

# CUSTOMER EXPERIENCE

**E-COMMERCE EDITION**

I.

**What Customers Want:  
A Brief Introduction**

II.

**Conversion Funnels: Analysis and  
Optimization for E-Commerce in 2019**

III.

**14 Personalization Tactics to  
Dominate E-Commerce in 2019**

IV.

**The Leading Product Recommendation  
Methods For E-Commerce**

# What Customers Want: A Brief Introduction

## I.

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86% of customers will pay more for a better experience, and that experience is the key to retaining those customers in the long term.

In a world where acquiring a customer is 500% more expensive than retaining one, creating an experience your customers will stick around for is well worth the investment.

acquiring a customer is **500%** more expensive than retaining one

So what experience do customers want? A personalized one. Customers want an experience that saves them time and adds value to their shopping. Banner ads, discounts, product recommendations: these all need to be relevant to each individual customer. Where do you start? Every company has different strengths and weaknesses, so start by identifying which area of your site is most in need of improvement.

The section below will go through how to analyze your site to find what needs work. The next section will move into specific personalization tactics you can start applying now, and the final section will review use cases for different recommendation models.

# Conversion Funnels: Analysis and Optimization for E-Commerce in 2019

## II.

The best way to improve your conversion funnels doesn't start with making changes...

**...it starts with figuring out where those changes should be made.** You're in an industry where over 70% of customers will abandon their cart instead of purchasing.

As a marketer, you need to know where and why issues like these happen on your site. This section will teach you how to analyze your conversion funnels to find where you will get the most value from your optimizations. One step at a time, starting with the basics.

**This is not about setting up your conversion funnels. This section is about improving the conversion rate in the visitor-to-customer conversion funnel you already have.** If you're using the Exponea app, you can set up funnel reporting that is directly connected to A/B testing, email management and more. If you're not using Exponea, you can still set up your funnel reporting by setting up goals in Google analytics. Once your conversion funnels are ready, this section will show you how to make them even better:

# E-Commerce Conversion Funnel FAQ

## **What is a marketing sales funnel?**

A marketing sales funnel (AKA conversion funnel) is the path you create to move your site visitors toward a conversion.

## **What is funnel optimization?**

Funnel optimization is the process of improving the steps of your funnel to increase conversions.

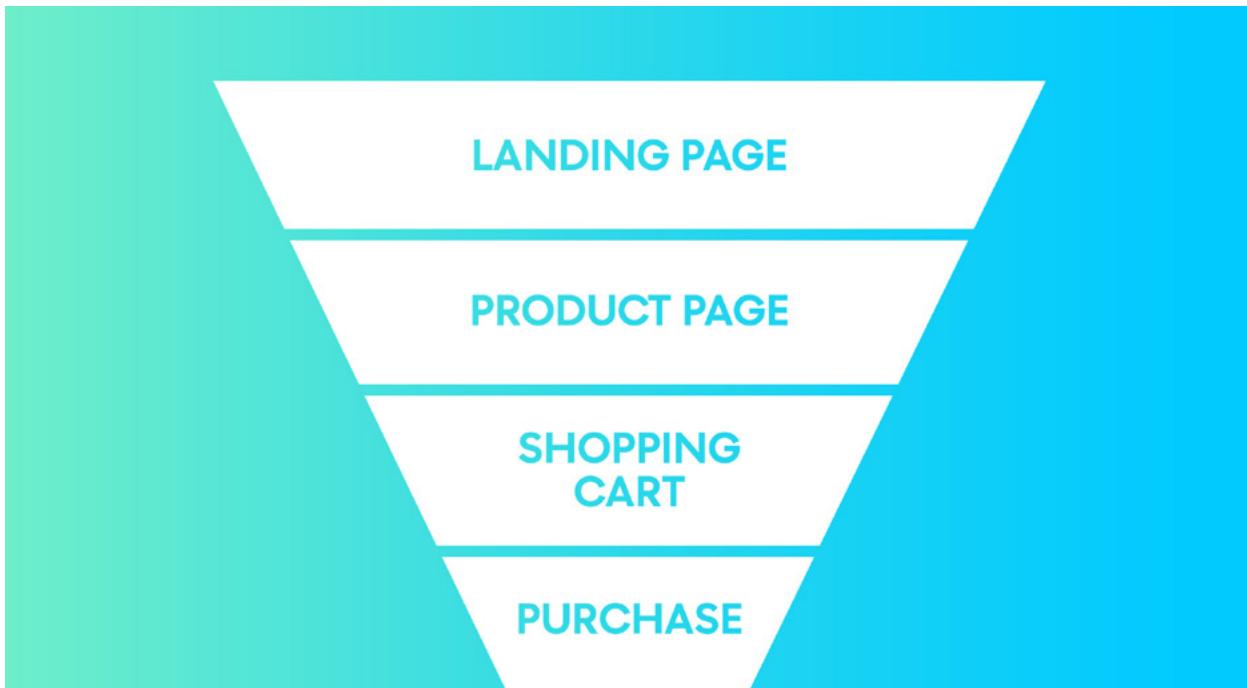
## **How do you calculate a conversion rate?**

To find your conversion rate, just divide your total number of conversions by the total number of visitors. If 10,000 people visited your site and 270 of them made a purchase, your conversion rate would be 2.7% (270 / 10,000).

## **What is a good conversion rate?**

Conversion rate benchmarks vary wildly by industry and country. Globally, the average e-commerce conversion rate was 2.86% as of Q2 last year. So if your e-commerce conversion rate is over 3%, you're doing all right.

# What is a Conversion Funnel?



How can you make sure you're getting the most of your traffic? There's no sense paying a fortune to attract potential customers if they're leaving your site before making a purchase. To keep a healthy conversion rate, **your site needs easy-to-follow pathways** to carry these new users to the end goals you want.

A conversion funnel (AKA sales funnel, e-commerce funnel, website funnel, etc.) is a way of describing the path you design for a visitor to move through your site. It's called a

funnel because each layer gets closer to the conversion, with a smaller and smaller group. This conversion could be defined as any action you are trying to get your users to take.

Do you need to gather emails? Use a conversion funnel leading to an email address form. Do you sell products on the site? Use a conversion funnel that carries users all the way from their first point of entry to the "thanks for purchasing!" page (simple version pictured above).

Your conversion funnels can be as advanced as you'd like; your final version will likely be a lot more complex than the one pictured above.

It doesn't matter what you call each step in the conversion funnel. That's not what this part is about: if you're interested in the specific stages a b2c customer goes through, take a look at our article on [customer lifecycle management](#).

**If you're interested in taking your conversion funnels to the next level, then this is the section for you.**

# Why Are Conversion Funnels Important?

Without clear paths to follow, your site can be a confusing mess for users to navigate. Having defined funnels allows you the opportunity to effectively test and optimize your conversion paths, leading to higher overall conversion rates.

**Once you've decided which steps will be mapped into your conversion funnel, you can determine which of these steps are most in need of improvement.** This method of breaking your customers' paths into pieces makes it much simpler to find the problem areas.

# How to Analyze Your Conversion Funnel with a Funnel Analysis

A conversion funnel analysis shows you which area of the funnel needs work: it displays what percentage of users make it from one step to the next, so you can find and improve the non-converting spots through conversion funnel optimization.

