INCISIV

Industry Perspectives

Failure to Scale: The State of Personalisation in Retail and Travel

IN PARTNERSHIP WITH

Adobe

August 2021

Research Overview:

Adobe commissioned Incisiv to assess the state of personalisation in the Retail and Travel industries across North America, Europe and APAC. The analysis was conducted between May 2021 - June 2021.

611

Total no. of respondents

50% North America

25% Europe

25% APAC

76%

Respondents were Director and above

45% VP and above

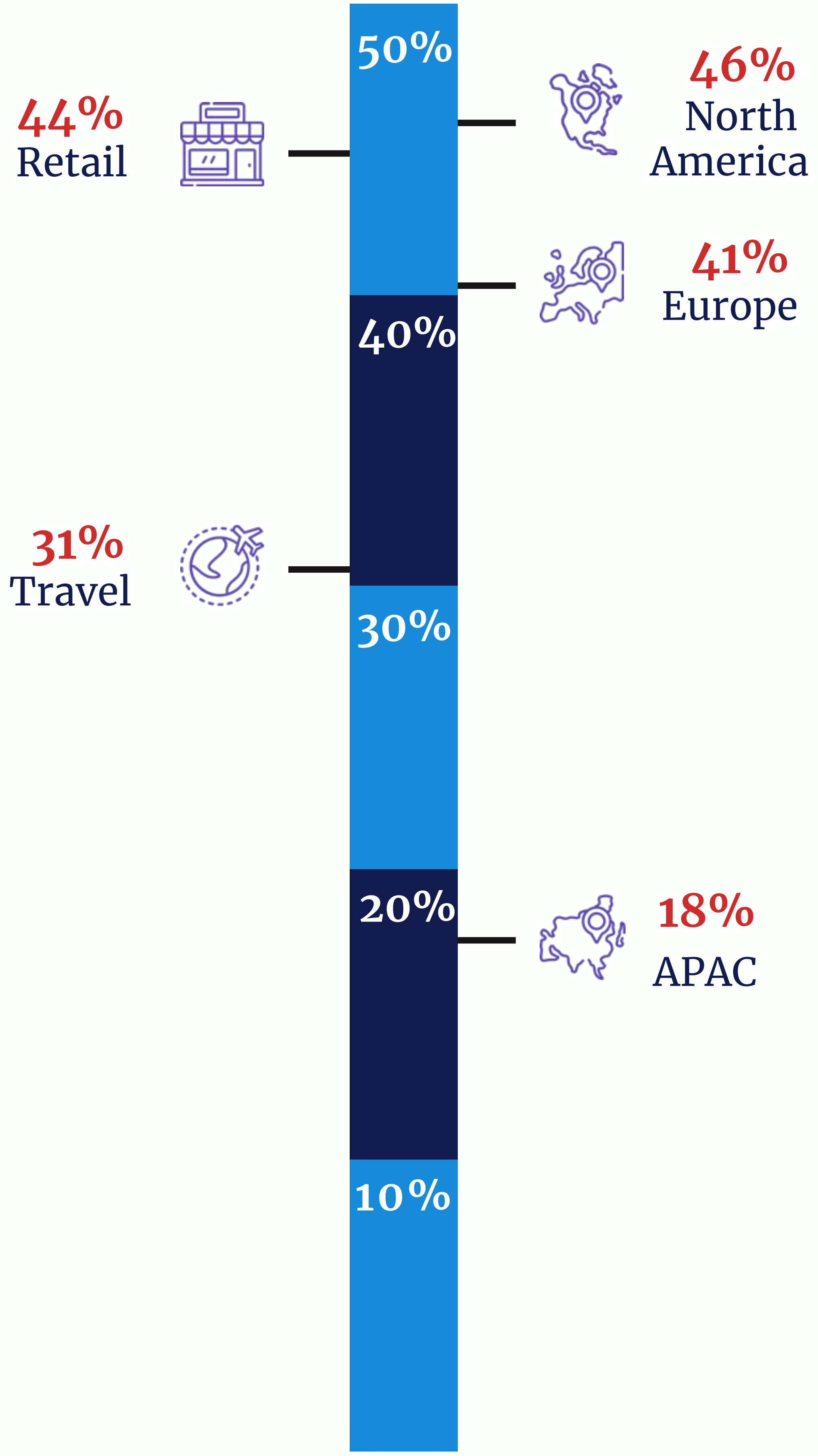
31% Directors

34%

Respondents represent companies with over $1 Billion in revenue

Unless stated otherwise, all data cited in this summary is from the Incisiv - Adobe Personalisation Study

