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THE ROLE OF PERSONALIZATION IN MODERN MARKETING

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РОЛЬ ПЕРСОНАЛІЗАЦІЇ У СУЧАСНОМУ МАРКЕТИНГУ

Modern marketing is undergoing significant transformations due to the development of digital technologies, the growth of data volume, and numerous changes in consumer behavior and preferences. Among such transformations are the shift to digital channels, information dissemination, the implementation of fast service, convenient purchasing processes, and a unique user experience. One of the key transformations in marketing is its personalization, which allows businesses to create relevant offers for each consumer, taking into account their behavior and enhancing the effectiveness of marketing campaigns and customer satisfaction levels. The article aims to investigate the role of personalization in modern marketing, determine its impact on consumer behavior, and assess its effect on the effectiveness of marketing campaigns and programs. The research findings prove that the role of personalization in modern marketing depends on the approach to its implementation —

through personalized advertising and recommendation systems with individualized prices and offers. This specificity is due to the fact that these components are key to adapting the classic offering to the specific needs of consumers. Furthermore, the authors highlight that although these approaches use consumer data, they have different mechanisms and objectives. Personalized advertising is more focused on direct sales or interaction, while recommendation systems with individualized prices and offers are more aimed at enhancing user loyalty and building long-term relationships with them. It has been proven that personalized advertising is more focused on direct sales or interaction, while recommendation systems with individualized prices and offers are more centered on enhancing user loyalty and building long-term relationships with them. It has been proven that advertising campaigns use specialized tools for targeting and optimizing ads, while recommendation systems rely on machine learning algorithms and analysis of previous interactions.

Сучасний маркетинг зазнає значних трансформацій під впливом розвитку цифрових технологій, зростання обсягу даних і численних змін у поведінці й вподобаннях споживачів. Серед таких трансформацій — перехід до цифрових каналів, розповсюдження інформації, впровадження швидкого обслуговування, зручних процесів купівлі та унікального користувацького досвіду. При цьому однією з ключових трансформацій маркетингу є його персоналізація, що дозволяє суб'єктам бізнесу створювати релевантні пропозиції для кожного споживача, враховуючи його поведінку, підвищуючи ефективність маркетингових кампаній і рівень задоволеності клієнтів. Відтак, метою статті є дослідження ролі персоналізації в сучасному маркетингу, визначення її впливу на поведінку споживачів та ефективність маркетингових кампаній і програм. Для досягнення мети використано такі методи дослідження, як аналіз і синтез даних, статистичні методи, а також проведення емпіричних досліджень через опитування споживачів, аналіз їх поведінки в цифрових середовищах та вивчення ефективності маркетингових кампаній на основі персоналізованих стратегій. За результатами дослідження доведено, що роль персоналізації у сучасному маркетингу залежить від підходу до її реалізації — через персоналізовану рекламу та рекомендаційні системи з індивідуальними цінами та пропозиціями. Така специфіка зумовлена тим, що саме ці складові є визначальними для адаптації класичної пропозиції під конкретні потреби споживачів. Крім того, авторами звернено увагу на той факт, що, хоча ці підходи використовують дані про споживачів, вони мають різні механізми та цілі. Так, персоналізована реклама більш орієнтована на безпосередній продаж чи взаємодію, а рекомендаційні системи з індивідуальними цінами та пропозиціями більше фокусуються на підвищенні лояльності користувачів і створенні тривалих стосунків із ними. Доведено, що персоналізована реклама більш орієнтована на безпосередній продаж чи взаємодію, а рекомендаційні системи з індивідуальними цінами та пропозиціями більше фокусуються на підвищенні лояльності користувачів і створенні тривалих стосунків із ними. Також доведено, що рекламні кампанії використовують спеціальні інструменти для таргетингу й оптимізації реклами, тоді як рекомендаційні системи спираються на алгоритми машинного навчання й аналізу даних про попередні взаємодії.

Key words: marketing; advertising; offers; recommendation systems with personalized prices; consumer behavior; personalized pricing; digital marketing technologies; digital information distribution channels.

Ключові слова: маркетинг; реклама; пропозиції; рекомендаційні системи з індивідуальними цінами; поведінка споживача; персоналізовані ціни; маркетингові цифрові технології; цифрові канали розповсюдження інформації.

PROBLEM STATEMENT

Modern marketing is undergoing significant transformations due to the development of digital technologies, the growth of data volume, and numerous changes in consumer behavior and preferences. Among these transformations are the shift to digital channels, the implementation of fast service, convenient purchasing processes, and unique user experiences.

