

# THE UNBOXING MOMENT: TURNING PURCHASERS INTO CUSTOMERS



# EDITOR'S INTRODUCTION



**ALEX SWORD**

Editor at eDelivery

The best time to get a customer to make a second purchase is soon after their first one. Until relatively recently many retailers have preferred to capitalise on this by contacting recent customers via email with tailored offers, providing the benefits of relevancy and timeliness.

However, the introduction of GDPR in May 2018 has had a significant impact on the ability of retailers and brands to conduct this sort of marketing. Even loyal customers may have been prompted to opt out of the emails by GDPR.

Underpinning this is the wider neglect of customer retention when compared to acquisition. In Wayfair's most recent third quarter results, the home furnishing retailer revealed it had spent nearly \$200 acquiring each of its 3.6 million new customers, causing its loss for the quarter to widen<sup>1</sup>.

One commonly cited statistic suggests it is five times more expensive to acquire a new customer than to sell to an existing one. In a more positive formulation of the same principle, a Harvard Business Review says that a 5% increase in customer retention could lead to an up to 95% profit increase<sup>2</sup>.

Sellers need to take advantage of all the tools that they still have at their disposal to retain customers. As we will see, complementing digital channels with in-parcel print assets provides another opportunity to connect with the customer and prompt that additional purchase.

The unboxing moment used to be mostly limited to special occasions but this has changed as more and more commerce takes place online. It hardly needs restating how significant this growth is, but online sales are expected to account for 13.7% of total retail sales in 2019 and to reach 17.5% by 2021<sup>3</sup>.

The enduring emotional appeal of the moment of opening the parcel is demonstrated by the growing popularity of "unboxing" videos on YouTube, where somebody films the moment where they open a parcel. According to statistics from Google, the amount of time people have spent watching unboxing videos is the equivalent of watching the film *Love Actually* more than 20 million times<sup>4</sup>.

Unboxing has become an everyday occurrence, a social media phenomenon, and most importantly, a valuable opportunity to connect with customers and ensure that they keep coming back.

In this whitepaper we look at the unboxing experience and how it can be used as a further opportunity to engage customers. ■

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# SPONSOR'S INTRODUCTION

A cost per acquisition (CPA) of over 20% of the transaction value is no laughing matter and yet we're all doing it.

In fact, until you've completely understood how much retaining a customer is worth you're either underspending, overspending or have an awesome gut instinct. In any event, flying blind.

More revenue per customer means sustainable growth. So why is it that, invariably, acquisition comes first, and retention is a relative after-thought? According to our survey, only 18% of companies can say that they have greater focus on customer retention vs acquisition, which leaves 82% who are getting things backwards.

It's high time to turn this around and focus on second purchase and purchase frequency, giving you more fire power in your acquisition war-chest.

Converting a one-time purchaser into a returning customer means much more than sending endless marketing emails. It's about creating 360° memorable personalised customer experiences.

This white paper aims to investigate the gap in acquisition vs retention as well as look at effective techniques to enhance the way you target and re-engage your customers. ■



**ANDREW CURRAN**

Director at Retain.me

With a deep understanding of ecommerce and the challenges of lifecycle improvement, Retain.me have developed tried and tested technologies to deliver dramatic improvements to customer lifecycle metrics in multi-channel retail.



# THE LAST MILE OR THE FIRST?

Language is often the greatest testament to priorities. It's common to talk about the delivery to the home as the "last mile", with the implication being that once the package has arrived, the interaction is over.

Treating the opening of the parcel as the end of the purchasing journey leads to missed opportunities when it is actually the beginning of another customer journey.

From a marketing perspective, the opening of the parcel is day zero for the customer's next purchase. A customer isn't "won" until they have shopped with you a second time. Migrating a consumer from being "a purchaser" to being "a customer" is all about driving second and subsequent sales.

There are many ways to do this, including offering the customer the chance to sign up to a loyalty programme or providing a targeted recommendation for another product.

