



# Hyper-Personalization

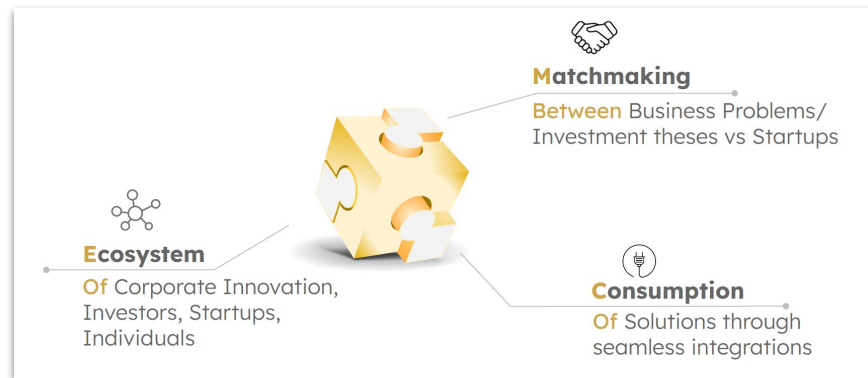
The secret to stay relevant

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## About OpenI

OpenI is an **End to End platform** to build and manage your Startup Investment and Innovation Sourcing Ecosystem.



## DISCLAIMER

This report intends to inform key decision makers, investors and industry influencers on how innovative and disruptive startups and their digital solutions can solve Business Challenges within their industry and sector. All products, names, logos, brands, and product images are property of their respective owners and used in this report for identification purposes only.

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Key Takeaways



# Executive Summary

# Executive Summary

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- Brands can provide incredibly personalized experiences to individual customers using Hyper-Personalization, a state-of-the-art strategy that involves utilizing Data, Analytics, AI & ML, and automation to develop tailored and targeted marketing campaigns that align with each customer's distinct preferences and behaviors.
- Several Touch-Points such as User Browsing Activity, Purchasing Activity, & Behavioural Data are analysed by organizations to speak to users 1-on-1.
- This report highlights the scope of Hyper-Personalization, and the components necessary to build an ecosystem to enhance consumer experience - including 1st/2nd/3rd Party Data Integration such as Customer Data Platforms, Social Listening, Content Creation, Localization Softwares, Engagement Analytics etc.
- In this report, we also explore how Industry Leaders Spotify & Sephora have capitalized the market through their omnichannel Hyper-Personalization strategies. Spotify has made close to 28 acquisitions & 5 investments to support & enhance its consumer experience journey.



# What is Hyper-Personalization

Typical Case Study of a Consumer  
Building Data Economy

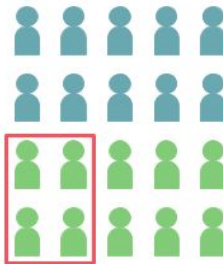


# What is Hyper-Personalization?



## SEGMENTATION

*Classification of Customers into Homogenous Clusters*



## PERSONALIZATION

*Use of Basic Customer Provided Data like Name, Gender, Location to Tailor Communication*

