

Chapter 7

Personalization of Marketing for Today and the Future: The Role of Artificial Intelligence

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ABSTRACT

Advances in artificial intelligence significantly impact the marketing industry as a whole, including customers, enterprises, and the market environment. The intersection of artificial intelligence with particular marketing topics, such as personalization, offers significant potential for both present and future marketing. This study aims to examine the personalization concept within AI intersections perspective; with that aim, a literature review methodology is used. Seven intersection areas are presented in the study: advanced customer segmentation and targeting, predictive analytics for personalized marketing, emotion recognition and sentiment analysis, context-aware personalization, dynamic content generation and customization, intelligent recommendation systems, and personalized customer service and chatbots. Each intersection area contains one example business case. The study also includes solutions and recommendations, and future research directions.

INTRODUCTION

Today's consumer has experienced significant changes when evaluated together with the last fifty years. Today's consumer has quite different characteristics from fifty years ago on many different issues, such as the products and services they consume, their consumption styles, socialization styles, social communication, and how they live their daily lives. These changes experienced by consumers can be witnessed both in the market itself, in the practices of businesses, and in the understanding of marketing. When the marketing history is evaluated from the beginning, the classification of marketing management approaches by Kotler and Armstrong (2021) can be used a solid approach to understanding the transitions in marketing history. According to the authors, a production-oriented production approach

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sets out with the understanding that “every product produced is sold.” . This is followed by the product concept, in which the functional and attribute-based differences of the product come to the fore, and then the sales concept, in which the sales team stands out. The common understanding in product and sales understanding is the market saturation that occurs after applying the prevailing understanding in the previous period by the companies in the market. After the sales concept, when the companies in the market matured, a focus was placed on creating value for consumers, considering products or services beyond a particular benefit, and emphasizing value for consumers. The foundations of today’s marketing were laid in this period, the marketing period. Then, with the social marketing period, the understanding of creating value for the customers in the market went further, and the understanding of creating value for society and the world began. In the historical basis of the concept of personalization in marketing, it can be mentioned that the marketing period aims to produce value for the customer. Accordingly, a product is not just a commodity with a specific function; it must contain a value proposition for the customers who will use it. The price paid for an electronic item is not limited to the functional benefit of that item. In addition to its functional benefit, the concept of “customer value” is mentioned, which refers to a very comprehensive area, such as ease of purchase, after-sales support, long-term consumer benefits, and brand loyalty. Accordingly, today’s consumer evaluates products/services not only as commodities but also with the value that those products/services create for the customer.

With the spread of social media and digital platforms, consumers have demanded more value from businesses. Accordingly, consumers may want to see themselves differently, such as “more special” and “separate from others.” With the help of technological opportunities, the possibilities of customization and personalization in products and services have started to come into question.

In one of the most apparent examples of personalization; Nike company offers personalization opportunities to users through the “Nike By You” web page (Nike, 2023), and users can create their own shoe models and designs on the website. In another example, users can access songs and playlists specific to their musical tastes on the Spotify platform for music consumption. In this context, it can be represented as the personalization of music service. In today’s reality, consumer expectations are increasing daily, and the market competition continues. According to the 2023 Twilio The State of Customer Engagement Report (Twilio, 2023), sixty-six percent of consumers say they will quit using a brand if their experience is not personalized, and eighty-six percent of consumers claim that personalized experiences increase their brand loyalty.

One of the critical milestones in the developments related to personalization in recent years has been the development of information technologies, especially artificial intelligence. Until recent years, there were personalization applications in the company’s registered databases based on information about a customer. In recent years, with the use of artificial intelligence-supported systems, artificial intelligence applications and personalization have an essential potential together, thanks to features such as different data types, detection of possible connections between different data types by artificial intelligence systems, and faster changes in product and service features. The increasing importance of artificial intelligence-supported systems makes it necessary to examine the subject of personalization and artificial intelligence together. This study aims to evaluate the intersection points of these two issues.

Following the purpose of the research, first of all, theoretical basic concepts will be mentioned by applying a literature review. These are listed as customer value, consumer behavior, personalization, and artificial intelligence in this study. Then, the application areas summarized under seven main intersection areas regarding personalization and artificial intelligence will be discussed. In addition, a sample scenario for each intersection area is included in the study. The last part of the study includes solutions

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