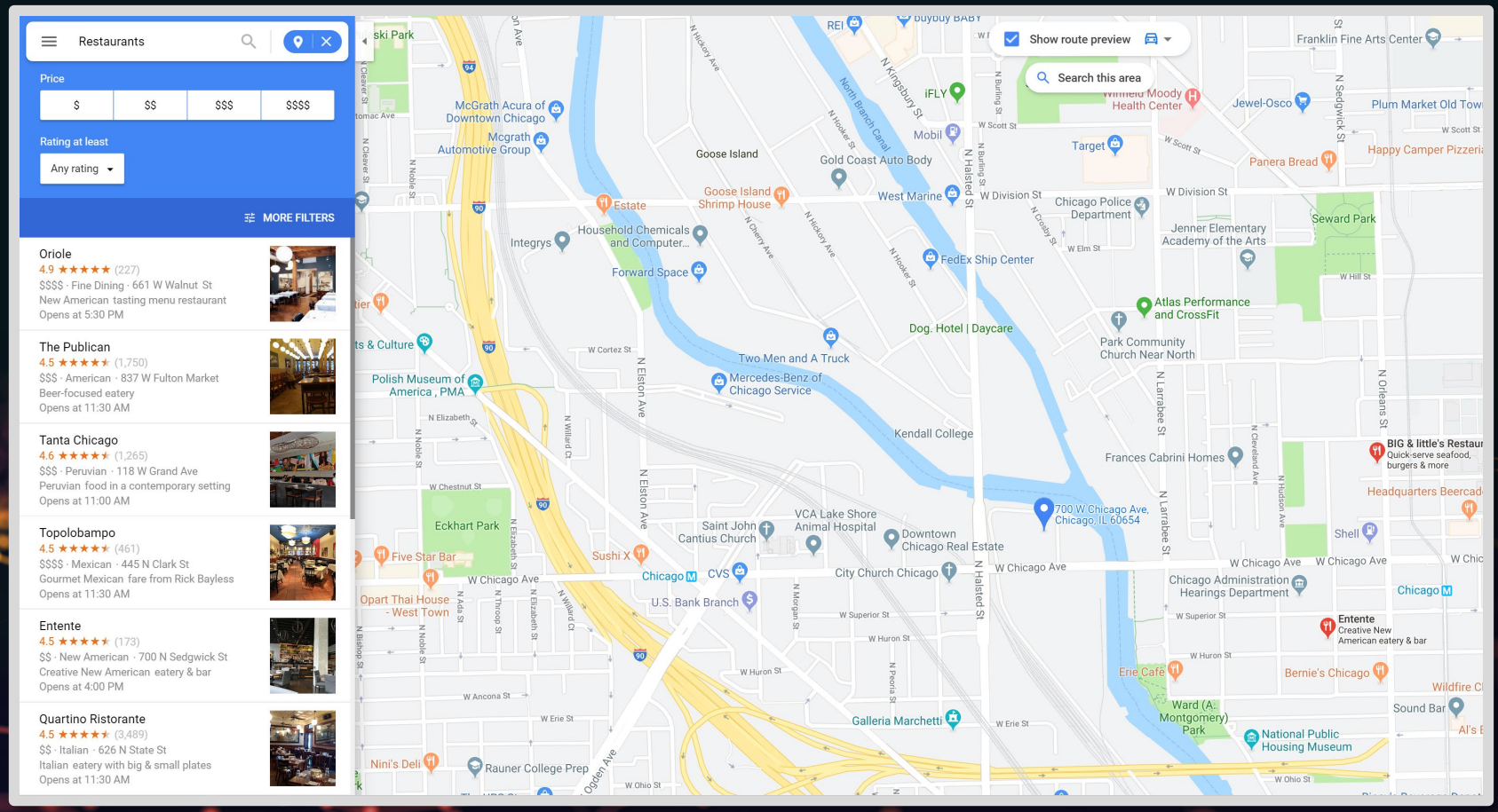
“Marry The Algorithm”

