

The State of Retail AI

VOLUME 4: MAY 2022

PERSONALIZATION INSIGHTS –
TRANSFORMING SHOPPER
ENGAGEMENT

PRESENTED BY

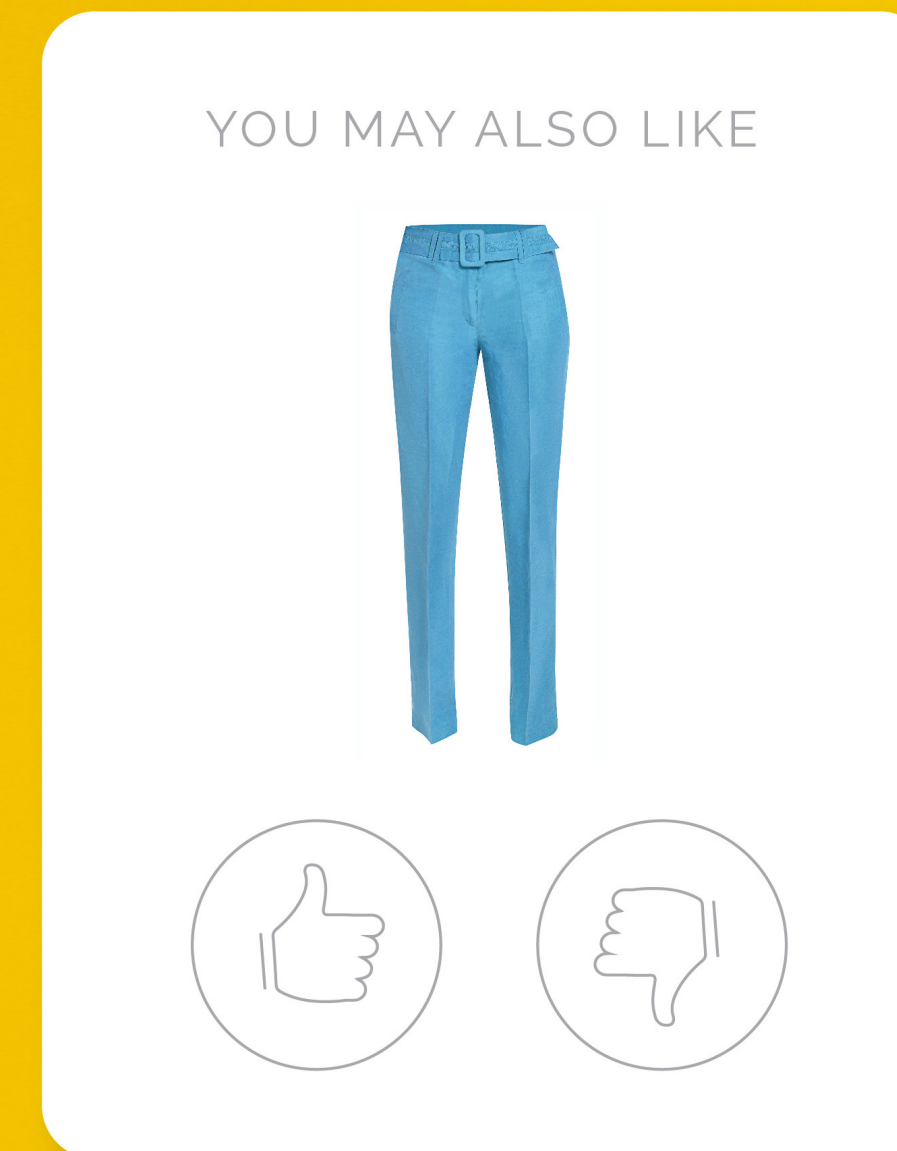
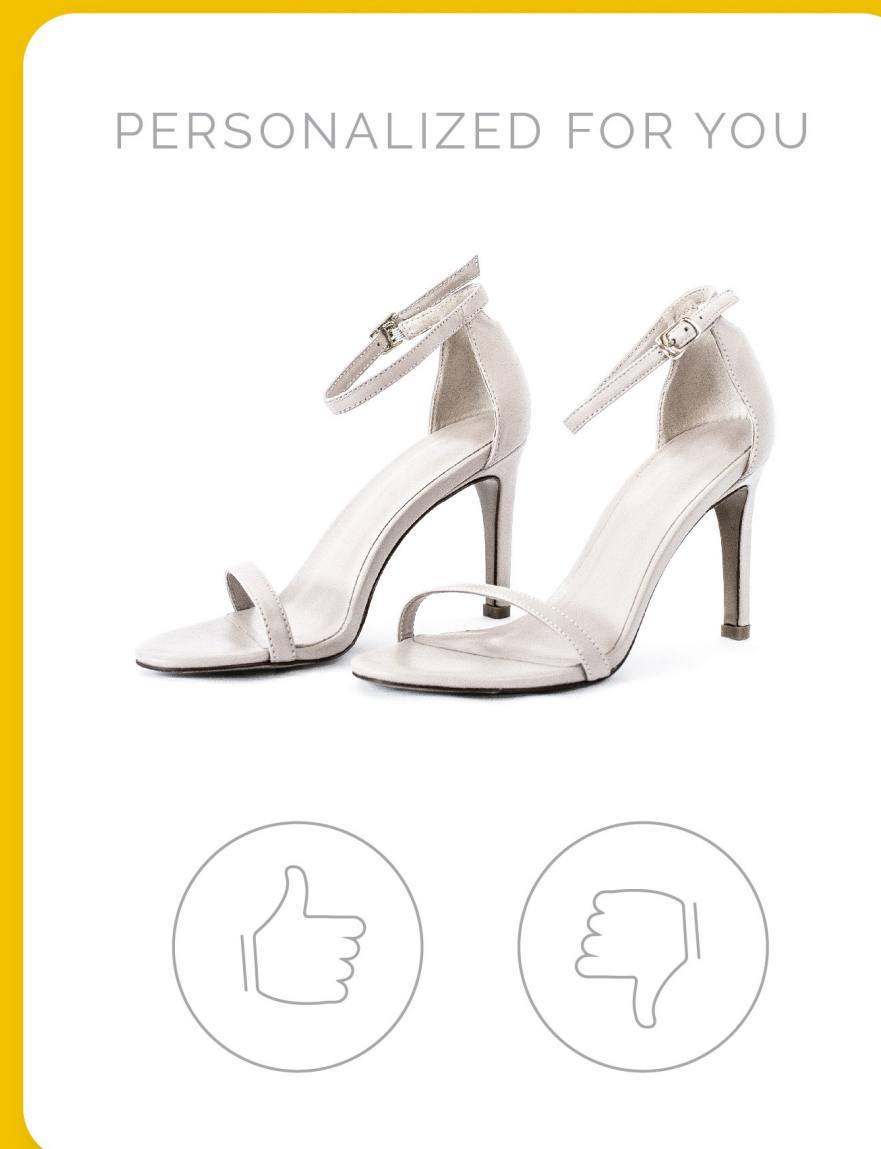


