PERSONALISATION **EXCELLENCE** ACCELERATES PROFIT

BCG **PLATINION**

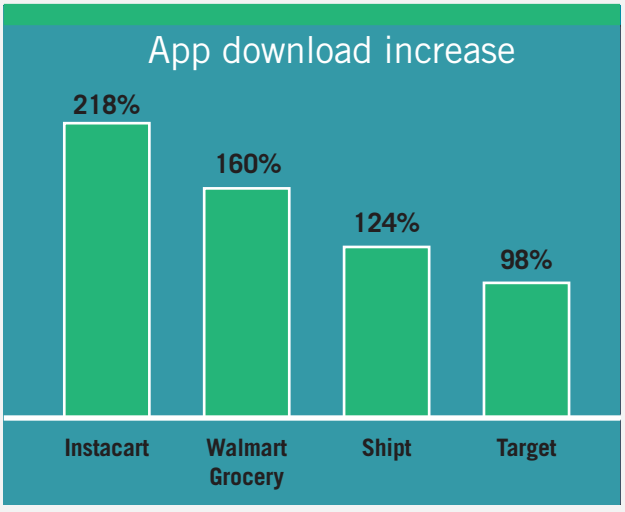
REALISING THE **"FULL VIEW OF THE CUSTOMER"** IN THE CONSUMER INDUSTRY

SALES THROUGH ONLINE CHANNELS HAVE DOUBLED since the first days of the COVID-19 pandemic and click and collect has exploded, increasing by over 70% compared to the same period in 2019. This is what recent BCG research has revealed. The crisis we are facing has already radically changed purchasing behavior, seeing on the one hand food retailers record a massive increase in the use of digital channels (**see figure 1**), and on the other hand the uncertainty and mood of consumers have become increasingly decisive factors in reducing demand for certain types of products.

In the future, the increase in spending on Amazon and other online channels will continue to be significant, between 20-40% (**Figure 2**), strongly accelerating a trend already present for some time: faces, voices, images and touchless experiences mediated by the web and from the new media will replace physical contact as a determinant element in purchasing choices and experiences in all areas. Taking advantage of these changes in the short term is therefore one of the most urgent goals for manufacturers and distributors of consumer goods, to be ready for the acceleration that will follow the end of the lockdown and reinvent themselves in the medium-long term.

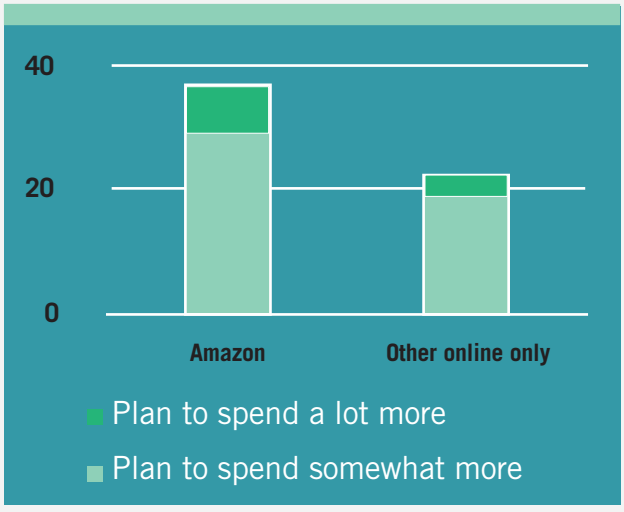
However, in order to achieve this, it is necessary to widen the perception of customers by following an omnichannel strategy and integrating it in the current context, in other words, moving from a "single view" to a "full view of the customer", in which the contextual data becomes key for developing a solid personalisation strategy across the entire consumer value chain.
In fact, personalisation no longer solely concerns aspects of promotion and sales, but also areas such as product development, innovation, customer service and logistics.

