Solving eCommerce's top 4 holiday season challenges and boosting sales with A.I.

A Report by Vue.ai

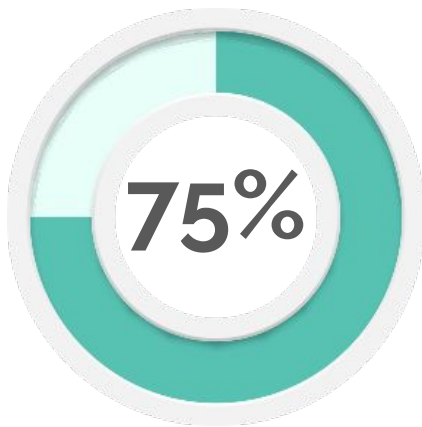# Index

The 2021 Retail Scenario

75%

of all apparel purchases were made online in February 2021

The holiday season is almost upon us and thanks to the pandemic, retailers are having to deal with not only supply chain issues but also new competition. With the pandemic pushing even the most tech-resistant retailers online, many have turned to A.I. to help them stay ahead of the curve.

Based on its annual holiday spending survey, the report also concluded that an average shopper would be spending about $998 this holiday season. A big portion of that spend would go towards gifting the following:

47%
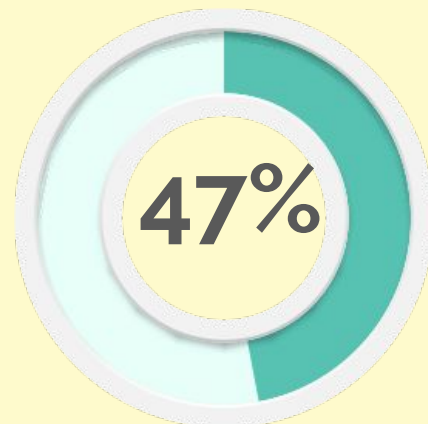
increase when compared to what it was in February 2020

A common emotion that we see across the world is the shoppers' overwhelming desire to have a normal holiday and get back with friends and family.

Gifting
$648

Non-holiday decorations
**$231**

Other purchases
$118

What experts predict for 2021

Tapping into the holiday season boom is imperative

Yet another number talks about how luxury retail is set to see the biggest growth in holiday retail sales for 2021 with an astounding 92.8% growth from 2020. Jewelry as a segment came in second with a 59% increase from 2020, with apparel close behind.

A big call out in all the data seems to be that the market had dipped in 2020 - and has kind of bounced back in 2021. The pandemic had changed the way shoppers spent last year, but now you can see them slowly shift back into their normal routine albeit with one change, which is the preference for online purchase, Convenience being preferred over the pain of in-store shopping in crowded spaces.

What's the one big takeaway from these numbers? It's that the potential to spend is present, and will continue to remain despite the pandemic. Shopping is a big part of what makes the holiday season special for many consumers who don't mind splurging a little.
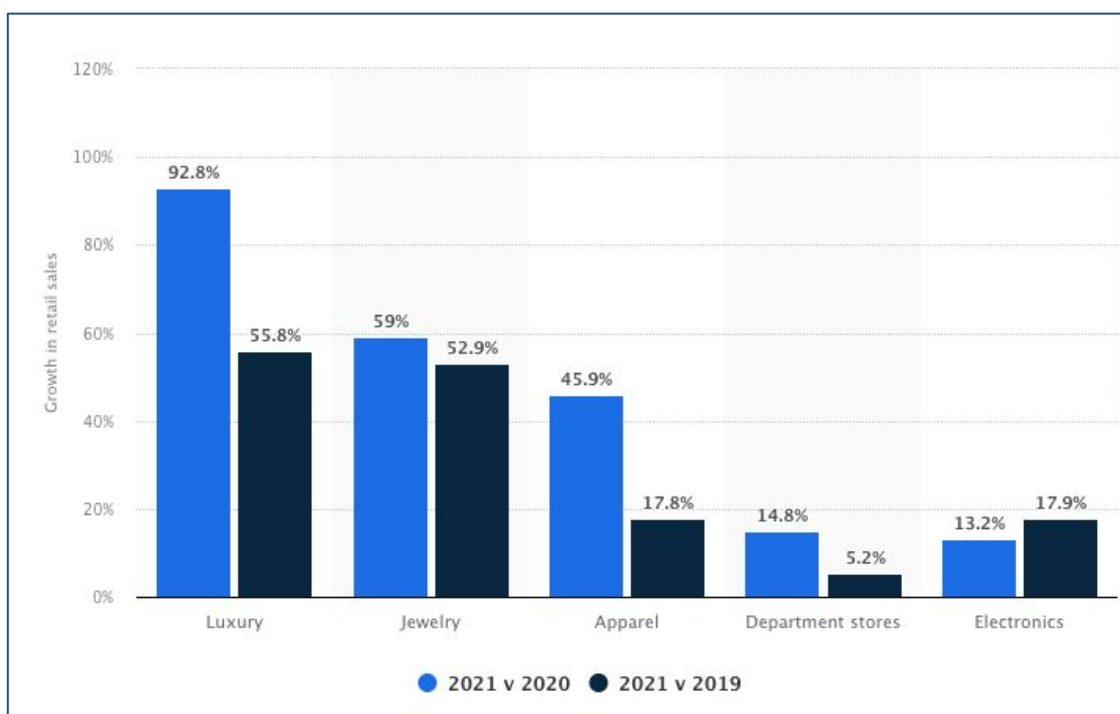
Predicted segment growth for2021 vs 2020 and 2021 vs 2019

What does this mean for retailers?

