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Title: Marketing mix customization and customizability. Authors: Logman, Marc Source: Business Horizons; Nov/Dec97, Vol. 40 Issue 6, p39, 6p, 1 chart Document Type: Article Subject Terms: *BUSINESS planning *CUSTOMER services *MARKETING METHODOLOGY Abstract: Discusses the customize ways of introducing, providing and delivering products and services to customers by business firms. Impact of customization on the marketing mix; Strategies or instruments in the marketing mix; Options for business in producing and marketing a product or service.

Full Text Word Count: 3699 ISSN: 0007-6813 Accession Number: 9712104170 Persistent link to this record: <http://search.epnet.com/login.aspx?direct=true&db=buh&an=9712104170> Cut and Paste: [Marketing mix customization and customizability](#). Database: Business Source Premier MARKETING MIX CUSTOMIZATION AND CUSTOMIZABILITY Businesses looking for custom methods of designing, pricing, selling, and delivering their wares can do it themselves or leave it up to the customer.

We are sailing out of this century and into the next with our marketing methods in full-scale metamorphosis. Top-down marketing is becoming bottom-up. Transaction marketing is giving way to relationship marketing. One-way or broadcast marketing is moving to an interactive style to encourage a dialogue with the customer. And mass marketing is shifting to a customized, one-on-one method of reaching individual customers. Because of fierce competition, long-term competitive advantages often are no longer sustainable.

The policy to be followed, says d'Aveni (1994) is one of continuous market disturbance in order to create “ temporary” competitive advantages. Hamel and Prahalad (1994) suggest that firms should look almost continuously for new opportunities. In the midst of such dizzying change, companies must be able to make “ realtime” decisions, so their planning and tactics horizons often become shorter. To be flexible and highly responsive to market moves, a top-down approach in which business strategy decisions precede tactical and planning decisions often no longer works.

Companies should be able to adapt their tactics immediately. In the same context, a firm’s communication approach becomes more and more bottom-up. Rather than determining target groups (who?) and communication aims (what?) before deciding on the instruments (how?), specific methods of communicating, such as via the Internet, are leading to the identification of who and what. Moreover, many writers claim that a paradigm shift is occurring from transaction marketing to relationship marketing. Firms are beginning to realize that keeping current customers may be more important than trying to attract new ones. (*)

Especially in business-to-business markets, many firms are starting to involve their customers in the product development process. Along with an increased concern about customers’ real needs, wants, and demands, the information flow between customers and firms becomes more important. The Internet and other new communication media allow companies to interact with customers much more directly. Face-to-face or phone and fax contacts are no longer the only means of doing so. Marketing strategies are also

becoming more individually oriented. Businesses have begun to develop databases that allow them to approach customers on an individual basis.

This in turn allows companies to customize their ways of introducing, providing, and delivering products and services to the customers. A

FRAMEWORK FOR MARKETING MIX CUSTOMIZATION In light of all these transformations in the marketing field, particularly the trend toward “individualization” of the consumer, the focus here is on the impact of “customization” on the marketing mix. Five different instruments of the marketing mix—product, purchase price, communication, distribution and logistics, and after-sales support and costs—can be customized, either by the marketing firm or by consumers themselves.

This is outlined in Figure 1. Product When discussing product as part of the marketing mix, three levels can be distinguished: (1) basic, or core; (2) enhanced; and (3) augmented. An enhanced product is a core product that has been differentiated by adding such tangible properties as features, styling, and quality. An augmented product combines the core or enhanced product with the intangible benefits customers reap from purchasing it, such as training, service, or logistics support. Augmented products will be discussed in more depth later.

For now, we shall focus on the enhanced product. Products can be customized by manipulating their enhanced properties. A business generally has the following options: (a) it can offer a customized product that meets the specific needs of the user; or (b) it can offer a standard but customizable product that can be altered by users themselves. Lampel and Mintzberg

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(1996) maintain that different customizing strategies may be developed, depending on the levels of customization in the design, fabrication, assembly, and distribution stages.

Feitzinger and Lee (1997) argue that to offer customized products cost-effectively, the earlier stages of production should be standardized and the customizing should be postponed until the latest possible point in the production-supply network. The final step may be delegated to distributors, who have to integrate standard modules into a customized product. In this way, distributors may service different types of customers with the same stock (of standard modules), reducing inventory and shipping costs.

No additional costs result from canceling an order because, again, the same standard modules can be used for different customers. The modules can be shipped from one region to another when a significant imbalance between supply and demand occurs. And the manufacturer may concentrate on production of the modules, which is an interesting option in view of economies of scale. Hewlett-Packard experienced the advantages of customizing its local distribution centers when its total manufacturing, shipping, and inventory costs of the DeskJet printer for European and Asian markets dropped 25 percent.

Taking such savings a step further, developing a flexible and responsive “customized” production-supply network may reduce not only costs but delivery times as well. In many industries, different product models (with a different look or varied options) are derived from the same core product.

Different car models, for instance, are often based on the same chassis.

