The Power Of Personalisation & AI In Ecommerce

A guide to search, product recommendations, customisation, chatbots, and privacy

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Meet the experts

imrg | The UK Ecommerce Association

"It is with great pleasure to present you with 'The Power Of Personalisation And AI In Ecommerce' report, supported by Adobe Commerce. Retailers' strategies to curate exceptional customer experiences often rely on personalisation and artificial intelligence. This report is a comprehensive guide to utilising search, product recommendations, customisation, and chatbots to the standard of customer expectations in the UK. We also uncover the value of privacy, which is a growing concern for many customers this year."

About

We help our members understand and improve their online retail performance through a busy programme of performance benchmarking, data analysis, insight, best practice-sharing, and events. We have been tracking online sales since 2000 – and now measure over 120 individual metrics in a series of indexes, providing in-depth intelligence on online and mobile sales, delivery trends, marketing ROI and channel performance.

Adobe

About

Adobe Commerce is the world's leading digital commerce solution. With Adobe Commerce, you can build personalised, omni-channel shopping experiences for every customer — from B2B and B2C to B2B2C.

It's built for enterprise on a scalable, extensible, and flexible platform with unparalleled security, premium performance, and a low total cost of ownership. Businesses can use it to reach customers across multiple devices, countries, languages, channels, and brands – all from one platform.

With new features being added all the time - like AI-driven personalisation, configurable product recommendations, easy-to-use checkout processes, and robust analytics - Adobe Commerce makes it easier and quicker than ever to create shopping experiences that keep customers coming back for more.

- "Leader in digital commerce" Gartner, 2022.
- "Strong Performer" by Forrester in 2022.

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Methodology

This report provides an in-depth analysis of personalisation and AI in ecommerce. This comprehensive report delivers valuable insights derived from consumer research, providing retailers with strategies to meet customer expectations. The report covers search, product recommendations, customisation, and privacy, enabling retailers to enhance their customer experiences.

1000 UK citizens, aged 18-54+, were asked 20 questions on their thoughts and preferences concerning personalisation and AI. A combination of multiple and single-choice questions was used, alongside one open-ended question. The results are displayed in percentages as it more accurately highlights trends in the data.

The survey was conducted in June 2023.

Introduction

Understanding customer attitudes toward AI is essential for business growth. With Chat GPT and personalisation such as intelligent search, product recommendations, and augmented reality becoming more commonplace in ecommerce, customers' expectations around what makes a good customer experience are evolving, and many retailers are trying to keep up.

Retailers may take different approaches to make their content more personalised, but all retailers should consider the personalisation and AI most favoured by customers on their purchasing journey. Read on to learn what customers want from personalisation and AI in 2023.

Customers feelings towards personalisation in 2023

How important is personalised content?

Personalised content is an 'important' part of customers' (39.1%) online shopping experience. Those who describe personalised content as 'important' and 'very important' represent 61.7% of all respondents in our survey, proving its value in ecommerce today.

Many who do not value personalisation to the same degree still mark it as 'somewhat important' (24.5%), and just 12.7% of respondents describe personalised content as 'not important.' Therefore, it should be considered to cover all grounds for offering excellent customer experiences.

How do you rate the importance of personalised content in your online shopping experience? E.g. products and pages that are relevant to your interests, direct communication, etc.

Category	Percentage
Not important	12.7%
Somewhat important	24.5%
Important	39.1%
Very important	22.6%
I am unsure	1.1%

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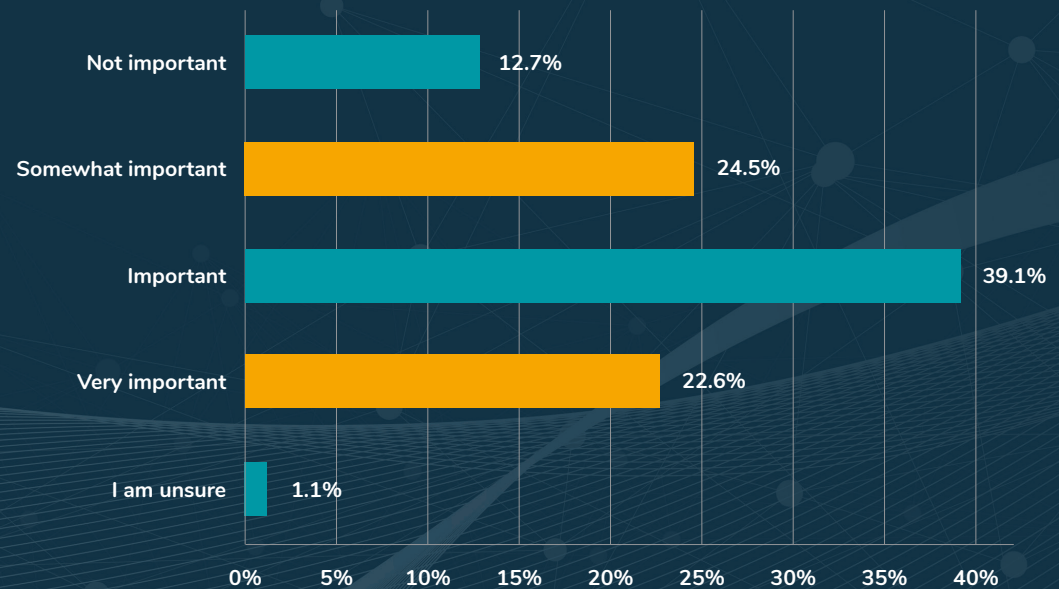
Are customers more loyal to brands that offer personalisation?

We have established that personalised content is important to the modern consumer. But the question is whether this favourability entices loyalty.

For the most part, customers are more likely to return to brands that offer personalised experiences, as the majority answered that they are 'somewhat' (45.6%) more loyal and, 'yes' (29.1%), they are more loyal to those brands. These results total 74.7% of respondents who are likely to make repeat purchases from brands that are more personable.

Do you feel more loyal to brands that are strongly personalised to you and your interests?

Category	Percentage
Yes	29.1%
Somewhat	45.6%
No	20.2%
I am unsure	5.1%
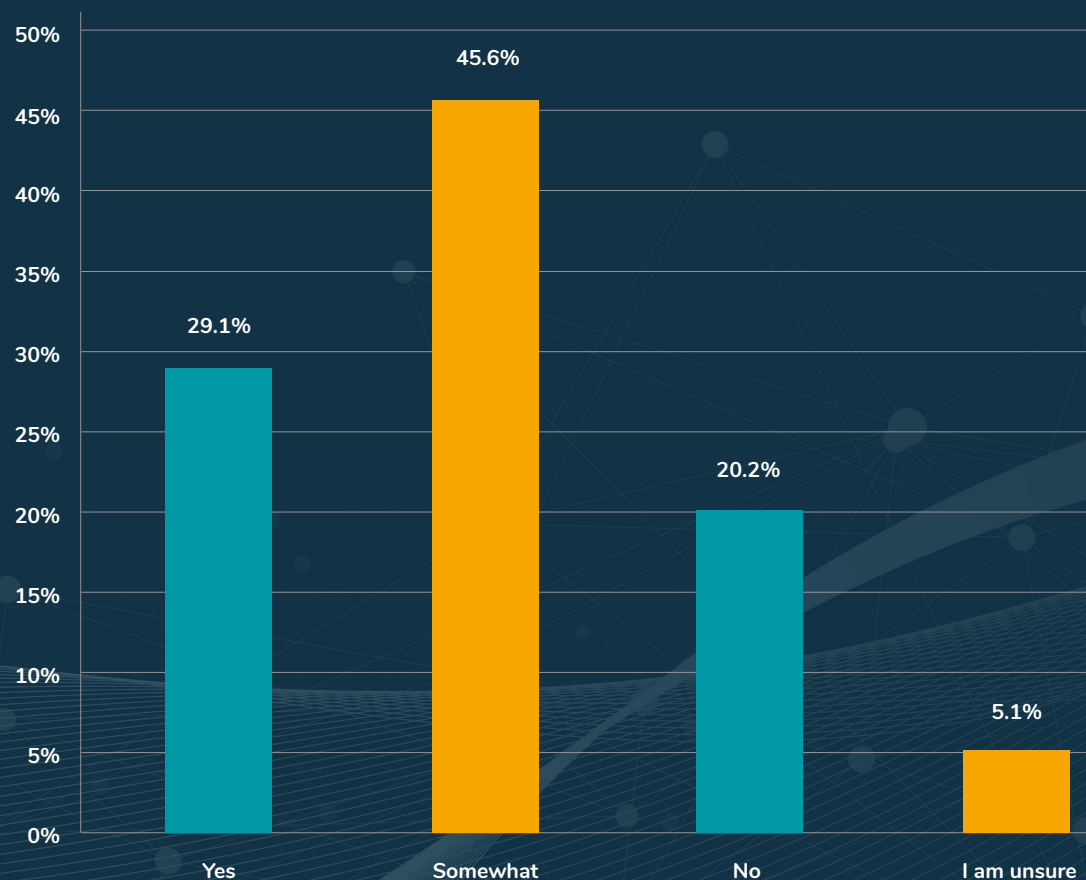
Are the consequences of personalisation entirely positive?

