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The Power Of Personalization

FORRESTER®

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Executive Summary

In the age of the customer, the way that customers interact with organizations has fundamentally changed, and customer expectations have grown accordingly. These increased expectations lead to increased marketing challenges, as customers choose to interact with companies across more and more channels, such as mobile and social, and firms struggle to manage and utilize the wealth of customer data available today. With these rising customer expectations and challenges, personalization based on the most appropriate customer data and applied across all the channels that customers use to interact with companies becomes essential to win, serve, and retain customers.

Personalization is critical for marketing success, but many organizations fall short of customers' expectations. A next-level personalization strategy will be cross-channel and utilize customer profile, contextual, historical, and behavioral data to tailor experiences to a customer's moment of need. To excel, organizations will need the right tools and data, and they will need to align marketing with IT and leverage service partners to optimize.

In August 2015, PricewaterhouseCoopers commissioned Forrester Consulting to evaluate marketers' current levels of personalization maturity and uncover the challenges marketers are facing with personalization today. Then to further explore this trend, Forrester developed a hypothesis that tested the assertion that organizations are struggling to deliver next-level personalized experiences and marketing messaging to consumers. Marketing leaders must take advantage of new, more contextual data points and require new strategies and tools to do so.

In conducting an in-depth online survey with 101 US enterprise marketing and IT professionals responsible for personalization technologies and strategies at their organization, Forrester found that respondents believe their personalization programs are successful today. However, current capabilities and behaviors paint a different picture. Our survey shows firms currently do not personalize consistently across channels, and few are able to use the right contextual and behavioral data to do so. Investment in personalization technologies is a priority for respondents, but firms need to be sure they are making the right investments, not only in technology, but in people and process as well.

KEY FINDINGS

Forrester's study yielded three key findings:

- **Personalization is critical for marketers seeking to enhance customer centricity and engagement.** Organizations must provide personalized messaging and differentiated experiences to customers in order to compete today. Seventy-nine percent of survey respondents said that personalization is very important to achieving their top marketing and customer experience goals, like increasing customer satisfaction, building customer loyalty, and acquiring new customers.
- **More customer touchpoints lead to greater personalization challenges.** The increase in customer touchpoints has led to increased customer expectations, and this is the No. 1 personalization challenge today. The increase in touchpoints has also created a wealth of new customer data that must be utilized properly, which creates challenges in both data management and privacy.
- **Firms struggle most with new channels and contextual data.** While nearly all firms said they personalize through email (87%), far fewer said they can personalize across new channels like mobile (51%) and social (62%). Less than half of firms are using customer interaction and contextual data for personalization, which means most of their efforts are general and segmented, not focused on the individual.

Personalization Is Essential In The Age Of The Customer

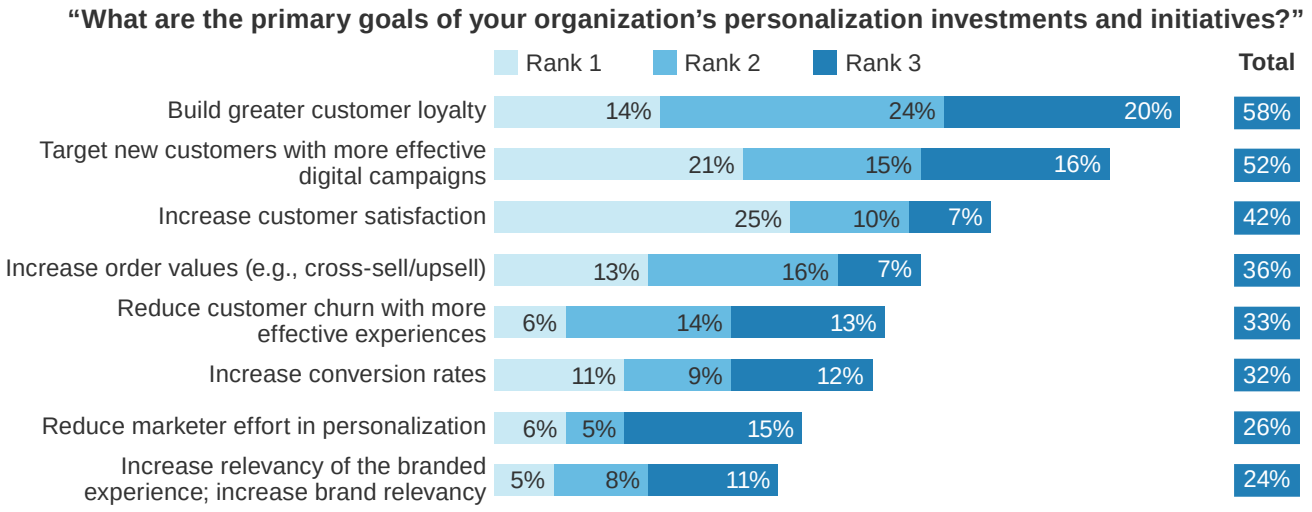
Personalization is more important today than ever before. The proliferation of devices and channels, such as mobile and social, has fundamentally changed the way that customers interact with companies and brands. This has led to what Forrester calls the mobile mind shift: the expectation that you can get exactly what you want in your immediate context and at your immediate moment of need.

