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Brand-building during a downturn: How merchants grow loyalty in a recession

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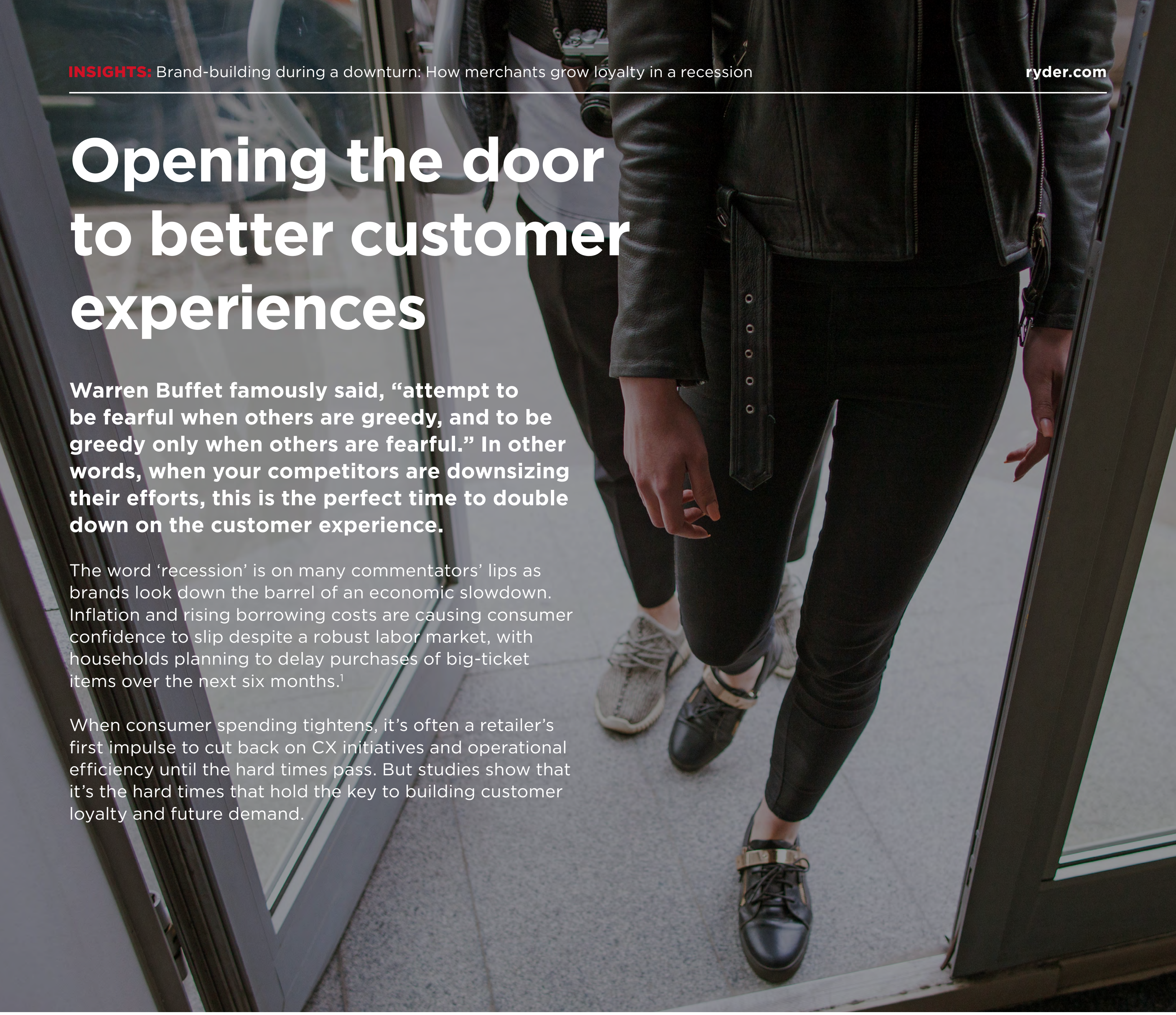


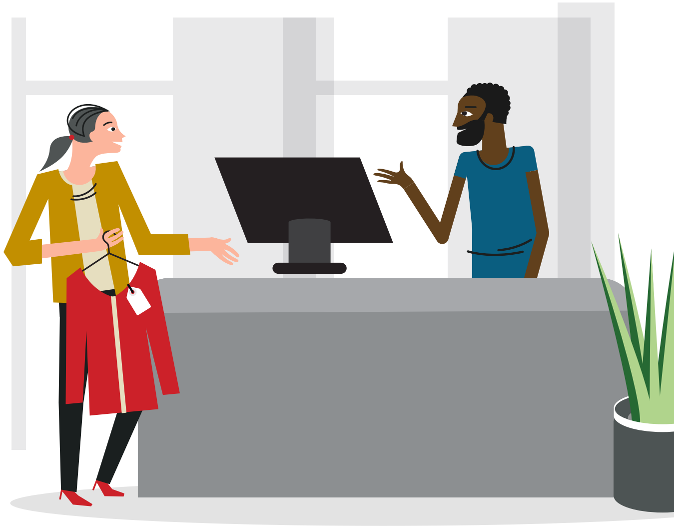
Opening the door to better customer experiences

Warren Buffet famously said, “attempt to be fearful when others are greedy, and to be greedy only when others are fearful.” In other words, when your competitors are downsizing their efforts, this is the perfect time to double down on the customer experience.

