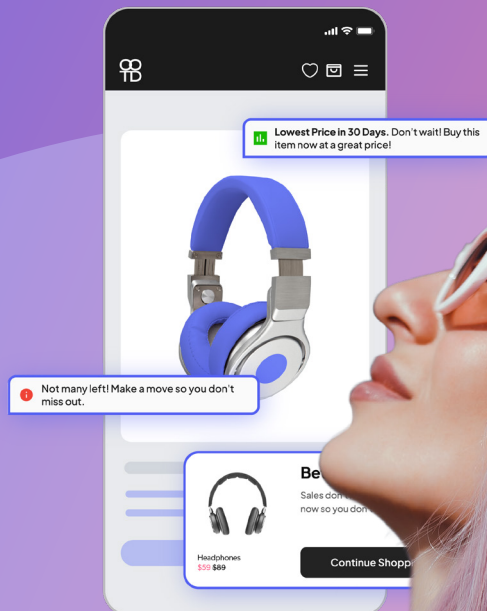




bazaarvoice™

The state of e-commerce contextualization

How retail and e-commerce leaders plan to deliver personalized experiences throughout customers' digital journeys



eTail INSIGHTS

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Executive summary

This report is based on a survey of retail leaders, revealing that retail and e-commerce organizations are actively pursuing contextualization, personalization, and onsite experience optimization strategies. While most organizations consider themselves somewhat effective in these areas, there's significant room for improvement.

Key challenges include implementing AI for personalization, offering seamless cross-channel experiences, and managing customer data effectively. Privacy concerns, budget constraints, and inadequate technology infrastructure are also major hurdles in scaling contextualization efforts.

Despite these challenges, retailers are successfully leveraging tactics such as urgency messaging, email personalization, and product recommendations.

Looking ahead, retailers are focusing on integrating purchasing opportunities into customers' daily activities through various technological means, including AI-enhanced personalization, unified platforms, and embedding purchase options in digital content and services. These strategies aim to create more seamless, personalized shopping experiences that align with modern consumers' expectations for convenience and relevance.

About the respondents

The WBR Insights research team surveyed 100 retail and e-commerce leaders to generate the results featured in this report.

The respondents are senior leaders in their organizations. Specifically, 25% are directors, 26% are department heads, 26% are vice presidents, and 23% are C-suite executives.

These leaders are involved in various fields such as marketing (41%), data

(16%), e-commerce (15%), product management (13%), personalization (10%), and emerging technology (5%).

The companies represented span a range of retail verticals, including apparel, department stores, home furnishings, supermarkets, and others.

Almost half of the respondents (48% total) are from companies with revenues between \$1 billion and \$10 billion, while 26% are from companies with revenues exceeding \$10 billion.

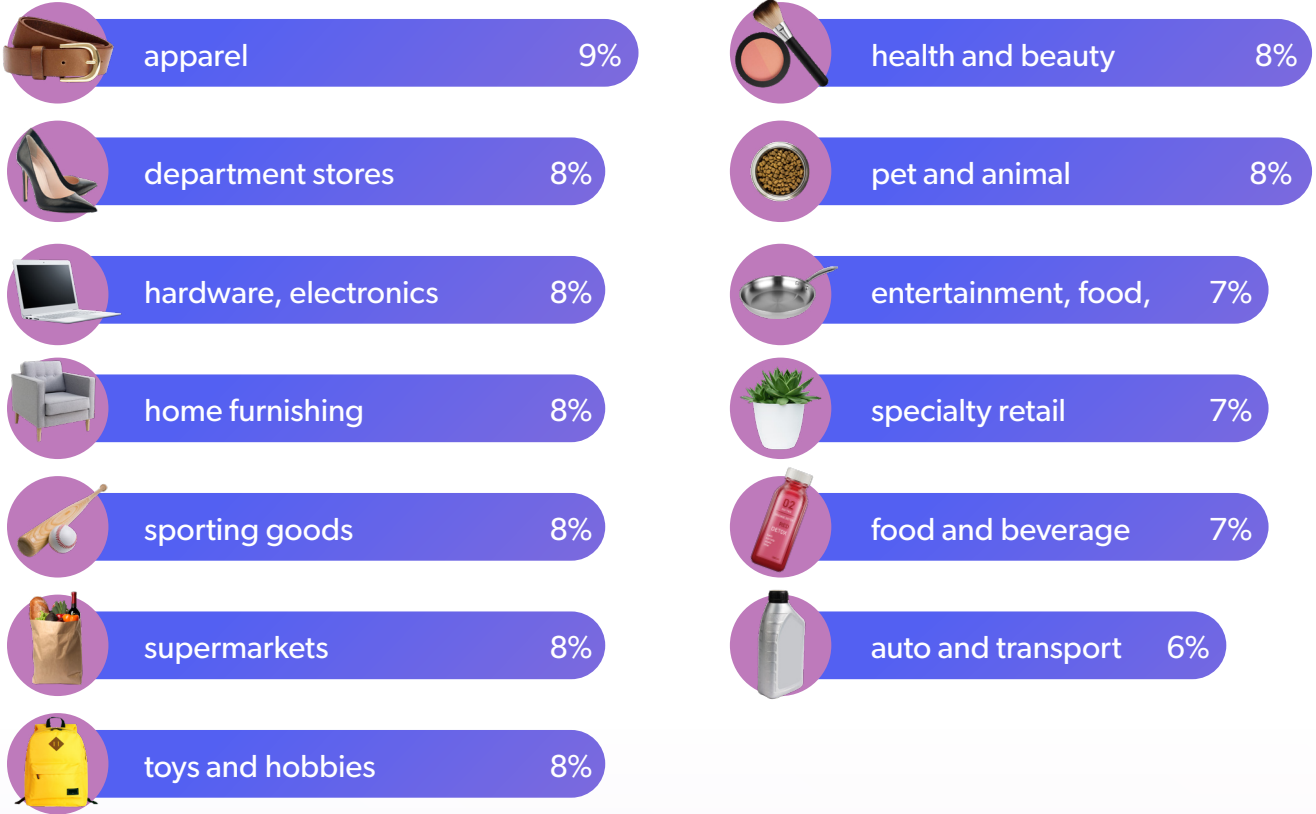
What is your seniority?