Kris McDermott

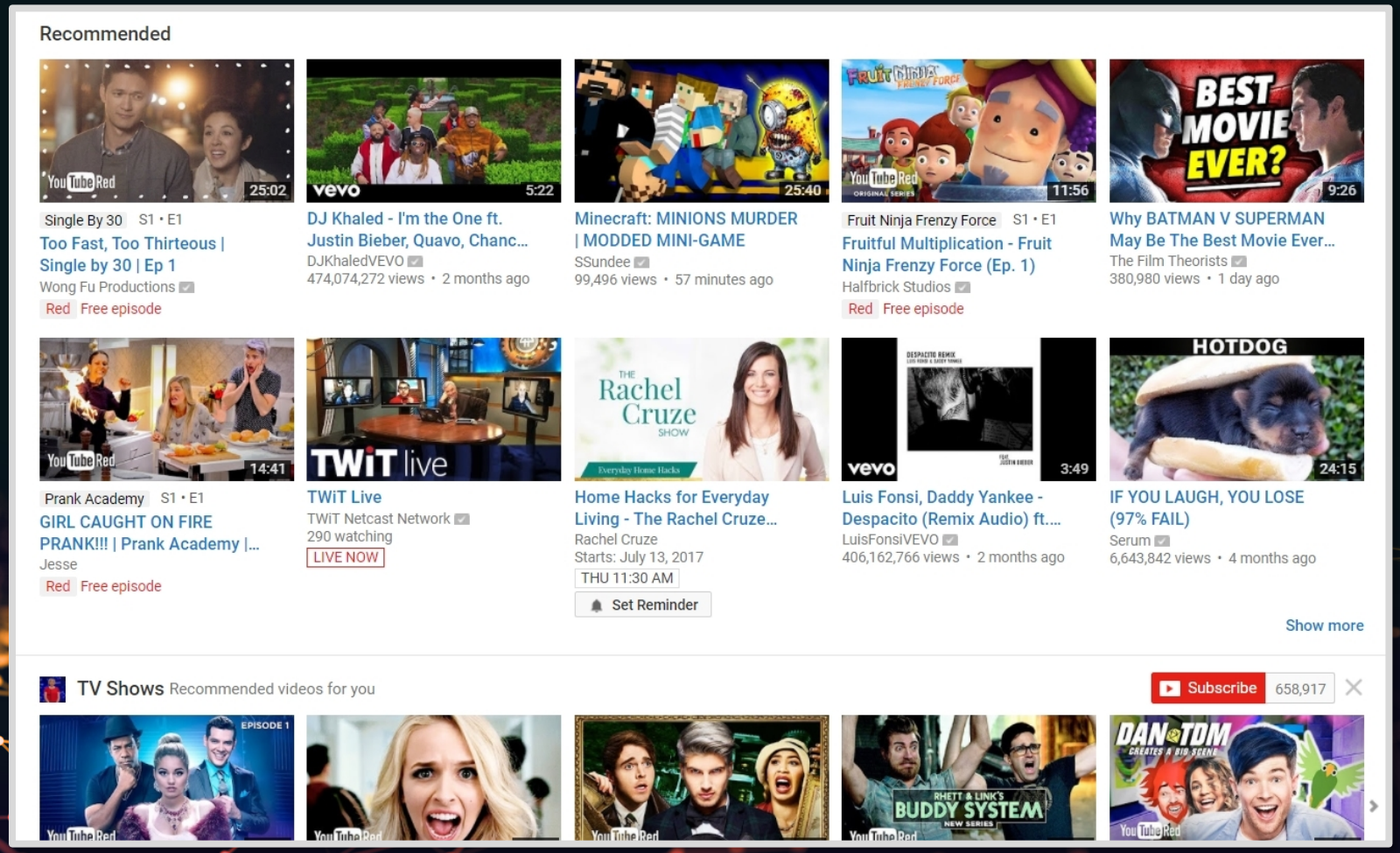
Edelman Digital

Have you ever used Google Maps to get directions?



