



DECODING THE PERSONALIZATION PARADOX



Growth
from
Knowledge

***Five keys to delivering
tailored experiences at scale***

by Joe Beier and Rachel Bonsignore

In collaboration with the National Retail Federation



Five keys to delivering tailored experiences at scale

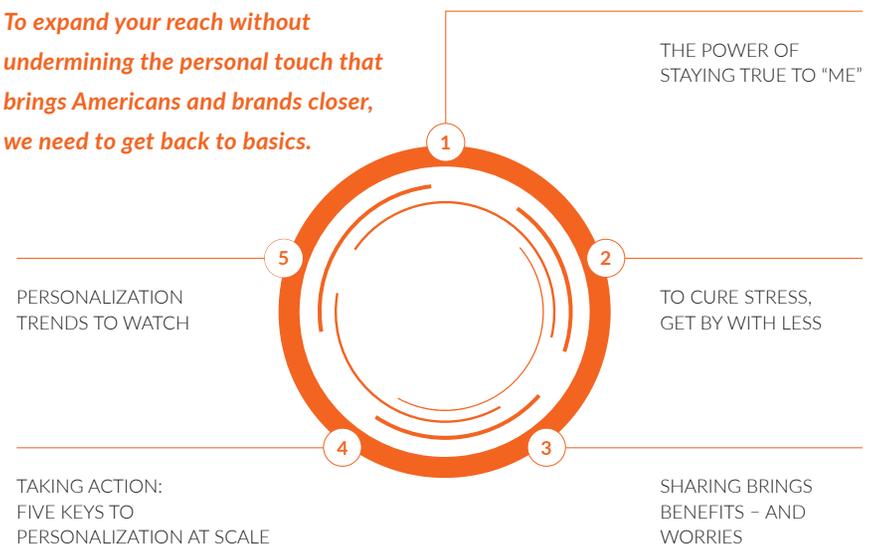
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In the past few decades, personalization has evolved from simple—vanity license plates and monogrammed towels—to specialized and profoundly complex. Enabled by algorithms, location tracking, DNA kits, and a host of other resources, companies can now deliver direct-to-consumer custom hair color kits, nutrition plans tailored to a person’s unique biology—even multi-platform ad campaigns with increasingly narrow targets.

As Adweek noted earlier this year, marketers who once might have focused on a relatively simple segment, something like “females who buy shoes regularly”—now aspire to reach groups such as “Warriors fans who like to hike, drink whiskey, and buy high heels, and also prefer SMS as a communications channel.”

And Big Data has everything to do with a marketer’s ability to execute campaigns against such rarefied groups.

To expand your reach without undermining the personal touch that brings Americans and brands closer, we need to get back to basics.





There often seems to be an inherent paradox, however, about brands leveraging personalization.

At its core, personalizing is about delivering specific, nuanced, tailored experiences or benefits—and yet, to be successful at anything, big businesses need to operate at scale. Somehow, they need to be intimate and personal with thousands or millions of people at a time.

The fact that brands are succeeding at this to any degree is remarkable, and many elements need to come together to pull off this tricky remit. There is one, however, that eclipses all others in determining success or failure for a given personalization campaign, and that is to build programs from the “consumer out”—focusing on their wants and needs and delivering the benefits that they value the most. These “pluses” include control, simplicity, and other broad wants that many Americans share today.

Success in personalization is not driven by doing things simply because “we can” or because everyone else seems to be doing it. Rather, success comes from deliberately focusing on programs that deliver better customer experiences, checking the key boxes on benefits that consumers really care about.

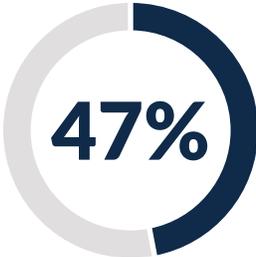
To expand your reach without undermining the personal touch that brings Americans and brands closer, we need to get back to basics. How did we get here? What deeper, societal forces are driving the desire for personalization that is now so fundamental among consumers?



The power of staying true to “me”

Looking deeply into GfK Consumer Life and FutureBuy® data, we see that one crucial element of the desire for personalization is self. More and more, consumers are driven by their individual preferences. They place a premium on being authentic and genuine, and refuse to feel “locked in” to any one kind of identity based on what society expects of someone in their demographic cohort. This even carries over into the way they shop—half of Americans tie the brands they buy to their personal identities.

Self—key takeaways



say that they “don’t feel constrained by social expectations of my age or gender”



is on the rise as a core definition of personal success – while “being a good parent or spouse” is in decline



is #3 among the personal values cherished by US consumers



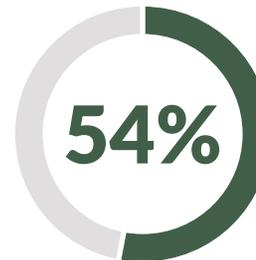
To cure stress, get by with less

Another force driving the desire for personalization is the rising stress level in the US. In just a recent two-year period, there was a dramatic increase in the proportion of Americans who cited at least one of 14 common problems as a major source of stress in their lives. These forces are not only external and beyond our control (e.g., the economy, threats to personal safety), but also internal: the pressure we put on ourselves.

