The Future Will Be Personalized

How Marketers Will Deliver Personalized Omnichannel Experiences

"The future is here. It's just not widely distributed yet."
William Gibson

ASCENDANT NETWORK

Kahuna

Overview

Marketers have long believed in the 1:1 future of marketing: the best way to get a customer to buy a product has been to create a personal relationship with each buyer, and escort them from awareness to consideration, preference, and purchase. The first talk of the 1:1 future started back in 1996, when Peppers and Rogers[1] wrote their seminal book on the subject.

With the rise of digital channels, and mobile in particular, the need to communicate with customers on a 1:1 basis is more important, more impactful, and more possible than ever. But it's still not easy. This report looks into the opportunities and challenges marketers face in achieving ever-deeper levels of personal communication, and benchmarks where we are in the personalization journey.
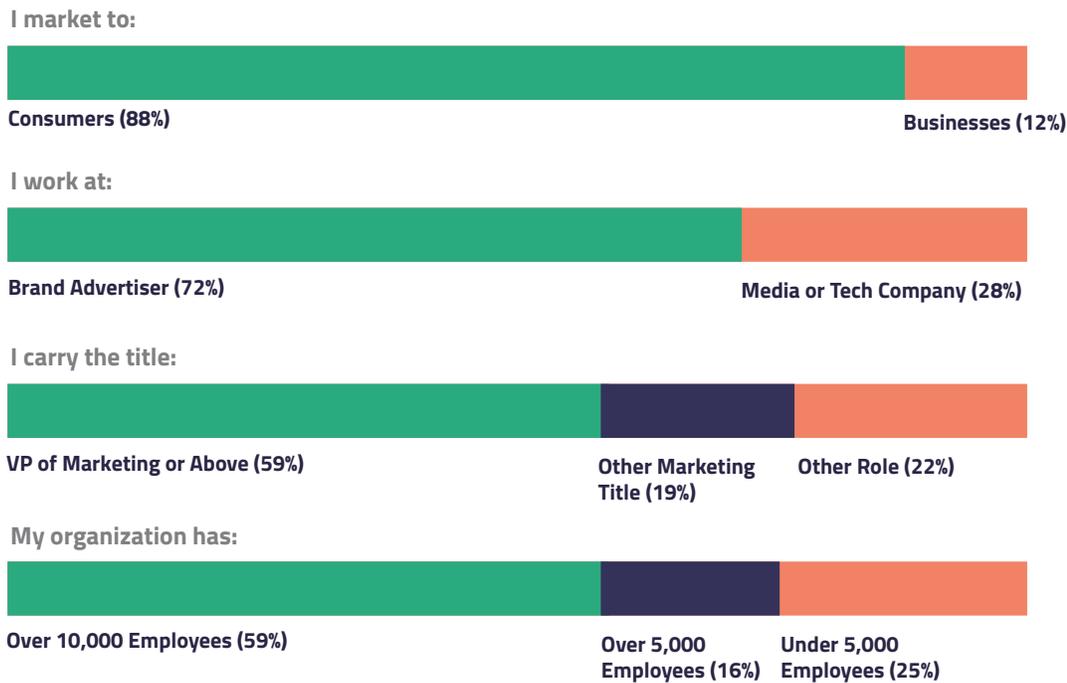
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1 Don Peppers & Martha Rogers first published "The One to One Future" in 1996 http://www.goodreads.com/book/show/724622.The_One_to_One_Future

Methodology

In October 2015, we surveyed the members of the Ascendant Network to understand the issues related to omnichannel marketing and the ability to personalize communication. (see Figure 1) We also interviewed 6 marketing executives to understand the progress they've made and challenges they face in trying to get their organization and infrastructure ready to execute this next wave of marketing strategy.

Figure 1: Profile of survey respondants

I market to:

Consumers (88%)   Businesses (12%)

I work at:

Brand Advertiser (72%)   Media or Tech Company (28%)

I carry the title:

VP of Marketing or Above (59%)   Other Marketing   Other Role (22%)
                                      Title (19%)

My organization has:

Over 10,000 Employees (59%)   Over 5,000   Under 5,000
                                      Employees (16%)   Employees (25%)

Executive Summary

From this survey and research, we conclude that:

- Omnichannel marketing is critical to 100% of the marketers surveyed. But the journey to execute this future is still nascent for nearly all.

