The Personalization Imperative

Advance To True Real-Time Personalization To Meet Modern Customer Expectations

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Executive Summary

Rapid advancements in technology have dramatically changed customer demands on brands in just a few short years. With instant access to information at any time and on any number of devices, marketers are finding it increasingly difficult to compete for customer and prospect attention. Messages based on simple segmentation no longer cut it, and those who rely on such tactics risk being left in the dust as competitors evolve their strategies to meet the needs of today's always-connected customers. Real-time personalization — the tailoring and delivery of messages and media based upon known individual characteristics, needs, and likely future behaviors, delivered at the right time and on the right device — has become a critical element of any modern approach to marketing. Companies across industries have begun looking to this model to both delight and retain their customers.

In April 2014, Conversant commissioned Forrester Consulting to evaluate marketing and customer insights professionals' attitudes toward, strategies for, and challenges in implementing real-time personalization across digital channels. As part of this research, Forrester developed a hypothesis stating that despite marketers' attempts to unite their data, understand it, and make it actionable through robust consumer profiles and personalized cross-channel communications, data complexity and existing technology can make such efforts prohibitively difficult.

> **Messages based on simple segmentation no longer cut it, and those who rely on such tactics risk being left in the dust as competitors evolve their strategies to meet the needs of today's always-connected customers.**

In this study, Forrester conducted an in-depth survey of 101 marketing and customer insights decision-makers with responsibility for digital marketing strategy and/or execution.

Forrester found that, in general, respondents believe their companies have successfully implemented limited-to-moderate levels of personalization, but they also recognize that in order to meet both current and long-term objectives, more advanced, customer-centric capabilities are key. As such, respondents reported plans to increase investment across all core personalization components we surveyed

on, despite a host of technical, organizational, and legal barriers they face in adopting a more customer-centric marketing approach.

KEY FINDINGS

Forrester's study yielded four key findings:

› **Personalization is recognized as a key element of successful marketing in the age of the customer.** Nearly all survey respondents placed some degree of importance on personalization for both their brands' long-term success (99%) and current objectives (98%). Though bullish on personalization's perceived benefits and importance in both the near and long term, the professionals we surveyed view personalization to be particularly critical to long-term success.

› **Stakeholders pat themselves on the back for their personalization advances but aren't satisfied yet.** Respondents recognize the strides they've made in personalization but also indicate a need to invest more in technology that supports true 1:1, contextual marketing. For example, 93% of respondents personalize one or more channels to some extent, but 79% of respondents plan increased investment in various capabilities required for personalization. Because interest in areas relevant to personalization varies among survey respondents, Forrester concludes that piecemeal efforts, as opposed to comprehensive strategies, currently dominate the market.

› **Marketing and customer insights professionals view personalization differently.** The majority of both marketing and customer insights professionals recognize the benefits of personalization and expressed plans to increase investment in personalization or contextual marketing technologies. However, customer insights professionals, with their comparatively deeper knowledge of data, analytics, and technology, consistently rate the impact of personalization across metrics as greater than their marketing counterparts. They also indicate more aggressive plans for future investment.

› **Firms grapple with personalization implementation and expansion challenges.** Survey respondents cite various challenges as roadblocks to the evolution of their marketing strategies toward advanced levels of personalization. A clear majority face hurdles such as integrating platforms, building a single view of the customer, conducting proper analytics, securing internal resources, and maintaining data privacy.
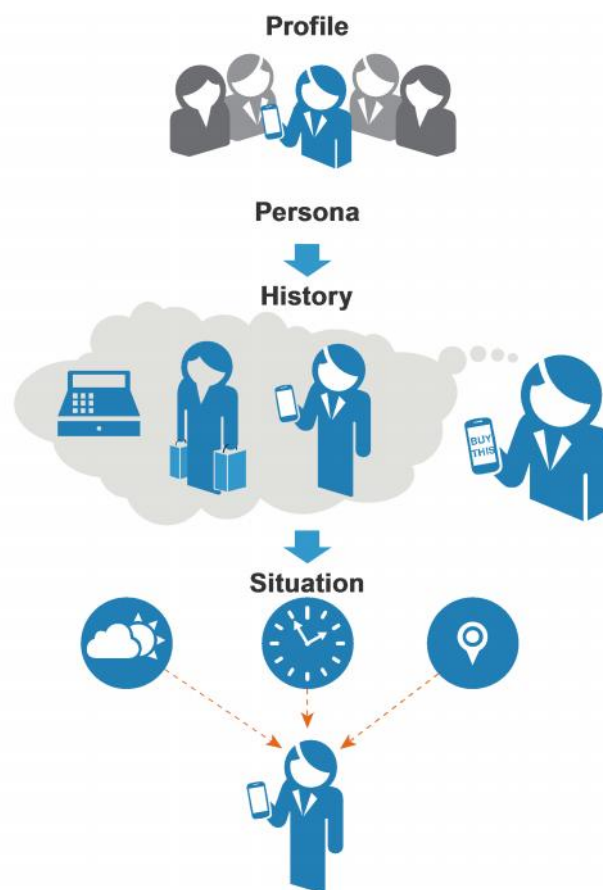
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Personalization Is Essential, And The Pros Know It

