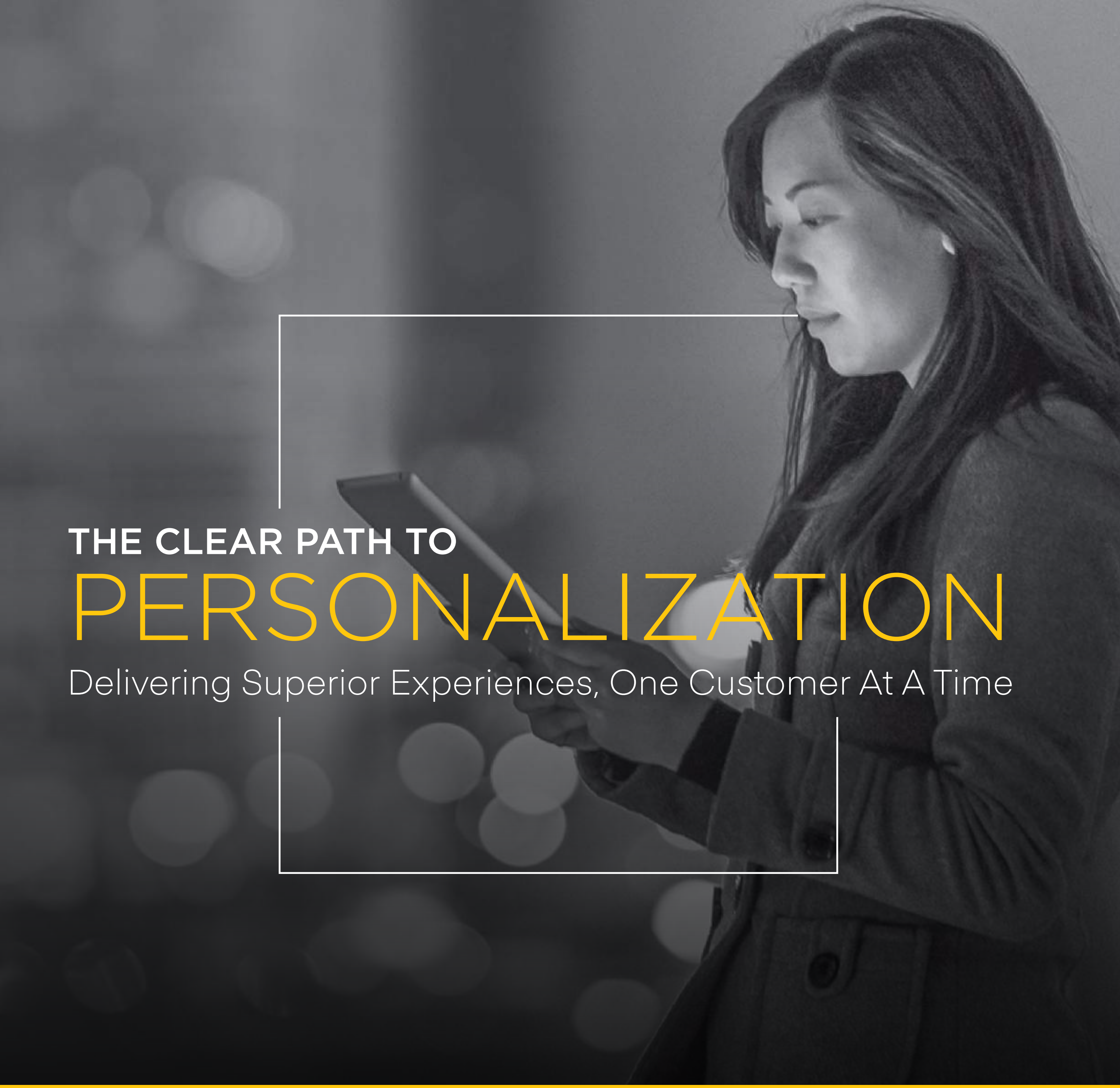

THE CLEAR PATH TO PERSONALIZATION

Delivering Superior Experiences, One Customer At A Time

A Forbes insights Publication

IN ASSOCIATION WITH arm TREASURE DATA

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INTRODUCTION

Personalization — the employment of data to enhance and deliver superior customer experiences — has long been the mantra of enterprise marketing leaders. In today's digital economy, personalization is no longer a luxury but a must-have capability to effectively compete for the attention and wallets of customers, whether they are businesses or individual consumers. Organizations at the forefront of personalization are seeing increased sales and customer loyalty as a direct result of these efforts. However, most executives concede that their personalization efforts are lagging and difficult to measure.

> This report includes the findings of a survey of **marketing decision makers from 200 global firms representing the consumer electronics, consumer packaged goods, media, and retail industries** — sectors that require unique closeness to customers — conducted by Forbes Insights in partnership with Arm Treasure Data.

The survey finds that many marketers are still struggling to achieve the one-on-one personalization they seek — but one group has successfully embraced personalization, through a new generation of technologies that includes customer data platforms (CDPs), artificial intelligence and data analytics. A total of 21% of respondents were identified as personalization "leaders," indicating that they consider their organizations to be competitive or highly successful in their personalization efforts while also demonstrating a commitment to personalization exceeding 10% of their total marketing budgets. For them, the results include enhanced revenues, deepened customer loyalty and increased frequency of transactions.

Personalization is vital throughout the customer journey, enabling meaningful customer interaction and dialogue across digital and non-digital channels, including email, website engagement, online advertising and in-person events. It affords enterprises the ability to engage with and influence customers on an individual level as they make decisions and complete transactions.

The rise of digital technologies has changed the relationship between customers and businesses. Ming Zeng, chief of staff and strategy advisor to Alibaba Group and author of *Smart Business: What Alibaba's Success Reveals About the Future of Strategy*, explains that we are experiencing a shift away from business to consumer, or B2C, and toward consumer to business, or C2B. This is more than semantics, he says — it represents a "shift from the dominant business-to-consumer model of the industrial economy," in which the customer now drives product design and development. "The internet makes it possible to interact with massive groups of customers directly, in real time," he says. This approach, which emphasizes hyper-personalization, is already practiced by the leading internet companies and "spreading throughout the whole economy."

The winning strategy? Employ data to deliver personalization, thereby enhancing the customer experience, according to Aimee Irwin, vice president of strategy for Experian. "Our research shows that consumers are comfortable sharing data that creates more personalized experiences."

Enterprises that successfully combine advanced personalization technologies with data-identifying transactions and preferences are able to closely target customers. These companies can intelligently widen the number of prospects at the top of their sales funnels and drive faster early-stage conversion by tailoring messages to customers. Through these one-on-one engagements on the front end, data from various contact points is integrated and applied to back-end segmentation and even product design.

How do personalization leaders use technology and resources to bolden and sustain quality one-to-one relationships with customers — and what will it take for those still learning to catch up?

PERSONALIZATION, DEFINED:

Your organization's ability to make customer experiences as relevant to the individual as possible, regardless of channel.

KEY FINDINGS

Executives are already reporting enhanced sales and value as a result of personalization.

Two in five executives, 40%, report their customer personalization efforts have directly affected sales, basket size and profits in direct-to-consumer channels such as e-commerce. For leaders, the returns are even more substantial. Fifty-four percent report that they exceeded their revenue targets over the past year, compared with only 15% of "learners," the rest of the survey respondents who are not as actively committed to personalization.

However, most organizations are still in the early stages of developing personalization strategies.

