# Personalization in Marketing: Customizing the Customer Experience for Greater Engagement

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## ABSTRACT

In the realm of marketing, personalization refers to the strategic approach of designing and creating content and products that align with the specific preferences of individual customers. By tailoring offerings to customer preferences, businesses can effectively reduce customer fatigue and the time required for decision-making, ultimately alleviating cognitive load. Despite its significance, the existing body of literature on personalized marketing lacks a comprehensive review that consolidates the intellectual structure of the field. By thoroughly examining 383 publications, this study uncovers trends in publication and citation, identifies the most prolific authors, journals, and publications, and highlights six major themes that define the knowledge base of personalized marketing. These themes include personalized recommendations, personalized relationships, the personalization-privacy paradox, personalized advertising, the concept and discourse of personalization in marketing, and customer insights in personalized marketing. In conclusion, this study suggests future research directions for personalized marketing, emphasizing the exploration of new-age technologies such as artificial intelligence, big data, blockchain, the Internet of Things, and wearables. By leveraging these technologies, businesses can discover innovative methods to curate personalized experiences across both online and offline channels.

**KEYWORDS:** Advertising, Customer Insight, Paradox, Personalization, Personalized Marketing,Privacy, Recommendation, Relationship, Review, Trends, Ways Forward

## INTRODUCTION

Customer expectations have evolved significantly since the mid-20th century, when the availability of products was the primary factor in capturing market share. Nowadays, customers strive to differentiate themselves while still being part of a larger group. The desire to possess a product that reflects their individuality is evident. Recognizing this underlying need, marketers have embraced the concept of personalization, which has flourished alongside technological advancements. According to the Oxford Dictionary, personalization is defined as "the act of designing or producing something that fulfills an individual's specific requirements." In essence, personalization is a means of acknowledging the distinctiveness of each customer by providing them with tailored products that align with their preferences (Suprenant & Solomon, 1987).

In practice, personalization is seen as a process aimed at curating relevant and individualized interactions to enhance the customer experience (Polk et al., 2020). Specifically, personalization

leverages insights derived from a customer's personal and behavioral data to deliver a superior experience. Often, achieving personalization necessitates active customer engagement, which can be fostered through avenues such as customer reviews, purchase data, and social media interactions, among others.

The significance of personalization is evident in the substantial increase in revenue and marketing efficiency that can be directly attributed to its successful implementation. According to Boudet et al. (2019), a 5%–15% increase in revenue and a 10%–30% improvement in marketing efficiency within a single channel can be achieved through effective personalization strategies. While personalization is a central concept in marketing, it also intersects with various disciplines such as business management, computer science, decision science, information systems, and psychology, making it a multidisciplinary field. Zanker et al. (2019) emphasize the application of artificial intelligence (AI) and machine learning (ML) in cognitive and social psychology as key components of personalization. In recent years, there has been a rapid growth in personalization research, driven by its multidisciplinary nature. However, despite this exponential growth, there is a lack of comprehensive reviews that consolidate the fragmented literature in this field.

Additionally, the mixed findings on the impact of personalization limit the generalizability and holistic understanding of the research domain. Some researchers, such as Jain et al. (2021), Smink et al. (2020), and Tran et al. (2020), highlight the positive role of personalization in shaping customer attitude, intention, and brand use. On the other hand, Pfiffelmann et al. (2020) suggest that personalized offerings may fail to elicit a response from target customers due to their acclimatization to personalized marketing. Given these mixed results, further research is needed to identify the specific conditions under which personalization can be effective and to explore new approaches to enhance its effectiveness. However, conducting such research requires researchers to identify the existing gaps in the literature and position their prospective contributions against a synthesized understanding of prior research in the field. This study, conducted by Lim and Zhang (2022) and Paul et al. (2021), aims to address this need by providing a comprehensive review that will support future research efforts in the field of personalization.

