The Value of Personalization

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Key Questions

- What is the state of data utilization and personalization overall and across key industries?
- Is there a correlation between personalization sophistication and marketing results?
- How do marketers view the effectiveness of marketing channels?
- Which investments should organizations make in personalization and what business improvements can be expected?
- What personalization expectations do consumers have?

Key Takeaways

- Nearly half of organizations are utilizing personalization across their website, display targeting, social and email marketing efforts.
- Marketers that utilize more advanced personalization tactics have greater revenue than those that utilize basic personalization.
- Marketers cite email as the most effective channel and those that utilize sophisticated personalization state it is highly effective.
- Despite the fact that data abounds and both consumer and marketer aspirations are high, email marketers are leaving opportunities behind by not embracing sophisticated personalization tactics.
- Beyond the quality of goods and price, 47 percent (47%) of consumers cite the customer experience as the driver of which brands they decide to purchase from. Fifty-five percent (55%) of consumers state that they like email marketing offers which include relevant products and offers.

Brands Are Turning to Personalization to Drive Optimization

Nearly half of organizations are utilizing personalization across their websites, display targeting, social and email marketing efforts (Figure 1). Fifty-one percent are utilizing website personalization, social targeting and machine learning technologies to personalize website content. At least one third plan to implement an array of personalization technologies.

In analyzing personalization adoption among key industries, we find several crucial trends:

- *Financial Services:* These firms embrace personalization more than their peers. Sixty percent (60%) are embracing human curation for website personalization and fifty-seven percent (57%) are utilizing display retargeting to target unresponsive email subscribers. Financial services firms are also embracing real-time data to drive personalization efforts. Fifty-seven percent (57%) are using real-time data for site personalization and sixty-three percent (63%) do the same for email marketing.
- *Retail:* Retailers have lower adoption of personalization tactics than industries such as financial services and travel. This fact is largely due to the merchandiser-driven culture in many retail organizations, particularly in categories such as apparel and grocery. This low adoption rate is

evident in this industry's higher use of human curation for both website and email personalization fifty-two percent (52%). Many retailers are missing opportunities to personalize the customer experience across online channels. Just 34 percent (34%) personalize display ads to retarget email subscribers online or on social sites.

- *Travel & Hospitality:* More travel marketers are embracing live business context data for personalization than their peers in other industries. Sixty-three percent (63%) are utilizing this data to personalize their website content which includes data from reservations, booking inventory and offer management systems. Travel marketers are more likely to personalize display ads than their peers. Fifty-four percent (54%) are personalizing display ads to retarget email subscribers online or on social sites. This makes sense given the prevalence of comparison shopping among consumers in this industry.

> *"When asked how they decide which brands to purchase from, 47 percent (47%) of consumers cite the customer experience followed by 30 percent (30%) that state the brand provides them with relevant offers and or products"*

Figure 1 – Online Personalization Tactics Utilized – 2017
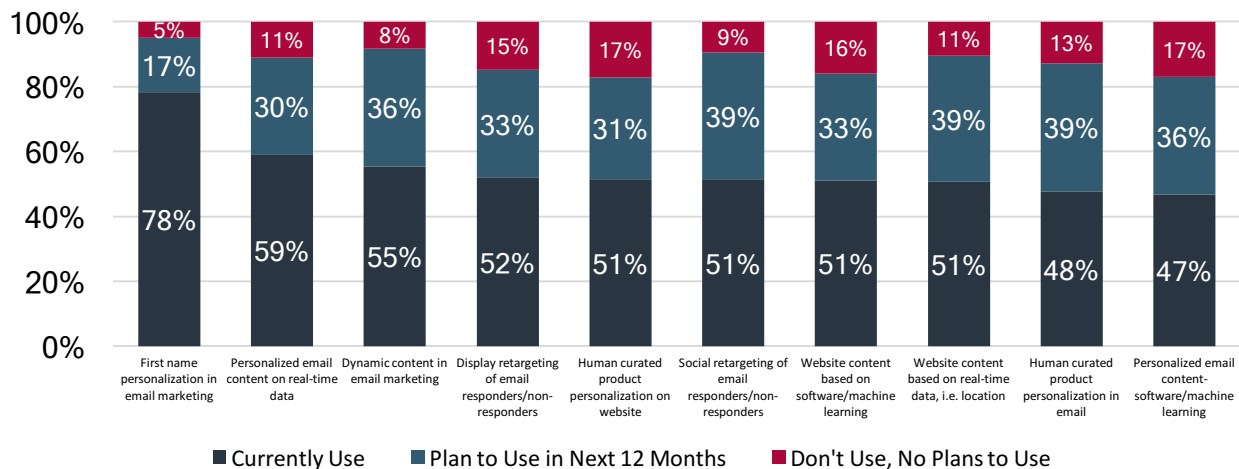
Question: Of the following personalization tactics, which ones do you currently use, plan to use, or have no plans to use? (Select One) Source: The Relevancy Group Executive Survey n=350 3/17, US Only.