The word ‘recession’ is on many commentators’ lips as brands look down the barrel of an economic slowdown. Inflation and rising borrowing costs are causing consumer confidence to slip despite a robust labor market, with households planning to delay purchases of big-ticket items over the next six months.[1]

When consumer spending tightens, it’s often a retailer’s first impulse to cut back on CX initiatives and operational efficiency until the hard times pass. But studies show that it’s the hard times that hold the key to building customer loyalty and future demand.

According to the 2010 Harvard Business Review article “Roaring Out of Recession,” **9%** of the companies didn’t simply survive after the recession - they thrived, outperforming their competitors by at least **10%.**[2]



Instead of opting for austerity, these brands voted to eliminate inefficiencies and craft better buying journeys, setting themselves up to respond more quickly to shifts in a dynamic marketplace.

Why? Because consumer expectations for seamless experiences don’t ebb and flow with the tides of the economy. With services like curbside pick-up or hassle-free returns now the new normal, consumers will expect brands to keep on delivering - no matter how challenging the climate is.

By prioritizing your customer in the worst of times as well as the best of times, the specter of an upcoming recession signals opportunity and growth— rather than disaster.

The new recession playbook: What's different this time around?

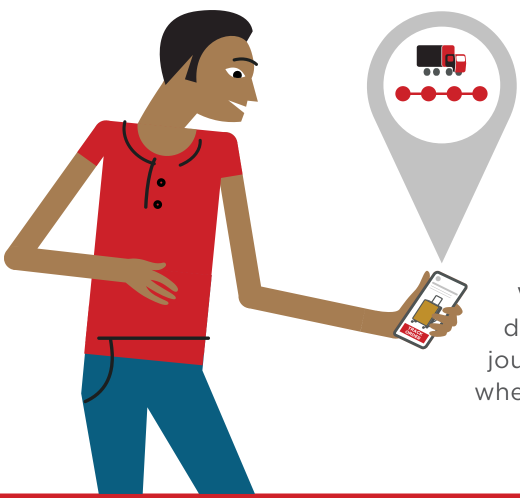
Recessions are characterized by tight consumer spending and greater consideration by shoppers of where their hard-earned cash is spent. But in the era of digital transformation, brands have far more opportunities to sweeten their value proposition.

Unlike the Global Financial Crisis in 2008, when automation and real-time operational visibility were still in their infancy, retail and e-commerce have experienced over a decade of development. Moreover, these advancements have been sped up by the unique demands of the COVID-19 pandemic: McKinsey's 2020 survey of executives found that the pandemic had accelerated the average company's digitization of supply chain and customer interactions by three to four years.[3]

In sum, the power of omnichannel is no stranger in post-pandemic retailing. Once-futuristic services like curbside pick-up and rapid home delivery have fast become standard offerings. While the short-term economic outlook might appear bleak, brands have a strong foundation to continue enhancing customer touchpoints.

Optimizing the customer journey online

Rather than just looking for ways to save valuable dollars on labor via self-service, CX initiatives during a downturn should focus on new service offerings that wrap around your core products and help to diversify revenue.



It's very telling that while 87% of companies believe they provide an excellent customer experience, only 11% of customers agree that this is the case.[4] This reveals a clear disconnect between the experience that brands believe they are providing versus the friction that customers are encountering during the shopping journey.

When there's less money to invest in CX, brands need to double down on how they add value to different stages of the shopping journey. This should start from the moment an order is placed to when a shopper decides to return or exchange a purchase.

Common pain points affecting CX

According to IDC's Infobrief sponsored by PayPal, the most common CX frustrations experienced by customers are:[5]

- **Not understanding the final cost of an order before checkout (37%)**
- **Not being able to reach customer service representatives (32%)**
- **No real-time inventory availability and visibility (30%)**
- **Requiring too many clicks to navigate an online experience (22%)**

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Master transactional messaging for better customer loyalty

Transactional messages are a superpower that shows up at the stage when customer loyalty is influenced the most: post-purchase. Here's how it works.

When a customer places an order, a short window opens where their appetite for engagement skyrockets. Transactional messages (updates and information related to their order) are exactly what they want.

How badly do they want these updates? According to an Attentive study, **97% of consumers surveyed wanted order updates via SMS**.[6] Furthermore, engagement with transactional message flows is over 10 times higher than with conventional marketing campaigns. Flows that get this level of performance include:

- **Order confirmation**
- **Shipment picked up**
- **Shipment stalled**
- **Out for delivery**
- **Shipment delivered**

