

A Forrester Consulting
Thought Leadership Paper
Commissioned By IBM
February 2020

Personalization Demystified: Enchant Your Customers By Going From Good To Great



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ABOUT FORRESTER CONSULTING

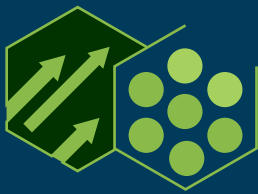
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More than half of consumers say they feel brands are trying to get to know them, but they don't see their shopping experiences improving because of it.



Even with immature personalization strategies, firms see an almost 6% increase in sales revenue, a 33% increase in customer loyalty and engagement, and an 11% decrease in marketing costs.

Executive Summary

With the vast number of digital options at customers' fingertips, customer loyalty is more mercurial than ever. Firms need to develop seamless personalized experiences to more successfully retain and capture customers' attention. While customer-centricity and data-first are recurring themes in company missions, firms are still struggling to successfully marry the two to achieve effective personalization.

In December 2019, IBM commissioned Forrester Consulting to evaluate firms' personalization strategies and consumers' perceptions of personalization in action. To explore this topic, Forrester conducted an online survey of 372 business decision makers responsible for their firms' personalization strategies and 548 consumers across the globe. We found that while many enterprise leaders report their organizations have begun their personalization journeys, there are many key areas of improvement. Most importantly, decision makers and consumers paint two different pictures of the personalization experience: Personalization leaders believe their firms are doing well, but consumers say there is something left to be desired. Firms that remain in tune with their customers will be the ones to reap the benefits.

KEY FINDINGS

- › **Despite big plans for personalization strategies, execution is elusive and siloed.** Firms are utilizing personalization strategies to support customer-centric business growth, but current efforts are still in early stages. Sixty-five percent of firms are planning to implement or have implemented a personalization strategy within the last 12 months. Additionally, 57% of firms are handcuffed by siloed, disconnected approaches that constitute multiple personalization strategies that individual departments or teams create and manage independently.
- › **Firms' personalization strategies do not translate to customer reality.** Ninety percent of firms say personalization is imperative to their overall business strategies, but they are missing the mark when it comes to relating to consumers. More than half of consumers say they feel brands are trying to get to know them, but they don't see their shopping experiences improving because of it.
- › **Data strategies fall dramatically short.** Firms underutilize the vast amounts of data they collect. As customers move faster than ever, data also expires more quickly than ever before. Four out of firms' top five technology challenges are centered around data. From integration to optimization, firms feel lost.
- › **Firms see budding success with flawed personalization strategies, but potential is endless if it's done right.** Even with immature personalization strategies, firms see benefits. From a commerce perspective, they lead to an almost 6% increase in sales revenue and 33% increase in customer loyalty and engagement. For marketing, it's an 11% decrease in marketing costs. If firms can overcome current challenges and deliver on customer expectations, the impact of personalization strategies will be even more significant.

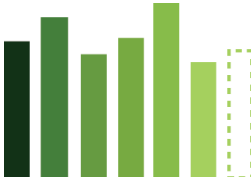
Firms Prioritize Personalization, But Effective Execution Remains Elusive

Consumers’ expectations of the “right” experience is always changing. What firms did years ago to establish relationships and provide value will no longer cut it for today’s consumers. Firms must view every digital and physical touchpoint as an opportunity to add relevance and value for consumers, effectively personalizing every interaction to every consumer every time. Whether or not a company has a formal strategy in place, personalization should be a critical component of every firm’s overarching business strategy.

Forrester defines personalization as the ability to tap into customer data and context to create a relevant, consistent, individualized experience for each customer, ultimately guiding customers to more desired and profitable customer journeys.

Many firms have had a customer-first focus for years, but creating a formal personalization strategy is still a new endeavor for most. According to the 372 personalization decision makers we surveyed, 65% report their companies implemented personalization strategies within the last year or are still in the planning stages of their strategies.

But firms already have big plans for how and where they’d like to utilize their personalization strategies. Firms plan to use personalization to increase satisfaction, improve relevancy, and acquire new customers (see Figure 1). However, few companies have yet to leverage personalization for more in-depth initiatives, such as identifying customer segments, improving brand advocacy, or forming more accurate predictions about specific customer segments. Many are still early in their personalization journeys, focusing more on the low-hanging fruit rather than the goals that could help their organizations stand out against the masses.



90% of decision makers say personalization is imperative to their overall business strategies.

Figure 1

“What are the primary goals of your B2C personalization strategy?”

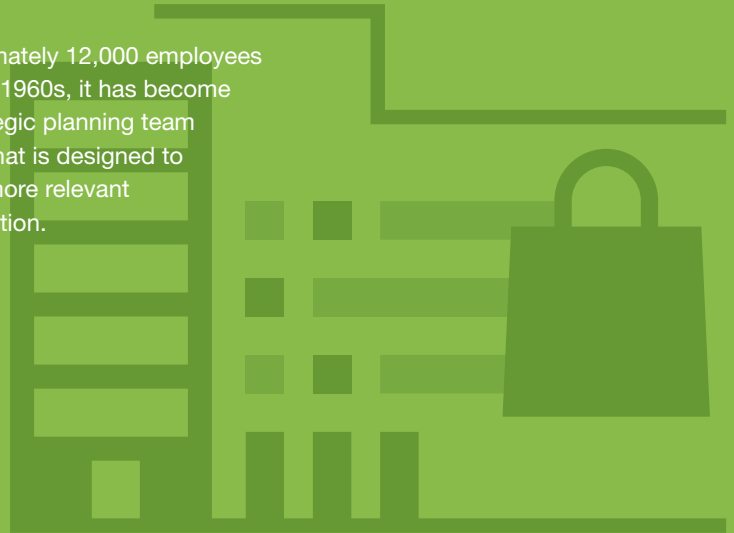


Base: 372 personalization strategy decision makers
 Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2019

EXAMPLE IN ACTION

Meet Acme Corp.

Acme Corp. is a retailer located in the US with approximately 12,000 employees worldwide. While Acme has been in business since the 1960s, it has become more customer-obsessed in recent years. Acme's strategic planning team unveiled a thorough personalization strategy last year that is designed to transform commerce and marketing initiatives, create more relevant experiences for customers, and raise customer satisfaction.



