



Embrace meaningful
personalization to maximize growth.

New research on the value of personalized CX.

It's time to make it personal.

"From now on, leading-edge companies—whether they sell to consumers or businesses—will find that the next competitive battleground lies in staging experiences."

If that sounds like something you've heard before, there's a reason: It's a quote from a Harvard Business Review article by B. Joseph Pine II and James H. Gilmore, published way back in 1998. In the article, "Welcome to the experience economy,"¹ Pine and Gilmore argued that experiences were the next frontier of differentiation and pricing power for businesses.

Today, virtually all marketing leaders have embraced the premise and promise of the experience economy. They're mapping customer journeys across touch points and channels, segregating audiences and households into ever-more-discrete groups, optimizing messaging and campaigns, tracking engagement through closed-loop attribution models and more. Those are all moves in the right direction.

Yet customers themselves say they want something at once bigger and more basic: They want to be treated as individual, unique people. They want to be heard, understood, respected. They don't care about your *customer* experience—they care about their *own, personal, human* experience.

The importance of experience personalization isn't lost on today's brand leaders. Our new research revealed that 71% of business-to-consumer leaders say personalization has a significant or very significant impact on their brands' customer strategies, and 58% of companies plan to increase their spend on personalization in 2022.

But we found a disconnect between what brands deliver and what customers actually

want. Moreover, there's a wide range of capabilities—and of results—among brands when it comes to personalization. Some are just getting started in one or a few tactics and channels, while others are connecting personalized experiences across channels and touch points.

Across industries, the brands most focused on personalization are also the brands that are winning new customers, stronger loyalty and increased revenues. They're standing out from the crowd and gaining pricing power—while creating valuable, memorable experiences for customers.

69%

of consumers said they're **more likely to purchase** from a brand that personalizes experiences.

