



How To Convert Like Amazon.com

THE BIG DATA PERSONALIZATION GUIDE

executive summary

In a 2013 TED Talk, novelist Abha Daesar pointed out how technology has changed the humanity's paradigm and perceptions.

"Time doesn't flow in the digital world in the same way that it does in the natural one. [...] Far away over there is now here. News from India is a stream on my smartphone app whether I'm in New York or New Delhi. And that's not all."

One year after, the market research companies across the world started to analyze the consequences of going digital, especially for the retail sector. Retail companies were faced with a shift from the brick-and-mortar activity to the digital one.

While these companies started building a presence in digital, Amazon.com was enjoying the benefits of their investment in developing personalization engines and loyalty programs for their customers.

With projections from [eMarketer](#) for the next few years showing that e-commerce is gaining more and more in revenue, companies can finally hope to personalize like Amazon.com without spending millions of dollars per year.

Since retail is one of the top generating revenue industries and highly influenced by technology, it's worth understanding its trends. Clearly, the numbers are encouraging for entrepreneurs who want to start a business, either in e-commerce or in other industry. But what do these facts tell to the existing companies that passed a certain level of growth?

In this guide, we'll show you how to take your business to the next level, generate more revenue from the existing customers, and maintain a competitive advantage on the long term.

the challenges of nowadays companies

In today's world, most of the relations between consumers and product/service providers are dull. It's an exchange of resources that lacks any emotional implication. It would not be such a big problem if the human

beings weren't capable of feeling. But the reality is that they act based on emotions that trigger thoughts in their minds.

Bummer!

Human beings are emotional creatures, using their emotions, consciously or unconsciously, to think and then to act. There is no surprise when frustration, anxiety, and other fears stop them from purchasing a product or a service.

We know for sure that consumers get frustrated:

"74% of consumers get frustrated when content appears that has nothing to do with their interests." [Janrain](#)

Marketers also get frustrated because they cannot establish an authentic relation with the customers, based on trust.

"90% of the marketers believe personalization is the future." [CSA](#)

But most of them have no idea of how to do it.

The decision of whether to use or not personalization in marketing appears when a company has reached a certain level of growth. For instance, the startup type of company is focusing on growing at a higher rate and making profits. On the other hand, growing beyond a certain dimension comes up with a new series of challenges.

When retention becomes more important than acquisition, a company can start thinking in terms of big data personalization. Installing a personalization system resolves two of the most aching problems of today's companies:

- Offering A Frictionless Customer Experience
- Differentiating

using marketing technology to get a competitive advantage

Technology can be humanity's enemy or best ally. It can help us build trust again. Even if it introduced the digital dizziness into our lives, it also brought people across the Planet together.

Marketing technology allows you to realize the two most important things

required to get loyal customers: frictionless customer experience and product/ brand differentiation.

To put personalization to work, you'll need to use the right data: the big data. Any company with at least two years activity in online has a database and it's capable of creating data management processes to sustain an ongoing personalization program.

demystification of BIG DATA

Big data is an essential part in the personalization strategy. In this whitepaper, we will show you exactly how to actually start building a personalization system from a spreadsheet. But before we get into details, here's a helicopter view of the decisions and expectations about big data-driven personalization.

1. Decision over the basic data elements to use in the personalization system
2. Evaluation of the current database management
3. Expecting to test a lot
4. Choosing the right testing and personalization technology
5. Letting people opt in and out
6. Focusing only on getting the right data

Being aware of this amazing opportunity that technology has enabled will help you in the evaluation process. The decision of whether to start installing a real-time business intelligence system is not saying "yes" or "no" to the adoption, but rather deciding if you have reached the optimal growth level to do it now or later.

step by step guide to installing a big data personalization system

Big Data involves collecting and managing multiple sources of data. Each organization has its own custom blend of big data to work with, but the problem is how they make the "big data" usable.

A big data-driven personalization system is a combination of data intelligence with data science. On one hand, you have data intelligence which requires a human mind to create scenarios and adjust the strategy. The other part refers to data science, which consists of automating the processes through tactics and technology.

set up data tracking

The facts tell that most marketers are stuck with the basic data elements like email, name, location, and demographics.

To take your business to the next level, you'll have to collect data across all the marketing channels. In the digital world, you can easily do it through instruments like landing pages, email marketing, lead capture forms inserted into interactive pop-ups or surveys.

step 1: identify basic data elements

To power your online personalization, you have to make your data usable. Big data is not anything else than data stored in databases. To be able to choose on which types of data to act on, here is a list of type four major types of data used in personalization.

a. personal data (demographics)

- Name
- Age
- Gender
- Location

b. preferences

- Product
- Category
- Size
- Color
- Delivery destination
- Frequency

c. transactional (purchase history)

- Number of orders
- Average Order Value
- Days since first transaction
- Days since last transaction
- Days since first visit
- Days since last visit
- Total amount spent

d. behavior

- Viewed products

- Cart Abandonment
- Form Abandonment
- Email Open Rate
- Email CTR

Each business owner should choose the basic data elements according to their model. For instance, in e-commerce, personalization based on purchase history has the biggest ROI, according to a study realized by [Marketing Charts](#). In other industries, like SaaS, it's important to measure and then track the Customer Lifetime Value to be sure that you'll invest only in the top customers.

step 2: practice segmentation

what will you do with these data next?

