Deloitte.
Digital

Personalization: It's a value exchange between brands and customers

New research reveals how brands can drive greater value by shaping experiences that consumers prioritize

June 2024

The business value of personalization is growing clearer every year as customers gravitate toward brands that make them feel understood as individuals. Brands that excel in personalization are soaring past their revenue goals because their customers buy more, more often, and remain loyal over time.
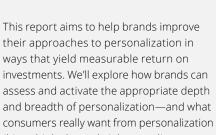
Since Deloitte Digital published our [foundational research on personalization](#) in 2022, brands have intensified their focus on seizing the potential of personalization. Our latest research* shows that 50% more brands now see it as a core component of their customer strategy compared to two years ago. They're backing this up with resources: Brands plan to increase their spending on personalization by an average of 29% in 2024.

However, our research also revealed that many brands still struggle to find the right balance in their personalization strategies and tactics—and as a result, consumers don't always feel seen and engaged in ways they value. The most successful brands (we call them "personalization leaders") are overcoming this challenge by recognizing personalization as a mutual exchange in which customers share information about themselves and brands reciprocate by delivering highly relevant experiences. As a result, they go beyond driving value for their brand; they bring value to their customers' lives as well.

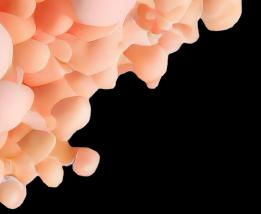This report aims to help brands improve their approaches to personalization in ways that yield measurable return on investments. We'll explore how brands can assess and activate the appropriate depth and breadth of personalization—and what consumers really want from personalization (hint: think about *their* bottom line, not just your brand's). We'll illuminate the ways that today's personalization leaders optimize channel effectiveness. Finally, we'll highlight what it takes to instill the right teams, tools and strategic focus to accelerate meaningful outcomes for your business and your customers.

* This report highlights results from a recent survey of 500 business executives who are responsible for personalizing the customer experience at US business-to-consumer companies, plus 1,000 adult consumers who had interacted with a brand online or through an app in recent months.

Unless otherwise noted, the statistics and insights highlighted in this report are based on that research survey.

For a detailed methodology, please see page 13.

PERSONALIZATION LEADERS CONNECT IN WAYS THAT COUNT

Personalization leaders were **10x as likely to say they have extensive insight into customers' preferences**.

COMPARED TO BRANDS WITH LOW PERSONALIZATION MATURITY, PERSONALIZATION LEADERS WERE ...

25%

more likely to personalize based on customer channel preferences.

69%

more likely to provide content recommendations to customers that are personalized.

32%

more likely to invest in omnichannel delivery.

Striking the right balance

Personalization at scale is about providing the right mix of experiences to each customer, engaging them when and how it matters the most. Consumers aren't always cognizant of which touch points are personalized per se—they just recognize when the brand delivers value by making things easier, faster, more economical or more relevant. Consider Stephanie, who meets friends at the same brunch spot every Saturday and likes the fact that her ride-hailing app predicts her destination (based on the time and day of the week) and simply confirms it with her. Or Warren, who ordered a few bags of cat food after adopting a kitten and appreciated it when the online retailer suggested a monthly subscription that saves him money and time.

Conversely, customers also recognize when brands misinterpret their needs and deliver unwanted personalized offers (e.g., a retailer sending Warren tips about dog food) or breach personal boundaries (e.g., the boutique next to the brunch spot sending Stephanie a targeted ad). Our research suggests that misunderstandings or breaches like these contribute to a persistent gap between brands and consumers that increased investment alone won't close.

Surveyed consumers recognized just 43% of their experiences as personalized, a slight increase from 38% in 2022. However, brands said they personalize a much higher percentage of customer experiences—61% on average, up from 56% in 2022. In other words, *even though brands are personalizing more experiences and consumers are noticing it slightly more than in 2022, consumers still aren't enjoying or recognizing the kind of the experiences they want.*

To bridge this gap and generate the most impact, brands must prioritize their personalization investments on areas that bring clear value to the customer. This demands a focus on both the depth and breadth of personalization initiatives:

- Depth: How personal is too personal? What is the line between helpfulness and intrusiveness? Where is the point of diminishing returns relative to implementation costs?

