Segment

The 2017 State of Personalization Report

Overview

With total retail sales in the United States set to hit $5.68 trillion by 2021, the competition for customers has never been higher.[1] In The 2017 State of Personalization Report, we explore how personalization impacts consumer shopping choices, where consumers demand tailored experiences, what happens when retailers live up to expectations, and the effects of falling behind.

Consumers expect highly personalized shopping experiences from retailers and are willing to spend more money when brands deliver targeted recommendations. Despite those expectations, however, a majority of consumers are disappointed with the ongoing lack of personalization in their shopping experiences. On average 71% express some level of frustration when their experience is impersonal.[2]

The proliferation of new devices and the rapidly evolving technology landscape has led to a “personalization gap” in the shopping experience, and as consumers’ expectations rise, retailers are struggling to meet them. This report unpacks consumers’ rising expectations about their shopping experience, examines how expectations vary by age and by marketing channel, and demonstrates how personalization can drive purchases.

Methodology:

An online survey was conducted with a panel of potential respondents. The recruitment period was September 8, 2017 to September 14, 2017.

A total of 1,006 respondents 18 years and older and living in the United States who have shopped online in the last six months completed the survey.

Sample was provided by Market Cube, a research panel company. All were invited to take the survey via an email invitation. Panel respondents were incented to participate via the panel’s established points program.

1. eMarketer, *Total Retail Sales in North America, by Country, 2017-2021.*

2. Segment, *The 2017 State of Personalization Report,* page 3.

Key findings:

KEY FINDING 1

Lack of personalization is frustrating, while practice of it spurs loyalty

On average **71% of consumers** express some level of frustration when their shopping experience is impersonal.

44% of consumers say that they will likely become repeat buyers after a personalized shopping experience with a particular company.

KEY FINDING 2

Retailers must act fast

54% of consumers expect to receive a personalized discount within 24 hours of identifying themselves to a brand (such as by submitting their email or signing up for an account), and **32%** expect a discount to be issued after just one hour.

KEY FINDING 3

Personalization drives impulse purchases that shoppers welcome and revenue that retailers enjoy

Nearly half of shoppers surveyed **(49%)** have purchased a product that they did not initially intend to buy after receiving a personalized recommendation from a brand.

40% of U.S. consumers say they have purchased something more expensive than they originally planned because their experience was personalized.

85% of impulse buyers were happy with their purchase, and only **5% of impulse purchasers** actually returned the items they reported being unhappy with.

KEY FINDING 4

There is a wide disconnect between consumer expectations and their actual in-store experience of personalization

Brick and mortar stores are the channel most likely to drive last minute purchases worth more than $50; however nearly **25% of consumers** said that this channel needs the most improvement with respect to personalization efforts.

41% of consumers say that they expect representatives in a brand's physical store to know what they have purchased online, yet only **19%** have experienced this.

Segment

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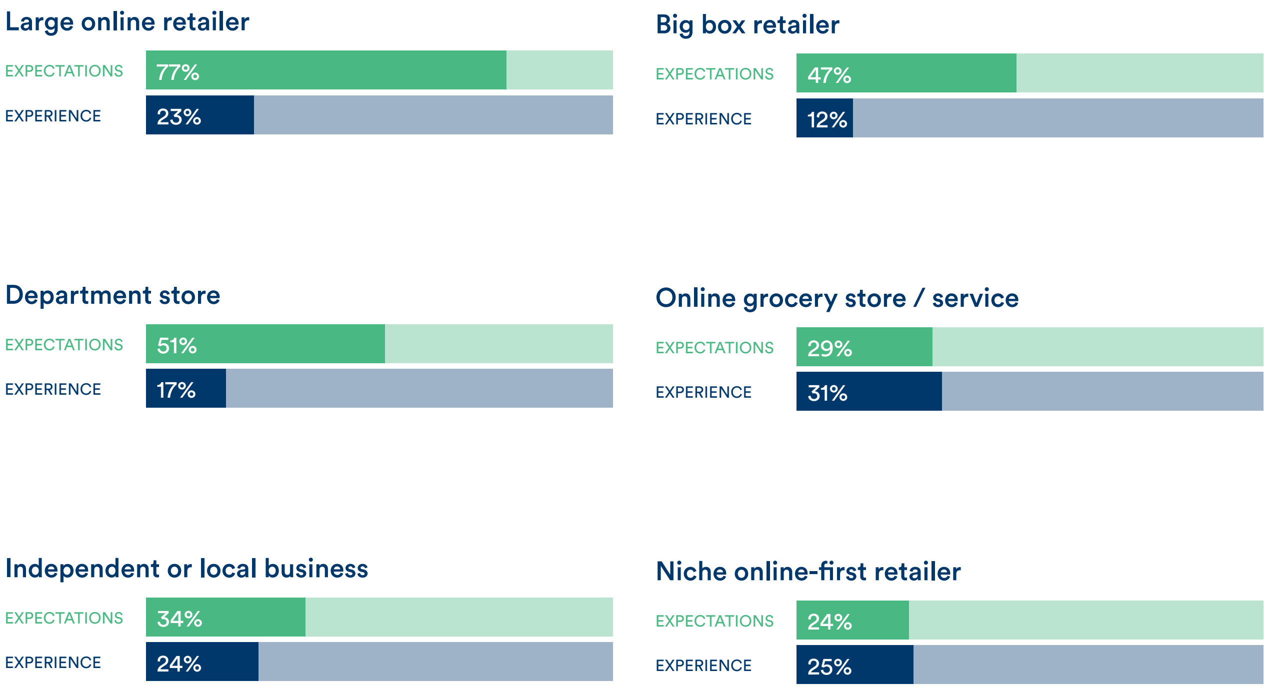
Key Finding 1

