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Brand Effect on Customers' Value Perception in Online Customization

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ABSTRACT

This paper investigates the brand effect on customer's value perception in online customization. We argue that though the online customization can add value for the customers, this effect is attenuated by brand because of the obfuscation of the attribution. Specifically, with the presence of brand, the output of customization process may be erroneously attributed to the brand so that the attitude and evaluation on the customization may be lowered because consumers always make decision and attribute the result based on the available and salient information.

Keywords: Online customization, brand, customer value.

INTRODUCTION

Mass Customization has developed rapidly in the last 10 years. So far, online customization has been widely adopted by enterprises and startup companies as a strategy to strengthen their competitiveness (Fogliatto, da Silveira, & Borenstein, 2012). However, it still remains a problem for researchers and practitioners whether customization service is a goldmine for companies (Nikolaus Franke, Keinz, & Steger, 2010). A number of researches have investigated the value of online customization for companies and the customers' willingness to pay for customized products or services (Nikolaus Franke, Keinz, et al., 2010; Nikolaus Franke & Piller, 2004; Nikolaus Franke, Schreier, & Kaiser, 2010; Huffman & Kahn, 1998; Jiang, Balasubramanian, & Lambert, 2014; Jin, He, & Song, 2012; Merle, Chandon, Roux, & Alizon, 2010; Piller, 2004). Both quantitative and qualitative researches suggest that the willingness to pay for self-designed products is much higher than standard products. This may result from the sense of participation and accomplishment derived from the customization process and the preference fit of final customized products. Customers regard themselves as the creators of the products and would like to pay higher price (Nikolaus Franke, Schreier, et al., 2010). Besides, customization allows consumers to express their own images and fulfill their pursuits for uniqueness, which adds value to the customized products (Merle, et al., 2010).

However, we find that most of companies don't charge a premium price for the customization service. For example, Nike provides a customization configurator for customers to design their own shoes. With the configurator, consumers can customize the styles, colors and pictures as well as decide whether to print the logo or sign on the shoes. Nevertheless, a pair of shoes customized by customers based on the Nike Air Max 1 Ultra Fly knit Id sells for 200 dollars, equaling to those without customization. It happens to other customizable products in NikeiD.com. Having spent much on the online customization system, Nike doesn't charge a higher price in spite of customers' higher willingness to pay for customized products confirmed by extant studies. Contrary to the case of Nike, some unbranded products, such as Spread T-shirt, do charge higher prices. Spread T-shirt is a website offering online T-shirt customization service. It sells a Men's Premium T-Shirt for 15.99 dollar, yet the price increases to at least 24.99 dollars if the T-shirt is customized. Thus, we assume that brand influences the value of customization. Specifically, with customization service, unbranded products gain extra values while the value of branded products remains unchanged.

Most of prior researches neglect the role of brand in how customers derive the values from the customization (Merle, et al., 2010). A few studies investigate the differences between branded and unbranded products under the customization conditions (Miceli, Raimondo, & Farace, 2013; Moreau, Bonney, & Herd, 2011). However, we argue that these researches don't consider the general value of brand. Regardless of the customization, the literature has confirmed that most of branded products have higher prices than those unbranded as a strong brand often represents high quality (Bhimrao, 2008; Keller, 1993; Madhavaram, Badrinarayanan, & McDonald, 2005). These papers failed to explain whether the price differences between branded and unbranded customized products is due to the value of the brand itself or due to the combination of customization and brand.

Taken together, specific attention must be given to the following questions: Are customers willing to pay more for customized branded products compared to those standard branded products? If they are, how much would they like to pay for the customization service? Are the answers different when it comes to unbranded products?

LITERATURE REVIEW

The Value of Customization

Merle et al. (Merle, et al., 2010) proposed a conceptual model of the value of online customization. The model divides it into 2 parts: mass-customized product value and co-design process value. The former includes utilitarian value, uniqueness value and self-expressiveness value. Utilitarian value refers to the extent to which a customized product fits individual preferences in terms of the product itself and its technical features. Utilitarian value can be further divided into aesthetic and functional fit. Customers are willing to pay a premium for the customized products because of the perceived utilitarian value (N. Franke & Schreier, 2008). Except the fit between established preference and product, Franke and Hader (Nikolaus Franke & Hader, 2014) found that consumers' preferences were, at least partly, constructed during the process of customization.

