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Anotace

Cílem této práce je analýza spotřebitelského chování zákazníka v rámci CRM kampaní internetového e-shopu. Hlavní přínos práce tkví ve vytvoření funkčního modelu pro porovnání přínosů dvou různých incentiv v rámci jinak totožné CRM komunikace pro zákazníky konkrétní firmy. Díky zmapování schémat CRM komunikace, propojení datových zdrojů, zdůvodnění výběru zákazníků a následnému provedení A/B testu autor přináší relevantní doporučení v oblasti CRM komunikace pro společnost, jež byla předmětem výzkumu.

Abstract

The aim of this thesis is to analyze consumer behavior within CRM campaigns of an online e-shop. The main contribution of the work lies in the creation of a functional model for comparing the benefits of two different incentives within otherwise identical CRM communication for the customers of a specific company. By mapping CRM communication schemes, integrating data sources, justifying the selection of customers, and subsequently conducting an A/B test, the author provides relevant recommendations in the field of CRM communication for the company that was the subject of the research.

Declaration

Prohlašuji, že jsem na téma Spotřebitelské chování zákazníka ovlivněné marketingem vypracoval samostatně pod vedením doc. Ing. Pavly Marciánové, PhD. a uvedl v ní všechny použité literární a jiné odborné zdroje v souladu s právními předpisy, vnitřními předpisy Masarykovy univerzity a vnitřními akty řízení Masarykovy univerzity a Ekonomicko-správní fakulty MU.

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List of Figures 16

List of Tables 17

Glossary 18

1 Introduction 19

2 Theoretical part 21

2.1 Marketing and consumer behavior 21
2.2 Consumer behavior 22
2.3 Consumer behavior in the Beauty industry 22
2.4 Beauty in E-commerce 23
2.5 The theory of reasoned action (TRA) 26
2.6 The theory of planned behavior (TPB) 27
2.7 Howard Sheth Model 28
2.8 Digital Marketing 29
2.9 Digital Marketing channels 31
2.10 Customer relationship management (CRM) 38
2.11 Customer journey 40
2.12 Marketing automation 44
2.13 Marketing incentives 46
2.14 Promotional codes 49

3 Methodological part 51

3.1 Purpose of the thesis and research questions 52
3.2 Metrics related to the experiment evaluation 54
3.3 Online controlled experiment 57
3.4 Bayesian A/B testing 59
3.5 Population x Research sample 62
3.6 Limitations 63

4 Practical part 65

4.1 Company introduction 65
4.2 Brand introduction 67
4.3 Description of targeted customers 67
4.4 Online controlled experiment 71
4.5 Mechanic of the marketing communication 72
4.6 CRM process map 74
4.7 Experiment results 76
4.8 Consumer behavior of successfully converted customers 81
4.9 Bayesian A/B testing results 85
4.10 Economic evaluation of each campaign 91
4.11 Research questions and hypothesis evaluation 93
4.12 Recommendations for the company 97

5 Discussion 100

6 Conclusion 102

Bibliography 105

Appendix A CRM e-mail – Discount variant 113

Appendix B GWP variant 114

Appendix C Website categorization 115

Appendix D Incentives on different websites 117

List of Figures

Figure 1 The theory of reasoned action and moral behavior....27
Figure 2 Theory of planned behavior....28
Figure 3 Howard Sheth Model....29
Figure 4 The intersection of three media types....32
Figure 5 Marketing Channels overview....34
Figure 6 Theoretical context of customer relationship management....38
Figure 7 Degree of customer individualisation....40
Figure 8 Customer lifecycle journey....41
Figure 9 Process Model for Customer Journey and Experience....43
Figure 10 Digital Communication....45
Figure 11 Marketing automation general framework....46
Figure 12 Turnover ambition NTN....67
Figure 13 Customers overview....68
Figure 14 Categorical distribution of customers....69
Figure 15 Market Type distribution of customers....69
Figure 16 Customer database source....70
Figure 17 Initial email send-out scheme....74
Figure 18 Data storage for automated send-out 1/2....75
Figure 19 Automated send-out 1/2....75
Figure 20 Automated send-out 2/2....75
Figure 21 Targeted customers in automated communication June-August....76
Figure 22 Total Customer database....77
Figure 23 Send-out per month....77
Figure 24 Origin of converted customers....81
Figure 25 A/B testing – Discount versus GWP....86
Figure 26 Posterior distribution of conversion rate – discount versus GWP....87
Figure 27 A/B testing - GWP versus no incentive....88
Figure 28 Posterior distribution of CTOR - GWP versus no incentive....89
Figure 29 A/B testing - Discount versus no incentive....90
Figure 30 Posterior distribution of CTOR – Discount versus no incentive....90

List of Tables

Table 1 Overview of e-shop categories 25
Table 2 Customer Touchpoints 42
Table 3 Online incentives overview 47
Table 4 Frequentist versus Bayesian statistics 59
Table 5 Variant B – Results overview for GWP 1/2 78
Table 6 Variant B – Results overview for GWP 2/2 79
Table 7 Variant A – Results overview for discount 1/2 80
Table 8 Variant A - Results overview for discount 2/2 80
Table 9 Customers' data 82
Table 10 Incentive versus no incentive - GWP 88
Table 11 Incentive versus no incentive - Discount 89
Table 12 Discount campaign statistics overview 92
Table 13 GWP campaign statistics overview 92

Glossary

CTA	-	call to action
CTR	-	click-through-rate
CTOR	-	click-to-open-rate
AOV	-	average order value
ROI	-	return on investment
GWP	-	gift with purchase
TRA	-	theory of reasoned action
TPB	-	theory of planned behavior
PPC	-	pay-per-click
SoMe	-	Social Media
PR	-	Public Relationships
PNS	-	push notifications
HP banner	-	Home-page Banner
CP banner	-	Category-page Banner
CRM	-	Customer Relationship Management
AI	-	Artificial Intelligence
TPR	-	Temporary Price Reduction
RRP	-	Recommended Retail Price
OR	-	Open Rate
MVH	-	Minimal Viable Hypotheses
MVP	-	Minimal Viable Product
B2B	-	Business to Business
RPV	-	Revenue per Visitor

1 Introduction

As the world becomes overcrowded with marketing activities from an immense number of sources, marketers seek to find effective ways to target customers and deliver them relevant information. One of the ways to bring value to the customers specifically based on the curated and customized campaigns, is Customer Relationship Management.

In the Theoretical part of this thesis, Consumer Behavior is going to be described, as well as its specifics in the beauty and fragrance industry. The Customer Relationship Management is going to be defined, the digital marketing channels are going to be described, as well as their impact on the customer journey. Additionally, the marketing incentives that are going to be used for the CRM are going to be laid out along with the marketing automation. Consequently, the theoretical construct for understanding the contents discussed and analyzed in the practical part will be concretely set up.

In the Methodology part, the purpose of the thesis as well as the aims of the research, are going to be proposed. Along with those, the research questions, as well as the hypothesis of the research are going to be introduced. The metrics used for the testing, along with the statistical testing methods and the ground principles for Bayesian A/B testing, are going to be described. After the description of the population and research sample, the limitations will conclude the methodology.

In the practical part, the company through which the testing happens is described along with the short introduction of the brand which is the subject of the advertising. Then, the FINAL selection process of customers and the reasoning behind it is laid out. The process of online control experiment is mapped out, and the mechanics of the marketing communication are proposed. The CRM process map is created as the author of the thesis is also the author of the marketing communication schematic. After the presentation of the experiment results, the consumer behavior of successfully converted customers is researched. Eventually, the Bayesian A/B testing is conducted, and the results of 3 different A/B tests are explained. After answering the research questions, the recommendations for the company are established.

The thesis is concluded with a discussion about the findings along with the final conclusion part.

2 Theoretical part

The theoretical part of this thesis focuses on understanding the intersection of consumer behavior, digital marketing strategies, and Customer Relationship Management (CRM) within the Beauty and Fragrance industry. In today's highly competitive and digitally driven world, companies must employ sophisticated marketing methods to capture the attention of consumers and foster long-term customer relationships. The theoretical part provides a structured exploration of the key concepts and models that are supporting them.

Consumer behavior lies at the center of marketing strategies, offering insights into how individuals make purchasing decisions and respond to external factors. In the context of the beauty and fragrance industry, purchasing decisions are often influenced by emotional, sensory, and aspirational factors, making consumer behavior in this sector particularly unique. The integration of theoretical models such as the Theory of Reasoned Action (TRA), the Theory of Planned Behavior, and the Howard-Sheth Model provides a comprehensive framework to analyze these behaviors.

Through the description of Digital marketing channels and mapping of customer journey, special emphasis is placed on CRM, which proposes data-driven strategies to deliver personalized marketing incentives and special care for customer loyalty.

2.1 Marketing and consumer behavior

Marketing is increasingly important in today's world, as it plays a crucial role in shaping consumer behavior. As the competition in various industries continues to intensify, companies have recognized the need to create effective marketing campaigns that target specific consumer groups. The field of consumer behavior examines how individuals, groups, and entities make choices to acquire, use, and discard products, services, ideas, or experiences in order to fulfill their needs and desires (Solomon, M. R., 2020). The needs and wants are influenced by a wide range of factors, including psychological, social, and cultural. However, in the 21st century, these factors are immensely influenced by marketing. Marketing is "the process by which companies create value for

customers and build strong customer relationships in order to capture value from customers in return" (Kotler & Armstrong, 2020).

2.2 Consumer behavior

A consumer is an individual who purchases goods and services for personal use (Solomon, M.R., 2020). Consumer behavior is the study of how individuals, groups, or organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants (Ajzen, I., 1991). These definitions provide an introduction to the problem. However, the reality is more complex. This happens when the term "customer" comes into the picture as the person, group of individuals, or company that initiates the transaction and pays for the goods/services that are bought. The customer and consumer can, therefore, have completely different specifications as the customer's and consumer's motivations and needs can be quite different. For example, a parent may be the customer purchasing toys for their child, but the child is the consumer who will actually use and benefit from the toy. Understanding consumer behavior is crucial for businesses as it allows them to tailor their marketing strategies to effectively target and meet the needs and wants of their target market.

2.3 Consumer behavior in the Beauty industry

Because the focus of this thesis is on the Beauty and Fragrance industry, it is essential to describe their consumers as they exhibit unique behavior that sets them apart from other industries. The most important factor is **emotional and sensory appeal**. According to Milotic (2003, p. 190), the type of fragrance and packaging significantly influences consumer choice and impacts purchase decisions. The type of smell is also very important in the products whose primary category does not have to be fragrance, such as skincare or makeup. Another very important factor for customers is **identity and self-expression**. According to the study of Amaidas & Chiweshe (2015) branding of the beauty product and the marketing communication leads consumers to seek their desired self-image even though they might doubt the claims of the effectiveness and results of the beauty products. Figueiredo and Eiriz (2020, p. 241) highlight the role of **trends and prestige** in the beauty market, as consumers tend to value the aroma, durability, comfort, elegance, and sophistication more than the functionality of the products. The luxury product itself is

more important than its functionality. In contrast to this, however, the clear communication of **active ingredients and their impact** are seen as a key factor for the success of a beauty product among its customers (Lintner et al., p. 461).

Besides the consumer's immediate behavior towards the product itself, the beauty market is severely influenced by globalization, media, and celebrity culture. What is also specific for the beauty market is its reaction to economic shifts and recession. Research shows that during the recession, women's spending on cosmetics rises, driven by a desire to enhance attractiveness and mood. This phenomenon is called **„lipstick effect"** and it is partly motivated by social and psychological needs, such as the desire to attract partners and feel empowered during uncertain times (Hill et al., 2012, p. 275). The effect was observed in various economic crisis, including the Great Depression and the 2008 financial crisis (Alozian and Shatila, 2023, p. 57). During the 2008 crisis, L'Oréal, a global leader in the cosmetics industry, exemplified this phenomenon as it saw a shift towards affordable but premium cosmetics. L'Oréal strategy was allowing the customer to indulge in luxury without necessarily committing to high expenditures (Mason, et al., 2017, p. 123). In 2008, L'Oréal, the leading global cosmetic conglomerate, reported a sales increase of 5,3% (L'Oreal, 2009). In Han's (2022, p.21) research on the Chinese market, despite the economic downturn caused by the COVID-19 pandemic, 42,31% of respondents claimed to always wear lipstick even though their lips are covered by a mask.

2.4 Beauty in E-commerce

Until recently, most of the cosmetics products were mainly sold offline in brick-and-mortar stores. Due to the specific factors mentioned above influencing buying behavior, it is not preliminarily easy to substitute those experiences through online shopping. However, since the 1990s, the beauty e-commerce sector has undergone a significant evolution.

2.4.1 Definition of the beauty market

There is no concrete formal definition of what belongs to the beauty market and what does not. However, the beauty market and its concept are highly influenced by the global retailers who shape the understanding of

what the "beauty" market consists of and what is within its scope of business. The global retailers like Sephora, Douglas, Ulta Beauty, and others specialize in selling cosmetics as well as fragrance, having a similar share of business on both categories. While fragrance is often included in cosmetics formulations (e.g. shampoos, lotions), it is regulated distinctly because of its potential for allergenicity and skin sensitivity issues. That is why both categories are treated separately (Couteau et al., 2020, p. 101).

As the biggest Global Beauty manufacturer, L'Oréal Groupe organizes its operations into 4 complementary divisions L'Oréal Luxe, Consumer Products, Dermatological Beauty, and Professional Products (L'Oréal, 2024). Those divisions include several different brands with wide portfolios coming from different product categories (e.g. haircare, fragrance).

Although the previous segmentation into divisions is useful from the business perspective for creating marketing strategy, pricing policy etc. for different types of customers, the focus of this thesis is on e-commerce beauty, which categorizes its customer user interface to different categories of products. In Table 1, the author created the universal segmentation of beauty products taking into account the segmentation of the business of L'Oréal Groupe, Estée Lauder Companies, and website segmentation from leading online beauty retailers.

Table 1 Overview of e-shop categories

company	categorization
L'Oreal Groupe	Skincare, Haircare & Haircolor, Makeup, Fragrance, Men's Grooming
Estée Lauder Companies	Skincare, Makeup, Fragrance, Haircare
Sephora.com	Makeup, Skincare, Hair, Fragrance, Tools&brushes, bath&body,
Sephora.cz	Makeup, Fragrance, Skincare, Bodycare, Hair
Douglas.cz	Fragrance, Makeup, Face, Body, Hair, Home&Lifestyle, Health
Ulta Beauty	Makeup&Nails, Skincare, Haircare, Fragrance, Bodycare, Tools&Brushes
NTN	Fragrance, Makeup, Hair, Body, Teeth, Mother&Child, Men, Dermocosmetics, Health, Home Scents, Electronics

Source: created by the author

2.4.2 History of e-commerce Beauty market

In the 1990s, the first major cosmetic brands ventured into the e-com business and Sephora, along with the Skinstore, were one of the pioneers diving into the online sales of Beauty products (Yu and Liang, 2011, p. 438).

In the 2000s, social media started transforming consumer engagement with brands thanks to new marketing channels such as Instagram, facebook, youtube. These allowed a consumer to have a glimpse of experience and feeling associated with the product as well as with the review and beauty advice (Patel, 2021, p. 1084). Today, this content shared through social media supporting the brand's marketing is called user-generated content (USG), and it has a great impact on the popularity of certain online marketed beauty products.

In the early 2010s, there was a rise of direct-to-consumer brands such a Glossier (2014), Kylie Cosmetics (2015), Drunk Elephant (2012). Direct-to-consumer (DTC) brands typically start as online-only businesses, fully utilizing digital channels for marketing and sales, which enables them to build strong relationships with their customers through

direct engagement and tailored experiences (Kim et al., 2021, p. 16). This allowed the Beauty sellers to bypass traditional retail and reach customers directly, engaging with them and ensuring loyalty (Rodpan et al., 2023, p. 1536).

According to Kim et al. (2021) the consumer attitudes and re-purchase intentions are highly influenced by website attractiveness, brand uniqueness, social media engagement and innovations. That is why in the late 2010s, the boom of Virtual Try-on technologies started. Those tools rely on Augmented Reality (AR) technology, ranging from Sephora Virtual Artist to L'Oreal ModiFace, allowing customers to try products virtually, enhancing the online shopping experience and reducing purchase hesitation. This innovation addressed some of the primary barriers to online cosmetic sales, mainly the hesitancy regarding the skin type and skin tone (Liu et al., 2013, p. 252).

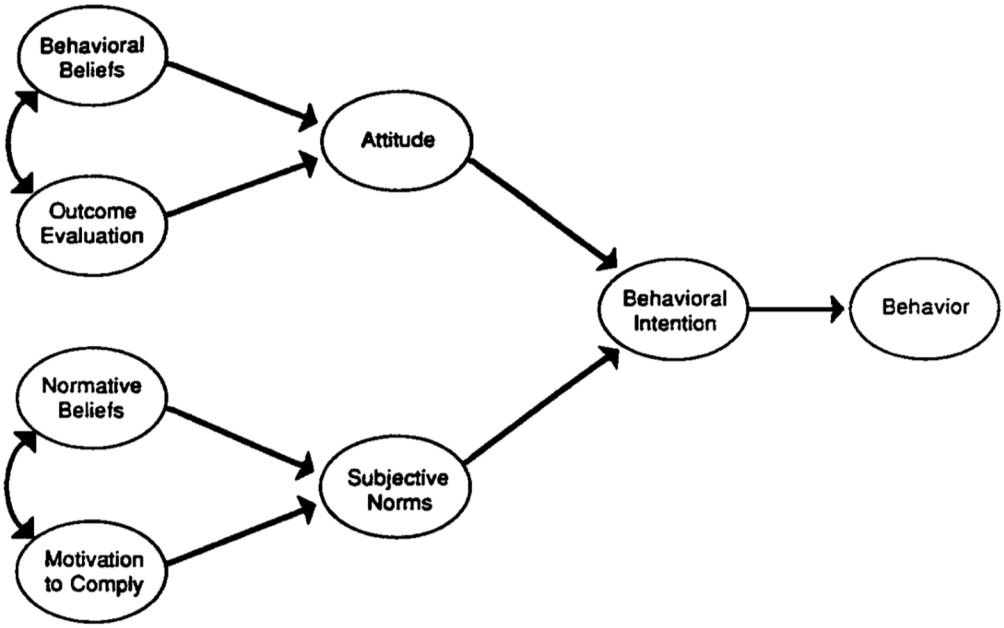
Last but not least, the surge of COVID-19 was a significant turning point that moved sales from off-line retail to on-line business. This is perfectly visible on the Estée Lauder Company financial reports. As the Net Sales steadily grew from 2018 to 2022, the retail business experienced a significant downturn, whereas on-line business noticed double-digit growth (Jiang, 2023, p. 279). Even though the annual share of the business of the biggest on-line Beauty retailers isn't publicly disclosed, Sephora reported that during 2022 holiday season, 58 % of its sales came from e-commerce, which is a notable increase from 43 % in 2019 (Indigo9digitals, 2022).

