

Do personalized experiences matter to your customers?

Medallia



Overview

Personalization is not a new topic for customer experience leaders. Whether defined by an added human touch to interactions, more tailored content and recommendations, product customizations, or special status and recognition, there has long been interest in moving beyond a default of leaving the customer feeling they were put into a “one-size-fits-all” box.

Yet, now is a more appropriate time than ever for brands to think about how personal the experience is for each customer they serve, and if deficiencies in this area are putting them at risk of market share decline in the future. Consider these recent trends: industry disruptors rapidly changing consumer expectations, digital channel use and location flexibility accelerated by the Covid-19 pandemic, leisure activities like

audio and video streaming becoming far more niche and customized, and the proliferation of artificial intelligence into a vast amount of customer-facing applications. The new potential for making experiences more personal than ever means brands cannot be content with sitting on the sidelines.

To better understand consumer sentiments and takeaways for brands looking to enhance their personalization capabilities, Medallia surveyed two thousand U.S. consumers in August 2023. Our aim is to shed a light on how personalization affects brand choice, what consumers want most among personalization feature options, and where they see opportunities or concerns in what might be needed to implement personalization further.

Can personalization drive incremental customer activity for a brand?

It's one thing for consumers to say they like experiences to feel personal. But it is another to understand if consumer behavior, in the form of which brand they choose or how much they choose to spend, is actually affected by the personalization capabilities of the brands they consider.

Research indicates that sizable majorities of consumers show preference toward, and place a premium on, superior experiences when choosing where to shop.

Customers choose based on better experience

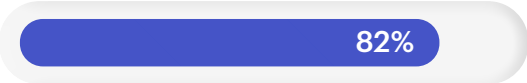


From Medallia Market Research August 2023 Personalization Survey (n = 2,001). “For each of the following, select the choice that best represents your feelings.” % selecting agree or strongly agree (4 or 5) on 1-5 scale

And complementary findings also show that brands can expect incremental customer activity when differentiating themselves from competitors on the basis of how personalized the experience is that they deliver. Eighty-two percent say it's a common deciding factor (playing a role in at least half of situations) when choosing one brand over another.

As brands consider the added complexity and cost of making experiences more differentiated through elements of personalization, the business case often stands strong when considering the added transaction volume or spend (or on the flip side, the potential loss of customers) depending on how strong or weak personalization capabilities are.

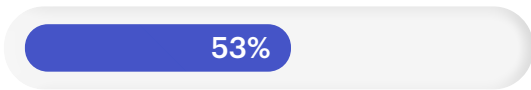
82% say “personalized experiences” drive their choice of brand in **at least half** of shopping situations.



From Medallia Market Research August 2023 Personalization Survey (n = 2,001). “How often do you feel a company that provides more personalized experiences gets you to choose them, or spend more with them, instead of choosing a competitor?”

Brands should recognize that getting personalization right in one or two aspects of the customer experience, but leaving major gaps in the rest of the journey, will not suffice. Customers are likely to be disappointed with the level of personalization they've experienced if they see timely references to their identity, purchase history, and tailored recommendations in an email they just received, but are then met with a blank slate when calling a company representative minutes later. More than half of customers want to see personalization elements regularly across interaction points, if not in *all* interactions.

53% of customers believe companies should use elements of personalization in most or all interactions



From Medallia Market Research August 2023 Personalization Survey (n = 2,001). "If always possible, how often would you want a brand to use elements of personalization when they interact with you?" % selecting "often / more than half of the time" or selecting "every time"

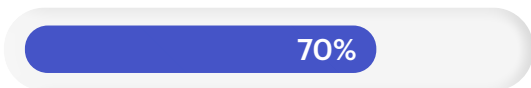
Are brands doing enough to create personalized experiences today?

While consumers want personalization, they often find brands fall short in delivering on the promise. Whether it is brands collecting customer information presumably for the use of tailoring experiences, or in promoting themselves as offering a highly personal touch to what they offer, in either case over half of consumers can recall a situation of being left underwhelmed. Even more alarming, but perhaps not surprising considering the current struggles of staffing and capacity, nearly three in four consumers feel not enough is being done to make interactions feel as personal as they could.

