

final result will be measured in economic terms. Value ranking, in other words, is done in one dimension: the financial dimension.<sup>3</sup> But when an enterprise sets out to differentiate its customers by their needs, it is embarking on a creative expedition, with no fixed dimension of reference. There are as many ways to differentiate customers by their needs as there are creative ways to understand the deepest human motivations. The value of any particular type of needs-based differentiation is to be found solely in its usefulness for affecting the different behaviors of different customers.

- *Even in business-to-business (B2B) settings, a firm's customers are not really another "company," with a clearly defined, homogeneous set of needs.* Instead, customers are a combination of purchasing agents, who need low prices; end users, who need benefits and attributes; the managers of the end users, who need those end users to be productive; and so on.

## Community Knowledge

In the competition for a customer, the successful enterprise is the one with the most knowledge about an individual customer's needs. In a successful Learning Relationship, the enterprise acts in the customer's own individual interest as a result of taking the customer's point of view. What if the customer were to maintain her own list of specifications and purchases? If the record of a customer's consumption of groceries were maintained on her own computer rather than on a supermarket's computer, this would undercut the competitive advantage that customization gives to an enterprise. Each week a whole cadre of supermarkets could simply "bid" on the customer's list of grocery needs, reducing the level of competition once again to the lowest price. The customer-strategy enterprise can avoid this vulnerability, as it has devised a way to treat an individual customer based on the knowledge of that customer's transactions as well as on the transactions of many other customers who have similarities to her. This is known as *community knowledge*.

Community knowledge comes from the accumulation of information about a whole community of customer tastes and preferences. It is the body of knowledge that an enterprise acquires with respect to customers who have similar tastes and needs, enabling the firm actually to *anticipate* what an individual customer needs, even before the customer knows he needs it. The *collaborative filtering* software that sorts through customers for similarities is essentially a matching engine, allowing a company to serve up products or services to a particular customer based on what other customers with similar tastes or preferences have preferred in this particular product or service.

<sup>3</sup>And the financial dimension is not limited to for-profits: For nonprofit organizations, the financial dimension might include maximizing funds from outside sources or maintaining fiscal stability. See Michael Martello, John G. Watson, and Michael J. Fischer, "Implementing a Balanced Scorecard in a Not-for-Profit Organization," *Journal of Business and Economics Research* 6, no. 9 (September 2008): 68. For nonprofits, "customer" or member, or donor, or volunteer value may include proxies for financial value such as willingness to participate, compliance rates, voting record, donations of time and volunteerism, and so forth.



Technology has accelerated the rate at which enterprises can apply community knowledge to better understand individual customers. This tool can help not just the individual consumers of a company like an online bookstore, but also B2B customers. The idea of community knowledge has a direct lineage from one of the most important values any B2B business can bring its own business customers: education about what other customers with similar needs are doing—in the aggregate, of course, never individually. Firms know that they must teach their customers as well as be taught by them. An enterprise brings insight to a customer based on its dealings with a large number of that customer's own competitors. Community knowledge can yield immense benefits to many businesses, but especially to those businesses that have:

- *Cost-efficient, interactive connections with customers as a matter of routine*, such as online businesses, banks and financial institutions, retail stores, and B2B marketers, all of which communicate and interact with their customers directly and on a regular basis.
- *Customers who are highly differentiated by their needs*, including businesses that sell news and information, movies and other entertainment, books, fashion, automobiles, computers, groceries, hotel stays, and healthcare, among other things.

Marketing expert Fred Wiersema<sup>4</sup> has said that there are three characteristics of market leadership: bringing out the product's full benefits, improving the customer's usage process, and breaking completely new ground with the customer. Any one of these types of customer education can come from the knowledge an enterprise acquires by serving other customers. An enterprise with a large number of customers can use community knowledge to *lead* a customer to a product or service that the enterprise knows the customer is likely to need, even though the customer may be totally unaware of this need. It might be as simple as choosing a hotel in a city the customer has never visited, but it could also apply to pursuing an appropriate investment and savings strategy, even though the customer may not have thought of it yet.

