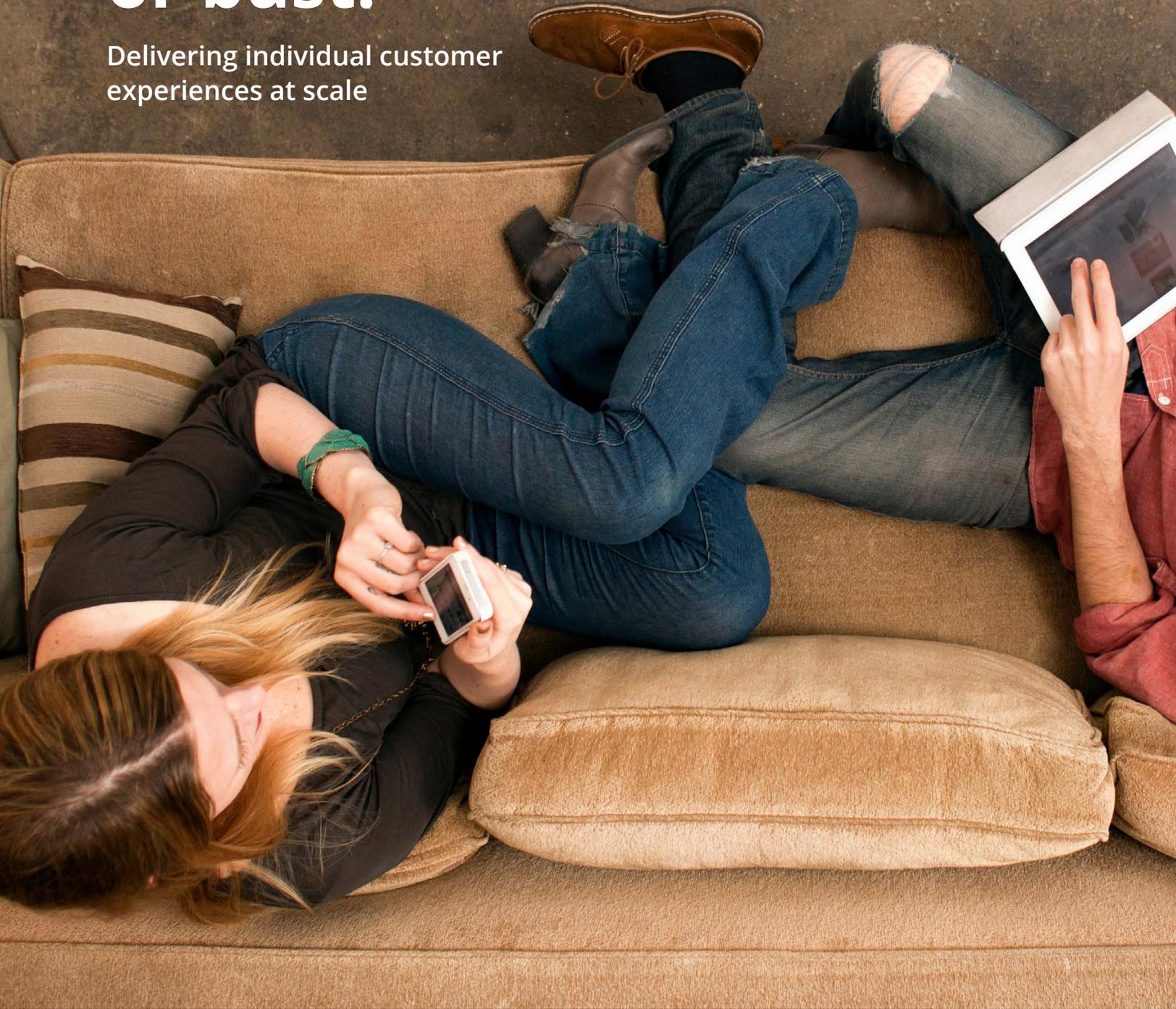


One-to-one personalization or bust:

