

# The Contextual Marketing Imperative

The Evolution Of Personalization From Push Messaging To One-To-One Personal Customer Experiences

## Table Of Contents

<b>Executive Summary .....</b>	<b>1</b>
<b>Marketing In The Age Of The Customer .....</b>	<b>3</b>
<b>Today's Personalization Strategies Are Missing The Mark.....</b>	<b>5</b>
<b>Contextual Marketing Is Personalization 2.0 .....</b>	<b>8</b>
<b>Key Recommendations .....</b>	<b>10</b>
<b>Appendix A: Methodology .....</b>	<b>11</b>
<b>Appendix B: Supplemental Material .....</b>	<b>11</b>
<b>Appendix C: Endnotes.....</b>	<b>11</b>

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## Executive Summary

Today's marketing professionals face an unprecedented challenge: Create relevant content and offers that stand out in a world where consumers are bombarded with more marketing messages in more channels than ever before. Marketing strategies that use traditional campaign logic of demographics-based segmentation are so prevalent that they don't feel personal or relevant to consumers. Today's consumer demands personalized messaging that isn't just targeted at "woman, age 25 to 34." Successful marketers must use messaging that speaks to the consumers as individuals, addressing their immediate personal circumstances and shopping intent.

Brands are defined by customer experiences, and marketers are striving to give individual customers memorable experiences that are directly relevant to their current needs.

In order to create these types of customer experiences, marketers must strategically collect and utilize customer data, including real-time signals of intent, which are typically not captured today. However, marketers need to keep in mind that customers expect brands to deliver value in exchange for their personal information. Customers also believe that not all information is fair game, and marketers are being asked to figure out on their own what data they can safely use to create personalized content and offers.

Mastering this balancing act can be a challenge, especially since a real-time view of customer intent is required for creating relevant messaging that speaks to each customer's needs. Unfortunately, most marketers today are working with customer data that is decentralized, spread across the organization in multiple databases that are updated in batch processes. To find success, marketers must prioritize consolidating data into a single database. But it's not enough to merely house customer data in one place. In order to evolve the marketing strategy from segment-based personalization to contextual marketing, it is essential to leverage real-time signals of intent from this data at the moment when customers choose to interact with the brand. In addition, marketers must also view the customer journey beyond exposure to marketing content or offers and utilize data to improve experiences with sales, service, and all commerce touchpoints.

SAP hybris commissioned Forrester Consulting to evaluate how marketers are meeting customer preferences for personalized experiences. Forrester developed a

hypothesis that consumers see value in relevant content delivered at specific moments in their personal customer journeys, but the personalization strategies marketers use today are falling short. Customers give information about themselves with the expectation that doing so will result in a better, more personalized experience, and marketing professionals need to fulfil that agreement by proactively delivering value at every touchpoint. In practice, that means delivering personalized experiences based on real-time contextual signals about a customer's intent.

To explore this concept, in June and July of 2015, Forrester conducted in-depth, quantitative surveys across two distinct groups: 1,200 consumers and 200 advertising and marketing professionals at organizations with 500 or more employees. Both respondent groups spanned the US, EMEA, and APAC. The surveys revealed that there is a distinct gap between consumers' expectations of personalized marketing and what marketers are actually delivering.

### KEY FINDINGS

Forrester's study yielded four key findings:

- › **Personalization is a priority for marketers, but their strategies are immature.** Marketers recognize the value of personalized marketing: 91% of marketers surveyed are prioritizing improving customer experience through personalization over the next year. However, many marketers today rely on segmentation to "personalize" experiences. This process needs to evolve into one that relies instead on leveraging contextual signals to create individual real-time personalization based on customer intent – the needs of the customer in the moment when they choose to interact with the brand. Only 16% of marketers currently have the capability to capture customer intent and deliver real-time, behavior-based marketing across all channels. In an effort to personalize across touchpoints, marketers use an average of 11 siloed channels, resulting in inconsistent customer experiences and a lack of coordination across those touchpoints.
- › **Consumers give personalized marketing efforts low marks.** Marketers give themselves high marks for their ability to execute cross-channel personalization strategies, but consumers feel otherwise. While 66% of marketers rated their efforts at personalization as "very good" or "excellent," just 31% of consumers reported that companies are consistently delivering personalized,

cross-channel experiences, and 40% said most promotions don't deliver anything of interest.

