

Marketing & Sales Practice

The end of shopping's boundaries: Omnichannel personalization

Personalization across physical and digital channels is the next big marketing opportunity. The secret is figuring out how they best work together.

by Gal Gitter, Meg Raymond, Kelsey Robinson, and Jamie Wilkie



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When it comes to personalization, the next digital frontier is in the physical world. As surprising as that may sound, companies that are able to personalize the customer experience across physical and digital channels—omnichannel personalization—can achieve a 5 to 15 percent revenue increase across the full customer base.¹

While the focus of personalization efforts has generally been the customer's online journey, in industries such as retail, convenience, grocery, and hospitality, more than 80 percent of sales occur in a physical location (Exhibit 1). Getting better at personalizing the offline journey is just part of the answer. The best companies are

focused on improving how they personalize the on- and offline journey together.

Barriers to omnichannel personalization

Many companies recognize the need for omnichannel personalization, but a number of reasons tend to stop them from carrying through on it:

- **Assumption of large technology investments with far-off return on investment.** Personalizing the in-person experience requires enabling digital touchpoints (which often don't exist) in locations such as customer-

¹ Brian Gregg, Hussein Kalaoui, Joel Maynes, and Gustavo Schuler, "Marketing's Holy Grail: Digital personalization at scale," November 2016, McKinsey.com.

Exhibit 1

Personalization is common in the online customer journey, but less so for in-person shoppers.



facing digital screens, kiosks, or tablets for store associates to use. Further, many companies are still working to strengthen the links across their marketing tech stack and on-site systems such as inventory management, which together enable better omnichannel personalization features. Putting the tech to work—both hardware and software—can feel like a large investment of time and resources.

- ***Difficulty of delivering seamless customer experiences and training employees.***
Personalizing the in-person experience often results in changes to the customer-journey flow, which, if not done thoughtfully, can hurt the customer experience. The bar is high in making the physical experience intuitive and simple for the customer—such as signing in at a kiosk, downloading and engaging with an app, or providing information to an associate in a live interaction. The front line needs training to understand and reinforce the customer benefit of these new journey steps.
- ***Complex organizational and cultural shifts.***
Omnichannel personalization requires companies to rethink their organizational structure, capabilities, and incentives across the digital and physical parts of the business. This shift can happen only when incentives are aligned with outcomes and measurement is done across online and in-store channels. Traditionally, however, companies operate their digital and physical channels independently, each with its own strategy, goals, and ownership of the results. There is little incentive for one channel to support the others. Further, channel-specific teams lack visibility into what's happening elsewhere, which prohibits meaningful collaboration.

Getting omnichannel personalization right

To overcome these barriers and drive growth, companies should take the following five steps.

1. Define the omnichannel personalization strategy and learning agenda

The best companies have a crystal-clear understanding of the key influence moments in the customer journey, from generating awareness pre-visit to converting during visit to deepening engagement post-visit. They then identify the desired business outcomes at each step of the journey: incremental trips, basket size, and/or customer satisfaction. Finally, they prioritize the use cases to start testing based on ability to deliver business benefit and value to the customer. Here are a few ways companies have done this effectively:

- ***Driving traffic and awareness pre-visit.*** Whole Foods wanted to build brand awareness and drive traffic to new locations, and especially attract new customers, a key element of its strategy. The company deployed geofenced notifications to drive store visits when customers were near either a Whole Foods store or a competitor's. Roughly 5 percent of those who engaged with the notification visited a store, which is three times more than the industry average for post-click conversion.² Driving traffic to stores via retailers' apps is still a relatively untapped opportunity. In a recent analysis McKinsey conducted in a large US city, fewer than 25 percent of retailers attempted to draw their engaged app users into the store when they were nearby. Of course, companies need to exercise extreme care when utilizing pop-up notifications, to avoid message dilution and customer dissatisfaction. Nevertheless, contextualized messages will still drive traffic to stores when deployed correctly and selectively.
- ***Converting during visit.*** McDonald's had identified increasing order size as a core element of its strategy, which led the chain to integrate the physical and digital worlds at its drive-thru facilities. It implemented decisioning-engine technology on the drive-thru menu boards to tailor the menu based on time of day, trending items, location, and

²"Whole Foods realizes a post-click conversion rate 3X industry average," Thinknear case study, January 25, 2018, thinknear.com.

weather. These efforts have made the ordering experience easier, driven stronger conversion, and increased basket size, as customers can more easily find the products they want and purchase additional recommended products.

- **Deepening engagement post-visit.** Sephora's strategy to increase its customer base led the company to make efforts to increase store visits. It sent location-based notifications to mobile-app users, reminding customers of reasons to visit local stores. These notifications could be tailored to customers'






communication preferences or time since last visit, to keep the retailer top of mind.

2. Address five digital touchpoints to help activate personalized experiences in the physical environment

To achieve omnichannel personalization based on identified use cases, companies need to connect digital and physical footprints. Companies should focus on five touchpoints where this convergence happens: mobile app, digital displays, interactive screens, tech-enabled associates, and point of sale (Exhibit 2).

