STRANDS
RETAIL

THE FOUNDATIONS OF
PERSONALIZATION

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One of the most effective ways for a retailer to increase shopping cart sizes and total sales conversion is by implementing a solid personalization and product recommendation strategy.

Customers today expect personalization based on past behavior and future intent, and it is an absolutely essential part of any online marketing strategy. Today, more than 70% of the top 1,000 online stores in the US (but far fewer internationally — as low as 30%) have some form of personalization on their commerce website, and that number is only going to continue to grow.

WHAT IS PERSONALIZATION?

In short, personalization is about creating a 1:1 relationship with each retail customer. It is all about understanding who each customer is, and leveraging that information to create the most meaningful shopping experience possible -- backed by relevant product offers -- at the time she wants them.

The goal of personalization is two-fold: to increase short-term sales (cart and ticket size) and long-term customer value (repeat visits and purchases over a long period of time). have some form of personalization on their commerce website, and that number is only going to continue to grow.

Every step along a shopper's journey is an opportunity for the retailer to connect, engage and build a better relationship with each customer. Retailers have a far better chance of keeping a shopper's attention and converting a sale when the website experience is contextually meaningful and applicable to what a shopper's intent and motivation is. Further, if done right, it can be a space saver on the website, creating room for other marketing and promotional modules.

Moreover, personalization should never stop at the end of the transaction: it should carry far past the shopping cart and purchase confirmation pages, into the form of email outreach, specialized offers, and incentives to return to the website. A corollary to this is that a successful personalization strategy includes knowing when NOT to offer discounts or incentives to customers since they could erode profit margin.

In a recent Harris survey, shoppers expressed their feelings on retail website personalization:

Over **52%** said that product recommendations make it much easier to find the products that they are looking for and want to buy

75% of customers said that they are put-off by retailer websites that make offers, display advertisements, and show promotions that have nothing to do with their own interests or buying behaviors

54% of all respondents are more likely to return to and purchase from a website that recommends products to them

Customers have come not only to expect some form of personalization on every website that they visit, but they want it and are more likely to purchase when they are presented with personalized options.
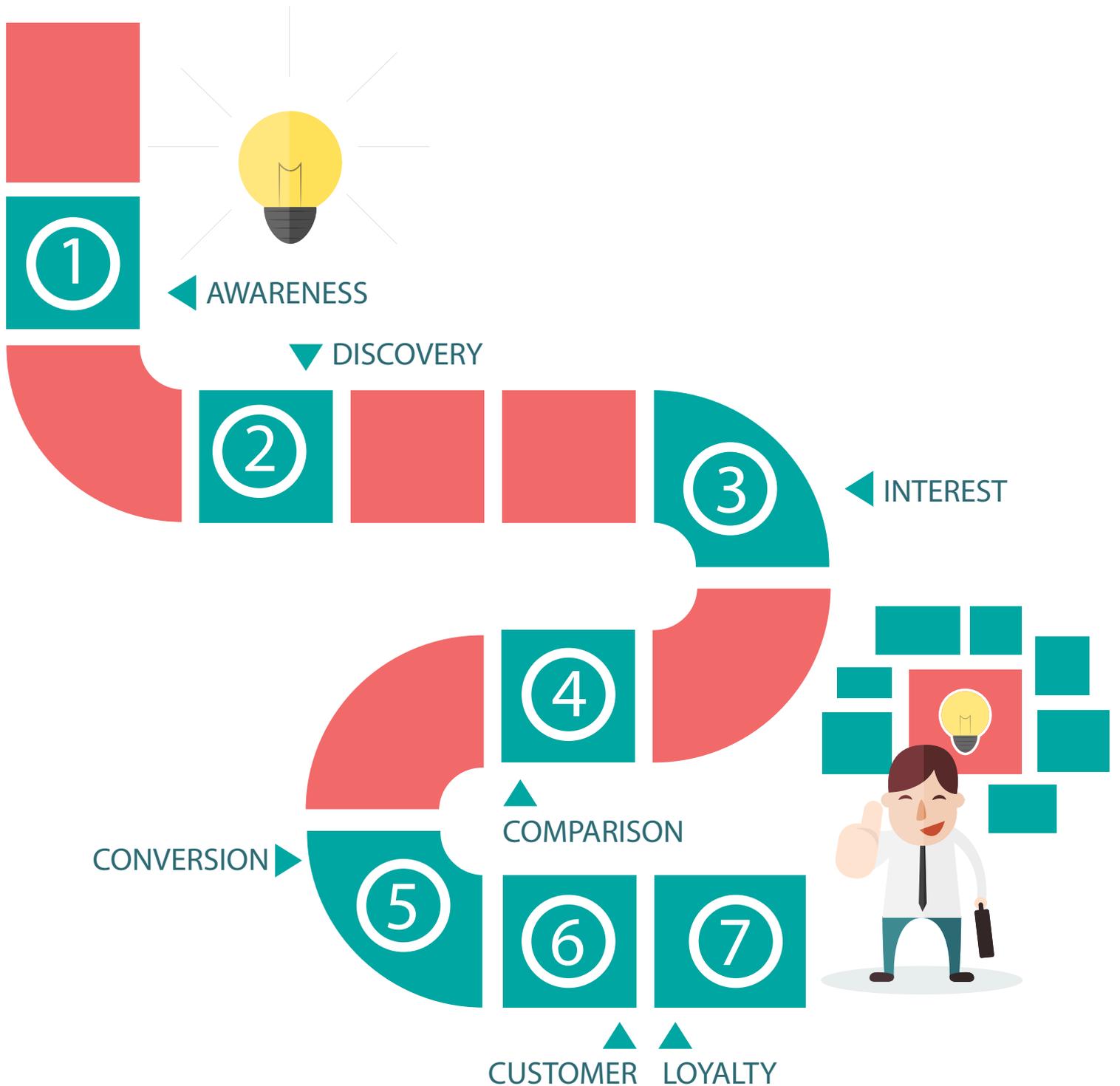
KNOWING THE CUSTOMER