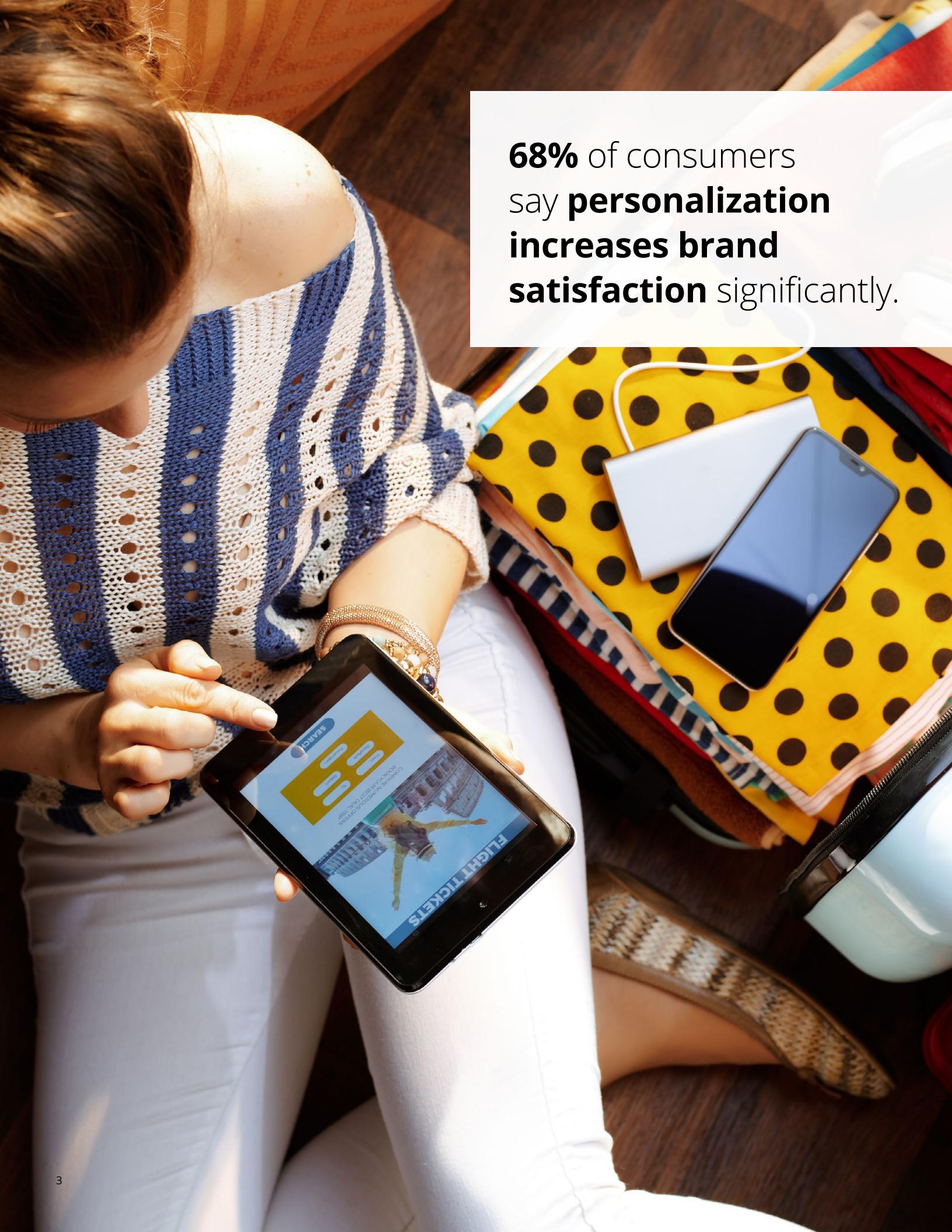
2X

Personalization leaders were nearly twice as likely to have **exceeded revenue goals** in 2021 compared to brands with low personalization capabilities.

What distinguishes today's personalization leaders?

Great personalization is about meeting customers in the right moment and context, with the right experiences to build human, empathetic, one-to-one connections. Getting there requires advanced data and automation capabilities, collaborative teams and a curated ecosystem of partners and platforms—all focused on understanding and serving the personalized experiences that are valuable to leads and customers.

In early 2022, we surveyed business leaders who are responsible for personalizing the customer experience at 600 US business-to-consumer companies, plus 1,000 US adult consumers. From this research we developed a maturity model based on key personalization capabilities. This report reveals what leaders in experience personalization are doing right—and how you can apply those lessons to your own business. *For more about the survey methodology and maturity model, see page 14.*

A woman with blonde hair tied back is seen from the side, wearing a white and blue striped, short-sleeved, open-knit top. She is holding a black tablet in her right hand, which displays a travel-related mobile application interface. The app shows a search bar at the top, followed by a yellow button labeled 'SEARCH', and a large image of a person jumping over a bridge. Below the image, the word 'FLUGTICKETS' is written vertically. To the left of the image, there is some small text. The background is a warm-toned wooden interior. In the foreground, a stack of travel items is visible, including a yellow bag with black polka dots, a white power adapter, a black smartphone, and a light blue travel mug.

68% of consumers
say **personalization**
increases brand
satisfaction significantly.

See me, know me.

Consumer expectations are growing every day. It's no longer enough for brands to offer great products and services at fair prices. Those are table stakes in every industry now. Consumers now expect brands to show a multifaceted understanding of who they are as individuals. They want to be met and engaged in the right moments and their preferred channels, with exactly what they are looking for. And they demand trustworthiness regarding the ways that brands collect and act upon their personal data.

In recent years, consumer brands have tried to meet these expectations through tactics such as retargeting. While that can be effective when well implemented, too often it is overutilized and fails to focus on the needs and preferences of the individual customer. As a result, instead of feeling *engaged*, customers often feel *stalked*—by ads that follow them everywhere they go on the internet, or by daily texts and emails from a brand they barely know. As a result, **more than 50% of consumers said personalization tends to feel off-target** and doesn't meet their needs, interests or preferences.

So what actually constitutes valuable personalization to consumers? It starts with the ability to connect experiences over time and touch points. For example, when asked

about the capabilities that are most useful when navigating a website or a mobile app, the top preferences of consumers all depend on linking past engagement with current activities: functions such as favorites, wish lists or "saved for later" lists; recommendations based on past purchases and "purchase again" options; and "most recently viewed" tools.

