CONVERSATIONS WITH INDUSTRY LEADERS

The Power of Personalization

Consumer personalization is a hotly discussed and often misunderstood aspect of Universal Commerce. It is gaining market momentum as online social lifestyles, eCommerce, mobile application usage, and advanced data capture/analysis technologies increasingly converge to make easier and more socially acceptable the gathering and using of an individual’s personal data to inform business decisions.

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Universal Commerce Innovation Exchange

The *Universal Commerce Innovation Exchange*, sponsored by First Data, is a membership body made up of industry experts who provide insights and information to encourage and enable organizations to build high-value Universal Commerce business strategies.

Please visit www.firstdata.com/innovationexchange for more information.

In this paper, members of the *Innovation Exchange* discuss consumer personalization.

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Introduction

Consumer personalization is a hotly discussed and often misunderstood aspect of Universal Commerce. It is gaining market momentum as online social lifestyles, eCommerce, mobile application usage, and advanced data capture/analysis technologies increasingly converge to make easier and more socially acceptable the gathering and using of an individual’s personal data to inform business decisions.

In a scene from the 2002 American science fiction film Minority Report, the audience sees actor Tom Cruise’s character, John Anderton, running through a futuristic train station. A series of digital-display advertisements lining the station walls each change in turn to present a personalized message just for him – an American Express ad shouts directly to him, "It looks like you need an escape, John, and Blue can take you there!"

Fast forward a decade or so, and this scenario no longer seems so far-fetched. Personalization has become an area of intense interest, not only for advertisers, but also for market strategists, product designers, and customer experience officers. Spurred on both by consumers’ increasing willingness to share personal information and by sophisticated technology developments, personalization has become a core strategy for many business-to-consumer organizations. Yet many dimensions of personalization are not well understood by businesses or consumers, and perceptions of its benefits and risks vary.

Broadly defined, personalization involves making products, services, experiences, content, and other aspects of an organization’s brand more relevant to a specific individual, using knowledge gained through that person’s implicit behavior and preferences and/or information he explicitly provides. Its purpose varies, depending on the company and department deploying it: driving revenue; locking-in customer loyalty; crafting optimal product mixes; creating competitive differentiation; and more.

The Definition of Consumer Personalization Varies
While some organizations think of personalization as an advertising approach, others approach it as a strategy for customizing products and services for “markets of one” – and still others consider it to be both. Different organizations look to apply personalization broadly, while others limit its application. Diverse personalization approaches have wildly different costs and operational impacts: Personalizing a product offer, for example, is far less complex and costly than personalizing the product itself. Some forms of personalization are being driven by consumers, while others are being presented to consumers by organizations looking to create new business models or competitive advantages. There is no single characterization.

A Myriad of Factors Drive the Growth of Consumer Personalization
Various dynamics play into expectations for increased adoption of personalization:
• Growing consumer comfort with sharing personal information;
• increasing use of mobile applications, which provide a bridge for online personalization strategies to enter brick-and-mortar settings;
• time-starved consumers who want to do business with organizations that cater to their requirements;
• shrinking wallets looking for more and better deals;
• increasingly sophisticated data collection and analysis technologies; and
• Universal Commerce advancements that enable organizations to blend data and insight across all consumer interactions, no matter where they occur.

Consumers’ Willingness to Trade on the Value of Their Personal Information Is Key
Organizations that collect and use personal data must deliver back to individuals clear and immediate benefits that exceed (or are at least are in line with) what a consumer expects to receive for having shared information. Organizations should keep in mind that strategies for collecting personal data differ in terms of consumer awareness, comfort, and buy-in. Orchestrating a well-received and effective personalization initiative requires careful consideration of how various data strategies align to an organization’s industry and value proposition.
The Definition of Consumer Personalization Varies

The members worked through a number of factors that add complexity to personalization: varying consumer roles within the context of creating personalized experiences; different vessels to carry personalization, whether it’s a product, a service, an experience, or simply a marketing campaign or price offer; and different levels of consumer awareness of and receptivity to personalization.