### Pharmaceutical Industry Example

Consider, for example, a pharmaceutical company. Traditionally, this firm has not engaged in much relationship building with its end-user consumers (i.e., the patients for whom its drugs are prescribed). Rather, the firm has always considered its primary customers to be the prescribing physicians and other related healthcare professionals, along with pharmacies, employers, some government entities, and healthcare organizations. But now, faced with the cost-efficient, powerfully interactive technology of the World Wide Web, this pharmaceutical company wants to

<sup>4</sup>Fred Wiersema, *Customer Intimacy: Pick Your Partners, Shape Your Culture, Win Together* (Middleboro, MA: Country Press, 1996). Also see Wiersema's *The New Market Leaders: Who's Winning and How in the Battle for Customers* (New York: Touchstone, 2001), pp. 63–64.



begin to establish genuine, one-to-one relationships with at least some of the more valuable consumers of its products. The company sells medicine for diabetes, which can be kept in check through constant vigilance, but, as is the case with many such diseases, *compliance* is a problem. Patients often simply fail to keep up the medical treatment or fail to monitor their own condition properly. The company knows that patients want help in understanding and dealing with the disease, so it sets up a Web site to serve as a resource for information and support. The benefits for the pharmaceutical company and for the patient are straightforward: A better-informed and supported patient is likely to exhibit better compliance, which will both keep the patient healthier and sell more of the pharmaceutical company's drugs.

Knowing that different consumers will need different types of support and assistance, the pharmaceutical enterprise undertakes to design a patient-centric Web site. To do so, it conducts a research survey of patients, and discovers that a patient's attitude toward keeping the disease in check will drive her individual needs for using the Web site. Newly diagnosed patients for the most part simply want any and all information related to their disease. They need to be able to select content relevant to their own problems. However, as patients come to grips with their sickness, their attitudes toward the disease tend to fall into one of three primary categories. For this pharmaceutical company, working with a set of diabetic patients, the needs groupings tend to look like this:

- *Individualists*. This type of patient relies on herself to make educated decisions on how to manage her disease. Individualists could be directed to online clinical support, and they could opt for customized electronic newsletters or for online health-tracking tools.
- *Abdicators*. This patient's attitude toward the disease is one of resignation and detachment. She basically decides that she will "just have to live with the conditions of her disease," so she ends up depending on the help given by a significant other. The site directs abdicators to various caregiver resources and provides planning information related to nutrition and meals.
- *Connectors*. This type of patient welcomes as much information and support as she can get from others to help her make educated decisions about how to manage her disease. The site directs connectors to online chat rooms and electronic bulletin boards where they can meet and converse with other patients. It has an "e-buddy" feature that pairs her up with a patient similar to herself.

For the pharmaceutical company to design a Web site that is truly customer-focused, it should try to figure out, for each returning visitor, what the particular mind-set of that visitor is, and then serve up the best features and benefits for that particular type of patient. The easier the enterprise can make it for different patients to find the support and assistance they need, individually, the more valuable those patients will become for the enterprise.

At this juncture, however, it is important once again to separate our thinking about the features and benefits of the Web site (i.e., the product, in this case) from the actual psychological needs and predispositions of the Web site visitors themselves. Any one of the visitors might in fact use any of the Web site's many



features on any particular visit. That means each of the Web site's benefits will probably overlap several different types of customers, with different types of needs. But the customers themselves do not overlap—they are unique individuals, each with her own unique psychology and motivation. It is only our categorization of these unique and different customers into needs-based groups that might give us the illusion that they are the same. They may be similar in their needs, but at a deeper level, they are still uniquely individual, and this will be true no matter how many additional categories, or portfolios, we create. We simply categorize customers in order to better comprehend their differences by making generalizations about them.<sup>5</sup>

### Healthcare Firms Care for and about Patient Needs

As much as any industry, healthcare could benefit from applying principles that address individual patients' needs and values. In addition, relationships with donors and volunteers, medical staff, and suppliers would benefit from one-to-one Learning Relationships. But there are special challenges in this field.

Similar to any manufacturing enterprise, a health maintenance organization (HMO) can rank its patients by their value to the HMO. Interestingly, for an HMO, its most valuable patients are those it never hears from—those in good health.<sup>a</sup> However, the HMO does not want this group of customers to switch to another healthcare provider; it wants this set of valuable customers to use preventive healthcare procedures and to engage in a dialogue with its representatives so that they can understand each of its customers' personal medical-related needs. The goal of a healthcare provider, therefore, could be to create an ongoing, interactive relationship with the customer-patient, a relationship that does not revolve around what happens between admission to the institution and discharge but rather between discharge and admission. That's why many HMOs are engaged in building relationships by establishing contact with patients *before* an illness sets in, by inviting them to participate in reduced rates on exercise equipment, classes on smoking cessation, nutrition, and so on. These programs are win-win: They can contribute to the health and well-being of the patient or HMO member, and they help the HMO reduce costs through improved health of its patients.

