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Defining prosumption for marketing : understanding the nature of prosumption after the emergence of Internet-based social media

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Introduction

This article aims to analyze mainstream and progressive academic literature in order to capture prosumption phenomenon definitions and its prevailing properties. A synthesis of relevant literature combined with a look at business practices will serve as means to reach the ultimate goal of this paper: to develop a clarified, theory-grounded, concise yet comprehensive prosumption definition.

The origins and evolution of prosumption

“Prosumption”, “co-production”, and “co-creation” are often used interchangeably in the literature. Those names are employed to identify the process of value-creating collaboration between consumers and producers. The term “prosumer” is made from “consumer” and “producer” to demonstrate the vanishing separation and to emphasize the diffusion between the two categories. Alternative explanations of the terms coupling into “prosumer” can be found in the music industry where “the term ‘pro-sumer’ also denotes a pro-fessional con-sumer” [Cole, 2011:452]¹.

Occurrences of prosumption date much further back than the academic research of this phenomenon. Toffler was the first to use the term “prosumption” and he foretold “the rise of the prosumer” [Toffler, 1980:265] with the ability “to heal the historic breach between producer and consumer” [Toffler, 1980:11]. In the pre-industrial, agricultural era – “the First Wave” – neither producers nor consumers existed in the strict sense and the economy was based on prosumption. People usually produced just for their own consumption needs. With the advent of “the Second Wave”, the industrial revolution “[drove] a wedge into society, that separated these two functions, thereby giving birth to what we now call producers and consumers” [Toffler, 1980:266]. Toffler believes that with the post-industrial “Third Wave”, society is moving towards prosumption economics. He sees the prosumer as an agent of new civilization. Toffler’s definition of prosump-

tion is the most common in academic and popular literature, and as he is credited with the first use of the term, his work is cited in all major publications on the topic.

Drawing on Toffler's rising prosumption concept, Kotler recognizes the phenomenon, but refuses to treat prosumers as anything more than a market segment [Kotler, 1986:513]. According to Kotler, prosumption needs to be noticed and addressed by marketers as it will increase over time for many reasons, e.g., a higher unemployment rate, the growth of labor costs, development of new technologies, the growing need for self-realization, and the quest for higher quality products and services. Prosumption is likely to occur in cases that "promise high cost saving, require minimal skill, consume little time and effort, and yield high personal satisfaction" [Kotler, 1986:511]. Kotler identified two main prosumer profiles: "Avid Hobbyists" (gardeners, cooks, home handymen), who would become producers in either their professional field or hobby domain, and ecology-oriented "Archprosumers", who would aim to avoid mass production and mass consumption by producing their own food and clothing (Kotler, 1986:512). Overall Kotler agrees that Toffler "has raised some worth while issues for marketers to consider" [Kotler, 1986:513].

Caldwell et al., extending Toffler's ideas for the purpose of their research, define prosumption as "[t]he act of adding personal value by customizing and then consuming an acquired entity" [Caldwell et al., 2007:95]. In the paper, they present a study of contemporary young females prosuming multiple gender role identities. The prevailing application of Toffler's prosumption concept in literature is that of "a prosumer – who produces by consuming" [Bonsu et al. 2010:92].

Humphreys and Grayson critically analyze prosumption research that builds on Marx's theories of "exchange value" and "use value". The exchange value is the theoretical notion of the relative worth of a product "when placed in a value or exchange relation with another commodity of a different kind" [Humphreys, Grayson, 2008:965], i.e., when compared with other commodities on the market. The exchange value is approximated at sale, in turn the use value can be realized "only by use or consumption" [Humphreys, Grayson, 2008:965]. It represents the subjective worth of the product to the owner or the acquirer and is related to its usefulness and level of satisfaction. Humphreys and Grayson argue that profound changes in producer-consumer roles can be identified only in instances when the latter creates the exchange value. Consumers engaging to produce the use value do not represent significant changes in the traditional functions of customer, producer, and employee.

Talking about "the Second Wave", Toffler makes a clear distinction between "production for use" and "production for exchange", which were dominant in the agricultural and industrial ages respectively. He also identifies the two modes as two sectors in the economy: Sector A, comprising unpaid production for personal consumption, and Sector B, production for market exchange. Based on this presumption, Toffler restates his description of "the First Wave" when "Sector A [...] was enormous, while Sector B was minimal" and "the Second Wave" as when "the reverse was true" [Toffler, 1980:266–267].

Humphreys and Grayson are not alone in relating prosumption phenomenon directly to Marxian ideas. Building on neo-Marxist theories of value and labor, and on Foucault's governmentality ideas, Zwick et al. (2008) critically evaluate co-creation as a management technique. According to Zwick et al., "the ideological recruitment of consumers into productive co-creation relationships hinges on accommodating consumers' needs for recognition, freedom, and agency" [Zwick et al., 2008:185]. They recognize co-creation as "the most appropriate mode of production in the age of post-Fordist fragmentation of demand" [Zwick et al., 2008:186]. In short, corporations should be putting their consumers to work for success.

