

# Vipp A/S



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## **1 Executive Summary**

The project discusses three major aspects, being customer buying behavior, decision models for improving the product development process and designing a marketing strategy. All these aspects are trying to be applied to the Vipp A/S Company.

Consumer value and consumers' buying behavior:

In the first part different models and theories are presented and discussed to get an understanding of the value that the Vipp products have on the consumers and how the consumer buying behavior is when purchasing a Vipp product. Maslow's hierarchy of needs and customer perceived value is discussed in relations to Vipp. The involvement of purchasing a Vipp product and the consumer buying behavior in this relation is also discussed. The last part of this chapter the self concept of the Vipp consumer is presented.

Decision model:

In this second part of the project, an executive decision making process will be described and put into relation with Vipp. Furthermore, suggestions to the product development process and identification of new market opportunities are listed. At the end specific suggestions will be chosen and analyzed according to Vipp.

Marketing strategy:

The third aspect which will be discussed in the project will be about how to improve the customer buying behavior in relation to the Vipp brand. The framework that will be presented will use knowledge from both previous parts, presented in the project, and also other aspects considered important, will be taken into consideration.

## 2 Introduction – How and what is Vipp

Vipp is a Danish company which goes 70 years back, with the first trash bin being made back in 1939. The first trash bin was made by Holger Nielsen, the founder of the company. In 1994 Jette Egelund, Holger Nielsen's daughter, took over the company, and starting changing the company to be more design oriented. It was also at this time she starting selling the trash bins to private consumers and markets outside Denmark. Vipp's head office is located on Island Brygge in Copenhagen. Both Jette Egelund and her two children also participate and work in the company. Vipp is herby a family owned company with around 20 employees (Case, 2011).

The company's growth began in the 1990s and when Jette Egelund took over, she made many strategic changes in the company, for example she decided to outsource the production of the bins to other Danish located companies. Actual sales of the Vipp products are done through retailers, which mean that a careful selection of those is important.

In spite of the financial crises, Vipp has done well doing the last years, it has doubled its net worth doing the last five years and it has increased its turnover by 34 %.

The future provides many opportunities and challenges for Jette Egelund and her business, both when dealing with new initiatives both also when continuing trying to develop new and interesting product lines for the customers (Case 2011).

### 2.1 Limitations

- The project's size, appearance and the three case-questions.
- When dealing with the executive decision making model, some of the 8 steps will not fully be analyzed, because of lack of information, but all 8 steps are put in relation to Vipp. It is based on suggestions and information from the case.
- In the chapter concerning the brand customization strategy, there will not be presented indications precisely for Vipp, because the indications would have been based on too many assumptions and it would have made them irrelevant, but there will be presented some suggestion for the Vipp concerning the marketing strategy.

### 3 Consumer Value and Consumers' Buying Behavior

In the following the value of Vipp's products to consumers and the consumers' buying behavior in relation to Vipp's products will be discussed. This will be done through different models and theories from the course and additional literature. This will be done to get at better understanding of what value Vipp's products has for the consumers and the consumers behave when purchasing a Vipp product.

#### 3.1 Consumer Needs and Maslow's Hierarchy of Needs

According to Abraham Maslow it is possible to classify human needs into a hierarchy consisting of five levels ranging from psychological needs to the need for *self-actualization*, see figure 1 below (Bentzen, Session 7).

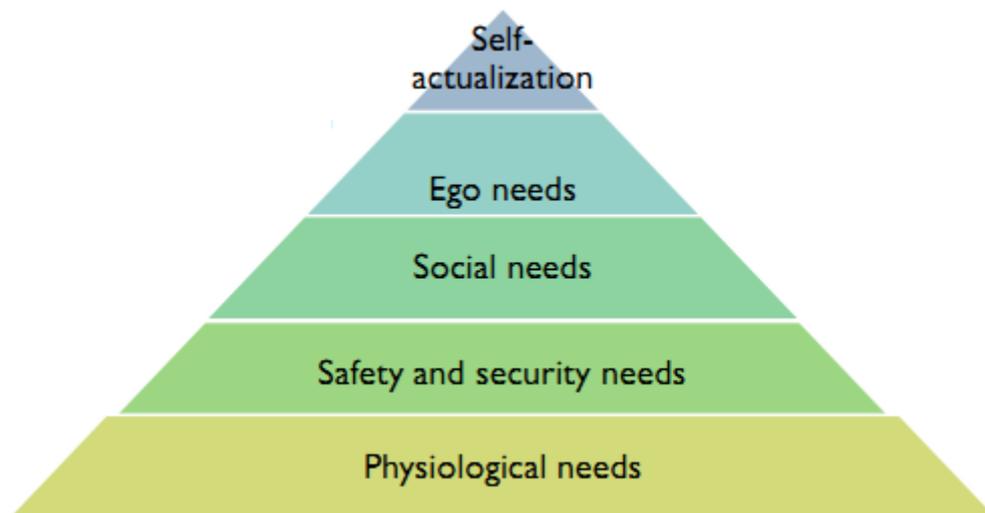


Figure 1 Maslow's Hierarchy of Needs

In relation to Vipp's products it is relevant to focus on the level of egoistic needs which can be separated into two orientations: an inward or outward. The inward orientation refers to a person's need for self-acceptance, self-esteem, success, independence and personal satisfaction, whereas the outward direction refers to a person's need for prestige, reputation, status and recognition from others (Schiffman et al., 2008, p. 123). One can argue that when choosing to buy a Vipp product it is due to the fact that a person wants to fulfill inward as well as outward directed *ego needs*. The Vipp products can fulfill a person's need for personal satisfaction as well as the need for prestige and recognition from others.

It is relevant to mention that needs can be divided into innate and acquired needs. Innate needs (primary needs) are of psychological character and the acquired needs (secondary needs) are seen as a result of the actual environment or culture (Schiffman et al., 2008, p. 105). There is no doubt that the Vipp products are related to the acquired needs as they can only fulfill a person's secondary needs for e.g. prestige and self-esteem as mentioned in relation to the fourth level in Maslow's hierarchy of needs.

An interesting and alternative approach to the hierarchy of needs is by turning the pyramid upside down. By doing this it can be clarified whether people are willing to neglect some innate needs to afford a Vipp product and satisfy their higher-level needs.

