EXECUTIVE PERSPECTIVES

Loyalty360 Executive Perspective:

The Challenge of Personalization - A Qualitative Peer-Driven Perspective

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BACKGROUND

Creating relevant and engaging experiences for customers might be the best marketing strategy that brands can currently employ. Brands and marketers that focus on creating these experiences typically reap benefits that competitors don't. We continue to see rapidly growing interest in all facets of customer, channel, and brand loyalty across a range of industries and verticals. Despite this, creating engaging customer experiences and loyalty still presents a major challenge for most organizations. They know what they should do, yet they still have immense opportunities regarding execution that range from internal organizational buy-in to leveraging the "right" technologies and processes in a meaningful and measurable manner.

Today, marketers are not only tasked with creative, but to succeed, they need to have an analytical skill set not required ten, five, or even two years ago. Endless challenges present themselves: data breaches; increased scrutiny around data access, privacy, and regulation; a disruptive landscape in which brands must understand the expectations of their customers; and the need to understand how customers view completely tangent industries. Brands also need to collect rich customer data, derive actionable insights from it, and leverage technology that allows for scale. They need to design and develop customer engagement strategies tailored to their customer bases, and make sure the importance and impact of those programs are understood, socialized, and continually reinforced internally. The need for objective insights, best practices, and a community focused on customer experience grows day after day.

As an unbiased, objective, and market-driven association for customer loyalty, Loyalty360 is in a unique position to help brands navigate the loyalty challenge. To understand the evolving facets of the contemporary marketing landscape, we regularly speak with brands, marketers, suppliers, and consultants in a host of industries. We speak with those who work at the frontline and sometimes in the trenches of the paradigm shift toward customer loyalty.

Somewhere in the heart of this shift is the customer.
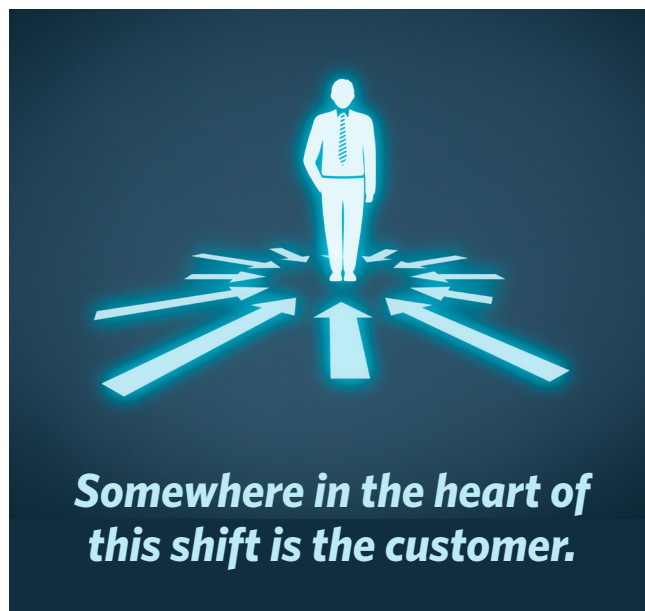
To figure out how to reach the customer in this challenging environment, we seek to understand how leading companies integrate cutting-edge tools, technology, and platforms to empower strategic services that lead to customer engagements that result in true customer loyalty and brand advocacy. The relationships we build with these brands enable us to explore the ways in which customer loyalty is helping marketers meet the changing demands and evolving behaviors of new generations of customers.

This is the genesis of the Executive Perspectives Reports.

As an association focused on customer, channel, and brand loyalty, Loyalty360's goal is to ask open-ended questions that help frame challenges and opportunities in a much deeper way. We seek to go beyond the limitations of prescriptive or quantitative surveys to enable a true discourse and open an enriching discussion.

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INTRODUCTION

The question of how to offer truly individualized experiences through content, products, and messaging is a thorny one. Some brands focus on developing unified customer profiles and segmenting them into buying categories. Others use artificial intelligence engines to predict customer purchase habits and send relevant offers. Some use a hybrid strategy, while many are confused as where to start and what to do. Most brands recognize that providing the best customer experience is a matter of tailoring a comprehensive offering to their customers, including loyalty program rewards, products, services, communication, and cadence. This offering needs to have a value proposition customers expect and a share based on customers' interests and desires.

