



Industry Perspectives

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

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Research Overview:

Adobe commissioned Incisiv to assess the state of personalization 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

76%

Respondents were
Director and above

34%

Respondents represent
companies with over
\$1 Billion in revenue

50% North America

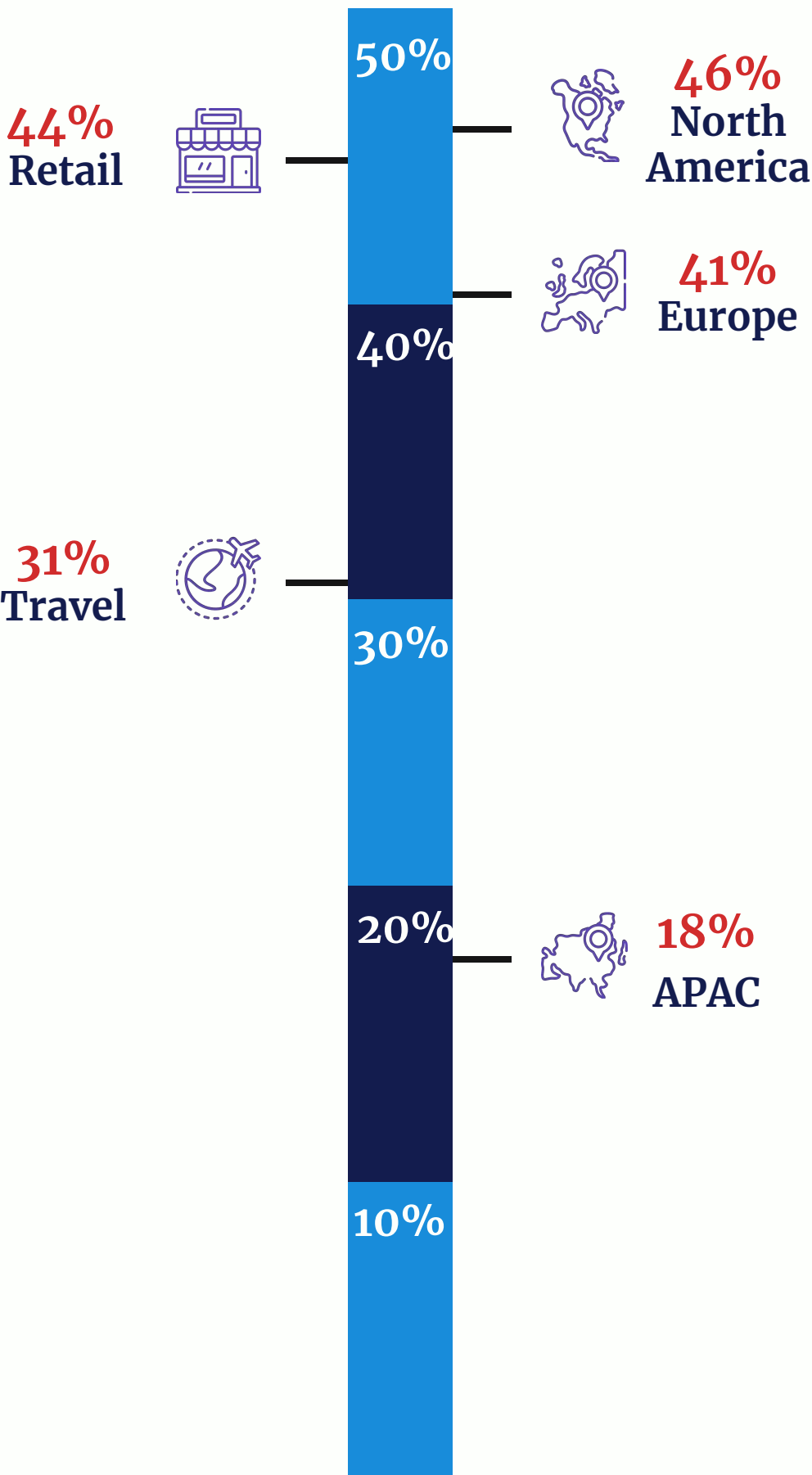
25% Europe

25% APAC

45% VP and above

31% Directors

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



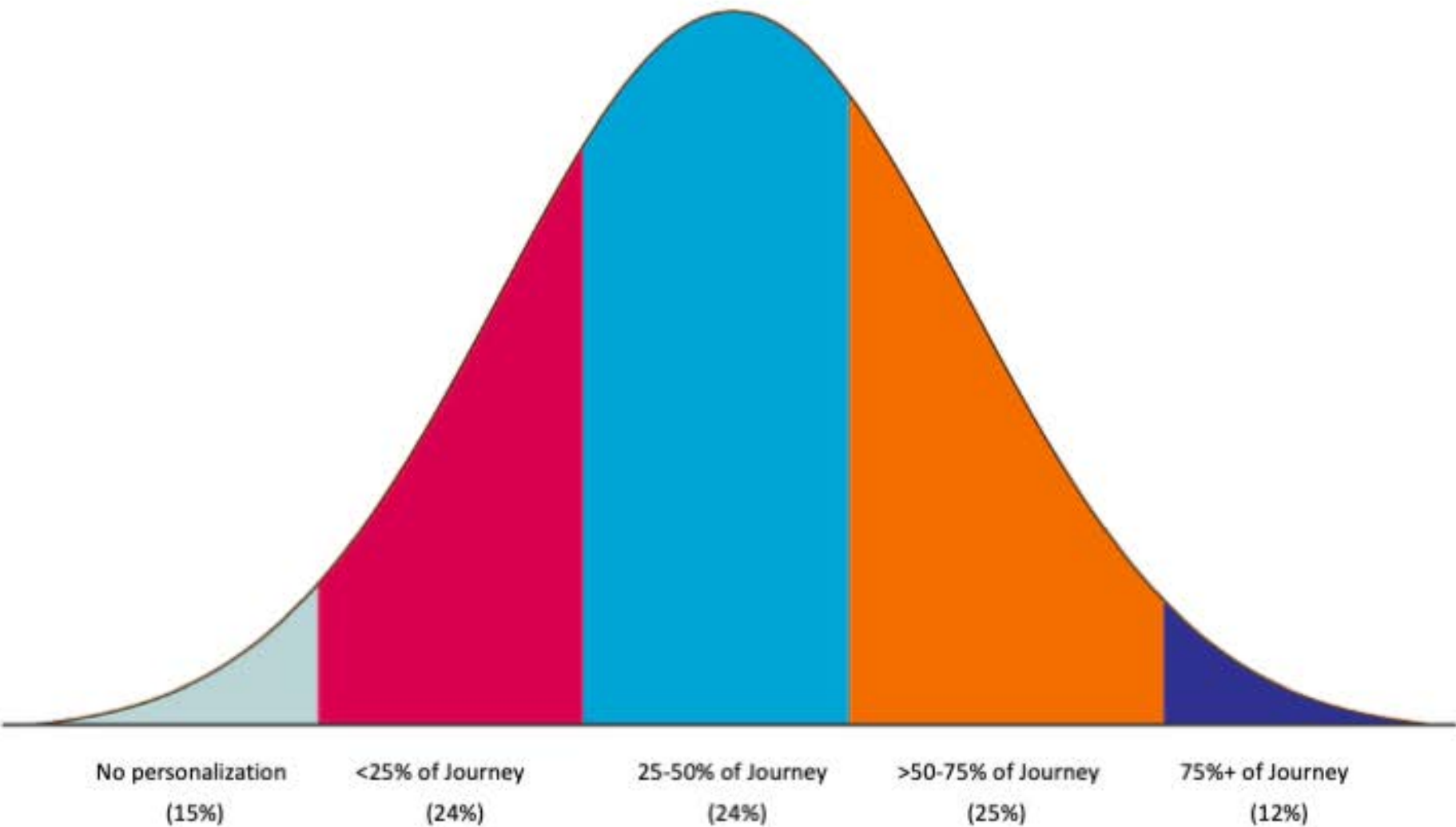
Personalization maturity is low across the board, as firms struggle to scale their efforts.

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

Personalizing 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 personalized.

