PERFECTING PERSONALIZATION:

4 Retail Success Stories

retail TouchPoints®

For retailers large and small, it's no longer a question of whether to personalize their customer engagements: Nearly half (48%) of customers say it's important for retailers to provide *on-demand* personalized promotions when online, and 45% want the same options in-store, according to the May 2015 IBM report, titled: *Shoppers Disrupted: Retailing Through the Noise.*

Rather, the questions now revolve around how much personalization, and what kinds, are most effective. **In essence, retailers need to "personalize" their personalization efforts,** 🐦 continuously adjusting and fine-tuning them to ensure they don't cross the line that separates "helpful" from "creepy." To take just one example, a customer may appreciate being addressed by her first name during an online session, but the same customer would feel uncomfortable if a sales associate she doesn't know does the same thing in a brick-and-mortar store.

And given the omnichannel, real-time nature of retailing, retailers need to implement these highly personalized personalization efforts at scale. Customers are now expecting, as a matter of course, that retailers not only record detailed data about their preferences, past purchases and order history, but that this information is readily available to agents and associates at every touch point along the customer journey.

Some good news is that many shoppers welcome personalization efforts, particularly if retailers are transparent about their benefits: more relevant product recommendations and less unwanted marketing "noise."

For example, Canadian online marketplace **Shop.ca** takes a transparent approach to its personalization efforts, deploying marketing emails that say 'We have suggestions for you, click here to go to a personalized product recommendations page.' "People are clicking through on these links, even though they are further down in the email," said Gary Black, CTO of Shop.ca. "We also ask people to 'heart' or favorite brands or categories. **We want our customers to be aware of personalization, because the more they interact, the smarter we become."** 🐦

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- IBM INSTITUTE FOR BUSINESS VALUE

This *Retail TouchPoints* Special Report will examine how four retailers are taking personalization to new levels, targeting the specific channels, touch points and customer groups that will respond most positively to their efforts. Spotlighted retailers include:

Shop.ca, the Canadian online marketplace: Using each customer interaction to shape the next engagement, via the web site, email communication or when customers contact the call center.

Chain Reaction Cycles, an international bicycle parts retailer: Tapping a product recommendation engine that uses machine learning to continuously refine what's presented to shoppers.

Ace Hardware: Leveraging its loyalty program data to sharpen marketing messages to boost sales from customers with specific areas of interest, such as birding.

Rue La La, the flash sale site: Achieving significant results with different levels of personalization applied to the seven million emails it sends each day.

Shop.ca: Leveraging Personalization Across Every Touch Point

Personalization in the form of product recommendations has been part of online marketplace Shop.ca since it went live in June 2012. This was partly a matter of necessity: with 2,800 product categories and SKU totals ranging from 400,000 to as high as one million, "Our merchandisers needed to have the right products in front of our customers," said CTO Gary Black.

In its nearly four years of operation, the marketplace's personalization capabilities have evolved rapidly — and produced impressive results. **"Anywhere from 15% to 20% of the revenue we generate each day can be attributed to the various personalization tactics we use," said Black** in an interview with *Retail TouchPoints*.

Today, Shop.ca "understands deeply where all our customers come from," said Black. The retailer tracks factors including:

- The marketing channel that drove the customer to the site;

- The cost of each channel;

- The incentive used to motivate the shopper to purchase;

- The number of times the customer returns and makes another purchase; and

- Length of time between site visits.

This in-depth knowledge about each customer's activity and lifetime value informs the customer experience, which itself is continuously modified depending on the nature of each customer interaction. "From your first arrival at our storefront, personalization affects what you saw when you were first 'greeted' at our home page," said Black. "Then, a factor such as if you did or did not make a purchase means that the next time we engage with you, it will be a more intelligent experience.

"Both on-site as well as all our marketing channels get personalized, based on how you interact with the brand," Black added. "It could affect the email messaging we use; display or paid search; or the Facebook or other social advertising we're putting in front of you." Even interactions with call center agents are informed by each shopper's individualized interaction path. Customer data is embedded in Shop.ca's customer service platform, so that if a customer calls in for any reason, the agents are armed with suggested products and offers to discuss during the conversation.

