Co-creating Products with Customers

Abstract

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Abstract

In the last decade, the role of customers in new product development (NPD) has changed. Given increasing demand for more creative consumption and the rise of new interactive communication tools, many firms are abandoning the traditional close system for the NPD activities and are giving customers a more active role (von Hippel, 2005; Fuchs, Prandelli, and Schreier, 2010). In this new concept, consumers are invited to co-create products with firms (Hoyer et al., 2010). Co-creation activities are viewed as a way to obtain products more in line with consumers’ needs, but also to encourage engagement behaviors (van Doorn et al., 2010). Indeed, beyond the suggestion of ideas about new and existing products, consumers involved in co-creation activities engage in behaviors, that provide support to firm’s products and operations. For instance, forms of customer engagement support new product’s diffusion through positive word-of-mouth communications.

This type of activities is due to the combination of many factors. First of all, companies are investing part of their Marketing and R&D budgets to design websites for co-creation activities on-line. Second, consumers in developed countries have matured more advanced consumption approaches, asking for more transparency about firm’s operations and more power over the NPD process. Third, consumers, today, are more skilled than in the past and are able to suggest relevant ideas, that can generate positive innovation outcomes. Fourth, the growth of the Internet allows customers to get easier access to knowledge and creative tools.

In this new landscape, co-creation in new product development (NPD) represents an activity of cooperation between customers and firms that leads to the creation, selection or refinement of new or existing products. By being involved in the NPD process, consumers view themselves as part of a community of co-creators and become more engaged in all the operations regarding the new product. For this reason, co-creation activities are employed not only for knowledge generation objectives (von Hippel, 2005), but also to obtain the
behavioral engagement of co-creators (van Doorn et al., 2010). These potential objectives make the co-creation phenomenon highly valuable for firms.

Given the relevance of this relatively young research area, this dissertation contributes with three studies, organized in Chapters. In the next Sections, an overview of the Chapters is provided.

Chapter 2: How does Customer Co-creation affect R&D and Marketing Strategy?

In Chapter 2, we develop a theoretical framework to examine how co-creation activities affect firm’s R&D and marketing strategy. The research question we provide an answer is: How do co-creation activities affect R&D and Marketing strategy?

Although co-creation in new product development (NPD) is a topic of interest in the Management literature, few studies so far have developed frameworks to integrate both R&D and Marketing perspectives. In this respect, we combine conceptual elements related to knowledge generation mechanisms (KGMs) and the management of engagement behaviors (MEB), to offer a view on factors to be taken into account by companies, that adopt co-creation approaches.

In this Chapter, we show how co-creation activities provide R&D and Marketing Strategy with potential benefits not only for increasing the marketability of new products, but also for stimulating engagement behaviors from consumers. This dual perspective is highly useful because it can help companies develop integrated procedures, which emphasize synergies between the R&D and Marketing areas. However, the study is intended not to develop organizational procedures, but to map the flow of activities concerning knowledge generation and engagement behaviors.

Chapter 3: The Role of Trust in Co-creation Activities.

In Chapter 3, through an empirical study, we show how consumers’ trust is an important, and so far undervalued, factor that moderates the effects of co-creation on consumer behavior. The relevance of trust
relies on the consideration that consumers perceive it as a factor on which new products can be evaluated (Garbarino, and Johnson, 1999; Gielens, and Steenkamp, 2007). Indeed, consumers are more willing to accept new products from highly trusted manufacturers than from poorly trusted ones. Thus, trust influences consumers’ perceptions by reducing uncertainty and generates expectations about future product performance.

The research question of this study is: how does trust influence consumer behavior in co-creation activities?

To answer this question, we first give an outline of consumer behavior in co-creation activities. In our theoretical model, we introduce four concepts, that, in literature, are considered to be the most important consumer’s behavioral responses occurring during co-creation: 1) higher product demand, expressed as willingness to pay the new product (WTP); 2) better attitude toward the product (ATP); 3) positive word-of-mouth communications (WOM); 4) higher consumer’s willingness to participate to collaboration activities (PCA).

To test the effects of trust on these four aspects, we developed a research setting, that involved 332 consumers in an experimental design with real co-creation activities. Thanks to the help of a research company, First Lab Ltd, these consumers were randomly selected in the London area (UK) and invited for one day to participate to co-creation of food products. The sample was split in two groups: the first group was used as control and was involved in a traditional market research survey; the second group was involved in the co-creation of cake designs. Both groups were also exposed to three different scenarios to manipulate participants’ trust. We set up three levels of trust: high, intermediate and low. At the end of the experiment, we examined the direct and interaction effects of trust and co-creation on consumer behavior.

In sum, this study shows how different effects can occur in co-creation activities with respect to different levels of trust. In particular, this study shows how important it is to carefully evaluate the level of trust a
company creates on the market. Companies should also consider the business objectives they would like to pursue, since co-creation activities seems to be not suitable for all kind of objectives.

