
PERSONALISATION REPORT

*Our survey of retail executives highlights how retailers are embracing
the concept of personalisation to drive sales and loyalty*

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Personalisation is a means to better engage with the modern-day shopper

ALEX HAMILTON Head of research, Retail Week

Retailers are bombarded with many technologies and new, innovative concepts that will supposedly help take their business to the next level, often making it difficult for executives to see the wood from the trees with regards to where they place their investment.

One concept that has stuck, however, is personalisation – in its many guises – as a means to better engage with the modern-day shopper. Its continued relevance to the industry goes hand-in-hand with the ongoing evolution of retail business structures: from the evolution of the chief customer officer to the introduction of the customer experience director to the retail vocabulary, in order to better serve the consumer. Terms such as ‘customer-centric’ and ‘single view of the customer’ litter today’s retail narrative and personalisation sits either neatly within, or at the heart, of the ideas that these so-called buzzwords encompass.

So much so that after the success of a personalisation study released last year, *Retail Week*, *Drapers* and Monetate have conducted a follow-up survey of UK retail executives, to help delve a little deeper into the views of some of the sector’s leading retail decision makers on the topic.

We hope you enjoy this report and learn something new about personalisation. I also want to thank Monetate for being our research partner on this project. If you have any feedback on the report, or would like to know more on how it was conducted, please email me (alex.hamilton@emap.com) for more information.



The results you will find over the next few pages make for interesting reading

JAMES KNOWLES Online content editor, Drapers

Ask any retailer what will be key to their growth over the next two years, and personalisation will likely be at the top – or near the top – of the list.

Everyone talks about it, and every business is pursuing it as a strategy to one degree or another, but what that strategy looks like, the organisational structure that sits behind it, and even what it means as a concept will differ from retailer to retailer.

In order to cast some light on the current thinking in the retail industry, we bring you the second *Drapers* and *Retail Week Personalisation Report*, in association with personalisation specialist and systems provider Monetate.

For this report, *Drapers* and *Retail Week* surveyed nearly 200 businesses across the breadth of the retail industry (including fashion) in February and March of this year.

The results you will find over the next few pages make for interesting reading, and highlight some key year-on-year changes since 2015’s report. This year, for example, 92% of retailers said customers expect a personalised retail offer, compared with 81% last year. However, the way retailers are delivering this has changed. Ecommerce departments have overtaken marketing as the business area driving personalisation, now at 44% versus 39%.

What do you think of the report’s findings? Do they reflect what you are doing in your business? Or do you disagree with what the respondents have said? We’d love to get your feedback; james.knowles@emap.com



Personalisation is no longer the preserve of the big retail players

MIKE HARRIS Vice-president EMEA, Monetate

This second edition of the *Drapers* and *Retail Week Personalisation Report* finds that 92% of retailers now believe personalisation to be a key activity for their business. That said, the term personalisation has historically had a very different meaning to different retailers. The survey reveals that, while 63% of retailers personalise content in email, only one in three retailers is currently personalising web content. Include mobile and this drops to only one retailer in five.

True personalisation puts the customer at the centre of every interaction across all channels and devices. Retailers should treat each customer as an individual, personalising their experience from the first interaction and maintaining that regardless of which device the customer uses to complete their purchase.

The ability to deliver a customer experience based on each individual’s preferences gives retailers a chance to differentiate themselves from the competition in a crowded online marketplace. Technology research firm Gartner expects brands will compete primarily on the basis of customer experience in 2016. Most retailers are still on the fringe – recognising personalisation as an opportunity but not utilising it to their full advantage.

We see from the report that there are still many misconceptions and perceived barriers. The technology to address these has arrived. Personalisation is no longer the preserve of the Amazons of the world – retailers small and large are able to deliver a synchronised, multichannel personalised experience. Enter personalisation 2.0: experience marketing.

IN ASSOCIATION WITH



PERSONALISATION TODAY

What personalisation means to retailers today and how they are currently achieving it

KEY POINTS

- 92% of retail executives say consumers are increasingly demanding a personalised approach to shopping online and in store
- 44% of respondents note the ecommerce department has primary responsibility for personalisation, up 12 percentage points compared with 2015
- IT is responsible at 10% of businesses surveyed, with marketing and 'other' accounting for 39% and 7% respectively
- 66% of respondents don't synchronise personalisation well across channels

Consumers are increasingly demanding a personalised approach to shopping online and in store, according to the study underpinning this report, with a majority 92% of retail executives noting this as the case. That compares with 81% this time last year, highlighting the burgeoning demand for a more tailored retail offer from consumers.

