

MASS CUSTOMIZATION & OPEN INNOVATION NEWS


Notes and ideas on mass customization, personalization, customer integration, and open innovation – strategies to co-create value between manufactures and customers. Edited by Frank T. Piller, TUM / MIT.

www.mass-customization.de • Vol. 9 (2006), No. 3 • September 2006

This newsletter documents the last months' postings in Frank Piller's blog on mass customization and open innovation, <http://mass-customization.blogs.com>. This is the **direct web link** where all new contributions will be published first. Once I discover an interesting topic, I post it there. **Subscribe to the blog's RSS newsfeed to get access to all news immediately.**

The **Permalink at the end of each post** in this document is the link where you find this post on the web. Go there to follow al hyperlinks and access more material. Have fun! *Frank Piller*

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USA Mass Customization Events 2006

2nd Michigan Conference on Mass Customization: A Roadmap for Sustainable Strategic Advantage

Sept 27 and 28, 2006 -- Amway Grand Plaza Hotel, Downtown Grand Rapids, MI
<http://www.ashok-kumar.org/icmcus2006/>

This conference builds on the success of the same event last year and is **one of the few management-related events on mass customization** of its kind in the US. The organizers (Grand Valley State U, Eastern Michigan U, and the U of Michigan) recruited a great group of speakers from different industries who will share their knowledge in form of plenary presentations and panel discussions on the main event (**Sept 28, 2006**)

On **September 27**, Prof. Rajan Suri and I will teach **two in-depth workshops** introducing mass customization and quick respond manufacturing to provide some more detailed information on the topic (more information).

Registration and pricing information here: <http://www.ashok-kumar.org/icmcus2006/>

The 2006 Business Affairs Mass Customization Symposium

November 4, 5 & 6th 2006 -- Tamaya Hyatt Spa & Resort, Albuquerque, NM
http://www.abusinessaffair.com/mass_customization

While the Michigan event follows a traditional conference layout, the **2007 Business Affairs Mass Customization Symposium** strives to provide a totally different experience: Meet with a smaller group of experts and like-minded in a high-end resort atmosphere and spend a weekend on mass customization: **Work in small groups, facilitated by the panelists to learn how MC will improve your business – and relax in a unique luxurious environment**; work, learn and network. Enjoy complimentary golf, world class spa, horseback riding on a wonderful 500 acre resort at the foot of the Sandia Mountains, bordering the Rio Grande.

This event has been planned and programmed by **Peter Tredwin**, a long time mass customization veteran and one of the most profound experts on this subject.

Learn more about this one-of-a-kind event on
http://www.abusinessaffair.com/mass_customization

Call for Papers: Mass customization session as part of the IEE Industrial Engineering Conference 2007

Fazleena Badurdeen, Assistant Professor of Mechanical Engineering at the University of Kentucky, is organizing a **Mass Customization session** (under the Manufacturing Systems track) for the **2007 Industrial Engineering Research Conference (IERC)** which will be held in **Nashville, TN from May 19-23, 2007**. This is the first time we are having separate sessions on mass customization in IERC.

She is soliciting proposals for invited sessions and tutorials in the mass customization area. There will be 75 minute sessions with 3-4 presentations in each. You can also submit proposals for tutorials (single speaker, 75 minutes) on a mass customization-related topic. **Each speaker must submit an abstract of 200 or fewer words.**

Deadline for submission of initial abstract: November 17, 2006

The official call for papers for the IERC '07 has been released (see email below) and the website is up and running (<http://www.iieannual.org/>).

September 19, 2006 | [Permalink:](http://mass-customization.blogspot.com/mass_customization_open_i/2006/09/reminder_usa_ma.html)
http://mass-customization.blogspot.com/mass_customization_open_i/2006/09/reminder_usa_ma.html

Custom Credit Cards: Mass Customization in the Banking Industry



Springwise today featured a nice new custom-banking product: **Custom credit cards**. Mass customization in the banking sector is one of the hottest trends in the area. Surprisingly, above much talk, not much has happened yet.

Credit cards seem to lead the industry. The idea of custom credit cards is pretty old. But in most cases, it is just an extension of the custom personal cheque, featuring your pet, grad-daughter or president (for example at www.uniquechecks.com).

Turkey-based **Garanti Bank** however has extended this idea. With its Flexi Cards does not only allow customers to personalize the look of their bank cards, but also to develop the entire own banking product.

"Flexi Cards are Visa cards that let the cardholder make a few key decisions, allowing them to set over ten parameters. When applying for a card, customers can manipulate variables like reward rates and types, interest rate and card fee. The rewards system is especially flexible, not only letting customers determine reward ratio and type (cash or points), but also enabling them to choose which payments will earn them extra rewards: whether it are broad categories like restaurants, or specific stores like Zara.

Interest rate, bonus rate and card fees are selected by sliding bars that render various combinations of rates and fees. Card fees, for example, can be pushed back to zero by committing to a monthly spending minimum. A lower interest rate leads to a lower bonus rate, etc. Lastly, after making serious decisions about financial terms, customers can design their own card, choosing from different colors and a gallery of images, or uploading their own image. There's even the option of picking a vertical card, which is a world's first for Visa."

A very similar idea (based on a Mastercard) was introduced already in 2002 by the UK company **Royal and Sun Alliance**. Their MORE THAN credit card also provided their customers the opportunity to create their ideal credit card. Customers could choose their own APR, cashback, servicing options and annual fee to suit their needs as they change over time. I have featured this example since years in my presentations, but just had to learn that the company stopped this offering. Reasons unknown.

But the concept itself promises many opportunities:

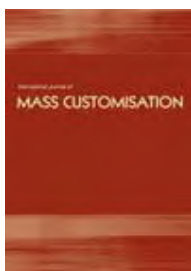
"While customers appreciate being in control and creating a tailor-made card, inside and out, the bank is able to test various value propositions, gaining valuable insights into which customer segments choose which options. Self-segmentation through ultra-personalization. ;-)"

I couldn't say it better than the guys at Springwise! If you know interesting other concepts of mass customization in banking, let me know!

August 30, 2006 | [Permalink](#):

http://mass-customization.blogs.com/mass_customization_open_i/2006/08/custom_credit_c.html

Mass Customization Case Study Collection -- New Issue of the Mass Customization Journal Published



A new issue (No. 4, Vol 1) of the **International Journal of Mass Customization** has just been published (see here for more general information). This issue is a **special CASE STUDY issue** containing eight cases from the **International Mass Customization Case Collection**, an initiative of more than 25 international researchers collaborating to build a broad basis for empirical research on mass customization. The idea of this project, coordinated by **Klaus Moser** at TUM, is to document current practices of mass customization businesses in a form that allows rich cross-case analysis and learning from previous experiences.

We are happy that we now can present the first eight cases of this collection in one issue, starting with **three cases of mass customization of industrial goods**:

- * **APC**, a provider of data centre infrastructure from the US and Denmark,
- * **MarelliMotori**, a manufacturer of electric motors from Italy,
- * **F.L.Smidth**, a Denmark-based manufacturer of complex process plants for the construction industry.

Then, three **case studies from the footwear industry** provide the opportunity for cross-case analysis in one industry:

- * **Adidas**, an international manufacturer of sports goods based in Germany,
- * **Left foot**, a Finland-based worldwide operating provider of custom men's shoes, and
- * **Design&MC Lab**, a research lab and model plant for the mass customization of footwear based in the Italian shoemaking capital, Vigevano.

The two remaining cases focus on special objectives connected with the **implementation of a mass customization strategy in business-to-consumer markets**:

- * **Steppenwolf**, one of Europe's leading manufacturers of custom bicycles, and
- * **Turo Tailor**, a Finnish manufacturer of apparel (men's suits).

Full text access to the cases demands a subscription of the journal. But: Due to the cooperation with the publisher, we now can offer all subscribers of this newsletter full online access to all issues for a very (really!) good price (30 GDB instead of 450 USD). Just use the special subscription form at the end of the PDF version of this newsletter.

Disclaimer: I am neither the publisher of this journal nor do I profit in any form from its sales or subscriptions.

PS: **We are extending this collection. If you want to contribute a mass customization case, please contact me as well (Important: Cases have to be contributed by independent scholars, not by members of the case company described!)**

August 09, 2006 | [Permalink](#):

http://mass-customization.blogs.com/mass_customization_open_i/2006/08/mass_customizat.html

Collective Customer Commitment and Crowdsourcing: How Look-Zippy is bringing the Threadless model to the next level

A recent report in **Business Week** about our SMR paper on Threadless and Muji's strategy to use **early customer commitment** to reduce the new product development risk brought us some good feedback and comments on the concept (see the updated original post). [And of course we are just proud that after The New York Times and Der Spiegel another major publication refers to our work :-)]

Threadless uses crowdsourcing in three ways: (1) To generate new designs, (2) to evaluate submitted designs, and (3) to sell its products via an affiliate marketing system and social network.