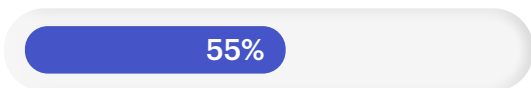
Sentiments on the current state of personalization

% Agreeing

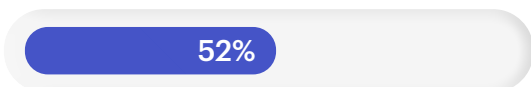
"Companies could do more to make interactions with customers feel more personal"



"I have experienced a company asking me for information about myself multiple times and then never doing anything useful with it"



"I have had a past experience where a brand has said they will provide a highly personal experience but then failed to deliver on it"

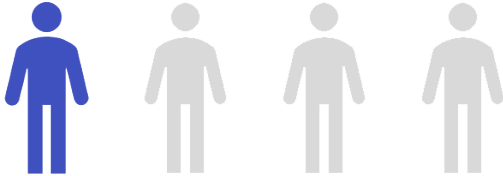


From Medallia Market Research August 2023 Personalization Survey (n = 2,001). "For each of the following, select the choice that best represents your feelings." % selecting agree or strongly agree (4 or 5) on 1-5 scale

When recalling the most recent phone or online interaction survey takers had with a company, very few say their experience felt highly personalized. Only a quarter gave the highest or second highest possible rating on the scale provided.

Level of personalization in most recent company interaction

Only 26% rate the **level of personalization** in their last company interaction as a 9 or 10 on a 0-10 scale.



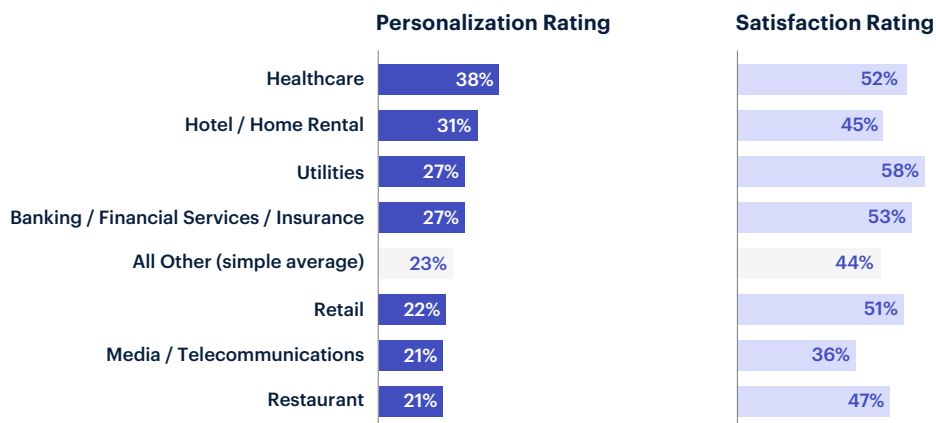
From Medallia Market Research August 2023 Personalization Survey (n = 2,001). “For this recent interaction with the company you have been asked about, how ‘personalized’ did it feel to you? Use your best judgment on what ‘personalized’ means in terms of interacting with a company.”

On an equivalent scale asking about their level of satisfaction, respondents are nearly twice as likely to give top marks (49% vs. 26% rating the two highest possible scores). While this does indicate the possibility for an interaction to be satisfying even without it being personalized, it also reveals that of the many characteristics brands have spent decades enhancing to meet consumer demand, personalization likely has a larger hill to climb to catch up.

This is also true based on the relative maturities of some industries over others when it comes to how personalized a typical interaction feels. Healthcare and hospitality get the best average scores on personalization from our research. While the rank order of industries by personalization and by satisfaction doesn’t fully line up one-to-one, some industries like financial services and utilities serve as good models in being above average for both — perhaps benefitting by the lengthy history and recurring transaction cycle they have with many of their customers.