Attention to the opinions of influencers, bloggers, and ordinary consumers who leave reviews has a strong impact on purchasing decisions. One of the key transformations in marketing is personalization, which allows businesses to create relevant offers for each consumer, enhancing the

effectiveness of marketing campaigns and increasing customer satisfaction. For example, personalization is manifested through recommendation systems on websites or mobile applications that analyze consumers' purchases or browsing history and suggest products or services that best match their interests [2]. Personalization can also be implemented through targeted advertising on social media, which is delivered based on data about user behavior, age, location, and other criteria, allowing brands to achieve the most relevant and effective communication with their audience [6].

In particular, the drive for deeper personalization is reflected in the increasing diversification of marketing

Feature 1: Awareness of behavioral data
(collection and processing of data on consumer behavior)¹

Feature 2: Audience segmentation
(dividing the audience into groups).

Feature 4: Dynamic content
(content that can adapt in real-time to the user's interaction with the website or their online behavior).

Features that define the adaptability of marketing communications, products, and services to the individual needs and preferences of consumers.

Feature 3: Personalized products and services
(their alignment with the specific needs and preferences of consumers).

Feature 5: Interactivity and feedback
(interacting with customers and receiving feedback from them)²

Feature 6: Temporal personalization
(the ability to create offers that take into account the time of day and season, enhancing the relevance of marketing materials).

— Interactivity and feedback;
— Temporal personalization (referring to special offers or promotions that can be adapted to festive periods, seasons, or events in the customer's life).

The content of the outlined features, according to the specifics of personalization presented in Figure 1, allows businesses to implement marketing strategies that generally rely on personalized advertising or recommendation systems with individual prices and offers.

This specificity is due to the fact that these components are crucial for adapting the classic offering to the specific needs of consumers [5].

The difference between personalized advertising and recom-

mendation systems with individual prices and offers lies in the approach to content creation and user interaction.

In particular, marketing strategies that use personalized advertising are based on a series of individual ads (targeting [1]) across various platforms (Google Ads, Instagram, Facebook, website banners, etc. [5; 7]), each of which has its objective (for example, attracting visitors, increasing brand awareness, or boosting sales of a specific product [7]).

In fact, this process is based on accumulating data about consumer preferences and behavior to create targeted ads that are most productive in terms of click-through rates and conversion. According to Hub Spot and Active Group, which conduct marketing research, targeted ads on social media platforms guarantee a higher efficiency rate compared to non-targeted ads.

Personalized advertising operates based on specific principles.

In particular, tools like Facebook Ads (Facebook), Google Ads, FB Ads Manager (Facebook), and others allow targeting to be customized based on demographic characteristics, interests, behavioral data, and even previous interactions with websites or apps.

These ads can include text, graphics, and other information summarized in various formats, such as posts with cards (images, text, links), story ads (on Instagram, Facebook, and other platforms), universal posts (with photos, videos, text content, links, etc.), Lead Ads (advertising blocks with the option to collect contact information from the target audience), and more.

Due to the different formats, there is a visual similarity between targeted ads and regular posts, making them appear natural and non-intrusive.

So, targeted ads are displayed in the same feed as regular posts on social media, making them look like a part of the content.

Targeted ads use colors and designs that match the overall style of the social network. Targeted ads are created in a style that resembles typical posts from users or brands (although they may include buttons like "Learn More," "Buy," or "View").

Figure 1. The content of key features of marketing personalization

Note:

1. Generalized information about consumer interactions with websites, search queries, purchase or viewing history, as well as time spent on specific pages.

2. Communication through surveys, questionnaires, polls, chats, or other tools that help to better understand consumer needs and adapt offers accordingly.

Source: compiled based on [1; 3; 5; 7].

strategies used by businesses to understand consumers' needs and provide them with offers that match their interests and preferences.

ANALYSIS OF RESEARCH AND PUBLICATIONS

Among the studies that initiated the exploration of modern marketing transformation features, we have highlighted the works of Popko O.V., Filatov V.V. [5], Illiashenko S.M., Shipulina Yu.S., and Illiashenko N.S. [1].

These authors mostly focus on examining marketing personalization as a key element in creating a deep connection between brands and consumers or as a factor that strengthens long-term customer relationships.

At the same time, the role of personalization in modern marketing, particularly its contribution to ensuring effective interaction with consumers, remains insufficiently studied and lacks established theoretical approaches.

FORMULATION OF THE ARTICLE'S OBJECTIVES

The article aims to investigate the role of personalization in modern marketing, determine its impact on consumer behavior, and assess its effect on the effectiveness of marketing campaigns and programs.