Consumers don't want to have to remind you who they are, what sizes and colors they prefer, what they've purchased in the past and other durable details every time they visit your website. Instead of being treated as a random shopper, they want to be recognized as a valued friend—while also having their preferences respected regarding where, how often and why you engage. Toward those ends, surveyed consumers say they highly appreciate personalization of profile and preference options; customization of products and/or services; recognition based on their phone number, email or social handle; and personalization of product and service descriptions.

When it comes to the specific personalization capabilities that are most important, surveyed consumers said they most value personalization of product delivery (from order confirmation through status updates

and delivery), pricing and quoting options, and being able to tag or add a favorite item to a wish list. Notably, most brands fall short in their ability to support these specific capabilities—by an average of 22 percentage points. (See box below.)

It's important to note that some of the most effective forms of personalization can go unnoticed by consumers. While surveyed brands said they personalize an average of 56% of customer experiences, consumers only recognize that 38% of experiences are personalized by the brands they do business with. This gap isn't surprising; we all probably know someone who thinks "my search results are the same as your search results." Similarly, many consumers don't recognize when brands adjust website content, navigation, product descriptions, pricing or ads to reflect what the brand knows (or thinks it knows) about the customer.

And that's actually fine.

Great personalization isn't about telling consumers, "Hey, I'm looking at you." **What's important is that the customer feels seen**—even when the tactics that support that empathetic connection aren't clearly evident.

Brands fall short in personalization capabilities most desired by consumers.

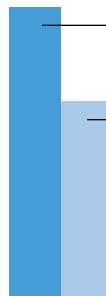
Personalized product delivery



Consumers:
73% want it

Brands:
40% can deliver it

Personalized pricing and quoting



Consumers:
61% want it
Brands:
42% can deliver it

Ability to tag a favorite, like an item or add to wish list



Consumers:
52% want it
Brands:
39% can deliver it

A woman and a young boy are in a kitchen, unpacking a meal kit box. The woman is smiling and holding a white smartphone, showing something on the screen to the boy. The boy is looking down at the phone. On the table in front of them are various fresh ingredients: a red bell pepper, a green zucchini, a head of broccoli, a small cucumber, a bag of shredded cheese, a jar of orange sauce, and a jar of yellow sauce. A meal kit box is open behind them, with a white fork icon visible on its side.

Personalization leaders saw
**a 1.5x greater increase
in revenue per customer
and loyalty metrics**
compared to brands with
low personalization maturity.

Connect to personalize.

What does great personalization look like? It's a lot more than just adding a customer's name to an email. It's about connecting the right message to the right moment in the right context, based on what you know about the individual.

Here's what that looks like for one customer, Brittany, as she engages with her favorite clothing retailer.



1. RIGHT MESSAGE:

Brittany receives an email that begins, "Brittany, here are some ideas on how you can freshen up your wardrobe this season for all your occasions." The email includes an image of a skirt and shirt that she purchased last year, plus links to several garments that would combine nicely with what she already purchased.



2. RIGHT PERSON:

Brittany is instantly recognized when she visits the brand's website and her experience is tailored based on a multidimensional understanding of her passion for traveling, the climate in her hometown and other known details.



3. RIGHT CONTENT:

The website homepage is customized with curated outfits based on Brittany's past purchases as well as combinations for events coming up in her life: a birthday ensemble, a skirt for a night on the town, etc. With a single click she can "favorite" clothing items that catch her eye.



4. RIGHT OFFER:

As she is browsing, Brittany receives an offer for free two-day shipping on styles curated for her, which appeals to her desire for instant gratification. She adds a few favorites to her cart and completes the purchase.



