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Quarterly Digital Intelligence Briefing: Personalisation, Trust and Return on Investment

in association with Adobe

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1. Foreword by Adobe

Personalisation has been at the heart of the argument for digital's unique value from the very beginning of our industry.

Today, consumers are sharing more information than ever about their behaviours, interests and desires; in effect exposing their digital 'self' more clearly than ever before.

This opens up the potential for businesses to engage with them in more timely and meaningful ways than ever thought possible. As consumers share more information, an arms race is taking place to provide the best possible experiences. So the question isn't merely "should we personalise" but "how can we provide the most personal experience possible".

This report surveys the current attitudes to personalisation, and the opportunities that lie ahead. We discover that a minority of companies surveyed are able to target personalised content in real-time and they are enjoying a competitive advantage while others catch up.

Customisation, however, is a complex value exchange where consumer trust is critical. As consumers, when personalisation works well, our lives are enhanced by relevant content that makes our lives easier. When done badly, we may feel uncomfortable and our trust in the suppliers we visit may be undermined.

Looking ahead, we find that currently, only 6% of marketers surveyed use social graph (i.e. Facebook) data for personalisation though, of the small number of companies doing so, 88% say the impact on both ROI and engagement is high.

Against the backdrop of the ePrivacy Directive, which has sparked a timely debate about the nature of the interaction between a website and its customers, we believe this report will help remind marketers that the potential benefits of personalisation for their businesses are hard won but can never be at the expense of consumer trust.

Neil Morgan
Senior Director, Digital Marketing
Adobe Systems, EMEA

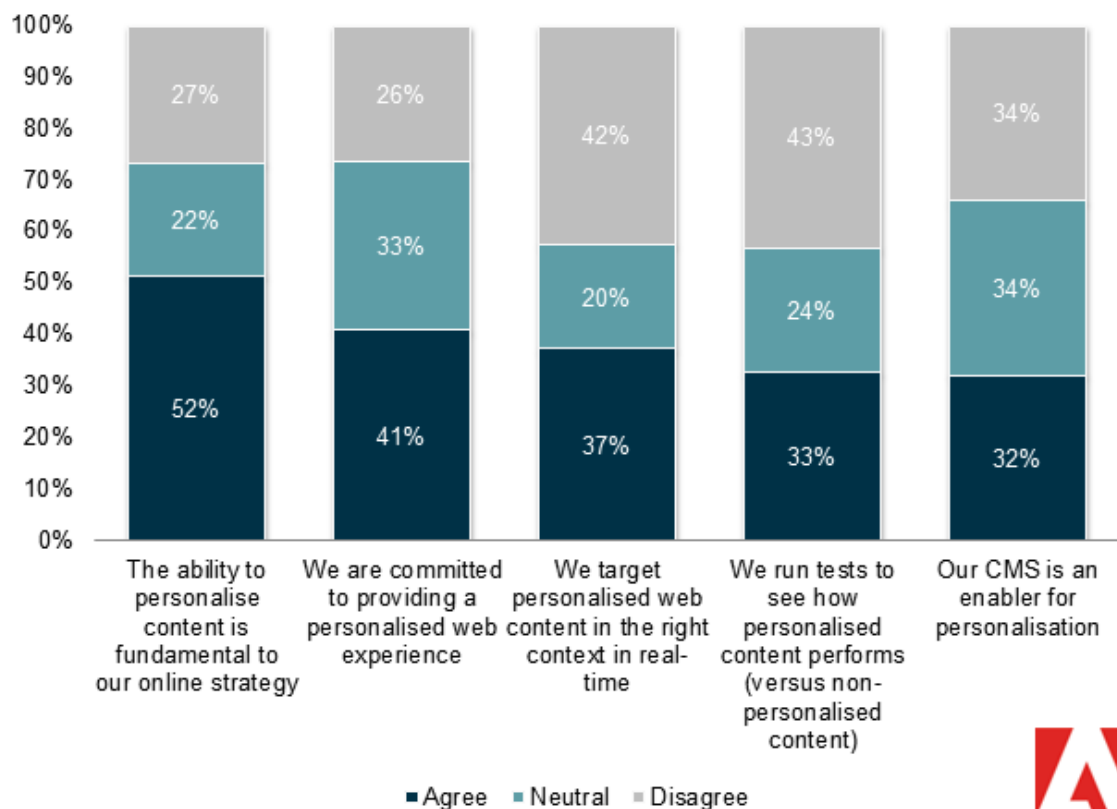
2. The ability to personalise the web experience is becoming a fundamental requirement

For most online organisations, the ability to personalise content – i.e. the use of data to tailor content dynamically at the user level – is becoming critical to their operations.

The chart below shows that more than half (52%) of digital marketers surveyed agree ‘the ability to personalise content is fundamental to their online strategy’, nearly twice as many as those who disagree (27%). Some 41% of organisations are committed to providing a personalised web experience, with 37% already targeting content in real time. A third (33%) do some kind of testing to benchmark personalised content against non-personalised content.

Why has personalisation become so fundamental to online business? In a competitive online marketplace, where competitors are only a click away, a smooth and engaging user experience is essential. Significant investment in acquiring web traffic through marketing and advertising can be totally undermined if the website that greets them doesn’t meet increasingly demanding user expectations. Marginal differences in bounce rates, or conversion rates, can make the difference between success, brand recognition and growth, or economic failure and brand damage.

Figure 1: To what extent do you agree with the following statements?



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Making content relevant and impressing the visitor instantly is one of the strongest weapons in the website’s armoury when it comes to gaining and retaining their visitors.

Respondents to our survey were absolutely clear that the ability to customise and personalise content is absolutely critical to their operations. Some of the most revealing responses include:



'If we were unable to personalise content for any reason, the result would be...'

"A baseline experience for all customers, not great for anyone and commercial results not as high as they potentially could be."

"A site based more on intuition than actual data. You would probably get to a similar place to aggregated data in the end, but it would take much longer."

"Completely generic and un-intelligent product and service upsell, based on what the merchandisers of a website 'believe' a customer wants to see."

"Less intelligence about client/visitor needs, loss of sales leads, less motivation for visitors to register."

"A convoluted and extended user journey that requires a different approach to content structuring and prioritisation."

"Catastrophic. The relationship between our business and its customer group is 1-2-1. A little like a bank, if they are unable to see their specific accounts history online, there will be little point in using it."

"Lower engagement levels because of less targeting. As conversions drop due to lack of relevancy of offers to the customers, the suppliers would reduce the competitiveness of the offers because they aren't getting the required returns and therefore can't be as competitive as they once were. Self-fulfilling prophecy."

"Untargeted communication which impacts negatively on customer engagement – customers expect relevant and real time content. Instant gratification is the norm today."

"Poor customer experience to the point of frustration on behalf of the consumer. We would experience a very real loss in profits."

