

A Forrester Consulting  
Thought Leadership Paper  
Commissioned By Formation

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# State Of Offer Relevancy 2021

Bridge The Relevancy Gap With Optimization  
And Automation



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# Table Of Contents

- 3** Executive Summary
- 4** Promotional Offers Aren't As Relevant As Leaders Believe
- 5** Businesses Lack The Right Promotional Insights and Tools
- 6** Optimization And Automation Will Scale Use Cases To Create Relevant Offers
- 8** Key Recommendations
- 9** Appendix

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Half of respondents report their organizations don't have the right tools or technology to optimize offers and promotions at their company.

Optimization and automation technologies would help create offers faster, activate customer data and insights, and enable more offer variations.

## Executive Summary

Brands rely heavily on offers and promotions to drive customer engagement and revenue. As companies look to reengage customers and reestablish relationships in 2021, the reliance on offers and promotions has intensified. However, the bar for relevance and value has dramatically increased with the acceleration of digital commerce experiences during the COVID-19 pandemic.

According to Forrester research, 97% of respondents report that personalized offers were important to their brand's marketing strategy, but customer respondents report that, on average, only 33% of received offers are relevant to them. Brands cannot create and deploy relevant offers at the speed and scale necessary to satisfy consumers, citing the lack of analytical resources to optimize offers at scale. Brands must find efficient, flexible, and compelling ways to deliver value to consumers.

Formation commissioned Forrester Consulting to evaluate individualized offers and promotions, defined as a discount or deal tailored to a customer's unique context and interests. Forrester conducted two online surveys: 1) a B2B survey with 252 decision-makers responsible for B2C strategy in the US and 2) a consumer survey with 1,000 US consumers aged 18 and up.

### KEY FINDINGS

- › **Brands are not as relevant as they think.** Ninety-two percent of brand respondents report that their company provides relevant offers, but on average, only 33% of received offers are relevant to customers. Brands are not aligning to their customers' needs or driving relevant value. Customers are focused on value, while businesses are focused on promoting their products and services. Brands must realign their offer strategy to focus on what is most appealing to their customer.
- › **Brands don't have the appropriate resources or tools to succeed.** Business respondents' biggest challenges with optimizing promotions are - they can't react to customer interactions fast enough, they don't have enough analytical resources to optimize at scale, and it takes too long to create and deploy offers to the market.
- › **Brands need dynamic offer optimization and automation technology.** Optimization and automation technologies would help organizations create offers faster, enable more offer variations, and activate customer data and insights. Brand respondents also reported that the top benefits of offer optimizations are increased sales and improved customer satisfaction and retention. The majority of respondents have invested or are planning to invest in this technology.

# Promotional Offers Aren't As Relevant As Leaders Believe

Providing customers with valuable offers is critical to business success. Ninety-seven percent of business respondents report that personalized offers and promotions are important to their organization's marketing strategy and help generate customer loyalty, satisfaction, and profitability (see Figure 1).

Business leaders are confident they are meeting this need, as 92% of respondents report that their company provides relevant offers to their customers. However, consumer respondents indicated that only 33% of the offers they receive are actually relevant. Forrester research revealed a gap between customer needs and how most brands execute offers today.

- > **Consumers are more motivated than ever to use offers — but relevancy matters.** The global pandemic drove an uptick in the creation and usage of offers. Sixty-two percent of consumers report that they are motivated to use offers this year because of the pandemic. But pushing mass offers isn't enough to drive meaningful behavior change — relevancy matters. Surveyed consumers report they are most influenced to make a purchase when they receive an offer that provides value.
- > **Brands aren't delivering the value consumers want.** Consumers want offers to provide value and match their needs, but brands don't focus on the areas that consumers think are important when creating offers. Business respondents are more focused on the product they are promoting, not its value (see Figure 2).

92% of business respondents said their company provides relevant offers to their customers.