- Personalized messaging to customers is starting to happen — as marketers begin to put the processes and data in place — and mobile is driving the need. For personalized messaging today, customization must still be complemented by people.

- Marketers are leading or partnering with IT to get the tools they need in place. Resources and time are constraints, but they are solvable.

Speaking With Your Customers:

Delivering Personalized Omnichannel Communications

> **We are still in the 2nd inning of the first game of the world series on the goal of being relevant to consumers in every communication we send.**
>
> Scott McAllister, Time Inc.

Omnichannel – easy to say, hard to do

There is no debate among marketers: consumers are omnichannel.

Consumers want it

According to eTailing's report OmniChannel Consumer Insights 1st Annual Survey[2], most shoppers identify themselves as multichannel. (see Figure 2). The study found that 38% use a combination of channels to complete their shopping, yet only 18% identify themselves as mobile-only. With accelerating mobile adoption, the report says this segment will likely see strong growth.

Figure 2. Consumer Insights Survey
How Consumers Identify Themselves

Multichannel Shoppers

38% Multichannel	62% Single Channel

Channel of Choice

32% In-Store	29% Web	18% Mobile

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2   Press Release from e-Tailing's report on the OmniChannel Opportunity, "Omnichannel Execution Unrealized" http://www.e-tailing.com/content/wp-content/uploads/2015/10/e-tailing_PressRelease_10082015.pdf

Marketers know they need it

Every marketer surveyed (100%) believes omnichannel is important or critical to their success (see Figure 3).

However, only 6% of respondents have reached maturity on omnichannel execution. Over half admit they are only part way there, and 40% are still in the planning stages.

Omnichannel is viewed as critical to business needs

When asked why omnichannel was so important, revenue, customer engagement, and customer retention were the top three reasons cited (see Figure 4). Since the respondents noted that they were measured primarily by revenue — followed by ROI and brand metrics — it's no wonder that omnichannel is viewed as the main driver of their and their company's success.

Lauren Freedman, President, the e-Tailing group, emphasizes that "*Significant gaps exist between what shoppers expect and what retailers are currently delivering. Well-heeled retailers are making the necessary and right investments to allow shoppers to easily shift channels but the promise of omnichannel has not been fully realized.*"

Figure 3. Importance of Omnichannel Communication to the Brand Experience

47%
Important but
not critical

53%
Critical to
brand experice
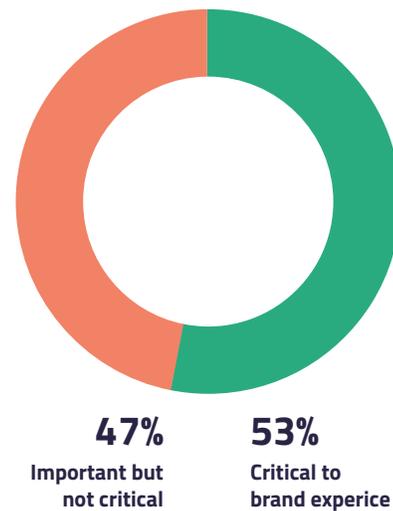
Two-thirds of retail marketers sound the critical alarm, while less than half of the brand marketers are in red alert!

Figure 4. Top 3 Reasons for Developing an Omnichannel Communication Strategy

1 **Increase Revenue**
2 **Deeper Engagement**
3 **Customer Retention**
4 Customer Insights
5 Improve Brand Sentiment/Affinity
6 Deliver a Unified Voice
7 Customer Acquisition
8 Increase Store Traffic (Online or Offline)
9 Increase ROI

> *Addressable TV and digital together fully realize the digital dream. But it requires a 100% digital mindset, and not all advertisers are there yet. The data remains directionally accurate, but it still can't measure true ROI.*

Nick Johnson, formerly NBCU

Let's get personal (but not too personal)

There are a a number of reasons why omnichannel personalization is considered hard (see Figure 5)

- Resource constraints limit progress at 78% of companies surveyed

- Tools are new and not fully implemented yet, 91% do not have nor fully utilize the tools they need.