"Empowered by social and digital devices, consumers are increasingly dictating what, where and when they want to explore and buy products," notes Jane Hoban, global marketing director at retail business T2 Tea.

The concept of personalisation is truly multichannel in scope, with retail businesses thinking of new and innovative ways to join up the dots between mobile, online and store. Indeed, a majority 87% of retail executives interviewed for this report cite personalisation as a concept for all channels, compared with 13% who see it as being for online only.

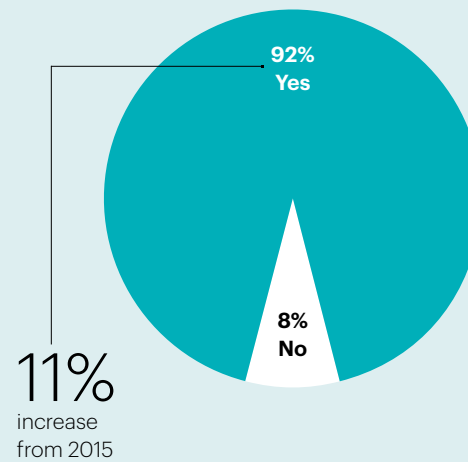
Retailers stating this is all well and good, but just how joined up are their personalisation efforts across channels?

Survey evidence suggests that executives are still trying to understand the complexities of personalisation, with 37% noting that they can't synchronise the customer experience across channels and devices at present. This compares with just 14% who say customers always see consistent personalised content across desktop website.

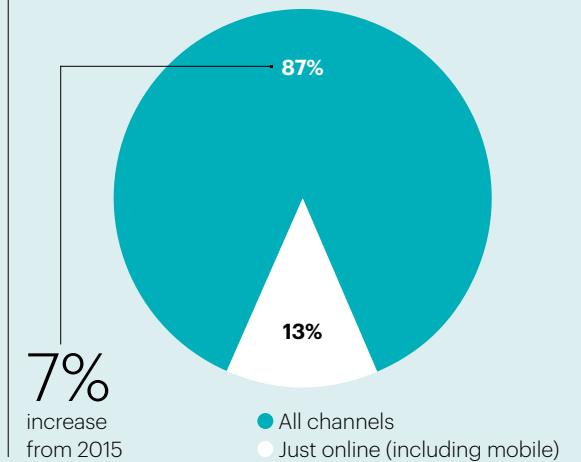
"Email and online are joined up as they're powered from the same engine. The challenge is adding store personalisation into the mix to get that all-important single view of the customer," explains Phil Geary, ecommerce and marketing director at The Entertainer.

With personalisation firmly established as a concept for all channels, where it sits within a business has become increasingly varied. The 2015 study indicated that just 10% of retailers noted IT as having primary responsibility for driving personalisation efforts. This held steady at 10% for 2016, with the biggest change being a switch from marketing (39% versus 44% in 2015) to ecommerce (44% versus 32% in 2015) as the main driver of personalisation.

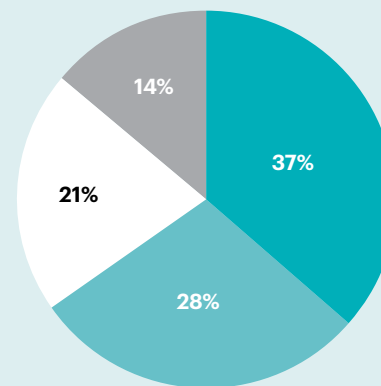
Are customers demanding an increasingly personalised approach to shopping online and in store?



Do you see personalisation as a concept for...

