

PERSONALIZED MARKETING ORCHESTRATION AT SCALE

How AI is taking on time-intensive marketing tasks



Evolution of marketing in response to changed customer expectations

Marketing has progressed from mass marketing that broadcasted the same message to all people, to mass personalization that makes use of narrowly defined customer segments, delivering customized messages for each segment. With richer data, segments are becoming more granular and dynamic, providing marketers the opportunity to personalize every aspect of their communication to suit customer preferences.

A marketing communication is no longer an abrupt interruption that fulfils a short-term objective, but is a critical step in a series of steps designed to elevate customer relationship. The days of spray and pray approach of mass marketing are numbered, with marketers realizing the futility of generic messages, the pressures of spiralling communication costs and strict customer data protection norms.

AI is a natural ally of next-generation marketing at scale – be it creating personalized experiences, crafting a series of touchpoints for each customer, designing journeys, predicting customer behaviors, or executing strategies to nurture them to the desired lifecycle stage.

What is AI enabled marketing?

AI provides a systematic and rigorous method of hypothesizing, executing, learning and transforming marketing through the cornerstones of data, skilled people, advanced analytics and machine learning based intelligent automation. With AI, marketers are fully equipped with insights about customers, their behavioural patterns and their preferences. It provides a smart way to scale operations and become an insight-driven organization that bases its decisions on data, rather than on gut-feel or legacy.

Re-inventing customer segmentation with AI

Criteria	Mass Marketing	Rule-based/ RFM segmentation	Supervised learning based segmentation	AI enabled segmentation
Modelling Logic	None	Pre-defined param.	Algorithm based	Self creating
Set-up effort	Minimum	Moderate	High	High
Model management effort	NA	Moderate	High	Self-managing
Testing/ Experimentation used	NA	Manual	Manual	Automated
Number of variables used	Zero	Three	~50s	~1000s
No. of segments generated	1	< 5	~10s	Limitless
Discover segments on the fly	No	No	No	Yes
Delivery of communications	Mass	Logical segregation	Basic optimization	Highly optimized
Cost of communication	Highest	High	Moderate	Low
Resultant attrition	Highest	High	Moderate	Low
Omnichannel reach	Lowest	Lowest	Moderate	Highest
Response success	Lowest	Moderate	High	Highest
Personalization ability	NA	Low	Moderate	Highest

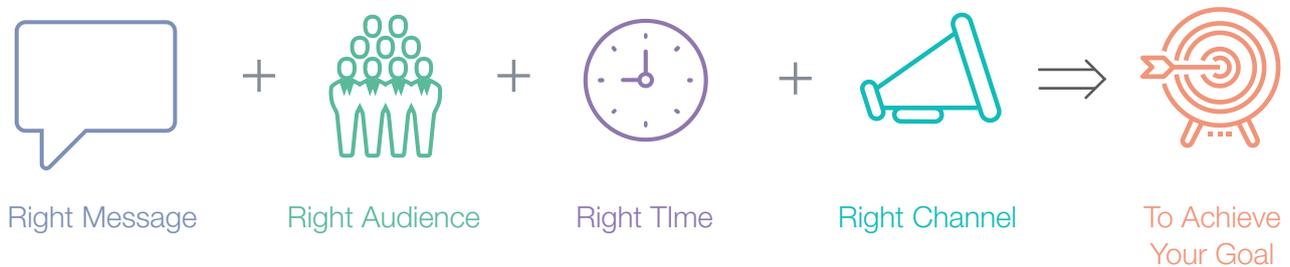
Fig.1: From 'mass marketing' to 'marketing to the segment of one'

Traditional mass marketing has a success rate of 2-5 percent, and every level of segmentation returns a non-linear improvement in success rate. Contextual marketing to the segment of one can deliver phenomenal conversion rates, with offers the customer finds extremely hard to refuse. RFM (Recency, Frequency, Monetary parameters) and other rule-based approaches are fairly popular to grade customers and arrive at segments such as Loyalists (most recent, high spenders and very frequent), Potentials (average frequency and spend), Value-centric (low spenders, high frequency), At-risk (not recent, low frequency) etc. It has its limitations since it considers only three parameters, and is historical in nature rather than predictive. It does not consider demographic, behavioral and event-based variables which could provide deep insights that RFM does not reveal.

One of the more advanced segmentation techniques uses supervised learning which can accommodate several dimensions and create granular and richer segments. Most retailers today do not customize communications for customers, beyond birthday/ anniversary promotions. Attributes such as customer demographics, behavior, apparel likes, channel usage, preferred price points are rarely accounted for due lack of right tools. Supervised learning can easily consume this data to form multi-dimensional segments such as trend-setters, weekend deal-hunters, family shoppers looking for convenience, compulsive buyers etc, equipping marketers with insights for personalized marketing. This technique is highly sophisticated and requires a data scientist for both the initial set-up and for the model up-keep. Feedback from the model's output is continuously incorporated into the model, which helps in fine-tuning its performance and also creating new segments.

