



Contents lists available at ScienceDirect

Journal of Business Research



The effects of e-mass customization on consumer perceived value, satisfaction, and loyalty toward luxury brands

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ARTICLE INFO

Article history:

Received 1 July 2015

Received in revised form 1 February 2016

Accepted 1 April 2016

Available online xxxx

Keywords:

Mass customization

Luxury brand

Online retailing

Perceived value

Loyalty

Consumer behavior

ABSTRACT

As mass customization programs are becoming ever more common among luxury brands, this study seeks to identify the dimensions of consumers' perceived value gained and to examine the relationships between consumer value and satisfaction and between satisfaction and loyalty in an online context. Three hundred and three female online shoppers in South Korea participated in a web-based survey. The findings revealed that hedonic, utilitarian, creative achievement, and social value influenced satisfaction with the customization, which in turn influenced brand loyalty. The relationships between consumer value and satisfaction differed depending on the consumer's past loyalty and need for uniqueness. These results have practical implications for developing effective customization programs for luxury brands in the online retail industry.

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1. Introduction

The luxury market continues to grow despite the worldwide economic downturn, with an expected growth rate of more than 35% over the next five years (Bain & Company, 2014). Although luxury brands have been slow to adopt an e-commerce platform because of the problem of becoming too accessible and the need to maintain their exclusive brand image (Bjørn-Andersen & Hansen, 2011), many luxury brands have now taken the plunge and online sales of luxury products had risen to about 5% of total sales by 2013 (Deloitte, 2014). The compound annual growth rate of online sales of luxury goods between 2008 and 2013 was 23% and this is expected to increase by as much as 114% between 2015 and 2020 (Verdict, 2014).

Given the popularity of luxury brands, *Luxury Society* (2014) reports that five key trends are shaping the luxury industry, one of which is mass customization. Mass customization refers to the strategy whereby retailers provide individually tailored products or services to their customers, an approach that is becoming increasingly popular with online retailers (Fiore, Lee, & Kunz, 2004). The personalization of the product and the interaction with the customer make mass customization a one-to-one or relationship marketing tactic, benefiting both retailers and customers (Wind & Rangaswamy, 2000). Applying the latest Internet technology has not only made it both more economic and simpler for

customers to purchase individualized products, but also allows retailers to add variations to designs and flexibility to production without increasing cost (Randall, Terwiesch, & Ulrich, 2005; *The Wall Street Journal*, 2015). According to *Business of Fashion* (2015), avoiding excess inventory and the subsequent price cutting sales represents a major advantage of mass customization for retailers because the production system only becomes involved after consumers have paid for the customized product. This advantage is especially true for fashion businesses, where consumer demand is hard to predict.

Luxury brands originate from customization, focusing on personalized relationships with customers, and the Internet facilitates returning to such intimate relationships with customers (Bjørn-Andersen & Hansen, 2011). Luxury brands such as Bottega Venetta, Louis Vuitton, and Salvatore Ferragamo now offer customization programs that go all the way from simply adding personal initials and colors to helping customers to create an entirely new product. Although there was some concern about introducing customization programs for luxury brands, for example by diluting the brand identity or being unable to satisfy customers (Rebellion Lab, 2013), given that consumers want to experience engaging, entertaining, and interactive shopping on the Internet (Bjørn-Andersen & Hansen, 2011), mass customization could be a key strategy for luxury brands seeking to build personalized relationships with their customers and provide an interactive online shopping experience without suffering from negative impacts on their brand image.

Surprisingly, although interest in e-mass customization in luxury brands has grown considerably in recent years (Rebellion Lab, 2013), little attention has been paid to analyzing the consumer value of mass

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customization in the context of luxury retailing. The current study contributes to closing this gap by identifying the dimensionality of consumer value derived from the luxury mass customization. Consumer value refers to a consequence of consumers' perceived benefits (Lai, 1995) and is a fundamental concept in marketing theory for understanding consumer behavior. However, researchers propose that consumer value is multi-dimensional and complex, thus emphasizing the need to conceptualize its nature and dimensions by adopting a different approach (Gallarza, Gil Saura, & Holbrook, 2011; Zeithaml, 1988). In light of this perspective, the current study adopts the "Consumer-Perceived Value Tool" (CPVT) that Merle, Chandon, Roux, and Alizon (2010) propose. The CPVT measures five benefits of mass customization, namely hedonic, utilitarian, uniqueness, self-expressive, and creative achievement value. Prior research shows that consumer value positively influences satisfaction (Cronin, Brady, & Hult, 2000), which in turn enhances brand loyalty (Zeithaml, Berry, & Parasuraman, 1996). Therefore, this study further seeks to identify the relationships between consumer value and satisfaction and between satisfaction and brand loyalty in the context of luxury mass customization. Lastly, this study seeks to explore how consumers' past loyalty toward a luxury brand and need for uniqueness moderates the effects of perceived value on satisfaction.

The findings of this study are expected to contribute to the body of literature that focuses specifically on online luxury retailing. Despite the relatively small number of companies in the luxury industry, the impact of luxury brands in terms of sales, quality and brand identity is immense, and luxury brands are frequently leaders in the marketing world (Ko & Megehee, 2012). In this context, research on customization in luxury brands is needed, and this study's findings will provide useful information for luxury retailers seeking to build effective marketing strategies by identifying consumer values and individual differences and, ultimately, contributing to building brand loyalty.

