

Vuja de:
the personalized
merchandising
shake up.

Who we work with:

LVMH

SHISEIDO



HOT TOPIC

DIANE VON
FURSTENBERG



NET-A-PORTER

kate spade
NEW YORK

KURT GEIGER

FARFETCH

Vuja de [voo-zha-day]

noun

**A feeling of being in a very common situation
yet experiencing something brand new.**

"a feeling of vuja de"

A wordplay, coined by the comedian Carlin, he detailed his fascination with looking at everyday mundane things in a new light. He questioned the things we do in 'autopilot'¹:

"When we've lost our keys and are searching for them, why do we keep checking in the same few places, over and over? It doesn't make sense!"

The concept of vuja de is a mindset people use to look for new opportunities in common places. Harvard Business Review states that some of the most successful people use this approach. For example Tony Fadell sold his business to Google for \$3 billion in 2014. He saw opportunity in a thermostat, with Nest.

Our data science teams have dug into the data of 100+ Qubit retail customers with a vuja de mentality. Uncovering millions of dollars of opportunity sitting right in front of businesses today.

¹ 'Can you see the opportunity right in front of you', HBR, 2014

Data points

173,000
purchases

30,000
categories

1 million
products

1.5 billion
visitors

3.3 billion
sessions

Data analysis at scale.

Ecommerce merchandising teams are under significant pressure to perform. These 'owners of the digital storefront' make or break revenue forecasts for the digital arm of the business. It's no easy job and is especially hard since retailers are having a tough time.

- It's hard to stand out and differentiate your product offering
- Endless disruption from new competitors with different business models
- The stark reality that 84% of shoppers only buy from a brand once.²

These, albeit important, problems distract businesses from what matters. The customer.

To empower businesses with new opportunities Qubit has drawn insights from qualitative and quantitative research. We've studied 100 retail clients and interviewed 100 individuals that work for these world-class brands. These businesses cover general retail, fast fashion, luxury and beauty, spanning multiple geographies with years worth of behavioral data.

The customer-first merchandising opportunities.

Increase homepage relevance by **3.9x**

personalize with customer preference data.

Boost revenue by **5%**

with AI-powered product recommendations from Google Cloud

² 'The journey to advanced personalization, Qubit, 2019
www.qubit.com/research/the-journey-to-advanced-personalization

Is all this data useful?

Digital merchandisers obsess over product data. Whether it's updating the product catalog or analyzing product performance, they tend to find a lot of their day consumed by high volume low value tasks. Meaning they cannot devote time to thinking about how to optimize for revenue in **new** ways.

Our research showed an average product catalog size of **13,000** with a large range of **450** to **16,000** products. With so many products to look after it makes sense for merchandising teams to focus resources on hero products. However, this means the rest of the catalog goes largely untouched.

13,000 products all with their own data points on views, purchases, prices, inventory levels...the list goes on. Meaning merchandisers have access to more data than ever before. More data isn't always better, how do merchandisers use all of this to make data driven decisions? How do they draw down valuable insights?

Your product data is customer data.

Applying a vuja de mentality to the status quo you realize that product data is actually customer data. It's your customers' reactions to your products, images, descriptions and prices. When they decide to look and not buy, you see that in your product numbers. When they decide to add-to-bag but abandon, you see that in your product numbers. Behind the rows of product data are people making decisions, choosing whether they feel inspired, whether to buy from you.

Behind the rows of product data are people.



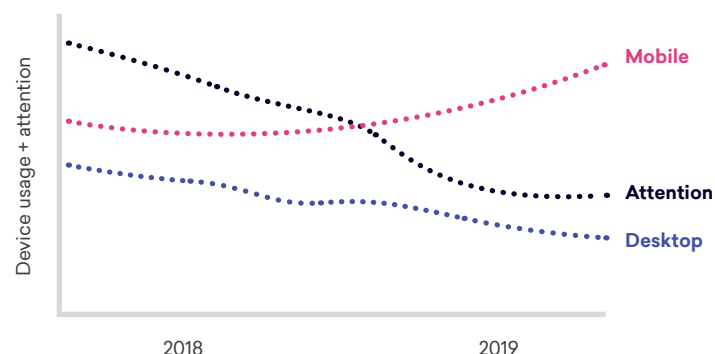
Increase homepage relevance by 3.9x.

personalize with customer
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Attention is the new form of currency.

