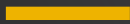




AI AND ECOMMERCE



AI AND ECOMMERCE

You can't go very far these days without hearing about Artificial Intelligence (AI). Will it destroy the world? Will it save it? Is it ethical? Will AI replace humans? It's clear that a certain amount of confusion still remains around what AI is and its likely impact on our societies and on our livelihoods. Indeed, it can be tempting to think of AI in terms of far-flung, sci-fi like scenarios—think robotic dentists, flying cars and virtual worlds. But if you've ever uploaded a photo to Facebook, asked Alexa to change the song, had your favourite product suggested to you by an online retailer or used your face to open your iPhone, then chances are AI has had a part to play in this interaction for some time already.

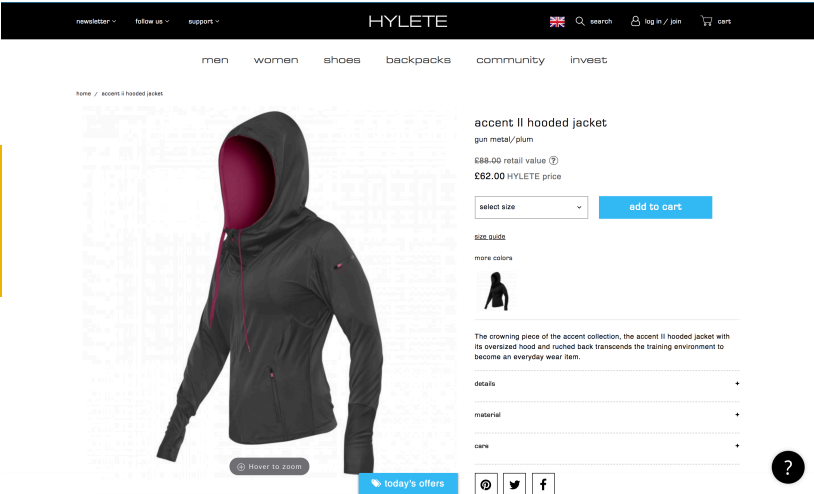
And one thing is for certain—AI's impact on various facets of our lives is set to continue, particularly in the eCommerce arena for both businesses and customers alike. In their 2018 Worldwide Digital Transformation Predictions, for example, IDC predicted that by 2019, 40% of digital transformation (DX) initiatives will use AI services; by 2021, 75% of commercial enterprise apps will use AI and over 90% of consumers will interact with customer support bots.

The upward trajectory of AI and its influence on businesses and their eCommerce strategies is clear for all to see and it's understandable why. From a

retail standpoint, AI has the power to learn from a customer's habits and their tastes to better predict and target what they want. In an age where choices are seemingly limitless for consumers, this type of technology is crucial for businesses in providing a personalised one-on-one experience for their customers. In this sense, it's win-win.

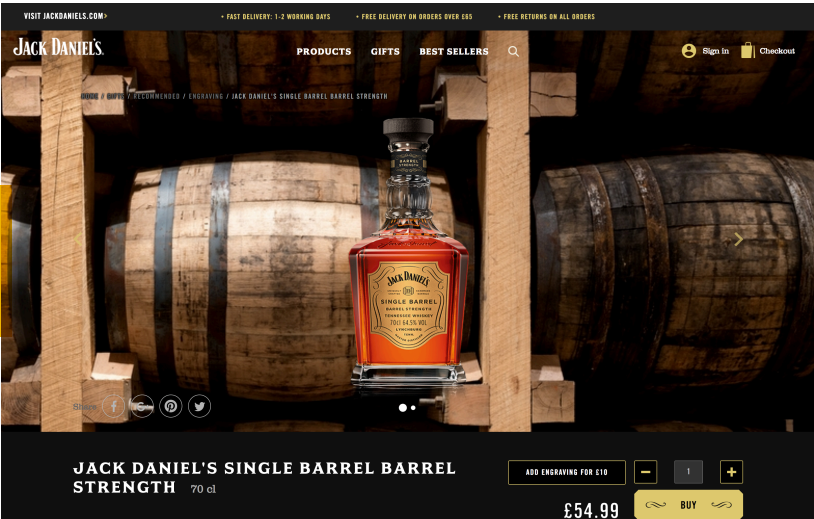
The consumer benefits from a more enjoyable and frictionless shopping experience across channels, whilst the merchant is able to leverage AI to offer a more streamlined service, winning over loyal customers as it goes.