"For the industry and for future clients that will try to be more intelligent and create a personal online experience for their recipient than a simple 'spray and pray email with a forename as personalisation' this is an absolute disaster!"

Client-side and agency respondents

3. How are marketers personalising the web experience?

Personalisation has been at the heart of the argument for digital's unique value from the beginning. But there are many shades of personalisation that range from the simplistic to the sublime and some blurring of where personalisation ends and segmentation begins. So the question isn't merely "do we personalise" but "how can we personalise" and even perhaps the strategic question, "why do we personalise".

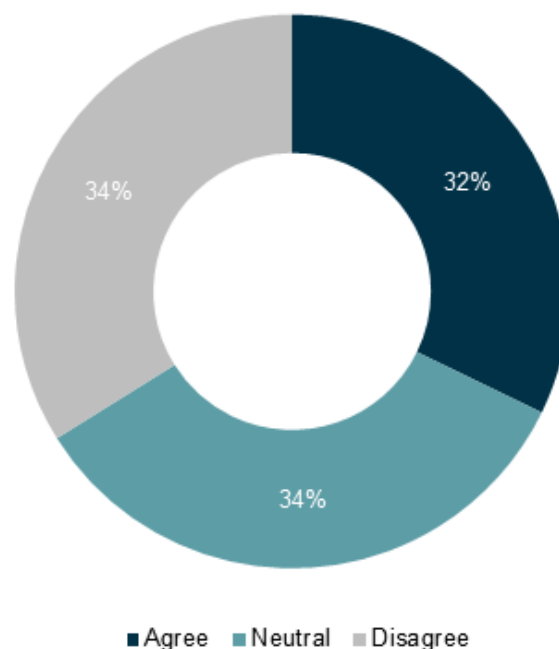
Some of the most powerful personalisation is **explicit** – enabling site visitors and customers, for example, to identify what content they want to see and how they receive it. Retailers and publishers especially have long offered personalisation options for catalogue, website and email, while they are seemingly underutilised in many industries.

But the focus of many digital marketers and technology innovators is **implicit** personalisation. This process is essentially one of micro-segmentation; using anonymous data to tailor content at the user level... an audience of one, but without necessarily identifying the individual. (Where an individual is identified then normal data protection rules would apply).

Effective dynamic personalisation can take many forms but its success requires creativity, speed and technology; yet, as shown in *Figure 2*, only one third (32%) of respondents view their current content management systems as useful enablers of personalisation. A higher proportion (34%) disagree that their CMS is able to facilitate personalisation.

Too many companies are held back by technological limitations when it comes to improving the customer experience. The most successful marketers know that a good content management system helps to facilitate rather than hinder personalisation.

Figure 2: To what extent do you agree with the statement "Our CMS is an enabler for personalisation"?



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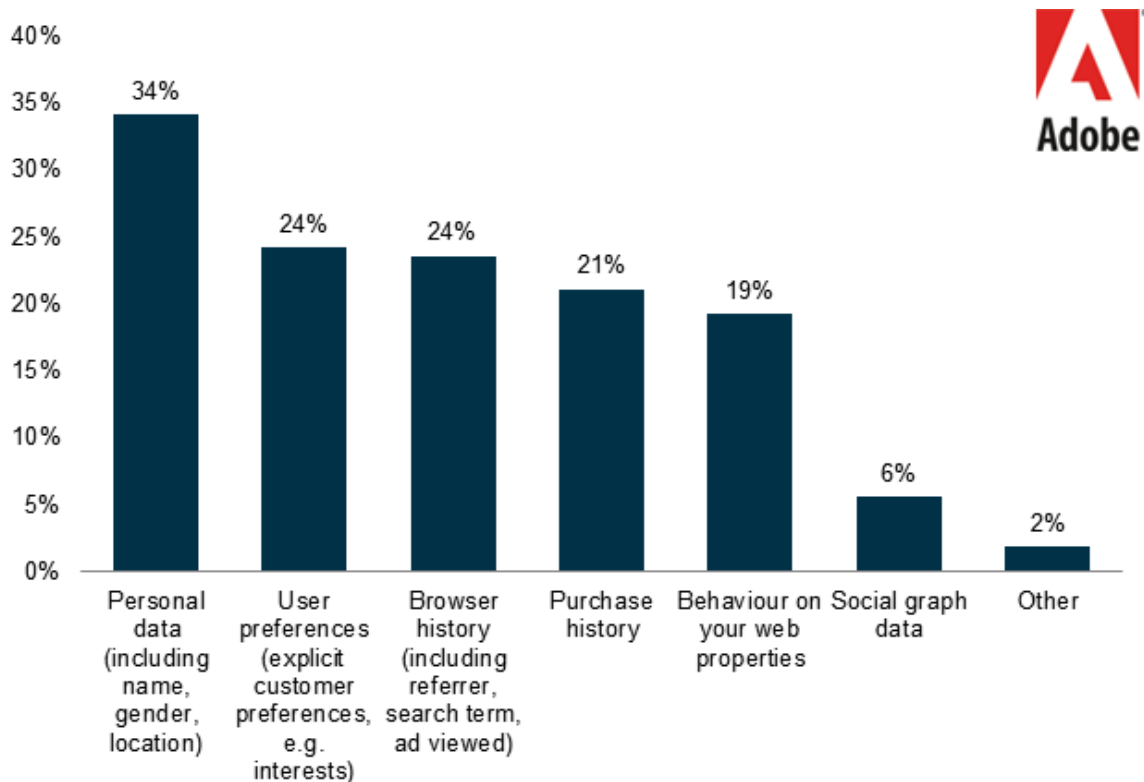
In the context of the digital experience, personalisation can involve using an individual's name on both emails and website copy. It may involve customising a paid search landing page so it repeats the wording of a sponsored search listing, or the promotion of on-site content based on the search string used in an organic search. It may also involve the targeting of an advert on a third-party site based on on-site behaviour.

Targeted content and advertisements can be based on anonymous cookie data through to information gleaned about identifiable individuals and preferences which have been made explicit.

Personalisation is also used to describe what is essentially segment-based marketing to small groups of people, based on behavioural, transactional, geographic and demographic data. This isn't strictly one-to-one marketing, but this kind of targeting can help engender a personalised experience.

As can be seen in *Figure 3*, our research shows that website owners are using a mixture of explicit and implicit data for personalisation. **Personal data** (34%) is the most commonly used type of data (e.g. name and gender), followed by **explicit user preferences** (24%) and **browser history** (24%).

Figure 3: Do you personalise the web experience based on any of the following types of information?



