

# Customized Promotions in the Digital Age

Jie Zhang  
University of Maryland

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Koç University

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UNIVERSITY OF  
MARYLAND

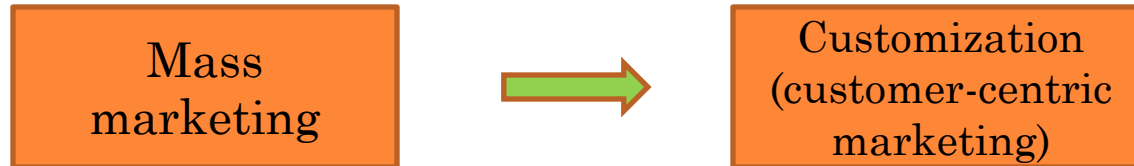
ROBERT H. SMITH  
SCHOOL OF BUSINESS

# Which of the following best describes you?



# CUSTOMIZED PROMOTIONS

- The landscape of marketing has shifted



- Advancements in digital technologies have created unprecedented opportunities for customized promotions.
  - Delivery methods/platforms
  - Information technology + Data warehouse + Marketing analytics  
→ better targeting strategies



# CUSTOMIZED PROMOTIONS

- The big question is:

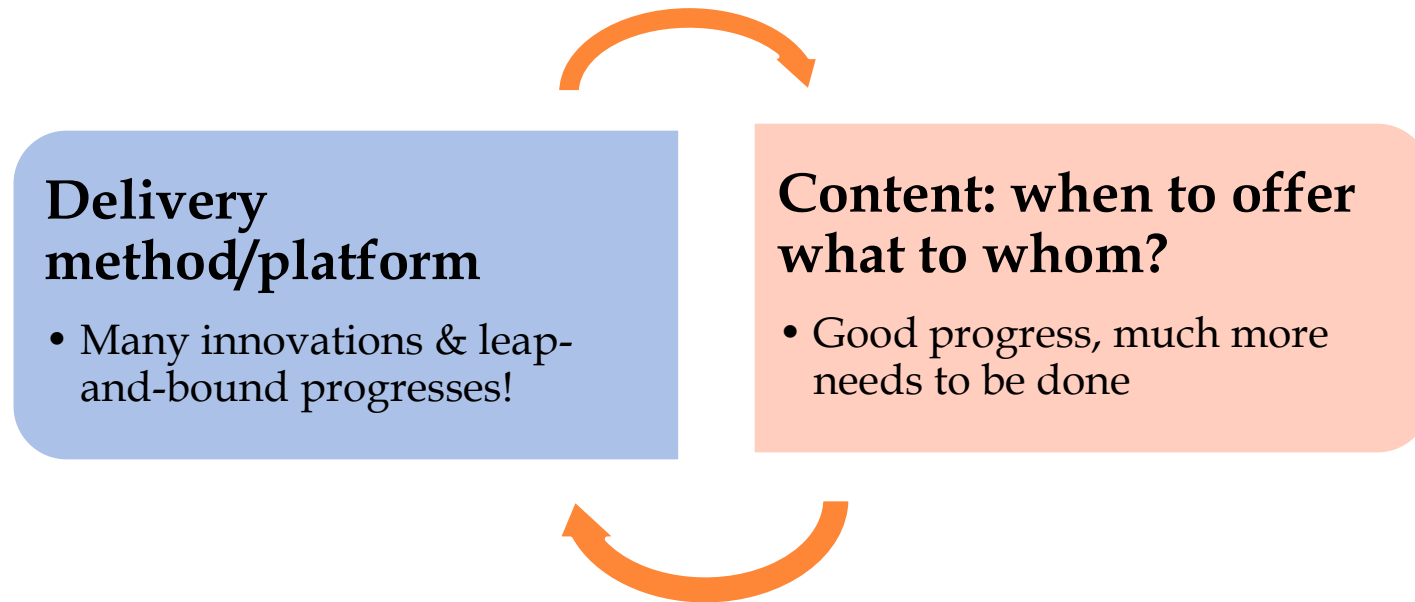
How to do it right?



