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# How to Win Online: Advanced Personalization in E-Commerce

## Introduction

E-sellers are facing a stark new reality in today's online marketplace: You can no longer expect growth as a result of simply selling online. With the number of net new shoppers online slowing to a 16 percent annual growth rate<sup>1</sup> after reaching highs of as much as 45 or 50 percent, the competition for shoppers is heating up. Meanwhile, brand loyalty is sharply decreasing. Given that shopping online is now a mainstream activity, the challenge is no longer getting new customers to shop online but rather driving more incremental dollars from the existing base of online shoppers. The competition to win the customer has never been fiercer. The time has come to focus "aggressively on e-commerce technology, particularly on multichannel and personalization technologies."<sup>2</sup>

To fight this battle effectively, e-sellers must give customers reasons to choose them over their competitors. They must offer customers shopping experiences that are relevant to who they are and guided by what they need. In short, e-sellers must personalize their customer interactions. Recent studies show that personalization is a highly effective method for increasing consumer lifetime value for online sellers. It can have a direct and positive impact on the core metrics that make up e-commerce success: loyalty, conversion, retention, and average order size.

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<sup>1</sup> Forrester Research, "Trends", 2007.

<sup>2</sup> Rob Garf, AMR Research, 2007.

## Getting Personalization Right

Personalization is not just something you sprinkle on top of your Website. It goes far beyond inserting a customer name at the top of a Web page or e-mail. Personalization is a business strategy—one that takes into account not only who the customer is but what she likes, what she doesn't like, when she wants to hear from you, and when she doesn't. To be most effective, personalization is ideally managed from a single integrated platform that makes it easy for you to deliver a relevant experience across all customer interactions. It starts with knowing who the customer is and then guiding her down the right path, using a range of approaches that ultimately result in purchase and loyalty.

Although personalization has typically been equated with a recommendation engine for more-relevant product offers, Oracle views personalization more broadly—as delivering the right content to the right person at the right time, across interactions, throughout the full customer lifecycle. Sometimes, e-sellers can get overwhelmed at the mere thought of trying to create a personalized experience for each customer. But personalization doesn't require you to create an individual plan for each customer. It's about implementing a plan that feels personal to your customers. When executed properly, personalization enables you to extend your existing customer segmentation strategy to the online arena—and even enhance it—by using additional knowledge acquired from your customers' online behaviors. The result is a customer experience—integrated across the Web, e-mail, and contact center—that feels customized for the individual but is actually automatically driven.

## Personalization and the Long Tail

Understanding what personalization has to offer your business, and how and when to implement it, is key to taking advantage of the opportunity that lies in the “Long Tail,” a concept that the industry is recognizing as a growing e-commerce opportunity. A term first coined by *Wired* magazine Editor-in-Chief Chris Anderson, the Long Tail refers to the theory that products in low demand or with low sales volume can collectively make up a huge market whose size rivals or exceeds that of the best sellers. Consider that Forrester Research estimates that there are now some 650,000 sole proprietorships with e-commerce Websites that collectively sell roughly US\$13 billion in merchandise annually. These small e-commerce sites drive an astounding one-quarter of online retail revenues.



Figure 1. The Long Tail refers to the theory that products in low demand or with low sales volume can collectively rival or exceed the market share of best sellers.

Clearly e-sellers who are putting the Long Tail theory into practice are harnessing the distribution power of the internet and effectively reaching the mass of niches. Meanwhile, larger companies are also taking advantage. For example, while you'll have a hard time finding any independent films at your local Blockbuster, you can turn to Netflix to find nine subgenres of independent films. Similarly, although you won't find a single wedding dress in your local J. Crew store, you have a wide array to choose from on the J. Crew Wedding and Parties shop on [jcrew.com](http://jcrew.com).