Here at Vaimo we have seen various ways in which AI and machine learning can positively impact upon the consumer experience. Here are just a few examples from our own clients:



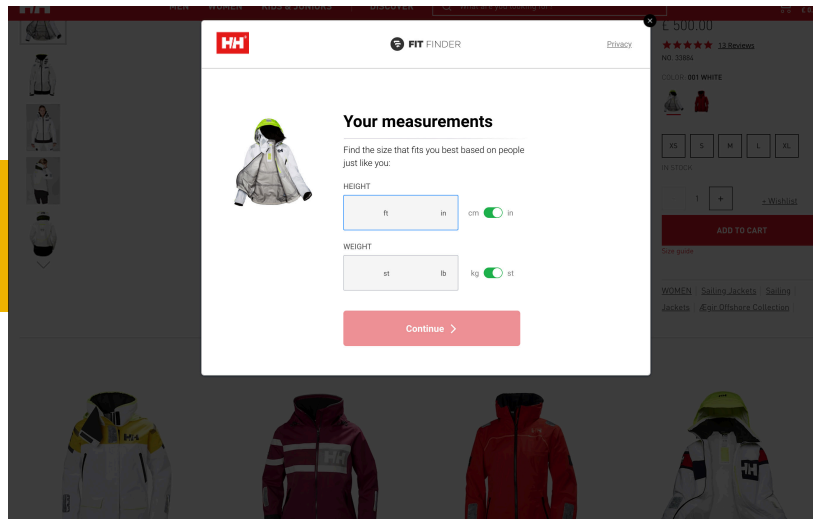
HYLETE

Performance apparel brand, HYLETE, uses self-learning to offer targeted promotions to individual customers based on their search history



JACK DANIEL'S

Jack Daniel's store learns about its customers and then offers product recommendations based on this data



HELLY HANSEN

Helly Hansen's site will suggest to you the correct product sizes based on AI and input from customers

These are just a handful of ways to illustrate how AI can lead to a more intuitive purchasing experience for the customer, providing them with an overall better customer journey.

In this white-paper we'll now delve deeper into specific aspects of AI to explore how our partners dotmailer, Nosto and Klevu are using it to deliver transformative results for eCommerce stores around the world. With dotmailer we'll look at the potential for AI in the email marketing sphere, Nosto will then demonstrate how they add value through automated personalised recommendations in real-time with machine-learning and finally Klevu will explain how they use

self-learning and personalisation in search to benefit both merchants and customers.

If you're currently in the dark on AI, and are struggling to see how it could help the growth of your business, then read on to hear exactly how you can integrate its functionalities into your operations. AI is here to stay—it's not going anywhere in a hurry—but with this white-paper you'll be equipped with the knowledge and know-how to take the next step on your AI journey.



Vaimo is the global leader in delivering award-winning digital storefronts, omnichannel solutions and mobile apps. Our focus is to accelerate B2B and B2C sales for our brand, retail and manufacturer clients. With 15 global offices across EMEA and Africa and over 300 employees, we provide an international presence that allows us cultivate close, long-term relationships with our clients.

ARTIFICIAL INTELLIGENCE IN EMAIL – FOUR STEPS TO YOUR AI GRAND DESIGN

HOW IS AI BEST USED IN ECOMMERCE AND EMAIL?

In marketing, the power of AI boils down to letting it do one of two things:

1. Identifying the right audience

Working out the best person or group of people to put the defined message in front of. Who should see your Facebook Ad? Which visitors to your website should see that product? Who should receive an email from you today?

