

Personalization in the Age of AI: How 4 Brands are Shaping the Future



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Introduction

AI-driven personalization starts with good data



With all the buzz around AI, it probably seems as if this amazing technology suddenly burst onto the scene. The reality is that it's an established technology that's recently taken a quantum leap forward. Now, businesses are sitting on the cusp of a new era, where AI enables them to deliver uniquely personalized experiences, with the potential to catapult customer satisfaction to unprecedented heights.

AI-driven personalization uses artificial intelligence and machine learning to analyze customers' data, understand their preferences and needs, and tailor the experience to an individual's specific information for better customer engagement.

With AI, along with a customer data platform (CDP), businesses can provide consumers with even more accurate product and service recommendations, targeted ads, personalized content (think messaging and emails), and dynamic websites, where users see specific content matched to their interests, browsing habits, and purchase history.

We are living in an exciting time where data, AI, and personalization are coming together to redefine the consumer experience, and that's pretty cool.



Trusted data is critical for effective AI-driven personalization

If you've heard the phrase, *garbage in, garbage out*, then you know that the quality of the output is determined by the quality of the input. Boy, does the same hold true for AI.

Because AI-powered personalization is only as good as the customer data it was trained on, the quality of your data determines the quality of your AI-driven personalization.

The "intelligence" in AI is based on a data set. If your data is siloed, inconsistent, stale, or incomplete, even the most innovative AI or ML (machine learning) applications can have a negligible impact.

In this guide, we dive into how AI-powered personalization is reshaping the customer experience, and share how four leading brands (Instacart, Nextdoor, Saks, and Amazon) are using it to improve customer engagement and drive growth.

Using AI-driven personalization to drive growth

Companies are increasingly adopting AI and ML to power their personalization efforts. AI-powered personalization is essential for standing out in a competitive market. It's also key to increasing customer retention and conversion.

Ninety-two percent of businesses today are using AI-driven personalization to drive growth, according to a recent Twilio Segment report. And 62% of business leaders cite improved customer retention as a benefit of personalization efforts.

Because AI-powered algorithms can analyze vast amounts of data to understand customer preferences, behavior, and past interactions, businesses will be able to deliver highly tailored information to customers, ensuring they receive the most appropriate content, products, or services. Those not leveraging AI are at risk of falling behind.



Power AI with a quality customer data infrastructure

The path to smart customer engagement starts with high-quality, first-party data. A trusted data infrastructure that is built “data up” with unified, real-time, and consented data is critical to any AI strategy. Twilio Segment’s [leading CDP](#) helps to collect, clean, and activate data so businesses can leverage AI applications to their fullest potential.

With such powerful tools at their disposal, businesses can automate personalization at scale and deliver tailored customer experiences. However, businesses must ensure their AI/ML models are trained on high-quality data and aligned with customers’ preferences.

Build intelligent customer engagement into every channel

With the power of AI-driven data analytics, marketers can effortlessly incorporate intelligent customer engagement strategies across various channels. By leveraging real-time customer touchpoints from web interactions, mobile apps, targeted ads, email marketing, and social media platforms, they can construct dynamic audiences and deliver highly effective campaigns without relying on data teams.

Innovative companies are sure to introduce new AI capabilities in the months and years ahead, but businesses can start laying the groundwork for their AI strategy today with a trusted data infrastructure that relies on first-party customer data – the cornerstone of a CDP.



4 leading brands using AI-powered personalization



instacart

nextdoor

Saks Fifth Avenue



amazon



Ali Miller is Vice President of Product Management, Ads, at Instacart. She previously held the role of Senior Director of Product Management, and prior to that, spent 11 years with Google. We spoke with her about how AI and personalization go together by dynamically recommending products that will resonate with customers.

[Listen to the full interview](#)

Mastering the digital shelf

When your business revolves around helping customers shop for groceries and personal care products online, mastering the digital shelf is crucial. Unlike physical store shelves, the digital shelf is infinite with endless opportunities to level the playing field for emerging brands by displaying products customers may want but haven't heard about.