A different approach to the notion of value in the producer-consumer relationship is taken in a study by Xie et al. (2008). The authors acknowledge the propensity to engage in the prosumption process and study motivational mechanisms of customers becoming co-creators. Xie et al. ground their research in the conceptual framework of the service-dominant logic of marketing [Vargo, Lusch, 2004]. Rejecting goods-dominant logic and taking on Vargo and Lusch's value co-creation proposition, Xie et al. redefine prosumption as: "value creation activities undertaken by the consumer that result in the production of products they eventually consume and that become their consumption experiences" [Xie et al., 2008:110]. This definition is extended as compared to the classical one and incorporates the rationale for customer participation. Drawing on Vargo and Lusch's work, Xie et al. imply that "value can only be created with and determined by the user in the 'consumption' process and through use" [Xie et al., 2008:110]. Thus the value-in-use emerges as an important pillar of prosumption [Humphreys, Grayson, 2008]. The other constituent is co-production, which "involves the participation in the creation of the core offering itself. It can occur through shared inventiveness, co-design, or shared production of related goods, and can occur with customers and any other partners in the value network." Herewith Xie et al.'s definition of prosumption captures all agents engaged in the process, and does not limit the phenomenon to the two parties – producer on one side, consumer on the other.

Combination of the terms "consumer" and "producer" brought forth considerations about specific cases where one component's features would outweigh the other, e.g., self-serving vegetables at a salad bar is less "producer"-intensive than writing a blog. In order to reflect these instances, Ritzer came up with an alternative concept: the conducer [Ritzer, 2009:1]. In this dual approach the name "prosumer" would be applied when the producer function was dominant, and "conducer" would be used when the opposite was true, i.e., the consumption was more important in the relationship. While Ritzer abandoned promoting the dual terminology concept, the underlying idea holds true. Nevertheless, it is the name "prosumption" that is gaining popularity and it is used to describe both types of situations.

The possible "rise of the prosumer" is widely debated in academic literature, but most of the researchers agree that contemporary market economies have seen the presence of producers, consumers, and that of prosumers. The prosumption phenomenon is

“growing significant enough to rival production and consumption in importance” [Comor, 2011:311 quoting Ritzer]. With the changes in the world economy since late 2007 – the great financial crisis – production and consumption have decreased, giving way to prosumption. As Ritzer and Jurgenson argue: “While the increasing preeminence of prosumption, and the growing attention to it, were not caused by the recession, the decline of both production and consumption, arguably, made space for greater scholarly interest in and concern with prosumption. There are signs that consumer (and producer) society is beginning to be challenged in importance by what might be called ‘prosumer society.’” [Ritzer, Jurgenson, 2010:17].

Even if there is no agreement on the “rise of the prosumer” as Toffler has envisioned it, the trend is clearly visible: the prosumption phenomenon has emerged, changing the market scenery, and therefore economic organizations wishing to engage prosumers should re-visit their marketing strategies. “[B]oth mainstream and progressive analyzts conceptualize prosumption to be a liberating, empowering and, for some, a prospectively revolutionary institution” [Comor, 2011:309].

Prosumption definition commotion

Literature studies have shown that defining prosumption remains notoriously difficult and the variety of approaches taken by different authors makes understanding the core of phenomenon an uneasy task. Whatever the approximation is – the societal or industrial evolutionary theory, consumer perspective, producer perspective, value creation or co-creation theories, relationship marketing, value chain, network effects, do-it-yourself movement, Internet and social media development – research has not delved into what prosumption is. Organizing existing interpretations of the phenomena is an impossible task and prone to misunderstanding. Problems with conceptualizing it stem from its complexity, but researchers do agree that since the emergence and with the further development of Internet-based social media the nature of prosumption is evolving.

Prosumption 2.0

Prosumption in business terms is usually discussed in the literature under the themes of service-dominant logic of marketing [Vargo, Lusch, 2004] and value co-creation [Prahalad, Ramaswamy, 2000; Prahalad, Ramaswamy, 2002]. The emerging “service-dominant logic of marketing” rejects the traditional passive role of customers, viewing them as co-producers of services, actively participating in the exchange. This proposition influences the overall marketing process that should be realized in conjunction with the customer, who judges the value proposition on the basis of use value [Vargo, Lusch, 2004].

People were co-creating and participating in the production before the advent of Web 2.0². In USA the trend of putting customers to work accelerated in mid-1950s and demonstrated later on in various manners [Ritzer, Jurgenson, 2010], for example, being a waiter at the self-service fast-food restaurant, filling one's own gas tank at the gas station, using an ATM machine (being a bank teller), using a self-check-out counter at the supermarket (scanning tags, bagging goods, and paying with a credit card), checking-in at the airport or into a hotel in an electronic kiosk, performing do-it-yourself medical procedures (monitoring blood pressure or glucose, taking pregnancy tests), calling in to a radio show.