5. RIGHT CHANNEL:

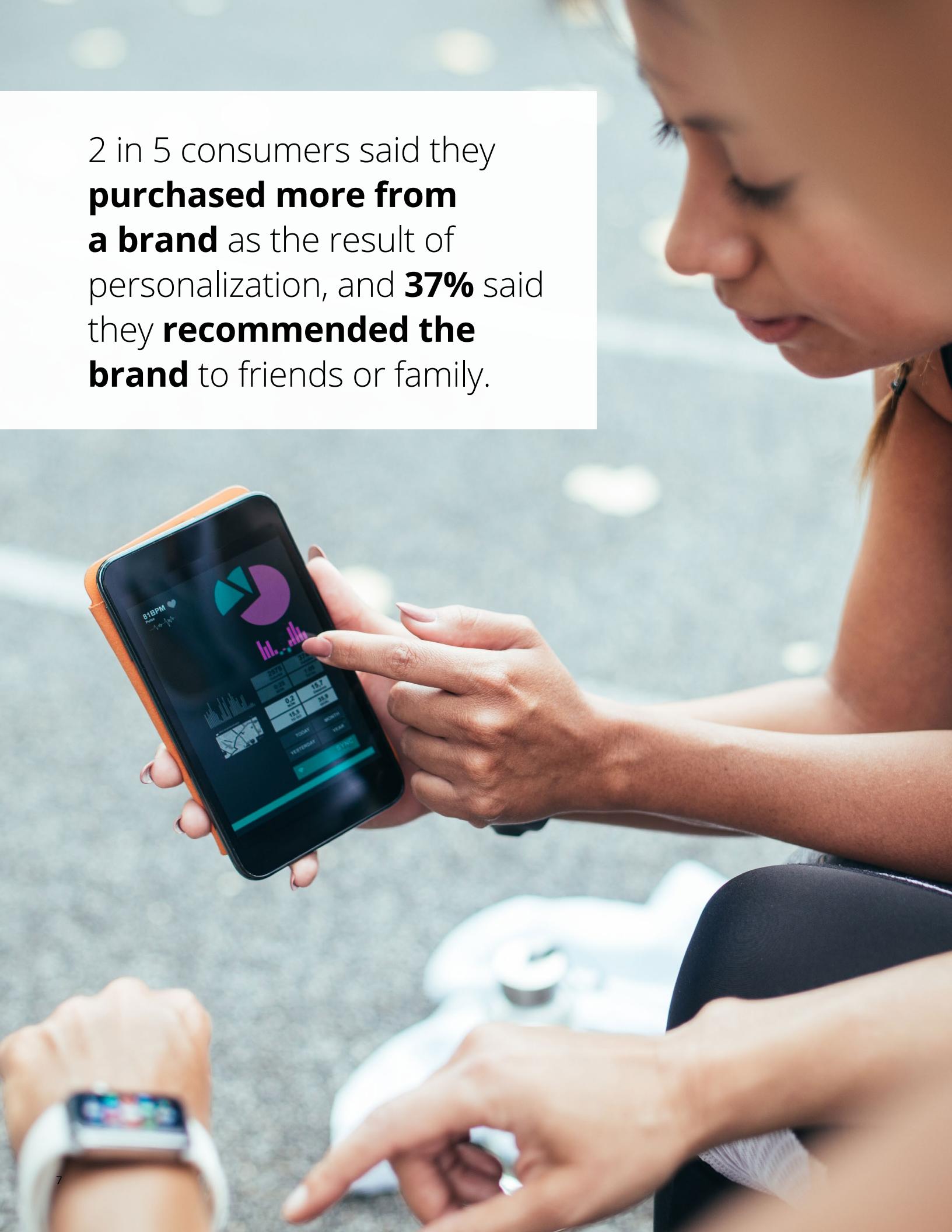
A week after her shipment arrives Brittany receives a notification on her phone about an in-app tool that allows her to take a photo of any item of clothing and receive recommendations for matching accessories. She tests the tool and adds a few items to her favorites.



6. RIGHT MOMENT:

Three months later Brittany receives an email that includes recommendations on how to adapt a dress she previously purchased for the fall and winter seasons by adding a new jacket and tights. She clicks through ... and continues her journey of deepening engagement.

2 in 5 consumers said they **purchased more from a brand** as the result of personalization, and **37%** said they **recommended the brand** to friends or family.



What's good for customers is great for your brand.

Our research shows that when personalized experiences are delivered by brands, customers reward them with greater value and frequency of purchases, durable loyalty and a willingness to recommend the brand to others.

