

I N F O C U S

Cloud Technology

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In Focus:

CLOUD TECHNOLOGY

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Cloud technology gives Nike Inc. the flexibility to develop as many as 10 versions of a hot new shoe and keep “sneakerheads”—athletic footwear fanatics—updated on the latest release.

Online snack food retailer and brand NatureBox scaled up quickly by relying heavily on cloud-based systems, allowing it to sell more than \$57 million online in just its fourth year of business.

And Dutch men’s suit e-retailer Suitsupply tripled sales through its customer service center after implementing a system through the cloud that consolidates customer data onto a single screen so service representatives can quickly respond.

What is it about the cloud—the networks of computers, servers and databases that run retailers’ websites, applications and services—that enables these innovations?

The simple answer is cloud technology has developed rapidly over the past decade so today it offers retailers and other organizations access to sophisticated software and hardware that few companies would be able to buy, develop and maintain on their own. A retailer can leverage cloud-based resources with little more effort than a consumer flipping a switch as she walks into

a room. There’s massive investment and sophisticated technology behind that light switch, but the consumer doesn’t have to know a thing about electricity generation or transmission to turn on the lights in her living room. It’s almost that easy for retailers to access state-of-the-art systems through the cloud, experts say.

“The reality is, if you’re starting an e-commerce site today you’d be thinking about cloud-based from day one,” says NatureBox CEO Guatam Gupta.

Many other retailers are making a similar decision to move to the cloud. In an Internet Retailer survey fielded last summer, more than 75% of e-retailer respondents were looking to implement a cloud-hosted and delivered software program, rather than host and maintain software in-house.

Retailers explaining their decision to outsource e-commerce functions to cloud providers often emphasize that their core business is not technology: It’s finding products consumers want and serving shoppers effectively.

“We’re not technologists at heart but in today’s environment, we have to leverage technology the best way possible. We’re in the business of providing amazing digital experiences for our customers and selling products as a relevant brand,” says Scott Lux, vice president of digital and e-commerce at U.K.-based menswear retailer John Varvatos, which operates 18 stores and relaunched its website using cloud technology in June 2014.

Retailers also cite cost savings. A study by consultancy Hurwitz & Associates found that the total cost of ownership for cloud-based software is about 50% less than on-premise software over a four-year period for a 100-person company.

For NatureBox, cloud services also made launching its business in early 2012 much less expensive than if the startup had to build its own data center, equip it with hardware, deploy and customize software and hire IT professionals to manage it all. Gupta estimates doing it on his own would have been three to four times more expensive than cloud providers.

Cloud technologies also make it easier for retailers to manage their data more effectively, especially since data comes from many more sources than it used to.

When a retailer only operated physical stores,

even if it had a lot of them, it was not that complicated to create a single system to store all data about store inventory and customer activity. When the web came along it forced retailers to create a second system for web transactions, and, as e-commerce grew, to marry that with store data. More complex, but doable.

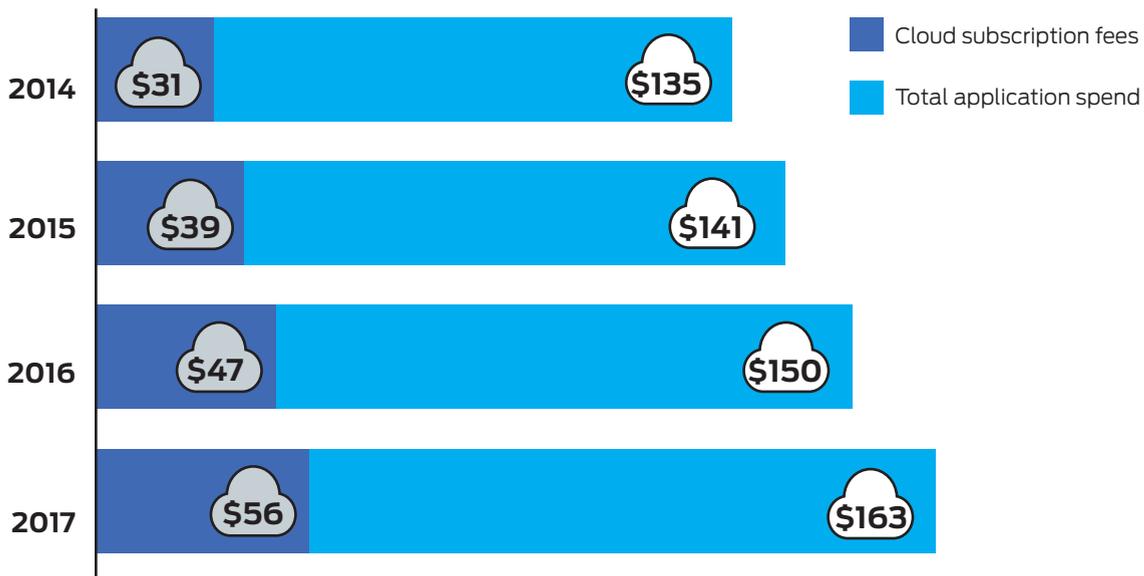
But today retailers have to be able to engage consumers in numerous ways. They have to be able to keep track of consumers’ social media activities—not only what they say but also for advertising—as well as track contact center, live chat and email interactions. And they have to be able to engage consumers effectively through whatever web-connected device the shopper is using.