The key is to capitalise on the shopper's positive emotions at the moment of opening the box. A study which investigated the neuroscience of receiving a package found that opening a box not only stimulates the pleasure centres of the human brain, but also connects the positive outcome to the act of placing an order<sup>5</sup>. This makes this open-the-box moment an ideal time to provide the customer with suggestions for their next purchase.

This engagement with the customer at the open-the-box moment should continue throughout the customer lifecycle but needs to evolve as the relationship with the customer does. On the second buy, rather than prompting a repeat purchase, there is an opportunity to cement the relationship by prompting the customer to sign up to a loyalty programme or to a mailing list.

If the experience is good a customer might even become an evangelist. For example, they may share their positive experience on social media or refer a friend if they are given the right information at the right time.

## USING THE PHYSICAL MARKETING CHANNEL

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The golden age of email is over. The impact of GDPR on marketing has been profound, with a study in May 2018 suggesting less than half (43%) of retailers' EU consumer data would be usable after the legislation came into force<sup>6</sup>.

There are signs that this has had an impact, with shoppers reporting that they got fewer emails in 2018 and were signed up to receive marketing emails from fewer brands<sup>7</sup>.

Even in its heyday, email had many limitations. If 50% of 100 new customers sign up for email marketing and a given campaign gets a 25% click rate, you are left with less than 20 customers who have actually seen the message. Then an even smaller number will actually purchase anything.

By comparison, an enclosed slip will fall in front of the eyes of almost every consumer. If we examine the unboxing moment and what the customer usually receives with their parcel, it's easy to see the missed opportunity.

Usually written materials consist of generic information such as packing slips, often supplied by third parties. Sometimes there are also unrelated and untargeted materials, likely to be dispatched swiftly on a new journey to the bin.

If personalised, packaging inserts have a number of advantages. They can be targeted in a very precise way to particular customers. Based on what a customer has already bought you can match their profile against buying patterns to provide recommendations.

They are cheap as they consist solely of a small piece of paper and the cost of distributing them to the consumer has already been paid.



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## SURVEY

Our survey polled InternetRetailing members to discover their attitudes towards customer retention, post-purchase experience and the unboxing moment.

Respondents were asked about the importance they assigned to retention compared to other marketing activities. Encouragingly, retention was seen as very important by 49% of respondents and important by 32%. 18% viewed it as somewhat important while only 2% viewed it as not important.

Taking an average across all responses, retention was generally ranked higher than acquisition, considered the second most important area. 41% of respondents claimed the latter was very important, 40% claimed it was important and 14% somewhat important. 5% viewed it as not important.

The third most important area was growth, meaning achieving increased sales per customer from a retained base of customers, with 94% citing it as important. Promoting to new and existing customers was cited as important by 95%.

Respondents were also asked to compare their open-the-box experience with competitors. Only 17% were very satisfied with their experience and believed it elevated their brand to a level of distinction above others.

The largest group, 41%, were satisfied and believed that their experience was similar to their peers. However, a substantial minority – 35% – were somewhat satisfied and felt that the experience was reasonable but could be improved.

Finally, 6% were not satisfied and believed they had a poor experience.

The next question asked respondents what they would do to enhance their open-the-box experience. The top answer, given by 49% of respondents, was that they would improve the packaging and presentation of the product.

This was followed by 48% of respondents who said that they wanted to improve delivery options, including slots and location, while 30% said they wanted to include product reviews.

Only 29% said that they wanted to include in the package additional product information based on personalisation. A few named other options such as new and innovative last mile delivery solutions, such as using Uber, while one coffee bean supplier said they wanted to add a smell experience to the parcel.

### THE FACTORS HOLDING BACK IMPROVEMENTS

Respondents were asked about the factors holding them back from making improvements, with responses falling into a number of broad categories.