### 3.2 Customer Perceived Value

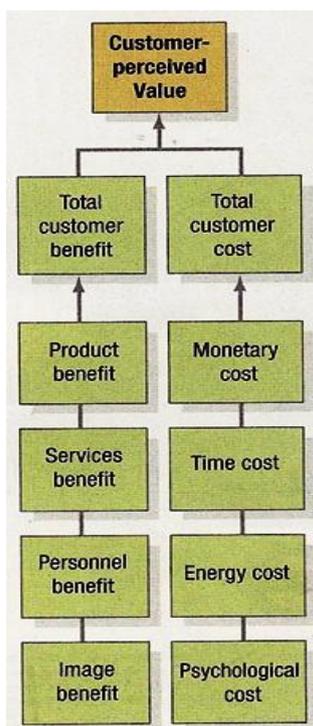


Figure 2 Customer Perceived Value

What customers are looking for, are products that provide them with the value that they require, and looking at customer perceived value (CPV) there are different factors that make up the CPV.

Customers estimate which product supplies them with the most value and this is the product they purchase. The customer satisfaction depends on the fact that the product supplies the value that the customer expects. If the customer gets the expected value the customer will be more inclined to purchase the product another time than if the value did not live up to the expectations of the customer.

Figure 2 shows the CPV that is present with any given product. The perceived value is the difference between the total customer benefit that the customer gets out of the purchase and the total customer cost related to the purchase (Kotler - Keller, 2009, p. 161).

It is different from customer to customer what they find most valuable. One customer might go for the cheapest product and not care much about the image of the product benefits, whereas other customers might go for the product that they feel will boost their image, such as a Vipp product that represents luxury and design.

It is very important for a company to satisfy its customers for them to be loyal and repurchase the product. As Kotler and Keller state it *“In general, satisfaction is a person’s feeling of pleasure or disappointment that result from comparing a product’s perceived performance (or outcome) to their expectations”* (Kotler - Keller, 2009, p. 164). If the customers do not get the expected they will be disappointed and more reluctant to come back another time. On the other hand if the products performance exceeds the customer’s expectation that will result in high satisfaction and therefore this customer is more likely to re-purchase. It is different how customers judge the product’s performance because they have different ties to the product. A loyal and frequent customer is more likely to have a positive attitude towards the product than a customer that has only bought the product once. The customer’s expectations of a product are a big factor in how satisfied the customer is with the product. If the customer has high expectations it will most likely be harder to highly satisfy the customers (Kotler - Keller, 2009, p. 161-164).

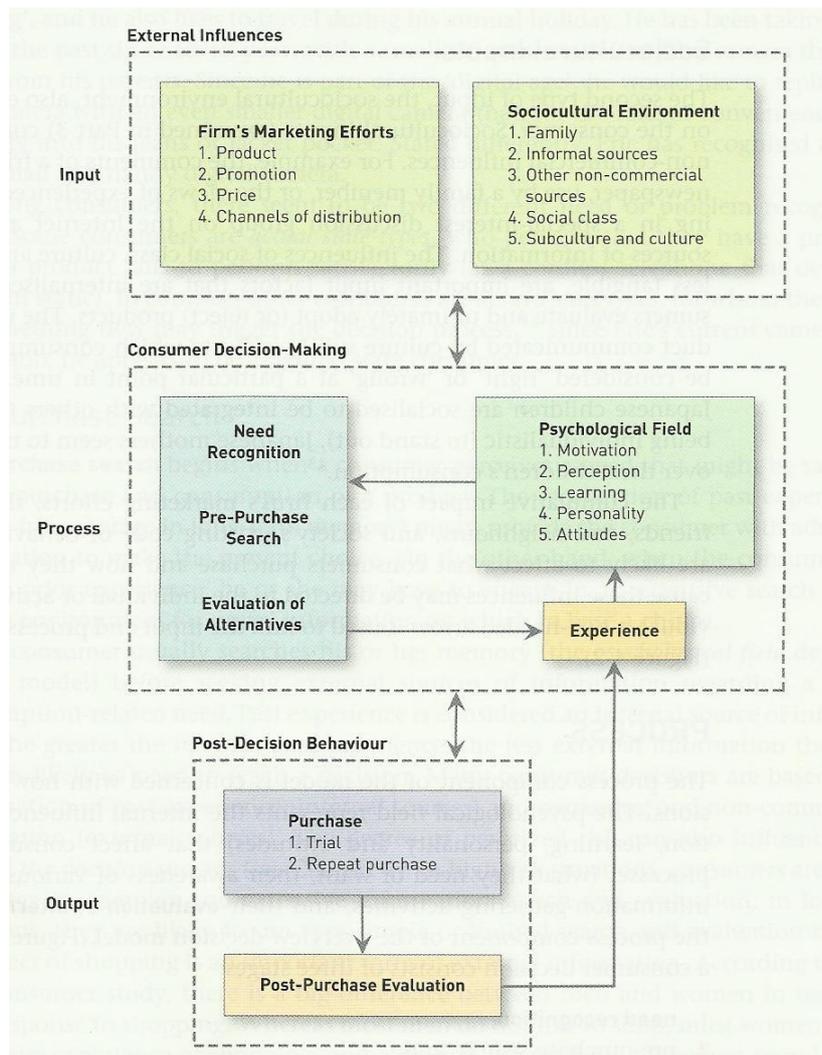
In the case of Vipp’s products it is essential for Vipp to make sure that the sum of benefits exceeds the sum of costs experienced by the consumer when buying a Vipp product. Especially the product benefit versus monetary cost is critical as Vipp constantly has to make sure the consumer experiences value-for-money. When taking into account the fact that the prices on a Vipp trash bin highly exceeds the price of a regular trash bin, Vipp has to provide and maintain high quality and add extra dimension to the product to justify the higher price. When doing so, by adding more personal and emotional features to the product, people perceive the products differently and are more willing to accept the higher price which results in an increased customer perceived value.

### 3.3 Involvement and Consumer Buying Behavior in Relation to Vipp's Products

Schiffman et al. argues that the degree of involvement determines the consumer's level of motivation to search for knowledge or information about a product (Schiffman et al., 2008, p. 208). A person's level of involvement can be high or low. When a person has a high involvement it is often because the product has a high degree of personal relevance and there is a perceived risk related thereto. On the contrary low-involvement purchases usually have a low degree of personal relevance, which means that the information processing is limited and have little perceived risk.

