The State of Personalization 2023
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Welcome to the fourth annual State of Personalization report, our yearly deep-dive into the latest trends in personalization, consumer loyalty, privacy, and more.

Since last year’s report, the business landscape has changed unequivocally.

Uncertain economic circumstances, intense competitive threats, and rapid technological advancements have all significantly impacted how businesses are thinking about their personalization efforts.

At the same time, consumers are increasingly aware of how their data is being used while expecting more from businesses as the bar for personalization gets higher.

Through our extensive survey analysis from business leaders and consumers alike, we’ll take you on a journey through the most significant global trends in personalization for 2023. From the latest advancements in AI-powered personalization to the rising importance of consumer privacy, we’ll explore the strategies and tactics businesses are using to connect with their customers on a deeper level.
Methodology
• **Twilio Segment** conducted this research using online surveys distributed by Method Communications.

• **Survey respondents** were n=3,001 adult consumers who have purchased something online in the past 6 months, and n=500 adult manager+ decision-makers at consumer-facing companies that provide goods and/or services online.

• **Respondents** were from Australia, Brazil, Colombia, France, Germany, Italy, Japan, Mexico, Singapore, Spain, United States, and the United Kingdom.

• **Data** was collected from March 8 to March 24, 2023.
Key findings
Businesses are increasing investment in personalization despite economic challenges

Nearly 69% of business leaders are increasing their investment in personalization despite challenging economic headwinds.

AI is driving next-level customer experiences

More than 9 in 10 businesses (92%) are using AI-driven personalization to drive growth in their business.

Trust and transparency are key to data privacy

Only 51% of consumers trust brands to keep their personal data secure and use it responsibly.

Investing in personalization delivers real returns

Over half (56%) of consumers say they will become repeat buyers after a personalized experience, a 7% increase year-over-year.
Staying ahead of the curve
Despite economic uncertainty, it’s encouraging to see that **69%** of businesses we surveyed are increasing their investment in personalization.

This suggests that businesses recognize the value of personalization in creating engaging and loyal customer relationships, even in tough times.

However, with the increasing competition in the market and a volatile economy, businesses need to be strategic in their approach.

Implementing a customer data platform (CDP), for instance, can streamline personalization by enabling companies to maintain accurate customer profiles, segment audiences precisely, and deliver targeted experiences through personalized emails and ads that resonate with their audience.
Want to retain your customers?

Keep it personal
Looking more closely at the value of personalization, it’s clear why the majority of business leaders we surveyed are increasing their investment in this area.

Our data shows that businesses are well aware of the benefits that personalization can offer, with the majority citing the ability to help retain current customers.

On top of retention, over half see personalization as a potent strategy for acquiring new customers as well, even in times of economic downturn.

“What we have in Segment is a platform for serendipity. We’re able to react to many scenarios, innovate quickly, scale resources, and bolster a culture of digital transformation.”

Todd Wright, Sr. Technologist, Toggle, Farmers® New Ventures

62% of business leaders cite improved customer retention as a benefit of personalization efforts
Investing in personalization

Overcoming the challenges to unlock value
While it’s heartening to see businesses continue their aggressive investment in personalization, such investment doesn’t come without its challenges.

Much like gym-goers who sign up for a membership but never show up – many businesses invest in personalization technology but struggle to use it effectively.

Likewise, getting accurate, real-time data for their personalization efforts continues to be a perennial challenge for businesses.

39% of businesses say that they struggle with implementing personalization technology effectively

Half of companies feel like getting accurate data for personalization is a challenge, a ten-point increase year-over-year compared to 2022

The State of Personalization 2023
AI is driving next-level customer experiences
Reaching 100 million daily active users just two months after launch, ChatGPT ushered in a craze for AI and machine learning (ML) – and it seems businesses have caught on.

According to our survey, organizations are increasingly adopting AI and machine learning to power their personalization efforts.

With these powerful tools at their disposal (running alongside a customer data platform), businesses can better automate personalization at scale and deliver tailored experiences to customers in real time.

However, with great power comes great responsibility. Businesses need to ensure that their AI/ML models are trained on high-quality data and are aligned with their customers’ preferences and values.

Case Study

How Norrona used AI to build a recommendation that increased conversions by 50%

Read the full story here
The challenges of adopting AI for personalization
Despite the craze, the road to AI adoption is paved with obstacles. The top challenges cited by business leaders include lack of training, security or compliance concerns, poor organizational processes, and data quality.

By addressing these obstacles head-on, businesses can clear the path for successful AI-driven personalization initiatives that deliver value across the organization.

What are the biggest obstacles to leveraging AI in your business?

- Lack of people and process training: 42%
- Security or compliance: 36%
- Poor organizational processes: 34%
- Poor quality data: 31%
Success metrics for AI-driven personalization

Balancing cost and accuracy
It’s evident that businesses are still trying to figure out what success looks like when it comes to AI-driven personalization. Is it all about the bottom line, or is there more to it than that?

Our data reveals diverse perspectives on the matter – some leaders think in terms of cost or time-savings (42% of respondents), while others prioritize improved accuracy of data (47%).

As businesses navigate this evolving landscape, they must balance financial priorities with the need for speed and automation in a resource-constrained, dynamic market.
Personalization and AI

Building trust with consumers
Our data shows that 41% of consumers are comfortable with AI being used to personalize their experiences, while the rest are either not ready to befriend the machines, or simply can’t forgive them for all the sci-fi movies they’ve seen.

In all seriousness, as businesses continue to adopt AI-powered personalization, it’s vital to consider the concerns of consumers who may not be as receptive to the technology.