The holiday season is a highly competitive time for retailers across the globe. During this time, the market share is high and so is the competition. That's precisely why many retailers resort to discount-based pricing.

1. It's the end of the year and retailers expect shoppers to purchase a lot more than usual.

2. Retailers want to clear the old stock in flash sales before stocking up on new collections for the year ahead and finally.

3. There are always other retailers who might have the same or a similar product at a much lesser price.

What retailers resort to...

Retailers try to stand out from the competition using the following strategies:

Offers -
Buy 1 Get 1

Discounts -
50% off, 60% off on selected brands

Seasonal sales -
Christmas Sale, Black Friday Sale

Clearance sales -
EOY Clearance Sale

Seasonal collections like Christmas Collections or EOY Clearance Sales are the way to go. Price is a big factor when it comes to attracting shoppers. It has the potential to sway even the most loyal shoppers. But while this discount-driven model might work in the short term, it can hurt your revenue in the long run. You need to have something that can help you retain shoppers despite your competitors having bigger discounts or attractive offers.

While the discount-driven model might work in the short term, it can hurt retailer's revenue in the long run. Brands need to have something that can help them retain shoppers despite competition having bigger discounts or attractive offers.

..and what retailers could do instead

Hundreds of retailers face multiple challenges every month. We've listed down the 4 most common problems we hear during the holiday season. They are challenges that retailers across the globe deal with, regardless of whether they are a marketplace, brand, or any other type of business.

Catering to the holiday shopper with changing shopper preferences

Beating decision fatigue and creating value for shoppers with the right product discovery

Pushing the right inventory & dealing with OOS issues without losing shoppers

Preventing (and rescuing) abandoned carts in the holiday season

Creating holiday promotions with value using A.I.

These problems are not permanent - A.I. can help solve them for you!

Let's find out how!

Catering to the holiday shopper

Understanding changing (and temporary) shopper preferences

Shopper preferences over the holidays are a lot different from their regular shopping behavior. The major retail trend this season is consumers searching across multiple platforms to find what they need in a time of supply uncertainty. Add to that a growing number of retailers offering the similar products at a widely discounted price and you've got shoppers abandoning your site before they can even fully process what products ARE available on your site.

Problem:

- Shoppers shop differently during the holidays:
- They look for the best offers and discounts on the site.
- They shop a lot to gift their friends and family.
- They are impatient.

Impact:

Not finding what they like + multiple platform (with offers!) availability = shoppers bounce fast

Solution

Shoppers are buying products for other people and these patterns will NOT be the same as their usual regular behavior on the site. You may not just be able to personalize for them based on the segment they fall under or preferences they have shown in the past.

And this is where A.I. can help. AI-based personalization helps capture **current** session intent and combines it with previous purchases to bring to surface products that the shopper is most likely to buy.

There could be shoppers that love a certain type of winter clothing or pastel colors in home decor products but unless the product data is actually rich enough to reflect those attributes, retailers will never be able to surface the products they want and show them to your shopper.

Incredible shopper experiences

Product Intelligence
Data signals: Catalog imagery, visual attributes, textual data, product metadata

Customer Intelligence
Historic + Real-time data: Understand Shopper Preferences (Style Profile) & Shopper Intent

Relatable Models
Visualization and styling of products on diverse models
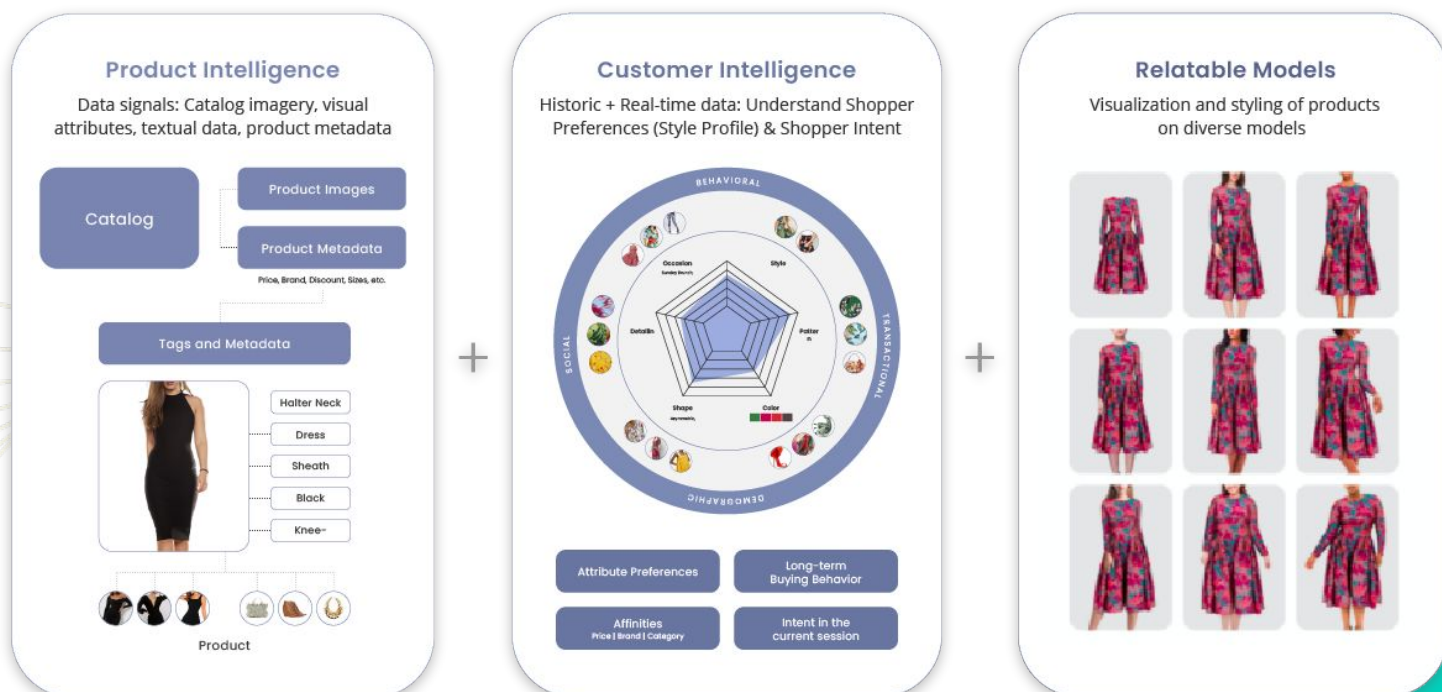
Retailers can build their own A.I. personalization engine

