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Thought Leadership Paper
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Unlock Value In E-Commerce Through Relevant Experiences

How Relevant Personalization Drives Business
Growth And Customer Value



Table Of Contents

- 1** Executive Summary
- 2** Customers Expect Relevant E-Commerce Experiences While Brands Struggle To Deliver
- 5** E-Commerce Brands Risk Alienating Customers By Failing To Personalize Experiences
- 8** Personalization In E-Commerce Drives Stronger Customer Relationships And Better Business Outcomes
- 10** Key Recommendations
- 11** Appendix

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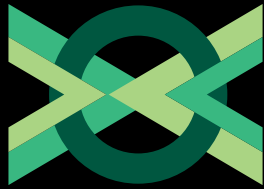
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64% of customers expect e-commerce brands to invest in technology that makes their communications more relevant

77% of brands believe personalization creates a better customer experience but 58% are reluctant to invest

56% of consumers are more likely to spend more - 68% to join a loyalty program - with brands that tailor experiences for them

Executive Summary

Customers are not only more empowered than they have been ever before, but they also demand more from brands than ever before. As e-commerce brands are reeling and struggling to keep up during one of the most turbulent times in the market, customers expect brands not to miss a beat. Consumers continue to increasingly rely on online shopping, so an e-commerce brand's ability to make its customer experience (CX) seamless, personalized, and relevant becomes critical not only to customer experience, but also to the brand's survival.

Rokt commissioned Forrester Consulting to evaluate how relevant and personalized customer experiences affect customers' online buying habits and the ability of e-commerce brands to deliver. Forrester conducted two online surveys with 1,025 US online customers and 268 online sellers to explore this topic. Fielding occurred from July 2020 to August 2020 during the COVID-19 global outbreak. Forrester found that when e-commerce companies provide a relevant and personalized experience to their customers inside the transaction journey, customers are more likely to spend more, stay loyal to that brand, and refer friends.

KEY FINDINGS

- › **Customers expect relevant e-commerce experiences while brands struggle to deliver.** Customer expectations are on the rise. In fact, customers expect brands to make investments about *them*. Forrester found that 64% of customers expect e-commerce brands to invest in technology that makes their communications more relevant. Brands also believe that delivering relevant and personalized experiences are high-priority initiatives, and 83% believe personalization will be more important to their e-commerce and marketing efforts, but they fall short in execution.
- › **E-commerce brands risk alienating customers by failing to personalize experiences.** E-commerce organizations must align to the needs and expectations of their customers. Brands face a paradox when they recognize that failure to optimize personalization efforts will negatively impact their bottom line, but they don't feel comfortable pursuing greater investment. Despite the fact that 77% of brands believe personalization creates a better customer experience, 58% say they are reluctant to further invest in personalization because they believe building or enhancing their personalization efforts would require too many resources.
- › **Personalization in e-commerce drives better business outcomes.** Customers reward relevant and personalized experiences with greater loyalty, more purchases, and deeper engagement. The majority of surveyed customers (56%) say they are more likely to spend more with brands that tailor experiences for them, and 68% say they are more likely to join a loyalty program with a brand that delivers a relevant and personalized experience. In short, brands that deliver relevant and personalized experiences will be best poised to stand out from their competition.

Customers Expect Relevant E-Commerce Experiences While Brands Struggle To Deliver

Empowered customers expect brands to drive relevant, high-value, and convenient experiences online. Today's customers have a plethora of buying options at their fingertips. As online buying options have evolved, so too have customers' expectations. Today's empowered customers demand both simplicity and innovation from e-commerce brands.¹ More importantly, they expect that the simplicity and innovation brands deliver are relevant to them. In surveying 1,025 consumers and 268 e-commerce sellers, Forrester found that:

CUSTOMERS EXPECT AND REWARD RELEVANCY

Personalization is a critical way brands can deliver on customers' increasing expectations. The information customers provide can be used by brands to personalize a buying experience. Some benefits of personalization include the ability to make a customer's experience more seamless (e.g., simpler and faster). Empowered customers expect online sellers to make their shopping experience about them, ensuring simplicity in their experience. More than three in four (79%) expect e-commerce brands to make their shopping experience simpler and faster.