But the market is already progressing faster. As you may already have read in other blogs, **Spreadshirt**, the German T-Shirt Customizer working like Zazzle or Cafepress, just announced a **take-over** of LaFraise, the **French Threadless clone**. This will provide Spreadshirt the ability to integrate its users even further in the design process and to supplement its highly flexible, but expensive on-demand printing concept with the business model of screening demand before (mass) production. I am curious to see which innovative business models will be resulting from this merger.

Another company however has already brought the Threadless concept to the next level: Look-Zippy, a Sénegues, France, based t-shirt seller (thanks to Jochen Krisch for the link).

Remember that the key aspect of Threadless' model is the **aggregation of commitment of its customers**. Threadless does not face the conventional risk of a fashion company whether new design vari-

ants will become a hit or miss. This risk is reduced tremendously by the participation of its customer community in the assortment planning process.

The evaluation of new designs by its customers helps Threadless to pick exactly those new designs which find the highest appeal in its community. On top, customers express their informal commitment to purchase a design variant in case it would be selected and printed by ticking a small box. While this works very well, **some uncertainty remains** for Threadless: Exactly how many t-shirts they shall print, and in which size dispersion. This decision can be only based on forecasting and rule-of-thumb guessing.

Even if t-shirts are a product with high margins and low inventory-cost, the "special sales" periods at Threadless indicate that there are some overstocks of t-shirts which do not sell as well as the customer evaluation predicted, or where Threadless' management ordered too many of the wrong sizes.

This is where **Look-Zippy** has perfected the Threadless business model. At the beginning of the process, these French entrepreneurs crowdsource everything like Threadless: An open design competition captures the distributed creativity of creative users, and the selection of the best designs builds on the evaluation capability of the entire community.



But then the process differs: Instead of scheduling the winning designs immediately for production, Look-Zippy starts selling first by taking binding orders. Selected new designs are listed for exactly two weeks on the web site (a ticker prominently shows the remaining time – Woot.com pioneered this strategy online). Customers can place an order only during this period, once the time is up, no more orders are possible -- and only then production starts.

The result: The shirts are produced in exactly the right volume and size dispersion. This binding commitment of customers allows Look-Zippy to mass produce only the products that really fit their customers' needs – a marketer's dream. This model is much closer to the original model of collective customer commitment which was developed by **Elephant Design and Muji** in Japan at the end of the 1990s (more info on Muji): The risk of new product development and planning is outsourced to the customers.

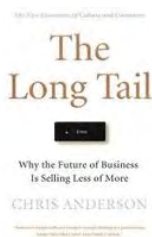
The disadvantage for customers of this model however is a slightly longer waiting time/ But this may be counterbalanced by the "limited edition" feeling of the shirts. Also prices should remain low on the long run, as a successful product has not to cover the wrong forecasting of other variants.

Combining the creative talents of the crowd (open innovation), the commitment of a community for a new product (collective customer commitment method), and the limited edition approach of consumer marketers seems like a **winning strategy for other industries as well**. I am curious to see in which other consumer good industries this model will catch up first. *Please leave a comment or e-mail me if you have any candidates or examples!*

July 24, 2006| [Permalink:](#)

http://mass-customization.blogs.com/mass_customization_open_i/2006/07/collective_cust.html

Mass customization and The Long Tail -- A review of Chris Anderson's book



What a coincidence: Today I finally finished to read **Chris Anderson's** bestselling book "The Long Tail", and today **Donal Reddington**, editor of the MadeForOne blog, posted an extensive review of the book. Donal's review is worthwhile to read as it has a **special focus on mass customization**.

[I assume that you are familiar with the Long Tail idea. If not, Wikipedia has a [good summary](#), Chirs Anderson an [entire website](#), and Wired the [article that started it all](#)]

I enjoyed reading the book very much and recommend it to everyone interested in mass customization and open innovation. Even if the book is highly focused on digital goods, it provides a number of convincing arguments why firms need to find better answers on the growing heterogeneity of demand -- and what the role of users is to shape and provide this demand. But as Donal Reddington notes, The Long Tail is not a book on mass customization:

"It does provide examples of mass customization as evidence of the growing power of the tail, but it is principally about leveraging the potential of massive product variety.

The long tail concept presumes that the product is available - sometimes on a build-to-order basis, but more often from stocks already held. This aspect of the long tail idea is at odds with the mass customization idea, which presumes little or no finished stock inventory, with products being made only after they are sold. ...

The growth of more 'democratic' markets is also shared between mass customization and the long tail. One example is the growth of peer production, where individual members of a large group propose new products (such as new music, Lego toys or t-shirt designs), which are then rated by their peers within the group. The most successful are then made available to the open market. This displays characteristics of both the long tail and mass customization. Also, the growth of the long tail make build-to-order more feasible in many markets. Lulu.com can publish a book for you and print copies in tiny numbers to fill orders on-demand."

I personally took away from the book:

-- The **story of Sears**, and how this company was founded 100 years ago to provide rural customers with more choice and variety;

-- A **great argumentation regarding the "mass confusion" and "too much choice" debate**: As Anderson correctly remarks, there is not too much choice, but just too little intelligent support and filtering helping users to deal with variety. This chapter of the book (the tenth) should be a must read for all people dealing with configuration systems for mass customization – as providing better choice for customers should be the core of any configuration toolkit.

-- The idea that **measuring actual demand ex-post is better than today's dominant logic of forecasting and predicting demand by market research ex-ante**. Anderson writes: "Rather than lumping consumers into predetermined demographic and psychographic categories, post-filters such as Netflix's customer recommendations treat them like individuals who reveal their likes and dislikes through their behavior." The same idea is **the underlying logic of a co-design toolkit** (when compared to a shelf with standard goods): Instead of making decisions which product configuration the majority of customers presumably would like, a co-design toolkits provides this choice to the customer.

The final chapter of the book, Anderson's glimpse into the future, tackles a topic that I have discussed several times in connection to mass customization (see earlier posting): the advent of **rapid (digital) manufacturing technologies like laser sintering** or 3D printing.

Donal Reddington: "Andersen rightly states that if digital manufacturing can be developed to output more complex products, then almost every market will become a digital market. In the same way that online music can be downloaded now, someday the design for pretty much anything else might be downloaded someday and manufactured at home. Then every market will be a long tail market, and the cost of carrying infinite variety of stock will be zero for everything."

So: **Read this book, buy a 3D printer, and start your own Long Tail economy.**

July 28, 2006 | [Permalink](#):

http://mass-customization.blogs.com/mass_customization_open_i/2006/07/mass_customizat_1.html

This is so long tail: Newly Launched ZAFU.com Helps Women With Personalized Jeans Recommendations to Find their Perfect Jeans

Personalization as a more scalable alternative to mass customization?

Many women I know share this experience: Looking frustrated at thousands of jeans listed on a search engine, or carrying a pile of denim into a changing room – just still to find not the jean that really fits. ZAFU.com, a new venture by Archetype-Solution's **Rob Holloway**, wants to provide help – and is the **perfect example of an application riding the long tail**.

Remember (see post from July 28) that the idea of the now bestselling "**The Long Tail**" book by **Chris Anderson** is that today there are (a) unlimited choice and variety, (b) more consumers that want to utilize this variety to find a better fitting product, (c) large profit opportunities for companies not focusing on a few large blockbusters or hit products but on **helping customer to explore this variety**.



Anderson's book focused on long-tail-applications in the digital sphere, music, books, and movies. **But zafu.com brings this into the world of apparel.**

CNN described in a press coverage Zafu's concept quite well:

"Sizing jeans to the myriad shapes of women is a challenge even in a department store dressing room, let alone online. Zafu.com, launched this week, arrives as the industry shifts from years of marketing baggy or flare-cut jeans to a skinny silhouette that is much harder to size and wear. "We've taken the trouble to actually measure and check the jean and try it on people to see how it really fits," Chief Executive Rob Holloway told Reuters. "We are the friend in the dressing room, I guess."

Zafu asks women shoppers 11 questions about how they prefer jeans to sit on their hips or waist to create a body profile. That alone is a departure from the incongruous body-type descriptions of "pears" or "triangles" found in fashion magazines and retail catalogues.

The results are used to match the user with as many jeans as could suit them from a database of hundreds of styles, from broadly marketed Gap to pricey Seven, then link them to a retailer to purchase."

