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TOP 5 QUESTIONS ABOUT INTELLIGENT PERSONALIZATION

Forrester Analyst Brendan Witcher Explains it All



INTRODUCTION

Today's companies are operating in an Uber-like generation where greeting people by name in emails or injecting subject-line personalization are table stakes. Consumers today expect a truly individualized experience based on their intent and needs, where and when they want it.

To achieve this level of personalization at scale, companies are challenged to think beyond segmentation, batch analytics, A/B

testing or rules-based interactions. It requires the ability to collect and make sense of the ever-changing data crumbs that customers leave, make smart interpretations, and deliver meaningful interactions so every visitor and customer feels valued.

Forrester's VP, Principal Analyst Brendan Witcher is a guest speaker in a recent webinar hosted by ZineOne, called [ML-based Personalization in the Age of Rising Consumer Expectations](#). In the webinar,

Brendan shares his thoughts on why 72% of companies place "personalizing the customer experience" at the top of the list for opportunities to improve the customer experience at their company's stores.¹

In his research, Brendan covers such consumer-oriented, cross-vertical topics as eCommerce, personalization, omnichannel, CX best practices, engagement strategies, and conversion optimization. In this eBook, Brendan answers the top 5 most frequently asked questions about ML-based personalization.

¹ Evolve Now to Personalization 2.0: Individualization By Forrester, December 5, 2017

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WHAT DOES PERSONALIZATION MEAN FOR THOSE WHO HAVE NOT DONE IT BEFORE VS. THOSE WHO ARE EXPERIENCED?

Personalization is not a tactic - it is a strategy for creating relevant, value-added experiences along the entire customer journey. Customer journey today encompasses all channels that the customer touches while engaging with a brand. As such, it is a prerequisite for all organizations to start with a good data strategy that is designed for both identifying individual customers and gaining a deep understanding of those customers.

While it is ok to start with data such as age, gender, income, zip code, and last product purchased, getting personalization right for more customers more of the time requires richer elements such as:

- Favorite day of the week to shop
- Favorite store associate
- Fulfillment most often utilized (BOPIS vs. ship to home vs. physical shopping)
- Favorite website feature (customer reviews vs. comparison charts vs. shoppable video), and preferred channel for shopping (mobile vs. desktop vs store)

The next step for those just starting out, is to focus on areas where the majority of customers will get the most benefit from personalization. If, for example, a retailer has a large email list, but customers buy infrequently, finding ways to deliver more relevant messaging to customers between purchases might be a priority. Those retailers who have customers that already come to the website or store frequently to make purchases would want to personalize more within the buying channel.

For retailers who have already put a robust data strategy in place, the key is to build the technical piping that then allows data to flow freely and securely in real time across the organization. Why? Because customers today will often engage in numerous channels before making a purchase, and those experiences should feel connected and relevant to a customer as they make their way through the path to purchase. So for retailers further down the path of maturity, it is time to bring your omnichannel and personalization strategies together.

2



WHAT ARE THE KEY DIFFERENCES BETWEEN RULES-BASED PERSONALIZATION AND AI-DRIVEN PERSONALIZATION?

Rules based personalization come with two distinct shortcomings:

- To be optimized, they rely on the developer of the “rules” to have looked at every data point and every variable and make an assessment of correlation vs. causation in a single combination of factors as well as impact relative to every other combination of factors. If this sounds impossible, that’s because it is. AI-based personalization looks at all variables, assesses in real-time the relevancy, correlation, and likely causation of each, and then applies a decision to the customer’s experience.

- The second shortcoming of rules-based personalization, as hinted at above, is the inability for rules to update in real time. Rules based personalization only changes when the rule is changed by a business user, which could theoretically be done daily, but is more likely done infrequently (if ever). Robust AI-based personalization operates in real time, taking into context immediate behaviors of the customer and business factors, providing weight to those elements, and determines a best course of action given the momentary elements that could impact the customers experience.

For example, if a customer opened a retailer’s app on their mobile device and looked at customer reviews of a jacket, a rules-based engine would start recommending similar jackets. An AI-based engine, however, would use real-time data to also take into account that the customer is actually accessing the app while in the retailer’s own store (context), and would start recommending jackets with similar characteristics that were also currently in stock in that specific store (business factors).

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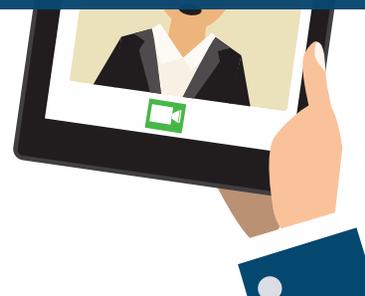


WHAT ARE SOME OF THE CHALLENGES OF DELIVERING OMNICHANNEL PERSONALIZATION IN A SCALABLE MANNER?