As connected devices continue to play an ever-increasing role in the lives of modern customers and digital media consumption across various channels soars, the traditional approaches of simple customer segmentation and static campaign development have become inadequate relics from another era. Just as entertainment producers have adapted to a world in which it is more lucrative to create and distribute content that appeals to niche audiences, so too must marketers recognize that personalized messaging is essential to remaining relevant and useful to increasingly empowered customers.

Not surprisingly, personalization — the tailoring and delivery of messages and media based upon known individual characteristics, needs, interaction with the brand, and likely future behaviors — has emerged as a key tactic as firms work to unlock the untapped value of their customer data and adopt tools and methods to harness and apply these insights (see Figure 1). Our research indicates strong enthusiasm and ambitious plans for personalization across industries with compelling justifications and rationales for why:

› **The age of the customer calls for a more tailored approach to marketing.** Marketing has changed in the last couple of years as customers have developed the expectation that brands meet their needs anytime, anywhere, and on any device. What fueled this change? Customers' unprecedented access to information, the proliferation of devices through which to interact with brands, and a throng of companies putting empowered customer needs and desires at the forefront of their marketing strategies. In this new reality, segmentation, and even basic personalization — often limited to a few general message versions — no longer cut it.

› **Organizational interest in personalization is on the rise.** Marketers are intrigued by the prospect of delivering messages that consider the context of the individual to ensure the most relevant messages reach the most valuable recipients at the most opportune moments — in other words, the right message, at the right time, on the right device. Personalization is widely recognized among our survey respondents as a primary means to accomplish this. In fact, 92% report growing interest in personalization within their organizations over the course of the past year while not a single respondent told us that

FIGURE 1

Modern Personalization Goes Far Beyond Segmentation

Source: "Advance To Next-Generation Personalization," Forrester Research, Inc., January 13, 2014

interest is decreasing (see Figure 2). Such sentiment reflects the emerging concept of perpetuating "value exchanges" with customers based on their unique needs and characteristics, rather than relying on comparatively static mass messaging campaigns.[1]

› **Advanced personalization is seen as a cornerstone of marketing success.** Rising interest in personalization should come as no surprise given the value marketing and customer insights professionals place on it. An overwhelming 94% of respondents' rate personalization as "important", "very important", or "extremely important" for meeting current marketing objectives, with an even greater percentage (97%) reporting the same for long-term objectives. Thirty-three percent more respondents deem personalization as "extremely important" to their

long-term objectives as compared with their current objectives (see Figure 3). In other words, while personalization is viewed to be very important today, it is viewed to be even more critical to an organization's long-term success.

Elements Of Personalization Are Prevalent, But Execution Can Be Tricky

Brands' current levels of marketing personalization are relatively modest due to a number of factors, including fragmented technologies and undefined maturity standards. Marketers and customer insights professionals aren't complacent, however, and have ambitious plans for curating and delivering highly relevant messages, consistently across channels. Here's what we found:

› **Limited personalization is a common practice.** Survey respondents indicate utilizing basic personalization, such as names or product recommendations, but they still build and deliver otherwise static digital campaigns. For example, 95% utilize at least limited personalization (i.e., simple customer segmentation without dynamic creative) for email, followed closely by 93% for direct mail and 87% for paid search. Unsurprisingly, less than a third of marketers describe their current state of personalization

as advanced for any channel (i.e., with multiple, real-time personalized elements such as calls to actions, visuals, and contextually relevant product and offer information). This sentiment suggests that most firms are still far from the ultimate goal of establishing and maintaining truly personalized 1:1 customer relationships (see Figure 4).

