

## *Product personalization: ideas, development and implementation. Corporate challenges and opportunities.*

The high level of competition in global market leads to decreasing in efficiency of traditional marketing tools. This fact motivates companies to find out a new market approaches. More and more companies involve customers in product development offering them the personal products.

Big companies used to conduct market segmentation in order to keep in touch their target groups. But frequent segmentations process also tends to over-segment the target market. Small segments become niches and at the end of the day we face an individual marketing. Nowadays mass products cannot satisfy personal needs in all aspects, so the companies' challenge is try to attract the customers' attention to their brands, by offering the unique product. "The influential generation of consumers has a strong sense of individualism that leads them to seek customization and personalized products" (Russell, 1993).

### *Principal underpinnings, motives and practices.*

Mass products mostly do not serve the customers any more because it cannot express their individuality. Tangible assets of brands are rarely being considered as an ultimate benefit for the consumer. Moreover, nowadays customers are getting more sophisticated and do not just become satisfied with a physical product by itself. Why do they choose particular brand? One of the brand-value concepts implies that what makes a brand a brand is its "personality" which distinguishes it from others. The presence of this personality imparts significant benefit, which becomes tangible for the consumer. In this situation products personalization enables consumers to own a personal individual product. The feel of uniqueness of each customer motivates him/her to express themselves through the products they own. The brand value is generated by several components, but product personalization becomes the ultimate value, which do not just satisfy customers, but create relationships, that lead to loyalty. The marketing task here is to find ways of enhancing the customer value by improving the perceived benefits of the brand.

"The marketplace is characterized by higher levels of diversity by income, age, ethnicity, and lifestyle" (Sheth et al., 1999)

As long as brand building aims to meet customers' expectations, the challenge of satisfying self-actualization and self-esteem needs is significant. But which values should the brand provide in order to solve this problem successfully? When we speak about unique needs, we, in fact, speak in terms of customer's individuality. With a wide range of brands to choose from, customers become more and more sophisticated. Mass products do not satisfy potential and real customers to the full extent.

"In terms of relations between company and customer, the absolute majority of consumers expect companies treat them as an individual not as a segment or target" (P Brøndmo 2004). Moreover, if we speak about self-esteem needs, purchase does not mean only solving a problem. Customers also want to feel different from others by using a particular product.

One way to achieve this is to personalize a product for a particular customer. In current exploration, brand personalization means that each particular customer will become a unique brand endorser. It presumes that product is designed for particular

customer. According to this, buyers start to differentiate themselves from other owners of this product. Martin Lindstrom (2004) argues: “Brands developed such potent spirit their core audiences accept them almost as personal brands. Harley-Davidson, Coke, and LEGO no longer belong to their companies but are in the hands of consumers. The audiences own the brands - at least, they feel they do”. (M. Lindstrom 2004) Consequently, the answer to the question of satisfying self-esteem and self-actualization needs lies on the field of custom products.

“People prefer a specific product because they see themselves as similar to the kind of people that are generally thought to use this product.” (Govers, Schoormans, 2005)

Personal brand brings a feeling of uniqueness to the buyer. And it is not only uniqueness of brand, but mostly uniqueness of brand owner. It is all about self-esteem and self-actualization. In other words, buyers start to trust in brand, which satisfy their unique expectation. There is evidence of correlation between unique products for unique buyers.

“People choose brands on the basis of brand personalities, since by owning the brand they are non-verbally signaling to their peer group the values they wish to be associated with” (Aaker, 1997).

There are several main reasons why companies conduct product personalization:

- Allows firms to increase demand by contacting customers that were not served by serial standard products
- “Allows firms to obtain the surplus from the inframarginal customers, that are willing to pay more for products which match their needs” (Syam and Kumar, 2006)
- Creates brand identity in terms of product specialization and generates brand’s added-values
- Full range of customers’ benefits it terms of satisfying their needs and matching their expectations

Customer variability is one of the main drivers of the product personalization. Philipp Kotler outlines oversegmentation of the market as a factor influencing personalization activity. The third factor is a syndrome of sophisticated customer which means that consumers become more confident, well-educated and experienced shoppers. In this case it is very important to create an image around the company and provide customers with valuable products.