Delivering individual customer experiences at scale



A PEGA
WHITEPAPER

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Introduction

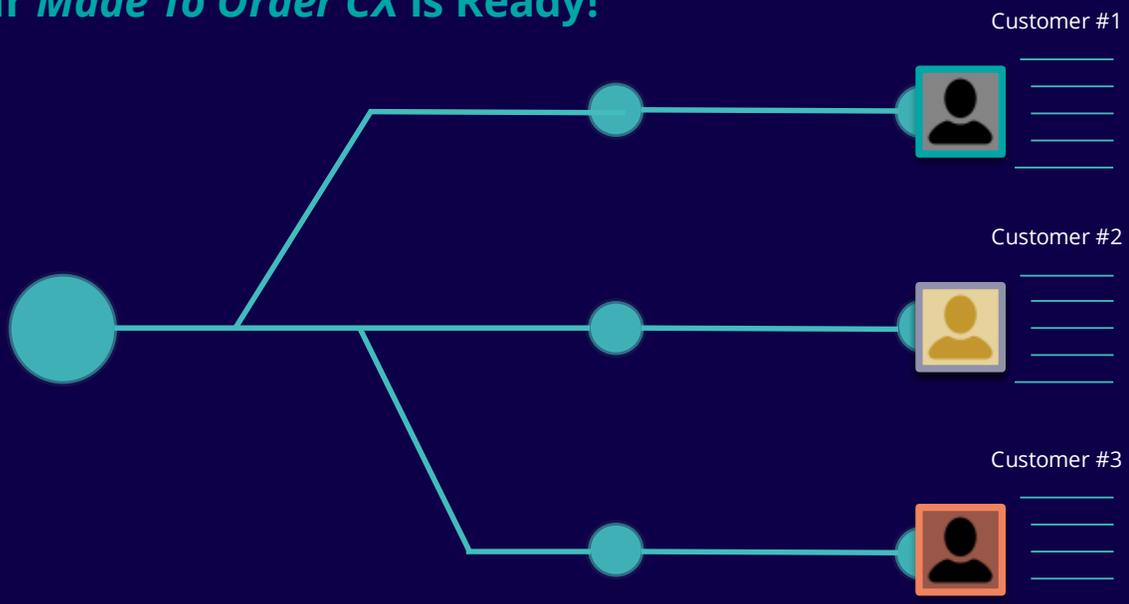
Your customers want personalized products, services, and interactions from marketing, sales, and service. But you already know that.

Less obvious is which aspects of personalization matter most, and why they're so effective and powerful at producing phenomenal response, conversion, and loyalty. In other words, you need clarity about personalization's value proposition to your business, to prioritize what you do and mobilize your efforts. And you need to know *how* to get from where you are today – without full-on one-to-one personalization – to a safe and practical use of it, without taking huge risks, violating customer trust, and spending lots of time and money.

As such, this guide centers on the following concerns:

- The five crucial aspects of one-to-one personalization with *at-scale* examples.
- The combination of human ingenuity and artificial intelligence (AI) - allowing for unparalleled personalization.

Your *Made To Order* CX is Ready!



Rethink personalization

Knowing how and when personalization should be applied and scaled is an issue without a simple answer, because you have hundreds of employees and systems to align and thousands of customers to treat. Too often, we forget that one-to-one means one company relating to one customer.

“It takes coordinated human determination coupled with carefully crafted machine assistance.”

Conceptually, full-on personalization is simple. It means that anything you do, whether it's serving up a web page, making a video, sending an email, or even speaking directly to customers, produces made to order, memorable, and individualized experiences. Personalization keeps the actual person in mind, and when there's a two-way interchange, personalization means being alert to every word or gesture, mindfully factoring these clues into future actions.



In practice, brands excelling at personalization do so because they get the basics right, such as listening and being considerate. During each correspondence, they immediately react, using the latest information – as well as historical knowledge – to enable swift and pertinent actions. But this doesn't happen solely because of superior technology. It takes coordinated human determination coupled with carefully crafted machine assistance.

The challenge is mass customization coupled with organizational mindset and wherewithal – treating each customer in a way that fits them, every time. And because audiences are thousands of unique individuals interacting across a plethora of channels, personalization means customizing treatments at scale – something that is only achieved when all employees are supported by modern technology. Moreover, it must be elegant in application, so that human and machine support fuses, from a customer's view, into one seamless solution. Embrace this challenge, and the rewards will be realizable. Ignore it, and you'll watch others race past you, win over your customers, and leave you in survival mode.