It's clear that the Long Tail offers real upside for consumers and e-sellers alike. Yet there is a downside as well: when consumers face too many choices, they may become overwhelmed and unable to decide what to buy. They may freeze, and abandon the site. To make huge inventories less daunting but still compelling, e-sellers need to narrow the offers they present—not to the generic best sellers but rather to the most-relevant choices for the particular consumer. That is “personalization” in practice. It is the secret to taking advantage of the Long Tail.

Whether a site has hundreds or tens of thousands of products to offer, how does the merchandiser make the right compelling offer at the right time? How does the consumer quickly navigate to the product she most wants? To achieve both the merchandiser's and the consumer's goals and still take advantage of the Long Tail, retailers are going to have to get much more sophisticated about how they use their Website platforms. They must use every bit of knowledge they can glean about each customer to guide him or her to the products that the consumer wants to buy—and that the merchandiser most wants to sell.

## Personalization in Practice

In November 2006, Forrester Research revealed: “Nearly half of consumers who visit a landing page leave in under eight seconds. To build relevance, brands must start with segmentation models that enable personalization and deliver targeted function, content, and images.”

## The Starting Point: Know Your Segments and Create Personas

Personalization begins with the basic best practice of defining the rules by which you interact with your customers. The key to creating effective personalization rules is leveraging what you know about your customers based on past and current interactions and using profile management to store key customer attributes. These attributes combine to create customer segments or *personas* that enable you to drive relevant interactions.

Personas offer a way of enhancing your traditional customer segments with subjective information that personifies that segment (for example, gardeners who live on the east coast of North America, or fashion-loving twenty-somethings who go for top brands). Like segments, personas are informed by customers' demographics, psychographics, purchase patterns, the channel they use, as well as the value associated with their importance to your business. Personas start with understanding customer profiles—what you know about an individual based on both offline and online interactions (such as gender, age, and geography). As you extend the customer profile by adding enhanced information based on a customer's actions (such as buying history, click behavior, search terms, and shopping cart contents) over time, you can group similar profiles into personas, and tailor interactions to make the shopping experience even more relevant.

## Anonymous Personalization: An Oxymoron?

Using personas to drive personalization doesn't require you to get every customer to log in and fill out a profile. The information you need to create your personas can be gleaned even without the customer's active participation, and without your knowing who the customer is. For instance, your Website lets you learn about your visitor—even if she remains anonymous—by seeing what types of products she browses, what articles she reads, what searches she runs, or what questions she asks on the self-service site. With this information, your Website content can be dynamically tailored for your visitor in an instant, as soon as the visitor is associated with a persona.

For example, let's say you're selling sporting goods. You have a promotion about running shoes on your home page. An anonymous user comes to the site, ignores the running shoes, and starts looking at mountain bikes. When he comes back to the home page, it would automatically and dynamically switch out the running shoe ad, replacing it with an ad about biking equipment and accessories. Show him something more relevant to his needs, and he is more likely to buy. That is anonymous yet effective personalization.

These days, many consumers are also more willing to share information or answer a few questions as they shop—as long as they believe the information they provide will improve the recommendation they receive in return. For example, a running-shoe store may prompt a shopper for her arch type, running style, body frame, and brand preference before making a personalized recommendation.

## Personalization Informed by Customer History and Past Behavior

Of course, the more you know about the customer, the more relevance you can infuse into your interactions. Building on the sporting goods example above, now let's say you can identify the shopper. Your site should have access to her buying history so that you know what products she already owns as

well as which ones have interested her historically. When she puts a pair of running pants in her shopping cart, you will want to make her a cross-sell offer. But rather than offer her the same jacket she just bought last week, you'll offer her a different accessory. That's history-based personalization.

### Personalization That Selectively Offers a Live Interaction

Monitoring your customers' actions in real time can bring personalization to the truly intimate level. Now you can personalize not only the content you display to your customers but also the type of service you offer, either across your whole site or just on sections that customers tend to abandon or find tricky to navigate.

