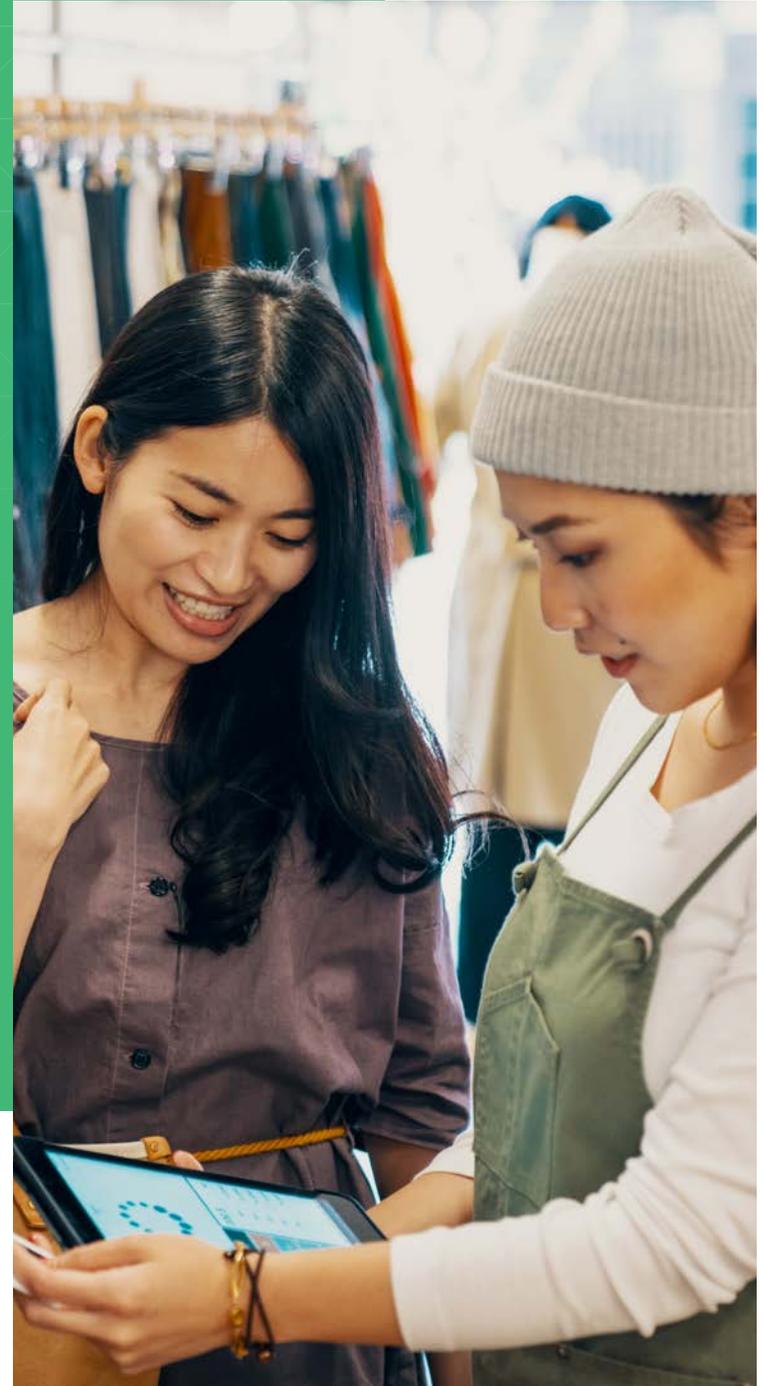


How Retailers Can Increase Personalization

While Staying Compliant with
New Data Privacy Regulations



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GET PEOPLE TO SELF-IDENTIFY BY CREATING BETTER EXPERIENCES

The path to purchase has never been so complex. The key to attracting and maintaining customers is to create personalized experiences, and retailers recognize that developing this connection between stores and customers is a win-win. It's easy to see why: customers appreciate the individualized approach, and as a result, they buy more.¹

However, while personalization increases retail revenue, developing the complete customer profile needed to create personalization is becoming more and more challenging.