Lack of personalization is frustrating, while practice of it spurs loyalty

> As expectations rise, brands are struggling to meet them. Stores with more specific offerings — grocery and niche retailers like lingerie, eyewear, and makeup brands — are offering more personal shopping experiences than larger retailers selling broad product arrays.

Personalization across channels: Consumer expectation vs. actual experience



The emotional impact of personalization

A personalized experience leads to happy, loyal customers.
An impersonal experience loses customers.

Percent of people who feel some level of frustration in the following scenarios:

81% Shopping experience remains unchanged after you provided negative feedback

76% Gets your name wrong in brand communication

66% Online shopping cart not connected to mobile app

65% Mistakes you for the wrong gender

60% Displays an ad for a product that you are not interested in

Consumer frustration can quickly turn into disloyal or lost customers.

If the brand gets information wrong when directly marketing to a customer:

37% Will be less likely to make a purchase from the brand

23% Will unsubscribe from the brand's email

20% Will rehash the negative experience to friends or family

11% Will unfollow the brand on social media

Personalization has significant positive effects.

After a consumer has a personalized shopping experience, however:

44% Will be likely to become a repeat buyer

39% Will be likely to tell friends or family

32% Will be likely to leave a positive review

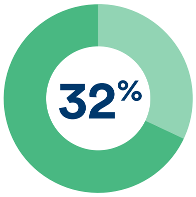
22% Will be likely to post a positive comment on social media

Key Finding 2

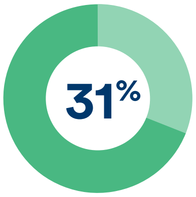
Retailers must act fast

> To generate loyalty and capture higher revenue, retailers have to act quickly. Consumers demand fast action and personalized communication in nearly every channel almost as soon as they choose to identify themselves to a brand (such as by providing an email address or creating a login). These expectations remain about the same whether someone eventually purchases a product from the brand or not.

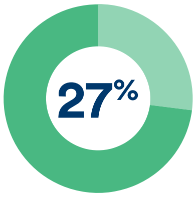
Percent of consumers that expect the following to happen within one hour of identifying themselves to a brand:



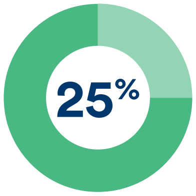
Get a relevant discount



Get served personalized online ads

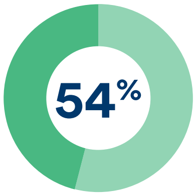


Get personalized product recommendations on website or app

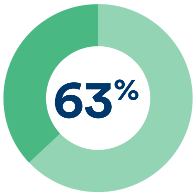


Get a personalized newsletter

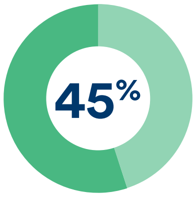
Reasons to offer a personalized discount right away:



54% expect to get a discount within 24 hours of identifying themselves



63% say receiving a discount within an hour of interacting with a brand will drive loyalty



45% say a discount is the most compelling incentive to add another item to their cart

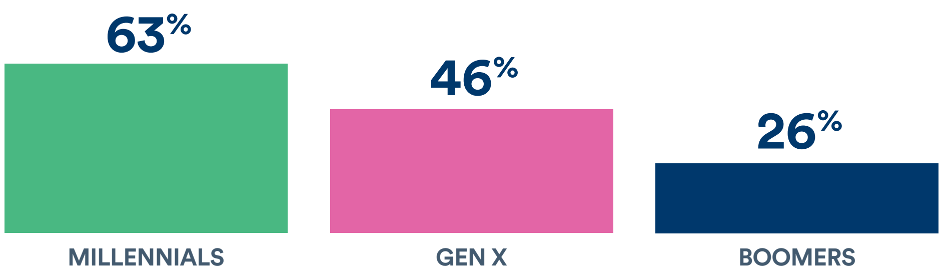
Key Finding 3

Personalization drives impulse purchases that shoppers welcome and revenue that retailers enjoy

Personalized recommendations, in particular, drive impulse purchases.

