White Paper

Personalization

A Marketing Imperative: Profile, Personalize, and Profit

Delivering a Personalized Experience to Drive Sales and Marketing

Contents

Executive Summary

Personalization works.

Your customers like it. You like it. Your competitors are probably doing it. And study after study has shown that personalized content can dramatically boost customer loyalty, online conversions, and revenue in both consumer and business realms.

If your company is like most, you have more than enough data. Data on customers, purchases, web traffic, products, demographics, and channels. It's scattered across disparate data sources, and it's growing rapidly in volume and complexity. Harnessing that data to understand your customers and deliver personalized content and recommendations may seem like a pipe dream.

Maybe you tried personalization five years ago, with less than stellar results. Manual, ad hoc, limited-scope personalization initiatives of the past rarely delivered compelling dividends, and most, if not all, were abandoned.

That was then. This is now. The latest generation of personalization technology is enabling companies to powerfully and precisely deliver the right offer to the right customer at the right time via the right channel.

Personalization in both business-to-consumer (B2C) and business-to-business (B2B) markets is on the rise as companies strive to meet customer expectations for a relevant experience—and to win business in an era of tightened budgets. In fact, some believe that personalization will define the economy over the next decade.

"In eight years, the world's economy will be driven by personalization," says Bruce Kasanoff, an independent consultant and author of the book *Making It Personal*. "Signs of it are emerging in every industry… Competing successfully in the 'personal economy' requires more flexible capabilities, better databases, and an entirely different mindset than most organizations possess." [1]

In this white paper, you'll learn about how personalization is now within reach of virtually every company, from the Fortune 100 to small and medium businesses. You'll find practical, how-to tips and get insight into how personalization can help energize your organization to:

- Increase sales and revenue
- Enhance online conversion rates
- Boost average order value
- Drive cross sell and up sell initiatives
- Strengthen customer loyalty and retention
- Lower the cost of acquiring new customers
- Win back inactive customers
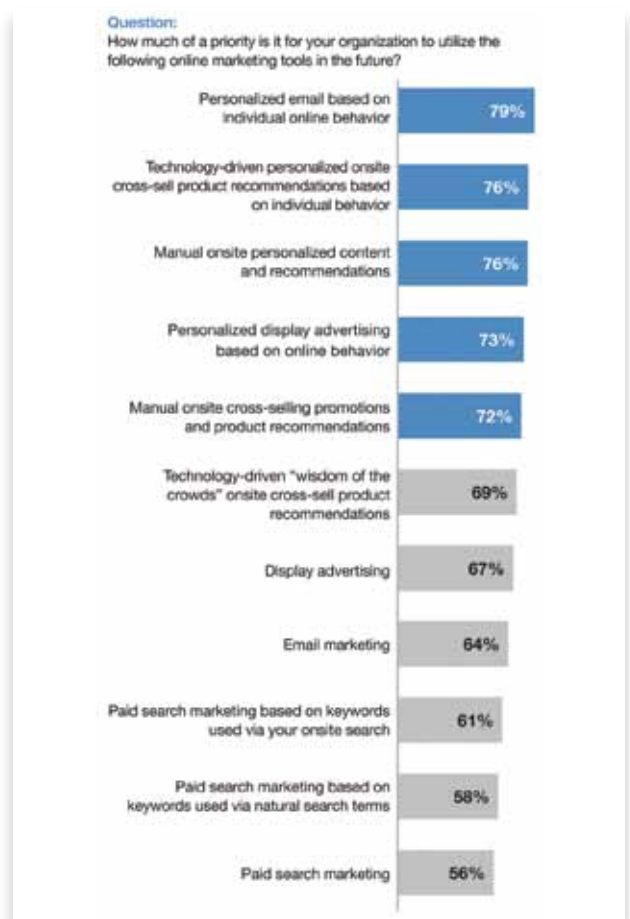
BusinessWeek Research Report
"From Collaboration to Personalization:
Unlocking the Potential of Online Marketing Optimization"
released March 2010, www.coremetricsbw.com

[1] Bruce Kasanoff, www.nowpossible.com

The Personalization Imperative

Think back to 1999. A one-way pager was still cool. A desktop computer with a 500 MHz CPU was cutting-edge. And online personalization was a next big thing. With personalized content, Internet portals such as Yahoo! and Netscape could engage users five times longer than portals offering generic content, a study by Nielson/NetRatings found.[2]

Fast forward to today. Pagers have gone the way of the pet rock. Laptops with multi-GHz chips blow away the dinosaurs of a decade ago. And personalization… well, for most organizations, it's still a next big thing.

