

ŠKODA AUTO VYSOKÁ ŠKOLA, O.P.S.

Study programme: B6208 Economics and Management
Field of study: 6208R087 Business Administration and Sales

Car Customization and Individualization: Market Potential and Customer Profile for Fabia ColorConcept

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ŠKODA AUTO Vysoká škola

ZADÁNÍ BAKALÁŘSKÉ PRÁCE

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Studijní program: Ekonomika a management
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Název práce: **Car Customization and Individualization: Market Potential and Customer Profile for Fabia ColorConcept**

Cíl: The aim of the thesis is to analyze trends in passenger car customization and individualization with a special emphasis on exterior design. The empirical part of the thesis provides insights about market potential and attempts to define a typical customer for ColorConcept of Škoda Fabia.

Rámcový obsah:

1. Customization and Individualization - Marketing and Market Trends
2. Customization and Individualization of Passenger Cars - Exterior and interior, Mass vs. premium brands, Core vs. emerging markets, Operational efficiencies vs. individualization
3. International Market Potential of Fabia ColorConcept - Product customization and individualization with Škoda vehicles, Exterior and interior customization, Estimating market potential and creating a customer profile for ColorConcept in at least two international markets

Rozsah práce: 25 - 30 stran

Literatura:

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Datum zadání: březen 2016

Datum odevzdání: prosinec 2016

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I would like to thank doc. Ing. Pavel Štrach, Ph.D. et Ph.D. and Ioana Giurgiu, M.A. for their professional guidance for my Bachelor Thesis, provided advice and information.

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List of used symbols and abbreviations

CR	Czech Republic
EU	European Union
L&K	Laurin and Klement – top trim level for Skoda Auto model range
SUV	Special Utility Vehicle
L&T	Launch and Training (Guide)
A0	Passenger vehicle class
vs.	Versus
MC	Mass customization
cit.	Resource entered on
RAM	Random-access memory
URL	Uniform Resource Locator
AI	Artificial Intelligence
p.	Page
Vol.	Volume
EU-SILC	European Union statistics on income and living conditions
Ems	Emerging Markets
VW	Volkswagen
MQB	Modular Transverse Matrix/ Modulae Quer Baukasten

Abstract

The objective of this bachelor thesis is to reveal the importance of passenger car customization and individualization. Firstly, the theoretical background of a customization process in a general way and the description of mass customization is provided. Secondly, the thesis is going to concentrate on a personalization process in a passenger car segment. The history of the approach and the current trends are described and analyzed. This part provides comparisons between premium and mass brands in their approaches towards customization. Another essential point that is described is individualization of interiors and exteriors of passenger cars. Thirdly, the effect of market size and potential on customization availability is analyzed. Finally, the practical part deals with Škoda Fabia interior and exterior customization and individualization possibilities. This part includes a ColorConcept feature analysis, market potential estimation and customer profile creation issues.

Introduction

Customization and individualization process has become an essential part of selling strategies for many companies on the markets all over the world. Nowadays customers can choose different colors of materials used in their final products. Everything from clothes, shoes and electronics may be customized in regards to the individual preferences and needs.

Moreover, this tendency is visible in automotive industry as well. Starting at first with only premium brands, such as Bentley Motors Ltd. or Rolls-Royce Limited and smaller coachbuilding companies located all over the world, companies have provided their customers a wide range of individualization possibilities. Different colors and types of leather, various tree species used in décor, exterior colors available in 2-tone combinations and even additional safety measures were offered for the customers. Coachbuilders provided a possibility to customize the body of the car, its length and interior structure. That tendency was caught up by mass producers and soon became a must-have option for majority of the brands. In this thesis, the methods used in mass customization in general and in automotive industry in particular are described. The empirical part provides information regarding mass customization possibilities within VW Group and concentrates on Skoda Auto.

The theoretical part of the thesis provides a general overview on the customization and individualization process. The thesis describes the preferences of the company in terms of cost saving and efficiency in assembly and at the same time the wide range of customization possibilities requested from marketing side in order to attract customers. A process of mass customization is analyzed and specific tools used by automotive companies are presented.

The thesis is structured in the following way. The first part is the theoretical overview of customization process and of all the issues occurred around it in the company. The mass customization strategies are analyzed and their tendencies are described. The second part deals with automotive industry and its history and trends in car individualization. The third part concentrates on car producer related issues. Such as market size and potential (core vs emerging markets situation), the conflict between operational efficiencies and individualization possibilities and

tools used while customizing the interior and exterior of the vehicle from the customer point of view. The target customer detection issues are also addressed in the thesis as one of the objectives of empirical research is focused on creation of a customer profile of ColorConcept feature of Skoda Fabia. The major part of the empirical research of the thesis is dealing with Škoda Fabia individualization possibilities. The ColorConcept design feature is described, the sales analysis and market forecast are performed as a part of the research. Skoda Fabia and ColorConcept feature customer profile is created. The author of the thesis was highly involved and interested in the solving of a sales problem connected with ColorConcept feature for Fabia in around 30 countries around the world.

The topic specified in this thesis answers to the following questions. What individualization possibilities Škoda offers to Fabia buyers? Is there a market potential for ColorConcept feature for Fabia? What is the customer profile of a ColorConcept feature? All these questions the author of the thesis is trying to answer in the following chapters.

1 Theoretical basis

The theoretical basis of the thesis consists of three target milestones. The first chapter provides the general overview of mass customization. The description, history of implementation, operational efficiencies of mass customization, trends and approaches in mass customization are provided. The second milestone concentrates in mass customization in automotive industry. The historical background of mass customization and its current trends are described and compared. Moreover, the tool used in automotive mass customization is presented and its effect on final customer is analyzed. The third part provides the theory of target customer detection method and the current trends of younger generation. The theoretical basis is linked to the empirical research presented further in the thesis.

1.1 Mass customization

Following three chapters provide the general overview of mass customization, operational efficiencies and trends and approaches in mass customization. The historical background and the general aim of MC are discussed in the first part of the part of the section. Operational efficiencies of MC follow in the second part. The last point of MC overview concentrates on trends and general approaches of such method.

Stanley M. Davis first introduced the term of mass customization (MC) in 1989. Davis suggested that a manufacturer can reach large number of customers “in mass markets of the industrial economy, and simultaneously treat(ed) individually as in the customized markets of pre-industrial economies” (Davis, 1989). Davis proposed that current (1987) production technologies were suitable for manufacturers to apply mass customization and had a market potential. Mass customization enables producers to provide “individually-designed products and services to every customer” (Pine et.al., 1993). Nowadays the MC has become a standard business practice (Kotha, 1995; Pine, 1993). Companies use a “production form in which customized products are delivered which exploit the advantages of mass production” (Hvam et.al., 2008).

The aim of such approach is to provide customized products that serve individual customer needs at the cost relatively comparable to mass production goods (Kaplan and Haenlein, 2006). Customization process may be described as a design activity that is centered around the possibility to design and assemble the item or product using the set of pre-defined components in a pre-defined order (Mittal, Frayman, 1989). Mass customized products may be characterized as products whose characteristics or design have been changed by an end user. Usually the customer changes are performed using online configurators. Examples of such tools from the automotive industry are provided in the empirical part of the research. In other industries the examples of such goods that customer is provided with “any time they want it, anywhere they want it, any way they want it” (Hart, 1995) may be found on “NikeiD” or “Motorolla Moto Maker” web pages. This approach of online configurators aims to transform a customer into co-designer, and thus increase the value of the product in perception of the customer (Piller, 2004).

1.1.1 Operational efficiencies of mass customization

As mentioned before, manufacturers tend to be willing to reduce costs of customized products and make them comparable to mass produced goods. That means that customization possibilities for the customer are not infinite. In comparison with a traditional (craft) customizer, a mass producer is not able to adopt production methods for each individual item produced and requires a stable process of production (Pine, Victor, and Boynton, 1993).

For the purpose of stable production the manufacturer enables customer to choose from already predefined options. Usually, customers are involved in customization at the stage of final assembly of the product. Henry Mintzberg (1988) assumed that there are three stages of customization. Pure, tailored and standardized forms depend on the moment of customer involvement. In the pure design cycle customer may be able to change design and even the assembly process. Tailored strategy customer “enters the production cycle at the point of fabrication where standard products are modified” (Duray, 2000). The standardized strategy is applied when the customer is choosing from the set of

predefined design or functional components. Pure strategy provides the most customization possibilities and standardized the least, correspondingly.

In order to achieve cost efficient, lean and stable production the manufacturer needs to meet a number of specific goals. The following requirements were summed together by Giovanni Jose Caetano de Silveira, Flavio S. Fogliatto and Denis Borenstein in the thesis “Mass Customization: literature review and research directions” (2001). First, the demand for customized products should be present at the market and the customer should be willing to pay a higher price for the customized item (Pine et.al., 1993b). Secondly, the ability to perform MC first on the market may be crucial for the manufacturer (Kotha, 1995). The suppliers’ network should be ready to provide needed new materials; the delivery network should be prepared for the new types of goods and adjusted delivery timing. Together with distribution network, supply and delivery networks “must be part of an efficiently linked information network” (Kotha, 1996; Haglind, Helander, 1999). The necessity of MC technology is the next goal needed by manufacturer according to Pine et.al (1993) and Kotha (1996). When the technology of MC is present, the next requirement is to have a customizable product (Feitzinger, Lee, 1997). The last requirement of MC is shared knowledge. “To achieve that, a culture that emphasizes knowledge creation and distribution across the value chain must be pursued by companies. That requires the development of dynamic networks (Pine et al., 1993) along with manufacturing and engineering expertise (Kotha, 1996a), and in-house development of new product and process technologies (Kotha, 1995).” (Da Silveira et.al, 2001).

1.1.2 Trends and approaches in mass customization

Based on the evidence provided by A. Kumar et.al. (2008) it may be possible to conclude that MC strategy is an evolving and growing field, as the average of 30% of customers payed more attention to the customized products in 2008 in comparison with 7% in 1997. The methods manufacturers use in MC may be summed in three categories (A. Kumar et.al, 2008). Modular design, finite solution space and customer co-design or integration were derived to create three MC strategies. In modular design approach each function of the product is performed by a separate module. This method was formulated by Ulrich (1992) and called

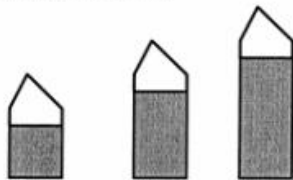
modularity strategy. The modularity strategy (also insisted to be applied by Pine et. al. 1995) allows to decrease cost of production and at the same time increase the number of available features. The picture below provides the basic methods of modularity and their short descriptions.



