



The Value of Personalization Optimization for Retailers

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Key Questions

- ◆ What is the state of personalization in eCommerce/retail and retail categories?
- ◆ Is there a correlation between personalization sophistication and marketing results?
- ◆ How do retail marketers budget for their personalization efforts?
- ◆ What is the return on investment of Advanced Personalization Efforts?
- ◆ What are the most significant challenges of retail marketers' personalization efforts?
- ◆ How do retailers view Amazon, and which strategies are they implementing to work with or against the eCommerce giant?

Key Takeaways

- ◆ Nearly ninety percent of retail marketers utilize personalization, but most have not adopted sophisticated personalization efforts.
- ◆ Marketers who do invest in Advanced Personalization Efforts can realize upward of \$20 in return for every dollar invested.
- ◆ The highest utilization of personalization among retailers is within media/music/streaming services and gardening, and the lowest in grocery.
- ◆ Retail marketers must improve email marketing efforts by utilizing advanced tactics to deliver rich experiences.
- ◆ Retailers who use Advanced Personalization Tactics drive upwards of 17% more revenue than marketers that rely on more basic methods.
- ◆ Marketers are appropriately budgeting for personalization technology, but the lack of IT support and data management resources challenge their efforts.
- ◆ Most retailers surveyed view Amazon as a competitor, and attempt to deliver more relevance and enrich customer experiences as their primary tactic to compete with Amazon.

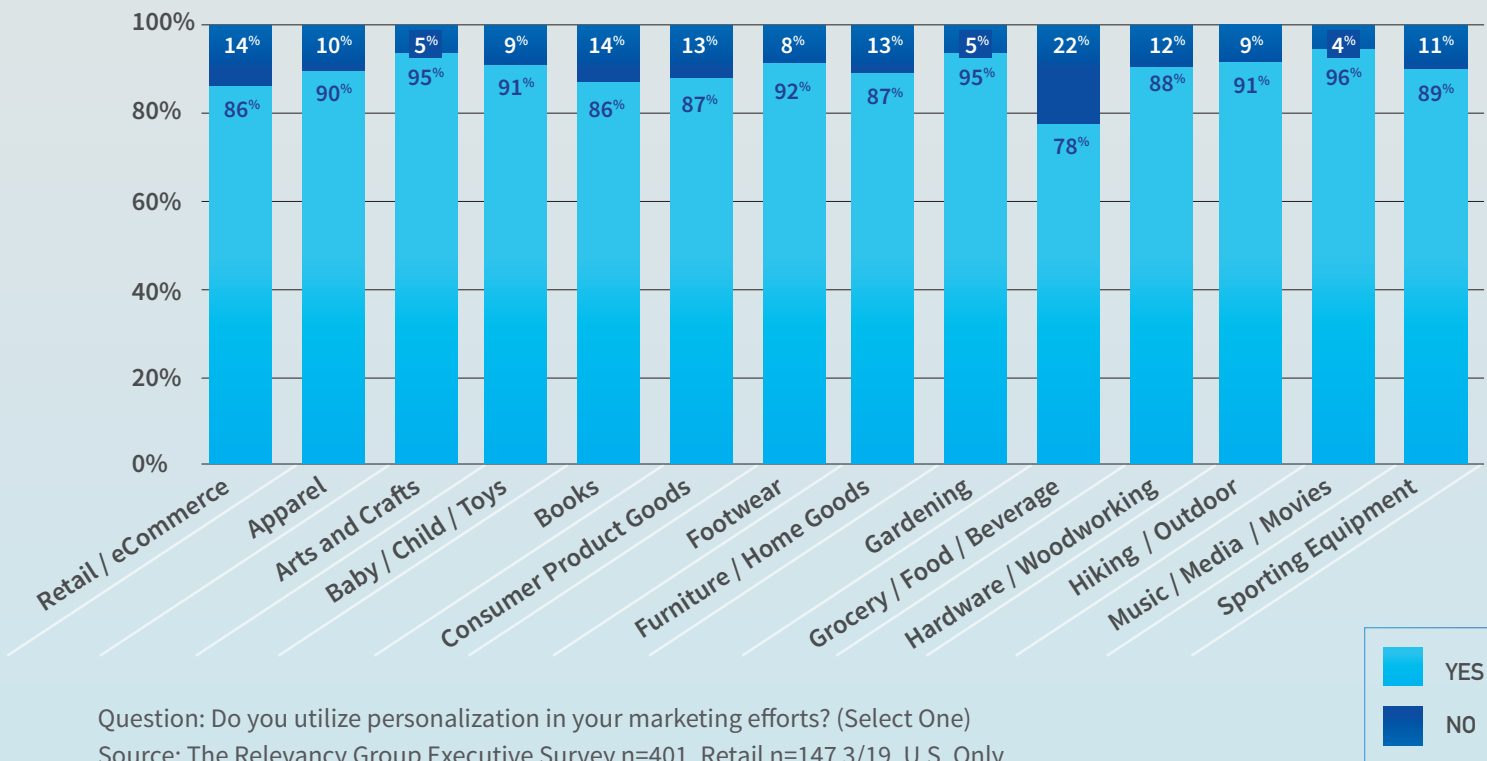
Majority of Retailers Are Utilizing Personalization but Many Miss Sophisticated Tactics