### *Personalized approach: strategy and tactics*

“The individual customer can be deeply involved in every aspect of the transaction and expects key product decisions to be negotiated jointly” (Lampel and Mintzberg, 1996). Product personalization the use of computer technologies that make it feasible, but also motivates suppliers to augment the role of the client and create mechanisms for customer involvement (Pine, 1993; Udwadia&Kumar, 1991; Karasek&Theorell, 1990). In this way, users co-determine their needs and co-create the final commodity via direct interaction with engineering and technical professionals. In other words, such kind of close interaction between customer and supplier, often leads to creation of long-term relationships. But there is an important issue which must be considered during product creation process. When it is optimal to offer customized products, what should the optimal degree of customization be and how is it related to market characteristics? Firms operating in the same market differ in the degree of customization offered, and many market products are not completely customized.

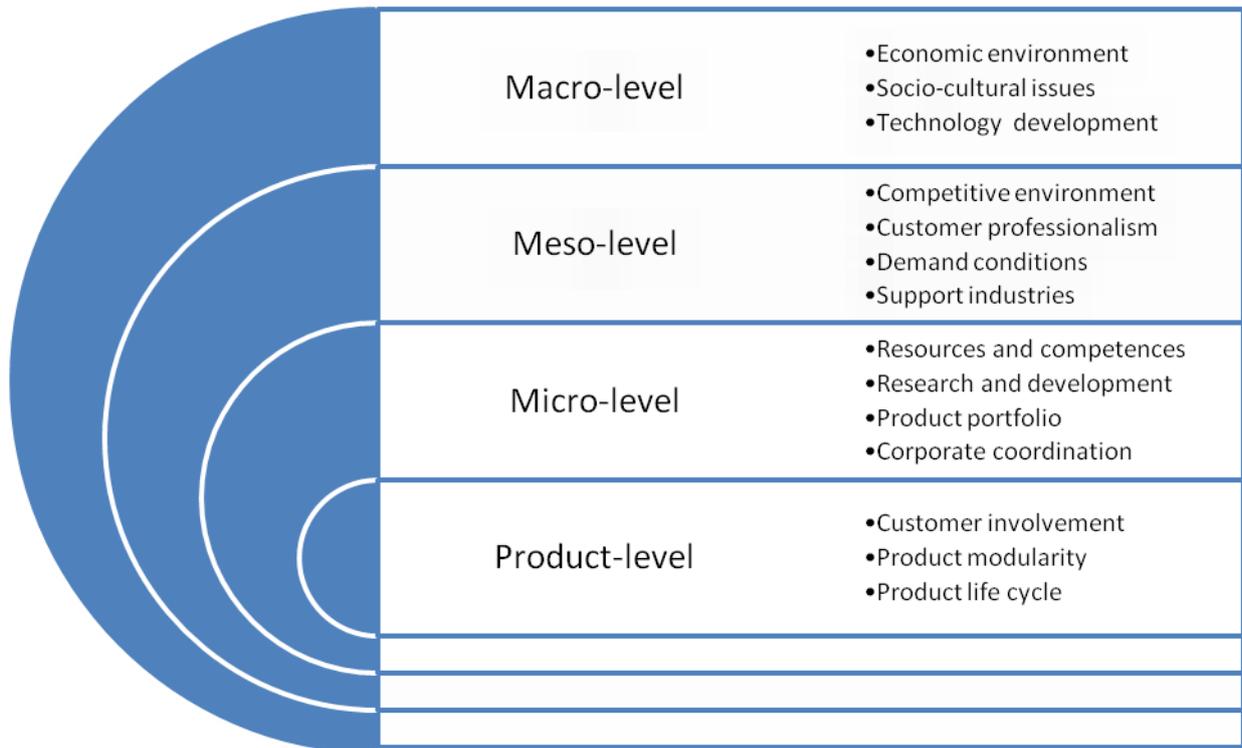
The degree of product customization is a discussion point in marketing literature. There is a wide range of opinions, so nowadays it is quite difficult to find any universal approach or tool in order to determine the rate of customization for a new product. Many authors consider customization as a production process and recommend a numbers of techniques for project implementation. But in this article we consider personalization as a corporate philosophy which treats customers as individuals rather than representatives of target audiences. Personalization could be mentioned as a corporate driver which determines strategic and tactical issues within the company. From the point of corporate strategy personalization could be considered as a basis for conducting market segmentation, targeting and positioning. The point of product personalisation is also correlates with the strategic process of positioning. "Personalisation lends itself to a unique positioning strategy, where the brand can be given a distinctive image to separate it from competitors. By connecting the personalized product to the individual needs of consumers, the brand can be presented as a symbol of individual personalities and lifestyles" (Goldsmith, 1999). Personalization is also a tool for developing corporate tactical programs. In this sphere we face product personalization.

