

From eCommerce to Relationship Commerce: Is Your Company Prepared?

Building meaningful customer relationships to drive recurring revenue is more important than ever.



An eBook by
ordergrove

How COVID-19 Transformed Commerce

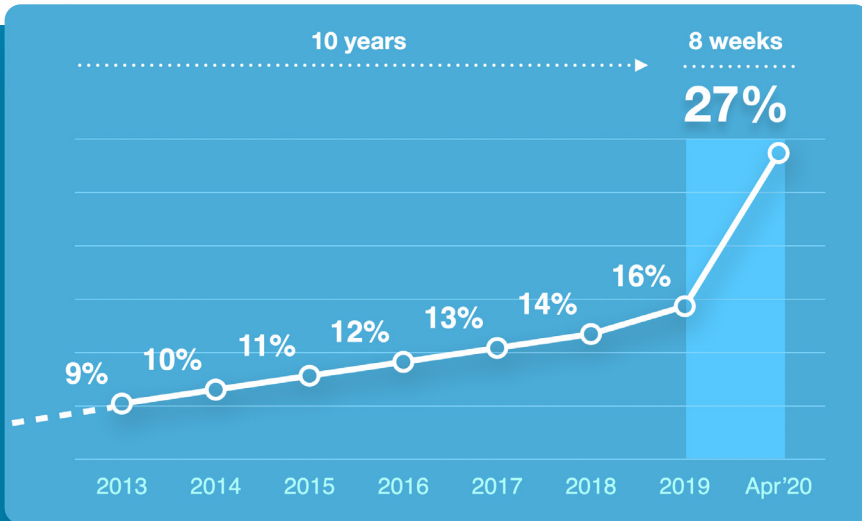


Retail's digital transformation has intensified amidst COVID-19, bringing more predictable, recurring revenue within reach for some — and putting others out of business.

COVID-19 changed everything for Chewy.

Physical stores had been particularly contentious during the pandemic. Grocery shopping went from ordinary task to burdensome undertaking. Mask-wearing consumers were met with empty shelves and long lines. Battles over toilet paper and disinfectant spray made headlines. It led many consumers to simply shop from home — even if it was their first time.

The paradigm shift propelled Chewy to new heights. The popular pet food supplier gained approximately \$70 million in additional sales during the pandemic. What drove Chewy's growth? Subscriptions, which totaled more than \$1 billion in Q1 2020 — up 48% year-over-year. Subscriptions now make up a whopping 68% of Chewy's ever-growing business.



Percentage of purchases made online

16% ▶ 27%

E-commerce increase in the United States in the first eight weeks of the crisis

No retailer was hoping for store closures and stay-at-home orders, but when disaster struck, Chewy was prepared. The company offered easy subscription enrollment, a solid service, and the ability to quickly scale up fulfillment. By building deep relationships with consumers, the company was able to not only survive during the crisis — but thrive.

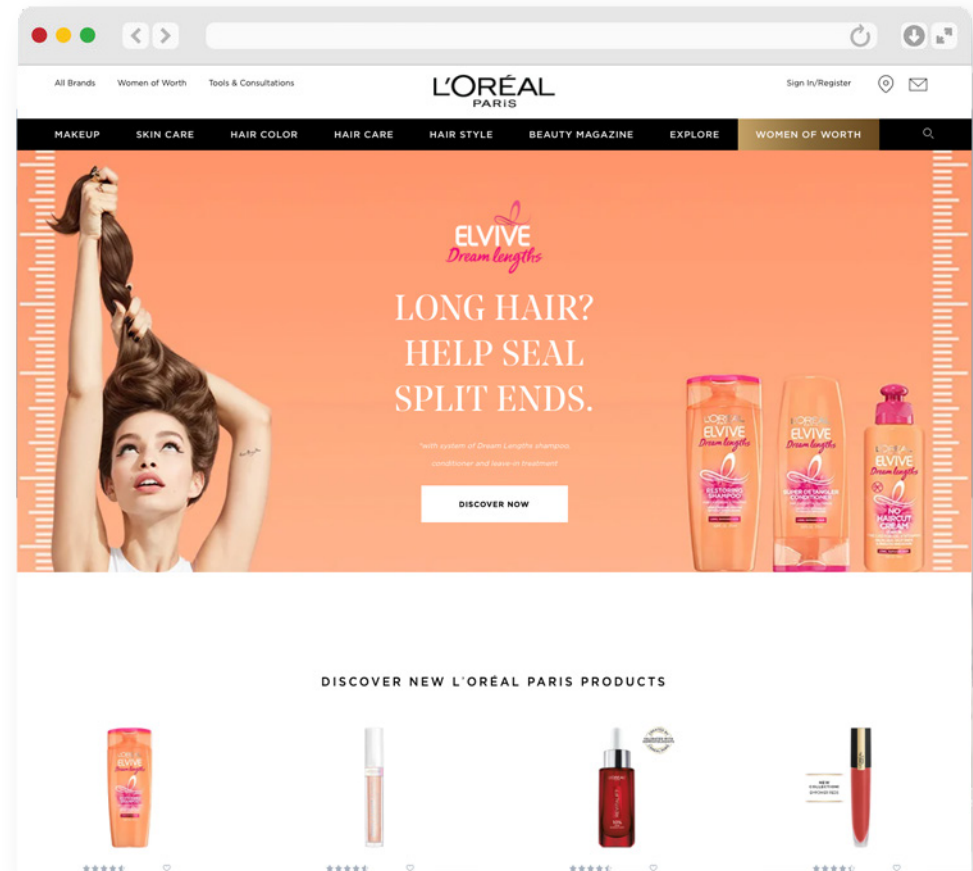
From pet food to electronics to groceries, people seemed to buy *everything* online during the pandemic. In the first eight weeks of the crisis,