## Take a Top-Level Approach

You need to find the main problem areas before you zero in on the specific problems. Run a top-level analysis on the primary stages in your process:

- Landing Page
- Product Page
- Shopping Cart
- Purchase

Now, determine which of those primary stages most needs some conversion rate work: are you seeing an unexpected drop before they even view an item? After they view one?

After they've added it to their cart?

**Here's an example of a top-level conversion funnel in Exponea:**



**Based on this example:**

If 1000 visitors enter the site - 443 of those visitors will view an item. 17.9% of those 443 people (79) will then add an item to their cart. Of the 79 who added to their cart, 59.2% will make a purchase (46)

**For every 1,000 people landing on the homepage, roughly 46 of them will make a purchase, making it a 4.6% website conversion rate.**

Now we look for problem areas. **Which of these conversion rates should we fix in order to achieve the largest possible uplift in conversions?** In this case, we'll take a deeper look at the steps between adding an item to the cart, and actually making the purchase. If only 59.2% make that final conversion, that means over **40% of our potential customers are slipping away**. As was mentioned in the beginning, 40% cart abandonment isn't bad, but how can we make it even better?

## Dive Deep into the Specifics

Now that we've found the primary stage we want to work on, we can take a closer look, examining each specific step taken between adding to cart and purchasing to find which of those needs the most improvement.

Nearly 90% of those that added an item to their cart visited the cart afterward, so that step seems okay. It also seems that once someone has entered their personal details, there's a strong likelihood of them making it all the way to a purchase (represented on this graph as the Thank You page).

But. There is a surprising drop-off between the steps of visiting the cart and entering personal details. **Nearly 30% of the people that make it all the way to viewing their cart are then leaving!**



This points to the possibility that the personal details form is in need of improvement. Maybe there are errors in the form. Maybe it's the color choice. Maybe it's just too long. How do you find out?

**Make a hypothesis, then try to disprove it.** If you try to prove it, you may run into the confirmation bias. Instead, disprove your hypothesis: if you can't, then you've found the problem.

### EXAMPLE:

My hypothesis is that people leave the personal details form because of the form's color.

I can test that hypothesis by creating several versions of

**Nearly 30%**  
**of the people**  
**that make it**  
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the personal details form, each with a different color. **The Exponea app connects directly to A/B testing, so if you're using that, you can simply create similar segments and send each segment a different color variant.**

If all colors perform roughly the same, then you've disproven your hypothesis, and it's time to think of another one. If one color performs significantly better, test it again against different color variants. If it still performs better, then make it that color on your site, and start testing other possibilities for improvement beyond color.

This next section will go through optimization steps and best practices.

# How to Optimize Your Conversion Funnel for 2019

## General Steps to Optimizing Your Conversion Funnel

1. Run a funnel analysis
2. Pick the main area most in need of improvement (homepage, view product, add to cart, etc)
3. Run a deeper funnel analysis on that main area
4. Pick the step of that main area most in need of improvement
5. Make a hypothesis about that step
6. Try to disprove your hypothesis with A/B tests
7. Repeat

## Conversion Funnel Optimization Best Practices

### Make Your Site Easy to Navigate

There should be a clear path for your customers to follow -

start to finish. Make sure there's an obvious way to get to the product page, regardless of how they enter your site. Make sure that every product page highlights the shopping cart.

**People will abandon your conversion funnel at every stage for various reasons, so get rid of any reasons for leaving that you can control** or your conversion rates will suffer.

## Keep Your Pages Simple

Each step of your conversion funnel should be designed to provoke an action, be it getting an email address or getting the customer to the purchase page. **Define the action you want for each step**, and make sure that the rest of the page doesn't distract from that action: everything on the page should lead toward the action you want.

## Always Continue to Test

Test every change you make. Push yourself to create hypotheses for other things you can test. With Exponea's [Experiments](#) feature, you can **add small changes to your site (colors, fonts, hiding elements) and A/B test them with a visual editor**. No need to rely on your IT department to code each possibility: Google Analytics also has an Experiments feature, but you'll have to dig into the code a bit to set the tests up.

Remember to define a global control group for your A/B tests to give yourself a baseline to compare the variations to. And

just because a variation worked best in January doesn't mean it will in March. Test again.

# E-Commerce Conversion Funnels - Key Takeaways

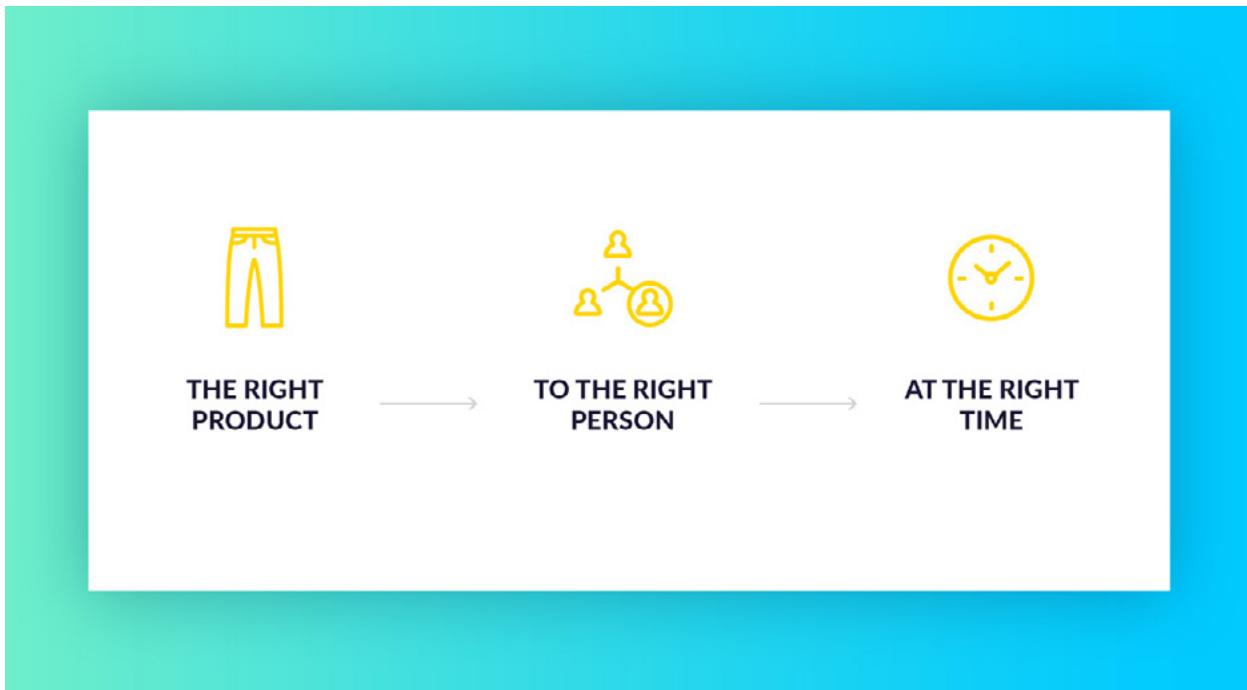
- A conversion funnel is a path you've designed for customers to follow through your site
- Conversion funnels make your site easier to navigate. They also make it simpler to find problem areas to improve
- When beginning your conversion funnel analysis, **use a top-down approach: start with the primary sections of the funnel**, then drill deeper into the section that needs the most work
- Make a hypothesis about the results of your analysis, then try to **disprove** it
- Your site should be easy to navigate, your pages designed to provoke specific actions, and your testing continuous to make sure your funnels are delivering as much value as they can

# 14 Personalization Tactics to Dominate E-Commerce in 2019

## III.

E-Commerce personalization done right lies in removing obstacles to purchase, and improving the customer experience.