2. Identifying the right message for the audience

Working out what message is the best one to put in front of the defined group, and even creating the messages to put in front of them. Should they get a message about trousers or jumpers? Will they react better to the “Buy” button or the “Find out more” button? A video or an image?

When you merge those two areas so the system finds the audience and sets the message, it can become amazingly powerful.

WHAT'S THE POTENTIAL FOR AI IN EMAIL MARKETING?

An AI system creates the greatest benefits when it's doing things that we just don't have the time or capacity to manage. That could mean dealing with complex data sets to make sense of them for us or finding the needle in the massive haystack.

The key benefits of any well-implemented AI system are:

1. Increased sales
2. Reduced costs
3. Freeing up your team (to work on other projects to grow sales even further)

BEFORE YOU GO ALL AI

To set up an AI system you need four things:

1. A problem that needs solving!
2. An environment for the AI system to operate in and to learn from
3. A goal for the AI system to achieve
4. A huge budget

The great majority of businesses don't have these four things, and number two can be particularly difficult to achieve. There is quite a lot of preparation to do before you are ready to even think about introducing AI; putting it live before you're ready and it could do more harm than good to your business.

If all you do is send a weekly email to your database from an email system that's not connected to your website, CRM or order system, then you're far off from being ready to benefit from AI. Don't worry, though, because you're really not alone. In the 2017 Hitting the Mark report, dotmailer evaluated the multichannel activity of 100 retail brands. They found absolutely no evidence that any of the brands were using AI in their email marketing. Right now, the majority of email marketers are simply sending an unsegmented broadcast each week.

MIGRATING BEYOND NEWSLETTERS

01 GET THE BASIC INTEGRATIONS IN PLACE:

-When someone signs up for your email marketing, ensure they are automatically added to your database. You'll want to make sure that's the case whether it's through Facebook Lead Ads, the pop-up on your website, your website footer or in a physical store.

-Integrate your conversion tracking data so you have the financial results of each email campaign in your email marketing system.

02 BUILD SOME EMAIL MARKETING PROGRAMS WHICH COULD INCLUDE:

-Welcome campaign – to tell them about your business just after they sign up for your email marketing

-Abandoned cart campaign – to encourage those who've left something in their cart to come back and buy

-Post-purchase campaign – sent soon after a customer has purchased, either to cross-sell or to get them to leave a review

-Repeat purchase campaign – sent at a pre-defined point after a customer has made a purchase; the timespan on this varies based on your products, so it could be 12 months after they last bought for a holiday, or after a month if you're selling shampoo or vitamins

-Reactivation campaign – sent to those who've stopped opening your emails, visiting your website or buying your product

03 IMPLEMENT SIMPLE AI SYSTEMS

often, these are ready-to-go options you can choose to turn on in your email system, or third-party plugins you can easily integrate with.

-Optimise send time – the number one question in email marketing is "When should I send my emails?" There is no global answer, which is a good thing! Otherwise, we'd all end up sending at the same time and that'd be an inbox nightmare! dotmailer's send time optimisation tool sends your email at the most likely time it would be read by each recipient. It's self-learning, and constantly refining, so it'll take care of issues like time-zone optimisation in order to give you time back.

-Improve deliverability – Deliverability is the science of getting as many of your emails into the recipients' inboxes as possible (rather than spam, or not delivered at all). dotmailer has two AI-powered tools that support this. Firstly, its Data Watchdog predicts, detects and actively prevents you from sending emails that may cause complaints and issues. Intelligent and self-learning, it quarantines any 'high risk' files before they're even uploaded. Secondly, its ARM automatically moves senders into different sender pools based on their contact data, in order to improve email deliverability.

-Create better subject lines – There's a great system called "Phrasee" that uses an AI system to predict the performance of your subject line before you even send it. It uses data from billions of emails to suggest improvements and enables you to improve performance before you hit send.