What is personalization? Doing five things right

At its core, personalization consists of five main aspects (Figure 1). Done right, consumers see value and businesses get rewarded, often realizing five times return on investment (ROI) and eight times return on marketing investment (ROMI).ⁱ

Personalization's Five Aspects

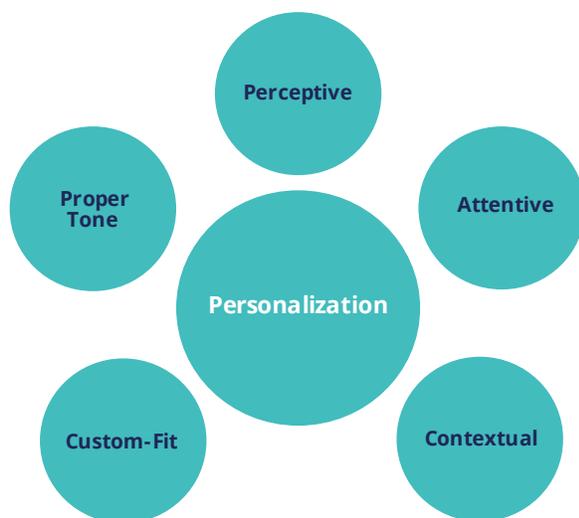


Figure 1: Personalization's Five Aspects

1. Set the mood and tone

To warm-up an interaction, set the atmosphere and customize to an individual's preferences.

If it's a website or email, that means using the right theme or subject line. For instance, a large travel and entertainment company discovered that AI-based natural language generation (NLG) software's generation of an email subject line resoundingly beat their human generated champion subject line, delivering a whopping 189 percent lift in conversion rates.ⁱⁱ

Setting the right mood and tone can apply to nearly any interaction. If it's a car experience, it means automatically adjusting to the driver's seat and mirror preferences, and if it's a hotel room, setting a preferred room temperature.

Another example is tailoring a message's tone to what motivates a particular individual. For example, if one person responds better to a soft, easy-going lingo, while another enjoys a sense of urgency, you cater to these differences.

Savvy retail marketers use this knowledge, for example, to find and serve up the right language (using NLG) to highlight low stock items using conditional language in ad variations, such as "hurry, only three left in stock."

In the digital world, creative must also be attentive to human emotions, by garnering a positive initial emotional response, which must be done in seconds. For example, this can be achieved using the right colors, crisp eye-pleasing copy that resonates, and human imagery.

ⁱ Forrester Total Economic Impact Study, <https://www.pega.com/insights/resources/forrester-total-economic-impact-tei-pega-marketing>, 2016

ⁱⁱ Persado Travel Marketing Case Study, <https://persado.com/platform/travel-marketing/>, 2017

2. Listen carefully for context

Effective listening means collecting and prioritizing the latest key facts and conditions – your customer’s situation or context. True personalization cares about this because it provides vital clues about a customer’s current motivation, behavior, emotional state, and environmental conditions. Operatively factored in, it can change preconceived notions and alter outcomes.

To illustrate, an innovative e-commerce firm, with thousands of daily visitors, streams real-time tag data (such as the browsing paths, time spent on pages, value, and type of carted items), combining it with seasonal conditions, current weather, location, and third-party preference data to trigger instant emails – or to custom-tailor a website’s home page.

3. Be attentive

Attention to detail means caring about the small things, as well as the larger issues. Remembering what a customer told you or did may seem trivial, yet few brands get this right. For example, when a customer’s interaction is paused, or stops (but the transaction isn’t complete), it is crucial to enable them (or your reps) to pick up where the case left off.

Being attentive also means asking for preferences (or letting a customer set them), with the intent of utilizing them to custom-tailor your immediate and future responses and recommendations. For example, an apparel retailer with thousands of customers can ask for each patron’s characteristics – body shape, height, weight, style, and so on – to tailor both the product and experience to the individual.

Another example: Large insurance firms can gather pertinent details, indicating a customer’s risk level to offer lower rates. For instance, in practice, top insurers provide automotive insurance customers with a device to monitor driving habits, enabling them to prove they’re a lower risk and eligible for lower rates.

