



Personalization Boundaries: Tuning In to Customers Without Turning Them Off

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Digital technology lets companies tailor their interactions to customers' specific needs and wants. Companies with such personalization capabilities can create a formidable competitive advantage. Consequently, personalizing the customer experience has become a new battlefield for companies.

Forrester called it one of the "critical success factors for winning in the age of the customer," noting that customers will reward companies that anticipate their individual need, and punish those that do not.²⁹ Accordingly, leading companies are adopting new technological capabilities and processes to customize the customer experience across various channels, throughout the customer lifecycle.

²⁹ Forrester Research, 2016: CIOs And CMOs Must Rally to Lead Customer-Obsessed Change Now, October 21, 2015, accessed May 2, 2017, http://blogs.forrester.com/cliff_condon/15-10-21-2016_cios_and_cmos_must_rally_to_lead_customer_obsessed_change_now

Digital leaders like Amazon have effective recommendation engines that not only increase their share of the customer's customers, but also make their lives easier. Netflix sends its Internet television subscribers personalized suggestions based on their viewing habits and has decreased customer churn by several percentage points. The Netflix personalization strategy has increased the lifetime value of an existing Netflix subscriber while reducing the number of new customers the company must acquire to achieve its revenue targets. Personalization is worth more than \$1 billion a year for Netflix.³⁰

The question of personalization as a competitive imperative is no longer in question. The new question is how to meet the customer's expectations for intimacy while still respecting privacy norms and boundaries. In other words, companies must figure out how to tune into customers without turning them off.

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³⁰ The Netflix Recommender System: Algorithms, Business Value, and Innovation, December, 2015, accessed May 2, 2017, http://delivery.acm.org/10.1145/2850000/2843948/a13-gomez-uribepdf?ip=96.233.75.120&id=2843948&acc=OA&key=4D4702B0C3E38B35%2E4D4702B0C3E38B35%2E4D4702B0C3E38B35%2EE5B8A747884E71D5&CFID=764631445&CFTOKEN=21030220&__acm__=1495201522_dac1bbb7ab0c6673ab4161fbc1dd3338

According to a survey of 3,000 adults around the world, more than half of consumers (57%) expect the brands they do business with to understand their needs and preferences.³¹ However, there are boundaries that firms need to monitor and understand:

- Roughly three-quarters of consumers said companies that used their personal data without their permission were violating their privacy.
- Nearly three-quarters of consumers say online ads that use information gleaned from their online behaviors and activities make them uneasy, with half of them saying such experiences make them feel “creeped out,” according to a 2016 CEB/Gartner survey.³²
- Yet only 2% of corporate marketing professionals that CEB/Gartner surveyed felt their personalized marketing communications offended customers. That is a significant disconnect that all companies should address.

Generally, customers are more willing to share personal data that enables personalization if they trust the company requesting it to keep their information secure, and if they feel that the company is giving them something they value in return for their information. But why does one company’s attempt to provide that value keep customers coming back for more while another’s attempt winds up creeping customers out and driving them away? Many companies struggle to answer that question.

³¹ SAS Institute, Finding the Right Balance Between Personalization and Privacy, 2015, accessed May 2, 2017, https://www.sas.com/content/dam/SAS/en_us/doc/research1/balance-between-personalization-privacy-107399.pdf

³² Cebglobal, Most Consumers Find Marketing Personalization ‘Creepy’, June 17, 2016, accessed May 2, 2017, <https://www.cebglobal.com/blogs/b2c-marketing-most-consumers-find-marketing-personalization-creepy/>

The Seven Deadly Sins of Personalization

Based on our experience across numerous industries and clients, TCS has identified seven common personalization mistakes that companies make while interacting with their customers in one-on-one situations. Figure 4 below showcases the Seven Deadly Personalization Sins.

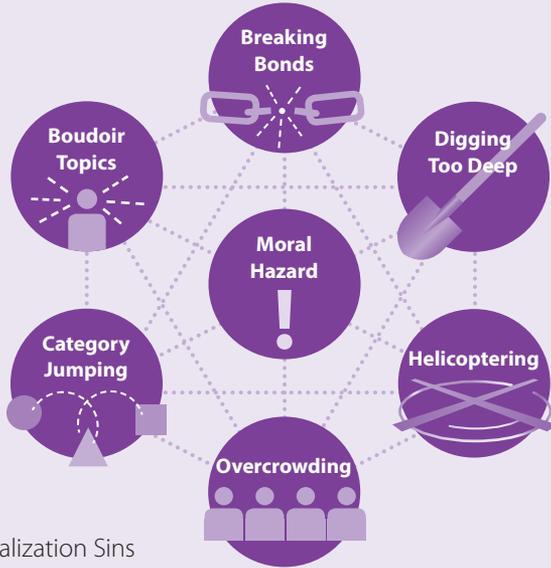


Figure 4:
Seven Deadly Personalization Sins



1. Breaking Bonds. Sharing or selling personal information without the customer's clear understanding (for example, by requiring customers to opt-in to have their data collected or shared). Just a handful of industries in the U.S. (such as healthcare) have regulations regarding how customer information must be handled. Most companies are not required to notify customers about the ways in which they may use their personal data. In fact, the U.S. Congress recently repealed online privacy protections that would have prevented internet providers from selling customer data, including their Web browsing histories, without permission.³³ But just because companies can dig into and distribute their customers' personal data without their knowledge does not mean they should.