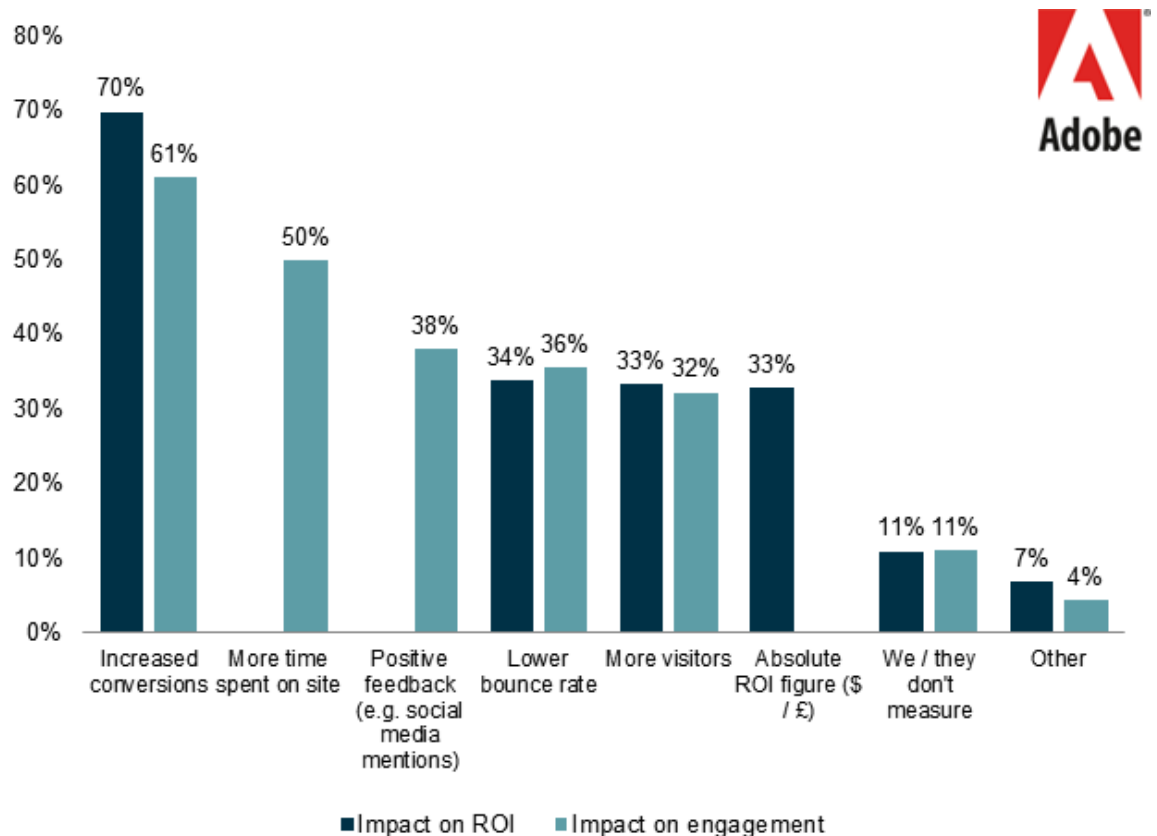
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4. How companies measure ROI

Regardless of the data they use, today's marketer needs to understand the impact of specific data not just on the return on investment but also the impact on customer engagement. Balancing the two is essential, as the latter concept includes some intangible concepts such as trust and confidence in the brand.

Marketers that chase ROI at the expense of sustainable engagement with their customers are likely to use valuable trust capital that could impact their brand and their ability to do business in the long term. On the other hand, a tailored user experience which is transparent about the data collected and used is more likely to secure long term customer loyalty.

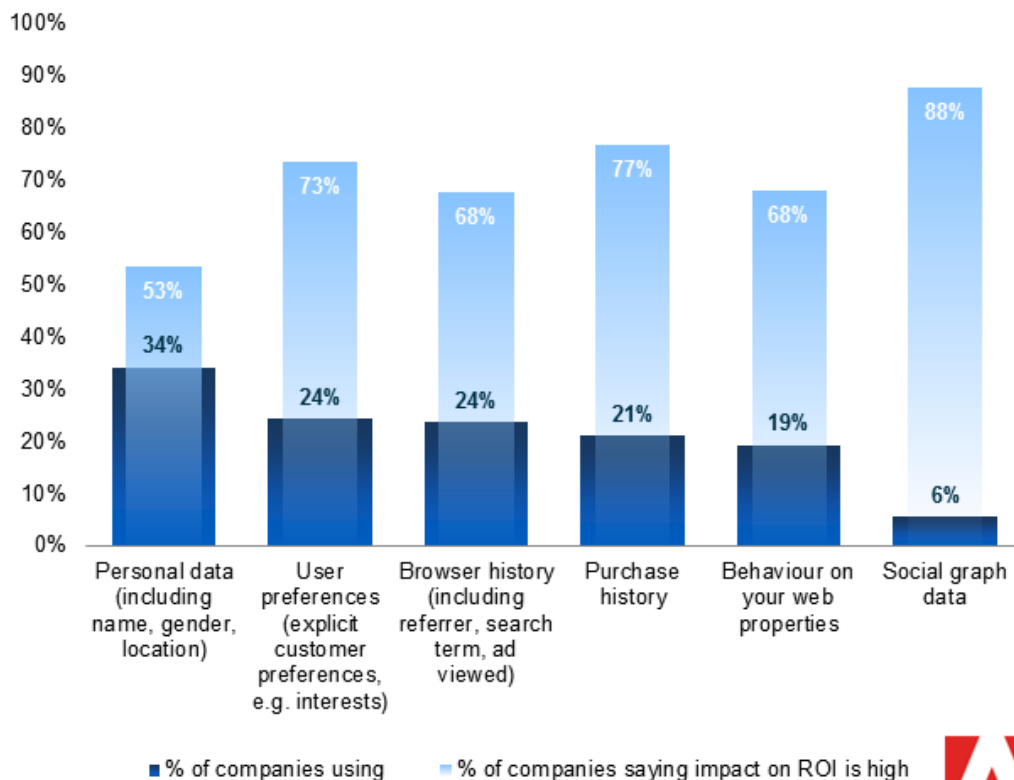
Figure 4: How do you / your clients measure the impact of personalisation on ROI and engagement?



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Figure 5 shows the impact of different types of personalisation on **return on investment**, while Figure 6 looks at the effect on **engagement**.