With the emergence of Web 2.0, prosumption is gaining importance and will accelerate. Internet culture, with its properties of consumer-centricity, openness, interactivity and interoperability, speed, individuality, and ability to socialize, share and collaborate in virtual communities, has empowered consumers to become prosumers. “[T]he consumer’s influence on value creation has never been greater, and it is spreading to all points in the value chain.” [Prahalad, Ramaswamy, 2002:3].

“It can be argued that Web 2.0 should be seen as crucial in the development of the ‘means of prosumption’; Web 2.0 facilitates the implosion of production and consumption” [Ritzer, Jurgenson, 2010:19]. Understanding the opportunities that Web 2.0 has opened for customers is pivotal for comprehending contemporary consumption models. Some of the Web 2.0 prosumption examples follow:

- social networks like LinkedIn, Facebook, Nasza-klasa, Golden Line, and MySpace where users interact for leisure and/or business;
- Wikipedia – an on-line encyclopedia where users are responsible for content (editing it, validating, etc.) and other wikis;
- blogs and microblogs (Twitter, Blip);
- on-line markets (e-Bay, Allegro);
- Flickr, YouTube, Vimeo for user content-sharing (photos, videos) and comments;
- The Linux operating system and other open-source software.

Not by accident, the above cases also exemplify a new paradigm in management: open innovation or “the use of purposive inflows and outflows of knowledge to accelerate internal innovation and expand the markets for external use of innovation” [Chesbrough, 2006, 2012:20]. Chesbrough (2012) believes that with open innovation practices intensifying – getting more engaging and collaborative, extending the number of participants (from customers, suppliers, and partners through third parties to whole communities) – the line between a company and its environment will blur in the future.

Von Hippel also perceives acceleration of similar trends and announces: “users will be an increasingly important source of innovation and will increasingly substitute for or complement manufacturers’ innovation-related activities” [von Hippel, 2005:14].

Creating economic value in such instances results mainly from the ability to put customers to work (and keep them engaged), thus effectively melting production and consumption into the prosumption process [Zwick et al., 2008:180]. According to The

New York Times, Facebook's valuation is expected to top up to 100 billion USD by the initial public offering in 2012.³ With such an acknowledgement in mind, it is clear that economic organizations should recognize the value of productive consumption (in case of Facebook the prosumption output is information).

Beer and Burrows (2007) argue that Web 2.0 is "a process of cultural digitization that is moving faster than our ability to analyze it". They see new relationships emerging as a result; their research implies "the changing relations between the production and consumption of Internet content". Beer and Burrows suggest that these relationships will grow in importance and become a vital part of everyday life.

Prosumption in Web 2.0, like its traditionally perceived form, received academic critique. Comor (2011) argues that only the most creative and wisest prosumers can find co-creation appealing and rewarding, but even they are being pulled into exploitation and alienation, while the average prosumer is alienated to a much greater extent. Prosumers are accused of reproducing their alienation and possessive individualism, and the prosumption process is faulted for creating hegemonic institution focused on commodity constructs. Toffler's vision that "[t]he fantastic prosumer [largely unchallenged by activists] is indeed a fantasy" is still unchallenged in capitalist relations and mediations [Comor, 2011:323].

Some authors foresee problems that Internet-based prosumption may induce. Web 2.0 "architecture of participation" has become a repository for large quantities of user-generated content – content that is often made from copyrighted materials, and thus has become an area of conflict between prosumers and copyright owners [Collins, 2010:37]. Other possible sources of conflict are privacy issues.

Although prosumption was not invented on Web 2.0, it can be argued that it found its most convenient place there. Web 2.0 serves as "means of prosumption" [Ritzer, Jurgenson, 2010:19] and facilitates the process through massive involvement of users. Web 2.0 users build social networks on-line; they seek contact with other users to engage, interact, exchange experience and information, thus automatically creating fertile soil for the prosumption activities to germinate and grow.

Prosumer characteristics

Sociological and technological changes in the 21st century influence consumers' environment and characteristics, giving way to new behavior patterns. There is a shift in the way people think, what their needs are, and how they work, communicate or travel, giving way for prosumption to prevail. Euro RSCG Worldwide's "The Second Decade of Prosumerism" report (2011) investigates prosumer attributes⁴. Since Internet social media has become mainstream, prosumers have access, anytime and anywhere, to available platforms to share, create and experience. Internet media are dynamic and

allow the user to generate content. The report analyzed different attitudes and prosumer behaviors, discovering distinctive motivations that allowed for segmentation. The following five subgroups were identified: utilitarians, entertainers, advocates, co-creators, and competitors driven by: good bargains, pleasure and having fun, a quest to change the world, cooperation and connection, and status respectively. Interestingly, despite the globalization trends, there are significant differences from country to country. The most common prosumer types in the UK are advocates (34%) and entertainers (24.5%), while in the USA entertainers (31.7%) and co-creators (25.3%) dominate, and French prosumers are mostly competitors (34%) and entertainers (25%).