2.5 The theory of reasoned action (TRA)

According to the theory of reasoned action, certain behavior is determined by the behavioral intention to emit the behavior (Fishbein, M., 1979). The two main factors that determine behavioral intentions are: the "attitudinal" factor and the "subjective normative" factor.

Attitude is the disposition to react positively or negatively to a certain phenomenon. The subjective norms are determined by social environment in which the individual behaves and receives feedback from their surrounding (Vallerand et al., 1992).

Figure 1 The theory of reasoned action and moral behavior



Source: Fishbein (1979)

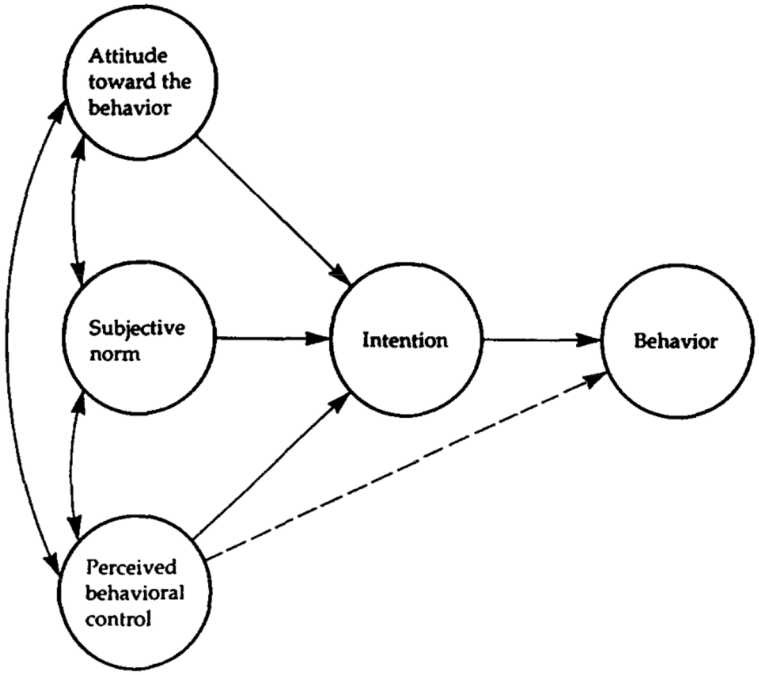
This theory is used to analyze and predict the consumer's behavioral intentions.

2.6 The theory of planned behavior (TPB)

The theory of planned behavior is considered to be an advanced version of the theory of reasoned action. The main benefit of this theory is that its predictive power is higher than that of the TRA. It adds another component which is Perceived Behavioral Control (Ajzen, I, 1991). The perceived Behavioral Control comes from control beliefs which reflect the perception of control on executing certain behavior which is influenced by ease or difficulty to execute certain behavior. This might be influenced by either former experience or the anticipated obstacles.

The process behind the behavior is then described in the following scheme in Figure 2.

Figure 2 Theory of planned behavior

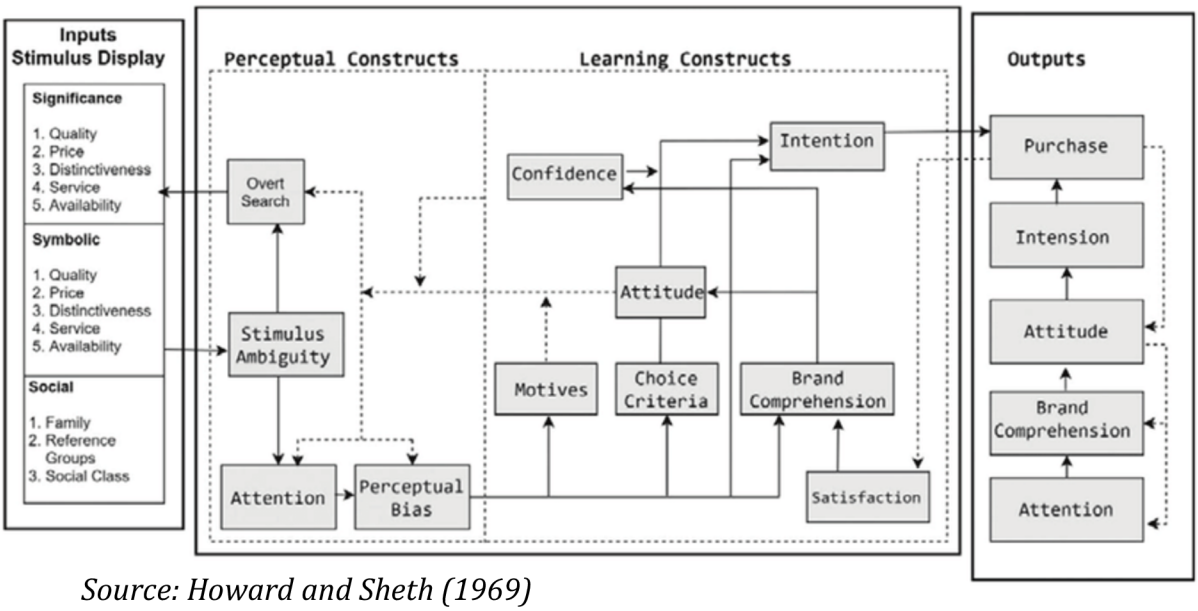


Source: Ajzen (1991)

2.7 Howard Sheth Model

Howard Sheth Model Buyer behavior is a much more complex model that concentrates on a broader spectrum of variables mainly exogenous variables which aren't directly under the control of the consumer. They consist of financial situation, lifestyle, culture etc. (Howard and Sheth, 1969).

Figure 3 Howard Sheth Model



Source: Howard and Sheth (1969)

The complexity of this model allows the marketers to go through all the phases of the Buyers behavior and even behind as it describes the post purchase behavior.

2.8 Digital Marketing

The term digital marketing has been sort of a buzzword in recent years. According to American Marketing Association (2024) "digital marketing is the process of planning and executing the conception, distribution, promotion, and pricing of products and services in a computer-mediated environment, such as the internet". Yannopoulos (2011) claimed the internet is the most powerful tool for business. Marketing managers who fail to utilize the importance of the internet in their business strategy are bound to be at a disadvantage because internet is changing the brand, pricing, distribution, and promotion strategy (Bala and Verma, 2018, p. 325).

Unlike traditional marketing, which uses static media like print and television, digital marketing focuses on online platforms and data-driven strategies. Digital marketing is more impactful, prevalent, and efficient in

comparison to the traditional marketing thanks to the digital marketing platforms being incorporated in everyday life and as people use digital devices instead of visiting physical store (Desai, 2019, p. 196). The leverage of digital marketing is the access to wide range of data and the measurability of the outcomes of campaigns. As the main objective of marketing campaigns is to produce the desired results and meanwhile measure the advertisement money spend, digital marketing is more cost-efficient for measuring ROI on advertisement (Pepelnjak, 2008).

Even though digital marketing's development started in 1990s its power became much more obvious in the 2010, as the surge of digital devices capable of accessing digital data came. With the development of social media, such as Facebook, Instagram, LinkedIn etc. people have become much more dependent on digital technologies in daily life. The change of customer behavior improved the diversification of marketing technology (Desai, 2019, p. 197).

One of the specifics of digital marketing is the constant and unpredictable change of trends that influence its effectiveness. Bala and Verma (2018, p. 324) highlight the importance of marketing professionals to truly understand online social media marketing campaigns and performance measurement indicators to be able to do digital marketing effectively. Meanwhile, market dynamics all over the world are changing in relation to the young audience's accessibility to social media.

The digital marketing is characterized by its key objectives as they represent essential components of a comprehensive marketing strategy:

1) **customer engagement** – as the process of interacting with customers across multiple touchpoints. Effective engagement builds relationships with customers and encourages them to take action (conversion) such as subscribing to a newsletter or making a purchase (Yasmin et al., 2015, p. 69).
2) **Conversion optimization** – is the process of converting leads into paying customers. This involves search engine optimization, website optimization, improving content relevance, and offering calls to action (Swami, 2023, p. 1).
3) **Customer retention** – is the practice of maintaining long-term relationships with valuable customers by minimizing their defection rates (Nasir S., 2017). This is an essential objective because

acquiring a new customer is more costly than keeping the existing one.

4) **Brand awareness** – it serves as a foundation for brand equity and customer retention, and it drives a firm's performance not only in B2C but also in B2B market (Homburg, 2010, p. 209).
5) **Data collection and analysis –** the correct application of data in consistent and structured way can optimize the results and reduce the investment to digital marketing. If used correctly it can boost the performance of digital marketing as well as performance of the firm (Saura et al., 2021, p. 1297)

2.9 Digital Marketing channels

Digital marketing channels are constantly changing as the technology evolves in rapid speed. The change is even more significant with the emergence of AI and the tools it brings along. In order to summarize recent literature but build this part of the thesis in accordance to the theoretical part, which focuses on the actual e-commerce retailer, only the relevant digital marketing channels that the firm uses are going to be described.

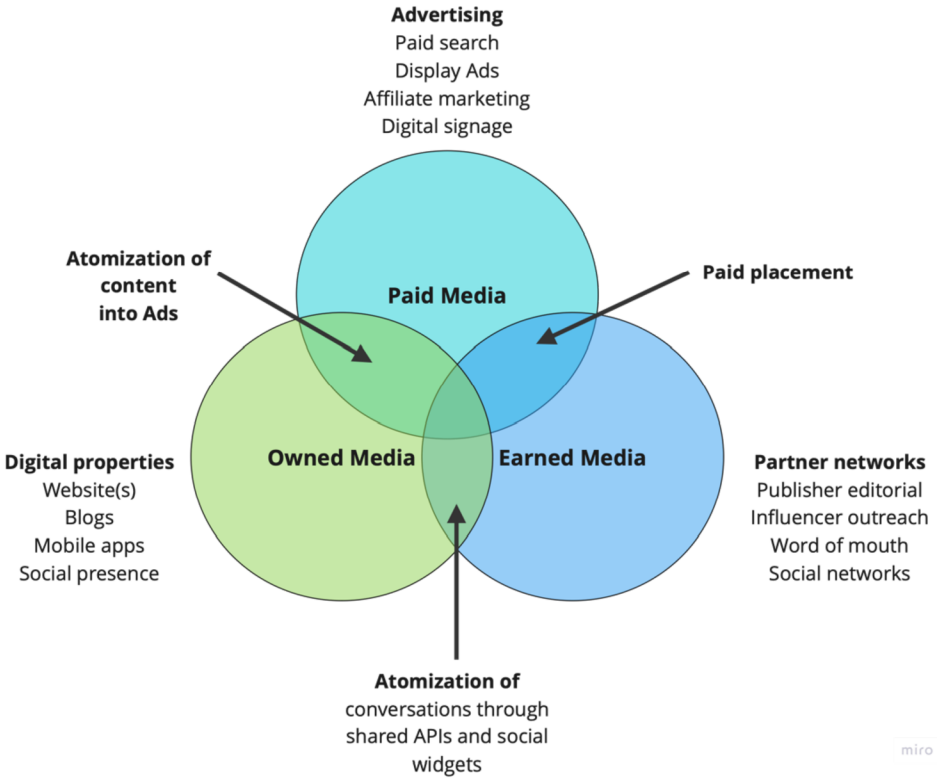
Digital marketing channels are hard to define due to their variety, however, the basic description is the most effective one in this case. Digital marketing channels are tools, media, platforms and technology through which digital marketing reaches the audience – customers.

Chaffrey and Chadwick (2019, p. 7) refer to three main types of media that marketers must consider today: paid media, owned media and earned media.

- Paid media – owned by different site or network
- Owned media – controlled by company
- Earned media – publicity generated through PR

Each of those media types can overlap as seen in the Figure 4.

Figure 4 The intersection of three media types



Source: Cheffrey and Chadwick (2019)

Cheffrey and Chadwick (2019, p. 395) also go deeper and provide the overview and sorting structure of digital media channels to:

- Search engine marketing
- Digital public relations and influencer relationship management
- Digital partnership (including affiliate and co-marketing)
- Digital display advertising
- Digital messaging
- Social media marketing (including word-of-mouth)

Desai (2019, p. 197) proposes the following segmentation:

- Search engine optimization (SEO)
- Social Media Marketing
- Content Marketing
- Affiliate Marketing

- Native Advertising
- Marketing Automation
- Pay-Per-Click (PPC)
- Email Marketing
- Inbound Marketing

In the following figure 5, marketing channels are going to be grouped together and presented in the way that is relevant to the selected company in the practical part of the thesis.

Figure 5 Marketing Channels overview

For the Customer Relationship Management (CRM) on which this thesis is focused only few of the channels are used: e-mail, push notifications, SMS messages and Web-layer.

2.9.1 E-mail

Email as a marketing channel is a tool for broadcasting commercial messages to different groups of people to promote products, engage customers, and drive conversions (Bawn and Nath, 2014, p. 250). It is popular mainly because of its nature as an owned media channel, through which company can easily communicate directly to their customers with no barriers. This leads to high ROI (return on investment) when it comes to the evaluation of campaigns.

The main marketing e-mail communication types are as follows:

- Promotional e-mails – mono-newsletter and newsletter communication
- Transactional e-mails – confirming the order and providing additional information, optionally up-selling advertisement.
- CRM emails

The email communication has been heavily impacted by enforcement of General Data Protection Law which requires that the customer gives consent to the company to send them any mailing including marketing or promotional activation (Wolford, 2021).

Traditional e-mail marketing is based on bulk emails with poorly personalized messages. Those are unfortunately not adapted to the consumption patterns of customers, because they do not understand customer complexity. The modern, data-based CRM approach is however much more efficient (Abakouy, 2019). McKinsey & Company study found that companies that put data at the center of their email marketing and overall sales decisions, have improved their marketing ROI by 15 % to 20 %.

2.9.2 Push notification

Push notifications are messages that allow application to alert users about new events or updates without needing the user to open the app (Shah and Agrawal, 2013, p. 55). The power of push notification is that they provide real-time update of what is going on in the app and can alert the user the same way as the message from a friend does.

The "push" term comes from the fact that the notifications are triggered by the businesses and are pushed from the server to user's device (Lachner, 2020, p. 7).

The indisputable advantage of push notifications is that they are interconnected with the application and can be easily connected with the landing pages specially designed for the specific customer. The right design of push notifications is also the key. The Wall Street journal (2024) reports that thanks to very personalized messages Duolingo users engage with the app on the daily bases, with 70 % of users having streaks of at least a week. Streak = Duolingo way of keeping the score of the learning of the users.

However, the app-designers and CRM designers must be really careful when designing the notifications. According to Financial Times (2024) TikTok has faced criticism for sending inaccurate news-style alerts, such as outdated tsunami warnings and false claims about public figures. This immediately lowers user's engagement with the app and lowers the response rate of future notifications.

2.9.3 SMS messaging

Dickinger et al. (2004, p. 2) describe SMS marketing as a subset of mobile marketing that uses short text messages to communicate directly with customers. These messages are utilized to promote products, deliver updates and engage customer in real time, offering a highly personal and immediate form of marketing.

SMS messages do not provide any advantage in terms of the communication style in comparison to the push notifications. Moreover, they are more expensive for the company because they require the business

to pay third party for providing the service. However, according to Crawford et al. (2014, p. 35) they have higher visibility due to the higher open rates because they appear directly in the recipients messaging app. This bypasses the need for app notifications, which users might ignore or disable. Susanto (2015, p. 98) also highlights its advantage of no need for an internet connectivity.

2.9.4 Web-layer marketing

Web-layer marketing is currently a very „hot“ topic in e-commerce as it allows the companies to create a multilayered environment for their customers based on their preferences, transactional history, engagement metrics and more. It is in line with the term Web 2.0.

“Web 2.0 is a set of economic, social, and technology trends that collectively form the basis for the next generation of the Internet—a more mature, distinctive medium characterized by user participation, openness, and network effects” (Musser & O’Reilly, 2006).

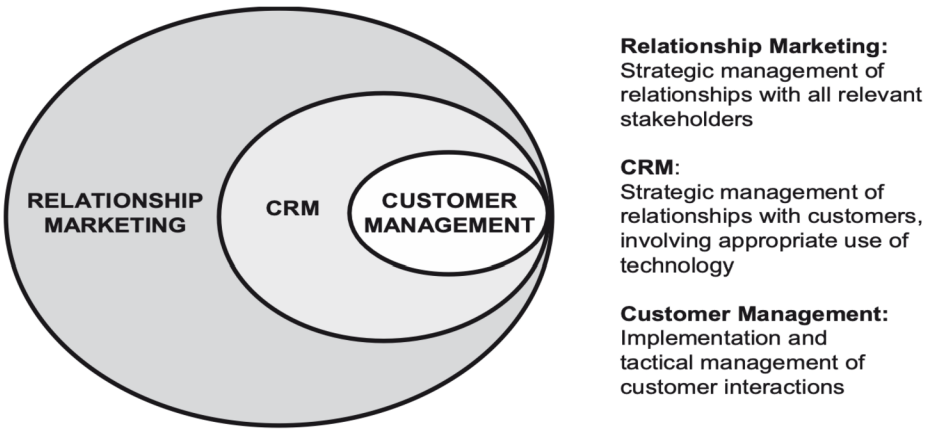
Combining the web-layering with the 2.0 approach and the Customer Relationship Management tools and deep customer analysis eventually creates a value for the customer because they are shown relevant content and relevant offers according to their needs and wants. As Faase, Helms and Spruit (2011) suggest through their research, the combination of these is about the „two way interaction“ not just about presenting information but about adding value to the information presented. The web 2.0 and web layering simply make use of customer influence.

For the use of this thesis, the definition by Bloomreach (2024) is suffiecient as it focuses on the current use and state of web-layeres. Weblayers (sometimes called web-overlays) are personalized banners that can be showed on specified pages of the website to specific audience to drive engagement and conversions.

2.10 Customer relationship management (CRM)

Kotler (1992) has emphasized the importance of relationship approach to stakeholders when he claimed that if the companies want to keep growing, they must strengthen their bonds with their stakeholders. The customers are of course, one of these stakeholders, therefore the companies focus on **customer management**. Frow and Payne (2009, p. 9) define **relationship marketing** as a strategic management of relationships with all relevant stakeholders in order to achieve long-term shareholder value. Frow and Payne (2009, p. 11) then define **customer relationship management** as a *„cross-functional strategic approach concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. It typically involves identifying appropriate busi- ness and customer strategies, the acquisition and diffusion of customer knowledge, deciding appropriate segment granularity, managing the co-creation of customer value, developing integrated channel strategies and the intelligent use of data and technology solutions to create superior customer experiences".*

Figure 6 Theoretical context of customer relationship management



Source: Frow and Payne (2009)

To simplify this definition Chaffey and Chadwick (2022, p. 234) define CRM as a marketing-led approach to building and sustaining long-term business with customers. The CRM is basis for the following applications that develop relationship with a customer:

- Marketing automation

- Sales force automation
- Customer service management
- Customer communications management
- Analysis and reporting

The current move and future spotlight is on CRM systems incorporating artificial intelligence (AI) and internet of things (IoT) to provide predictive and interactive customer experiences. This mainly helps the businesses to analyze data more effectively and predict consumer behavior which then results in quick reactions to customer needs (Fayed, 2023). Moreover, thanks to predictive analytics and deeper personalization, companies are now able to enhance the customer experience through tailored interactions (Karpun et al., 2023).