**Eckart**

I often think of three basic types of personalization: active, passive, and progressive. **Active** personalization asks consumers to take action up-front to ensure they get the product or experience they want. You go to Starbucks and order that nonfat-extra-hot-no-foam-whipped-latte, or you configure a product such as a smartphone. Active personalization requires effort on the part of the consumer. With **passive** personalization, the product matches itself to a consumer’s preferences without the consumer having to do anything. A company uses demographic data, consumer behavior, or other clues to serve up something designed for the consumer. Amazon’s “people like you purchased these books” is a good example of passive personalization. **Progressive** personalization is when a product or service gradually customizes itself to a consumer as that person makes choices over time. The difference between progressive and active personalization is that active requires consumers to invest their time up-front to get the degree of personalization they want. With progressive personalization, a business learns about a consumer as the consumer experiences the brand.

Over time, the more choices you serve up in the consumer experience, the better you get to know the customer and the more personalized product or experience you can deliver. To consumers, passive personalization appears to just “magically” happen, while active personalization is the logical outcome of having invested time to set preferences or customize a product. Progressive personalization is somewhere in between. Consumers understand where the company got the information they’re using to make an offer, but they recognize there was minimal effort on their part to get the personalized experience. From my perspective, progressive personalization represents an effective balance between minimizing the initial effort required by the customer to get access to an offer or service, while creating a personalized relationship over time as the consumer continues to actively customize his experience or product.

**Melody**

I think of personalization as a dimension of customer control over a retailer’s products, services, and communications. It starts with shopping. Consumers increasingly expect to browse and filter product assortments. Most food service companies now show ingredient lists and calorie counts. But consumers’ food choices depend on many influencing factors. Over time we will map not only to food facts, but also psychological and cultural models that influence the choices consumers make. Beyond that, the most essential level of personalization is allowing customers to modify products to suit their needs and preferences. This introduces new complexity to the business – from operations to pricing to merchandising. But this is where food service is going. I think of the marketing pieces – personalized offers, for example – as being segmented marketing, not really personalization.
That’s quite different from how merchants and financial institutions tend to look at personalization, which is “How can my offers be more relevant?” Their views can be very transaction-based – promotions to drive foot and site traffic – as opposed to the kind of ongoing relationship-based thinking that goes into personalizing a product. A lot of activity is centered on personalizing offers. I buy something and that triggers a 10 percent discount on something else or I take the discount and it’s “one-and-done” and I don’t necessarily expect any more from you. When you move personalization beyond a transaction to a service or product, consumers shift to expecting personalization throughout their relationship with you. Here’s what I mean: Let’s say I have a personalized banking package based on my financial institution’s understanding of me and there’s a financial planning component to that. I expect that to be delivered in a more personalized way than I would if I had a standard banking package. I see the personalization promise as a larger part of our relationship rather than being confined to what I bought.

A personalized offer is simpler to create than a personalized product — this gets to the difficulty of defining the personalization space and studying its impact. At a coffee shop you have a large number of choices of how you want your selection prepared. That’s a personalized product and impacts cost: supplies, process flows, personnel, training. A personalized offer is simpler. A coffee shop sees a customer has bought blueberry muffins in the past, so offers her a coffee and muffin combo for 25 cents less than they cost separately. Not a generic offer, but one presented just to that customer based on what she has bought before. Perhaps the next person in line gets a “croissant and coffee” offer based on what he has bought before. Other than implementing the offer redemption, this type of personalization has little operational impact on the business.

Amazon has driven its success through personalization, but so far they don’t customize the product. Instead, they customize the experience. If you take that into brick-and-mortar retail, we can think about electronic wallets and point-of-sale systems being smart and working together. Imagine, for example, you walk in a store and the wallet on your mobile device recognizes the store, knows your purchase history there and in other stores, and works with the store system to automatically suggest five items in-stock that you’d probably like to take a look at. For a retailer, that’s a real breakthrough. And it’s very simple. It’s software. It doesn’t take back-to-back, end-to-end product modification cycles.

For some business models, it is most important and relevant to address product personalization, even if that increases the complexity of product delivery. Since restaurants make many products to order, customers already expect to be able to customize. And many chains now make that the centerpiece of their brand experience. Our self-ordering solutions already allow for this in markets where customization is supported operationally. Putting more sophisticated tools in the hands of customers exposes them to more options and gives them the tools they need to express their wishes. As we learn more about customer preferences, we become more responsive.
User-directed product personalization is an interesting dimension that touches on the “self-service” point you just made. In this context, you empower the consumer to make something your brand delivers intensely personal. One of the best examples is Apple. A consumer buys a pretty generic off-the-shelf product — everyone gets the same bundle of functionality in an iPad, an iPhone, an iPod, whatever. But when I add my music, my photos, my context, my groups, my social networks, it becomes my phone, my technology. And I perceive that Apple gave that to me, even though I did all the personalization.

