



Making it personal: Rules for success in product customization

By providing customization, brands raise loyalty at a time when it's more important than ever.

By Elizabeth Spaulding and Christopher Perry

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Sellers of everything from dress shirts to handbags and even consumer packaged goods are discovering the value of letting customers create their own unique products. Retailers use Big Data to present a personalized set of products to their customers—it’s been a driving force behind Amazon’s success. Now brands are taking personalization a big step forward into mass customization. They are discovering that they can elevate customer loyalty and engagement—and use their customer base as an engine of advocacy to potential buyers.

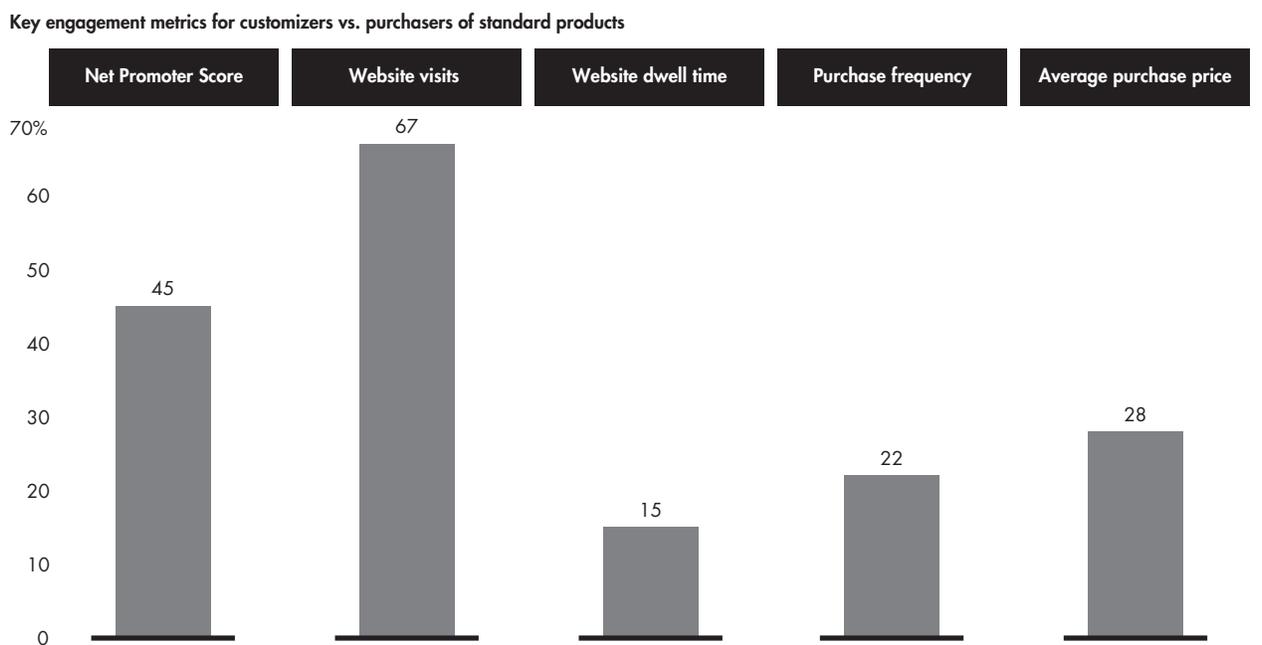
Product customization helps brands boost sales on their own websites or gain share on a retailer’s site. For example, Pepperidge Farm customers now design Goldfish crackers, and Jawbone customers configure their own Jambox speakers. Trek enables cyclists to build a bike from the ground up. And Brooks Brothers allows men to create their own suits.

The opportunity appears to be significant: A Bain survey of more than 1,000 online shoppers found that while less than 10% have tried customization options, 25% to

30% are interested in doing so. While it is hard to gauge the overall potential of customization, if 25% of online sales of footwear were customized, that would equate to a market of \$2 billion per year.

