

IUIGA's Challenge: Is Omnichannel Worth it?



- Launched in May 2017 IUIGA as e-commerce, IUIGA offers a curated range of high-quality products in the 'home and living' category at affordable prices.
- IUIGA sources these products from China-based original design manufacturers (ODMs) which produce for large global brands and retails them under its own brand name at much lower and transparent prices.
- Having taken off with a promising start in May 2017, IUIGA sales had plateaued just eight months later.

Overview

- Attributing this decline to a lack of brand awareness and low penetration of online buying in Singapore, IUIGA proposed opening a pop-up store as a marketing platform to drive greater brand presence and customer engagement.
- In May 2018, after much deliberation, the IUIGA board gave the go-ahead to launch the pop-up store, even though physical retail was uncharted territory for the team and required additional investments to acquire the requisite resources and develop expertise.

The Challenge

After two years of going offline/online from online, IUIGA's data team wants to understand if it was worth it to go omnichannel.

Omni-channel: An emerging form of retail

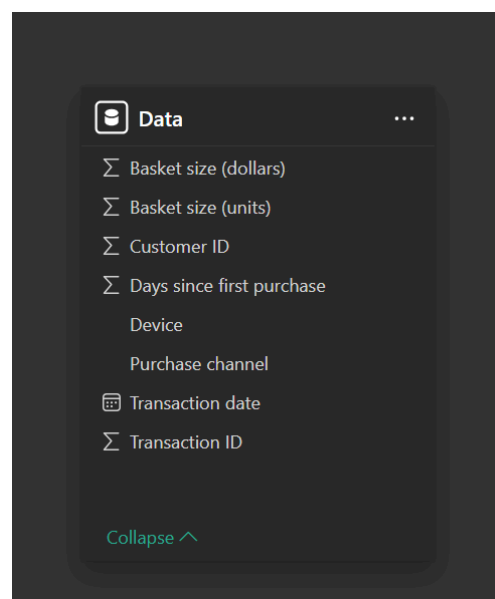
- An omnichannel retail provides service via multiple channels such as online stores, pop-up stores, and Brick-and-Mortar (B-a-M).
- Unlike, multi-channel retails, omnichannel retails tend to provide a personalized experience over multiple channels.
- Some of the most successful examples of omnichannel campaigns are Nordstrom, Crocs, American Eagle Outfitters, Ikea etc.

Data

Raw data consists of 8 features and more than 100000 transactions.

Transaction ID	Customer ID	Transaction date	Days since first purchase	Basket size (units)	Basket size (dollars)	Purchase channel	Device
100001	10001	3 Jul 2017	33	1	168.00	online	ios
100002	10002	4 Jul 2017	32	7	1211.40	online	ios
100003	10003	5 Jul 2017	42	1	195.90	online	ios
100004	10004	5 Jul 2017	13	4	194.70	online	ios
100005	10005	6 Jul 2017	0	2	279.90	online	ios
100006	10006	7 Jul 2017	44	2	35.80	online	ios
100007	10007	10 Jul 2017	3	1	30.90	online	android
100008	10002	13 Jul 2017	41	12	480.90	online	ios
100009	10008	14 Jul 2017	0	1	195.90	online	pc
100010	10009	15 Jul 2017	5	1	390.90	online	android
100011	10010	16 Jul 2017	46	3	147.90	online	ios
100012	10011	17 Jul 2017	39	1	168.00	online	pc
100013	10012	17 Jul 2017	0	1	195.90	online	pc
100014	10002	18 Jul 2017	46	6	2345.40	online	pc
100015	10011	18 Jul 2017	40	4	434.70	online	pc
100016	10013	19 Jul 2017	3	1	168.00	online	ios
100017	10014	19 Jul 2017	0	2	582.90	online	pc
100018	10002	20 Jul 2017	48	5	146.80	online	ios

ERD

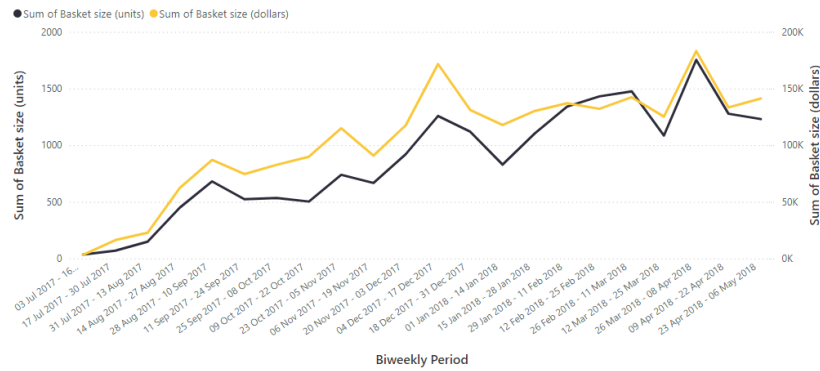


Analyzing data to understand the current sales at luiga

(Online Phase before Pop-up store)

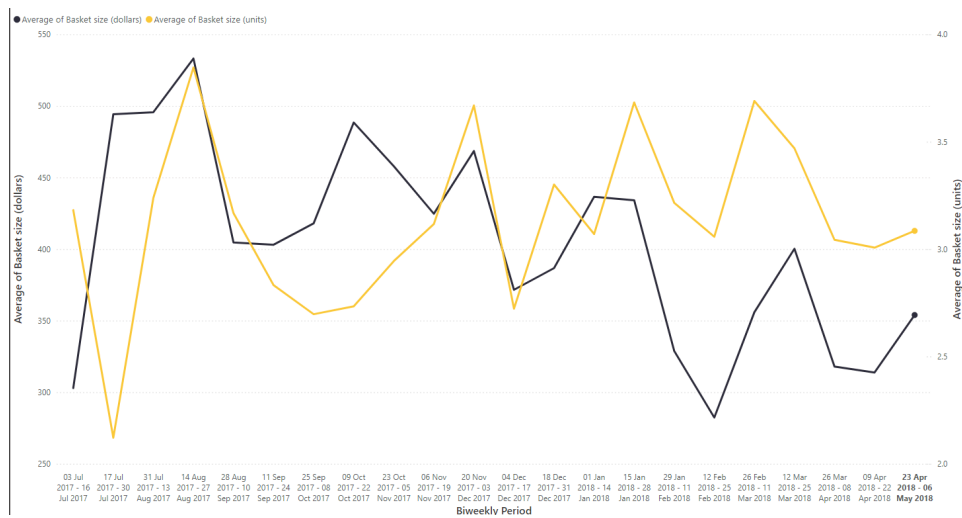
Total sales as Sum of Basket Size (Units and Dollars)

Total Sales in Units and Dollars before Pop-up store launch



- Total sales in Dollars and units reached a constant after a few weeks.