Instacart provides a more diverse product mix for consumers by leveraging data based on their preferences and past buying patterns. They use AI capabilities to find the best match based on the intent the consumer is showing through various discovery pages on their shopping journey.

Unlocking consumer insights with AI

Each of Instacart's ad stacks is powered by predictive AI and machine learning, which helps drive the right ad for the right user at the right time.

Looking to the future, the company is excited about what generative AI may be able to do. Generative AI models learn the patterns and structure of their input training data, and then generate new data with similar characteristics.

It may be able to identify products that are better linked to each other. For example, it can tell Instacart which concepts to consider and identify products that go together. Take hiking snacks, with large language models (LLM), the team could extract a common theme across an array of different snacks and then recommend them to more users.



When you multiply that discovery by thousands and thousands – if not millions – of possibilities, the number of additional products that may be sold is astounding. And this all comes from a new way of seeing data using AI.

Ali shared, “There’s an entirely new threshold of innovation and testing and creation that we can dig into. It’s fun to see how excited everybody is about this. There’s a lot we don’t know about what’s going to be possible. We need to figure out the right ways to actually engage with this new set of possibilities, but it’s definitely an endless set of possibilities.”

Leveraging customer data and AI

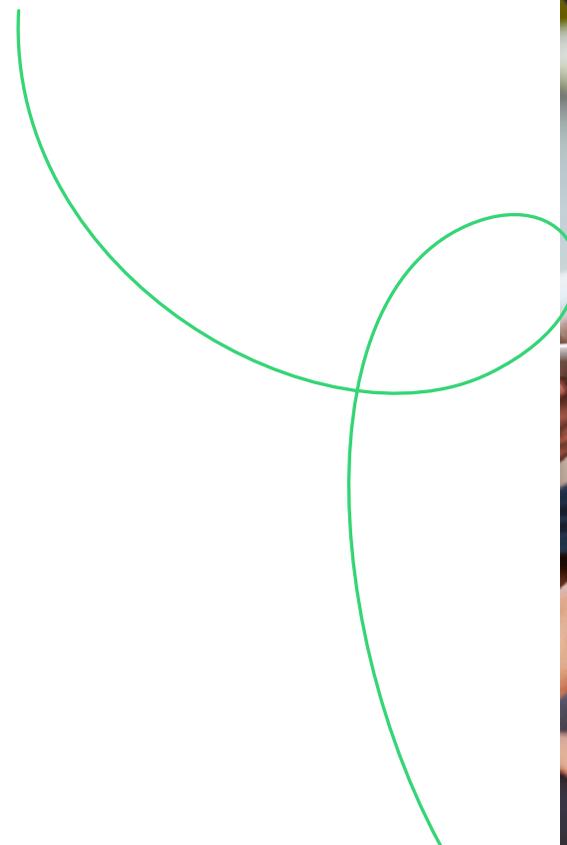
Some of Instacart's greatest revenue returns have come from using AI in their ad campaigns. Key metrics they track include likelihood to engage, likelihood to click, and relevance to the query. Using that data allows Instacart to lead with their optimized bidding product, ensuring they drive maximum ROI for the advertiser – table stakes for a solid advertising strategy.

The company is also using predictive AI with customer data to analyze relationships between products. For example, if a customer is browsing cuts of red meat, the app may offer a personalized recommendation for red wine to pair with it. Or perhaps it's a snack food recommended, such as chips and guacamole or chips and salsa.

By knowing how consumers are interacting across different categories and product pairings, Instacart can better deliver the right ad to the consumer at the right time.

A recipe for trust

Any good marketer in the e-commerce industry knows the importance of cross-sells and upsells, but with AI it's easier than ever to extract new insights and recommend products at the right time. Creating a recipe for trust with consumers is important, and Instacart knows it's a balancing act between building connections and driving results.



nextdoor



Krish Sailam is Marketing Technology & Operations Lead and Customer Experience Management (CXM) orchestration and marketing automation evangelist at [Nextdoor](#). We spoke with him about AI-driven personalization and how it relates to customer engagement.