It's not that firms haven't made any progress, only about 15% of firms have no personalization 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.**

Personalization Maturity Curve: What % of the shopper journey is personalized?





Travel: Strategy at a glance.

Technology

67%

of travel firms believe **they don't have the technology** to support their personalization strategy

Organization

68%

of travel firms **don't have a single executive responsible** for personalization

Strategy

76%

of travel firms believe **they don't have a clear personalization strategy**

Process

71%

of firms believe they **don't have a feedback loop** for their personalization strategy



Retail: Strategy at a glance.

Technology

58%

of retailers believe they **don't have the technology** to support their personalization strategy

Organization

55%

of retailers **don't have a single executive responsible** for personalization

Strategy

67%

of retailers believe they **don't have a clear personalization strategy**

Process

59%

of firms believe they **don't have a feedback loop** for their personalization strategy

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

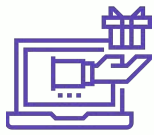
Customer retention is the least personalized phase of the shopper journey.

Personalization 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 dollars 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 personalize more than half of the shopper journey

Retail		Travel		Dining	
	Firms %		Firms %		Firms %
Awareness	33%	Discover	40%	Awareness	14%
Discovery	34%	Shop	43%	Consideration	15%
Research	54%	Book	47%	Purchase	7%
Purchase	52%	Experience	26%	Service	4%
Retain	31%	Retain	19%	Retain	15%



59%

of firms offer no or basic personalization on their website



56%

of firms offer no or basic personalization on their mobile app



70%

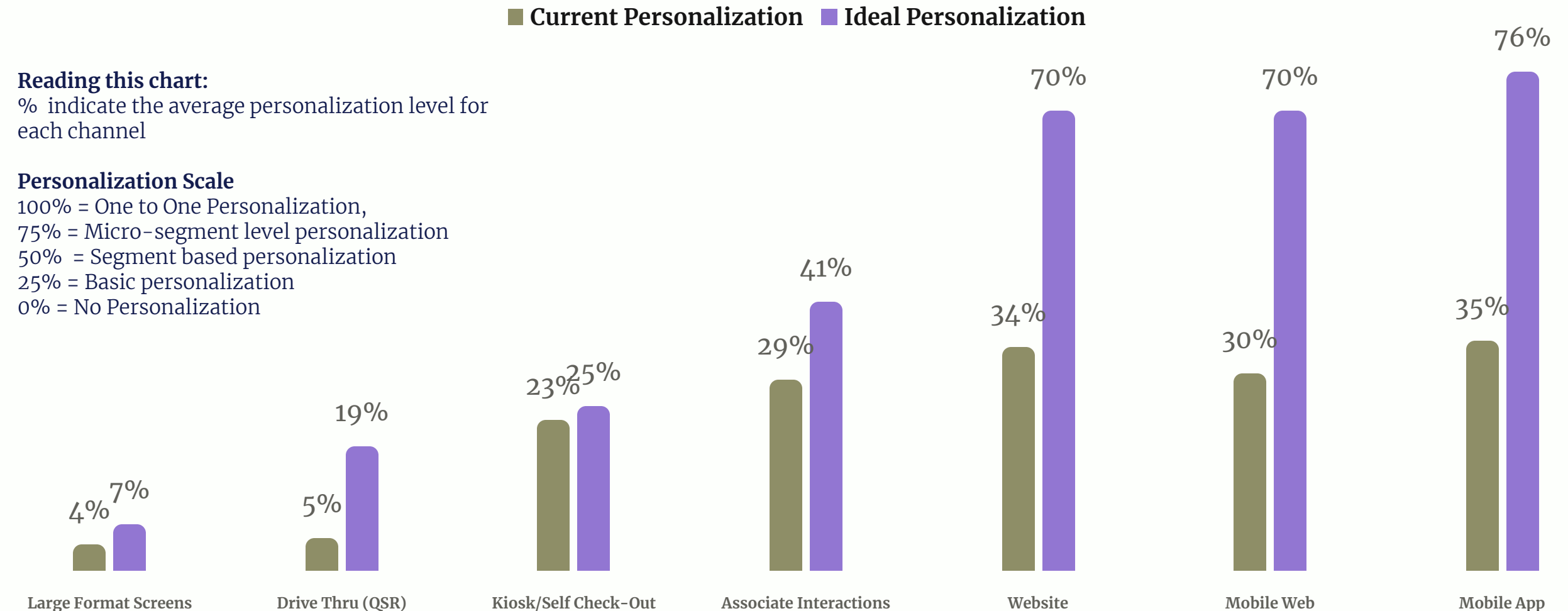
of firms believe the ideal website personalization level is at a micro-segment level or one to one

