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Retail Hyperpersonalization

Creepy versus Cool

“Some civil liberties groups have compared the [innovation] to an Orwellian Big Brother, invading the privacy of [customers].”

This quote aptly illustrates the evolving human relationship with technology personalization and privacy. You immediately wonder: Is the innovation about unmanned aerial vehicles? Wearables? The Internet of Things? Ironically, it is from an article written two decades ago about the arrival of caller ID in parts of New York.¹

What people think is creepy or cool in personalization has evolved considerably in the past 20 years—and it will continue to change. For example, in the mid-1990s, it would have been strange to have your location tracked by military satellites. Today, this happens 24/7 with smartphone GPS, which has also launched a new market of location-based services. It would have been equally odd that a high school acquaintance knew the details of your recent family vacation. Now this is a common occurrence, thanks to Facebook, Inc. Social logins take it even further, enabling retailers to track customers' shopping activities across a range of retailing web sites.

In fact, today's digital customers actually expect personalization of retail offers and services. According to the Accenture Seamless Retail survey, more than half (55 percent) of consumers desire personalized experiences through every engagement channel—tailored to their needs and preferences.² In response, retailers are rushing to take advantage of this sea change in technology and analytics. Online recommendation engines and advertisement retargeting have become the norm. Technology is emerging to text personalized coupons to customers while they are in the store making decisions. To support these types of advanced personalization services and software platforms, a range of start-ups have materialized, including RichRelevance, Inc., Critical Mention Corporation and DataSift.com.

Accenture Technology Labs believes that personalization will soon accelerate into *hyperpersonalization* where advanced datasets—including geolocation, sentiment analysis, facial analysis, online and offline behavior, social connections, and other sources—are blended and analyzed using state-of-the-art techniques to understand customers at a level previously impossible. (For more information, see our point of view, “[Generating Deep Insights from the Customer Genome](#).”)

However, in the rush to offer customers the most individually tailored experience possible, retailers are leaving some important questions unasked. Personalization requires the proper implementation—based on robust analysis and directed at the right consumers. Our research and hyperpersonalization approach provides a guide to help retailers develop trust, deliver value and keep personalization strategies focused on what digital customers think is really cool.

The pros and cons of personalization

Personalization is often thought about as a way for brick and mortar retailers to compete with their online counterparts, or as a way to offer customers a seamless experience between the digital and physical world. When done right, personalization can be a powerful method for retailers to differentiate from competitors, increase cart size and build customer loyalty.

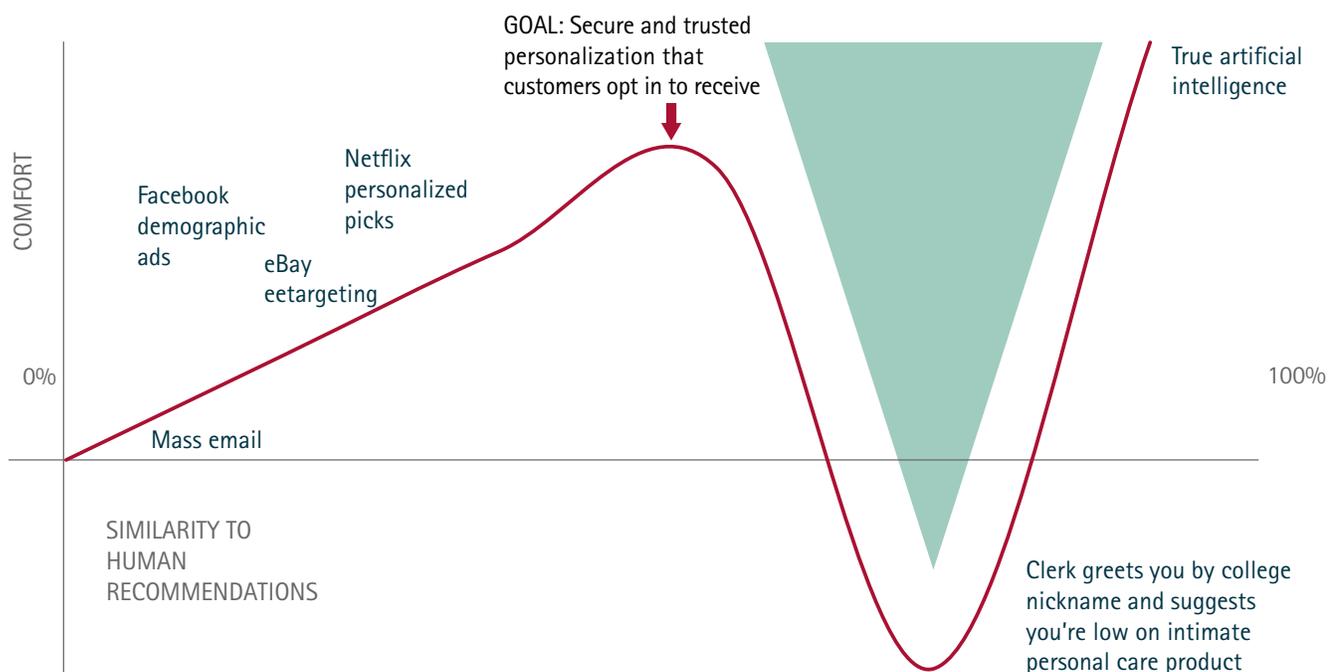
However, personalization can go disastrously wrong. One retailer learned this lesson when it notified family members of a customer's health condition before the customer was ready to disclose the information. Another retailer was similarly criticized when it piloted technology to anonymously track how customers shopped in the store. The promise of personalization, for both businesses and customers, depends on avoiding such pitfalls.

