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## Co-Creation: Customer Integration in Social Media Based Product and Service Development

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### Abstract

Due to the rising level of global competition as well as a fast-growing number of innovations organizations are nowadays forced to find new ways to attract, gain and sustain loyal customers in order to stay competitive. Co-creation, the active involvement of customers in the process of new product and service development, has been identified as a reliable source of competitive advantage; however for most companies it still represents a challenge to find customers that are willing to openly cooperate and share their ideas and knowledge. This paper examines four different types of benefits derived from the Uses and Gratification approach motivating customers to participate in online co-creation activities. A pilot questionnaire and its practical applicability are being tested, confirming that customers' participation is in fact stimulated by the four identified types of benefits and indicating that co-creators differ in their motivational levels. Finally, some recommendations on how to adapt the questionnaire for future research are given.

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## 1. Introduction

The introduction of Web 2.0 and different social media platforms has contributed to the development of a new era of customer empowerment enabling customers to interconnect worldwide and easily share and exchange personal, social and scientific knowledge with like-minded individuals (Lee, S. M., Olson, D. L., & Trimi, S. 2012).

Consequently, customers are well-informed, more conscious about their needs and have a clear conception of which products or services they are searching for (Helms, R. W., Booij, E., & Spruit, M. R. 2012), (Lee, S. M., Olson, D. L., & Trimi, S. 2012), and (O'Hern, M. S., & Rindfleisch, A. 2001). By having more information and alternatives where to buy a product or service today's customers take a more active, influential role in the process of value creation forcing firms to step away from their traditional firm-centric view to a more customer-centric view in order to be competitive (Prahalad, C. K., & Ramaswamy, V. 2004), (Sashi, C. M. 2012).

The firm-centric view regards value creation happening inside the firm, ascribing both firm and customer distinct roles as producer and consumer and focusing on "targeting and managing the 'right' customer" (Prahalad, C. K., & Ramaswamy, V. 2004); the customer-centric view suggests firms to collaborate and exchange knowledge with their customers by actively involving them in new product development (NPD) processes in order to create value (Sawhney, M., Verona, G., & Prandelli, E. 2005). Accordingly, customers can actively contribute to successful NPD by being the source of innovative ideas, providing input for new product designs and enhancements, or participating in product testing and support allowing companies to satisfy existing needs that are not met by the market yet (Hoyer, W. D., Chandy, R., Dorotic, M., Krafft, M., & Singh, S. S. 2010), (Nambisan, S. 2002), (Ogawa, S., & Piller, F. T. 2006).

Nowadays, more and more companies are trying to follow the trend to adopt a customer-centric view in order to create and attain value by actively integrating customers in their new product and service development processes.

According to O'Hern, M. S., & Rindfleisch, A. (2001), co-creation can be defined as "a collaborative new product development (NPD) activity in which consumers actively contribute and select various elements of a new product offering". The customer plays a central role in the process of new value creation for the company itself and all its relevant stakeholders (Hoyer, W. D., Chandy, R., Dorotic, M., Krafft, M., & Singh, S. S. 2010). The Internet, as valuable communication medium, especially facilitates co-creation due to its function as interactive platform enabling internals and externals from all over the world to interconnect and collaboratively contribute to an organization's value creation processes (Lee, S. M., Olson, D. L., & Trimi, S. 2012).

An ideal example of integrating customers into their new product and service development activities delivers the American Global Coffee Company Starbucks, which established the online platform MyStarbucksIdea.com on which customer can share their product or experience ideas, participate in open discussions about provided ideas, and vote for them. With the vision of "building it [the Starbucks experience] with them and they are already there" instead of "build it and they will come" the Starbucks Company found a way to keep its customers more loyal while reducing risks in new product or service launch (Ramaswamy, V. 2009). Recently, a reward system for grocery purchase has been introduced labeled as MyStarbucksRewards™. When buying packaged Starbucks coffee in grocery stores customers can find a little sticker with a code pasted on it remunerating them with free drinks or food in Starbucks Coffeeshouses. This idea has been suggested by a customer via MyStarbucksIdea.com and aims to successfully contribute to the Starbucks' Customer Loyalty Program.

A key constraint companies face in actively integrating customers in their NPD activities is that co-creation only works when qualified customers are willing to cooperate and openly share their ideas and knowledge with the company as well as honestly evaluating existing products and new ideas (Füller, J., Faullant, R., & Matzler, K. 2010), (Füller, J. 2006). Co-creation happens solely on a voluntary basis and customers are asked to spend time, knowledge and effort in enhancing the quality of existing products as well as providing valuable ideas for new products and services. Respectively, the benefits a company receives from co-creation are clear without

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