SHIFT TO POWERFUL CX & PERSONALIZATION

CX Research Findings & Best Practices from Shiseido

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Welington has built Shiseido Group a state of the art, data-driven, customer marketing Omni-touch point ecosystem that delivers the majority of the direct to consumer sales growth for brands such as NARS, bareMinerals and Laura Mercier.

Prior to joining Shiseido, Welington was the Senior Vice President of Marketing for Rent the Runway and GILT GROUPE, New York-based, privately-owned luxury fashion apparel startups.

He oversaw all marketing initiatives including brand, customer acquisition, retention, and content for both online (web, mobile) and brick-and-mortar channels.
ERNAN ROMAN
President, ERDM Corp.
Author, *Voice of the Customer Marketing*

ERDM conducts deep qualitative CX and Loyalty research to help companies understand how customers define their emotions and expectations regarding high value customer experiences.

Inducted into the DMA Marketing Hall of Fame due to the results ERDM’s VoC research-based CX strategies achieve for companies such as IBM, Microsoft, QVC, Gilt, Shinola and HP.

Named by the Online Marketing Institute as one of the *Top 40 Digital Luminaries* and by Crain’s BtoB Magazine as one of the *100 Most Influential People in Business Marketing*.

His widely read blog Ernan's Insights on Marketing Best Practices appears in CMO.com, Forbes, CX Network, DMA, CustomerThink, CRMC and Business2Community.

Previous books; *Opt-in Marketing and Integrated Direct Marketing*. 

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Learn how Shiseido’s Portfolio of brands such as NARS, Bare Minerals, Dolce & Gabbana, Shiseido Ginza Tokyo, Laura Mercier, and Clé de Peau Beauté are using customer data to power CX to acquire qualified new customers and deepen customer engagement at all essential points in the customer lifecycle.

3 Major VoC research findings...
1. Chasm between the CX fantasy of brands versus customer’s reality.
2. Why traditional loyalty programs aren’t working.
3. 7 key points in their lifecycle where customers expect high value engagement.
CX FINDINGS FROM 20,000+ HOURS OF IN-DEPTH VoC INTERVIEWS:
VoC FINDING #1: 4 CX UNIVERSAL TRUTHS

**Customer-Brand Chasm**

Dangerous chasm between brands’ fantasies & customers’ realities.

**Unprecedented expectations.**

High frustration from ongoing failure to deliver personalized value.

**Reciprocity of Value.**

Customers will provide deep preference data in exchange for better personalization.

**Traditional Loyalty Programs Aren’t Working.**

Perceived as “manipulative” vs. building loyalty.
VoC FINDING #2:

Traditional loyalty programs built around:
- Hierarchies
- Exclusions
- External tiers
- Incentivizing…

Are not appealing.

Often viewed as *manipulative & damaging to their perception of the brand and its core values.*

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Research identified 4 powerful expectations that were expressed by nearly all respondents.

These had to be the core of the benefits and experiences Shinola provides guests:

VoC LEARNINGS

- **Inclusion**
- **Recognition**
- **Visibility**
- **Surprise & Delight**
DIGITAL TRANSFORMATION JOURNEY

DATA

INSIGHTS

ACTION
DRIVING THE SHIFT

<table>
<thead>
<tr>
<th>experience</th>
<th>from TRANSACTIONAL</th>
<th>to RELATIONAL</th>
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<tbody>
<tr>
<td>what</td>
<td>What We Want to Sell</td>
<td>What She Wants to Buy</td>
</tr>
<tr>
<td>where</td>
<td>Email &amp; Direct Mail</td>
<td>Cross Media Where She’s At</td>
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<tr>
<td>when</td>
<td>Based on Our Product &amp; Sales Plan</td>
<td>Based on Her Behavior &amp; Preferences</td>
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<tr>
<td>how</td>
<td>With Samples Tied Our Sales Plan</td>
<td>With Samples She’s Likely to Respond to</td>
</tr>
</tbody>
</table>
SHE’S IN CONTROL

value creation based on HER PREFERENCES
VoC FINDING #3: 7 VoC-BASED LIFECYCLE POINTS FOR CUSTOMER ENGAGEMENT

**Initial Relationships**

01 Purchase: Not “closing a sale”, but *opening a relationship*

02 Onboarding: High value, high ROI

**Deepening Relationships**

03 *Anticipatory responses* to decreasing engagement: visits, responses, purchases

04 *Immediate response* to negative experiences

05 Surprise & delight thank you’s. High value, high ROI

**Earning Loyalty**

06 *Value-added* cross-selling & up-selling

07 *Personalized* repeat sales & renewals

Source: ERDM
Initial Relationships

01 Purchase:
Not “closing a sale”, but *opening a relationship*

02 Onboarding:
*High value, high ROI*
"Start the relationship by learning about us as individuals."

"Be proactive in asking for appropriate data to improve our experience."

