

Chapter 1 Introduction

Imagine this: you are a sales rep who knows exactly what your customers want. Every product offered is embraced by customers. You do not need to exaggerate, or worse lie about, your products because the products already meet the needs of your customers perfectly. This would, of course, be the dream of not only all sales reps, but also every enterprise.

Personalization is gaining increasing popularity among enterprises that want to win a competitive edge by offering products and services that no other competitors are providing. They know that personalization is a differentiation strategy that cannot be easily replicated by competitors. They also know a good personalization strategy can increase sales by improving customer conversion ratio, enhance customer loyalty by improving relationship with customers, or in other words, increase revenue and profit. The question is: how do you do it?

The heart of personalization is to serve individual customers' unique needs. Meeting customers' needs, emotional or material, has always been the goal of businesses. After all, buyers are willing to trade their financial wealth for goods or services only if they believe that the goods or services would satisfy their needs. However, customers' needs are hard to pin-down. Even if you discover what a portion of the population desire, it does not mean that the rest of the population has the same preferences. Everyone is different and so are his or her needs. With the constraints of the traditional production methods, standardization combined with mass production was the outcome. However, albeit standardization involves much less complexity than producing a variety of products, standardized products could satisfy only a few needs that are common to everyone in a company's customer population. There has long

been a trade-off between satisfying more customers and better meeting the needs of every individual customer. With the evolution of technology, such trade-off has gradually diminished, though not yet completely disappeared. It is now economically feasible to obtain both the breadth, i.e. serving more customers, and the depth, i.e. better satisfying the needs of individual customer, in market coverage strategies. Such phenomenon has been manifested in mass customization, in which tailoring to individual customer's needs can be deployed on a massive scale. To achieve mass customization, companies generally have an inventory of "parts" of a product instead of the assembled whole products. Given a variety of choices for each part of the product, customers have the liberty to decide, to an extent, how the whole product is to be assembled. An example is "Nike iD", in which individual customers can customize their own Nike shoes on the Nike website and have it custom-made and delivered to door in three to four weeks. Customers are allowed to choose from a range of "template" shoes. Then he or she is able to make certain modifications, such as the color for different parts of the shoe like heel and side panel or whether to have on the tongue top a three-letter id or the classic Nike Swoosh symbol.

The idea of mass customization is not new, and businesses now want to go beyond tailoring products to tailoring every interaction between customers and the firm, from marketing promotions to after-purchase customer service. Their goals are captured in the idea "personalization". Not only are businesses individually producing products based on specific customer requests, they are attempting to predict individual customer's needs in order to better serve customers and strengthen company's competitive advantage. They want to know everything about you, the customer; not just how you want your goods to be produced, but your background, preferences, lifestyle, and everything else that may possibly lead to a sales opportunity. But personalization is not limited to encouraging new sales, a successfully implemented

personalization allow a company to improve both the effectiveness and efficiency in serving established customers as well. By better knowing the mind of a customer, companies can target customers' needs with much more accuracy and reduce futile efforts.

Personalization is not a difficult task when it is done on a small scale. Human communication uses personalization all the time. When we talk to our friends, we consciously or subconsciously personalize our conversation based on the friend's background and his or her current situation. If your friend has recently been fired, you would not, assuming you want to continue the friendship, brag about your current career success and say anyone who does not have a job is a loser. Personalization becomes much more difficult when it is applied on a large scale. Traditionally, a company with thousands of customers could not possibly know the background, current situation, preferences, or personality of every individual customer. The best the company could do was to discover a few common interests or needs that applied to many. Personalization on a large scale was not feasible. However, only when personalization is applied on a large scale does it become commercially lucrative; intimately knowing and serving the needs of a few customers contribute minimally when the total customer population amounts to thousands.

Automation is mandatory if a company is to apply personalization on large scale, but the complexity involved has barred businesses from automated personalization for decades. With the advance of information technology, applying personalization on a large scale is getting closer to reality. Dreaming of the utopia promised by personalization technology, companies are aggressively exploring how personalization may become their cutting-edge arsenal in today's intense competition.

As personalization is still a nascent addition to business practices, many personalization-related concepts are still forming and businesses are still

experimenting with personalization features. Despite the many promises of personalization, there is evidence that some people have doubts about personalization, or even feel negatively towards personalization (Nunes and Kambil, 2001). Theoretically, it is illogical to find negative customer reactions based on the utopia outlined by the personalization concept. After all, the heart of personalization is to better serve customers. Therefore, it is the objective of this study to conduct an exploratory research on why certain personalization initiatives are embraced by customers while the others create nothing but nuisances. This will be accomplished by first examining what customers, not companies, think of current personalization practices, then suggestions will be derived to improve the customer-friendliness of some existing personalization practices.

Despite the consensus on the importance of personalization, there is an equal confusion over how personalization should be implemented, and even what personalization truly is.