RETAIL RECOVERY

4 Ways E-commerce Brands Can Ride Out the Economic Slowdown

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For direct-to-consumer e-commerce merchants, the economic forecast is looking increasingly gloomy. Faced with a deepening cost-of-living crisis, consumers are spending billions of dollars less than usual, even as surging inflation, supply chain woes, and eye-watering energy prices are forcing sellers to shell out more just to stay in business.

Some merchants believe that desperate times call for desperate measures. We're already seeing aggressive cost-cutting from many DTC e-commerce players — including layoffs at Stitch Fix and other ecommerce players — and some merchants are even signaling that the era of free returns could be coming to an end.

Are such drastic measures really necessary? It's clear, of course, that in these turbulent times many businesses are having to tighten their belts. On the other hand, cutting back on the things that make your brand great — such as veteran employees, or consumer-friendly policies — can be counterproductive.

Fortunately, there's an alternative. Instead of laying off staff and cutting services, companies should seek creative, capital-efficient, and customer-centric ways to streamline their operations and do more with less. Here are 4 key strategies e-commerce companies can use to weather the downturn and emerge stronger on the other side:

LISTEN TO YOUR CUSTOMERS

Consumer spending is down: people still want to make purchases, but they're having to be selective. To succeed, merchants need to stay attuned to customer sentiment and figure out which products are likely to perform well in the current climate.

That's especially important because inventory is a major expense for online retailers: on average, for every dollar in sales, merchants have $1.35 tied up in backroom stock. To tighten their inventory, it's important to use a data-driven approach to figure out what's selling and use aggressive markdowns to clear out unpopular products.

Another important option: consider using flexible pricing solutions — such as buy now, pay later — to allow cash-strapped shoppers to place orders without paying the full price up front. Subscription-based sales models can also be a means to foster customer loyalty and retention, and drive recurring revenues even during tough times.

KEEP INVESTING IN YOUR BRAND

When sales start to slide, marketing budgets are often first on the chopping block. But as recession fears mount, it's more important than ever for companies to engage and expand their customer base. Instead of axing marketing, e-commerce sellers should tailor their outreach to the times.

An element of ruthlessness is important here: don't be afraid to pull the plug on a campaign that no longer plays well with your customers. Research shows that almost half of today's buyers hit "unsubscribe" when they receive branded messages that aren't relevant to them. The stuttering economy won't make shoppers any more forgiving, especially if they're bombarded with campaigns promoting products they can no longer afford.

A targeted and thoughtful communications strategy, on the other hand, can prove very effective. During the last recession, brands that cut their marketing budgets saw total sales drop by almost a fifth, while businesses that maintained or increased their media spend saw sales *grow* by a similar proportion.

RE-EVALUATE YOUR SHIPPING POLICIES

Financial crises can strain consumer-brand relationships, so make sure you're paying attention to small but important customer interactions. This is particularly true when it comes to shipping: providing benefits such as free shipping, and even interactions such as order notifications, tracking information, and delivery updates, can all help to maintain rapport and make your customer feel cared for.

Of course, shipping costs are also a significant expense for many merchants. But rather than cut back on customer-friendly services, consider where else in the process you can make savings. Now is a good time to re-evaluate your chosen delivery provider, and perhaps even renegotiate contracts to ensure you're getting (and giving) the best possible value for money.

As ever, it's wise to take a clear-eyed, data-driven approach: optimized fulfillment and shipping processes can realize important new efficiencies. Could you save cash by shipping certain products from a different hub, or by rethinking your packaging processes? Look closely for ways to reduce costs *without* damaging the customer experience.

TAKE CHARGE OF CHARGEBACKS

Unfortunately, merchants are likely to see credit card chargebacks and transaction disputes increase during the downturn — and with "friendly fraud" costing the sector $125B in losses per year, that could be an existential threat to some brands.

Handling a surge in chargebacks manually is a drain on scarce resources, and leads to low success rates — but in trying times merchants can't afford to simply eat the cost of fraudulent chargebacks. The key is to use new technologies to automate as much of the process as possible while optimizing dispute success rates and reducing revenue losses.

Increasingly, data-driven chargeback mitigation solutions can analyze vast volumes of transaction information, sourcing the most relevant details and using them to build case-winning rebuttals. For companies facing financial pressures, such victories could be the key to avoiding layoffs, and being able to keep investing in growth and the customer experience.

A path back to growth

Few merchants can feel completely confident in their ability to weather an economic downturn. The choices that online sellers make over the next few months will determine not just whether they survive, but whether they emerge from the coming down economy with the customer relationships and infrastructure they need to make a rapid return to growth as conditions improve.

Rather than shedding staff or scrapping consumer-friendly policies, e-commerce merchants should seek smart, tech-forward solutions to the pressures they now face. If history has taught us anything, it's that it's by making the right investments, rather than by relentlessly cutting costs, that merchants can best equip themselves to survive and thrive during these turbulent times.

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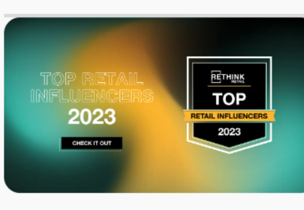

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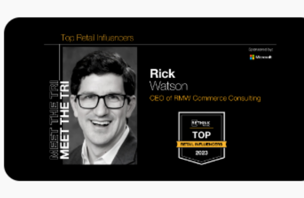

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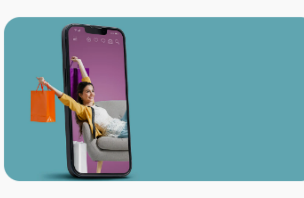

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