

## Segment-of-One Marketing

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Remember back when predictions of the computer age conjured up an Orwellian landscape of impersonal robots dispensing mechanized service and standardized products? In fact, the opposite has happened.

Across a wide range of industries, computers have personalized, not standardized, the way companies serve their customers. For example, in a leading hotel chain personnel greet customers by name and remember special requirements. They are prompted by telephone consoles that flash up customers' names when a line rings and aided by a data base that stores customers' personal requirements.

Ten years ago mass marketers discovered they could narrow their focus and create products for specific customer segments. Now a segment can be trimmed down to an individual.

Like most breakthroughs, "Segment-of-One Marketing" brings together in a working relationship two formerly independent concepts: information retrieval and service delivery. On one side is a proprietary database of customers' preferences and purchase behaviour; on the other is a disciplined, tightly engineered approach to service delivery that uses the information base to tailor a service package for individual customers.

### Carriage-trade Service

The advantage to the customer is straightforward and powerful. Increasingly, consumers are putting more value on being treated as individuals. They demand customized products and services delivered at the moment of need. They also value the reassurance and stability that comes from an enduring relationship with somebody

who understands and can respond to their specific needs.

Of course these values aren't new – but until recently, only the very wealthy could afford them. Information technology has brought the services associated with the carriage trade within reach of the middle class.

At First Wachovia an innovative and very successful North Carolina bank, the staff serves all of its customers the way it used to serve its best customer. They greet each customer by name and provide personalized information about their finances and how they relate to their long-term objectives. Based on this knowledge, they suggest new products. Commodity retail banking has been turned into a customized, personalized service. The result? More sales at lower marketing costs and powerful switching barriers relative to competition.

Three major investments are behind this seemingly effortless new service level: a comprehensive customer database, accessible wherever the customer makes contact with the bank; an extensive training program that teaches a personalized service approach; and an ongoing personal communications program with each customer.

### Technology Surpasses Imagination

The foundation for "Segment-of-One Marketing" is the ability to track and understand individual customer behaviour. Thanks to the expansion of data capture opportunities and lower storage costs, such databases are already cost-effective on a large scale. Indeed, technology is now far ahead of the imagination of many marketers.

But not all marketers. Citicorp is developing a massive database that will track the supermarket shopping behaviour of 30 to 50 million households. This will enable packaged goods marketers

# Perspectives

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to fine tune their promotional efforts to an extent unimaginable today.

The major packaged goods companies will be able to know by name and address, brand-loyal households and switchers, their own and their competitors' light and heavy users.

The second requirement of "Segment-of-One Marketing" is the ability to use the information system to customize the product and personalize the service to the individual customer. In some cases, personalized service can be designed directly into the information system.

When Noxell introduced its Clarion line of mass market cosmetics in the drugstore, it looked for a way to differentiate the new line in a crowded market. The answer was the Clarion computer where customers type in the characteristics of their skin and receive a regimen selected from the Clarion line. "Department store-type personal advice without sales pressure in the much more convenient drug channel" became the central customer value. The result? The only successful introduction of a broad line of mass-market cosmetics in recent years.

### People and Systems

In most cases, the key to the personalized service bundle is the successful interaction of people and systems. But this interaction has to be carefully engineered. It requires user-friendly information systems and a tightly engineered service approach.

In the boutiques of Yves Rocher, the successful French cosmetics house, the customer shows an ID card and the salesperson flashes up her purchase history on a POS terminal. The salesperson

is trained to use this information as the basis for a detailed conversation about the customer's individual experience with the company's products and what she should buy next. Compare that with the canned sales pitch used in many department stores. The result is higher sales, more customer loyalty. Shu Uemura, the large Japanese cosmetics firm, bases its U.S. market entry strategy on a similar concept.

Often, "Segment-of-One" breakthroughs will come from the ability to perform to exacting service standards at the customer's convenience.

D'Agostino, the large New York grocery retailer, builds shop-by-phone service by storing customers' shopping lists and updating them every time the customer calls in. With every call, ordering becomes more convenient because a standing order needs only to be modified. Over time a denser and denser web of information ties the customer tighter and tighter to the store. Ultimately, the benefits of personalized convenience will, if not offset, at least mitigate the price signals of competitors and improve margin opportunities across the core customer base.

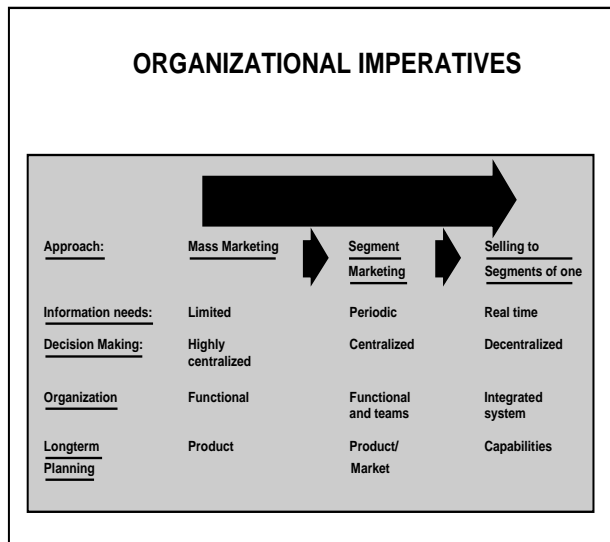
The ability to gather detailed information about a customer's purchasing behaviour coupled with relationship-oriented delivery of services provides a tool and a context for the third element of "Segment of One Marketing": personalized communication.

### Personalized Communication

Experience shows that even direct mail, not generally an attractive medium in today's cluttered environment, can work powerfully in the context of the intimate customer relationship of a successful "Segment-of-One" strategy.

Other media options for personalized communication are beginning to proliferate. Selective bin-

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ding technology that makes it possible to customize magazines to individual subscribers is on the drawing boards. Videotext, point-of-purchase communication and targeted coop mailers are beginning to be available. Addressable cable TV is a technical, if not yet a commercial reality.

These new options alone will force marketers to come to grips with personalized communications. But they will work most powerfully for those who employ them in the context of an integrated “Segment-of-One” strategy.

A successful “Segment-of-One” strategy involves more than experiments with databases and direct mail – although these can be first steps. It requires a broad rethinking of the values a company provides to its customers and the way it approaches them. As the chart below indicates, it can also require significant investments in the infrastructure of service and information.

Because establishing this infrastructure represents a major broadening of a company's capabilities, it should blend with and build on existing strengths. But in every case, the constants will be service, information and the marriage of the two.

From a competitive point of view, the implications will be dramatic. Economies of scale in production or product volume have eroded in many industries. “Segment-of-One” marketers will reestablish powerful scale economies in information, information management, service and distribution. As a result, competitive advantage will tilt to those companies that simultaneously “own” the market and are able to satisfy individual customers' needs.

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