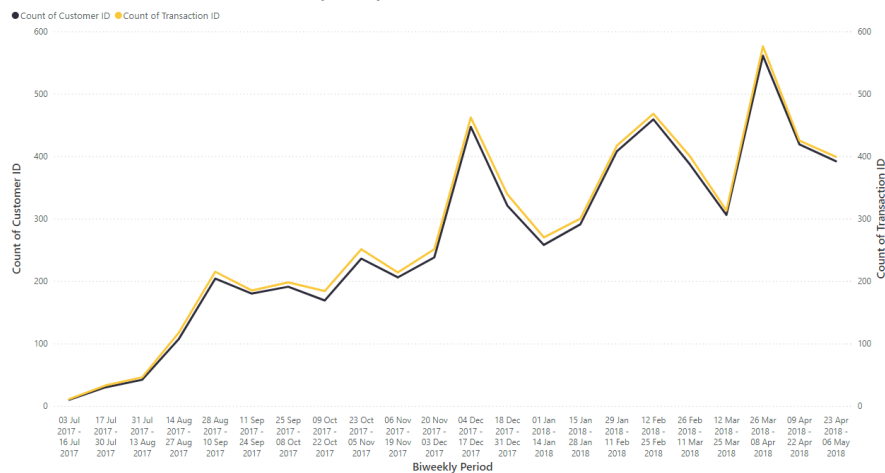
Average Basket Size (Units and Dollars)



- No clear trends can be observed for the average basket size.
- The average basket size dollars shows a modest decline.
- The average basket size (dollars) seems to have a lower bound of around 300. Could be due to free shipping or checkout only above a certain basket size.

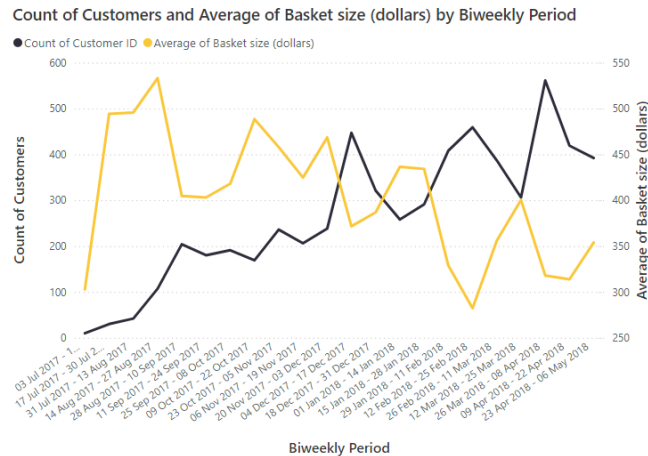
Count of Customers and transactions

Count of Customer ID and Count of Transaction ID by Biweekly Period



- Customers' accusation rate decreases after a few weeks.
- The number of transactions reached a constant after a few weeks.

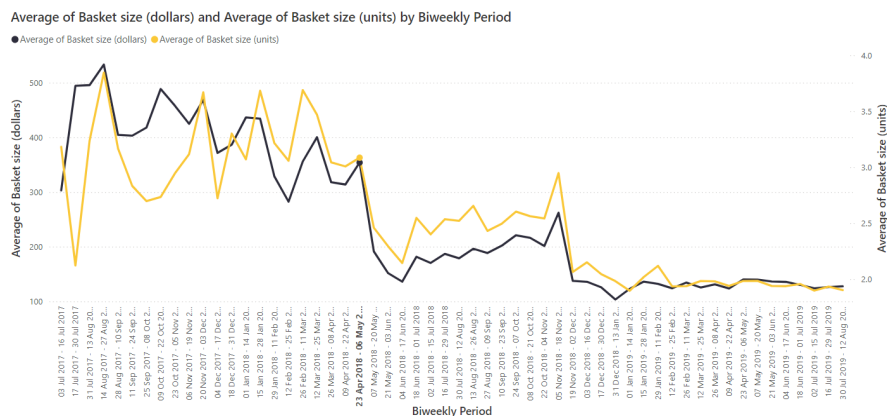
Count of customers and Average Basket size (dollars)



- Average basket size decreases from opening.
- Number of customers reaches a stable point.
- We observe a decline/plateauing of sales within few months after its lunch

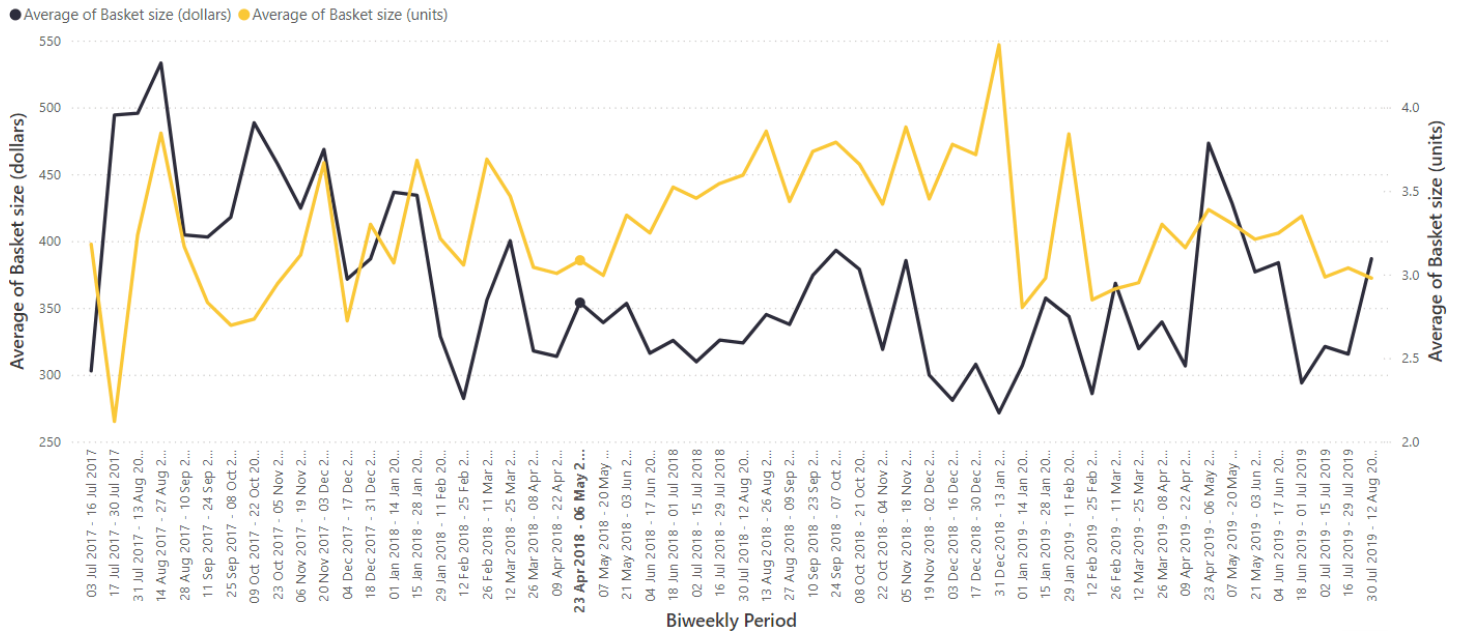
Trend from beginning to last available date

Average Basket size (dollars and units) (both online and offline sales)



Average Basket size (dollars and units) (only online sales)

