Valitor APEX Campaign:
Privacy Vs. Personalisation
“Break the impersonalisation cycle.”

Three key steps to achieving brilliant personalisation through privacy:

✔ Personalisation and privacy live in tension
✔ The legacy approach to accumulating data and using it to drive mass marketing has flown under the customer radar for years - but the backlash has now happened
✔ Brands have been delivering a cycle of impersonalisation
✔ It’s time for brands to reset the relationship between themselves, their customers and data
✔ This has to be built on transparency - and cannot rely on the playbook of traditional tactics
✔ The three steps an organisation must take are:

  1. To respect and embrace privacy
  2. To redefine the way they act with data
  3. To give a full lifecycle experience to the customer

✔ When these three things are done, the brand can break the cycle of Impersonalisation.
Can brands create meaningful ‘relationships’ with consumers in today’s privacy-centric world? The short answer is yes. But it may mean tearing up the playbook...

Businesses today often find themselves in a negative cycle. In an attempt to engage consumers they have fired out mass marketing, but this approach has meant that audiences are actually more disengaged by communications from the brand. They end up further away from the brand than before. It’s a ‘cycle of impersonalisation.’

So how do you interact with customers in a way that can generate engagement, increase transaction size or frequency, provide a good APEX and ultimately grow revenue? While the majority of organisations understand that mass spamming of their customer base isn’t the best way to build mutual, trusted relationships with their customers, they feel nervous about how to form deeper connections. The answer typically starts with personalisation.

Personalisation should mean that brands continually redefine their interactions with a customer in a way that puts their preferences first. Ideally, this would result in more tailored and focused choices that are led by carefully considered pricing strategies and built around customer loyalty programmes. The technology exists to make this possible in a seamless way. But trust is a barrier. Too often consumers are made to feel like assets instead of prized relationships. In a privacy-centric marketplace, brands need to create an open dialogue about data, to educate their customers as to what the benefits are and ultimately to show that privacy and personalisation can coexist in harmony.
The debate about personalisation is a complex one. There is an inherent tension between privacy and personalisation. When personalisation isn’t done well, or when customers haven’t been educated as to how or why personalisation is happening, it can feel intrusive and out of place. But communications that fail to personalise fall quickly into the spam category and customers will go elsewhere. With consumers happy to switch you only have on average 1.6 times to get it right.

Personalisation is needed today.

Organisations that get personalisation right are more likely to succeed, and can help create longer-term relationships with loyal customers and grow new audiences through advocacy, a reinforced brand proposition, a blinding product offering and great services. As McKinsey has identified, there are critical commercial benefits:

“A recent McKinsey survey of senior marketing leaders finds that only 15 percent of CMOs believe their company is on the right track with personalisation. But there’s a big incentive to figure it out.

Today’s personalisation leaders have found proven ways to drive 5 to 15 percent increases in revenue and 10 to 30 percent increases in marketing-spend efficiency.”

And on the flip side, the commercial implications of not getting personalisation right is that it can lead to a reduction in a brand’s value. This naturally leads to poor customer retention or reduced basket sizes at checkout. Longer term, a lack of investment in the brand value can make key measures of growth such as attracting new customers to the brand even harder to increase. Whether it is due to poorly reflected experiences by dissatisfied customers, or indeed simply because a brand is failing to resonate and carve out a distinct voice on the physical and digital highstreet and has succumbed to the pricing warfare... it will only mean failure. Even beyond the much quoted financial penalties of the GDPR, getting digital engagement wrong can contribute to profound failings in an organisation. Gartner has predicted that by 2020, poor customer experiences will destroy 30% of digital business projects, while our own APEX report found that a bad experience will see 60% of customers not shop at a store again.

So how do you move forward?
Invest in your relationship.

DO CUSTOMERS EVEN WANT A BRAND RELATIONSHIP?

People’s lives are more complex today, with far greater demands on their time than ever before. So it’s critical that brands are seen to be working with, rather than against, them. Being misaligned with the customer’s needs can make communications feel like an invasion of privacy. Personalisation therefore should seamlessly integrate into people’s lives, being helpfully present but never intrusively so.

Predictably it’s in trying to achieve this that many brands slam squarely into doubts about privacy. The biggest question is whether you’re creating a transparent dialogue with the customer - educating them as to how the proposition they experience improves and reacting to their responses. The market still seems a bit shell-shocked by the GDPR - but it’s time to move on and be the standard bearer of a new way to engage customers. Take the leap towards a different type of dialogue that’s built around data, rather than towing the line of data.