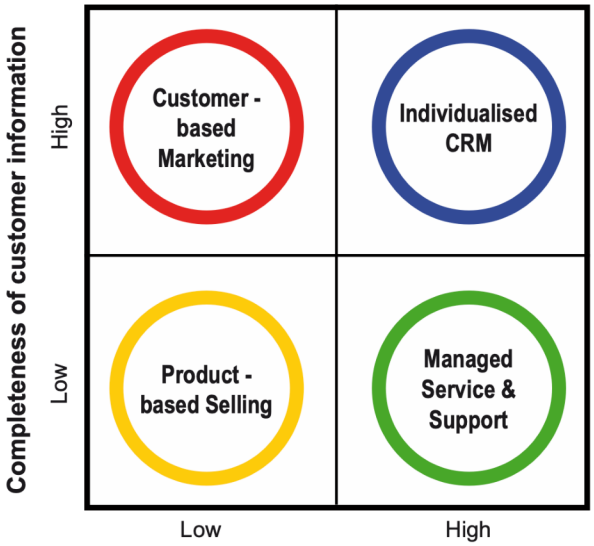
Important role in the CRM plays RFM analysis as a method that evaluates customer behavior based on three factors:

- Recency (R) – how recently a customer made a purchase.
- Frequency (F) – how often a customer makes a purchase.
- Monetary value (M) – how much a customer spends.

RFM analysis is then used to segment customers into groups to tailor marketing strategies according to the customer's needs. This also helps with identifying the customers for re-engagement efforts – for better customer retention as well as for recognizing the most valuable customers to maximize ROI (Wu et al., 2020).

The RFM analysis and its depth and detail then enables the companies to set different strategies for different customers based on the completeness of customer information (Frow and Payne, 2009, p. 17).

Figure 7 Degree of customer individualisation



Source: Frow and Payne (2009)

Product-based Selling: Focuses on the profitability and performance of products rather than individual customer data or tailored customer relationships.

Managed Service and Support: Provides high levels of customer service personalization with limited use of customer data, often relying on call centers or help desks to maintain relationships.

Customer-based Marketing: Prioritizes understanding and segmenting customers to tailor marketing and offerings, using customer data to drive loyalty and profitability through customized but not highly individualized approaches.

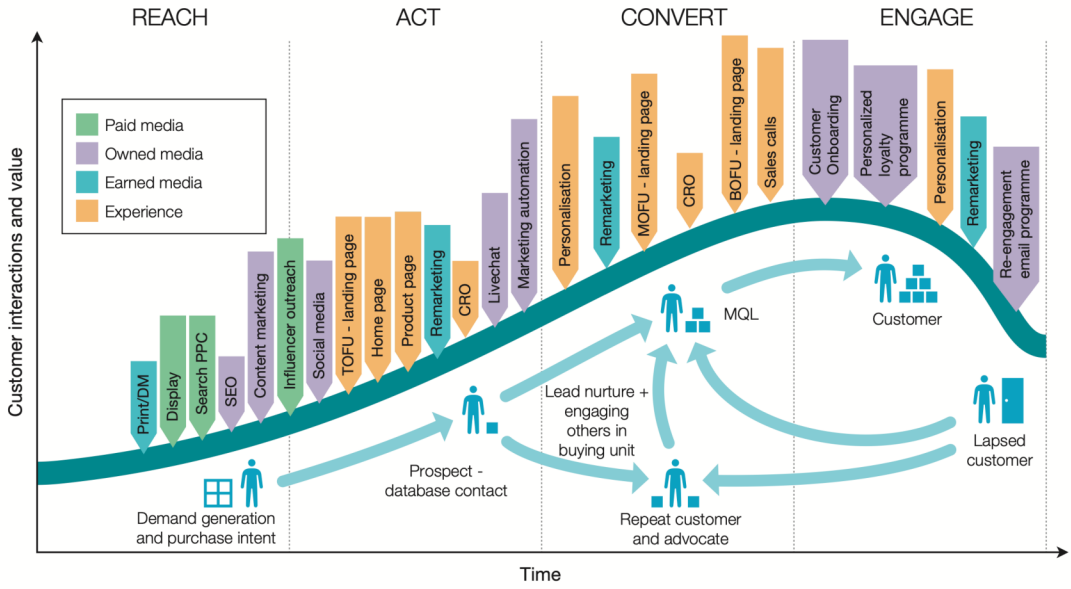
Individualized CRM: Uses comprehensive customer data and advanced technology to deliver highly personalized interactions and seamless integration across multiple channels for each customer.

2.11 Customer journey

Customer journey is a „path to purchase" which is highly complex as the decisions to purchase are influenced by numerous touchpoints (Chaffey and Chadwick, 2022, p. 46).

The particular path of the customer journey is then depicted in the Figure 8, where the customer touchpoints are also assigned to different stages of the journey.

Figure 8 Customer lifecycle journey



Source: Chaffey and Chadwick (2022)

2.11.1 Customer touchpoints

Customer touchpoints are communication channels through which companies interact directly with prospects and customers (Chaffey and Chadwick, 2022, p. 139).

Customer touchpoints are categorized based on who controls the interaction and the medium of engagement (Towers A. and Towers N., 2021). Towers A. and N. (2021) categorize the customer touchpoints to 13 categories which are quite extensive and sometimes lack the description that would clearly differentiate them from each other. Alternatively, Rishi and Popli (2021) along with Lemon and Verhoef (2016) identify four categories of customer experience touchpoints which are much more clearly distinguished and described. Depending on the nature of the product or customer's specifications, the importance of each touch point

category may differ. It is important to identify the most critical touchpoints at each stage of customer journey.

The customer touchpoints are described in the table 2 along with the examples of each touchpoint.

Table 2 Customer Touchpoints

touchpoint	describtion	example
brand-owned	designed and managed by the firm and under firm control	advertising, websites, loyalty program + elemnents of mkt. mix (product, packaging, price etc.)
partner-owned	designed and managed by partners	marketing agencies, multichannel distribution, multivendor etc.
customer-owned	actions done by customers, overall experiance under no control or influence by the firm or its partners	customer thinking about their needs or desires, customer's choice of payment method
social/external	solicited or unsolicited influence by peers or celebrities etc.	third party information sources, reviews, social media

Source: Created by the author, inspired by Lemon and Verhoef (2016) and Rishi and Popli (2021)

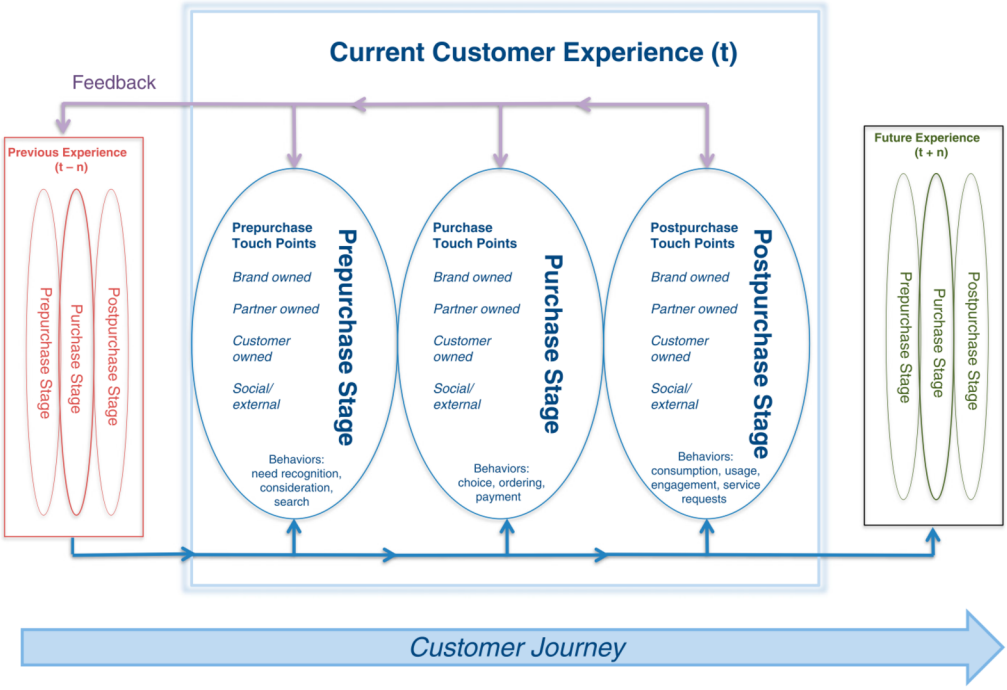
2.11.2 Customer stages

Some authors, including Chaffey and Chadwick (2022, p. 46) divide the customer stages according to the „approach“ to the customer which should be taken

- Reach – this stage focuses mainly on building awareness of a brand or product. The firm tries to catch customer’s attention.
- Act – customer evaluates products and services, CRM tools can provide insights into customer’s preferences and act on them effectively
- Convert – stage where the conversion happens and customer purchases the product. The focus is on seamless transaction.
- Engage – customer retention stage – focus on maintaining relationship through personalized communication and loyalty program. The goal is to make sure that the customer repeats the purchase in the future.

Lemon and Verhoef (2016, p. 77) highlight three stages of customer journey according to the fact of purchase being made.

Figure 9 Process Model for Customer Journey and Experience



Source: Lemon and Verhoef (2016)

As the staging introduced by Lemon and Verhoef (2016, p. 77) is sufficient for the purpose of this thesis, those three stages are going to be described in more detail in the following text.

Pre-purchase stage

This stage encompasses the customer's experience from the beginning of the need/goal/impulse recognition to consideration of satisfying that need/goal/impulse with a purchase (Lemon and Verhoef, 2016, p. 76). Customers here explore options available, seek information and consequently form preferences. Factors such as brand awareness, advertising and customer engagement play pivotal roles in influencing decision-making (Fuller et al., 2022).

Purchase stage
The actual transaction phase is where customer finalizes their purchase decision. Ensuring a seamless, efficient, and trustworthy transaction process is a key for a customer to make an actual conversion.

Post-purchase stage
The last stage encompasses customer interactions with the brand and its environment following the actual purchase. This stage includes behaviors such as usage and consumption, postpurchase engagement, and service requests (Lemon and Verhoef, 2016, p. 76). The product itself becomes a critical touchpoint at this stage. Effective after-sales support and loyalty programs can significantly enhance the overall customer experience (Ferraz et al., 2023, p. 475).

2.12 Marketing automation

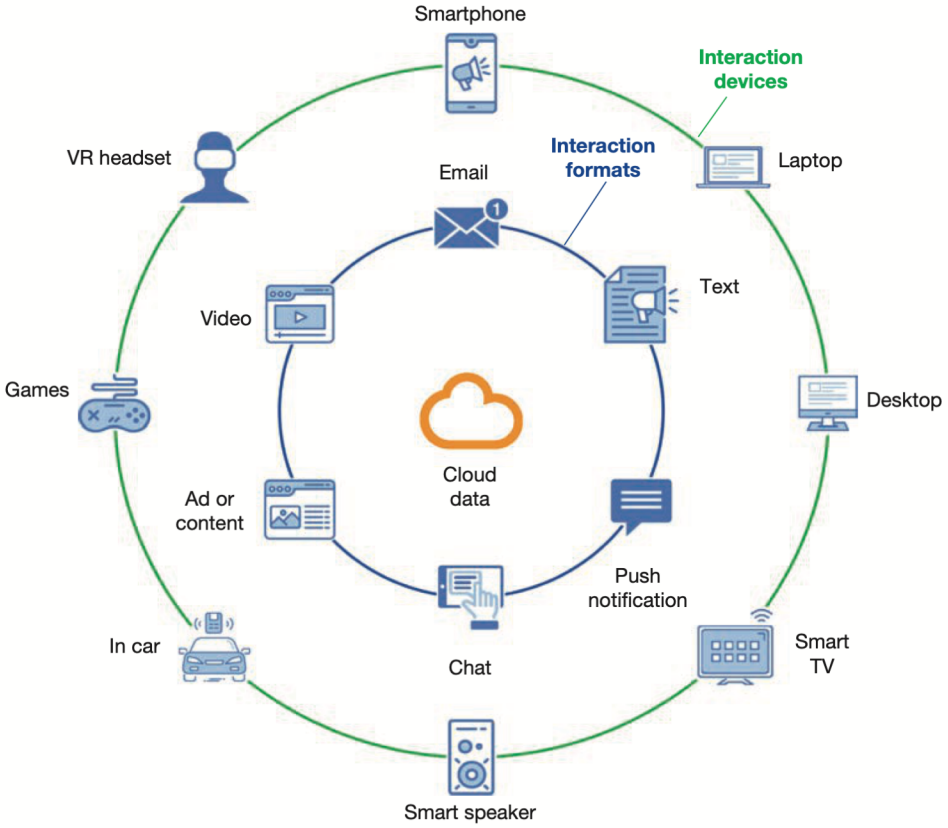
Marketing automation enables businesses to automate tasks in the marketing and sales process to profile prospects and customers and deliver more relevant communications (Chaffey and Chadwick, 2022, p. 234). Marketing automation uses data-driven marketing, meaning that it uses insight about customer profileto increase the relevance and effectiveness of marketing communication. This all done in the combination with customer relationship management (CRM) which uses the databases and marketing automation to create relevant always-on communication.

The takeaway of all of this is then that the marketing automation is the use of software to automate marketing process, such as customer segmentation, customer data integration and campaign management The use of automation software centralizes data, delivers more relevant contact strategy and nurtures leads into potential customers (Bagshaw, 2015, p. 84).

The amount of data that customers leave behind as their digital footprint is nowadays so extensive and complex that the marketing automation is the only way to use it effectively. In the Figure 10, the overview of interaction devices that customer uses and where the data are left behind and interaction formats through which firm can communicate

back to the customer, are depicted. All of this is essentially possible thanks to cloud data storage.

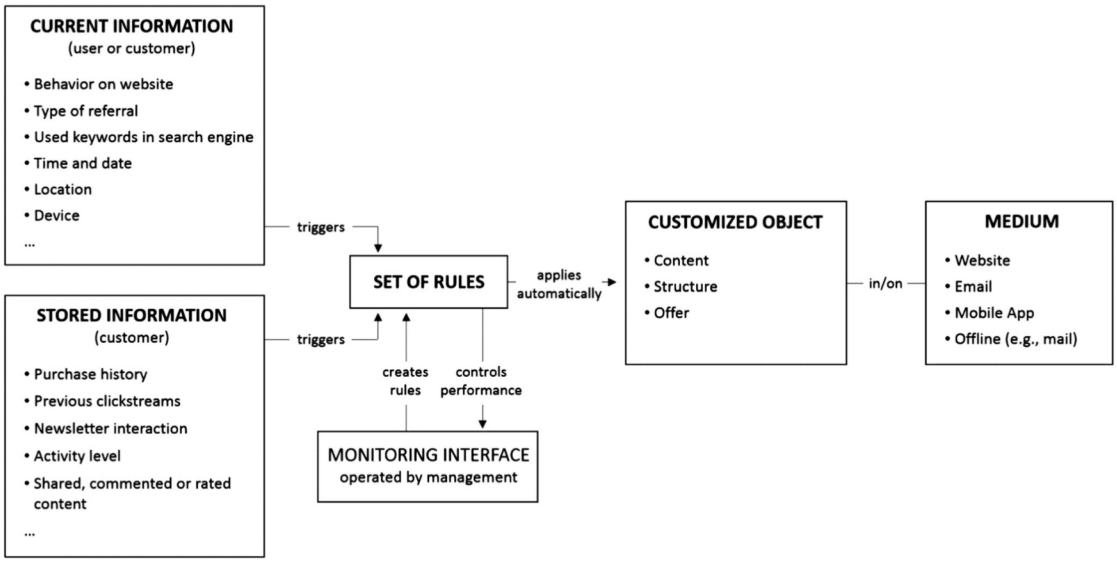
Figure 10 Digital Communication



Source: Chaffey and Chadwick (2022)

Heimbach et al. (2015, p. 131) lays out the general framework of marketing automation which shows the way the information is processed through the set of rules and automatically the customized content and offer is shown through different media to the customer.

Figure 11 Marketing automation general framework



Source: Heimbach (2015)

The biggest value of marketing automation is efficiency and scalability as it streamlines repetitive tasks allowing business to focus on strategic initiatives (Jarvinen and Taiminem, 2015, p. 164). Thanks to it, the campaign can also reach broader audience.

2.13 Marketing incentives

Marketing incentives are tools designed to influence consumer behavior by providing tangible or intangible benefits to motivate specific actions, such as purchasing a product, recommending a brand, or participating in campaigns. These incentives align customer goals with business objectives to create mutually beneficial outcomes (Grant, 2002, p. 111).

Even though marketing incentives are quite well-established way of motivating the customers and ensuring higher conversions, the literature that would be encompassing different marketing incentives and their specifics isn't available. Therefore, the following incentives that are going to be described are picked based on the current standard of incentives in e-commerce market (inspired mainly by NTN, Sephora, Douglas and Ulta Beauty).

Incentives are used throughout the marketing communication creating call to action in order to achieve higher conversion rate of the products they are applied on.

The Table 3 shows different incentives on different online platforms. The incentives are usually shown in the dropdown menu under the button “sale” as sale is the most common incentive of all.

Table 3 Online incentives overview

website	position of incentives offer	incentives offered
Ulta Beauty	incentives visible in the dropdown menu under one of the 7 buttons in the main menu	Sale, Buy More Save More, Gifts with purchase, Coupons
Douglas.cz	does not have specific button but shows the incentives through different components on the homepage	Gifts with purchase on the main menu, Free Delivery above certain threshold, Current sales line above main menu
Sephora UK	under most recent communicated campaign, there is dropdown menu + Free Delivery communicated through line above main menu	Free Delivery, Gifts with purchase, Sale Offers
NTN	located in the main menu under "sale" button	action periods, sales, gifts with purchase, Free Delivery

Source: created by the author

Ulta Beauty – DESCRIBTION: incentives visible in the dropdown menu under one of the 7 buttons in the main menu. INCENTIVES: Sale, Buy More Save More, Gifts with purchase, Coupons
Douglas – does not have specific button but shows the incentives through different components on the homepage. INCENTIVES: Gifts with purchase on the main menu, Free Delivery above certain threshold, Current sales line above main menu
Sephora – under current most recent communicated campaign, there is dropdown menu + Free Delivery communicated through line above main menu INCENTIVES: Free Delivery, Gifts with purchase, Sale Offers

In the following part of the thesis, only the two, most used incentives are going to be described as the practical part also focuses only on the evaluation of those two.