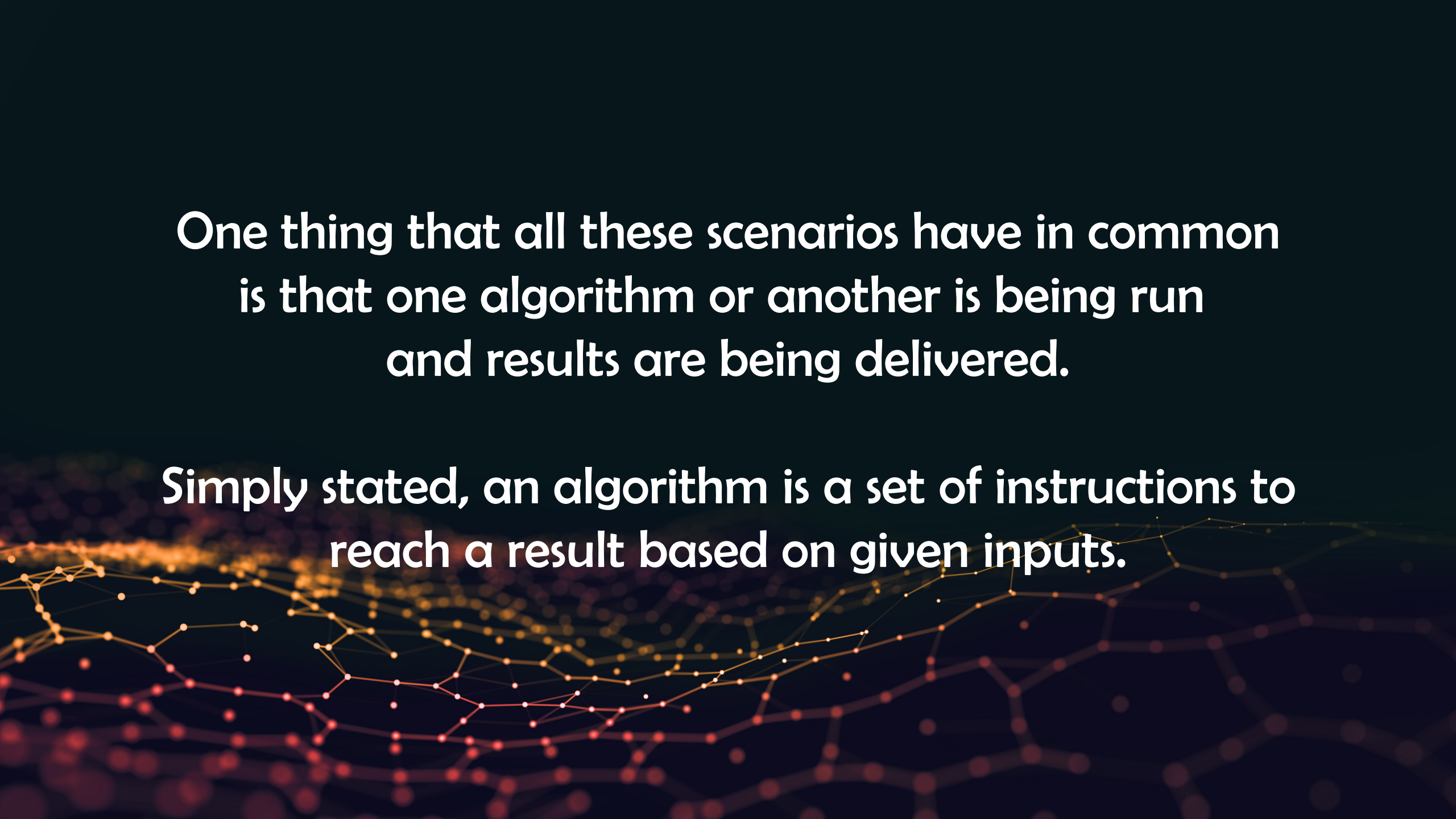
Ever rolled a dice just by clicking in an online game?

Ever searched for a music video on YouTube?



