

Monika Zajkowska

How to engage customer in co-creation of innovation? Implications for marketing activity

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Monika Zajkowska

Wyższa Szkoła Bankowa w Gdańsku
Wydział Finansów i Zarządzania
e-mail: mzajkowska@wsb.gda.pl

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Summary. In modern approach to innovation, the main emphasis is put on the use of ready-made ideas or solutions proposed by customers. Building a co-creating relationship with the customer requires continuous improvement through a conscious and customer-driven innovation. The involvement of customers in the innovation process becomes a hallmark of modern marketing. The study is purely a theoretical consideration of customer engagement in co-creation of innovation process. The paper provides a typology for customer innovation, describes motivators for engagement in the innovation process and offers guidelines for customer-to-business collaboration in innovation process. Conclusions are drawn regarding the potential for the use of customer co-creation in innovation process in marketing-related applications. Customer innovation co-creation thus constitutes a promising positioning strategy which managers can pursue in order to build a competitive advantage in the marketplace.

Introduction

In recent years, the approach to innovation has changed radically. It is not enough today to hire the best engineers and scientists. Technology has provided consumers with access to unlimited amounts of information and an ability to communicate with other consumers and enterprises anywhere in the world. Today, the key to success is not only the ability to better understand the desires or

expectations of customers but also to engage them in the process of co-creating innovation. Co-creation is considered as an important manifestation of customer engagement behavior (van Doorn et al., 2010). Firms that manage this process effectively will ultimately achieve a sustainable competitive advantage over the competition (Prahalad, Ramaswamy, 2004). Contemporary consumers are no longer just buyers with satisfactory products or services. The area of innovation is a context where consumer co-creation is in particular vital.

Increasingly often, they are unknowingly involved in the process of creating products or services that they would later purchase. Consumers are able and willing to provide ideas for new goods or services that may fulfill needs that have not yet been met by the market or might improve on existing offerings (Ernst, Hoyer, Krafft, Soll, 2010). Thanks to easy communication consumers are able to send messages to other customers or companies through internet websites, e-mail and social networks. Proper identification of the needs of a particularly demanding or unsatisfied customer is crucial in the process of creating innovation. Involving consumers in innovation process can improve product quality, reduce risk, and increase market acceptance (Business Wire, 2001). Co-creation allows consumers to take an active and central role as participants in the innovation process.

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Customer role in the new dimension of innovation

Unlike traditional methods of innovation, which primarily use customer knowledge to validate or verify new solutions proposed by internal company experts, in a modern approach to innovation, the main focus is on the use of ideas or ready-made solutions proposed by customers. Successful new product development depends on a deep understanding of consumer needs and product development efforts that meet those needs (Hauser, Tellis, Griffin, 2006). As for customer involvement in the innovation of consumer goods, little research has been performed (Lüthje, 2004) and for customer involvement in the innovation of services even less research is available (Alam, 2002). In a modern approach, customer innovations often question the status quo and try to cross borders in ways often unattainable in traditional approaches to innovation. Customers cre-

ate new business models that adapt to their own individual needs. However, this process is often rather difficult because these needs are often complex and may not always be identified through traditional marketing research methods (O'Hern, Rindfleisch, 2009). The share of customers in contributing to innovation can take various forms, from minor improvements, through the reconstruction of existing products to the creation of entirely new products or services. Companies ask their customers to spread word of mouth (Brown et al., 2005; Jones et al., 2007), participate in research (Aggarwal, 2004), volunteer time (Fisher, Ackerman, 1998; Sargeant, Lee, 2004), and donate money (Bendapudi et al., 1996; Brady et al., 2002). These desirable behaviors all help the company more than they benefit the customer (Johnson, Rapp, 2010). Most often, the share of customers in contributing to innovation is:

- co-creating of production of new products; the most developed customer-generated innovations occur when individual users or communities create new systems, products, or services – such as the creation of a Linux operating system; as a result, the users become its producers,
- co-creating of new way to use existing products; some customers with special skills use existing products as a basis for creating new ones, for example, they can combine two existing products in such a way that they are completely new,
- co-creating content of existing products, for example: YouTube, MySpace, Facebook,
- co-creating in modification of existing products from small fixes to rebuilding and adding new features, for example, on different types of online forums, existing products are evaluated; new users are asking for advice to more experienced users; the more experienced customer, the more likely they are to give feedback on these products, not only on their strengths and weaknesses, but also on modifications.

By involving consumers more actively in the innovation process, new product ideas can be generated, which are more likely to be valued by consumers, thereby increasing the likelihood of new product success (Hoyer, Chandy, Dorotic, Krafft, Singh, 2001). One of the key skills in effective innovation management is balancing the composition of this portfolio and matching it to the firm's competencies and capabilities in technology and markets (Herstatt, 2002; Tidd et al., 2001). In addition to product development, customers work with companies to create innovations in several other areas, such as pricing, logistics, and promotion. Such collaborative nature of customer engagement allows the company to engage its customers in the value creation process. Involving customers in the innovation process depends on the company's ability to create an experiential environment.

