David Starr:	Welcome to the Microsoft Industry Experiences Team Podcast. I'm your host, David Starr, and in this series you'll hear from leaders across various industries discussing the impact of digital disruption and innovation, sharing how they've used Azure to transform their business. You can find our team online at aka.ms/indxp or on Twitter at IndustryXp.
David Starr:	Marcy Larson is an industry solutions executive focused on retail in Australia. Marcy, welcome to the show.
Marcy Larson:	Thank you for hosting me.
David Starr:	Absolutely. Pleasure to have you here, and we're going to talk a little bit about hyperpersonalization in retail using Microsoft Azure. Marcy to start with, why must our retail experience be so personal in the first place?
Marcy Larson:	Well, there's an increasingly amount of competition in the retail industry, and shoppers and consumers have very high expectations. With the age of the mobile phone and getting things immediately on demand, they also expect the retailer to understand their wants and needs, and communicate with them in the channel that they prefer, in the voice they prefer.
David Starr:	I get it that people want things to be faster, and I want what I want when I want it, all that good stuff. What kind of solution or generalized solution can provide those kinds of capabilities?
Marcy Larson:	Well oftentimes it's the foundation for the solution, so if a retailer is using some marketing automation solution, they really need to have the data source, so they truly understand and have that one view of the customer. I think oftentimes we're finding retailers have multiple views of that customer in very silo data sets, so it's really difficult for them to understand that true 360 view of the customer. Or maybe the customer signed up for a loyalty program multiple times throughout many years, and they have no idea about their different behavior that captured in those different data sources.
David Starr:	With all those styles of data not being brought together, we're missing out on a lot of business intelligence we could use to run the company, right?
Marcy Larson:	Absolutely. Or even patterns where they can identify that individual may be part of a larger household. They have two younger children. Or that individual is single, and they have a certain way of behaving and preferences. Even indicators that person is a recent emigrant to this country, and they have a preference for certain item when their shopping. Without really connecting together those data sources, the retailer really has no idea.
David Starr:	For companies that are doing this successfully are retailers I should say. I have to ask about this thing that I'll call the creepiness factor. You know a lot about me, and you're using that to sell stuff to me. How do people typically feel about

this? Is this something that we don't worry about anymore? Or is it something that companies have to be cognizant of?

Marcy Larson: That's a great question, David. Here in Australia, there's a lot of consideration around trust. Sometimes there's a reluctance to give too personalized of an experience. But what we're finding is when there's a true value exchange, and a high personalization is delivered and high convenience, and the consumer really starts to trust, then it's okay. When it's over stepped or it doesn't really deliver, then there becomes some concern.

David Starr: If a company has a data breech, for an example, that's something that might lower some trust in their digital presence.

Marcy Larson: Exactly. And here in this market, we actually didn't have to publicly declare data breech trusts until about 10 or 11 months ago, and now we're seeing a lot of that in the press, particularly with our banks. The customer and the consumer are starting to ask a lot more before they download that app, or sign up for that loyalty program, and give those details, much more so than two years ago when they just weren't really aware of those data breeches.

David Starr: It seems to me that, Marcy, hyperpersonalization might not be just about the customer, because there are things there like just in time inventory arrival, and other things that have to be taken into account. How does it affect other parts of the system of retail?

Marcy Larson: One interesting thing that we're finding is the impact on the supply chain with personalization. Actually having the right range and assortment in a local store is really a key differentiator. In the past we may have thought of personalization more as a marketing function, but we're actually finding that investment for hyperpersonalization within the supply chain is making a huge difference, and being able to recognize those local trends very quickly and address that demand in the market, is a really key part of personalization as a strategy.

David Starr: I've got one more thing that I've been wondering about this, and that is how you educate your customers on getting started, and how they can ultimately succeed, particularly in a market that you've described as being a little slow to adoption of new technologies?

Marcy Larson: Yeah, well, David, we've been isolated for many years, and we saw an initial adoption of a lot of online ordering from overseas. But we've leapfrogged pretty quickly here, and our customers are really curious to learn more, and they look a lot outside of Australia, and want to share ideas and learn more about the trends. One thing that we're doing that's really interesting is we actually host our customers, and we go on a study tour to the U.S. each year. We spend part of the time at NRS because it is the largest retail technology show, and have access to other brands and great inspiration, and they can exchange ideas. And then we go to our Redmond Headquarters, and we spend some time there

really hearing from Microsoft around the trends we're seeing and the technology that can support it, and it really gives these retailers a great network to exchange ideas, and also to think about where retail is today, and when they want to go it alone, and build solutions in house, and when they want to partner.

