

Roles of Personalization and Omnichannel Marketing in Value Creation in the Era of Consumer 4.0

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ABSTRACT

Personalization and Omnichannel are implemented to grow perceived value of products and services in this era of consumer 4.0 demanding for individualized commodity and convenience. Objectives of this article are to 1) describe strategic roles of Personalization and Omnichannel in value creation, 2) clarify the difference between “Personalization” and “Mass Customization”, which is sometimes called “Customization” in short, and 3) visualize extended scope of Omnichannel perhaps misinterpreted to just online distribution channels accessed via mobile devices. Related concepts, which include Perception together with Customer-perceived Value (CPV), as well as consumer and technology 4.0 trends will be briefly reported. Some limitations of Personalization and Omnichannel are to be discussed at the end. Personalization is set up on customer participation in any step of product or service development process. In this way, the practice can bring out customer insights contributing to new market offerings which fit to various needs and increase customer-perceived benefit. Omnichannel is rested on full integration of every marketing touchpoint further than just online distribution channels. This task is empowered with mobile devices constructing borderless connection platform where all users can move along purchasing path and reach any information, market offering, or even marketing activity, from single point on screen. This simplicity pushes decision-making by decreasing customer-perceived cost. Because level of perceived benefit is higher than that of perceived cost, customer-perceived value keeps growing and leads to purchase intention as business opportunity.

KEYWORDS: Personalization, Omnichannel, Value, Perception

Introduction

Organizations both the corporate and non-profit must take marketing to earn revenue for proceeding operation. Fuciu and Dumitrescu (2018) cited several “marketing” definitions mainly ranging from responding to demand and satisfying consumers at early development, to delivering value and building relationship these days. No matter what the definition is, in any era, target consumers have long been prioritized the first to be pleased. As marketing opportunity is partly from purchase intention which will appear after a consumer finds an option having higher perceived value than any other in a market (Iacobucci, Shannon, & Grigoriou, 2015); so, perceived value of products or services is of marketers’ interest.

In the era of consumer 4.0 when complicated needs and time-pressured lifestyles emerge, personally compatible products and services easily possessed are judged valuable.

Personalization now is considered one of marketing techniques effectively satisfying personal need because it is open to customer’s participation in product or service development from the beginning. This method allows for insightful market offering initiation. Value of these answerable supplies can further be promoted with Omnichannel, a marketing practice which emphasizes

single-point combination of marketing elements to unedge customer experience. Omnichannel is able to tackle need for “one touch” due to collectivity derived from mobile device technology.

Despite popularity in Personalization and Omnichannel, academic explanation on how they work on raising perceived value has still been unclear. Concrete pictures of both of them have been hardly ever seen, too. General publications often alternatively state “Customization” and “Personalization” as a replacement of each other while they seem totally similar, but not completely the same. “Omnichannel” is normally stuck with online distribution channels accessed via mobile devices.

For these reasons, the first objective of this article is to analyze strategic roles of Personalization and Omnichannel in value creation. Secondly, the article is aimed to clarify the difference between “Personalization” and “Mass Customization”, shortly said “Customization”, too, with a review on consecutive evolution of manufacturing paradigms. This section will be followed by practical method for Personalization implementation; other two associated tactics including Experiential and Relationship Marketing will be taken. Another objective is to visualize the widened scope of true Omnichannel from online distribution

channels to offline, and finally to all brand touchpoints building holistic brand experience. Roles of mobile devices will be illustrated as supporting technology, not boundary, for Omnichannel success.

Apart from the three objectives mentioned above, other related concepts comprising Perception together with Customer-perceive Value (CPV) are to be overviewed at the beginning to lay background knowledges for readers. Consumer and technology 4.0 updates are to be tapped as well.

At the end, some limitations of both Personalization and Omnichannel are discussed to contribute to marketing strategy consideration.

Perception

Perception process begins when any of sensory organs called “sensory receptors”—eyes, ears, nose, tongue, and skin—is stimulated with external environments (Cicarelli & White, 2015). A stimulus faces a receptor in form of specific energy which becomes neural signal transferred to human brain to make an individual sense. Perception is a process where an individual interprets the sense to form meaning or information kept in memory. This interpretation is always influenced with individual’s existing experi-

ence or knowledge, and other psychological characteristics such as motivation, learning, attitude (Tengtrirat et al., 2007), need, belief, expectation, and emotional state at that time (Siwapat, 2006). In other words, each individual diversely interprets any external stimulus attributed to particular characteristics of the stimulus own coupled with those of individual’s psychology. Subjective interpretation affects cognitive evaluation and behavioral reaction in any situation (Dubrin, 2004). Baron (1989, as cited in Siwapat, 2006) consequently defined “perception” as an organization and interpretation based on existing experience.

