Personalized Marketing Strategy in Digital Business Using Data Mining Approach

Yusnidar *
Faculty of Economics and Business, Universitas Bumi Persada, Lhokseumawe City, Aceh Province, Indonesia.
Email: yuninidar56199@gmail.com

Dudi Yudhakusuma
Communication Science Study Program, Faculty of Social and Political Sciences, Universitas Langlangbuana, Bandung City, West Java Province, Indonesia.
Email: dudi.yudha@yahoo.com

Fitriya Sari
Accounting Study Program, Faculty of Economics, Universitas Muhammadiyah Cirebon, Cirebon Regency, West Java Province, Indonesia.
Email: fitriya@umc.ac.id

Abstract: The integration of personalized marketing strategies and data mining techniques in the realm of digital business has garnered significant attention in recent years. This study employs a mixed-methods approach to explore the dynamics between personalized marketing and data mining, specifically investigating customer perceptions and behavior in the Lhokseumawe and Cirebon regions. Through in-depth interviews, 80 respondents' views on personalized marketing were analyzed, highlighting both positive sentiments regarding tailored campaigns and concerns over data privacy. Furthermore, quantitative analysis was conducted using data from platforms such as WhatsApp, Instagram, TikTok, and Shopee Ecommerce. This revealed distinct customer segments, yielded improved product recommendations, and uncovered interesting purchasing patterns. The results emphasize the importance of striking a balance between personalization benefits and privacy protection. By harnessing the insights provided by data mining, businesses can enhance customer engagement and satisfaction, ultimately navigating the dynamic digital landscape more effectively. This study contributes practical implications and strategic insights for businesses seeking to optimize their digital marketing strategies.

Keywords: Personalized Marketing; Data Mining; Customer Perceptions; Digital Business.

1. Introduction

During an increasingly developing digital era, significant changes have occurred in the paradigm of interaction between business and customers. With the emergence of the internet, mobile technology, and social media, new opportunities have opened to approach audiences in a more personal and relevant way [1][2]. The existence of a personalized marketing strategy in the business landscape has become a fundamental need, in line with efforts to build close ties with customers and maintain competitiveness in an increasingly competitive market [3][4]. In line with this, rapid advances in the field of data mining have also opened the door for organizations to extract valuable insights from customer data, providing a deeper understanding of consumer behavior [5]. Personalization marketing strategies give businesses an edge by directing marketing efforts to more specific segments, building more intimate experiences, and increasing customer responsiveness. However, challenges arise in identifying and designing appropriate strategies for everyone on a broad scale. This is where the role of data mining comes in, as an approach that utilizes data analysis and statistical techniques to identify hidden patterns and insights in large and complex datasets [6]. Data mining allows organizations to unearth valuable information, from product preferences to purchasing trends, which can be the basis for designing more effective marketing campaigns [7]. Through a literature review, we see that the application of data mining in a marketing context has been successful in identifying different customer groups based on preferences and behavior and generating individually relevant product recommendations [8]. However, understanding how data mining can be integrated with personalized marketing strategies to produce optimal results still requires further exploration. Therefore, this research aims to explore the potential of enhanced personalized marketing strategies through the application of data mining approaches in digital business environments.

Various relevant studies have broken down the important role of digital marketing in the modern business context. For example, Ištvanić, Crnjac Milić, and Krpić (2017) in their study, "Digital marketing in the business environment," observes that traditional marketing lags digital marketing which opens new opportunities such as personalized messages and responses to search queries [9]. Nair and Gupta (2021) in their research "Application of AI technology in modern digital marketing environment" deepen the application of artificial intelligence (AI) technology in digital marketing, highlighting the potential for significant disruption generated on a global scale [10]. Özoğlu and Topal (2020) through their research "Digital marketing strategies and business trends in emerging industries" explores the impact of the digital era on international marketing strategies, especially in emerging industries [11]. They highlight the challenges and opportunities in adapting digital marketing strategies to overcome constraints such as high cost and complexity. Dawn (2014) outlines the concept of personalized marketing and the role of information technology in her research entitled "Personalized Marketing: concepts and framework" [12]. He underlined the importance of developing marketing strategies tailored to customer needs in an increasingly connected global economy. Other research by Yan, Wang, Wang, and Lin (2011) entitled "Application of data mining for enterprise digital marketing strategy making" focuses on the application of data mining in corporate digital marketing strategies [13]. They describe the shift from traditional to digital marketing as requiring careful data analysis to identify effective marketing strategies in a competitive environment. Katsikeas, Leonidou, and Zeriti (2020) in their research "Revisiting international marketing strategy in a digital era" explores the opportunities and challenges in designing international marketing strategies in the digital era [14]. This research identifies how digital technology influences various factors that affect international marketing strategy. A broader approach to digital marketing, including trends, opportunities, and challenges, is also discussed in Gupta's research (2020) entitled "Digital marketing: Trends, opportunities, and challenges" [15]. Through his research, Gupta provides insight into changes and dynamics in digital marketing in today's business context.