In general, prosumers are proactive consumers who use Internet technology and access to information to extensively engage in activities of their interests. While prosumers are diverse, they share certain characteristics: they are early-adopters open to innovation, are very engaged, share their experiences and seek information from others, often become opinion leaders, value recognition, respect, and rewards, and are critical and independent thinkers. Prosumers with the skills to fully take part in the prosumption process may be in the minority now, but this is going to change in less than a decade when Internet-savvy youngsters become active market participants.

Managing prosumption in contemporary business practice

The proliferation of Internet-based social media has created unprecedented opportunities for companies to connect with their customers, increasing the scope and the scale of cooperation between them and allowing for new business models to emerge based on managing experiences of on-line communities. Three diverse cases of companies that have embarked upon the prosumption process as the core of their businesses follow.

Technical advances like development of Internet bandwidth and accessibility, and three-dimensional graphics, have led to the emergence of virtual worlds. The first case – Second Life – was chosen as the most prominent example of such a platform. The next one – LEGO’s Mindstorms – proves that it does not take the computer business in its traditional meaning to be able to capitalize on prosumption. And finally, the latest Threadless example will demonstrate that it does not even require a company to excel at technology in order to become successful in the prosumption process. Just the opposite – the enterprise may thrive at co-production with customers of low-tech, common products.

Second Life⁵ in the virtual world. The virtual world is a computer-generated physical space, represented in three-dimensional graphics, which can be experienced by many users simultaneously. By definition it allows “real-time, media-rich, and highly interactive collaboration between companies and consumers” and is based “on a new mode of production where the host firm facilitates unrestrained consumer freedom and empowerment” [Kohler et al., 2011:774].

Headquartered in San Francisco, CA Linden Research Inc. (doing business as Linden Lab⁶) was founded in 1999 by Philip Rosedale (on the Board of Directors today) who has led the creation of the company's most famous product – the virtual world of Second Life. Named a Time magazine “Coolest Invention of 2002” and advertised as a revolutionary form of shared three-dimensional massive multi-player entertainment, it was launched on June 23, 2003. Second Life has become the most popular virtual world, with 28.3 million user accounts from all over the globe registered as of March 11, 2012.⁷

The Second Life world was originally developed and structured by Linden Lab, but its residents were invited to co-create the virtual reality, socialize with others, play games, share the content, launch businesses, shop, educate, and enjoy themselves. In order to enter the virtual world, participants have to download and install free open-source software, i.e. Second Life Viewer, run the program and login with their avatar's name and password. The avatars visualize the players in virtual world and allow them to be whoever or whatever they wish – human, animal, plant, mineral or mix – and change their form of appearance as they wish. The majority of residents choose free basic accounts, but there are also premium memberships available providing bonuses. Inside Second Life there are multiple engaging opportunities. The platform allows for experimentation – trying different new identities, flying, teleporting – but players actually seek products and experiences resembling real-life ones. Participants carefully conceptualize their Second Life. Residents freely design their own individual “worlds” on the platform, building their virtual self: their housing, furniture, cars, clothing, looks – literally anything they can imagine – and trade their designs with others. Members also organize themselves around their interests and activities. The success of Second Life attracted real businesses, creating even more opportunities for residents in variety of fields like education (most major US and some UK universities have campuses in the virtual world offering courses and conducting science research projects), arts (happenings, performances, exhibitions, theatre, live music concerts), and religion. Institutions (libraries, embassies, government organizations, banks, companies) open their offices and retailers operate their stores in Second Life.

As a result Linden Lab has created the world's largest user-generated virtual goods economy – a marketplace where Second Life residents trade whatever they can imagine, hundreds of millions of products and services. They buy and sell paying with virtual Linden dollars, which can be converted into real currencies, allowing participants to spend and earn money. According to Linden Lab, from inception to June 2010, Second Life members have spent more than 1 billion user hours in the virtual world and generated more than 1 billion USD in user-to-user transactions⁸. Just in the third quarter of 2010, over 750,000 unique residents exchanged more than 150 million real USD in the Second Life economy⁹. The current exchange rate on March 11, 2012 was 1 USD to 201–208 Linden dollars¹⁰.

Overall Second Life is an example of a virtual world that has been leveraged for real world benefits shared by all participants and its creators.

Mindstorms. LEGO Group¹¹, headquartered in Billund, Denmark, was founded in 1932 and is a privately owned company of the Kirk Kristiansen family. The immediate association for the LEGO trademark is a simple interlocking plastic brick that in its current form has been produced since 1958, but LEGO has embraced notions of imagination, playfulness and creativity as its brand values in order to fulfill its customers' needs to develop new ideas and be active together.

