

SOPHELLE

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REPORT

Best Practices for eCommerce Personalization

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Introduction: The Importance of Personalization in eCommerce

With all the different stimuli, options, mediums, and content available today, retailers are continuously searching for better ways to connect and engage with their audiences and potential customers.

By some estimates, individuals are now exposed to 6,000–10,000 advertisements in a single day.¹ So how can retailers offer customers rich, relevant experiences that cut through the clutter and engage with individuals on a more interpersonal level?

The answer is digital personalization.

Personalization is the highly effective process of tailoring customer experiences for specific individuals. 90% of customers find marketing personalization appealing, and 80% of retailers report that personalization has increased their revenue.²

Most retailers know they should be incorporating personalization efforts into their strategies. But many of them are still underinvesting in this opportunity. They aren't properly leveraged to see the return on their investment that is possible with personalization, whether through underutilizing their software or not working with the right experts.

Personalization spans the entire retail buyer's journey, from in-store shopping to retargeting in online advertising to email and text messaging to website user experience. The strategies and tactics vary from one touchpoint to the next. The focus of this report is to examine how retailers can gain the most value from personalization on their eCommerce websites and in email.

Benefits of Personalization in eCommerce

Retailers view and analyze website data in two distinct but equally important ways:

1. Driving customers to their website

2. Driving customers to convert (i.e., complete a critical action, such as making a purchase)

eCommerce personalization is primarily focused on achieving the latter objective: driving customers to convert. It's a customer-centric approach for driving sales and creating a positive brand experience.

But ecommerce personalization doesn't just help with conversion. It also offers these key benefits that are essential to retailers' success:⁴

- **Higher ROI.** Companies that prioritize an end-to-end personalized experience are most likely to earn higher ROI, as high as 400% or more in some cases.
- **Higher AOV.** Personalized product recommendations during engagement, well-timed Buy One Get One (BOGO) promotions, and pre-approved installment payments are all examples of personalization that can boost Average Order Value (AOV) for each customer and each purchase.
- **Better customer loyalty.** A retailer's best customers are their current ones, and personalization helps ensure that those customers stay loyal fans. By using purchase data to send recommendations for matching items or deliver engaging content, personalization can keep the best customers coming back for more.
- **Compounded value.** Personalization is like a flywheel; once it gets going, it drives value at increasing scale. The data obtained from known customers on a retail website can yield insights that can be used to design personalized experiences for new visitors. By testing at every stage, each customer touchpoint can be fine-tuned to improve over time.
- **360-degree customer view.** With a data-driven approach to personalization, retailers will quickly learn more about their customers and their behavior than they ever could before. They'll start to uncover patterns and preferences that can inform strategies across marketing, commerce, and other areas of business.



Did you know?

80% of consumers are more likely to make a purchase from a brand that provides personalized experiences.³

Examples of eCommerce Personalization

There are dozens of ways to approach personalization in online retail. Some of the most common personalization elements retailers use today include:

- 1. Product recommendations.** Have you ever tried on clothes in a store and had an associate suggest the perfect accessories to pair with your outfit? Personalized product recommendations bring that experience into the digital space. Amazon set the standard for integrating personalized recommendations into the entire purchasing process—and savvy retailers have followed suit.
- 2. Complementary and related products.** Similar to product recommendations, complementary and related products expose consumers to relevant items they may not have seen before.
- 3. Intelligent search.** When customers use a retailer's search bar, it's critical that they get the results they're looking for. Intelligent search helps to streamline this process by identifying misspelled words, autocompleting search terms, and displaying results optimized for the individual user.
- 4. Recently viewed items.** Displaying a customer's recently viewed items helps to provide a continuous shopping experience while they're on a retailer's website.
- 5. Promotional offers.** Customers have unique preferences about everything, including the type of promotions they gravitate toward. If a customer has a history of engaging with dollars-off promotions more than percentage-off promotions, retailers can deliver an offer that is more likely to get them to purchase.
- 6. Geotargeting.** Knowing a user's location when they visit a website can help retailers personalize content, including key elements such as language and how far the customer is from the company's physical locations.
- 7. More relevant content.** Personalization enables retailers to tell better stories by better understanding the reader, her preferences, and what images and text she's reacted to and engaged with in the past.
- 8. AI-driven chatbots.** Chatbots driven by Artificial Intelligence (AI) are programmed to retain key information about customers. They can remember a customer's favorite products, recent purchases, and the last question that they asked. This recall ability helps provide a personalized customer service experience that is fully automated.
- 9. Continuous shopping for returning customers.** One of the simplest ways to recapture returning customers is to let them pick up right where they left off on a website. Continuous shopping personalizes the experience so that customers can immediately see what they were viewing during their last visit.