> "BOTH ON-SITE as well as all our marketing channels get personalized, based on how you interact with the brand."
>
> **- GARY BLACK, SHOP.CA**

▶ Check out Shop.ca on YouTube!

PERSONALIZATION BOOSTS CART ABANDONMENT EMAIL OPEN RATES

Some of Shop.ca's most effective personalization efforts are leveraged for cart abandonment and "browse abandonment" emails. The latter are sent to shoppers who clicked on products but didn't place them in a shopping cart. "We can insert personalized product or content recommendations into these, as well as category-specific information for the browse abandonment messages," said Black. "These tend to be really effective, with **three to five times** the click-through and open rates of our standard marketing emails.

The combination of integration and personalization is accomplished via solutions from RichRelevance, which has been part of Shop.ca's toolkit since it began operations. "We use a small number of tools and vendors, including RichRelevance, to make a lot of this stuff happen," Black reported.

Shop.ca also is able to personalize products displayed on site pages based on each customer's browsing and purchase activity, said Black: "Given that we only have so much screen real estate, and so many categories to work with, this allows us to 'shrink down' our home page and make it more relevant for the individual."

PERFECTING PERSONALIZATION: INTERNAL DATA SHARING

Retailers need to constantly personalize their personalization efforts, continuously adjusting them to ensure they don't cross the line separating "helpful" from "creepy." Identifying exactly where that line is, however, will vary from retailer to retailer and even from campaign to campaign. Following are some helpful guidelines:

Personalization loses its potency if relevant customer data isn't shared throughout the retail organization. The last thing a shopper wants to do is repeat her identifying information in the store, and then online, and then again to a call center agent. Before implementing personalization efforts, ensure that all touch points are being continuously updated with the most current data about shoppers and their activities.

First Name

Last Name

Email

Company

Ace Hardware: Loyalty Data Fuels Personalization

One of the strongest personalization tools also is one of the most basic in a retailer's marketing arsenal: the data from its customer loyalty program. Ace Hardware has a built-in advantage here, since 52% of its customers are members of its Ace Rewards program.

"We have information on these people, including what they've purchased, who they are, the neighborhood they live in, their ages and background — all the segmentation we need to get better at marketing," said Teresa Celmer, Brand Director of Consumer Marketing at Ace Hardware. "We have the opportunity to reach them via email, direct mail and recently via text messages, and we're able to fine-tune what can otherwise be a very general offer."

Ace Hardware recently used sophisticated targeting, based on the detailed data from its rewards program, married to a relatively old-fashioned marketing vehicle: print circulars. One set of circulars focused on LED lighting products, and Ace was able to segment distribution based on customers that had purchased LED bulbs versus those buying incandescent bulbs.

The big payoff, however, came with circulars aimed at customers interested in the hobby of birding. "This is a group that shops four times more frequently than the average Ace consumer and spends approximately 50% more on an annual basis," said Celmer in an interview with *Retail TouchPoints*. "With this circular in January 2016, we gave them a specific message and offer. Even though **only 14% of the total mailing** went to birding enthusiasts, they generated **27% of the dollars at Ace stores that month.**

"We hit them with the right message, at the right time and with the right deal," she added. "This ended up driving a really successful January. **The better we can segment, the better we can deliver results."** 🐦

> **EVEN THOUGH ONLY 14%** of a total mailing went to birding enthusiasts, they generated 27% of the dollars at Ace stores that month.
>
> ▶ Check out Ace Hardware on YouTube!

PERFECTING PERSONALIZATION: TRANSPARENCY

Today's shoppers are smart; they know retailers use personalization techniques to shape the customer experience. Even so, they want to be made aware when retailers gather data about them and their activities, and also what benefits they are likely to see. Be transparent about your personalization programs, and always provide easy ways for consumers to opt out.

X

We Welcome Your Feedback

Help us improve your experience by taking this quick survey and receive **10% off** your next purchase!

NO THANKS   LET'S BEGIN!

