



# *3 Keys* TO ADDRESSING TODAY'S **RETAIL PERSONALIZATION GAP**



## 3 Keys To Addressing Today's Retail Personalization Gap

Nearly two thirds (64%) of retailers consider personalization a top-three priority within their business strategies, **but only 15% admit to being fully implemented** with personalization initiatives, according to a study from **Periscope by McKinsey**. This represents a major disconnect, and it's one that shoppers feel strongly. The lack of personalization in stores remains a particular pain point for retailers: **49% of U.S. consumers** say they "never" or only "sometimes" receive personalized service while they're in a store, according to **TimeTrade State of Retail 2017**.

For retailers that can implement effective personalization initiatives, the payoff is significant, according to the Periscope survey: **41%** of respondents said they experienced a high impact (ranging from **50% to 100%**) to their revenue streams, and **80%** said personalized promotions had a direct impact on the volume of customer visits.

If both retailers and consumers agree personalization is a worthy goal, why has it been so difficult to achieve? Industry experts say effective personalization efforts need to be based on three foundational elements:

- **Data integration** across all channels;
- **Human interaction** in combination with technology; and
- Offering **reciprocal value** and **establishing trust** with the consumer.

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- TIMETRADE STATE OF RETAIL 2017





## Personalization Starts With Data Integration Across All Channels

Retailers seeking to bolster their personalization efforts need to move their POS systems entirely to the cloud, according to Ken Morris, Principal of Boston Retail Partners. A cloud-based system would be able to integrate data, regardless of whether the shopper journey took place in the store, online, on mobile or even through a call center.

"In order to really personalize, you need to know that **85% to 90%** of the sales still take place in the store unless you're **Amazon**," Morris said in an interview with *Retail TouchPoints*. "Very few people

can identify someone before they check out. We believe that moving the POS to the cloud, or order management as the new POS, is a key component. What good does it do you to identify someone after they check out? You can't affect the sale — you can't upsell or cross-sell that particular client, or personalize the experience if they're gone. The opportunity when they walk into the store is to identify who they are, what's in their closet and what they are most likely to buy based on the context of the interaction."

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- KEN MORRIS, BOSTON  
RETAIL PARTNERS

# 5 Advantages Of A Unified Stack

By Mukund Ramachandran,  
Dynamic Yield

With nearly 5,000 companies in martech, there is now a technology provider for every 2,000 marketers on Earth. Despite this cornucopia of vendors, only 9% of marketers say they have all the marketing technology they need and fully utilize it.

Furthermore, despite the explosive growth of marketing technology, 55% of marketers say that technology is only “marginally” improving marketing performance at their company. Behind this challenge lies an industry-wide debate between the unified stack vs. point solutions.

In an effort to solve for 5,000 quarter-inch drill-bits yet a consistent struggle to drill a quarter-inch hole, we took a look at the major factors pointing to why a unified stack is the ultimate answer.

## 1. Cohesive Data

As marketers bring on additional point solutions, essential data on user behavior gets stuck in silos and becomes less and less actionable. With a unified technology stack, data flows freely and machine learning algorithms can serve personalized experiences, recommendations and targeted messaging based on all available consumer data, ultimately making you more money.

## 2. Total Cost of Ownership

If you have a hyper-specific KPI, it might make sense to bring on a point solution at lower cost to solve your specific goal. However, if you are looking at a nebulous KPI, there are many elements of the digital experience (recommendations, A/B testing, messaging) that will each need their own point solution. So, even if a point solution costs one third of the price of a unified platform, paying for more than four solutions will quickly increase the total cost.

## 3. Agility

Patching together a set of point solutions for personalization greatly hampers your team’s experience velocity and ability to act in real time. You end up with a wad of red tape that would make the federal government jealous and a massive organizational headache. How do you integrate five different products and who operates each?

## 4. Workflow

Managing vendor bloat has a massive utility cost. Think about the collective hours spent handling contracts, sitting on weekly check-in calls, and limping through piecemeal integrations. Your marketing and e-Commerce managers probably lose five hours a month just scheduling time to connect with different vendor reps!