For many enterprises, customer personalization is still not a top corporate priority, even though it is seen as a key strategy of the digital age. A total of 41% say they currently view personalization as a high priority, while the majority, 59%, say their efforts are at least a year away. Technical challenges include addressing data quality issues and data silos, while a lack of effective change management limits companies from achieving greater success.

One in five organizations are reaping the rewards of personalization in a profound way.

The 21% identified as "leaders" indicate they consider their organizations to be competitive or highly successful in their personalization efforts while also demonstrating a financial and resource commitment to personalization exceeding 10% of their total marketing budgets.

Loyalty programs and mobile apps are the channels that matter most.

The channels being primed for personalization at this time are data rich. Customer loyalty programs, which include loyalty cards and online point systems, are the leading channel engaged for personalization among survey respondents. Mobile apps, where information is dynamically exchanged and purchases are made online, follow as the next frontier for personalization.

It's not clear how ROI is being realized within most channels.

Even though executives say they are ready to enhance personalization consistently across all their customer-facing channels, measuring return on investment remains elusive.

Executives seek to bring their people, resources and data closer together to deliver highly personalized experiences across channels.

The top priorities for the year ahead include establishing a center of excellence or expert team dedicated to personalization, along with consolidating data into complete, unified profiles to establish a single source of truth. To get there, executives see a need for greater coordination, collaboration and integration of enterprise resources.

Enterprises are in the early stages of exploring artificial intelligence (AI) to achieve customer personalization.

A total of 24% are applying AI on a significant scale to deliver personalized experiences, and 25% see AI as essential to executing their personalization strategy.

WHO ARE THE "LEADERS?"

21%

of those surveyed consider their organizations to be competitive or highly successful in their personalization efforts and commit more than 10% of their total marketing budgets to personalization.

PERSONALIZATION MEANS GROWTH

A business will not thrive without adroit marketing. However, as many marketers know, it's often difficult to tie initiative or campaign results directly to the business' growth. Marketing executives and their business counterparts clearly understand that personalization is a powerful catalyst for their organizations, and they are willing to document this success. Where customers are being engaged on a personal level, executives report enhanced sales and value.

Personalization drives growth, the Forbes Insights and Arm Treasure Data survey confirms. Two in five executives, 40%, report that their customer personalization efforts have directly impacted sales, basket size and profits in direct-to-consumer channels such as e-commerce. Another 37% point to increased sales and customer lifetime value through product or content recommendations. More than one-third, 35%, have seen increases in transaction frequency as a result of their personalization strategy (Figure 1).

The impact on revenues is telling. A majority of the "leaders" identified in the survey, 54%, said they exceeded their revenue targets over the past year. By contrast, those less far along in their personalization initiatives did not perform as well; only 15% exceeded their targets, and one in four missed their revenue targets (Figure 2).

Leaders are more likely to attach personalization to critical outcomes. For example, 44% see personalization as critical to customer relations, compared with 33% of the rest. Demand generation is another critical capability that personalization delivers, cited by 39% of leaders, compared with 29% of the rest (Figure 3).

Figure 1.

How Personalization Creates Business Results (Top 5 shown)

(Respondents were asked to select their top 3 choices.)

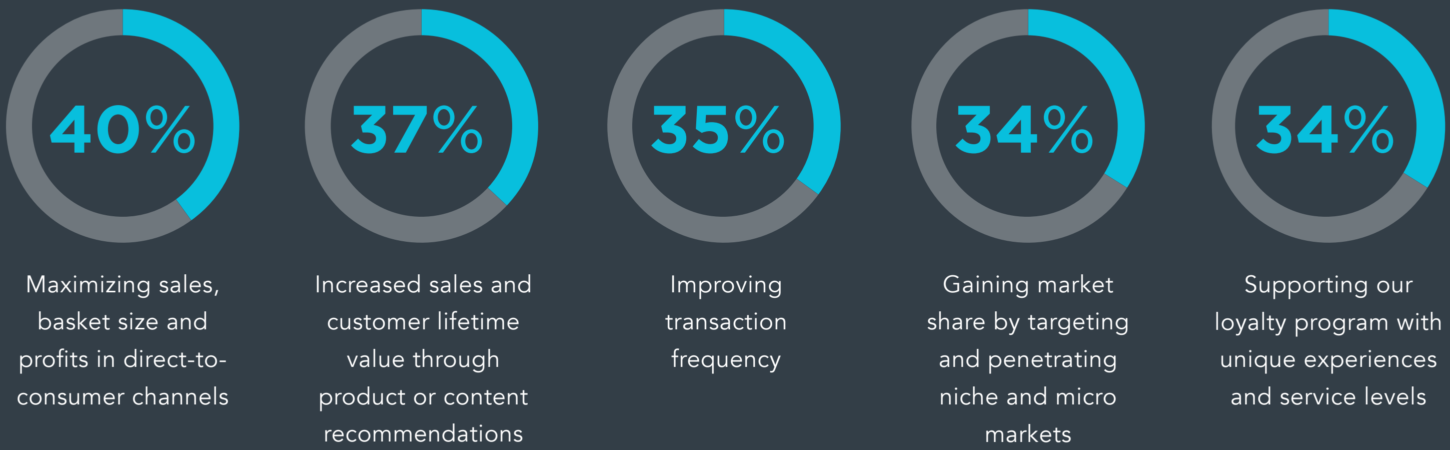


Figure 2.

How Organizations Have Performed In Achieving Revenue Targets In Last 12 Months

(Responses do not add to 100% due to rounding.)

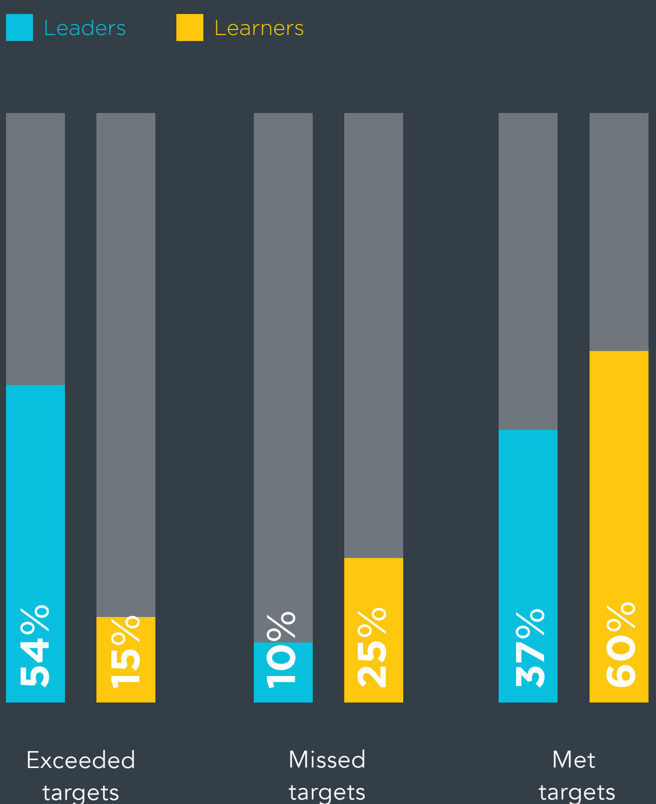
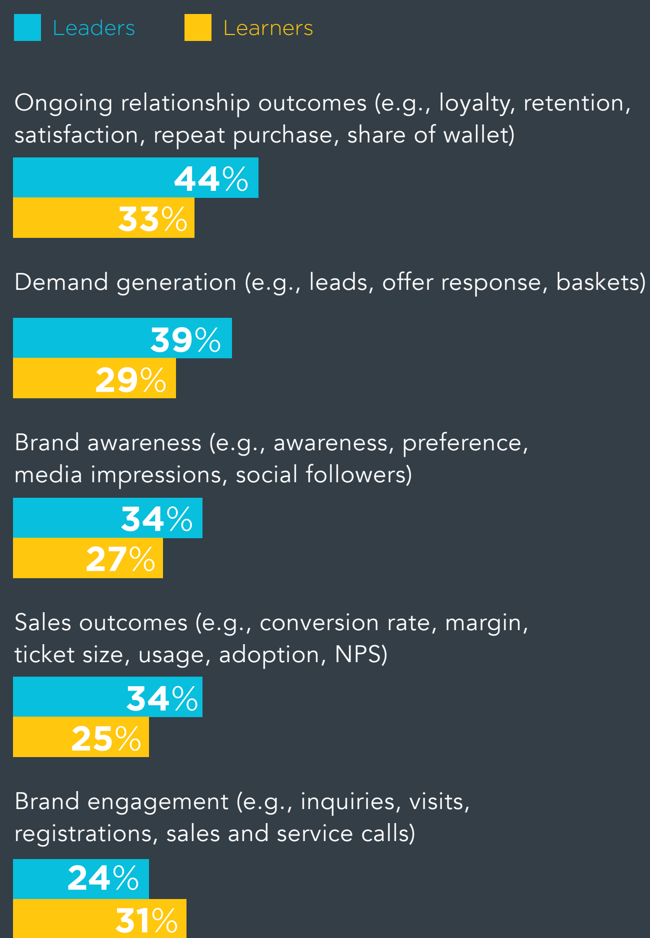