Due to this change in consumer expectation, it is no longer sufficient to just have personalization of the past: a one-off personalized campaign, product recommendations, and/or personalization by basic demographic segments. Next-level personalization includes these ideas of personalization but takes them a step further. It allows organizations to reach consumers in both marketing messaging and experiences. It differs from older personalization methods in that it looks to target not just broad segments, but individual customers based on individual profiles and context inputs like device type, current behavior, location, and weather. Additionally, next-level personalization isn't just a web or campaign challenge. Instead, next-level personalization spans devices and channels, so that customers have a unified, personalized experience no matter which touchpoint they are using. This type of experience will provide a differentiated, valued customer experience.

Decision-makers today understand the importance of providing personalized experiences for consumers. Seventy-nine percent of US marketing and technology decision-makers surveyed said that personalization is very important to achieving their marketing and customer experience goals.[1] Personalization is essential to:

- **Increase customer satisfaction.** Improving the customer experience is a top goal of both the business and IT alike, and marketing is no exception. Customers today are empowered to expect more from the interactions and experiences they have with companies, and if a company cannot satisfy them, they will go to a competitor that can. Personalization can provide those unique, differentiated experiences that are critical to keeping customers satisfied. For this reason, 25% of survey respondents rated increasing customer satisfaction as the most important goal of personalization, and 42% named it a top three goal overall (see Figure 1).

FIGURE 1
Customer Loyalty And Acquiring New Customers Are Primary Goals Of Personalization



Base: 101 US enterprise decision-makers responsible for personalization technology at their organization

Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015

- **Build customer loyalty and reduce churn.** Personalized experiences make customers feel catered to and valued, which in return makes them more likely to be an advocate for a company. Increasing customer loyalty is important, as it is less expensive to retain customers than attract new customers, making customer loyalty essential to the bottom line. Almost 60% of respondents identified customer loyalty and 33% identified reducing customer churn as one of the primary goals for personalization initiatives.
- **Target new customers and increase conversion.** The ability to target new customers with campaigns that are relevant to them will attract more customers than generic email blasts. One study found that personalized email results in six-times-higher transaction rates than nonpersonalized email.[2] Fifty-two percent of respondents see creating more effective digital campaigns for new customers as a top goal of personalization.

MORE CUSTOMER CHOICE EQUALS GREATER PERSONALIZATION CHALLENGES

Today's customers expect to be able to interact with companies when and where they want, using a device and channel that is most convenient for them. Customers have more choices than ever before, and marketers understand that their expectations have risen accordingly. Seventy-one percent of survey respondents strongly agree that the proliferation of customer touchpoints has led to increased customer expectations (see Figure 2).

The proliferation of customer touchpoints has led not only to increased customer expectations, but to the challenges marketers face in adopting effective personalization strategies to win, serve, and retain those customers. Our survey shows that marketers are challenged with:

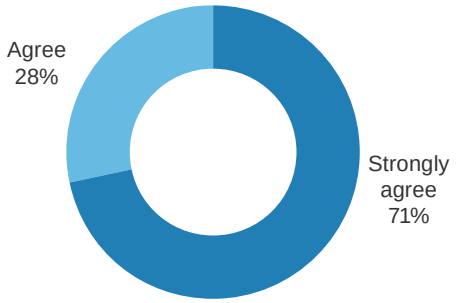
- **Managing customer expectations.** The customer experience is no longer considered a series of siloed touchpoints — customers want a seamless experience, in which their interactions with the company or brand can be completed when they want, on their device of choice, and without having to start over when switching between touchpoints. Managing those increased expectations is the No. 1 challenge to achieving personalization success today, at nearly 60% (see Figure 3). Innovative firms across industries are constantly raising the bar for customer interaction across digital touchpoints, which raises customer expectations. Customers today expect to not only interact with companies on the devices and channels they want, but to be delighted by those experiences. Offers and campaigns must be relevant, timely, and personal, regardless of channel.
- **Managing and utilizing customer data.** More customer channels also means that companies have more customer data than ever before. To deliver relevant, personalized marketing across different channels, organizations must utilize many different types of data. However, managing the volume and types of data and determining how to best utilize that data are major challenges for personalization today. For example, many marketers manage data in silos so that when a customer reads an email, searches on the website, and then calls the contact center, the marketers do not realize the customer's context and what the customer has done on other channels, Fifty percent of survey respondents are challenged to manage customer data, and 45% are challenged to utilize customer data effectively.
- **Managing customer privacy.** When personalizing campaigns and offers using data, there can be a fine line between being engaging and being creepy or intrusive. Using too much customer information or information a customer doesn't expect a company to have can create a very off-putting experience. Forty-eight percent of survey respondents said that managing customer privacy concerns is a challenge to achieving personalization success.