Here’s an example of a different kind of personalization that could be built to create deeper customer relationships. A children’s shoe store might record the shoes customers buy for their children; you also know the kids’ birthdays. You have an average foot growth model matched to age, and you email customers based on that: “Hey, your child has this size right now, and based on our growth model, it’s probably getting uncomfortable. We recommend this size and style for the stage your child is in now. Would you like us to hold a pair for you to come in and try on?” You don’t even need to give a discount offer. You’ve tailored your store to the needs of your customer’s family.

That example gets to the heart of the real opportunity for personalization – moving beyond transactions to build relationships that can transform opportunities or markets. While I trust Amazon or Netflix to recommend content adjacent to transactions we’ve done together, that’s not really about relationship. It’s giving me as a customer more opportunities to transact in ways that you as a merchant believe are relevant based on my previous transactions. But user-directed personalization like what happens on Pinterest or on an iPad starts to let a brand inside my DNA. I’m letting you in my friend network; I’m getting weather in cities I care about; you can see where I want to travel. That’s more about relationship than transacting. I’m using your platform for life decisions that I probably don’t let a lot of other companies into.

You make a good point — transactions can really prove out the economic model for personalization in business-to-consumer retail; however, in other industries and for other applications the ROI can be less clear. Retailers talk about relationships, customer loyalty, and customizing experiences. But when you hear, “If I turn on this algorithm and it presents adjacent products correctly, you will get your in-store revenue up 4 percent,” then you stop talking and do something. The ROI is clear. That’s why passive personalization has been getting so much attention with programs: “People like you also purchased these other products.” A retailer can directly measure the impact that presenting that information has on average order size, and you’re not asking the customer to do any work.

I’m really intrigued by the possibilities of being able to consistently deliver service to customers the “old-fashioned” way – enabled by new technologies. Restaurants have always developed personal relationships with their regulars – the commuter who comes every day for coffee or the senior citizen group that meets every Saturday in the same corner of the restaurant. The manager and employees know them on a first-name basis; they know what they eat and how they like it prepared. Now it is becoming possible to
The Power of Personalization

Universal Commerce

“I’m really intrigued by the possibilities ... to consistently deliver service to customers the ‘old-fashioned’ way – enabled by new technologies.”

Larry

I think merchants have to some extent narrowed personalization a bit, working within the confines of delivery systems and what they can scale. They’re almost at odds with consumers: We want something that’s intensely personal, it’s about me, yet a merchant has to figure out how to deliver that at scale. So they’re doing the easy things: They run personalized promotions online or when you walk by the store. But consumers’ appetite for personalized products, services, and experiences is broader than simply getting deals. One example is the “you-know-me-therefore...” value that says I’m going to get things faster, more customized, or easier. This is the idea Melody shared about tailoring and naming your sandwich so that when you order you don’t just say “I want a burger.” You say, “I want my burger, the Larry Burger!” The Nike app you use to tailor a shoe right to your foot is another example. You’re getting something built more exactly for you because you were willing to share some information. Another popular personalization value is alerts. Your brand helps me be more on-the-ball – you give me a heads-up that it’s time to refill my prescription, that my bank account is running low, or that I’m getting a fraudulent transaction.

Melody

There is another aspect of personalization to keep in mind. When you introduce product personalization, it makes the delivery process more complex and increases the possibility of an error. This can increase costs. Also, as you introduce more choice to the consumer, you can also inadvertently introduce a level of frustration. It can turn into a kind of “slippery slope” of requests and expectations. If a coffee shop says you can add syrup to a latte, then you might think, “Well, maybe I can add something else. What else do you have in the kitchen? Do you have chocolate syrup? Can I have that?”

Melody Brown
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A Myriad of Factors Drive the Growth of Consumer Personalization

Our panel debated whether consumers are demanding more personalized experiences or are simply responding favorably to ones they encounter. They also considered the roles mobile technology and social networking are playing in whetting consumers’ appetites for personalization. As companies adopt personalization strategies more broadly, they should think beyond the dynamics of marketing to consider the potential that personalization has to impact operations across an organization, and even influence relationships with business partners.