[Listen to the full interview](#)

Building long-term customer relationships

At Nextdoor, designing user experiences based on what customers want instead of what the latest technology can do is what drives revenue and relationships. Using AI to understand customer preferences is crucial. But, for Krish, it's also important to ask, "Did I make that person feel like they were my only customer?" If so, there's a high chance they'll keep coming back. In other words, every customer needs to feel heard and valued.

Challenges related to customer engagement

It's easy to get excited about the new technologies in the market. A business can come up with a utopian vision of what the customer experience could be. That's not isolated to Nextdoor, it's an industry-wide issue. There's a fundamental change occurring around data and AI. Creating that vision and architecture is important, but being able to distribute that across the organization is more important. Is your organization set up to deliver that vision? Does it have the right skills in-house?

You need to know what data to collect. But you also need to collect accurate data or have a mechanism to be able to clean that data so you can feed it into your AI systems. In the past, Nextdoor once aimed to amass high volumes of data with the end-user in mind. However, they've pivoted to a more focused approach. Their current strategy involves building data sets specifically designed for AI systems. These systems, under human supervision, take charge of tailoring the customer experience – because AI, while impressive, should still have a human on standby to keep things in check.

Experiences that feel natural and intuitive

Nextdoor's goal is to use AI to make the customer experience feel natural and intuitive. Those experiences drive the expansion of relationships. If customers sense you're pushing information on them that doesn't feel right, they'll know it. Good data is data you can actually use. If your messaging is off because your customer information is inaccurate, your interactions will be clunky. That's what happens when you design the experience based on what the technology can do versus what the customer wants.

Collecting data in an ethical way

Nextdoor firmly believes in the ethical collection of customer data, aiming not just to utilize it effectively but also to ensure strict compliance with privacy regulations. They recognize that accurate data is the key to making each customer feel cherished, primarily by creating resonant, personalized messages. Ultimately, the value of high-quality data lies in its power to tailor the customer experience.

On the B2B side of things, they use data to help businesses before they become a customer

as well as after they sign up and register an account, or before they purchase their first ad campaign. The lifecycle marketing team acts like a concierge for customers. They may reach out with an email that says, "Hey, [customer first name]. You just signed up, here are the best next steps for what you should do on your marketing campaign."

The team knows where each person is in the customer journey so they can deliver messages that are triggered based on specific actions.

Access to real-time data is critical, as is the ability to augment customer profiles from their data lake with ease. Having a complete view of the customer enables Nextdoor to personalize any message, know when to send it, and identify which message to send next to move individuals along the customer journey. That's a powerful experience.

Another goal is to have their online advertising system be the easiest system for customers to buy from, whether the customer is a mom-and-pop pizza shop or a large brand. It's all about decreasing friction. And it's about leveraging behavioral data to create personalized experiences for users and providing education at the right time based on exactly what they've told you they're doing on the platform.





New business opportunities using AI and personalized messaging

With over 60 million recommendations for small businesses on the platform, Nextdoor connects with businesses about advertising by sending personalized emails such as, “Hey, Kailey’s Pizza Shop, you’ve received 15 recommendations in the last 20 days from these neighbors, and by the way, there are 3000 neighbors in your one-mile radius.”

This helps Krish’s team see that there’s activity and engagement as well as the scale of the opportunity. Personalized messaging provides a strong hook for the business to say, “Hey, I’ll put some advertising budget in there.” It becomes an easy win for them.

