Industrial Marketing Management 42 (2013) 683–692

Contents lists available at ScienceDirect

Industrial Marketing Management

Customers' participation in product development through crowdsourcing: Issues and implications☆

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ARTICLE INFO

Article history:
Received 8 February 2012
Received in revised form 26 March 2013
Accepted 19 April 2013
Available online 28 May 2013

Keywords:
Open business model
Crowdsourcing
Value co-creation
Customer participation

ABSTRACT

This paper focuses on customers' participation in a product development process through crowdsourcing practices. Results from five case studies of consumer goods companies suggest that the implementation of crowdsourcing operations affects the components of an existing business model and requires rethinking the marketing function. Moreover, despite some organizational constraints and fears, crowdsourcing generates a win–win relationship, creating value for both firms and customers. However, the findings reveal two negative consumer reactions to crowdsourcing practices, i.e., feelings of exploitation and being cheated, that may jeopardize their success. The results suggest the need to establish an open business model based on crowdsourcing.

1. Introduction

The value creation process in Web 2.0 is quite different from that in earlier, pre-Internet and Web 1.0 models (Chesbrough, 2006b, 2006c; Hagiu, 2006). The advent of Web 2.0 in 2005 provided new possibilities for interaction and openness (Hoegg, Martignoni, Meckel, & Stanoevska-Slabeva, 2006; O'Reilly, 2005). This body of work emphasizes collaboration and the collective construction of value. Companies create value jointly with their network partners within a long-term perspective. The different forms of value creation in the Web 2.0 environment create new challenging "open business models" based on customer participation (Wirtz, Schilke, & Ullrich, 2010). An "open business model" means that the organization opens up its business model to external ideas and technologies (Chesbrough, 2006b; Osterwalder & Pigneur, 2010; Tapscott & Williams, 2007). This type of business model, associated with open innovation, is evidently relevant to the marketing function. The customer is no longer simply a purchaser of a company's products or a target of its value proposition. Today, as service-dominant logic (SDL) makes clear, customers are major partners of companies and are always co-creators of value (Vargo & Lusch, 2004). Companies need to both market to and collaborate with their customers. This is more important today, especially given generation Y's tendency to actively share, contribute, search and work using social media and its expectation that it will participate in value co-creation (Bolton et al., 2013). Businesses can thus be built through the incorporation of customer interaction as a core value-generation strategy. Over the past decade, research has viewed the customer as a component of the business model, but the business model literature has recently emphasized going further and considering the customer as a "content generator" (Plé, Lecoq, & Angot, 2010). In accordance, this study focuses on the customer as a resource for companies. A firm can mobilize a customer by engaging in crowdsourcing practices. The idea is to open up the company's processes and business model to "the crowd" through Web 2.0 applications with an aim to gain access to external resources (ideas, skills, knowledge, technologies, etc.). As a form of user-driven innovation and co-creation, crowdsourcing is not simply a marketing promotion tool but a process through which companies can apply individuals' open innovation to their innovation efforts (Hopkins, 2011), a form of "outside-in" collaboration in Chesbrough (2006a) sense of the term.

Despite the growing implementation of crowdsourcing practices in many companies in different sectors (Lego, Nike, Ideastorm, etc.), it remains little understood. With the overall shift to more open innovation, crowdsourcing is growing in importance. Although it is a powerful resource for companies, it is nonetheless very complex and gives rise to many questions (Hopkins, 2011). Moreover, academic research on strategic management and media technologies has only recently begun to examine business models based on crowdsourcing. The studies in these disciplines recognize that crowdsourcing raises a number of strategic issues (Burger-Helmchen & Pénin, 2011; Chanal & Caron-Fasan, 2010; Leimeister, Hubert, Bretschneider, & Krcmar, 2009; Schenk & Guittard, 2011). However, little has been written about the stakes and issues of crowdsourcing in marketing research or the potential effect of crowdsourcing on marketing solutions that rely on customer

☆ The authors thank the editors and reviewers for their constructive comments.

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0019-8501/$ – see front matter
http://dx.doi.org/10.1016/j.indmarman.2013.05.006

participation. To our knowledge, no marketing studies consider how and why an open business model based on customer participation and crowdsourcing works. This study aims to understand the issues and advantages of implementing crowdsourcing practices for companies, which mostly use closed models for their product development. These practices consist of integrating customers into the product innovation process. To this end, we explore how customer participation can bring about specific and significant changes in companies' business models. We also examine the constraints on crowdsourcing practices and how these may be overcome to make the practices successful. We base our research on the consumer goods sector, in which crowdsourcing is widespread and which pioneered the use of these practices (Hopkins, 2011). Our research could help companies to improve how they integrate their customers into the value creation process. It also offers a better understanding of the various potential roles of the customer in the business model.

The remainder of this paper is organized as follows. We begin by discussing the multidisciplinary literature on customer participation in value co-creation and on integrating customers into the business model and crowdsourcing. We then present the methodology and discuss the results. Finally, we point out the managerial implications and limitations of the study, and suggest possibilities for future research.