Pine (1993) viewed five fundamental methods of achieving personalization for standard product producer:

1. Customize services around standard products;
2. Create customizable products;
3. Provide point of delivery customization;
4. Provide quick response;
5. Modularize components.

Thus we can make conclusion that the product customization is just an instrument which is used in order to achieve personalization activity.

Nevertheless personalization is an important decision which could be made within the organization. What are the factors that indicate that the company should make changes towards personalized marketing? In this paper we suggest a summarized model, which includes all major factors that influence corporate personalization and product customization (see pic. 1).

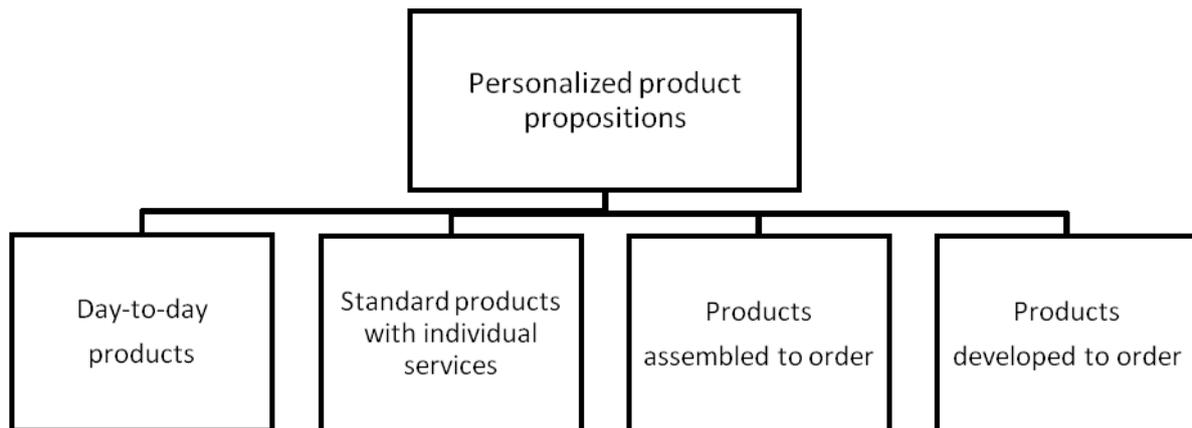


*Picture 1 “Factors influencing product personalization”*

All factors are divided into four groups according to far or near environment of the company. These factors influence decision making in terms of indicating of major trends and characteristics that are important for providing personalization activities. The advantage of this model is general sight and combining all major factors that have to be considered. Moreover, product-level has a strong influence on degree of product customization. But in order to determine product customization marketing specialists have to set up a unique classification of customized products.

*Personalized product propositions: classification, components and degree*

Nowadays literature review demonstrates the absence of general classification and the majority of authors argue for their own terminology. In this article authors recommend to use the following groups of personalized product propositions (pic.2).



Picture 2 “Classification of personalized product propositions”

There is a difference in terminology between product and product proposition. Product proposition could be determined as a complex of tangible and intangible components that are created by producer and offered to the customer. Product proposition includes four major components: physical product, complex of personalized services, individual purchase-conditions and optional components.

Day-to-day products imply market offerings that are based on serial mass production. Consumers do not demonstrate any dissatisfaction with condition of these products but there is still rate of informal personalisation performed by the sales-agents.

Second group consists of mass products that require individual approach in terms of additional services which include delivery, installation, trainings etc.

