#### УДК 339

# Кастомизация как маркетинговый инновационный драйвер в турбулентной экономике

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**Аннотация.** В статье рассматриваются вопросы кастомизации и кастомеризации как инновационных драйверов в условиях нестабильности и неоднозначности экономического развития. Исследуется относительно новая маркетинговая парадигма, определяющая изменения в потребительском поведении, вкусов, желаний и предпочтений на современных рынках. Во второй половине XX в. концепция «массового производства» трансформировалась в концепцию «массовой кастомизации», которая предполагает подгонку массового продукта или услуги под нужды сужающегося сегмента потребителей вплоть до индивидуализации продукта. На смену массовой кастомизации пришла «кастомизация», в рамках которой потребитель вовлекается в процесс производства и даже осуществляет покупку до момента окончательного изготовления и выпуска продукта. «Кастомеризация», в отличие от кастомизации, вовлекает потребителей и стейкхолдеров не только в производственный процесс, но также и в организацию и управление маркетинговой деятельностью.

Такая трансформация смогла произойти только лишь благодаря бурному расцвету цифровых (digital) технологий, новых средств массовой коммуникации, интернет-сетей, которые привели к новой модели отношения с потребителями CRM, что и позволило вовлечь в диалог всех заинтересованных сторон относительно продукта, его дизайна, исследований, всех аспектов маркетинговой деятельности и даже корпоративного управления. Эти новые технологии практически перекроили маркетинговые стратегии и инструменты, сохраняя при этом основной принцип — ориентацию на интересы и нужды конкретных потребителей.

**Ключевые слова:** кастомизация; кастомеризация; комодитизация; персональный маркетинг; массовая кастомизация; индивидуализированный продукт; ценовая конкуренция; стратегия win-win; изменение модели потребительского поведения.

### Customization as a Marketing Innovative Driver in a Turbulence Economy

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**Abstract.** The article discusses strategies of customization and customerization as an innovative drivers for economic development in a turbulence economy. The analytic study examines relatively new marketing paradigm based on changing customer's behavior on the contemporary markets, their needs and priorities. Within the 20<sup>th</sup> century the concept of mass production moved to mass customization, then to customization that assume presenting to customers individualized product and services, forwarded with customerization that basically means evolving consumers and all stakeholders to the production and marketing process.

The intensive development of the Internet technologies, new mass media tools brought to the new concept of Customer Relations Management System that involves all interested parties to the dialogue concerning

product, design, production, research and development and even marketing and corporate governance. Those new innovation tools redesigned marketing concept and strategies, still remaining the main customers' oriented principle.

**Keywords:** customization; customerization; commoditization; one-to-one marketing; mass customization; individualized product; price competition; "win-win" strategy; changing customer's behavior model.

#### Introduction and theoretical issues

*Customization* is a relatively new business instrument that means adaptation of mass products, goods or services to the specific narrowing customers' needs. At the present stage of economic development the companies need to demonstrate quite a high level of adjustments to new trends and market requirements. The major market characteristic feature is the customers' behavior, their wants, needs and priorities. It is a main marketing concept, but it needs a new glimpse and adaptation in a turbulence economy.

The customization programs are specified for each company and organization and could be considered as the next step from *mass customization* that means, according to Stan Davis "producing goods and services to meet individual customer's needs with near mass production efficiency" [1, pp. 49–58].

Mass customization as defined by Yoram Wind (2009) is "using flexible processes and organizational structures to produce varied and often individual customized products and services at the price of standardized mass-produced alternatives" [2, pp. 151–154].

The customers' requirements are a market attribute that changes rapidly and success of business a lot depends on abilities of companies to adjust and follow those trends. Mass customization is a trend that appeared at the end of the 20<sup>th</sup> century and refers most of all to international marketing, focusing on differences in people's purchasing behavior towards the same global brands. It's most of all big brand managers' work to adapt the product or goods specifically for the needs of the country and people priorities, tastes or religion.