Eighty six percent of Retail/eCommerce brands in The United States are currently utilizing some form of personalization in their marketing efforts. Adoption

is similar across retail categories with grocery being the lowest and Media/Books and Streaming Services the highest at 96 percent (Figure 1).

FIGURE 1

Retail / eCommerce and Retail Categories Utilization of Marketing Personalization



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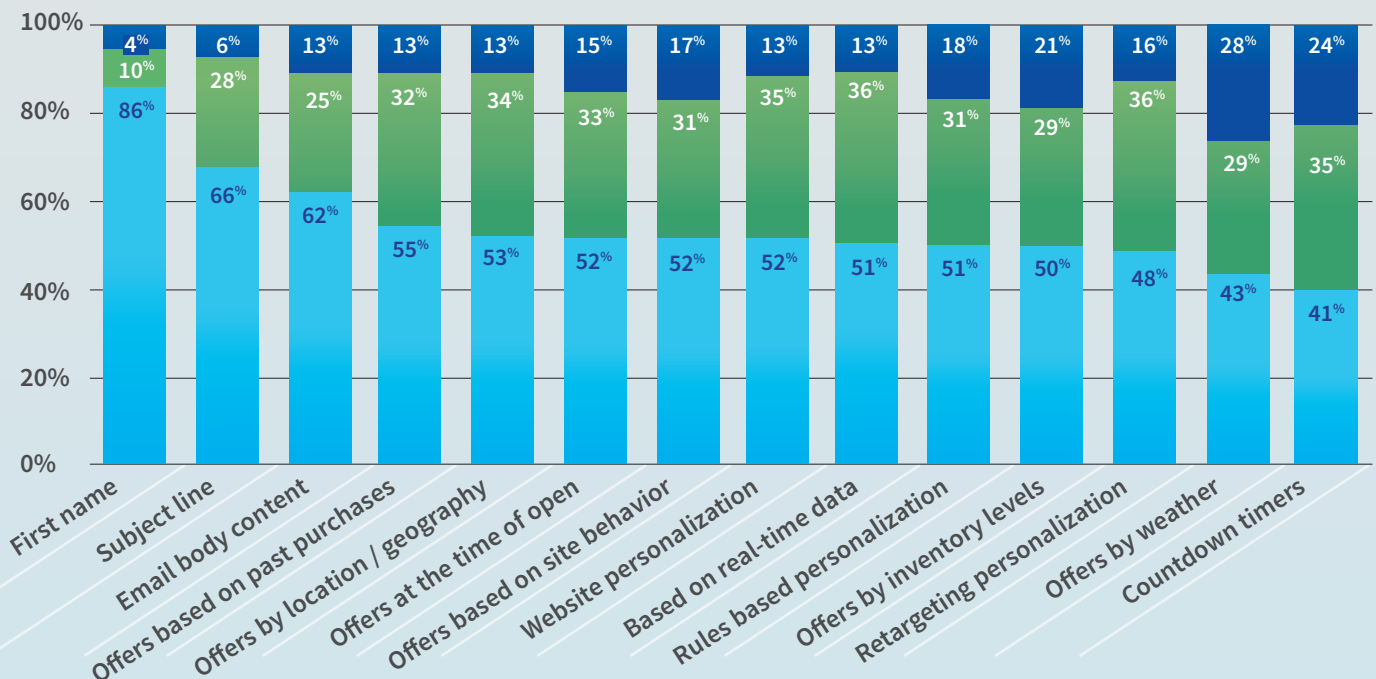
Majority of Retailers Are Utilizing Personalization but Many Miss Sophisticated Tactics, Continued

