

The Path to Personalization

THE PERSONALIZATION GOLD RUSH UNDERWAY IN RETAIL IS OCCURRING AGAINST A BACKDROP OF DATA MISUSE, LAX SAFEGUARDS AND HEIGHTENED PRIVACY CONCERNS. RESPONSIBLE DATA STEWARDSHIP HAS BECOME A C-LEVEL PRIORITY WITH THE POTENTIAL TO DRIVE GROWTH OR DESTROY CONSUMER TRUST. > **By Mike Troy**

Retail has been a data-centric industry since the advent of scanning and anyone at the forefront of retail today is there because they recognized sooner than others that data was their best friend. The current crop of retail leaders distanced themselves from competitors by more effectively gathering, sharing, extracting insights and taking action on information. Fast forward from a simpler time when week old point-of-sale information blended with store specific demographic attributes was regarded as cutting edge and today's data universe is unrecognizable. There is a proliferation of structured and unstructured data from sources

such as mobile devices, online reviews, video and social media that would have sounded like science fiction a few decades ago.

While there has been tremendous change regarding sources of data, the basic data-driven formula for retail success remains intact even if solving the growth formula is more complex due to the addition of new variables. Causing further complexity is the fog of regulatory uncertainty and consumer attitudes toward data sharing which can range widely from providing intimate details to complete aversion. What is clear, and frequently documented by research, is the value proposition central to all data sharing relationships — consumer expect something in return.

“Consumers are open to sharing their personal data with business in exchange for better customer experiences,” according to an Accenture Interactive survey of 8,000 North American and European consumer conducted in November 2017. “In return, businesses must also be transparent about how they collect and use the data.”

A survey conducted the same month by Acxiom affirmed the sort of “give to get” bargain central to personalization efforts and loyalty programs.

“An overwhelming shift in attitudes is underway as more and more consumers gain awareness and an understanding of the role data exchange plays in contemporary society,” said Sheila Colclasure, the Global Chief Data Ethics Officer and Public Policy Executive at Acxiom. The Conway, Ark.-based company is a pioneer in the collection of consumer information and claims to provide the data foundation for the world's best marketers. It worked with the Data & Marketing Association (DMA) to conduct a survey of 2,076 U.S. adults for its report,

HOW SHOPPERS FEEL ABOUT PERSONALIZATION

What shoppers think of....	Creepy or Cool*	
Clothing and wearables including sensors/tracking devices allow retailers to track you in exchange for a discount.	76%	10%
Companies understand your shopping habits so well they use AI to choose and automatically order products on your behalf.	69%	14%
Facial recognition technology identifies you as a loyal customer when you enter a store and information is relayed to a salesperson.	61%	24%
Robots guide you to specific products within a store.	32%	48%
You can use fingerprint scanning to pay for items and get automatic home delivery from the store floor.	31%	46%

SOURCE: RichRelevance survey of 1,037 U.S. consumers conducted May 2018. *Percentages do not equal 100

“Data Privacy: What the Consumer Really Thinks.” “This survey shows that people are increasingly aware of the role data plays in our lives and are becoming more conscious of the decisions they make in exchanging data for value.”

Even so, the numbers underpinning that assertion are hardly overwhelming. Only 44% of those surveyed in the U.S. feel more comfortable with data exchange than they did previously while 62% believe that sharing data is part of the modern economy, according to the study.

The modern retail economy is increasingly the personal data economy with expectations of growth hinging on 360 degree views of consumers and highly efficient targeting. Where problems start to arise with the issue of data sharing, related personalization efforts and privacy safeguards involves transparency about usage of information. For the most part, retailers have been good stewards of consumer data actively acquired via loyalty programs, which offer consumers a clear value proposition. In fact, retailers it seems are underutilizing data in their possession, according to Accenture Interactive research. For example, a little less than three fourths of those surveyed said a business had never communicated with them online in a way that felt too personal. However, among the 27% who indicated they had an experience with a brand that was too personal it typically was because the business had information about the consumer they felt they didn't share knowingly or directly.

“Brand and consumer relationships are no different than their real life counterparts,” according to Accenture Interactive. “When one party goes outside of the relationship for information, the level of trust is completely broken.”

It isn't always easy for consumers to know when they have shared data directly or indirectly thanks to jargon filled privacy policies that claim to hold the individual's privacy in high regard before detailing page after page of exceptions.

CREEPY OR COOL

As data gathering has increased and enabled deeper levels of personalization, efforts are often described as creepy or cool depending how far a company pushes the technology envelope. One technology company competing in the experience personalization space, San Francisco-based RichRelevance, has been studying the interplay between creepy and cool for four years in an annual study designed to probe attitudes toward personalization. This year's installment of “Creepy or Cool,”

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—Accenture Interactive

revealed that 76% of consumers think it is creepy when clothing and other wearables allow retailers to track them exchange for discounts. Also rating high on the creepy scale was the practice of companies understanding a consumers' habits so well they use AI to select and automatically send products. That was considered creepy by 69% of the 1,037 U.S. consumers RichRelevance surveyed in May 2018.