Consumers are bombarded with information from every angle. Netflix, a business synonymous with making data driven decisions, are all too aware of this problem, “a typical Netflix member loses interest after **60 to 90 seconds** of choosing...on one or two screens.”³

As mobile usage increases, attention decreases



Source: Qubit data

Our research showed similarly striking numbers. Visitors browsing on desktop devices have **1-3 pageviews**, and only **1-2 pageviews** on mobile. Over time these attention spans haven't changed, however, the device the end consumer uses has. As you can see, the attention span problem is exacerbated by the fact that customers are switching from desktop to mobile.

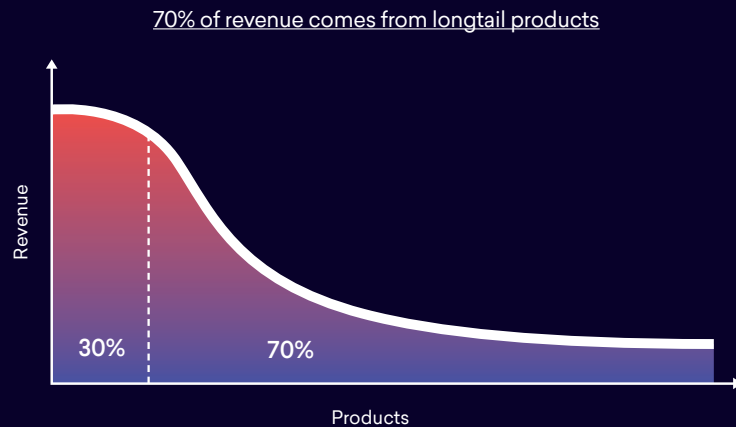
Our data supports Netflix's observations. Ecommerce teams have only 1-2 pageviews to be relevant and grasp someone's attention. A visitor's short attention span is the reason Netflix invests so heavily in its recommendations system. Being **relevant** is the only way to engage customers.

*Ecommerce teams
have 1-2 pageviews to
to be relevant and grasp
someone's attention.*

³ The Netflix Recommender System, C. Gomez-Urbe & Neil Hunt, Netflix Inc, 2015

Hero products drive 30% of revenue.

With 13,000 products to merchandise, focusing on those that have the highest revenue makes sense. Hero products drive 30% of the revenue which goes to show the range of visitors attracted to a website. 70% of revenue coming from the products you are **not** actively merchandised.



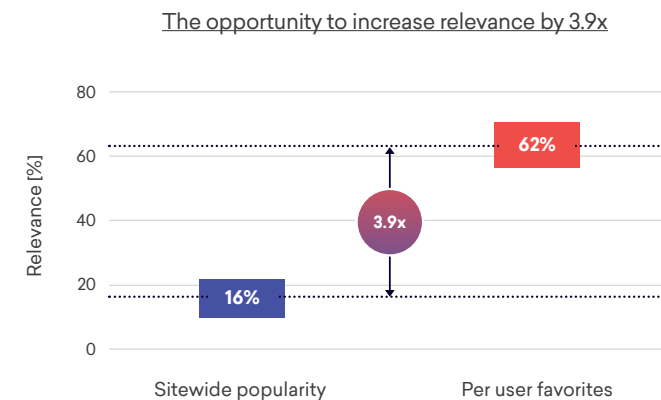
Using machine learning Qubit is able to identify someone's favorite category, product and price. Running these models across our client base reveals the range of preferences an ecommerce team has to cater for and how relevant the hero products are to most visitors.

Hero products are only relevant to 16% of visitors.

Comparing the top revenue categories across all customers to the preferences of ALL visitors is an enlightening comparison. Popular products garner the largest share of revenue at an individual level. Yet merchandising these to all visitors means only 16% of visitors see something relevant. If brands use customer preference merchandising techniques, it is 3.9x more relevant at 62%.

Our definition of relevance

Relevance is calculated by looking at what percentage of transactions contained any of the top three most popular products.