e-commerce penetration in the United States rose from 16% of all sales to 27%³. That transformation could have taken years but instead took weeks.

The balance of power had already shifted from brands to consumers — and the pandemic only accelerated that trend. Customer loyalty is hardly a given as consumers have access to an unlimited amount of information and a plethora of buying choices. Meanwhile, consumer expectations are at an all time high, as they now demand Prime-like shipping and outstanding customer service.

The paradigm shift led brands and retailers of all types to *finally* embrace and double down on building new channels that are beginning to look more like direct-to-consumer upstarts. Some companies, such as **Home Depot** and **L’Oreal**, deserve a lot of credit for quickly becoming operationally streamlined and running like digitally native brands. Others, such as **Hertz** and **JCrew** are struggling to climb out of precarious cash balance and massive debt situations. There were 21 major bankruptcies already in 2020⁴, and sadly more will follow.

The bottom line: Customer-centric brands are leveraging digital to build stronger relationships and create recurring revenue. They have upgraded their customer experience “stack” — both online and offline. They are focused on strengthening relationships by shifting attention towards lifetime value rather than one-off transactions.



Where Customer Relationships Go, Revenue Will Flow

Executives and marketers have been told for years that delivering “personalized, omnichannel” customer experiences lead to long-lasting relationships. However, putting the right offer, in the right place, at the right time, and to the right individual has proven hard to implement.

Upgrades to social, email, in-store, and ecommerce have helped. But progressive brands have been experimenting further with non-traditional communication paths such as predictive SMS messaging and in-store pickups for online purchases. They’re beginning to add value for consumers ahead of a transaction, further reducing purchase friction. They are also automating the cataloging and offline inventory matching to ensure faster stock sourcing, improved liquidation, and seamless deliveries.



Transitioning One-Time Customers Into Lifetime Clients

If the pandemic has taught us anything, it's that traditionally-powered eCommerce is only in the 2nd inning of a 9-inning ballgame. A bigger opportunity for the “full-commerce” share of wallet still remains to be carved out (and away from Amazon). If you're a retail company struggling to pivot towards more predictable recurring revenue, now is the time to shift your mindset and evolve your business towards **Relationship Commerce**.

Sustainably increasing the lifetime value of each customer is one of the most important yet complex challenges in marketing. In the coming pages, we'll explain how brands are adopting Relationship Commerce principles to accelerate financial results.

We'll explain how COVID-19 has accelerated recurring revenue in unexpected verticals; share the biggest mistakes brands are making; offer tips on shifting consumers to longer-term relationships; and break down the best KPIs to measure long-term performance.