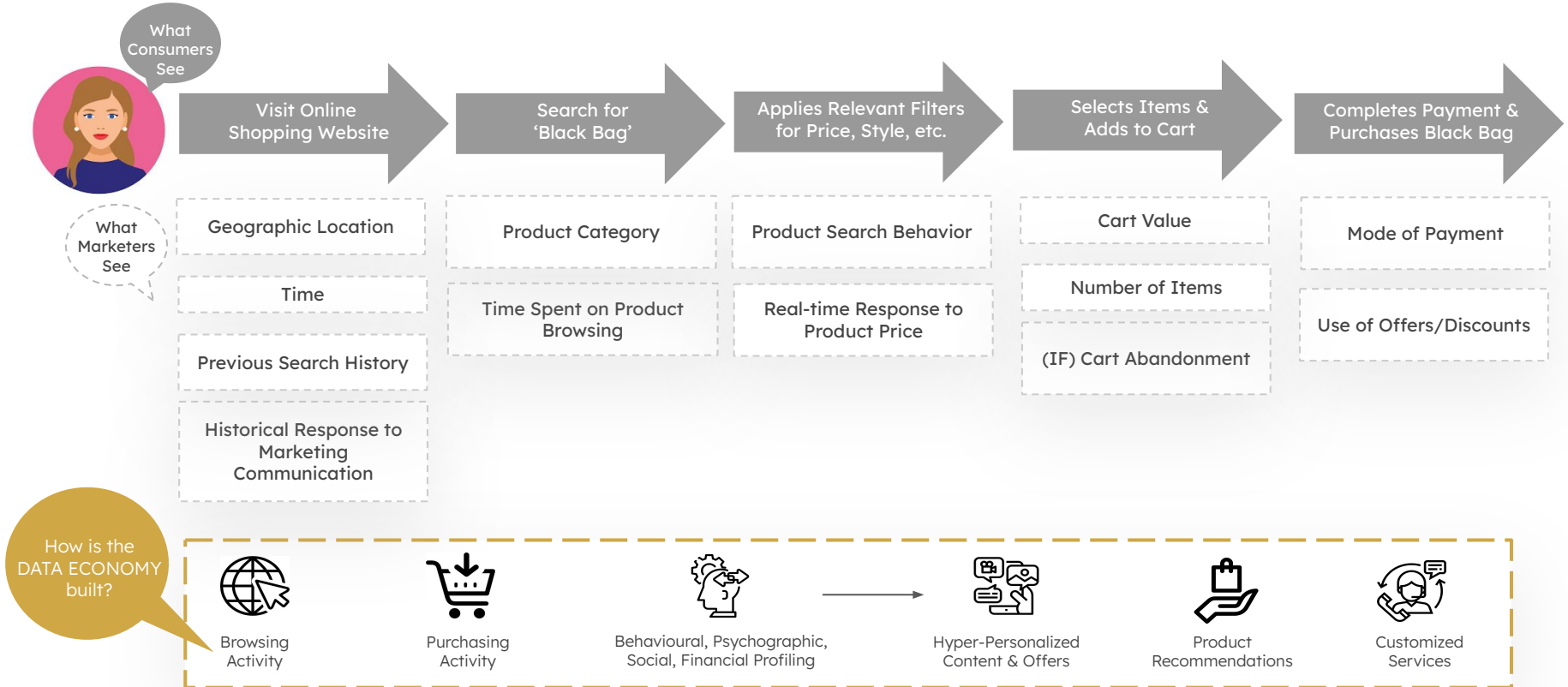


## HYPER PERSONALIZATION

*Leverages Consumer Data, AI, & other Technologies to Help Businesses deliver Content, Marketing, Recommendations & Offerings Relevant to Individual Consumers*

# What is Hyper-Personalization?

## Typical Case Study of a Consumer Buying a Black Bag



# What is Hyper-Personalization?

## Building Data Economy

*Organizations use 1st Party, 2nd Party, & 3rd Party Data to create a 360° profile of customers for personalized targeting*



Browsing Activity



Purchasing Activity



Behavioural, Psychographic,  
Social, Financial Profiling

### **1st Party Data**

Collected directly from a company's customers or users of owned digital assets. Examples of first-party data include website analytics data, customer purchase history, and customer feedback data.

### **2nd Party Data**

Obtained directly from another company or organization that has collected it as first-party data. For example, a travel website partnering with a hotel booking site to access their first-party data on customer travel patterns and preferences.

### **3rd Party Data**

Collected by a company that does not have a direct relationship with the individual or entity being tracked. This type of data is typically purchased from data providers. Examples include demographic data, online browsing behavior, and social media activity.



