e-commerce platforms.

In direct-to-consumer sales models, brands address consumers with strong brand messages, and in return capture purchase data and consumer intel (preferences, frequency etc.) directly from consumers (Figure 1). The resulting virtuous cycle allows brands to fine-tune their efforts both on a campaign level, adjusting course based on performance metrics, and also the individual consumer level, based on what consumers are looking to buy or have already purchased.



When customers buy from e-commerce leaders such as Amazon, Walmart or Target, purchase data and customer intelligence flow directly into proprietary e-commerce data ecosystems, invisible to brands. To no surprise, these platforms are becoming increasingly effective at leveraging this valuable data into targeted marketing (see Chapter 2) and building out their own, rich consumer profiles.



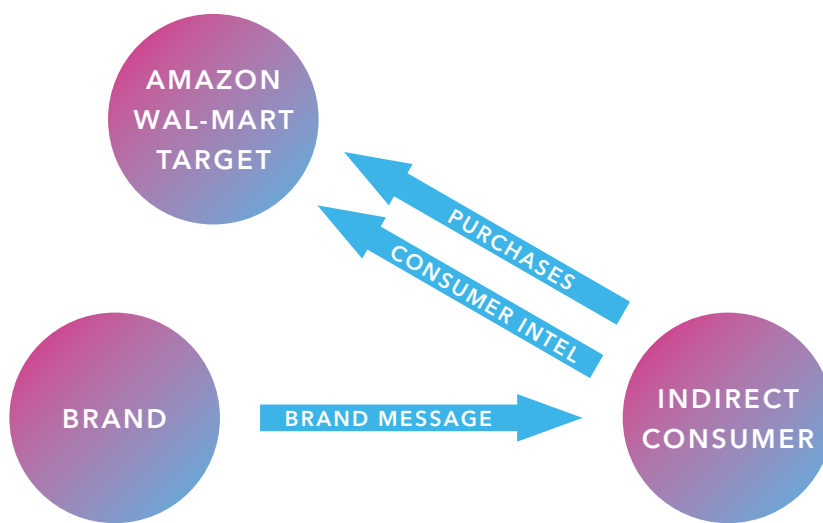


Fig 2.: Age of the indirect customer: Purchase data and customer intelligence flow into e-commerce data ecosystems.

With Amazon and cohorts taking such a huge shark bite out of the customer data surfboard, brands are losing a large degree of visibility on what drives their customers. And it's not just purchases, but product searches as well. Amazon is also about to overtake Google as the starting point for product discovery journeys. If consumers began with a search on Google, brands could bid on searches and direct traffic to their properties. Now this data is up to Amazon to interpret and leverage.

The impact on the entire marketing industry goes even further. As members of the Amazon Prime program become accustomed to free two-day shipping, customers come to demand the same level of service from any brand or retailer. Over 49 percent of Millennial-age consumers in the U.S. now expect free two-day shipping from retailers, 40 percent even free same-day shipping (NRF).⁷

And why stop there? Amazon single-handedly created its own shopping holiday, Prime Day on July 15, 2015. Over the last two years, the special day of exclusive deals for Amazon Prime members has achieved 60 percent year-on-year growth and now officially marks the kick-off to back-to-school sales season.⁸ According to third-party estimates, Amazon generated sales to the tune of \$1 billion on Prime Day in 2017 (Cowen and Company/J.P. Morgan Chase & Co.).

With that said, retailers and marketers can impossibly ignore Prime Day, or Amazon for that matter. They need to acknowledge that they are reaching out to consumers in a big-box world and find ways to take control. This starts with their owned data, as the next chapter demonstrates.

WHAT MOTIVATES AMAZON CUSTOMERS?

