

Iris Nova's Zak Normandin talks social media investments and customer retention

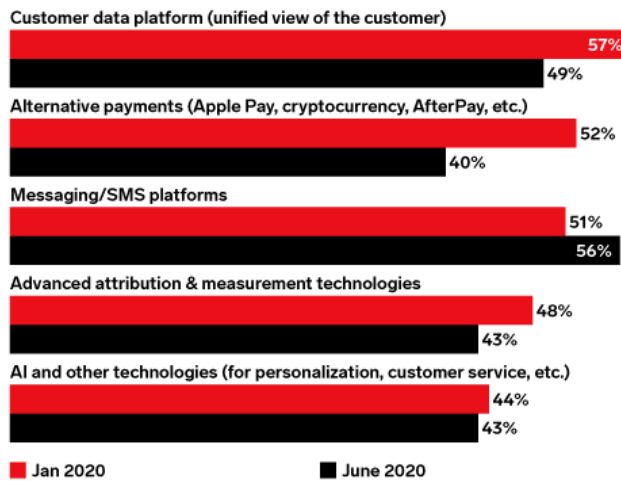
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One of the customer engagement technologies that seems to have benefited the most from the pandemic is SMS. Pre-pandemic, 51% of US retailers told CommerceNext that they planned to increase investment in messaging and SMS platforms; by June that figure had jumped to 56%, above all other marketing investments.

Coronavirus Impact: Emerging Technologies in Which US Retailers Plan to Increase Marketing Investments, Jan 2020 & June 2020

% of respondents



Note: Jan 2020 n=111; June 2020 n=75
Source: CommerceNext, "The Big Pivot: How Traditional and Digital-first Retailers Re-prioritized Marketing Investments in the Wake of COVID-19" sponsored by Exponea, July 24, 2020

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Iris Nova, which operates the largest direct-to-consumer beverage distribution network in the US, is one company that made an early investment in SMS. Its portfolio includes emerging brands such as Dirty Lemon, Better Booch, and Minna, among others.

We spoke with Zak Normandin, founder and CEO of Iris Nova, about how his company has leveraged SMS to better serve its customer base.

How did you start using SMS to grow your business?

We began using SMS back in 2015, primarily as a tool to process orders. I believe we were actually the first, and potentially the only ones, to have a fully integrated, conversational commerce platform that allows customers to place orders over text message. Both the intent to purchase and authorization for the credit card happen over SMS.

When we first started, customers just texted in and didn't really even have a shopping cart. Now we have a fully integrated shopping cart on each of our brand websites.

Tell us more about the customer experience.

Upon their first order with any of the brands in our portfolio, customers create a user account and put in their standard information—billing, shipping, credit card information—and that's all linked to their phone number. So, from that point on, anytime they text any one of our brands, they're able to place an order without having to enter that information again.

Essentially, it looks very similar to any other ecommerce experience. The only difference is that in the final step at checkout, the customer enters their phone number, which is the trigger for us to look up that customer's account.

Were customers comfortable with that type of transaction back in 2015?

It was definitely an unfamiliar consumer behavior [in the US] in 2015. I was really inspired by what I saw in Asia-Pacific markets: South Korea, China, and Japan all have messaging platforms that are integrated with payments. If you look at WeChat or Line specifically, conversational commerce is much more prevalent.

So, we modeled our platform on what we were seeing in those markets. There was a little bit of a learning curve at first, but we've improved the platform considerably to reduce all of the friction points we saw early on.

Business-to-consumer SMS messages are, I think, much more prevalent now than they were in 2015. But that also poses somewhat of an issue for us, because I think a lot of brands are abusing SMS as a channel.

And they're using it primarily for marketing, whereas we've always been dedicated to making sure that the platform we created is available to customers as a tool, and not as a promotional lever.

Would you say that SMS enhances customer experience in general?

Historically, the interactions that consumers have had over SMS were with friends and family members. The phone number is extremely valuable because it's a very personal means of communication.

Our customer service team, which is all internal to the company, communicates with customers in a very casual, friendly way—the same way you would with a friend or family member. Ideally, our customers would be saying, “Wow, that was an amazing experience.”

There are so many brands out there right now, and I think consumers are, for the most part, overwhelmed by the amount of options. No matter where they go online, they're being pestered by a brand to purchase something.

It's just refreshing to not have that type of experience with a purchase—to not be pushed. Actually, a big thing that a lot of brands miss is integrating their customer service and sales teams. When a customer is texting or emailing, or using any type of communication, for that matter, it's typically because they have a problem. Subtlety is key, and so is having a conversion strategy when it comes to customer service.

Do you think transacting over text will become ubiquitous?

I think it's inevitable. If you look at the prevalence of this type of technology internationally, there's really no reason why it wouldn't be a normal part of our lives in the years ahead.

But [the implementation] can't be piecemeal. It all needs to be integrated together, from processing the order to providing the tracking number. Having all of that fully integrated is really what makes it, ultimately, valuable to the consumer and to the market.

I think the challenge is the US messaging market. If you look at Europe, most, I would say 95%, of people there use WhatsApp. And then if you go to Asia-Pacific, you have that same statistic for Line or for WeChat. In the US, it's more fragmented.

It sounds as if MMS, sharing images and video instead of just text, is not a huge part of your messaging strategy.

I would say the best customer service probably happens over the phone, where you can actually just communicate. But it doesn't make a lot of sense to call every time you want to place an order, and I think that's why SMS has become the primary communication tool for most Americans.

MMS, or any type of rich media tied to messaging, probably makes up a relatively small part of the overall messages that are sent. Most people are sending messages with only one or two words.

There's diminishing value to integrating additional features into a messaging platform for businesses. You run the risk of turning SMS into email, essentially.

“How do we have something shorter than email but also embed some links and also add some cute GIFs?” The problem with that is you're trying to replicate what you did in another channel, rather than thinking about what makes SMS its own beast.

Exactly. And to that end, simplicity is better. Matching the way that most people communicate is better. Throwing in a GIF every once in a while is cute, and it definitely makes for some memorable engagement, but if we ever did that, we would do it in response to something that a customer sent us first, and in a brand-appropriate way.

The other thing that's really interesting about SMS is that it's so easy for users to opt out. All they have to do is reply with “STOP” or a few different triggers for most carriers—and that's the problem. The reason we have never explored SMS as a marketing channel is that the customer is so valuable over the long term. We have customers with four-, five-, or even six-thousand-dollar lifetime values. I would never want to jeopardize our relationship with the customer.

How do you use AI in conversations?

We started with pretty robust AI, and the challenge with AI is it doesn't take into account the evolution of the English language—or of any language for that matter.

I have three children. One of my daughters is a teenager. The other will be a teenager soon. They communicate dramatically differently from the way I communicate. Not verbally, but over text messages, they use new words that I've never used before.

So in order to really effectively use AI, you would need to be constantly updating the dictionary. Or even just the cadence of a conversation. We started doing that and have actually moved away from it now.

We do have some automation, mostly with tracking numbers and stuff like that. The majority of the interaction consumers have with our platform is handled by humans—and that's the best. Putting a person in there who can think intelligently about how to react to a message is the most important thing.

A bot that mishandles a conversation could cost you a customer with high lifetime value. What else should brands keep in mind when using AI?

It was cute and fun to play around with bots when they really popped off a few years back, but I think consumers are becoming much smarter in this area.

There's really not much value in a bot unless it's super, super effective. Plus, people love to mess around with bots and love to try to break them, just for the heck of it. And that doesn't do any good for anyone.