Digging into the data and streamlining the process

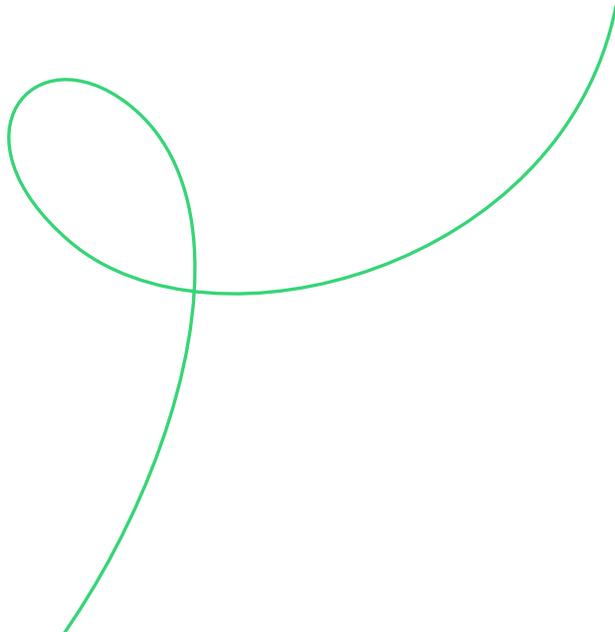
As technology continues to revolutionize data, shifting the balance of the customer experience to AI is becoming more important. With AI, Nextdoor learned that adding a layer of personalization to campaigns improved the click-through rate between 8% and 10%. And it improved the click-to-conversion ratio by 40%.

Once customers were on the platform, they were far more ready to buy because of the personalized experience. And if there was imagery, or more tailored copy or segmentation, there were massive jumps in conversion. That discovery helped Krish build a business case internally where he said, “Let’s get these data signals in, let’s make sure they’re clean and accurate, and then let’s make them automated so we can run these campaigns at scale for multiple verticals.”

Advice to businesses on up-leveling customer engagement strategies

When thinking about uplevelling customer engagement strategies, think in terms of who you're building it for. Having more people in the room who are reflective of your customer base will make your customer engagement strategy more impactful. And don't be afraid to kill off your old systems so you can adjust to all the types of AI or machine learning tools coming down the pike.

You need to be open to rebuilding things. Practice the concept of data pilates or data yoga, where you build a strong core with good customer data. Just make sure your system is flexible so your business can stay versatile.



Saks Fifth Avenue



Kristin Maa is Senior Vice President of Growth at [Saks Fifth Avenue](#), and is responsible for growth and retention marketing as well as online category growth. We sat down with her to discuss how the luxury retail brand uses AI-powered personalization to stay connected with its customers.

[Listen to the full interview](#)

Expanding into more digital channels

Customers who share their data digitally also expect that information to be used to improve their in-store experiences. To meet customer expectations for omnichannel personalization, Saks is structuring in-store conversations around that digital data.

Today, the expectation for brands is that they'll engage in open dialogue with customers. There are many ways that can happen. Saks has been moving more into creator-driven content. They see increased interest in communities built around livestream content, where customers can ask questions and have conversations.

Whether those conversations include designers or buyers, being able to engage directly with a brand is a powerful way to build customer engagement. Customers want to be heard regardless of the platform, so Saks is dabbling to varying degrees in different digital spaces, trying to figure out the best way for customers to communicate with them, and understand how they want to interact.

Creating personalized digital experiences

At Saks, personalization is more than an accessory. When it comes to strengthening customer relationships, it's the *pièce de résistance*. Considering the enormous number of categories and items on their website, it's mission critical for them to use personalization to guide customers to products that reflect their personal preferences.



With over 150,000 styles available, finding the right combination for customers is a lot easier with AI working behind the scenes. It pulls customer information and displays products that match the information known about that shopper, and it does it quickly.

Saks has been designing personalized initiatives into their marketing campaigns to ensure the messages sent to customers are data driven. Currently, over 90% of the messages have a personalization element compared to 10% from a few years ago. They've also ramped up their email marketing content, figuring out how to incorporate dynamic content so it's not the same product script being used again and again.

Customer DNA

Saks uses personalization to make customers feel that the content they receive is curated just for them. They've collected a lot of data over the years through physical stores, an e-commerce site, and a loyal customer base. All that data is considered by their analytics team as their "customer DNA." Essentially, a customer's DNA is their collection of brand and category preferences. It also lets Saks know how the customer likes to engage with the brand, i.e., are they an app shopper or a desktop shopper?

