# Crossing Minds

# E-Commerce Personalization: 2023 Trends

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# Introduction

Personalization is a critical part of any e-commerce business strategy to maximize sales and increase customer satisfaction. The ability to deliver customized experiences to users has proven to be a successful method for e-commerce in increasing brand loyalty, conversions, and sales.

On the customer side, personalization aids discovery by showing shoppers appealing products faster. Personalization also helps brands build chemistry with their customers by creating an invaluable feeling of awe and connection: "Wow, this brand just gets me."

## 66%
### of customers
expect brands to understand their tastes and expectations
Source: Salesforce

## 71%
### of customers
are frustrated by impersonal shopping experiences
Source: Segment

But personalization is changing. During the 2010s, e-commerce personalization took full force. Third-party cookies enabled retailers to put people in groups based on their demographic. With that demographic information, they could begin to serve some recommended products and content.
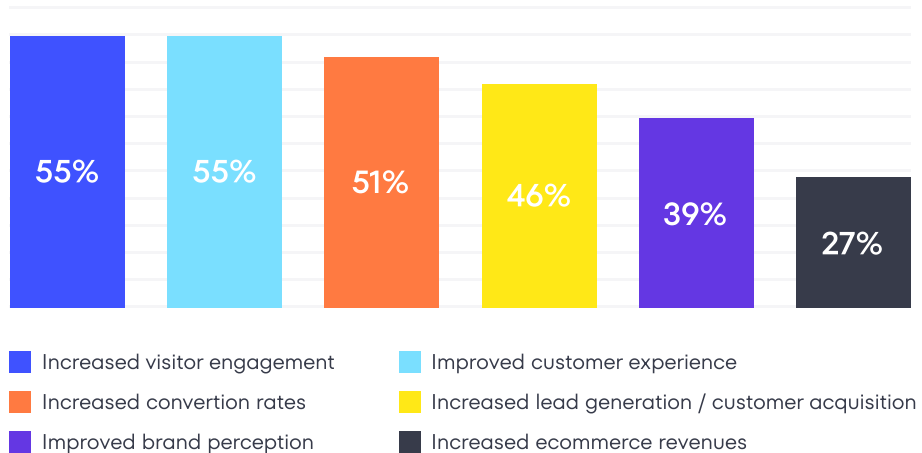
## Quick Fact

Google Chrome, which accounts for two-thirds of all internet browsing worldwide, will phase out the use of cookies by 2024.
(source: Statcounter)

However, with the imminent demise of third-party data (or cookies) and increased public scrutiny on data privacy, many businesses are reevaluating their approach to personalization. In fact, **what has passed for "personalization" until now is just the tip of the iceberg when it comes to making truly personalized recommendations** to customers. With new advancements in AI technology that can take recommendation science to the next level, businesses can improve outcomes for e-commerce businesses and their customers alike.

In addition to preparing for the end of cookies, there are several other factors for e-commerce storefronts to consider when it comes to personalization. Specifically, advancements in AI technology and ideology shifts on how to best achieve true personalization will be top of mind for 2023.

Inside, we'll discuss the top trends in personalization for 2023 that e-commerce businesses will be considering as part of their strategy in the immediate future.

## Benefits of Personalization



Bar chart values: 55%, 55%, 51%, 46%, 39%, 27%

Legend:
- Increased visitor engagement
- Improved customer experience
- Increased convertion rates
- Increased lead generation / customer acquisition
- Improved brand perception
- Increased ecommerce revenues

Source: Salesforce

# The Rise of First-Party Data Over Third-Party Cookies

The use of third-party data by online retailers to personalize has long been controversial. End users see the use of cookies that track their personal data – before they've purchased anything or opted into receiving communication from a business – as extremely invasive. Until Google announced that it would discontinue the use of cookies in its popular Google Chrome browser, however, it remained a relative norm to enable personalization and recommendations for customers.

Now, with cookies' expiration date within reach (by 2024), and Chrome accounting for some 66% of worldwide web browsing, alternatives to third-party data are not only a timely topic of discussion, but a necessity for e-commerce businesses that want to continue to be competitive.

Even though e-commerce businesses will increasingly cut ties with third-party cookies, they will continue to be resourceful about using first-party data in new ways. First-party data, which also takes stock of an end user's personal data, belongs to the e-commerce brand through ethical and transparent exchanges of information that don't violate privacy. This form of data, in fact, is much more valuable than what can be gleaned from third-party information. Whereas third-party data puts users into buckets based on stereotypes surrounding their age, location, gender, etc., first-party data is highly specified information about an individual provided directly to a business. **First-party data can then be used to provide a truly unique and highly specific personalization experience** on the site that takes into account an individual's likes and interests.