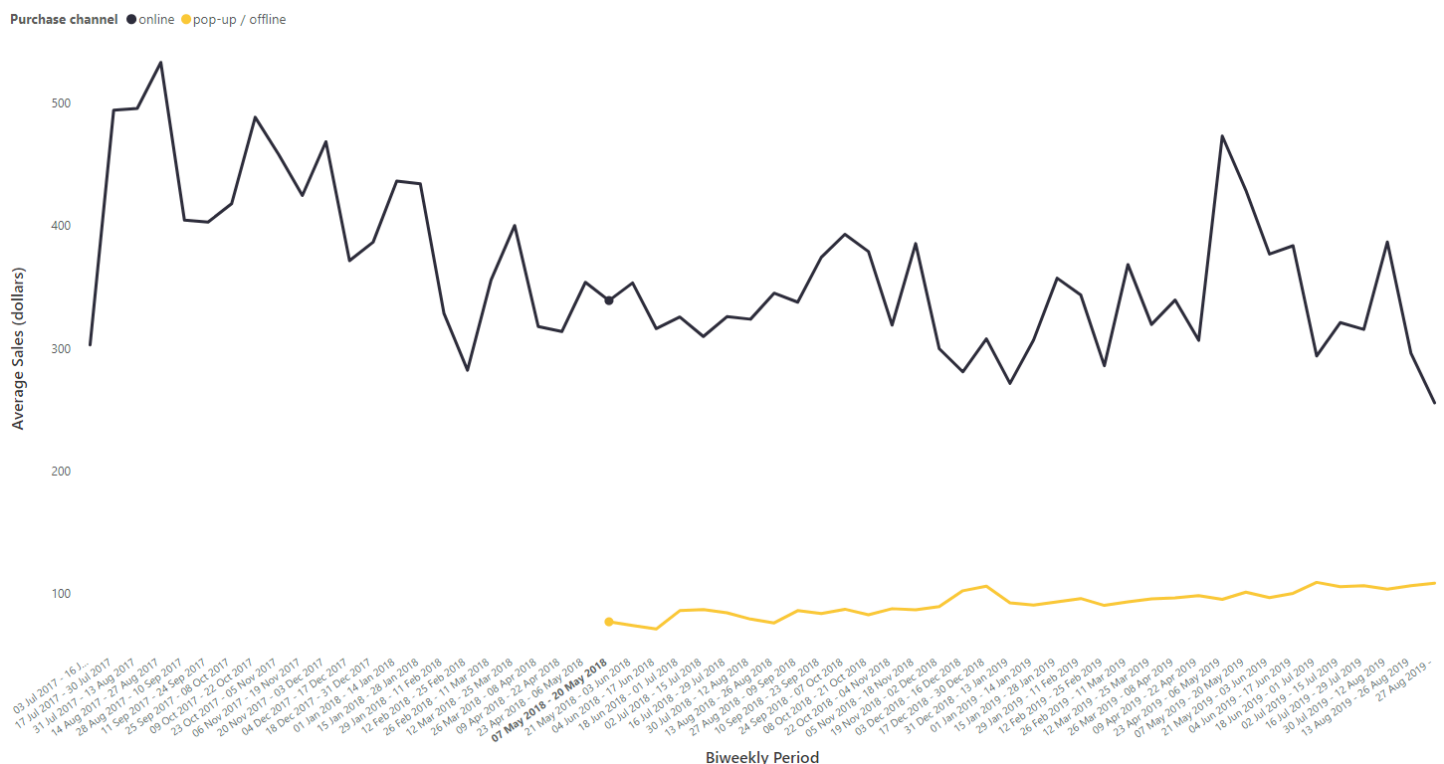
Average of Basket size (dollars) and Average of Basket size (units) by Biweekly Period



Channel Synergy:

- Online basket sizes remain relatively consistent even after the opening of the pop-up store
- The average basket size in dollars and units remains relatively consistent even after the launch of the pop-up store. This indicates that the addition of physical retail did not cannibalize online sales significantly.
- It suggests that online customers continued their existing purchasing behavior irrespective of the offline store's presence.
- Although online sales trends remain consistent, the combined effect of online and offline channels likely contributed to overall sales growth, as the offline channel attracted new customers who might not have otherwise purchased online.

Biweekly Average Sales



Interpretation of Biweekly Average Sales

1. Decline in Online Average Sales:

- The upper graph showing online sales indicates a gradual decline in biweekly average sales over time. This suggests that online sales may have been impacted by market saturation or a shift in customer preferences.

2. Steady Growth in Pop-Up/Offline Sales:

- The lower line representing pop-up or offline sales shows a consistent upward trend. This demonstrates that offline channels effectively captured new customers or provided a complementary sales avenue.

3. Shift in Channel Contribution:

- The growth in offline sales, coupled with the decline in online average sales, might indicate a redistribution of customer engagement across channels. Customers who prefer physical stores may have transitioned from online shopping to offline purchases.

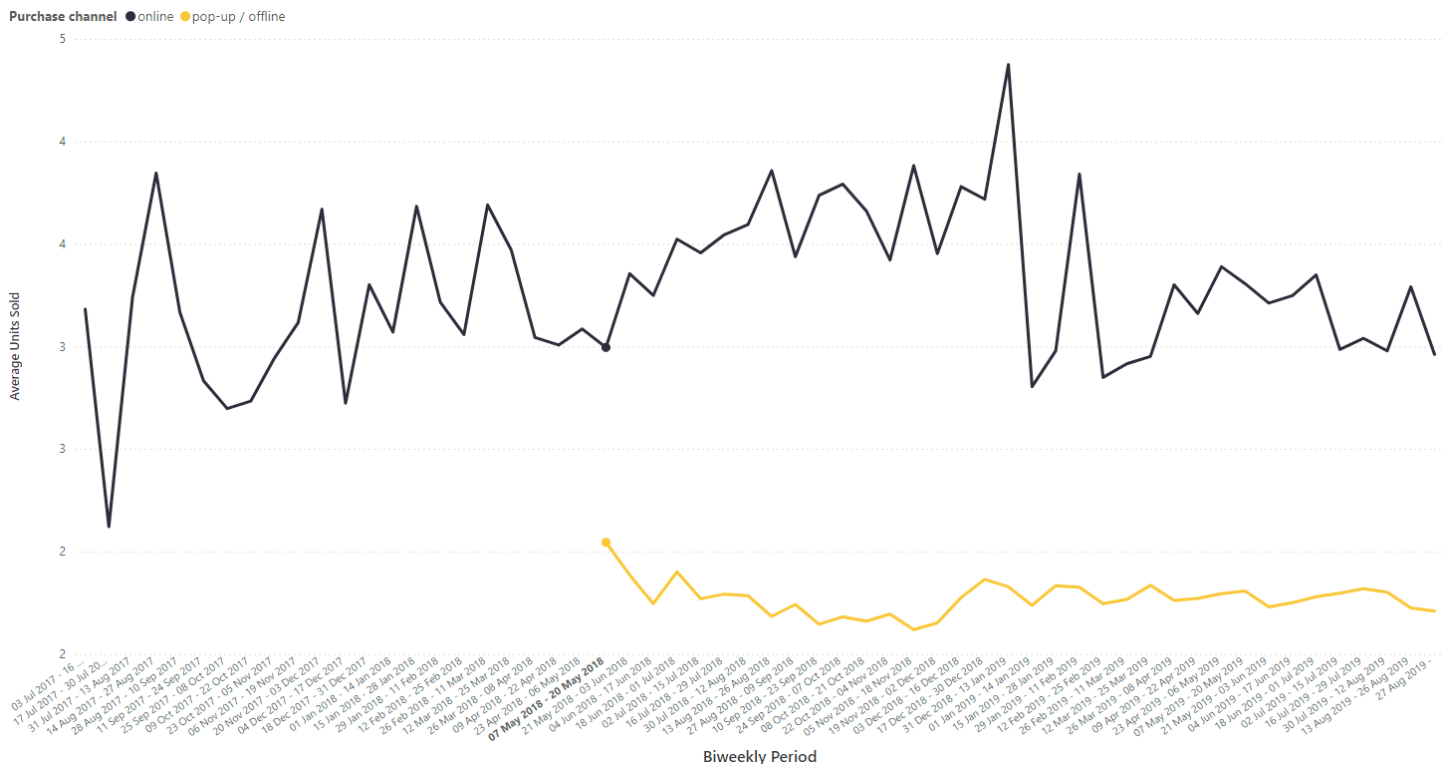
4. Overall Impact of Omnichannel Strategy:

- While online sales decline, the growth in offline sales could suggest that the introduction of physical stores contributed to sustaining overall revenue.
- This indicates synergy between channels, with offline stores acting as an effective tool for customer acquisition.