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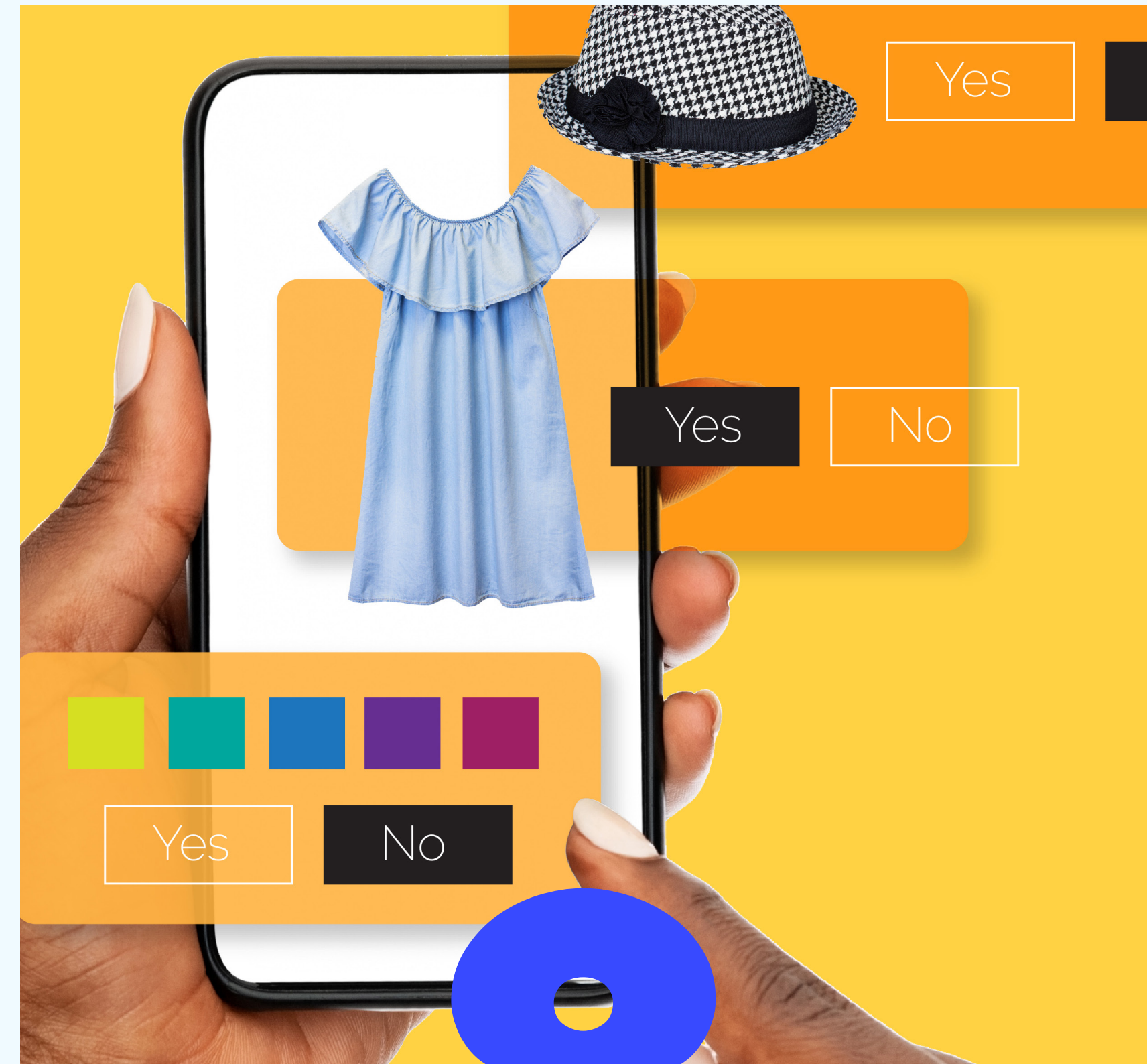