Consumers Demand a Personalized Online Experience

When asked how they decide which brands to purchase from, 47 percent (47%) of consumers cite the customer experience followed by 30 percent (30%) that state the brand provides them with relevant offers and or products. These behaviors are universal across industries as consumers do not have different expectations of brands by vertical. They are more important for consumers aged 39-60, a demographic in which disposable income is highest. Fifty-five percent (55%) of this group of consumers cite the customer experience drives brand selection and 38 percent (38%) cite relevant offers and
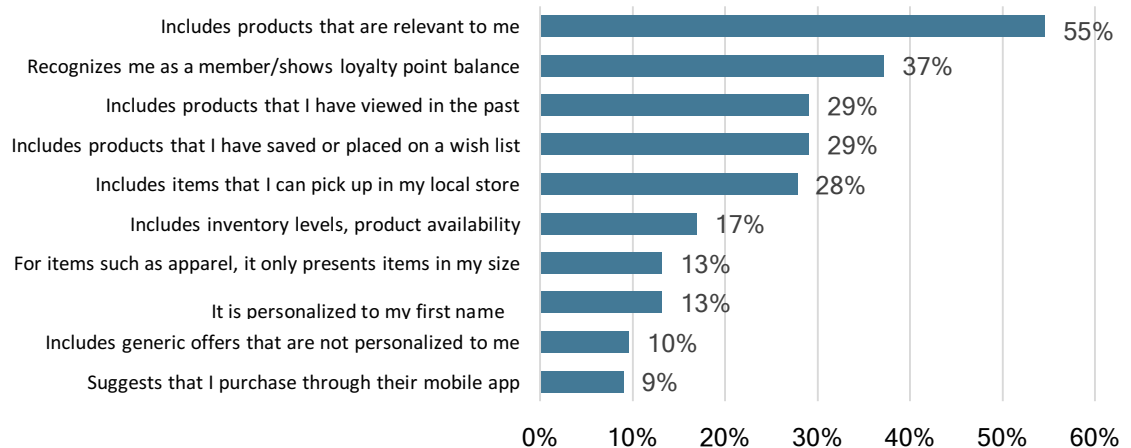
products. Consumers demand a personalized and relevant online experience and reward brands that deliver.

Personalization Expectations Apply to the Inbox
Consumers remain frustrated and ambivalent about email marketing messages that are not relevant or are sent too frequently. The most recent Relevancy Group consumer survey indicates that 75 percent (75%) of consumers ignore or opt-out because of frequency overload and 55 percent (55%) state the lack of relevance drives the same behaviors. Nearly a quarter of consumers told us that it is easier to delete the message than opt-out, indicating that a low opt-out rate does not present the full picture of the customer experience. It should come as no surprise when The Relevancy Group asks U.S. consumers, "What do you like best about the email marketing offers that you receive from retailers" that the top answer - 55 percent (55%) - was that "it includes products that are relevant to me" (Figure 2).

