

Mass Customization through Manufacturing Postponement Strategy: The Case of Build-A-Bear Workshop

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Abstract

In order to sustain in the globally competitive market, companies are continuously striving to create new value propositions for their products or services. Businesses have adopted various concepts in doing so and mass customization is one of them. Build-A-Bear Workshop has been a successful company in the toy industry and is renowned for their customized plush toys. The aim of this paper is to study how Build-A-Bear Workshop mastered mass customization to create a competitive edge in the market. The paper takes a qualitative approach in studying the case of Build-A-Bear Workshop. It shows how the company has been efficiently managing the process of customization by embracing the manufacturing postponement strategy.

Keywords

Build-A-Bear Workshop, Mass Customization, Manufacturing Postponement Strategy, Toy Industry

1. Introduction

With the advent of globalization, companies today face more competition than ever before. They are required to offer more variations to customers and keep costs down. However, the philosophies contradict with each other, making the blend difficult. The concept of “mass customization” makes this difficult blend possible. As the term suggests, it is customization of products or services at mass level to meet the needs of each individual, and that too at lower costs. It combines the uniqueness of both economies of scope (achieved by appealing to broader markets) and economies of scale (achieved through modularly designed components) [1]. Mass customization is perceived to be the new frontier in business competition [2]. The adoption of mass customization has shaped the competitive edge of many global firms such as Dell, Adidas, and Levis. As more businesses compete around the same target market, the bargaining power of customers is rising even higher [3].

Therefore, an increasing number of firms have started to embrace mass customization.

The global toy industry is facing immense competition from the video games industry and the online entertainment industry that has developed relying on the boom of smart phones and tablets [4]. The same source reports construction toys as well as outdoor and sports toys to have the highest growth forecast followed by board games and puzzles. On the contrary, the market for plush toys shows low growth forecasts. In order to battle with this increasing competition, some plush toy manufacturers are adopting the means of customization. When customers are a part of the production process, the “I designed it myself” effect creates the willingness to pay higher due to the feeling of self-contribution and achievement [5]. Build-A-Bear Workshop is one of the first companies in the toy industry to recognize that and to pioneer customization in the plush toy segment.

Build-A-Bear Workshop is known for their innovative mall-based stores where children can create their own teddy bears and other stuffed toys. The specialty of their product is

the touch of personalization and customer involvement. Despite the declining trend in the plush toy market, Build-A-Bear Workshop has gained a remarkable position in the segment. Thus, gaining an insight into their strategy would enable to understand the reason behind their success.

2. Research Design

The method of case study has been extensively used in many areas and discipline [6]. A case study can offer practical insight on a given situation, institution or case by suggesting answers to ‘how’ and ‘why’ questions [7-8]. Case studies are considered useful in research as they enable researchers to examine real-life situations and provide better insights into the detailed behaviors of the subjects of interest [6]. Similar notion have been suggested by Denscombe [9] and Gerring [10], who point out that case studies focus on example based findings from a given investigation and help to attain higher level of understanding.

Yin [11] has extensively contributed to case study designs and methods. He mentions several tools for case study based research such as documentation, interviews, direct observations, participant observations. He contends that a case study methodology is an effective qualitative research method since it can provide a rich understanding of the organisation or organisations in question. Therefore, this paper takes the approach of a thorough case study analysis to

explore the novel practices of Build-A-Bear Workshop and its competitive advantage. This case study is descriptive in nature, which according to Yin [11] is used to describe a phenomenon and its real-life context. This case study has been developed by obtaining information from secondary data sources and personal visit by the authors to the Build-A-Bear Workshop located at Bullring shopping mall in Birmingham, UK.

3. The Build-A-Bear Workshop Experience

Build-A-Bear Workshop, Inc. started its journey in 1997 in the United States. It is one of the pioneers to introduce mass customization in the stuffed toy industry and currently operates more than 400 stores globally. Its mall based stores facilitate customers to craft their own stuffed animals through an interactive experience. As the name suggests, the foundation of the company is teddy bears, though customers can also choose from a variety of bunnies, dogs, kittens and other stuffed animals to personalize. The company has also collaborated with brands like Disney and DreamWorks to create popular movie character inspired stuffed toys. Apart from creating their own toys, customers can also choose from a large variety of clothing and accessories line to beautify their toys with. [12]

Table 1. Product Assortment of Build-A-Bear Workshop [12].