THE PAPER MAIN BODY

Modern technologies, such as artificial intelligence, machine learning, and big data analytics, provide businesses with the opportunity to collect and analyze large volumes of information about consumer behavior. In particular, the features of marketing personalization include [1; 5]:

— Awareness of behavioral data; audience segmentation (which allows businesses to target specific consumer groups with personalized messages);

— Personalized products and services (referring to the ability to choose colors or materials for products or provide individual services based on customer preferences);

— Dynamic content (referring to the delivery of highly relevant information to consumers in real-time);

Table 1. Performance metrics for targeted Ad Launch

Performance metrics for targeted ads	Characteristics of targeted Ad effectiveness metrics
CR (conversion rate)	The ratio of the number of desired actions on the page to the number of visits, expressed as a percentage.
CPM (cost per mille)	The ratio of the cost of placing the ad to the number of impressions, multiplied by 1000.*
CTR (click through rate)	The ratio of the number of clicks on the ad to the number of impressions, expressed as a percentage
CPA (Cost per Action), CPS (Cost per Sale)	The ratio of advertising costs to the number of desired actions or sales.
ROI (Return on Investment) or ROMI (Return on Marketing Investment)	Ratios that reflect the profitability of investment in advertising or marketing and the effectiveness of the money spent.

Note:

*This metric allows for assessing the effectiveness of the advertising in terms of its reach among users, as well as tracking its economic performance at different stages of the advertising campaign.

Source: compiled based on [2; 6].

Moreover, launching targeted ads involves a wide range of metrics to measure their effectiveness (which forms before the launch). These can be both intuitive metrics, such as a cost per lead of no more than 30 UAH per lead or 100 website visits per day, as well as more complex metrics (see Table 1), including CR (conversion rate), CPM (cost per 1000 impressions), CTR (click-through

rate), CPS (cost per desired action or sale), ROI (Return on Investment), or ROMI (Return on Marketing Investment) [2].

It should be noted that regarding the effectiveness of targeted ads, research reports by Active Group indicate that:

1. They provide a 70% increase in the conversion rate compared to general ads.

2. They ensure a 202% higher click-through rate (CTR) compared to campaigns targeting a broad audience.

3. They result in higher CPA and other performance metrics.

In particular, Table 2 presents a range of personalized ad practices, the content of which also clearly demonstrates that personalized ads outperform general ads in terms of click-through rate (CTR) and conversion.

The outlined results are the consequence of a direct influence on the purchase or another desired action.

Marketing strategies that use recommendation systems are aimed at delivering a series of offers with personalized prices to maximize consumer interest and loyalty [6—7]. This process involves accumulating data not only about customers (their behavior, preferences, purchase history, and interactions with the brand) but also other data that forms the basis for launching personalization algorithms for the conditions or sets of products or services offered to the consumer for purchase (such as collecting keywords, competitor listings, and preparing negative keywords [2]).

In fact, on platforms like Amazon or Netflix, users are offered products or content based on their previous choices, significantly increasing the likelihood of a purchase or interaction.

Recommendation systems with personalized prices and offers operate based on specific principles. In particular, these systems can deliver different types of content, including [5]:

Table 2. Personalized ad practices that are hart of hersonalized advertising campaigns

Advertising personalization practices	Description of advertising personalization practices that are part of personalized advertising campaigns	Results of applying advertising hersonalization practices
Online Store Aurora (Retargeting from Facebook Ads)	75% of users view shoes on the Aurora online store's website but do not make a purchase. Thanks to Facebook Pixel, the store was able to display a personalized ad featuring the same shoes in the user's Facebook feed.	A 70% increase in the conversion rate compared to general ads.
Amazon (Targeting from Amazon SEO and Amazon PPC)	When a user viewed a specific product (for example, a smartphone) on the platform, a targeted ad showcasing the best offers and accessories for that product was displayed to them.	35% of Amazon's total revenue is generated through individual recommendations.
PETysa (Dynamic Remarketing from Google Ads)	The travel company Tysa (Mukachevo) displays ads to the user with offers specifically for the destination they previously searched for.	A 2-3 times increase in CTR compared to non-targeted ads..
Spotify (Personalized Playlists)	The platform offers the user a weekly personalized playlist based on their previous listening habits (Discover Weekly).	An increase in CPA and enhanced customer loyalty to the service.
Netflix (Content Personalization)	The user is shown advertising messages about the release of TV shows or movies based on their previous viewing history.	A 70% increase in click-through rates compared to random recommendations.

Source: Compiled by the author based on data from HubSpot and Active Group.

