



Customization in bicycle retailing

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ABSTRACT

The purpose of this paper is to explore the process of customization by investigating how retailers and consumers interact in bicycle retailing. The paper focuses on three high-end bicycle retailers. Building on qualitative data gathered through interviews and netnography, this study takes both retailers' and consumers' processes into account. The results show that retailers capitalize on external and internal opportunities for co-creation, including new technologies, production and distribution innovations, and social media. Retailers' planning for co-creation plays a significant role in providing a unique shopping experience for consumers. This includes supply chain solutions such as effective inventory and warehousing systems, partnerships and outsourcing, tracking, and postponement, which facilitate simplicity. Retailers rely on feedback from consumers to improve their planning and implementation processes. In terms of consumer processes, several emotions are evident, including the sense of standing-out and self-esteem, fun and coolness, creativity and imagination, and most importantly, the possibility of reflecting one's personality in self-designed bikes. Systems that are easy to interact with, such as interactive online configurators, contribute to consumers' cognitive processes. Loyalty and positive word-of-mouth turns out to be a common manifestation of the behavior associated with such co-creation processes. We also reflect on how, by what means, and why consumers and retailers engage in co-creation through customization, mainly pertaining to learning and innovation. Our results also point to various possible outcomes from such processes for consumer and retailers; including expressing ones personality and individuality for consumers, and providing product variety efficiently, and boosting brand image for retailers.

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1. Introduction

Customization has been around for quite some years in the literature (Davis, 1989; Pine, 1993a). It has been regarded as a means to increase customer satisfaction and relationship building in the "paradigm shift in marketing" (Grönroos, 1994) away from the traditional marketing mix approach. From a supply chain perspective, customization requires not only viable means to increase flexibility but also an ability to limit costs of carrying inventory (Bayraktar et al., 2007). In this sense, the principle of postponement, i.e., delaying some value creation such as product differentiation as long as possible to reduce uncertainty, is the key to achieving mass customization across industries (Miemczyk and Howard, 2008; van Hoek et al., 1999).

Much of the popularity of customization has been due to the increased interest in being as close as possible to final consumers (Appelqvist and Gubi, 2005; Graman and Bukovinsky, 2005; Haug et

al., 2009), and to address the variety-seeking behavior of consumers (Kahn, 1995). The emergence of new technologies and the increasing acceptance of e-tailing have facilitated the process of customization (Ansari and Mela, 2003; Grewal and Levy, 2009; Helms et al., 2008). Especially, for small and medium enterprises, a natural implication has been increased market reach and blurring of geographical and cultural borders (Jahanshahi et al., 2013; Lee and Cheung, 2004). In this realm, various levels of customization are discussed by scholars depending on product type and level of involvement (Pralhalad et al., 2000; Wind and Rangaswamy, 2001).

As the final stages in supply chains, retailers are in the forefront of engaging and transacting with consumers (Ganesan et al., 2009); however, surprisingly, their role seems to be relatively under-developed in the customization literature where the majority of the body of research focuses on manufacturing, or only on consumers; as a result neglecting how value is actually co-created in the interaction between retailers and consumers (Feitzinger and Lee, 1997; Haug et al., 2009; Kumar et al., 2007). This is despite some retailers having proven to be role models in this realm. The remarkable cases of retailers such as Benetton (Dapiran, 1992) and Zara (Christopher, 2000) have been among the few examples

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discussed in literature. One can still argue that the high level of backward integration and upstream ownership (Mahoney, 2006) among these retailers could be convincing enough to assimilate them with typical manufacturers who practice retailing as well; and therefore, their capabilities are incomparable with stand-alone or specialty retail businesses.

Moreover, several major shifts are evident in the interactions between retailers and customers. First, consumers are increasingly recognized as actively involved in value co-creation practices (Andreu et al., 2010; Lusch and Vargo, 2006; Vargo and Lusch, 2008) and participate in the customization processes (Firat et al., 1995). As an example, in less than 10 years, the number of open source software contributors has increased 10-fold (Matthew and Aric, 2010). The same trend could be verified for consumers' participation in brand communities (Ind et al., 2013), user-generated products (Nishikawa et al., 2013), or DIY products; what is recently known as the "I Designed it Myself Effect" (Franke et al., 2010) or "The IKEA Effect" (Norton et al., 2012). What shoppers are seeking through these practices is the "total customer experience": superior solutions to their needs, respect, an emotional connection, fair prices, and convenience (Berry, 2001; Puccinelli et al., 2009).

