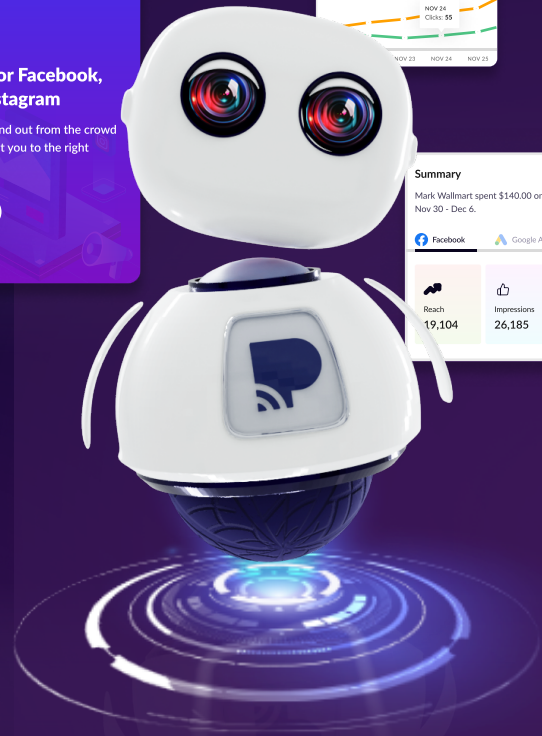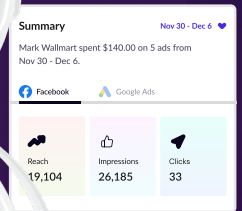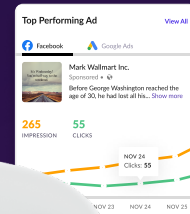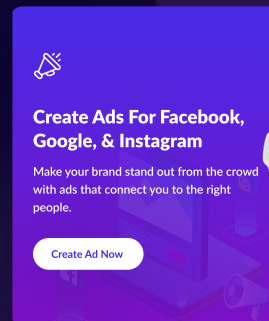# The benefits and challenges

associated with personalization in digital marketing

## Introduction

Have you ever noticed how certain online ads seem to know what you're looking for? It's not just a coincidence—it's the power of personalized marketing.

Personalized marketing is mastering the art of designing advertisements and promotional messages that align with individuals' needs and preferences.

Imagine a situation where every ad your consumers encounter resonates perfectly with their interests, behaviors, and demographics. It's a win-win scenario—consumers see ads that address their desires, and your business enjoys increased customer engagement, sales, and revenue.

According to McKinsey, only **15% of CMOs** expressed confidence in their company's current strategies regarding personalization in digital marketing.