Meet Ivy

Ivy is a typical modern-day consumer. She is 38 years old, works full-time in business services, and has two children under the age of 12. As a single parent, she is always on the run. So she prefers to do her shopping, purchasing, and banking on her smartphone to maximize her time with her children. Because she doesn't like to spend a lot of time shopping, Ivy relies on buy online/pick up in store options, and she shops on weekends if she must be in stores. She will look at product reviews when making expensive purchases to inform her decisions, but she largely makes her choices based on price. She likes fast delivery, but her preference is usually for free over fast.

Throughout this report, we will use the fictitious experiences of Acme and Ivy to highlight the personalization strategy and interaction firms should strive for. Look for green boxes throughout the document to follow these experiences.



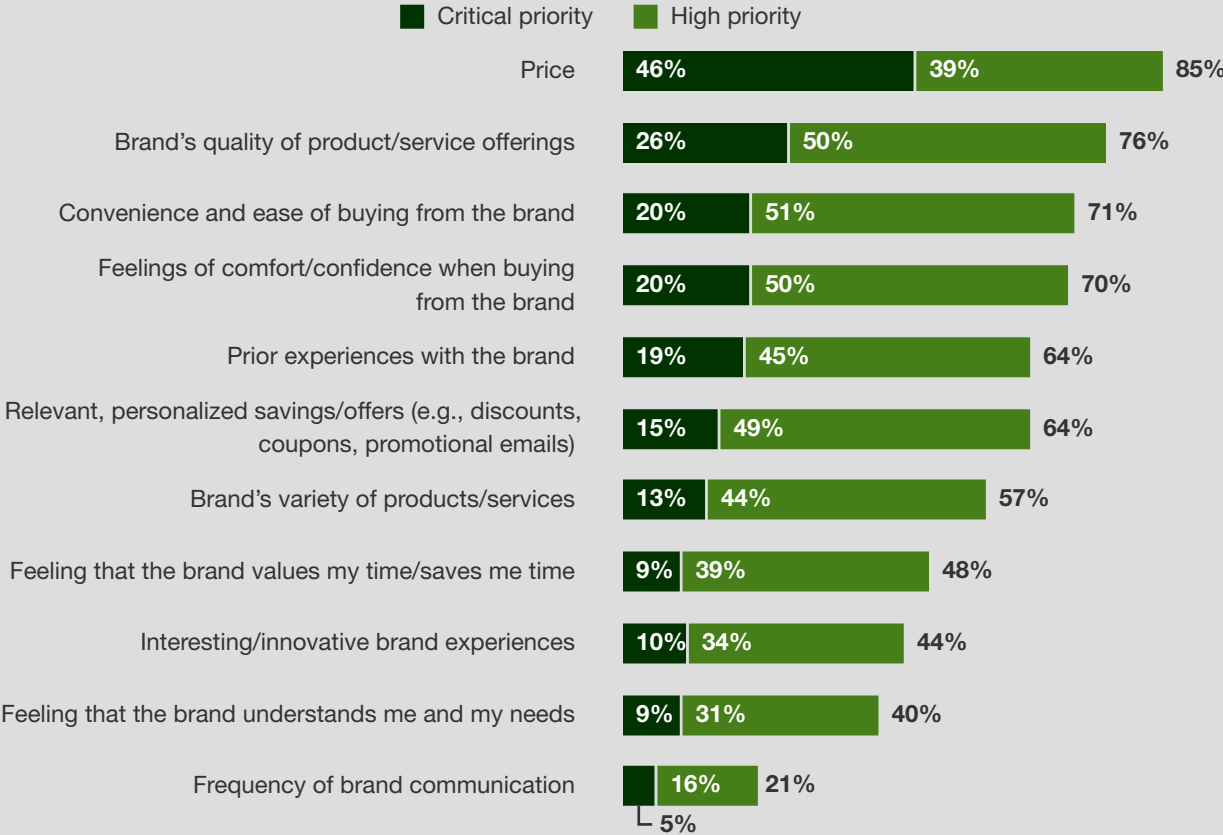
Firms And Consumers Are Perilously Disconnected

Our survey of 548 consumers indicates that when making purchase decisions, consumers primarily judge brands on quality, convenience, and price. But in today’s customer-centric environment, these factors are the bare minimum firms need to bring to the table. Consumers are also purchasing products based on their individual experiences: comfort and confidence when purchasing from the brand and savings and offers tailored specifically to their preferences (see Figure 2).



Figure 2

“Thinking about your shopping habits for a product or service, what priority do you place on the following factors when deciding from whom to purchase?”



Base: 548 global consumers
 Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2019

Furthermore, two out of five consumers largely base their purchase decisions on whether or not they feel the brand understands them and their needs. Sixty-four percent of consumers say they want relevant and personalized offers, but only 40% require a feeling that the brand understands them and their needs. This means that firms must strike the right balance between personalized offers and overbearing messaging to resonate with consumers fully.

However, there is an immense gap between brand perception and customer reality. Ninety percent of firms say that personalization is imperative to their overall business strategies, implying that they place a huge emphasis on creating and refining their personalization strategies. However, 52% of consumers say they don't see their experiences improving, even though they feel like brands are trying to get to know them. While firms may be putting in the effort, they are falling short in the eyes of consumers and they don't even know it.

In other words, B2C firms think they're getting personalization right, but they are often missing the mark with the customer experiences they are delivering (see Figure 3).

Two out of five consumers base their purchase decisions on whether or not they feel the brand understands them and their needs.

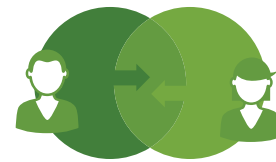
Figure 3



Base: 372 personalization decision makers, 548 global consumers
 Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2019

This dichotomy is also evident in the channels and touchpoints where firms choose to focus personalization efforts. Most firms report personalization of app experience, video, web pages, and social media. However, these same touchpoints are the ones consumers say leave something to be desired (see Figure 4). Firms are actively trying to personalize as best they can, but they may not realize they are referring to their actions as “personalization” when that may not actually be the case. Very few have “segment of one” capabilities, which is reflected in the consumers’ views of their efforts.