Let's say your shopper puts a big-ticket item in her cart, such as a plasma TV or a US\$1,000 handbag. But then the shopper hesitates; rather than checking out, she begins to look at the shipping information page. You don't want to lose her purchase. The new trend here is proactive click-to-call, a capability that lets you pop up a window and offer live help with a message that says, "If you have a question about shipping, click here to speak with a representative." Once the shopper clicks, she goes to the top of the agent queue, and her phone rings instantly, connecting her to a customer service agent who completes the sale.

Click-to-call is probably not a worthwhile tactic for saving the sale of a US\$10 CD, but for a US\$3,000 TV, it's absolutely worthwhile. In some markets, click-to-chat can work equally well, proactively offering the prospect an instant live chat session with a customer service agent. Oracle's experience in deploying this technology shows that this kind of service can increase conversion rates by as much as 50 percent.

For the best results, you can extend cross-sell personalization to the call center. When a customer connects to the call center for that US\$1,000 handbag, you want the agent to have access to the same history-driven, cross-sell offer that would be presented on the Website—the shoes, in the right size, that go with the handbag. You want to drive the call center with tools that increase order size, not just reduce costs. That is the epitome of effective, cross-channel offer management.

### Multistage, Scenario-Based Personalization

The stark reality of today's marketplace, with all of the options customers have before them, is that a single instance of a relevant interaction rarely evolves into a lasting relationship. The good news is that with segments or personas in place, personalization can help drive and track the full purchase cycle.

As an e-seller, you can drive even more relevance into your customer relationships by introducing multistage, scenario-based personalization. A *scenario* is a way of taking a rich set of customer interactions and facilitating them across marketing, selling, and service encounters. The sequence of events that make up a scenario is designed to lead the customer along the path toward achieving the specific business goal that you define. These different events, or *stages*, can be triggered by or timed to correspond with the actions that each customer takes. A scenario can last a few moments or extend over weeks or months; it can be relatively simple or have many paths. Using scenarios, you can engage, track, and communicate with the customer throughout his purchase decision process. As he potentially

moves away from your site to look at competitors, a well-timed, relevant interaction driven by scenarios can give that customer a reason to come back to your site.

For scenarios to work well, you first need to determine precise business goals for your particular segments or personas. Are you looking to close the first sale? Increase purchase frequency? Increase the average order amount? With target goals defined, you can begin designing multistage scenarios that correspond to the behaviors of your customers and prospects. This kind of personalization introduces a series of preset responses that correlate to customers' actions. For example, if a customer visits your Website and asks to be notified of your holiday special but then does not respond when he receives that e-mail, the next step is automatically triggered. That step may be a reminder phone call from a sales person. If, after a week passes, the prospect still does not respond, a second communication could be initiated: this time, perhaps an e-mail with an even better offer.

Multistage, scenario-based personalization doesn't focus on a single transaction but rather a series of interactions that ultimately lead to the desired outcome. By introducing triggers at critical interaction points that take your customer into account, you can help lead that customer down the optimal path. With multistage personalization, you are monitoring and responding to events as they happen and reaching out to the customer to start a meaningful and relevant dialogue. The best multistage scenarios span across channels. Some customer interactions will trigger an e-mail response, while others may activate a customer service call. Still others may prompt a sales call. Some of these communications will call for immediate customer action, while others lay the groundwork for future interactions.

## Searchandising and Automated Personalization

Connecting customers quickly and easily with the products they seek is at the heart of personalization. Searchandising and automated personalization are two new advanced personalization techniques now coming of age and bringing with them the power to truly guide prospects down the desired path.

### Searchandising

The principle of *searchandising* is simple: The consumer is looking to find an item. The merchandiser is looking to sell an item. These two goals were once totally independent of each other on the Web. Yet they should be two sides of the same coin—in fact, two uses of the same technology. That's searchandising. Leveraging the Long Tail requires it.