Secondly, customization enables customers to display the individuality by the unique attributes of the products. This ability is referred to as uniqueness value and can increase the willingness to pay a premium (N. Franke & Schreier, 2008; Schreier, 2006). Another concept which is related to uniqueness value and deserves to be mentioned is conformity. Hirschman, Belk and Ruvio (Hirschman, Belk, & Ruvio, 2014) found that even in the context of customization, customers still have a need for conformity. In some case of customization, popularity value is more important than unique value (Hagenmaier, 2016).

The third component of mass-customized product value is self-expressiveness value. One can design a product that is most adaptable to his image with the customization program (Merle, et al., 2010). This value focuses on the fits between the products and owners' self-image, while uniqueness value emphasizes the exhibition of one's differences. For example, a sports fan can wear a pair of sports shoes to express his image while the type of the shoes is classic.

Co-design process value consists of hedonic value and creative achievements value. Companies often provide a customization configurator toolkit to support customers (Nikolaus Franke & Piller, 2004; Salvador, De Holan, & Piller, 2009). Hedonic value refers to the pleasure and enjoyment customers obtain when they use the toolkit to interact with companies. Franke and Schreier (2010) showed there is a positive link between hedonic value and the willingness to pay a premium. Creative achievements value refers to the "pride of authorship" that customers attained after using the toolkit to successfully design their own products (Nikolaus Franke, Schreier, et al., 2010; Schreier, 2006). The feeling of attainment makes customers develop a tighter bond with the product, increasing the identification with the product (Atakan, Bagozzi, & Yoon, 2014).

Brand and Customization

Brands and customization have an inherent conflict. The idea of the brand draws together disparate attributes into one specific badge to form a consistent image, while the concept of customization reversely tries to divide a product into different components (Jiang, 2004). Few researches investigate the role of brand in customization, showing that the conclusions differ under different conditions.

Though designed by customers, mass-customized products are still produced in the factories of companies. A company with a famous brand usually can put more resources into the manufacture process. Customers thus are more confident with the quality of branded product. The confidence, combined with the preference fit resulting from the customization, makes customers value of branded customized products more than unbranded customized products (Moreau, et al., 2011). Similar conclusions occur in other researches. Miceli et al. (Miceli, et al., 2013) found that brand is not only a signal of positive comments, but also an explicit way of identity communication. However, combination-based Customization, in which customers can choose the most preferred attribute from the options provided by companies, is an implicit form of identity communication. Thus, the combination of brand and combination-based customization enhances (at least not weakens) the ability of identity communication of the customized products. Compared with unbranded customized products, customers have a higher willingness to pay for branded ones.

However, the aforementioned two papers describe the negative effects of brand from different angle. Moreau et al. (Moreau, et al., 2011) found that the brand has a negative effect on customers' perception and comments when they emphasize the input of individual behavior resources. For instance, when a customer designs a gift for others, the willingness to pay a premium for branded products is lower than that for unbranded products. The reason is that he/she wants others to perceive the effort they have devoted yet the brand weakens the perception by distracting others' attention to it. Besides, the presence of brand has a more significant influence on search products than experience products because the quality matters more in the purchase decision of search products (Jiang, 2004). Miceli et al. (Miceli, et al., 2013) also mentioned the negative effect of the brand from another perspective. They found that brands downgrade customers' evaluation of the products when customers participate in an integration-based customization (a form of customization in which customers integrate the content provided by themselves into the products). This is caused by the conflicts between brands and integration-based customization, because they are both explicit forms of identity communication. Furthermore, this effect is moderated by the consistency between customers' self-image and brands (Miceli, et al., 2013).

HYPOTHESIS DEVELOPMENT

A customer can use brands to express her/his self-identity to relevant others (Escalas & Bettman, 2005; N. Franke & Schreier, 2008). The ability that a brand transmits a clear consistent message to its stakeholders is a critical component of the brand equity (Madhavaram, et al., 2005). Consumers also use brands to diverge from others to make sure that they effectively communicate desired identities (Berger & Heath, 2007). Prior studies suggested that branded products generate higher customer perceived value than unbranded products (Keller, 1993). Brand's impact on the self-expressiveness depends on the brand awareness, which is buried in the consumers' memory (Percy & Rossiter, 1992). Brand recollection and recognition, which are two parts of brand awareness, can assist consumers to retrieve the particular memory node that referred to the brand and make choices decision at point of purchase.

Apart from brands, customization can also increase the customer perceived value through the self-expressive effect (Merle, et al., 2010). Customization provides an opportunity for consumers to express their personality with the self-designed products since they can choose the most preferred attributes from among several options. And the unique self-designed product can also

differentiate the consumers from others (N. Franke & Schreier, 2008).

