

HYPERPERSONALIZATION IMPACT ON RETAIL CONSUMERS



Study shows,
80%
of consumers are likely to
buy from a brand that offers
personalized experience

Study shows,
44%
of customers are likely to
become repeat shoppers after
they experience a personalized
shopping experience with a
particular brand

Majority of customers, nearly
77%,
have expressed their
inclination towards
recommendation, or paying
more for a brand that offers
a personalized product or
experience

Research indicates that
marketers realize an average
uplift of **20%**
in revenue when brand offer a
personalized experience



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Executive Summary

In the era of “Connected Consumer”, the advent of social media, smartphones, and affordable internet, has given millennials, gen Y & gen Z access to limitless shopping options. In today’s business, consumers do not just place their trust entirely on brands; instead, they actively lookout for information that will help them to finalize the choice. In today’s world, shopping decisions heavily rely on consumers’ lifestyle, convenience, personalized solutions and omnichannel proficiency. The challenge for retailers is to find a way to position their brand to stand out amongst the competition by delivering focused, targeted, and tailored consumer experiences.

Delivering experiences beyond expectations and improving customer satisfaction by one-on-one interaction is no more adequate. Retailers need to take the next step by leveraging artificial intelligence, data analytics, the power of machine learning, real-time data transmission & internet of things (IoT) mechanism to deliver relevant content, products, service to an individual consumer. It is high time to start on the journey of hyper-personalization and expose retailers to trends that will align their strategy with the needs of the targeted consumers.



What is HYPER-PERSONALIZATION?

Hyper-Personalization can be defined as the next level of personalized marketing. While personalized offerings are structured as identifying the customer and keeping track of each customer's preferences, hyper-personalization takes this process to the next level. It is inclined towards decoding the real-time customer data and takes decisions based on the slicing & dicing of the data. Customers today want to be associated with brands that can: -



01

Instantly identify the consumer, offer personalized messages, and keep the consumer updated on personalized promotions. For example, a consumer navigates retailers' online channels for a specific pattern & coloured product, spends considerable time on searching and leaves the application without buying anything.

A quick analysis of the consumer can be very insightful and can reveal a lot about the consumer behavior such as: -

Quantum of affinity to buy products / services at a discounted price.

Historical view of prior searches and corresponding consumer insight on identical or similar products and purchase history.

Timing of the communication - historical purchase pattern indicates that the consumer has the maximum purchase affinity on a Sunday or a national holiday from 7-10 PM in the night.

Types of communication – maximum consumer engagement happens with push notifications.

Learning from consumer habits & preferences, an enterprise should construct its hyper-personalized promotional offerings through a push notification mechanism to the consumer's smart mobile – informing the customer on an impending sale of a specific brand's product on a national holiday.

02

The brands can immediately get the consumer's information on their every interaction with the brand, on every channel.

03

Understands the issue of the consumer and have a robust process to solve it based on the data of the customers.

In a nutshell, hyper-personalization is a future step towards personalized content marketing. Such offering actively uses real-time customer-centric data, analytics, machine learning (ML) & artificial intelligence (AI) framework & toolsets, which enable the enterprise to offer more contextualized content, service & product-related information to consumers.

Hyper-Personalization can be represented as :-

Value of a Customer

$$= \left[\frac{(\text{Relevance} + \text{Timeliness})}{(\text{Loss of Privacy})} \right] * \text{TRUST}$$

The above equation implies:

“Value of a customer” can be defined as a function of relevancy and timeliness of a message w.r.t the “costs” of the message, which mean quantum of personal information that needs to be shared with the enterprise and quantum of personal effort the process takes to get the relevant information



Enterprise must be looking to simplify the information capture mechanism from the consumer.

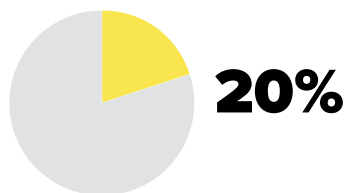


“Value of a customer” is directly influenced by trust of the brand; the trust will raise the overall value perceived by the consumer.

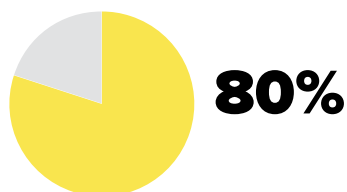


Need for HYPER PERSONALIZATION

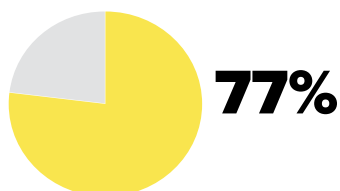
As per NYTimes research, every targeted message has a window of only 8 seconds to grab the attention of a targeted buyer. Targeted messaging needs to be shared with the right buyer at right time to gain competitive edge and stand out amongst competition.