These benefits are significantly more pronounced for personalization leaders—brands with strong capabilities in customer data management, AI and machine learning for prediction and dynamic optimization; real-time omnichannel engagement; and cross-functional collaboration. A strong majority of those companies reported improvements in customer loyalty, lifetime value, engagement, satisfaction and revenue per customer. By contrast, less than half of low-maturity companies reported those improvements from their personalization efforts. (See box below.)

And the degrees of the improvements themselves were significant. Companies with high personalization maturity reported nearly 2x the improvement in customer engagement, more than 1.5x the improvement in customer loyalty, and more than 1.5x the improvement in revenue per customer compared to brands with low personalization maturity.

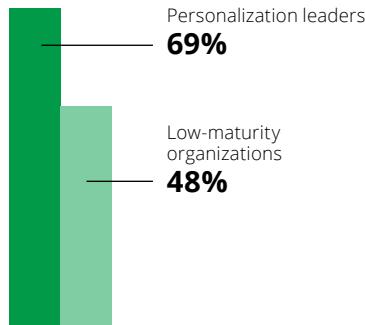
Consumers themselves reported that they not only prefer but also take action in response to personalization. For example, 2 in 3 consumers said that when they feel a brand experience is personalized it increases their overall satisfaction with the brand *significantly*; and, 2 in 5 consumers said that they purchased more products or services as a result of personalization. Nearly as many (37%) said they recommended a brand to friends or family as a result of personalization.

Young consumers in particular said they are likely to take action when experiences are personalized. Gen Z and millennial consumers are more likely to spend more time engaging on a brand's social channels or website, recommend the brand to friends and family, and spend more money with a brand that personalizes experiences.

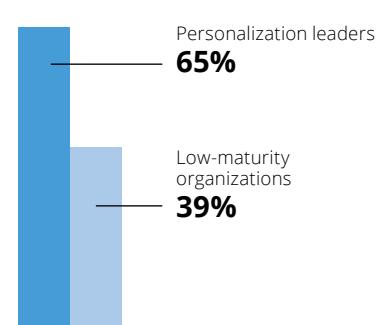
All of this adds up to accelerated growth for brands that personalize experiences effectively. Nearly half (47%) of personalization leaders exceeded their revenue goals in 2021—compared to just 24% of brands with low personalization maturity. And while only 4% of personalization leaders fell short of their goals, 16% of low-maturity brands—4x as many—came up short.

Brands that deliver personalized experiences are rewarded with greater value by their customers.

Improved customer loyalty or higher customer lifetime value



Increased customer engagement



Improved customer satisfaction or Net Promoter Score



Personalization leaders saw
a nearly **2x increase in**
customer engagement
compared to brands with low
personalization maturity.



Personalization in practice: Lessons from the leaders.

Our research found that personalization leaders are separating from the pack by focusing on what matters and delivering personalized, right-moment, right-message, right-channel experiences at scale.