Beyond the pure size of the opportunity, our survey showed that those customers who had customized a product online engaged more with the company. They visited its website more frequently, stayed on the page longer and were more loyal to the brand (see Figure 1). In footwear, for instance, our research determined that customers who designed their own shoes gave companies a 50% higher Net Promoter ScoreSM (NPS[®])—a standard way of measuring customer loyalty—than customers who bought regular products from the same manufacturer. Higher NPS typically translates to higher sales, referrals and lifetime customer value. Ken Seiff, executive vice president of direct and omni-channel marketing at Brooks Brothers, says, “In general, customers who buy customized products are more satisfied and are more valuable. By automating customization using the Web, companies can more easily take a

Figure 1: Consumers who customize a product are more engaged and spend more than consumers who buy standard products



Sources: Bain Consumer survey, 2013; Fluid Inc.

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customer segment down to the size of one. In five years this will come to be expected by consumers.”

By providing customization options, brands raise loyalty at a time when it's more important than ever. In a recent Bain survey of more than 1,200 global executives across a range of industries, 67% believed their customers are becoming less loyal to their brand. Equally, customization helps companies differentiate their products from those of their competitors at a time when the Internet is rapidly creating high price transparency and making it easier for customers to compare products with standard features. According to Google, 49% of mobile phone owners use their device to compare prices, and the number of price comparison apps is increasing. We found that customers are willing to pay 20% more than standard equivalents for customized products—and many companies are successfully charging higher premiums.

Customization also helps companies reach specific consumers—such as the unpredictable millennial generation shoppers, a group known for their fast-moving preferences. As a growing consumer force, young shoppers demand more individualized products than their older counterparts—they're not a one-size-fits-all generation. And, due to the proliferation of social media and online publishing, styles and trends change more rapidly than ever before, forcing sellers to keep up with shifting preferences. Companies that offer customization are able to use consumers as merchants—continuously gaining insights from customized designs and fine-tuning products in a feedback loop that helps companies stay one step ahead of the competition. With each design choice, customers share real-time shopper preferences that go well beyond what they would say in a focus group. For example, what Brooks Brothers learns from its customers in one season is systematically used to help it deliver the next season's product line.

“All of this activity points to rapid growth in mass-customization offerings across categories. Early pioneers like Oakley have demonstrated strong consumer demand for customized products, and successfully orchestrated programs are delivering positive ROI and consumer engagement,” according to Kent Deverell, CEO of Fluid,

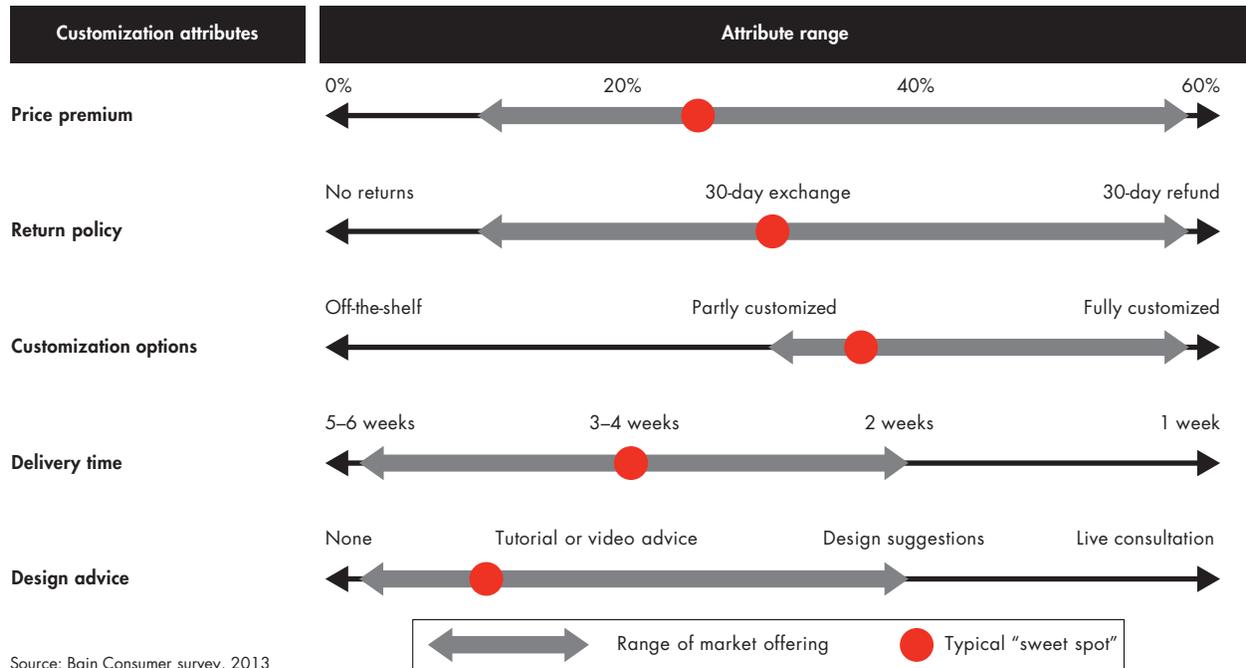
a digital agency and software as a service provider that helps companies launch customization offerings.