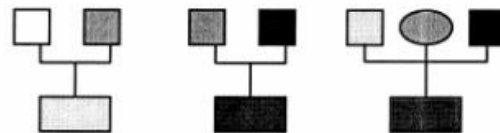
Component -sharing Modularity
Common components used in the design of a product. Products are uniquely designed around a base unit of common components
Example: Elevators



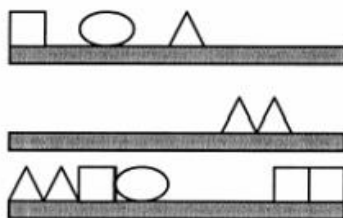
Component -swapping Modularity
Ability to switch options on a standard product. Modules are selected from a list of options to be added to a base product
Example: Personal computers



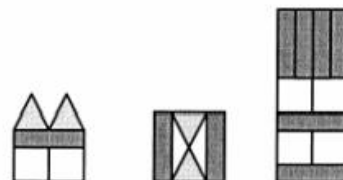
Cut-to-Fit Modularity
Alters the dimensions of a module before combining it with other modules. Used where products have unique dimensions such as length, width, or height. Example: eyeglasses



Mix Modularity
Also similar to component swapping, but is distinguished by the fact that when combined, the modules lose their unique identity. Example: House paint



Bus Modularity
Ability to add a module to an existing series, when one or more modules are added to an existing base. Example: Track lighting



Sectional Modularity
Similar to component swapping, but focuses on arranging standard modules in a unique pattern. Example: Legos

Source: Ulrich and Tung, 1991 in Duray et.al, 2000, p.609

The best examples of modular design may come from computer design methods. Customers of some companies may choose a hard disc type and storage, a RAM configuration, video card producer or type as well as many other components. Those modularity types are presented in the automotive industry as well. Component-sharing modularity enabled Groupe PSA to build and sell Peugeot 4007, Citroën C-Crosser and Mitsubishi Outlander that shared the same platform,

engines, transmissions and other equipment. Component-swapping modularity may be found in the BMW AG model range. BMW 3 Series and 5 Series, for example, have special design package that installs exterior elements (bumpers, diffuser, spoilers and grille) from the cars of M Series to the standard cars.

The finite solution space method limits the possible number of variations to the cost-efficient extend. ” The term finite implies that there is a limited number of processes able to deliver a large, albeit limited, number of product configurations” (Kumar et.al, 2008). Solution space according to von Hippel (2001) represents “the pre-existing capability and degrees of freedom built into a given manufacturer’s production system”. There may be several exclusions from finite solution space. For example, in clothing industry the item customized using body scan technology allows solution space to be infinite, as bodies of people may differ in uncountable ways.

The last strategy is customer co-design or integration. This strategy is wide spread and achieved through online website configurators. The process of co-design is mostly based on collaboration of customer and producer “where various experts are participants“ (Park, 2007). The effect of co-design strategy is discussed later in the thesis in the chapter 1.2.3.

1.2 Mass customization in automotive industry

As the next step of theoretical research is to provide historical background of mass customization in automotive industry, compare previous and current trends of MC and provide examples, describe the most used MC tool within the industry and analyze its effect on target customer. The “I designed it myself” effect importance is analyzed based on the research by N. Franke, M. Shreier and U. Kaiser (2010).

1.2.1 Historical background and current market situation

It may be possible to state that first automotive customization started around 1930's. The first custom cars were only affordable for the people who were able to pay for luxurious, almost hand-made vehicles. At that time, the most common practice was coachbuilding. Manufacturers that were using coachbuilding method of production purchased the engine, transmission and the frame of the vehicle from a bigger producer, for example, Rolls Royce Limited or Cadillac Motor Car Division. The rest of the vehicle was custom made according to the preference of individual customer.

The coachbuilding companies were represented in Europe and United States of America as well. The most known companies were: Gruppo Bertone, Italy; Pininfarina S.p.A, Italy; Zagato Milano s.r.l.; Carrozzeria Castagna, Italy; Figoni et Falaschi, France; Hopper & Co, Great Britain; Arthur Mulliner, Great Britain and many other companies located around the world. The cars produced by those manufacturers were extremely expensive and remain their high financial and historical value nowadays (Georgano, 1990).

The customization possibilities for the coachbuilding cars were infinite. The body type, interior materials and functions and other equipment was made according to the customer wishes. The Talbot-Lago T150C SS Tear drop Coupe of 1937 by Figoni et Falaschi with its streamlining design (Coachbuilders Encyclopedia, 2016c), Alfa Romeo 8C 2300 Spyder by Zagato Miano (Coachbuilders

Encyclopedia, 2016b) or H.J. Mulliner Rolls-Royce Phantom III Saloon 1936 are several of multiple examples of cars built directly under supervision of customer (Coachbuilders Encyclopedia, 2016a)

After the World War II the mass production in automotive industry may have become more favorable for the manufacturers and not for coachbuilder companies. Starting with the success of Ford model A in the beginning of the century (Hounshell, 1984), and followed by other enterprises later, the mass production of vehicles became more common and gained popularity among working class customers. That change reflected in many coachbuilders going bankrupt, being bought by bigger manufacturers or changing their core competency. (Coachbuilders Encyclopedia, 2016d). The table below provides the dates of closing or bankruptcy of coachbuilders around the world. Based on the data the author made a suggestion regarding the decline of coachbuilding industry in the middle and second half of twentieth century.

Coachbuilder	Country	Date of foundation/stop of production
Antem	France	1919-1955
Brewster & Co	USA	1810-1937
Castagna	Italy	1849-1954 (revived in 1994)
Figoni et Falaschi	France	1935-1955
Hopper & Co	Great Britain	1805-1959
James Young	Great Britain	1863-1967
LeBaron	USA	1920-1953
Mulliner & Co	Great Britain	1900-1959
Sodomka	Czech Republic	1895-1958
Stabilimenti Farina	Italy	1919-1953

Source: coachbuild.com (2016); M. Theobald (2004)

Nowadays “Automotive companies have successfully adopted mass customization” (Khan, Haasis, 2016). Moreover, it may be stated that MC in automotive industry is a more complicated as the car producer has no direct contact with the customer. All the communication and orders go through dealer and dealer networks. (Khan, Haasis, 2016). Pine et. al. (1993) provided an analysis of MC in automotive industry on the example of Toyota in the 1990's. The negative Toyota experience, that was a result of organizational structure flows that

were not ready for the MC, may have been analyzed by the other producers and more successful MC strategies have been applied. Currently almost every car manufacturer has its own MC system and specific tools to support it. The specific tool used by producers and its effect on customers to be described in chapter 1.2.3.

1.2.2 Core vs. Emerging markets in mass customization

At this point of the thesis, it is essential to analyze the difference of MC strategies depending of the size and potential of the market, as companies tend to use different approaches on different types of the markets. That difference may be found in production, marketing and sales strategies. The empirical part provides the comparison of core and emerging markets on the example of Germany, Russia and Chile in the chapter 2.1.

The core market may be described as a stable market, that may be creating the superior profitability and where the company has been represented for a long period of time. Emerging market according to M. Czinkota and I. Ronkainen (1997) may be defined by three main characteristics. The first criteria is the “absolute level of economic development, usually indicated by the average GDP per capita”. (M.Czinkota, I.Ronkainen, 1997). The second determinant of emerging markets (EMs) is speed of economic development, indicated usually by the GDP growth rate. The last criterion is the state of free-market system and also may be characterized by national investment risks indices.

The waterfall model may be the most common strategy for market entry in automotive industry. Winston Royce first described the model in software development industry in 1970. The term “waterfall” was later coined by Bell and Thayer (1976). The waterfall method suggests the top-down approach when operations are followed in pre-defined order.

Christoph Lymbersky (2008) defined three approaches to market entry that may be also possible in automotive industry. The first method is a “wave strategy” when products are made available at the same time in the countries with similar characteristics, like culture, language, currency, location. The second type of

market entry strategy is “sprinkler” during which the product is launched in as many markets as possible at the same time. The last approach is “waterfall” when each market is entered gradually at a pre-defined time. The empirical part of the thesis provides evidence to different market entry strategies in the chapter 2.1.

1.2.3 Tools of mass customization process and their effect

In mass customization customer is always involved at certain level of production. In order to make communication process sufficient and effective manufacturers tend to use certain toolkits. “Toolkits for user innovation is an emerging alternative approach in which manufacturers actually abandon the attempt to understand user needs in detail in favor of transferring need-related aspects of product and service development to users“ (von Hippel, Katz, 2002).

Automotive companies in order to decrease stock of unsold vehicle and to increase profit tend to change mass production system to the build-to-order (BTO) one and mass customization (Howard et.al, 2005). This transition requires a better understanding of customer needs of the manufacturer and may be extremely difficult to achieve. The toolkit for customer enables producer to decrease the importance of customer need detection providing them with possibility to “develop new product innovation for themselves” (von Hippel, Katz, 2002).

Customers that use MC toolkits may perceive a self-customized product higher than the standard off-the-shelf one. Dellaert and Stremersch (2005) and the following research of “I Designed It Myself” effect (Franke, Schreier, Kaiser, 2010) may have found a pattern according to which customized product may be preferred higher and fulfill the need of the customer better. Online web pages with customization tools increase personal value of the product and may create a feeling of contribution to design and production of a product (Franke, Schreier, Kaiser, 2010). The example of Skoda Fabia MC toolkit to be found in the chapter 2.5.

1.3 Target customer and segmentation

In this section, the author concentrates on general methods of target customer allocation and statistics regarding certain group of population. Defining the target market correctly is a core element in successful marketing campaign. In order to be able to sell certain product and create profit company should analyze the market correctly and define the target segment or segments.

“Segmentation is based upon developments on the demand side of the market and represents a rational and more precise adjustment of product and marketing effort to consumer or user requirements” (Smith, 1956). Market segmentation is a common and popular strategy to detect target customers. C.R. Taylor (1994) defined three stages in market segmentation. The first is “market fragmentation” that was characterized by “selling of low volumes of high margin goods to local markets” (Taylor, 1994) and lasted from 1880s until the end of 19th century. The second stage is defined as “market unification” started in the end of 19th century. Manufacturers applied economies of scale and sold undifferentiated products with low margin to the whole nation treated as a single market. The third stage started when companies applied “mass segmentation” and targeted specific customer groups. In the following years the fourth “hyper-segmentation” stage characterized by closer manufacturer-target-market relationships (Teadlow, 1990).

Such criterions as age, gender, geographical location, habits, standards of living, economic and income range and education are usually used to segment markets (Plummer, 1974). Based on the gathered data producer may choose what products to present on the market. For example, the study by A. Susel (2011) may have found a correlation that higher family income may lead to higher chance of planning of fertility. Assuming such factor, companies may address families with stable income and without children in order to increase their sales of children products.

Philip Kotler (1989) suggests four levels of market segmentation and detecting the target customer. The first stage deals with the mass market in general. The second step divides mass market to segmented markets. As a third stage,

segmented markets are divided to even smaller micro markets. The last step deals with individual markets and even individual customers.

The target market should fulfill certain criterions in order to be counted as suitable for entrance in perspective of effectiveness and profitability. The six criteria were determined by M. Wedel and W A. Kamakura (2000) and include identifiability, substantiality, accessibility, stability, responsiveness and actionability. Identifiability criteria represents the possibility to recognize individual customer groups by managers. If a target segment covers a sufficient market position and has a possibility to create profit it fulfills the second substantiality criterion. The possibility to contact and reach the segment is the third accessibility criteria. The responsiveness criteria is fulfilled when the market segment is able to react in a different and unique way in comparison with other segment. Stability of a segment is another necessary feature as it enables further development. In the last actionable criteria "the focus is on whether customers in the segment and the marketing mix necessary to satisfy their needs are consistent with the goals and core competencies of the firm" (Wedel, Kamakura, 2000).

To conclude, mass customization may be considered as an essential part of vehicle manufacturing, applied within the majority of the companies and within different types of markets. A. Kumar (2007) suggested that MC has become a stable practice after two decades of research. Companies achieve efficiency of production in MC using different methods, such as modular design, finite solution space and customer co-design (Kumar et.al, 2008). The market specifics and differences between core and emerging markets may influence producers' decisions and strategy. Unique models (e.g. VW Polo Sedan in Russia) may be offered based on the market situation. Specific MC tools like online web-customizators, decision support systems for product configuration (Frutos et.al, 2004), hybrid decision system by Zha et.al (2008) or AI based product configuration method (Mittal and Frayman, 1989). Using the specific toolkits customer may perceive a product "as more attractive (i.e.,when preference fit is higher) and create additional personal value of the customized product. (Franke, Schreier, Kaiser, 2010). Another important step in MC is allocation of target customers and markets. Target markets that fulfill certain criteria (set by Wedel, Kamakura, 2000) may influence the MC possibilities. Certain customization possibilities may be offered for specific target audience and thus may increase sales and customer satisfaction.

