Gartner®

**Executive Guidance**

# Maximize the Impact of Personalization

**April 2019**

# Introduction

If you watched Netflix last night, you probably have an email this morning offering "Our top picks for you." Personalization is familiar to us as consumers, but as more companies seek advantage through personalization techniques, it's clear there are both opportunities and risks in tailoring messages and interactions using algorithms.

Personalization is not a goal in itself, of course, but marketers have shown it can help attain performance goals like improved marketing effectiveness, revenue growth, and customer satisfaction and experience.

Personalization offers emerging use cases for other functions, too. For example:

- In service, progressive companies are surfacing meaningful opportunities for proactive outreach to customers by analyzing their customer contact history and identifying likely customer issues to target.

- In human resources, personalized total rewards statements help to sell the value proposition of employer benefits and compensation offerings to existing employees and potential candidates. These statements positively influence recipients' perceptions of their rewards package.

- In sales, personalized tools prompt reps to monitor how variations in their sales performance will affect the recipients' monthly take-home pay.

**Among surveyed marketing leaders:**

## 50%
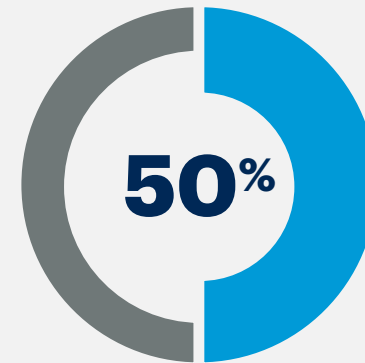
**Are pursuing one-to-one personalization**

## 34%
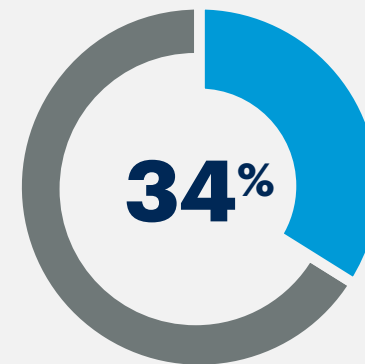
**Are seeking better segmentation**

n = 64
Source: Gartner

These solutions share the same premise — that data about an individual can drive tailored outreach, just as Amazon's data generates personalized emails saying "You might want x because customers like you bought y."

In the Gartner 2018 State of Personalization Survey, 87% of surveyed marketing leaders said their organization is pursuing personalization.

Their lessons learned so far offer insights into how personalization can change your outreach to customers, how and why customers respond to personalization as they do (for better or worse), and the potential risks.

In this issue of Gartner Executive Guidance, we specifically explore what marketers have learned about the need to:

- Pursue personalization with the highest impact on consumers
- Build effective tools to deliver on consumer expectations
- Rightsize data collection