Despite widespread recognition of the power of personalization, only a handful of companies do it truly effectively. We often read how companies at the cutting edge of personalization lead industry benchmarks for ROI, customer loyalty, and brand recognition, yet the majority is still charting its path to effective personalization.

According to the Aberdeen Group, only 20% of companies send personalized emails based on individual profiles and purchase history.[3] Use of personalization in display ads is similarly low.

So why has personalization yet to live up to its potential? Some reasons:

- **Technological challenges.** Scalability and performance of personalization engines was lacking on the relatively underpowered servers of yesteryear. Improvements in both software and hardware scalability, and delivery via software-as-a-service (SaaS) configurations, have effectively eliminated these issues.
- **Costly manual approaches.** The hands-on labor required to implement and manage an on-premise personalization system used to mean a complex, large-scale systems integration job. "That no longer needs to be the case, as personalization is now easier than ever," as Forrester put it.
- **Limited analytics.** Many early personalization initiatives veered off track because of subpar analysis of which marketing initiatives worked and which didn't. Today, robust data analysis is one of the leading best practices for personalization success.
- **Mixed results.** Too many limited-scope attempts at personalization resulted in off-target and irrelevant content. If a customer bought a product via in-store transaction that you failed to record, that customer is turned off when you email her a promotion for the same product.
- **Budgetary pressures.** First with the dot-com implosion of the early 2000s and then the recession, budgetary restrictions on marketing have often limited the scope, and thereby the effectiveness, of personalization.

Yet challenging economic times only raise the stakes for personalization. If budget-conscious consumers and companies grow more discriminating, it becomes more important than ever for retailers and B2B marketers to zero in on customers and prospects with content that is relevant and customized to a customer's needs.

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Data: The Personalization Pain Point

Perhaps personalization didn't matter to Henry Ford. The automobile pioneer is said to have remarked of his Model T, "You can have any color you like, as long as it's black."

How times have changed. Your company may offer hundreds or thousands of products in a rainbow of colors, figuratively speaking. And you have thousands, even millions of customers. New sales channels and customer touchpoints are emerging all the time. It adds up to a global avalanche of data that can overwhelm the best-intentioned efforts at personalization.

To master personalization, you first need to master your data. Data collection, cleansing, and integration remain the main obstacles to personalization for companies that opt for manual or even semi-automated management of their systems. As we'll see later in this paper, technological advances and service-based automation are helping companies get on the fast track to personalization success and leverage their veritable gold mines of customer information.

> "Marketers are still missing the mark on how to leverage and utilize data, and because of this they are unable to realize the full potential of personalization tools, services, and solutions." [4]
>
> Chief Marketing Officer (CMO) Council

Customers Respond to Customization

We all have our favorite web sites and online merchants. They vary widely—sports news, dog breeds, outdoor clothing, electronic gear, and so forth—but they have one thing in common. They serve up content that we find relevant and engaging. They appeal to our personal interests. They often greet us by name, and send emails highlighting products we might be interested in. They leave us with a warm-and-fuzzy feeling, and they prompt us to buy.

Imagine if all the web sites and online merchants in the world did personalization as effectively as the leaders. You would have:

- **Content you enjoy.** It could be news on your favorite baseball team or actor, or posts from a favorite blogger.
- **Products you like.** For instance, prices and reviews on the latest digital cameras and equipment.
- **Emails you value.** They deliver content with long-term shelf life, and you don't delete them right away.
- **Ads you find interesting.** A web site ad that promotes your favorite vacation spot is likely to get a second look and trigger some daydreaming.

