



# GETTING PERSONAL WITH THE CUSTOMERS; THE NEED OF THE HOUR FOR RETAILERS

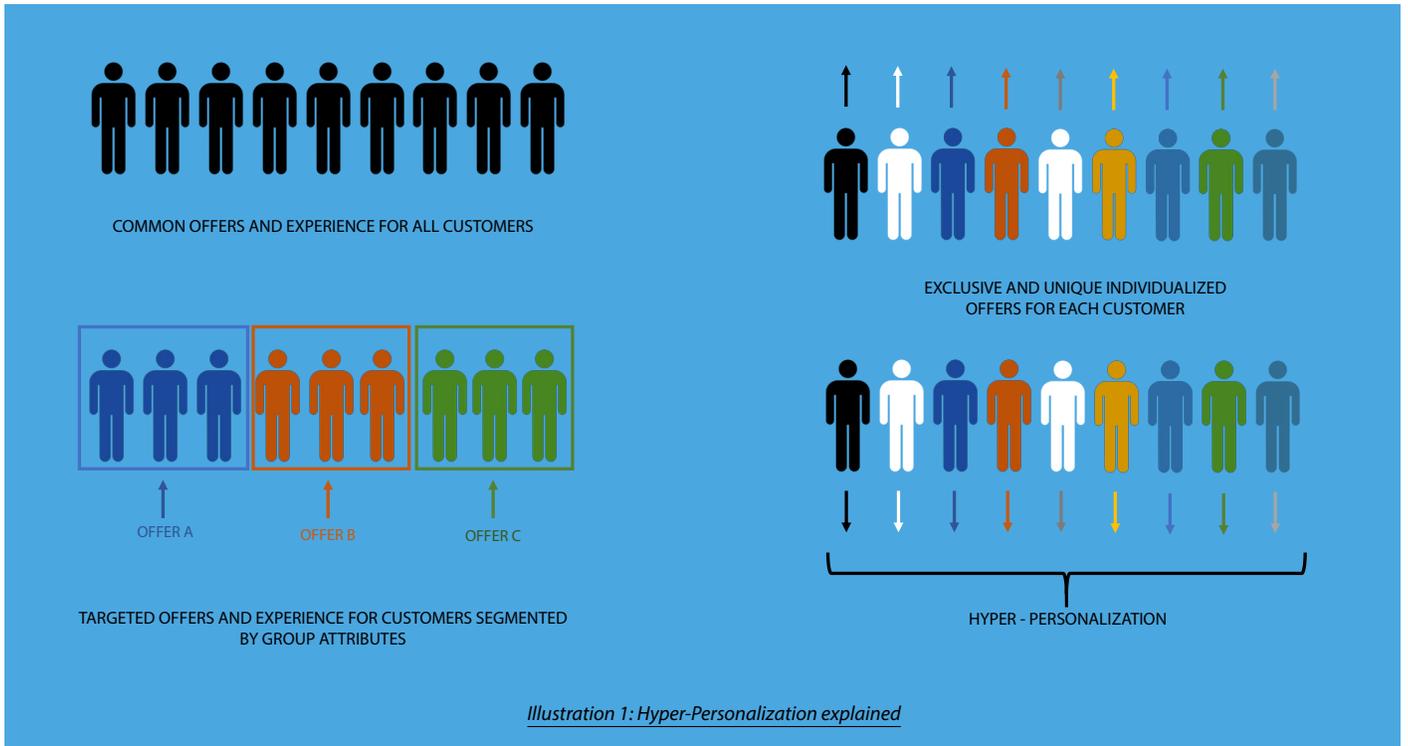
## Abstract

In this era of price/discounting wars and disruptions in all types of retail formats, the Retailers must come up with innovative ways of retaining their customers. While all the other approaches or strategies to tackle this issue may not be unique to the Retailer, **personalization** is the differentiator that the Retailer owns. In the Store of the Future, personalization reigns supreme, weaving a seamless and delightful experience for each customer. These experiences will be fueled by Retailer owned customer data which will be difficult for competitors to imitate. The retailers should be aware of the multiple customer touchpoints that can be innovatively transformed to provide a highly personalized experience. Once identified, the effort should be in the direction of automating the process as much as possible, and wherever not, the employees need to be sensitized to the importance of delivering an exceptional customer service and trained to use the technology that can assist them with this process.