Previous research has primarily focused on specific aspects of personalization rather than examining the field as a whole. For instance, previous studies have concentrated on customers' need for privacy and trust in personalization efforts (Evans, 2003; Fowler et al., 2013; Konstan & Riedl, 2012; Pitta et al., 2003; Salonen & Karjaluoto, 2016; Seele et al., 2021; Smith, 2006). Additionally, some reviews have emphasized the significant role of big data in the expansion of the personalization concept (Anshari et al., 2019; Fowler et al., 2013; Samara et al., 2020) and explored personalization within the context of customer relationship management (Anshari et al., 2019; Evans, 2003; Fowler et al., 2013; Pitta et al., 2003; Smith, 2006). However, these existing reviews have limitations in terms of their scope and methodology. They tend to have a narrow focus and rely on qualitative techniques such as basic content and thematic analysis. To overcome these limitations, a more comprehensive approach is needed, such as a bibliometric review.

A bibliometric review can handle a large corpus of literature and utilize a combination of quantitative and qualitative techniques to provide a holistic and informed overview of the field (Donthu, Kumar,

Mukherjee, et al., 2021; Goyal & Kumar, 2020). Given the diverse and fragmented nature of knowledge on personalization, a bibliometric review can offer a comprehensive map of the current landscape and future possibilities in the field. Importantly, bibliometric studies provide an objective perspective by relying on statistical methods, which helps overcome the subjective bias often associated with manual reviews based solely on qualitative judgment (Donthu, Kumar, Mukherjee, et al., 2021). These studies offer a bird's eye view of the existing literature, enabling researchers to identify knowledge gaps and derive new research ideas.

## CONCEPTUAL BACKGROUND

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## DEFINITION OF PERSONALIZATION

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## DIFFERENCE BETWEEN PERSONALIZATION ANDCUSTOMIZATION

Personalization and customization are often used interchangeably, but they have distinct differences at the conceptual level. Personalization is a concept initiated by the firm, where the marketing mix is altered based on customer data to cater to individual tastes. On the other hand, customization is a concept initiated by the customer, where they tailor the marketing mix to achieve customer satisfaction. These two concepts represent opposite ends of a continuum, where the offering is tailored according to the relevance of the customer. Mass customization, introduced by Davis (1987) and further developed by Pine (1993), provides a practical framework for incorporating customization into business strategies.

Personalization is driven by the firm and relies on customer insights to develop personalized offerings. In contrast, customization is driven by the customer, allowing them to decide on various aspects of the offering, such as color, features, and size. In summary, personalization involves marketers adapting the offering based on customer data, while customization empowers customers to customize the offering according to their own needs and preferences. Customization can take different forms, including adaptive, cosmetic, transparent, and collaborative approaches, each catering to specific customer requirements. Collaborative customization involves firms working closely with customers to understand their needs, while adaptive customization allows customers to customize standard products. Cosmetic customization presents the standard product differently to different customers, and transparent customization offers unique products and services to individual customers.

## DEFINITION OF PERSONALIZED MARKETING

Personalized marketing refers to the practice of creating and delivering customized products and services to individual customers. This approach involves tailoring offerings to meet the unique needs and preferences of each customer, often referred to as one-to-one marketing or customization. According to Pepper and Rogers (1997), one-to-one marketing is a targeted process that delivers personalized offerings based on individual customer requirements. It is an integral part of the marketing mix, where customized marketing strategies are employed to serve each customer, surpassing the limitations of a one-size-fits-all approach. By utilizing customer relationship management and accessing a customer database, firms can adapt their products and services to align with customer tastes and preferences, thereby enhancing customer value.

Additionally, personalized marketing involves adjusting a firm's behavior to meet individual requirements and modifying the marketing mix to foster and maintain customer relationships. Scholars have highlighted the benefits of personalized marketing, including gaining customer insights and achieving a competitive advantage (Aksoy et al., 2021). In recent years, mobile devices have become a vital tool for marketers to develop hyper-contextual personalized marketing programs (Tang et al., 2013; Tong et al., 2020).