5. Strategic Implications:

- The offline channel's growth emphasizes the importance of physical stores for customer engagement and brand presence.
- A targeted approach to address the declining trend in online sales, such as improving the digital shopping experience or running targeted promotions, could help maintain a balanced omnichannel strategy.

Biweekly Average No. of Units Sold



Interpretation of Biweekly Average Number of Units Sold

1. Online Sales (Black Line):

- The average number of units sold online fluctuates over time but generally remains stable with a slight upward trend initially and then plateaus.

- Occasional spikes may indicate promotional campaigns or specific periods of high demand (e.g., holidays or sales events).

2. Offline Sales (Yellow Line):

- The average number of units sold offline shows a gradual upward trend, suggesting the pop-up/offline channel effectively attracted new customers.
- Although the increase is steady, the offline channel maintains a significantly lower average than the online channel, indicating that online remains the dominant sales channel in terms of volume.

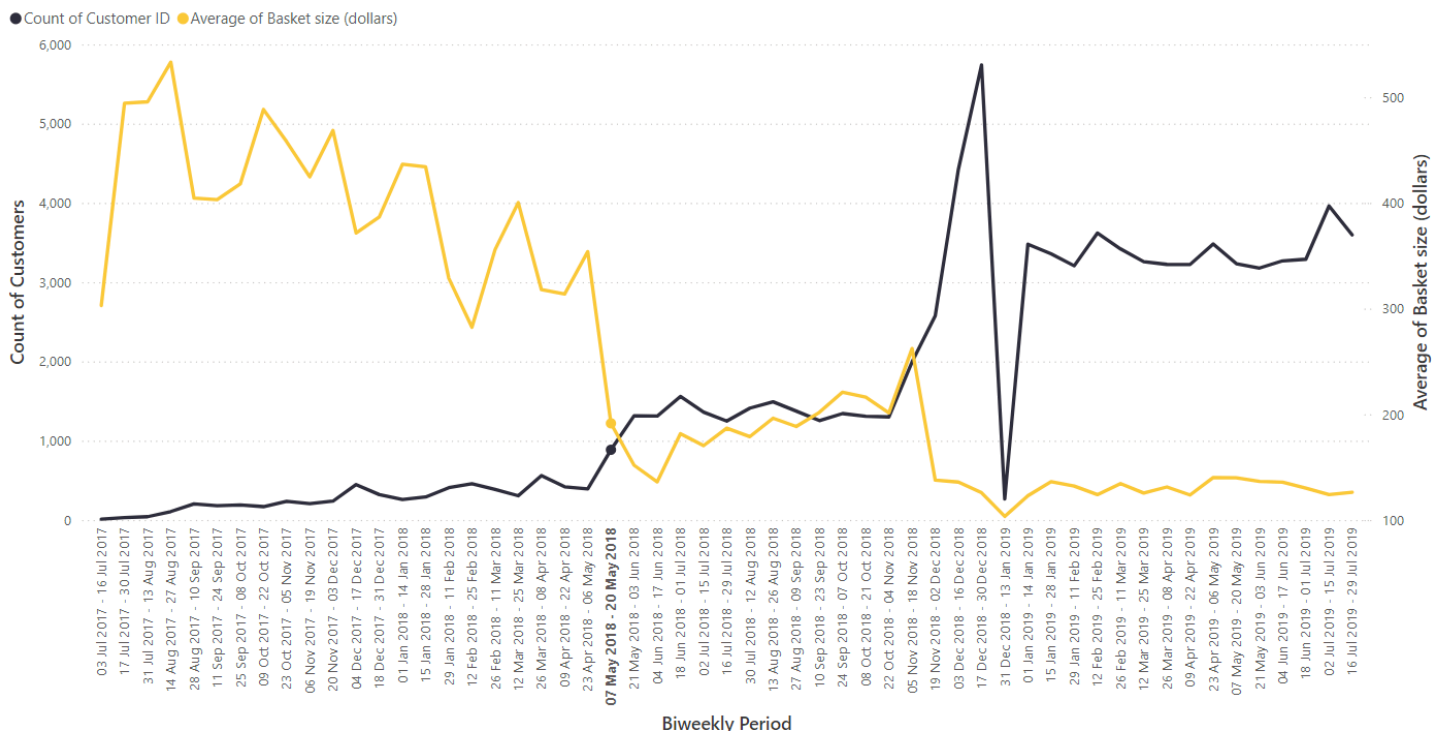
3. Synergy Between Channels:

- The upward trend in offline sales, coupled with the relative stability of online sales, indicates a complementary effect rather than cannibalization between channels.
- This supports the idea that the offline channel helped engage a different segment of customers who may not have shopped online.

4. Strategic Implications:

- The growth in offline units sold highlights the importance of maintaining and possibly expanding the physical store presence to capture more customers.
- Efforts should be made to ensure both channels support each other, such as cross-promotions or loyalty programs that encourage customers to shop across both online and offline platforms.

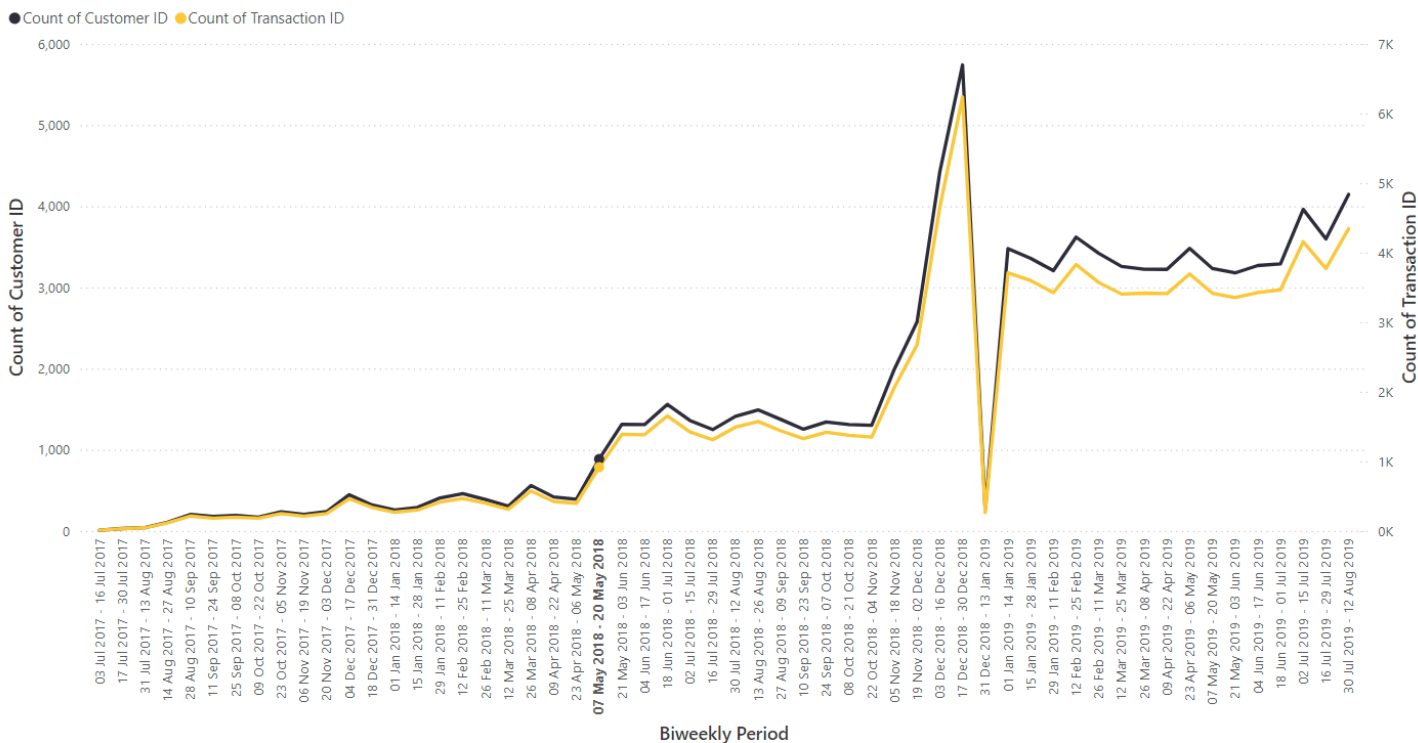
Count of Customers and Average of Basket size (dollars) by Biweekly Period