It all starts with product data.

Once brands have accurate and detailed product data, they map them to what they know of shoppers from their behavior on the site - and then personalize journeys and product recommendations based on that. For fashion retail specifically, brands can also show the products on models that the shopper can relate to.

The last part here is personalizing not just based on their general preferences but also based on their session intent. For instance, shoppers may generally be vegan - but may be buying milk chocolates as a gift for their friends.

How Personalization Works - Building Data Moats

CUSTOMER

AI GENERATED CUSTOMER PROFILE

AI GENERATED AUDIENCE SEGMENTS

Product Data **+** Customer Data **+** Channel Data **=**
Retail Growth

AI GENERATED PRODUCT DATA

DYNAMIC 1:1 PERSONALIZATION OF CONTENT

HOMEPAGE

CATEGORY PAGE

PRODUCT DETAIL PAGE

EMAIL

Retailers have access to different types of data. Data Moats are how retailers can use these data to build a competitive advantage.

There is **product data, customer data** - both for individual shoppers and for different segments, and **channel data** where customers interact with products and business.

Brands have the opportunity to optimize all these three types of data and putting them together in the best way possible for increased revenue.

Dynamic personalization

Dynamic Personalization - where with each action of the shopper on the site, the system is able to understand what their intent might be - and personalize the journey based on that. Want to know more? Keep reading.

The A.I. that works behind the system constantly tries to understand current shopper intent and can also be trained to input past purchases, browsing preferences to further fine-tune these recommendations.

Viewed Product

(Recommendations focus predominantly on color)
CLICK:1
Similar Products
Color | Color + Pattern | Color + Pattern

(Recommendations focus predominantly on pattern)
CLICK:2
Similar Products
Color + Pattern (small print) | Color + Pattern (small print) | Color + Pattern (large print)

CLICK:3
Similar Products
Color + Pattern + Shape | Color + Pattern + Shape | Color + Pattern + Shape

(affinity to large prints established; recommendations focus predominantly on shape)

Powering >> Product Page Recommendations | Search Results | Category Page | Curated Closets

Did you know?
Through Vue.ai's **dynamic personalization**, one of **Asia's leading brand-based marketplaces** saw a **65% increase in revenue per visitor.**

Beating decision fatigue

Offering too many products leave shoppers overwhelmed and confused. This is the second major problem that we've noticed retailers, or rather shoppers, struggle with is decision fatigue.

Theory of The Paradox of Choice

It's a theory that explains that the more options a person is presented with, the less likely they are to make a decision.

Not only does it take them a lot of time and effort to arrive at a decision, in a lot of cases, they're also left feeling unsatisfied with their choice. Decision fatigue is particularly amplified during the holiday season. With sales everywhere and a lot to buy, shoppers find themselves not being able to pick what they want to purchase. This is a problem of poor product discovery - while a lot of products are visible to the shopper, they are not able to find the ones they'll buy.

Problem:

- The Paradox of Choice
- Decision fatigue is particularly amplified during the holiday season

Impact:

Poor product discovery -> increased unproductive time on site -> increased exits without purchases and lower conversion rates

Solution

1. Create value for shoppers with the right product discovery

Now, this can be easily solved if you understand the types of shoppers who come on to your site. You have your casual browsers who can be shown products tuned to their preferences using personalization. Then you have your high-intent shoppers who come to your site looking for a particular product. Showing them relevant results, making it easier for them to navigate through the site is key here.

