

Putting personalisation into context

**Personalisation is not enough to engage with overwhelmed consumers
– retailers need to deliver the right message at the right time**



Researchers at the University of Cambridge have just created an algorithm that uses Facebook 'likes' to determine an individual's psychological traits. Impressed? That's not the half of it. Apparently the computer can judge personality more accurately than workmates, friends or family members. In fact, given enough 'likes' to crunch (300), it could even rival a spouse on a range of psychological traits including conscientiousness and neuroticism.

This might take us one step closer to *Minority Report*, but the finding has important social and economic implications – the ability to judge personality is an essential component of social living; who to marry, hire or elect as Prime Minister. There is also commercial potential. "Products and services could adjust their behaviour to best match their users' characters and changing moods," according to the research.

Giving the British Retail Consortium's annual retail lecture last year, Dixons Retail boss Sebastian James suggested that making sense of big data – including social media activity, online history and ecommerce interactions as well as traditional customer data – will be the challenge and opportunity for retailers.

"What customers express in terms of their likes and dislikes, they discuss quite openly on social media websites," he said. "The true skill today is processing that data, inventing tools to manage that data and, above all, placing and contextualising that data."

Retailers will also have to convince consumers that the data they have is being used in their best interests. The use of algorithms to adjust price depending on factors such as a user's choice of browser, location and purchase history has received plenty of attention. *The Wall Street Journal* suggested that "the idea of an unbiased, impersonal internet is fast giving way to an online world that, in reality, is increasingly tailored and targeted".

Those concerned with privacy will long argue that a

65% of shoppers appreciate personalised offers via email, but only 33% say the same about texts

future in which machines read our minds should be confined to the cinema rather than applied on the high street. Retailers should recognise that with big data comes big responsibility, but can this collection, mining and application of data provide what customers really want: the right message, through the right channel, at the right time?

This white paper, with accompanying exclusive consumer research, assesses how retailers can use technology and data to get closer than ever to their customers through this so-called contextualised engagement and what the pitfalls and rewards might be.

GREAT EXPECTATIONS

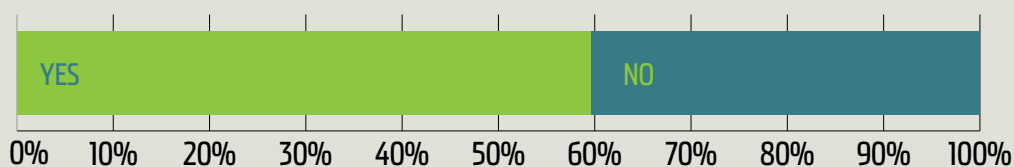
Consumers expect constant connectivity and interactivity with retailers, but research shows many feel overwhelmed by marketing messages – so they ignore them. Of the 14 billion emails sitting unopened in inboxes, half are from brands. "We are wearing people down with irritating, inappropriate emails," admitted the chief executive of a high street specialist to *Retail Week*. Not to mention texts, Facebook posts, tweets and myriad other channels through which retailer-customer dialogue now takes place.

This is the paradox for today's retailer: technology has made it easier, quicker and cheaper than ever to connect with customers, yet never has it been harder to engage with them. "Our ability to capture and maintain the attention of customers is more challenging than ever before," admits Sweaty Betty head of ecommerce Aalish Yorke-Long.

And the National Center for Biotechnology Information can prove it – it has found the average human attention span has dropped to eight seconds, a second less than that of a goldfish.

A paper published by Harvard Business School in 2014 – *The rising cost of consumer attention: why you should care, and what you can do about it* –

Is your choice of retailer online influenced by getting recommendations based on **previous browsing & purchasing history**?



SOURCE: RETAIL WEEK

provides further insight: the percentage of ads receiving high attention has decreased from 97% in the early 1990s to less than 20% today. Explanations include ad clutter, distrust, media proliferation and diminishing attention spans.

Indeed, through digital communication – email, mobile, web, social media and so on – marketers have relied on mass-marketing to deliver a singular message across channels. As engagement and return have diminished, so the net has been cast wider. But a tipping point has been reached and now brands are attempting to get personal again – and data holds the key.

PERSONAL TOUCH

It's no longer enough to capture data from websites alone; individual-level behavioural data is available from a variety of online channels, including social media, mobile websites and apps. Marketers have become adept at using this to personalise recommendations and offers.