- Number of unique customers increased after the pop-up
- Average basket size decreased after the pop-up

Customer Accusation and Total Sales

Count of Customer ID and Count of Transaction ID by Biweekly Period



- There was an increase in sales after pop-up stores

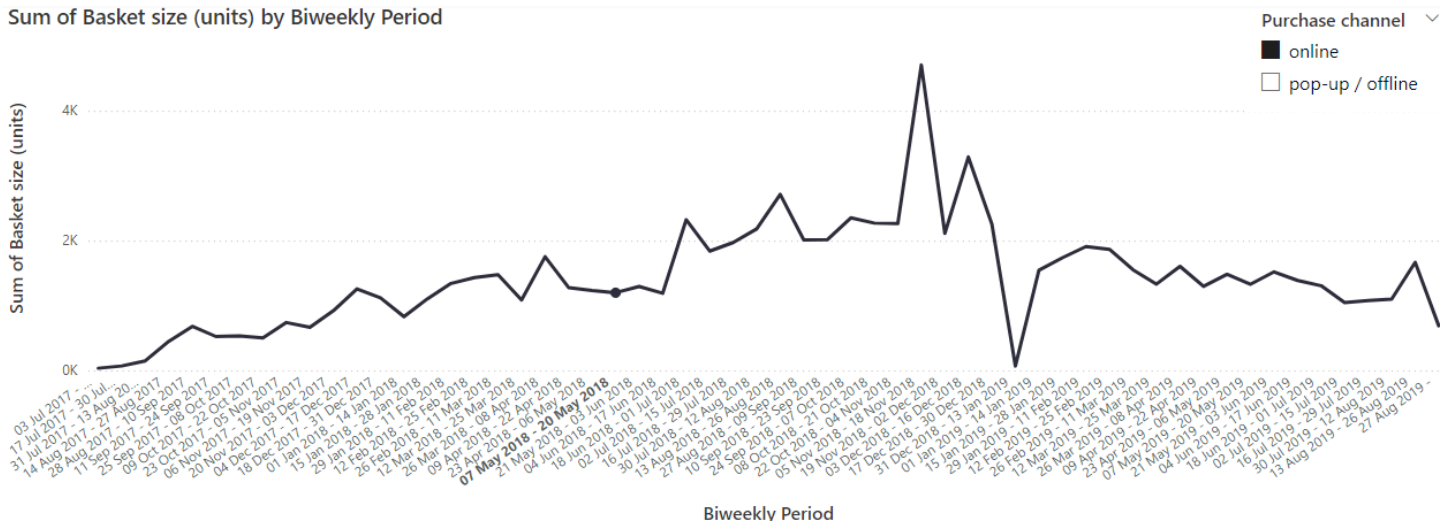
Year	Average of Basket size (dollars)	Average of Basket size (units)	Sum of Basket size (dollars)	Sum of Basket size (units)	Sales Growth %	AOV Growth %	Order Count Growth %
2017	425.08	3.05	10,65,259.50	7650			
2018	185.47	2.43	69,59,112.88	91175	553.28	-56.37	1,397.29
2019	130.62	1.95	82,66,406.49	123637	18.79	-29.57	68.67
Total	157.68	2.15	1,62,90,778.87	222462			

Interpretation of the Data Table

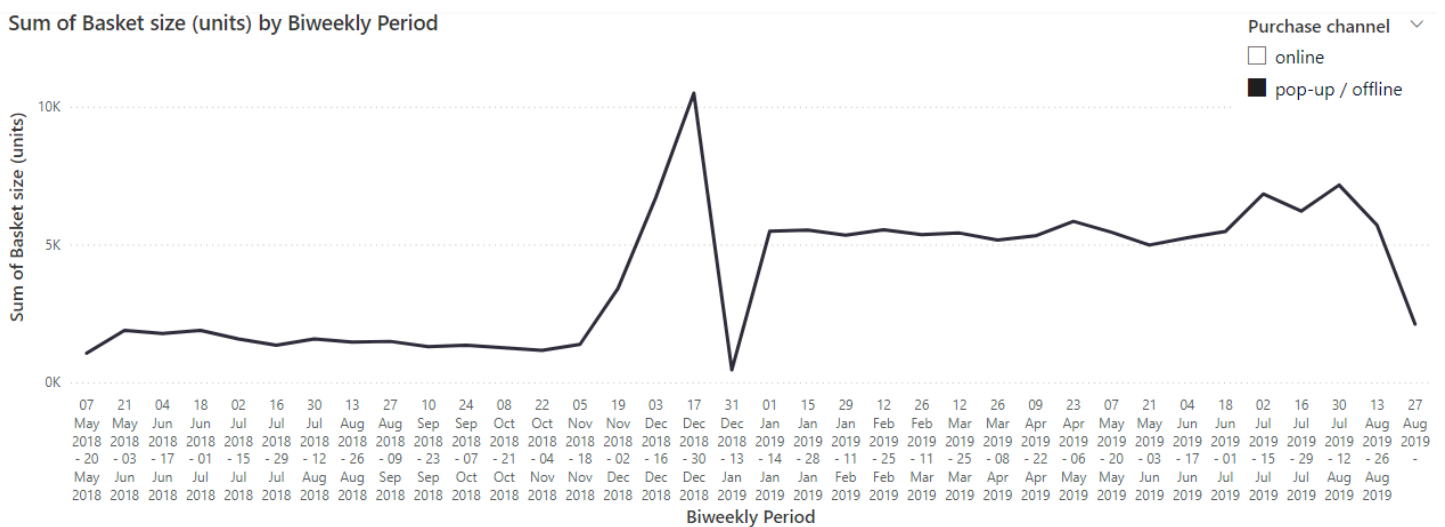
- Decline in Average Order Value (AOV):
 - The average basket size (dollars) decreased significantly from \$425.08 in 2017 to \$130.62 in 2019, indicating a shift towards smaller purchases or lower-priced items.
 - This reflects a 56.37% decline in AOV growth in 2018 and a further decline of 29.57% in 2019.
- Reduction in Average Basket Size (Units):
 - The average basket size (units) also declined from 3.05 in 2017 to 1.95 in 2019, showing customers purchasing fewer items per transaction over time.
- Sales Growth and Order Count Growth:
 - Despite the decline in AOV, the sales growth percentage remained positive:
 - 553.28% in 2018, attributed to a significant increase in the order count growth of 1,397.29%.
 - In 2019, sales growth slowed to 18.79%, with order count growth dropping to 68.67%.
 - This indicates that sales growth was primarily driven by a higher volume of orders rather than larger transactions.
- Total Contribution:
 - The sum of basket size (dollars) increased from \$10,652,259.50 in 2017 to \$62,960,406.49 in 2019, reflecting overall revenue growth.
 - Similarly, the total sum of basket size (units) and total order count also increased over the years.
- Strategic Insights:
 - The data suggests a growing customer base making smaller, more frequent purchases, indicating a potential shift in customer preferences.
 - To counter declining AOV, strategies such as bundling products, introducing discounts for larger orders, or loyalty programs could encourage larger transactions.

