Quick Answer: How Can I Use Personalization Most Effectively in Digital Commerce?

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Initiatives: Digital Commerce and CRM Sales Technologies

Application leaders responsible for digital commerce can greatly improve the organization’s commerce results by personalizing customers’ digital experiences. This research will help application leaders understand what personalization is and how to apply it in digital commerce.

Quick Answer

How can I use personalization most effectively in digital commerce?

- Personalization creates relevant, individualized interactions between customers and sellers to enhance the customer’s experience. Because personalization is behavior-based, it is equally important to pursue it for both anonymous and identifiable customers.

- Deploy personalization through, for example, search taxonomy, search filters, search results, recommendations, product reviews, product showcases, chat assistance and pricing.

- Enable personalization using applied data and analytics methodologies, and supporting technologies.

- Use personalization to increase key performance indicators such as customer conversion rate and average order value.

More Detail

Deploying personalization requires a customer-centric culture. Start by embracing general customer experience (CX) best practices which include:

- Assessing customer-facing processes for efficiency.

- Evaluating technology interfaces for intuitiveness and ease of use.

- Scrutinizing digital channel quality (for example, how your digital channels compare to nondigital channels).

- Identifying product dependencies (to avoid selling one without the other).
Not only do these best practices improve CX, they also give the perception of personalization. Adding personalization options without incorporating these best practices will minimize the value of personalization investments.

Incorporate use of IP addresses to determine customer location and align recommendations accordingly. Follow up by observing behavior patterns and identifying preferences. This will help you to better understand intent and learn more about the customer. Behavior observations assist in identifying a customer's intended outcome (or the task that they are undertaking), which can be almost as powerful as knowing a customer's identity.

In the case that a customer is identified, personalization can move from intent-based to one-to-one personalization. In this case, digital content is more specific to the customer than to the task being accomplished.

See Figure 1 for the key components of personalization and the progression to one-to-one personalization.
Figure 1: Personalization Strategy Components

An Organizational Approach to Personalization

We can apply this approach to a real-world example. When a shopper searches for a black dress, the behavior of 200,000 prior shoppers can inform suggestions. Customer data may suggest that the customer is not only looking for a black “cocktail dress,” they are seeking to solve the problem of what to wear to a black-tie event or wedding (which expands beyond the scope of black dress). As a result, when the commerce engine gets a search request for “black dress,” it serves up images of black cocktail dresses (at the top of the results) with accessories in the context of a festive occasion. In the case where the customer is actually recognized, the search results may include the customer’s favorite brands. It may show only the dresses and corresponding accessories that are readily available in the customer’s size, and at the customer’s typical price points.

Enabling personalization requires two key technologies — analytics, and data management. Personalization endeavors gather pertinent information about website visits (for both anonymous guests [that is, personas] and identifiable customers) based on customers’ privacy settings. Digital data (for example, on-site session data, explicit profile data, historical transaction data, browsing data,
geolocation data and external data) is collected and stored in a central repository for the purposes of creating a personalized digital commerce experience. Nondigital data (for example, point of sale [POS] transactions and service-related transactions) is often added to the digital observations. Business rules and pertinent analytics — including artificial intelligence (AI) — are then applied against the customer data in the repository to make real-time observations and correlations. This prompts changes in the commerce CX presentation layer — providing a more individualized experience to each customer.

Analytics may be assembled or delivered as a package as part of a greater solution (for example, digital commerce applications, personalization engines, insight engines, or digital experience platforms [DXPs]). Data is typically stored in a data hub used exclusively for personalizing customers’ experiences, but other data solutions may be used (for example, a customer data platform [CDP], data lake or data warehouse). Figure 2 shows how personalization technologies work, examples of analytics typically used, and commonly collected data.

**Figure 2: Personalization Technology Requirements**

### Personalization Requires Data and Analytics

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Source: Gartner
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Generating revenue occurs naturally with personalization because personalization makes it easier for customers to achieve their desired results in a self-service environment. It makes customers more efficient and creates more effortless experiences. In the “black dress” example cited earlier, results should include reduced bounce rates and increased cross-sell opportunities, which result in both higher conversion rates and higher order values. When we review case studies on personalization in digital commerce, we typically see improvements in key indicators including: ¹

- Conversion rates (increases up to 88%)
- Order values (increases up to 41%)
- Recommendation acceptance (increases up to 66%)
- Reduced cart abandonment (decreases up to 39%)

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**Evidence**

These findings are based on aggregated results of multiple business case studies from organizations using personalization engines.

Gartner analysts reviewed over 175 case studies from 2014 through 2021.

Overall the case studies showed impressive and consistent improvements in key metrics. Multiple vendors’ clients demonstrated strong results. Most case studies showed both increased customer engagement and increased revenue. In some cases, they demonstrated lower service costs. The numbers reflected in this research note highlight the top results.

Results varied by client — based on multiple factors, including:

- The amount of personalization that was being done prior to implementing the current personalization engine.
- Companies were inconsistent in what they measured (i.e., not all companies tracked and measured all possible benefits)
- The number of channels in which the personalization engine was deployed.
- Whether the organization continually refined and improved personalization efforts.