**Top Reasons Marketing Leaders Cite for Pursuing Personalization**
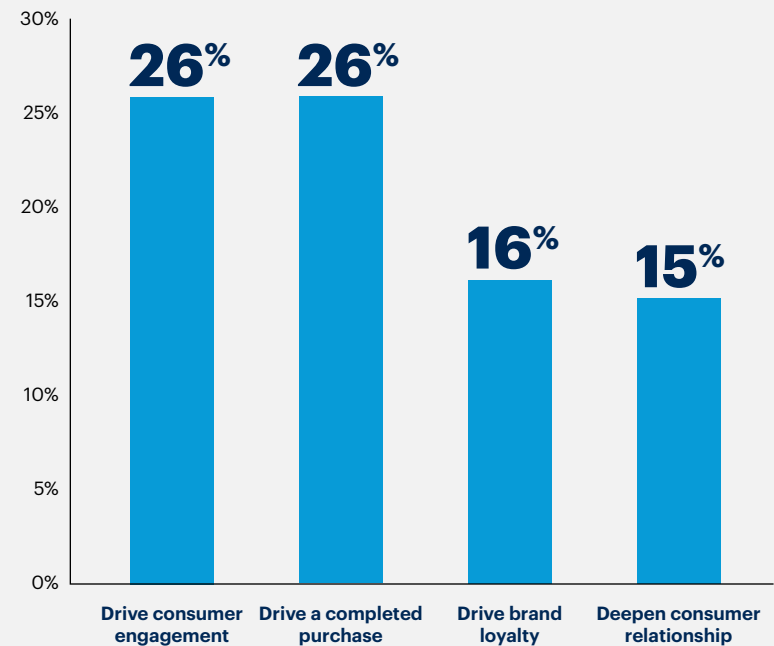


n = 64 B2C Marketers
Source: Gartner

# Pursue Personalization With the Highest Impact on Consumers

# Personalization as a means, not an end

As noted, personalization isn't a goal in itself; it's a way to attain performance goals. But to capture the potential benefits, it's critical to understand how consumers perceive the value of personalization.

In the Gartner 2018 Consumer Personalization Panel — a survey of over 2,500 consumers — we tested reactions to personalized communications exploring general attitudes about personalization, willingness to share data, comfort level with data use, and the actions consumers take after receiving or encountering a personalized communication or experience.

In the 2018 State of Personalization Survey — a survey of over 60 senior marketing leaders — we also tested organizations' general state of personalization maturity to better understand where companies are headed directionally.

Analyzing the data from the consumer survey, we created two "buckets" for the messages the respondents saw:

- Variables about how the brand was trying to prove how well it recognized the customer, using demographic, shopping history or personal values information.

- Variables about how the brand was trying to help the customer make progress on the purchase path. This help could mean teaching something, making it easier to buy, providing assurance about making a purchase or providing rewards for a purchase.

# Two Categories of Perceived Intent in Personalized Messaging

**Consumer**

**Personalized Message**

**"Recognition"**

- Who I Am: The message mentioned my personal information.
- What I've Done: The message used information about my past purchases from this brand.
- What's Important to Me: The message reflected my personal values.
- Tailored to Me: I can tell this message looks different for me than it does for other customers.

**"Help me through the buying journey"***

- Make it Easy: The message made it easier to get through the purchase.
- Reassure Me: The message made me less anxious about making the wrong decision.
- Teach Me Something New: The message gave me a better idea of how I could use the product/service.
- Direct Me: The message guided me to a product/service that would solve a problem for me.
- Reward Me: The message provided me with exclusive benefits.

n = 2,585 consumers
Source: Gartner 2018 Consumer Personalization Panel
*Partial list of "Help Me" personalization examples

# Consumers value personalization that helps

Many companies dedicate the majority of their personalization efforts to recognition tactics, but our research shows that "help" beats "recognition." Especially notable is the degree to which help wins — and the fact that personalization focused solely on recognition is potentially detrimental to a company's commercial objectives.

In fact, our research shows that brands that improve the delivery of their help are more likely to experience significantly higher commercial benefit, while brands that improve their delivery of recognition are likely to see a drop in commercial benefit.
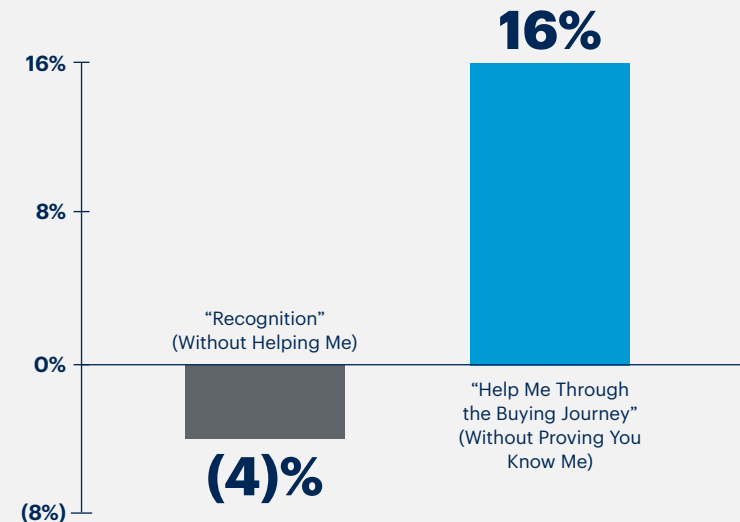
The data shows that a brand that moves from the bottom to the top quartile in delivering help — i.e., generating more help across personalization experiences — is likely to see a 16% lift in commercial benefit.

