

Markt- und Unternehmensentwicklung

Markets and Organisations

Arnold Picot · Ralf Reichwald · Egon Franck

Kathrin M. Möslin *Hrsg.*

RESEARCH

Stefan R. Thallmaier

Customer Co-Design

A Study in the Mass
Customization Industry



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Markt- und Unternehmensentwicklung Markets and Organisations

Edited by

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Edited by

Professor Dr. Dres. h. c. Arnold Picot
Ludwig-Maximilians-Universität
München, Deutschland

Professor Dr. Professor h. c. Dr. h. c.
Ralf Reichwald
HHL – Leipzig Graduate School
of Management, Leipzig, Deutschland

Professor Dr. Egon Franck
Universität Zürich, Schweiz

Professorin Dr. Kathrin M. Möslein
Universität Erlangen-Nürnberg,
Deutschland,
HHL – Leipzig Graduate School
of Management, Leipzig, Deutschland

Stefan R. Thallmaier

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Customization Industry

With a foreword by Prof. Dr. Kathrin M. Möslein

 Springer Gabler

Stefan R. Thallmaier
Leipzig, Germany

Dissertation HHL Leipzig Graduate School of Management / 2014

ISBN 978-3-658-07525-5
DOI 10.1007/978-3-658-07526-2

ISBN 978-3-658-07526-2 (eBook)

The Deutsche Nationalbibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data are available in the Internet at <http://dnb.d-nb.de>.

Library of Congress Control Number: 2014951337

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For All Co-Designers

Foreword

Mass customizers across all product categories continuously strive to increase attractiveness of their co-design interfaces to keep ahead of their competition and increase sales. Recent studies even show that the industry is continuously growing especially driven by numerous start-ups with technological advances and new digital toolkits at the customer interface. However with the increasing proliferation of service channels and digital media at the customer interface, the need arises to better understand how these channels and media may be coordinated to increase customer value perception along the co-design process. Stefan Thallmaier addresses this challenge and his thesis provides convincing and well-founded answers. Based on multiple empirical studies he invites the reader to

- identify the key challenges for increasing the value perception of customers in the co-design process with digital media,
- differentiate online co-design interfaces according to their interaction features and dominant approaches for social co-design activities, and
- to understand the relevance of creative achievement in online customer co-design and the potential of live help.

Stefan Thallmaier empirically derives that customer value perception profits from varying levels of social presence in the co-design process. Higher social presence fosters discovery and facilitates reinforcement. Lower social presence in contrast strengthens the feeling of creative achievement. Stefan Thallmaier's thesis has been accepted as doctoral dissertation in 2014 at the HHL Leipzig Graduate School of Management. It is comprehensive in its approach and reveals interesting insights for researchers and practitioners alike to better understand the process of customer co-design in mass customization. The work equally appeals by its academic scope and practical reach. It covers relevant examples from practice, which help the reader to follow the argumentation with ease and delivers useful recommendations how to adapt co-design interfaces in order to increase attractiveness. I congratulate Stefan Thallmaier on the tangible and convincing results of his research. The book is a must read for all those who have an interest in customer co-design far beyond the boundaries of the mass customization industry. I wish the book the broad dissemination it deserves and Stefan Thallmaier all the best for his future career.

Prof. Dr. Kathrin M. Möslin

Acknowledgement

This book originated from my research activities at the Center for Leading Innovation and Cooperation in Leipzig. While preparing and authoring this piece of work, I have received the support of several people.

First of all, I am deeply grateful to my supervisor and first reviewer Kathrin Möselein for giving me this opportunity. I have greatly benefited from all her feedback and the time she spent with my ideas and thoughts. I also want to thank Vivek Velamuri for the second review on my thesis.

Second, I would like to express my thanks to the research teams in Leipzig and Nuremberg. Specifically I appreciate the feedback offered by my advisor Hagen Habicht, who provided valuable suggestions to my thesis. I also want to thank Ralf Reichwald and my colleagues Katja, Hanna, Marc and Tom in the CLIC team for their support. Besides, I am particularly grateful to Thomas Kandler for his great research assistance and the excellent proofreading by Rose Oakes. I like to offer my special thanks to Claudia Lehmann, who supported me with an invaluable friendship not only during my time in Leipzig.

Third, I would like to express my thanks to the members in the project KUMAC and I gratefully acknowledge the funding by the BMBF (FKZ: 01FL0071). Specifically, I would like to express my deepest appreciation to Claudia Kieserling and the employees at selve AG for their support to fulfill this exciting project. This support played an important role to achieve and finalize this work.

Forth, I am indebted to my family, foremost my parents Gabi and Peter and my brother Michael. They believed in me all the time - and yes, the final result doesn't look that complicated, but the development is. Thank you for backing me up, whenever I needed it.

Finally there is my love Leni. My deepest appreciation goes to her as she encouraged me to proceed in this arduous work. I owe her so much more than only these two simple words THANK YOU. Probably it is easier for me to use the other three words: I LOVE YOU.

