SOMM DIGITAL

PREDICTIVE MODELS

Visitors

There is 1 Customer among us

How can you identify customers among visitors?

Case Study Research Questions

1. How are wineries attracting, tracking and converting online visitors into revenue generating consumers?
2. How different are the online consumers compared to winery visitors and wine club members in behavior?
3. How are wineries utilizing their wine club database to increase sales and loyalty and applying it to digital marketing?
4. How do wineries approach the prospect customers that didn’t convert into sales or wine club?

Predict Analytics Data

Demographic Features
Age, gender, income

Behavioral Features
Past purchases, website visits

Location Features
Where are they located?

Social Features
How they interact, interests

Predict Analytics Formula

$$P(C_{it}) = f(D_{it}, B_{it}, L_{it}, \sum_j w_{ij} Y_{jt})$$

LIKELIHOOD OF CONVERSION

DEMOGRAPHIC FEATURES

BEHAVIORAL FEATURES

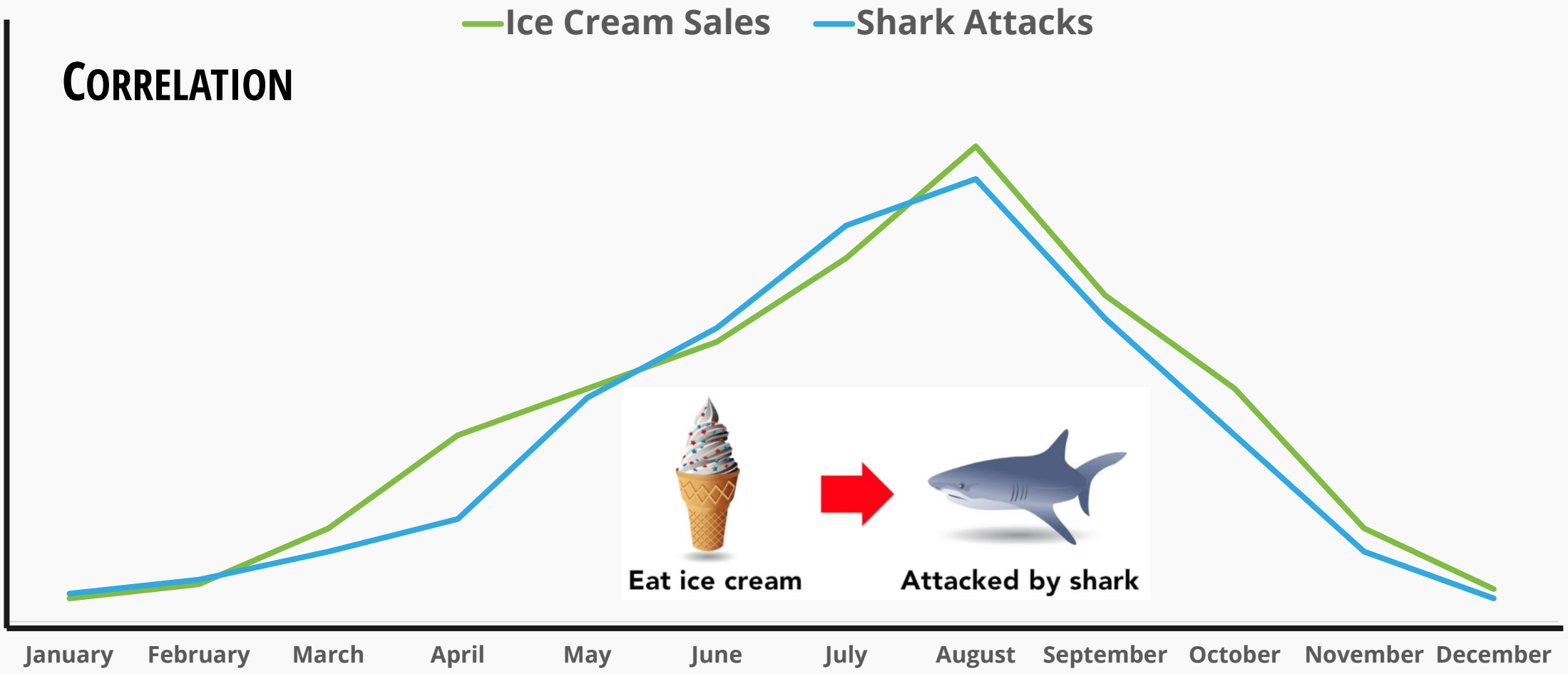
LOCATION FEATURES

SOCIAL NETWORK FEATURES

Predict Analytics

Correlation vs Causation

Predict Analytics

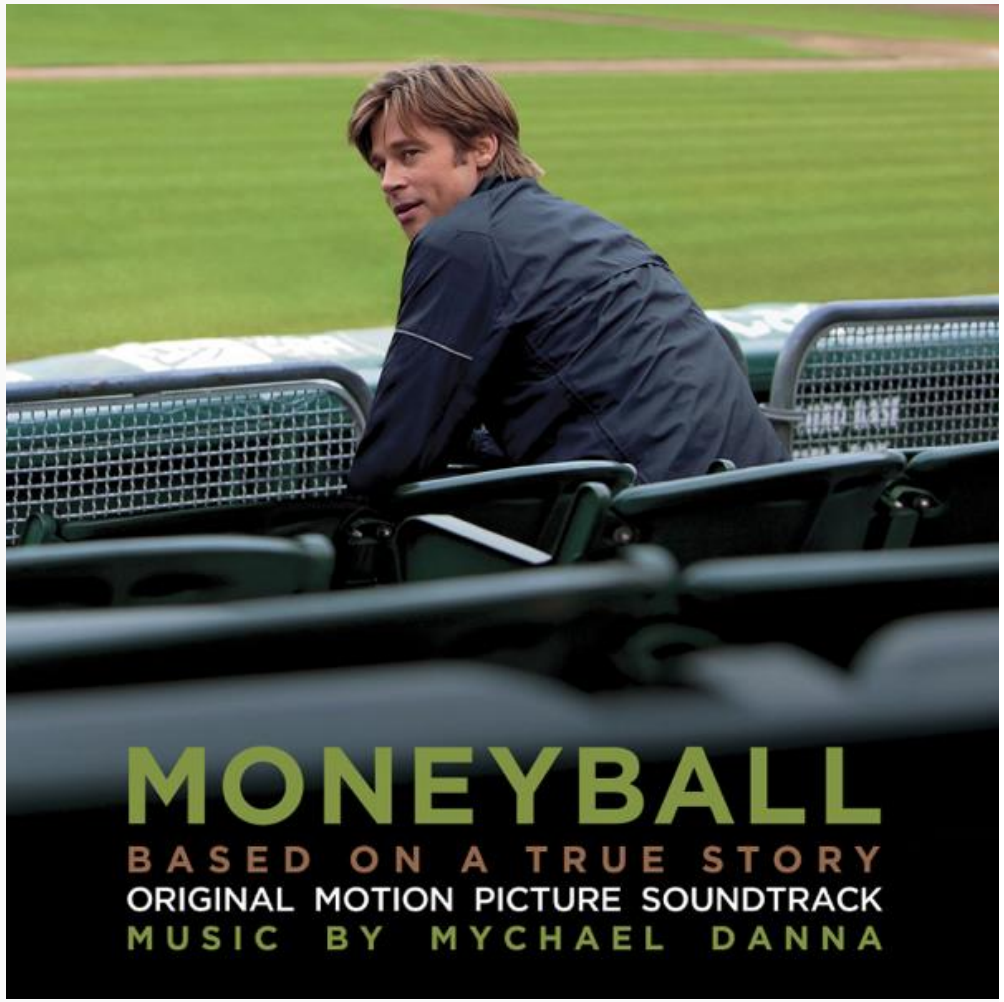


Predictive Analytics

HELP US UNDERSTAND

1. How consumer behavior will evolve
2. Which consumers to target
3. Which consumers are willing to pay or respond to discounts

