

## Avoiding the Pitfalls of Personalized Marketing and Sales

You're in a new city. It's 2 PM and you need a snack before your 2:30 appointment. Marketers at Starbucks know where you are, what you like to drink and eat, and that its coffeehouse around the corner has just one person in line. That soft ding is a tailored text message with a Starbucks coupon, giving you a nudge to stop in (*see Figure 1*).

To achieve this highly personalized communication, Starbucks collects data on its customers' demographics, their payments and transactions, their beverage preferences and more. Using geolocation technology, its mobile application targets users with personalized messages. Loyalty program members might get time-limited coupons, which help Starbucks raise store utilization during nonpeak periods. More than one-fifth of the chain's in-store purchases in the US now flow through the app.

Many consumer businesses have aspired to such a tailored approach, personalization down to the individual or "segment of one," since the 1980s. With the proliferation of smartphones and the growing amount of personal data available, segment-of-one marketing and sales is now rapidly becoming reality. Most consumers have proven willing to surrender a

degree of privacy and share their personal data if they receive services, content or other features that they value in exchange.

Segment-of-one is disrupting the conventional marketing and sales funnel in three major ways. First, programmatic advertising breaks through the traditional compromise of richness and reach, because it allows companies to target a large yet highly qualified group of potential customers. Second, companies can raise conversion rates by instantly meeting customers' real-time needs with context-specific products and service offers. Third, they can foster long-term engagement through loyalty programs that are built on trust-based digital identity management.

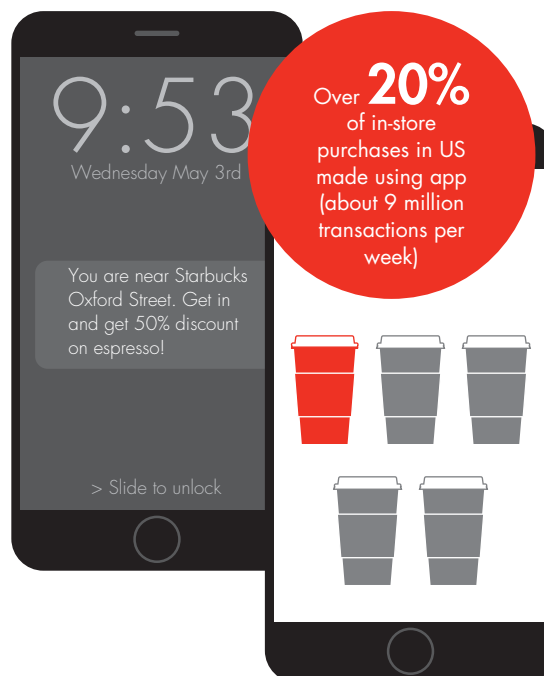
Companies in many industries thus are using customer data and smart devices to improve both the experience for the individual and the economics for the company. For example, Lenovo, the computer manufacturer, monitors the website behavior of potential customers and combines that data with external data to display tailored combinations of content. The company's landing page would be very different for an IT professional than for a consumer with basic needs. In part due to this customization, Lenovo has seen a 40% lift in order conversions.

Airbnb, the online lodging company, tried a new twist in personalization that led to surprising results. It made it easy

*Figure 1:* Coffee for one?

How Starbucks infuses its loyalty program with personalized elements	
Customer engagement	<ul style="list-style-type: none"> <li>The Starbucks app offers mobile noncash payment.</li> <li>The Starbucks Rewards loyalty program encourages frequent transactions with status and special offers.</li> </ul>
Data collection	<ul style="list-style-type: none"> <li>Data such as customer demographics and payment and transaction history is collected and then summarized in customers' profiles.</li> </ul>
Insights generation	<ul style="list-style-type: none"> <li>Algorithms that compare data on loyalty program status, beverage preference, geolocation and nearby store traffic enable Starbucks to approach users with personalized messages.</li> </ul>
Personalized approach	<ul style="list-style-type: none"> <li>Starbucks pushes messages with time-limited coupons for specific beverages at specific shops to program members who have reached the gold level.</li> </ul>

Source: Bain & Company



for hosts and guests to renew their connections through a holiday greeting email, which was designed by Airbnb, and which senders could quickly customize. Although the campaign did not have a sales-oriented call to action, it garnered very high rates of email opens and click-throughs, and generated more than 600 bookings—more bookings than Airbnb usually sees from emails designed to spur reservations.

The upshot of such personalization for company performance: In our experience, a segment-of-one approach, implemented thoughtfully at the right moments, can lift sales and allow companies to charge a premium price for the personalized experience. A recent survey of US consumers and retailers by Infosys found that among retailers using personalized offers and promotions, 74% experienced an increase in sales; 61%, an increase in profit; and 55%, an increase in customer loyalty.

However, it's all too easy to build a personalization program that falls short of expectations. One can spend a lot of money on data, app development and analytical capabilities, without seeing a high return on investment. Many companies learn lessons the hard way:

- *If a customer doesn't perceive value in a product or service, no clever marketing can bridge the gap.* Unless you understand what really matters to customers—and deliver it judiciously—a so-called personalized marketing program becomes a spam factory.
- *You have to search carefully to access the right data.* Finding the right data sets and integrating them in a way that's practical for marketing and sales takes a lot of work.
- *Privacy concerns cannot be glossed over.* Consumers are sensitive about unauthorized collection of their personal data, so it is crucial to be transparent about data usage and get customers' consent.
- *Technology makes a bad launching point.* Website optimization and advanced data analytics are, of course, essential for turning raw data into insights that flow through to web and app design. But the technology platform should follow, not precede, development of strong use cases.

These problems can be avoided. We have found that a deliberate process along the following lines will raise the odds of creating an effective segment-of-one approach.

First, conceptualize how personalized marketing and sales will work best for your customer groups and product lines. It's not sufficient to simply launch a mobile app. You should articulate a vision of how to engage with customers through both digital and physical channels, in a way that customers find attractive, to create a competitive advantage for your business.

Identify the elements of your products or services that customers value most, and then determine how you could retrieve the relevant data to target individual customers and market those elements to them. Pin down exactly what customer insights you want to gain (and why) and what data you already have. How will you connect with your customers to send them personalized messages or offers? Have personalization approaches already been tried in the market? If so, where do they succeed or fall short? Internally, what talent and IT resources does the company already have in place, and what gaps remain?

After fleshing out a strong concept, implement it using an Agile methodology (as opposed to sequential, or waterfall, development). Get fast feedback from customers so that your emerging ideas can be refined quickly and cheaply. Focus on a few high-potential, high-visibility “lighthouse” initiatives for the most suitable customer groups and product lines, in order to accomplish early successes that can prove the business case.

Once the concept has proven itself in the market, roll it out at scale, using a central function to steer the rollout and a shared technology platform to execute it. Marketing plans might vary slightly by country or by region, but should still be aligned globally. Bear in mind that scale rollout does not signal an end point; keep testing and learning in order to implement new elements and continuously improve the concept or adjust it as technology changes.

Segment-of-one marketing constitutes a major advance in marketing and sales. But like any powerful tool, it's dangerous if abused. An incremental, test-and-learn stance will keep companies in consumers' good graces, not their spam folders.

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