Figure 1

“What are the top benefits you've experienced from personalizing offers and promotions?” (Showing top 3)



Base: 252 North America-based decision-makers responsible for strategy or execution of loyalty initiatives  
 Source: A commissioned study conducted by Forrester Consulting on behalf of Formation, February 2021

Figure 2

“What would motivate you to use offers/promotions from brands/companies?” (Showing top 3)



Base: 1,000 US-based individuals (18+ years old)  
 Source: A commissioned study conducted by Forrester Consulting on behalf of Formation, February 2021

“When you are creating an offer, which of the following are you most focused on?” (Showing top 3)



Base: 252 North America-based decision-makers responsible for strategy or execution of loyalty initiatives  
 Source: A commissioned study conducted by Forrester Consulting on behalf of Formation, February 2021

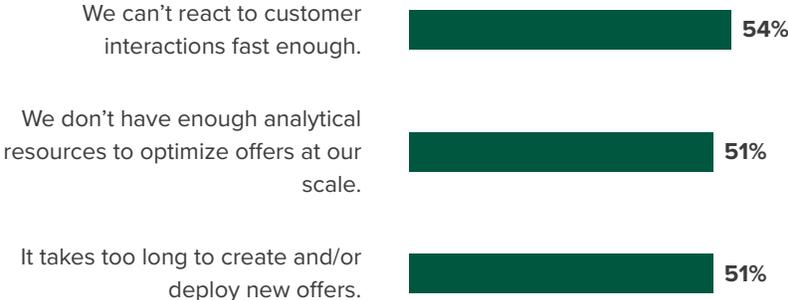
# Businesses Lack The Right Promotional Insights and Tools

Even though most brands (92%) believe they are providing customers with relevant offers, they can't meet customer expectations for relevancy because they are unable to activate data in real time. Forrester's research reveals two main challenges:

- > **A lack of speed and scale.** When it comes to optimizing promotions, business respondents report their firms can't react to customer interactions fast enough, lack analytical resources to optimize at scale, and can't quickly create or deploy new offers (see Figure 3). As customer demand continues to increase, companies must learn to streamline processes and accelerate the data-to-insights pipeline to keep up.
- > **Tool and technology limitations.** Half of respondents report their organizations don't have the right tools or technology to optimize offers and promotions. Technology is pivotal to producing valuable offers at scale. That's why 71% of business respondents' organizations plan to invest or increase their investments in automation or optimization technology in the next year.

Figure 3

“Which of the following are your biggest challenges with optimizing offers and promotions at your organization?” (Showing top 3)



**49%** of business respondents report they don't have the right technology or tools.

Base: 252 North America-based decision-makers responsible for strategy or execution of loyalty initiatives  
Source: A commissioned study conducted by Forrester Consulting on behalf of Formation, February 2021



## Optimization And Automation Will Scale Use Cases To Create Relevant Offers

Marketers are increasingly asked to do more with fewer resources. Marketing spend across media, talent, technology, and services dropped in 2020, and Forrester doesn't expect spending to return to pre-pandemic levels until 2023.<sup>1</sup> Brands are facing new challenges — like data deprecation — that impact their ability to execute data-driven interactions. As they look to reengage with consumers coming out of the pandemic, brands are increasing investment in — and emphasis on — retention and loyalty initiatives. Those trying to provide relevant, high-value offers in a timely fashion need an updated toolset with advanced dynamic automation capabilities to meet the expectations of the business and of consumers.

- › **Optimization and automation improve speed and relevance.** Business respondents indicated that optimization and automation technologies help create offers faster, activate customer data and insights, and enable more individualized offer variations (see Figure 4).
- › **Companies that have already invested see the benefits.** Forty-nine percent of respondents have already invested in an optimization platform and 94% are satisfied with that investment. In the next year, 71% are investing or increasing investment in optimization.
- › **The ROI is clear for both customer relationships and profitability.** Companies expect optimization and automation technology to increase sales, improve customer profitability and increase customer satisfaction (see Figure 5).

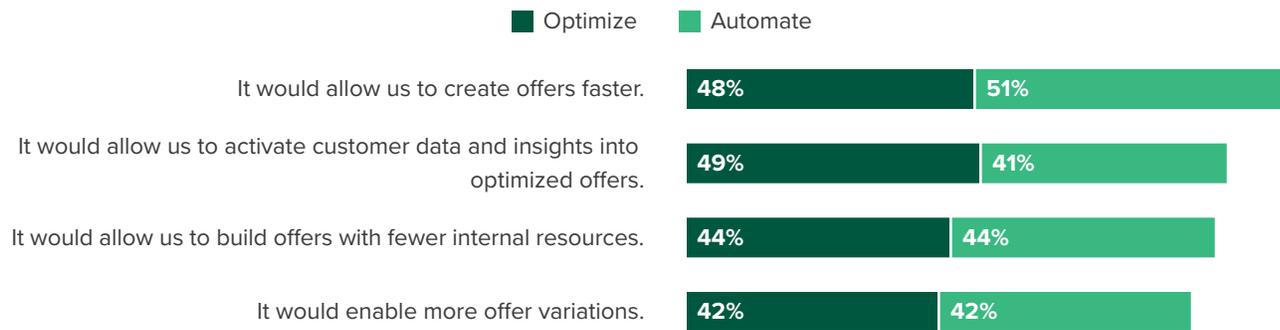


94% of respondents who've invested in an optimization platform are satisfied with that investment.