Gary Adamson, who served as past president of Medimetrix/Unison Marketing in Denver, Colorado, said the power of healthcare integration lies in creating the ability to do things differently for each customer, not to do more of the same for all customers.<sup>b</sup> One of Medimetrix's clients, Community Hospitals in Indianapolis, Indiana, for example, implemented "Patient-Focused Medicine," a

<sup>5</sup>The fact is, the pharmaceutical industry faces a challenge shared with other companies in other industries: the need to stay ahead of the proliferation of readily available information Web sites that already offer some level of personalization. For example, WebMD offers a Symptom Checker that helps patients understand what their medical symptoms could mean (<http://symptoms.webmd.com/>) as well as a Diet and Weight Loss Tool that provides a personalized diet assessment and access to a calorie calculator, a "Food-o-Meter," and a "Fit-o-Meter" ([www.webmd.com/diet/healthy-eating-fitness-services](http://www.webmd.com/diet/healthy-eating-fitness-services)).



CRM initiative aimed at four constituent groups: patients, physicians, employees, and payers. The hospital has found that most medical practitioners customize the "care *for* you" component of healthcare by individually diagnosing and treating medical disorders. But Community also individualizes the "care *about* you" component—the part that makes most patients at most hospitals feel like one in a herd of cattle.

The hospital encourages thoughtful, high-level "service" by its doctors and nursing staff because it wants to show patients that they are being cared for; but the hospital also recognizes that random acts of kindness by a dedicated staff are not the same as customizing healthcare, which works only if the patient's special needs are remembered and continued at the next shift and between visits.

The opportunity—and the challenge—for customization lies in caring *about* an individual patient's needs. That means treating different patients differently in a cost-efficient and well-planned way. Healthcare, by its very nature, is among the most personal of any industry. Personal information provided to a doctor, hospital, pharmacy, or insurance company can be valuable to the organization but is highly private to the customer-patient. Healthcare personalization, of course, has existed for a long time, and certainly since the time when doctors made house calls and local druggists remembered each of their customers' medical histories. The vast majority of healthcare services could benefit from a shift in focus from event treatment to patient relationships, for the good of the healthcare organization as well as the patient—perhaps starting with an integrated billing system that makes sense to patients and their caregivers.

Some companies in the healthcare industry already see personalization as a strategic advantage in a crowded marketplace. By adding Web-based services for its customers, Oxford Health Care, which offers health insurance in New York, New Jersey, and Connecticut, has provided the same level of personalized service a customer would get from a telephone call. Not only does the My Oxford program, a subsection of its Web site, allow customers to access their coverage plans and process claims, but Oxford Health Care has also fully invested in efficient, remote patient access services. Its Lifeline medical alert system connects patients with their Personal Response Associate at the push of a button; these associates can access personal information, contact the individual, and send appropriate help. Similarly, telemonitoring devices can gather vital signs and other health information daily from patients at home and transmit this information via phone line to Oxford HealthCare, where a nurse reviews it and responds according to parameters set by the patient's physician.<sup>c</sup>

While reducing its cost to service "customers," Oxford serves each customer better. But personalized online services go far beyond customized content or a listing of available healthcare products or services. The real opportunity lies in building a Learning Relationship between the healthcare provider and the customer. A drugstore, for example, might know a customer buys the same over-the-counter remedy every month. But if the same drugstore detects that the customer is suddenly buying the product every week, it could personalize its service by asking her whether she is having a health problem and how it could assist her with personal information or other types of medication. Already the

(continued)



(Continued)

pharmacy is the last resort for many patients to help spot possible drug interactions for prescription and over-the-counter drugs prescribed and recommended by a variety of different physicians. Using information to serve the customer better helps the drugstore create a long-lasting bond with this customer.

