

HOW PERSONALIZATION GETS PERSONAL

UNDERSTANDING THE PSYCHOLOGY
AND TECHNOLOGY BEHIND THE
ECOMMERCE EXPERIENCE WITHOUT
GOING NUTS

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YOU LOVE IT WHEN YOU GET EXACTLY WHAT YOU WANT, DON'T YOU?

WE THOUGHT SO, AND GUESS WHAT?

SO DO YOUR ONLINE SHOPPERS.

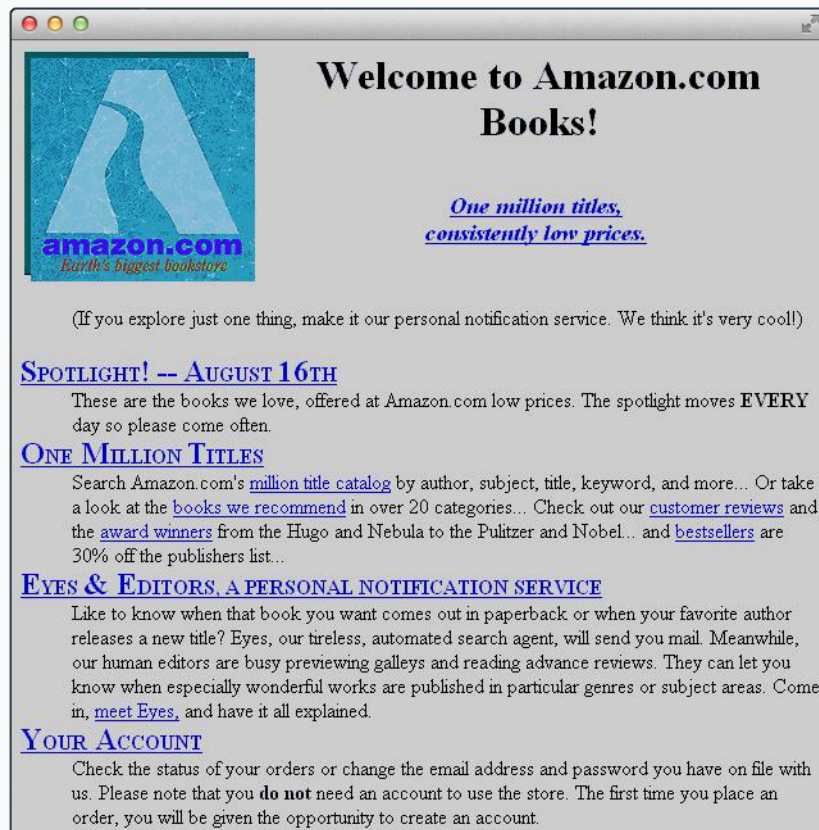
It seems so simple – give shoppers what they want, when they want it and they will keep coming back. Ahhh, those were the days.

When it comes down to trying to give your shoppers a one-to-one, personalized experience on your eCommerce site, who knew that you would be running into a spaghetti bowl of technology, overlapping system capabilities, APIs and merchandising strategies?

Seriously, you were just trying to give the people what they want!



TWENTY YEARS IN AND OUR ECOMMERCE LIVES HAVE CHANGED A LOT



Amazon.com home screen, Circa 1995.

MILLENNIALS (FOLKS AGES 17-34 RIGHT NOW) RULE THE WORLD WITH SMART PHONES ATTACHED TO THEIR PALMS AND WEARABLE TECH, VIRTUAL CURRENCIES AND IBEACONS LURKING EVERYWHERE.

It all conspires to make the job of eCommerce merchandising more complex than ever. The simple goal of giving shoppers what they want, when they want it, has never been more pronounced, but its never been harder either.

THIS EBOOK IS ABOUT STRIPPING AWAY ALL OF THE TECHNOLOGY AND SYSTEMS BLAH BLAH AND GETTING DOWN TO WHAT REALLY CONNECTS US – SIMPLE HUMAN BEHAVIOR.

Remember Psych 101 and Maslow's Hierarchy of Need? Turns out that what works in real life, also works online.