Sweaty Betty has created a more “customer-centric user experience” on the retailer’s website. By cross-referencing shopping behaviour with product specifications, visitors see product recommendations that adjust in real-time. This level of personalisation “improves the fluidity and navigation of the customer journey online, exposing new relevant products, whilst building trust and loyalty with our shoppers,” says former Sweaty Betty ecommerce trading executive Cali Abbott.

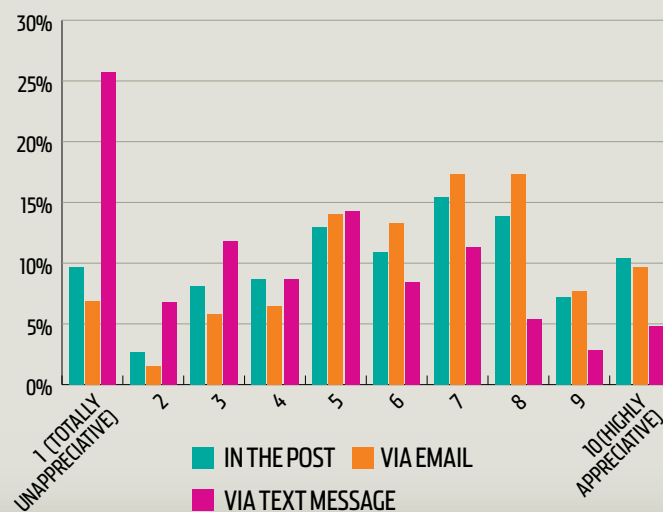
Investment in this kind of data analysis is astute. As the senior vice-president for digital marketing and commerce at another clothing retailer explains: “One thing we keep stressing to our teams is that data is at the centre of everything and if you don’t understand your business through that data [and] if you don’t understand your consumers through that data then you will not be able to sell properly.”

Sweaty Betty has enjoyed a 75% increase in order value and a 58% increase in conversion through the application of data and personalisation of the web experience. A survey by market intelligence firm IDC and RichRelevance in 2013 showed customers who feel more satisfied as a result of personalisation are more likely to return to a website. They also found that nearly a third (31%) of customers feel personalisation improves shopping, while 27% say it makes the product line-up appear more relevant.

PERSONALISED PROMOTIONS

More individualised targeting means less interruption and, instead, more genuine value and engagement, according to Sam Williams-Thomas, chief executive at advertising business OgilvyOne UK. That is clearly something consumers crave. After all, they are overwhelmed by irrelevant communications, confused by

On a scale of one to 10, how much do you appreciate being sent personalised offers?



SOURCE: RETAIL WEEK

choice and suspicious if brands get too close. In surveys with more than 60 retailers and 2,000 consumers, retail solutions provider OrderDynamics found that 74% of retailers promote irrelevant items to shoppers – a noteworthy example being the shopper who saved men’s fleecewear in his online shopping basket only to be sent emails about women’s sweaters. In fact, 74% of online retailers miss out on sales by promoting items that the recipient has no interest in.

Our research, with 1,000 consumers, suggests some retailers might be starting to get it right though. Asked whether their choice of online retailer is influenced by recommendations based on previous browsing and purchasing history, 60% said yes. The likelihood of this service having an impact is inversely proportional to age, with those saying yes highest in the 18 to 24 demographic (71%) and lowest among the over 55s (51%).

The extra-personal touch can go a long way. A study by website measurement firm Webtrends found that, of the 20% who never open branded emails, three in five would do so if they were personalised. Add in an offer and the acceptance will climb further. Our research shows that almost two-thirds (65%) of consumers appreciate personalised offers sent via email – ranking it six or above on a scale of one to 10 where 10 is ‘highly appreciative’. Very few consumers (6.9%) appear to be totally unappreciative of an email with an offer.

When it comes to a text, however, it’s a different story. More than a quarter of shoppers (26%) are ‘totally unappreciative’ of personalised offers sent by

SMS. This compares with 7% who feel the same about emails. In fact, more are comfortable with offers sent by post (58%) than text (33%).

CLOSER THAN CLOSE

Just how personal to get with customers is a challenge. “I’ve not met Mr Amazon but when I log into my account I get the feeling he knows a lot about me and I keep spending,” says Thomas Arenz, head of marketing communications at Samsung Semiconductor Europe. “You’re walking a fine line between big brother and something that’s exciting and customers want more of.”