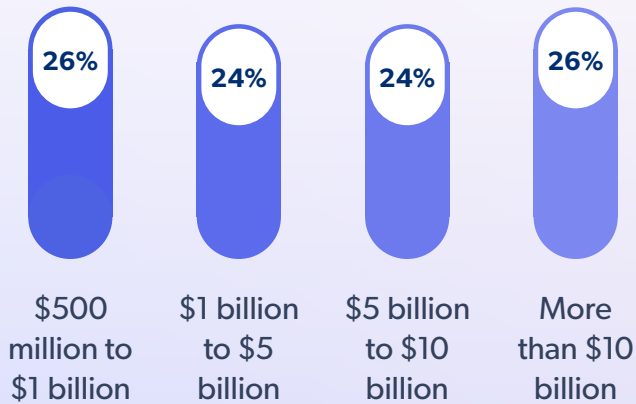
What is your role?



What type of retailer do you represent?



What is your annual revenue?



Key insights

Among the respondents:

59%

consider their companies only somewhat effective at **optimizing onsite experiences** at scale.

66%

are leveraging **urgency and scarcity messaging** effectively as part of their strategies, while 55% are leveraging email personalization effectively.



Their most significant **privacy challenges** when attempting to use first-party data are:

- Data security and storage (47%)
- Regulatory compliance (36%)
- Consent management (36%)

80%

say their current efforts at **personalization and contextualization** have only had a moderate impact on the overall customer experience.

63%

consider implementing and leveraging **AI for personalization a very significant challenge**, while 49% consider offering seamless cross-channel experience a very significant challenge in delivering real-time personalized experiences to customers.



The following are **very significant challenges** to scaling workflows related to contextualization:

- Customer privacy concerns (63%)
- Budget constraints (54%)
- Inadequate technology infrastructure (52%)

74%

say the **deprecation of third-party cookies** has had a somewhat significant effect on their retail and e-commerce businesses. Among these respondents, 57% are enhancing first-party data collection and 51% are leveraging predictive insights to compensate.

The current effectiveness of contextualization and personalization

In today's competitive retail and e-commerce landscape, effective personalization and contextualization strategies have become essential for engaging consumers and driving sales. While some retailers are making progress in these areas, many still struggle to deliver the tailored experiences that modern shoppers demand.

This section explores the current state of personalization and contextualization efforts among retailers and the opportunities that lie ahead. Personalization uses historical data to trigger rules-based messages and offers, and delivers a seamless user experience across all channels. Contextualization takes a dynamic, real-time approach to target new, unknown, and anonymous shoppers, offering the flexibility needed to cater to the diverse preferences and behaviors of each user.

The survey reveals that 59% of the respondents consider their companies only somewhat effective at optimizing onsite experiences for customers at scale, while 24% consider their companies very effective.

This suggests that while some retailers have made strides in personalization, there's still considerable room for improvement, especially when expanding upon their efforts to reach across channels and markets. Retailers are also facing digital customers with high expectations, as the overarching goal of online personalization is to provide an online experience comparable to that of one a consumer might experience with a devoted in-store associate.

In your view, how effective is your organization currently at optimizing onsite experiences for customers at scale (i.e., providing customers with an online experience comparable to that of a devoted store associate during an in-store shopping experience using personalization based on customers' "digital body language")?

Very effective: We consistently provide online experiences that are on par with or exceed the personalized assistance customers receive in-store.

24%

Somewhat effective: We usually provide good online experiences that approach the level of personalized assistance found in-store.

59%

Not very effective: Our online experiences usually do not match the personalized assistance of in-store shopping.