**Eckart**

Do companies offer personalization because consumers ask for it, or are consumers simply responding to personalization when it’s offered? It’s a bit of a chicken-or-the-egg question.

**Larry**

Our research points to consumers driving the trend toward personalization. They’re saying, “Make my life easier. Make it more convenient. Make your products, services, and information more relevant to me.” Several consumer desires are at play. One is the desire to “get a deal” – and deals are even better when they’re tailored for me. Another is the desire for convenience – give me what I want, when I want it. Finally, the desire for security is driving demand for personalized “heads-up” experiences, such as receiving alerts from your bank to verify account activity, or from your home protection firm if your alarm goes off when you’re away.

Two key environmental shifts are acting as an accelerant on these desires. “Technology on-the-go” is a big one. None of us are separated from technology anymore. I don’t have to be in a certain place to access information. It’s always with me. It can be “always on” if I choose that. Today’s consumers expect to always be able to find what they want. The second shift is the power to easily and rapidly sift through large amounts of information. We’re not as overwhelmed as we used to be, because we have better ways of filtering and organizing what we want. I have my favorite search engine, tools and apps. I’ve got my favorite deal sites or brands. Combine these shifts and we have “always-connected” consumers who are comfortable sifting through information, looking for advice, and getting to sources they trust. As a consumer, I can quickly put the world into a frame that’s relevant for me, which is the heart of personalization.

**Eckart**

I see consumers responding to personalization more than asking for it. Amazon is a leading retailer in terms of personalization, yet I don’t know one customer who goes to Amazon primarily because of their ability to personalize their experience. Instead, Amazon seems to feel that it is more effective for them to learn what you do and adjust your shopping experience around your behavior, as opposed to getting you to actively personalize. The more you automate personalization through big data analysis, the better. The more effortless it is for consumers, the better.
Melody  I believe personalization is consumer-driven. It caters to customers who want service that is quick and accurate. You define what you want so that when you come in for your order, you know it's right.

Eckart  We don't have to look at this as an either/or thing – either consumers are driving or they are responding to what companies are driving. If you think about it, end-capping in retail is all about personalization, except it's done for a large segment of people who go to the endcap. A retailer can't rearrange the store for every customer (at least not a physical store, although they may be able to rearrange the online store based on who is looking at it). When we get to individual-level personalization, are consumers demanding the personalized product, or are they becoming loyal because of the personalized treatment they receive? I think there's room for both, although I think responding to merchants who are doing things in more personalized ways is more prevalent. Every traditional eCommerce store has been passively personalized, because it's traditional upselling. A new generation of "subscription shopping" and "personal curator" sites ask consumers to personalize up front. You can do both or you can do one or the other.

Larry  Regardless of who's driving personalization, it's important not to surprise consumers by understanding something personal and then serving it up in a context where it wasn't expected. Using personalization to strengthen relationships requires three things: An underlying consumer trust in your brand; transparency about how information's being used; and reinforcing experiences that have consumers saying, “That wasn't so bad. I liked that.” Then they might give you permission to use their data in other contexts. It’s an iterative process, starting with trust. I trust Target, I trust Apple, and so I’ll tell them a bit about me. Based on what I see them do with that, I may share more, or I may end the relationship because they violated my trust. This iterative loop of trust, transparency, and reinforcing experiences is a tremendous opportunity to expand brand loyalty to new contexts.

Also, social networking has both expanded and accelerated people's willingness to share information in broader contexts. Think about this: If you walked into Facebook's offices and were asked a series of questions to get at all the information you've disclosed voluntarily through your online posts, you would probably walk away. But we're all readily sharing this information in the context that we believe our friends are interested in it. There's even "automatic sharing" where every song you listen to or every item you purchase is shared with your friends.

Melody  A big factor is age: Unless security becomes an issue, the younger generation doesn't see the social sharing of information as being a big deal.

Larry  We can't ignore the impact of mobile devices as an adoption driver for personalization. A big contributor is the fact that I've poured a lot of me into my device, and it travels with me wherever I go. It's made it easier for me to communicate who I am as an individual.
Mobility is clearly important to consumers. Consumers take advantage of mobile capabilities that are available to them, whether it is mobile ordering, mobile payment, mobile product searches, or even browsing a menu. Mobile will likely have a big impact on restaurant experiences in the future. We need to be thinking about how we manage that experience and how we make it unique for our customers.