This finding underscores the need for transparency and education around how AI is being used to create personalized experiences, as well as the importance of respecting consumers’ boundaries and preferences.
Personalization in the age of privacy
The evidence suggests that consumers are increasingly aware of how their data is being used and want to have more control over their personal information.

Over the past 12 months, nearly a quarter of consumers have become less comfortable with their personal data being used for personalization, highlighting the importance of transparency and trust in customer engagement efforts.

Businesses that can address these concerns and provide a clear understanding of how customer data is being used are better equipped to establish a strong foundation for successful personalization efforts.
The path to earning consumer trust
Trust is a major factor in the success of personalization efforts, and our survey data reflects this – just half (51%) of consumers trust brands to keep their personal data secure and use it responsibly.

With each new data breach or privacy scandal making headlines, businesses have a lot of work to do to earn the trust of their customers.

However, it’s not all doom and gloom. By being transparent about data collection practices and respecting consumers’ privacy concerns, businesses can start to rebuild trust with their customers.
Regional spotlight: Latin America
When it comes to consumer privacy, our data shows that business leaders in Latin America are leading the charge with 71% of respondents reporting an investment in beefing up their security measures.

This suggests that Latin American businesses are taking the issue of data privacy seriously, and understand the importance of protecting their customers’ personal information.

By prioritizing security, businesses in this region are demonstrating their commitment to earning the trust and loyalty of their customers, which will undoubtedly pay dividends in the long run.
Personalization 2.0

The rise of first-party data
In response to rising consumer wariness around personal data and privacy, more and more brands are relying on first-party data to deliver tailored experiences.

According to our survey, 78% of businesses consider first-party data to be the most valuable source of data for personalization. This data can include everything from purchase history to website behavior, providing valuable insights into what customers want and need.

“We are leaning into personalization, especially on our owned channels like email and SMS, using Segment data to send more relevant messages – rather than generic ‘batch and blast’ campaigns. With Segment, we are enhancing our personalization efforts across campaigns like cart abandonment.”

Brad Greene,
Senior Director of Marketing Technology, Camping World
The ROI of personalization
Once again, our data shows that consumers want to feel like VIPs when they’re interacting with businesses – with more than half of consumers saying they’re more likely to make a purchase if they’re offered a personalized experience.

Personalization is the new black in the business world – it’s always in style. By tailoring experiences to their customers’ needs and preferences, businesses can create a bond that’s hard to break.

By investing in personalization, brands can boost customer satisfaction, loyalty, and ultimately their bottom line. So, if you want to win over your customers’ hearts (and wallets), it’s time to start getting personal.

Over half (56%) of consumers say they will become repeat buyers after a personalized experience, a 7% increase year-over-year.
Gen Z’s awareness of personalization creates higher stakes for brands
Gen Z, an increasingly influential demographic, holds distinct preferences and behaviors as digital natives compared to earlier generations. Growing up with smartphones and tablets at their fingertips, they expect unparalleled digital experiences.

Overwhelmed by a flood of impersonal ads, members of this generation are more likely to employ ad blockers or other means to avoid advertising altogether.

To effectively engage these younger consumers, companies must evolve and elevate their personalization strategies – a challenge many have yet to conquer.

"With Segment, we can keep our audiences engaged and recommend products that are highly relevant to each individual user, based on current orders, past purchases and preferences. Using Segment to power our personalized recommendation engine has had an extremely positive impact – we’ve seen a 10-15% increase in items added to cart by enabling these recommendations."

Rishabh Sharma,
Software Engineering Leader, GoodEggs

Younger consumers are the most likely to react negatively after an impersonal experience.

49% of Gen Z say they’re less likely to make a purchase and 27% say they’ll stop shopping with the brand or share the negative experience with friends or family.
Balancing privacy regulations and effective targeting
Over a quarter of consumers have noticed less targeted personalization in the past year, largely due to increasing data privacy regulations and Apple’s IDFA deprecation.

Although the journey towards more privacy-focused advertising practices might lead to some bumps in the road, businesses have the opportunity to fine-tune their approach.

As businesses adapt to these changes, focusing on privacy-centric strategies like first-party data collection via CDPs can help improve targeting accuracy and re-establish effective personalization across digital channels.
The key to unlocking customer loyalty and higher LTV
Personalization is no longer just a buzzword, but a key strategy for businesses looking to drive customer loyalty and increase LTV.

In fact, 80% of business leaders report an increase in consumer spending by an average of 38% when their experience is personalized.

Consumers today want to feel valued and understood, and personalization is a key tactic to achieve that. By tailoring experiences to the unique preferences and behaviors of each customer, brands can create a deeper connection that translates into increased spending and brand loyalty.

80% of business leaders say consumers spend more (38% on average) when their experience is personalized.
Want to get the most out of your customer data?

Join the 25,000+ customers on the Segment platform today.

Request a demo
Recommended reading

The Customer Data Platform Report 2023
Our new Customer Data Platform Report analyzes real data from the Twilio Segment platform (nearly 12 trillion API calls to be exact) to examine the biggest digital trends happening in customer engagement.

Find out more

Digital Advertising in the Cookieless World
Learn how to deliver personalized and more transparent experiences in the absence of third-party cookies.

Find out more

Customer Acquisition Cost (CAC): A Guide for 2023
In this guide, we share the CAC formula and explain how to calculate it. We also look at what makes a “good” CAC, how to determine an LTV:CAC ratio, and what steps you can take to improve both metrics for long-term success.

Find out more
Thanks for reading

If you would like to learn more about what Twilio can do for your business, please contact the Segment sales team.