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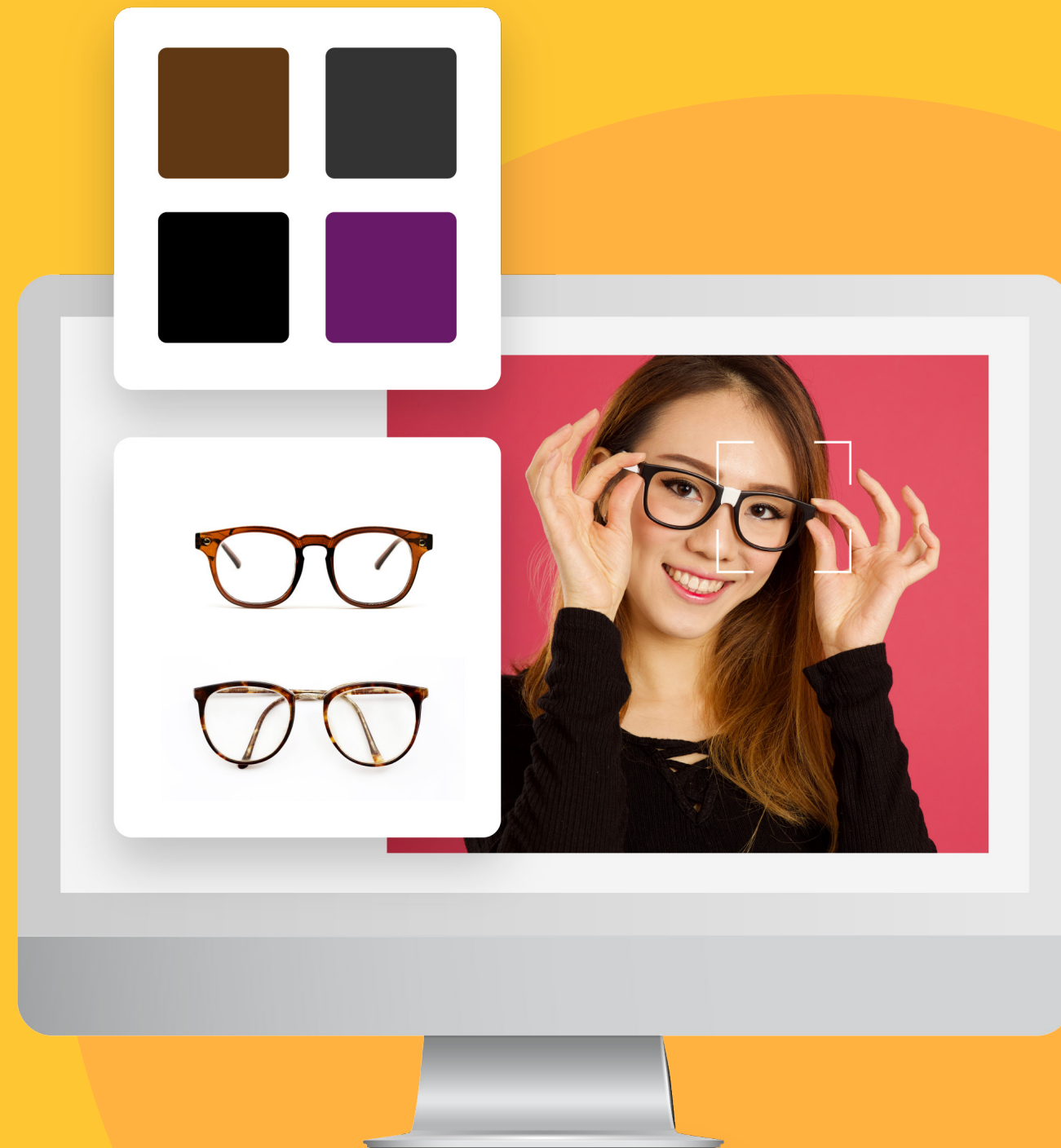
Key Takeaways

INTRODUCTION

Welcome to ViSenze's State of Retail AI report, volume 4.