% of firms that personalise more than half of the shopper journey



Source: Incisiv - Adobe | Personalisation Study

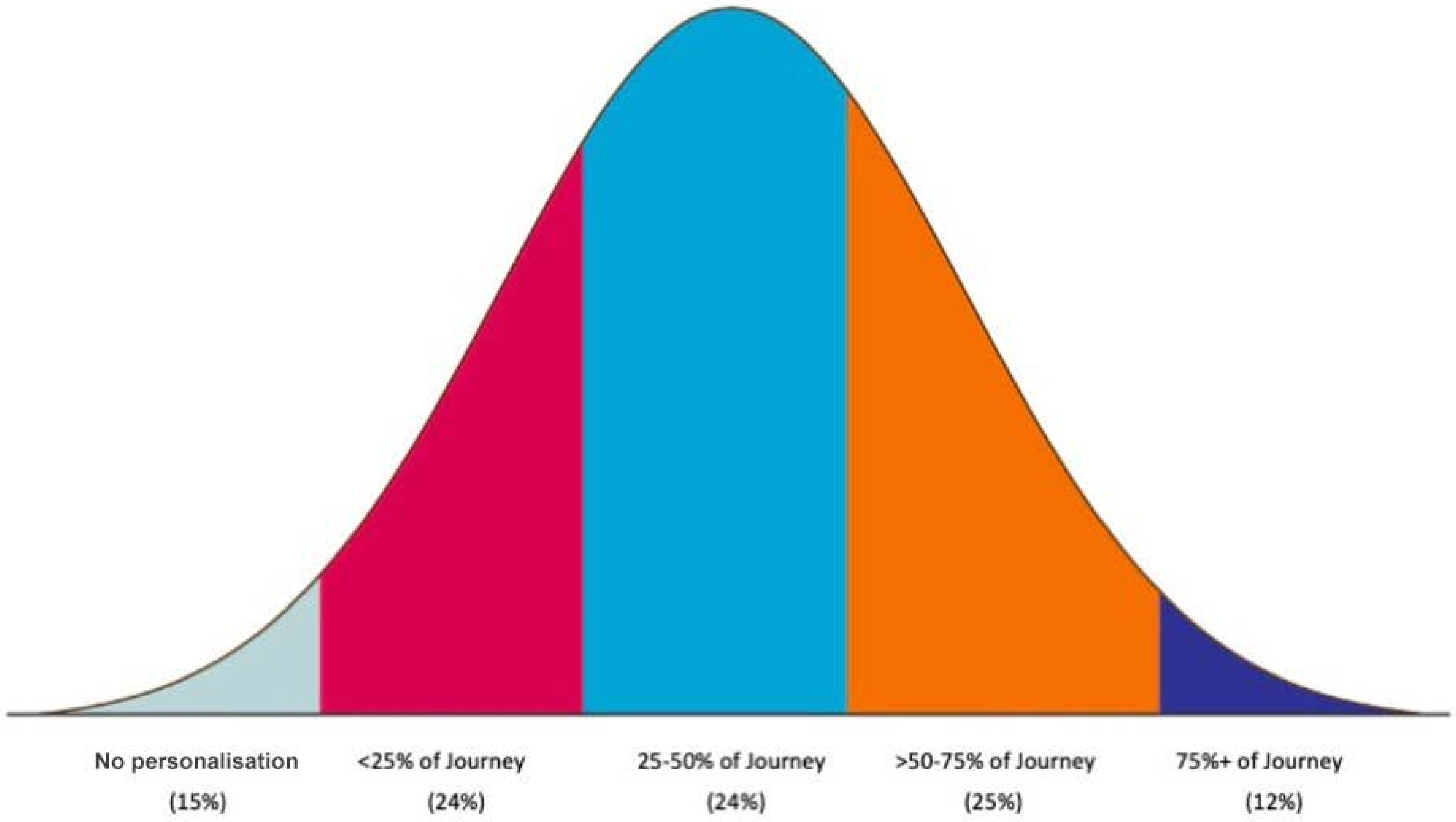
Personalisation maturity is low across the board, as firms struggle to scale their efforts.

Only 37% of firms personalise more than half of their shopper journey.

Personalising the shopper journey is an essential component for competing in the age of the 'what I want when I want it' consumer. Despite being the stated strategic goal of most, few have actually come close to achieving it. On average less than half of the entire shopper journey is personalised.

It's not that firms haven't made any progress, only about 15% of firms have no personalisation efforts, but the challenge seems to be that most haven't been able to scale their efforts beyond half of the shopping journey. With increasing competition, the fight for the shopper basket will only intensify, and **what's good enough today won't be good enough tomorrow.**

Personalisation Maturity Curve: What % of the shopper journey is personalised?



Travel: Strategy at a glance.

Technology

67%
of travel firms believe they don't have the technology to support their personalisation strategy

Strategy

76%
of travel firms believe they don't have a clear personalisation strategy

Organisation

68%
of travel firms don't have a single executive responsible for personalisation

Process

71%
of firms believe they don't have a feedback loop for their personalisation strategy

Source: Incisiv - Adobe | Personalisation Study

Retail: Strategy at a glance.

Technology

58%
of retailers believe they don't have the technology to support their personalisation strategy

Strategy

67%
of retailers believe they don't have a clear personalisation strategy

Organisation

55%
of retailers don't have a single executive responsible for personalisation

Process

59%
of firms believe they don't have a feedback loop for their personalisation strategy

Personalisation efforts are focused on the 'commerce' phase of the shopper journey.

Customer retention is the least personalised phase of the shopper journey.

Personalisation efforts are concentrated towards the bottom of the funnel when consumers get ready to make a transaction. This focus is understandable; firms are focusing their investment on where the impact is clear, but there are two crucial gaps worth discussing.

The first is top-of-the-funnel activity; spending limited marketing budget on generic messages and offers is a colossal waste of money; the clickthroughs aren't high, and with increasing CPMs, neither is the ROI. But, the biggest and most surprising miss is retention. Not only is acquiring a new customer significantly more difficult and expensive, but firms know the consumer that's transacted with them before. It's critical to sharpen focus on retention because it is high impact and the best bet to drive up customer lifetime value.