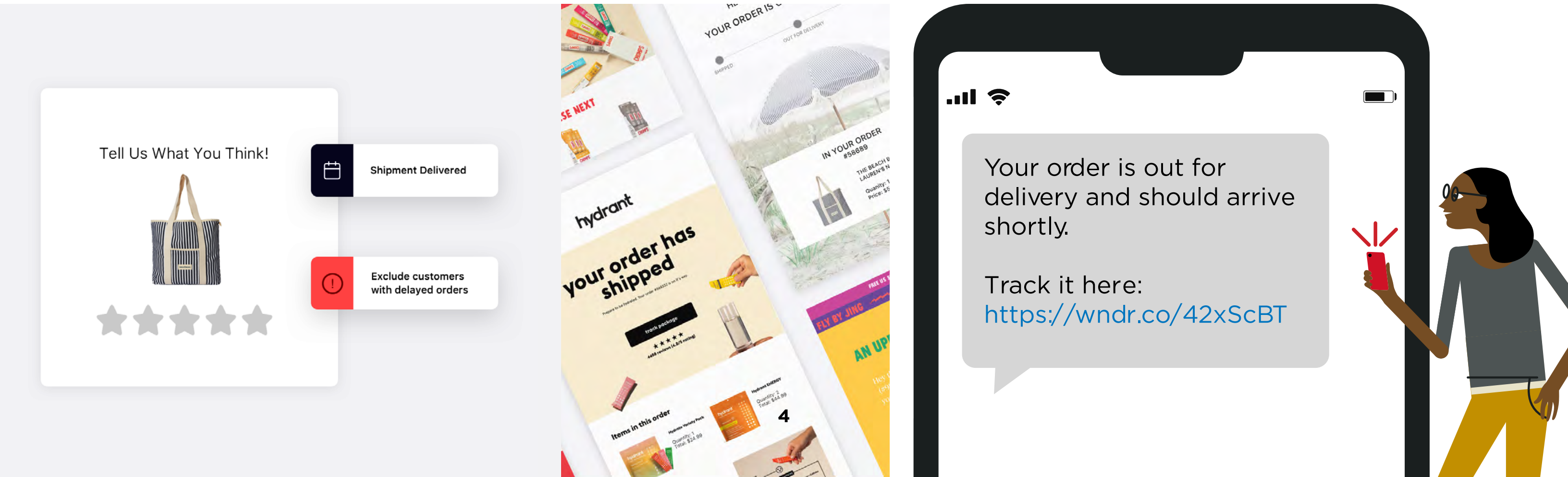
Order tracking might be the core of transactional flows, but these updates open the door to building loyalty by creating new surface areas to shape customer experiences.

This goes beyond the content inside of transactional messages. The same boost seen in open rates is present with click-through rates too. Customers look up their order status an average of **4.6 times every single order**, usually by clicking the links inside of transactional messages.

Without your own tracking page, your most engaging campaign is sending customers to the parcel carrier's site. Having your own tracking page lets you design and control the journey, whether the focus is to be informational or upselling.

As for fostering loyalty, these tools couldn't come at a better time. Consider how much pressure is on the post-purchase experience - specifically the time between 'order confirmation' and 'package delivered'.

In addition to keeping customers happy with their current order experience, this is also the moment when they can start being influenced on whether to buy again.



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That might feel like a lot to get right in one go, but it boils down to two manageable jobs:

1. **Diffuse the risks that threaten the customer's experience.**
2. **Capture the opportunity to create great brand moments.**

Thankfully, transactional messages do these jobs really well.

Start with your risks. The main two that need your attention are what everyone has felt at some point as a shopper: buyer's remorse and WISMO (where is my order).

Transactional messages and tracking pages are great places to curb these feelings and build confidence in a customer's purchase decision. They remind a customer of what they ordered, highlight your return policy, share social proof of happy customers, and invite questions. All of which are proven to help a customer's mind at ease.

WISMO tickets, on the other hand, can inundate your CX team's inbox. The overwhelming majority of online shoppers hold merchants accountable for shipping delays that are out of their control. What is under your control? Keeping your customers in the loop.

Proactively communicating with customers reduces WISMO tickets by 40% on average. Less time spent putting out fires means your CX team gets more time to plant flowers!

Solving the WISMO issue isn't magic - it's just a matter of taking the time to set up the flows mentioned earlier. Extra attention to flows like 'Shipment Stalled' go a long way to let customers know you're keeping an eye on their package and there's nothing to worry about.

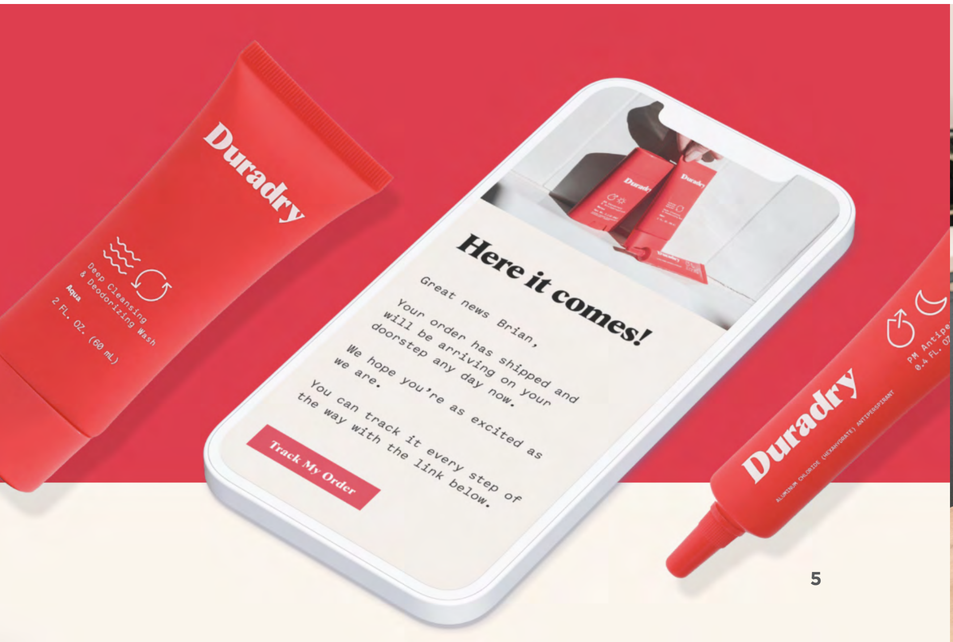
Defusing these risks with proactive problem-solving goes a long way toward creating the kind of experience that drives loyalty, but keep that momentum going and start capturing the opportunity!

