



The **Ultimate Guide** to Personalization in Ecommerce

Marketers are spending nearly 15% of their budget on personalization — yet almost two-thirds report they have less-than-stellar results. Here's how to change that.

White Paper

Contents

- ▶ **Why Your Personalization Strategy Is Failing**
- ▶ **Going from Personas to People**
- ▶ **The Five Fundamentals of Best-in-Class Personalized Experiences**
- ▶ **What Are the Obstacles to Effective Personalization?**
- ▶ **Where to Start?**
- ▶ **Taking Personalization to the Next Level with Innovative AI**
- ▶ **The Impact of Personalization using AI**

Why Your Personalization Strategy Is Failing

It's hard to find a brand with an online presence that isn't investing in personalization.

It's also unfortunately easy to find brands whose personalization efforts are missing the mark.

Your customers care about personalization. A lot. Thanks to digital giants, consumers have sky-high expectations for their online experiences.

They're used to Netflix guiding them to movies and shows they'll love; to Etsy knowing whether their **style** is romantic or rustic; and, of course, to Amazon, where recommendations account for more than **one-third of sales**.

Now that the bar is raised, consumers want nothing less than experiences that are tailored to them:

- **78% of U.S. online adults have chosen, recommended, or paid more for a brand using personalized digital experiences or services.**
- **6 in 10** survey respondents report that personalization is a standard of service.
- The more **personalized pages** a consumer views, the greater conversion rates are.

As **Gartner reports**, marketing leaders globally are spending 14% of their budget on personalization. But 61% say they're either getting no results or ambiguous results from that investment.

So if personalization matters so much — why is it falling short? And what can brands do about it? **We have to stop treating people like personas... here's how.**



Going from **Personas to People**

Hint: you need AI.

For decades, personalization has meant persona-based marketing: A brand creates a fictionalized representation of a potential buyer — for example, an avocado-toast-eating urban millennial or a middle-aged suburban soccer mom. Then they shape or reshape their products and services based on what they believe those characters need and want.

But there's a problem with this approach. Shoppers have ALWAYS had interests that go beyond one simple category. That's especially true in today's digital economy, which has opened up access to more products and product information than ever before.

In other words, brands aren't in charge anymore. Consumers are. Brands can no longer treat them as a static "type" but as individuals with changing wants and needs. Personalization no longer means figuring out whether a shopper is a soccer mom or a trendy millennial. It does mean figuring out what they need at a specific moment and serving that need. That's a tall order.

So how can you accomplish this kind of individualization? Thanks to machine learning, we can now understand in real time what a shopper wants and how to deliver it. AI uses data from search queries, viewing history, past purchases, and social media recommendations to determine what a shopper's intention is and then act on those intentions.

Facts, not fictionalized characters, provide a more predictive, personalized, and fulfilling customer experience.

While personas have helped marketers put themselves in their customer's shoes over the years, the digital revolution renders this made-up world increasingly irrelevant. Marketers must now sunset the static stereotypes of consumers and instead focus on following their ever-changing moods and buying patterns. As they do, there are some emerging best practices to follow.

The **Five Fundamentals** of Best-in-Class Personalized Experiences

Personalization means a lot more than merely greeting a customer by name. Instead, truly personalized experiences provide real value for your customers.

Such experiences share five key fundamentals:

1^{Be} Relevant

To be relevant, your website must play a role similar to that of a smart staff member at a brick-and-mortar store.

Here's an example: Let's say one of your site visitors keeps seeing recommendations for Apple keyboards because they purchased one a few weeks ago. That recommendation is customized to them, but it's NOT relevant. This customer is actually more likely to be interested in other Apple products to combine with their previous purchase. A savvy store clerk understands this. And, with tools like AI, your website can, too.

2^{Be} Pervasive

You can't just sprinkle personalization here and there on your website. That creates a fractured, frustrating experience.

Personalization must be applied everywhere. Where to start? The search box. Tailor autocomplete suggestions to individual visitors. From there, personalize onsite navigation. Customize facets to narrow results using the most relevant filters for each shopper. Ultimately, search results should be ordered by personalized relevance. Recommendations are another hallmark of personalization. They can inspire visitors by guiding them to highly tailored content and products based on their preferences.

3^{Be} Individualized

We've already talked about how traditional, demographic-based segmentation just doesn't cut it anymore.

It relies on single data points, such as location, age, gender, and past purchase history. But these point to the customer's past, rather than current intent or need.

Instead, brands must stitch together a dynamic customer profile using real-time interactions, demographics, and in-context data collected across channels and sessions to personalize products, content, and experiences.

4^{Be} Effortless

The rise of digital channels reduced friction for customers.

They no longer have to visit brick-and-mortar stores or have their sales rep meet them on-site to make a purchase. Instead, they can easily order products online. However, the rise of digital channels has also increased the amount of information available. While this can be helpful, it also produces a lot of noise, which may actually prevent shoppers from completing the purchase.

Search results shouldn't make it difficult for customers to find what they want, when they want it. Effective personalization uses data on behavior and intent to cut through the noise, providing tailored facets and filters that help customers meet their goals faster.

5^{Be} Integrated

Finally, personalized digital experiences should take advantage of all the customer data that is available.

Imagine a first-time customer making a purchase on your website or mobile app. The next time they check in on your mobile app, you automatically generate personalized product recommendations. The customer adds a recommended product to the cart, but does not complete the purchase. This information is stored in the customer record. Later, when the customer happens to pass by your physical store, personalized promotions or digital content prompted by geotargeting motivate them to step in and finally make that purchase.

We see now what personalization can be. But what keeps brands from achieving this?



What Are the Obstacles to **Effective Personalization**?

