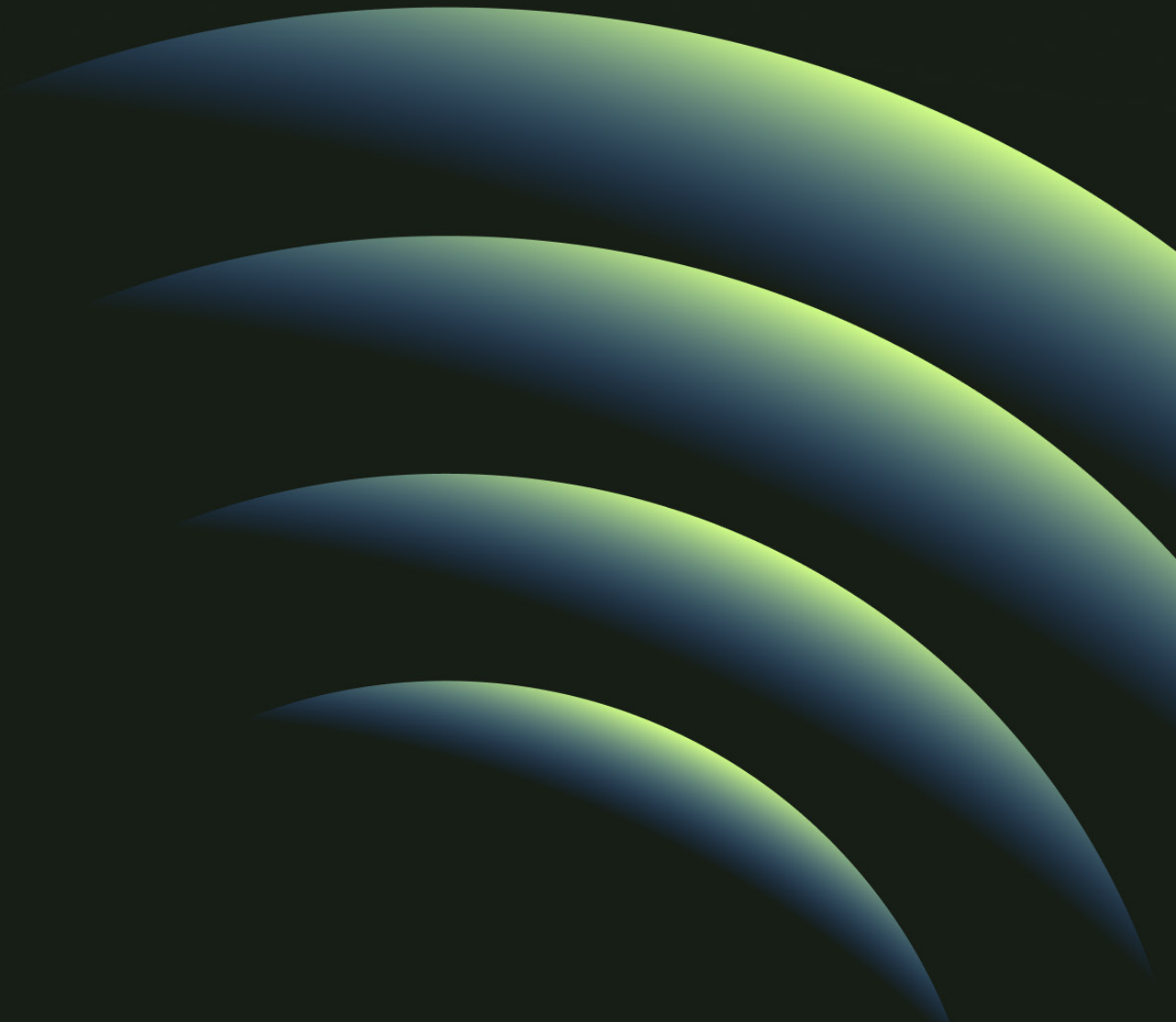




Seeing around corners: Personalization





Executive summary

“One of the great joys of working at Shopify is that our customers are the most inspiring people ever.”

Tobi Lütke, Shopify’s founder and CEO, reminds us of this on a regular basis. It’s impossible to spend a single day at Shopify and not emerge floored by the spirit of our customers, their tenacity as entrepreneurs, and the story of their brand. They’re world-class at what they do, and we’re privileged to play our small part in their success.

At Shopify, we see it as our job to **help our customers move the needle by making good technological decisions**. Even the basics of building good software, like page load time, make a difference in buyer conversion and customer profitability. Our craft as software builders is to sweat these details—and that craft is something we practice 24/7. The internet continues to evolve, for better or for worse, which is why we think of our job at Shopify as **seeing around corners so that our customers don’t have to**. When you choose Shopify as your commerce operating system, you’re hiring us for that commitment.

There’s a lot on the horizon, but there’s one area in particular that we’re going to dive into here—**personalization**, and the eternal question: “Who are my buyers?” Moving into a new era of digital marketing with the third-party cookie behind us, many retailers are worried about a future of walled gardens, content fortresses, and the threat of aggregation. At Shopify, we see something better: truly personalized storefronts built on your first-party customer data that are still open to third-party tools and collaborative effort, and that buyers genuinely appreciate.

Let’s go!

Twenty-five years ago as the world came online, every company asked a question: **How does business work on the internet?** The web was many new things at once: a technology for reaching customers, a destination where you could find them, and a new paradigm for marketing. A new kind of retailing emerged—ecommerce, built around the new economics of internet advertising, and a mindset shared between merchants and marketers: “How do we win at this, together?”

Many of us in retail feel nostalgic for that time. Browser cookies, one of the key cogs of the old machine, tell the story. They weren’t just a workhorse technology for marketing and conversion—they were also emblematic of a culture of working together to find and serve customers. Browser cookies were a coordination technology. They helped different parties work together to market and sell products, giving us the loosely federated marketing stack and attribution-based model that built our brands, businesses, and careers.

Google's recent un-deprecation of third-party cookies—notwithstanding what consumer privacy constraints they put forth instead—is the best tribute you could ask for.

Still, for practical purposes, retailers accept we're playing a new game now, and have for some time. In the name of consumer privacy, we're rebuilding the internet into "private browsing mode" (thanks to our devices and browsers), and "default to explicit opt-in consent" (thanks to our regulators). Third-party data, once the golden currency of the internet, is newly worthless. In its place, we see the rise of "content fortresses" that build protective walls around first-party data and shopping funnels, and the rise of buyer wallets like Google Pay and Apple Pay, that buyers increasingly trust. What does this mean for merchants? Are we entering a new era of digital feudalism? Or is there a better path around the corner?