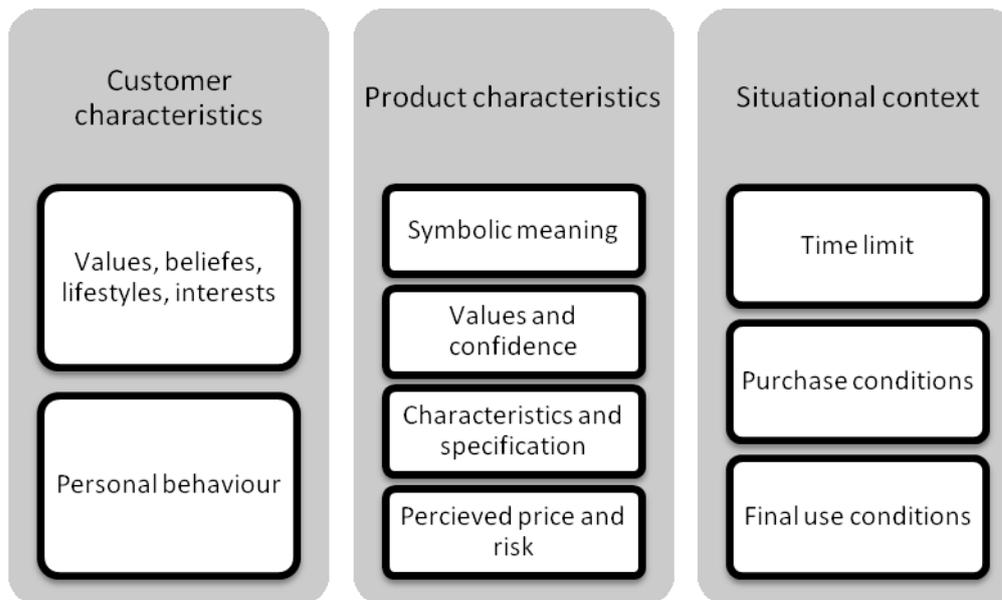
Third group summarizes market offerings that are assembled using standard components in order to get personalized final products. In this group we can see automobile and bike industry with all range of options and varieties of final models, apparel industry, computer production etc.

Products developed according to customer’s requirements generate the fourth group which is the most difficult in terms of corporate realization. These products require special organizational resources and competences, corporate knowledge and R&D activities.

Obviously that the degree of product customization varies between these groups. In this case the question is what are the major factors that determine customization rate. In previous model we mentioned customer involvement, product modularity and product life cycle. Customer involvement seems to be one of the fundamental. *“A new way of value creation is evolving, whereby consumers are regarded as being actively involved in creating value and added values can be jointly tailored more closely”* (de Chernatony, McDonald, 2001) In this particular case a producer and customers work together in order to co-produce the final product. This fact brings the additional value. Final consumer is not just a passive user of the product or service, he or she is actively involved in the process of developing. This allows buyers to build a self-identify with a certain product, which is partly created by them.

L. de Chernatony and M. McDonald suggest using a new definition that of a “prosumer”. In this case the producer of the product or service is the consumer, termed the *prosumer* (de Chernatony, McDonald, 2001). Prosumers are more likely to show higher level of satisfaction levels because of being more involved in the process. It gives them a possibility to control their time, duration of the activities.

Thus, the degree of customization depends of the following factors in terms of customer involvement (pic.3).



Picture 3 “Customer involvement factors”

Each customer evaluates purchase from the perspective of their own characteristics, product characteristics and situational context. When the company decides to personalize the product it has to determine the degree of customization which relates to the cost and price aspects. This model could be useful from the perspective of understanding customers’ perceptions.