IMPLEMENT SIMPLE AI SYSTEMS

-Give customised product recommendations –
If you're using a 'searchendising' system on your website that shows customers the products they're most likely to buy, you're already using an AI system. Most of the searchendising platforms provide you with the ability to autofill sections of your emails with the right products for each email recipient.

This kind of integration comes at different levels of sophistication, depending on the system you work with and how integrated everything is. dotmailer works with partners such as Klevu, Nosto and SLI Systems who offer some of these intelligent tools.

04 ANY AI SYSTEM IS ONLY AS GOOD AS THE DATA IT HAS ACCESS TO

- Send time optimisation: looks at how your customers interact with your emails (open and click information)
- Improved deliverability: looks at how your customers interact with your emails and how emails affect deliverability across your email database
- Better subject lines: looks at a huge database of subject lines and response rates
- Customised product recommendations: looks at the customer behaviour data held in the system you're using for searchendising.

To take the next step, you need to merge all your data into one place.

For example: All customer transactions, all customer website activity, all customer email activity and customer responses to advertising and other marketing.

For every business, the exact data you can pull into your email marketing system will differ; in fact, you may find that the best place for you to consolidate this information is in your CRM or another system. That's fine. At a minimum, you need to integrate your email activity and website activity (including sales data).

Once you have that integrated, you are ready to implement AI to solve much bigger problems.



dotmailer is the leading marketing automation platform that empowers global marketers to achieve outstanding results. The software enables businesses to use advanced data to design, test and send powerful automated campaigns. A premier partnership status with Magento provides a deep, powerful ecommerce integration. dotdigital group's acquisition of COMAPI in 2017 has brought best-of-breed omnichannel messaging capabilities to the dotmailer platform, providing marketers with the opportunity to achieve human conversations at scale.

RISE OF THE MACHINE (LEARNING): WHY AND HOW IT ADDS VALUE TO ECOMMERCE

MACHINE LEARNING: WHAT DOES IT EVEN MEAN?

Machine Learning, in its most basic form, is the practice of using computer code to parse data, learn from it, and then make predictions or determinations based on those findings. Essentially, the term references a set of algorithms that the computer utilises to determine the best way to handle the input data without being explicitly programmed for the task.

There are a number of machine learning-driven applications in use today. For instance, if you listen to rock music on Spotify, you will quickly discover a combination of music recommendations based on that choice: new arrivals, rock classics and more in-depth, genre specific albums that you might find interesting. Similarly, when using a streaming service like Netflix, you'll find that binge-watching the latest season of "Stranger Things" will trigger similar sci-fi movies and TV shows to appear on your home screen for your consideration. This behavioural pattern is the result of the machine retaining knowledge of your preferences and behaviour over time.

There are different approaches to enabling the learning component; using basic yes/no decision trees to cluster the data into different buckets for separation, layers of artificial neural networks that resemble how the human brain functions with interconnected nodes. The approach you choose depends on what you want to achieve and what kind of data you have to work with.

HOW NOSTO CREATES VALUE BY UTILISING MACHINE-LEARNING

Nosto creates a unique value for eCommerce stores by offering a multi-layered approach to consumer targeting: exposing products with different logics to users across various stages of their buying journey, and across multiple channels (onsite, email, social advertisements). The products recommended depend on the calculations made by the Nosto core, combined with unique user interests and an added layer of optimisation. This leads to a more tailored experience for the customer and, consequently, greater revenue for the business.