Since not all data is important, you should choose very simple scenarios of what you plan to do with the data. From the beginning, you should know that the data will fall into segmentation, personalization, and automatization.

segmentation is not personalization

Some marketers use a type of personalization that involves building a customer persona and then targeting only that group in a single marketing campaign. It's cool, but also pretty old and ineffective for companies who aim to be in the top.

Segmentation alone is static and cannot provide hope for achieving the consumers' unpredictable and always changing preferences and behavior. But when segmentation stays at the basis of the personalization system, then it will fuel the amazing revenue generating machine.

segmentation for personalization

To make the best out of the existing and the future data, you can classify them by their role in the personalization system. It will help you evaluate your current efficiency of the data management processes.

a. real-time data

It's collected from real visitors on your website in real time through cookies and other variables and parameters. It also involves logic rules that match the visitors' data to the segmentation made by you before the

visit happens.

The most simple example is showing a personalized message through a pop-up to a visitors coming from a specific location. So, if the visitor matches the setup location, let's say London, he will be exposed to your pop-up.

The most basic real-time data you can use in personalization are:

- City
- Country
- Device Type
- Operating System
- Traffic Source
- Temperature
- Weather Condition
- Number of Visitors on The Same Product Page/ Category Page

b. historical data

It's the data from the customer data base recorded in the past. Unlike the real-time data, historical data belongs to your customers, not prospects. Also, while real-time data falls into segmentation, the historical data is the basis of the personalization.

The most basic historical data you can use in personalization are:

- Number of orders
- Average Order Value
- Days since first transaction
- Days since last transaction
- Days since first visit
- Days since last visit
- Total amount spent
- Viewed products
- Cart Abandonment

step 3: create strategic personalization scenarios

Having in mind the three touch points required to include a person in your big data-driven personalization system, you will have to design some simple, basic scenarios.

The most effective way to create scenarios is by using a transactional model called RFM (Recency, Frequency, Monetary Value). It will enable you to shift the paradigm from transaction-orientated to customer-orientated

while achieving your target for margins.

the RFM model

RFM is a method that enables the analysis of the customer value. It is commonly used in database marketing and direct marketing and has received particular attention in the retail and professional services industries.

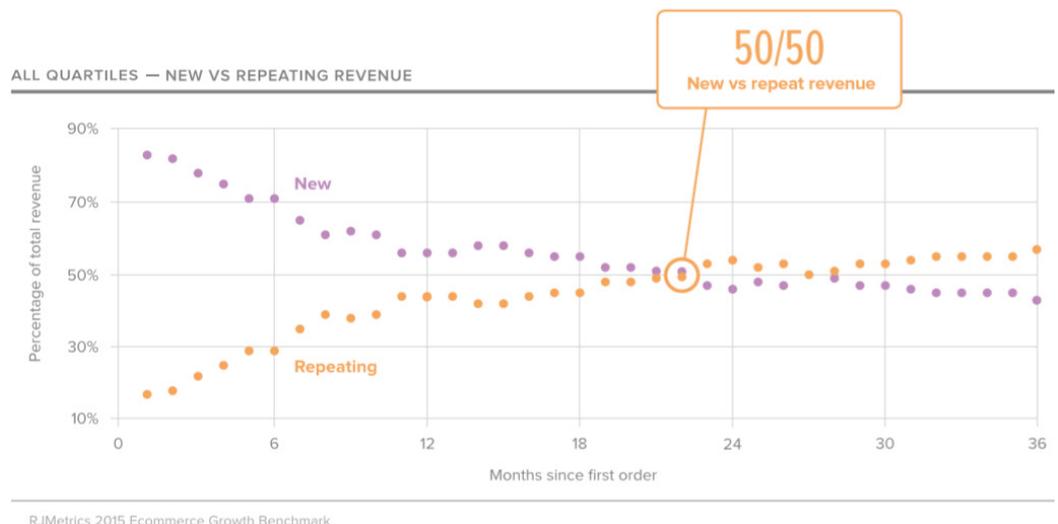
RFM stands for:

- Recency - How recently did the customer purchase?
- Frequency - How often do they purchase?
- Monetary Value - How much do they spend?

Customer	Recency	Frequency	Monetary Value	RFM
John Doe	3	4	2	9
Michael Doe	2	3	3	8
Geena Doe	4	1	1	6

After 2-3 years of activity in online, businesses in the top understand an essential fact that's happening. Repeated purchases in e-commerce or product upgrades in the SaaS industry are the signs that show that retention becomes more important than acquisition.

For example, at the end of the third year of activity in online, a typical e-commerce company gets the majority of revenue from repeat purchases. Here is a graph from [RJ Metrics 2015 Benchmark Report](#) among mature e-commerce companies.