FIGURE 2

More Touchpoints Equals Increased Customer Expectations

"On a scale of 1 to 5, how much do you agree or disagree with the following statement"

"The proliferation of customer touchpoints has led to increased customer expectations"



Base: 101 US enterprise decision-makers responsible for personalization technology at their organization

Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015

FIGURE 3

Managing Customer Expectations And Data Are Key Challenges In Achieving Personalization

Base: 101 US enterprise decision-makers responsible for personalization technology at their organization

Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015

Personalization Today: Perception Does Not Match Less Mature Reality

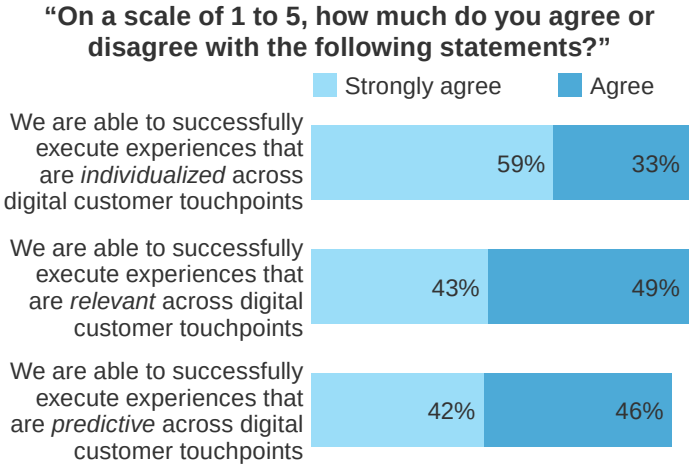
Organizations today understand the importance of personalization, and many believe they are successfully personalizing their messaging to customers. Our survey shows that 72% of respondents think that their personalization initiatives have been effective to date. However, a closer look at what companies are doing today reveals that many organizations still have quite a ways to go.

Personalization today is more than a set of product recommendations or basic segmentation. It is individualized, relevant, and predictive across touchpoints, and it utilizes the right data sources to be so (see Figure 4). Most organizations believe they are able to deliver on all three dimensions, across all digital customer touchpoints. However, our survey shows that respondents:

- **Are challenged to personalize across touchpoints.** Personalization techniques today are often limited to specific channel campaigns and not done effectively across touchpoints. Only 38% of respondents believe they are optimized to deliver real-time offers and campaigns across all touchpoints.[3] While 87% of survey respondents are able to deliver personalized experiences through email, only 61% can deliver personalized experiences through social media and 52% through mobile applications (see Figure 5). These emerging digital channels will only grow in importance in the age of the customer.
- **Use limited data to personalize.** Organizations today have more customer data from varied sources and channels than ever before. However, when it comes to personalizing customer messaging, not all data is created equal or is applicable to all use cases, and data needed for next-level personalization — data that tracks how

FIGURE 4

Organizations Believe They Are Personalizing On Three Dimensions Across Touchpoints



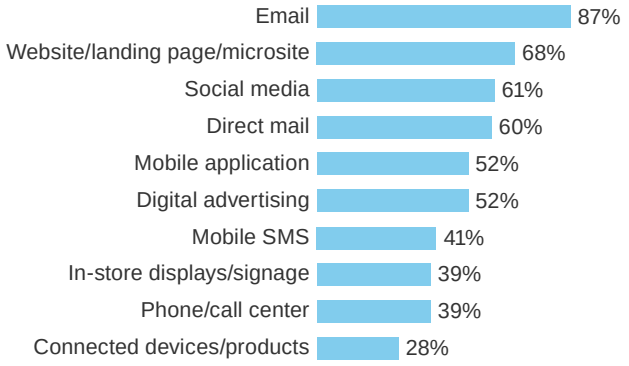
Base: 101 US enterprise decision-makers responsible for personalization technology at their organization

Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015

FIGURE 5

Ability To Personalize Varies Widely Across Customer Touchpoints

"Through which channels do you deliver personalized experiences to consumers today?"