Moneyball Approach



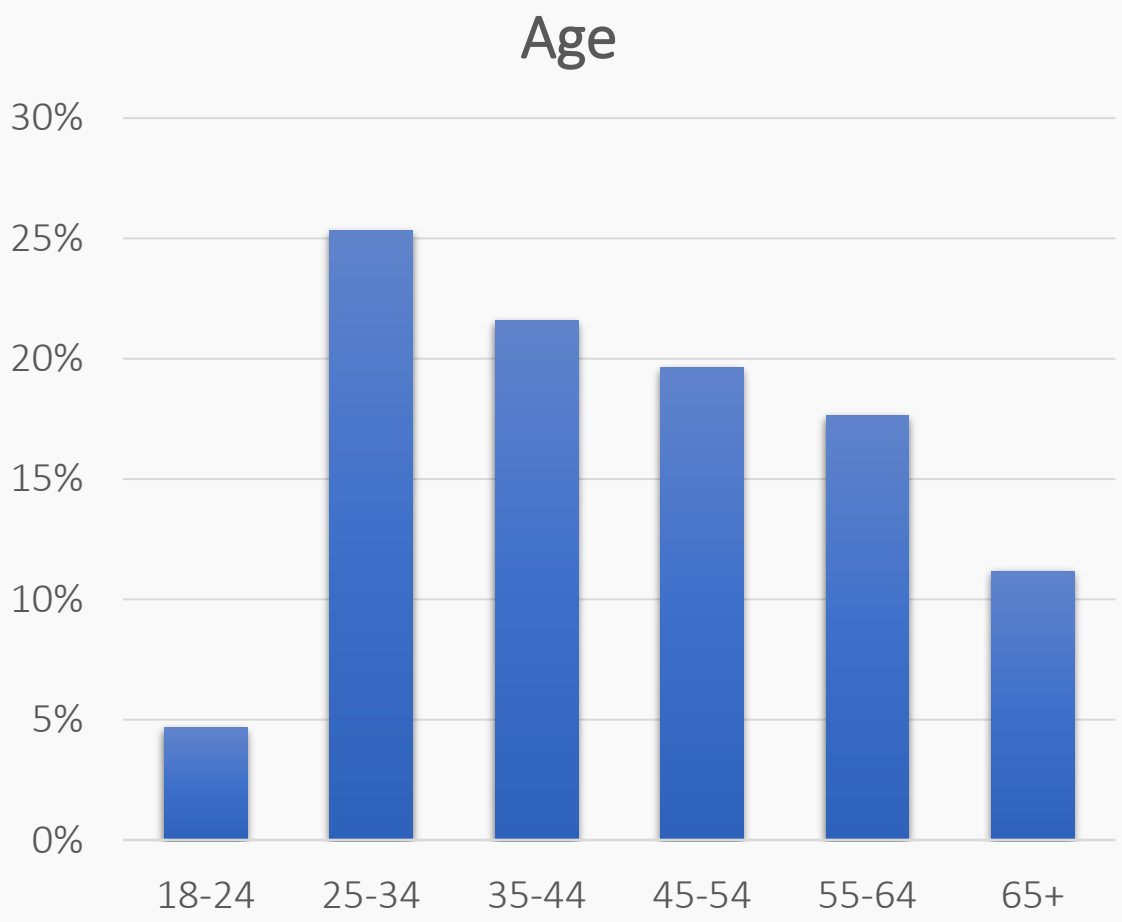
Benefits of Predictive Analytics

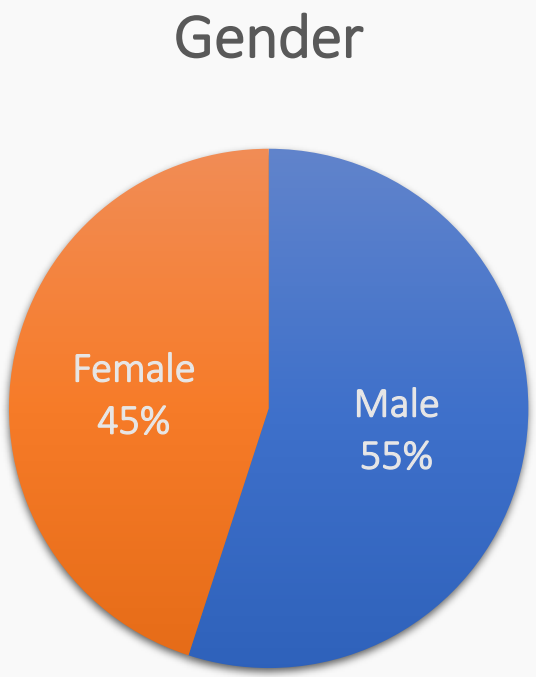
1. Marketing budget optimization
2. Improve pricing
3. Accurate demand prediction
4. Understand what triggers purchases