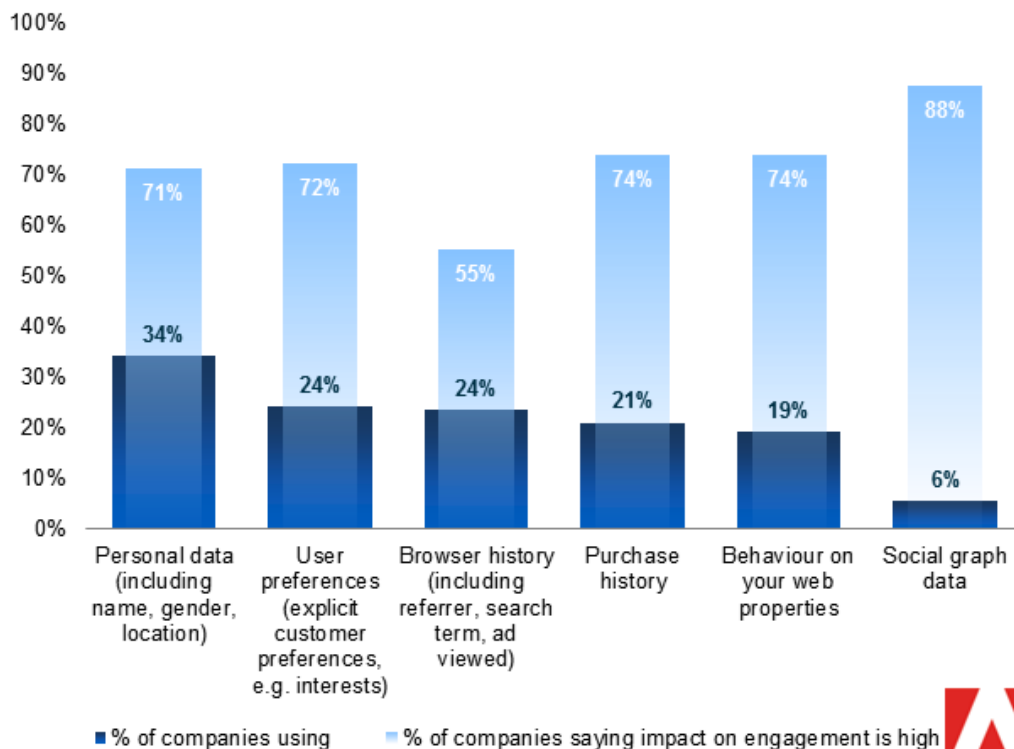
Figure 5: Do you personalise the web experience based on any of the following types of information and what is the impact on return on investment (ROI)?



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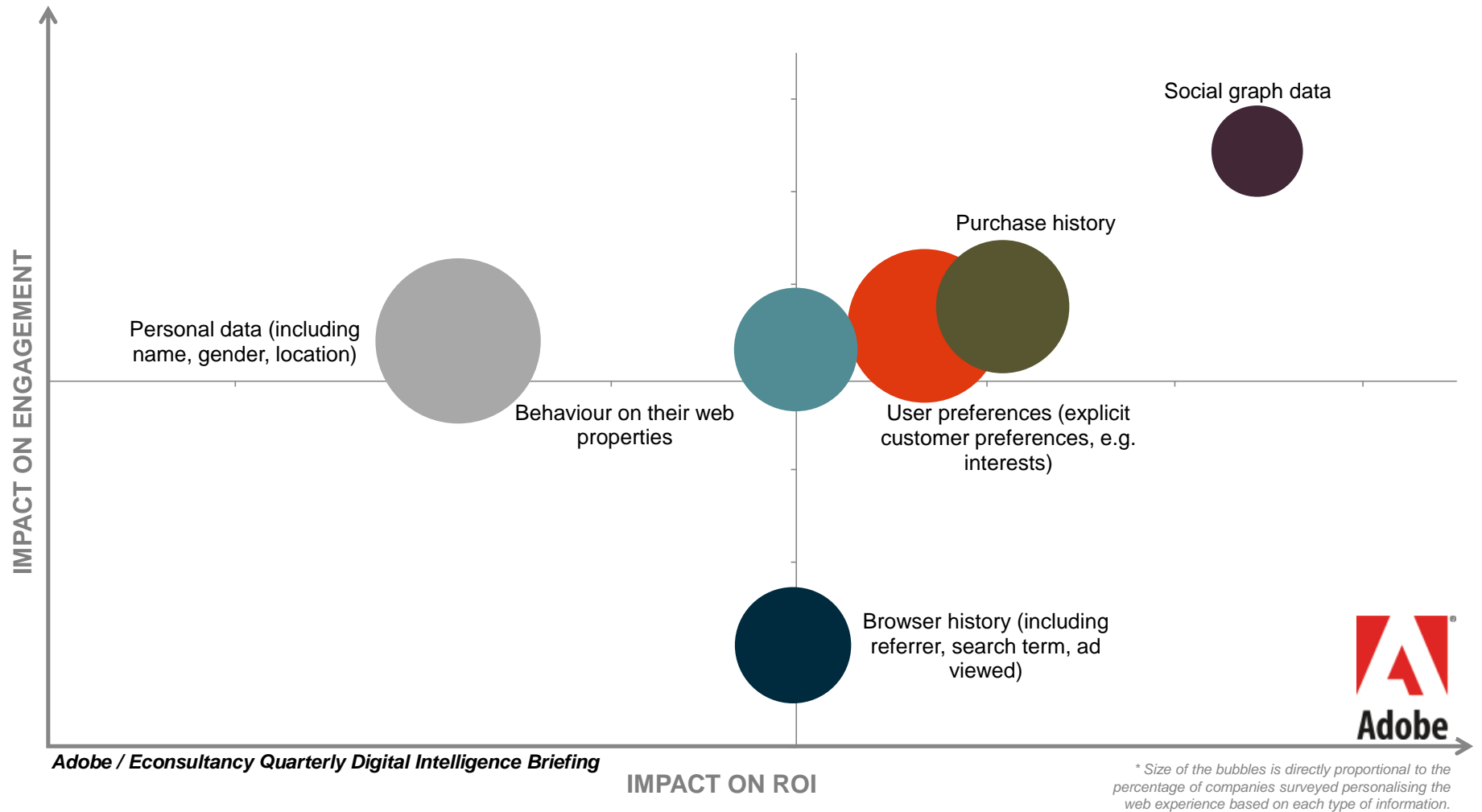
Figure 6: Do you personalise the web experience based on any of the following types of information and what is the impact on engagement?



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Figure 7: Impact of information used to personalise the web experience on ROI and engagement



Marketers will increasingly seek to **harness social data**. Currently, only 6% use social graph (i.e. Facebook) data for personalisation, though (of the small number of companies doing so) 88% say the impact on both ROI [Figure 5] and engagement is high [Figure 6]. While social data can add an extra layer of personalisation, the use of such data needs to adequately reflect user expectations through robust notice and choice mechanisms.

With the launch of Facebook's instant personalisation features in April 2010, as part of what Mark Zuckerberg described as the '*shift toward more social and personalised experiences everywhere online*', social data has become the third magic ingredient (in addition to explicit and implicit preferences) that companies can use to optimise the customer experience.