Mobile apps are an interesting place to begin personalization. They’re another communication channel between consumers and brands, and unite technology, mobility, and brand affinity with an individual’s power to regulate what they participate in and what information they give and receive.

I believe that’s right – mobile apps are incredibly important. However you also have to look beyond the app itself to consider broader operational impacts. For example, once a customer uses your mobile app to place an order, what does the in-store or pick-up experience look like? You can have the cleverest app in the world, but if you can’t deliver at the so-called “moment of truth,” consumers won’t perceive the value. In fact, you run the risk of creating a negative customer experience.

Using mobile to drive personalized experiences based on geo-location marketing is a hot topic area. It can lead to big payoffs, but not everything consumers buy is on impulse, which is really what geo-location plays into. I happen to be standing in front XYZ store, or I’m driving past Exit 4 and then Exit 5 offers an opportunity to do something that interests me.

A number of years ago there was a lot of talk about how cool it would be if you walked by a store and the retailer could send an offer to you via SMS. There’s been zero adoption of that – zero. Consumer hatred of the concept is off the scale.

I do agree that mobile personalization strategies need to be much broader than geo-location impulse buys. People do plan – for meaningful experiences, for budget, for time. So many of the mobile apps we’ve seen to date have been very temporal and “of the moment.” While there’s a role for that in personalization, it’s more compelling to think about enduring connections. Whether you’re a bank or a retail brand, look for those really meaningful and intimate engagement opportunities that last longer than an impulse.

It’s also interesting to consider potential partnership opportunities in the mix. If you offer a product or service that dovetails with another service provider or merchant, you can use a personalized information trigger – let’s say an event that’s taking place in a person’s hometown – to create cross-sell or up-sell opportunities. We see examples of this in the marketplace. I think they will grow in number and sophistication. And they will increasingly come under the control of the customer whose data enables the smart linkages.
There’s a caveat to using personalization through geo-location: You don’t want customers to think you’re stalking them. Some people may be uncomfortable that you know where they are, and are using that to serve up an offer. Asking for permission is important. Most mobile apps ask “Is it okay to know where you are?” and as the number of apps doing this has grown, people have become comfortable with the concept, especially through using navigation apps. That’s helped to avoid the “creep factor.” As things evolve, it would be impactful for marketers to add “understanding what you like” to “knowing where you are.” For example, imagine if your navigation app also knew you’re a sushi lover, and popped up a good deal at a sushi restaurant you happen to be driving by. Some people would love that, and think “If I’m driving down the street and there’s any deal I might be interested in, show it to me.” Other people are more private.

The data we have on this shows an interesting dynamic: only around 10 percent of consumers say they would give merchants information about their location – only 10 percent! But when told they’d get a discount delivered through their mobile device when they’re in front of a store, about 40 percent said they’d be interested. Often, consumers don’t really know what they want until presented with a specific scenario.

We used to say, “The perfectly relevant ad is also content.” When you look at Web search results, the perfect ad is sometimes better than the search result. Say you type in “used oscilloscope,” and would get back a bunch of irrelevant links, but you also get an ad that lists the oscilloscope that you want and a price. That ad is as good as content.

I think the next barrier to break through is interacting with the physical environment. As devices get better at this, we’ll get better at offline personalization. We’ll be able to converge online and offline experiences, delivering continuity between what you do with me online and what you do with me in the store. Today, devices aren’t yet very good at figuring out where they are indoors. So companies are working on technology that helps mobile devices figure out where they are in the geography of a building. People also are working to figure out how mobile devices can interact with different elements in a store, such as in the mobile wallet space, or in digitally giving consumers more information about products they see on the shelves.

Effective multi-channel strategies vary quite a bit for different business models. For instance, some types of restaurants are not suited for a take-out business, which makes online ordering capabilities less valuable to them. Others, like many Chinese restaurants or pizza operations, provide an in-store experience as well as take-out and delivery. The interesting thing from the merchant’s perspective is that regardless of which channel the customer uses, every customer interaction becomes an opportunity to build the customer profile.
The trend in retail consumer shopping experience is moving toward more personalization of products and services. Eventually when you walk into a fashion store, your mobile device should be able to tell you what the featured dress is or suggest outfits that will work for you. Or when you turn on your television, channels will be personalized to you. We never managed to get My Yahoo past 15 or 20 million people because it was just too much effort for people to do all that work. But today companies have gotten a lot better at it. The reason Facebook’s single login works is because people are unwilling to do that work over and over again, entering information in every social service and inviting 25 friends. You’re just not going to bother. People react well to personalization, but only if it’s easy to participate. Personalization is an absolute key way to create a better relationship with a consumer, especially if you’re selling commoditized items. There’s virtually no case where personalization would not improve your interactions, as long as it doesn’t require much extra effort from the consumer.