To that end, customers give e-commerce brands permission to invest in relevant personalization. Forrester's survey found that 64% of customers expect e-commerce brands to invest in technology (e.g., software and intelligence) that makes their communication more relevant (see Figure C1).

Figure C1

Consumers Expect Online Sellers To Make Experiences About Them

79% Expect sellers to make their shopping experience simpler and faster.

64% of customers expect e-commerce brands to invest in technology that makes their communication more relevant

Base: 1,025 consumers aged 24 to 39 who have made digital transactions within the past 12 months

Source: A commissioned study conducted by Forrester Consulting on behalf of Rokt, July 2020



Personalization uses customer information and understanding to enhance interactions based on that person's history, preferences, context and intent.

38% of consumers would give more of their personal information to sellers if it would make their experience better, faster and easier.

E-COMMERCE BRANDS UNDERSTAND RELEVANT PERSONALIZATION IS IMPORTANT, BUT THEY STRUGGLE TO DELIVER

Forrester has been tracking e-commerce brands' personalization strategies for years, and we've found that delivering personalized experiences routinely sits near or at the top of business priorities for brands.² The decision-makers in this study indicate this trend continues this year, but with a catch: While nearly nine out of 10 brands list personalization as either a high priority (34%) or their organization's top focus area (54%) this year, just 36% are delivering experiences today that reflect more relevant personalization strategies. The result is a massive 84% gap between how important and how effective personalization strategies are today (see Figure P1).

Figure P1

“When considering your e-commerce strategy, how much of a priority is offering relevant, personalized experiences for your customers today?”



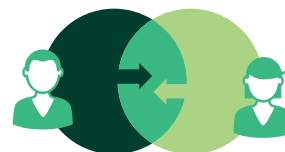
To deliver on long-sought personalization benefits, e-commerce brands must close the gap between importance and execution.

Base: 268 director-level and above decision-makers in the US responsible for e-commerce, marketing, or customer experience

Source: A commissioned study conducted by Forrester Consulting on behalf of Rokt, September 2020

Furthermore, this gap remains largely consistent across brands of different sizes. For example, 88% of larger brands (those that report processing 10 million or more transactions every year) and smaller brands (those that process between 500,000 to fewer than 1 million transactions) see personalization as a high or top priority this year, but just 38% in each size category delivers relevant experiences today.

The vast majority of brands from each industry in Forrester’s study indicate that personalization is important to them. Respondents from the travel and hospitality industry say personalization is an especially high priority (94%), but only 20% of travel companies say they currently deliver dynamic or 1:1 experiences. Comparatively, ticketing and live events performed best here: 86% of respondents in that industry say that personalization is a major priority, and 49% currently deliver relevant and personalized experiences. Retail brands are the second least likely industry to say they believe that offering relevant and personalized experiences for customers is important, behind ticketing. This reflects the industry’s relatively tepid personalization performance, as just 38% currently deliver sophisticated personalization to customers.



While the vast majority of brands from each industry indicate that personalization is important to them, only 20% of travel companies and 38% of online retailers currently deliver relevant and personalized experiences.

BRANDS' EXECUTION GAPS JEOPARDIZE KEY BUSINESS GOALS PERFORMANCE

Let's face it: Brands aren't just looking to personalize their customer experiences because it's fun; they see it as a key to unlocking more mutually beneficial customer relationships, and it's also a significant driver of many essential KPIs and objectives. The majority of brands report that by increasing their investment in personalization, customers will reward them with outcomes like higher customer satisfaction, loyalty, and lifetime value. This will result in more efficient and effective marketing programs and deeper, more actionable customer insights.

THE COVID-19 MULTIPLIER FOR CUSTOMERS AND BRANDS: E-COMMERCE IS BOOMING

The COVID-19 global outbreak has only amplified the urgency for e-commerce brands to keep up with customers. Forrester's survey, conducted during the pandemic, found that 84% of brands believe they will rely more on e-commerce in their strategy moving forward. The majority of brands (83%) believe that applying personalization to e-commerce and marketing will be more important than ever given the pandemic. This shouldn't be surprising given that 75% of customers say they rely on shopping online more than ever before, and 66% will continue to shop online more than they did before the pandemic.

