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Digital's Next Wave: Hyper-Personalization

By RACHEL STRUGATZ

It's all about me.

That's the latest sentiment in the digital world as hyper-personalization is the next wave of change. The ever-more-personal drive is allowing marketers to get more bang for their buck since it enables them to develop advertising messages specifically tailored for the recipient.

"As Google changed ads from seller-driven to buyer-driven, that sea of change opened up personalization. It's a big opportunity right now — especially around contextually relevant content and commerce online. The next huge trend is bridging offline retail and commerce through personalization," David Hirsch, cofounder and managing partner of venture capital firm Metamorphic Ventures, told WWD.

Going forward, Hirsch believes that "bundling" is a commerce opportunity that has potential in the online personalization space — especially for the fashion sector.

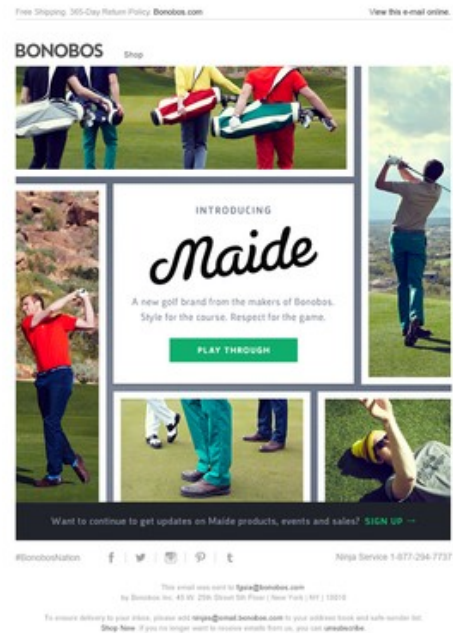
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The plethora of shopping channels, not to mention product choice, can make the shopping experience overwhelming for consumers. Hirsch believes bundling is a solution that provides end-users with a "holistic" experience that can answer questions like, "Which scarf or socks do I wear to this event during springtime?"

"As personalization ties this together, it aids in the building of 'personal content' within the commerce experience — which in turn leads to monetization for the content company and more commerce from retailers — both on- and offline," Hirsch said, remarking that when it comes to fashion, there will always be a need for influencers, stylists and editorial to drive the industry.

The uptick in online personalization has extended to retailers and brands using e-mail to drive commerce — both on their sites and in-store. Movable Ink, a real-time marketing company, delivers personalized experiences via e-mail and has worked with companies like American Eagle Outfitters, Bonobos, Finish Line and Lilly Pulitzer.

"The traditional way of running a marketing campaign was having a three- to four-month campaign cycle. But the world



Bonobos' mailer for consumers who previously purchased golf gear.

Photo By Courtesy Photo

moves too quickly these days, and you can't incorporate social signals, weather outside or changing inventory," said Vivek Sharma, chief executive officer of Movable Ink, which has raised \$2.8 million in capital since launching in October 2011 from Contour Ventures, Metamorphic Ventures, FF Ventures, Kima Ventures, Joshua Baer, Alan Laifer, Bob Pittman and Andy Russell.

He contends that e-mail is more effective than search and display ads because the technology gives clients the capability to stream live content in e-mails. Content is also changing based on parameters like device, time (limited-time sales or different content depending on what time the e-mail was opened), geography, whether it contains video and social media.

"You end up with a cookie-cutter personalization experience if you rely just on one standard way of delivering recommendations to your customers," Sharma said.

Movable Ink devised a campaign with American Eagle Outfitters as part of the retailer's "Live Your Life" campaign last year that urged consumers to post photos of themselves wearing the brand on a microsite and vote for who should be featured in an upcoming ad campaign.

Conversation happening around the brand on social platforms was pulled into e-mails in real time as the user opened them. The most-recent posted photos appeared in e-mail templates, as well as a stream of the latest tweets from contestants and a time-zone accurate timer to let the user know how much time was left to enter or vote.

