



A PEGA WHITEPAPER

One-to-one or bust:

The five principles of personalization

Introduction

Customer engagement has become a key focus for nearly every business in the digital age. Personalization is no longer a nice-to-have as businesses digitally transform to better meet the needs of their customers – it's a need-to-have. Anything less will no longer be tolerated.

If there's one constant in life, it's change. Businesses need to adapt quickly to new technologies and ways of connecting to customers in real time, to deliver exactly what a customer needs in the moment. The more dire the circumstances, the more important context becomes. But how do you respond appropriately to each and every one of your customers, whether it's a simple service request or proactively delivering a perfectly timed offer? How do you use personalization to scale and display empathy to your customers?

Personalization is table stakes, but that doesn't mean execution across your organization is simple. With something as complex as personalization, it's not always obvious which aspects matter most and why they're so crucial to delivering results like increased conversion and loyalty. You need clarity about personalization's value proposition to your business in order to prioritize what you do and mobilize your efforts. 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 wasting lots of time and money.

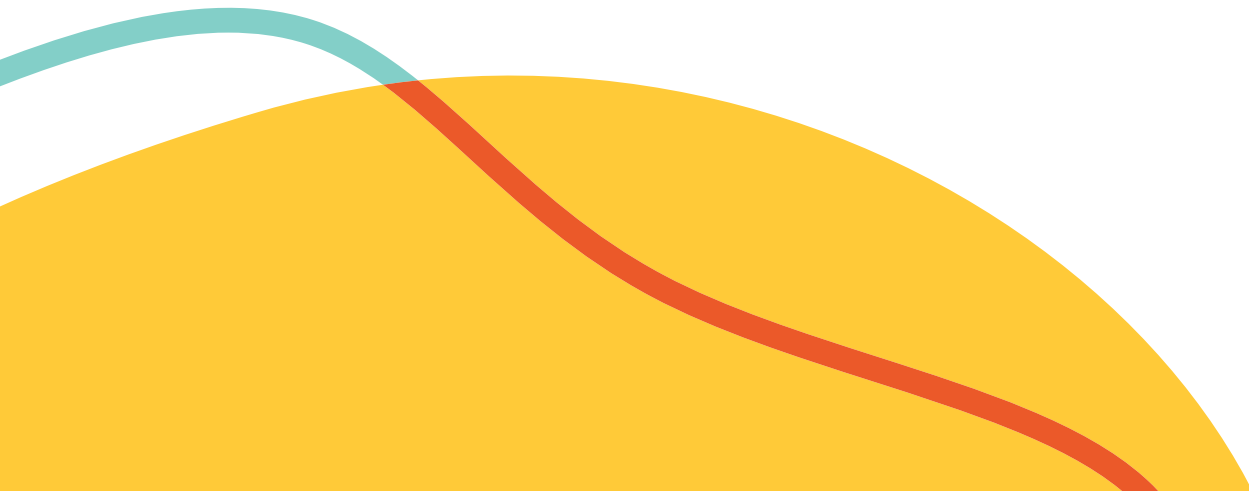
This guide focuses on the five crucial aspects of one-to-one personalization with at-scale examples that you can use to guide you on your transformation journey.

Rethinking what personalization means

Conceptually, personalization is easily understood by businesses and customers alike. It means that anything you do, whether it's serving up a webpage, sending an email, engaging on a paid channel, or even speaking directly to customers, is in service of creating memorable and individualized experiences. However, many companies today are still trying to deliver on their promise of personalization through outdated campaign tactics, broad-based segments, and pre-scripted journeys. Regardless of the latest buzzword (micro-segmentation, hyper-segmentation, AI-driven segmentation, segment of one, etc.), these initiatives still treat the customer as part of a group. At its heart, true personalization is about a person – a single, unique individual.

Businesses need to keep the actual person in mind when they begin to tackle personalization at scale. It's a two-way exchange. One-to-one personalization means being alert to every word or gesture, and mindfully factoring in 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 and historical knowledge to enable swift and pertinent actions. But this doesn't happen solely because they have superior technology. It takes coordinated human determination coupled with carefully crafted machine assistance.