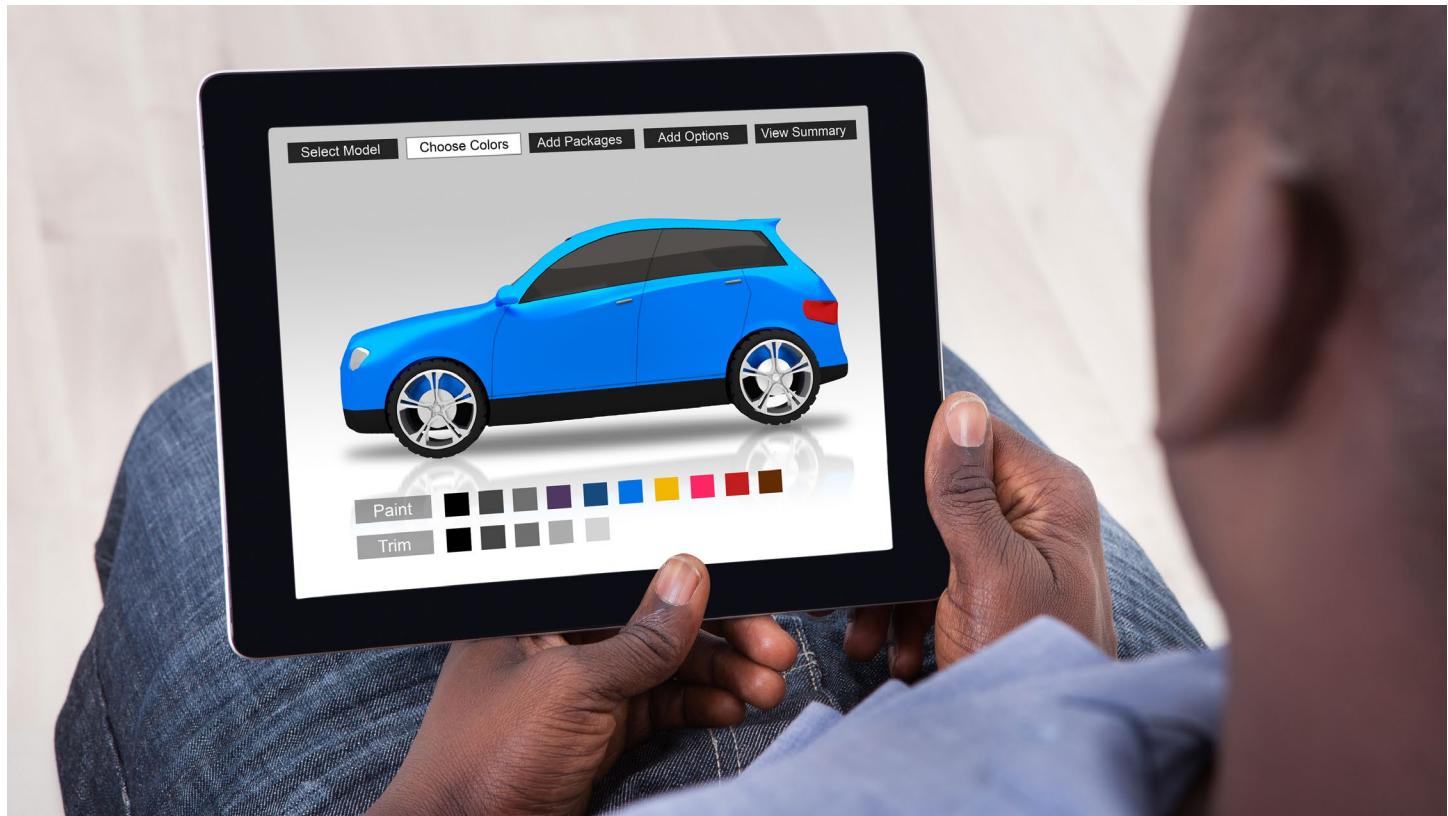
It all starts at the top—with strategy, leadership and budget aligned around personalized experiences. Forty-three percent of executives at brands with high personalization maturity said that personalization has a very significant impact on their overall customer strategy—compared to just 7% of leaders at brands with low personalization maturity. On average, personalization leaders reported spending 52% of their total marketing budgets on personalization—compared to 34% devoted to personalization by low-maturity companies. Companies with the highest percentage of marketing spend devoted to personalization

also reported the strongest culture of personalization driven by leadership and fundamental to the company's values.

These high-maturity companies are personalizing significantly more experiences across more channels, utilizing more advanced capabilities. For example, while most companies of all maturity levels are personalizing email, high-maturity companies are much more likely to personalize advertising in social media, display advertising, websites and in-app ads. To do so they're leveraging customer data, propensity-to-purchase models and real-time decisioning engines to show customers the messaging, offers and content that's most likely to drive engagement and action—sending one person a values-focused brand ad while sending another a time-sensitive offer for a special price on a favored product.

Personalization leaders are also much more likely than low-maturity companies to personalize the experiences that matter most to consumers, such as product delivery, the ability to tag or like a favorite item, and more.

Going forward, the gap in CX personalization maturity among brands is likely to grow wider. Personalization leaders reported they expect a 44% increase in marketing budgets devoted to personalization in 2022, compared to just an 11% increase for low-maturity companies. With that added budget leaders are growing their investments in advanced features including augmented and virtual reality (e.g., virtual try-ons), recognition of customers' emotions based on audio and visual cues, three-dimensional product images, and interactive product manuals.



All brands face challenges on the path to personalization.