# THE WORST EXAMPLE:



# Successful promotion customizations depend on:



# DELIVERY METHOD/PLATFORM

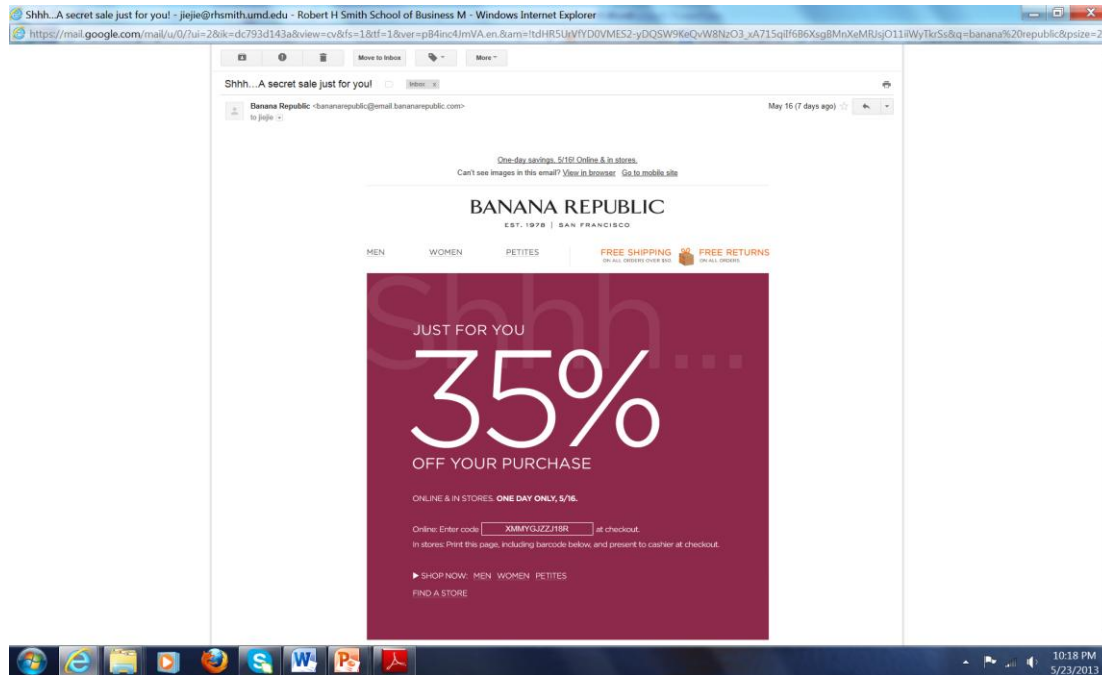
- Traditional mass-distribution approach is highly inefficient and ineffective
- Many retailers and manufacturers have looked for better alternatives.
- Fundamental problem: lack of targeting



"Man, I hate junk mail!"