That is certainly the case for retailers looking to take personalisation a step further. Contextualisation can add situation, predictive and real-time elements to the existing tenets of personalisation. Instead of showing consumers what retailers sell, it shows shoppers what they want to see. Through data, retailers can obtain a better understanding of customers’ personalities, and in turn tailor content to their interests and even their mood at a particular moment, explains Williams-Thomas in a recent blog. “This increases the likelihood that the brand’s content will connect in the right way at the right time and therefore achieve its objective,” he adds.

As James alluded and the Cambridge researchers discovered, social media has added a layer of unstructured, behavioural data that can be a powerful ally in this process. “We are at last seeing the point of social media,” says the customer director of a multi-brand online retailer. “We want to understand what sort of interactions are taking place on social to get a more rounded picture of our customers. We want to know what they are talking about. For example, if one of our customers is on social about their impending house move we can use that information to drive products that they may be interested in when they move.”

For retailers, the power to predict is enticing. Aimie Chapple is managing director for innovation at global consultancy Accenture. She says that adding social, mobile, or other unstructured or external data into analytics is where “you can expect to start finding pearls, invaluable insights that would otherwise remain invisible to traditional analysis methods”.

But care has to be taken not to overstep the mark. “All of us are giving away data all of the time, often without realising it, and as somebody working with big data it is very easy to get excited about its ability to predict customers’ next moves, without considering how the customer will perceive this targeted approach,” says Chapple.

The story of the money-saving coupons sent to the home of a pregnant teenager and opened by her incensed parent will be familiar to most. The retailer, Target, analysed data to calculate a ‘pregnancy predic-

tion’ for shoppers based on purchases made (lotions, vitamin supplements etc). The girl in question hit the desired score and was then targeted with offers. Her father hit the roof and marched into a store to demand an explanation. However, in this case big data had the upper hand. “It turns out there’s been some activities in my house I haven’t been completely aware of,” the father said in an apology to the store.

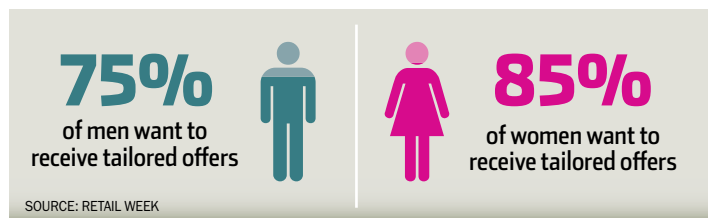
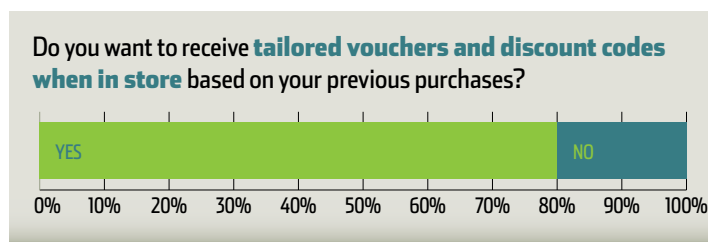
SOCIAL AWKWARDNESS

Whether shoppers want retailers ‘spying’ on their every digital move is a moot point. Webtrends found 58% of Brits are relaxed about the data they share with brands. The good news for retailers is that it’s their brands the public appear to trust most – 64% would give an email address to a retailer compared with 49% who would share that information with a travel agency. Just 5% would offer personal details to a charity.

Networking equipment giant Cisco has delved a little deeper and identified a ‘trust cliff’. A critical mass of consumers are happy to share basic information (purchasing behaviour, age and hobbies) it says, but beneath that there are areas of doubt where trust diminishes, and so too does willingness to offer details on location or purchases made at other retailers. Online reviews, family information and social media activity were considered no-go areas.

But here’s the catch 22. Cognizant’s Shopper Survey recently found 44% of consumers agreed their experience across various touchpoints – such as online, in store and on social media – is important to forming an overall opinion about a product. It also found that customers want a more tailored shopping experience.

Cisco concludes, in its 2015 report *Winning The New Digital Consumer With Hyper-Relevance*, that



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retail competitive dynamics will be governed by who wins permission to leverage certain types of data. Using it to contextualise the engagement is certainly seen as a potential win. “The only way I think personalisation is ever going to have an impact is if it is relevant to the consumer, is contextual and makes sense in that moment,” says Michael Olmstead, director of Plug and Play Retail, a start-up incubator.