If you've been keeping up with the latest must-haves in the online retail world, there's a chance you've heard a thing or two about **personalization**. In this edition of ViSenze's State of Retail AI report, we'll take a look at what makes personalization such a powerful tool across industries.

From fashion to eyewear, we'll provide you with industry insights about how retailers are approaching personalization to ensure they're capturing data on exactly what their customers need. We'll also share the challenges they face in regards to ethics and compliance in this ever-changing digital space.

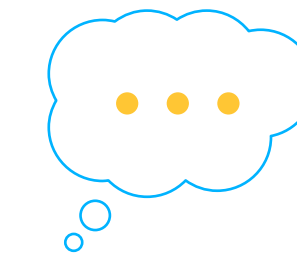


Personalization helps build loyalty, increase purchases, reduce returns and offers consumers a more tailored and enjoyable shopping experience.

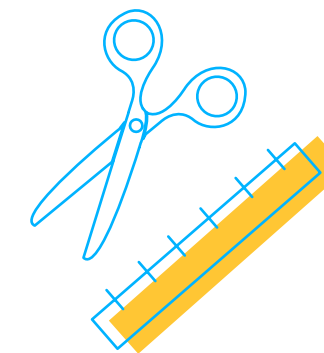
KEY FINDINGS



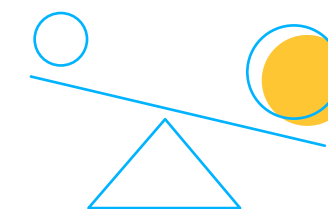
Providing personalization across platforms is vital as consumer behaviors change.



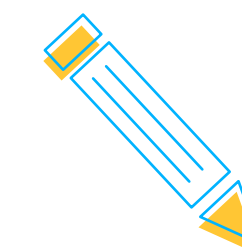
Understanding consumer intent quickly is the way forward.



Tailored offers can lead to an increase in revenue and promote loyalty.



Personalization is a balancing act.



Tailored product offerings are no longer just a trend.

TOP TRENDS IN PERSONALIZATION

While personalization sounds simple enough — find out what the consumer wants, then give the consumer what they want — it can actually be challenging to capture the data brands need in order to deliver on their end.

Let's take a look at a few unique ways retailers are creating digital profiles based on their consumers' requirements and preferences.

Virtual Styling As a Value-Added Service

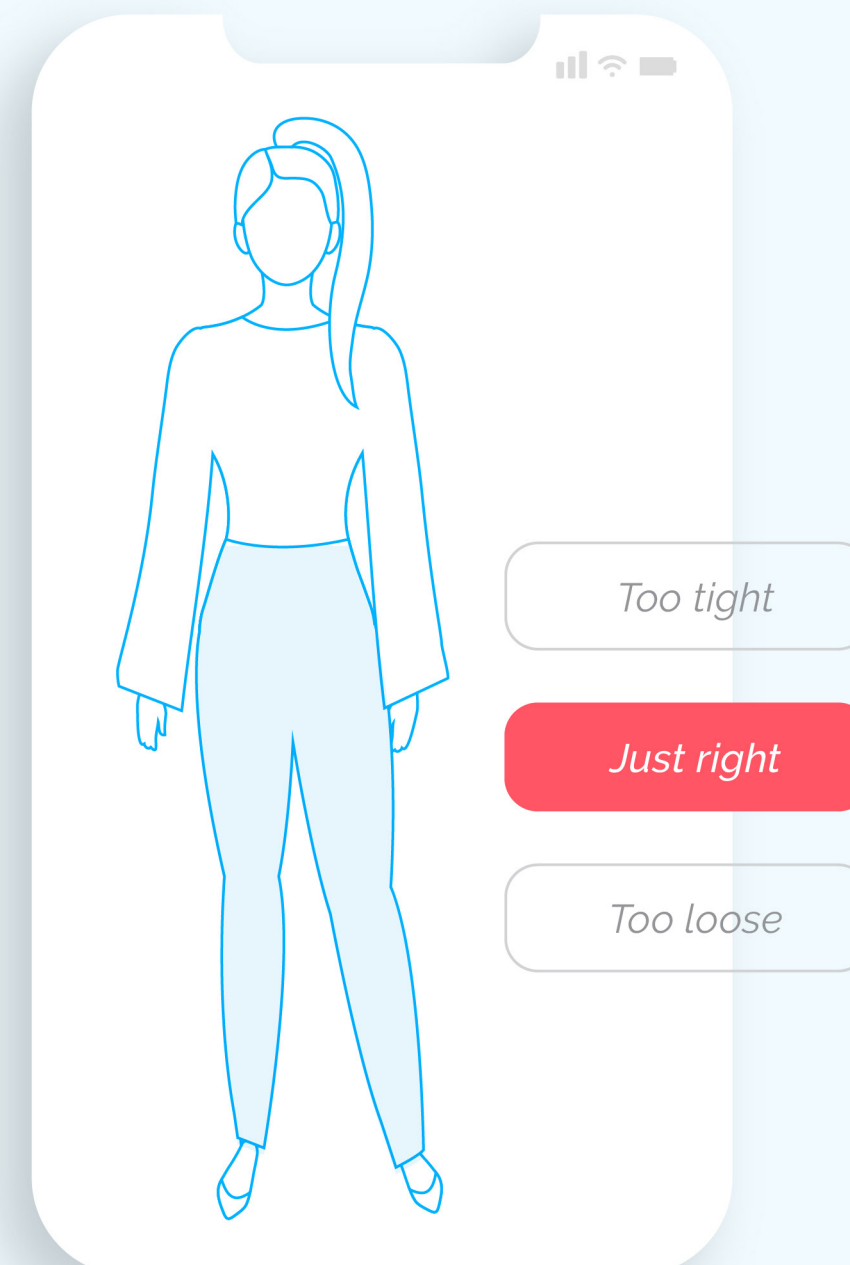
This approach aims to further humanize the online shopping experience. Styling services help recreate the feeling and attention customers might receive at a high-end, brick-and-mortar retail store. While already growing in popularity, digital adoption sky-rocketed during the global pandemic with no way to shop in-person.