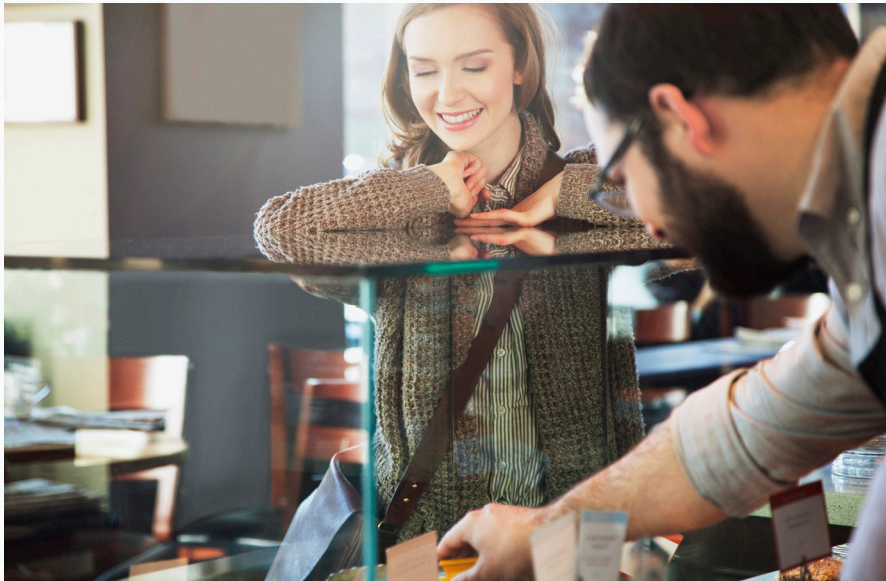
Keep reading and by page 10, you will see how human needs are translated in the online world and how you, the retailer, can put together a digital marketing strategy that reaches straight to your customer's heart, mind and (dare we say it?) their wallet.

I WANT. I NEED.

TURNS OUT THAT THE CONCEPT OF “NEEDS” IS REALLY IMPORTANT IN HUMAN PSYCHOLOGY.

NEEDS ARE A POWERFUL, MOTIVATING FACTOR BEHIND EVERYTHING WE DO:

Who we see, how we spend our time, our money, what we consume and how we react. Every emotion we have is linked to whether or not our needs are being met. See? It really is “all about me.”



Abraham Maslow started it in his 1943 paper “A Theory of Human Motivation.”¹ Then, eCommerce happened. James McQuivey, Ph. D, is “the man” when studying the impact of digital tech on old school businesses and he spoke at a Forrester Research conference back in 2008.² In his talk, he said that eCommerce hits on our human and conflicting needs for connection, uniqueness, comfort and variety. According to McQuivey, everyone has all four needs, but they change from person to person and vary by situation.

In the end, we trade off one need against the other and this comes into play when we shop online.²

It's not like shoppers come to your website thinking, “I'm looking to satisfy my need for survival and uniqueness.” But they are coming to your website thinking conceptually, “I need a cool T-shirt to wear to Coachella,” or even objectively, “What about that awesome retro tee I saw in the store.” The needs are connected.

You see? The need to connect (lots of people at Coachella), stand out (I want to look cool while I'm there), be comfortable (those are the softest tees!) and have variety (I'd love to wear something different than my old Coldplay tee) all tie into that one simple add-to-cart transaction when buying that tee shirt. Who knew?

TECHNOLOGY KNOWS YOU BETTER THAN YOUR MOMMA

CAN AN ECOMMERCE SITE KNOW WHAT YOUR NEEDS ARE?

YES, IT CAN.

You know how your mom just knew what you were doing, like she had eyes in the back of her head? Chances are she knew what was going on from watching you and your friends over time. eCommerce is just like that.



Technology enables websites to watch millions of shoppers and what they do. Over time, it develops a sense of the patterns of behavior.

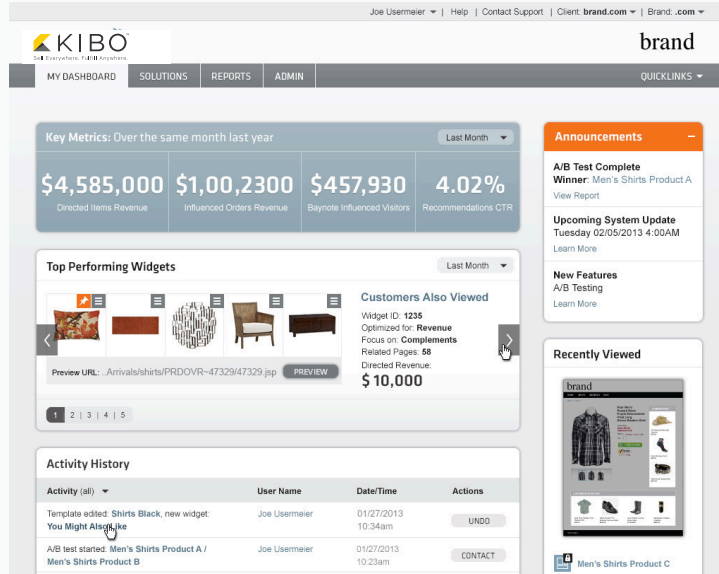
Think about all the things a retailer can observe about your online behavior. Now multiply that by like, a million. Technologies such as machine learning combine shopper patterns of behavior with sophisticated predictive models to infer the context of a shopping visit and the shopper's intent. It's a super educated guess, just like the eyes your mom had in the back of her head. Based on all available data, it knows where you have been, what thousands of others shoppers like you have done and can predict where you will likely go next, what you want and (wait for it)...what you need.