The first opportunity is to deepen your brand connection. After all, this forms the identity that a customer is loyal to. Make the investment - spend time on your messages and tracking page to make them extensions of your brand. A disjointed communication or landing page can quickly make a customer feel lost - keep it tight!

Secondly, know your goal. The most common goal is to sell more. Tracking pages see a conversion rate of around 1%, an ROI that quickly dwarfs the cost to the tune of 10x or in some cases, over 60x.

This is where you shine. Want more zero-party data? Host a survey. Want to raise awareness about your loyalty program? Promote it. The only limit is your creativity, so take the time to think about what you want.

The best way to grow a future loyal customer is to make sure a new customer is delighted by their post-purchase experience. Transactional messages are how you do it. Make your customers feel taken care of when they want to be taken care of most!



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Boost shopper loyalty with a better post-purchase experience

When you're looking for ways to grow loyalty from your existing shoppers, you're probably overlooking a very important opportunity for customer retention—and that's the post-purchase experience, especially during the returns process.

When a shopper decides to make a return, many brands assume that's the end of the relationship. After all, they didn't like the product, so why would they shop with you again?

In order to retain more shoppers, it's critical to shift that mindset.

Many returns take place simply because the product was the wrong size or color, or because the shopper decided they didn't need it right now.

But they might fall in love with another product from your brand—if you're able to facilitate an easy and painless exchange opportunity.

Here are our strategies for boosting shopper loyalty by optimizing the returns experience:

Gather data insights on customer returns

To improve CX overall, it's important to take the time to uncover what's not working for your shoppers. The returns process is a perfect opportunity to gain new insights that you can use to improve your post-purchase strategy.

For instance, when a customer initiates a return, you could provide them with a questionnaire that asks them why they're making the return. For example, asking whether the product is too small, too large, a poor fit, poor quality, or any other number of options. You'll be able to learn a lot about shopper experience from this aggregated data and provide helpful guidance to your shoppers based on what you find out.

Let's say you learn that one product line tends to run small in size. You could include a recommendation on the product page for customers to size up. If you're getting multiple reports of another product being poor quality or having defects, you can either work with your manufacturer to improve the product or discontinue the product from your inventory.

Knowing more about what your shoppers are dealing with in the post-purchase stage helps you to better provide what it is they are looking for, meaning you'll be able to deliver a better and more consistent customer experience that keeps them coming back.

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Make returns as easy as possible

Many shoppers don't even bother returning products they aren't happy with. Why? Because it feels like too much of a hassle. While your brand will keep the revenue from that transaction, it means you'll likely lose that shopper for good—so it's important to make your returns process as painless as possible.

Offer a generous returns window (we recommend at least 30 days), and use a self-service platform that allows shoppers to initiate returns independently, with options for selecting a printable return label, the opportunity to take the item to a drop-off center for return shipping, or even at-home pick-up.