Customer Ratings: How Personalized, and How Satisfied

% Rating 9-10 on 0-10 Scale, by Company Type

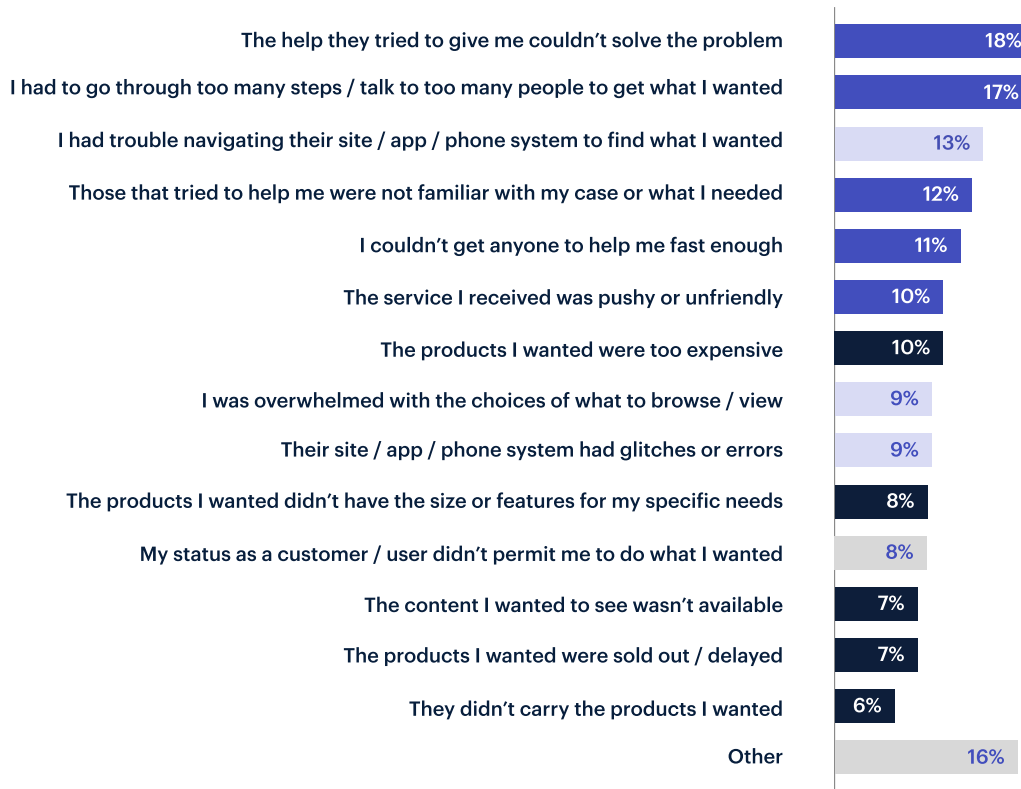


From Medallia Market Research August 2023 Personalization Survey (n = 2001).

“How would you rate your satisfaction with the interaction you had with the company on that occasion?”

“For this recent interaction with the company you have been asked about, how ‘personalized’ did it feel to you? Use your best judgment on what ‘personalized’ means in terms of interacting with the company.”

Why satisfaction isn't higher



From Medallia Market Research August 2023 Personalization Survey (n = 2001). “For this recent interaction, you indicated your satisfaction was below an 8 out of 10. What didn't the company do well enough for you to give it a higher rating?” Responses from those rating satisfaction as 0-7 on a 0-10 scale.

Subpar experiences are filled with issues that improved personalization capabilities could solve. It is far more common for a customer to be dissatisfied with a brand interaction due to obstacles in customer service or the user experience than it is due to the actual product the company sells. For instance, having to go through too many steps or speak to too many people, having trouble navigating the site / app / phone system, or interacting with an employee unfamiliar with the customer's situation all outrank dissatisfaction due to price being too high, products being sold out, or other issues.

Personalization in the form of improved customer recognition and continuity of knowledge about the customer across channels, and UX tailored to the preferences and content of interest to the customer, are some of the many capabilities with high potential to solve the biggest culprits of low satisfaction.

What are consumers seeking when they want more personalization?

Considering what customers say made some of their recent experiences dissatisfactory warrants additional research on the elements of personalization consumers resonate with most and further validates the importance of continuity of knowledge during the user experience.