In 1998 LEGO launched the first series of Mindstorms with the Robotic Invention System, and in 2006 it released Mindstorms NXT, the product that led the company from being consumer-centric to prosumer-centric. LEGO Mindstorms NXT is a set of building parts with a micro-computer NXT brick as the central piece that allows users to build their own robots and program them to do whatever they wish. NXT is the "brain" of the Mindstorms robot which allows it to operate and perform different tasks. The robots can be equipped with motor controls and additional light, sound, color or touch sensors and easily programmed. Mindstorms NXT box contains a CD with user-friendly software and drag-and-drop programming, but LEGO encourages creativity by making the source code open for downloading, modifying, and sharing. The most impressive robot creators are recognized and rewarded at numerous contests organized by the LEGO Group. LEGO shares manuals on how to build some robots, but an inexhaustible number of downloadable instructions by fans are available on-line. These collections include machines and humanoids, such as Sudoku Solver – a robot that examines Sudoku puzzles and solves them; Domino Builder, which can arrange domino bricks; Rubik's Cube Solver that automatically puts together the famous cubes; robot weather station tracking atmospheric conditions, and many others. In LEGO's prosumption model, the prosumers are not rewarded financially. "Those who post these applications are expected to be satisfied with the joys of knowing that they have improved Mindstorms" [Ritzer, Jurgenson, 2010:27].

Mindstorms has been a tremendous success with the growing community of prosumers around the brand. They interact through the LEGO website, where they modify its contents and share their creations with others. The company also invites Mindstorms "engineers" to show their projects on-line, rate them and comment. Many fan-created websites also share the idea of fun building robots with Mindstorms. In 2005 LEGO invited Mindstorms fans to participate in the internal innovation process developing the newest generation of the product – Mindstorms NXT [Hatch, Schultz, 2010:599].

LEGO Group's experience with the Mindstorms community has allowed it to transfer the prosumer-centric approach to their more traditional lines of business. In 2005 LEGO Factory was launched with the Design byME service, which allowed customers to design their own LEGO set, buy the bricks necessary to build it, and share the project with other users on-line. Due to quality standards problems, the service was closed on January 17, 2012, but the LEGO Digital Designer software remains in use and is still successful.

Another spin-off of the Mindstorms community experience is LUGNET, described as: “International LEGO Users Group Network, global community of LEGO enthusiasts. LUGNET unites LEGO fans worldwide through forums, web pages, and services”¹². LUGNET was created in 1998 by two American adult fans of LOGO bricks, Todd Lehman and Suzanne Rich Gree. Today it is the largest (and still growing) user-generated brand community on-line. It hosts various interest groups (including Mindstorms) and facilitates exchanges of LEGO ideas. It also organizes events off-line, such as yearly held BrickFests in the USA [Hatch, Schultz, 2010:597].

LEGO has come to increasingly appreciate the prosumption dialogue. The Group’s CEO, Jørgen Vig Knudstorp, promotes this approach within the company culture and encourages user influence in the innovation process and in marketing the brand [Hatch, Schultz, 2010:597].

Threadless¹³ community. Threadless was founded by Jake Nickell and Jacob DeHart in Chicago in 2000 as an on-line t-shirt business [Lakhani, Kanji, 2008]. Lakhani¹⁴ aptly summarizes his view of the company by saying that “Threadless completely blurs that line of who is a producer and who is a consumer” [Chafkin, 2008], and it is a fully fledged prosumption model. “The customers end up playing a critical role across all its operations: idea generation, marketing, sales forecasting. All that has been distributed”, Lakhani adds [Chafkin, 2008]. Threadless, to be more specific, crowd sources all these functions to the brand community members. Drawing on the work of Howe¹⁵ – who is credited with coining the term “crowdsourcing” – it can be described as the process by which companies outsource traditional internal functions to a large population (the crowd) through an open call for creative input [Howe, 2006a; Howe, 2006b].

Threadless does its core business on-line in close cooperation with its “crowd” of customers. Company community members can participate by submitting t-shirt designs, commenting and critiquing project submissions, voting for their favorite ones to help them win competitions, exchanging insights, blogging, and creating slogans, but in the end – shop for the artist-designed t-shirts. Its 1,933,159 international community members and 409,122 submissions of t-shirt designs make Threadless.com a vibrant environment. Since its inception the company has paid over 5,250,000 USD to artists – the winners of t-shirt design challenges. There are over 1,500,000 votes for about 7,800 submitted designs placed each month by more than 25,500 people¹⁶.

In 2011 Threadless chose its Ambassadors¹⁷ – four community members outstanding in their dedication to the brand who work closely with the company team to organize on-line challenges and real-life events. Threadless is officially running the Ambassador Program, and their number may keep growing.

Since 2007 Threadless has hosted an annual Family Reunion for the community members to be able to meet in person¹⁸. “Family” meets only in Chicago, Illinois, but Threadless Meetups Everywhere¹⁹ gives fans the opportunity to meet in other places (372²⁰ cities worldwide).

