A SOCIAL LAYER OF CUSTOMER TO CUSTOMER “VALUE CO-CREATION” AS AN ENGAGEMENT MARKETING TOOL: A TRANSFORMATION AT SOCIETAL LEVEL

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ABSTRACT

Managerial interest in user-generated content (UGC) websites is growing, as firms face highly uncertain markets, ambiguous economic environments, and a mounting user base accustomed to active engagement rather than passive acceptance of products and services. Firms are now exploring ways to provide a platform (website) through which users generate and contribute content, resulting in a co-created experience between users and firms. This conceptual paper develops a framework of value co-creation in form of model by utilizing user experience as to examine how social interactions, operationalized as perceived as UGC website influence an individual’s user experience and subsequent engagement behaviors. Various social sites are availed by the consumers to share their experiences and suggest their viewpoints, which a firm could use as a platform to create innovation in their firms and could achieve better competitive advantage by satisfying consumers. Positive user experience positively influenced a user’s engagement behavior. Based on the results of this study, implications for research and practice are discussed and future directions for researchers are outlined. This paper also outlines the transformation coming in firms working by utilizing social layer.

KEYWORDS: Value Co-Creation, User Generated Content, Engagement Marketing, User Experience.

INTRODUCTION

Continuous advances in technology have altered the way users communicate, make decisions, relate, learn, interact with other users, and even buy, because they have modified the structure of market power and prompted a shift in power, from the producing agents or distributors to customers (Constantinides and Fountain, 2008). That is, in a traditional value creation model, providers sell inputs to producers, which then develop products and services for consumers. Value gets created by the company or manufacturer, in the form of the product being distributed in the market, through exchanges of monetary compensation (Vargo et al., 2008). Thus, companies focus on the interaction and seek to extract economic value (Prahalad and Ramaswamy, 2004a).

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Furthermore, the traditional paradigm regards customers as passive buyers and users (O’Hern and Rindflieisch, 2010), leaving companies with a limited understanding of their experiences or knowledge. Little or no interactive dialog takes place between the company and consumers (Sawhney et al., 2005), and communication instead is unidirectional, from the company to the consumer.

“Value co-creation demands a change in the dominant logic for marketing from ‘selling, making and servicing’ to ‘listening, customizing and co-creating.’”

(Payne, Storbacka, & Frow, 2008, p.89)

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, Olson, & Trimi, 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.

(Lee et al., 2012; O’Hern & Rindflieisch, 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 & Ramaswamy, 2004; Sashi, 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 & Ramaswamy, 2004, p.6); 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, Verona, & Prandelli, 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, Chandy, Dorotic, Krafft, & Singh, 2010; Nambisan, 2002; Ogawa & Piller, 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.

Therefore, it is necessary for companies to understand how to ensure that their customers are willing to contribute to co-creation activities in order to effectively support companies in their value creation processes and contributing at societal level by interacting customer to customer process. This research gap is leading to the following research question:

- Does Customer to customer interaction leads effectively towards co-creation by emphasizing on user generated content?

THEORETICAL BACKGROUND

VALUE CO-CREATION

The term co-creation initially was used by (Kambil et al., 1999) to refer to co-creating value for consumers, in which context they propose that co-creation activities give rise to a new dynamic in the relationship between the company and the customer, because customers participate in the production process and the distribution of value. Because customers can participate in every stage of the value chain, they become partial "employees" of the organization. (Prahalad and Ramaswamy, 2000) then adopted the term to refer to those activities in which both the
consumer and the company are involved together in the creation of value.

