INCISIV

Industry Perspectives

Looking Closer at Retail Personalisation: A Report on Region and Sub-industry

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Adobe

February 2022

Research Overview:

In *Failure to Scale: The State of Personalisation in Retail & Travel*, Adobe commissioned Incisiv to assess the state of personalisation across North America, Europe and APAC. As a continuation of that research, this report takes an in-depth look at retail personalisation across geographic regions and highlights key differences between industry formats.

308

Number of retail respondents

50% **North America**

25% **Europe**

25% **APAC**

75

Respondents director level and above

43% **VP and above**

32% **Directors**

36%

Respondents from companies with over $1 billion in revenue

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

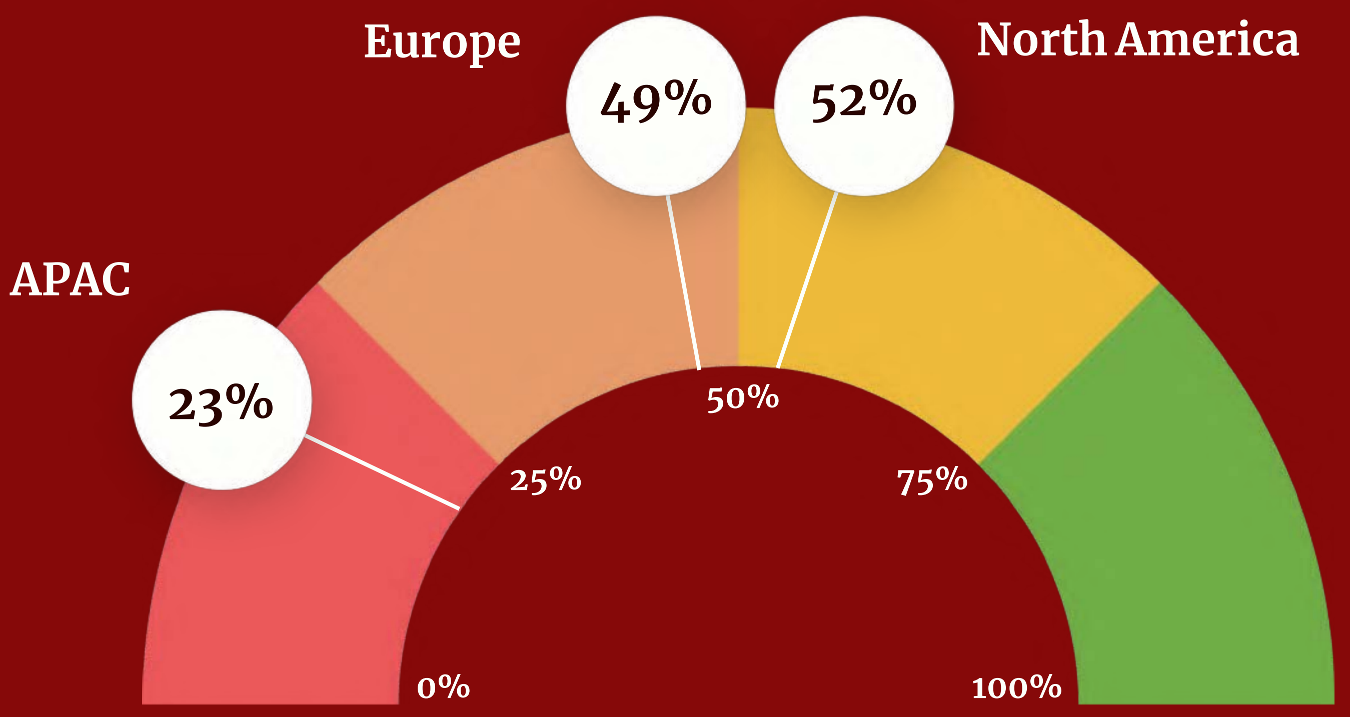
Notes:
Speciality retail referenced in the format cut encompasses vertical retailers (e.g. Sporting Goods, Electronics, Home Furnishings, Home Improvement, etc.).
North American respondents are from USA and Canada. European respondents are from U.K, France and Germany. Asian respondents are from Australia, New Zealand and India.

Chapter 1

Market Overview

Personalisation maturity is low across markets. The gap between APAC and other regions is 2x.

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



Retail's overall personalisation maturity is on the lower end of the spectrum. On average, 56% of all global retailers don't personalise more than half of their shopper journey. However, as the share of digital commerce has grown over the last few years, we've witnessed maturity levels trend upwards.

Looking across markets, we see that retailers in North America and Europe are significantly more mature (2x) than those in APAC. The adoption and maturity level in APAC, while low, has been rising at a faster rate than in Western markets, and APAC has made great strides with personalisation on mobile devices.

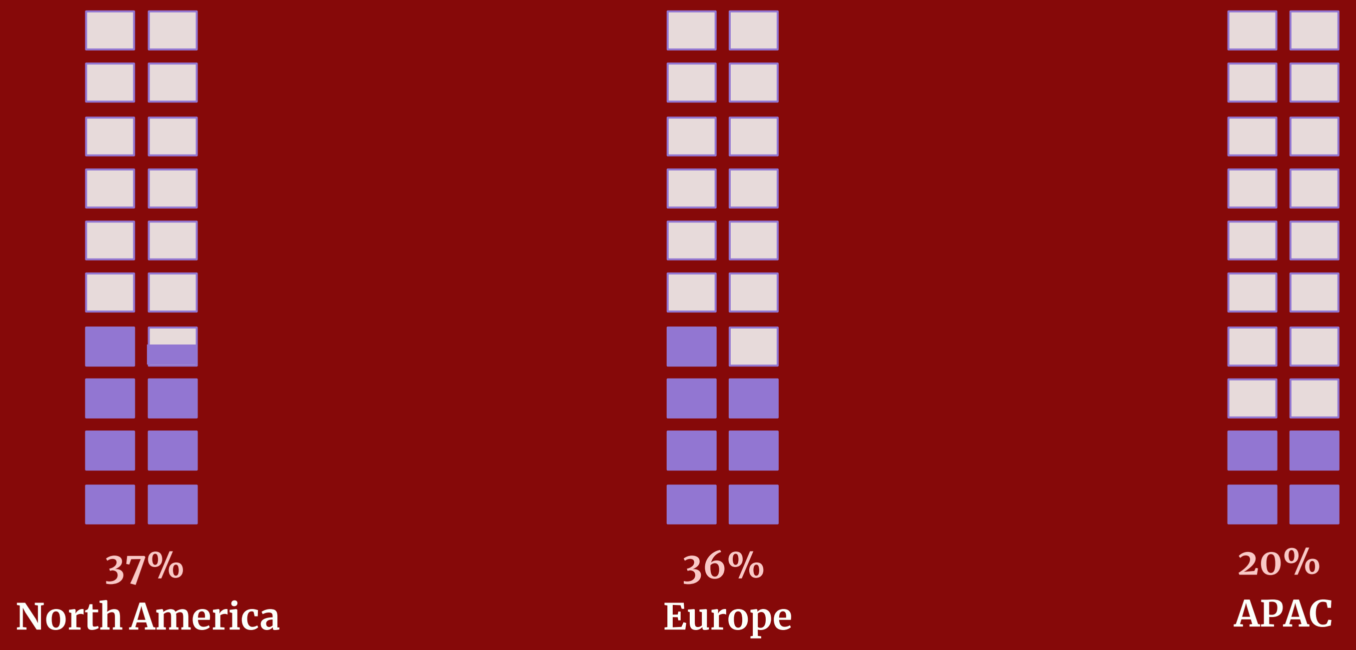
Source: Incisiv - Adobe | Personalisation Study

Notes:
North American respondents are from the U.S. and Canada. European respondents are from the U.K., France and Germany. APAC respondents are from Australia, New Zealand and India.