- Breadth: Does every customer benefit from personalization? Do all touch points and channels need to be personalized?

When brands deliver valuable experiences in the right ways to the right places, their customers engage more deeply in the moment and over time. Benefits go beyond fleeting transactional gains. Our research shows that personalization leaders outperform low-maturity brands across all stages of the customer journey, beginning with higher conversion rates—meaning more people not only visit and browse their websites / apps, but also take action by sharing contact information, signing up for newsletters, making purchases, etc. These leading brands also attribute stronger gains in customer engagement, customer satisfaction, average order value and lifetime value to their personalization efforts. *(See chart below.)*

PERSONALIZATION LEADERS OUTPERFORM LOW-MATURITY BRANDS ACROSS KEY METRICS

Compared to less mature brands, a higher percentage of personalization leaders cited *improvement* across the following metrics as a result of personalization.

Metric	Personalization leaders	Low-maturity brands
Conversion rate	54%	38%
Customer engagement	61%	37%
Customer satisfaction	57%	29%
Average order value	61%	44%
Lifetime value	54%	34%

● Personalization leaders　● Low-maturity brands

Make it tangible

Effective personalization hinges on understanding customer priorities. Our research across demographics and sectors uncovered that what matters to customers is often the same thing that matters to brands themselves: the bottom line. **Surveyed consumers expressed they don't just want to be "known" by brands—they want** *tangible benefits* **from personalization.**

When asked the most meaningful forms of personalization, consumers placed "personalized insights that save money" at the top of the list. This finding shouldn't be ignored, particularly in light of the uncertain economic conditions[1] and widespread consumer apprehension about rising prices at the time of the survey.[2] More than 8 in 10 consumers said that personalized offers for discounts or special bundles significantly influenced their purchase decisions.

While money-saving benefits are top of mind for consumers when it comes to personalization, there are also opportunities for brands to deliver tangible benefits other than offers or discounts. Surveyed consumers see tremendous value in personalized experiences that save them time or make their lives easier. Tailored product / service recommendations and personalized loyalty program rewards, for example, were among the top personalized experiences named by consumers.

SHOW THEM THE MONEY

Customers want to see the benefits of personalization in their wallets.

Among consumers:

78%

want personalization that helps them **save money**.

84%

said special discount offers or bundles had a medium or high influence on their purchase decisions.
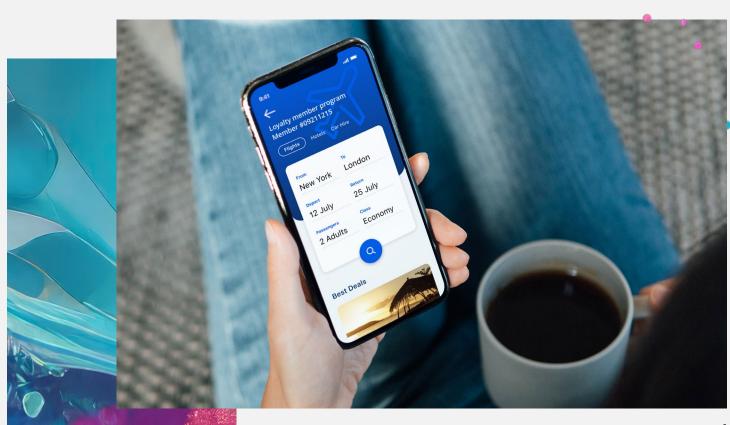
Brands may assume that providing personalized discounts or rewards will hurt their own bottom lines.