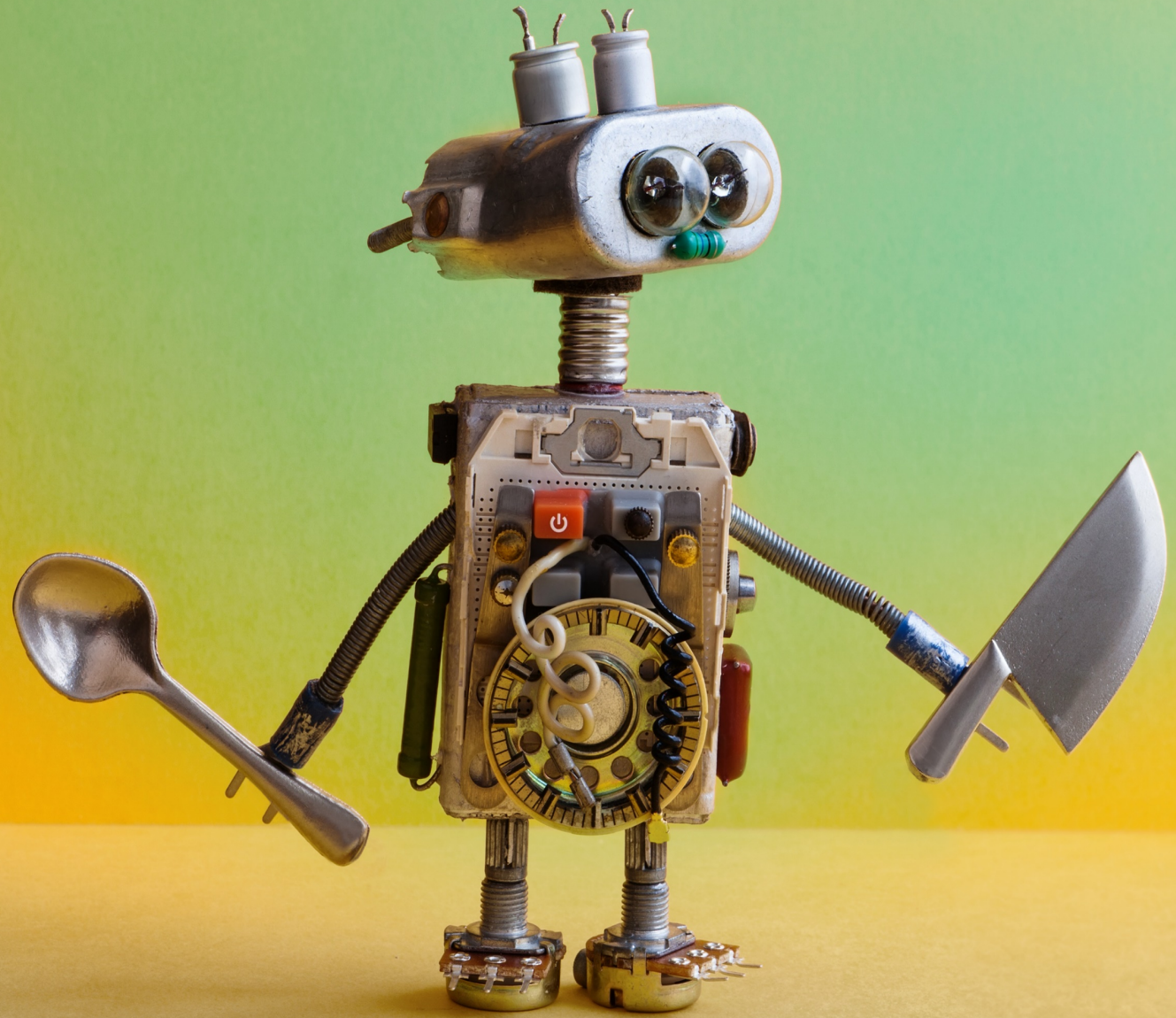
One thing that all these scenarios have in common is that one algorithm or another is being run and results are being delivered.

Simply stated, an algorithm is a set of instructions to reach a result based on given inputs.



Algorithms are replacing the role of brands in conveying trust and guiding us through our choices.

That's why the modern test for a brand's strength is its resistance to the algorithm.