Strategy

Fewer than half of all retailers have a clear and detailed personalisation strategy. The maturity of Western markets is 1.8x higher than the maturity of markets in APAC.

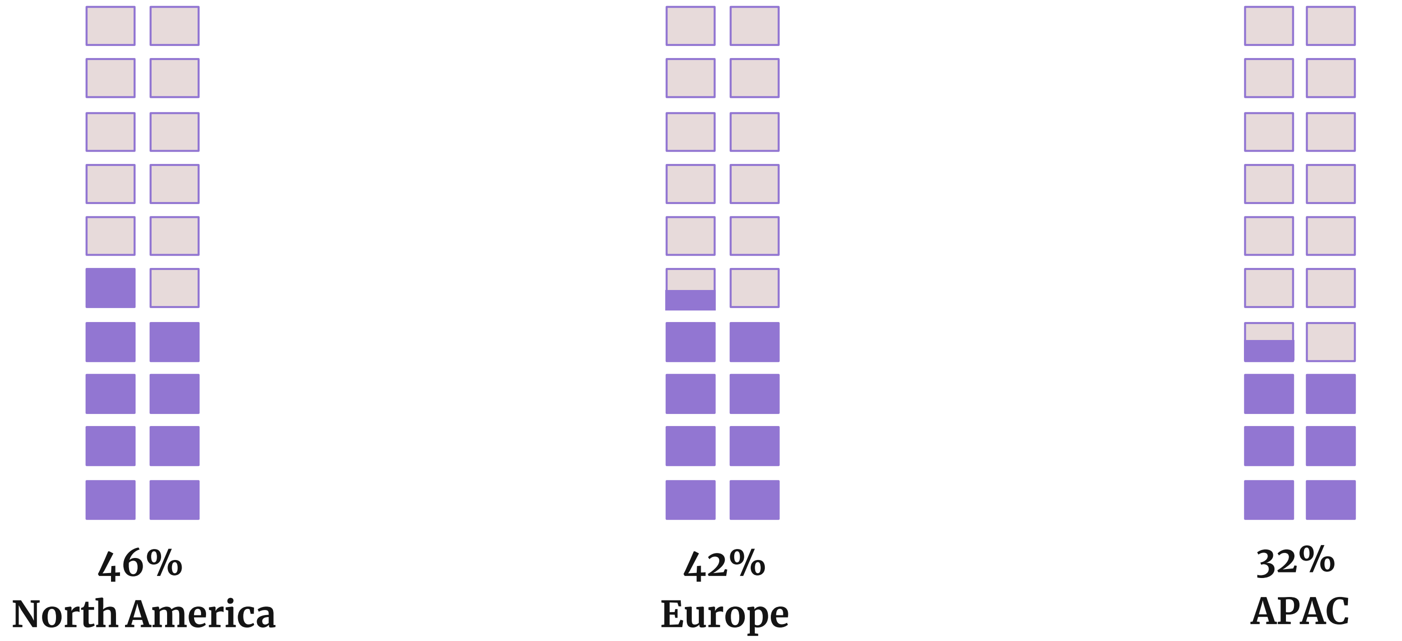
% of retailers that **have a clearly defined personalisation strategy** and roadmap



Technology

~4 in 10 Western retailers have the technology to support their personalisation strategy compared to 3 in 10 in APAC.

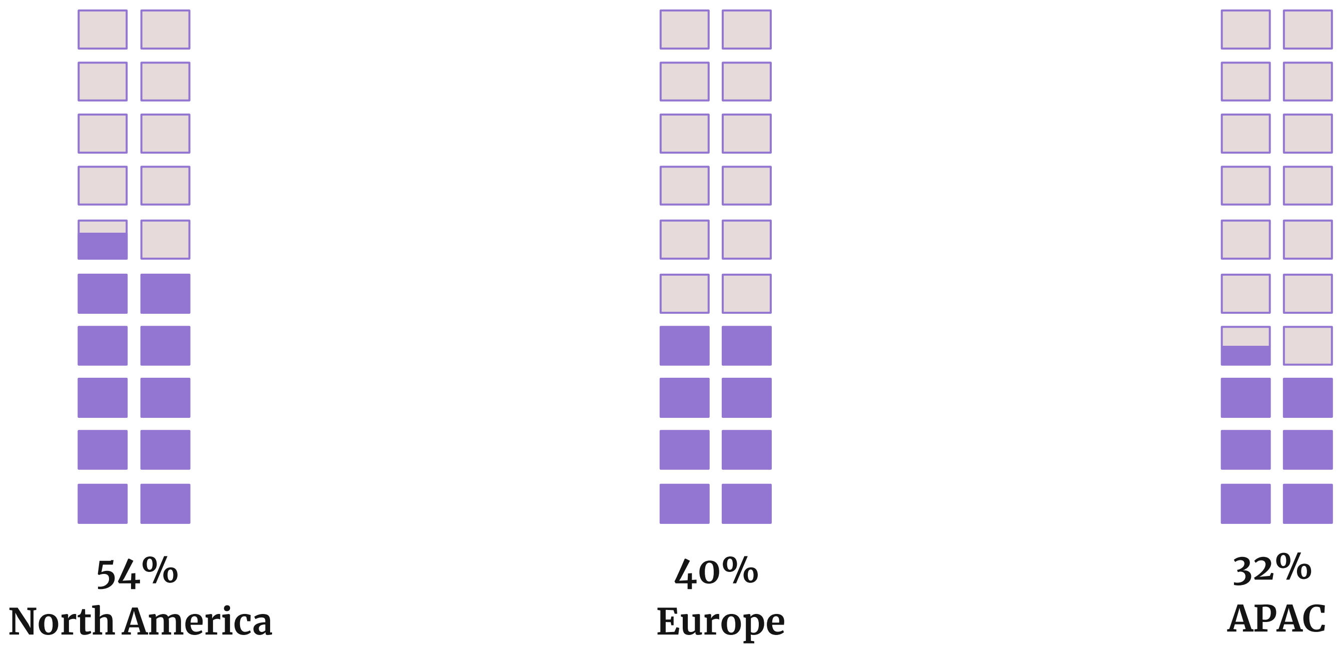
% of retailers that **have the right technology** to support their personalisation strategy



Leadership

Maturity gradually decreases as we move from North America to Europe and APAC. More than 5 in 10 North American retailers have a single leader to drive personalisation compared to 4 in 10 in Europe and 3 in 10 in APAC.