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Offering products with different options may allow customers to upgrade or extend their product in a later stage, perhaps because of price considerations.

Companies should take care to time their product development process properly. At Daf Trucks, which are developed for the European market, dashboards are being renewed every four years. A truck owner has the choice of upgrading his dashboard with the latest options or waiting to replace the entire dashboard once the new one has been marketed. Another popular way to customize is to bundle interrelated products into one specific product solution. This is what computer companies do when they offer a selection of software already installed in the PCs they sell.

However, as more and more enhanced properties are integrated into one product, bundling as such may become less prevalent. Computers, for instance, are becoming their own communication instruments through integrated communication technology, while telephones are partly becoming computers through integrated computer technology. Instead of customizing products, standard “customizable” products can be offered. These are appropriate when users want to be able to change product options from time to time, such as customizing software on their own by using the available setup modules built into it.

Rather than offering final products with varied options, companies can introduce a menu system from which customers can select different components to use in designing the final products themselves. In the computer industry, different hardware configurations may be developed by

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the customer. Menu options offer choices of disk capacity, processing speed, software drivers, and so on. Capacity can be expanded, new cards can be added. Software firms are also developing new tools that allow users to perform several operations more effectively.

Powerquest recently introduced the package “ Partitionmagic,” which allows users to partition their hard disks more effectively. Business-to-business markets, in which suppliers sell products to manufacturers, are using both customization options. Some manufacturers, such as auto makers, hold suppliers responsible for integrating their products into the final version. Others tend to prefer buying customizable products from the supplier and adapting them on their own. In the latter case, manufacturers often rely on competent integration-engineering departments.

The Laboratory of Production Technologies of Siemens in Belgium transforms basic technology into integrated solutions that fit perfectly into the production lines of different Siemens divisions. Purchase Price Offering price discounts is one of the most popular ways to customize prices. Criteria for discounting often include a customer’s sales volume, sales history (such as being loyal or not), and time of purchase. High-volume customers may get special discounts, users of old product versions may get discounts on new product versions, and so on.

Another way to customize prices is by customizing the product, with additional product options leading to higher prices. Product bundling allows firms to customize prices as well. A distinction should be made, however, between pure bundling, in which products can only be bought bundled, and <https://assignbuster.com/marketing-mix-customization-and-customizability-assignment/>

mixed bundling, in which they can be bought separately or together. Various price policies can be pursued in the case of mixed bundling. One product might be discounted if another is bought; this is called mixed leader bundling. Or a favorable price might be set for a package of products, which is known as mixed joint bundling.

Purchase price may also be considered a customizable marketing mix instrument to be manipulated by the customers themselves—again, often as a result of customizing the product. Customers may design a final product, such as when they select components from a menu, so that the total price does not exceed their budget. Chrysler allows its potential customers to design their favorite car, selecting options through a special design section on the company's Web site that automatically calculates the price of the auto using those specifications.

Self-checkout systems in supermarkets are letting customers monitor the total price of their purchases as they go along. Of course, purchase price may be only partly customizable in some markets, especially in business-to-business sales, because of a dependence on customers' bargaining power. And to some extent customers may control purchase price over time by choosing the right moment to buy a new product or waiting until its price has dropped. When a manufacturer such as Chrysler provides product information on its Web site, customers may be more prepared and knowledgeable when they visit a dealer.

And with new software being developed, such as Netscape's "Constellation," customers can obtain ever more customized information. Communication

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Logman (1996) points out that, especially in today's rapidly changing business environment, customers may have different information needs. Some may want to be informed about new product versions, whereas others are interested in information about possible upgrades of old product versions. Price-sensitive customers may be interested to some extent in promotional information, whereas quality-sensitive customers may be interested in product information.

To meet these individual information needs, a firm can either communicate directly to customers and adjust its information (such as through direct mail) or it can offer a customizable information network that allows customers to find the desired information easily. The World Wide Web is the most salient example of the latter framework, with customers selecting from corporate Web sites the information that is particularly relevant to them. Distribution and Logistics Customers now have much more latitude in choosing the logistics and methods of distribution to fit their specific requirements.

They can determine where, when, and how they want goods to be delivered; they can even specify the manner in which they want goods to be handled before and after delivery. Gilmore and Pine (1997) refer to this as "representation" requirements. Especially in industrial markets, where many firms are working in a just-in-time (JIT) environment, suppliers have to become more flexible in terms of distribution and logistics. Volvo Europe Truck (VET) in Belgium has moved to replace its push supply system with a pull system, which means supplies and raw materials are stocked and delivered only after a specific demand from a production division.

Customized distribution and logistics solutions therefore have to be provided by VET's suppliers. To attain distribution flexibility, companies may use multiple channels. Depending on the customer's product knowledge, service needs, and price sensitivity, one channel may be more appropriate than another. Customers who are looking for lower prices and are very knowledgeable about product features may prefer to buy from a direct mail catalogue. Less knowledgeable customers with bigger pocketbooks may prefer specialty stores that can provide the necessary information and support.

