

Search and Retail:

What's next for online retail and ecommerce



Tumbleweeds skitter through shopping malls. The storefront is dead.

Major iconic brick-and-mortar retailers like Sears and Payless ShoeSource have either publicly questioned their own viability or filed for bankruptcy. Meanwhile, the US has **10 times more retail square footage per capita** than Europe, retail sales are done increasingly online (**8% and increasing 16% per year**) and consumers are increasingly willing to buy certain things online, like clothing for example, that they had previously insisted on buying in person.

Even **Walmart has moved its biggest bets online**. This isn't to say that having a storefront can't be an advantage, as Amazon is looking to open walk-in stores. Both online and successful brick-and-mortar retailers employ some of the same techniques to engage their customers and connect them to their products.

Search is the Center of Retail

When retailers first flocked to the Internet, they launched little more than corporate brochure sites redirecting consumers to their stores. As shoppers moved to online purchases, the industry followed and retailers started to deploy the kind of online storefronts we see today. There is a search bar, a list of products (usually a picture, name, short description, and price) and a way to add things to a “shopping cart.”

Search became the center of these sites. Initially, the search ecommerce sites employed was not very smart. It simply matched keywords to products. Later it was faceted so users could filter by price or brand or department—think of how Amazon categorizes things and lets you pick to filter on say “electronics” versus “books.” The success of Amazon really lies in its search technology. Yes, free shipping, pricing strategy, and return policies, these all still matter, but ultimately consumers go to Amazon because they know they can find what they are looking for.

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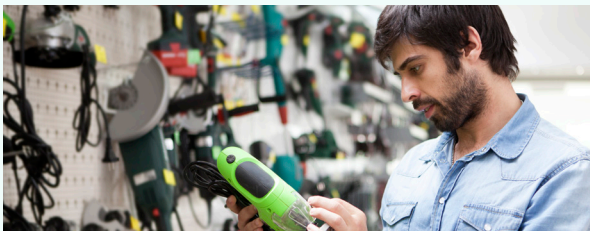
New Expectations, New Technology

Amazon and Google changed the expectations of consumers. Customers now expect to be able to find exactly that thing they're looking for with just a quick search. They expect smooth, responsive user interfaces that let them find what they need. This is the ultimate in customer service: "Here's what you need!" Companies like Google and Amazon are even driving towards "the next thing" with voice-driven interfaces making computing and search even more ubiquitous. **While being at the forefront is not without risks**, these **new search technologies are mature and available** to other retailers should they chose to employ it.

Better Search

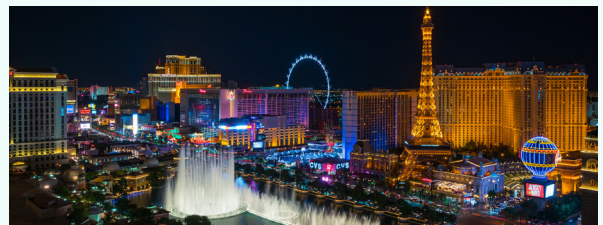
Margins are razor thin. Retailers are constantly tweaking the math. A 1% increase in foot traffic to a store or an 2% increase in the number of users finding more of what they need from the online storefront is worth spending time and treasure on. It adds up to real money quickly.

Finding what a user needs in response to a query is called relevance. Basic relevance is rooted in matching product descriptions to search keywords. This isn't enough anymore. What humans think is relevant and the words they type in the search box don't always match the words that product marketers use to describe the product. A system should look at what users click for the terms they searched and boost those results for all users. That means that the users that don't click to the next page or even look at more than the first result will see better results based on what other users clicked. This kind of collaborative filtering requires capturing user "signals" like click-stream events and purchases in order to improve search.



Home Improvement Retailer

One of the top five home improvement retailers moved their search to Fusion and saw add-to-cart increase 17%, checkout increase 18%, and an incremental \$6.5M to the checkout.



Las Vegas Travel Site

A popular Sin City travel site deployed Lucidworks Fusion to power their mobile shopping experience and saw engagement increase by 63%, bounce rate drop 8%, and conversions improve 33%.

Personalization

However, collaborative recommendations aren't always enough to find what *I* need. I'm not every user, I had a bad experience with the brand that is the top result. I want something similar to *this* but not *that*. These kinds of recommendations are essential.

High end sites are becoming even more personalized, looking at what I search for and what I click on (and what I avoid). Machine learning is used to aggregate these personalized results relevant to a specific individual customer. This goes beyond simple demographic (showing men's shoes to men and women's shoes to women) and becomes more personalized to an individual customer. This kind of customization requires capturing every user interaction.

The Rise of Omnichannel

Retailers are going beyond merely capturing interactions in their stores or on their sites. They are starting to capture data from other sources and incorporate that as well. According to [Forbes contributing analyst Nikki Baird](#), this "omnichannel" approach will require retailers to incorporate data from throughout their operation from brick-and-mortar storefront to their online presence to inventory and shipping. This will require analyzing and connecting purchase data and other data sources together into advanced analytics.

For instance, if walk-in retail sales at a specific store are down but customers are using the app or website while in the store—or shortly after leaving—closing that storefront to save costs might hurt sales. If a customer searches for a product, has no strong brand affinity, and of the top two products listed one of them has a lower return rate, a shorter supply chain, and ships faster then maybe the "better" product should be listed first. That's a lot of data that has to be connected from a lot of different channels! However, lower returns, higher customer satisfaction and even lower greenhouse gas emissions can be the result of connecting these disparate data sets and tweaking the relevancy algorithm a little bit!

Predictive

The holy grail of retail is to figure out what a customer wants before that customer even knows it. This involves data from many channels, advanced machine learning, capturing signals from past behavior and a lot of data about how similar customers

behave. It is essentially an advanced form of search that doesn't just answer a query, but anticipates the query for the customer before they even start typing!

The road to predictive offerings is lined with failures. **According to Harvard Business Review** it involves these steps: define your objectives, know your customer, know your offerings, know the purchase context, and analyze and execute. You don't want to be the retailer that shows people shoes for 6 months after they purchased shoes. You don't want to be the retailer that sends offers for diapers 5 years after the first diaper purchase unless there is a specific reason to do so. You also don't want to be known as the company that sends too many emails or notifications that end up in the junk folder.

The Journey to Better Customer Service

The formula for the future success of retail is the same as the past: Understanding the customer and understanding yourself. What's changed is brands now have the technology to leverage all of their customer and inventory data to gain a competitive advantage. Knowing how the customer got to your site or store, how they made their decision, and how to influence the outcome of the **customer journey** is critical. Search is still at the center of a company's online presence but in an omnichannel world, it is also now at the center of the brick-and-mortar landscape.

Better search is about connecting data, understanding the customer, understanding the whole context of the purchase (or the abandoned shopping cart). Retailers who connect their data and use new search technologies and advanced analytics will thrive either way because of both their online or offline presence. Better search is better customer service.

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Get Started Today

Lucidworks has been there and done that. We can help you navigate these trends as well as architect and deploy a solution that is scalable, relevant, and future-proof. If you are wondering where to start, contact us at lucidworks.com/contact or give us a call at **415-329-6515**.