



Maximizing customer value via mass customized e-consumer services

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Abstract While the Internet provides an ideal marketplace for customized services, its strategic potential has yet to be fully realized. In particular, multi-seller (or “cross retail”) partnerships are the key to a largely unexploited Internet strategy for mass customizing bundles of goods or services as value-added solutions to individual customer needs. This article uses mass customization successes to advance cross retailing as a comprehensive strategy that frames current Web initiatives specifically in terms of customer value. Exploiting the strategy will necessitate an understanding of the enablers and dimensions of mass customized “e-consumer services” (i.e., e-tail services, as well as service-related consumer products, that are defined and sold via the Internet). The overall success of the broader Internet marketplace will be determined not just by industry-wide cooperation, but also by the development of rich standards that allow for the highly customized bundling of products. More importantly, service providers will be differentiated by their ability to employ powerful Web interfaces within a strategy that comprehensively supports and extends a customer-controlled customization process.

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1. Opportunity knocks

The Internet has advanced new profit initiatives by bringing technology-enhanced services directly to customers. As [Wise and Baumgartner \(1999\)](#) concluded, any shift toward services ultimately translates into the need for “creating new business models to capture profits at the customer's end of the value chain” (p. 133).

Such a directive can help to explain why Dell Computers would abandon their back-end, business-to-business Web hub while still supporting retail-level partnerships aimed at bundling peripherals with their computers. Dell's focus on the customer, however, is not one-dimensional. It is enabled by a larger framework of initiatives that also includes well-developed supply chain relationships and efficiencies. In general, while customer-focused initiatives may emphasize specific types of enablers, achieving an overall strategic position would benefit from a larger framework that can comprehensively organize the strategy.

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2. Strategic direction for e-consumer services

An organizing strategic direction and framework would be especially beneficial for ongoing Internet retail and online consumer service initiatives. Although online sales accounted for less than 5% of total retail activity in 2005, leading technology research firms like Forrester predict that this percentage will grow to 13% by 2010, with Internet travel services leading the way (Johnson, 2005). Such growth will be due not only to new buyers coming online, but also to a shift toward “customer experience” initiatives. According to Johnson (2005, p. 6), “Businesses are debating their online strategy. Many believe they became too focused on sales. Now they’re looking at their websites as a way to...increase their engagement with customers.”

Nonetheless, Johnson and Mulpuru (2006) argue that a shift from a sales focus to a customer focus will not be easy. Their most recent analysis indicates that low prices continue to drive online buying; at the same time, more mainstream consumers (with lower household incomes) are accounting for a larger portion of Internet retail sales. These trends are punctuated by the online dominance of retail giants whose scale perpetuates lower margins and volume pricing. Grosso, McPherson, and Shi (2005) report that amongst the 100 largest North American retailers, giant “efficiency machines” (e.g., Amazon and Dell) and “traffic drivers” (e.g., Target and Wal-Mart) collectively account for 60% of total Internet revenues. In essence, brick-and-mortar mass retailing has directly translated into Web-enabled “mass e-tailing,” with the majority of online sales being driven by mass-retail scale, efficiency, volume, margins, and pricing.

This article illustrates how mass e-tail limitations can be overcome by using the template of mass customization successes to advance cross e-tailing as a comprehensive Internet strategy that focuses new initiatives on creating customer value. Web-enabled cross e-tail partnerships would allow service providers to readily (and almost limitlessly) cross-sell each other’s goods and services. As the integrated Internet marketplace progresses toward cross e-tail partnerships, service providers and e-tail initiatives will be differentiated by an ability to develop powerful, customer-centric Web interfaces that support the bundling of products and services within a customer-

controlled customization process. Such differentiation will allow e-tailers to more effectively compete on factors other than price. Not only does this broaden existing mass e-tail strategies, but it ultimately allows e-tailers of all sizes to more profitably convert browsers into buyers (i.e., capture customers). As Freedman (2006) noted, “E-retail success is not just about conversions, it’s about profitable conversions” (p.73).

While the scale and price-driven dimensions of mass e-tail strategies do not provide a clear avenue for a shift toward the customer, the same dimensions can be compared to those of mass production, a comparison that in turn can offer insight into the problem. Specifically, mass production strategies achieved a successful and ultimately organized shift toward the customer by way of comprehensive mass customization strategies. Mass customization combined the efficiencies of mass production with the flexibility and value of customization. Likewise, as depicted in Fig. 1, mass e-tailing and online customization together offer a foundation for achieving the same efficiencies and value by way of mass customized e-consumer services.

E-consumer services include e-tail services, as well as service-related consumer products, that are defined and sold via the Internet. In essence, a mass-customized e-consumer services strategy emphasizes the custom bundled e-tailing of products and services to meet the specific needs of individual customers. Running parallel to mass production, the mass e-tailing foundations of the strategy are characterized by a highly automated environment that provides for the technology-enabled potential of e-consumer services. As Wells and Gobeli (2003) propose, the interaction between customizability and the online nature of a product offers an ideal opportunity to create customer value. Such potential can be better understood and pursued by analyzing the lessons of mass customization in the context of mass e-tailing, ultimately framing a value-added shift toward a customer-focused strategy.

3. Mass customization lessons

Consideration of parallel forces is especially fitting to mass customization where production and sales

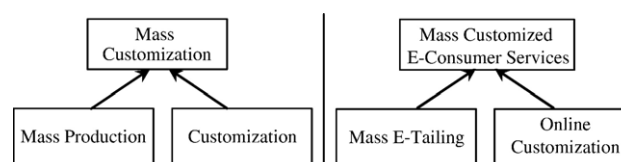


Figure 1 Parallel forces.

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