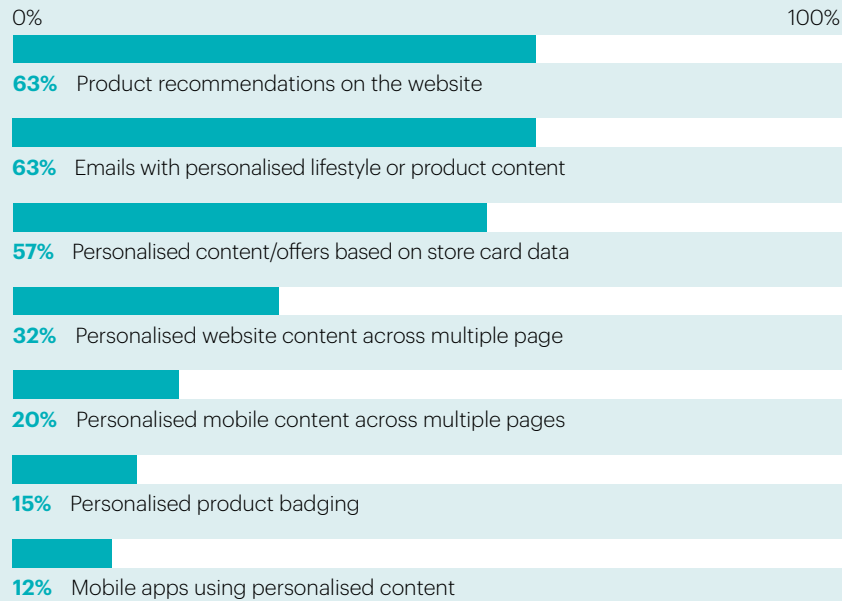


How joined up is your personalisation across channels?

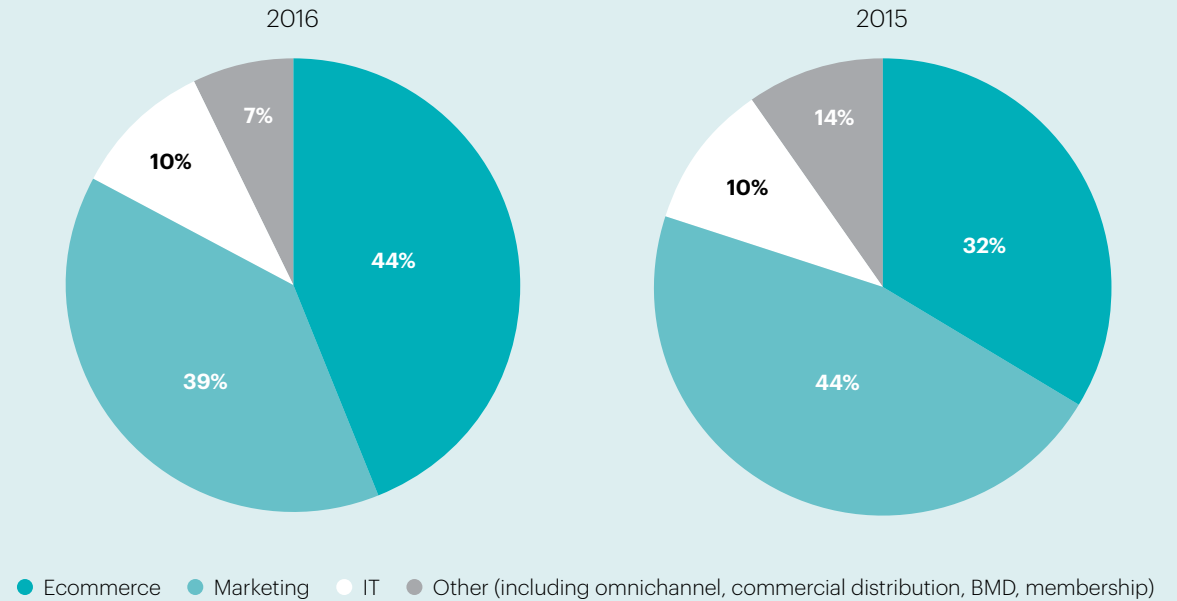


- We can't synchronise the customer experience across channels and devices
- Some customers see personalised content across desktop website
- Customers see consistent personalised content across desktop website
- Customers always see consistent personalised content across desktop website

Which types of personalisation are you currently offering?

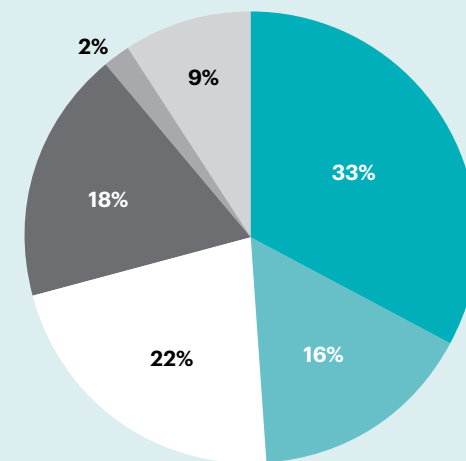


Which department or departments have primary responsibility for driving personalisation in your business?