For instance, Medco, formerly part of Merck and a pharmacy benefits management company of Merck & Co., has created a sophisticated information system that links patients, pharmacists, and physicians, helping to ensure the appropriate use of medication for each individual based on his health profile. Merck-Medco customers are issued a pharmacy card that enables the company to identify customers when they fill and refill a prescription. But the company goes the extra step and shows that it not only cares for its customers but cares about them too. When a customer suddenly stops refilling a prescription, a Medco representative will likely contact him to see if he has forgotten to refill the prescription or if his health status has changed.

Personalization also lets healthcare providers focus their sales efforts on their most valuable customers. For example, Florida Hospital, which serves 1 million patients a year, provides a concierge service for patients that can track and automatically schedule routine appointments such as well-check visits and flu shots as well as referrals to specialists to help a patient avoid the usual three or four phone calls it takes to get the right person. Even in the hospital, patients can have an interactive experience with bedside kiosks, where they can access medical records and the Internet, purchase vitamins or medical supplies with a card swipe, or leave messages for physicians. "We're really looking to bring value through coordination of care that is for the whole person," says Des Cummings, executive vice president of Florida Hospital. "We're looking at a whole person system for health and healing; caring for a person throughout their life."<sup>d</sup>

<sup>a</sup>Jaeun Shin and S. Moon, "HMO Plans, Self-Selection, and Utilization of Health Care Services," *Applied Economics* 39 (2007): 2769-2784.

<sup>b</sup>Don Peppers, Martha Rogers, Ph.D., and Bob Dorf, *The One to One Fieldbook* (New York: Doubleday, 1999).

<sup>c</sup>Available at [www.oxfordhealthcare.net](http://www.oxfordhealthcare.net), accessed April 27, 2010.

<sup>d</sup>Marji McClure, "Florida Hospital Prescribes a Personalization Cure," *1to1 Magazine's Weekly Digest*, August 16, 2004, available at: [www.1to1media.com/view.aspx?DocID=28465](http://www.1to1media.com/view.aspx?DocID=28465), accessed September 1, 2010.

## Using Needs Differentiation to Build Customer Value

The scenarios of the toy manufacturer and the pharmaceutical company show how each had to be aware of its respective individual customer's needs so it could act on them. Once a particular customer's needs are known, the company is better able to put itself in the place of the customer and can offer the treatment that is best for that customer. Each company gets the information about customer needs primarily by



interacting. Therefore, an open dialogue between the customer and the enterprise is critical for needs differentiation. Moreover, customer needs are complex and intricate enough that the more a customer interacts with an enterprise, the more learning an enterprise will gain about the particular preferences, desires, wants, and whims of that customer. Provided that the enterprise has the capability required to act on this more and more detailed customer insight, by treating the customer differently, it will be able to create a rich and enduring Learning Relationship.

A successful Learning Relationship with a customer is founded on changes in the enterprise's behavior toward the customer based on the use of more in-depth knowledge about that particular customer. Knowing the individual customer's needs is essential to nurturing the Learning Relationship. As the firm learns more about a customer, it compiles a gold mine of data that should, within the bounds of privacy protection, be made available to all those at the enterprise who interact with the customer. Kraft, for example, empowers its salespeople with the data they need to make intelligent recommendations to a retailer. (The retailer is Kraft's most direct customer, and the retailer sells Kraft products to end-user consumers, who can also be considered Kraft's customers.) Kraft has assembled a centralized information system that integrates data from three internal database sources. One database contains information about the individual stores that track purchases of consumers by category and price. Another database contains consumer demographics and buying-habit information at food stores nationwide. A third database, purchased from an outside vendor, has geodemographic data aligned by zip code.

Information is the raw material that is transformed into knowledge through its organization, analysis, and understanding. This knowledge then must be applied and managed in ways that best support investment decisions and resource deployment.

But truly to get to know a consumer through interactions directly with her, enterprises must do more than gather and analyze aggregated quantitative information. Accumulating information is only a first step in creating the knowledge needed to pursue a customer-centered strategy successfully. Information is the raw material that is transformed into knowledge through its organi-

zation, analysis, and understanding. This knowledge then must be applied and managed in ways that best support investment decisions and resource deployment.