Marketeers see an average increase of 20% in sales when using personalized experience



80% of shoppers are more likely to buy from a retailer that offers a personalized experience



77% of consumers have chosen, paid more or recommended a product that provides a personalized experience

As per the research conducted by Google, choosing the 'best' search phrases on mobile devices have increased by nearly 80% in the past 2 years. Consumers have the affinity to search thoroughly on product features online to make more informed decisions.

As per the research conducted by Accenture, 75% of customers are likely to purchase from brands or retailers who are inclined to offer more personalized offerings.

Hyper-Personalization can be described as a useful tool to marketing department which:

Helps accelerate the transition of customer engagement to purchase	Facilitates positive impact on brand loyalty
Increases revenue through analyzing & identifying consumer buying appetite	Helps increase time spent by the consumer on retailers/ brand's online & offline selling channels

Hyper-Personalization helps to eliminate some of the obstacles in consumer interaction with brands by:

Provides the optimum solution for a retailer or a brand to attract, engage & keep the attention of the consumers by identifying their affinity, immediate needs, interests and save consumers' effort & time by offering the best solutions.

Eliminates road blockers in the sales conversion channel that can increase dissatisfaction in consumers' buying experience.

Hyper Personalization

DECODE CONSUMER EXPECTATION

Roadmap to hyper-personalization varies from brand to brand or retailers to retailers. There is no standard operating model that fits all. Enterprises need to evaluate their current personalization campaigns, understand the product or service maturity, assess customer segmentation to collect the relevant data and analyze it.

Enterprises should aspire for a complete picture of customers across complete set of habits & preferences by analyzing the behavioral patterns.

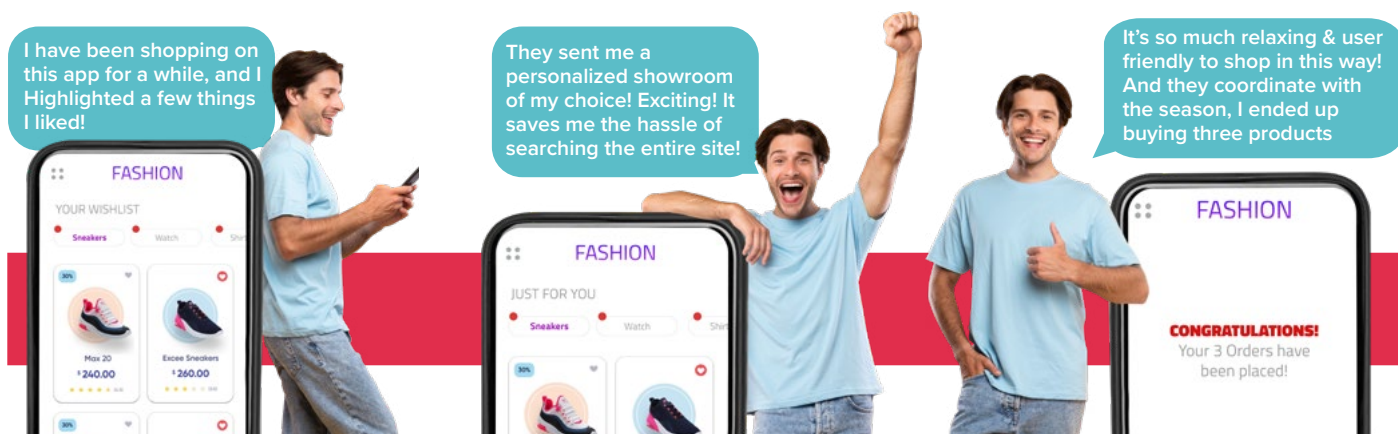
One who receives unsolicited and irrelevant information about offers from retailers or brands knows the uncanny feeling of being monitored by somebody. Hyper-personalization is a successful tool when used with caution. Understanding consumer behavior is an essential ingredient for successful personalized marketing. However, the challenge is not to cross the line & still deliver genuine value, relevance & experience.

Following themes have significant importance on personalized communications:

01

Offer contextual recommendations that could not have been thought of

A popular but effective personalization method is to nudge the consumers on the product and services they intended to purchase but haven't gone through with the purchase yet.. With the use of a common but established practice in digital marketing, called "re-targeting", reminders can be sent to consumers in various forms such as email, text or display ads. Such reminders carry a significant risk of annoying or causing dissatisfaction to customers if not taken utmost care on timing & relevancy of the notification.