## Quick Fact

60% of senior executives say the loss of third-party cookies will be disruptive to their business strategies. (source: Adobe)

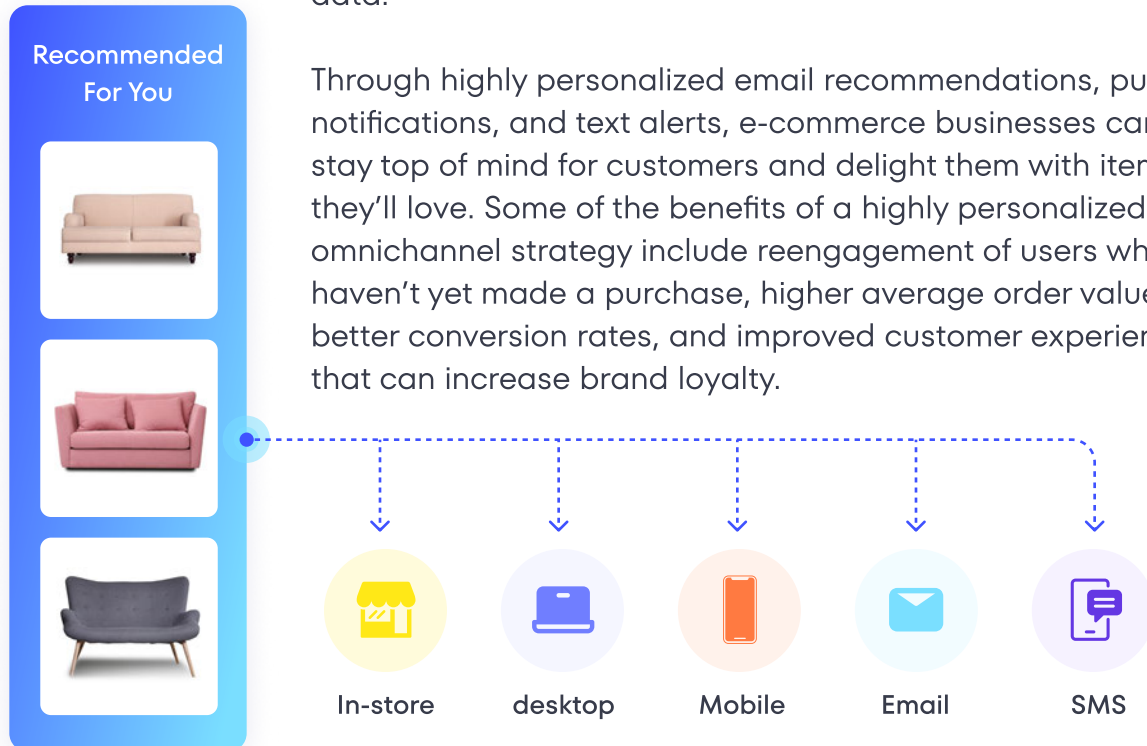# Widespread Adoption of Omnichannel Personalization Strategies

## Quick Fact

Companies with a well-defined omnichannel strategy retain on average 89% of their customers. (source: Aberdeen Group)

Serving customers with a highly personalized experience when they visit a storefront is the bare minimum. To fully engage customers across their entire digital ecosystem, however, it's advisable for e-commerce businesses to take it a step further.

**An omnichannel approach to personalization should include providing item recommendations to customers even when they navigate away from a website.** Whereas a multichannel strategy refers simply to how one communicates with their customers across various platforms, omnichannel is a more customer-centric form of communication relying heavily on customers' first-party data.

Through highly personalized email recommendations, push notifications, and text alerts, e-commerce businesses can stay top of mind for customers and delight them with items they'll love. Some of the benefits of a highly personalized omnichannel strategy include reengagement of users who haven't yet made a purchase, higher average order values, better conversion rates, and improved customer experience that can increase brand loyalty.

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# The Emergence of True 1:1 Personalization

## Quick Fact

80% of consumers are more likely to buy from a business that offers true personalization. (source: Epsilon Group)

What has passed for personalization in the past generally consists of placing consumers into generalized boxes based on stereotypes, which has been collected via third-party cookies. For example, third-party data may help identify a user as being female, between the ages of 21-34, and living in the New York City metropolitan area. Using this PII, traditional personalization technology can make certain assumptions about what the user may be interested in based on what other users with similar demographics liked. While the traditional targeting approach can be effective in certain situations like locale ("stores near you"), it fails to predict someone's unique tastes and preferences.