# EMAIL MARKETING

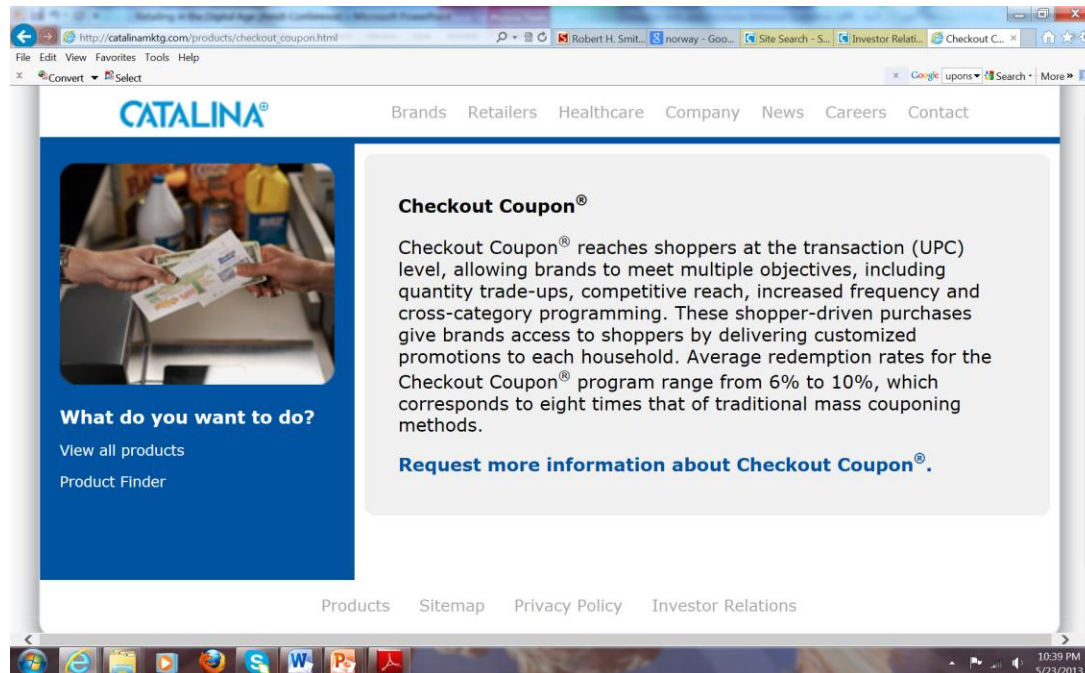


- How to improve relevance remains a big challenge



# IN-STORE COUPON DISTRIBUTIONS

- A popular approach in the US: Check-out Coupons (by Catalina Marketing Corporation)