Corresponding to other studies, we agree that customization can surely increase customers' value perception (Nikolaus Franke, Keinz, & Steger, 2009; Nikolaus Franke, Keinz, et al., 2010; Jiang, et al., 2014; Merle, et al., 2010). However, we also argue that this effect may be attenuated by the presence of brand. This is because of the different approaches in which brands and customization help consumers to express their own image. Consumers' benefit of owning self-designed products that reflects their own images comes from the freedom of choice during the customization process (Merle, et al., 2010). Customers can choose each attribute to design the products matching their self-identity best. Unlike the customized design varying among different customers, each brand conveys a clear consistent image which requires less cognitive resources and less time to perceive. Customers usually use information available to make decisions and attribute the result based on the most salient information (Bettman, Noel, & J., 1975; Gravatt, Lindzey, & Aronson, 1998). Thus the presence of brands will distract customers' attention, weakening the perception of the personalized design.

Specifically, this distraction decreases the perceived value of the customization in two aspects. Firstly, as the presence of brands distracts customers' attention, the value of customization which can reflect customer's image partly attributes to the brands. Secondly, because of the presence of the brand, relevant others may also focus on the brand, and neglect the customized process and effort. Then the customer may be concerned that the brand, not the customization, will get more credit for the behavioral resources expended in designing the products, which in turn impair the customer's attitude to the customization (Moreau, et al., 2011). Therefore, we predict that compared with standard product, though higher value can be derived from customized product, this effect is attenuated by the presence of brand since it obfuscates the customer's attribution. We will conduct an experiment to test this hypothesis.

H1: compared with standard product, the value customers attribute to the self-designed product is higher, and this effect is attenuated by the presence of brand.

EXPERIMENT DESIGN

We selected customized T-shirts as the product category for this study on the basis of several important factors: user knowledge of the product, researchers' access to the primary target market (college students) and product affordability. Subjects were recruited for the study using both advertisements. The advertisement stated that a firm specializing in T-shirts was conducting a marketing research on the customization service. In exchange for participation, those completing the task would receive a 20 RMB reward.

We manipulated two factors between participants: (1) the brand (present vs. absent) and (2) product type (customized vs. standard). When subjects arrived, they were randomly assigned to one of the four groups. Then they were asked to read the instruction shown on the screen. The instructions were the same except that a description on the usage of the customization configurator was included in the instruction for groups of customized products. For the groups of standard products, subjects were required to choose from a series of standard products. For the groups of customized products, subjects were asked to use a configurator to customize their most preferred products. Subjects can select the styles, the colors and pictures printed on the T-shirt. After they completed their tasks, they were required to fill out a questionnaire.

CONCLUSION

Potential Contribution

Brands and customization are both strategies widely adopted by enterprises to deliver higher customer value. However, the combined effect of brands and customization has not been deeply investigated.

Extant studies show that branded products generate higher value than unbranded products in online customization. However, to our knowledge, those researches only examine the influence that a brand has on the customization within the customization setting. Thus, they only investigate the brand effect on the value of customized products rather than the effect on the value of customization. The latter refers to the incremental value when standard products can be customized, while the former takes the value of a brand itself into consideration apart from the value of customization.

By undertaking a study between non-customization and customization settings, our research contributes to the growing literature on the customization by demonstrating that the presence of a brand has a negative effect on the premium which customers are willing to pay for the customized products. We suggest that combination of the customization and brands doesn't generate the '1+1>2' effect. Instead, the presence of brand weakens the positive effect of customization on the products. The negative effect may be influenced by the attributes of brands and products, which needs further researches.

Potential Implication

As the online customization is flourishing, the intended results of this paper may be helpful to the companies which are about to employ a customization strategy. As the prior researches suggest, companies can benefit much from the customization strategy because of the customers' higher willingness to pay for the customized products, and many empirical studies support this idea. However, our results show that this effect differs from the presence of product brands. While the unbranded products may really gain much from the customization process, the companies with strong brand should be cautious to consider the cost

of customization strategy since they may not benefit so much as the companies without strong brand. That's because the customers may attribute the increased value of self-representation to the brand rather than the customization. Therefore, one possible suggestion for these companies is to dilute the brand effect in the customization process such as do not provide the logo.

Another possible approach that the strong branded companies can employ is to emphasize the customization effect. For example, these companies can provide a signature function in customization process, which enables the customers print their names on the customized products. This may arouse the customers' feeling of the ownership of the products so that they realize that they customize these products by themselves. This emotion may lead customers to attribute the increased value of self-representation to the customization process instead brand.

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