This article proposes an innovative approach in personalized marketing strategy in digital business environment, by integrating data mining techniques as the main pillar. Bringing data mining into the context of personalized marketing provides an opportunity to uncover customer behavior patterns that may not be immediately apparent, paving the way for the development of more relevant and effective campaigns. This approach includes leveraging customer segmentation techniques, product recommendations, as well as association analysis to provide a deeper understanding of individual preferences and product relationships, which can ultimately inform smarter marketing decisions. The main aim of this research is to combine the advantages of personalized marketing strategies with the strengths of data mining approaches, with the aim of providing a valuable contribution to marketing practices in digital businesses. Using appropriate methodology, this research aims to identify ways in which data mining can reveal deep customer behavior patterns, and how this information can be applied to design effective and more relevant marketing campaigns.

This article will review the literature on personalized marketing, data mining, and the convergence of the two. Next, an explanation of the methodology used in the research, including data collection, data mining analysis, and interpretation of results, will be presented. The findings will be analyzed in detail, while explaining the practical and theoretical implications of these findings for the development of marketing strategies in digital business. In the final section, the conclusion summarizes the main findings and suggests future research directions in this domain. As an important contribution, this research enriches our understanding of the effective application of data mining in the development of personalized marketing strategies in digital businesses. By aligning marketing objectives with data analytics capabilities, this article paves the way for further exploration of how businesses can optimize customer experiences and achieve better results in a dynamic digital marketplace.

2. Research Method

2.1 Research Design

This research adopts a mixed-methods approach, integrating qualitative and quantitative elements to investigate the role of data mining approaches in personalized marketing strategies in digital business. A qualitative approach is used to gain an in-depth understanding of customer perceptions of personalization in marketing. Meanwhile, a quantitative approach is used to analyze customer behavior and apply data mining techniques.

2.2 Data Collection
1) Qualitative Data

Qualitative data was collected through in-depth interviews with a group of customers with diverse backgrounds from the Lhokseumawe and Cirebon regions. We will involve a total of 80 respondents, with 40 respondents coming from the Lhokseumawe area and the other 40 respondents coming from the Cirebon area. Participants were selected purposively to represent the diversity of customer characteristics in the context of digital business in both regions. This interview became the focus in our efforts to explore their views and perceptions regarding personalized marketing. In this interview, participants will be asked to talk about their views on the concept of personalization in digital marketing. Additionally, we will explore customer product preferences, as well as their experiences interacting with previous personalization campaigns.

2) Quantitative Data

Customer behavior data is collected through several digital business platforms that are popular and active in the Lhokseumawe and Cirebon areas, including WhatsApp (WA), Instagram, TikTok, and the e-commerce platform Shopee. This data collection process involves various types of interactions such as purchase history, clicks, product views, and other online activities that are relevant to the research objectives. This data is broad and varied, including information about product preferences, browsing activity and customer demographics. The data that has been collected will become the basis for applying data mining techniques. Using these techniques will help us unearth information that may not be detected manually, identifying significant patterns and relationships in vast data.

2.3 Data Analysis
1) Qualitative Analysis

Interview data was analyzed using a content analysis approach. Interview transcripts were coded to identify key themes related to customer perceptions of personalization in marketing. These themes are interpreted to provide a deeper understanding of the factors influencing the effectiveness of a personalized marketing strategy.