Our data shows that there is a huge opportunity to build long lasting, reciprocal relationships between brands and customers. We asked consumers if they really want to have a relationship with a retailer - not just to make a one-off purchase - but to interact in the long-term. In the context of GDPR, backlash against intrusive marketing, fear of AI and a host of other factors, the findings were refreshingly human:

✔ 58% want a long term relationship with a retailer that spans beyond simply making a purchase then parting ways

✔ Less than a quarter (24%) actively do not want a relationship. By far the minority are seeking to distance themselves from a brand

✔ Almost one in five (18%) are unsure of how they stand. That’s a huge portion of the market that retailers can win over. Looking at household expenditure on restaurants in the UK for instance which is almost £2,600 per annum and the scale of opportunity lying in that 18% becomes apparent. With just a small shift that turns the 18% from unsure into having a positive relationship with a brand, and restaurants can quickly see a strong ROI.
These insights also show the importance of understanding demographics and personas within your customer base.

✔ Surprisingly perhaps, men were more interested in forming relationships with a brand than women. 62% of men, compared to 55% of women, were keen to stay connected beyond the initial purchase.

✔ That said, 22% (vs 13% of men) of women are unsure how they feel about longer-term relationships with a brand. So getting engagement right with this key demographic could reap huge rewards.

✔ Interestingly, the youngest and oldest groups were the least enthusiastic - the 26-55 being most keen.

✔ Data on Gen Z show the importance of personalisation more than any other group. They want ethical brands that understand issues such as climate change. But they’re price sensitive. They want individuality. While communicating everything they do and buy. In this context the triangulation of brand, product and pricing is acutely important in making you a key component in the tapestry of their identity.
Building Brand Bonds.

When trying to pursue personalisation in the age of privacy, it’s important to understand how the majority of brands are engaging with consumers today. The spoiler alert is this: the typical customer is more likely to feel stuck in the cycle of impersonalisation than part of a trusted relationship. Brands may have to tear up their corporate marketing playbook and think again about how they interact. The channels, formats, cadence and tone don’t have to be massaged into shape around regulatory changes or moments in time. You can use personalisation to redefine the texture of the relationship.

It will come as no surprise to hear that many consumers feel that once a sale is made, brands no longer care about them. And marketing communications are a key culprit in this relationship barrier.

✔ Tellingly, our data shows that 48% think when it comes to relationship ‘building’, all they see after-sale are spam emails. This is the most commonly cited failing by consumers when asked about why they think brands don’t care about them.

✔ When we asked consumers what most grives them in terms of specific marketing mis-fires, the most common gripe is irrelevant retail offers. A full third (33%) of consumers saw this as a critical frustration.

✔ For 31% irrelevant emails were another experience that annoyed them about the marketing experience. Women are particularly more bothered by the irrelevant emails (33%).

To be continued...
Perhaps the biggest frustration is that for customers who want a relationship with brands, they notice acutely when it’s not done well. Yet despite the precedent for the cycle of impersonalisation, the data shows they do still have an openness to traditional forms of marketing. A significant portion of the addressable market will happily receive communications from a brand, and does not instinctively see these as an invasion of privacy:

- 44% take notice of marketing communications from a brand, of which 56% take notice of emails and 46% notice free samples/trials
- 52% of 18-25 years - the highest proportion of all age groups (and the emerging customer base for many brands) - are receptive.
- The oldest consumers, 56-65 and 66+ are the least likely to pay attention to brand marketing. A generation transitioning from a more romantic vision of the shopping experience, built around the physical place and brand. This customer group has a potential for loyalty but cannot be ‘bought’ with cheap marketing tactics. Transparency has an incredibly powerful role to play in building engagement.

Overall a huge portion of a brand’s customer base is actively receptive to their communications. And as we show below, it’s critical to deliver a great experience throughout the engagement. As our APEX report shows, 53 percent of people think the after payment experience is either as important or more important than the prepayment experience.

### Three steps to build a relationship.

Getting personalisation right enables you to re-conceptualise your target audiences - having real personas to whom you understand how to market. It can mean new incentive programmes, pricing structures and communications strategies. But most importantly, the transition to personalisation starts and finishes with a transparent, open dialogue around data. Here are three key steps in this journey:

1. **Embrace Data & Privacy**

   Brands have to recognise that without an approach that is compelling to the customer and highlights the real value proposition of its brand they cannot convert on this opportunity. The commercial value of data was under the radar of most consumers for many years. Now it has become apparent, mistrust is easily invoked.
That's why businesses must tackle head on the conversation about why they want data, how they keep it safe and why it’s good for the consumer.

So what is the benchmark on what constitutes privacy? What do customers expect? While there is a great deal of ambiguity, the onus is on retailers to be transparent, informative and to listen (and react) to consumer needs:

✔️ Our data shows that less than a third (32%) of consumers say they are clear on how retailers use their data

✔️ Key demographic insights play out as men (37%) showed greater confidence in this understanding.

