

How Do Big Data and AI Help eCommerce Brands Increase Customer Retention?

Do you know, today, a vast amount of data is available out there, and its volume is skyrocketing every day. According to Statista, the total volume of data created, copied, captured, or used worldwide in 2010 was two zettabytes. However, in the next seven years, it reached 26 zettabytes, and as per forecast, it is estimated to reach 181 zettabytes by 2025.

Due to this reason, businesses, especially eCommerce companies, are leveraging modern technologies such as Artificial Intelligence (AI) and Big Data to harness the power of data science. While big data helps in improving decision-making & enhancing operational performance, AI lets brands deliver a personalized experience to the customers based on the analyzed users' data.

However, with the advancement in technologies, the market trends and customer demands are also changing rapidly. Moreover, the world has also observed a surge in digital buyers in recent years.



As per a report by Statista, more than 2.14 billion consumers worldwide were expected to purchase products and services online in 2021, almost half a billion more than what it was in 2016 (1.66 billion). With such a number of digital buyers and that amount of data, eCommerce companies have an excellent opportunity to grow their businesses extensively.

But the prime key to this door of success is customers, and the most challenging task in this journey is to retain them. Therefore, it is crucial to utilize advanced technologies like big data and AI to enhance customer experience and increase customer retention.

This blog will guide you through the benefits of AI and big data and how these technologies can help eCommerce brands increase customer retention. So, let's begin this discussion.

What's Customer Retention?

Well, it would be abrupt knowing the methods to enhance customer retention when you are unaware of the term in the first place. So, customer retention is simply a brand's ability to get hold of its employees and prevent them from switching to its competitors. In other words, customer retention involves preventive measures that increase customer loyalty and make the buyers repeatedly purchase from the same brand.

A loyal customer base is the building block for any business. The customers turn a startup into an enterprise and an enterprise into a brand. These loyal customers do not only help you with sales, but they would also boost your business growth by acting as the promoters for your business.



Now, before moving forward to the role of AI and big data in customer retention, let's have a look at these insightful statistics to understand the importance of customer retention:

- As per a research survey, **80% of companies** get their business's future profit from just 20% of their existing customers.
- The probability of an existing customer buying a product from a brand is **60-70%**. However, the same thing is just 5-20% in the case of new ones.
- **76% of businesses** believe that customer lifetime value (CLV) is crucial for their organizations.
- According to a **Harvard Business School Report** by Reichheld & Scheffer, just a 5% increase in the customer retention rate can raise the profits for a business by as much as 95%.
- A brand's existing buyers are **50% more likely** to try and buy its new products.
- As per a survey report, for **over 61% of retailers**, customer retention is the biggest challenge.
- **43% of customers** tend to spend more on the brands they like.
- **9% of brands lose their customers** when they ignore the importance of customer retention.
- Almost **14% of the customers leave** when the companies they usually shop from do not handle their complaints properly.
- As per a Harvard Business Review report, acquiring a new customer for a business can be **five to 25 times more expensive** than retaining an existing one.



But Why Will the Customers Stick to Your Brand?

Well, that's a genuine question. What makes customers loyal to a brand? The answer is simple - their experience with the brand. Customer experience is something that can make or break customer loyalty. According to Microsoft's State of Global Customer Service Report, customer service is a crucial factor for 96% of customers for being loyal to a brand.

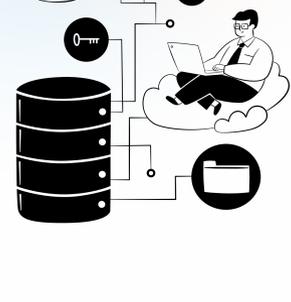
You can keep more customers stick to your business by delivering a seamless experience throughout their journey with you. Retaining your customers is not rocket science. All you need to do is focus on customer relationships. Try to understand their demands and expectations with your business. Hear about the issues they are experiencing with your services and resolve them as soon as possible.



Remember, one of the top reasons consumers move over to other brands is when they feel unappreciated. When your customers feel heard, they remain loyal to your brand and recommend you to their friends and family.

So, you have probably understood how customers remain loyal to you and what role customer experience plays in retaining them.

Now, the new question is, how to enhance the shopping experience for your customers? What tools or technologies can you equip into your eCommerce business to deliver a seamless experience to them? To find out the answer, let's move to the following section.



The Role of Big Data and AI in Increasing Customer Retention for the eCommerce Brands

The above stats and facts have clarified that the only way to get ahead in this eCommerce race is by switching to a customer-centric approach. For this, businesses require a massive amount of data that tells about your customers' preferences, interests, and buying behavior. That's when big data comes to the rescue to pull all of this data to work. But as you know, there could be millions and billions of consumers in the market, and you need to serve each one of them with personalized attention.

It calls for AI-based marketing to analyze shoppers' interests and demands. You might be unaware, but 81% of customers research online for the products they want before purchasing them. So, why not provide them with the best search and shopping experience they can have?

How Big Data and AI Are Helping eCommerce Businesses in Customer Retention and Boosting Sales?