Consumers want to be recognized. They want to be a part of the brand's experience. The best marketers are managing relevance and frequency to deliver the optimal customer experience, and consumers are responding. Consumers are most likely to open emails from brands that they like. Subject lines remain the secondary factor that influences open rates. Still, there are many other items that influence relevance. Based on this survey it is the who (sender), offer title (subject line) and content (relevant body parts of the message) that matter most. Marketers must understand such shifts and respond accordingly. Improvements in relevance will make the email more effective and allow for lower frequency, thus removing the risks associated with high frequency mailings.

Figure 2 – Aspects of Email Marketing That Consumers Prefer

Aspect	Percentage
Includes products that are relevant to me	55%
Recognizes me as a member/shows loyalty point balance	37%
Includes products that I have viewed in the past	29%
Includes products that I have saved or placed on a wish list	29%
Includes items that I can pick up in my local store	28%
Includes inventory levels, product availability	17%
For items such as apparel, it only presents items in my size	13%
It is personalized to my first name	13%
Includes generic offers that are not personalized to me	10%
Suggests that I purchase through their mobile app	9%

Question: What do you like best about the email marketing offers that you receive from retailers? (Select All)
Source: The Relevancy Group Consumer Survey 10/16 n=478, U.S. Only

Marketers Cite Email Marketing as the Most Effective Channel in Driving Revenue
When asked to rate the effectiveness of each marketing channel in terms of delivering revenue and results for their business, marketers endorsed the effectiveness of email marketing (Figure 3). Forty-six percent (46%) of respondents to The Relevancy Group's August 2017 executive survey stated email

marketing was highly effective, as compared to 28 percent (28%) that said the same of display advertising. Overall, 93 percent (93%) of marketers state email marketing was highly or somewhat effective, an acclamation that was higher than any other channel. These sentiments correlate with actual results. The year-over-year mean email marketing revenue contribution has increased from 17 percent (17%) in Q2 2016 to 21 percent (21%) in Q2 of 2017, as tracked by The Relevancy Group. Email marketing is also the most widely deployed channel: such clutter increases the need for relevance and sophistication.

The following industries and organizations are more inclined to favor investment in email marketing:

- Those with the most effusive praise for email effectiveness: 75 percent (75%) of retailers/e-commerce firms stated email was highly effective, as did 60 percent (60%) of those in the automotive sector.

> *"The year-over-year mean email marketing revenue contribution as tracked by The Relevancy Group has increased from 17 percent (17%) in Q2 2016 to 21 percent (21%) in Q2 of 2017."*

- Organizations with large revenues: 57 percent (57%) of companies with annual revenues of $250 million to $1 billion dollars stated email marketing is highly effective.

- Those utilizing sophisticated personalization: 56 percent (56%) of marketers utilizing adaptive content to change the content/offer at the time of email open state that email marketing is highly effective.

Figure 3 – Effectiveness of Marketing Channels - 2017
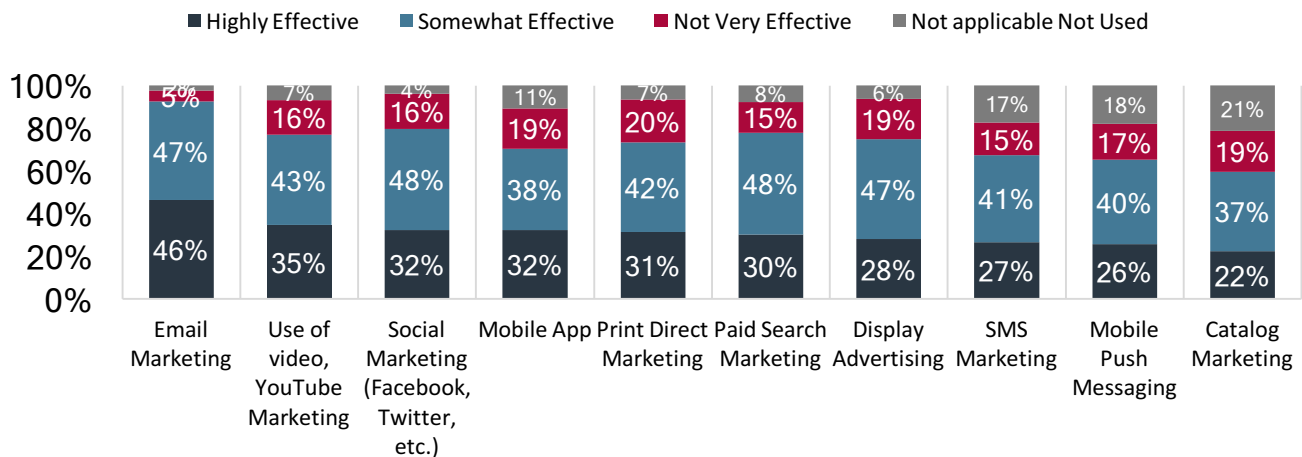
Question: What percentage of your overall revenue is attributed to your email marketing initiatives? (Select one)
Source: The Relevancy Group Executive Survey, 4/17 n=350, U.S. Only