To create personalization scenarios, you first need to segment your customer database. The case for segmentation based on the RFM Model is sustained by these reasons:

1. You can't treat all your customers the same. (Pareto's 20/80 Rule)
2. Customers who have purchased recently are more likely to buy from you again.
3. Customers who buy more often are more likely to buy again than customers who buy rarely.
4. Customers who spend more are more likely to buy again than customers who spend less.

The table below shows how to give a score to each segment of customers for Recency, Frequency and Monetary Value. To make an idea of how your e-commerce customer database should look before making the analysis, check out [this template](#).

Recency

Last Order Date	Ratio % From	Ratio % To	Values	No of Users	From	To	Points
Percentile 100%	100%	50%	182+ days	19	184	365	1
Percentile 50%	50%	25%	91-181 days	10	92	183	2
Percentile 25%	25%	8%	31-90 days	5	31	91	3
Percentile 8.3%	8%		30 days	2	0	30	4

Frequency

Number of Orders	Ratio % From	Ratio % To	Values	No of Users	From	To	Points
Percentile 72%	0%	44%	1	16	0	1	1
Percentile 88%	44%	25%	2	9	2	2	2
Percentile 96%	25%	17%	3	6	3	3	3
Percentile 100%	17%	14%	4	5	4	100	4

Monetary value

Turnover	Ratio % From	Ratio % To	Values	No of Users	From	To	Points
Percentile 1%	0%	5%	- €	2	0	24	1
Percentile 21%	5%	41%	25.00 €	16	25	49	2
Percentile 59%	41%	77%	50.00 €	8	50	99	3
Percentile 100%	77%	100%	100.00 €	10	100	611	4

RFM Database Segmentation

Based on the patterns determined in the customer database analysis, you will be able to create marketing programs for the loyal customers. For instance, customers with an RFM score greater than 400 will receive free returns for the next order and priority support. See this example of how RFM determines the loyalty program of an e-commerce company:

step 4: connect data to technology

Marketing technology is the enabler for scaling personalization. It allows

	RFM Score		Benefits						
			Personal assistant	Free delivery	Free return	Priority support	Priority on delivery	Courtesy call	Discount
Platinum	4322	555	v	v	Lifetime	v	v	v	5%
Gold	5644	5+	v	v	6m	v	v	v	4%
Silver	11232	424, 433, 442, 443, 434, 424			2M	v		v	3%
Bronze	14321	411, 412, 421, 422, 423, 432			1M	v			
Sleepy	34555	Recency 3, Monetary >3			1 time only				
Lost	71343	Recency <2, Monetary >3			1 time only	v			

marketers to provide the frictionless experience that consumers are looking to get from companies.

There are three essential touch points for consumers that pass from the awareness stage to the action stage in the pipeline. They are:

1. Ads
2. Website
3. Email

To eliminate any possible barrier in front of the conversion, you must personalize the experience of the visitors across all the three mentioned points. You can enable it by pushing data through marketing technology to the visitors screens.

Companies using Omniconvert, our testing and personalization solution, have installed on their website a powerful “trio” that allows them to maintain and adjust their personalization system.

Google Tag Manager

Google Tag Manager is a free solution that lets you select important data elements on your site pages and also collect them easily. For example, you can define events and custom variables that you’ll use in the personalization experiments. The tagging system will push data to the website testing and personalization solution that will use them as dynamic insertion in real-time.

Omniconvert

Omniconvert is a testing and personalization solution that lets you show personalized messages to your website’s visitors. It also allows the integration of Google Tag Manager and it offers advanced segmentation solutions based on data pushed from GTM or Google Analytics.

Email marketing solution

It's recommended that you choose an email marketing solution that allows testing the subject lines and also inserting personalized content into the emails. You can use GTM tags in your emails to send specific segments of customers to your website and show them your special offers.

create

You will need a creative team to power up your strategy with persuasive messages and images. Train your team to be always orientated on experimentation and understanding the customers. Make sure that your designer and copywriters have basic knowledge of conversion marketing, persuasion, and human psychology.

maintain

Setting up the big data-driven personalization system requires more resources than the other two phases dedicated to the creative work and maintaining the system. But the ongoing adjustments are essential to maintaining the competitive advantage.

A data analyst should be concerned about the modification of certain tracked variables in a program compared to other variables. For instance, in the process of increasing the RFM score, someone could aim for making people buy more frequently. An important metric to track at the same time is the Average Order Value.

Using only a loyalty based personalization system that doesn't adjust in time according to the information you collect from your customers doesn't allow you to maintain a competitive advantage.

that's where Omniconvert can help

Usually, you must pay somewhere around 70.000\$ per year for an enterprise personalization solution. But with this whitepaper and fewer dollars invested ([see the pricing plans](#)), you will be able to obtain a competitive advantage even if you don't have the budgets of the top players in your industry.

With Omniconvert you can push data from Google Tag Manager to trigger various messages according to your marketing program's objectives. You can either use real-time data collected through our tool to target only

specific segments of traffic (that are not yet customers) or use historical data to run an automatic loyalty program.

Also, you can use Omniconvert to A/B test your website or as a qualitative research tool that collects data about the audience through surveys. With Omniconvert, enjoying the benefits of the latest and most innovative marketing technology is now possible.

Schedule a demo today!



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