Data is everywhere, but new data privacy regulations limit how businesses can gather and retain customer information. As a result, retailers must implement new ways to encourage customers to offer their personal data.

Although the drive to increase personalization may be daunting, it also presents an opportunity. Successful retailers will be those that combine technology with a back-to-basics marketing approach that focuses on the customer—both online and in-store—and builds connection and trust.

PERSONALIZATION PROMOTES REVENUE GROWTH

How critical is it for retailers to make people feel seen, appreciated, and remembered? One study² showed that 77% of businesses that exceeded their revenue goals had a documented personalization strategy in place. Customers who have highly personalized shopping experiences spend more money on their purchase³ and are more likely to become repeat buyers.⁴

People also gain from an individualized marketing approach. According to The Harris Poll, over 37% of people will stop doing business with a brand that doesn't offer a personalized experience.⁵

Even though retailers and customers alike benefit from this approach, gathering the information needed to create a personalized experience isn't easy.



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CHALLENGES CREATING THE COMPLETE CUSTOMER PROFILE

When people shop, they have a variety of ways to research, compare, and buy a product. They may visit the brand or retailer website from their laptop, mobile device, tablet, store apps, or third-party apps. Or, they might order through Alexa, a home appliance, or a smartwatch. They may visit the brick-and-mortar store for experiential input. And they may go through any combination of these channels on their path to the purchase. A Harvard Business Review study of 46,000 people found that 73% are omnichannel customers.⁶

Retailers can collect snippets of profile information when people visit these varied channels, but they often struggle to pull all the data together cohesively to make insightful decisions.

“The identity stitching process is becoming more challenging,” said Kirsten Hartz, a Marketing Strategy and Data Science Executive for Fortune 500 retailers.



Identity stitching can be complicated for any business, but is especially hard for traditional retailers, said Diaz Nesamoney, Founder & CEO of Jivox, a personalized digital marketing technology company. “Knowing that someone came to an e-commerce site and looked at certain products online is easier to track because you can measure what they looked at in that digital channel. But in a brick-and-mortar store, you don’t have that level of interaction. A customer could talk to people and leave, and nobody would even know they were there,” he said.

In addition to difficulty matching a consumer’s online and offline interactions, silos in different marketing functions make tracking customers and their behavior complicated, Nesamoney said.

DATA PRIVACY REGULATIONS LIMIT GATHERING CUSTOMER INFORMATION

When it comes to online shopping, one of the major tactics for personalization in digital channels has long been to use cookies—bits of data stored on the shopper’s device. Cookies are used to track consumer behavior, gather useful feedback and information, and customize offers.

But what happens when cookies are banned? Significant changes in data privacy regulations are changing the way retailers can acquire customer data. The General Data Protection Regulation (GDPR)⁷ in Europe, the California Consumer Privacy Act (CCPA⁸), and web browsers like Google are changing how cookies are used to collect customer data.

“We’re in a world where forecasting the future is really challenging, and we don’t actually know what the impact of this will be,” said Marc Vermut, Vice President of Marketing Solutions at Neustar. And more local and national regulations are likely coming down the pike, he added.

A photograph of two women sitting at a table in a meeting. The woman on the left is wearing a pink hijab and a dark top, smiling. The woman on the right is wearing a light-colored shirt. They are looking at each other and talking. There are papers and a pen on the table in front of them. A window and a potted plant are visible in the background.

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Marc Vermut, Vice President of Marketing Solutions at Neustar



“One thing that is known: retailers will have to find new ways to create shopping experiences that connect with people,” Vermut said. The future of personalization will hinge on a multi-pronged approach that includes direct partnerships and integrations across the media world. Retailers will need to sync digital interactions with real-world identity for better marketing personalization. Instead of starting with data from third-party apps, for example, retailers will need to look at data they already have and augment from there. “They’ll also need to use offline-based identity resolution services (that are not reliant on cookies) to stitch those snippets of customer information together to create a robust profile,” he said.