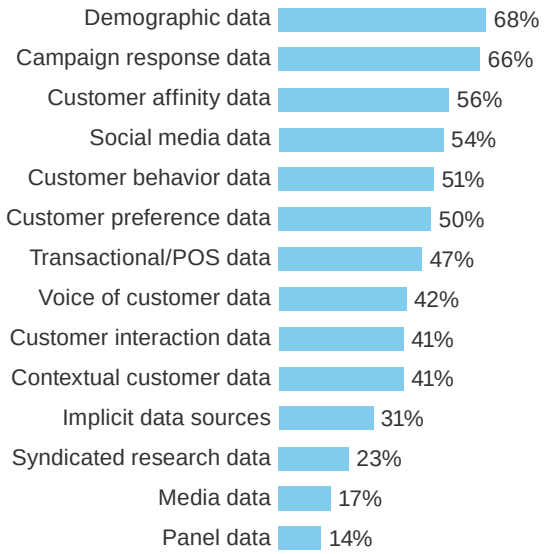
Base: 101 US enterprise decision-makers responsible for personalization technology at their organization

Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015

FIGURE 6

Less Than Half Of Organizations Use Interaction And Contextual Data To Personalize

"Which of the following data sources do you currently use to personalize digital customer experiences?"



Base: 101 US enterprise decision-makers responsible for personalization technology at their organization

Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015

customers interact and the context in which they interact with a company — is more difficult to utilize. While 68% of respondents said they use demographic data to personalize, far fewer, 41%, are able to use customer interaction data and contextual customer data (see Figure 6). Contextual data can often turn basic personalization into deeper individualized experiences that are more predictive.

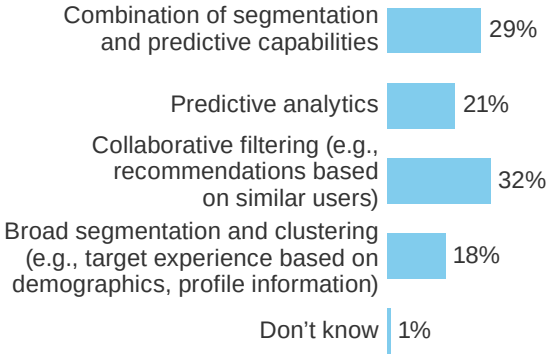
› **Vary in maturity of personalization techniques used.** Effective personalization feels like a one-to-one experience, rather than a one-to-many experience. But achieving this one-to-one experience is challenging and cannot be done manually, lest marketers are burdened to make thousands and thousands of segments. While personalization of the past only required these manual segmentation and targeting approaches, the next-level personalization that feels more individualized requires that marketers do more than just segmentation. Machine learning and prediction will be key to automating these individualized experiences, but this is one area where organizations are still slow to adopt.

Our survey shows that only half of respondents are using some form of predictive analytics capabilities to personalize (see Figure 7). This means that half are using much more basic techniques, like segmenting based on

FIGURE 7

Personalization Technique Maturity Varies Across Respondents

"Which of the following statements best reflects the personalization techniques your organization currently uses"



Base: 101 US enterprise decision-makers responsible for personalization technology at their organization

(percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015

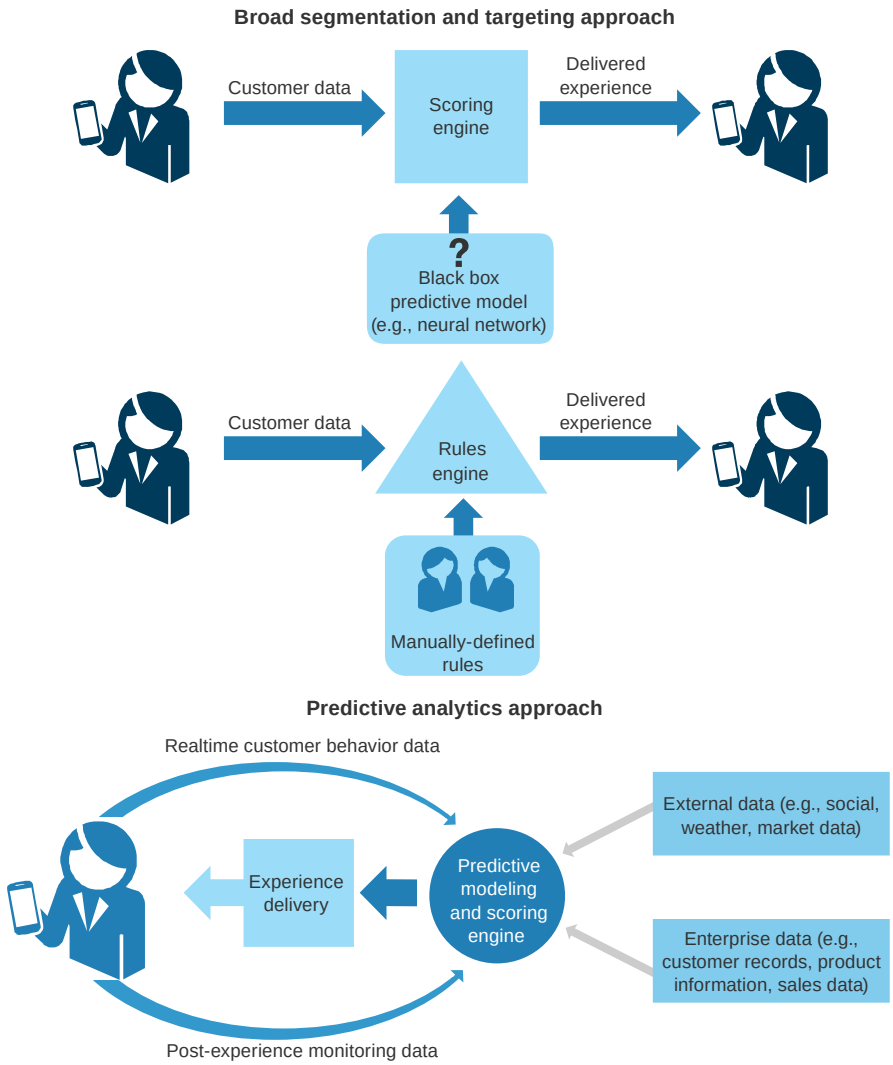
demographics or customer profiles, or collaborative filtering. To create personalized experiences that are truly individualized, predictive, and relevant, these dynamic and automated personalization techniques should be used (see Figure 8). Some examples of these automated machine learnings are things like automatic segmentation detection and self-learning algorithms.