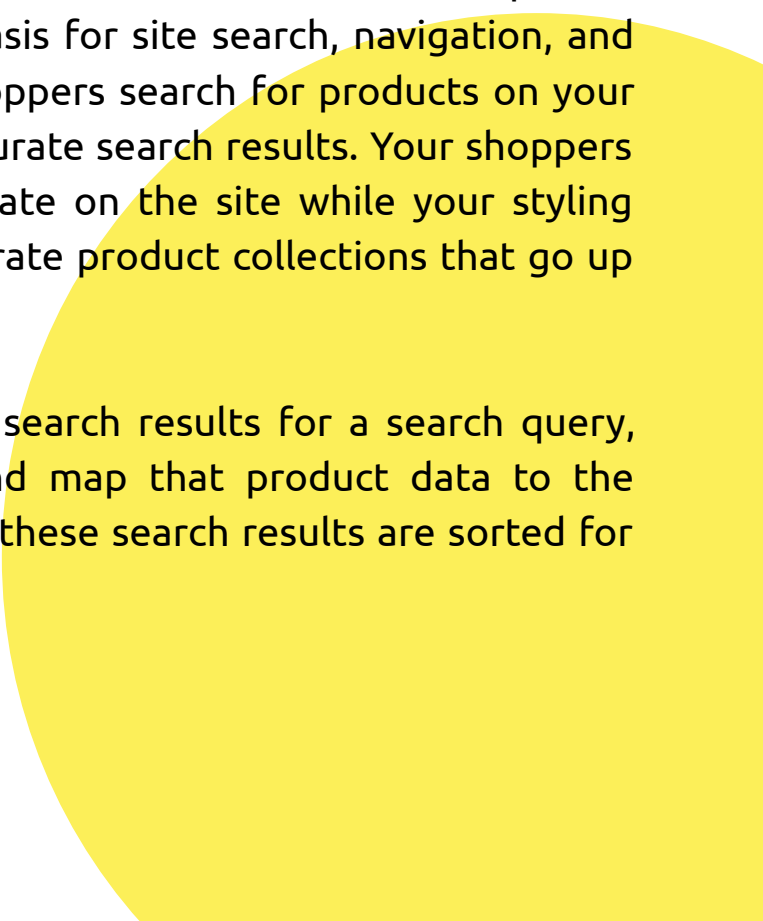| Collared | Casual |
| 3/4 Sleeve | Striped |
| A-Line | Thigh-length |
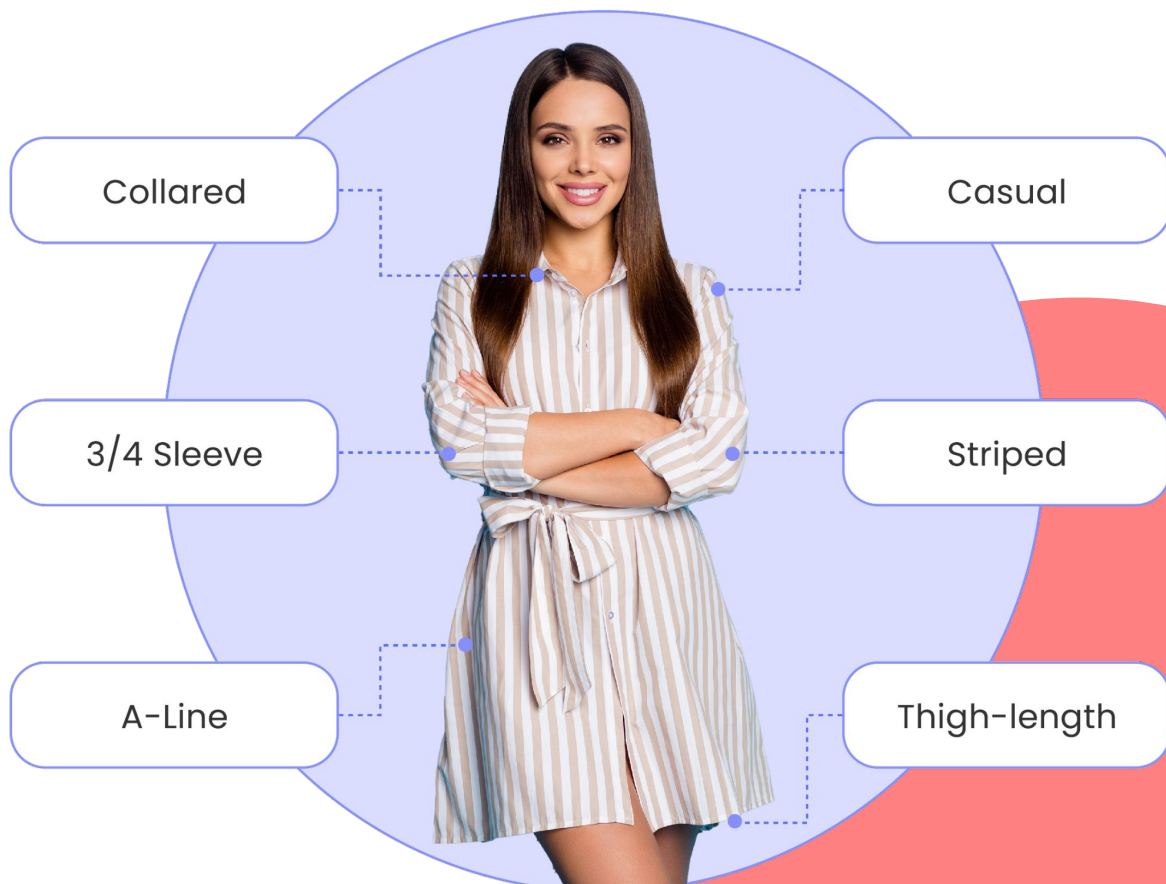
2.   Build detailed product data instantly

Tackling product discovery starts with having good product data. While retailers generally have teams manually creating this data that goes on the website, it's much easier and much more effective to do this using A.I.

