

# THE AGE OF PERSONALIZATION

## Crafting a Finer Edge

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## Powering Personalization: Opportunities for Organizations to Evolve

When it comes to personalization—tailoring a product, service, or experience to specific customer segments—many organizations across industries are already investing in this area, and reaping the rewards. When executed effectively, strategic personalization initiatives, from personalized product offerings and recommendations to dynamic pricing and personalized webpages, can drive significant revenue impact. They also tap into the power of customer-centricity, helping foster greater customer loyalty and retention. Such tactics add value for both the brand and the customer by delivering the most relevant offers and experiences to the right customer segments.

In fact, according to an international, cross-industry executive survey by Harvard Business Review Analytic Services, nine in 10 respondents say customers expect organizations to know their interests and anticipate their needs. Correspondingly, eight in 10 survey respondents say personalization is important to their organization's strategy—and more than half indicate their personalization tactics are already an important driver of revenue and profits. Even more striking is that findings indicate 81% of respondents say personalization will be an important driver in 2020, highlighting the important role business leaders expect it to play in the future.

This report explores best practices for personalization strategy and execution to help organizations pinpoint where to best allocate their resources, and where they may be leaving money on the table. Based on these findings, there are several key opportunities for organizations to power up their personalization efforts:

- **Making Measurement Top of Mind:** Fifty-four percent of survey respondents say investing in personalization tactics is a high priority for their organization. Despite this, 24% of survey respondents do not know whether their organization's personalization initiatives have affected revenue over the past two years—and 19% do not expect to know by 2020. With all signs pointing to continued growth and increased investment in personalization tactics, technology will continue to be important in enabling personalization at scale. One notable example is data analytics, which 70% of survey respondents cite as the most critical technology to enable personalization. Organizations must establish a robust analytical approach to measurement to understand the true performance of their investments in this area.
- **Pushing the Envelope on Personalization:** Forty-seven percent of respondents indicate they are already personalizing communications across all channels. This is encouraging, but also illustrative of the opportunities that may still exist for their peers. Beyond personalized marketing offers, report findings show there are opportunities to expand personalization strategies to other areas of the business, including pricing, human and automated call center interactions, and in-person and online customer experiences.
- **Bringing Additional Insights on Board:** Half of all survey respondents say their organizations currently rely exclusively on internal data to drive their personalization initiatives. That is a logical first step, but it means there is an opportunity to enrich their personalization strategy by capitalizing on the many external, anonymized, and aggregated data sources, such as third-party data, census data, and weather data. Incorporating these insights can help organizations better understand market share, develop customer segments, and refine their personalization strategies.

At Mastercard, we have seen through our engagements with clients across industries and around the globe that many organizations are already successfully driving innovation through their personalization strategies. As organizations continue to evolve their personalization offerings to better cater to the needs and wants of their customers, keeping these three opportunities in mind will empower them to remain ahead of the curve.

# THE AGE OF PERSONALIZATION

## Crafting a Finer Edge

As the digital age offers up new ways to fight for customer mindshare and dollars, consumer-facing organizations are responding with new efforts to personalize the customer experience—and reaping big rewards in the process.

Imagine arriving at your favorite neighborhood restaurant. For 20 years, you’ve been ordering the lasagna. This evening, your server has put your order in early—and now he’s bringing you spaghetti. You are puzzled.

Replicate this experience at scale with millions of customers, and you get to the heart of the customer challenge for consumer-facing organizations today. Companies that fail to show customers they know them and their buying preferences risk losing business to competitors who are more attuned to what their customers want. And the ranks of those competitors are growing. In a new survey of more than 600 business executives by Harvard Business Review Analytic Services, 47% say their organizations are already executing tailored customer communications successfully across all channels.

“People today expect personalization,” says Isabelle Birem, senior vice president of loyalty for France’s Accor S.A., a multinational owner, manager, and franchisor of hotels, resorts, and vacation properties. “It’s just something you have to do.”

Indeed, nine in 10 survey respondents say their customers now expect them to know their interests and anticipate their needs.

“When they make purchases, they expect to receive personalized recommendations that are helpful and relevant,” says Farrell Hudzik, senior vice president and enterprise customer engagement officer for U.S.-based consumer financial services firm Synchrony Financial. “When they reach out to us, they expect us to know who they are. When they reach a chatbot or live agent, they expect us to know what they’ve been inquiring about on a digital property.”

All that is reason enough for companies that aren’t personalizing the customer experience to start. Or for those that have only dipped their toes into the water to jump in feet first. But the rationale extends beyond meeting customer expectations. Personalization also has become critical to improving business performance.

Simply put, personalization drives better financial results. Eight in 10 survey respondents say personalization is now important to their organization’s strategy, and more than half say it is an important driver of their revenue and their profits.

**PERSONALIZATION HAS  
BECOME CRITICAL TO  
IMPROVING BUSINESS  
PERFORMANCE.**

## KEY FINDINGS

# 90%

of survey respondents say customers expect organizations to know their interests and anticipate their needs.



Even more—81%—say it will be an important driver of financial performance in 2020.

Not surprisingly, 54% of survey respondents also say investing in personalization is a high priority for their organizations. Why? To achieve primary goals of improving customer relationships (cited by 63% of respondents), driving customer retention (54%), and driving revenue (38%).

### Moving Beyond Table Stakes: Using Personalization to Gain Competitive Advantage

Given the early wins it's delivered, it's no surprise that personalization is quickly becoming the norm in many areas of marketing. Nearly half of survey respondents now see personalization as table stakes, for example, in email marketing, print marketing, and search advertising—whether they've personalized their own activities in that area or not. "If we don't do it we will lose customers," says Harsimrat Kaur, CRM insight manager for Costa Coffee, a U.K.-based multinational coffeehouse.

In a very real sense, those table stakes arenas are starting points for organizations that have thus far lagged behind in the personalization revolution—capabilities they must nail down quickly so they can move on to more innovative and higher-return personalization techniques that survey respondents say can deliver real competitive advantages. Among those higher-order activities: personalized product offerings and recommendations; personalized online experiences, including greeting customers with personalized home pages; personalized pricing strategies; and personalized mobile applications that can do things like push notifications to customers based on their location. [FIGURE 1](#)



**Eight in 10** survey respondents say personalization is important to their organization's strategy.



**More than half** of respondents say personalization is already an important driver of their organization's revenue and profits—and 81% say it will be an important driver in 2020.



**54%** of survey respondents say their organizations are placing a high priority on investing in personalization tactics.



