

Omnisperience | Discussion Paper

THE EVOLUTION OF PERSONALISATION: pitfalls and opportunities

Teresa Cottam | Chief Analyst



Omnisperience
value from experience

Historically, telecoms firms used to expect customers to adapt to their products, prices, timescales, offers and channels.

Those days have gone.

To be successful, telecoms firms now need to reorient themselves around their customers – transforming from network- and organisational-centric businesses into truly customer-centric organisations.

Building a successful, customer-centric business means meeting evolving customer expectations by **personalising** offerings.

But personalisation means a lot of different things and involves a range of technologies. This paper explores the evolution of personalisation and how it can differentiate the experience being delivered.

WHY PERSONALISE? BENEFITS AND RISKS

The telecoms industry is not known for customer loyalty. In fact, many customers are so disengaged that they usually only interact with their service providers when they have a problem, and that process may itself further damage the relationship – sometimes irretrievably. We know that the history of the relationship between customer and service provider, including whether the customer feels a real connection (often called ‘loyalty’) to the brand, affects how they will react to performance failure, whether they will stay with the service provider, and whether they will increase their spending.

However, in telecoms what appears to be loyalty is often, in fact, simply inertia with no real connection between customer and service provider. This situation has been exacerbated because service providers are frequently acquisition-focused rather than loyalty-focused – a strategy that is a relic from the early days of market expansion – creating a situation where existing customers are frequently ignored in the pursuit of onboarding new customers. This creates a cycle of churn and acquisition which has three main effects:

- it results in high acquisition costs
- it means service providers have to continually replace their customer base simply to retain market share
- it undermines trust, which is the basis for the entire relationship, and which determines the effectiveness of up-selling and cross-selling activities.

The results is that customer satisfaction with telecoms firms is often low compared to other vertical markets (see *Figure 1*).

One of the key antidotes to static revenues, low satisfaction rates, stale branding and customer churn is to personalise offerings to customers. According to BCG, for example, brands offering personalised products, services or experiences grow two to three times faster than those that don’t; McKinsey says that personalisation can deliver a 10–30% uplift in revenue and retention.

FIGURE 1 CUSTOMER SATISFACTION WITH TELECOMS INDUSTRY

Country	Average CSAT in telecoms sector	Position in multi-sector studies
UK telecoms sector ¹	74.2	11 th out of 13 industries
US fixed line telephony ²	70.0	43 rd out of 46 industries
US ISPs ²	65.0	45 th out of 46 industries
US wireless telephony ²	74.0	35 th out of 46 industries

Source: **Omnisperience** 2020; 1. UK Customer Satisfaction Index July 2020 2. ACSI Telecommunications Report 2019–2020

These are tempting metrics for telecoms service providers. But delivering ‘personalisation’ is fraught with challenges and even the term is vague and misunderstood. For example, there is considerable variation in the degree of personalisation, as well as where it is applied. It is also not certain that all customers desire personalisation. Some might find it intrusive or even creepy; others might find it limiting. Personalisation is also not static – it continues to evolve both in degree and in application, as well as in terms of acceptance and expectation.

Like anything else, done badly personalisation can cause more problems than it solves. Doing it well means understanding that it is simply a tool to improve the customer experience, to remove friction and effort, and to make a customer feel valued and understood.

4 benefits of personalisation

- Better engagement.
- Increased sales.
- Decreased churn.
- Increased profitability.

4 risks of personalisation

- Perceived as intrusive, creepy or a breach of privacy.
- Narrows cross-sell opportunities and reduces impulse buying.
- Inaccuracy or failure to take into account customer decision-making or changes in need.
- Gets context wrong.

HOW PERSONALISATION IS EVOLVING

Industrialisation solved the problem of supply

Before industrialisation all goods and experiences were personalised. Goods were made using artisan skills to the specifications of customers. But the volume of goods was limited and the cost of producing goods was high.

Industrialisation changed this by producing products at volume through mechanisation. This increased availability and decreased the cost of production. But industrialisation also resulted in a loss of tailoring, individualism and personalisation because achieving economies of scale meant goods needed to be the same.

At the same time, large companies set about creating standardised processes, which resulted in consistent but generic products, services and experiences. In telecoms a good example of this is the practice of getting customer service representatives (CSRs) to adhere to a script. This speeds interactions and delivers consistency, but also results in an almost robotic and impersonalised experience which is jarring to customers.

Segmentation solved the problem of relevancy

Service providers next began to segment their user base into smaller groups and then produce bundles, pricing and communications that were more relevant to those segments. While better than an entirely generic approach to customers, segmentation can also result in an unsatisfactory experience. This is because it requires service providers to make assumptions about their customers based on a limited data set, resulting in communications, products and offers that still don't fit the needs of individual customers.