The interesting thing is that while machines can absorb, track and analyze way more data than humans can, we still need the human response to the data. Where machines have predictive models, humans have instinct, experience and gut feel. When retailers combine the power of both, that's when the magic happens.

BETTER TOGETHER.

MERCHANDISERS AND MERCHANDISING AUTOMATION BOTH BRING SOMETHING TO THE TABLE.

Merchandisers bring their knowledge, intuition and judgment. Machines bring capacity, processing power, speed and a nearly perfect memory. They process more data than we can, identify patterns and turn them into pictures that humans can make sense of.



With expanding product catalogs, global traffic and expectations of modern shoppers, it's a data avalanche. So what data do you look for and how do you make sense of it? Machine learning pros say it all starts with the feedback loop.

First, humans need to decide what data to look for. They're called inputs and in retail can include:

1. **Behavioral signals** like present and past, online and offline activities
2. **Environmental context** like location, device and time of day
3. **User attributes** like demographics and social connections

Next, we match the inputs with possible outputs. If "I'm hungry" is an input, then "food" is the output. In our context, humans must give the machine information about all of the possible matches it can make between inputs and outputs. Outputs are typically product catalogs or other data like:

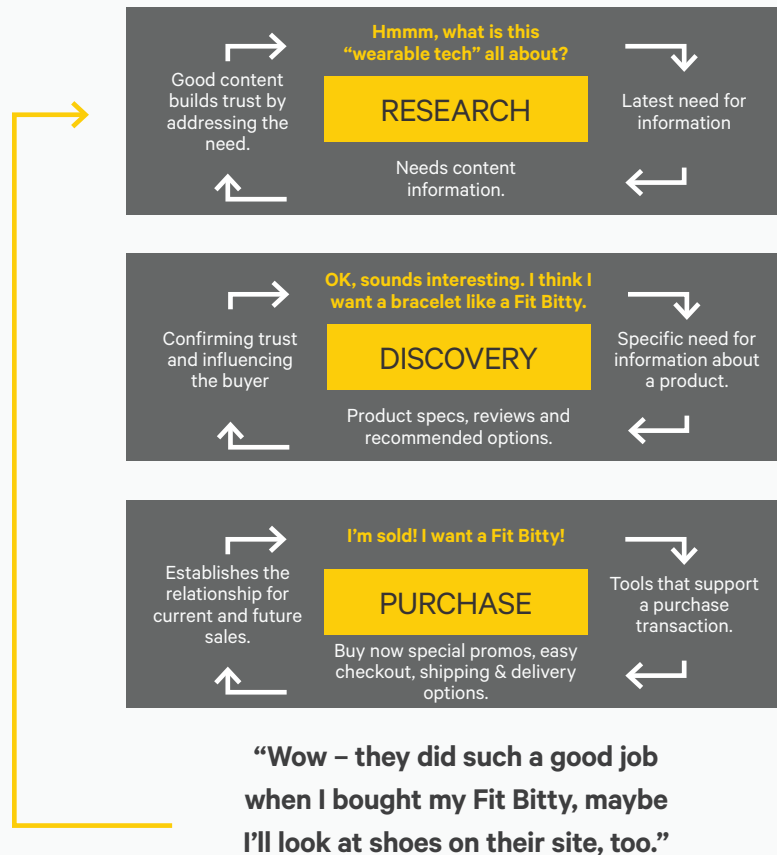
4. **Attributes** such as product or content details and specs
5. **Metadata** like crowd-sourced descriptions, categorizations or product reviews
6. **Behavioral signals** like which products get the most attention, orders, subscriptions etc.

Once the machine has these instructions, it starts to watch, listen, learn and deliver outputs that best match the input. If "I'm hungry" is the input, then all of the things on the menu are possible outputs. But, the final recommendation is "French fries" because that is what most shoppers end up buying. Need solved.

Done well, your shopper sees recommendations that are just what they are looking for like arrows that are fired straight to the heart of their need. Yep, bullseye.

GO WITH THE FLOW

THE CONSUMER BUY FLOW, THAT IS.