Customer knowledge management is the effective leverage of information and experience in the acquisition, development, and retention of a profitable customer. Gathering superior customer knowledge without codifying and leveraging it across the enterprise results in missed opportunities.<sup>6</sup>

<sup>6</sup>Paul M. Cole, *Customer Connections* (Cambridge, MA: Harvard Business School Press, 1997). See also Andrew L. S. Goh, "Adoption of Customer Relationship Management (CRM) Solutions as an Effective Knowledge Management (KM) Tool: A Systems Value Diagnostic," *Journal of Knowledge Management Practice [online]* (February 2005), available at: <http://www.tlinc.com/articl80.htm>, accessed September 1, 2010; and Yichen Lin, Jr Jung Lyu, Hwan-Yann Su, and Yulan Hsing, "A Feasibility Study of the Customer Relationship Management Application on Small and Medium Enterprises," *Journal of Scientific and Technological Studies* 41, no. 1 (2007): 53-63.



## Scenario: Universities Differentiate Students' Needs

Like more enterprises around the world, universities are building Learning Relationships with individual students as well as with the corporate concerns that are already providing much of the funding for tuition and research.

Higher education has a variety of different customers. Students, parents, employers, government, states, and donors are just some examples. Instead of measuring the success of a university by the number of students it enrolls, or even the cutoff point for admission, a customer-focused university gauges its success by the projected increase or decrease in a particular student's expected future value. The university no longer focuses just on acquiring more students but on retaining existing learners and growing the business each gives the institution.

Interestingly, the fastest-growing sector of global higher education (and every university's market is indeed global) is the for-profit university, which enrolls one-third of students worldwide. According to Sir John Daniel, a university administrator who has worked in Canada and the United Kingdom, a for-profit university offers three benefits to its students: efficiency, a focus on teaching students based on market demand rather than conducting research, and a focus on ensuring that its students succeed.<sup>a</sup>

Whether for-profit or public, academic universities want to attract and retain the most valuable customers and most growable customers (i.e., highly qualified, tuition-paying students) and to reap the most benefit from them, not just over their four years of study but over their many years as alumni as well. In order to integrate the typically siloed information on recruitment, retention, and development, higher-education spending on CRM will have seen a doubling from 2007 to 2012, reflecting universities' increasing value of the 360-degree view of their customers.<sup>b</sup>

Acknowledging both actual and potential value of students and alumni is just as important. Higher levels of financial contribution coming from alumni are associated with higher income, but, most important, the degree of satisfaction with one's undergraduate/graduate experience. Moreover, in many universities, each newly graduating class leaves behind a "Class Gift" that varies in expense and type. Some classes raise thousands of dollars to donate toward scholarships and loan funds; others raise money to help renovate university buildings that otherwise would have been left untouched. Retaining strong relationships with alumni is seen as beneficial not only for financial purposes; they also play other critical roles for the academic university—returning to teach, counseling graduate students, or serving on advisory boards to the university.

As more universities consider their options for achieving those goals, attention often turns to alumni as the answer. Institutions of higher learning have understood that prolonging relationships with alumni can improve the accuracy of the fundraising list, which in turn improves fundraising response rates and donor lifetime value. The number of schools that are implementing strategies for those purposes is increasing.

Because it is now possible to keep track of relationships with individual students, the size of a university is becoming a less potent competitive advantage.



A university of any size has the opportunity to use information about each student to secure more of that individual's participation. Notwithstanding the "brand" or status value of a handful of high-status Ivy League and top-ranked higher education institutions, securing and keeping the participation of more students will likely depend on who has and uses the most information about a specific student, not on who has the most students.

To compete, the customer-focused university has to integrate its entire range of business functions around satisfying the individual needs of each individual student. The school's organizational structure itself will have to be altered, and it must embrace significant change, affecting virtually every department, division, administrator, and employee. Once it has migrated to a customer-strategy model, the university will be able to generate unprecedented levels of participant loyalty by offering an unprecedented level of customization and relationship building.

Student-customer valuation will require measures of success based on individual student results, not just product or program measures. Rather than seeing whether enough students enrolled in a particular course to justify its existence, for instance, the institution will also predict whether a particular student is valuable enough to justify a certain level of expenditure.

The customer-focused university will be able to calculate share of student on an individual, participant-by-participant basis, with the goal of capturing a greater share of dollars, time, and other investment in learning. The customer-focused university builds a Learning Relationship with each student by interacting over time and continuing to increase its level of relevance to each student by understanding her motivation. Although participation in the university should be motivation enough, the customer-focused university will understand whether a student is, for example, taking a course because of interest in the material, admiration for the professor, a need to be respected, a desire to make business contacts, as part of a degree program, career participation, or some other reason. Remembering what each student wants and finding ways to make the collaboration effort valuable to the participant leads to mass-customizing the offering, the response, the dialogue process, the level of recognition, the opportunity for active participation, and so on.