Online Personalization is Evolving Real-Time People-Based Experiences
With the evolution of personalization well underway, marketers are moving beyond historical segmentation to targeting that relies on real-time contextual data, including live business context data.

- *Segment:* This has been the bedrock of direct and digital marketing for decades. In this approach, marketers leverage customer relationship marketing (CRM), along with recency, frequency and monetary (RFM) data to provide a historical view of the customer relationship.
- *Context:* This is the era that we are currently in. Context uses the best aspects of personalization including leveraging native open-time data (such as device-in-use, live geo-targeting, and time of open) and real-time business context data (such as data exposed from live event-based or inventory sources to trigger communications), or both, for use as data inputs into live predictive models, such as those that may be powered by machine learning (ML). For example, a live predictive model may rely upon past user open behavior to predict the live location of the user.
- *People:* People-based marketing (PBM) is a nascent aspect of the marketplace that we are currently in. It ensures blending known CRM data - i.e., email address with anonymous visitor data, i.e., display/site cookie - to recognize the customer as a person. This notion of people-based marketing allows marketers to target people on an individual basis at scale for the first time. This approach empowers marketers to target email subscribers across digital channels, which will deliver an improved personalization experience. This allows for unified data to be used in email marketing for an enhanced personalized experience. For example, marketers can alter display and site personalization by linking it to an email address that connects CRM purchase data. This allows marketers to personalize display ads based upon customer purchases and/or retarget abandoned shoppers online.

Building a Personalization Strategy Begins with Data

Improving personalization, the customer experience, and ultimately results require technology that can easily leverage real-time data. As data sophistication improves so does the velocity of the data being utilized (Figure 4).

The categories of data are as follows:

- *Preference Data:* Data sets include information about the customer such as their name, demographics and interest categories. Iterative collection of this data, utilizing adaptive content applications such as live polls and interactive email product selectors, is an excellent way to progressively collect preference and profile data. Currently just 34 percent (34%) of marketers utilize demographic and preference data for personalization.
- *Behavior Data:* This data includes page views, site and click behavior, site or cart abandon data, and path behavior. Such data can provide interest information and details related to the subscriber's engagement. While proven to be highly effective, just 26 percent (26%) of marketers utilize email click behavior and 22 percent (22%) leverage website click path behavior for audience segmentation.
- *Native Open-Time Data:* native open-time data is critical to providing contextual information such as live location. Such data can be used to change the offer and creative at the time of open based upon location, weather, or information that is specific to the customer's device. Adoption of this source for segmentation is higher as it can be immediately integrated into the email deployment versus the need to access and mine historical data such as preferences and

behaviors. Open-time data can be combined with ESP data to change content at the time of open.

- *Live Business Context Data:* These data points can come from a variety of systems via real-time API calls or by scraping live content from websites. Live business context data is information that improves the message's relevance. Examples include airline price changes, the number of rewards points, inventory levels and system event data. This data is key to driving both website and email personalization.