Digging into the data, we find that most marketers are leveraging relatively rudimentary personalization tactics including using first name in email, subject line personalization, and basic personalization of email content (Figure 2). While many marketers certainly realize some value from these tactics, far fewer are utilizing more sophisticated efforts such as dynamic pricing based on inventory levels, real-time

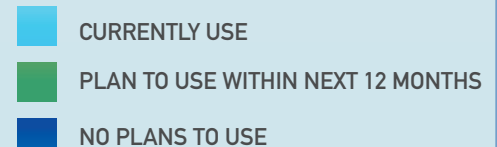
data influence, and rules-based personalization that have the potential to drive more significant business impacts. Relevancy Group data indicates that as personalization sophistication increases and continues to evolve towards true one-to-one individualization, the value being derived from these efforts through increased revenue and more efficient operations is increasing exponentially.

FIGURE 2

Retail / eCommerce Personalization Utilization Tactics



Question: From the following list, select the appropriate response for the personalization tactics that you utilize in your marketing efforts, plan to use in the next 12 months or have no plans to use. (Select One for Each). Source: The Relevancy Group Executive Survey n=401, Retail n=147 3/19, U.S. Only



Understanding Personalization Sophistication to Deliver Advanced Experiences



Consumers demand personalized, relevant experiences and react well to offers based on their previous purchase and shopping behavior. When we asked U.S. consumers, “What do you like best about the email marketing offers that you receive from retailers,” the top answer - 55 percent - was that “it includes products that are relevant to me.” Consumers of all ages and genders agree that a lack of relevance [or a repetitive send button] makes them less receptive to engage. Fifty percent of consumers state they opt-out and ignore email marketing messages that are irrelevant and 64 percent state the same for brands that send too frequently. Accordingly, retail marketers must improve email marketing efforts by utilizing advanced tactics to deliver rich experiences. We have organized personalization tactics based on sophistication in the following way (Figure 3):

- ◆ **Basic Personalization** – These tactics including first name personalization and subject line personalization, and have become ‘table stakes’ that do little to move the needle and drive business objectives.
- ◆ **Purchased Based Personalization** – Utilizing CRM data and RFM (Recency, Frequency, Monetary) modeling of customers has long been [and continues to be] an excellent way to develop segmentation targets for personalization. However, gaining reliable access to those data is often challenging for marketers; and those who can access often find old data. Purchased based personalization should continue to be utilized, but to leverage for maximum benefit, marketers should level up to Advanced Personalization Experiences.
- ◆ **Advanced Personalization Experiences** – These tactics leverage real-time data to deliver superior individualized experiences. Advanced Personalization Experiences include rules-based personalization that leverages real-time signals, including inventory levels, stream-based click-behavior as well as personalization of email messages at the time of open. These advanced tactics deliver higher revenue than Basic and Purchase Based Personalization.

FIGURE 3

Stages of Personalization

Advanced Personalization

- ◆ Real-time Data
- ◆ Rules Based Personalization
- ◆ Live Inventory Data
- ◆ Stream-based Click Data and Events
- ◆ Rendering Offers at Open Time

Purchase Personalization

- ◆ RFM CRM Analysis
- ◆ Targeting Based on Past Purchases
- ◆ Email Body Dynamic Content

Basic Personalization

- ◆ First Name
- ◆ Subject Line

Revenue
Increases

Source: The Relevancy Group 5/19

Revenue and Marketing Results Increase Through the Utilization of Advanced Personalization Tactics

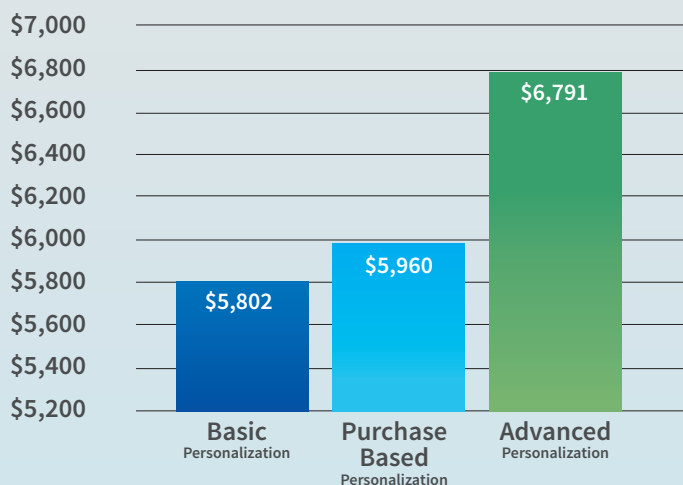
The Relevancy Group surveyed 147 retailers in March of 2019, on their personalization tactics and self-reported performance. The data indicate that retailers who utilize more Advanced Personalization Tactics report better KPIs (Key Performance Indicators) and higher revenue than those that use basic personalization tactics (Figure 4 and 5). These data apply the average monthly send size of retail email marketers