The implications of more cost-efficient electronic interaction for higher education are immense. Many universities are pioneers in adopting a customer strategy to develop Learning Relationships with each of their students. Western Governor's University in Salt Lake City, Utah, is creating independent measurements of "output"—their graduates. In addition to traditional assessment of learning outcomes, such as those required by the Association to Advance Collegiate Schools of Business (AACSB)—measuring the university's quality by the number of doctorates on the faculty or books in the library—the school also is rating the academic performance of its students against an objective measure of the student's overall accomplishment. The nation's first online competency-based university, Western Governor's University received the United States Distance Learning Association's 2008 International Distance Learning Awards in two categories: the 21st Century Award for Best Practices in Distance Learning and Outstanding Leadership by an Individual in the Field of Distance Learning.<sup>c</sup>

(continued)



(Continued)

Franklin University, an independent nonprofit institution serving 11,000 students in Columbus, Ohio, created a new position, Student Services Associate (SSA), designed to be the "customer manager" for its students. Each of the university's 25 SSAs is evaluated and paid based on how many of his or her students make it to graduation. Every SSA interaction with a student is captured on the computer so that anyone interacting with the student can view his or her complete profile and history. In addition, to better meet the needs of busy students, the university became part of a Community College Alliance and now offers 24 undergraduate majors and 2 graduate programs entirely online. For Franklin, customer-focused strategies—led originally by past-university president Paul Otte and now by current president Dr. David R. Decker—have translated directly into revenue increases and greater share of student. In the mid-1990s, 60 percent of students were freshmen and sophomores; now 60 percent are juniors and seniors, another 10 to 12 percent are continuing on to graduate school, and surveys indicate higher levels of student satisfaction.<sup>d</sup>

Students at the University of Phoenix (UP), Arizona, are often underwhelmed at its physical facilities, but they enthusiastically participate in the school's accredited programs in business, nursing, and education because they can get the learning they want and need on their own terms, according to their own schedules. UP draws "working students" who do not want to put their lives on hold to earn their degrees, so their courses last only five or six weeks and can be started virtually anytime.<sup>e</sup> Similarly, Boston University, whose online Bachelor of Liberal Studies degree ranks first among online teaching institutions, is reaching out to this working student population, aiming to provide a high-quality but flexible degree program that can fit in busy adult schedules.<sup>f</sup>

According to Arthur Levine, the president and professor of Teachers College, Columbia University, current demographic shifts will push colleges to choose a target audience to meet the various needs in the market. The fastest-growing student segment in the United States—women over the age of 25 who are attending part time and working—want the cost-effective, à la carte educational experience and don't want to pay for a giant athletic facility they are not using. Simultaneously, the traditional 18- to 22-year olds who attend full time and live on campus (or nearby) want the widest possible course offerings and food options and expect student activities 24 hours a day. It is indeed not easy to serve a population of two opposite poles, those who want the bare minimum and the other half who want everything. So colleges face a challenge to decide whom they will serve and how, coming up with the ideal solution of reconsidering their mission and being able to accommodate different expectations under the same roof.<sup>g</sup>

To draw alumni in and keep the relationships going, academic institutions are building peer-to-peer communities on their Web sites that foster involvement and camaraderie. Free services include a lifelong university-branded e-mail address, searchable alumni directories, and customizable Web pages. For some institutions, the central focus of their Web community is the alumni database; others take a portal approach, using diverse content as the core property. Most



universities hope that alumni will set the school's Web portal as their default Web browser home page.

<sup>a</sup>Sir John Daniel, "The Fastest Growing Sector of Higher Education," convocation speech, University Canada West, November 22, 2008, available at: [www.col.org/RESOURCES/SPEECHES/2008PRESENTATIONS/Pages/2008-11-22.aspx](http://www.col.org/RESOURCES/SPEECHES/2008PRESENTATIONS/Pages/2008-11-22.aspx), accessed September 1, 2010.

