

How to get data-driven personalization right in retail



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Contents

Foreword	3
Introduction	4
Personalizing digital communication	5
Personalized response to customer queries and concerns	7
Personalizing the returns process	9
Calls to action based on customer circumstance	11
Knowing the in-store shopper	13
Common threads	14
Key Takeaways	16
About CallMiner	17

Foreword

The past few years have been particularly challenging for retail organizations.

From the pandemic to changing economic conditions, many are working harder than ever to stand out from the competition to retain and satisfy their customers, as well as attract new ones – and those that don't offer a superior level of CX risk being left behind.

While most understand that meeting consumer demands for personalized, streamlined experiences is non-negotiable, executing on those initiatives isn't always easy. Retailers have more customer data than ever, from the conversations that happen in customer service centers to online reviews and social media, but they're struggling to turn that data into actionable intelligence.

Data is key if you want to thrive in the current climate, and there is an increasingly strong connection between data and effective customer personalization. It's time retailers focus on collecting a breadth of customer journey touchpoints, analyzing that data, and then using insights to develop and drive more personalized messaging through their channels. The way you collect and utilize customer data can be the difference between understanding your customer's needs, expectations and behaviors to inform experiences, and simply falling behind.

This whitepaper will explore compelling examples of data-driven personalization in retail, who is doing it well, and what it takes to deliver a great experience at every customer touchpoint.



Introduction

All retailers and brands aim to be relevant to their customers – it creates better audience engagement and builds stronger and longer-lasting relationships.

So if relevancy is the strategy, then personalization is the central tactic to achieve it and create meaningful connections that engender customer loyalty and advocacy.

Sounds easy when it's written down like that, doesn't it? But if it was, you probably wouldn't be reading this whitepaper because you'd be too busy driving revenue from your large body of satisfied and engaged consumers.

The truth is personalization done properly is complex. The following pages are intended to highlight some of the areas where retailers and brands can experience real benefits from personalized communication, including examples of businesses that have achieved a level of success in this field. It'll also highlight where things are going wrong.

Above all, we highlight the importance of retailers gathering, managing, and then utilizing comprehensive data, end to end across their operations.

As Forrester's senior analyst, Jessica Liu, says, personalization comes in different formats, but there are common requirements for success whatever direction it takes.

"Some companies might simply insert a person's name into outbound content. Others go further and engender loyalty by understanding a customer's needs and interests and creating an individualized post-purchase experience," she says.¹

"For companies to successfully incorporate personalized moments into their customer experiences, they need: a strategy to plan, data to power it, and technology to execute it."

Read on to understand what that means at the retail frontline.



We've picked out five areas where personalization can make a significant difference in retail based on the current economic climate and how people are going to shop in 2023.

We have selected best practice retailers for each area, highlighting what's important to consider at each of these touchpoints.

1 – Personalizing digital communication

Be it sending emails or displaying live product recommendations online based on previous purchases, retailers have been segmenting their data for years to try and encourage repeat spend from consumers in a relevant manner.

Amazon has arguably been the leading purveyor of 'if you bought x, you might like y' for decades, and it stands out in this space mainly because of its transparency about how recommendations work. While sometimes, consumers might be confused how a retailer knows so much about them, Amazon actively encourages its shoppers to update their details to ensure they continue to get relevant product suggestions.

Amazon says: "We examine the items you've purchased, items you've told us you own, and items you've rated. We compare your activity on our site with that of other customers, and using this comparison, recommend other items that may interest you in 'Your Amazon'."²

It adds that recommendations change regularly, based on factors such as how regularly someone purchases on Amazon, how they rate a new item, and how similarly minded shoppers are using the site. It advises customers to add items that interest them to their wish list or shopping cart, in order to continue receiving relevant communications.

Fostering two-way communication is an ideal way for retailers to stay as relevant as possible, but often much of what they need to know is in the data they already have – if only they could get that information into a position of actionable insight. For example, what customers have bought in a store is often not considered when sending out electronic communications because of organizational data siloes – and that can result in duplicated or irrelevant (and often irritating) customer suggestions.



Hotel Chocolat's head of customer marketing, Amy Harman, says the chocolate retailer launched an app in 2020 to support its VIP loyalty program and enable the business to connect customers' in-store shopping activity with what they do online.

The pandemic delayed the app development, but Harman says in 2023 there will be a significant focus on this platform in terms of better combining the customer relationship management (CRM) system and the app.

"What does good look like for us? I really believe if the app and CRM engine aren't stitched together you're not going to do personalization," she comments.³

"Personalization with an app push does alright for us but we need to connect the dots."

2 – Personalized response to customer queries and complaints

Let's face it. In the challenging economy of 2023, consumers are going to be as discerning as ever and they might be quicker to complain if their experience with a retailer or brand is not completely suitable.