The reason why personalization works is simple. *Customers like it.* Studies by various research firms have found that a majority of consumers find personalized product recommendation useful. Reports[5] by Aberdeen Group on companies that have deployed personalization solutions revealed that:

- 88% of best-in-class companies say they'll realize return on investment (ROI) from personalization
- 76% agree economic gains from personalization outweigh investment costs
- 96% agree that personalization improves email marketing performance

[4] CMO Council, "The Power of Personalization," March 2008.
[5] Tekrati Research News, "Online Personalization Increases Conversion Rates, Says Aberdeen Group," September 27, 2007; DemandGenReport.com, "Aberdeen Study Shows Email Personalization Driving Higher Open and Conversion Rates," August 25, 2008.

Coremetrics in Action: L'OCCITANE en Provence

L'OCCITANE en Provence, the international retailer of natural beauty products based in France, is reaping the rewards of multi-channel personalization that is driving ROI across the board. After initial email personalization generated a 2,500% revenue boost, the company expanded its personalization footprint to its affiliate web sites, social media such as Facebook and Twitter, paid search, PayPal, brick-and-mortar stores, and more.

L'OCCITANE uses Coremetrics for personalized email marketing, automated product recommendations, consumer segmentation, rich individual profiling, analytics, and benchmarking to drive customer acquisition and retention. Coremetrics Intelligent Offer™ recommendations technology triggered an initial 80% sales increase, with room for growth through ever richer, more focused personalization, company officials say.

L'OCCITANE EN PROVENCE

	Personalized Email, Gift w/Purchase	Control Group
Open rate	43.1%	26.1%
Unique click rate	19.5%	3%
Conversion rate	2.43%	0.14%
Revenue per email message	$2.84	$0.11

	Personalized Email, No Offer	Personalized Email, Gift w/Purchase
Open rate	41%	43.1%
Unique click rate	19.9%	19.5%
Conversion rate	1.5%	2.43%
Revenue per email message	$1.92	$2.84

The Solution

- Coremetrics LIVEmail™ email targeting application
- Coremetrics Intelligent Offer™ personalization engine
- Coremetrics Analytics™ data analysis platform
- Coremetrics Benchmark™ peer comparison platform
- Coremetrics Explore™ ad hoc reporting tool

The Results

- 2,500% revenue boost via email personalization, with 25x spike per email
- Conversion rates for personalized emails 17x higher
- Initial 80% sales increase via product recommendations
- Richer insights into campaign effectiveness
- Higher customer acquisition, retention, and repeat online purchases

"In today's homogenized world, customers want, expect, and desire a more customized and personalized experience," the CMO Council said in a 2008 report, *The Power of Personalization*. "Customers are desperate to have a relationship in which they are nurtured, cared about, and recognized."

L'OCCITANE, the international retailer of natural health and beauty products, is a good example of a company that is driving revenue by meeting customer desires for personalized experiences, as highlighted in a case study on the next page. It is hardly alone. Adoption of personalization technology is on the rise.

For instance, a study by Knowledge Marketing found that 40% of respondents planned to add personalized product recommendations to their sites in the near future.[6]

The Changing Face of Personalization

The scope and definition of personalization has evolved. Today, personalization means delivering product recommendations, offers, and content based on what you know about a given customer. Done right, it means developing dynamic profiles of individual customers and demographic segments by integrating data from disparate sources. Those data sources include:

- Online activity
- Purchase and search history
- Offline activity (call center and in-store sales data)
- User registration information
- Third-party data (demographic, firmographic, etc.)

Ideally, that information is integrated in real-time and made available across all your channels of engagement and customer touchpoints. You leverage it to generate customer-specific content for acquisition, conversion, cross sell, and up sell with such vehicles as:

- Promotional emails
- Online display ads and search-term optimization
- Newsletters and communities
- Call center marketing (inbound and outbound)
- Direct mail

Distinctions in Consumer and Business Personalization

Personalization got its start in B2C markets, but it's not exclusively a B2C activity. Confronted by slumping sales and intense competition, B2B marketers have turned to personalization to drive commercial sales. In doing so, they face unique challenges and opportunities.