## 5. Performance & Scalability

Onboarded data collected via engagement can be used to inform and personalize all other aspects of the path to purchase across devices. This type of deployment is near impossible with point solutions as it would require connecting data siloes from three or more programs but can be easily accomplished with a unified platform.

Though personalization is an \$800 billion industry, it doesn’t require an extensive set of different point solutions to individualize digital experiences for each user. With the cohesive data set that a unified personalization technology platform provides, you can increase revenue, lower total cost of ownership and boost your team’s ability to deliver a superior experience to your customers.

Mukund Ramachandran is the VP Global Marketing at Dynamic Yield. Mukund is an accomplished marketing executive with a 15+ year track record in media, adtech and SaaS companies.





# Human Interaction Makes Personalization Personal

Morris emphasized that the human interaction still goes a long way in gathering this kind of information before the POS, or any technology for that matter, enters the picture. For example, **ABC Fine Wine and Spirits** has in-store sommeliers and wine consultants asking shoppers questions regarding the type of wine they're looking for. These questions can include:

- *"Is it for a special meal, or a special event?"*
- *"What are you having to eat with it?"*
- *"What kind of wine do you like?"*

The brand takes this expertise and then exposes it to the whole organization, so store associates can have a better idea of what they're selling, and who they're selling wine to.

"Not all associates are created equal," said Morris. "You have A, B, C and D associates. A is the sommelier and D is the high school kid, somebody who works part time and probably doesn't know much at all."

Morris noted that the more expertise the associate has with a product, the better chance the retailer has to convert customers and increase profitability. The TimeTrade survey noted that **88%**

of shoppers said that, when helped by knowledgeable associates, they are "somewhat likely" or "extremely likely" to make the purchase. Unfortunately, 70% of the time consumers shop, they "never" or only "sometimes" can find a sales associate when they need assistance.

In addition to executional shortcomings such as a shortage of well-informed associates, many retailers' personalization efforts fail to hit the mark on the strategic level. Ernan Roman, President of ERDM Corp., identified three basic ways consumers say personalization efforts fall short, based on 10,000 hours of interview-based research:



Consumers feel personalization initiatives are **very simplistic**, often based solely on what they purchased;



Consumers have become more savvy, both about how much data marketers have about them and the capabilities of personalization technology, so their **expectations are higher**; and



Retailers **must do a better job establishing trust with consumers**, who will then be more willing to share **personal information that can improve the experience**.

88% of shoppers are "somewhat likely" or "extremely likely" to complete a purchase after receiving help from a knowledgeable associate.

-TIMETRADE STATE OF RETAIL 2017

# A Proven Roadmap For Personalization Impact

By Maribeth Ross, Monetate

BCG forecasts that, over the next five years, personalization will push a revenue shift of \$800 billion to the 15% of consumer companies that get it right. Therefore, retail success will depend on two elements: knowing the most you can learn about your customers and the ability to adapt experiences to what you know.

If personalization is the way to drive e-Commerce growth, how do retailers do it right? Recently, Monetate compared companies that exceeded revenue expectations against those that met and missed their goals, creating a road map on how to structure personalization for maximum impact. Here are the high points:

## Documenting a personalization strategy impacts ROI.

79% of those that exceeded revenue goals have a documented personalization strategy, compared to only 31% of those that meet goals and 8% of those that miss revenue goals.

## Dedicated investment is a must.

Those that exceed revenue goals have a dedicated budget for personalization 83% of the time.

## Take a phased approach.

Personalization can feel overwhelming, but successful organizations take a step-by-step approach to implementing their personalization strategy as outlined below.

## Journey from optimization to segmentation and finally personalization.

If the marketing world were perfect, every shopper interaction would be easy to determine in advance. Today, while the right data architecture gets us closer to this ideal, marketers still live mostly in a world of incomplete insight. Our world is not perfect.