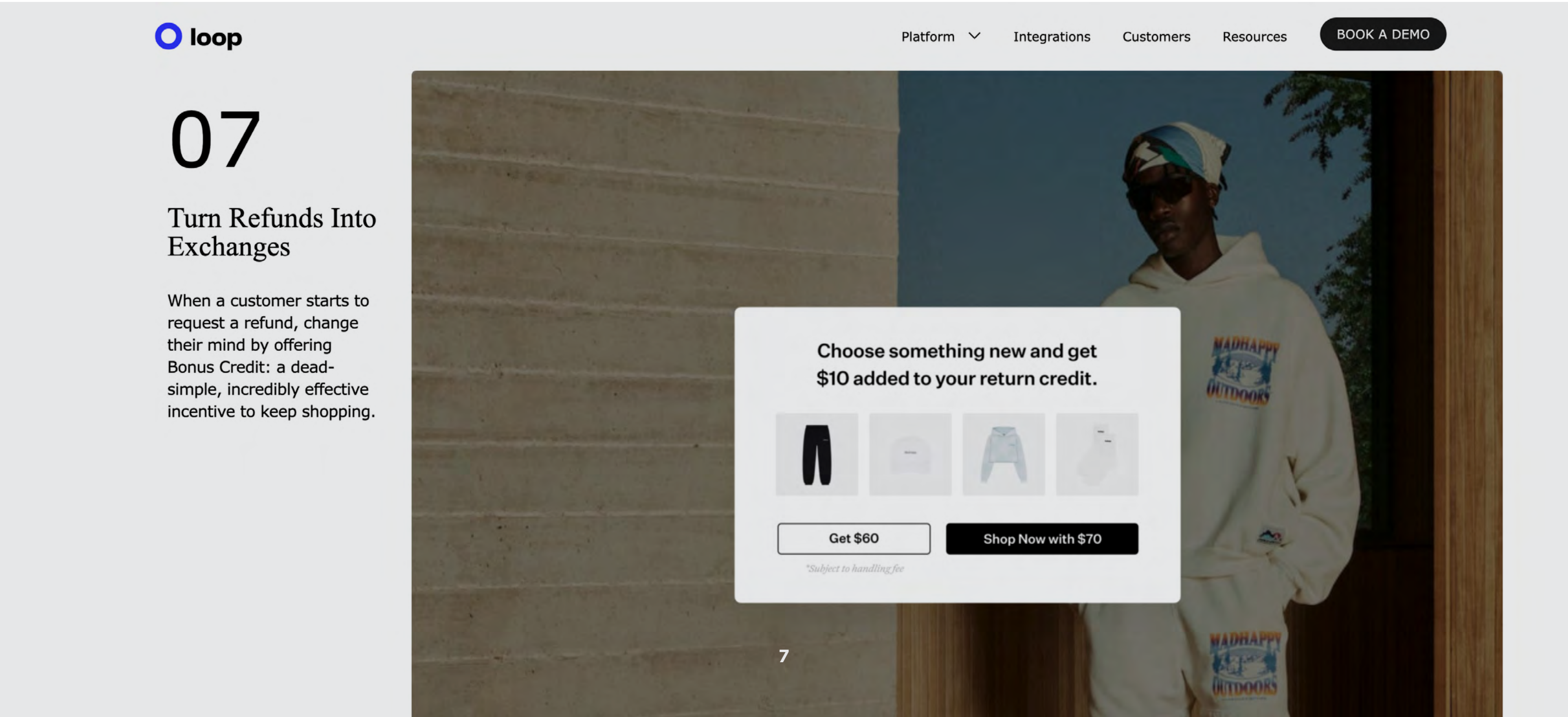
Incentivize upsell exchanges

In many cases, a shopper may want to exchange one item for a direct variant, such as a different size or color. But if they've decided they don't want that item at all, how can you encourage them to choose something else rather than opting for a refund?

Consider offering "bonus credit" that can be applied toward the value of another item. For example, if a shopper returned an $80 pair of shoes and doesn't want to select a variant, consider offering an additional $10 in bonus credit to sweeten the deal for them to make an exchange.

Rather than requesting their money back, that shopper might opt for a $120 sweater, leaving your brand with an additional $30 in revenue from the upsell after the bonus credit promotion. (Plus, you retain the initial $80 from the sale that would have been lost to a refund.) Encouraging your shoppers to exchange rather than opt for a refund also keeps them active in your sales funnel, ensuring that you'll be able to continue marketing to them and increasing their overall customer lifetime value.

Building a base of loyal shoppers that you can rely on is far cheaper (and more rewarding) than continually acquiring new shoppers to replace the ones you've lost. By creating a great customer experience and implementing a best-in-class returns process that optimizes for revenue retention and upsells, you'll be able to build a profitable, sustainable business—even in a tough economic climate.



Building a strong supply chain for value-added sales

Services like order tracking and streamlined exchanges certainly add value to the customer experience. But the core building blocks of your operation will determine whether your business has a strong enough foundation for these offerings to perform at their best.

When the economy is good, it's easy for businesses to focus on production and acquisition in an effort to supercharge their growth, rather than diverting resources into bolstering their supply chain and inventory management capabilities.

But by having a clear and accurate understanding of their supply chain, businesses have the ability to identify bottlenecks and inefficiencies and take the necessary steps to address them. This leads to cost savings and improved efficiency, which is vital during a recession when every dollar counts. Not only is improved supply chain efficiency a great cost-cutting measure; it gives you the ability to pass improved visibility and transparency onto your customers.

Understanding changing buyer behaviors

During an economic downturn, consistency and reliability is the key to winning over a more cautious and skeptical consumer. This also means that uncertain times are not the time to get too experimental with your product selection or your marketing efforts.

This next section explores how as well as boosting shopper confidence, maintaining brand familiarity via tight product assortments makes inventory and supply chain planning a much more streamlined process for retailers.

The power of data insights

AI supply chain solutions are fast emerging as a cost-effective way to optimize demand planning, real-time visibility, transparency, and more. According to McKinsey, AI-enabled allows businesses to:[7]

Lower logistics costs by 15%

Improve inventory levels by 35%

Improve service levels by 56%

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Recessions in retail: The true test of balancing art & science

During any economic downturn, it's important to make sure you are staying true to your brand. This includes ensuring your brand represents its core values across all marketing and sales channels and not stepping out of the typical narrative that customers have come to know and trust.

The goal during any recession should be to remind customers that they can count on your brand (just like they always have) while being conscious of budgets and effectiveness. Conservative spending starts in the planning process, which is why top-down and bottom-up planning is crucial. When doing bottom-up line planning, it's important to consider what your company stands for and how your customer expects to receive that message. Is there a cohesive assortment that you're offering to the customer, and do all the visuals make sense together? Are you telling a good story with your assortment, or have you over-assorted?