Stitch Fix is an online personal style service that brings together technology and the

Stitch Fix's AI machine-learning systems are able to meticulously convert large amounts of data into personalized fashion recommendations.

human touch. Users to complete a style quiz to reveal their preferences. From there, users can receive styling and outfit recommendations that fit their needs. They are able to try on outfits, keep what they like and send back what they don't, providing additional data and insight about their preferences.

By redesigning the way that customers share data and shop for clothing online, Stitch Fix has managed to create the perfect scenario for online personalization.



The service requires users to complete a **style quiz** to reveal their preferences.

Users can receive styling and outfit **recommendations** that fit their needs.



They are able to **try on outfits**, keep what they like and send back what they don't, providing additional data and insight about their preferences.

TOP TRENDS IN PERSONALIZATION

Real-time tailored shopping



With 80% of purchases happening on day one, it's common that if a customer can't find what they are looking for they will go to a different site to shop.¹

This is why it's crucial to capture the shopper's attention quickly.

With the right technology, retailers can customize the online shopping experience in real-time with visual AI rather than just text search.



This means that as consumers browse their website or interact with links, **they can be presented with products based on their actions.**

Real-time customization can be extremely effective across retail industries because brands are able to **capture customers' attention at a pivotal moment** — when they are already engaged with their products.

¹. <https://www.forbes.com/sites/gulnazkhusainova/2020/09/01/when-it-comes-to-fashion-personalization-is-easier-said-than-done/?sh=4dd85e7a6d96>

TOP TRENDS IN PERSONALIZATION

Gamification

Customers don't always want to go through the effort of telling retailers exactly who they are and what they like. But they do want to reap the benefits that come with that knowledge transfer.

Brands have leveraged innovative approaches like gamification to create richer and more personalized digital experiences for their customers.⁶ These types of dynamic solutions are more engaging and entertaining than simply filling out an extensive form. Consequently, users are more inclined to start and complete the process, giving retailers the information they need most.