2.13.1 Temporary price reduction

Temporary price reduction is the most used method to boost the interest of customers. The TPR can be however, communicated in a lot of different ways. The manufacturers of the products have the right to recommend the retailer the price of the product. Those prices are then called RRPs (Recommended Retail Prices) however, the retailer has a right to set their own prices according to the EU Regulation 2022/720.

In the text below, different prices are explained:

RRPs = recommended retail prices by manufacturer

Base product price = the price that the retailer sets for their customers in the normal period without any promotion. This price can be influenced by several different factors including the stock level or the competitors' prices on the market. Many retailers nowadays therefore use dynamic pricing as a pricing method which takes into the account the stock level, the demand changes and sometimes even competitors pricing of the products (Boer, 2015, p. 3).

Lowered FINAL customer price = the final price for the customer after the use of promotional coupon. This final price is calculated from the base price of the product.

The FINAL customer price lowered by the discount coupon has to follow few rules in order to be legally communicated to the customer. According to the EU's Omnibus Directive (Directive (EU) 2019/2161) when the retailers announce a price reduction, they must display the prior price, defined as the lowest price applied in the 30 days preceding the discount. This measure was introduced to enhance the protection of the consumer to stop the retailers from artificially inflating prices before a promotion to create an illusion of significant discount. Moreover, in October 2024, the European Commission reiterated the importance of this requirement, emphasizing that it applies to all promotional discounts.

Despite the legislation getting stricter about the discounts and their promotional use, the recital 8 of the Omnibus Directive (Directive (EU) 2019/2161) states that the obligation to follow the 30 days rule of minimal price should apply only to general price reductions that are

announced to the public and not to personalized offers which aim to a specific segment of customers. This is a significant advantage of the CRM communication targets a segment of customers, therefore effectively can communicate higher discounts without having to respect the minimum price from the last 30 days.

2.13.2 Gift with purchase

Gift with purchase is nowadays very common method to boost the sales of particular product or portfolio. If combined with a condition of the need to exceed the certain threshold, it can boost the average order value of the brand that introduces this incentive. Therefore, it brings another way of driving the performance than promotional discount.

Some brands and retailers nowadays prefer this method to the promotional discounts, as it allows them to offer something valuable to the customer without having to cut the margin of the product offered. It is also an alternative to the high mass-market discounts that drive the sales and unintentionally lower the value of the brand and cheapen its brand image. This is described by Simonson et al. (1994) as he found out that the presence of a promotional offer can backfire and lead to reduced choice probabilities as compared to the absence of the promotional offer. In addition to this Raghubir (2004, p. 185) found out through her experiments that offering a free gift can actually cheapen a brand itself because the customer starts evaluating the value of the brand. This is also a reason why the most luxurious brands do not offer any additional gifts and aren't part of promotional discounts as their main asset is the image and the perceived value of the product, not the value of the manufacturing costs behind it.

2.14 Promotional codes

Hammouri (2022, p. 2) defines promotional code as a series of numbers, letters and special characters entered by a customer to benefit from a discount available on the digital market. However, in the current online world, the coupons can be even visible on the product itself being automatically applied to the selected products.

In the context of the literature review, the coupons are usually associated with the discounts, however, in some cases, they can be used to redeem the Gifts With Purchase or a Free Delivery of order.

The popularity of the coupons and their indisputable advantage stems in the possibility of tracking the effectiveness of the financial investments connected with the offering (Shylina, 2021, p. 887). This data can be used along with the CRM communication and business automation creating the data-focused and effective marketing campaigns.

With the emergence of AI, the coupon allocation is much more effective through the optimized distribution based on customer behavior and inventory status. This maximizes the efficiency of campaign (Zahn et al., 2021, p. 335).

3 Methodological part

In this part of the thesis, the methodology is going to be laid out. From describing the aim of the thesis and putting forward research questions to proposing hypotheses and metrics for their evaluation, the foundation of the methodology part is going to be covered. After that, the online controlled experiment and its steps are going to be described along with the Bayesian A/B testing and reasoning behind certain steps that were taken. Eventually, the population and research sample are described. To conclude, limitations are laid out.

The research conducted in this thesis is empirical, as it relies on methods aimed at gathering new, original data. The primary method used is experiment, specifically an online-controlled experiment, along with observation. This approach ensures that the data collected is both reliable and actionable for addressing the research questions.

The methodology is primarily analytical, focusing on breaking down and evaluating the data collected through the experiment. In later stages, a synthetic approach is employed to connect the results to theoretical frameworks and transform them into actionable insights.

The research follows an inductive reasoning process, starting with specific observations and experimental results and moving toward broader conclusions and actionable recommendations. This inductive nature aligns with the exploratory character of the thesis, which seeks to derive insights from observed patterns rather than strictly adhering to predetermined theories. Nonetheless, the inclusion of predefined hypotheses introduces a minor deductive component, acknowledging the possibility of testing specific assumptions within the research.

The thesis is predominantly quantitative, focusing on statistical evaluation, measurable outcomes, and numerical data. This approach supports the goal of addressing the research questions and testing the predefined hypotheses effectively. The core of the research lies in exploring the effectiveness of Gift-with-Purchase (GWP) campaigns versus Discount Code campaigns, emphasizing the evaluation of observed data rather than theoretical outcomes.

3.1 Purpose of the thesis and research questions

The assignment from the firm:
The company that is also subject of the research of this thesis assigned the author of this thesis to evaluate current CRM campaign effectivity on one of its top selling brands. Part of the assignment was to evaluate the consumer behavior in two campaigns with different marketing incentives – one with GWP, the other one with discount code, and to compare the results.

The main emphasis was on delivering the information about which of these campaigns work better for the customer if all other conditions are unchanged and only changed variable in the marketing communication is the marketing incentive. As there was not an existing CRM campaign on the particular brand and no analysis of this kind on other brands in the whole firm, the author of the thesis also had to design the communication and the process of the CRM campaign promotion. As the set-up costs, advertising costs and costs connected with the incentives were significant, the author had to continuously evaluate the performance of the campaign and be prepared for adjustments if the communication seemed to have unexpected errors.

The particular customer base whose behavior should be evaluated consists of "initial valid" customers from the database to whom the CRM communication is going to be sent-out during the first month of the CRM campaign running, and "new valid" customers who are going to be detected and targeted during the three-month period of the campaign running.

The aim of the thesis:
The official aim of the thesis is to analyze consumer behavior within CRM campaigns of an online e-shop.

After the consultation with the thesis supervisor, the aim of the thesis was specified more in depth to reflect the areas that are being discussed and researched. The diploma thesis aims to formulate recommendations for effective CRM campaigns in given company through the analysis of the effect of CRM promotion including discount coupon and coupon for gift with purchase on consumer behavior.

As Punch (2016) emphasizes the importance of developing research questions and then operationalizing them through hypotheses, in the following part, the research questions are introduced along with the connected hypotheses.

Research questions:
The research questions are designed to align with the objectives of the thesis, ensuring they effectively address its overarching aim. They focus on describing the characteristics of the customers within the research sample, analyzing the impact of various incentives on customer behavior, and evaluating the economic outcomes of the campaigns.

RQ1: How do the customers react to different incentives in CRM campaigns?

RQ2: Does the promotions including discount code lead to higher click-through rate, conversion rate and higher revenue per purchase than the promotion including gift with purchase code?

RQ3: What do the successfully converted customers have in common?

RQ4: Which campaign has better total return on investment?

Hypothesis:

H1.0: *Promotional Discount Codes in CRM campaigns do not lead to higher click-through- open rates.*
H1.1: Promotional Discount Codes in CRM campaigns lead to higher click-through-open rates.

H2.0: Promotional GWP Codes in CRM campaigns do not lead to higher click-through-open rates.
H2.1: Promotional GWP Codes in CRM campaigns lead to higher click-through-open rates.

H3.0: *Promotional GWP Codes in CRM campaigns do not lead to higher conversion rates than in promotion including Discount Codes.*
H3.1: Promotional GWP Codes in CRM campaigns lead to higher conversion rates than in promotion including Discount Codes.

H4.0: *Promotional GWP Codes in CRM campaigns do not lead to higher revenue per purchase than in promotion including Discount Codes.*
H4.1: Promotional GWP Codes in CRM campaigns lead to higher revenue per purchase than in promotion including Discount Codes.

3.2 Metrics related to the experiment evaluation

As the promotion can influence several metrics and the aim of the theses focuses on evaluating the overall effect altogether, this part of the methodology is going to focus on more of the metrics that are relevant to the CRM communication.

Most commonly used metrics for the CRM and the overall evaluation of the effectiveness of the campaign are "rate metrics" as they provide a reference toward something instead of stating the absolute values (Chaffey, 2022, p. 467). They show the relationship between particular outcome and a broader context. They also allow us to compare different campaigns with different population and research samples.

The rate metrics are ratios where:
Numerator = represents specific outcome or count of events
Denominator = total context or opportunity against which the outcome is measured (usually the population size) (Carey, 2021, p. 3170).

$$Rate\ Metric = \frac{Numerator\ (Outcome)}{Denominator\ (Total\ Context)} \times 100 \quad (1)$$

Denominator size impacts the results as the small denominator can exaggerate a high rate which may not be representative.

3.2.1 Open rate (OR)

Numerator = number of recipients who opened an email
Denominator = total number of emails delivered

$$Open\ rate = \frac{messages\ opened}{messages\ delivered} \times 100 \tag{2}$$

3.2.2 Click-through rate (CTR)

Numerator = number of click on any trackable link within the communication
Denominator = total number of emails, PNS (push notifications), sms messages delivered

$$CTR = \frac{clicks}{delivered\ communication} \times 100 \tag{3}$$

An alternative to click-through rate is the **Click-to-open rate** which better reflects the quality of the communication and the attractivity of the offer. It filters out the receivers of the email who did not open the communication, therefore the attractivity of the communication did not play a role in their decision-making process.

$$CTOR = \frac{clicks}{messages\ opened} \times 100 \tag{4}$$

3.2.3 Conversion rate

Numerator = number of completed desired actions (purchases, sign-ups). It depends on the admin of the communication to choose the desired action. It usually reflects the purpose of the communication. For the purposes of this thesis, and for the purposes of the CRM communication, the conversion reflects the customers who reacted positively to the communication and bought the product while using the coupon. This number

is cleared of the customers who bought the product but could not use the coupon.

Denominator = total number unique opened mails (includes all the customers who opened a mail and had a chance to at least see a glance of the communication)

$$Conversion\ rate = \frac{conversions}{opens} \times 100 \tag{5}$$

For the purposes of tracking the conversion rate, opens were chosen as a denominator because the number of unique open mails reflects the number of customers who could be influenced through the communication.

3.2.4 Average Order Value (AOV)

Average Order Value is a very important metric in e-commerce as it indicates the average spend of the customer per order. While handling the warehousing and logistics costs, the costs of advertising and promotional cost also play a part in the final margin that the retailer is left with. The higher AOV lefts more space for possibly higher costs and still leaves the retailer with a certain margin. AOV also indicates customers willingness to spend more per transaction.

$$Average\ Order\ Value = \frac{Total\ Revenue}{Number\ of\ orders} \tag{6}$$

The AOV can be different for different customer segments, brands, products and countries and it even differs in different seasons throughout the year.

3.2.5 Orders With Voucher

This number reflects the number of orders that the customers made, while using the voucher that was provided to them via the CRM communication.

It reflects the effectivity of the campaign and its mechanic. In the practical part, each scenario of the campaign requires the customer to fulfill some conditions. If the conditions were making the use of the incentive presented in the mechanic unattractive but the product or the brand would still be attractive to the customer even without getting a discount or GWP, the results would show a lot of successful conversions but just a few Orders in which the coupon was used.

3.2.6 Turnover of Orders with Coupon

This turnover reflects the total generated income through the promotion as all the orders made connected with the coupon are added up.

3.2.7 Value of the Coupons Used

This Value reflects the sum of all the Discounted Values for the customer and essentially the lost profit on each purchase.

3.2.8 Return on Investment (ROI)

Return on Investment is widely used financial metric to evaluate profitability or efficiency of an investment. It measures the return generated through the costs of the investment.

$$ROI = \frac{Net\ Profit\ of\ Investment - Cost\ of\ Investment}{Cost\ of\ Investment} \times 100 \tag{7}$$

3.3 Online controlled experiment

Online controlled experiment (often referred to as an A/B test or randomized controlled trial) is a method for evaluating accurate and causal

relationship between a change and the impact observed (Fabijan et al., 2018, p. 60). It isolates the causal impact of modifications by splitting users into randomized groups (control and treatment) to measure differences in behavior or outcomes.

Huge benefit of online controlled experiments is that the data is collected in real time and the experiment can be evaluated any time without the need to stop collection of data. That means that if the treatment variant brings very unsatisfactory results against the control variant, the campaign or web setting that is tested can be immediately adjusted.

According to Fabijan et al. (2018, p. 63) the experiment itself has a lifecycle which consist of several phases:

1) **Ideation** – generating minimal viable hypotheses (MVH) + developing a minimal viable product (MVP)
   a) MVH – coming up with a treatment description and success criteria.
   b) MVP – is the implementation of MVH. The difference between MVP and final product is that the MVP is only exposed to a smaller subset of users, and the final version might scale up in completely different way based on initial results.
2) **Design and execution phase** – specification of customer segment in which the hypotheses will be evaluated and determining the size and duration of experiment. Once the execution starts, automatic triggers can be set-up.
3) **Analysis and learning** – when the statistical power of MVH is fulfilled, the experiment is analyzed. The success criteria of MVH are compared to the outcome and successful variant is known. The main benefit of the experiment is that it brings not only the information of which variant to deploy but also information about which type of changes influences the key success metrics and by how much.

The online controlled experiment in this thesis is conducted through the **Bloomreach platform** which is B2B service platform that specializes in marketing automation and the processes that predecease it. The platform mainly focuses on data analysis, search engine optimization, testing and optimizing of marketing campaigns and customer relationship management (Bloomreach, 2024).

3.4 Bayesian A/B testing

The main benefit of the A/B testing is that it allows the designer of change to make data-driven decisions. In comparison to the "before and after test" it brings reliable results because in the before and after comparison there is no possibility to control external factors. Since the A/B testing variants are executed at the same time and the only difference is the implementation made, the external factors do influence the A variant as well as the variant B in the same way.

Unlike traditional A/B testing (frequentist approach) the Bayesian A/B testing does not rely on p-value and significance levels, and it provides an estimate of the likelihood of different outcomes. Because of the elimination of p-value, the reported numbers of A/B testing are the individual probabilities of variant B, resulting in better performance than variant A (Stucchio, 2015, p. 12. The main aspects of difference are highlighted in the table below.

Table 4 Frequentist versus Bayesian statistics

Aspect	Frequentist A/B Testing	Bayesian A/B Testing
Probability	Long-term frequency of events	Degree of belief (probabilistic certainty)
Output	P-value	Posterior distribution, probability of variants
Prior Knowledge	Not included	Included as prior distribution
Sample Size	Fixed beforehand	Flexible, can stop anytime
Decision	Reject/accept H_0 (null hypothesis)	Probabilistic decision-making
Flexibility	Low (requires fixed stopping point)	High (allows sequential testing)

Source: Created by the author, based on concepts from Silva and Favoreto (2022) and Birkett (2022)

The Bayesian A/B test is defined in the following equation:

$$P\ (\lambda|\text{evidence}) = \frac{P\ (evidence\ |\lambda)\ P(\lambda)}{P\ (evidence)} \tag{8}$$

P (λ | evidence) = the posterior = opinion after observing evidence

P (evidence |λ) = prior = prior opinion before observing any evidence
P (evidence) = probability of observing the evidence (that has truly been observed)
P(A|B) = the conditional probability - probability of A being true assuming that B is true (Stucchio, 2015, p. 4).

Steps of Bayesian A/B testing:

1) Defining prior distribution
2) Update of priors in accordance to the observed data
3) Calculation of posterior distribution – the posterior distribution represents the updated beliefs about the conversion rates
4) Computation the probability of variant B being better than A
5) Computation of expected uplift if the variant B is actually better than variant A
6) Computation of expected loss if the variant B is actually worse than variant A

At first, the distribution definition phase, the binomial distribution is selected for the conversion rate as the conversion can be either successful (1) or unsuccessful (0). For the Turnover of Orders with coupon per order the exponential distribution is used.

Secondly, the calculation of prior is conducted. For the purposes of this thesis, the prior opinion uses beta distribution Beta (α, β) = (1,1) for conversion rates (all conversion rates are equally likely).

Third step focuses on the posterior distribution when the beta distribution is updated with observed data (successes and failures) to compute posterior distribution. The parameters of the updated Beta distribution are:

$$\alpha_{posterior} = \alpha_{prior} + conversions \tag{9}$$

$$\beta_{posterior} = \beta_{prior} + (trials - conversions) \tag{10}$$

To incorporate net revenue per purchase the multiplication of conversion rate with revenue per purchase is done.

The fourth step focuses on computing the probability of variant B being better than variant A.

Probability that the variant B has a higher conversion rate than A:

$$P\ (B > A) = \frac{Number\ of\ times\ B_{conversion} > A_{conversion}}{Total\ samples} \tag{11}$$

Probability that B has higher net revenue per purchase than A:

$$P\ (B > A) = \frac{Numbert\ of\ times\ B_{revenue} > A_{revenue}}{Total\ samples} \tag{12}$$

The fifth step and sixth step are the computation of expected uplift if variant B is actually better than variant A.

$$\Delta = RPP_B\ - RPP_A$$

$$\Delta = CR_B - \ CR_A \tag{13}$$

Where RPP = revenue per purchase, Δ is the difference, and CR is conversion rate.

$$expected\ uplift = E\ [\Delta \mid \Delta\ >\ 0]$$

$$expected\ loss = E\ [\Delta \mid \Delta\ <\ 0] \tag{14}$$

3.5 Population x Research sample

3.5.1 Population

What is very specific for the online controlled experiment is that the population can be quite wide since the it encompasses all the active customers of the company who have purchased a product in the last year = active customers. To be more specific and to make the population more specific, the population on which the results of this research could be extended to are only the cosmetics and fragrance customers, meaning that other categories within the NTN database weren't considered in the research sample and this population would very likely present less satisfactory results. The population therefore represents active customers on whom the results of this research could be applied to.

3.5.2 Research sample

The research sample in the case of the online controlled experiment and the whole experimentation process of this thesis is also the target group which was exposed to the communication therefore every member of the target group is also part of the research sample.

For the selection of the target group the aspects of the RFM analysis were considered. The RFM analysis is widely used for the segmentation of customers based on their prior purchasing history. It groups the customers based on three dimensions: recency (R), frequency (F) and monetary (M) (Christy et al., 2021, p. 1252).