"Use our preference information to provide smarter personalization and recommendations."
“Welcome me, make me feel appreciated.”

“Then, make sure I know how to get the greatest value from what I just purchased from you.”

“Don’t just take my money and run!”
NARS Case Study

Opportunities in the Initial Relationship
TWO IMPERATIVES WE UNEARTHED

01
The 2\textsuperscript{nd} Purchase Imperative

02
The Personalization Imperative
New customers who make a second purchase in their first year are:

- Significantly more likely to become high value best customers &
- Worth $2X$ more than new customers who make only one purchase.
Without personalization, 1/4 of new customers will opt out after 1st purchase.
PREVIOUS NEW CUSTOMER ONBOARDING

- Not personalized
- Email only
- No data collection
- Not coordinated – misaligned with other brand messages
- Not targeted
PREVIOUS NEW CUSTOMER ONBOARDING

Touch 1: Real Time

Generic Welcome

Touch 2: 2 Days After Opt-in

Products not Personalized to Customer Pref
PREVIOUS NEW CUSTOMER ONBOARDING

Touch 3: 1 Day After Touch 2

- Store Finder Not Personalized

Touch 4: 1 Day After Touch 3

- User Generated Content not Related to Customer Preferences
NEW CUSTOMER ONBOARDING

- Personalized
- Multiple Media
- Messaging timed and relevant
- Data Collection
- Targeted to first-time buyers
**NEW CUSTOMER ONBOARDING**

**Touch 1: Real Time**

**WE LIKE YOUR STYLE**
Excellent selection. [Dynamic Customer Name], NARS brings high-fashion, high-style and forward-thinking to beauty. Inspired by artistry. Created for self-expression. You are now in the NARS.

**Social Media Ad**

**Multichannel Content based on product purchased**

**Customer Preference Data Collection**
**NEW CUSTOMER ONBOARDING**

**Touch 2:** One Day After Shipping

- How to video based on product purchased

**Touch 3:** One Day After Product Delivery

- Up-sell based on product purchased
- User Generated Content based on product purchased and store location based on customer zip code
NEW CUSTOMER ONBOARDING

- Personalized
- Multiple Media
- Messaging timed and relevant
- Data Collection
- Targeted to first-time buyers

**Results**

Double Digit Growth in Repeat Purchase Rate!
Deepening Relationships

Anticipatory response to signals such as decreasing engagement, visits, responses, purchases

Immediate response to negative experiences

Surprise & delight thank you’s. High value, high ROI
“Simplistic purchase history-based emails don’t work. With today’s technology, I expect emails to reflect my individual interests and preferences.”

“We are complex human beings with individual needs. It is insulting when we get ‘personalization’ which reduces us to cartoon characters. *We are not simple cohorts!*”

“True engagement forges strong ties with your company that serve as a ‘grace account’ upon which to draw when there is the inevitable problem or outreach from competition.”
Deepening Relationships

Anticipatory response to signals such as decreasing engagement, visits, responses, purchases.

"If we’re not buying, find out what’s happening, are we having problems?"

"Don’t just view us as a cash register!"
Deepening Relationships

Immediate response to negative experiences

PROBLEM RESOLUTION

“When there’s a problem, that’s when we see what you’re about!”

“Was it all talk or are you doing what it takes for our success?”
Deepening Relationships

Surprise & delight thank you’s.  
*High value, high ROI*

THANK-YOU

“It doesn’t take much, a thank you card, a token gift.”

“It’s about conveying that you are as *loyal to us as we are to you!*”
Case Study

Opportunities in Deepening Brand-Customer Relationships
PERSONALIZED INTERACTIONS WITH CUSTOMERS

**GOAL**
Deepen customer relationships with Shiseido brands. Transition from a ‘transactional’ to a “needs-based” relationship.

Deciphering “Who is She?”

**What**
am I trying to communicate?

**How**
should I reach the customer?

**Where**
does she shop?

**When**
should the communication go out?

**What type**
of content will best convey the message?
NEEDS-BASED PERSONALIZED INTERACTIONS WITH CUSTOMERS

1. IDENTIFY BRAND SEGMENT
   Develop pre-determined activation segments based on customer concerns as identified by the brand.

2. BUILD SEGMENT PROFILES
   Create activation segments and develop customer profiles.

3. DEVELOP COMMS PLAN
   Create a Comms plan to help drive sustained engagement with brand.

IDENTIFY CUSTOMER CONCERNS
Why do our customers buy skincare products?

MAP PRODUCTS TO CUSTOMER CONCERNS
What products help solve customer concerns?