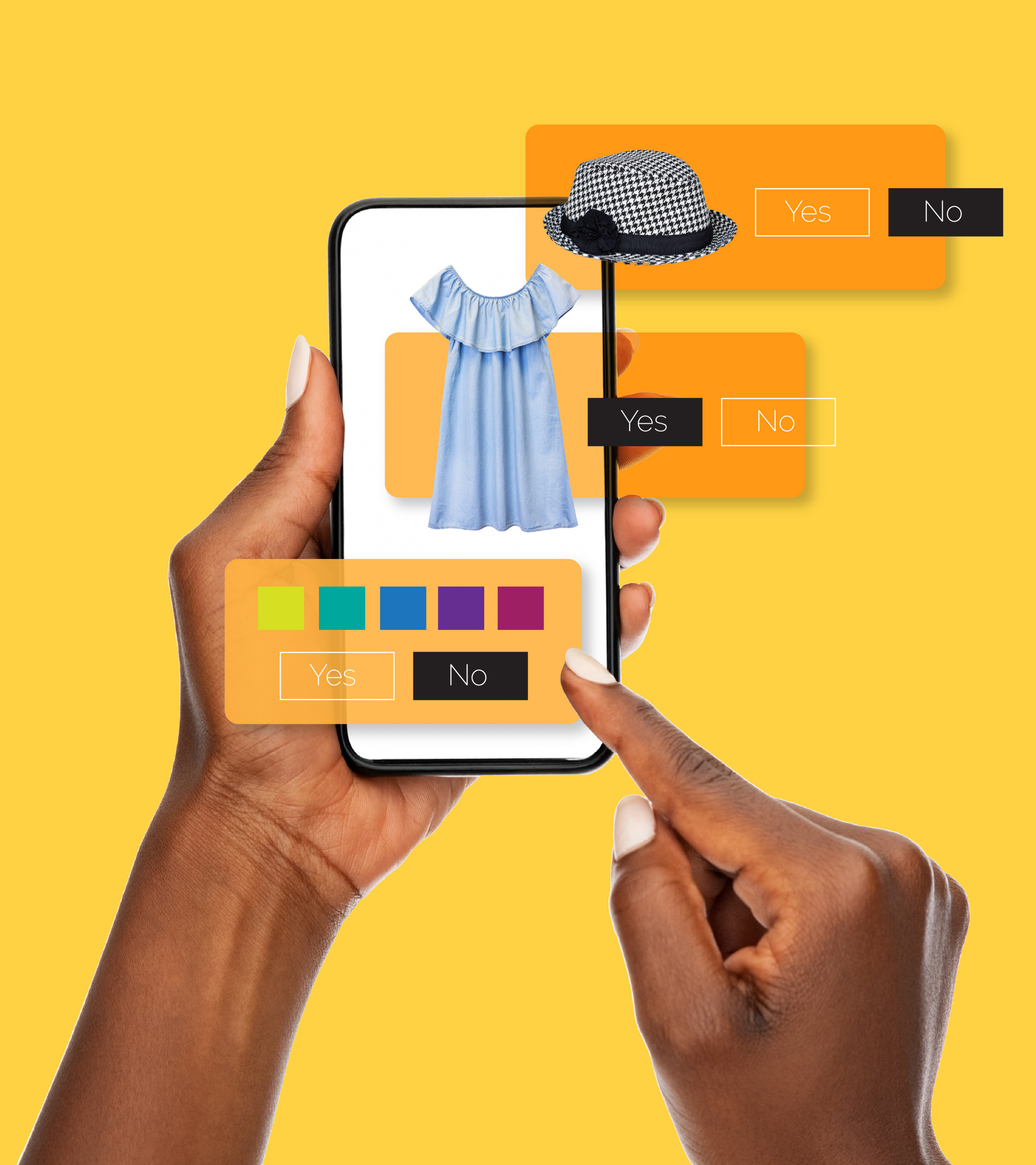
Keep in mind that not all customer segments are keen to try these types of solutions, so it's important to differentiate which types of audiences this approach works best for.

These types of dynamic solutions are more engaging and entertaining than simply filling out an extensive form.

The Yes is an example of a brand that is doing gamification and personalization the right way. This innovative online retailer aims to make shopping "smarter, easier, and actually fun again."²

The Yes starts potential shoppers off with an engaging style quiz that features eye-catching images and a few lines of text. Users simply mark product suggestions as "yes" or "no," providing a wealth of data to the retailer. After completing the assessment, The Yes uses the captured data to refine product suggestions and offers users a personalized homepage and daily feeds built based on their selected preferences. Each time the shopper returns to the website, they see curated suggestions unique to them.

2. <https://www.theyes.com/about>



TOP TRENDS IN PERSONALIZATION

Subscription boxes

The subscription box trend began just over a decade ago and is still holding strong to its place in the retail industry. By 2024, the subscription trend is projected to contribute to 20% of revenue growth for digital commerce organizations.³

The significance of this retail model isn't totally clear, but a Forbes article attributes its success to "The Paradox of Choice: Why More is Less." This idea suggests that "the more choices customers have, the harder it is for them to decide, and in turn, the less likely they are to buy."⁴ Analysis paralysis is a situation many online shoppers find themselves in — they may be incapable of deciding what they want because there are simply too many options.

In fact, almost 40% of customers leave ecommerce websites because there are too many items to choose from.⁵

3. <https://www.shopify.com/enterprise/ecommerce-fashion-industry#7>
4. <https://www.forbes.com/sites/gregpetro/2019/04/12/why-subscription-boxes-are-here-to-stay/?sh=439852007037>
5. <https://fashinza.com/textile/technology/personalization-the-metaverse-and-nfts-technology-fuelling-the-next-phase-of-fashion/>

Subscription boxes help remove the overwhelm by curating a selection of products according to a customer's personal preferences. Ipsy Boxes has successfully implemented personalization into its cosmetics subscription service and provides unique product recommendations based on customer feedback.



For example, if a user notes **that they never wear eyeshadow**, they'll likely never get an eyeshadow recommendation.

But if they mark that **they love skincare**, they'll be shown cleansers and night serums whenever available. The process is simplified, personalized and creates loyalty.

CHALLENGES IN PERSONALIZATION: ETHICS AND COMPLIANCE

Data is the key to successful personalization. However, as customizing becomes more advanced, privacy concerns arise regarding how companies are using and storing customer data. With this, privacy laws have become stricter and personal information may become harder to acquire.

The General Data Protection Regulation (GDPR) is Europe's all-encompassing data privacy and security law.⁶ Under the GDPR, organizations that target or collect data from people in the EU are obligated to abide by strict privacy and security standards. As more countries adopt similar policies, it's imperative for retailers to stay in compliance when collecting data for personalization.