› **Marketing and customer insights professionals alike plan for increased investment in personalization.** Though most respondents report personalizing digital experiences on at least a limited basis, many intend to invest more in order to further advance their practices. No fewer than 72% report plans to increase investment in any number of personalization capabilities, which suggests that the bar for personalization standards has risen and the market recognizes it as critical to achieving marketing objectives (see Figure 4).

› **Perceptions and plans vary by role.** Marketing and customer insights professionals have different perspectives on how advanced their personalization practices are and what personalization represents. For example, customer insights professionals rate their respective organizations as more mature in personalization practices than their marketing counterparts. Despite their higher self-assessment of current personalization maturity, customer insights professionals report more aggressive investment plans for

FIGURE 4

Maturity Self-Assessment And Investment Plans Are High Across The Board But Differ By Role

"To what extent does your organization personalize marketing communications across the following channels?"

- Advanced personalization (CI)
- Limited or moderate personalization (CI)
- No or basic personalization (CI)
- Advanced personalization (M/A)
- Limited or moderate personalization (M/A)
- No or basic personalization (M/A)

Channel			
Online video	61%	18%	5%
	23%	43%	25%
Social advertising	57%	41%	2%
	25%	45%	23%
Email	64%	36%	
	33%	58%	9%
Paid search	50%	47%	2%
	21%	40%	14%
Direct mail	66%	34%	
	18%	68%	11%
Display advertising	61%	37%	2%
	25%	51%	23%
Website	61%	38%	
	18%	59%	23%

"How much does your organization plan to change investment in the following areas of personalization within the next 12 months?"

- Increase (CI)
- No change (CI)
- Decrease (CI)
- Increase (M/A)
- No change (M/A)
- Minor decrease (M/A)

Area			
Measurement	91%	9%	
	68%	28%	4%
United profiles	91%	9%	
	66%	28%	5%
ROI measurement	88%	11%	
	64%	35%	2%
Shopper type	91%	9%	
	68%	28%	4%
Cross-channel ID/delivery	88%	9%	2%
	61%	35%	4%
Cross-device ID/delivery	88%	11%	
	58%	30%	12%

Base: 101 marketing and customer insights decision-makers with responsibility for digital marketing strategy and/or execution

Note: Respondents not using a particular channel are not included in analysis of channel personalization. Responses regarding personalization investment changes may not add to 100% due to rounding.

Source: A commissioned study conducted by Forrester Consulting on behalf of Conversant Media, April 2014

expanded personalization capabilities across all channels (see Figure 4).

› **Various roadblocks impede the implementation of advanced personalization strategies and capabilities.** While enthusiastic about the benefits of personalization and eager to use it more, the professionals we surveyed make it clear that, in their eyes, implementation is easier said than done. From consumer privacy concerns to implementation challenges and organizational roadblocks, a large majority of our respondents agree that the implementation issues we asked about present a challenge to reaching their goals, with over 50% of respondents saying each is a major or extreme challenge (see Figure 5).

Develop A Comprehensive Personalization Strategy To Win, Serve, And Retain Customers

If you're serious about creating personalized experiences for your customers, you need more than piecemeal personalization tactics to deliver optimal results. You need a well-thought-out, comprehensive strategy that takes into account your organization's unique business, marketing objectives, resources, customer base, and competitive set. While your exact tactics may vary, there are core tenets of personalization that should be central to your approach. To lay the foundation for a strong personalization effort:

› **Eliminate technical challenges with up-to-date personalization technologies.** Up-to-date personalization technologies eliminate the technical challenges most frequently cited by survey respondents

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FIGURE 5

Personalization Is Hindered By Several Notable Challenges

"To what extent are the following barriers a challenge to broader implementation of personalization?"