By contrast, brands in the bottom quartile of performance in generating recognition would experience a 4% drop in commercial benefit if they dedicated more energy to generating recognition and moved up to the top recognition quartile.

This doesn't mean you shouldn't be trying to know the target of your communications. You should — especially because consumers are prone to punish brands that personalize inaccurately. When asked what actions they usually take when a company sends them emails that they find irrelevant and annoying, 48% of surveyed consumers said "unsubscribe" and 14% said "stop doing business" with that brand.

**Predicted Impact of "Help Me" Personalization**

Change in commercial benefit index[*]



Bar chart:
- "Recognition" (Without Helping Me): **(4)%**
- "Help Me Through the Buying Journey" (Without Proving You Know Me): **16%**

Y-axis values: 16%, 8%, 0%, (8%)

n = 2,585 consumers

Source: Gartner 2018 Consumer Personalization Panel

[*]The commercial benefit index measures purchase or repurchase outcomes, increasing cart size or the degree to which a consumer has a specific brand in mind before making a purchase. The more a consumer perceived a message to be helpful, the better it performed on the commercial benefit index.

But in terms of impact, "help me" personalization clearly wins.

This certainly makes sense today, when consumers are short on time and face an ever-growing choice of products, channels and information sources, often leaving them overwhelmed and paralyzed.

Personalized help can instill confidence in consumers and trigger them to make a decision that moves them along the purchase process or helps them complete it.

We've similarly seen this with B2B purchases, which are typically complex, protracted endeavors. The Gartner 2018 B2B Buying Survey showed that B2B buyers were 2.8 times more likely to report an easier purchase experience when the supplier provided them with information that helped them navigate the purchase path.

As noted previously, similar dynamics emerged in our consumer survey, which showed that outside of wanting discounts or better deals, consumers primarily want information that helps them to make their purchase decisions.

They also want a less complicated buying process and ways to save time. Notably, we found the commercial impact of help remains the same even when excluding the top factor, "Help me get a better deal" — offering more validation that personalized help is a better way for brands to help consumers move along the buying journey.

**Highest-Priority Types of "Help Me" Personalization**

Percentage of customers who consider help type important

| Help type | % |
|---|---|
| Help me get a better deal | **62%** |
| Save me some time | **49%** |
| Provide information I didn't have before | **46%** |
| Make the purchase process easier | **45%** |
| Make the purchase process less confusing | **44%** |
| Make me aware of new products or services | **44%** |
| Help me decide between products | **44%** |
| Help me use a particular product or service | **39%** |
| Reduce my anxiety about making the wrong decision | **38%** |
| Help me organize information | **38%** |
| Provide me with benefits not available to everyone | **38%** |
| Remind me to stock up on something | **35%** |
| Introduce me to other uses of this product or service | **30%** |

0%    35%    70%

n = 2,585 consumers
Note: Percentages are top-2 responses on 7-point scale
Source: Gartner 2018 Consumer Personalization Panel

## How brands use personalization to help consumers

McCormick, a U.S. maker of spices and other condiments, uses consumers' browsing history and saved recipes to trigger placement of new recipes. This saves consumers time on recipe-hunting, and the company integrates third-party shopping and delivery services into its website so consumers can add all recipe ingredients directly to their basket for faster, more seamless purchasing.

Bonobos is an e-commerce-driven apparel business that designs and sells men's clothing. Its "My Fit" website tool prefilters search results to feature items consumers are most likely to buy based on size and fit preferences. Consumers opt in to the tool by saving their preferences, which remain visible as they browse the website. This saves time and prevents frustration, as consumers don't have to manually change filters each time they visit the site. For more flexibility, consumers can deactivate the tool if they are shopping for someone else.