Marcy Larson: These trips also give them great exposure to other technology companies, other service providers, that they may want to partner with to leapfrog very quickly, and they're also hearing from brands such as Kroger and Walmart and Marks and Spencer, where we are partnering with them, and they want to learn about how Microsoft is working with these global brands, and they really want to hear about it in person basically, so we offer them that experience each year. I think where that's going next is we're getting a lot of interest in China, which is perceived as the world's retail lab, so we're kind of looking at what we might do there with customers and partners as the next step in the future.

David Starr: I want to back up just a little bit to the data sources you mentioned that are living in silos, and one of the things that gets talked about with this hyperpersonalization and a 360 view of the customer is social activity. It's not just that we're looking at the eCommerce activity they have on our retail sight. It's not just that we're looking at the data that we have about this customer over time, but also looking where they currently are with regard to their social media, and bring that into play. Have you seen that in action? Have you seen it work?

Marcy Larson: Absolutely. When were talking about that 360 view of the customer, there's the data that the retailer may already have, but more importantly, it's that outside data. So, social media is a great source to understand the sentiment, how they're feeling about your brand, potentially your competitive brands, and then we look at other data that would be of great value around the demographics, where they're spending outside of that brand, and there's a lot of providers of external data that can enhance. But social is a great one because they're within the organization that can be used to capture that social behavior and mash it up with the data retailer already has.

David Starr: I'm not asking you to define it, but is there kind of a sweet spot of what we know about you versus what we shouldn't that the retailer tries to find and balance?

Marcy Larson: Oh, interesting question. I think it's been a bit of experimentation to find how personalized a brand wants to be and how provocative they want to be. I think most brands here in this market again are not going to push the envelope, but they'll really think around what is going to be a relevant offer at the right time for the customer without going too far. I still think that's very topical right now with trust in security. I think marketing teams globally are giving that a lot of thought.

Marcy Larson:	Interestingly enough, I've read about the U.S., and it is a different culture, and I have read that a lot of the customers have kind of given up, because of things that have happened with the government and so forth. A U.S. consumer's a bit more comfortable stepping the line further than Europe or a place like Australia.
David Starr:	This is a total aside, but I'll add that my four kids who are all older teenagers have grown up with this technology, and they don't mind giving away information about themselves. Privacy is just not an issue for the next generation of people coming up. They have a very different view of it. Have you run into that?
Marcy Larson:	Yeah, well I think that we see a lot of effort in the schools today to try to educate. There's a lot of responsibility in parents, but generation Z and even the Millennials, they are a lot more open. As they potentially start to see more ... Actually, I'm not going to- I'm kind of messing up on that question. I've got to think about that one a little further. I'm trying to think of a fact-based thing. What I'm seeing in that space, David, it feels like there's two camps. There's like the Gen Z and Millennials that are closing their Facebook accounts, right? It feels like their either super open and not thinking about it, or they're going the other direction, but what I probably would like to say, but I don't have any evidence, is what happens when they have an issue, right? They've posted all this stuff on social media. They apply for a job, and this stuff is found out. How does that change their behavior? That's probably the point we want to make. But the general behavior really is not caring so much about the data that's shared.
David Starr:	Okay. That's fair. With all these data sources at play, though, what role does AI play in the solutions for these retailers?
Marcy Larson:	AI in retail is getting very strong adoption for personalization, because with machine learning and AI, a retailer has the power to clean up the data, find the trends, deliver that personalized one on one message in a matter of hours or minutes, in what used to take months, or maybe very manual with marketing teams. That customer segmentation, that individualized message can truly happen with AI.
David Starr:	So, AI's the thing that glues it all together for us it sounds like.
Marcy Larson:	Yeah, AI can stitch together that single view of the customer, AI can consider what is the relevant offer for that customer, and really automate that whole process.
David Starr:	Oh, so as we see prices fluctuate depending on whose account we're logged in under, that's what's going on.
Marcy Larson:	Powering behind the scenes. Yeah.