What level of website content personalisation described most closely matches what you are currently offering?

- **LEVEL 1:** Website is optimised and we are doing a/b or MVT testing, but content and experience is the same for all users in a given region
- **LEVEL 2:** Users see different website content based upon their previous behaviour (e.g. products previously bought, viewed or in favourites) or their context (e.g. proximity to store or local weather forecast)
- **LEVEL 3:** Personalisation is based on previous behaviour and context and segmented according to marketing persona types
- **LEVEL 4:** Personalisation is based on previous behaviour and context, segmented according to marketing persona types and supplemented with imported CRM, store card or PoS data
- **LEVEL 5:** Customer experiences are synchronised across all channels and personalised based on previous behaviour and context, segmented according to marketing persona types and supplemented with imported CRM, store card or PoS data
- **LEVEL 6:** The same as level five, but in addition we utilise automated predictive personalisation technology to anticipate the future demands of our customers



IMPLEMENTING PERSONALISATION

Retail executives comment on how best to implement a successful personalisation strategy

KEY POINTS

- Conversion rate is cited as the most important personalisation KPI retail executives use to track the success of personalisation, with 71% of those surveyed citing this metric as either the most- or second-most important
- 36% note that their efforts around personalisation have driven two to five times ROI or greater
- 35% of executives still note that they have seen no measurable value on their personalisation efforts

Talk around personalisation in the industry is rife, but how are retailers actioning change and implementing personalisation strategies in order to keep up with consumer demand for a more tailored shopping experience? What's more, how are executives able to measure the success of said strategies in order to demonstrate return on investment to the board and executive peers?

Conversion rate is cited as the most important personalisation key performance indicator (KPI) retail executives use to track the success of personalisation, with 71% of those surveyed citing this metric as either the most- or second-most important – versus average order value, lifetime value and customer retention.

In contrast, average order value was the least important factor, as highlighted by just 3% who said it was the most vital metric. For reference, lifetime value and customer retention are rated as the most important factors by 32% and 22% of respondents respectively.

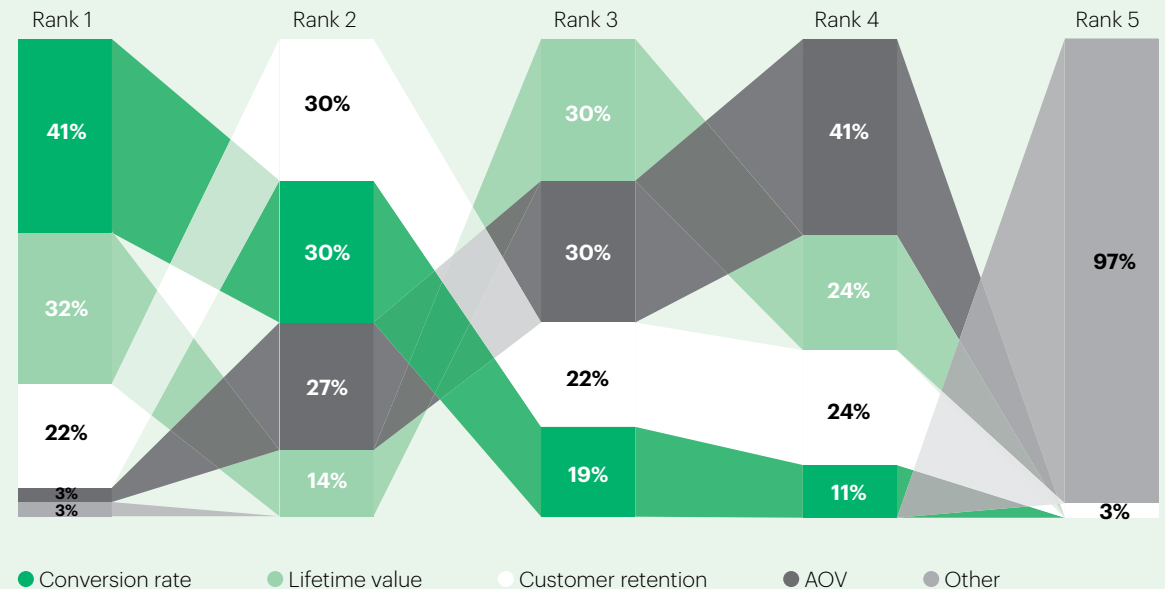
With regards to actual rates of return, 36% note that efforts around personalisation have driven two to five times ROI or greater. “We tripled email revenue over Christmas by sending segmented and personalised emails for the first time,” notes Geary.