Our research shows the contrary. When customers discern value from personalized offers, it increases their satisfaction and they reward brands accordingly: 67% said they spend more money when personalization reflects an understanding of them and anticipates their needs, while 69% spent more when personalization helped them discover new products, services or content. Furthermore, brands can ensure that discounts don't sacrifice business returns by using data, analytics and machine learning to identify the customers most likely to value—and act on—their offers.

Nearly 3 in 4 consumers are more likely to purchase from brands that deliver personalized experiences—and they spend 37% more with those brands.

GENERATION TO GENERATION

While consumer interest in personalized experiences has surged by 20% on average since our 2022 report, personalization isn't about understanding the average consumer. *It's about knowing the customers who hold significance for your brand, deciphering what matters to them and delivering the right depth of personalization based on their unique preferences and behaviors.*

Take a closer look, for example, at the generational differences that may influence preferences in personalization. Around half of surveyed Gen Zers and millennials deemed personalized experiences very or extremely important—a sentiment that's intensified since 2022 among this increasingly influential portion of the consumer market. On the surface, Gen Xers and baby boomers appear less enthused about personalization from brands. Only 25% of Gen X consumers and 16% of baby boomers said personalized experiences are *very* or *extremely important*.

However, consumers of all ages crave experiences that are easier, faster, more inspiring and meaningful. The key to personalizing for different generations lies in crafting experiences that provide relevant and tangible value, albeit in different ways. Our research identified various factors that influenced each generation's brand engagement and purchasing decisions. For example, among Gen Xers and baby boomers, the strongest factor influencing their brand interactions in the last year was their preference for one-stop online stores with multiple brands. Gen Zers were more influenced by social media and creator / influencer recommendations. Meanwhile, millennials were more likely to be influenced by search engines, social media and customer reviews / ratings. By understanding the factors that influence a particular generation's engagement, brands can seize opportunities to personalize experiences where it matters most.

Looking beyond the digital realm, our research also found variation in the kind of hybrid or in-person experiences that generations preferred. More than one-third of Gen Zers said their preferred way to receive personalized marketing was in a store, while nearly a third of baby boomers named direct mail as their top preference. This underscores the importance of leveraging the right data, analytics and strategy to accurately define your target consumers and their needs.

Personalize your channel mixes

Along with understanding *who* the target customer is, brands need to strike the right breadth of personalization across channels by evaluating which channels are most effective at key touch points in the customer journey. Many brands have invested in omnichannel experiences and made strides in delivering consistent experiences across email, websites, apps, social media, physical stores, customer service and more. This heightened emphasis on cohesive brand experiences is a welcome trend for consumers. In other recent Deloitte Digital research, an overwhelming 84% of consumers emphasized the importance of brands providing consistent, positive interactions across touch points.[3]

However, when it comes to personalization across channels, brands are struggling to balance scale and effectiveness, which can feel at odds. While person-to-person sales and service are highly personalized, these channels are costly and hard to scale. Digital channels, on the other hand, are relatively simple to scale. This may explain why our research found email atop the list of channels that brands use for personalization. Nearly 3 in 4 surveyed brands said they use email to deliver personalized marketing and/or advertising. It's also the channel that 69% of consumers said they prefer.

Problem is: consumers' actions contradict their stated preference. There's ample evidence that a majority of consumers don't open emails, personalized or not.[4]

What's important here is that consumers may *say* they favor email because they can control whether or not to let it in. The dismal open rate of emails may be less about the channel itself and more about brand timing and the consumer's state of mind. Deploying email effectively for personalization requires
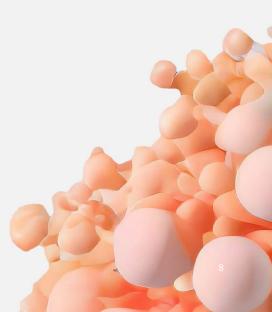
knowing *when* and *how often* to use it, based on data about the customer's past behaviors. For example, avid campers may ignore emails from an outdoor gear brand all winter until camping season approaches—then they begin clicking on these emails to research water filters or backpacks. Without using customer data to understand appropriate timing and propensity to buy, brands are firing out supposedly personalized emails that come across as generic and out of touch to the person receiving it.