In a recent phone conversation with **Rob Holloway**, he described the laborious process it took them to set up this fit database. They invited hundreds of women in their offices, each woman had to try on 32 different jeans, all fits being evaluated by the company's own apparel experts. This gave them both information about women's shapes and figures and information about the cuts and fitting secrets of dozens of different jeans brands. To update this information, Zafu has created a streamlined process so that new models can easily being integrated into their database and assortment.



Correct sizing is one of the biggest obstacles to the growth of online apparel and footwear sales, which are expected to rise in the US to \$13.8 billion this year from \$11.3 billion a year ago, according to tracking firm Shop.org data. Almost 14 billion sounds a lot, but is only 6 percent of total U.S. apparel and related sales.

The jeans market is an interesting market segment. Market research firm NPD Group reports women's jeans sales reached \$7.8 billion for the 12 months through March 2006 -- a 10.8% increase over the \$7.04 billion reported during the same period a year ago. This data is on top of a 13.7% growth rate of jean sales between 2004-2005. Much of this growth comes from new jeans models and niche designer brands – offering more choice and options, but making the entire selection process also more difficult for women to navigate.

CNN quotes Ellen Tolley Davis of Shop.org saying "Many consumers still want to touch and feel merchandise before they buy it. When it comes down to particular sizing for shirts and pants, there's still some room for retailers to make improvements."

This is exactly what Zafu does. They also provide a service that you will get not from many retail associates: Zafu's web site **will tell you also when there is NO jean at all** in their assortment to fit your body – asking you to postpone your purchase.

Zafu will tell the consumer outright and suggest she check in periodically as styles are updated. "We wondered, should we be completely honest here and show someone zero [results] or fiddle a bit," said Holloway.

They decided to be honest – and this is exactly where the value of such an intermediary comes from. But according to their estimations, their assortment of analyzed and databased jeans is already large enough to provide an exact fitting jean for 94% of all consumers. And losing this 6% of sales (theoretical) is a good price to pay to show to the other users that they are really serious and honest about fit! Early users of the service seem to love it a lot, as this customer review suggests.

Zafu also allows women to save their profile making the process even easier next time they return. This helps them also to inform customers when a new jean is added to their assortment that exactly fits their body style. However, if a user does not want to leave any data, she does not have to do register etc.

And how does Zafu make money?

- First, there are provisions for each sale. Zafu does not carry any inventory, but directs customers directly to the web sites of affiliated retailers and gets the usual commissions between 5-20% of each sale.
- Second, they will provide in-house fit recommendation services to online and offline retailers, helping the customers of just one brand to navigate the assortment in a store or online shop better.
- Third, I believe there is a lot of potential to extend the service to other product categories, becoming the one-stop style adviser for women with regard to fit. This could also provide some nice aggregated market research data, another potential source of revenue. For this, a cooperation between My Virtual Model and Zafu would be a perfect option.

For me Zafu is also an interesting business model as it provides another alternative to real mass customization. Zafu's parent company, Archetype, launched in 2003 a fit consulting business that provides mass customization services to some of the leading apparel retailers and brands in the US, including Land's End's Mass Customization business.

Zafu's personalization service is an **alternative model**. It may not have the inventory advantages and value propositions of mass customization, but provides a much more easy to implement and much better scalable system. The future will show where there is more value for customers. I believe that both models will work hand in hand and supplement each other: For most consumers, a better matching service as zafu.com will provide sufficient value. For others, however, the ultimate product will still be the truly custom jean -- providing not only perfect fit, but also all the hedonic satisfaction connected with a custom product.

August 09, 2006 | [Permalink](#):

http://mass-customization.blogs.com/mass_customization_open_i/2006/08/this_is_so_long.html

MC&OI Interview: Jan-Christoph Goetze from PersonalNovel about custom love stories, on-demand printing and how his business just democratized an idea from the 15th century

*Here is number two of my new series of interviews with pioneers from the mass customization community. **Jan-Christoph Goetze** is founder and CEO of PersonalNOVEL, a German mass customization site that allows its customers to create a truly individual book: One in which they and their friends or loved ones are the main actors. On its website PersonalNovel.de, the company offers a wide selection of titles, ranging from Romance Novels, Adventure, Mystery, Sci-Fi to Detective stories.*



Personalization is possible for the leading characters, their physical appearance in terms of hair color, eye color and, in the more intimate romance novels, also their perfume and pet names. A personal dedication and a variety of additional attributes, depending on the book, as cars, ships, friends, villains and places contribute to a unique experience. Using latest digital print-on-demand technology, the books are produced by an external partner in paperback, hardcover or even leather cover. Additional features are individualized covers and titles.

Before moving into custom publishing and founding PersonalNOVEL in 2003, Mr. Goetze worked as an architect with Murphy/Jahn in Chicago, IL, Berlin and Munich, after finishing his Master of Architecture at Cornell University, Ithaca, NY.

Mr. Goetze, how did you develop the idea to launch PersonalNovel? Was this your first encounter with mass customization?

Based on several observations, the idea of creating PersonalNOVEL was driven by the goal to let everyone become the star of a book. Another approach was to stress the limits of digital printing and the opportunity to create industrially produced individual copies in volumes of just one book. Exploring the technical limits was also my first encounter with mass customization -- and apparently a lasting one.

Can you describe briefly the process how your books are developed, configured, and produced?

All our featured books are written exclusively for PersonalNOVEL. We developed a guideline how the text is written to have a good balance of personalized and not personalized content. Our authors come from a wide array of backgrounds and have mostly published with other houses as well.

The submitted text will be formatted, proofread and fed into our specifically developed software which allows us to format the books the way the customer has ordered it. The software itself is not only restricted to generating text, but also features our customer relationship management.

Once customers have chosen a title from our vast selection, they enter the questionnaire containing names, characters and so on. While they enter their information, they can read the resulting personalized text in real time. The next remaining five steps allow our customers to configure the book with features like a personal dedication, fonts and binding or cover options.

Our associated print shop prints the formatted books on digital printing equipment every weekday. Paperback books are usually shipped the next day, hardcover and linen books three days later.

What are the achievements with PersonalNovel you are most proud of?

The most exciting aspect about PersonalNOVEL is the high level of customer satisfaction. People seem to be extremely thrilled by reading their name in a completely customized story. At this point we created a good base of customers, we are providing a reliable and quick customer support, it is fairly easy to generate a book and our quality in content and output is improving more and more – so PersonalNOVEL has become a wonderful source for personalized books.

Due to our good reputation [and a press coverage that should envy every PR manager; FTP] big publishing houses are approaching us. We just signed the first contract with one and are discussing new projects with others.

What are the reasons of your customers to purchase a personalized book? Do you think there are limits of your business due to a novelty effect, meaning that once the idea of a personalized novel is known in the market, the appeal of this product will diminish?

PersonalNOVEL's books are mainly used as gifts and it is an interesting question what limits our product is facing. I don't think it has any appeal to the mass market, because it takes quite some effort to generate your own book. PersonalNOVEL might take advantage of a certain novelty effect but I assume we will always have a certain group of customers enjoying the idea.

Are there any other good examples of mass customization in the publishing industry? And do you see any upcoming trends with regard to new players, technologies, markets, etc. of mass customization in the publishing industry?

Maybe personalized mailings, calendars or postcards as the basic predecessors; but quite frankly I couldn't think of any, since there aren't too many applications around anyway. Since we are currently developing a few new ideas which also might become real products I am sorry to pass on this one. Interesting samples for customized products are the printed versions of Wikipedia or a customized travel guide book.

Why do we have not more customization of books, journals or newspaper yet? It seems to me that, from a technology point of view, this industry is far ahead of others. What prevents companies to exploit the capabilities of digital printing for more customization?

I make a distinction between personalization and mass customization in the publishing industry. Customization configures data according to the profile of the customer, like a Wikipedia encyclopedia about medieval history or a guide book limited to restaurants in Tuscany, both chosen from list of article components in a database. Personalization means to incorporate the customer into the content itself. That's the reason why a personalized journal or newspaper contradicts its name.

Mass customized print products, weather books or newspapers, share the fate of being produced in small volumes and are rather expensive compared to usual products. Their value to customer is that they fit their customers' interest, while a PersonalNOVEL stars the customer himself.

Another reason could be that for reading newspapers and journals, one might enjoy the wide array of topics being offered compared to a customized product which limits a reader to her selection.

In addition, Publishers that want to offer personalization face a barrier of entry: Their current distribution is limited to bookstores (on- and offline) and they do not have neither customer support nor customer interaction which is crucial in this business. So a publisher would have to enter a new market which is not his core business -- and that's why he is better advised to work with specialists like our company.