On the whole, the use of personalisation has positive consequences. It encourages customers to trust the retailer more (just 3.6% said that it makes them trust the retailer less - it makes the online shopping experience less overwhelming (37.7%), and for the most part, it makes them feel understood (31.3%).

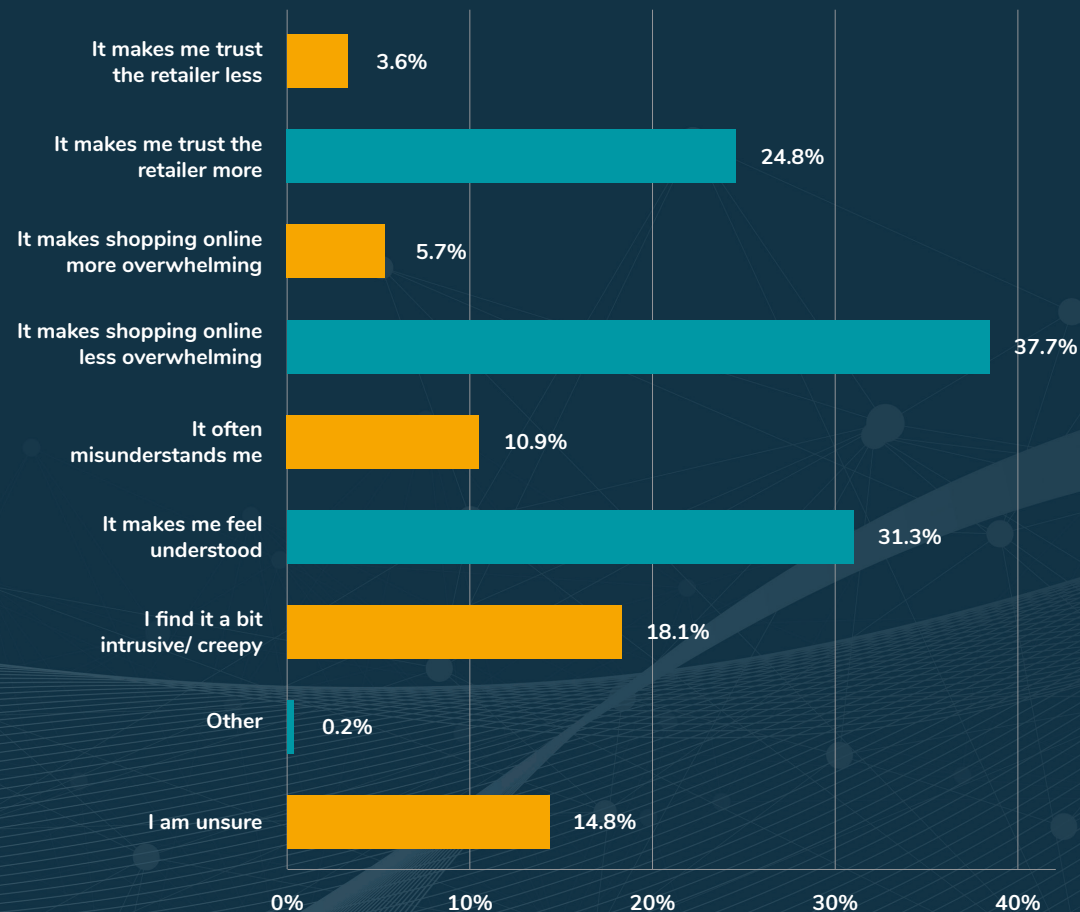However, the gap between 'it makes me feel understood' and 'it often misunderstands me' is smaller than the gap between other polarising answers, demonstrating that greater efforts are needed to optimise the experience and make personalisation more valuable to customers.

18.1% of respondents feel that personalisation is a bit 'intrusive/creepy,' where if it understands them so well, or, on the other hand, gets it wrong, it can generate a feeling of unsettlement. With this in mind, it is important to find ways to manage negative experiences, such as by not over-saturating personalisation across the whole website, and instead centralising it in key areas where it will be most appreciated by customers.

What are your general feelings towards personalisation on most online retail sites you have encountered?

Response	Percentage
It makes me trust the retailer less	3.6%
It makes me trust the retailer more	24.8%
It makes shopping online more overwhelming	5.7%
It makes shopping online less overwhelming	37.7%
It often misunderstands me	10.9%
It makes me feel understood	31.3%
I find it a bit intrusive/ creepy	18.1%
Other	0.2%
I am unsure	14.8%

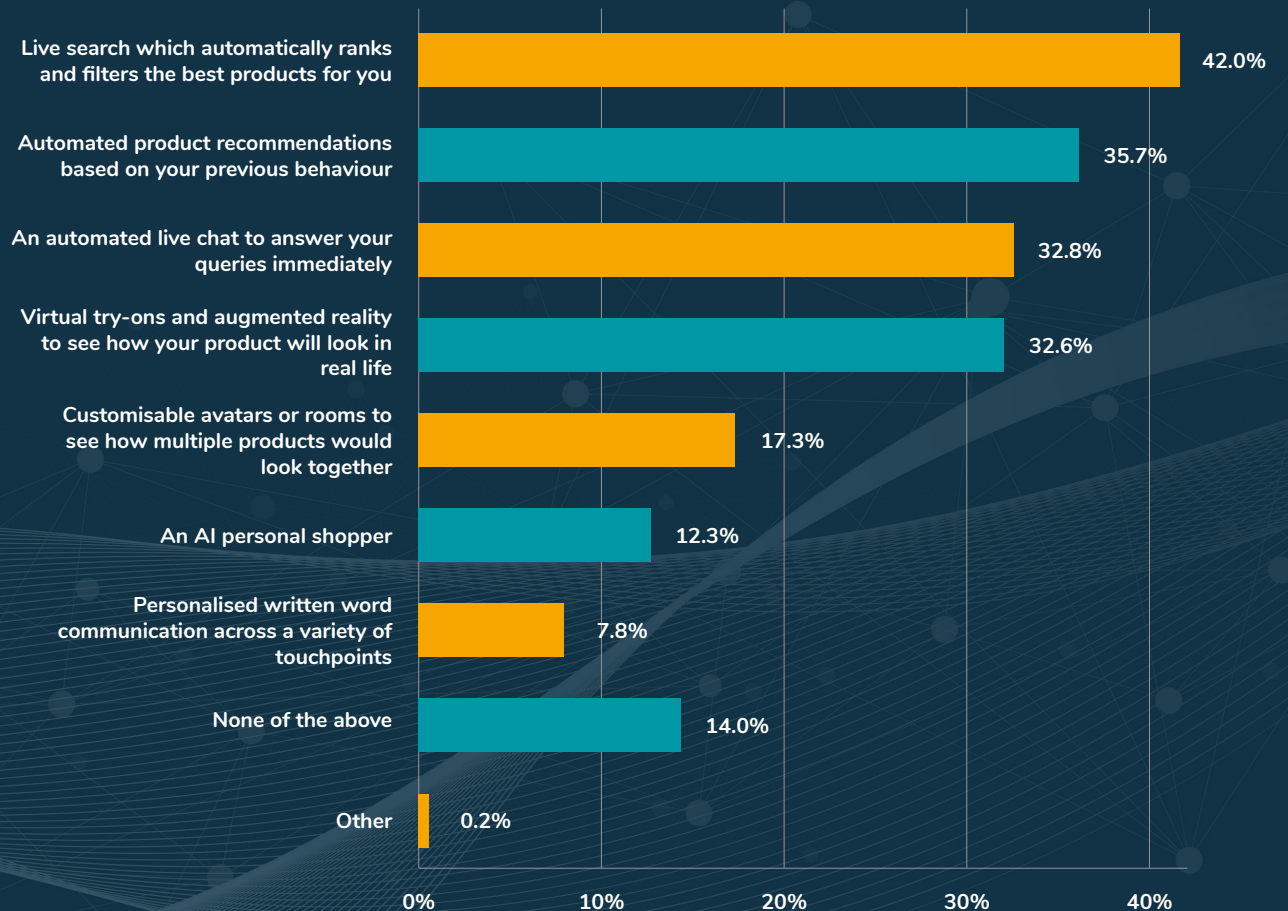# The most helpful AI personalisation features revealed