Almost **half** of survey respondents say their organizations are tailoring communications to customers across all channels.



The most common area where organizations are using personalization is in **product offerings and recommendations**.

**Some personalization strategies are seen not just as table stakes but as drivers of competitive advantage—and can extend beyond marketing.**

Among the higher-order activities:



Personalized product offerings and recommendations



Personalized pricing strategies



Personalized online experiences



Personalized mobile applications

FIGURE 1

## WHICH PERSONALIZATION TACTICS DELIVER A COMPETITIVE ADVANTAGE?

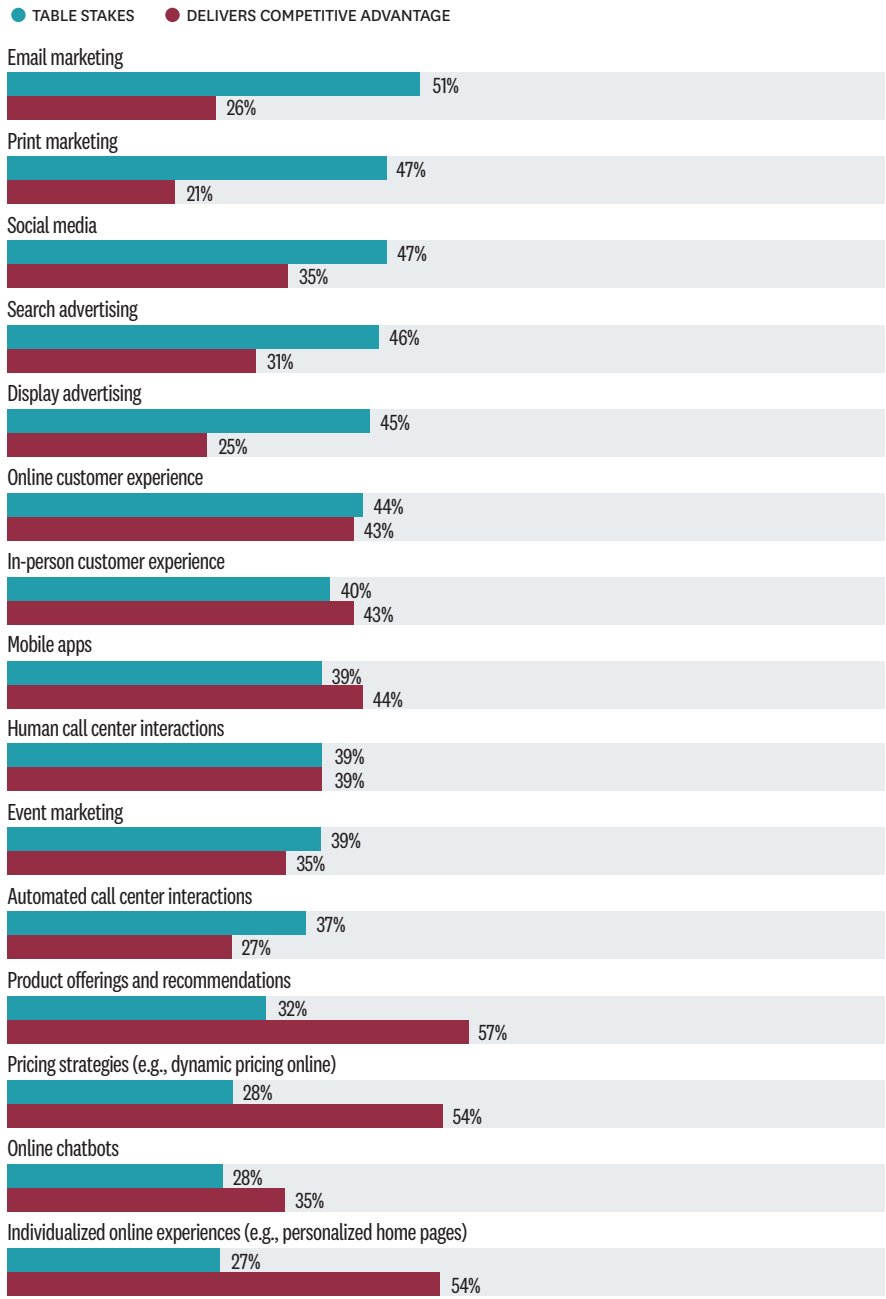


TABLE STAKES ARENAS ARE STARTING POINTS FOR ORGANIZATIONS THAT HAVE THUS FAR LAGGED BEHIND IN THE PERSONALIZATION REVOLUTION—CAPABILITIES THEY MUST NAIL DOWN QUICKLY.

SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, AUGUST 2018

Of all areas where personalization is possible, the only one where a majority of organizations are using it today is in **product offerings and recommendations** via multichannel communications.

FIGURE 2

## PRODUCT OFFERINGS AND RECOMMENDATIONS ARE TOP PERSONALIZATION FOCUS TODAY

Percentage of areas organizations currently leverage personalization



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, AUGUST 2018

### Product Offerings and Recommendations Are Top Personalization Focus Today

Of all areas where personalization is possible, the only one where a majority of organizations are using it today is in product offerings and recommendations via multichannel communications, with 52% of survey respondents saying it is part of their toolkit. The next most common applications center on email marketing (cited by 49% of respondents) and the in-person customer experience (48%). Accor, for example, is devoting much of its personalization efforts to enhancing the guest experience in its hotels, which Birem says is by far the most important place a lodging company interacts with its customers. [FIGURE 2](#)