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

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

We looked at the depth of personalization across shopper channels to understand the level of maturity and attention dedicated to various consumer touchpoints. We analyzed the depth of personalization by looking at four stages of maturity – Basic Personalization, Segment Based, Micro Segment Based and One to One.

The overall level of personalization 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 recognize and personalize 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.





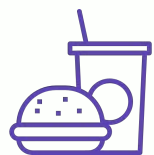
60%

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 personalize their menu recommendations

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

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

- Looking across usecases 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 personalized 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-thru ordering are the main catalysts for this.

	Importance Score (1-100)	Personalization Level (Current)	Personalization 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)
#1	Inability to build business case / ROI
#2	Siloed data / Inability to integrate data
#3	Limited in-house resources
#4	Scaling personalization across channels
#5	Inability to act quickly on recommendations



89%

don't have a unified view of their personalization performance



79%

haven't aligned incentives to enable personalization



What prevents personalization at scale?

The #1 challenge in scaling personalization is proving the ROI.

It's evident that firms have a clear desire to improve their personalization 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 personalization 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 personalization. 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 personalization programs. Like all transformation efforts, personalization fails to work without the proper resources and executive alignment supporting the initiative.



10x

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



9x

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



8x

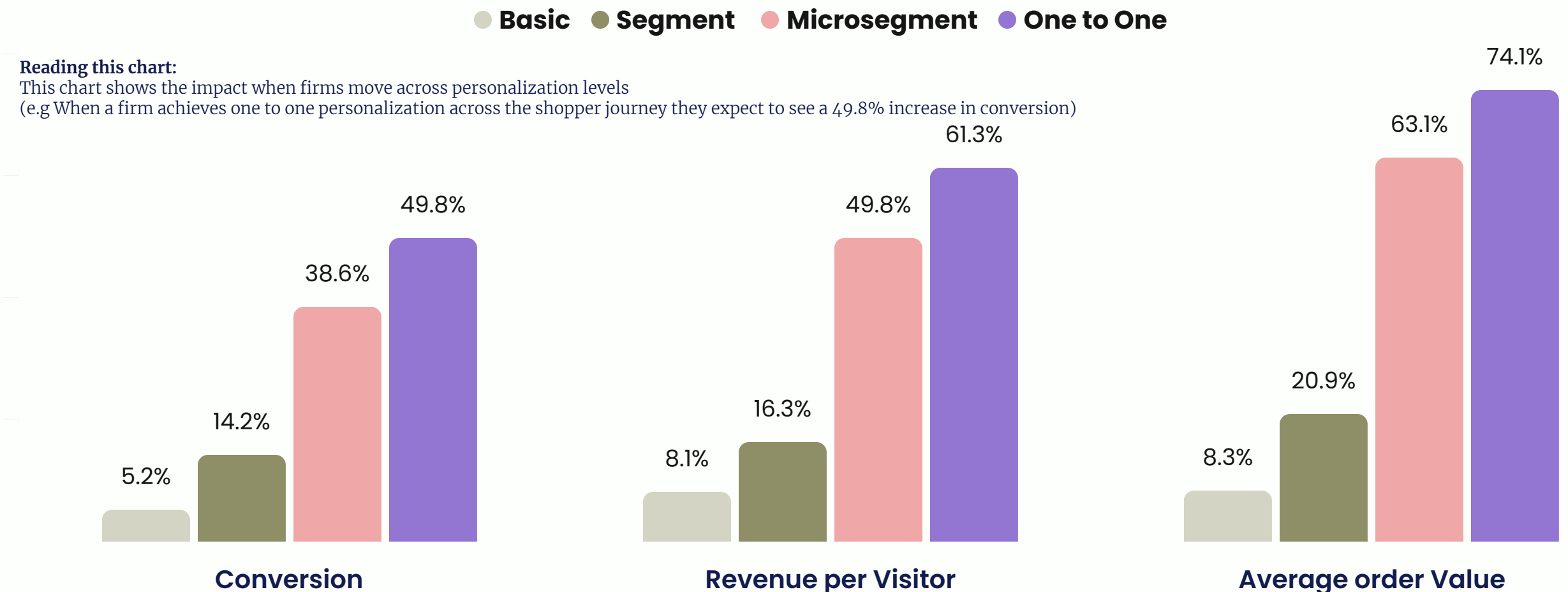
improvement in revenue per visitor when moving from Basic Personalization to One to One