Since targeting all the customers at the same time would result in the mass communication like the mono-newsletter campaign, which is less effective than the CRM communication, the triggers for CRM communication were selected as follows:

- Customers of the brand – that have purchased a product from the beginning of a calendar year,
- Viewers of the brand – viewed the product detail page (PDP) of Sol de Janeiro product in the last 2 months,

- Body-care category active customers who have bought some products from selective market type with the price over 35 EUR.

3.6 Limitations

The online controlled experiment thoroughly described in the practical part of the thesis was focused on one specific communication of one cosmetic brand, but the author implies that the results and recommendations could also be applied to cosmetic and fragrance category overall. From the point of experience of the author this is true, but it isn't proven within the thesis scope. Additionally, the results from the experiment come only from one company in the e-commerce beauty industry, therefore the results of the same treatment of the customers might be different for another retailer.

While describing the converted customer in the purchase stage of the customer journey, some additional parts of the customer description are added from the information that the company has researched about the TOP loyal customer. This is mentioned within the text.

Even though the Bayesian testing result table might show that the probability of Variant being better is 100% sure, this is only practical probability, not true probability in its nature because Bayesian testing does not allow the concept of assurance being 100%, because probabilities are never absolute and final and there is always space for adding more data.

As some of the customers (10% from each variant) were intended to receive "no incentive" communication with no CTA, some of the data from these customers couldn't be added to the overall data database. This naturally results in lower overall values for some metrics like "Number of orders with voucher" or "Total Revenue" for each variant which could have been higher wouldn't there be this need to omit some customers. However, this fact did not influence the value of comparison of two different incentives as they were both equally impacted.

4 Practical part

The practical part of this thesis builds upon the foundation from theoretical and methodological part and evaluates the effectiveness of different CRM campaigns in driving consumer behavior. It examines two marketing incentives – Gift with purchase Coupon and Discount Coupon – implemented for beauty and fragrance brand in an online controlled experiment.

The primary goal is to assess the performance of these campaigns across key metrics, including click-through rates (CTR), conversion rates, average order value (AOV), and return on investment (ROI). The data collected through Bayesian A/B testing provides a detailed comparison of the campaigns, offering actionable insights into consumer preferences and behaviors. Additionally, the A/B testing is conducted for incentive versus non-incentive variants to confirm the effectiveness of additional incentive with CTA.

This section also presents a detailed economic evaluation of the campaigns, delivering strategic recommendations for optimizing CRM approaches in the beauty e-commerce industry.

4.1 Company introduction

The company NTN s.r.o. company formerly known as NTN has been founded 20 years ago in 2004.

2004 – 2008: Early years

- Initially focused only on perfume sales in Czech Republic
- Rapid expansion into the neighborhood countries, including Slovakia and Poland

2009 – 2014: European Growth

- Diversification of the products range, including cosmetics, skincare and haircare
- Entered major European markets such as Germany, France, and the UK

- Different name and image in different countries, unclear brand identity

2015 – 2020: Global expansion

- 2016 – rebranded to single name in all the markets
- Expanded the operations to all the European countries including Russia (which was closed when the war started).
- Expanded in the USA for a while but discontinued the operations in 2019.
- Opened flagship Brick and Mortar stores to complement the online business in key European cities.

2021 – now: Innovation and Global Leadership

- Enhancement of e-commerce platform, opening of new Brick and Mortar stores
- Strengthening of the partnership with luxury and niche brands – becoming an exclusive destination for customers to find

Current NTN stats and numbers:

- 27 markets
- 24 million customers
- Over 3000 brands
- Average 30% growth of turnover YoY

Figure 12 Turnover ambition NTN

Source: NTN PR materials

4.2 Brand introduction

The brand on which the CRM communication is focused on, in the online controlled experiment, is body-care and fragrance brand XX. It is brand renowned for its vibrant products that encapsulate the essence of Brazilian culture (brand' s website, 2024). It was founded in 2015 and gained popularity through one product with skin-firming properties. In November 2021 L'Occitane Group acquired a majority stake in the company. At the end of fiscal year 2023, ending in March 2024, brand reported global net sales of approximately 686 million EUR, which makes its 157% YoY growth, in comparison to 2022.

4.3 Description of targeted customers

The customers that are a target for the online controlled experiment are:

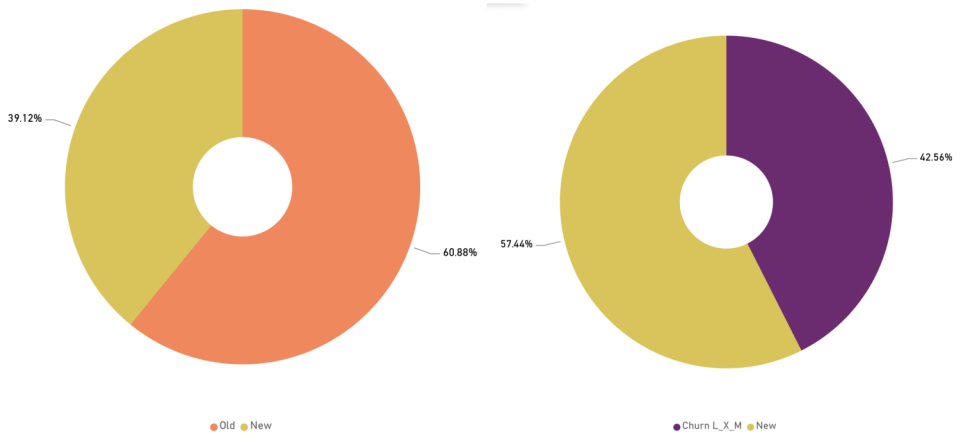
- Brand's viewers from the last 2 months
- Brand's buyers from the beginning of the year
- Body-care category active customers who have bought some products from selective market type with the price over 35 EUR.

- **Company's customers**

The company currently has over 24 million active customers who have realized their order in the last 24 months. However, for the purposes of the CRM, only about 10 millions of customers have complete profile for the purposes of the CRM communication.

About 61% of customers shopping on the website are old customers (=the customers that haven't realized their purchase for the first time but have purchase history) and 39% are new customers. As every month ends, the company loses some of its active customers (=churn customers) but also acquires new customers (=customers who have realized their purchase for the first time). The churn vs new customers ratio is 43% to 57% which means that the company is actively acquiring new customers and the total Active customer count is growing.

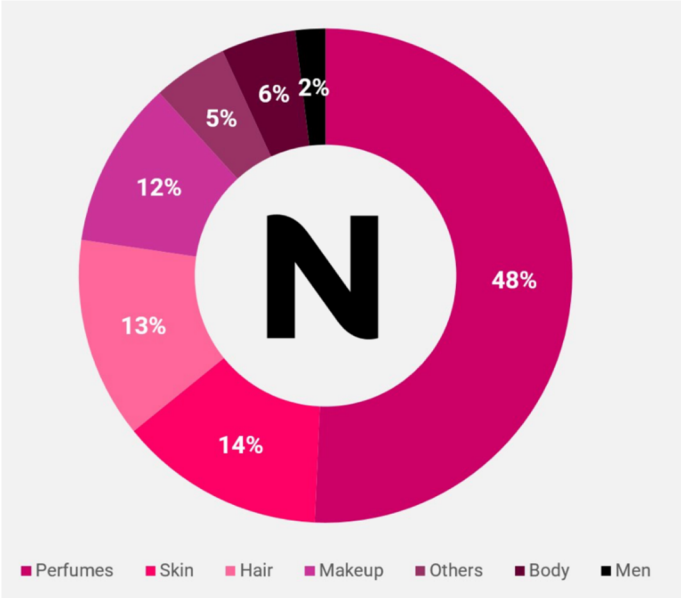
Figure 13 Customers overview



source: Company's database

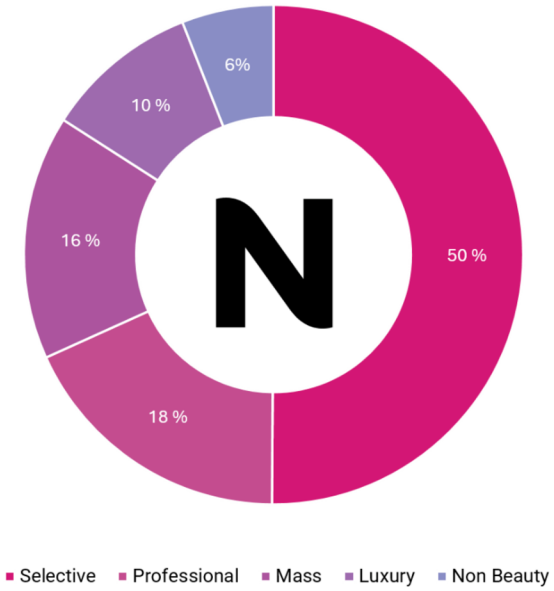
As we focus only on the Body category customers and the customers that usually buy selective cosmetics (the threshold for the targeting is set above 35 EUR) it is important to understand the segmentation and categorization of the company's customers. The graph below shows categorization of customers as well as market type distribution.

Figure 14 Categorical distribution of customers



source: Company's database

Figure 15 Market Type distribution of customers



source: Company's database

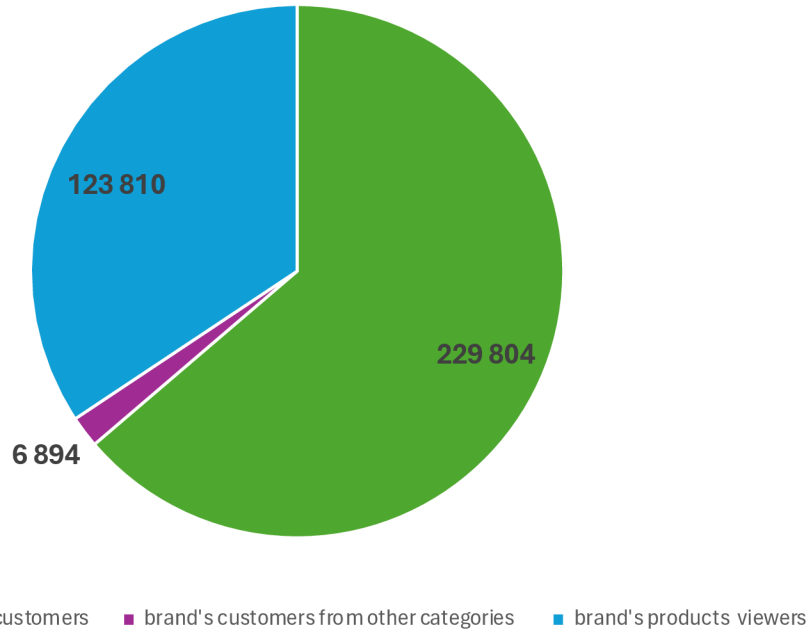
If we take into account all the previously mentioned segmentations, the target group of customers and the research sample reaches 229 804

customers coming from selective Body category (customers spent over 35 EUR on the selective body-care products) in last 24 months. Since the majority of brand's customers from the beginning of a year are already part of the selective body-care customers, only the remaining customers which bought products from a different category – fragrance and skin-care – are part of this group. Their customer count is 6 894.

The last number added to the total focus group are customers that have viewed brand's products "product detail page" in the last 2 months. They account for 123 810 customers from the CRM database. The number of brand's viewers could be much higher even higher than the rest of the customers since the brand itself has around 4 450 000 unique product detail views monthly, but the majority of the viewers are not registered customers or are already part of the existing customers cluster added to the target group before.

The total number of customers that were part of the initial CRM testing campaign database, and also the target group and research sample, is 360 508.

Figure 16 Customer database source



Source: Created by the author, based on company's database

The customers that were part of the initial database aren't all the customers that were exposed to the CRM communication since the viewers of brand's products are being additionally added to the database as the time goes while the campaign is running. The same logic applies to selective body-care customers and brand's customers from other categories. The total number of customers that were exposed to the CRM communication is going to be mentioned in the "Experiment results" part of the practical part of the thesis.

4.4 Online controlled experiment

The online controlled experiment and the CRM communication within it were tested on the customers from the beginning of June till the end of August 2024. As the initial send-out of the communication makes the majority part of the research sample, to lower the risk of external factors and customer preferences on the results, the communication wasn't sent out to the customers at the same time but through smaller portions.

The initial sell-out phase happened during the month of June. The customers that were up for the send-out were selected randomly through the Bloomreach system and the send-out was happening daily to simulate similar conditions as if the CRM system was automated throughout the month. Average daily number of customers to whom the communication was sent was 12 017.

During the initial send-out phase, there was no other promotional communication on the web concerning the brand and the product portfolio was the same. The stock of all the products was also on the safe level so there wasn't any stock-out situation. The actual price displayed on the web to the customer remained the same the entire time as the dynamic pricing mechanism was disabled.

Along with the initial send-out communication, the automated communication was turned on from the beginning of June till the end of August to capture the customers that have viewed the product from the brand, bought a product from body-care category or from a brand. Naturally, the customers that were part of the initial send-out group were excluded from this communication as they have already received it or

would have received it during the month of June. The customers that were captured through the automation in June were set to receive their communication in July as June was already filled with a lot of other send-outs from initial send-out.

The primary channel of communication within the both automated and the initial send-out was email messaging. As addition to this communication the customers who haven't reacted (haven't bought anything from the brand) to the communication received the PUSH notification through the app (if installed) and web-layer communication reminding them about the discount coupon or gift coupon in their mailbox. This automation was set 10 days after the particular email to particular customer was sent as this customer was still within the period of time when they could redeem this special offer.

Through every send-out an A/B test was set-up to ensure that the CTA added to the communication played a role in the success of the campaign. Every time the communication was sent to the customer via email, 10% of the targeted customers received the communication with the same graphic design and links, but without the promotional code for discount or GWP. Half of the customers daily received GWP communication, the other half the discount communication and the 10% of both halves was only communication of the brand without the CTA.

4.5 Mechanic of the marketing communication

To successfully pass on the message to the customer, the mechanic included clear CTA and the condition for the customer which must have been fulfilled to redeem the special offer.

For both of the CTA campaigns, the same mechanic with the same conditions and the same graphic design were chosen. Mechanics were set as follows:

> *Buy products from ___ brand above 40 EUR and get a 15 % discount on your order from the brand. With the purchase above 60 EUR, you'll even save 20% from your order.*

Buy products from ___ brand above 40 EUR and get a gift (name of the gift). With the purchase above 60 EUR, you'll even receive additional iconic (name of the gift) with your order.

The particular thresholds that the customer had to exceed in order to get a discount or GWP were set based on the AOV of the brand. Since the customers usually spend 35 EUR on average in all the countries, the lower threshold was set to be higher to boost the AOV through the campaign. The higher limit was added as well, to motivate customers to spend more, and maybe buy more products from the brand, since the average product from the brand was priced around 40 EUR.

Since the gift and the discount should have the same strength - as a CTA for the customer - in order to deliver comparable results, the average targeted customer order value was predicted and set to be 50 EUR. For the customer that spends 45 EUR on brand's products, the 15% discount would be in absolute number 6,75 EUR. Which is also roughly the same amount as the price of the mini products that were added to the GWP variant's offer. The "higher threshold customer" could get a 20% discount which is slightly higher than the lower threshold discount. The average predicted value of the higher threshold order could be 70 EUR and the discount for this amount would be 14 EUR in absolute numbers. The customer would get 2 gifts at this time (from fulfilling the lower and higher threshold) and the higher threshold gift would have a value of roughly 7,5 EUR which would result in the overall value for customer at 14,25 EUR.

Even though the values of products and the values of gifts are very subjective to customers, the calculations above were presented in order to clearly state, that the standardized value for customer of both of the offers' mechanics is objectively the same, and none of the communications presented is superior offer to the other.

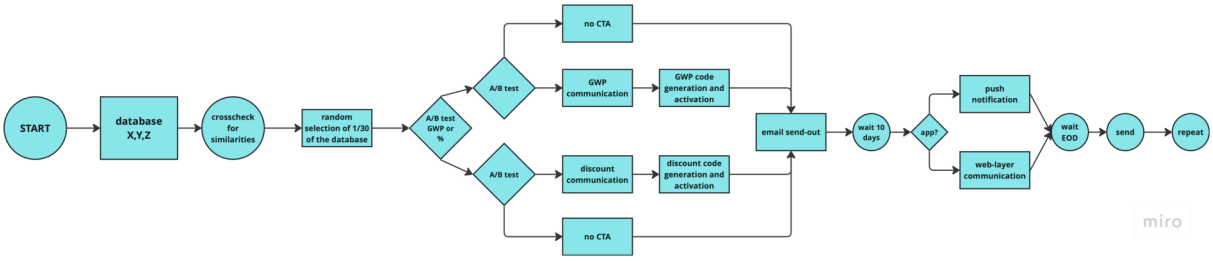
The CRM communication and the graphic design of the communication is presented in the Appendix A, B and C.

4.6 CRM process map

The CRM communication with its different channels and decision nodes had two different models. There was the initial send-out and the automated communication. The model was very similar as both of those send-out mechanisms should have acted to the customer as one communication without the difference to deliver comparable results.

Initial email send-out uses database X (selective Body care customers), Y (brand's buyers from the beginning of the year), Z (brand's viewers). To ensure that there is no customer twice, the crosscheck happens. Then, the crucial A/B test between GWP mechanic and discount mechanic is set-up. Half of customers receive GWP communication, the other half receives discount communication. To evaluate the effectiveness of each mechanic against the "soft" communication with no "call to action" the additional A/B test is set-up in which 10% of customer receive "no CTA" communication, the rest gets the communication with generated unique code which can be used to redeem the incentive. Then, the mail is sent-out to the customer in the most suitable time during the day which is different for different customers. Since the coupon is valid for 14 days, after 10 days, the customer is reminded through app push notification or through web-layer communication. Then the process repeats.

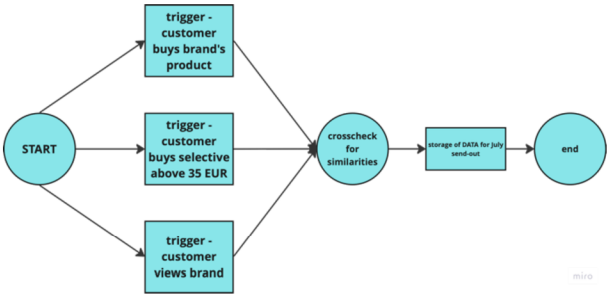
Figure 17 Initial email send-out scheme



Source: Created by the author

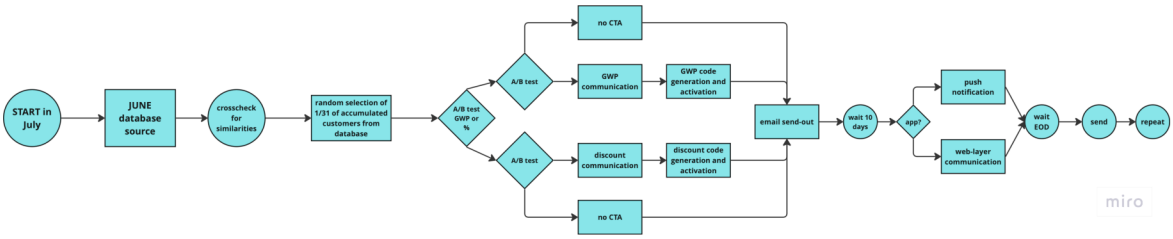
Automated send-out 1/2 starts with three different triggers which work in real time. Since the month of June is already going to have a lot of send-outs due to the send-out from initial X, Y, Z database, the customers generated through triggers in June were sent their communication in July.