of 31 million messages a month, and self-reported deliverability, open, click, conversion and AOV (Average Order Value) metrics. The Advanced Personalization in Figure 4 represent an average of those tactics mentioned above and Figure 5 breaks out the most significant returns from Advanced Personalization Tactics.

FIGURE 4

Monthly Retailer Revenue by Personalization Type

(Thousands)

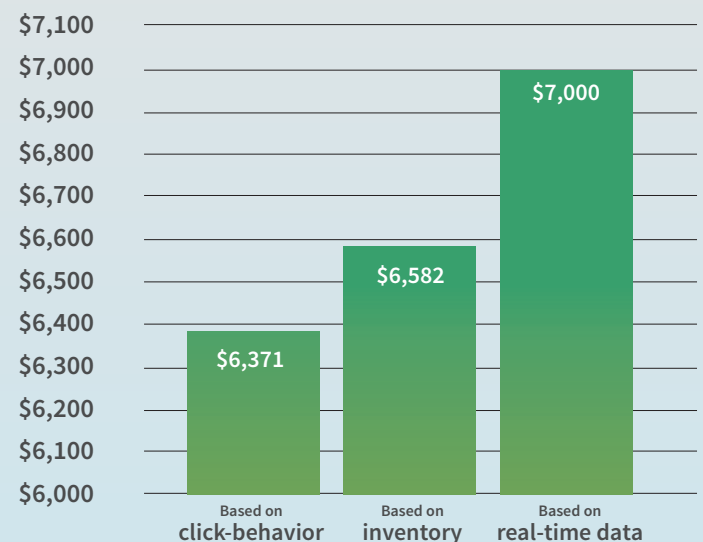


Question: From the following list, select the appropriate response for the personalization tactics that you utilize in your marketing efforts, From the following list select your performance results; (Select One for Each) Average for each selected. Source: The Relevancy Group Executive Survey n=401, Retail n=147 3/19, U.S. Only

FIGURE 5

Monthly Retailer Revenue by Advanced Personalization Tactics

(Thousands)



Question: From the following list, select the appropriate response for the personalization tactics that you utilize in your marketing efforts, From the following list select your performance results; (Select One for Each) Average for each selected. Source: The Relevancy Group Executive Survey n=401, Retail n=147 3/19, U.S. Only

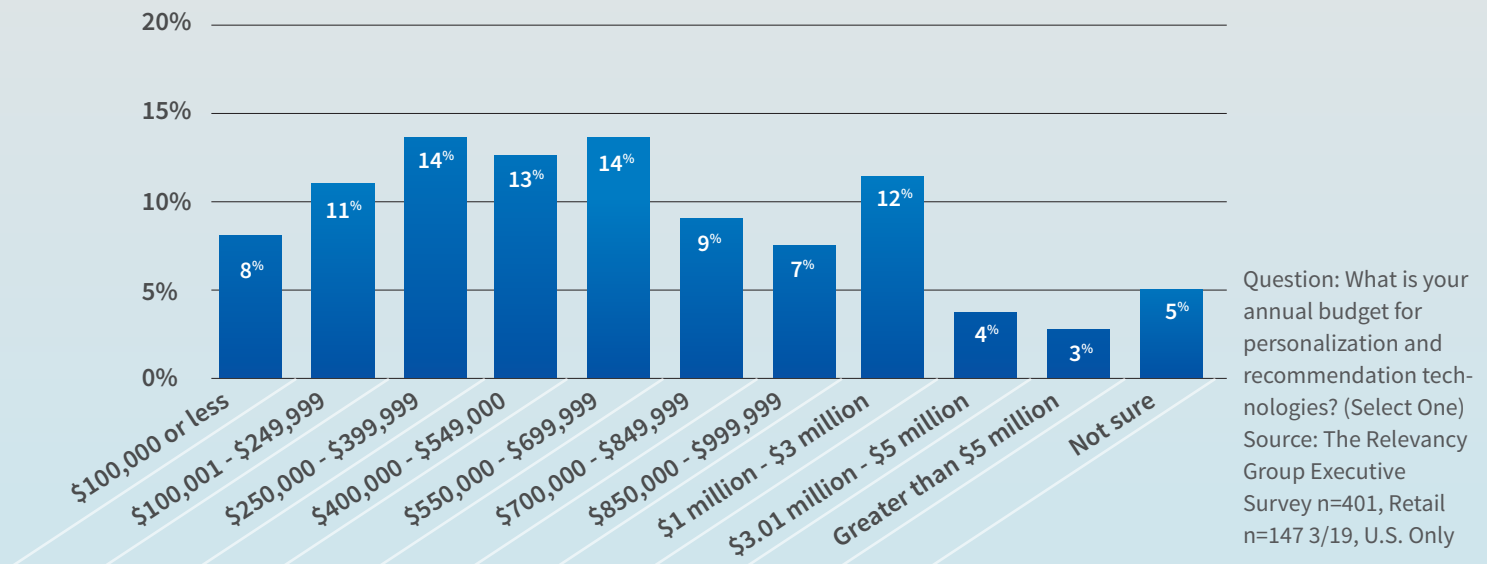
Retailers are Budgeting Appropriately for Personalization to Advance Experiences