Although 7 in 10 consumers say they prefer emails for personalized marketing, their actions say otherwise.

The average open rate for emails is less than 25%.[5]

While activating *effective* personalization at scale is challenging, our research uncovered promising avenues. Since our 2022 research, an increasing number of brands reported they deliver personalized content through in-app ads and push notifications. This also aligns with shifting consumer preferences: compared to 2022, more consumers now cite these two channels as a preferred way to receive personalized marketing and advertising.

Brands are also extending personalization across more touch points in the customer journey, including loyalty programs. More than 8 in 10 brands predicted they'll offer personalized rewards through their loyalty programs in 2024, a sizeable increase from the 4 in 10 that said they currently offer such rewards. Deloitte's recent research on the retail industry

identified a similar trend in which retailers were offering tiered loyalty programs that provide additional, transparent perks to their most loyal customers—and seeing increased engagement and retention as a result.[6]

Support and service are other channels increasingly prioritized for personalization, with nearly 6 in 10 surveyed brands saying they provide personalized service. Consumers made it clear they prefer channels that give them immediate, convenient support and save time: mobile apps and web / mobile chats topped consumers' preferred ways to receive personalized support. Support channels in which the timing or duration of the interaction is out of a consumer's control—such as phone calls with service center associates, interactions with sales associates and feedback surveys—were each preferred by fewer than a third of consumers. **Notably, Gen Zers and millennials are nearly 2x as likely as older consumers to want customer support through social media interactions.** This

aligns with Deloitte Digital's research on social business transformation, which found that highly effective brands are using social listening to proactively identify customer care and service improvement opportunities.[7]

Beyond the research, we find in our work with clients that the most forward-thinking organizations are evolving from an omnichannel orientation to a customer-centric one in which channel prioritization is itself highly personalized. In this paradigm, brands aren't choosing between scale and effectiveness, but rather effectiveness at scale. They're choosing channels that are best suited to bringing specific value to their customers. Doing so requires embracing an experimental mindset in which there is no such thing as a perfect channel—instead, there is a perfect channel to deliver the right message at the right time to the right customer. These organizations are continuously testing both digital and person-to-person channels, measuring outcomes and learning and adapting as they go.

Powering personalization strategies from the top down

Our research found that personalization leaders are setting their brands apart through their strategic focus, investments and capabilities.

This starts with executive-level focus on personalized experiences. Personalization leaders were more likely than low-maturity brands to say that their chief marketing officer (CMO) or CEO spearheads the organization's personalization strategy. Having top executives closely engaged in personalization strategy reflects the high value these brands see in it, as well as the evolving and expanding role of the CMO. Not surprisingly, personalization leaders were 6x as likely as low-maturity brands to say personalization was core to their customer strategy.

These high-maturity brands are personalizing more experiences across more channels. In addition, we found that personalization leaders are using more sophisticated segmentation techniques—including strategy-based, psychographic and hybrid methods—than other brands.

The wide array of powerful technologies and methods allows these high-maturity companies to personalize more experiences across more channels. They're more likely than low-maturity brands to personalize channels such as paid social media, SMS or text messages and paid search results. They're 5x as likely as brands with low personalization maturity to have the ability to deliver 1-to-1

personalized outbound marketing to each individual customer—and 6.6x as likely to be able to deliver 1-to-1 personalized inbound marketing. And, they're far more likely than other brands to be deploying capabilities and tools such as dynamic content optimization, data clean rooms and real-time analytics.

The ability to do more with personalization is linked to personalization leaders' ongoing commitment to spending more. These brands are the most likely to have already invested in Generative AI (GenAI), content production, and creative and design capabilities to support personalization. On average, high-maturity brands are devoting 66% of their total marketing budget to personalization—compared to 38% allocated to personalization by low-maturity brands. This 28 percentage-point investment gap is significantly wider than the 18 percentage-point gap we found between leaders and laggards in 2022.