Hyper-Personalized  
Content & Offers



Product  
Recommendations



Customized  
Services





# Evolution of Hyper-Personalization

# Evolution of Personalization

## Targeted Mailing

Using existing information of subscribers for targeted email campaigns

## Behavioural Recommendations

Showing relevant recommendations based on consumer activity & behaviour

## Predictive Personalization

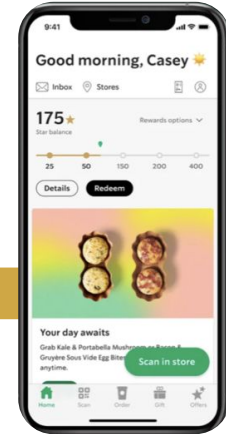
Predicting consumer needs to tailor offers & recommendations in real-time

## Segmentation

Identify attributes to cluster & target consumers

## Omnichannel Optimization

Targeting & Integrating multiple consumer touch-points for a seamless experience



Personalized Advertising

Loyalty Programs & Re-Engagement

Real-Time Product Notifications

Dynamic Pricing & Offers

Personalized Landing Pages



# Why Hyper-Personalization

# Why Hyper-Personalization?

71%

Consumers feel frustrated when their shopping experience is not personalized

83%

Consumers are willing to share their data to create a more personalized experience

79%

Retailers are investing in personalization, the highest among all industries

1

With Changing Consumption Habits & Multifaceted Nature Of Consumers, They No Longer Fit Into The Rigid Segments

2

Consumers Have Become More Demanding & Wish To Be Recognized Individually

3

Improving consumer Experience & Using Data Analytics For Informed Decision-Making Has Become a Top Priority For Marketing Professionals



# Trends in Hyper-Personalization



# Trends in Hyper-Personalization

## From Segmentation to 1-on-1 Communication

**91%** of 8000 consumers surveyed say they are more likely to shop with brands that provide offers and recommendations that are relevant to them



Clothing Brand Bewakoof gives each user a specific score based on their browsing data. Users see ads with different images & products.

Bewakoof brought their acquisition cost down by **3X** and increased conversion rate by **4X**

## Product Centric Offering to Customer Centric Offerings

Around **39%** of customers leave a website and buy from a competitor after being inundated with options



**Netflix** estimates that only **20%** of its subscriber video choices come from search, with the other **80%** coming from recommendations

## Rise of **Conversational Commerce**

**51%** of consumers surveyed by Salesforce expect that banks will anticipate their needs and make relevant suggestions before they even make contact



Collaborated with Haptik to develop a chatbot for their mobile app & WhatsApp. The chatbot handled more than **100k** conversations with customers, driving **33%** of sales via the chatbot

## Online-To-Offline: Digitalization of Physical Places

Retailers are using data collected through online channels to optimize offline experiences:

**40%** personal shoppers will use AI-enabled tools to improve service

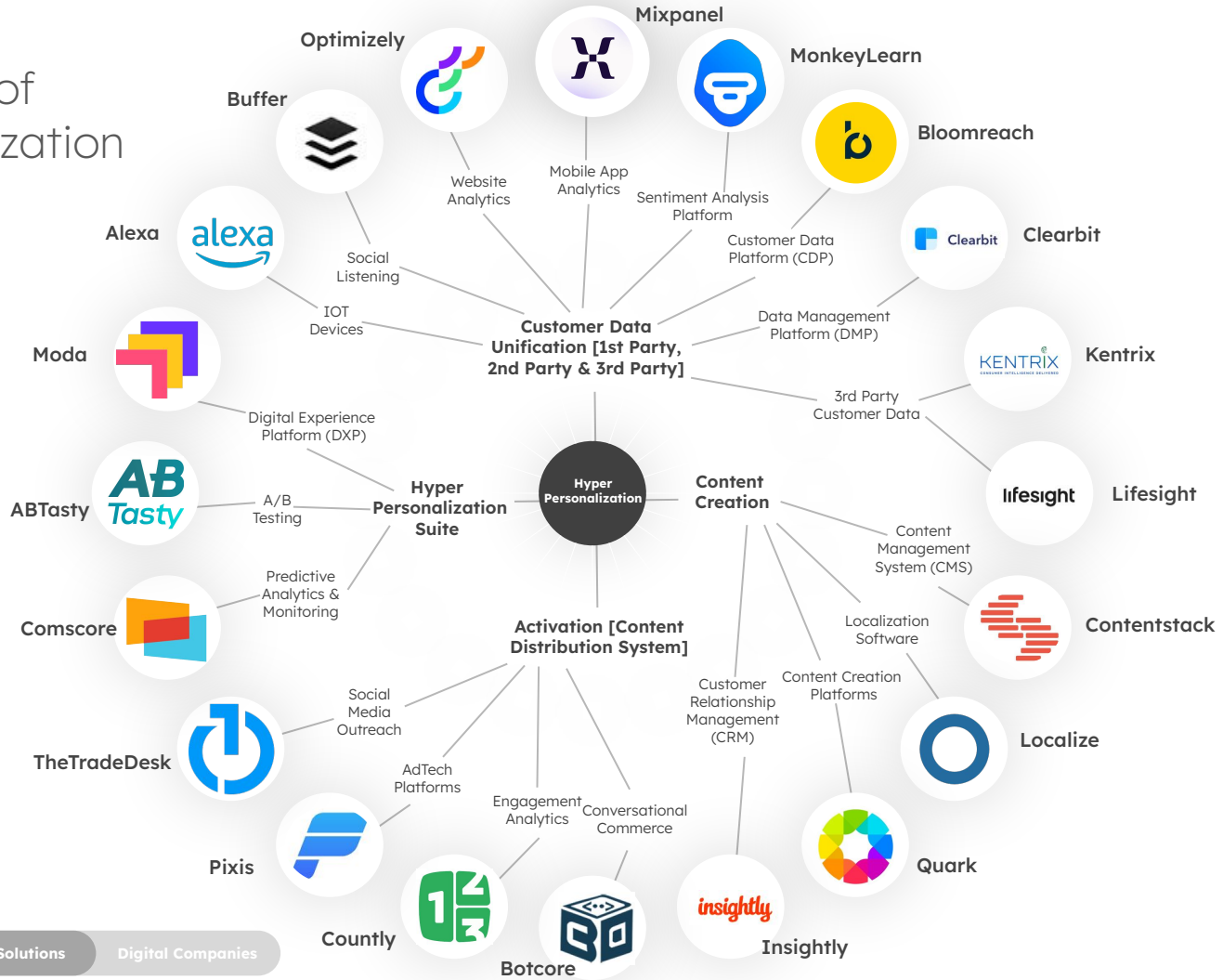


**SEPHORA**

**Macy's, Starbucks, and Sephora** use GPS technology to trigger relevant in-app offers when customers are near a store



# Building Blocks of Hyper-Personalization





# CASE STUDY





# How Spotify Leveraged Personalization To Become The World's Largest Music Streaming Company



70M+ Songs

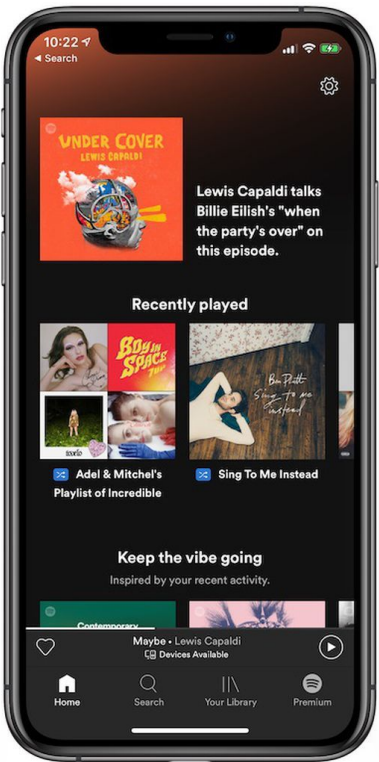
422M+ Engaged Users

30% Songs Streamed are AI-recommended

Engagement Rate of 61 Times per Month

(5 times more often than Apple Music)