Best Practices for eCommerce Personalization

Let's take a look at best practices for generating peak ROI:

1. Consider every touchpoint in the customer journey

Personalization elements should vary depending on where a customer is in the purchasing process. Consider every touchpoint in the customer journey and plan personalization elements strategically.

For example, if a customer is looking at the product detail page for a white shirt, it makes sense to show other white shirts in their recommended products. However, if they add that white shirt to their cart, they're largely past the consideration phase for that item. Showing them other white shirts will no longer have the same value.

Future product recommendations, on the cart page or otherwise, need to provide value based on the customer's current phase of the purchasing process. A customer might find more value from complementary items that go well with the white shirt or personalized, location-based services to show them where the white shirt is in stock locally.

2. Capture how customers arrive on your website

More often than not, a customer's purchasing journey begins before they visit a retailer's website. Understanding how they got there—the device they're using, the location they're in, the search term they used, or the ad they clicked on—can help retailers determine the customer's intention.

This tracking information makes it possible to personalize the customer's experience from the moment they arrive at the website and accelerate the remainder of their purchasing journey.

If, for example, you sell outdoor apparel and a customer's search for "best rain jacket" brought them to your website, you now know exactly which types of items to prioritize for them.

3. Consider behavior marketing

While many retailers are understandably focused on an end goal—purchases—there is a wealth of data that can be determined from a customer's behavior before they buy. How a customer shops, including the way they interact with a retailer's website, provides excellent insight into who they are and what interests them.

As customers are searching, clicking, and browsing your website, they are providing many data points that can be harnessed into a personalization strategy. Retailers should analyze that information and adapt the customer's experience accordingly.

4. Use Predictive Intelligence (PI)

Using algorithmic marketing to predict a customer's intent is a key component in a personalization strategy. Predictive Intelligence (PI) uses machine learning to create personalized experiences based on prior customer behavior without having to manually track this information.

These mathematical models are designed to best predict the probability of a particular outcome and therefore lead to incremental increases in sales.

For example, if a potential customer recently purchased an accent chair, PI might trigger an email recommending a series of complementary side tables. Or machine learning might recognize that when a customer types "P-A" in the search bar, they are more likely to be searching for 'pants' than 'pajamas'—and have a higher likelihood of purchasing when the appropriate term is rendered.

As more and more interactions and searches occur on a retailer's website, the system learns over time what produces the best outcome and desired results. Trusting in machine learning, rather than attempting to override it with human intervention, is crucial to optimizing PI's potential.

SUCCESS STORY:

Personalized eCommerce Recommendations Lead to 265% Revenue Increase

The Challenge

A leading supplier of residential and commercial construction supplies wanted to increase ecommerce revenue by personalizing product recommendations. Their previous strategy included showcasing top-selling products and new items on highly trafficked website pages, but they weren't seeing a substantial return on these efforts.

The Solution

Sophelle analyzed the retailer's AI algorithms and determined that the strategy of prioritizing generic product recommendations (i.e., top-selling and new products) needed alterations to improve performance.