I believe that doing personalization well creates competitive advantage, but it also takes time to develop the best formula for a particular business model. If you get used to having a lot of control as a customer, then you become emboldened to ask for more. In some ways we are returning to an age gone by when your merchant knew you. You lived down the street, and they not only knew your preferences and what you were likely to buy, but they might know what day of the week you were going to come into the shop, and at what time. We’ve been working our way back to that kind of familiarity through new methods and tools that scale. Now it’s possible for big brands to offer personalized experiences without compromising the operational efficiencies they have achieved.

There’s no “free ride” in personalization. Consumers won’t reveal personal information without receiving something of equal or greater value back from an organization. While today these value exchanges are largely transactional and within the context of the organization’s industry, personalization has the potential to become a bridging strategy that leverages personal relevance to extend brands and solutions beyond their traditional boundaries – for example, a mobile wallet might extend its value beyond payments to become an identity authenticator.

Data is the underpinning of personalization, but how do we get it? Certainly buying patterns and history is one lens, but the data a consumer willingly shares is more powerful. That might be indirectly – through social sites, for example – or it could be directly, through programs that incent people to share data to receive something in return, such as making their next experience better, cheaper, more convenient, or faster. Once consumers decide to share their information, research shows it has a “currency” value. It can equate to a specific dollar amount, as in “I share this information with you and get a discount on what I buy.” But, over time, it gets bigger than that. The more bits and bytes of a person’s information I have, the more he or she expects from me – whether it’s discounts, access to unique things,
more convenient delivery, front-of-line privileges, or something else. In general, you’ve got to tie requests for personal data to clear and immediate benefits. Young people are very open to sharing personal information with the expectation that something good will come of it: I’ll get better service; you’ll save me time by showing me what I’m most interested in; you’ll design products for me. But if you don’t deliver on that expectation, you break my trust.

**Eckart**

Here are three rules for collecting and using data for personalization: One, disclosure – you’re very clear you’re doing it. Two, control – people can opt-in, opt-out, and change their minds at any time, and must give their permission for you to share the data. And three, visible benefits for consumers – you clearly deliver something the person values in return.

**Melody**

When it comes to customers, there has to be a very explicit value exchange, so explicit that we should not have to explain it in our privacy policy. It should be an intuitively clear benefit. As a designer, I believe we will find more value in information customers give us to enable conveniences than we’ll find in classic demographic information. For instance, I’m more interested in knowing you have filtered a product list to find items under a certain price than I am in knowing you’re a 22-year-old male. Seeing a large population filtering a product list by certain price thresholds can be extremely valuable even if we have no idea who the people are. Then by tracking customer-centric customization patterns, it becomes possible to know what products are hitting the mark, or what might be good items or combinations to introduce.

**Larry**

When we think about data and personalization from a Universal Commerce perspective, we consider how to deliver the same great experience across environments. Historically, the focus has been on standing out in distinct environments – online, in a retail store, in a bank branch, or wherever. While it’s harder to be everywhere consumers want you to be with a unique experience, that’s the opportunity. With Universal Commerce, you don’t have to be locked into the place where you originally got to know me. Here’s a good merchant example: A well-known retailer has blended online, mobile, and in-store experiences with respect to prescriptions. When you’re ready for renewal, they will ping you and say, “It’s time to pick up your renewal,” and ask, “Do you want me to mail it or do you want to pick it up, and do you want anything else with that? Should I throw anything else into the bag?” And they go further to say, “And by the way, I have your payment information on file, so you can just drive by and it’ll all be ready for you.” That’s a great way to redefine convenience, and now that brand has the opportunity to become linked with “convenience.” Customers will think, “Wow, that’s one less thing I have to remember.” And that becomes a highly-involving benefit.