With A.I., retailers don't have to worry about inaccurate or inconsistent data, onboarding new products in a matter of days or about the time it'll take to tag and create all the product data. Automating the solution tags thousands of products in a matter of minutes, generating clean, rich, consistent, and standardized data that is extracted from the visual and textual inputs that you provide.

3. Improve accuracy and relevance with A.I.

Here's really where it gets interesting. With accurate product data, you have accurate product pages with the correct title and descriptions. The product data also forms the basis for site search, navigation, and filtering. This means when your shoppers search for products on your site or search engines, they see accurate search results. Your shoppers will find it easy to filter and navigate on the site while your styling teams will find it much easier to curate product collections that go up on the site.

While good product data accurate search results for a search query, retailers can go a step further and map that product data to the shopper profile to personalize how these search results are sorted for each shopper.
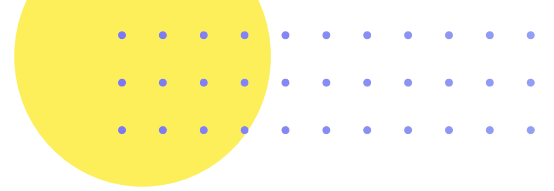
Automated tagging solution can automatically extract and create comprehensive and accurate tags from images and any unstructured text.

| Enrich Product Metadata	Reduce Manual Effort	Improve Search & SEO
Increase in catalog accuracy **20%**	Labor time savings **27** Hrs/ week	Tags predicted in 2020 **689M**

Eliminate aimless scrolling with AI-powered personalization

Retailers are presented with multiple options to play around with the personalization tool. They can sort the pages to show the most relevant products for each shopper up top. This helps the shopper avoid scrolling too much to come across a product they might be interested in. This can be added as an additional filter along with your usual sorting by price, popularity, and so on.
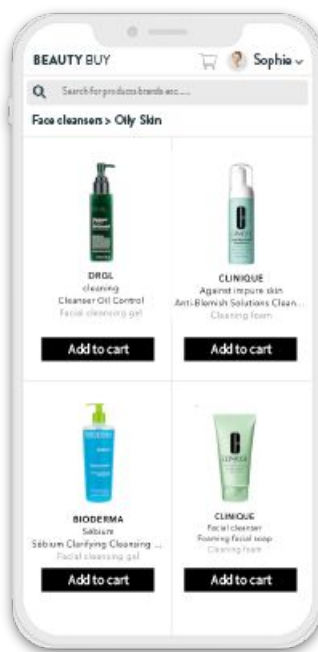
Recommendations
Across the shopper journey
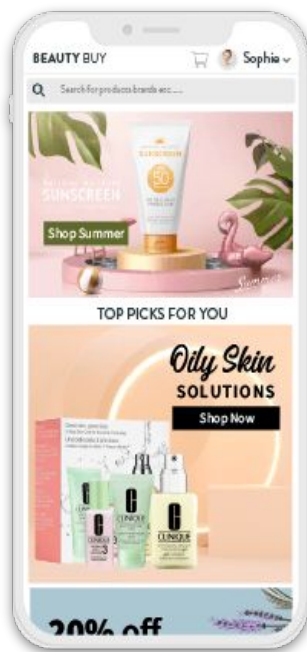
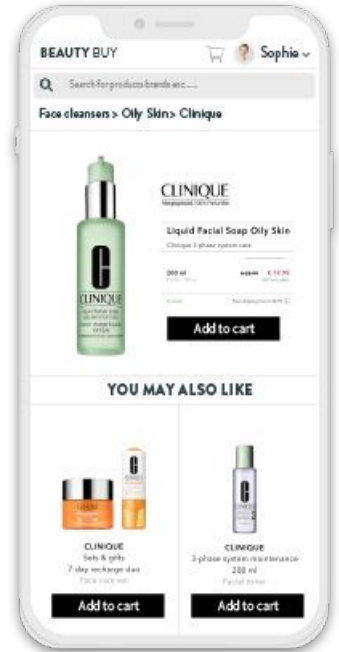
Home Page

Top Picks For The Shopper
Personalized Trending
Inspired By Browsing History

>

Category Page

Personalized Sorting

>

Product Page

Personalized Recommendations
Cross Product
Recommendations

Cart Abandonment Emails

Personalized Promotions
Personalized Similar Recommendations
Cross Product Recommendations

>

Engagement Emails

Personalized Promotions

Roll out the right inventory

Dealing with Out of Stock is issue can be a mammoth task. It is, infact, the third major challenge that we identified was pushing the right inventory to the right customers. This is closely related to the decision fatigue problem. Your shoppers don't want to see your entire catalog, but rather just the products suited to their tastes and preferences. When they don't see the right products, they leave the site even if you have other products that match their shopper profile in your inventory. And if the products they are looking at are out of stock, then that's a huge turn-off for shoppers - prompting them to leave immediately.

With A.I., retailers can show products personalized for each customer instead of exposing them to the whole catalog - including alternatives if the products they like are out of stock.

Problem:

When shopper find a product they like, but it is out of stock it is a huge turn-off.

Impact:

Shoppers see product being OOS -> leave the site to find it elsewhere -> increased site abandonment

How can retailers solve OOS problem?

1. Similar recommendations
On the website

What it is
Similar Recommendations recommends products that are similar to the product that a shopper is looking at.