MAP CUSTOMERS TO PRODUCTS
Do our customers’ product purchases indicate their concerns?

GROUP CUSTOMERS BY CONCERNS
How can we organize our customers based on their relationship with our products?
- Hydration
- Anti-Aging
- Brightening
- Sun Protection
- Synactif
- Other

CREATE CUSTOMER PROFILES
What do we know about our customers? What are the opportunities to grow revenue?

CREATE PERSONALIZED COMMUNICATIONS
How can we communicate with our customers in a relevant way?

Hydration
Anti-Aging
Brightening
Sun Protection
Synactif
Other

Product Bundling
Sampling & Promotions
Email
Beauty Consultants
Paid Social

Communication Channel

<table>
<thead>
<tr>
<th>Channel</th>
<th>Description</th>
<th>CTR</th>
<th>Share</th>
<th>Purchased Content</th>
<th>CTA</th>
<th>Revenue</th>
</tr>
</thead>
</table>

Table showing communication channel effectiveness and revenue generation.

*Note: Detailed engagement and revenue data are not provided in the diagram.*
Earning Loyalty

Personalized Repeat Sales & Renewals

Value-added Cross-selling & Up-selling
“Don’t expect me to know your entire product line. Proactively reach out and offer additional products or services based on understanding what we do.”
Earning Loyalty

Value-added
Cross-selling &
Up-selling

UPSELLING

“Knowledgeable and personalized add-on offers are valued. These are a customer service to us and not viewed as just trying to ‘sell stuff.’”
BareMinerals Case Study

Opportunities in Earning Loyalty
REPLENISHMENT AS A SERVICE, MULTI-TOUCH, MULTI-CHANNEL

*Sample, not live yet*
Replenishment as a Service contributes with double digit % to total revenues
“Don’t be ‘buy and die’. Be a visible and caring brand and then... why would we go with anyone else when it’s time to repurchase?”
“Companies don’t get it. If they’ve taken care of us from the initial sale and been there throughout the relationship, they have earned the repeat sale.”
To Care is to…

Be Relevant.

Personalize.

Know Her Well.
DECLARED DATA PERSONALIZATION

DATA ENRICHMENT

GUIDED SELLING
Skincare Finder Quiz

REPLENISHMENT & UPSELL
# LIFECYCLE PERSONALIZATION

**PROSPECTS**

- **bareMinerals**

  Free Shipping Sitewide

  Trying bareMinerals® for the first time?
  
  Our best sale happens twice a year and it's going on now!

**NEW CUSTOMERS**

- **bareMinerals**

  Free Shipping Sitewide

  NAME FPO
  
  You're new to bareMinerals®, so we're here with a few tips!
  
  Our best sale happens twice a year and it's going on NOW.

**AT RISK**

- **bareMinerals**

  Free Shipping Sitewide

  NAME,
  Haven't seen you lately...
  
  There's no better time to refresh your routine — Friends & Family is going on NOW.

**LASPSED & LOST**

- **bareMinerals**

  Free Shipping Sitewide

  NAME,
  We miss you!
  
  There's no better time to come back... Friends & Family is going on NOW.

**ON TRACK**

- **bareMinerals**

  Free Shipping Sitewide

  NAME,
  You're a bareMinerals® VIP
  
  Friends & Family is all about you! While you stock up on your favorites we thought we might tempt you with something new...
CATEGORY PERSONALIZATION

FOUNDATION
bareMinerals

SKIN
bareMinerals

EYE
bareMinerals

LIP
bareMinerals

HAVE YOU HEARD?
Every foundation is ON SALE NOW!

HAVE YOU HEARD?
All our skincare is ON SALE NOW!

HAVE YOU HEARD?
All eye makeup is ON SALE NOW!

HAVE YOU HEARD?
Every lip color is ON SALE NOW!

It’s time to...
Stack up on your favorites.
Pick up a new shade for summer.
Use code: FRIENDS18
TREAT YOURSELF
FIND A BOUTIQUE

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TREAT YOURSELF
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ONSITE results

REVENUE

+5-15%

CONVERSION RATE

+5-15%

ADD TO CART

+10-20%
COMMUNICATIONS

Results

- +50% OPEN RATE
- +100% CLICK THROUGH RATE
- +50% CONVERSION RATE
- +300% REVENUE PER EMAIL
• Today’s Presentation & 7 Lifecycle Points for Customer Engagement
• 24 Tips for CX Innovation
• CX Case Studies
• Ebook: 5 Ways to Use Human Data to Drive Deep Engagement
• Ebook: 5 Strategies for Transforming Your Customer Experience
• Blog: Insights On Marketing Best Practices
• Contact: ernan@erdm.com
Thank You!

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