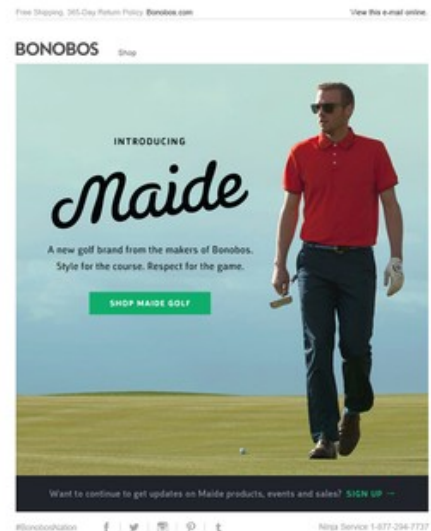
Last month, Bonobos used an in-house team to create an e-mail campaign to coincide with the launch of its golf line, Maide. The brand segmented its mailers based on whether a recipient had previously purchased golf gear from the site. If the consumer hadn't, the brand focused on telling the brand story with more imagery and general content — whereas e-mails to golf shoppers spoke in the voice of someone who plays the game.

Elizabeth Trongone, Bonobos' customer marketing manager, said the brand looks at top-line metrics in terms of open rate, click-through rate and revenue per delivers (the conversion metric for revenue per e-mail offer). Bonobos saw a 25 percent increase in open and click-through rates between the general mailer and the golfer-specific mailer and a revenue per deliver for the golfer mailer that was 12 times that of the general mailer.

"Those metrics highlight why we think personalization is such a huge opportunity. If we serve up the content that is tailored to an audience, you're more likely to get a stronger response and that is the driving theme we took away when segmenting our golf customers," Craig Elbert, Bonobos' vice president of marketing, said.

The company also launched a Maide pop-up campaign that appeared when a user who previously viewed Maide returned to the site. Versus a control group, consumers exposed to Maide past-browser messaging saw a 17 percent increase in the value of their average order as well as a rise in how often they added to their cart.

Trongone added that the brand has also used Web site-optimization tool Monetate to help populate the site and tailor content based on geography, browsing behavior and whether they are new or returning customers.



Bonobos' mailer for consumers who previously purchased golf gear.

Photo By Courtesy Photo

L'Oréal, with the help of technology solution RichRelevance, put personalization at the forefront of its digital flagship that saw a relaunch on Jan. 31. Upon entering lorealparisusa.com, the site will recognize the user's time of day, weather and location — but becomes more personalized with increased engagement. Under the “My Beauty Picks” selection, a consumer can select their eye, hair and skin color, as well as concerns and interests across a range of categories.

According to the brand, “real-time personalization” is the goal — and because it can track what consumers are looking at on the site, L'Oréal can start sending more relevant product information.

“Loyal customers want the opportunity to engage on a deeper level with brands they are passionate about. Investing in digital rewards our current customer base by providing them with the customized online experience they deserve, and serves as a tool to entice new customers,” said Karen T. Fondu, president of L'Oréal Paris USA.

Although declining to reveal specifics, the brand has seen a lift in engagement with time spent on the site increasing substantially.

The leader in personalization is Amazon, according to Maureen Mullen, director of research advisory at New York University think tank Luxury Lab, or L2, who believes the e-commerce giant continues to dictate innovations based on consumer behavior.

“What they built and have done through data has been more powerful than what any social platform has done to date. The investment community is looking to invest in platforms that build on things based on learned behavior versus socially relevant data,” Mullen said.

When a consumer browses through Amazon.com, every recommendation they see is updated dynamically based on past browsing patterns. And where Amazon has led, others are now following. Companies as well as Web platforms such as Sulia, ArchetypeMe, Luvocracy and Sailthru are trying to create more-personalized experiences through e-mail marketing and targeted advertising.

A shift in online user behavior has also impacted personalization on a broader scope, Mullen added. Instead of data or socially targeted information driving the trend, an increased effort is being made on behalf of platforms such as Facebook to embrace behavioral targeted personalization.

This means that targeted ads are based on what a user is doing as they click through —versus how they identify what they “like” on Facebook. An influx of ads based on whether or not one abandons a purchase will trump an ad based on if someone likes a certain singer or band.