Stuffed Toys	Clothing Line	Accessories
Bears	Dresses	Bags
Collaboration Toys	Outfits	Wrist Accessories
Cats/Dogs	Costumes	Head Accessories
Dinos	Occasional Outfits	Eye Accessories
Baby Plush	Job Specific Costumes	Bedding Sets
Bunnies	Trousers/Skirts	Slippers
Wild Furry Friends	Sports Uniforms	Occasion Specific Accessories
Build-A-Bear Buddies and Minis	Tops	Party Sash

Build-A-Bear stores are renowned for their aesthetic appeal which enriches kids’ overall experience of buying and creating a toy. Lee [13] in her recount on the personal visit to a Build-A-Bear Workshop opines that the interior design and the atmosphere is very lively and kids friendly. She also identifies that the layout of the store easily facilitates push strollers inside the workshop, resulting in high traffic from the new parents as well. An important point of distinction for the company is not their product, but the associated experience. As Lee [13] highlights that customers go to their stores not only for the toys, but instead they also take part in a practice that could be described as a birth ritual for their toys. Customers can also engage in interactive online experience using “buildabearville.com” and its “Find-A-Bear

ID Programme” enables reunion with lost toys [12]. The company has embedded an experience aspect to the product to distinguish itself from competitors.

4. The Build-A-Bear Customization Process

The Build-A-Bear retail stores are designed as a workshop where varieties of stuffed animals are displayed on the wall. Customers or guests, as termed by the company, move through eight design stations (illustrated in table 2) in order to shape their toys, generally an animal character, with the aid of support staffs known as “Builder Associates”.

Table 2. *Creating Stuffed Toys at Build-A-Bear Workshop [12].*

Design Stations	Process Undertaken
Choose Me	Choosing a furry character from varieties of available options such as teddies, bunnies, kitties etc.
Hear Me	Selecting from pre-recorded sounds or creating own tunes, which are placed inside the furry friend using a chip while stuffing.
Stuff Me	Stuffing the toy as required and inserting a small satin heart with the help of Builder Associates.
Stitch Me	Sewing by the Builder Associates to give the toy a perfect shape.
Fluff Me	Grooming the new friend in an animated makeover platform.
Dress Me	Choosing from numerous options of clothing and accessories.
Name Me	Giving a name and creating a personalized birth certificate.
Take Me Home	Receiving special club membership and carrying the toy home.

The personalized bear making process appeals to the emotion of not only the kids, but also the adults accompanying them. The charm of this customization process is that it pleases customers by evoking positive emotions such as love and belongingness. Lee [13] states that even in case of adults, going through these phases evoke childhood nostalgia. The experience also contributes in enhancing social interaction skill among the children as the process demonstrates how to handle interpersonal relationships [13].

5. Customization and Manufacturing Postponement Strategy

Companies are recognizing the role of information and flexible operational system needed for efficient manufacturing [14]. This flexible operational system allows companies to embrace mass customization. Many companies are applying postponement strategies in their operations to achieve the capability of efficient mass customization.

The notion of postponement denotes the deferring of timing of critical processes to realign the supply chain and achieve cost advantages [1]. Depending on the time of manufacturing and logistics activities within the process, Pagh and Cooper [15] identified four strategies of postponement and streamlined those using a matrix that they termed as postponement-speculation matrix. The postponement-speculation matrix is considered an important tool for operations managers to decide on services and costs spectrum. This matrix is interesting because of the opportunity cost element involved in it.

The four strategies are: the full speculation strategy, the logistics postponement strategy, the manufacturing postponement strategy, and the full postponement strategy [15]. The first strategy involves the process of manufacturing and logistics based on full speculation, and the products are made available through various customer touch points. Whereas, the full postponement strategy is totally reliant on customer orders for both manufacturing and logistics, though some primary steps in the manufacturing process can be performed. In the logistics postponement strategy, only the delivery of goods is triggered by customer orders, but the complete manufacturing is carried out beforehand. Finally, the manufacturing postponement strategy is an approach where certain aspect of the manufacturing is delayed till orders are made to meet customer specifications.

