The Five "I"s of One-to-One Marketing
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Introduction

The four "P"s of traditional marketing, originally defined by Philip Kotler in 1960 are product, place, price, and promotion. In this description of the marketing task, customers are all treated to the same basic set of "P"s, because every customer within the targeted group encounters the same exact marketing initiative, as defined by these terms. But one-to-one marketing is genuinely oriented around a different dimension of competition -- the customer dimension, rather than the product dimension. As a result, most of the time-honored rules of traditional, aggregate-market competition (a.k.a. "mass marketing") simply don't apply to 1to1 marketing. So could there be a similar mnemonic device for 1to1 marketing? This is the question first posed to us by a participant in the Open Forum discussion group on our Web site.

The four "P"s all, of course, relate to the *aggregate market* rather than to individual customers. The market being considered could be a large, mass market or a smaller, niche market, but the four "P"s help define how an enterprise should behave toward all the customers within the aggregate market:

- **Product** is defined in terms of the average customer - what *most* members of the aggregate market want or need. This is the product brought to "market" and it is delivered exactly the same for every customer in the market. The definition of "product" extends to standard variations in size, color, style, units of sale, as well as product and aftermarket service capabilities.
- **Place** is a distribution system or sales channel. How and where is the product sold? Is it sold in stores? By dealers? Through franchisees? At a single location or through widely-dispersed outlets, like fast food and ATMs? Can it be delivered directly to the purchaser?
- **Price** refers not only to the ultimate retail price a product brings, but also to intermediate prices, beginning with wholesale, and it takes account of the availability of credit to a customer and the prevailing interest rate. The price is set at a level designed to "clear the market," assuming that everyone will pay the *same* price -- which is only fair, because everyone will get the same product. And even though different customers within a market actually have different levels of desire for the same product, the market price will be the same for everybody.
- **Promotion** has also worked in a fundamentally non-addressable, non-interactive way. The various customers in a market are all passive recipients of the promotional message, whether it is delivered through mass media or interpersonally, through salespeople. Marketers have traditionally recognized the tradeoff between the cost of delivering a message and the ability to personalize it. A sales call can cost $300 or even more, but at least it allows for the personalization of the promotion process. The cost per thousand to reach an audience through mass media is far lower, but requires that the same message be sent to everyone. Ultimately, the way a product is promoted is designed to differentiate it from all the other, competitive products. Except for different messages aimed at different segments of the market, promotion doesn't change by *customer*, but by *product*

The Five "I"s

Elsewhere on this Web site you can find the four principles of 1to1 marketing, the way we have thought them out in the past: (1) identify your customers, (2) differentiate them by what they need and by their value to you, (3) interact with them, and (4) customize your product or service to meet their individually expressed needs. These are reasonably clear steps that any marketer can rely on as a kind of "checklist" of 1to1 marketing activities. In addition, these four steps represent a progression, from the very basic (know who your customers are and how to reach them, individually) to the most complex (tailor your product or service to each one, using cost-efficient mass customization techniques).

We've never been asked before about what might replace -- or at least complement -- the 4 "P"s. However, rising to this mnemonic challenge, we could think of the new marketing in terms of Five "I"s: Identification, Interaction, Individualization, Integration, and Integrity. Here's an explanation of how these terms would apply to the discipline of 1to1 marketing, and how to reconcile these terms with the Four P's of product, place, price, and promotion:

- **Identification.** Know who your customers are, in as much detail as possible. Not just name and addressable characteristics, but habits, preferences, and so forth. And not just a snapshot - a one-time questionnaire, say - but across all contacts through all media, across every product line, every location, and every division. This is not simple "targeting" - it's the ability to know each customer and to link information about that customer across the company and throughout the duration of the customer's relationship with the firm. Identification is the first, vital step toward taking a "customer facing" view of the business, as opposed to a product facing view. In a business-to-business context, the "identification" process means finding all the individuals at an enterprise who might "have a vote" with respect to whether the enterprise will become a customer at all, or will do more business with the firm -- decision makers, specifiers, influencers.
- **Individualization.** Customers are different in two principle ways: They have different needs from the enterprise, and they represent different values to the enterprise. So once a firm's customers have been identified, the next step is to individualize the firm's approach to each customer, offering a benefit to the customer based on what *that* customer needs, and expending an effort to get, keep, and grow the customer's business based on *that* customer's long-term value to the enterprise. The more differences exist among an enterprise's customers, the more compelling and cost-efficient it will be for the firm to individualize. Understanding the degree of differentiation within a firm's customer base is a critical step in planning a strategy to become more of a 1to1 enterprise. The strategy can be devised by mapping the customer base onto a Customer Differentiation Matrix.
- **Interaction:** Dialogue with a customer is necessary so an enterprise can gain a greater understanding of both the customer's articulated and non-articulated needs from the firm, and the customer's strategic (or potential) value to the firm. Whatever medium is used, the interaction can only be used to build the