## PROCESS OF PERSONALIZATION

Personalization, as described by Adomavicius and Tuzhilin (2005), is a dynamic and iterative process that involves navigating through various stages. Peppers and Rogers (1997) were pioneers in conceptualizing personalization as a four-stage process, encompassing customer identification, need identification, customer interaction, and product customization. Building upon this framework, Adomavicius and Tuzhilin (2005) condensed the initial steps into two stages, focusing on understanding the customer and delivering personalized offerings, while also introducing a third stage to measure the impact of personalization. This process of personalization can be viewed as a value co-creation process for both marketers and customers, as highlighted by Vesanen and Raulas (2006). By accounting for customer heterogeneity through value, knowledge, orientation, and relationships, the role of personalization in marketing is further enhanced. Dawn (2014) emphasizes the transformative power of personalization, as it expands the traditional four "Ps" (product, price, place, and promotion) into five "Is": identification, individualization, interaction, integration, and integrity.

## TYPES OF PERSONALIZATION

The classification of personalization can be discerned through various schools of thought. The six most prominent questions that revolve around the core of personalization are: what is personalized, how is the personalized design communicated to the customer, who does the personalization, what kinds of data are used, where the data comes from, and how it is personalized. According to Aksoy et al. (2021), these questions cue the classification of personalization. On the other hand, Fan and Poole (2006) classify personalization based on what is personalized (functionality, content, interface, channel), for whom it is personalized (individual or group), and who does the personalization (customer-initiated or firm-initiated). Additionally, personalization can be categorized as architectural, relational, instrumental, and commercial based on the motivation and objective behind it (Fan & Poole, 2006). Architectural personalization creates an engaging environment for self-expression by using the cognitive, affective,

and sociocultural aspects of customers. Instrumental personalization enhances user efficiency and productivity by using the situated needs of customers. Commercial personalization designs personalized offerings to increase sales by using customers' demographic and psychographic data. Relational personalization fulfills customers' emotional and socialization needs by using their social and relational aspects.

A classification of personalization objects, targets, and sources was conducted by Sunikka and Bragge (2008) in response to the various dimensions of personalization. Kwon and Kim (2012) furthered this classification by categorizing personalization based on the level of personalization. Additionally, Aksoy et al. (2011) provided a typology of personalization based on a comprehensive literature review. The strategic-level decisions of personalization method and form are focused on enhancing user experience. The self-reference method, anthropomorphism method, and system-characteristics method are the three personalization methods classified based on the personalization method and modes of communication. The self-reference method reinforces personal touch through individualistic communication, while anthropomorphism uses human-like communication and behavior to augment bonding with customers. Intelligent systems and algorithms offer personalized information to individuals through system-based personalization.

## EVOLUTION OF PERSONALIZED MARKETING RESEARCH

The concept of personalization has been around for quite some time, with the earliest use of personalized direct marketing letters dating back to 1870. However, it wasn't until the 1940s that marketers observed a significant increase in response rates with personalized salutations. Despite its initial success, personalization became difficult and expensive to execute until the advent of present computing power. The idea of personalization originated from researchers acknowledging the heterogeneity of markets consisting of homogeneous customer groups according to their needs and wants. The evolution of topics in the field has been captured using the Biblioshiny software, with four time zones categorized into strategic diagrams based on the centrality and impact of keywords. The upper right-hand quadrant represents motor topics, while the lower right corner represents transversal topics. The lower left-hand corner represents emerging topics, and the upper left corner represents niche topics with a concentrated focus on specific aspects of the field.

