

Finding the sweet spot in advertising personalization

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Personalization is not a new phenomenon in marketing. It existed before the internet. In 1892, Sears, an American chain of department stores, was amongst the first companies to embrace the concept through direct

marketing. Their direct mail campaign, targeted at 8,000 customers, produced an impressive 40% conversion rate, resulting in 2,000 new orders. Advances in technology have fueled an exponential growth in opportunities to personalize marketing messages, customize products and services and tailor customer interactions. But this growth brings challenges too. As the scope for personalization expands and choices widen, the process inevitably becomes more complex. Customers are bombarded everywhere by targeted campaigns, which, if not carefully executed, can easily backfire. Personalization is more than targeting customers with products that brands think suit their profile; there are many factors to consider.

There is no doubt that today's customers want to feel prioritized and listened to. Brand loyalty is increasingly being achieved by the customer's assessment of the effort that the brand has made to connect and listen to them. A report by Merkle showed that 91% of customers are likely to make repeat purchases if they feel heard. Since the onset of the pandemic created a surge in online interactions and [e-commerce](#) by extension, not only do customers prefer personalized interaction, but they also demand it. According to McKinsey's research in 2021, companies that excel at personalization generate 40 percent more revenue than others.

When it comes to personalization, people usually think of the trade-off between privacy and personalization. Sharing [personal data](#) can expose consumers to the risk that their data is mishandled or that personalization becomes invasive. Nevertheless, when correctly executed, personalization offers a win-win for both consumers and brand owners. It's all a question of balance.

The potential benefits of personalization are well documented, with studies showing that customers are frequently irritated by generic marketing messages. When done correctly, personalization can facilitate

in-store and online engagement. It can inform customers about promotions that are relevant to the products and services that they are searching for, give recommendations about other products and services that they might be interested and, as Netflix demonstrates to good effect, be used to tailor every aspect of the customer experience from new product development through to product presentation. When customers consent to [data collection](#), they expect a personalized experience in return. However, failure to do that destabilizes the bargain and induces negative sentiment. Additionally, customers want to know that they are being sold more than just a product. Customers respond positively when brands demonstrate their investment in nurturing a relationship, rather than just creating a sale. Thoughtful gestures such as checking in on the latest transaction, sending how-to videos or asking consumers to write a review are ways brands can stand out. For example, an e-commerce website can send an email after product delivery asking about the product quality, delivery time and overall customer experience.

Technology is a key enabler of personalization, and AI-powered recommendations engines and services bots are just some tools available to the marketer to deliver personalization at scale. For companies operating in mass consumer markets and diverse geographical areas, personalization would be almost impossible without the help of AI. However, it is important to be aware of the complexities of data management. While companies that implement AI are better equipped for enriching their engagement with customers, algorithms can get things wrong without manual intervention in certain stages. AI can fail to account for searches done in specific contexts and changes in consumer preferences. For example, when buyers make purchases of certain items, they are sometimes followed by online and email ads for the same item they purchased. While personalizing based on segments is valid, preferences are not always similar. Therefore, having data alone is not enough. Data must be centralized, processed and understood to avoid building a wrong foundation and consequently amplifying errors with

each personal step. Commerce giants implement AI so that their technical experts can focus on training algorithms with real-time customer data. Manual intervention at different stages can therefore be costly and impractical for businesses. However, brands are also aware of the constant effort it takes to retain customers in today's market.

Excessive personalization has its downsides and can lead to enveloping consumers in so-called "filter-bubbles." These have the effect of channeling the attention of consumers towards a narrow range of interests, limiting their exposure and interactions to like-minded individuals. Personalizing communications to an excessive degree reinforces cycles of behavior through similar messaging and peer group validation. Creativity and entertainment, critical components of marketing communications, take a backseat in this scenario, and the focus is increasingly on persuasion. Therefore, there is an optimum level beyond which personalization becomes restrictive and prevents exploration.

personalization is a constant process of balance—whether it is the trade-off between personalization and privacy, ensuring personalization is not done at the expense of entertainment and thought leadership. It is making companies reassure customers that they are aware of their needs without making them feel like they are being watched. It is also not stopping the investment once the transaction is done, and understanding that this is only the beginning in achieving the right balance in personalization marketing.

Provided by Heriot-Watt University

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