1.5x Market Share than Apple Music



## Recommendation Engine

- **Collaborative Filtering** - Analyzes & compares user listening patterns to determine common interests
- **Natural Language Processing (NLP)** - Tracks 10M+ websites to gather user data and analyze content on artists' websites, blogs, & social media
- **Audio Models** - Analyzes the raw data of each song, such as the lyrics, tone, instrumental variances & other characteristics
- **Reinforcement Learning** - Understands user behavior while playing a song to make predictions - Implicit & Explicit Feedback



# How Spotify Leveraged Personalization To Become The World's Largest Music Streaming Company

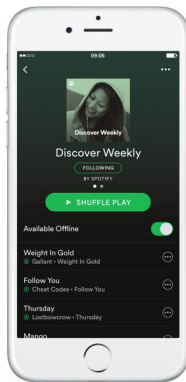
## Discover Weekly

Bandits for Recommendations as Treatments (**BaRT**) is Spotify's algorithmic system offering personalised recommendations to users

'**Discover Weekly**' delivers personalized playlists of 50 songs based on streaming history, listening trends and liked music

Few Elements BaRT Analyses:

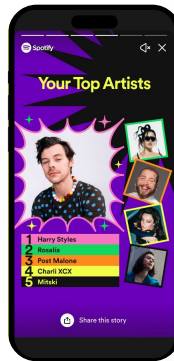
- **Listening history** - Mood, style, genre
- **Playlist placements** - Personal, third-party & editorial playlists
- **Listening time** - Listening for >30 seconds
- **Social interactions** - How many shares & Where
- **Skip Rate**



Discover Weekly listeners spend **2x** time on the platform

**40M+** Users Added

Streaming of **5B+** Tracks



## Spotify Wrapped

Each Subscriber receives a report about their music consumption for the year, highlighting their 5 most listened artists, time spent listening, & fun facts like the first time they listened to their top song

in 2020, Wrapped increased Spotify's app downloads by **21%**



## Live Concert Feature

Sends emails about live events with the user's favorite artists, along with an option to buy tickets

# Spotify's Notable Acquisitions Supporting Their Hyper-Personalization Journey



## Podcast Technology

Acquired for US **\$235M**

Megaphone will help Ads on Spotify become Targetable (they'll be relevant to the people who get them) & Measurable (insights to prove effectiveness)



## Data Analytics

Acquired for US **\$8.1M**

Seed Scientific helps Spotify improve its song recommendations for listeners

The company also Correlates data to better tailor ads to listeners' tastes



## Music Technology

Undisclosed Amount

Niland provides music search & discovery engines based on deep learning & machine listening algorithms



## Music Intelligence

Acquired for US **\$66M**

Echo Nest's Vault of Data is helping Spotify by putting the right music in front of the right people at the right time



## Audio Detection Technology

Undisclosed Amount

Sonalytics is Improving Spotify's personalized playlists

Matching songs with compositions to improve Spotify's publishing data system





# CASE STUDY



SEPHORA

# Digital-To-Store Hyper-Personalization

## Beauty Giant Sephora's House of Innovation

**#1** on Sailthru's Retail Personalization Index

**2700** Stores in **35** Countries

**50M+** Monthly Visitors on Website



## SEPHORA

### *How Sephora Tailors Retail Experiences of Consumers?*

They Track & Analyze:

- How shoppers engage with sales associates in brick-and-mortar stores
- What customers purchase online & in-person
- How customers engage with the website & mobile app

Sephora then uses this data to enhance the sales journey of their customers, In-store & Online

# Digital-To-Store Hyper-Personalization

## Beauty Giant Sephora's House of Innovation

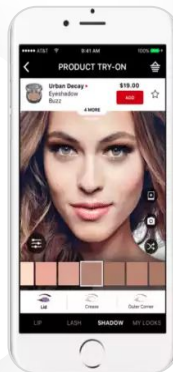
### Beauty Advisor

- Offering various makeover options, including full-face makeovers & mini-makeovers
- All products used for the makeover appears in-app