To increase revenue, new data models emphasized an approach driven by AI algorithms that delivered relevant product recommendations based on consumer behavior. Subsequent A/B testing revealed that targeted recommendations using consumer behavior data drove substantially higher conversion rates.

The Result

By adjusting the algorithm to leverage customer-specific, real-time recommendations, Sophelle's client achieved a 265% lift in revenue.

5. Conduct a data inventory

Retailers must understand what data sources are currently available to them and how they can be leveraged to achieve their goals. Some companies have a robust CRM that can be easily incorporated into a personalization strategy. Others are relying on third-party data or more anonymized search behavior.

While accumulating and integrating all of this information can be a time-consuming project, the customer insights that can be gleaned have tremendous value. Retailers often have more data sources available than they initially realize: call center data, information about product returns, and loyalty memberships can all help round out a comprehensive personalization strategy.

6. Use as much demographic information as possible

Today's personalization software is capable of utilizing far more data than most retailers are even able to provide.

Once a data inventory has been conducted, pull as much customer information as possible into the personalization platform. Customer information is about more than purchasing decisions; it also includes important demographic information such as age, gender, ethnicity, nationality, and income level.

Understanding customer demographics often leads to increased conversion rates and the ability to identify new opportunities. Once a retailer can distinguish between a female college student and a retired grandfather, they can market to each of them more effectively.

SUCCESS STORY:

Product Recommendations Based on Previous Purchases Project \$2 Million Jump in Sales

The Challenge

An online lighting and fan retailer was making product recommendations according to customer browsing behaviors but wasn't seeing a substantial return. Their goal was to expand ecommerce revenue by modifying the strategy on their product recommendation sections.

The Solution

Sophelle first reviewed product recommendation performance, which revealed that the algorithm being used wasn't sufficiently driving sales. To rectify this, the algorithm was adjusted to leverage tangible transactional data, such as purchase history, instead. A/B tests were then run to analyze the results.

The Result

Tests revealed that targeted recommendations using purchase data drove substantially higher conversion rates than browsing data. By leveraging transactional data, the lighting retailer saw immediate results and anticipates an incremental \$2 million lift in annual revenue.

7. Benchmark success with meaningful metrics

Before creating an effective personalization strategy, it's important to establish a baseline for what success looks like. The first step is for a retailer to articulate their objective. The entire personalization strategy, including testing, will be based on achieving this stated goal.

While the vast majority of retailers are focused on increasing sales and driving profits, there are exceptions. A luxury brand, for example, may choose not to promote its least expensive items in product recommendations out of concern that it would devalue the brand. The potential hit to reputation isn't worth the potential additional revenue.

Once a retailer's objectives have been determined, the best way to clearly define them is by creating meaningful benchmarks. Any focus on metrics must tie back to the Key Performance Indicators (KPIs) established for the retailer, such as conversion rate, add-to-cart, and bounce rate.

To gain the most value from metrics, separate them into two categories: .

Internal benchmarks

Internal benchmarks help retailers track progress over time. Once a baseline for performance has been established, it's possible to identify signs of improvement or decline in performance to determine what's working and what isn't.

External benchmarks

External benchmarks help retailers focus their testing and personalization efforts. If, for example, a retailer's add-to-cart rate is 49%, but the industry average is only 4%, optimizing for add-to-cart rate may not yield significant results. Instead, a retailer should likely focus on other areas where their performance is below industry standards.

While external benchmarking is helpful to assess the success of personalization efforts at a high level, internal benchmarking is key for day-to-day optimization work because every retail audience is different. External benchmarks that completely align with a retailer's audience may be more difficult to find. Retailers should emphasize improving their current internal baselines first, since those benchmarks are most relevant and the data to establish them is readily available.

8. Don't overengineer personalization experiences

When it comes to online retail personalization, sometimes less really is more. Rules and logic (often in the form of “if/then” statements) are necessary to help direct personalization software. And while the overarching strategy for a personalization element like product recommendations is determined by the retailer, they shouldn't be micromanaging the technology by setting up too many rules for the software to follow.