Moving up the personalization 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 #1 roadblock to scaling personalization, executives believe that there is a significant benefit to improving personalization maturity. Moving up the personalization 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 personalization, the incremental improvement between micro-segmentation and one-to-one personalization isn't as clear to executives.



Most Important Technology Capabilities (Top 3)	Retail (Rank)	Travel (Rank)
Having a unified customer profile	#1	#1
eCommerce personalization software	#2	#3
Website and mobile app personalization	#3	#2



Only 1%

of firms have a unified customer profile



Only 3%

of firms allow real-time access to any customer profile



Improving maturity requires upgrading the data and technology infrastructure.

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

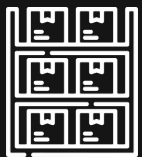
Data is foundational; it's impossible to understand, much less personalize the consumer experience without the right data. It's no surprise that the most critical capability rated by executives is a unified customer profile, yet it's the hardest to achieve. Delivery platforms are the engines that drive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

Retail Leaders: Format Split



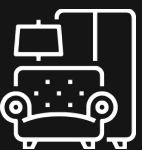
31%
Apparel



23%
General Merchandise



17%
Consumer Electronics



17%
Home Furnishing



6%
Grocery



6%
Health and Personal Care

Best of the Best: Retail

Who are they? How are they different?

Continuous Improvement

100%

of retailer leaders have a feedback loop to improve personalization

Defined Roadmap

90%

of retail leaders have a clearly defined personalization strategy and roadmap

Clear Ownership

100%

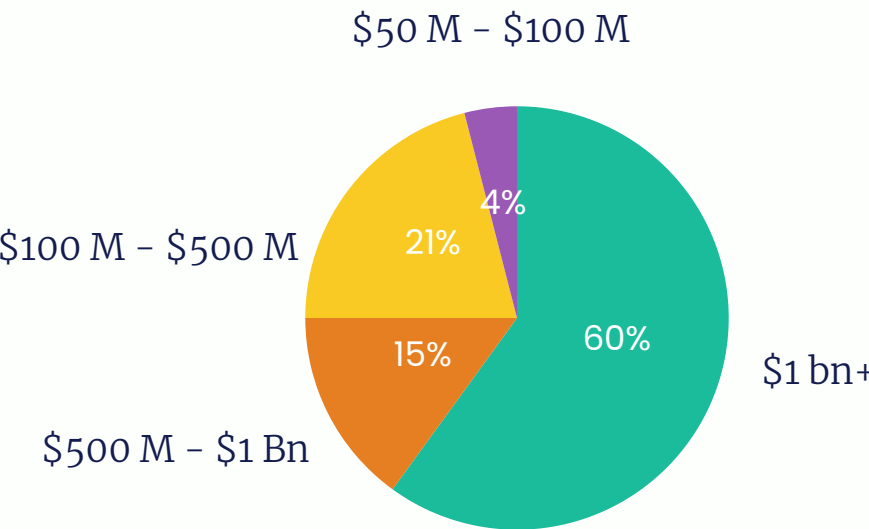
of retail leaders have a single executive responsible for personalization



16%

of retailers are leaders
(Personalize 75%+ of the shopper journey)

Retail Leaders: Revenue Mix





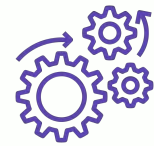
6x

more retail leaders have a Personalization Center of Excellence (CoE) compared to the overall retail industry



81%

of retail leaders have a unified view of personalization



92%

of retail leaders have a personalization engine



**#1 Scaling Personalization
(72%)**

is the number one challenge of retail leaders



Lessons from leaders: Retail

16% of retailers personalize 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 behavior across various touchpoints, not in the least our stores is a necessity."