### Virtual Artist

- Uses Facial Recognition & Augmented Reality to let customers "try on" products to see how they look, which can be saved
- Suggests the best match for each person based on their hair, eye, and skin



### Quizzes For Recommendations

- FRAGRANCE IQ - Recommendation Engine for Fragrances Using personal preferences profile
- COLOUR IQ - Recommendation Engine for Foundation colours using user preferences & skin tone profile
- SKINCARE IQ - Recommendation engine for skin lotions using user preferences & skin type profile

**How Sephora Consumers  
Navigate Through  
3000+ Products Online?**

# Digital-To-Store Hyper-Personalization

## Beauty Giant Sephora's House of Innovation

## SEPHORA

### In-Store Companion

This feature on Sephora's Mobile App allows you to:

- ◆ Find a Sephora store
- ◆ Check availability of items
- ◆ Book a reservations with in-store makeup artists
- ◆ Be alerted if a product on their online wish list is available in the nearby store
- ◆ Makeup artists can input each product they used into the customer's personal profile

### Beauty Insider

- Sephora's Loyalty & Rewards Program offering early access to new products, exclusive events, free custom beauty services, etc.
- Customized recommendations deployed across multiple channels based on profiles details like first name, buying habits, & quiz responses
- In-store access to customer's profile to track sampled items, allowing seamless purchases on the website or app



**25M+** Members on Beauty Insider

Members Accounted For **80%** of Total Transactions (2022)

Avg Cart Value of Members on Website is **15x** compared to others

# Digital-To-Store Hyper-Personalization

## Beauty Giant Sephora's House of Innovation



### Sephora Innovation Lab

Aim to enhance customer experiences in-store & online, fueled with ideas from Sephora Employees. Other Innovations from Sephora Lab:

- Physical store within the Lab to **test in-store experiences** before larger roll-outs
- **Pocket Contour**, A Mobile App Feature providing contouring tutorials based on the user's face shape
- **Personalized Notifications** using IoT beacons as users walk past certain events, sales, services, etc.
- **Sephora Flash** for free & fast shipping
- A social-media platform for collaborative browsing, connecting & creating with the community called **Beauty Board**
- **Voice-enabled application** for users to book services, take quizzes and listen to beauty podcasts
- **Tap & Try** Feature allowing customers to pick any lip or lash products, and try it on using Sephora Virtual Artist combined with RFID scanning



# Digital-To-Store Hyper-Personalization

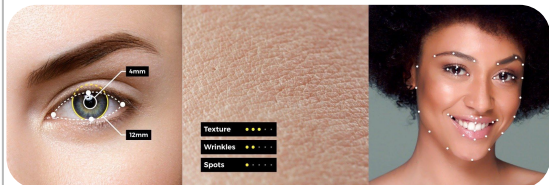
## Beauty Giant Sephora's House of Innovation

### MODIFACE

(Acquired by L'Oréal)

**Partnered with ModiFace** for their **augmented reality technology** to ensure their virtual products matched products in real life

ModiFace's Nail, Hair, & Makeup virtual try-on, as well as AI-powered skin diagnostics supported Sephora's Virtual Artist Feature



### PANTONE®

Partnered with Pantone to develop a shade-matching technology called Color IQ, along with a handheld device that provides a read of each customer's skin tone

Customers are assigned a Color IQ number to help them filter through thousands of lip colors, foundations, & concealer shades that compliments their skin complexion



### INHALIÓ

Sephora partnered with Inhalió to develop a sensory technology called InstaScent

After filling out an online scent profile, InstaScent allows customers to test 18 different scents using a dry air delivery system, allowing them to test scents without trying them on