#### *Development of personalized product*

In today’s competitive market, firms should meet their customers’ needs, develop new products that satisfy the demand of their target customers, find new markets for their products, diversify their markets, and produce superior quality products with low costs and short delivery time in a timely manner (Aydin, Cetin, Ozer, 2007). But the ability to design and develop new products, in response to changes in customer needs, is not sufficient enough for a firm to have a competitive advantage (Rungtusanatham and Forza, 2004). A new product must also be cost-efficient, which means it must be effectively produced and competitively priced. There are three main characteristics that determine product’s success. These are quality, time and price (cost). The problem is that these three components cannot be obtained simultaneously. It could be possible to maximize only two variables but at the expense of the third variable. During the production process, the challenge for the companies is to manage these parameters in order to create competitive final product which would be attractive for the customers in terms of characteristics, price and order time. Today there is a situation on the market when customers tell companies what they want and better products are crafted to their requirements. The challenge for the companies is how to quickly give customers what they want in a cost effective way with high quality. It’s obvious that the cost of producing such a customized product would depend on the options that are provided to the consumers. Some of them could be more expensive than the others, but at the same time some relatively cheap options could bring intangible advantages to a particular product. Product customization implies that the prices for individualizes products differ from standard products’ prices. In most cases customization allows companies to set price premium for these goods.

New products come in five versions: product improvements, line extensions, brand extensions, new brands, and new-to-the-world innovations (Peter and Donnelly, 1997).

Personalisation as an approach could be used in all of these variants in terms of improvements which are added to a new product. The product line could be extended by adding some personalized variants of the product. Moreover, existing products could be updated by introducing some new components which are focused to a particular customer use. Another challenge is creating powerful brand around personalized product. There is a range of successful examples of iconic brands that are originally built on the basis of personalized product. These are “Harley Davidson” motorcycles, “Martin” guitars, “Dell” – computers, “IKEA” etc. Companies should realize that there are two principal questions are formulated during the decision making. What consumer problems are poorly solved using existing market offerings? Would a personal product solve these problems better?

The key distinguishing feature of customized products is that they better match customer's preferences (Peppers, 1999). But the thing is that every standard product is designed for those people whose preferences are embedded in this serial product. According to this, it also possible to consider serial products as a customized product in terms of personal fit. But personal fit is not sufficient condition for a product to be called customized. The necessarily aspect for a customized product is a dialog between producer and consumer. Syam and Kumar view product customization as a firms providing consumers with the option of influencing the production process to obtain a product that is similar (or not) to the standard offering, but is individually unique.