The AI personalisation feature that customers think would be the most helpful for them to make a purchase decision is 'live search which automatically ranks and filters the best products for you,' chosen by 42% of respondents.

In second place is 'automated product recommendations based on your previous behaviour' (35.7%). These results suggest that customers want retailers to understand them and learn their preferences, which can reduce their time spent on tedious tasks such as navigating a website of thousands of products to not find anything they are interested in. By recommending products on various pages of your website, as well as personalising the search bar, you can reduce exit rates and improve key metrics such as add-to-bag and conversion rates.

Time efficiency proves to be a top priority for customers today, as 32.8% of respondents have chosen 'an automated live chat to answer your queries immediately' as one of the most helpful features. Of almost equal address is 'virtual try-ons and augmented reality to see how your product will look in real life,' highly appreciated by 32.6% of respondents.

What AI personalisation features do you think would be the most helpful for you to make a purchase decision from a UK retailer?
The respondents were asked to select up to three answers.

Feature	Percentage
Live search which automatically ranks and filters the best products for you	42.0%
Automated product recommendations based on your previous behaviour	35.7%
An automated live chat to answer your queries immediately	32.8%
Virtual try-ons and augmented reality to see how your product will look in real life	32.6%
Customisable avatars or rooms to see how multiple products would look together	17.3%
An AI personal shopper	12.3%
Personalised written word communication across a variety of touchpoints	7.8%
None of the above	14.0%
Other	0.2%

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Personalised written communication: Should retailers address customers on a first name basis?

'Personalised written word communication across a variety of touchpoints' is shown to be the least effective feature to help customers on their purchasing journey, with a comparatively low score of 7.8%. Therefore, while it might hold some value, personalised efforts might be better situated better elsewhere.

In response to a later question which asks what personalisation feels like a privacy infringement, a few respondents expressed their dislike of retailers using their name in communication:

> *"My name… too personal"*
>
> *"Calling me by my first name"*
>
> *"Using things like nicknames seems too personal"*
>
> *"It said hello and then my name"*
>
> *"I hate being called by my first name by someone who doesn't know me"*

Yet, those who felt uncomfortable by the use of their name in communication only represented 1.84% of the 380 respondents who provided an answer to this question. Thus, while personalised written word is not considered the most helpful feature, it is not shown to be a common deterrent.
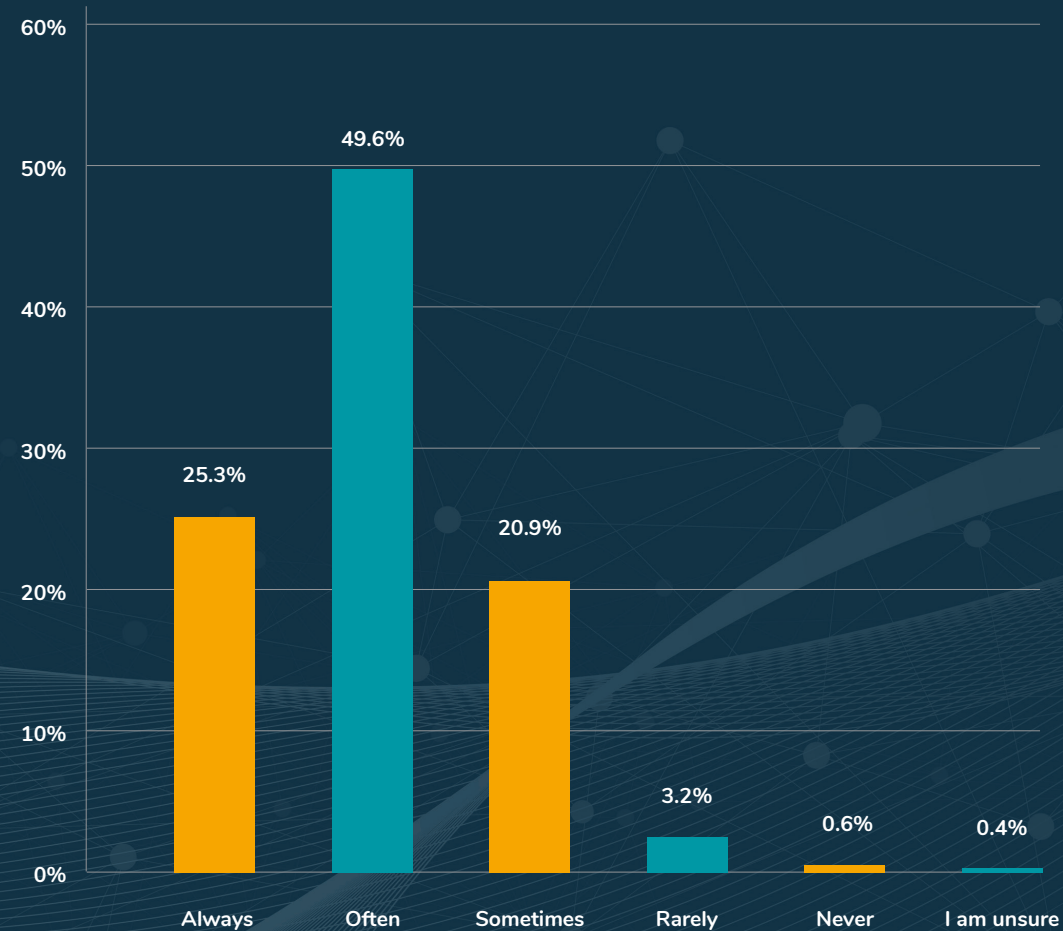
The value and usage of the search bar function

Investigating further into the value of search, the top most helpful personalisation feature, we asked the respondents how often they use it. The results show that 99% of customers have used this functionality, albeit at different consistency levels.

The most popular answer was 'often,' chosen by 49.6% of respondents. In second and third place were always (25.3%) and sometimes (20.9%). While personalisation efforts tend to focus on product pages and the home page, the search bar has proven to be a key customer touchpoint that would benefit from optimisation.

How often do you use the search bar function on online retail websites?