Example Predictive Model

Web Traffic Online Customer Profile

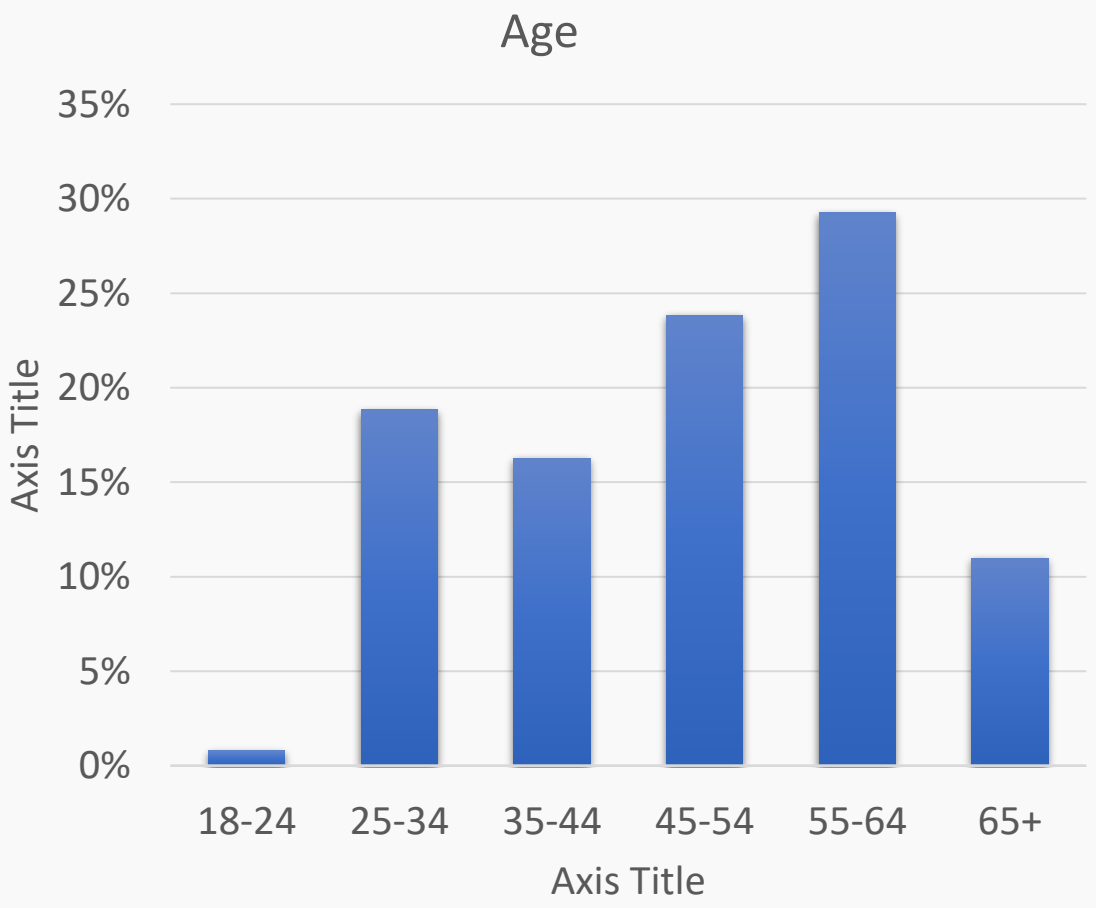
Small Winery in the Napa Valley

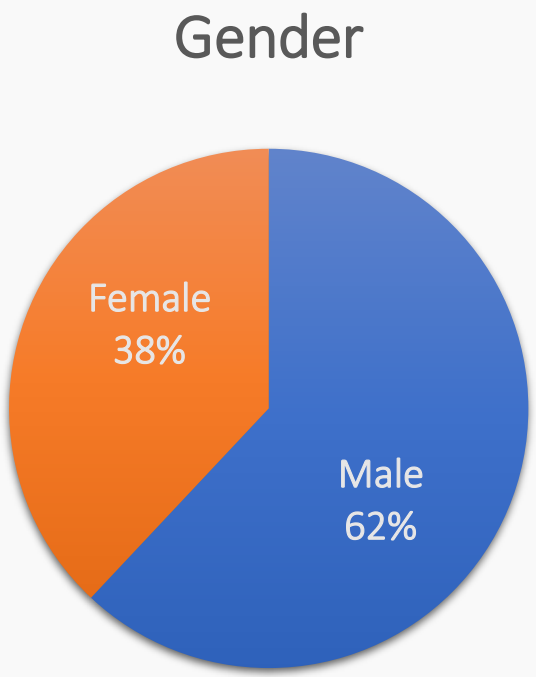




Online Sales Customer Profile

Small Winery in the Napa Valley





Purchase Wine Online Only Profile

Small Winery in the Napa Valley

- over 45 years old, male
- lives in Texas, New York, California, Florida and/or Illinois,
- owns a Mac, an iPhone,
- buys 6 bottles of wine
- Spend $551 on average in less than a day, spending 9 minutes to purchase wine (instead of 2 of non-converting users)
- more likely to be new visitor on the website that has come directly to the website.
- Interests: travel, real estate, banking & finance (Avid Investors), lifestyle & hobbies (business professionals and outdoor enthusiasts), sports & fitness (sports fan and fitness buffs), beauty & wellness(visits salons),

How does the online consumer compare to the winery tasting room consumer?

Online vs Offline

Online

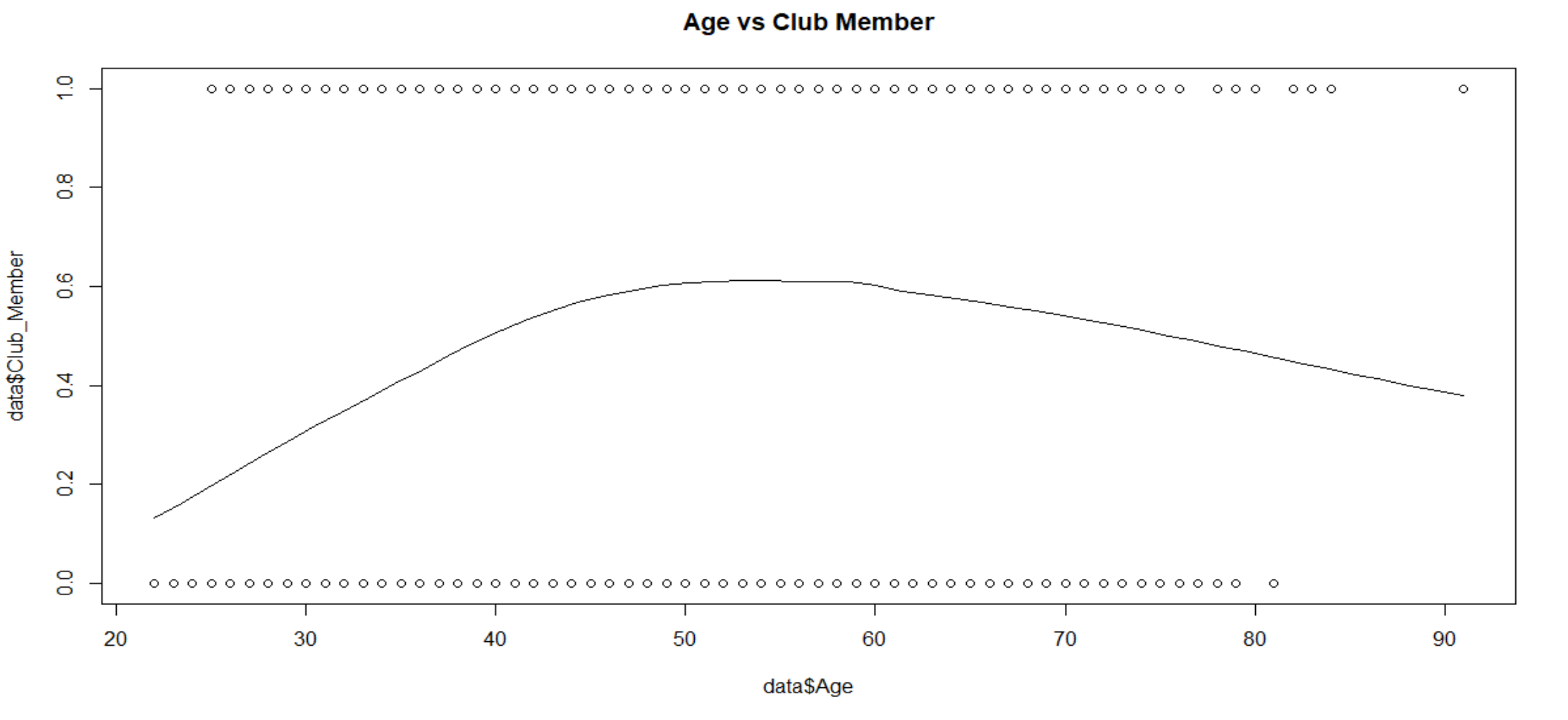
Age	*45+*
Gender Probability (55%)	*Male*
Purchase Quantity	***6***
Average Annual Purchase	***$551***
Club Member Probability	*?*
First Timer Probability	*?*

Winery (Physical)

