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The Empowered Customer: User-Generated Content and the Future of Marketing

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ABSTRACT

The boundaries that traditionally delineated the roles of consumers and firms are being blurred as users take on creative tasks that were previously managed solely by commercial firms. This paper argues that the user-generated content (UGC) created by these consumers represents a profound shift of power from firms to consumers. In order to better understand this changing landscape, as well as to distinguish the various types of UGC in which customers most commonly engage, and highlight the benefits and challenges associated with these types, we present a new UGC typology that takes into account the objectives that consumers pursue as well as the type of knowledge flow that is activated when consumers produce UGC. We draw on existing literature and use illustrative examples to explicate these UGC types and explore the implications of UGC for marketing thought and practice.

Introduction

The *marketing concept* has guided and shaped more than two decades of marketing research. Kotler and Armstrong defined the marketing concept as: "The marketing management philosophy which holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired level of satisfaction more effectively and efficiently than competitors" (Kotler and Armstrong, 1989, p. 638). There is general agreement among scholars that two-way interaction with consumers is essential for enhancing a firm's new product development (NPD) and marketing communication initiatives. However, due to a variety of reasons, ranging from failure to fully understand the concept to technological gaps in implementing it, the marketing concept has attracted praise from marketing scholars and practitioners, but has, at best, been implemented imperfectly.

Perhaps more importantly, the marketing concept evokes images of an orderly world in which firms have significant control over their environment and are almost solely responsible for the critical activities designed to educate customers and satisfy users' needs, such as crafting effective marketing communications and developing innovative new products. In recent years, however, this traditional paradigm has been challenged by new business models and technologies that transfer significant power over these critical activities to consumers. Indeed, we are moving quickly into a new era of customer empowerment, in which consumers are increasingly able to directly influence marketing outcomes by contributing their own user-generated content (UGC). Although the long-term implications of this change are yet to be seen, this shift represents a fundamental change in the power relationship between marketing and consumers and may have substantial ramifications for marketing thought and practice (Kahle, Marshall, and Kropp, 2003).

The rapid growth of UGC has attracted the attention of researchers across a number of different disciplines, including computer science, marketing, management, and journalism (Brabham, 2013; Krishnamurthy and Dou, 2008; von Hippel, 2005). Research in this domain has highlighted a number of UGC types, including large-scale crowdsourcing initiatives that enable users to share their ideas with firms and participate directly in the creation of new commercial products (Brabham, 2013; Cook, 2006); online product review websites that allow users to evaluate existing products and share their opinions with fellow users (Chevalier and Mayzlin, 2006; Mayzlin, 2006; Moe and Schweidel, 2012); and small groups of lead users who often develop original new product concepts and share these innovations with their peers without any active firm involvement (von Hippel, 2005). As these examples illustrate, the nascent literature in this area is quite diffuse. The

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term UGC is currently used to describe a broad range of phenomena that differ from one another both in terms of the objectives that consumers pursue when they create UGC and in terms of the way that knowledge flows from one party to another in the UGC process. The next section of this paper contributes new knowledge to this domain by synthesizing these diverse forms of UGC into a coherent typology that enables us to better characterize the potential benefits and challenges that accompany each type of UGC.

A Typology of UGC

The dramatic rise in connectivity afforded by the Internet and the emergence of advanced design tools that often rival those used by professional designers have enabled users to create high-quality new content using a wide range of different media and materials (such as graphic design, digital software code, and homemade physical prototypes) and to give other interested parties around the world access to their creations (von Hippel, 2005). Examples of these tools, which are often made available to users at little or no cost, include the Android Software Development Kit (SDK) that allows users and third parties to create their own Android-compatible mobile phone applications (apps); and SketchUp, a free graphic design product that enables users to create digital 3D models of their work. Recent research on consumers' online activity suggests that users are embracing these new tools and using them to express themselves online using text, photos, software code, and digital audio recordings. A 2012 report by the Pew Research Center indicates that approximately 62 percent of American men and 71 percent of American women are actively creating new content on Facebook (Duggan and Brenner 2012). Tens of millions of consumers around the world are now creating their own UGC and sharing it with their peers and/or the brands with which they are involved.

Here, we define UGC *as original contributions that are created by users, are expressed in a number of different media (such as physical objects, sound recordings, computer code, and graphic designs), and are widely shared with other users and/or with firms*. Our typology is depicted in Fig. 1. As the figure shows, the four forms of UGC we identify differ along two key dimensions. Firstly, we suggest that users usually have two primary objectives when creating UGC. Users pursuing the first of these objectives may create original content in order to draw attention to a particular product or brand and express their satisfaction (or dissatisfaction) with an offering or a company. The primary objective of this type of UGC is *product promotion*, as the content that users create typically highlights the strengths/weaknesses associated with a given product or brand and is designed to stimulate further word-of-mouth activity (Chevalier and Mayzlin, 2006; Mayzlin, 2006). Users who pursue the second

type of objective often have little or no interest in promoting a product or a brand, but may still be deeply involved in improving an existing product or developing an original new product of their own. This type of UGC contributor is focused less on product promotion than on *product innovation*.

Fig. 1 also shows that different types of UGC vary on a second dimension; namely, the directionality of the knowledge flows that result from the UGC process. Some forms of UGC, such as user-produced social media or online product reviews, primarily target a user's fellow users by providing them with new ideas, insights, and/or product designs. UGC of this kind is characterized by customer-to-customer (*C2C*) knowledge flows. In contrast, other forms of UGC begin with an original idea conceived by a creative user, but are designed to convey knowledge to a particular firm rather than to fellow users. Hence, because the firm is the primary target of this new knowledge, this type of UGC inherently involves customer-to-business (*C2B*) knowledge flows. We use this typology below to describe four distinct types of UGC, offer illustrative examples of each type of UGC, and highlight the different sets of rewards and challenges that firms are likely to encounter when they attempt to manage each type of UGC.

Informing

We define *informing* as a process that engages users in the creation of content that either praises or criticizes a particular product or brand (promotion-focused user activity) and directs these user-generated reactions primarily at the users' fellow customers (C2C knowledge flows). The existing marketing literature typically describes this kind of user activity with the more generic umbrella term user-generated content (UGC). However, we refer to it as informing, as we believe this label more accurately reflects both the underlying goal that users pursue when sharing their opinions with their peers, as well as the effect that this type of contribution is likely to have on their fellow users.

Recent marketing literature has emphasized the seminal role that users can play in drawing attention to a firm's products via their online communications. The impact of user communications on marketing outcomes has attracted the interest a number of marketing scholars, who have typically focused on online product reviews as the prototypical example of informing activity. For example, Chevalier and Mayzlin (2006), Dhar and Chang (2009), and Liu (2006) found a positive relationship between the volume of advising activity by users and subsequent demand by consumers in the form of online book sales, music sales, and box office receipts, respectively. Conceptually, studies in this domain view reviews as a form of customer word of mouth (Li and Hitt, 2008; Moe and

		User Contribution Objective	
		Product Promotion	Product Innovation
Direction of UGC Knowledge Flows	C2C Knowledge Row	**Informing**	**Pioneering**
	C2B Knowledge Row	**Co-Communicating**	**Co-Creating**

Figure 1. A typology of user-generated content.