- › **Consumers knowingly supply personal information but expect value in exchange.** Three-quarters of consumers said they are somewhat or very comfortable with companies using data about them to provide personalized experiences. In fact, 70% of consumers surveyed are aware that companies use personal information to send them targeted offers. But consumers don't surrender this information freely; they expect value, from transactional perks to customer experience benefits.
- › **Consolidating customer data enables enhanced personalization.** The majority of marketers have customer data spread across a surprising number of databases. This creates challenges in developing a single view of the customer and makes coordinating marketing across channels difficult. Of the 22% of marketers with a single customer database, 70% reported the data they collected was "very useful" in creating a single view of the customer, compared with just 52% of those without a unified database. Further, they are 16% to 30% more likely to be able to incorporate real-time marketing across multiple channels.

## Marketing In The Age Of The Customer

Marketing has drastically evolved over the past few decades. As recently as 20 years ago, marketers had a shortlist of channels through which to reach consumers: television, print, display, and radio. Messaging was pushed out into a reasonably uncluttered landscape of generally unidentified consumer masses. Today's marketing strategies are far more complex, spanning many channels and customer touchpoints — including email, mobile, online, video, and social — that all play a significant role in modern marketing. According to Forrester Research, by the end of 2015, spending on interactive media will top \$67 billion, which is an 8% growth

over 2014.<sup>1</sup> In addition, marketers will grow their digital media spend to at least 35% of their total media budget by 2018.<sup>2</sup> This heightened level of investment in new channels is reflected in our study: 18 of 19 different marketing methods play a significant role in the marketing strategies of over half of the 200 advertising and marketing professionals surveyed for this study (see Figure 1).

### MAKE IT PERSONAL

The majority of marketing organizations recognize that generic, one-size-fits-all messaging won't cut it anymore — 91% of marketers surveyed are prioritizing improving customer experience through personalization over the next year. But this proliferation of personalized, multichannel

**FIGURE 1**  
**Today's Marketing Strategies Are Complex And Multi-Channel**

“How significant a role does each of the following play in your organization's marketing strategy?”



Base: 200 advertising and marketing professionals in the US, EMEA, and APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of SAP hybris, July 2015

marketing communications means marketers must find a way to cut through the noise, creating differentiated, customized content that will stand out from their competitors and resonate with their target customers and prospects. Given that customers are shopping across channels, marketers need to focus on coordinating these personalization approaches across channels and touchpoints.

Unfortunately, the personalization strategy employed by most marketers isn't all that strategic. An overwhelming majority of marketers employ the "throw it up against the wall and see if it sticks" method of personalization, spreading their "personalization" methods across any and all channels. The average marketer surveyed reported using or planning to use 11 channels for contextual marketing and personalized messages, with no fewer than