The beauty of social data is that it can add an extra layer of personalisation, without placing any extra burden on the website visitor to disclose additional information to the website after consenting to share social data. The downside is that some consumers feel personal data is no longer under their control. Personalisation based on 'the social graph' can range from greeting by name and showing which other friends are purchasing your products, to targeting deals based on the user's social media activity and interests. When combined, the social, interest and location graphs can help marketers choose the right levers to influence customer behaviour.

The opportunities for brands are endless. American Express launched a Facebook app called "Link, Like, Love" in July 2011. Card members using the app are connected to a personalised dashboard through which American Express delivers deals, content and experiences based on their own (or their friends') Facebook likes and interests. Card members can then share deals with friends, choose the deals they want and use their card as they usually do to claim the offer.

With Meet & Seat, KLM was the first airline to integrate social in its regular flight process. Passengers with a reservation can link their Facebook or LinkedIn profiles in order to see who else is on board, enabling them to select adjoining seats or decide to share a taxi to the conference they're attending. In terms of user control, users can only see other Meet & Seat participants after linking their profiles, and they can decide what personal information they share with fellow passengers.

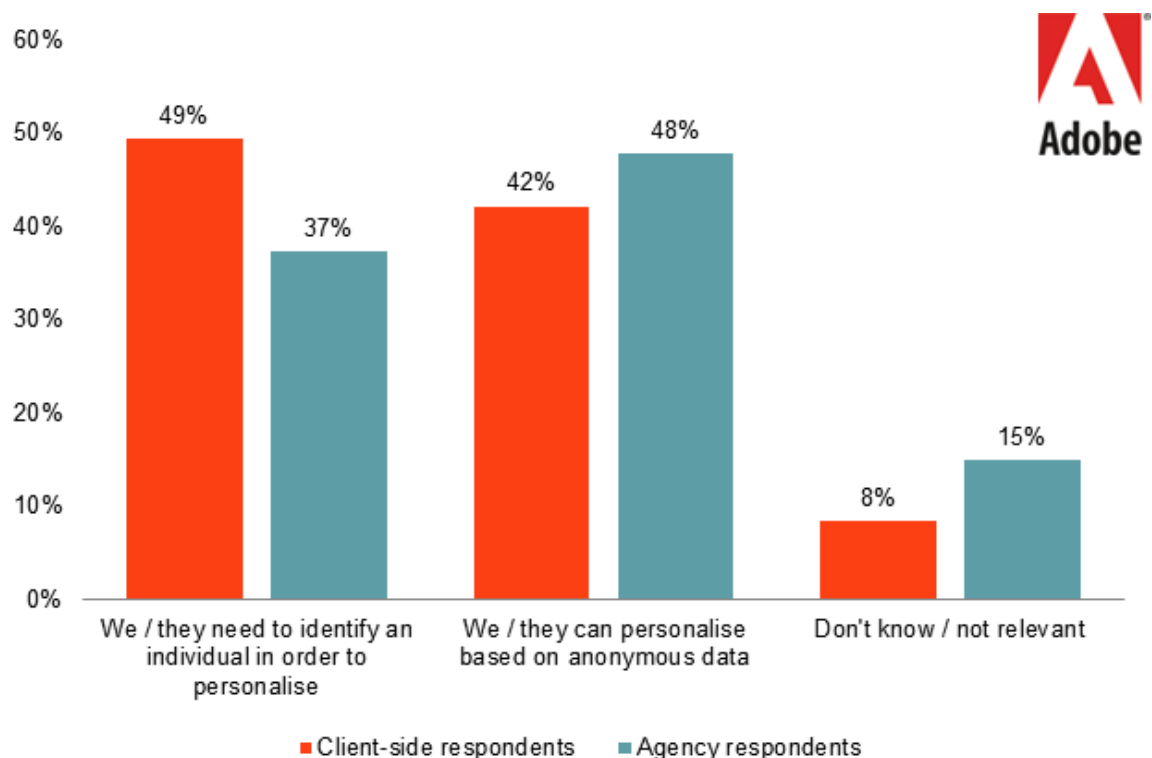
5. Best practices for personalisation

Historically, data collection to create profiles for enabling segmentation, personalisation and targeting has relied either on data that the customer has given you or data from browsing patterns. This data can then enable different levels of personalisation, such as adapting the content based on location, using quite generic messages for a broader audience, or identifying specific individuals and broadcasting more targeted messages based on their interests.

While the promise of personalisation is largely considered a win for all parties involved, some highly personalised experiences based on potentially sensitive user data can backfire. For example, Target created a pregnancy-prediction model to expand sales by targeting women they believed were pregnant. However, the unexpected outcome was that their efforts resulted in making a lot of people uncomfortable and targeting at least one teenager before her father found out she was pregnant.¹ As Andrew Pole, Group Manager of Guest Marketing Analytics at Target, said: “*We are very conservative about compliance with all privacy laws.*” Clearly explaining your data processing practices is the cardinal rule for digital marketers who understand the need to avoid surprising your customers in a way that undermines their trust.

For this research, we asked responding companies whether they could personalise the web experience using anonymous data. Around half (49%) of the companies surveyed consider that they **need to identify an individual in order to personalise**. Only 42% of companies say they can **personalise the web experience based on anonymous data**. A slightly higher proportion (48%) of agency respondents say their clients can personalise the web experience based on anonymous data.

Figure 8: When personalising a web experience, is it critical that you / your clients can identify an individual, or can you / they do so on the basis of anonymous data?



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¹ <http://www.nytimes.com/2012/02/19/magazine/shopping-habits.html>

What the experts say

“If you don’t personalise your website you won’t engage and convert your visitors very well, and they will likely go to another website that does a better job. That’s why it’s so critical that you comply with these new data privacy laws, and be upfront about the reasons you need to collect data from your visitors.”

Rich Page, Conversion Specialist at Adobe and author of “Website Optimization: An Hour a Day”

Whatever data is being used, however, some best practices are now emerging.

An interactive panel at SXSW this year, entitled “How to Personalise Without Being Creepy”², revolved around targeting, privacy and acceptable levels of personalisation. The following themes emerged from the discussion:

- **Consent** – the most successful personalisation efforts are based on full disclosure about the data that is being collected, clear explanation of how it is being used and gaining consent when appropriate, such as when personalising based on potentially sensitive topics. Personalisation is important, but doing so without violating people’s sense of privacy is even more so.
- **Control** – allow the user to control the data that is used for personalisation purposes and change their mind by letting them opt out at any point.
- **Trust and context**– as with any other relationship, trust is an essential prerequisite when trying to build a connection with consumers, as they are typically more at ease getting personalised experiences from a brand they trust. Hugo Liu, Chief Scientist at Hunch, defines privacy as a set of expectations that users have about your service and how you use the data they’ve contributed – if you violate that, it is really difficult to regain that trust.