Figure 3.

Personalization-Driven Business Goals

(Percent indicating personalization as "critical" to outcome)



IT'S STILL EARLY IN THE GAME

While the value of personalization is clear, most organizations are in the early stages of developing their strategies. Executives recognize that personalization requires marshalling both technical and organizational resources. For many enterprises, customer personalization is still not a top corporate priority, even though it is seen as a key strategy of the digital age.

In total, 41% say their organizations currently view personalization as a high priority. Only 9% see it as a "very high priority," counted among their top five initiatives for the year ahead. The majority, 57%, say they are looking at an intense personalization drive in next year's budget, meaning the year 2020 (Figure 4). The bottom line: Much work needs to be done, including evangelizing among top C-level decision-makers.

For leaders in the survey, however, personalization defines their strategy this year. Almost all, 93%, say it is a high or very high priority, compared with just 28% of all others (Figure 5).

WHO ARE THE LEADERS?

More than a third of all leaders come from retail, followed closely by those in media. A deeper look at the retail industry shows that more than half, 56%, consider their organizations to be competitive or highly successful at personalization. In contrast, those in consumer packaged goods and consumer electronics report lagging behind.

“People are using many different devices as touchpoints. To really get that complete view of the customer, you need to be able to connect all those touchpoints.”

AIMEE IRWIN

Vice President of Strategy, Experian

Why aren't the learners keeping pace? Budget is one factor that impacts personalization adoption. A majority of respondents, 74%, indicate less than 10% of their current marketing budget goes toward personalization efforts, while only 4% exceed 20%. By next year, 21% hope to exceed 20% of marketing expenditures on personalization. Unsurprisingly, leaders want to devote far more investment to personalization. Most, 85%, say they want to commit at least 20% of their marketing budget to personalization, compared with just 4% of the learners who say the same (Figure 6).

OBSTACLES TO PERSONALIZATION

Why is overall pace of adoption and implementation slow? Organizational issues tend to inhibit personalization initiatives, the survey shows. Along with the technical challenges of bringing together data from disparate silos to address customers on a consistent, one-on-one basis, organizations need to be ready to take full advantage of personalization technologies, which involves corporate buy-in, the right talent and more.

One of the leading roadblocks to achieving a personalization-driven culture is data quality — a technical challenge cited by 48%. Just as prevalent is concern about change management issues, the challenges involved in bringing managers and employees onboard with new processes and requirements. Data is the fuel that powers personalization, but using the wrong data may defeat the entire personalization effort. It's essential for data to be accurate and relevant to the customer — or else the relationship may break down. "Over time, the sheer volume of data, its variety and the velocity, gets more complex than ever — and all data is not created equal," says Irwin. "The marketer could go out and talk to lots of data vendors. And they really need to understand that quality data is critical."

Another challenge that executives cite is a lack of analytical acumen and skilled workforce, along with a lack of people and resources dedicated to personalization. This reflects the need to garner greater corporate support for personalization initiatives. Tellingly, only 30% strongly agree that they have sufficient experience on staff with marketing technology platforms, and just 23% say their organizations are equipped with sufficient digital media targeting experience.

The more mature a personalization effort, the more likely data issues will surface. Leaders are most challenged trying to harness their data and gather more of it: 17% of leaders say their most difficult challenge is ease-of-use issues, compared with 8% of all others, and another 17% point to a lack of data, compared with 7% of all others. And what do the others — the learners — struggle with most? 14% point to an inability to execute in customer-facing channels as their most difficult challenge, 11% say a lack of analytical acumen and skilled workforce and another 10% point to a lack of budget (Figure 7).

Being able to understand and leverage the increasingly wide variety of ways in which customers contact the organization is another challenge marketers face. "People are using many different devices as touchpoints," Irwin says. "To really get that complete view of the customer, you need to be able to connect all those touchpoints. Consumers may be on social media, watching TV, back to email, then mobile apps — and they might visit a store in between. For the marketer to understand that is the same person and get the relevant messages [to them] can be challenging."

> When marketing executives were asked for the single most important channel through which they are delivering personalization to customers, **loyalty premiums and incentives were ranked on top, followed by mobile apps and experiences.** Personalization within product design and development was also cited as a key area of personalization (Figure 8).

Advanced personalization initiatives such as on-demand product development and manufacturing, meanwhile, are in their earliest stages. "Innovations in these areas are concentrated in just a few industries, such as fast fashion and home decoration," says Alibaba's Zeng. For example, homeowners may now create their own virtual rooms with furniture and decorations selected and designed by the homeowner. "For on-demand product development to happen, companies first have to build on-demand marketing to build direct access to customers and then build an online community with customers. Only then can you start the process of customer engagement in product development." All steps need to be digitized along the way, he adds.

Figure 4.

Prioritizing Personalization:
How much of a priority does your company place on delivering personalized customer experiences?
(Respondents do not add to 100% due to rounding.)

