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Mirjeta Domniku
University for Business and Technology, mirjeta.domniku@ubt-uni.net

Lebeat Mustafa
University for Business and Technology, labeat.mustafa@ubt-uni.net

Ejona Bajraktari
University for Business and Technology - UBT

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The role of personalized marketing in business-customer relationships

Mirjeta Domniku[1], Labeat Mustafa[2] Ejona Bajraktari[3]

[1,2,3] -University for Business and Technology-UBT,
Faculty of Management, Bussines and Economics,
Lagjja Kalabria, 10000 Pristina, Kosovo

{mirjeta.domniku[1] , labeat mustafa[2], ejona
bajraktari[3]}@ubt-uni.net

Abstract. The idea of personalized marketing lies in creating a unique customer experience and delivering products / services / messages that are relevant to it. The need for it came as every day more and more customers are being targeted by a large number of ads and this has already created so much annoyance for people that they are now trying to avoid them. Modern data sources today are considered to be data collected from smartphones and social networks.

Seeing this dilemma what we have tried to understand through this research is whether customers want their shopping experience to be more personalized and whether they are willing to share personal information with companies in return. To achieve a deeper understanding of the research topic and question as well as to test the hypotheses it was decided to use both qualitative and quantitative methods.

The research results showed that customers want their experience to be more personalized and are willing to share personal information with companies in return.

Keywords: personalized marketing, clients, ads, information, marketers, targeting

1 Introduction

Marketing is the bridge between the company and its customers. The relationship between these two parties largely determines the success of the business. This relationship has evolved over the past few decades and today is more important than ever before. But today, too, more than ever before, customers have countless choices

and getting their attention is by no means easy to achieve. To build strong relationships with brand consumers many marketers have turned to personalized marketing. Businesses need to engage with each customer and offer not only content but also an individualized experience specifically for them. In return they can get not only the attention and time of the customers but also their loyalty.

Personalized marketing is the idea of collecting as much customer data as possible and using that data to identify customers and provide them with products or services relevant to them. In this way the business is interested in each of its customers and creates a stronger connection with them. But personalized marketing, no matter how great the benefits, has its downsides. Clients may perceive the collection of data on them, not as a process of recognizing them but as a violation of their privacy.

The initial motive of this paper is personalized marketing and its impact on the relationship between business and customers. The basic research question posed in this paper tends to reveal customers' opinions and perceptions on personalized marketing. So through it we will be able to understand if customers want to have a personalized experience and whether they are willing to share personal information with companies in return.

Personalized marketing works mainly through the data it receives through the internet and online shopping - data from cookies, social networks, shopping history. In Kosovo, online shopping has only started in recent years and still the most common form of shopping is the traditional one, ie in the store. Also, most businesses that offer products or services online offer these from their social networks, so they do not have a website, which means that they do not have a database of their customers. This may cause customers but also businesses in Kosovo not to have a clear idea of personalized marketing. Therefore the main purpose of this research is to inform readers why it is important today for a business to know its customers and how they manage to know and anticipate their needs, as well as information on ethical dilemmas and problems that may arise during the application of forms of personalized marketing.

2　Literature Review

The paper contains the reviewed literature on the evolution of the relationship between business and customers and the impact of personalized marketing on this relationship, so the literature with different views of the authors has been researched.

2.1　The meaning of change

The main responsibility of a company is to serve its customers. Profit is not the main goal, but rather an essential condition for the continued existence of the company. "There is only one valid definition of a business goal: to create a customer." (Drucker, 1946)

Marketing has always been a link between business and customers so with the changing relationship between these two parties, it necessarily changed as well.