2 Empirical part

The empirical part consists of eight chapters aimed to provide descriptions and analysis on stated topics. As a first step, the different approaches in market entry strategies are provided. As to be proven, market and financial situation in a country, along with cultural differences may affect companies' decision on market entry strategy. Different model range may be represented on markets depending on above stated reasons. The second chapter provides a general description of Skoda Auto model range customization possibilities with the following chapter focusing precisely on Skoda Fabia. The operational efficiencies of Skoda Auto are described within the second chapter. In the fourth section the MC tool of Skoda Fabia is described. The next part of empirical research focuses on sales of ColorConcept feature as an example of MC possibility. The history of ColorConcept sales, trend and future possibilities are described and analyzed. In a final chapter, the target customer image of Skoda Fabia and ColorConcept feature in particular is created. The target customer profile may be an essential part of the research as the perspectives of ColorConcept feature depend on correct targeting strategies and target market features.

2.1 Core vs Emerging markets differences

At this point of the thesis, it is essential to analyze the difference of MC strategies depending of the size and potential of the market, as companies tend to use different approaches on different types of the markets. That difference may be found in production, marketing and sales strategies. The further research of the thesis is concentrated around Skoda Auto customization possibilities and understanding the differences on global markets may be essential starting point.

In order to show different market entry strategies the author suggests to take Skoda Auto and describe differences in core (Germany) and emerging markets of Russia and Chile. Russia is considered an emerging market based on the FTSE Russell report (2016) and Chile based on the fact that the market is relatively small. The comparison is performed in two stages. The first compares market

demand in Germany and Russia based on body type of a vehicle. The second comparison is for model range availability in Germany and Chile.

The differences between core and emerging markets may affect customization possibilities and that creates a marketing problem for the producer. In the automotive industry, the economic situation may dictate the specific demand on certain cost-level of most popular segment. For example, in Russia the most popular car segment is B, meaning that 41% of market share (Автостат, 2016) belongs to low-cost segment of cars. Hyundai Solaris, Volkswagen Polo Sedan, Kia Rio and Lada Granta Sedan in B-segment, Renault Duster, Hyundai Creta and Lada 4x4 in small SUV segment represent almost 80% of the market. All the above stated vehicles' prices in general do not exceed 1 million rubles (14.500€ on 10.10.16) and may be considered a low-cost segment (Автостат, 2016b). The German market may be characterized as being more able to purchase a high-price vehicles. This statement may be proven with 8,9% Mercedes, 8,4% Audi market share, as well as with 12,4% market share of sport vehicles and 10,6% of D-segment business passenger vehicles (Kraftfahrt-Bundesamt, 2016). Based on the evidence, it may be possible to conclude that car manufacturers may be more interested in developing low-budget cars for Russia and more expensive and luxurious vehicles for the German market.

The cultural difference between markets may reflect in popularity of different body types in core and emerging markets. The difference may be seen in comparison of sales in Europe and Russia. SUV became the best-selling segment in Europe for the first time in history with 22,49% market share (JATO Dynamics, 2016). German market is led by SUV segment too but the share of 26,5% is significantly smaller than in Russia (Kraftfahrt-Bundesamt, 2016). In Russia SUV held 37,5% market share in the first half of 2016 and currently holds 42% of the market in September 2016 (Автостат, 2016b). To conclude, the SUV segment may be of the most interest for producers on both markets but the price range may be affected by the economic situation described in the paragraph above.

The markets in Germany and Chile for Skoda differ a lot. In Germany, Skoda is represented by seven models (including upcoming Kodiaq) and in Chile only four

models are available. Skoda Citigo is represented only in Germany; Skoda Fabia is available only in hatchback version in Chile; Skoda Rapid for Chile has no limo version; Skoda Octavia is the only model that has the same representation on German and Chile market; Skoda Yeti for Chile lacks Outdoor version; Skoda Superb is not represented in Chile in comparison with Germany. Based on the above differences it may be possible to conclude that customers in Chile, as a country with almost two times lower GDP per capita and lower average annual wage (OECD, 2016a,b), may be not interested in expensive Superb model. Moreover, customers in Chile, country with mount landscape, may prefer bigger vehicles and not be interested in small Citigo model.

Skoda Auto may be implementing a combination of market entry approaches regarding Lymbersky (2008). The market entry of Skoda Fabia in 2014 to the European market may be considered as a combination of “sprinkler” and “wave” types as all markets were entered simultaneously and the markets may be considered relatively similar. The entry to other markets, like overseas regions (Australia, New Zealand, Chile, West Africa countries) was performed in “waterfall” approach as Fabia was introduced gradually during the year (information based on PISA sales output regarding above stated regions). The market entry of Fabia in Russia was planned in 2014 (L&T Guide, 2014) but was cancelled due to economic situation in the country (Avtostat, 2016c). In case of Chile market where Fabia was presented after the sales launch in Europe, the Skoda model was offered only in hatchback style based on the previous analysis of the market.

Based on the two above evidence it may be possible to suggest that market tendencies, the difference between core and emerging markets affects producers decisions. The automotive industry is affected by the economic, political and cultural differences within the markets. The conclusion may be proven by the market statistics provided by German and Russian national statistic offices. Consumer preferences may affect the model range of the producer represented on the market and also MC tools available.

2.2 Skoda Auto operational efficiencies

Market differences may force the company to adjust production and provide specific models for the market. It may be important to analyze operational efficiencies of the company in order to understand the flexibility of production. Mass customization possibilities are always limited by production efficiencies and cost saving policies, so the company has to find the most effective combination of customization possibilities and operational efficiencies.

Skoda Auto is a part of Volkswagen Group uses technological solutions applied through the whole brand. Same platform, engines, gearboxes, parts, body elements, multimedia systems and many other elements are used within the group. As an example of modularity for operational efficiencies, the example of VW Group MQB platform is taken.

Volkswagen Group introduced the new generation of MQB platform in 2012 (Volkswagen, 2012). The platform is used in current models of Volkswagen, Audi, Seat and Skoda. The main aim of the platform is to standardize “many vehicle component parameters – across brands and vehicle classes (Volkswagen, 2012). The MQB platform is suitable for the vehicles from A0 to B segment. The structure of the platform unifies the mounting position of the engine and allows to use modular-built engines. The main advantage of such platform is that it enables the company to “produce high-volume and niche models at the highest quality and extremely competitive costs” for the diverse markets like Europe, America and China (Volkswagen, 2012).

As a second example of production efficiencies, the engines and gearboxes usage within the brand is important to mention. The EA211 range of engines uses modular technology. With modular technology, the brand was able to reduce the engines and gearboxes variants within the brand by ninety percent without negative effects (Volkswagen, 2012). The range of engines includes three- and four-cylinder engines with the displacement from 1.0 to 1.6 liters (Volkswagen, 2014). The engines are used in vehicles within the whole VW Group. The picture of modular elements of EA211 engine to be found in Picture no. 7.

The third production efficiency is based on unification of gearboxes and their usage. The production of MQ200 gearbox started in 2000 at Skoda Auto and since then six million gearboxes were produced (Volkswagen, 2015). Currently the MQ200 gearbox is used by Skoda, Volkswagen, Audi and Seat. This unification of gearbox production and usage allows to create a cost-efficient environment and shorten the production time. Another gearbox family is called MQ100 and is produced in Mlada Boleslav since 2011 (Volkswagen, 2015). This gearbox is installed in “New Small Family” series vehicles including Skoda Citigo, VW up! and Seat Mii. Currently the gearbox is also available for Skoda Fabia with 1.0-litre petrol engine.

From the interior and exterior design point of view, Skoda Auto uses unification and modularity approach. The trim level approach for the model range suggests different equipment availability built in a vehicle. This approach means that different versions of steering wheels, multimedia equipment, climate control elements, seat upholstery, interior décor elements, floor mats and Simply Clever equipment packages are available for customers to choose from. The example of Fabia may be sufficient to provide an example of such modular approach. Customer is able to choose from four steering wheels in “Active” trim level, seven in “Ambition” and six variants in “Style” (Marketing description, 2016b). Multimedia equipment options range from two options for “Active”, four in “Ambition” and three options in “Style”. Air conditioning system is available to choose for any trim level while “Climatronic” climate system is available for customers of “Ambition” and “Style”. Bluetooth phone connectivity along with additional audio speakers represent another modular equipment example. To conclude, the standard interior allows adding extra modules based on the customer preferences without any difficulties from Skoda side.

The exterior elements are to be interchangeable depending in the trim level or special model edition. The Monte Carlo special model of any Skoda vehicle differs with black colored front grille, black door mirrors and some models have specific rear Monte Carlo diffusors. The above stated equipment is modular as it is possible to install on any vehicle during the production without any additional manipulations. The RS version of Skoda Octavia has unique set of front and rear

bumpers that is fixed on the standard mounts of bumpers. Scout and Scoutline special models have exclusive exterior elements that are modularly added during production.

The operational efficiencies of Skoda Auto, enhanced with cooperation with Volkswagen Group, allow to produce cars in a cost-efficient way and a short period of time. The share of technological solutions within the brand and also within the model range allow Skoda to increase production volumes. Moreover, mass customization possibilities allow customers to choose from a vast range of engines, gearboxes, trim levels and optional equipment and at the same time do not effect production time.

2.3 Customization and personalization of Skoda Auto model range

For the introduction and further analysis of Skoda models customization possibilities, it may be more efficient to observe each model separately. The main characteristics of the individualization possibilities will be as follows. Firstly, the exterior features, such as color range, possibility to apply different colors to body parts and exterior decals (stripes, logos, pictures on car body) are going to be described. Secondly, interior features that provide possibilities to fulfill customer's customization needs are described and their examples are provided. All needed information about customization possibilities is found on an official Skoda web page and in the Car Configurator feature provided there. Below all the current models are described and their customization possibilities are presented.

Citigo

The smallest and the most affordable model of Skoda Auto may be a great choice as the first car in a person's life. Providing a good value for money, spacious interior, compact and easy-parking size, this car may be highly considered as worth buying by young drivers as well as the second car in the family. The model may be attractive to urban customers who search for small and fuel-efficient vehicle.

Citigo with three or five doors car body provides three trim levels to choose from. Active (the basis one), Ambition (medium priced level) and Style (top level with a lot of standard equipment on top of Active and Ambition trim levels). The customer is allowed to choose from three standard colors and four metallic colors. The exterior individualization part finishes with eight possible variants of alloy wheels. The interior of the car can be chosen from three-color combinations: Black, Ivory and Dynamic interior with sport seats. Dynamic interior is available with Black and White dashboard.

The standard model does not provide a lot of customization features but the Monte Carlo edition might be more efficient in this point of view. Having only three colors (red, white and black metallic), the car is equipped with decorative stripes in sport style on the lower part of doors and on the boot door as well. Moreover, exclusive 17" alloy wheels can be chosen on top to provide even sportier look. The interior of the model is also exclusive and is filled with red colored features.

To conclude, the Citigo model does not allow many personalization features. In total, seven exterior colors and eight different alloy wheels are available for the customer. The Monte Carlo special model provides extra possibilities with sporty stripes on the car body and red color of interior.