When retailers do get personalization right, it drives purchases in a big way. **49% of U.S. shoppers** said that in the past three months they bought a product they did not initially intend to buy after a brand made a personalized recommendation.

Percentage of shoppers who have made an impulse buy in the last 90 days:



Which channels work best at driving impulse purchase behavior?

Recommendations during the online checkout process are most likely to drive last minute purchases, but consumers respond to personalized recommendations in every channel.

Percentage of shoppers that made impulse purchases based on a recommendation in the last 90 days:

22%
ONLINE CHECKOUT

16%
EMAIL

13%
BRICK & MORTAR

12%
ONLINE AD

6%
PUSH NOTIFICATION

Consumers spend big money on impulse purchases driven by personalization

> 40% of U.S. consumers say they have purchased something more expensive than they originally planned to because their experience was personalized.

Just how much are people spending?

Of U.S. consumers that make impulse buys, **23%** have spent more than $50 on a single purchase, including **7% of respondents** who spent more than $100.

What channel drives the highest value impulse purchases?

Brick and mortar is the channel most likely to drive last minute purchases worth more than $50. However, nearly a quarter of consumers said that brick and mortar is the channel that also needs the most improvement in terms of personalization efforts. Therefore, the retailers that get personalization right in their physical stores stand to gain a valuable edge on their competition.

Shoppers are generally happy with impulse purchases they didn't originally plan to make.

Consumers satisfied with the impulse purchases they make by channel:

82% ONLINE CHECKOUT

84% EMAIL

84% BRICK & MORTAR

72% ONLINE AD

76% PUSH NOTIFICATION

Even if they don't like it… *they'll likely keep it.*

While **15% of people reported** being dissatisfied with their last minute purchases, only **5% of shoppers reported** actually returning those items they were dissatisfied with.

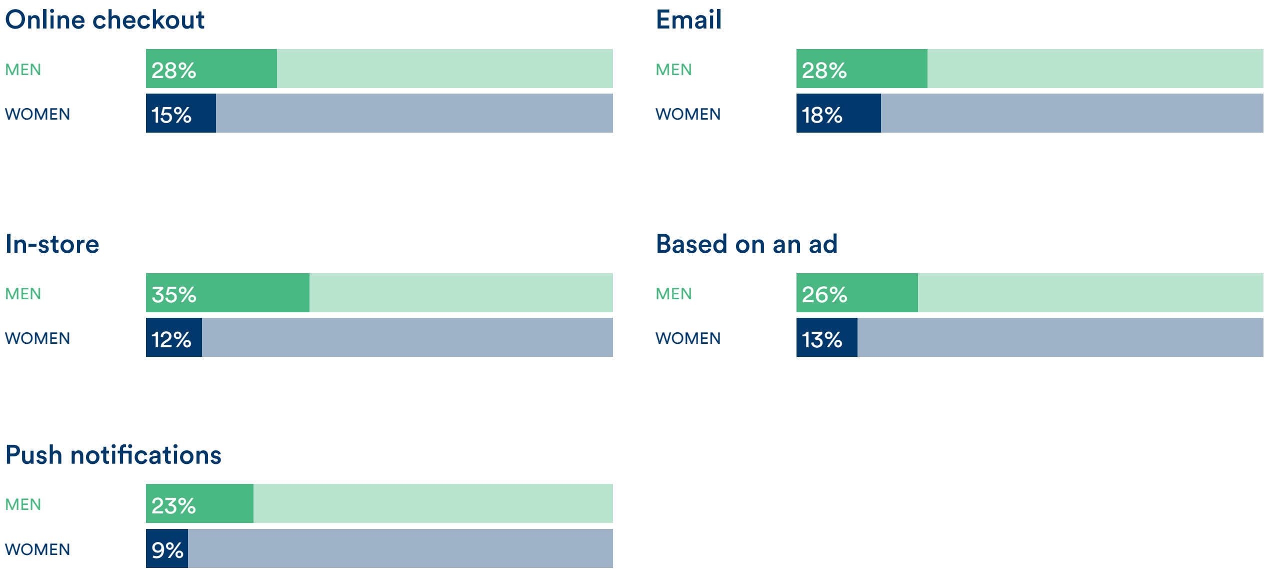
Who’s spending on impulse?

> Men are more likely to make unplanned, impulse purchases — and spend more on them — than women.

15% more men have made an impulse purchase in the past three months than women.