Nonetheless, 35% of executives still note that they have seen no measurable value on their personalisation efforts, although this is largely reflective of a lack of means to measure said ROI, particularly across channels.

Jenny Parker, co-founder and marketing director at fashion business Country Attire, raises an interesting point around personalisation from a customer experience standpoint by noting: “For us, personalisation is about the overall customer experience proposition. Measuring an exact ROI is not our top priority, as long as we feel it's adding to the overall shopping experience.”

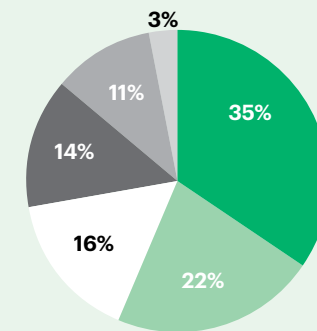
Her comments are echoed by Charlotte Hardie, head of commercial projects at *Retail Week*, who says: “Increasingly businesses are developing key performance indicators that take into account more than just ROI. The customer experience is the most vital element of retail.”

What are the most important KPIs you use to track the success of personalisation?



What is the estimated business impact in terms of ROI that you have seen from personalisation so far?

- No measurable impact
- 2-5x ROI
- 1-2x ROI
- Less than 1x ROI
- 5-10x ROI
- Greater than 10x ROI



BARRIERS TO SUCCESS

Personalisation might be key, but barriers still exist. We find out what they are

KEY POINTS

- An inflexible CMS/ecommerce platform is cited by 36% of respondents as a barrier to success with regards to personalisation
- At 54%, technical skills to integrate personalisation systems is cited by respondents as most lacking in their digital teams
- 31% note that they don't have the data in order to personalise

As with all technologies in retail, there are challenges to both adoption and success, in an industry where retail executives often struggle to understand where they should place their bets.

An inflexible CMS/ecommerce platform is cited by 36% of respondents as a barrier to success with regards to personalisation, followed by 'no budget for personalisation technology' and 'no human resource to implement', both at 33%. The latter is interesting in that it revolves around whether digital teams have the required skills to implement a sound personalisation strategy.

A majority 61% of respondents note that they have teams with the required skills, but this leaves 39% who feel otherwise – a noteworthy statistic given the pace of digital change currently gripping the retail sector.

When we asked the head of digital at a leading fashion brand for his view on the matter, he responded: "I think the biggest issue we have, is that everyone says that they're digital now because it's sexy, but actually there are very few people who understand what it is and how to embrace it.

"A lot of people have relabelled themselves 'digital' when actually they don't have the combination of marketing, technology and trading skills to drive a digital business; you can only have one or the other, so it's a constant headache."

At 54%, technical skills to integrate personalisation technology are cited by respondents as most lacking in their digital teams, followed by functional skills to implement the strategy a close second at 49%.

Having the right data to drive an effective personalisation strategy is meanwhile at the forefront of executives' minds with regards to barriers, with 31% and 17% noting that they don't have the data in order to personalise and that they have the data but can't access it, respectively.

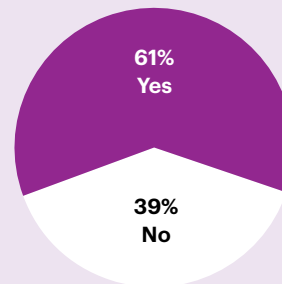
"Mining the data and having the people with the right skills to do this is often a barrier to the successful implementation of our personalisation efforts," notes Parker.

"This is an issue across many sectors, as the rate at which labour is being upskilled with technology know-how is falling behind the pace of digital change," notes Hardie.

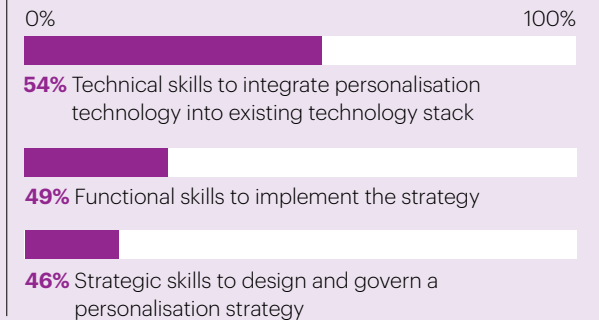
What are the biggest barriers to adopting personalisation?