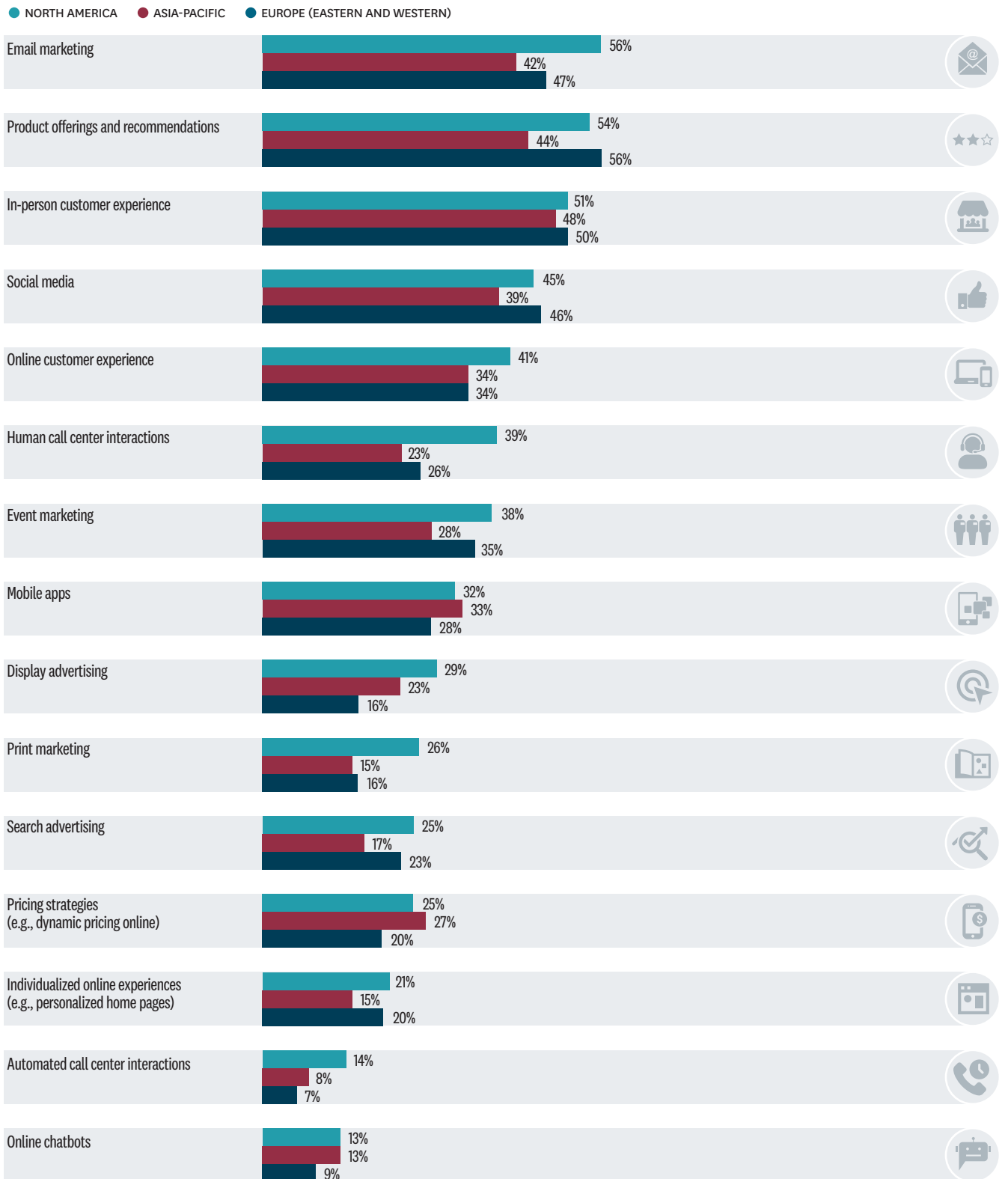
Not every region of the world is equally advanced in its use of personalization strategies. Overall, survey respondents in North America are more likely to be using personalization techniques than their counterparts in Europe, while organizations in both regions tend to use personalization more than organizations in the Asia-Pacific region. Fifty-six percent of North American organizations engage in personalized email marketing, for example, versus 47% of European organizations and 42% of Asia-Pacific organizations. [FIGURE 3](#)

Fewer dramatic differences exist in the use of personalization strategies within the four key industries polled in the survey—financial services, health care, manufacturing, and technology—with the notable exception of the manufacturing industry. Generally operating in a business-to-business environment, manufacturers tend to make less extensive use of personalization strategies such as the online customer experience. [FIGURE 4](#)

FIGURE 3

# NORTH AMERICAN ORGANIZATIONS MOST AGGRESSIVE IN USING PERSONALIZATION STRATEGIES

Percentage of areas organizations currently leverage personalization (by geographic area)