Motivation to engage in the innovation process

Customers very often have different motivations for innovation. They are usually different from those of the entrepreneur in the pursuit of innovation. Among firms with many customers, only relatively few will have the willingness to be fully engaged or the skills to be of much use in the product development and launch processes (O'Hern, Rindfleisch, 2009). Consumers who might be especially willing and able to participate in co-creation activities can be identified into four groups:

- a) innovators who are earlier to adopt new product (Moore, 1991);
- b) lead users who face needs that will eventually be general in the marketplace, but who face these needs before others in the marketplace, and are therefore well positioned to solve these needs themselves (von Hippel, 1986);
- c) emergent consumers who are especially capable of applying intuition and judgment to improve product concepts that mainstream consumers will find appealing and useful (Hoffmann, Kopalle, Novak, 2010);
- d) market mavens who have information about many kinds of products, places to shop, and other facets of the market, and have a high propensity to initiate discussions with and respond to information requests from other consumers (Feick and Price, 1987).

Innovative clients are usually passionate about specific areas and are willing to devote a great deal of time and energy to developing their ideas. Their motives seem to stem more from their interests than from the desire to develop intellectual property. Factors motivating customers to innovate can be divided into several categories, such as (Leadbeater, 2006):

- inability to adequately meet market needs,
- intellectual challenges, expertise and potential,
- pleasure and fun during the creation process,
- the ability to share ideas and collaborate with others.

Fueller (2008) divided motivators for customer engagement in co-creation in innovation into four following factors:

- financial,
- social,
- technical,
- psychological.

Some co-creating consumers are motivated by financial rewards, either directly in the form of monetary prizes or profit sharing from the firm that engages in co-creation with them, or indirectly, through the intellectual property that they might receive, or through the visibility that they might receive from engaging in (and especially winning) co-creation competitions (Hoyer, Chandy, Dorotic, Krafft, Singh, 2001). Financial grants are not usually of much im-

portance to them. Moreover, financial incentives are even contrary to the ethos of cooperation built on passion and common interests. Von Hippel and von Krogh (2006) stated that many of co-creating customers are not simply motivated by money: they choose to „free reveal” ideas and freely share effort in the post ideation stages of co-creation. Some co-creating customers receive social benefits from titles or other forms of recognition that a firm might bestow on particularly valuable contributors. Social benefits of co-creation comprise increased status, social esteem, „good citizenship”, and strengthening of ties with relevant others (Nambisan, Baron 2009). Others might be motivated by a desire to gain technology (or product/service) knowledge by participating in forums and development groups run by the manufacturer.

Co-creators might reap important cognitive benefits of information acquisition and learning (Nambisan, Baron 2009). There are also groups of consumers; they may participate in the co-creation process for psychological reasons like self-expression or enjoyment of contributing or a sense of altruism. Unlike customers, companies have completely different motivators for innovation. These include: the desire to achieve fast profits and competitive advantage.

Customer-to-business collaboration in innovation process

In literature there are identified many types of user positions and their relationship to the company involved in the innovation process (Kłosiewicz-Górecka, 2007):

- user (individual or organization) introduces innovations for their own use or modifying the product or its application,
- user passes on his ideas free of charge to other users,
- user passes on his ideas to other users,
- user launches the patent procedure for his idea,
- user passes on his idea of innovation free of charge to an enterprise which can commercially market it,
- user transfers his/her innovative ideas for payment to the business organization – spontaneously or in cooperation,
- user generates the project in close cooperation with the company, using its tools, materials, computer programs and transmits them to commercialization,
- user is subject to observation by performing certain actions.

None of the above customer-to-business collaboration models has a dominant importance in the Polish business practice. However, due to the low willingness of enterprises to cooperate and the low culture in the protection of intellectual property rights, the least frequent models are found, which presuppose commercially minded customer ideas. The situations in which these processes are pecuniary are also relatively rare. It dominates the model of free co-

operation either for the benefit of other customers and users or for the enterprise with the tools and instruments provided by the company. This latter model is often used in the case of innovative companies around the world due to the high cost of doing research by internal teams. As Thomke and Hippel (2004) wrote: „in developing collaborative customer-to-business programs, customers are transitioning from customer needs research to specialized tools and software packages, allowing them to create and develop their own projects and then prototypes of new products that meet their individual needs”.

In this way, consumer of the product becomes the producer of the purchased good or service. The boundary between one and the other function becomes more and more fluid. The consumer involved in the production process becomes a prosumer. Prosumer is an active consumer, who is in the position between the producer and the consumer and he becomes an individual producer of products for his own use, he does not want to be another position in the marketing plan. On the other hand, he wants to be aware of the value that gives for a company and wants to be treated as a specific, unique person and what is important to spreading his consumer knowledge. Companies are increasingly aware of its role and are engaging customer in brand building (Dąbrowska, 2010).