The five principles of one-to-one personalization

At its core, personalization consists of five main aspects (Figure 1). When done right, consumers see value and businesses get rewarded, often realizing a return on investment (ROI) of 489% and net present value of \$150 million over three years.¹



Figure 1: Five Principles of Personalization

1. Focus on context

Effective listening collects and prioritizes the latest key facts and conditions about your customer's situation in real time. True personalization supports this because it provides vital clues about a customer's current context, motivation, behavior, emotional state, and environmental conditions – which help businesses pivot between selling, serving, nurturing, and retaining. When operatively factored in, it can change preconceived notions and alter outcomes. For example:

- An innovative auto manufacturer with thousands of daily visitors to its website can stream real-time tag data, such

as browsing paths, time spent on pages, value, and type of carted items. It can then combine the tag data with seasonal conditions, current weather, location, and third-party preference data to trigger instant emails or custom tailor its homepage to be relevant to each visitor.

- When wildfires swept through the country in 2020, the Commonwealth Bank of Australia quickly integrated emergency assistance packages and bushfire recovery grants into their next best conversations, resulting in a 12-point lead in NPS over their closest competitor.

2. Set the mood and tone

Words have power. But it's the emotions behind those words that have staying power. Even after customers forget the specific message, they'll remember how it activated their emotions, how it made them feel. Setting the proper tone can have a dramatic impact on an interaction. It can leave a lasting impression of your company in the customer's mind. Memory and authenticity matter, and setting the right mood and tone can apply to nearly any interaction – physical or digital. Written content like email or ad copy should tailor the message to what motivates an individual. For example, if one person responds better to soft, easy-going lingo, while another responds well to a sense of urgency, true one-to-one personalization requires that we cater to these differences.

Creative elements are needed to set the tone and help garner a positive emotional response, which must be done in milliseconds. This can be achieved using the right colors, images, and crisp copy that resonates with the customer's current context.

Let's look at a couple examples for setting tone:

- A frequent traveler is a loyal airline customer and always asks for a glass of champagne after boarding, as well as to be reseated to an aisle seat if one is available. Is the airline able to recognize this and act accordingly? The airline is failing at the basic fundamentals of personalization if a customer makes the same requests over and over but the airline never learns. It is not setting the proper tone when that person boards the aircraft.
- A customer frequently visits the website of a financial services company. While browsing, they've left a trail of clues and completed a profile that should shed light on their preferences. Does all that information get used to set the tone for the next interaction? Are they being shown the same irrelevant ads on the homepage that they've never clicked on? Or are they being presented with imagery related to articles they've read or products they've viewed that might resonate with them? The latter is the type of personalized experience that keeps customers coming back time and time again, because it is all about them.

3. Be attentive and actively listen

Attention to detail means caring about the small things, not just the larger issues. Remembering everything 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.

Brands can also be attentive by asking for preferences or letting a customer set them, with the intention of utilizing them to customize your immediate and future responses as well as recommendations.

- Large insurance firms can gather pertinent details that help to indicate a customer's risk level so they can offer lower rates. For instance, 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.
- Healthcare providers and payers can suggest healthy living tips based on the total picture of the individual rather than just their most recent claim or inquiry.

When these personal details directly relate to better suggestions, customers are more likely to see the value of personalized experiences.



4. Be perceptive and use insights to deepen relationships

Some preferences can be assumed when a customer repeats a request or behaves in a certain way. It's important to analyze this, look for deeper insights, and turn those insights into value-add experiences – all while avoiding being intrusive.

- A communications service provider with over 75 million customers scans its customers' usage data to find those with excessive roaming charges. The provider offers 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 predictive third-party data like 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, it's likely that the customer will become frustrated if the problem persists and goes unresolved. Triangulating social unrest with service case status and time elapsed, and equating that with the frustration threshold, would allow the company to become perceptive to the situation.