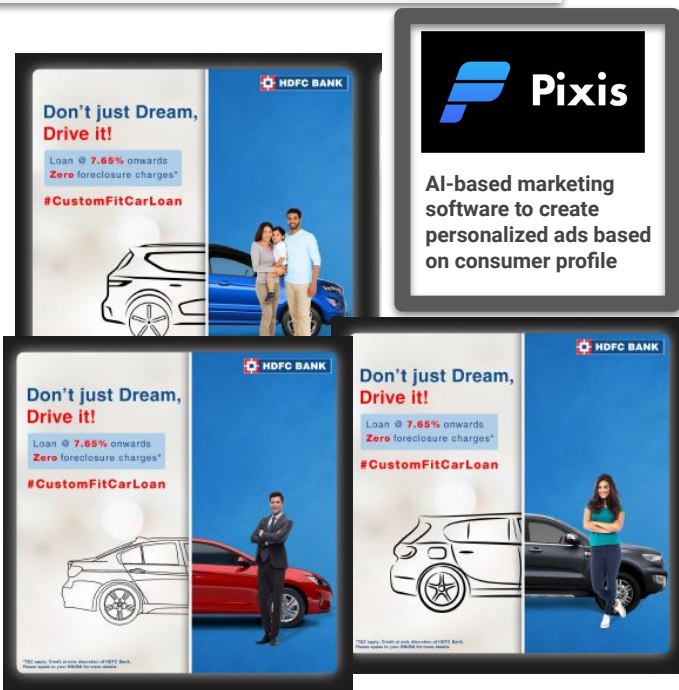
# CASE STUDY



# Hyper-Personalized Ads by HDFC Bank for Car Loans

## RESULTS DELIVERED

8k+ Ad creatives  
12k+ Consumer Segments  
38% Decrease in CPL (Cost-Per-Lead)  
1.5X Increase in CTR (Click-Through-Rate)



## Personalization Parameters

- Interest
- Relationship Status
- Gender
- Event
- Location
- Field of Study
- Industry
- Age
- Languages
- Colleges & Alumni
- Behaviour
- Total Banners



# Challenges & Solutions

# Challenges & Solutions: Hyper-Personalization

## **Collection of Data & Silos**

Gathering quality data to get a 360° view of consumers has become increasingly difficult, owing to the number of channels & platforms data resides in



- Use data integration tools to streamline and consolidate data into a single repository
- Advanced analytics techniques such as predictive modeling and machine learning to analyze vast amounts of data quickly and efficiently
- A CRM system can provide a complete view of customer data, including contact details, purchase history, and preferences.
- Collaboration among different departments such as marketing, sales, and customer service can help break down data silos

## **Legal Restrictions & Data Privacy**

With everyone moving into a cookie-less environment, marketers need to continue obtaining quality data, without violating the privacy of users, but also ensure the efficiency of their marketing campaigns



- Build and rely on 1st party & 0-party data, rather than third party
- Be transparent about how consumer data is utilized
- Enforce strict data controls and restrict commercial use of personal information
- Offer customers tangible incentives for sharing their personal information



# Key Takeaways

# Key Takeaways

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## Omnichannel Data

Omnichannel Data Collection & Integration from 1st, 2nd, & 3rd Party Sources is Key To Provide Hyper-Personalized Customer Experiences

## Data Privacy

Protection of Consumer Data & Maintenance of Privacy must become part of a marketing organization's standard operating model

## Build an Innovation Ecosystem

"Ecosystem as a Strategy" allows you to keep an eye on emerging players who you can **Partner** with, **Source** from, and **Invest** in to drive revenue growth and operations optimisation



We can enable your journey in this rapidly changing disruptive economy. OpenI Platform highlights:

- Next disruptor you must know about
- How your competitors are engaging with these disruptors/ innovators
- Startup ecosystem to drive your growth

#### Navigate with confidence

**BUSINESS GROWTH**  
Identify high potential, startup investment opportunities

**STRATEGY & INNOVATION**  
Source new business models, spot future competitors

**MARKETING**  
Drive sales and customer engagement (D2C)

**BUSINESS OPERATIONS**  
Optimize business operations

**PARTNER MANAGEMENT**  
Procure and manage next-gen disruptors

#### ASK OUR ANALYSTS

White Space Analysis (Spidermap)

Ecosystem as a Strategy

Managed Sourcing

Corporate Venture

Competitive Analysis

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