It is rare to find retailers that have the vision to see how personalization and omnichannel must be intimately connected as initiatives to ultimately serve a relevant, value-added experience to customers. As organizations execute more omnichannel capabilities - coordinating traditional channels (marketing, selling, and fulfillment) plus supporting systems to create a seamless and consistent customer experience across the enterprise - it is a mistake for those companies to ignore the need to personalize the customer experience within those capabilities.

Even those that do bring these initiatives together have problems with scaling. Without tools that operate in real time and ingest data from numerous channels, the retailer will always lag in their understanding of customer intent. More importantly, the execution of experiences across multiple devices must each be customized to “fit” the context of the touchpoint, be it glass, voice, or live associate. The bad news is that this challenge is going to become even harder to address as customers adopt smart devices - such as speakers, televisions, and even automobiles - into their buying behaviors.

“As organizations execute more omnichannel capabilities, ... it is a mistake for those companies to ignore the need to personalize the customer experience within those capabilities.”



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WHAT KIND OF DATA SOURCES AND CUSTOMER TOUCHPOINTS SHOULD A BUSINESS CONSIDER TO DELIVER A SEAMLESS EXPERIENCE?

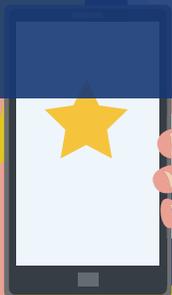
Even today, retailers often limit data capturing to channels they have been using for years: websites and store point of sale. However, leading organizations realize that these touchpoints only capture a portion of interactions between a brand and a customer, such as click data and transactions respectively. As a result, retail professionals are coming up with new, innovative ways to capture customer data. The most obvious form of this is Amazon's Alexa devices, but examples exist throughout retail, including Sephora's Beauty Station,

Starbuck's Payments App, Lowe's Holoroom, Fabletic's Digital Dressing Room Sign-In, and Nordstrom's Local Experiential Store.

Retailers often make the mistake of putting a priority on collecting more data. That way of thinking will only yield processes that are inefficient, unproductive, and often no closer to achieving a better understanding of the customer (while burning resources in the process). However, the key is to collect or access the right data - that which allows the retailer to take a specific action. It is worth noting that the channel the data is collected

in isn't always best used in that same channel. Fabletics, for example, collects an email address and scans the items that a customer is going to take into a dressing room. That data isn't used in stores, but rather to create better email and web experiences following the store visit.

“The key is to collect or access the right data - that which allows the retailer to take a specific action.”



WHAT KIND OF ROI DOES AI-BASED OMNICHANNEL PERSONALIZATION DELIVER?

When measuring the impact of personalization, retailers have to let go of some traditional ways of measuring success. Making a customer feel better about the brand because emails are more relevant, or having web interactions provide more value, are not always immediately acted upon by the customer. The greater impact on the retailer is that when a customer does choose to buy, they put the retailer at the top of the consideration set because of the comfort, ease, and convenience the retailer has created in both the early stages of the buying process and between moments when the customer is ready, willing, and able to buy.

It is for this reason that those retailers who lead in delivering data-driven personalization look beyond just conversion rates, to longer-term metrics for measuring the success of their initiatives, such as:

- Decreases in attrition
- Greater frequency in purchases over time
- More frequent visits between purchases
- Longer online engagement
- Higher email open rates
- Increases in app downloads
- Greater basket sizes (often driven by more items per transaction)
- More uses of different purchasing channels
- Reductions in customer service calls

They also use outreach programs to get feedback from customers on their feelings towards the brand and the interactions they are having across all the retailer's touchpoints. From this activity they are looking for elevated NPS or C-Sat scores. Ultimately, personalization often has the long term benefit of improving the "health" of the customer file, and has a greater impact on the company's ability to win, serve, and retain customers, which in turn leads to greater results from each customer interaction over time.



About [Brendan Witcher](#)

VP, Principal Analyst at Forrester

Brendan serves digital business strategy professionals and is an expert on consumer behavior and technology trends in the commerce engagement space. He is also a noted authority on market developments and vendors that help deliver today's leading strategies and tactics in digital excellence. Brendan applies this knowledge to numerous industries and spends most of his time consulting with companies that are at the forefront of dealing with digital disruption.

About ZineOne

In the realm of digital transactions, predictive responses need to be immediate and accurate. [ZineOne's](#) Intelligent Customer Engagement platform enables business users to understand and respond in-the-moment with relevant 1:1 customer engagements to encourage desired outcomes. Recognized by Gartner as a "Magic Quadrant for Personalization Engines" provider, ZineOne's platform has quickly positioned the company as a leading AI personalization provider that is delivering nearly \$1 billion dollars in new revenue while respecting and preserving margins for companies who seek to provide consumers with superior shopping experiences. The patent-pending platform and its continuous learning models provide deep insights into each and every visitor across digital and physical channels while delivering intelligent customer experiences in key moments that delight customers, foster loyalty, and increase revenue.

Learn more at www.zineone.com.