Figure 4 – Data Necessary to Advance Personalization Sophistication

Live Business Context Data

Native Open-Time Data

Behavior Data

Preference Data

Personalization Sophistication

Data Velocity
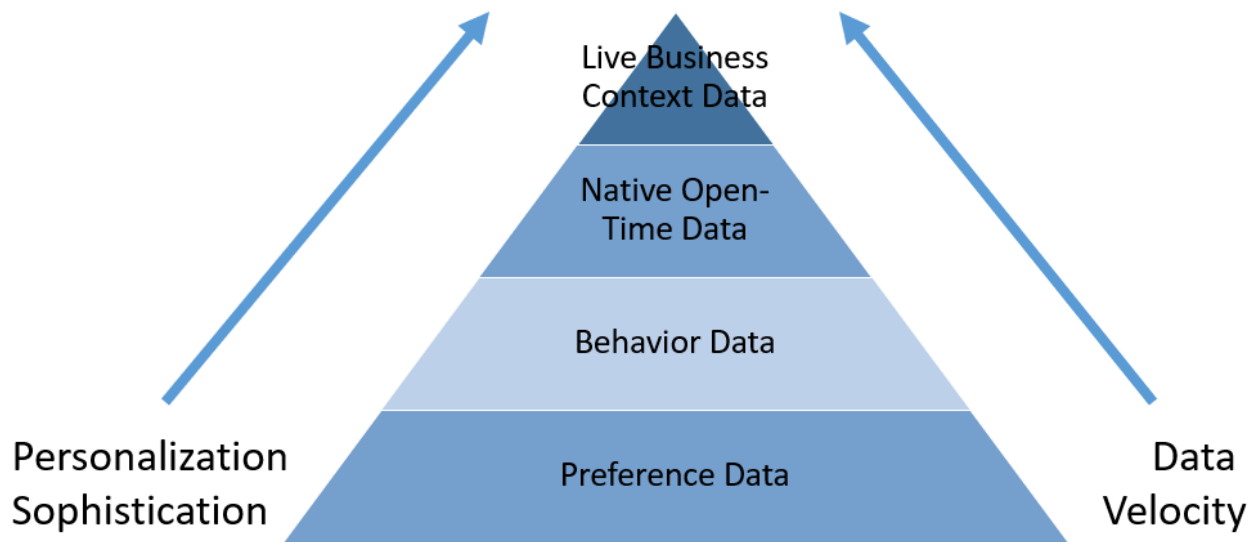
Source: The Relevancy Group 10/17 U.S. Only

Majority of Marketers Utilize Basic Personalization Tactics
Given the array of data available for personalization, just over half of marketers are utilizing dynamic content, indicating that most email marketers fail to embrace more advanced personalization (Figure 5). Personalization across channels requires additional content, which for some organizations equates to additional headcount investments and/or the inability to access accurate data to implement such targeting.

Utilizing real-time data, including offers and images on a website can accelerate the time it takes to improve personalization. Additionally, the use of technology such as live time-targeted images and live device-targeted content, such as embedded video in email, have delivered improvements in click-through rates (See case study). To succeed, marketers must adopt live personalization tactics that are based upon real-time business data and native open-time data. Marketers not utilizing such strategies will quickly be left behind as planned implementation of these tactics are expected to grow significantly in the next twelve months.