Although marketing literature provides different definitions for co-creation, the concept sometimes has been used incorrectly and synonymously with other concepts, such as co-production (Lengnick-Hall et al., 2000) or consumer participation (Dong et al., 2012). Because these terms do not necessarily equate with co-creation, a lack of clarity about the specific meaning of the term “co-creation” remains. However, an exhaustive literature review reveals some central, relevant definitions of co-creation. For example, (Piller et al., 2012) consider co-creation as an active, creative, social partnership process between producers (retailers) and customers (users), facilitated by the company. For (O’Hern and Rindfleisch, 2009) co-creation stems from collaborations to develop new products, such that consumers actively contribute and select elements of the new product being offered. It assert that co-creation happens when the consumer and the company work together to create a consumer experience that adds value to the buying process; (Zwass, 2010) defines co-creation as the participation of consumers with producers in the creation of value in the market. Thus, these definitions share several features:

- Co-creation is an activity or process between the company and the consumer.
- It requires the joint collaboration of both sides.
- The objective is to create value for both sides.

Therefore, co-creation refers to any activity in which the consumer participates in an active and direct way with the company to design and develop new products, services, or processes.

Although marketing literature acknowledges the participation of customers in innovation processes (Piller et al., 2012), empirical studies of co-creation are scarce (Zhang and Chen, 2008), leaving gaps in our knowledge about the nature of this phenomenon (O’Hern and Rindfleisch, 2010). Accordingly, the Marketing Science Institute declared co-creation activities as a priority topic for investigation for 2014-2016. Interest in co-creation results from its potential strategic use for both theoretical study and practice.

Prior studies analyze co-creation activities on the basis of different theoretical frameworks, including the theory of user participation (Fang et al., 2008), the user-centered approach (Karahasanić et al., 2009), user-generated content (Banks and Humphreys, 2008), and the service-dominant logic (SDL; Vargo and Lusch, 2004). The SDL in particular shifts the perspective to company-consumer communication (Lusch et al., 2008; Vargo and Lusch, 2004) and regards consumers as proactive co-creators rather than passive recipients of value, while companies are agents that facilitate this process, instead of merely producers of a standardized value. In a goods-dominant logic, communication moves in a single direction, but in the SDL, a continuous dialogue between the company and consumer seeks to create the service on a joint basis (Payne et al., 2008).

COMPANY RELATED VARIABLES IN CO-CREATION

TECHNOLOGY

Continuous changes in technology have altered the way businesses operate. Information and communication technologies (ICT) now represent one of the most important elements for product innovation and marketing processes, providing routes to strengthen cooperation and communication, reduce barriers to innovation, and enhance the development of differentiated products (Requena et al., 2007). The ICT advances also enable customers to be more active, better informed, more aware at a global level, and more
willing to use virtual environments to interact with companies to obtain new products and services (Seppä and Tanev, 2011).

The use of ICT in turn might offer an important source of competitive advantage (Roberts, 2000), because it brings the company closer to its surroundings, such that it can acquire knowledge and up-to-date information about the different agents in a quick, easy, relatively inexpensive way (Requena et al., 2007). In addition, ICT allows companies to communicate with different agents quickly and smoothly, by eliminating the barriers of space and time, such that it supports an effective transfer of knowledge (Grönroos, 2000). (Leenders and Wierenga, 2002) further suggest that the use of ICT in communications influences the degree of cooperation among agents. In closed relations, members share the same principles and values; thus, they are willing to devote more effort to achieve a common, strategic goal. When the company establishes connections with external agents, ICT can stimulate collaboration and the transfer and use of knowledge among members (Smith and Blanck, 2002), which makes the construction of virtual working groups throughout the world possible (Roberts, 2000). Therefore, ICT improves the development of new products, while saving time and monetary costs; facilitates the transmission of information; and encourages collaborative behaviors that improve decision-making quality.

USER-GENERATED CONTENT

The open innovation model has been supported by the emergence of social media, which facilitate new Internet services that rely on the exchange of content and the resulting interactions (Westerlund and Leminen, 2011). Developments in ICT, particularly the Web 2.0 and social media, create highly interactive platforms through which consumers share, co-create, interact, and modify user-generated content (Kaplan and Haenlein, 2010). Since their inception, social media have prompted the creation of several tools, platforms, and online applications that have transformed the way businesses operate in markets. For example, by using the Internet, companies can interact with vast numbers of customers, and virtual platforms allow them to access information about how customers use their products and services, as well as how customers perceive their offers (Eloranta and Matveinen, 2014). Currently, many social media applications (e.g., blogs, open collaborative projects, social networking sites, content communities, virtual worlds, games) enable individual consumers, communities, and businesses to connect and exchange information (Kaplan and Haenlein, 2010).