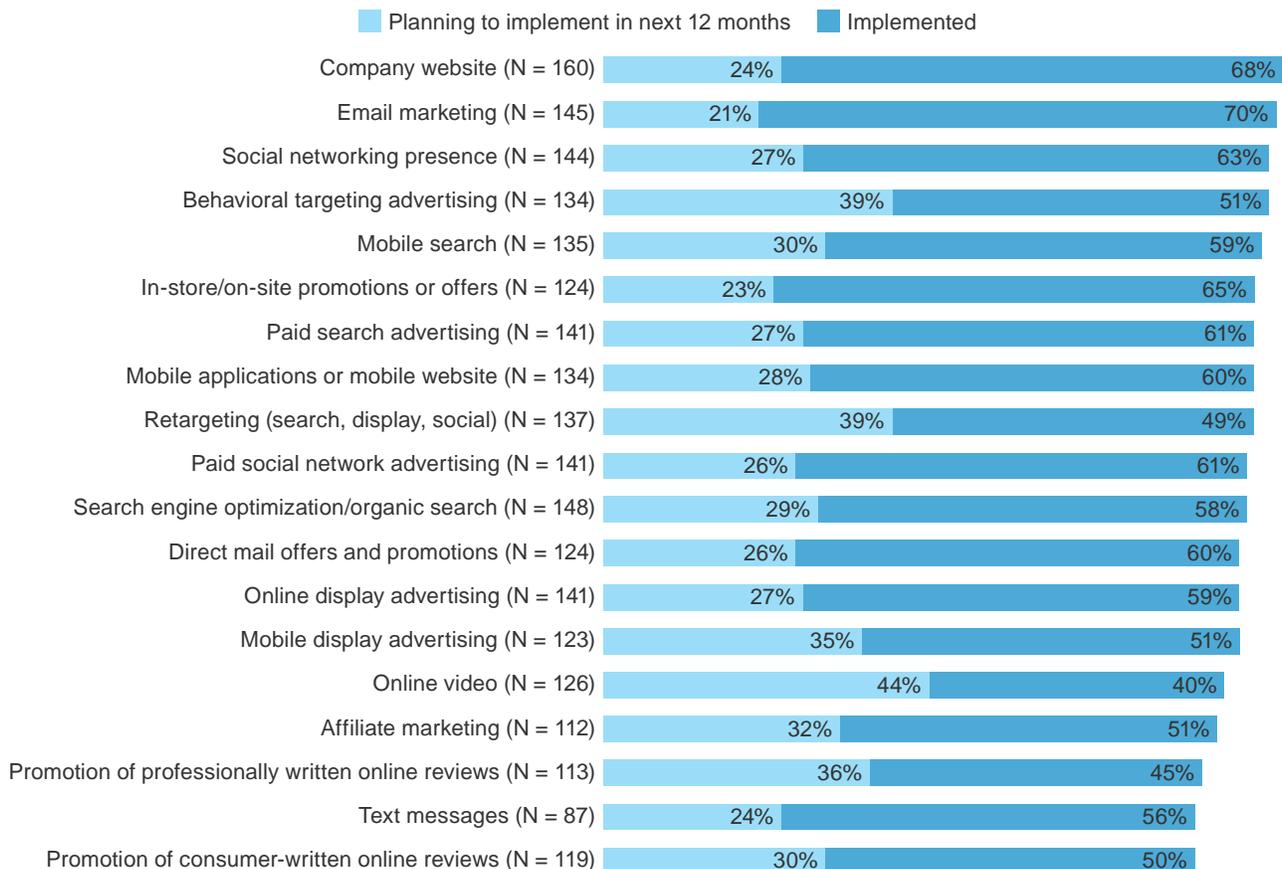
80% of respondents using or planning to use any single channel. While email marketing and messaging via the company website are key staples in current personalized marketing strategies, online video, retargeting, and behavioral targeting advertising will experience a significant uptick in use over the next 12 months (see Figure 2).

## GO BEYOND SEGMENTATION

But not all personalization is created equal. Personalization can range from the simple segment-based personalization used today to more advanced tactics that leverage signals of intent and are coordinated across touchpoints. The majority (66%) of marketers use demographics to create targeted content offers, and 44% said they use demographic categories to create at least some level of

**FIGURE 2**  
**Personalization Is Everywhere**

**"What are your plans for using each of these channels for contextual marketing and personalized messages?"**



Base: variable advertising and marketing professionals in the US, EMEA, and APAC at organizations where each marketing channel plays a significant role  
Source: A commissioned study conducted by Forrester Consulting on behalf of SAP hybris, July 2015

personalization for unidentified prospective customers. However, just half are using more sophisticated methods, such as leveraging data extracted from loyalty programs (52%) or behavior-based data (48%).

Indeed, marketers believe they're doing a good job. Two-thirds of those surveyed rated their ability to execute a coordinated personalization strategy across channels as "very good" or "excellent." But in reality, they're missing the mark — just 31% of the 1,200 consumers surveyed reported that companies are consistently delivering personalized, cross-channel experiences.

Using simple segmentation to personalize content and offers is not enough to meet the expectations of today's demanding customer, nor is it enough to stay competitive and relevant in the marketplace. In order to differentiate their brand from their competitors', marketers need to re-evaluate their personalization strategies. Marketers must take an individual and contextual approach to personalization, keeping these questions at the forefront:

- › **Relevance.** Are offers and content correctly tailored to customers' current interests and preferences?
- › **Appropriateness.** Are offers and content personalized based upon customers' real-time actions, intent, or preferences?

**Convenience.** Is it easy for customers to respond to or engage with offers and content?

- › **Frequency.** Are the number and frequency of offers and content personalized based upon customers' preferences?
- › **Timeliness.** Are contextually relevant offers and content being presented when the customer has chosen to engage with the brand?
- › **Consistency.** Are personalized offers and content consistent across all channels?