The way forward: Rebuild ecommerce on the strength of your first-party data, while making shopping more personal.

Peter Drucker's timeless advice, "The purpose of a business is to create and keep a customer," has never been more relevant than today. And just like 25 years ago when the world came online, this is the year to rethink and rebuild how customer foundations ought to work. We see a retailing future that's better than what came before: that's just as collaborative, just as effective at finding and serving customers, but now built on the strength of your first-party data.

Here are the five steps to get there

1. The core customer model:

Your first-party data is the foundation of everything.

2. The best checkout in the world:

It all starts with the moment you create a customer.

3. Personalized storefronts:

Get buyers signed in, segmented, and delighted.

4. Outreach:

There are many ways to reach buyers—one foundation of first-party data.

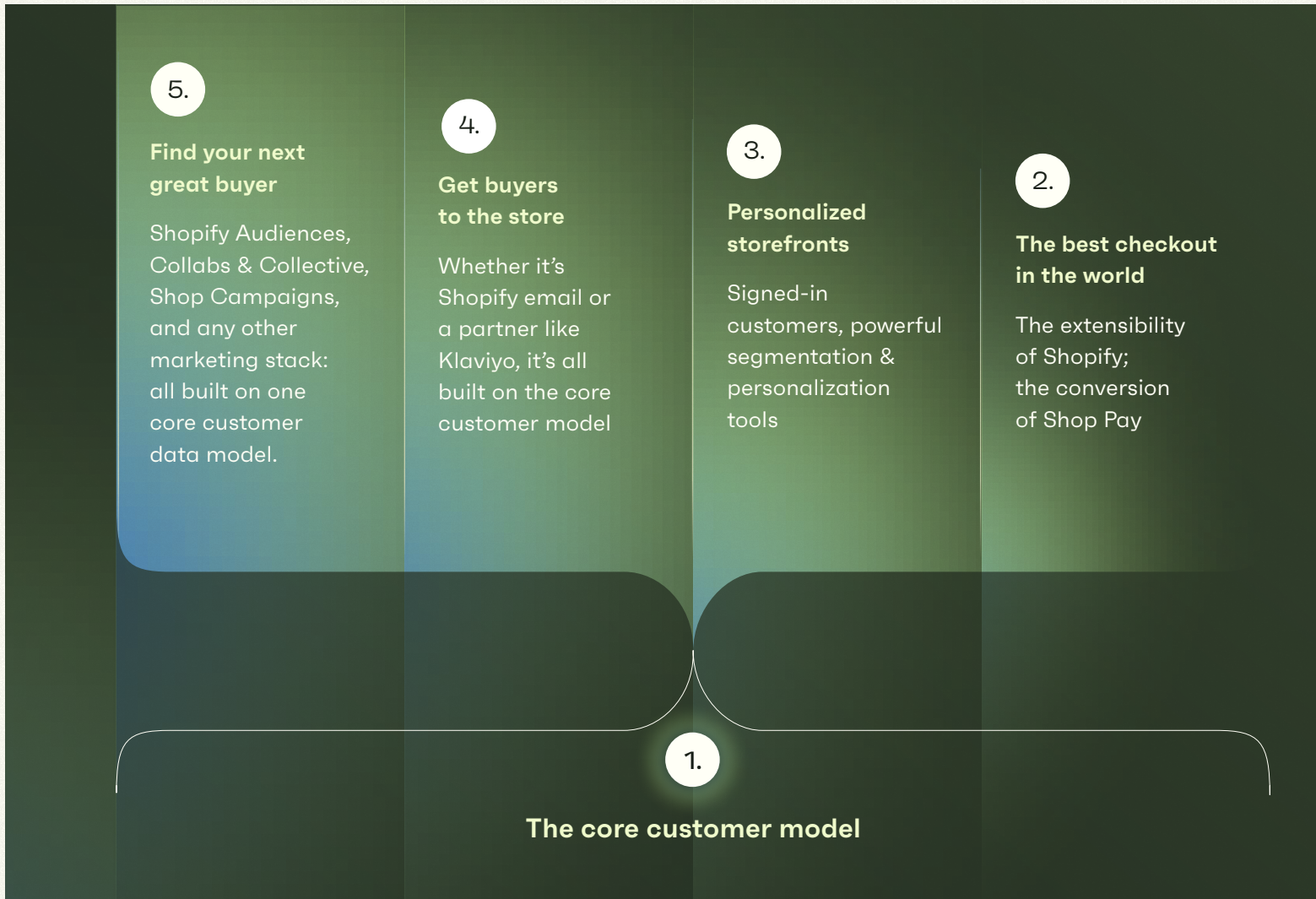
5. Acquisition:

Spend your CAC on building relationships, not gatekeeper fees.

You'll likely notice that these steps mirror the traditional marketing funnel—but because everything starts with the customer in this new era of personalization, we'll start there and work our way up, from conversion to acquisition.

1.

The core customer model: The foundation of everything



The internet was once one of many selling channels for a retail business. But that's history. Today, every corner of a retailer is online, and every customer surface helps paint a holistic picture of that essential question: "Who are my buyers?"

However, most marketers live in a reality where that picture lives in dozens of different databases, as fragments of a buyer's identity rather than a unified customer. According to Forrester, today's marketers use an average of eight (and often a dozen or more!) distinct products or technologies to run personalization programs, and spend hours of their day reconciling fragments of a buyer's identity.

7 to 10

The number of technologies used by most marketers to execute personalization programs

For businesses built on Shopify, the future is bright. Over the past four years, we've redesigned our foundation for customer data, in a way that's battle-tested by our very best merchants and adaptable to new privacy and regulatory changes.