FIGURE 1



Source: Apptopia, March 15, 2020 mobile app download

FIGURE 2



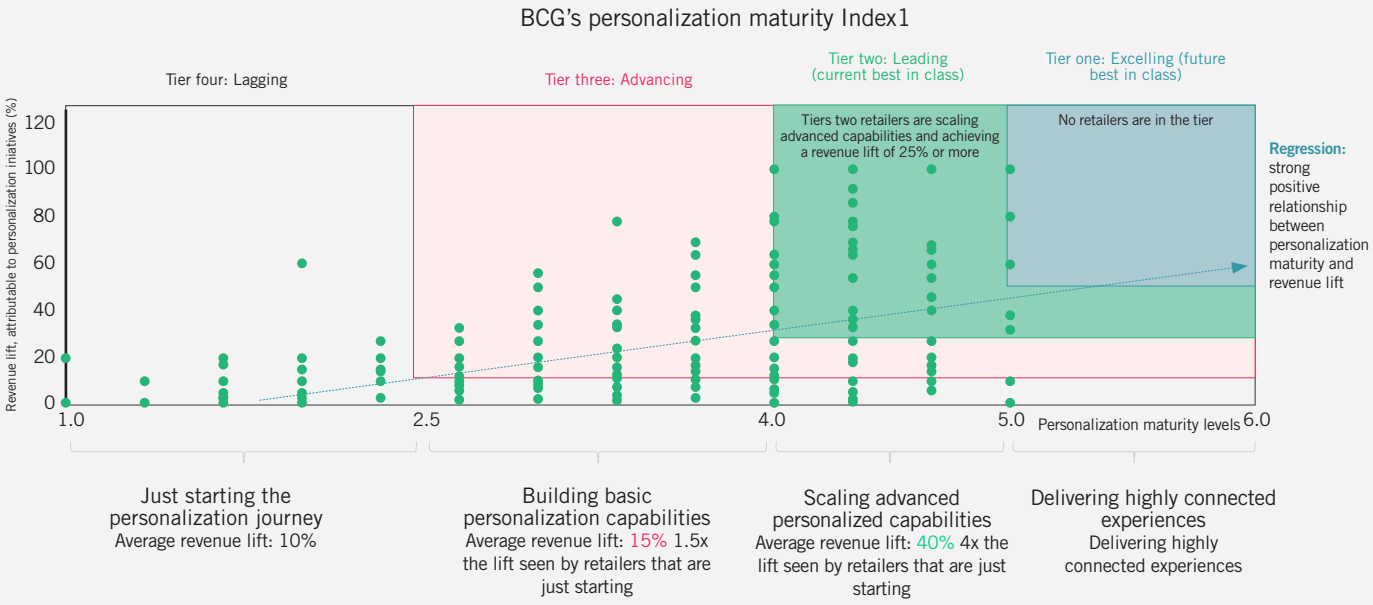
Source: BCG COVID-19 Consumer Sentiment Survey, March 13-16, 2020 (N=2,026), unweighted, representative within +-3% of Italy census demographics

THE CHALLENGES TO BE OVERCOME AND THE OPPORTUNITIES PROVIDED BY PERSONALISATION

THE PURSUIT OF EXCELLENCE IN PERSONALISATION INEVITABLY involves the digital transformation process of companies, in which new technologies enable the personalisation processes to achieve an immediate impact on reducing costs and increasing revenues. The digitalization of processes in the development of products and services enhances efficiency and rapid prototyping, incorporating consumer feedback and customising the products. The use of robots and the contextual analysis of data reduces order processing times and customises the delivery experience. The use of artificial intelligence for customer engagement allows rapid scaling of the number of contacts while maintaining the personalisation of messages.

To support consumer companies in achieving excellence, BCG has developed a Personalisation Maturity Index (**Figure 3**) which divides consumer companies into four different levels according to the maturity reached in the personalisation process and the increase in revenue that can be attributed directly to initiatives in this field.