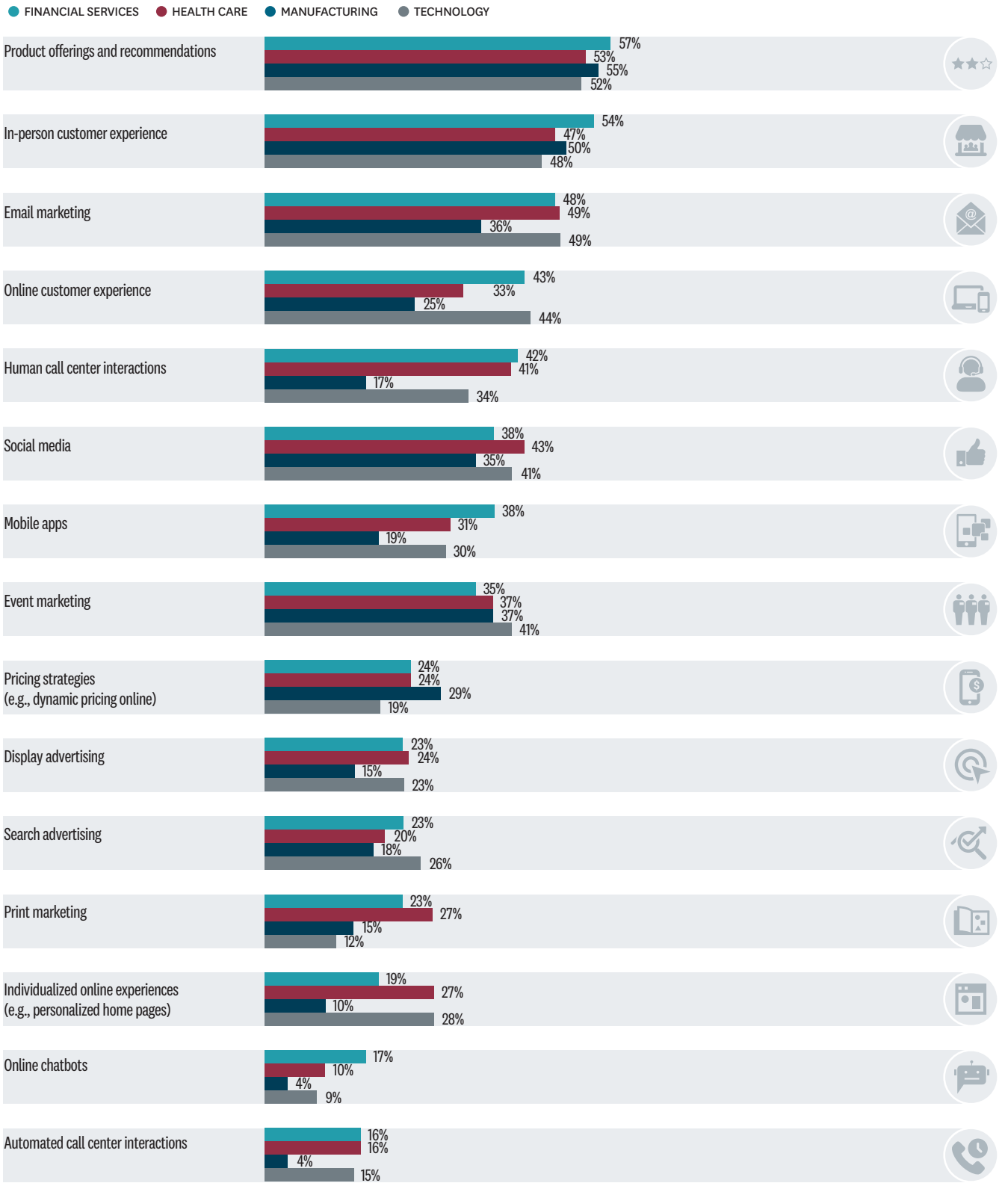


SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, AUGUST 2018

FIGURE 4

# PERSONALIZATION USE FAIRLY CONSISTENT ACROSS KEY INDUSTRIES, EXCEPT MANUFACTURING

Percentage of areas organizations currently leverage personalization (by industry)



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, AUGUST 2018



In contrast to where organizations are using personalization today, organizations' plans for investing in personalization over the next two years align more closely with those areas where they see it delivering a competitive advantage. The top places in which survey respondents plan to invest in personalization by 2020 are in product offerings and recommendations (cited by 52% of respondents) and the online customer experience (51%). Right now, only about a third of organizations are using personalization for the online customer experience, or for mobile apps or call center applications—valuable windows of opportunity just waiting to be exploited.

The same is true of personalized pricing. A majority of survey respondents—54%—see opportunities to gain a competitive advantage with personalized pricing strategies, yet only 26% are using it today. More encouragingly, 29% plan to invest in that area by 2020.

### **Failing to Take Personalization Beyond Marketing May Prove Costly**

The fact that 47% of organizations are using personalized communications across all channels is encouraging, but also illustrative of the opportunities that still exist for many and the profits they may be leaving on the table. In addition to personalized pricing, many of those opportunities exist in areas beyond marketing, including personalizing human and automated call center interactions, and in-person and online customer experiences.

Synchrony is among those pushing the envelope. To be sure, the company devotes much of its personalization work right now to marketing initiatives. High among them: using data analytics to optimize its outreach strategies—to reach, in other words, the right customers at the right time with the right offer. “There is significant value in optimizing this outreach by customer segment to drive loyalty and revenue, and also to right-size promotions to avoid giving away too much to those who might purchase anyway,” says Hudzik. “And we are seeing good results from it.”

## **STAYING ON TOP OF DATA PRIVACY**

Using data and data analytics to personalize customer interactions is a proven means of driving business revenue and profits. And the volume and variety of data available today allows companies to better understand their customers. But companies still need to be mindful of how they use that data, not only to avoid backlash from customers who may feel their privacy is being invaded but also to ensure compliance with data privacy laws. “Customer loyalty is based on trust,” says Isabelle Birem, senior vice president of loyalty for multinational hotelier Accor S.A. of France.

In the new Harvard Business Review Analytic Services survey of more than 600 senior business executives, 92% strongly agree that customer trust in their brand and products is their greatest asset, and 60% say changing consumer perceptions around data privacy have impacted their personalization strategies more than actual regulatory changes, such as the European Union's General Data Protection Regulation (GDPR), which gives EU citizens more control over their personal data.

About a third of survey respondents say their organizations have invested in data management, consent tools, or legal or data experts in response to GDPR. But only 4% have moved away from personalization, and many of the executives interviewed for this paper say the new regulation has had little impact thus far on their data privacy policies or the way they use data to interact with customers.

“France has always had very strong privacy protection regulations, and we have always valued the protection of the data of our loyalty program members,” says Accor's Birem. “So for us, it was not a shock to go through GDPR. We did make some adjustments, but for the most part we were already compliant.”

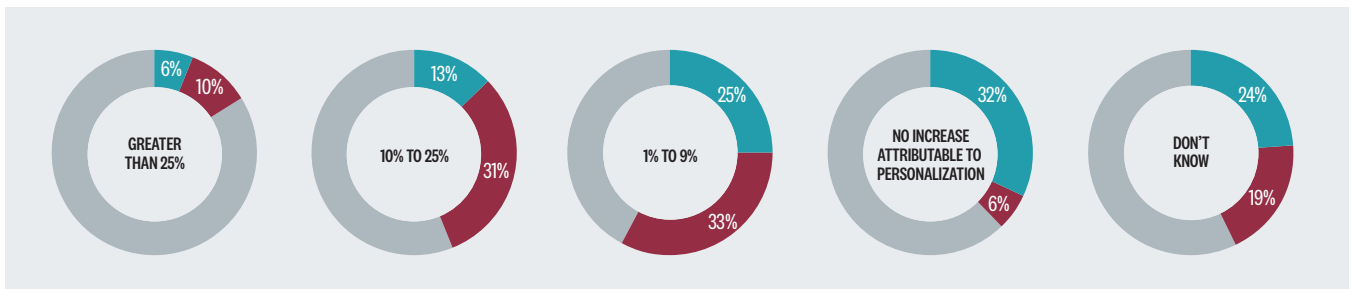
“We have our own version of GDPR here in South Africa,” adds John Bradshaw, head of marketing for supermarket chain Pick N Pay. “I think customer expectations are ever increasing, and I think we've always made it a point to be very explicit about what data we collect and how we use it, and good about how we store it. We've also worked hard to show customers the benefit to them of having us use their data. We also are careful in terms of reflecting that data back to them in the form of vouchers. We realize that not everyone wants to be confronted with their shopping history, and that they may be more sensitive about that in some product categories than others.”

However, Synchrony also is devoting energy to creating a frictionless—but secure—customer-authentication process by using customer recognition technology. The company measures success in this area by looking at both qualitative measures (e.g., the results of customer surveys) and quantitative metrics (e.g., the percentage of credit applications customers complete once they start those applications). “This is one of the areas outside of marketing where we're really focused on creating personalized experiences,” says Hudzik.