This paper will be covering a perspective on the possible customer touchpoints and the art of possible for the Retailers to deliver a Hyper personalized customer experience across these, with the help of technology.

## “Personalization - it is not about first/last name.” – Dan Jak

Let’s modify what Jeff Bezos had once said about personalization to make you understand what it means. “Personalization is when you go into a bar and sit down, and the bartender puts a martini in front of you without having to ask you what you want.” And won’t it be even better if they know you like it “shaken, not stirred”. That is hyper-personalization - and that is the level of personalization the retailers need to adopt to differentiate themselves from their competitors. The purchasing patterns of each customer are different, and retailers need to trace these patterns, and be able to preempt what a customer wants at a particular time. This can be achieved by collecting information on customers like their purchasing history, preferred channels of shopping, their location, activities they pursue, their browsing history, etc. to name a few. This data is further used by retailers to draw insights about the customer behavior and personalize the communication as well as the offering to them.



As simple as it may sound it is extremely difficult to achieve this because retailers don't have just a single contact point with the customer but multiple. For example, both retailers and customers have the option of selling and buying through different channels, and the customer uses their preferred channels for approaching the retailers. So, it would become very tough to track and collect customer information and use it to provide a personalized experience for them.<sup>i</sup>

## Personalization is a two-way street helping both the retailers and the customers

**Customer comes first...always...**and providing personalized experience to them is a win-win situation for retailers because if these efforts benefit the customer, it leads to stickiness to the brand which in turn benefits the retailer.

Let's explore the benefits of personalization for both customers and retailers with the help of an example.

Jamie, mother of a nine-year-old boy Rob, is getting marketing emails for a baby crib from a brand, Ripples, where she used to shop for Rob as a toddler. This is an example of incorrect targeting of the customer segment. Assuming Ripples is a 0-15 year kids lifestyle brand, and focuses on targeted content for its customers, then it should be able to track that Rob is now nine and would accordingly communicate with Jamie. If we assume again that Ripples focuses on personalized content for each of its customer, then Jamie would be getting complementary product suggestions through marketing communication based on her last purchases and Ripples would be tracking her customer profile to get more insights about her frequency of visits to the store, her preferred mode of payment, channel etc. and send hyper personalized content curated just for Jamie and Rob.

Jamie is more likely to engage with the brand and become a loyal customer if she receives communication that is relevant and at the right time and right place. Hence, personalized marketing efforts when delivered to the customer at a time and place when they are expecting it, leads to increased engagement levels leading to higher conversion rates for the brand. In fact, more than half (54%) of marketers worldwide reported better brand engagement because of increased personalization efforts<sup>1</sup>.

As an evident progression, these efforts lead to repeat purchases turning your customers into brand loyalists. In a recent study, over half of consumers (56%) say they are more likely to make a repeat purchase after a personalized experience.<sup>2</sup> Not just this, when offered personalized services by a retailer, the customers feel

privileged, valued, and special and often end up spending 34% more on an average.<sup>3</sup>

As a retailer, you may wonder if you don't offer personalized experience to the customers, what do you stand to lose? You lose your customers to the brands that offer personalization. So, personalization has way too many benefits to offer to a retailer which must not be overlooked.

To start with, revenue and conversion rates increase. According to a study by McKinsey, companies that excel at personalization generate 40 percent more revenue from those activities than average players.<sup>4</sup> From offline to online channels, customers everywhere expect personalization as the default shopping experience. According to the same study by McKinsey, 71% of consumers expect companies to deliver personalized interactions. And 76% get frustrated when this doesn't happen. The more a company leverages the customer data to draw and apply richer customer insights, the greater the returns.

Moreover, personalized marketing efforts reduce marketing and sales costs by around 10-20% because with personalized content marketing is 10-20% more efficient and saves time and cost in similar proportion. These efforts show immediate results but at the same time impact customer satisfaction in the long term as well.<sup>5</sup> Customer acquisition costs are also reduced by as much as 50% with the help of personalization.

For retail employees in the front end, personalization helps to improve employee engagement with better feedback ratings and more repeat customers. The personalized shopping experience that can be provided by the front-end staff, drives repeat walk-ins at store and higher conversion rates leading to happier and more engaged employees.