Threadless cares about recognition of its most talented and active “crowd” members. Artists whose submissions were voted by the community to become Threadless t-shirts are honored and supported by the Alumni Club²¹. They are awarded a medal of honor and a variety of rewards (ranging from a notebook to a mug), and are granted access to the Alumni Club restricted forum area. Threadless also rewards the most creative artists and the most engaged community members financially. Bestee Awards²² are granted in several categories and vary according to the size of remuneration, e.g., 20,000 USD for People’s Choice, Design of the Year, 2,500 USD for Bestee of the Month, 1,000 USD for Slogan of the Year, Scorer of the Year, and Collaboration of the Year.

Threadless community’s on-line activities go beyond the company website. Fans create their own webpages and forums where the exchange of designs and ideas is continued.

According to Brabham “the success of Threadless’ process can be explained by both the diversity of a wise crowd and the suitability of ideation problems in open innovation formats” [Brabham, 2010:1126]. As Brabham explains, the Threadless concept of reaching out to the crowd is ideational in character – its purpose is to generate new design projects – and the “wisdom of crowds” concept developed in Surowiecki’s work suggests that “under the right circumstances, groups are remarkably intelligent, and are often smarter than the smartest people in them” [Surowiecki, 2004:xiii]. Threadless has found a way to capitalize on that.

Re-defining prosumption

As previously demonstrated, although prosumption activities date back to the pre-industrial age and the name was created more than 40 years ago, its use is still not widespread. This could be due to a lack of common definition and understanding of what prosumption actually is. Let us attempt to fine-tune the prosumption phenomenon definition in order to fill this gap. I suggest that prosumption can be formally defined as follows:

Prosumption is a continuous and transformable process of co-creation of both the unique value to the prosumer and the exchange value engaging at least three co-creators of value: the producer, the consumer, and the consumer community that results in the launch of products that become prosumers’ consumption experiences.

This definition is grounded in the critically reviewed existing theories and observed business practices. “Prosumption is a process” indeed and not a single event like a traditional act of purchase as Xie et al. [2008:110] suggested. The prosumption phenomenon does not appear and vanish, but it ceaselessly persists. Moreover, the process is “continuous and transformable”. Continuity and transformability constitute two crucial conditions for a successful prosumption arena. LEGO Mindstorms is a good example to justify

this claim: the bricks are the same as they have ever been, but their features, capabilities, and functions can be transformed continuously. These conditions are necessary in contributing to providing a compelling environment for the prosumption process to happen [Prahalad, Ramaswamy, 2003:15].

Zwick et al. (2008) refer to prosumption as “co-creation”. In turn, the value creation concept is rooted in marketing principles. Kotler et al. define marketing as “[a] social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others” [Kotler et al., 2008:7]. Prahalad and Ramaswamy (2000) argue that value is created through collaboration with active customers and partnering companies. The present value creation proposition has evolved into being interactive and networked. Producers do not deliver value by themselves; they can only make value propositions and employ their resources to interactively create value in collaboration with consumers provided their value proposition was accepted [Vargo, Lusch, 2008]. “The customer is always a co-creator of value” [Vargo, Lusch, 2008:3], always a co-producer [Vargo, Lusch, 2004:7] thus value is always co-produced which makes co-production a tool for co-creation. They should not be confused.

The term “unique value to the prosumer” denotes personalization of the prosumption process. Prahalad and Ramaswamy point the direction toward best future practice, arguing that “individual customers [should be allowed] to actively co-construct their own consumption experiences through personalized interaction, thereby co-creating unique value for themselves” [Prahalad, Ramaswamy, 2003:12]. Experiential value is unique by nature. Value created in a dynamic market environment “always involves a unique combination of resources and an idiosyncratic determination of value” [Vargo, Lusch, 2008:8]. This contextual, idiosyncratic and experiential value is always unique and subjective [Vargo, Lusch, 2008:7–9].

Prosumption occurrences can be identified by the creation of “exchange value”, i.e. when a prosumer creates use value for others [Humphreys, Grayson, 2008]. In most instances before the customer is able to extract the use value from the product, some “production” needs to be done, just as buying a box of washing powder does not create the use value before it is poured into the washing machine and programmed to do laundry, or acquiring a camera does not mean that pictures from family vacation were taken. It is not prosumption. These examples fit into Vargo and Lusch’s logic which maintains that customers buy goods because they in fact need a service, but “for these services to be delivered, the consumer still must learn to use, maintain, repair, and adapt the appliance to his or her unique needs, usage situation, and behaviors. In summary, in using a product, the customer is continuing the marketing, consumption, and value-creation and delivery process” [Vargo, Lusch, 2004:11].

This provides useful insight to explanation of use value creation (customers need laundry service or want to have their photos taken), but still does not capture the specificity of prosuming. By the same token, do-it-yourself initiatives are not prosumption

activities, nor is assembling furniture. In the extreme, if the concept of “exchange value” was not included in the definition, every product or service purchase could be interpreted as prosumption.