▢ 5 — Extreme challenge ▢ 4 — Major challenge ▢ 3 — Challenge ▢ 2 — Slight challenge ▢ 1 — Not a challenge14%

Barrier	5	4	3	2	1
Concerns about data privacy	37%	26%	14%	15%	9%
Building a comprehensive single view of each customer across all sales and marketing channels	35%	30%	22%	10%	4%
Securing internal resources to execute a personalized marketing program	32%	34%	18%	10%	7%
Gaining management buy-in and enterprise adoption for personalization	31%	29%	22%	11%	8%
Identifying, vetting, and integrating technology, platforms, or vendors to deliver personalized communications	29%	32%	31%	6%	2%
Conducting the analytics necessary to create personalized communications	26%	34%	19%	18%	4%
Sourcing talent skilled in planning and delivering personalized programs	26%	32%	24%	15%	4%
Ability to dynamically create personalized content	23%	35%	27%	14%	2%

Base: 101 marketing and customer insights decision-makers with responsibility for digital marketing strategy and/or execution

Note: Numbers may not add to 100% due to rounding.

Source: A commissioned study conducted by Forrester Consulting on behalf of Conversant Media, April 2014

seeking to create and utilize a single view of the customer. There are solutions available today that properly integrate disparate data sources and types while adhering to strict guidelines that protect privacy. Such solutions should also accommodate your company's business rules and have the ability to seamlessly curate and execute tailored communications. In some cases, such solutions may replace and simplify disjointed legacy systems and fill capability gaps that can exist with integrated point solutions.

› **Align marketing and customer insights teams.** In order for personalization initiatives to be successful, marketing and customer insights functions must be in sync on their objectives and plans. Without an understanding of how data management and unification affect communication, customer insights professionals risk misallocating their resources and setting their strategy incorrectly. Likewise, without a proper sense of data quality and integration benchmarks, marketers will fall short of delivering the enhanced user insights and hyper-relevant messages they strive for.

› **Automate the development and iteration of strong customer experiences.** Personalization technologies can lessen the need to create a myriad of compelling customer experiences from scratch, a task not otherwise viably scaled at many organizations. This allows for better targeted and contextualized experiences based on the customer's demonstrated interests and historical brand interactions and the automated iteration of these experiences whenever customers choose to engage your brand, regardless of device or channel.

› **Allow brands to provide utility to their customers.** Personalization affords brands the opportunity to create content and deliver marketing experiences that their customers will find valuable. A robust strategy will combine deep analytics with contextual awareness to create true customer-level understanding. This gives marketers the powerful ability to deliver dynamic content and offers that are useful to the customer here and now. Such capability is crucial in the age of the customer, as customers' brand affinities and loyalties hinge upon how well marketers know and cater to their needs, wants, and desires.

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› **Help build long-term relationships with customers.** When correctly executed, personalization enables the creation of ongoing dialogues informed by consumer context. These dialogues yield the opportunity to deliver increased message consistency and relevance. Such improved brand interactions and experiences help create, manage, and grow the long-term customer relationships that bring the most value.

› **Plan, execute, and measure with a focus on incremental conversions.** Ultimately, effective personalization unlocks valuable cross-sell, upsell, and incremental purchase opportunities as the value of your organization's products or services is communicated with greater pertinence and in the right context.

Key Recommendations

Forrester's in-depth survey of marketing and customer insights decision-makers yielded four important recommendations for companies seeking to plan, implement, or expand their personalization strategy:

› **Understand your goals and craft a road map for success.** Prior to investing in personalization technologies, you must understand what your objectives are. Take a hard look at how your customers interact with your brand, what factors influence their decisions, how that varies with customer context, and how your competitors' tactics address these considerations. From there, think through and plan how you'll execute on your vision and how your organization will commit to this strategy.

› **Assess current state of personalization maturity.** It's difficult for marketing organizations to keep up with the unprecedented speed of change in consumer behavior and expectations. Assessing yourself with an outdated maturity model may make you feel better, but you will risk being out of sync with your customers. Take an honest look at your current state to determine which capabilities are needed to achieve the state of marketing personalization outlined in your road map.

