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# MASS CUSTOMIZATION – NEW COMPETITIVE BUSINESS STRATEGY

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The challenges in ‘New Economy’ time force businessmen to change in approaching customers. Mass production and wholesale rarely satisfy individual needs of customers.

Traditional ways are no more effective and competitive. Business processes in ‘new economy’ are supported by information technology, which helped to create new strategy of production and sale goods and services or on the other word, mass customization.

Mass customization can be defined as a completely business strategy, where main goal is to produce goods and provide services in mass scale, but tailored to the individual needs of customer, still sale at standard price. Information which we can gain during realization of orders may be a background of the long-term relationship with customers. Mass customization strategy let us maximize customer’s satisfaction in every stage of the purchase decision making process, which can help us to gain competitive advantage in the selected market region.

Mass customization is a new level of development production methodology, besides it is synergy of craftsmanship, mass production and variant production.

Development of mass production started in the USA cause situation where a lot of products were at the beginning luxury, easy to reach, common, in not

exorbitant price (for example cars, radio, TV, computes). Products manufactured in mass scale, and thanks to production line and special machines which minimize unit cost of production (scale effect) and cause level of price accepted by average class of society. Mass production meets condition in a case of huge, homogenous markets with constant demand and customer’s preference.

Present market is characterized by:

- Products diversification and diversity of customer preferences (heterogeneous markets);
- Changes on the market are unforeseen;
- Short live period of products;
- High customer expectation of quality and assortment of products.

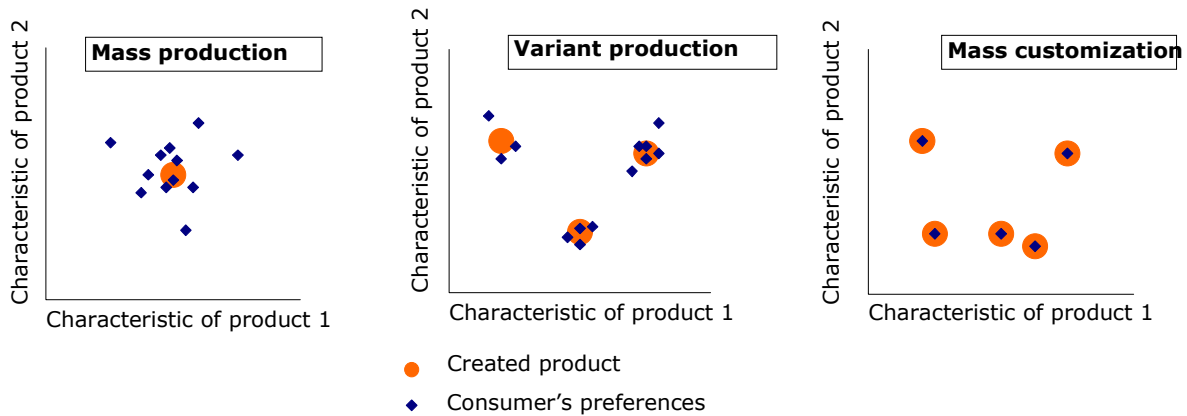
These changes cause no more competitive strategy for mass production. Producers noticed that fact and decided for variant production – different version of the same product.

This strategy allows satisfying set of customer preference, but it is too ineffective, because of the cost of production, storing and transport different variants of the same product. Besides growing is the risk that the product will not fulfill customer expectation, preferences and will be not sale.

Mass customization strategy is not only one solution overcoming problems on the competitive market but also it is a source of competitive

advantage. Graph below illustrates difference between desired by customer uniqueness of product and actual product characteristics.

Graph.1. Mass production, variant production, mass customization

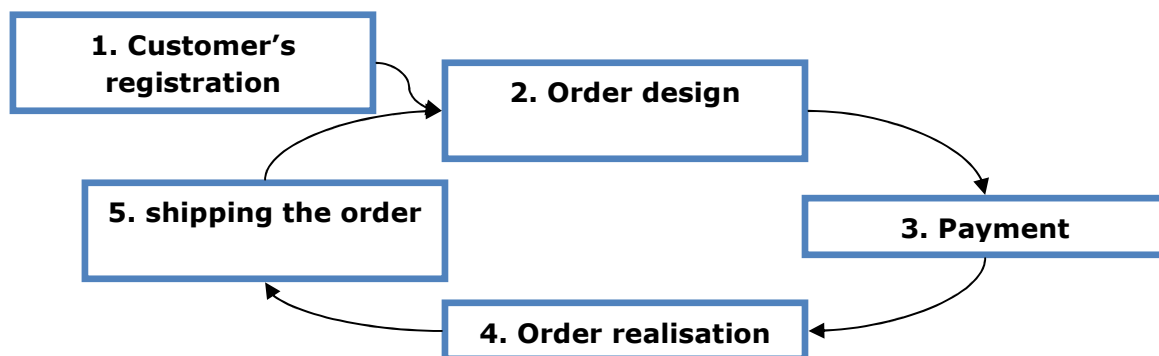


Mass customization strategy provides the opportunity for customers to buy product according to the individual preference, at the same time eliminating ineffectiveness of variant production.

which are not yet produced. Next step after determination detailed requirements by customer is ordering and producing. In that case Internet is a modern channel of interactive communication, due to cost of provided service is minimized. Graph 2 illustrates buying model consistent with mass customization strategy.

This strategy realization requires classical chain of value transformation. The most important change is that customers design, order, and buy product(s),

Graph.2. Order realization in mass customization model



1. Customer pass on information required in the process of order realization – address personal details (in a case of shoes length and width of foot). This information can be helpful in the future ordering.
2. Customer is able to establish particular parameters of product (like cut, color, and kind of sole in a case of shoes) via Internet or face to face in shop.
3. Price of the product is different and depends on options which was chosen during design
4. When the payment is confirmed order is realized. Because of new technology producer is able to create unique product in effective way like in mass production.
5. Finished product is packed and sent to the customer. Mass customization model can pass over wholesales and shops.

Challenges which are before companies planning to apply new strategy:

- Effective management of information
- Production process optimization
- Express and economic products distribution

Table.1. Advantages and disadvantages mass customization in the point of view of producer

<b>ADVANTAGES</b>	<b>DISADVANTAGES</b>
<ul style="list-style-type: none"> <li>• achieve competition advantage</li> <li>• cost reduction (no more product doesn't sold)</li> <li>• highest revenue from sale</li> <li>• better identification customer needs</li> <li>• building customer loyalty</li> <li>• lack of risk changes on the market</li> <li>• better identifying consumer's want</li> </ul>	<ul style="list-style-type: none"> <li>• high requirement connected with management organization and production</li> <li>• expensive investment in informatics technology, automatic system of production, training</li> <li>• High risk – a lot of companies, which lost using mass customization strategy.</li> </ul>

To sum up, Future of mass customization strategy depends on interest as well as demand of the customers. In the last few years customers push producers to increase quality of their product and necessity to offer different kind of products. Introducing mass customization strategy would be the best reaction to change in market. Consciousness customers will be in the future dominant group of clients.

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