However, implementing personalized marketing comes with its fair share of challenges. This whitepaper will discuss the interesting benefits and obstacles that accompany personalization in digital marketing.
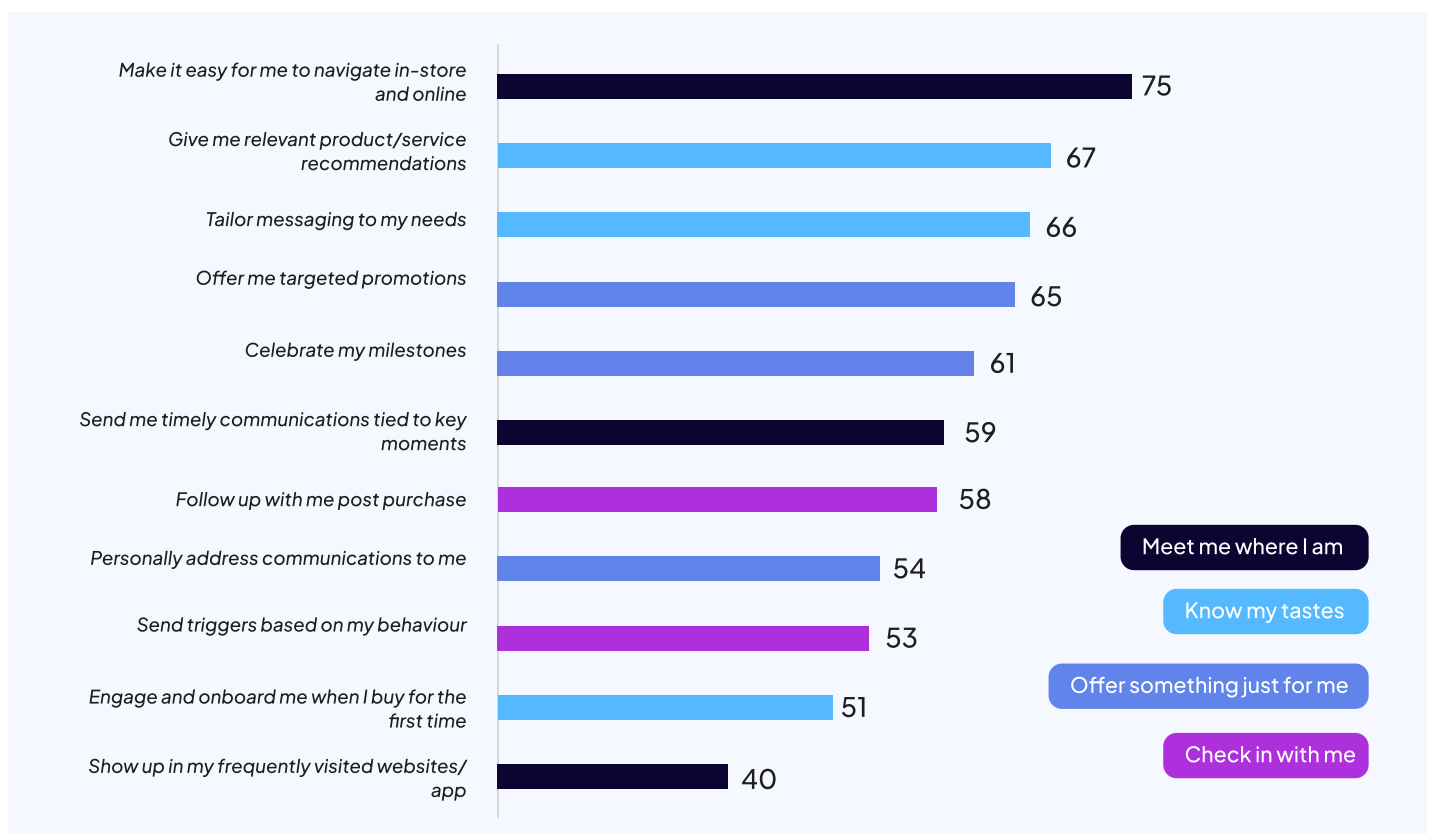
Consumers have a
# strong point of view
on personalization

Another McKinsey study also shows that 71% of consumers expect businesses to demonstrate that they know them on a personal level.

According to consumers, personalization evokes a feeling of being special and valued. They love when businesses go the extra mile to demonstrate their investment in the relationship and not just the transaction.

Brands that incorporate thoughtful touchpoints, such as post-purchase check-ins, personalized how-to videos, or requesting customer feedback, reap the benefits of generating positive brand perceptions.

## Importance of personalization actions for consumers buying for the first time

| Action | Value |
|---|---|
| Make it easy for me to navigate in-store and online | 75 |
| Give me relevant product/service recommendations | 67 |
| Tailor messaging to my needs | 66 |
| Offer me targeted promotions | 65 |
| Celebrate my milestones | 61 |
| Send me timely communications tied to key moments | 59 |
| Follow up with me post purchase | 58 |
| Personally address communications to me | 54 |
| Send triggers based on my behaviour | 53 |
| Engage and onboard me when I buy for the first time | 51 |
| Show up in my frequently visited websites/app | 40 |

Meet me where I am

Know my tastes

Offer something just for me

Check in with me

# The Benefits of Personalization in Digital Marketing

Consumers crave customization, and businesses must catch up with what their prospects want. Through personalized marketing campaigns, companies can develop a deeper connection with their audience, leading to more engagement and sales. Here are some benefits:

## ● Improved customer experience

When you tailor your messages and promotions to each customer, you give them a highly personalized and engaging experience. This level of personalization leads to increased customer loyalty, engagement, and overall satisfaction.