As far as context is concerned, Yelp’s approach is an interesting example of how companies can provide a different level of personalisation depending on the channel or device used. On the web, the company highlights your Facebook friends’ reviews and activity on the site, while on the mobile site, the experience is personalised around your location.

- **Personalisation is ultimately a trade-off** – users understand that everything has a cost, so personalised experiences should provide real, tangible benefits in exchange for personal data. Incentives play a significant role in this regard: the more data users contribute, the more valuable their experience should be.

² http://schedule.sxsw.com/2011/events/event_IAP7975

6. Test, test, test: use of data and testing to maximise conversions

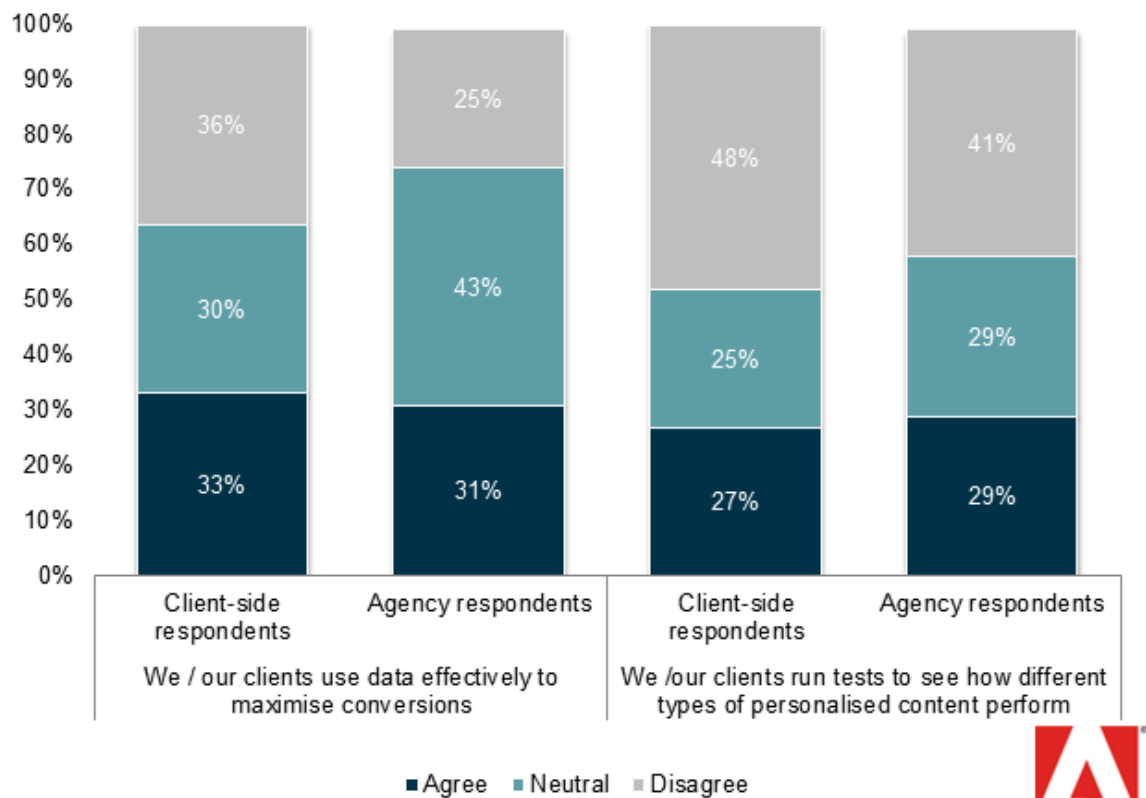
Personalisation works, but it's not easy. This explains the gap between the share of high ratings for different personalisation criteria and their frequency of use (see *Section 4*).

As was shown in *Figure 4*, the impact of personalisation on ROI and engagement is most typically measured by the **increase in conversions**: 70% say they measure improved ROI this way, while 61% say this is a method for measuring improved engagement.

Half of those surveyed (50%) say that **the amount of time spent on the site** is used to measure improvements in engagement [*Figure 4*]. **Positive feedback** (e.g. on social media) is measured by 38% of companies.

Only around a third of survey respondents (33% of client-side respondents and 31% of agencies) agree that they **use data effectively to maximise conversions**, while even fewer (27% and 29%, respectively) say they **run tests to see how different types of personalised content perform** [*Figure 9*].

Figure 9: To what extent do you agree with the following statements?



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Because technology gives the power to build complex sets of rules for the delivery of content, many organisations fall into the traps of personalisation before they reap the rewards:

- **Customising against multiple variables at the same time** – to enjoy long term benefit from any type of optimisation, you have to be able to determine which changes cause a change in behaviour. Making multiple changes to how users experience a site might have a positive effect, but it's impossible to discern which one(s) affected them.
- **Over-reliance on changing basic content** – content is important, but it's often not as important as other elements of the overall experience. Content management systems make it

relatively easy to change copy or specific parts of the page (the lead banner for example). But, these aren't necessarily powerful engines of change.

For example, knowing that someone arrived via a tablet might be significant if the site customises on the fly for touch screen interaction, but that might not hold true for simply slimming down menus and navigation. Layout and functionality aren't as easy to personalise, but their returns can be very significant.

- **Institutionalised gut feeling** – every marketer has had the experience of discovering that a closely held belief doesn't translate into results, but it's human nature to feel that our knowledge of customers and their behaviours should guide optimisation efforts. Certainly, gut feelings deserve to be tested, but they shouldn't dictate policy or procedure. The ways in which customer motivations and behaviour relate to their digital experiences are far too complex to rely on anything less than systematic testing.