relationship if it retains a perfect - preferably electronic - MEMORY of the interaction and learning, so the firm never has to ask the same thing twice. The 1to1 enterprise will concentrate on improving both the cost-efficiency of interaction and its effectiveness. The tremendous cost-efficiency and exploding acceptance of the World Wide Web now makes this an extremely compelling vehicle for practicing 1to1 marketing.

- **Integration:** All aspects of the firm's behavior toward each customer must be driven by the firm's knowledge of that individual customer, across the entire enterprise -- all its functions, divisions, and geographies. The company that commits to 1to1 relationships with its customers will not be able to operate solely within discrete functional or product units. Rather, it must coordinate all its activities with respect to each customer, one customer at a time. This has immense implications for managing the enterprise. The initiatives taken in the future must be coordinated by *customer* rather than simply by product or division. For instance, in transitioning from traditional marketing toward 1to1 competition, a firm should start with just a few customers, probably the most valuable ones, and first create 1to1 relationships with them. As the firm refines its ability to individualize, and to gain more insight through customer dialogue, it will roll the program out to its next most valuable customers. One important incentive toward enterprise integration would be for the firm to create a new set of metrics oriented around customer equity (that is, the underlying value of the customer base) rather than just measuring product sales or market share.
- **Integrity:** More than is the case with traditional marketing, the customers of a 1to1 relationship marketer must collaborate with the enterprise, and this means the enterprise must secure the trust of its customers. So integrity is indispensable to the 1to1 marketer. If you can't gain - and keep -- a customer's trust, the customer won't be willing to share enough information in a dialogue to sustain a 1to1 relationship. The 1to1 marketer must never violate a customer's privacy or abuse the information acquired about the customer. Moreover, as the business model evolves into one driven increasingly by community knowledge and "best interests" marketing (see *Enterprise One to One*, pp. 113-114 and 244-250), the customer will have to trust the enterprise to be genuinely *objective* in respecting and anticipating the customer's interests.

Reconciling the Four "P"s and the Five "I"s

If these are the new mnemonics of 1to1 marketing, then how and where do they account for all of the original "P"s? In other words, if we were to re-visit Product, Place, Price and Promotion, where would they go within the context of Identification, Individualization, Interaction, Integration and Integrity?

Product is accounted for in both Individualization and Integration. To individualize with the most effect, the enterprise should expand the definition of a customer's needs ("expanding the need set"), so that it has the broadest possible context, including invoicing, packaging, palletization, cost distribution, service operations, and even related products and services. (See *Enterprise One to One*, Chapter 8.) Individualization implies a customization of product, service and communication stream to each