To use a famous marketing mantra:



Whether it's creating a personalized home page, a personalized product page, or personalized banners, the jury is in: personalization is here to stay. We've arranged our 15 favorite e-commerce personalization tactics into three areas of focus for increasing profits. If you'd like a general background first, take a look at our personalization FAQ. We've also included a macro-level personalization strategy, which will be discussed in the section following the personalization FAQ.

# Personalization FAQ

## **What is website personalization?**

Website personalization refers to the creation of unique experiences for your customers, rather than a one-size-fits-all solution. A website can be personalized for segments of customers, or even for each individual customer.

## **What is personalization in e-commerce?**

E-commerce personalization is a form of website personalization, with an online retail focus. Personalization in e-commerce often involves personalized offers and recommendations

## **What is a personalization engine?**

A personalization engine is a tool that utilizes your customer data to create personalized experiences for every visitor to your site.

## **What is the difference between personalization and customization?**

Users customize the product or service they want. Companies personalize the product or service for the user.

## **What is personalization software?**

A personalization engine is an example of personalization software, which encapsulates any software used to create personalized user experiences.

## **What is personalized content?**

Personalized content is content selected for an individual based off their preferences (derived from their data).

The following section discusses an overall plan for personalizing your site. The sections following explain specific personalization examples and strategies. Some of these personalization ideas use fashion e-commerce as an example, but most are applicable to any area of e-commerce.

# Macro-Level E-Commerce Personalization

Your overlays need to be relevant to the customer. They should also push the action you want this customer to take, which can be determined by their [customer lifecycle](#) stage.

**If this is their first time visiting your site, then it doesn't make sense to greet them with an overlay deal about pants.** It doesn't matter how cool those pants are - you don't know this visitor. Maybe they hate pants!

You risk alienating your new visitor if you interrupt their customer journey with a random ad for something they don't care about. Until you know more about them, focus on driving the action you want. **Since this is a first time visitor, what we want is their email.**

That's only half the answer: we know what we want, but what does the customer want? What can you offer them in exchange for that email address?

- Offer them a voucher for a discount on their first purchase.

- Tell them about a unique selling point of your site that requires an email (e.g. flash sales you can only get through the newsletter).
- Ask them to enter a site-wide raffle that picks a winning email address.

Essentially: **target each user with something relevant to them to provoke the action you want them to take.** This method of site personalization through personalized overlay pop-ups is a simple way to make your messaging specific to the segment you're speaking to.

If you'd like more campaign suggestions for each stage of the customer lifecycle, take a look at the article linked above. The next three sections showcase website personalization examples for different aspects of your strategy.

# Increasing Customer Lifetime Value with Personalized Overlays

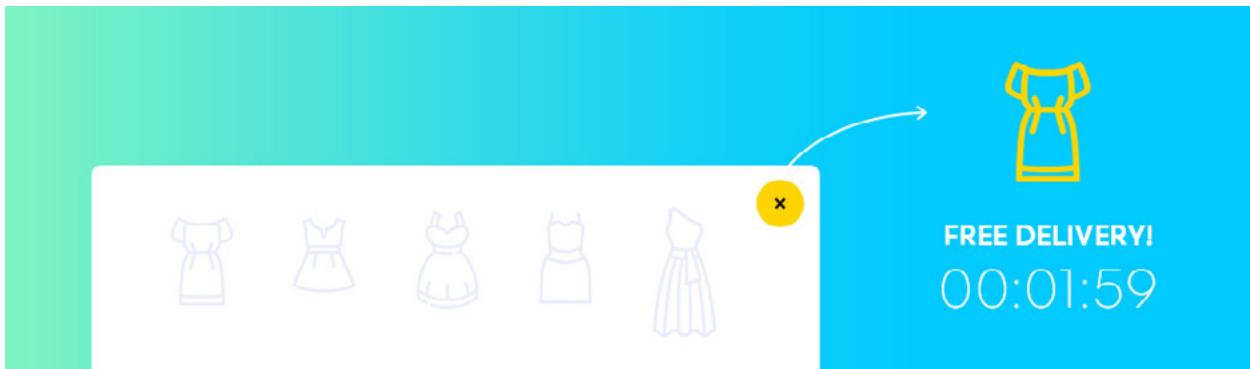
Pop-up ads are annoying. I know it, you know it, the customer knows it. Fortunately, new personalization options have made it possible to **make these ads both less annoying, and incredibly effective.**

Macro level personalizations based on the customer's segment are an excellent place to start. But if you want your overlays to increase customer lifetime value more effectively, **try personalizing your overlay pop-ups for each individual user.**

In order to make this level of personalization possible, you'll need to use a personalization engine powered by a single customer view: a collection of individual data profiles for every customer, detailing everything from personal info, to purchasing habits, to the last item they viewed. The single customer view that Exponea provides acts in real-time, with individual, granular data entries. **This makes it possible to have overlays that change based on a customer's**

**browsing, even while they are still on the site.** Now that's a personalized shopping experience.

## 1. Overlay Personalized Offers on Exit



Once the customer has browsed your site long enough for data to be gathered, your overlays can offer a special deal on the item they viewed the longest. One of the most effective ways to do this is to have this overlay trigger on exit - as they begin to leave the site.

The banner could offer the custom discount, and could even carry a countdown clock showing how long they have to claim it. This is an item they're interested in: create urgency to convince customers that the time to purchase is now.

## 2. Overlay Personalized Upsells

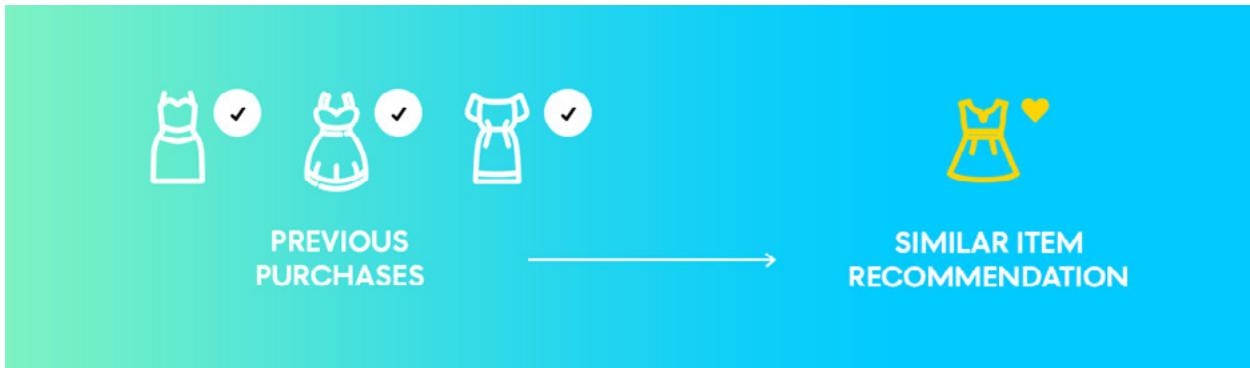


Personalized overlays can offer customers the items they didn't realize they would need. Rather than just upselling with popular items, you can upsell with items relevant to their purchase.