That’s where the cloud comes in. When a technology vendor maintains the technology, the retailer only needs to maintain its link to the vendor’s cloud-based service.

Nearly all retailers are moving some business functions or services to the cloud, says Greg Buzek, founder and president of global research and advisory firm IHL Group. Buzek says 86% of retailers are using cloud-hosted and cloud-delivered technology to help their stores, websites and mobile functions get on the same page. And that percentage is likely to grow. ●

Cloud’s growing share of U.S. business application spending

(Spending on cloud subscription fees and total application spend, in billions)



Why online retailers should prioritize customer engagement

If online retailers want to thrive, they need to offer customers a positive and satisfying experience from start to finish. After all, a single bad experience will lead 58% of consumers to never use a company again, according to a recent survey conducted by customer service vendor NewVoiceMedia.

And as e-commerce becomes increasingly competitive, customer experience is expected to grow in importance. By 2020, customer experience will overtake product and price as the key brand differentiator that leads a shopper to click the Buy button, according to a recent report by the consultancy Walker Information Inc.

“The opportunity to engage customers relevantly, in real time, with the right messaging to foster an environment that creates the most personal customer shopping experience, is a must-have for e-retailers,” says Ron Gerace, senior vice president of product and marketing at Exchange Solutions, a provider of cloud-based customer engagement and loyalty products. “If a retailer isn’t driving relevant customer engagement, it is under-performing its potential.”

Most successful retailers have already raised consumers’ expectations, and technology has helped retailers deliver the tailored types of experiences that shoppers desire, he says. But there are still plenty of retailers that fail to prioritize customer engagement and loyalty programs, he says. “The perception is that it is an ‘involved’ process to implement and launch a customer engagement tool and proving its value is simply too difficult,” he adds.

But advancements in cloud-based customer engagement and loyalty tools have provided a solution to those problems, Gerace says. For instance, a vendor can offer a customer engagement capability. “Compared to the ‘old days’ where it had to be put on a road map, these tools allow for rapid deployment, nimble updates and they enable practical use of advanced analytics and lower costs compared to traditional, on-premise



RON GERACE

Senior vice president of product and marketing at Exchange Solutions, a provider of cloud-based customer engagement and loyalty products

solutions,” he says. “All you need is the ability to set a tag and provide banner space on the e-commerce site. Everything else will be handled by the cloud-based engagement product.”

Gerace points to products such as Exchange Solutions’ ES Engage, which identifies consumers who are highly likely to abandon their carts and presents them with personalized offers in real time to prevent abandonment. “It helps get a customer to convert, grow average order values, increase repeat purchase frequency, drive broader category penetration, keep customers longer and create advocates,” he says. “It essentially drives customer

lifetime value while lowering the cost of promotion and incentive.”

Several Exchange Solutions clients have seen success with its tools, including one international home improvement retailer. While the company wanted to boost online revenue without sacrificing its margins, personalizing its marketing messages based on customers’ past behaviors wasn’t working.

After implementing ES Engage, the retailer saw almost immediate success. Within three months, its conversion rate jumped 15%, its average order value (AOV) increased by \$29 per order, and it got a six times incremental revenue in return on its investment in the tool.

Those results are in line with others that have used ES Engage, Gerace says. On average, Exchange Solutions clients experience a 15% lift in conversion, a 10% top-line revenue increase and a 15% AOV increase.

“All e-retailers need to grow their businesses and usually that means growing revenue while maintaining or growing profitability,” Gerace says. “By delivering the right message at the right time to the right customer, the cost of incentives and promotions dramatically drops—and by driving greater customer satisfaction at lower costs, customer engagement tools are creating many heroes in e-retail.” ●



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