



Personalization: From products to experiences

The fourth and final article in our 30th birthday series, this paper takes a look at the trend towards personalization, how it could shake up existing business models & offer new opportunities for engaging with consumers

A Sagentia
white paper

From products to experiences: how the trend for personalization could shake up existing business models & offer new opportunities for engaging with consumers

This paper takes a look at the trend towards personalization and how it has become manifest in medical, personal care and food & beverage sectors. We consider that whilst personalization presents a threat to businesses optimized for mass production, clever brands will adapt their businesses as never before and realise the opportunity presented by emerging technologies to engage consumers directly.

This article uses extracts from an article which featured in New Food magazine in January 2017¹ and from “Poised for an age of Innovation”, a recent research report undertaken by our sister company, Leatherhead Food Research².

The mass production legacy

“I think the bottleneck is that the industry has been a high-volume, low-margin business to date and to go from that to a different model is difficult”. Open Innovation Director, leading consumer brand³.

In the comment above, the tension between the traditional worlds of large production runs, commoditized products and low margins and the production agility and consumer responsiveness needed to meet the personalization challenge are encapsulated.

Twenty years ago, in 1997, Harvard Business Review⁴ argued that mass production’s view of the marketplace as an ‘unknown aggregation of potential customers’ was outdated. In

particular it pointed to the practice of considering potential customers as homogenous market groupings as sub-optimal.



HBR defined a ‘customer sacrifice gap’ as the difference between what a company is offering and what each customer actually wants -

¹ <http://www.newfoodmagazine.com/33277/blogs/mass-personalisation-tech-sagentia/>

² Leatherhead Food Research interviewed 27 participants in the food & beverage industry comprising big brands, food manufacturers and ingredients companies and retailers about their attitudes to innovation in the industry.

³ “Poised for an Age of Innovation”, Leatherhead Food Research

⁴ James H Gilmore and B. Joseph Pine II Harvard Business Review; Jan-Feb 1997.

suggesting that consumers are almost always less than delighted with the products they buy.

Arguably this tension has increased in the intervening twenty years with advances in digital technologies and increases in consumer expectations.

Introducing the demanding and discerning consumer

Technology has changed the way consumers engage with products. Digital technology has broadened horizons and, by doing so, has made consumers more demanding. The proliferation of internet-enabled smart devices has created a generation of people who expect to be able to interact with the brands which touch their lives. Social media has given consumers increasing voice and power, amplifying their views and making them heard.



High-volume, low-cost production and global supply chains do not provide the agility required to meet the needs of these increasingly vocal and demanding consumers. One vice president of marketing for a major brand participating in the survey describes the need for greater humility on the part of manufacturers and more of a willingness to meet changing needs. “Before we had one

brand that fits all... and now it's one size fits me”.

Opportunities for savvy businesses

Just as the advent of digital and other emerging technologies have empowered the consumer, so they provide the tools for businesses who wish to engage closely with their customers. Market research firm, Gartner⁵, predicts that firms with effective personalization strategies will outsell their competitors, without such a capability, by 10%.

New types of engagement models will fundamentally change the way in which brands and consumers interact and will introduce different and innovative business models.

Changing how we consumer food & bev

In the food and beverage world, the research revealed that personalization is not necessarily about changing the core product; the way it is packaged and delivered can also play a role.

Think about Coca-Cola Freestyle. Consumers can tinker with the same core product to create 127 beverage variations. This concept could be adapted and developed to deliver highly personalized experiences across the wider food and beverage industry. How about machines that fry and flavour potato chips on-demand, so they can be tailored to an individual's tastes and enjoyed fresh? Or cakes and cookies with personal messages piped in icing, by a robot, before your eyes?

⁵ <http://www.gartner.com/newsroom/id/2962317>

On a related theme, there is scope for vending machines to function as localized 'just in time' manufacturing centres, providing an antidote to commoditized mass production. The manufacturer delivers ingredients, or part-processed materials, to the machine so they can be adapted and finished *in situ* to meet the customer's preferences.

Robotics technologies are vastly improving and 3D printing and 3D slicers are beginning to make inroads to the food industry, as price points become more competitive. As these technologies become more advanced and cost-effective, they offer much potential for on-demand food production.

What's more, as connectivity between devices becomes more sophisticated, there are new possibilities to connect with customers to deliver a highly-tailored experience. Monitoring and servicing of connected equipment is also becoming more reliable and practical, so if there's a surge in demand for a given variation of a custom-vended product, the base materials can be replenished in good time.

Products and experiences: moving to a service-oriented world

In the health and beauty sector, there are a number of developments which illustrate how consumer brands are pivoting, not just their marketing, but their entire operations around the consumer. In SitU, market their personalized skincare solutions with the slogan – '*made only for you*'. Consumers take a test which provide tailored diagnostics for skin tone, type, texture and mood, which are then used to build a skin profile and customize

the product to the individual. 48 hours later, customers receive their own signature product - cleansers, exfoliators, hydrators and anti-aging products - personally made for them, complete with their name on the box.