% of firms that personalise more than half of the shopper journey

Retail	Firms %
Awareness	33%
Discovery	34%
Research	54%
Purchase	52%
Retain	31%

Travel	Firms %
Discover	40%
Shop	43%
Book	47%
Experience	26%
Retain	19%

Dining	Firms %
Awareness	14%
Consideration	15%
Purchase	7%
Service	4%
Retain	15%

Source: Incisiv - Adobe | Personalisation Study

59%
of firms offer no or basic personalisation on their website

56%
of firms offer no or basic personalisation on their mobile app

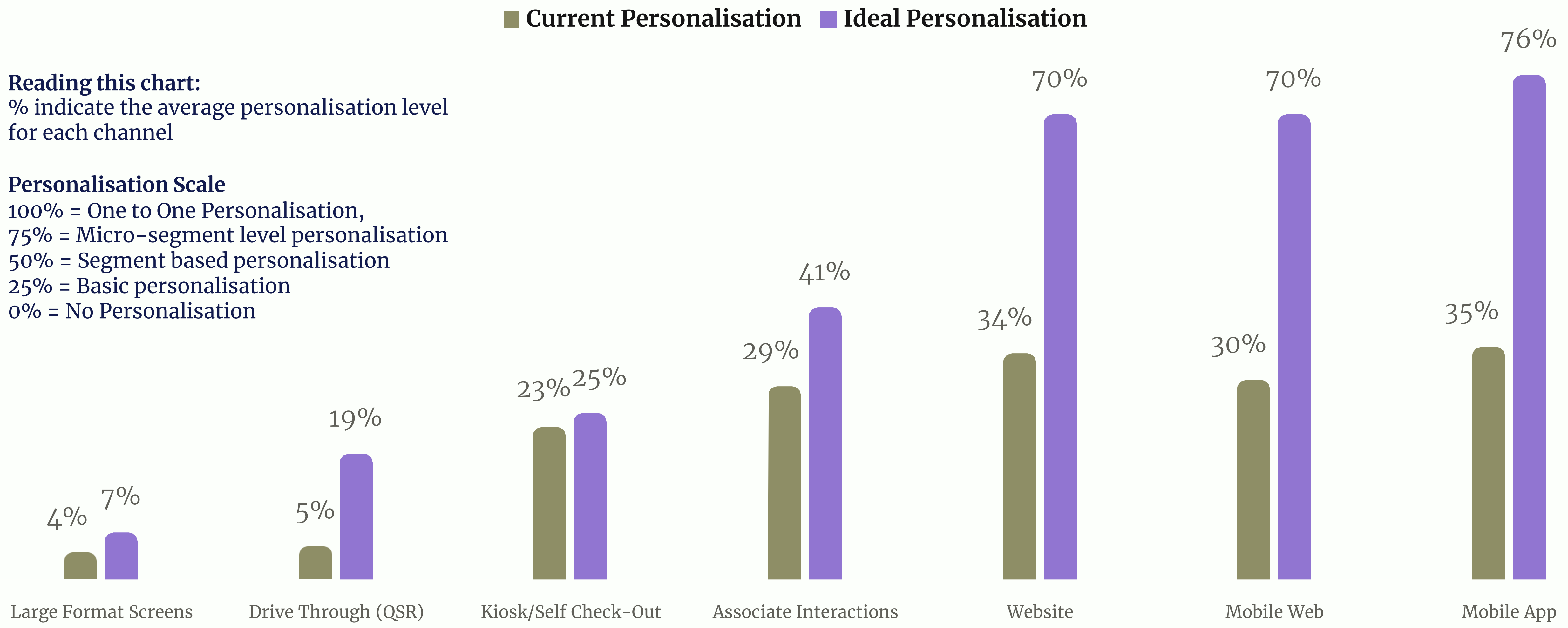
70%
of firms believe the ideal website personalisation level is at a micro-segment level or one to one

There is significant gap between the current and ideal level of personalisation across touchpoints.

Firms want to personalise more than 70% of the digital shopper journey.

We looked at the depth of personalisation across shopper channels to understand the level of maturity and attention dedicated to various consumer touchpoints. We analysed the depth of personalisation by looking at four stages of maturity - Basic Personalisation, Segment Based, Micro Segment Based and One to One.

The overall level of personalisation is zero or basic, and no channel has evolved to even a segment level. This may be understandable for in-store/property or mass channels where it isn't easy to recognise and personalise the shopper experience. But it's surprising to see digital channels, especially the mobile app, languish around the 35% mark. The future outlook is aggressive, with firms ideally wanting to be at the microsegment level across all digital channels.



Source: Incisiv - Adobe | Personalisation Study

60%
of firms don't do any kind of customer segmentation for their product recommendations

65%
of firms don't do any segmentation for their marketing emails

Only 3%
of QSR firms personalise their menu recommendations

Personalisation Scale
100% = One to One Personalisation,
75% = Microsegment, level personalisation
50% = Segment based personalisation
25% = Basic personalisation
0% = No Personalisation

Source: Incisiv - Adobe | Personalisation Study

Personalisation use cases offer the clearest indication of where firms see value.