- Not all channels perform equally. Mature channels like search and eCommerce are very effective, but mobile push and SMS have still not proven.

- Consumers are adopting new behaviors faster than the tools can manage them.

Figure 5. The Challenges of Omnichannel Communication

Challenges to Implementing Tools

78% Inadequate time/resources

72% Inconsistent data across technologies

Availability of marketing technology

57% *Don't* have what we need/don't use what we have

34% *Do* have what we need/use what we have

Which tools rate "very effective"

60% Search

52% eCommerce

3% Mobile Push

3% SMS

# Challenges to Omnichannel Communications are many

The way to drive consumer interest is personalization. In its report on email personalization[3], Experian claimed personalized promotional mailings had 29% higher unique open rates and 41% percent higher unique click rates. For triggered email campaigns, personalization resulted in double the transaction rates compared to non-personalized triggered emails. Experian's research showed personalized subject lines delivered 26% higher unique open rates overall.

Most of the marketers we spoke with know and deliver on this. But there is a delicate and nerve-wracking balance between good personalization, productive personalization, and creepy personalization.

Personalized messages are out there

Nearly three-fourths of the respondents do some form of personalized communications. But only one-third personalize more than half their communications. The other third that do personalize do so only for specific types of communication. Personalization is both data-driven and delicate (see Figure 6).

Figure 6. Do you customize messages today based on the profile of the individual?

13% No, Not Planned

34% More than Half Communications

16% No, But Soon

37% In Some Communication
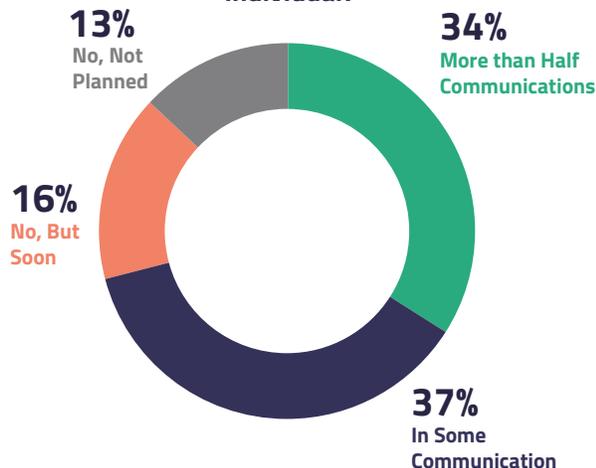
Figure 7. Do you automate personalized messages, or do people craft each message?

34% Automated

50% Combination

16% Done by People

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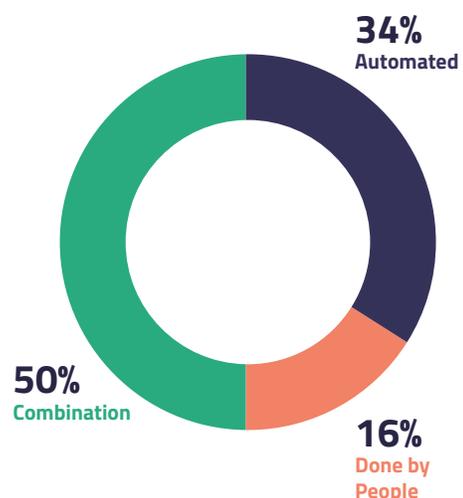
3   Experian found that personalized email delivers a 6 times higher transaction rate http://marketingland.com/study-70-brands-personalizing-emails-missing-higher-transaction-rates-revenue-73241

Figure 8.