³³ Time.com, President Trump Signs Bill Overturning Internet Privacy Protections, April 3, 2017, accessed May 2, 2017, <http://time.com/4724128/donald-trump-internet-history-isp-privacy-browser-history/>



2. Digging Too Deep. Correlating personal or behavioral data (for example, email or cross-website browsing data) outside of the direct interactions between the company and its customers for personalized purposes can make customers feel spied upon.

This often happens when someone searches for information on a website (say, looking for a car) and is then served car ads when visiting a clothing site.



3. Helicoptering. Companies increasingly offer real-time personalization based on the customer's location and prior purchases. But this can come back to haunt that company. Imagine the luxury store dressing room attendant who knows your name as you approach her. Would you feel comfortable about trying on

clothes in the back room and leaving them all behind if they were too tight this time? We doubt it.



4. Overcrowding. High volumes of personalized marketing from multiple groups within a company can make customers feel bombarded and even harassed. For example, a customer buys a toaster, and suddenly his inbox is full of kitchen appliance and kitchen renovation pitches.



5. Category Jumping. Conjoining multiple topics with minimal linkages annoys customers. A car dealer's following up on a customer's purchase of car mats with an offer for a bike rack (because of the customer's recent purchase of a bicycle) is creepy for the customer. He wonders how the car dealer made that logical leap. Another example of category jumping is the customer who purchases diet soda and then begins receiving advertisements for weight-loss products.



6. Boudoir Topics. Exploiting potentially sensitive situations (e.g., purchase of pregnancy tests) to deliver personalized discounts (e.g., baby products) may alienate customers. Some offers are best left to multi-product efforts that target personal needs with a broader basket of goods. The customer is influenced by such marketing while not feeling specifically targeted.



7. Moral Hazards. These are the practices that cover a range of tactics that are technically legal but would reflect poorly on the company if exposed. "What would your mother think?" is a question marketers should ask themselves. If you think mom would disapprove, eschew these practices.

Handling Customization with Care

Understanding and respecting the boundaries of acceptable customer experience personalization is a critical first step. Each company must create its own approach, one that lays out the values, strategy, execution methods, and governance it needs to be effective without being creepy. Figure 5 below captures the factors governing personalization.

Values

Before making any technology investment or strategy decision, an organization must decide where it sits on the customer personalization spectrum. An organization's culture and the nature of its customer relationships should guide its personalization values. More conservative firms, or those that depend upon high levels of customer trust (such as financial services and healthcare), may take a more restrained approach to mining customer data for personalization. Retailers or social media companies, on the other hand, may better be able to push the envelope without encountering customer resistance.

This is the stage where an enterprise should decide what might be a boudoir topic for its customers, or what those customers might consider a betrayal of trust. Companies seeking to capitalize on personalization must clearly define the limits of their marketing practices, and communicate them broadly throughout the organization.

Digital Operating Model Tiers (Responsibilities and Tools)	
Values	<ul style="list-style-type: none">• Define the relationship (e.g. trusted service)• Set the direction (e.g. make it easy for the customer, exceed expectations)• Establish risk tolerance (e.g. ask, don't just take data)
Strategy	<ul style="list-style-type: none">• Personalization goals and objectives• Channel selection/prioritization• Market and consumer targeting• Customer experience and journey
Execution	<ul style="list-style-type: none">• Customer insights development• Marketing content creation• Media purchasing• Process and tool automation (e.g. decision engine)
Infrastructure	<ul style="list-style-type: none">• Customer (CRM) and 3rd party data• Content management system/platform• Attribute modeling software• Marketing automation/campaign management software

Figure 5: Governing Personalization

Strategy

The next step in outlining the desired business outcomes of personalization is defining the strategies. Is the purpose of its customer interactions to provide better post-sale customer service, increase conversion rates, or reduce marketing costs through effective targeting?

Companies must also decide which channels will benefit from personalization efforts, and which channels will not. Companies that benefit from personalization based on potentially sensitive customer data may limit that personalization to more private channels like email vs. SMS messages in a retail environment.

Companies must base their personalization strategies on their values. They must broadly share their values and enforce them in all business units and customer-facing functions. The largest hurdle is translating those values into tactical directions so that marketing, sales, and customer service groups avoid issues such as 'helicoptering' or 'overcrowding'. To ensure that everyone plays by the rules, the strategy must coordinate actions across functions and business units.