On average, retailers budget over \$900k annually for personalization and recommendation technologies (Figure 6). They are correctly budgeting for this technology for their online marketing efforts. Advanced Personalization Offerings that are priced on performance and/or clicks can cost far less than the average budget and often deliver fantastic revenue upside. Relevancy Group analysis indicates that many marketers who invest in advanced personalization tactics can realize an annual return on investment in excess of twenty dollars for every dollar invested. Most marketers realize a significant return on the

investments they make in technology to drive personalized customer experiences, and The Relevancy Group forecasts growth in budgets for 2020. Marketers must however be mindful of how quickly and easily personalization technology can be deployed, and should focus on vendors that can integrate via site tags/scripts as well as utilize open API standards to integrate to existing martech stacks such as inventory and CRM systems. Marketers should also seek vendors with pre-existing partnerships with leading ESPs and email marketing agencies.

FIGURE 6

Retailer Budget for Personalization and Recommendation Technologies, 2019



IT Support, Unfounded Security Concerns and Budget Top Retailer Personalization Challenges

Lack of IT support for data extraction and personalization obstruct personalization adoption (Figure 7). While that is a real challenge, The Relevancy Group finds that most Advanced Personalization Solutions are rather easy to implement and often do not require significant IT support. One challenge preventing 26 percent of retail marketers from implementing personalization is the unfounded concern of the security of sharing data with a third-party provider.

Most enterprise level SaaS solutions today are robust and have proper security and encryption protocols in place. A real challenge for retailers to utilize personalization technology is the 20 percent that state they are merchandiser driven. Found primarily in the apparel sector, marketers are often beholden to merchandiser assortment instead of inventory that can be optimized by personalization technology.

FIGURE 7

Challenges Preventing Personalization Adoption in Retail



Question: What are the major challenges preventing personalization adoption? (Select All)
Source: The Relevancy Group Executive Survey n=401, Retail n=147 3/19, U.S. Only

Delivering a Relevant Experience is The Primary Way Retailers Seek to Compete with Amazon

Forty percent of Retailers view Amazon as a competitor, 25 percent as a necessary sales channel and/or partner and 18 percent see them as a threat to their vertical and/or business. Retailers are rightly concerned. Much of the growth in retail spending is occurring on Amazon. Last year, sales for Amazon's summer Prime Day totaled just over \$4 billion in one day. Amazon's 2018 net sales increased 31 percent to \$232.9 billion, compared with \$177.9 billion in 2017. The firm captured nearly half of every U.S. holiday

online dollar in 2018. Retailers find that delivering personalized recommendations and more relevant and enriching customer experience as the primary ways to compete with Amazon (Figure 8). Retailers also cite loyalty programs, unique offerings, and price as tactics to differentiate from Amazon. The primary tactic to deliver those differences in a more relevant and enriching customer experience is to adopt Advanced Personalization Tactics.

FIGURE 8

How Retailers Compete with Amazon



Question: How do you compete with Amazon? (Select All)

Source: The Relevancy Group Executive Survey n=401, Retail n=147 3/19, U.S. Only

CASE STUDY

Driving Results with Advanced Personalization

CHALLENGE: Pop culture retailer Hot Topic uses email to promote new products as they become available and give subscribers an opportunity to buy right away. But this created a situation where hot in-demand items often sold out before everyone had a chance to receive and open the email. The brand needed a way to ensure it wasn't promoting sold out items and avoid disappointing excited customers.