2. Literature review

2.1. Customers as co-creators of value

We draw on the concept of customer participation, which is a major topic in the marketing literature. It is important to understand how customers are involved in some companies' processes. Customers are in a position to induce specific changes in companies' business models and to significantly modify the logic of value creation. In the marketing field, service-dominant logic (SDL) (Vargo & Lusch, 2004, 2008) has allowed the boundary between producers and customers to be erased. According to Vargo and Lusch (2008, p. 5), “the venue of value creation is the value configurations — economic and social actors within networks interacting and exchanging across and through networks. Consequently, value creation takes place within and between systems at various levels of aggregation.” The value creation network is a central concept in the new academic SDL focus in marketing (Vargo & Lusch, 2004). Within the SDL perspective, customers are significant actors in companies' networks. Thus, firms must collaborate with them to create value. Customers become valuable sources of information, ideas and knowledge for firms. In return, companies provide customers with cultural resources pertaining to their functional and/or existential projects (Arnould, 2005). By combining their resources with those of the other party, customers and firms co-create value (Prahalad & Ramaswamy, 2004). Both apply their skills and knowledge (operant resources) for their mutual benefit (Vargo & Lusch, 2008). This notion of “service” implies that each partner in the process provides something “for” and especially acts “with” the other partner. That is, “the purpose of exchange is to mutually serve” (Vargo & Lusch, 2008, p. 5). Companies should thus view customers as real “marketplace partners” (Zwick, Bonsu, & Darmody, 2008) and should “market with them” (Vargo & Lusch, 2008). These new forms of collaboration are currently facilitated by and widely practiced through Web 2.0 technologies, media and uses. Web 2.0 allows companies to listen to their customers and to involve them in part of their business. By using new technological channels and richer knowledge assets, such as social networks, blogs and wikis, companies can seek external resources to develop and/or improve their offerings. The exchange of skills and knowledge (“service”) between companies and customers becomes essential. To optimize such exchanges, companies must modify and open up their closed business models.

2.2. The customer from the business model perspective

In the past few years, business models have become an important and regularly addressed topic in various disciplines. In addition to its consideration along with the generation and appropriation of revenue (Chesbrough & Rosenbloom, 2002; Rappa, 2001), a business model is also a *conceptual model* of the way companies do business (Chesbrough, 2006b; Osterwalder & Pigneur, 2005, 2010). Leading authors agree that a business model reflects a company's operational and output systems and underlies its logic and strategic choices. It also reflects the way the company creates and captures value, either within or independently of a value network. Various studies provide differing definitions, conceptualizations and iterations of the business model and suggest its key characteristic components (Amit & Zott, 2001; Chesbrough, 2006b; Osterwalder & Pigneur, 2010; Teece, 2010; Yip, 2004).

Companies must implement appropriate business models that enable them to integrate their customers into their activities. However, it seems that although most business model definitions mention the customer, they view him or her only as a revenue yielder to whom the value proposition is addressed. In Osterwalder's (2004) model, which is among the more detailed, customers are the targets of the value proposition and the origin of revenue streams. For Yip (2004), the customer is at the end of the whole process of production and distribution and receives the company's output without playing any “content generator” role. In Demil and Lecocq's (2010) model, the customer is not a component of the business model, but may be a constituent of the organization's external environment. Very few studies address the issue of customer participation and the various roles of customers in the business model (Plé et al., 2010). These latter authors develop a theoretical framework that combines the business model and customer participation literature to establish what they call the customer-integrated business model (CIBM). In this approach, the customer is considered a resource and presents significant consequences for both the value proposition and the organization. The role of the customer reacquires importance in Osterwalder and Pigneur's (2010) model, where he or she becomes a part of the infrastructure and an actor involved in defining the offer. The aforementioned work emphasizes that customers can participate in and provide inputs to the conception, production and/or delivery of a company's offering. Crowdsourcing is an effective way to open up a business model to capture the external resources constituted by customers.

2.3. Crowdsourcing: opening up a business model

To cope successfully with technological progress, competitive change and the evolution of consumer behavior, companies must continuously develop, adapt or reinvent their business models. In this context, opening up a business model to external ideas can capture greater value using key assets or resources, not only in the company's own business but also in relation to other partners such as customers. The recent literature on management highlights the effect of open innovation on business models (Lettl, 2007). Outsourcing to crowds is in line with the body of work on open innovation and the open business model (Chesbrough, 2006b). As a form of user-driven innovation and co-creation, crowdsourcing is a way to access the intelligence distributed among a crowd (Chanal & Caron-Fasan, 2010; Schenk & Guittard, 2011). Howe (2006) popularized the term “crowdsourcing” and defines it as “the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call. This can take the form of peer-production (when the job is performed collaboratively), but is also often undertaken by sole individuals (expert or novices). The crucial prerequisite is the use of the open call and large network of potential labors”. Thus, the principle of crowdsourcing is to be not discriminatory. It involves clearly appealing to a group of anonymous actors to implement certain tasks. As an extrapolation of open