To exemplify our thinking, we turned to a concept from robotics—the idea of the uncanny valley. Originally coined by Professor Masahiro Mori, the idea proposed that people will feel more positive about robots as they become more human and empathetic. However, there is a point between human-like and fully human where the observer will notice how a robot is different from a person. Rather than feeling positive, the observer will be repulsed.³

Accenture Technology Labs believes that the same is true of hyperpersonalization (see Figure 1.) At the basic level, there are mass emails. These are lightly personalized, if at all, and customers generally know how to opt in or out of these communications. At the opposite end of the graph is true artificial intelligence—a human-like computer system able to understand the mood and preferences of a person as if they are a close friend. Artificial intelligence is a longer-term prospect based on the current capabilities of personalization technology.

Between these two points, there is a "peak" and a "valley." Climbing to the top of the peak of hyperpersonalization is mutually beneficial to businesses and customers, while falling into the valley causes certain problems. It is important to note that what puts a retailer at the peak will vary by industry, business case and product or service being sold. To further complicate matters, not every customer will have the same peak or valley in terms of what they think is helpful personalization versus downright awkward.

Figure 1: The hyperpersonalization spectrum.



Hyperpersonalization ideas in action



Online. Through social media activity, an online retailer knows that a customer's close friend has recently had a baby. The retailer also knows, based on the friend's interests, that she is an avid Star Trek fan. When the customer goes to the retailer's site to buy a gift for the new mother, the site personalizes the top of the page with "Celebrate the new addition to Sarah's family with a Star Trek Fleet Command onesie (0–6 months)." This helps the customer find the perfect gift without spending time searching.



In-store. A local bike store knows a customer drops by the store every couple of weeks during the spring and summer. With cutting-edge systems, the store knows that whenever the customer comes in, he spends a few minutes lingering over a particular bike. When the time comes for liquidating last season's models, the bike store contacts the customer first, giving him an opportunity to purchase the bicycle at a 20 percent discount. By doing this, the business is able to clear its inventory more quickly without having to further discount the bicycle price in order to attract a buyer.



Mobile. Based on mobile tracking technology, a national chain restaurant knows that a customer eats lunch at one of their locations a few times a week. When the customer is traveling for business, the restaurant chain knows she is near a different location in another city. Right before lunchtime, the restaurant texts a coupon to her mobile phone and offers to provide walking directions in order to capture business it might otherwise have lost.

