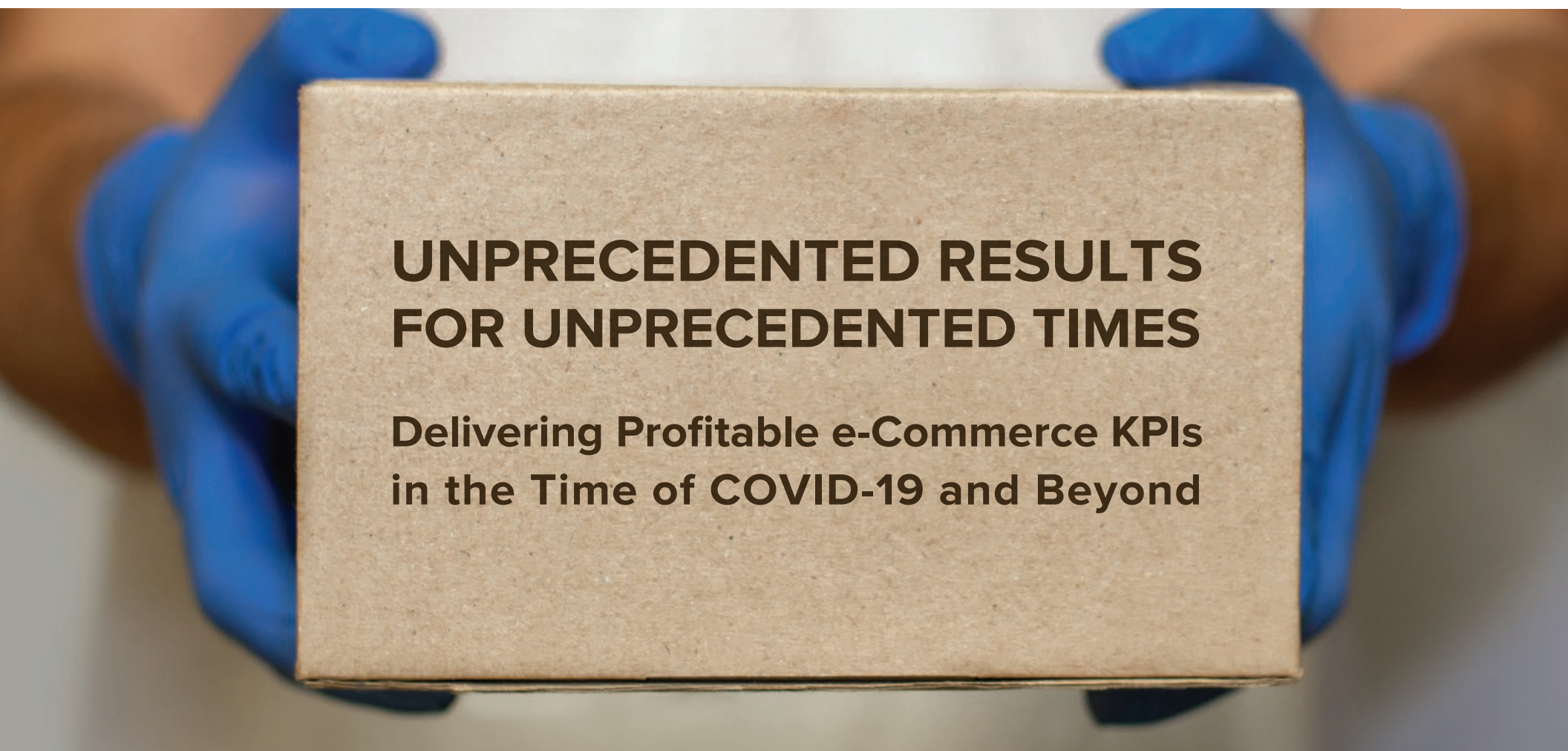




SPECIAL REPORT

A photograph of a plain brown cardboard box being held by two hands wearing blue nitrile gloves. The box is centered in the frame, and the text is printed on its front face.

UNPRECEDENTED RESULTS FOR UNPRECEDENTED TIMES

**Delivering Profitable e-Commerce KPIs
in the Time of COVID-19 and Beyond**

This report outlines the first month of trending results during the pandemic for 2 Exchange Solutions clients who use ES Engage personalized offers to profitably improve e-Commerce conversion rates and grow basket sizes. Specifically, this report looks at how crisis conditions affected these retailers' business operations and how Exchange Solutions continued to work with them to maximize conversion, revenue and profitability of their heightened online traffic.

The Current Reality

The phrase 'Unprecedented Times' has been used in the last few weeks to describe the current way of living and working during the global health crisis brought on by COVID-19. While difficult to forecast a timeline for a return to business and life as usual, what we can do is take stock of what's working and what needs to be improved in the time of business as unusual.