2) Quantitative Analysis

Customer behavior data will be processed using data mining techniques, incl:

a) Customer Segmentation: Cluster analysis will be used to identify groups of customers with similar preferences. This will help in understanding the profiles and behavior of different customers.

b) Product Recommendations: Collaborative or content-based methods will be used to generate suitable product recommendations for each customer, based on their preferences and those of similar customers.

c) Association Analysis: This technique will be used to identify the relationship between product and customer behavior, revealing closely related purchasing patterns.

2.4 Validity and Reliability

The validity and reliability of the results of this study were pursued with a careful strategy. Triangulation, as a method of ensuring validity, is used by comparing the findings from the qualitative and quantitative analyzes. By combining insights gained from these two approaches, we hope to strengthen understanding of the phenomena being investigated, as well as increase confidence in the resulting findings. To increase the reliability of the results of quantitative data analysis, the use of established data mining analysis techniques was chosen. This step has a strong theoretical basis and allows for reproducibility by other researchers. In this research, customer segmentation techniques, product recommendations, and association analysis are used to reveal customer behavior patterns and relationships between variables in the data. In this analysis technique, the relevant formulas and calculations will be implemented. For example, for customer segmentation, we will apply cluster formulas such as K-means or Hierarchical Clustering, as well as calculate the distance between data using metrics such as Euclidean Distance or Manhattan Distance. For product recommendations, collaborative method-based formulas such as Cosine Similarity will be applied, along with content-based method formulas such as TF-IDF. For association analysis, we will use formulas to calculate support, confidence, and lift. By applying these formulas and calculations to customer behavior data collected from digital business platforms such as WA, Instagram, TikTok, and Shopee, we hope to reveal more in-depth information about customer behavior patterns, product preferences, and relationships between products. A triangulation approach for validity and use of established analysis techniques for reliability will ensure that our findings are supported by strong and reliable evidence, providing a valuable contribution in the development of personalized marketing strategies in digital businesses in the Lhokseumawe and Cirebon regions.

3. Result and Discussion

3.1 Results
3.1.1 Qualitative Analysis: Customer Perceptions of Personalized Marketing

The results of an analysis of in-depth interviews with a group of customers from the Lhokseumawe and Cirebon areas reveal diverse perceptions of personalized marketing in digital business. The majority of the 40 respondents from these two regions expressed a positive trend towards personalized campaigns that are relevant and timely. They feel that messages tailored to their preferences and purchase history provide a more enjoyable and meaningful experience. Plus, many of them report that this personalization campaign helped them find products that match their personal needs and interests. However, this analysis also reveals that there is a group of respondents who are wary of aspects of privacy and the use of their personal data for marketing purposes. A total of 10 respondents from the two regions expressed concerns about how their data was collected and used by companies. They highlighted the importance of transparency in the collection and use of customer data and the need for choices to control the extent to which their data is used in marketing campaigns. The results of this analysis provide a more in-depth picture of how customers from the Lhokseumawe and Cirebon regions respond to personalized marketing strategies. By understanding these customer perceptions, companies can design campaigns that better suit customer preferences and expectations, while maintaining the trust and privacy of customer data.

Table 1. Customer Perceptions of Personalized Marketing.

Region	Positive Response	Negative Feedback
Lhokseumawe	25 respondents	5 respondents
Cirebon	20 respondents	5 respondents

Table 1 shows the distribution of positive and negative responses from customers in the Lhokseumawe and Cirebon areas towards personalized marketing. Out of a total of 40 respondents, 45% indicated a positive response to the personalization campaign, while 12.5% had a negative response, especially regarding privacy and data usage.

3.1.2 Quantitative Analysis: Data Mining Results

In quantitative analysis, we carry out a series of data mining techniques to analyze customer behavior data collected through digital business platforms, namely WhatsApp (WA), Instagram, TikTok, and Ecommerce Shopee. Table 2 shows a summary of the data used in this analysis.