Firms Must Redefine Personalization Strategies And Align Resources

To create next-level personalization marketing and messaging, organizations must look beyond their current personalization capabilities and redefine what personalization means at a strategic, technology, and organizational level. To do this, marketers and other personalization decision-makers must:

› **Prioritize next-level personalization strategies.** A next-level personalization strategy will be cross-channel and

FIGURE 8
Next-Level Personalization Relies On Predictive Analytics And Machine Learning, Not Broad Segmentation



Source: Forrester Research, Inc.

utilize customer context and behavior data to create experiences that are tailored to a customer's moment of need. Next-level personalization doesn't just group customers into broad segments and target messaging to them. Instead, next-level personalization prioritizes adaptive, predictive experiences and messaging that targets customers on a more one-to-one basis, without managing segments of one.

- **Identify key customer touchpoints that need a personal touch.** Next-level personalization extends beyond traditional marketing channels like email and web, and it takes advantage of a multitude of channels that customers want to use to interact with brands. Successful organizations don't necessarily tackle next-level personalization across all channels, nor do they tackle next-level personalization in a single channel. Instead, successful firms map their customer journey. Once they map the customer journey, they identify the primary pain points — "sticky" challenges where customers commonly have trouble interacting with the organization — and begin to personalize those interactions.

  The lesson here is that successful firms don't boil the ocean. Instead, they find the points in the customer journey that require the most personal touch and the areas that are more likely to drive incremental improvements to the experience and, in turn, to customer loyalty and revenue.

- **Align marketing and IT stakeholders.** Close alignment between marketing and IT can help ensure that the right technology is in place to support next-level personalization strategies. For organizations to successfully move from strategizing and designing next-level personalization to actually delivering personalized experiences, they must work more closely to bridge the gaps between marketing and IT. Common goals and constant communication are needed to align personalization strategies and solutions. For these reasons, 78% of survey respondents strongly agreed that "bridging the divide between IT and marketing/eCommerce groups is critical to delivering successful personalization initiatives"[4]

TECHNOLOGY IS CRITICAL TO REACH NEXT-LEVEL PERSONALIZATION POTENTIAL ON DIGITAL CHANNELS

Organizations understand the importance of personalization but face imposing challenges regarding personalizing effectively across customer touchpoints and using the right data to do so. Marketing technology solutions can help overcome these challenges and help organizations craft individualized, relevant, and predictive messaging and campaigns. However, firms must make sure that these investments will pay off. To this end, firms should:

- **Invest in modern personalization technologies.** Fifty-seven percent of respondents plan to spend more than 30% of their marketing technology budget on technologies that enable personalization.[5] No one tool can support all your personalization needs. Instead, successful organizations have invested in an ecosystem of tools, like web content management, testing, predictive analytics, campaign management, data management platforms, and product recommendations, to support dynamic personalization. The firms we surveyed are invested in tools and technology, but these tools are often siloed and narrow in scope. For example, product recommendations were the top investment priority for surveyed decision-makers (see Figure 9).