**Eckart**

Fast forward to today, and we’re still learning the “benefit” lesson. Blippy and Swipely both originated as social shopping sites that shared your purchases with your friends on Facebook, your followers on Twitter, and the like, using credit and debit card information you registered with the service. So it was at least clear that the information would be shared, and you’re opting in by enrolling. But the benefit wasn’t compelling. The attempt was to marry your online and offline buying behavior with where you like to talk with
friends about what you’re up to -- which is online. Both were pretty large investments backed by well-known people, but neither worked. While security issues were a concern, a key takeaway is that both services violated the number one rule of personalization: you have to provide real value to get consumers to share personal information. Consumers were checking them out based on all the media hype, but then not using the services. People wondered, “Am I bragging if I’m using this service?” They also didn’t see a clear payback for sharing information. Most people don’t really want to share everything they buy or to know everything their friends buy.

**Larry**

By contrast, good experiences lead to increasing permissions. If I give something of me or my preferences or interests, and I get back something that’s better, of higher value, a faster service, a cheaper price, whatever it might be, then people will give more of themselves. Social networking is quickly accelerating that trend. I think everything’s rooted in delivering something more special to the person who’s shared data, and delivering it within the context that your received the data. For example, I’m willing to share my location data with Target within certain purchasing or social contexts, but I don’t want Target tracking that I went to the movies or to the airport. I’m okay if Target knows when I walk in their store, and so pushes to me five things in stock that I’d be interested in, based on what I’ve bought before or have shared on a social shopping site. But I don’t want to hear from Target when I’m on vacation, unless I’ve explicitly given Target permission to look at me in that context.

**Eckart**

Many people indicate they are concerned about their location data being collected. Yet, consumers explicitly disclose their location data routinely these days. Tweets routinely have location data; Foursquare shares your location; and Facebook lets you add location data when you post new updates. The rules for collecting and using location data are no different than for any other personalization data: I need to know you’re doing it; I can say yes or no; you need my permission to share it; and I get something for it.

**Melody**

I think we’ve been wringing our hands over the wrong question. The issue isn’t privacy. The issue is protection. Whatever the opinion surveys show, the behaviors show that people share information. They generally do not read privacy policies – even attorneys don’t read privacy policies. Customers give up information about themselves with little hesitation, and then they hope for the best. It’s only after something goes wrong that there is a clamor and an outrage. So at the end of the day, it’s mostly about protection.

**Eckart**

As Larry said earlier, so much of this has to do with perceptions and context. For instance, there can be a fine line between personalization being useful and it being intrusive. Consumers draw their “creepy-factor” line based on their understanding of why they are giving information and how it’s used. You actually can get very different reactions to sharing the same personal information, depending on how you frame the request and how clear you are about the benefits. For example an early version of a personalized Web service asked consumers for their birth
data to be able to personalize their experience. Asking for the data got very negative feedback: “Why do you want to know my birth date?” The product was then rewritten to ask consumers if they wanted to personalize their page with their zodiac sign, resulting in broad adoption of the feature because consumers understood the immediate benefit they would get by disclosing that information.

Melody

I do think there’s data collection that is in the category “obvious to us and not obvious to the customer,” and then the value exchange fails to be explicit. For example, a consumer might want to find a restaurant using their mobile phone. It might not occur to them that we now know where they are at the moment they query, even though they actively give permission when we ask, “May I use your location?” In the end, it’s what you do with the information that makes you trustworthy or not. Obviously it’s possible to aggregate location data and use it for purposes other than providing a personalized service or offer. The key is to focus on uses that really matter. The more data a company collects and saves, the more data it has to protect. Of course it’s not always immediately obvious what data is valuable and what isn’t. So that’s one of the formative challenges for Universal Commerce practitioners.

Larry

Most of us have had the online shopping experience of looking at something without buying it, and then being chased around the Internet by ads for that item. It’s kind of funny, really. It’s like, “Wow, those shoes I didn’t buy. There they are again…and again!” They’re everywhere you go, because of retargeting capabilities. And it’s cool that that capability exists, but if I didn’t buy the shoes the first time, showing them to me six or eight more times isn’t necessarily going to get me to buy them. What smart marketers should be trying to delve into more deeply is why you didn’t buy, instead of just serving up the same thing you passed on. Instead, they should figure out “Where do I go next in the conversation?” Just because retargeting technology exists doesn’t mean it’s going to be effective. It is a little creepy and at some point it could be aggravating: “I told you I didn’t want those. I told you by not ordering them.”