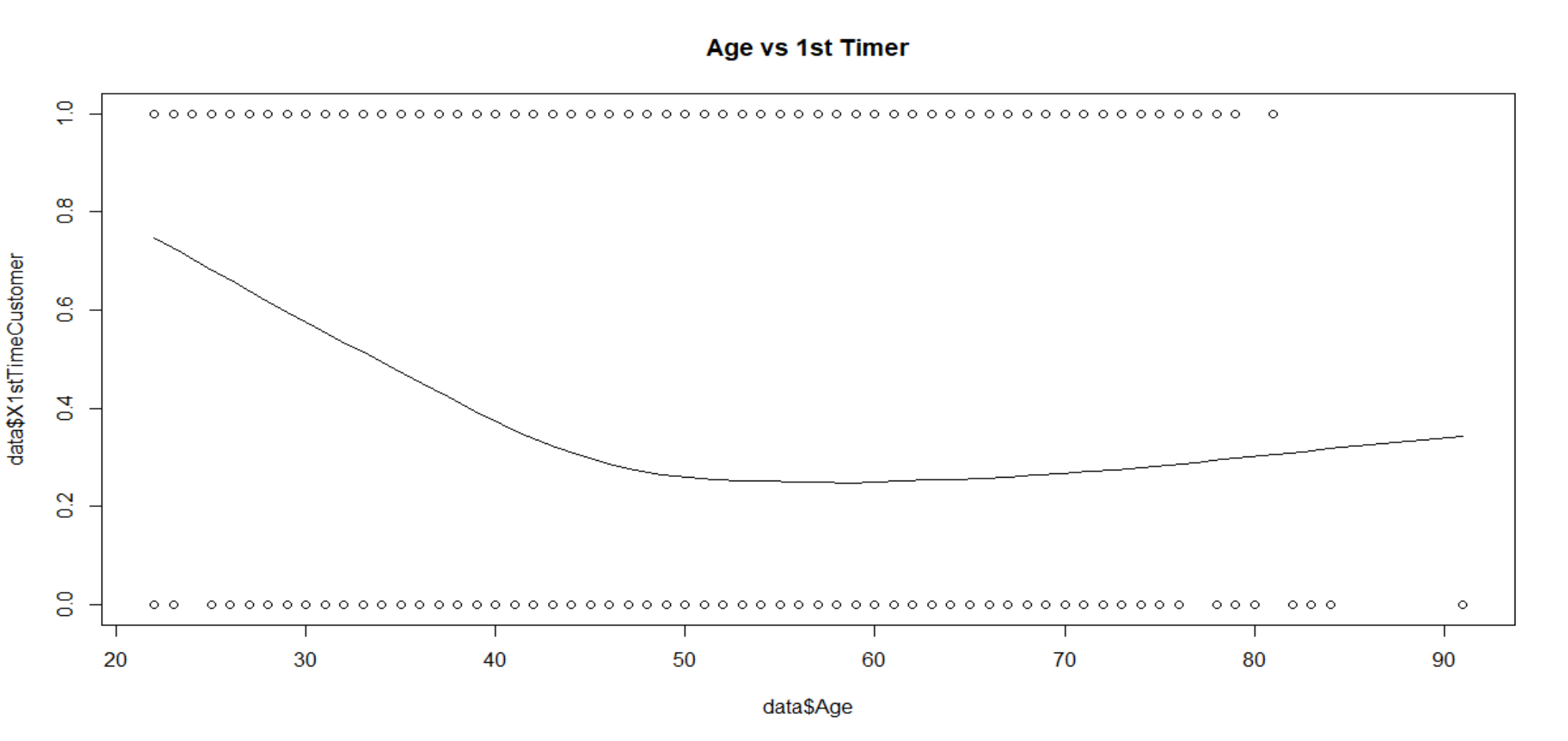
Age	*52*
Gender Probability (70%)	*Male*
Purchase Quantity	***16***
Average Annual Purchase	***$1,390.79***
Club Member Probability	*55%*
First Timer Probability	*34%*

Benchmarking online behavior with winery consumer behavior

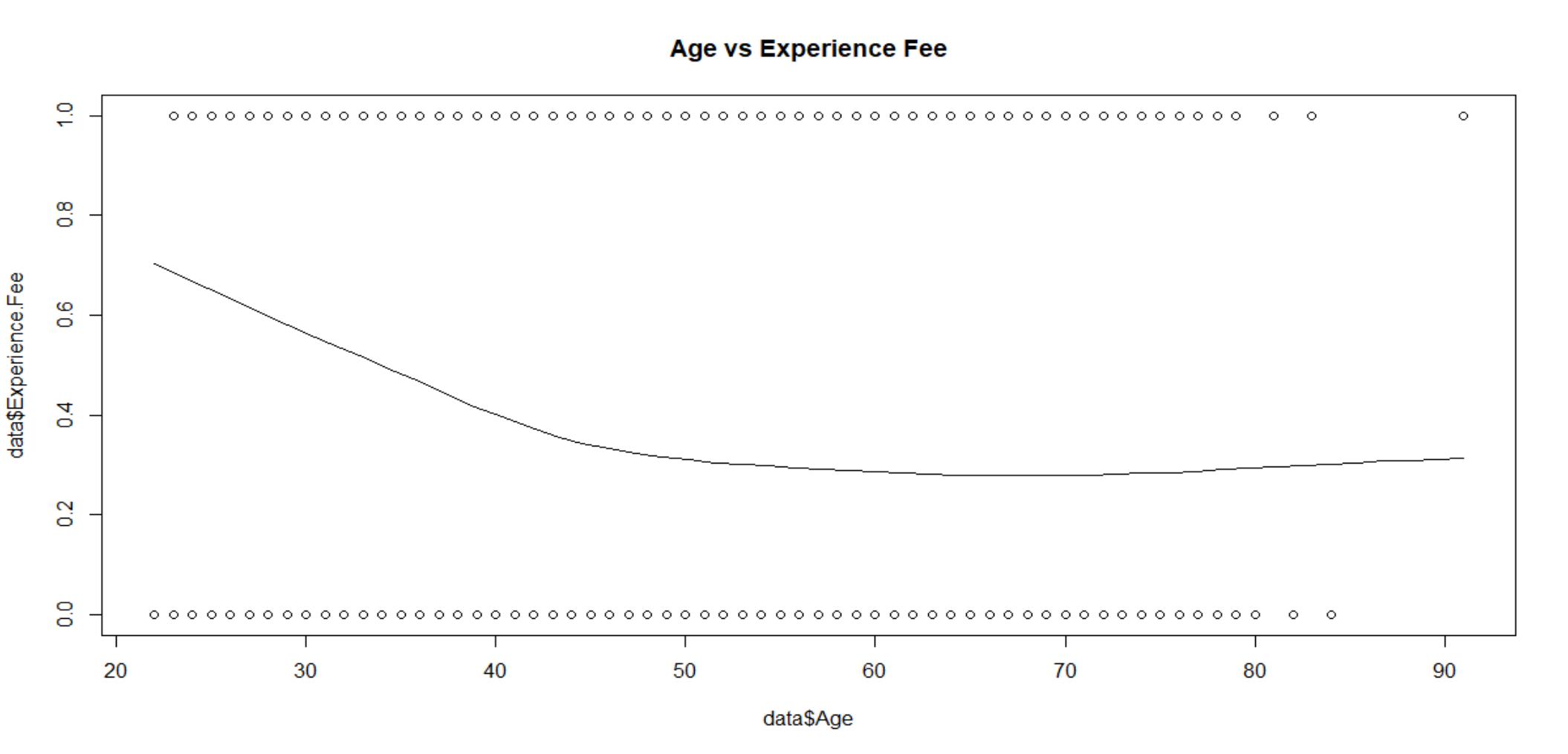
Offline Behavior (Wine Club)