61% *"I will only share my personal information with a brand if required."*

57% *"I'm increasingly concerned with how brands use my personal information."*

44% *"I am OK with brands I like using my personal information to deliver relevant content and offers."*

40% *"I have refused to buy from a brand because of concerns around personal data use."¹¹*

Transparency First

One in five customers is willing to share their personal information in order to receive better or more accurate personalization.⁷

However, what online shoppers want in return is transparency.

Simply put, customers want to know how brands are going to use their data.



Third-Party Cookies

Third-party cookies are used to profile a user across different websites in order to target them for personalized ads. The tool captures data about users' interests, online behaviors and sites that they visit.³ With heightened concern about invasion of users' privacy, Google has announced that by late 2023 it will no longer support third-party cookies.⁸

Without third-party cookies, retailers need to focus on capturing consumer interests in real-time and collecting first-party data that is shared directly from the user.

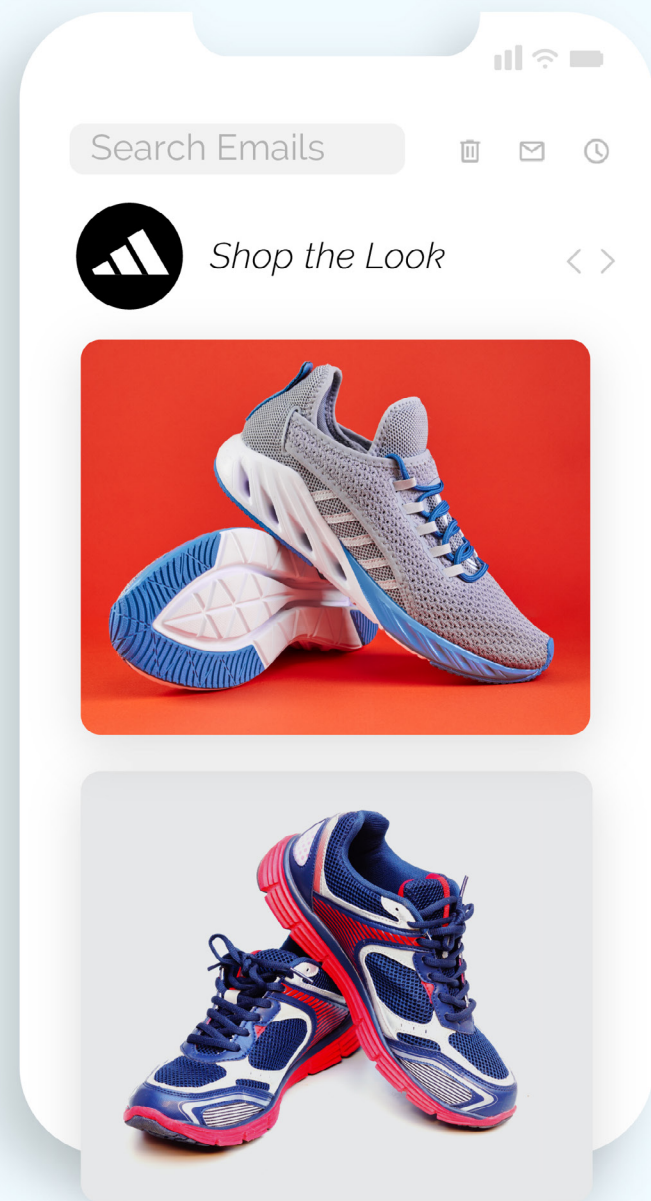


6. <https://gdpr.eu/what-is-gdpr/>

7. <https://www.shopify.com/enterprise/ecommerce-fashion-industry#7>

8. <https://www.gartner.com/en/digital-markets/insights/digital-advertising-without-third-party-cookies>

