Future of Marketing: Why Personalization Matters

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in partnership with Moengage
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INTRODUCTION
In 2006, the mastermind behind the UK supermarket giant Tesco's marketing success, Clive Humby, remarked, "data is the new oil." The remark was driven by the huge insights Tesco gained from their ground-breaking "Clubcard" loyalty card that an ever-growing pool of customers was using, each time they shopped at a Tesco outlet.

The value of data comes in large part because of its ability to allow organizations to first understand their customers more thoroughly and then deliver personalized services that are tailored to their unique needs.

To understand the current state of personalization across the economy, ClickZ – in partnership with MoEngage – surveyed 107 directors and marketing executives from across the US.

"In our business, we are helping brands have better relationships with customers, and so we've heard from them that personalization is essential today," Meagan White, Vice President of Marketing at customer engagement software company MoEngage, says. "Consumers have expectations that brands are personalizing experiences for them, and it's moved from just collecting data on demographics or purchase history to trying to create a one-to-one experience based on deeper insights like behavioral patterns or affinity."

She adds, "So, with the survey, we wanted to understand what marketers are doing to create this personalized approach. How are they thinking about personalization as it applies to their overall marketing strategy and customer outreach approach?"

Surveyed
directors and marketing executives from across the US.
Personalization
According to the survey, businesses are aware that current personalization efforts are not getting the job done. Only 34% of respondents ranked their satisfaction score as a 4 or above regarding their personalization efforts/results.

Challenges
Limited budgets and a lack of resources (64%) were the most significant barriers that the respondents cited as hindering successful personalization. Lack of visibility and actionable data (41%) and inability to move fast and personalize campaigns (40%) were also significant barriers.

Better Data
When asked to score their satisfaction with available customer data, almost 60% of respondents ranked 3 or below. As a result, for a large share of respondents, it takes more than four days to turn marketing data into actionable campaigns.

Increased Investment
Compared to 2021, just over half of survey respondents (51%) are going to invest more in marketing technology to help personalize their customer’s experience.

Investment Focus
Email marketing (66.3%), marketing automation (56.7%), customer data management (54.8%), personalization (50%), multichannel customer engagement (46.2%), mobile marketing (37.5%), artificial intelligence (32.7%), and account-based marketing (30.8%) are where businesses are focusing their investment on, when it comes to marketing technology.

Change of Focus
In the past, businesses have focused their marketing personalization efforts on traditional channels such as email (69%), content (56%), and web pages (24.3%). Teams are likely to shift where they focus their personalization going forward, however. SMS/text messaging, chat apps, and mobile-in-app marketing were the top three channel priorities for respondents when it came to personalized marketing.
Respondent Profile

Survey responses were gathered from 107 senior marketing professionals (Director and above) from across the US, between March and June 2022.
SECTION 1:
CURRENT PERSONALIZATION EFFORTS
Click Z and MoEngage’s survey revealed that emails and content are where most organizations are currently focusing their personalization efforts, with 69% and 56% of respondents utilizing these respective channels.

### In What Ways Does Your Marketing Team Currently Personalize Its Communication With Consumers?

- **Emails**: 69.20%
- **Content**: 56.10%
- **Product recommendations**: 24.30%
- **Webpages**: 18.70%
- **Others**: 34.60%
- **Not currently personalizing**: 12.10%
Despite only **18% of respondents not doing any personalization at all**, there are clearly areas for improvement across the board, with channels like web pages and product recommendations not being fully capitalized.

Despite the benefits, the fact that nearly 1 in 5 survey respondents were not doing any kind of personalization of their marketing demonstrates a clear opportunity for improvement. Those who have yet to venture into the world of personalization should not be despondent, however; **only 8.5% of survey respondents said they were satisfied with their marketing team’s personalization results/efforts.**

### How Satisfied Is Your Marketing Team With Its Personalization Results/Efforts?

Respondents were asked to rank their satisfaction from 1-5, 1 being the least satisfied. A survey from McKinsey in 2019 produced similar results. It found that only 15% of CMOs were happy with their personalization efforts to date.
In the Dark

Why Personalization Matters

In the ClickZ and MoEngage survey, it was found that 35.5% of marketers feel that a lack of analysis and understanding is the most significant barrier for their team in terms of achieving personalization successfully. This inherent uncertainty also extends to the ability of organizations to determine whether personalized marketing is actually working or not.