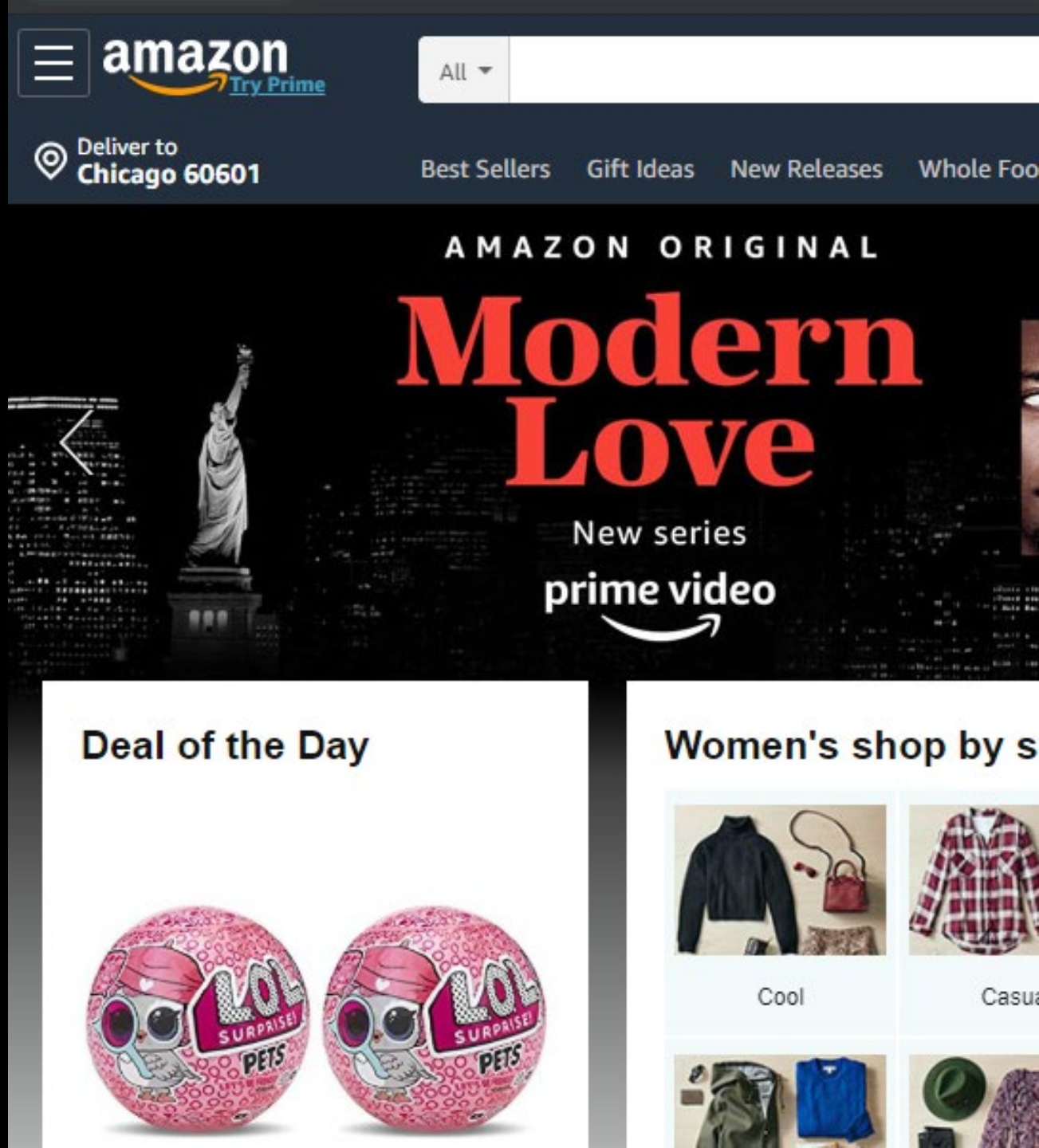


"You can't take an algorithm out to dinner."

This is a challenge in organizations used to using relationships to drive business decisions.