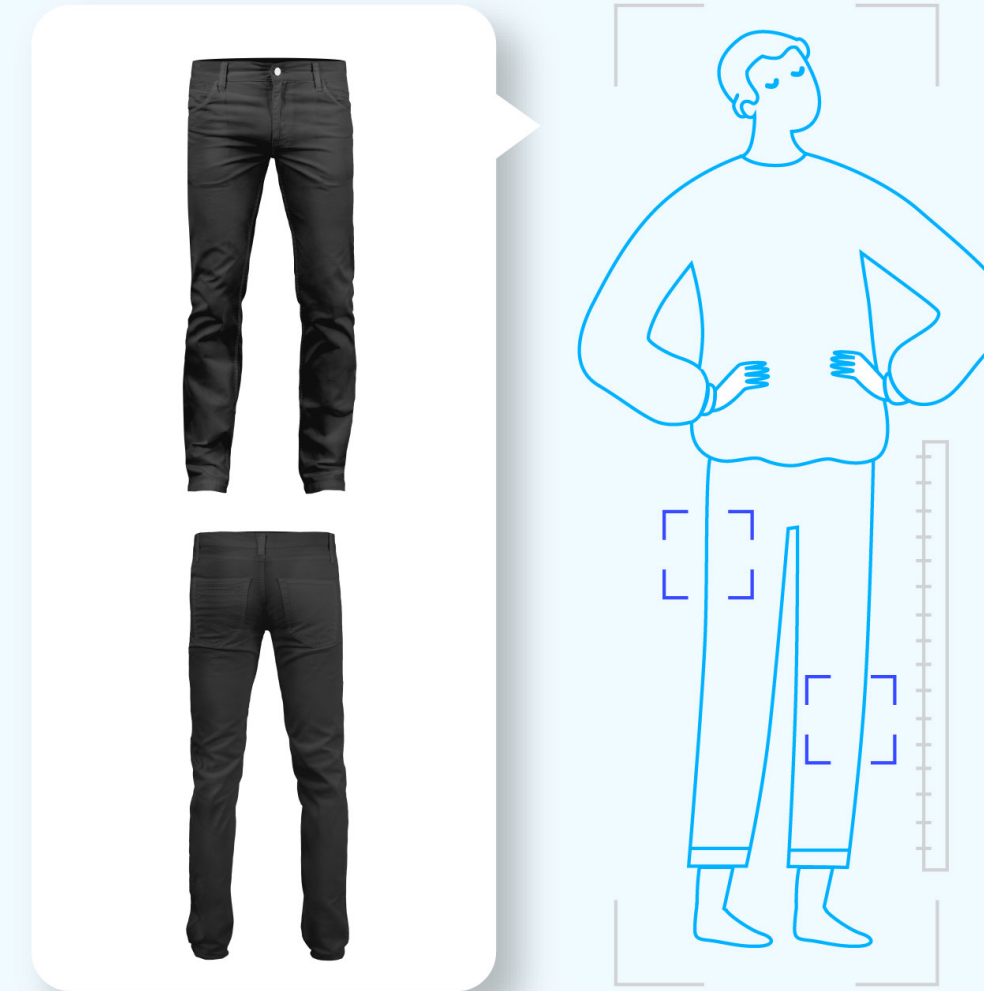
BRANDS DRIVING PERSONALIZATION



After years of making personalization a top priority, Adidas expands customization across all customer touchpoints. The brand uses **email to message VIP shoppers** and offers a feature that provides additional product recommendation that align with a recent shoe purchase.⁹

meesho

Meesho created 100 videos with consumer insights showcasing unique shopping trends from 100 Indian cities. **The videos had metrics specific to each city and highlighted shopping trends in each place.** Every video offered 13 personalized variables and interacted with every vendor and customer on a customized, one-on-one basis. These were then run as geographically targeted ads on social media.



H&M

H&M has taken the offline store experience a step further with personalized, on-demand manufacturing with an online recommendation system in the physical store. Last spring, one of the H&M Group brands and external partners launched a Body Scan Jeans pilot project. Customers can have their body **3D scanned in-store, which then generates a digital avatar**, enabling customers to try different denim colors and styles virtually. Machine learning then converts the body scan into a paper pattern and measurement list. The jeans are then produced and can be picked up in-store, or delivered, a few weeks later.

“ H&M has taken the offline store experience a step further with personalized, on-demand manufacturing with an online recommendation system in the physical store.



KEY TAKEAWAYS

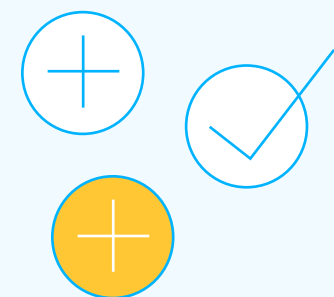
Personalization in digital commerce is the element that gives consumers the feeling of being understood. It allows brands to create better online shopping experiences and build customer loyalty that benefits both retailers and their shoppers. Innovative trends in personalization are allowing brands to:



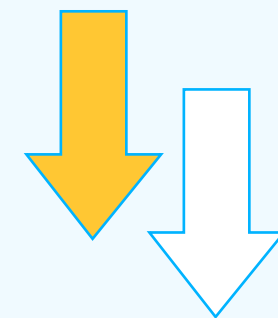
Capture consumer loyalty
quickly by tailoring shopping experiences in real time.



Provide a human touch
to online shopping with AI-powered digital styling services.



Engage customers
to make information delivery fun through gamification.



Reduce decision fatigue
in a saturated digital marketplace of products with curated offers.

When it comes to fashion consumers aren't typically purchasing solely based on necessity. They seek online retailers to find items that make them feel good and look good. And because each shopper has unique tastes and styles, personalization is the factor that can determine whether they checkout or move on to the next website.

While creating tailored offers has its challenges, it's a concept that modern shoppers will continue to seek and demand.



ViSENZE

ABOUT VISENZE

ViSenze is the world's smartest product discovery platform. Retailers like Rakuten, Zalora, Meesho, DFS, EyeBuyDirect trust ViSenze to power their product discovery.

ViSenze processes over a billion queries a month from retailers, supporting them in-store and on ecommerce sites. Use cases range from enhanced search, product tagging, smart recommendations and merchandising analytics. To learn why the world's leading brands trust ViSenze, visit www.visenze.com.

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