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For retailers, hyper-personalization has benefits—and potential pitfalls
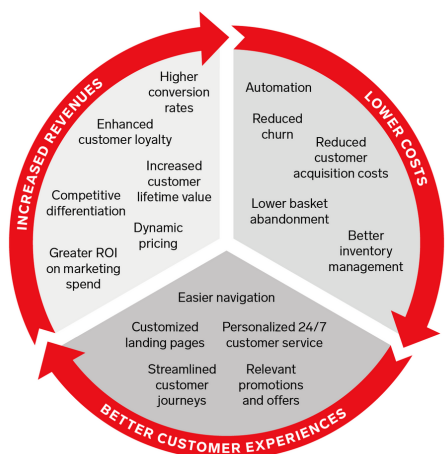
Article

Consumers appreciate AI-driven innovation but are wary

- **Hyper-personalization can elevate the customer experience.** Globally, 80% of consumers think personalized product recommendations are "cool," per a November 2023 survey by Marigold and Econsultancy. And 88% of Gen Zers worldwide believe AI could improve online shopping through features such as relevant offers, product suggestions, and personalized assistance, according to a May 2023 survey by Rokt and The Harris Poll.

- **That has benefits for the bottom line.** By driving loyalty and engagement, hyper-personalization can boost revenues and reduce costs. In the US, 70% of retailers say they will spend less on mass market promotions but expect to achieve greater sales through personalized offers over the next two years, per an August 2023 survey by Coveo and the Retail Systems Research (RSR).

The Benefits of Hyper-Personalization in Retail

INCREASED REVENUES: Higher conversion rates, Enhanced customer loyalty, Increased customer lifetime value, Competitive differentiation, Dynamic pricing, Greater ROI on marketing spend

LOWER COSTS: Automation, Reduced churn, Reduced customer acquisition costs, Lower basket abandonment, Better inventory management

BETTER CUSTOMER EXPERIENCES: Easier navigation, Customized landing pages, Personalized 24/7 customer service, Streamlined customer journeys, Relevant promotions and offers

Source: Insider Intelligence | eMarketer, March 2024

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- **But there are challenges around data security.** Seventy-eight percent of consumers worldwide are increasingly protective of their private data, per a July 2023 Salesforce survey. Hyper-personalization can also be intrusive: Almost half (46%) of consumers worldwide think promotions based on their activity within 2 minutes of visiting a website or app is "creepy," per the Marigold and Econsultancy survey.

- **AI also has drawbacks.** Quality issues and plagiarism are potential weaknesses of AI, according to 65% of US and UK content and creative professionals in an October 2023 survey by Ascend2 and Canto.

Retailers must balance hyper-personalization with privacy

- **Implement robust data privacy policies.** Retailers must keep customer data safe and comply with privacy laws and regulations. Data clean rooms can be used to share data securely with third parties without revealing any personally identifiable information.

- **Give customers a voice.** Retailers should establish preference centers so customers can manage their communication preferences and feel in control of the data they're sharing. Retailers should also track and measure consumer sentiment to make sure hyper-personalization is improving—not undermining—customer satisfaction and trust.

Report by Carina Perkins Mar 04, 2024

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