To conclude: What is, in general and beyond your industry, the greatest mass customization offering ever – either one that is already existing or that you would like to get in the future?

If we turn back the pages a couple of centuries we encounter the roots of mass customization: manufacturing and handcrafting. In the old days everything like shoes and shirts were produced by hand and therefore unique. When Gutenberg invented the book press in the 15th century many books, especially bibles and other religious prints, got personalized covers accustomed to their owners like kings, lords and so on. So even 500 years ago a very limited number of people could enjoy customized and personalized books. Our achievement is that today everybody can afford a PersonalNOVEL.

Contact **Jan-Christoph Goetze** at info@personalnovel.de.

August 28, 2006| [Permalink:](#)

http://mass-customization.blogspot.com/mass_customization_open_i/2006/08/mcoi_interview__1.html

MC&OI Interview: Sergio Dulio on Advancements and Open Opportunities of Mass Customized Footwear

With this posting, I will start a new series of interviews with key persons from the mass customization and personalization community. I plan to publish a new interview each month or so. The idea is to provide you first-hand access to the experiences of some of the leading entrepreneurs in our field.

The interview series will start with an industry where the benefits of customization seem to be very obvious, but where the level of application is lacking behind the level of available technology: **custom footwear**. And when talking about custom footwear, no one is a better partner for dialog than **Sergio Dulio**. Sergio is know to me as one (if not the) world's foremost **authoritis on mass customization of footwear** (see his bio at the end of this posting):



Sergio, how did an aerospace engineer come down to earth to revolutionize the footwear business?

I think it has to do somehow with my "roots". Being born in Vigevano, a town which lived of shoe making until the 1960s and that now lives of shoe technologies, it was inevitable that sooner or later I would get involved. I started almost 20 years ago with CAD systems for shoe design, then worked with machines. More and more I build experience with shoe design and manufacturing processes. Mass customization is my latest passion.

What are the three greatest achievements we have made so far with regard to mass customization of shoes?

I would say that the main achievements deal all with "consciousness": First, consumers are becoming more conscious -- and demanding -- of how important it is for them to have the right shoes for their feet and to find producers that really care about them.

Second, shoe producers are becoming more conscious of the added value that selling made-to-order customized shoes can generate for them. And eventually the consciousness, among consumers and producers, that technology, in particular information technologies, is available to make the mass customization paradigm happen.

Do you see any upcoming trends with regard to new players, technologies, markets, etc. of mass customization in footwear?

I actually see two parallel trends: Outsiders who are fascinated by the idea of modernizing what they perceive to be an old fashioned business like shoemaking and who are starting new ventures for MC

shoes. I would call this a hexogen approach to shoe MC. In parallel, I see an endogen movement by traditional shoemakers who realize the potential of MC and are in increasing numbers considering projects of this kind. From the technology standpoint, I see a progressive consolidation of all the major enablers that are needed to support this business.

What are the best (your favorite) examples of mass customization in the footwear industry?

I would give you three examples: the MiAdidas initiative that I would name “knowledge and German discipline” for the profoundly thought and structured approach how Adidas applies the MC concept to demanding shoes like the sport ones.

Then Selve that I would define “courage and determination” for having tackled the challenging sector of lady fashionable shoes and for not having given up despite the sometimes insurmountable problems a young and small start up company may have.

And last but not least the American OTABO that I would name “going against the odds” for having decided to start a footwear manufacturing business in the USA when all the other shoemakers had fled away to the famous low labor cost countries

What are the main challenges still ahead? And what are the limits of mass customization of footwear, when does it make no sense?

I believe that the basic technical “building blocks” are all available and in their right place. Forerunners have taken advantage of that. What is still missing is a widespread acceptance of the concept both by the producers and also by consumers. Perhaps an “education campaign” aimed at consumers would help. Honestly, if the concept of MC applied to footwear is clearly defined and well understood, I see no real limits to it and very few circumstances in which it makes no sense.

Apparently, mass customization of footwear is not for everyone. What questions should managers ask themselves when considering mass customization?

I do not completely agree on the fact that MC in footwear is not for everyone. Potentially it could be, from the operational and technical standpoint, adopted by all shoe companies. It is only a question of determination in changing, at least in some parts, the traditional organization of the enterprise.

The questions managers should ask themselves are: Do we know and do we care about our consumers? Are we conscious that caring about them could give an added value to our business? If the answers to these questions are positive, than companies are fit for MC.

Why are so many established footwear companies reluctant to enter the mass customization business – even if they seem to loose more ground to Asian manufacturers each year?

I believe it has to do with “ignorance”, in the sense that they seem to ignore what the business model can bring and they are then afraid by the technical difficulties; I am convinced that the more they will know about what MC can bring and how it can contribute to differentiate their offer, the more they will start to seriously consider it.

What is your personal (recent) contribution to work on these challenges?

I would define it “spreading the Gospel”, in workshops and conferences, in contacts with companies, trying to help them understanding on one side the technical challenges not be underestimated and on the other the benefits that could derive from the adoption of MC.

I recently have been actively involved in many field tests with real shoes and real consumers, which convinced me even further that the efforts are worth it. Last but not least I am working, together with Professor Boer, with whom I shared my experience in coordinating the EUROShoE project, at book precisely on the subject of mass customization and footwear.

One question I am sometimes asking myself is why am I so attracted by mass customization and footwear? I think it is the fact that it conjugates the fascination of tradition and well made crafts with the combination of latest technologies to obtain these products in a cost effective way.

To conclude: What is, in general and beyond your industry, the greatest mass customization offering ever – either one that is already existing or that you would like to get in the future?

The greatest offering I don't think it exists yet. It will be there when we will enter the customized shoe shops, go through the measurement and selection process with no need to testing samples, knowing that the shoes will come in time and will be good at the first go. And knowing that my shoes will certainly be "made in...my country" and "made with love for the product". Perhaps a bit utopistic, but certainly not unrealistic.

Brief bio of Sergio Dulio

Sergio Dulio, by training a master in aerospace engineering from the Polytechnic of Milan, joined IBM in 1984 as a member of their first technical support team to the 3D CAD/CAM application CATIA. During this time, he also got in initial contact with the footwear world introducing some of first families of shoe specific CAD / CAM applications. Later, he worked for ATOM, one of the leading companies in the field of shoe machinery, as an expert of leather cutting technology.

In the past decade, he coordinated a number of innovative projects for SINTESI, a footwear research consortium with the Italian National Research Council ITIA–CNR. In 2001 he was appointed by ITIA as the technical coordinator of the EUROShoE project, one of the largest EU funded projects in the footwear field, with 33 partners and a total budget of 17 million €, aimed at the development of technologies for the design and manufacturing of customized shoes. In 2003 he gets a contract with CNR – ITIA to organize, install and activate a Design and Mass Customization Laboratory in Vigevano (the capital of Italian shoe manufacturing), where a pilot factory for the production of customized shoes has been put in operation.

He currently works as a technical consultant for ASSOMAC (Association of shoe machinery producers) and ANCI (Italian association of footwear manufacturers) and helps private entrepreneurs to master the challenges of mass customization in footwear.

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August 03, 2006 | [Permalink](#):

http://mass-customization.blogs.com/mass_customization_open_i/2006/08/mcoi_interview_.html

Open Source Footwear -- bringing customer co-design to a traditional industry

How the EU-funded CEC project wants to foster customer co-design in the footwear industry -- and why star designer John Fluevog is already doing it.



When people talk about open innovation, in most case it is related to high tech or science products as in the case of Innocentive, or software as with open source software. Then you have hip youth products like T-shirts, as in the case of Threadless' **user innovation model** [Threadless seems to be omni-present in the press and blog world today (I introduced Threadless in in this blog in August 2005; see for **some updates on Threadless** Business 2.0, Exciting Commerce, Crowdsourcing, Innovation Lab DK, and of course at Threadless themselves).

But can the open source / user innovation idea also work with rather **conventional products** like, say, **shoes**? No high-tech sports shoes (see here for a recent paper on user innovation at Adidas, working paper version here), but good ol' dress shoes?

This is one of the issues **Angelika Bullinger** wants to find out as part of the "CEC-made shoes" project, a large integrated project funded by the **European Community** (PDF with project info) to modernize the European footwear sector. Angelika, who is a colleague at our **TUM Research Group on Customer-Driven Value Creation** (my permanent academic home besides my present residency at MIT), explores with researchers from Fraunhofer IAO and other institutions how footwear companies can become more competitive by fostering user innovation in this industry.

