



The Rebound to Personalization Post Data Security Norms

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Introduction

All privacy concerns considered, most consumers agree that personalized offers and recommendations save them time and create a more engaging shopping experience. For Retail and CPG (a.k.a. Consumers Goods & Services) businesses, personalization and thereby acute relevancy of the Next Best Action/Next Best Offer is often as big a value offering for their customers as the products/services they're selling. But regulations like GDPR (General Data Protection Regulation) and California's Data Privacy norms are here to stay and concerns around privacy will only grow. Where does that leave business organizations? Do they simply hope enough consumers will opt-in for personalized offers/communication and loyalty programs? Or do they just accept that personalization is dead in the age of data privacy?

The answer lies in a diversified definition of personalization. Between macro strategies for segmentation and individual-level personalization, lies a huge area of opportunity for businesses to create live, shifting micro-segments of consumers based on their immediate or recent behavioral characteristics. And the source of data for these micro-segments is not necessarily an external social or digital space (second and third-party cookies), but the company's own retail outlet and digital properties—it's the data they are already capturing or can very easily track.

The Immediacy of Micro-segments

When consumers are on your digital property, they usually expect you to reasonably capture their data and direct them to the next best action (e.g. suggested grocery items based on past orders – add to cart – confirm delivery address – discount coupons available – payment – checkout) so that every customer can complete their task in the shortest possible time. Our research shows that 40% of consumers¹ also wouldn't mind new product recommendations on the site based on their past activity within the site.

In retail stores, the most obvious way to gather data for the express purpose of personalization would be through a loyalty program or by printing out customized coupons at the check-out counter. But for customers outside the loyalty program, every action of the customer within the retail space can be tracked at a general behavioral level and can be slotted into micro-segments of behavioral characteristics. Using sensors, RFID tags, Wi-Fi, video mapping of consumer movement within the store, aisle mapping, and other IoT technologies—in conjunction with Digital Analytics and Artificial Intelligence—retailers and brands can leverage the 'behavioral patterns' or 'characteristics sets' of customers, for example —

Basic:

1. Showroomer vs. shopper
2. Wanderer vs. shopper on a mission
3. Decisive shopper vs. indecisive shopper
4. Bargain hunter vs. brand/luxury/quality conscious customer

Advanced (not limited too):

5. Small amounts or limited number of items (purchased) indicate solo or small family unit
6. Children's products indicate families with kids
7. Protein supplements indicate fitness inclinations
8. More formal wear could indicate a working professional of a certain type
9. Mostly ready-to-eat foods in cart could indicate singles or couples without kids

Source:

¹ Aggregated analysis across a variety of Course5 Retail and CPG customers in addition to a survey conducted on the retail market

The beauty of these characteristics sets is that they're not information about a particular individual. Offers and recommendations tailored to these micro-segments of behavior patterns are unlikely to infringe personal privacy laws. What further exonerates these micro-segments is that customers may shift across them, and in fact the micro-segments themselves may be redefined based on changing consumer patterns. If there are sudden reports about genetically modified foods or chemically laced foods, a new micro-segment may be defined immediately for buyers of non-GMO or organic foods who are willing to pay a premium for these. As we know, public memory is short and within a few days a large chunk of these customers may shift back to their original buying habits and the new micro-segment may be dissolved or redefined.

The Fluidity and Interoperability of Micro-segments

The characteristics sets on which micro-segments are based are important because they're relevant to the immediate or current circumstances of customers and can go a long way in building loyalty. These characteristics sets can easily change for a given individual (new mother to working mother, for instance) or micro-segments can overlap (new mother and working mother) and thus must be tracked continuously and updated regularly.

The micro-segments and characteristics set defined by an organization can further be used to refine the customer data shared by external platforms like television, where micro-segment data can be mapped to the basic demographics data sets to get richer profiles that tell us where customers live, what they consume, where they transact, so on. In addition, such shifting micro-segments can be stored in the customer data platform to manage history and also understand trends on how micro-segments evolve.

What the age of data privacy calls for is a more intelligent and fluid understanding of consumers that enables brands and retailers to build delightful customer experiences without intimidating or displeasing them. This will require more intelligent conceptual frameworks, cross-department customer approaches, and advanced algorithms and digital capabilities that can beautifully connect the dots we have.

