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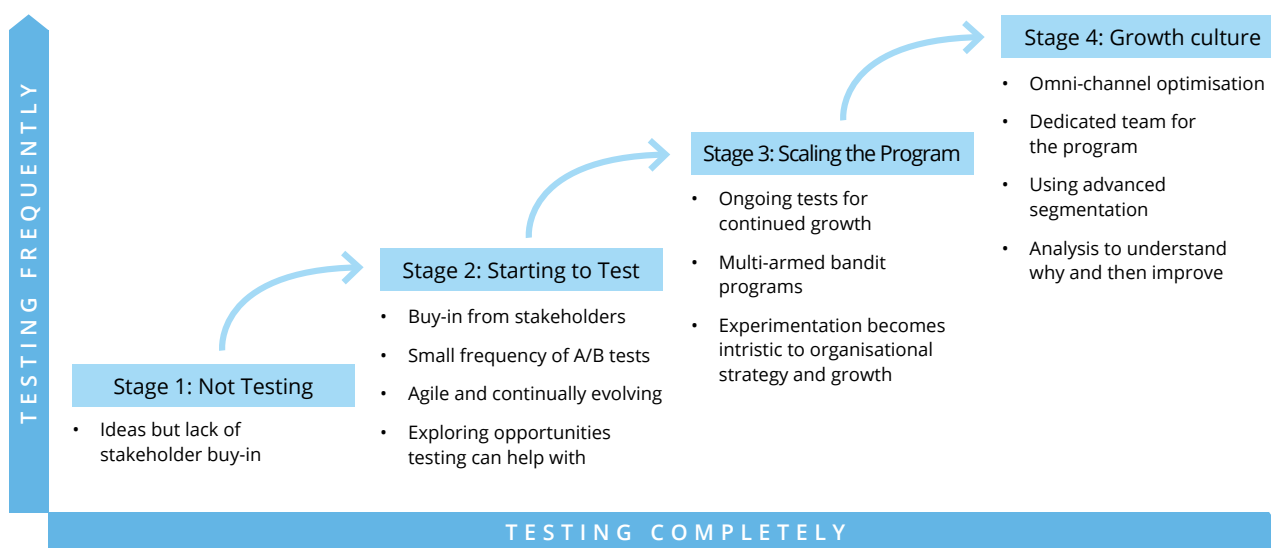
Experimentation: A path to Personalization at Scale

The three key tenets of becoming an experimentation-first organization

Establishing a culture of testing and experimentation

Experimentation takes guesswork out of business and marketing decisioning by enabling businesses to try, learn, and perfect concepts on a smaller scale. With less risk and backed by a data-driven foundation, marketing, and customer experience (CX) leaders can gather the facts needed to determine which ideas offer the most promise. A testing and experimentation culture within a business can lead to exponential development and growth. What matters most, though, is achieving this feedback loop in an optimized, intentional way that fosters deep learnings and actionable insights. Particularly when applied to CX personalization programs and marketing campaigns, three key tenets are needed for maximum impact. A data-driven foundation, a learnings-based feedback loop, and rapid, scalable growth are crucial to enabling innovation. Becoming an experimentation-first organization means approaching problems with specific goals at the outset and directing efforts towards those goals, with buy-in across the company. Empowering teams to embrace an always-on experimentation mindset elevates the entire business by being able to act on real-time insights for personalization and drive better decisions for current & future strategy.

Classic experimentation in marketing and CX contexts frequently starts with A/B testing, which is an experiment in which two or more variations are presented to users, followed by a statistical analysis process to determine which variation performs better for a given conversion goal. As companies scale their procedures, more intricate machine learning efforts such as sophisticated multi-armed bandit programs may be implemented, in which an AI model optimizes for the variation that is performing best and steers the customers toward that variation. No matter where a business sits along this experimentation maturity curve (see graphic below), it is pivotal that the intent from the outset is clearly defined and supported by internal stakeholders.



Personalization is not simply part of the future of CX—it is the future of CX. Our recent research found that while 79% of companies think they are doing personalization well, only 37% of customers agree.¹ And reaching a consistent, reliable personalization program is directly intertwined with an equally robust experimentation program. Technology is changing day by day, minute by minute, and business need to be able to instantly implement data-backed learnings to truly elevate the customer (and most importantly, human) experience.