Eckart

Personalization, like many other new technologies, needed to go through a technology adoption cycle that governs the rate at which the majority of consumers accept a new technology. Jeff Bezos [founder and CEO of Amazon] tells a story about how in the early days of Amazon, they presented a phone number at the end of checkout for people who were uncomfortable typing their credit card number into a Web form, and a significant percentage of consumers called that phone number rather than trusting their credit card number to the Web. Today most people don’t think twice about entering credit card information online, and we’re getting that way with personalization online– you just expect it. It’s become completely standard to be presented with items related to the one you’re purchasing.

Larry

Personalization innovators will eventually devise constructs that are less one-dimensional, with better horizontal connections. How can my grocery store be more relevant to me throughout my entire day, my entire week, as opposed to just when my fridge is empty? There’s room to create a unifying layer above individual retailers to
Conclusion

As Universal Commerce leads to increasing convergence among our social, digital, mobile, and brick-and-mortar experiences, personalization strategies are playing a pivotal role in delivering unified, relevant value to consumers. This discussion has revealed a number of key points that suggest personalization is in its infancy, and yet consumer-facing businesses of all kinds are quickly becoming more sophisticated about how they use information along with “anywhere” communications to develop more personalized products and services. It’s not just creating the personalized products, services, and experiences that is important, but also using them in ways that build enduring customer relationships.

Additionally, the advance of personalization opens the door to new levels of partnership marketing and real-time cross selling that has never been possible before. Every business has its own relationships with its customers, but as those relationships become increasingly grounded in information about individuals and their preferences, then it is possible to play a larger role in that consumer’s ecosystem.

While many organizations are experimenting with personalization today, its potential has just begun to be tapped. Organizations that are committed to transparency and consumer control in their personal data collection and are willing to invest to develop personalization strategies that go well beyond transactions, deals, and discounts – these organizations will be in a position to leverage personalization in ways that deepen customer relationships and create new business opportunities.
About the Authors

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Over the past six years, Melody Roberts has integrated experience design into the practice of innovation at McDonald’s Corporation. Today she leads strategic cross-functional initiatives, manages the experience design team, and consults to disseminate design and innovation best practices company-wide. Prior to McDonald’s, Melody spent seven years in design and innovation consulting. She worked at IDEO from 2004 to 2006. There she led joint IDEO/client teams in six-month to year-long design programs intended to foster a culture of customer-centered innovation within the client organization. From 1999 through 2003 she formalized and led Smart Design’s design research and new product strategy work. During this time she also managed its largest client account.

A native of Colorado, Melody earned a BA in American Studies from Yale University and a Master of Design degree in Human-Centered Product Design from Illinois Tech.

**Eckart Walther**, Chief Executive Officer; CardSpring

Eckart Walther is the CEO of CardSpring, a payments infrastructure platform that makes it easy for retailers, publishers, and developers to create web and mobile applications for payment cards.

Prior to joining CardSpring in 2011, Eckart was an Entrepreneur in Residence at Accel Partners and held product leadership positions at a number of Internet technology companies including Yahoo!, Tellme, and Netscape. At Yahoo!, he led the development of Yahoo’s Web and social search products including Yahoo Answers. Prior to Yahoo!, Eckart was in charge of product management for Tellme’s voice hosting business, one of the world’s first large-scale PaaS services, and Netscape’s browser platform technologies including Java and JavaScript.

Eckart began his career at GE Corporate Research and Stanford University, where he specialized in AI research and worked on one of the first multiprocessor versions of the UNIX operating system. He holds both BS and MS degrees in computer engineering from Rensselaer Polytechnic Institute and is one of the co-authors of the RSS Web standard.

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Larry Drury is the Chief Marketing Officer at First Data. Larry is responsible for expanding and managing First Data’s corporate reputation, including responsibility for corporate marketing, corporate communications and public policy.

Prior to joining First Data in 2010, Larry held a number of leadership positions throughout his career, including Global Head of Commercial Marketing and Global Head of Brand Management at Visa Inc., as well as Chief Executive Officer of the Americas at FutureBrand—a global brand consultancy.

Larry has a Bachelor’s degree in international business and marketing from the University of Colorado and a Master’s degree in business administration with an emphasis in finance and strategy from the University of Cape Town.