Boost revenue by 5%.

with AI-powered product
recommendations from
Google Cloud

The industry twists the truth.

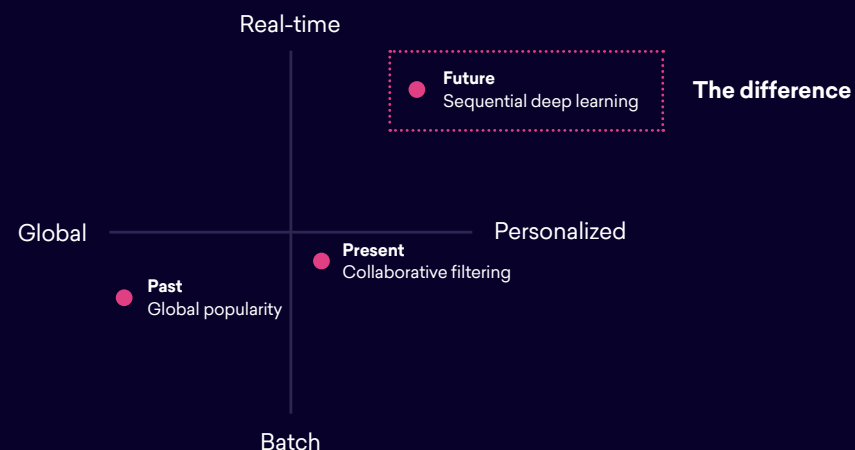
Ecommerce teams are bombarded with AI *this* and deep learning *that*. Apparently everything is powered by one of these but the fact of the matter is - it's just not true.

The most common technology that falls under this cloud is product recommendations. These are always powered in a black box by hundreds of algorithms that are too advanced to understand. Algorithms aside, let's complete a very simple audit on your website:

- Open your browser
- Then open an incognito window or another browser
- Browse your website in both windows, clicking on different products and categories in each one
- Click through to the same product in each window and look at the product page

What do you notice? Are the recommendations virtually identical if not, exactly the same? Shouldn't they be different?

The reason being, product recommendation technologies today utilize machine learning algorithms to build product-to-product correlations not customer-to-product relationships. Machine learning can't build these customer-to-product relationships in a sustainable way due to technical limitations - yet it's what 99% of the technology is built on today.



This means product recommendations effectively recommend from the top 30% of the catalog just like a merchandiser would. However we know from our research that hero products are only relevant to 16% of visitors. The expectation from your product recommendations should be that they aid product discovery and utilize the entire catalog to cater for the diverse range of customer preferences.

Product-to-product vs customer-to-product

When analyzing data point after data point it's easy to forget that the people visiting ecommerce stores are unique and make their decisions differently. It's also easy to forget that shoppers take a journey through your product catalog, which relates to the earlier point about product data actually being forms of customer data.

Analysing the shopping journey of customers is something that is often overlooked, usually due to the grand scale of that effort and the inability to action the output of that type of analysis. However some of the greatest tell-tale signs about a customer are held within this data. Here's a non-product example of how the sequence of something really changes what comes next.

Finish the sequence:

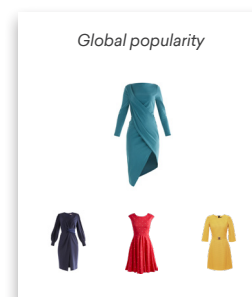
Snap... Crackle...?

Ctrl... Alt... ?

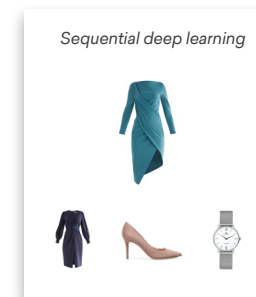
Game... Set... ?

Qubit, in partnership with Google Cloud AI, are making this come to life. Enabling a step-change in the mechanics of recommendations and the experience retailers can offer their customers.

Today's recommendation providers



Google Cloud + Qubit.