Over-assortment is a common problem and can lead to a lot of inventory issues. This is because customers are viewing a variety of similar items but in the end, are only going to choose one. This ends up splitting sales and creating excess inventory. Keeping your assortment tight is really important for your brand. As long as you remain committed to your core values, your customers will remain loyal to you.

During a recession, brands must make sure they are managing inventory at a total level. From a top-down standpoint, planning conservatively while making sure your inventory appears fresh is of the utmost importance. Freshness is what drives loyal customers to return to the brand again and again. Brands should consider rolling out smaller capsule collections and ordering shallower depths to maintain freshness and make sure the customer stays engaged.

Ordering smaller quantities may feel uncomfortable at first, especially since the COVID-19 pandemic has made everyone aware of missed sales due to a lack of inventory. But keeping the customer engaged with new products while trying to work through the inventory you own is crucial to success during a recession. You must be very mindful of what inventory is on hand. Be realistic with your sales and receipts planning. Remember you are protecting yourself and your customer. Uncertain economic times are not the time to experiment; you must balance keeping customers excited while limiting costs to the brand.

Lastly, be mindful of pricing. This can be a very slippery slope. Don't discount your products too much or too frequently, because it'll risk training consumers to buy only when things are discounted. We encourage brands during this time to give consumers other reasons to buy. This is where adding more launches in smaller capsule collections comes into play. Make sure you plan for having the right products at the right place at the right time. Coupled with the right price point, this is a recipe for success.

Just remember: scarcity is not a bad thing as long as you balance it well. Having things sell out means you have a great product that is in high demand.

Let's Recap:

1. Keep it fresh and receipts positive each month
2. Make sure your brand represents its core values
3. Implement tighter assortments and capsules to minimize splitting sales
4. Add more launches to keep the customer engages
5. Buy less inventory to minimize risk if sales come in light
6. Don't go heavy on the discounts

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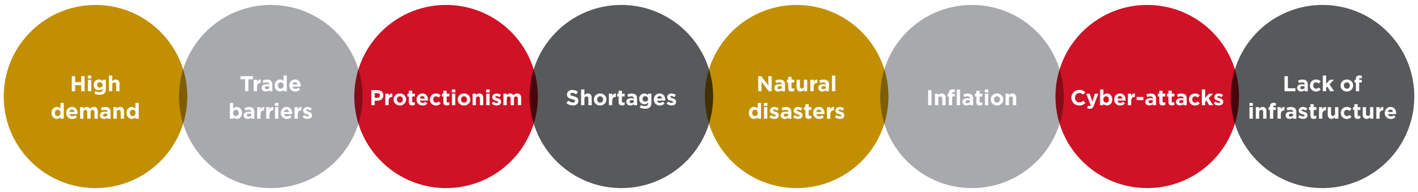
Building supply chain resilience for satisfied customers

Consumers want to know the price and when they will get their merchandise. They don't care about the rules, regulations, and cost to get the product from point A to point B.

Yet global supply chains remain volatile as a result of:



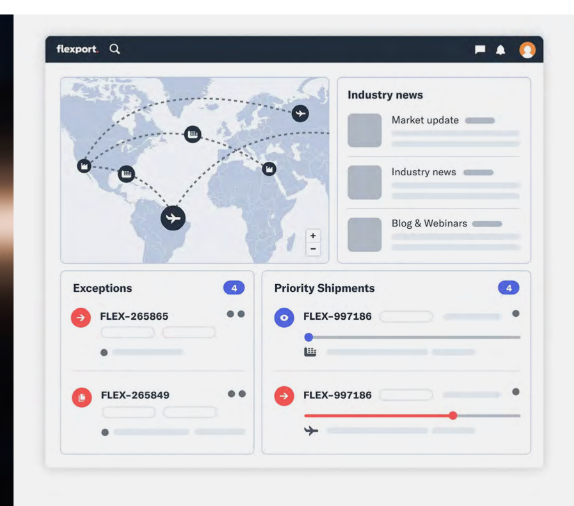
These are continuing to impact cost, quality, cycle time, customer satisfaction, and compliance. Businesses must view their supply chain as a closed-loop process. It starts with a purchase order and ends with final-mile delivery. An effective and efficient supply chain considers three processes that must be executed simultaneously:

1. **Physical supply chain**
2. **Compliance supply chain**
3. **Financial supply chain**

Assuming it is international, the physical supply chain will have an average of 16 handoffs, all requiring access to data and documents. A compliance supply chain determines the rules and regulations to ship products internationally. The financial supply chain determines the cost (freight, insurance, duties, taxes, and fees) and duty minimization and avoidance strategies to minimize cost. All three supply chains require visibility, transparency, and resilience.

By leveraging technology, businesses can provide a world-class e-commerce customer experience that leverages all three supply chains. But this all hinges on access to timely and accurate information.

Data comes from documents, and various supply chain members can provide the required information. A best practice is to store all information at a part/SKU level in a product library. Every business has established some form of a product library. For some, it is a product list in a spreadsheet or an online catalog. In contrast, others might already have a central repository of their products within an ERP or a homegrown application. These repositories, spreadsheets, and databases store helpful product information. As a business prepares to ship internationally, exporting and importing, they take on increased responsibility and risks to access foreign markets.