Figure 18 Data storage for automated send-out 1/2



Source: Created by the author

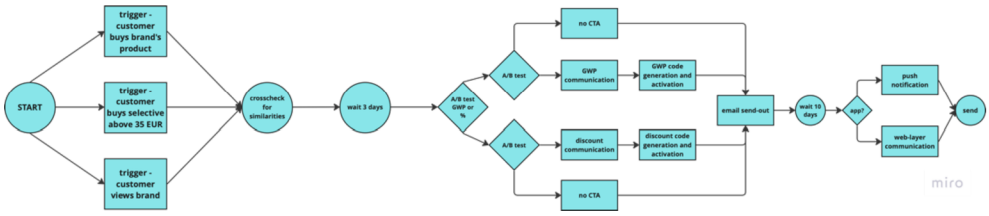
Figure 19 Automated send-out 1/2



Source: Created by the author

Automated send-out 2/2 has the same mechanic but does not accumulate any customers, only "pauses" between the trigger and send-out for 3 days to ensure, that the customer does not receive the communication right after the trigger condition is fulfilled. At the end of the process, there is no repeater or time schedule like in the initial send-out process, because the real time automation requires no artificial split to simulate gradual send-out.

Figure 20 Automated send-out 2/2

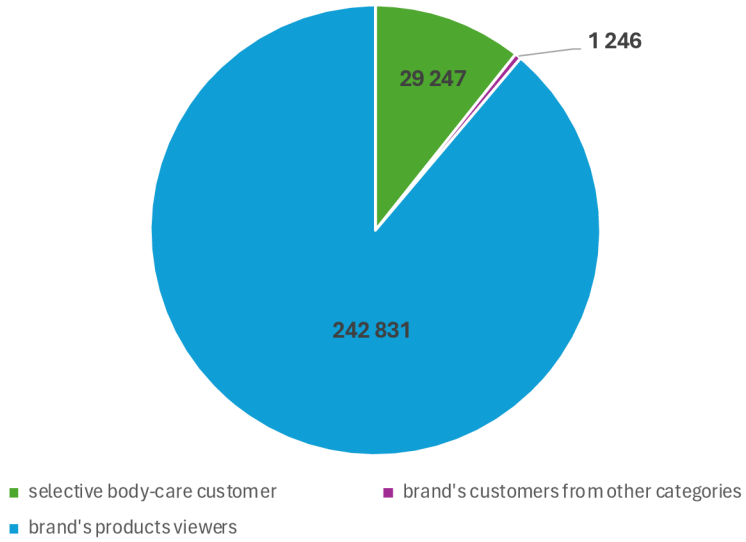


Source: Created by the author

4.7 Experiment results

The online controlled experiment was happening along with the automation of CRM from June till August. From the initial database, there were 360 508 valid customers to whom the communication was sent during June. From the triggers in automated CRM, during the whole period, there were generated 273 324 customers. This number is again cleared out of previously targeted customers.

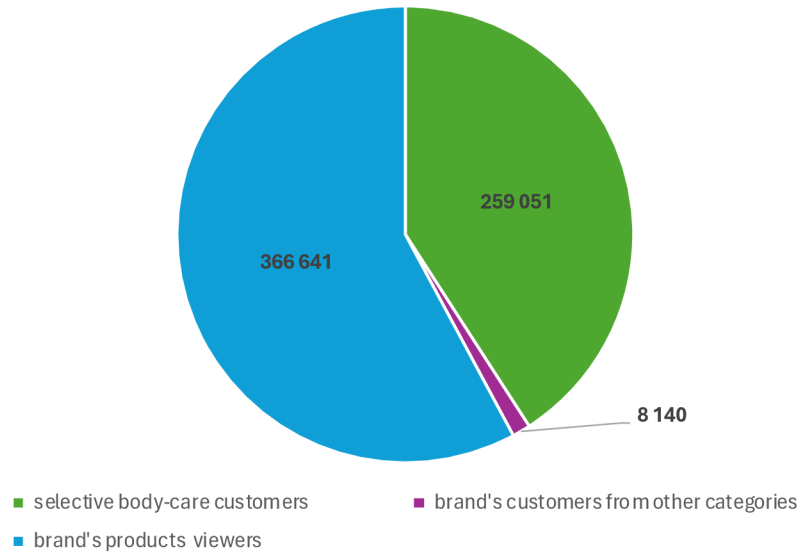
Figure 21 Targeted customers in automated communication June-August



Source: Created by the author

As both communication and whole CRM automation even with the initial database serve the same purpose, the customer databases were analyzed together as one database. The total number of customers that received CRM communication was 633 832 and their segmentation is shown in the graph in Figure 22.

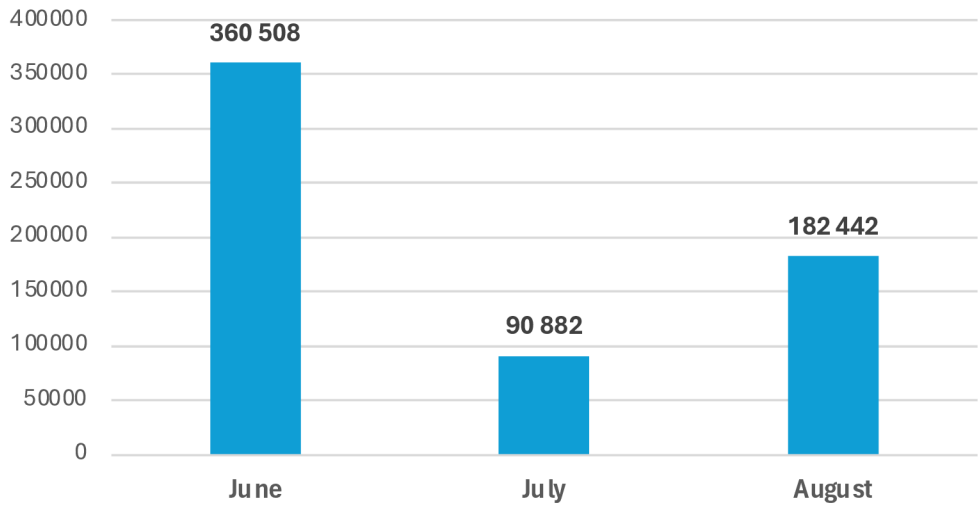
Figure 22 Total Customer database



Source: Created by the author

The send-out happened in three different months and the highest number of emails sent and delivered was in June as this month used the initial database of customers. The complete overview is showcased in the graph below.

Figure 23 Send-out per month



Source: Created by the author

The automation on the initial send-out plus automation on June generated customers along with the customers generated in July was set next to each other and split between variant A and B separately. This ensured that the automation could be ran, and the results could be monitored in real time. There is also a fact that in this amount of data and connection between several different systems and services along with connection to different databases and real time data, some complication might arise. This resulted in the variant A and variant B having different total numbers of the receiving customers. However, the difference is insignificant and for the purposes of the A/B testing, the number does not need to be the same as the 50:50 distribution is preferred but not necessary. The difference between Variant A and B is 426 customers.

The results of the Variant A (discount) and Variant B (GWP) are displayed in the table below. The rates are defined in the methodology part. Number of Orders with Voucher stands for conversions. Revenue in EUR stands for the orders for which the coupons from the CRM campaign were used. Average Order in EUR stands for the average order value of orders for which the coupon was used.

Table 5 Variant B – Results overview for GWP 1/2

Variant B - GWP							
Month	**Delivered**	**Opens**	**Open Rate (%)**	**Reads**	**Clicks**	**CTR (%)**	**CTOR (%)**
June	180 432	48 733	27,01%	130 219	23 776	13,18%	48,79%
July	45 387	12 698	27,98%	32 213	6 073	13,38%	47,83%
August	91 310	26 058	28,54%	64 950	13 651	14,95%	52,39%
TOTAL	**317 129**	**87 488**	**27,59%**	**227 382**	**43 500**	**13,72%**	**49,72%**

Source: Created by the author

The table 5 shows that the highest open rate of customers was in August, as 28,5 % of customers opened the mails, that were delivered to them. The total average open rate was above firm's average, as the average is 25%. This happened mainly due to the fact that the brand, that was communicated to the customers, was very popular and had a great exposure throughout the social media. The subject of the mail containing the name of the brand was probably the reason for higher open rate. As the click-through-rate (CTR) is above the average with click-through-open-rate (CTOR) rate remaining high even with high open rate, those numbers

indicate very successful CRM communication, as the customers who opened the mail, clicked at least at one of the links included in mail.

Table 6 Variant B – Results overview for GWP 2/2

Variant B - GWP				
Month	**Orders with Voucher**	**conversion rate**	**Revenue in EUR**	**Average Order in EUR**
June	2 289	4,70%	105 839	46,24
July	654	5,15%	31 750	48,55
August	1 672	6,42%	89 704	53,65
TOTAL	**4 615**	**5,28%**	**227 293**	**49,25**

Source: Created by the author

In Table 6, the number of orders that were realized with the voucher from GWP communication is 4 615 with the Total Revenue of 227 293 EUR. It is important to mention, that some of the customers who have seen the communication, have also realized their order without using the provided code. Some of them are the customers who have seen the mailing communication after the period of 14 days (during which the incentive code was valid) and some of them might have found the threshold setting of the campaign too high. Based on the conversion rate, however, the threshold on the campaign was set at the right level as the conversion rate is above average for the company CRM communication (3,5%). The average Order Value was around 49 EUR which means that a great number of customers used the higher threshold to get higher discount as the higher limit was 60 EUR.

The overall comparison of months of send-out shows best "performance" results in August as the conversion rate there was the highest. The true reason behind is uneasy to be proven, and would require further testing, but it can be caused by the fact that the best-selling product is very much designed to be used on the beach for summer vacation and for travelling with an airplane (as it provides products below 100 ml of liquid). The month of August is one of the months when the firm's customers really seem to be buying products for vacation.

Table 7 Variant A – Results overview for discount 1/2

Variant A - discount							
Month	**Delivered**	**Opens**	**Open Rate (%)**	**Reads**	**Clicks**	**CTR (%)**	**CTOR (%)**
June	180 076	49 000	27,21%	126 334	23 316	12,95%	47,58%
July	45 495	11 956	26,28%	29 637	4 473	9,83%	37,41%
August	91 132	25 385	27,85%	60 272	10 651	11,69%	41,96%
TOTAL	**316 703**	**86 340**	**27,26%**	**216 243**	**38 440**	**12,14%**	**44,52%**

Source: Created by the author

The table 7 with Variant A showcases the same metrics as the Variant B in previous table. The open rate of the mails is only 0,3% lower which means that the customers could be already influenced by the fact that the subject of an email already contained the information of an incentive – discount in Variant A. However, the difference is not that significant. In August, the open-rate in Variant A is surprisingly higher than the open-rate in Variant B in June. Additionally, the difference between Variant A and Variant B is more significant in CTR and CTOR. The CTOR which reflects the actual customers who had a chance to see the communication is 5,2% lower.

Table 8 Variant A - Results overview for discount 2/2

Variant A - discount				
Month	**Orders with Voucher**	**conversion rate**	**Revenue in EUR**	**Average Order in EUR**
June	1 956	3,99%	93 629	47,87
July	467	3,91%	25 703	55,04
August	1 257	4,95%	69 781	55,51
TOTAL	**3 680**	**4,26%**	**189 113**	**51,39**

Source: Created by the author

Furthermore, the conversion rate is 1,02% lower in Variant A than in Variant B. The Revenue generated through Variant A was 189 113 EUR. Which was 38 180 EUR lower. In contrast, the Average Order Value was higher in Variant A which might show that customers that were exposed to the discount variant, might have been more attracted to spend higher amounts in total on their order. This is caused by the nature of the communication, where the gifting must have had limit of gifts, whereas the percentage of discounts accounts for higher total "saving" with higher order value. Despite this fact, the difference between variant A and B in

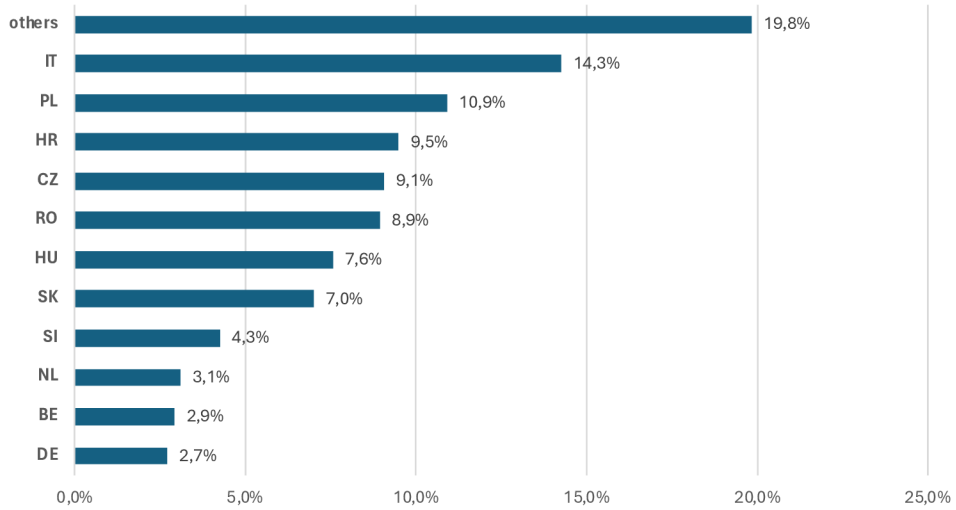
AOV was not that significant which means that the setting of the GWP threshold value for the customer along with the percentages of discount was valid and in line with the average customer spending which was explained in previous part of the thesis.

The August in Variant A was also the most successful month for open rate, but the customers weren't so attracted to the communication as the CTOR was only about 42%, which is more than 5% lower than in June. When comparing the August CTOR from Variant A with Variant B, the difference is 10,43%, which is a significant difference in popularity of a variant during the same month. In contrast, the August month experienced highest conversion rate in Variant A, which was 4,95%.

4.8 Consumer behavior of successfully converted customers

The successfully converted customers are the ones who bought the product from the advertised brand. Since the number of customers that realized the order was **8 295** and they were **from 25 countries** around Europe, their behavior can be quite different in different countries. The graph below in Figure 24 shows the converted customers' origin.

Figure 24 Origin of converted customers



Source: Created by the author

From the graph, we can see the dominance of Italy, Poland, Croatia, Czech Republic and Romania. The dominance of Italy and Croatia is surprising because of the fact that Italy is the fourth country in terms of sell-out of the brand. The successfulness of converting Italian customers can however be caused by the Italian customers preference for GWP campaigns, to which the Italian customer react well (based on the company's data). That can be supported by the fact that 72 % of successfully converted Italian customers have been converted in GWP campaign.

Other abnormality is seen by the Croatia being the third country with most converted customers, while the country is the ninth for the brand in terms of sell-out and the company does not have the stronger customer database in this country that would influence the order. The explanation for this can be the fact that the company has higher NLS (net loyalty score) in Croatia than in other countries (except for Italy), which attributes to the successfulness of converting the customers (based on the company's data, customers with higher NLS react much better to the incentives and personalized communication).

The customers were analyzed through the RFM analysis and other important metrics. The overall results are showcased in the table 9. The data about the customers are from the period of 24 months.

Table 9 Customers' data

Frequency	18,3 orders
Recency	44 days
Revenue	963 EUR
AOV	54 EUR
average quantity per order	4,6
quantity total	84,18
viewed CRM comm.	4,7 x
spent on website + APP	461 minutes

Source: Created by the author

As Lemon and Verhoef (2016, p. 77) recognize three main customer stages, the consumer behavior is going to be divided in those and the average customer is going to be described.

Pre-purchase stage:
The customers that were converted have already realized 18,3 orders on average in last 24 months before realizing their purchase with the CRM voucher. Based on this fact and the average revenue, the customers can be classified as TOP loyal customers

Before the purchase, the converted customers viewed the CRM communication 4,7 times which indicates that they did not realize the purchase right after they received the communication. Out of the total converted, 31% of customers did not add the product to their basket until after they were reminded about the deal by the push notification or web-layer communication. This highlights the importance of the secondary communication in the CRM communication.

The customers spent on average 461 minutes on company's website which is higher than the average time for purchase, given the number of purchases they have realized. That means that the customers must have spent some time on the website, reading blog articles, watching livestreams or using some of the company's tools like skin analyzer, fragrance finder, virtual try-on etc. All those facts are the indications of the loyal customer.

Purchase stage:
In the purchase stage, the average order value of the "Discount customer" was 51,39 EUR and the "GWP customer" 49,25 EUR. This number represents the average order value of the products from a particular brand. However, the AOV of those customers in their total purchasing history is higher, specifically on 54 EUR on average. This means that the customers that purchased the products were already used to spending over 50 EUR in Total on their order. This does not, however, mean, that those customers were used to fill their basket with only one brand's products of this value.

From the average quantity per order from last 2 years of customer history, it can be estimated that the average price of a product in the customers average basket was around 12 EUR. Since deeper analysis of the baskets of 8 295 customers from 25 countries would require another study, for the purposes of this thesis, the average basket and description of the customer is going to be taken from the "TOP loyal customer" whose

average basket is already known, and to whom the converted CRM customer gravitates to.

The TOP loyal customer bought about 7,5 perfumes in the last 24 months, but his average basket consists of items with price around 13,5 EUR per piece. Their average basket usually includes skincare and makeup products. This customer buys in larger quantities and doesn't buy products only for themselves but for the family and friends. Around 66% of customers from this segment buy products not only for themselves. The more expensive items are usually intended to be given as a gift to someone else. The luxury items aren't the driver of revenue of these customers as they usually buy mass-market or selective products. Only 2,7% of products of this customer are luxury products. All the information mentioned in this paragraph comes from the internal evaluation of the company as well as from the survey conducted by the external agency.

Only 38 % of customers used the email click-through for their final journey of purchasing the item. The rest entered the e-shop with the app, through the "reminder communication" or through the organic web search. The best-selling product within the campaign reflected the best-selling product of the brand. The customers mainly realized their order only with the brand's products as the AOV of the whole basket (including other brands) was only 7 EUR higher.

Post-purchase stage:
Since the company is going to launch its loyalty program in a few strategic markets during second half of 2025, the customers that purchased a product are not currently taken care of.

Only 4,7% of realized orders were returned due to the customer dissatisfaction or inability to receive the order in the pick-up point. This number indicates high customer satisfaction with the purchase, service and shipment.

Since the experiment happened in July to August 2024, there wasn't enough time to evaluate the long-term post-purchase behavior in more detail.