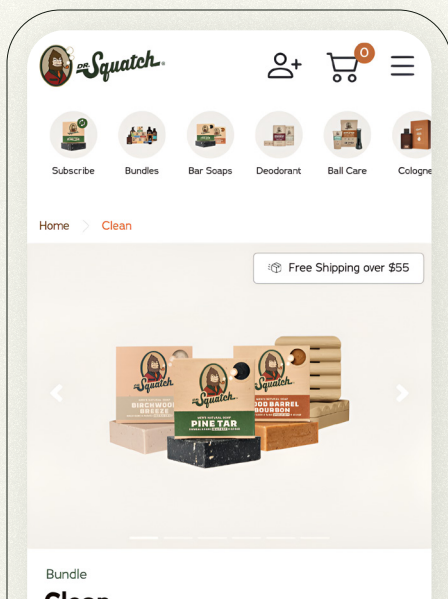
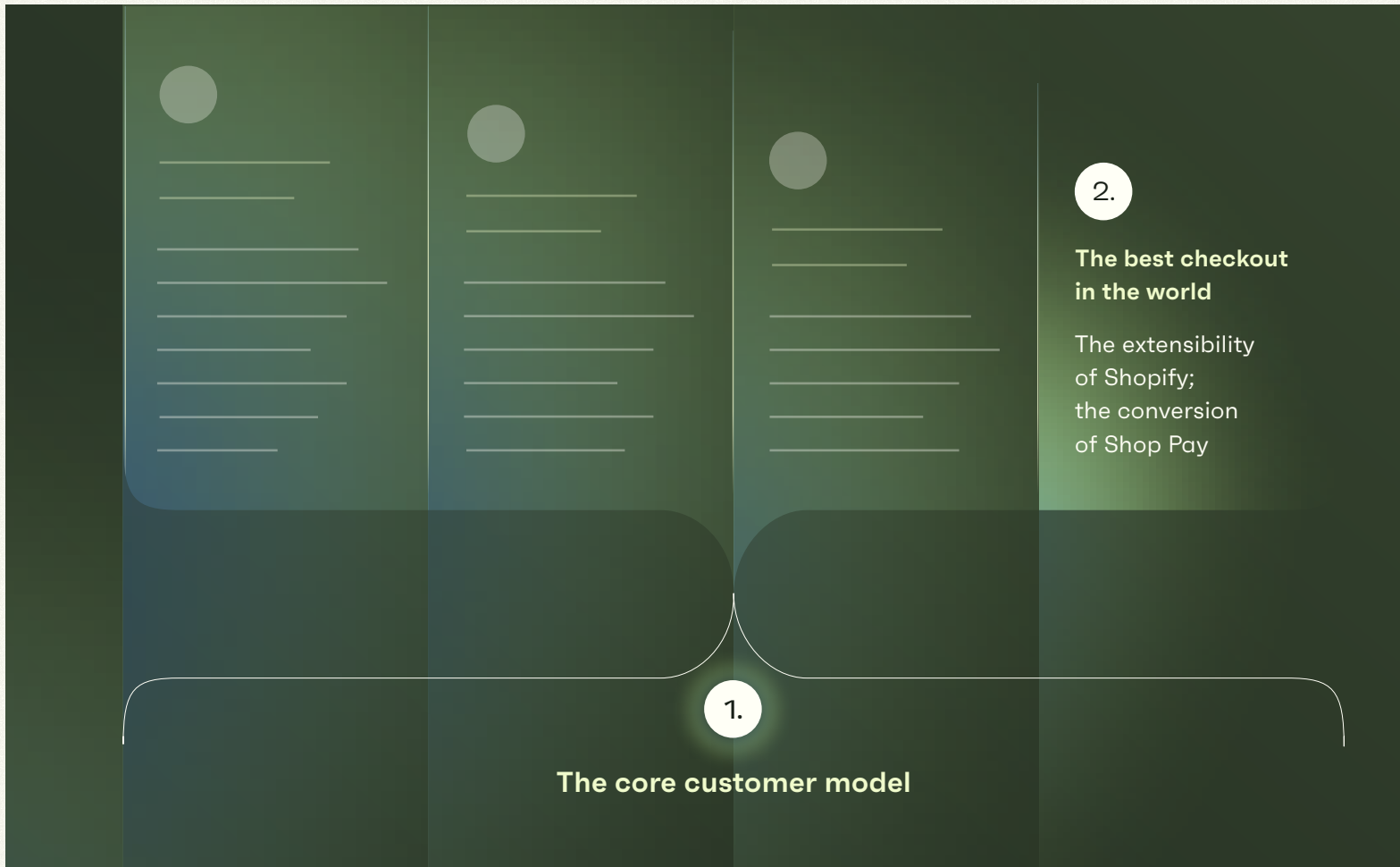
Shopify gives you one unified core customer model that brings together all of your browsing, purchasing and order data in one data model for all of your selling channels, and lets you run your marketing, segmentation, personalization, and any other top-of-funnel customer creation activity on that same data. You can write customer data in any shape you want, however you want to express it, with metafields that integrate with any app in your marketing stack—whether it's built by Shopify (Shopify Email, Collabs, Collective), by someone else (Klaviyo, Yotpo, Meta, Google), or custom-built by you. Everyone gets to work together to create that picture of a customer, on ONE data model: yours.

This unified data model is the foundation of everything that comes next—the world's best checkout, personalized shopping pages, laser-targeted outreach, and cost-effective customer acquisition.

Everything comes back to your unified customer picture, which draws from everywhere your business sells, and extends to every tool you use to create your next great customer.

2.

The best-converting checkout on the internet



We believe in optimizing for frictionless commerce. From swift checkouts to streamlined order tracking, we prioritize a hassle-free experience. By leveraging the Shopify Payments ecosystem, we're investing in customer satisfaction. The results have shown that Shopify payments is providing much more than a checkout; it's an end-to-end frictionless commerce solution.

Stephen Pinto

Senior Director of Product Management, Ecommerce,
Dr. Squatch



A great shopping funnel starts with a great checkout. Checkout is the moment you really create a customer*: when a buyer and a merchant shake hands and make a trade. It's the highest-leverage place in your business to really get to know your buyer, and in the 2020s, we have a hunch that checkout will supercede social media as the premier surface for gathering data and building your picture of a customer.

But you wouldn't get that impression today. The looming threat of hard choices is the main story right now, one that retailers feel boxed into. On the one hand, you've learned how your business works best, and fine-tuned your checkout to reflect that hard-earned knowledge. Your checkout is the hub for your conversion analytics, and your "bonus aisle" where last-chance upsells make the difference in your profit margin on an order. So it's no surprise that retailers are hunkering down to withstand the new regulatory and privacy environment that's coming, and preparing to defend their checkout.

Meanwhile, there's no denying the rise of buyer wallets as a durable trend with serious implications for the buyer-merchant exchange. Buyers have long-established relationships with their primary online identity providers like Google, Apple, Meta, and Amazon. So it's no surprise that Apple Pay, Google Pay, and other wallets from identity providers are starting with a great deal of brand trust with buyers, and earning commerce market share. And while retailers love checkouts however they happen, accepting the one-size-fits-all constraints of those buyer wallet interfaces can be a hard pill to swallow, and a worrying step on the road to aggregation.