Execution

In executing their personalization strategies, companies must make oversight and govern top priorities. A big challenge for them is balancing the need to remain true to their customer values while letting marketing experiment with the latest

Personalization Consideration

Moral Hazard



Breaking Bonds



Boudoir Topics



Moral Hazard



Breaking Bonds



Helicoptering



Overcrowding



Boudoir Topics



Breaking Bonds



Digging Too Deep



Helicoptering



Overcrowding



Category Jumping



Digging Too Deep



Category Jumping



digital marketing technologies and personalization approaches. This requires experimentation guidelines that balance the need to improve marketing efficiency and effectiveness with the need to respect customer privacy.

Infrastructure

An organization’s data infrastructure—the customer data it collects and the ways in which it analyzes and uses that data—is a key source of competitive advantage. But data usage techniques can also create customer dissatisfaction and defection if not properly governed. Controlling access to personalization data is the best way to avoid such risks. Organizations that appoint owners of customer data and put in place robust data oversight and governance are less likely to cross their own boundaries and avoid ‘overcrowding’.

The Personalization Journey

To become highly effective at personalizing their customer experiences, companies must learn to walk before they can run. Amazon’s recommendation engine, for example, was years in the making. An advanced personalization approach that is accurate and appreciated by customers takes time to develop.

TCS Personalized Data Maturity Models (For Sales and Service Operations)

Maturity	Contact Frequency	Personal Data Usage
Emerging	<ul style="list-style-type: none"> Volume of marketing occurring to the customer is based on individual department goals Varying messages used across multiple channels Limited ability to track contact effectiveness against marketing goals 	<ul style="list-style-type: none"> Basic policies on personal data usage driven by regulatory and legal concerns Personalization efforts based on fundamental customer data (e.g. applications, customer contacts) Little to no use of derived or behavioral data used for personalization efforts
Practicing	<ul style="list-style-type: none"> Marketing activity is coordinated between some business units with connected business goals Messaging is defined and utilized across business units Effectiveness of marketing efforts is measured in limited channels 	<ul style="list-style-type: none"> Personalization efforts are used to drive customer experience at the personal level Customer data and market data is used to drive semi-personal experience based on segmentation Behavioral analytics is used to drive suggestions and offers
Leading	<ul style="list-style-type: none"> Coordinated enterprise marketing efforts leverage the life-time value of the customer Targeted messaging based on the customer profile and channel Full visibility into customer contacts and marketing effectiveness 	<ul style="list-style-type: none"> Personal data policies based on customer desires and targeted marketing outcomes Correct mix of 3rd party and internal customer data leveraged for personalization efforts Derived and behavioral data used to drive desired marketing and sales outcomes

Figure 6: How Mature is Your Personalization Model?

In terms of the maturity of their personalization models, we categorize a company's personalization maturity with Emerging, Practicing, and Leading rankings based on customer contact frequency, use of customer data, target offers, and personalized messaging, as shown in Figure 6.

Emerging companies have a basic customer data usage strategy and base their personalization efforts on fundamental customer data. However, they have limited values to guide execution, which therefore delivers varying results. At the other end of the spectrum, leading companies have clearly defined data use policies, coordinated enterprise personalization efforts, and explicit guidance on how to interact with customers based on data.

Companies at all three stages—Emerging, Practicing, and Leading—must balance the opportunities and risks of their personalization efforts. With the power to personalize comes responsibility. In fact, the more advanced the personalization approach, the more important it is for an organization to stay within the seven boundaries. As Voltaire said, “With great power comes great responsibility.”

Offer Positioning	Offer Messaging
<p>Offers based on generic customer models</p> <p>Wide variations in offers may or may not relate to the customer needs</p> <p>Little or no coordination between departments deliver competing messages to customers</p>	<p>Ambiguous guidance from leadership regarding the values to use during customer marketing</p> <p>Little to no guidance on the assumed familiarity to be used in customer messaging</p> <p>Limited view of how the customer would like to receive messaging on sensitive topics</p>
<p>Personas and customer segments are used to drive marketing efforts</p> <p>Predefined offers used for large segmented customer groups</p> <p>Offer messaging is effectively targeted at the correct groups of customers</p>	<p>Defined messaging standards with high-level boundaries</p> <p>Familiarity approached based on group approach rather than individual modeling</p> <p>Messaging options provided to customers based on common criteria provided across customer segments</p>
<p>Offers based on high-relevance to the customer's situation (e.g. real / near-time decision)</p> <p>Multi-channel approach used to provide the correct offer at the correct moment</p> <p>One-to-one offer messaging at the enterprise level defined by customer interests, interactions and marketing objectives</p>	<p>Clearly defined boundaries / guidance on how to interact with customers from executive management</p> <p>Familiarity guidelines based on individual customer feedback (e.g. minimum exposure mindset)</p> <p>Customers define their preferred relationship and messaging with the enterprise</p>