## Today's Personalization Strategies Are Missing The Mark

While marketers may express confidence in their personalization efforts, in reality, they have some very real concerns. In an age where consumers are bombarded with messaging from all sides — direct mail, email, text, video, broadcast, online content, and mobile ads — many marketers worry that their customers will feel overwhelmed and that their content won't get through (see Figure 3). These fears are not without merit: 44% of consumers said they receive too many offers and promotions, and 37% delete most email offers and promotions without reading them. Furthermore, 40% have unsubscribed or opted out because they felt overwhelmed. Consumers are truly in a state of information overload.

**FIGURE 3**

### Marketers Fear The Impact Of Information Overload On Personalized Marketing Strategies

**"Based on your current personalized marketing strategy, do you have any of the following concerns?"**



Base: 200 advertising and marketing professionals in the US, EMEA, and APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of SAP hybris, July 2015

Compounding the issue is that a lot of messaging fails to resonate with consumers: 40% said most promotions don't offer anything of interest. And while email, direct mail, and banner ads top the list of vehicles marketers use for personalized content, consumers say these channels provide the least relevant and personalized content (see Figure 4).

The bottom line is that marketers are falling short in providing stand-out, personalized, cross-channel experiences. Just one-quarter of consumers said the consistency and relevancy of personalized experiences exceed expectations; only about one-third gave above-average marks in the areas of timeliness, convenience, appropriateness, and frequency. Failure to deliver in these areas can have significant consequences. For example, among those consumers reporting less-than-satisfactory personalized experiences, 61% said they were somewhat or much less likely to take advantage of future offers. The message to marketers is this: Get your personalization strategy right or risk losing business.