Part of bracing for the end of third-party data usage, as well as focusing on the uniqueness of users and items, will require a shift in focus to what customers actually do when they visit a store. Leveraging technology that can analyze what actions a user takes in the first several seconds – clicks, scrolls, likes, cart adds, etc. – will enable e-commerce businesses to make **recommendations that are truly customized for the shopper.**

**New User**
Browsing history: None

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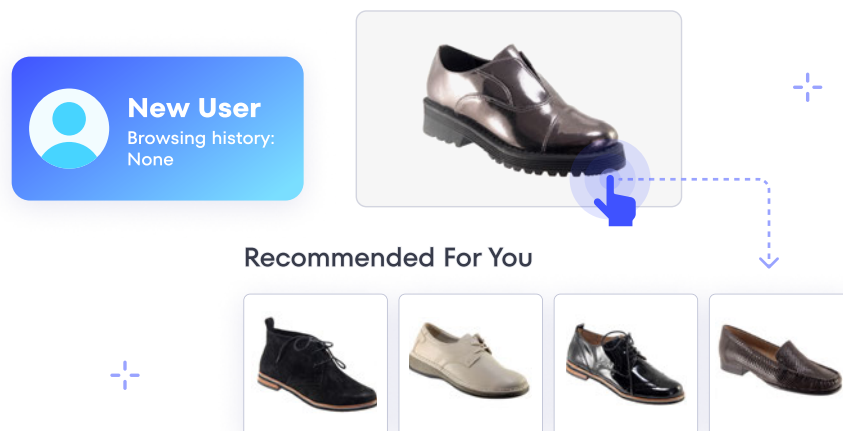
**Onsite behavior-based recommendations prioritize a person's interests over who they are** or what stereotypical category they might fall into. This change in ideology is especially critical when it comes to accounting for new or anonymized users visiting a site. Even someone exploring a site from a private browser can receive relevant recommendations if the AI that the business uses is focused primarily on what the user does within their first several clicks, as opposed to their PII.

Furthermore, it will be important for retailers to assign meanings to onsite behavior that will allow for enhanced recommendations. For example, AI that can weigh the difference between something a user was interested in six months ago versus something they were interested in today will allow for more sophisticated personalization that increases the likelihood of a conversion.

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## Quick Fact

Nearly 90% of users browsing e-commerce sites are anonymous. (source: Braze)

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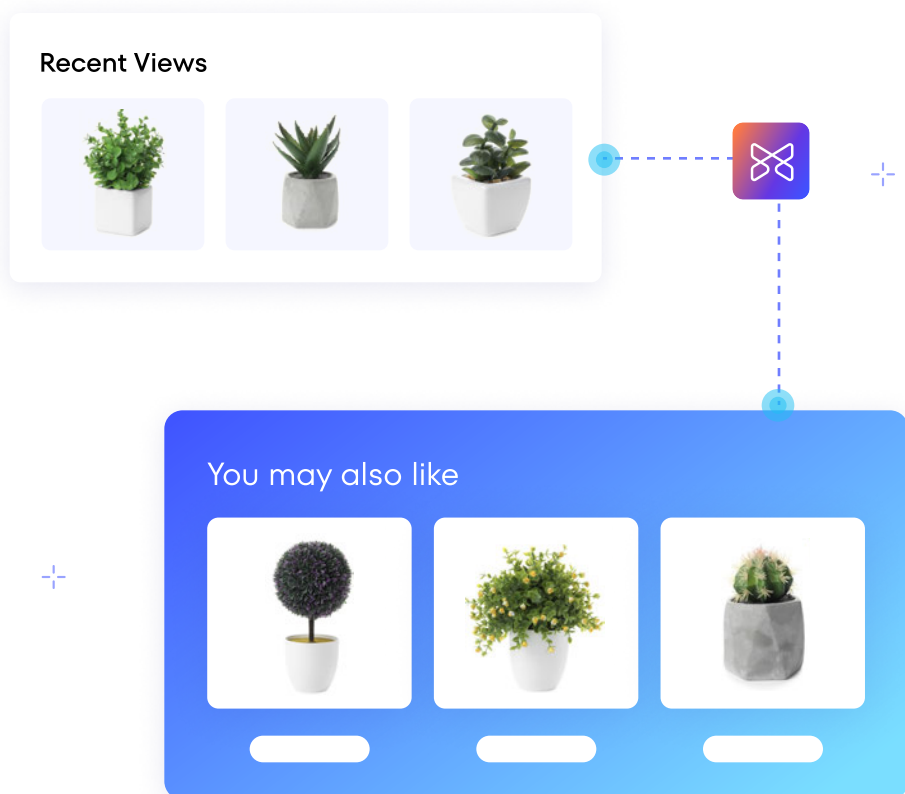
# Recommending New Items Sooner Will Become a Greater Priority

## Quick Fact

Over a third of consumers say they won't return to an online retailer that recommends things that don't interest them. (source: Salesforce)

A consistent problem plaguing e-commerce businesses is the conundrum surrounding brand new items added to the catalog and how they factor into personalization. Most e-commerce companies are adding new SKUs at a regular cadence. Without any user behavior data related to these items, how can a business accurately recommend them?