The most common theme was a lack of resources. Within this, funding came up most frequently. Time constraints were also cited, as well as the unsuitability of current technology or warehouse and logistics operations. Related to this was a lack of prioritisation, named by several respondents.

### RETURNS AS PART OF THE PURCHASE EXPERIENCE

Respondents were asked how easy their returns process was. 11% said it was very easy and better than that of their peers, while 43% said it was easy and similar to peers. 33% said it was somewhat easy but could be improved. Only 13% said their returns process was not easy.

Asked what improvements they would like to make, 47% said they would like to offer more ways to return products, the most popular answer. Offering an exchange was the second most popular answer, with 29% of respondents highlighting it, while 25% said they wanted to offer a pre-paid returns option and 20% said they wanted the refunded amount to take no longer than five working days.

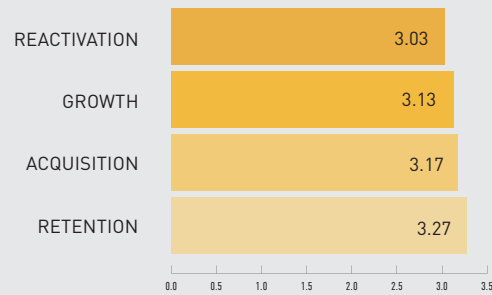
Asked what was holding them back from making improvements, budget was once again the most cited factor, with 47% of respondents naming it. Technology and resource were named by 35% and 33% respectively, while a number of respondents also named a lack of top management commitment.

Respondents were also asked what additional information they would want to get from the customer at the point of returning the product. The largest number – 47% – wanted to know whether a product was of poor quality, while 35% wanted to know if a product was faulty and 24% wanted to know if the size was accurate.

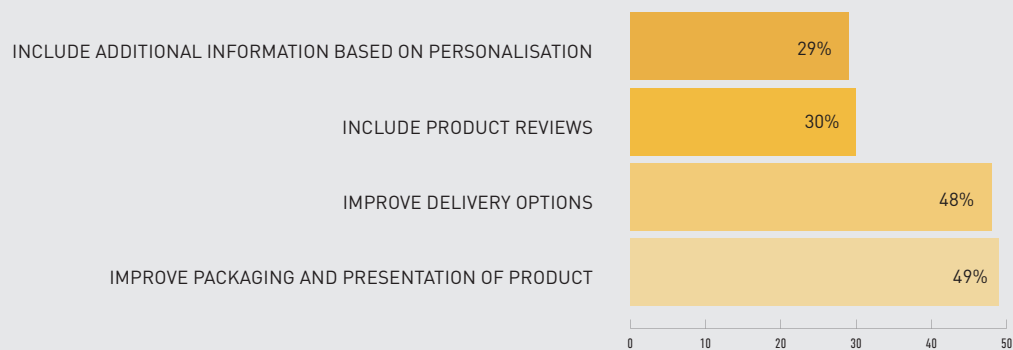
Others wanted to understand whether the presentation of the product was to blame, with 43% interested in whether a product looked different online. ■

## SURVEY

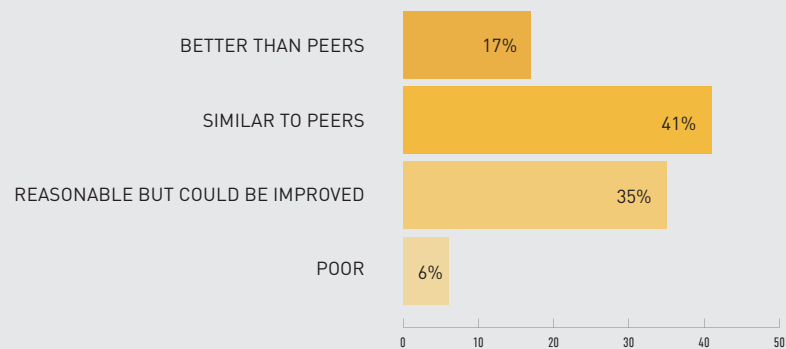
### WHICH AREA OF MARKETING IS MOST IMPORTANT TO YOU? (WEIGHTED AVERAGES)