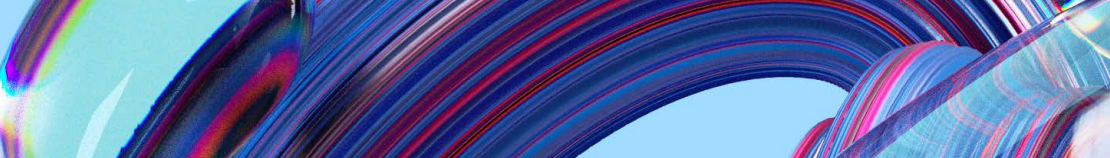
A data-driven foundation

A robust experimentation program allows leaders to take the guesswork out of decisions by building a data-driven system. Creating a data-driven foundation requires the operationalization of enterprise data sets, data hygiene, an agile approach to data, and a strong layer of governance. Building this foundation is not easy, and organizations should be prepared to store, own, and harness their data the right way. Great experimentation ideas come from discoveries based on a strong foundation of market trends, qualitative research, and quantitative data.

It is critical for leaders to set a clear purpose, ambition, and objective for an experimentation program. This, in turn, should be aligned to the broader organizational strategy so that the KPIs identified for each experiment can seamlessly ladder up to wider business goals. It is also important to isolate variables from KPIs to identify true correlation and/or causation to gain a deeper understanding of what is influencing the change in customer behavior. Identifying clear KPIs enables the successful quantifying and tracking of tests. Additionally, this allows for scaling up experimentation efforts within the organization.

Once a business builds its data foundation, identifies its experimentation vision, and has a clear idea on what to test and how to measure success, it can then begin to carry out testing. To start, testing would first only be carried out on a small subset of customer segments. With the opportunity to scale as learnings grow, businesses can have the freedom to first try, learn, and perfect concepts on a smaller scale with less risk. This enables an optimal educational environment where facts can be accurately gathered and are backed by data, and best sets up leaders to observe and determine which ideas have the most promise for ROI. High-performing marketing leaders who prioritize data-driven CX personalization programs see 18% lower customer acquisition costs, a 27% increase in sales transactions, and a 20% higher spend from their customers on average.²

Optimizing digital channel performance with A/B testing and personalization, backed by the right customer data, plays the critical lead role in delivering experiences that resonate with customers, and in turn, increases conversions.