Chain Reaction Cycles: Constantly Sharpening Product Recommendations

With a mission to offer bicycles along with every conceivable product associated with them, online retailer Chain Reaction Cycles' catalog includes 20,000 products and up to 70,000 SKUs — everything from wheels, tires and pedals to clothing, accessories, nutrition and training services. Since going online in 2004, the retailer has relied on customers using its navigational tools and search functionality to find what they're looking for.

Recently, however, "We've been focusing on doing a better job on our web site from a segmented, personalized view," said VP of Ecommerce Mark Lilley. "We want to present our customers with product that is relevant to what they want to see."

With the goal of understanding each customer at an individual level, Chain Reaction Cycles deployed a solution from Qubit in January 2015. The retailer can now improve its product presentations based on the type of bike enthusiast a customer is (e.g. mountain biking, road biking, city/commuter, triathlon) as well as whether they are a beginner, intermediate or expert.

"If we know that you're a customer that chooses high-end brands, we can present relevant material, like a brand's new product launch," said Lilley in an interview with *Retail TouchPoints*.

MACHINE LEARNING SUPPORTS ONGOING IMPROVEMENTS

The Qubit solution offers a product recommendation engine with machine learning capabilities, which allows it to "learn what is the most engaging next step, or next product, and present that to our customers," said Lilley. "It's learning from itself."

**This constant cycle of testing and learning, much of it happening in real time, also is providing valuable insight to Chain Reaction Cycles,** as it gains a greater understanding of its customers and their behavior. "It might show that those customers that buy accessories tend to convert at a higher percentage than others, so if we put more accessories on the site we can create a greater ROI," said Lilley.

> **SITE OPTIMIZATION AND UX** improvements have produced conversion rate increases of 5% to 10%.
>
> **- MARK LILLEY, CHAIN REACTION CYCLES**

Check out Chain Reaction Cycles on YouTube!
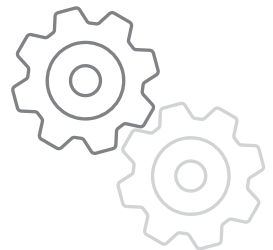
Other factors affecting customer behavior and sales can be the time of day and the device the shopper is using to access the site. A customer on a smartphone is likely to be seeking a specific product, while the same customer using a desktop computer would be more open to a leisurely browsing visit.

Chain Reaction Cycles' site optimization and improved user experience efforts, along with incremental revenue through increased sales, has produced big benefits since the Qubit solution was deployed. "We've seen **conversion rate increases of 5% to 10%** during this period," said Lilley.

PERFECTING PERSONALIZATION: CONTEXT

The same customer can welcome a personal approach in one situation (i.e. being addressed by her first name during an online phone or chat session) and dislike it in another (being addressed by name by a sales associate in the store). Think through each type of interaction, and train your employees in how to correctly "read" the customer's desired level of intimacy for each one.

Hi there

Hi Melanie. How can I help you today?

![Rue La La logo]
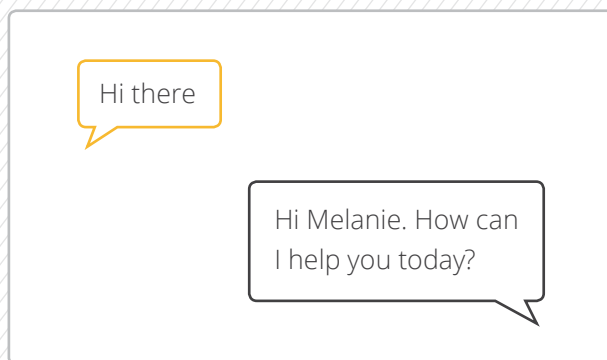
Rue La La: Agile, Real-Time Personalization

Personalization is important to every retailer, but it's particularly vital for those using a flash sales model. "We're not a traditional retailer where people browse with a need to fill; we need to inspire people to buy something they weren't necessarily looking for," explained Matt Fischer, Director of CRM Product Management at Rue La La. "So for us, personalization is key. The only way to get people to come back to our site is if we have relevant content for them. That starts with our communications to get people 'in the door,' and then once they're there, it's about how you carry the personalization through the site experience."