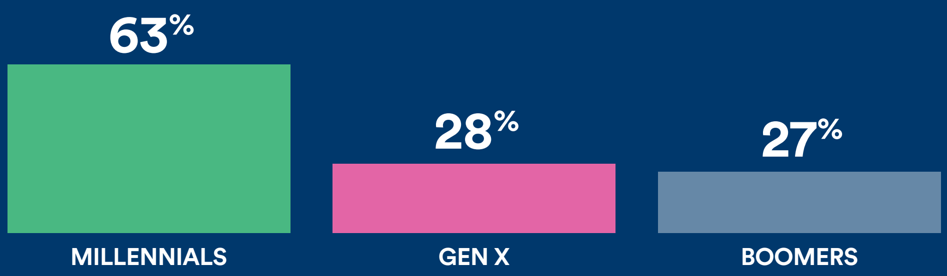
Men are spending more across every channel:

Gender and channel breakdown of consumers that spent more than $50 on impulse purchases in the past three months:



Millennials are the most likely generation to make impulse purchases.

Millennials are by far the most likely generation to make impulse purchases, although Gen X and Boomers are spending more when they do so. **28% of Gen Xers** and **27% of Boomers** report making impulse purchases of over $50, compared to **20% of Millennials** who spent this much. Millennial spending power will only increase over time, so brands are well-served to offer them personalized experiences today.



Key Finding 4

There is a wide disconnect between consumer expectations and their actual in-store experience of personalization

The personalization breakdown by channel:

Shoppers use many channels to browse, communicate, and shop, and not all are created equal. We asked consumers in which of those channels it was most important to have a personalized experience. Then we asked where brands are succeeding, and where they need improvement.

Where matters most?	What's winning now?	What could be better?
#1 WEB	#1 WEB	#1 BRICK & MORTAR
#2 CUSTOMER SERVICE	#2 EMAIL	#2 CUSTOMER SERVICE
#3 EMAIL	#3 CUSTOMER SERVICE	#3 ONLINE ADS
#4 MOBILE APP	#4 MOBILE APP	#4 WEB

What does the disconnect between consumer expectations and their experiences of personalization mean for your brand?

Website

If you are going to personalize one digital channel, make it your website. **28% of consumers** say a brand's website is the most important channel for personalization, and nearly half **(49%)** rank it in their top two most important channels for personalization.

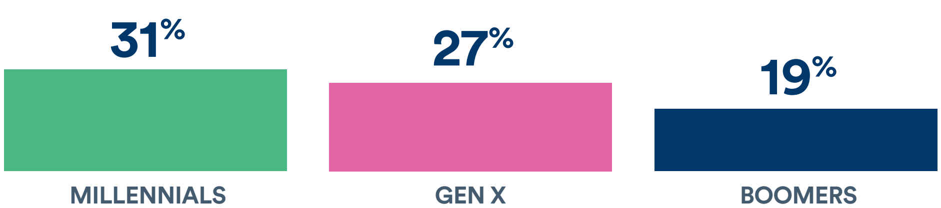
Email

After all these years, email matters as much as ever. Email remains the primary way we identify ourselves online, and all smartphones come with an email app pre-installed. A third of respondents said email was in their top two most important channels for personalization. Consumers are also making purchases via email, ranking email second (after online checkout) as the channel most likely to drive their impulse buying.

Mobile apps

The customers who have downloaded a retailer's mobile app are among the most engaged—after all, they took care to install the app, and marketers need to stay tuned to this channel. These customers tend to skew towards the younger demographics.

Percentage of consumers listing mobile apps in their top two most important channels for personalization by age:



However, if you are going to have an app, it can't operate in a silo:

63% of shoppers said they expect a brand's mobile app to "know" what they purchased on the brand's website.

The breakdown of personalization by offline channels

> The in-store shopper experience and other interactions with customer service lack the kind of customization that consumers have come to expect online. But if retailers can figure this out, the opportunity to increase loyalty — and revenue — is huge. As we reported earlier, consumers in brick and mortar stores are willing to spend more money on unplanned purchases than consumers within any other channel — but only if retailers can provide them the personalized experience that they crave.

In-store

Only **17% of consumers** think that retailers are currently customizing the in-store experience.

This drops to **14%** when looking at women only: Men are **50%** more likely than women to say that retailers are already customizing their in-store shopping experiences.

41% of consumers say that they expect representatives in a brand's physical store to know what they have purchased online, yet only **19%** have experienced this.

In-store ranked first among the channels customers think need the most improvement when it comes to personalization, with **24% of consumers** ranking it the number one channel in need of personalization.

Customer service

Customer service ranked second when it came to listing the "most important" channels to have personalized by brands, behind only the web experience.

Make personalization possible with Personas by Segment

The growth of channels for customer communication, sources of user data, and need for near real-time updates makes achieving personalization a difficult technology challenge. To execute personalization effectively, brands must create a single view of the customer that spans channels, employ flexible and dynamic segmentation, and make consistent customer data accessible in all of their marketing tools.

Personas was built to do just that.
To learn more, visit: segment.com/personas

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