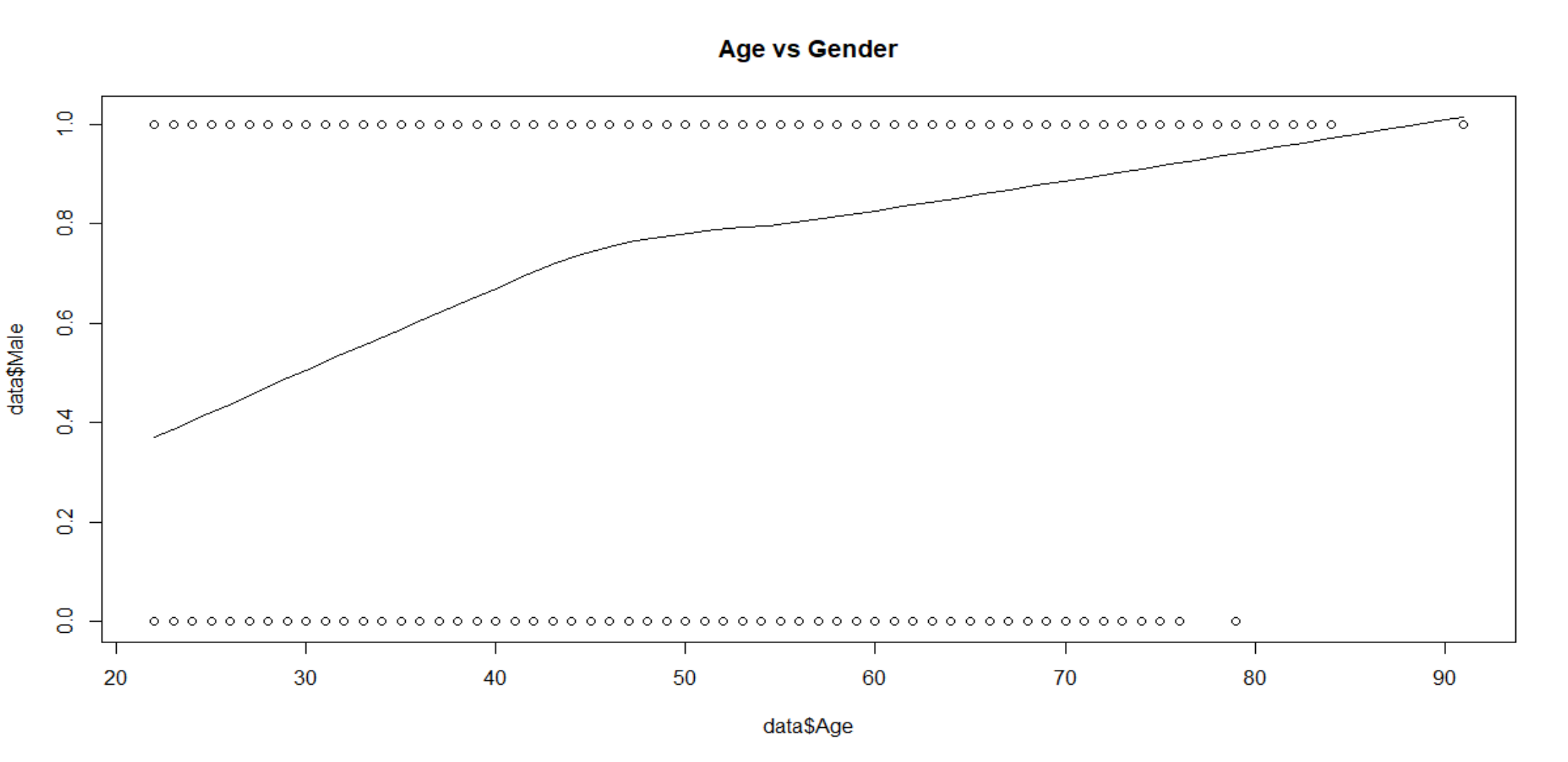
Offline Behavior (Physical Purchases)



Offline Behavior (Experiences Purchases)



Offline Behavior (Demographics)



Winery Customer Profile

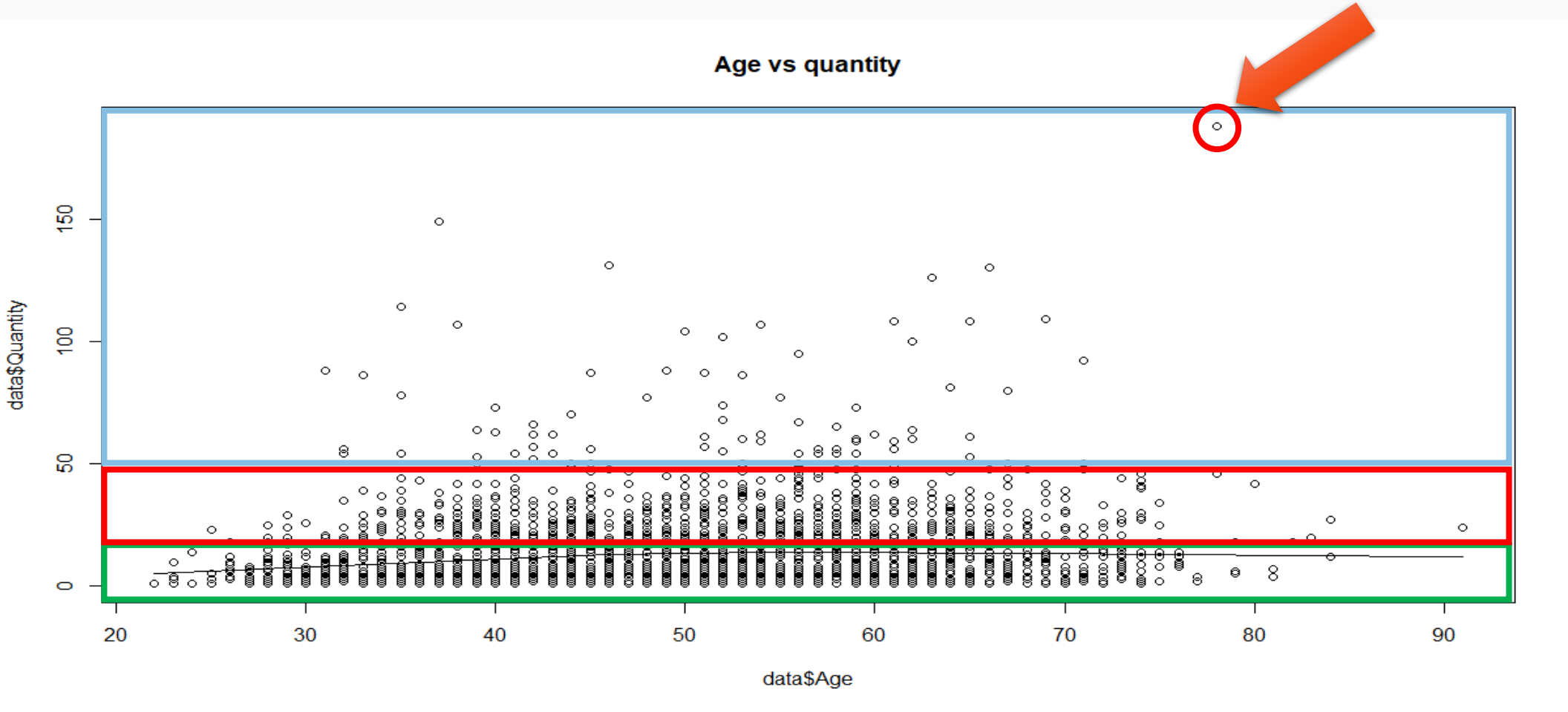
Men

Age	*52*
Purchase Quantity	*16*
Average Annual Purchase	*$1,659.11*
Club Member Probability	***59%***
First Timer Probability	*30%*