The customers are no longer interested in standardized products and services and are looking for personalized products that will fit their own needs and wishes. The market segmentation as itself goes deeper and almost reaches individual client, considering one-toone marketing, when a customer requires an individual approach. The customers are looking for individualized product, that will fit their needs and create competitive advantage — it means production, research, marketing and all supportive resources have to be changed. One of the trends that becomes more and more popular at the new stage of economic development is *customization* and even *customerization*.

*Customerization* is the next step from customization, goes deeper along the line of satisfying customer's needs and increasing loyalty programs. According to James Gilmore & Joseph Pine in their book "Authenticity" [3, pp. 170–172], it involves redesigning of marketing concepts and tools according to customer's perspectives. It means customer's involvement to the production process, empowering customers to fulfill research, design, communication and even pricing, based on the latest technological achievements.

Customerization doesn't replace customization or mass customization, but offers additional competitive advantages, increasing company's brand loyalty and customer's satisfaction (*win-win strategy*).

Most companies are facing the problem — how to satisfy all their customer's requirements and not go bankrupt? In other words — how to reduce expanses on production line of products and services with different characteristic features?

A new economy requires companies to produce customized products as well as standardized product and have a strict control over all kinds of expenses (including marketing expenses) in order to set competitive prices and manage the market. In other words it means that more sophisticated marketing paradigm has to be implemented where customers could have their role influencing on almost every marketing element and tools.

Companies, involved into customerization, are not only adapting and delivering custom-made product, but they are transforming the practice of marketing, encouraging customers to fulfill these jobs. It empowers customers to fulfill research, design and even influence or participate in the production process.

Some companies customize the price determination process; they let customers specify their own prices through blogs and other SMM means. Dell, for instance, as a well-known multinational computer technology company has established custom website for their business customers, whose employers can order computer configuration, that have been already approved by the company and let them specify their own prices and initiate blogs (www.priceline.com).

Another trend that needs to be discussed in this paper is *commoditization*.

Commoditization is the process when product or service is losing overtime its competitive advantage in customer's eyes, become similar with their competitor and buyers in such a situation tend to purchase the cheapest.

In other word, it's a direction, opposite to customization and customerization, when companies are losing brand loyalty, its value and uniqueness from market perspectives.

In business literature, commoditization is defined as the process, by which goods that have economic value and are distinguishable in terms of attributes (uniqueness, competitive advantages or brand loyalty), end up becoming simple commodities with no characteristic features that defines them in the eyes of consumers and all stakeholders [4].

In other words, commoditization is a process of losing brand recognition and brand loyalty. From the other point of view the process of commoditization attracts new comers to the market that low down all the prices (price competition). In case when too many equal (according to their characteristic features) products come to the market, there must be new ways to market it and reach targeted customers.

For example, if we consider graphics industry, the specialized large format printing product was presented as extremely unique and far from commoditization. A lot of efforts, skills and expertise were needed to produce high quality images. This industry for a long time considered to be protected from competitors because of the high entry barriers (according to M. Porter Matrix of competitive advantages) [5, pp. 118–126].

Over time, new technology appeared that provided good quality images and lower prices, lower in industry's entry barriers that resulted in the appearance of new comers and competitors. Anyone who could afford buying this equipment could enter the market.

As soon as wide-format printing equipment has become more common and cheap, the product line became more commoditized: banners, certain types of textile printing, certain types of graphics used in retail sales and POP-charts [6].

Commoditization is an inevitable consequence of the printing technology. Nowadays graphic companies compete on price basis that leads to deeper commoditization. The same is taking place on real estate markets. There are so many proposals in Moscow and Moscow region that developers have to manage prices, providing discounts, bonuses, unique selling propositions (USP) etc.

The process of commoditization is broadening rapidly on the contemporary market, it has become more and more difficult to keep competitive advantage when rivals pick and implement all new ideas so quickly. Even such industries as online sales, computes, music production, consulting etc. are influenced by commoditization. In other words, almost all services and goods within contemporary market, globalization process and speed of information dissemination overtime will be captured by price competition which will lead to minimizing of profit margin.