Since 2010 there has been a "boom" of advancement of these technologies already known to humans. The time people spent online exceeded the time spent on TV. Social

networks were being used more and more (Facebook exceeded 100 million users in 2012) and 1 in 2 Americans had a smartphone. Online shopping has become even more common. (Wainwright, 2017)

How did advertising change during this period? The ads already focused more on creating a community and brand awareness than on the sales mentality. The content of the ads was no longer the product or its features, but the solution the product offers to the customer's problem / need. (Gallegos, 2016)

Today, we live in a time of ad blocking. Since the focus of companies today is customers, they are the ones who are already fighting for their attention. Today you can not use the Internet without being bombarded by numerous ads in number. And they have already become a nuisance to people. People today are paying not to see ads. Think of platforms such as Netflix or various applications that offer the option of not showing ads in exchange for a certain price, a price that people seem more than willing to pay. The reason seems to be people's distrust of advertising. To stand out from the competition and attract customers, brands are starting to exaggerate the performance of their products and promise more than they really are. As a result people have become more skeptical of these promises and messages. (Gallegos, 2016)

But who are people trusting to decide what to buy? Simple, other people. People feel closer to other buyers than to the brand they are buying from. All of this has led brands to change tactics to attract customers. Customers are now part of advertising rather than passive viewers. When brands realized that people were trusting more people than they did, their focus shifted from "one-time buyers" to building a loyal clientele. (Gallegos, 2016)

2.2 Personalized Marketing - The Road to Loyalty

In one of his books Dave Walters describes marketing as how to visit a city. Most marketing today is a large crowd of tourists visiting a small number of the most populated destinations. More advanced marketing is like a bus tour that takes tourists to more destinations and smaller groups. The future of marketing is like having your own private tour guide who knows your interests, budget and pace. This guide walks with you providing a completely unique and personal experience perfect for you. This marketing of the future, as described by Walters, is what we call personalized marketing today. (Walters, 2015)

We see forms of this marketing all around us today. The emails that come to us with our name, the proposal of the products we are interested in on the Amazon site, the recommendation of the movies we like on Netflix or the music on Spotify, are all successful and famous tactics of this marketing. You probably remember the Coca Cola bottles with the names on the packaging. Her 2014 campaign is among the most famous examples of personalized marketing and the impact it can have. Coca Cola searched for the 250 most popular names in the US and created a campaign that seemed to these people that was created specifically for them. Through this campaign the company achieved an increase in sales for the first time since 2000. So such a simple idea with a focus on people achieved what other advertising or campaigns could not. (Baum, 2017)

2.3 Personalized marketing strengthens customer relationships

Sharing personal information is what people do as human beings. It has been in human nature since the beginning of time. The means of communication and ease of communication have affected the amount of information disseminated. When people communicated through older forms (letters, typewriters, fax machines), communication was usually between two or a small number of persons, more formal and reserved. While now for the first time in history people are willing to share any kind of information on any scale with anyone. This huge exchange of information has been influenced by smartphones, social networks and everything related to the Internet of Things. Today people also share information with the brands they interact with and the result is a "win-win" relationship. Customers / consumers get what they want: products relevant to them, exceptional and personalized experiences. They do not need to waste time looking for products that they like / are interested in, they just need to "show" them to businesses and they are the ones who offer them directly, even before customers ask for them. Businesses also get what they want: higher revenue, lower costs and satisfied customers. (McKean, 2014)

Figure 1. Benefits of sharing personal information
(Boudet, Gregg, Rathje, Stein, & Vollhardt, 2019)

2.4 Personalized marketing is compromising customer privacy

In 2012 a man entered a Target store and asked to meet with the manager. The man began to complain that his daughter, who was still in high school, had received coupons for baby clothes and products for pregnant women and accused the company of "encouraging" young girls to become pregnant. The manager apologized, told her that something must have happened and after a few days called the man again, but this time

it was the girl's father who apologized after it turned out that his daughter was actually pregnant and he had not been in aware. Target had discovered that the girl was pregnant from her previous purchases and had automatically sent her coupons for products that women usually buy during pregnancy. The news quickly became public in the media as an example of a ridiculous situation when a company reveals to the father that his daughter is pregnant but very soon people started accusing Target of violating privacy and obtaining personal information without their knowledge. (Duhigg, 2012)

2.5 Laws on privacy protection

A recent GetApp study (Warnock, 2019) found that 91% of consumers in the US think that advertisers know a lot of personal information about them. The issue of privacy is much more sensitive in the US than in Europe. In Europe since 2016 there is a GDPR (General Data Protection Regulation) which is a legal framework that sets out guidelines for the collection and processing of personal information by individuals living in the European Union (EU) and is considered the strongest group of data protection rules in the world.