Five-year-old technology solution Sailthru, which raised \$19 million in Series B funding lead by Benchmark Capital in February, was created to help keep consumer engagement high in the digital space. The user-recommendation engine doesn't just personalize as it relates to e-mail — although the technology is able to select the most relevant article for each e-mail subscriber and place it as the lead content for clients' daily newsletters. It extends this notion to the user once they're on-site, according to Sailthru director of enterprise sales Geoff Winchell. Unlike other solutions imbedded on sites that aggregate content based on the most popular stories, he explained that this approach has little to do with what is trending site-wide.

“If there's an article trending on a site, and if someone is on the site and has absolutely no interest in that content, it won't make sense to recommend it. If there's another piece of content that isn't as popular but has a higher interest match, the likelihood of getting that user to click on the link will be much higher at this one-to-one level,” Winchell said.

The solution works with AOL, The Huffington Post, Refinery29, Business Insider, Fab.com, Flavorpill, OpenSky,

JackThreads, Thrillist, AMI, Newsweek/The Daily Beast, iVillage, the New York Post and the New York Observer.

For Jonathan Glick, founder and ceo of subject-based social network Sulia, which connects users with subjects and sources of interest, two paradigms exist with respect to personalization online. The first is based on the notion of following a person or institution — which has grown very quickly because of the popularity of social networks. The second — subject-based personalization — is more valuable, even though it lacks the viral, evangelistic element of social media.

The platform launched in February 2012, and welds both models.

“What you want is the virality of the first [paradigm] and a desire for people to want to get their friends and family into something while using a personalization tool that solves the noise problem. It’s a kind of personalization that takes the best of both of these models,” Glick said.

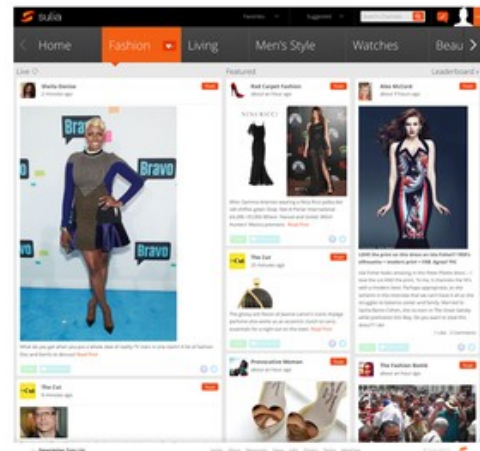
Sulia also solves two interconnected issues with social content and media, according to Glick. The first is that it’s often hard for users to pay attention to any one topic in depth on destinations like Facebook, Twitter and Tumblr where “everyone is talking about everything at the same time.” The second solution is derived from Sulia’s ability to develop a space for marketers based on channels.

Glick contends that the user faces the same problems that a marketer might have in this space. The former wants to explore a subject and the latter wants to advertise to this channel — and in an ideal world they would meet around the topic. But current social platforms have yet to achieve this.

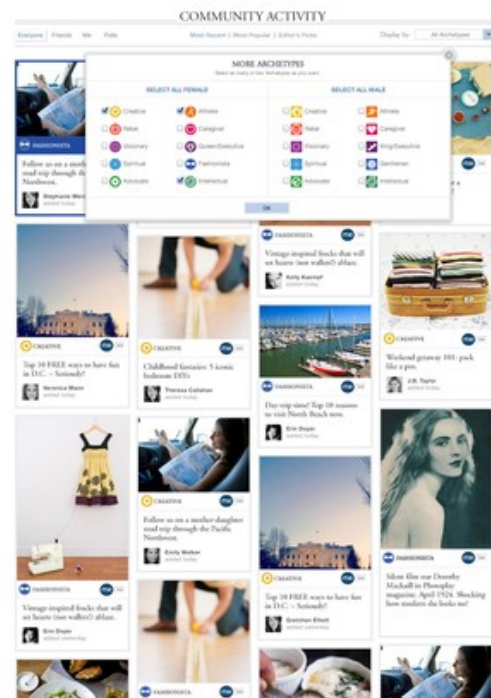
“If I am in the beauty or skin-care channel I am much more attuned to a product [advertised here] because my brain is turned on to that subject. I am in engaged mode and an interested user,” Glick told WWD. “Interested users are much more valuable than users who happen to be reading [just] anything. The creative messages or product pitches can be targeted to someone who already cares.”