The majority of brands believe customers will reward their investment in personalization with outcomes like higher satisfaction, loyalty, and lifetime value.

84% of brands believe they will rely more on e-commerce in their strategies going forward, while 66% of consumers say they will continue to shop online more than they did before the pandemic.

E-Commerce Brands Risk Alienating Customers By Failing To Personalize Experiences

As digital channels become more central to how consumers navigate their purchase journeys, the importance of meeting their expectations around enabling frictionless shopping experiences only rises. However, many brands struggle to meet customer expectations, and both their customer relationships and business KPIs suffer as a result.

E-COMMERCE BRANDS ARE MISSING THE MARK

Today's empowered customers have the power to seek out shopping experiences that delight them and make shopping easier. As buying options continue to grow and evolve, customers are increasingly turned off by irrelevant offers and broken omnichannel experiences. Forrester's study found that brands not only miss the mark by a lack of relevant personalization, they also miss when their attempts are irrelevant.

This issue is compounded by the traditionally limited application of personalization most e-commerce brands deploy. For years, retailers have struggled with personalization approaches that were limited to web and email experiences.³ Brands in this study back this up: While 81% apply personalization to email content and 77% personalize web experiences, just more than half offer some sort of personalized offers at checkout, making it the eighth-most common personalization tactic brands deploy today.

There are two reasons this is an issue. For one, customers want these experiences: Personalized checkout recommendations are the third-most in-demand personalization tactics for customers, just behind web and email. For another reason, the clear link to cross-sell opportunities represented by more relevant offers at checkout means e-commerce brands miss opportunities to drive revenue and they miss the mark on delivering what customers want.

BRANDS NEED TO EXPAND THEIR THINKING ON PERSONALIZATION CHALLENGES

One significant reason e-commerce brands have been less likely to expand personalization programs to channels outside email and websites is that they face a paradox when it comes to budgets. While 95% of brands say they have experienced at least one challenge implementing and managing personalization strategies, the most common barrier is a lack of funding or budget for the program — especially in the current business climate. Sixty-three percent of brands say their reluctance to further invest in personalization is due to concerns over spending during the pandemic.

However, the risks of *not* implementing and optimizing programs also impact a brand's bottom line. Respondents from brands say that when they fail to overcome their personalization obstacles, they face higher acquisition costs (39%), wasted marketing spend (37%), and lower conversion rates (37%). It's a matter of determining costs more holistically: determining not just the costs of improving the program, but also the costs of *not* doing so (see Figure P2).

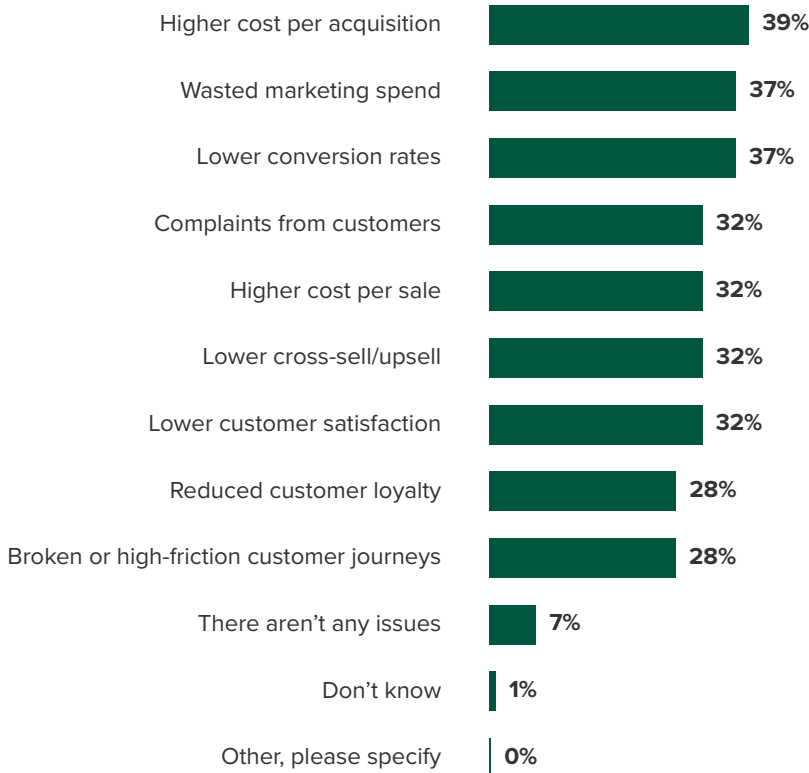


Delivering personalized offers at checkout is just the 8th most common tactic for brands to deploy today, despite consumer openness to them and their direct implications for cross-sell.