Are they buying a tent? As they view their cart, an overlay could suggest a sleeping bag and a campfire coffee pot.

You can also use the single customer view to offer discounts on the additional products, based on the individual's chance of paying full price (the discount is adjusted automatically based on each individual's purchase history).

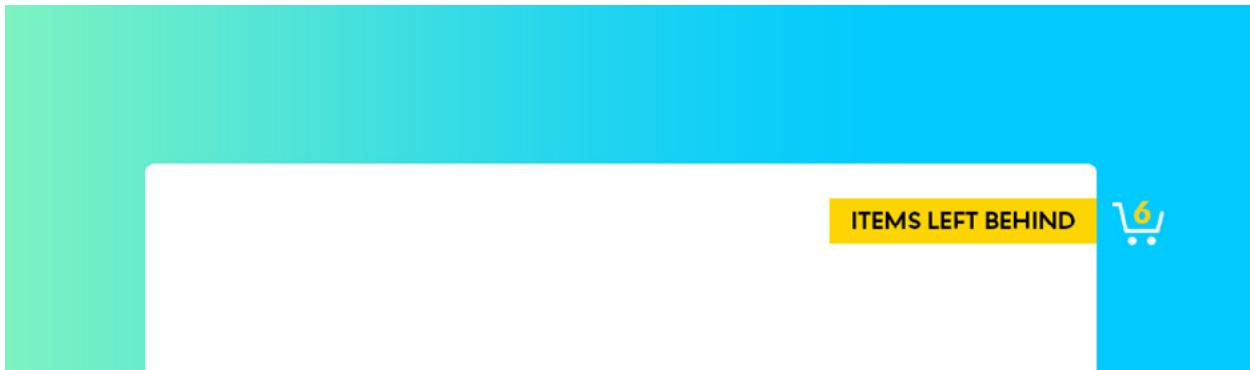
### 3. Overlay Personalized Recommendations



You don't need to rely on recommending best-sellers if you can personalize instead: if this user has purchased several dresses from you in the past, your overlay can recommend other similar dresses they might like.

Like with the upsell, this overlay could even recommend items that go well with the dress, or even items that go with the dresses they've already purchased (shoes, purses, etc.)

## 4. Overlay Personalized Abandoned Cart Items On Entrance



Of the users that make it all the way to adding items cart on your site, over 70% will abandon that cart.

However, you can improve that number if you're collecting the right user data: once that user returns to your site, your overlay can remind them of the items they left behind.

# Solving Challenges With E-Commerce Personalization

The following e-commerce personalization tactics focus on solving issues online retailers are facing.

## 5. Get Rid of Selection Paralyzation

Your large product selection may paralyze your customers, and in the end, they could leave without actually buying anything. This well-known effect in retail can easily [pummel your conversion rate.](#)

### Is Selection Paralyzation Happening to You?

Uncovering selection paralyzation can be difficult, but if you have a large number of products, and are seeing a high number of detailed visits within a single session without any purchases, it may be an indication.

If you are observing this behavior during consecutive

sessions, that's a pretty strong sign that your customers are indeed experiencing selection paralyzation.

## **How to Solve Selection Paralyzation with Personalization**

There are several ways to address this problem with a personalized website. The correct solution depends on how deeply you want to personalize the content on your e-shop.

**First Tactic:** Hide products (or even categories) behind the "see more" button. If you are using Exponea, you can calculate the likelihood of a visitor purchasing a certain product, or from particular category. Knowing this, you can show your customer the products and categories with the highest match for them, while hiding the others under "see more."

**Second Tactic:** Create a personalized content page called "picked for you," or something similar. This page would showcase a few products from each category based on the likelihood of purchase from the customer being targeted.

If you're not using Exponea, both of these tactics can be applied using your best-sellers instead.

## 6. Make Sure Your Customers Are Onboarded

Onboarding customers is quite a challenge. The chance of turning first-time customers, who may be unaware of everything you even offer, into loyal customers is minuscule. Your best shot is to woo them with an amazing onboarding experience.

### Are Your Customers Being Onboarded?

Unless you have a complex onboarding scenario already in place, the answer is likely a resounding “no.”

The first step to determining this is to define what “onboarded” means for your site: it can be as simple as the number of page views or purchases, or as complex as the frequency of interaction with certain features.

Once you have your onboarding definition, segment your customers based on what percentage are completely onboarded. Once you’re ready to increase that percentage, let’s get into the solution.

## How to Use Personalization to Increase Your Number of Onboarded Customers

The solution is simple: combine [onboarding newsletters](#) with website content modification.

Essentially, create a sequence of onboarding messages to be gradually sent to your customers as newsletters. These newsletters should contain information on the features or product selection for which the customer still needs to be onboarded.

You can also do the same with your online store, modifying your content to showcase onboarding banners; ideally the ones you consider the most important in the sequence.

If you're using Exponea, this can be done fairly easily through scenarios and weblayers (overlay pop-ups). Without a marketing automation tool like Exponea, you will likely not be able to segment your customer base to target relevant customers with onboarding messaging. You will need to instead lean on unsegmented communication, which increases the [chance of marketing blindness](#).

## 7. Highlight Champions, Hide Mules

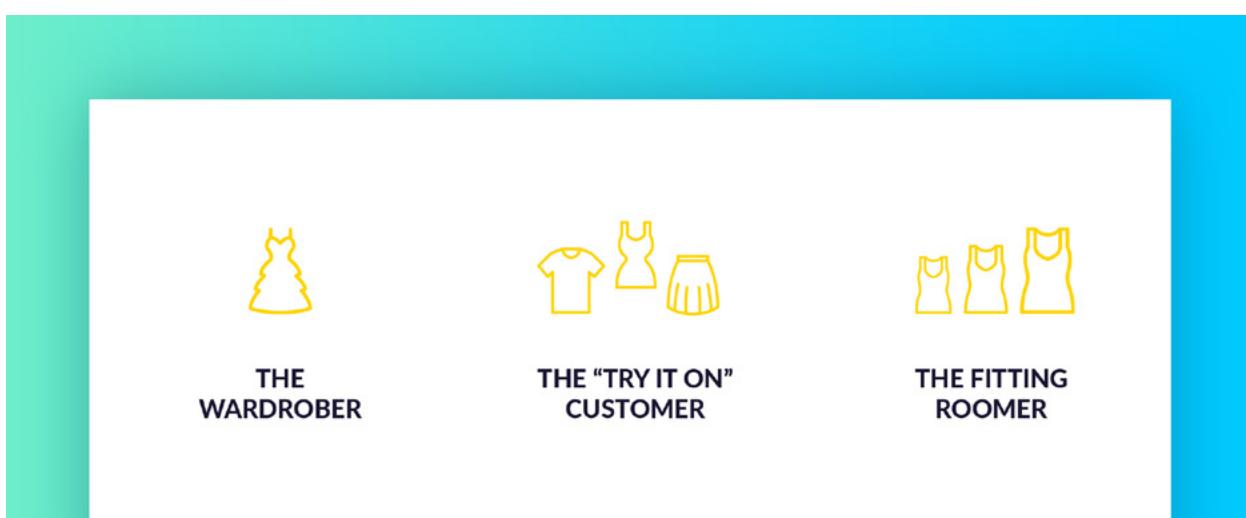
[At least 30% of all sold products](#) are eventually returned.