Rather than following a person and all of the information they broadcast, the user can select the subjects they wish to receive information about. Sulia personalizes by subject — rather than just the individual — to filter out the content that isn’t relevant to you.

Sulia generates revenue from a native advertising model, which means that the marketers create content that behaves like the rest of the content on the site instead of a traditional banner ad. Sponsored content is always identified, and advertisers include



The fashion page on the Sulia Web site.
Photo By Courtesy Photo



ArchetypeMe
Photo By Courtesy Photo

Intuit, Peak Auto, Plantronics, Nitto Tire, How About We and cloud computing company DYN (Ford, Intuit, Honda and T-Mobile will advertise in the near future).

Sulia had 7 million unique visitors in March and 25 million page views — up from 4 million unique visitors at the end of last year. It's raised \$4.5 million in capital led by Firstmark Ventures — also investors in Pinterest — as well as Founder Collective, Village Ventures, IA Ventures and SV Angels.

ArchetypeMe, in beta since Nov. 1 with an expected official launch in July, also adheres to the notion of providing the most curated experiences for users. Parent company Archetype has already raised \$19 million from investors such as Revolute Holdings.

Cofounders Michael Mendenhall and Cristina Carlino told WWD they wanted to curate a world for users centered on their personalities and the psychology behind them, or their archetype — what they describe as a universal pattern of behavior that, once discovered, can better help a person understand their world and what they're attracted to.

"Of all the trends I had seen around mass customization, there was this lack of the query of the individual," Mendenhall said of the site, where signing up includes filling out an eight-question quiz that determines personality type, and ultimately the content received.

So far, the site has users in more than 190 countries, and an engagement rate that Mendenhall said is "on par with Pinterest." He noted that the site has modeled its adoption and acquisition rates against sites like Pinterest, Instagram and Fab.com — and is already tracking well ahead of all three. About 30 to 40 percent of traffic comes from mobile, and a mobile app will launch in the coming months, as will a commerce component.

"We're a technology data-driven company that has incredible data on each person on the site and when we offer ads that are positioned in this way, they are more interesting to the user because they're more relevant to them. When you see the ad in this contextual way, it's more relevant," Mendenhall said of Archetype's advertising (and eventual e-commerce) revenue stream.

Compared to typical affiliate commission and CPM rates relative to the industry, Mendenhall believes that companies that have personalized data can micro-target what ads will command higher revenues from metrics that aren't as highly focused.

For example, if an athleticwear company wanted to target female athletes they would go into the archetype of "athletes" on the site and find that there are several segments, including recreational and competitive. But within competitive athletes, they will find that there is the athlete training for a race or an event, as well as a high school or college-level athlete.

"Those are differences, and there are different apparel lines for different types of athletes. We can get very granular with that and can get down as personalized in that we can say, 'We have 5,000 of those women on our site,' and that becomes interesting," Mendenhall said.

Then there's Luvocracy, a social-based marketplace that allows users to buy and shop recommendations from those whose taste they trust — and receive recognition for the value they create.

Unlike Sulia and ArchetypeMe, six-month-old Luvocracy generates revenue from an affiliate model, and chief executive officer Nathan Stoll contends that the site is "bringing back this ancient art of the recommendation and putting it at the forefront." Since commerce starts with word of mouth, the foundation of Luvocracy is based on exactly this — rather than what he calls "ads that aren't about that personal touch."

Through the "Buy It for Me" service, a consumer can "luv" an item from a trusted source and click the "Buy It for

Me” button — and Luvocracy takes it from there. The marketplace locates and purchases the item (for the best price available) and both the site and the recommender get a cut of the purchase. Recommenders include Kate Betts, Vané Broussard and Jeanne Chan.

“We close the loop so we can make sure that when a recommendation sells the recommender feels thanked and recognized. At the end of the buying process we ask the buyer to thank the person who recommended it to you,” Stoll said. “It’s that personal element and connection that you get.”

WWD

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