The successes of today's personalization leaders come despite persistent gaps in skills and capabilities faced by all companies. In our research we found that **organizations of all maturity levels and industries struggle with the same talent challenges**—most notably shortages of people skilled in artificial intelligence, advanced analytics and visualization, software development and personalized content production. More than a third of companies reported gaps in at least one of these specific disciplines. And overall, 3 in 4 companies said they lacked the full range of in-house talent needed for effective experience personalization at scale.

Data accessibility and actionableability is also a challenge for most companies. When data isn't updated for a day or more, it makes real-time personalization essentially impossible. Many people have had the experience of buying something online—and then being chased across the open web by ads for that same product. Experiences that are out of sync with a customer's needs, preferences and context are likely to erode rather than build trust and loyalty.

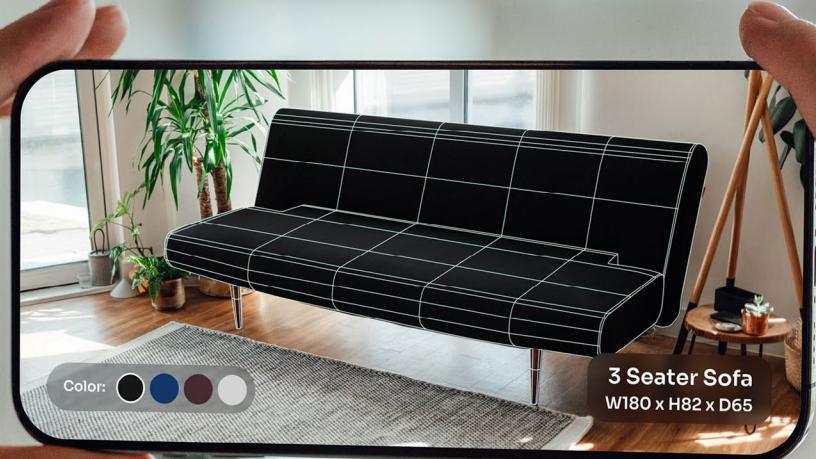
Personalization leaders aren't letting these challenges stand in their way. They're taming complexity through smart strategy, focused effort and targeted spend. They're focusing on the experiences that matter. And they're reaping significant rewards as a result.



74% of brands said they **lacked the full range of in-house skills and staff** needed for effective personalization.

82% of brands said they **experience data lags** in real-time interactions with customers.

Personalization leaders are **increasing budgets devoted to personalization 4x faster** than low-maturity companies, with a **focus on leading-edge capabilities** including augmented reality, virtual reality and facial recognition.



Success in the era of personalized brand experiences.

So what does it take for your brand to deliver personalized, human experiences? It's about looking beyond "the customer" to see real people and the real motives that drive them. It's about prioritizing trust and engagement over transactions and targeting. It's about fostering a culture of creativity and adaptability fueled by customer insights and framed by shared values. And it's about leveraging the best of humans *with* machines to deliver the most relevant messages and experiences, automatically.

None of that happens by accident. Today's leading brands are making smart investments and growing budgets in order to operationalize human experiences. They're strengthening governance, integrating teams and connecting a smart ecosystem of platforms, tools and partners to help ensure that they know their customers intuitively, predict their behaviors accurately, and serve their needs instantly while respecting personal boundaries around privacy.

That's a lot to get right. But brands are getting there. And in the process, they're getting ahead of the competition, building durable trust and authentic engagement that translates into sustainable growth.