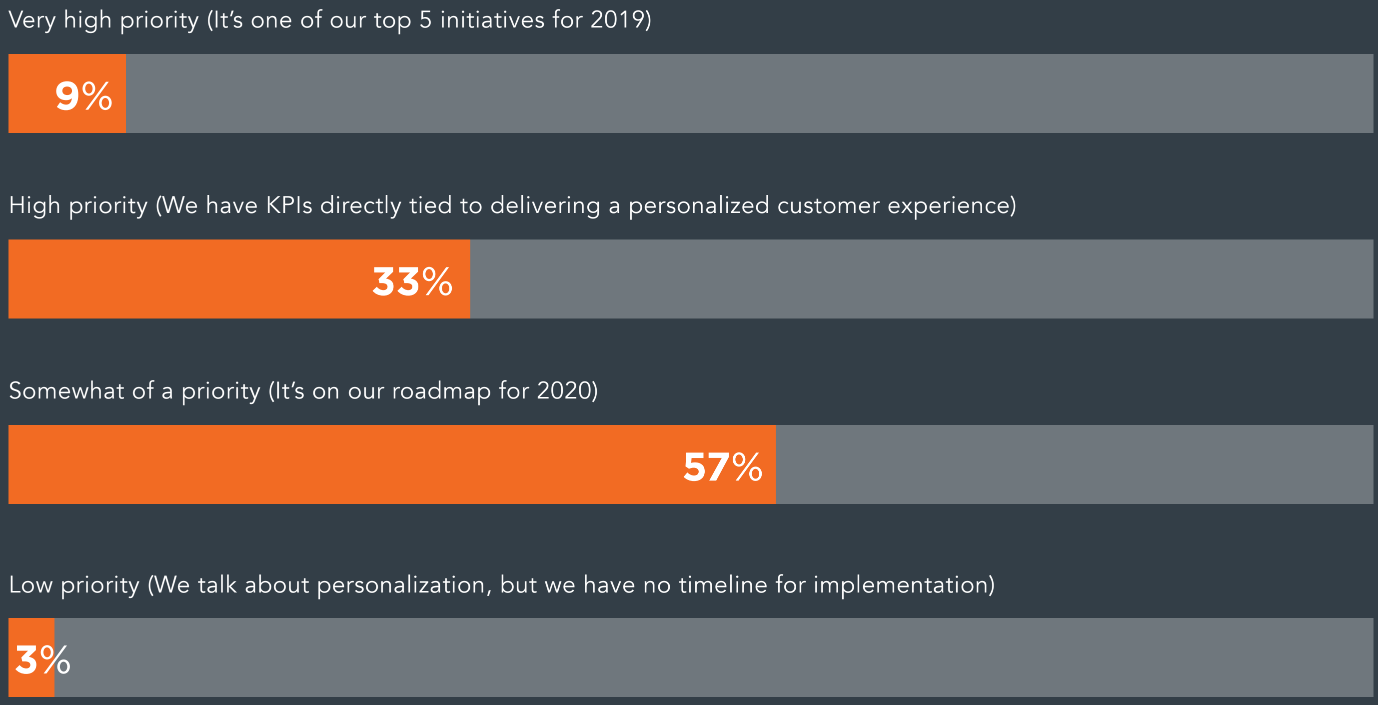


Figure 5.

Commitment To Personalization — Leaders Vs. Learners

(Percent reporting personalization as "high" to "very high" priority)

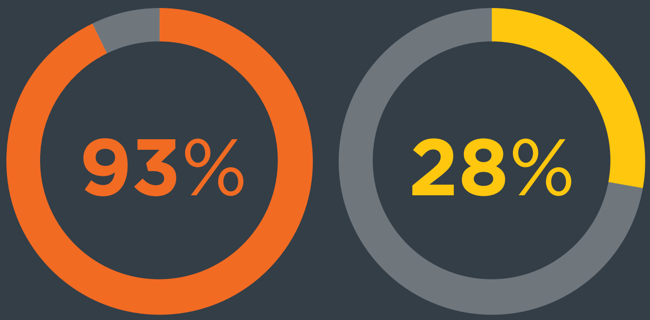
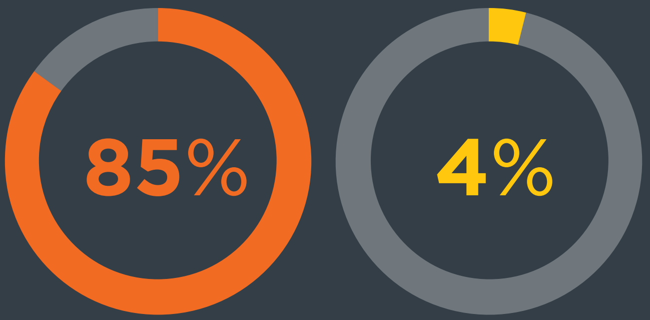


Figure 6.

Percentage of Marketing Budget Wanted for Personalization — Leaders Vs. Learners

(Percent wanting more than 20%)



Leaders Learners

Figure 7.

