In order to address today’s global challenges and increasing competition, many companies are focusing on measures to increase operational efficiency. Yet, cost cutting should not be blindly pursued at the risk of damaging the long-term strategy and value proposition of an organization. In an industry, there is only space for one cost leader. I still believe that for most companies, a differentiation strategy by addressing customer demands differently than their competitors is the more sustainable strategy. Firms pursuing differentiation strategies do not have to turn themselves into cost leaders. What they must be able to do is to offer better, cheaper and simpler differentiation through the creation of a unique portfolio of products and services for each of their customers or groups of customers.

Mass Customization is a key strategy to meet this challenge. The term denotes an offering that meets the demands of each individual customer, but can still be produced with mass production efficiency. Or, as B. Joseph Pine, who made mass customization popular with his 1993 book, recently said: “Today I define Mass Customization as the low-cost, high-volume, efficient production of individually customized offerings”. The core idea of mass customization is to profit from heterogeneities in the customer domain – to profit from the fact that most customers are different.

Consider the following examples as good examples of mass customization. BMW customers can use an online toolkit to design the roof of a Mini Cooper with their very own graphics or picture, which is then reproduced with an advanced digital printing system on a special foil. The toolkit has enabled BMW to tap into the custom after-sales market, which was previously owned by niche companies. In addition, Mini Cooper customers can also choose from among hundreds of options for many of the car’s components, as BMW is able to manufacture all cars on-demand according to each buyer’s individual order.

Another great example of mass customization is American Power Conversion (APC), a case described by Lars Hvam in a special case study issue of the International Journal of Mass Customization (2006). APC sells, designs, produces, delivers, and installs large complex infrastructure systems for data centers, and components for these systems. At the heart of its mass customization strategy of this company are a module-based product range and the use of product configuration systems for sales and order processing. In addition, the company has implemented a manufacturing concept, which involves the mass production of standard components in the Far East, and customer order-based final assembly at various production sites around the world within close customer proximity. The results of applying mass customization principles included a reduction of the overall delivery time for a complete system from around 400 to 16 days. Also, production costs were significantly reduced. At the same time, the company’s capability for introducing new products has increased dramatically. Due to the modular system architecture, new component technologies can be integrated within a matter of days, and not months as before.

What do these examples have in common? Regardless of product category or industry, they have all turned customers’ heterogeneous needs into an opportunity to create value, rather than a problem to be minimized, challenging the “one size fits all” assumption of traditional mass production. The concept
of mass customization makes business sense in these times. Why wouldn’t people want to be treated as individual customers, with products tailored to their specific needs? But mass customization has been trickier to implement than first anticipated. There still is a large lack of knowledge about how to apply mass customization in practice. This is where Dimitris Kardaras and Bill Karakostas’ research shared in this book comes into place. In the following sections, the two authors address the elements of implementing a sustainable and profitable mass customization system.

But Kardaras and Karakostas do more than writing yet another contemporary book on mass customization. Their major achievement is the focus on service industries and service customization. While the idea that services can (and have to) be customized has often been stressed in the literature and on conference, a comprehensive analysis and discussion of the specific issues of service customization did not exist before. I am impressed by the scope and depth of research presented in this volume, and I hope that this book will put the issue of service customization on the agenda of managers and scholars alike. I see huge opportunities for both future academic research and for creating value in companies by applying the concept of service customization in a larger extend. It is the achievement of this book to open our eyes for these opportunities. I hope that you will profit from reading this book as much as I did.

Frank T. Piller
MIT Smart Customization Group, USA RWTH Aachen University, Germany

Frank Piller is a founding faculty member and co-director of the MIT Smart Customization Group at the Massachusetts Institute of Technology, USA, a Professor of Innovation Management at RWTH Aachen University, Germany, and the Director of the Technology & Innovation Management Group at RWTH Aachen University, Germany. He also worked at the MIT Sloan School of Management (2004-2007) and TUM Business School (1999-2004). He graduated summa cum laude with a PhD. in Operations Management from the University of Wuerzburg, Germany in 1999. His recent research focuses on innovation interfaces: How can organizations increase innovation success by designing and managing better interfaces within their organization and with external actors. This stream of research includes topics such as value co-creation between businesses and customers/users, strategies to increase the productivity of technical problem solving by open innovation, and models to cope with contingencies of the innovation process. Frequently quoted in The New York Times, The Economist, and Business Week, amongst others, Frank is regarded as one of the leading experts on mass customization, personalization, and open innovation. His blog, mass-customization.blogs.com, is the premier source of information on mass customization and customer driven value creation. In 1997, his article in the German edition of the Harvard Business Review and his first book on mass customization (1998) brought this topic on the management agenda in Europe. He is an acclaimed speaker at management conferences and in Executive Education programs around the world. He is a fellow of the German Scholarship Foundation and a founding member of the European Academy of Management. Frank Piller has consulted and delivered executive workshops for more than fifty companies, including many DAX30 and Fortune 500 corporations like including Adidas, Audi, Bank of America, Bertelsmann, BMW, Daimler, Dell, General Electric, Infineon, J&J, Lego, Lectra, Mars/Masterfoods, Nokia, Sears, Siemens, and Unilever. As an investor, member of the Board of Directors, or as a scientific adviser of several technology companies, he transfers his research into practice.