FIGURE 5

## PERSONALIZATION DRIVES REVENUE GAINS

● REVENUES INCREASED OVER THE PAST TWO YEARS ● REVENUES EXPECTED TO INCREASE BY 2020



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, AUGUST 2018

**44% SAY THEIR ORGANIZATION'S TOP LINE HAS INCREASED OVER THE PAST TWO YEARS SPECIFICALLY DUE TO THEIR COMPANY'S ABILITY TO CREATE PERSONALIZED CUSTOMER EXPERIENCES.**

Meanwhile, at Accor, the primary focus today is, as noted earlier, on the guest experience—not online, but rather in person when customers visit its hotels. “You can be very personalized and perfect before or after the stay, but if the stay itself does not go well, or is just average, it will not distinguish you from your competitors,” says Birem. “So we work hard to share with our hotel staff the preferences guests have shared with us—such as whether they prefer to be on a high or low floor, or close or far from the elevator, or whether they like the air conditioning on or off, and what type of bed they prefer. And we try to use this information to make the guest experience personal—to create ‘sparkle’ moments for our guests.”

Still, Birem notes, “Our intention is to increase personalization at all customer touch points.”

### Personalization Initiatives Are Delivering Positive Results

As noted earlier, more than half of survey respondents say personalization initiatives have become important to driving revenue and profits, and a similar number say it's also become important to driving gains in market share and customer base. Overall, 64% say their personalization strategies have already had an impact on performance, including 19% who say it's had a big impact. Just 2% are unable to recognize any impact.

Looking specifically at the impact of personalization initiatives on revenue, 44% of respondents say their organization's top line has increased over the past two years specifically due to their company's ability to create personalized customer experiences, including 6% who claim gains in excess of 25%. Looking ahead, they're convinced they can do even better. Seventy-four percent expect personalization initiatives to boost revenue between now and 2020, including 10% who expect revenue gains in excess of 25%. [FIGURE 5](#)

Also striking is the number of survey respondents who see no gains from personalization: While 32% fall into that camp today, only 6% believe revenues won't increase as a result of personalization by 2020.

The fact that 24% of survey respondents don't know whether their organization's personalization initiatives have impacted revenue over the past two years—and 19% don't expect to know by 2020—underlines the point that organizations need to become better at using data analytics to measure the results of their personalization initiatives. While it looks like organizations are moving in the right direction, 19% need to get going faster—or risk falling behind.

## Companies Use Multiple Metrics to Measure the Impact of Personalization Initiatives

When asked which metrics organizations use to evaluate their personalization activities, more survey respondents (42%) cite “customer satisfaction” than any other. The next most common metrics relate to the impact on customer loyalty/repeat business and total revenue. Only about one in five are effectively measuring the impact on profit per customer or profit per sale, although that level of precision would ultimately provide the best insights into how to construct their personalization strategies.

Similarly, only a small minority of survey respondents say their organizations are able to calculate a formal return on investment for specific personalization tactics: about a third say they can do so for the in-person customer experience, product offerings and recommendations, and pricing strategies. Only about a quarter or less can do it in most other areas, including marketing via email, print, and events.

FIGURE 6

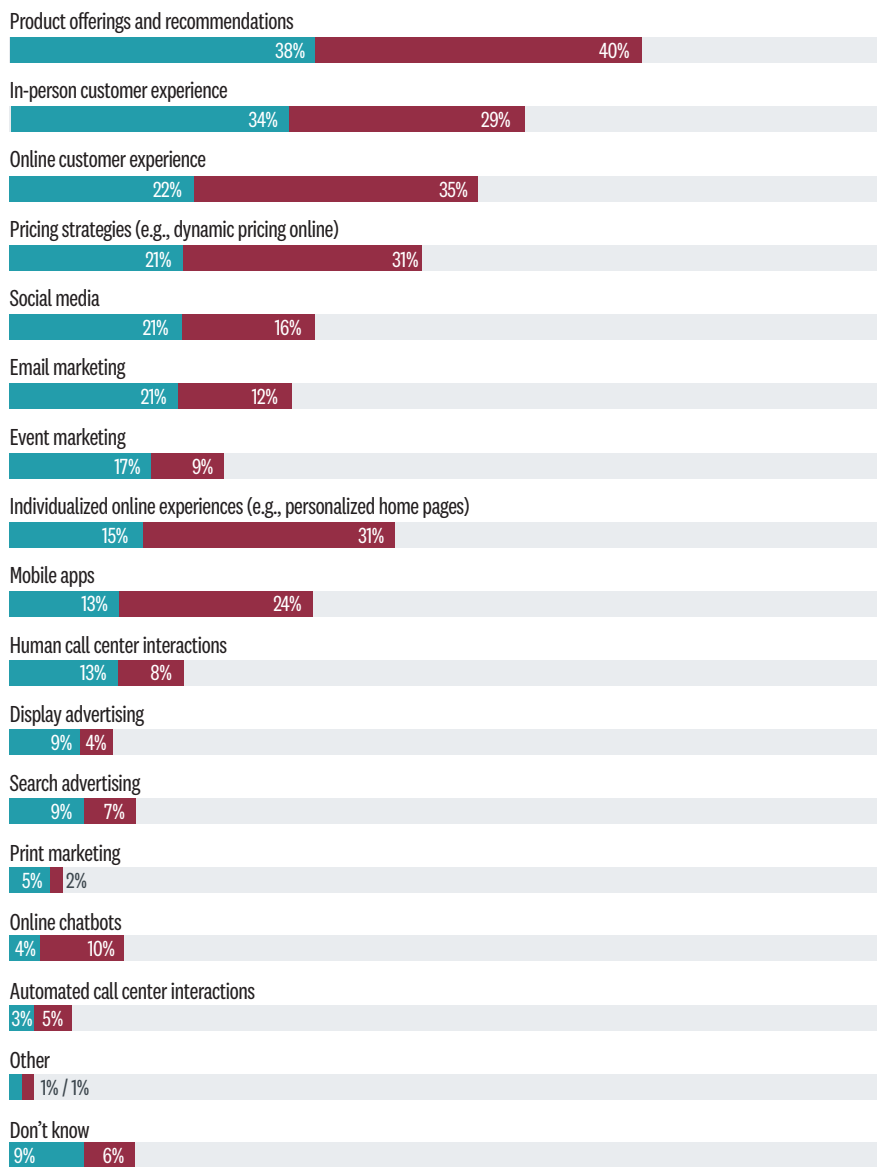
Interestingly, those first three areas are also the ones where survey respondents say their organizations are capturing the highest ROI—perhaps suggesting they’re seeing the best returns there simply because that’s where they can measure. Survey respondents expect those three areas will still be delivering the highest returns by 2020, as will one other area of interest: the online customer experience.