These social media also enable companies to interact in real time and more frequently with users, which accordingly increases customers’ participation (Sawhney et al., 2005). With these tools, companies monitor the content that gets shared, deal with potential problems, obtain new ideas, and use this information as a basis for value creation. To establish such continuous interactions, companies also need to provide tools that help consumers exchange their views and solutions with other users. This provision should lead to a dynamic environment, marked by creative and social partnerships between the company and its customers in a new product development context.
THEORY OF CO-CREATED VALUE

A theory for understanding co-created value must meet several requirements. First, the theory must account for the role of technology as an intermediary (i.e., platform) or bridge between users that are globally and temporally distributed and the organization for value creation purposes. Second, the theory must reflect the social orientation of technology that drives how users and organizations negotiate the user experience. User experience is defined as an individual’s involvement intensity and level of personal meaning derived from the UGC website. Third, the theory should focus on how the UGC website influences a user’s experience and influences his/her subsequent engagement behavior. Therefore, this research builds upon Socio-technical theory to first address why social and technical factors influence a user’s experience, and subsequent behavior. Socio-technical theory suggests a system (e.g., a UGC website) is composed of two subsystems—the social and technical subsystems (Haldeman, & Shani, 1982). Each sub-system influences how a user interprets his/her experiences and subsequently behaves within the UGC website. While users may interpret their experiences differently, socio-technical theory suggests that both the social interactions supported by the system and the technical features of the system influence how a user perceives his/her experiences. Recent research has used socio-technical theory to explain user experiences within organizations (Barley, 1996; Jensen & Aanestad, 2007; Prahalad et al., 2004a).

For example, (Barley, 1996) and (Jensen and Aanestad, 2007) examined the adoption of health information system technologies in hospitals based on the technology and the social interactions between key users within the hospital environment. In both studies, user experiences were derived from the social interactions and technology features, and the quality of these experiences subsequently...
influenced how each user engaged within the hospital environment. Following this engagement, the hospital and users each derived benefits from the mutual engagement facilitated by the technology. For the hospital, a more efficient methodology for providing healthcare to its patients was identified. For users, the system allowed them to improve their job performance.

**UGC WEBSITES AS A SOCIAL AND TECHNICAL PLATFORM TO FACILITATE USER EXPERIENCES**

When adopting a co-created business model, the UGC website bridges the organizational boundary linking the organization and users. The UGC website acts as the platform for facilitating user experiences. For example, Proctor & Gamble (P&G) instituted a UGC website, Connect & Develop, to capture user ideas and/or innovations to bolster its products and services portfolio. Users are able to contribute their innovations to P&G for evaluation and possible adoption, but the organizational boundary remained a key barrier that influenced user experiences. The UGC website structure limited the technical features (e.g., tags for innovation category, text fields for UGC description, and document attachment functionality) and provided no mechanisms for social interaction with fellow users. Through Connect & Develop, users directly contribute and interact with P&G. Furthermore, P&G internalizes all content, restricting access to the content to only internal resources. As a result, P&G limits the users’ involvement with the organization, which influences the user experience and subsequently how the user engages with P&G through the UGC website. P&G firmly established their organizational boundaries in order to better control how value was created. Consequently, P&G operated under an open business model rather than a co-created business model. Users only supply potentially valuable ideas and/or innovations. If P&G wishes to discuss the ideas and/or innovation with the user further, the organization directly interacts with the user rather than engaging all users of the UGC website to refine the idea for adoption.