From 1990 to 2000, personalization was primarily viewed as a means to improve response rates for mail surveys. Researchers focused on enhancing response rates through qualitative and quantitative methods. However, in the later part of the decade, the focus shifted towards personalization in service delivery and encounters, with the outcomes being customer satisfaction and service delivery. These studies were categorized under customer relationship management, which was central to the development of personalization. In the following decade, from 2001 to 2010, personalized marketing was studied from the perspective of online channels. The emergence of technologies such as decision support systems and recommended systems helped in customer profiling for e-commerce and mobile advertising applications, leading to enhanced customer satisfaction. Techniques and technologies such as customer profiling, decision support systems, recommended systems and neural networks became the most researched topics in the field, with mobile advertising receiving increasing attention among researchers.

From 2011 to 2020, marketers placed a strong emphasis on utilizing information technology to create personalized experiences driven by data. By analyzing historical customer data, trends were identified, providing valuable insights to develop tailored offerings and communication strategies (Lambrecht & Tucker, 2013). Improved personalization not only enhances service quality and customer experience but also raises concerns regarding compromised data privacy (Aguirre et al., 2015). The balance between sharing personal information and reaping personalized benefits remains a topic of debate (Acquisti et al., 2012). During this period, customer analytics played a pivotal role in personalization, leveraging both structured and unstructured data from within and outside the organization. This wealth of data presented unprecedented opportunities for informed marketing decisions (Wedel & Kannan, 2016). Data has become the lifeblood of the digital economy, enabling individualized personalization. Customer analytics provides valuable insights into customer behavior and their experiences with products and services (Verma, 2014, 2020; Wedel & Kannan, 2016).

The rapid growth of information technology-based applications, such as big data, AI, and augmented reality, opened up new avenues for electronic customer relationship management (Steinhoff et al., 2019). This decade also witnessed the rise of various contexts, as depicted in the alluvial diagram, including e-commerce, advertising, promotions, and the application of information technology. Consequently, researchers redirected their focus toward studying personalization from the perspectives of mobile advertising, e-commerce, marketing, and retailing.

In the current year (2023), the strategic landscape indicates that customer relationship management serves as a cross-cutting theme, linking various areas of study in personalized marketing, with a particular emphasis on sales. Consequently, it can be inferred that researchers are likely examining the return on investment associated with personalized marketing. Expanding the scope of this field could involve harnessing algorithms provided by modern technologies to enhance customer loyalty and increase the frequency of repurchases, thereby enhancing the overall customer lifetime value derived from personalized marketing efforts.

## WAYS FORWARD FOR PERSONALIZED MARKETINGRESEARCH

The thematic clusters from bibliographic coupling and co-wordanalysis indicate clear convergence and successful triangulation,thereby establishing the reliability and validity of the major themesunderpinning the intellectual structure ofpersonalized marketingresearch that was unpacked and reported herein in this review.

To gain a better understanding of the ways forward forpersonalized marketing research, this study uses author keywords asinputs to generate a strategic diagram with impact and centrality asits y-axis and x-axis (Cobo et al., 2011a,2011b) using the simplecenter algorithm in Biblioshiny in R (Coulter et al., 1998; RQ4).