Psychological process of perception can be applied to explain any consumer in marketing aspect. An individual who reacts to a stimulus in conformity with personal interpretation is described as a prospect who differently responds to a market offering or marketing activity depending on perceived value spotted in physical behaviors like to purchase or not to purchase an item, to engage with or to avoid an activity, and so on. Because value evaluation in consumer’s decision-making process is subject to consumer’s perception which may be either congruent or incongruent with reality, “value” in this context would rather be referred to “Customer-perceived Value”.

Customer-perceived Value (CPV)

“Customer-perceived Value” or CPV is the difference between Total Customer Benefit and Total Customer Cost in consumer’s perception. The concept details how a prospect evaluates value of alternatives in a market when making comparison before purchase decision made. It is concluded that any consumer would choose an alternative judged highest in perceived value after assessing each market offering. Total Customer Benefit is an overall perceived benefit made from monetary, functional, and psychological benefits which a prospect hopes to receive from product, service, personnel, and image of given choice likely to be picked up. On the other hand, Total Customer Cost is an overall perceived cost calculated from money, time, energy, and psychological costs which an independent estimates to necessarily invest throughout decision-making process, from need recognition to disposal of the chosen item (Kotler & Keller, 2012).

Finding a product or service valuable enough, as level of Total Customer Benefit is higher than that of Total Customer Cost, a consumer develop purchase intention (Iacobucci, Shannon, & Grigoriou, 2015).

A study of Dod and Monroe (1985, as cited in Chi, Yeh, & Tsai, 2011) showed that a consumer would make choice after

perceiving a product having higher benefit than cost. Likewise, studies of Chi, Yeh, and Tsai (2011) as well as Yoo (2015) indicated a relationship between perceived value and purchase intention.

Consumer and Technology 4.0

In 2017, it was said that Thai consumers in 2018 would have wanted personalized products and services (SCB EIC, 2017 as cited in Marketeer, 2017). About a half of sample surveyed expressed their acceptance of individualized products and services with 30% higher in price compared to that of the regular. Satisfaction level was allegedly raised with unique goods. (EIU, 2017 as cited in Marketeer, 2017). This situation was assumed to push growth in 3D Printing as an advanced manufacturing technology for personalized products until 2020 (Gartner, 2017 as cited in Marketeer, 2017). Also, consumers would want quick grasp to market offerings, in any step from searching to consumption; e-Commerce system with AR and VR technologies proficiently activating consumers’ decision could cope with this demand (SCB EIC, 2017 as cited in Marketeer, 2017). Expansion of IoT (Internet of Things) was anticipated to progress until 2020 (Gartner, 2017 as cited in Marketeer, 2017).

In 2018, a survey conducted by Mintel (Consulting) Singapore Pte. Ltd. (2018,

as cited in Brandbuffet, 2018) revealed “convenience” and “personalization” had still been ranked second and fifth, respectively, among purchase decision influencers ordered from higher to lower impact. Another finding indicated that area of demand for customized products had broadened to daily product category while there had ever been only luxury products required while ago.

In 2019, it is believed that Personalization is able to elevate perceived value of daily products. Thai consumers have continued stressing the importance of expedient living with mobile device support. Emerging trend besides that in 2018 is product differentiation must be perceived through virtual experience (MAT, 2018 as cited in Brandage, 2018a). To help consumers accurately recognize variety of products when making purchase decision, AR and VR for virtual exposure must be at hand. The new trend in 2019 visibly endorses what was projected in 2017 that AR and VR could boost purchase decision in online channels (SCB EIC, 2017 as cited in Marketeer, 2017).

Apart from those mentioned formerly, Schwab (2017) ever pointed out on his book “The Forth Industrial Revolution” that AI would have assisted strategic marketing decision of practitioners as same as Rowles (2017) stating “Era of Marketing Automation” on his book “Mobile Marketing”. In Thailand,

a food delivery service “LINE MAN Food Delivery” has planned to employ AI in directly proposing next-dish menus and notifying new promotion to customers by making use of past purchasing behavior information (Cholsiriphong, 2018). Additionally, AI has been forecasted to be made into EI or Emotional Intelligence which will be able to learn not only buyer behaviors from existing database, but also emotional reactions to cater to customers’ need for human-touch. The mental demand will afterwards cause popularity in Chatbot as upcoming innovation (MAT, 2018 as cited in Brandage, 2018a).

To say in short, consumer 4.0 in 2017 – 2018 had emphasized handy access to personalized daily products and services. E-Commerce, 3D Printing, AR, VR, IoT, and mobile device technologies had been collaboratively used to gratify consumers in a manner suitable for their lifestyles. The trend has still kept on to 2019 when virtual experience effect on building perceived product differentiation has emerged along with transformation of AI to EI and Chatbot to fulfill mental need of consumer 4.0.