VP, Marketing
(Apparel Retailer, Europe)

"Our big personalization 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 (OTA)



15%

Airline



15%

Economy Sharing



12%

Ride 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 personalization

Defined Roadmap

95%

of travel leaders have a clearly defined personalization strategy and roadmap

Clear Ownership

100%

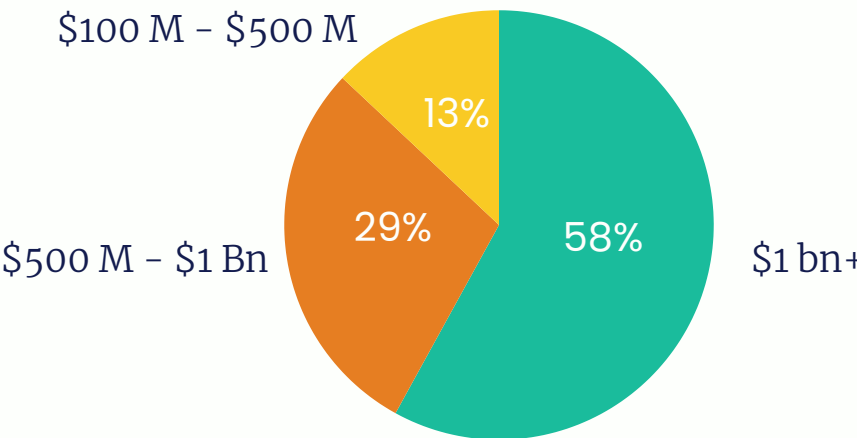
of travel leaders have a single executive responsible for personalization



9%

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(Personalize 75%+ of the shopper journey)

Travel Leaders: Revenue Mix





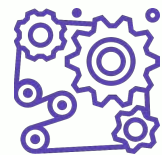
8x

more travel leaders have a Personalization Center of Excellence (CoE) compared to the overall travel industry



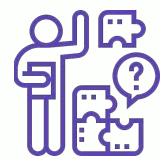
69%

of travel leaders have a unified view of personalization



100%

of travel leaders have a personalization engine



#1 Integrating Data (85%)

is the number one challenge of travel leaders



Lessons from leaders: Travel

9% of travel firms personalize 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 personalize 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)

