Part I

Thanks to our data analyst, we've been given product, customer, and review data from the last few years. After some exploratory analysis, we've made several conclusions about issues that have arisen. There are challenges the team has the potential to overcome using creativity and various tools at our disposal.

Analysis:

1. Order reviews paint a rather bleak picture of customers' experiences. Over 20% of orders have a rating of 1 star (on a scale of 1 to 5). Research into why this number is so high is necessary. Of the negative 1 star ratings, most associated reviews have to do with poor product quality, receiving an item late, or never getting it at all.
2. More than half of orders are missing user reviews. This is a problem since we are missing out on valuable customer feedback. Let's try to find a way to reduce or eliminate this number through incentives.
3. Over 80% of orders only contain one item. Surely we can figure out a way to increase this number to boost revenue.
4. Revenue growth has stalled significantly in 2018 compared to the year before.
5. In 2017, only 7% of customers had more than one purchase order. In 2018 it was 6%. This is a poor retention rate that needs to be corrected as soon as possible in order for the business to grow.

Of the three options the team has come up with, I believe the best approach is to consider the first. Phasing out the online store-building tool and listing vendor's products in one integrated online store run by OL would be a fantastic approach for several reasons. First, phasing out the online store-building tool would likely alleviate a lot of time and energy for the entire team, especially the engineers. The need to constantly roll out tailored features and designs for various clients in diverse industries can be draining. By having one site, the team can focus on one platform and spend all time and energy on a single site.

Second, placing all products on one platform introduces the concept of market efficiency. Analysis shows that many negative reviews stem from late shipment of items, not receiving items at all, or poor quality of the product. The idea is that sellers who are lacking in quality of products or poor supply chain services with respect to competitors will be naturally phased out, leaving only competent sellers and their products. Another scenario is that the poorly-rated sellers will have to step up their game to be able to match the power sellers, creating better products and shipping services, thereby creating healthy market competition. The market would benefit with buyers and sellers expecting a higher quality shopping experience and give us more business. Rates of positive reviews are likely to climb up as time goes on. Given that our customers have a less than 10% chance of returning to purchase from us, I see the aforementioned strategy resulting in higher rates of customers returning. As we know, it is more expensive to acquire new customers (both buyers and sellers) compared to retaining current ones.

Third, given that more than 80% of orders only consist of one item, I believe that converting to a massive online store gives customers more kinds of products on one platform and at their fingertips rather than going to individual sites and creating multiple orders. It's the same principle as to why shoppers at Target or Amazon are more likely to impulse purchase when originally going in for one product. You come in for a new toothbrush and all of a sudden you're walking out of the door with a 65 inch TV, a soccer ball, and a birthday card for your brother-in-law. For these reasons I believe that switching to a massive online store would increase revenue, decrease churn, increase positive reviews, and begin to build our brand.

Furthermore, I believe that customer segmentation for purposes of increased retention can help our business. The way that I see this happening is by splitting users into various groups based on assessed risk of future churn. For sake of argument, let's say we split users into three groups, the first being high risk of churn, the second being in the middle, and the third having low risk. Each group would be targeted with various strategies but some actions would be given to all three. One approach that would be given to all is to reach out by means of surveys to assess past purchase experiences. This would allow us to gain user feedback from those who did not leave reviews by their own means and extra feedback from those who already did. Where it begins to differ is creating various subgroups within each of the three risk groups and creating small treatment groups within them to compare how their retention as well as customer lifetime value adjusts with contrasting promotional strategies.

Part II

I'm gonna take a bit of a risk on this one and take a left-field strategy.

So the engineering team has determined that a db cluster has unfortunately lost data due to a misapplied migration. We've lost all address data for orders placed in the last 96 hours. The team claims the data can be reconstructed in a matter of 3-5 days. This risks the customer experience for both buyers and sellers as their current orders will be delayed by several days. Customer retention rate is largely one of the most important KPI's to determine the health of a business, and Olist has a rather dismal one. It would be distressing to simply email an apology to buyers and sellers as confidence in our business would only go lower. There is no upside. Instead, Olist could use an approach that utilizes the psychology of consumerism to our advantage.

I suggest we market a sort of "Prime Day" as Amazon does either the next day or the day after for all of our customers. Customers lower their prices for the day and offer other incentives like free shipping (which Olist can help with financially from earlier strategy talks). Furthermore, we allocate resources for assisting sellers in advertising this "Prime Day" so that Brazilians get excited about the prospect of buying everything on their wish lists at a discounted rate. The motivation behind this is threefold.

First, customers will likely be anticipating these items much more than any orders made from the last 96 hours, allowing for us to immediately ship out the prime day items since orders can still be made in the meantime and will not be impeded by the db cluster's failure. The idea is that the orders from the last 96 hours will soon follow the prime day items, at which the buyers may have already placed in the back of their minds with all the elation and commotion of prime day. Second, establishing such an event can build our brand by its virality and begin to interest new customers just as we are building out our MVP for our massive online site with all sellers. It may be that both the original and prime day orders get delivered on the same date or so. Third, the thought may come across to buyers that because of such a massive sales event, previous orders being slightly backed up is simply inevitable and because of all the money they've saved, they don't mind as much that any previous orders are a little late. Maybe it's even perceived that all the items are being packaged and shipped together.

An obvious pitfall to this strategy is that there will inevitably be buyers that do not participate in this prime day, and/or fume over late shipment of their original orders. However, I believe this plan mitigates the fallout and actually creates some positive opportunities rather than it being purely negative. By providing free and/or discounted shipping, discounts and lower/no sale fees etc., sellers can be confident that Olist truly cares for their business and wants to help foster growth.