Retailer-specific   models
Retailers can customise the guidelines for the A.I. to promote certain brands/ certain products more than the rest.

Placement
Product or Cart Pages

A leading luxury brand was able to directly attribute 7% of their revenue to the 'Similar Recommendations' widget.

2. Email personalization
Avoid OOS issues with A.I.

What is it:
Our A.I. delivers relevant and personalized content to shoppers on their mails. The recommendations are generated at the point of the mail being open to ensure:

- All products are in stock for the shopper to purchase.
- They match even the shopper's last interaction on the site - in the case they are browsing before checking their mail.

We observed a 61% uplift in engagement with marketing personalization through A/B tests conducted by vue.ai customers

Prevent and rescue abandoned carts in the holiday season

Coming to the last challenge, shoppers abandon carts because there is a lack of urgency, which is why flash sales work so well, it creates urgency and pushes the shopper to purchase within a time frame. They could also abandon carts because the cart value is low, subconsciously it tells the shopper it's not enough incentive to make a purchase.

While the holiday season sees a lot of traffic on your site, cart abandonment rates also tend to go up simply because your shoppers might choose to buy similar products from another retailer who's offering them at a discount. There are sales everywhere.
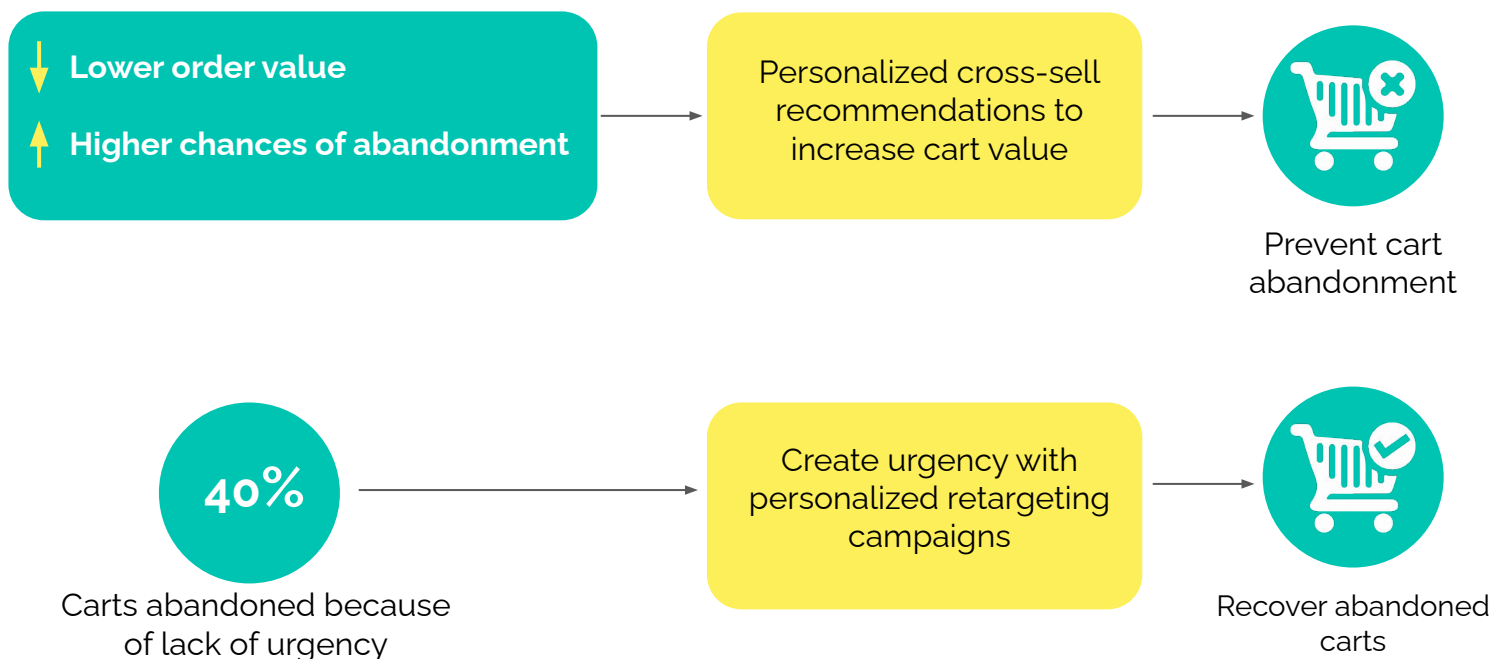
Problem:

- Lack of urgency
- Low cart values (add the stat from our page here)

Impact:

Discounts galore everywhere -> brand loyalty being tested = high cart abandonment rate

Cart Abandonment

↓ **Lower order value** ↑ **Higher chances of abandonment**	Personalized cross-sell recommendations to increase cart value	**Prevent cart abandonment**
40% Carts abandoned because of lack of urgency	Create urgency with personalized retargeting campaigns	**Recover abandoned carts**

eCommerce businesses can battle cart abandonment using AI-powered personalization by increasing basket size. This is done with relevant on-site recommendations where personalized recommendations are shown to help increase the cart value. Additionally, conversions can exponentially increase with personalized omnichannel retargeting campaigns to create urgency which will result in fewer abandoned carts.

Increase cart value with recommendations

Increase cart value to reduce abandonment rate
Carts with lower order values (typically less than $100) are abandoned twice as frequently as high value ones.

