BUILDING
BLOCKS

Client Case

OTTO

Content Optimization and Dynamic Pricing in the competitive e-commerce market

PHILIP BÖSSEM
MANAGER MARKETING & SALES

Building Blocks has a great hands-on mentality and is capable to deliver output that adds true value to their clients' business. Their open and supportive approach makes their statistical analysis understandable to everyone within the organization. In only two weeks the first results were delivered: Brilliant! Nothing is better that exceeding expectations and being positively surprised!

OTTO

OTTO Group is founded in 1949 and with an e-commerce revenue of almost €8 billion a year and an assortment around 180.000 products, one of the biggest e-commerce companies in the world. Their activities are mainly focused on Germany and France, however they operate in 30 countries world-wide. Over the last years Otto Group has launched numerous technological and customer-oriented initiatives to become increasingly customer-centric in their operations.

CHALLENGE

Competition in the e-commerce market is fierce. Comparison websites make it easy for the consumer to compare the offers of different retailers and select the one that matches their individual needs best. Because of this trend the brand of the retailer becomes of less importance in the eyes of the consumer. In order to outsmart competition in this dynamic environment with all year-round promotions, it has become necessary to really understand consumer's behavior and quickly react to market changes. We helped OTTO to be the first to make their consumers a competitive offer by predicting their relative market position on comparison websites with our dynamic pricing solution.

When the consumer is attracted to the OTTO environment it is key to truly understand their needs and behavior and personalize the offers accordingly. In OTTO's case this means matching over 180.000 products to millions of customers on a personal level. One can imagine that there a lot of selling opportunities, as well as cross- and upsell, when the right content is shown at the right moment. Customers have no interest in the entire assortment, they want to get access to the right products as quickly as possible. Regular category-based recommendations placed just below the product that is currently viewed are often not sufficient enough. We have to dive deeper in the data to get a better understanding of the needs of an individual and to predict which offers fulfill their needs best and personalize the entire website experience. We have to recreate the human touch that was lost in the age of digitization with our algorithms.

GOAL
Maximize revenue with fixed EBT by making personalized and competitive offers the consumer can't resist.

BUSINESS RESULTS

€ **23% increase** in **revenue**

📈 **4% increase** in **gross profit**

99% increase in conversion on recommended products

SOLUTION

CONTENT OPTIMIZATION
A unique and personalized online experience

HIGHLY PERSONALIZED CONTENT

To create an appealing and converting website experience, we show the most relevant products to each individual consumer based on a deep understanding of the customers' needs and behavior. We've updated the technology of OTTO's website experience with Machine Learning and Artificial Intelligence and implemented the personalized content all-over the website journey as well as for existing customers as for new visitors.

CROSS AND UP-SELLING

To effectively increase cross- and upsell opportunities, OTTO has to truly understand the customers' needs. By not sticking to the product category but using behavioral data such as such as
transaction data and clicking behavior to recommend other products from the assortment, it is possible to personalize the offerings over a broad range of product categories.

KPI DRIVEN

In contrast to recommendation systems that only take the consumer's taste and likeliness to buy into account, OTTO remains in control of their most important business results. By taking their business goals as input. They are able to select their most important business KPI and the algorithms optimizes the content accordingly.
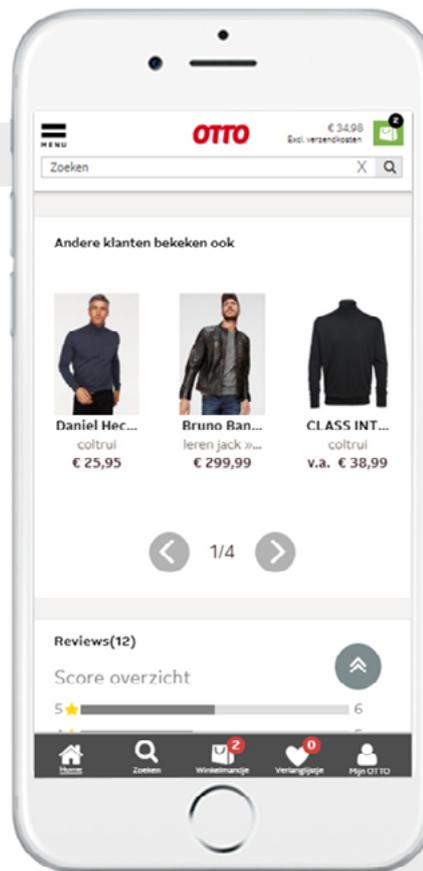
65% CTR improvement compared to their default recommedations