Shoppers are primed for customization just as the capabilities are evolving to serve the market. Technology has advanced to enable flexible, digitally controlled manufacturing processes and to integrate online design capabilities with supply chains. Computing power and bandwidth are now sufficient to accommodate online design without making the experience too cumbersome. Companies like Fluid serve as one-stop shops for e-commerce retailers and brands interested in offering customization to their customers. Ultimately, companies need to develop new muscles, particularly in the materials supply chain, to ensure customization is profitable—but these challenges are increasingly being met.

What companies deliver depends on what their consumers want (*see Figure 2*). “We originally focused on the fit issues some performance athletes face but found out people aren't so interested online in fit and sizes,” says Harm Ohlmeyer, chief e-commerce officer at Adidas. “The bigger opportunity was in the design, aesthetic and user-generated content.” Consumer preferences vary from category to category. Bain's survey found that footwear customers are willing to wait three to four weeks for a product to be delivered, but that interest in customized men's shirts declined after a two-week wait time. There is one thing that all customers seem to want: the ability to return goods within a reasonable period, typically 30 days. Our survey determined that demand for customization falls off precipitously if consumers think they could be stuck with something they don't like—even though early adopters of product customization have found that return rates are lower than for standard products.

In addition to tailoring the offering to the customer, success requires stepping back and deciding upfront what a company hopes to get out of entering the customization game. Some companies use it to improve customer acquisition and engagement while others make it a stand-alone business. Knowing the objective helps determine a second major consideration: how much customization to offer (*see Figure 3*).

Figure 2: Sweet spot for customized products on key dimensions, based on athletic shoes, handbags and dress shirts



All successful companies follow five rules.