Personalization allows for the retailer to know their customer better and sell more accurately according to their preferences. This often leads to lower returns on impulse buys.<sup>ii</sup>

1. <https://www.insiderintelligence.com/content/spotlight-marketing-personalization>

2. <https://segment.com/state-of-personalization-report/>

3. <https://segment.com/state-of-personalization-report/>

4. <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/the-value-of-getting-personalization-right-or-wrong-is-multiplying>

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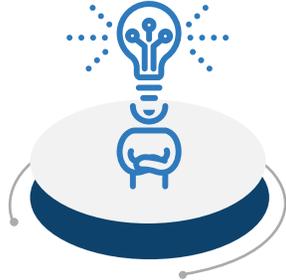
## Personalization is the key to success in Retail, then what's holding the retailers back?

Personalization in the Store of the Future goes beyond just recommending the right product at the right time. It's about crafting a holistic experience that feels uniquely tailored to each individual customer. Though retailers understand the importance of personalization as a tool to drive revenue and customer retention, but 74% of retailers struggle to deliver the personalized content in real-time.<sup>6</sup> In other words, the retailers realize the potential of personalization but there are **GAPS** in delivering personalized experience to its full potential. The **GAPS** are as below:



### GOVERNING PERSONALIZATION

Managing personalization at omni channel level is challenging where the retailer must ensure that irrespective of the channel the customer chooses, they experience personalization seamlessly.



### ADVANCED TECHNOLOGIES

To provide personalized offering, retailers require technology support. But 69% lack the advanced technologies they need to improve their personalization capabilities. Mainly marketing activities and strategies are required to drive the overall personalization game but, in most cases, the existing retail marketing stacks aren't designed to support these activities.<sup>7</sup>



### PROCRASTINATION

Most retailers give up considering the time taken and the technology required to collect and utilize the large amounts of customer data to derive actionable insights like a single customer view or a customer 360-degree view.



### SEGMENTATION

Last but not the least, the key reason is that Personalization is often in the garb of "Segmentation" for most retailers, with the thought that just dividing the customers into segments or groups based on commonalities is good enough.

## BRIDGE the GAPS

There are very few retailers like Amazon and Stitch Fix, that have been able to achieve personalization at every customer touchpoint. We've seen that most retailers do apply personalization, but in varying degrees such as just providing personalized recommendations in an online shopping scenario, but not on the landing page or throughout the customer's browsing time, which could lead to an inconsistent experience for shoppers.

The challenges that cause the **GAPS** are mainly strategy and technology driven. The strategy to carry out advanced personalization starts with BUILDING a roadmap and planning all campaigns extensively beforehand. What is the retailer primarily seeking from personalization efforts, is it repeat purchase, is it conversion rates or reducing returns? So, REVISITING the strategic goals w.r.t. personalization and setting the expectations from the

onset is imperative and this gives direction to all the activities and analysis that follow.

Another strategic question that we need to ask ourselves as retailers is if we are INFORMED of the lifecycle stages of our customers. Whether they are an active buyer or a lost buyer, or a dormant buyer. The retailers must ensure that they engage with the customers based on their current stage in the lifecycle rather. For example, an active buyer would receive communication with newest launches based on their previous purchasing history. Whereas a lost buyer would get a communication on new launches and what they're missing on with a gift voucher to garner interest. A personalization tool with predictive modeling would be ideal for determining the lifecycle stages of each individual.

6. <https://www.getxeno.com/blog/retail-personalisation-what-it-is-and-what-it-isnt>