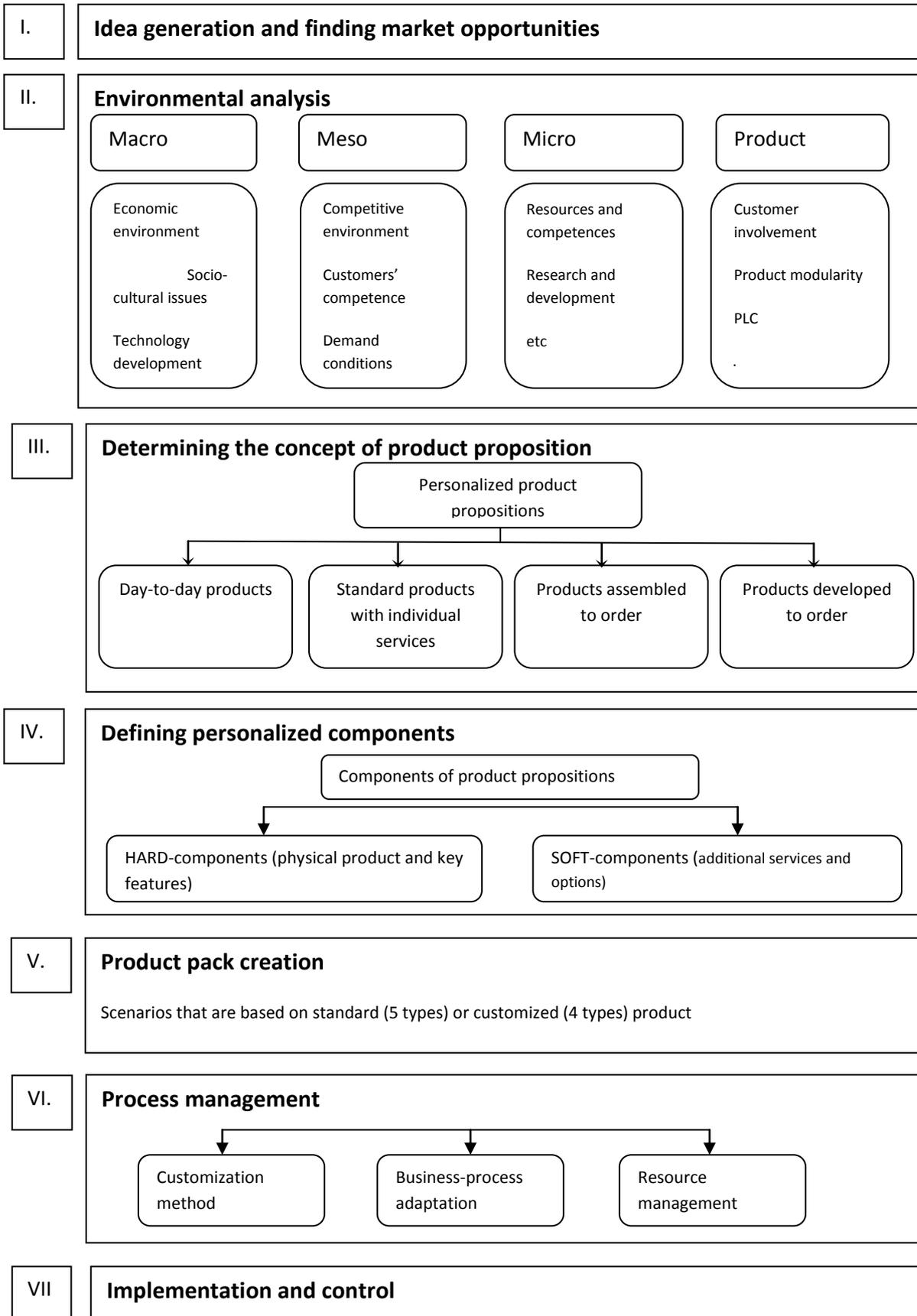
Techniques of mass production, ideals of standardization, operating efficiencies, and one-size-fits-all production mentality have led in the past to a philosophy of business that stresses selling a standard product to as many consumers as possible (Lampel and Mintzberg, 1996). Marketing activities within the organizations have passed through several stages. Thus there has been a significant move in theoretical and practical bases: mass marketing – market segmentation – niche marketing – micro marketing – mass customization – personalization.

Nowadays, managers create a pool of strategies, tactics and day-to-day business activities. Some of them are focused on targeting relatively large segments, while the others try to concentrate on limited number of market niches. Part of this strategic portfolio will be personalization, where some customers are targeted individually in a set of one-to-one relationships (Logman, 1997; Peppers and Rogers, 1993; Taylor, 1998).

Personalization decision is important in such meaning so it should guide the marketing and production decisions. The reason is the degree of product personalization that should be predetermined before production process starts.

Personalisation should be considered in conjunction with product development process and this decision should help manage product development. “As managers and technical specialists develop the product, they should build into the degree of personalisation they intend to offer the market” (Anderson et al., 1997; Oleson, 1998; Kelly, 1996).

New product development process is well known activity which is widely discussed in academic literature. But developing of personalized products has its own specific aspects and difficulties. There is no unique technique which could be considered as an instrument of personalized product creation. In this work we try to summarize all stages of new product development and adapt their according to conditions of product personalization.



## Conclusions

Current study was focused on the problem of product personalization. The theoretical review in complex with empirical knowledge has supported the author's hypothesis that personal products are more valuable for customers. The process of creation value from product personalization is influenced by the consumers' individuality and their perception of other brand values. Customization could be regarded as an instrument of personalization which companies might use in order to achieve competitive advantage. This strategy allows them to differentiate the products and also encourage the positive customers' perception (Hart, 1995).

This article demonstrates the background and some driven forces of personalization activities within the company. In this paper we suggest a summarized model, which includes all major factors that influence corporate personalization and product customization. Moreover the degree of product personalization is explored. Authors demonstrate the model which could be useful instrument for determining the rate of customization.

Another question which has been raised is development of personalized product. Nowadays academic literature lacks the general tool which helps managers to organize the process of creating personalized products. In this work the overall algorithm is presented.

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