as playgrounds for children and cafés. This means that, overall, IKEA measures up on very basic service features of the retail experience while offering rock-bottom prices.

Superior Pricing Acumen

To be able to offer the best price, a company competing on price must have a well-defined pricing capability and deep insights into the price sensitivity and behavior of its target segment. This is how Progressive Corporation became one of the most profitable auto insurance companies in the United States. Auto insurance is a necessary, but *not* desirable, purchase for most customers. Most states require that all car owners carry some form of liability insurance. The net effect is that most customers are highly price sensitive and put the most weight on the annual premium cost rather than service benefits, such as the timeliness of processing claims or the location of agents.

Progressive employs a superior data mining and analysis capability to accurately assess the risk—and thus the expected cost—of each customer. It then uses highly targeted pricing schemes to attract profitable customers and discourage unprofitable ones. It is able to find customers who competitors are systematically over-charging and then undercut these prices. This strategy has required a long-term investment to create massive data archives on customer characteristics and behavior that competitors are so far unable to match. Progressive uses sophisticated algorithms to extract insights from its data, such as getting a ticket for "failure to yield" warrants a higher premium increase than does getting a ticket for "speeding."

Relational Value

Companies focusing on relational value are unlikely to offer the lowest price or the latest performance features. Instead, these companies offer their customers a more customized set of solutions. They do this in a variety of ways depending on the market. Sometimes it is through customer intimacy and personalization; in other cases, customer collaboration or a best total solution is important.

Companies competing on relational value have several things in common. First, their relationships with their best customers are unusually tight, with mutual trust based on shared understanding and commitments. Second, they have broadened their offerings far beyond their core product to include customer information and training, complementary products, support services, and financing as required. They compete on scope rather than scale—meaning they offer a range of products and services to customers instead of focus on selling a few more standardized offerings. Third, their customers think they are getting offerings that have been tailored to their needs. It may be fully customized or simply personalized. This is not the "one size fits all" approach of price value.

Take for example how Texas Instruments has prevailed over Intel in the market for semiconductor chips for portable electronic devices by cultivating a relational approach to value with its customers.[8] It does this by acting as the design lab for realizing their customers' ambitions. A relationship with Nokia provided the template for this strategy. Texas Instruments customized its chip to Nokia's cell phone software, which enabled the fast processing of large amounts of digital information and became the core of a new generation of Nokia cell phones. The strategy of working closely with aspiring companies was further refined when Texas Instruments provided the tailored light-processing chips that helped Samsung Electronics enter the large screen, high-definition TV market. Texas Instrument's ability to direct its development efforts toward meeting

customer design challenges also helped advance its own technology and enabled it to enter other device markets.[9,10]

These common features conceal huge differences in how relational value is delivered in different markets. Customer relationship management (CRM) approaches are used by firms like Fidelity Investments that serve mass markets with millions of customers. Comprehensive solution management approaches are applied by firms like Rolls-Royce when complex systems are sold to a small number of very valuable customers. Of course, there are many markets that use some of each approach.

Customer Relationship Management

The essence of CRM is customizing products and services for each particular customer. More precisely, it is a cross-functional process involving a continuing dialogue with customers, managing across all customer touch points, and offering personalized treatment for the most valuable customers. These firms harness digital technologies to cost-effectively have dialogues with customers and gain a comprehensive view of each customer, including their profitability. Fidelity Investments repositioned itself with a strategy of providing affluent investors with credible advice and investment solutions tailored to the individual investor's situation and delivered with exceptional service to meet specific needs. This required careful identification of customer segments to nurture, the formation of dedicated service models and offerings for each segment, and personalized education and guidance appropriate to the profit potential of each segment. For example, Fidelity uses a "digital advisor" for clients with as little as $5,000 to invest, while clients with at least $50,000 invested have access to an investment professional.[11] For its wealthiest clients with more than $5 million in assets, Fidelity Investments launched Fidelity Private Wealth Management in 2012. These clients are provided with a team of five financial professionals, led by a wealth management advisor.[12]

Comprehensive Solution Management

Solutions are bundles of products and related services that create value greater than the sum of their parts.[13] To offer a real solution, and not just a repackaging of existing products and services, four criteria must be met:

- Each solution is *co-created* with customers.
- It is therefore *tailored* to each customer.
- The relationship between customer and supplier is unusually *intimate*.
- Suppliers accept some of the *risk* through performance-based or risk-based contracts.

Like CRM best practices, the aim is to form a one-to-one learning relationship. This requires relationships that are much deeper and broader than those enabled by CRM with social and information connections across many levels and functions of each partner organization. This is only feasible with high-value, long-term customers who warrant sizeable investments of time and energy and are also willing to make reciprocal commitments. Customers who are partners can gain from such intimate relationships in several ways. Overall costs may be lower and the quality higher when interacting with a single supplier for multiple activities. They may see benefits from superior performance through preferred access to the latest technology. Their risks may be reduced by sharing them with the supplier.