4.9 Bayesian A/B testing results

The Bayesian A/B testing was mainly chosen for the purposes of research in this thesis because it is more suitable for dynamic testing and allows higher flexibility. As the experiment started, there was no clear prediction on how much customers could be cumulated through the automated process and because the campaign's purpose was not only serving the experimental value but also promotional value, it was desirable that the campaign runs without fixed stopping point.

There was the main A/B testing which divided the customers between two treatment groups Variant A and Variant B on 50:50 split. Another A/B testing was set right after the first, where 10% of customers received the communication with no incentive and call to action and the rest received the variant with particular communication. This A/B testing was set to prove that the treatment variant with incentive has positive impact on the results of the campaign and that the communication should include incentives to provide something valuable to the customer.

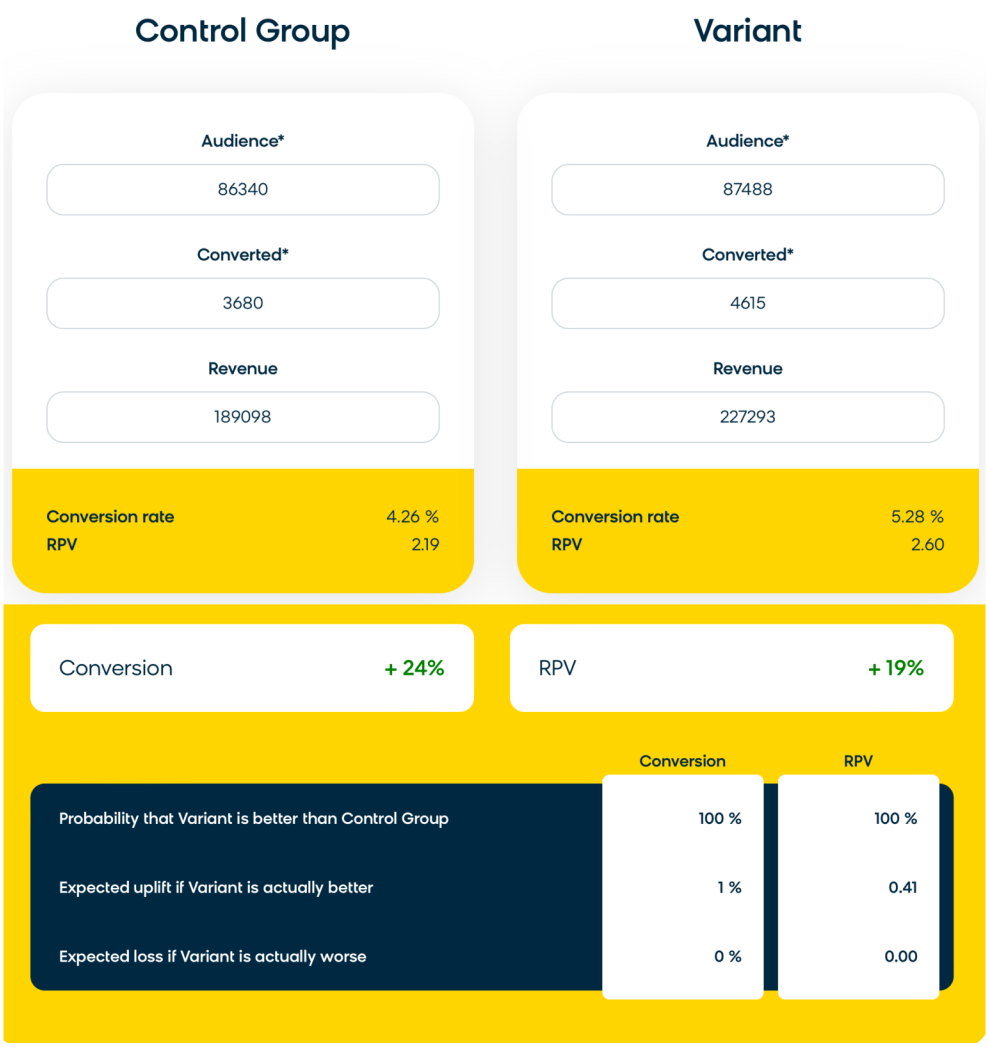
Important disclaimer about the following results of testing – when the analytical tools calculate 100% probability, it means that the posterior distribution of one variant is not overlapping the second variant, which allows the author to claim that the probability is practically 100%. Despite this being true, the practical probability isn't the absolute probability which cannot be 100% confirmed in Bayesian philosophy.

4.9.1 Variant B (GWP) vs Variant A (discount)

The testing between variant B and A is focused on the conversion rate and total revenue which are the most important factors in decision making for the company.

In the results shown in the Figure 25: "Control Group" stands for Variant A (discount) and "Variant" for Variant B (GWP). RPV stands for revenue per visitor. The conversion stands for the number of customers who used the voucher, and audience for the number of customers who opened an email.

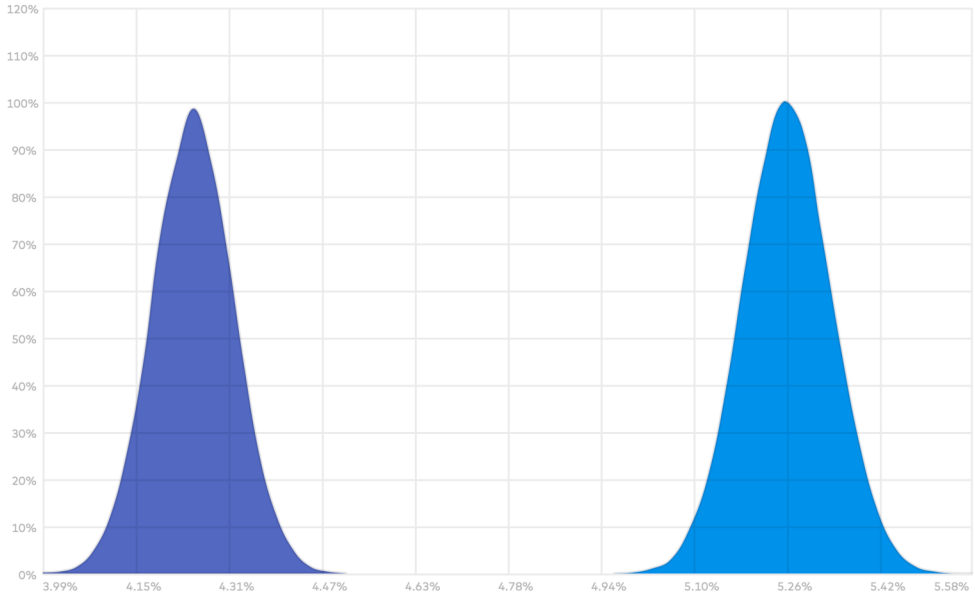
Figure 25 A/B testing – Discount versus GWP



Source: Bloomreach software

As displayed in the results, the Conversion rate of the Variant (Variant B) is 24% higher as well as the RPV is 19% higher in Variant B. Those results reflect that Variant B has 24 % better conversion potential and 19% better RPV potential than Variant A. The most important is the **probability that the Variant is better than Control Group** which is at 100% in conversion rate as well as in RPV value. This probability means that the Variant B outperforms Variant A with certainty. This is also visible in the posterior distribution graph in Figure 26 where lighter blue represents Variant B and darker blue represents Variant A.

Figure 26 Posterior distribution of conversion rate – discount versus GWP



Source: Bloomreach plarform

While individual months may have significantly different conversion rates (e.g., June vs. August), the posterior distribution reflects the total conversion rate across all months. This aggregation dampens the impact of outliers or extreme values from any single month. Bayesian analysis inherently smooths the results, especially when combining data across months.

Expected uplift if Variant is actually better reflects that by turning on the Variant B for all the customers, the total converted customers should be 1% higher. The expected uplift reflects the percentage increase by which the conversion rate is going to be higher.

The expected loss if Variant is Actually worse is 0% because of the posterior distribution of conversion rate and RPV.

4.9.2 Variant B vs Control Group

For the results of Variant B vs the control group, only a few metrics are needed. Since the Control Group cannot generate any revenue as there is no discount code which could be connected to the purchase, the

conversions aren't represented by "number of orders with Voucher" but by clicks. Since we want to still evaluate the effectiveness of the communication mainly inside the mailing communication, the click-through-open-rate (CTOR) is suitable metric.

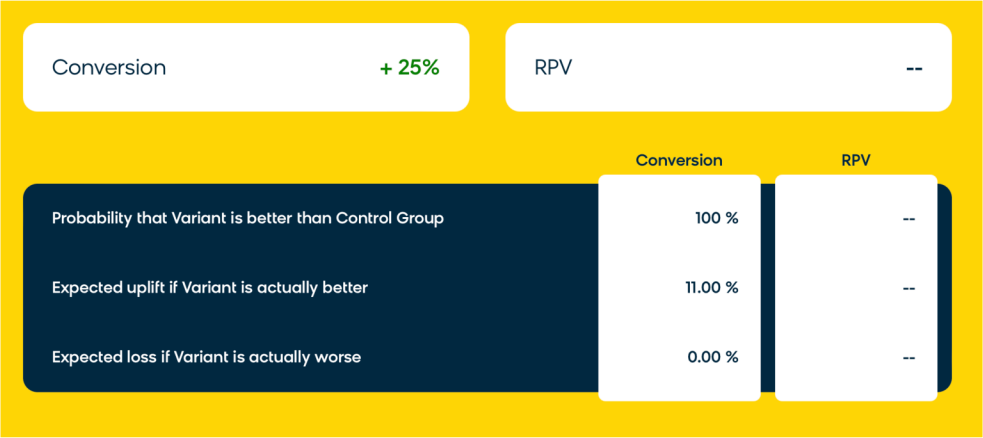
Table 10 Incentive versus no incentive - GWP

Scenario	Delivered	opens	Clicks	CTR	CTOR
GWP	285 416	78 230	42 299	14,82%	54,07%
no incentive	31 713	9 258	4 002	12,62%	43,23%

Source: Created by the author

GWP Variant conversions have 25% higher tendency to happen than control group conversions. Additionally, there is 100% probability that Variant is better than Control Group which supports the effectiveness of the GWP variant and proves its value. The expected uplift of conversion rate if the variant is implemented is 11%.

Figure 27 A/B testing - GWP versus no incentive

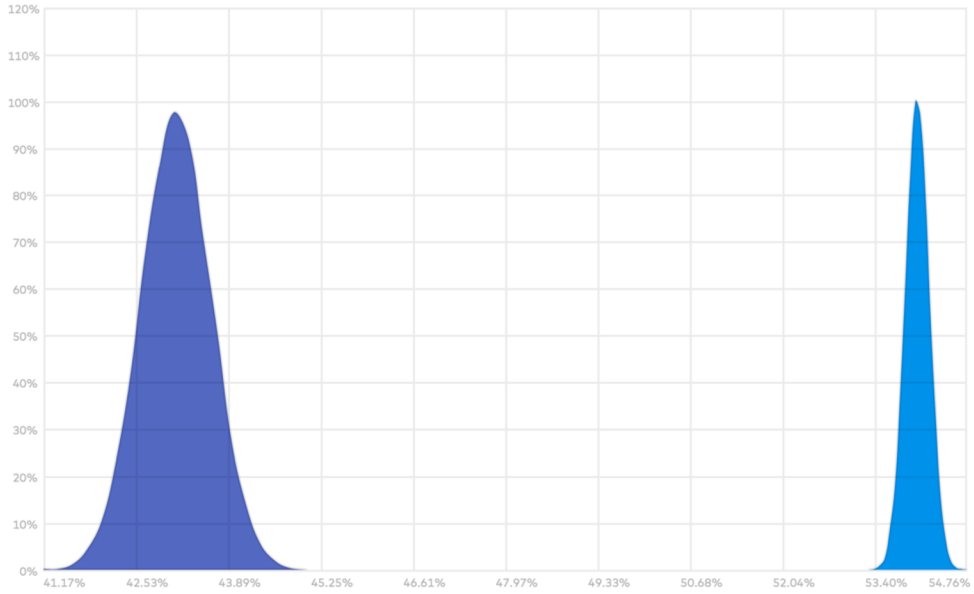


Source: Bloomreach platform

According to all the presented results, Variant B is proven to be better than Control Group with practically 100% probability.

The posterior distribution of CTOR is shown on the graph below in figure 28. The lighter blue represents Variant B (GWP) and the darker blue represents control group (no CTA).

Figure 28 Posterior distribution of CTOR - GWP versus no incentive



Source: Bloomreach platform

4.9.3 Variant A vs Control Group

The Variant A with the discount code was also compared to the control group with no coupon communication. The results of the test are visible in the table below.

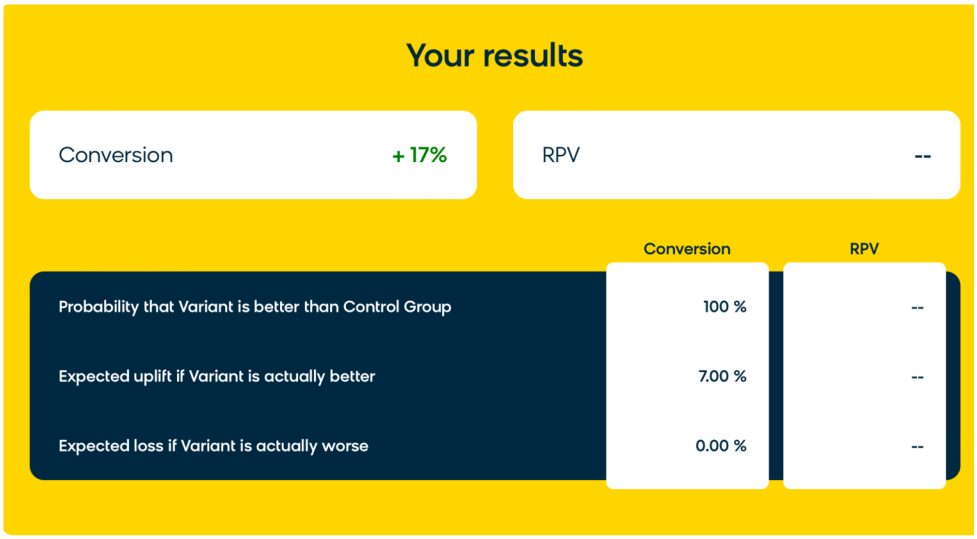
Table 11 Incentive versus no incentive - Discount

Scenario	Delivered	opens	Clicks	CTR	CTOR
Discount	285 033	77 528	36 997	12,98%	47,72%
no incentive	31 670	8 812	3 579	11,30%	40,61%

Source: Created by the author

Discount Variant conversions have 17% higher tendency to happen than control group conversions The expected uplift of conversion rate if the variant is implemented is 7%.

Figure 29 A/B testing - Discount versus no incentive

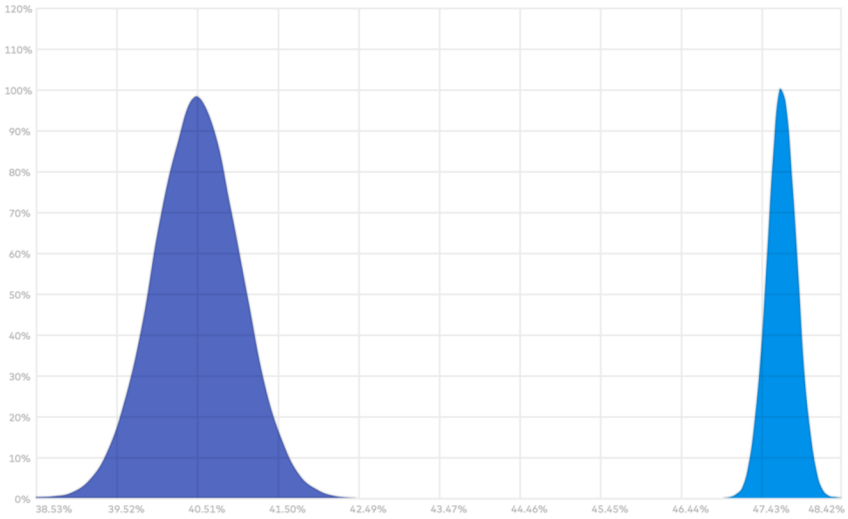


Source: Created by the author

According to the presented results, variant A is proven to be better than control group with practically 100% probability.

The posterior distribution of CTOR is shown on the graph below in Figure 30. The lighter blue represents Variant A (discount) and darker blue represents control group.

Figure 30 Posterior distribution of CTOR – Discount versus no incentive



Source: Created by the author

4.10 Economic evaluation of each campaign

In this chapter, the economic evaluation of GWP and Discount campaign is going to be conducted. The evaluation is going to focus on the costs that were put into the campaign from the company's side + the manufacturers side.

Each of the CRM campaigns in the company has an internal "price tag" based on the scale and duration of the campaign. The Discount campaign and GWP are both "large" type of campaign and each of those campaigns have a cost of 6000 EUR. This cost includes the following:

- Copy texts,
- Translations,
- Graphic design
- Segmentation of customers
- Campaign design
- IT set-up
- testing
- continual evaluation
- final evaluation

In order for the campaign to be even considered acceptable, the predicted profits have to exceed the mentioned threshold.

4.10.1 Discount campaign

Out of 316 703 customers that received the discount communication, 3680 orders were realized with using the discount coupons linked to the CRM campaign. The total revenue from the orders using the discount coupon was 189 113 EUR. The costs amounted to 29 629 EUR, with the majority of this amount consisting of the reduced revenue from the discounted value.

The overview of the Discount campaign's statistics can be seen in the table 12.

Table 12 Discount campaign statistics overview

Orders with Voucher	Revenue in EUR	Discounted Value EUR
3 680	189 113	29 629
cost of campaign set-up EUR	TOTAL COST EUR	cost per realized order EUR
6 000	29 629	8,05
	ROI	
	538%	

Source: Created by the author

The important number is the "cost per realized order" which reflects the total cost of each customer that realized the order while using the CRM campaign's unique discount code. The ROI reflects just the rentability of the campaign, not the clear ROI of selling the product of the brand. In order to calculate the clear Revenue for the company, the margin on the products sold would have to be included in this thesis as well as purchase prices and other costs. This is, however, the information, that the author of the thesis cannot share due to the protection of trade secret.

4.10.2 Gift with purchase campaign

Out of 317 129 customers that received the GWP communication through CRM campaign, 4 615 orders were realized while using the unique GWP code included in the communication. The total revenue reached 227 293 EUR, while the total costs of the campaign were only 26 783.

The overview of the GWP campaign's statistics is displayed in the table 13.

Table 13 GWP campaign statistics overview

Orders with Voucher	Revenue in EUR	cost of campaign set-up EUR
4 615	227 293	6 000
lower threshold gifts distributed	higher threshold gifts distributed	TOTAL distributed
4 634	983	5 617
GWP manufac. per unit cost EUR	TOTAL COST EUR	cost per realized order
3,2 + 0,5 EUR warehousing	26 783	5,80
	ROI	
	749%	

Source: Created by the author

The number of GWPs that were distributed was 5 617 pcs while for each unit, the manufacturing and warehousing cost was 3,7 EUR. Due to the lower cost per realized order, the ROI of GWP campaign reached 749%.