- c. The significant increase in order count growth highlights the success of marketing and customer acquisition strategies.

Sum of Basket size (units) by Biweekly Period



Sum of Basket size (units) by Biweekly Period



- The launch of the pop-up store led to an increase in offline sales
- Soon offline sales plateaued and showed a slight downward trend.
- The launch of the pop-up store did not have an immediate impact on the online channel sales

Analysis of Offline Sales Trends

1. Initial Surge in Offline Sales:

- The launch of the pop-up store led to a significant increase in offline sales. This can be attributed to several factors:
 - Novelty Factor:** The introduction of a physical store likely attracted customers curious about the brand's products in a tangible setting.
 - Enhanced Customer Engagement:** The physical store provided an opportunity for personalized interactions and demonstrations, which are often lacking in online shopping.
 - Market Penetration:** Pop-up stores are known for driving brand visibility and attracting new customers who may not have been aware of the online channel.

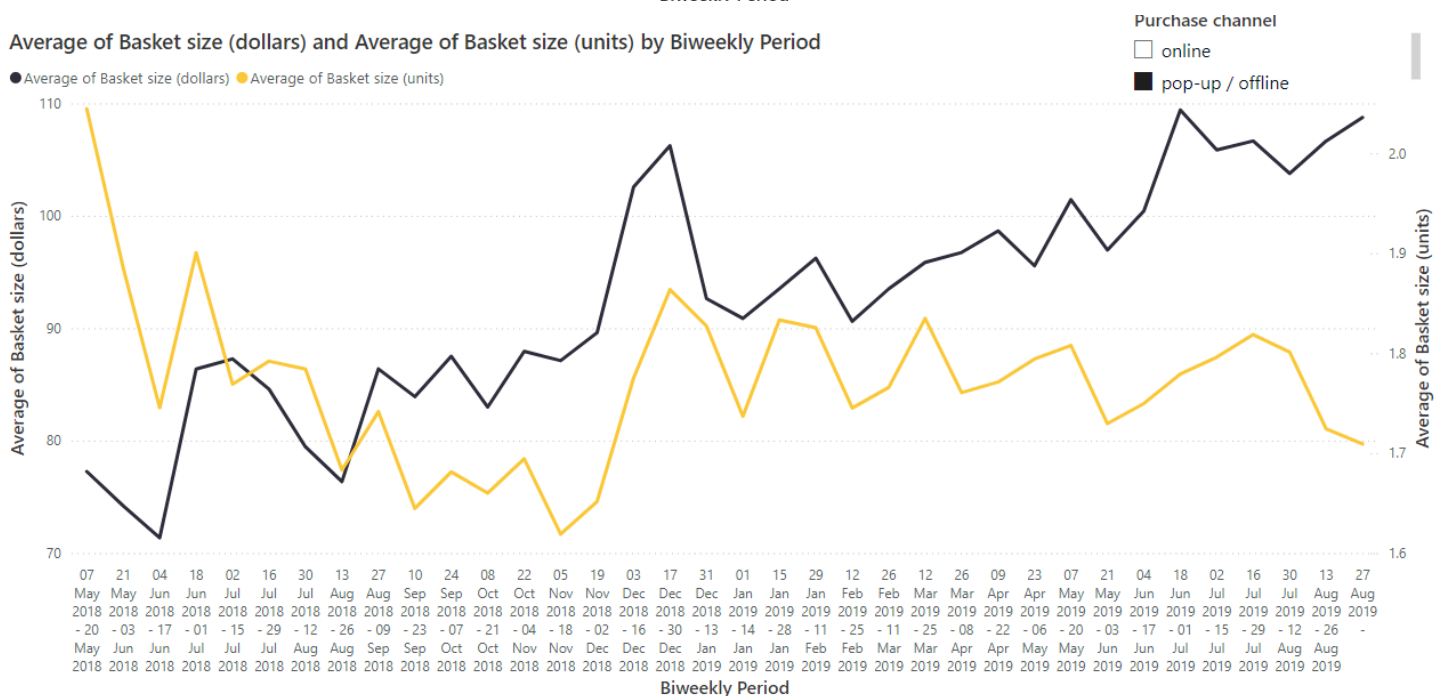
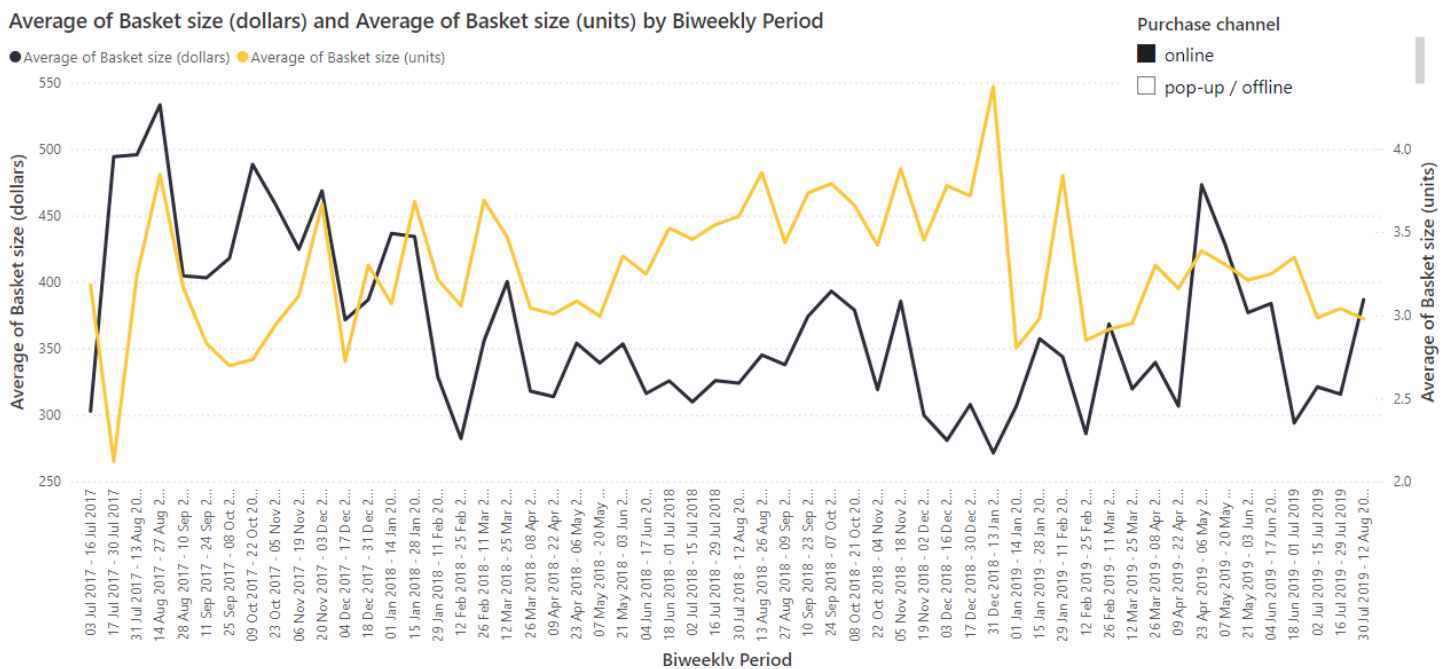
2. Plateau and Downward Trend in Offline Sales:

- After the initial spike, offline sales plateaued and then showed a slight decline. Possible reasons include:
 - Market Saturation:** The store may have captured the majority of interested customers within its target area.