Exhibit 2

Digital touchpoints can play different roles to personalize the in-person journey.

						
Journey		Mobile app	Digital displays	Interactive screens	Tech-enabled associates ¹	Point of sale
Pre-visit (awareness)	Drive traffic	<ul style="list-style-type: none"> Personalized location-based notifications 	<ul style="list-style-type: none"> Personalized context-specific ads 			
During visit (conversion)	Increase conversion	<ul style="list-style-type: none"> In-store guidance and augmented reality experiences 	<ul style="list-style-type: none"> Smart shelves and dynamic displays 	<ul style="list-style-type: none"> Browse, compare, and receive recommendations Virtual try-on/augmented reality 	<ul style="list-style-type: none"> Guided browsing and product recommendations 	
	Increase basket size	<ul style="list-style-type: none"> In-store recommendations Complementary products at checkout 	<ul style="list-style-type: none"> Smart shelves and dynamic displays 	<ul style="list-style-type: none"> Add-on options based on behavior and purchases; suggest bundles of items 	<ul style="list-style-type: none"> Suggestions for complementary products based on purchase history 	<ul style="list-style-type: none"> Restock of past purchases Add-on options based on past purchases
Post-visit (deepening engagement)	Increase retention/repeat purchase	<ul style="list-style-type: none"> Reminders on app of in-store events and relevant notifications 				<ul style="list-style-type: none"> Send follow-up content about purchase and personalize future orders

¹May also include call-center associates.

By systematically evaluating the consumer impact of these touchpoints, organizations can understand customer behaviors and develop more effective two-way communication strategies. For these interactions to be effective, however, companies need to identify customers accurately, typically through self-identification or digital identification. Customers can be identified automatically via location tracking on their app or through a wearable device or by means of visual recognition (which varies by market due to legal issues), or they can self-identify with a digital screen or by talking to an associate. Prompting a customer to self-identify should be done as openly as possible, such as by asking for an email address or phone number, with a tangible benefit to the customer in return, such as a personalized offer, free services such as Wi-Fi or phone charging, or a promotion. The point of sale also provides a natural opportunity to encourage customers to identify themselves in return for incentives such as tying purchases to a loyalty account or getting an e-receipt.

To get the most out of these five touchpoints, companies should consider how the digital and physical channels can best reinforce each other to deliver a great customer journey. For example, in hospitality, most bookings occur online—but the in-person experience is the primary part of the customer journey. Hotels use “tap” apps and interactive screens to provide a personalized omnichannel experience before, during, and after the customer’s visit. There are also opportunities to expand the apps’ use to additional personalization use cases (Exhibit 3).

3. Use an omnichannel decisioning engine to deliver experiences and measure performance

To accurately and quickly identify the next best action to take with each customer, companies need a decisioning engine using artificial intelligence or machine learning. Over time, as the decisioning engine ingests and adapts to more data on customer behavior and sales metrics, such as store offers, inventory, and web publishing, for example, its business logic improves, and the engine becomes more successful in providing what customers want. Many organizations have already laid the foundation for a decisioning engine by

investing in marketing platforms and embedding analytics and data into their decision making.

For example, if a customer has opted to be identified through an app or facial recognition, the decisioning engine can automatically push specific offers or messages once the customer enters a store or other physical location. Even when a customer hasn’t been identified, a decisioning engine can make real-time decisions based on contextual, location, or basket-level data. Weather conditions, time of day, trending purchases in a specific location, or complementary basket items (“Customers who purchased this item also purchased . . .”) are all automated via the engine. As the engine becomes more sophisticated, even more test opportunities become possible. The key is designing thoughtful tests that allow the measurement of both online and offline impact—for example, capturing the journey of a customer who works in person with a tech-enabled associate but actually purchases after receiving a follow-up email with personalized recommendations.