4.10.3 Campaigns' economic comparison

Even though the purchase prices and other costs connected with the BAU (business as usual) process aren't part of this thesis, in order to compare the campaigns economically, the author has enough information for the evaluation. From the economic point of view, the GWP campaign has better rentability than the Discount campaign. It is mainly projected in the cost per realized order which is 2,25 EUR lower for GWP campaign in comparison to Discount campaign. This is caused by the nature of the GWP. The perceived value of the product for free, which is seen by the customer, is much higher than the manufacturing cost and warehousing cost. The discount, however, presents the same decrease of value of the realized order for the customer, as well as for the seller. Financially speaking, the GWP variant is therefore a better alternative for the company.

4.11 Research questions and hypothesis evaluation

In this chapter, the research questions are going to be answered based on the findings in the previous parts of the thesis, and the hypothesis are going to be evaluated.

RQ1: How do the customers react to different incentives in CRM campaigns?

Customers responded positively to the **GWP incentive**, particularly when the gift was perceived as valuable or complementary to their purchase. This aligns with the psychological desire for exclusivity and added value rather than direct reduction in price. Open-rate and CTR as well as CTOR was generally higher than for discount incentive, indicating that customers were intrigued by the offer and wanted to find out more about the gift. The conversion rates for GWP customers could be particularly strong among the customers that are already familiar with the brand or its product range which also aligns with the fact that the customers who

were converted were TOP loyal customers of the e-shop which prioritizes the brand in question throughout its 360 degrees communication.

Customers reacted also very positively to the **Discount incentive**, especially those that were looking for immediate savings. Open-rate, CTR and CTOR was generally lower, as the customers may have been more familiar with discount offers and less curious about exploring them. The conversion rate was lower as well for the Discount customers which may be the result of GWP having higher perceived value for customers than intangible discount percentage (even despite the price of the gift generally being the same as the money saved by discount). The AOV for the Discount variant was about 2 EUR higher than for GWP variant. This shows that the value of the gift might have acted as a cap on how much customers would spend beyond the threshold since the incentive was fixed. The Discount variant offered customers direct motivation by greater potential savings.

Both GWP and Discount incentive were highly successful, achieving significant improvements over the no-CTA variant. The experimental setup confirmed that well-structured CRM incentives are essential for maximizing campaign success, as customers are more likely to respond positively to offers with clear and tangible rewards.

RQ2: Does the promotions including discount code lead to higher click-through rate, conversion rate and higher revenue per purchase than the promotion including gift with purchase code?

No, the promotion including GWP code had higher CTR than the discount code promotion and higher conversion rate.

Yes, the promoting including discount code led to higher revenue per purchase (average order value) due to the possibility that the perceived value of the gift might have acted as a cap on how much customers would like to spend beyond the threshold. Through spending more, customers were able to achieve greater saving through discount variant.

RQ3: What do the successfully converted customers have in common?

The successfully converted customers were predominantly classified as TOP loyal customers, having placed 18,3 orders on average in the 24 months prior to the campaign. The total average revenue of these customers is around 963 EUR. On average those customers viewed the CRM communication 4,7 times before making a purchase, indicating high level engagement. Around 31% of customers did not add the product to their basket until after receiving secondary communication, which highlights the importance of follow-up efforts for the company. The customer spent on average 461 minutes on the website in last 24 months, engaging with the website's content, tools, and product portfolio. More information about successfully converted customers can be found in Chapter 4.8.

RQ4: Which campaign has better total return on investment?

The **GWP campaign** had a better total ROI (749%) compared to the Discount Variant (538%). This was mainly caused by the revenue of GWP campaign (227 293 EUR) being higher than the revenue of discount campaign (189 113 EUR). Additionally, cost per realized order was 2,25 EUR lower for GWP campaign.

This result highlights that GWP campaigns, with their ability to provide high perceived value at a relatively low cost, are more financially beneficial in terms of return on investment.

HYPOTHESES EVALUATION

Since the Bayesian testing was chosen for the testing experiment in this thesis, the null hypothesis does not need to be explicitly tested. The Bayesian framework inherently accounts for uncertainty and provides probabilities for outcomes, making the null hypothesis redundant. However, the null hypothesis might still be useful as conceptual comparison. When high probability and practically 100% confirmation is granted to the H1, there is also strong evidence for rejecting H0.

H1.0: *Promotional Discount Codes in CRM campaigns do not lead to higher click-through- open rates.*

H1.1: Promotional Discount Codes in CRM campaigns lead to higher click-through-open rates.

Confirmed with practically 100% certainty that adding Discount incentive leads to higher CTOR in comparison to no incentive communication. It is important to mention that in scientific and business contexts, 100% certainty is expressed as practical, not absolute. The reason behind is the fact that there is always room for updates as new data becomes available.

H2.0: Promotional GWP Codes in CRM campaigns do not lead to higher click-through-open rates.

H2.1: Promotional GWP Codes in CRM campaigns lead to higher click-through-open rates.

Confirmed with practically 100% certainty that adding GWP incentive leads to higher CTOR in comparison to no incentive communication.

H3.0: *Promotional GWP Codes in CRM campaigns do not lead to higher conversion rates than in promotion including Discount Codes.*

H3.1: Promotional GWP Codes in CRM campaigns lead to higher conversion rates than in promotion including Discount Codes.

Confirmed with practically 100% certainty, given the posterior distribution, that GWP communication leads to higher conversion rates than Discount communication in CRM campaign tested in practical part.

H4.0: *Promotional GWP Codes in CRM campaigns do not lead to higher revenue per purchase than in promotion including Discount Codes.*

H4.1: Promotional GWP Codes in CRM campaigns lead to higher revenue per purchase than in promotion including Discount Codes.

Confirmed, with practically 100% certainty, given the posterior distribution, that GWP communication leads to higher RPP than in promotion including Discount Codes.

4.12 Recommendations for the company

Since the company does not currently use sophisticated evaluation techniques to confirm the effectiveness of the campaigns and rather uses "best practice" scenarios, the first and main recommendation aims to urge the importance of setting up clear KPIs for different types of campaigns. Currently, the data about the performance of campaign are scattered between different reports, platforms, and evaluations and some of them are not even drown from the data warehouse at all. This does not only lower the effectiveness of the reaction of the campaign's architect but also makes it impossible for other stakeholders to understand the actual performance and benefits of the campaign in real time. Given that CRM communication is a very appealing tool for suppliers to engage with customers, and they are willing to pay significant amounts for this opportunity through their marketing budgets, this system adjustment should be a priority for the company.

One of the main findings of this thesis was the fact that the CRM campaign using GWP Coupon significantly outperformed campaigns using Discount Coupon. Since the higher performance of the GWP Variant campaign was so significant for the brand it was tested on and the customers that were relevant for it, further testing on other brands from different market-types and categories should follow-up. If this trend is confirmed, higher allocation of GWPs should be considered for the CRM campaigns as the company works with limited sources which it distributes between web campaigns, social media, influencers, retail stores etc.

As the successfully converted customers exhibited high engagement with the CRM communication and responded well to secondary follow-ups, investment in advanced CRM tools to segment customers based on their preferences, purchasing history and engagement levels should be considered in the upcoming year. This aligns with the fact that the loyalty program would create a great value to the customers that are repetitively making their purchase within the firm. Development of the loyalty program that rewards repeat purchases and long-term engagement could boost company's sales overall and should be first priority for CRM team. The smallest step that should be taken should be the automation of secondary follow-ups to boost conversion rates for customers who do not immediately act on the initial communication.

According to the data collected, both GWP campaign as well as the Discount campaign proved to be valuable for the customers, which means that their combination could yield even greater results. Since the author of the thesis does not recommend the company to add additional Coupons to the communication or use one coupon to grant multiple rewards, it would be more efficient using the promotional campaigns that are already happening on the website for broad audience. In practice, this would mean, that the targeted customer receives the communication with the special offer (which is special only to the targeted customers via CRM) which would not only communicate the award coming from the CRM campaign but also the current campaign that is active on the web. Since the brand that was subject of online controlled experiment had all the website campaigns turned off to ensure that the results of the experiment aren't distorted, in practice, brand's that have ongoing CRM campaigns are also engaging in web campaigns. The additional information for the CRM would therefore improve the value of the offer. Consequently, the combined costs and revenues of this combination would have to be evaluated to know whether it's profitable to remind the customer about dual reward claim.

5 Discussion

Nowadays, Beauty and Fragrance industry is one of the very fast-growing industries due to its relatively new nature of being sold online. As the literature review underscores, the competition on the market is significant with online retailers trying to outdo each other through various rewards for the customers.

As the online space lacks the "human" personal touch in the communication and selling tactics, the CRM emergence proposes great benefit for the company researched in the thesis.

The experiment confirms the effectivity of careful targeting of customers and proposal of value to them. The findings reinforce theories of consumer behavior, such as the perceived value theory, which states that customers assess promotional offers based on the balance between perceived benefits and costs. GWP campaigns provide added value without a direct monetary reduction, which enhances their appeal to loyal and high-value customers. Additionally, the Theory of Reasoned Action (TRA) highlights how customers weigh the perceived benefits of their actions before making a concrete decision. The Discount campaigns' ability to drive higher AOV aligns with this, as customers acted rationally to unlock greater savings.

The alignment between the literature and practical findings highlights the robustness of the theoretical models applied. Through validating key concepts like perceived value, emotional branding, and economic utility, the thesis reinforces the strategic importance of aligning CRM campaigns with well-established theories. This connection not only validates the theoretical frameworks but also demonstrates their applicability in real-world CRM strategy optimization for the beauty and fragrance industry.

Even though the thesis might seem to focus on trying to drive the most customers through one carefully curated CRM campaign and make them engage as much as possible and make the ROI of the campaign as high as possible, this shouldn't be the main goal of the company. The CRM should rather be focusing on answering customer's needs and wants as

successfully as possible to drive customers Net Loyalty Score and gain higher share of customer's wallet. Eventually, those goals inevitably lead to higher overall sales for the company.

6 Conclusion

This diploma thesis aimed to analyze consumer behavior within CRM campaigns of an online e-shop. After the consultation with thesis supervisor and alignment with firm's assignments, the aim of the thesis was closer specified. The research aimed to analyze the effect of CRM promotion including discount coupon and coupon for gift with purchase on consumer behavior.

The theoretical part laid the foundation for later discussed and researched concepts and models. From describing consumer Behavior theories, its specifics for the beauty industry, to describing the customer relationship management principles. Additionally, the marketing automation along with the marketing incentives were explained.

The methodology reinforced theoretical concepts, provided methods relevant to the research in the practical part, including the rationale for their selection, and described the online controlled experiment as the main research method in the practical part. Additionally, the assignment from the firm which enabled this research were described along with the specified aim of the thesis along with the research questions and hypothesis. Eventually, the limitations were described.

The practical part of the thesis described the targeted customers and exact segmentation of them into different groups. The Online Controlled experiment process was mapped from the real time results and the consumer behavior of successfully converted customers was analyzed. Through the results of Bayesian A/B testing, the research questions were answered and hypothesis evaluated. Eventually, the recommendations for the company were proposed.

Besides fulfilling the main goal of the thesis, the author successfully answered all the research questions and evaluated hypotheses. Additionally, the whole process of creating the framework for the creation of the CRM campaign, the reasoning behind targeting certain customers and the establishment of measuring certain metrics that weren't included in the evaluation of CRM campaigns nor were they set-up or downloaded to the data warehouse of the company, present huge benefit for the

company, as this thesis provides a foundation and best practice for the creation of future Business Intelligence (BI) analysis report for the CRM campaigns. Consequently, the author considers the thesis to successfully fulfill its main goal.

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Appendix A CRM e-mail – Discount variant

Appendix B GWP variant

Doporučujeme

Sol de Janeiro **Brazilian Bum Bum Cream**

zpevňující a vyhlazující krém na hýždě a boky 240 ml

★★★★★

828 Kč

KOUPIT

Sol de Janeiro **Bom Dia™**

rozjasňující tělový krém 240 ml

★★★★☆

929 Kč

KOUPIT

Sol de Janeiro **Beija Flor**

hydratační tělový krém zvyšující elasticitu pokožky 240 ml

★★★★☆

891 Kč

KOUPIT

Sol de Janeiro **Delicia Drench**

hluboce hydratační tělové máslo pro suchou pokožku 240 ml

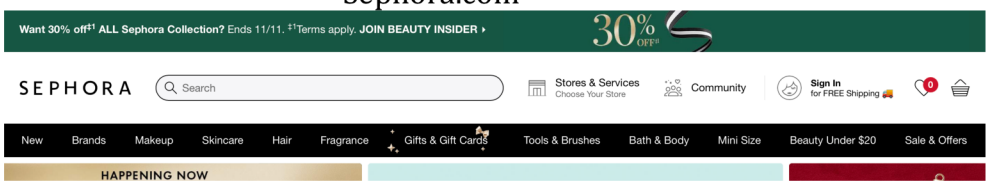
★★★★★

858 Kč

KOUPIT

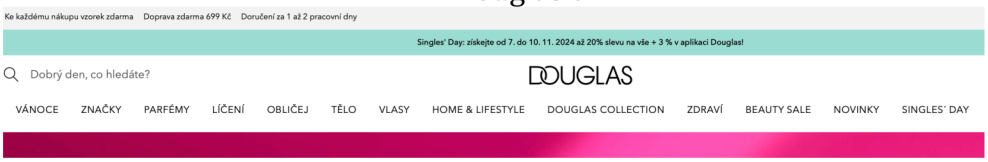
Appendix C Website categorization

Sephora.com

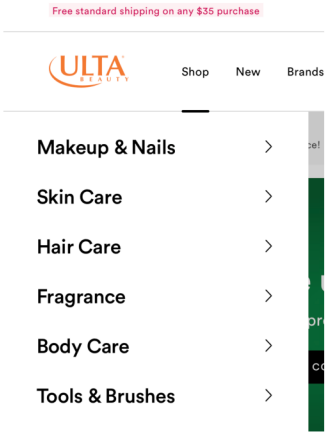


Sephora.cz

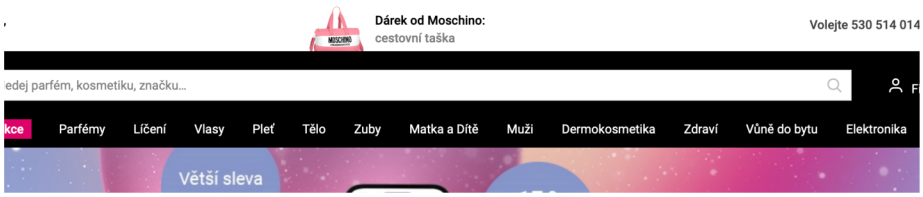
Douglas.cz



UltaBeauty.com

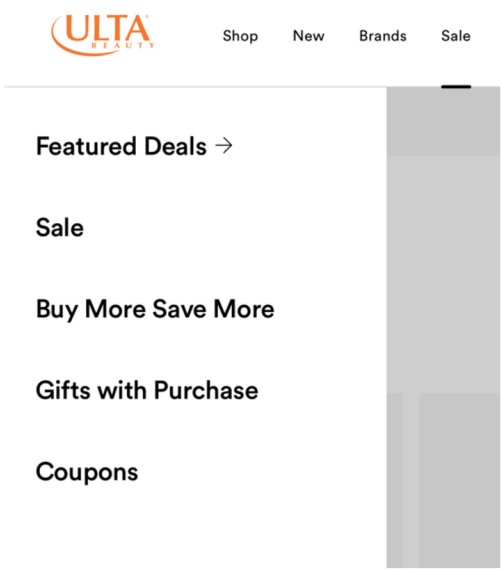


NTN CZ


Dárek od Moschino:
cestovní taška
Volejte 530 514 014
edej parfém, kosmetiku, značku...
kce
Parfémy
Líčení
Vlasy
Pleť
Tělo
Zuby
Matka a Dítě
Muži
Dermokosmetika
Zdraví
Vůně do bytu
Elektronika
Větší sleva

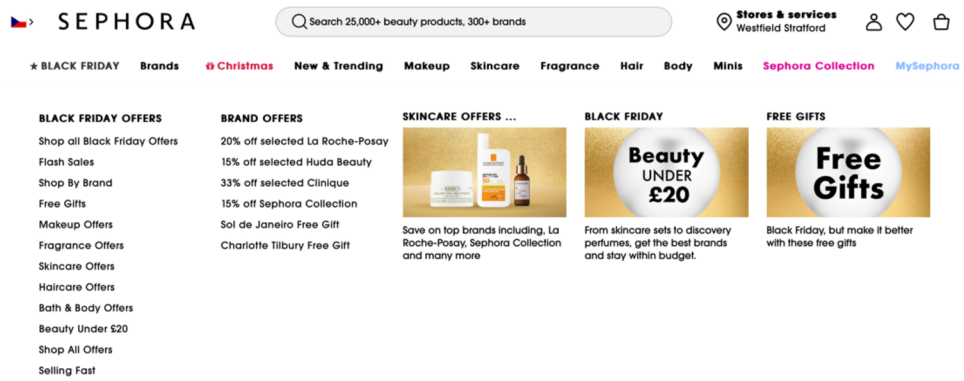
Appendix D Incentives on different websites

UltaBeauty.com

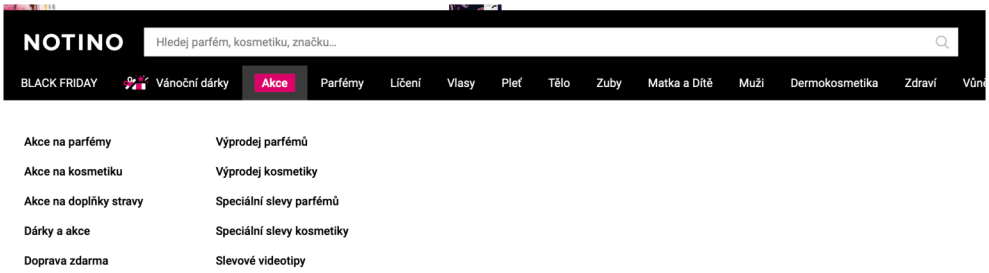


Douglas.CZ

Sephora UK



NTN.CZ


NOTINO
Hledej parfém, kosmetiku, značku...
BLACK FRIDAY
Vánoční dárky
Akce
Parfémy
Líčení
Vlasy
Pleť
Tělo
Zuby
Matka a Dítě
Muži
Dermokosmetika
Zdraví
Akce na parfémy
Akce na kosmetiku
Akce na doplňky stravy
Dárky a akce
Doprava zdarma
Výprodej parfémů
Výprodej kosmetiky
Speciální slevy parfémů
Speciální slevy kosmetiky
Slevové videotipy