Figure P2

“Which of the following do you believe result from personalization challenges and obstacles?”



Base: 268 director-level and above decision-makers in the US responsible for e-commerce, marketing, or customer experience
Source: A commissioned study conducted by Forrester Consulting on behalf of Rokt, September 2020

Additionally, 32% of e-commerce brands say they are challenged by customers' unwillingness to share the data they need to craft personalized experiences; but while customers are protective of their data, 38% are willing to share information with brands in exchange for making their experiences simpler and faster. And 64% say they expect brands to invest in capabilities that will drive these more frictionless experiences for them.

CONSUMERS REINFORCE RAMIFICATIONS OF IRRELEVANT PERSONALIZED EXPERIENCES

To reinforce the opportunity costs of irrelevant personalization, customers report that low-personalization experiences can also result in significant loss of brand equity in the following ways:

- › **Irrelevant personalization sours customer relationships.** Many surveyed customers say that when brands fail to deliver relevant and personalized experiences to them, they will likely take their business elsewhere. Customers are more likely to unsubscribe from email lists (52%), switch to a competitor that provides a more personalized experience (36%), and stop shopping on that brand's site (28%) (see Figure C2).

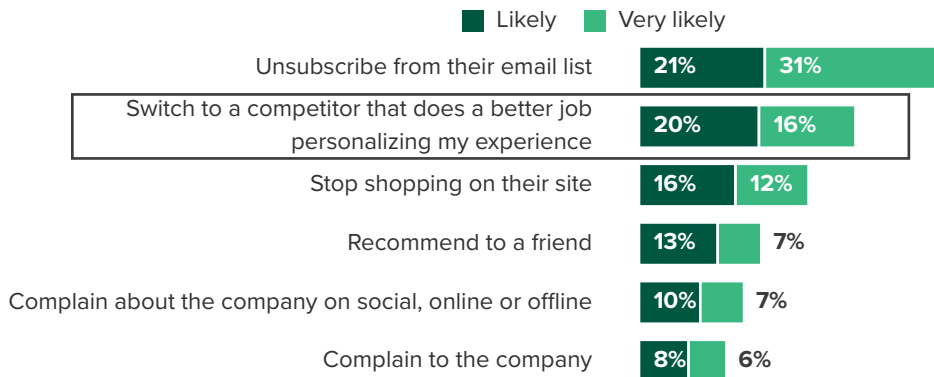
Personalization budgeting should include the opportunity costs of the status quo, not just the spend.

64% of consumers say they expect brands to invest in capabilities that will drive more frictionless experiences for them.

45% of consumers would **stop** buying or **switch** to a competitor upon no attempt at relevant personalization.

Figure C2 — Consumers Likely To Switch To Competitor Upon No Relevant Experience

“Imagine that a seller does not attempt to deliver any type of a relevant, personalized experience to you with the information that they have. How likely are you to do the following?” (Showing top 2)



