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A Brief History of Personalization: Past, Present, Future

THIS ARTICLE HAS BEEN CREATED BY
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INTRODUCTION

The 21st century is well under way - the noughties began with 9/11 and ended with the worst recession since the 1930s; the tweenies, so far, has been about smartphones and tablets, China and Greece. What will be the vision for the 2020s?

The changes undergone by humankind during the past twenty or so years are greater than any since the Industrial Revolution. The internet is the host for many of these changes but technology in the widest sense is the catalyst. Today's forty-somethings are the last generation to have fully experienced both the analogue and digital worlds; many people under the age of 20 have no experience of a pre-Google world without smartphones.



The travel and hospitality sector is at the cutting edge of these changes. Sociological, demographic, economic, technical and geographic shifts, among others, impact our industry more than most, and in an immediate and business-critical way.

If we try to aggregate these changes in a commercial context and come up with an umbrella term to summarise where we are at today, then “personalization” would be a good place to start.

“Personalization” is a 21st century buzzword, resonating across verticals and geographies. It co-exists with “targeting”, “one-to-one marketing”, “retailing”, “merchandising”, “predictive analytics”, “segments” and “big data”, terms which are defining the age.

At Boxever, we have an interest in the past, present, and future of personalization. This article will have a look at the business and technical environment that prompted this focus on personalization, and the factors which will determine how it will develop in the coming years.

A BRIEF HISTORY OF TIME

Where did this focus on personalization come from?

“The cult of the individual” is a phrase that may have its origins in Cold War Russia, but ironically it is now applicable in our market-driven world. In 2006, Time magazine named “you” as its Person of the Year, in recognition of the way user-generated content created by individuals and made available to a wider audience was changing the commercial world.



As a result of the slowdown that followed the crash of 2008, many things changed in the business world. But the supremacy of the individual gathered momentum. Individuals who use supermarkets, individuals who buy books online, individuals who travel - all expect their supplier to know something about who they are and what they want - putting a first name into the subject line of a generic email campaign is not good enough.

Let's face it - mankind as a species has always segmented itself for convenience. And while some personas might have their roots in politics (Cavalier or Roundheads, redcoats or bluecoats) or religion (Catholics or Protestant), lifestyles have also been appropriated for this purpose (Mods and Rockers).

But at what point did business start to segment customers?



According to Gartner, the term “relationship marketing” was first used by Leonard Berry, professor of marketing at Texas A&M University in the early 1980s. His thinking was that marketers of the day needed to start thinking beyond the sale and consider their brand's relationship with its audience.

“CRM” entered the business vernacular in the 1990s and stood center stage in the days of Web 1.0 when computers were supposed to be able to do then what they are still struggling to do today - use data to identify customers.

Email marketing campaigns were one of the first channels in which personalized messaging became established - initially this was a simple name recognition; today the email elite can send communications based on an individual's previous activities, including purchases and searches.

In travel, personalization emerged from the concept of “merchandising”, a term used to describe how airlines can sell more by selling differently. Merchandising started to appear in the sales and marketing material produced by the global distribution systems around 2007.



It was also around this time that low-cost carriers (LCCs) became “mainstream” and prompted legacy and full-service carriers to rethink their model. LCCs offered passengers a choice in terms of the flight product and prepared the ground for choice to become a prerequisite in any flight booking.

More recently, the desire by airlines to upsell/cross-sell additional flight-related and non-flight-related products led to the emergence of the personalization poster-child - NDC. The IATA-led “new distribution capability” is a set of standards designing to help airlines and agents communicate. The ability to personalize offers is one of the most discussed opportunities.



2007 was also a pivotal year in creating the background for personalization in travel. The iPhone became mainstream, gaining an audience beyond its hardcore Apple devotees. This prompted other phone manufacturers to innovate. Elsewhere, Twitter and Facebook started to grow into global businesses. These developments all increased the volume of data available to businesses.

It was also around this time that the cloud was emerging as a viable option for many businesses. A few years on, most businesses see the value in having somewhere secure to store the growing volumes of data and access to analytical tools to interpret that data.

CURRENT STATE OF PLAY

With personalization and the associated phrases very much in the buzzword category, there are lots of reports out there and some interesting findings are emerging. But as a relatively new concept, there are some interesting findings emerging: the top-line takeaway is that while most business understand the need to personalize and the value that can be extracted from consumers by doing so, there is a reluctance to fully embrace personalization.



eConsultancy produces a series of Quarterly Digital Intelligence Briefings in association with Adobe, and last November released [Why Marketing Should Be Personal](#). Its headline findings illustrate the point that personalization is still very much in 1.0 mode - the survey provides compelling evidence that personalization works, with businesses doing so reporting an average increase in sales of around one-sixth (14%). The majority of the sample believes that personalization is fundamental to their business, but only one in twenty (5%) of businesses say that they are using this technique extensively.

This “significant gap between the perceived importance of personalizing experiences at the right time, and the ability of companies to deliver on it” is a sign that the theory and practice of is still in its formative years.