Always	Often	Sometimes	Rarely	Never	I am unsure
25.3%	49.6%	20.9%	3.2%	0.6%	0.4%

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Product recommendations: Placement and best practices

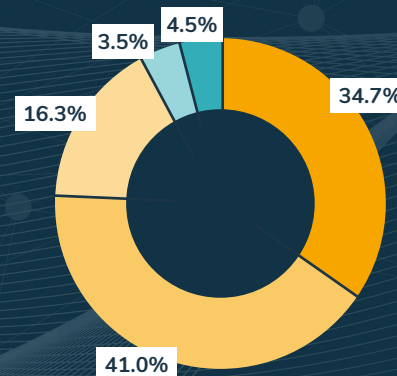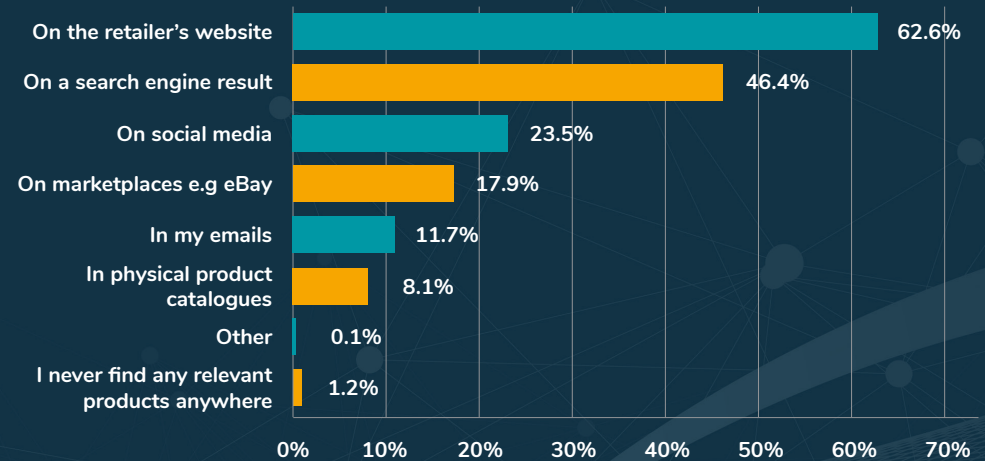## What channels tend to present the most relevant results?

Next, the respondents were asked about their channel preferences to help gauge where personalisation is best implemented.

The stand-out winner, where customers find the most relevant products, is on the retailer's website (62.6%). This result is promising because the top personalisation features, live search, and automated product recommendations, exist here.

Another popular way customers find relevant products is by completing a search engine result, chosen by 46.4% of respondents. The data consistently proves that customers prefer to use their own search terms to receive recommended items that fit their needs.

With the prevalence of social media, which is mostly 'often' or 'always' used, it is perhaps surprising that 'on social media' was chosen by just 23.5% of those surveyed. It is still a high performer relative to marketplaces, emails, and product catalogues, but more work is required, nonetheless.

Where do you tend to find the most online retail products that are relevant to you? - *The respondents were asked to select up to three answers*

Channel	Percentage
On the retailer's website	62.6%
On a search engine result	46.4%
On social media	23.5%
On marketplaces e.g eBay	17.9%
In my emails	11.7%
In physical product catalogues	8.1%
Other	0.1%
I never find any relevant products anywhere	1.2%

How often do you use social media in your free time? - *The respondents were asked to select up to three answers*

- (34.7%) Always
- (41%) Often
- (16.3%) Sometimes
- (3.5%) Rarely
- (4.5%) Never
- (0%) I am unsure

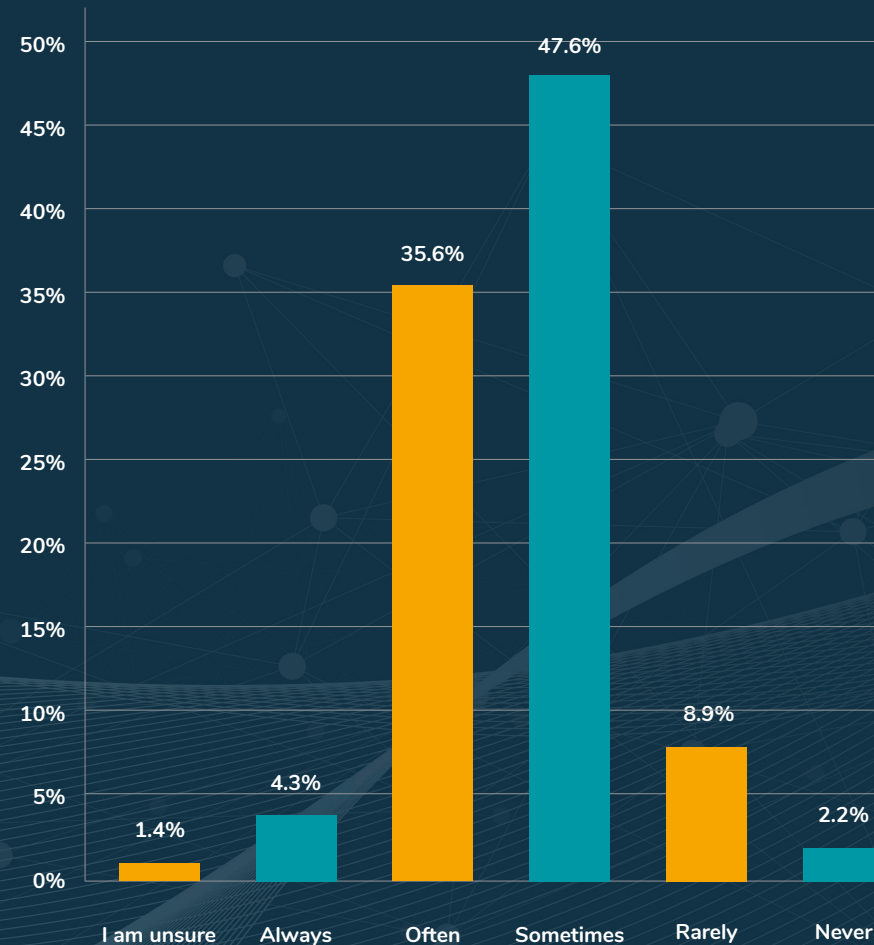## Product recommendation likeability and consequences of dissatisfaction

When asked how often they like the recommended products on these channels, it is disconcerting that only 4.3% of 1000 respondents answered 'always.' Nonetheless, on the other extreme, just 2.2% of respondents answered 'never.'

Most respondents feel that only 'sometimes' do they like the products that are recommended to them on these channels (47.6%). Therefore, consistency needs to be established to improve customer satisfaction. More promisingly, 35.6% said they 'often' like the products.

Presenting products that customers like can improve ecommerce metrics such as add-to-bag rates, which have seen significant declines since 2020, that is according to IMRG's Online Retail Index. Analysing customer data, such as customer engagement levels with specific products, can help retailers present likeable products and prompt customer funnel growth.

Ultimately, brands should consider effectively leveraging behavioural data, product attributes, and inventory levels to automatically personalise product recommendations.

How often do you like the products that are recommended to you on these channels?