As argued previously the Vipp products hold high personal value and relevance for the individual as they fulfill egoistic needs. Furthermore, the products are rather expensive and this is why it is assumed that there is a relatively high perceived financial risk related to buying a Vipp product. The Vipp products can therefore be classified as high-involvement products and the purchase decision is likewise thoroughly considered and the information processing is extensive. It is argued that consumers who are highly involved in the purchase use attributes related to the product to evaluate the brand, which is something Vipp should be aware of in the marketing decision making. Even though there seems not to be a clear definition of how to measure involvement, this project relies on an approach where researchers view involvement as a cognitive state focusing on ego involvement, risk perception and purchase importance as the determinants of an individual's involvement. This is in accordance with the previous classification of Vipp products as being products people buy to satisfy their ego needs (Schiffman et al., 2008, p. 230-236).

When looking at consumer's buying behavior, a model which can be used to explain this is Schiffman et al.'s model of consumer decision making. The model, in figure 3 (Schiffman et al., 2008, p. 75), has three phases which are the input where the external influences are found, the process which is the actual consumer decision making process and the output which deals with the post decision behavior.



**Figure 3 A Model of Consumer Decision Making**

The external influences are divided in two; the marketing inputs and the sociocultural inputs. The marketing inputs are concerning the different marketing activities a company conducts to reach the consumers and get them to buy the products the company offers. It represents the total marketing mix of the company which is consistent of the four P's. The sociocultural inputs also have quite a large influence on the consumer and are consistent of the input the consumer gets from the surroundings. This being the opinions and comments of one's friends and family, the influence the media has on the consumer, social groups, subculture, culture etc. (Schiffman et al., 2008, p. 75-76).

The process of the consumer's decision making is divided into three steps; need recognition, pre-purchase search and evaluation of alternatives. In the step of need recognition the consumers realize that there is a problem or a need they want

fulfilled. There are two different styles of recognition: the actual state types and desired state styles. The actual state style refers to the actual need for something, whereas the desired state style refers to the desire or want of something new which triggers the decision process for the consumer. In the case of Vipp the consumers are most likely purchasing a product they desire because one could argue that one can satisfy the actual need, for example a bin at a lower cost than the cost of the Vipp bin. The pre-purchase search is the step where the consumers search for information about the needed or wanted product. Depending on the type of product some information searches are more extensive than others. Presumably, the consumers search for information until they have the needed amount of information and continue searching as long as it is rewarding. In the case of Vipp the consumer will, arguably, search for information to some extent because the level of involvement in purchasing this type of product is high and can for the individual contain some perception of risk. Vipp's products are high priced luxury goods and the consumer will, most likely, want to know which features the products have, what sets them apart from other products, which colors are they available in etc.. The third step in the decision making process is the evaluation of alternatives. In this step the consumers can use two different types of information (Schiffman et al., 2008, p. 76-80).

*“1. A list of brands (or models) from which they plan to make their selection (the evoked set), and*

*2. The criteria they will use to evaluate each brand (or model).” (Schiffman et al., 2008, p. 80)*

There are different factors in the psychological field that influence the decision making process this being motivation, perception, learning, personality and attitudes. Also the consumer's past experiences influence the decision of the purchase (Schiffman et al., 2008, model p. 75). It is assumed that the consumers have a positive attitude towards the Vipp products as they are willing to spend a certain amount of money on these exclusive products. Furthermore, it is assumed that the consumers have an interest in design – especially Danish design - and appreciate the functions and characteristics related to the products and the Vipp brand.

The output phase of the model is consistent of purchase and post purchase evaluation. There are three different types of purchases; trial purchases, repeat purchases and long term purchases (Schiffman et al., 2008, p. 89). In the case of Vipp the purchase type is, most likely, a long term purchase because of the high price and the high involvement there is in buying this type of product. When buying a Vipp designer bin one buys a bin that one will probably have for several years and therefore it is a long term purchase. When looking at post purchase behavior, there are three types of possible outcomes:

- “1. Actual performance matches expectations, leading to a neutral feeling:*
- 2. Performance exceeds expectations, causing what is known as positive disconfirmation of expectations (which leads to satisfaction); and*
- 3. Performance is below expectations, causing negative disconfirmation of expectations and dissatisfaction.” (Schiffman et al., 2008, p. 90)*

The fact that the consumer is neutral, satisfied or dissatisfied has an influence on how the consumer perceives the experience of the purchase and this can affect future purchases the consumer makes (Schiffman et al., 2008, p. 90).

### **3.4 The Self Concept of the Vipp Consumer**

The self concept is an important notion to take into consideration in relation to Vipp's products. As stated previously the products satisfy ego needs and make a person feel a certain way about him/her-self. There are thus four different self images: the actual self-image, ideal self-image, social self-image and ideal social self-image. In a purchase situation it has been shown that the intention to buy a certain product increases as the fit between brand image and self-image correlates (Schiffman et al., 2008, p. 155), indicating that brand selection reflects ones personality. In regard to this, and the customer perceived value of Vipp's products, it is presumed that consumers buy the products in order to confirm several of their different selves. By purchasing a Vipp product people can use it actively to underline the way they in fact see themselves, to guide the way they would like to see themselves, to feel that others see them in the

desired way and finally to signal how they would like others to see them. This is related to the fourth level in the hierarchy of needs, see figure 1.

For Vipp it is of great importance to take notice of people having multiple selves, needs and perception of value and be aware of the fact that the products might be used to signal several statements to the self as well as to others. The latter refers to the concept of the extended self. That concept focuses on the idea that possessions can confirm or extend a person's self-image as human emotions can be connected to valuable possessions (Schiffman et al., 2008, p. 158). People tend to use such possessions, like Vipp products, to actively create one's self-concept, reinforce and express self-identity, differentiate oneself or assert one's individuality and connect one's self to significant others (Bentzen, session 7). It is assumed that owning a certain product or brand will be associated with pleasant feelings and create value for the individual and create one's self image (Xie, Bagozzi & Troye, 2008, p. 111).

## **4 Executive Decision Making**

In this chapter the focus will be on executive decision making and how Vipp is working with these elements. Furthermore ideas and suggestions to product development and new market opportunities will be described and at the end it will be possible to say how Vipp should work with executive decision making in order to improve that.