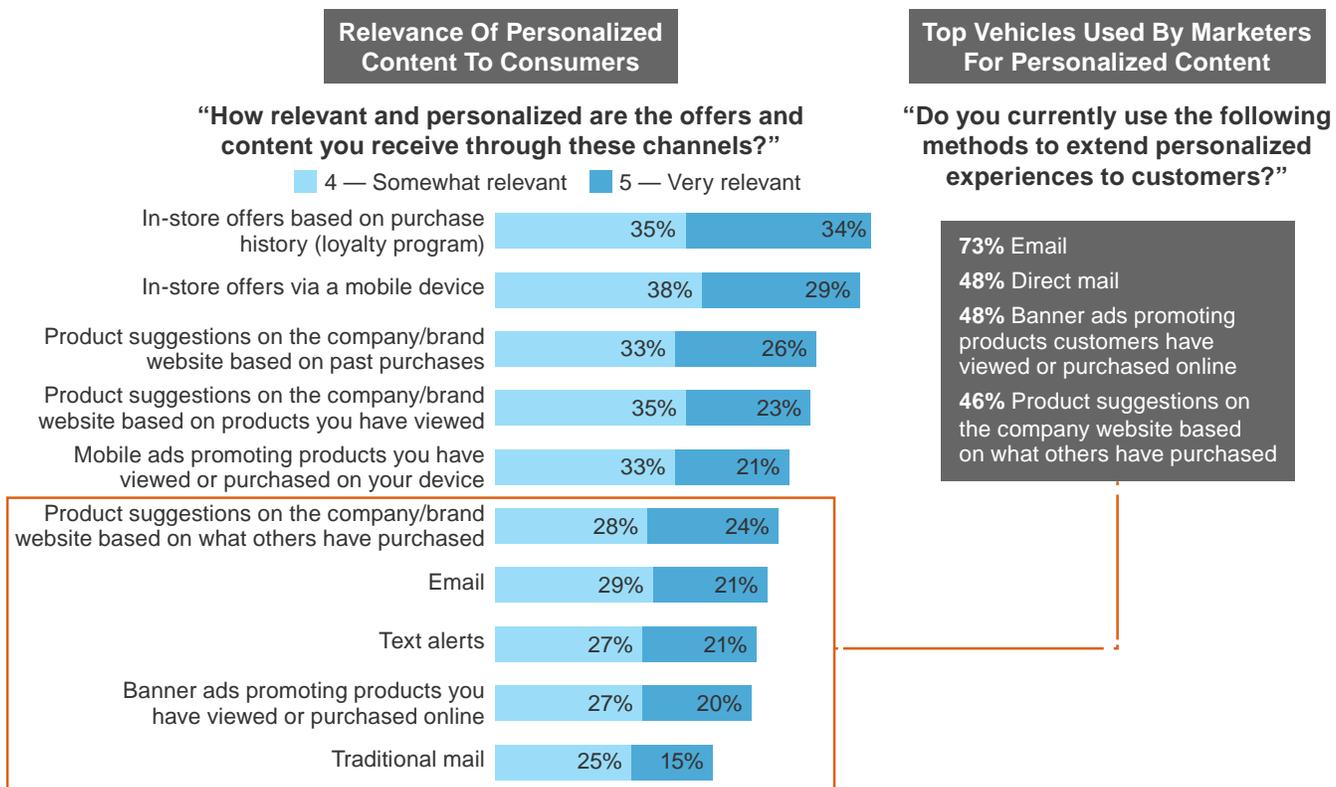
## CONSUMERS WANT CONTROL

Today's consumers are savvy — they know companies are collecting their personal information and using it to market to them. Seventy percent of consumers are aware that companies use personal information to send them targeted offers; 64% are aware that companies purchase and use their personal information; and 44% are willing to share information about their interests in order to receive more relevant content and offers. In fact, a large majority of consumers (74%) said they are somewhat or very comfortable with companies using data about them to provide personalized experiences.

But even though they are comfortable sharing this information, consumers expect to have some level of control over the types of offers and content they receive, the type and amount of personal information they share, and the type and/or frequency of communications they receive (see Figure 5).

**FIGURE 4**

### Personalized Offers And Content Through Most-Common Channels Are Missing The Mark



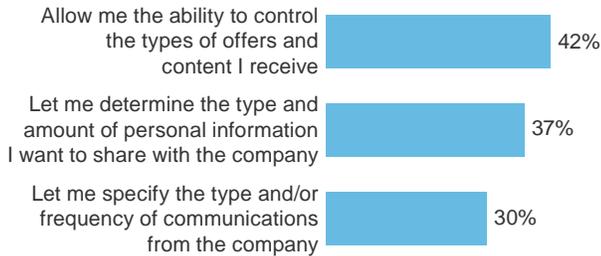
Base: 1,200 consumers and 200 advertising and marketing professionals in the US, EMEA, and APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of SAP hybris, July 2015

FIGURE 5

## The Customer Expectation Of Control

“What are some of the expectations you have when engaging with a company?”



Base: 1,200 consumers in the US, EMEA, and APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of SAP hybris, July 2015

## THE INFORMATION-VALUE EXCHANGE

Marketers must recognize that even though there is a wide range of available customer data for creating personalized content and offers, in the eyes of the consumer, not all data is fair game. While consumers are more willing to share general information like their gender, age, favorite brands, and product preferences, they are less comfortable sharing more personally identifiable data, such as income, social media account information, and phone number. This can be at odds with companies' customer data collection practices. Of note, 84% of marketers reported collecting customers' phone numbers, but only 28% of consumers said they're willing to share that information (see Figure 6).