Continued recognition of the customer, both during return visits and multiple interaction points within a single visit, rank especially high in what elements of personalization improve an experience the most. Not having to provide the same information about oneself when moving across various employees for help, or across different channels (especially webpages), are especially rated as key.

Rewards and recognition such as gifts, congratulatory messaging, and other events based on customer history milestones or calendar events like birthdays, rank near the top, too.

In total, respondents selected these as especially critical across over thirty individual tactics they may sometimes experience. The tactics, asked in random order, were grouped for analysis into the following themes (with individual tactics mentioned in order of popularity among customers):



Continuity of knowledge

Features included: not having to provide info again when transferred to a new customer service agent, not having to log in again when directed to a new webpage, each agent being able to see history of contacts about a given issue, and online carts / order lists being readable by employees in-store



Rewards and recognition

Features included: loyalty program rewards, birthday gifts, milestone rewards, rewards for reviews / social media posts, loyalty perks like priority customer service, and receiving brand merchandise



Flexibility of service

Features included: understanding on late payments or returns, flexible payment methods, customizing method of receiving items (e.g. shipping, curbside, etc.), customizing channel for customer service (e.g. phone, text, in-person, etc.), and customizing channel for comms (e.g. email, paper mail, app notifications, etc.)



Proactive touchpoints

Features included: proactive contact when an error / issue is detected, feedback requests following an interaction, proactive recommendations based on life stage / local characteristics, and proactive contact if transaction frequency has slowed



Content / recommendation tailoring

Features included: faceted / customizable search functionality, expert one-on-one consultation services, curated information shown when browsing based on user interests, special guidance or tutorials for first-time visitors, recommendations based on prior purchase history, opt-in to communications based on customizable topics, and content tailoring based on reaction / engagement with prior communications



Human touch

Features included: addressing customer by name in communications, using relaxed / friendly brand voice (e.g. slang, humor) in communications, using named customer signage / cards for when customer arrives in-person, informing customer of name of employee who prepared product, and hand-written communications

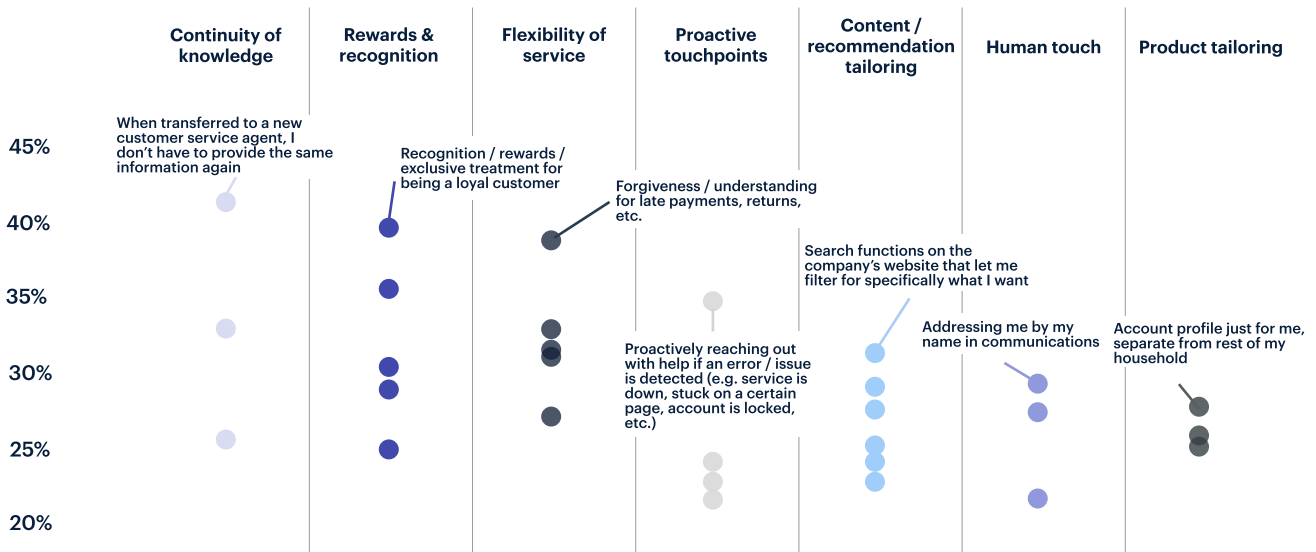


Product tailoring

Features included: enabling customer to have own profile within a shared household account, customizing contents / features of product itself (e.g. engraving name, adjusting size, etc.), and manufacturing product to bespoke requirements