✔️ The 18-35 age group is far more confident in their understanding (18-25 were 40%; 26-35 were 43%) compared to the 66+ age group (19%).
As to what data consumers are willing to share, the landscape is more challenging.

✔️ The type of information most willingly shared with a retailer is an email address (42% are happy with this).

✔️ This is followed by clothing size (29%)

✔️ Only a quarter (25%) would not want to share any details. This means 75% of consumers are comfortable with the concept of a brand holding personal information of some sort in order to improve their relationship.

✔️ This is profoundly important. In a privacy-centric era, the vast majority will still allow their information to be used in order to add value to the commercial experience.

In order to remain relevant, Brands must initiate and develop the relationship with customers, but in a way that makes clear privacy and security of data is at the core. Recognise customers’ willingness to share, but don’t push too hard. Misplaced marketing communications are not going to win over a customer, but they might turn a neutral into a brand detractor.
2. REDEFINE YOUR DATA JOURNEY

The ‘legacy’ approach to customer data is to accrue it, fire messages at the customer and see which stick. The principle of testing a narrative is fine - but the building blocks of the conversation need to change.

Organisations shouldn’t try to sneak through the gate of regulatory approval and just wait for clearer guidance about what should be done. In fact, the opposite approach will increasingly need to be taken. There should be a correlation between the proposition your brand offers and the data you require from customers. By reviewing and identifying your true brand value, and ensuring that the shoppers you are focusing on are actually the ones who you should be targeting in the first place, the nature of the data relationship changes. Less an arm wrestle, more an exchange or potentially an expectation, depending on how well you have positioned your brand, services and retention offering.

Brands that go back to basics in this way aren’t treading on eggshells around privacy, data regulations and marketing communications.

They’re acting within the intent of these things. After which, accessible technologies such as tokenisation of payments and connectivity across multiple channels allow them to fulfil the promise they’ve made. Tokenisation, for example, works by replacing a customer bank account or credit card details with a unique identifier - a token - that prevents sensitive information being shared. In doing so tokenisation can act as a technological solution to help reassure customers while still enabling them to enjoy the level of personalisation that they expect.

Brands too can benefit from tokenisation by developing stronger and more trusting relationships with customers. By marketing and communicating to customers in a way that is both personal and highly relevant, brands can look to increase the overall lifetime value of a customer by keeping them involved intimately with the brand without risk of damaging their privacy. A seemingly simple use of technology keeps with the promise made by the brand, by respecting privacy to achieve personalisation.
3. A FULL RELATIONSHIP CYCLE

It’s important to remember that personalisation is a part, not the single defining factor, of the relationship with the brand. From attracting the customer, through the purchase experience and then post-sale, customers want to feel that they matter and the products or service they receive is of a high quality.

✔ For example, our data shows that almost half (47%) are less likely to pay attention to brand marketing if they’ve had a negative post sale experience (you can find out more about this in our After Payment Emotional Experience (APEX) report).

‘Personalisation’ that misses the mark - because of old or inaccurate data - is a bad way to build relationships. Brands may feel they’re doing the right thing, but sometimes going through the motions without a suitably critical eye can cause as much (perhaps more) damage than having fewer richer, more accurate points of contact.

✔ Over a third (34%) say that they have actually been made to feel that the brand from which they made a purchase no longer wants to impress them as a customer

✔ Another third (33%) aren’t convinced whether brands still care about them after the sale is done

✔ And a quarter (25%) call out the fact that occasional offers are not the same as a proper customer service relationship.

When personalisation is joined up to the purchase and post-sale experience, the brand relationship - in whatever form it takes - becomes far more impactful. It’s therefore more likely to convert into real value for both the customer and the business across all channels.
Personalisation and privacy do not oppose each other. There is a positive tension between them. This tension inherently forces a culture that, when articulated properly and transparently to customers, can empower them to be open and accepting of a relationship that is managed through personalisation.

When articulated properly and transparently a data strategy will gain greater impact as it falls on receptive and excited ears. You as a business can then expect to be ingratiated with rich data on how to improve your brand value, messaging, product offering and pricing strategies and ultimately, can constantly optimise your business model around your customers.

While regulatory changes and consumer sentiment may have created a culture of data paranoia, they have equally prompted a return to the basics of relationship building which all businesses can learn from.

Understand yourself and what you offer, match this to those who are interested by it, then build a rapport based on transparency and the fulfillment of promises made. It’s only by resetting this understanding of what customer data means, and the way they act on it, that brands can bring privacy and personalisation into line - and break the impersonalisation cycle.

For more information on how to install and use payment tokenisation within your customers’ journey then please contact: angus.burrell@valitor.com.