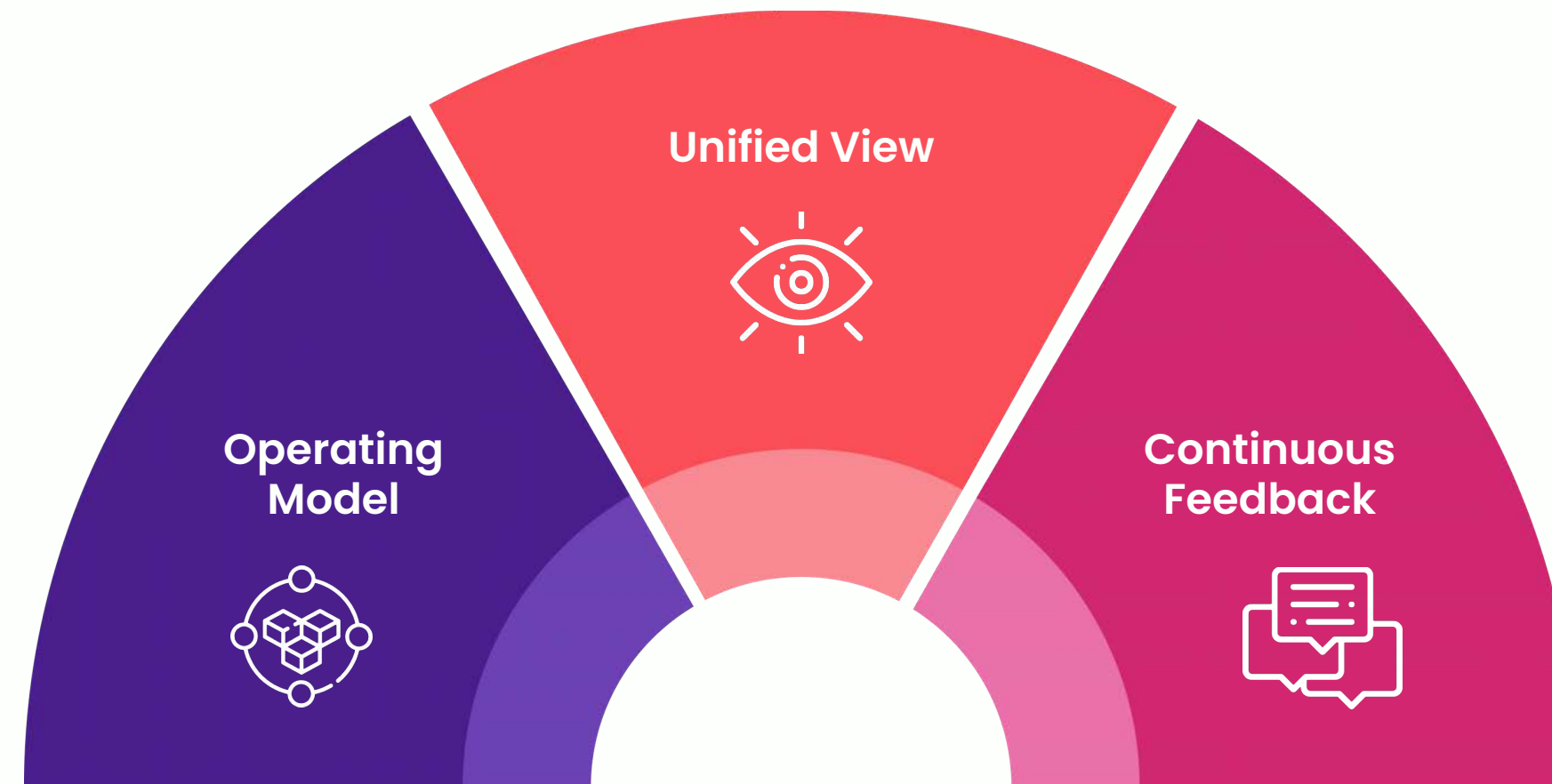
"Look, we are in the business of guest service, and it will become even more important after the pandemic. Where will guests stay? They will stay where they feel safe and taken care of. So personalization has to be a part of the entire visit, the entire experience. That's how you build loyalty. That's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

VP, Marketing
(Hotel & Lodging, Europe)

"Personalization isn't always about selling something. We are trying to take friction out of the flyer experience by personalizing information in the context of the flyer – their trip, their past behavior, and so on. Doing this requires building a strong data (architecture and integration) foundation."

VP, Technology
(Airline, US)

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



Operating Model

Personalization leaders have established the following best practices in building their operating model to support personalization.

- Single executive responsible for personalization
- Clear communication by the executive team
- Strong alignment of performance incentives
- Building specialization by creating a Center 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 personalize the moments of truth.

- Building a 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 personalize 'at the moment of truth'.

Continuous Feedback

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

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



Julie Hoffmann

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

The outstanding question remains, ‘Are Travel & Hospitality brands ready for higher levels of personalization?’. 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. Personalization 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.”v the ‘Personalization Engine’ from zero to a hundred to reap the rewards of implementing a personalization program.



Michael Klein

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

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

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

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

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

Global Head of Industry Strategy & Marketing
Travel & Hospitality
Adobe

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 organizations through digital transformations and developed strategies around change management to enable teams and empower individuals.



Gaurav Pant

Chief Insights Officer
Incisiv

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.



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](https://www.incisiv.com)

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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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Personalization at scale

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

Content management

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

Data insights & audiences

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

Customer journeys

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