Further, health-care providers and payers can suggest therapy or healthy living tips based on gathering a total picture of the individual rather than a few obvious symptoms.

When these personal details directly relate to better fitted suggestions, customers won’t mind – in fact, they will value the personalized treatment.

4. Be perceptive

Some preferences, though not explicit, can be assumed when a customer repeats a request or behaves in a certain way. Notice these, but avoid being intrusive.

Cases in point:

- A communications service provider with over 75 million customers scans their usage data and finds those with excessive roaming charges, surfacing several personalized options that can lower the bill. For anonymous website visitors, a custom-built bundle based on the visitor's city, device type, and even certain predictive third-party data, such as previous searches or shopping behavior, can deliver a personalized experience.
- A financial services customer complains on social media about how a banking transaction was handled. If this happens once, the customer may view it as an aberration, however if the problem persists and goes unresolved, it's likely that the customer will become frustrated. Triangulating social unrest with service case status and time elapsed, and equating that with the frustration threshold, is being perceptive to the situation.
- A wealth management client is nearing retirement and has repeatedly (through the course of the relationship) signified a higher than average risk tolerance. Being observant and astute means resisting delivering the cookie-cutter retirement asset allocation advice, instead customizing it to this individual. In this case, that means adjusting portfolio asset allocation guidance toward slightly higher risk levels.

5. Deliver custom-fit responses

Great personalization delivers, at the right time, appropriate recommendations, advice, products, and services. Examples of this in practice include:

- A pet store basing refills or repurchase notifications on an individual's consumption interval, using this to time the outreach and nudge the customer.
- A telco understanding a customer's product and accessory affinities, not just in terms of what others might have purchased, but in terms of what the individual is likely to want and need. So, if a customer routinely purchases certain phone cases, these details are used to personalize future cross-sell offers.
- A large B2B software provider intelligently filtering from thousands of available assets to the right web content to display during an interaction that fits the given decision maker's job title, known interests, engagement history, industry, and sales stage.

“Being observant and astute means resisting delivering cookie-cutter advice”

Extraordinary personalization at scale

Leading brands are beginning to deliver on some of these aspects, yet few have effectively blended humans and machines to ensure a personalized experience for every customer, in every channel, every time.

Expectations for self-service are high, and when it cannot complete the task, it must transition effortlessly to human-assisted support, without any loss of context or forcing customers to repeat steps. When a customer drops an interaction, great personalization means picking up in the new channel where the session left off.

It's all common sense, right? Nonetheless, common sense doesn't scale. Even a world-class server who prides herself on knowing her customers, and practicing personalization's five aspects, can struggle under a heavy case load.

But with the right mixture of human and machine assistance (depicted in Figure 1), new levels of efficient personalization at scale are possible.

