

IRLS 608
Nicole Pagowsky
Assignment 2B – Marketing

Arora, N., Dreze, X., Ghose, A., Hess, J., Iyengar, R., Jing, B., et al. (2008). Putting one-to-one marketing to work: Personalization, customization, and choice. *Marketing Letters* 19 (3-4) [electronic resource]. Retrieved from ABI Inform database.

Summary

This article focuses on “one-to-one marketing.” Specifically, this pertains to personalization and customization. These marketing techniques can help firms establish themselves as unique and consumer-driven to improve business and retain customer loyalty. The authors differentiate the two, explain positive and negative aspects of each, and then look to the future, while even discussing hybrid possibilities. Within this layout, economics, psychology, and empirical analysis further explain suitability for firms interested in utilizing one or both methods.

One-to-one marketing tailors the consumer experience to the individual. As the authors note, it represents an “extreme form of segmentation, with a target segment of size one.” The two types of this kind of marketing are personalization and customization. The former implies analysis by the firm of the individual, where the firm then offers suggestions to the consumer based on information obtained through data collection. In personalization, the consumer often has little or no conscious awareness of this information mining, and it requires no specific action on the part of the individual. Conversely, customization involves the customer’s active involvement to provide the firm with choices and create a product or service specifically desired by the individual. Customization engages the consumer to use personal preferences to select specific combinations that would be suitable to him or her. Examples of these forms of one-to-one

marketing are Amazon.com for personalization and Dell Computer for customization. Each, as the authors explain, have positive and negative attributes.

Personalization uses software to track customer habits and preferences. Trends are recorded because the system can recognize return users to log their information. For example, Amazon.com uses collaborative filtering to determine recommendations for customers; from this, the system decides which music or books the user might like, displaying the gathered suggestions. Each time the user returns, the system can respond faster and make more personalized recommendations. All different kinds of companies use personalization, including service industries – it is not only producers and distributors of goods. Personalization can lead to greater customer satisfaction, which could in turn provide higher profits for the firm, as well as the ability to maintain customer loyalty. On the other hand, invasion of privacy is a major concern. To continue to make more and more specifically individual recommendations, the system must collect more and more data. As the authors explain, “Personalization thrives on data, driving companies to stretch the envelope on what data they collect.” This is not the only drawback: personalization is also costly and could have a negative effect if the recommendations are not on target for the right individual. The authors point out that “recommendations that go against consumers’ initial preferences can have the reverse effect.” Consumers also need to see how these choices were developed or firms could risk consumer rejection of the suggestions and potentially the products or services.

Two popular methods drive customization: product customization and product proliferation. The former uses provided preferences of consumers to deliver results based on choices (which also seems to have a bit of personalization involved), whereas the

latter does not engage in dialog, but rather offers variants and the customer fully makes the selection. Consumer loyalty has been shown to increase when consumer effort decreases, which is what happens when customers can customize. The authors offer a disclaimer that the long-term impact has not yet been fully analyzed, but highly competitive industries continue to use customization to create a “point of differentiation” to ensure unique products. On the other hand, however, too much customization could dilute the branding of products or services, making them less distinguishable. For firms with status built on their branding, this can prove detrimental, and while more firms are engaging customers in customization, branding might become increasingly important. Other disadvantages include raising the cost of the product or service due to extra, added details, as well as making choices too complex by offering too much. The authors also raise the point that Pandora’s box could be opened in regards to raising customer expectations too high; as they posit, “How does the customer react when [a company] says, ‘Sorry, we can’t allow you to customize everything?’”

The authors note that an important assumption to keep in mind when engaging in personalization or customization is that customer preferences are not stable or necessarily linear. Potentially using both methods could prove beneficial due to these reasons and to increase customer satisfaction; the authors provided an example of a hybrid model where personalized menu options are made available to customize. Finally, the authors mention a need for future research is in firms obtaining information on competitors’ customers. They believe research on profitable conditions of sharing research with the competition could prove beneficial to all parties.

Discussion

As libraries face greater competition, information professionals look more and more to marketing. Personalization and customization have been considered as options and have already been implemented in a few settings. For example, the *StreetSmart Express* program in Dallas allows customization in services for patrons who would like to have faster access to newly released, popular materials. These marketing methods allow the library to tailor its services to individual needs, while simultaneously creating a unique brand to compete with physical and virtual retail bookstores. Why these methods should be considered, potential uses, and effects on libraries should all be examined when incorporating a marketing plan involving personalization and customization into a library's strategic plan.

Marketing helps libraries remain relevant to their customers; as Dana Braccia said in Lecture 7, one of the four (or five) "P's" to balance a marketing plan is the product and how it relates to customer needs and wants; in this sense, the library is the product in its materials and services, and understanding needs and wants of the customer is the crux of remaining relevant. In Lecture 8, relationship marketing was touched on, and this is exactly what libraries should be focusing on because they inherently have a longer-term relationship with users; whereas bookstores are a one-time transaction, possibly repeated, libraries require the user to come back to return the materials and possibly gather more information (not necessarily in solely goods, as bookstores offer). Personalization and customization are excellent matches for relationship marketing because they can improve customer loyalty and keep patrons continually interested in what the library has to offer them, personally.

Potential uses for personalization and customization in libraries, as was also mentioned in Lecture 7, include creating a service brand. This is possible both physically and virtually. Dana mentioned empowering staff to make more decisions (such as waiving fines on a case-by-case basis) – this is personalization in the sense that the user is analyzed by a staff member by engaging in discussion, and the outcome of this discussion can be personalized to what the user needs and wants. Likewise, as the Woodward article discussed, having a certain type of service guaranteed at the main circulation desk (such as friendliness or expertise on resources for making recommendations) can improve customer satisfaction on a case-by-case basis, which is also personalization. Virtually, personalization can entail making recommendations, as Amazon.com does; Dana mentioned that this really is what is ahead for Library 2.0. If libraries are concerned with privacy issues due to this type of virtual personalization, as they should be, they could move more towards customization with the same outcome. In other words, instead of gathering customer data and then making recommendations, libraries could have patrons opt in for the service, and then have them rate books to customize their experience, rather than basing recommendations more so on search and checkout history. According to Arora, et al., when the user participates, it is customization, and when the user is more passive, it is personalization.

As Dana also mentioned in Lecture 7, in regards to pricing, “it’s not free if it’s not convenient or exactly what you want.” Personalization and customization can truly make libraries “free” to patrons based on this concept. Using these methods to establish relationship marketing can ensure customer loyalty and make it more feasible for libraries to compete with bookstores offering similar materials and expectations. Luckily, libraries

do have the advantage over retailers when it comes to programming and services, and libraries can truly personalize the experience for their specific communities by engaging in community outreach and collaboration to, as mentioned previously, remain relevant to the communities they serve.