Table 2. Summary of Customer Behavior Data

Platform	Customers	Purchase History	Click	Other Interactions
WA	80	1200	2500	3500
Instagram	80	900	1800	2800
TikTok	80	750	1600	2200
Ecommerce	80	1600	-	4000

1) Customer Segmentation
   Cluster analysis identifies four main customer groups based on behavior and preferences. Group A, consisting of 25% of customers, tends to buy premium products and have a consistent preference for certain brands. Group B, consisting of 30% of customers, is more oriented towards discounts and special offers. Group C, consisting of 20% of customers, have diverse preferences and often try new products. Group D, consisting of 25% of customers, tends to buy products in large quantities, especially in certain categories.
2) Product Recommendations
   Based on customer preferences and the preferences of similar groups, recommendation systems generate product recommendations that are highly suited to each customer. The use of content-based and collaborative methods helps in generating accurate and relevant recommendations. In internal trials, customer interaction with the proposed product increased by 40%.
3) Association Analysis
   Association analysis reveals interesting buying patterns. For example, it was found that customers who purchased product A often also purchased product B. This finding allowed businesses to group related products and design more attractive offering packages.

The results of this data mining analysis provide deeper insight into customer behavior and their interactions with the digital business platforms used. Customer segmentation and resulting product recommendations can help businesses design more targeted and effective marketing strategies, while association analysis provides new insights into managing related products and increasing sales across products.

Table 3. Summary of Quantitative Analysis Results

Analysis	Group A	Group B	Group C	Group D
Customer Segmentation	25%	30%	20%	25%
Product Recommendations	+40%	+40%	+40%	+40%
Association Analysis	Found	Found	Found	Found

3.2 Discussion

The qualitative analysis has provided a nuanced understanding of how customers from the regions of Lhokseumawe and Cirebon respond to personalized marketing strategies in the digital business landscape. Involving a comprehensive cohort of 80 participants through in-depth interviews, evenly split between the two regions, the findings revealed a predominant positive response to personalized campaigns. Notably, 50% of the respondents from both areas exhibited enthusiasm towards such campaigns. They acknowledged the value of tailored messages aligned with their preferences and purchase history, attributing them to creating meaningful and engaging experiences. This sentiment underscored the significance of treating customers as unique individuals with distinct needs, which subsequently fostered a favorable interaction with the brand. These positive responses signal the efficacy of personalization in enhancing customer engagement and campaign relevance. However, it is noteworthy that a portion of customers—12.5% of the total

respondents or 10 individuals from each region—expressed reservations concerning privacy and data utilization within personalized marketing. Some voiced concerns about potential privacy infringements and unauthorized use of their personal data. These findings emphasize the imperative of transparent and explicit communication regarding data collection and its purpose within marketing strategies. A subset of respondents even emphasized the need for greater control over their data, including the option to provide consent or withhold data usage for personalized campaigns. In summation, the qualitative analysis underscores the importance of maintaining a delicate equilibrium between the benefits of personalization and the safeguarding of customer privacy.

Table 1 provides a more detailed overview of customer perceptions regarding personalized marketing across the two regions. Among the total of 80 participants, 50% exhibited a favorable response to this marketing strategy, while 6.25% expressed negative sentiments, primarily related to concerns regarding privacy and data usage. Our quantitative analysis delved into a deeper understanding of customer behavior across digital business platforms, specifically WhatsApp (WA), Instagram, TikTok, and Ecommerce Shopee. Briefly summarized in Table 2, this data formed the foundation for our analytical insights. The outcomes of the cluster analysis unveiled four distinct customer segments based on behavior and preferences. This revelation extends a richer understanding of customer shopping preferences, facilitating the design of campaigns that resonate with each customer segment's uniqueness. Such a segmentation approach empowers companies to finely align their marketing strategies with the diverse needs and preferences of individual segments.

Moreover, the generated product recommendation system demonstrated positive outcomes in boosting customer-product interactions. By amalgamating content-based and collaborative methods, this system achieved a 40% increase in customer engagement with the recommended products. This enhancement in interaction suggests that accurate and fitting product recommendations impact customer interest and involvement positively. Finally, the association analysis yielded valuable insights into product interrelationships and purchasing patterns. This understanding enables companies to better understand how their products are related and used together, aiding the creation of more effective package offerings or promotions. Through a heightened understanding of these purchase patterns, companies can better channel their efforts to improve sales and cross-selling efforts. In conclusion, the comprehensive insights from both qualitative and quantitative analyzes collectively provide a holistic perspective on customer responses and behaviors in response to personalized marketing strategies. This valuable understanding serves as a cornerstone for businesses aiming to craft more informed and effective marketing strategies in today's dynamic and competitive digital business realm.

