Literature Review and Recommendation Report

Case Study (ASOS)

RMIT Online – Data Science Strategy and Leadership

Consumer Analytics – Assignment 2

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# **Introduction**

## ASOS

ASOS is an online fashion company based in the UK. The online retailer has customers throughout the world but has large followings primarily in the US, UK, Russia, and many other European countries. Its website has 21.3 million customers per month, as well as 7.1 million customers from over 160 countries. In addition to the 850 brands that it carries on the ASOS marketplace, it has carried around 50,000 branded and ASOS.com branded products

## ASOS Case - Consumer Friction Points

A picture containing room

Description automatically generatedThe company faces difficulties in retaining their customers due to different reasons, like the increased presence of large high-street retailers, and also the transform of ASOS loyalty program had impacted the customer satisfaction and the retention rates within different age groups of consumers.

The decrease in retention rates (in particular for the 15-24 age group) is causing the margin erosion and the market share, since unhappy costumers will start looking somewhere else to purchase their needs.

Figure - Consumer Retention

# Literature review of DSA methods/techniques and tools

The scope of the search for relevant literatures is based on the case I have for ASOS, starting for the background information (the nature of the industry, the position of the company and its products in the market) to the context of the friction and the objectives I am working to achieve by utilizing the data science analysis.

## Scope of search

* Acceptance criteria: High quality literatures.
* Business: Online retails or e-commerce related.
* Objective: Dealing with Customer relationship, Customer retention, and improving profit margin.
* Applications: Using Data driven and analytics tools and techniques.
* Geographical boundaries: since we are dealing with online business, I believe this criteria has no major impact on the relevancy of literature.

## 

## Literatures

1. Strategic Data Driven Approach to Improve Conversion Rates and Sales Performance of E-Commerce Websites
2. A Study on the Use of Marketing Analytics in the Online Retail Segment.
3. Customer relationship management and big data enabled: Personalization & customization of services:
   1. Customer retention analytics: 5 strategies to reduce churn
4. Behavioural Customer Loyalty in Online Shopping: The Role of E-Service Quality and E-Recovery

### Customer retention analytics: 5 strategies to reduce churn

This study focuses on the importance of making customer feels special by offering customers something as personalised as possible.

It suggests 5 strategies to reduce churn with data:

* Develop data roadmap and stick to it.
* Focus on high quality leads.
* Use machine learning methods to create predictive models.
* Get data-driven insights with text-analytics
* Segment to focus of retaining the right customers.

### A Study on the Use of Marketing Analytics in the Online Retail Segment

This research studies how big data management is used by online retailers in marketing analysis to segment their customers’ data and help provide personalised customer experiences based on purchase history and buying behaviors.

This research studies the effectiveness of marketing analytics for online retailers, the analysis includes:

* Measuring the effectiveness of the website.
* Measuring the impact of content marketing.
* Predictive lead scoring and predictive conversion rates.

Using descriptive statistics, correlation, regression and recommendation algorithms to understand their customers and capitalise on that information, which will reduce costs and increase customer lifetime value.

# Possible solutions and recommendations

## The Objectives

In our ASOS case, we are aiming to address the below points:

1. Re-gain the trust of the age group (15-24) who showed dissatisfaction.
2. Increase the profit margin.

## Proposed Solution

To achieve our objectives, we can adopt the below strategies to utilise the data analytics techniques explained in the above literatures, as below:

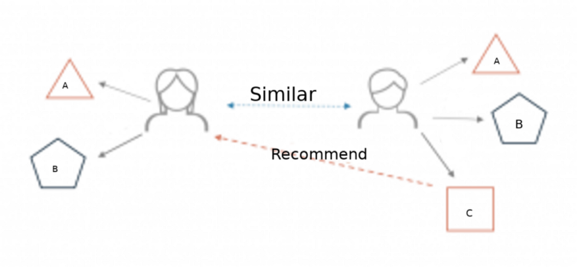
* Predict the potential current or new customers who are going to leave and switch to other competitors: Use Machine Learning methods to create predictive models that make prediction about the behaviors of our customers, this will help us identify the customers who are going to leave and look for other competitors. An action plan should be set based on these targeted customers to keep them, this would include special discounts and offers to increase their satisfaction.
* Use the historical data of consumers who purchased and rated items to build a recommendation system: many algorithms can be used to build this recommendation system like collaborative filtering (traditional or item-to-item), clustering models, or search-based models.

Figure - Recommendation System

With this recommendation system, we will offer the customers recommendations on the items that they really need and looking to buy, and this will return the below benefits:

* + Increase average order value: customers will purchase more items in single order, this will increase the average value and profit in the end.
  + Up-selling/cross-selling: recommending the right items from same or different categories will increase.
  + Increase the customer satisfaction, because we are recommending what they are looking for, and this will have the positive impact on the company image and will convert into profit in the end.

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# Conclusion

Data Analytic doesn’t stop at the extent of improving the current techniques, but it also open the doors for innovation and discovering new methods, techniques and tools to be used by business to find solutions to their problems and improve their business.  
Everything we can see tell that big data is going to take more central role in marketing as machine learning evolves and being utilised.

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