Unfortunately, though, technological processes aren't quite where organizations want them to be. According to a recent study of customer loyalty programs conducted at Loyalty360, 73 percent of responding brands said that a lack of competitive benchmarks hindered their ability to effectively implement personalization strategies. In addition, 57 percent said that technology metrics weren't accurate enough, and another 42 percent said that objective technology assessments weren't strong enough. Without successful technological processes such as these, customers will receive, more often than not, irrelevant offers after making purchases. Worse, sometimes customers will even leave loyalty programs or organizations altogether because they offer nothing of individual interest.

Regardless of the brand or vertical, or even the overall level of sophistication, the most successful organizations realize that personalization is not a process that happens overnight, but rather a journey that happens over time.

To understand this challenge in greater detail, we asked senior-level marketing representatives the following questions: What is the challenge of personalization? What are the challenges and/or opportunities of creating a single view of the customer?

While the answers we received to these questions varied, we identified three strategic goals towards which brands should strive.

1. Understand the best practices in the approach to personalization.

2. Understand the role of data in driving personalization.

3. Adopt technological approaches to personalization.

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THE OPPORTUNITY FOR MARKETERS

Loyalty360 believes that there are great opportunities in the market to meet these goals and that they can be aligned with the market's clamor for a return to the simple "corner butcher store" mentality. To create this simplicity and meet the needs of customers (which we've identified through countless customer studies), brands realize they must understand their customers more effectively and use personalization processes and technology to get there. They still need to figure out how to do this, however.

> **"Brands want to be able to use data, technology, and, more importantly, creative customer engagement programs to help bridge the online and offline personalization capabilities they have."**

The ability for marketers to measure customers' initial reactions and engage them in more informed discussions will lead to a more robust dialogue and a more interactive trough. Brands will then be able to gather more relevant information and form better engagement with customers from the beginning.

According to our study, almost 53 percent of respondents said they have begun to offer personalized experiences, 89 percent to offer personalized communications, and 63 percent to offer personalized products or rewards. This tells us not only that personalization is important; it also informs us of the necessity of the first-party data brands garner when they engage in customer discussion.

First-party data is a necessity because new regulations have made it much more difficult to obtain customer information from third-party sources. The General Data Protection Regulation (GDPR) and the California Consumer Privacy Act,

for example, have limited access to the information organizations need to develop personalized marketing strategies. Given the data breach that enabled Cambridge Analytica to gather information on 87 million Facebook users without their consent, the new regulations are in some sense justified, but the more tightly controlled data environment that has resulted puts brands and marketers in a very difficult position.

Brands must therefore leverage systems that can access first-party data while complying with privacy and consent regulations. One of the best ways to do this is through loyalty platforms. Such platforms have an explicit value exchange between the brand and the customer, granting rewards and experiences in return for demographics and other data. Countless market studies state that customers expect brands to recommend relevant products and services in a meaningful way, and 89 percent of respondents to our loyalty program study indicated that they would incorporate additional personalization capacities into their organizations over the next year. This personalization goal can't be achieved without the use of first-party data.

Brands face several challenges with respect to designing processes that will yield true personalization, however. According to our survey, 42 percent of respondents said that return on investment was a major factor inhibiting the creation of personalized marketing processes. Another 53 percent said that communicating the benefits of those processes was very difficult as well. Market research suggests that personalization increases conversion and customer retention in the long run, though.

Thus, while initial costs for implementing a loyalty program may seem daunting, the benefits of doing so are well-established. Brands just need to use first-party data sooner so that they can create more synergistic customer engagement.

1 Best Practices in Personalization Approach

Once brands achieve a more informed understanding of their customers, they must keep an active eye on the potential evolution of those customers and work to define and design a customer engagement program that will enable their personalization efforts to succeed. However, as marketers know, this can be easier said than done in an environment of shifting customer desires.

To meet these shifting desires, brands must understand the inherent complexity of developing true personalization strategies. Data acquisition, segmentation, artificial intelligence technology, content management systems, outreach platforms, and a host of other factors all need to be considered when brands design their personalization efforts. If they aren't able to synthesize these facets, then brands won't be able to progress toward individualized marketing.

First, though, brands needs to make an honest assessment of their current capabilities. They need to determine if they have the necessary platforms and technologies in place that would enable them to individually target customers. If they do not, then they need to identify what capabilities they do have. If they have the ability to acquire data, then they can begin aggregate it. If they've already aggregated it, they can begin segmentation efforts as a step towards personalization. If they haven't yet begun to acquire data at all, then they need to figure out a method of doing so that

suits their needs. It is better for brands to take iterative steps in their move toward personalization, steps they can execute and with which they can attain measurable results. There is no need to boil the ocean and fail.

