A Brief Review of the Marketing Literature on Personalization in Marketing

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Table of Contents

Contents

Table of Contents 1
Introduction 1
Defining the Concept of Personalization 2
Literature Review 3
Summary 9
Bibliogaphy 10

Introduction

The Best Buy case focuses heavily on customer engagement as a critical concept related to "marketing success" in consumer retail marketing. One of the reasons why customer engagement is such a powerful concept in this context relates to the underlying strategy of marketers to focus on personalization as a means of increasing co-created value in marketing exchanges. This article represents an abbreviated review of the marketing literature related to the issue of personalization in consumer marketing.

Defining the Concept of Personalization

Consistent with our critical thinking approach, we endeavor to begin by defining the concept of interest based on the weight of the evidence in the existing literature. Table 1 provides our effort in this abbreviated literature review for this purpose.

Table 1: Defining Personalization

Source	Theoretical Definition	Operational Definition	Key Concepts
Suprenant and Solomon (1987)	*Personalized Service* – Refers to any behaviors occurring in the interaction intended to contribute to the individualization of the customer. That is, the "customer" role is embellished in the encounter through specific recognition of the customer's uniqueness as an individual over and above his/her status as an anonymous service recipient.	Service Quality	Behavioral, individualization
Mittal and Lassar (1996)	*Personalization* – the social content of interaction between service or retail employees and their customers.	Service Quality	Social content, interaction
Ball (2006)	*Service Personalization* – Any creation or adjustment of a service to fit the individual requirements of a customer.	Three-item Likert scale they created.	Creation/adjustment of services to fit individual customer requirements.
Vesanen (2007)	*Personalization* is the use of technology and customer information to tailor electronic commerce interactions between a business and each individual customer. Using information either previously obtained or provided in real-time about the customer, the exchange between the parties is altered to fit that customer's stated needs as well as needs perceived by the business based on the available customer information.	None identified.	Technology-based, individualization in service provision, real-time
Chung and Wedel (2014)	*Personalization* involves the firm itself tailoring the marketing mix to the customer, based on available customer information.	None identified.	Tailoring marketing mix based on customer needs.
Summary	Personalization in this context is co-creating value by using marketing tools and decisions to increase individualization to meet customer needs, today often through the use of technology.		

Literature Review

Suprenant and Solomon (1987) appear as one of the first marketers to specifically address personalization in marketing-based service encounters. These authors argued that providing 'good service" often translates as more personalized service. They identify three ways of implementing personalization, with different consequences for evaluations of service quality.

- *Option personalization* – Probably the most common method of personalizing a service at that time was to allow a consumer to choose from a set of service possibilities. A focus on the service encounter creates personalization by providing a menu of alternatives from which the consumer can choose the option best suited to his or her specific needs. Directed toward personalization of the outcome of the service.
- *Programmed personalization* – Another common strategy is to give the impression of personalized service by encouraging small talk, using customers' names, etc. It is often accomplished by embellishment of routinized actions with personal referents to make each person feel like an individual, not "just another customer." Directed toward personalization the interactive process of obtaining the service.
- *Customized personalization* – In contrast to an emphasis on pro forma courtesy, customized personalization is based on the desire to assist the customer in attaining the best possible form of the service offering for his or her needs. This type of personalization, like programmed personalization, decreases predictability and increases cognitive effort. However, when combined with other personalization, this type of advice and attention may increase the customer's confidence that he/she has obtained the best alternative, one designed to suit his or her unique needs. Directed toward personalization the interactive process of obtaining the service.

Mittal and Lasser (1996) advance the notion that personalization is an important mediator of customer satisfaction and patronage behavior. Specifically, these authors argue that:

↑ Personalization → ↑ Service quality → ↑ Satisfaction → ↑ Patronage in consumer retail settings.

Ball et al. (2006) present empirical evidence that an effect exists between service personalization and loyalty, however, the effect is not all direct (i.e., there are also indirect effects). Specifically, personalization appears to work through improving service satisfaction and trust:

↑ Personalization → ↑ Trust, Satisfaction → ↑ Loyalty in consumer retail settings.

In addition, they find that personalization and improved communication act together in such a way that they account for the variance in loyalty that would otherwise be explained by corporate image. Ball et al. (2006) assert that their results imply that service personalization is a powerful way to retain customers in its own right. Further, they argue that personalized service can partially replace the effects of communication and corporate image on loyalty. Thus, personalized service can also be a powerful addition to mass communications.