Enterprises need to devise an intelligent recommendation algorithm that not only reminds what they need to search for, or what they didn't purchase, but also offers complementary products or services. For example, a consumer looking for stiletto heels but not purchasing them should be reminded of an additional product such as a cocktail dress. Consumers who explored the online channel of Nordstrom stores, got recommendations, on their next visit to the online channel via Facebook app for similar items in different product category.

Enterprises need to analyze the frequency of re-targeting messages. The analysis must be done to determine who responds and who does not on receipt of re-targeting notification. Appropriate adjustment on the frequency needs to be done and limit the number of impressions for a specific segment of users, especially those consumers who never respond to such notification - continuing to re-target these consumers will only retard them from future purchases.

02

Someone should talk to me when I am on a shopping spree

Timing of the notification is as important as the content of the message. Analysis of historical behavior, habits & buying patterns will reveal a lot about suitable personalized communication timing.

A study conducted on personalized marketing reveals that consumers who visit offline

channels or online stores of an appealing brand are more prone to browse (and even respond) to notifications that are pushed on the same day or delivered a week later. Pushing a notification on such a specific frequency makes it contextual for shopping for customers who were still thinking about the purchase, or it is the right time

since shopping made the most sense for their schedule.

Wrong timing essentially eliminates the possibility of a potential purchase; Incrementally, push notification can stop the consumer from looking for the brand in his future shopping journey.

This site sent me a personalized email that said "Hey, did you want to order those flowers again for your mom's birthday?"

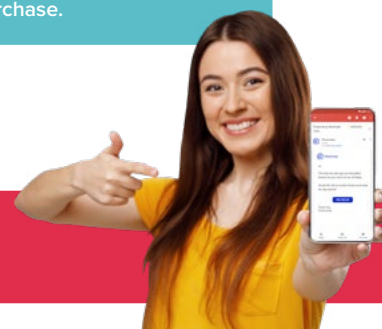
I Totally Forgot!



Great Reminder! Not because I would have forgotten the event, but I might have gone somewhere else and it would have taken more time.



That email acts like a reorder button and super convenient. It prompted me to go right to the site and make the purchase.

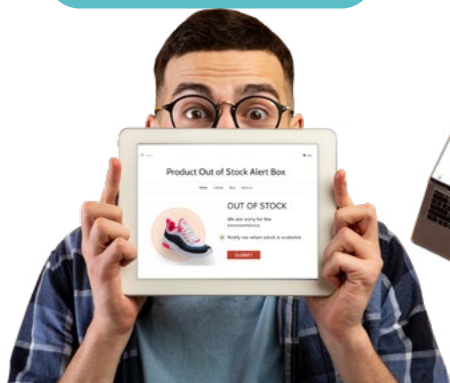


03

Give me a reminder of products that I would like to get details, but cannot keep track of

Push notifications often find their relevancy to consumers through proactive tracking of specific events and situations that consumers are likely to get more details about. The consumer can get a reminder about a product that he wanted to buy but wasn't available at that moment due to low stock. Also, they can get a reminder if any new feature got introduced for an existing product.

I had been looking on the site for those specific shoes. But they didn't have the specific size.



A few days later, they sent me an email to say my size was back in stock. Awesome!











That email was so helpful. I immediately purchased the shoe.



In summary, customer wants a buying experience that he/she can remember for long and that helps them save money, effort & time.



How to meet the customer need

 <p>Provide relevant rewards for the customer to choose from</p> <hr/> <p>Perform big-data analysis using multiple sources of data to provide rewards based on consumer behavior and life cycle with a focus on cross-selling</p>	 <p>Replace loyalty cards with apps</p> <hr/> <p>Push product updates to the customer</p> <hr/> <p>Distribute benefits and coupons directly to a mobile device</p> <hr/> <p>Be flexible to adapt to new consumer technology</p>
 <p>Deliver multichannel loyalty with consumer insights and a loyalty program that runs across all sales channels, including physical stores, brand outlets, retail chains and online channels</p>	 <p>Give rewards based on the customer sharing more information about themselves through games, referrals etc, for example by interacting on social media</p>
 <p>Enable the customer to manage rewards in singularity, for example, by bundling miles, points, or rewards into a single app or website</p>	 <p>Reward customers with more personalized offers when they share their likes and dislikes</p>
 <p>Make offers based on geolocation and customer activity or microsegment</p>	 <p>Introduce a user-friendly platform to change settings that control contact information, preferences, and so on</p>

Hyper Personalization - Trends

Modern technology offers many opportunities to enrich customer experience further since it's developing at a rapid speed. Shopping trends showcase that by 2025, more marketers expect to interact directly with the customer through technology and personalization rather than through mass communication mediums such as media & advertising.