7. <https://risnews.com/why-no-one-excel-s-personalization-except-maybe-amazon>

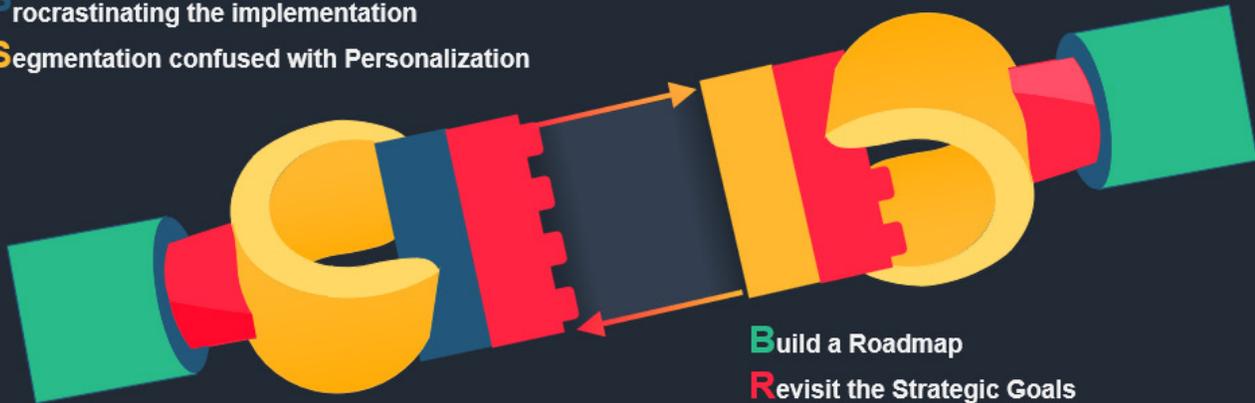
# BRIDGE the GAPS

**G**overning Personalization

**A**dvanced technologies needed

**P**rocrastinating the implementation

**S**egmentation confused with Personalization



**B**uild a Roadmap

**R**evisit the Strategic Goals

**I**nformation about Customer Lifecycle Stages

**D**ifference between Segmentation & Personalization

**G**ather data

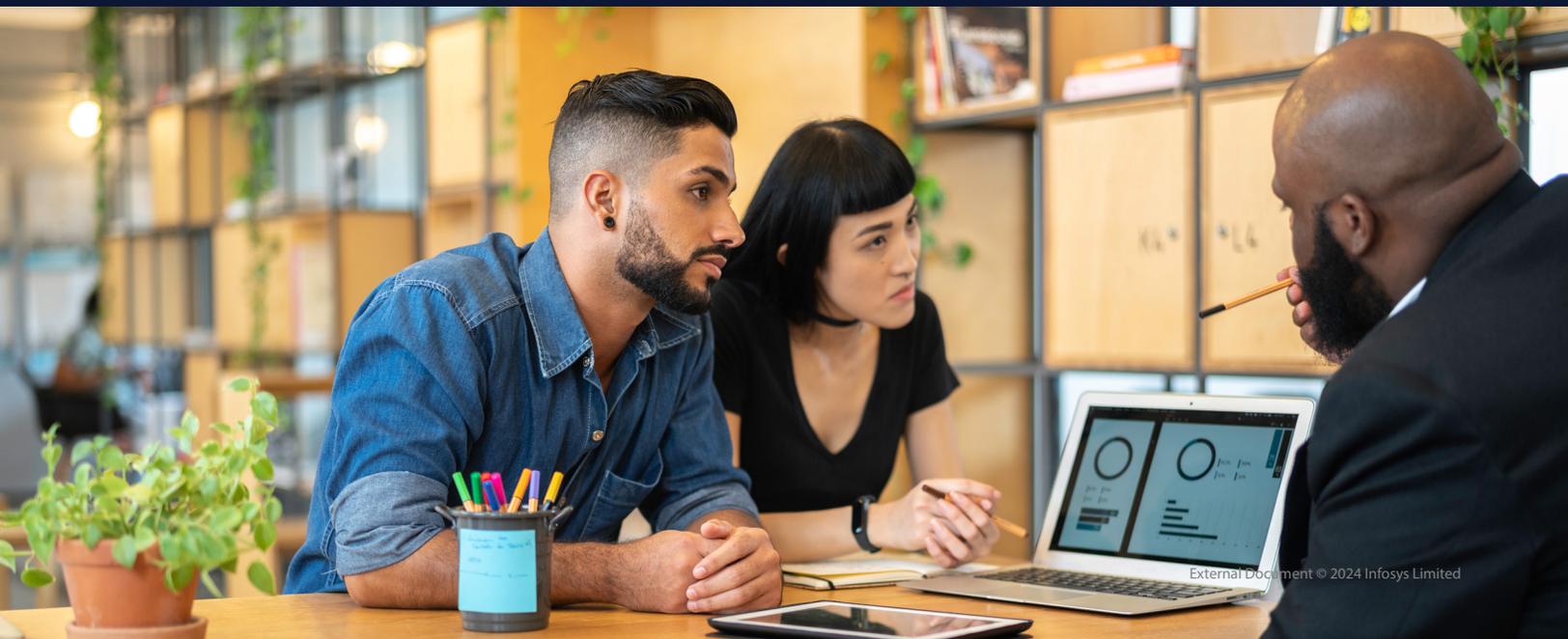
**E**mbrace the Right Technology

Now coming to the most important part i.e., DIFFERENCE between segmentation vs personalization. Let us understand this with the help of an example. Four customers purchased the same red mobile phone online from a retailer, and as a result they were clustered together in the same market segment for buying the same phone. But two of them bought