Companies that fail to cooperate with GDPR requirements can be sued with fines of up to 2% or 4% of their annual revenue or 10-20m euros. The US does not currently have federal data privacy legislation. Yet many states have enacted their own laws among them the most important so far being the California Consumer Privacy Act. (Groot, 2019)

3   Research Questions and Hypotheses

The main research question that we have tried to answer in this paper is:

1.   What are the attitudes of customers regarding the use of personalized forms of marketing by companies?

HA: Customers want their shopping experience to be more personalized and are willing to share personal information with companies in return.
H0: Customers do not want their shopping experience to be more personalized and are not willing to share personal information with companies.
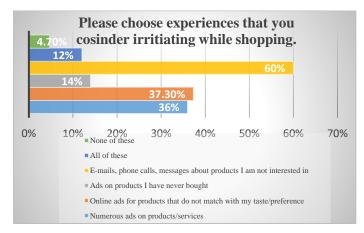
4   Methodology

In the paper we have used quantitative and qualitative methods as well as a combination of primary and secondary sources. .
The questionnaire was chosen as the source of primary data, which is the main instrument of this research paper. The questionnaire which focused on individuals, ie citizens of Kosovo could be completed as anonymous or with name and surname,

depending on the preference of the respondent. The questionnaire contains a total of 10 questions where all are closed questions so that the answers or results are analyzed and presented more accurately. Due to the situation we are in, at a time when the whole country is facing the Covid-19 virus, it has been decided that the questionnaire will be of the self-managed type. More precisely, the questionnaire was posted on social networks in different groups or was sent via email and completed through the Internet. Since interference was not possible during the completion of the questionnaires, the language and questions were tried to be as clear as possible.

The literature of foreign authors has been used as a source of secondary data, including books, various scientific and academic articles. Through these two data sources it is possible to test the hypotheses and answer the research question.

5 Results

The results obtained support the alternative hypothesis that customers want their shopping experience to be more personalized and are willing to share personal information with companies in return. Below are the main results obtained from the questionnaire.

Graph 1: Irritating experiences while buying

First, we needed to know if there is really a need for personalized marketing. As already discussed people now are blocking advertisements and choosing not to see them. This was proven by the results of the questionnaire. When respondents were asked about what they consider irritating while buying more than half of them (60%) chose e-mails, phone calls and messages for *products they are not interested in*. The second most chosen option (37%) were online ads about products that *do not match with their taste or preferences*. A way to avoid these irritating experiences is implement forms of personalized marketing that make sure that the customer is seeing only what is relevant to him/her.

Graph 2: Preferences on personalization

Based on the research, the results showed that almost all (84%) of the respondents want their buying experience to be personalized for them. This also answers our research question partly.

Graph 3: Personal informations that customers are willing to share

The other part of the research question tried to find out which informations are customers ready to share with business in exchange for personalized experiences. The results show that the informations that they are more willing to share were: gender, age, name and e-mail address and phone number. It can be noticed that people are more reserved in sharing information about their residential address, marital status and their income.

6 Conclusions

Personalized marketing is a form of marketing that aims to provide products, services or messages to each customer, according to their interests. It is a form of marketing that focuses entirely on the customer and uses the data about him to better know him and his tastes / preferences. The goal of personalized marketing is to provide a personalized experience for every customer of the company.

The number of advertisements and offers that consumers receive today is so great that they often become irritating to them. Brands therefore strive to learn as much as possible about their customers in order to provide products or services that are relevant to them. But not only for this reason, brands through the data they collect on their customers try to predict their future purchases. The data for consumers that companies mainly use today are: profile data, CRM, social networking, environmental data, cookie data, etc.

Today the sale of customers' personal data or their exchange between companies is very common and increases people's concern over their privacy. This is a more serious issue in the US as privacy rules are not as strong or strict as in Europe.
On the other hand many marketers do not see this as a serious problem as people today disseminate personal information more than ever before. This is mainly caused by the means and ease of communication today as well as largely by the influence of social media. This is why new generations, born into the world of information, are more willing to share personal information in exchange for a better and more personalized experience. Older generations, on the other hand, are more concerned about their privacy.
The research showed that customers want their experience to be more personalized and are willing to share personal information with companies in return. So personalized marketing is a tool that strengthens the connection of customers with the company as well as a facilitation in the buying process.

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