This personalization tactic addresses this problem by identifying clear champions among your inventory, and pushing products more likely to be a mismatch to the back of the selection.

### Are You Experiencing A High Number of Returns?

Run an analysis to find out the percentage of returned orders or products. Your goal is to keep that percentage as low as possible. Anything higher than the industry average should be a high priority concern.

### How to Reduce Your Return Rate with Personalization



The first step is to create [return persona](#) segments based on the behavior of your customers:

**The Wardrober:**

Wears the clothes once and returns them right after.

**The "Try it on" Customer:**

Orders multiple clothes just to try them on, returns most, if not all of them right after.

**The Fitting Roomer:**

Orders various sizes of the same item and returns the ones that don't fit.

Next, segment out the orders of these customers, rank your current product offering based on the return percentage of each item, and enhance your product catalog with these percentages.

Make sure that your product catalog has product margins, or at least margin levels (high, medium, low).

Now you should be able to build a full category product page based on the product recommendation model, taking into consideration:



1

PRODUCT  
MARGIN

2

CUSTOMER'S  
KNOWN SIZE  
OR MINIMUM  
SELECTION  
SIZES

3

LOW  
RETURN  
RATE

It's a fairly complex tactic possible in Exponea. Without a similar tool, it may be difficult or outright impossible to pull off.

If you are using Exponea, you can calculate the likelihood of a visitor purchasing a certain product, or from particular category.

## 8. Only Give Discounts to Incentivize a Purchase

To put it another way, **don't give discounts to customers who were going to buy that item at full price anyway!**

Discounts are a fantastic tool to ensure a purchase, but it can be a costly decision to give them out to everyone.

### Are You Making the Most of Your Discounts?

The surest way to see whether your discounting strategy is hurting your business is to do an A/B test. Offer a discount voucher (i.e. summer sale voucher) to one group and nothing to the other.

Then after 30-45 days, analyze the purchases of both groups. Take into consideration the margin, discount amount, shipping costs and costs of the items that were returned: since discounts impact the perceived value of ordered products, return habits may be impacted as well.

Are discounts hurting your bottom line? Let's fix that.

## How to Make the Most of Your Discounts with Personalization

If you have insights into the purchase history of your customers with two or more purchases, you should be able to find the average time between their purchases. This should help you identify the best time-frame in which to offer a discount: the rule of thumb is to offer the discount about a week or two sooner than the average time.

For customers without two or more purchases, you will have to use a global average with a slightly more generous time frame.

If you're using Exponea, you can also use in-session predictions to calculate the probability to purchase within the customer's session. This will help you to ensure that you don't give the voucher out needlessly.

If you're not using Exponea, an alternative solution is to offer the voucher using an on-exit overlay for those customers who viewed certain number within a single session, indicating an interest in purchasing, though they were about to exit the site.

## 9. Make Sure the Price is Right

Not everyone can buy a Gucci purse. If your online store offers a wide assortment of products with highly varying price ranges, you may run into a mismatch between what you're promoting and your customers' budget.

### Are You Promoting the Wrong Items?

You can find out if you have a discrepancy between what your customers are viewing and what they end up buying in the end using a fairly simple analysis:

Find the average price of viewed products and the average price of purchased products. Next, segment your customers based on the price range difference between the items they buy, and the items they view.

At Exponea, we use the following segments:



If you find that a high percentage of customers view items that cost > 50% & > 100% of the items they actually purchase, you have an issue to deal with.

Note: To absolutely pinpoint the root of an issue, you can find the averages across the category you're interested in.

## **How to Promote the Right Items with Personalization**

Enhance your onsite product recommendation models with products that fit the usual price range of your customers. This enhancement should positively impact your recommendation model's conversion rate.

Another interesting tactic could be to create a special newsletter containing discounted products within the customers' price range. This tactic leverages the fact that discount can be a driving factor for purchase rather than the product's starting price, [at least for 35% of UK customers.](#)

## 10. Don't Be Afraid To Ask

When working with our clients, we sometimes find they lack the actionable data needed for effective e-commerce personalization. With [data privacy](#) being a major concern, gathering this data from fresh visitors who haven't become customers yet is challenging. At least that's what many people think, though they are not entirely correct.

### **Are You Having Trouble Gathering Enough Data to Apply Personalization?**

Create a segment of all of your visitors (not customers). What data and consents do you have from them? Is there enough data to provide them with a relevant, personalized experience? If your answer is no, let's deal with it!

### **How to Gather Enough Data for Personalization**

The solution to personalizing your customers' experience is deceptively simple – simply ask your online store's visitors about their preferences.

Promise them a top-notch personalized experience; that

you can help them find clothes that flatter their figure, in their favorite colors and styles.

You can achieve this through [a simple visual questionnaire](#). You can even gamify the experience by, for example, showing the percentage of people who picked the exact answers the user taking the questionnaire did.

# Improving Customer Experience With E-Commerce Personalization

The previous personalization examples revolved around solving issues you may have. These last four personalization tactics focus on increasing your conversion rate through improving the quality of your customers' experience with your site.

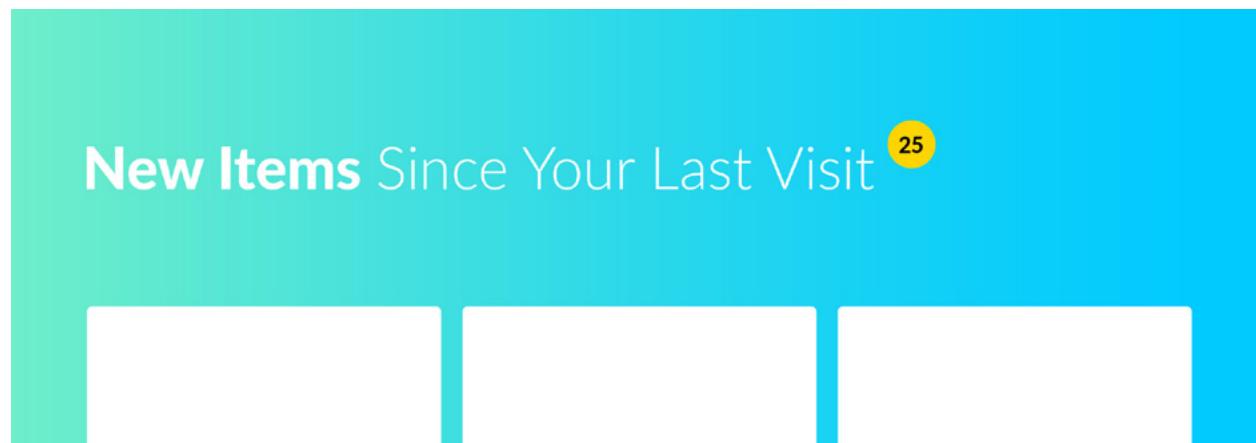
## 11. Bring Context To Every Visit

The idea behind this personalization tip is to utilize the data from previous sessions to help your customers pick up where they left off.