Personalization means forming a complete picture of each customer, and the way to do that is via data collection. Understanding what products customers are viewing, how often they are viewing them, what they are purchasing and what they are leaving behind in their shopping carts provides retailers a deeper understanding of who their customers are and what their intent is.

Ideally, a retailer can take that to the next level, and develop a more detailed overview of their customer, including preferred channels, preferences, habits, and general interests, which create strong

THE BUYING FUNNEL AND PERSONALIZATION ROLE

Throughout the purchasing process, a customer journey typically looks like this:

1

AWARENESS

DISCOVERY

2

3   INTEREST

4

COMPARISON

CONVERSION

5

6   7

CUSTOMER   LOYALTY

Personalization should be interwoven at every stage of this funnel, with key messages presented to the customer along the journey. Of course, more data about the customer is going to further empower the retailer to tailor and refine more specific messages. As soon as a customer clicks to a retail website, the opportunity to collect valuable data begins. It is essential at this stage to build awareness of product breadth and depth, promoting Best Sellers, Deals of the Day, and popular products in specific categories.

Good personalization means reading and interpreting intent and behavior from site visitors for a more relevant experience. The entire goal at this level is engagement – retailers have worked hard to get the shopper to the website; it's important to engage them immediately to start building that customer profile. Once a consumer is engaged, has made several visits to the site, maybe even made a purchase, the retailer will have a richer collection of data on which to base deeper levels of personalized marketing messages.

Every single customer interaction is another source of data that can inform future marketing messages across all channels. Over time, these relevant interactions move the customer through the relationship-building phase and build loyalty. It is absolutely mandatory that propercustomer tracking is correctly added to the website back end.

Tactics such as triggered emails featuring related cross-sell items, retargeting ads featuring products the consumer has expressed interest in, timely replenishment reminder emails, SMS messages, and relevant new item and sale alerts are all simple ways that a retailer can keep the attention of its customers with meaningful communications over time.

DATA IS THE DRIVER

Clearly, the key to marketing personalization is having as close to a 360-degree view of a customer as possible. And that means data collection. At a high level, customer data is either explicit or implicit. Explicit data is data that is provided and collected in conjunction with an intentional action such as visiting a specific product on the website, clicking into certain categories, adding items to the shopping cart, opening and taking action on email, responding to promotional offers, or making a purchase. Data is the driver of decisions for most personalization engines and recommendations algorithms.

Implicit data is data that is not expressly provided or gathered, but rather is a byproduct of those activities just described, and can be interpreted or inferred to mean something greater. For instance, if customer Sally Smith has just browsed multiple sites for tennis racquets, has clicked on emails related to vacation destinations in Palm Spring, and has spent time reading articles and content on Tennis.com, it is inferred that Sally is planning a tennis vacation soon. Retailers can capitalize on this information not only to delight Sally and make her life a lot easier, but improve customer acquisition and revenue.