Women

Age	*47*
Purchase Quantity	*12*
Average Annual Purchase	*$1,174.79*
Club Member Probability	*43%*
First Timer Probability	***46%***

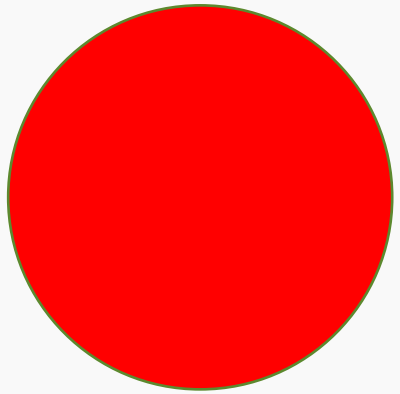
Offline Behavior (Quantity Purchases)



Applying To Digital Marketing

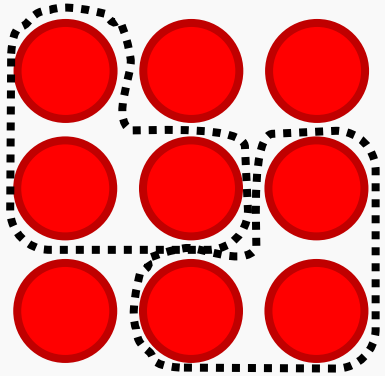
FOUR DECADES OF CONSUMER ENGAGEMENT

1980s



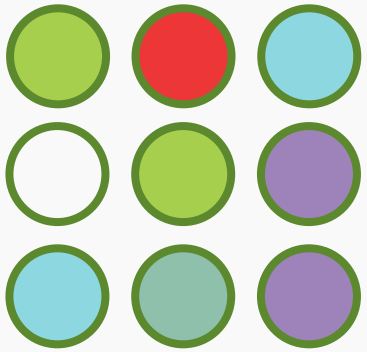
Single Message

1990s



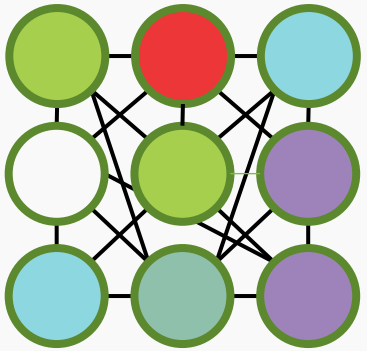
Segmentation

2000s



Customization

2010s



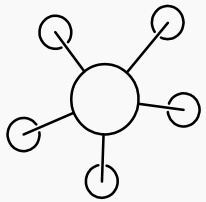
Socially Linked

Courtesy Rob Cain, former CIO, Coca Cola Company (now McKinsey)

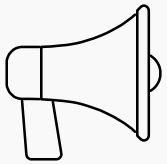
Social Marketing

3 Components

Network targeting — Homophily – similar behavior (LAL)