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List of Abbreviations

3D	Three-Dimensional
AG	Aktiengesellschaft
AVE	Average Variance Extracted
BMBF	Bundesministerium für Bildung und Forschung
CEO	Chief Executive Officer
CR	Composite Reliability
e.g.	for example (Latin: <i>exempli gratia</i>)
et al.	et alii
etc.	et cetera
FL	Standardized Factor Loading
i.e.	for example (Latin: <i>id est</i>)
IP	Intellectual Property
IR	Indicator Reliability
KUMAC	Kunden als Wertschöpfungspartner bei Mass Customization Leistungen
LISREL	Linear Structural Relations
MC	Mass Customization
MGA-PLS	Multi-Group Analysis for Partial Least Squares
p.	page
pp.	pages
PLS	Partial Least Squares
QDA	Qualitative Data Analysis
SME	Structural Equation Modeling
URL	Uniform Resource Locator
VHB	Verband der Hochschullehrer für Betriebswirtschaft e.V.

Part I - Introduction

1 Relevance of Customer Co-Design

“Very few organizations make customer co-design a core competency – the starting point for all new business initiatives.

Yet this doesn’t make sense.”

– Patricia B. Seybold¹

As indicated with the introductory citation above, it is frequently recognized that *customer co-design* plays a major role in managing business initiatives successfully.² It ensures that products or services are designed through the customer’s eyes. This perspective is expected to increase the likelihood of customer needs being met more accurately with co-design than with conventional design processes, which are predominantly operated from a business perspective. Thereby *customer co-design* denotes the process of creative interaction between a customer and a business to develop a specification for a product or service, which is denoted *design*. In line with Sanders (2008), co-design thereby refers

“to the creativity of designers and people [e.g. customers] not trained in design working together in the design development process.”³

Many leading experts and thinkers in the domain of business propose manifold concepts of how to incorporate the customer’s perspective into business strategies in order to establish a new or maintain an existent competitive advantage.⁴ Thereby it may be stated that customer co-design follows the idea of *interactive value creation*, which suggests new forms of customer participation in the value creation processes of businesses. Reichwald and Piller (2009) state that, through *customer co-design*,

“processes of value creation, which were formerly dominated from a business perspective, turn into processes of interactive value creation through an active role of the customer.”⁵

¹ Seybold (2006, p. 6)

² Piller and Möslein (2002); Tseng and Piller (2003a); Franke and Piller (2003); Piller and Berger (2003); Berger, Möslein, Piller and Reichwald (2005); Seybold (2006); Reichwald and Piller (2009); Son, Sadachar, Manchiraju, Fiore and Niehm (2012)

³ Sanders and Stappers (2008, p. 6)

⁴ Normann and Ramírez (1993); Hippel (1994); Prahalad and Ramaswamy (2004); Benkler (2006); Tapscott and Williams (2007); Howe (2008)

⁵ Reichwald and Piller (2009, p. 41), translated by the author

One prominent business strategy which applies customer co-design as one distinctive principle is *mass customization*.⁶ This business strategy intends to respond to the growing consumer demand for individualization at a reasonable price level which is close to non-customized (i.e. pre-designed) products. Thus in contrast to pure customization strategies, which intend to provide products in small niche markets, mass customizers intend to operate in relatively large markets or a collection of niche markets.⁷ A remarkable example of such a business is the *mi adidas* program offered by the sport manufacturer adidas.⁸ The core idea is to manufacture consumer goods – in the case of adidas, sport shoes – which are customized to the specific needs of every single customer, while orienting towards the cost efficiency of traditional mass production concepts. To achieve this, the business needs to operate a cost efficient interaction system which enables customers to engage in a co-design process with the business. The process yields a design specification, which is then translated into a product by the manufacturer. After production, the customer receives the custom product for his personal use at a fair price. Through the possibility of individualization, mass customizers intend to gain a competitive advantage within their respective markets. Besides, mass customized products are expected to yield a price premium, i.e. an increased willingness to pay more compared to a non-customized product.⁹ Seybold (2006) states that

“...customers who self-configure their own products tend to spend 20 to 30 percent more than customers who purchase off-the-shelf solutions.”¹⁰

Two examples from the mass customization industry are depicted in the following to provide an idea how the process of *customer co-design* may appear. These examples are Spreadshirt, a mass customizer for apparel, and selve, a provider for individualized shoes. In each example, the process of customer co-design is briefly introduced and illuminated.

⁶ Pine (1992); Piller (2000)

⁷ McCarthy (2004); For a definition of pure customization refer to Lampel and Mintzberg (1996) or Blecker and Abdelkafi (2006).

⁸ Piller and Berger (2003) and www.adidas.de/personalisieren

⁹ Piller, Möslein and Stotko (2004)

¹⁰ Seybold (2006, p. 272)