Levels of AI-Assist

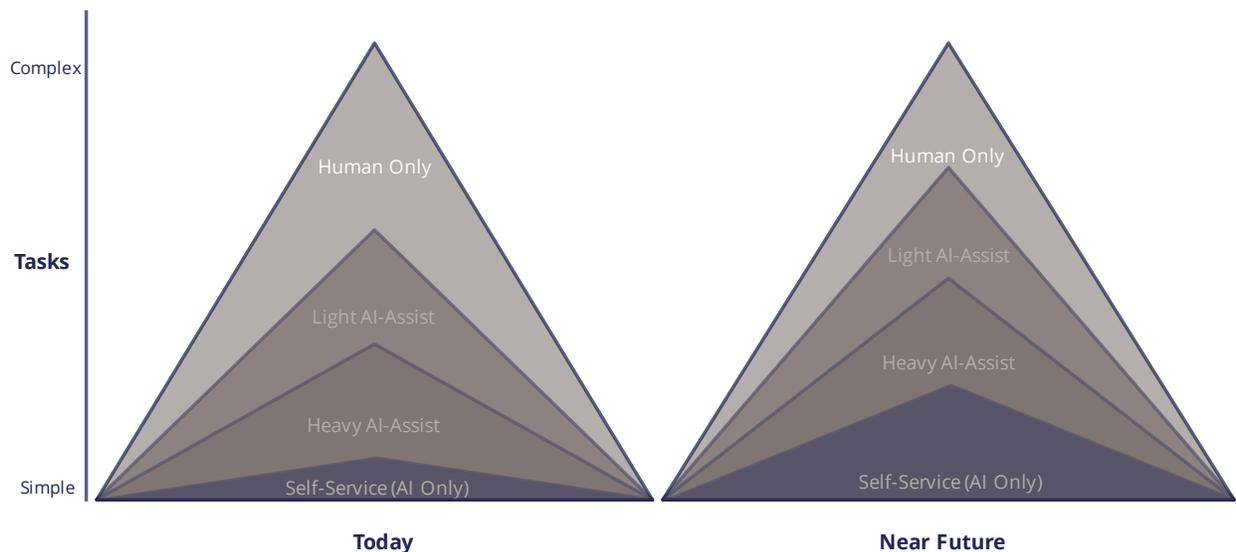


Figure 2: Mixture levels of machine and human assistance

Self-service (AI only)

In an ideal world, machines do all the work, and we relax and enjoy life; consumers get the service they expect and the customized experience they deserve.

Still, humans have a role to play for the foreseeable future. And ironically, although AI automates and deflects more tasks, consumers are forced into more self-service.

Many brands are already deflecting simple tasks to self-service, such as:

- Getting hours of operation, directions, and making reservations.
- Returning items, opening a claim, or starting a warranty process.
- Getting a quote, applying for and opening a financial account, getting balance, reviewing recent transactions, paying bills, and transferring funds.

And presently, it's feasible to do the following without ever engaging with a human:

- Adjusting coverages and renewing a contract.
- Ordering a product, having it shipped, and learning how to use it.

Given AI's trajectory, innovative brands will move self-service and automation to new levels, employing:

- Proactive self-service: Technology that automatically senses customer intent, behavior patterns, or struggle, and pre-emptively reaches out with suggested remedies.
- Omni-channel self-service: A system that transitions tasks across channels, and seamlessly connects to back-end systems.

Heavy AI-assist

Self-service only works for a portion of tasks. Smooth transitions are essential when customers escalate for human help. Still, all agents and customers aren't equal, so it's important to decide what level of human skills and experience are required for the task and customer at hand. When tasks aren't overly complex and a lower-value customer is involved, a less experienced rep may suffice, holding down labor costs.

Sort reps into apprentice and expert categories. Use available interactive voice response (IVR) and text analytics technology to route to the right agent pool, based on the task's complexity and customer value. The apprentice pool handles less complex tasks and/or lower value customers, with heavier assistance from AI.

For instance, airlines already use customers' phone numbers linked to loyalty tier, to route calls based on task and status to the appropriate specialists.

Light AI-assist

Even when experts are needed, AI can still assist them to meet customer needs. Namely, when a customer enters a support system via an IVR or chat bot, full context of the mechanical conversation can be passed to the rep, and AI can further assist the rep in suggesting next-best-service actions.

For this to work, you must have a **central facility** for customer data, customer insights, and customer decision making. Channels must be conduits for customer interactions, with the key policy, rules, and intelligence residing in a central location available to all associates.

Human only

Nowadays, it's hard to find tasks performed without some technological assistance. Jobs and roles are rapidly transforming as AI improves, and as this happens expect tasks to increasingly move from "Human Only" to ones with light or heavy AI-assist.

Move in stages toward one-to-one personalization at scale

One-to-one personalization at scale is a process. In the below diagram (Figure 3), each stage builds on the previous one:

Stage one: Segment-based personalization

- Focuses on simple tasks in self-service channels, or basic web site personalization or minor variations in email.
- Uses historical customer profile and behavior data to drive versions presented, usually sourced from a data warehouse or data lake. Often results in variations being more attributable to a segment than an individual.

Stage two: Contextual personalization

- Ingests the latest pertinent real-time data, combines that with historical data, and dynamically recalculates and surfaces personalized conditional content and recommendations.

Stage three: Predictive personalization

- Uses context, tracks patterns, maintains customer behavior states and is perceptive (predictive).
- Learns over time. Improves on its predictions.

Stage four: One-on-one omni-channel personalization

- Orchestrates all personalization decisions.
- Handles simple and complex tasks, seamlessly transitioning them both between the levels of AI-assist as required, and across channels.
- Produces optimal customer experience.