**There is a better way.
Our checkout brings together
two critical advantages of
being on Shopify:**

1

The power of our new Checkout Platform, where you don't need to choose between conversion, composability, and compliance

2

The trusted brand and world-best conversion of Shop Pay

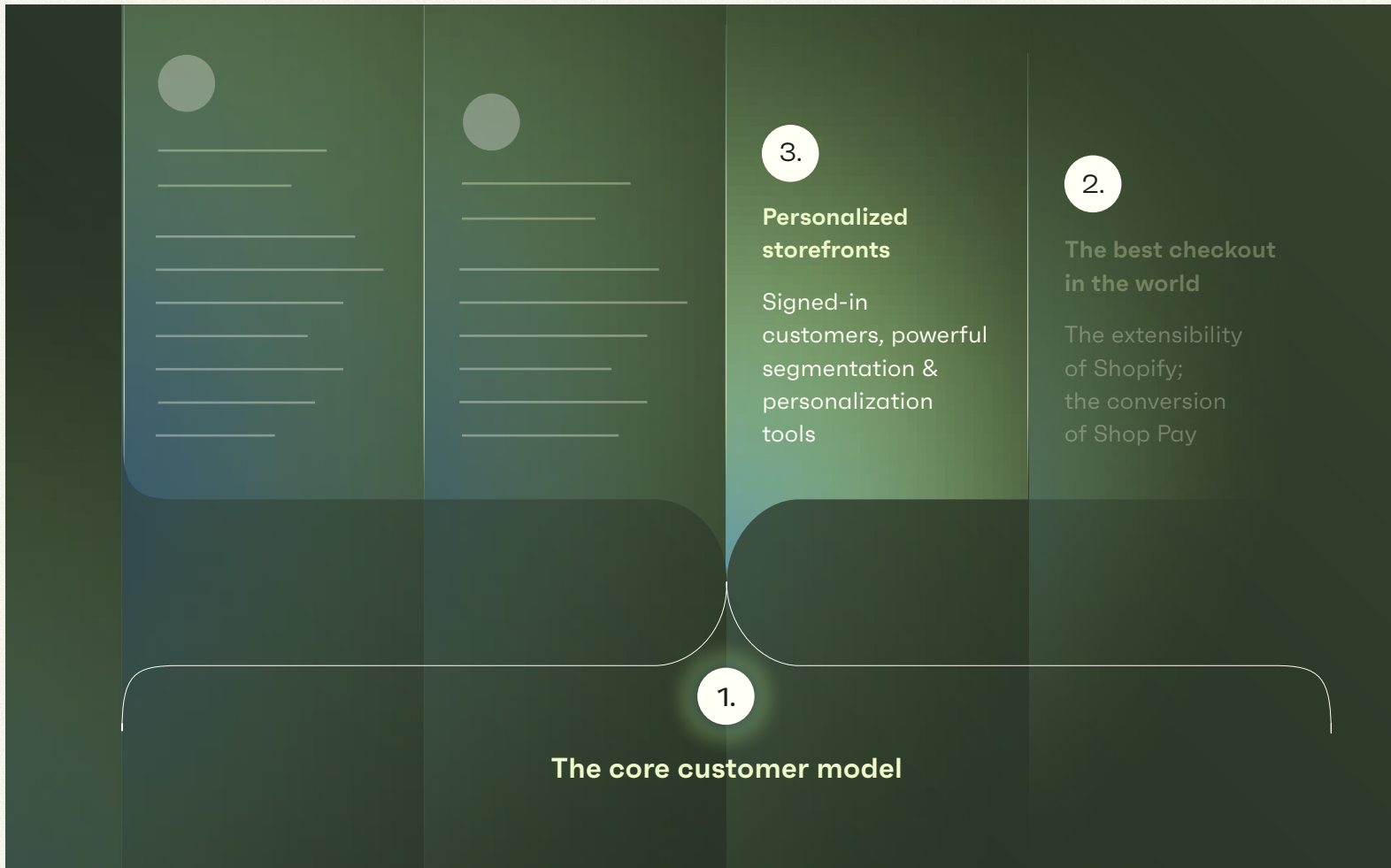
We've built our checkout to power a future of commerce in which retailers can have it all: a finely tuned checkout that's customized to your business (your upsells, your loyalty programs, your conversion and analytics pixels, your special magic), and also the powerful acceleration of Shop Pay, loved and trusted by more than 150 million buyers. The result is a checkout experience that's customized by you to a specific buyer, but feels to a buyer like something they deliberately opted into by checking out with Shop Pay. Best of all, Shop Pay doesn't create a conflicting customer or parallel order record from your regular checkout. It's all one customer model—your customer.

This dual setup—extensibility on the retailer side, acceleration on the buyer side—is the foundation for the future of commerce. And you're going to see it in the whole customer acquisition stack, from top of funnel all the way through to purchase and retention.

*In the Shopify Admin, a customer record is created when a customer shares an email or phone number, even if they have not placed an order.

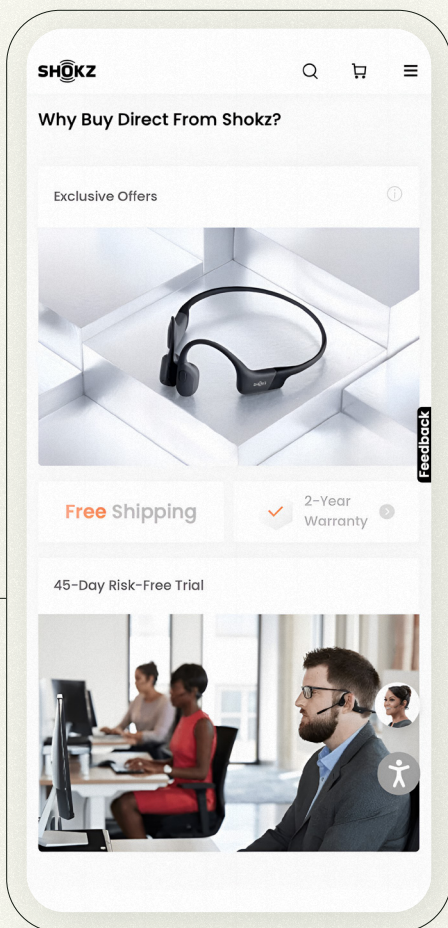
3.