Saks supplements all their first-party data with AI predictions. This allows them to "model a customer" who behaves like a specific type of shopper. For instance, when a customer visits the website and is introduced to a particular brand or category that triggers a strong match based on their profile, there's a high likelihood they'll be interested in those products, so Saks builds a unique experience based on this information.

Kristin finds that to be an added value. As she describes in one hypothetical, "We noticed that you really love these three brands. There's this other brand you probably haven't heard of and you would love them as well, so why don't you give that a try?" Saks then adds that data to the DNA of what they think the customer would like, assuming that if they try it, they'll like it. Layering on top of that, the AI tool then identifies the customer's current actions. The process has been so successful that sometimes the store runs out of inventory on products because so many customers have been exposed to the item.





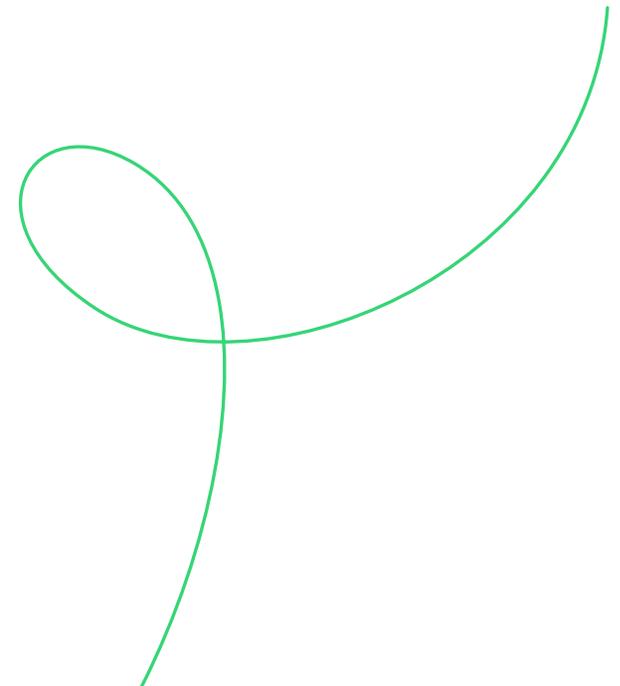
Finding actionable insights with customer data

The marketing team is pushing themselves to find more ways to infer what customers are looking for without customers needing to tell them. They're continuing to test and roll out new strategies that expand on that idea. But they want to be smart with their data. As Kristin shared, "Everybody can collect data and anybody can collect a lot of data, there's no shortage of that. It's being able to take it and activate it and make it meaningful."

One example of how they're using data innovatively is by arming in-store associates with information about what customers are shopping for online. A lot of customers have stylists they work with in-store who sometimes order things on their behalf. Having customer data that is clean, reliable, and structured in a way that's ingestible is key for stylists to delight their customers with items they know they'll absolutely love.

Discovering new use cases with AI

Saks plans to use AI more and more as new use cases become available. And while they see opportunities such as writing product descriptions as valuable, they really hope to leverage it to further personalize the customer experience and cultivate customer relationships. They see a world where sales reps will know more about each customer and be able to find out what the customer cares about and what they need to make the shopping experience more exceptional.



The Amazon logo, featuring the word "amazon" in a bold, lowercase, sans-serif font with a curved orange arrow underneath it pointing from the letter 'a' to the letter 'z'.

Marbue Brown is a leader in customer experience with a career spanning companies from Amazon, Microsoft, and JPMorgan Chase, to his current role as founder of [The Customer Obsession Advantage](#), a firm dedicated to helping companies achieve transcendent business results. We spoke with him about how he sees the future of AI and how it relates to the customer experience.

[Listen to the full interview](#)

Customer obsession

Amazon popularized the term customer obsession. It starts with customer data. During his time with the retail giant, Marbue recalled a statement by former CEO, Jeff Bezos, “If your anecdotes and your data don’t match, maybe something is wrong with the way you’re measuring your data.” Understanding your data means understanding your customers. And for customer obsessed-companies, the two go hand in hand.