One way to do so is to install internet platforms (**innovation toolkits**) where users can evaluate new designs, give feedback or even create totally new designs. Given that shoes are one of the most common products we use, and also a very emotional one, I believe that there is a lot of potential to do so (mass

customization, another concept that is also evaluated in the CEC project, is already getting more common in the footwear industry industry).

And some innovative shoe companies are already doing it: **William C. Taylor** reports in the New York Times today how Canadian shoe designer John Fluevog, one of the stars of his profession (loyal customers call themselves "Fluevogers"), has been soliciting ideas from its customers -- encouraging brand enthusiasts to submit their own sketches for leather boots, high-heeled dress shoes, even sneakers with flair. He posts the submissions on his company's Web site, invites visitors to vote for their favorites and manufactures and sells the most promising designs.

"Customers want to express themselves, to be involved with the brand," Mr. Fluevog is quoted in the article. "For so long, people would hand me a drawing of their personal design for a shoe or ask if I had considered an idea they liked. This program is a natural outgrowth of that desire for connection."



As the NYT reports, until today the company has chosen nearly 300 finalists from the flow of sketches into its headquarters -- and introduced ten shoes based on customer designs, including the Urban Angel Traffic, a walking shoe (retail price, \$179) designed by a customer in Moscow, and the Fellowship Hi Merrilee, a vintage-style pump (\$189) designed by a customer in Provo, Utah.

Introducing customers in footwear design may have its limits: "Some of the ideas from customers are striking, but impossible to make," Mr. Fluevog says in the article. What tends to work best, he explained, are intriguing twists on design themes that he and his colleagues are already exploring. "But even submissions we can't make add to the stimulation," he added. "Our customers get more involved, and we get insights into who they are and what they're doing. It's better for both of us."

This is exactly where we want to extend the user innovation process with the research we do for the CEC project. Instead of asking consumers for sketches with a very wide solution space, sometimes representing impossible designs, the idea of an internet based toolkit for user innovation is that customers are guided and are designing within the capabilities of a specific company.

Eric von Hippel, head of the innovation and entrepreneurship group at the MIT Sloan School of Management, has described this method for more high tech goods like semiconductors, food flavors, or plastics, before:

"In a time of ever more talented technology enthusiasts, hobbyists and do-it-yourselfers, all connected by Internet-enabled communication," he is quoted in the same NYT article, "the most intensely engaged users of a product often find new ways to enhance it long before its manufacturer does. Thus, companies that aspire to stand out in fast-moving markets would be wise to invite their smartest users into the product design process."

"It's getting cheaper and cheaper for users to innovate on their own," Professor von Hippel said. "This is not traditional market research -- asking customers what they want. This is identifying what your most advanced users are already doing and understanding what their innovations mean for the future of your business."

The fact that a successful designer like John Fluevog is thinking this way now as well is very promising -- as it are often the internal designers or engineers of a manufacturer who oppose the idea that users and customers can be a source for innovation as well.

It will take for the very conservative European footwear industry some more years to think in such a way -- judged by my experience from working with this industry (see my earlier comments on the slow adoption of mass customization there). Hopefully their customers, support by some clever Asian manufacturers, have not pushed them out of business until then. But we hope to contribute a bit with the CEC project that this will not happen.

I will keep you posted on the outcomes and progress in this research project. **If you are from the footwear industry and want to explore user innovation (or are already doing so), let us know!** We are permanently looking for further exploration partners from this industry.

June 18, 2006 | [Permalink:](http://mass-customization.blogs.com/mass_customization_open_i/2006/06/open_source_foo.html)
http://mass-customization.blogs.com/mass_customization_open_i/2006/06/open_source_foo.html

Personalization and Music: Beyond shuffling on your Ipod -- an overview of new services to customize your music experience

What we can learn from the BBC, Pandora, and MusiClenz for mass customization

The traditional compilation CD is deadlier than ever. Instead of listening to all songs of an entire CD, most consumers today prefer just to listen to what they want on their MP3 players (a typical long tail phenomenon). But selecting, filling and arranging the playlists of these players have stayed more or less a **craft business**. While some persons feel joy and achievement once they have generated their very own, individual playlist, this is, none the less, plenty of work. Also, listeners are restricted to the music they know (and, more or less, own).

Sure, with **satellite radio**, there are now highly focused radio stations which substitute general radio broadcasts. But often, even these stations are still a bit too broad and contain songs that you don't really like too much – and too few of your real favorites.

Here, **three new services provide help**. Using different approaches, they allow users to **customize their music experience** beyond the restrictions of ownership, information about favorite songs, and the demand to manually craft a custom playlist. These services provide tools to find new music matching an individual's preferences, but also enable custom broadcasting services of a new level.

BBC to Develop Personalized Radio Service

Madeforone recently reported about a new personalized radio service that the BBC is developing. The UK state broadcaster wants to allow audiences to **create personal radio stations** from its content, its director general has said. The service, provisionally called MyBBCRadio, aims to give audiences more control by combining existing services such as podcasts and the BBC Radio Player. It will be part of the BBC's iPlayer, a new interface device that shall transport custom content (music, video, reportings) to each user.

With its earlier Backstage offering, the BBC has been a forerunner of **user-generated content**. It changed its policy from protecting its content to giving most of it away to listeners for free, allowing users to create new works by mixing their own stuff with BBC programming (more information here). NNC Backstage, however, was more an offering for leading-edge users or music lovers. But the new MyBBC Radio Service wants to bring this capability to the mainstream.

Radio 2.0: Pandora and the Music Genome Project

PANDORA™ But personalized radio stations do already exist. One of the best services is Pandora, a music discovery service designed to help users find and enjoy music that they like. Based on a huge database that has categorized songs of over 10,000 different artists based on unique attributes, it helps users to find music that has the same characteristics of a song or artist they like. Just type in a name of a favorite song or artist, and let the magic begin. I was highly fascinated by the quality and scope of the resulting personalized music stream (you need an US ZIP code to use this service, if you live abroad, just use 02138, my postal code).

Pandora has a totally different approach to configuration compared to the majority of other configuration toolkits. It is a good example of a need-based system, i.e. an expert system that does not demand that users can describe exactly what they want, but that just analyses what they like and provides suggestions based on this analysis.

The service is powered by the **Music Genome Project**. In this project, founded by **Tim Westergren** in January 2000, a group of musicians and music-loving technologists came together with the idea of creating a comprehensive analysis of music. They assembled hundreds of musical attributes or "genes" into a very large "music genome". Taken together these genes capture the unique and musical identity of a song -- everything from melody, harmony and rhythm, to instrumentation, orchestration, arrangement, lyrics, singing, and vocal harmony.

This kind of expert analysis of all songs provides the main difference of Pandora to other music recommendation systems based on collaborative filtering (as, e.g., at Amazon.com). Collaborative filtering works without any idea of the nature of the articles it is recommending, as it is solely based on compar-

ing the usage (shopping) behavior of one user with the behavior of other users. Pandora, on the other hand, is not based on such a analysis, but solely on the nature of the products (songs) it recommends.

Pandora is offered for free in an advertising supported version (and of course the company hopes to get a provision when you buy a song you discovered through its service). There is also a subscription based service without advertising. All music is streamed, this means it is not possible to download or save the stream (legally). With a special device, you can also listen to your very personal music channel without your computer.

More information and analysis: <http://blog.pandora.com/press/>

MusicLens: Configure Your Music

Now compare Pandora to **MusicLens.de**, a German project that aims to test four different technologies to analyze music like it has been done in the Music Genome Project. However, this service opens the Pandora box and allows you to really configure the music you like. Using more than 10 sliders, you can describe exactly the music you want to hear, like its tempo or subjective volume. You can also define the purpose of the music on a scale from listening over driving and sex to dance. And set the mood of the song (on a scale from smile to angry).

As a result, you get a play list with songs matching your desires. Sounds too complicated? You also can just provide a favorite song for the start, see its characteristics, modify them just a bit, and get new music. As this is a test project, however, the music available does not match the scale and scope of Pandora's repertoire. But the web site provides already a good indication of the service.

MusicLens uses a **fuzzy search technology** to find music - CDs, albums, song titles or artists - by characteristics. Searches can be carried out in large masses of data quickly and effectively. And, despite the terms of the enquiry being vague or indefinite, the results are clear. The idea is to provide users also good results when they do not know what they are looking for – a feature conventional search engines do not have. Users also do not need to use specific search vocabulary or any form of literal definitions. The search is conducted by way of various characteristics or categories, represented by the slider navigation system.