Personalization Stages

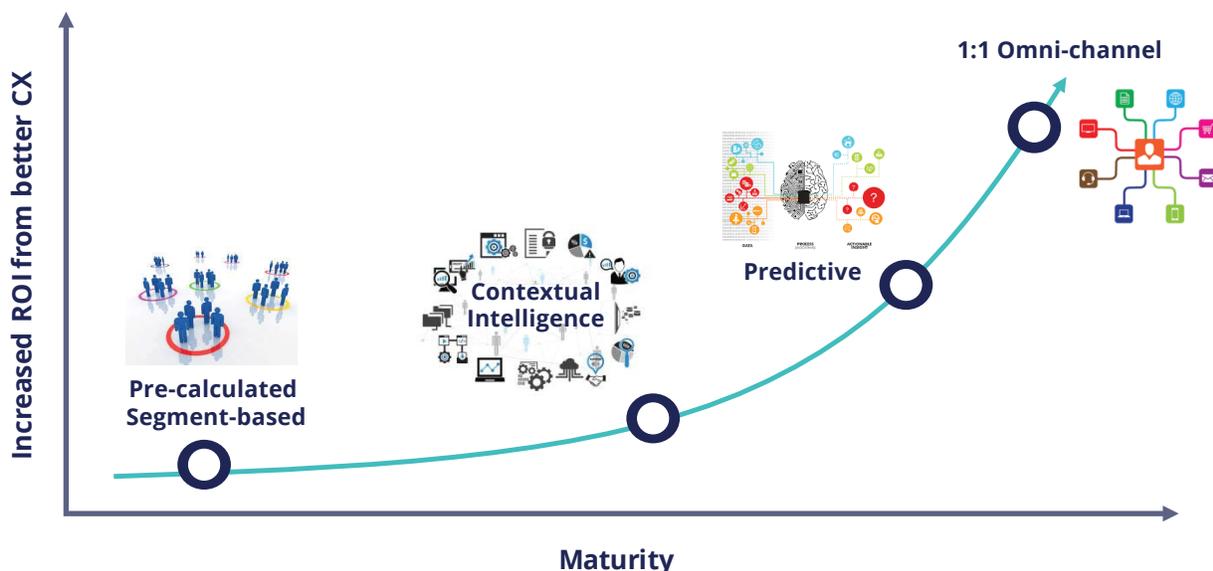
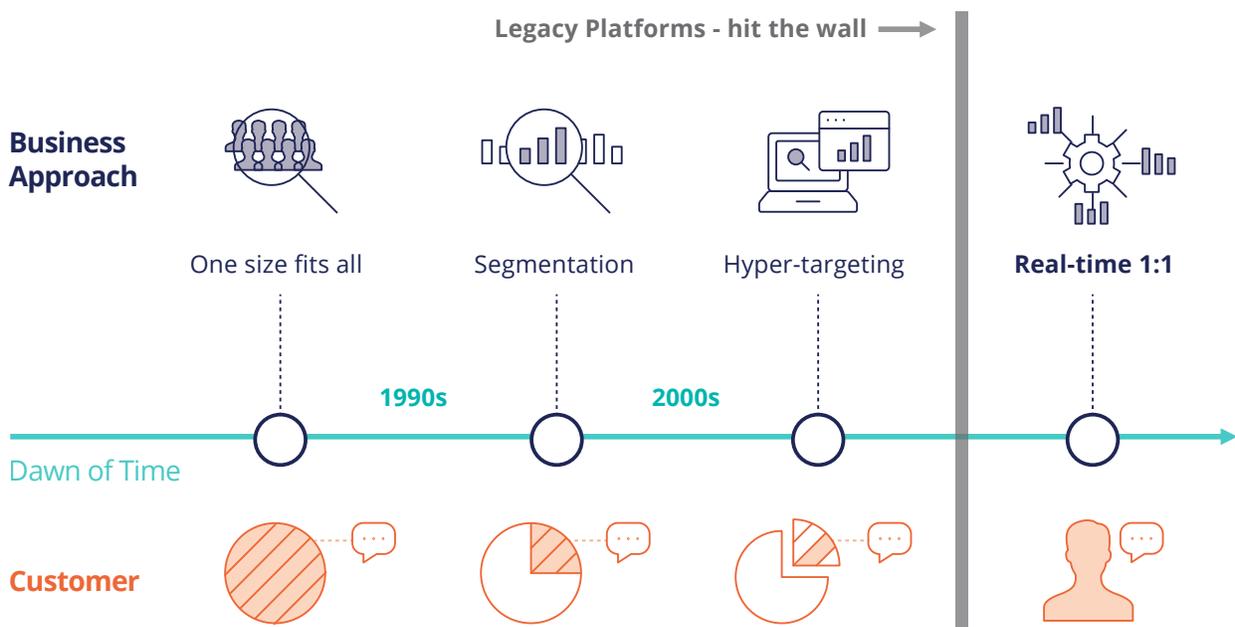