Consumer will prefer to use their voice to shop

Voice is now a rising channel for customer engagement. Enterprises are now shifting focus on engaging consumers more to their shopping cycle & making it easier for consumers to research the product features & buy via voice assistants. By 2025, such offerings will reach maturity and will be able to offer a useful suggestion.



Facial Experience (AR) will influence personalized experiences and recommendations

Facial recognition is being added as a new data stream – it will determine what experience to deliver or product to suggest to a consumer. For example, a customer may try on a dress in a store that uses AR. Suppose a customer frowns after trying on a fitted dress. In that case, the system could suggest an alternative & could continue to make suggestions in response to the customer's reaction until the customer purchase the right dress.



Smart Fitting Rooms

With smart fitting rooms, a consumer can try & buy their outfits at every touchpoint. Using interactive kiosks, smart fitting rooms, smart mirrors, customers get a real-time experience. In the case of apparel brand Mango, who introduced new smart fitting rooms, store associates can scan the clothing that shoppers bring in using barcodes or RFID tags. Store associates can communicate seamlessly & quickly with consumers using the newly installed smart mirrors, which shoppers use to contact Mango floor staff for different sizes, colours, or additional items.



Smart shelves - Real Time Promotions & Offers

SMART shelves are changing how consumers shop traditionally. SMART shelves use sophisticated next-gen RFID technology (for example., RFID readers and antennas, RFID tags) to track & trace inventory automatically in an offline channel. SMART Shelves are enabled with sensors (weight) installed within shelves or in some cases underneath.



Virtual Reality - on shopping experience

Virtual reality headsets will become a reality and a commodity in our homes in the next 5 years. Consumers will use them incessantly for walking through the virtual stores from the comfort of their homes. Retailers & brands will cherish the advantage of offline stores in an online ecosystem setting, personalized offers, steer impulse buying, strategic product placement, offer personalized advice for additional products & provide availability information on alternative products strategic product placement, offer personalized advice for additional products, provide availability and information on alternative products .

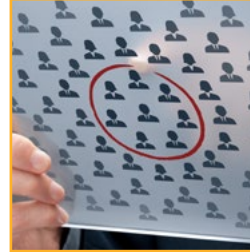
Hyper Personalization - Challenges

Hyper-personalized communication with each & every customer is the future of marketing. But if a powerful tool like hyper-personalization is not used properly, it can have the opposite effects and alienate the customers, as was discovered by many marketers who overused the beacon technology at the stores and created a customer backlash.



Fitting the right data

Instead of getting and hoarding more & more data, companies should focus on recognizing & collecting the “right” data. Data is ineffective when it is incorrect, when it has become outdated and/or when it’s inadequate. If you are not confident in your data, you will not be confident in the personalized experiences delivered based on the data.



Measurement

When you cannot measure, you cannot improve. Companies struggle to figure out their approach to measuring activities and define “how will we measure success”? Good measurements reveal which content or promotions customer segment is engaging with the most. On Skyscanner, when a shopper abandoned search to go to other websites, the site data management platform jumps to other websites, deliver personalized messaging, pop-ups, and timed email to funnel the customer back to bookings.



Moving beyond Season / Events

Promotions based on seasons or general events are things of the past. Companies need to think in terms of personal triggers. Triggers are the specific life moments when a particular promotion will be of the most value to a customer. A customer buying a new home, for example, is a trigger for an insurance company or an energy company.



Tools & Infrastructure

The right technical tool & infrastructure must be in place to run & test personalization successfully on a large scale across the entire customer base. One way to start simplifying what technology you need is to understand that it must enable: -