DDD-Systems, a Hamburg based IT services company that is behind MusicLens, hopes to position the system also as a business-to-business service. The search technology shall assist those involved in purchasing film, radio or television content to find the right content.

Beyond segments and clusters

Why do I write about all this? In my opinion, MyBBCRadio, Pandora, and MusicLens provide some **great general insights for mass customization**:

- These services **overcome the traditional categorizations (market segmentations)** of music in genres. There are no clusters of "Independent", "Pop", or "Rock" music. All categorization is based on an individual user's preferences and desires.
- Pandora and MusicLens apply modern search technologies which **support a need-based configuration** approach. Instead of today's dominating parameter-based configuration approach (users configure products based on concrete selections of components and modules), they help to define products based on a description of the user's needs and preferences.
- They address the **customization of services**. Up to today (and also in this blog), mass customization is often solely discussed in relation to the individualization of physical products. MyBBCRadio, Pandora, and MusicLens are great examples of mass customization of service offerings.

But for now: Enough words, now go ahead and listen to your personal music.

July 21, 2006 | [Permalink](#):

http://mass-customization.blogs.com/mass_customization_open_i/2006/07/personalization.html

Business 2.0 on The 50 People who Matter Most -- On Rank 1: YOU

US magazine **Business 2.0** has in its new edition a cover story on the 50 people who matter now (thanks to John Winsor for the link).

Their list strives to identify **people whose ideas, products, and business insights are changing the world** we live in today - those who are reshaping the future by inventing important new technologies, exploiting emerging opportunities, or throwing their weight around in ways that are sure to make everyone else take notice.



On the list are regulars like **Sergey Brin** and **Larry Page**, Google Co-founders, Qualcomm CEO **Paul Jacobs**, **Rupert Murdoch**, **Steve Jobs**, Genentech's **Susan Desmond-Hellmann** or **Fujio Cho**, Chairman of Toyota. But I am very pleased to read that the **Number 1 position of this list is: YOU -- today's customer and consumer, user and inventor, co-creator and co-marketer** .

Business 2.0 has written a great ode on the modern consumer and why we are really living in the age of co-creation (the theme of my blog and the underlying assumption of mass customization and open innovation):

"Why You Matter: They've long said the customer is always right. But they never really meant it. Now they have no choice. You -- or rather, the collaborative intelligence of tens of millions of people, the networked you -- continually create and filter new forms of content, anointing the useful, the relevant, and the amusing and rejecting the rest. You do it on websites like Amazon, Flickr, and YouTube, via podcasts and SMS polling, and on millions of self-published blogs.

In every case, you've become an integral part of the action as a member of the aggregated, interactive, self-organizing, auto-entertaining audience. But the You Revolution goes well beyond user-generated content. Companies as diverse as Delta Air Lines and T-Mobile are turning to you to create their ad slogans. Procter & Gamble and Lego are incorporating your ideas into new products. You constructed open-source and are its customer and its caretaker. None of this should be a surprise, since it was you -- your crazy passions and hobbies and obsessions -- that built out the Web in the first place. And somewhere out there, you're building Web 3.0. We don't yet know what that is, but one thing's for sure: It will matter."

And Wired's Chris Anderson has reported in his blog about a **GREAT video illustrating this nomination**. Made by Peter Hirshberg of Technorati, and Michel Markman, this video gives you all the ideas what you have to know about co-creating customers and "The Long Tail": See the Video here on Youtube! See it!

August 01, 2006 | [Permalink](#):

http://mass-customization.blogspot.com/mass_customization_open_i/2006/08/business_20_on_.html

Consumer Created Branding: Rob Walker on Minibrand Entrepreneurs, The T-Shirt Economy and Why This Is an Alternative to Mass Customization

The NYT Magazine (July 30, 2006 issue) has an interesting cover story on ("The Brand Underground"). It provides a great insight study in the world of consumer created branding, the **minibrand entrepreneurs**. In great detail, NYT columnist Rob Walker draws the picture of **leading-edge consumers who turn their lifestyle into business**.

Trendwatching.com called these consumers **minipreneurs**. Their scope of activity is broad, "Some design furniture and housewares or leverage do-it-yourself-craft skills into businesses or simply convert their consumer taste into blog-enabled trend-spotting careers." Walker writes. "Some make toys, paint sneakers or open gallery like boutiques that specialize in the offerings of product-artists." All of them produce products which are a perfect illustration of the Long Tail.

Most of them also serve the **need for uniqueness** for the people buying them. You don't purchase (often for a large amount of money) a product from a small sub-brand because you want to look like every teenager in Urban-Outfitter clothing. This makes these minibrand entrepreneurs an interesting

alternative model to mass customization: Instead of co-designing an own product, a consumer may turn to one of the minibrands to feel individual. Interestingly, the categories where minibrand entrepreneurs are most active, t-shirts and sneakers, are also two of the largest categories of mass customization in the consumer good field.

Rob Walker's main theme in the article is how corporate or anti-corporate these consumer-generated brands are. On the one hand, their founders see their brands as a "cool" way to earn a decent living. But still:

"Many of them clearly see what they are doing as not only noncorporate but also somehow anticorporate: making statements against the materialistic mainstream — but doing it with different forms of materialism. In other words, they see products and brands as viable forms of creative expression."

To look into this paradox and generate a better understanding of the minipreneurs, Walker focuses on the **t-shirt economy**. He quotes **three trends or enabling factors** that helped small t-shirt labels, which pop up in an enormous variety, to become one of the largest categories of consumer-generated brands:

"One thing that has changed since the days when they [the first sub-culture t-shirt labels of the 1980s] scrambled to make a living is that **Japanese consumers** have embraced certain small New York brands as something culturally significant and worth a price premium. Nigo, a Japanese designer, built a fanatical following for his A Bathing Ape brand partly because he collaborated with so many graffiti writers and others who had an aura of authenticity that impressed young, hip Japanese consumers.

The second change is **technology**, which has allowed production to become more accessible. (It is easier than you think for a two-person brand to work with factories overseas, using computer files and the occasional package.) The technology of the Internet has also acted as an amplifier. ... There are blogs like Hypebeast and Slam X Hype dedicated to this practice, reporting dozens of new products or design collaborations from the brand underground every day.

There is a third factor: **manufactured commodities have in fact become accepted as quasi art objects**, and there is no more stark example than the sneaker. Hunting for unusual sneakers and modifying them with markers or different laces has been cool for decades, a phenomenon defined in Harlem and the Bronx."

While other minipreneurs may not build on the willingness-to-pay of Japanese teenagers, the two other factors are main enablers of many co-creation products as well. After reviewing the story of several user-created t-shirt labels (an world that sometimes even Walker as an expert admits not to understand totally), **Walker comes to his conclusion -- and provides a great insight into the motivation of consumers to become active producers:**

"If the dance between subculture and mainstream has always been more compromised than it appears and if every iteration of the bohemian idea is steadily more entrepreneurial than the last, then maybe a product-based counterculture is inevitable. Maybe subcultures are always about turning lifestyles into business — or the very similar goal of never having to grow up.

And I have to admit, the more time I spent with the minibrand entrepreneurs, the more I had to concede that what they have been up to is more complicated than simply imitating the culture they claim to be rebelling against. They believe what they are doing has meaning beyond simple commercial success. For them, there is something fully legitimate about taking the traditional sense of branding and reversing it: **instead of dreaming up ideas to attach to products, they are starting with ideas and then dreaming up the products to express them.**"

Site note: Rob Walker has a regular column in the NY Times Magazine, where he often writes about a other great minipreneur, mass customization and customer co-creation businesses. He also has a great new blog site that should be worthwhile reading for you. This blog regularly links to his latest column, follows up on issues and ideas raised there, and "wants to advance the conversation about matters relating to what we buy and who we are": <http://www.murketing.com/journal>.

July 30, 2006| [Permalink](#):

http://mass-customization.blogs.com/mass_customization_open_i/2006/07/consumer_create.html

Buyers of custom products are a most desirable customer segment, a new Forrester Report finds

In the Exciting Commerce Blog, I today found a link to a new Forrester report by **Carrie A. Johnson**, addressing the old **question "why consumers buy custom products" and who these users are**. Her conclusion why manufacturers or retailers should serve these users with customized products despite the rather high costs of implementing mass customization: *"It provides a new channel for manufacturers to reach out to buyers directly, and an opportunity to fine-tune their product mix based on direct observations of consumer behavior — consumers who are opinion leaders with greater than average influence."*

Internet Retailer **has some more information on this report (249 USD):**

"Customers who design and purchase custom consumer products online tend to have **more online experience** and are tech friendly: 83% of custom purchasers have been online for five or more years, Forrester found. That compares with 66% of all online consumers. In addition, more than half of custom product purchasers have e-commerce tenure of five or more years, twice the rate of all online consumers.