Fabia

The next model of the model range is Fabia. A compact car available in hatchback and combi car bodies. An A0 or B-class model is one the most popular Skoda cars in Czech Republic and all over the Europe. The car provides a ColorConcept feature that is analyzed later on in the thesis . ColorConcept is a feature that makes matching different colors of car body and roof, wheels and door mirrors possible. Allowing 125 combinations, ColorConcept is one of the main selling point of the Fabia.

The car is available in Active, Ambition and Style trim levels and has seven engine options (both petrol and diesel). The car is available in four basis colors and ten metallic colors. Moreover, the customer is able to choose from more than fifty special colors. The ColorConcept option provides 125 combinations of red, white,

black, silver, gray and cappuccino exterior elements with the car body of different color. The wheels range from 15" to 17" and the ColorConcept can be chosen with red, black or silver alloy wheels. The interior is available in three different combination: black and gray, blue, beige. On top of that it is possible to choose different colors for dashboard décor. Thus, more than five combinations of interiors are possible to choose from.

The pictures below provide possible color combinations for Fabia:

Exterior Colour	ColourConcept (roof, wheels, side mirrors)	Interior
 Corrida Red	 Candy White	 Active Black Ambition Grey Style Black
 Race Blue	 Candy White	 Ambition/ Style Blue
 Corrida Red	 Black Magic	 Active Black Ambition Grey Style Black

Source: L&T Guide (2014), p.13

Skoda Fabia also has a Monte Carlo special model. This option provides additional exterior elements such as front bumper spoiler, rear diffuser, black exterior mirrors and radiator grille. The interior has an exclusive red colored elements, sport seats and red stitching on the steering wheel. All the individualization features may make Fabia a highly attractive car for the customer who wants to make his car unique.

Rapid

The third model sold by Skoda is Rapid. Rapid is a little bit bigger vehicle than Fabia and comes in Limo and Spaceback (hatchback) body styles. The car has the same trim levels and body colors available as Fabia. The exterior and interior features are reflecting Fabia's as well. Three interior colors with different dashboard décor colors are available for Rapid in the same way. Rapid Monte

Carlo is equipped with black exterior features such as front bumper spoiler, rear spoiler and rear diffuser. This special model has absolutely the same interior décor style as Fabia Monte Carlo.

The main difference from Fabia is that the new special model Scoutline is available for Rapid. This model has a more off road appearance with its protective elements on front and rear bumpers. The model is equipped with a rough road package (heightened suspension for bad road conditions). The model has its own unique color called Green Pistachio available together with other standard colors.

Octavia

The best-selling car of the brand, scoring over one million sold cars all over the world, is the next in the overview. The car that may attract a possible customer with a spacious interior, with 590-liter capacity boot and a big range of available engines. The emphasis is made on the roominess of the vehicle, spacious luggage compartment and a value for the price from the customer point of view.

The car comes in four trim levels: Active, Ambition, Style and L&K (Laurin & Klement). Four basic colors and nine metallic colors are available for the customer to choose from. Moreover, more than forty special colors are in offer. The interior is available in black, gray and dynamic colors. The dynamic package includes red, black or gray color combinations in interior décor and stitching. Laurin & Klement trim level provides exclusive brown leather interior. The other important special model of Octavia is Octavia RS. This car has different front and rear bumpers, different exhaust pipes and can be ordered in exclusive Rally Green color.

Yeti

Available in two exterior variants (City and Outdoor), Yeti provides a combination of a spacious, transformable interior and a possible off road experience for the customer. Different styling packages (City and Outdoor) provide the customer with the possibility to choose between urban and more off-road exterior design elements. Customers may appreciate the balance between off-road abilities and family practicality.

The SUV is available in four trim levels: Active, Ambition, Style and L&K. Four basic colors and nine metallic ones represent the color palette available for the SUV. In addition, more than 39 special colors can be ordered. The interior is available in three colors: Black, Silver and Gobi Sand (Beige). The Dynamic interior package includes sport seats and black décor combination. The interior of L&K trim level is available in exclusive brown leather finish. The Monte Carlo edition provides additional exterior and interior changes such as black roof, grille and door mirrors, unique Monte Carlo interior décor.

Superb

Skoda's flagship not only provides one of the biggest legroom for the rear passengers in its segment but also has one of the biggest boot space on the market with 625 and 1760 (with folded seats) liters. The combination of a rational price and great roominess may attract a customer who is looking for the bigger car for a lower price.

The car is available in two body types – limo (lifback) and combi. The trim level structure is usual for current Skoda model range. The entry trim level is Active, followed by Ambition and Style and ending with L&K top edition. The color palette has four basic colors and nine metallic. More than sixty extra colors may be chosen as an option. Beige and Black interiors are to be chosen.

Laurin and Klement special model provides brown leather interior and is available in exclusive brown metallic color. The new Sportline special model has a special Dragon Skin color available and provides unique exterior features such as different grill, diffuser and spoiler. The interior has special Sportline décor and red stitching elements.

2.4 Skoda Fabia detailed customization overview

At this point after the short overview of current (September 2016) Skoda Auto model range customization possibilities it is important to concentrate on Skoda Fabia model. This A0 segment model provides 125 ways to mix and match the colors of the body, roof, side-mirror covers, alloy wheels and interior (L&T Guide,

2014). All possible interior and exterior customization features are going to be fully described and the ColorConcept feature will be overviewed.

The interior can be chosen in 5 color designs: Black, Gray, Beige, Red and Blue (L&T Guide, 2014). The availability of colors for the entry trim level Active is limited only to Black and Gray interiors. Red interior is available only for Ambition trim level and Monte Carlo special model. The Beige combination is exclusive for top Style trim level. Not all exterior and interior color combinations are available for the customers. The designers had chosen 125 combination out of 240 (15 body colors, 4 roof colors, 4 interior colors) in total as suitable for production (L&T Guide, 2014). The tables with all possible combinations provided in the appendix no. 1.

Fabia provides the most customization features ever in a car produced by Skoda Auto. Fifteen body colors exceed the offer of the most competitors and this fact may attract more customers, especially of younger generation. “The reason behind this decision is that ŠKODA’s designers were keen to accommodate the demands and wishes of younger customers and offer them a new dimension of individualization” (L&T Guide, 2014). With this statement, Skoda Auto announced the new feature called ColorConcept.

ColorConcept feature allows customer to combine different and contrast colors of a car body and a roof, side mirrors and wheels. With this option, Skoda Auto targets younger customers and makes the feature one of the main selling points of the model. The target customer image is going to be represented later on in the thesis. New customers „will be drawn to the new design philosophy and the extensive individualization options (the Interior and ColorConcept)“ states the Launch and Training Guide, 2014 and that proves that ColorConcept feature is intended to attract new customers and those who are loyal to the brand and looking for the new car to buy.

2.5 Skoda Auto mass customization toolkit

In order to attract customers and allow them to create desired vehicle in perspective of extra equipment and design, companies tend to provide online MC

Toolkits known as car configurators. This feature in general allows the customer to choose desired engine and transmission configuration, vehicle color and extra equipment. In most of the cases, configurator provides the price of each option and the vehicle in general based on the pricelist of the importer or dealer.

This part of the thesis observes MC tools of Skoda Auto and possible differences in core and emerging markets. The markets of Russia and Czech Republic are used as examples. Russian market is suggested as emerging market (FTSE Russell, 2016) and Czech Republic as a core domestic market. Both markets have a feature of online configurator available on the official web page of a company.

For the example of MC customization toolkit, it may be appropriate to compare Skoda Octavia as this model is represented on both markets. Moreover, Octavia is the most sold model on both markets (PISA, 2016). Based on the choice, the following structure of MC description and comparison is suggested. At first, the general possibilities are described and then MC process is overviewed gradually from the customer point of view.

Skoda uses “Skoda Car Configurator” available from the official web page. Each page is translated in to the local market language and uses local currency. The customer has seven stages to go through during the customization process. The first is “Trim level” and allows to choose from possible trim levels and their starting prices. The second “Engine” section provides an overview of available engines. The “Color” section gives the customer the ability to choose a preferable color and provides possible wheel solutions. The interior combination is to be chosen in the next “Interior” stage. The “Equipment” segment allows to choose from additional equipment offered. The next stage is “Skoda Assistance” provides warranties if available for the customer. The last segment “Information about the car” sums the all previously fulfilled stages and provides a general overview with the calculated total price of the vehicle.

All pictures of differences in MC Toolkit to be found in appendix. The differences in MC Toolkit for Russia and Czech Republic start at the very first “Trim level” stage as Russian offer lacks L&K and RS versions (pic. 1). The missing versions are

provided separately in Russian configurator. At the second stage, the offer of engines in Russia for “Active” trim level is limited to three possibilities in comparison with seven in Czech Republic. “Ambition” and “Style” in Russia have a wider seven-engine offer in comparison with eighteen versions on Skoda domestic market (pic. 2). The color pallet in the next section is limited to eight options while in Czech Republic thirteen standard and more than fifty extra colors are available. Moreover, Russian market has a unique feature of black roof color available with any other body color while in Czech Republic such offer is absent (pic. 3). The wheels offer is limited to four versions for standard cars and five extra for RS and L&K versions in Russia and total of twenty combinations in Czech Republic (Marketing description, 2016) (pic. 4). The black interior combinations for “Active” trim level are the same for both countries and are the only available in production. The differences arise in “Ambition” and “Style” where Russian version has no option of Dynamic Grey/Red and Dynamic Grey/Grey combinations (pic. 5). The RS and L&K special models have the same interior customization features on both markets. The “Equipment” section offer depends on the importer and dealer requests and creates many differences in structure of offers and amount of options available in general. “Special packages” sub-section is fully requested by the importer and has packages formed depending on the market specifics. “Function”, “Comfort”, “Multimedia” and “Interior” and other sub-sections may in general provide more features for Czech customer than to Russian. The next section in Russia is called “Skoda Assistance” and in Czech Republic “Skoda Care”. Russian customer are provided only with “Skoda Roadside Assistance” while additional services of “Pre-paid service”, “Insurance” and “Warranty” are available in Czech Republic on top (pic. 6). The last “Information about the car” step is the same in both countries.

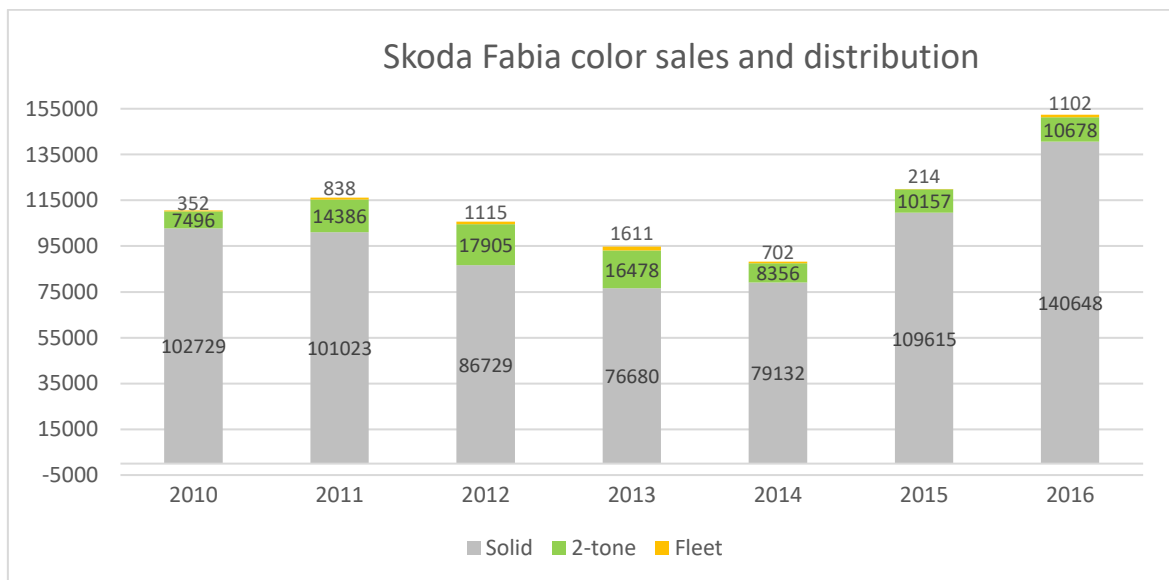
Based on the comparison above it may be possible to conclude several things. First, Skoda Auto via online configurator feature allows customers to choose any vehicle and build it in the desired way. Trim level, engine and transmission, color and wheels, interior combination, additional equipment and services may be chosen based on individual preferences and the summed information together with the price is provided to the customer. Secondly, market specifics may affect customization possibilities available for customers in individual countries. The offer

is usually composed by the importer of vehicles based on the market research and previous experience. Thus, the customization possibilities may depend on the market size, potential, demand, trends and target customer profiles.