Looking across use cases to see where firms see an impact, a few things stand out:

- The importance of human recommendation is rated the most important use case unanimously across formats and markets.
- There are four use cases (Site Search, Marketing Emails, Product Recommendations, Banner Ads) where firms prefer a one-to-one personalised experience.
- The highest gap between the current and ideal state is in the Quick Service Restaurant (QSR) industry (Menu recommendations); the rise in off-premise ordering and drive-through ordering are the main catalysts for this.

	Importance Score (1-100)	Personalisation Level (Current)	Personalisation Level (Ideal)
Associate Recommendations	**93%**	21%	55%
Search Engine Results	**88%**	21%	57%
Product Recommendations	**86%**	32%	**79%**
Banner Advertisements (Owned Channels)	**86%**	28%	72%
Internal Search Results	82%	30%	**85%**
Banner Advertisements (External Sites)	79%	22%	49%
Room Upgrades (Travel Only)	79%	43%	71%
Social Media Advertising	77%	29%	46%
Marketing Emails	75%	32%	**77%**
Menu Recommendations	72%	6%	68%

Rank	Top Challenges (Overall)
No. 1	Inability to build business case / ROI
No. 2	Siloed data / Inability to integrate data
No. 3	Limited in-house resources
No. 4	Scaling personalisation across channels
No. 5	Inability to act quickly on reccomendations

89%
don't have a unified view of their personalisation performance

79%
haven't aligned incentives to enable personalisation

Source: Incisiv - Adobe | Personalisation Study

What prevents personalisation at scale?

The No. 1 challenge in scaling personalisation is proving the ROI.

It's evident that firms have a clear desire to improve their personalisation maturity, but this intention has not currently translated to execution. There are several reasons firms struggle to improve their maturity, the most common being a lacking business case. While most firms believe that personalisation offers significant benefits, the inability to prove that with hard data remains an issue. This is especially true when firms try to build business cases to achieve one-to-one personalisation. The inability to integrate disparate sources of data and lack of in-house resources round up the Top 3 reasons. The data challenges (veracity, integration, actionability) are the leading inhibitors of execution and proving ROI.

While the above reasons prevent firms from scaling, it's poor incentives and processes that kill personalisation programmes. Like all transformation efforts, personalisation fails to work without the proper resources and executive alignment supporting the initiative.

10x

improvement in conversion when moving from Basic Personalisation to One to One

9x

improvement in Average order Value when moving from Basic Personalisation to One to One

8x

improvement in revenue per visitor when moving from Basic Personalisation to One to One

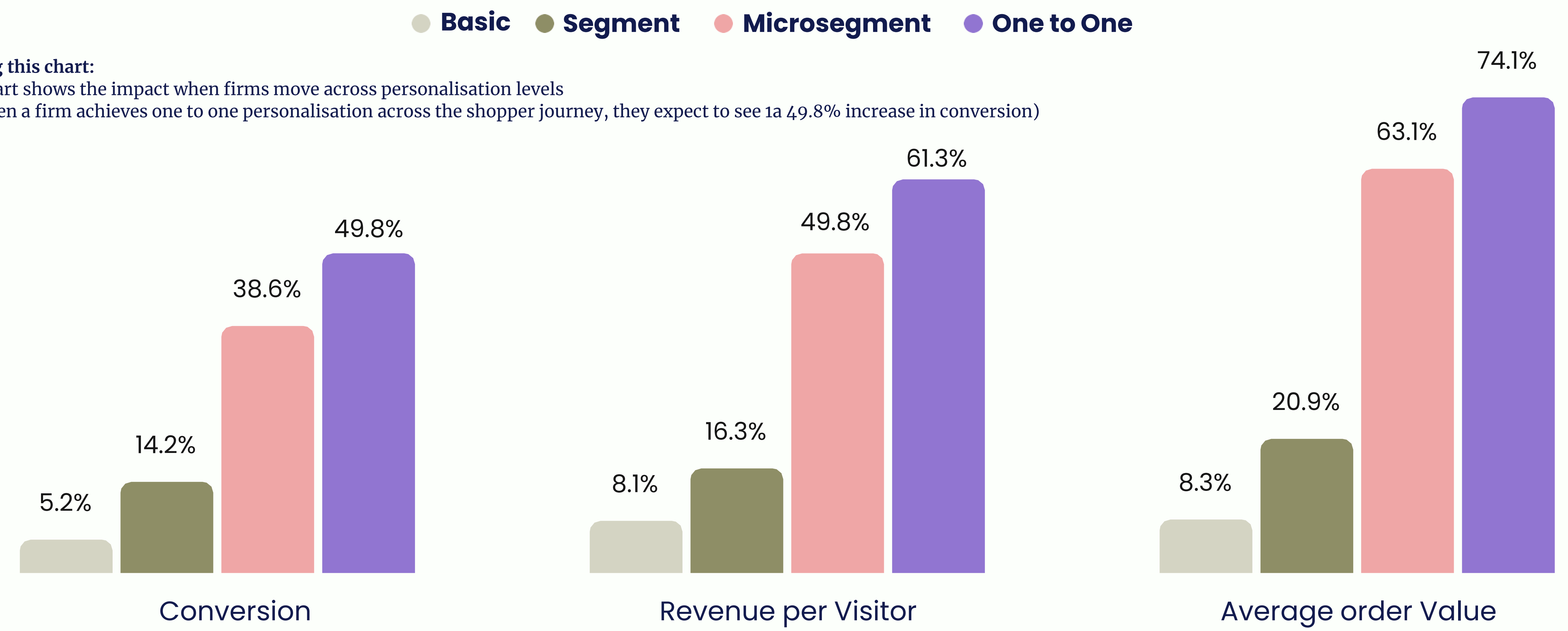
Source: Incisiv - Adobe | Personalisation Study

Moving up the personalisation maturity curve can deliver exponential revenue impact.

