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# The \$70 Billion Prize in Personalized Offers

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## Take-Aways

- Boston Consulting Group research suggests that diverting 25% of promotion spending from mass promotions to personalized offers could lead to a 200% increase in ROI.
- Personalized offers are already translating into substantial gains for retailers on the cutting edge.
- Off-the-shelf technology is already available to help retailers unlock the value of personalized offers.

## Recommendation

There's been a buzz around personalized offers for years, but widespread societal change brought on by the COVID-19 pandemic has intensified that buzz up to something more like a deafening crescendo. Consumers are on the brink of a new way of interacting with their favorite brands, and companies that want to capitalize on changes in the way people shop will need to offer personalized marketing. In this special report, the Boston Consulting Group describes retailers that are currently benefiting from personalized marketing, then explores the off-the-shelf technology that can help your company do the same.

## Summary

**Boston Consulting Group research suggests that diverting 25% of promotion spending from mass promotions to personalized offers could lead to a 200% increase in ROI.**

No investment is a sure thing, but on one point, the latest statistics are clear – increasing personalized offers will be vital to retail success. The technology for such offers is available and should work off-the-shelf, but retailers will still need to experiment to create the right combination of channels and categories.

*“Successful players will use a nuanced approach that differentiates price increases by customer segment, purchase context and product category.”*

The pandemic has changed everything, and purchasing habits are no exception. This sea change has given retailers a rare chance to shift their strategies. Inflation is also up, with prices in the United States rising 5% from 2020 to 2021. Your customers have varying price sensitivity, so increasing prices across the board won't do. A personalized approach based on purchase context, product category and customer segment is vital to retail success.

**Personalized offers are already translating into substantial gains for retailers on the cutting edge.**

Starbucks has long used a personalized approach with customers. In place of mass promotions like Treat Receipt and Happy Hour, they're now prioritizing “gamified specials” that take each customer's unique behavior into account. Sales growth has increased by about 8% per year for “many years.”

*“Leading retailers that have redirected their investments to personalized offers are seeing the benefits across categories and moving from piloting to scaling.”*

For fashion retailers, end-of-season mass sales used to move old inventory, but now loyalty programs and “spend \$X, get \$Y” schemes (or challenge-based rewards) are encouraging individual customers to increase spending. Such promotions have created incremental gains in annual EBITDA (earnings before interest, taxes, depreciation and amortization) for one brand – to the tune of \$25 million. A European grocer that used to rely on mass-market promotions to drive about 30% of its sales has recently employed an analytics system that increased margins by 200 basis points.

## Off-the-shelf technology is already available to help retailers unlock the value of personalized offers.

There are new offerings in the advanced analytics space, including customer data platforms like mParticle, Interaction Studio and Amperity. These platforms drive identifiers from various touchpoints and devices, then target segments with specialized offers. Optimization engines like Eagle Eye, SessionM and Formation develop, target and deploy automated offers. Marketing automation platforms like Adobe and Salesforce ensure that customers receive special offers through different channels.

*“Those that make the required changes to customer experience, technology and operating models can expect significant financial returns and position themselves to win in this time of uncertainty.”*

Special offers should emerge as a seamless part of the customer journey. Low-margin customers may be willing to click through multiple sites to “clip coupons,” but widespread engagement will require easy access to personalized offers. Starbucks integrates offers into their app or creates special mobile push notifications. Finally, the right operating model includes CoEs (centers of excellence), orchestration committees and a dedicated customer value VP. Agile teams that engage in controlled risk-taking can run up to 100 experiments per month, use data to adapt campaigns in real-time, and create and launch new offers in under a week.

## About the Authors

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