What is most alarming about the fact that firms already feel like they’re doing well at personalization is that it also means they feel like they don’t need to make any changes. But the fact of the matter is that firms have a “good, not great” approach to personalization. And consumers demand great.



Firms have a “good, not great” approach to personalization - and consumers demand great.

Figure 4

“To what extent are you personalizing each of the touchpoints in your strategy?”

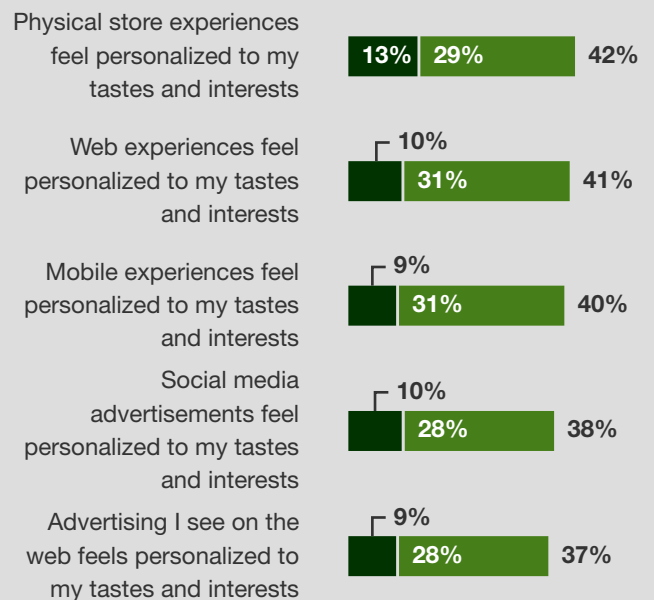
■ Using segments of one (individualized experiences addressing real-time customer intent)



Base: Variable personalization strategy decision makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2019

“How would you rate the following aspects of your brand interactions overall?”

■ Always ■ Frequently



Base: 548 global consumers

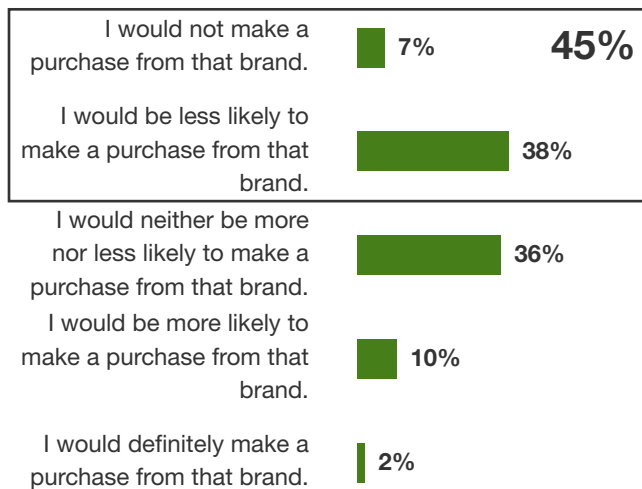
PERSONALIZATION MISSTEPS COME WITH A PRICE

It is imperative that firms get personalization right to remain competitive and relevant, and getting it right requires delivering an experience that's correct for a given customer. In other words, when a brand gets it wrong, an experience can't be defined as personalized.¹ Unfortunately, getting it wrong can translate to a negative impact on the bottom line. Forty-five percent of consumers say they would be less likely to purchase or not purchase at all if the experience a brand provides is different from their ideas of the ideal experience. Even worse, if firms are unable to provide the experience customers wish to receive, firms risk losing an unhealthy number of customers. Nearly a third of customers say their preference is strong enough to require experiences tailored specifically to their needs in order to make a purchase (see Figure 5).

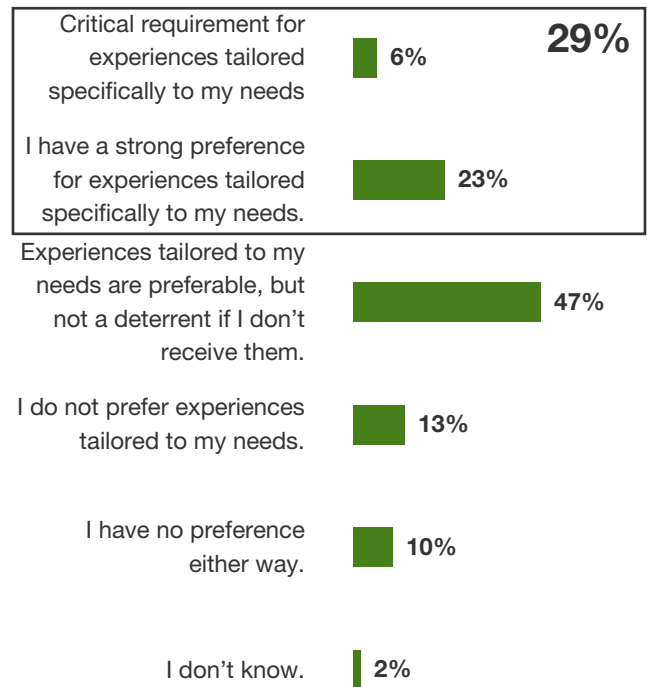
45% of consumers say they'd be less likely to purchase or not purchase at all if the experience a brand provides is different from their perceived ideals.

Figure 5

“If the experience a brand provides you differs from your idea of the ideal experience with that brand, what impact would that have on your purchase decision?”



“To what extent do you prefer brands to tailor experiences to your individual needs?”



Base: 548 global consumers

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2019

EXAMPLE IN ACTION

Ivy was recently in the market for a new washing machine. It was a very high consideration purchase for her. She spent a few weeks looking at product reviews, researching different models from Acme Corp. and other retailers, but ultimately decided not to purchase at the time. Over the weekend, she visited the Acme website to order paper towels.