In contrast, Facebook adopted a co-created business model using both social interactions and technical features to influence how users experience Facebook. Facebook users socially interact through comments on photos and user profiles, as well as vote on advertisements and, more recently, the terms of service protecting their UGC. The technical features of Facebook facilitate these experiences by allowing users to search for friends, integrate UGC on their profile with friends’ profiles, and to create new social groups based on personal interests. The social interactions and technical features allow users to create a Facebook experience where users are intensely involved and interactions are personally meaningful. As a result, users engage with Facebook (i.e., contribute content), which in turn, mutually benefits Facebook and its users. Facebook not only captures value from the content provided by users to support the Facebook experience, but also learns from its users what they consider to be the value Facebook provides to them and how Facebook should support their experiences. In addition, Facebook creates value for itself by maintaining the largest online social network with access to millions of users for potential advertising revenue.

In the Facebook example, value is co-created between the organization and users based on high-levels of user engagement, predicated on Facebook’s ability to craft a positive user experience. These two examples suggest that organizations must rely on both mechanisms-the social interactions within the UGC website and the technical features of the UGC website to successfully create positive user experiences and derive mutual benefits for both the organization and users. The first mechanism is based on how users socially interact with the organization and
fellow users to create positive user experiences. Users interpret their experiences based on the social interactions with the organization and fellow users. Additionally, the technical features influence the range of potential user actions that create experiences within the UGC website. When both the technical features and social interactions are effectively leveraged, a user’s experience is maximized (i.e., users are highly involved and find the experience to be personally meaningful). A positive experience leads to user engagement.

SOCIAL INTERACTIONS

Social interactions are needed to construct positive user experiences in a UGC website. Social interactions are defined as the communication among the organization and users through the UGC website (Prahalad et al., 2000, 2004b). Social interactions between the organization and fellow users influence how a user experiences his/her environment by allowing users to experience the UGC website and engage through UGC (Barley, 1996; Jensen et al., 2007). Social interactions can be classified into three distinct categories: interactions between the organization and the user, interactions among users facilitated by the organization’s UGC website, and consequences of interactions that users may experience because of the UGC website. The first category of social interactions focus on informing the user of the organization’s intention to create a personal and meaningful experience with the user (Kettinger & Lee, 1994) and assess the degree of openness of the organization and how willing it is to engage (Prahalad et al., 2004a). The second category focuses on whether the organization can provide the necessary social resources that facilitate the creation of the user’s experience (Dickinger, Arami, & Meyer, 2008). The third category creates the opportunity for users to judge the potential benefits and risks associated with UGC contribution (Prahalad et al., 2004a). Social interactions also provide the user with the ability to adjust his/her experiences for engaging with the organization through UGC that is mutually beneficial to both the organization and users.

Therefore, social interactions facilitate user experiences within the UGC website by fostering a dialogue with the organization and fellow users, portraying a transparent business model, providing access to social resources, and defining the potential benefits and costs to engaging with the organization in the UGC website (Jensen et al., 2007; Kettinger et al., 1994; Prahalad et al., 2004b, 2004a; Wixom et al., 2005).

USER EXPERIENCE

When organizations facilitate social interactions and provide the technical features mentioned above, a positive user experience occurs, which then influences users to engage within the UGC website. The user experience is divided into two psychological components that influence the co-creation of value; 1) individual involvement and 2) personal meaning. Users engage when they contribute, retrieve, and/or explore UGC.

Individual involvement is defined as the intensity with which a user perceives his/her role within the UGC website (Barki & Hartwick, 1994). Individual involvement denotes a user’s perception that his/her role within a UGC website is personally important and/or relevant to meet their needs (Zaichkowsky, 1985). Individual involvement has been found to increase arousal, interest, and motivation to engage (Zaichkowsky, 1985). For example, (Santosa et al., 2005) examined satisfaction in information seeking activity and found that a user’s perception of involvement was a significant predictor of a user’s satisfaction with information seeking activities (i.e., engagement).

USER ENGAGEMENT

User engagement is defined as a user’s contribution, retrieval, and/or exploration of
content within a UGC website (Kankanhalli et al., 2005; Li & Bernoff, 2008). User engagement focuses on how users behave within the UGC website. The concepts of networked individualism and social affordances suggest that users pursue their specialized interests in online environments (e.g., UGC website) by contributing, retrieving and exploring content. User engagement is comprised of contribution, retrieval, and exploration behaviors because users utilize UGC differently depending upon their specific needs. For instance, Facebook users may post photos, view friends’ status updates, and/or explore friends of friends to satisfy their differing needs. The more users engage, the more valuable the UGC website becomes to the organization and fellow users (Bock, Sabherwal, & Qian, 2008; Kankanhalli et al., 2005b; Li et al., 2008).