Marbue headed the customer experience team at Amazon, which helped instill his passion for customer obsession. An impactful initiative that his team spearheaded was giving customer service associates the ability to remove an item from the site if it was causing a bad experience for customers. Through machine learning the process later became automated, where the system can now pull products faster than customer service associates could detect problems.

AI and its relationship to good data

AI requires high-quality data to get the best results. Good data is data that’s not filled with noise, whether that’s incomplete data, outdated data, or data that is simply inaccurate. Feeding bad data into AI will result in the model telling you things that aren’t actually true.

You also need ways to audit your data to evaluate the quality of the information you’re getting out of it. It’s important when using customer data to apply the reasonableness test. If you see something that looks odd or too good to be true, take a step back and double-check it. There are scenarios where there are missing data fields, or where the same information can be represented in the data five different ways. These common issues make it difficult to parse data. Sometimes it’s not so much that the data is good or bad, it’s whether you can clean that data properly to eliminate those problems.



Merging real-life data with online data

To deliver memorable customer experiences, businesses need to be able to merge information they get from customers in real life with data captured online into one unified customer profile. That's what drives personalization and loyalty.

Innovative companies create practices and mechanisms that their employees can use. For example, when a customer's on the phone, an employee can type their information into a database. The scenario is different with an in-person interaction, but companies that are great at this have created mechanisms their employees can use to capture and store this data so it can be used in the customer experience next time.

Large language models improve customer data gathering

Historically, companies found it difficult to pull customer data from freeform sources. Now, large language models (LLM) make it possible to parse large amounts of data to identify themes in a customer's comments, and summarize them in a semi-quantitative way. Models can understand customer sentiment, indicating whether the customer is talking about the company in a mostly positive, negative, or neutral way.

Voice-to-text technology is also getting better. It will soon be possible for customer service agents to have AI "co-pilots" to help them in the middle of conversations with customers by suggesting ways they can solve the customer's problem faster. All these things will be game changers for businesses' ability to deliver customer experiences.

A new era in business with artificial intelligence

Without downplaying concerns where AI could be problematic, Marbue prefers to pay attention to the customer experience phase and focus on where AI is going to help, such as automation. Think about mobile apps and virtual assistants. They can help navigate complex customer service experiences. For an insurance company, AI can help customers file a claim, and for banking AI can help customers start the loan process.

Now think of IVR (interactive voice response). With AI-powered IVR, customers won't have to spend time punching a bunch of different buttons on their phone to get where they need to go. AI can pinpoint the issue and find a resolution more quickly. If the AI detects it was no longer helping in the way the customer needed, it's smart enough to know, "I can't handle this, I need to transfer it to a live agent." It'll be in tune enough to detect when someone's getting frustrated or angry. Companies that don't embrace this technology will be behind the curve when it comes to delivering top-of-the-line customer experiences.

“Customer-obsessed companies, they take actions. They adopt policies and they make investments in the customer’s favor, even when they can’t immediately connect the dots to their own financial benefit because they know that, in the end, it always pans out. Their customers are not casual consumers, they’re rabid fans. If nothing else, recognize that when you invest in that, you can save some money on the other end because you’re going to have people who are out there evangelizing your message for you.”

Marbue Brown

Founder, The Customer Obsession Advantage

The future of AI and the customer experience

Marbue shared his thoughts on the near-term future of AI and how businesses can leverage first-party data to improve customer experiences. Here are his top four trends:

More automation

Businesses are tapping into how to use automation to deliver the best customer experiences. As technologies continue to improve, the ability to use automation will improve. But when automation doesn't work properly, it annoys customers.