5. Deliver custom-fit responses

It must always be about the individual. Great personalization requires that organizations detect a need, access and assemble real-time data, determine a next best action, and deliver the appropriate recommendations, advice, products, and services – all within milliseconds. Any delays could miss the customer's moment of need. Examples of this in practice include:

- A financial services company noticed that a customer purchased a flight to a foreign country, but has yet to authorize their card for international use. Using this information, the company can proactively reach out to nudge the customer before they even hit the runway.
- A telephone company understands 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.

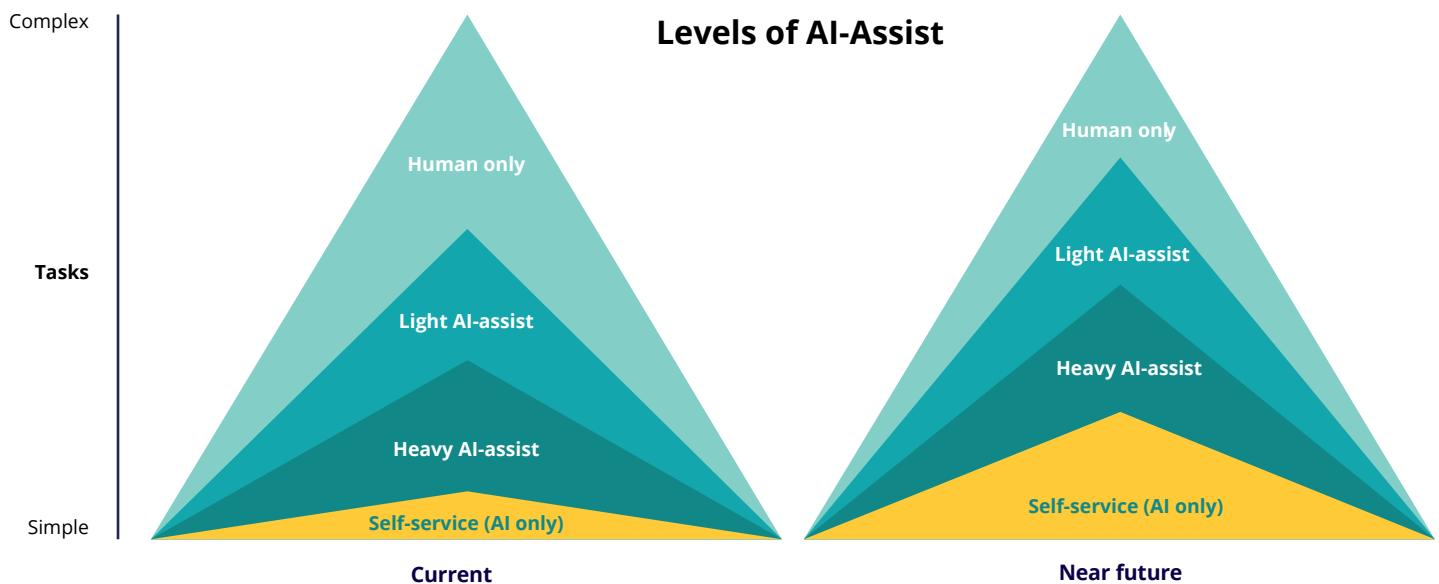


Artificial intelligence (AI) and personalization

Treating each customer in a way that fits them every time is a challenge for even technologically sophisticated organizations.

The need to support millions of decisions per day, for hundreds of thousands of customers, across dozens of channels creates a dire need for customization at scale.

The continuum of complexity that personalization brings means humans alone can't do it all. Success lies with a combination of machines and humans seamlessly working together. If personalization processes require too many manual inputs and analysis, human-only assistance simply can't scale. On the flip side, it's equally possible to go too far and try to automate everything (going to pure self-service) without thinking about the impact on the customer. As you add AI, always test to ensure the customer experience continues to improve and isn't being downgraded by human or machine actions. Businesses that find the right balance will gain the competitive advantage over those that don't.



To find the right level of AI-assistance, ask yourself the following questions:

- **How will AI fit into customer journeys?** For example, a customer is using a chat bot to try and resolve a billing inquiry but the bot isn't providing the answers they need. The AI should pick up on this and escalate the customer's question to a human representative.
- **How will you scale AI-driven personalization, based on the size of your business?** If you are doing basic digital personalization, this is much easier to achieve than if you have a huge set of offers to pick from, hundreds of machine-learning models to keep tuned, dozens of channels, and millions of customers.