Business-to-business marketers are well positioned to capture unique and valuable information on companies and individuals browsing a web site. For instance, a business purchaser registering for a webinar or to receive a newsletter is more likely to share information on company revenues than a consumer is to provide her annual household income.

B2B marketers also enjoy opportunities to build comprehensive customer profiles by requiring sign-on for extranet access or support fulfillment. In addition, individual sales representatives can add valuable customer profile information, such as purchasing authority chains and products recently purchased from a competitor.

But B2B companies face challenges, too. Often, companies will have relationships with multiple individuals at a given company. The B2B "buyer" may comprise many people, of multiple personalities, sometimes with competing and overlapping interests. Sales cycles are longer than B2C, and impulse buying is rare. To address these issues, some B2B marketers look to role-based personalization—developing a "persona" based on what is known about the typical project manager, CFO, and many other roles.

Whether in B2C or B2B, the personalization objective remains the same—to offer the right product to the right person at the right time via the right channel.

[6] InternetRetailer.com, "Web site Design, Content, and Rich Media," January 2009

Leading Drivers Behind the Personalization Trend

Clear-cut ROI is a principal driver behind increased adoption of personalization. So is competitive pressure. As more companies from small to large adopt personalization technologies, they up the ante for competitors that lag behind with ad hoc deployments or no personalization initiatives. And as the number of personalization success stories grow, more organizations across virtually every industry are turning to this technology as a key business initiative.

Two key factors are helping to make widespread adoption possible—technological advances and personalization best practices.

Today's personalization solutions are far easier to deploy and manage than earlier iterations. Savvy companies use personalization in a SaaS model, which greatly reduces the effort and cost associated with on-premise personalization engines.

SaaS delivery is geared to tackle thorny issues of data collection, cleansing, and integration—complex challenges that have bedeviled many personalization efforts. The SaaS model helps to insulate both marketing and IT users from data complexity through process automation and prebuilt connectivity to disparate data sources. It also offers real-time, on-demand reporting to track success and identify areas for improvement.

A second factor is the emergence of best practices for personalization. Through trial and error, personalization pioneers have refined what works and what doesn't, and are focusing on real-time, data-driven decision management for more powerful and precise personalization. Given the dynamic nature of business-to-consumer and business-to-business markets and emerging mediums (such as social networks), these best practices will continue to evolve even faster over time.

Five Best Practices for Personalization

Personalization should not be viewed as a one-time or ad hoc effort. It is best treated as a core business strategy and should be supported by:

- Well-defined and detailed performance goals
- A structured performance monitoring system
- A dynamic roadmap for continuous optimization
- Automation across all stages of the personalization lifecycle

If and when you're ready to get personal, here are five best practices to consider, adapt, and build upon:

1. Capture and Apply All Your Customer Data

One shortcoming of many personalization initiatives is that companies fail to capture and apply all their customer information. If you're capturing and using only a subset of customer information, you will have gaps in the picture of your customer. You can end up delivering irrelevant offers, and losing opportunities for cross sell and up sell.

It's essential to capture and integrate customer data from all sources, including such offline information such as in-store and call center activity. By casting the broadest net, you can create richer, more detailed profiles of customers and segments and better make personalized pitches based on such factors as:

- Historical behavior over time
- Real-time in-session behavior
- Position in the buying cycle
- Life events (home purchase, college, marriage)
- Response to multi-channel marketing programs

You can augment that data with demographic, firmographic, ethnographic, and psychographic information from third-party providers. And by blending data of customer segments with similar demographics, you can delve into the growing field of "crowd science," which utilizes the likes and dislikes of specific customer sets to personalize experiences for buyers just starting to research products.

2. Monitor Your Marketing Decisions and Tactics in Real-Time

Customer needs and behaviors are in constant flux. Those needs can change from one minute to the next. Understanding their behavior in real time and matching marketing efforts to what you know about a customer at a given moment gives you the best chance of delivering content and recommendations that match your customer's interests. This is one of the hallmarks of effective personalization, and chances are good that your competitors are zeroing in on real-time monitoring of marketing decisions and tactics.