Furthermore, personalization leaders aren't resting on their laurels. They cited an expected 46% increase in marketing budgets devoted to personalization in 2024, compared to the 16% increase expected by low-maturity companies. They're pouring that expanded budget into technologies like customer data platforms (CDPs), decisioning engines, analytics and journey management resources, as well as into operational tools to support creative and content, segmentation, experimentation and more.

PERSONALIZATION LEADERS GAIN OUTSIZED VALUE

Compared to brands with low personalization maturity, ***personalization leaders*** *were …*

48%
more likely to have **exceeded revenue goals** in 2023 (by 9.9% above goal, on average).

71%
more likely to report **improved customer loyalty**.

67%
more likely to report **increased frequency of purchases** by customers.

Want results? Think big, act incrementally.

To realize the potential of personalization to drive business value *and* customer value, brands need to think expansively while acting incrementally. Personalization is complex, and it's not realistic (or necessary) to get everything that fuels it perfect from the outset. Instead, brands can acknowledge this complexity and the need for ongoing incremental improvement while also setting big ambitions and goals.

The most successful brands are continuously imagining what personalization could do for customers. They don't limit themselves to simply improving personalization tactics (although that's an important component). They also reenvision their customers' experiences and then support that vision through a culture of experimentation in which continuous testing, measurement and iteration is the norm.

The exact process for building or improving personalization capabilities will look quite different for each organization, depending on brand identity, customer needs and areas of greatest opportunity. While there's no standard blueprint to follow, we recommend taking these actions in order to drive stronger business results from personalization:

BE MORE AMBITIOUS. First and foremost, you need a bold and clear strategy for personalization. Start by defining and prioritizing use cases where personalization can be interwoven into the customer experience to bring the most value. This is the time to think big and evaluate real customer needs. Too often, brands believe they're improving personalization by sending slightly better product recommendations or slightly more tailored marketing emails. Our research shows that customers want much more than that. To close this gap, you need to establish ambitious strategies centered around making your customers' experiences more natural, more dynamic and more valuable.
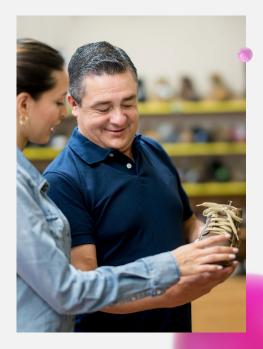
How can you make your personalization strategy clearer and bolder?

KNOW YOUR CUSTOMER, ANYWHERE. To realize your personalization strategy, your brand must define how it collects, stores and links customer data. With the deprecation of third-party browser cookies, it's more important than ever to own and manage your first-party customer data. However, as you gather larger volumes and potentially more sensitive types of data, it creates challenges and complexities, particularly around customer identity. With customers engaging across multiple devices and channels, you need to be able to identify a customer no matter how or where they interact. This requires new, privacy-compliant ways of combining first-party data with second- and third-party data. We found that 36% of brands were already investing in data clean rooms to help tackle this challenge.

What do you need to better understand about your customers to deliver the personalized experiences they value most?

GET YOUR CUSTOMER DATA IN PLACE. Today's technologies can help you achieve more scale, more automation and more relevant levels of personalization. Our research found that while brands are using a range of technologies and platforms to support personalization, only 55% of surveyed brands have a CDP, which is increasingly judged the gold standard for collecting and activating customer data to orchestrate personalized experiences. Without customer data management in place, your ability to personalize at scale will be limited.

What kind of capabilities or skill sets will you need to support personalization at scale?