Category	Percentage
I am unsure	1.4%
Always	4.3%
Often	35.6%
Sometimes	47.6%
Rarely	8.9%
Never	2.2%

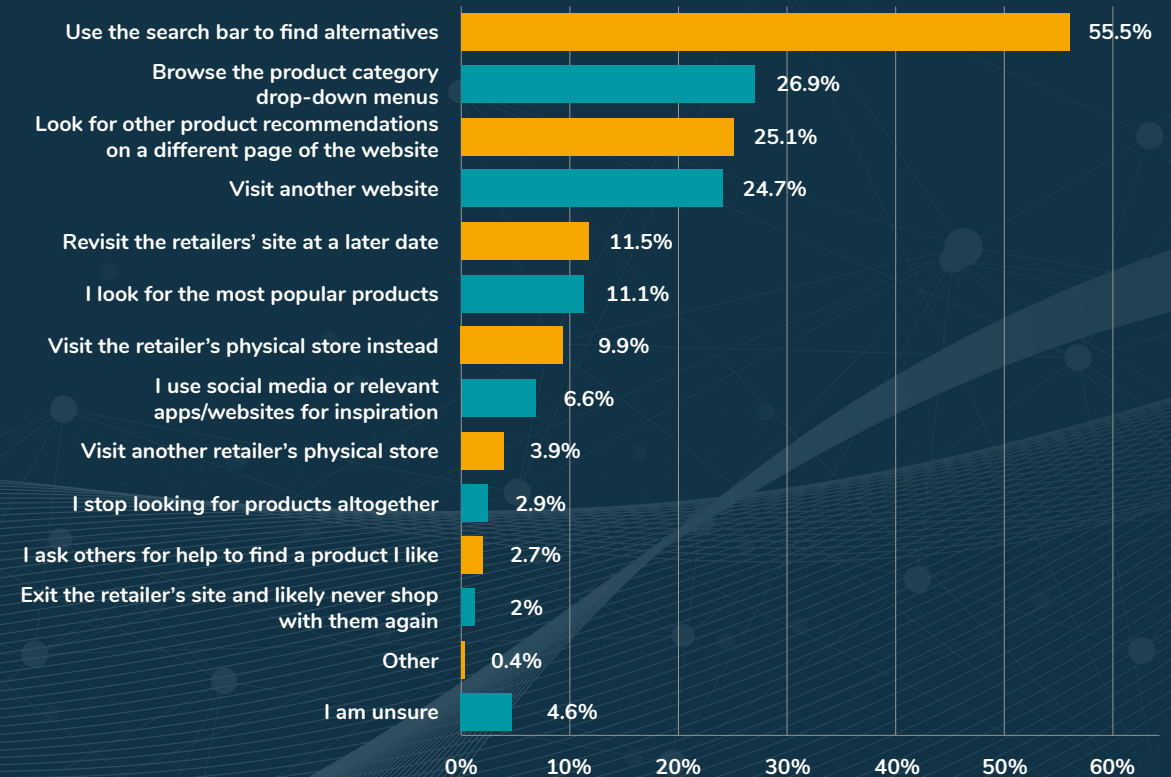business.adobe.com/uk/solutions/commerce.html

Product recommendation likeability and consequences of dissatisfaction - *Continued*

If customers do not like the products a retailer recommends, it's worth noting that they will likely resort to the search bar to find alternatives. Over half of the respondents (55.5%) chose this answer, highlighting the benefit of having a search bar that ranks and filters products for the customer, giving the retailer a second chance to get it right.

Nearly equally weighted are 'browse the product category drop-down menus,' 'look for other product recommendations on a different page of the website', and 'visit another retailer's website.' Personalisation efforts, which make most customers 'somewhat' more loyal to retailers could just be the preventative method of site abandonment and retortion to a different retailer.

Just 2% of respondents would first 'exit the retailer's site and likely never shop with them again', which implies that customers are open to giving retailers the benefit of the doubt, despite not getting the recommendations right the first time around.

What are often/would be your first points of action if you dislike the products a retailer recommends? - *The respondents were asked to select up to three answers*

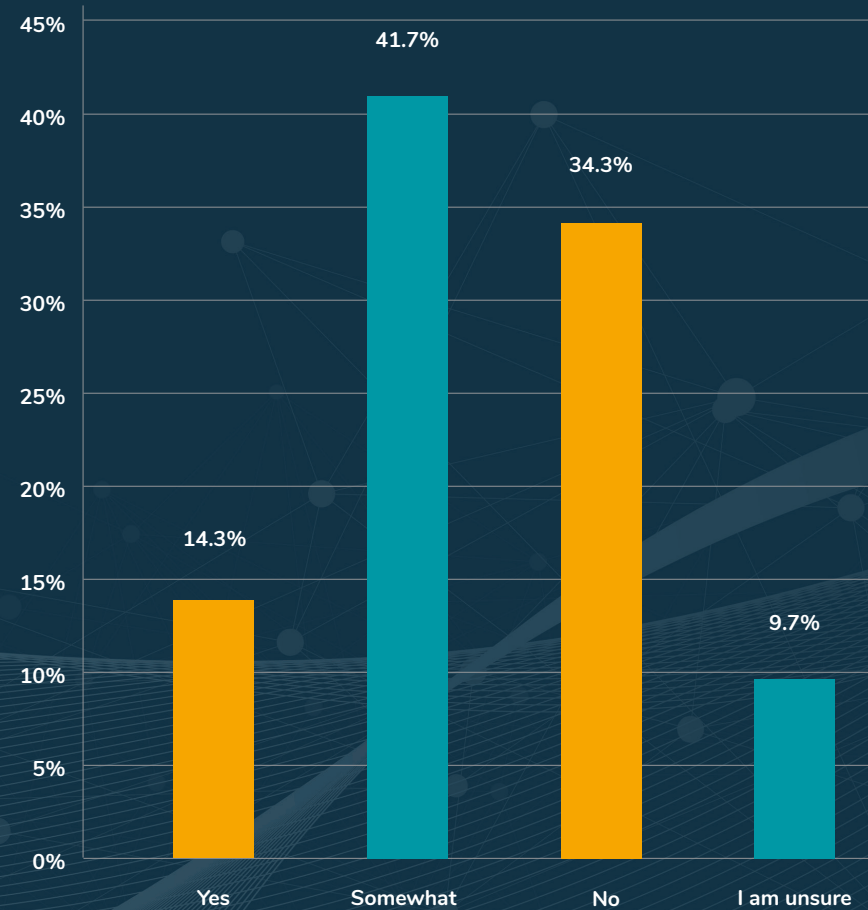| Answer	%
Use the search bar to find alternatives	55.5%
Browse the product category drop-down menus	26.9%
Look for other product recommendations on a different page of the website	25.1%
Visit another website	24.7%
Revisit the retailers' site at a later date	11.5%
I look for the most popular products	11.1%
Visit the retailer's physical store instead	9.9%
I use social media or relevant apps/websites for inspiration	6.6%
Visit another retailer's physical store	3.9%
I stop looking for products altogether	2.9%
I ask others for help to find a product I like	2.7%
Exit the retailer's site and likely never shop with them again	2%
Other	0.4%
I am unsure	4.6%

Perspectives on cross-channel product recommendations

Cross-channel advertising, for example, when a customer searches for a product on one channel, and it is then advertised to them on another channel, is a very popular personalisation method. However, there is a split between those respondents who 'somewhat' like it (41.7%) and those who do not (34.3%), with the former taking the leading vote.

Comparing the answers 'yes' (14.3%) and 'no' (34.3%) proves that more customers are less appreciative of this personalisation and might see it as a step too far and an infringement of their privacy.

9.7% of respondents are unsure of their stance on this type of personalisation, hinting at either unfamiliarity or indifference to this advertising technique.

**Do you like it when you search for a product on one channel and it is then advertised to you on another channel?**

Chart values:
- Yes: 14.3%
- Somewhat: 41.7%
- No: 34.3%
- I am unsure: 9.7%

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Gadgets have ears: Should recommendations be made from conversations?

Personalisation and AI that enables gadgets to listen to customers' voices and conversations to make product recommendations is widely disliked by customers, with 50.6% of respondents exclaiming that 'no,' they're not comfortable with this.

Only 20% of respondents are comfortable with this type of personalisation being used on them, and a small number are 'somewhat' comfortable (23.3%). It is important to avoid or use caution when implementing personalisation that may come across as intrusive or spying on customers.

Are you comfortable with your gadgets (e.g. your phone or computer) listening to your voice/your conversations to make product recommendations?