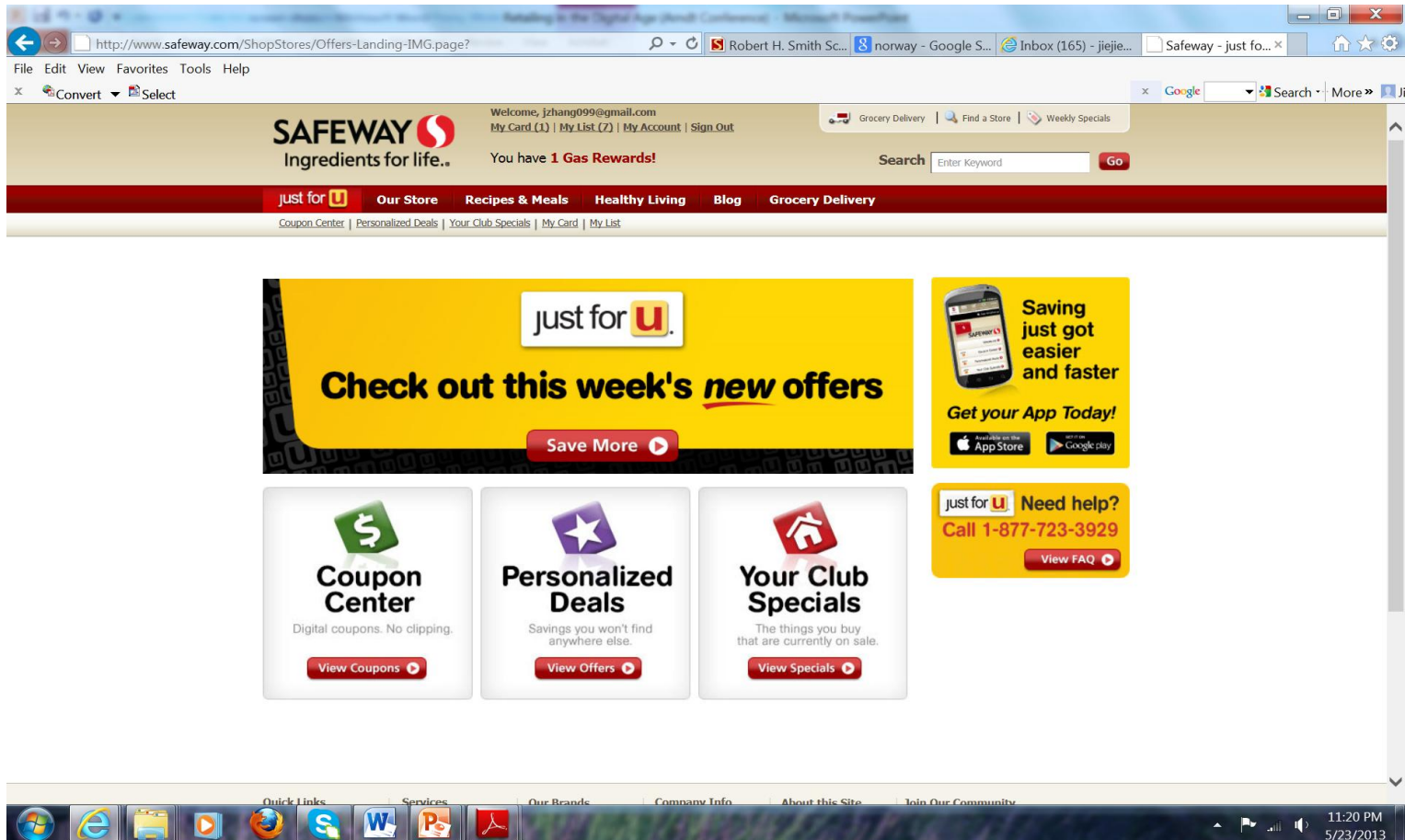
# IN-STORE COUPON DISTRIBUTIONS

- Is it worthwhile to personalize price discounts?
  - Not in the grocery retailing domain with firm-initiated distributions!
  - The incremental payoff of personalized over segment- and mass market-level customized promotions is small, esp. in offline stores.
- What is the biggest impediment to the success of customized promotions for offline retailers?
  - Low coupon redemption rates! (even if they were 15%)  
(source: Zhang and Wedel 2009)
- Can retailers do better?

- A new approach to delivering customized promotions which enhances relevance and redemption rates.



# Safeway: Just for U



# Safeway: Just for U

The screenshot shows the Safeway Just for U website interface. At the top, the browser address bar displays the URL <http://www.safeway.com/ShopStores/JustforU-PersonalizedDeals.page?>. The website header includes the Safeway logo, the tagline "Ingredients for life..", and a welcome message for user jzhang099@gmail.com. A navigation bar features links for "just for U", "Our Store", "Recipes & Meals", "Healthy Living", "Blog", and "Grocery Delivery". A search bar is located on the right side of the header.

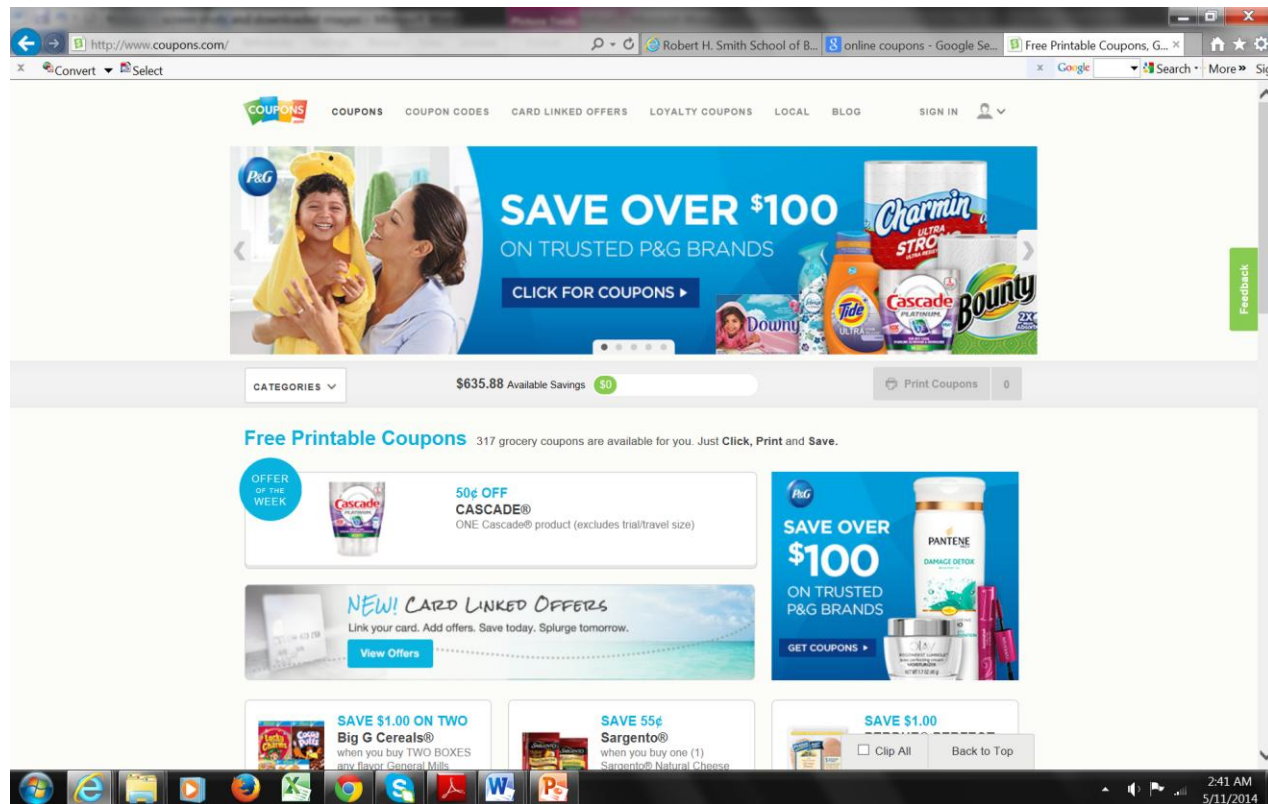
The main content area is titled "In Personalized Deals" and features a sidebar with a "View By Category" dropdown menu. The sidebar lists various categories such as "Show All (55)", "Special Offers (2)", "Beverages (7)", "Bread & Bakery (3)", "Breakfast & Cereal (2)", "Canned Goods & Soups (1)", "Condiments, Spices & Bake (5)", "Cookies, Snacks & Candy (2)", "Dairy, Eggs & Cheese (3)", "Deli (4)", "Frozen Foods (3)", "Fruits & Vegetables (14)", "Grains, Pasta & Sides (1)", "International Cuisine (2)", "Meat & Seafood (1)", "Paper, Cleaning & Home (8)", and "Personal Care & Health (1)".