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All governments require companies to know three key data elements when shipping internationally:

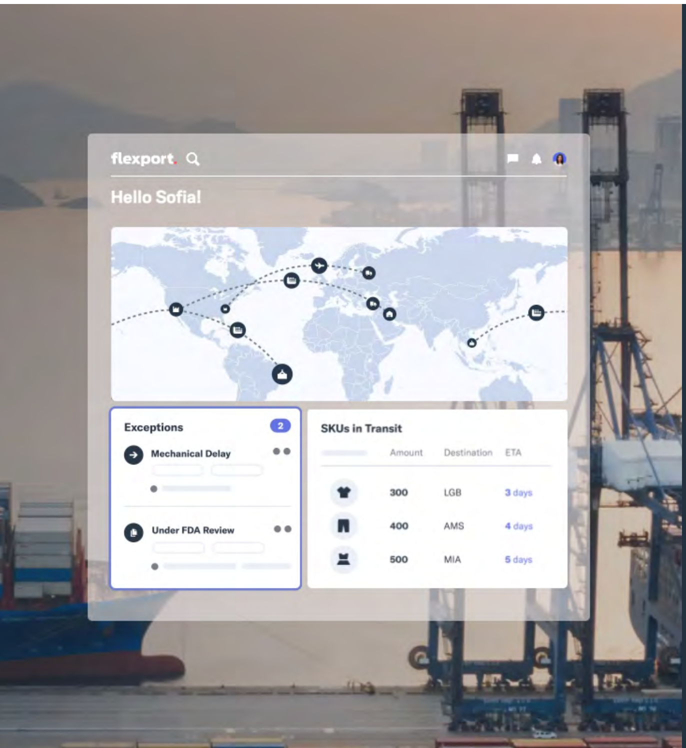
1. **Classification - harmonized tariff code (HTS) that determines duty and admissibility.**
2. **Value - the declared value, in simplest terms, what is the price paid or payable.**
3. **Country of origin, the country of manufacture, production, or growth where a product or item originates.**

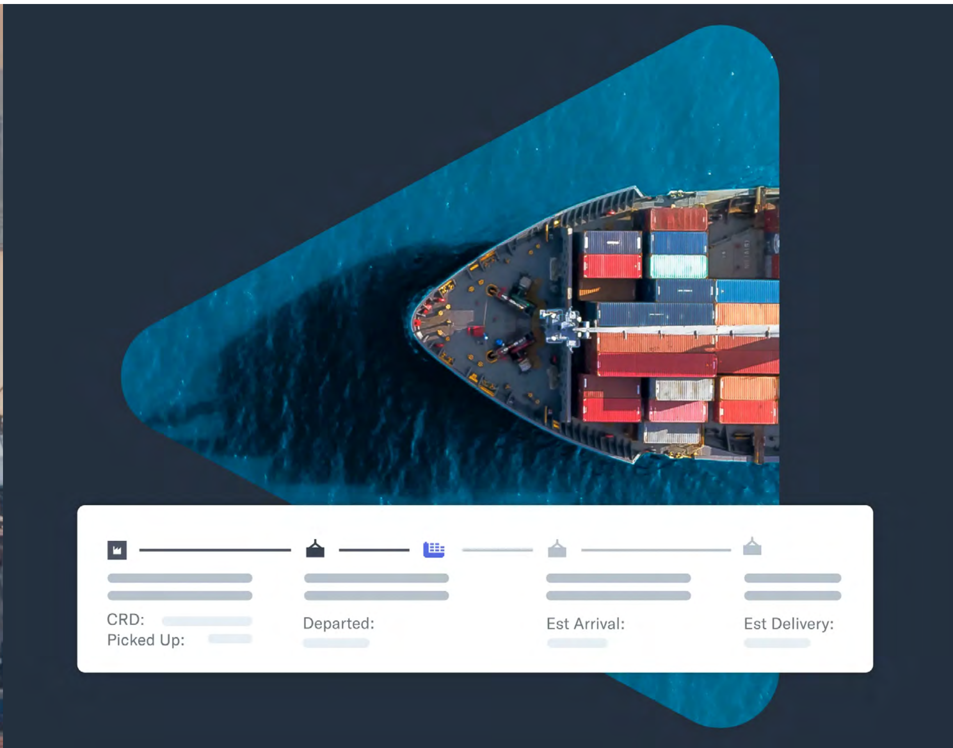
Companies must get these data elements right as it determines admissibility, duty rates, preferential trade, sanctions, and quotas.

Further complicating the process is that this information can change. While the classification may remain constant (unless an engineering change impacts classification), the country of origin and value can change based on the transaction. Requirements for data, forms, and documents provided to Customs vary by country. It's difficult for a business to provide this information timely and accurately at the country level while constantly updating based on transactions and regulatory updates.

At Flexport, we have integrated the product library into the flow of international trade. Using your product library as a single source of truth allows for the automation of exception processing. Any data stored in the product library can be used as an exception or validation check as data from documents are digitized and ingested. If there is an exception or an additional form, the exception happens once and is added to the product library for future use. The ability for businesses to compare the predicted landed cost of a product and the actual landed cost provides better profitability considerations.