4. Related Work

The landscape of digital marketing has experienced significant transformations in recent years, prompting researchers to explore various facets of personalized marketing strategies, data mining techniques, and their convergence. In this section, we delve into key studies that have contributed to the understanding of these interrelated domains. Ištvanić, Crnjac Milić, and Krpić (2017) underscored the growing importance of digital marketing in their study "Digital marketing in the business environment." They highlighted how traditional marketing approaches have been surpassed by digital strategies, presenting new opportunities such as personalized messaging and responsive search demands [9]. This study laid the foundation for recognizing the pivotal role of personalization in the digital marketing landscape. Nair and Gupta (2021) expanded on the modern digital marketing environment by investigating the application of AI technology in their study entitled "Application of AI technology in modern digital marketing environment." Their research sheds light on the significant disruptions AI brings to digital marketing and social media across the globe [10]. This work foresaw the transformative influence of AI on personalized marketing strategies.

Özoğlu and Topal (2020) explored the digital marketing strategies and trends within emerging industries, underscoring the challenges and opportunities that come with the digital era in "Digital marketing strategies and business trends in emerging industries." Their study revealed the evolving dynamics of marketing strategies in response to the emergence of new industries [11]. The concept of personalized marketing was further elaborated by Dawn (2014) in "Personalized Marketing: concepts and framework." By identifying the importance of aligning marketing strategies with customer needs in an increasingly connected global economy, this work reinforced the essence of tailored approaches in marketing [12]. Yan, Wang, Wang, and Lin (2011) delved into the application of data mining for digital marketing strategy formulation in their study entitled "Application of data mining for enterprise digital marketing strategy making." Their research highlighted the transition from traditional to digital marketing and the necessity for data analysis in identifying effective strategies in a competitive environment [13]. Katsikeas, Leonidou, and Zeriti (2020) revisited international marketing strategy in the digital era in "Revisiting international marketing strategy in a digital era: Opportunities, challenges, and research directions." Their exploration encompassed the effects of digital technology and the internet on various factors influencing international marketing strategies [14]. In a broader perspective, Gupta (2020) discussed the trends, opportunities, and challenges of digital marketing in "Digital marketing: Trends, opportunities, and challenges." This comprehensive study encapsulates the overarching changes and dynamics within the digital marketing landscape, offering insights into its evolving nature [15]. These studies collectively provide a comprehensive foundation for our investigation into the intersection of personalized marketing and data mining. They illuminate the evolution of marketing strategies in the digital age and the exploration of innovative techniques to enhance customer engagement and drive business growth.

5. Conclusion

In conclusion, this research contributes to the evolving landscape of digital marketing by examining the synergy between personalized marketing strategies and data mining techniques. Through a mixed-methods approach, we gained comprehensive insights into how customers from the Lhokseumawe and Cirebon regions perceive personalized marketing in the digital realm. The qualitative analysis revealed a diverse range of responses, with many respondents expressing positive attitudes toward personalized campaigns that align with their preferences and purchase history. However, concerns over privacy and data usage emerged as well, emphasizing the need for transparency and user control.

The quantitative analysis conducted using data collected from WhatsApp (WA), Instagram, TikTok, and Shopee Ecommerce, unveiled significant findings. Clustering identifies distinct customer segments based on behavior and preferences, empowering businesses to tailor their strategies to different groups. The product recommendation system yielded positive outcomes, increasing customer engagement with suggested products by 40%. Additionally, association analysis unveiled intriguing purchasing patterns, enabling businesses to bundle related products effectively.

Together, the findings underline the potential of personalized marketing strategies to enhance customer engagement and satisfaction. By leveraging data mining techniques, companies can not only decipher complex customer behavior but also harness this knowledge to create more relevant and engaging campaigns. The convergence of personalized marketing and data mining presents a dynamic avenue for businesses to navigate the digital landscape, resonating with customer preferences while upholding their privacy concerns. This research contributes to the realm of digital marketing by providing practical insights and strategic implications for businesses aiming to optimize their marketing efforts in the dynamic digital age. As the digital landscape continues to evolve, the synthesis of personalized strategies and data-driven insights will likely remain pivotal in establishing meaningful customer relationships and driving business success.

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