Personalized storefronts: Get buyers signed in, segmented, and delighted



How do you get buyers to check out? By showing them a great storefront experience.

Storefronts are in our DNA. For 20 years, merchants have chosen Shopify on the strength of our storefronts. They're fast, they're flexible, and they're a representation of you. Some things about storefronts never change—they'll always need to be fast, accurate, and put your best foot forward as a retailer. But some things *do* change, and the big thing that'll change in the next five years is that personalized storefronts will become table stakes for any great retailer.



Our business strives to offer customers a seamless online experience—from the moment they land on our site to when they checkout. Shopify empowers us to deliver personalized and effective experiences globally to keep our customers engaged.

Hemo Huang

Director of Direct Sales of Shokz International Business Department, Shokz

Personalization is a collaborative effort across your whole operating and marketing stack, with everyone working on the same customer model: your first-party data. Buyers shouldn't feel like they're being pseudonymously optimized for—you're after the feeling of how you'd react to a gifted sales associate on the floor, or a well-designed loyalty program. "Of course this store feels tailor-made for me. I asked for this."

Today's customer, in the broad world of commerce, has an ambiguous response to retail personalization. On one hand, customers show through their actions that they expect personalized shopping journeys. Yet customers' stated perception of shopping personalization is not favorable. A 2023 Forrester survey found that 67% of US online consumers rated their own experiences with brands as only being "okay." Only 19% reported it being good, and excellent came in at 0%.

Meanwhile, another storefront trend worth highlighting is lead capture, which has evolved from a scrappy email-gathering tactic into a mission-critical business function. Lead capture ("Give us your email for 10% off your first order!") is a fascinating look into the trade that merchants increasingly make with buyers — "We'll give you our margin if we can get you as a first-party prospect!"

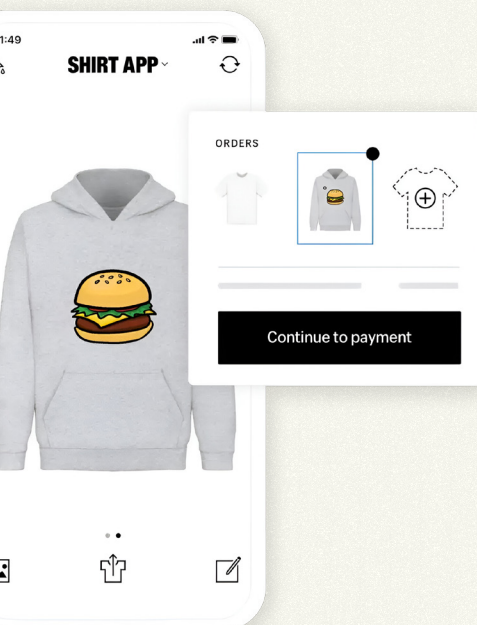
It's tempting to look at this value exchange cynically: that buyers won't ever share their data with you unless you pay them; Forrester's Consumer Benchmark Survey 2022 found that nothing will motivate 36% of US online adults to share personal information with companies, whereas cash rewards (31%), or loyalty program points (22%) motivate others. We'd rather look at it as an opportunity: How can buyers and merchants both feel really good about the trade they're making here? We'd love for this trade to not only happen more, but also be more mutually beneficial and appreciated.

So where is the opportunity? It starts with our solid foundation: one customer model where you can build an insightful picture of a buyer, and an extensible storefront where your intent comes to life. Build the foundation to offer the buyer delightful touches of personalization that don't feel creepy, and real value in exchange for signing in.



36%

the percentage of U.S. online adults who said nothing would motivate them to share their personal information with companies.



Feature set to collect, enrich, and activate first-party data

Let's start with signing in: the best personalization potential comes from buyers actively logging into a storefront. Forward-thinking retailers have started building habits with their buyers around logging in for self-serve functionality—not only post-purchase, such as with order management, returns, subscription management, or reordering, but also pre-purchase, with wishlist management, collection review, claiming a referral, or other reasons to self-identify. Once this habit is established, buyers find all kinds of delightful hidden value: insightful product recommendations, saved carts, highlighted discounts or store credit, and more.

Whether signed in or not, every surface on your storefront should be a high-quality interface for personalized interaction with your customer. Customer accounts are the home base for an effortless, personal experience for buyers to self-manage their relationship with you—managing shipping or returns, re-orders, back-in-stock emails, however you want to treat your customer like a valued guest. Meanwhile, tools like Shopify Inbox give you a smart, converting, self-serve experience for your buyers to ask questions on their way to closing a purchase.

With these foundations for personalized shopping in place, let's dig further into the Shopify toolset to build on top of them. Shopify Functions, Metaobjects, and other new platform primitives give you not only infinite possibilities for what to build, but also the right framework for *how* you build it so that any app or customization will effortlessly work with everything else. Customer segments let you define precisely what customer attributes you care about, and determine what to do about it using any app in your toolkit. Web Pixels give you a powerful and compliance-forward way to keep track of how buyers use your store, from discovery through to checkout. They also give you tools to share data with partners in a secure and compliant way, be it Google, Meta, or any partner of choice.

It all just works together—no system integrations, no overpriced consultants, no updates that break your system. Spend your time thinking about the customer, and not about code glue.

| | |
|--------------------------------|--|
| Data Collection | Client-side, server-side, & other 3rd-party sources (Klaviyo, Mailchimp, Attentive, Seguno, Pinterest) |
| Data Storage | Shopify managed infrastructure |
| Data Retention | 1 year |
| Data Schema Flexibility | Controlled by Shopify for <u>standard events</u> Controlled by you for <u>custom events</u> |
| Audience Management | <u>Powerful segmentation</u> that supports experimentation, analytics, etc. |
| 1P Identity Resolution | Managed by Shopify |