10%

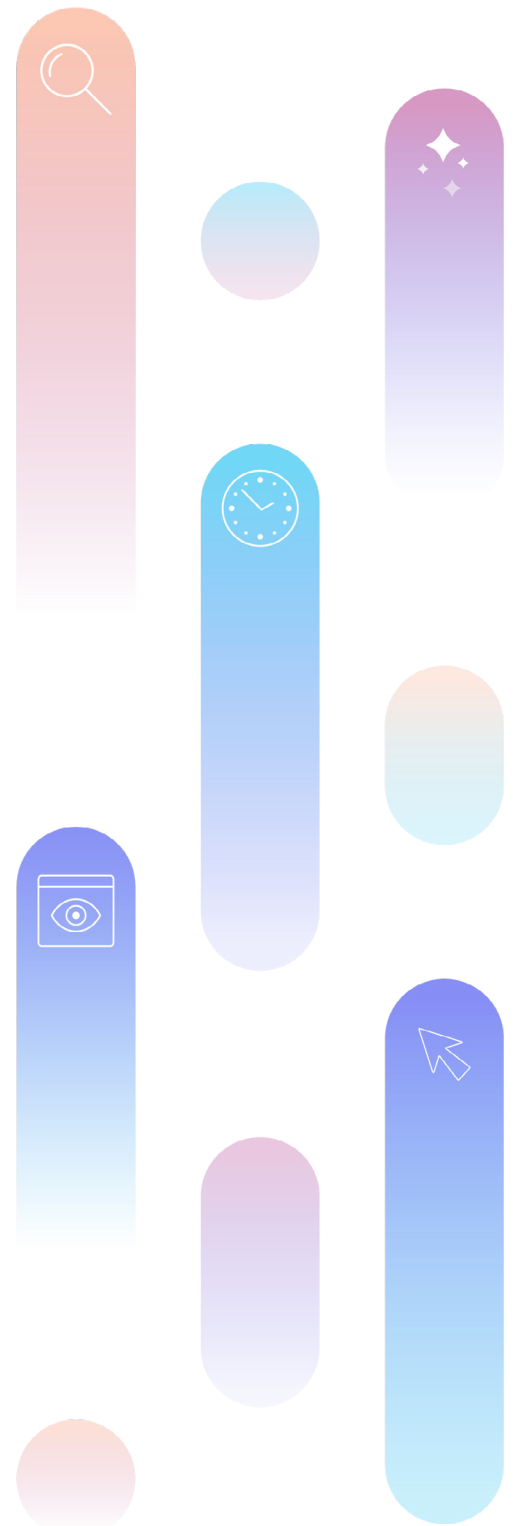
Not effective at all: We do not effectively leverage customers' digital body language for optimization at scale.

7%

When it comes to contextualizing the onsite experience for shoppers, 37% of respondents consider their organizations somewhat effective, and 21% believe they are very effective. Contextualization, which involves seamlessly integrating purchasing opportunities into a customer's everyday activities and environments, appears to be a challenging area for many retailers.

Retailers can adopt several strategies that create a buying environment that fits within the context of their customers' lives. For example, leveraging real-time data to gain deeper insights into customer behavior and preferences can help provide in-the-moment recommendations and offers. This strategy can be combined with automation to deliver contextualized content and offers at scale.

Retailers can even incorporate user-generated content and reviews to foster a sense of community and trust, when it seems like shoppers might be waffling or on the fence. Potential customers can gain an increased understanding about products as they see how similar consumers are interacting with them in their everyday lives.



In your view, how effective is your organization currently at contextualizing the onsite experience for your shoppers? *Contextualization is the practice of seamlessly integrating purchasing opportunities into a customer's everyday activities and environments, allowing them to buy products or services directly within the context where they discover them.*

Very effective: Our organization creates 1:1 contextualized experiences at scale for all our shoppers.



Somewhat effective: Our organization creates somewhat contextualized experiences for most of our shoppers.



Not very effective: Our organization can only create contextualized experiences for select customers.



Not effective at all: Our organization can't create contextualized experiences for customers.



Respondents who say their companies are effective at contextualization offer additional insights into what strategies they currently use to achieve success in this area.

Many organizations focus on integrating purchase options seamlessly into various customer touchpoints and daily activities. This includes **embedding buying opportunities within product tutorials, interactive marketing campaigns, mobile app notifications, loyalty programs, and customer support interfaces.**