2.6 Skoda Fabia ColorConcept feature sales analysis

Having described all customization possibilities it is essential to concentrate on the sales figures of this option, analyze the past years' sales and find the trends. All the data is representing the production of a plant located in Mlada Boleslav and found in online VW Group production system PISA (2016).

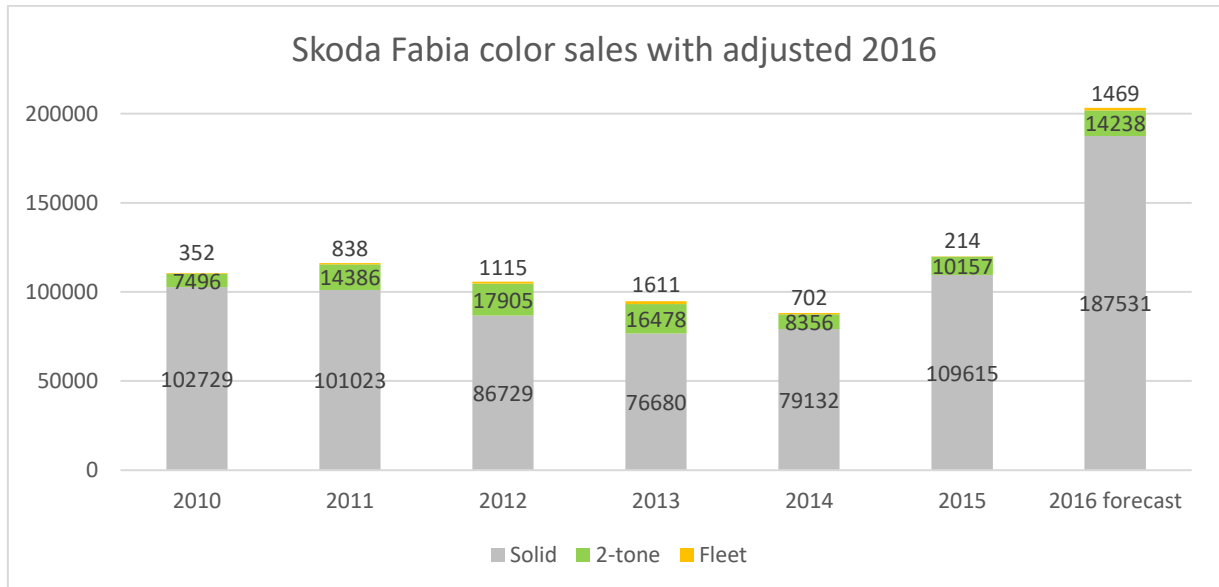
As a first step, the sales of standard and two-color are going to be overviewed. The fleet colors are considered to be irrelevant because of low volumes and availability only to corporate clients and not to common customers. The second generation of Fabia was produced until 2014 and the current, third generation is being produced since the beginning of 2014. The graph below shows the volumes and distribution of color sales in the period from January 2010 till September 2016.



Source: PISA, 2016

An average share of Skoda Fabia with ColorConcept feature in the period from 2014 until September 2016 is 8,32% (the current Fabia generation). As a next step

it may be essential to adjust sales values of 2016 to the full year based on average monthly sales (16936 vehicles per month). The table below represents 2016 ColorConcept sales distribution with adjusted current year data.



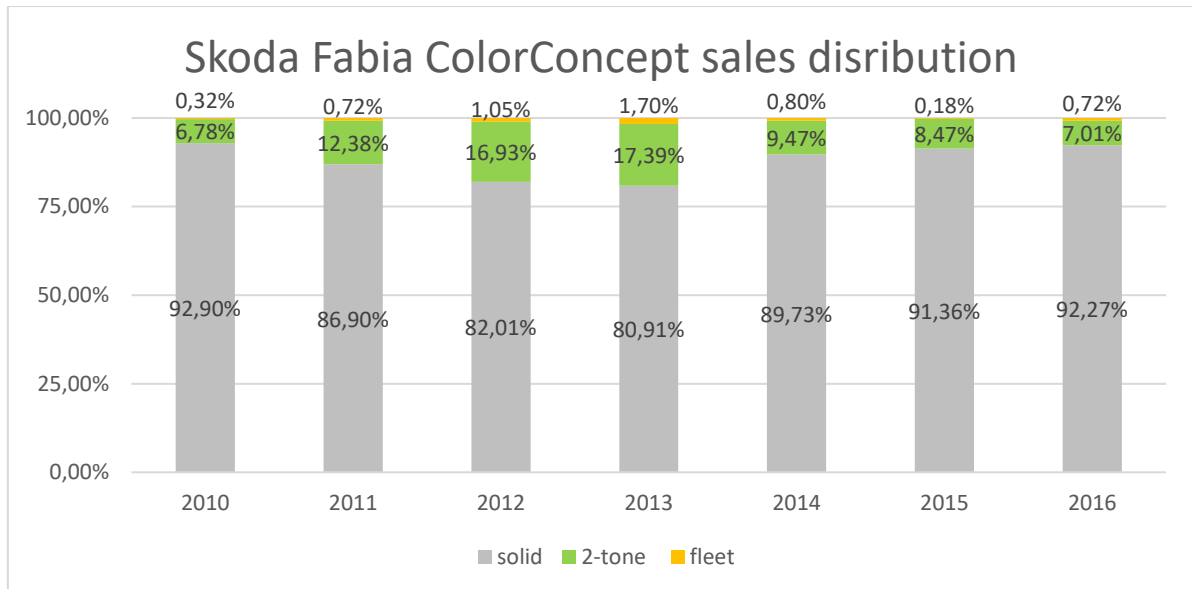
Source: PISA, 2016

Although the distribution of ColorConcept feature remains 7,01%, the total amount of cars sold with the 2-tone feature rose by 33%. The rise is primarily affected by the general increase of sales in 2016 in comparison with 2015.

The sample of six years is considered sufficient and represents two generations of Fabia. The decline in overall sales in 2013 may be explained as a result of market reaction to upcoming new model entrance and technological aging of a model. The relatively low sales volume of the first year of production may be explained by the following factor. People tend to avoid a purchase of a car which production has just started due to an opinion that a car may have major problems right away - and some do or be a subject to recall due to technological problems (Doug DeMuro, 2013). The Honda Civic owners' forum supports this concept of not buying a first year production model with more than three pages discussion (Civivx, 2016). This public belief in first year production models' lower general quality may be proven by endless forums. The examples above represent the random choice of author,

as they were the first page (most popular) links on google.com and may represent the possible customer pre-purchase search.

The second step of analysis is based on calculation of percentage of two-tone cars sales in comparison with overall volumes and a trend allocation.



Source: PISA, 2016

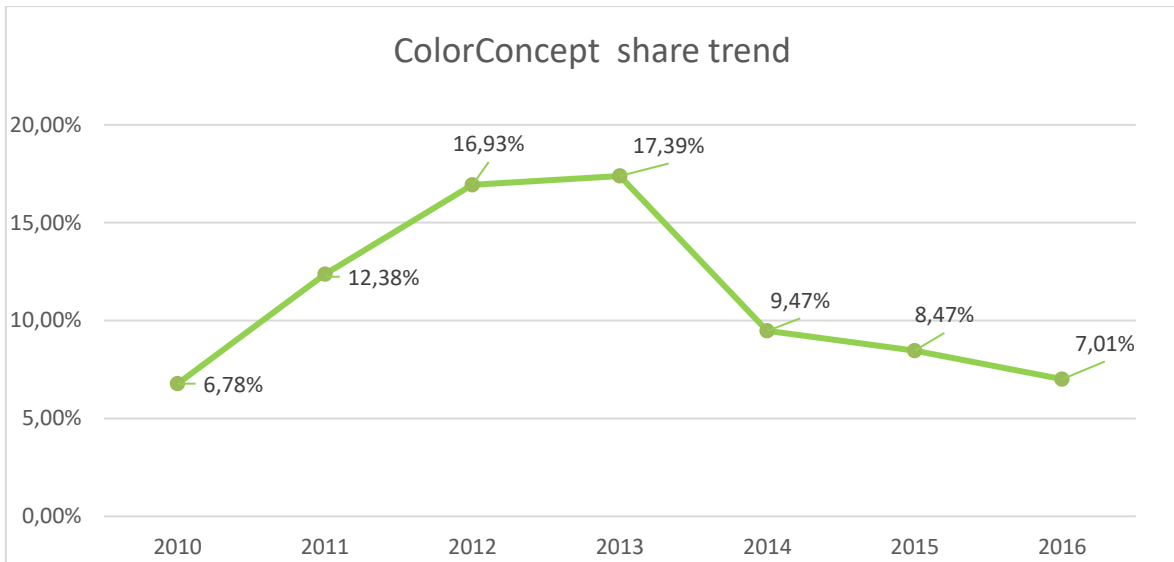
The trend in ColorConcept popularity and sales volumes growth is obvious with the second generation of Skoda Fabia. The average sales volume of the feature until the end of 2013 is 13,37% - that may be considered as an important sales point that increases sales. The two-tone colored cars share rose by 83% in 2011 in comparison with 2010, by 37% in 2012 and 3% in 2013. Peaking in almost 20% (19,09% of produced cars had 2-tone or unique colors including fleet sales) sold volumes share ColorConcept may be considered as one of the main selling points of Skoda Fabia of 2nd generation.