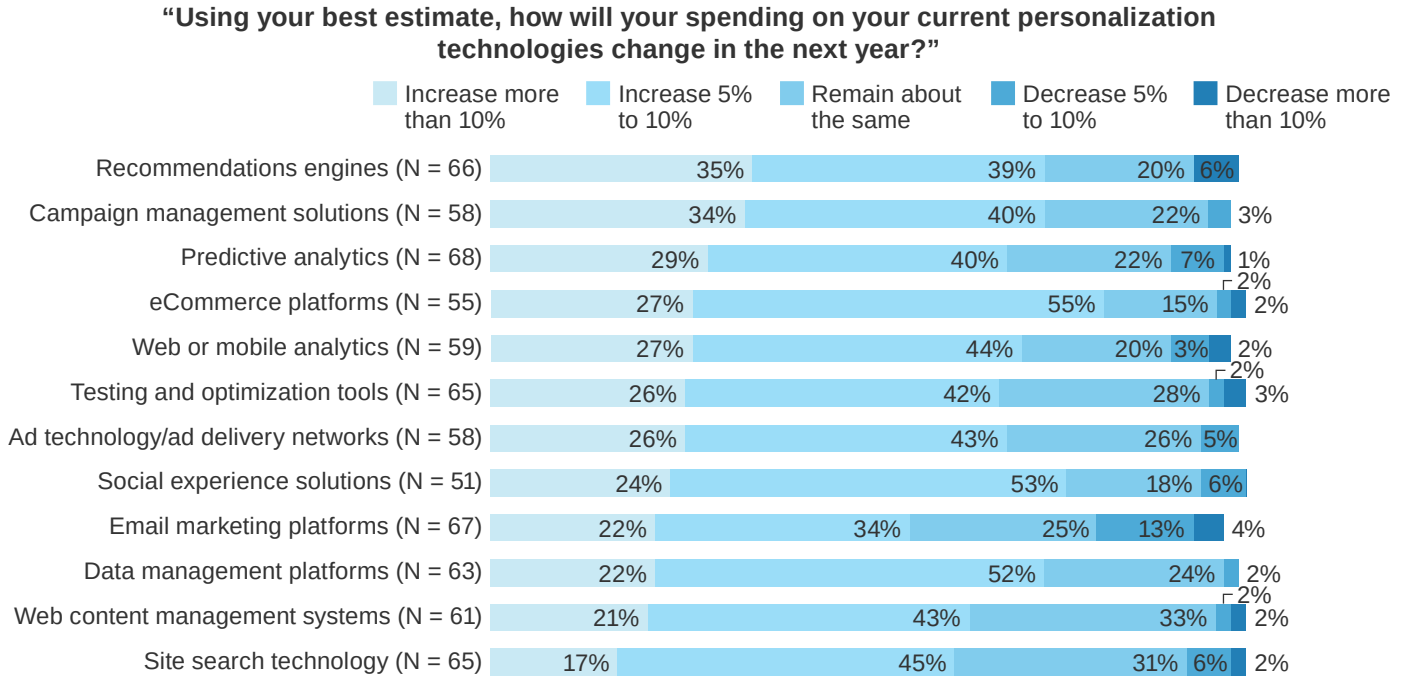
  While these tools are an important component of the ecosystem, these solutions alone won't achieve all the next-level personalization goals. Successful organizations instead prioritize investments that are narrower in scope (e.g., supporting one specific personalization goal like product recommendations) and investments that are broader in scope (e.g., using data management platforms to manage audience profiles and cross-channel customer data).

- **Invest in solutions that are adaptive and predictive.** Next-level personalization requires more than just targeting to broad customer segments. As such, the technology ecosystem of tools must add in elements of machine learning, such as auto segmentation detection, to help complement business user rules. These machine-learning capabilities are the secret sauce to helping make experiences more dynamic and adaptive, based on in-the-moment customer details.

- **Integrate the personalization technology ecosystem.** It's not enough to invest in technologies to support personalization. For most organizations, sourcing a single tool won't immediately bring to bear more contextual experiences. On the back end, organizations must work to integrate customer data and customer-facing content. Integrating these tools together will also help facilitate the cross-channel delivery of more contextual experiences. Integration to create that shared customer data will be key to share valuable customer insights, data, and content.

- **Manage and utilize customer data.** Managing and utilizing customer data are two of the top personalization challenges that firms face today. To get to the next level of personalization, marketers need to use the right contextual and behavioral data. This can mean pulling together data from many different data sources and integrating them into several different marketing tools. Firms must invest in both technology and strategy to help with data management strategies, in order to cleanse, manage, and utilize the right data to make experiences more personalized.
- **Leverage partners to create and execute strategy and technology.** Organizations struggling to deliver advanced personalization typically engage with service partners to help overcome challenges with strategy, data, process, and technology. Ninety-two percent of survey respondents said that service partners have been very important or important in helping them create and execute personalization strategies (see Figure 10). Our survey shows that service partners are most valuable to marketers to manage and utilize customer data, create personalization strategies, and implement and integrate personalization technologies (see Figure 11). These activities are all linked, and partners that can see the bigger picture and provide expertise in multiple areas of data and technology will provide greater value. As such, many customers also reported to Forrester that the primary benefit of these providers is their ability to "connect the dots" in personalization — not only helping with the strategy and design of personalized experiences, but actually helping break down organizational siloes, prove ROI, and get organizational consensus.