Brian Weston, head of research & insight at Institute of Customer Service, an independent professional membership body for customer service that works across all industries to underline the importance of service in driving strong business performance, warns this is partly due to the economy but significantly due to the pandemic.

"Organizations have to manage expectations of a very demanding digital savvy customer and those who might not even have a smartphone or functioning printer at home – it's made it more challenging for organizations and highlights the impact of customer experience (CX)," argues Weston, who says more shoppers require reassurance now, reflecting the surge in new online shoppers in the Covid-19 crisis.⁴

"This leads them to contact an organization which has cost implications. To manage those costs and enable customer satisfaction, it's really important the process is as thought out and slick as possible so when people do make contact it adds value to them and the organization."

This slickness has been achieved by department store chain John Lewis⁵. Working alongside CallMiner partner Foundever, previously known as Sitel Group, the retailer has operationalized the insights its CX team collected from conversation analytics.

By analyzing all customer conversations, the John Lewis team discovered key areas where emotional sentiment and product analysis could make a positive impact on CX. From the insights, the team were able to identify areas for improvement when it came to controllable drivers for dissatisfaction, or instances of high customer effort.

By analyzing calls with dissatisfied customers, the team discovered that in 89% of these calls customers weren't happy with the agent's response to their problem, while 43% of calls had product-related dissatisfaction.

As a result, John Lewis identified and automated tracking of multiple dissatisfaction reasons to target customers' precise pain points. They then developed call pattern behavior categories identifying improvement opportunities for agents' response to customer dissatisfaction.

The overall result? Time savings by reducing the number of customer calls required, as well as shorter customer calls on average and the creation of more structured troubleshooting tactics.

As Weston says: "Some of the biggest innovations in technology around CX are around the things customers don't see – around integrations, logistics systems, and CRM to make processes work more seamlessly."

He adds: "We've seen an increase in the number of customers experiencing a problem – not only impacts satisfaction it also affects financial performance because it takes resource to deal with problems. Trying to get things right first time has a huge impact on satisfaction and bottom-line performance."





3 – Personalizing the returns process

The so-called 'last-mile' in online retail traditionally refers to the fulfilment of the goods to an online shopper's home.

But with returns rates now at record levels, that last-mile is often delayed as products are sent back and replaced or the final mile is actually the reverse logistics journey after consumers change their mind about a purchase entirely.

Although UK online retail sales declined year on year in 2022, ReBound research shows returns were at record levels and 26% higher than 2021. The study from the tech company, which manages the returns process for retailers, found consumers' impulse purchasing on Black Friday caused the largest spike in returns on 28 November.⁶ Zara, Boohoo, and New Look are among the retailers to have started charging consumers for returns in the last 15 months as they look to cover the costs of this rising phenomenon.

This means retailers and brands are likely to have a growing number of interactions with their customers regarding returns, making it an area where a focus on CX and personalization will be increasingly important.

A way of creating more transparency – and therefore greater opportunity to personalize the returns process or influence the consumer based on what you know about them – is to remove paper-based returns and push consumers towards online returns portals.

This is a tactic The Very Group used recently before reverting to paperwork-administered returns – albeit temporarily – after pushback from consumers who preferred the non-digital returns route.

“Our ambition is to remove the paper completely because it is better for the environment, there is a cost saving associated, and we get much more control and visibility over the returns chain,” notes Very Group head of logistics, Chris Haighton.⁷

“I think in order to implement it effectively, we’re going to have to offer some real value exchange for the slight additional friction we’re adding to the process. Possibly that might be credit for the customer at the point [at the] CollectPlus or Post Office counter rather than waiting for the item to come back before it is credited.”

In some cases, retailers’ personalization strategy around returns might result in losing customers rather than retaining them. Instead of using it as an approach to get to know consumers better and therefore sell more to them, some retailers – including Waitrose and Amazon – have banned customers from shopping with them altogether after identifying them as serial returners, and therefore too costly customers to keep.⁸

The approach that works best here – be it for keeping consumers happy or removing margin-erosive customers – can be ironed out by analyzing the data. Data-driven retailers and brands can help shape new CX strategies and inform decision-making around important operational areas such as returns based on fact rather than guesswork.

4 - Calls to action based on customer circumstance

Calls to action based on customer circumstance – another form of personalized communication – range from sending gift suggestions based on key dates a customer has shared with a retailer to email reminders about products left in online baskets.

Online cards and gifts retailer Moonpig, for example, offers discounts and rewards to customers who share three key dates as part of its 'Reminders' program. Approaching these dates – be they anniversaries or birthdays – Moonpig will contact customers to remind them to send a card or present. Embedding communication into the calendar is a powerful style of practical personalization, fostering loyalty due to its usefulness.