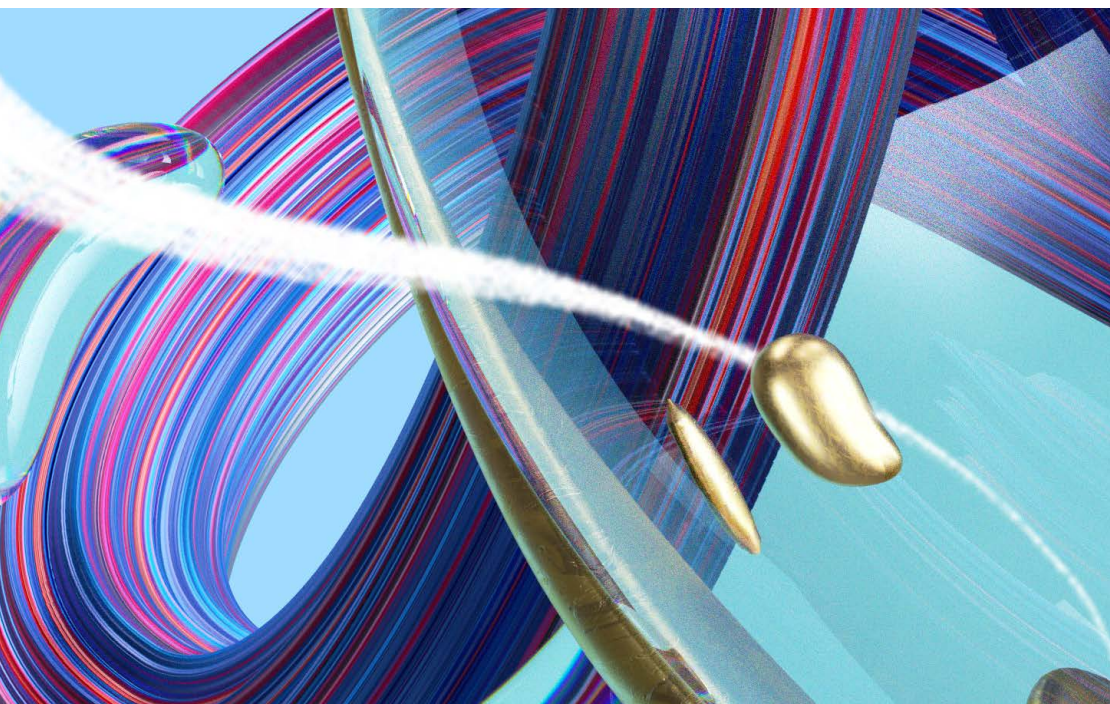


A learnings-based feedback loop

At their highest maturity, marketing teams that utilize experimentation strategies are constantly improving based on data-backed analytics and learnings. This requires a top-down buy-in from company leadership and support across departments to make this possible. A culture of growth with dedicated, multi-disciplinary teams and omnichannel optimization can implement cross-org changes much more quickly, elevating the customer experience in turn.

This requires an agile mindset with the right processes focused on making the project a success. Agile teams that adopt rituals such as regular stand-ups, prioritization & ideation sessions, retrospectives, and more will ensure teams are always communicating and working toward the main business goals established from the outset. Marketing teams that adopt a culture of always-on experimentation see high-yield results at a lower cost.

Just as it is critical for winning strategies, a learnings-based feedback loop is equally critical for failures. “Failures” in an experimentation program are not true failures, because the inherent structure of experimentation means that teams fail small and fail fast. By starting tests with smaller subsets of customers, failures do not significantly risk ROI, and only contribute to overall learnings from which everybody on the team can grow. In an agile mindset, failure needs to be embraced in order to create a continuous feedback loop and drive better business decisions.



An experimentation framework in action

Deloitte Digital embedded an insights-driven culture within an automotive insurance company to conduct rapid, data-driven A/B testing and targeted digital customer experiences to optimize digital channels for continuous growth.

ISSUE

An automotive insurance company needed an external partner to establish an ongoing test-and-learn program and support its digital experience team. The main challenges faced by the client included a lack of dedicated resources to properly drive insights, ideate on test ideas, and deploy ongoing experimentation across all digital channels.

SOLUTION

Deloitte Digital developed an experimentation framework to assist the client with actively using data to validate ideas for experimentation, supported by processes and methodologies around testing and learning. The framework adopted an agile iterative approach, and the team worked closely with the client to understand their pain points, aspirations around the customer experience, and strategic enterprise metrics.

IMPACT

The resulting experiments brought revenue growth to the client and enabled the addition of personalization capabilities on the client’s website, allowing customers to have elevated experiences and build stronger connections.



Rapid, scalable growth

Companies are recommended to take a “crawl, walk, run” approach to a new experimentation program. Many business leaders want to start immediately at the “run” stage, without acknowledging the critical foundations needed from the start. All of the right pieces of the puzzle must be carefully put in place at the “crawl” stage, in order for the “run” stage to even be possible.

Always-on experimentation enables a simplified growth path in digital marketing and CX personalization efforts. This growth path consists of 4 steps (see graphic below):

- 1 Define business goals & KPIs and use customer data to discover experimentation opportunities that tie back to the business goals
- 2 Proactively gather insights upon which you can base experiments
- 3 Launch experiments into market
- 4 Once launched, monitor performance and scale growth by measuring experimentation results and adapting approaches each time, using feedback loops to constantly learn and grow strategies

Scaling is possible with small, incremental wins that are relatively simple to implement and iterate on based on results, without risking wider business revenues.

Bringing AI personalization to the forefront

Deloitte Digital used an AI recommendation engine built from a statistical model to serve a popular ecommerce literary brand's customers with relevant personalized offers.

ISSUE

Our client needed to build out its CX personalization efforts in order to retain customers and increase loyalty.