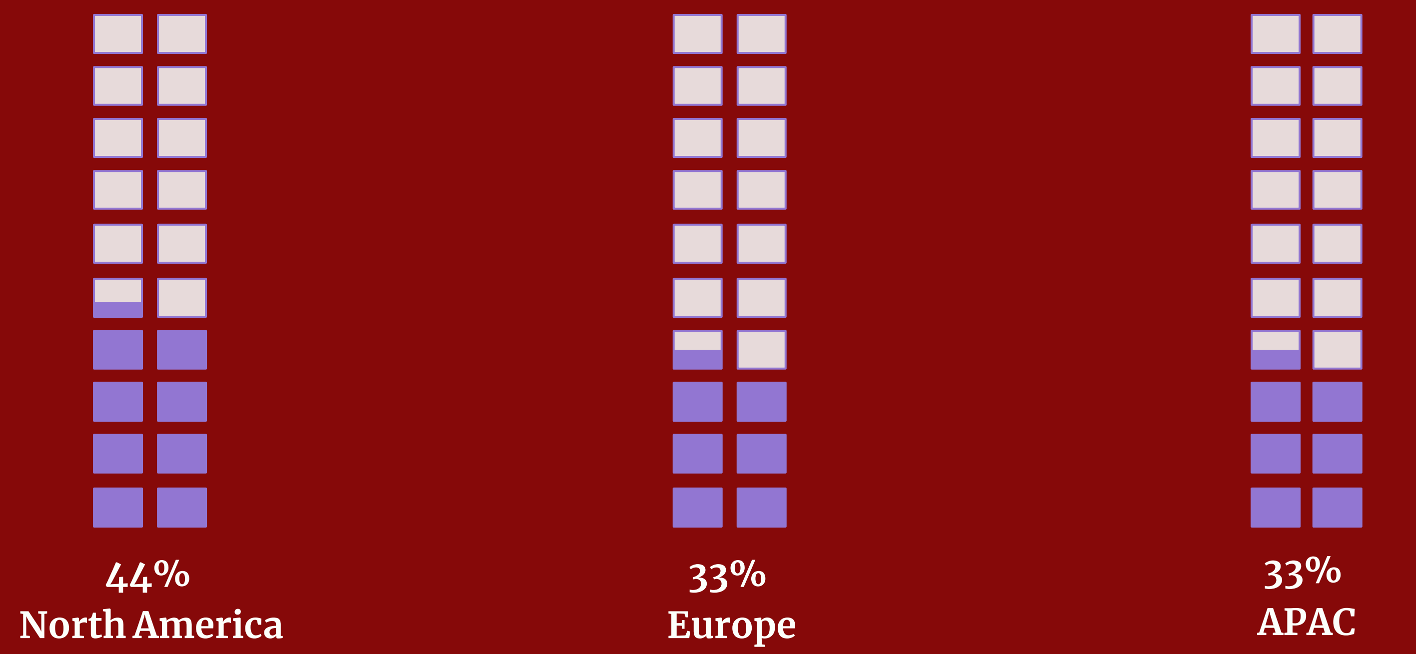
% of retailers that **have a single executive responsible** for personalisation



Process

4 in 10 retailers in North America have a unified process to improve their personalisation strategy compared to 3 in 10 retailers in Europe and APAC.

% of retailers that **have a strong process to evolve their personalisation strategy**



Source: Incisiv - Adobe | Personalisation Study

	Top Challenges Ranked	North America	Europe	APAC
	Inability to develop a business case or justify ROI	No. 1	No. 1	No. 1
	Inability to integrate data from multiple data sources/siloed data	No. 2	No. 2	No. 3
	Inability to scale personalisation efforts across channels	No. 3	No. 3	No. 4*
	Limited in-house resources to support personalisation	No. 4	No. 4	No. 2

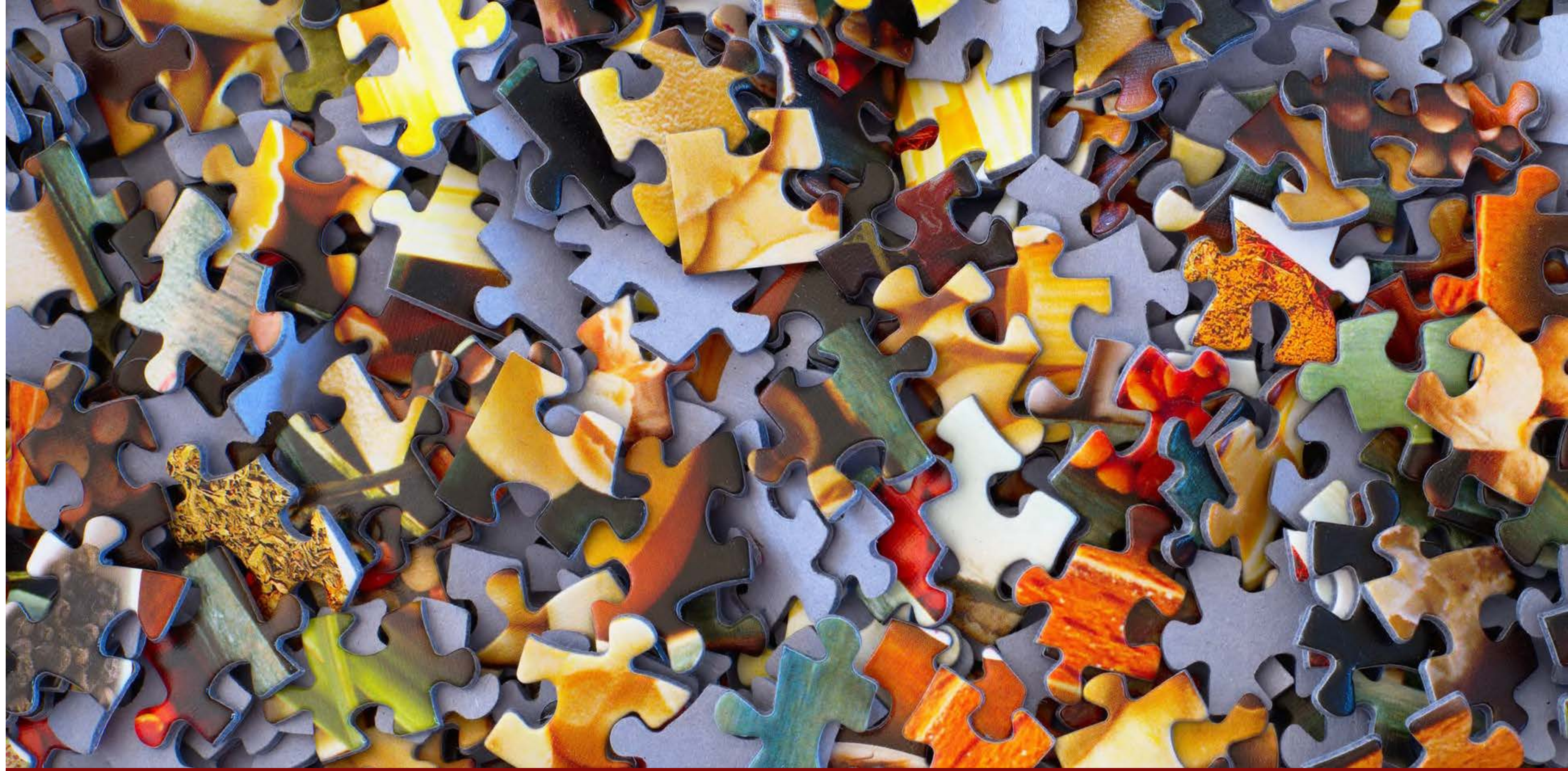
Notes:
For APAC the #4 challenge was a tie between "Inability to scale personalisation efforts across channels" and "Poor quality of data/data not usable."