Greatest Challenge To Personalization — Leaders Vs. Learners

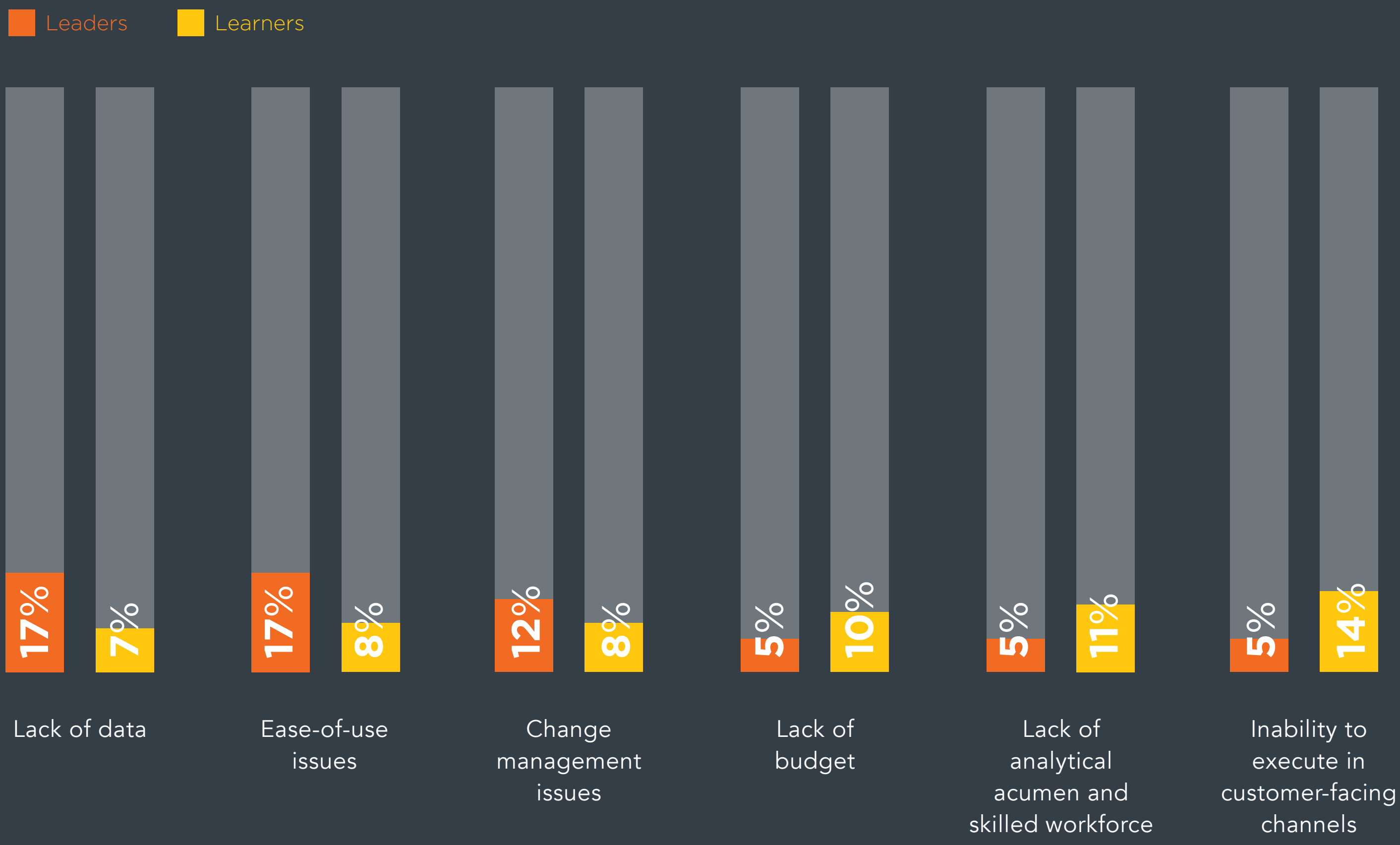
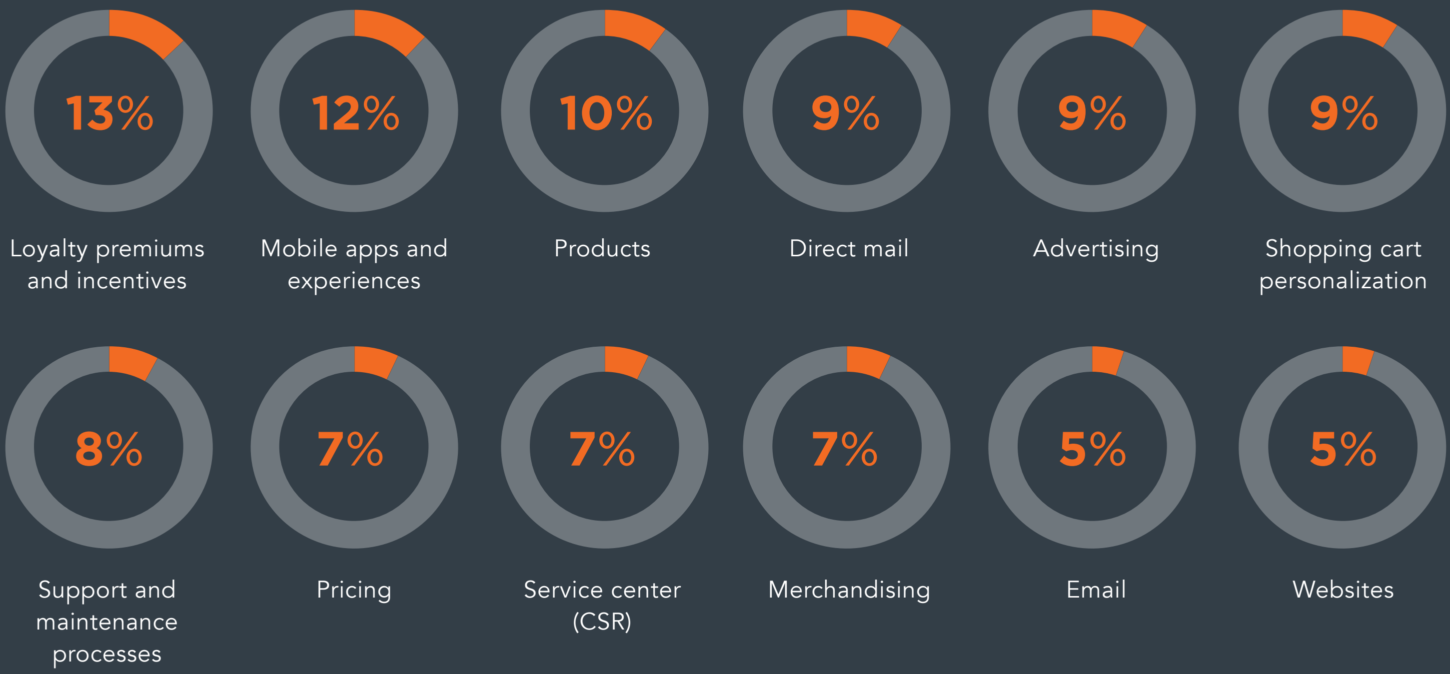


Figure 8.

Channels Seeing the Most Personalization



ROI IS ELUSIVE

Executives feel they are ready to enhance personalization consistently across all their customer-facing channels. Yet while they know that personalization, as a whole, is yielding benefits, it's not clear how return on investment will be realized within most individual channels.

Measuring ROI across most channels is still elusive, the survey shows. The channel most often measured is shopping cart personalization, followed by email and mobile channels. Even more difficult to measure are personalization within customer service centers (72% report they cannot measure or struggle with measuring ROI) and website personalization (67% have difficulty measuring or calculating ROI). Product personalization initiatives are also difficult to measure, with 65% struggling or not able to measure.

Leaders in the survey have a greater grasp of the ROI seen from certain channels. For example, a majority of leaders, 51%, regularly measure the ROI seen from personalization in direct mail channels as well as support and maintenance channels. By contrast, just over a third of learners conduct such measurements. However, it's noteworthy that even among leaders, a majority do not adequately measure various other channels, including email and mobile apps (Figure 9).

While measuring ROI across specific channels is still a challenge for many marketing executives, it's clear that technology has paved the way to improve such reporting. "In today's world of marketing, you have more transparency with the impact of campaigns than ever before, thanks to analytics," says Mark Nardone, executive vice president of marketing and business development at PAN Communications. "Marketers now have the engines and platforms that show traffic patterns, referrals and engagements and how that moves over to content. You can see the exact journey of the customer, from the minute they engage with you. You can see the whole engagement transpire in front of you."

A MULTI-CHANNEL APPROACH

Customer personalization is very much a multi-channel strategy, the survey shows. It doesn't matter if the customer is conducting an e-commerce transaction over the web or engaging with a sales associate on the retail floor — the name of the game is to deliver a consistent, personalized experience. One-third of executives, 32%, strongly agree their segmentation is granular enough to support personalization efforts across all channels. Overall, 69% report they are set to some degree in this area. In addition, a similar percentage report having sufficient data from existing channels and touchpoints to support personalization across all channels.

Leaders pave the way in fully leveraging their data assets. Most, 83%, say they have granular customer data that is applied across all channels, and 80% report they have enough data coming in from all sources to support their personalization efforts. Just under two-thirds of the rest of the survey base report having such capabilities (Figure 10).

Still, certain channels stand out, some seeing personalization implementation faster than others and some proving most useful in harvesting the customer data needed to execute personalization strategies. The channels that see the most personalization at this time are loyalty premiums and incentives as well as mobile app experiences (Figure 8, above), while the data used most regularly come from sales and service support, promotions and incentives, CRM and email interactions, with about one-third of respondents regularly using each (Figure 11).

"In today's world of marketing, you have more transparency with the impact of campaigns than ever before, thanks to analytics. You can see the exact journey of the customer, from the minute they engage with you. You can see the whole engagement transpire in front of you."

MARK NARDONE
Executive Vice President,
Marketing & Business Development,
PAN Communications

Figure 9.