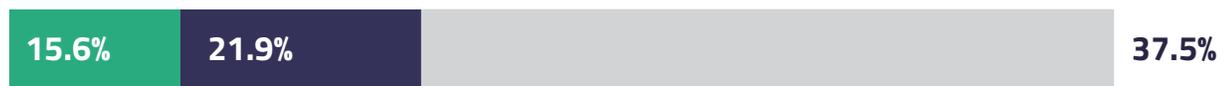**Mobile is a Critical Component of Our OmniChannel Communications**

54.9%	28.1%	83%

Mobile will be at the Center of Our Marketing Investments Over the Next 3 Years

62.5%	25%	87.5%

We have tools to align mobile with other channels

18.8%	28.1%	46.9%

Mobile is fully integrated with other channels

15.6%	21.9%	37.5%

■ **Strongly Agree**   ■ **Agree**

As channels grow and evolve, the personal touch varies

Mobile is a stand-out example of the many challenges marketers face. The way consumers have adopted mobile has been faster than predicted. As of mid- 2015, nearly two-thirds of Americans own a smartphone. More than 80% of marketers are bought into the need to invest in mobile marketing. But the tools to incorporate mobile into the overall marketing effort, especially automation, remain inadequate (see Figure 7).

Privacy is a big challenge when delivering personalized communications

Done wrong, personalized communications expose the data that companies collect about their customers. Done right, the increased value and relevance of the messaging pays off in higher conversion rates and greater brand loyalty. When asked what data they use for personalization, two issues emerged:

Nervousness about how to interpret data leads to the use of much more structured, volunteered data like demographics and stated preferences. Unstructured data like social and search inputs are used, but by many fewer marketers.

Surprisingly, companies are also making limited use of mobile data. Only 42% use mobile data like location or in-app data to inform messages they create within mobile (see Figure 9). And more than two-thirds of respondents do not capture mobile data as an input into other channels, like emails or display banners (see Figure 10).

Figure 9. Do you use mobile data to personalize mobile messages?

41% Yes

59% No
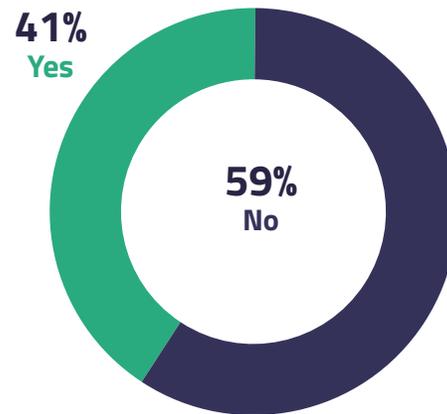
Figure 10. Do you use mobile data to personalize other channels?

31% Yes

69% No
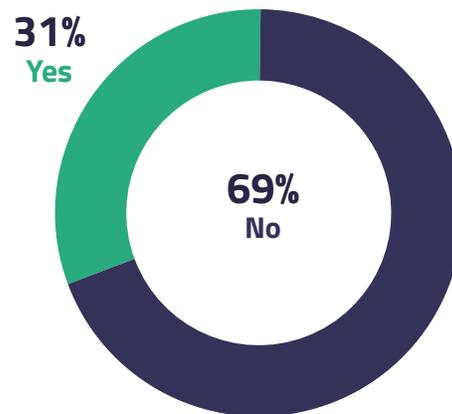
Technology is Now Marketing's Problem to Solve

For years, marketing organizations avoided terms like "transformation," "reengineering," or other tech industry buzzwords, and focused on delivering solid ads and brand narratives that built brands and drove sales. But with an explosion of channels, devices, and systems, marketers now spend more time in the CIO's office, assigning their own budgets to these challenges, and partnering to select the best tools.

> *The quest for true personalized marketing is all about insights-driven customization. To get there, marketers will ultimately want to leverage Cloud-based technologies to optimize decision making and speed to market of their messages*
> Tatyana Zlotsky, American Express OPEN

Of all the tools at marketers' fingertips, channel-specific tools like search and social media management get high marks for having been implemented well. However, the underlying automation tools that marketers need to successfully manage today's omnichannel world lag considerably. Marketing automation and mobile marketing automation fared the worst when respondents were asked to rate the success their company has had with these tools (see Figure 11).