Hotel Chocolat's Harman hints that her company is looking to replicate this type of service through the mobile app development planned for 2023.

"We are not batch and blast – it's all about experience," she explains.

"That's the ethos of the brand. When it comes to communications, we do think about what data we know about the customer, what can we learn from them, what is it we want to say, and where we want to talk to them."

Commenting on the customer data exchange and management required to achieve such a service, Harman adds: "Give us your date and we'll come back to you with reminders.

"If a customer can give us their first or zero-party data and what they're looking for, we can in turn serve that back and have the app at the heart of it all. You need to give them a reason to come back to the app."

Marks & Spencer's (M&S) personalization strategy is one to look out for in 2023 following the November 2022 acquisition of Thread.⁹

Thread, an online personal shopper service, filed for bankruptcy in 2022, but M&S took ownership including its source codes and algorithms that will be integrated into the M&S website to allow the retailer to recommend clothes to shoppers based on style, size, and budget.



M&S co-chief executive Katie Bickerstaffe expects personalization to significantly boost sales. Talking at the time of the deal, she said: "In the next 12 to 18 months we are targeting 50% of digital customer interactions to be personalized [versus 20-25% this year]."

"The integration of Thread technology will enable us to take personalization to the next level. We have been working hard to deliver better, more stylish ranges and this algorithm will also put more of our great product in front of the customer."

M&S has identified the huge opportunity this intellectual property and data provides in modern retail. Crunching the data, using it in the right way, and consistently delighting customers because of it will be key to its success.

5 - Knowing the in-store shopper

Very few retailers can lay claim to completely personalizing the in-store CX, mainly because until recent years there was a lack of digital footprint related to people's individual shopping experiences in stores.

Gradually though, with app-based sign-in processes such as those used at Amazon Fresh and Tesco GetGo, and the continued rise of digital receipts alongside in-store transactions, brands are able to understand more about their customers' actions in stores. For optimal benefit, it's important these learnings are captured centrally and fed across the organization and made into actionable insight for all departments.

The industry's willingness to adopt omnichannel strategies over the last decade, whereby they aim to offer seamless customer experiences across multiple platforms while joining the dots in the process to gain a single view of customer activity, is providing more opportunity to personalize interactions.

From electronics giant Apple to footwear retailer Dune London, many businesses are deploying clienteling in stores. Staff will approach customers with a tablet device in hand, before asking them certain personal details to trigger access to shopping history or previous interactions with that individual – this is then used to tailor the service.

Nike is taking this a step further than most by neatly interlinking its digital assets with the in-store experience, resulting in several new concept stores opening over the last five years which revolve around the Nike mobile app.

For a start, much of what appears in the 'Nike Live' stores – from a product and design perspective – is informed by how its members are using the app. The types of things west London residents search for on the app, for example, will be replicated in the Kings Road shop – it's the same in Los Angeles and New York – Nike analyses digital behavior to shape its stores in a localized manner.

Nike Live in Kings Road's welcome area displays local content, and Nike members will receive a host of triggered and personalized rewards through the app as they move through the store. Nike has invested significantly in tech companies over the last decade to power this digital and data analysis expertise.¹⁰

Since 2018, Nike has acquired consumer data analytics firm Zodiac, computer vision company Invertex, and predictive analytics business Celect. It is difficult to disassociate the brand's willingness to invest in the latest tech and its success commercially and ability to generate a compelling, personalized experiences for its customers.

Common Threads

Let's assess what the common characteristics are of retailers doing personalization well.

Each of them have an openness to technology and digital investment.

From Hotel Chocolat's commitment to become "digital-led" in its retailing approach and Amazon's continued investment behind the scenes in technology to automate many of its operations, to Halfords' comprehensive digital transformation strategy and Nike's acquisitive last few years, these businesses are technologically ambitious.

That is important if retailers are going to get personalization right. Manpower and data analysts only get a business so far; people need to work in tandem with tech to reach that customer relevancy that comes from personalization tactics.

Many retailers and brands say they need to be data-driven but don't back that up with action, but that is not the case with our best practice retailers. Many of them have committed to embark on data-driven strategies and break down data silos, evidenced by some of their recruitment in recent times.

In the case of The Very Group, Matt Grest and Steve Pimblett joined as CIO and chief data officer, respectively, in 2020 as leaders overseeing wider data-driven work at the organization which has put better personalization as a core objective.

Nike appointed Ratnakar Lavu as its first ever global chief digital information officer in 2019, and he oversaw a significant shift towards digital retailing and direct-to-consumer activity at the brand before departing in February 2022. Halfords, meanwhile, brought in Mark Hornby as global head of customer analytics in 2022, to reinforce its insights work.