Often, marketers start with an optimization approach, seeking ways to improve an experience that's the same for everyone. To improve conversion, they test alternatives, observe how the experiences work for everyone, and pick the best one to use going forward. The problem with this approach is that it assumes everybody looks exactly like the average person in that universe.

Marketers also employ segmentation to differentiate audiences. This offers an improvement over the model of treating everyone the same, but it also presents challenges. Each segment is as resource-intensive as the next; if you have three segments, you're doing 3X the work, but you can't get 3X the return because you are working with increasingly smaller groups of individuals.

Often marketers approach personalization believing they need to create a segment of one, an approach which cannot scale. Rather than viewing this through the lens of marketing, marketers should think about it from the viewpoint of the customer who just wants the right thing for them.

This means that true 1-to-1 personalization is about making decisions for each person at a given moment in time. It can be from a selection of available creative assets, rather than individual creative.

Layered on top of your segmentation and targeting, 1-to-1 personalization can improve the customer experience and results for your business. By leveraging technology to scale to the point of precision for each individual, brands can differentiate and capture their fair share of the \$800 billion at stake.

Maribeth Ross is a veteran B2B marketer fascinated with cracking the code of what makes customers engage, buy from and champion a brand. As Chief Marketing Officer at Monetate, she leverages her deep expertise to lead Monetate's marketing functions.





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## Retailers Must Reciprocate Value, Establish Trust

Many retailers start their personalization initiatives with customer segmentation and the creation of a range of shopper personas, such as Suburban Mom or Male Sports Enthusiast. While examining personas based on in-person visits and real shopper sentiments can be beneficial in improving an in-store experience, Roman noted that retailers must go beyond persona-based marketing if they want to meet customer expectations across the board.

"Our decision process is complicated," Roman said. "We are human beings. Your personas try to reduce me to a caricature or a cartoon, and it's insulting. I'm not Sally Suburban or Joe Lunchbucket.

Millennials often know what some of these categories are and they find them profoundly insulting, because they find it lazy that it's being simplified to the lowest common denominator."

So how do retailers get more "personal" and less "persona"? It all comes down to establishing trust. Roman indicated that customers are more willing to share personal information with their preferred retailer in exchange for "reciprocity of value" — what the consumer considers to be offers of equal value.

Retailers must understand not only the consumer journey, but events within the shopper's life journey, to provide this kind of value. They can achieve this by asking shoppers to opt into memberships to share detailed personal preference information, e.g. marital status, profession, recent life milestones

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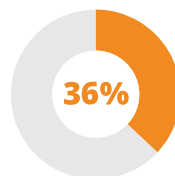
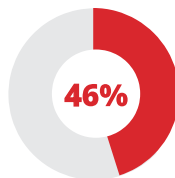
- ERNAN ROMAN, ERDM



or preferred methods of communication, in exchange for relevant services, offers or deals.

"You need to ask me those things and if I think you're a brand I trust, I'll tell you that," Roman said. "For certain products, I'm happy to get emails and access it on my mobile device, laptop or desktop. However, there are certain items that consumers prefer to see via a text message, like a surprise gift for your spouse. In any other circumstance, pinging someone on a text could be very intrusive, but here you're doing them a favor, since you wouldn't want to receive a confirmation email."

As many as **43%** of surveyed retailers said personalization efforts and initiatives are on their roadmaps for 2017-2018, citing a range of reasons:



"Our decision process is complicated. We are human beings. Your personas try to reduce me to a caricature or a cartoon, and it's insulting."

- ERNAN ROMAN, ERDM



# Personalized Omnichannel Experiences

By Jennifer Sherman, Kibo

In this increasingly crowded space, what everyone is fighting for is differentiation, discoverability and shopper loyalty. We all want to stake out our little piece of our target consumer's attention and, once we do, deliver the best possible experience. I see a few trends of how successful retailers are delivering that great experience:

## 1. Moving from Personalization to Individualization.

Old school approaches that segment customers into categories and serve up recommendations and content accordingly will only get you so far. Consumers don't always fit cleanly into segments and these approaches are a waste of the wealth of data we've been collecting on shoppers for years. Forward thinking sellers are looking at how to individualize the experience for each and every shopper.