Business profitability and consumer loyalty depend on effective and efficient supply chain management. Investing in a product library and global trade platform like the one we have built at Flexport helps to solve the problems of visibility, transparency, and resilience.





How will your business come out of a recession?

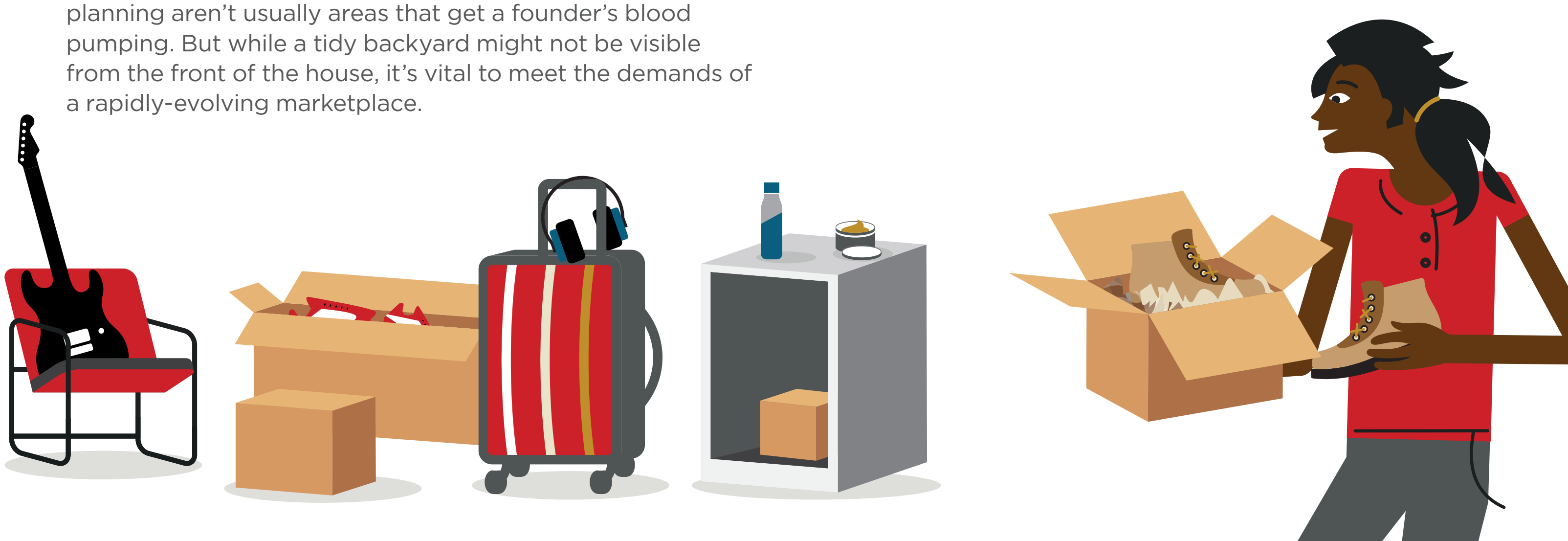
With another rocky period for the economy on the horizon, it's high time for retailers to begin planning their strategy for success in a leaner market. Instead of slashing CX spending and risking your brand becoming irrelevant in the eyes of customers, this climate should be all about the reinforcement of your core service offerings.

A shiny new product range makes for great marketing material, but can't make up for a bottlenecked supply chain or ballooning SKU base. Likewise, an easy-to-navigate e-commerce website experience can be ruined if the customer receives radio silence after placing an order. Unless you have the basic tenets of a positive e-commerce experience covered, you cannot expect customers to flock to your brand.

Let's be honest: supply chain management and demand planning aren't usually areas that get a founder's blood pumping. But while a tidy backyard might not be visible from the front of the house, it's vital to meet the demands of a rapidly-evolving marketplace.

In sum, every single one of these touchpoints plays a key role in fostering customer loyalty during a recession. It's about making sure that your brand has strong enough foundations to withstand the twists and turns of faltering consumer demand. Brand loyalty eventuates when customers feel confident in a brand's ability to coordinate a seamless, end-to-end experience—one that doesn't ask shoppers to jump through hoops to meet their needs.

Even if the coming year feels a little bleak for business growth, remember: going back to basics holds the key to making sure that your customers continue supporting your brand and being an advocate for your offerings. A recession offers the ultimate test of whether a brand is willing to stand by its customers—or not.



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Ryder System, Inc. (NYSE: R) is a leading logistics and transportation company. It provides supply chain, dedicated transportation, and fleet management solutions, including warehousing and distribution, e-commerce fulfillment, last-mile delivery, managed transportation, professional drivers, freight brokerage, leasing, maintenance, commercial truck rental, and used vehicle sales to some of the world's most-recognized brands. Ryder provides services throughout the United States, Mexico, and Canada. Ryder is regularly recognized for its industry-leading practices in third-party logistics, technology-driven innovations, commercial vehicle maintenance, environmental stewardship, corporate social responsibility, world-class safety, and security programs.

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1 https://www.conference-board.org/topics/consumer-confidence

2 https://hbr.org/2010/03/roaring-out-of-recession

3 https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/how-covid-19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever

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