## Few brands focus on personalized help

Consumers clearly favor personalization designed to help their purchases, but so far, very few brands provide it.

Our survey shows only 12% of consumers were satisfied with the level of help they received during the buying journey. The good news is that opportunity exists for senior executives to lead the charge within their organizations to fill that gap, deliver more and better personalized help — and improve commercial outcomes.

### Key take-aways:

**1** Consumers want to receive personalized help as they navigate the buying journey.

**2** Focusing solely on personalized recognition is potentially detrimental to a company's commercial objectives.

**3** When it comes to help, consumers prioritize information, a simpler purchase process and saving time.

# Develop Effective Tools to Deliver Personalized Help

# Personalization needs a plan

It's one thing to understand that help wins as a personalization tactic. It's another to actually build meaningful personalized experiences that help consumers to buy. The opportunity for personalization success means ramping up efforts in this area through two discrete steps:

**1** **Identify the most meaningful ways to help consumers.** Identify the specific type(s) of help your consumers value in combination with what the brand can reasonably expect to deliver. One option is to assess the entire consumer purchase journey for high-value moments, where the brand can critically insert itself to help consumers overcome a friction point. Or identify empathy points — moments across the buying journey that have a disproportionate impact on consumer perceptions. Cross-functional groups comprising internal stakeholders with insight into consumer needs can help surface ideas to pursue.

**2** **Design the tools needed to deliver that help.** Design, build and test delivery mechanisms for providing help. We have identified some common form factors you can use to provide a specific type of help for your consumers. During this step, also explore how to minimize data use to avoid overshooting on help or alienating consumers by getting too invasive (for more on this, see Chapter 3).

**Descriptions of Form Factors for Personalization That "Helps"**

**Recommender**
Provides a limited set of prioritized options based on consumer data or inputs

**Personal Shopper**
Proposes a product bundle to enable completion of a set project based on consumer data

**Diagnostic**
Provides consumers a useful framework or a set of criteria for identifying their options

**Teacher**
Uses data to teach consumers about steps involved in making a purchase, and prompts them to broaden their thinking and consider new, relevant options

**Filter**
Automatically removes products and services based on consumer data

**Predictor**
Predicts likely consumer needs at a specific point in time and proposes next steps based on consumer data

Source: Gartner

## Tools to facilitate personalization that helps

Online wine retailer Naked Wines uses a "recommender" to deliver a narrow set of wine offerings to its consumers. The company carries products from over 160 winemakers around the world and without the recommender, consumers would have a hard time identifying which wines to select — as commonly happens when they visit wine stores. Consumers can preselect their favorite varieties to receive customized offerings, or based on their consumption pattern and ratings, receive more tailored offerings. Conversion rates for these tailored recommendations are 40% higher than for traditional email messages.

Beauty brand L'Oréal offers an online diagnostic that guides consumers through a series of questions to identify the best skin care product for them. Like most diagnostics, consumers enter inputs for a set of criteria and the tool then identifies a prioritized list of product or service recommendations that meet the consumer's need in the moment. The personalized preferences are stored for those who create an account.

The tool also provides L'Oréal with an opportunity to educate consumers about the right questions to ask when purchasing skincare products for their specific needs.

## When it comes to data, less is more

Data drives the tools needed to deliver personalization, so data practices and governance are an important component of any discussion of tools. The beauty of much of the personalization designed to help is that it delivers results with a minimal amount of data (also see Chapter 3).

Many of the examples in this e-book deliver excellent value through a limited set of inputs (Naked Wines, McCormick) or by asking consumers to provide data in the moment (L'Oréal, Bonobos) — a reality that could prove to be especially attractive as businesses try to manage the growing risk and burden of data collection and storage.

### Key take-aways

Two steps are key to your strategy for delivering personalized help to consumers along their buying journey:

**1** Identify and prioritize what categories of help would be most useful to your consumers.

**2** Build a portfolio of tools that can be used to deliver specific types of help to the consumer.

# Rightsize Data Collection

# More data doesn't create more value

Data collection and use is a critical component of personalization, but that data must be collected efficiently, stored responsibly and used appropriately. These risks are a good incentive to rightsize data collection efforts.