### **4.1 Product Development and Identification of New Market Opportunities**

When dealing with decision models to improve the company's product development and identification of new market opportunities it is first of all interesting to describe how Vipp has taken such decisions before. Their processes around development of new products are described as controlled by the designers, also known as the creative side of the company. The process, is furthermore, not very formalized and the CEO of Vipp, Jette Egelund, is well aware of, that creativity depends on people's emotions. This means that the designers need freedom and independence to design the right products. When talking about Vipp most of the decision making is in the hands of the designers, but both Jette Egelund and her son and daughter is also a small part of this. To develop new products takes time, and according to Vipp, they focus on long term thinking through all of their product lines. First, it is necessary for the company to keep making new products and product lines to keep up with innovation on fashion. She also mentions that they are aware of the fact that the design oriented approach, can be risky. Here it is important to mention that Vipp does not have any connection or testing towards their costumers, when launching new products (Case, 2011). Therefore this is seen as one of the suggestions to the company, which they might gain success from, because customers is the most important thing a company has. So here the advice is possibly to make surveys to clarify what it is specifically the customer wants, which features, colors, sizes etc., to reach a higher number of possible customers (both B2B costumers and B2C costumers). This means that Vipp needs to listen more directly to their customers. For example could it involve the customer, if Vipp makes an event like "design your own Vipp trans bin". This will also help the company to pin out what the costumers need. Jette Egelund is also aware of the fact that they need to develop and follow more strong decision models, in order to

survive in the future. This will, especially, be important when dealing with risks in the product development process, and if the product has been tested towards “real” costumers then the risk will be smaller. When talking about identification of new market opportunities, Vipp is not interested in spending a lot of money on marketing activities, but they still need to identify new sales prospects to allow their management to optimize the use of what amount of money the company can spend on this type of activity. Here Jette Egelund highlights that this type of identification requires a lot of information, and Vipp do not want to hire another business to gather and process this information (Case, 2011). Therefore, it is seen as a suggestion for Vipp, that it is a good idea to open own retail stores, so it will be possible for them to enter new markets and to reach new segments, without needing to conduct a lot of marketing activities, but instead be positioned where the costumers are, not only in retail shops, but in their own physical stores. At this time an online retail store is also an opportunity. Here the B2B market is also seen as a big opportunity, Vipp does already sell products to different costumers in this segment, clinics, hospitals etc., but a suggestion will be to develop this even further, so it also will include such business as hotel chains and restaurants. If a costumer sees these products at luxury hotels and in restaurants, it might encourage them to buy, and people willing to spend that amount of money in hotels and restaurant might also be willing to buy a Vipp product. Vipp does also use magazines to promote their products, and in this sense it might be a possibility for the company to work even closer together with house decorators and well known designers, as they have had success with in the past. At the moment Vipp’s primary focus, when searching for new market opportunities, is North America, especially the US, here they are trying to determine future best costumers. In this sense it might also be a possibility to expand to other foreign markets, for example to Asia. When dealing with foreign countries, outsourcing is a suitable discussion, here it might be possible to outsource some parts of the production to save money or to use the money elsewhere, for example to do marketing activities. The most important thing for Vipp is to keep the “Vipp DNA” through all their activities, both when developing new products and lines but also when doing charity actions and magazine activities, which is one of the event they gain success from (Case, 2011). It is important for Vipp that every product comes with a story, that every product has a personal connection in some way, which means

that buying a Vipp product can be seen as an experience and also word-of-mouth marketing becomes hereby important, because people will rather tell a story about something that they have experienced, then talk about a commercial from television etc..

A sum up of suggestions for Vipp:

- New product lines.
- New product types.
- Connection and interaction with customers.
- Listen more directly to customers.
- Focus on B2B customers and markets.
- Focus on B2C customers and markets.
- Create your own trans-bin.
- Open own retail stores.
- Online own retail store.
- Continue to use magazines as promotion.
- Continue to work together with famous designers, actors, singers etc..
- Expand to other foreign countries.
- Outsource some part of the production.
- Keep the “Vipp DNA”.
- Continue to do storytelling to each product.
- Connect all Vipp products with an experience.

## 4.2 Executive Decision

When a company has to make decisions, routine or non-routine decisions, the executives have to take the decision making process serious because it can be expensive for the company if the executives make too many wrong decisions. There will also be costs regarding making a decision model over the decision process, but in the long term more correct decisions will be made because many factors are considered and the first upcoming suggestion are maybe not that good when all factors are considered. There will, most likely, also be more work regarding making a decision model (Schmidt, 1958).

### 4.2.1 Types of Decision Making

Not every problem in a company is the same and therefore the decision making process is also not the same. Therefore different types of decisions making are needed when different decisions has to be made. Because there are different types of decisions making processes some factors have to be considered before making a decision:

- Decision levels.
- Decision styles.
- Decision processes – rational and/or intuitive (Schmidt, 1958).

#### 4.2.1.1 Decision Levels

The first thing an executive has to ensure is if a decision really needs to be made. After ensuring this, then the executive has to find out the level of this decision.

When executives have to make decisions it is logical that it is not always at the same level. Some problems are bigger than others and some situations are more complex. Therefore it is good to know the level of the decision.

There are some elements which have influence upon the decision level. These elements are:

- Simple or complex decisions – if the decision is simple and do not affects others, than it can be made easily and efficiently. When finding out if the decision is simple or complex some factors have to be considered. These factors are: the risk associated with the decision, the costs if the decision making goes wrong and also the resources needed. When all these factors are considered the executive can conclude if the decision will be simple or complex.
- The importance of the decisions – what and who will be affected by the decision and in how long of a time period. If it is important now or in the future, and to whom it is important.

- Strategic or operational decisions – if the decision is a day-to-day decision then the top executives should not be involved and if it do not affect many aspects, for example many employees, the nature of the decision is on an operational level. But even if it is a day-to-day decision it could be on the strategic level. (Tesar, 2011).
- Novel or routine decisions – if the decision is a routine decision then it will be best dealt with by the organizations procedures. If it is an adaptive decision, it could require intuition, experience and at the same time using techniques. It could also be an innovative decision which deals with new and novel issues and opportunities. The innovative decision requires creative thinking and more than one person to decide.

It is quite likely that there will be a relationship between some of these factors but even if the decision is important it does not mean that it is always complex (Schmidt, 1956).

#### ***4.2.1.2 Decision Styles***

Depending on which decision that has to be made, different decisions styles has to be considered. Executives make decisions differently and sometimes they have to involve more people to make the right decision. It is also important to have the human variables in mind when talking about decision styles. The human variables such as personality, motives and values play a role because not every executive has the same personality and therefore will not have the same decision style. The human variables will not further be discussed but only mentioned as important factors which have to be taken into consideration. According to the decision style, executives have to decide whether the decision has to be made by a large group, by a few people or by a single person on the basis of the complexity and the importance of the decision and on which level the decision should be made (decision-making, 2011).