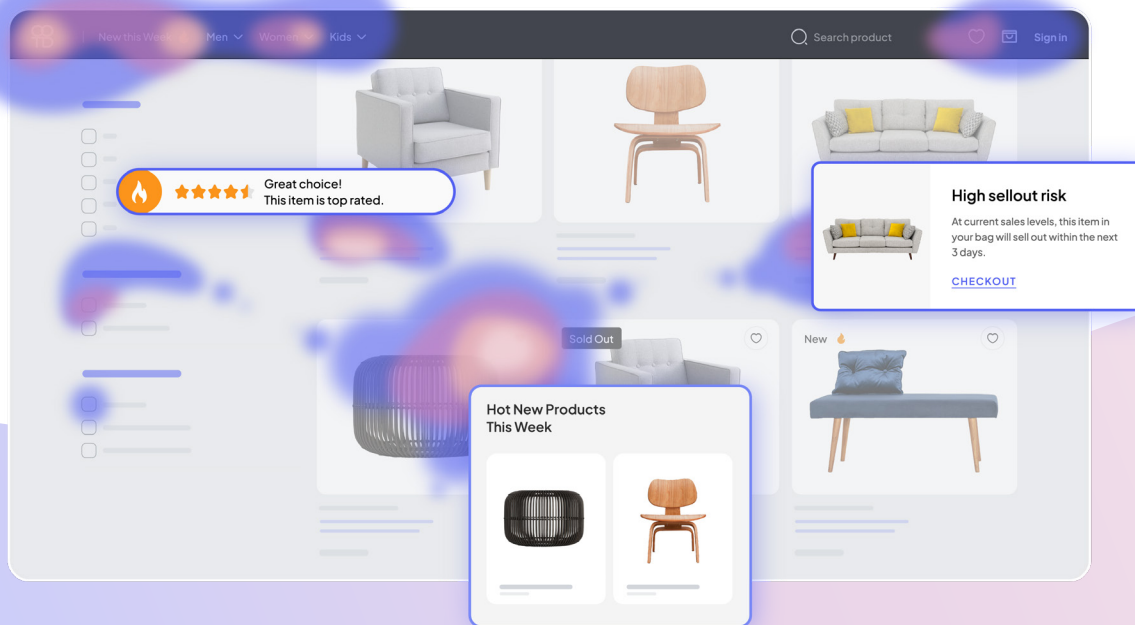
Retailers are also **leveraging advanced technologies such as AI, machine learning, and real-time behavioral analytics to provide hyper-personalized and contextually relevant product recommendations.** These strategies are crucial as they make the buying process effortless for customers, allowing them to make purchases at the moment of inspiration or need without disrupting their regular activities.

Another significant trend is the use of interactive and immersive experiences to contextualize purchasing opportunities. Retailers are **incorporating purchase links into live streams, personalized video content, augmented reality experiences, and virtual try-on features. They are also collaborating with content creators and influencers to integrate buying options** directly within blogs, videos, and social media posts.

The approaches laid out by these respondents are important because they create engaging experiences that blur the lines between content consumption and shopping. This has the potential to significantly increase conversion rates and customer satisfaction.

By making purchasing a natural extension of the customer’s interaction with the brand or product, retailers can create a more seamless and enjoyable shopping experience that aligns with modern consumers’ expectations for convenience and personalization.

Nonetheless, the findings underscore the complexity of implementing effective personalization and contextualization into consumer environments. While some companies are making progress, the majority still face challenges in delivering truly tailored experiences to their customers.



Contextualization challenges and strategies

The study reveals significant challenges to personalization and contextualization for retailers. However, the respondents also highlight strategies that are working for them in their efforts.

Leveraging AI for personalization is the most pressing issue among the respondents, with 63% considering it a very significant challenge in their efforts to deliver real-time personalized experiences. Integrating advanced AI technologies into existing retail systems can be complicated and costly. Retailers may need to invest in AI expertise and infrastructure to stay competitive.

Offering seamless cross-channel experiences is another major hurdle, with 49% of respondents viewing it as a very significant challenge. Retailers must create a unified customer experience across various touchpoints, from online platforms to physical stores, but legacy systems and siloed data can pose challenges. Retailers must therefore focus on integrating their technology solutions, databases, and data analytics tools to provide consistent, personalized interactions regardless of the channel.

Collecting, managing, and leveraging customer engagement data is a very significant challenge for 46% of respondents, while 45% find implementing a hybrid strategy that includes physical and digital customer engagement very challenging. Some retailers are still struggling to effectively utilize customer data and bridge the gap between online and offline experiences due to disconnects in their systems, siloed departments within the organization, or other issues.

Developing robust data management systems and strategies that seamlessly blend digital and physical interactions will be crucial for cross-channel contextualization moving forward.

How significant are the following challenges in delivering real-time personalized experiences to customers?

- This is a very significant challenge.
- This is a somewhat significant challenge.
- This is not a significant challenge.

Implementing and leveraging AI for personalization



Offering seamless cross-channel experiences (e.g., recognizing customers across channels)



Collecting, managing, and leveraging customer data engagement



Implementing a hybrid strategy that includes physical and digital customer engagement