Take a basic shoe-shopping experience, for example. Say the shopper searches for shoes, and you carry 1,000 different styles. You need to be able to determine what shoes you should present, in what order, and with what information. Should you present practical or Prada? Making that determination starts with a logical first step of recalling the customer's purchase history, profile, and segment, and then presenting the shoes most in line with those criteria. Taking it a step further, your presentation should match your merchandising strategy. Perhaps you have a particular vendor relationship that favors one brand over another, or a particular shoe on special, or knowledge that a particular shoe sells best within a specific segment. The merchandiser ought to be able to specify, as part of the catalog data, which shoes should appear first in a search. In essence, you want to be able to present all of this in the context of the multiple facets of a shoe (such as color, style, brand, size, and cost) so that consumers

can opt to see—or you can opt to present—only shoes in a certain price range, by a popular designer, or in the customer’s size. All of this is searchandising—allowing the merchandiser to drive how search results are presented. Moreover, personalized searchandising drives search results not only by merchandising strategy but also by purchase history, profile, and segment of the prospective customer—ultimately serving to increase basket size and conversion rates.

### **Automated Personalization**

Automated personalization is also a way to keep your customer interactions highly relevant. You are probably familiar with recommendation engines (sometimes called *collaborative filtering*). A number of online megastores are famous for this technique—“people who bought this item also bought these items.” Where do those recommendations come from? A common frustration with some of these engines results from purchases made as gifts. If you buy a children’s book for your nephew’s birthday, you may receive offers for similar products from then on.

A better approach is one based on advanced personalization. Like search, recommendations ought to be personalized and driven by your merchandising strategy. The most sophisticated approach to personalized selling automates recommendations more intelligently—according to both the purchases made and the segment or persona the shopper belongs to. Automated personalization modifies recommendations according to other information you have about the shopper, rather than assigning customers to segments based solely on their most-recent purchases. For example, a New England gardener should always receive recommendations for hardy plants, even if he bought plants on one occasion for his uncle in Palm Springs. At the same time, if the merchandiser is pushing roses instead of marigolds, the customer should get that recommendation. Recommendation engines built into the e-commerce platform—and integrated with the catalog, profiles, purchase history, search, and merchandising—will lead to true competitive advantage.

## **Conclusion**

According to the Patricia Seybold Group, success will go to companies that deliver rich and personalized cross-channel, cross-lifecycle experiences to their customers. Customers clearly want a more relevant, better-integrated experience as they traverse the touchpoints of Web, e-mail, contact centers, and face-to-face stores, whether receiving marketing information, completing a transaction, or seeking post-sale service. They want companies to understand their buying and service history, as well as their preferences. They want to receive the right information at the right time, relevant to their needs and informed by the context of their current situation.

It’s time for e-sellers to wake up to this new reality. Despite the fact that just 16 percent of online shoppers represent “new” customers to the Web, e-sellers are still dedicating more than half of their

interactive marketing resources towards new-customer acquisition.<sup>3</sup> It's time for retailers to focus less on acquiring net new online customers and instead on delivering the best possible customer experience for the millions of customers already relying on the online marketplace to meet their shopping needs.

Oracle recognizes that personalizing the customer experience is one of your best opportunities for attracting, retaining, and building loyalty with your customers, which ultimately leads to a competitive advantage. Oracle also recognizes that successfully creating that experience requires a scalable, adaptable, and automated approach that places control in the hands of business users. This understanding has influenced the development of Oracle's entire e-commerce suite. Oracle offers the industry's only platform for cross-channel personalization across the customer lifecycle. Giving Oracle customers a single tracking point for demographics, behaviors, purchases, responses, and interactions enables them to create dynamic, highly personalized interactions with their customers. Oracle solutions, which are used by hundreds of the best-known e-sellers worldwide, deliver highly relevant, personal experiences that lead to ongoing, profitable customer relationships.

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<sup>3</sup> Forrester Research, "Trends", 2007.



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