**Chapter 4: Brand Experience in Co-creation Activities.**

In Chapter 4, we examine the effects of co-creation activities on brand experience. Brand experience identifies consumers’ responses to brand-related stimuli and is associated with important marketing outcomes, such as satisfaction and loyalty (Brakus, Schmitt, and Zarantonello, 2009). Although in literature many concepts have been developed on the consumer-brand relationship (e.g., brand personality, Aaker, 1997; brand involvement, Zaichkowsky, 1985; brand attachment, Thomson, MacInnis, and Park, 2005), we argue that the nature of co-creation embraces more the experiential side of the consumer-brand relationship and, for this reason, brand experience is the most suitable concept to examine in this study. Thus, this study provides an answer to the following question: To what extent does co-creation affect brand experience?

This study provides a new theoretical perspective, given that co-creation activities can be considered an useful context for consumers’ experiences. This context is different from the contexts provided in the search and consumption of products. Furthermore, given a brand focus, it can represent a possible bridge between product innovation and branding activities. Thus, co-creation can be an option to strengthen consumer-brand relationship. As a second-order theoretical insight, we find that the effects of co-creation on brand experience are positively moderated by social factors. Finally, we find also that the more the brand is perceived as hedonic the higher are the effects of co-creation on brand experience.

To test the hypothesized effects, we designed an empirical setting to involve consumers in co-creation activities, as done in the study presented in Chapter 3. These co-creation activities were based on the development of new food products for two brands, Pringles and Philadelphia. We employed two different brands in order to test the effects of the hedonic dimension. Then, brand experience was measured before and after consumers took part into the experiment. This allowed to account for the variation of brand experience.
resulted from the participants’ involvement in co-creation activities. Also, we tested social interaction effects by including a third type of scenario, where co-creators were allowed to interact with others.

Conclusions.

This doctoral dissertation sheds light on ways to organize and manage co-creation activities, by pointing out several effects on consumer behavior. In Chapter 2, the effects of co-creation activities on R&D and Marketing strategy are examined. This is an important open issue. In Chapter 3, the effects of trust are analyzed, leading to the understanding of how several company characteristics affect consumer behavior in co-creation activities. Finally, in Chapter 4, experiential aspects of co-creation are examined, highlighting the effects of co-creation on brand experience. The main research findings of each Chapter are summarized in the Table presented in the next page.

To promote appealing co-creation activities, firms should coherently align their organizations to assimilate contributions coming from consumers. The direct contact with the customer base is critical. But, managers should also take into consideration the impact of contextual conditions. The importance of co-creators’ trust toward the company shows how contextual conditions influence consumer behavior in co-creation activities. Finally, managers can leverage on experiential aspects of co-creation activities for increasing product and brand experiences. Product and brand experiences are important because they affect relational, non-economic aspects of consumption and are related to positive marketing outcomes, such as satisfaction and brand loyalty (Carù, and Cova, 2003, Brakus, Schmitt, and Zarantonello, 2009).
<table>
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<tr>
<th>Research Questions</th>
<th>Chapter 2</th>
<th>Chapter 3</th>
<th>Chapter 4</th>
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<tr>
<td>• How do co-creation activities affect R&amp;D and Marketing strategy</td>
<td>• How does consumers’ trust influence the effects of co-creation activities on consumer behavior?</td>
<td>• Do co-creation activities affect brand experience?</td>
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| Theories | | | |
|----------|----------|----------|
| • Customer co-creation | • Customer co-creation | • Customer co-creation |
| • Knowledge generation in NPD | • Trust | • Experiential marketing |
| • Customer engagement | • Multivariate regression analysis. | • Brand experience |

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<th>Methods</th>
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<tr>
<td>• Theory Development</td>
<td>• Data collected through experimental research design with consumers. Use of different market situations.</td>
<td>• Data collected through an experimental research design. Use of different brands.</td>
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<td></td>
<td>• Multivariate regression analysis.</td>
<td>• Multivariate regression analysis.</td>
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<td>• Moderation analysis.</td>
<td>• Moderation analysis.</td>
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<th>Contributions</th>
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<tr>
<td>• Co-creation serves two main firm’s objectives: the generation of new knowledge and the management of engagement behaviors.</td>
<td>• In the condition of intermediate trust, consumers are willing to spend for the new product more money than in both the conditions of low and high trust.</td>
<td>• Co-creation activities positively affect consumers’ brand experience.</td>
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<td>• The two mentioned objectives are interrelated: 1) the more customers are engaged, the more they generate knowledge flows; 2) the more knowledge flows are generated, the more customers are motivated to engage.</td>
<td>• Trust has a positive effect on the consumers’ willingness to participate to collaboration activities. Hence, trust is critical for the development of customer knowledge.</td>
<td>• Social interaction among individuals amplifies the positive effects of co-creation on brand experience.</td>
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<td>• Several specific factors lead to the generation of new knowledge and customer engagement behaviors.</td>
<td>• Consumers’ word-of-mouth intentions and attitudes toward the new product are independent from the level of trust.</td>
<td>• The effect of co-creation on brand experience are higher, the more the relevant brand is perceived as hedonic.</td>
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<td>• It is important that companies specify beforehand which are their desired objectives in co-creation activities.</td>
<td>• Co-creation can be used to build a bridge between innovation and brand management: co-creation activities generate a positive “halo” effect on the brand, beyond that on the specific product.</td>
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<td>• The methodology of research developed to test the hypotheses can be used to examine the effects of co-creation activities in many different market situations.</td>
<td>• The methodology of research can be used to test effects of co-creation activities on different brands. It can be also used to test branding strategies in co-creation activities.</td>
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REFERENCES.


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