But Acme misread the situation. When Ivy no longer browsed washing machines and shifted her focus to paper towels, Acme should have reminded Ivy of the fast and free shipping options. Instead, Acme provided Ivy with in-depth product reviews for its line of washing machines instead of giving her something more applicable to her immediate purchase need. Because Acme hadn't created a dialogue with Ivy across digital touchpoints to better understand her, the retailer wasn't able to capture the nuances of each individual shopping journey.



Where Personalization Strategies Fall Short

By and large, individuals in organizations are not incentivized to work together toward common and connected goals, and that results in personalization strategies that are incredibly siloed. More than half of firms (57%) are handcuffed by siloed and disconnected approaches that constitute multiple personalization strategies that individual departments or teams create and manage independently. And while most firms report marketing and customer experience (CX) departments are most commonly responsible for personalization strategies, an average of five groups are reported to be involved. These siloes can lead to miscommunication and missed opportunities for a refined strategy.

While the disconnect between firms' understandings of what they think consumers want and what consumers actually want is arguably the biggest roadblock, firms also face a handful of internal challenges that don't make this endeavor any easier. Firms can better round out their approaches to personalization with improvements to data management and technology innovation and a reevaluation of metrics.

DATA WOES AND TECHNOLOGY LIMITATIONS

While firms have no shortages of data, they often fail to do the work of creating data strategies that turn data into insights and insights into action. In fact, four out of firms' top five technology challenges are centered around data (see Figure 6). From data management to utilization, firms feel lost. They say they're capturing data, but they feel it might be the wrong data to correctly inform their decisions. As such, firms feel challenged by what to do with the data they collect, how to integrate it, and how to leverage it to its fullest extent.

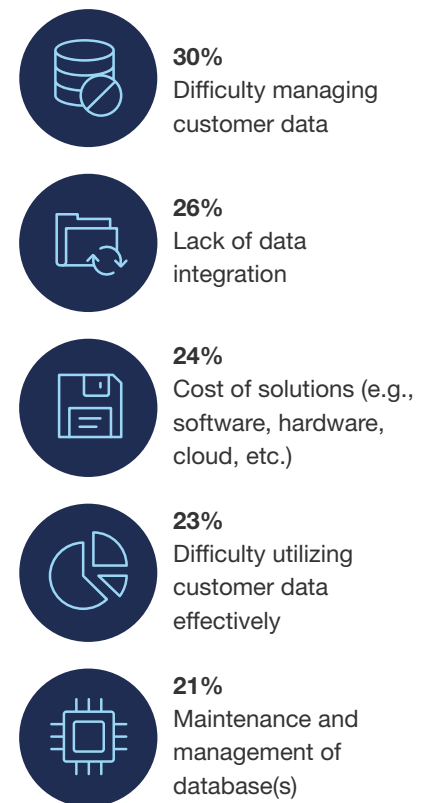
It's not that firms aren't collecting data. They most commonly utilize transaction data (49%), demographic data (41%), prior purchase data (38%), and survey data (37%) to inform their customer profiles. But firms are only using an average of six data sources to inform these decisions, which means most are missing opportunities to pull additional insights. While firms may be collecting other types of data in other places like customer preferences, physical location interactions, or campaign response data, they have yet to funnel it into understanding their customers.

What's more, 55% of firms feel technology limitations inhibit their ability to execute on personalization strategies. As it stands currently, firms are using a swath of technologies, and many plan to make changes to their tech strategies over the next year (see Figure 7). Areas that currently have the lowest incidence of implementation (AI/machine learning and advanced analytics) are promising endeavors and drive the most future planning and investment going forward.

55% of firms feel technology limitations inhibit their ability to execute on personalization strategies.

Figure 6

“What technology challenges does your organization face in pursuing its B2C personalization efforts?”
(Top five shown.)

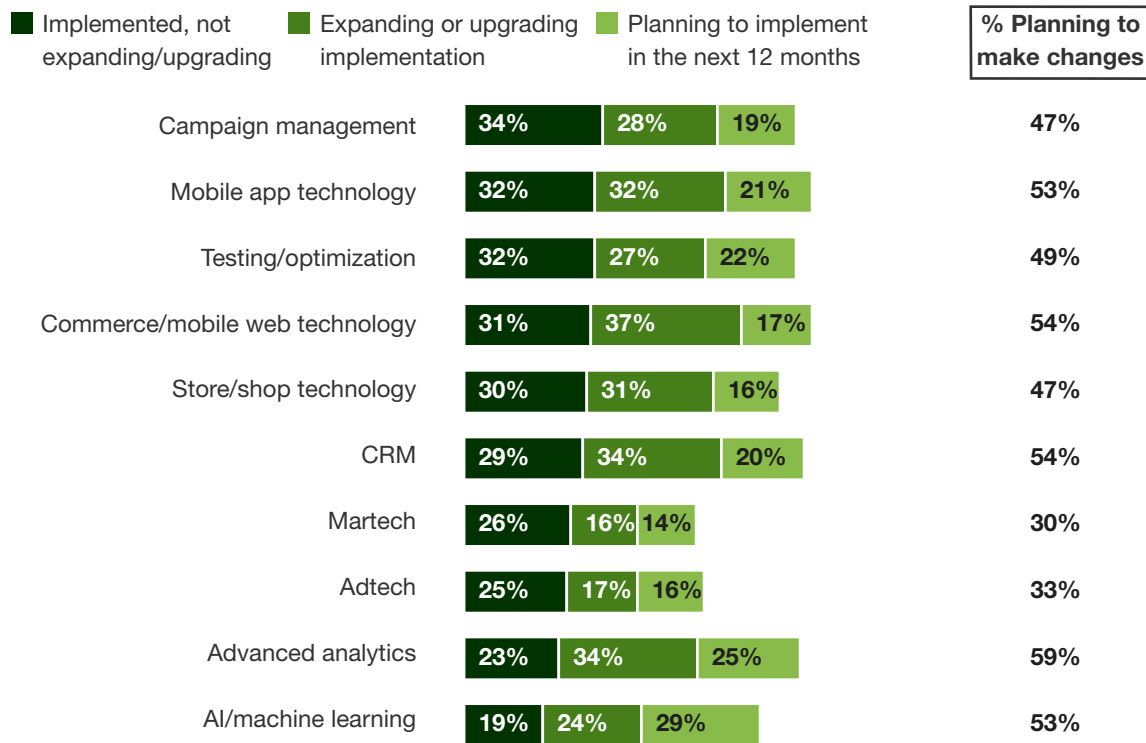


Base: 372 personalization strategy decision makers

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2019

Figure 7

“What are your organization’s plans to use the following technologies to support your B2C personalization strategy?”