#### ***4.2.1.3 Decision Processes***

When an executive has to make a decision the process will be different depending on the decision level and decision style. There are two ways of how the process progress.

The first is called the rational decision making and the other is called intuitive decision making.

Rational decision making: a rational decision making model is about structure and discipline. This kind of decision making model also gives a thread through the process and brings order to the decision making. The rational decision making process is in 6 or 8 steps depending on how one looks at it (Tesar, 2011 and decision-making, 2011). These steps are:

- List alternatives
1. *Define the problem or opportunity* – the executive recognize that there is a problem or an opportunity where there is need for a decision (Tesar, 2011).
  2. *Identify information needs* – the executive has to find the relevant information needed to make the decision (Tesar, 2011).
  3. *Analyzing the situation* – the executive has to find out what type of action is needed and which are available for the process.
  4. *Developing options* – the executive has to be creative and come up with different options which could be the answer.
  5. *Evaluating options*- it is important that the options are being evaluated because then the executive will know something about the feasibility, flexibility and the strengths and weaknesses concerning every option.
  6. *Selecting the optimal alternative* – out from the evaluated options the executive can now choose the option which is the best for the specific problem or opportunity (Tesar, 2011).
  7. *Implement the optimal alternative* – now the plan has to be implemented and the executive has to start up with getting the decision out (Tesar, 2011).
  8. *Follow up on the decision* – the last thing which has to be done is to follow up on the chosen decision. The executive has to evaluate if the decision was the right one or what could have been done differently if something went wrong (Tesar, 2011).

When executives use the rational decision making model they have to consider two weaknesses so they can make the best decision. First, the involved have to participate

adequately and second, the fourth step is very important because it is in this step the creation of the decisions are made. Therefore, if the involved persons do not use sufficient time on this step, the wrong decision could be made (decision-making, 2011).

Intuitive decision making: intuitive decision making is versus the rational less structured. This kind of decision making is almost the opposite than rational decision making. Intuitive decision making is more instinctive and subjective. Many executives make rational decisions but without thinking about it they also have to make intuitive decisions. The reason for this is that it is not always possible to collect enough information and there is not always enough time to collect information before the decision has to be made. Another reason for the fact that executives sometimes make intuitive decisions, is that they are sometimes required to make quick decisions because of pressure either due to too little time or too big a working pressure. The intuitive decision making is based on judgments which are affected by factors such as experience, values, attitudes and emotions. Sometimes intuitive decision making is the fastest way to make decisions because rational decision making can give slow processes because of all the information which are needed. Sometimes executives use the intuitive decision making in the rational decision making to cut through the extreme amount of information which can delay the decision making.

The weaknesses concerning the intuitive decision making is that executives can forget important information and maybe are their experiences not always enough and their emotions and attitude can also get the decision to go in the wrong direction. Depending on which kind of decision the executives have to make, the intuitive decision making can be useful and save everybody time and unnecessary work (decision-making, 2011).

### **4.3 Suggestions to Vipp According to Executive Decision Making**

The decision making process will not be exactly the same in all opportunity scenarios. This depends on the level of risk and how big an impact the decision will have on the entire company. In this section opportunities will be chosen and furthermore

analyzed through the decision making model when focusing on the product development process and identification of new markets. Firstly the most important suggestion to Vipp is to follow the above explained executive decision making theory. The chosen suggestions will provide Vipp with information on how to approach the decision making process in order to develop products and find new markets.

One of the chosen ideas will be to develop how Vipp can have a bigger communication with their B2C customers. The reason for chosen this idea is the fact that Vipp is well aware of that this is an area which is lacking and the fact that the individual consumer accounts for 90 % of total sales. Furthermore the design-oriented approach has high risk levels, and these levels will, by more customer interaction, decrease. According to Jette Egelund, Vipp also needs to develop more robust decision models in order to control their risk levels in the future (Case, 2011).

To keep the focus on the B2C customers the other chosen idea will be to develop new types of products and product lines. One of the ideas is to further develop the new kitchen line because, like mentioned earlier, 90 % of their total sales comes from individual customers. To get a better overview of the ideas a small summary will be made:

Idea one: Focus on communication with B2C customers.

Idea two: Focus on development of new products and lines.

#### **4.3.1 The Executive Decision Making Process in Vipp**

In this section the theory will be used regarding to Vipp and the two suggestions will be analyzed.

The factor which has an influence on decision making is the decisions level. There are some elements which have to be considered when finding out which level the decision is on. The following elements should be included in the decision making:

- Simple or complex: Idea number two is a focus which Vipp has worked with before and customer interaction is something new, therefore it is also possible to say that the risk level is high in idea one. If the decision making goes wrong,

the cost will be higher in idea number two than one. The reason for this is that Vipp can decide if they want to use the customers' ideas but if something goes wrong in the development of new products, the costs will be high. In both of the ideas a lot of resources and people will be needed but the resources will be different. Therefore it can be concluded that both ideas contain complex decisions.

- The importance: because both ideas are somehow new for the company it will therefore affect most of the departments in the company and both ideas are also ideas which will affect Vipp in the long term. Especially the product development idea, because Vipp is very focused on long-term thinking when developing new products and lines. Therefore it can also be concluded that the importance of the decisions are high.
- Strategic or operational: The decisions to be made in both ideas are not day-to-day decision and because of the importance of the two ideas the decision to be made are on a strategic and not operational level.
- Novel or routine: When dealing with idea one it is novel decisions which are to be made, because Vipp has never had this type of interaction with their costumers before. When talking about idea two, it can both be novel decisions and routine decisions. The reason for this is the fact that the process behind product development is known, therefore these decisions can be called routine decisions, but because the product also has new features, some of the decisions will also be of novel character.

When concluding the decision style in the decision making process it is important to know how many people who should be involved in the process. After finding out that the decision level is strategic then it would be a good idea to involve a larger group of employees who are used to dealing with decision making and also daily works with Vipp's products and know how the organization operate. Because of the complexity and the importance of the decisions it is also important to include a larger group of people in both suggested ideas.