ROI Of Channel Personalization — Leaders Vs. Learners *(Percent regularly measuring ROI)*

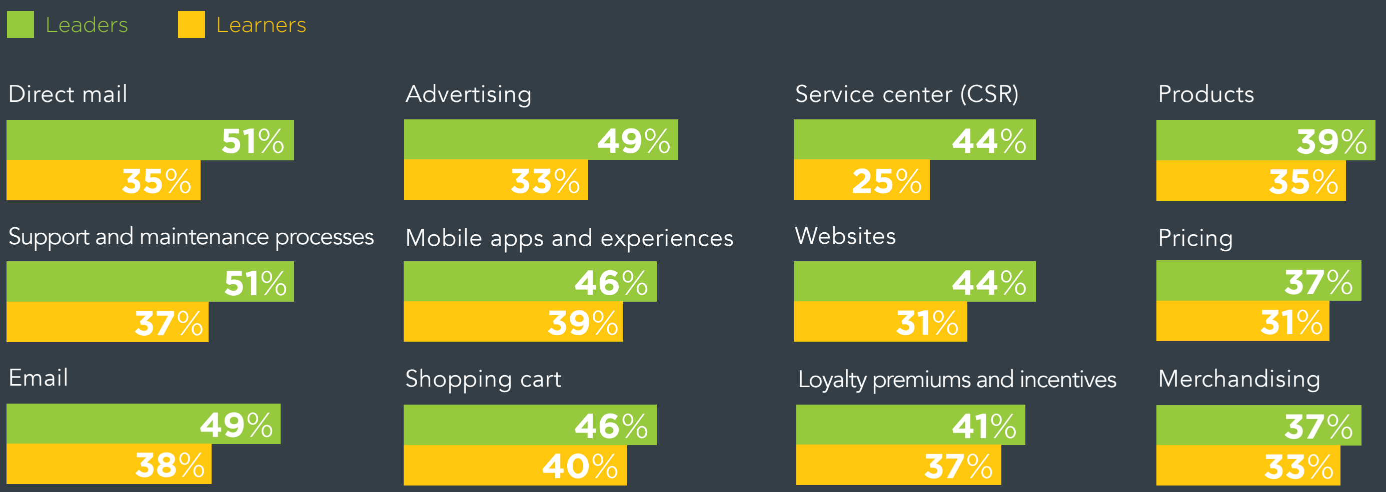


Figure 10.

Organizational Personalization Capabilities — Leaders Vs. Learners *("Agree" to "completely agree")*

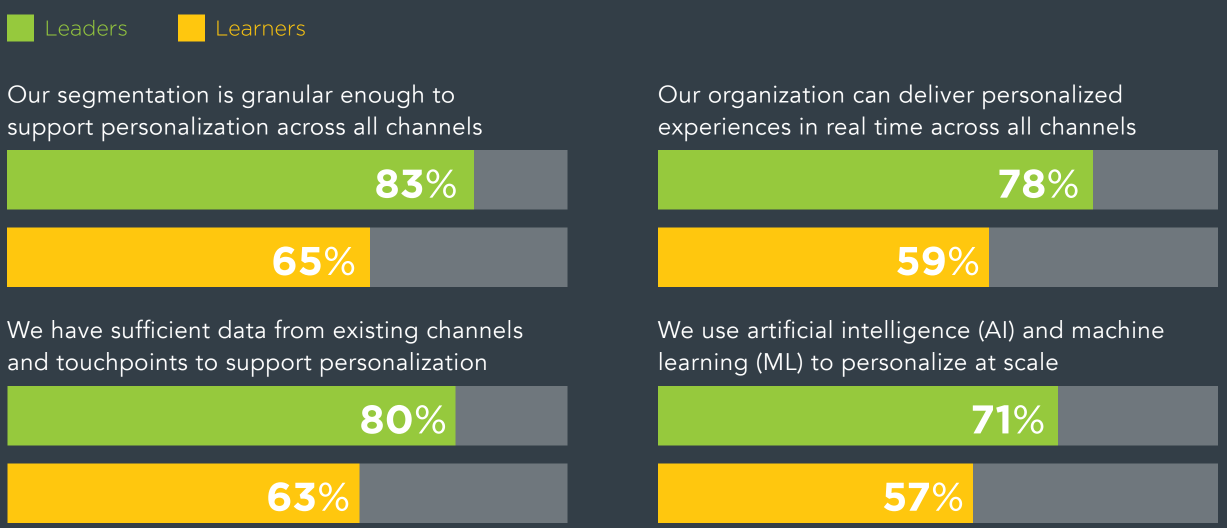
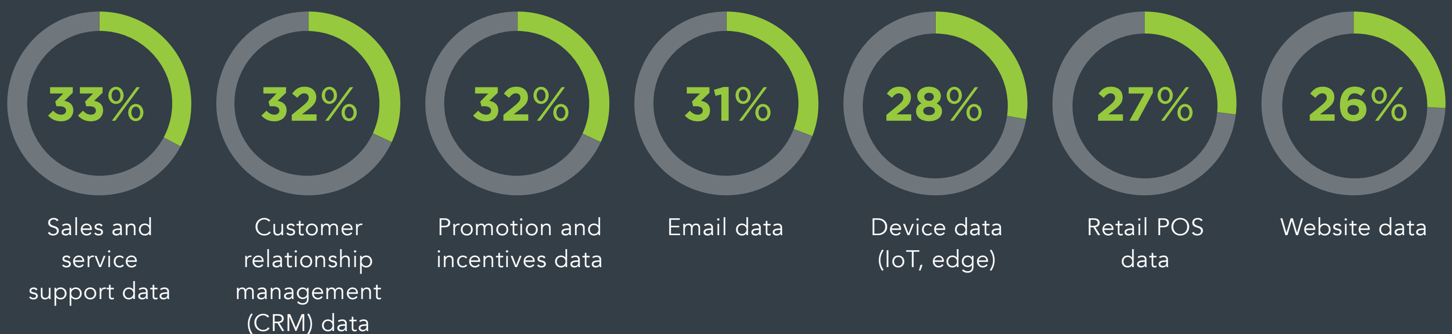


Figure 11.

First-Party Customer Data Sources That Regularly Inform Personalization *(Top 7 shown)*



MAKING PERSONALIZATION A REALITY

56%

of enterprises say establishing a center of excellence or expert team dedicated to personalization is a top priority for the year ahead.

As executives seek to bring more of their people, resources and data closer together to deliver highly personalized experiences across channels, the need for collaboration becomes paramount.

Encouraging and activating a more comprehensive personalization strategy requires technology and teamwork. Enterprises will be stepping up organizational efforts to consolidate and centralize their data to achieve greater customer personalization. The top priorities for the year ahead include establishing a center of excellence or expert team dedicated to personalization (56%) along with consolidating data into complete, unified profiles to establish a single source of truth (55%) (Figure 12). Executives see a need for greater coordination, collaboration and integration of enterprise resources.

Many of the data issues that plague personalization efforts have been overcome within leading organizations, the survey confirms. Only 27% of leaders agree that their data comes in too many formats to be useful, compared with 42% of the rest who say the same. Leaders are more confident they can get data they need in-house: 32% say they have to go outside their organization to third parties to get the data they need, compared with 43% of the rest. In addition, while only 22% of leaders wrestle with data coming from too many touchpoints, 40% of the rest say this is an issue.

"As the internet makes interacting with massive numbers of customers so easy and cheap, companies should really move all the interactions with customers online and record all the data. You don't need to make compromises any more."

MARK ZENG
Chief of Staff and Strategy Advisor,
Alibaba Group

ADVANCED PERSONALIZATION TECHNOLOGY

To address the concerns inherent in adopting and scaling personalization efforts, many executives see automation and cloud-based platforms as technologies essential to customer personalization. Marketing cloud solutions and media automation solutions are rated as most essential to delivering personalization capabilities. A similar number are looking to media automation to assist in their efforts with programmatic ad platforms and social platforms. Data management and customer data platforms (CDPs) are also seen as key to delivering one-to-one personalization. It's notable that 76% of leaders employ CDPs and related platforms to move forward with their personalization efforts, versus 53% of learners (Figure 13).