FIGURE 3

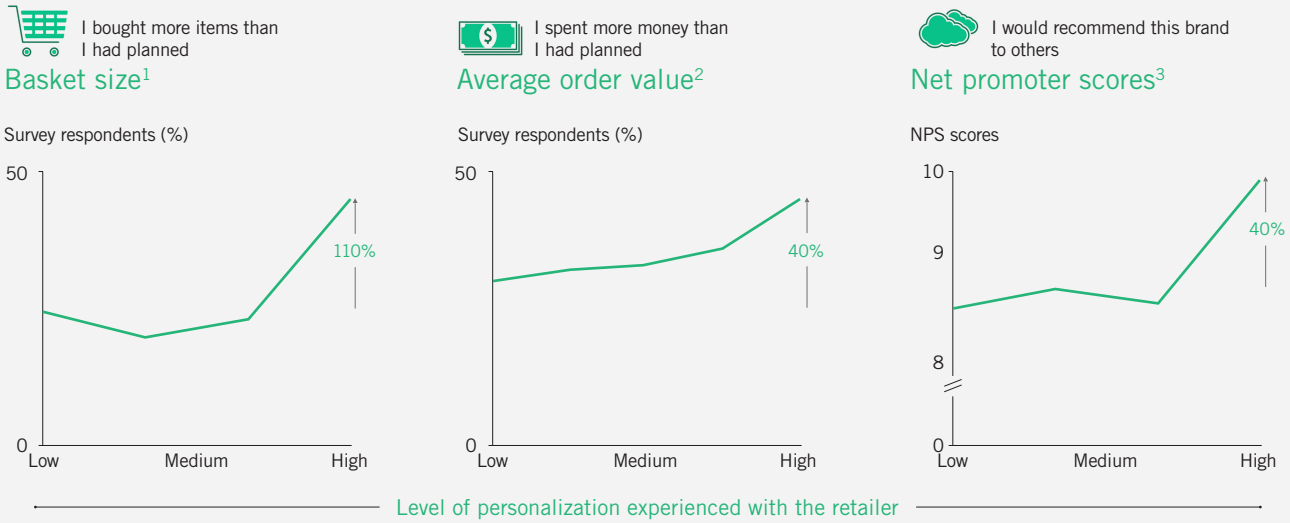


1. BCG's Personalization Maturity index is used to assign retailers a tier on the basis of personalization maturity level and revenue lift. Maturity levels are based on marketing executive's ratings; revenue lift is attributable to personalization initiatives.
Source: BCG-Google, Business Impact of Personalization in Retail Study—Marketer Survey (n=302) and marketer interviews (n=26), US, 2019.

AT THE FOURTH LEVEL, THE LOWEST IN TERMS OF MATURITY, the subjects are placed at the beginning of the implementation with a 10% increase in revenue. The third level, on the other hand, includes companies that have developed all the basic functions for the personalisation processes, with a 15% increase in turnover. Going up to the second level, the growth of hyper- personalisation tools can ensure increases of up to 40%, which is up to four times the revenue generated by companies that have just started down this route. The growth margins could be even higher if we consider that, according to this index, companies that have reached the maximum level of maturity are still not identified as being included in the consumer industry.
This level is characterised by contextual experiences, where proprietary customer interfaces (shops, websites, mobile applications, ecommerce ...) and third parties (marketplaces, social media, traditional media ...) are interconnected and thus allow you to realise a true "full view of the customer ".

The main beneficiaries of personalisation, thus driving growth in revenue, are three accelerators: basket size, which increases by 110%; the average value of orders, with a + 40%; customer satisfaction, which increases by 20% (**Figure 4**).

FIGURE 4



1. Survey question: Did you ultimately buy something different than you had originally planned? 2. Survey Question: Did you ultimately spend a different amount of money than you had originally planned? 3. Net promoter scores were gathered form respondents only during their last trip to the retailer.
Source: BCG-Google, Business Impact of Personalization in Retail Study—Customer Survey (n=3,144), US, 2019