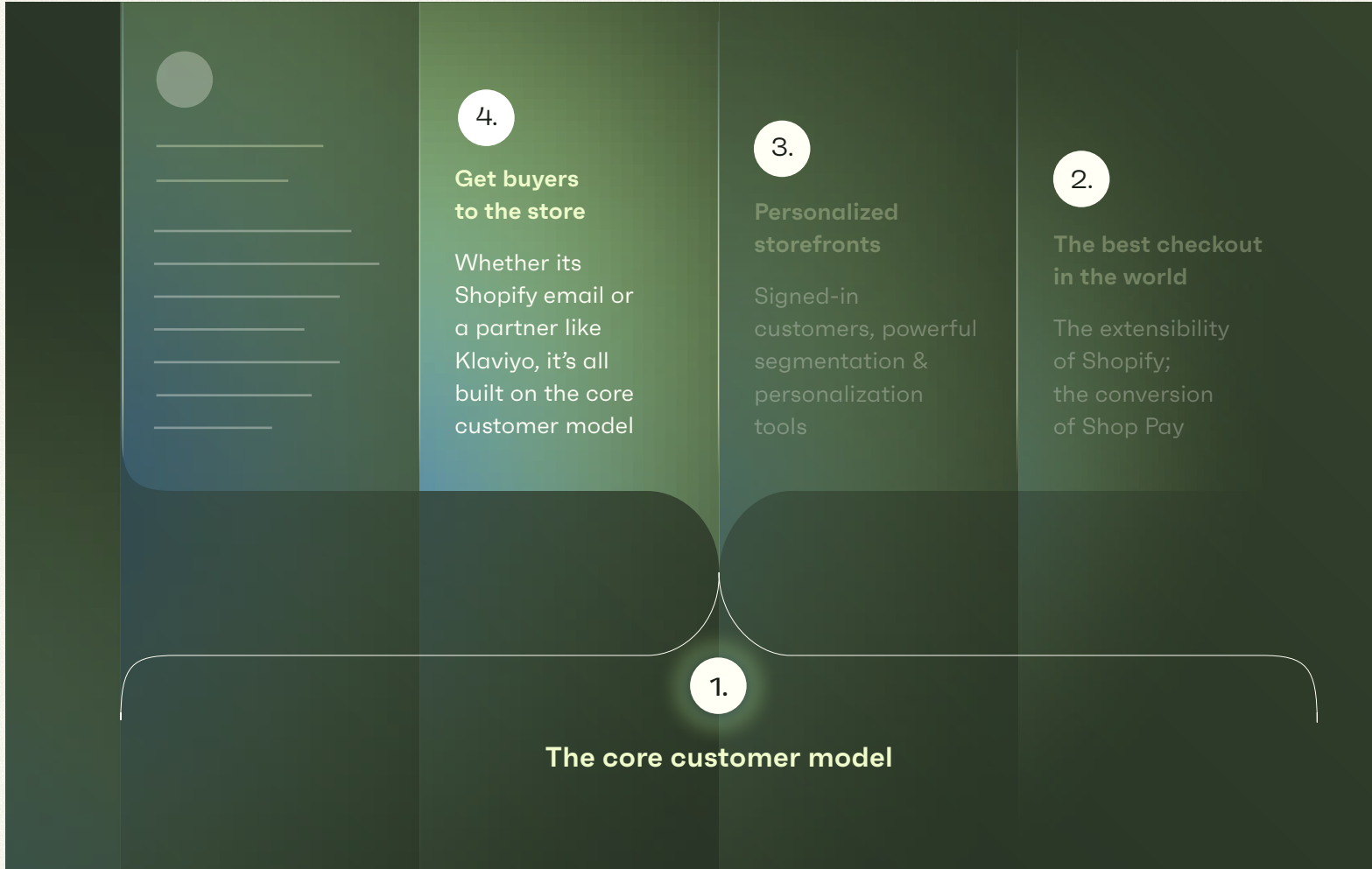
Feature set to collect, enrich, and activate first-party data (cont.)

| | |
|-----------------------|---|
| Real-Time | Choose the strength and accuracy of identity resolution by “confidence scores” |
| Data Activation | 1P Marketing Tools Partner integrations (Meta, TikTok, Klaviyo, etc.) APIs (Segmentation, Segment Membership) |
| Security & Compliance | Immediately GDPR & CCPA compliant |
| Pricing | Data collection and partner integrations are free Unbundled: individually priced 1P Marketing Tools |
| Implementation | Out-of-box |

When it comes to planning for the next decade, **your architecture is your strategy.** That’s how Shopify thinks about personalized storefronts: extensibility on the merchant’s side, acceleration on the buyer’s side, built on one unified customer data model.

4.

Get buyers to the store



Now that we have our foundation and ground floor established—the unified core customer model, the world's best checkout, and personalized storefronts that convert—let's talk about all of the buyers you're going to attract to the store, and how Shopify gives you the structure to cost-effectively attract and activate your customers for years to come.

Every successful retailer understands the importance of continuously rediscovering their customer. When directed to select their top two priorities, 74% of respondents in an IDC poll chose “developing a better understanding of customers’ preferences and behaviors”; 72% selected “expanding market reach and targeting new customer segments”; and 59% selected “improving targeted promotions and personalized marketing campaigns.”

Please rate the importance of each of the following statements as they apply to the role of digital commerce in helping your company achieve its business priorities

| | |
|---|-----|
| Developing a better understanding of customers' preferences and behaviors | 74% |
| Expanding market reach and targeting new customer segments | 72% |
| Improving targeted promotions and personalized marketing campaigns | 59% |

Source: IDC



No two businesses think about their customer outreach in exactly the same way. Your customer communication is part of your personal brand. But we can confidently say that the future of customer communication, like the future of commerce generally, will be built on the strength of one unified customer model.

Use first-party data to create more personalized outreach

First-party data can provide a wealth of inspiration for personalized campaigns. When a customer asks a chatbot a series of questions on a certain topic, that's a great topic for an outreach email. When a customer engages regularly with a retailer's app, that behavioral data can make for an interesting roundup of personal stats to present them with at regular intervals. When a customer shows brand evangelism by posting positively about a retailer on social media, that makes for a great opportunity to reach out with an incentive as a thank you.

Build dynamic segments

Segmentation is one of the most effective ways to personalize email campaigns—and to increase response rates. Segmentation can also be used to create custom discounts available only to your VIPs. Basic segments are often based on demographic or order data. But first-party data gathered at any stage in the funnel can make segmentation much more powerful—plug it in to create hyper-targeted send lists and customized content within.

Automate multichannel communications

Shopify allows you to create and customize marketing automations that are always on, so you can engage customers at every stage of their journey and set your business growth in motion. Automations use Shopify Flow triggers and conditions to offer pre-built templates using Shopify Email and third-party apps, or automations created manually by you that run automatically. Automations are easily customized, fast, and reliable, with flexible conditions that help retailers reach out at exactly the right moment, from welcoming new subscribers to thanking repeat customers.