Cross-sell recommendations, like 'Complete the basket', 'Frequently Bought Together', or 'Complete the Look', personalized based on individual shopper preferences can help increase cart size.

Japanese retailer FLAVA increased AOV by 40% with personalized recommendations across the site.

Create urgency with email personalization

Create urgency to recover abandoned carts. Lack of urgency and unclear purchase intent results in over 40% of carts being abandoned.

Extend the benefits of dynamic 1:1 personalization from your website to email campaigns and mobile notifications to recover abandoned carts.

A leading resale marketplace saw a 5% lift in customer retention rate with personalized email campaigns.
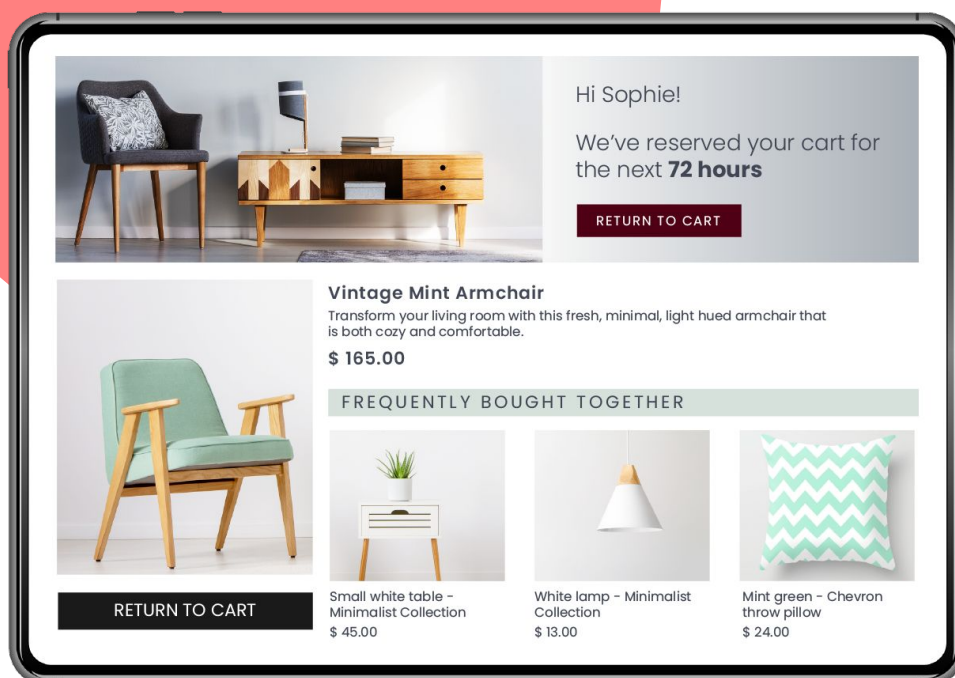
Create urgency with email personalization

Create urgency to recover abandoned carts

Lack of urgency and unclear purchase intent results in over 40% of carts being abandoned.

Extend the benefits of dynamic 1:1 personalization from your website to email campaigns and mobile notifications to recover abandoned carts.

A leading resale marketplace saw a 5% lift in customer retention rate with personalized email campaigns.

Hi Sophie!

We've reserved your cart for the next **72 hours**

RETURN TO CART

Vintage Mint Armchair
Transform your living room with this fresh, minimal, light hued armchair that is both cozy and comfortable.

$ 165.00

FREQUENTLY BOUGHT TOGETHER

RETURN TO CART

Small white table - Minimalist Collection
$ 45.00

White lamp - Minimalist Collection
$ 13.00

Mint green - Chevron throw pillow
$ 24.00

Summary

Online retailers put in a lot of effort to prepare their store for the holidays because of the potential increase in purchases (especially last-minute). The increase in customer traffic means there are potential increase in challenges; how retailers effectively deal with these challenges, can either make or break them to cement their online presence. Here are some of the challenges that retailers face:

1. **Catering to the holiday shopper with changing shopper preferences**

2. **Beating decision fatigue and creating value for shoppers with the right product discovery**

3. **Pushing the right inventory & dealing with OOS issues without losing shoppers**

4. **Preventing (and rescuing) abandoned carts in the holiday season**

Takeaways

The retail landscape is such that most retailers understand that they require personalization for their website, but often do not realize what it means to truly personalize for their shoppers. Most engines available in the market today, tend to segment shoppers based on faulty data, and do not allow customization for your business needs either. With true personalization solution, on the other hand, was built for retail & has a thorough understanding of the foundational need to truly personalize.

It's imperative for companies to look out for solutions that enable them to create their own strategies and tweak recommendations based on their business needs.

At Vue.ai, we've helped many retailers solve challenges and grow their revenue across the board. An ideal solution is something that is completely customizable, and allows the retailer to control the levers of technology as they see fit.
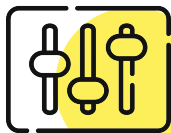
A game changer

Product Intelligence with A.I.

1:1 Personalization

Dynamic Personalization

Customizable A.I.

Built for Retail

WIth Vue.ai, personalization is easy and practical. Multiple types of integration from our personalization solution are easy and require no code - and can be customized for any business. Rest assured, we can help you go live in under 3 weeks, right in time for the holiday season.

With multiple types of integration from our personalization solution - they are easy and require no code - and can be customized for your business.