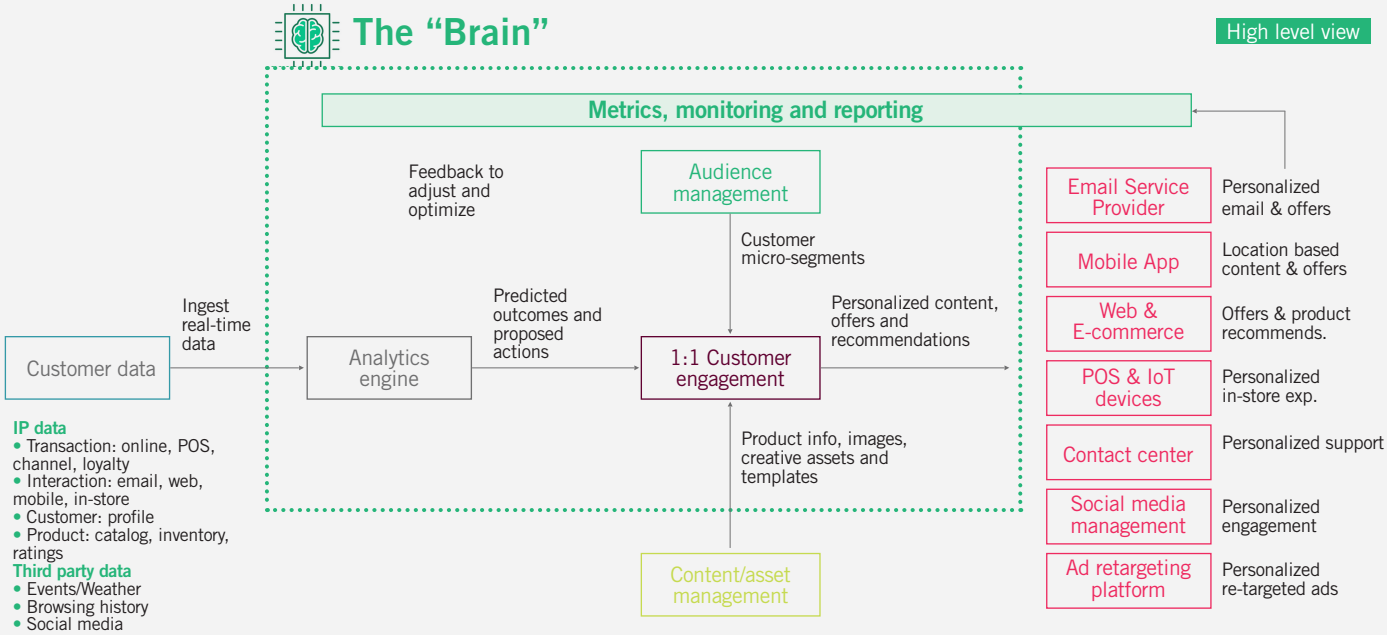
THE KEY QUESTION IS THEREFORE HOW TO REALISE A PERSONALISATION OF EXCELLENCE PATH?
BCG PLATINION IDENTIFIES 6 MAIN LEVERS:

- Implementation of dynamic experiences based on real time customer behaviour
- Automation of personalised content, offers and recommendations
- Integration of programmatic advertising into the customer journey
- Use of Artificial Intelligence and advanced analytical skills to engage consumers through voices, images and new interfaces
- Tracking of customer behaviour by integrating contextual data to increase knowledge
- Definition of new KPIs for measuring customer experience

EACH OF THESE OBJECTIVES INVOLVES COMPANIES FACING TECHNOLOGICAL, PROCEDURAL, ECONOMIC AND ORGANISATIONAL CHALLENGES. IN PARTICULAR:

- Increase in data acquisition and governance costs
- Complexity of privacy management to ensure transparency and create a relationship of trust with customers
- Production, management and distribution of large quantities of content with tight deadlines
- Rapid development of specific analytical skills
- Uncoordinated execution of personalisation along the entire customer value chain
- Difficulty in designing, selecting and integrating the right technologies
- Identification and prioritisation of high-potential use cases

FIGURE 5



FURTHERMORE, THERE IS AN IMPORTANT ISSUE OF THE CURRENT STATE OF LEGACY systems that can generate a significant slowdown in personalisation activities. There are frequent cases of information relating to customers dispersed over different systems, inconsistent signals collected from online and offline sources, and redundant systems that replicate similar activities.