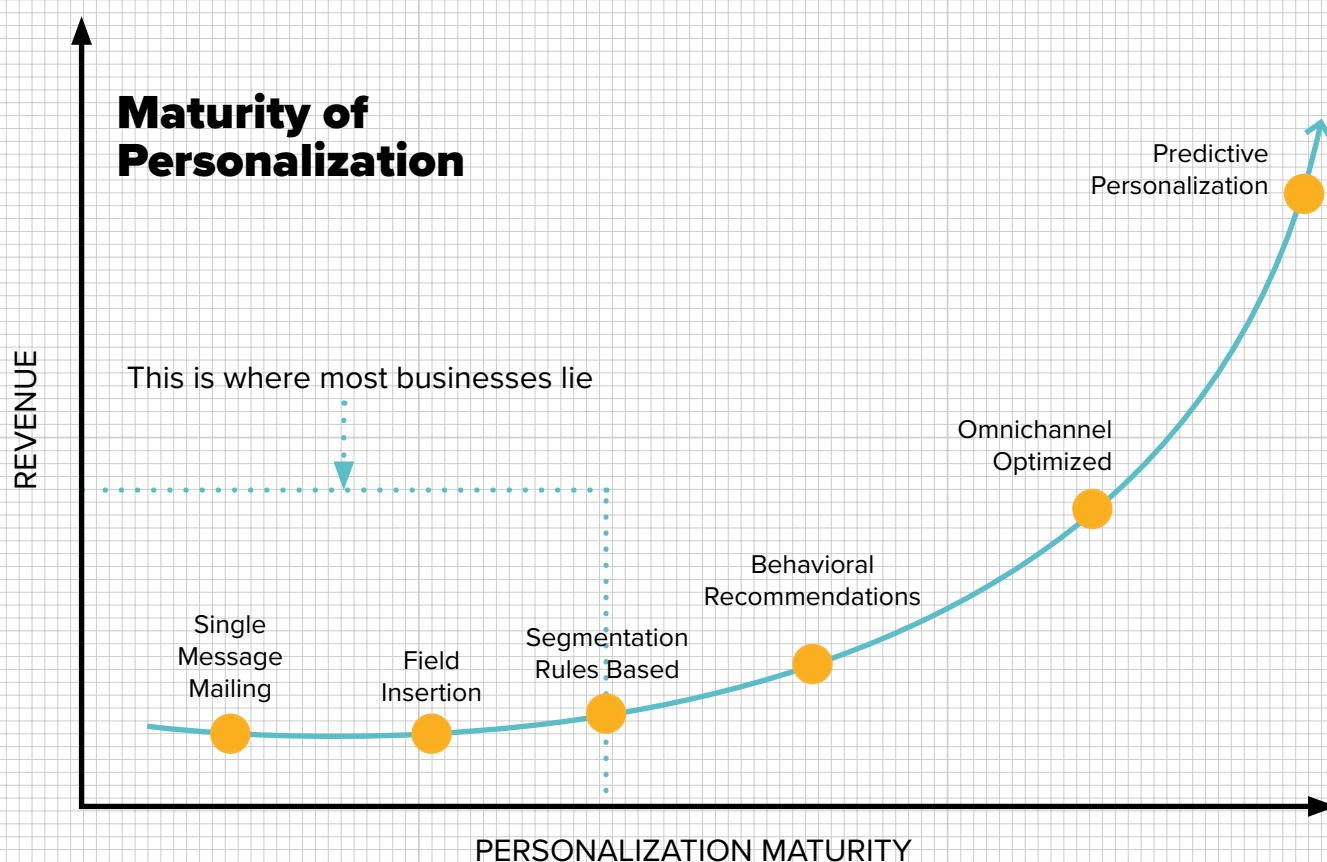
Integration of consumer data to develop a clear & complete view of your customer.

Decision making based on signals/patterns received during the consumer journey

Distribution of content offered to audiences & digital channels in real-time

How Brands are using Hyper personalization

Although it is a well-known fact that personalized offering has a direct positive impact on the top-line growth of an enterprise, most brands and retailers still do not venture out beyond segmentation in the personalization maturity journey. The journey is not simple. It needs an overhaul in terms of how enterprises see their customer base, growth plan of product offerings, investment appetite in terms of technology spending et al. Few brands such as Netflix, Amazon, Starbucks, KFC have embarked on a predictive personalization journey and reached a stage where they predominantly use sophisticated technology offerings such as Artificial intelligence (AI), Machine learning (ML) to boost their recommendation engine.