Constantly tracking your customers' activities means older information has to be considered along with real-time customer actions to create the most up-to-date personalized experience. This can be tough if you're using multiple systems, technologies, or vendors to manage your customer profiles. A single customer record, updated in real time and accessible by all of your marketing solutions, ensures your offers will sync with the most current pursuits of your customers and prospects.

3. Deliver a Consistent Dialogue Across Multiple Channels

Think of the corner store of yesteryear. Mom and Pop owners cultivated a dialogue with customers inside the store and elsewhere—at social events, community activities, and through conversation with mutual acquaintances. The challenge for marketers is to emulate that successful relationship-building across today's touchpoints—the web site, email, display advertising, call center, brick and mortar stores, mobile devices, and social networking mediums such as Facebook, Twitter, web communities, and more.

Though it may seem obvious, it's important to remember that you're not dealing with numbers and navigation paths—you're dealing with people. A people-oriented, context-sensitive philosophy should inform your personalization efforts. It's about understanding who customers are, what they want, and what they like (or don't like) about your company and products. For instance, if you know that a customer in a valuable segment is interested in a particular service and has engaged with your business over multiple channels in the past week, you can provide her with a personalized experience beyond what is possible for a new client.

4. Test, Monitor, Analyze, and Adapt

To enhance your customer's personalized experience, you can test your creative hook with various imagery and word combinations in promotional emails and display ads. Email subject line testing is key to determining which subject line is most effective in compelling recipients to open your email. Once the email is open, you'll be delivering your best personalized pitch based on what you know of your customer.

Savvy marketers often use a smaller "test audience" (perhaps 5% of the overall target) to assess optimal scenarios, including the number of personalized elements and their placement on a page, and measure clickthrough rates and conversion against predefined goals.

Testing should be a discrete element of a broader approach to marketing. Ideally, your analytics infrastructure will be geared to capture customer activity across both online and offline touchpoints and serve up the core KPIs (key performance indicators) of your success. And it will offer ad hoc query and reporting to enable your marketers to drill down into what works and what doesn't, as well as improve web site navigation paths and content placement.

5. Automate Your Personalization Strategies Processes

Automation isn't just one way to do personalization right. It's the only way. Manual management is a virtual impossibility when dealing with the sheer scope and complexity of data generated by touchpoints on your web site, marketing emails, dynamic display ads, widgets, kiosks, and offline interaction. The optimal personalization solution will automate key processes and marketing tactics across the spectrum, including product recommendations based on sophisticated algorithms that account for customer interest and behavior.

Automation doesn't mean you lose control. In fact, a system that provides finely grained management can enhance your control over how personalized messaging is delivered. Marketers can set business rules for recommendations based on performance versus goals, price, inventory, margin, or supplier contracts. Moreover, an automated system reduces the marketing team's reliance on IT for such tasks as data collection, number crunching, and system configuration. Such sophisticated reach and flexibility has displaced last-generation "black box" and full-service offerings that focused only on small slices of integration processes.

Though collaboration between marketing and IT is certainly important, automation helps to put personalization in the hands of the marketers and merchandisers who best know your company's business strategies, objectives, and customers.

*By understanding customer interests and behavior, marketers can deliver personalized web content and product recommendations.*

How Coremetrics Manages Personalization

Personalization is the DNA of Coremetrics technology. With more than 2,100 global brands around the world, Coremetrics supplies SaaS-based solutions that put the power and precision of personalized marketing within reach of companies in virtually any industry.

The Coremetrics Continuous Optimization Platform is the foundation of our personalization solutions. The platform is engineered to help companies devise and orchestrate personalized content delivery and simplify those processes within a three-step methodology of Anticipate, Automate, and Syndicate.