### WHAT WOULD YOU LIKE TO DO TO IMPROVE AND ENHANCE THE OPEN-THE-BOX EXPERIENCE?



### HOW DO YOU RATE YOUR OPEN-THE-BOX EXPERIENCE COMPARED TO PEERS?



(N=68)

# HOW TO GET STARTED

As discussed above, only 29% of respondents wanted to include in the package additional product information based on personalisation, laying bare the lack of focus on in-parcel print assets.

## SMOOTHING THE PATH TO REPURCHASE

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To make a purchaser into a customer, the slip has to do a few things. The usual marketing rules apply – relevance and compelling content are as crucial here as anywhere else.

- **CHOOSE YOUR MESSAGE**

It's important to know not only what you want to say but also what the customer wants to hear.

For example, if a customer has just bought an item with a long replacement cycle such as a washing machine or a piece of furniture it is fairly unlikely that they are going to immediately buy another one.

However, they may be receptive to receiving a pitch for a different product line – ideally something that neatly complements what they have just bought. The key is context.

- **BE PERSONALISED**

It's hard to find accurate data for how much customers respond to unpersonalised physical material, but a study by the Direct Marketing Association suggests that the response rate for a generic leaflet is around 1%<sup>8</sup>. However, this means it is not difficult to penetrate through the reams of paper that a customer might receive on a day-to-day basis.

A retailer already knows a customer's name, geography and language through the purchasing process. Using this information makes the interaction that bit more personal for the consumer.

- **BE ENGAGING**

It goes without saying that material needs to be visually appealing, image-rich and clear in its messaging. According to a 2013 study, attractive packaging stimulates the reward centres of the brain associated with impulse purchasing<sup>9</sup>.

- **MAKE IT EASY TO REBUY THROUGH THE CUSTOMER'S CHOSEN CHANNEL**

If a customer mostly shops online, it's no good giving them a voucher that can only be used in-store. Retailers should provide the customer with the opportunity to buy their next item however they want. To get the customer back to the web store, they need to be able to instantly and frictionlessly access products.

As most consumers have their smartphone to hand almost all the time, the quickest way to do this is through a QR code. However, some guidance may be needed if customers are unfamiliar with them.

## THE DATA FLOW

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How does this message get from a marketing boardroom to the customer's parcel? Perhaps the simplest way to imagine the process to create a higher value parcel insert is to think of the flow of the customer's data.



**PURCHASE**

When a customer buys a product they hand you a vast trove of data. They will be shopping through a localised portal or local language site and will submit address details. A retailer needs to capture the data from this purchase and present it in a usable format. Most third-party ecommerce platforms have an API for serving this data, but retailers with their own platform will need to pull the data manually or use automation to do so.

**CONTENT CREATION**

Here the customer's data is fed into a content creation engine. To create content at scale, retailers will need to have software in place that can automatically insert information into a series of pre-written forms. This could include generic messaging for each type of customer depending on what you want them to do next – so different forms for repurchase, loyalty programmes or social media. The personalised content can then be stored in the cloud.

**CREATING THE PHYSICAL ASSET**

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This software needs to integrate with the warehouse management system. Printers installed in the distribution centre can then access the content from the cloud and create the slip.

**PACKING THE SLIP**

From there, it is a case of integrating the process of printing and packing the label into the established picking and packaging process. For example, a staff member could go around the DC picking up items from 20 orders and place them on a trolley in different compartments. They could then scan the trolley and print out the necessary slips, ready to be placed in the parcel with the order.

**FEEDBACK**

The final flow of data needs to be after the purchase, between the customer and you. You should define your KPIs for success such as repeat purchase rate and create some way of measuring them. You can then compare the success of the campaign to email campaigns as well as work out which messaging is working best. ■

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Image: © en.fotolia.com/ xxx

## HAPPY RETURNS

A packaging insert is not just an opportunity to sell but a way of enabling customers to access auxiliary services related to what they have just bought.