Infosys is another research group contributing to the debate, this time from a consumer perspective. [Its Rethinking Retail](#) report, released at the start of 2014, found that 86% of consumers said that personalization did influence their purchase decision, with 25% saying the influence was significant.



So from these two reports we know that one in four shoppers says personalization has a significant influence on their purchase decisions; firms that personalize see a 14% increase in sales but only 5% are firms think they are doing personalization extensively.

Do these general ecommerce studies have any insight for travel firms?



At Boxever we wanted to get a clear picture specific to the travel industry so we linked up with WBR to produce our own [Digital Travel Benchmarking Report](#). Personalization registered an importance ranking of 4.1 out of 5, but the major headwind facing travel execs is “complications regarding data segmentation and reporting.”

This issue relates to one of the travel industry’s weaknesses - legacy business IT infrastructures - which means that unconnected data sets are isolated from each other and cannot be cross-referenced in a personalization-friendly way. A ballpark figure from our survey, and our experience on the road, is that travel firms typically have at least five databases relating to customer behavior - some have less, some a lot more.

Only one-third (37%) were pleased with how effectively they could aggregate databases to provide the business with relevant information.

CASE STUDY:

Bravofly Rumbo/lastminute.com

Bravofly Rumbo, now known as lastminute.com, is one of the leading online travel agents in Europe. Its portfolio includes the eponymous Bravofly, Rumbo, and lastminute.com brands, as well as Vologratis and Jetcost.

Do you develop personas or segments for your travelers and if so how?

- We use a number of segment methodologies at both a customer and campaign level. The data points we use for our segment methodologies can broadly be summarised into browse, purchase, and engagement data.
 - Browse consists of what the customer has been clicking on and showing an interest in on the website/email content.
 - Purchase is obviously based on previous booking data (includes recency, frequency & value).
 - Engagement is what touchpoints the customer has interacted with, e.g., how long it's been since they opened or clicked on an email.

How many have you defined and what are they?

- Depending on how you cut the data there can literally be hundreds, so there is no defined amount. For us it is more important to find the right content for our audience – that's why we're focused on selecting the right customers for the right campaign depending on where they are on their particular journey with us, e.g., at the browse/search phase, booking stage, pre-trip, or post-trip.

For campaigns to customers within the browse stage, some newsletter campaigns will have 50+ customers segment applied with relevant content dynamically used.

And a specific example from lastminute.com: We can segment customers by geo-location to a certain location for highly targeted campaigns, e.g., all customers interested in Spa, who may live within 25 miles of London, or regional airports for certain flights offers to make them more relevant to the customer.

How do you use these segments, internally and externally?

- We use these segments for a number of things including campaign targeting, customer behavioral analysis, demographic profiling, research/focus groups, and social audience targeting.

Which business function makes the most use of personas and who has “ownership” of the data?

- The CRM function act as ‘guardians’ of customer data within the business, although there is shared responsibility with Legal, IT, and BI teams to help coordinate and manage. CRM, Marketing, and the Sales/Category teams make the most use of the data to help understand their specific customer behaviors, what they are interested in, volumes, and what region they are located in.

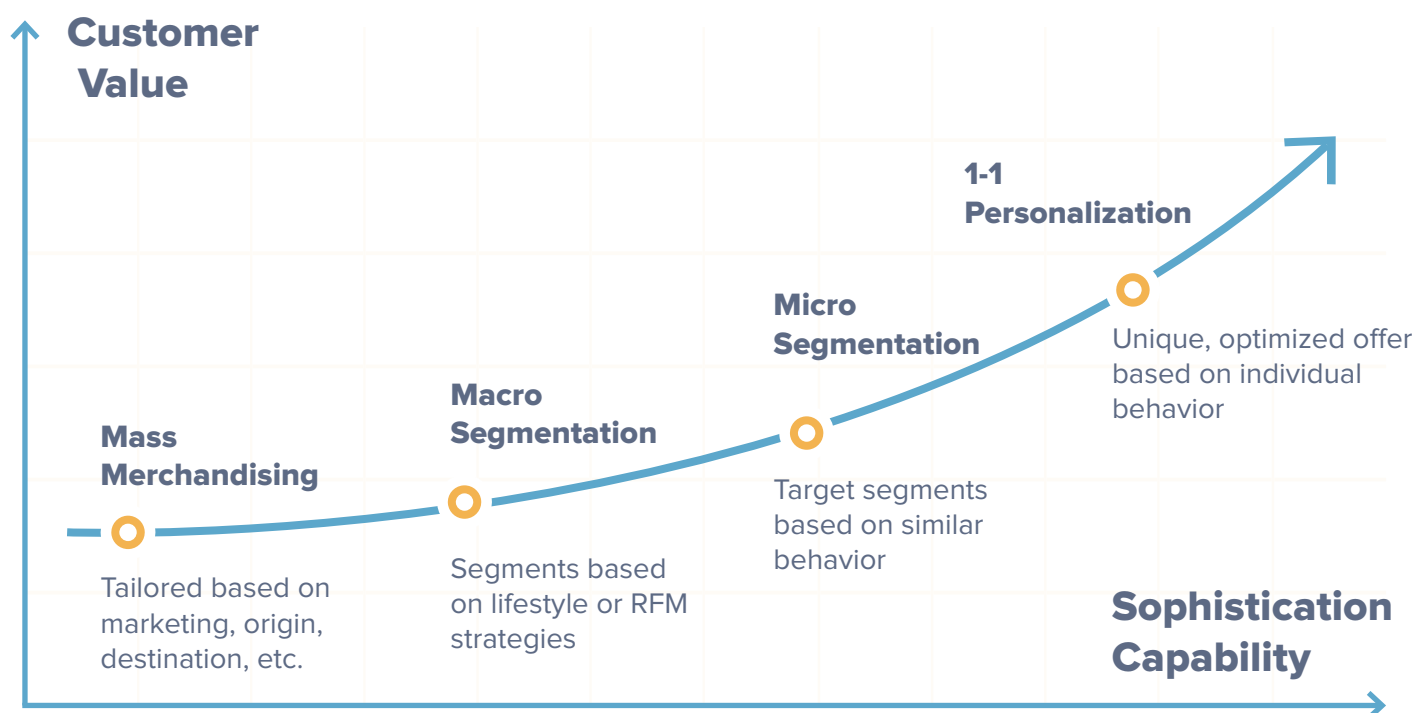
Looking ahead, how do you see the theory and practice of personas evolving?