THINK ABOUT THE LAST TIME YOU SHOPPED. DID YOUR NEEDS CHANGE ALONG THE WAY? WERE YOU SHOPPING TO RESEARCH A PRODUCT? COMPARE A PRICE? CROSS AN ACTION ITEM OFF YOUR LIST?

DEPENDING ON THE CONTEXT, NEEDS MAY START AND END IN DIFFERENT PLACES.

The way a site responds at different stages of the buy flow can make a big impact on whether or not shoppers buy from you right now. Another thing to consider is the difference between influencing your shopper or getting them to make a decision. Let's say wearable tech is the latest must-have gadget and a shopper is snooping around for your version of the Fit Bit. If their behavior looks like they are in discovery mode, be a nice retailer and offer great content like product specs, videos and testimonials to engage the shopper on your site and build trust. Has your shopper been on this page a few times already? Started but abandoned a previous cart? Then now is the time to show them that special promo and to get them to convert. You get the idea.

WHAT YOU SHOW THE SHOPPER AND WHEN IS CRITICAL.

If they are looking for inputs of their own—supply them. If they are looking to make a decision, provide them with more actionable outputs.

YOU'RE ONE IN A MILLION – REALLY

NO TWO SNOWFLAKES ARE ALIKE, BUT THEY SHARE A LOT OF COMMONALITIES RIGHT?

SAME WITH SHOPPERS.

The way a site responds at different stages of the buy flow can make a big impact. In order to personalize, generalizing is a great place to start. As much as we think we are all 100% unique, the truth is that we are actually



more alike than we are different. I may like the Walking Dead and you may like Downton Abby, but compare me to other Walking Dead fans and we look similar. Human brains are built to stereotype and generalize. It's the way we function best. We apply rules and categorizations learned over a lifetime to quickly figure out which categories or subcategories a person or thing falls into and act accordingly. That gets most of us about 99 percent of the way there. To understand the world around us, we first apply learned stereotypes. Next we look for the ways that something differs from the stereotype. It's called a feedback loop and it turns out humans and machines function in the same way.

Machine learning systems start by treating a shopper the same as other shoppers with the same combination of interests. But when shoppers don't respond as predicted, it corrects itself. Sometimes that means assigning a different stereotype or it means that it needs to watch and observe in order to learn additional unique characteristics of that shopper in the present moment. Yep—more pattern data.

LIKE SNOWFLAKES, PEOPLE AND SHOPPERS HAVE A LOT IN COMMON.

What sets us apart is our unique combination of interests, and personalization systems that get this deliver more dynamic, accurate results in the context of that moment in the shopper's journey.

HEY MAN, YOU'RE CREEPING ME OUT

WE HUMANS ARE SHAMELESS: WE ALL JUST WANT TO BE KNOWN (AND LOVED!). THINK OF THE BARISTA WHO KNOWS YOUR NAME AND HAS YOUR FAVORITE DRINK READY WHEN YOU WALK IN THE DOOR. IT JUST MAKES YOU FEEL GOOD.

It's weird, but psychologically, people don't distinguish between being recognized by a real person or a "social actor," like a website. A ton of research has been done on this. (Check out the Reeves & Nass Media



Equation3). It's why we feel good when a site greets us with, "Hello Gorgeous," even though we know it's just a computer. As with other humans, we want to believe that our eCommerce sites know us and recognize us for the shining individuals that we truly are!

AS WITH MOST RELATIONSHIPS, TRUST IS AT THE CORE.

Trust means "I care about you." Trust makes you feel good, and when you feel good, you open your wallet. When a salesperson or website recommends something completely off base, we naturally have the sense that either "they" are incompetent or "they" don't care about me.

Another way to fail at personalization is to make the wrong assumption. This happens when merchandisers and their systems guess at the intent of the shopper and guess wrong. How about the person that bought a digital food scale on a giant website. They later received recommendations for all the paraphernalia needed to measure out, well, ahhh, other types of "natural products" that were definitely not food. Applying merchandising filters such as "If they looked at food scales, only show other food related products" might have avoided this awkward (and socially shared) moment.

The gist of it is that bad recommendations get a bad response. Most of us respond to bad recommendations with distrust, annoyance and frustration. Not great if you want to build long-standing relationships with shoppers.

SOUNDS HEAVY MAN – AND I GOT A C IN PSYCH 101

GETTING A LITTLE TOO REAL IN HERE FOR YOU? LET'S CALM IT DOWN A BIT AND SHOW YOU EXACTLY WHAT TO DO NOW TO MAKE SURE YOU PERSONALIZE AND MONETIZE AT THE SAME TIME AND WORRY LESS ABOUT THE INDIANA JONES-LIKE MINEFIELD OF GETTING IT WRONG.