There are cost considerations as well, as a move from simple segmentation to more complex personalization could be a significant increase in cost potentially without requisite return or achievable milestones. However, if a brand does not have the ability to implement personalization or personas in their communication outreach, segmentation may be a more pragmatic start. Again, this requires a candid understanding of where they are today in their level of sophistication and where they expect to be tomorrow.

Lastly, brands need to be able to validate their models. If they make assumptions about customers or about what their program should be that end up being incorrect, they need to be able to admit they are wrong, accept it, and course correct. There may also be a consideration between the short term, where learning may be more appropriate and a long-term horizon for more tactical program execution.

"I think we use – we sort of leverage two tools. The first tool upfront is designing for the client in mind. So, in addition to a lot of listening and spending time with teammates and clients, we also leverage things like design thinking, which is really just this notion of having empathy for the end-user. So how might the person for whom you're designing the solution, how might they interact with it online? What's important in terms of content or navigation? So those are some of the technical aspects of designing the solution for humans, for people who want to find – they want to find value, but they don't want to navigate and spend a lot of time doing it. That is complemented in the design of products and solutions having some options based on the different products."

Russell Randolph,
SVP Bankcard Products
SunTrust

"Most brands have the data, but the challenge is finding where to connect the dots. We don't want to be sending them a deal for the Caribbean when they just took a trip to the Caribbean. How do we use and connect the data to the right points on the marketing spectrum whether its email push notification or even onsite when they're interacting with the site? I think it's really that connection and making sure we're considering the data and where it's being used."

Jordan Barr,
Senior Loyalty Marketing Manager
Expedia

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"Absolutely. We feel like that's one of the unique value propositions we have. In fact, in select airports and select markets we'll take it up a notch. Let's say you travel to New York, we'll have a Porsche SUV waiting to take you from the private jet airport to the main airport so you can get on your Delta flight. It's something we like to do to make that experience seem a little more seamless and personal. When you look at private travel, creating customer loyalty and personalization, if there is a service interruption we want to know ahead of time what's most important for a client. So, if they have a meeting in New York City that they have to get to, an on-time recovery option would be their No. 1 most important, and that's what we're going to strive for. If it's about cabin size and comfort because they're a leisure traveler, that's what our focus is going to be. In any of those situations, we're going to present options to our clients so they feel they're empowered to make the decision that works best for them."

Lauren Davis,
Director of Brand Strategy and Client Experience
Delta Private Jets

"We have just over 8 million members, and we're able to personalize the experience through many of our features and functionality. For example, we enable guests to save their personal favorites, which makes it easy for them to access. We also send a year-end review email to each individual guest, which tells them how many times they came to our store and the products they enjoyed over the year. These are just some examples of engaging on a personal level, but there are ways where you do not have to go all the way to one-to-one. We do a lot with segmentation, where we can customize experiences for like-minded folks who engage with our brand in a similar way."

Andrea McCullough,
Director of Marketing and Analytics,
Dunkin Brands

"Personalization has been part of our ethos from the very beginning. I think with our very, very first order, we had the concept of the handwritten note. Now, with every Boxed order, the very last thing the person who packs your order will do is write a handwritten note and put it into your box. So, when customers get it, the first thing that they see is the handwritten note. I think that is the aspect of personalization that we've been talking about, and also loyalty. That was instilled Day One. The understanding is that without customers, there's no Boxed. They're as important as growth and acquisition. There is no growth without our loyal customers continuing to purchase from us on a very frequent and regular basis."