The benefit of machine learning is that it has the ability to optimize itself, getting smarter with every customer interaction. Setting too many rules leaves the AI with no room to optimize, thereby defeating the purpose of using this technology in the first place. Ensure that any personalization software is not overly constricted to allow it to make its own recommendations.

SUCCESS STORY:

Data Modeling Drives 11.5% Lift in Revenue

The Challenge

The web and mobile ecommerce channels of a popular omnichannel cosmetics retailer utilized a complex system of over 25 algorithms to make customer-specific product recommendations throughout the consumer lifecycle. From the homepage to the shopping cart, many AI strategies were at work.

With so many algorithms to monitor, the retailer needed more advanced data modeling to analyze their success.

The Solution

Sophelle was tasked with developing and successfully optimizing data models based on the client's algorithms.

Through page-by-page and device analysis, Sophelle created advanced data models and implemented A/B testing to identify algorithms that maximized engagement and revenue across key metrics like click rates, conversion rates, and revenue.

The Result

After realignment of their algorithms, the client saw an 11.5% lift in revenue on their highly trafficked product detail pages. They are now implementing ongoing optimization efforts.

9. Prepare to be outperformed by Artificial Intelligence (AI)

Artificial Intelligence (AI) is quickly becoming a core component of many industries, and online retail is no different. In many ways, AI is the bedrock of successful online retail personalization.

As retailers ramp up their personalization efforts, they're often surprised to find that AI outperforms their own merchandiser intuition. The amount of data that AI can take in, synthesize, and analyze far surpasses human capabilities. This experience can be humbling, especially if you're accustomed to a more traditional, human-centered approach to retail.

While it's natural that retailers may feel skeptical about trusting machine learning technology, they must be prepared to embrace this evolving technology. The results speak for themselves.

10. Create cross-device connection

Today's consumers are constantly switching back and forth between devices. A customer may be on their desktop at work, on their smartphone while they're out to dinner, on their laptop in the evening, and on their tablet before bed.

Having the ability to retain a customer's shopping cart or pick up where they left off in their browsing experience removes the barrier of having to restart the buying process every time they change devices. Incorporating cross-device connection improves the customer experience and leads to higher conversion rates.

SUCCESS STORY: AI Outperforms Traditional Merchandising Approach

The Challenge

After observing a pickup in ecommerce during the height of the pandemic, a major apparel retailer wanted to capitalize on the trend and grow their ecommerce revenue.

The previous strategy of using merchandiser intuition to make product recommendations was not delivering results. Adjustments were needed to optimize their personalization strategy.

Solution

Sophelle analyzed all ecommerce product recommendation algorithms, then compared the performance of AI recommendations with those manually entered by merchandisers.

A/B tests matched manual merchandising rules against AI algorithms that prioritized consumer browsing and purchasing behavior.

Result

Testing showed that AI algorithms significantly outperformed merchandiser intuition by a landslide. By implementing this new strategy on the home and product detail pages, the retailer saw an 8.6% lift in revenue. The client subsequently leveraged more AI-based algorithms across their site.

11. Segment users based on device

While retailers need to provide a seamless shopping experience across devices, it's also important to *differentiate* those experiences as needed. What a customer responds to on a mobile device may not be the same as what they respond to on a desktop computer.

Device usage typically breaks down by age group, with mobile users trending younger. One study reported that an estimated 60% of Generation Z makes purchases from their mobile devices. It's therefore crucial that the performance of personalization testing is assessed separately for desktop and mobile users, as they may very well be customers from different generations with very different needs.

12. Enable social logins

Social login allows customers to register and sign into websites with their social media credentials. Customers appreciate this option because it simplifies and shortens the process of signing into a new website. But there are major benefits for retailers as well.

Enabling social login gives retailers access to the personal information a customer has already linked to their social media accounts, unleashing a plethora of data that can be used in personalization efforts. Via social login, a retailer can learn a customer's age and birthdate, interests, hashtags, and even their favorite sports teams.