Personalisation boosted relevancy

To address the issues caused by segmentation, telecoms firms began to create smaller and smaller microsegments. While personalisation was used to describe this process, it is cognate with 'tailoring' and does not necessarily infer addressing the needs of individuals.

When personalisation became more precise, as well as realtime, it began to be called 'hyperpersonalisation'. Hyperpersonalisation not only uses a wider range of data to make offerings even more relevant, but also utilises emerging technologies such as AI, chatbots, voice channels, AR and VR to deliver ever more relevant products, services and offers in realtime.

Hyperpersonalisation doesn't have to be delivered entirely by the service provider. In fact, it provides the tools for customers to self-configure and self-personalise offerings to their own needs.

Contextualisation adds new dimensions

Realtime technology is the critical bridge between hyperpersonalisation and contextualisation. Contextualisation takes realtime personalisation a step further by putting it within a meaningful and real context rather than treating needs and requirements as static. It adds new dimensions that enrich the experience such as place, current activities and emotional state. This enables service providers to address *ad hoc* opportunities and to approach customers when they're in the mood to buy with the right offer.

Contextualisation also adds another critical component – support for hybrid personas. This enables service providers to address customers' work, life and play needs holistically rather than seeing these as separate and siloed.

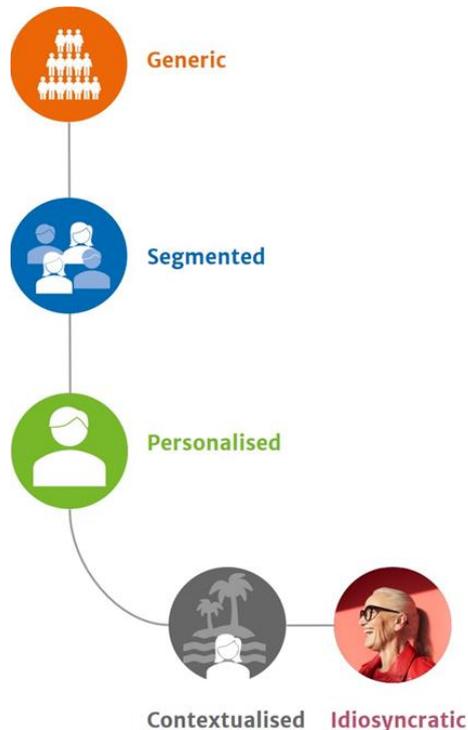
Idiosyncrasy adds authenticity and emotional engagement

An idiosyncratic approach builds on what has gone before to deliver a more authentic and engaging experience to customers. Idiosyncrasy delivers unique and quirky elements of content, conversation and humour that engage customers at an emotional level.

When a service provider reaches this level of personalisation they not only have a rich understanding of their customer in their current and historical context, but should also have built engagement and trust. Now they're able to delight customers by talking 'their language', and using novel and unexpected elements. Idiosyncrasy is memorable because it creates an emotional reaction. It is something that is uniquely human because the current generation of AIs cannot deliver it. However, getting technology to do the heavy lifting by providing accurate insights, enables staff to concentrate on being creative and authentic in how they engage customers.

Idiosyncratic experiences are hyperpersonalised, contextual, authentic, quirky, memorable and ultimately unique.

Figure 2 The evolution of idiosyncratic experience



Source: Omnisperience 2020

Idiosyncratic personalisation

- **Combines** usage, contextual and preference data in realtime, and adds novel content elements.
- **It recognises** that customers have hybrid personas and different needs in different contexts.
- **Its purpose** is to meaningfully engage individual customers and build more rewarding relationships.
- **It is used** to differentiate experiences, increase sales and optimise customer satisfaction.

IDIOSYNCRACY in a B2B context

Democratisation and consumerisation of IT

IT has evolved beyond being the tools of certain designated employees and departments and is now essential for all employees. At the same time, there has been a rise in 'dual use' – people using devices, networks and services for both business and consumer purposes – which has been boosted by the Work from Anywhere trend, itself accelerated by the coronavirus crisis.

Business users now expect that the experience they receive in work is similar to the experience they have as a consumer. This means that they expect their idiosyncratic, highly tailored and relevant experience to continue into their working lives. Work simply becomes another context that advanced personalisation needs to take into account.

Employee experience is a key trend

The foundation of a great customer experience and successful business is a good employee experience. Happy, motivated employees deliver better business results, something that was empirically shown by Alex Edmunds, who found that the '100 Best Companies to Work For in America' (1984-2011) consistently generated 2.3% to 3.8% higher stock returns per year than their peers³.

Workers now have a great deal of choice where to work, as the internet continues to open up access to employment and provides a platform for them to become self-employed or to run micro or nanobusinesses. Competition for the best workers has never been fiercer and certain skills are in short supply.

This means employers have to meet their employees' needs more than ever before. Providing a generic one-size-fits-all experience is no longer adequate. Neither is a role-based approach (equivalent to segmenting the workforce) in today's increasingly flexible world of work.