Second, market volatility challenges retailers to outperform the competition by moving away from sales-oriented transactions to creating value through experience. What is rather significant here is that retailers have also shifted from being passive recipients of products allocated to the stores by manufacturers in anticipation of demand, to being dynamic designers, producers, and controllers of products (see Fernie and Sparks, 2004 for a discussion). Especially, in retailing of functional products such as bicycles, where a rather dominant design has been around for over a century (Lampel and Mintzberg, 1996), retailers are forced to look for innovative ways to differentiate themselves from competitors and to satisfy customers' demands for more customized products and services (Yazdanparast et al., 2010). In this sense, applying manufacturing principles such as modularization (Brun and Zorzini, 2009) or marketing initiatives such as brand extension have been academically and practically considered widely (Randall et al., 1998).

Therefore, with this "multiple role playing" and changes in value-creation practices in retailing, there seems to be great relevance and potential for retailers to apply customization to involve consumers in customization. As a result, it is both academically and practically appealing to investigate such application in the duality of consumers and retailers. This paper addresses this paucity of research in value co-creation in retailing by exploring the process of customization through investigating how retailers and consumers interact in high-end bicycle retailing. These bikes are interesting to further investigate since they can be regarded as "gestalt" or "synergetic" products, as opposed to what is known as "independent attribute" products, in which "consumer evaluations of these products largely represent an algebraic summation of the individual utilities attached independently to attributes" (Jiang et al., 2014: 55). In this regard, three cases of small, medium, and micro sized online bicycle retailers from Sweden, Germany, and the US, respectively, are presented and further managerial implications are provided. This paper contributes to the literature on customization and value co-creation in retailing. Although it could provide insights for retail practitioners in general, the paper is not intended to result in magic bullet guidelines for every business within the retailing industry, and is limited to rather high-end bicycles where there is more potential for meaningful customization. Also, this study does not cover the cultural aspects associated with and possibly impacting the co-creation processes.

The rest of the paper is structured as follows; first, an overview of the literature on customization and value co-creation is

provided. A theoretical framework is based on the model developed by Payne et al. (2008) which is grounded in Practice Theory and Service Dominant Logic (SDL) (Lusch and Vargo, 2006; Vargo and Lusch, 2004). This framework will later be used in the analysis section after the empirical material from three cases is presented. Finally, some concluding remarks are highlighted by reflecting on the study purpose.

2. Theoretical framework

To address the concepts brought forward in developing the purpose of the study, we provide an overview of the literature on customization and value co-creation. First, different degrees of customization are presented along with respective examples. The different degrees of customization are reflected upon in discussing the case selection Section 3, as well as in presenting and analyzing the empirical cases. Later, a modified framework of value co-creation processes, in the nexus of customers and retailers, originally developed by Payne et al. (2008), is presented, which will be later used as a basis for analyzing and discussing the empirical material.

2.1. Customization

Customization as the extension of options and characteristics of a product in Feitzinger and Lee (1997)'s thinking; however, in some cases, the costs associated with such extension could put its feasibility to question. The term "mass-customization" was coined by Davis (1989) where he proposed that by making use of technology, it could be economically feasible to "mass produce" customized products, services, markets, and even organizations. Later, the concept was further developed by Pine (1993a) into a business concept. Mass customization, in his view, relates to the ability to provide individually designed products and services to every customer through high process flexibility and integration (Da Silveira et al., 2001). In this regard, Kotler (1993) maintains that through mass customization, the new technologies pave the way for going back to tailoring goods and services for customers affordably on an individual basis to deal with the challenge of long lead times associated with pure conventional customization. Piller et al. (2004) differentiate customization from mass customization based on the extent of the "willingness to pay".

While mass customization has been identified as a competitive strategy by an increasing number of companies, it has not proven to be the key to success for every supply chain (Da Silveira et al., 2001). Among the cornerstones to mass customization are unique operational capabilities (Zipkin, 1997), and, especially, cost (Feitzinger and Lee, 1997). The key to mass-customizing effectively is postponing the task of differentiating a product for a specific customer until the latest possible point in the supply network to offer greater variety and to reduce costs (Feitzinger and Lee, 1997; Lee, 1998; Su et al., 2005; van Hoek et al., 1999; van Hoek, 2000). Therefore, postponement has been widely regarded as a competence which enables customization to the extent that some scholars consider customization as a pure manifestation of postponement (LeBlanc et al., 2009); however, in some cases the decisions concerning product customization and postponement might not necessarily be the same (see Waller et al., 2000).

Customization could serve as a means to address the variety-seeking behavior in consumers. According to Kahn (1995), consumers may seek variety as a result of several reasons including internal needs due to satiation of particular attributes or because of a desire for additional stimulation, or due to the changes in the external environment, or as a hedge against uncertainty in future tastes. Meanwhile, Huffman and Kahn (1998) pinpoint the downsides of offering too

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