As reasons for shopping on Amazon, U.S. Amazon Prime members listed:

- **70%** Free shipping
- **65%** Price
- **60%** Two-day or next-day shipping
- **52%** Ease of buying experience
- **52%** Amazon as 'one-stop-shop' for different products⁹

⁷ <https://nrf.com/resources/consumer-research-and-data/consumer-view/fulfillment-and-delivery>

⁸ <https://content-na1.emarketer.com/amazon-prime-day-2018>

⁹ <http://totalaccess.emarketer.com/Chart.aspx?R=217943>

1 CUSTOMER DATA AS THE NEW BATTLEGROUND

Behind the scenes, Amazon's online ecosystem not only captures gazillions of data points about the interests, wishes and actual purchases of its customers. It also puts owned customer data to work as a major part of the Seattle-based company's business model. Using advanced AI functionality, Amazon creates more than 35 percent of its total revenues with personalized shopping recommendations (McKinsey).¹⁰

Marketers should take this fact as inspiration rather than discouragement. Because first of all, the AI-powered tech that helps Amazon know exactly which item customers want to purchase next is becoming accessible to all brands, for instance through the Selligent Cortex engine (see sidebar). And second, with the right marketing software, marketers can create some degree of marketing personalization from very little data, even for anonymous website visitors.

But in order to drive relevant, consumer-first marketing, marketers really need to obtain as much data as possible about their indirect consumers. Because here's the truth: Even if purchases happen elsewhere, your owned customer data is your most valuable resource in staying close to your customers in the future.



¹⁰ www.forbes.com/sites/forbesagencycouncil/2017/12/21/how-retail-brands-can-compete-and-win-using-amazons-tactics/#1382c5255e18

As the first step towards navigating the new big-box marketing landscape, follow this checklist to get the most out of your consumer intelligence:

OWNED CUSTOMER DATA CHECKLIST

- ✓ **Perform a deep dive on the kind of data you collect and own.** How relevant are the captured data points for understanding your customers? Can the data be trusted? Do you need to capture additional intel to get a better picture?
- ✓ **Integrate your data infrastructure.** Eliminate silos and integration issues across your entire stack for a single customer view across channels. Keep in mind: Seamless data capture across channels in real-time is what drives winning AI-powered campaigns.
- ✓ **Survey the customers** you are able to access and feed these results into their customer profiles. Then apply lessons to reaching out to the kind of customers you hope to attract.
- ✓ **Build out mailing lists** by offering incentives such as discount coupons or preferred access to special deals and offers.
- ✓ **Use offline events and product giveaways to obtain marketing opt-in and personal data.** Expanding your contact list is never a bad idea, and now that you've cleaned up your data architecture, the timing is perfect.



It also helps to perform some qualitative research out in the field. For instance, study other marketers in your space. Can you adopt elements from their programs that would benefit yours? And never miss the chance to learn from your staff. Talk to customer care teams and in-store clerks to learn from the front lines what customers are into.

Again, these are all resources you own and control. As the foundation for smart marketing automation and AI-driven campaigns, they will help you deliver consumer-first marketing with personal relevance at scale and across channels. How? Let's look at the next chapter for best practice examples.



AI-POWERED MARKETING FOR EVERYONE: SELLIGENT CORTEX

As mentioned above, powerful AI functionality is no longer the sole domain of e-commerce behemoths. Natively integrated into Selligent Marketing Cloud, our Selligent Cortex engine provides out-of-the-box AI features specifically for relationship marketers – easy to control and manage without IT support. Selligent Cortex uses all the consumer data available on the platform and leverages machine-learning algorithms to boost conversion, visitor engagement and loyalty. It automatically segments audiences, optimizes customer journeys. To drive success with relevant product recommendations, Selligent Offer AI matches the best products to each individual customer for a proven 20 percent increased conversion rate. Meanwhile, marketers are free to step in and manually configure their settings at any time for the perfect combination of AI and human intelligence.

3 STRATEGIES FOR CAPTURING THE INDIRECT CONSUMER

Ultimately, an unforgettable customer experience is hard to ship in a cardboard box. Amazon is incredibly sophisticated at driving repeat sales and long-term loyalty (remember that 24% of U.S. internet users identify as loyal Amazon shoppers).¹¹ Then again, the main reasons for this loyalty are rather transactional than emotional in nature: Customers mostly choose Amazon because of free shipping (70%), price (65%), and two-day or next-day shipping (60%).

In other words, consumers appreciate the platform as an efficient product delivery vehicle that helps streamline their shopping. But do you ever hear anyone at the water cooler proliferating about what a blast they had scoring this amazing deal online? Not really...

This leaves room for brands to innovate and stand out by offering captivating experiences. Savvy marketers are finding new ways to insert themselves into the conversation with customer experiences actually worth talking about.