So far, we've talked about how personalization is essential for driving online sales. But many brands are failing to tap into the power of personalization.

Data issues are at the top of the list. Digital leaders that have mastered personalization run on massive amounts of data from regular, recurring users. But the number of brands that have access to this amount of data — and have the resources to act on it — is actually tiny. Most businesses are able to collect only fragmented and incomplete user data.

Cold-start shoppers make up 70% of site traffic — that includes genuinely new visitors who have never been on the site — as well as those who are categorized as new visitors since they only login at checkout.

And then there's the fact that, to your shoppers, your brand experience encompasses your website, your online store, your online help, your customer service team, and beyond. But legacy search technology does not support omnichannel capabilities and leaves information siloed. Failing to carry data signals and interactions intelligently from one silo to the next disappoints your customers.

We've just hit you with the bad news about personalization. The good news is that we now have technologies that allow *all* brands, not just the aforementioned digital giants, to create personal, relevant experiences that satisfy customers and drive sales.



Where to Start?

Forget the hoards of data you don't have, focus on what you do have. Let's look first at what data you have now, and what data you can get.

1. Data you have

Even the most rudimentary of system will have:

Catalog data (unique SKUs)

Including any taxonomy (product categories)

Page view data

By applying machine learning with just these two data types you should be able to start predicting what someone might want — based on what others have done. By looking at the log or page view data, you can see what was queried, what was rewritten, and what was selected.

This “signal data” (behavioural data) allows the machine to make query suggestions, re-rank results, and provide meaningful recommendations. Typically, this data has been historic in nature.

2. Data you can get

We can add a layer of personalization by also adding in:

Query data

Signal data from a tracking pixel

Product detail view

Conversion data (cart, checkout, purchase)

Location data

Browser data (desktop vs mobile)

Pros: You can come up with some pretty good recommendations

Cons: You can miss the boat entirely

Many pundits believe that bad recommendations are worse than none at all because at the least they appear as noise to the customer, and worse, they can miss the mark entirely. For example, based on geo data in the New York City region, you might suggest sports paraphernalia of the local teams. Not good if the person is really a Philadelphia fan.

So personalization systems that look at people as personas — and make recommendations accordingly — may be actually confounding customers instead of converting them.



Coveo's machine learning responds to what a person is choosing — and not choosing.

Taking Personalization to the **Next Level** with Innovative AI

Now with new advances in AI and machine learning, you can start to level up on the personalized experiences delivered to shoppers — even anonymous ones.

Coveo has done extensive [research in the field](#) — to develop functionality that personalizes in a very unique way. The technique is based on a combination of product vector mapping and in-session user behavior. Let's unravel what that means.

Our technology maps products that are more akin to one another. Brands, sizes, price points, colors — all these attributes help create a product vector map. Think of this like a map of a store with similar items being displayed near one another. This “virtual mapping” of products creates a product vector.

Then Coveo's machine learning uses that ‘virtual map’ with interaction data and responds to what a person is choosing — and not choosing — to re-rank items, offer query suggestions, dynamic facets, and recommendations.

So despite not having a ton of personal data, you still can provide highly personalized recommendations to the user — all without asking for an email address!



Example of 'Personalization as you go'

The easiest way to understand how this works is through an example. So let's imagine Maya, a first-time visitor to an online sporting goods retailer. Maya wants to start running. The first thing she does on the website is search for "running shorts" and add a few pairs to her cart.

Next, Maya searches for "sneakers." Of course, this is a pretty big category. To personalize the experience, the site has to figure out whether Maya wants sneakers for walking, basketball, tennis or running, just to name a few options. And, remember, she's never visited this retailer online before. So the website can't reference her past purchases. All it has to work with is the fact that she's already put women's running shorts in her cart.

But, in this case, that's enough to personalize her experience. That's because the retailer is equipped with AI and machine learning. With this technology, the site can play a role comparable to that of a smart salesperson at a physical store — and personalize as you go.

If a salesperson saw the running shorts in Maya's shopping cart, the clerk would quickly figure out that when she says she's looking for sneakers that she probably means women's running shoes.

Now the website can do the same thing. When Maya types "sneakers" into the search box, women's running shoes top the list of results.

So how is this possible?

Think of product data as a "space" of user interactions with products. Two products that are similar will be closer in the space. The intention of the users around women's running shoes differs from the intentions of users with women's casual sneakers. And these intentions may not be represented in the catalog. Women's running shorts and women's running shoes are more related by user intent in this "space."

As a user browses more through the "space" while viewing products, her intent can be deciphered. And the road to conversion or discovery of additional products can be paved with less data than might otherwise be needed.



Interested in diving into the technical detail of how this is done? Visit here:

[**Clothes in Space — Real-time personalization in less than 100 lines of code**](#)

This will help on that front.



The Impact of Personalization Using AI

We've shown you how the newest advances in AI technology allow you to create relevant shopping experiences with minimal data. Intent-driven, session-based personalization increases the chances a visit to your website will lead to a sale. But it also has longer-term effects.

According to [McKinsey & Company](#), successful personalization builds customer engagement and loyalty. When you make a shopper feel seen and heard, they're more likely to become a repeat customer. Even when we're interacting with machines, we want our individuality to be recognized. Today, thanks to AI, it's finally possible to deliver these richly personalized experiences online. The future of ecommerce belongs to the brands that embrace this. As [McKinsey](#) puts it, "Personalization is becoming more pervasive. Only by acting today, however, can companies hope to be in a position to deliver value to both their customers and their brands."



Learn more about Coveo

Coveo is the world's leading cloud-based relevance platform. The Coveo Relevance Cloud™ uses applied AI to deliver relevant experiences in all digital interactions, from search to recommendations to personalization.

[Contact us](#)