MODEL-BASED COLLABORATIVE FILTERING

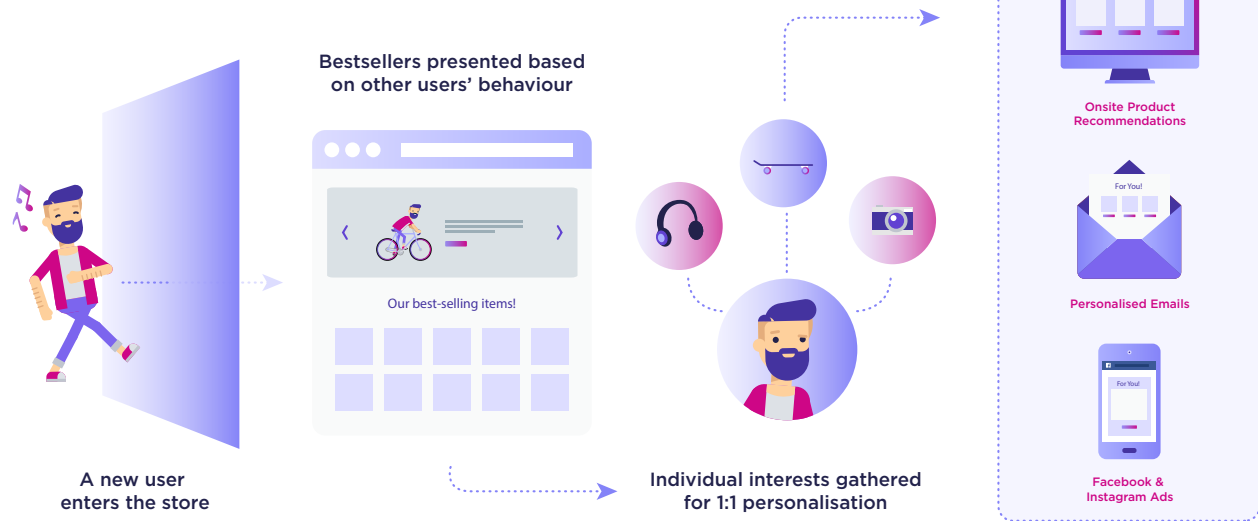
Nosto utilises multiple techniques to gather, analyse and deliver data - but at the very core of what we do is a technique called model-based collaborative filtering.

Collaborative filtering is a method of making automatic predictions (filtering) about the interests of a user by collecting the actions of other users (collaborating). To simplify collaborative filtering, let's look at a simple example:

If person A likes "Stranger Things" on Netflix and also likes "Black Mirror" (which is in the same sci-fi category), we can assume that person B who also likes "Stranger Things" would be interested in watching "Black Mirror".

These kinds of automatic predictions require large volumes of data before they become truly relevant and useful. Note that these predictions are specific to the individual user, but utilise information gathered from many other users. The technique differs from the simpler but similar approach of "voting", where every item gets an average (non-specific) score that does not take peer behaviour with those items into account. For applications within eCommerce, this technique makes perfect sense since there are so many actions the user can take that can be treated as a clear like, dislike or intent.

The more data gathered, the more personalised the recommendations



Nosto utilises collaborative filtering augmented with our own models and unique context: this context translates both individual user behaviour into rich profiles (1:1 personalisation), and collective crowd behaviour (trending, best selling) that powers most Nosto features. One example would be showcasing complementary products on a website's product page.

For a completely new user, the collective treatment spanning hundreds of thousands of users can be exposed right off the bat. However, once the user's individual rich profile is in place, Nosto can leverage the personal affinity towards a certain brand, size, colour or category and take that into

consideration when generating more personalised product recommendations.