Critical Elements of Personalization

% saying element has a “strong positive effect” on their experience.
Select named out of 34 elements asked (dot for each)



From Medallia Market Research August 2023 Personalization Survey (n = 2001). “Personalization when a company interacts with a customer can involve many things. Some possibilities are below. For each of them, please rate the extent to which they are likely to improve the experience for you.”

How do customers feel about what it might take to make experiences more personalized?

For a brand to differentiate itself via the level of personalization it incorporates into customer interactions, it should be prepared to both prioritize investment in implementation and also place careful consideration on the ways the customer experience could actually be worsened instead of improved, if not done right. For instance, cumbersome burdens placed on the customer in order to be able to experience more personalized offerings, or drawing concern over both data privacy and how the data is used, should be mitigated.

Our research reveals that brands should be cautious of the ways consumers may have apprehension about personalization enhancements — but fortunately, the majority of respondents do not express concern about these areas, respectively:



Preference assumptions based on group stereotypes

As presented to the respondent: “Companies using age or other demographic characteristics to make an educated guess about your preferences and interests (e.g. by default using text communications for younger customers and paper mail communications for older customers)”



Excluding customers from messaging they may have wished they had

As presented to the respondent: “Companies messaging customers on just what they care about most, even if it means missing out on other info they may wish they had later on (e.g. advertisements just about a product’s safety rating, but missing out on info about a discount which was only seen by customers who made it clear they care about price more)”



More AI-driven interactions

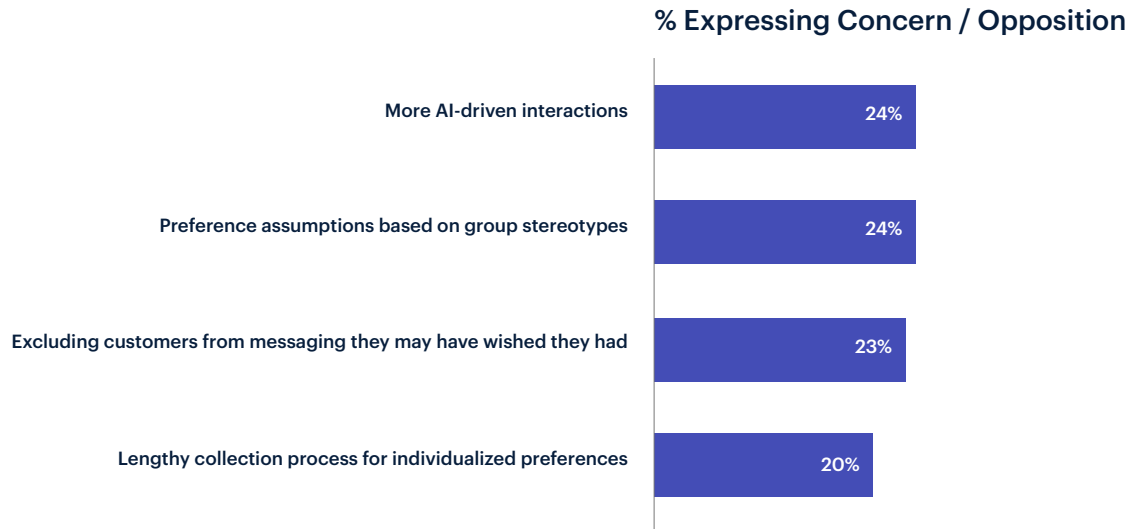
As presented to the respondent: “In order to give the most personalized experience to you as often as possible, too much data and processing would exist for an employee to handle at once and therefore more interactions would be handled by artificial intelligence instead”



Lengthy collection process for individualized preferences

As presented to the respondent: “In order to learn all of the specifics for your interests and preferences, a company would need to ask you dozens of questions upfront in order to design a more personalized experience going forward”