individual customer. These are all different aspects of the enterprise's "behavior" toward an individual customer.
Ultimately, however, to individualize the way it behaves toward a particular customer, the enterprise must be capable of integrating its behavior with what it knows of the individual customer's needs and preferences. The primary strategists for a traditional marketer are the product managers, each charged with deciding how to sell the largest quantity of product into the market at the highest possible margin. But in integrating all product and service relationships with a single customer, the primary strategist will be a *customer manager*. The role of the customer manager will be to decide how to maximize the long-term value of each particular customer, across all product and service lines offered by the enterprise. An important part of this integrated effort will be played by the *capabilities manager*, who must determine how the enterprise can best deliver the capabilities required to offer the products and services the customer managers require.
Place involves the distribution and offer of a product, and it should be considered part of the Integration process. As the customer manager and capabilities manager interact to specify and deliver the right product or service to an individual customer, the channel through which that product is delivered is critical. The more complex the distribution system is already, and the more leverage or market power the channel members themselves have over the enterprise, the more difficult this process will be. In most cases, it will involve developing some form of cooperative effort with the channel members, who must be able to see how their own interests are enhanced.
Often, however, the 1to1 enterprise will find it necessary to re-invent a distribution system entirely, because there is no other way to secure the freedom to develop relationships with individual customers. Saturn, Lexus and Infiniti, for example, are each renowned for their relationship marketing efforts with individual car owners. But each of these firms had to start by establishing its own, independent set of car dealers.
Price, for the 1to1 enterprise, can often be specific to the customer, and it should be considered part of the individualization process. In our business model, a Learning Relationship is created when a customer interacts to specify a product, the enterprise customizes the product to meet these needs, and then further customer feedback is solicited. With each such iteration, the product is more accurately individualized for *this* customer, which means that even if a competitor later offers the same type of customization, the customer would first have to re-teach the competitor what he has already taught the original enterprise, just to get back to the same level of convenience.
A corollary of this argument (see *Enterprise One to One*, Chapter 7), is that with every interaction-customization event, the enterprise's product becomes more valuable to this particular customer. Because the customer has expended time and/or effort to facilitate the more accurate individualization of the product, the product is now worth more to *him*. It is, in fact, a different product now than it was when this customer began his relationship with the enterprise.
If an enterprise has created a Learning Relationship with a customer, it should be able to virtually eliminate discounts, at least with respect to the price charged for the product being sold to this particular customer. In other words, new customers can still be enticed with introductory prices, but regular customers will not *want* to take advantage of these prices because they are already receiving a far more valuable, more convenient

product. Every time a particular customer interacts it should be easier for that customer to get what he wants, and he won't necessarily want to go back to "square one" just to get a lower price. (Some customers will be willing to do so, but not the highest value customers.)

Promotion touches on three processes for the 1to1 enterprise: Identification, Interaction, and Integrity. The traditional marketer is most concerned with crafting an outbound message that conveys the benefits of a product to everyone who hears the message. But while this kind of promotion is still important for a 1to1 enterprise, what is just as important is that the communication stream allow customers to communicate back to the enterprise, too. Customers must be encouraged to identify themselves individually, if their identities are not already known to the enterprise. So one of the principle objectives behind the promotional effort at a 1to1 enterprise will be to provide the individual recipients of the promotion with a reason or an incentive to respond -- to communicate back to the enterprise.

This means the 1to1 enterprise must pay attention not just to the cost-efficiency of the outbound message itself -- reach and frequency, for instance, or CPM -- but to the cost-efficiency and convenience of the Interaction as well. Thus, the promotional efforts undertaken by the 1to1 enterprise will be linked to toll-free numbers, Web pages, and other interactive mechanisms designed to generate as much useful feedback from individual customers as possible, and to do this with as little cost as possible.

Over time, as Interaction comes to fill a more and more central role in the enterprise's relationships with its customers, the substance of these interactions will become ever more personal and individual to each customer. While the initial feedback from a customer may be oriented solely around the product features and benefits preferred by that customer, over time the enterprise will want to develop a deeper and more intimate Learning Relationship, and for this the 1to1 enterprise must demonstrate Integrity with respect to the way it uses (or doesn't use) individual customer information. The term "customer intimacy" itself, which is often applied to this type of marketing, implies a level of understanding between the firm and the customer which far exceeds the simple communication of detailed product specifications.

A Summary

It is probably not entirely accurate to map each of the Four "P"s onto one or more of the Five "I"s. After all, the "P"s are used to explain traditional marketing, or aggregate-market competition, while the "I"s explain 1to1 marketing, or customer-driven competition. These two disciplines actually represent two different dimensions of competition, and while they don't conflict with each other, they don't actually have much to do with each other either. The strategies a firm puts in place to *acquire* customers by promoting a product are quite different, and largely unrelated, to the strategies a 1to1 enterprise uses to secure its customers' loyalty and to protect its profit margins over time.

The fact is, there is no reason that a firm should not pursue both strategies, more or less simultaneously. It can use traditional marketing, relying on the Four "P"s, to continue to acquire new customers, while at the same time it should be transforming itself into a 1to1 enterprise, so it can keep its most valuable customers loyal and protect its margins.