The main content area displays a "personalized deals" banner with a star icon and a "get your deals anywhere" message encouraging users to use the app. Below the banner, there is a "Filter by:" section and a "Print/Email My List" button. The "Items You Buy" section is divided into a grid of product cards, each showing a product image, name, price, and an "Add" button. The products include Golden Ripe Bananas, O Organics Soymilk, Safeway SELECT Premium Trail Mix, Hass Avocados, O Organics Apple Juice, and Broccoli Crowns. Each card also indicates the expiration date of the offer (5/28/2013).

The bottom of the screenshot shows the Windows taskbar with various application icons and the system clock displaying 11:23 PM on 5/23/2013.

# ONLINE COUPONS

- Sounded like a perfect solution: perfect targeting and zero marginal distribution cost





# ONLINE COUPONS

- The problem?



- Recent development: enhance security features
  - e.g., adding personal ID information, disallowing network printers, improved encoding technique

# MOBILE PLATFORMS

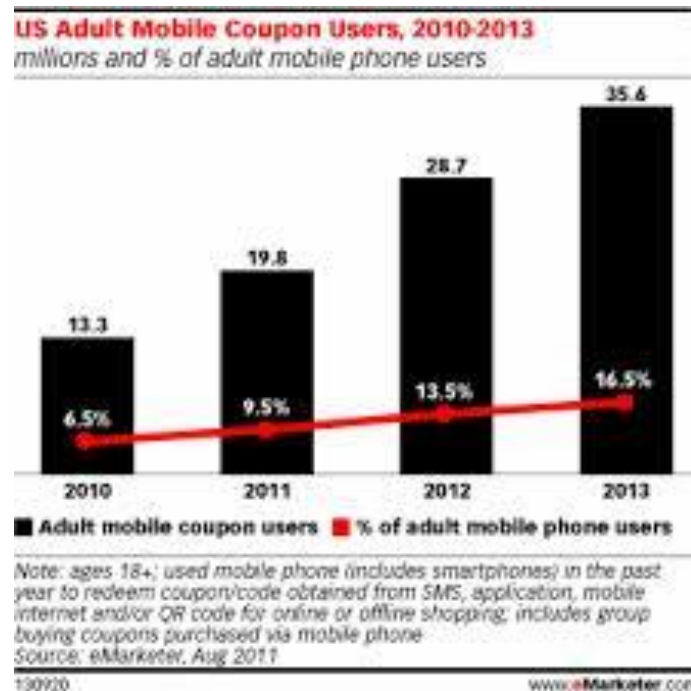
- Many retailers and manufacturers are embracing the mobile technology.