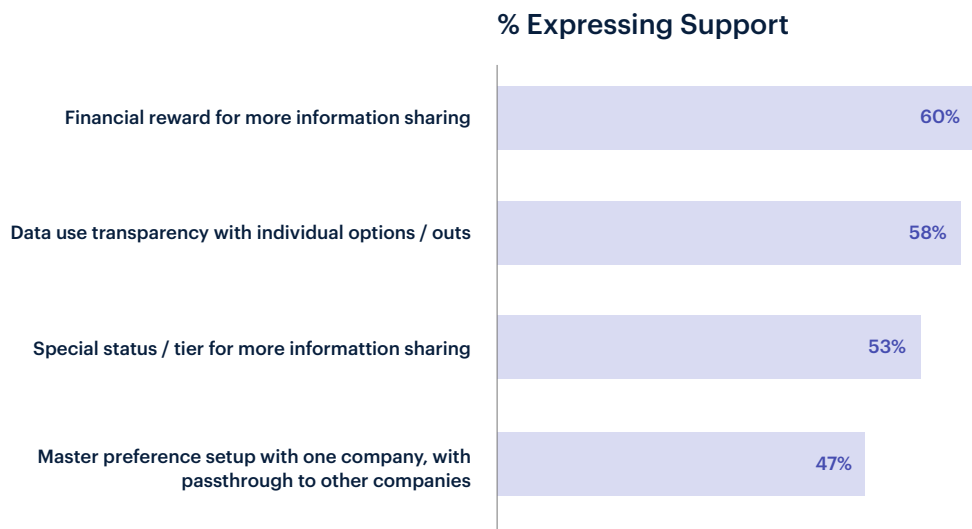
Consumer reactions to what might be needed to implement personalization features



From Medallia Market Research August 2023 Personalization Survey (n = 2001). “For companies to personalize the experience they deliver to you in the future, it may require some changes from how they interact with you today. For each of the following, please share your view on how accepting you would be with companies doing these things in order to deliver a more personalized experience.” % selecting 1-2 on a 1-5 scale of support level.

And in many cases, a majority of consumers are also on board with expansions of how data is used and shared in order to create more personalized experiences for them, as long as there is something in it for them as a result, via rewards or reduced friction points.

Consumer appeal toward possible tactics to drive data sharing needed for personalization