<sup>b</sup>Christopher Musico, "Making CRM Mandatory for University Administration," *Customer Relationship Management* 12, no. 8 (2008): 20.

<sup>c</sup>USDLA Recognizes Western Governors University with Two Major Distance Learning Awards," press release, April 23, 2008, available at: [www.wgu.edu/about/WGU/usdla\\_awards\\_4-23-08](http://www.wgu.edu/about/WGU/usdla_awards_4-23-08), accessed September 1, 2010.

<sup>d</sup>2009–2010 Franklin University Academic Bulletin, available at [www.franklin.edu](http://www.franklin.edu).

<sup>e</sup>Available at <http://university.phoenix.edu/>, accessed April 29, 2010.

<sup>f</sup>2009 Rankings of Online Colleges and Online Universities," Guide to Online Schools, available at: [www.guidetoonlineschools.com/online-colleges](http://www.guidetoonlineschools.com/online-colleges), accessed April 29, 2010.

<sup>g</sup>Karla Hignite, "Insights: Arthur Levine's Call for Clarity," *Business Officer* (May 2006), available at: [www.nacubo.org/Business\\_Officer\\_Magazine/Magazine\\_Archives/May\\_2006/Arthur\\_Levines\\_Call\\_for\\_Clarity.html](http://www.nacubo.org/Business_Officer_Magazine/Magazine_Archives/May_2006/Arthur_Levines_Call_for_Clarity.html), accessed April 29, 2010.

## Summary

We have now discussed the necessity of knowing who the customer is (identifying) and knowing how the customer is different individually (valuation and needs). Getting this information implies that the enterprise will need to interact with each customer to understand each one better. Once the enterprise has ranked customers by their value to the enterprise and differentiated them based on their needs, it conducts an ongoing, collaborative dialogue with each customer. This interaction helps the enterprise to learn more about the customer, as the customer provides feedback about her needs. The enterprise can then use the customer's feedback to modify its service and products to meet her needs (i.e., to "customize" some aspect of the customer's treatment to the needs of that particular customer).

The "identify" and "differentiate" steps in the Identify-Differentiate-Interact-Customize (IDIC) taxonomy for developing and managing customer relationships can be accomplished by an enterprise largely with no actual participation by the customer. That is, a customer won't necessarily have to know or involve herself in the process that the enterprise uses to identify her, as a customer, or to rank her by value, or even to evaluate her needs, as a customer. These first two steps—"identify" and "differentiate"—can be thought of as the "customer insight" phase of relationship management. However, the third step—"interact"—requires the customer's participation. Interaction and customization can only really take place with the customer's direct involvement. These latter two steps could be thought of as managing the "customer experience," based on the insight developed.

Interacting with customers, the third step in the IDIC taxonomy, is our next point of discussion.



## Food for Thought

1. Why has more progress been made on customer value differentiation than on customer needs differentiation?
2. If it could only do one, is it more likely that a customer-oriented company would rank all of its customers differentiated by value or differentiate all of its customers by need?
3. Is it possible to meet individual needs? Is it feasible? Describe three examples where doing this has been profitable.
4. For each of the listed product categories, name a branded example, then hypothesize about how you might categorize customers by their different needs, in the same way our sample toy company and pharmaceutical company did. Unless noted for you, you can choose whether the brand is business to consumer (B2C) or B2B:
  - Automobiles (consumer)
  - Automobiles (B2B, i.e., fleet usage)
  - Air transportation
  - Cosmetics
  - Computer software (B2B)
  - Pet food
  - Refrigerators
  - Pneumatic valves
  - Hotel rooms

## Glossary

**Attributes** Physical features of the product.

**Benefits** Advantages that customers get from using the product. Not to be confused with *needs*, as different customers will get different advantages from the same product.

**Customer portfolio** A group of similar customers. The customer-focused enterprise will design different treatments for different portfolios of customers.

**Market segment** A group of customers who share a common attribute. Product benefits are targeted to the market segments thought most likely to desire the benefit.

**Needs** What a customer needs from an enterprise is, by our definition, synonymous with what she wants, prefers, or would like. In this sense, we do not distinguish a customer's needs from her wants. For that matter, we do not distinguish needs from preferences, wishes, desires, or whims. Each of these terms might imply some nuance of need—perhaps the intensity of the need or the permanence of it—but in each case we are still talking, generically, about the customer's needs.