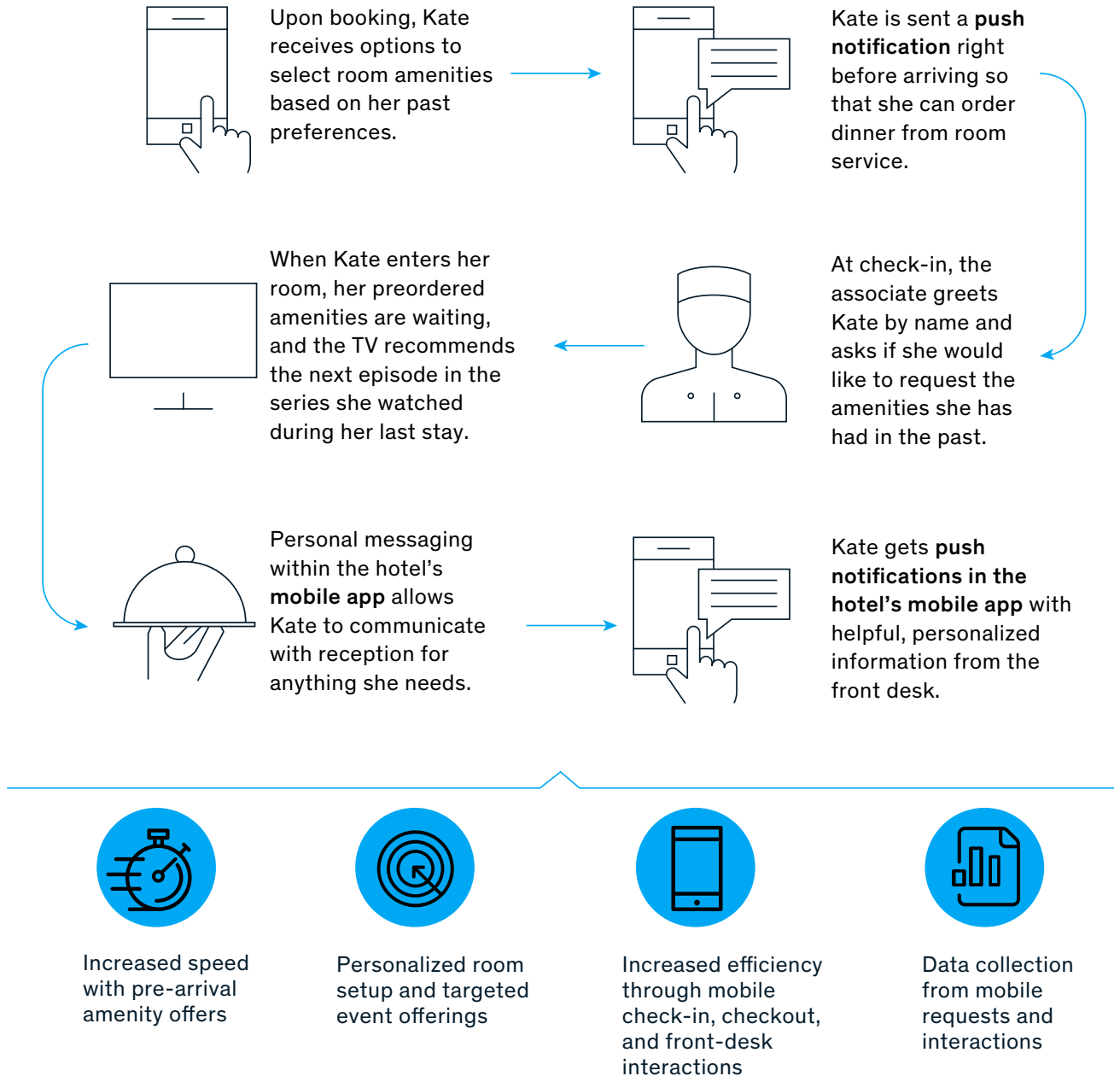
4. Implement agile operating practices

Moving to personalized marketing requires more than better tech; it calls for a fundamentally new way of working.

Agile marketing teams, or pods, bring together different functions to work collaboratively to achieve omnichannel personalization goals. They generally include data scientists to measure performance, marketing teams to build test hypotheses, marketing-technology experts to help execute, and team members who represent the offline channels (touchpoint-specific product leaders for mobile app, kiosks, and interactive screens, for example), on-site operations managers who take the lead on training frontline personnel, and hardware and software technologists to address technology solutions. The best agile teams focus on specific consumer segments or journeys (new shopper, shopper returning a product), iterating with customers on new services, offers, and experiences in a process of rapid learning and adapting.

Reinforcing digital and physical channels enhance the customer journey.

Example of a hotel guest's customer journey



Assembling this cross-functional team promotes joint ownership of the customer journey, rather than a single department being responsible for each isolated touchpoint. The team then works quickly, brainstorming ideas and hypotheses with the existing data, designing and prioritizing omnichannel personalization tests, executing, and measuring the results across channels to gain insights, all with the support of leadership.

5. Activate omnichannel personalization in the field

Bringing all these steps together to capture the full value of omnichannel personalization requires an aligned and trained sales force. In-person teams can make (or break) the experience, so it's critical that frontline personnel actively support personalization efforts, understand their value, and learn to use digital to deliver the complete omnichannel experience. For example, one retailer gave in-store associates a sales-assist tool on a tablet and conducted targeted training that helped them use it to better support customers and upsell products and services. The reward was clear: average basket size increased by 5 percent in the test stores.

Training cannot be done once. The best companies provide online and offline training at least quarterly and supplement that with a culture of continual feedback to continue to build skills and ensure that changes stick. Further, top omnichannel performers ensure that incentives are aligned with key performance indicators, such as number of customers contacted, percent of customers who make a purchase, and additional products sold.

Omnichannel personalization is challenging, but it need not be overwhelming. Instead of waiting to develop a complete system, companies should start small, with the highest-value use cases and existing touchpoints, to prove its value. That's a proven model for success and one that companies will need to develop as the lines between the digital and physical worlds continue to blend.

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