Taking it to consideration all the companies which want to survive, have to implement necessary tools and instruments in the field of customization and customerization, avoiding commoditization.

## Strategic decisions for avoiding commoditization and boosting customerization

There are some strategies that could be recommended in order to avoid commoditization and boost customization and customerization. Some of them are discussed below:

• *Strengthening relations,* coordination and control over production, research on the one hand and sales, marketing, management teams and corporate governance, who are responsible for developing customized requirements, on the other hand.

In other words it is necessary to encourage good relations with your customers and all stakeholders, to initiate a dialogue between all interested parties, to follow time management concept for customers, to give them more than they expect and to make them happy working with you and your product.

A successful business is always built on relationships. That is why CRM programs (Customer-relation management) have become so popular for last decades. It means personal interactions between the company and a customer or customers' groups. The company can customize the product only in a case when it has a dialogue with a customer or small groups of customers can learn their needs and wishes, have capacities and skills, and be able to adapt or change the proposal. In other words it is a move along the deepening of buyeroriented concept towards one-to-one marketing.

The Internet through different blogs allows the interactive communications with different groups of customers and individuals, who express their wishes and ideas and almost give instructions concerning production, product design, pricing, optimizing distribution channels. In this the way the customization changes one of the 4Ps component — promotion or communication, focusing on digital communication and lowering companies' expenses for advertising, sales promotion, PR and others.

The Urban group company, one of the leading developer's companies in Moscow and Moscow region is changing the attitude towards the customer from "What can we do for you" to "What can you do with us?" The company proposes up to 70 different formats of apartments in the nearest Moscow region that is positioning as "cities for living". The Company considers wishes and priorities of potential customers and customize it for narrowing segments, satisfying wishes and wants. More over the Company encourages customers to add value to the product and initiate creations of places for interests. It is an appeal to develop healthy life, full of interests and joy;

• *Offering additional products / services* during life-long product cycle. This strategy adds value to the customer during its life cycle.

In case with graphic design, for instance, large format printing often involves additional finishing. The company could gain competitive advantage if offers a full range of finishing options, plus graphic design, that could lead to bigger customer's satisfaction.

Urban group while selling apartments give their customers a 3D picture of the house and specific apartment and individualize it for customer's wants. It means that a company can provide with a vision of a product even before it was produced. Implemented trade-in system, that means that customers have a right to exchange their apartment for the other within the same company, increases customer's loyalty. Nowadays apartments are sold through auctions in order to avoid misunderstanding in pricing strategies; • "Golden handcuffs" strategy means creating loyal customers, deepening relations with them, keeping their templates and database, providing them with "so called" long-life values, and turn them into intermediaries.

The term "golden handcuffs" has appeared in finance and presents a collection of financial incentives that is implied to encourage employees to remain in a company, in other words — to increase employee retention. That is another vehicle in customerization, where customers are involved into the marketing process and add values to the producer.

#### **Conclusion and further research**

It's important to mention that any strategy could be successful for exact period of time. Sony's Walkman, for instance, was successful when it changed the approaches to listening music from portable devices. Now Sony is not the first name that comes to mind when you think of portable music players [7].

Customization and customerization, in convergence with other major trends, such as the growing influence of the internet, green economy, changing customer's behavior as well as globalization and inter relations between countries, have huge implications for marketing and business strategies. These trends lead to the new paradigm of economic development, where new technologies like digital marketing, customer relation management, individualized product and customization influence the customer's behavior and involve customers in the process of production and marketing.

Customization and customerization require a deep integrations of R&D, operations, marketing, finance, CRM system, MIS (management information systems). They also require changes in organizational structure in order to support all mentioned integration.

It could be presented as a win-win strategy that leads to sustainable development in the turbulent economy.

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