99% increase in conversion on recommended products

DYNAMIC PRICING
Dynamically outsmart competition

PREDICT MARKET POSITION

Due to increased transparency of the e-commerce market, it is important to have the optimal market position on comparison websites. For OTTO we predicted the market position per selected price-point. In this case not only price is of importance, but also other factors such as product availability and delivery times.
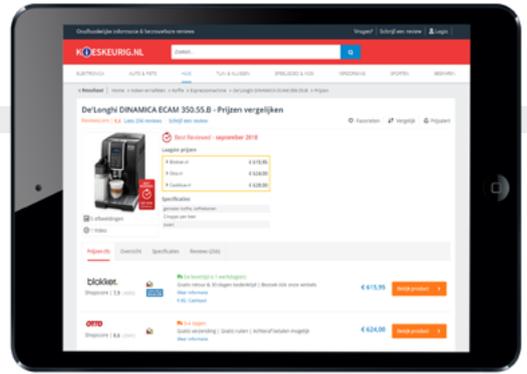
PRICE-SENSITIVITY

Consumers react differently to price changes for different products. We predicted the price-elasticity of each product and the expected revenue for each price-point. This enabled OTTO to find the perfect price taken into account business KPI's and optimize their market position, instead of always aim at claiming a top 1 position on comparison websites which might lead to decreased margins.

18% more website traffic

28% more revenue via comparison websites

38% more visits via comparison websites

THE CUSTOMER JOURNEY

OTTO PERFECTLY ACTS ON CUSTOMER' NEEDS

OTTO is a truly customer-centric organization. This means the consumer is at the core of their decision making. To achieve this, OTTO has to deeply understand customer needs and behavior throughout the customer journey. At OTTO we did this by offering every individual an offer they can't refuse.

We empowered OTTO to:

Offer the customer **the best competitive price**

Deeply **understand** their **customer needs**

Match their offers and content to individual needs
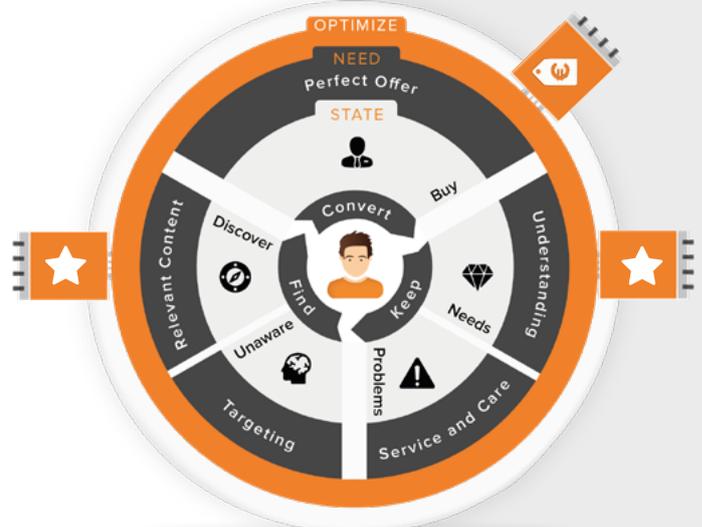
TECHNOLOGY

HOW DID WE DO IT

Our powerful Data Science platform is the bridge between various structured and unstructures data sources and the business infrastructure of OTTO. The Blocks predict consumer's needs and behavior, and the Optimizers determine the best actions for your business.