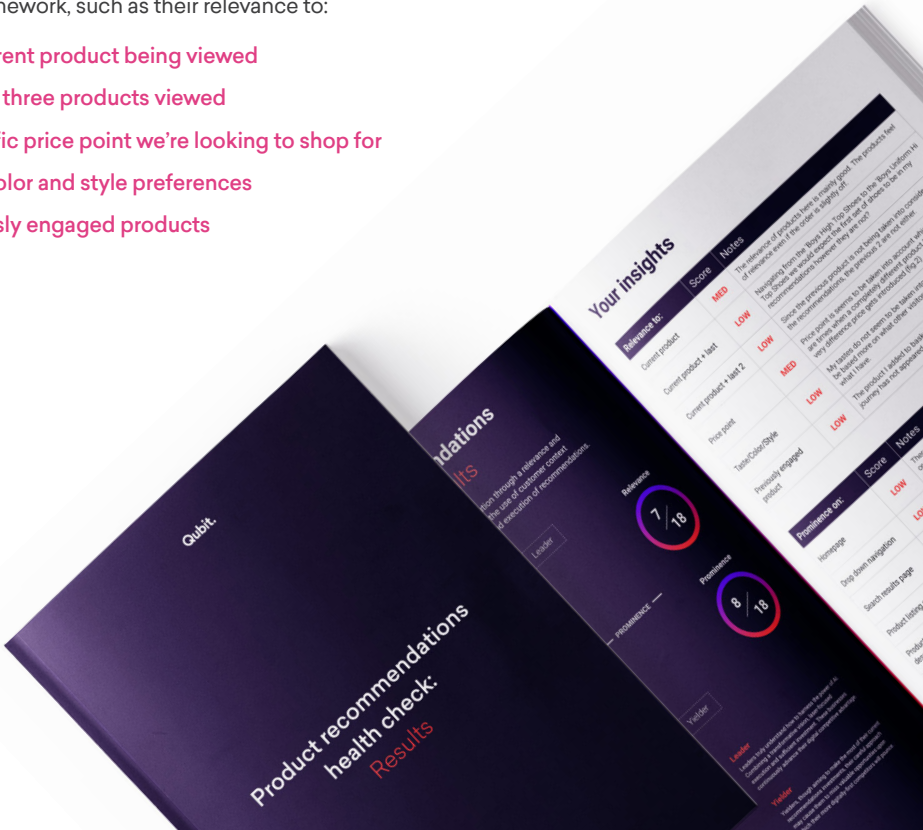
The customer-to-product results speak for themselves with uplifts of 5%+ revenue on top of a standard machine learning recommendations system and over 100% increases in CTRs. This goes to show that rewarding customers with a genuinely relevant experience really pays dividends.

How will your recommendations stack up?

Our industry experts will lay a fresh set of eyes on your product recommendations and give you real insights on how to improve performance.

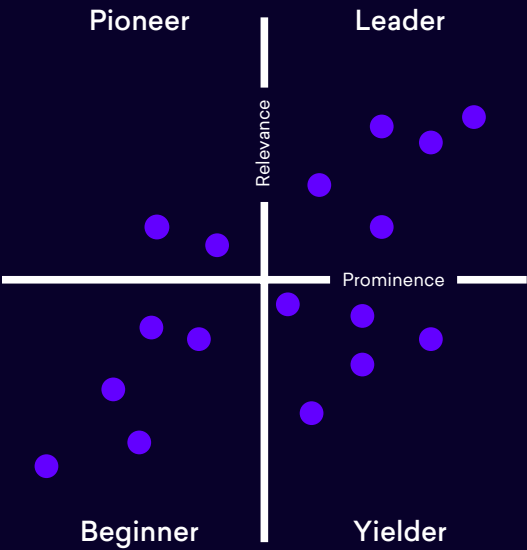
Our experts will score your recommendations on important factors in our framework, such as their relevance to:

- The current product being viewed
- The last three products viewed
- A specific price point we're looking to shop for
- Taste, color and style preferences
- Previously engaged products



Where will you land?

See how you compare to others on our recommendations quadrant. Gain insights into what your position means and ways to address any quick wins.



This is a no obligation, free service. Your data will not be shared with others. On receipt of your insights we will reach out to see if you have any questions.

Reach out to our experts now:

healthcheck@qubit.com