Micro-segmentation across the shopper journey can double revenue: A $50 million business with 3% conversion can reach $113 million.

An interesting dichotomy is at play here. While building the business case is the No. 1 roadblock to scaling personalisation, executives believe that there is a significant benefit to improving personalisation maturity. Moving up the personalisation curve (Basic -> Segment -> Micro-segment -> One-to-One) delivers exponential impact at every stage.

It's most impactful (3x) when moving from segmentation to micro-segmentation and surprisingly least impactful (1.2x) when moving from micro-segmentation to one-to-one. This less than stellar increase when moving to one-to-one raises an important point. While executives see a significant benefit to improving personalisation, the incremental improvement between micro-segmentation and one-to-one personalisation isn't as clear to executives.



Reading this chart:
This chart shows the impact when firms move across personalisation levels
(e.g When a firm achieves one to one personalisation across the shopper journey, they expect to see 1a 49.8% increase in conversion)

Most Important Technology Capabilities (Top 3)	Retail (Rank)	Travel (Rank)
Having a unified customer profile	No. 1	No. 1
eCommerce personalisation software	No. 2	No. 3
Website and mobile app personalisation	No. 3	No. 2

Only 1%

of firms have a unified customer profile

Only 3%

of firms allow real-time access to any customer profile

Source: Incisiv - Adobe | Personalisation Study

Improving maturity requires upgrading the data and technology infrastructure.

Firms can't improve their personalisation maturity without upgrading their core infrastructure. The three core elements at the heart of the personalisation infrastructure are data, content and delivery technology.

Data is foundational; it's impossible to understand, much less personalise the consumer experience without the right data. It's no surprise that the most critical capability rated by executives is a unified customer profile, yet it's the hardest to achieve. Delivery platforms are the engines that drive execution but still remain a lower investment priority.

The element currently driving investment and scale is content. Challenges in content management hit firms hardest when scaling their programmes. This is why a robust digital asset management software is fundamental. For retail formats like Apparel with more creative assets, automating and improving digital asset delivery becomes key. Both of these have the most significant planned upgrade over the next 24 months.

Best of the Best: Retail

Who are they? How are they different?

Retail Leaders: Format Split

31%
Apparel

23%
General Merchandise

17%
Consumer Electronics

17%
Home Furnishing

6%
Grocery

6%
Health and Personal Care

Continuous Improvement

100%

of retailer leaders have a feedback loop to improve personalisation

Defined Roadmap

90%

of retail leaders have a clearly defined personalisation strategy and roadmap

Clear Ownership

100%

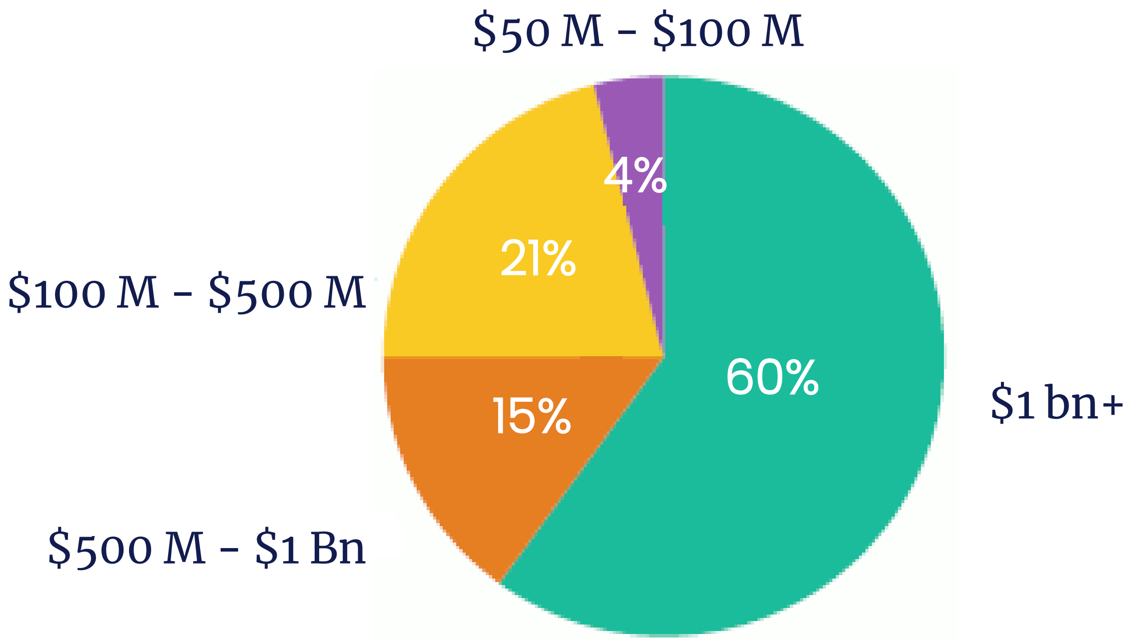
of retail leaders have a single executive responsible for personalisation

