How Express Analytics Helped A Retailer Better Compete On Amazon

Summary

An online retailer approached Express Analytics (EA) with the twin purpose of:

(a) helping it find a solution for "winning" the crucial Buy Box on Amazon

(b) to understand the factors that would make a potential buyer place an order with the company in instances when it (the client) failed to win the Buy Box. Our team of data analysts scrubbed the raw data and transformed it into 'ratio variables', then used predictive analytics to develop models to make recommendations in three different scenarios for the client.

Business Challenge

The Amazon Buy Box is premium digital real estate. It's the box on the right hand side of an Amazon product page where customers begin their purchasing process by adding items to their shopping carts. This is also where multiple sellers offer the same

product. When more than one eligible seller offers the same product, competition for the Buy Box for that category of product gets to be very high.

There are 3 categories of sellers in the Amazon marketplace:

➢ Sold by Amazon
➢ FBA- Fulfilled by Amazon (program that allows a merchant to sell to Amazon's approx. 50 million Prime members)
➢ Non-Amazon and Non-FBA Sellers

Ideally, in all 3 segments, a vendor needs to bag the Buy Box because its chances of winning a sale increase geometrically.

The EA client, a relatively low profile player in the digital retail space, had tried to "win" the Buy Box on Amazon but had failed in its various attempts. Its main concern was that in a marketplace as competitive as Amazon, it stood little or no chance of winning this crucial property. It was also discounting prices of its products to ensure sales in the Non Amazon and Non-FBA Seller space, and so wanted to know if indeed, price was the key driver for driving sales on the world's best e-commerce platform, or were there are other mitigating factors.

How Express Analytics Helped

After the client signed on with EA, our team of experts first transformed the raw data from Amazon into variables that could be the most important factors for

✓ the client bagging the Amazon Buy Box in the 3 different settings
✓ the client bagging the order despite not having won the Buy Box in the Non-Amazon, Non-FBA category.

The three settings were:

(a) While competing against Amazon

(b) While competing against FBA vendors

and

(c) In the Non-Amazon, Non-FBA category

The EA analysts then used price intelligence modeling to draw up two models based on the influences exerted by the variables. The team drew the following conclusions from Model 1:

1. If Amazon was present as a seller, it affected our client's probability of winning the Buy Box. But our model showed that if the client's product's listed price was lower than that of Amazon's, then the possibilities of it winning the all-important Box improved somewhat.
2. If Amazon's shipping time for the product was over 100 hours, and our client's shipping time was less in comparison, then our client's chances of winning the Buy Box improved.

The variables used in Model 1 were:

- ✓ Amazon as a seller
- ✓ Top listing price ratio
- ✓ Top shipping time
- ✓ Top feedback… among others.

The EA data scientists introduced a set of additional variables to Model 1 to find out what would make a consumer buy from our client in the FBA (*Fulfilled by Amazon*) space. This was Model 2.

The important additional variables in this model were:

- ✓ Top Landed Price Ratio - This is the ratio of the Landed Price of Amazon to our client's Landed Price (Landed Price is sum of listing price and shipping price.)
- ✓ Shipping availability of client was "Now" while those of other sellers was "Future with date"

The EA team concluded that

1. If Landed Price of client was less or Landed Price of Amazon was high, then the probability of purchasing the product from our client was high.
2. If Shipping Price of client was less or the Shipping Price of Amazon was high, then the probability of purchasing the product from our client was high.

Result Delivered

- o In the 'Sold by Amazon' space, our client had a very slim chance of winning the Buy Box while competing against Amazon. But when shipping time of Amazon in product categories was over 100 hours, then it gave our client a 92 % chance to win the Buy Box.
- o In the FBA space, our client could win the Buy Box frequently when the discount on price was more.

- In the Non Amazon, Non FBA category, the client had a very high chance of winning the Buy Box when it was competing against sellers other than Amazon & Non-FBA. Our client started winning the Buy Box even more frequently if the percentage discount price was 'positive'.

Surprise Outcome

The models also threw up interesting results – our client was unnecessarily discounting its products' landing prices to win a customer's bid in the Non-Amazon and Non-FBA category. The analysis established that in almost 90% of the cases, such heavy discounting by our client was not necessary. It was a case of overcompensating to win more customers.

Based on EA predictive analytics models, our client could start bagging the Buy Box 15% more in the Amazon as seller category, 30% more in the FBA category and 90% in the Non Amazon, Non FBA segment.

Our client also reduced the product discounts completely in the Non-Amazon and Non-FBA category, increasing monthly revenue by as much as 50%.

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