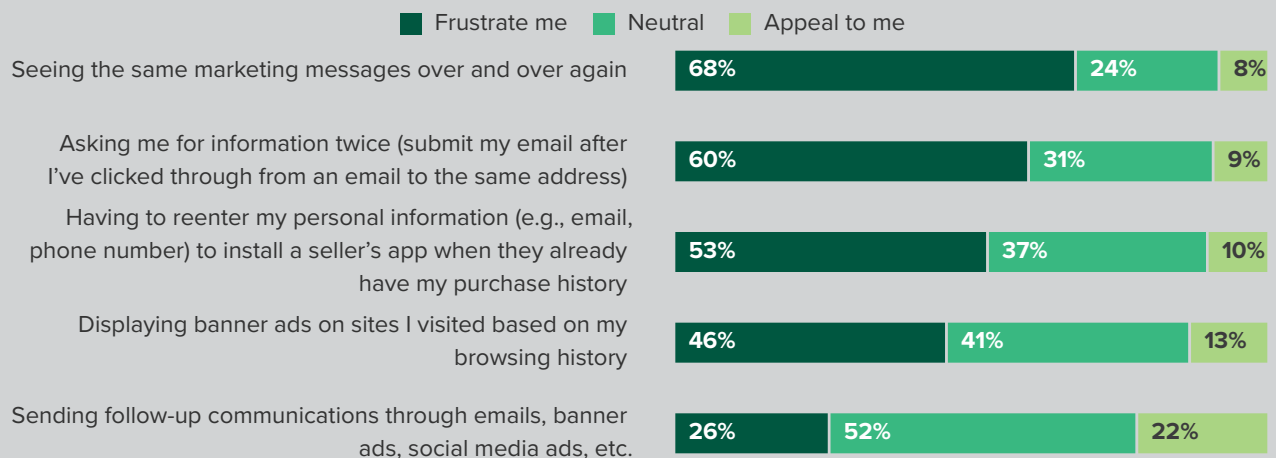
Base: 1,025 consumers aged 24 to 39 who have made digital transactions within the past 12 months
 Source: A commissioned study conducted by Forrester Consulting on behalf of Rokt, July 2020

- › **Higher-loyalty customers are even more sensitive to irrelevant personalization.** High-loyalty customers are more sensitive and influenced by relevant or irrelevant brand experiences. Forrester found that nearly half of high-loyalty consumers (44%) are more likely to switch to a competitor that does a better job personalizing their experience (as opposed to 34% for those with lower loyalty).
- › **Irrelevant touchpoints in the buyer journey cause friction.** Customers want brands to make their life easier. They expect brands to know them by the first online shopping “date.” Forrester found that customers are most frustrated by repetitive messages (68%), brands asking for information they already have about them (60%), and displaying retargeted banner ads (46%) (see Figure C3).

In contrast, **85%** would *reward* sellers who provide relevant personalization with increased lifetime value (spend more, repeat purchase, etc.).

Figure C3 — Irrelevant Touchpoints Cause Friction

“The following are experiences delivered by sellers online. For each, please indicate whether it would mostly frustrate you, interest/appeal to you, or you would feel neutral about it.”



Base: 1,025 consumers aged 24 to 39 who have made digital transactions within the past 12 months
 Source: A commissioned study conducted by Forrester Consulting on behalf of Rokt, July 2020

Personalization In E-Commerce Drives Stronger Customer Relationships And Better Business Outcomes

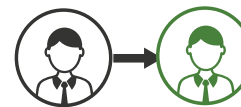
E-commerce brands face hurdles when it comes to delivering and optimizing relevant and personalized experiences, but not delivering those experiences can cost an organization to lose revenue, long-term customer value, and competitiveness. Brands have an opportunity to drive customer value and revenue by creating more relevant and personalized experiences.

RELEVANCY DRIVES REVENUE

Customers are poised to engage with a brand upon receiving a relevant and personalized experience. Sixty-five percent of surveyed customers say they are more likely to repeat a purchase after a relevant and personalized experience, and half (49%) would spend more money with that online seller.

Customers also reward a brand’s relevant personalization through their loyalty. The majority of those surveyed (68%) would be more likely to join a loyalty program with a brand that delivers a relevant and personalized experience to them, and 58% would be more likely to recommend that brand to a friend.