Performance Visibility

% of retailers that have a unified view of performance

20%	14%	3%
North America	Europe	APAC

Source: Incisiv - Adobe | Personalisation Study



Inability to build a business case is the No. 1 challenge across markets.

Developing a business case or justifying ROI is the No. 1 impediment that stops retailers from improving their personalisation maturity. Surprisingly, ROI justification is more critical for European and North American retailers than for APAC ones. More than 60% of Western retailers rate ROI as a top-3 challenge, compared with only about 45% of APAC retailers. The top challenges of Western retailers align, with data integration and scaling personalisation efforts as their No. 2 and No. 3 challenges.

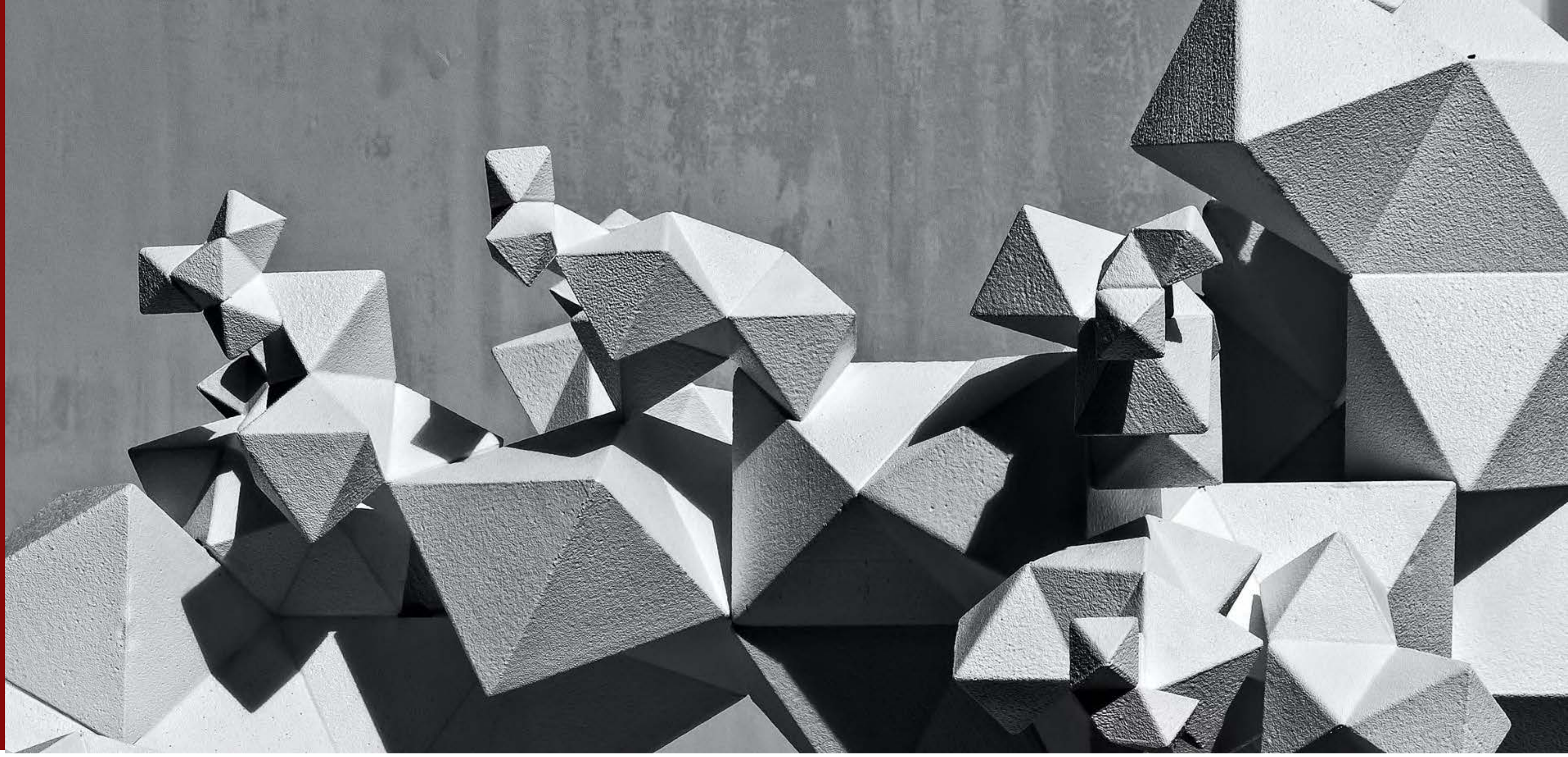
For APAC retailers, the more considerable challenges are talent availability and a robust technology platform that can support their personalisation efforts.

While talent availability ranks just outside the top-3 challenges for Western retailers, it's essential to improving maturity. The inability to attract and retain talent can hamstring even the most well thought out and well-funded personalisation programmes.

Using CoE or Specialised SME-based operating models correlates with personalisation maturity.