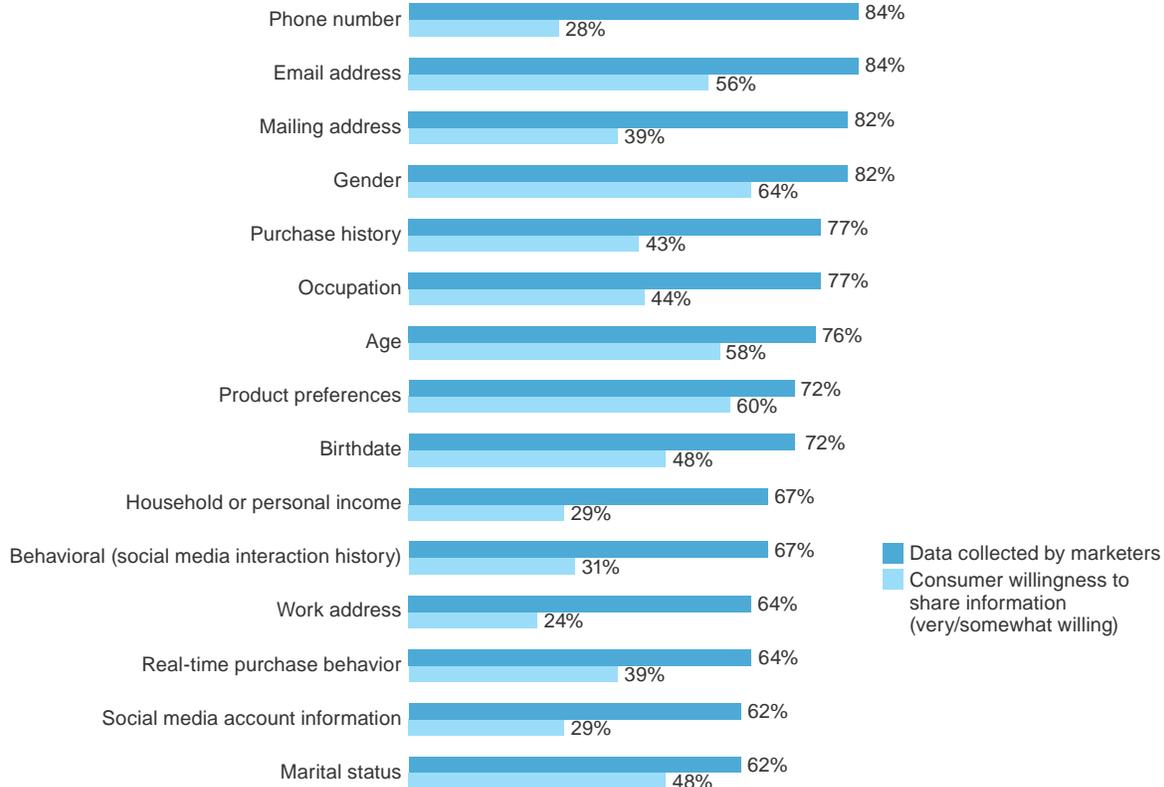
FIGURE 6

## Data Collection Practices Versus Consumers' Willingness To Share Information

Marketers: “Which of the following types of customer data does your organization collect?”

Consumers: “How willing are you to share the following types of personal information with a company in order to get offers and content that are tailored to your interests and preferences?”

(Sorted by top 15 types of customer data collected by marketers)



Base: 1,200 consumers and 200 advertising and marketing professionals in the US, EMEA, and APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of SAP hybris, July 2015

The bottom line is that customers expect companies to deliver value in exchange for supplying personal information. While consumers primarily expect perks like discounts, coupons, and virtual rewards, they also want customer experience-related benefits, like the ability to provide feedback to the company, access to premium information, and for the company to remember them if they are a regular customer. In order to provide excellent personalized customer experiences, marketing professionals need to ensure that the relationships they have with their customers aren't one-sided — they must be based in value exchange. Brands must supply services that customers find useful in order to collect data on product use and customer affinities, resulting in a sustainable and self-perpetuating exchange. Rather than just pushing messages to customer segments, based on general demographics, it is imperative that marketers create a continuous cycle of insight-driven, contextual interactions.<sup>3</sup>

## Contextual Marketing Is Personalization 2.0

Contextual marketing is the next stage beyond simple segment-based personalization. It's not enough to create personalization strategies based on a static view of the customer. A contextual marketing approach leverages real-time signals of customer intent to optimize personalized content and deliver engaging experiences. Getting this formula right can generate significant benefits for companies: 66% of consumers reported that personalized offers and content has had an impact on their decision to purchase a product or service. So it's imperative that marketers strike the right balance — taking into account relevancy, appropriateness, convenience, frequency, timing, and consistency — to ensure that contextually relevant content is reaching the consumer.

### ONE-STOP SHOP FOR CUSTOMER DATA

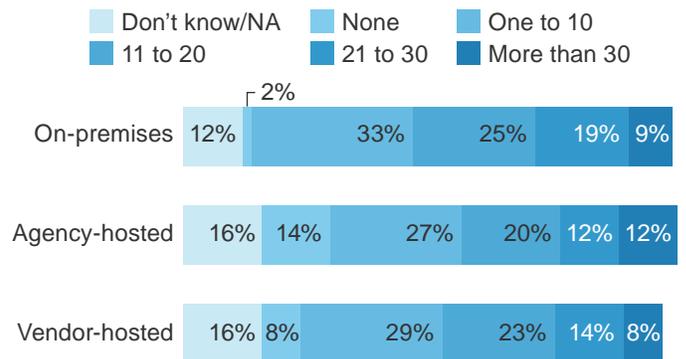
To spark customer engagement through a contextual marketing model, marketers must improve insight into customer wants and needs. This can be a challenge, however, when customer data is scattered across multiple data repositories. Marketers are using an average of 15 separate systems to house customer data (see Figure 7), making it difficult to get a single view of the customer.