HERE ARE THE BASICS:

1. Personalization is about meeting the needs of your shopper. Accept this and start to think about personalization in light of the context of your shopper on every visit.
2. Learn to trust and manage your machines. With all of the online shopping activities and data, there is no way we simple humans can keep up without automation.
3. Combine your human experience and intuition with machine learning to define your inputs and outcomes then let the technology go to town.
4. Personalize based on whether you are trying to influence a shopper or get them to take action. What you do and when, makes a difference!
5. Trust the machine's ability to see patterns better than you can. It's called predictive analytics baby and it's here to stay.
6. To assume makes an "ass" out of "u" and "me." Delivering irrelevant personalization (or worse!) by not looking at context kills shopper trust. Don't do it.

We hope you learned something about personalization through this eBook. If you're eager to launch your personalization project or revamp an existing strategy, there is help on the next page.



“A JOURNEY OF A THOUSAND MILES BEGINS WITH A SINGLE STEP”

TRY THESE SIMPLE STEPS AND START TO APPLY THE PRINCIPLES OF PERSONALIZED CUSTOMER EXPERIENCES ACROSS ALL OF YOUR TOUCHPOINTS.

MAKE A SIMPLE DESCRIPTION OF YOUR CUSTOMER.

Do you really know your customer? Carefully examine site data, shopper on-site behavior, search terms used, most popular pages and all of the other great data you have on hand to draw a profile of your best customers.

MAP OUT THE SHOPPER’S JOURNEY.

When do they shop? On what devices? Do they use promotions? How do they find you? How many products do they look at before they buy? Sketching out your basic customer buy flow will help you figure out the personalization strategies that will deliver the best results.

ARE YOU PERSONALIZING NOW?

Find out if you’re personalizing today and how it’s done. Is it rule based? Who is creating and maintaining the rules? How often are they updated? Then build on what’s being done already.

MAKE YOUR PERSONALIZATION DYNAMIC.

Are you showing the same recommendation to everyone? If so, you are likely applying overly general filters like segmentation, or purchase history. Another common mistake is to show “Most Popular” items all the time on every page. Get creative – shake it up by product detail pages, category pages and landing pages.

RALLY THE TROOPS.

Get people excited. The potential of dynamic personalization is huge and even though you aren’t Amazon, you will need help. Plus, it’s more fun to work with people AND machines.

USE OUR STUFF.

Skip ahead a couple of pages for some suggested resources. Dive in to learn more about the wide world of personalization, conversion optimization and (pardon the commercial) how Baynote can make it all work for you.

Talk to Kibo! We’ve got lots more to show you than we could ever cram into an eBook. Give us a call at (877) 350-3866 or send us an email at info@kibocommerce.com. We won’t give you the hard sell; we’ll just share our enthusiasm with you and talk about how we can get started.

RESOURCES

LIKED THE EBOOK? WELL, THERE'S MORE WHERE THIS CAME FROM.

Find out about all of the SaaS solutions Kibo offers at

kibocommerce.com/solutions/real-time-personalization

Check out our other eBook, Eight Mistakes in Personalization, and learn how to avoid some common traps and, well, mistakes.

kibocommerce.com/ecommerce-personalization-common-mistakes

END NOTES

1. For more on Maslow's Hierarchy of Needs, see Abraham Maslow's paper, "A Theory of Human Motivation"; 1943. Originally published in Psychological Review, 50, 370-396.
2. For more on James McQuivey's 2008 speech on "Satisfying Consumers for the Next Decade." See Patricia Seybold's blog post at <http://outsideinnovation.blogs.com/pseybold/2008/10/highlights-from-james-mcquivey-forrester-research-speech-on-satisfying-consumers-for-the-next-decade.html>.
3. Byron Reeves and Clifford Nass propose that we respond to communication media as if they were human and that people respond to media using the same rules that govern face-to-face interpersonal interactions with other people. Read more about their work at http://en.wikipedia.org/wiki/The_Media_Equation.

Or you can review their book Reeves, B., & Nass, C. (1996). The Media Equation: How People Treat Computers, Television, and New Media Like Real People and Places by Cambridge University Press.

ABOUT KIBO

Kibo empowers retailers and branded manufacturers to achieve optimal performance of B2C and B2B commerce through unified consumer experiences. With over 40 years of innovations, Kibo provides a complete omnichannel commerce platform delivered with the lowest total cost of ownership and the fastest time to market. By leveraging cloud technologies, individualized buying experiences, and true enterprise scale, Kibo enables you to reach higher peaks of sales and consumer loyalty. No matter the challenge, Kibo powers your success.

To find out more about Kibo, call 877-350-3866
or visit our website at www.kibocommerce.com