Figure 4

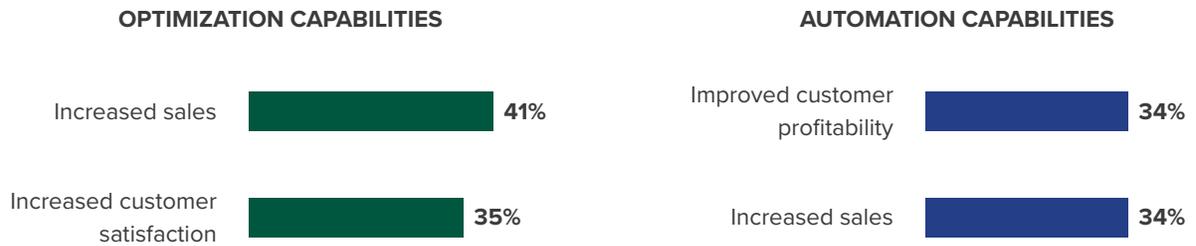
“Think about software that helps optimize or automate your offers (create, deploy, fulfill, measure). What operational benefits would you anticipate from adopting such software?”



Base: 252 North America-based decision-makers responsible for strategy or execution of loyalty initiatives  
Source: A commissioned study conducted by Forrester Consulting on behalf of Formation, February 2021

Figure 5

“What are the top business benefits you have received or would expect to receive from a tool or software with:”



Base: 252 North America-based decision-makers responsible for strategy or execution of loyalty initiatives  
Source: A commissioned study conducted by Forrester Consulting on behalf of Formation, February 2021



# Key Recommendations

Companies understand that individualized offers, when done well, capture customer attention and motivate purchases. But the competition for customer attention is escalating, and many brands have the wrong recipe for success: They prioritize products and customers prioritize value and need. Without the right tools and skills to make sense of customer data and react in a timely and relevant manner, brands risk disappointing their customers and potentially undermining loyal customer relationships. Our in-depth surveys yielded several important recommendations to build and execute an individualized offer strategy that delivers business results through quality offers:



**Know your customer and respect their preferences.** To deliver offers that are truly relevant to consumers, you need to understand what motivates customers and what they'll need in the future, not just their profile information and transaction history. Move your data strategy beyond demographics and classic behavioral segmentation to prioritize insights that make personalized interactions truly personal. And remember that just because you have customer information doesn't mean you must use it. Let customers tell you how and when they want to be communicated to and build trust by listening to those preferences. You may find that fewer, but more relevant offers yield better results and lead to longer customer relationships.



**Prioritize delivering meaningful value for customers, not just discounts.** Marketers and digital executives in charge of personalized promotions focus their strategies on the products they want to promote, while consumers care most about the value of the offer. To fix that imbalance, don't lose sight of the most important piece of the value exchange you are trying to create: The value perceived by your customers. Activate insights and prioritize offers that deliver the kinds of value that customers want, whether economic, experiential, or emotional, rather than what's best for your bottom line. This will allow you to better understand your customers, creating an offer approach that balances consumer and business desires leads to lasting loyalty.



**Select tools that activate customer data and improve relevancy.** Tools that increase the velocity of turning data into insights, then into meaningful actions can help resolve some of your biggest challenges with promotions today. Look for vendors with demonstrated capabilities and investments in ML and dynamic automation and optimization. Ask potential partners to present their planned enhancements and innovation roadmap to get a sense of how well they are anticipating future market trends and business needs. But beware selecting a tech vendor based on a checklist of capabilities. To help potential partners understand your vision and the kinds of workflow that platform needs to deliver, develop specific use cases for individualized offers. This will also help you find tools that complement your existing stack, rather than defaulting to a rip and replace decision.