FIGURE 9
Firms Must Prioritize Investments In An Ecosystem Of Tools To Support Dynamic Personalization

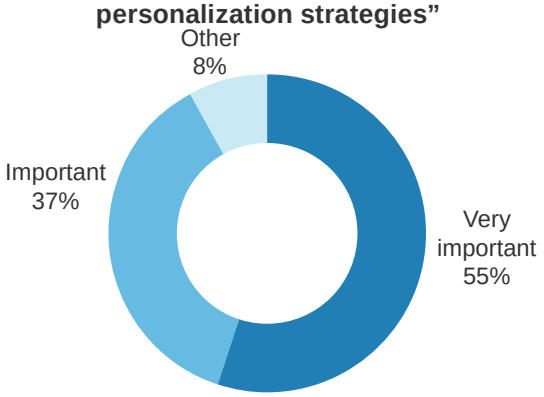


Base: Variable US enterprise decision-makers responsible for personalization technology at their organization
(percentages may not total 100 because of rounding)
Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015

FIGURE 10

Partners Are Key To Personalization Success

"How important have your service partners (e.g., consultancies, digital agencies, systems integrators) been in helping you create and execute personalization strategies"



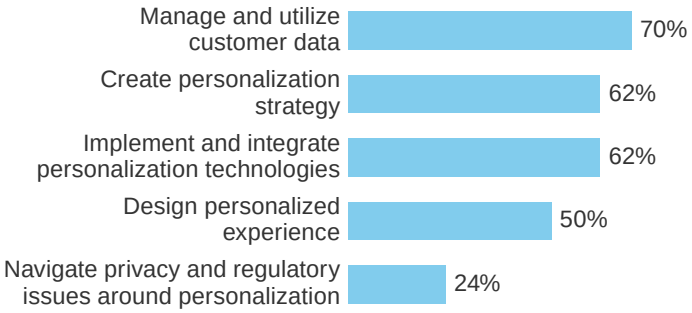
Base: 101 US enterprise decision-makers responsible for personalization technology at their organization

Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015

FIGURE 11

Partners Provide Valuable Personalization Data Management, Strategy, And Technology Services

"What types of personalization services do you find most valuable from services partners (e.g., consultancies, digital agencies, systems integrators)?"



Base: 101 US enterprise decision-makers responsible for personalization technology at their organization

Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015

Key Recommendations

Forrester's in-depth survey with decision-makers responsible for personalization technologies and strategies yielded several important recommendations for creating a successful personalization strategy:

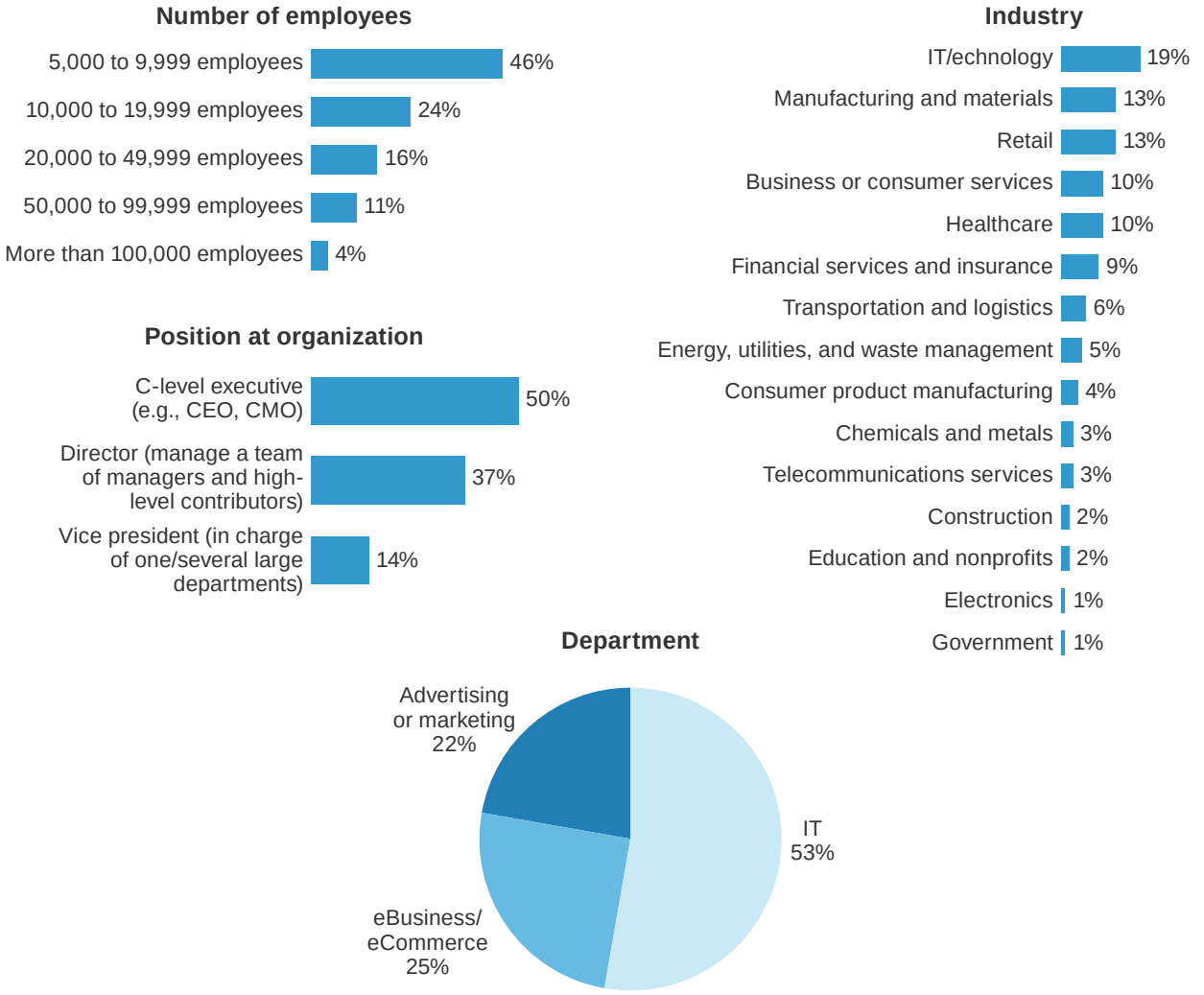
- **Keep up with rising customer expectations — or else.** Experiences used to be difficult to compare due to geographic separation and physical constraints, but digital technology places them on the same playing field, making comparisons across product categories, industries, and verticals easier than ever. Now customers expect the very best experience no matter which company they interact with. This has real implications for how companies assess their competition, determine the quality of experiences, and think about new products and services. It's no longer enough to just consider the expectations your customers have when working with other firms in your industry: Customers today expect consumer-driven experiences no matter which industry you are in.
- **Consider next-level personalization for marketing, but look to expand to broader customer experiences.** Marketing is shifting its focus from just communications and branding to utility-driven marketing: how you can create real-world relationships with customers with useful information, content, and experiences. This shift drives marketers to reconceive campaigns as value-added experiences that blur the line between promotions/campaigns and general customer experiences. For example, one spice company uses the customer's flavor profile to surface relevant recipe and product recommendations. As the idea of utility marketing grows, firms must use next-level personalization strategies, tools, and techniques not just for branding, communications, and promotions, but to provide utility customer experiences as well.
- **Gain quick wins with low-hanging fruit.** Given the broad scope of next-level personalization — which includes everything from a simple email campaign to whole new digital customer experiences — many organizations struggle to know where to start. Successful firms that Forrester spoke with start small to prove ROI and customer value. We all have these small areas where customers demand more from us. These firms typically pick a point in the customer journey that's contentious — an area where customers struggle to interact with your firm — and where they may have some existing technology solutions to solve the challenge. Gain these quick wins and prove the value of the efforts before starting on larger personalization initiatives.
- **Create digital experience reference architectures to support next-level personalization.** Technology platform vendors everywhere are coming out with their own marketing or digital experience solution, touting personalization capabilities. But next-level personalization is a broad effort across the organization, and no one solution on the market today can solve all the needs. Instead, organizations require tools to help create, manage, measure, and deliver next-level personalization. Successful firms don't source point solution after point solution. Instead, they create digital experience architectures, which are blueprints for what types of technologies are needed to solve which problems, defining the major integration points. Once these architectures are created, most organizations will find that solving next-level personalization will take a mix of suites, best-of-breed applications, and custom development.

Appendix A: Methodology

In this study, Forrester surveyed 101 enterprise decision-makers responsible for personalization technology in the US to evaluate how to deliver more personalized experiences to consumers. Survey participants included decision-makers in marketing or marketing technology. Questions provided to the participants asked what their primary goals were in investing in personalization tools, along with their challenges and techniques used. The study began in August 2015 and was completed in October 2015.

Appendix B: Demographics/Data

FIGURE 12
Survey Demographics



Base: 101 US enterprise decision-makers responsible for personalization technology at their organization
(percentages may not total 100 because of rounding)
Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015

Appendix C: Endnotes

[1] Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015.

[2] Source: “Personalization And The Rise Of Individualized Experiences,” Forrester Research, Inc., December 9, 2014.

[3] Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015.

[4] Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015.

[5] Source: A commissioned study conducted by Forrester Consulting on behalf of PricewaterhouseCoopers, October 2015.