Marketers have to talk tech to get the job done

What is becoming more clear to folks on the marketing side of the equation is that partnering with — or in many cases leading the IT team — is critical for success. One interviewee we spoke

Figure 11. What role does marketing play when:

Implementing Marketing *Communication Tools?*

48%	34%	9%	6%	3%

Implementing Marketing *Technology?*

38%	28%	25%	6%	3%

■ Marketing & IT Work Jointly　　■ Marketing Leads, IT Supports　　■ Marketing Sets Requirements, IT Leads

■ Marketing Implements　　□ No Investment

Figure 12. In your company, which department leads communication strategy and delivery?

Department	Leads Communication Strategy	Leads Communications Delivery
Corporate Marketing	38	25
Channel-specific Teams	16	19
Retention Marketing	13	22
Customer Experience	13	9
Product-specific Teams	13	6
Acquisition Marketing	9	9
Customer Service		3
Geographic Teams		6

■ Leads Communication Strategy   ■ Leads Communications Delivery

with was a technology exec before moving over to a marketing role, expressly because marketing was taking on a huge CRM effort. Technology selection for managing communications were led by marketing in 82% of companies surveyed, but enterprise-level marketing technology decisions were led by marketing in less than two-thirds of those surveyed.

Once the tools are in place, however, it is still up to the marketer to define the strategy behind personalized messages to customers. For the companies we surveyed, a plurality (38%) said that corporate marketing is responsible for defining the vision for more personal communication (see Figure 11).

But execution is still a team effort. No one team dominates the responsibility for delivering the messages that need to be personalized. When marketing still leads the pack, channel-specific teams, customer experience, and product or geographic teams all play a role in the delivery.

The Path to Personalized Messages

Marketers need to build a strong foundation for personalization in order to appeal to customers across the many touchpoints they encounter.

1. Map the journey you have ... and the journey you want

Customers are plodding their way through email, apps, pushes and pulls, to find the products they deem most appealing. Marketers need to map today's journey and the one the consumer should ultimately enjoy. Then, work needs to be done to close the gap between the two.

2. Centralize data, technology, and strategy

Brand owners will want to make sure that others in the company – customer facing sales reps, store managers, web site owners – reflect a consistent theme, personalized to the visitor. The only way to make sure that is done company-wide is to start with a central thesis, and central management. Ownership of the call center or sales enablement may sound like "not my job," but it is critical to delivering the right message at the right time.

3. Let systems recommend cadence and content for each customer

With the journey mapped, the next step is to apply message logic, the kind that is now showing up in marketing automation platforms. So if the data says "three notifications per day annoys the customer" and "one notification fails to get attention" then the system should determine that two messages per day is optimal. Applying data and testing to the frequency curve is critical to getting personalization right.

4. Speak to customers about tolerances

The answer is in the hands of people who know you — your customers. Get the most loyal and the one-off customers to both tell you the cadence and kind of interaction and personalization they expect. They will recognize your attempt to interact with them as people, and you will get a better understanding of who they are and what they want (and the answers will undoubtedly surprise you).

1	**Map the journey you have … and the journey you want.**
2	**Centralize data, technology, and strategy.**
3	**Let systems recommend cadence and content for each customer.**
4	**Talk to customers about tolerances.**
5	**Track reactions.**
6	**Rinse and Repeat.**

5. Track reactions

Points #2 and #3 above help frame the action, but assume that something will not work in practice and be ready to change. This means using interfaces that allow for real-time adaptation, and a team or platform that can quickly analyze results and map that to causation.

6. Rinse and Repeat

Contributors

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About Ascendant Network

The Ascendant is an exclusive, invite-only professional network for the most prominent + progressive marketing executives, those who are at the forefront of the transformation of marketing.

About Kahuna

Kahuna is a pioneer in communication automation, dedicated to empowering businesses to grow and thrive in the mobile era. We enable a new level of authentic engagement between brands and their customers wherever they are—the web, email, mobile, social channels—through personalized communication at scale. Powered by big data and machine learning, we help create delightful experiences for every customer with the perfect message, delivered on the right channel, at just the right time.

Kahuna is trusted by Yelp, The Hearst Corporation, Overstock.com, The Weather Channel, and hundreds of other leading brands. Headquartered in Silicon Valley and with offices in New York, Kahuna was founded in 2012 and is funded by Sequoia Capital, SoftTech VC, Tenaya Capital, and others.

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