“At least three co-creators of value: the producer, the consumer, and the consumer community” are needed for the prosumption phenomenon to occur. The business case studies presented earlier in this paper identified those three agents: the producer (representing the company and its network), the consumer (representing the prosumer), and the consumer community (the community of prosumers). Prahalad and Ramaswamy refer to them as “an enhanced base of competence” arguing that the competence base can (and should) be leveraged to “enhance the environment, enabling an ever wider range of potentially desirable experiences for individual consumers” [Prahalad, Ramaswamy, 2003:16]. The Second Life, Mindstorms, and Threadless cases provide valuable insights into co-creators of value involved: notably, leveraging the base compels the consumer community to expand the environment and engage in co-creation of value, taking on new forms and “a life of their own” [Prahalad, Ramaswamy, 2003:15]. Typically the prosumption process does not occur involving just a single consumer, but calls for an extended number of participants, hence the collectivity. While not homogeneous, the “consumer community” members share similar interests and have analogous goals, and with the help of modern technologies they are able to enjoy the same locations of their activities. For now “consumer communities” have conveniently settled on the Internet and it is hard to find a more appropriate place for them to form, but with future technologies they may re-locate elsewhere. It can be argued that “[i]t is on Web 2.0 that there has been a dramatic explosion in prosumption” for just this reason [Ritzer, Jurgenson, 2010:19]. Given the changing and communal nature of the prosumption process, involvement of more than three co-creators of value would not come as a big surprise.

Prahalad and Ramaswamy (2002) maintain that contemporary strategies should be consumer-centric and focus on managing experiences. Valuable consumption experiences can be co-created with customers when they constitute “an integral part of the system for value creation” and are free to influence the process, cross boundaries or challenge the producers for extraction of value. Prahalad and Ramaswamy (2003) have identified the changes in the determination and meaning of value. They suggest that ongoing transformation shifts the basis of value from products and services to experience co-creation, e.g. “Mindstorms employs the capabilities of miniaturization and embedded intelligence to foster transformability, which enables consumers to create experience variety without depending upon LEGO to provide product variety” [Prahalad, Ramaswamy, 2003:17]. By this premise the result of the prosumption process is described as “the launch of products that become prosumers’ consumption experiences” without underscoring the eventual consumption of products²³ as diminishing in its relative importance.

The definition of prosumption presented above provides general guidance on how to identify the process and distinguish it from consumption, use value-creation, market-

ers' gimmicks, and other phenomena. Acknowledging the complexity and novelty of prosumption, further empirical research is required to model prosumption. Applications of new service-dominant logic [Vargo, Lusch, 2008] and business models rested on co-creating personalized customer experiences [Prahalad, Ramaswamy, 2000] may yield sound prosumption strategies.

Conclusion

The prosumption phenomenon has emerged and is growing in importance in the contemporary world. Given its novel properties, engaging in prosumption activities resembles working in the laboratory with sensitive explosives: it is like an experiment, but with the communication abilities of the Internet any mistakes explode instantly. It would be interesting for future research to investigate successful strategies for building vibrant prosumption models. Longitudinal studies would be of particular importance, as evidence has shown that sustaining working prosumption model is notably difficult.

Around the mid 2000s, Second Life was a tech-media sensation. In 2007–2008, the situation started to change. The number of users simultaneously present in the virtual world has been dropping from a peak of 88,200 in the first quarter of 2009 (in December 2011 the median monthly Second Life on-line user concurrency fell below 50,000 players²⁴), marketers started to lose interest and refrained from brand promoting activities in Second Life or even withdrew their businesses from the virtual reality. The drop in financial performance forced Linden Lab to close its Mountain View office in California and off-shore offices in Amsterdam, Brighton, and Singapore and lay off 30% of its employees in 2010 [Marshall, 2011]. At present Linden Lab is working on strategies that will help to win the company its own “second life” on the market [Oshry, 2012].

Beginning in May 2006, web users have almost spontaneously organized themselves around new movie production. “Snakes on a plane” have become what one of the critics called “[p]erhaps the most internet-hyped film of all time” [Brown, 2006]. Started after screenwriter Josh Friedman’s blog entry and a few other Internet postings, fans got engaged to promote the movie. An incredible amount of user-generated content was produced to advertise “Snakes on a plane”, sometimes through parody – YouTube films, wall posters, songs, fan websites. Feedback from movie fans was incorporated into official promotional strategy. Moreover, additional shooting days were added to modify the plot, in-film dialogues, and amplify expression of several scenes. When the movie was finally released on August 18, 2006 it turned out to be a disappointment for the audience, critics, distributors, movie theaters owners and even the film creators. As The New York Times reviewer concluded, “‘Snakes on a Plane,’ the wildly hyped high-concept movie, turned out to be a Web-only phenomenon” [Waxman, 2006].