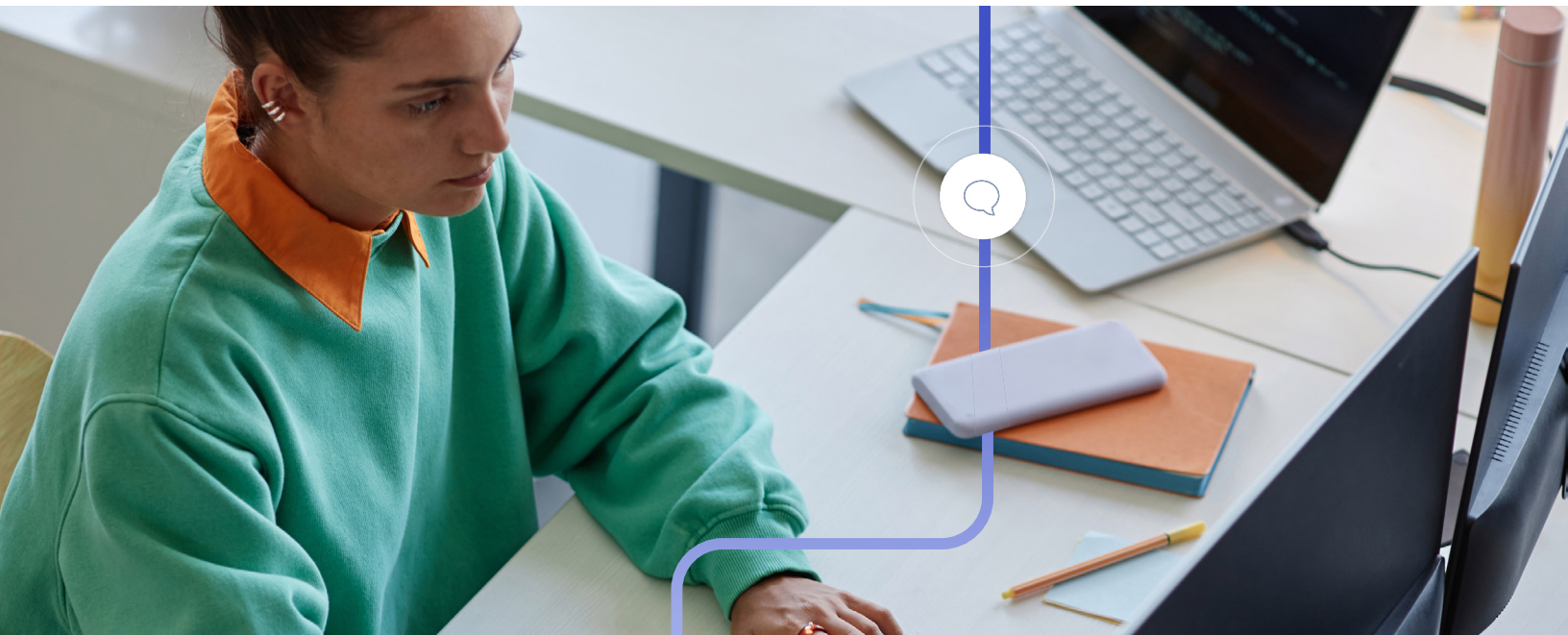


From Medallia Market Research August 2023 Personalization Survey (n = 2001). “A likely component of further personalizing experiences is that a customer’s data is used to tailor how the company communicates. For each of the following, please select the rating that best reflects your view.” % selecting 4-5 on a 1-5 scale of support level.

Takeaways

With now being an especially critical time to evaluate the level of personalization in their customer interactions, brands should be mindful of the following:

- **There is a case for personalization investment.** Consumers indicate they often choose one brand over another due to how personalized the experience will be, and are usually less than fully satisfied by how personalized a typical brand interaction is today. There is ample justification to judge personalization investment through the lens of incremental customer transaction volume and spend, or conversely customer attrition, depending on how strong or weak a brand is in this area.
- **Customers especially want personalization in the form of continuity across interactions and through special recognition.** What consumers find especially powerful in enhancing their experiences are the removal of friction points like needing to provide info about themselves or their needs over and over again between movements across channels or when interacting with different employees. They also value rewards and celebratory messaging for customer lifecycle milestones and events like birthdays. Important, though not ranking as high, are flexibility in channels or methods of being served, both proactive and tailored content and recommendations, an added human touch, and customizations to the product itself.
- **Most customers are not concerned about the implications of increasing personalization, but the minority that are deserve attention.** Brands should be strategic about how sensitive elements like data privacy and use, or additional required steps asked of the customer, may affect the experience. Implementing greater personalization cannot be done in a cavalier way without risking a worsened experience for some.



Methodology

Responses from U.S. general population using Medallia's CheckMarket survey platform and Medallia's Sense360 research panel

N = 2,001

Responses collected August 9-11, 2023

Representativeness weighting applied based on U.S. census distribution of age and gender

For questions regarding the most recent online or phone interaction with a company, distribution of company type was as follows:

The last time you interacted with a company either online (e.g. website, app, etc.) or over the phone, what kind of company was it?

Retail	19%
Banking / Financial Services / Insurance	17%
Healthcare	13%
Restaurant	10%
Utilities	10%
Media / Telecommunications	7%
Hotel / Home Rental	6%
Shipping / Logistics	4%
Auto	4%
Tickets / Live Events	3%
Airline	2%
Other	5%

About Medallia

Medallia is the pioneer and market leader in customer, employee, citizen, and patient experience. Medallia Experience Cloud captures billions of experience signals across interactions including all voice, video, digital, IoT, social media, and corporate-messaging tools. Medallia uses proprietary artificial intelligence and machine learning technology to automatically reveal predictive insights that drive powerful business actions and outcomes. For more information visit www.medallia.com.

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