Bar chart showing responses:
- Yes: 20.1%
- Somewhat: 23.3%
- No: 50.6%
- I am unsure: 6%
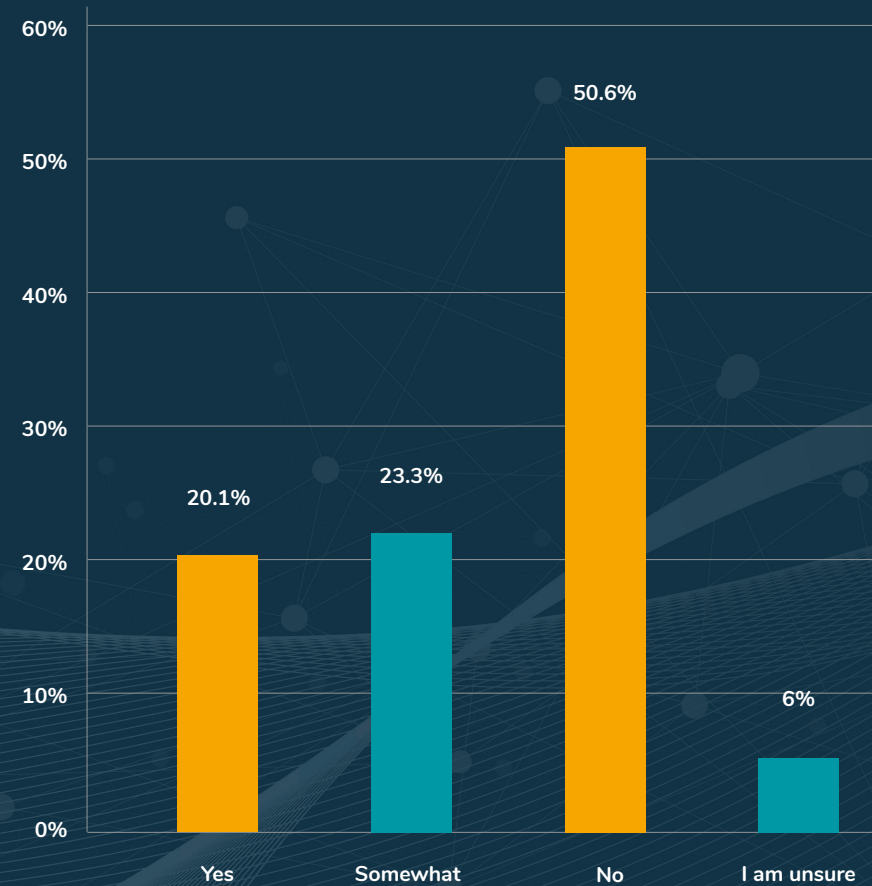
Chatbots: What customers want from them

The live chat function, which is used by most retailers, is marked by the majority of respondents as only 'sometimes' useful (41.8%).
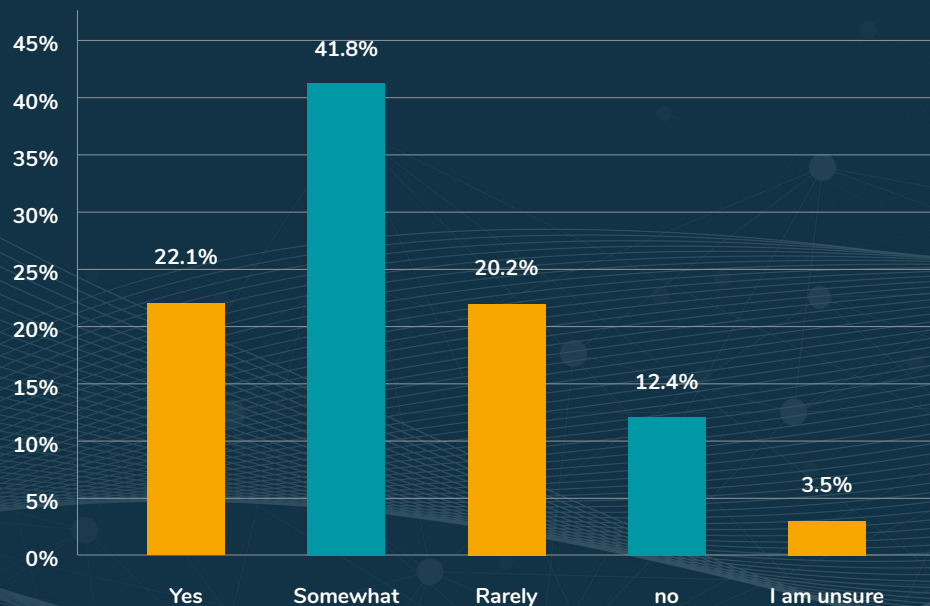
Customers are inclined to use live chat to ask for a refund (49.5%), to ask a WISMO query (46.5%), and to ask for estimated delivery times (41.4%).

A considerable amount of respondents would like to use live chat to ask for product recommendations (21.1%), further product insights (18.8%), and to help them find a page on the retailers' website (15.5%). These

uncommon, unique features proves that customers' expectations are evolving. While they have proven to not be a prerequisite, retailers may consider how their current processes could be adapted to meet these needs in the case that they become an expectation.

Only 13.9% of respondents would not like to use a live chat feature, meaning that it would be in a retailers' best interest to implement it.

Do you find the live chat function that some retailers offer useful?

Response	Percentage
Yes	22.1%
Somewhat	41.8%
Rarely	20.2%
no	12.4%
I am unsure	3.5%

In what ways would you like to use a live chat feature on an online retailer's website or app?

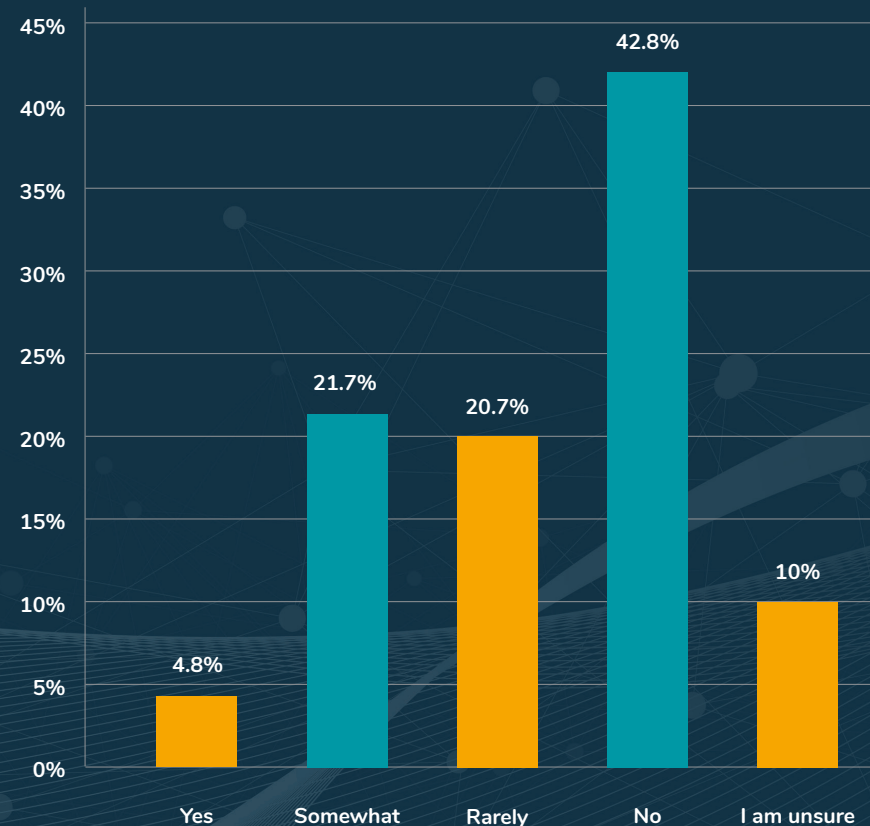| Use	Percentage
Asking for a refund	49.5%
Asking a 'where is my order' (WISMO) query	46.5%
Asking for estimated delivery times	41.4%
Asking for product recommendations	21.1%
Asking for further product insights	18.8%
Asking it to help me find a page on their website	15.5%
Asking questions relating to the brand's ethos	10.6%
I wouldn't like to use a live chat feature	13.9%
Other	0.7%

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AI chatbots versus human-controlled customer service

Most respondents do not feel that AI chatbots are more useful than human-controlled customer service (42.8%). The fact that AI chatbots provide fast answers to frequently asked questions might explain why some respondents rated it as 'somewhat' useful (21.7%).