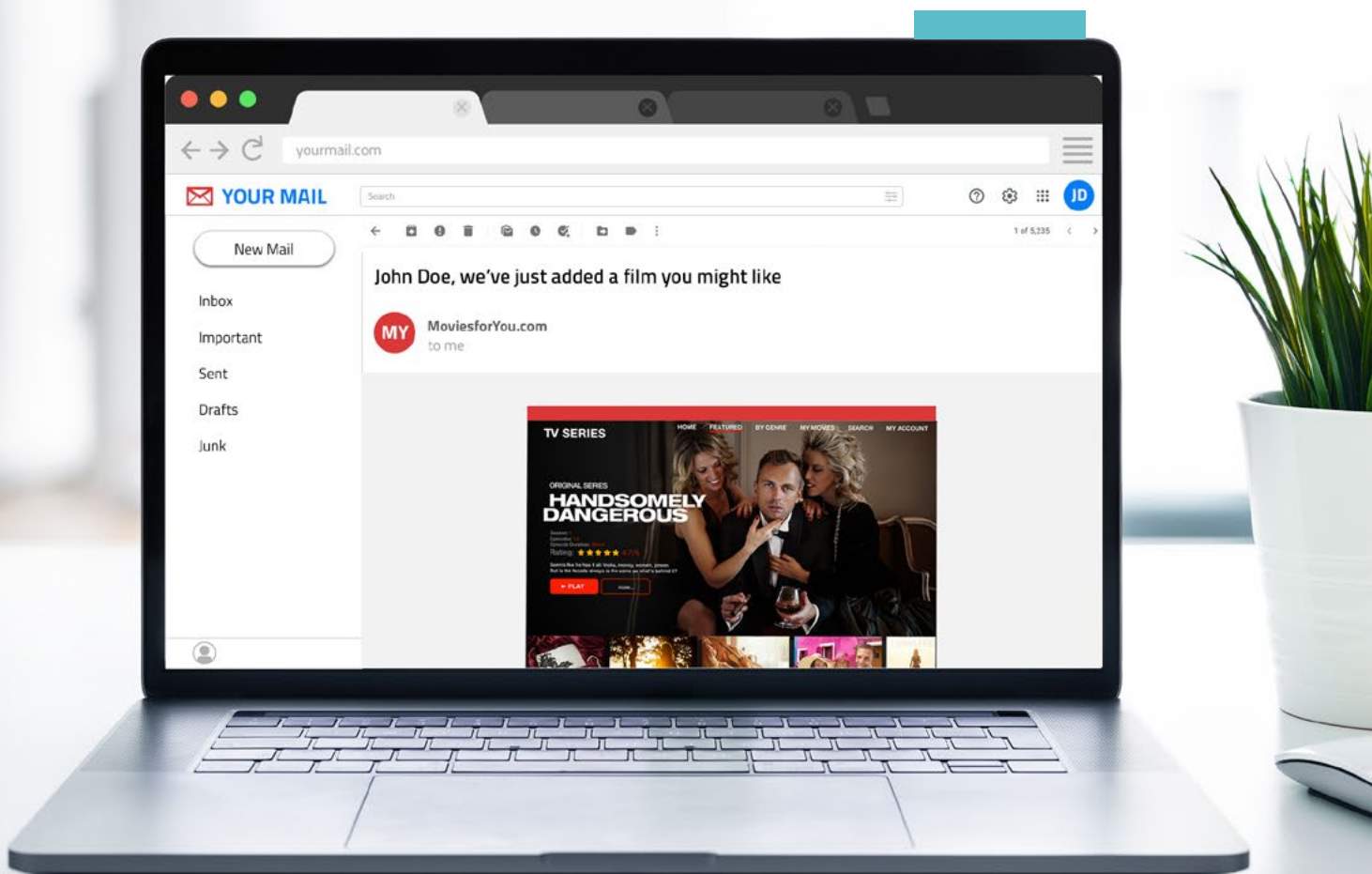
Netflix

Communication Medium

Email, Push Notifications

Netflix, an over-the-top (OTT) content platform and production company, a streaming giant, has over 200+ million users (as of 2020) on its platform across the globe. This incredible success is based not only on its unique operating model & features that Netflix provides but also on its unique offerings to its users. They offer highly personalized experience has never been seen before.

The bulk of Netflix's operations (precisely 75 percent of its activity) is driven by their state-of-the-art personalization engine. The personalization experience that a consumer experiences through his Netflix journey begins right from the homepage.



Insights

Netflix's business model largely depends on user reviews & associated ratings in the system. A user can provide a rating to the streaming content, which denotes their like/dislike. This is a key attribute of Netflix's recommendation engine. Such ratings support the recommending algorithm to effectively predict & recommend content specific to the user that would be the perfect choice for the user. Over the years, Netflix has achieved remarkable success in perfectly blending predictive learning with behavioral attributes.