Get in touch

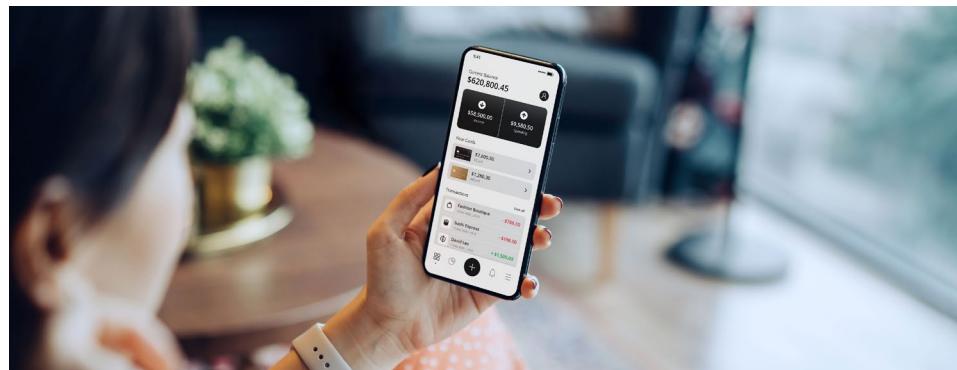
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Here are some questions to ask yourself as you accelerate your brand on the journey toward CX personalization mastery:

- Does everyone at your organization understand personalization and its potential revenue impact? If not, what information will best illustrate it for them?
- Which (if any) of your team's metrics goals are reliant on accelerating personalization?
- What is your action plan to create more meaningful connections and increase customer engagement?
- Where do your CX capability levels sit in terms of delivering real-time solutions for customers? In what ways will AI and machine learning enhancements make this easier for your team?
- How can different departments at your organization become more connected to deliver truly omnichannel, personalized experiences?
- After meeting with your colleagues, what quantitative and qualitative results of customer connection—and therefore personalization—do you agree are most meaningful for your brand's long-term growth and identity?



Methodology.

B2C leader survey:

Between February 1 to March 15, 2022, we conducted a blind survey of 600 leaders responsible for personalizing the customer experience at US-based business-to-consumer companies with 500 or more employees.

Respondents by industry:

Automotive: 8%
 Banking and Financial Services: 8%
 Consumer Goods: 9%
 Education: 4%
 Energy and Utilities: 1%
 Health Care: 8%
 Hospitality: 8%
 Insurance: 2%
 Life Sciences (medical device, pharmaceutical): 1%
 Media, Entertainment and Publishing: 9%
 Professional and Technical Services: 10%
 Retail: 8%
 Recreation and Sports: 1%
 Technology (hardware, software): 8%
 Telecommunications: 2%
 Transportation: 3%
 Travel: 9%

Respondents by primary sale model:

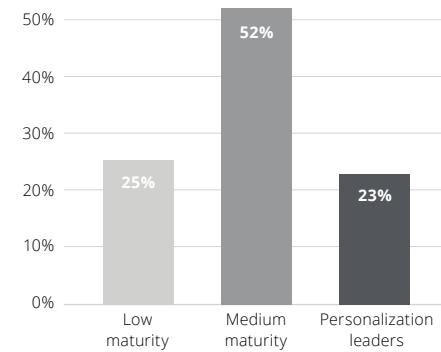
Bricks-and-mortar locations: 12%
 Direct to consumer: E-commerce (website owned and operated by your organization): 64%
 Direct to consumer: Social commerce: 10%
 Direct to consumer: Other: 2%
 Direct salesforce: 3%
 Third-party marketplaces: 10%

A maturity model was developed based on survey findings, quantifying a company's personalization capabilities based on four key categories:

- Data capabilities
- Automation and real-time decisioning
- Delivery
- Organization

Maturity breakdown:

Personalization maturity model



Consumer survey:

Between February 2 to March 15, 2022, we conducted a blind survey of 1,000 consumers age 18 and older who had engaged digitally with a consumer brand and had purchased a product or service from a brand online or using a mobile app in the past 60 days.

Respondents by generation:

Gen Z: 11%
 Millennial: 32%
 Gen X: 24%
 Boomer: 30%
 Silent: 3%

Respondents by gender identity:

Female: 51%
 Male: 48%
 Nonbinary or other: 1%

Respondents by race / ethnicity:

White: 75%
 Black: 10%
 Hispanic or Latino: 8%
 Asian: 3%
 American Indian or Alaskan Native: 1%
 Native Hawaiian or Pacific Islander: 0%
 Other: 1%
 Two or more races: 2%
 Prefer not to answer: 0%

Sources

1. B. Joseph Pine II and James H. Gilmore, "Welcome to the Experience Economy," Harvard Business Review, July 1998, <https://hbr.org/1998/07/welcome-to-the-experience-economy>.

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