Today's online capabilities enable marketers to leverage a blend of knowledge on a massive scale in conjunction with tried-and-true in-person interactions. Previously, in a more industrialized economy, interacting with customers directly was difficult and expensive, Zeng points out. "You had to limit your touch points to a few critical ones, such as selected focus group studies." However, he continues, "as the internet makes interacting with massive numbers of customers so easy and cheap, companies should really move all the interactions with customers online and record all the data. You don't need to make compromises any more. You collect all the data of the full population and then run analysis to see what kind of customer insights you can gain and hence improve customer services. This is a very different mindset and approach."

While artificial intelligence holds great promise, enterprises are still in the early stages of exploring AI-based applications to achieve customer personalization. There is strong interest in employing AI to better pinpoint and predict customer preferences; six in 10 executives agree that they are starting to adopt this technology to personalize at scale. However, interest in the possibilities AI offers is running high, and 57% see AI as important or essential to executing their personalization strategy.

> Leaders are more inclined to embrace AI, the survey shows. **More than seven in ten, 71%, of leaders say AI is important or essential to their personalization efforts**, compared with 53% of learners (Figure 13).

When it comes to advanced technologies such as AI and machine learning (ML), retail executives consider them far more relevant to their personalization strategy: 72% in retail say AI and ML are essential or important to their personalization efforts, compared with 58% in media. Consumer electronics firms lag behind the other categories, with 52% assigning importance to AI within their delivery. Within the consumer packaged goods sector, only 46% are opening up to AI within their personalization initiatives.

Figure 12.

What Organizations Are Doing To Accelerate Personalization

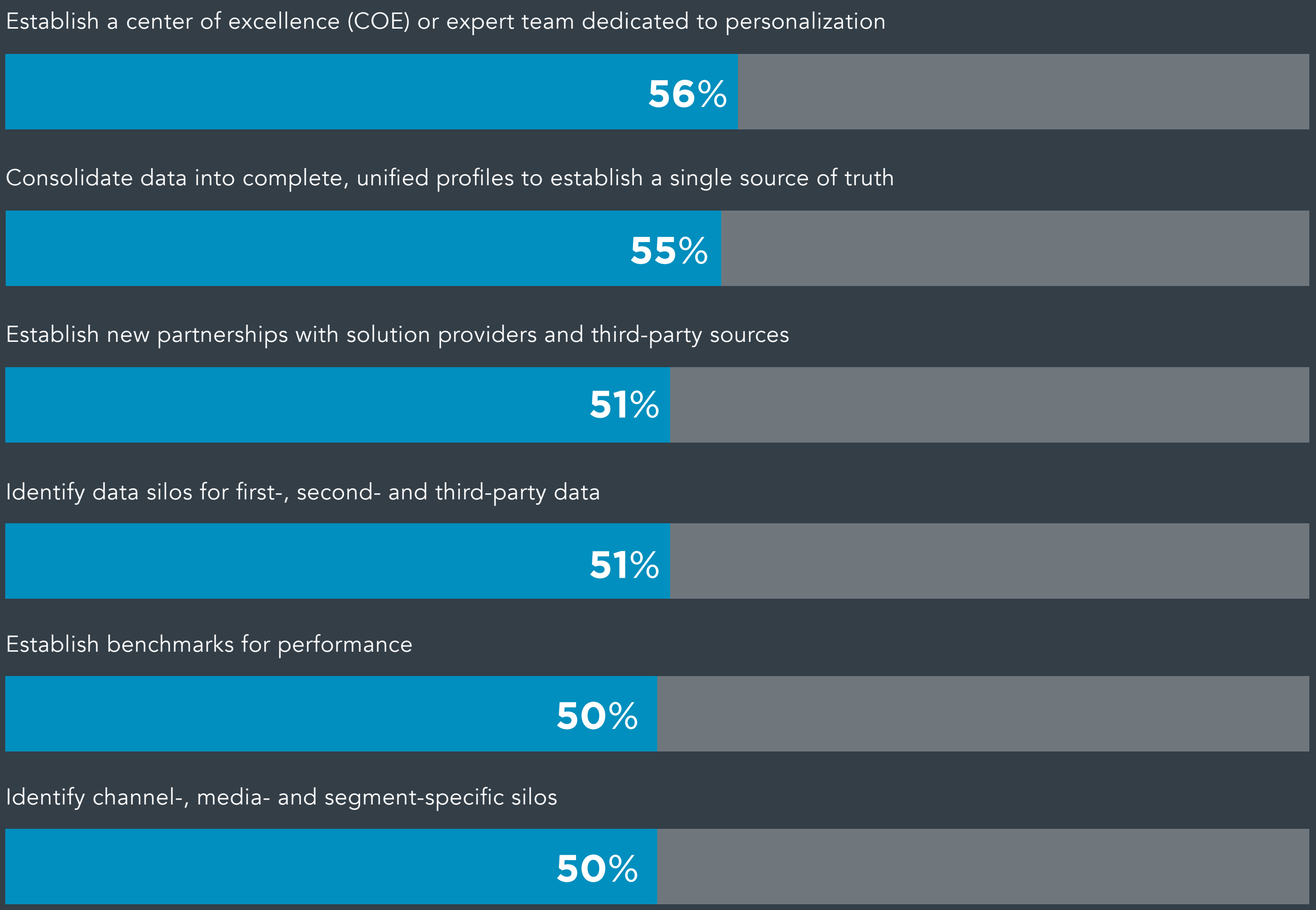
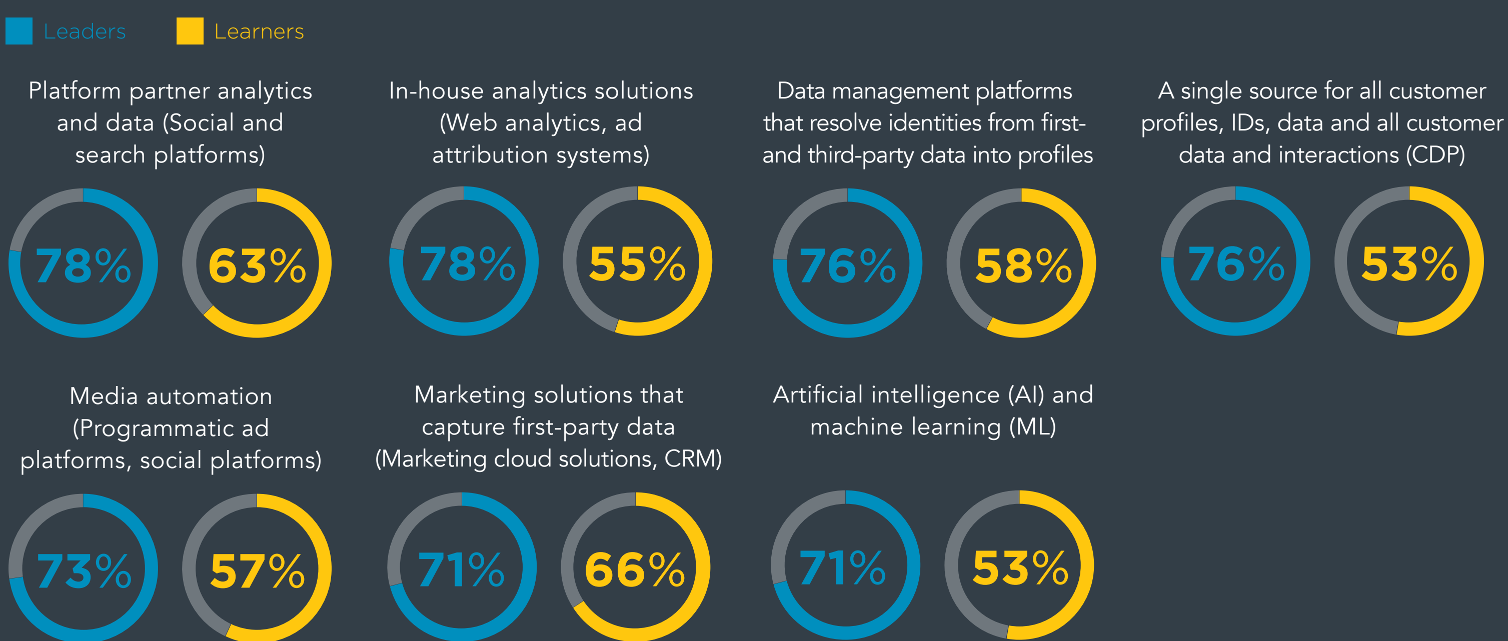