Embracing the notion of omnichannel

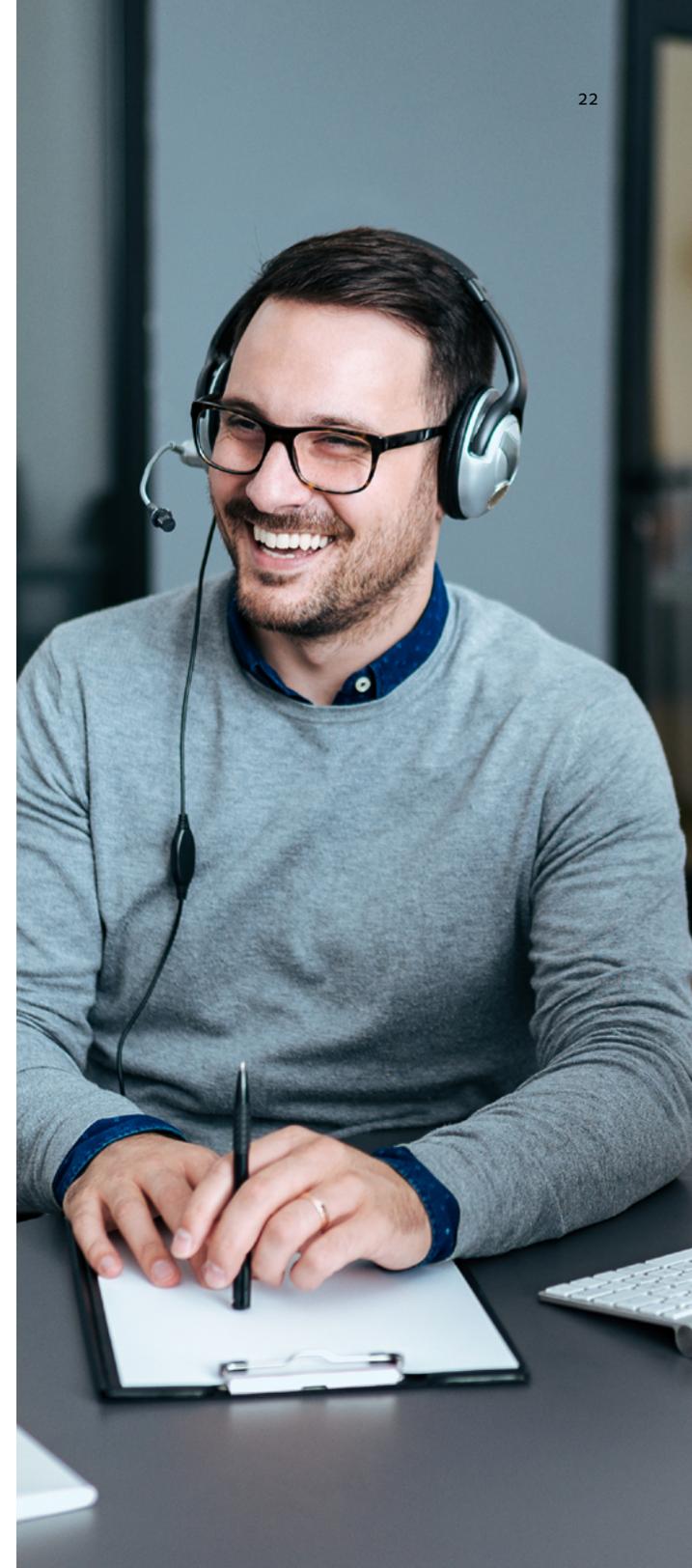
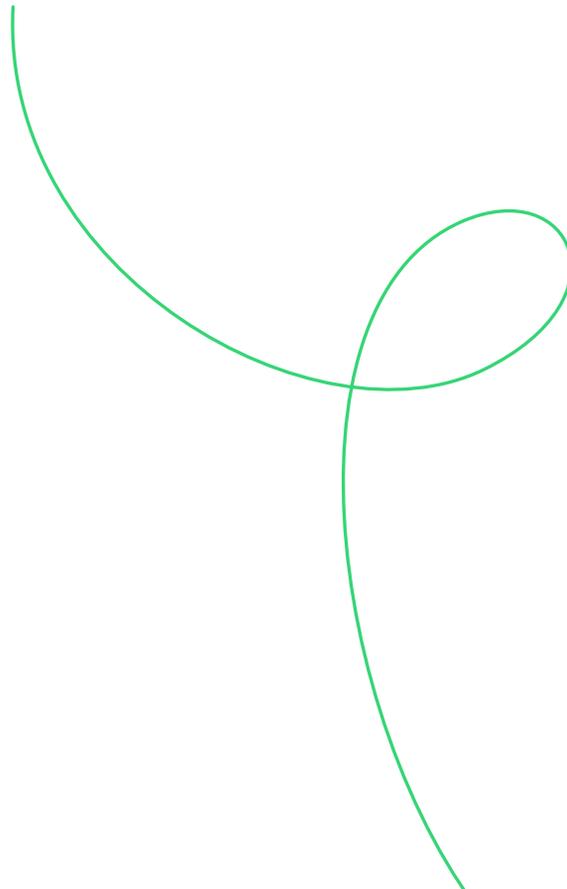
Some companies were firmly planted in the brick-and-mortar space. Others were firmly planted in the digital space. Now people understand that you need to have a healthy crossover between the two. Businesses need to be great at all the different channels.