it for the red color, one bought for the camera, and one bought for the screen size. So, all four had different reasons and clustering them under the same market segment would mean they would receive wrong communication on product recommendations. This would result in missed opportunities and a bad shopping experience. Here we need to GATHER data keeping 1:1 personalization approach in mind, where

communication is tailored according to the customer's journey.

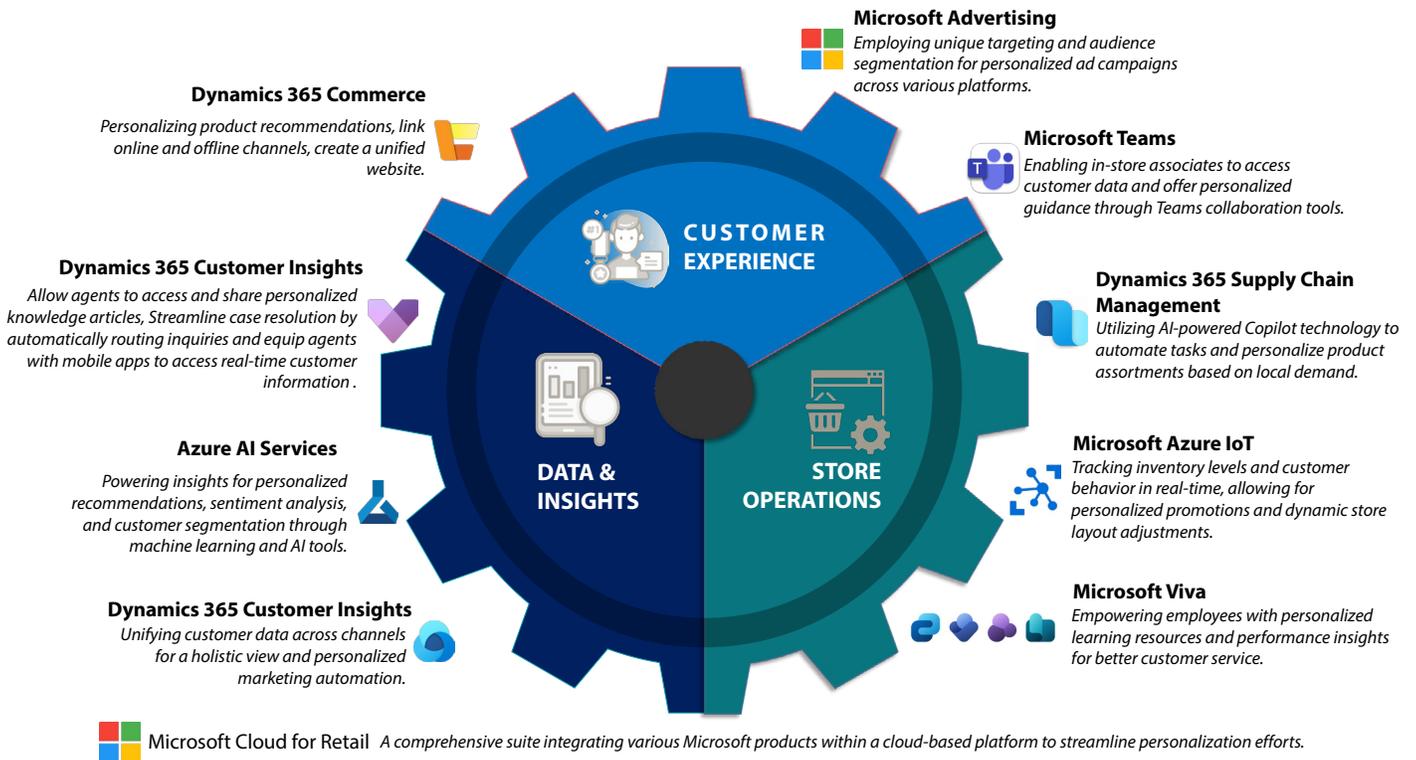
As a retailer, once we have the strategy clear, the next step is to EMBRACE the right technological solutions. The technology needed should be built specifically for Retail Personalization which should have the capability of collecting and combining customer data regarding their shopping behavior in real-time and allow for it to be converted into actionable insights for the team.