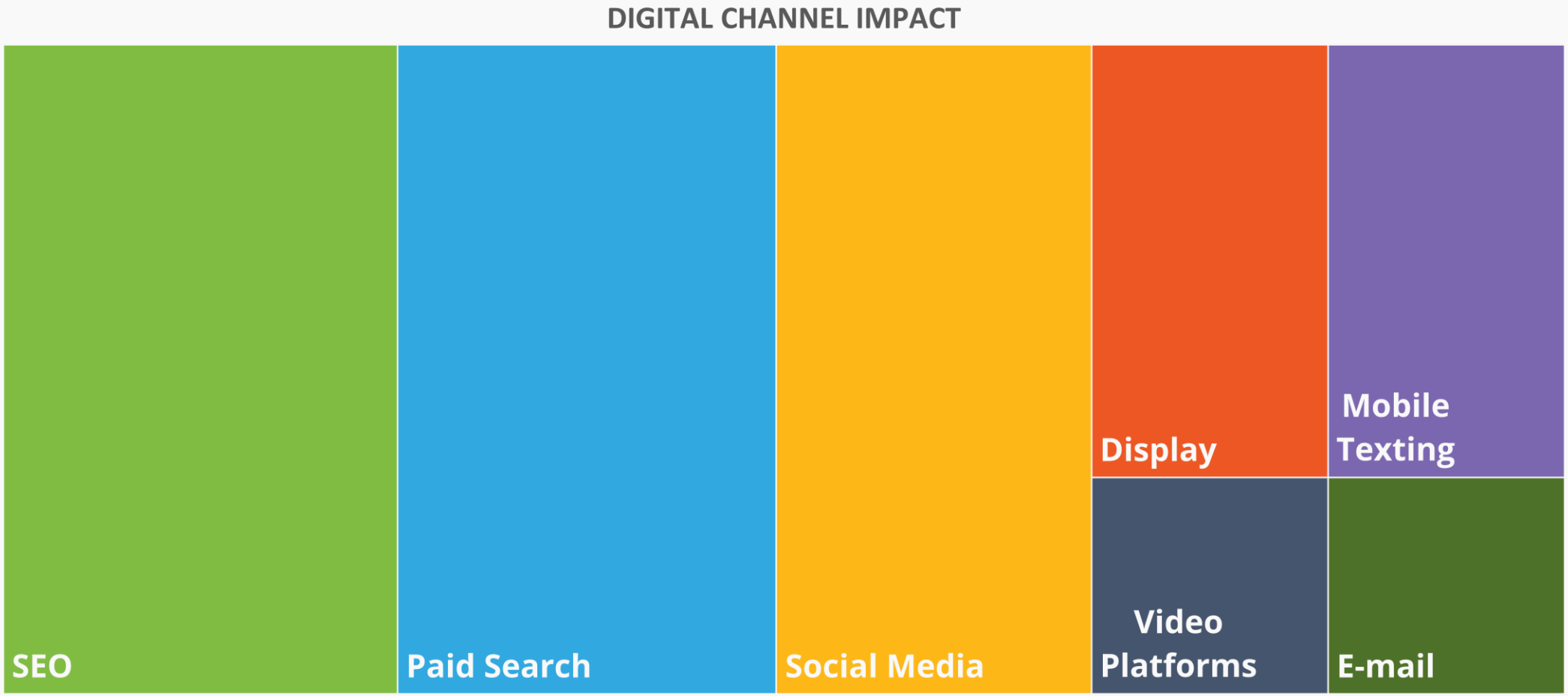


Viral marketing — Incentive programs, WoM

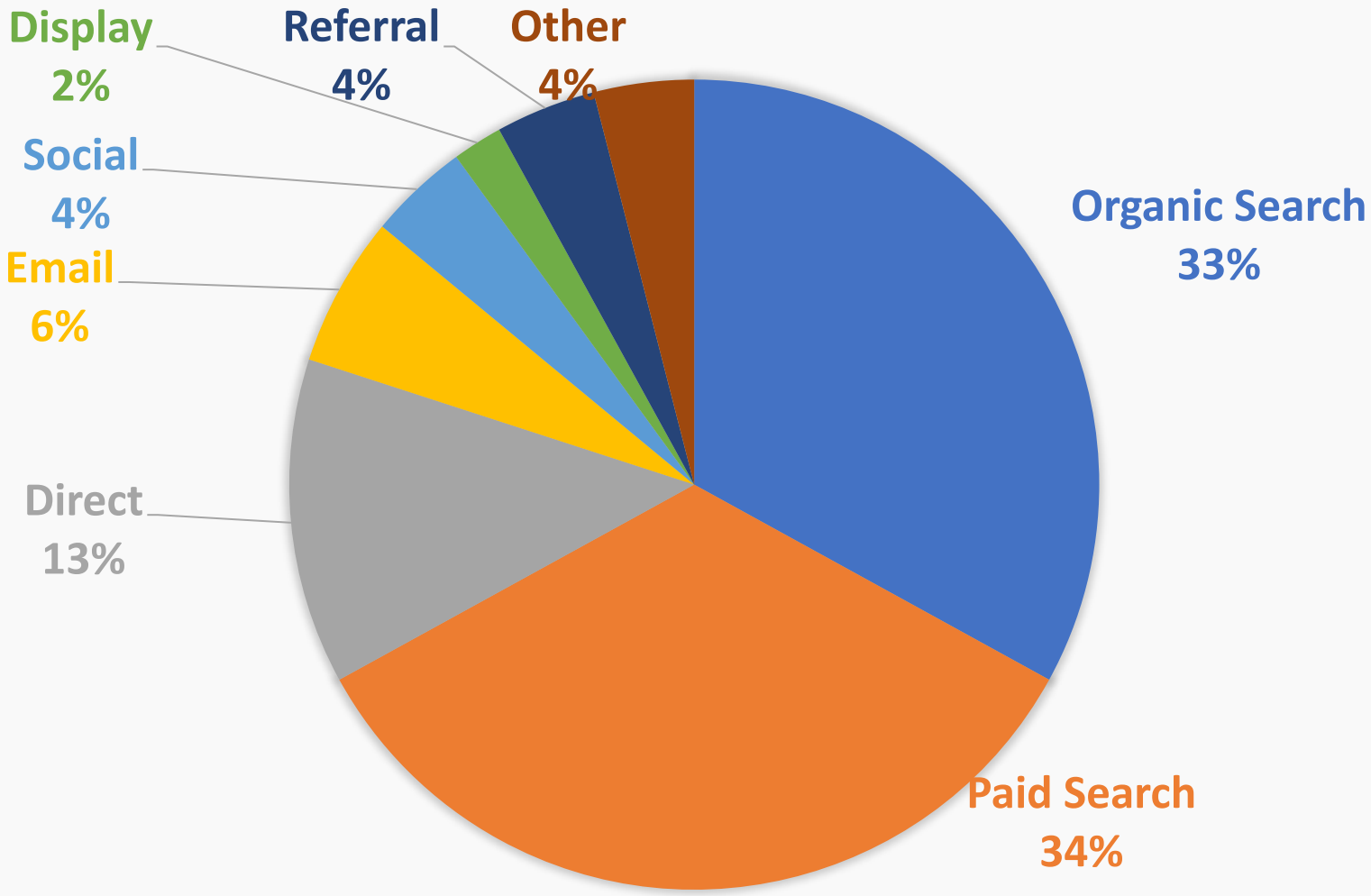


Social Advertising — Social proof, friend's endorsement (FB/IG)

Digital Channel Impact



E-commerce Channel Share 2020



Online Channels

Default Channel Grouping	Revenue	Purchases
Direct	61.2%	53.1%
Organic Search	**27.7%**	**34.9%**
Email	1.6%	1.6%
Referral	0.9%	2.1%
Social	0.2%	0.3%
(Other)	8.4%	7.7%
Total	**100%**	**100%**

Channels

Default Channel Grouping	Users	Transactions	Revenue	Conversion Rate	Users %	Revenue
Mobile	**25,366**	186	$124,799	**0.74%**	**52.20%**	23.60%
Desktop	20,204	431	$350,145	**2.14%**	41.60%	66.10%
Tablet	3,051	76	$54,986	**2.46%**	6.30%	10.40%
Total	**48,621**	**693**	**$529,929**	**1.43%**	**100%**	**100%**

IF INCREASE CONV. RATE 2.14%

+355 conversions
+$237,000 revenue
+45% Sales Lift

“Half the money I spend on advertising is wasted; the trouble is I don't know which half.”

John Wanamaker

RFM

RFM (Recency, Frequency, Monetary) Criteria

Recency	Frequency	Monetary
R-Tier 1	F-Tier 1	M-Tier 1
R-Tier 2	F-Tier 2	M-Tier 2
R-Tier 3	F-Tier 3	M-Tier 3
R-Tier 4	F-Tier 4	M-Tier 4

Criteria:

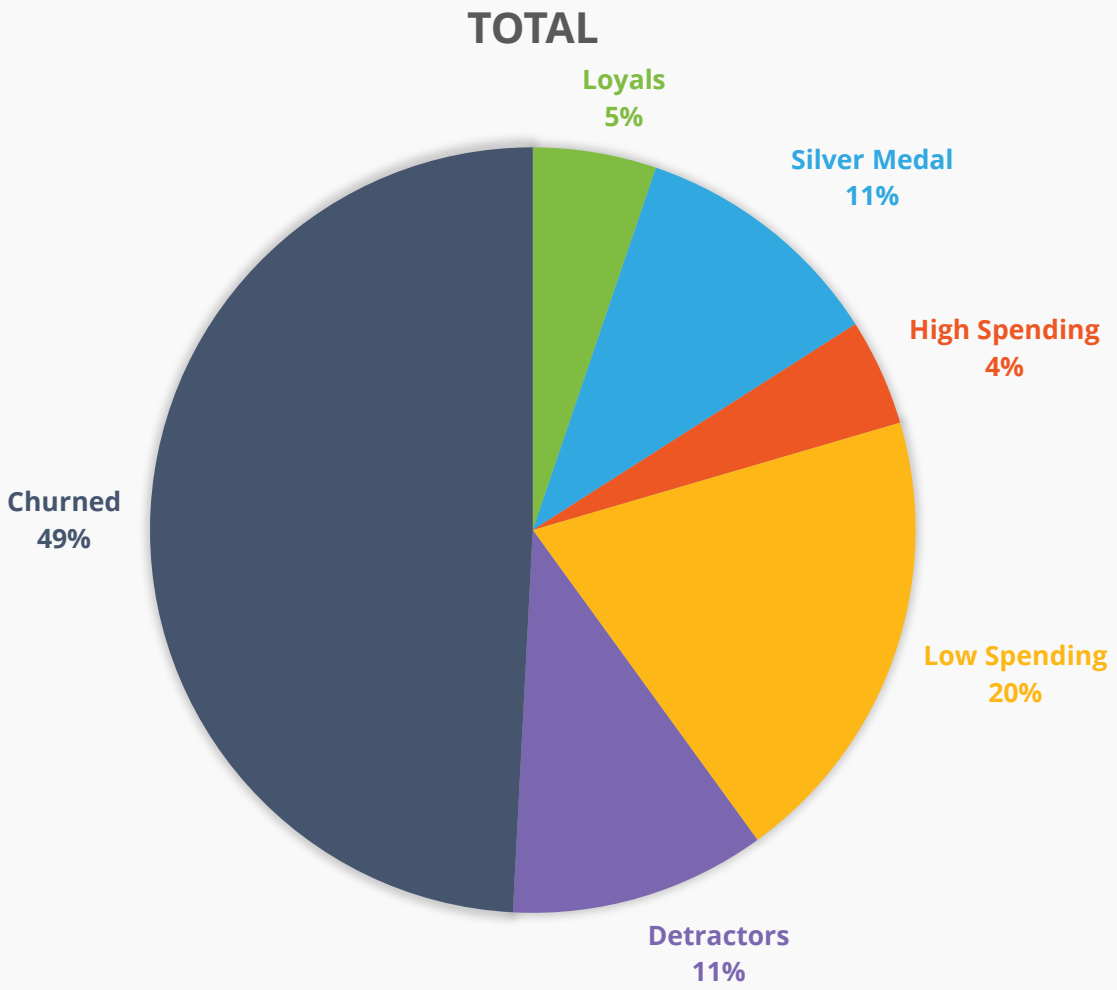
9 is the highest score and 0 is the lowest.