Recognition of the employee experience

The employee experience is a major contributor to customer experience. If employees don't feel empowered to do their jobs, you're not going to get the customer experience right. There's a symbiotic relationship between employee experience and customer experience.

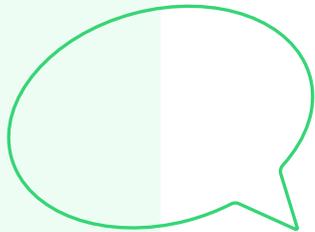
Casting a wider net to data sources

There's a goldmine of information available to companies. They're getting it through contact centers as reps deal with customers, through email, chat, and social media interactions with customers. Businesses should fully embrace these data sources and tap into them to better understand customer requirements and customer expectations.



Conclusion

Is your customer data AI ready?



What if you could predict the likelihood of your customers to make a purchase or perform an action, such as using a promo code or signing up for an account? With that insight, you could create an audience of those people and create a personalized campaign to encourage those behaviors.

And what if you could do that without relying on technical teams to pull and model that data for you? That future will be here before you know it: Think powerful AI capabilities like predictions, generative, and workflow automations that will make AI consumable for business users across teams. These are just some of the intuitive capabilities that will soon be available with Twilio's [CustomerAI](#).

With all that information based on intelligent insights from YOUR customer data, the sky's the limit in terms of delivering the best outcomes for your customers and deepening your relationships along the way using AI and a customer data platform.

To fuel efficient growth, you need to have a complete understanding of who your customers are and how they want to interact with your business. This is especially important because in this new world of AI, it's about getting lots of data – all of your data – ready for AI use cases. This will be your competitive advantage moving forward.

But it takes time to get there. After all, AI is only as good as the customer data it was trained on. Don't fall victim to GIGO (*garbage in, garbage out*) with your AI strategy. The path to intelligent customer engagement starts with high-quality, first-party data.

Find out how you can [ensure your data is AI ready](#).



About Twilio Segment

Twilio Segment is the leading CDP with more than 450 pre-built integrations to different data sources and destinations. It provides a complete solution that eliminates the need for manual data cleansing, complex data engineering processes, and analytics reporting functions.

By automating all of the backend customer data operations, Twilio Segment puts companies in a position to get the most out of their first-party data and retain customers at a higher rate.

As consumer sentiment, industry trends, and regulatory enforcement push companies away from depending on third-party data, the need for an alternative source of customer data cannot be understated. First-party data is the solution, bringing a competitive advantage as it fills the gaps where third-party data falls short: accuracy, relevance, and building customer trust.

Schedule a demo to learn how to get the most out of your customer data with Twilio Segment.

Recommended reading



The State of Personalization 2023

This report takes a deep dive into the most significant global trends in 2023, from the advancements in AI-powered personalization to the importance of consumer privacy.

[Get the full report >](#)



7 Ways to Prepare for a Cookieless World

This guide explores 7 ways to pivot from third-party cookies to higher quality, first-party data which enables businesses to offer more personalized customer experiences.

[Read the guide >](#)



5 Tried-and-True Retention Campaigns + Templates

This guide covers everything from personalized email campaigns to targeted in-app messaging to improve customer retention and take your business to the next level.

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