**91%** of consumers are more likely to shop with brands that recognize, remember, and provide relevant offers and recommendations.

## ● Higher conversion rates

Personalized marketing campaigns have proven to be more effective at driving conversions compared to generic campaigns. When businesses provide offers and promotions that align with customers' specific interests and needs, they become more inclined to take action.

A study found that personalized emails had **29%** higher open rates and **41%** higher click-through rates compared to non-personalized emails.

## ● Increased sales and revenue

Targeting customers with personalized messages at the right time can help increase sales and revenue. This form of personalized digital marketing excels at cross-selling, upselling, and customer retention.

According to a study, Amazon's recommendation engine generates **35%** of its revenue.

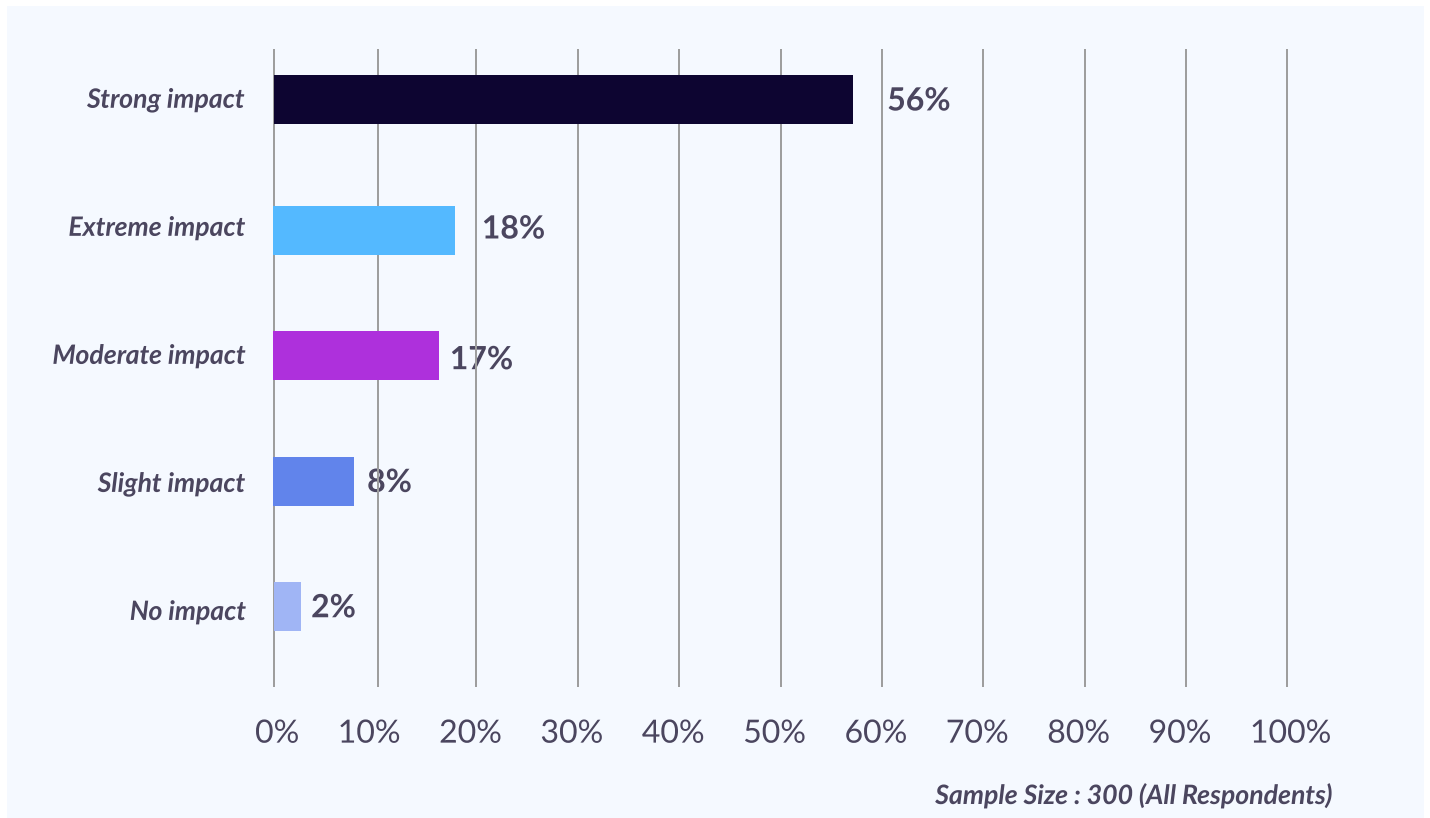## ● Improved customer retention:

Personalized digital marketing builds strong customer relationships through tailored and relevant experiences. It fosters a sense of individual care and connection, leading to customer retention and loyalty.

According to a study by Evergage, **74%** of marketers agree that personalization strongly impacts customer retention and loyalty.

# What is the impact, if any, of personalization on advancing customer relationship?

| | |
|---|---|
| Strong impact | 56% |
| Extreme impact | 18% |
| Moderate impact | 17% |
| Slight impact | 8% |
| No impact | 2% |

0%  10%  20%  30%  40%  50%  60%  70%  80%  90%  100%

*Sample Size : 300 (All Respondents)*

## Better data and insights

Collecting and analyzing customer data offers businesses valuable insights into customer needs, behavior, preferences, and trends. Businesses can leverage these insights to improve products and services, optimize marketing campaigns, and drive overall business growth.
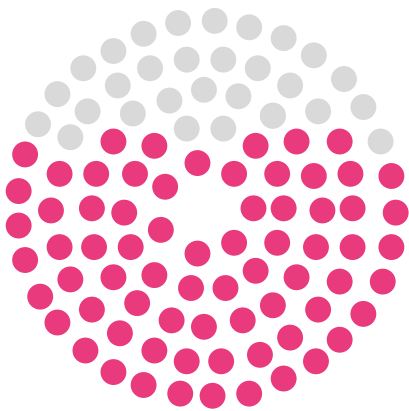
**71%** of consumers expect personalization.
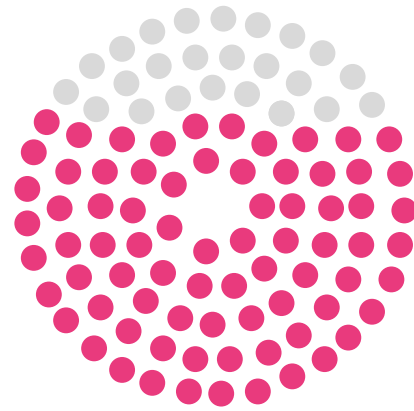
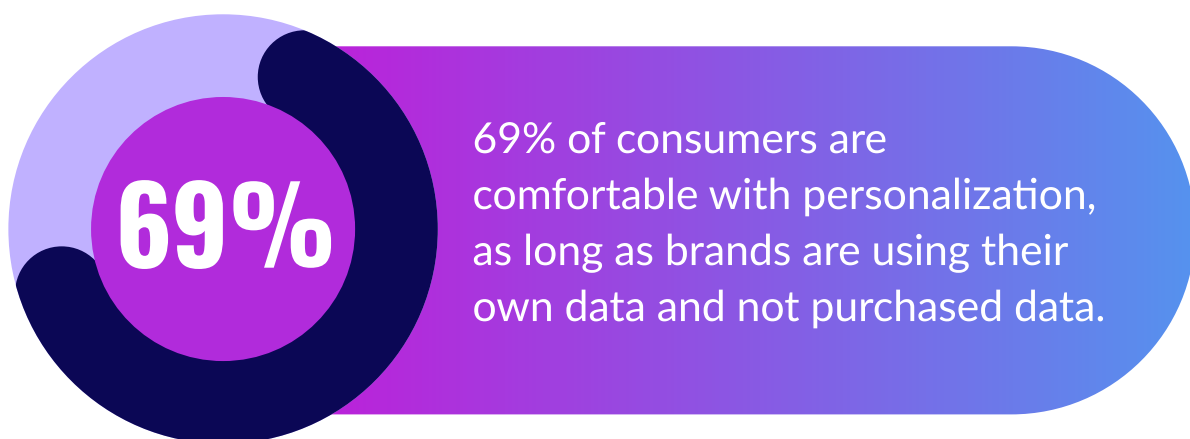**76%** of consumers get frustrated when they don't find it.