Automated retargeting

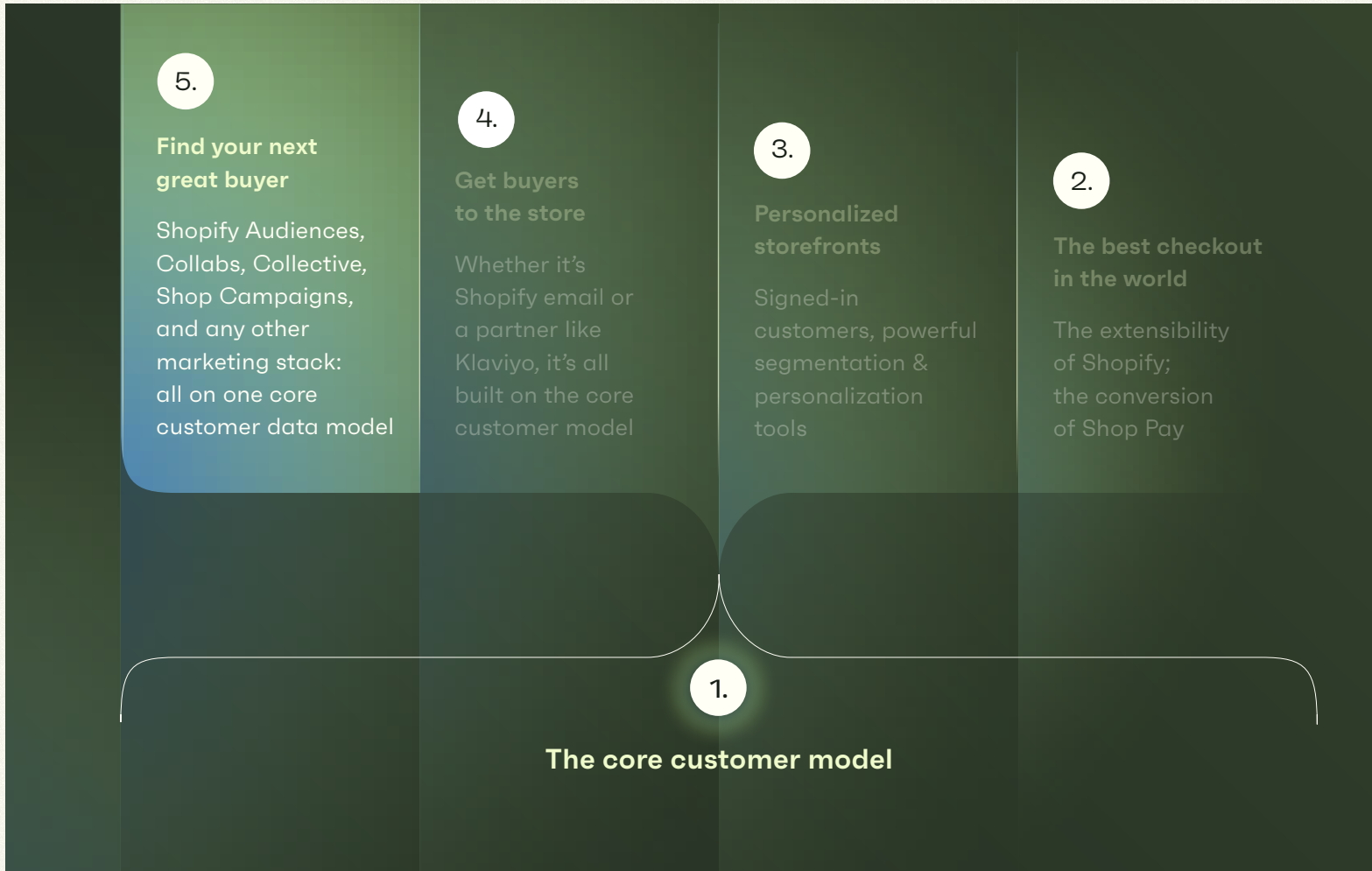
As with acquisition, Shopify's marketing automations can automate retargeting via set conditions. For instance, a retailer might establish an automation to send an email or text message to a customer who has previously purchased an item that tends to need support after a certain period of time, extending a personalized tip, adjacent product recommendation, or associated discount. Segmented customer lists can be uploaded into social media platforms to further hone targeting efforts.

Partner-based retargeting

Another benefit of working within a platform environment is the ability to plug other customer tools into your marketing tech stack. Shopify works with partners to offer features across the marketing funnel, including retargeting. Examples include sending automated emails regarding abandoned carts, winning a customer back, cross- and upselling, and growing social media followings.

5.

Find new buyers

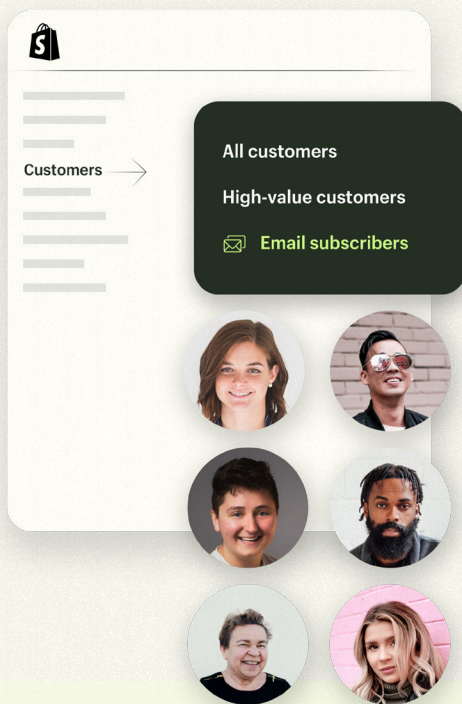


Acquisition

Finally, let's talk about finding new buyers. At the end of the day, it's a simple problem. You have products that you sell for a gross margin, and that gross margin lets you fund a budget to spend on new customer acquisition. You can spend that budget any way you want: on ads, on discounts or sales that appeal to buyers, on affiliate links or referral programs, or even marketing to other retailers who might buy your product wholesale and resell to their own audiences.

Now, you can spend that whole budget on successfully finding new buyers, but if you've given away all your gross margin in order to do so, then that's hardly a victory at all. The goal isn't just finding new buyers—it's finding the best possible new buyers, who not only can be found at a reasonable cost of acquisition, but also drive high AOV, high retained margin, and high LTV. Shopify provides a host of tools to do this, from Audiences and Shop Campaigns to Collabs and Collective, and all of them are built on the same fundamental enabling layer: the core customer model.

