

Chapter 6 Observations

6.1. Revisions of Original Model

6.1.1 Information is the Core

The original model separates tailored product and tailored process. While this distinction may be appropriate in other industries in which a tangible product can stand alone, our survey revealed that separating the product (i.e. financial instruments) from the processes that tailor and support the products is illogical for financial products. It is because financial products' value mainly originates from the processes and services that support them. Financial instruments, such as bonds and stocks, are merely a *representation* of the decisions that result from customers' information crunching. Therefore, the *value source* is the personalized financial information rather than financial instruments. Further, due to the service orientation of the financial industry, information flow can be regarded as the core product of financial firms. If financial firms wish to differentiate themselves, information provision will be the area to focus on. Particularly, survey panelists identified financial consultation as the area that would find personalization most valuable. This finding echoes Famulla's (1999) view that "one key to banks' success in the new business design will be the ability to differentiate and tailor service by customer segments."

6.1.2 A Cost/Benefit Viewpoint

Rather than using the more complex framework in Figure 11, customers weigh the values of personalization from a simple cost/benefit viewpoint. Though the revised model may look drastically different from the initial one, many elements are in fact the same ones with different organization and presentation. Privacy was in the initial model. Concerns of security and potential promotion annoyance are extensions of privacy issues. Security concerns exist because the case under consideration is the financial industry, in which security is important with or without personalization. Therefore, security is not included in the cost-benefit viewpoint model (Figure 12) because the model expresses only personalization related issues. The elements of good and accurate personalization, which now encompasses channel flexibility, can be found in the tailoring process of the initial model. The parts that have been eliminated are tailored product and transactions services, due to reason discussed in the previous section.

Figure 12 depicts the forces, namely costs and benefits, which will affect customer's impression of a personalization effort. The criteria under 'costs' and 'benefits' also serve as the evaluation criteria that customers use to evaluate personalization features.

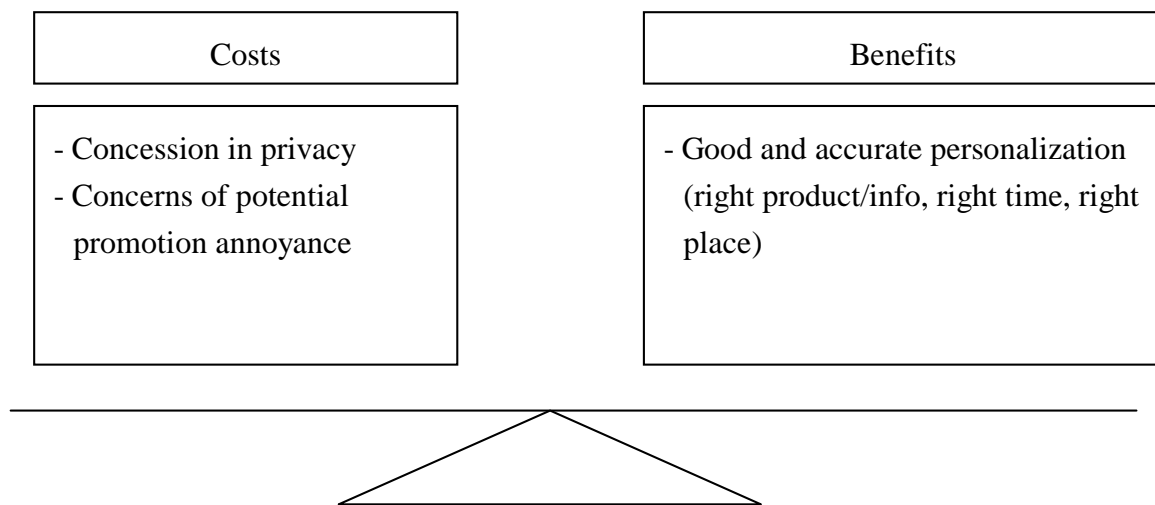


Figure 12: The Cost-benefit viewpoint

As customers use personalization services, they may be concerned about privacy issues. The intensity of their concerns reflects either their previous experience or stories/news on privacy intrusion they have heard or read. In addition, customers are also concerned about annoyance that may arise from potential promotions.