Base: 372 personalization strategy decision makers

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2019

SUBPAR METRICS

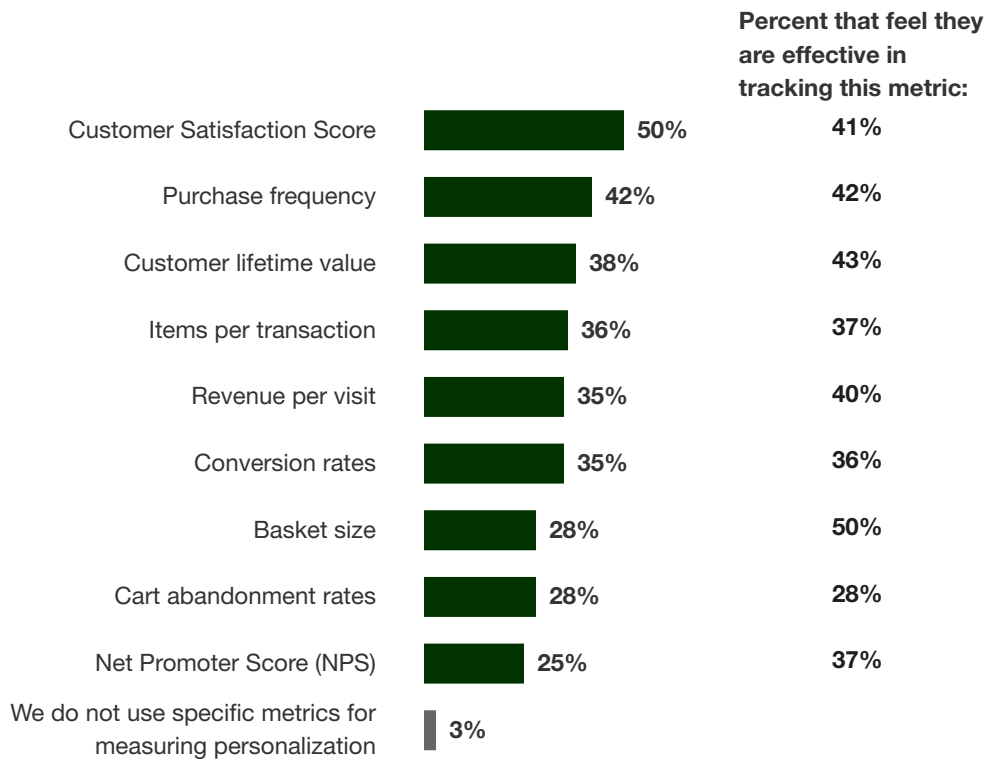
It’s not just data that firms struggle with - the ability to track and measure success is also a hindrance. Only 30% of firms feel they have the right metrics in place to measure the success of their strategies, and just 26% say the metrics they track offer them good insights into the success of their programs. What is causing this lack of confidence in their metrics? And why aren’t the insights good enough? Again, this comes back to lacking a comprehensive data strategy that clearly defines and aligns the firms on the connective tissue between the data and the insights they can generate. This is imperative for all levels, from head executives to customer-facing employees. The entire organization must be singularly aligned.

The good news is that firms are beginning to look beyond the nonactionable Net Promotor Score (NPS) to gauge customer satisfaction. They are starting to look to customer satisfaction scores, purchase frequencies, customer lifetime values, and items per transactions. But the bad news is that very few firms feel they are effective in tracking these metrics (see Figure 8). Many firms still feel inexperienced enough in these areas that they have yet to figure out how to optimize their efforts.

Only 30% of firms feel they have the right metrics in place to measure the success of their strategies.

Figure 8

“What metrics are you currently using to track your B2C personalization efforts?”



Base: 372 personalization strategy decision makers

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2019

EXAMPLE IN ACTION

Acme Corp. builds customer profiles using the data it collects directly. But data that is captured through vendor solutions like chatbot conversations did not feed into its database. The retailer hired a data associate to manage the system, ensure all data integrates correctly, and provide analysis and recommendations to customer-facing business units to inform personalization decisions. The data associate tracks the progress of the strategies by reviewing all metrics to see what the impact of data coming from new sources has on the business.

For Ivy, this means that Acme has a better understanding of her entire path to purchase. After the data was integrated to the internal system, Acme pulled her chatbot conversation into its own system so it could provide her with a more relevant experience. When Ivy next logged onto Acme's app to pay her bill, the retailer presented her with a message that states the company hopes she feels the specific issue she raised in the chatbot has been resolved to her satisfaction. When she switched to the website to get ideas for her son's upcoming birthday gift, Acme presented her with a reminder that she can feel confident in her purchase because of its 100% satisfaction guarantee. As a result, Ivy made the purchase, and it raised her customer satisfaction score when Acme next surveyed her.

Getting Personalization Right Pays Off

Firms know they need to right the ship and are actively looking for ways to improve. Over the next 24 months, 97% of firms plan to continually improve their personalization strategies. They are beginning to recognize and act on self-diagnosed challenges, and they place emphasis on improving content intelligence, improving their data strategies, and tracking additional metrics (see Figure 9).

But getting personalization right doesn't mean making the consumer feel like personalization is being applied to them. In fact, great personalization should rarely be so overt. When personalization is done right, it's "coincidentally" convenient and provides an organically enjoyable experience.

When personalization is done right, it provides consumers an organically enjoyable experience.

Figure 9

“What are the top improvements your organization plans to make to its B2C personalization strategy over the next 24 months?”