As mentioned earlier, the company is aware of that they need to develop more forceful decision models. This indicates that the decision process in Vipp, in this moment, is more intuitive than rational, based on the fact that nothing is decided on

the basis of models or plans, but that the company deals with the problem when it appears (Case, 2011). When Vipp works with the two ideas, the decision process needs to be changed from intuitive to rational. The reasons for this are many, but the fact that the decision levels and styles where almost declared high or important are reasons for needing a plan when dealing with decision making in these two suggested ideas. These ideas also need structure and discipline to succeed, and therefore the rational decision process is seen as the most appropriate for Vipp.

Figure 4 shown bellow (own creation with inspiration from Tesar, 2011 and decision-making, 2011) is the rational decision making process which will be the most appropriate process for Vipp.



Figure 4 Executive Decision Making

Vipp has to go through the process from the beginning to the end to come up with the best decision. The two most important steps in the process are the *search after information* and *developing options*. The first step is important because if the company does not get the right information then the decision will be made on the wrong background and on the other hand it is also important not using too much time on collecting the information. The reason for this is that too much information will make it more difficult for the decision maker to get an overview. The other important step,

*developing options*, is also significant because it is in this step where the decision makers have to be creative and come up with the new ideas.

Vipp has already indentified that they have some opportunities such as product development and market opportunities. In the next step Vipp has to find the information they need about product development and market opportunities, here the information could be about which products they could start by developing and what the design should be. Then the next step deals with analyzing the situation, where Vipp needs to find out what they need in the process to make the decision. The fourth step is about creativity; here Vipp has to come up with all their ideas and suggestions according to product development where a further development of the kitchen line could be a possibility. In the next step they have to gather the ideas and give an overview over the strength and weaknesses concerning every idea. The sixth step is where Vipp has to decide which of the ideas they will use, for example concerning product development. If this idea is the best of the selected ideas from step four then this idea is the optimal alternative for the company. The next is to implement the decision and if Vipp's decision is to further design the kitchen product line then they have to continue with that. The last step is to follow up on the decision, so they get an idea about if it was the right decision. If it turns out to be a wrong decision, Vipp would have had an indication about what it will cost them, so in general there should not appear surprises when using the rational decision making process compared to the intuitive.

## 5 Brand Customization Strategy

In this chapter a process for customizing the brand will be presented. It is chosen to present a brand customization strategy. Due to the fact that Vipp already is a brand, a brand building strategy is not relevant for the case; the same is the case with the re-branding strategy. In the following a general framework for customizing the brand, with theoretical explanations and indications on how it is better to do, will be presented.

### 5.1 Objectives

When dealing with creating a strategy, a company has to start by formulating the objectives. In this case the objective is to give more resonance to the brand name in order to change the customer's buying behavior.

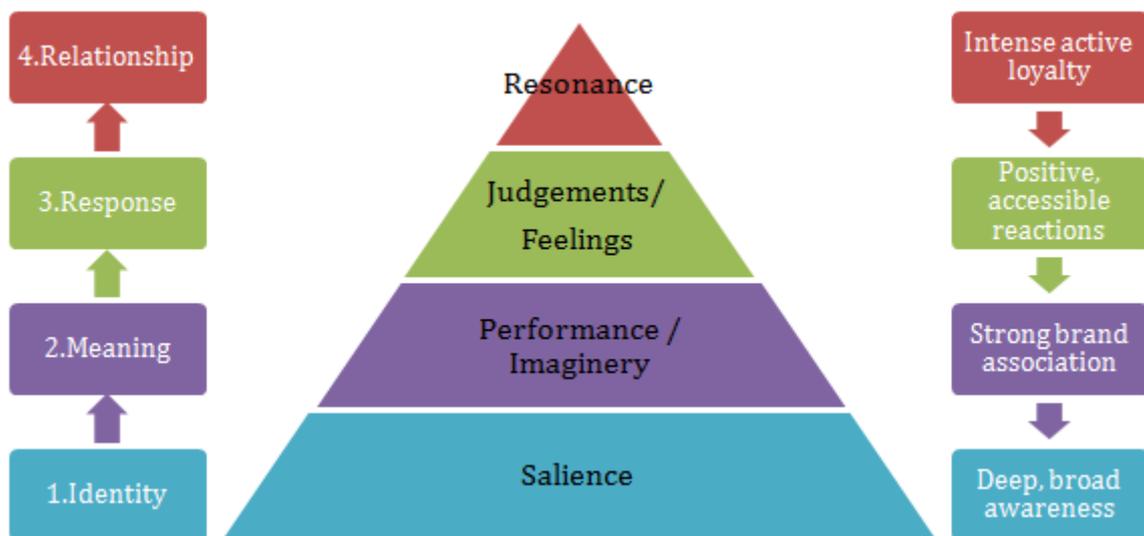


Figure 5 Brand Resonance Pyramid

According to figure 5 (Kotler-Keller, 2005, p. 281), brand building require four steps: brand identification and association of the brand with a specific product or need in the customer's mind, establishing the totality of brand meaning in the minds of customers through tangible or intangible associations, causing the proper customer judgments and feelings related to the brand, and converting the customer brand response into a loyalty relationship (Kotler-Keller, 2005, p. 280).

The creation of significant brand equity involves reaching the top of the pyramid and for that to happen, the previous building blocks need to be taken into consideration.

Brand salience, the first block, represents the number of times the brand name is evoked in purchasing situations; the brand performance refers to the functional needs that the product has to meet; the third block, brand imaginary, deals with meeting the customer's social and psychological needs; the brand judgments and brand feelings, blocks number four and five, focus on customer's personal opinion and evaluation, but also on the emotional reactions of the customers with respect to the brand; finally the brand resonance refers to the nature of the relationship that the customers have to the brand (Kotler-Keller, 2005, p.280).

In this case, each block needs to be evaluated in order to be improved:

- Is the brand name evoked in purchasing situation? More advertising efforts are needed?
- The performance of the product can be improved? It covers the functional needs?
- The imaginary part of the products is according to the social and psychological needs of the target customers?
- Where is the place of Vipp's brand in the customer evaluation? What are their feelings regarding the brand?
- Are the costumers loyal to the brand? What will make them loyal?

For some of the customers of Vipp products, some of the blocks are already completed, but the strategy focus on acquiring more customers and improving the relationship with existing customers.

The marketing strategy can refer to how the company has to promote and better the product in order to increase the brand awareness. Vipp needs to think about if, when evaluating the products, the sum of benefits perceived by customers, exceed or is closely related to the cost, also if the products actually cover the inward and outward ego needs of the target customers.