The third and current generation of Skoda Fabia shows comparatively lower percentage of cars sold with ColorConcept feature. This tendency may be a result of several reasons. Firstly, the new generation design overall may have been attracting customers regardless of ColorConcept customization feature. The good public response may be found in many automotive journal reviews. The new Fabia

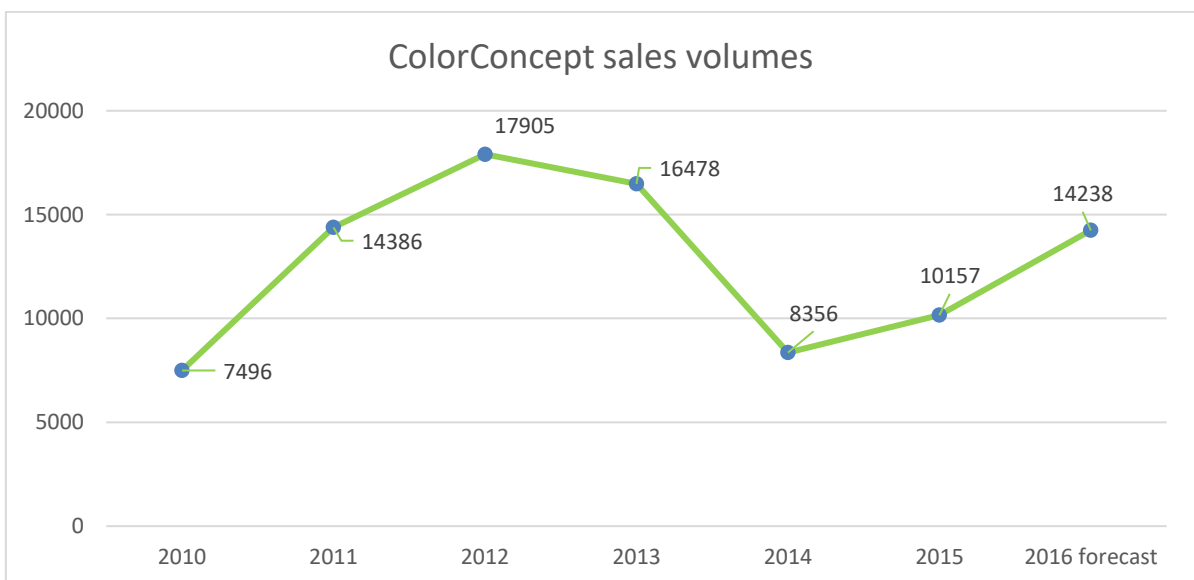
with a "sharper-edged design than its predecessor" (Autoexpress, 2016) was reflecting the new design language of Skoda Auto. The sharp design appreciation is followed by TopGear journal with a Vijay Pattni review stating that the new design "looks sharp" with "notes of the cool Vision C concept".

As a second reason of lower sales share, the author suggests the production restrictions applied till 2016. The author was highly involved in solving the problem occurred around ColorConcept feature and had an access to the internal information provided below. ColorConcept was available to order only with 16" Beam alloy wheels while more than 30 countries (including Russia, Belarus, Ukraine, Ecuador, Egypt, and Colombia) were not allowed to have alloy wheels in size bigger than 15" due to "bad road conditions" region restrictions. The situation was solved by introducing new 15" Matone wheels in black, silver and white colors that were possible to combine with ColorConcept feature. The sales of Fabias with ColorConcept for those countries have started in the beginning of 2016 (exact date unavailable). The full scale of countries affected by 16" wheels ban is to be found in appendix. The sales of the colored roof feature with no sales restrictions thus are fully included in the year 2016 and do not fully reflect the market situation of 2014 and 2015.

As a next step of empirical research the trend allocation is important. The trends represents the growth of sales share of ColorConcept vehicles in the chosen period of time. The first graph below represents the author findings (based on PISA, 2016 output) and allocates the trend of ColorConcept feature sales share. The second graph provides a trend line of ColorConcept sale volumes over the selected period of time.



Source: PISA, 2016



Source: PISA, 2016

Based on the finding it may be possible to conclude that ColorConcept feature remains an important sales point and communication point of Skoda Fabia. Although the share of 2-tone vehicles decline from 2014, their production volumes rise with the overall sales of Skoda Fabia. It may be possible to suggest that the feature may increase the share in 2017 together with the general sales rise. The second generation of Fabia provided a strong evidence in popularity of ColorConcept feature as the sales share grew in all years represented except the

stagnation in 2014. The current third generation of Skoda Fabia has a lower share of vehicles produced with ColorConcept feature but the total volume of 2016 may prove that the 2-tone option is still popular and appreciated among customers. On average 7,5 percent of current generation Fabia customers chose the ColorConcept feature and that share may be counted as significant.

2.7 Skoda Fabia target customer

In order to understand which customers may prefer ColorConcept feature and thus affect sales it is important to create a customer profile for Skoda Fabia and ColorConcept feature in particular. Skoda Auto has created a specific customer profile image of Skoda Fabia in order to support technical development, sales and marketing departments. The specific needs of customers were identified in order to be fulfilled during technical development of the vehicle. Specific features, like Simply Clever solutions, are advertised as unique selling points. Most of the target customer needs are identified and their possible solutions were included in the design and performance of the vehicle.

In order to address individual needs of the customer several customer images were created and their possible individual needs were highlighted to be the strengths of Skoda Fabia. The customer image may be considered international as it is based on the pre-defined images of European Union citizens. The target customer image represents more than two countries and international markets. As a first step the general needs of the customer were identified and the benefits of Fabia were highlighted by Skoda Auto. As a second step, the company created fictional customers and provided the information about their possible social, economic status as well as their possible interests and hobbies.

The typical target group formed by the company does not center around specific age or gender group. The customer is looking for the “safe and spacious car for their money, with low running costs and thrifty consumption” (L&T Guide, 2014). The customer considers low fuel consumption and environmentally friendly emission levels beneficial. Compact external dimensions in combination with

internal roominess create a great car for the city environment. The customer is also aware of a benefit from high residual value at the point of sale.

As a second target customer group, Skoda defines “traditional customers” (L&T Guide, 2014). The customer that has previously owned an older generation Fabia and extremely values the value for money Fabia provides. Customer is looking for all the same and even more qualities and features that made him/her buy a previous car. Moreover, the lifestyle of a person requires a car “with a large luggage compartment that remains compact on the outside” (L&T Guide, 2014). Simply Clever solutions create additional loyalty for the customer, as they have already experienced the benefits of such options. The stance target customer takes on their life is based on “philosophy that you are only as old as you feel” (L&T Guide, 2014) and thus creates no boundaries between age and new technologies interaction.

As a last step of target customer identification, Skoda created several fictional character descriptions to describe typical needs and wishes of a customer. In case of a customer that is single and spends time equally between family and friends, high mobility, compact size and low fuel consumption are beneficial. The customer may be able to park in the center of the city due to compact size during an evening with friends in the restaurant and the next day to fit all the shopping bags in a spacious luggage compartment. A person in relationship and with kids may find spacious interior and high safety standards valuable for the family car. Easy mobility and low fuel consumption may attract both single and in-a-relationship customers from the economical point of view. A certain share of customers are highly interested in fashion and may be attracted by the new “stylish vehicle that would announce her/his exquisite taste to the world and emphasize individuality” (L&T Guide, 2014). Those customers may find ColorConcept feature especially attractive as it allows 125 color combinations that will express individuality. The technology aspect is also important for the target audience. The ability to connect a phone and use a hands-free phone calling together with an ability to charge the phone may be of interest for a technology-interested customer. Pragmatism may be a feature of some customers that may choose Fabia over competition due to reliable engines and transmissions. To conclude, fictional target customers are

focused on mobility and easy parking, low fuel consumption, roominess of interior and especially luggage compartment, expressive design with multiple color options and new technology including mobile phone connectivity with infotainment system. Target customer may be of any age and gender along with the family status. The income level may be considered stable and on low medium – medium range. Social activity may be relatively high and general approach to life may be active for the majority of customers. Technology or fashion oriented customers are of the target interest.

The information above depicts the target customer profile image of a Skoda Fabia in general and a next step it is necessary to differentiate the customer profile of ColorConcept feature. For that purpose, Skoda Auto has created a fictional target customer that has a set of specific interests and life styles. The image is based on the previously described character that prefers “stylish vehicle that would announce her/his exquisite taste to the world and emphasize individuality” (L&T Guide, 2014). The customer requires “attractive features”, “emotive design” and “innovative technology” (L&T Guide, 2014). As Skoda states, “young and dynamic types of customers” are aimed for the feature and are singled out for the advertisements (L&T Guide, 2014).

Having described the customer image, it is necessary to link gathered information with the theoretical basis. The share of people ranged from twenty to thirty-nine years old in twenty-eight EU countries is approximately 25% (Eurostat, 2016b). Based on this, the target market is fulfilling all six criteria by Wedel and Kamakura (2000). The identifiability criterion is achieved as the market segment may be recognized by managers. As the target market covers one fourth of the population and is able to generate profit the next substantiality criteria is covered. Accessibility criteria is fulfilled by ability of company to address and contact customers, for example via advertisement. The market is able to reach in a unique way by creating a specific demand and thus responsiveness criterion is achieved. The segment may be considered stable as there is no major change predicted in the future (Eurostat, 2016b). The last actionable criteria is fulfilled as the customers, for example, may require customization features and Skoda Auto is focused on MC availability and general high customer satisfaction.

Conclusion

The author has achieved all the targets set for the thesis. First of all, the theoretical basis of general customization process was described and the mass customization theory was presented. The general approaches in mass customization like The tools used by auto manufacturers in the mass customization process were proved to attract customers. The “I designed it myself” effect (Franke, Schreier, Kaiser, 2010) on customers using mass customization toolkits, such as Skoda Auto web-page car configurator was proven to create additional subjective value.

Secondly, the history of mass customization is automotive industry regarding features of interior and exterior design was represented. Luxury and premium brands along with coachbuilding companies all over the world were the first to allow their customers a possibility to individualize their car to meet personal preferences. For this multiple wood species and leather of different colors for interior and custom exterior colors were offered. Nowadays almost any car producer may be able to change the interior and exterior design and create a combination desirable for personal needs of the customer. Modular technological solutions used during production allow manufacturers to vary structure of the vehicle, engines' volumes and power, types of gearboxes, exterior and interior design elements. The example of Volkswagen Group provided evidence that companies in automotive sphere tend to use unified technological solutions during the production in order to decrease production costs and time and at the same time broaden model range.

The specific online car configurator was proven to create additional emotional attachment to the car and in this was creating additional personal value. The fact that car manufacturers are trying to offer the biggest amount of possible options on the market proves that that the market tendency of offering all technically possible options may be proven to be true. Almost all car manufacturers today are offering different interior color and material combinations as well as multiple exterior colors. Some of them offer unique exterior design options such as colored parts inserts, colored roof and other customizable exterior and interior parts.

Moreover, the majority of car producers have their own online mass customization tools – online configurators. Those tools provide all technical information of the car (power, dimensions, and economy) and enable a customer to search through all possible options with prices. The customer may be able to combine available trim levels, powertrains, transmissions, exterior colors, wheels, interior colors and materials and safety, infotainment and driving assist systems. The final review on the car including the calculated estimated price may be also presented.

The empirical part of the research proved the importance of ColorConcept feature for Skoda Fabia and analyzed the history of sales. Secondly, the typical target customer image of Skoda Fabia was created and the correlation between personality of a buyer and a ColorConcept feature preference was determined. The study has shown that the average 10.68% of Fabia's sold in the period of 2010-2016 have the colored roof, door mirrors and wheels. This proportion and a tendency of increasing volumes of ColorConcept option cars represent a high market potential for the model and for the brand in general. The customer profile analysis is showing that the target market is fulfilling all six criterions of Wedel and Kamakura (2000) and is of interest for Skoda Auto. The conclusion based on the above shown facts suggests that the tendency of customers looking for ColorConcept feature of Skoda Fabia and the exterior customization features in general may increase in the future and more car manufacturers may be interested in providing similar options.

To conclude, passenger vehicle customization and individualization importance in today's market was proven crucial aspect of sales. Some customization features may be a brand's main selling point and attract potential customers. The example of ColorConcept feature of Skoda Fabia proved the necessity of such customization possibility. That was reflected in a tendency of increasing volumes of cars sold with such design option for both generations of Skoda Fabia. With this, the author has reached all the set targets of his bachelor thesis.

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Picture no. 1 Russia vs Czech Republic: Trim levels

Octavia Оборудование

Active	Ambition	Style
899 000 p.	1 033 000 p.	1 124 000 p.