The tech landscape, in the retail personalization space, offers a host of products and services from key providers like Accenture, Salesforce, Amazon and Microsoft. Microsoft in this space, offers an array of products encompassing various aspects of the customer journey and operational efficiencies.



The figure here depicts the Microsoft tech landscape in the retail personalization space. Microsoft Azure enables the retailers to address the challenges related to personalization by providing customers with coordinated, personalized messaging and offers through their preferred channels and touch points. Data is ingested, stored, and prepared with the help of Azure Data Factory, Azure Databricks and Azure Data Lake Storage. The Azure Synapse Analytics can model this data and serve it as actionable insights for the retailer to implement. These insights can further be integrated with Power BI to visually view the insights. Azure's AI and machine learning (ML) capabilities provide intelligence across large data sets, enabling retailers to discover patterns and monetize strategies. This intelligence provides the knowledge that retailers need to continuously grow revenue, enhance customer loyalty, and improve marketing campaign effectiveness. These capabilities are also available as a part of the Microsoft Cloud for Retail.<sup>8 iii</sup>

## Microsoft's approach to personalization in retail goes beyond just product recommendations



8. <https://learn.microsoft.com/en-us/azure/cloud-adoption-framework/industry/retail/retail-personalization>

## Tailoring the Personalized Experience: across Retail formats

Personalization isn't a one-size-fits-all approach. Effective implementation depends heavily on the retail format and its unique customer base. Here's how personalization might look across different types of stores:

### GROCERY STORES



- **Recommendation engines:**

Suggest recipes based on individual dietary needs, past purchases, and current pantry inventory.

- **Loyalty programs:**

Offer personalized discounts on frequently bought items and targeted promotions for specific dietary choices (e.g., organic, gluten-free).

- **Interactive displays:**

Provide digital recipes paired with ingredient lists and allow shoppers to scan for substitutions or add items directly to their carts.

### DEPARTMENT STORES



- **Virtual personalized stylists:**

Utilize AI-powered recommendations based on style preferences, body type, and past purchases.

- **Interactive dressing rooms:**

Offer virtual try-on options and personalized outfit suggestions.

- **Loyalty programs:**

Provide tiered rewards based on spending and offer exclusive access to events or personal shopping experiences.

### SPECIALTY STORES



- **Curated product selections:**

Offer unique collections based on individual interests and preferences, showcased through personalized newsletters or in-store displays.

- **Subscription boxes:**

Create personalized subscription boxes with products tailored to specific hobbies or passions.

- **Expert consultations:**

Offer personalized consultations with store staff who have deep knowledge of the products and target customer segment.

### ONLINE RETAILERS



- **Highly personalized product recommendations:**

Leverage browsing history, search behavior, and purchase data to curate product suggestions and personalized homepages.

- **Dynamic pricing:**

Offer personalized pricing based on customer loyalty, purchase frequency, and competitor landscape.

- **Chatbots and virtual assistants:**

Provide personalized support and answer product-related questions with contextually relevant information.

### CONVENIENCE STORES



- **Mobile ordering and payment:**

Allow customers to order and pay for frequently purchased items through their phones, bypassing checkout lines.

- **In-store promotions:**

Trigger location-based offers and personalized discounts based on purchase history and nearby events (e.g., concert in the area prompting snack and drink offers).

- **Self-checkout with product recommendations:**

Suggest complementary items based on the chosen products during self-checkout.

By implementing these strategies, retailers can create **meaningful connections** with their customers, **enhance engagement**, and ultimately **drive loyalty and sales** across diverse retail formats.

Let us review a few of these use cases in detail.



### Product Recommendations

AI-powered recommendations based on the customer's purchasing history, browsing behavior and other contextual data is often leveraged by retailers to curate offers for them, or for showing up suggestions to buy when a customer's shopping online. These recommendations align with the customer's choices and preferences and increase the chances of conversion and upselling/cross selling. This also helps in reducing returns especially in cases of impulse buying. According to research from Monetate, **product recommendations can lead to a 70% increase in purchase rates.**<sup>9</sup> Intelligent Recommendations by Microsoft provides personalized product recommendations and telemetry insights using modern machine-learning algorithms.