Figure 3: Personalization stages

It's likely you're practicing some form of segment-based personalization, having moved from the one size fits all approach. So, your challenge now is to quickly progress to stage four.

The mistake you don't want to make is incrementally designing your organizational and system blueprint. Why? Because you'll hit political walls without top-level support and a galvanizing customer-centric mission statement. System wise (unless you already have a real-time system as your core engine), you'll hit a technological wall, as seen in Figure 4, because your legacy customer experience systems are likely fragmented, and built with customer segments as the center piece.

Figure 4: Segment-based engines (legacy platforms) hit the wall



To progress, you must leverage a channel agnostic real-time platform as the core personalization engine to build upon. Relegate channel-based decision systems to playing a fine-tuning role, and move all key customer decision arbitration to the **central engine**.

For implementing personalization use cases, keep it simple by picking high impact (yet lower complexity) customer journey stages that touch at least two channels. For example, if you sell products on a website, inspect a customer's experience with finding the right product while shopping. Start with how they search, get to your website, search on it, and connect to chat. If you have stores or branch outlets, connect those customer-facing agents with machine assistance.

As you advance through the stages, set up a test and learn agile factory, focused on customer-centric experience design. A leading Canadian financial firm did just that, vastly accelerating their personalization evolution.ⁱⁱⁱ

Ask about pre-calculated data – is it working? What additional contextual data might drive the most improvement? Which experiences on which channels need refinement?

Technology makes scalable testing possible today, in effect creating a continuous improvement cycle. You need an assembly line approach to testing and learning to improve on personalization. Which variations of content work on which individuals? It's possible with today's technology to simultaneously test multiple variations, using solutions that employ modern applications of machine learning, design of experiments, and multivariate testing. When you search for tooling, make sure to find vendors that can prove their ability to do this at scale.

ⁱⁱⁱ Scotiabank's Approach to Customer Experience Design, <https://www.pegacom/insights/resources/scotiabanks-approach-customer-experience-design>, 2017

Breaking through

Legacy methodologies and technologies may be obstacles, but they also present opportunities to re-think, re-invent, and transform existing processes and systems. Achieving stage four one-to-one personalization won't come overnight and it will take commitment, but long-term customer satisfaction rides on it.

It is achievable. And with agile methodologies, real-time technologies, and steadfast management, even businesses that are behind can catch-up quickly by finding practical quick wins. Above all, adopt a customer-centric mindset. Your customers are unique people, not merely identifiers in segment codes, so working passionately to personalize every interaction you have with them is crucial.

Get started by looking for an omni-channel enabled one-to-one personalization platform that is built from the ground up around the customer nucleus, as opposed to around products, channels, or segments – one that seamlessly integrates AI-assist into both self-service and human channels. Additionally, partner with a vendor using rapid delivery practices, who majors in real-time contextual engagement technologies, and has proof of scale at the enterprise level.

Additional resources on one-to-one personalization and real-time interactions:

CustomerThink, <http://customerthink.com/revolutionize-cx-with-real-time-contextual-engagements/>, 2017

CustomerThink, <http://customerthink.com/customers-are-individuals-not-averages-how-rtim-treats-them-special/>, 2017

PegaWorld Session, <https://www.pega.com/about/events/pegaworld/agenda/your-business-soaring-it-can-if-you-personalize-customer-journey-using>, 2017



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