Цена **899 000 p.**

Назад 1 of 7 Далеe

Посмотреть Фон

Octavia Въbава

Active	Ambition	Style	L&K
od 354 900 Kč	od 415 900 Kč	od 501 900 Kč	od 663 900 Kč

RS

od 659 900 Kč

Цена за vůz **5 287 Kč**

Ориентаční měsíční splátka **369 000 Kč**

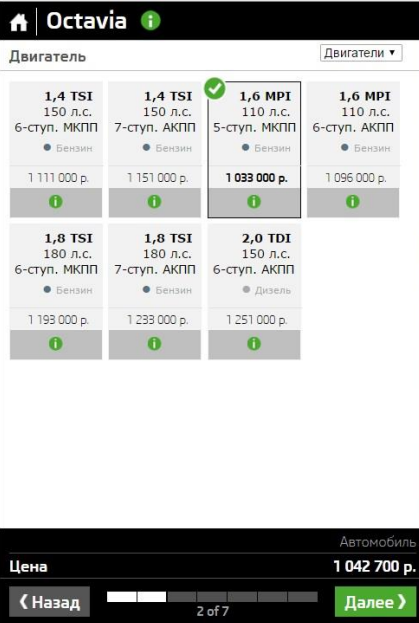
Цена zobrazeného vozu **369 000 Kč**

Zpét 1 z 7 Dalsi

CO₂ 112 g/km Pohled: Позадí:

Source: Skoda online configurator, 2016

Picture no. 2 Russia vs Czech Republic: Engines and gearboxes

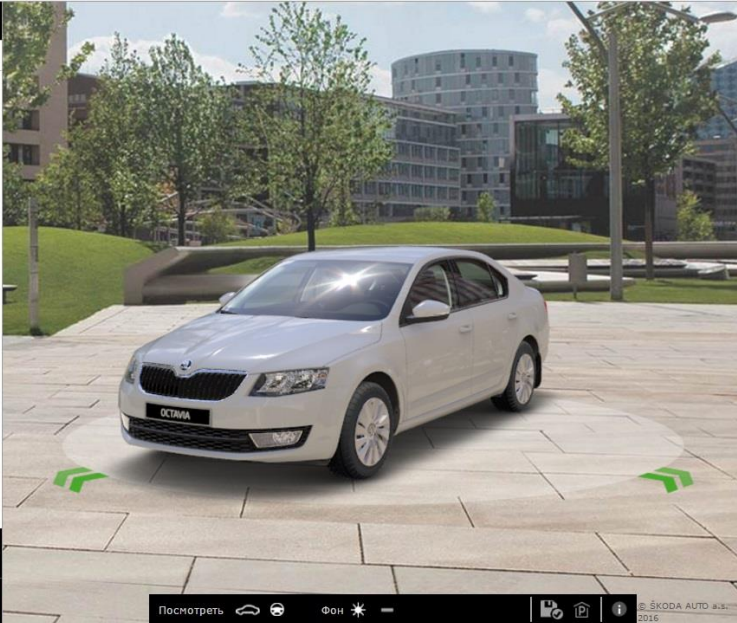


Octavia

Двигатель

1,4 TSI 150 л.с. 6-ступ. МКПП ● Бензин	1,4 TSI 150 л.с. 7-ступ. АКПП ● Бензин	1,6 MPI 110 л.с. 5-ступ. МКПП ● Бензин	1,6 MPI 110 л.с. 6-ступ. АКПП ● Бензин
1 111 000 p.	1 151 000 p.	1 033 000 p.	1 096 000 p.

Цена **1 042 700 p.**



Octavia

Motor

1.0 TSI 85 kW 6° M ● Бензин od 451 900 Kč	1.0 TSI 85 kW 7° A ● Бензин od 498 900 Kč	1.2 TSI 63 kW 5° M ● Бензин od 415 900 Kč	1.4 TSI 110 kW 6° M ● Бензин od 488 900 Kč
1.4 TSI 110 kW 7° A ● Бензин od 538 900 Kč	1.8 TSI 132 kW 6° M ● Бензин od 527 900 Kč	1.8 TSI 132 kW 7° A ● Бензин od 577 900 Kč	1.8 TSI 132 kW 6° A 4x4 ● Бензин od 630 900 Kč
1.6 TDI 66 kW 5° M ● Дизель od 470 000 Kč	1.6 TDI 81 kW 5° M ● Дизель od 490 000 Kč	1.6 TDI 81 kW 7° A ● Дизель od 570 000 Kč	1.6 TDI 81 kW 6° M 4x4 ● Дизель od 590 000 Kč

Цена за вўз 6 563 Kč
Cena zobrazeného vozu **466 000 Kč**

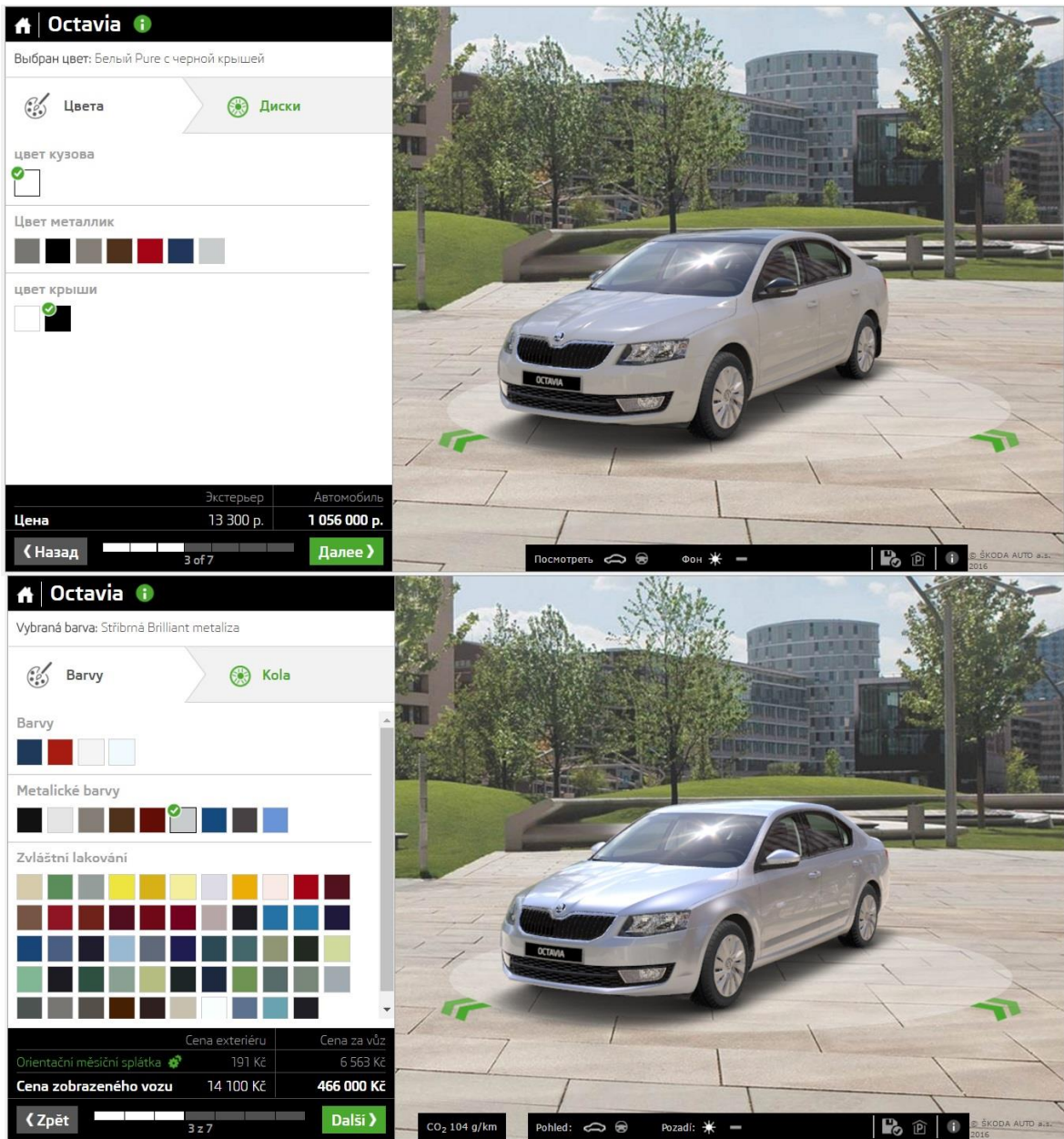
Benzin	Město [l/100km]	Mimo město [l/100km]	Kombinovaná [l/100km]	Emise CO ₂ [g/km]	Energetická třída CO ₂
1.0 TSI 85 kW 6° M	5,4	3,9	4,5	104	A
1.0 TSI 85 kW 7° A	5,4	4,1	4,5	106	A
1.2 TSI 63 kW 5° M	6,0	4,0	4,8	112	B
1.4 TSI 110 kW 6° M	6,5	4,2	5,1	118	B
1.4 TSI 110 kW 7° A	6,0	4,2	4,8	112	B
1.8 TSI 132 kW 6° M	7,5	5,0	5,9	135	C
1.8 TSI 132 kW 7° A	6,9	4,9	5,6	128	C
1.8 TSI 132 kW 6° A 4x4	7,9	5,5	6,4	149	D

Diesel	Město [l/100km]	Mimo město [l/100km]	Kombinovaná [l/100km]	Emise CO ₂ [g/km]	Energetická třída CO ₂
1.6 TDI 66 kW 5° M	4,4	3,4	3,7	99	A
1.6 TDI 81 kW 5° M	4,4	3,4	3,8	99	A
1.6 TDI 81 kW 7° A	4,2	3,5	3,7	99	A
1.6 TDI 81 kW 6° M 4x4	5,6	4,0	4,6	121	B
2.0 TDI 110 kW 6° M	4,8	3,6	4,0	106	A
2.0 TDI 110 kW 6° A	5,1	4,0	4,4	115	B
2.0 TDI 135 kW 6° A 4x4	5,6	4,4	4,9	125	B
2.0 TDI 110 kW 6° M 4x4	5,5	4,1	4,6	120	B

CNG	Město [m3/100km]	Mimo město [m3/100km]	Kombinovaná [m3/100km]	Emise CO ₂ [g/km]	Energetická třída CO ₂
1.4 TSI 81 kW 6° M	6,8	4,4	5,3	94	A+
1.4 TSI 81 kW 7° A	6,6	4,5	5,3	94	A+

Source: Skoda online configurator, 2016

Picture no. 3 Russia vs Czech Republic: Color palette



Source: Skoda online configurator, 2016

Picture no. 4 Russia vs Czech Republic: Wheels

Octavia i

Выбраны колеса: Стальные диски 6,5J x 16

Цвета Диски

Диски

0 р.	17 600 р.	27 600 р.	27 600 р.
i	i	i	i

Экстерьер Автомобиль

Цена	13 300 р.	1 056 000 р.
-------------	-----------	---------------------

Назад
3 of 7
Далее

Посмотреть Фон SKODA AUTO a.s. 2016

Octavia i

Vybraná kola: Ocelová kola Tekton 6,5J x 16"

Barvy Kola

Kola

0 Kč	14 900 Kč	14 900 Kč	19 900 Kč
i	i	i	i
19 900 Kč	25 200 Kč	25 200 Kč	
i	i	i	

Цена exteriéru Цена za vůz

Ориентационная ежемесячная	191 Kč	6 563 Kč
Цена изображенного воуа	14 100 Kč	466 000 Kč

Zpět
3 z 7
Další

CO₂ 104 g/km Pohled: Pozadí: SKODA AUTO a.s. 2016

Source: Skoda online configurator, 2016

Picture no. 5 Russia vs Czech Republic: Interior combinations (Ambition, Style)



Source: Skoda online configurator, 2016

Picture no. 6 Russia vs Czech Republic: Skoda Services

Octavia ⓘ

ŠKODA Assistance

Все опции


Гарантия мобильности

✓ Выбрано

Дополнительное оснащение (4) Автомобиль

Цена 9 700 р. 1 056 000 р.