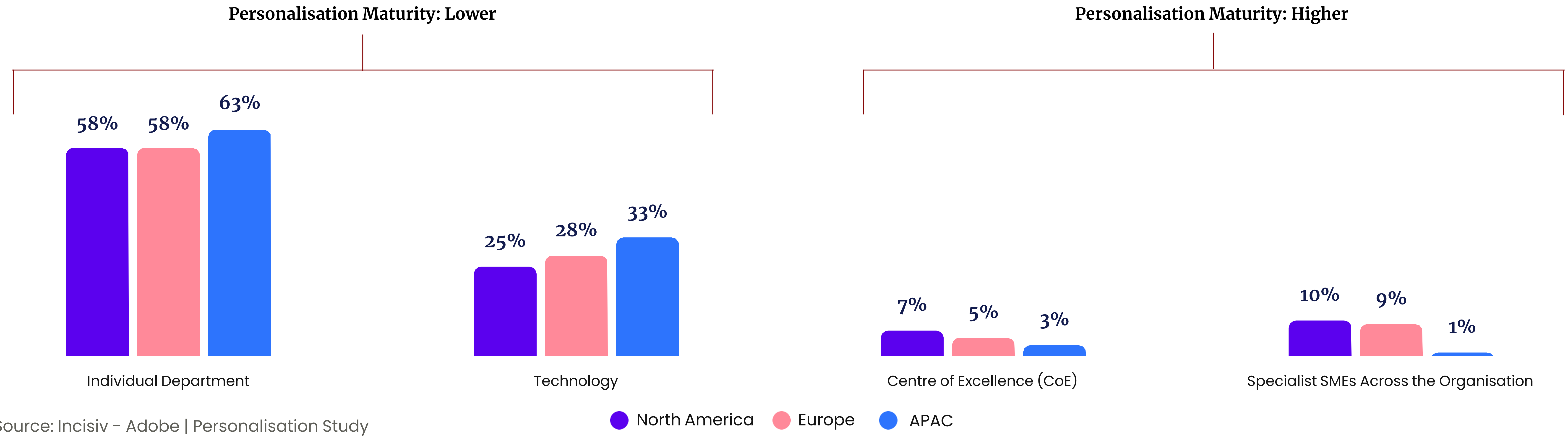
The operating model for personalisation offers the best indicator of maturity. Structuring an organisation to support and foster personalisation is among the best indicators of the maturity of a retailer's personalisation strategy. The twin indicators of executive leadership and supporting organisation structure are essential when assessing a retailer's personalisation maturity.

For instance, we see that APAC is behind Western markets. A third of APAC retailers use their technology/IT department to execute their personalisation strategy. Most of the personalisation efforts are siloed and led by an individual department (96% supported by IT or siloed departments). Establishing Centres of Excellence and specialised SMEs that work across departments is essential for firms to scale their efforts across multiple commerce and engagement channels.



Personalisation Operating Model

Note: This report defines high personalisation maturity as the ability to personalise 75%+ of the shopper journey.
This chart shows how personalisation execution is structured across markets.
(E.g. retailers whose model falls within the left bracket have low personalisation maturity; technology leads personalisation in 33% of APAC retailers).



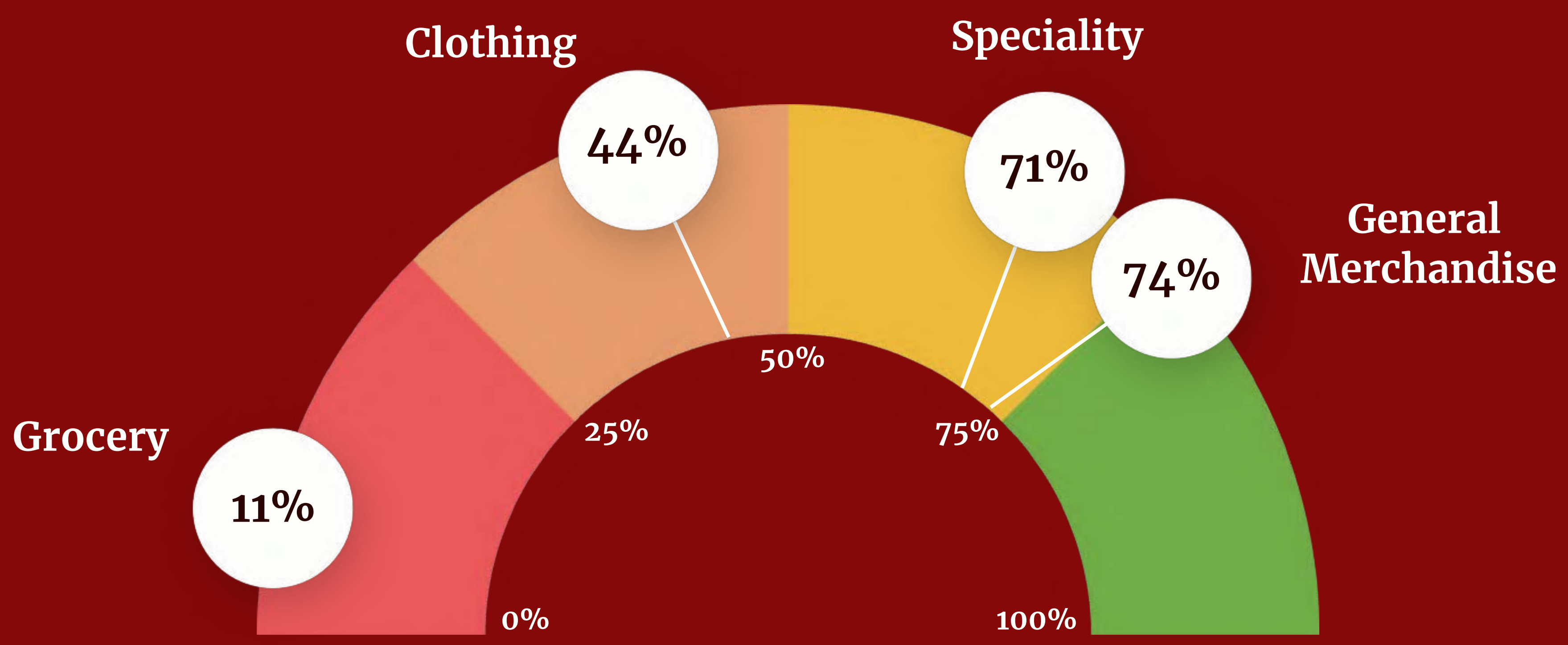
Source: Incisiv - Adobe | Personalisation Study

Chapter 2

Format Overview

Personalisation maturity varies widely across formats. The General Merchandise maturity level is 7x that of Grocery.

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



While retailers recognise the significant value that personalisation can deliver to their business, maturity varies widely by format. The format gap among retailers is telling, and the gap between Grocery and non-grocery retailers is especially significant. Only 11% of Grocery retailers personalise more than half of their shopper journey, while 74% of all General Merchandise retailers do. This 7x difference in maturity exists because brands that invested significantly in digital commerce lead the industry. While grocers rapidly upgraded their digital capabilities over the last 18 months, their focus has been primarily on commerce and the supply chain rather than on personalisation.