Personalization preferences vary by category, demographic

In order to better understand what types of personalization are creepy versus cool, we analyzed the results from an Accenture survey of 1,000 customers that explored the concept of digital trust.⁴ (For more information, see sidebar “[Building blocks for creating digital trust.](#)”)

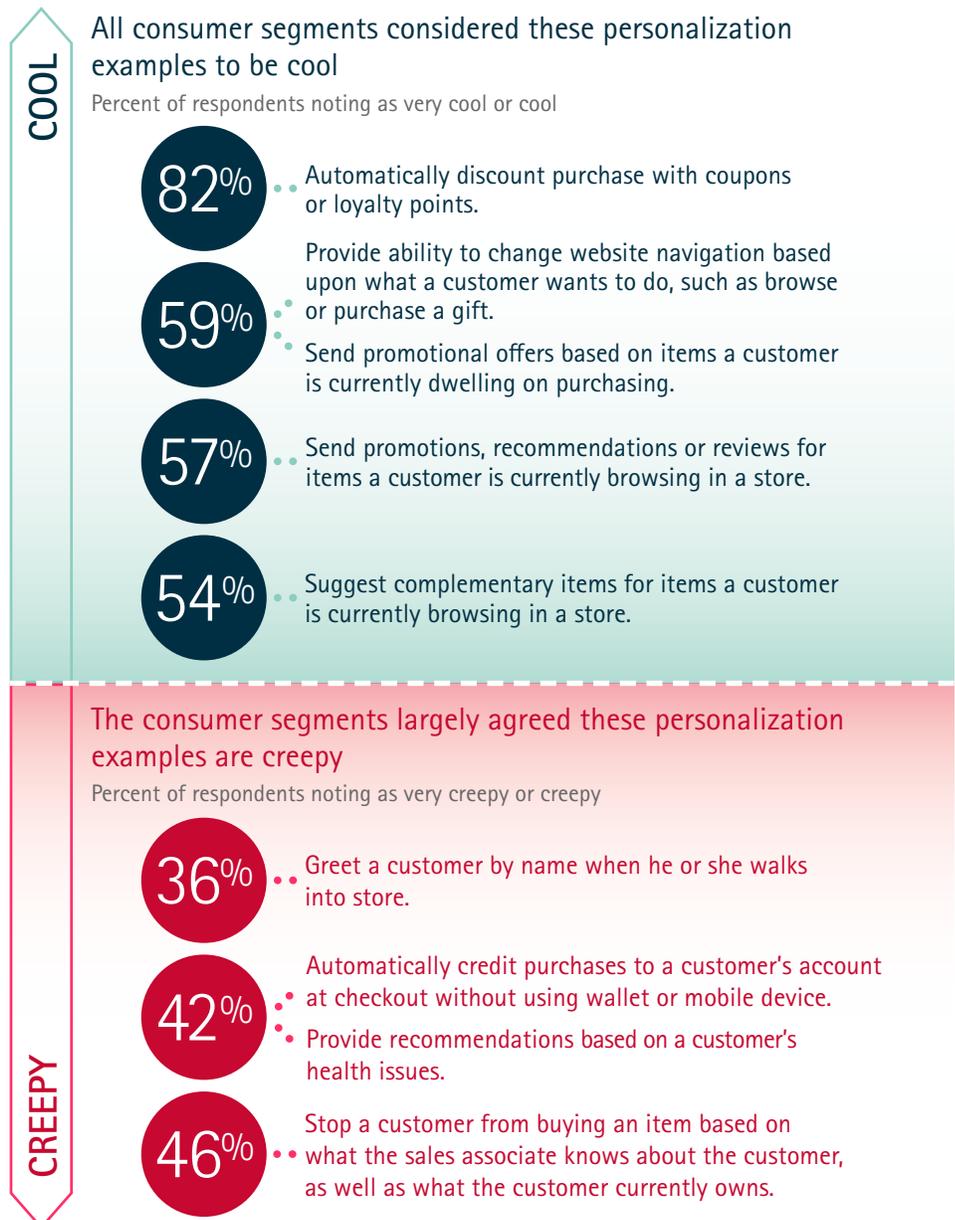
Overall, our findings indicate that consumer trust, awareness and the value that personalization services bring are the three most important factors in terms of what make customers comfortable with personalization. For example, controlling for all demographic variables, respondents are 37 percent more likely to be comfortable being tracked if they believe retailers will keep their data secure, and 36 percent more likely to be comfortable being tracked if they know that this is possible. Metromile, Inc., an auto insurance provider, is one company that is building its business model around these ideas. The company, which offers premiums on a per-mile-driven basis, gains permission to securely track where customers drive their cars and then prices their insurance bills accordingly to help customers save.⁵

Key demographic differences also emerged from the Accenture Research analysis with Millennials wanting more personalization from retailers than other customer segments. For example, almost three times the number of Millennials (17.2 percent) versus Boomers (6.2 percent) think being reminded while shopping about needed items is cool. Likewise, more than one quarter (26.7 percent) of Millennials think it is cool to be told which foods to avoid buying based on dietary restrictions; most of the other customer segments do not want this guidance while shopping. And 41 percent of Millennials want retailers to stop them from buying electronics that are not right or are outside their budget.