TAKING ADVANTAGE OF PAST DATA

For most online retailers, there is almost certainly a ton of very useful customer data that is just sitting there, not being leveraged in any way. Good personalization companies enable retailers to take advantage of this data by providing mechanisms to upload historical customer data, which helps them to create 360-degree customer profiles much more quickly and easily.

Historical data is likely both transactional and anonymous, but it allows marketers to segment and market to varying segments of customers, whether they shop frequently or almost never. Effective marketing personalization strategies always leverage historical data, which is then used to predict customer behavior much faster than building profiles from a "cold start."

CUSTOMER SEGMENTATION

Segmentation is derived from first gathering and next analyzing customer behavior and then creating groups of customers based on those similar behaviors. It is generally most useful in email communications, but there are also ways to segment customers on site.

Why is segmentation valuable? Because it empowers the retailer to provide similar types of offers and messages to similar customers in batch format. Going deeper than this, it allows the retailer to get a better picture of who their best customers are, based on multiple views: amount spent, times visited, time spent, pages viewed.

Imagine being able to create and then make different offers to those customers. And, there is no limit to the kinds of segments that can be created. Basic, high-level segments might be "Golf Lovers," which could consist of everyone who purchased a golf-related item in the last 45 days. However, a more powerful segment could also be created at more granular level, which would really leverage customer insights and turn empty shopping carts into new revenue. An example of this could be: "Customers who bought Callaway brand golf items valued at more than $500 in the last 60 days AND who have visited at least 4 times in the last 12 months, AND who did not make a purchase on their last visit." Just think of the potential value of that customer!

Beyond that, segments can also consist of demographic and behavioral information beyond the retail store's data. As shown here, segments can be basic or very detailed, and the level of granularity that a retailer chooses to create should be determined by the overall profile of a retailer's customers, complexity and depth of the product category, inventory turnover, and all intrinsic customer behavior. For obvious reasons, it's very useful for a golf store to be able to separate its Callaway customers from its Nike customers, but it can be extremely useful to know how much each one spent, and when. With this data, marketing activities can vary greatly, and be far more effective.

PERSONALIZATION MAXIMIZES EMAIL COMMUNICATIONS

Generally, email is a top-performing channel for the majority of retailers and brands, and from a marketing perspective, sales attributable to the email channel should represent about 20-25% of a retailer's revenue. It is a superhigh performing marketing tool, primarily because it is so cheap to do. Email with personalization becomes an even stronger, far more powerful mechanism that just email alone, and so any retailer that is not engaging this capability is certainly leaving more money on the table.

Layering on personalization has been shown to improve performance up to 18% more than email alone. With its low barrier to entry with respect to cost and effort, and its high return on investment, email simply must be a place to
focus personalization efforts. Personalizing email can be as simple as messaging for customer segments, personalizing subject lines, inserting a personal greeting with a customer's name, or simple automated trigger emails such as for an abandoned cart, post-purchase review prompts, and timely reorder emails for consumables.

On the other end of the spectrum, email personalization can be as sophisticated as fully personalized email campaigns populated with content and products based on individual customer behaviors, targeting based on device preferences, weather and geography, and messaging relevant to cross-channel behavior.

TEST EVERYTHING! ALWAYS!