Any platform or application brought into the mix must ensure human and machine support is viewed by the customer as seamless. Companies who embrace AI to overcome personalization challenges will see the rewards, but those who ignore it will watch their competitors race past them to win over their customers.

How to scale your personalization initiatives

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

Stage 1: Segment-based personalization

- Focus on simple tasks in self-service channels, basic website personalization, or minor variations in email.
- Use historical customer profile and behavior data to drive versions presented, usually sourced from a customer data platform (CDP), data warehouse, or data lake. Often results in variations being more attributable to a segment than an individual.

Stage 2: Contextual personalization

- Ingest the latest, pertinent real-time data, combine that with historical data, and dynamically recalculate and surface personalized conditional content and recommendations.

Stage 3: Predictive personalization

- Use context, track patterns, and maintain customer behavior states.
- Be perceptive (predictive).
- Learn over time. Improve predictions.

Stage 4: One-to-one omni-channel personalization

- Manage all personalization decisions through the centralized decision authority.
- Handle simple and complex tasks, seamlessly transitioning both between the levels of AI-assist (as required) and across channels.
- Produce optimal customer experiences.

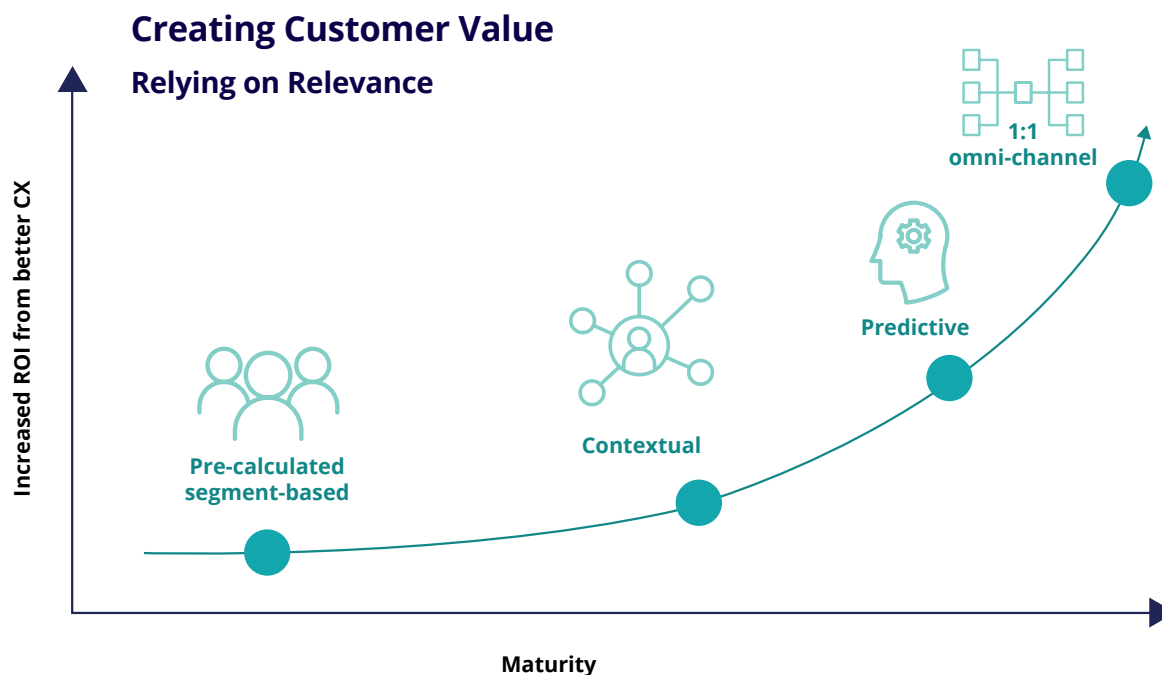


Figure 3: Personalization stages

It's likely you're practicing some form of segment-based personalization, having moved from the one-size-fits-all approach. Your challenge now is to quickly progress to Stage 4.