CLOSE THE DECISIONING GAP. Once your data is in order, you'll need to use it effectively to decide what to share with customers, as well as when and where to share. This calls for robust analytics and modeling capabilities, which we found is a glaring capability gap for many brands. Although 54% of surveyed brands said they currently have analytics, testing and measurement capabilities, nearly half of them still described it as lacking. In addition, at least a third of brands cited a lack of customer and market insights—and not enough data engineering / science talent to get there. To build a deep understanding of customers that can be used to activate experiences through technology and content, it's vital to improve your ability to build, test and scale models.

What personalization actions are you measuring, analyzing and predicting—and how?

FLEX YOUR CREATIVITY. Unlike traditional creative, personalized content and design needs to be developed in components that can be reused and recombined based on the needs and interests of customer segments or individual customers, and based on channel-specific requirements such as file type, image size, etc. Only 42% of surveyed brands said they have a content management system, and about a third of brands said creative / design is a significant capability gap. More brands are turning to Generative AI to drive higher quality and larger volumes of content and asset production. When asked about their investment in personalization, brands indicated that GenAI is a top priority. One-third of brands have already invested in GenAI to support personalization; another 51% cited plans for GenAI spending in 2024. This reflects even stronger 2024 GenAI spending plans than we found in prior Deloitte Digital research[8] conducted in September of 2023, and suggests that brands are increasingly confident in the technology's potential.

Which personalization use cases do you want to prioritize to test and learn about GenAI?

CHANGE MINDSETS. Personalization requires a truly holistic effort from multiple facets of an organization. To successfully pull it all together, you need to instill a mindset shift and a rigorous data-driven process that together not only inspires and informs marketing but also other areas of the organization. Marketing teams will need to stretch into and work with other teams to drive personalization in areas like merchandising, product development, service and more.

What's the best way to bring everyone in your organization up to speed on the business potential of personalization?

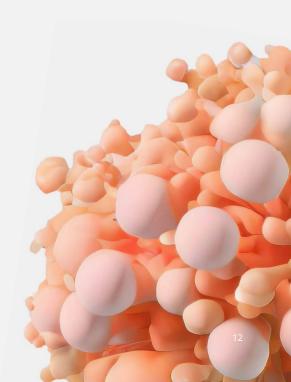### ARE YOU READY FOR GENERATIVE AI?

Gauge your readiness by asking questions in four key areas:

Strategy and governance: Do you have a strategy and governance structure in place to ensure GenAI is deployed in alignment with your brand's reputation and risk profile?

Enterprise readiness: Have you considered how to support your organization through the changes required as GenAI is integrated with other technologies and business processes?

Technology and tooling: Have you identified the compatibility of GenAI with current systems and addressed potential risks?

Data maturity: Can you access data for GenAI in a trustworthy, secure and organized way and monitor it to prevent potentially inappropriate outputs?

Methodology

EXECUTIVE SURVEY

Between January 5 to February 2, 2024, we conducted a blind survey of 500 director-level or above executives responsible for personalizing the customer experience at US-based business-to-consumer companies with 500 or more employees and $10 million or more in annual revenue.

Respondents by industry:

Automotive	10%	Media, entertainment and publishing	10%
Banking and financial services	10%	Professional and technical services	4%
Consumer goods	10%	Retail	10%
Education	1%	Recreation and sports	1%
Energy and utilities	1%	Technology (hardware, software)	10%
Health care	10%	Telecommunications	10%
Insurance	1%	Transportation	1%
Life sciences (medical devices, pharmaceutical)	1%	Travel and hospitality	10%
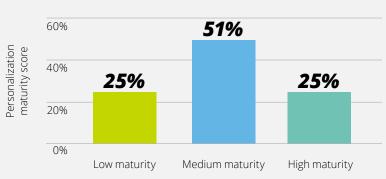
Respondents by primary sales model:
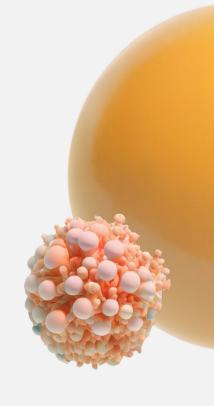
E-commerce (website owned and operated by organization)	37%
Bricks-and-mortar locations	36%
Call center / direct mail	10%
Third-party marketplaces	9%
Social commerce	8%