In order to effectively execute contextual marketing across multiple customer touchpoints, marketers cannot act alone. They must work with internal business stakeholders and

technology partners to remove the handicaps that come from having decentralized customer data. Consolidating data into a single database improves overall customer data usability. Twenty-two percent of marketers we surveyed had implemented a single customer database; of these marketers, 70% reported the data they collected was “very useful” in creating a single view of the customer, compared with just 52% of those without a unified database.

**FIGURE 7**  
**Number Of Customer Data Repositories**

“How many data repositories are used to house all your customer data, including social, preference, mobile app, channel touchpoints, CRM, ad and cookie data, the Internet of Things (IoT), and email?”



Base: 200 advertising and marketing professionals in the US, EMEA, and APAC

(percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of SAP hybris, July 2015

## LEVERAGE TECHNOLOGY FOR IMPROVED INSIGHTS

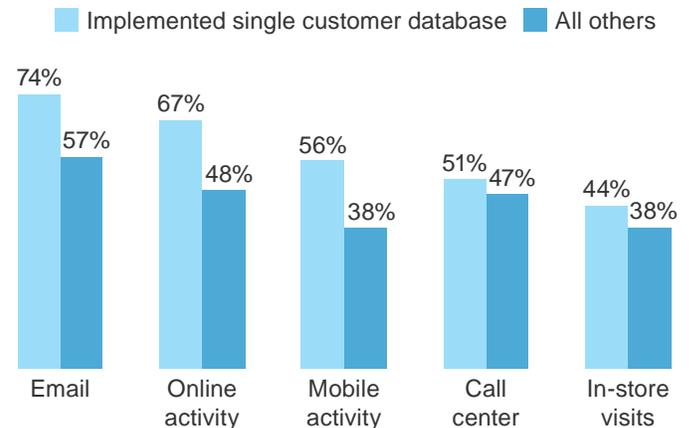
In addition to improving data usability, consolidating customer data can also give marketers an enhanced understanding of customer intent (if contextual buying signals are captured) and the ability to deliver content across channels based on behavior (see Figure 8). It's worth noting that if contextual data about customers is to be utilized in the moment when customers choose to interact, then this data needs to be accessible in a real-time manner, and this has architectural implications for the technology deployed. Marketers using a single customer database are 16% to 30% more likely to have the capability to incorporate real-time marketing via email, online, mobile, the call center, and in-store. But moving to a consolidated customer database is just the first step in building a contextual marketing strategy. In order to truly enable personalized experiences that speak to intent within the context of the customer journey, companies must invest in technologies that enable data management, analysis, and action in real time. This represents a fundamental shift in marketing practice: Most marketing technology is designed for outbound or push marketing, where the timing is chosen by the marketer.

In the age of the customer, traditional marketing, focused on segmentation-based campaigns, will no longer suffice. Consumers want personal experiences that exceed expectations — experiences that are relevant, appropriate, and convenient, delivered how and when they want — and provide their personal information with the expectation that they will receive value in return. In order to deliver, marketers must work with internal stakeholders to consolidate customer data and leverage individual, real-time signals of intent to personalize the experience in the moment when the customer chooses to interact. In doing so, marketers are well-positioned to provide contextual experiences that not only reach their customers, but engage them as well.