Email open duration grew 200%,
and clicks increased 20%

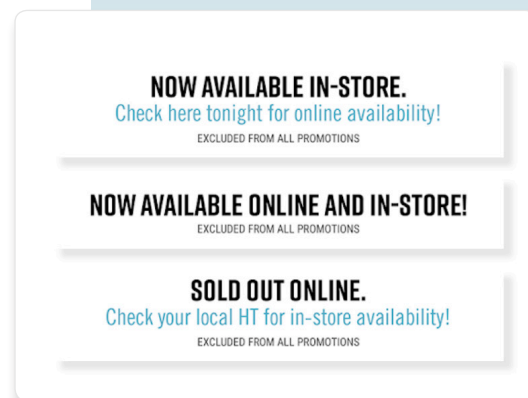
SOLUTION: Hot Topic utilized Advanced Personalization Techniques to remedy this problem. They started incorporating dynamic content fields that adapted right at each individual's moment of open to display available inventory. If a product was sold out when the email was opened, subscribers could be notified by these fields and encouraged to check back later.

RESULTS: Creative application of Advanced Personalization dramatically improved the customer experience for Hot Topic subscribers. **Email open duration grew 200%**, and **clicks increased 20%**. Best of all, the retailer virtually eliminated all complaints and negative feedback related to the issue.

Hot Topic has been the go-to destination for music, pop culture, and fashion for almost 30 years. With more than 600 locations across North America, the brand strives to ignite customers' passions by offering only the best, authentic merchandise related to the lifestyles and culture icons they love.



*Message changes based on
inventory status*



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About Liveclicker

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Day in and day out since 2008, Liveclicker has helped their clients focus on using email personalization to move their businesses forward. They're not stopping anytime soon. With a global footprint and more than 150 years of combined email marketing experience, Liveclicker has the knowledge, resources, and technology to drive your program performance to the next level. Today, top brands such as 1-800-FLOWERS, AT&T, Best Buy, MasterCard, Lowe's, Nintendo and Samsung rely on the company's market-leading RealTime Email solution to deliver engaging, personalized messages, simply and at scale.

About The Author

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As CEO of The Relevancy Group, David directs market research and advisory services essential to digital marketing. Direct Magazine said David is "one of the most influential experts in email marketing, if not the most influential." In 2017 David was named Email Marketing Thought Leader of The Year by the DMA's email experience council. Co-author of the book 'Email Marketing An Hour A Day,' David has held senior level positions at Forrester, Jupiter Research, Apple, Anthropologie, and other top brands. David is also the President and Publisher of The Marketer Quarterly

a digital magazine and app for marketers by marketers available for free with registration online and via the Apple, Google, Amazon app stores.

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Nick is Chief Research Officer of The Relevancy Group. He managed worldwide email marketing operations and customer relationship management for RealNetworks and subsequently served for five years as VP of Deliverability & Strategic Services for a prominent Email Service Provider (ESP). Nick received his BA in Anthropology & Sociology from Kenyon College and MBA from the University of Washington.

About The Relevancy Group

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Measuring consumer and executive behaviors, The Relevancy Group (TRG) provides market research and advisory services that deliver strategies to optimize a return on marketing investments. In addition to working with some of the top brands and vendors in the digital marketing economy, TRG produces dozens of surveys, research reports, and webinars each year. TRG offers a research subscription service that includes access to original research reports. TRG also publishes the digital

magazine for marketers by marketers, The Marketer Quarterly, a digital magazine, and app; download it for free app stores.

About The Research

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In March 2019 The Relevancy Group conducted a survey that resulted in 401 completed and qualified advertising and marketing executives. We qualified respondents based on the size of their customer database, email sending volume, the familiarity of their company's marketing efforts, and other attributes such as the individuals' role/title. Respondents self-identified their company size and market sector category. We collected descriptive information about these organizations including revenue, email marketing, tactics and performance data. The survey utilized skip ordering and randomization and screener questions. A team of TRG analysts developed the survey design and final analysis.

For more information on our services, visit www.therelevancygroup.com, call (877) 972-6886, email info@therelevancygroup.com or on Twitter [@emaildaniels](https://twitter.com/emaildaniels) or [@relevancygroup](https://twitter.com/relevancygroup)

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