### AI-powered Chat bots and Virtual Assistants

These chatbots provide 24/7 personalized support (in most cases) to customers. These leverage Natural Language Processing (NLP) and machine learning to comprehend customer queries and in turn provide relevant answers and responses. The chatbots can be utilized for answering simple queries related to returns, order status, store information, product related enquiries etc. or can be a great option for providing Direct to Customer (D2C) solutions to customer by assisting with the entire purchase process, processing payments, providing recommendations and suggestions. With the use of NLP, customers can even ask queries using a voice assistant such as, "I'm looking for a pair of red shoes under \$200" and the voice assistant can interpret the query to look for product recommendations accordingly. Microsoft Bot framework and Azure Cognitive Services powered by AI can be leveraged in this space to create D2C bots for retailers.



### Virtual Personal Shopper and Stylists

Virtual stylists or personal shoppers connect remotely with individuals seeking help with styling their outfits or shopping for a particular occasion etc. These virtual personal shopper services are often offered complimentary to the loyal customers or can even be offered as a paid service to their customers. The personal shoppers are qualified and certified for this kind of a role and assist the customers by providing their inputs based on data related to past purchases and trending products. The personal shoppers leverage AI-powered tools designed specifically for this purpose. There could be specific apps or portals created for this service by the retailer or can be offered as a part of the online shopping portal. Microsoft Power Platform and Power Portal will be a suitable option for creating an app or portal-based solution like a Personal Shopper App.

9. <https://www.netguru.com/blog/guide-personalization-in-retail>



### Personalized emails

Personalized email campaigns can be developed for customers where offers, recommendations and product launches are tailored according to the individual's preferences, purchasing pattern, demographic data and browsing activity. Dynamics 365 Customer Insights – Journeys and Dynamics 365 Customer Insights – Data are two products from Microsoft which assist with providing a holistic view of your customers by unifying all transactional, demographic and behavioral data and deliver personalized customer journeys with next-generation AI.



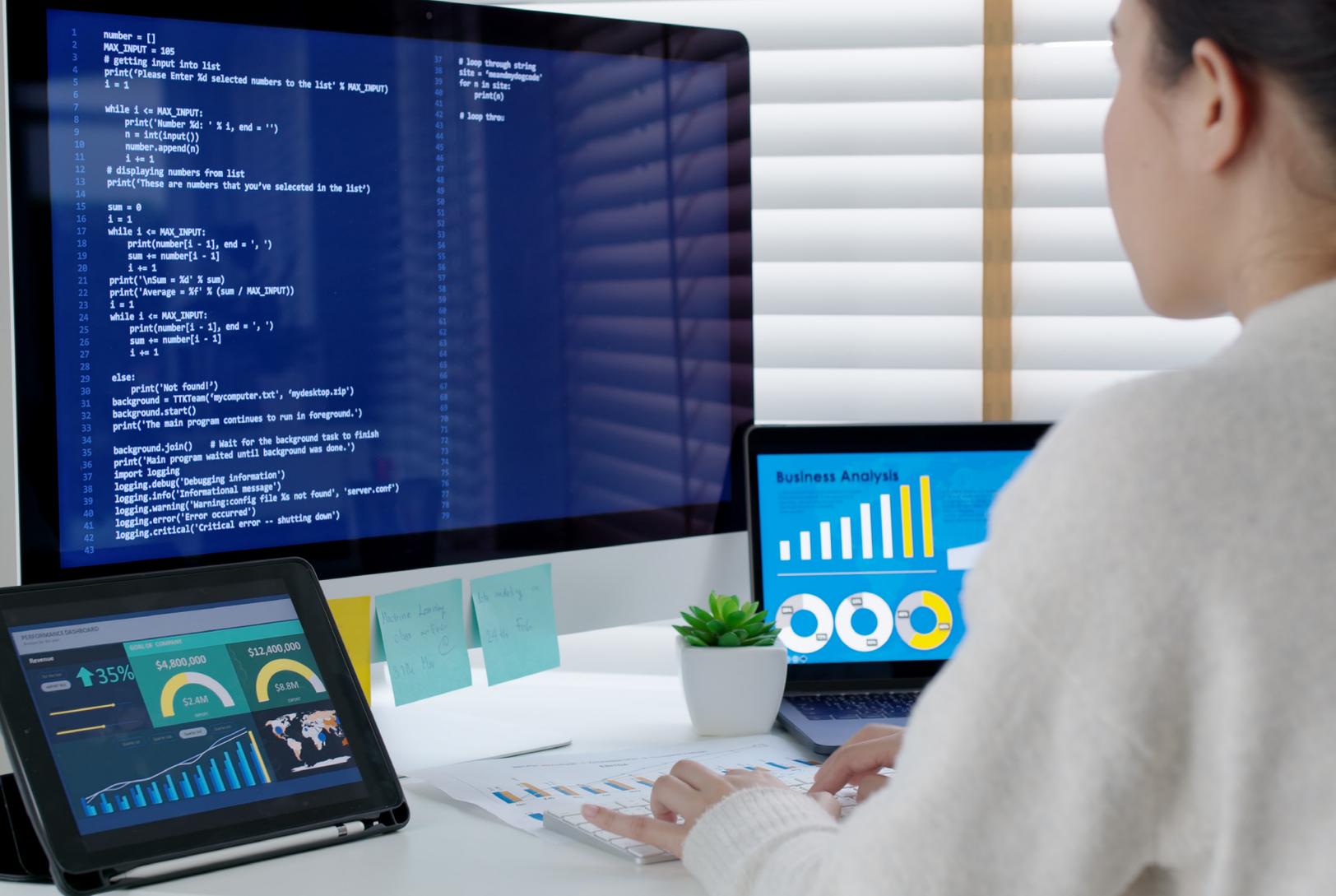
### Tailored Loyalty Programs and Rewards