**FIGURE 8**

### A Consolidated Database Yields Improved Customer Insights

**“Which best describes your organization’s ability to understand customer intent and deliver real-time marketing based on customer behavior?”**  
 (“Currently have capability” responses shown)



Base: 43 advertising and marketing professionals in the US, EMEA, and APAC with a single customer database; 157 without a single customer database

Source: A commissioned study conducted by Forrester Consulting on behalf of SAP hybris, July 2015

## Key Recommendations

Consumers demand contextual messaging that speaks to their individual preferences and their current purchase intent. In order to understand these customer preferences and create relevant customer experiences across channels, marketers must be able to gather and consolidate the appropriate data and then leverage it in the service of the customer in real time and consistently across channels and touchpoints. To accomplish this, marketers must work with internal and external business technology partners that can help provide deep customer insights and do the following:

- › **Consolidate customer data into a single database, which is the first step in enacting a contextual marketing strategy.** With so much data to understand and so many ways to deliver content and offers to a customer, it is imperative that the data is clean, consolidated, and ready to use in service of customers across all stages of their ongoing journey. Improving overall customer data usability and gaining real-time insight into customer intent allows marketers to evolve their strategy from personalization to contextual marketing, enabling the creation of more relevant and appropriate marketing communications delivered based on customers' wants and needs.
- › **Invest in technologies that enable data management and analysis, with a bias toward action.** Today's marketers need technology solutions that help them accomplish their goals and efficiently deliver effective marketing messages. The ultimate goal is to deliver a strategy that engages the customer with personal, relevant experiences when and where they want. Robust technology solutions are the key to executing these strategies that allow marketers to win, serve, and retain customers. Specifically, this means capturing and acting on real-time signals of intent.
- › **Redefine personalization as messages that speak to individuals, not segments.** Among those consumers reporting less-than-satisfactory personalized experiences, 61% said they were somewhat or much less likely to take advantage of future offers. The message to marketers is this: Get your personalization strategy right or risk losing business. The right data technologies will free up resources and enable marketers to listen to customers at the individual level, allowing for marketing messages that are truly personal to each customer.
- › **Deliver value to customers in exchange for supplying personal information.** Despite the real concerns about privacy and protection of personal data, customers are willing to share personal information in exchange for better experiences. However, marketers must respect customers' need to have control over interactions and receive something of value to them in return.
- › **Take an individual and contextual approach to personalization.** Despite marketers feeling that they are successfully delivering personalized marketing campaigns, customers overall feel that they are missing the mark. Customers demand offers and content that are contextual, appropriate, easy to respond to, and relevant to them at the moment they choose to interact. Marketers must uncheck the box that they are accomplishing this, and refocus their efforts on strategies, tactics, and technology solutions that realign the messages they are delivering with today's customer expectations.

## Appendix A: Methodology

In this study, Forrester conducted two global (US, APAC, and EMEA) online surveys: one of 200 advertising and marketing professionals at midlevel to large organizations (500 or more employees) and the other of 1,200 consumers, to examine personalized marketing practices and consumer preferences and experiences around contextual offers and content. Respondents were offered a small incentive as a thank you for time spent on the survey. The study began in June 2015 and was completed in July 2015.

## Appendix B: Supplemental Material

### RELATED FORRESTER RESEARCH

“Scale And Optimize Customer Engagements With Digital Intelligence,” Forrester Research, Inc., April 22, 2015

“Customer Life-Cycle Marketing Demands New Metrics,” Forrester Research, Inc., February 10, 2015

“Personalization And The Rise Of Individualized Experiences,” Forrester Research, Inc., December 9, 2014

“Predictions 2015: Invest In Customer Insights To Activate Contextual Marketing,” Forrester Research, Inc., November 10, 2014

Thomas Husson, “Mobile’s Untapped Value Is In Contextual Data,” Blog For B2C Marketing Professionals, October 27, 2014 ([http://blogs.forrester.com/thomas\\_husson/14-10-27-mobiles\\_untapped\\_value\\_is\\_in\\_contextual\\_data](http://blogs.forrester.com/thomas_husson/14-10-27-mobiles_untapped_value_is_in_contextual_data))

“Digital Creepiness: How Not To Spook Your Customers,” Forrester Research, Inc., July 7, 2014

“The Power Of Customer Context,” Forrester Research, Inc., April 14, 2014

## Appendix C: Endnotes

<sup>1</sup> Source: “Predictions 2015: Invest In Customer Insights To Activate Contextual Marketing,” Forrester Research, Inc., November 10, 2014.

<sup>2</sup> Source: “The Power Of Customer Context,” Forrester Research, Inc., April 14, 2014.

<sup>3</sup> Source: “The Power Of Customer Context,” Forrester Research, Inc., April 14, 2014.