Clearly the ideal solution to the problem of returns is to try and reduce them by ensuring that the customer gets what they want, making sure product descriptions and imagery are as informative as possible.

However, it is inevitable that there will be some volume of returns. Sometimes items are faulty, sometimes they aren't what the customer expected and sometimes the customer just changes their mind.

It could be tempting to try and make returns as difficult as possible in order to minimise them. From the perspective of optimising for retention, however, a generous approach to returns makes the most sense.

A recent Barclaycard report revealed that 89% of shoppers check a brand's returns policy before they make a purchase online, with 69% of UK consumers expecting them for free<sup>10</sup>. From the retention perspective, 85% of shoppers with a quick and simple returns experience will shop again.

Offering a customer a line-item view of the necessary information, all under the retailer brand, has obvious merits. It reduces confusion and prevents their experience from being fragmented.

Customers could scan the code through their smartphone to access the portal for triggering the return, without having to print anything. This portal could offer the different returns options, including pick-up options and notification choices.

But from the perspective of your own operations and logistics, offering the customer the chance to "check in" their return before they send it is also highly beneficial. The returned item will not simply drop into the warehouse without explanation but will be logged and anticipated.

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10. <https://www.home.barclaycard/media-centre/press-releases/Retailers-face-a-Phantom-Economy-of-7-billion-each-year.html>

## EIGHT APPLICATIONS OF HIGHLY SUCCESSFUL PARCEL INSERTS

- **PROMOTIONS FOR OTHER PRODUCTS**

The simplest form of slip would feature a QR code driving the customer to make a repeat purchase. This makes most sense when targeting a customer shopping with the retailer for the first time.

- **RETURNS**

If a product has not met the customer's expectations, a user-friendly parcel insert with all the information that they need to return the product can turn a negative experience into a positive one. The QR code can push the customer to a returns portal and alert the retailer that they should expect the item in their warehouse.

- **REFER A FRIEND**

With customers who are on their second purchase or later, a parcel insert can provide them with easy ways to refer friends to the service. This could include a discount for both the customer and the friend if the latter buys something with a specific code.

- **SUBSCRIPTION/MEMBERSHIP**

A QR code could be used to drive a customer to subscribe to a service. If they are not already signed up to an email marketing list then the QR code could drive them to a portal to input their email address. It could also be a way of getting people to sign up for a loyalty programme or to register their product online.

- **MOBILE**

Mobile apps provide a direct channel to the consumer, allowing them to directly serve them with offers and promotions. According to the Synchrony 2018 Digital Study, 67% of consumers have downloaded a retailer's app. Over 50% did so specifically for a coupon or discount offer and nearly half of consumers that have downloaded a retailer's app use it for purchases.

- **REVIEW PLATFORMS**

Retailers are desperate for positive feedback but customers are far more likely to complain when they are not happy than to celebrate when they are happy. A QR code in a parcel could drive satisfied customers to share their experience on a valued review site.

- **SOCIAL MEDIA**

Social media platforms are now one of the key ways that consumers discover products. A survey by Curalate found that 76% of US consumers have purchased a product that they discovered in a brand's social media feed. Getting a customer to evangelise about the product on their favourite social media platforms amounts to free and authentic brand exposure.

- **VIDEO**

A particularly promising area is including video messages with parcels. Retailers could pre-record a message and then store it in the cloud, ready to be accessed via a barcode. These video messages could contain marketing, instructions or personalised messages according to the customer's particular circumstances. For example, if a product arrives damaged, the video on the replacement item could contain an apology.

### The future of the unboxing experience

As the above shows, there are already a number of applications for parcel inserts, but as hardware and software becomes more sophisticated these will grow.