The market power of prosumers should not be underestimated. The prosumption manifested on the Internet is relatively new to the academic literature, but it has already attracted scholarly research as an increasingly important phenomenon to address nowadays. With the advent of Web 2.0, the classic view of customers needs to be reexamined and updated. The companies used to collaborate with clients to customize goods, but now the customers demand genuine roles in future product design. The enterprises are going from the company-centric view of goods co-creation to the prosumer-centric process [Tapscott, Williams, 2008:124–150]. Answering the question of how to engage successfully in prosumption activities with customers is a new marketing research problem and there are examples demonstrating that this is not an easy task. The separating line between the extremes – the customer freely changing the company's product and the enterprise's strict control over the process – proves to be thin. The company letting its customers do whatever they wish with the product may lose control over it – or even its entire business. On the other hand, the company not inviting its consumers to co-create may lose valuable innovations and the competitive edge – or its reputation.

Whether prosumption becomes an opportunity or a threat depends on the business decisions that companies make. Studies of both successful strategies and market failures may bring valuable insights into which frameworks deliver the best results.

Notes

¹ In this setting, the “prosumer” refers to the middle-level economical recording studio equipment, as well as to the acquirers and users of such technology. The term is in widespread use to describe the studio gear, but has a pejorative meaning when associated with people (Cole, 2011).

² Tim O'Reilly is recognized as the originator of the term “Web 2.0”. According to O'Reilly, “Web 2.0 is the network as platform, spanning all connected devices; Web 2.0 applications are those that make the most of the intrinsic advantages of that platform: delivering software as a continually-updated service that gets better the more people use it, consuming and remixing data from multiple sources, including individual users, while providing their own data and services in a form that allows remixing by others, creating network effects through an “architecture of participation,” and going beyond the page metaphor of Web 1.0 to deliver rich user experiences” [O'Reilly, 2005]. By referring to the cumulative changes in Web applications and utilization such a definition of Web 2.0 touches upon the research problems presented and thus is adopted for the purpose of this paper.

³ Dealbook, February 1, 2012.

⁴ The report is based on a longitudinal study.

⁵ Second Life is available at <http://secondlife.com/>

⁶ Linden Lab is available at <http://lindenlab.com/>

⁷ Statistics from XML feed available at <http://secondlife.com/xmlhttp/secondlife.php>

- ⁸ Linden Lab press release available at http://lindenlab.com/press/releases/06_24_10
- ⁹ Linden Lab press release available at http://lindenlab.com/press/releases/12_23_10
- ¹⁰ Daily updated Linden Dollar exchange rates available at http://www.moneyslex.com/exchange_rates.php
- ¹¹ LEGO's official website is available at <http://www.lego.com/>. Information about the LEGO Group is available at <http://aboutus.lego.com/>. Mindstorms product and community information is available at <http://mindstorms.lego.com/>.
- ¹² LUGNET is available at <http://www.lugnet.com/>
- ¹³ Threadless is available at <http://www.threadless.com/>
- ¹⁴ Karim Lakhani, professor of the Harvard Business School, was interviewed by Inc. Magazine for the cover story on Threadless – “The Most Innovative Small Company in America” (the article is available at <http://www.inc.com/magazine/20080601/the-customer-is-the-company.html>)
- ¹⁵ Howe's blog “Crowdsourcing. Why the power of the crowd is driving the future of business” is available at <http://crowdsourcing.typepad.com/>
- ¹⁶ Statistics as of March 13, 2012. Current data available at <http://www.threadless.com/live>
- ¹⁷ Threadless Ambassadors information is available at http://www.threadless.com/news/706999/Meet_your_Threadless_Ambassadors
- ¹⁸ Annual Threadless Family Reunion information is available at http://www.threadless.com/tv/335/The_5th_Annual_Threadless_Family_Reunion
- ¹⁹ Threadless Meetups Everywhere is available at <http://www.meetup.com/Threadless/>
- ²⁰ As of March 14, 2012
- ²¹ The Alumni Club is available at <http://www.threadless.com/alumniclub>
- ²² The Bestee Awards information is available at <http://www.threadless.com/bt/>
- ²³ Recall Xie et al.'s definition of prosumption (Xie et al., 2008, p. 110)
- ²⁴ Retrieved from <http://dwellonit.taterunino.net/sl-statistical-charts/>

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Abstract

Toffler is credited with the first use of the term “prosumption”. Since 1980 the name has been widely employed in academic papers. The term “prosumer” is made from “consumer” and “producer” to reflect the vanishing traditional separation between the two categories and their functions. Studies of the relevant literature have shown that there is no common agreement on how the phenomenon should be defined. This paper attempts to develop a clarified theory-grounded definition of prosumption. Analysis of mainstream and progressive academic literature aims to capture the variety of prosumption phenomenon definitions and its prevailing properties. Moreover, with the emergence of Web 2.0, the phenomenon of prosumption is gaining importance. Academic research of business practices shows that Internet properties empower consumers to become prosumers and that prosumption has found its most favorable place there. Synthesis of the literature studies, supported by examples of business practice, serves as a means to offer a new, comprehensive definition of prosumption.

Key words: Prosumption, co-creation of value, Web 2.0, consumer community