Retailers will need to sync digital interactions with real-world identity for better marketing personalization.

BRIDGING THE GAP BETWEEN PERSONALIZATION AND PRIVACY



How can retailers get a complete view of their customers, while still respecting new data regulations? It's a paradox of personalization and privacy, said Haitz. It's not just governments that are concerned with keeping data private, she said. "People are more concerned about safeguarding their personal information, too. They're weighing sharing their information with the fear of identity theft, or with their distaste for their information being sold to a third-party," she said. "People, in general, will only share their data if the perks are worth it."

Starbucks is an example of this tradeoff. With one of the strongest loyalty programs in the country, Starbucks entices customers into providing personal information through

their app. By downloading the app, customers gain the convenience of ordering and paying online, the ability to access and time to sift through the full menu, which is not available in stores, as well as opportunities to earn free food and drinks.⁹ The app also gives personalized offers and recommendations to customers based on their previous purchases. Two-thirds of Starbucks customers use the app, and those who use the app are more likely to visit the store multiple times in a day and in a week.¹⁰

The Starbucks example suggests that people don't mind sharing personal information if it means added convenience, special perks and savings.

FOCUS ON THE CUSTOMER:

1. Use the data you have
2. Find new customers
3. Create a complete customer profile
4. Connect with customers
5. Invite customers to provide data
6. Be transparent about data use

1. USE THE DATA YOU HAVE

“Retailers have a treasure trove of first-party data,” said Nesamoney, such as information from store loyalty cards. “They have data about what you’re buying yet this data is being under-utilized.”

The fact is, it’s difficult linking fragmented pieces of information from different locations within the organization, such as programmatic marketing, loyalty, email, brand strategy, and pricing.

Retailers need to ensure their customer data is up to date, Vermut said. Customers’ lives change—and so does their data—so retailers should always prioritize data hygiene.

In addition to maintaining clean data, retailers need to get permission to use the data and ensure the information is secure, Nesamoney added. “Privacy regulations make it imperative that retailers make these changes.”



2. FIND NEW CUSTOMERS

Even as retailers seek to complete current customer data, they should not overlook the need for new customers and the acquisition of their data, Vermut advised. While it may be easier to maintain and retain an existing customer or bring back a lapsed customer than it is to acquire a new one, even the most loyal customers may not stay with a brand permanently, he said.

“Guess what happens to your customers? They age out, and the goods and services you offer them aren’t necessarily essential for them anymore,” he explained. Some brands have had strong resilience with their existing customers but didn’t focus on uncovering or converting their next-best customers, he added.



3. CREATE A COMPLETE CUSTOMER PROFILE

Retailers can merge their vast amounts of offline and online customer information to create a unified view of the customer, said Haitz. “You can’t do effective personalization if you only know 10% of their touchpoints.”

That limited view of touchpoints happens when retailers don’t connect disparate internal data sources, said Nesamoney. “Information may be in silos. Customer data from your programmatic marketing, loyalty, email and brand strategy, and pricing teams may be in different places,” he said.

One home goods retailer and furniture manufacturer wanted a better way to reach consumers when they were about to make big-ticket furniture purchases, such as for a move. But customer data, including emails and phone numbers, was captured in different silos. A Neustar solution linked cross-channel information, combining identities with digital behavioral attributes. With this data, the retailer was able to direct its marketing efforts to people who were most likely

to need the products, resulting in a higher basket size and a lower cost of acquisition.

Once a complete profile is developed, retailers can leverage that data, Haitz said. For instance, if a loyalty customer comes into a store and self-identifies, a sales associate can see what unredeemed loyalty or credit card reward points a customer has, determine what category they have the highest propensity to purchase, and get shopping recommendations by looking at their past behavior.

“You can then create a hyper-personalized experience,” Haitz said. “Nordstrom excels at this. Their sales associates have visibility to a customer’s digital footprint in order to provide personalized product recommendations in-store. They know my size, style, color preference, what I already own, and what I am interested in.” People don’t want their shopping experience to be so intimate as to border on creepiness, she cautioned, but this data is an incredible vehicle for connecting with your customer.