# Challenges of Personalization in Digital Marketing

In addition to benefits, personalization in digital marketing has some challenges that need to be addressed to achieve optimal results. Let's explore some of the key challenges:

## ● Data collection and management

Personalization relies heavily on gathering and analyzing vast amounts of customer data. However, collecting and managing data presents challenges such as ensuring accuracy, addressing privacy concerns, and complying with data protection regulations like GDPR and CCPA.

Businesses need robust data collection and management systems to securely handle customer information while respecting their privacy preferences.

**69%**

69% of consumers are comfortable with personalization, as long as brands are using their own data and not purchased data.

## ● Resource Allocation

Implementing personalized marketing requires significant resources, including technology, skilled personnel, and budgetary considerations. Businesses need to invest in the right tools, data analytics capabilities, and talent to leverage personalization effectively.

Limited resources or improper allocation can hinder the successful implementation of personalized digital marketing strategies.

## • Scalability and Automation

Scaling personalization efforts to reach a larger customer base can be challenging. As businesses grow and customer segments expand, maintaining the same level of personalization becomes increasingly difficult.

Automation plays a vital role in managing the scale of personalized marketing campaigns. It ensures the consistent delivery of tailored messages and experiences.

## • Omnichannel delivery

The lack of data synchronization across channels, organizational misalignment, and the absence of a unified customer profile—these challenges hinder the seamless delivery of personalized experiences to customers across multiple channels.

Only **24% of businesses** report successful investments in omnichannel personalization, as they face significant barriers to achieving their goals and legacy infrastructure.

## • Technology selection

Selecting the right technology stack for personalization is a significant challenge. Companies face hurdles from data management to integration in implementing effective personalized strategies. Transforming customer data into actionable insights requires a substantial investment of time and resources.

## CASE STUDY

An eCommerce retailer specializing in consumer electronics faced challenges in effectively personalizing its digital marketing campaigns. It struggled to engage its target audience and drive conversions due to generic messages and limited customer insights.

The business identified several challenges, including low click-through rates, poor conversion rates, and limited customer retention rates.

To overcome these challenges, the business sought help from Practina AI, an advanced digital marketing platform. Our software offered a range of solutions to enhance marketing campaigns. Practina AI analyzed its target audience and generated tailored content, including personalized ads and blogs. The platform also automated the scheduling of posts across various social media channels.

**RESULT**

- CTR increased by 40.44% after implementing Practina AI's personalized campaigns.
- Conversion rates saw a significant 25% boost through targeted messaging and tailored product recommendations.
- Customer engagement rose by 30% due to personalized content delivered across multiple channels.
- Customer loyalty increased by 21.35% as a result of more relevant and personalized marketing efforts.
- Acquisition costs decreased by 15.74% by targeting the most relevant audience segments with personalized ads.

Overall, the eCommerce business gained a competitive edge in the digital marketplace through the successful implementation of Practina AI's personalization solutions.

# Conclusion

Personalization has become a game-changer in the world of digital marketing. It offers businesses the opportunity to connect with their customers on a deeper level and drive meaningful engagement.

Throughout this whitepaper, we have explored the benefits and challenges of personalization in digital marketing and its impactful role in improving customer experience, increasing conversion rates, driving sales, and fostering customer loyalty. However, implementing personalization strategies can be a complex process. It requires businesses to overcome various challenges, such as data collection, scalability, and technology selection. This is where Practina AI can emerge as a powerful ally.For more information on Practina AI, write to us.