Gender differences also played a role. For example, 34 percent of men believe that receiving food suggestions while in a grocery store personalized to what they or their families like is creepy, whereas 40 percent women find this kind of personalization cool.

It is worth noting that certain people in every demographic slice will have a greater individual propensity to appreciate or dislike personalization (i.e., the personalization-loving Boomer or the easily creeped-out Millennial) so it is especially important to work to understand customers as individuals. While this may seem obvious, finding these people among a retailer's customer base is not necessarily easy.

Based on survey analysis by Accenture Research



Building blocks for creating digital trust



Be desirable. Start by thinking in terms of value exchange. Offer customers enough value that they will trade it for their customer data.

Don't move too fast. Test and deploy personalized experiences at the pace customers can digest.

Be transparent. Give customers control over their data and allow them to edit preferences to make personalization even more tailored to their needs.

Control data exposure. Maintain goodwill with customers by keeping their personal information safe using robust security processes and controls.

Set boundaries. Determine how customer data will (and will not) be used, including whether it will be monetized—and stick with the plan.

Establish the right foundation. Implement a forward-looking strategy for capturing and safeguarding customer information. Make sure the systems and supporting security measures are in place.

Understand where you stand and actively work on your relationship. Be conscious of how much customers trust your company and take deliberate steps to increase their trust.

Steps to maximize hyperpersonalization strategies

There are three vital components for retailers to get right in order to maximize hyperpersonalization: make it expected, secure and data-driven.

Retailers should allow customers to choose whether or not the retailers can use collected information to create personal experiences, and customers should be informed before it happens. Data security is also key. As previously mentioned, customers who believe retailers are keeping their data safe are more likely to be comfortable with retailers collecting data about them.

Finally, it is critical to test how customers receive a particular personalization strategy and iterate from the results. Data-driven testing should include the behavior of individual customers, demographic indicators and factors relating to the item itself. For instance, while some people may be delighted to be told they are out of milk, they may not feel the same way about personal care products.

Conclusion

Clearly, personalization is a critical capability for retailers to master in order to remain relevant to their digital customer base. But it is also a capability where it is easy to make errors. Some retailers that have attempted to jump the chasm have landed in the uncanny valley and been subjected to negative media attention or brand damage.

It takes time to build the value and trust with digital customers that will yield the benefits of personalization. The case of ride sharing company Uber is instructive. From 2009 to 2014, the company slowly built trust among customers by moving from town-car service to peer-to-peer ride sharing. It began to test delivery by offering food or Christmas trees in certain cities, and is now offering mobile flu shots.⁶ If Uber had started with flu shots without first building customer trust, the company's trajectory might have been different.

To effectively implement personalization, Accenture Technology Labs recommends that retailers take an intentional, experiment-driven approach. Work to understand customers at a broad level and individually. Determine where personalization strategies can best drive business results. Invite key subsets of customers to participate and safeguard their data to build confidence. And learn from the tests to determine what works best across product and service lines, or with high-value customers.

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⁶ "Uber Wants to Give You a Flu Shot. Would You Let Them?" by Dan Diamond, *Forbes*, October 23, 2014. <http://www.forbes.com/sites/dandiamond/2014/10/23/uber-wants-to-give-you-a-flu-shot-and-that-could-be-just-the-start/>.

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Accenture Technology Labs, the dedicated technology research and development (R&D) organization within Accenture, has been turning technology innovation into business results for more than 20 years. Our R&D team explores new and emerging technologies to create a vision of how technology will shape the future and invent the next wave of cutting-edge business solutions. Working closely with Accenture's global network of specialists, Accenture Technology Labs help clients innovate to achieve high performance. The Labs are located in Silicon Valley, California; Sophia Antipolis, France; Arlington, Virginia; Beijing, China and Bangalore, India. For more information, please visit www.accenture.com/technologylabs.