Audience segmentation and customer intelligence management



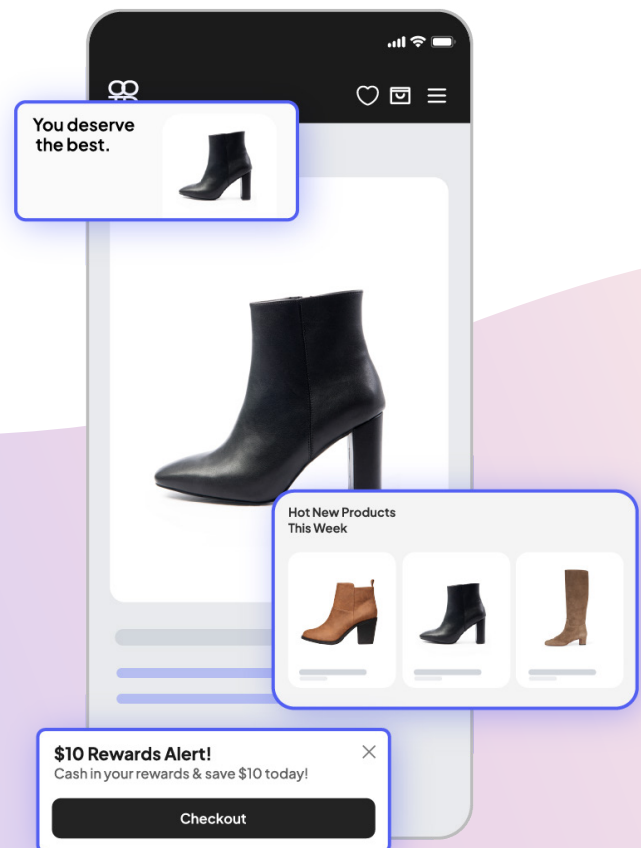
Supporting real-time delivery of personalization with the right system(s)



When it comes to internal challenges in scaling contextualization workflows, customer privacy concerns top the list, with 63% of respondents considering it a very significant challenge. This reflects the growing importance of data protection and the need for retailers to balance personalization with privacy. It also reflects consumers' concerns about how organizations are collecting and using their data.

Budget constraints (54%) and inadequate technology infrastructure (52%) follow closely, highlighting the financial and technical hurdles retailers face in implementing advanced contextualization strategies.

Limited access to actionable data and poor data management are very significant challenges for exactly half of the respondents. This suggests that many retailers are still grappling with the basics of data collection and analysis, which are fundamental to effective contextualization and personalization efforts.



How significant are the following internal challenges to your company in scaling workflows related to contextualization?

● This is a very significant challenge.

● This is a somewhat significant challenge.

● This is not a significant challenge.

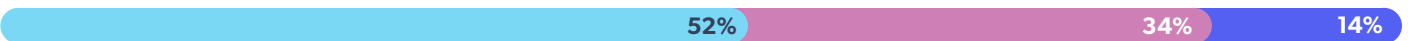
Customer privacy concerns



Budget constraints



Inadequate technology infrastructure



Limited access to actionable data/poor data management



Difficulty in measuring ROI and effectiveness



Manual segmentation and other time-consuming processes



Lack of relevant content or messaging



Lack of integration between systems



Staffing constraints



On a positive note, retailers are effectively leveraging some tactics for personalization and contextualization.

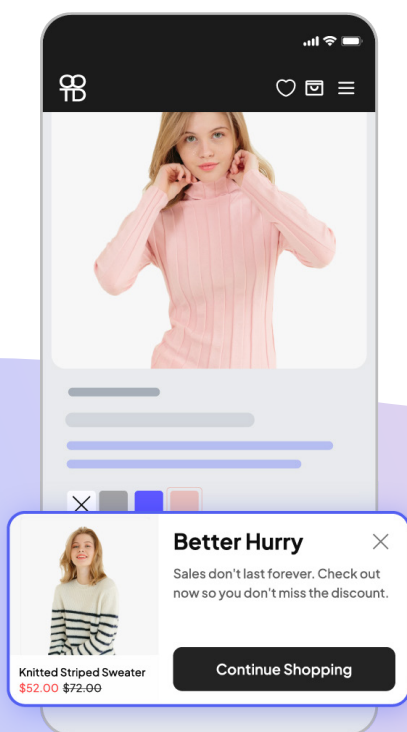
Urgency and scarcity messaging is the most widely used tactic, with 66% of respondents employing it effectively. Many retailers and e-commerce leaders have found that creating a sense of urgency or exclusivity remains a powerful tool in driving customer engagement and sales.

Email personalization is another area where retailers are finding success, with 55% leveraging it effectively. This underscores the continued importance of email marketing as a channel for delivering personalized content and offers. Many consumers still rely on email to receive perks like coupons, vouchers, loyalty rewards, and more.

New product discovery (47%) and product recommendations (46%) are also being effectively utilized by nearly half of the respondents. This shows that a significant portion of retailers are making progress in guiding customers toward relevant products through advanced search optimization, easy-to-use interfaces, and strategically designed product information.

Notably, social proof is being somewhat effectively leveraged by 52% of respondents. It has long been known that consumer reviews are the most trusted source of information for consumers, as most consumers read them before making a purchase. While retailers recognize the value of customer reviews and testimonials, there's room for improvement in fully harnessing their potential to influence purchasing decisions.

For example, with the right systems and agreements, third-party reviews can be displayed alongside products to build trust and transparency.



How are you leveraging different personalization, contextualization and optimization tactics today?