Helen Pan,
Director of Loyalty Marketing,
Boxed

Response to Opportunity

Brands face several challenges with respect to designing personalization processes. According to the Loyalty360 survey, 42 percent of respondents said that return on investment was a major factor inhibiting the creation of personalized marketing processes. Another 53 percent said that communicating the benefits of those processes was very difficult as well. Interestingly, corporate commitment to such processes appeared high, with only 26 percent of respondents saying that their corporations were uncommitted. Brands want to create more effective personalization processes and know their customers expect it from them, but they are challenged as to how to do this. SAP believes the way to address this is Individual-Based Personalization.
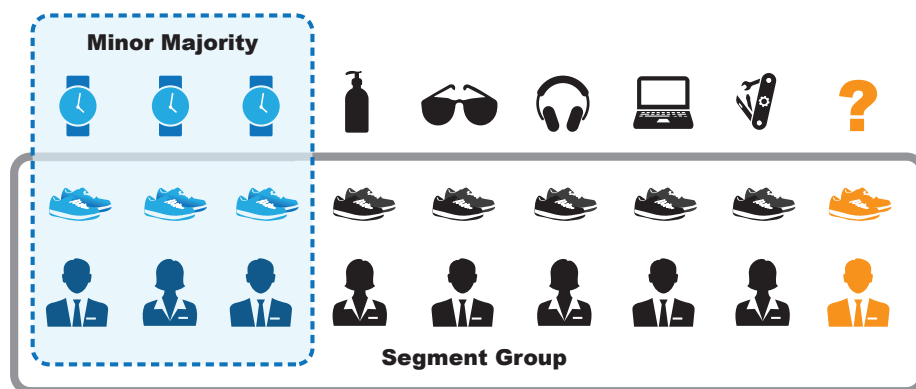
Individual-Based Personalization

True personalization is achieved when a customer is identified as an individual and the evaluation of personalization is done based on individualized information. Issues arise when product and offer recommendations are based on segments or group profiles; the result in most cases is incorrect personalization.

Let's illustrate the problem with the following example.

The problem with segment based personalization - 2 out of 3 times personalization is wrong

Let's say you purchase a pair of running shoes from a retailer. Based on this purchase and your overall profile, you are then segmented into a similar group of customers that purchased the same running shoes. Let's say that members of your segment group, the minor majority (in this case three out of nine people) purchased a watch as their next product. The remaining six out of the nine purchased various other products.

Minor Majority

Segment Group

Based on the minor majority, the personalized product recommendation will be the watch. And if you do a count with this segment-based personalization, the recommendation is incorrect six out of nine times. This is a simple example, but to be more realistic, consider a larger group, say 10,000 customers in a segment group and a minor majority of 1,000 who purchase the watch. This means that personalization was wrong 9,000 times. 90 percent of the time, your personalization was wrong!

With the segment-based personalization approach, some organizations who haven't done any personalization may see some lift, but relying on the historical data of others to determine an individual's personalization is a game of chance. Don't settle on getting personalization right sometimes; get it right all the time. Gain insights into individuals' behavioral information to know their interests and understand the "in-the-moment" customer intents to determine the best personalization.

2 Role of Data in Driving Personalization

Growing multiplicity in understanding customer expectations means that brands are now and will be going forward in an increasingly complex and challenging data environment. Permission, privacy, and value exchange will be driven by considerations of compliance and regulation. There is more data in the market than ever before, and the data sets will only continue to grow, yet access may not. The ability to create personalized experiences means that brands must understand data privacy and consent best practices, as identifying and gathering the right data is more important than ever before. Data design, access, capture, and effective usage must be considered, as permission, security, data privacy, and concerns around compliance will be increasingly demanded by customers through regulations and laws like European Union's GDPR.

The ability to develop programs and processes that enable personalization requires that brands collect and use data properly. Brands must identify the right data, make sure the model is working and providing value, and be increasingly concerned with privacy, permission, and compliance.

We continue to hear that lawyers should not be driving marketing, however that is the environment in which we find ourselves. Brands need to be aware of a regulations impact and be compliant.

Some believe that we are moving towards an environment where individuals may own their "data file" and that external data sources may be harder to use going forward due to regulatory and compliance costs. The cost to capture and use data may rise significantly over the long-term, so the question of what data should be collected will add a layer of complexity to the discussion. Organizational oversight and compliance processes need to be considered, and as brands are trying to create more simplicity, data usage may be a bigger challenge with a lot of internal obstacles to consider.

The challenge of personalization will be data access in an increasingly controlled regulatory, legal and compliance driven state

"We've been in this world of data, and data is really great, but it can be dangerous, too. You know we definitely want to ensure that we're keeping a pulse on our customers. But we don't want to make assumptions because there's nothing worse than somebody using data to try to figure out what it is I'm trying to do and serving me up with an offer that just completely turns me off. So it's a very delicate balance. I think the other thing is, especially with the generations coming up, they are very focused on privacy, surprisingly. And so you have to be really, really careful and cautious with the data because there is this element of big brother, if you might, and customers don't really like that. So it's a challenge. I mean you want to be able to deliver on the experience that your customers want without overstepping the boundaries. And we're extremely careful about that."

