BUSINESS COMPUTING

Personalization Customer Value: The State of the Art and Future Directions

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Definition of personalization

**Personalization** is a **means** of meeting the customer's needs more effectively and efficiently, making interactions faster and easier and, consequently, increasing customer satisfaction and the likelihood of repeat visits.
Definition of personalization

- “Personalization is the ability to provide content and services that are tailored to individuals based on knowledge about their preferences and behavior” (Hagen, 1999).
- “Personalization is the capability to customize communication based on knowledge preferences and behaviors at the time of interaction” (Dyche, 2002).
- “Personalization is about building customer loyalty by building a meaningful 1-to-1 relationship; by understanding the needs of each individual and helping satisfy a goal that efficiently and knowledgeably addresses each individual’s need in a given context” (Riecken, 2000).
- “Personalization involves the process of gathering user information during interaction with the user, which is then used to deliver appropriate content and services, tailor-made to the user’s needs” (www.ariadne.ac.uk/issue28/personalization).
- “Personalization is the ability of a company to recognize and treat its customers as individuals through personal messaging, targeted banner ads, special offers, … or other personal transactions” (Imhoff et al., 2001).
- “Personalization is the combined use of technology and customer information to tailor electronic commerce interactions between a business and each individual customer. Using information either previously obtained or provided in real-time about the customer and other customers, the exchange between the parties is altered to fit that customer’s stated needs so that the transaction requires less time and delivers a product best suited to that customer” (www.personalization.com—as it was defined on this website in early 2000s).
Three Types of Personalization

i. Provider vs Consumer – vs Market-Centric Personalization
ii. Types of Personalized Offerings
iii. Individual vs Segment-Based Personalization
Personalized Offering can be delivered from providers to customer by personalization engines in three ways.
• Provider-centric personalization approach that assumes that each provider has its own personalization engine that tailors the provider’s content to its consumers.
• This is the most common approach to personalization, as popularized by Amazon.com, Netflix and Pandora streaming music service.
• This provider-centric personalization services are designed to improve financial performance of providers of these services.
Types of personalization methods can vary significantly depending on the type of offering by the personalization application. Various types of offerings including:

- Products and services,
- Communications, including targeted ads, promotions and personalized email,
- Online content, including dynamically generated Web pages and links,
- Information searches,
- Dynamic prices.
• The consumer is grouped into a segment of similar individual and the profile is built for the whole segment.
• The smaller the segment size, the finer the targeting of the offering to the consumers in that segment, the more personalized the offerings become.
Personalization Process

Personalization should be considered as an iterative process consisting of several stages that integrated together into one tight system. Adomavicius and Tuzhilin (2001) proposed the following SIX(6) stages:

(a) Collecting customer data
(b) Building customer profiles using this data
(c) Matchmaking customized offerings to specific customer profile to determine the most relevant offerings to individual customers
(d) Delivery and presentation of customized information and offerings through the most relevant channels, at the most appropriate times and in the most appropriate form
(e) Measuring customer responses to the delivered offerings
(f) Adjusting Personalization Strategy
Personalization Process
Integrating the Personalization Process

- Need to be integrated through carefully developed transitions from one stage to another in a tightly coupled manner.
- Some of the failures of some of personalization are attributed to the lack of integration.
- Example of the process. For instance, Vesanen and Raulas (2006) present an example of a “discontinuity point” in a large oil and fuel marketing company where the marketing department of the company owns and manages the company’s credit cards. However, the customers’ purchasing data is owned and managed by the finance department that produces credit card bills based on the data. Unfortunately, the finance department does not share purchasing data with the marketing department, thus creating a discontinuity point in the personalization process in that company. This is unfortunate because marketing department cannot do much in terms of building personalized relationships with the customers without such purchasing data and customer profiles built from this data. Vesanen and Raulas (2006) also present a case study of a mail-order company where they identify other
Future Research Directions in Personalization

- Improving the SIX stages of the personalization process
- Develop viable feedback loop methods on integrating personalization process
- Develop specific personalization techniques for particular types of offerings.
- Formalization of whole personalization process
- Privacy and its relationship to personalization
Customer Value

EIGHT FACETS OF THE VALUE THEORY

CULTURE

Organizational Culture

Employee Values

SUPPLIER VALUES

3RD PARTY VALUES

COMPETITOR VALUES

Owner’s Values

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CUSTOMERS WANT TOP VALUE

WHY VALUE?

- People respond to value
- Value Attracts Customers
- Value Energizes an Organization
- Value creates the potential for a competitive advantage
Customer value can be achieved only when *product quality*, *service quality* and *value-based prices* are in harmony and exceed customer expectations.
Customer Value Basics

- The customer defines the appropriate *quality, service, and price*
- Value expectations are relative to the competition
- Value expectations are dynamic
- Quality and service delivery are the responsibility of the whole channel
- Maximizing customer value requires total organizational commitment
How Southwest Airlines Creates Superior Value

- Clear Service Focus
- Process Mastery
- Recruitment and Training
- Treat Employees as Customers
- Teamwork
- Maverick Culture
Southwest Airlines – Relational Coordination

1. Lead with credibility and caring.
2. Invest in frontline leadership.
3. Hire and train for relational competence.
4. Use conflict to build relationships.
5. Bridge the work/family divide.
6. Create boundary spanners.
7. Measure performance broadly.
8. Keep jobs flexible at the boundaries.
9. Make unions your partner.
10. Build relationships with suppliers.
How Starbucks Creates Superior Value

Service Consistency

Roasting Technology  Recruitment and Training

Create the right Store Atmosphere

Brand Consistency  Treat Employees as Partners
Starbucks and QUALITY

- Quality of its coffee being defined as fresh as possible, i.e. actively giving off 3 to 20 times its volume in aromatic gas, “quality is in the details"
- Starbucks worked to develop packaging that enable them to keep the coffee fresh, not for 7 days, but for up to six weeks.
- Starbucks suppliers’ dedication to quality was key!
- Service Standard: ensure that Starbucks coffee can be delivered fresh anywhere in the world (utilizing design-in quality via improved packaging and a 7-cent valve that lets gases out of the bag but does not allow air to enter)
Blended Products: Goods & Services

"Pure" Product

TANGIBLE ATTRIBUTES

"Pure" Service

INTANGIBLE ATTRIBUTES

e.g. hardware restaurant insurance
Tangible Representation of Quality
Provide **Products and Services** that Add Value for Customers

- Research customers’ needs, wants and even their unknown desires.
- Move up the steps from Basic and Expected to Desired and Unanticipated levels of service.
- Add attributes that demonstrate value. E.g.:
  - Superior quality
  - Personalized service
  - Customization of the product or service
  - Immediate availability (speed)
  - One-stop shopping
  - Ambiance
  - Reduced hassle
  - Solve a specific customer problem

**Faster – Better – Cheaper**
Thank You