DEFINITION

Re·la·tion·ship Com·merce

A business philosophy aimed at developing deeper relationships with consumers — moving them from one-and-done transactions to ongoing, frictionless relationships. Relationship Commerce brands know their customers better than they know themselves. They adeptly offer frictionless ways to regularly consume a basket of items. They leverage better relationship marketing programs to develop a predictable path towards increasing and sustaining customer lifetime value. This is currently achieved in a variety of ways such as subscriptions, memberships, and reordering. However, the most powerful relationship commerce experiences have **no checkout, no credit card entry, and no clicks.**

Relationship Commerce starts with the principle that *every* first-time buyer could turn into a regular customer. Earning a lifetime customer means genuinely caring — but also anticipating and acting on what the customer needs next. Remember, it can

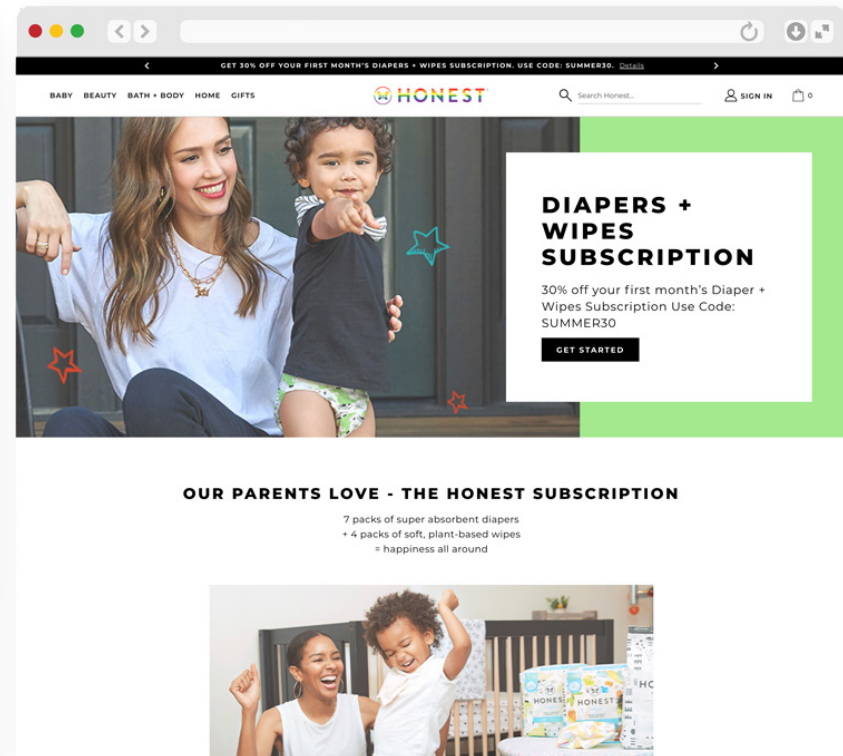
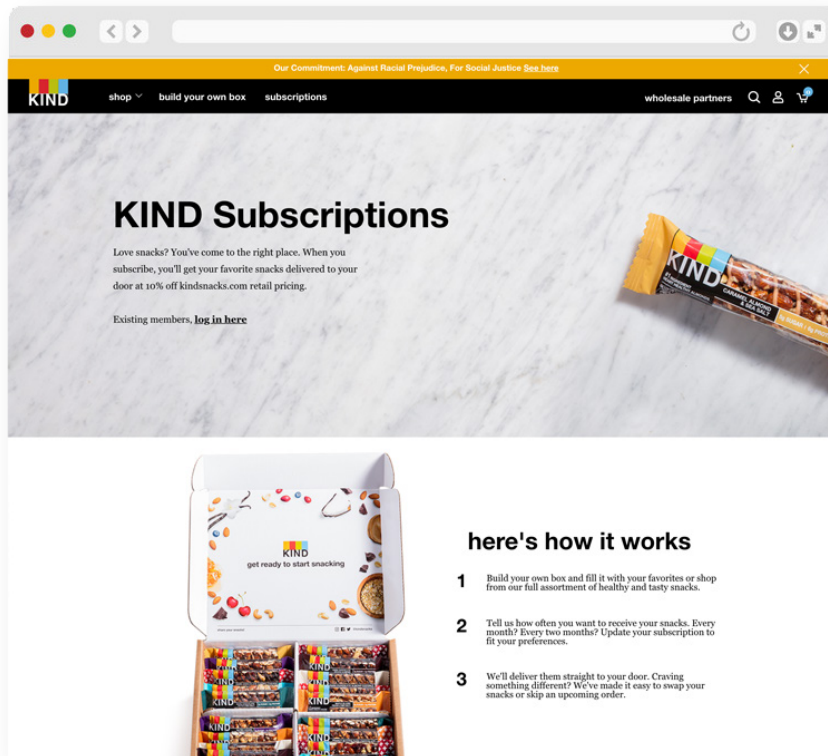


be 25% more expensive to acquire a new customer vs. retaining an existing one⁴. Plus, selling to an existing customer works around 70% of the time, compared to just 5-to-20% for a new prospect⁵.