Vesanen (2007) presents a conceptual framework to help clarify the multitude of perspectives in the extant literature concerning the concept of personalization. Vesanen (2007) begins by identifying the following definitions from a literature review (see Figure 1):

Table II. Definitions of personalization and customization

Author	Personalization	Customization	Interrelationship
Hanson (2000)	"A specialized form of product differentiation, in which a solution is tailored for a specific individual" (p. 450)	"The combining of individual-level information and flexible product design" (p. 445)	Customization is part of personalization and different levels of personalization create a continuum (p. 188)
Peppers *et al.* (1999)	"Customizing some feature of a product or service so that the customer enjoys more convenience, lower cost, or some other benefit"	Treating a particular customer differently based on what that customer said during an interaction. (1998, p. 146)	Not important to distinguish between personalization and customization
Allen *et al.* (2001)	Company-driven individualization of customer web experience (pp. 32-33)	Customer-driven individualization of customer web experience (pp. 57-58)	Sometimes difficult to separate between concepts since: "a customized site can provide personalized content" (p. 32)
Imhoff *et al.* (2001)	"Personalization is the ability of a company to recognize and treat its customers as individuals through personal messaging, targeted banner ads, special offers on bills, or other personal transactions" (p. 467)	Customization includes individualization of features, e.g. web site content, by customers (p. 374)	Customization is part of the personalization concept
Wind and Rangaswamy (2001)	Personalization can be initiated by the customer (e.g. customizing the look and contents of a web page) or by the firm (e.g. individualized offering, greeting customer by name etc.) (p. 15)	Customization further developed into customerization, initiated by the customer. "... a business strategy to recast a company's marketing and customer interfaces to be buyer-centric" (p. 14)	Customerization a more advanced form of personalization, combines mass customization of products with customized marketing
Cöner (2003)	Personalization is performed by the company and is based on a match of categorized content to profiled users	Customization is performed by the user	Important to distinguish between personalization and customization. Customization is a form of personalization which is done by the customer
Roberts (2003)	"The process of preparing an individualized communication for a specific person based on stated or implied preferences" (p. 462)	"The process of producing a product, service, or communication to the exact specifications/desires of the purchaser or recipient" (p. 459)	Customization is more in depth individualization than personalization (p. 157)

Source: Vankalo (2004)

Figure 1: Vesanen's (2007) Definitions of Personalization and Customization from Literature

Vesanen (2007) continues by conceptualizing the process of personalization (see Figure 2).

Figure 2: The process of Personalization -- Source: Vesanen and Raulas (2006)

Finally, Vesanen (2007) presents a framework of personalization that demonstrates how value is created through the interactions and relationships between a marketer and his/her customer (see Figure 3):

Figure 3: The Framework of Personalization. Source: Vesanen (2007)

Rust and Huang (2014, p. 206) identify the deeper implications of marketing as a science based on the service revolution (including issues related to customer personalization:

> "The nature of marketing science is changing in a systematic, predictable, and irrevocable way. As information technology enables ubiquitous customer communication and big customer data, the fundamental nature of the firm's connection to the customer changes: better, more personalized service can be offered, from which service relationships are deepened, and consequently, more profitable customers grow the influence of service within the goods sector and expand the service sector in the economy. Marketing is becoming more personalized, and marketing science techniques that exploit customer heterogeneity are becoming more important. Information technology improvements also guarantee the increasing importance and usage of computationally intensive data processing and "big data." Most importantly, these trends have already lasted for more than a century, and they will become even more pronounced in the coming years as a result of the monotonic nature of technology improvement. These changes imply a transformation of marketing science in both the topics to be emphasized and the methods

to be employed. Increasingly, and inevitably, all of marketing will come to resemble to a greater degree the formerly specialized area of service marketing, only with an increased emphasis on marketing analytics."

In addition, these authors present a conceptual framework that illustrates how advances in IT result in service revolution (see Figure 4):

Figure 4: Information Technology and the Expansion of Service. Source: Rust and Huang (2014)

Most recently, Chung and Wedel (2014) build on the notion of adaptive personalization and mobile information services. These authors argue that because the development and use of information services has been expanding exponentially, for most information service categories

personalization has become not only feasible, it has also evolved as an important competitive strategy. These trends have led to the emergence of closed-loop marketing as an emerging major strategic option (see Figure 5):

Figure 5: Closed-Loop Marketing. Source: Chung and Wedel (2014)

These emerging closed-loop marketing strategies have increasingly led to adaptive personalization strategies. These strategies take full advantage of unobtrusively obtained customer information to provide personalized services in real time. For example, Groupon.com presents daily deals for products and services from local or national retailers. Figure 6 presents a visualization of an adaptive personalization system.

Figure 6: Adaptive Personalization System. Source: Chung and Wedel (2014)

Summary

This section provides an abbreviated literature review to summarize the current state of knowledge about personalization of consumer services. This strategy of personalization underlies emerging consumer retail practices as a means of value co-creation to ensure customer satisfaction, and ultimately, consumer loyalty. Technology is increasingly being used by marketers to identify consumer needs and increase personalization through individualism.

Bibliogaphy

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