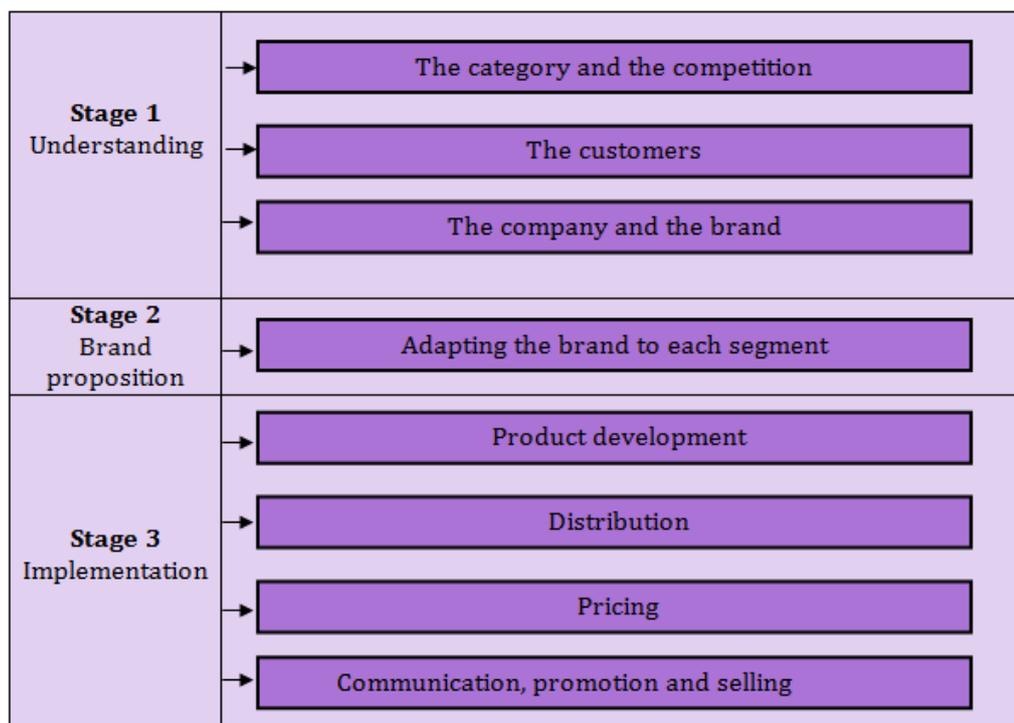
## 5.2 Customizing the Brand

The buying behavior of the customers can be changed through very expensive mass-marketing advertising. This might represent a big compromise for the company and might not conduct to a loyal relationship between customers and company and only determinates people to experience "the trial purchase" if the products do not meet

the expectations. In fewer words, delivering a brand promise based on a compromise is not a good way of starting.

A customized brand is a brand with a customized proposition to the individual's particular circumstances, requirements, needs and desires without losing the identity and profile of the brand. A customized brand delivers to each customer an individual total brand experience (Nilson, 2003, p. 4).

In the figure 6 below (Nilson, 2003, p. 53) a three stage model, about how to customize the brand for developing it into something desirable, is presented.



**Figure 6 Customization of the Brand Proposition**

The first stage is about understanding the category and the competition, the customers and the company brand. To be able to create a good brand proposition it is necessary to have a solid understanding of the business dynamics.

The second stage is the core of the process; it is about how to adapt a singular brand platform into different segments and how to keep the brand together as a cohesive unit.

The third stage is about implementation, the implementation skills often make or break a brand (Nilson, 2003, p. 54).

### 5.2.1 The Category and the Competition

A company has to identify the category of products that they produce and send the message in this way. When the category is changing or becoming larger, customers might get confused (Nilson, 2003, p. 62).

Vipp started by selling trash bins and now they are selling a bigger pallet of accessories, lightning, furniture and so on (Vipp homepage), this means that also the competitors vary depending on the products.

It is important for the company to clarify the categories of products that they focus on, to better identify the most important competitors and to search for information about their ways of doing business, about their key customers and how much success they have etc..

Suggestions: Vipp has to check with the vision and mission statements, and change it, if it is necessary. Furthermore, a benchmarking analysis is needed in order to analyze the competition to find ways to be different from competitors.

### 5.2.2 The Customers

Every business needs to know its customers to be able to serve them in the right way. To know the customers do not only refer to knowing the existing customers but also all the potential customers. It is very important to know the existing customers because it will be easier to find future customers by carefully looking at the existing customer base, one can find pointers to new customer categories.

As for all business the best customers matter. The best customers can be identified through the selection criteria: turnover and frequency. Also the other customers should not be excluded but the company should not focus so much on them (Nilson, 2003, p. 67).

Suggestion: To check data that the company might have about the existing customers, external information about the customers from a general point of view, segmentation through different methods.

### 5.2.3 The Company and the Brand

Identity represents the message that a company transmits without words. Every company can differentiate from another through unique core skills.

A brand represents the reputation of the products, the company, a certain personality or another entity. The reputation is the effect of all activities that are made under the brand name (Nilson, 2003, p. 77).

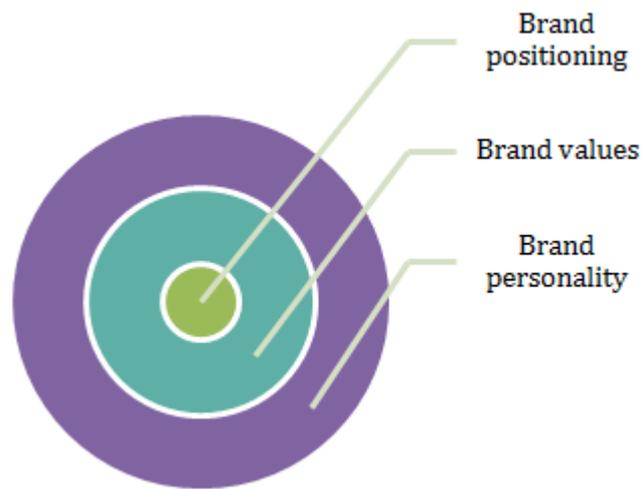


Figure 7 The Brand

The brand stands for a promise, a core positioning (Volvo is a safe car, Ferrari is a very fast and exciting car, Coca-Cola is refreshing etc.). The positioning is the core and center of the brand, see figure 7 (Nilson, 2003, p. 79). The brand values are the values which best represent a product or a product category (Volvo is Swedish and reliable, Ferrari is Italian and macho, etc.). Brand values are not the same as the culture of the company but the company culture values and the brand values should be in concordance and not in opposition because it can affect the credibility.