“Consumers generally know that data is being collected about them and that they are benefiting from artificial intelligence. However, consumers are increasingly

expecting brands and retailers to be transparent about when and how they're using AI in their interactions,” said Mike Ni, Chief Marketing Officer with RichRelevance. “As a result, companies are increasingly under pressure to adopt explainable and open AI systems that provide clear insight into how and why decisions are being made. Traditional black box, closed AI solutions are just not an option anymore.”

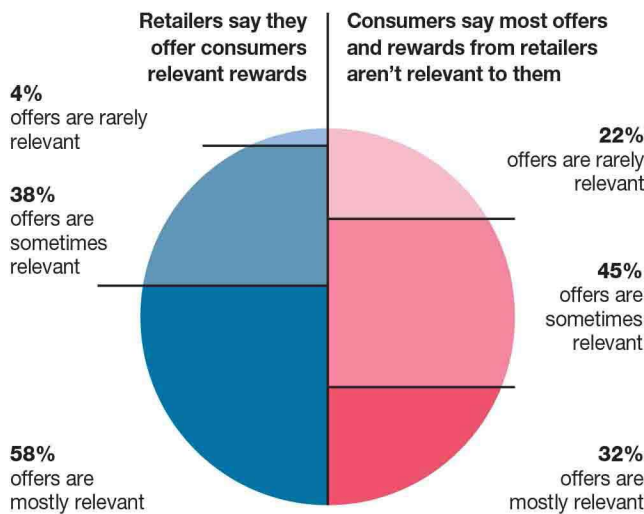
One of the most challenging issues with personalization relates to generational differences when it comes to sharing data and expectations about what companies do with the information. Perspectives on creepy and cool are heavily influence by age, which is understandable since digital natives have grown up over-sharing on social media while their grandparents may have been reluctant to share their zip code with a cashier.

Regardless of demographics, attitudes toward creepy tend to recede as consumers begin to realize the beneficial aspects that can come from sharing data and technology becomes an indispensable part of life. For example, four years ago, 75% of shoppers felt it was creepy for facial recognition technology to identify them as a high value shopper and relay that information to a sales associate. In this year's research, only 61% of consumers are creeped out by facial recognition.

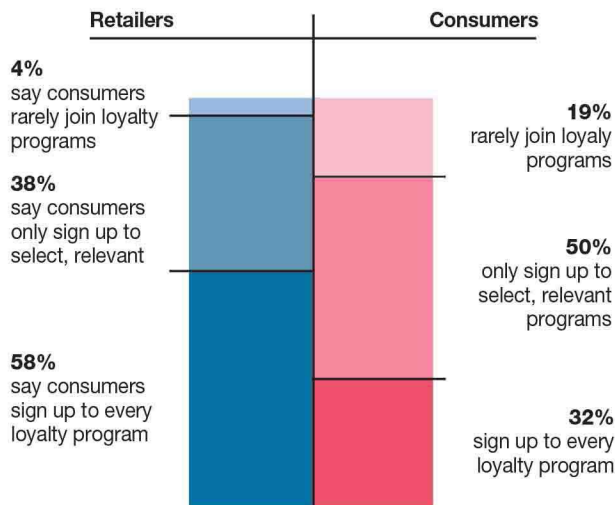
Whether it is facial recognition or another advanced technology, most retailers appear to be trading delicately with personalization initiatives to avoid the numerous privacy landmines that exist. For example, in a recent A.T. Kearney survey, data gathering (20%) and omnichannel focus (16%) were cited as the top two responses to the open ended question, “what specific steps are you taking today to offer a more personalized shopping experience to your consumers?” The firm surveyed 270 CEOs, CIO's and COO's at consumer companies with annual revenues of more than \$2 billion

in its study, “Consumer Centric: From Idle to Agile.” The research also showed a basic approach to incentivizing consumers to share their personal information. For example, discounts and coupons (35%) and loyalty points (25%) stood out as the most common methods

RETAILERS AND SHOPPERS THINK DIFFERENTLY ABOUT PROMOTIONAL RELEVANCY...



...AND HAVE DIFFERING VIEWS ON LOYALTY.



SOURCE: Oracle Retail survey of more than 13,000 global consumers and 500 businesses across retail, hotels and restaurants conducted February 2018.

of incenting shoppers, according to C-level executives who took the survey.

Those same executives also expect personalization to mark the biggest shift in their business going forward. Only 9% of those surveyed listed personalization when asked to describe their company’s approach to products and services today. However, personalization garnered 17% of the responses when asked about approaches their companies expect to adopt by 2026.