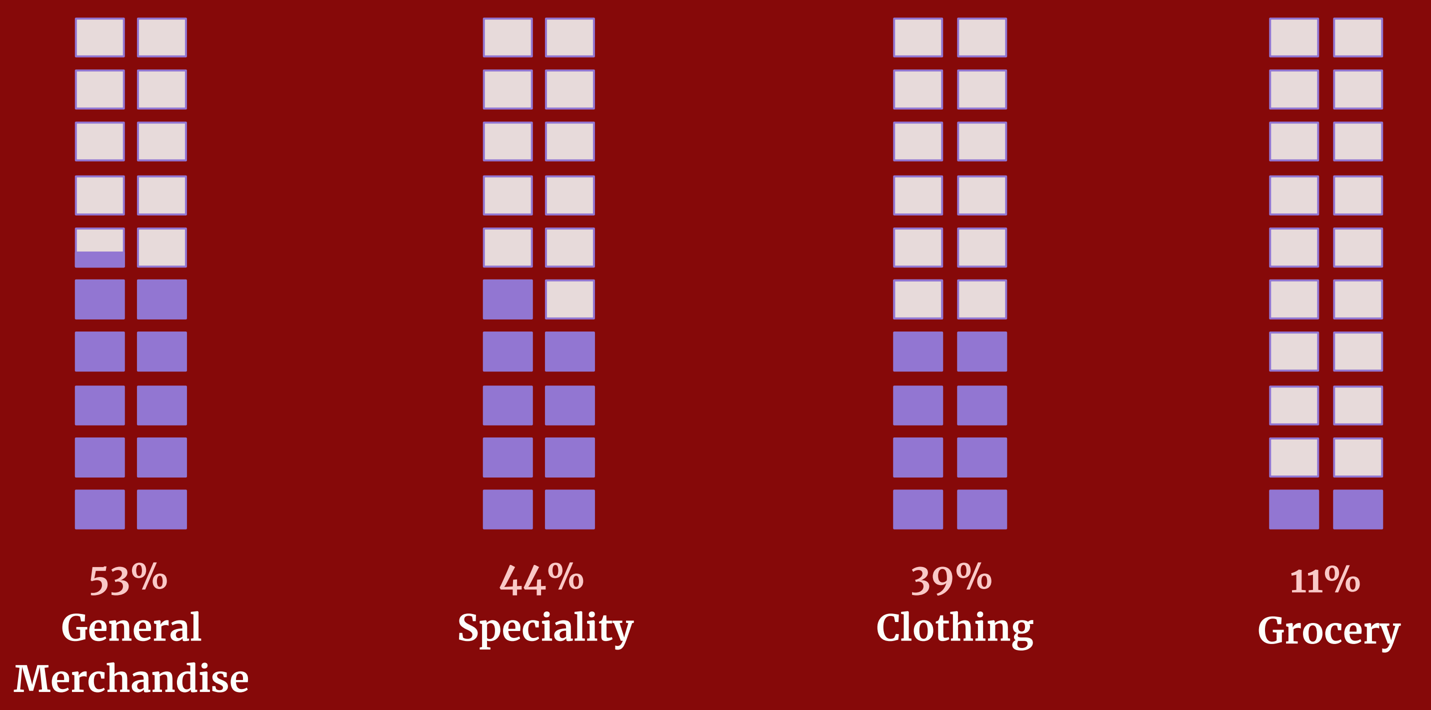
Source: Incisiv - Adobe | Personalisation Study

Notes:
Speciality retail referenced in the analysis encompasses vertical retailers (e.g. sporting goods, electronics, home furnishings, home improvement, etc.).

Strategy

More than half of all General Merchandise retailers have a clear personalisation strategy, and Clothing and Speciality retailers follow closely. Grocery retailers lag all other formats by ~3x+.

% of retailers that **have a clearly defined personalisation strategy** and roadmap



Technology

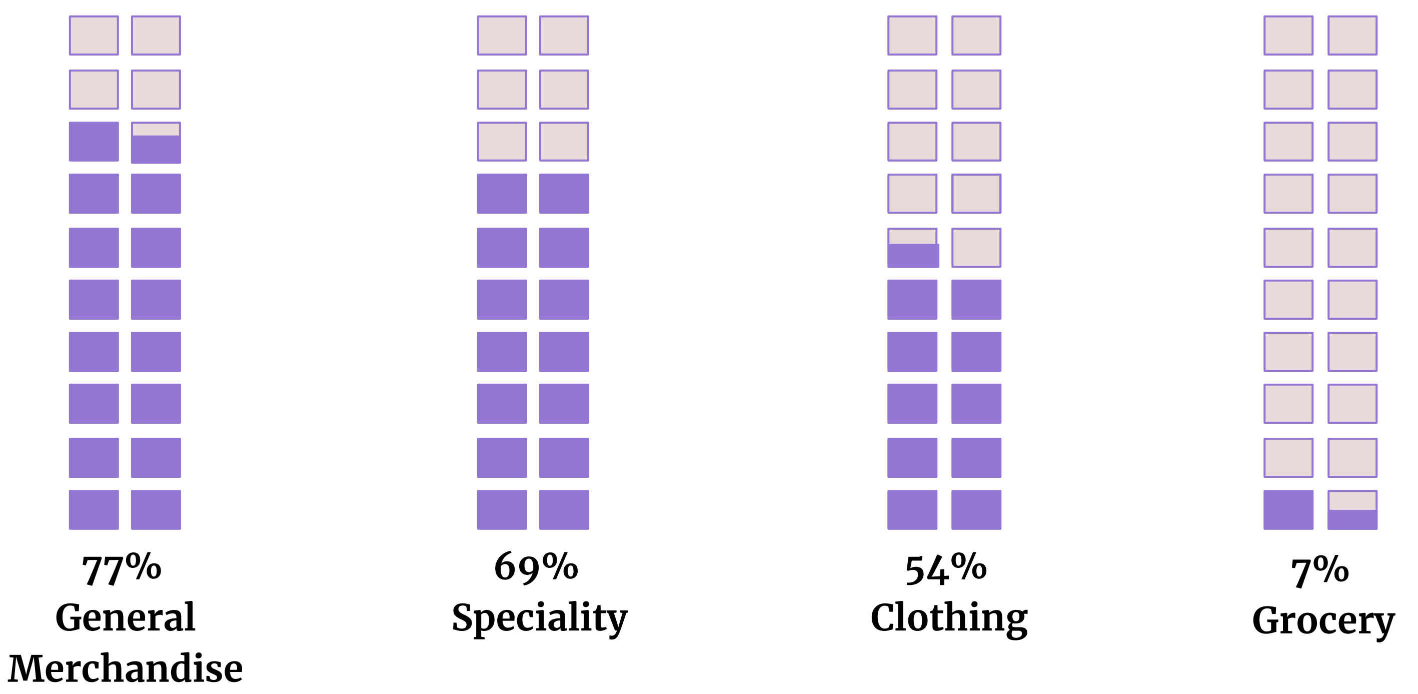
Two-thirds of General Merchandise retailers are satisfied with their technology platform, compared to about half of Clothing and Speciality retailers. Grocery retailers lag all other formats by ~3x+.

% of retailers that **have the right technology** to support their personalisation strategy

Leadership

Most General Merchandise and Speciality retailers and half of all Clothing retailers have a single executive driving personalisation. Only 7% of Grocery retailers have a single leader.