- We are doing this effectively today.
- We are doing this somewhat effectively today.
- We are not doing this today, but we are planning to over the next 12 months.
- We are not doing this today, and it's not a priority over the next 12 months.

Urgency and Scarcity Messaging



Email Personalization



New Product Discovery



Product Recommendations



Content Personalization



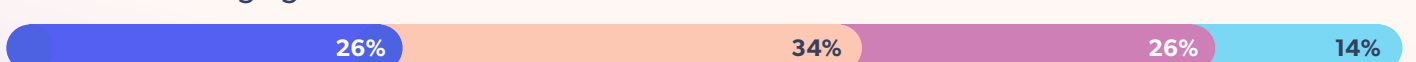
Social Proof



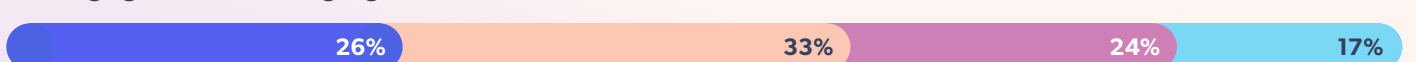
Cross-selling and Upselling



Exit-intent Messaging



Re-engagement Messaging



Overall, these results indicate that while retailers are making strides in personalization and contextualization, they face significant challenges in implementation and scaling. At 80%, a significant majority of the respondents report only a moderate positive impact thanks to their efforts at personalization and contextualization.

Specifically, most customers appreciate these retailers' personalized touches, and they have delivered positive trends in satisfaction and engagement. However, retailers see significant room for growth in this area, as only 7% of the respondents say their efforts have produced a significant positive impact.

In the coming months, retailers will be refining their personalization and contextualization efforts to ensure customers consistently report high satisfaction, engagement, and loyalty.

In your experience, how have your current efforts at personalization and contextualization impacted the overall customer experience?

Significant positive impact: Customers consistently report higher satisfaction, engagement, and loyalty, and we have seen notable improvements in key performance metrics.

7%

Moderate positive impact: Customers often appreciate the personalized touches, and we have observed positive trends in satisfaction and engagement, although there is still room for growth.

80%

No discernible impact: Customer feedback and key performance metrics remain largely unchanged.

13%

Addressing data usage and consumer privacy

Alterations in how data can be used by marketers and advertisers, as well as consumer concerns about security and privacy, are driving retailers to make substantive changes to how they collect, manage, and leverage data. These changes are happening internally, but they are also the result of new rules and policies being made around third-party data.

One of the most notable changes is the depreciation of third-party cookies by search engines. Although most search engines are still in the process of blocking, depreciating, or analyzing the use of third-party cookies, they are already significantly limiting their relevance.

How significant of an impact has the depreciation of third-party cookies had on your retail and e-commerce businesses?

Very significant: It has negatively affected our organization's day-to-day operations.



Somewhat significant: It has negatively affected some aspects of our retail and e-commerce business.



Not very significant: It has had only a minimal effect on our retail and e-commerce business.



This has had an impact on retail and e-commerce businesses, as it limits advertisers' ability to track users across websites and deliver highly targeted ads.

A significant majority of the respondents (74%) report that the depreciation of third-party cookies has had a somewhat significant effect on their businesses, negatively impacting their ability to advertise and market to consumers.

Meanwhile, 9% claim it has had a very significant impact. Among these companies, the loss of significance in third-party cookies has affected their day-to-day operations. Likely, these companies have relied heavily upon this data source to power their digital advertising efforts in the past.

In response to these challenges, retailers are implementing various strategies. However, most will focus on the next available resource: first-party data.

Among those significantly affected by third-party cookie deprecation, 57% are enhancing their existing first-party data collection offerings. This shift will be crucial for maintaining personalization capabilities while respecting user privacy.

Additionally, 51% of these respondents are leveraging predictive analytics and AI-driven insights. These organizations are opting for more sophisticated data analysis techniques to compensate for the loss of third-party data. These efforts could significantly extend the value of their first-party data and enable them to draw more critical insights about customers without the benefit of third-party cookies.

Nearly half (49%) of these respondents are partnering with social media platforms for targeted campaigns, suggesting a strategy to access user data through alternative channels. These types of data-sharing agreements can be lucrative for both parties, as they allow companies to collaborate on data collection and personalization.

Moving forward, first-party data will become a much more valuable resource to retailers, and they'll need key solutions to collect, manage, and harness it for contextualization. Still, they will face several privacy challenges in their attempts to expand the use of first-party data.

Since you said the deprecation of third-party cookies has had a significant impact on your business, which of the following strategies are you planning to use to address it?