Forrester also found that more than half of **custom product buyers have a college degree or higher**, compared with just 38% of all online consumers. Purchasers also have **higher income levels**, with 41% having household incomes of more than \$75,000 a year, compared with 23% of all online consumers. Custom product purchasers also are more likely to be male.

Customer product buyers also are more likely to **use multiple channels when shopping**, according to the report. 42% like to research online and purchase offline, compared with 36% of online shoppers. In addition, 54% of custom product buyers consider themselves natural leaders, versus 35% of all online consumers, and 18% consider themselves trendsetters, compared to 11% of all shoppers. "These beliefs carry over into action, with **[custom product] buyers more likely to tell others about products that interest them and e-mail products that interest them to others**," Forrester said.

The study also found that the major concern for consumers wanting to buy products they build online is not being able to return a custom-designed product. **Only 19% said they are unwilling to pay more for a custom product**, and only 8% said they are concerned about credit card security for online purchases. "To make consumers feel comfortable with the process, allow them to return or exchange products they buy and make it clear that they have recourse if they have a change of the heart," Forrester said. **Greeting cards, jewelry, linens/home décor, apparel, footwear and accessories were the most popular items to customize online**, Forrester found. "

July 14, 2006 | [Permalink:](#)

http://mass-customization.blogs.com/mass_customization_open_i/2006/07/buyers_of_custo.html

Growing Open Innovation Community in Europe: New Book and Executive Course

Heavy conference traffic caused a delay in postings to this blog. On one of these conferences, I had the opportunity to catch-up with **Wim Vanhaverbeke**, a prof at Technical University of Eindhoven in The Netherlands. Wim is part of a network of researchers around **Henry Chesbrough** (UC Berkeley) who promote the open innovation idea and develop it further.

Open innovation in their understanding is broader than my usage of the term on this web site. While I use "open innovation" as a continuation of the "open source" idea, with focus on users co-developing solutions for their own use, Chesbrough et al. use the term in the meaning of "distributed innovation" -- means and measures that allow companies to capture the distributed knowledge within a wide network of actors to solve a technical problem. If you have not read Henry Chesbrough's book "Open Innovation" (HBSP, 2003) yet, order it now, it is a great introduction to the idea of distributed innovation.



This group of researchers recently published a **new edited book on open innovation research**. I did not get a copy of this book yet (and it comes with a very heavy price tag), but it looks like a very interesting compilation of papers around the topic:

Open Innovation: Researching a New Paradigm, edited by Henry Chesbrough, Wim Vanhaverbeke, and Joel West, Oxford University Press, USA, \$99.

From 25-29 September 2006, the editors of this book also organize an European executive education course on "Corporate Entrepreneurship and Open Innovation".

Led by Henry Chesbrough and Kenneth Morse, MIT Entrepreneurship Center, this course teaches the fundamentals of Open Innovation as applied to develop new venturing options for global corporations. The participants will be given the opportunity to develop and refine their own business case, which will be evaluated during the last day of the course by an objective and demanding team of experts.

Contact: **Prof. Wim Vanhaverbeke, Technische Universiteit Eindhoven**
(W.P.M.Vanhaverbeke@tm.tue.nl)

August 22, 2006 | [Permalink](#):

http://mass-customization.blogspot.com/mass_customization_open_i/2006/08/growing_open_in.html

User Profiles: How the Higgins Project can prevent mass confusion in mass customization and enable a new generation of virtual identity services

How a new initiative, the HIGGINGS project, wants to give users full control over their profiles, and what this means for better mass customization businesses.

Asked what is the genus of mass customization, I always answer **customer co-design**. A custom product can only be provided if the manufacturer has specific information about the demands of each particular customer. In most cases, this information is provided by an explicit act of co-design in which customers choose between options or create a configuration within a given solution space.

The problem of mass confusion



This co-design process, however, is also the reason of mass confusion, a reason why consumers often abandon a mass customization purchasing process. Mass confusion has two major reasons:

Burden of choice: One limit of mass customization is that excess variety may result in an external complexity. Users might be overwhelmed by the number of options.

Matching needs with product specifications. In addition, customers often simply lack the knowledge and skills to transfer their personal needs and desires into a concrete product specification. A pair of sport shoes becomes a rather complex product if one has to decide explicitly between different widths, cushioning options for the insole, patterns for the outsole, and color options.

The premier task of the design of co-design toolkits (configurators) is **to prevent mass confusion**. A premier measure for this is a starting solution so that customers do not have to start from the scratch. In a good mass customization system, there will be a **pre-configuration** which represents already a full configuration and which customers can modify according to their wishes (the factory121.com web site provides a good example).

To generate starting solutions, manufacturers could present a number of "standard" products (as in the case of Factory121), not connected to the individual customer. An even better way though is to **customize also the starting solution** according to each customer's preferences: If the Factory121 website would know that I find a particular class of watches ugly, it would present me more choices of other models. It may even present me starting solution with watches in my preferred colors, or those of my wife.

But the prerequisite for customizing the configuration process is that the vendor possesses knowledge about my preferences. If I am a returning customer, this should be the standard situation (coined "learning relationship" by consultants Peppers & Rogers). For first-time customers, however, the provision of a good starting solution is a more challenging task.

Virtual identity: The dream of the universal user profile

The optimal situation would be if the vendor could **draw on an existing profile of my preferences**, generated by shopping and configuring at other companies in the past, but also fine-tuned by my own feedback and demands. Such a profile would contain information about past purchases, configurations,

measurements, allergies, socio-demographical data, and, of course, address and payment data. Another element of such a profile could be my previous search terms at Google and alike, representing the "**Database of my intentions**", as John Battle has called it in the great book "The Search" .

In short, such a profile would represent **my (virtual) identity**. This idea of such a unique user profile, representing the identity of a customer, is pretty old and has been discussed many times in the context of personalization and customization. And there were many commercial attempts to generate and manage such a universal user profile, like Firefly, Microsoft passport, or Sun Microsystems-led Liberty Alliance. All failed due to missing trust by users: You may trust Amazon to build such a profile of your media preferences supporting its recommendation engine, but most users do not trust Microsoft to build such a profile for their entire personal lives.

How the Higgins Project can help

At this place, a new project may provide help: The **Higgins Project** (<http://www.eclipse.org/higgins>), managed by the Eclipse open source foundation, aims to give people more control over how their personal information is used online and aims to develop so-called '**user-centric identity management**'. Rather than big corporations managing identity data, the user-centric identity management approach puts individual users in the driving seat. They shall be able to decide what information they want shared with trusted websites that use Higgins-derived software. The project is supported by a large roster of companies, including Dell and Microsoft. IBM, Harvard's Berkman Centre for Internet & Society, Novell, and Parity Communications all said they are contributing already code to the project.

As John Leyden reports, Higgins breaks a person's identity into pieces, allowing users to dictate who can access parts of their identity information, within applicable privacy guidelines and laws. Organizations using applications built with Higgins open source tools can share specific identity information, such as their telephone number or buying preferences, according to rules set by the individual.

This set-up will also help users to integrate identity, profile, and relationship information across multiple systems. Using service adapters, systems such as directories, collaboration spaces and email systems can be plugged into the Higgins framework. Users thus could change an address across all their online accounts more easily or delegate who can see which parts of their body measurements, for example. The only cross-vendor application working (very successfully, but proprietary and challenged by many constraints) is the Virtual Model from My Virtual Model (*Full disclaimer: I am on the board of this company*).

The result is a system to manage the digital identity of a user. Digital identity management are seen at the forefront of next generation web services – enabling finally the ideas of personalization and customer centricity we envisioned in our mass customization community for more than a decade.

If Higgins is successful and adopted by mass customizers, this will mean a large boost for mass customization. New research has clearly shown that mass confusion and the burden of choice are major obstacles of mass customization – preventing consumers to adapt this strategy. It would make so much sense to get a 3D body scan, if I could transport this data from one vendor to another, but still owning and controlling the use of this data by myself. And this would be just the beginning.

Identity Mash-Up: A conference on reusing identity profiles and information

The possibilities and business strategies enabled by digital identity management systems like Higgins are explored in the conference Identity Mash-Up at the **MIT Media Lab** and the **Berkman Center for Internet & Society** at Harvard Law School (June 19-21, 2006). A variety of parties – governments, technology companies, health organizations, financial institutions, international agencies, and merchants – will address a spectrum of issues from terrorism and child pornography to identity theft and spam, but also **new business models building on virtual identity**.