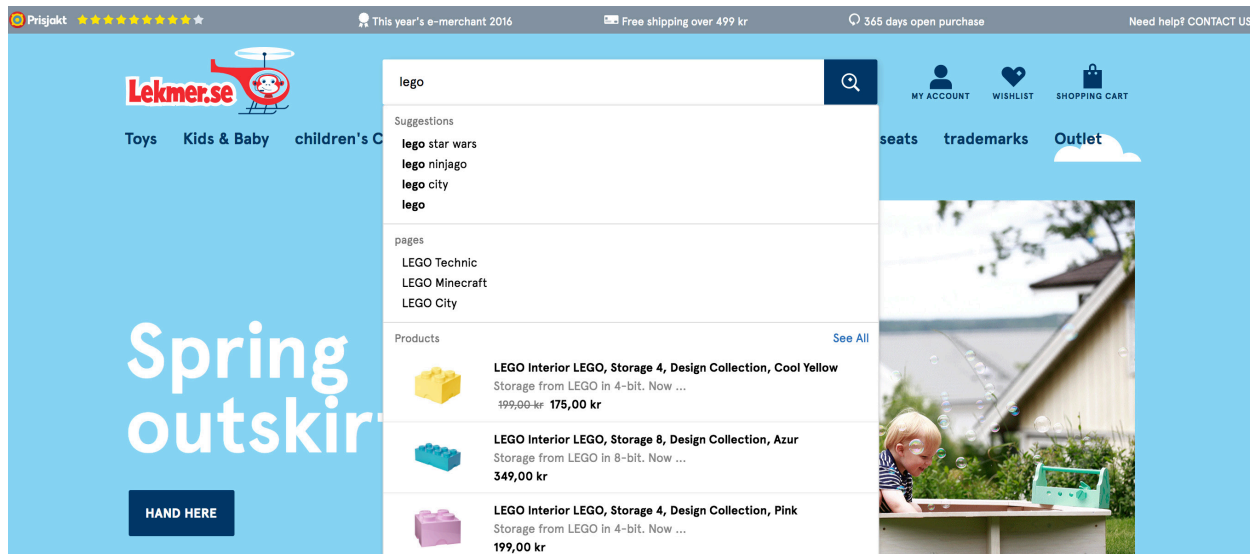
The technique is similar to what Netflix, Spotify and Youtube utilise to create recommendation systems for their services - with the exception that Nosto's technique was uniquely built from the ground up and tailored towards eCommerce.

Nosto's ultimate end goal is essentially to create value for the end-user in terms of increased product discoverability and added relevance across every channel. When done correctly, enhancing the user experience leads to an uplift in average order value, revenue and customer lifetime value for the eCommerce store.



Nosto enables online retailers to deliver their customers personalized shopping experiences at every touch point, across every device. A powerful personalization platform designed for ease of use, Nosto empowers retailers to build, launch and optimize 1:1 multichannel marketing campaigns without the need for dedicated IT resources. Leading retail brands in over 100 countries use Nosto to grow their business and delight their customers. Nosto supports its retailers from its offices in Helsinki, Berlin, Stockholm, London, New York, Los Angeles and Paris. To learn more visit www.nosto.com.

HOW KLEVU USES SELF-LEARNING AND PERSONALISATION FOR AN ENHANCED CUSTOMER EXPERIENCE



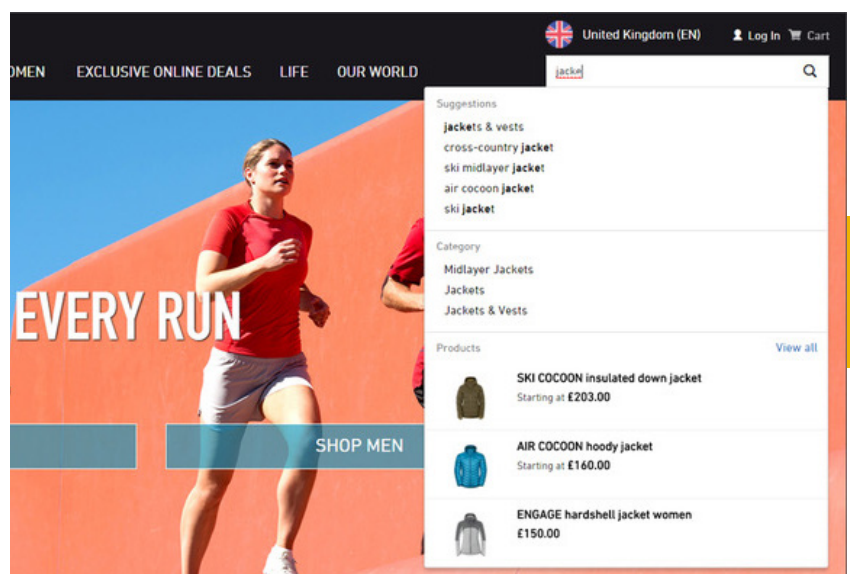
In today's commerce environment, digitally-savvy shoppers are demanding intuitive and efficient purchasing experiences. Customers are no longer willing to trudge through the noise of countless irrelevant products—they want a tailored experience that provides them with exactly what they want in a manner that suits them. And this is where self-learning and personalisation come in.