David Starr:	Right, exactly.
Marcy Larson:	Things like personalized pricing is a great example or dynamic pricing where a retailer may be changing the prices every hour, and that's exactly what we see a brand like Amazon doing. And they're making a lot of margin by doing that.
David Starr:	Is that typically driven by demand when I'm fluctuating my pricing so quickly?
Marcy Larson:	It could be driven by demand. It could be driven by personalization. If we think of a DIY store, something like Home Depot, they might have specialized pricing for someone in the trade or what we call tradees, because we're spending a lot of money in running a B2B business, so they might get more of a wholesale price versus your everyday consumer. Their personalized price might be significantly lower than your average consumer.
David Starr:	That's fascinating actually. I'm sure listeners are enjoying this as much as I am. Let me ask this, what about Dynamics 365? How does that come into play for retailers?
Marcy Larson:	The key element in Dynamics 365 that underpins the ability to personalize is really CRM. CRM has that individual ID, and those records about the customer. Once you start to stitch together the data, that's really the glue that brings it all together.
David Starr:	Because we now have this, this is where I find my 360 degree view of the customer, I guess.
Marcy Larson:	It can be that master record for that CRN system.
David Starr:	Right. Okay. Sources of truth makes a lot of sense for me. I was reading through some of the capabilities of Dynamics 365 before the show, and realized how applicable to retail so many of its capabilities really are. It was a big [crosstalk 00:15:04].
Marcy Larson:	Yeah. There's also other offerings within Dynamics, not just the 365, but also Pots in the store, and the ability for clienteling. That can all be part of Dynamics 365 that is deployed in an organization. It's not just the standalone CRM. There's many other capabilities within the Dynamics platform effectively.
David Starr:	Yeah, that's what I saw, and was impressed by that. One of the things you and I talked about before we got on our call today, you just so happened to mention it, is that buying patterns, purchasing patterns, in Australia might be a little bit different than they are up here in the States, for example, where here people might be more inclined to build, as opposed to buy in many situations, but that isn't necessarily your culture. I'm mentioning these things because I'm wondering if you found that there are SAAS solutions out there that people would prefer to buy rather than build on top of Azure directly.

Marcy Larson:	Yeah, so what we're seeing is really going back to the maturity and capability of a retailer. They've been in the business of execution and retailing for years. Now, they're evolving to become technology companies. Some have made that investment, and have large engineering and development teams. Some are starting their journey. So, the ability to clean up the data, put it in the cloud, build algorithms, will be with some, and others will need to think about partnering and looking at SAAS services to quickly leapfrog and address the change that's happening in the industry. And that's where software as a service can become a really valuable approach to embrace those capabilities quickly while you're building your muscle to become more of a technology company in retail.
David Starr:	Okay. Let's pause for just a moment. What else would you like to talk about?
Marcy Larson:	Should we talk about maybe some case studies, some examples of using personalization effectively?
David Starr:	Sure we can do that. That'll finish us out, I think. That will put us to about 25 minutes.
Marcy Larson:	Are you happy with the messaging delivered so far.
David Starr:	Oh, this is great. This is fantastic.
Marcy Larson:	Okay.
David Starr:	How about you?
Marcy Larson:	Yeah, I was just thinking it's probably a little bit of a different flavor than last time we talked because it's like impromptu when you do these. We're not reading from a script. I think we're hitting the key points. Oh, yeah, I might-
David Starr:	I have all the discussion points that we came across the first time, and we've already hit every one of them.
Marcy Larson:	I might also emphasize what the Euromonitor is finding just with adoption of digital commerce, which is really driving personalization, but maybe some of the countries in the world that are higher, and ones to watch out for, because that's going to create pressure in the [inaudible 00:18:29] to be investing in hyperpersonalization effectively, so they don't get left behind.
David Starr:	Okay. I've got left that we'll talk a bit about a use case that you probably have in your mind already, and I'll ask you, this is just kind of fun actually, I'll ask you about what Euromonitor is and what you learned from it. Is that okay?
Marcy Larson:	Yeah.