The forces that may counteract their concerns are possible benefits they could receive as a result of personalization. The foremost benefit is simply good and accurate personalization, i.e. *getting the right product/information at the right time and right place via the channel that is most convenient to them*. Giving customers *control* on personalization results will also add weight to the benefit side. With this feature, customers can rest assure that joining a firm's personalization service is *not* a road of no return. While customers appreciate the convenience brought by personalization, they do not want to be controlled. They want to decide what they get rather than having personalization provider dictate their fate. Empowering customers with control is especially important at the present because current personalized recommendations lack precision and accuracy. When machines cannot do the job right, human intervention is required. Empowering customer with control means giving

them a means to affect the products of machines. However, it does not mean that customers now have to do everything – that would make IT-enabled personalization meaningless. Empowering customers with control means giving them a power that they can exercise *at will*. It means when recommendations fail to meet customers’ expectations; they can block or modify similar future recommendations. When some day personalized recommendations meet customer needs precisely and perfectly, customer control might be much less necessary.

When the cost-benefit scale tips toward the ‘Benefits’ side, customers would undoubtedly evaluate personalization favorably. Unfortunately, current situations have the scale tipped toward the ‘Costs’ side, as demonstrated in Figure 13.

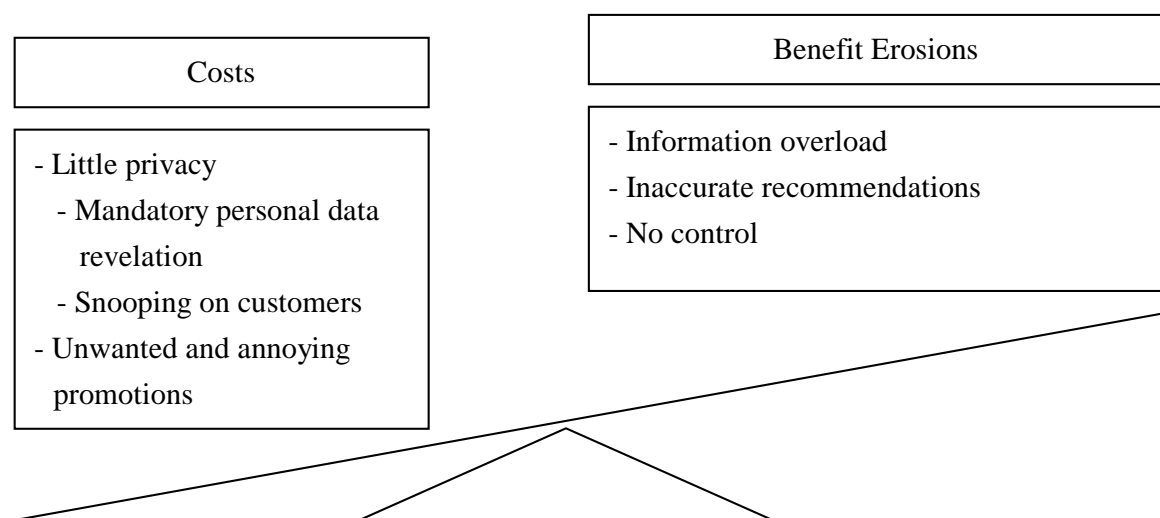


Figure 13: Current situation – the cost-benefit imbalance.

The results from the research showed that the cost-benefit scale is currently tipped toward the ‘Costs’ side. In other words, there exist more costs than benefits from customers’ viewpoint. There is little respect for customers’ privacy. Customers are forced to reveal personal data that they consider irrelevant to the processing of their requests. Even worse, customers feel that some companies are snooping on them,

collecting and using their data secretly. Personalization has also become an excuse for promotion purposes. Unwanted promotions in many forms waste customers' time and energy.

On the other end of the scale, there is insufficient weight to neutralize customers' perceived costs. As the research discovered, customers still feel an information overload, and many of the so-called personalized recommendations still miss the real target. We may interpret information overload as a lack of personalization because customers would not receive irrelevant information had there been personalization. However, recommendations that fail to hit the target may be interpreted as poorly done personalization. It means that companies did put some effort into personalizing what customers receive but the results are inaccurate.

As mentioned previously, empowering customer with control on personalization results is crucial at the present. However, this area is poorly done. The research revealed that customers feel powerless in influencing personalization results. They are often unable to block unwanted information feeds and sometimes their complaints fall on deaf ears. In other words, personalization provider collects customer information and then decides what to feed the customers, who cannot directly and easily influence what they get.