5 and below is be the bottom part of the group and 6 or above belongs to the top.

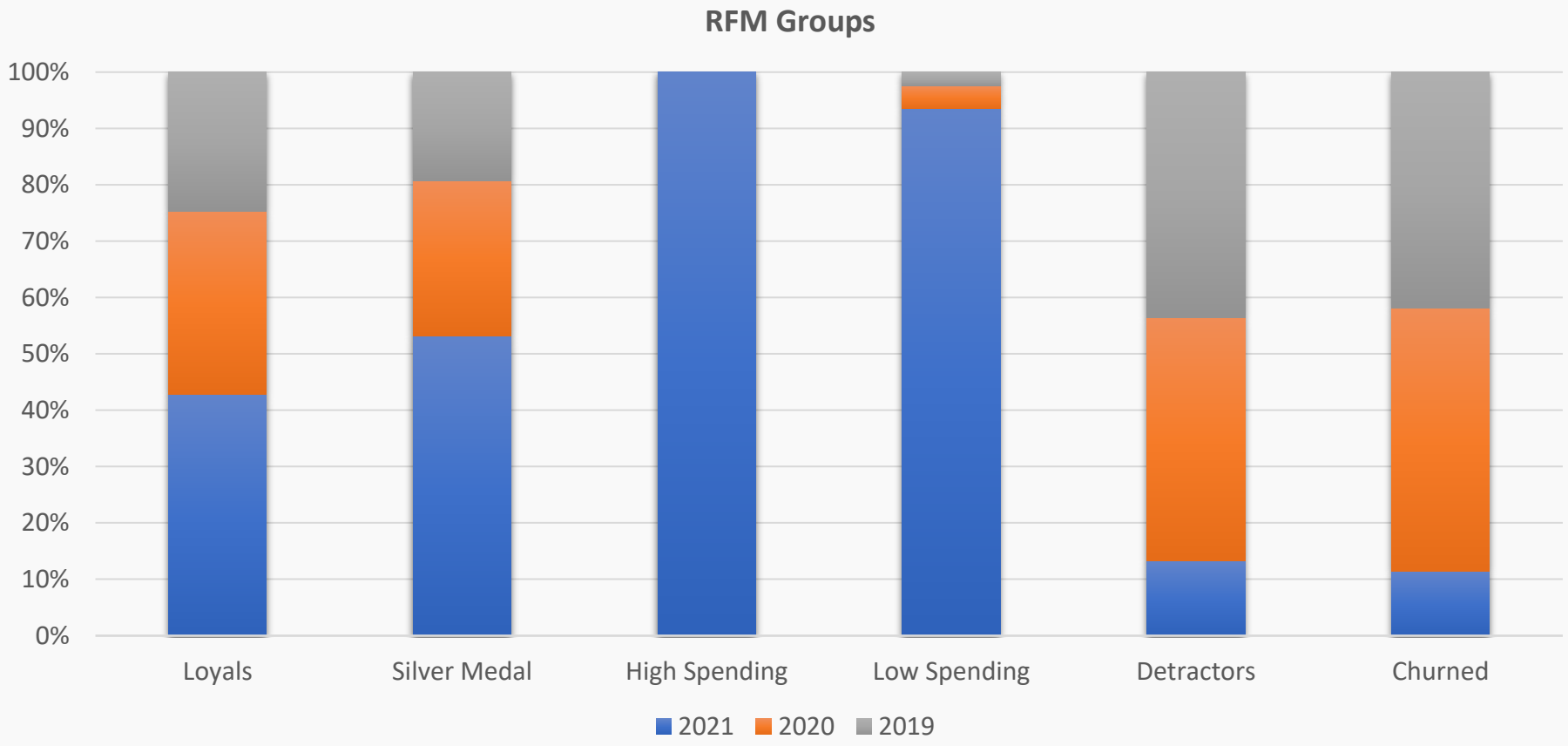
In this case, a customer that scores 9-9-9 is our top value customer.

Data Sample

Group	# Customers
Loyals	774
Silver Medal	1,594
High Spending	670
Low Spending	2,900
Detractors	1,605
Churned	7,297
Grand Total	**14,840**



RFM Groups


RFM Groups
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Loyals
Silver Medal
High Spending
Low Spending
Detractors
Churned
2021
2020
2019

RFM Groups

	# Customers	AOV	Avg Qt	Avg Bt
Loyals				
Offline	627	$2,748.06	7.3	$374.20
Web	633	$1,320.38	4.7	$278.75
Silver Medal				
Offline	861	$2,959.31	8.6	$344.32
Web	1,387	$1,247.41	5.0	$248.63
High Spending				
Offline	78	$5,637.49	15.5	$363.41
Web	592	$1,816.58	6.1	$296.34
Low Spending				
Offline	135	$273.85	2.7	$103.30
Web	2,815	$263.78	2.1	$127.27
Detractors				
Offline	915	$2,341.14	7.3	$322.44
Web	1,292	$929.42	4.6	$202.39
Churned				
Offline	735	$1,681.69	6.8	$248.44
Web	6,658	$461.76	2.9	$160.56
Total	14,840	$ 1,650.78	6	$ 299.85

RFM Groups

Loyals – 774 customers

The marketing approach for this group is to ensure they have priority over other groups in terms of service.

This group can be used as the "ideal" customer in Facebook and Instagram as lookalike audience. The audience targeting works well with a thousand emails, so we can add some (or all) the Silver Medal group to target only top spenders.

Silver Medal – 1,594 customers

This group should select and promote (the top scores) to the book of clients (PCs).

High Spending– 670 customers

These customers are new and have a high spend. Same as Silver Medal - This group should select and promote (the top scores)

Low Spending – 2,900 customers

It should be focused on Californian wines with free shipping if added a third bottle. A dedicated LP should be prioritized for these brands. Additionally, these wines can have a specific Google Shopping campaign where we can control the ROAS.

Detractors – 1,605 customers

The marketing approach for this group is automation.

Churned – 7,297 customers

The marketing approach for this group is automation.

Any Questions ?

What?

Where?

Why?

Who?

When?

How?