Implementation Considerations for Organizations

While micro-segmentation allows organizations to help meet their personalization objectives, they need to consider the right approach to achieve it. Here are some basics to consider:

CUSTOMER DATA PLATFORM

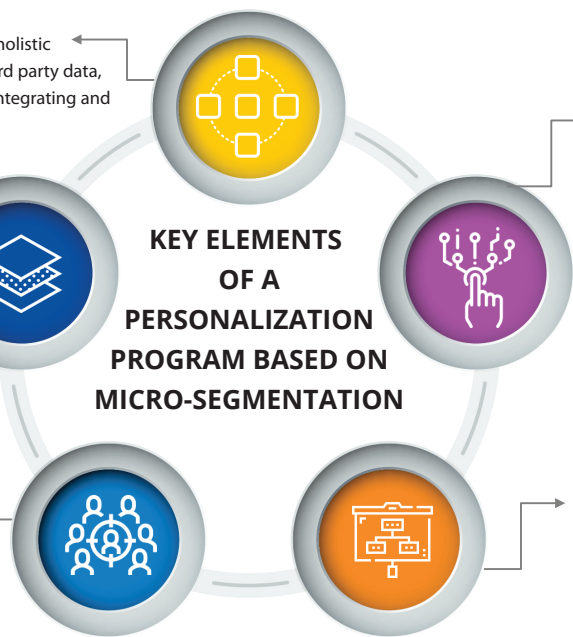
A personalization program cannot be achieved without a holistic customer data platform. Before worrying about 2nd and 3rd party data, organizations need to achieve a step-by-step process for integrating and building a unique customer/account (B2B) profile.

DATA SCIENCE LAYER

Micro-segmentation can only be successful if an effective data science layer is enabled over the customer data platform to help define clusters (# and characteristics) and also test and learn from the different pilots on the micro-segments generated.

PERSONALIZATION ENGINE

There are prominent platforms in the market which enable organizations to drive personalization on their website. But the personalization program shouldn't be confined to just the website, but should be a holistic targeting exercise encompassing all marketing mediums. Which medium would work for what type of micro-segment would be enabled by an effective data science layer.



DIGITAL ASSET MANAGEMENT

Often neglected, content and digital assets are considered a low priority in many organization strategies. What differentiates one organization from another is how they demonstrate domain, thought leadership, creativity, and positioning of the brand. Enough research and studies prove that "Content is still King" and personalization would only work if content is customized and messaged appropriately to the micro-segment. Which content aligns to which micro-segment is again defined by the data science layer.

BUSINESS PLAN

And most importantly, personalization programs and micro-segments require business plans to align to organization strategy and drive desired outcomes.

Anees Merchant

Anees Merchant leads the Digital and Insights practice at Course5 Intelligence. He has built sustainable digital transformation solutions for numerous global Fortune 500 clients across various industries, including Retail, CPG, Travel and Hospitality, Telecommunications, Technology, Media, and eCommerce.

Anees has set up several global digital and analytics delivery hubs for clients, and driven impact for their businesses by enabling them with innovative solutions and practices. At Course5 has launched award-winning and industry-recognized practices and solutions. He is currently focused on leveraging artificial intelligence to create disruption in the digital space.

About Course5 Intelligence

Course5 Intelligence enables organizations to make the most effective strategic and tactical moves relating to their customers, markets, and competition at the rapid pace that the digital business world demands. We do this by driving digital transformation through analytics, insights, and Artificial Intelligence (AI). Our clients experience higher top line and bottom line results with improved customer satisfaction and business agility. As we solve today's problems for our clients, we also enable them to reshape their businesses to meet and actualize the future.

Rapid advances in Artificial Intelligence and Machine Learning technology have enabled us to create disruptive technologies and accelerators under our Course5 Intelligence suites that combine analytics, digital, and research solutions to provide significant and long-term value to our clients.

Course5 Intelligence creates value for businesses through synthesis of a variety of data and information sources in a 360-degree approach, solution toolkits and frameworks for specific business questions, deep industry and domain expertise, Digital Suite and Research AI to accelerate solutions, application of state-of-the-art AI and next-generation technologies for cognitive automation and enhanced knowledge discovery, and a focus on actionable insight.



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