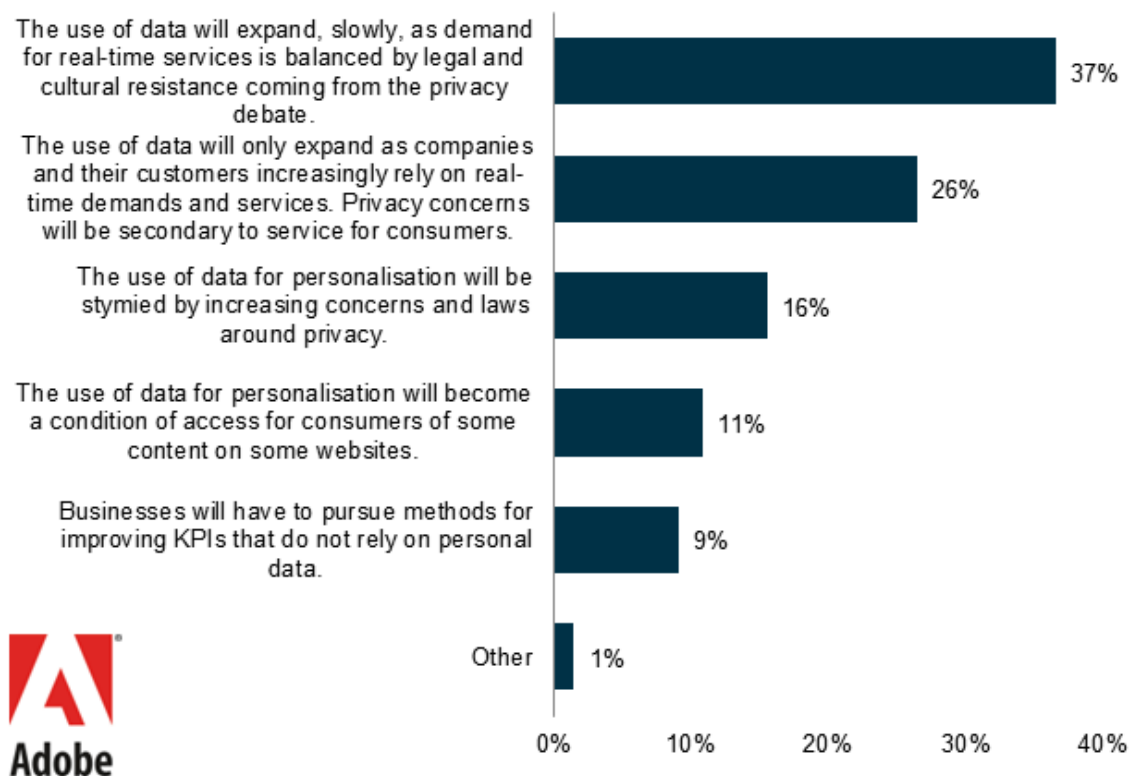
7. What does the future hold?

The “privacy question” is here to stay. While the future is uncertain, the most successful marketing organisations are likely to be those who take the time to fully understand the implications of changing user attitudes and marry that with their business needs. The desire to personalise the web experience based on consumer expectations and business performance requirements needs to be balanced by a clear understanding not just of data protection legislation but also consumer attitudes and best practice around technological developments.

Our survey found a broad range of opinions:

- 37% believe ‘the use of data will expand, slowly, as **demand for real-time services is balanced by legal and cultural resistance** coming from the privacy debate’. These businesses understand that responsible use of customer data is business critical for them, and will work within the prevailing legal framework and customer expectations to find ways of differentiating their business in real time.
- 26% of digital marketers believe that the demand for a good experience will hold sway, agreeing that ‘**privacy concerns will be secondary to service for consumers**’, and that ‘the use of data will only expand as companies and their customers increasingly rely on real-time demands and services’.
- At the other end of the spectrum, 16% of respondents believe that ‘**the use of data for personalisation will be stymied by increasing concerns and laws around privacy**’.

Figure 10: Which of the following best describes how you believe the use of data will evolve in the light of consumer privacy concerns?



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Business will need to continue to operate within the prevailing legal context. The future evolution of that legal framework is likely to condition the ability of online organisations to successfully optimise and personalise their content. And it will come to determine to a large degree the user experience of Europe’s web users, and the way in which they interact with the brands they trust and value.

Websites are being challenged as never before to explain to their customers the value exchange that takes place when their users provide data. New mechanisms delivering real visibility of the data processing that takes place on a given site, along with meaningful mechanisms for exercising choice, are certain to become a fact of life for the marketers of the future. The challenge is to find ways of doing this that do not harm the user experience and which can respond to the “want it now” consumer impulse, especially as e-commerce goes mobile. The pay-off for the businesses that make the right calls is potentially huge.

What the experts say

“Clearly explain to your visitors why you are gathering data about them – when you explain that it will help create a more personalised website to engage them better, they will likely oblige. Don’t just ask if they want to opt-in to be tracked without explaining these real benefits.”

Rich Page, Conversion Specialist at Adobe and author of “Website Optimization: An Hour a Day”

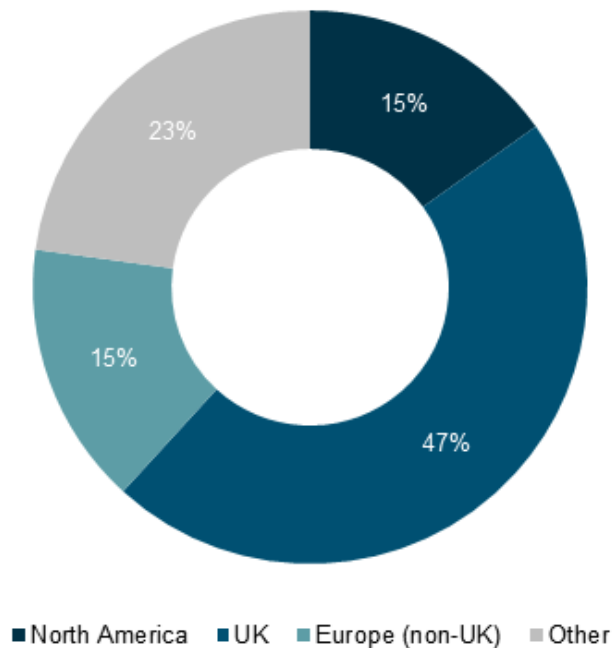
8. Appendix: Respondent Profiles

This fifth Quarterly Digital Intelligence Briefing is based on an online survey of more than 400 client-side and agency respondents. Econsultancy promoted the survey to its community of marketers.

8.1. Geography

Around two-thirds (62%) of respondents are based in Europe and just under a fifth (15%) in North America. Other countries and regions represented include Australia, South America and the Middle East.

Figure 11: In which country / region are you (personally) based?