- ii. Limited Repeat Visits: Customers may have visited the store once or twice but returned to online shopping for convenience.
- iii. Operational Challenges: Inventory or staffing limitations could have impacted the store's ability to sustain the initial growth.

3. No Immediate Impact on Online Sales:

- a. The launch of the pop-up store did not appear to cannibalize online sales, as the trend for online units sold remained stable.
- b. This suggests that the two channels served distinct customer segments:
 - i. Offline Customers: Likely drawn to the tactile experience and immediate product access.
 - ii. Online Customers: Continued to prioritize the convenience and broader selection available online.

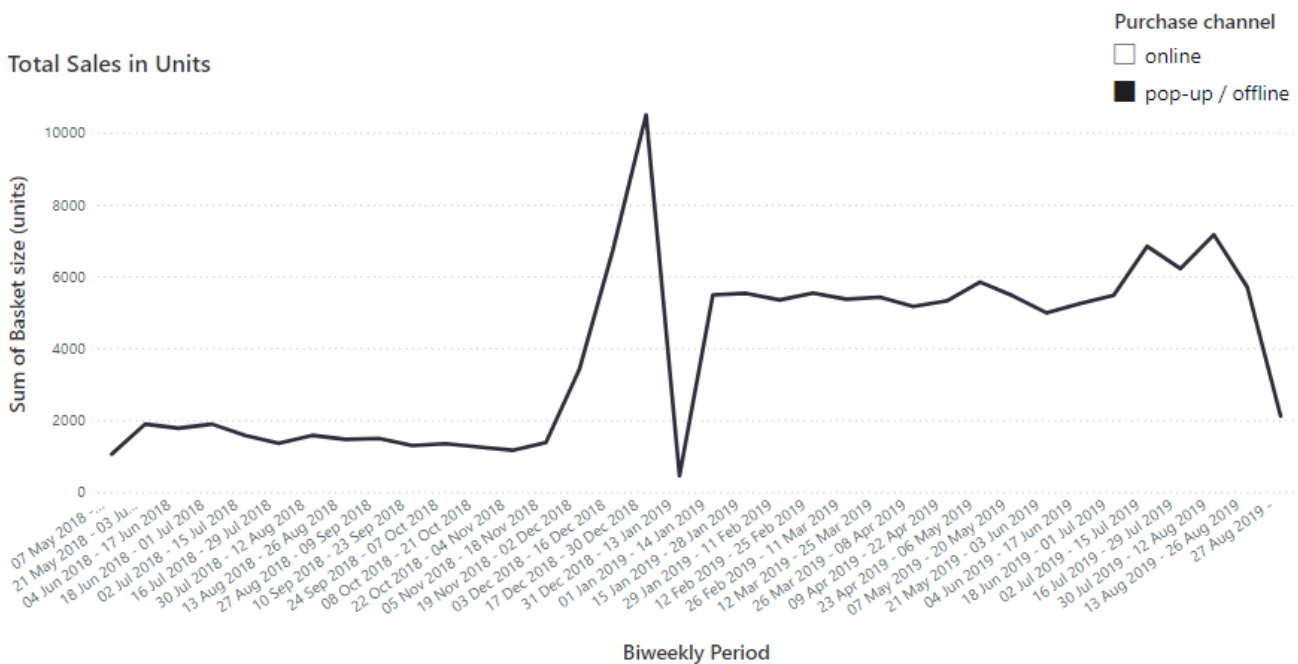
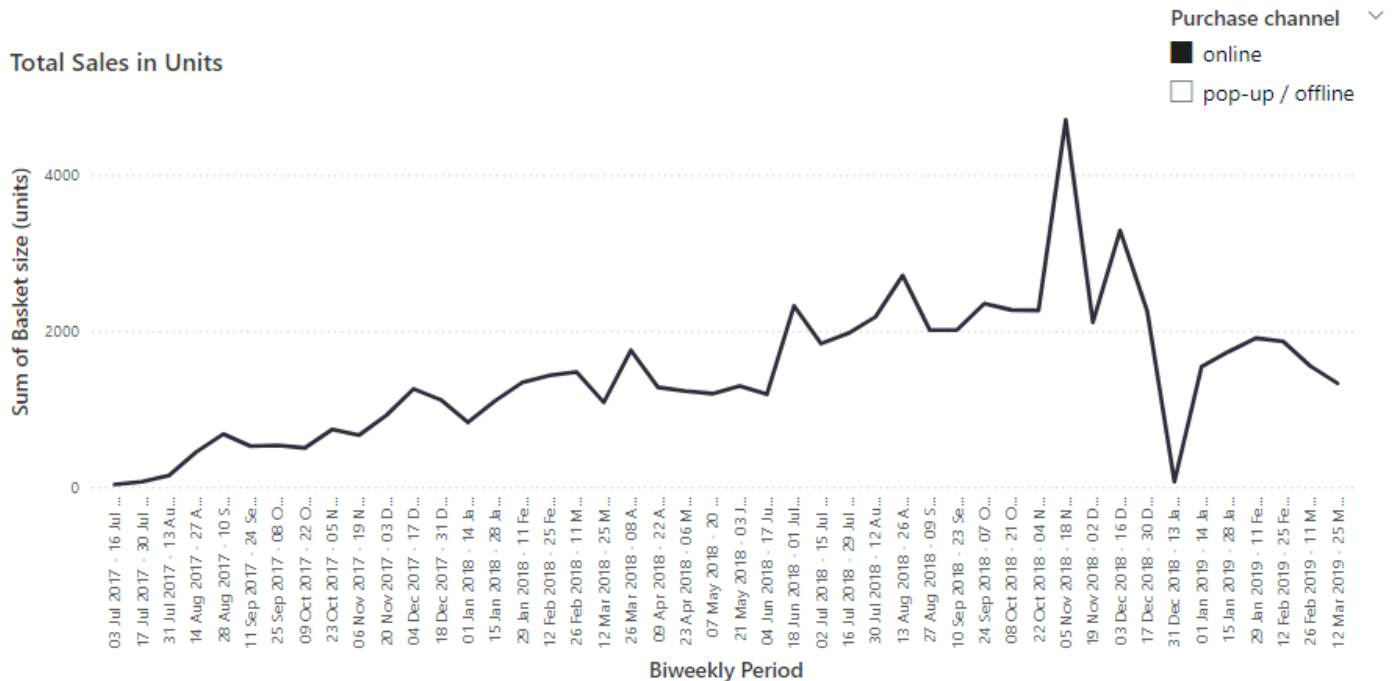


- Basket size of pop-up and online remains relatively constant.
- Online basket size is almost three times of pop-up basket size.