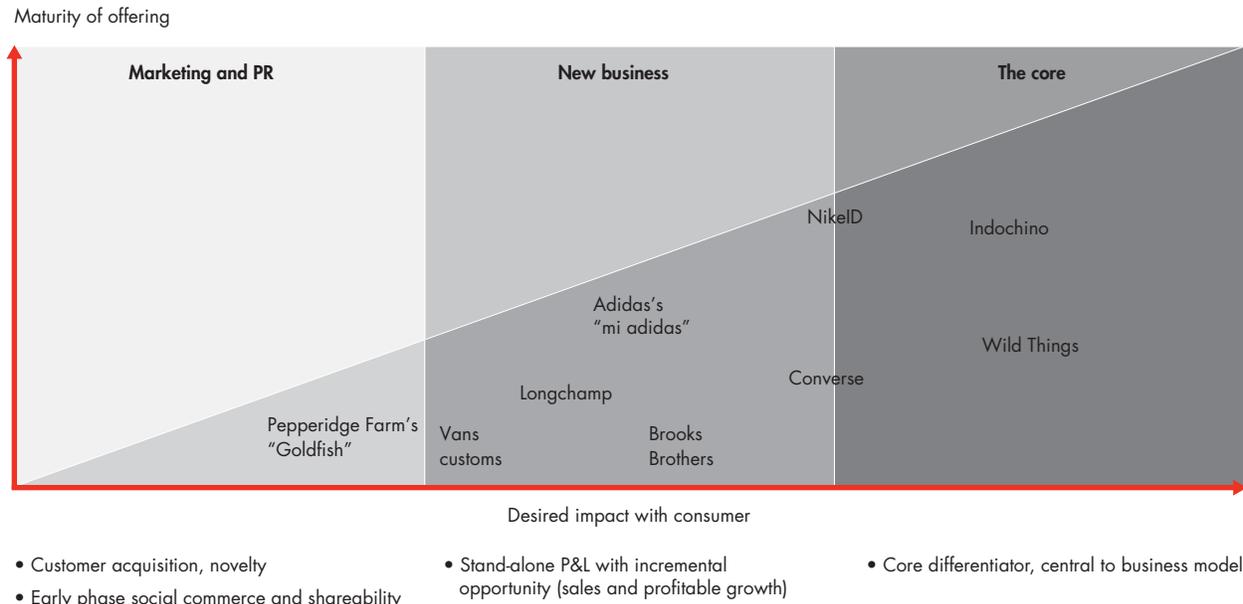
Know what you want. Before testing the waters, companies need to be clear about the strategic value they hope to derive from their customization efforts. When using it primarily to engage with customers and build brand advocacy, the cost is a marketing expense akin to PR, advertising, market research or social media campaigns. Pepperidge Farm’s investment in customizable Goldfish crackers augments its spending on branding, according to digital agency Fluid. Other companies pursue customization of a chosen product line largely for its direct profit potential. That, Fluid claims, is the impetus behind Longchamp’s self-design versions of its iconic Le Pliage tote bag. On the extreme end of the spectrum: building a core business around a customized offering, such as Wild Things has done with its design-your-own Insulight jackets.

Know how much customization you really need to offer. Some brands allow consumers to design a unique product that will be built to order, with a range of features that can be added. That’s what Indochino does

with its custom-designed suits, which are only available online. Other companies succeed by offering minor customization options—adding a monogram to a standard shirt or engraving a name on a briefcase. Some companies only allow customization in fit or design. And others, like Serena & Lily, provide “consumer-choice bundling.” Shoppers at Serena & Lily’s online store design their own bedding combinations. The process may feel personal but it does not involve actual customization: Customers buy existing products that are then collected from a warehouse and shipped to them. For most retailers, it’s the option that makes the most sense—they can sell from a standard product line. Serena & Lily’s average order value is 88% higher for customers who bundle than for customers who buy item by item, according to research by Fluid.

Make it simple. There’s a risk to customization. Customers need a simple and easy design template as a starting point, as opposed to a blank canvas. If the online design process is too complicated, difficult or unattractive, many potential shoppers will be turned off. They may also

Figure 3: Brand approach to customization, depending on life cycle and desired impact of offering



Source: Bain research findings

reject too many options. That's why the best companies isolate the number of features that can be tailored. In footwear, that could mean limiting options to the 7 to 10 design choices that are both important to customers and easy to implement.

Let people share. Companies offering customization options have learned that after consumers invest time in designing their own products, they want to share their creations with friends and relatives. This social aspect helps companies engage with existing customers and, at the same time, draw new customers to their site. Longchamp provides a Facebook application that allows customer-designers to share their handbag creations online. Other companies give customers the ability to create a virtual catalog of all their designs. Companies can make design leaders out of their most creative customers, ranking them based on the number of followers and acknowledging those who are most popular.

The North Face has launched a gallery of designs created by customers for its Denali jacket, which serve as inspiration points for others. Jeld-Wen enables real-time, online collaboration for customers to co-create and share customized door designs.

Enhance the customer experience—and don't disappoint. Engaging customers through customization raises the stakes. If you're going to play the game, you need to make the process of designing products enjoyable and the process of returning them seamless.

As more retailers and brands give their customers the design-it-yourself option, they should see a boost in profitable revenues, stay connected to their best customers and lower costs. Winners will be those that know their objectives, understand how much customization they really need, keep things simple and create a repeatable model for delighting customers again and again. 

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