DISCUSSION AND CONCLUSIONS

This study outlined the evolution of the co-created business model, which relies on a new relationship between the organization and users in order to derive value that is co-created. Co-created value was earlier defined as the mutual benefits that both the organization and users receive from engaging with each other through a UGC website. Distinct from other forms of business models, the co-created business model relies on developing positive user experiences that influence a user’s engagement behavior to derive value, rather than selling products and/or services to users. This study identified the key drivers of the co-created business model based on networked individualism, potential for context collapse, and growth in user-driven online environments (i.e., social media). Central to this model is the need for users to engage with organizations through the contribution, retrieval, and exploration of UGC within a UGC website.

The purpose of this study was to identify the factors that influence a user’s experience within a UGC website and subsequently how a positive user experience impacts a user’s engagement behavior within the UGC website.

Based on the literature review, the theoretical framework guiding this research was based on socio-technical systems theory, where the UGC website acts as a bridge between users and the organization to create positive user experiences and ultimately get users to engage within the UGC website. Social interactions between the organization and fellow users allowed users to determine whether the UGC website was conducive to meeting a user’s personal needs and/or interests. Social interactions were operationalized as dialogue, transparency, social accessibility, and perceived risk. Additionally, the technical features of the UGC website impact a user’s ability to successfully engage within a UGC website in order to satisfy the user’s personal interests. It was predicted that the social interactions and technical features of the UGC website influenced how intensely a user perceived his/her involvement to be and the extent to which users’ derived personal meaning that meets the user’s needs and/or interests. Lastly, the positive user experience would lead to increased user engagement (i.e., contribute, retrieve and/or explore UGC) within the UGC website.

The results of this study highlight the strong influence of critical mass on both a user’s experience and the user’s engagement behaviors. Given the social nature of the UGC websites users selected in this study, it is not surprising that social relationships among users drove the personal meaning and intensity of involvement a user experiences within the UGC website and actual engagement. The literature outlined in sections 2.3.2 and 3.2.3 suggest that users seek emotional support and tangible benefits from family and friends (boyd, 2007a; Dickinger et al., 2008). This research has found that users increase their engagement when a critical mass of users within the social structure of the UGC website are known to the user (Hsu et al., 2008).
Motivations behind this engagement focus around the personal meaning and/or interests that are obtained when involving themselves within these social structures.

Based on the notion of reciprocity (Kankanhalli, Tan, & Wei, 2005a) it is possible to hypothesize that users engage regardless of whether their experience is positive in the UGC website in order to maintain the social relationship with fellow users that are important to them personally, or to maintain access to a social community that can provide benefits important to the user (e.g., information benefits or access to resources). Given the findings of this study focused on the critical mass of social acquaintances and not access to resources, it is likely that users engage within social UGC websites in order to maintain their social relationships with friends and acquaintances.

Implication for practice: Organizational interest in user-generated content is growing as organizations face highly competitive markets, uncertain economic environments, and a growing user base accustomed to active engagement rather than passive acceptance of products and services (Li and Bernoff, 2008). Co-created business models invoke the principles of permeable organizational boundaries and the creation of value from internal and external sources. The intersection of organizational resources and/or capabilities, user-generated content, and information and communication technologies redefines sources of value and requires the active and continued engagement of users to sustain this value. This study provides several implications for organizations wishing to adopt a co-created business model and co-create value with its users.

LIMITATIONS

All research is not without limitations. Limitations for this study focus on three general areas: generalizability of findings, subjective measurement items, and organizational influences on co-created value. The limitation is generalizability of the findings must be considered. This study focused on exploring UGC websites used by a portion of the overall UGC website user population specifically. The research is limited to theoretical background, this research needs to be proved empirically.

REFERENCES