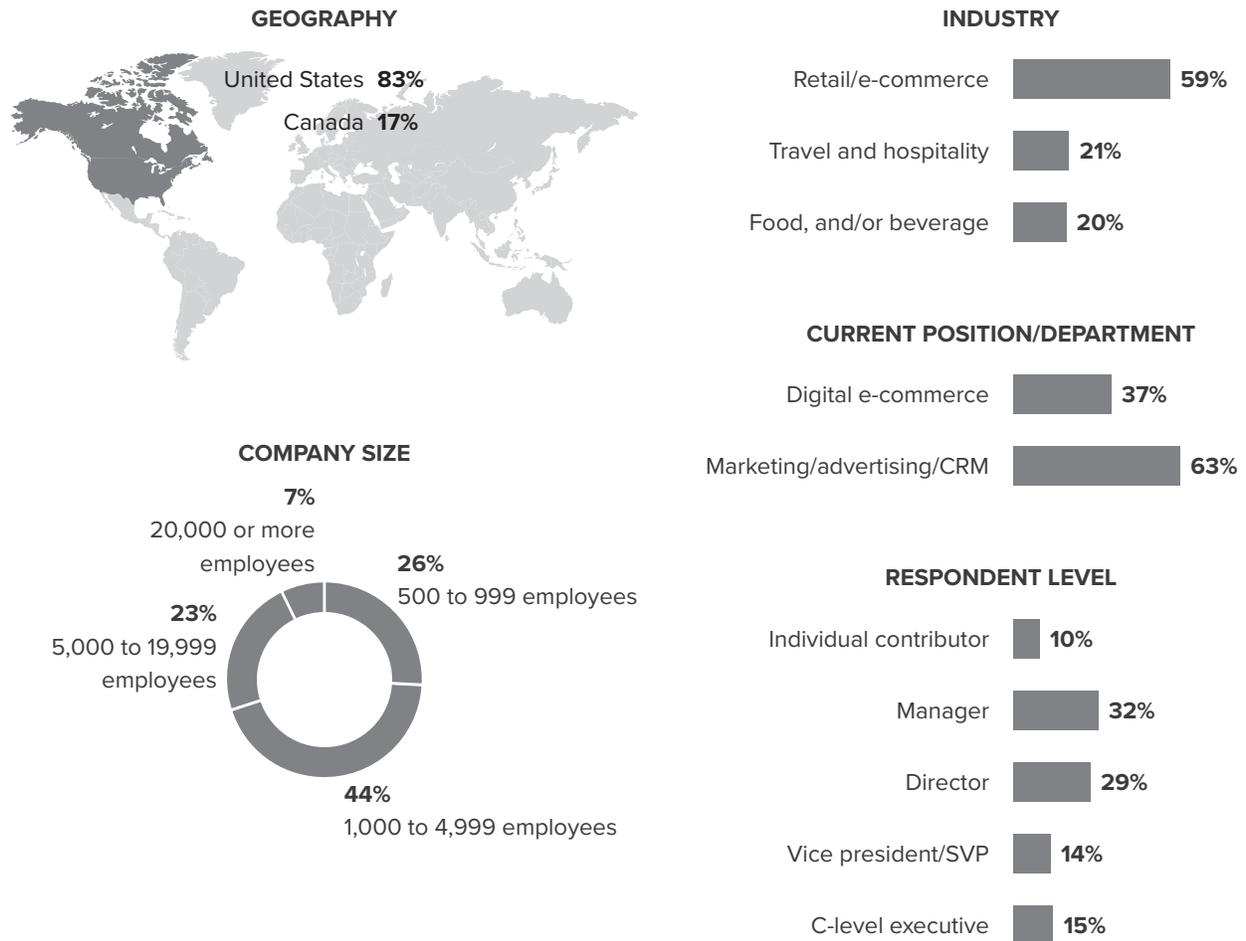


**Invest in people and processes alongside technology.** Automation and optimization promise to take care of marketers' jobs-to-be-done. But promotions technology can't operate in a vacuum. It has to integrate with other internal systems and involves stakeholders from multiple teams. Teams need change management to break the cycle of mass promotions that still plagues many brands. To realize the full potential of your strategy, build in time and resources for process optimization and change management.