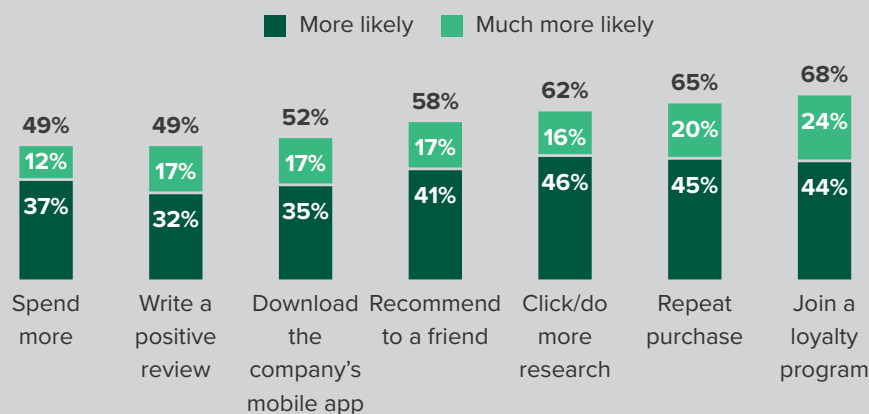
E-commerce brands have a unique opportunity to capture a customer’s goodwill by getting personal. Delivering experiences at the time when customers need them will become key. For instance, besides email and a brand’s website, customers prefer brands to deliver relevancy through offers at checkout. This opens an opportunity for e-commerce brands to “get personal” when it comes to customers (see Figure C4).



65% of consumers say they are more likely to repeat a purchase after a relevant and personalized experience with an e-commerce brand. This number goes up to 70% for high-loyalty customers.

Figure C4 — Relevancy Drives Revenue And Engagement

“How much more or less likely are you to do the following if a seller were to provide you with a relevant, personalized experience?” (Showing top 2)



Base: 1,025 consumers aged 24 to 39 who have made digital transactions within the past 12 months

Source: A commissioned study conducted by Forrester Consulting on behalf of Rokt, July 2020

Customers will reward brands that personalize their e-commerce experience with tangible business outcomes.

RELEVANCY DRIVES LONG-TERM VALUE

Relevancy has the power to uncover long-term growth opportunities by driving customer loyalty. Forrester found that high-loyalty customers are more likely to repeat purchase (70%), recommend the brand to a friend (62%), and spend more (55%) than low-loyalty customers. E-commerce brands that leverage relevancy are well-positioned to drive lifetime value.

LEVERAGE PERSONALIZATION TO UNLOCK BUSINESS GROWTH

Brands face stiff competition for customer attention, engagement, and dollars while customers indicate that personalization is a significant tool enabling sellers to gain an advantage. In turn, e-commerce brands see personalization as key to driving revenue and other important business and customer benefits. Brands report they are focused on business-centric objectives this year, and that includes increasing customer acquisition, improving customer lifetime value (CLV), increasing revenue per customer, and improving cross-sell results. But brands are also heavily focused on improving their customer experience, ranking it second among key focus areas.

Of course, that's not to say that customer-centric and business-centric goals exist independently of one another. Indeed, 77% of brands say they think that improving CX would positively impact their revenue results. That's a higher rate for all but one objective: increasing revenue per customer. This reflects Forrester's past research into the effects of customer experience, which has demonstrated that raising a brand's CX index score by even one point can lead to a net revenue gain of \$2.44 per customer. When applied to a customer base of 10 million customers, retailers could expect revenue gains of \$24.4 million.⁴

Finally, personalization directly impacts an organization's ability to succeed with key business imperatives. For example, 80% of surveyed organizations believe personalization boosts their ability to win new customers, as more relevant marketing and shopping experiences create resonance and drive interest. Seventy-seven percent believe personalization helps drive better CX because customers are nurtured and treated as individuals rather than as targets. Seventy-seven percent also believe personalization boosts CLV, as customers are more likely to find relevant products and to reward personalized experiences from e-commerce brands that deliver them.

In this light, e-commerce brands should focus on driving the most relevant and personalized shopping experiences they can, thereby satisfying the demands of customers and the boardroom at the same time.

62% of high-loyalty customers would recommend a brand that provides relevancy in the transaction moment to a friend.

80% of e-commerce brands say personalization drives customer acquisition, and 77% believe it boosts customer lifetime value. Relevant personalization also makes customers feel nurtured and treated as individuals rather than as targets.

Key Recommendations

Forrester's in-depth survey of online consumers and e-commerce brand leaders yielded several important recommendations, including:



Focus on the thing that matters most to customers: simplicity. Providing an easy user experience is the best way to drive conversion, and there are behind-the-scenes approaches to personalization that deliver that: Avoid asking customers twice for the same information (e.g., to download a loyalty app they already have), and avoid sending notifications on sales for products they've expressed an interest in — even when carrying their shopping carts across devices.