Innovative businesses should attract customers and maintain relationships with such customers who are willing to cooperate, reporting on their problems, expectations and feelings. This information can be the basis of any innovation. Under market conditions saturated with offers where customer acquisition can be particularly difficult, customers who engage in co-creating value tailored to individual needs and expectations can play an important role in the client portfolio.

Basic barriers will be the barriers to reaching the customer, acquiring knowledge and information and encouraging cooperation. This can involve high financial expenses. When it comes to benefits, it's worth noting that building relationships between customers and your business has two benefits: they engage the customer in identifying and delivering value and build loyalty.

Implications for marketing activities

From a marketing perspective, by developing and implementing innovation, it is important to build relationships with customers willing to communicate their problems, expectations and opinions about existing offers that may be the basis for innovation. Customer relationships are variety forms of assets, which include (Dobiegała-Korona, 2010):

- significant shortening of innovation implementation,
- reducing customer acquisition costs for innovation,

- more precise alignment of the value proposition to individual needs of customers,
- improvement of the acceptability index of the value proposition of innovation among customers,
- brand awareness by customers may lead to economies of scale in marketing activities,
- better position in the value chain, resulting from better recognition and access to customers and suppliers,
- better positioning of the company in the value chains can lead to unique knowledge about new possible values to offer for customer,
- access to the user community is a source of ideas for new values for customers.

In marketing terms, the customer is the only constant market value and source of „energy” for the company. Taking advantage of this source requires reorientation of the company in such a way that needs and expectations of customers boost the functioning of the company and give it an advantage over its competitors. The orientation of the client requires an adaptation of the company's strategy to new challenges, which means in practice (Mazurek-Łopacińska, 2002):

- willingness and ability to listen to customers and get information from them,
- creating a company mission based on customer value,
- shaping the market offer in line with the characteristics of the market segments,
- focus on the quality that is desired by the customer,
- building relationships with customers, especially with key customers,
- ensuring the participation of all employees in creating value for customers,
- creation of pro-consumer services in enterprises,
- systematic measurement of the quality of provided service and customer satisfaction.

With regard to co-creation of innovation, customer orientation is particularly important for companies, which are much less often engaged in R&D activity and innovativeness. This is even more difficult, as it requires ongoing analysis of the needs and preferences of users as well as the tasks they perform and the results they deliver. As Ulwick (2009) stated, group interviews, customer visits, variable impact analysis, customer segmentation, and needs analysis of key users have become widely used tools. Qualitative and quantitative research methods have become a fixture in the business of companies. Using methods and tools will help a company to know in advance what criteria your customers

will use during evaluating your product and its value. The basis here is the conviction that:

- a) customers buy products and services to better deal with certain tasks;
- b) customers use a certain set of measures to evaluate whether the task is performed satisfactorily and how it handles with it the product or service;
- c) knowledge of the measures taken by customers enables systematic and predictable development of breakthrough products and services.

With this knowledge, the company can take care of designing solutions that meet the identified needs. In a strategic dimension, this will allow the company to keep abreast of development opportunities, thereby improving competitive ability and, on the other hand, improving the internal organization supporting innovation processes. This applies to market segmentation, competitive analysis and customer value creation processes. The customer becomes the most important part of the company's innovation processes, both in operational and strategic terms.

Conclusions

The basic needs of customers in developed countries have long been met. That is why companies are constantly pondering how to offer exceptional innovative products that stand out from the competition. The key to success is the customer. Collaboration with them for innovation can take many forms, from small improvements, through the restoration of existing products to the creation of entirely new products or services. It is important that the effects of this cooperation should be satisfactory for both sides. Customer innovation has become an essential strategy for marketing activity. Innovations can come from how organizations interact with customers: by identifying, analyzing and communicating with them, incorporating them into their existing innovation process through transformation of their business processes, and encouraging customers to engage in improving existing products and services.

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Jak zaangażować konsumenta we współtworzenie innowacji? Implikacje dla działalności marketingowej

Słowa kluczowe: zaangażowanie konsumenta, współtworzenie, innowacje, marketing

Streszczenie. W nowoczesnym podejściu do innowacji coraz większy nacisk kładzie się na wykorzystanie gotowych pomysłów i rozwiązań proponowanych przez klientów. Budowanie kooperacji z klientem wymaga ciągłego doskonalenia przez świadomą i ukierunkowaną na potrzeby odbiorcy innowacyjność. Zaangażowanie klientów w proces innowacji staje się wyróżnikiem współczesnej orientacji marketingowej. Artykuł ma charakter teoretycznych rozważań na temat zaangażowania konsumentów w proces współtworzenia innowacji. Przedstawiono w nim typologię innowacyjnych klientów, wskazano motyvatory zaangażowania w proces innowacji i zaproponowano kierunki dotyczące współpracy między klientami i przedsiębiorstwami w procesie innowacji. Konkluzje dotyczą możliwości wykorzystania kokreacji klienta w procesie innowacji w aplikacjach związanych z marketingiem. Współtworzenie innowacyjności przez klientów stanowi obiecującą strategię pozycjonowania, którą menedżerowie mogą realizować w celu zbudowania przewagi konkurencyjnej na rynku.

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