Do your digital teams have the required skills to implement a personalisation strategy across the business?



Which skills are missing from the organisation?



FUTURE GAZING

Personalisation strategies will have to adapt in line with changing shopping habits

KEY POINTS

- A net balance of +38 say they believe that the future is machine-driven automated personalisation, augmented by marketer insight and expertise
- A consumer should never feel that they're being targeted in a personalised manner. It should be 'behind the scenes' and seamless

When asked who is currently doing personalisation well, both in and outside the retail space, most respondents cite fashion brands such as Shop Direct, Belstaff, Asos and Zalando. Retail giant Amazon is also mentioned, as one would expect, alongside the likes of Argos and China-based ecommerce player Alibaba.

That said, there was a general tone among retail executives that very few businesses are currently implementing personalisation sufficiently well across all channels. "No one seems to be executing personalisation really well in retail, there is no standout leader in my opinion. The technology is now accessible, but legacy systems that are not joined up prove to be the stumbling block," explains an anonymous respondent to the study.

"Looking forward, I'd love to be in a place where we have a real-time view of what our customers want, so we can deliver them the right product at the right time," notes Parker when asked to comment on the future of personalisation.

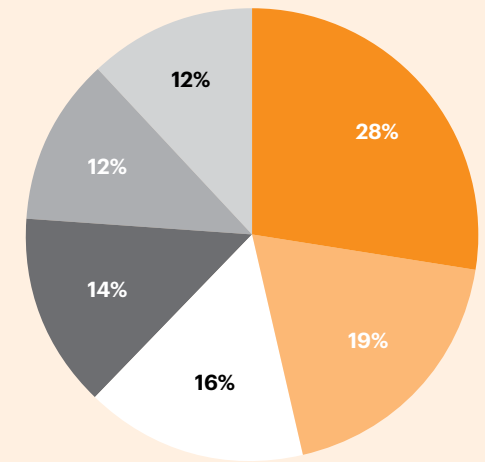
"A consumer should never feel that they're being targeted in a personalised manner. It should be 'behind the scenes' and seamless. This is the nirvana we as retailers are looking to achieve," she adds.

When asked about where the future of personalisation lies, a net balance – calculated by subtracting the negative responses from the positive – of +38 said they believed that the future is machine-driven automated personalisation, augmented by marketer insight and expertise. This compares with a net balance of +25 who believe machine-driven automated personalisation will outperform marketer-driven personalisation in the future, through scalability and machine learning.

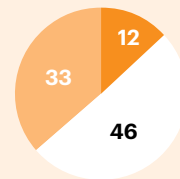
In contrast, a net balance of -21 of respondents believe marketer and merchandiser intuition currently gives better results than machine-driven, automated personalisation. Furthermore, -41 of respondents believe that personalisation is creatively driven and therefore will always be in the realm of the marketer and merchandiser.

Which level do you aim to be at by the end of 2016?

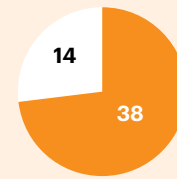
- Customer experiences are synchronised across all channels and we personalise based on previous behaviour and context, segment according to our marketing persona types and supplement with imported CRM, store card or PoS data
- Personalisation is based on previous behaviour and context, and segmented according to our marketing persona types and supplemented with imported CRM, store card or PoS data
- Personalisation is based on previous behaviour and context and segmented according to our marketing persona types
- Customer experiences are synchronised across all channels, but in addition we utilise automated predictive personalisation technology to anticipate future customer demands
- Website is optimised and we are doing a/b or MVT testing, but content and experience is the same for all users in a given region
- Users see different website content based upon their previous behaviour



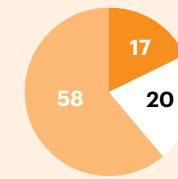
Marketer vs machine personalisation: where do you think the future of personalisation lies?



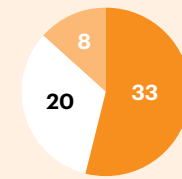
I believe marketer and merchandiser intuition currently gives better results than machine-driven, automated personalisation



I believe that the future is machine-driven automated personalisation, augmented by marketer insight and expertise



I believe that personalisation is creatively driven and therefore will always be in the realm of the marketer and merchandiser



I believe that machine-driven automated personalisation will outperform marketer-driven personalisation in the future through scalability and machine learning

● Agree ● Neutral ● Disagree