## 2. Site-wide personalization.

Product recommendation widgets are a commodity now. Sites that will drive higher conversion rates and, in turn, higher AOV are those where the entire user experience is personalized (actually individualized). When these are

powered by machine learning, these systems can do an amazing job of predicting what will interest a user based on all their past history and their current intent. Using these technologies to personalize everything from recommendations to category sort to search allow a merchant to move from being demand sensing to demand shaping. When you shape demand, you build a better experience for the consumer and a more fruitful transaction for the seller.

## 3. Omnichannel.

I think all too often we hear the term omnichannel and we think BOPIS. But omnichannel is so much more. It starts by recognizing that shoppers don't think about channels as silos. The store, the web site, the mobile app are all part of their experience of the brand. Those experiences need to be consistent, personalized and engaging. And yes, that means I should be able to order everywhere and receive my product anywhere but more than that, it means all those experiences should be individualized and offer consistent product assortments, pricing and service.

In the journey to deliver great individualized experiences, I suggest that each merchant look at the shopping experience across all channels and identify where it is disjointed, not personalized or delivering subpar results.

Use those challenge areas to drive your personalization strategy. Challenge your technology partners to explain to you why their solution is different from the others, how they use predictive learning technologies and make sure their technology allows you to treat your customers like people, not segments.

As for omnichannel transformations, find a partner who has experience integrating your online and store channels and who will guide you through the process, understanding both your business and industry best practices. Find a partner, not a vendor. This is going to be a hard enough journey and you don't need to do it alone.

As SVP of Product and Strategy at Kibo, Jennifer Sherman is responsible for the product management, business analyst and product marketing organizations, and is instrumental in charting our corporate strategy and direction. Sherman has more than 17 years of enterprise software experience specializing in larger software ventures.





## Rent The Runway Triples Rentals Through Supplied Customer Sizing Data

**Rent The Runway** has achieved significant results using an opt-in approach, [building out a customer reviews platform where women voluntarily share personal information](#). For example, dresses that have been reviewed by shoppers convert **3X** more than dresses without reviews, because the reviews give women the confidence that the dress they select will fit, according to David Page, SVP of Brand Strategy & Research at Rent The Runway. The customer reviews section became a “proxy” for actually trying on one of the site’s dresses.

Rent The Runway was able to gain access to personal data — such as size, height, weight and age — and information on whether or not the dress fit well. Future customers have access to those reviews and are able to find women who match their size and shape, and see which dresses will look best on them.

“It’s less about the sources of data and more about how you leverage the data to create optimal and relevant customer experiences,” said Colton Perry, VP of Channel at Dynamic Yield [in an interview with Retail TouchPoints](#). “For example, it means nothing that you can onboard CRM data; the key is that you use that data to understand where an individual is in their relationship with a brand, whether it’s lifetime value or purchase history, and craft customer experiences that meet and address their needs proactively. That’s where the magic happens.”

At Rent The Runway, dresses that have been reviewed by shoppers convert **3X** more than dresses without reviews.





## Personalization Is Often Misidentified

Part of the challenge in implementing successful personalization solutions is the way those solutions are presented. Many technology companies still advertise their platforms as if they are designed to personalize the experience, yet they continue to focus on the product rather than the customer, noted Mark Smith, President of Kitewheel, a customer journey experience platform provider.

"One of the dangers in that personalization market is misnaming a lot of the things that technology companies do," Smith said in an interview with *Retail TouchPoints*.

"There's value in finding which of two different products works best, but truly linking it to the customer so that it's actually personalized is where there's real value."

Personalization is no longer a "nice to have" and is definitely mandatory for all retailers, according to Perry. In a competitive environment, retailers must reciprocate the proper value to make shoppers care enough to go out of their way to shop there, and they must understand the importance of data integration and sincere human interaction. Without these characteristics, retailers will continue to see a gap between their own capabilities and consumer expectations.

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- MARK SMITH, KITEWHEEL

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