Enhancing existing first-party data collection offerings (e.g. increasing benefits of loyalty programs)



Leveraging predictive analytics and AI-driven insights



Partnering with social media platforms for targeted campaigns



Enhancing email marketing and direct communication channels



Investing in data management platforms (DMPs) or customer data platforms (CDPs)



Utilizing contextual targeting and advertising



Implementing new first-party data collection methods (e.g. customer surveys)



Focusing on content marketing and organic SEO strategies

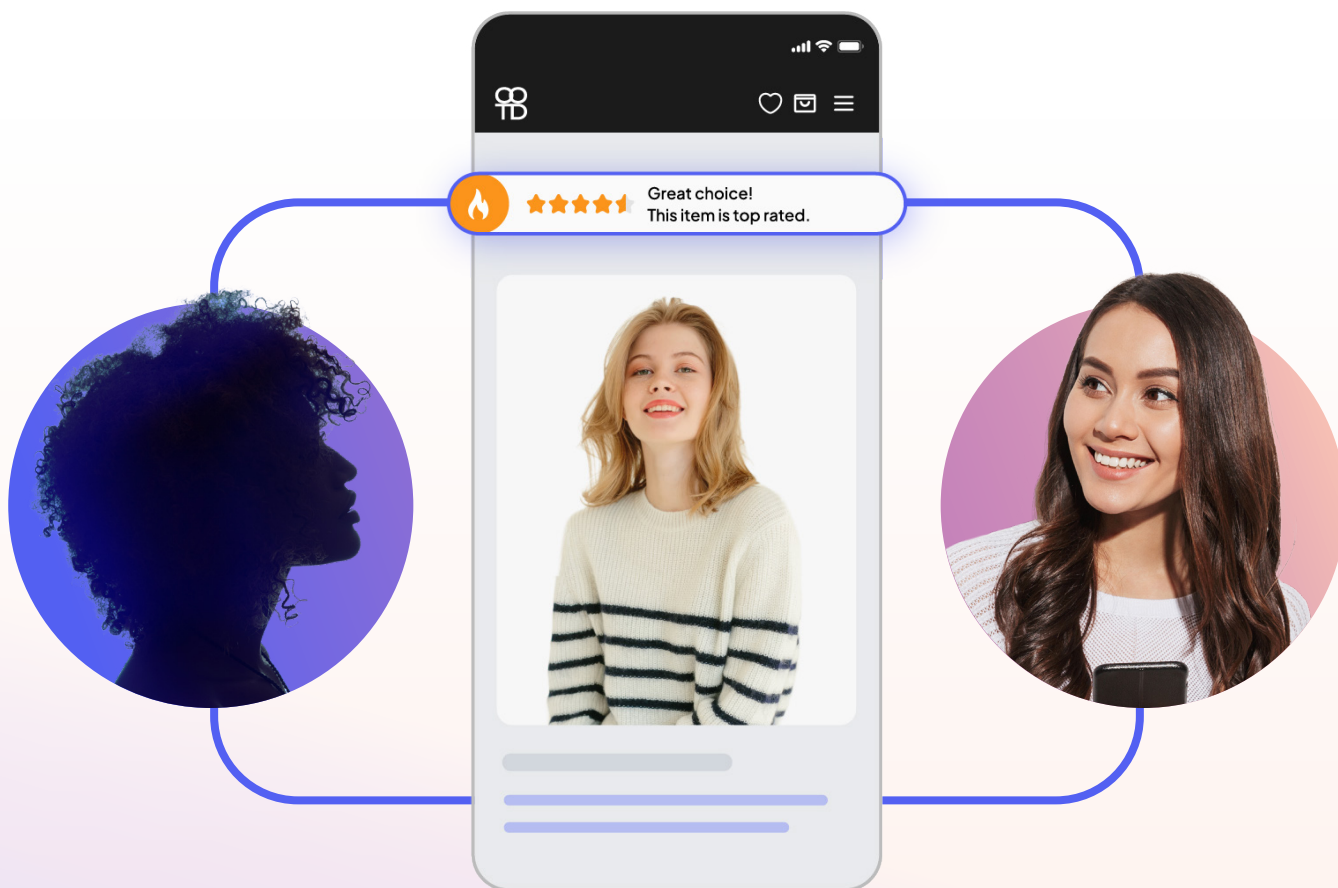


Data security and storage emerge as a top-two concern, identified by 47% of respondents. This highlights the critical importance of robust data protection measures in an era of increasing cyber threats and stringent data protection regulations. Meanwhile, regulatory compliance and consent management are tied as the second most significant challenges, each cited by 36% of respondents.

Retailers are grappling with a rapidly evolving data privacy landscape. The shift away from third-party cookies is pushing businesses to develop new

strategies for data collection and analysis, while simultaneously forcing them to navigate new and increasingly complex privacy regulations.

Retailers must invest in enhancing their first-party data capabilities, explore partnerships for data access, and strengthen their data security and compliance measures to succeed in this new environment. The focus on consent management also suggests a growing emphasis on transparency and user control in data practices, which could be key to building trust with privacy-conscious consumers.



Which of the following are the two most significant privacy challenges you face when attempting to use your first-party customer data to personalize and contextualize experiences?

Data security and storage: ensuring data is secure so we can make security guarantees to customers.

47%

Consent management: ensuring we consistently ask customers permission before collecting data.

