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Full Length Article

# A matter of perspective: Design newness and its performance effects☆

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## ABSTRACT

Several studies suggest that products with a distinctive exterior design outperform products without differentiating aesthetics. So far, a product's design newness has been assessed by a comparison to the design of competing products. Drawing on categorization theory, we argue that two additional perspectives are important: design newness with respect to the product's brand portfolio and that with respect to the product's predecessor. Results of an empirical study in the domain of cars confirm that all three perspectives of design newness have different and significant sales effects. Consumers' tolerance for newness is found to be most conservative within the predecessor perspective, followed by moderate levels of newness in the brand portfolio perspective and high levels in the competitor perspective. To maximize performance, manufacturers should therefore develop designs that have high novelty compared to the competitive set and are moderately novel compared to the brand's product portfolio and to the preceding model generation. A second empirical application in the context of smart phones confirms these findings.

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## 1. Introduction

Practitioners and researchers have given increasing attention to the role of product design in the marketing of new products. In particular, the newness of a product's appearance has been recognized as an important means of differentiation. Novel designs have been found to exhibit a positive relationship with market share (e.g., Korenok, Hoffer, & Millner, 2010), sales (e.g., Landwehr, Wentzel, & Herrmann, 2013; Rubera & Dröge, 2013), and sales growth (Millner & Hoffer, 1993). Design newness has positive effects on product sales over the whole product life cycle (Talke, Salomo, Wieringa, & Lutz, 2009; Rubera, 2014).

In assessing a product's design newness, existing studies have mostly employed a competition-oriented perspective (e.g., Calantone, Vickery, & Dröge, 1995; Talke et al., 2009), so that design newness is determined through a comparison to the design of products that provide similar benefits to the customer and that are aimed at the same target markets (Kotler & Armstrong, 2012). However, customers regularly compare a product with members of different reference groups (Loken, Barsalou, & Joiner, 2008). Marketing literature, for instance, provides vast evidence that in judging properties of a new product, customers use properties of its predecessor (e.g., Keaveney, Herrmann, Befurt, & Landwehr, 2012; Mazumdar, Raj, & Sinha, 2005) or other products in the brand portfolio (e.g., Aaker & Keller, 1990; Monga & John, 2010). So far, to the best of our knowledge, these three perspectives have never been used simultaneously to judge the same product attribute. Comparing a product with different reference groups,

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however, may lead to different evaluations of the same product property. Such differences and their joint effect on the purchase decision remain unclear.

Consideration of multiple reference categories is especially relevant in the design area. Striving for competitive differentiation may push companies to concentrate on the novelty of a product's design relative to competitors (Fuchs & Diamantopoulos, 2012), whereas building brand equity requires consistency in designs across different products of a brand portfolio and across different generations of a product (Bloch, 1995; Keaveney et al., 2012). Earlier studies found that design novelty relative to competitors allows for product differentiation and a unique brand positioning, which in turn leads to increased sales performance (Talke et al., 2009; Rubera & Dröge, 2013). By contrast, studies in brand and product line extension literature suggest that designs vastly different from other products in the brand portfolio may negatively affect brand recognition and transfer of brand associations (Goode, Dahl, & Moreau, 2013; Karjalainen & Snelders, 2010; Kreuzbauer & Malter, 2005, 2007). Consequently, considering only competitors' designs as points of reference does not adequately take customers' design perceptions into account and may lead to erroneous conclusions with regard to optimal levels of design newness, which in turn may detrimentally affect the market performance of a new product.

This point is recognized by leading product designers, who have commented extensively on the relevance of considering different aspects of design newness. For instance, Gordon Wagener, head of Mercedes Benz design, argued: "Brands and models need to stand out from the competition as it is getting increasingly difficult for customers to differentiate between them. The challenge here is to develop a clear brand style" (Oagana, 2009). Similarly, Anders Warming, head of MINI design, emphasized: "We want to make sure that every MINI is based on this philosophy of knowing where it comes from and having a lot of innovation" (Boeriu, 2012). Essentially, both designers describe the balancing act of creating designs that stand out from the competition but retain the fundamental design identity of a brand and model generation.

The first aim of this study is to establish that capturing customers' perception of a product's design newness requires more than one perspective. Drawing on categorization theory, we argue that design newness will depend on how different a product looks compared to (1) competing products, (2) other products in the brand portfolio, and (3) the product's predecessor. The second aim of this study is to demonstrate that the effect of design newness on sales performance of new products is different for these three perspectives. To this end, we conduct two empirical studies. In our first study, we use the automobile industry to assess the design newness of 109 car models from all three perspectives and investigate these measures' sales effects. With a comprehensive econometric model we show that the three design perspectives affect sales performance differently, and that sub-optimal design decisions have sizable detrimental sales consequences for each of the perspectives. In a second application we consider the market for smart phones, and confirm our findings for the product line perspective.

The current research thus contributes to the marketing and design literature in several ways. First, we motivate the relevance of three perspectives for a more holistic representation of customers' perception of design newness. Second, we provide arguments for different sales performance effects of the three design newness perspectives. Third, we provide first empirical evidence that sales response differs among the three perspectives.

Insights about different performance effects will be relevant for both researchers and practitioners. Since we consider all three perspectives simultaneously, we are able to determine the optimal level of design newness in each perspective. On the basis of our results, we can derive recommendations to marketing practice on how a product's design newness should be configured to maximize commercial impact.

## 2. Three perspectives of design newness

A product's design newness can be defined as the degree to which a new product's appearance departs from the appearance of reference products (Calantone et al., 1995; Pauwels, Silva-Risso, Srinivasan, & Hanssens, 2004; Talke et al., 2009). Deviations may stem from changes in the product's contour or silhouette, its proportions (changes in the relative size of sub-areas or sub-volumes), its dimension (overall size of the product or its modules), its structure (changes in the ordering of the product's modules), and its color or material (Bloch, 1995; Ranscombe, Hicks, Mullineux, & Singh, 2012; Warell, 2001). Greater levels of design newness imply that fewer attributes are shared with reference products (Rosch & Mervis, 1975).

Because any assessment of design newness involves comparisons of a new product's exterior with that of reference products, categorization theory offers an appropriate basis for our conceptual framework. Categorization theory suggests that to understand and evaluate a new product's properties, consumers compare the product with members of different categories (e.g., Loken, 2006; Rosch & Mervis, 1975). A category is defined as a set of products that appear related (Loken et al., 2008), because they compete in the same product category or belong to the same brand category or product line category (e.g., Chakravarti, MacInnis, & Nakamoto, 1990). Consequently, in marketing studies, three types of categories are used: the product category, the brand category, and the product line category. In choice models, for instance, customers are assumed to compare brands within a product category (Nivea vs. Dove for body lotion), compare alternative products of a brand (Nivea Express Hydration vs. Essentially Enriched Lotion) and then decide for a product (Regular vs. Travel Size) (e.g., Chintagunta & Dubé, 2005; Gupta, 1988).

For each category, consumers have a mental representation that consists of information about specific products and product features, acquired from experiences with the category members and reasoning about them (Barsalou, 2003). As a part of this information, a product's design properties play an important role (Berkowitz, 1987; Bloch, 1995; Kreuzbauer & Malter, 2005, 2007). Consumers activate their category knowledge to assign a new product to a category so they can make inferences about its features and form an evaluation of the product.

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