Centrality reflects the importance of topics, whereas impact signifiesthe development and influence of topics in the field. The graphicalrepresentation of the strategic diagram is divided into four quadrantsusing the typology defined by Cahlik (2000).
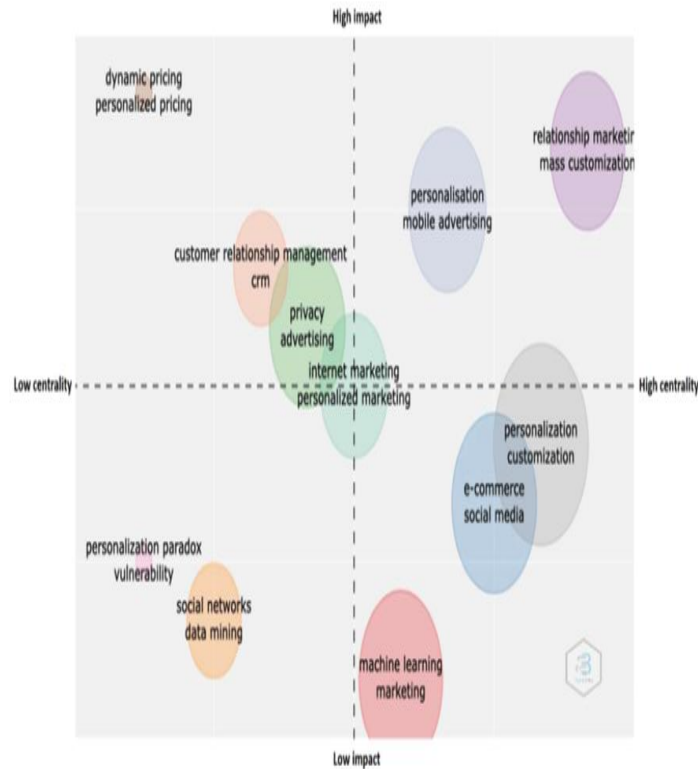
The keywords in the upper-right quadrant are known as motortopics with high centrality and high impact. The keywords in thisquadrant—that is, "relationship marketing and mass customization" and "personalization and mobile advertising"—are well-developed andserve as foundational insights for personalized marketing. They alsocorrespond to the thematic cluster on personalized relationships in thebibliographic coupling and co-word analysis, which highlights thefundamental importance of customer relationship management inpersonalized marketing, transcending beyond context and time.Therefore, future research on personalized marketing should alwaysremain cognizant of the impact that any suggested personalization solution will have on the relationship between brands andtheir target customers.

The keywords in the bottom-right quadrant are known astransversal topics with high centrality but low impact. The keywordsin this quadrant—that is, "personalization and customization,""e-commerce and social media," internet marketing and personalizedmarketing," and "machine learning and marketing"—are central topersonalized marketing, though they can only exert low impact onthe field on its own. Therefore, future research is likely to be betteroff using the concepts represented by these keywords to empowernew research across the thematic clusters revealed herein in thisreview as opposed to pursuing new research focusing on theseconcepts independent of the thematic clusters.

The keywords in the upper-left quadrant are known as niche topicswith low centrality but high impact. The keywords in this quadrant—that is, "dynamic pricing and personalized pricing," customerrelationship management or CRM, "and "privacy advertising"—represent topics that are well developed and have a high impact onthe field, though they remain as niche rather than mainstream topics.Future research in these areas is likely to be fruitful due to the highimpact that they can potentially contribute to the field, and they arelikely to be in demand by both mainstream (e.g., Journal of

Marketing, Journal of Marketing Research, and Marketing Science) and specialty journals that welcome niche insights on personalized marketing.

The keywords in the lower-left quadrant are known as emerging topics due to their low centrality and low impact. The keywords in this quadrant—that is, "personalization paradox and vulnerability" and "social networks and data mining"—represent potential areas of research that would benefit from fresh and novel ideas. Note worthily, the personalization paradox and vulnerability concern from personal information disclosure and privacy remain highly relevant in the age of AI and ML where customer activity is being tracked without their explicit awareness, though they may have simply agreed to it when consent requests pop up amid their activity. The same can be said about social networks and data mining, which can be readily exploited by new-age technologies in the fourth industrial revolution (IR4.0). This corroborates with the emergence of customer analytics (e.g., algorithms) and the growth of interest in its returns (e.g., customer relationships and sales) in recent times, as noted through the evolution of personalized marketing research discussed previously.

## CONCLUSION

The field of personalization is complex and multifaceted. While a basic understanding of personalization exists, the concept was not as well-established or fortified as other marketing concepts. More often than not, personalization is treated as a subset of segmentation, where the segment is taken as a whole, which does not embody the true meaning of personalization. The comprehensive review herein makes clear that personalization considers the aspects of purpose and context in its conceptualization, and the drivers parties involved, and context in its operationalization, thereby making personalization unique to the individual customer rather than to the entire customer segment.