4. CONNECT WITH CUSTOMERS

Retailers who survive and thrive are those who have an omnichannel strategy—not merely from a marketing perspective, but a customer engagement perspective.

During the coronavirus epidemic, most brick-and-mortar retailers in the U.S. closed their in-store operations, but many pivoted to offer curbside pickup through an app, accelerating the connectivity between offline and online, Haitz said. “It’s a bit of a silver lining that in some way, [the pandemic] is pushing retailers to make the kind of investments they probably needed to make the consumer experience convenient. The crisis highlighted the need for a unified customer view,” Haitz said. “Those companies with that one view can much more easily dive in and understand how customer behavior is changing.”

Although traditional brick-and-mortar stores tend to lag their e-commerce cousins in implementing technology, smart retailers are helping customers make a seamless

connection online and in the store, Vermut said. In the past, stores encouraged people to engage with the brand by using an app to check-in when they entered the store. They provided regular discounts, like coupons, to people who engaged via the app, and incorporated loyalty programs. Some stores also let customers check store inventory online from home, and pick up an in-stock item from the store, instead of having to wait for shipping from the warehouse.

More recently, stores with brick-and-mortar locations lean heavily on their e-commerce side, connecting with people through relevant marketing messages. Retailers may send emails with updates on cleanliness protocols designed to keep customers and employees safe, provide suggestions for activities to keep busy at home, or promote products relevant to the current work-from-home environment.

5. INVITE CUSTOMERS TO PROVIDE DATA

To build on their data collection, retailers need to encourage new customers to provide information and current customers to offer more. But people are understandably cautious about sharing personal data, so retailers must provide more incentive and details that deem them trustworthy.

“People will provide and let you use information as long as they’re getting value, such as special offers, discounts, or personalized experiences,” Nesamoney said.

Loyalty cards are a key way to create this value exchange, Haitz added. Programs from retailers like Sephora and Nordstrom offer unique perks, including exclusive items, priority access, classes, and events, Haitz said.

“One of the critical aspects of a compelling loyalty program is to award experiences, not just purchases,” said Haitz.

For example, a pet retailer could host a pet costume contest on social media and reward all participants—not just winners—with loyalty points. An existing customer could self-identify to get more points, and as the buzz around the

program grows, prospective customers would be enticed to sign up and participate for free, she explained.

“Not only are you getting someone to self-identify, but you’re also getting people to associate your brand with something they love. You’re now becoming part of that emotional experience as opposed to before when you were only thought of when they needed to make a purchase,” she said.

Personalization techniques and tools are only useful if customer service is also on point—online and in-person. Retailers must be customer-driven and use technology to help create authentic connections. When someone with a store app enters a Best Buy, for example, the app sends that person relevant push notifications for that location, and also sends a message to the sales associate that a customer is heading in to pick up an online order.¹¹ Best Buy has ramped up its customer service, beyond its notable Geek Squad, providing more expertise in the shopping experience.¹²

6. BE TRANSPARENT ABOUT DATA USE

Retailers must also be transparent about what data they collect, how they use it, and how long they will keep it. Being straightforward about the data helps maintain trust and helps people understand the value they receive for providing data. Retailers should explain, for example, if they will be using the information for promotions, or something else, Nesamoney said. But if a person agrees to a specific use, say for delivery notifications, but then gets emails without permission, consumer trust can be lost.



Retail stores are facing unprecedented challenges, especially in recent months. But there are solutions to address these challenges. As consumer behavior shifts significantly and rapidly, retailers must return to their marketing foundation and rebuild trust by being vigilantly focused on the customer.

Now, more than ever, retailers must know how to offer marketing and products that resonate with a person's needs and interests. By developing data-driven customer loyalty and personalization, retailers can adapt to changing online and offline behaviors and offer products that provide value and authentic, personalized experiences.

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