AI is changing customer segmentation as we know it. Through use of unsupervised learning, the model can consume virtually limitless variables and discover new, previously unthought of segments dynamically, achieving the holy grail of 'segment of one'. As the model gathers more information about customers, communications become so precise that they are never irrelevant. It reaches the customer at a time that gets her undivided attention, with product and offer recommendations that pleasantly surprise her.

Omnichannel marketing execution – done right with AI



Unified view of the customer

A fragmented view of the customer can hold back marketing. Unfortunately, retailers are stuck with data in siloed systems and connecting them is the first step. Customer Data Platforms (CDPs) are a great way to accomplish this quickly and effectively, where analytics and AI can use this aggregated database, and decipher the millions of datapoints to surface insights that are essential to true personalization.

Right content for the customer

Predictive algorithms can assess what the customer is likely to engage with, based on other customers in the same segment. Since all the customers in a micro-segment are as alike as possible, the traits and preferences of one can be used to predict the likes of others in the group.

Recommendation can be on multiple aspects - the most suitable product, the right message, right channel and the right offer for each segment. Fashion shopping is highly personal, and the entire campaign must be altered to suit the segment's preferences – whether they value convenience, exclusivity or discounts.

Retailers with the best performing recommendations have a superior understanding of both the customer and the product. Naturally, the accuracy of recommendations could be a challenge for new/ unknown customers, where the data is limited. Their first purchase and demographics data provide a good start, and as the customer profile builds up, the machine rapidly learns resulting in a robust prediction model.

Right channel to deliver

Intelligent orchestration is based on understanding which channel combinations work for a customer. A prudent mix is key to avoiding communication fatigue, reducing unsubscribe rates and optimizing marketing spend. Communicating with the best impact and at the least cost requires studying the customer's path-to-purchase and understanding her preferences. At the same time, a time-sensitive communication might require alerting all channels while ensuring consistency across the channels deployed.

Channel selection involves closely monitoring each transaction, assigning engagement and attribution scores to every touchpoint, and subsequently predicting customer response to the communication. This requires complex modelling that cannot be managed by traditional systems.

Right moment to deliver

Every individual has a different schedule and varying patterns of consuming information. Predictive time optimization can deliver the message to customer on the right day, at the right time, such that it gets their undivided attention. The best retailers use contextual engagement to capitalize on customer micro-moments.

Best-of-breed marketing tools are expanding their use of these AI capabilities continuously. AI is increasingly transforming marketing into a science, taking the guesswork out of orchestration. This allows humans to play on their strengths – and the combination of a good marketer and AI is much stronger than just the best marketer or just AI.

AI enabled marketing orchestration improved customer engagement and drove higher sales from existing customer base for a US based fashion and accessories retailer

Customer Asks

1. Contain e-mail unsubscribes

The retailer was left with a dwindling communication base, as an increasing number of customers were unsubscribing from their e-mail list.

2. Improve cross-sell from existing customer base

While the purchase frequency was good, the basket size value of loyal customer base had remained stagnant for a long time

3. Reduce customer churn

The loyal member base was gradually depleting, business was concerned since loyalty program members have a significantly higher spend than non-members

Manthan Customer Marketing Platform approach & outcomes

A propensity model was used to identify potential unsubscribes, and frequency of touches for this segment was reduced by half, while also identifying the most relevant communication content for them.

Outcome: Reduced email unsubscribes by over 20% among the top 4 customer deciles

To nurture the loyal customers, a context-based recommendation engine was deployed to showcase the most relevant and personalized assortment dynamically to each individual shopper

Outcome: Increased engagement among repeat shoppers, achieving higher cross-category purchases

The most likely churners were identified every month using a binomial classifier, & A/B tests were conducted to zero-in on the best promotions to retain them

Outcome: 5X lift in incremental response rate among at-risk customers



The logo for Manthan, featuring the word "MANTHAN" in a bold, sans-serif font. The letter "A" is stylized with a red diagonal slash through it. The logo is set against a white rectangular background.

MANTHAN

ABOUT US

Manthan is a leading cloud analytics company that has pioneered analytical applications for consumer-facing businesses. We excel in the application of decision sciences, advanced math, and artificial intelligence and have a restless ability to invent and bring ideas to life. Headquartered in Bangalore with offices in Santa Clara, London, Dubai, Mexico City, Singapore and Manila, Manthan's current client footprint spans 22 countries. Leading investment firms like Norwest Venture Partners, Temasek Holdings, and Eight Roads (Fidelity International Limited) feature on Manthan's board. **For more information, go to www.manthan.com**