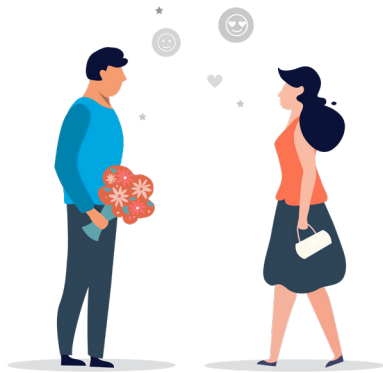
Think of this journey in terms of date/engaged/marriage. Most companies are still in the “date” phase of their business model. They’re not able to maintain a relationship after the first date. They’ve lost the next purchase to speedy shipments from Amazon. They’ve also lost to snazzier direct-to-consumer upstarts who use venture capital funding to promote even more one-and-done behaviors.

Other companies like **The Vitamin Shoppe** and **KIND** are now in the “engaged” phase of their business. They are building products and customer-centric programs that make it super easy to opt-in to subscription and membership programs — and they’re rewarded with predictable, recurring revenue.

A few breakthrough brands such as **The Honest Company**, and **illy** have hit the “marriage” phase. They are taking an omni-channel, data-driven, relationship-based approach to commerce that anticipates customer needs and pain points – combining best-in-class products with differentiated service touchpoints. Those brands are positioned to emerge best from the COVID-19 pandemic as they’ve become indispensable in consumers’ lives.



The Evolutionary Path Towards Relationship Commerce



Dating (E-Commerce)

Consumer orders vitamins online. They want a great price and will spend time finding a great coupon code. The convenience of home delivery compared to buying in-store is something they could get used to. They are relatively brand agnostic but open to being wooed by the right company.



Engaged (Subscription Purchases)

Consumer orders vitamin delivery on a recurring basis. They find a great deal with a reputable brand that offers a flexible subscription program, customized product bundling, and membership rewards. They are happy to buy from that brand regularly and feel like they are getting value from the relationship.



Marriage (Relationship Commerce)

Vitamin company anticipates the consumer need for vitamins and delivers them just-in-time, without being prompted. The company even checks in to make sure they're not over-delivering, and provides thoughtful gifts to surprise-and-delight consumers, and expose them to new products.

How bareMinerals Increased Average Order Value 60%

Makeup and skincare brand bareMinerals knew its consumers craved exclusive experiences. They wanted access to new releases, easy ways to try out new products, and a frictionless shopping experience. The company leveraged the Ordergroove's Relationship Commerce Cloud to turn infrequent shoppers into repeat beauty enthusiasts. The results? Recurring, predictable revenue.