Don't skimp on your personalization investments. Consumers say they want relevant communication, and retailers say that it is a crucially important effort. Yet only 12% of surveyed companies say they plan to increase their personal efforts by more than 10%, even though the majority do not have key marketing technologies like a customer data platform, a real-time interaction management solution, or an identity resolution service.



Audit your martech stack. Best-in-class merchants have a varying number of technology solutions within their martech stack. Look at what you have and see how it stacks up. Deficits are likely impediments to delivering great personalization as issues with data quality and the inability to track customers across their shopping journey are the sources of problems that technology can positively impact.



Respect customer privacy. While consumers are happy to exchange certain types of information in exchange for a brand's marketing messages, there are some things that are off-limits, such as highly personal social or mobile data. Disrespecting that privacy is particularly deadly in commerce fields where shoppers have ample choice and churn is common.



Conduct frequent lapsed customer analyses. Many surveyed customers say they have churned away from brands that do not respect their privacy or their need for relevant information. Understand who those customers are and identify what types of information or programs could reengage them, as well as what lessons you may be able to apply to future shoppers. This study has a number of rich insights, but the best source of information about your customers comes directly from them.

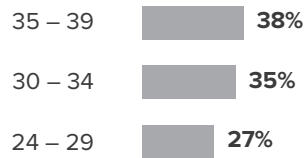
Appendix A: Methodology

In this study, Forrester conducted an online survey of 1,025 online consumers and 268 e-commerce brand leaders in the US to evaluate the roles that personalization and relevancy play in consumers' online shopping experiences. Survey participants included consumers who have made digital transactions in the past 12 months, as well as decision-makers responsible for e-commerce, marketing, or customer experience. The study began in July 2020 and was completed in August 2020.