The survey data showed that less than half of respondents reported their marketing teams were conducting either customer surveys or eliciting informal customer feedback in order to gauge the success of their personalized marketing campaigns. Indeed research from Indiana University highlights how few managers are truly aware of what customers think and desire.

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The media landscape has also been transformed by data, with Netflix famously offering $1 million to whoever could improve their recommendation engine by 10% or more in 2006. Competitors received access to a treasure trove of some 100 million ratings given by nearly 500,000 customers for 17,770 movies. The next phase of media personalization will likely see adjustments made within the program, with shows re-packaged according to our personal tastes and tailored to our needs depending on our location.

Perhaps nowhere has the drive for personalization been more keenly seen than in retail, where companies like Amazon, Walmart, and Tesco have used vast quantities of consumer data to offer personalized services on a scale never seen before. The magnitude of the transformation was captured expertly by Harvard Business School’s Marco Iansiti and Karim Lakhani in their recent book Competing in the Age of AI.

"It has changed the way people shop across the globe and raised the expectation of personalization across the entire array of consumer goods and services," they write.

While the surge in personalization offers organizations many opportunities to better connect with consumers, it also presents considerable risks as the bar of expectations continues to rise. A recent paper from Accenture highlights how many organizations are struggling to keep pace with the changing expectations of consumers.
Worryingly, the Indiana research reminds us that even conducting such surveys is no guarantee that usable and actionable insights will emerge, as over-optimistic managers can often overlook even the clearest signals.

“External factors — from economic to cultural, environmental and political — are affecting people more than ever before, making life more complicated and purchasing decisions more multi-faceted,” the researchers explain. “There is a growing divide between what consumers need and value and what businesses offer, creating a relevance gap.”

How Does Your Marketing Team Assess the Success Of Its Personalized Marketing?
“There seems to be a belief in lots of companies — and it’s kind of an urban myth — that most unhappy people won’t complain,” the researchers say. “Therefore, the complaints that you get are not representative of the level of satisfaction that exists among general customers. **This data suggests that they should not be treating complaints as something different. They should be used as part of an overall customer feedback system.**”

One way around this is to take advantage of marketing analytics and customer insights, so managers are less reliant on often unreliable customer feedback and can hone in specifically on what customers do and these insights rather than necessarily what they say.

A recent survey from McKinsey underlines the scale of the challenge, revealing that 72% of consumers now expect companies to both recognize them as individuals and treat them according to their specific interests. Further, the modern consumer demands that they receive positive experiences that make them feel special.

"**We're increasingly seeing consumers providing their data and giving brands permission to use that in marketing communications, but they're doing that in the expectation that they get something back,**" White says.

"If they're receiving messages that aren't relevant to them, it kind of defeats the purpose, as they expect marketers to use that information to provide a better experience."

If companies can manage to achieve this, however, the rewards are considerable. Satisfied consumers respond extremely positively when brands signify that they value the relationship with them rather than viewing consumers from a purely transactional lens.

To corroborate this, the McKinsey survey found that companies that managed to get personalization right could generate around 40% more revenue than brands that were middle-of-the-road. To put this into perspective, McKinsey suggests that making progress towards more effective personalization would be enough to unlock over $1 trillion in value by providing the right offer, to the right people, at the right time, and with the right experiences.
Barriers to Progress

The ClickZ and MoEngage survey also uncovered several key barriers to progress with personalization. While factors like a lack of skills and knowledge were a few of the factors, the three main barriers identified by respondents were:

A lack of budget, which is perhaps also reflective of a lack of real interest from managers outside of the marketing department.

A lack of visibility and actionable data, with particular issues over the timely availability of data to enable meaningful decisions to be made.

The inability to move fast, with organizational hierarchies ill-suited for making agile decisions. A glut of tools also tended to exacerbate problems rather than drive quick decisions.

It is clear from the ClickZ and MoEngage survey data that these remain issues even among those who have started out on this journey.