Tammy Lucas,
VP, marketing & advertising,
Best Western Hotels & Resorts

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"I think we've done a really good job of bringing these data points together to provide a well-rounded view of who our customers are and to also identify some of the different segmentation opportunities and ways that we can personalize. We have been very successful in doing that, and we're continuing down that journey as part of our loyalty strategy and part of our marketing strategy. So, we've absolutely been able to implement a model that allows us to segment and personalize different communications and different touchpoints within the lifecycle and be able to reaction off of different cues we see from behaviors."

Jonathan Gingerich,
Senior Manager of Client Engagement,
CIBC

"We've got a couple of methodologies. We continue to work on our segmentation. When you're on the business side of the house, you can get into verticals and you can tidy up the business a little bit. When you're on the consumer side, the business is not as tidy, so those customer segmentations are really big components. They enable us the insights necessary to provide the information, data products and services that are relevant to those individual groups. "

Karen Noel,
GM of Marketing,
Sprint

"I think from a marketing standpoint we've certainly spent time on personalization. With offers that we're making with the Insider program, we've put in place some capabilities that allow us to understand which offers are resonating better than others. That allows us to improve our programming from that standpoint. I think from a content standpoint, we're analyzing the insights that our editorial team is getting on our digital reader behavior, and using that to make informed choices as to what content we need to start surfacing more of. Data and analytics are foundational to all of the decisioning that we're doing, not only from an editorial standpoint but also from a marketing and consumer engagement standpoint."

Andy Yost,
CMO,
USA Today Network

Response to Opportunity

Customer data saturates the market. However, because access to this data may decrease in the face of privacy regulations, brands face an increasingly complex and challenging data environment. In fact, in the Loyalty360 survey, almost 58 percent of respondents said that data and data privacy represent a huge challenge when attempting to create more personalized customer experiences. We also see, in other reports, that data quality, data connection, and data communication are all difficult battles that brands must wage. SAP believes the way to address this is to Build Customer Trust.

Build Customer Trust with strong data privacy and consent practices.

Customers don't want personalization at any cost. Unfortunately, many businesses still employ "creepy" tactics when marketing to customers, breaking their trust.

Let's illustrate the problem with the following example.

This, in turn, has led to the EU GDPR and a slew of data protection regulations. How do you build customer trust and steer clear of regulatory risk?

Effecting an enterprise-wide strategy for preference and consent data management is a big part of the answer. By capturing preferences and consent the right way at each touchpoint, storing this data in a central and secure environment, and empowering customers with control over this data in ways required by regional privacy laws, you can take a big step toward becoming a customer-first organization. You'll be delivering the ad, offer, content, or message at the right time for the customer, not the organization.

You'll also take a big step toward protecting your business from regulatory risk. Storing consent and preference data in a central, audit-ready environment makes it easier to respond when regulatory authorities or data subjects request information. It also enables better data orchestration to downstream applications and services to honor customer wishes accurately at every touch point.

With GDPR now in effect, this is the watershed moment for your business to establish a new competitive advantage through increased transparency and provide customers with more control of their personal data. By tying these elements into delivering personalized experiences, you build more trust throughout the journey and gain more loyal customers.

3 Technological Approaches to Personalization

The last theme we see in this paper is the personalization challenge and opportunity brands face as it applies to technology. Brands are challenged to keep up as it seems that every day there is a new technology that has the potential to revolutionize the market, they must be more cognizant of outside products and become more conversant in system architecture and integration to ensure the technology works with their internal technology stack.

At Loyatly360 one of the questions we like to ask marketers is "what keeps you up at night?". We regularly hear that brands are concerned with "what is next?" Meaning, what is the next trend that could create a disruptive force or a technology that has such great potential that they cannot afford to miss out on. Brands face a delicate balance between being wary of moving too quickly to the next "shiny object" versus adopting new technologies that can exceed customer expectations and demands for personalization.

One of the increasingly complex challenges for marketers today is the need for various technologies to work together. However, this is rarely a simple challenge to solve and can create more complications in the end. There is a potential trade off in the integration of the technology and the cost versus return equation. However, if understood and managed correctly, the opportunity for the technology to more completely integrate across all facets of the organization and is more likely to drive measurable program results.