The performance analysis of personalized marketing research indicates that the publication productivity and citation impact of the field continue to grow steadily over the years, boding well for the future. The analysis also indicates that R.T. Rust, M. Wedel, and A. Tuzhilin are among the most productive and influential authors; Marketing Science and Expert Systems with Applications are among the most productive journals; and Linden et al.'s (2003) item-to-item collaborative filtering, Vesanen's (2007) conceptual framework on personalization, and Wind and Rangaswamy's (2001) customization are among the most influential publications in the field of personalized marketing.

The science mapping of personalized marketing research was conducted using bibliographic coupling and co-word analysis, resulting in six themes that underpin the field's intellectual structure, namely personalized recommendation, personalized relationship, personalization–privacy paradox, personalized advertising, personalization concept and discourse in marketing, and customer insights in personalized marketing. Noteworthily, all themes were triangulated using alternative sources of bibliometric information (e.g., references
for bibliographic coupling and keywords for co-word analysis), thereby establishing the reliability and validity of the themes discovered and reported herein in this review.

Moving forward, the review also lends support to future research on personalized marketing. Specifically, a strategic diagram was curated using keywords to map the most prominent topics in the field across four

quadrants on the criteria of centrality and impact. Thediagram indicated that topics related to personalized relationships(e.g., relationship marketing and mass customization as well aspersonalization and mobile advertising) are fundamental to personalized marketing as customer–brand relationships are formed andinfluenced through marketing activities. The diagram also revealedthat topics such as personalization and customization, e-commerceand social media, internet marketing and personalized marketing, andML and marketing should not be studied independently but rather beresearched across the six themes as they can provide empoweringperspectives to enrich thematic research in the field.

Other topicsthat are niche but worthy of further investigation given their highimpact on the field include dynamic pricing and personalized pricing,customer relationship management, and privacy advertising, whereastopics revolving around the personalization paradox and vulnerabilityas well as social networks and data mining are emerging in the age ofAI and ML and thus warrant future research scrutiny.Last but not least, a reflection of the comprehensivebibliometric review herein reveals several noteworthy knowledgegaps that can be explored and addressed in future research. First,the literature on personalized marketing appears to be repletewith studies in the online context, though several researchershave begun to explore and replicate the effect of personalizedmarketing in offline environments (Kang et al., 2020; Reiggeret al., 2021).

Thus, future research is encouraged to explore thispath of knowledge to develop a personalization continuuminvolving offline and online channels, forging a new stream ofresearch called omnichannel personalized marketing. Second, theliterature on personalized marketing appears to be skewedtoward the application of AI and ML, while other new-agetechnologies such as big data analytics, blockchain, the internetof things, and wearables have received little attention, asindicated through the co-word analysis.

Therefore, futureresearch is encouraged to explore the application and utility ofalternative new-age technologies in addition to existing onessuch as AI and ML for personalized marketing. Third, personalization depends on the accessibility and quality of customer data,but the sharing of personal data can raise vulnerability concernsamong customers, which is known as the personalization–pivacyparadox. Past researchers have recommended the explicit ratherthan implicit collection of customer data alongside trust-buildingstrategies and the promotion of personalization usefulness toinstill customer confidence and improve their perception towarddata sharing (Aguirre et al., 2015; Aiolfietal.,2021; Kang&Namkung, 2019).

To extend this emerging and important line ofinquiry, future research is encouraged to explore new ways topromote self-disclosure and the sharing of personal data with customers for personalized marketing. Finally, thoughtheideaofuniversal recommendation is contentious yet potentially feasible,further evidence is required for it to materialize. In this regard,future research is encouraged to examine personalized marketingpractices across cultures, generations, and product categories,among others, to identify potential lines of convergence forpersonalized marketing.