From chatbots to AR, from hyper-personalization to demand forecasting, AI and big data have transformed the way eCommerce business works. Here are some ways through which these two technologies can help you in retaining customers and accelerating sales:



Hyper-personalized product recommendation using AI and machine learning (ML)

As you already know, the eCommerce market is proliferating. It provides consumers with many options to fulfill their needs and expectations. However, the chances are that they will pick the ones that understand their preferences and offer them the suggestions as per their interests and preferences. On the contrary, the eCommerce stores that ignore the importance of personalization are more prone to lose their existing customers. According to a report, in 2021, businesses with poor customer personalization have lost around \$756 billion in total.

Therefore, the foremost thing to retain your customers is to provide them with the things they want. Intelligent systems based on AI and ML can help surf the products on your customers' screens that they willingly want to buy. With this, you can put the most personalized offers to all your customers at the right time.

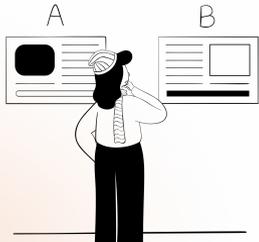
Apart from customer retention, hyper-personalization also helps businesses boost their sales growth. According to Invesp, 45% of the customers buy from eCommerce sites that show tailored recommendations. Moreover, 55% of customers tend to return to websites that focus on customer personalization.

Leveraging NLP for Intelligent Search Results

Okay, so you are ready to deliver tailor-made recommendations to your customers. But how will you do that if you can not understand their needs properly?

For this, eCommerce businesses need modern customer-centric approaches based on AI, ML, and big data to understand their needs precisely and offer them relevant results. These AI-powered tools are equipped with advanced image and video recognition, making it easy for customers to search for their favorite products. In addition, you can also use natural language processing (NLP) tools to enhance and customize the results for your customers.

Moreover, chatbots are one of the most common, advanced, and user-friendly mediums to automate the customers' problem-resolving process. The popularity of chatbots is also on the rise. According to Statista, the chatbot market is estimated to touch \$1.25 billion by 2025. Enabling chatbots in your eCommerce sites can ease your customer service tasks and engage your customers.



Moving Close to One-to-One Marketing

One-to-one marketing is another approach that most eCommerce stores follow to deliver a personalized experience to their experience. It is one of the best ways to make your customers believe you care for them and their needs. The foundation of one-to-one marketing is the data derived from customers' clickstream behavior and page views. You can harvest and leverage this information and run customized marketing campaigns for a specific segment with the same preferences and commonalities using big data analytics. It will save your time and optimize your data to target the right people with the right products at the right time.

Big Data Can Help in Price Optimization

You know multiple decisions can affect the purchase decision, such as product features, availability, delivery time, brand, size, color, and many more. However, above all, price matters the most to the consumers. High costs of the products can lead to customers saying goodbye to your brand. On the other hand, low prices can affect your profits and revenue. In that case, you need an optimal pricing strategy for your eCommerce business to increase customer engagement, customer retention, and overall sales.

Earlier, data analysts were given the role of analyzing, managing, and setting prices of the products. However, they need to dive deep into the sea of massive data to figure out their optimal costs. But the time has changed. Today, with the help of big data and ML algorithms, you can boost the data analysis process and develop an optimal pricing strategy for each product multiple times a day.

With the correct prices for specific products, you can easily lure your customers and assist them with purchasing decisions. As a result, automated price optimization will save you time and help in maximizing your profits.



Inventory Planning and Product Demand Forecasting Using AI

No one had an idea that the COVID-19 pandemic would be so devastating that it would shake the entire world far and wide. Although the pandemic harmed the business world, the eCommerce industry saw an upsurge within this period. According to a report by Statista, retail eCommerce recorded an unmatched traffic growth between January 2019 and June 2020. The average monthly visits by the consumers on the eCommerce websites was approximately 22 billion in June 2020, which was almost 6 billion more than what it was six months back (lockdown being the reason).

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Today, many businesses use AI and ML approaches to plan their supply chain and inventory needs in advance. With the help of big data algorithms, you can forecast the demand for specific products. These modernized business and marketing models analyze the social media data, market performance, and trends to form a detailed and precise product demand plan. As a result, you will always be prepared for all the situations, your stocks will last as per the demands, and your customers will never be disappointed, no matter what comes. Hence, increase in customer retention.



Transforming the Shopping Experience with Augmented Reality (AR)

With the help of AR, eCommerce businesses are offering a next-level customer experience to their shoppers. From hyper-personalization to visual marketing, AR provides the best customized and interactive experience to the customers with the help of AI. In 2019, Gartner predicted that over 100 million shoppers would be using AR while making a purchase decision by 2020, and the prophecy turns out to be true.

The AR-based marketing focus on the 'try before you buy' approach, which offers customers an option to virtually try the product before purchasing them. Lenskart is one such example. With their 360 degrees virtual experience, you can try a spectacle frame on your face and decide accordingly. In a time of cut-throat competition in the market, providing an AR-based shopping experience can give you an edge in customer retention and engagement.



Bottom Line

Surviving the tough marketing competition is no cakewalk. Building customer loyalty and enhancing customer retention rate does not happen overnight. You need to understand that improving customer experience and earning the customers' trust takes time. However, leveraging AI and big data tools can accelerate the process and drive accelerated customer engagement.

When customer retention is the objective, a good customer experience is a solution. And with advanced AI and big data tools, you can efficiently enhance your customers' shopping experience. All you need is a professional digital marketing agency that can make the best use of these technologies and open doors of success for your eCommerce business.