Another challenge many brands face regarding technology is scale. How do I make the pilot program that I have working that is well trained, understood, socialized and reinforced work across the whole of the organization? Additionally, the cost to scale and the ability to get the C-suite buy in continues to be a struggle. To go from more general mass marketing to truly personalized experiences has the potential for huge upside. However, there are cost considerations and the return may not always materialize. Having an internal roadmap, a coherent vision and tempered expectations as well as working strategically with trusted partners and stakeholders (internally and externally) has never been more important.

The last challenge, and potentially the largest, is how to integrate technology into the experience. The options of artificial intelligence, robots, neural networks, and other forms of automation have never been greater, but understanding the expectation of the customers and finding the balance of technologies that customers are comfortable with versus ones that may be "creepy" can be a huge challenge.

While technologies are making personalized customer engagement possible, it does not mean that adopting and integrating such technologies is an easy process or decision. However, regardless of the vertical in question, the most successful brands recognize that the need for technologies are more necessary, but more complex than ever.

"Our sense of personalization is ultimately about being relational with our fans; understanding them as individuals. It's not just about the technical aspect of delivering a certain message to a specific demographic via a certain mechanism, tool, benefit, or amenity. It's about the base level of how you understand them as individuals. This skews more into how we consider incorporating technology into the overall product and experience, but one of the things that I think is unique to Portland and the Timbers is the in-match atmosphere. If you add too much technology, could that take away from the dynamic element that is created here? Maybe, maybe not. People are coming for the comprehensive experience, in addition to the on-field product. For instance, we don't have comprehensive Wi-Fi in-stadium and while we want people to be engaged across platforms, do you want people on their phones when they're at the game, or have those in their pocket participating in the match? What I would say is that there are technical tools that we use to reach different types of demos, but the basis of how you build those relationships on a 1v1 ratio is most important."

Cory Dolich,
senior vice president of
business operations & marketing,
Portland Timbers

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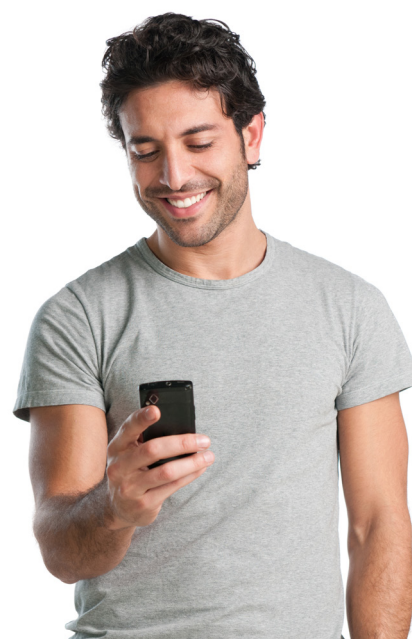
"I'd say the number one challenge, honestly, is scale and getting it right – I mean so like performance, we have a homepage. We get 20 million people come to this page every month. Not unique people, but 20 million visits. And so we have got to get that page up even on a mobile phone in less than one or two seconds. So as you start to think about, well, is this person falling into this segment, this segment, or should we give them this ad, this ad or this ad? There's like a million different variables of things we can do with these folks. But at the end of the day that page still has to get up fast because most of them want to log right in and check your balance. They're not willing to wait very long for that interaction to happen, even on their low bandwidth phones. And so you have this very small window of time, of attention from the customer. You've got to be in their flow.."

Matt Brunsman,
e-business Customer Experience SVP,
Regions Bank

"We now have an app where people have all of that information at their fingertips, and in the future, they have access to that app before they ever leave home. And now on the ship, because we know who you are, we are able to tailor and customize what you get in your cabin in terms of offers based on who you are and who you are sailing with. So, if you're sailing with a family with kids, the shore excursion offers are tailored to people who have children versus a couple on their honeymoon, where the offers are tailored to things they might enjoy as a couple. The ability we have now enabled by technology is to have those offers be targeted, which makes them much more personal and allows people not to be overwhelmed with things that are not really relevant to them. "

Christine Duffy,
President,
Carnival Cruise Line

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Response to Opportunity

Despite how conspicuous the challenge of technology is, 58 percent of respondents to the Loyalty360 survey said a lack of technology metrics hindered their ability to create personalization strategies. In addition, 42 percent said a lack of objective technology assessments also hindered their attempts. Clearly, organizations need to figure out how well their adopted technology is functioning and against what metrics their adopted technology should be compared. SAP believes the way to address this is Driving Consistent Personalization.