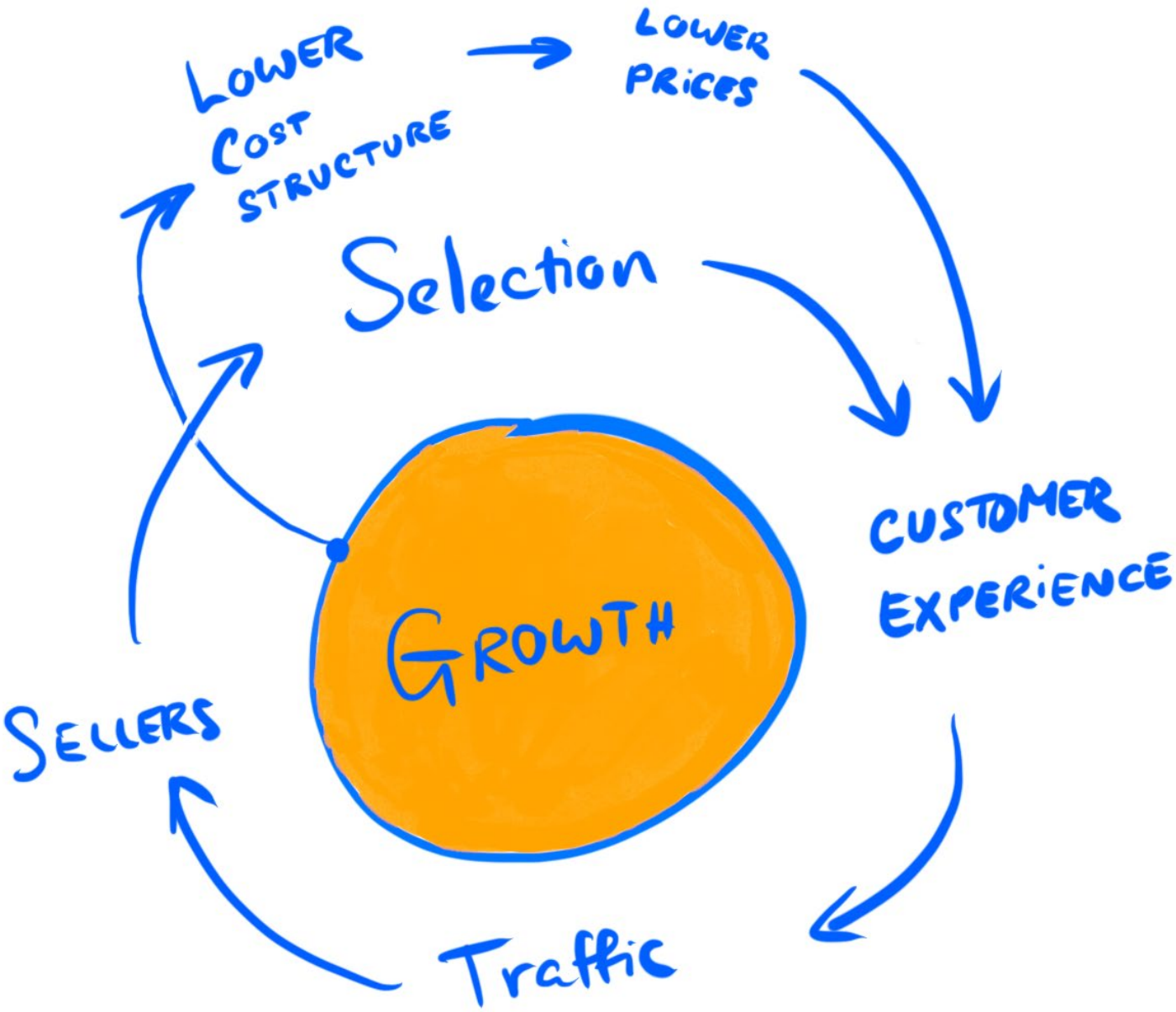
To illustrate this, let's dig into an example algorithm that you might be familiar with-

the search function on Amazon.com.