**Expanding the definition of catalog items to include any number of attributes or characteristics can lead to improved recommendation.** This is especially true when it comes to items that haven't been interacted with by users. By using AI to analyze a new item's DNA, a relevant item can be surfaced as a recommendation to a user who has an affinity for those same attributes or characteristics.

For example, if a store sells jeans, being able to define a given pair by its other attributes – think "distressed," "blue," etc. – and pair it with the compatible DNA of a customer's preferences, the likelihood of a conversion increases.



distressed

Item description:

blue

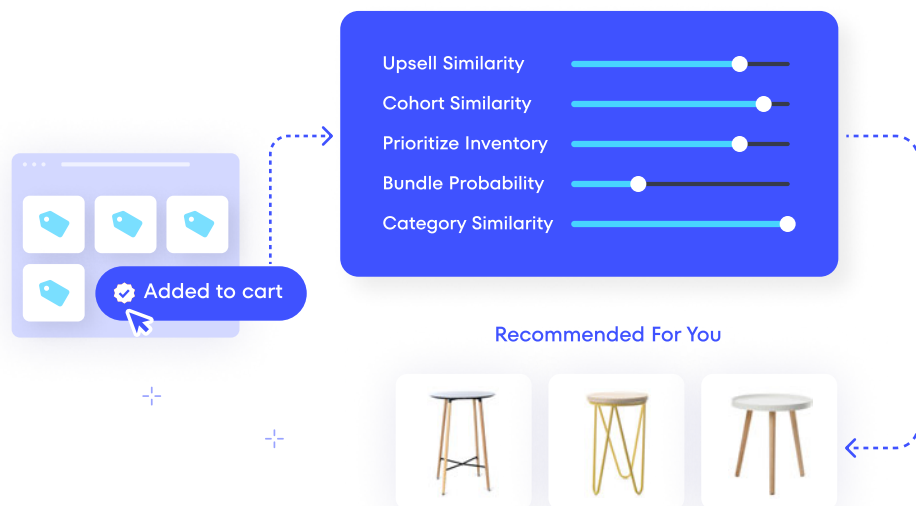# Customizable Technology Will Become Increasingly Critical

## Quick Fact

Effective personalization can increase the efficiency of marketing spend by up to 30%.
(source: McKinsey)

As the retail world continues to rapidly adopt AI technology to serve their business needs, there are countless solutions on the market for e-commerce businesses to consider in order to achieve true personalization. However, no two users are the exact same, nor are two items in a business' catalog. That's why **off-the-shelf solutions baked into customer database platforms or recommender software will only do a mediocre job at achieving personalization goals.**

Before a business can make an educated decision on how to best address personalization and recommendation, it will be important for them to consider all of the current trends in e-commerce personalization, as well as how they apply to their own unique business needs, challenges, and circumstances. Making a checklist of questions to ask relevant to a specific storefront will help maximize conversation or engagement with a provider before making a decision on personalization tools.

Upsell Similarity

Cohort Similarity

Prioritize Inventory

Bundle Probability

Category Similarity

Added to cart

Recommended For You

# Retailers Will Use Recommendation Tech to Manage Inventory

Certain seasons or campaigns require selling a specific type of product, like last season's clothing. Traditionally, e-commerce and merchandising leaders have been left with limited options for managing inventory strategically.

In 2023, **e-commerce and merchandising leaders will use customizable recommender systems to provide new options for managing inventory.** With a customizable recommender system, they will create business rules that blend a customer's own preferences with their own sales objectives.

In effect, retailers will have another strategic channel - and more optionality - for promoting products that need to sell faster.

| | | |
|---|---|---|
| Relevance | 94% | 98% | 87% |
| Inventory | 138 in stock | 29 in stock | 173 in stock |

Minimum relevance: 90%

Prioritize inventory:

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# Responsive Marketing Banners and Imaging for Personalized Experiences

**Dynamic Banner Imaging**
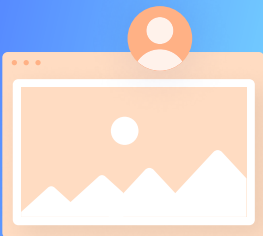
Retailers with many SKUs face a tough conundrum: Who should the web experience be optimized for?

In the past, there were a few options for a website homepage:
- Display the most widely appealing products & marketing content
- Display a mix of everything, with the hope that one option resonates with any given visitor
- Prominently display product categories, rather than products themselves

In 2023, retailers won't have to make any of these sacrifices because they will have personalization options. Many will opt for smart homepage personalization tactics that include dynamic banner imaging.

With the advancement of predictive AI comes the ability to market more strategically. Many **retailers will create separate website experiences based on their user personas.** As each visitor interacts with different products, predictive AI will choose which user persona fits best and guide their web experience accordingly.

This will enable marketers to choose more pinpointed messaging & images to resonate with a more specific subset of customers.