Our research shows that most brands currently collect more data than they can reasonably expect to use — especially given that many have yet to build out the capabilities needed to leverage that data.

Improper or inappropriate data collection practices put organizations at risk of data breaches. For marketing, there is seldom any upside to weigh against the risks, as much of the data being collected for personalization efforts creates little value.

More important than the amount of data is knowing when to leverage data. Those opportunities depend on what you know about your consumers' appetite for data use, and what data they feel comfortable sharing — when and with whom.
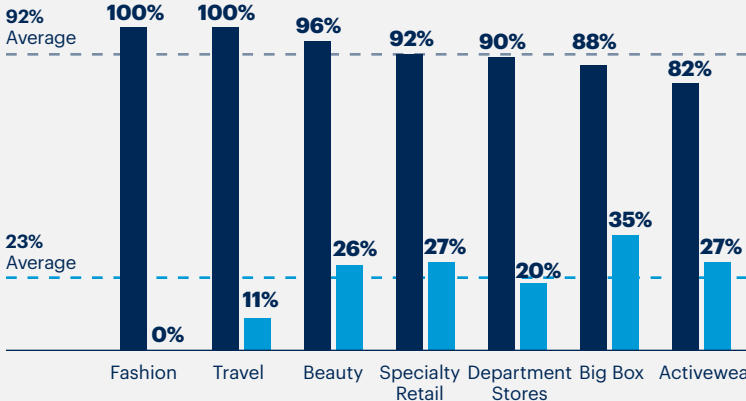
> **Over 92% of analyzed brands currently collect data from consumers on their websites.**
>
> Source: Gartner L2

## Data Collected vs. Data Used for Personalization

The vast majority of companies in most segments (dark blue bars) collect data on their websites. Very few (light blue bars) actually use that data to feed personalization for users.



- 92% Average
- 23% Average

| Segment | Collects | Personalizes |
|---|---|---|
| Fashion | 100% | 0% |
| Travel | 100% | 11% |
| Beauty | 96% | 26% |
| Specialty Retail | 92% | 27% |
| Department Stores | 90% | 20% |
| Big Box | 88% | 35% |
| Activewear | 82% | 27% |

■ Collects segmentation data on its site
■ Personalizes feed on homepage or account

n = 103 brands
Source: Gartner L2 Intelligence Report — Data & Targeting

## Understand when to leverage data

The good news is that consumers expect brands to use their data for personalization. At the same time, consumers are very sensitive about how much personal data brands use in their personalization efforts — and say they will punish brands if their excessive use of data points makes the personalization so detailed as to appear downright creepy or invasive.

**57% of consumers say they will unsubscribe, and 38% will stop doing business with a brand in response to perceived creepiness.**

We asked consumers to rate their comfort level with brands using certain categories of data based on the relationship the consumer has with the brand. We found consumers are more tolerant with certain categories but less so in others, even if the brand is one with which they do business frequently.