This heightened anxiety is leading consumers to seek out and value simplicity in their daily lives. They need products and services that streamline their worlds, taking at least some of the work out of complicated tasks. Among both Generation X and Millennials, looking for ways to simplify life is a fast-rising generational attitude.

In addition, among American consumers, the #3 marker of true innovation is that it “simplif[ies] something that was too complex.”

Stress—key takeaways



feel stress or tension at least a few times a week



ranks #8 among 44 key life attitudes in the US

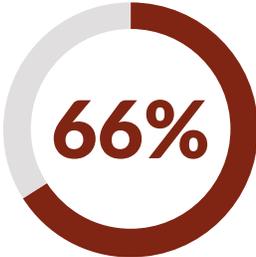


Sharing brings benefits – and worries

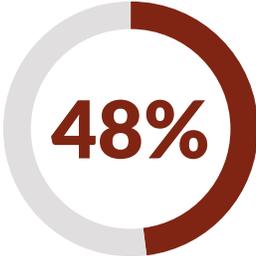
The complicated new world of “sharing” is also a major driver of the desire for—some would say “expectation of”—personalization. We find that consumers are growing more open to exchanging personal information with brands if there is a clear benefit attached, such as recommendations tied closely to their needs or pinging their smartphones when they are out shopping. Millennials, the first digital generation, lead in these attitudes.

Yet consumers are not blindly sharing all of their personal information, and they are doing it with some reservations. In the past decade, concern about personal data getting into the wrong hands has nearly doubled. With data breaches and threats to personal security becoming more commonplace, brands need to ensure customers they are being adequately protected.

Sharing—key takeaways



66% of Millennials say that they “like it when a website keeps track of my visits and then recommends things to me”



48% of US consumers say “it is very important to actively manage my online identity”

32% of all consumers

55% of all Millennials

say “I like it when retailers contact me on my smartphone when out shopping”

Taking action:

Five keys to personalization at scale

Our analysis also suggests that a number of central concepts can be helpful in putting this consumer knowledge into practice – actions clearly in parallel with our trends of self, stress, and sharing.

66%
of Millennials

say they would be more loyal to a brand or retailer that “lets me give input or help shape the products/services I buy”

Self

Control

Enable consumers to guide their own outcomes

For consumers increasingly driven by their own preferences, brands can deliver effectively on personalization by putting them in the driver’s seat—for example, by letting customers give input on services or products and making each interaction more of a two-way conversation.

Taking more consumer input into consideration also means that brands can sidestep some of the hazards of personalization, as the product landscape is already littered with consumer backlash on everything from intrusive campaigns to wide variations in pricing that may feel unfair to customers.

Values

Recognize that purchase decisions are not just about the product

Consumers today are eager not only to buy from brands that align with what they believe, but also to steer clear of brands they do not feel alignment with. Millennials and Gen Z are notably strong in their agreement with attitudes such as “I only buy products or services that appeal to my values” and “I have avoided a particular brand or store in the past month because I disagree with the company’s values.”

Stress

Curation

Meet a glaring need on the simplification landscape

Almost half of consumers feel there are just too many product options – and, among Millennials, that number climbs to nearly 60%. Retailers and brands have an opportunity to flip the script, benefitting both customers and themselves. Americans are actively seeking partners they can trust to screen and trim their choice sets. By helping consumers manage the overwhelming product, media and advertising choices they face every day, brands can elevate their status with customers and prospects, providing first-level input into what they choose to buy.

Sharing

Modes

Leverage the ways that consumers want to shop today

However we choose to deliver personalization, our approach will only succeed if it feeds off consumers’ preferred shopping modes. Yet, the traditional distinction between online and physical shopping is becoming increasingly hard to classify. For example, our research found that one-third of the time shoppers were using phones to shop, they were doing so in a physical retail store. Ideally, personalization programs can meet a range of shopping preferences; match their modalities, be flexible, and you will be rewarded.

Peace of mind

Put a “human” face on AI-powered tools

In light of GfK research that points to heightened skepticism and concern about technology, one way to engage and reassure consumers is to put a human face on whatever back-end technology solution is driving your personalization program. One possible activation: an AI customer service offering that links you to a live person if you have further questions. In a sense, this blows up the traditional either/or mindset that attempts to assign each task to either a human or a machine. Increasingly, it appears that the right answer is both.



Personalization trends to watch

As we have seen, personalizing effectively demands a delicate balance leveraging factors large and small – levels of trust, perceived costs and benefits, and perceptions of specific brands. Companies can only manage this process effectively, at any scale, by paying close attention to consumers' attitudes, needs and desires.

Emerging trends and needs that we will be watching closely include:

- personalized pricing
- a new focus on transparency
- personalized brand identity
- voice commerce

Allowing algorithms to guide personalization may solve scaling issues, but high-quality consumer insights carefully applied are essential to strategic decision making and course correction. Finding the right balance for your product or service is an essential element of smart business now – and for the future.

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