Table 3. Key Performance Indicators of Recommendation Systems

Performance metrics of recommendation systems	Characteristics of the Key performance indicators of recommendation systems
Time spent on recommendations	It reflects how much time a user spends viewing personalized offers. For example, in the case of online stores or streaming platforms, the time spent viewing can indicate increased interest in specific products or videos*
CR (conversion rate)	See Table 1. A high conversion rate indicates the effectiveness of recommendations, as they encourage users to take specific actions.
CPA (Cost Per Acquisition)	See Table 1.
Churn Rate (Customer dissatisfaction and attrition)	The percentage of users who unsubscribed from newsletters or activated AdBlock after receiving personalized offers.

Note

*The more time a user spends interacting with recommendations, the higher the likelihood that these offers will influence their decision to make a purchase or engage with the content.

Source: compiled based on [2; 6].

— Adaptive content on websites and apps, pop-up messages, and banners (including on the user profile on a website or in a dedicated app);

— Personalized email recommendations and so on.

For example, online stores like Amazon or Rozetka display a feed that covers various prices or special offers based on the user's purchase history, frequency of site visits, geolocation, and other factors.

The outlined recommendation systems can operate based on collaborative filtering tools (generating and delivering offers based on the analysis of user or product similarities), content-based filtering (generating and delivering offers based on data about the user's previous views), and hybrid filtering (generating and delivering offers

based on a combination of collaborative and content-based filtering to achieve more accurate results) [4].

These tools are driven by machine learning algorithms and data analysis of previous interactions [3].

The effectiveness of recommendation systems is measured through several key metrics that help assess how well these systems perform in generating personalized offers and improving the effectiveness of marketing campaigns. Among these metrics are the viewing time of offers, conversion rates, and CPA (see Table 3).

Noted that regarding the effectiveness of recommendation systems, research reports from Active Group highlight several key advantages that confirm their impact on business metrics:

Table 4. Practices for developing recommendation systems in marketing

Personalization practices using recommendation systems	Characteristics of personalization practices using recommendation systems	The result of applying personalization practices using recommendation systems
Netflix (Collaborative filtering)	On the Netflix platform, users are recommended TV shows and movies based on the choices of other users with similar interests.	Improved relevance of recommendations, leading to a 50% increase in viewing time and enhanced user experience.
Amazon (Content-Based filtering)	Amazon offers users products similar to those they have viewed or added to their cart.	Increased conversion rates through product recommendations.
Spotify and YouTube (Hybrid filtering)	Spotify and YouTube use both content-based and collaborative filtering to offer users personalized playlists (such as Discover Weekly) and video lists (such as Recommended for You, Watch Next).	More accurate music recommendations that boost user engagement and loyalty.

Source: Compiled by the author based on data from HubSpot and Active Group.

1. Recommendation systems are capable of increasing the time spent viewing offers by 50%, which is an important indicator of user engagement. More time spent on the website or app suggests greater relevance of the content and personalized offers effectiveness.

2. With the help of recommendation systems, the conversion rate increases by 40%. This means that personalized offers significantly increase the likelihood that a user will take the desired action (such as making a purchase or subscribing [2]), which in turn positively impacts the company's revenue.

3. Recommendation systems ensure greater user engagement and improve their loyalty.

In particular, Table 4 presents a range of practices for developing recommendation systems in marketing, the content of which demonstrates that such systems outperform general ones in terms of time spent viewing, conversion rates, and CPA.

The outlined results are a consequence of the transmission of content or products that closely align with the user's interests and preferences.

CONCLUSIONS

The research findings demonstrate that the role of personalization in modern marketing depends on the approach to its implementation — through personalized advertising and recommendation systems with individual prices and offers. This specificity is determined by the fact that these components are key to adapting the classic offering to the specific needs of consumers. Furthermore, the authors highlight the fact that although these approaches use consumer data, they have different mechanisms and goals.

It has been proven that personalized advertising focused on direct sales or interactions, while recommendation systems with individual prices and offers are more geared towards increasing user loyalty and building long-term relationships with them.

It has been proven that advertising campaigns use specialized tools for targeting and ad optimization, while recommendation systems rely on machine learning algorithms and data analysis of previous interactions.

Personalized advertising is typically part of advertising campaigns aimed at conversion, while recommendation systems can be integrated into a broader user interaction process, including personalized offers that help maintain customer loyalty.

Thus, personalized advertising focuses on one-time promotions and immediate conversions. The recommendation systems work towards long-term interaction and sustaining user interest.

The prospects for future research include the development of more precise personalization algorithms that combine elements of personalized advertising and recommendation systems to achieve an optimal balance between immediate conversions and long-term user loyalty.

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