← Назад 6 of 7 Далее →



Гарантия мобильности

Итого 0 р.

Octavia ⓘ

ŠKODA Care

Всёchny položky

ŠKODA Předplacený servis

Záruka mobility

ŠKODA Pojistění

Prodloužená záruka


✓ Vybráno

Mimořádná výbava (0) Cena za výz

Orientační měsíční splátka 0 Kč 6 563 Kč


Cena zobrazeného vozu 0 Kč 466 000 Kč

← Zpět 6 z 7 Další →



Пředplacený servis Standard

Месичне ...
Cena od 14 990 Kč + přidat



Пředplacený servis Plus

Месичне ...
Cena od 22 490 Kč + přidat

CO₂ 104 g/km

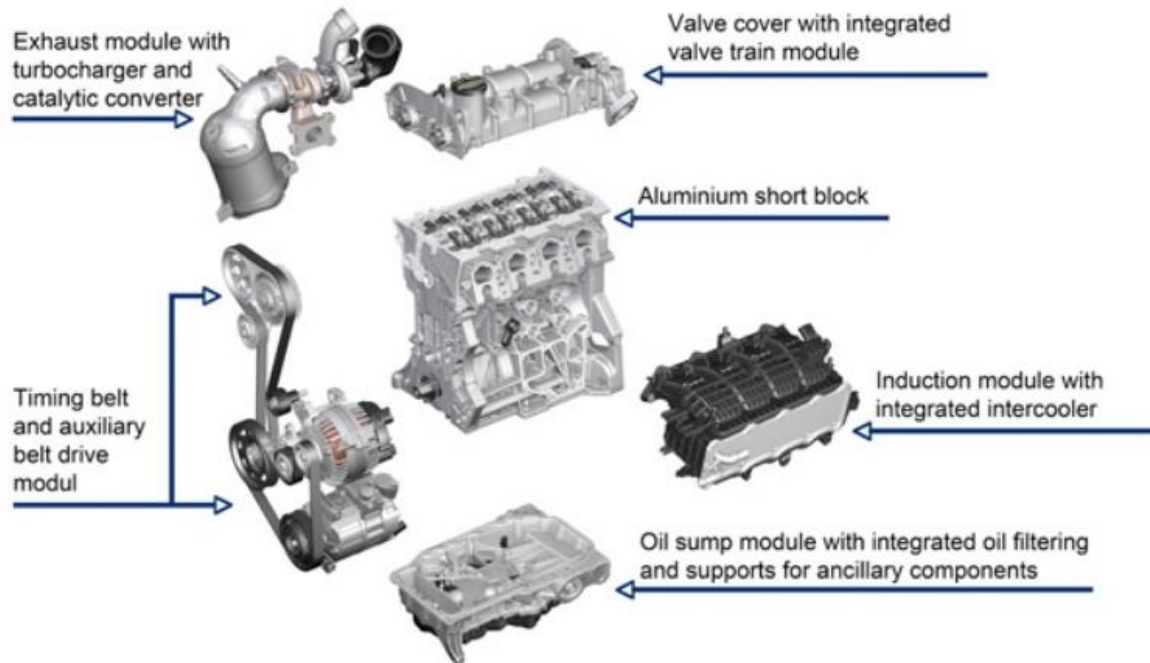
Pohled: Pozadí: -

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Source: Skoda online configurator, 2016

Picture no. 7 Volkswagen Group EA211 engine modularity

Modular layout of EA211 TSI (MOB)



Source: Volkswagen, 2012.

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Appendix no. 1 Skoda Fabia body color, interior and roof color combinations

	Body colour	ColourConcept (roof, wheels, side mirrors)			
		Candy White	Brilliant Silver	Black Magic	Corrida Red
Satin Black Interior	Corrida Red	✓	-	✓	✓
	Candy White	✓	-	✓	✓
	Pacific Blue	✓	✓	-	-
	Laser White	-	-	✓	✓
	Race Blue	✓	✓	✓	✓
	Denim Blue	✓	✓	✓	-
	Brilliant Silver	-	✓	✓	✓
	Moon White	-	-	✓	✓
	Rio Red	✓	✓	✓	-
	Black Magic	✓	✓	✓	✓
	Cappuccino Beige	✓	✓	✓	-
	Topaz Brown	✓	✓	✓	-
	Metal Grey	✓	✓	✓	✓
	Sprint Yellow	✓	-	✓	-
	Rallye Green	✓	✓	✓	-

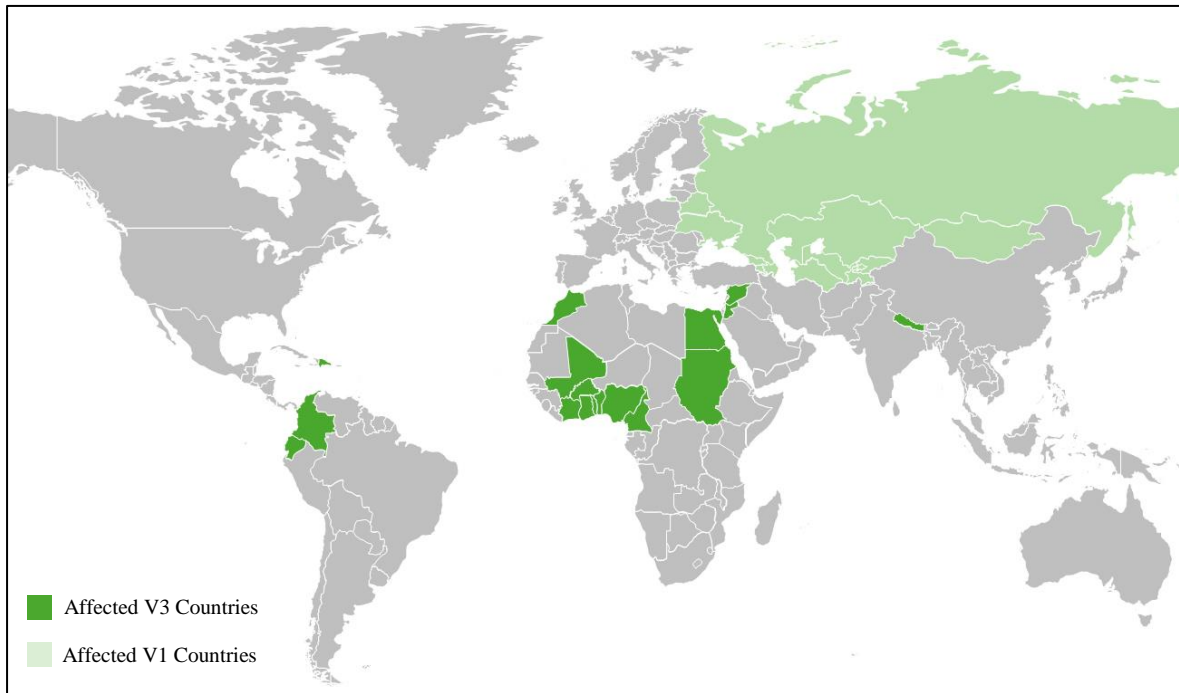
	Body colour	ColourConcept (roof, wheels, side mirrors)			
		Candy White	Brilliant Silver	Black Magic	Corrida Red
Stone Beige Interior	Corrida Red	✓	-	✓	✓
	Candy White	✓	-	✓	-
	Pacific Blue	✓	✓	-	-
	Laser White	-	-	✓	-
	Race Blue	✓	✓	✓	-
	Denim Blue	✓	✓	✓	-
	Brilliant Silver	-	✓	✓	-
	Moon White	-	-	✓	-
	Rio Red	✓	✓	✓	-
	Black Magic	✓	✓	✓	-
	Cappuccino Beige	✓	✓	✓	-
	Topaz Brown	✓	✓	✓	-
	Metal Grey	✓	✓	✓	-
	Sprint Yellow	-	-	-	-
	Rallye Green	✓	✓	✓	-

	Body colour	ColourConcept (roof, wheels, side mirrors)			
		Candy White	Brilliant Silver	Black Magic	Corrida Red
Jeans Blue Interior	Corrida Red	✓	-	✓	✓
	Candy White	✓	-	✓	✓
	Pacific Blue	✓	✓	-	-
	Laser White	-	-	✓	✓
	Race Blue	✓	✓	✓	✓
	Denim Blue	✓	✓	✓	-
	Brilliant Silver	-	✓	✓	✓
	Moon White	-	-	✓	✓
	Rio Red	✓	✓	✓	-
	Black Magic	✓	✓	✓	✓
	Cappuccino Beige	✓	✓	✓	-
	Topaz Brown	✓	✓	✓	-
	Metal Grey	✓	✓	✓	✓
	Sprint Yellow	✓	-	✓	-
	Rallye Green	-	-	-	-

	Body colour	ColourConcept (roof, wheels, side mirrors)			
		Candy White	Brilliant Silver	Black Magic	Corrida Red
Cayenne Red Interior	Corrida Red	-	-	-	
	Candy White		-	✓	-
	Pacific Blue	✓	✓	-	-
	Laser White	-	-	✓	-
	Race Blue	-	-	-	-
	Denim Blue	✓	✓	✓	-
	Brilliant Silver	-		✓	-
	Moon White	-	-	✓	-
	Rio Red	✓	✓	✓	-
	Black Magic	✓	✓		-
	Cappuccino Beige	✓	✓	✓	-
	Topaz Brown	-	-	-	-
	Metal Grey	✓	✓	✓	-
	Sprint Yellow	-	-	-	-
	Rallye Green	-	-	-	-

Source: L&T Guide, 2014

Appendix no. 2 Countries affected by 16“ alloy wheels ban



Source: Skoda Auto internal materials, „ColorConcept problems“, 2016

ANNOTATION

AUTHOR	Artem Khlynin		
FIELD	6208R087 Business Administration and Sales		
THESIS TITLE	Car Customization and Individualization: Market Potential and Customer Profile for Fabia ColorConcept		
SUPERVISOR	doc. Ing. Pavel Štrach, Ph.D. et Ph.D.		
DEPARTMENT	KMM - Department of Management and Marketing	YEAR	2016
NUMBER OF PAGES	64		
NUMBER OF PICTURES	8		
NUMBER OF TABLES	5		
NUMBER OF APPENDICES	2		
SUMMARY	<p>The aim of the thesis is to analyze trends in passenger car customization and individualization with a special emphasis on exterior design.</p> <p>Thesis main findings show that automotive companies may implement different selling and market penetration strategies depending on the market size and potential. Car mass customization was proven to be a strategy used by the majority of companies in order to target more customers and increase sales. The sales analysis of ColorConcept shows that Skoda Auto may have a future interest in providing such feature as it has a market potential. The customer image created represents a stable market segment and shows that the segmentation may have been performed correctly.</p> <p>The author has reached all the set goals of the thesis and proved that mass customization may be an essential part of automotive business.</p>		

KEY WORDS	Customization, individualization, mass customization, automotive industry, market potential, customer profile, sales analysis, Skoda Auto
THIS IS INCLUDES UNDISCLOSED PARTS: No	