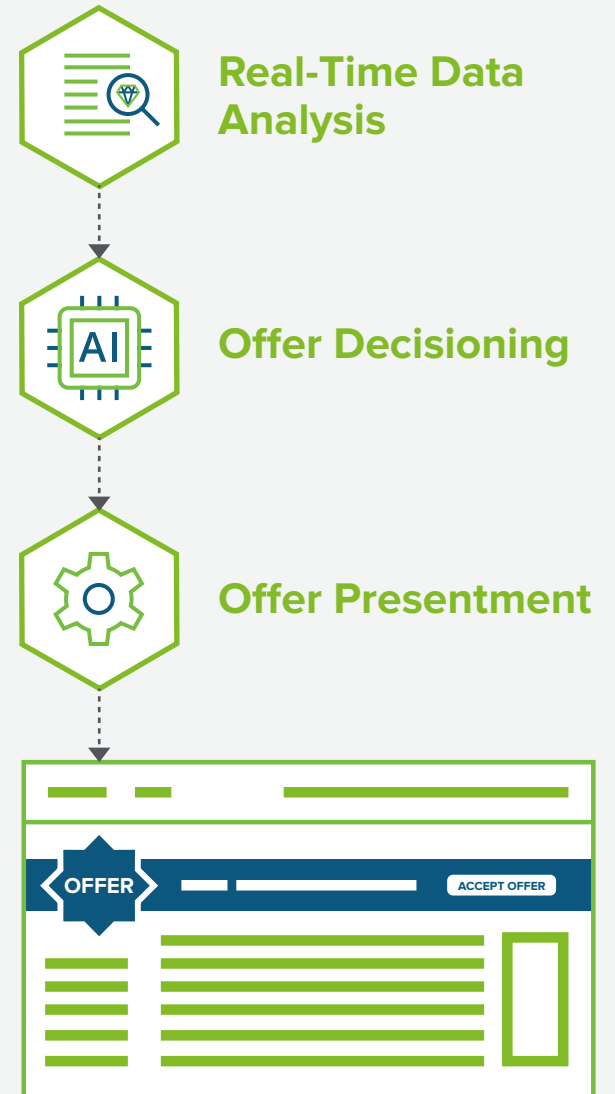
Spring 2020 started off with much uncertainty as governments enforced sweeping regulations to classify businesses as either essential or non-essential. Overnight, regulations dictated who could stay open and who had to temporarily shut their doors. The same regulations forced most retailers to pivot fast to operate within the current reality, safely serving consumers who would hopefully emerge with needs beyond the immediately essential.

Exchange Solutions' clients are on different points of the essential and non-essential business spectrum. Each of them was curious about how Exchange Solutions would continue to deliver consumer engagement and loyalty results and specifically how ES Engage personalized offers could help maintain profitable conversion during this phase of the crisis.

In the case of one client, Retailer A, the new operational reality meant a quick shift to exclusively focus on e-Commerce when their brick and mortar locations were closed. For another client, Retailer B, operations looked grim as the retail team anticipated a sales downturn, when consumers were expected to focus on essential purchases.



Personalized offers for e-Commerce consumers, optimized based on real-time purchase intent



ES Engage personalized offers were already being used by both these retailers for many years before the crisis to:



Deliver 1 to 1 promotions at scale, in real-time



Capitalize on consumer intent – avoid cart abandonment, stretch basket size and convert first-time visitors



Target personalized offers without giving away too much margin



Avoid presenting offers to consumers that would have bought anyway

What both these retailers experienced immediately, as with most online-ready businesses, was YOY growth in e-Commerce traffic, as homebound consumers went online. Pre COVID-19, YOY e-Commerce traffic growth was flat for Retailer A. However, in the first month of crisis closures, YOY e-Commerce traffic grew 70%. While a good sign for business, Retailer A needed to quickly pivot to maximize engagement and conversion of all those new online shoppers, who more than likely preferred shopping in-store.

While Retailer B did not have physical locations to close, they heavily relied on multiple sales channels including a robust call center, mobile app and e-Commerce website. Even for this retailer, e-Commerce traffic grew 55% in the first month of the pandemic.