The mistake you don't want to make is incrementally designing your organizational and system blueprint. You'll hit political walls without top-level support and a galvanizing customer-centric mission statement. System-wise – unless you already have a centralized, real-time platform as your core engine – you can also hit a technological wall, as seen in Figure 4. This happens because legacy customer experience systems are fragmented and built around customer segments.

Don't hit the wall

Segment-based platforms aren't built for real-time

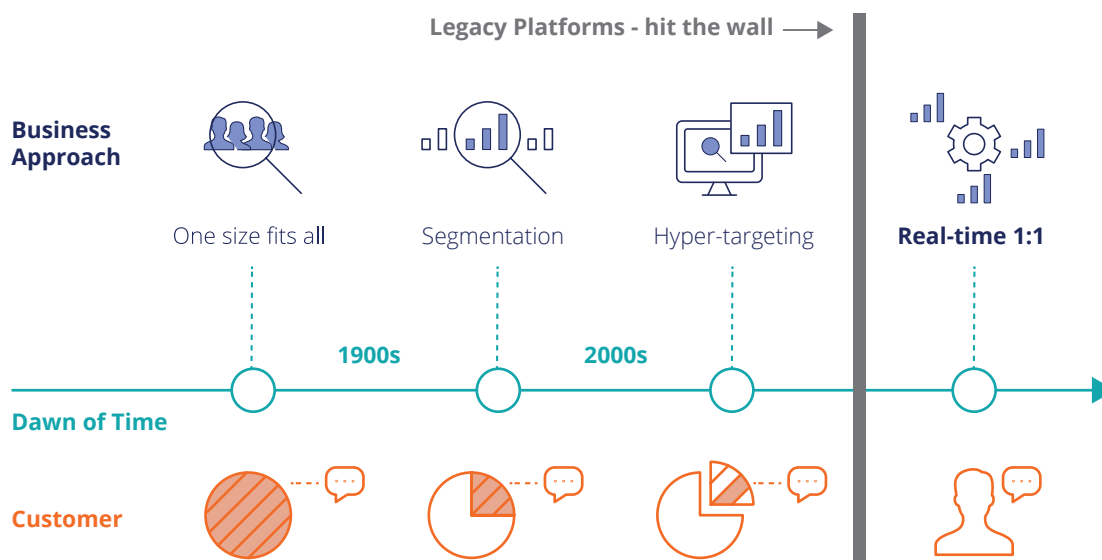


Figure 4: Segment-based engines (legacy platforms) hit the wall

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 play 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. 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.

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, creating a continuous improvement cycle. You need an agile approach to testing and learning to improve on personalization. Which variations of content work on which individuals? Today's technology makes it possible to simultaneously test multiple variations, using solutions that employ modern applications of machine learning. When you search for tooling, make sure to find vendors that can prove their ability to do this at scale.

Breaking through

Legacy methodologies and technologies may be obstacles, but they also present opportunities to rethink, reimagine, and reinvent existing processes and systems. Achieving Stage 4 one-to-one personalization won't come overnight and will take commitment. Long-term customer satisfaction rides on it.

It's achievable! Even businesses that are behind can catch up quickly by finding practical, quick wins with agile methodologies, real-time technologies, and steadfast management. Above all, adopt a customer-centric mindset. Each one of your customers are unique individuals, not merely identifiers in segment codes. As such, work passionately to personalize every interaction you have with them.

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



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

CustomerThink, <https://customerthink.com/4-golden-rules-for-knowing-and-honoring-thy-customer/>, 2019

The Forrester Wave™: Real-Time Interaction Management, Q1 2019, <https://www.pega.com/forrester-rtim-2019>, 2019

PegaWorld Session, <https://www.pega.com/insights/resources/your-business-soaring-how-british-airways-personalized-customer-journey>, 2017

The Total Economic Impact™ Of Pega Customer Decision Hub, <https://www.pega.com/forrester-tei-decision-hub>, 2020



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