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Mass customisation: management approaches and internet opportunities in the financial sector in the UK

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Abstract

The development of customised services that are offered at competitive prices is among the highest priorities in the services industry. Mass customisation (MC) attempts to give customers what they want, when and where they want it, at a cost comparable to that of mass-produced goods. The adoption of MC in conjunction with the rapid development of the Internet applications can open up new opportunities for developing services, which are affordable and customised to customers needs. This paper reports on the results of an exploratory study of 35 IT and marketing managers of banks and insurance companies in the UK. It investigates three critical issues for the successful implementation of MC, namely, the management approaches to developing MC, the employees awareness and the potential of the Internet as a means for closer interaction and collaboration with customers for the customisation of services.

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1. Introduction

During the 19th century the industrial revolution took hold and mass production was the common manufacturing term used, where products were produced in large quantities at low and affordable prices. The success of mass production was undeniable as products were manufactured on massive levels, in direct response to consumer demands.

In the 20th century, however, consumers became more sophisticated, and aware of issues pertaining to the design, quality and functionality of their products and services. As a result, demand has been increasing for affordable and reliable products that correspond exactly to the

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specific needs of the purchaser. Moreover, disposable income increased, which in turn led to customers being more willing to spend a little more on specialised products and services. In particular, consumers with great purchasing power are increasingly attempting to express their personality by means of an individual product choice. Therefore, many companies' strategy was to differentiate their products and services by having to process their customers individually and charging premium prices.

However, the current competitive situation of many industries prevents companies from reacting with products' differentiation. The cost–benefits ratio, through premium pricing, has been altered because consumers are now demanding relatively high standards of quality, service and variety even when the sales price is favourable.

2. Mass customisation

The term mass customisation (MC) was first created by Davis (1987) who focused on the idea that a competitive advantage could be gained, through companies delivering customised goods on a mass basis. It is also been argued (Boynton, Victor, & Pine, 1993) that MC is a “new” competitive strategy to challenge “old” strategies such as mass production.

“Mass customisation is the use of flexible processes and organisational structures to produce varied and often individually customised products and services at the low cost of a standardised, mass-production system” (Hart, 1994).

MC of markets means that organisations can reach the same large number of customers as in the mass markets, but additionally they have the ability to address their customers individually as in the customised markets (Parker, 1996). Flexibility, variety and responsiveness of processes and resources reconfiguration are all essential to the notion of MC, for the companies need to understand what customers really want and then respond quickly with an offering which costs the customer relatively little more than standardised, mass produced alternatives (Peters & Saidin, 2000; Duray & Milligan, 1999; Feitzinger & Lee, 1997; Fulkerson, 1997; Pine, Victor, & Boynton, 1993; Boynton et al., 1993).

The human factor is also vital of the success of MC, especially in the services context, for it represents the skills and knowledge required for the implementation of MC (Peters & Saidin, 2000). The management and employees should be not only aware of what MC is and what it can achieve, but they also need to have the skills for its implementation.

A classification of MC approaches (Gilmore & Pine, 1997) follows:

- (a) The *collaborative customisers* approach suggests conducting a dialogue with individual customers to help them articulate their needs, to identify the precise offerings and customise the products. This approach is most appropriate to use when customers cannot easily choose what they want or when they have to choose from a wide-range of options.
- (b) The *adaptive customisers* approach implies that an organisation offers a standard but customisable product that is designed so that customers can alter it themselves. This approach is best suited to businesses whose customers want the product to perform in different ways on different occasions.

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