Personalization

Cutting-edge technologies have underpinned Personalization Marketing which can address diverse needs and fortify perceived value with distinctive experience.

“Personalization” is a manufacturing paradigm which stands on customer value and is seen as an outcome of “Mass Customization” ceaseless evolution. In the prior period, a product would be well-designed and a customer could only select some extra options offered by a manufacturer to moderately adapt the well-done item to be occupied (Hu, 2013). Finished goods of Mass Customization would be those slightly modified from the original in accordance with proposed choices. Customer role, exactly, was narrow to just “choosing” an option, or options for sometimes.

Personalization, however, focuses on in-process customer participation in product development. According to Hu (2013), “participation” can be either between a manufacturer and a customer, or among customers, even among customers themselves. All parties can exchange their needs, information, as well as ideas which will formulate innovative products eventually launched. The initiation process is backed with three major technologies: data to reveal customer insights, visualization to exemplify virtual products before finishing the physical, and 3D Printing to produce variously designed goods (Hu, 2013). This view of Hu (2013) is relatively similar to that of Piller and Walcher (2017) who regarded the three technologies as drivers of Mass Customization which

came out once. The two opinions are also in agreement with the envisioned trend on power of AR, VR, and 3D Printing on value delivery process, too.

Solid Personalization Marketing is made from two marketing approaches: Experiential Marketing accompanied with Relationship Marketing.

Further than just releasing tailor-made items or looking after customers within physical stores, “Experiential Marketing” practitioners must tie their offerings into customers’ everyday life (Pine & Gilmore, 1998 as cited in Keller, 2013). The area of implementation hence encircles management of other marketing components as a whole to enable market offerings to fit in customers’ routine and demonstrate product experience under any given situation comparable to real life as much as possible (Kotler, 2005). All brand touchpoints should be harmoniously interactive with every sense of customers to amplify emotional bond (Schmitt, 1999 as cited in Keller, 2013) and urge behavioral engagement, as in perception process where behavioral response can occur only after emotional and cognitive reactions.

Holistic personal experience builds positive feeling on a brand and later nurtures good relationship (Keller, 2013). This is how “Relationship Marketing” starts working. Barnes and Howlett (1998, as

cited in Thamrongsinthaworn, 2018) defined “relationship” as a mutual exchange with impressive feeling against each party involved; after that, a bond fostering long-term interaction appears. According to this meaning, good relationship is accountable for maintaining regular customers from long-term commitment purchase. Highly loyal customers may generate brand advocacy beneficial to enlargement of customer base and organization’s sustainability in the future.

More than Mass Customization described previously, Keller (2013) suggested additional two marketing executions for eminent Relationship Marketing. The first is “One-to-one Marketing” which regards “relationship” as a reciprocal exchange between a business and its individual customer in a way the later dedicates information on demand while the former hands over some offering to reward the counterpart, vice versa (Pepers & Rogers, 1996 as cited in Keller, 2013). Another one is “Permission Marketing” which any commercial activity will be targeted only to whom voluntarily engaged, on the premise that any marketing activity could be prominent among those with goodwill as good beginning of mutual relationship (Godin, 1999 as cited in Keller, 2013).

To wrap things up, Personalization is a manufacturing paradigm which several parties share needs, information, and ideas, to cooperatively develop valuable personalized products. Profitable Personalization stems from Experiential and Relationship Marketing. Combination of interactive brand touchpoints is the key to embarking Experiential Marketing. For pragmatic Relationship Marketing, three tactics—Mass Customization, One-to-one Marketing, and Permission Marketing—must be employed to attain any single customer insight originating captive marketing supplies and activities to be introduced under the right context cultivating mutual relationship for organization’s accomplishment in the long run.

As market offerings, both goods and services, are ideated by consumers at first, these supplies will be able to accommodate complex needs and fortify product or service benefit in consumers’ perception. Personnel benefit can be delivered by a service provider making direct interaction one-by-one. Under the context of personal serve, need-for-uniqueness can be delighted leading to image benefit delivery. In this way, Personalization can increase Total Customer Benefit.

Omnichannel

Omnichannel traditionally was distribution channel management method which used technology to converge all channels of an organization together (Pipatseridham, 2017). It was defined by Kotler, Kartajaya, and Setiawan (2016) as “the practice of integrating multiple channels to create a seamless and consistent customer experience”. The practice nowadays spans its extent to managing entire marketing elements of a brand, not limited to just distribution channels (Wesaranurak, 2018 as cited in Brandage, 2018b) so that a customer could be exposed to differentiated brand experience anywhere 24/7. Omnichannel is answerable to meet consumer 4.0 need for simplicity and decrease Total Customer Cost due to its performance of integration causing connectivity.