Figure 5 – Email Marketing Personalization Tactics Utilized and Planned – 2017
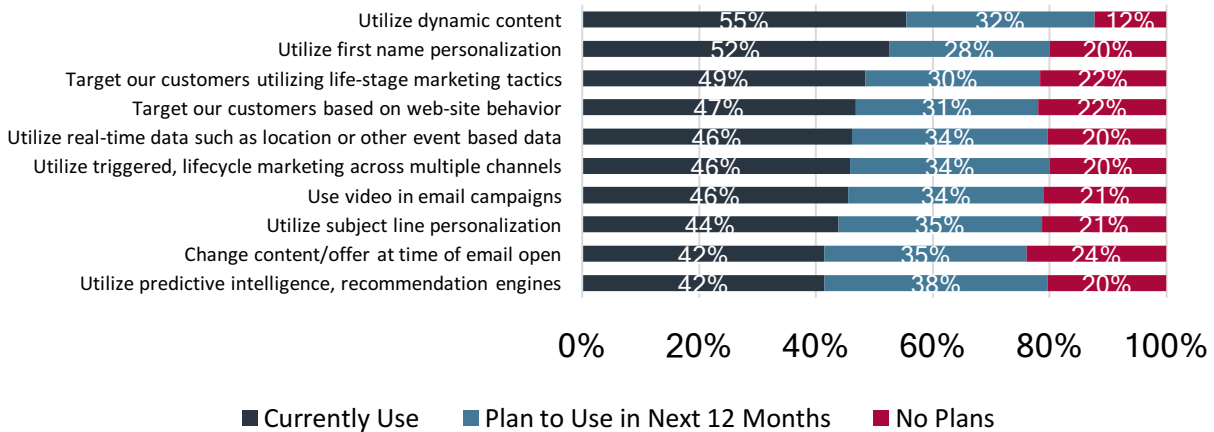
Question: From the following list, please select the appropriate option for each of the following tactics – (Select All)
Note: Email Marketing Tactics Only Source: The Relevancy Group Executive Survey n=301, 8/17, U.S. Only.

Increases in Email Marketing Personalization Sophistication Correlates with Higher Revenue

Implementing more sophisticated personalization tactics pays off. In every way, The Relevancy Group survey data correlates performance improvement to the tactics that we have prescribed. The Relevancy Group utilized actual data reported from marketers. We included the survey participant mean monthly sending size of 26 million messages and applied the actual performance metrics by personalization tactic utilized, which the marketers had reported to us. The results below are in isolation, in that they represent the singular tactic utilized. The findings were immediately evident and more impressive than those that did not utilize personalization that reported monthly email marketing revenues of $3.2 million. The framework tactics we mandate deliver a huge revenue benefit covering any additional staff and platform investments (Figure 6).

- *First Name Personalization* – Tying into the most basic form of personalization, first name personalization comes in at the overall average of $3.8 million in monthly email marketing revenue contribution. This is the baseline that increased personalization is compared to.
- *Dynamic Content* – Those that are utilizing some segmentation to deliver email that include personalization are also at the overall baseline average of $3.8 million in monthly email marketing revenue. This tactic typically relies on basic gender or demographic CRM data-driven personalization. Once highly effective, such a personalization approach is not table stakes.
- *Behavior Targeting* – This is the first significant jump that we find with the advancement of personalization tactics. This behavior aspect of our data framework indicates that those email marketers leveraging behavioral data are benefiting from revenue improvements. This segment delivers $4.1 million in monthly email marketing revenue.
- *Real-time Targeting* – Combining both native open-time data, such as device-in-use at open time, time of open, location of the user at open, and live business context data, such as live event or inventory-based data delivers tremendous revenue benefits. Correlating this tactic to performance results finds an average of $4.3 million in monthly email revenue. A 13 percent (13%) improvement over first name personalization.

- *Machine Learning Personalization* – For the 42 percent (42%) of email marketers utilizing personalization enabled by machine learning (ML), the greatest email marketing revenue contribution of $4.6 million in monthly revenue contribution is realized. It results in a 21 percent (21%) improvement over those that utilize just first name personalization.