The *brand values* part is the layer outside the positioning, followed by the brand personality (Nilson, 2003, p. 78).

The brand personification tries to recast consumers' perception of the attributes of a product into a human-like character (Schiffman et al., 2008, p. 150).

Suggestions: An example for brand positioning is household articles with a Danish design, for brand values it can be "love" due to the love story and "inspiration" due to the fact that the company is design orientated and for brand personality it can be "sophistication" and "excitement".

#### 5.2.4 Adapting the Brand to each Segment

The brand proposition has to differentiate the brand in each customer or potential customer mind conducting to a better perception, experience an acceptance of the products in comparison with other product alternatives (Nilson, 2003, p. 82-92).

The adaptation can only be made after segmentation, there might be needed socio-economic information but also the customer behavior perspective is important, see chapter about Consumer Value and Consumers' Buying Behavior. Another perspective to be taken into consideration is the competitor's perspective. The brand adaptation purpose is to make sure that what they offer is what the individual wants (Nilson, 2003, p. 82-92).

It is hard to make it completely different for each segment, and the company can leave place for interpretability, also the customers have something in common and only small details differentiate them (Nilson, 2003, p. 82-92).

Suggestions: To make a segmentation of the customers and potential customers and search for the common factor of all the segments and also from the most important details that dedifferentiate them. For example the common element of all the customers is that they want to decorate their house in an original way, the factors that might differentiate them are age, culture, social groups etc.. All these factors can influence the design and the design is an important part of selling Vipp products.

#### 5.2.5 Product Development

No matter how clever or appealing a communication strategy may be, if the product does not deliver the promised, the brand has no future. A company has to reinvent its offer constantly, to add value to the brand through improvements. In the product development process the customer's opinion is very important and the company should find ways to make them feel that they are actually a part of the process (Nilson, 2003, p. 93-105).

Suggestions: As written in the chapter Executive Decision Making, in Vipp's case the customer's opinion is very important in the product development process, the designs has to be according to their preferences. Examples of methods to involve the customers in the product development process: design your own trash bin event, to make it possible for customers to add or change different aspects of the product in order for it to be according to their wishes.

### 5.2.6 Distribution

For many brands the distribution channel is an integral part of the brand perception. If a brand is seen in the right places, it makes sense to all segments, if not, people get confused and the brand perception suffers. Most brands require a variety of distribution channels to ensure that each main customer segment actually gets the product or service in the best possible way. These possibilities need to be reviewed from time to time so that opportunities are not missed (Nilson, 2003, p. 108-113).

### 5.2.7 Pricing

The price is a determinant of the action of purchasing. Price levels can also influence the perception of the product value.

Different market segments will have different price expectations but the different price level must make sense to all customers (Nilson, 2003, p. 116-121).

### 5.2.8 Communication, Promotion, and Selling

When speaking about communication a company has to develop a strategy based on solid documentation, the targeting and the message has to be distinct. It is also advisable to open a communication channel but it is important not to promise a dialogue if the company cannot deliver it. With communication, it is primordial to individualize the message and to engage people with passion as much as possible.

The media mix, in the focused message can be more efficient if it is inverted, se figure 8 below (Nilson, 2003, p. 140)



Figure 8 Media Mix

The role of the sale promotions is not to make the brand more desirable but to turn a prospective customer into a converted customer. The sale consultants have to be very well informed, so they can offer perfect products that fit to each costumer (Nilson, 2003, p. 124-154).

### 5.3 Measuring the Results

Every process after the implementation needs feedback. To test the degree of success of the process, when collecting feedback information, it is advisable to follow the objectives of the process. The first stage of Resonance Pyramid, *saliency*, is trying to be improved through communication, promotion and selling aspects; *the performance and imaginary* stage through the product development process aspect; *the judgment and feelings* stage is improved through the company and brand aspect, brand adaptation to each segment and distribution and pricing aspects. In order to analyze if the company achieved the objectives, each aspect, as just presented, and the results of these aspects, need to be analyzed.

## 6 Conclusion

In the first part of the case it was found that the Vipp products are in the egotistic need level in Maslow's hierarchy of needs. The reason for this is that the Vipp products can fulfill the personal satisfaction as well as the need for prestige and recognition from others. When talking about customer perceived value it was discussed that the customer benefits should exceed the customer costs due to the fact that a Vipp product has a much higher price than more ordinary products in the same category. What gives value to the Vipp customer are the personal and emotional features of the Vipp products and this is why customers are willing to pay the higher price for the Vipp brand. It was also found that the involvement in purchasing a Vipp product is high. Schiffman et al.'s model of consumer decision making was used to get an understanding of a Vipp consumer's buying behavior. It was found that the Vipp customer buys the products out of desire and not out of need. Furthermore, a Vipp customer will most likely search for information about the product before the purchase, because of the fact that Vipp's products are high priced luxury products. A customer buys Vipp products to have in the home for a long time and therefore the customer would want to know the features and colors, what sets the products apart from other similar products etc.. It was also found that the purchase of a Vipp product is a long term purchase because of the same reasons.

Vipp has many opportunities regarding making the company a future success. In the further analysis, two ideas were presented, focus on communication with B2C costumers (1) and focus on development of new products and lines (2). Decisions concerning these two suggestions must be seen from a rational decision making point of view. The reason for this is that Vipp wants to develop new products and lines in a long-term period and also because the B2C costumers are becoming more and more relevant, due to the fact that they now purchase 90 % of Vipp's sold items. The decision about the rational decision making model, is also based on the fact that the two suggestions were both important, complex and on a strategic level.

In order to improve the customer buying behavior it was concluded that a company needs to customize the brand, to make it more resonant and more desirable among the existing and potential customers. Another aspect underlined in the last part of the project, is that when customizing the brand the mass-marketing advertising

strategies are not the central, it is also important for the company to have a clear image about them, as a company and about competition and customers. Gathering the right knowledge regarding the customers is crucial when adapting the products to each customer segment. All the other aspects like product development, distribution, pricing, communication, promotion and selling are also influencing the brand resonance and the customer buying behavior and are equally important.

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