Co-creating with Customers: More Pros than Cons?

Key Concept
Involving customers in the design and delivery of products and services can be a cost-effective way to meet the demand for constant innovation and improved ‘customer experience’. It has, however, the power to destroy as well as create value. Much depends on the human and technological interfaces between customers and the company.

Idea Summary
Co-creation in the business-to-consumer (B2C) environment is nothing new. Many services — ranging from hairdressing to care for the elderly through architecture and interior design — have long involved close collaboration with customers and clients and long been ‘marketed’ partly through word of mouth. It has, however, been given new impetus — and a higher profile — by advances in technology.

Customers now share their ideas in virtual communities such as www.MyStarbucksIdea.com and their experiences at review sites such as TripAdvisor. They also collaborate with companies online to create their own products. (At www.ShoesofPrey.com, for example, people can design their own shoes.)

It’s not just the internet that’s increasing the scope for co-creation. Other technologies mean customers are taking over more of the tasks traditionally performed by employees. (The self-service supermarket checkout is one recent example.)

So is co-creation the future? The arguments for it are persuasive — particularly, perhaps, at a time of continuing economic uncertainty. The benefits include low-cost innovation and ‘unique and personalized’ customer experiences, improved customer relationship management, and productivity and efficiency gains.

Co-creation, however, carries risks. Customers might not be equal to the required tasks or willing to perform them; employees might resent the shift in responsibility — or find that the co-creation strategy makes their jobs more demanding. How can you ensure value is created — rather than destroyed?

New research puts forward a framework for successful co-creation in both offline and online environments. It suggests three processes for managing the customer engagement behaviours (CEBs) necessary for co-creation: customer encouragement (motivating customers by signalling the potential benefits of CEBs and by focusing on product and service quality); customer
socialization (defining the customer’s role in co-creation); customer support (increasing the competence of customers).

It also suggests that the effectiveness of these processes rests largely on the characteristics of ‘service interfaces’. Both high-contact (i.e. employee) and technologically-based interfaces have to be closely aligned with the expectations and particular situations of customers and reflect the degree of ‘emotionality’ involved. In the case of technological interfaces, it’s not just a question of the technology being reliable, it’s a question of it ‘talking to’ customer needs and of making the role of customers clear. Thus the homepage for MyStarbucksIdea.com features the simple slogan “SHARE. VOTE. DISCUSS. SEE.”

Put simply, effective interfaces create psychological ‘antecedents’ for CEBs — i.e. positive ‘affect’ (feelings) and role readiness. This applies whether the contact is with someone who is consuming the product or service directly or with someone who is part of a wider stakeholder network. (‘Indirect’ consumers often create value. Family members, for example, can be involved in discussions about a nursing home resident’s care.)

Businesses can use the framework developed by the research to understand the conditions in which co-creation works — and to make a cost-benefit analysis of value co-creation strategies.

**Business Application**
The framework suggests certain imperatives for leaders who opt for value co-creation. These include:

- **Designing** managerial processes that encourage, socialize and support the customer into service interfaces.
- **Developing** a good understanding of customers and their various needs and situations and adapting interfaces accordingly. (In some cases, a ‘holistic’ strategy will be best. (Weight Watchers, for example, uses multiple service interfaces to engage different kinds of customers.)
- **Taking** the broader network of customers and/or other stakeholders into consideration.
- **Ensuring** that frontline employees are open to and/or able to deal with customer engagement in the creation of value.
- **Enabling** customers engaged in the creation of value to perform well — by, for example, giving them the right tools and opportunities to share their ideas and support each other.
- **Evaluating** whether service interfaces both reflect the needs of the customer and generate productivity and efficiency gains. (If CEBs increase demands on staff, additional support for employees may be necessary.)

**Further Reading**

**Further Relevant Resources**
Katrien Verleye’s profile at Ghent University
Vlerick Business School’s Executive Education profile at IEDP

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