Similar to the data-driven promise, every retailer says they are focused on CX, but so often what is said in the company announcement to the press or markets is very different to the reality of what customers see in store or online every day.

Each of the personalization best practice retailers we have highlighted have made very public commitments to CX.



Amazon founder Jeff Bezos has continually used the line that his company was built on being “customer obsessed”, and that is backed up by its work to personalize its online offering, make it easy to buy and return items, and effectively change the rules of modern retailing by reducing delivery times and keeping costs low.

Moonpig has over three million customers on its database, and it said at the end of 2022 it was focused on optimizing its existing relationships as opposed to prioritizing customer acquisition.¹¹ Moonpig said its customers, accumulatively, have 79 million reminders set up on its system, highlighting a level of reliance on the brand to trigger a sales opportunity around consumers’ key dates.¹²

The retailers we’ve referenced above all realize that an ‘omnichannel’ approach to modern retailing is crucial. Even Amazon, The Very Group, and Moonpig – which are predominantly e-commerce operators – are opening stores, building stronger partnerships with high street brands, and branching out into selling experience packages, respectively.

In the aftermath of the Covid crisis, the best retailers are doubling down their efforts on retention rather than acquisition – and they are making their business models more robust and far-reaching to secure their futures.

In many cases, they recognize they have accrued some great data, and they realize marketing campaigns for new business are often costlier than getting existing previous customers to shop again, so they are looking to increase customer stickiness and incentivize repeat spend – and they are personalizing services using sophisticated data analysis techniques to get there.

Key Takeaways

At the very beginning of this whitepaper, we asked what it takes to get personalization right.

By analyzing retailers doing it well, the evidence is that good personalization – which we know is becoming increasingly important in terms of retaining existing customers and creating an ongoing compelling CX – comes with the following:

- Being more comprehensive with data collection, analysis, and management – and making this insight actionable across the business
- Joining up internal systems to ensure data silos don't appear. As Hotel Chocolat's Harman says, you can only personalize via app if its intrinsically linked to the CRM. And that connectivity needs to be in place across all customer sales and communications channels
- Continuing to provide a tailored one-to-one service at sensitive customer touchpoints. In 2023, this could be on customer complaint phone lines or during the returns process, where we know there will be significant activity reflecting the challenging economic times society is experiencing
- The bottom line: personalization is not just getting the customer's name correct in the email salutation – it's knowing who shoppers are during all the different types of interaction they have with a brand – from online communications and stores to contact center conversations, and everything in between.



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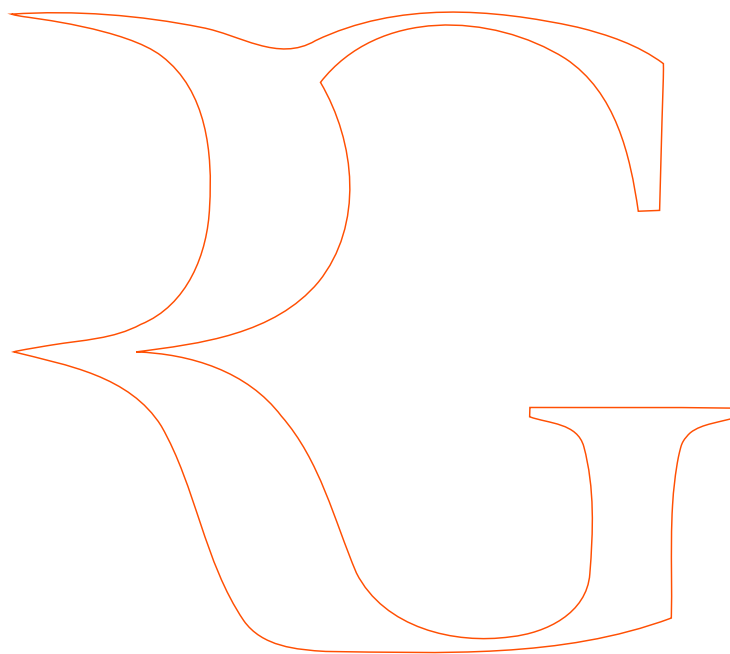
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CallMiner is the global leader in conversation intelligence to drive business performance improvement.

Powered by artificial intelligence and machine learning, CallMiner delivers the industry's most comprehensive platform to analyze omnichannel customer interactions at scale, allowing organizations to interpret sentiment and identify patterns to reveal deep understanding from every conversation. By connecting the dots between insights and action, CallMiner enables companies to identify areas of opportunity to drive business improvement, growth and transformational change more effectively than ever before. CallMiner is trusted by the world's leading organizations across retail, financial services, healthcare and insurance, travel and hospitality, and more.

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