Mobile engagement solutions firm Brainstorm chief executive Donald Stuart adds: “A poorly judged message is likely not only to fall on deaf ears, but also engender a negative impression of the brand. Database attrition is the last thing any marketer wants to happen.”

DOORS WIDE OPEN

So the message from consumers is clear: we’re happy to open up, but abuse our data and the door will slam shut. On the other hand: give us what we want and we could open it a little wider. Perhaps unsurprisingly it’s the millennials that appear most willing to leave the door ajar. Havas Media has found that young consumers are happy to be advertised to, so long as they are provided with what they need.

The survey for this paper also shows a willingness among younger shoppers to engage through social media, with far more 18 to 34 year olds (59%) having purchased an item based on a recommendation through a channel such as Facebook or Twitter than those over 35 (30%).

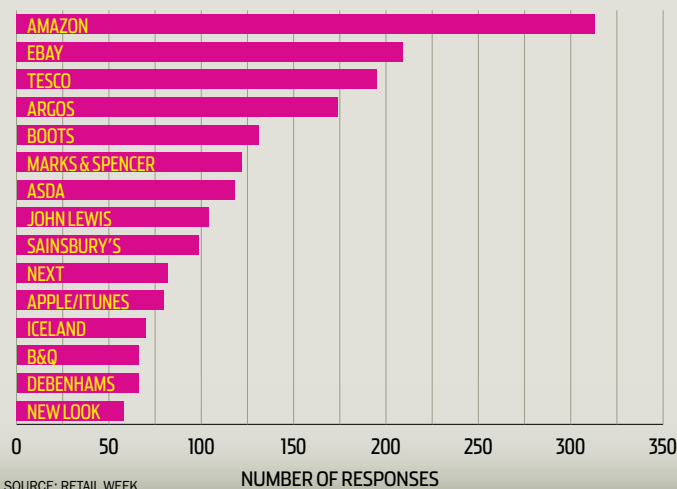
Havas Media head of futures Amy Kean explains: “You need to work hard to win these customers over but when you do, 52% are happy to be contacted via social and mobile once they are already a customer.” This is a critical point, and one also identified in other research.

The November 2014 report by Cognizant *Delivering Compelling Customer Journeys*, based on a survey of more than 2,000 UK residents of all ages, found that 24% wanted their favourite speciality retailer to work with social networks to provide better experiences and special promotions. And yet only 1% wanted promotional messages over social media, and those that appeared ‘out of the blue’ on their Twitter feed are a particular turn-off. The report concludes: “British shoppers are resistant to marketing they feel is intrusive or inappropriate. Personalised, relevant and timely messages are the key to rewarding shoppers for their attention.”

LOCATION, LOCATION, LOCATION

Timing is everything. Big data has enabled retailers to anticipate needs and the Target case above shows where it can go wrong. But perhaps the retailer was trying to run before it could walk? Mothercare has fol-

In your opinion, which retailers best use **social media** to engage with you as a shopper?



lowed a similar, albeit less complex, approach. The retailer uses its customer database to identify shoppers’ life events and predict what they need before they’ve realised themselves. For example, six months after buying a feeding bottle, mothers are sent emails with weaning advice and offers.

Small steps, but the technology available and the data floating around is tempting others to be more adventurous. Market research firm Forrester principal analyst Rusty Warner explains: “Because of the masses of data available from digital channels, we also have more opportunities to mine the data and develop predictive algorithms. Of course, we need to do that more quickly than in the past – digital implies real-time or near-real-time, and remember we need to act within an ever-shrinking attention span to reach the customer.”

The importance of timing is perhaps reflected in the finding from our survey that only 27% of consumers have seen a TV ad and then immediately bought the relevant product on their phone. TV advertising is becoming a blunt tool in an age where personalisation and precision are key marketing tactics. This is the difference big data can make, says Joel Gurin, author of *Open Data Now* – it’s the precision, depth and accuracy.

Julie Vaccaro, product marketing manager at IBM, says there is recognition that real-time personalisation – which doesn’t just involve a retailer making an advance decision about what message a customer will see the next time they interact with them, but instead means being prepared to make a decision during a live interaction – is a powerful tool. “When executed properly, the rewards of personalisation can be enormous

– increasing sales and revenue, enhancing online conversion rates, boosting average order value, and strengthening customer loyalty and retention.”