### How to Bring Context to Your Customers

Highlight the number of new products added to your site

since a customer's last visit and enable them to only view items that are new for them, or that they haven't seen yet.



You can do this in Exponea by using the information within the single customer view to modify the content of your online store / count the number of new products in your catalog since the last visit, for each customer.

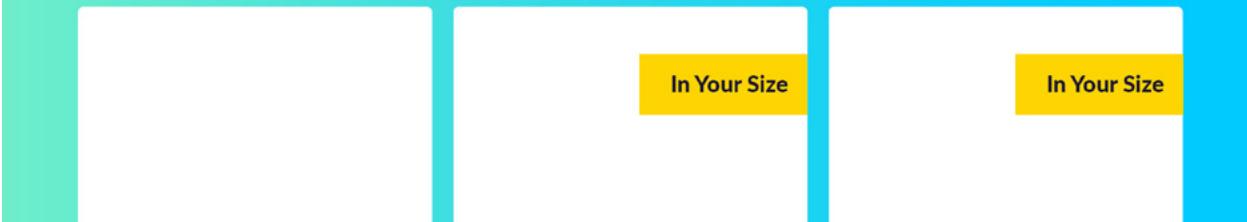
## 12. Show Customers Their Size is in Stock

For many customers, size is the main reason for returning a garment. Make sure to let your customers know when you have their size in stock.

### How to Let Customers Know You Have Their Size

Find the sizes of your current customers through their

## T-Shirts



previous purchases or most frequent filtration options. You can use those insights to highlight or prioritize the products on category pages that are available in their size.

On product pages, you can pre-select their size, or warn your customers when you think they might have picked the wrong size.

You can achieve this in Exponea through content modifying. If you're not using Exponea you'll most likely have to custom modify your online store's front-end.

## 13. Make Sure Everything Fits & Flatters

Not every garment fits every person in the same way. As obvious as this may sound, this fact is often overlooked

when selling apparel online. Visualizing the fit is one of the [top trends for fashion e-commerce in 2020](#).

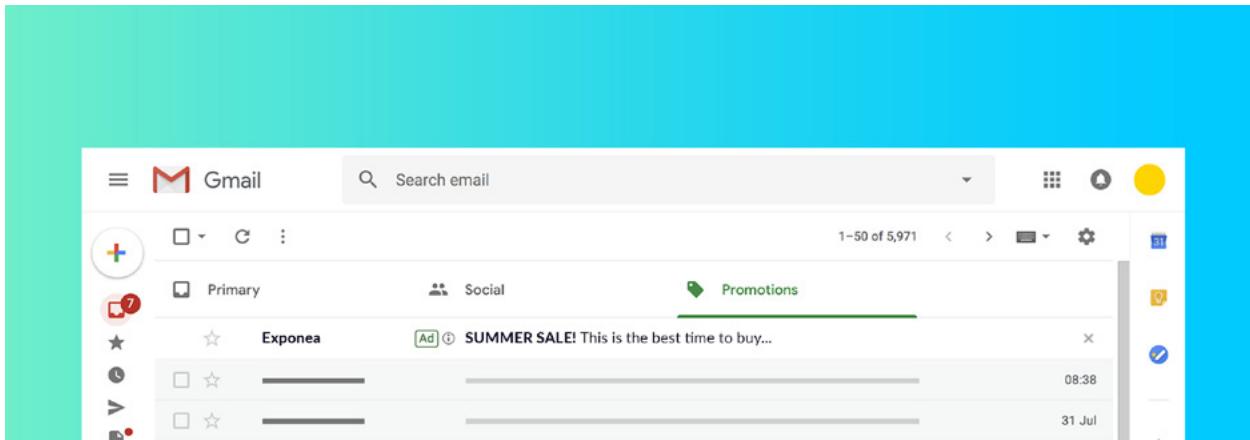
## How to Make Sure Your Customers Pick Items That Fit & Flatter

Aspiring for the perfect fit and recommending a flattering look may sound ambitious, but enhancing your product catalog with product styles and matching them to [body shapes](#) is now possible.

Though most of this personalization tip involves enhancing your database, Exponea can help you by building and launching another simple questionnaire to help you determine your customers' dimensions.

## 14. Position Your Newsletters at More Effectively

Emailing is still [one of the most effective marketing channels](#) for e-commerce businesses, but there's something holding it back: other newsletters pile up in your customers' inboxes, pushing your newsletters down. Let's solve this issue.



## How to Position Your Newsletters

The solution is pretty simple in theory: just send newsletters to your customers at the ideal time for them to see it at the top of their inbox and react to it.

Exponea's algorithm finds this ideal time, utilizing customer data such as:

- The most frequent times of visits to your site
- The time when your customers tend to open their emails
- The time they click on links within newsletters
- Which devices they use to access your site
- The times when your customers actually make their purchases

If you'd like to create such an algorithm yourself, it will be a lengthy process. Having said that, almost anything is better

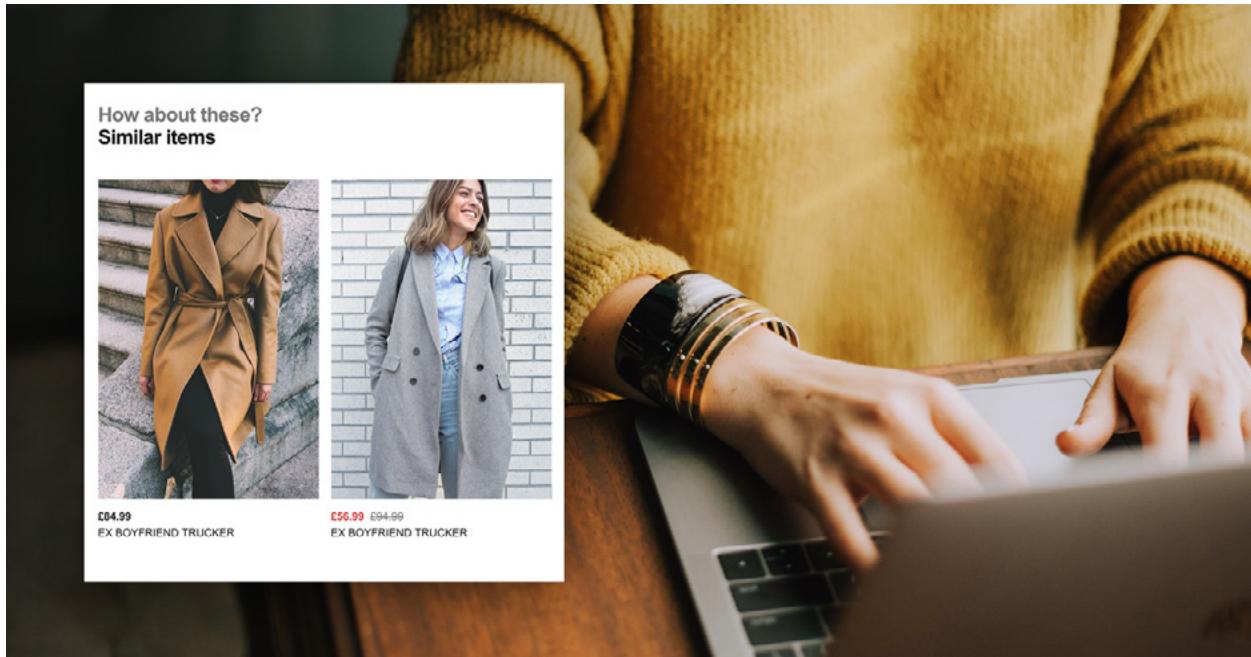
than sending all of your newsletters to your customers at the same time, without taking their behavior into consideration.