2. Conceptual development

2.1. Consumer's perceived value

Consumer value can differentiate between perceived costs and perceived quality (Day, 1990). However, scholars propose the concept is polysemic (Zeithaml, 1988), ambiguous (Boksberger & Melsen, 2011), complex, and subjective (Woodruff & Gardial, 1996), instead defining consumer value as a complex construct that includes price, benefits, quality, and sacrifice (Holbrook, 1994). Definitions of consumer value proposed in the literature include a "trade-off between multiple benefits and sacrifices" (Walter, Ritter, & Gemünden, 2001, p. 366), "perceived benefits/perceived price" (Liljander & Strandvik, 1993, p. 14), a "positive function of what is received and a negative function of what is sacrificed" (Oliver, 1999a, p. 45), and a "function of the extent to which the product contributes to the customer's utility or pleasure" (Afuah, 2002, p. 172). This complexity is explained by Holbrook's (1999) relativistic view that consumer value is comparative, personal, and situational; consumers may experience a different value based on their preference for a particular product over another (comparative), and this experience is personal and situationally dependent.

According to Gallarza et al. (2011), most of the research into consumer value in the earlier literature focuses on the relationship between price and quality. However, recent research (Holbrook, 1999; Lloyd & Luk, 2010) emphasizes other constructs such as benefits that take into account the cognitive and affective nature of value, indicating the need for a more flexible and dynamic understanding of consumer value (Gallarza et al., 2011).

By linking the mass customization of luxury products to consumer value, the current study builds on Vershofen's (1959) benefit theory, explaining that a product conveys basic and additional benefits to consumers. Basic benefit is related to the functional/utilitarian benefit of a product, whereas additional benefit is related to benefits that are not directly related to the product function, such as the social and

psychological benefits gained after or while using a product (Valtin, 2005). According to Lai (1995), consumers perceive value when a product's basic and additional benefits are congruent with how they perceive and use the product. In other words, perceived value is a result of consumers' perceived benefits.

2.2. Consumer value of mass customization of luxury brands

Successful customization programs deliver positive benefits to consumers (Franke, Keinz, & Steger, 2009). According to Schreier (2006), consumers perceive four benefits from mass customization: functional benefit, perceived uniqueness, the process benefit of self-design, and pride of authorship. In more recent research, Merle et al. (2010) proposed the Consumer-Perceived Value Tool (CPVT), which measures five benefits of mass customization from a consumer's viewpoint that are divided into two categories: mass-customized product value and co-design process value. Mass-customized product value includes its utility, uniqueness, and self-expressiveness, while the co-design process value includes hedonic and creative achievement. Mass-customized product values focus on a consumer's perceived benefits while engaging in the customization process. Utilitarian value refers to whether a mass-customized product fits a consumer's aesthetic and functional preferences (Schreier, 2006). While satisfying individual's preferences, consumers can also express uniqueness attributes from a mass-customized product (Snyder, 1992), and the uniqueness value of mass customization is widely recognized (Fiore et al., 2004). Self-expressiveness value pertains to self-congruity theory (Sirgy, 1982), where consumers create a product similar to their self-image using a mass customization program. Regarding the co-design process values, hedonic value refers to consumers' enjoyment experienced during the customization process, and creative achievement value is associated with their feeling of pride in creating and personalizing their own product (Merle et al., 2010). In the current study, the CPVT proposed by Merle et al. (2010) is adopted to investigate the dimensions of consumer value in the mass customization process since the CPVT is more comprehensive than Schreier's (2006) typology and has been developed to measure value dimensions from a consumer's perspective rather than an operational management perspective.

In the context of luxury brand consumption, luxury products provide additional benefits to consumers compared to non-luxury products (Vigneron & Johnson, 2004). Past research has identified financial, functional, individual, and social value (Wiedmann, Hennings, & Siebels, 2009); brand, physical, economic, expressive/social, emotional, and service value (Kim, Kim, & Lee, 2010); and conspicuousness, uniqueness, social, quality, and hedonic value (Vigneron & Johnson, 2004). According to Vigneron and Johnson (2004), luxury refers to something that provides more than functional/utilitarian benefits because of the signal value inherent in a luxury brand. Also, consumers' motivation for purchasing luxury products includes the desire to impress others, to build a favorable social image (Vigneron & Johnson, 2004), to convey symbolic identity (Nia & Zaichkowsky, 2000), and to display their social status (Truong & McColl, 2011). Thus, the current study specifically focuses on the social value of a luxury brand. Social value pertains to social classification or distinction from others, and consumers purchase a luxury product to gain the extended-self of the perceived luxury brand (Kim et al., 2010; Vigneron & Johnson, 2004). Incorporating the consumer value of mass customization into luxury brands, this research examined five values (utilitarian, uniqueness, self-expressive, hedonic, and creative achievement) plus social value.

2.3. Consumer value and satisfaction

Consumer value is a central concept in marketing because of the significant relationships between value and other consumer responses such as satisfaction and loyalty (Gallarza et al., 2011). Prior research shows that consumer value and satisfaction are related but clearly distinguishes between these two constructs: value depends on the relationship

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