16%

of retailers are leaders

(Personalise 75%+ of the shopper journey)

Retail Leaders: Revenue Mix



6x

more retail leaders have a Personalisation Centre of Excellence (CoE) compared to the overall retail industry

81%

of retail leaders have a unified view of personalisation

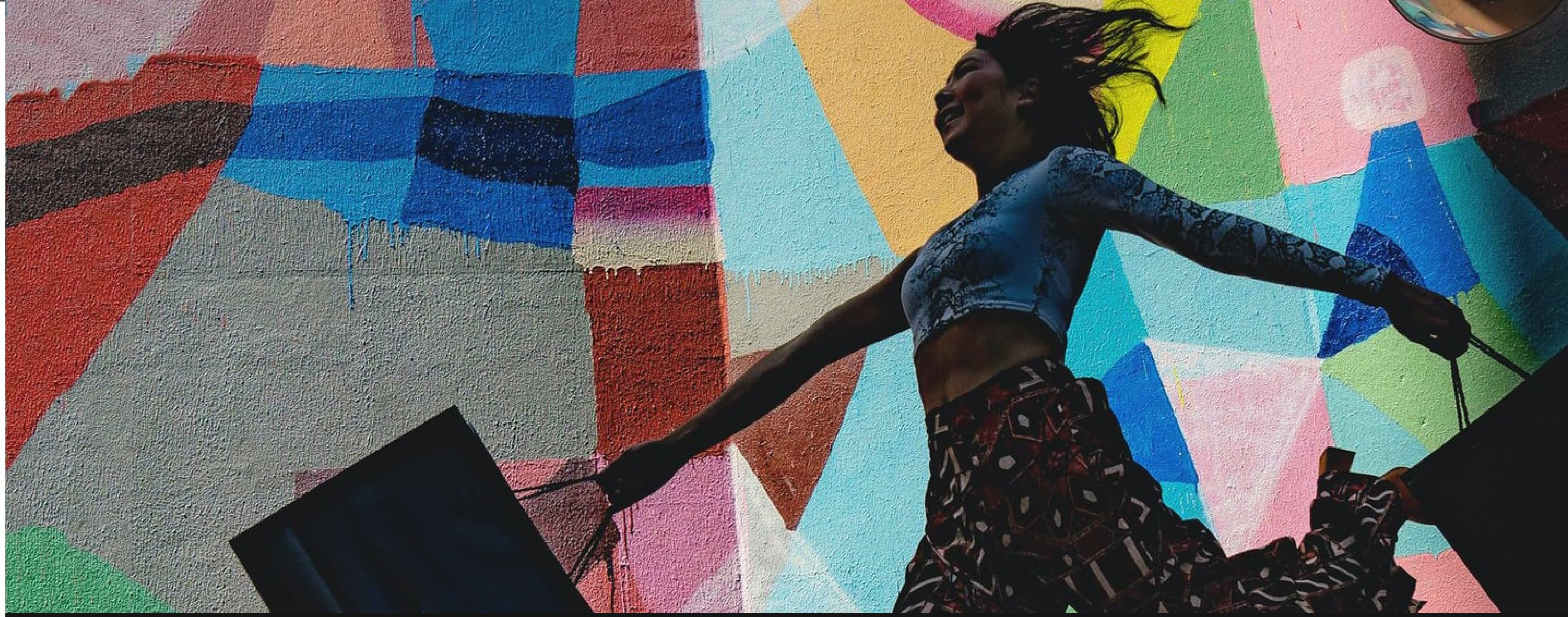
92%

of retail leaders have a personalisation engine

#1 Scaling Personalisation (72%)

is the number one challenge of retail leaders

Source: Incisiv - Adobe | Personalisation Study



Lessons from leaders: Retail

16% of retailers personalise more than 75% of the shopper journey

"There is no silver bullet, we've been at it for a decade, and we are still learning. And it's so competitive; we have to continuously invest in upgrading our tools, analytics and so on. All I know is that I can't take my foot off the gas."
VP, Digital
(General Merchandise Retail, US)

"There is only one north star; it's the shopper. Our ability to understand her is paramount and it follows that understanding her behaviour across various touchpoints, not in the least our stores, is a necessity."
VP, Marketing
(Apparel Retailer, Europe)

"Our big personalisation bet? It's AI, no two ways about it. We've got our data in one place, which was very hard, by the way, and it (AI) sits on top of that. Without using AI, you can't really scale."
VP, Technology
(Specialty Retail, US)

Travel Leaders: Industry Mix

46%
Online Travel Agents

15%
Airline

15%
Economy Sharing

12%
Car Sharing

8%
Hotel & Lodging

4%
Quick Service Restaurant

Best of the Best: Travel

Who are they? How are they different?