- **Anticipate customer needs.** Build a long-term history of customer behavior by leveraging online, offline, and third-party data to better predict customer preferences and needs.
- **Automate marketing management.** Simplify and accelerate personalization with automatic response to user actions based on current and historical behavior, and triggers for inventory, pricing, performance goals, and more.
- **Syndicate personalized content.** Confidently push your best offers and content to the right media channel, be it a web site, email, or ad network that customers and prospects reach after leaving your site.
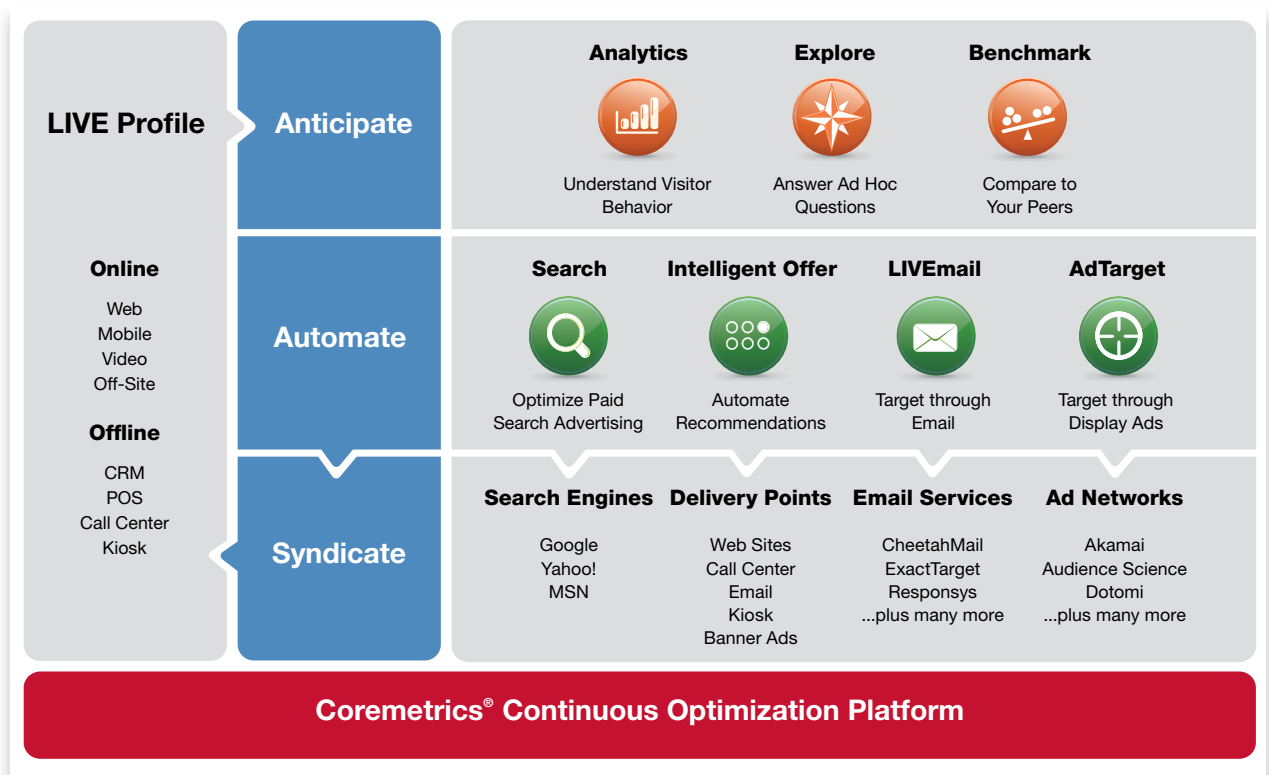
The Coremetrics Continuous Optimization Platform provides a comprehensive solution covering each phase of the personalization lifecycle.

The Coremetrics Continuous Optimization Platform delivers a 360-degree view of the customer, bridging gaps across marketing programs and data sources to make truly effective personalization a reality. It equips organizations with robust capabilities to deliver personalized recommendations, emails, and display ads across a variety of channels. Those capabilities include:

Personalized Recommendations

Coremetrics Intelligent Offer, the industry's most sophisticated recommendations engine, automatically generates personalized product recommendations by leveraging the rich, detailed customer information in Lifetime Individual Visitor Experience (LIVE) Profiles™, as well as in-session and "wisdom of the crowds" data. Seamless integration with Coremetrics LIVEmail enables you to personalize and improve email marketing program effectiveness.