› **Ready your data for real-time personalization.** No personalization strategy will be successful without a rock-solid approach to customer data integration. Audit all of your data sources and consider the best methods for consolidating and/or uniting them, as well as making them readily available and usable for real-time, context-sensitive interactions across channels and devices. Consider the realities of what it will take to reach such a state of data maturity and the necessary steps needed to get there.

› **Consider partners that understand your unique needs.** Scarce internal resources, be they expertise, bandwidth, or otherwise, can significantly constrain personalization advancement. Realistically consider the people and technology necessary in order to achieve your goals and whether your organization can provide them in a timely manner. Based upon this assessment, make your decision regarding whether to build capabilities yourself or enlist partners that may wield the know-how and toolkits needed to make your goals a reality.

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Appendix A: Methodology

In this study, Forrester conducted an online survey of 101 marketing and customer insights decision-makers in B2C industries with responsibility for digital marketing strategy and/or execution in the United States to evaluate their attitudes toward, strategies around, challenges with, and plans for marketing personalization. Questions provided to the participants asked about marketing personalization-related investment history and plans, implementation or expansion experiences, capability and maturity self-assessment, and return-on-investment perceptions. Respondents were offered a small incentive in research panel currency (i.e., points redeemable for rewards) as a thank you for time spent on the survey. The study began in April 2014 and was completed in May 2014.

Appendix B: Supplemental Material
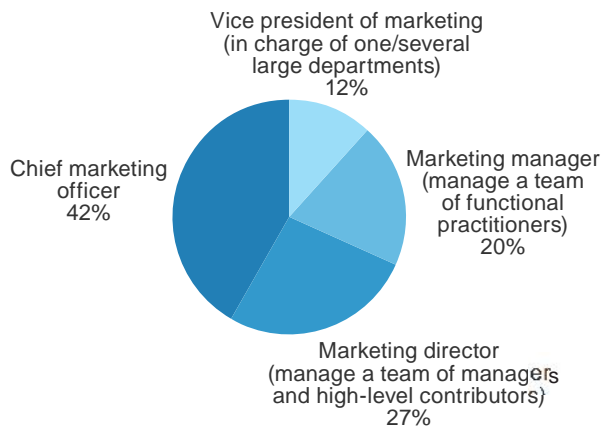
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"Advance To Next-Generation Personalization," Forrester Research, Inc., January 13, 2014

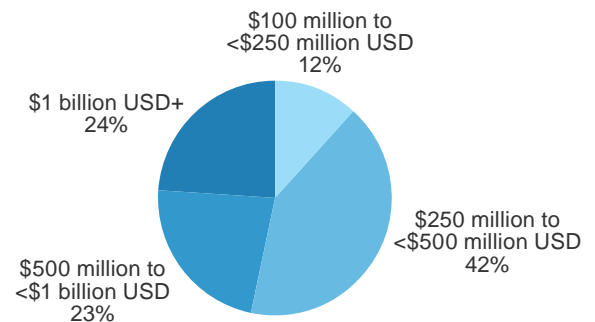"The Power Of Customer Context," Forrester Research, Inc., April 14, 2014

Appendix C: Demographics/Data

FIGURE 6
Survey Respondent Demographics

"Which title best describes your position?"

Vice president of marketing
(in charge of one/several
large departments)
12%

Chief marketing
officer
42%

Marketing manager
(manage a team
of functional
practitioners)
20%

Marketing director
(manage a team of managers
and high-level contributors)
27%

"Using your best estimate, what was your firm's revenue last year?"

$100 million to
<$250 million USD
12%

$1 billion USD+
24%

$250 million to
<$500 million USD
42%

$500 million to
<$1 billion USD
23%

Base: 101 marketing and customer insights decision-makers with responsibility for digital marketing strategy and/or execution
Note: Numbers may not add to 100% due to rounding.

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Appendix D: Endnote

[1] You can't buy or achieve contextually enriched customer connections by tweaking your traditional marketing plan. Firms interviewed by Forrester have described sustained, self-perpetuating exchanges of value based on data on topics such as product use and customer affinities to sustain their customer relationships. Source: "The Power Of Customer Context," Forrester Research, Inc., April 14, 2014.

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