Thanks to mobile devices which link a lot of users as immense human network appeared to be immeasurable communication platform, both marketers and consumers can take advantage from the gadgets.

For marketers, a mobile device is an unparalleled equipment to handle every step of consumer’s decision-making with creative, tailor-made, and real-time marketing activities privately guided to any independent customer. Future consumer behavior prediction is prepared to unfold marketing opportunities

at the same time (Kotler, Kartajaya, & Setiawan, 2016).

Taking path to purchase with mobile devices, consumers can switch online and offline within seconds. They virtually visit plentiful sources of indirect experience, namely manufacturer official websites, consumer reviews, and social shares, from wherever they physically are, even in retail stores seeking for direct experience offline. Needs triggered with offline promotional activities may be served after consumers opt to pay online. Any commercial communication triggering needs on screen may be productive after consumers pay offline at retail stores.

In this scenario of all-in-one-touch from a mobile device, any prospect spends less time and energy on searching, assessing, and purchasing desirable alternatives. Then, perceived time and energy costs are reduced, so is monetary cost owing to online journey consuming even lower cost to take when compared to offline. Online and offline connection which enables consumers to reach a lot of alternatives and information helps relieve their concern when making decision (Rowles, 2017) and effects lower perceived psychological cost as well. Omnichannel therefore decreases Total Customer Cost calculated from monetary, time, and energy invested.

Apparently, a mobile device is a “must-have” tool to manage Omnichannel. It is advisable that powerful Omnichannel take always-on, interactively unified brand touchpoints to have customers exposed to smooth holistic brand experience.

Conclusions

Businesses can let any target customer take part in marketing operation to light an opportunity for value creation. This is the key concept of Personalization which appears as an evolutionary consequence of Mass Customization where customer’s role was limited to just making choice, not brainstorming. Personalization is superior in boosting in-process customer engagement which distinguishes itself from others and brings to fulfilling product or service innovation to embody value in perception of consumer 4.0. The practice promotes CPV by increasing Total Customer Benefit from every factor. Each customer perceives product and service benefits from offerings which match distinctive needs. A service provider ready to manage personal interaction generates personnel benefit. This overall function which indulges the need-for-uniqueness sends image benefit simultaneously. As a result, Total Customer Benefit is improved at last.

As tightened living makes consumer 4.0 desire for convenience, Omnichannel

capable of serving the demand from single-point access begins taken into account. It deals with full integration of entire marketing components to make customers face brand touchpoints at every sense everywhere 24/7, ideally, so that outstanding holistic brand experience could be perceived. The task of integration is encouraged with an advent of mobile device technology bearing connection simplicity and gigantic human network.

In this endless sphere, whatever information, insights, or ideas from parties—manufacturers, retailers, consumers, and etc.—can be freely exchanged to reveal marketing opportunities derived from higher perceived value.

Because buyers can reach a pile of marketing alternatives at once within one touch, they can search for, compare, evaluate, and make decision on product or service choices far more easily than ever in the past. Information makes consumers less concerned resulting in lower perceived psychological cost. Any commercial transaction can instantly be finished on screen after comfortable decision made. That is to say, any customer can simply step along purchasing path in a blink of an eye without going to and fro in physical world. Thus, Omnichannel decreases monetary, time, energy, and psychological costs to cut down Total Customer Cost of CPV.

Synergy of Personalization and Omnichannel increases Total Customer Benefit and decreases Total Customer Cost at the same time. Accordingly, overall CPV is built up and ultimately intensifies purchase intention as marketing opportunities.

Recommendations

1. Until now, Omnichannel has still depended on mobile devices with internet connection. It is inevitably restricted to consumers with technology touch and obstructed with persistent digital divide.
2. Personalized product and service release makes organization lose economy-of-scale. Thus, Personalization Marketing might be appropriate to some targets with high purchasing power and extraordinary needs strongly affecting purchase decision.
3. Personalization is perhaps unnecessary under such situations as monopoly, consumer product, or commodity markets where difference in goods and manufacturers may have no influence on consumer's decision-making.
4. If a commodity manufacturer considers differentiation a source of competitive advantage, such Mass Customization items as DIY goods or seasonal-editioned packages may be useful.

5. In service sector, Personalization must be performed by service personnel able to catch customers' emotional feelings at heart and improvise interaction style. They must be equipped with state-of-the-art interaction and mind-reading talents, not general employees or first-jobbers lacked of experience.
6. Any marketing strategy has its own advantages and limitations. Sensible marketing strategy is what corresponds to target behaviors and practical to the context under which an organization runs, not what just widely accepted, yet incompatible.

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