

# How to Create a Personalized Solution that is Insanely Profitable

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Last month, the much-anticipated iTunes Radio joined Pandora, Spotify, iHeart Radio, and Sirius XM in the increasingly crowded streaming music space. It snagged a large user base in just a few days and will likely continue edging out its smaller competitors and capturing more market share.

But why bother?

Why would anyone - even Apple - want to compete in such a saturated market?

The answer is that Apple and its competitors believe they can provide a more personalized listening experience. They understand that personalization is the key to big revenue, and the winner will be the company that provides the best music recommendations and sleekest user experience.

Entrepreneurs should set their sights, not on music streaming per se, but on the other sectors primed for personalized solutions.

## **Personalization as a Business Model**

As brands become savvier about serving up personalized messages and perfect their recommendation algorithms, consumers are craving more customization in every aspect of their lives.

One unlikely company embracing the personalization model is Nest Labs, founded by former Apple employee and iPod<sup>[1]</sup> creator Tony Fadell.

Nest is a learning thermostat. The longer you have Nest, the more accurately it learns your temperature preferences, providing you with the right temperature at the right time.

In the retail space, Me-Ality is conquering the frustration of finding the correct clothing size. Shoppers step into a kiosk that takes their measurements and spits out exactly which styles and sizes they should buy as they browse the mall.

Want wine recommendations from your own sommelier? Delectable is an app for wine lovers that provides personalized recommendations based on your preferences.

These companies understand that the key to profitability through personalization is identifying a problem and offering a niche solution. Nest saw that old thermostats wasted money, so it created a thermostat that knows to turn itself down when you're away and warm the house before you arrive in the evening.

### **Profiting on Personalization**

Personalization isn't a perfect business model. It can be hard to scale, or you could choose a niche that's too small.

However, there are some ways to identify a good, profitable niche:

1. Identify your audience. Pinpoint their buying behaviors, and learn what resonates with them.
2. Identify this demographic's pain points. Keep an open mind; they may have challenges you aren't aware of.
3. Determine the most personalized solution. Like the Me-Ality kiosk, it may be an obvious solution that just hasn't been done yet.
4. Know the competition. Will you compete against large companies or scrappy startups? They're likely trying to solve the problem, even if their way isn't perfect. Do you have a better solution that's truly unique and will be challenging to replicate?
5. Research and assess overall trends in your industry. Become a market expert by scoping the competitive landscape, talking to customers and researching trends.
6. Determine scalability. Can you grow (and become profitable) quickly? Understand your potential profits before you dive in to ensure you're poised for success.

Personalization is already the new way forward in many sectors. Netflix<sup>[2]</sup> now allows multiple users per household to provide more accurate individual recommendations. Google<sup>[3]</sup> and Facebook serve up ads using data from sites you've visited or posts you've "liked" - and are able to serve up contextually relevant ads that you won't mind - and

might even appreciate - based on your social graph profile. Some cars even now have memory seats that retain your preferences.

Entrepreneurs looking to cash in on the new personalization economy should follow consumers' frustrations and decide how to deliver a personalized solution that addresses their pain points.

1. <http://voices.yahoo.com/theme/1617/ipod.html>
2. <http://voices.yahoo.com/topic/665/netflix.html>
3. <http://voices.yahoo.com/topic/1269/google.html>