bareMinerals®

+54%

of subscribers
to core products
also subscribe
to additional
products

+52%

year-over-year
growth

+10%

average order
value through
upsell with
subscription
orders

The Biggest Relationship Mistakes Retail Marketers Are Making

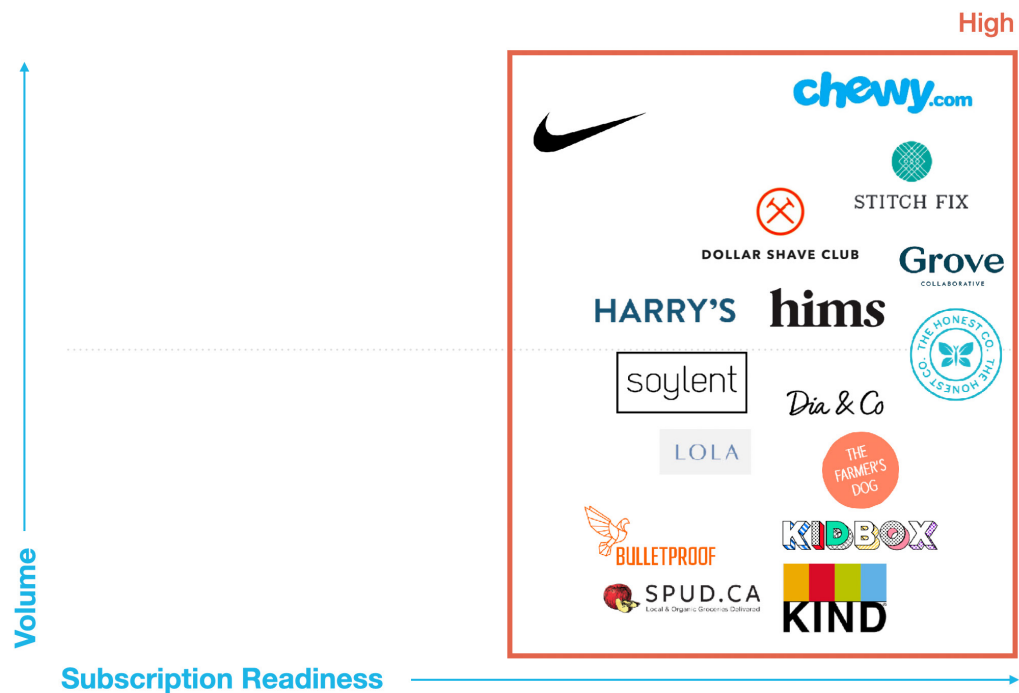
- 1 Prioritizing a transaction instead of cultivating a relationship.** Most marketers are still bombarding customers with generic marketing messages and clogging up their inboxes. A small percentage will buy once, but the remainder have crossed you out of their lives forever.
- 2 Not offering an easy way for customers to buy directly and regularly.** If you don't offer robust subscription options, consumers will eventually find substitutes or go elsewhere. Even food-and-beverage brands have joined the direct-to-consumer frenzy. For example, PepsiCo rolled out Snacks.com and PantryShop.com in just 30 days⁶.
- 3 Not offering clear opt-out or slowdown options for subscription-based programs.** Easy opt-outs won't threaten lasting relationships. The best companies will use predictive analytics to learn when someone is overstocked and automatically pause orders without the customer having to take action.

Key Takeaway: Don't build growth programs that attract one-and-done customers. Understand what it takes to get customers to commit to a regular frequency of purchases.



The Next Billion-Dollar Brands Will Be Subscription-First

Disrupt or be disrupted. Recurring revenue is expected to climb exponentially as consumers continue to buy more products on a subscription basis. Only some brands have the infrastructure in place to capitalize. The brands in this chart have a high degree of subscription readiness and sell in large enough volumes to be successful. Just like the next \$1 billion software business is being built on the backs of a recurring revenue model, the next \$1 billion consumer brand is no different.



Why Relationship Commerce is Mission Critical

- 1 Consumers expect frictionless experiences.** They want to find their products and checkout in as little steps as possible. When it comes to committed relationships with brands, they expect even more — no checkout, no credit card entry, no clicks, unexpected gifts, and quick resolution of problems with real humans.
- 2 Recurring revenue is profitable.** Customers become stickier when brands not only hit delivery deadlines consistently but anticipate unmet needs. Well-timed reorder reminders and impeccable human-powered touches do just that — and lead to more purchases, and larger average order values.
- 3 Surpass Amazon-like customer expectations.** Customers now expect lightning fast shipping and “Prime” benefits. But more subscriptions mean better planning capabilities and simpler fulfillment logistics. Offer clienteling meetings with product experts and encourage your happiest customers to help share valuable user-generated content on social.
- 4 Ability to handle unexpected crises like COVID-19.** During the pandemic, Relationship Commerce brands quickly streamlined their operations to accommodate holiday-level demand across many different product verticals. Those who fell behind on fulfillment have lost LTV multiples for high-frequency purchases.

Key Takeaway: Differentiate on “automagical” purchase experiences, inventory reliability, and improved customer controls for customer subscriptions.

How illy Increased Consumer Spending by 88%

When illy launched an at-home espresso machine, they had a progressive marketing idea: give away the machine in exchange for a coffee subscription. The Relationship Commerce minded plan worked wonders. Leveraging advanced technology and artificial intelligence, illy orchestrated the optimal delivery cadence and experience for customers. Then they used thoughtful communication to learn how the program was being received by customers. The results? Recurring, predictable revenue.



+88%

increase in
customer
spending

+44%

of customers
chose to enroll in
the subscription
program

+10%

increase in
NPS score

KPIs: How to Measure the Success of Relationship Commerce and Benchmark Against Top Brands

Transforming your commerce strategy must lead to positive results. Measure the following key performance metrics, and benchmark against top-performing brands. If these numbers are trending in the right directions, you'll turn relationships into profits.



Enrollment

We know you invest a lot in enrollment, so make the most of all your hard work.

- 55% of consumers who consider a subscription service ultimately subscribe.
- Ordergrove has seen conversion rates improve by as much as 106% when our clients implemented subscription programs.
- Brand spotlight: Sephora offers exciting perks such as its Very Important Beauty Insider (VIB), which gives customers early access to new products and big discounts.