Personalization is no longer something an e-commerce company wants; it's something an e-commerce company needs. Something many customers now expect. This next section will go over a more specific area of personalization: product recommendations.

# The Leading Product Recommendation Methods For E-Commerce

## IV.

Recommendation engines are significant contributors to your online store's ability to activate and retain customers.



56% of customers are more likely to return to a site that offers product recommendations, and 75% of digital natives, the generation of people who are born and raised around social media, expect personalized shopping experiences from e-commerce websites. This section explores the key use cases that demonstrated improvements in the customer's user experience and conversion rates and explains why personalized product recommendation are successful in these scenarios.

In order to have a clear understanding of the importance and utility of product recommendations, let's first look at the principles that it borrows from real-life interactions between sales representatives and customers.

Brick-and-mortar stores have a clear advantage when it comes to establishing a bond between the customer and the brand. A salesperson can learn about the customer's interests, intents, and cultural whereabouts from a simple greeting, such as "how are you?" or "how can I help you?", shaping the salesperson's suggestions towards the customer's needs.

Recommendation engines provide your online business with the opportunity to have such interactions with your customers throughout their shopping journey. First-time customers will feel better served if they're greeted with your hot sellers and most valued items on your landing pages, receive email newsletters with personalized deals, and have the accessories for their main purchase a mere mouse-click away during checkout.

# What are Product Recommendation Engines?

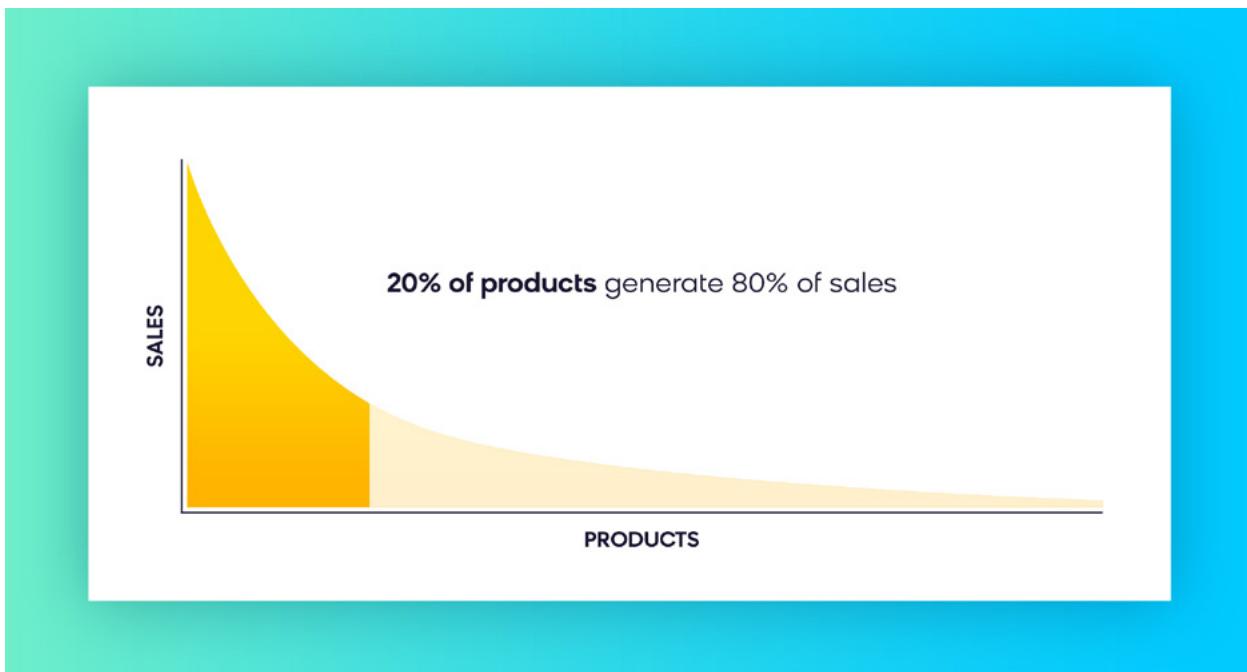
Recommendation engines filter and sort your online store's product offers on the basis of a set of rules. This process uses the data about your products, such as the number of views, sales, or even reviews, to present the most popular and valued products without the customer's need to search for them. The presentation of these results can be as simple as the order of the products' appearance on the category page.

User-specific data, on the other hand, such as the customer's most viewed categories, products, and purchase history, allow a recommendation engine to find the most relevant offers for your customers. The resulting recommendations are capable of fueling your personalized advertisements, email marketing campaigns, or special offers on the landing and category pages of your website.

# Recommendation Use Cases for First-Time Customers

## Landing Page Recommendations

Customers enjoy shopping experiences that let them encounter inspiring and surprising offers without needing to delve into every category and product page and find them. A Recommendation Engine will help you with this experience in your online store by continuously identifying



the most valued products and presenting them on your landing pages.

The rationale behind this method of driving conversions is [Pareto's 80/20 rule of Marketing](#), that is to say, 20% of your products are most likely driving 80% of your sales.

A/B Testing various recommendation models, each using a different combination and the weighing of input parameters, such as the number of views, purchases, time spent on page, clicks, add-to-cart events, and so on, will help you identify which model will drive sales most effectively.

## **Rating-based Product Recommendations**

Reviews are highly valuable assets for e-commerce. Not only do positive reviews increase a product's desirability, but well-written reviews are rich, anecdotal accounts that inform your customers about a product's usability and quality. Using reviews as a basis for product recommendations will make the product come alive in the mind of your customer, answering key questions they might have about the usage of the product.

Researchers at Boston University conducted a [study that examined](#) how reviews impact purchase decisions. They found that reviews that give a detailed account of the product's quality and usage contribute significantly to higher sales and lower returns.

Review-based recommendations are particularly useful when customers are narrowing down their list of potential purchases towards a final purchase decision. They find, therefore, their best use in Abandoned Cart Emails, "You might also like these" sections on your product pages, and accessory recommendations during checkout.

## Cross-Sell Banners

Cross-selling is the practice of selling additional items that are complementary to a customer's purchase objectives. This practice does not require a salesperson who offers suggestions to a customer. Supermarkets cross-sell by grouping particular product categories together, such as socks and shoes.