However, “only a handful of companies are putting it to great use”, according to Vaccaro. Or perhaps only a few are talking about it.

Blair Freebairn is partner at location data specialist GeoLytix. He admits that “the closer you get to the real make-a-difference stuff and the further you get from vendor spin, the more nervous [my] customers get”.

Cloud business Innometrics EMEA director Andy Walker says personalisation, big data and contextualisation are all in their infancy. But by the end of the year he expects to see some “big, clear case studies” emerging as retailers evolve. “The infrastructure is there and works – now it’s how brands use it. The major retailers are all trying to differentiate their experience so they will try and push the boundaries,” Walker says.

There is competitive advantage to consider: research cited in a Harvard Business Review blog suggests that personalisation can deliver five to eight times the ROI on marketing spend and lift sales 10% or more. Williams-Thomas says the benefits to customers cannot be overlooked either: if marketers have a better understanding of their wants, needs and demands, content can be tailored and consumers can expect better experiences. As the *Retail Week Serco* report *Customer Experience – How To Win Consumers In Today’s Retail Battleground* concludes, consumers not only want an efficient multichannel shopping experience, they also want one that “delights – [which] will undoubtedly involve the use of big data to personalise the experience as far as possible”.

MOBILE

The report also found that mobile will be critical in terms of transaction, reaction and inspiration. It will also be a key battleground for contextualised engagement, not least because shoppers are always on and in touch with every digital channel. Smartphone penetration has reached 65% (Kantar, November 2014), while mobile sales now account for 43% of online transactions in the UK, according to Ayden’s quarterly Mobile Payments Index.

“Although in-store sales appear to be falling, many retailers are bucking the trend by embracing technology to better engage consumers,” says Giulio Montemagno, senior vice-president at coupon website RetailMeNot.

He isn’t alone in his expectation that more retailers will take advantage of mobile and further testing of beacon technology, for example, to target consumers while they are on the go, as well as in store, in a bid to make the shopping experience more relevant. Indeed, retailers are investing heavily in mobile – 73% of those surveyed by *Retail Week* said it was their omnichannel priority. As detailed in Cisco’s *Winning The New Digi-*



tal Consumer With Hyper-Relevance report, “mobility and apps now represent a disruption similar in scope to what we saw with ecommerce in the late 1990s and early 2000s”. At Westfield malls in London for example, customers can use the Collect+ app to highlight outfits they might like to purchase, which are then waiting to be tried on when the customer arrives at special fitting rooms. Unwanted items can then be returned on the spot.

However, if it’s the retailer that initiates mobile contact then the game changes. The Cognizant study found that 22% of shoppers valued receiving location-based offers, but just 2% identified mobile as their preferred communication channel. This feeling of intrusion is making it hard for retailers to grapple with technology such as iBeacons.

iBeacons work through low-energy Bluetooth, which is embedded in Apple iPhones. This allows the

phone to 'communicate' with small Bluetooth beacons placed around a store. Simon Robinson, senior director of marketing and alliances at marketing and cloud services company Responsys, says that, while the potential of iBeacon is vast, consumers can have a love-hate relationship with communications that are more personal and intrusive than traditional methods such as email.

"Consumers don't want to be bombarded with irrelevant updates every time they come close to a particular store. It might be clever that you're able to remind a shopper about discounts available on fish as they stand in line at the fish counter, but if they didn't opt in or weren't aware of the service, you risk agitating them."

Much has been made of the importance of technology to the high street revival. Samsung has found that 44% of young shoppers will visit retailers that enhance their shopping experience with technology. *The Consumer 2014* report by BT and *Retail Week* showed 38% of 18 to 24 year olds put mobile promotions in the top five things most likely to prompt them to go into a store spontaneously.

Much like the marketing, it has to be relevant – vouchers and discounts, stock availability and checkout functionality are all seen as enticing app options. In our survey, 65% and 33% of consumers appreciated personalised emails and texts respectively. But asked if they'd like tailored vouchers and discount codes based on previous purchases when they are in store, the yes group jumps to 80% – and even higher among 18 to 24s (84%), 25 to 34s (88%) and 35 to 44s (83%).