Base: 372 personalization strategy decision makers

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2019

STRONG PERSONALIZATION STRATEGIES LEAD TO ECONOMIC RETURNS

Personalization is heavily tied to other initiatives within companies. Ninety-one percent of firms report initiatives that are tied to personalization, including advanced analytics, mobile app improvements, and mobile web improvements. Personalization is not just a marketing improvement. It is an enterprisewide improvement with effects that can be felt throughout firms, which emphasizes the need to do this right.

Thus far, firms have seen marked improvement in satisfaction, retention, and revenue as a result of their existing personalization strategies (see Figure 9). As a result of their personalization strategies, firms have seen:

- › **Improved customer satisfaction.** On average, firms' NPS scores were 43.5 before their personalization strategies. As a result of improving their personalization strategies, NPS scores increased by an average of 18.37 points.
- › **Revenue and retention rate improvements.** Firms report an average of a 5.63% increase in sales revenue, a 4.64% increase in customers won, and a 2.81% improvement in customer retention rates.
- › **KPI and cost improvements.** Firms experience a 10.82% increase in email click-through rates, a 2.69% improvement in commerce conversion rates, and an 11.22% decrease in the cost of marketing.
- › **Increased order size and value.** Firms experience an average of 13.25% improvement in cross-sell/upsell opportunities, a 2.57% increase in average order value, and a 10.26% increase in order frequency.

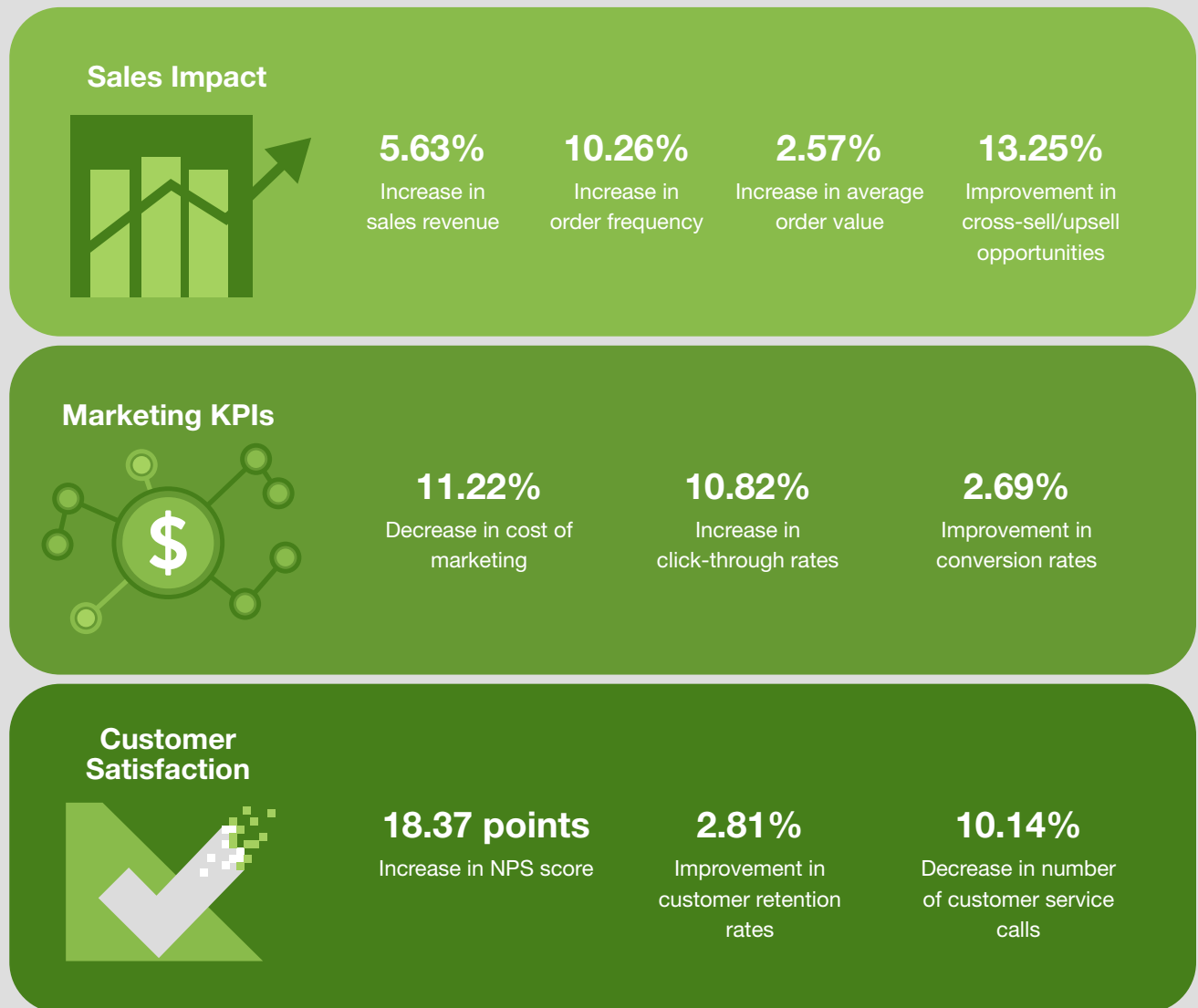
Additionally, firms report improved customer loyalty (33%), increased customer engagement (33%), and faster innovation (23%). As personalization strategies improve, we see an improvement in the overall business outcomes of organizations. If this is the result after doing it “wrong,” imagine the results that could be achieved when firms can get personalization “right.”



Personalization is not just a marketing improvement. It is an enterprisewide improvement with effects that can be felt throughout firms, which emphasizes the need to do this right.

Figure 10

The Benefits of Personalization



Base: 372 personalization strategy decision makers

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2019

Personalization strategies are highly unique to each individual company. It is far from a “one size suits most” scenario. But if firms can get personalization right, it will benefit the customer experience across the board in the following ways:

- › Sixty-four percent of consumers would be more likely to establish loyalty with a brand they feel knows them.
- › Sixty-six percent of consumers say they would be more likely to make more purchases if promotions were more personalized to their shopping habits.
- › Fifty-eight percent of consumers are more likely to spend more with a brand they feel knows and understands them.