Consumers are especially sensitive to the use of certain personal data, including the number of children in the household, income, and credit card and health-related information. The sensitivity and expectation of privacy around this type of data make it very risky for any brand to use.
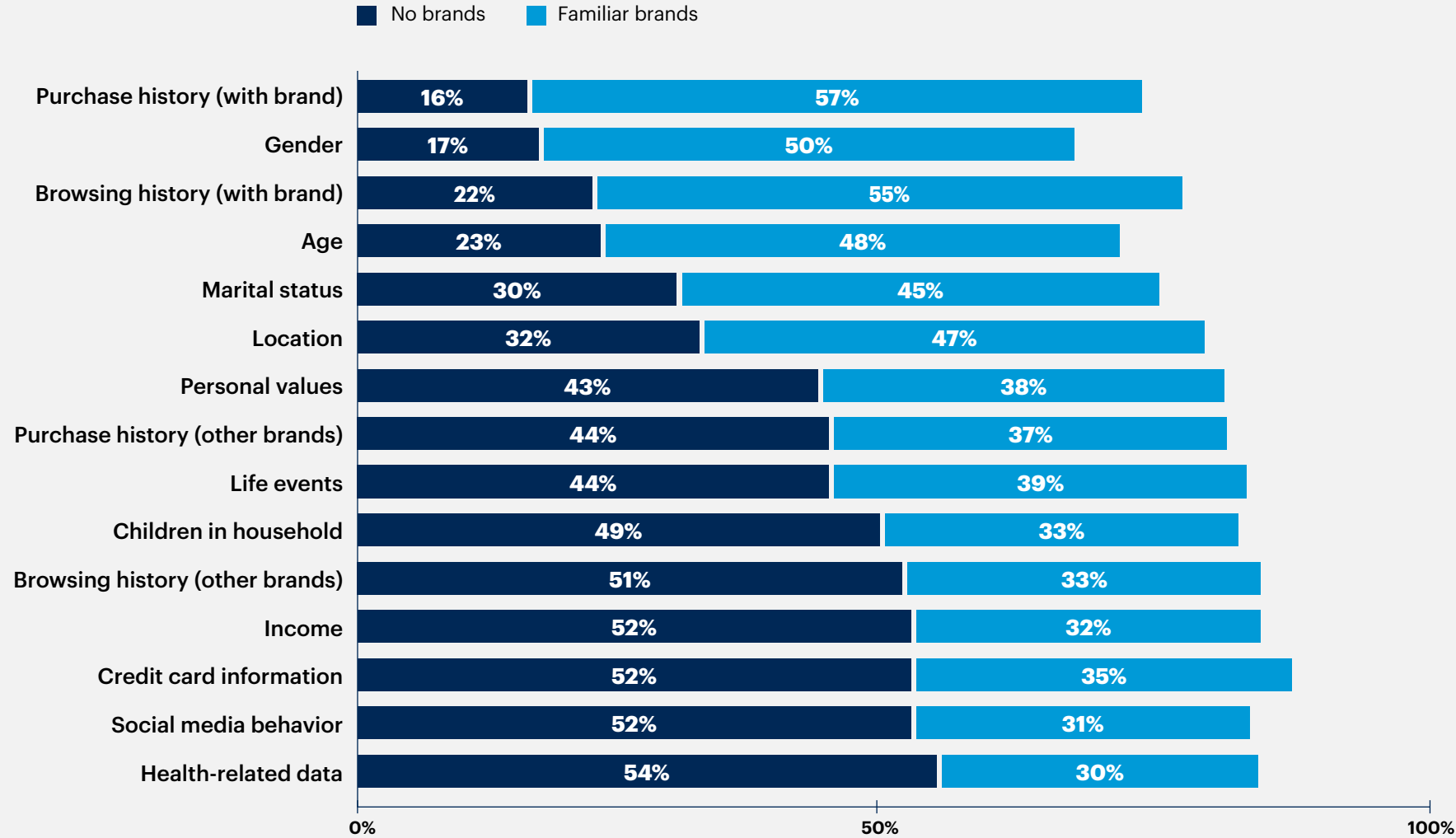
Customers may also have different expectations of privacy for different companies and products. For example, users of a music-streaming service may be open to a broader use of their data than users of a virtual doctor's app.

Knowing consumers' appetite for privacy is important. After all, consumers expect companies to track data on their online search behavior. They are less likely, however, to see a clear link between data on their marital status or birthday and their online purchases, and may not tolerate brands using personal data they see as irrelevant to what they are doing or buying.

## Level of Consumer Sensitivity to Data Use by Brands

Consumers are comfortable with some data being used, but there is also data that many consumers aren't comfortable with brands using at all (dark blue), regardless of whether the brand is familiar to them.