- We’re working towards a much greater focus on behavioral targeting, e.g., a customer interaction/ event that’s actually happening versus an assumed hypothesis of behavior, aligned to customer value and associated experience across all touch points.

For example, your VIP customers should feel like true VIP customers wherever they engage with your brand – with the full experience they expect from our brand and proposition. Making this experience as close to real-time and “in day” as possible is key to help our customers.

[lastminute.com](#) is typical of many businesses out there, if not a little ahead in terms of its own **personalization maturity model**. Travel businesses should have moved beyond mass personalization or at least should be looking at macro-segmentation. Those that have are on the right track to get to one-to-one personalization - the ability to offer customers unique optimized travel options that are based on individual behaviors.

BOXEVER MATURITY MODEL



LOOKING AHEAD

Uncertainty in the early 21st century is based around geo-politics, global economics, and extreme weather events - the constituent parts of life's rich tapestry over which business has little control.

But within this there are some constants that we can cling to. One certainty is that the number of people travelling will continue to grow. [In its 2014 report](#), the UNWTO said that international arrivals including an overnight stay this year will be up by 3.4% on 2014's return of 1.1 billion.



The long-term projection revealed in its Tourism 2030 Vision document is for international arrivals to reach 1.8 billion by 2030.

So as the demand for travel increases, so will the desire of travellers to be offered products that are relevant. And more travel means more data.

Another related constant is that technology is not going away. But within that constant, there could easily be a shakeout in terms of favored sites, platforms, and devices. While it is unlikely that Facebook will go the way of MySpace, already there are studies suggesting that its growth is slowing. Will Periscope become the new Twitter? Can the Apple Watch replicate the success of the iPhone?

Whatever the answers to these questions, the fact remains that consumers will continue to leave a digital footprint, and businesses that can aggregate this social data and connect it with other, more primary sources are leading the line when it comes to personalizing offers.

At Boxever we strongly believe that predictive marketing will emerge as a key discipline with travel - the idea that a travel company can, based on its analysis of previous activity, predict what sort of trip a person wants, what they want that trip to comprise of, and how much they are prepared to pay.

Predictive marketing is personalization on steroids.

THE ELEPHANT IN THE ROOM

Many of the discussions around personalization and segmentation gloss over what is potentially a dealbreaker for the entire personalization industry - and that's privacy. It is a topic that rears its head in the mainstream press regularly, and will do so more often in the years ahead as European and US regulators take a look at the issues surrounding the sharing of and collection of personal data.



At Boxever, we have recently published a report called [The Data Disconnect](#). Our headline finding is that while consumers want personalized offers they are also reluctant to share data that enables that personalization.

For example, 62% of consumers don't want brands tracking their location but 61% of consumers want offers targeted to where they are and what they are doing; 49% of consumers don't want to share their personal information but 56% of consumers want offers tailored to their interests and needs.

The reason for the disconnect is that customers have been put off by irrelevant offers from brands - we found that on average three out of every four offers received by consumers was irrelevant.

Our findings around the data disconnect reinforces other reports. Every year Deloitte produces a Data Nation report, specific to the UK. [Its 2014 study](#) said that "nearly two-thirds (64%) of consumers either don't mind or are happy to share their personal information if it leads to direct benefits."

Clearly there is a need for businesses, if not the entire ecommerce industry, to ensure that customers see the benefits of sharing data. It creates a virtuous circle, a win-win for everyone - brands who use personal data effectively will find it easier to get that data because consumers recognize the tangible benefits that the sharing of data brings.

CONCLUSION

There is no excuse for brands to stick with a one-size-fits-all approach, and in the travel sector any excuse is thin indeed. Boxever exists in an ecosystem of travel technology businesses that have the knowledge and experience to help travel firms give their customers exactly what they want, at the right time, and in the right channel. The onus is on the brands to embrace these opportunities.

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