EXAMPLE IN ACTION

At its annual review, the Acme Corp. business analytics team is able to tie the effective personalization strategy with the received reward of a 2.3% increase in revenue and glowing customer feedback. In fact, Ivy filled out the customer review survey on her mobile app while waiting for her daughter’s bus, and she provided honest feedback about her experience with Acme in the past year. In her review, Ivy said, “Acme has made it easy for me to do the things I needed to do and was able to predict what I would need when I needed it.”

Acme is looking now to improve the personalization results it has achieved, but feels that its team is both too busy and not skilled enough to take the deeper level of effort to accomplish this. Therefore, while Acme will continually review its data strategy to inform personalization changes, it is also interviewing vendors that provide options for building on top of its current success to help the company meet future goals.

Key Recommendations

Forrester's in-depth survey of personalization decision makers and consumers yielded several important recommendations about personalization:



Redefine personalization across the organization. Historically, personalization has been defined as brands using technologies to make product or service recommendations to customers. However, today's definition of personalization (delivering relevant experiences for customers that also add perceivable value along the entire customer lifecycle) is much broader and not limited to marketing-centric activities. This allows firms to deliver personalization in new ways by crafting experiences that save customers time, let them feel a greater level of confidence when purchasing, and remove significant pain points for them along the path to purchase.



Challenge your firm's assumptions about what customers value. As digital-savvy consumers get exposed to improved and technology-enabled experiences, they raise their expectations for all experiences and become instantly critical of what was once considered acceptable and worth exchanging for their loyalty in the past. Firms today must realign with how customers' expectations have changed. They must realize that what the customer values and their perceptions of what provides ease, simplicity, and convenience have evolved. To accomplish this, firms must throw out old assumptions and use new data to get to the heart of what it takes to win, serve, and retain customers.



Start and scale quickly with untapped existing data. Firms must proactively approach data-driven personalization to get the most out of what it can offer. Unfortunately, even those companies that have good, quality data are utilizing very little of it, and they usually only use it for traditional methods of engaging the customer (emails and web recommendations). Companies should start by working with internal or external strategists who know how to identify where customer experiences can be improved through personalization using data the firm is already collecting. In other words, work better with the data you have as you develop an approach to capture new data that creates a deeper understanding of customers.



Create a robust data strategy that supports business objectives.

To maximize value and optimize experiences, firms must have data strategies that capture high-quality, relevant, and actionable data that fills gaps in their understanding of the customer. This goes beyond low-predictive values of age, gender, income, and the most recent product/service purchased. Firms must identify appropriate touchpoints and moments to create dialogues with customers — both explicit and implicit — that reveal each customer's genuine preferences and satisfaction triggers as they traverse the buying lifecycle. The success of a personalization strategy is wholly dependent on the depth of understanding a firm can achieve about its customers and prospects.



Evolve to an enterprisewide and unified personalization strategy.

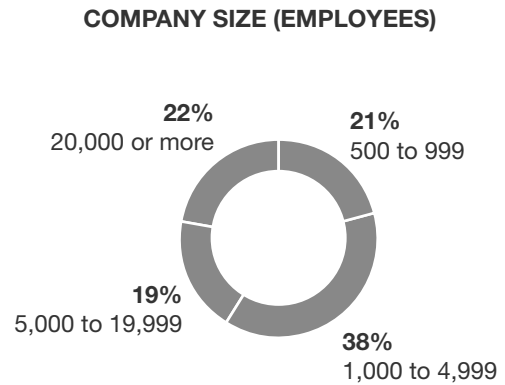
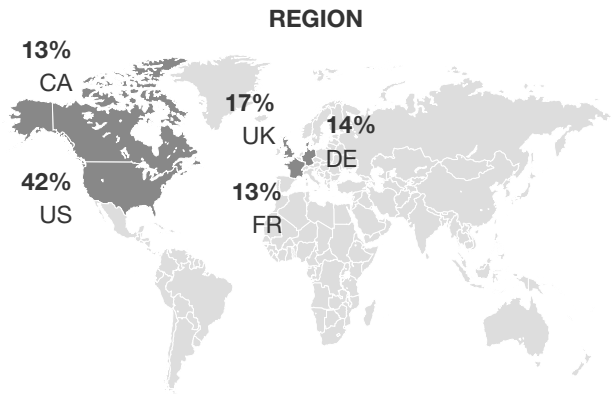
Consumers today can shop when and where they want, often engaging in multiple touchpoints — both digital and physical — before making a buying decision. As such, firms cannot create single-channel personalization (such as email) and tout that they are optimally serving a customer's needs. Similarly, customer experiences across channels should not be disconnected or siloed moments that only take into consideration historical interactions within each channel separately. As customers move across channels — both commerce and marketing — experiences should retain relevancy and value in a consistent and continuous manner.

Appendix A: Methodology

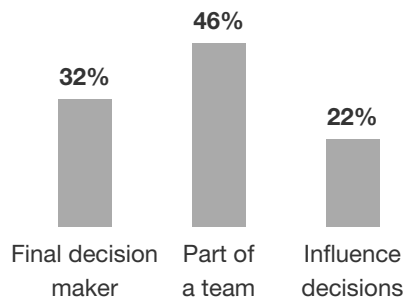
In this study, Forrester conducted an online survey of 372 personalization strategy decision makers and 548 consumers in the US, Canada, the UK, France, and Germany to evaluate the intricacies of personalization strategies and how they impact consumers. Survey participants included B2C personalization strategy decision makers and consumers over the age of 18. Respondents were offered incentives as a thank you for time spent on the survey. The study was completed in December 2019.