In the business track of the conference, several companies and organizations, including Microsoft, IBM, Novell, BestBuy, and MyVirtual Model, will discuss and make public announcements about new products and services, and will demonstrate their next generation identity services.

More information on HIGGINS can be found at spwiki.editme.com and channelregister.co.uk

June 17, 2006 | [Permalink:](http://mass-customization.blogs.com/mass_customization_open_i/2006/06/user_profiles_h.html)
http://mass-customization.blogs.com/mass_customization_open_i/2006/06/user_profiles_h.html

Deutsche Mass Customization Community -- A Special for the German Mass Customization Community (in German Language)



(The following posting is in German language only as it covers German events and publications. Sorry!)

Sonderheft "Mass Customization" der Fachzeitschrift Die Unternehmung

Die Schweizer BWL-Fachzeitschrift (Die Unternehmung) hat unter Federführung von Prof. **Manfred Bruhn** ein gutes **Sonderheft zu Mass Customization** mit starkem Marketing-Fokus herausgebracht (**Ausgabe 3/2006**).

Die Beiträge:

- **Kundenzufriedenheit bei Mass Customization:** Eine empirische Untersuchung zur Bedeutung des Co-Design-Prozesses aus Kundensicht
- **Warum «Toolkits for User Innovation and Design» für ihre Nutzer Wert schaffen**
- **Mass Customization:** Strategische Option mit beschränktem nachfrageseitigem Erfolgspotenzial
- **Produktkonfiguration als Präferenzkonstruktion**

Das Heft (Ausgabe 3/2006) kann für 17 Euro direkt beim Verlag bestellt werden:
<http://www.dieunternehmung.ch> ==> **Ausgabe 3/2006**

Neue Bücher zum Thema



(1) Interaktive Wertschöpfung: Open Innovation, Individualisierung und neue Formen der Arbeitsteilung Unser neues Buch zum Thema dieses Blogs ist erschienen !!

Das Thema: Open Innovation, Social Commerce und Mass Customization sind aktuelle Strategien, bei denen die Kunden eine neue Rolle bekommen: Sie sind nicht mehr nur passive Konsumenten, sondern aktive Wertschöpfungspartner. Kunden gestalten heute Produkte oder Dienstleistungen aktiv mit und übernehmen teilweise sogar deren gesamte Entwicklung oder Herstellung.

Aus betriebswirtschaftlicher Sicht kommt es damit zu neuen Formen der Arbeitsteilung. Das Konzept "Interaktive Wertschöpfung" (IWS) diskutiert die daraus resultierenden Strategien und Prinzipien und stellt eine neue ökonomische Theorie vor, die die neuen Formen der Arbeitsteilung erklären soll.

Das Buch steht in weiten Auszügen kostenlos zum Download zur Verfügung (Open Access). Mehr Informationen auf einer eigenen Web-Site: www.open-innovation.com/iws



(2) Mass Customization Buch bei Gabler in 4. Auflage erschienen

Mein "blaues Buch", das Mass Customization aus einer wissenschaftlichen Perspektive betrachtet, ist nun in der **vierten, vollständig aktualisierten Auflage** erschienen. Vor allem die Fallstudienübersicht im Anhang und die Literatur wurden überarbeitet, aber auch z.B. die Definition von Mass Customization konkretisiert. Wenn Sie eine der früheren Auflagen schon haben, lohnt sich der Kauf eher nicht (angeht des hohen Preises, den der Verlag fordert), ansonsten freue ich mich über den Kauf.

Einen Auszug aus dem Buch als Download hier (PDF von Vorwort, Inhaltsverzeichnis, Leseprobe).



(3) Thomas Leckner Kundenkooperation beim Web-basierten Konfigurieren von Produkten

Zusammenfassung: Mit existierenden Produktkonfiguratoren im Web können Kunden interaktiv individuelle Produkte entsprechend ihrer Wünsche und Bedürfnisse gestalten. Die primären Ziele bei der Verwendung solcher Systeme sind es, das Interesse der Kunden zu wecken und die Kaufbereitschaft zu erhöhen. Eben diese Ziele werden aber oft verfehlt, da Kunden bei der Informationssuche und Alternativenbewertung nicht ausreichend unterstützt und beraten werden.

Dieses Buch stellt das Konzept der Kundenkooperation beim Web-basierten Konfigurieren von Produkten vor. Auf diese Weise wird Kunden die Möglichkeit geboten, sich gegenseitig zu unterstützen. Die Kooperation zwischen Kunden kann sich dabei von einer eher informellen gegenseitigen Beratung bis hin zu einer gemeinsamen, kollaborativen Produktkonfiguration erstrecken. Um

die verschiedenen Formen von Kundenkooperation technisch angemessen zu unterstützen, werden unter anderem Funktionalitäten zum Aushandeln und Vereinbaren gemeinsamer Konfigurationsziele sowie spezielle Kommunikations- und Zugriffskontrollmechanismen konzipiert.

Die Arbeit beschäftigt sich am Anfang mit der Analyse existierender Systeme sowie den sozial- und wirtschaftspsychologischen Grundlagen der gegenseitigen Kundenunterstützung. Anschließend werden konkrete Informations- und Datenmodelle erarbeitet, welche die Grundlage für die vorgestellte Prototypenwendung bilden. Betrachtungen zu den wirtschaftlichen Aspekten sowie ein Ausblick auf mögliche zukünftige Entwicklungen schließen die Arbeit ab.

Mehr infos: <http://www.kundenkooperation.de/>

(4) Neue Fallstudien zu Mass Customization beim Symposion Verlag erschienen

Während das vorangehend erwähnte Buch eher wissenschaftlich ist, habe ich zusammen mit meinen Co-Autor Christof Stotko in unserem Buch "**Neue Wege zum innovativen Produkt: Mass Customization und Kundenintegration**" eine eher praxisbezogene Herangehensweise gewählt. Dieses Buch behandelt auch ausführlich die Verbindung zwischen Mass Customization und Open Innovation (Mehr Infos zum Buch, das Ende 2003 erschienen ist).



Eine Besonderheit dieses Buchs ist, dass sich **jeder Leser dieses selbst konfigurieren und individualisieren kann**. Dazu dient neben dem Grundtext vor allem ein ausführlicher Fallstudienanhang, geschrieben von verschiedenen Fachexperten. Dieser wurde nun um 10 neue Fallstudien ergänzt.

Die NEUEN Fallstudien im Überblick (**teilweise handelt es sich um Aktualisierungen**):

- My Personal Channel: Kundenindividuelle Fernsehangebote
- IKEA: Die individuelle Lösung für Ihre Küche
- InVIDO GmbH: Mass Customization in der Möbelindustrie
- Kfz-Versicherungen: Kann man Kundentarife individualisieren?
- Kreditkarten: Die eigene Wunschkarte konfigurieren
- Lands' End Custom: Hosen und Hemden maßgeschneidert
- Karstadt und Maile: Zwei Konzepte für Herrenmode nach Maß
- NIKEiD: Individuelles Design von Sportschuhen
- Dynamic Packaging: Mass Customization in der Reisebranche
- Linel: Mass Customization in der Wasseraufbereitungsbranche

Alle Fallbeispiele können Sie zum günstigen Preis zwischen 4 und 6 Euro direkt beim Verlag beziehen. Die Auswahl erleichtert Ihnen dabei unser Fallstudien-Konfigurator (einfach "alle Beiträge anzeigen" lassen, die neuen sind eindeutig gekennzeichnet). Dort bekommen Sie auch mehr Informationen zu den einzelnen Fallstudien. Natürlich können Sie sich auch einzelne Abschnitte des Grundtextes des Buchs einzeln als PDF-Download erwerben:
<http://www.symposion.de/msc/konfig/index.htm>

Impress and Contact

Mass Customization & Open Innovation News -- Notes and ideas on mass customization, personalization, customer integration, and open innovation. **Vol. 9, No. 3 / 2006**. Edited by Frank T. Piller

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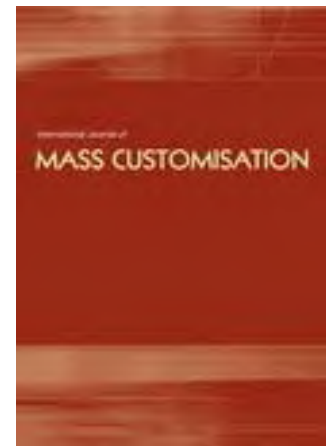
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International Journal of Mass Customisation (IJMassC)

Published in 4 issues per year.

ISSN (Online): 1742-4216, ISSN (Print): 1742-4208

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