Personalized Emails

Coremetrics LIVEmail, certified to integrate with leading email service providers, gives marketers the flexibility to automatically deliver emails to customers based on specified scenarios. For instance, LIVEmail may be configured to generate emails to individuals who abandoned a shopping cart, started a customer support scenario, or to send targeted follow-up offers for related products or accessories after a purchase. Coupled with LIVE Profiles and Intelligent Offer, LIVEmail helps users bring the art of email marketing to the next level.

Personalized Display Ads

The Coremetrics AdTarget™ display advertising engine leverages granular visitor activities to enable delivery of relevant display ads and increase visitor reacquisition rates. It helps your company increase reach by placing targeted ads before larger, better-segmented audiences, while partner integrations eliminate typical site tagging obstacles. Click and impression attribution let you track web site conversions by ad click-through and view-through.

These capabilities take advantage of Coremetrics' foundational and analytic technology to give your organization a closed-loop personalization system. This technology includes Coremetrics LIVE Profiles and analysis, reporting, and benchmarking tools.

Built on Coremetrics LIVE Profiles™

Coremetrics Lifetime Individual Visitor Experience (LIVE) Profiles drive the platform. LIVE Profiles track and store a customer's complete behavior with your business over the long term, including browsing history and interactions with emails, search, display advertisements, and more. This online information can be combined with offline data to create a true multi-channel view, and supply the basis for how you deliver the best personalized offer to the right customer at the right time.

Engineered for Analytics and Insight

Coremetrics gives marketers hands-on tools to monitor, analyze, and improve personalization effectiveness with Coremetrics Analytics and the Coremetrics Explore ad hoc reporting tool. Featuring metrics-driven dashboards, visualization, and segmentation capabilities, these solutions enable you to drill down into both the real-time and the historical factors driving personalization success or failure.

In addition, Coremetrics Benchmark lets you compare your web site performance against competitors in your industry. This unique solution delivers aggregated and anonymous industry-specific competitor data that benchmarks your performance and helps you identify weaknesses, threats, and opportunities. Drill down on such granular elements as sessions, page views, natural and paid search sessions, bounce rates, product views, orders, sales, average order value, and other conversion events (for non-commerce sites).

Conclusion

Personalization won't happen overnight. And as an online customer yourself, you might not even notice that it's happening on your favorite sites. Done right, personalization is subtle, friendly, and consistently relevant, not unlike a conversation at the corner store a half-century ago.

But user organizations will notice the effect of personalization. As dozens of studies have shown, smartly executed personalization systems almost invariably generate highly attractive ROI, enhance online conversion rates, boost average order value, and strengthen customer loyalty and retention.

Personalization is clearly happening. In fact, personalized advertising on television, the king of mass media, is being tested in select U.S. markets. Bruce Kasanoff believes a tectonic shift is under way. "We are going through a major transition from the old mass production, mass marketing way of doing business to one in which most customers—both businesses and individuals—expect a customized service," Kasanoff says.[7]

When your company pursues personalization, take a long-term and strategic view. Look to incorporate personalization into all your customer interactions. Stay on top of privacy concerns and tailor your efforts accordingly. Implement business processes that enable you to continuously understand your customers and relentlessly optimize their experience. With personalization, you can better communicate with your customers of today, and better appeal to the customers of tomorrow.

And recognize that your initiative doesn't exist in a vacuum. Personalization is under way around the world, and it's beginning to reshape entire economies. Companies that master personalization will likely prosper. Those that do not will be susceptible to failure.

About Coremetrics®, an IBM Company

Coremetrics®, an IBM Company, a leading provider of web analytics and marketing optimization solutions helps businesses relentlessly optimize their marketing programs to make the best offer, every time, anywhere, automatically. More than 2,100 online brands globally use Coremetrics Software as a Service (SaaS) to optimize their online marketing. Coremetrics integrated marketing optimization solutions include real-time personalized recommendations, email targeting, display ad targeting across leading ad networks, and search engine bid management. The company's solutions are delivered on the only online analytics platform designed to anticipate the needs of every customer, automate marketing decisions in real time, and syndicate information across all customer channels.

Find more information at **www.coremetrics.com** or call +1-866-493-2673.

Coremetrics has strongly supported online privacy since its inception. To learn more, visit **www.coremetrics.com/company/privacy.php**

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