Underscoring all of the above is the simple fact about all online marketing: it can never be turned on and forgotten about if it is to succeed. We've seen that using personalization tactics on website and in email communications is essential to customer satisfaction and revenue growth. Importantly, though, personalization is not a "set it and forget it" effort. Ongoing and consistent testing in each marketing channel needs to occur in order to maximize performance and response rates. Many of the better personalization companies offer A/B testing platforms that are easy to use and which can really make a difference.
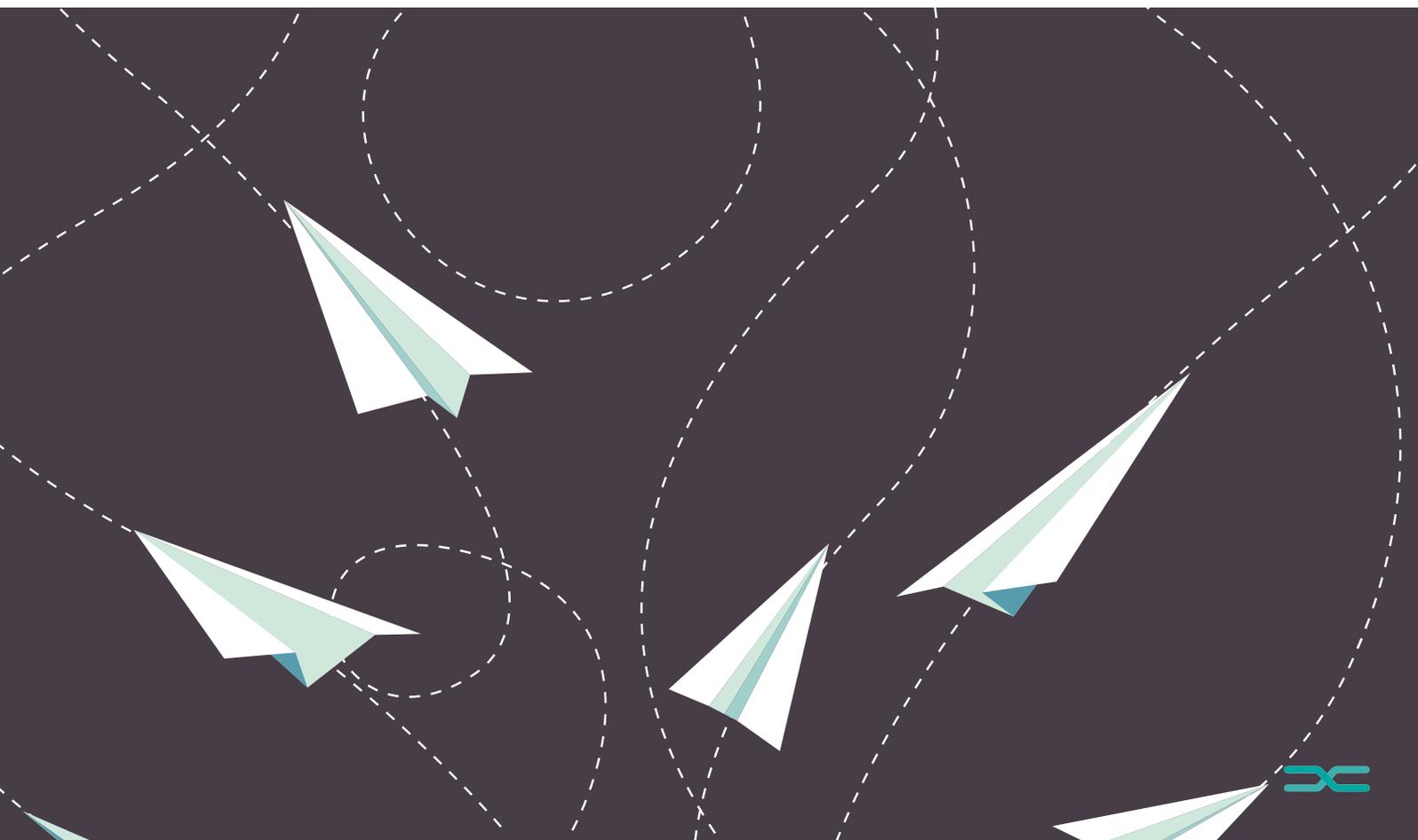
THE RUB

According to the DMA (Direct Marketing Association) marketing personalization unquestionably improves bottom line revenue performance.

In a study of top online retailers, they concluded the following:

76%
of retailers who use personalization reported **increased marketing effectiveness**

67%
of retailers reported that they had **higher customer satisfaction** rates than when they did not have personalization

60%
reported **increased customer retention**

So, clearly, personalized marketing works -- it drives higher revenues and customer loyalty. It is imperative that retailers and brands finally get a solid handle on their existing customer data and their overall data management practices and start to execute personalized marketing strategies.

It's important to understand that complete personalization does not have to happen all at once — don't bite off more than you can chew. Start small, and work your way into more sophisticated practices, such as understanding customer behavior by device to unify customer personalization and communications as they move from brick and mortar, to mobile, to desktop, and back to in-

STRANDS RETAIL

PRODUCT RECOMMENDATIONS WORK

Personalization and automated merchandizing tools work to increase sales through intelligent product recommendations. Offering the right product to the right customer at the right time is what we do. With Strands personalization software solution, you'll increase total pages, cart sizes and sales.

From our Barcelona HQ and offices in San Francisco, Miami, Madrid & Buenos Aires, we serve market leaders like Panasonic, Disney, Ashley Stewart, Chewy.com, Markafoni

Request a demo to discover the power of Strands Retail.

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