**Legend:** ■ No brands  ■ Familiar brands

| Category | No brands | Familiar brands |
|---|---|---|
| Purchase history (with brand) | 16% | 57% |
| Gender | 17% | 50% |
| Browsing history (with brand) | 22% | 55% |
| Age | 23% | 48% |
| Marital status | 30% | 45% |
| Location | 32% | 47% |
| Personal values | 43% | 38% |
| Purchase history (other brands) | 44% | 37% |
| Life events | 44% | 39% |
| Children in household | 49% | 33% |
| Browsing history (other brands) | 51% | 33% |
| Income | 52% | 32% |
| Credit card information | 52% | 35% |
| Social media behavior | 52% | 31% |
| Health-related data | 54% | 30% |

n = 2,585 consumers

Source: Gartner 2018 Consumer Personalization Panel

## Secure consumer cooperation

To mitigate the risks of collecting and using data, start by securing consumer cooperation in your data practices.

Increasing regulations around data collection are forcing organizations to develop opt-in policies that explicitly seek consumer permission for the use and collection of certain data points. But brands should go beyond the bare minimum required by law. Consumers are more willing to share personal data when they can identify a clear benefit to sharing it, so make sure to articulate those benefits when seeking their buy-in to sharing information:

- Frame the messaging as "Help me help you."

- Be upfront in explaining how the data collected will help the organization provide more relevant and helpful messages or experiences.

This can help to make consumers more receptive and willing to collaborate with the company to develop a personalized experience.

## In Action: Intesa Sanpaolo

Italian banking group Intesa Sanpaolo developed an opt-in program to increase consumer receptivity to its data collection practices. The program does two things explicitly:

**1** **Demonstrates clear value to the consumer.** Intesa identified five levels of data permission needed to meet consumer needs. The criteria for selecting each level are based on the degree of intrusiveness to the consumer. With this framework, Intesa designs messaging to let consumers know the benefits they receive by opting in to each individual level. Clear examples and plain language in the messaging help to make consumers more amenable and willing to cooperate.

**2** **Establishes boundaries for data use.** Intesa is also transparent about how it will and won't use consumer data. The company ensures that it does not collect more than basic data without providing a corresponding benefit and clearly explains to consumers there are some steps it will not take even with consumer permission. Each level of additional data collection is treated independently, so Intesa must ask for permission at each level.

**Result:** Since Intesa implemented this policy, nearly 80% of its customers have opted in to the highest level of data usage.

## Key take-aways

**1** Don't overshoot when it comes to collecting data. Use a principled approach to data collection that prioritizes how useful the data will be in providing help.

**2** Understand when to leverage data by focusing on consumer expectations around data and knowing what consumers feel comfortable sharing.

**3** Leverage opt-in policies to demonstrate additional value to the consumer.

# Conclusion

Marketing executives have every reason to feel bullish about personalization, which offers to unlock superior customer relationships and experience and improve commercial outcomes.

Organizations looking to become more proficient at personalization require technical and analytical capabilities to effectively use the data they collect — and must manage the risks of holding and using more personal data and delivering messages that are personal enough to be relevant but not so personal as to be intrusive.

To manage this tricky proposition, personalization requires a concerted and deliberate effort, and there are some important things to know:

- Consumers find personalization valuable but may see the value very differently than the organizations trying to provide it. In particular, consumers favor personalization designed to help over personalization used by brands simply to demonstrate the company knows something about them.

- Personalization is driven by data, but probably requires significantly less than you'd expect — and certainly less investment than many have committed in their early personalization initiatives. This is fortunate, as consumers are growing ever more sensitive to the amounts of data companies amass and the ways they use it.

- Despite all the personalization initiatives underway, only 12% of consumers feel like current brand personalization efforts meet their expectations, so there is enormous opportunity to fill that gap.

Organizations that focus their personalized messaging around helping their target audiences can expect 16% more impact on commercial outcomes than those that don't. This suggests organizations that crack the code of understanding and addressing consumers' critical needs and expectations for personalization are poised to reap significant commercial returns.

# A Leader's Guide to Personalization

Discover insights, tools and templates to support personalization efforts.
Visit **gtnr.it/personalization** to access resources for your function.

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Research: Access "The Essential Guide to Marketing Personalization"

On-Demand Webinar: Learn how brands are rethinking personalization to achieve far better business results

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