One of the fundamental points to address these challenges and to guide the process of developing the personalisation of excellence, is the availability of a single "brain" (**figure 5**), able to concentrate analytical skills, managing effective data collection, content organisation, evaluation of the effectiveness of actions and orchestration of customer interactions through multiple interfaces, coordinating all the relevant structures and corporate functions.

THE BCG PLATINION ROADMAP TO EXCELLENCE

THE EXPERIENCE AND INDEPENDENCE OF BCG PLATINION ALLOW US TO IDENTIFY THE BEST PERSONALISATION SOLUTIONS FOR EACH SITUATION, as evidenced by the huge number of successes achieved in the application of omnichannel and e-commerce strategies and that includes retail companies, travel agencies, European leaders in food distribution and global fashion brands.

The definition of a data governance strategy implemented through two prototypes, the development of a cloud-based data platform and the creation of a data-driven organisation, has allowed a multinational company in the consumer goods industry to achieve savings of 10 million Euros in less than 24 months.

For an international retail chain, on the other hand, the need to develop a digital flywheel that would encourage customer involvement has resulted, through the introduction of gamification elements on mobile phones and the setting up of scalable data platforms with advanced analytical capabilities, in an improvement in 3x marketing campaign results and an increase of $ 100 million in net incremental revenue.

THE ROADMAP DEFINED BY BCG PLATINION TO ACCOMPANY ORGANISATIONS TOWARDS ACHIEVING EXCELLENCE IN PERSONALISATION IS THEREFORE MARKED BY CONFIRMATORY EVENTS IN THE FIELD AND IS OUTLINED IN THE FOLLOWING MACRO STEPS:

» The definition of a data-focused approach, ensuring the accurate collection of data and making it easily accessible to the entire organisation, taking into account the progressive forms of consent provided by customers.

» The construction of a roadmap towards personalisation that identifies use cases with the highest potential.
In this step, it is particularly important to base the data analysis on specific, real and significant use cases.
Too often, data is deemed to be sufficient in itself, thus risking the development of a theoretical structure which soon reveals its fragility.

» The split of the content provided by the entire ecosystem into modular information which can be mixed dynamically.

» The mapping of customer paths on a new generation target technological architecture, which integrates channels, systems and applications, allowing the identification of the weak points and supporting the definition of a new action plan.

» The selection of technological platforms that can address the identified gaps allows the scaling of personalisation along the entire value chain, ensuring short- and long-term benefits.

» The development and implementation of target use cases through agile and interactive methods, quickly leading to the realisation of Minimum Viable Product (MVP) allowing the immediate measurement of user feedback.

» The digitalization of the “core” for operational, planning and support functions to achieve the end-to-end operational realisation of customer paths.

It is important for companies to grasp the critical issues and opportunities provided by this particular moment; applications that are capable of affecting the consumer experience in the present day will remain in the collective memory of customers for a long time, and at the progressive reopening of the markets, it will become one of the most effective tools to be exploited in the consolidation, turnaround, growth or repositioning phases.

ABOUT THE AUTHORS

Ivano Ortis is Managing Director at BCG Platinion. Ivano has a record of accomplishments in supporting Consumer, Industrial Goods and Pharma clients with complex IT transformations, including the definition and implementation of digital roadmaps and platforms. His experience spans from envisioning technology-enabled leadership and designing industry specific IT architectures, managing vendor selection and large IT implementation programs.

Andrea Sangalli is Senior Manager at BCG Platinion. Andrea is strong with 20+ years of experience in guiding Digital Transformation projects in the CX, CRM, Digital Marketing, Commerce e Analytics areas across all business sectors. Andrea has led several business and technology transformations, such as the design and implementation of digital solutions for CRM and Customer Experience, focusing on Consumer goods and Retail industries.