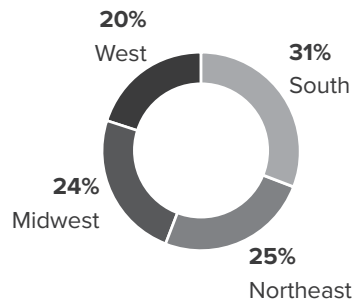
Appendix B: Demographics

CONSUMER DEMOGRAPHICS

AGE



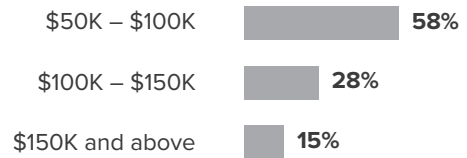
REGION



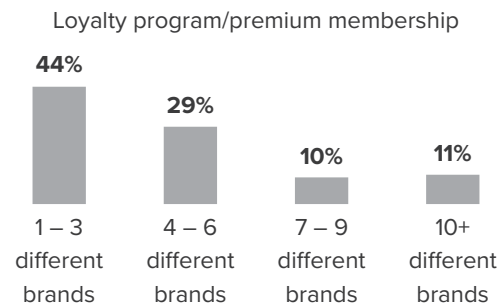
INDUSTRY: SHOPPING



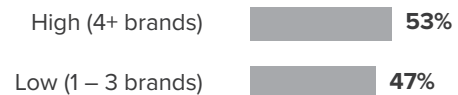
HOUSEHOLD INCOME



NUMBER OF BRANDS CURRENTLY BELONG TO OR PARTICIPATE IN



LOYALTY MEMBERSHIP: LOW/HIGH LOYALTY*

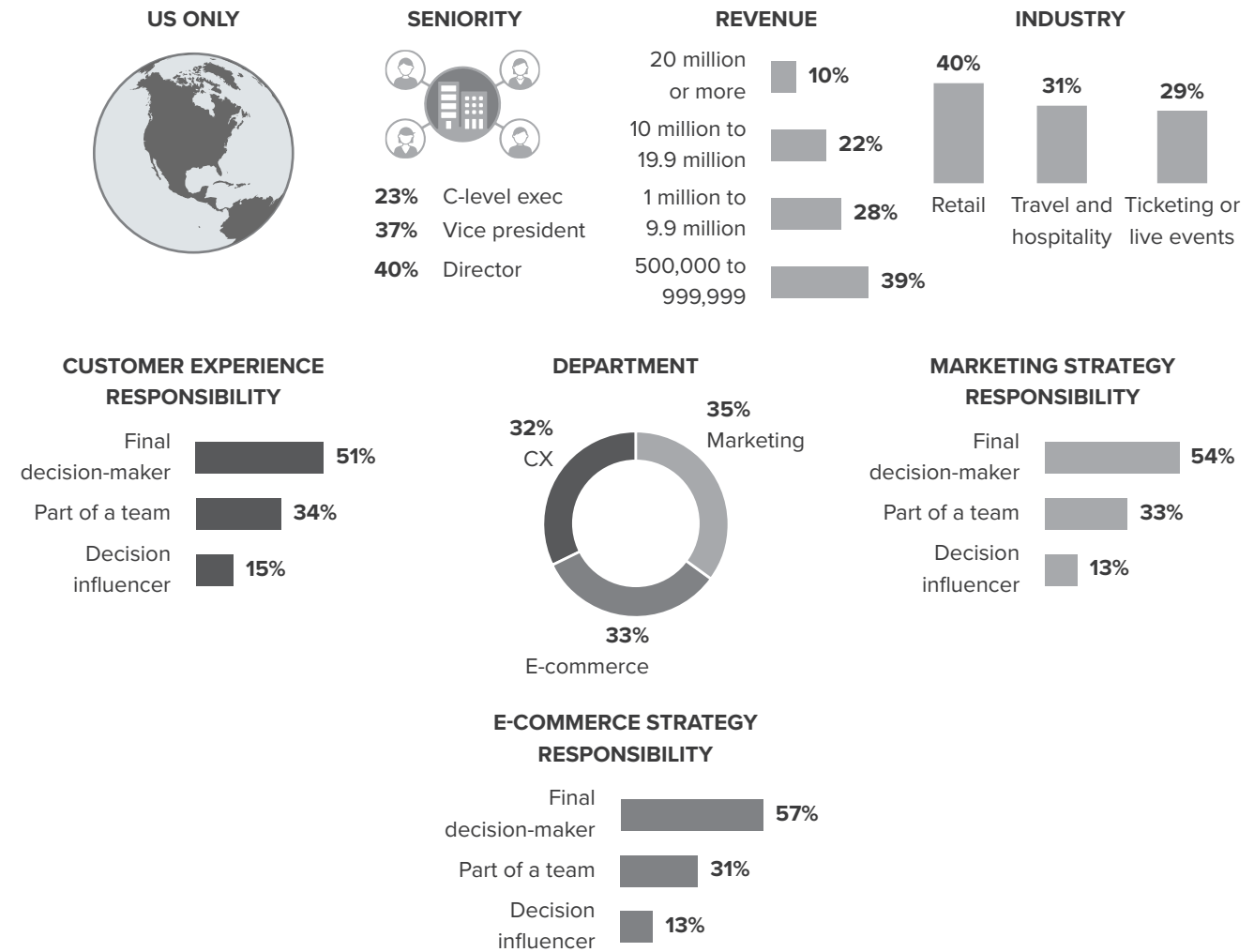


Base: 1,025 consumers aged 24-39 who have made digital transactions within the past 12 months

*Base: 960 consumers aged 24-39 who have made digital transactions within the past 12 months

Source: A commissioned study conducted by Forrester Consulting on behalf of Rokt, July 2020

E-COMMERCE BRAND DEMOGRAPHICS



Base: 268 director-level and above decision-makers in the US responsible for e-commerce, marketing, or customer experience
 Source: A commissioned study conducted by Forrester Consulting on behalf of Rokt, August 2020

Appendix C: Endnotes

- ¹ Source: "Vast, Fast, And Relentless: Consumer Buying Enters A New Era," Forrester Research, Inc., August 11, 2020.
- ² Source: "The Top Retail Technology Investments In 2020," Forrester Research, Inc., May 11, 2020.
- ³ Source: "The State Of Retailing Online 2019: Omnichannel, Personalization, And Marketing," Forrester Research, Inc., March 29, 2019.
- ⁴ Source: "How Customer Experience Drives Business Growth, 2019," Forrester Research, Inc., December 13, 2019.