How companies measure the impact of their personalization efforts also varies. Synchrony routinely compares results for customers who receive personalized experiences with results for those who don’t—as does South African retailer Pick n Pay, which operates 1,600 supermarkets across southern Africa. Using a best-in-class data analytics platform provided by a global payments processing company, Pick n Pay sends personalized emails to members of its loyalty program, offering discounts or vouchers on products that, based on their shopping history, they are likely to buy within the next two weeks.

FIGURE 6

## ROI ON PERSONALIZATION VARIES BY INITIATIVE

● HIGHEST ROI DELIVERED TODAY ● HIGHEST ROI EXPECTED TO BE DELIVERED BY 2020



Note: Respondents selected up to three answers.

SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, AUGUST 2018

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“The way we **measure our return** on those initiatives is by **monitoring customer satisfaction** through user reviews and social media,” says Isabelle Birem, senior vice president of loyalty, Accor S.A.

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The company routinely compares the results with those for a small control group of customers who don't receive targeted offers. John Bradshaw, Pick n Pay's head of marketing, says the personalization program is working well both for the company and for the manufacturers whose products line its store shelves. “It's created a significant uplift for both of us,” Bradshaw says. “Because of that, we've been able to get the majority of our largest manufacturers on board with co-funding these offers on their products.”

Both Costa Coffee and Accor, meanwhile, track traditional performance indicators linked to email promotions, such as click-through and conversion rates, to see what's working and to inform future initiatives. “Maybe eight of 10 times we get the results we were expecting, but not always,” says Costa Coffee's Kaur. “Sometimes, even when an initiative works on one level—maybe it's good for customer engagement—the margins aren't where they need to be. So we continually perform trials of new initiatives and learn from those experiences.”

Accor's Birem says her organization can see that its returns are “much higher on personalized emails” than on non-personalized communications. One example of the company's personalization efforts, she says, involves sending emails to Accor loyalty program members who are about to lose their program points due to inactivity, and letting them know they can preserve their points by staying at an Accor property. If they fail to respond, they eventually get an offer allowing them to reclaim their points by booking a stay with Accor. “We see the pure extra revenue that's generated

when customers who were at risk of losing their points reengage with us—often, more than once,” Birem says. “We can really measure our return on investment from that activity.”

Where ROI becomes less easy to track, she says, is with some other initiatives the company has launched, such as pushing customer information to the front-desk staff at the company's hotels so they can look for opportunities to personalize their interactions with guests.

“The way we measure our return on those initiatives is by monitoring customer satisfaction through user reviews and social media,” Birem says. “We also measure it through the customer experience community we've created for our hotel employees, which is an online community where employees can share stories about delivering personalized attention to their guests, and how that was received. The feedback we get is that guests treated this way are happier, and do come back to our properties.”

### **Good Data Underpins Successful Personalization Initiatives**

Companies getting good results from their personalization initiatives know those initiatives are dependent on access to timely, accurate data about their customers' behaviors and preferences—often supplied by customers themselves when creating an online account or joining a company's loyalty program. They also know it's important to trust their data.

“I think the biggest shift we've had in our personalization activities relates to our mindset around data,” says Costa Coffee's Kaur. “It evolved from a situation in which we'd form a

hypothesis about what our customers wanted and then look for data to back it up, to deciding that we are just going to see what the data is telling us about our customers and use it to figure out what we can do to make their lives better. Once we began to take that approach and got everyone invested in thinking that way, it made personalization—and just being a more customer-centric business—easier.” For some time now, Costa Coffee has been using customer data to reward customers with bonus loyalty program points or with product discounts aimed at saving customers money, with the aim of delivering a better customer experience and driving increased customer visits and purchases.

Right now, half of all survey respondents say their organizations rely exclusively on internal data to drive their personalization initiatives. That’s a logical first step, but it means they have opportunities to do much more on the personalization front by taking advantage of the many external data sources that could more fully inform their views of their customers. Those external sources include census data,

weather data, and a wide range of data collected by third-party aggregators that can help organizations better understand their market share, develop customer segments, and refine their personalization strategies. **FIGURE 7**

“Those who leverage classic and emerging analytical techniques using first-party, second-party and third-party data, blended in with both customer service and marketing outreach data, will absolutely find that it’s a competitive differentiator going forward,” says Synchrony’s Hudzik. In fact, she says one of her company’s most valuable data sources is its business partners.

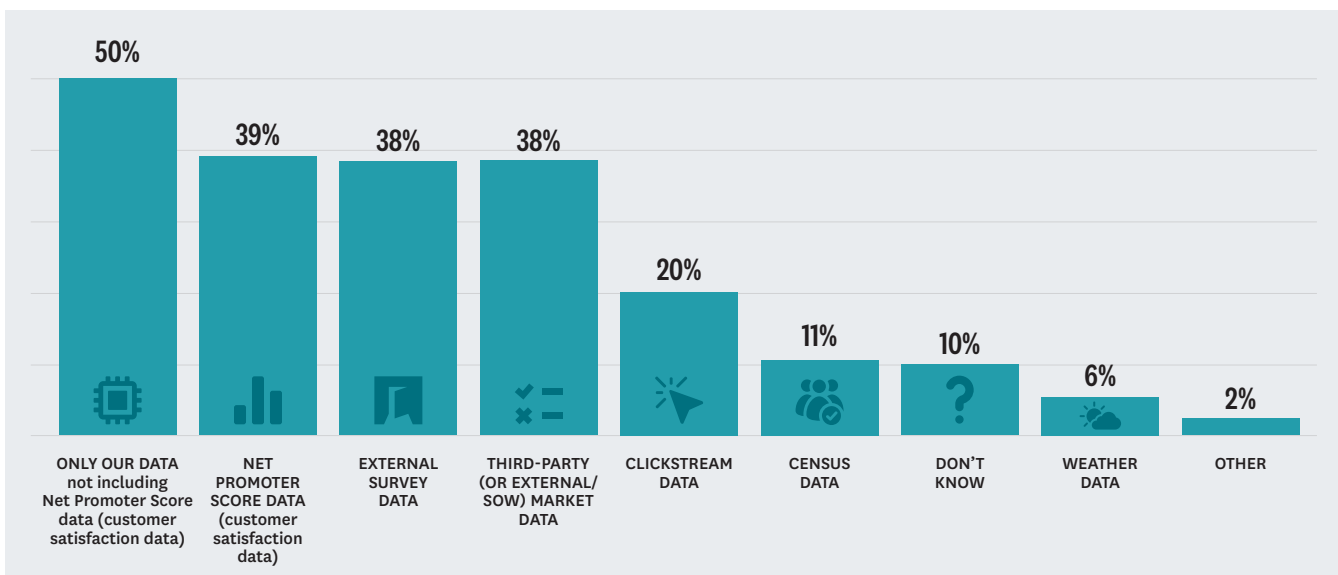
“Beyond just access to the data, we are also making infrastructure investments in creating client data-sharing environments that will allow us to better optimize decisions across the customer life cycle in real time—including creating personalized marketing offers, customizing credit line increase strategies, and improving our fraud detection and prevention strategies. That’s when we get the true power of both brands coming to life to