As the next order of business, get into your customer's mindset – using your owned data (see Chapter 2.) – and innovate new experiences from their perspective. Ask your marketing team: What unique value proposition can we offer outside of price and fulfilment? How can we keep customers engaged beyond the purchase process and deepen the relationship?







Solve this fundamental challenge by taking notes from leading brands and retailers:



Offer hyper-personalized in-store service. Provide a good reason to drop by a physical store – by connecting your 360-degree customer data to service teams. Fashion retailer and Selligent client JBC creates consumer-first marketing moments by getting personal with in-store customers, powered by Selligent’s universal consumer profile data on tablet computers.



Play your physical store presence. Consumers still like shopping in actual stores. California footwear brand Vans rewards customers by handing out \$25 purchase vouchers on next visits for every in-store purchase over \$65 – it’s a major stake factor for fans, and reason to come back.



Upsell online purchases. Also leveraging their physical presence, Drent’s Museum offers visitors extra perks and access to special services once they present tickets purchased online.



Connect loyalty programs to social amplification. Dutch vacation portal Bookit.nl connected with Selligent Marketing Cloud to automatically ask travellers to rate their experiences after a trip. The platform benefits from user-generated content and rewards completed surveys with loyalty points.



Provide post-purchase support. Bicycles purchased online ship in a box – and require assembly. Meh! That’s why bicycle company Raleigh offers free assembly at store locations and via the Beeline delivery service for bikes over \$500.¹²



Leverage branded content as educational tools. Selligent client and e-commerce specialist Coolblue provides free online tutorials for over 250,000 different computer products in its inventory. This has cut down complaints and returns, and boosted customer satisfaction.



Send traffic to e-commerce platforms. Any sale is good news for a brand – no matter where it happens. Actively direct traffic to your Amazon listings – especially around Prime Day and other major sales events – via owned websites, social channels and email programs. Amazon likes products that perform well and receive great reviews, and moves them up the search ladder.



OUTLOOK: IF YOU CAN'T BEAT THEM, JOIN THEM...

At the end of the day, marketers now operate in a big-box ecosystem in which customers continue to gravitate towards e-commerce platforms. So perhaps treat Amazon as yet another arrow in the marketing quiver, and align resources accordingly.

Now that Amazon is capturing a large part of the product discovery cycle, it may make sense to run sponsored ads on their advertising platform to impact product searches. You're in good company: Amazon ad revenues are currently growing an average of 63.5% year-on-year and are expected to reach \$2.89 billion in revenues by 2018 (eMarketer).¹³

Also consider your product listings on the Amazon marketplace as part of your digital window display – and a way to enhance your brand message. Does your brand sell directly on the platform? Then you can directly control listings by adding on-brand product imagery, FAQs, detailed descriptions, comparisons, as well as helpful videos and tutorials.

Another key benefit of listing as an Amazon reseller: You receive notifications after each sale, together with customers' email information for follow up via surveys. If your Amazon presence is mostly through re-sellers, make sure to provide access to the latest sales materials and visuals for a coherent brand presentation.

As Amazon evolves from online marketplace, to product search engine, and display ad powerhouse, brands are increasingly realizing the importance of presenting products in a controlled manner right where the searches and conversions are happening.

The successful brands of the future will be the ones who recognize that their role in the entire commerce ecosystem has changed. And they must adapt in order to build meaningful relationships with all customers – direct and indirect.

¹³ <https://forecasts-na1.emarketer.com/5911eeb5aeb8830e3829e285/59e8edccbfc890eb411ef5b>

ABOUT SELLIGENT MARKETING CLOUD

Selligent Marketing Cloud is a marketing automation platform that enables B2C brands to engage consumers across all critical channels. Built for the relationship marketer, Selligent Marketing Cloud is the only marketing cloud built on a single code base, featuring artificial intelligence and a Customer Data Platform with a universal consumer profile at the core of every action.

More than 700 brands across retail, travel, automotive, publishing, and financial services rely on Selligent Marketing Cloud's proven platform. With 10 offices across the United States and Europe and more than 50 agency partners, Selligent Marketing Cloud serves over 30 countries with local, personalized service.

Learn more at www.selligent.com and connect with the team at Twitter, LinkedIn, and our blog.