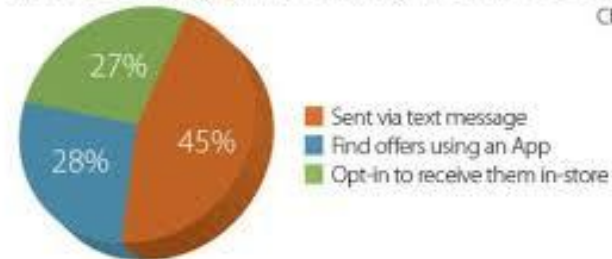


# MOBILE PLATFORMS

- Mobile coupons are also becoming increasingly popular among consumers.



Preferred Way of Receiving Mobile Coupons  
CHART B



Source: InsightExpress, "Get Ready For the Mobile Shopper," July 1, 2010  
See InsightExpress methodology and disclaimer information on page 7.

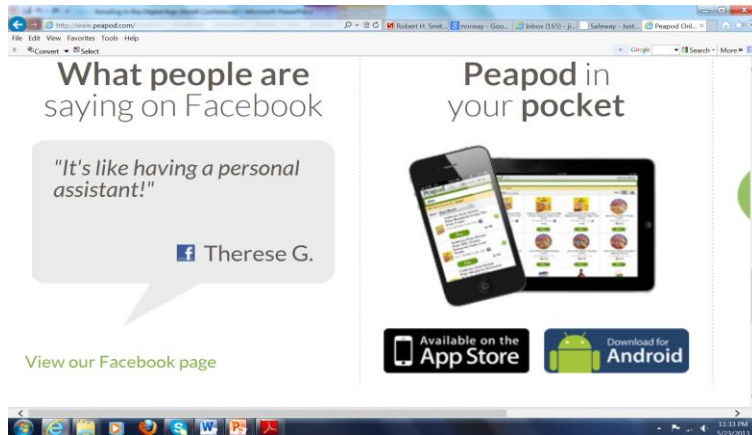
# What is unique about mobile platforms?

- The Internet has taken away the boundaries set by store locations. The mobile technology is bringing back the relevance of location, but in a much more sophisticated way.
- Location-based targeting via mobile technology and platforms is the next big thing!
  - Example: Groupon Now!  
<http://www.youtube.com/watch?v=6TpGn47rqBU>



# Other recent developments

- Customized promotions based on web browsing behavior (e.g., retargeting ads)
- Customized promotions in social network forums
- Promotions in a multi-media and multi-channel world .....



# Remaining Challenges:

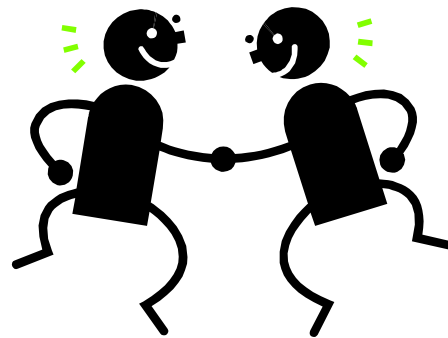
## When to offer what to whom?

- Without enhancing relevance and customer value, high-tech promotions are just digital junk mail!
- Marketing analytics will play a crucial role.
  - Companies with the IT infrastructure and analytical talents will have a huge competitive advantage
- Statistical models and optimization techniques can be very helpful tools.
  - Example 1: Deriving optimal price discounts tailored to each individual and updated in real time (Zhang and Krishnamurthi 2004)
  - Example 2: Designing customized promotions based on consumers' usage patterns of interactive decision aids (Shi and Zhang 2014)
- Respect and protect consumer privacy!

# CONCLUDING REMARK



- It is the most exciting time to study customization!
- Great opportunities for retail practitioners and marketing academics to join hands, to learn from each other, and to help each other!



**Teşekkür ederim!**