	Retailer A	Retailer B
e-Commerce Traffic Growth	70% Increase	55% Increase
New Operations Reality	• Brick and Mortar Store Closures • Offering FREE Parcel Shipping	• Sales Channel Suppression
New Challenges	• FREE Shipping now eligible for smaller items drive smaller baskets and would be a new cost that would shrink margins	• Less promotional support due to sales channel suppression • Product offering skews toward discretionary spending
Forecast	Basket size shrinking	Decreased conversion and revenues trending down, with curbing of discretionary spending

With e-Commerce traffic growth and new operational challenges faced by the retailers, a closer look at ES Engage personalized offer performance was necessary. **Would the program hold up and continue to deliver profitability for these retailers in this new reality?**

Spotlight: Retailer A

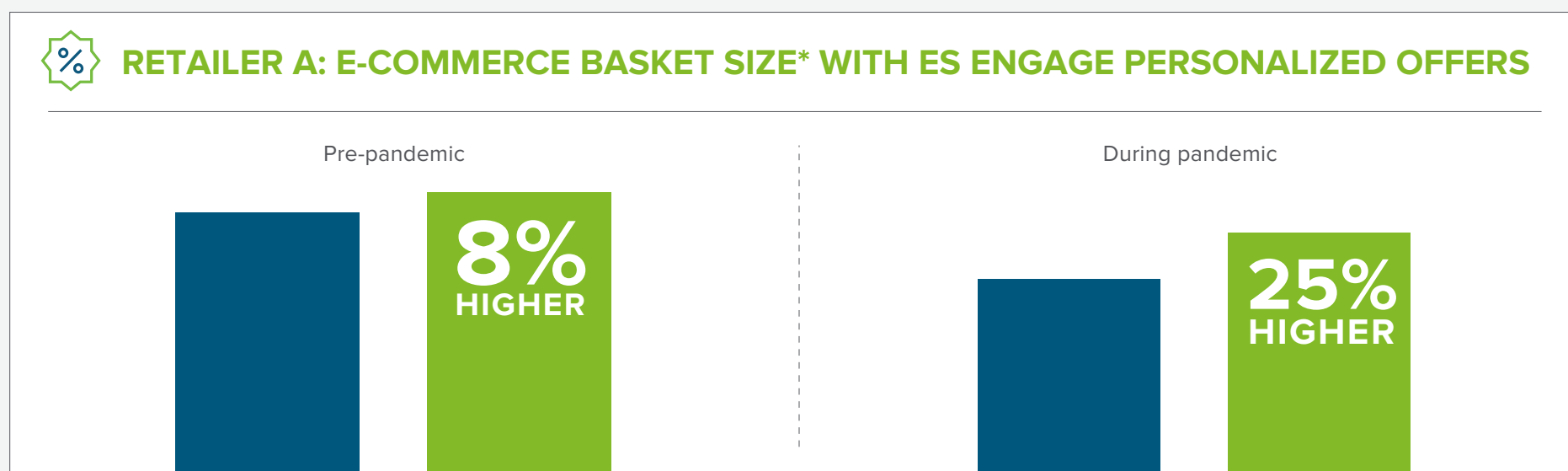
With website traffic continually increasing, Retailer A was concerned about a decline in conversion ratios and average order value as more browsing activity was measured. In the first month of COVID-19 store closures, e-Commerce YOY conversion rates were fortunately measuring 4x higher, but YOY basket sizes were trending down for 2 main reasons. First, small purchases that were previously made in-store were now also being made online. Second, Retailer A chose to waive shipping fees for the first time. This decision not only reduced basket sizes, they also caused hefty margin erosion as the retailer absorbed the cost of shipping for most transactions. Based on the new trending, Retailer A focused on maximizing basket size – and margin ratio – with the help of Exchange Solutions.

 **3.7X
HIGHER**
Conversion Rates During COVID-19

 **45%
LOWER**
e-Commerce YOY Basket Size Due to COVID-19

Improving Basket Size Growth

Before the crisis, Retailer A had been using ES Engage personalized offers to improve conversion rates and increase basket sizes, by converting more baskets with higher ticket items and by growing lower value baskets with encouragement to add items to meet a reasonable stretch target. On average, pre-pandemic basket sizes were 8% higher for transactions influenced by ES Engage personalized offers when compared to all other online baskets. **In the first month of exclusive online sales after physical store closures began, basket sizes were 25% higher due to personalized offers powered by ES Engage**, when compared across all baskets. The higher basket sizes achieved with the help of ES Engage personalized offers also helped reduce strain on margins as the retailer factored in shipping costs normally covered by the consumer.