Further in the future, one of the most promising areas is augmented reality, where digital images are overlaid on the real world through the mobile screen. Scanning the QR code could provide the customer with images of other product recommendations, instructional videos or present other complementary products alongside their purchase.

## CASE STUDY



## CASE STUDY: AMARA

Amara is a £20 million turnover luxury interiors business, offering 40,000 products from 250 brands.

The company viewed customer service as a differentiator, with existing in-house and third-party tools for online personalisation, but wanted to improve customer loyalty.

Working with Retain.me, the company wanted to create the same personalised experience via print as it provided online. The most effective time to target a customer is between zero and seven days after purchase, making this the best time to send personalised offers and relevant content.

The standard delivery note was replaced with a high quality, booklet style, full-colour printed document called a SmartSlip. The slip is printed at the distribution centre during the picking and packing process.

Each slip is personalised for the individual customer. This includes the usual transactional information included in a delivery note but adds images of the items purchased.

New customers also receive a unique QR code for a nursery campaign, while returning customers would receive a code to refer a friend. There is also a code for reviewing the customer experience and the products purchased.

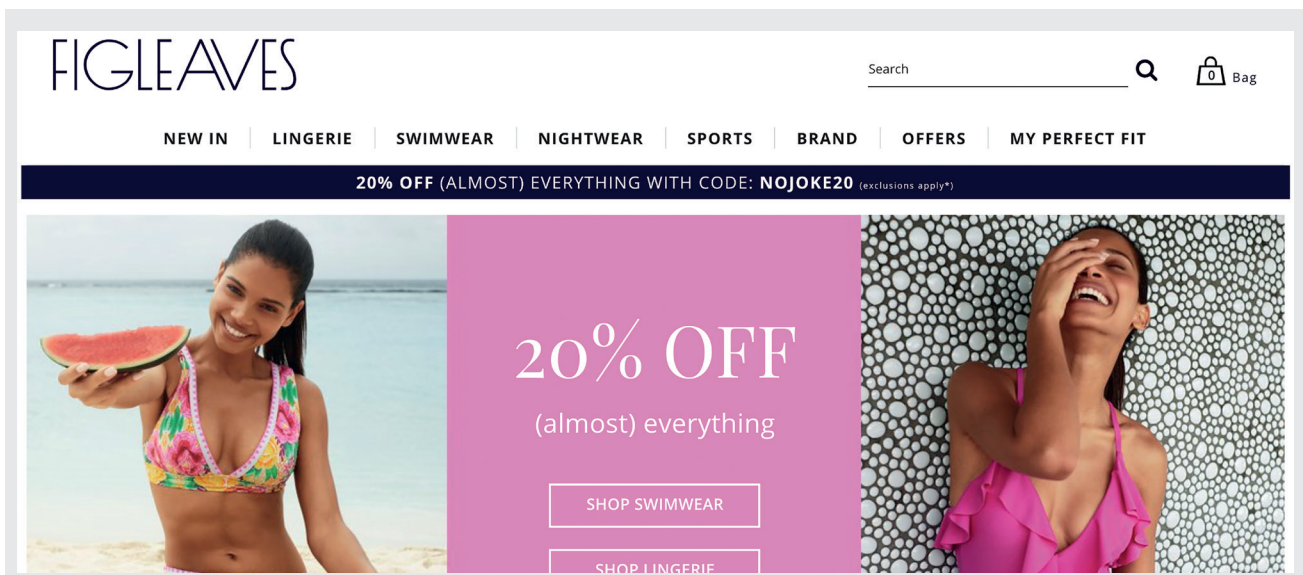
Information is customised according to destination and transaction value. Post-purchase product recommendations can be chosen using an engine.

Implementing the concept meant integrating data from various sources, including the ecommerce site, as well as installing the print devices at the DC. The campaign beat email in revenue and profit terms by two times.