David Starr:	Okay. Cool. Let's go back on. There is a use case underlying the episode that we're on here, and that's hyperpersonalization. Did you want to speak to that use case for a just a second and the pieces of it that people will read when they look at our show notes?
Marcy Larson:	Oh, David. What do you mean by use case? You want me to talk about the use cases driving personalization? Or-
David Starr:	I messed that up, didn't I? [crosstalk 00:19:34].
Marcy Larson:	The use case in my mind might be personalization itself, but-
David Starr:	Okay.
Marcy Larson:	I'm not maybe understanding what you want me to emphasize in the answer.
David Starr:	It would have to be a sub topic to hyperpersonalization, I would think. It's hyperpersonalization. Have you seen it in real life. What does it look like? We can do that. Have you?
Marcy Larson:	Yeah, yeah. You could ask a question like hyperpersonalization's a pretty broad term. What does that really look like for customer experience today? Or who's doing a great job of really delivering it in the customer experience? Maybe something like that?
David Starr:	Perfect. Okay.
David Starr:	Hyperpersonalization is a pretty broad term. It can mean a lot of different things to a lot of different retailers. What has it meant to you as you've seen these systems come online, and are people actually doing this hyperpersonalization today?
Marcy Larson:	Yeah, great question, David. I think I'll point out a couple of examples of retailers doing this really well today. Now the first one is native to your city, Seattle, and that's Starbucks. They're doing a great job of offering personalization by supporting many channels to engage in with the customer and recognizing that push for convenience. They've had the most growth with their mobile app, being able to weigh that friction from paying and ordering your drink, which is an element of personalization. But they also really understand that customer's preference, maybe the time they come in for their order. They can surprise them and get them to try something new potentially by offering a voucher. I think it's a really great example of personalization at scale. Starbucks themselves are really driving growth in their business through this personalization, and even changing the business process within the physical store as a result.

Marcy Larson:	The other example might be on this trend we're seeing around sustainability and how we live today. We literally don't have enough room in our closets for all of the clothes we like to buy and we're feeling a little guilty. I've seen this technology adopted where a retailer is working with a partner in giving them their customer data and what they've purchased, and then through a SAAS, they're able to then offer that customer the opportunity to buy back an item of clothing from three to four years ago, and use it for credit for purchasing something new. And they'll take that older item and donate it or repair it, and recycle it, so everybody wins there. I think that's a really clever example of personalization.
David Starr:	That's nice, because then something productive comes out of the transaction for the store and for somebody else too.
Marcy Larson:	Yeah, that's kind of recognizing this trend that we're seeing rise across first world countries around sustainability and doing good is good for business. Being able to personalize with the values of the people who shop with them and deliver a uniquely personalized offering is pretty cool.
David Starr:	I'm going to ask you one last seemingly related question, and that is that you mentioned Euromonitor before we got on the call. What is that, and what do you learn from it?
Marcy Larson:	They're one of the global research organizations, and just this week they published the digital [inaudible 00:23:26], and I would encourage everyone globally to look at this because depending on what market you're in, you know you're going to have pressure in terms of investing in personalization and an omnichannel strategy because the consumers in your market are really demanding a digital experience, and they're rapidly adopting it. In the results I was very surprised, because I found my country here in Australia was the highest with a score of 70.6, and close behind was South Korea, Denmark, U.K., and then the U.S. and Norway. I was really surprised, because for example Singapore is number 10. I probably would have thought they would have been at least in the top five or maybe the U.S. would be higher. Very impressed to see Australia up there, and I know we have one of the highest adoptions of mobile phones globally. There's probably a lot of contributing factors, but it is driving our retailers to invest in Omnichannel strategies to invest in personalization and really embrace the trend around convenience and all channel, because that's what drives the digital commerce today. It's not as much as looking for a lower price or exploring more about the brand. It's increasing becoming more about convenience.
David Starr:	Marcy, it has been an absolute pleasure to have you on the show, but I'm afraid our time's up.
Marcy Larson:	Well, thank you. I look forward to also consuming more around your podcast series, and sharing more around the insights we're seeing from this part of the

world. We're a great sandbox here in Australia, and we're constantly looking outside of our market for ideas and inspiration.

David Starr: Sounds perfect. And I hope you become a listener. That'll be great.

Marcy Larson: Thank you, David.

David Starr: Alright. Have a great day.

David Starr: Thank you for joining us for this episode of the Microsoft Industry Experiences Team Podcast, the show that explores how industry experts are transforming businesses with Azure. Visit our team at aka.ms/indxp. And don't forget to join us for our next episode.