

XPLN

The Importance
of Insight

WHITEPAPER

Algorithmic Commerce

Stay ahead of the competition with AI, analytics and smart data



Intro: Successful e-commerce thanks to AI and algorithms

Shopping behaviour is shifting more and more towards e-commerce and online sales are steadily increasing. This trend was already evident before Corona, but was reinforced by shop closures and lockdowns during the pandemic.

Online Shopping is here to stay

These changes in customer behavior are expected to last, and online will remain the default shopping method for many consumers – because they are digitally connected and informed, appreciate the convenience, and have now simply become accustomed to it. More and more retailers are therefore putting e-commerce at the heart of their strategies and plans. In the future, it will be a matter of combining offline and online in the best possible way and integrating the customer journey in both worlds.

AI is already part of e-commerce

A look at the strategies of successful online stores shows that artificial intelligence (AI), business intelligence (BI), and big data have long been an integral part of every one of them. Their marketing and sales are essentially driven by insights from data analyses based on consumer habits and channel specifics. Both can no longer be captured manually. Store operators are therefore now deploying AI applications and algorithms that make the usage more convenient and the shopping trip a shopping experience, that optimize the entire sales process, increase conversion, and strengthen customer loyalty. They operate algorithmic commerce.

Algorithmic Commerce is the key to true customer experience and successful online and offline commerce. On the following pages, we will show you how this works and which requirements have to be met.

What is Algorithmic Commerce



Algorithmic Commerce is the approach of analyzing consumer and market data in large volumes (Big Data) with the help of artificial intelligence (AI) and machine learning algorithms and then using the findings profitably for your own company. For this purpose, business functions that are no longer managed manually are being systematically digitized.

The aim of this approach is to (re)gain the necessary overview and transparency in complex market developments. And to predict future consumer and purchasing behavior and deliver the right offers at the right time. In other words, to recommend personalized and tailored products and services in the right place at the right price that convert successfully.

AI and algorithms make the difference

Today, successful e-commerce is largely determined by the use of intelligent technologies as well as AI and analytics solutions.

These are based on complex machine learning algorithms that are trained on behavioral and transactional data to recognize patterns in consumer behavior and develop an understanding of their needs. In turn, they can abstract and apply this understanding to new contexts that match the pattern.

The algorithm understands us before we do

Trained in this way, machine learning algorithms are able to track, analyze, and predict consumer behavior (searches, purchases, and ratings) with a high degree of accuracy. Combined and aligned with available market data, product and assortment trends can also be predicted and matched with consumer behavior.

Based on the data collected and the resulting insights, algorithms can recommend products tailored to each customer's interests and needs in real time and create a personalized shopping experience.

In addition, machine learning algorithms provide significant and reliable support for pricing in today's e-commerce, which is strongly determined by price transparency and price sensitivity.

Via automated monitoring of the company's own products and continuous extensive market price analyses, algorithms enable accurate repricing decisions to be made and the right, not the cheapest, price to be placed at all times, depending on the product and channel.

What is needed for successful algorithmic commerce?

To use algorithmic commerce, you first need a data-based mindset. Apart from that: data infrastructure and data, data, data. Whether and how the benefits of intelligent technologies can be used for a customer-centric marketing and sales strategy essentially depends on the quality of the data and the state of the CRM and data processing.

How do you make algorithmic commerce work?

Be data-driven

Retailers have always used data to drive their business. So remembering customers and their needs and delivering recommendations is familiar territory. What's new is looking at these memories in a structured way and understanding data as such. And to have this preliminary work done automatically by an AI in order to concentrate on the core business itself – and to sell. Machine learning algorithms can help to extract significantly more usable insights from existing data and apply them to support marketing and sales..

Start with the data you have

Almost every retail business is sitting on a treasure trove of customer and transaction data that accumulates and grows with every transaction. However, most do not use it, or at least not to its full extent. (Hand on heart: Do you?) In the rarest cases, this data is already systematically collected and structured.

Supplement with available market data

E-commerce is driven by a high level of price transparency and rapid price developments. In the blink of an eye, consumers now determine the market price of products via price search engines and marketplaces.

With the automated collection and analysis of market prices, bestsellers and ratings, algorithmic commerce is proving to be a successful strategy. It enables future decisions to be made on the basis of well-founded market information, thereby increasing conversions, margins and efficiency.

Benefit from the advantages of hyperautomation

The business functions of a future-proof and successful online store that need to be systematically digitized also include previously manual processes for tracking orders. It is important to ensure that orders are seamlessly connected with the store and CRM.

Algorithmic Commerce offers significant benefits here as well, ensuring the seamless digital connection of all touchpoints in the supply chain, known as hyperautomation. For example, when shipping products, AI ensures that retailers know in good time when demand for certain products will increase, while at the same time also providing logistics with real-time information, which in turn optimizes delivery routes and chains.

Put the customer in the first place

For many companies, customer satisfaction already comes first. Applied to e-commerce, this means anticipating wants and needs and designing an infrastructure that makes customers happy.

This starts with a convenient login process. Once a customer has been won over and knows that he can quickly find what he is looking for in a webshop, he will buy again. At least if he doesn't have to log in again and therefore perhaps abort.

#usecases

Apple, as an example, shows how this works: In the store of the ICT industry leader, you can simply log in and buy using Face ID. If you also use ApplePay via app, you don't even have to add your shopping address, because it is already filled in.

Another elementary contribution to customer satisfaction is personalization, which works best when customers move around the store and easily and quickly come across products they like. Either without recognizing an obvious personalization or even with visibly personalized recommendation as an appreciative service.

One proven way is to use machine-learning algorithms to show the gross profits of each product and then place the best sellers at the top. An obvious but good example of this is Amazon's automated product placement and recommendation.

The fashion provider StitchFix shows how the algorithm can be used for deliberately visible product recommendations and AI-based personalized shopping. Its Personal Shopper & Outfit Planner brings the right products and content individually and very successfully to the right customers.

Conclusion: E-commerce is a business booster – Algorithmic Commerce is the key to it



Companies that no longer see and understand e-commerce as merely an extension but as the core of their stationary business are already on the right track. After all, the digitally connected and informed consumer expects a seamless and convenient shopping experience from providers who (re)act competently and correctly in real time.

This means they are no longer faced with the question of whether machine learning algorithms should be used, but rather how to do it best. The analysis of customer data and the use of AI are synonymous with future-proof and successful e-commerce.

In this context, algorithmic commerce is proving to be the ideal unified strategy for getting the most out of existing data. And it does so in a way that offers customers a personalized shopping experience, optimizes the entire sales process, and results in continuously high conversions.

All that is needed is the best possible use and targeted deployment of existing data and resources. Plus a pinch of AI.

Use this for your success now.

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You've read enough.
Let's talk!

We are very familiar with your day-to-day work in the e-commerce sector. And we know why reliable data is the key to confident decision-making.

Let's sit down and talk about how we can address the challenges you face every day and improve your sales and margins together.

TELL ME MORE

ABOUT XPLN

XPLN unearths buried e-commerce data troves and reveals their riches, empowering our clients to make confident decisions and take decisive action. Our unique SaaS+ approach combines AI-based software with human expertise and data consulting to correctly interpret data and use them profitably. It informs crucial branding decisions by major brands and retailers and offers structure for maximized performance. This is the heart of XPLN – The Importance of Insight.

XPLN supports key players in diverse industries such as Calvin Klein, Tommy Hilfiger, Gardena, Euronics and Swarovski.

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