Appendix B: Demographics/Data

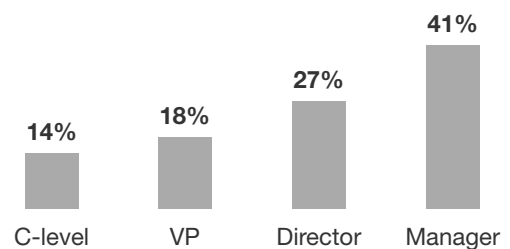
Decision makers



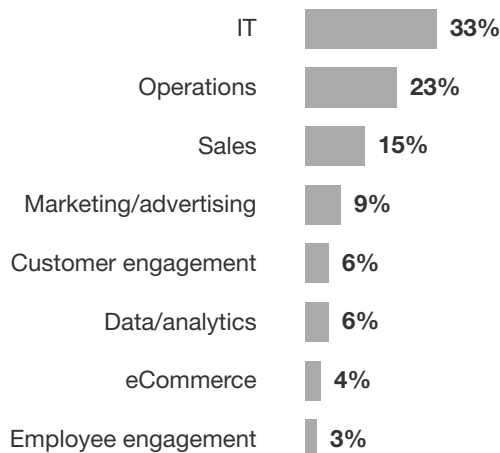
B2C PERSONALIZATION STRATEGY RESPONSIBILITY



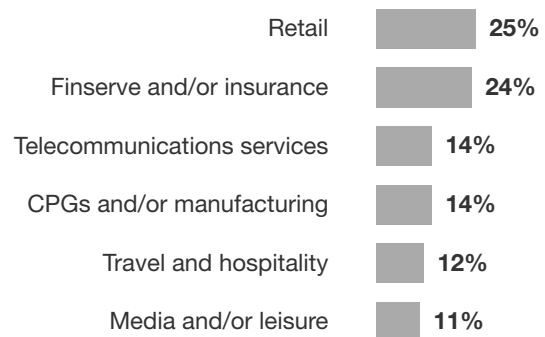
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DEPARTMENT



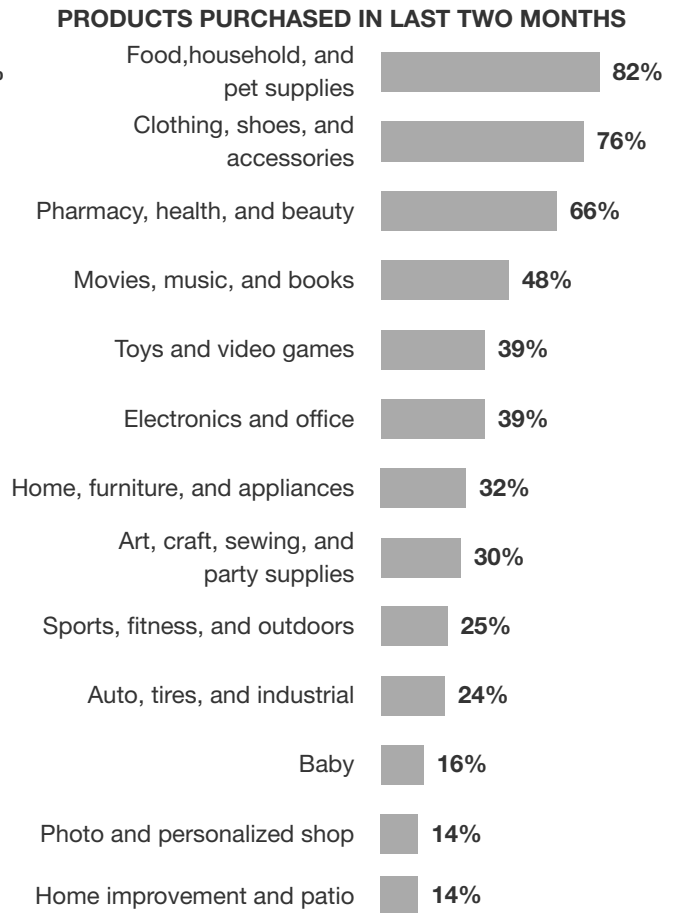
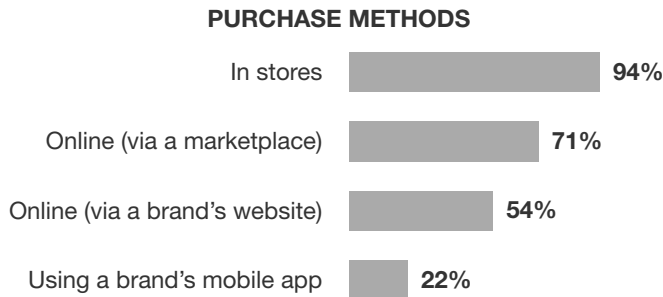
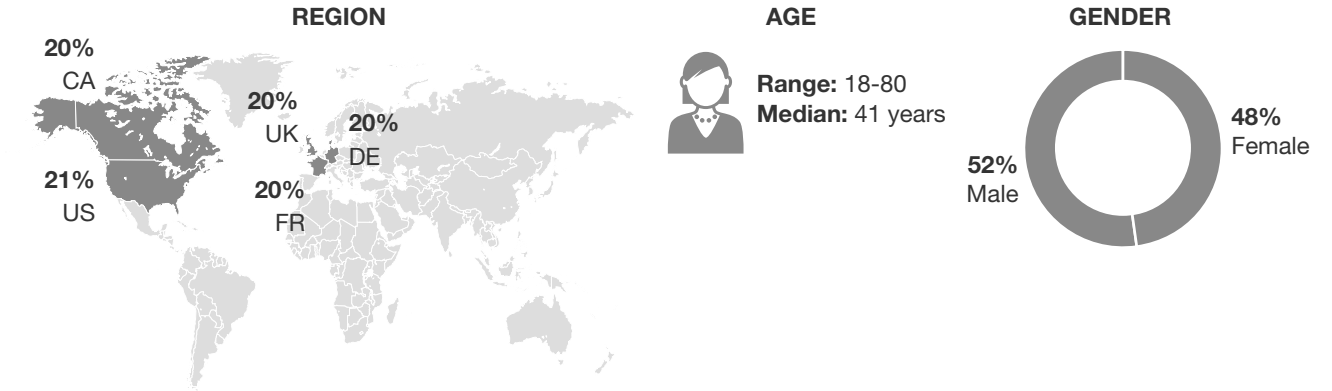
INDUSTRY



Base: 372 personalization strategy decision makers

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2019

Consumers



Base: 372 personalization strategy decision makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, December 2019

Appendix C: Endnotes

¹ Source: "There's No Personalization Without Content Intelligence," Forrester Research, Inc., Oct. 25, 2019