Continuous Improvement

100%

of travel leaders have a feedback loop to improve personalisation

Defined Roadmap

100%

of travel leaders have a clearly defined personalisation strategy and roadmap

Clear Ownership

95%

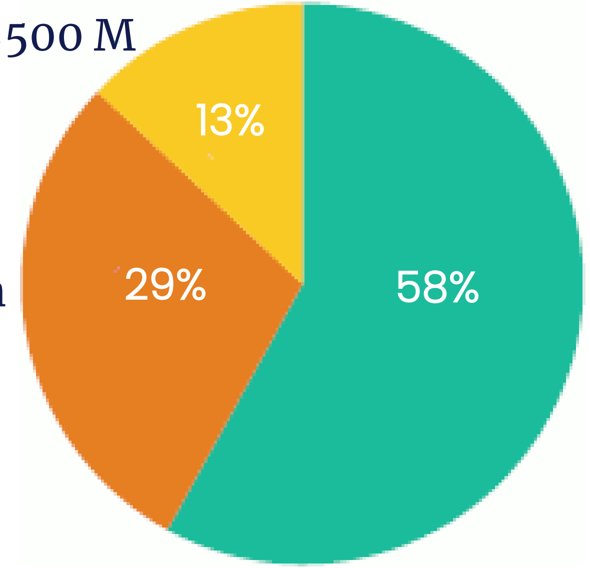
of travel leaders have a single executive responsible for personalisation

9%

of travel firms are leaders

(Personalise 75%+ of the shopper journey)

Travel Leaders: Revenue Mix



8x

more travel leaders have a Personalisation Centre of Excellence (CoE) compared to the overall travel industry

69%

of travel leaders have a unified view of personalisation

100%

of travel leaders have a personalisation engine

#1 Integrating Data (85%)

is the number one challenge of travel leaders

Source: Incisiv - Adobe | Personalisation Study

Lessons from leaders: Travel

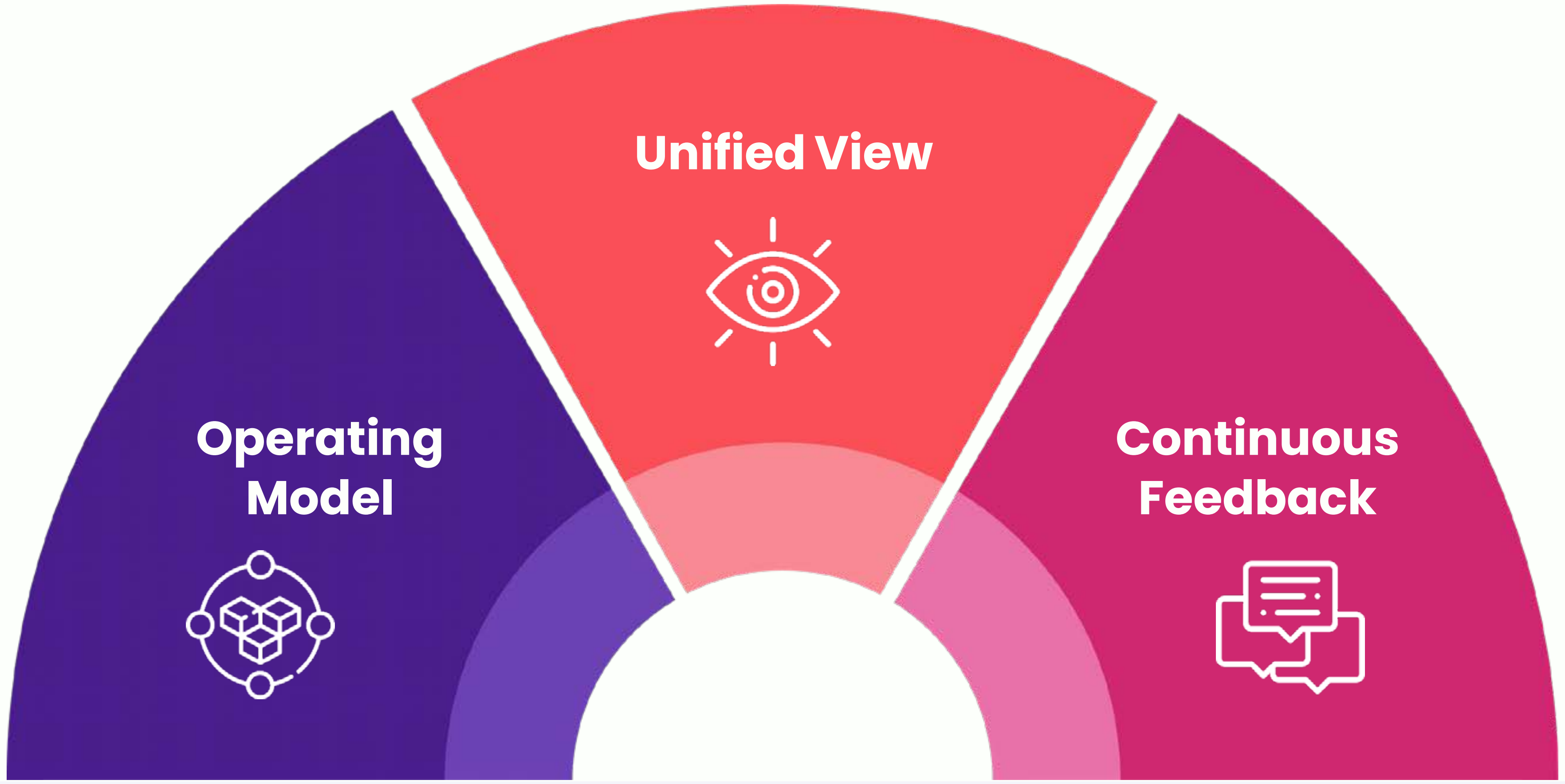
9% of travel firms personalise more than 75% of the shopper journey