**HALF OF ALL SURVEY RESPONDENTS SAY THEIR ORGANIZATIONS RELY EXCLUSIVELY ON INTERNAL DATA TO DRIVE THEIR PERSONALIZATION INITIATIVES.**

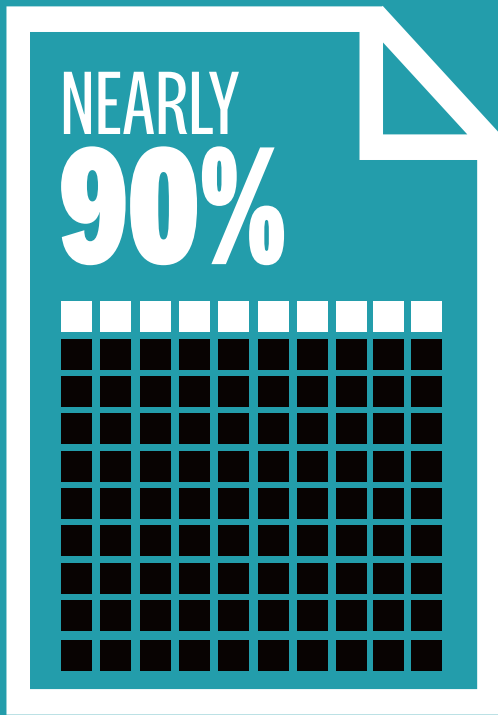
FIGURE 7

## WHAT TYPES OF DATA DO ORGANIZATIONS USE TO INFORM PERSONALIZATION STRATEGIES?

Which types of data are you using to drive personalization? [SELECT ALL THAT APPLY]



SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, AUGUST 2018



**OF RESPONDENTS SAY THAT  
AS MOST BUSINESS MODELS SHIFT TO  
DIGITAL CHANNELS IT WILL PRESENT  
GREATER OPPORTUNITIES TO  
IMPLEMENT PERSONALIZATION.**

not only drive financing but also buying behavior and loyalty across our brands and our partner brands, as well as our Synchrony-branded solutions and products,” Hudzik says.

Synchrony also uses third-party data to optimize ad placements and search, and to better understand wallet share by brand as well as by both geographic and specific retailer location. “Thanks to external sources merged with our data, we have the ability to analyze data from thousands of marketing campaigns,” Hudzik says. “Using that, we’re constantly testing to identify what our customers are telling us is the most relevant product offer for them. And as we use those signals, we’ve been able to merge them with attribution and media mix data and our offer strategy—all leading to a truly personalized experience that drives quite a bit more uptake and life cycle spend within our card base.”

### **Challenges to Personalization Include Pace of Technological Change, Outdated Legacy Systems**

What’s holding back organizations that haven’t fully embraced the personalization revolution? One explanation may be that although the technology to enable it is in many respects fully formed, not every organization is ready to take advantage of it. Pick n Pay’s Bradshaw notes that it was only thanks to his company’s significant investment in its core IT infrastructure over the past five years that it was able to begin personalizing its loyalty card program in 2017.

“Retailers operate low-margin businesses, and the capex required to get the necessary IT systems in place to facilitate a personalized pricing system, coordinated with point-of-sale and underlying ERP systems, can be daunting,” Bradshaw observes. “Many retailers spend years eking the last bit of life out of their legacy information systems, and that makes it hard for them to get a single view of the customer and implement something like this—even if they are able to predict what their customers are going to buy next.”

Indeed, 70% of survey respondents concede that their organizations are struggling to keep pace with digital change. The technologies they consider most critical to enabling personalization initiatives are customer data analytics (cited by 70% of respondents), predictive analytics (53%), and web analytics (38%). Often, these are sourced today under a software-as-a-service platform.

Companies also can find it challenging to find the people with the right skill sets to drive personalization initiatives, or to implement them on the front lines where organizations and their customers interact in person.

The good news, for those organizations that are keeping their information systems up to date, is that technology—from advanced data analytics systems armed with predictive algorithms to mobile devices that enable connectivity and geo-tracking—makes personalization far easier and less costly to implement than it ever was in the past. Nearly 90% of respondents say that as most business models shift to digital channels it will present greater opportunities to implement personalization.

The risks of lagging behind—and the potential benefits of joining the personalization revolution—help explain why personalization initiatives are expected to become even more commonplace in the years ahead.



**COMPANIES CAN FIND IT CHALLENGING TO FIND THE PEOPLE WITH THE RIGHT SKILL SETS TO DRIVE PERSONALIZATION INITIATIVES, OR TO IMPLEMENT THEM ON THE FRONT LINES WHERE ORGANIZATIONS AND THEIR CUSTOMERS INTERACT IN PERSON.**

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“If you’re not finding the reason why something is happening, you can’t use it to create a more customer-centric business. **Data is rich, but you have to be curious** and have a bit of tenacity,” says Costa Coffee’s Kaur.

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### **Best Practices: Focus on the Customer, Measure Results, Rely On Data**

Input from the new survey and discussions with organizations that are already making extensive use of personalization suggest a number of best-practice measures that companies can use to improve their chances of successfully implementing their own personalization programs.