Figure 13.

Technologies Important Or Essential To Personalization Success



CONCLUSIONS AND RECOMMENDATIONS

Personalization is not a technical endeavor — it is a people endeavor. Remaining competitive — and indeed, thriving — in today's global digital economy requires staying close to the customer and interacting with him or her on a one-to-one basis, amplified by technology. The leaders in this survey are seeing success because they have transformed their organizations and their processes to better serve and listen to their customers with intelligence gained through data.

Key strategies and tools that mature marketing organizations are adopting to achieve value and success through highly personalized customer experiences include the following:

Put the customer first.

"'Customer first' will remain the basic principle of business," says Zeng. "In the industrial age, 'customer first' was the ultimate goal, often a principle or even just a slogan. In the digital age, 'customer first' is the starting point of any business. The operation model has to be built with customers in the driver's seat. Direct online interaction with customers is a must."

Understand that all customer data is important, no matter where it comes from.

Bring together all available data sources associated with customers and transactions, whether from internal or external data. Essential technologies identified in the survey include marketing solutions that capture first-party data, such as marketing cloud solutions and CRM systems, as well as media automation systems, such as programmatic ad platforms and social platforms. Another key approach captured in the survey includes employment of customer data platforms that resolve identities from first- and third-party data into profiles.

Look deep into the data.

Again, a personalization strategy is a data strategy. Marketing leaders need to look beyond traditional marketing segmentation based on name, location and demographics and look to more advanced information, such as purchasing behavior, lifestyle and social media histories. Irwin advises starting with first-party data that may come from retail, loyalty programs, email lists and existing CRM platforms. "Then, enhance this with third-party data such as demographics and psychographics," she says. The key is to track every interaction across every channel. The survey finds mobile apps and email are the most prominent channels through which these capabilities are delivered. However, when looking at the channels that are seen as most valuable to enterprises, email ranks among the lowest, suggesting that it is not seen as a differentiator. Channels delivering the most value include customer loyalty programs and mobile applications.

Don’t rush into personalization.

Personalization is “not about pace — it’s about quality,” says Nardone. “In the old days, pace of marketing mattered the most. You had to be first to market. What we’re starting to see now is how marketers are becoming far smarter in the way they look to engage and launch programs and campaigns. It takes time to analyze all of the great data they have at their fingertips — whether it’s through AI, whether it’s through their website and traffic, whether it’s through the content and performance, whether it’s through the personas and the behaviors of the audience. Take a deep breath, make sure you’re being strategic with your data, you’re analyzing it the right way and you’re putting it into motion in a way that you know is going to reach the customer in the best way across any channel.”

Employ automation to achieve scale.

The survey finds that about one in four companies are now at the forefront of implementing AI and ML to personalize their customer interactions at scale. These technologies promise to have a transformative effect on personalization initiatives, providing additional intelligence to e-commerce sites, customer service queries and behind-the-scenes processes. AI and ML are capable of constantly evolving and adapting as customer profiles and the nature of their interactions change.

Be careful about crossing the line into “creepiness.”

Personalization needs to be implemented on a gradual and respectful basis, getting more advanced as the relationship with the customer grows deeper. Providing too much personalization at the outset may cause customers to feel uncomfortable.

Keep humans involved in the process.

Ultimately, the purpose of personalization technologies, no matter how sophisticated, is to provide a superior customer experience — and that often involves interacting with your employees. If employees are equipped with the latest and most insightful information on what a customer may require, that moment of truth will go a long way in achieving loyalty. “Think about everything that comes together, whether it’s feedback, loyalty or rewards programs — it all gets crunched into these cool analytic engines,” says Nardone. “But as a marketer, you can’t just rely on AI. You’re missing the level of personal engagement that will hopefully take that sales cycle and bring it down to a manageable timeframe. AI’s the engine, and the human touch is the gasoline that actually makes it go.”

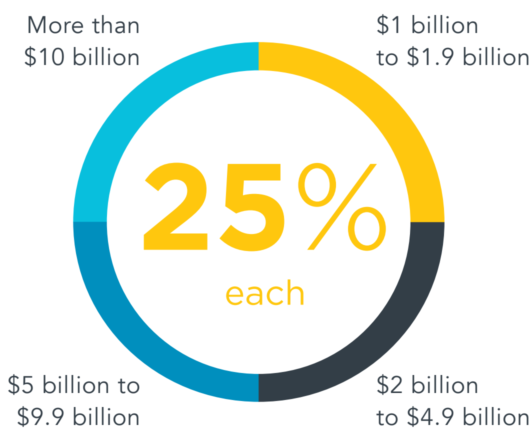
Bring the enterprise together.

A customer data platform, CRM system, marketing automation platform and POS system should all be working with the same data, delivering the same results. Work collaboratively with all teams across the enterprise. Data essential to the personalization process comes from many corners of the organization. It’s important that data be kept up-to-date and validated. “In an account-based marketing strategy, there could be seven or eight target audiences you’re going after in one account. You may have the CIO, but you may also have the director of IT, the admins, a whole plethora of people that are part of the evaluation,” Nardone points out. “Where personalization comes in is [enabling] the sales force and the marketing team [to] join forces like never before to target that opportunity. What comes at the end of it is the KPI that targets opportunities, potential revenue and the curation strategy for closing on those opportunities. And marketing shares in that risk and reward with sales.”

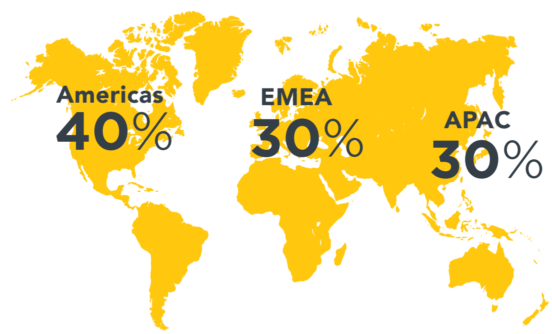
METHODOLOGY

The Forbes Insights and Arm Treasure Data survey includes the views and experiences of 200 marketing executives representing the consumer electronics, consumer packaged goods, media and retail industries. All respondents are employed by organizations with more than $1 billion in annual sales revenue and are primarily located in North America, Europe and Asia Pacific.

REVENUE



REGION



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