The Business Impact

- ~**2.4B Tags** generated
- **21.4B API** calls served
- ~**478M** Products tagged

- **50% decrease** in personnel requirement *
- **85% reduced time** to market *

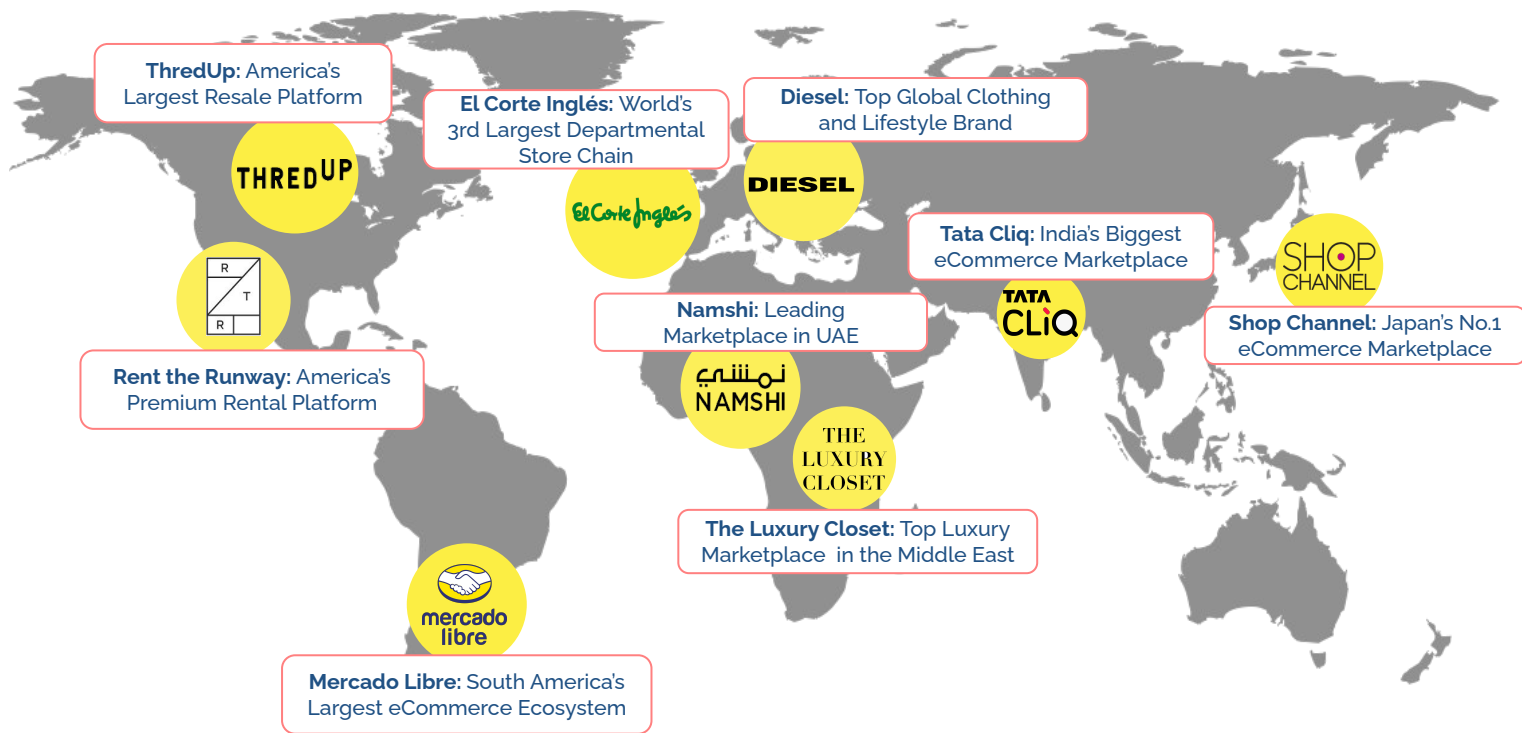*Observed for a European customer using Vue.ai's tagging solution

- **80% uplift** in conversion rate
- **12.9% of total business** revenue directly attributable **to Vue.ai**
- **26.3% increase** in user engagement in six months
- **5x higher revenue** per visitor

The biggest retailers in the world use Vue.ai to power their business.

ThredUp: America's Largest Resale Platform

El Corte Inglés: World's 3rd Largest Departmental Store Chain

Diesel: Top Global Clothing and Lifestyle Brand

Tata Cliq: India's Biggest eCommerce Marketplace

Shop Channel: Japan's No.1 eCommerce Marketplace

Namshi: Leading Marketplace in UAE

Rent the Runway: America's Premium Rental Platform

The Luxury Closet: Top Luxury Marketplace in the Middle East

Mercado Libre: South America's Largest eCommerce Ecosystem

TALK TO US

Get in touch with us to see how these game changing solutions can be integrated into your eCommerce site

Intelligent Retail Automation

Process Automation & AI solutions for the Retail Industry

Vue.ai is an end-to-end retail automation platform that is redesigning the future of retail with Artificial Intelligence. Using Image Recognition and Data Science - we extract catalog data, analyze it with user behavior and help your marketing, product and cataloging teams get actionable insights that improve customer experiences, drive conversions and reduce costs. We help you digitally map your products' DNA to create one-of-a-kind retail experiences for your customers and translate product information into the language that your teams can understand and make business decisions with.

Making Retail Teams, A.I.-Ready