Amazon

Communication Medium

Email Predominantly

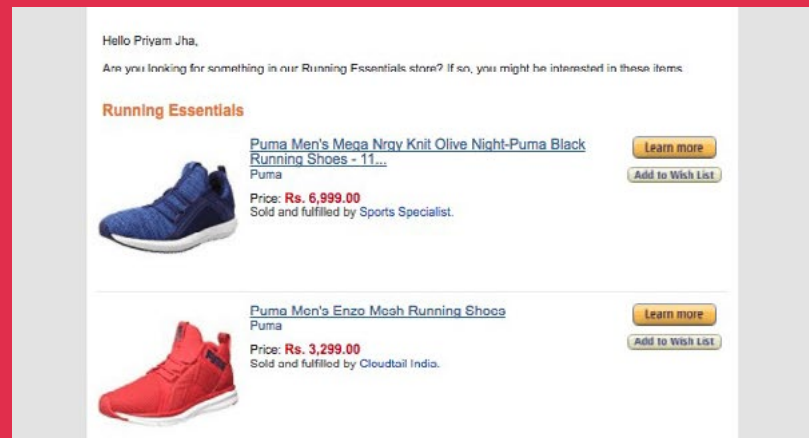
Amazon, often regarded as the king of hyper-personalization, with its next-gen recommendation engine, is responsible for approximately 35% of conversions to purchase.

Its state-of-the-art recommendation engine largely attributes Amazon's conversions of browsing experience to purchase as it creates unique, hyper-personalized experiences for every user. Amazon's recommendation engine, known popularly as "item-to-item collaborative filtering", considers various parameters such as past purchasing history, items in the shopping cart, items liked & purchased, Items liked but did not purchase, ratings given, historical searches, sorting used, similar items liked and bought by other users before proposing items to a user

Amazon likes to hear more from its consumer on their habits & preferences. It asks users a lot while configuring an account and uses all the accessible information to make unique contextual emails promoting recommended products.

Amazon's way of presenting a hyper-personalized experience for targeted consumers:

A consumer is browsing the Amazon website for a running shoe that he wants to use in an upcoming half-marathon event but happened to abandon his search in mid-way. After a short while, Amazon's recommendation engine will send an email such as →



Breakdown

Amazon's recommendation & analytics engine has access to all relevant data points such as average amount spent, search query, past purchase history, average time spent on search, past purchases, category browsing habits, brand affinity, etc. The recommendation engine uses the rich repository of data to send a contextual push notification (an Email)

An apt example could be highlighting the user that he can opt for Puma shoes (User has used Olive green part of his search query & also purchased Puma footwear in the past)

Going by the statistics, conversions from Amazon's on-site recommendations are 60% higher than its competitors.

How to start with Hyper-Personalization journey

Retailers are fighting with each other in the “attention economy” to capture the most relevant thing that improves the top line, “Attention”. Enterprises, enabled with a mechanism to capture the right set of data, and analytics platform to decipher consumer insights, a content & media management platform to create, store & curate personalized media and a customer engagement platform) to create a single source of truth to engage consumers in personalized moments across every interaction will thrive in a modern trade war.

ENTERPRISES FACE TWO MAJOR CHALLENGES IN THEIR HYPER-PERSONALIZATION JOURNEY

Collection of relevant real-time consumer data

Ability to create personalized content through analytics platform (powered by Artificial Intelligence, Machine learning & Data analytics)

Getting data from customers is far from easy. There are multiple ways to do that:

Using a state-of-the-art application to Monitor, Collect & Analyze consumer engagement on online as well as offline channel