Figure 8 – Personalization Tactics Utilized and Monthly Revenue Generated
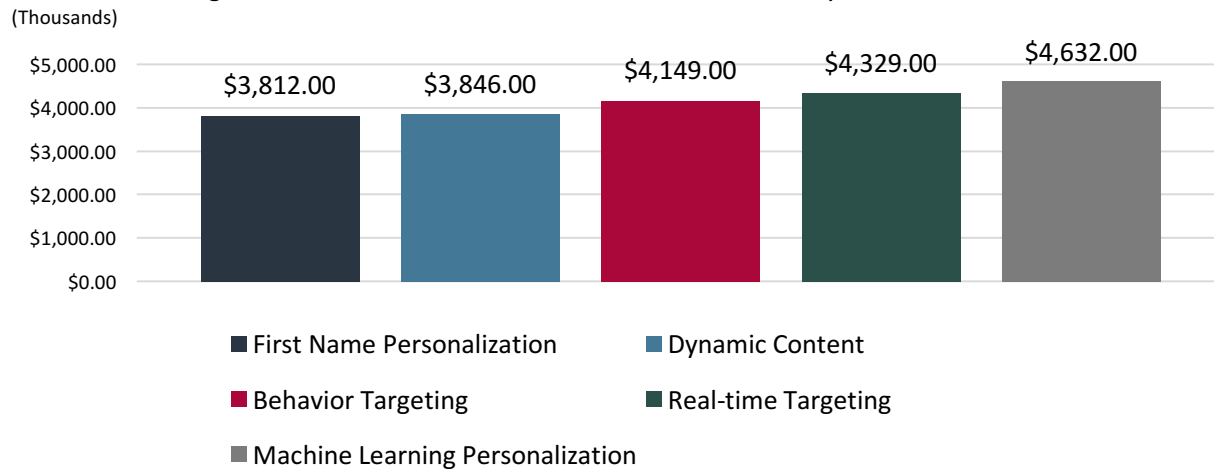
Question: For each of the tactics currently utilized, we took the all participated mean of 26 million email messages a month and applied the actual performance metrics; Deliverability rate, open, click-through, conversion rate applied to the reported AOV.
Source: The Relevancy Group Executive Survey n=301 8/17 U.S. Only.

Case Study – Driving Results with Personalization

Brand: Stella & Dot aims to give every woman the means to achieve success and balance through a career she loves. Backed by cutting-edge technology and a community of supportive women, it's a business that's forward-thinking, flexible, and, most importantly, a lot of fun. Stella & Dot relies heavily on email marketing to communicate with current and prospective customers.

Challenge: On the brand's website, a consumer could interact with up-to-the-minute product photos posted by its community of stylists, but in email, the imagery quickly became dated as new posts were added. Also, sometimes products in email were no longer available under a promotional offer, or at all.

Solution: Utilized LiveScrapes, LiveTimers, LiveImages, LiveVideos and other Liveclicker features. They could showcase items of interest on a 1:1 basis and only feature items that were available. They also used Liveclicker's RealTime Behavioral Profiles to feature personalized, behavior-based content in more campaigns because they are seeing a lift in click-through rates as a result of adding this capability.

Results: 3.31X increase in email click-through rates. Live product photography now featured in more than one-third of all emails. Showcasing its Gallery that has shoppable, user-generated images have been their most successful campaigns from an engagement standpoint, and they're able to place images from customers into email messages so they're always fresh and relevant. Personalized product recommendations based on website behavior.

Conclusion

Revenue contribution from email marketing is increasing year-over-year as are the number of marketers utilizing the channel. There is more competition in the inbox and online brands and advertisements are competing for consumers' fractured attention. Consumers demand relevant experiences. Personalization is necessary to satisfy consumer expectations and influence brand selection. Implementing more sophisticated personalization tactics pays off. Businesses utilizing more sophisticated personalization tactics enjoy more increases in revenue than those not embracing personalization or those that utilize basic tactics. Businesses must make personalization investments that span every digital channel and utilize native open-time data and live business context data to advance results and optimize the customer experience.

About Liveclicker | liveclicker.com | @Liveclicker

Founded in 2008, Liveclicker is a global provider of real-time email personalization solutions for B2C marketers. Since the release of its VideoEmail platform in 2009, marketers have used Liveclicker to captivate consumers and drive program performance. 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.

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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, JupiterResearch, 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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About The Relevancy Group | www.RelevancyGroup.com | @RelevancyGroup | 877.972.6886

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 | The Methodology

In August 2017 The Relevancy Group conducted a survey that resulted in 301 completed and qualified advertising and marketing executives. We qualified respondents based on the size of their customer database, email sending volume, 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. The survey design and final analysis was developed by a team TRG of analysts.