CLOSING THE GAP

It is not unusual for retailers to have one view of their business and consumers to have another, but when it comes to personalization the disparity of views is quite large. That was the key insight from a global survey of 13,000 consumers and 500 retail, hotel and restaurant operators conducted by Oracle. The firm detailed the findings in a report titled, “Retail 2018: The Loyalty Divide,” which revealed retailers are out of touch with consumers that demand more personalized experiences and discover brands and affirm purchase decisions through social influencers.”

“Retailers put significant focus on transactional activity metrics and less focus on emerging behavioral expressions of loyalty. We found that retailers are overly confident in their ability to deliver relevant incentives and consumers are demanding more personalized engagement,” said Mike Webster, Senior Vice President and General Manager, Oracle Retail and Hospitality. “Retailers need to take a critical eye at the culture of shoppers that only engage based on convenience and price. Social influence brings an additional dynamic for retailers to navigate the loyalty paradigm as they reward brand advocacy and feed enthusiasts content to affirm their purchases.”

Oracle’s research highlights many ways that retailers are not giving consumers what they want due to differing views of things like social influences, recommendations and offer types. For example, 30% of consumers find receiving recommendations for products or brands based on social influencers subscribed to or followed as unappealing compared to 90 percent of retailers that think this would be appealing to consumers. Twenty-six percent of consumers find artificial intelligence on a mobile device that gets to know the user through voice recognition and is able to make intelligent recommendations as unappealing compared to 91% of retailers that think this would be appealing to consumers, according to Oracle’s research. An equally wide gap exists in the area of data sharing. A little more than half of retailers think consumers are concerned about data being passed onto third parties while 81% of consumers say they’d consider removing their personal information if they could and 53% of

consumers are concerned that their data is being passed onto third parties.

UNCERTAINTY ABOUNDS

Retailers are looking to close the gap between their personalization capabilities and consumer expectations just as the regulatory landscape shifts underfoot and the potential exists for future changes driven by unforeseen data breaches and or political considerations. Meanwhile, privacy and data security advocates are eager to reassert individuals' rights over their data, how it is gathered, stored, shared, sold and leveraged. Predictably, an organization like the American Civil Liberties Union views data gathering through a much different lens than companies intent on leveraging personal information to reduce marketing waste by serving targeted ads that help companies increase sales of goods and services.

"We have seen the private sector engage in increasingly pervasive surveillance of individuals and their activities, transactions, and lifestyles. In the absence of regulatory restrictions, this trend will only intensify as the full fury and genius of capitalism applies itself to spying on all of us," according to an ACLU position statement that makes the case for increased regulation because competition isn't a sufficient force to protect consumers' privacy.

When put in such nefarious terms it is easy to see why more than 630,000 people in California were willing to sign a petition earlier this year to put a digital privacy initiative on the state's fall ballot. The proposal was pulled after the California State Legislature ap-

proved a bill that was signed into law in late June.

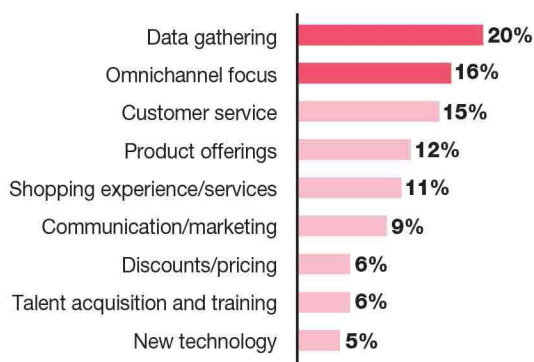
"This is a monumental achievement for consumers, with California leading the way in creating unprecedented consumer protections for the rest of the nation," said Alastair Mactaggart, Chairman of Californians for Consumer Privacy, the organization that led the signature gathering initiative that prompted the law.

The law gives consumers more control over their information and how it is shared, but the good news for retailers and brands is that it doesn't go into effect until January 2020. That gives companies time to prepare and as was the case with GDPR companies are likely to apply the California requirements nationwide. The logic behind that approach is that it is simpler to operate a single nationwide data compliance program even if it means adhering to the most restrictive regulation. The new law grants consumers the right to know what information companies are collecting about them, why they are collecting that data and with whom they are sharing it. It gives consumers the right to tell companies to delete their information as well as to not sell or share their data.

The inter-related issues of personalization and privacy and the data stewardship considerations that underpin both promise to dominate board room and C-suite conversations for years to come. Retailers and brands who deftly balance personalization and privacy will satisfy shoppers, increase loyalty, grow sales and gain share. Those that get it wrong will alienate shoppers, destroy brand equity and violate privacy regulations. The stakes have never been higher nor the playing field more unpredictable. **RL**

RETAILERS FOCUS ON THE BASICS TO IMPROVE PERSONALIZATION.

Open-ended responses (% by category)



HOW RETAILERS INCENT SHOPPERS TO SHARE PERSONAL INFORMATION.

Offer rewards category (% by type)



SOURCE: A.T. Kearney executive survey of 270 C-level executives at firms each with annual revenues in excess of \$2 billion.