While retailers need to be discerning with how they use this information, research shows that younger consumers want, and even expect, their personal data to inform the user experience. One study showed that 2 out of 5 Gen Zers (44%) will willingly provide personal data to get a more personalized experience. About the same percentage of participants reported that they would not visit a website if it couldn't anticipate their needs and preferences.⁵

SUCCESS STORY:

Mobile Optimizations Drive 7.96% Revenue Growth

The Challenge

A multi-channel, casual apparel retailer wanted to improve consumer engagement and increase ecommerce revenue through personalization on their website. Their previous model, which standardized product recommendations across all digital platforms, was not providing the desired results.

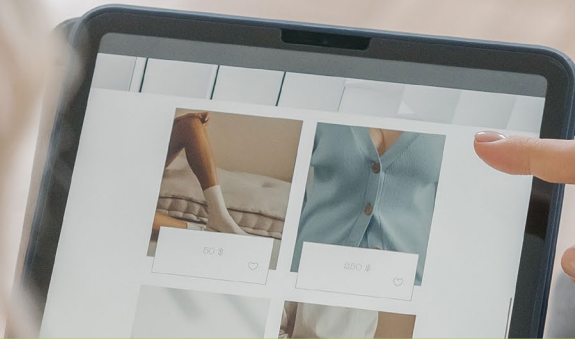
The Solution

Sophelle analyzed consumer behavioral data at every digital touchpoint on both web and mobile interfaces. This data analysis demonstrated that consumers were interested in different products across the various touchpoints.

Sophelle built data models to customize new AI algorithms to improve consumer experience. Mobile-specific optimization opportunities were identified, then run through A/B tests.

The Result

The creation of a new personalization strategy optimizing mobile user experience gave the apparel retailer a 7.96% lift in revenue in only 4 weeks.



13. Never stop testing

This final best practice is arguably the most important.

Personalization efforts, like all retail technology solutions, require ongoing testing and optimization to be truly successful. Retailers looking for a “set and forget” solution after implementation may experience an initial lift, but they will never see the long-term ROI they’re hoping to achieve.

It’s important to view personalization efforts as continually evolving, a process that will transform at the speed of your customers’ preferences. What worked yesterday may not work tomorrow—but that’s no reason to be discouraged. Successful retail personalization must be as dynamic as the modern retail landscape it serves.

SUCCESS STORY:

Behavioral Data Improves Conversion Rates By 5.9%

The Challenge

A multinational European apparel retailer wanted to improve website performance. Their platform used various algorithms and business rules to make targeted product recommendations throughout the consumer experience, but the client struggled to identify which AI algorithms to prioritize.

They enlisted Sophelle’s services to analyze and improve key metrics across each country’s site.

Solution

Sophelle first performed detailed analyses using consumer behavioral data. Multiple optimization opportunities were identified, which were then run in A/B tests.

Based on the findings, Sophelle provided the retail client with ecommerce site recommendations proven to drive marketing results.

Result

Optimization efforts improved conversion rates by 5.9% in one month. Sophelle also instituted a process of regular testing according to data modeling, analyses, and client reviews for continuous optimization.

Strategies for Optimizing Retail Personalization Testing

Run tests long enough to get meaningful results.

The ideal length of a test can vary considerably from one initiative to the next, but it's always critical to have an adequate volume of user data before drawing any conclusions. That time frame could be anywhere from 2 weeks to 12 months, depending on how long it takes to acquire statistically significant data. Retailers with a higher risk tolerance may choose to implement changes in their personalization strategies sooner than others.

Keep testing controlled to provide accurate information.

It's important to conduct tests in a systematic manner. In its purest form, testing takes place with one variable at a time. Clearly identify a single variable to be tested and try to keep the rest of the testing environment static. Trying to test multiple variables can lead to inconclusive data about which efforts are having the most impact. This principle applies for multiple tests as well: running too many tests simultaneously can muddle results.