"We can't wait for someone to land on our site; we have to go up the funnel. We have to target and personalise where they are on social media and so on. We need to get to them before they display an express intent to buy."
VP, Digital
(Online Travel Agency, US)

"Look, we are in the business of guest service, and it will become even more important after the pandemic. Where will guests stay? They will stay where they feel safe and taken care of. So, personalisation has to be a part of the entire visit, the entire experience. That's how you build loyalty. That's how you build advocates."
VP, Marketing
(Hotel & Lodging, Europe)

"Personalisation isn't always about selling something. We are trying to take friction out of the flyer experience by personalising information in the context of the flyer - their trip, their past behaviour and so on. Doing this requires building a strong data (architecture and integration) foundation."
VP, Technology
(Airline, US)

Personalisation at scale is a journey and moving up the maturity curve requires a sharp focus on these three pillars.



Operating Model

Personalisation leaders have established the following best practices in building their operating model to support personalisation.

- Single executive responsible for personalisation
- Clear communication by the executive team
- Strong alignment of performance incentives
- Building specialisation by creating a Centre Of Excellence (CoE) or by establishing subject matter experts (SMEs) in all departments

Unified View

Having a unified view of the shopper (across channels) and digital assets is foundational in a firm's ability to personalise the moments of truth.

- Building a single view of customer
- Allowing real-time access to customer profile
- Integrating data and digital assets
- Having a unified view of performance
- Ability to personalise 'at the moment of truth'.

Continuous Feedback

Improving personalisation maturity means having a solid process measure performance, incorporating feedback and tracking external trends and benchmarks.

- Strong business case rigour
- Establishing Precise measures of success/KPIs
- Continuous A/B Testing
- Process to incorporate external earnings
- New use case discovery and prioritisation

Julie Hoffmann
Global Head of Industry Strategy & Marketing
Travel & Hospitality, Adobe

The outstanding question remains, ‘Are Travel & Hospitality brands ready for higher levels of personalisation?’. Although 1:1 is the north star, the highest net lift is through micro-segmentation.

Fragmented systems and teams are the biggest blockers to this next stage of maturity. From Adobe’s 2021 Digital Trends in Travel report, 73% of brands agree they operate in silos that impact scalability. Moving to that next stage of maturity, from segment to micro-segmentation, requires an executive sponsor to unify both the tech and the processes. Personalisation is a cross-company function with an underpinning of revenue management. The brands with executive leadership have a unified view on the business, more agile teams and see more success.

Net/net, travel can look towards retail’s progression in strategy, tech and process as a recipe for success.

Michael Klein
Global Director, Industry Strategy & Marketing
Retail, Travel & Consumer Goods, Adobe

Retailers often speak about the holy grail of one-to-one personalisation. While this is an admirable goal, our research indicates that you do not need to rev the ‘Personalisation Engine’ from zero to a hundred to reap the rewards of implementing a personalisation programme.

Building the foundation of strategy, communication, accountability, content management and unified data is the fundamental focus of those deemed “Leaders” of personalisation. Without these disciplines in place, retailers will continue to struggle to build a business case for Personalisation at Scale. Consumers are expecting retailers to engage them in a respectful, personalised shopping experience.

Anything short of that will surely put you at a disadvantage amongst your competitors.

Source: Incisiv - Adobe | Personalisation Study

Authors

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Michael is responsible for Adobe's point-of-view and messaging in the commerce verticals, and works with Adobe's global commerce clients to help them develop best-in-class digital marketing strategies.

His vast experience includes over 25 years as a Senior Merchant and Marketer for multiple brands including William-Sonoma, Harry & David, Discovery Channel Stores, eLuxury.com (LVMH Group) and wine.com. Michael is an active member of the NRF Digital Council and the Global Retail Marketing Association.

Julie Hoffmann
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Julie is a customer experience advocate and thought leader with 20+ years as a data-driven marketer focused on eCommerce and customer experience management for Fortune 500 companies in both Travel and CPG verticals.

She's led numerous teams and organisations through digital transformations and developed strategies around change management to enable teams and empower individuals.

Gaurav Pant
Chief Insights Oficer
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Gaurav Pant, Co-Founder & Chief Insights Officer at Incisiv, is a leading digital transformation expert focused on the consumer industries of retail, consumer products, lodging and restaurants.

He brings a unique perspective to digital transformation by combining customer experience expertise with a strong focus on operational excellence. Gaurav is a frequent speaker at industry forums and is an active investor in early-stage consumer industry start-ups.

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ABOUT INCISIV

Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption.

Incisiv offers curated executive learning, digital maturity benchmarks and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

incisiv.com

ABOUT ADOBE

We empower everyone to create impactful digital experiences. For decades, our creative products have helped our customers build the world's best brands. But there's more to customer experience than a well-designed app, ad or webpage.

Our comprehensive portfolio of customer experience products and services helps businesses put every customer interaction in context, understand what each customer needs right now and then quickly design and deliver digital experiences that build customer loyalty and drive business success.

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Personalisation at scale

Want to learn how your business can achieve personalisation at scale? Discover the tools you need to succeed at every step of the customer journey:

Content management

https://business.adobe.com/uk/solutions/content-management.html

Data insights & audiences

https://business.adobe.com/uk/solutions/data-insights-audiences.html

Customer journeys

https://business.adobe.com/uk/solutions/customer-journeys.html