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Drive Consistent Personalization across the journey.

If you look at marketing organizations today, many of their customer interaction systems aren't ready to provide seamless personalized experiences across channels, devices, and departments. On average, marketers have 15 separate customer management systems within their organization and 11 different customer interaction systems like email, web, call center, social, etc.

Let's illustrate the problem with the following example.

Inconsistent personalization across channels

Each silo systems are optimized within their channels and not across the entire journey

Mobile Apps — App Profile Preferences
Webstores — Cross Sell Offer
Store — Current Promotions
Email — Last Offer Response
Call Center — Up Sell Offer
Social — Social "Likes"
Search — Marketing Priorities
Sales — Easiest Product to Sell

Each of these solutions may have various levels of personalization built into it. For example, email systems may pull information from the marketing database to promote the last product the customer responded to, the web storefront can run personalized webpages based on the customer's last purchased items, and the social marketing tool can push content and offers based on the customer's latest social "likes." In this example, the company will promote different products and offers resulting in disconnected, inconsistent customer experiences across these interaction channels. The reality of most marketing systems is that execution through individual siloed channels may be optimized in itself, but since it's based on a partial customer profile, it will fail in delivering the best contextual customer experience across multiple touchpoints.

In order to create consistent customer experiences across channels, marketers need a single unified customer profile and a contextual intelligence engine that can determine the right context for each customer engagement. This personalization engine will determine the best scenario for each customer context whether the scenario is an acquisition, retention, cross-sell, or up-sell scenario. It will invoke the best machine learning model to determine the best message for that particular scenario.

"What's important to my customer?"

Conclusion

Customers have come to expect personalized experiences and offers, and the emergence of these "experience expectations" has created a complex, uncertain, and taxing environment for the organizations that must meet them. To pilot this environment, brands need to implement strategies based on the actual expectations of customers, not on perceived expectations. The days of top-down, creatively controlled push marketing have passed.

Brands must look across a growing number of media and channels, some of which they may or may not have access to or influence over, to make educated decisions about their customers. Furthermore, these assumptions need to be validated more closely and more frequently than they ever have been. Organizations built to be more open and agile and that take calculated risks are more likely to succeed. These organizations will reap greater customer benefits going forward.

Understanding customer needs, situational awareness, and channel integration are all pieces of the increasingly fragmented personalization puzzle. Most brands realize that similar customers can have dramatically different expectations because they seek out services from different contexts. Brands must therefore understand accordingly and become situationally aware. Once they've reached this awareness, they need to design products and services with the customer in mind.

"What's important to my customer?" is not a new question that marketers are asking, but it is a crucial one nonetheless. Brands today not only have to have more experience in a wider array of media channels; they also need to operate with more empathy and scrutiny than ever before.

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There has been an evolution over the years in how organizations engage with their customers. In the beginning, organizations focused on the masses, and their goal was to build a strong brand and draw people purely based on the strength of the brand. Then, customers started to develop preferences and affinities to certain attributes of products, and organizations began to identify these affinities. This enabled them to design and market products differently based on customer preferences. The objective of this segment-based marketing approach was to establish a one-way connection, using differentiated messaging and offers that would appeal to different customer segments. As this paper has discussed, the segmented approach has several limitations, and an interactive relationship with the customer was still beyond the scope of most organizations' goals.

Now, however, organizations are focused on establishing this interactive relationship. Individual-based personalization requires marketers to identify customers in the moment of engagement and collect meaningful behavioral information. This foundation enables organizations to deliver the most trusted, personalized experiences.

Getting personalization right isn't easy, though. Organizations must navigate data usage restrictions resulting from new data protection and consent regulations, disjointed customer experiences created by siloed interaction systems, and a lack of high-performing tools to evaluate individual customers on a real-time basis across all channels. This requires a shift in data management practices and a new technology strategy that includes the use of machine learning solutions to execute individualized marketing.

Customer interaction systems require integration where individual channel interaction history is shared across these systems. The key customer interaction information needs to be consolidated into a centralized data management tool where a consolidated view of the customer profile can be maintained and is dynamically enriched. Once you have a dynamic customer profile, you need a contextual intelligence engine that can determine the right context for each customer engagement. It will determine the best scenario for each customer context: acquisition, retention, cross-/up-sell, etc. Based on the best scenario, the contextual intelligence system will determine the optimum message for the customer.