With the assistance of AI-powered chatbots, customer communication teams can lessen their workload. Although, these chatbots sometimes struggle to understand customers' dialect or phrasing. As a result, customers may receive messages that read "Sorry, I don't understand that. Could you try again?." These messages can be frustrating and could potentially drive customers to shop elsewhere.

For the benefit of both customers and retailers, AI chatbots should be able to understand colloquial language and interpret minor spelling errors. By improving their ability to resolve issues and address enquiries, retailers can reduce negative reviews and improve their brand reputation.
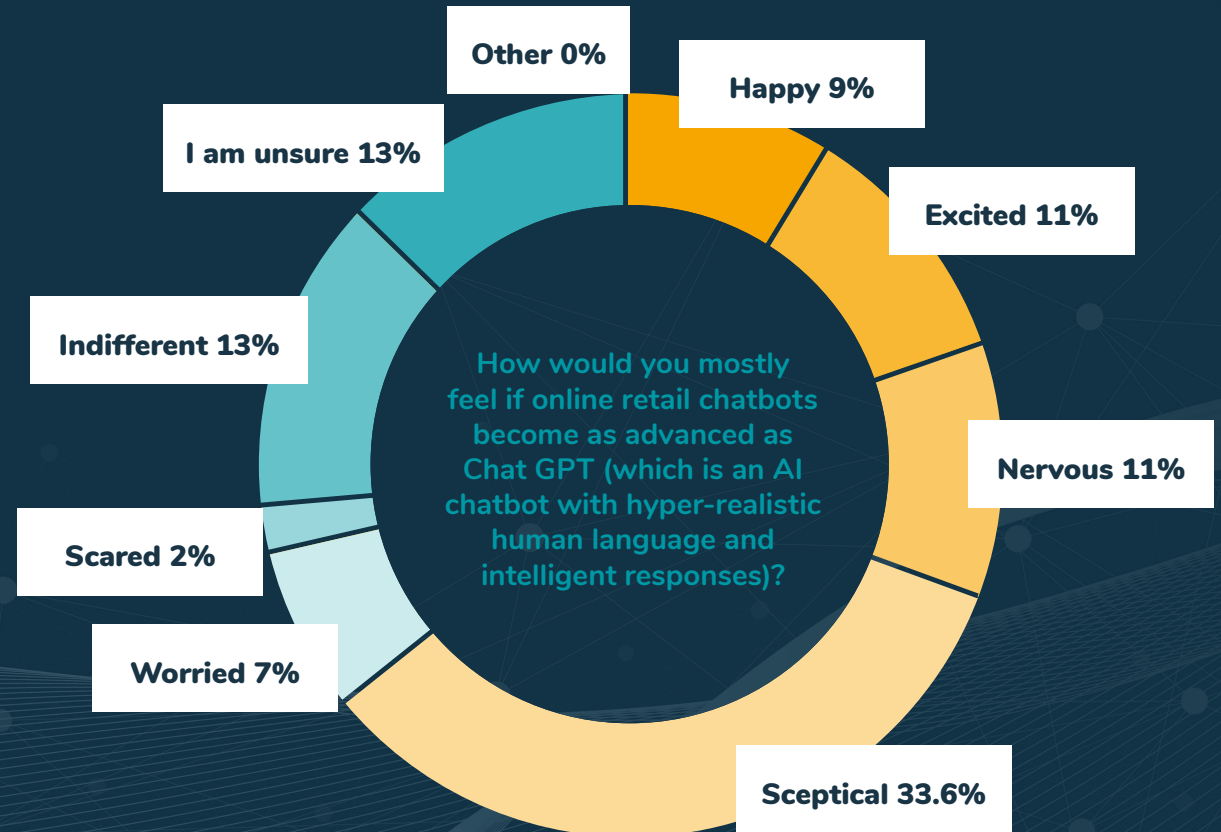
Do you think AI chatbots are more useful than human-controlled customer service?

Category	Percentage
Yes	4.8%
Somewhat	21.7%
Rarely	20.7%
No	42.8%
I am unsure	10%

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Customers feelings towards Chat GPT-like ecommerce chatbots

Chat GPT has increasingly become a part of the discourse in ecommerce, with some retailers using it as an aid to provide better customer experiences. However, when respondents were asked how they would feel if online retail chatbots became advanced as Chat GPT, there was a mix of emotions expressed, with the majority feeling sceptical (33.6%) and others, ranging from 9-13%, feeling indifferent, nervous, excited, and happy.

Yet, the number of people who are worried (7%) is just 2 percentage points lower than the number who are happy (9%) about these advancements. If it was to be implemented, online retail chatbots would be more like personal shoppers, but the level of scepticism highlights its complexity, where there is room for things to go wrong.

Other 0%

Happy 9%

I am unsure 13%

Excited 11%

Indifferent 13%

Nervous 11%

How would you mostly feel if online retail chatbots become as advanced as Chat GPT (which is an AI chatbot with hyper-realistic human language and intelligent responses)?

Scared 2%

Worried 7%

Sceptical 33.6%

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Privacy concerns around personalisation and AI

Do customers feel like personalisation is an infringement on privacy?

Unfortunately, a significant 38% of respondents have felt that personalisation on an online retail site infringed on their privacy. It is promising that the majority of the weight is tilted towards those who have not felt this way (44.3%), however, the percentage difference is too small and says that more needs to be done to fulfil customer's wishes and privacy.

Out of the 20 questions that were asked to 1000 participants, this question generated the highest amount of 'I am unsure' answers, suggesting that customers may not understand what constitutes as privacy in ecommerce today. Retailers would benefit from clearly marking out how personalisation and AI are used on their sites to remove ambiguity and the feeling of being unsafe.

Have you ever felt that personalisation on an online retail site was infringing on your privacy?

Bar chart showing: Yes 38%, No 44.3%, I am unsure 17.7%

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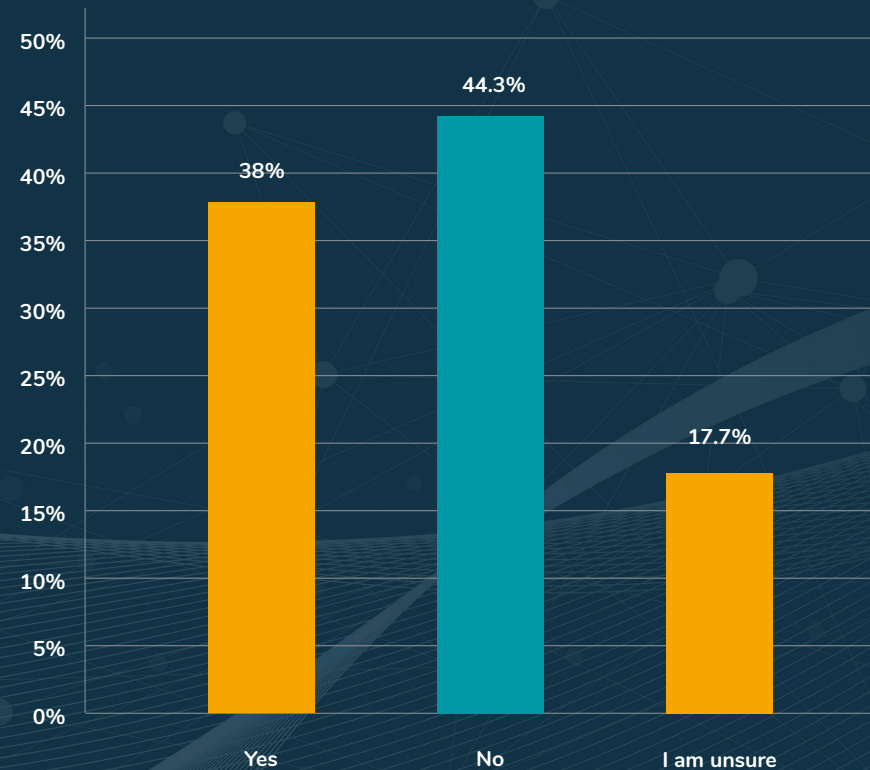
What type of personalisation feels like an infringement of privacy?