These tools place the customer at the heart of the shopping experience, providing them with an experience that is relevant to their tastes and that allows for a smoother and ultimately more satisfying purchasing journey. In turn, this means happier and more loyal customers—which means increased sales and growth for businesses.

SELF-LEARNING:

Klevu uses machine learning to apply a layer of real-time optimisation to search results, automatically boosting specific products based on how users are interacting with them. Items are boosted based on users clicking on them, adding them to cart and purchasing them through search - helping to ensure that popular products become more visible.

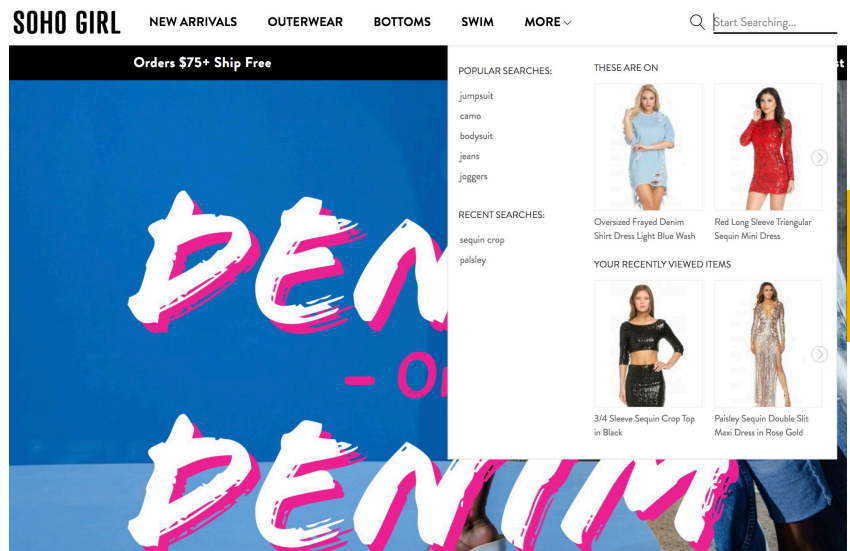
Klevu applies this machine learning in real-time but also allows merchants to apply an additional layer of custom logic - where users can boost specific items and groups of items at a global level or a keyword level.



PERSONALISATION:

Klevu has recently introduced a number of new features focused on personalising the search experience to customers, based on how they have interacted with products via the search function. The most commonly used examples of Klevu's personalisation features include personalised product recommendations upon activating search and personalised recommendations for 0-result search queries, both of which allow for a more streamlined journey for users.

Klevu is now working on building more 1:1 personalised logic into the core search algorithm.



Klevu is the most advanced eCommerce site search solution on the market, utilising natural language processing and self-learning capabilities to deliver the most relevant search experience for online stores. Klevu started out with a challenge to provide online retailers with the most contextually accurate eCommerce search results on the planet - connecting shoppers to the exact products they are looking for, regardless of the complexity of the query.

ARE YOU INTERESTED IN LEARNING MORE ABOUT PERSONALISATION, AI AND MACHINE LEARNING?

Whether you're new to eCommerce or trying to accelerate growth in your commerce channels, Vaimo can help you to attract new customers & convert traffic into sales with strategy, design and technology. Book a call with our team to understand how promoting loyalty and trust through personalisation via AI will allow you to stand out from your competition and prompt some exciting developments for commerce marketing.

Join Vaimo, Klevu, dotmailer & Nosto in the Nordics this May.

Register your interest to book a place for your local event in Sweden, Norway or Denmark.

Join us at your local AI event

Request a call