## CASE STUDY

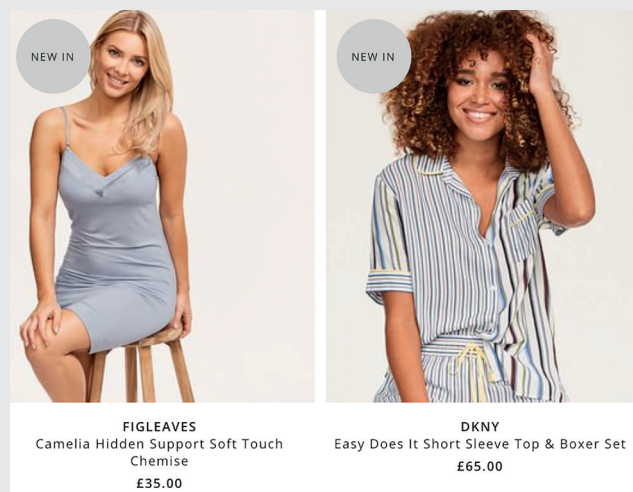


## CASE STUDY: FIGLEAVES

Figleaves is a UK-based online retailer of swimwear and lingerie with around 200 employees, founded in 1998 and purchased by N Brown Group in 2010.

Due to the sector it operates in, the company has a relatively slow repeat purchase cycle. The company decided to target the in-parcel channel as another way of speeding the repurchase process on the basis that engagement through transaction inserts and pack notes is high.

The company began offering customers discounts using Retain.me SmartSlips and has seen a “high number” of code redemptions. In future the company plans to look at peer referral programmes and cross-category campaigns between lingerie and swimwear shoppers.



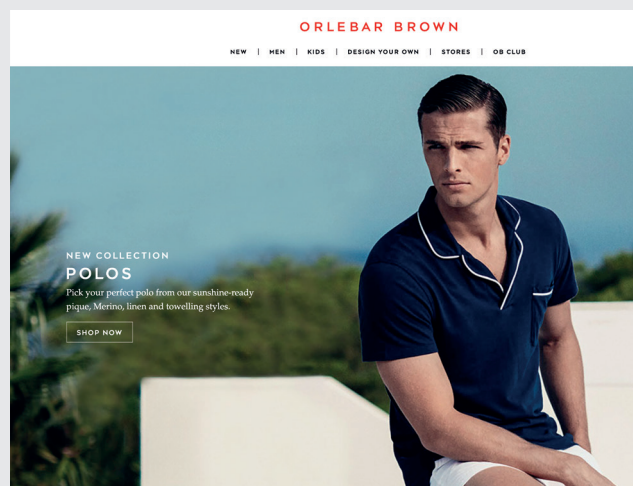
## CASE STUDY: ORLEBAR BROWN

Founded in 2007, Orlebar Brown is a UK-based clothing brand specialising in tailored men's swim shorts.

The company believed its current delivery note was outdated and impersonal and looked to SmartSlips as a way of presenting the brand in a more visual and tailored way.

Orlebar Brown believed this would improve the customer experience, providing a better introduction to the brand for new customers and updated content for existing customers that would connect them with the latest campaigns and most recent styles.

The company tested the campaign by split-testing, with half of orders receiving a SmartSlip. It found that there was a 7% increase in new customer repeat purchase rate and that customers gave positive feedback.





# CONCLUSION

Retention is part of the marketing mix. Focusing on retaining customers is disproportionately effective, costing five times less than acquiring new ones.

Email is declining in effectiveness in the post-GDPR world, but even at its peak it had inherent drawbacks: open rates are low, click-through rates are lower and you still have to sell the product to the small pool of customers that are left.

By contrast, physical assets get seen by almost every customer. If things have gone well, the moment of opening the box is a key opportunity to target that buyer and turn them into a long-term customer. QR codes then provide a direct link between physical and online, meaning that a customer can be directed towards further products, loyalty programmes or returns policies.

Get personalisation right: use the customer's data to keep communications and offers timely and relevant. ■

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