A maturity model was developed based on survey findings, quantifying a company's personalization capabilities based on four key categories:

- Degree of personalization
- Data capabilities
- Delivery
- Organizational structure

Maturity breakdown:

Bar chart titled "Personalization maturity score":
- Low maturity: 25%
- Medium maturity: 51%
- High maturity: 25%

CONSUMER SURVEY

Between December 20, 2023, and January 19, 2024, we conducted a blind survey of 1,000 consumers age 18 and older who had done one or more of the following in the past 60 days: visited on online retailer or e-commerce site; viewed or interacted with social media; used a search engine; streamed content; used / subscribed to an online service. All respondents had communicated digitally with a consumer brand and had purchased a product or service from a brand online or used a mobile app in the past 60 days.

Respondents by generation:

Gen Z	23%
Millennial	30%
Gen X	27%
Baby boomer	20%

Respondents by gender identity:

Female	49%
Male	49%
Nonbinary or other	2%

Respondents by race / ethnicity:

White	75%
Black	12%
Hispanic, Latino or Spanish origin (* not mutually exclusive to inclusion in other races / ethnicities)	18%
Asian	6%
American Indian or Alaskan Native	1%
Other	2%
Two or more races	4%

ENDNOTES

1. World Economic Forum, "Chief Economists Outlook: More economic uncertainty on the horizon," news release, January 15, 2024, https://www.weforum.org/press/2024/01/wef24-chief-economist-outlook-january-2024/. Accessed April 23, 2024.

2. Associated Press, "Consumers are spending, but Wall Street and businesses expect a tighter squeeze ahead," *U.S. News & World Report*, https://www.usnews.com/news/business/articles/2023-06-22/consumers-are-spending-but-wall-street-and-businesses-expect-a-tighter-squeeze-ahead. Accessed April 18, 2024.

3. Deloitte Digital, *Charting a path to meaningful personalization: Insights from our research on customer experience orchestration*, October 2023, p. 5, https://www.deloittedigital.com/content/dam/deloittedigital/us/documents/offerings/offering-20231113-orchestration-research-personalization.pdf?id=us:2el:3dp:wsjspon:awa:WSJCMO:2024:WSJFY24. Accessed April 18, 2024.

4. Jen King, "Guide to email marketing: Trends, tactics, and metrics to track," January 9, 2024, https://www.emarketer.com/insights/email-marketing-personalization-trends/. Accessed April 18, 2024.

5. King, "Guide to email marketing: Trends, tactics, and metrics to track."

6. Nick Handrinos, Stephen Rogers and Lupine Skelly, *2024 US retail industry outlook: Looking for loyalty in all the right places*, Deloitte, 2024, p. 6, https://www2.deloitte.com/us/en/pages/consumer-business/articles/retail-distribution-industry-outlook.html to download full report.

7. Kenny Gold and Christina Kavalauskas, *Reclaim share of culture through a new approach to social communities*, Deloitte Digital, March 2024, p. 3, https://www.deloittedigital.com/content/dam/digital/us/documents/insights/insights-20240312-state-of-social-community-pov.pdf. Accessed April 18, 2024.

8. Deloitte Digital, original owned research on how Generative AI is powering next-gen content marketing operations, 2023.

Deloitte. Digital

GET IN TOUCH

Mark Singer
Principal
Deloitte Consulting LLP
marksinger@deloitte.com

Leala Shah Crawford
Managing Director
Deloitte Consulting LLP
lscrawford@deloitte.com

Trinadha Kandi
Managing Director
Deloitte Consulting LLP
tkandi@deloitte.com

Will Pickard
Senior Manager
Deloitte Consulting LLP
wipickard@deloitte.com

Brittany Tin
Senior Consultant
Deloitte Consulting LLP
brtin@deloitte.com