Retention

Getting consumers to stay with your subscription program deepens the relationship. Use SMS reminders, order pause, and SKU swap to keep them on board.

- Best-in-class brands retain subscription customers and reduce churn rates. Some of our most high-performing brands saw 98% retention rates.
- Most common reason for churn? Consumers are overstocked.
- Brand spotlight: The Honest Company sends easy and unique ways to modify your order — speed up, slow down, or remove without the hoop jumping.



Average Order Value

The deeper the relationship, the more a consumer will buy in each order.

- Drive AOV higher with impulse upsells, combo savings, free shipping thresholds, and bundling.
- Up to 69% of Ordergroove clients have seen big AOV increases.
- The secret? Convenience and custom subscription landing pages lead to upsells — and big increases in AOV.



Lifetime Value

When you put all these metrics together, customers last longer and buy more.

- ↑LTV Relationship Commerce = higher LTV per customer.
- Recurring revenue: Subscriptions and deeper customer relationships lead to predictable, recurring revenue.
- Ordergroove clients are seeing an LTV lift of 110% in just the last 12 months.



The Ripest Recurring Revenue Verticals

Though very few brands are in the “engaged” or even “marriage” phase, COVID-19 has significantly accelerated the evolution towards Recurring Commerce. Across the hundreds of brands we work with, we’re witnessing a 51% increase in subscriptions across all verticals. Subscriptions for pet supplies are up 279% and we’ve seen similar jumps in subscriptions in industries like beauty (112%), food-and-grocery (103%), home goods (66%), and health-and-wellness (30%).



+51%

SUBSCRIPTIONS



+279%

PET
SUPPLIES



+112%

BEAUTY



+103%

FOOD &
GROCERY



+66%

HOME
GOODS



+30%

HEALTH &
WELLNESS

How to Shift Consumers Towards Embracing a Relationship with You

Shifting your mindset, marketing, and business practices is no easy task. But don't worry. Just follow these four steps to begin the transformation into a Relationship Commerce company.

Shift 1: From 'Customer' to Client

Change their one-and-done mindset and use each touchpoint as a valuable opportunity to cultivate a longer-term relationship. Add discounted subscription options at every point of sale with a simple checkout experience. *Speak like a human.* And be sure to explain that opting out or slowing down shipments is pain free.

Shift 2: Stop Servicing Clients and Start Anticipating Needs

Before your customers browse again, send an SMS reminder, drop in a coupon, or even add a free gift on their next order. Make sure it's delivered right when they need it, and even give them the added option to pick-up at a nearby retail location.

Shift 3: From Consuming Products to Managing Consumption Experiences

Guide your customers to choose the right subscription frequency by providing FAQs, guided recommendations, or most common options. Make sure to empower them to easily change the delivery frequency.

Shift 4: Stop Being an Order Reminder and Start Being Indispensable

Keep pushing to become indispensable in your customers' lives. Leverage predictive AI to determine when they're likely running out of a particular product and send them a friendly reminder. Do everything you can to make each order experience memorable. Become their go-to online and offline concierge, introducing them to the best products and decision advice. And offer exclusive and/or innovative deals for people who commit longer!



Happily Ever After



If COVID-19 taught us anything, it's that commerce models shift quickly. Even consumers who would never have signed up for subscription delivery models were pleasantly surprised by its ease and convenience. Don't expect those consumer behaviors to revert back to "normal" times. Subscriptions, deliveries, membership programs — they're the next level of table stakes that consumers will come to expect from you.

“ By 2023, 75% of organizations selling direct to consumers will offer subscription services. ”⁹

Amazon is only continuing its quest to become stickier in people's lives. Meanwhile, direct-to-consumer brands are working hard to develop their own communities and keep consumers in a niche that they can own outright. But don't worry, you can compete! Cultivate a Relationship Commerce mindset by reengineering how you drive subscription revenue across your portfolio of products. You'll start to see every transaction as the start a new relationship and begin gaining lifetime customers. You'll anticipate consumer needs and work tirelessly to become indispensable in their daily lives.

We understand that figuring out all the complexities of delivering on the promises of Recurring Commerce and Relationship Commerce is no easy feat. To help get you started, we've put together [9 Subscription Revenue Pro-Tips](#) from our clients that your team can easily adopt. And if you need professional help, our next generation commerce technology combined with our data science and customer success teams are ready to tackle this with you! [Request a demo.](#)