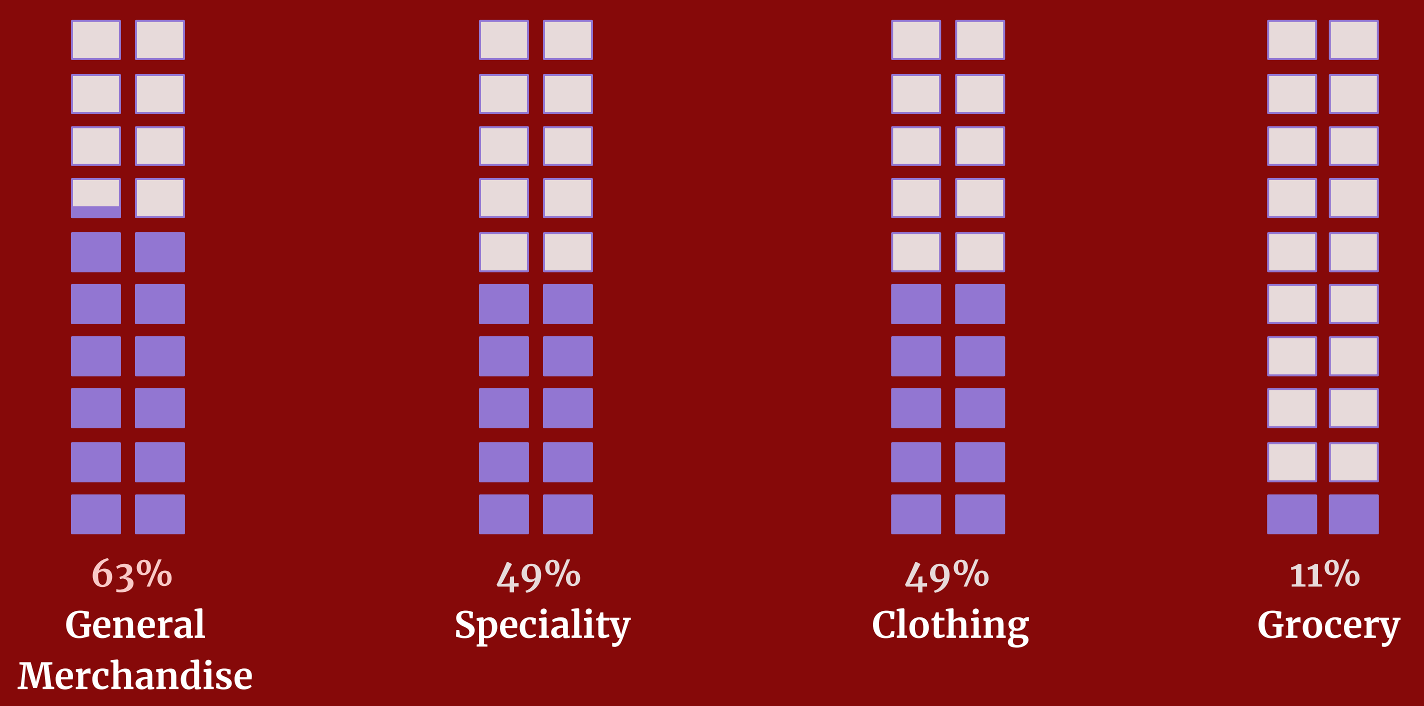
% of retailers that **have a single executive responsible** for personalisation



Process

Two-thirds of General Merchandise retailers have a process to improve their personalisation maturity, compared to about half of Clothing and Speciality retailers. Grocers lag all other formats by ~4x.

% of retailers that **have a strong process to evolve their personalisation strategy**



Source: Incisiv - Adobe | Personalisation Study

	Top Challenges Ranked	General Merchandise
	Inability to scale personalisation efforts across channels	No. 1
	Inability to act quickly on personalisation recommendations	No. 2
	Inability to integrate data from multiple data sources/siloed data	No. 3

	Top Challenges Ranked	Clothing
	Inability to develop a business case or justify ROI	No. 1
	Inability to integrate data from multiple data sources/siloed data	No. 2
	Inability to scale personalisation efforts across channels	No. 3

	Top Challenges Ranked	Speciality
	Inability to integrate data from multiple data sources/siloed data	No. 1
	Poor quality of data/data is not usable	No. 2
	Inability to scale personalisation efforts across channels	No. 3

	Top Challenges Ranked	Grocery
	Inability to develop a business case or justify ROI	No. 1
	Limited in-house resources to support personalisation	No. 2
	Inability to integrate data from multiple data sources/siloed data	No. 3

Source: Incisiv - Adobe | Personalisation Study

Top challenges vary significantly across retail formats.

While building the business case is the No. 1 overall impediment across the industry, not all retail formats rate it as their top challenge. While Clothing and Grocery retailers rank it as their No. 1 challenge, General Merchandise and Speciality retailers don't.

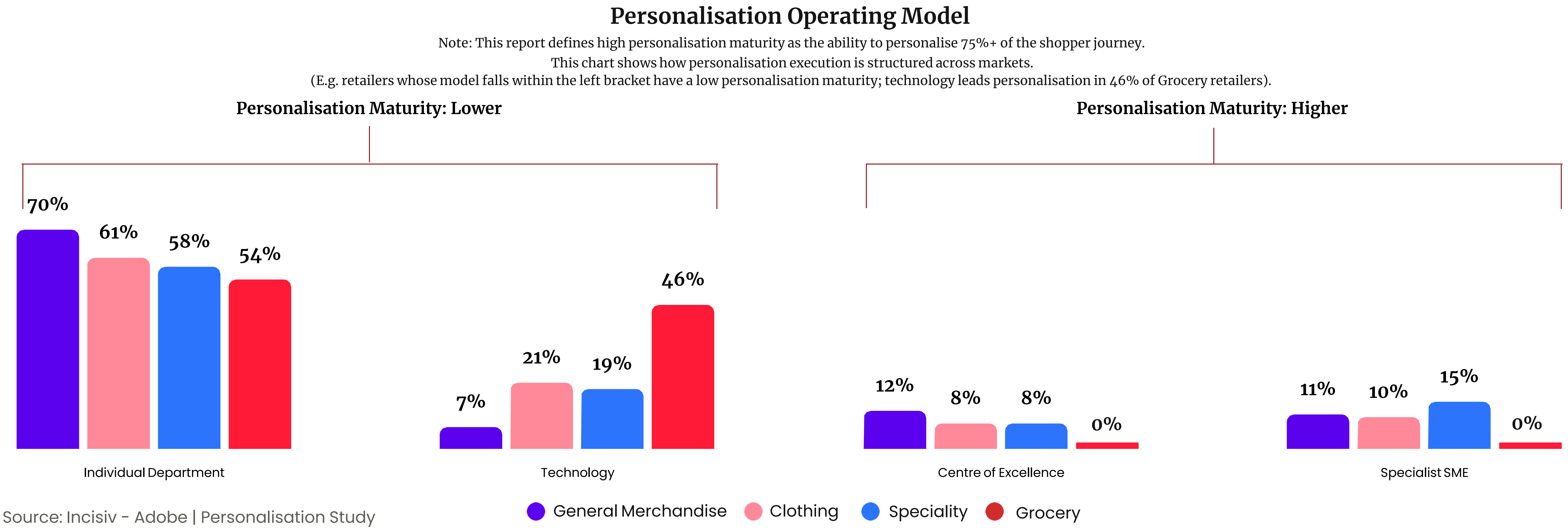
For General Merchandise, the challenge is personalising efforts and acting quickly on recommendations. The focus is clearly on scale and speed. For Speciality retailers, the challenge is making their data actionable. They struggle with the quality of their data and integrating different data sources to act on insights.