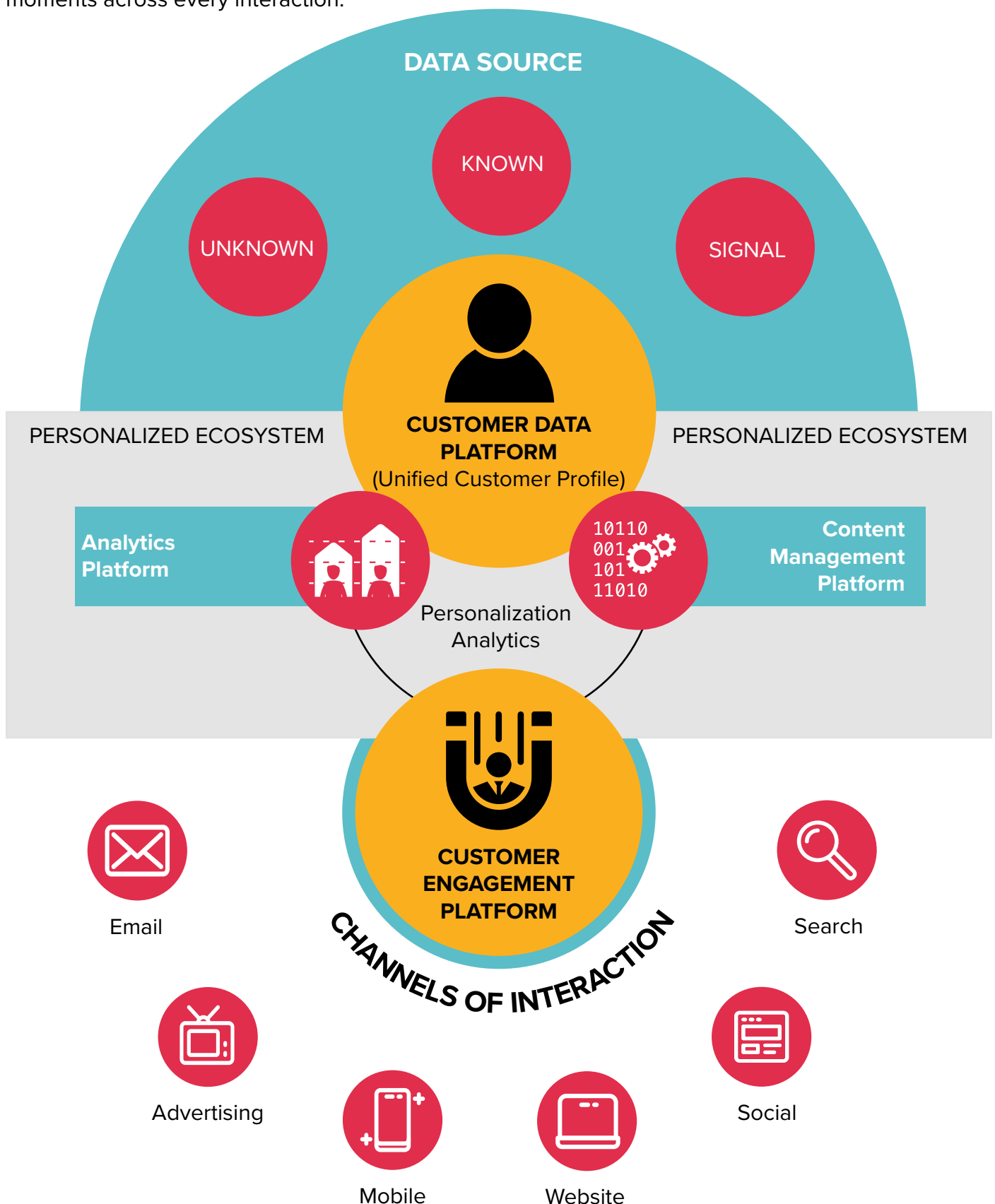
Collect data using push notification, email, or any other tangible consumer insight-based automation system

Enquire the consumer offline through effective surveys

Ability to create more personalized content through an analytics platform

Delivering personalized content at scale requires a sea change in content development – It needs to move from One-size -fits-all to “Atomic Content”. Traditional trade used static campaigns across all consumer demographics. With the advent of the technology revolution in the ‘connected consumer’ era, brands & retailers are using dynamic content extensively in their personalized marketing effort. However, with the hyper-personalization journey, brands need to invest more in technological advancement, specifically on analytics & content management platform, to provide the consumer more “atomic content” – content built with modular assets in real-time based on consumer preferences and affinities.

In a nutshell, enterprises need to build a personalized ecosystem aptly surrounded by the right data sources to collect consumer-centric information (such as habits, preferences, likings, review comments, ratings), an analytics platform to decipher consumer insights into decision making leads, a content & media management platform to create, store & curate personalized media with the use of modular create assets (such as image, video, text) and a customer engagement platform in Cloud (for lower cost) to create a single source of truth to engage consumers in personalized moments across every interaction.



Conclusion

In the era when most brands connect with consumers personally over mails / Phones / advertising, leading to unnecessary information overload and noise in consumers' minds, hyper-personalization stands out as the new customer engaging approach & enables the brands to differentiate themselves.

With the support of hyper-personalization, businesses & brands can better:

1

Convert Visitors into Customers

2

Cultivate customers into repeat business

3

Create brand preference

4

Communicate with customer, anywhere at anytime

It's high time for businesses, brands, retailers & e-commerce enterprises to take notice of the lives of their customers in addition to their needs - and hyper-personalization, once considered an impossible tool, could be just the answer.



Hyperpersonalization @ Retail

IMPACT ON RETAIL CONSUMERS

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About Happiest Minds Technologies

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