Using a multiple channel system, companies can offer the best customized solution on the basis of each customer's needs. Then, as customers learn more over time, they may opt for another distribution channel. When it comes to aspects of logistics, such as transportation and inventory, a firm has the same two options as with distribution: customize or be customized. Using such modern technology as EDI (electronic data interchange), customers can continuously monitor and adjust orders, delivery schedules, places of delivery, and so on.

To guarantee this flexibility, firms often work with multiple partners, some of whom may be specialized in logistics within the firm's industry. Faxion, for instance, offers complete logistics services, such as unpacking and storage labeling, to the fashion industry. Moreover, with choices such as electronic shopping, consumers too may become more powerful in determining where and how they want goods to be delivered. After-Sales Support and Costs As with many products, services may also be bundled into a customized service

package. In many industries, customized “augmented” solutions that include both product and service are offered.

In business-to-business markets, such as in the mainframe computer industry, sales contracts often cover agreements on product maintenance, replacement, and so on. By using a remote-control system that allows diagnosis and possible remedy of product defects from a distance, customers’ after-sales costs may be reduced. Nashuatec uses such a system in the fax industry. The Web provides another opportunity in this direction. By transferring video images of a product performance, product failures may be detected. After-sales costs can, to some extent, be customized by end users.

Someone who buys a new car may decide to opt for lower energy costs by driving at an economical rate of speed. A company may manufacture a copy machine that is easy for customers to maintain and repair themselves. Service costs are thereby reduced and the customers’ after-sales cost perceptions may be positively influenced. CUSTOMIZED OR CUSTOMIZABLE: A TRADE-OFF? Businesses, then, clearly have two options when it comes to producing and marketing a product or service: either customize the marketing mix instruments themselves or let the customers do it.

The choice depends on several considerations. Customizable solutions may be appropriate for customers whose needs and expectations change from time to time. This is most obvious at the product level. A customizable lighting system with user-controlled light effects may be used in different ways, depending on the occasion: a business meeting, a romantic dinner, an

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hour of reading. Similarly, a customizable communication network such as the Web allows users to select which information they need at a certain time.

People who are primarily looking for user guidelines in the beginning may become interested in new information topics—upgrading, new applications, and so on—as they gain more experience. Companies that develop well-structured Web sites, containing separate information sections for beginners and experienced users, stand to gain. An important moderating factor, then, is the buyer's knowledge and experience. Customizable solutions are more suitable for savvy or experienced customers than for neophytes. People may lack the experience and skills for dealing with customizable solutions properly.

They may not know how to design their own products from a component menu, or how to select the information they need from a company's Web site. A firm should also evaluate the cost and profitability implications of the different customizing options. What are the inventory requirements in the case of product customization by the manufacturer rather than by the buyer? What is the cost of using an interactive logistics network such as EDI? Should different customization options be combined? Security might also be a consideration. Can certain information be provided over the Internet for customers to use?

Or is it so confidential that the company needs to customize the product itself? Finally, a firm must consider the independencies and interdependencies of its marketing mix decisions. Can it offer customized final products while offering a customizable information network for after-

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sales communication? Does price customizability result from product customizability? Can experienced computer users design their own PCs from a menu of standard components at a price that seems acceptable to them? Will customizing methods of distribution affect price?

With marketing practices in such flux, companies are ever looking for new solutions to customize their ways of providing products and services. Using the framework provided here allows marketing practitioners to evaluate different customization options for their marketing mix instruments. But some caveats are in order. When a firm chooses to customize the marketing mix on its own, it should take care to ensure that its marketing policy is transparent and unambiguous to customers. Offering inconsistent solutions to different people may be seen as giving special treatment to some while slighting or discriminating against others.

And offering inexperienced customers a “do-it-yourself” customizable product or service could result in confusion, dissatisfaction, or even disaster. Along with advances in technology that facilitate both customization and customizability come a new array of challenges. But careful decisions based on a proper framework for evaluating the options can result in a marketing mix that comes close to providing everything to every customer. (*) Editor’s Note: See our point/counterpoint articles by John V Petrof and Thomas W. Gruen debating relationship marketing, here in this issue.

Figure 1 Marketing Mix Customization and Customizability Options Marketing Customization Mix By Customer Elements By Company (“Customizability”)

Product Offering enhanced and/ Offering final orbundled products (to

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products with meet individual different options customer needs) Offering a menu of (from which customers can select and design their final product)

Purchase Price Price discounting As a result of product (dependent on sales customizability volume, sales history, time of purchase) As a result of customers' bargaining As a result of product power customization As a result of customers' decision timing Communication Using one-to-one Offering a customizable communication tools interactive information (direct mail, sales network (such as the force) internet)

Distribution Offering multiple Offering a customizable and Logistics channel and logistics interactive logistics solutions (partly and distribution customizable) network (such as EDI) After-Sales Offering augmented Offering do-it-yourself Support (with single or solutions and Costs bundled services) As a result of product Using remote control customizability (such systems as the way the product is used) References

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Source: Business Horizons, Nov/Dec97, Vol. 40 Issue 6, p39, 6p Item:

9712104170