Cross-sell banners leverage this sales opportunity by presenting relevant items during a customer's shopping journey that are based on the contents of their cart, brand interest, or last seen items.

The most successful cross-sell recommendation models make use of collaborative filtering. This method makes predictions about the interests of a customer by analyzing the preferences of the customer base and finding the preference patterns that are most similar to those of the targeted customer. These cross-sell banners yield an average [increase in RPV of 67%.](#)

# Recommendation Use Cases for Returning Customers

## Remarketing Recommendations

Customers visit two or more online stores and evaluate anywhere between 8 and 19 items during their purchase consideration cycle. Remarketing is a technique for presenting banner advertisements that display your



Source: Criteo Browsing & Buying Behaviour 2016 Report

offers and recommendations throughout the customer's shopping journey. This method leverages these off-site interactions as opportunities to motivate shoppers to change their habits and consider your online store offers.

The type of recommendations entirely depend on the product category. High-value products, such as electronics, benefit from display advertisements that motivate customers to spend more of their consideration process on your website. These advertisements may present products that reflect an awareness of their search intent and makes it possible to make comparisons within a product range.

Categories with a low perceived value, such as food and groceries, would benefit from a different recommendation approach. Shoppers are more likely to use their shopping cart as a collection basket and check out once they're finished with their collection process. Suitable display advertisements present a combination of cart items, product recommendations, and complementary products.

## **Personalized Email Marketing Campaign Recommendations**

Personalized emails convey to your customers that they're understood and valued, and result in significant increases

in click-through rates. Emails with personalized subject lines are [26% more likely to be opened](#). Moreover, emails with personalized recommendations [improve click-through rates by 14%](#).

There are several suitable recommendation models for emailing. Whether you want to use the customer's profile data, such as most frequented categories, purchase history, or interests, or product data, such as popularity and reviews, entirely depend on the type of email marketing campaigns.

Is your email campaign news-centered, such as the introduction of a new fashion season, the latest product releases from a brand, or a Black Friday sale? In this case, your recommendation strategy may well benefit from reviews, user stories, and the popularity of your offers. Such recommendations will offer pleasurable and informative eye-openers that will keep your customers engaged with your brand.

On the other hand, weekly deals and seasonal offers are ideally suited for personalized recommendations. A customer's purchase history and interests are a good source for weekly deal recommendations, while their previous season's activities will help you align your offers with their seasonal interests.

# Cart and Checkout Recommendations

## Recommending Accessories

Customers are often highly focused on their main purchase. Recommending accessories during the checkout process, such as batteries for a flashlight, or memory cards for a camera will help your customers make informed decisions about their purchase, while at the same time increasing your Average Order Value (AOV).

These recommendation models require careful annotations of your product data, that is to say, which item is a compatible accessory to which product?

Providing the recommendation engine the necessary data for its successful operation can be a laborious task. Having reviews and links to commonly bought accessories on the product pages can serve as a valuable alternative to maintaining detail records about your products.

## Frequently Bought Together

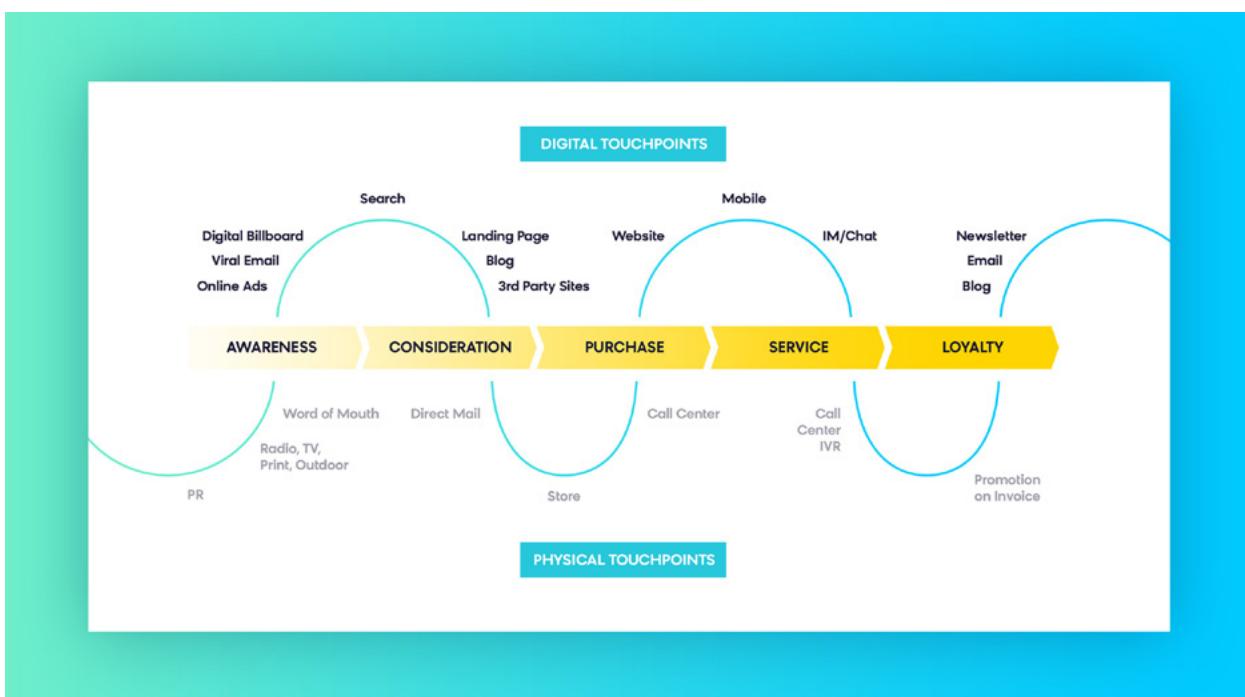
Package deals help customers cut their shopping time and inform them about the items they might need along their main purchase. It's a successful form of cross-selling that takes place during the checkout process.

Successful recommendation models for this use case show alternatives to what's currently in the customer's shopping cart. These alternatives can be varied colors, styles, and product combinations. Presenting reviews and user stories about the contents of these package deals will make these offers a compelling and confident option for your customer.

These recommendations help your business's bottom line by offering alternatives that increase your Average Order Value and motivate your customers to choose package deals that offer you a higher gross margin.

# Key Takeaways

Personalized product recommendations have a place in every stage of the e-commerce conversion funnel. However, using them extensively requires careful consideration of the message that it conveys to your customer. Over-personalization might give your customers the feeling that they ended up in an echo-chamber, or worse, that they're being stalked.



Source: Powerpost

On the other hand, basing your recommendations on

product popularity might leave the customer feeling detached from your business. Weighing the balance between these recommendation types will be helpful in telling your story while keeping your customers engaged with your brand.

## Final Thoughts

We hope this guide has given you plans and ideas you're ready to run with to improve your site's customer experience: creating a site that's easy to navigate, is personalized for every customer, and uses the right recommendation models with ideal placement.

If you're interested in learning how Exponea could help take your customer experiences to the next level, please feel free to reach out to us for a [commitment-free demo](#).

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