Rue La La also seeks to align its personalization efforts with the route each customer takes to get on the site. 🐦 "If we acquired someone via a Facebook ad targeting Louis Vuitton, when they land on the site we want to ensure that they get exposure to Louis Vuitton or an equivalent luxury experience," said Fischer. "This is carried forward into their welcome stream and the first set of emails they receive, where we will still be highlighting luxury-style products."

USING MULTIPLE LEVELS OF PERSONALIZATION

Overall, Rue La La practices what Fischer terms "**personalization at scale**" with the help of a platform from Salesforce that was deployed in Q4 of 2015. The retailer has approximately 17 million members and sends more than 7 million emails per day. Of these, 85% are personalized based on the customer's profile, for example the specific Rue La La boutique she shopped most recently.

The remaining 15% are even more personalized, based on triggers related to customer behaviors on the web site. Even traditional email marketing tools such as cart abandonment emails are loaded with recommendations "that are unique to you based on your browsing history, and also referenced by the product that you abandoned," said Fischer in an interview with *Retail TouchPoints*. "If you left a pair of shoes in your cart, we might provide personal recommendations around similar shoes. We're trying to evolve from just a pure recommendation site to being more consultative."

> ## "FOR US, personalization is key. The only way to get people to come back to our site is if we have relevant content for them."
>
> **- MATT FISCHER, RUE LA LA**

▶ Check out Rue La La on YouTube!

The retailer also is using behavior-based targeting for more proactive campaigns, such as a win-back campaign aimed at shoppers in danger of lapsing. Emails tested in February 2016, sent to members who had not visited the site recently, were placed into different "buckets" based on affinities these shoppers had already demonstrated.

"Rather than just sending a general email saying 'Hey, it looks like you're lapsing,' we sought to disrupt this with something a bit more relevant to them," said Fischer, adding that these targeted emails were more successful than non-personalized messages at re-activating these wandering consumers.

PERFECTING PERSONALIZATION: DATA SECURITY

It should go without saying, but all customer data — particularly anything associated with payments or including PII (Personally Identifiable Information) — needs to be protected from hackers, cybercriminals and other bad actors. With each new layer of customer information retailers gather, there needs to be a corresponding layer of security to ensure it doesn't fall into the wrong hands.

Secure Checkout

Card Number *

Carholder Name *

Exp. Date *

Conclusion

Personalization already has advanced well beyond simply sending emails that begin "Dear [first name]". Some key principles of the next wave of personalization include:

• Consumers' most recent *actions* are as important as their *profiles*: While customer activity has always been part of customer segmentation (the holy trinity of Recency, Frequency and Spend), it's now operating in real time or near real time. Personalization is less about a customer's demographics and more about their browsing, transacting, and cart abandoning behavior.

"Marketers still think demographics are important, but I like to quote the VP of product at Netflix, who said there are teenage boys watching *Dance Moms* and 73-year-old grandmothers watching *Breaking Bad*," said Graham Cooke, CEO of Qubit. "Demographics are dead. What's been done recently and in the moment, and a retailer's ability to understand those customer behaviors in real time, represents the next generation of what's going to drive the experience economy."

• Personalization provides valuable insights to retailers: In addition to yielding higher sales and greater levels of customer engagement, personalization provides priceless information around marketing, merchandising, customer service, fulfillment and other basic operational requirements.

"If a brand knows its customers better, it can understand what problems they are attempting to solve, determine which products and services it offers that could best solve those problems (even if the customer may not have originally recognized how those offerings could best help), and make an offer that isn't just a random discount on an unwanted item, but make an offer that is truly *personalized*," said RSR Analyst Steve Rowen in an April 2015 blog post. "This is the brass ring of retail."

• Personalization is an effective competitive differentiator: Shoppers who feel that a retailer really understands them — including understanding when they want a personal interaction, and when they want to be left alone — will be far less likely to be tempted by a lower price at a competing retailer.

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