A deep understanding of the employee's needs means that organisations can tailor the experience wherever their workers are working (contextualisation) to optimise employee satisfaction and effectiveness.

91%

of consumers are more likely to shop with brands who recognize, remember, and provide relevant offers and recommendations⁴

84%

of customers say being treated like a person, not a number, is very important to winning their business⁵

50%

personalisation reduces customer acquisition costs by up to 50%⁶

x20

companies using advanced personalisation see a \$20 return for every \$1 invested⁷

Notes: 3. See 'The Link Between Job Satisfaction and Firm Value, With Implications for Corporate Social Responsibility,' Alex Edmans 4. Making it Personal, Accenture, 2018 5. State of the Connected Customer, Salesforce 6. Adweek 7. The Relevancy Group and Liveclicker, 2019

5 THINGS YOU SHOULD KNOW NOW

1.

Personalisation is not the goal but a tool to achieve the goal

The goal is to create happy, engaged customers. Personalisation is a powerful tool to achieving this, but it should be deployed where applicable and always with a view to the main goals.

2.

Understand the pitfalls as well as the benefits

Personalisation done badly is intrusive, objectionable and drives customers away. Detecting that a customer is at an airport does not infer that they are about to travel (they might be collecting someone). Ultimately, the most critical data in order to fully personalise a service will come voluntarily from a customer (or not at all) and will only be offered up to those businesses a customer trusts and is engaged with.

3.

Personalisation is not something you do to customers

If you're thinking about how you use Big Data and AI to deliver personalisation then you're missing something. Customers need to be involved in personalisation. Personalisation cannot be

based on what you perceive customers to be, or what you perceive them to need. If customers are not an intrinsic part of personalisation then you have misunderstood what you're doing. Self-configuration and self-personalisation are essential in this mix. Personalisation is something you create together, not something you impose.

4.

Personalisation is not just about selling

If you only use personalisation techniques to attempt to sell more, then you will fail. This is akin to a smooth-talking guy who is constantly hitting on you. It gets boring, fast. Personalisation is effective when it's used to help the customer. This means making the experience easier, more pleasant and more satisfying. Personalisation has to go beyond sales and marketing to be effective.

5.

Different degrees of personalisation need to be combined

There are some areas of experience where over-personalisation can be creepy. In others, and with permission, hyperpersonalisation can make the customer's life a lot easier. It takes human judgement and a lot of common sense to decide how deeply to personalise different aspects of experience. It isn't a choice of whether to hyperpersonalise or not; but rather where to apply deeper levels of personalisation for greater effect.

It's also important to be aware that customers' sensitivity to personalisation is dynamic and fluid. As they become used to a more tailored and relevant service their perception of personalisation, and how much of it is acceptable, will change over time.

“Personalisation isn't new. What's new is using technology to automate and industrialise personalisation to create intimacy and engagement at scale.”

Teresa Cottam, Chief Analyst, Omnisperience

About the author



Teresa Cottam is Omnisperience's subject matter expert for customer and employee experience, customer service, customer satisfaction and the future workplace. She is a renowned expert on SME and enterprise telecoms with considerable vertical market expertise which she uses to help B2B service providers understand the needs of their customers.

Teresa previously held senior positions at Analysys Mason, Chorleywood Consulting (Informa) and Ovum. She is a judge of the GSMA Global Mobile Awards (GloMo's) for customer experience and enterprise innovation, for the UK Cloud awards, and for Tech Trailblazers.

About Omnisperience

Omnisperience is a leading independent research and advisory firm focused on the telecommunications, media and technology (TMT) industry. Our purpose is to help B2B service providers become more profitable by understanding and meeting the evolving needs of their customers. We provide in-depth expertise and fresh insights that help customers reimagine their businesses and improve commercial success.

This is achieved through insightful primary research, distinctive analysis, factual and authoritative papers delivered through direct and consistent interaction with B2B telecoms service provider clients. Deliverables are pre-tailored to the needs of clients in formats that make them easy to consume and apply to the target audience. Omnisperience engages and inspires your teams, partners and customers, delivering Value Through Experience.

About this paper

Omnisperience Green Papers are preliminary reports intended to provoke thinking and further discussion. They are often the precursor to an in-depth white paper on this topic. Those wishing to provide feedback to this paper, or who wish to sponsor further research in this area, are welcome to contact us directly. You are free to circulate the paper to your peers and customers. You may also re-use content from it provided you attribute it to source (Source: Omnisperience 2020).

Blog: omnisperience.com
Email: editorial@omnisperience.com
Linked In: [Omnisperience](https://www.linkedin.com/company/omnisperience)

Check out our website for more complimentary papers.

Omnisperience, 71-75 Shelton Street,
Covent Garden, London WC2H 9JQ