Test across all relevant dimensions.

Data can be misleading if all testing dimensions aren't being considered. If, for example, a customer recently purchased a blue dress, are they more likely to purchase another dress or another blue item? Perhaps the customer was a father buying a blue dress for his daughter, and he has no interest in seeing dresses the next time he conducts a search on the website. Testing should be comprehensive enough to identify meaningful data and accurately personalize customer experiences.

Successful Online Retail Personalization Requires Advanced Software and Retail Technology Expertise

There are dozens of personalization solutions making an impact in retail today. But when it comes to retail system selection, there is no “one size fits all” technology platform.

Retailers also need to be able to integrate their personalization solution with a customer data platform (CDP) or customer relationship manager (CRM) such as [Salesforce](#), [Optimove](#), or [Bloomreach](#). The software selection process alone can be overwhelming. Then there’s the pressure to maximize the chosen solutions to ensure a good return on investment.

Retail personalization strategies require ongoing testing and optimization to deliver true value—and many retailers don’t have the time or resources to conduct such extensive testing themselves.

With so many critical factors to consider, even the most seasoned retailers find that investing in personalization technology alone isn’t enough.

They need retail technology consultants like Sophelle to help them navigate the personalization landscape,

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[Jetlore](#)

[Kibo Personalization](#)
(formerly Monetate)

[Kitewheel](#)

[NGDATA](#)

[Nosto](#)

[Optimizely](#)

[Pure360](#)

[PureClarity](#)

[Qubit](#)

[RichRelevance](#)

[Sailthru](#)

[Salesforce Interaction Studio](#)

develop a personalization architecture and roadmap, select the right personalization software and tools, oversee the implementation, and manage the execution of these solutions with ongoing testing.

Sophelle leverages our expertise across our client base. We perform thousands of tests to optimize personalization each month, which gives us a level of insight that no single retailer can accomplish on their own. Here's how Sophelle and other retail technology consultants ensure that personalization technology always returns peak ROI:

- Run the retailer's software with a focus on improving testing
- Strategize new ways to conduct testing to drive better results
- Design better tests and run them more frequently
- Analyze data and continuously optimize
- Provide in-depth reporting on specific results

Did you know?

Conducting the right tests can result in a huge return on investment. By optimizing personalization algorithms on our clients' websites, Sophelle has helped retailers generate up to an additional \$30,000 in revenue per month. With our breadth of expertise, we can identify personalization opportunities that retailers likely won't notice on their own.

What's Next?

Are you ready to create compelling customer experiences with personalization? The retail strategy professionals at Sophelle are here to assist you at every stage:

Strategy

How can personalization make our customer experience more compelling?

Selection

Which personalization solutions best meet my needs and budget?

Implementation

How can I implement personalization solutions with No Surprises?

Optimization

How do I make sure that I get the most out of my personalization investment?

Contact Sophelle today, and a Sophelle Practice Leader—not a sales rep—will reach out to you within one business day.

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About the Author



Today's retail environment requires continual innovation to meet consumers' ever-changing demands for compelling shopping experiences. Retailers must balance those demands with ever-present financial pressures on costs and margin, as well as competitive, labor, real estate, technology, and regulatory challenges.

Sophelle offers strategy, selection, implementation, and optimization services delivered by experienced retail industry veterans to all of our clients. Full lifecycle engagement educates and informs our strategic recommendations, while enterprise-wide visibility enables our holistic understanding. Our focus on Agility Optimization, our No Surprises approach, and our total commitment to client success and satisfaction is why Sophelle has been honored to help hundreds of retailers from startups to the Fortune 100 across every retail segment.

To all retailers, retail industry professionals, and others interested in learning about retail, Sophelle offers thought leadership from some of the industry's best and brightest. We work with leading retail industry organizations to further the industry's interests and act as mentors for entrepreneurs and students to help ensure their dynamic energy drives future innovation.

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