Chaudhry and Hodge [16] argue that manufacturing postponement allows the stocking of inventory in neutral state before the purchase order is placed. The neutral state of inventory enables multiple usage options and thus decreases the risk for companies [17]. According to Yang et al. [18], manufacturing postponement has a benefit of estimating demand more accurately as it is based on raw materials rather than finished goods.

6. The Postponement Strategy Implemented by Build-A-Bear Workshop

Careful study of the operations process of Build-A-Bear Workshop reveals that the company observes the manufacturing postponement strategy as shown in figure 1. The final assembly of the toys takes place at the stores and is initiated by the customers as soon as they step into the "Choose Me" stage, which signals the order. This make-to-order approach requires the company to carry inventory of components in all of its stores globally, resulting in decentralized inventories. So the reasoning behind Build-A-Bear Workshop's manufacturing postponement strategy appears to be quite logical.

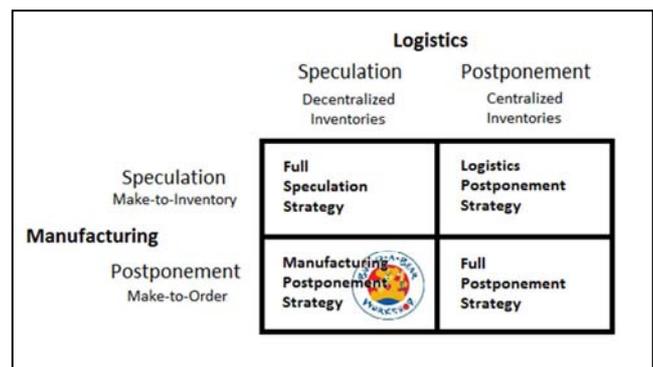


Figure 1. *Postponement Strategy Followed by Build-A-Bear Workshop (Adapted) [15].*

The manufacturing of plush toys does not require specialized technology; making it feasible for the company to undertake the process at its stores and implement the manufacturing postponement strategy. However, the firm has smartly incorporated some technological aspects to its mass customization process in partnership with technological giant Samsung [19] in order to create a point of differentiation.

7. Implications to Build-A-Bear Workshop

The strategy of manufacturing postponement provides Build-A-Bear Workshop with some operational flexibility. It eliminates the need to carry or stock finished toys, and offers customers variety of options. The benefits to the company derive in the form of cost savings from transportation as well as warehousing of completed toys. If the company produced its toys in a manufacturing facility, then it had to carry inventories of raw materials, work in process, and finished goods. Whereas now the need to carry finished goods is eliminated as the toys are made only after receiving customer orders and are delivered immediately after making. On the other hand, the transportation of finished goods demands extra care while handling, which no longer is necessary. Moreover, readymade toys require more space due to different shapes and packaging. But components can be transported in bulks and require less space, reducing the number of deliveries, which ultimately pulls down transportation costs.

The postponement strategy has allowed Build-A-Bear Workshop to differentiate itself from competitors and create a unique proposition in the market. As highlighted by Lee [13], the company's competitive advantage is not its toys, rather the experience it offers to the customers. This would not have been possible without the adoption of the manufacturing postponement strategy. Besides, it allows the company to study and understand customer needs better, enabling them to align their assortments accordingly. It also fosters better relationship with customers, which is the key to a loyal customer base.

It cannot be denied that benefits come with some costs. Pagh and Cooper [15] reminded about the higher complexities associated with mass customization, which might offset the cost savings. However, Build-A-Bear Workshop has successfully managed to transform its customization process into a competitive advantage, yet keeping the process simple. Technology has assisted the company in doing so and there are costs related with the acquisition of such technology. But then again, the technology has shaped the competitiveness of the company and has contributed to increased revenues. There remains the possibility of higher costs due to greater need for coordination, manpower, and retail space resulting from decentralization. However, the customization process facilitates the charging of premiums as customers are willing to pay higher prices [5], so the higher costs are compensated for.

8. Conclusion

The arguments made so far unveil that Build-A-Bear Workshop has benefitted from its strategy in regards to manufacturing and logistics. The manufacturing postponement strategy has helped the organization to gain a strategic advantage in the toy industry. The success story of

Build-A-Bear Workshop can be ascribed to its smartly designed process of mass customization. It has enabled the company to create great experiences for kids and their parents and to redefine the game rules within the toy industry.

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