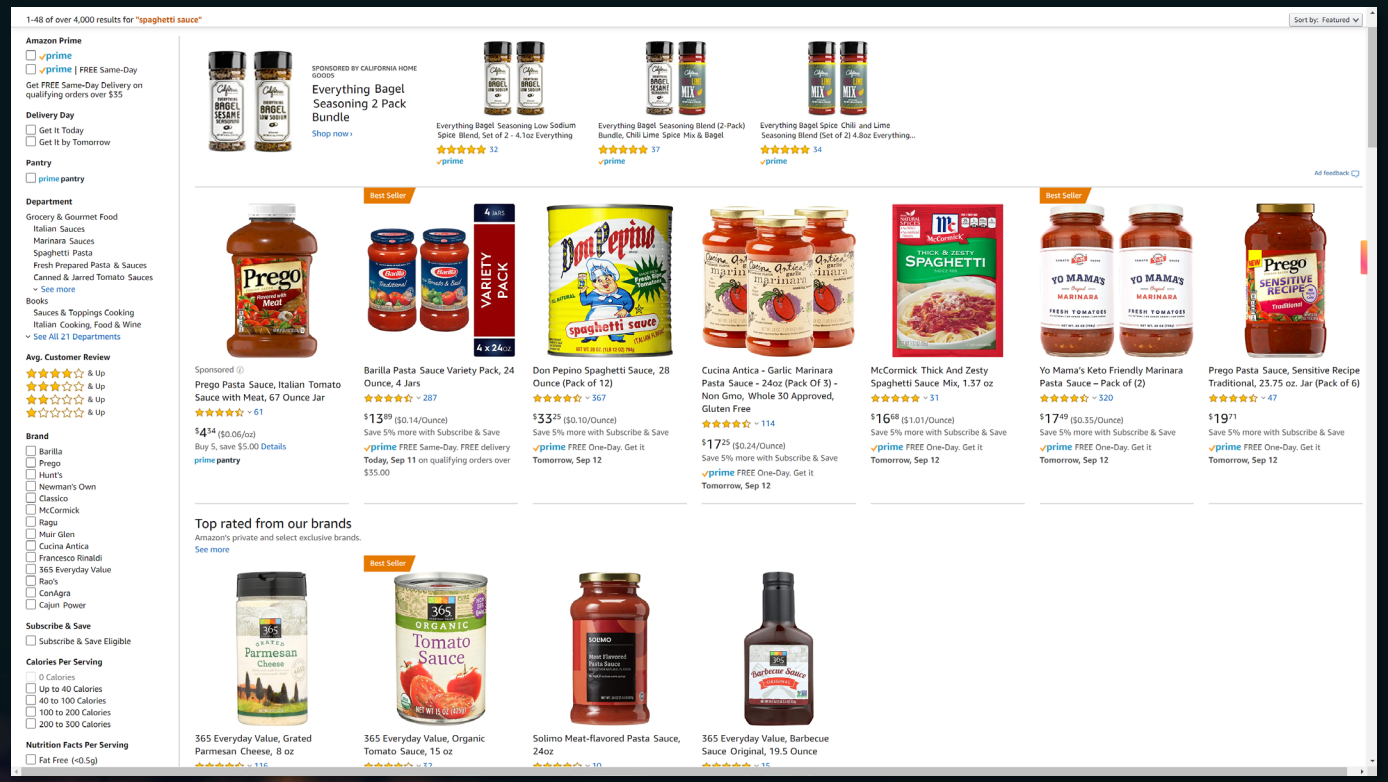


This is Amazon's "virtuous cycle" which fuels its algorithm.

On Amazon, every part of the equation is interrelated (which is different than traditional siloed retail)



Here are the elements that the affect the algorithm today:



Sales Performance History

How well has the product sold?

Text Match Relevancy

Starting with the product title, this extends to the description and product copy.

Price

If your pricing is much higher compared to competitors, your competitor might take the cake.

Availability of Stock

If you've run out of stock, the listing ranking may decrease or disappear. Always plan accordingly.

Indirect Factors

Fulfillment method, reviews, images, premium content (A+, EBC), advertising, and promotions.

To predict what will affect algorithms
in the near future for CPG brands,
we should look outside of the US.

Drive, a click-and-collect grocery model in France, has been adopted by 25% of the country's households.

Hema Fresh, the grocery store invented by Alibaba, embodies Jack Ma's vision of "new retail," combining online and offline businesses.

Staff will fulfill the orders from the store which also serves as the warehouse and deliver it in as fast as half an hour.

honestbee,
Asia's leading on-demand marketplace that delivers groceries and meals in more than
8
markets, launched habi tat by honestbee in 2018.

Orders can be processed end-to-end in under 5 minutes via robocollect.

Winning today is the single biggest determinant
of who is best positioned for the future,
for 3 critical reasons.

#1.

The future's sales platforms – like voice - will automatically recommend the #1 top-selling product

#2.

Sales velocity is the single biggest determinant of success within Amazon's virtuous cycle (and increasingly, all marketplaces)

#3.
Winning today means your organization
has made the critical internal shifts
necessary to win in the future

The brands that win today are the brands that understand:

- One size doesn't fit all
- Traffic matters AND browsers need to be buyers
- Critical importance of online supply chain / availability
- Organizational capabilities and culture of experimentation