Those who felt that personalisation on a retail site had infringed on their privacy were asked to give their reasoning.

A common thread was that they felt watched, stalked across different websites, and misunderstood as it often gets it wrong.

In some cases, it has nearly ruined birthday present surprises for families that share a device.

Here are some of the responses to help you be mindful of the impact personalisation may have:

"I have had numerous occasions of switching sites looking for products, and the same product has come up. I don't mind personalisation on the single site, but it feels intrusive when caught from one site onto another for a completely different company"

"It comes up with suggestions based on verbal conversations I have had, not what I have searched for myself"

"My wife was looking for something and it came up on my phone which is intrusive as it might be a birthday present"

"Sometimes I can be talking about a product and it appears later on my phone. My problem is that I am happy with AI listening, but the other person may not. So should I really be asking them to accept terms and conditions before we start our conversation?"

"Access to my camera and stored contacts. I am not comfortable with this"

"It can't tell whether the product is for me or for a gift so future recommendations are irrelevant"

"It just a lot to be targeted all the time by products that you can't necessarily afford even if you like or would want them"

"I don't trust how my data is being used"

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Customers' concerns around privacy in the future

Over half (52.3%) of those surveyed feel that advanced personalisation might be a threat to their privacy in the future. The second most popular answer was 'yes,' they do feel it will be a threat.

Just 15.2% of respondents answered 'no' to this question, positioning privacy as a high priority for retailers as personalisation and AI advance.

Do you think that advanced personalisation will be a threat to your privacy in the future?

Answer	Percentage
Yes	25.1%
Maybe	52.3%
No	15.2%
I am unsure	7.4%
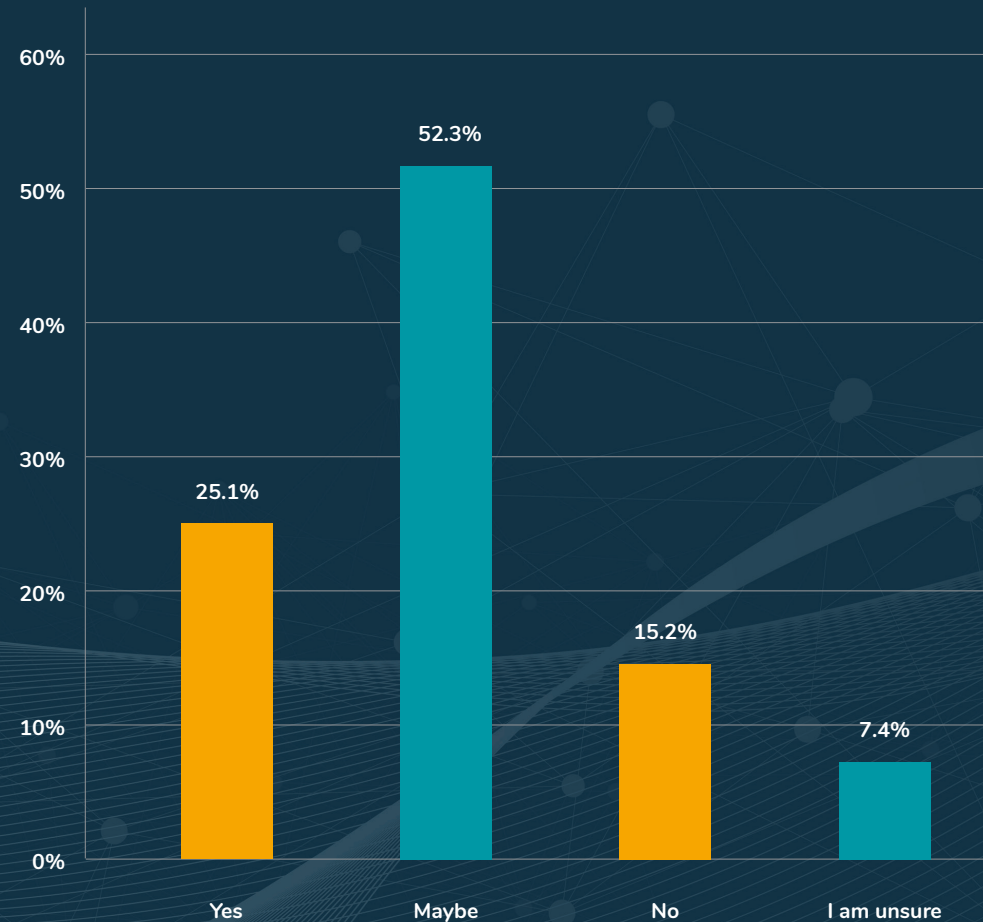
Conclusion

Customers find personalised content important (61.7%), and many become more loyal when personalisation is used (74.7%). Given that customers are less likely to convert in terse economic times, retailers should provide reassurance and consider prioritising personalisation techniques that will generate the most desirable results. From our survey, we can infer that these techniques are:

- Live search which ranks and filters the products
- Automated product recommendations based on customers' previous behaviour
- An automated live chat to answer queries quickly
- Virtual try-on and augmented reality so customers can see how products would look with closer reality
- Website and search engine optimisation as these are where most customers are used to finding relevant products
- Consistent social media communication if it reflects your desired target audience
- Promotion of popular items that the customer will like, rather than items that are primarily dead stock
- Drop-down menu refinement, as customers are likely to use this feature if they dislike the products a retailer recommends
- Chatbot improvement to be able to provide answers to complex questions and limit inconclusive results

Personalisation generally increases customer trust and makes them feel understood, but customers are more hesitant with personalisation and AI if they can't understand it or if it feels like a privacy infringement. It would be wise to be sensitive to this, provide reassurance, and be consistent in your communication.

A conclusion from Adobe Commerce

" It's long been proven that Personalisation drives a stronger connection with your customers, and that connection drives better business outcomes for you, and better experiences for your customers. What we're seeing now is that people's propensity towards personalisation practices can vary across specific touchpoint, channels and expectations.

With modern AI Services allowing you to scale content and intelligence far more quickly and easily, there is the very real possibility of designing customer experiences that are too heavy personalised, or use too much person data, in the wrong place, running the risk of making the customer uncomfortable.

New AI Services provide opportunities to accelerate your business, for cutting edge tech Co-pilots to assist your experts in content creation and intelligent targeting, but don't forget foundation principles when using them. Test and learn, try new things in a small way, learn from it and iterate.

Lastly don't forget the Human factor managing these AI services, people run your business."

Shaun McCran, Head of Product Marketing at
Adobe Commerce, EMEA

" The research in partnership with IMRG shows that today's consumer has really high expectations - for every experience, brand, and channel. They expect us to know their needs, and to deliver highly relevant experiences in real time.

We also know that today's customers see themselves differently and do not relate to generational labels like "millennials" or "gen z" – the labels we have relied on for so long. The usefulness of these broad generalised segments is coming to an end. Most people see themselves as unique, with tases and preferences to match. In essence, a target audience of "one".

In the past it has been difficult to deliver this level of personalisation, but today AI allows retailers to do more with less, providing their customers with a personalised and differentiated experience with fewer resources. To illustrate the point, Adobe Commerce enables you to leverage behavioral data, product attributes, and inventory levels to automatically personalise product search, product recommendations, and browsing. This is all powered by AI and is available out of the box, allowing you to be "the one" for "everyone"."

Alex Shepherd, Sales Director UK/I at **Adobe Commerce**

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