Retailers can create tailor made offers and rewards for their loyal customers using their purchase history and individual preferences. This helps the retailers build strong connection with their customers and makes them feel valued and privileged. As a part of these benefits, some retailers offer exclusive product previews, offers and launches to their customers. The experience is not only limited to launches, or product recommendations but also after sales support, handling customer queries etc. The Infosys Loyalty Edge solution built on Dynamics 365 Customer Insights – Journeys aims at building Lifetime Value through insightful, personalized experience with the changing trends in the world of Loyalty management, delivering unique experiences with digital engagement and an automated platform.



### Push notifications and facial recognition

When customers visit offline retail stores, facial recognition can be used to identify them as they walk in and alert store associates. The store associates can view customer profile and prepare themselves with information for suggesting relevant products and for cross selling and upselling opportunities. Further, marketing teams can be alerted to send personalized recommendations and offers as mobile push notifications to the customers when they enter the store. The Infosys Store Associate App built on Microsoft Power Platform is a solution which empowers the Store Associates with capabilities like Customer and Product 360-degree view to provide a personalized shopping experience to the customers.<sup>iv</sup>



## There's no escaping Retail Personalization, it is here to stay...

In conclusion, we discussed “why” is retail personalization important, because personalization is the key factor for success of retail organizations. We know that customer experience is the ultimate goal and that’s what all the departments in a retail organization work towards. And when executed properly, retail personalization will benefit both the customers and the retailers.

Coming to the part of “how” to implement personalization in retail, it is the technology that is the backbone of this strategy. Opting for a retail focused tool built specifically for personalization is the solution. Microsoft Cloud for Retail offers tools for “Maximizing the Value of Data” which can be leveraged to derive actionable insights for retail organizations. These insights can be utilized to practice personalization with the help of the use cases discussed like AI-powered virtual assistants, predictive modeling, personalized recommendations, push notifications, facial recognition etc. By executing these winning strategies, retailers can resonate with their target audience and improve the overall customer experience.

Now coming to the final part, “when” is the right time to do it. Personalization in retail is the need of the hour and “NOW” is the right time to do it. The clock is ticking, and best-in-class retailers are upping their game winning the loyalty of customers. Before we realize, advanced personalization capabilities will no longer be just good to have but a “must have” strategy to be in the game.



## About the Author



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Deepika Khare is a Senior Consultant in the Retail Domain with Infosys. She has over 13 years of experience in the Retail Industry, specializing in Retail Operations, Product Merchandising and Category Management. Her role comprises of lending a domain perspective to understanding client pain points and evaluating the possible solution options. Her current area of interest is building new solutions in the Retail space leveraging AI and Microsoft Dynamics product capabilities, spanning across customer and employee experience.

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