As part of this process, new customer data management practices and policies should be put in place to build customer trust. This means capturing customer consent the right way at each touchpoint. It also means maintaining an accurate consent record throughout the customer journey and providing a self-service preference center so customers can manage their own consent settings. If organizations can create unified customer profiles while building trust through compliance with consent and privacy regulations, then the evolution towards true personalization can be achieved. Because customers expect individualized marketing but are reluctant to share data, the current environment is definitely tough to navigate. Still, the practices and processes necessary for true personalization exist or can be created, a fact that gives organizations reason for optimism. They now have the opportunity to meet customers' individual needs, which makes customers happier and more satisfied. This, in turn, leads to more revenue and higher growth.

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®

SAP Customer Experience helps organizations integrate digital platforms to provide better customer experience journeys. To do this, however, organizations require consent-driven, trusted data. Five factors shape customer experience.

First, external forces, from data breaches to customers being concerned with how organizations use their data, can inhibit an organization's ability to gather it.

Second, to fulfill the increased expectations of informed customers, organizations need a holistic and single view of each one. Trusted data can be used to build this single view.

Third, customers want an experience that takes them through the entire lifecycle of a product or service, and creating this experience will help organizations retain customers for life. Research shows that it costs much more to acquire new customers than to maintain them.

The fourth factor shaping customer experience is the digital-first marketing environment. Customers connect with brands first and foremost through digital channels, so organizations must cater to this channel of communication.

The last factor is the connection between an organization's customer relationship interface and its supply chain, or (in simpler terms) between an organization's front office to its back office or digital core. When all parts of an organization are connected and communicating, customer experience improves.

SAP Customer Experience enables brands to successfully attract and engage with audiences to drive demand and conversions. It also enables them to deliver personalized experiences to increase growth and revenue while keeping customers satisfied and loyal. SAP Customer Experience does all of this to enable brands to do more with less by accelerating time-to-market and optimizing marketing spend.

Come learn more about what our solutions can do for your organization:

cx.sap.com

Bernard Chung,
Head of Product Marketing, Marketing Cloud , SAP Customer Experience

Bernard is passionate about helping organizations transform to successfully engage their audiences and to orchestrate the perfect customer experiences to drive demand. He has worked with some of the leading brands in the world in developing customer engagement strategies and tactics. Currently, he is the head of product marketing for the SAP Marketing Cloud solutions.

Prior to joining SAP, Bernard held database marketing and marketing operations roles at American Express and Wells Fargo Bank.

About Loyalty360

Loyalty360 is an unbiased, market-driven, voice-of-the-customer-focused clearinghouse and think tank that is committed to bringing customer loyalty to the forefront as a critical marketing strategy. A trusted source for cutting-edge research, best practices, and networking opportunities, Loyalty360 gives members the expert insights and guidance they need to better understand loyalty and develop programs that effectively engage their customers and employees and build stronger relationships with them. Loyalty360 offers a roadmap to engaging customers and driving loyalty through research, reports, webinars, conferences, news, expert articles, multimedia, and more. We pride ourselves on our ability to continuously deliver relevant and timely best practice perspectives and thought leadership on a variety of topics.

About the Author

**Mark Johnson,
CEO, CMO
Loyalty360**

As CEO and CMO of Loyalty360, Mark is committed to bringing loyalty to the forefront as a critical marketing strategy. To further this goal, he has created an unbiased, market-driven clearinghouse and think tank through which users and loyalty providers can interact and collaborate with each other. His finger is on the pulse of what's happening in loyalty, and he is driven to give members the expert insight and guidance they need to develop strategies and implement programs that effectively engage their customers and employees and build stronger relationships with them.

Mark has an undergraduate degree in Mass Communications (with a concentration in media management) from Miami University and an M.B.A from the University of Cincinnati. He is currently pursuing an M.B.A. in Business Information—Statistics from Xavier University.

A recognized thought leader in customer loyalty, Mark shares his expert insights with media worldwide. He is a regular contributor to Hotel Executive and 21st Century Business and has been featured on FoxBusiness, NBC News, ABC News, The New York Times, The Washington Post, 1to1 Magazine, MarketingSherpa, CRM Magazine, and The PrePaid Press.

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