For Grocery retailers, getting the right talent ranks among the top-3 challenges. That's understandable, as they've been late to adopt digital commerce and have to scale their internal digital talent.

Personalisation needs to be an enterprise capability led by the business.

There is no one-size-fits-all when it comes to the operating model for personalisation. Yet we can draw a few inferences when looking at the dominant operating model for each format and overall personalisation maturity. Grocery retailers with the lowest levels of personalisation maturity lack specialised subject matter experts (SMEs) or Centres of Excellence (CoEs) to drive personalisation. Their efforts are driven by individual departments or by IT/technology.

Looking across formats and among retail leaders, we see that CoEs or specialised SMEs are the preferred operating model for mature retailers. (General Merchandise retailers prefer CoEs while Clothing retailers prefer specialised SMEs.) There is no clear evidence to suggest that one is superior to the other, and adoption is a function of the retailer's historical context and executive leadership.



Source: Incisiv - Adobe | Personalisation Study

Moving from basic to micro-segment-based personalisation can improve conversion by 10x.

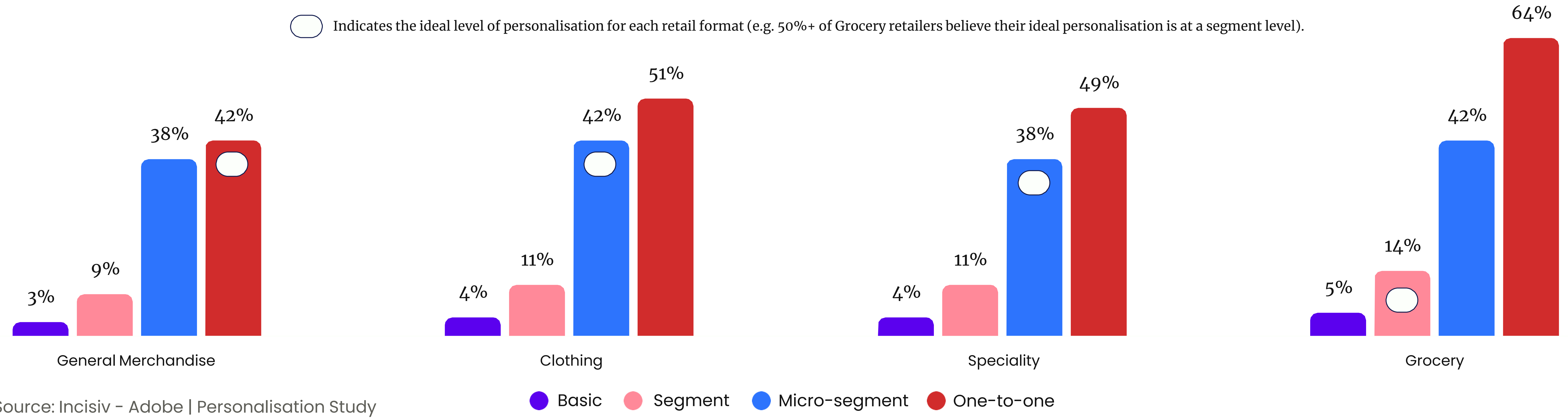
Moving up the personalisation curve delivers exponential impact at every stage. It's most impactful (12x - 14x) when moving from basic segmentation to micro-segmentation. Surprisingly, it's least impactful when moving from micro-segmentation to one-to-one. Most retail formats rank micro-segmentation as their ideal level of personalisation. The exceptions are the most and least mature formats: General Merchandise and Grocery.

General Merchandise retailers rate one-to-one personalisation as their ideal. They are the most mature format (74%) and are looking to further improve their performance. Grocery retailers rate segment-based personalisation as their ideal level of maturity.
These grocery retailers are just getting started on their personalisation journey, and it's no surprise that they are cautious in their expectations and approach. Unlike other retail formats, they believe their ideal level of personalisation is at or below basic segmentation. They are taking a crawl, walk, run approach to personalisation.

Conversion Improvement

This chart shows the impact when firms move across personalisation levels.
(E.g. when a General Merchandise retailer achieves one-to-one personalisation across the shopper journey, they expect to see a 42% increase in conversion).

Indicates the ideal level of personalisation for each retail format (e.g. 50%+ of Grocery retailers believe their ideal personalisation is at a segment level).



Source: Incisiv - Adobe | Personalisation Study

Retail Leaders: Format Split

31%
Clothing

23%
General Merchandise

17%
Consumer Electronics

17%
Home Furnishing

6%
Grocery

6%
Health and Personal Care

Source: Incisiv - Adobe | Personalisation Study

Best of the Best: Retail

Who are they? How are they different?

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

Continuous Improvement

100%

of retail leaders have a feedback loop to improve personalisation

Organisation Structure

6x

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

Defined Roadmap

90%

of retail leaders have a clearly defined personalisation strategy and roadmap

Performance Visibility

81%

of retail leaders have a unified view of personalisation

Clear Ownership

100%

of retail leaders have a single executive responsible for personalisation

Technology Excellence

92%

of retail leaders have a personalisation engine

Recommendations

Where Should Retailers Focus?

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
- A Centre of Excellence (CoE) or subject matter experts (SMEs) in all departments

Unified View

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

- Building a single view of the customer
- Allowing real-time access to customer profiles
- Integrating data and digital assets
- Having a unified view of performance
- Personalising "at the moment of truth"

Continuous Feedback

Improving personalisation maturity means having a solid process to measure performance, incorporate feedback and track external trends and benchmarks.

- Strong business case rigour
- Established and precise measures of success/KPIs
- Continuous A/B testing
- Process to incorporate external earnings
- New use case discovery and prioritisation

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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 Williams-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.

In our initial report, *Failure to Scale: The State of Personalisation in Retail & Travel*, we discovered how retailers outpace travel brands when it comes to delivering personalised experiences across the customer journey. Digging deeper into the data, this report examines the wide range of personalisation maturity that exists within the retail industry across various regions and sub-industry formats.

As we navigate 2022, it’s imperative that retailers reevaluate who owns the personalisation strategy within the business. Focus should be geared towards a personalisation operating model that employs specialists, exists within a centralised or hub & spoke model and leverages the necessary tools to drive scale across the business. Finally, a strong first-party data strategy consisting of a unified view of the customer is crucial to increasing customer lifetime value and retention.

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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.

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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.

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Personalisation at Scale

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

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