Shopify Audiences:



5. FIND NEW BUYERS

Anyone who's been around online advertising for a minute understands the power of retargeting and lookalike audiences. But there's always been a paradox here: On the internet, the bigger a data set you can pool together, the more powerful the results you get. This seems like it should put independent merchants at a disadvantage compared to giant retailers who have bigger data sets, and therefore clearer retargeting and lookalike signals.

Anyone who's been around online advertising for a minute understands the power of retargeting and lookalike audiences. But we've all been operating too much on our own. Shopify Audiences uses the collective power of participating merchants to help drive better ad performance. Merchants opt in to contribute data to the Audiences data co-op. The Shopify Audiences algorithms analyze the data in this co-op to develop millions of buyer behavior insights, and match buyer intent with the unique attributes of your store to create a list of potential customers. No other merchant can see another merchant's customer data or directly access information on any buyer, but every merchant gets the benefits of the co-op and the rewards of an expanded pool of addressable buyers.

The end result? Everybody wins: Your first-party data remains yours, but now it's augmented by rich audience segments that can be directly used by your advertising partners, and reduce customer acquisition costs by up to 50%.[†]

Double retargeting conversions

Businesses using Shopify Audiences can drive up to 2x more retargeting conversions for every marketing dollar spent on retargeting using our custom Retargeting Boost lists—powered by algorithms that continue to improve.

Hone personalization efforts

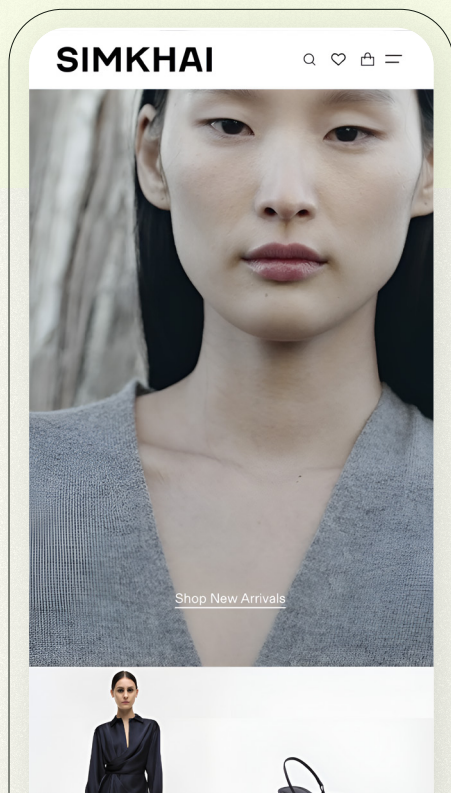
Making the most of personalization efforts demands evaluation of how those efforts are performing. [Shopify Analytics](#) offers powerful reporting features for acquisition, behavior, and marketing as a whole, among many other areas. A centralized dashboard places the most critical data easily at hand, and benchmarking (where applicable) shows retailers how their efforts are performing in comparison to other similar-sized retailers in their industry and market.



As the digital advertising landscape has evolved, it's become increasingly difficult and expensive to find new customers at scale. Shopify's unique position allows us to find valuable new customers through Audiences which has been very effective in helping us grow the SIMKHAI brand.

Brooke Stein,
Head of Digital, SIMKHAI

[†]Ad campaigns using the latest version of Shopify Audiences for targeting have demonstrated as much as 50% lower customer acquisition costs, compared to campaigns relying solely on ad platform targeting. Results may vary.



Shopify Collabs and Collective

Meanwhile, there are other ways to spend that customer acquisition budget that don't go through ads, but instead find a different way to reach your very best potential buyers. Sometimes a brand's best bet is other brands, whether they're other stores with existing customer bases, or entrepreneurial influencers with rapt audiences.

Shopify Collabs and Collective are two different ways to implement a common idea: the age-old "referral fee" that's done load-bearing work for commerce since commerce began.

Collabs streamlines the process of working with influencers, managing referral codes and programs, and handling payouts, so that you can manage the part you care about—spending your customer acquisition budget on the best possible prospective customers.

Collective, on the other hand, brings your products directly into other brands' stores, and helps you manage the details of fees and fulfillment. In both cases, you get a powerful lever you can pull outside of placing incremental ads, and that gives you exposure to a fan base of potential buyers that can look just like your existing ones, or break new ground into new customer profiles you didn't know about before.

As interesting as these products are stand-alone, where the magic really happens is when you can personalize a shopping journey for the buyer all the way through discovery through post-purchase and onto repurchase—combining the breadth of these customer discovery tools with the depth of personalized storefronts and self-serve customer accounts. For example, craft a special experience in your customer accounts for buyers who discovered you through a specific influencer or campaign. Or craft a special subscription program that buyers can manage in a self-serve way through their customer accounts, that feels designed specifically for the way they discovered and subscribed to your product. It's all about the unified customer account as the foundation for everything on top of it, from discovery to purchase to reengagement.





Conclusion

So, what did we learn here? Let's recap.

As much as it seems like the internet has dominated the past 25 years of business, we're still in the early innings of figuring out how business really works online.

It's easy to focus on what's hard right now in online commerce, and especially in marketing. The challenges of the past several years, from iOS changes and third-party cookie deprecation to new regulations and buyer standards, don't feel like the end of something—they feel like they're part of the beginning of something even better than what came before. And that's a future of commerce built on first-party data, full of deep connection and personalization for buyers, and full of attractive profit for the best brands and merchants.

We hope, in reading this, that one message came across in particular: that **everything that is to come depends on the foundation of first-party data plus extensible software architecture**. When we talk about “seeing around corners” at Shopify, this is the kind of long-term aim we prioritize. Whether it's today or five years from today, your optionality as a brand, and your leverage as an operator, depend on the technical choices we made years ago when we started building this foundation for owned customer data.

The single best example of what the future looks like—one that's already here, just not evenly distributed—is what's happening with accelerated checkout and buyer wallets. Merchants should not have to choose between the personalization and customization you depend on in your checkout, and the trusted acceleration of buyers' wallets. The future of checkout is having your cake and eating it too, with flexible checkout extensibility plus the speed of Shop Pay. And, if you think about it, the future of the rest of commerce looks a lot like that too—first-party, accelerated, extensible to limitless customization, and effortlessly compatible with hundreds of partners.

Finding buyers, telling them the brand story, personalizing the store to their delights, and converting them into lifetime customers shouldn't just be easy and profitable—it should be fun, it should be collaborative, and it should feel like a horizon of possibility rather than a walled garden of margin squeeze. With the right foundation of first-party data, the future has never looked brighter. We can't wait to see what you build with us.

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