Beauty care company, Geneu, manufacture and sell personalized skin care serums that are formulated based on an individual's DNA and lifestyle. The serums contain active ingredients at the exact concentration deemed beneficial to each person. Geneu are now offering same day DNA testing as a non-invasive cheek saliva swab test, which the company analyses at their London laboratory.

These examples reflect the fundamentally changed relationship between manufacturer and consumer. Traditionally, product providers have largely had an arm's length relationship with consumers, typically conducted anonymously via a retail channel. Now we are contemplating true service providers engaged in iterative feedback loops directly with their consumers.

The impact on revenue models, future product development and service price points is only just now becoming understood.

Personalized healthcare: the doctor's office of the future

Changes that are disrupting the way things have always been done are not unique to the consumer world. Healthcare's traditional ways of operating are also being challenged. Trends in healthcare are pointing towards a much more personalized future, with the Human Genome Project supporting individualistic approaches to both diagnostics and therapy. Moreover, it is also possible to see how personalization will revolutionize the patient care paradigm.

A recent article in Forbes, described how Forward, a new healthcare start-up, is shaking up the market with a new radical vision of personal healthcare. The new doctor's office is more like an 'Apple store'. As visitors enter the clinic they are given a full body scan, as well as blood and genetic tests, to create a baseline for each patient. This data is then fed into Forward's artificial intelligence algorithms. By the time the patient enters the examination rooms their data is ready to be reviewed and manipulated in conjunction with the doctor.

In parallel to the beauty scenarios described above, Forward says it is looking to change the model of primary healthcare from a 'once and done' to an ongoing relationship between patient and health care provider.

New opportunities for new offerings

Closer relationships with consumers opens the door to better consumer engagement. Co-creation could be one way forward, with the opportunity to deliver precisely what consumers want at the point of sale, or point of

dispense. One participant in the Leatherhead survey talked about co-creating personalized flavours or aromas and it being a great way to engage consumers in the brand. It's what Sagentia calls 'brand activation' and this theme formed the central challenge to a raft of new, smart products and diagnostics which have come out of the consumer product team at Sagentia. One example is Nu-skin which gives consumers the ability to undergo a non-invasive diagnosis and directly interact with the product to create a personalized skin care regimen.

Dr Neil Campbell, Sagentia VP of FMCG, explains "Brand activation employs technology, devices, diagnostics and digital services to support strategic marketing campaigns and product launches. When implemented properly, brand activation is about promoting brand awareness, encouraging customer loyalty and increasing market share".



Consumers are happy to share some data for a more personalized experience. At Sagentia, clients want support in developing their consumer journeys with deeper one-to-one relationships as the outcome.

Technology has unleashed the opportunity to provide a set of diagnostics within a smart device at a consumer price point. These

powerful diagnostics make interactive phenotyping possible, including hair and skin colour and tone, skin health and acne, hair damage, skin aging and blemishes, hair shine, scalp health, nail and foot care and oral health – all potential launching pads for closer relationships with loyal consumers who start to view the product as a lifestyle brand.



Diagnostic tools can be employed to engage the consumer up front with inexpensive give-away items - perhaps as magazine inserts aimed at enticing new customers and bypassing traditional retail channels. Such techniques normally invite customers to engage via an app using powerful analysis algorithms in the cloud. Then there are point of sale devices offering smart diagnostics and equipping consumers with more detailed knowledge about their unique health and beauty requirements to be able to select the right product. At the top end of the market, there is very high end devices for use within beauty clinics and spas. Campbell adds: “Consumer brands want to understand how

the latest trends in science and technology can be applied to consumer devices to help bring their brand to life and improve not only the efficacy of their products but create the next generation in the personalised consumer experience”.

Conclusion

According to a recent report by Deloitte⁶, 22% of consumers are happy to share some data in return for a more personalized experience. However data analytics capabilities outside of organisational core competencies may need to be developed with the corresponding investment in cloud, data architectures and security. If however, better engaged consumers is the result along with new possibilities in one-to-one marketing, then these investments will be worth it. All this means more data and the need to aggregate the data coming in from different sources – smartphones, point of sale, contact centres etc to move the customer experience on.

Personalization may on the one hand create increased complexity and raises question marks about how personalized products can be delivered. It does however speak to broader consumer trends about taking control and business-to-consumer marketing will become ever more focused on creating lifestyle experiences rather than producing products.

About Sagentia

Sagentia is a global science, product and technology development company. Our mission is to help companies maximise the value of their investments in R&D. We partner with clients in the consumer,

⁶ The Deloitte Consumer Review. Made to order: The rise of mass personalisation

industrial, medical and oil & gas sectors to help them understand the technology and market landscape, decide their future strategy, solve the complex science and technology challenges and deliver commercially successful products.

Sagentia is a Science Group Company. Science Group provides independent advisory and leading-edge product development services focused on science and technology initiatives. It has six offices globally, two dedicated, UK-based R&D innovation centres and more than 350 employees. Other Science Group companies include Leatherhead Food Research, Oakland Innovation and OTM Consulting.

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