36%

Regulatory compliance: ensuring adherence to privacy laws and regulations across different jurisdictions, and keeping up with their changes.

36%

Transparency: communicating to customers which types of data are being gathered and why.

24%

Establishing trust: fostering a level of confidence in customers that encourages them to share their data willingly.

23%

Anonymizing data: collecting and analyzing data anonymously without identifying individual customers.

22%

Managing data sharing: ensuring customer data is not disclosed to third parties or non-essential areas within the business.

12%

CONCLUSION:

The future of contextualized commerce

To provide a better understanding of where personalization and contextualization are headed in the retail and e-commerce sectors, the respondents provided insights into how their organizations plan to approach these efforts over the next 12 months.

Most notably, many organizations are focusing on integrating purchasing opportunities into customers' everyday activities, with a strong emphasis on leveraging technology to enhance personalization and contextualization. A common strategy is the development of unified platforms that allow seamless transitions from content consumption to purchasing, integrating product recommendations into user-generated content, and embedding purchasing options in digital planners and calendars.

These approaches are important as they aim to make the shopping experience more intuitive and aligned with customers' daily routines, thereby increasing engagement and conversion rates. By embedding purchasing opportunities in virtual tours and customer support chat systems, for example, retailers can create interactive and immersive shopping experiences that cater to the modern consumer's desire for convenience and immediacy.

Another compelling approach involves the use of advanced data analytics and AI to offer real-time, contextually relevant product recommendations. Retailers are planning to integrate shopping options into smart wearables and mobile app notifications, ensuring that purchasing opportunities are timely and relevant.

This strategy is crucial as it leverages the growing trend of mobile and wearable technology, enabling retailers to reach customers in a personalized manner, wherever they are.

Furthermore, by embedding purchasing options into digital storytelling and interactive content, retailers hope to enhance the consumer journey, making it more engaging and tailored to individual preferences. These strategies not only aim to boost conversion rates but also foster customer loyalty by providing a seamless and personalized shopping experience.

The rising focus on contextualization and personalization reflects a broader industry trend toward creating more integrated and customer-centric shopping experiences. As retailers and e-commerce leaders continue to innovate and adapt to changing consumer behaviors, these strategies will be essential in maintaining competitiveness and driving growth in the evolving retail landscape.

Key suggestions



Enhance your first-party data collection efforts:

Prioritizing the enhancement of first-party data capabilities is crucial as it allows for more personalized customer experiences while ensuring compliance with privacy regulations.



Integrate purchasing opportunities into everyday digital experiences:

Developing unified platforms that seamlessly integrate shopping into daily activities can significantly improve customer engagement and drive conversion rates by creating a more intuitive shopping journey.



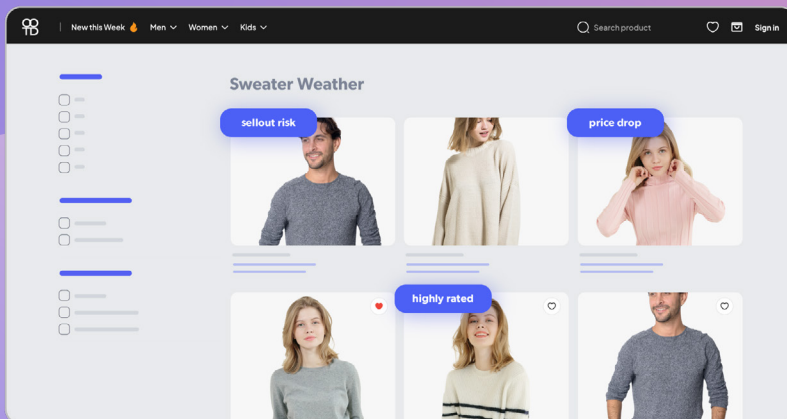
Utilize real-time contextual recommendations:

Implementing real-time, contextually relevant product suggestions can enhance the shopping experience by ensuring that consumers receive timely offers.



Leverage consumer reviews and other user-generated content:

By integrating testimonials and experiences from satisfied customers into product pages and marketing campaigns, retailers not only provide social proof and context for customers but also foster a sense of community and legitimacy.



bazaarvoice®

Bazaarvoice is reshaping how brands and retailers connect with consumers by putting the consumer voice first. With an end-to-end, commerce-empowered omni-channel content solutions and analytics platform, Bazaarvoice inspires shoppers to make confident purchase decisions and helps 14,000+ brands and retailers inform consumer decisions consistently and at scale at every stage of the shopper journey, on every platform where shoppers live.

Founded in 2005, Bazaarvoice is headquartered in Austin, Texas, with offices in North America, Europe, And Australia. For more information, visit www.bazaarvoice.com

eTail

We launched eTail in 1999 and have been dedicated to supporting the growth of the retail industry ever since. What started off as 100 people in a room discussing where this sector is headed has led to 2,000 senior-level e-commerce executives being inspired whilst learning and developing their company as well as their careers.

For more information, please visit www.etailwest.wbresearch.com