# Appendix A: Methodology

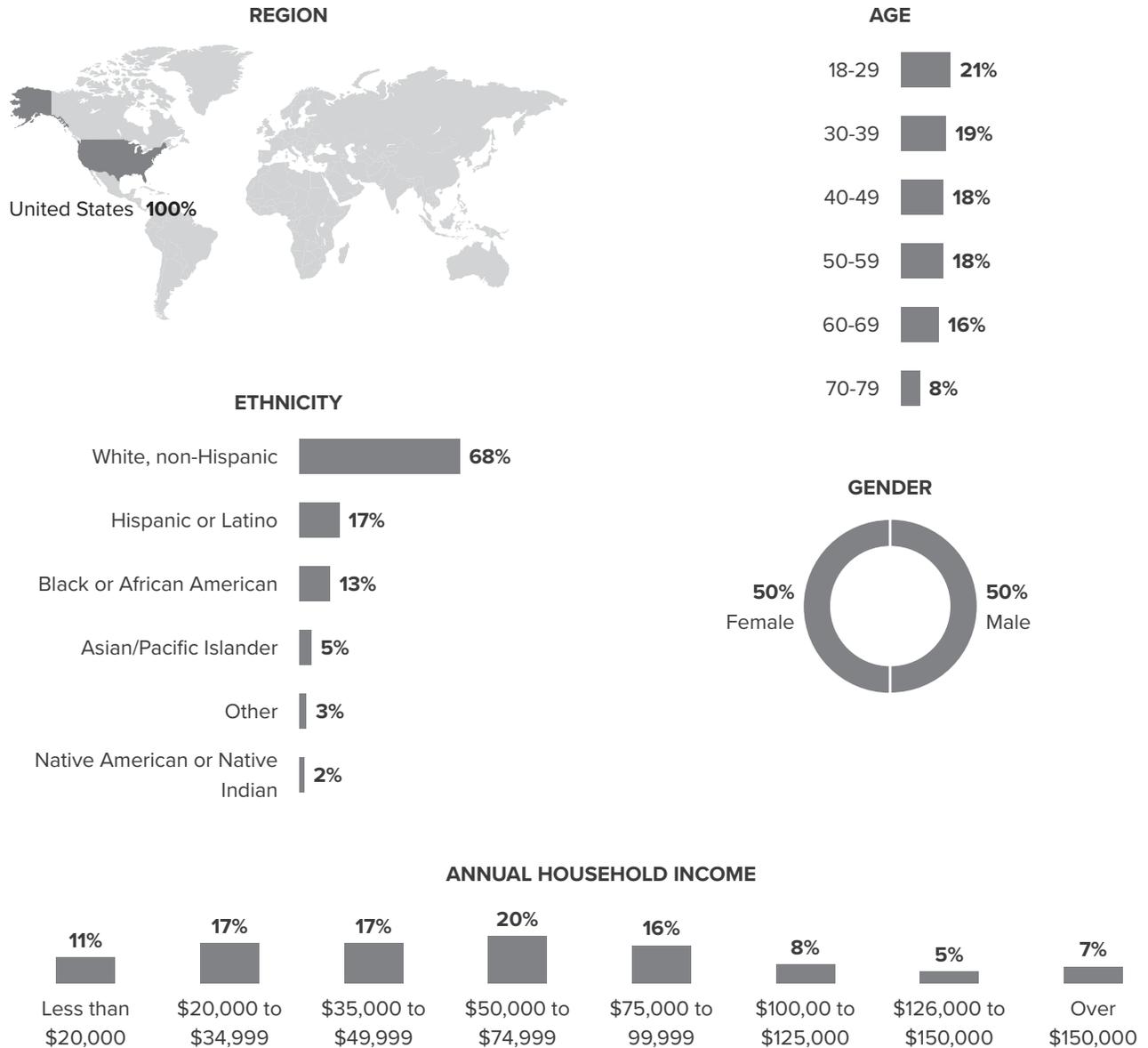
In this study, Forrester conducted an online survey of 252 B2C decision-makers responsible for strategy or execution of loyalty initiatives and completed an online survey of 1,000 consumer respondents age 18+. Respondents were offered a small monetary incentive as a thank-you for time spent on the survey. The study began in January 2021 and was completed in February 2021.

# Appendix B: B2B Demographics



Base: 252 North America-based decision-makers responsible for strategy or execution of loyalty initiatives  
 Source: A commissioned study conducted by Forrester Consulting on behalf of Formation, February 2021

# Appendix C: B2C Demographics



Base: 1,000 US-based individuals (18+ years old)  
 Note: Percentages may not total 100 because of rounding.  
 Source: A commissioned study conducted by Forrester Consulting on behalf of Formation, February 2021

## Appendix D: Supplemental Material

### RELATED FORRESTER RESEARCH

“Consumer Goods Companies Spend More On Digital Marketing,” Forrester Research, Inc., August 6, 2020.

## Appendix E: Endnotes

<sup>1</sup> Source: “The 2020 Covid-19 Crisis Will Stun US Marketing,” Forrester Research, Inc., May 6, 2020.