Purchase channel	Count of Customer ID
online	24731
pop-up / offline	78584
Total	103315

- Pop-up stores tend to attract a wider range of customers

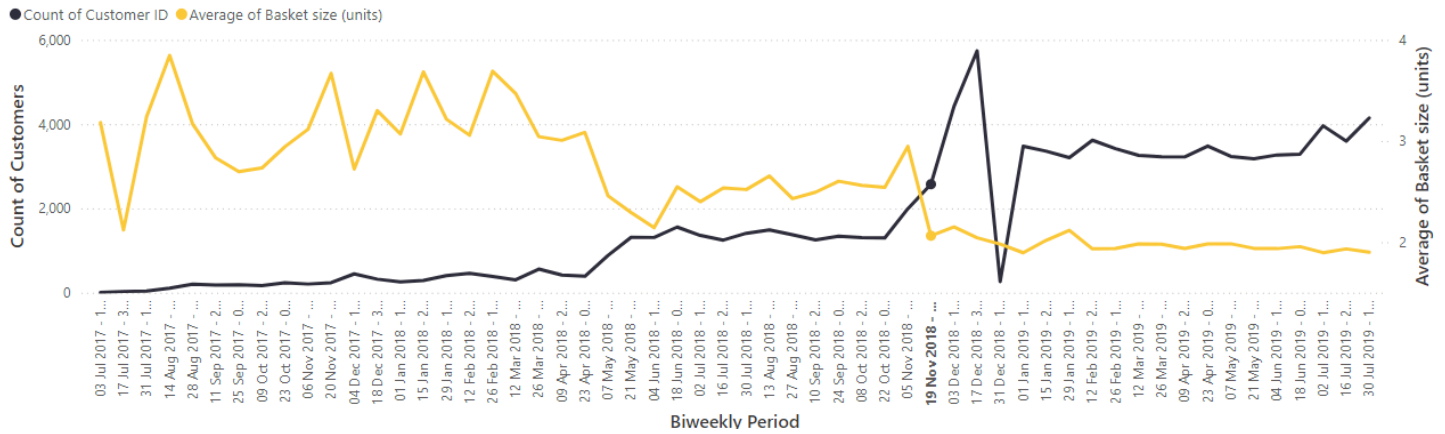
Synergy or Cannibalisation?



- Online sold units continue to grow, so it seems to be synergy.
- Total sales continue to increase as new channels are added.

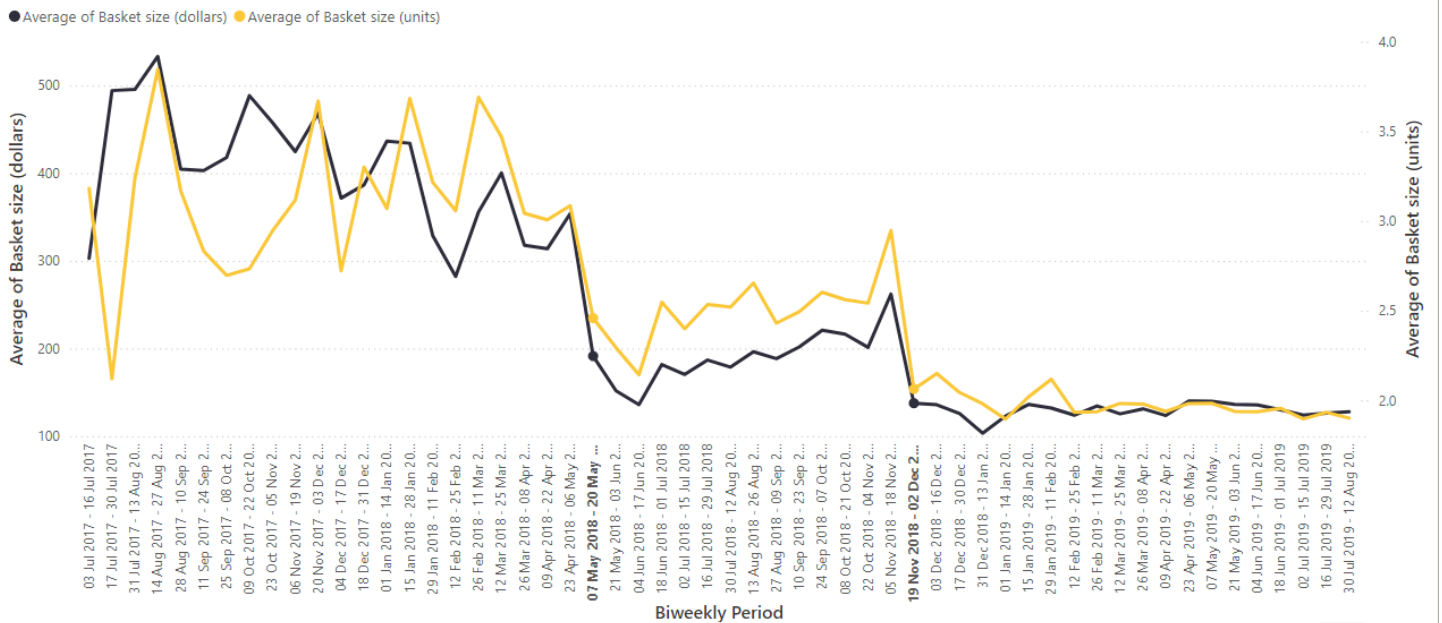
After 19/11/2018

Customer Vs Basket



- Number of unique customers increased after the pop-up and B-a-M
- Average basket size decreased after the B-a-M

Average of Basket size (dollars) and Average of Basket size (units) by Biweekly Period



- The average basket, seems to decrease after each stage.
- Unlike the online channel that necessitates buying a certain minimum quantity to qualify for free delivery, offline channels do not force a lower bound.

Before Pop-up store launch (Before 6,May 2018)

Purchase channel	Count of Customer ID	Count of Customer ID
online	6074	5055
Total	6074	5055

After Pop-up store launch and before B-a-M (After 6,May 2018 and before 19, Nov 2018)

Purchase channel	Count of Customer ID	Count of Customer ID
online	8491	7018
pop-up / offline	11773	9707
Total	20264	15858

After B-a-M launch(After 19, Nov 2018)

Purchase channel	Count of Customer ID	Count of Customer ID
online	10166	8112
pop-up / offline	66811	48783
Total	76977	54579

Total

Purchase channel	Count of Customer ID	Count of Customer ID
online	24731	17859
pop-up / offline	78584	55827
Total	103315	69059

After Pop-Up store launch (After 6,May 2018)

Purchase channel	Count of Customer ID	Count of Customer ID
online	18689	13941
pop-up / offline	78584	55827
Total	97273	65787

Total unique customers gained in stages two and three: 65,787 (compared to 5055 in stage one). 55,827 customers acquired offline, emphasizing the significance of offline acquisition for luiga.

Offline sales dominate with an 80:20 ratio over online sales.

The importance of brick-and-mortar presence is highlighted in Singapore, where over 90% of customers prefer physical stores.

Strategic Considerations

Investment in Physical Stores:

Importance of continued investment in physical channels.

Recommendations: Open more stores, increase product inventory, enhance customer service, and improve shopping experience.

Limited Synergies Between Channels:

Over 95% of customers exclusively purchase either online or offline.

Lack of cross-channel promotion suggests limited synergies.

Urgent need to integrate and blend online and offline channels seamlessly.

Addressing New-Age Customer Demands:

Emphasis on the need for a fully integrated and seamless omni-channel experience.

Focus on attracting channel-agnostic customers by improving online reach and experience.

luiga as an online platform did not have any experience regard offline retail

- Higher rent for stores
- Need to hire sales staff
- Inventory problems

Key takeaways

Omni-channel paid-off for luiga

Smaller basket but significant increase in the number of customers