What are the most significant barriers to your marketing team achieving successful personalization?
SECTION 2: IMPORTANCE OF DATA AND ANALYTICS
Interestingly, 42.1% of marketers say lack of visibility and unactionable data is a barrier to personalization, according to ClickZ and MoEngage’s survey. And yet, there was a surprisingly high level of satisfaction with the quality of customer data held by organizations. Indeed, nearly 70% of respondents to the survey reported being moderately, highly, or extremely satisfied with the quality of their data.

How Satisfied Is Your Marketing Team With the Quality of Its Customer Data?

Perhaps in some ways, this was a case of not really knowing what one was missing. For instance, research from the Kellogg School highlights the importance of having data that goes beyond basic demographic data, such as age and gender, which the authors refer to as the bread-and-butter elements of personalization.

While these metrics can indeed be powerful, there are often many other, less well-trodden ways of targeting customers. For instance, the researchers highlight how circadian rhythm can influence whether a customer opens an email or not; if someone is a morning person, they will be more receptive in the morning.
Ultimately, the use of marketing analytics allows marketers to be far more proactive in their work, especially if they combine them with the kind of online experimentation and A/B testing that will help them develop a culture of continual experimentation.

In an age of personalization, this work needs to be subtly and sensitively handled, however. Research from Stanford University highlights how some sophisticated consumers are cynical of attempts to personalize marketing communications to them, and can respond negatively to any attempts to do so. Indeed, skeptical consumers can often assume that a personalized offer is aimed less at benefiting the consumer and more towards maximizing the profits of the seller.

In this age of personalization, it’s clear that consumers do certainly want to feel like a “market of one” but they want this personalization to be delivered in a way that keeps them in the box seat and not feel like their data is being used against them in any way.
Timeliness is Key

Once upon a time, it was enough to ensure data was accurate, regardless of how long it took to produce. Now, the imperative has shifted towards accuracy and timeliness. In an age of big data, the challenge is largely not one of producing the data in the first place, but rather deriving the right insights from it as quickly as you can.

ClickZ and MoEngage’s survey responses showed that accuracy and speed are not yet happening in many organizations, with 40.2% of marketers saying that inability to move fast and create personalized campaigns is the most significant barrier to achieving successful personalization and over half of the respondents saying that translating data into action can take weeks or even months. It is a long way from the kind of real-time profiling of customers via identity resolution that provides a detailed representation of each customer.

The Road To Personalization

There are a number of recommendations to help those who are not currently utilizing personalization, to get started:

1. Invest in collecting and utilizing customer data, as it is impossible to personalize your offering if you do not have a detailed overview of your customers.

2. Invest in talent, especially in those who can weave magic out of large datasets. While data science is an obvious area to focus on here, it should not be the only area, as people who can translate data into business actions are equally valuable.

3. Develop agile capabilities, as these will be vital to allow you to fully capitalize on the data collected about your customers and the insights this gives you into their demands.

4. Protect customer privacy, as this is now often a deal breaker for consumers. Indeed, research from MIT shows the introduction of regulation, like GDPR, has actually made those users who do not take advantage of the privacy protections afforded to them that much more valuable.

5. Utilising a reliable martech stack will support marketers in deriving insights, engaging customers, and all the while protecting customer data privacy.
Customer profiling allows companies to engage with individuals either as part of a wider segment or on an individual basis. Using a customer engagement platform, for example, would allow these segments to be created automatically and dynamically updated as the customer engages with a business, providing a complete understanding of the customer’s preferences and behaviors. For the segments we create to be useful, they have to have sufficiently timely data to reflect the reality for customers here and now. Any lag between their lived reality and the data held on them will only lead to frustration and poor customer experiences.

Lack of Sophistication

This was reflected in the finding from the ClickZ and MoEngage survey that **42.1% of marketers felt that unactionable data was holding back their attempts at personalizing customer experience.**

This general lack of sophistication was also reflected in a survey from Allocadia, which found that despite nearly all marketers being under pressure to prove the ROI of their efforts, the majority are struggling to effectively measure this ROI. Indeed, 61% of marketing leaders are not currently using ROI in their strategic decisions precisely because of a lack of confidence in the data that underpins such decisions.