AS A SEAMLESSLY INTEGRATED PART OF THE BCG NETWORK, at BCG Platinion we empower clients on their digital journey with focus on transforming technology & data platforms and IT capabilities. We leverage the best possible IT and technology solutions to help companies improve margins, optimize future products and amplify business value. Our areas of expertise range from IT architecture design to digital transformation and implementation management. We create technology platforms and deliver exceptionally customized solutions of the future for our clients, from data strategies to next-generation customer journey solutions and transformational business models. We solve the most daunting challenges that companies face today and envision for tomorrow. Our style is entrepreneurial – nimble and innovative, with multifaceted, cross-functional teams and completely vendor-independent. Our unique selling proposition is technology expertise and delivery excellence. Our mission is to support our clients' digital transformation with short-term and sustained solutions to the most complex and time-sensitive challenges; while collaborating with clients to transform visionary strategies into leading-edge technology platforms and impact at scale.

BCG Platinion was founded in 2000. Since then, we have grown continuously and successfully. Today we have offices in Europe, North and South America, South Africa as well as Asia Pacific. Working organically across disciplines and across BCG, we offer a unified and unrivaled package that combines strategy work with hands-on expertise

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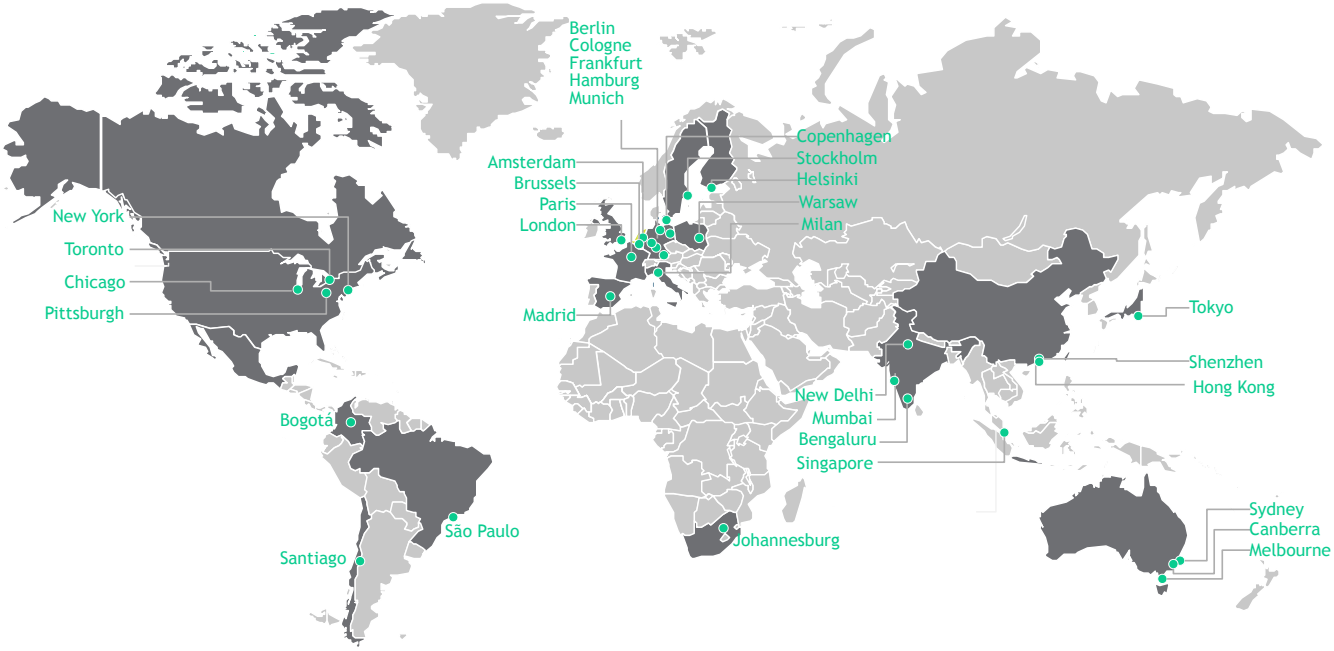

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