The challenge for retailers is to bridge that offline demand with online technology, without scaring them away. This means that technology such as facial recognition could be a hard sell – at least to the masses. Some high-end boutiques are already using the science to offer a personal experience that clients have welcomed – the software recognises a face on the database and an alert is sent to staff smartphones along with access to the oligarch's or footballer's sizing preferences and tastes.

SEGMENT OR STAGNATE

The goal is to be personal, relevant and efficient without being intrusive. Retailers that struggle to treat customers as individuals will be given the red card, while those that do may get the green light to receive more data. The shift is forcing retailers into a complete re-think of customer engagement and segmentation.

"Customer life cycles, funnels and segmentation models are rapidly becoming outdated relics from an era when we lacked the data and computational ability to understand complex customer attitudes, behaviours and habits at an individual level," suggests Forrester senior analyst Tony Costa in a recent blog.

Cisco's report states: "Retailers need to forget everything they thought they knew about today's consumer, including traditional segmentation."

That's not easy, especially given the scale of change taking place. New connections are creating unprecedented challenges. As Cisco notes, customer interactions once added up to a total of three linear shopping

88% of 25 to 34 year olds want tailored vouchers and discount codes when they are in store

SERCO ACTION POINTS

Personalisation has to run through every aspect of your organisation from the chief executive to the staff on the shopfloor and in your contact centres. You have to offer customers the 'Martini effect':

- Right time, right place with the right context
- Leveraging real-time data to provide that personalised customer experience is the only way to increase conversion and average order value
- Interact with customers at a time that is convenient to them
- Train your staff and provide them with the data that enables them to be empathetic across all channels
- Recognise that customers are mobile with more than 43% of sales through this channel and design your platforms to manage this increase
- Recognise customers are even less loyal to your brand
- Focus on your products, people and service to make it even more personalised and contextual

CONTACT DETAILS

Sadiq Mohammed, Sales Director, Serco Global Services, UK, Europe & Africa
Mobile: +44 (0) 7876 147062 | sadiq.mohammed@serco.com | www.serco.com | www.sercoglobal.com

journey options: in store, through a catalogue, or prompted by print or broadcast media advertising. Ecommerce has expanded this number to approximately 40. Now, the ‘internet of everything’ – the networked connection of people, process, data and things – promises “more than 800 unique variations of possible shopping journeys”.

As technological innovations such as wearables and augmented reality increase and consumers’ digital lifestyles evolve, these shopping journeys will only multiply further. Shoppers use technology to optimise every step of their shopping journey, so anything that gets in the way and doesn’t allow them to complete what they need to do quickly, efficiently and cost-effectively will cause them to turn away – and fast.

Retailers can’t get carried away with contextualisation if it’s at the expense of other services. It’s worth noting that in Cisco’s 2015 survey, 39% of consumers said a more efficient checkout process would improve the in-store experience compared with just 13% who said personalisation.

CONCLUSION

Today’s customers are complex, shifting between channels, cheating on their best-loved brands and demanding more tailored experiences, but all at arm’s length. The challenge for retailers will be to get up close but not too personal – easier said than done when 80% of shoppers want relevant vouchers when they’re in store but only 33% appreciate a personalised text.

Contextualisation can make the difference. Shoppers don’t want to be emailed or tweeted out of the blue, even with offers, if they’re not relevant or have had little previous engagement. But if a text or email arrives with the right customer, at the right time, in the right place and contains the right message, this is where it can drive loyalty and closer engagement.

All sorts of data has to be mined to achieve that, some of which consumers are happy to share, other



parts less so. Social media can offer retailers the deepest, most accurate insight into their customers’ behaviour, wants, needs and expectations. But even millennials require assurance that it’s being used in their best interests.

How far or close can data take us? The chief executive of a major home shopping retailer suggested last year that looking at past behaviour and trying to analyse it to see if you can predict future behaviour is “a very interesting science. But I probably know most of what my wife has bought over the past 25 years but it doesn’t make it any easier to know what to buy for her birthday. There are limits to data analysis.”

The researchers at Cambridge, as well as many brands, retailers and data experts, see no sign of the limit being reached just yet. Indeed, as retailers “forget everything they thought they knew about today’s consumer”, big data and new technology is offering the tools to get to know tomorrow’s customers very well. As Cisco puts it: insight is currency and context is king.

