Concepts of Customer Orientation –
Internet Business Model for Customer Driven Output

Chemnitz University of Technology, Germany
Information Systems & Management

Christian Scheer
Prof. Dr. Peter Loos
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Customer Orientation in the Electronic Commerce

- **Possibilities for the customer**
  - Customer process can be executed anytime and anyplace
  - Multimedial support of the customer process
  - Handling of almost all tasks in the customer process (without payment and delivery of physical products) based on internet technology
  - Self configuration of products and services
  - Preview of preferred products and services

- **Possibilities for the seller**
  - Personalized interaction with the customer
  - Technical linkage with the suppliers in the seller’s process
Customer Orientation in the Electronic Commerce

Seller’s process

Marketing -> Sales -> Shipment -> After Service

Interface

Internet-Technology

physical space

Customer’s process

Information -> Specification -> Order -> Payment -> Acceptance

Production

Customer's process

Seller's process

Interface
Customer Orientation in the View of the Customer

- Comprehensive and individual needs are not covered
  - Products and services are either individual or comprehensive (integrated)
  - E.g. individual journey, health care, redecoration, moving house services

- Measurement of the customer orientation in the customer’s view
  - Parameters in the view of the seller only focus on production issues
  - Parameters to describe the customer’s felt adaptation could be:
    - Individuality
      - Depicts the orientation of the output (feature) to the personal situation of the customer
    - Complexity
      - Depicts the variety of different features of an output
Customer Orientation in the View of the Customer

- Relation between customer’s need, output, feature and value and its instance

![Diagram showing the relationship between customer's need, output, feature, and value]

- Example: 
  - Customer's need: e.g., buy a car
  - Output: customer's car
  - Feature: colour (e.g., red)
  - Value
Customer Orientation in the View of the Customer

- Break down of the parameters individuality and complexity:
  - Individuality
    - No individuality (value of the feature is fixed)
    - Limited individuality (value can be chosen from a pre-defined selection of values)
    - High individuality (no restrictions for the value)
  - Complexity
    - No complexity (no feature can be assigned)
    - Limited complexity (feature can be chosen from a pre-defined selection of features)
    - High complexity (no restrictions for the design of features)
Customer Orientation in the View of the Customer

- Classification of outputs to depict the degree of individuality and complexity in the view of the customer
  - Seller-driven output
    - Standardized independently from the customer
    - Production process is seller-driven
  - Customer-centric output
    - Customization within pre-defined options by the customer
    - Production process is both seller and customer-driven
  - Customer-driven output
    - Individual design of the product and service
    - Production process is customer-driven
Customer Orientation in the View of the Customer

- Complied classification of outputs to depict the degree of individuality and complexity in the view of the customer.
Organizational Implementation of Customer Orientation

- **Seller-driven output**
  - Can completely be controlled by the seller
  - Independent from the customer‘s needs

- Mass Production Concept
  - Leads to standardized outputs concerning design and distribution
  - „You can have any color car you want as long it's black“

- Production of Variants Concept
  - Leads to variants (variations of features and values which are set)
  - Covers average individual needs
Organizational Implementation of Customer Orientation

- **Customer-centric output**
  - Seller process is seller and customer oriented
  - At freeze point integration of customer’s specifications in the seller process
  - Mass Customization Concept
    - Offers a number of pre-defined values and features
    - Customer himself chooses the options
    - Adds additional services, special delivery service and product image
    - „enough variety and customization that nearly everyone finds exactly what they want“
Organizational Implementation of Customer Orientation

- **Customer-driven output**
  - Seller process is customer-oriented
  - Degree of individuality and/or complexity determined by the customer

  - Crafted Customization Concept
    - Handmade individuality of the values
    - Uses order-specific production processes

    - Lack of resources to manage products with an additional complexity
Organizational Implementation of Customer Orientation

- Output with customer-driven individuality and/or complexity
Suggestion of an Internet Business Model to achieve a customer-driven output

- Usage of the mass customization concept or crafted customization concept
- Enhancement if the customer asks for
  - High individuality → Customer can specify the value of the feature by himself
  - High complexity → Customer can add features by himself
- Intermediary coordinates an interorganizational network
  - Request for high individuality → New partner in the network
  - Request for high complexity → New partner in the network
- Usage of the internet technology to realize the value and supply chain activities and flows
Internet Business Model for Customer-Driven Output

- Suggestion of an Internet Business Model to achieve a customer-driven output

The customer demand for high individuality and/or high complexity leads to a network of companies.

The diagram illustrates a four-quadrant model with axes for complexity (high, limited, non) and individuality (high, limited, non). The quadrants are labeled as follows:

- **High Individuality, High Complexity**: Crafted customization
- **High Individuality, Limited Complexity**: Mass customization
- **Limited Individuality, High Complexity**: Thesis: Internet business model with intermediary
- **Limited Individuality, Limited Complexity**: Production of variants

The diagram suggests that as complexity increases and individuality increases, the business model shifts from mass production to crafted customization, with an intermediary model in between.
Suggestion of an Internet Business Model to achieve a customer-driven output

High individuality and high complexity extends the network

As a result we suggest an interorganizational network of companies besides an intermediary and with the usage of the internet technology for the digital activities and flows.
Internet Business Model for Customer-Driven Output

Necessity of the internet technology in the business model

- Planning and Management of an order-specific network and a different number of actors
- Plug-and-Play connectivity to add new actors
- Handling of the individuality and complexity
  - Customer can specify his needs using multimedial techniques
  - Interchange of the specifications within the network
- Advantages concerning transaction costs and speed of interorganizational interchange

It is possible to manage the complexity and individuality needed to offer a customer-driven output
Further research

- **Focus on the specification task in the customer process**
  - Customer uses online-configurator to customize his products and services
  - Study of the product model to realize additional high individuality and complexity
  - Study of the configurator to support the product model

![Diagram showing the relationship between Public Administration, Company A, Company B, Intermediary, Customer, Employee, and Online-Configurator, with Internet technology, internet services, and communication rules at the bottom.](image-url)
Thank you for your audience.