*Baskets > \$50

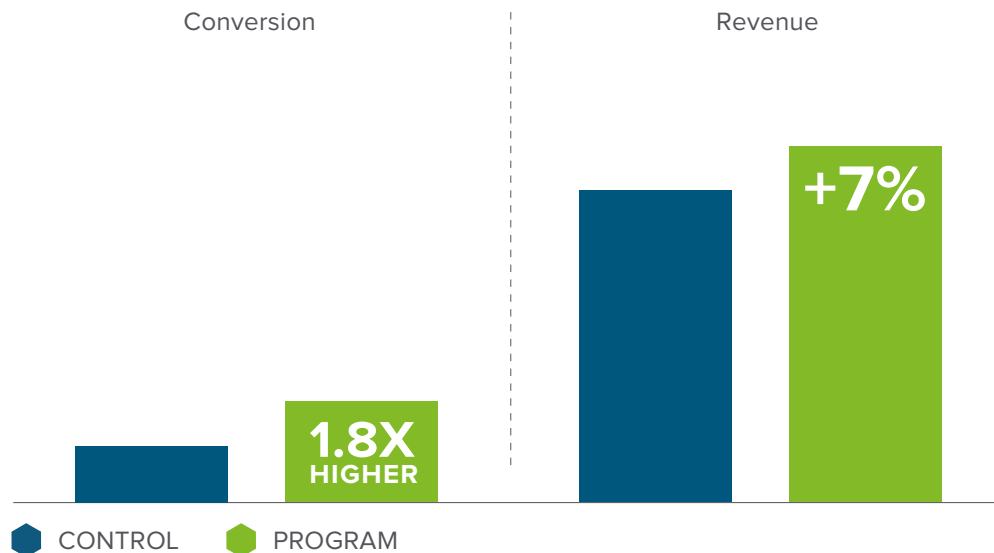
Spotlight: Retailer A

Larger baskets alleviate strain on margin, but what about marketing costs?

With added concern that their paid search spend was skyrocketing as new browsers clicked on search ads in their discovery, Retailer A also wanted to look closely at how marketing spend could remain optimized by ES Engage's personalized offers. What was found was that new visitors who were referred by Paid Search and were treated with an ES Engage personalized offer had almost 2x higher conversion and had 7% lift in revenue compared to the standard random control cell. Lifts in conversion and revenue from this group helped to ensure that investments in the ES Engage program continue to pay off with great returns.



RETAILER A: NEW VISITORS FROM PAID SEARCH USING ES ENGAGE PERSONALIZED OFFERS DURING PANDEMIC



Spotlight: Retailer B

Despite concerns that less promotional support would suppress sales from new visitors, Retailer B was seeing positive performance trends of their own.

With other sales channels unavailable, shifts in their audience behavior directed more new traffic online. Retailer B reported 46% growth in unique visitors to their e-Commerce website. Previously, most new consumers might have called in their orders instead.

Continued New Consumer Acquisition for Retailer B

Pre COVID-19, Retailer B used ES Engage personalized offers to target and acquire new browsers for future nurturing as returning, loyal consumers. As Retailer B saw growth in the number of unique visitors in the first month of pandemic impact, they also saw an increase in new browser conversion rates. 8% of newly acquired consumers made their first purchase due to an ES Engage personalized offer. These consumers can now be identified by ES Engage on an ongoing basis, keeping them primed for more nurturing in the future.



8%

8% of newly acquired consumers made a purchase due to ES Engage personalized offers



Spotlight: Retailer B

Overall Growth – By the Numbers

The downturn Retailer B was expecting across all its KPIs did not materialize in the first month of pandemic closures. Overall e-Commerce revenue for Retailer B grew 30% in the first month of the crisis; ES Engage personalized offers contributed to that with attributed revenue growth from 3 offer types.

Each offer type had a specific goal to help Retailer B improve conversion rates and increase basket sizes without giving away deep discounts that hurt profit margins. During this period, ES Engage personalized offers contributed with:

- 1) **Acquisition of new consumers**, with 79% growth in attributed revenue from Browser Conversion Offers
- 2) **Increase in basket sizes**, with 46% growth in attributed revenue from Basket Stretch Offers
- 3) **Conversion of baskets** at risk of abandonment, with 29% growth in attributed revenue from Conversion Offers



46%
HIGHER

Revenue from Basket Stretch Offers

For shoppers determined capable of spending more than what's in their current cart

79% HIGHER

Revenue from Browser Conversion Offers

For browsers who have high likelihood to exit without creating a cart

29%
HIGHER

Revenue from Conversion Offers

For shoppers evaluated to be at risk of abandoning their whole cart

Unprecedented Results for Unprecedented Times

It is not known how long these conditions will last, but **what is known is that ES Engage personalized offers continue to drive profitable e-Commerce results for our retail clients during these times just as the program has done consistently under other market conditions.**

These featured retailers, along with the rest of the market, can be optimistic about profitable e-Commerce even when there is uncertainty about the current times. The market can count on continued support from Exchange Solutions to help with the goal of achieving profitable e-Commerce performance and optimized brand loyalty from their consumers.

About Exchange Solutions

Exchange Solutions is a cloud-based marketing technology company that delivers personalized loyalty solutions to retailers enabling them to build deeper and more profitable engagement with their consumers. With more than 20 years of experience in the industry, Exchange Solutions transforms loyalty programs and promotions from being costly applications to productive and profitable capabilities for clients across various verticals in the US and Canada. Current clients include Esso™ and Mobil™, Sobeys Inc., Lowe's, Safeway and Today's Shopping Choice.

To learn more:

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