SOLUTION

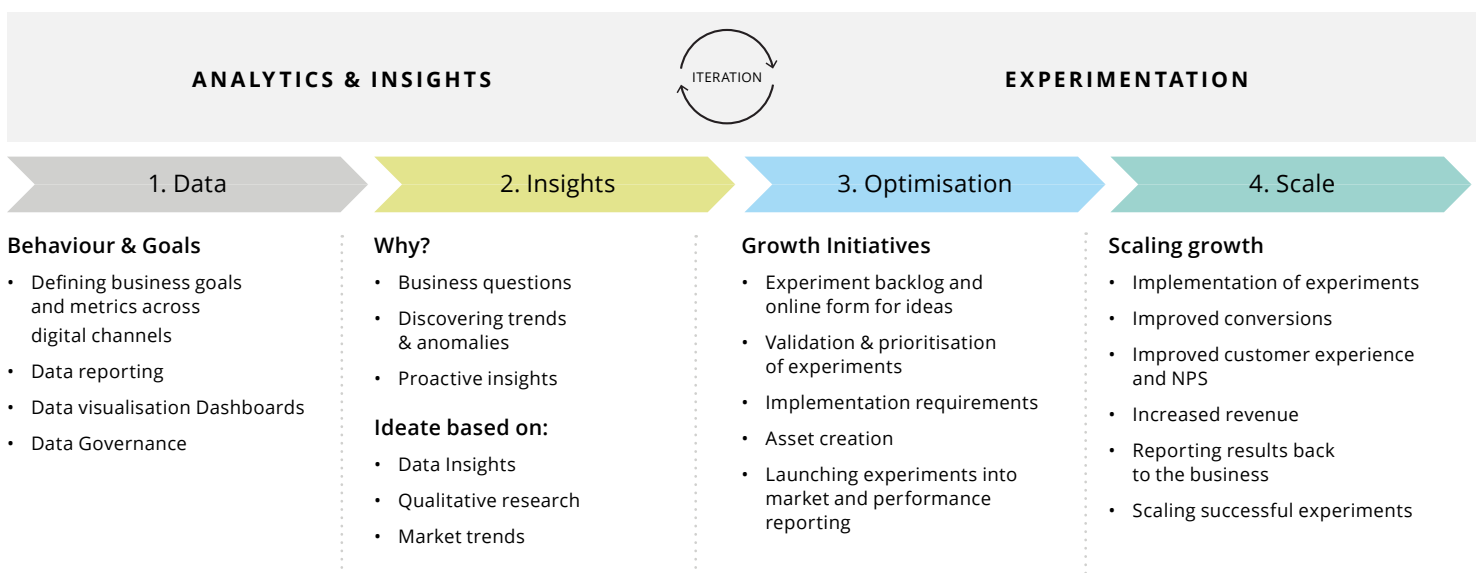
Deloitte Digital worked closely with the client's marketing leaders to launch 100+ always-on experiments into the market, incorporating a test-and-learn approach to create predictive models that could be customized and trained as business and customer needs change over time. Feedback loops were created to tune these models based on their efficacy and success rate within different customer segments.

IMPACT

This continuous experimentation improved the client's personalization efforts overall, enhancing user experiences across channels. This increased the frequency and cart size of their ecommerce orders. Today, these models are continuously learning and adapting in order to increase the rate of customer acquisition and conversion to continue to meet and exceed the client's goals.

Creating a path to growth

Our simplified path to growth across digital channels consists of four key stages:





Putting it all into action

Always-on experimentation encourages teams within organizations to come together. It means that ideas can come from anyone, and the agility of an experimentation structure allows marketing teams to quickly try new ideas on small scales to see what yields results. The democratization of contributions makes teams cohesive and inherently supportive, allowing for swifter overcoming of challenges and a more robust implementation of winning concepts in real time.

When aligned to wider business objectives and driven by empowered stakeholders, experimentation cycles can offer rapid learnings and successful strategies that can be scaled across the business. Marketing programs and personalization efforts need to continuously evolve to outperform the competition. In today's rapidly changing digital landscape, the flexibility and agility that come with an experimentation program are increasingly crucial to these business successes and KPIs.

Audience profiles and customer expectations are constantly evolving. Experimentation allows marketing leaders to hone in on personalization efforts, react to learnings, and implement changes quickly, all while maintaining a consistent data-backed CX strategy. Most importantly, all of these efforts combined ultimately improve the customer journey at each touch point. This makes customers feel seen, heard, and cared about by the brands they seek to build relationships with, and elevates the human experience for both the customer and organization alike.

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Sources

- 1: Personalizing growth (deloittedigital.com)
 - 2: Master data-driven capabilities (deloittedigital.com)
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