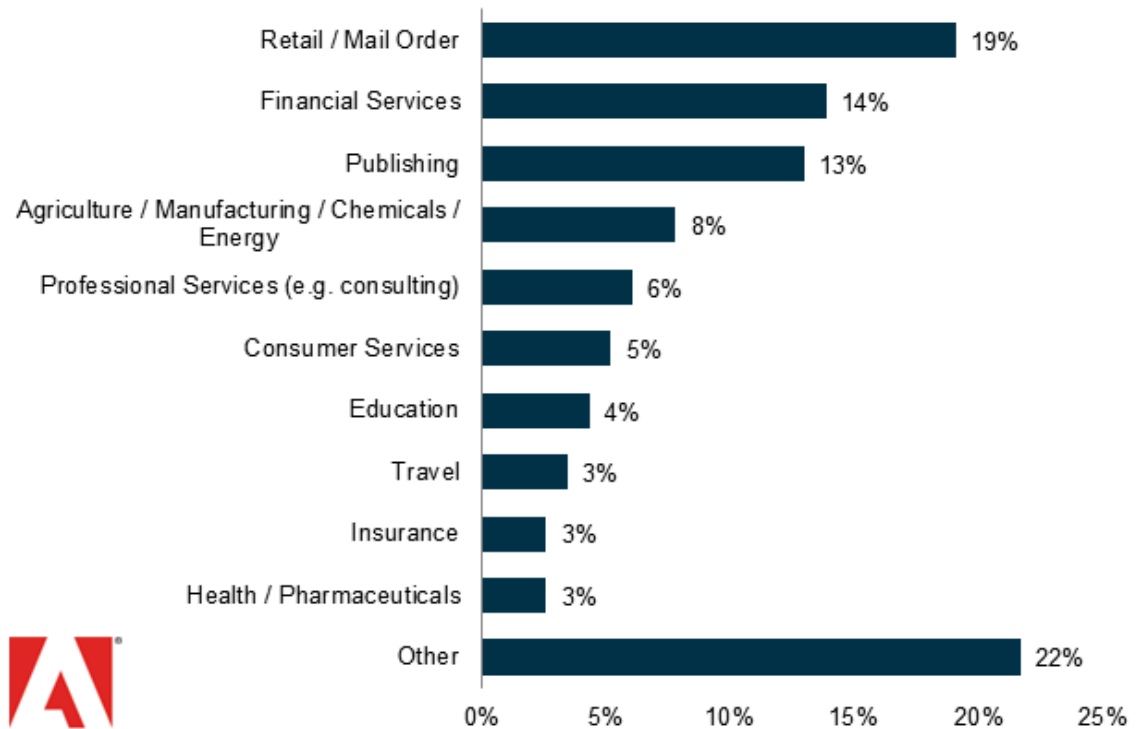


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8.2. Business sector

Respondents work across a wide range of different industry sectors. The best represented sectors are *retail and mail order* (19%), *financial services* (14%) and *publishing* (13%). Just under a quarter of respondents (22%) specify 'other' as their sector. Other sectors included *public sector/not-for profit* and *IT*.

Figure 12: In which business sector is your organisation?



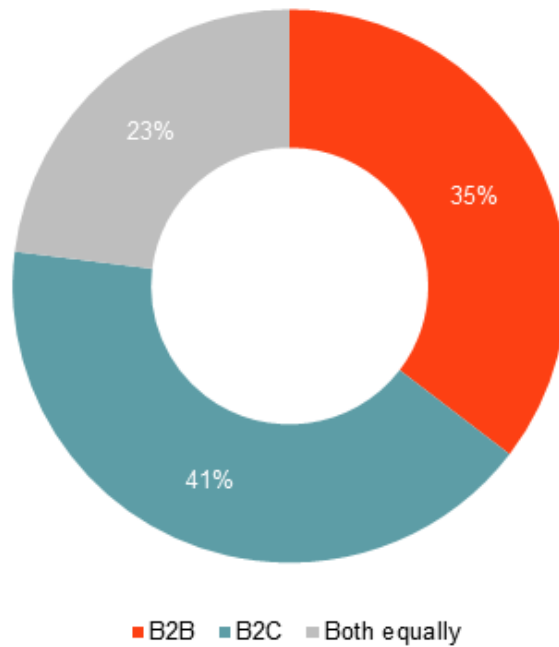
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8.3. Business focus

The chart below shows to what extent businesses are focused on B2B, B2C, or both. Just under half of respondents (41%) are exclusively focused on B2C, while around a third (35%) are B2B focused. Just under a quarter (23%) are focused on both B2B and B2C.

Figure 13: Is your business focused more on B2B or B2C?



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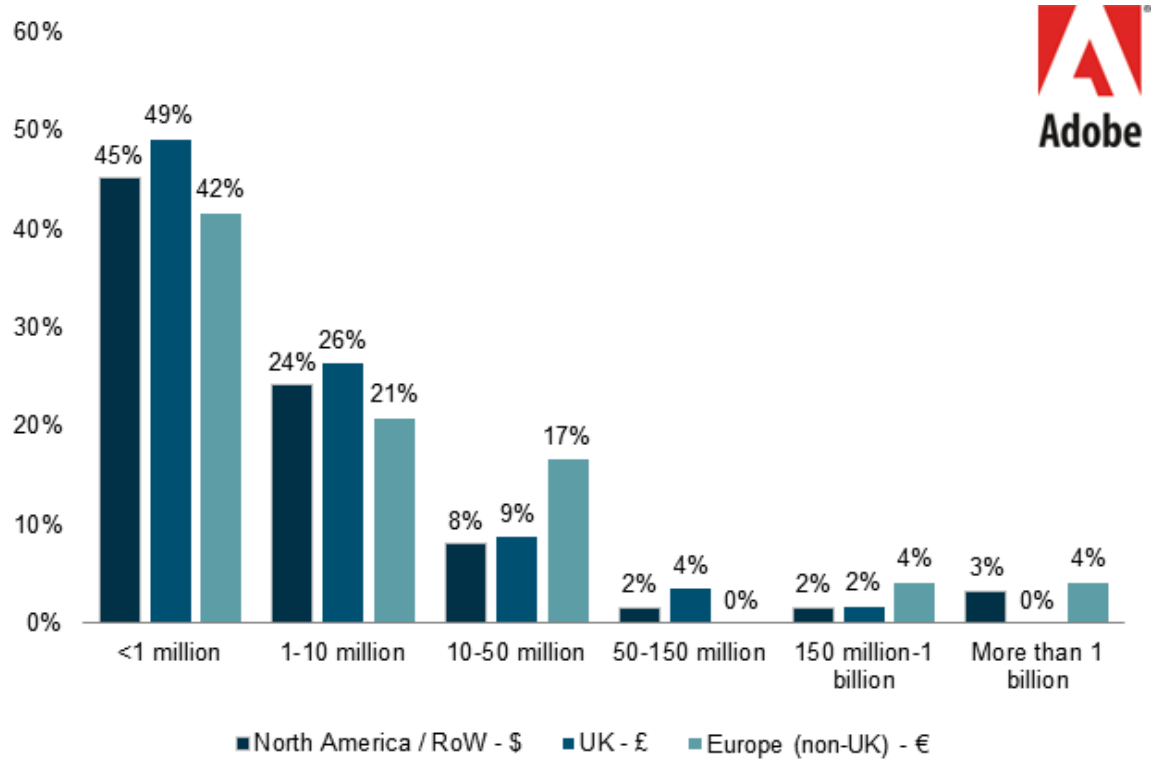
8.4. Size of company by revenue

The chart below shows the annual revenue of responding (client-side) organisations.

Around two-thirds (63%) of European (other than UK) respondents work for companies with annual revenues of less than €10m.

At the upper end of the scale, around 7% of US client-side respondents work for companies earning more than \$50m.

Figure 14: What is your annual company turnover?



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