This desire for a better understanding of marketing ROI underpins a clear shift towards greater investment in things like data analytics, with spending in this area growing by 37% in the past year. These kinds of investments, while sorely needed, inevitably add to the complexities involved in modern marketing and will likely require a steep learning curve before marketers are able to fully utilize the possibilities presented.

This is evidenced by the continued difficulties marketers face in terms of turning raw data into actionable insights and strategic changes. The Allocadia researchers highlight that there is generally no shortage of tools available for marketers to use, but that there remain difficulties in the deployment of these tools in a meaningful way. They explain that there is a need for new dashboards to help visualize and interpret just what data analytics means from a commercial perspective. It will inevitably take time for the right metrics to be identified, especially due to the growing complexity of the digital customer journey.
SECTION 3: INVESTMENT TRENDS IN PERSONALIZATION
ClickZ and MoEngage’s survey highlights the growing awareness among marketers that investment is sorely needed if the demands from consumers for more personalization are to be met.

Compared to 2021, to What Extent Is Your Business Investing in Marketing Technology And Programs to Help You Personalize Your Customers’ Experience and Campaigns?

Will This Level Of Investment Increase in 2023?

- Investing more
- Investing the same
- Investing less
- Yes
- No, it will stay the same
- No, it will decrease
"In the last couple of years, and especially since the pandemic started, many businesses were forced to close their doors and operate only in the digital world," MoEngage’s White explains. "That has impacted consumers' behaviors because they have this expectation that they can engage with a company wherever they are."

In addition, the shift online has not only meant that businesses now face sterner competition from a larger pool of potential rivals but also that they must significantly improve their online presence to meet the demands of consumers.

While Covid is not as restrictive on our lives as it has been, the behaviors that emerged during the past two years have not really gone away, and consumers’ high expectations of the digital behaviors of brands have remained.

There is a clear focus of these investments in automation and customer data management, but the most common form of investment remains in email marketing. The ClickZ and MoEngage survey shows

67% of respondents currently investing in email technology.

Interestingly, for all of the hype surrounding AI, currently, just 33% of marketers are investing in any form of AI-based technology.
Marketers that are able to utilize AI effectively are likely to gain an edge in better serving customers that are increasingly digital-first. Indeed, it is likely to be the marketers who can integrate their data with AI-driven marketing technologies who will be most able to optimize the interactions with their customers, and especially with their most important customers.
Driving Personalization

While personalization-specific technology was only focused on by 49.5% of respondents, there were some interesting insights from those who are driving down this path. For instance, SMS messaging, chat apps, and mobile in-app marketing all scored highly, signifying a clear focus on mobile as a platform to engage with customers.

This is reflected in industry data showing mobile marketing spending was $11 billion globally in 2020, but was projected to reach nearly $60 billion by 2030. This is being driven in large part by the adoption of omnichannel platforms, with 60% of consumers now preferring to shop online.

Despite the growth in omnichannel platforms, there was a clear sense from the data that marketers are choosing to focus on one channel at a time rather than trying to spread their time and investments more broadly.

"If brands are just starting with personalization, it can make sense to start with their top or most loyal customers, focusing on the ones that have the highest status and trying to craft a unique experience for them," MoEngage’s White explains. "Then, once you've gotten the process in place for that group, you can extend it to the rest of the customer base."

It is clear the Covid pandemic has fundamentally changed consumers' digital habits and their expectations of the brands they engage with. Fundamental to this is the desire for their interactions, and the products and services they receive, to be as personalized as possible.

To achieve this, brands must make effective use of technology to collect the data required to fully understand each customer and then to provide the digital platforms to provide them with services tailored just for them at the right place and at the right time.

With budgets tight and talent in short supply, this requires companies to make diligent and effective investments in technology to automate the right processes and augment their workforce. Despite the challenging economic circumstances companies are currently facing, it is imperative that investments are not delayed as consumers are increasingly emboldened to be selective in where they spend their money.

It seems inevitable that those brands that can master this challenge, and provide data-driven, personalized services to their customers, are the ones that will emerge from this period, ahead of the pack.

To find out how you can improve your personalization efforts and adopt data-driven marketing, visit www.moengage.com