### **Start with the customer in mind.**

It’s easy for an organization to think about personalization in terms of what it can do to boost revenue and profits. But focusing on how it will benefit customers is likely to drive better results. In Pick n Pay’s case, says Bradshaw, it wasn’t intuitive to manufacturers of packaged foods and household products to offer discounts on items customers were likely to buy anyway. A more logical approach, it seemed, would have been to reach out to customer segments that were buying a competitor’s product, in hopes of winning them over and expanding market share. But doing that could have made it seem like Pick n Pay didn’t really know its customers’ preferences. In the end, the company conducted a successful three-month test run to prove its concept, demonstrating, Bradshaw says, that “people weren’t as loyal to brands as everyone thought they were, that they bought heavily in response to deals, and that they didn’t buy nearly as frequently as we had thought.” The program has only grown since then. “I think where companies can go wrong is by asking at the outset how they can use personalization for themselves, rather than starting with the customer,” Bradshaw says. “They end up doing things that may hurt the

customer relationship in ways that are hard to measure. Ultimately, they risk killing the goose that lays the golden egg. By using what you know about the customer to make the shopping experience, or value delivered, better for them, you can build long and really strong relationships.” Perhaps the most important point to note about Pick n Pay’s experience is not what it discovered about brand loyalty—many studies show quite the opposite—but rather the importance of conducting tests on a regular basis to ensure that organizations are making the right choices for their customers.

### **Make personalization an enterprise-wide strategic initiative.**

Personalization is too powerful a tool to be limited to marketing. Opportunities also exist in areas like call center interactions, advertising, customer service, and both the online and in-person customer experience. Indeed, 56% of survey respondents say their organizations are already using personalization as a way to unify the customer experience across all functional areas. Additionally, 47% say their organizations are already executing tailored customer communications successfully across all channels.

### **Embrace curiosity, and ask the right questions.**

“If you see something unusual or interesting in your data, ask why, and what it might mean for the business,” says Costa Coffee’s Kaur. “The beauty of living in the era of big data is that you can find numbers for anything. But if you’re not finding the reason why something is happening, you can’t use it to create a more customer-centric business.



Data is rich, but you have to be curious and have a bit of tenacity.” Predictive analytics can help on this front; it’s technology that can help organizations explore potential answers to their questions. And as previously noted, it’s one of the technologies survey respondents find most critical to enabling personalization tactics.

**Measure results accurately, and rely on data.** Measuring results helps organizations understand where personalization adds value and where it doesn’t. And as the Pick n Pay experience demonstrates, data can be a better driver of results than intuition. To get the most value from their personalization initiatives, companies should be sure to establish a reliable system for measurement and build a baseline to use for comparison purposes. Synchrony’s Hudzik recommends standardizing metrics so that results from different projects are comparable. Accor’s Birem adds that companies also should use control groups to improve the accuracy of their findings. The fact that 74% of survey respondents expect personalization to be boosting their organization’s revenue by 2020, up from 44% today, underlines the importance of being able to measure results accurately.

**Learn to tell data’s story in a way that resonates with other decision makers.** Data analysts often have to explain to their colleagues in marketing and other functions, including finance, what the data is telling them and how it can be used to inform personalization initiatives. Sometimes, what the data is saying isn’t what those colleagues want to hear—nor is it entirely obvious to them if they’re not accustomed to analyzing data. “Personalization is all about understanding the data and using it to connect with customers,” says Kaur. “So make sure you can tell a story at a high level for those colleagues in a way that allows them to follow it and get behind the findings.”

**Embrace failure.** Digital technology makes it possible to tweak personalization efforts quickly, as early results come in. Embracing

that kind of agility is valuable in fast-moving markets. “Our competition is constantly moving, so we need to allow ourselves the flexibility to test, fail fast, learn as we go, and continue to move forward,” Hudzik says. “We are committed to being agile.”

#### **Leave room for common sense.**

While many consumers may welcome personalization—many like receiving offers or experiences that are relevant and valuable—businesses need to be wary of becoming off-putting and triggering privacy concerns. Ninety-two percent of respondents agree that customer trust in their brand is their organization’s greatest asset, and 84% say their customers are more concerned about data privacy today than two years ago. All this reinforces the imperative of ensuring compliance with data privacy rules and regulations, like the European Union’s new General Data Protection Regulation (GDPR), and similar regulations expected over time in other parts of the world (see sidebar: Staying on Top of Data Privacy). And, while data-driven personalization programs can be remarkably precise and successful, Birem suggests that companies also use common sense and not make assumptions beyond what the data is telling them.

#### **Moving Forward with Personalization**

Organizations that wish to remain competitive in this new age of personalization have many opportunities to sharpen their capabilities in this area, and by doing so improve the customer experience.

In fact, customers expect it. And competitors that are already doing it are seeing material benefit from their investments in personalization.

In short, organizations that don’t know what their customers want risk harming relationships and even losing them, rather than driving ongoing value for both the consumer and the organization.

**TO GET THE MOST VALUE FROM THEIR PERSONALIZATION INITIATIVES, COMPANIES SHOULD BE SURE TO ESTABLISH A RELIABLE SYSTEM FOR MEASUREMENT AND BUILD A BASELINE TO USE FOR COMPARISON PURPOSES.**

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## METHODOLOGY AND PARTICIPANT PROFILE

A total of 625 respondents drawn from the HBR audience of readers (magazine/newsletter readers, customers, HBR.org users) completed the survey.

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### SIZE OF ORGANIZATION

<b>43%</b> 10,000 OR MORE EMPLOYEES	<b>25%</b> 1,000-9,999 EMPLOYEES	<b>10%</b> 500-999 EMPLOYEES	<b>11%</b> 499 OR FEWER EMPLOYEES
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### SENIORITY

<b>21%</b> EXECUTIVE MANAGEMENT/ BOARD MEMBERS	<b>46%</b> SENIOR MANAGEMENT	<b>24%</b> MIDDLE MANAGERS	<b>9%</b> OTHER GRADES
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### KEY INDUSTRY SECTORS

<b>19%</b> FINANCIAL SERVICES	<b>16%</b> MANUFACTURING	<b>15%</b> TECHNOLOGY	<b>8%</b> OR LESS OTHER INDUSTRY SECTORS
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### JOB FUNCTION

<b>19%</b> GENERAL/EXECUTIVE MANAGEMENT	<b>19%</b> MARKETING/PR/ COMMUNICATIONS	<b>16%</b> SALES/BUSINESS DEVELOPMENT/ CUSTOMER SERVICE	<b>9%</b> STRATEGIC PLANNING	<b>8%</b> OR LESS OTHER JOB FUNCTIONS
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### REGIONS

<b>49%</b> NORTH AMERICA	<b>13%</b> WESTERN EUROPE	<b>4%</b> EASTERN EUROPE	<b>2%</b> AFRICA	<b>2%</b> REST OF WORLD
<b>22%</b> ASIA-PACIFIC	<b>5%</b> SOUTH AMERICA	<b>3%</b> MIDDLE EAST	<b>1%</b> CENTRAL AMERICA	

Figures may not add up to 100% due to rounding.



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