RECOMMENDATIONS
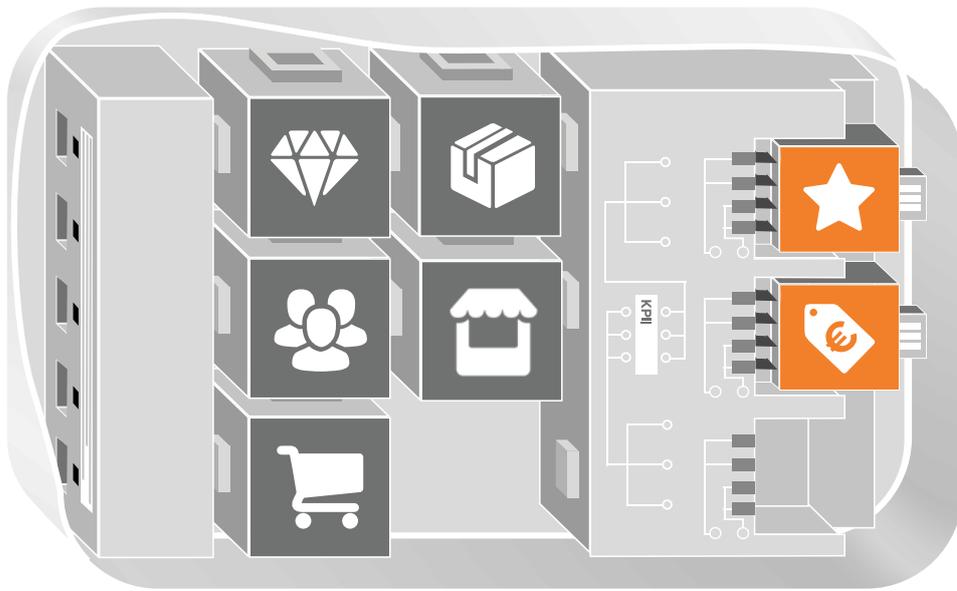
Determines which products should be recommended to the customers of OTTO to optimize the selected business KPI.

PRICING

Determines the best price for every single SKU according to OTTO's business strategy.

TASTE

Predicts the products with the best fit with an individual consumer.

PRODUCT PROFILING

Predicts clusters of products with similar characteristics in terms of customer needs.

CUSTOMER PROFILING

Predicts which customers have similar characteristics and behavior.

MARKET POSITION

Predicts the market position on comparison websites for a particular offer.

DEMAND

Predicts future demand for every SKU at different price points.

INTERESTED IN THIS SOLUTION?

Get in contact with our New Business Manager

MARTIJN MUILWIJK
New Business Manager

I'm looking forward to brainstorm about the possibilities of this solution in your organization. Don't hesitate to get in touch!

ASK MARTIJN

ABOUT **BUILDING BLOCKS**

Building Blocks specializes in data science and machine learning solutions aimed at predicting customer behavior in the retail and insurance sectors. Driven data scientists, data engineers and data translators develop Blocks, in which technology and algorithms translate raw data into accurate predictions for various business problems. Building Blocks puts the customer first and enables organizations to optimize the integrated customer journey.

For more information: **Website** | **LinkedIn**

PUBLISHING DETAILS

This is a Building Blocks publication.
Website: **www.building-blocks.com**
Telephone: +31 (0)13 203 2176
Author: Building Blocks
get-in-touch@building-blocks.com

The information in this client case has been compiled with care. Nevertheless, Building Blocks cannot accept any liability for the consequences of any incompleteness or inaccuracy of the material in this client case. Neither Building Blocks nor the employees of Building Blocks can be held liable for any inaccuracies in this publication. The views and forecasts expressed are solely our own and are subject to change without notice.