Managing Brands

Through Co-creation of Value with Consumers

– Introducing the Co-creation Approach to Brand Management

Master Thesis

Cand.Merc Marketing Communications Management

Copenhagen Business School 2009

Department of Marketing

August 10th 2009

Advisor: Richard Jones

Morten Hertz Larsen & Mads Ulrik Greenfort
1 EXECUTIVE SUMMARY

The profound roles of consumers have changed, and so have the conditions under which companies can successfully build brands. Consumers has gone from being isolated to connected, from unaware to informed and from passive to active. As a result consumers are to a larger extent seeking engagement in active dialogue with manufacturers of products and services – they have a desire co-create. Consequently, current predominant approaches to branding become less effective in the process of building brands in the minds of consumers, as they are rooted in an obsolete logic of marketing, in which consumers are regarded as passive recipients of company offerings.

Motivated by the lack of an appropriate approach to brand management, this thesis sets out to build an approach to building brands that more appropriately responds to the increased needs for consumers to co-create. As a result, this thesis presents the Co-creation Approach to Brand Management; an approach combining predominant theory respectively within co-creation and branding, to better cater to the needs of consumers of today to establish closer and deeper relationships between these and brands.

Specifically the Co-Creation Approach to Brand Management suggests two important steps for companies to better understand how to approach such co-creation. Firstly, companies must gather market intelligence concerning what motivates consumers to co-create; in total five motivations are pertinent to establishing co-creation. Further, companies must uncover which touchpoints are mostly appropriate to initiate such co-creation processes, and to activate consumers’ motivations to co-create. Secondly, companies must initiate interaction with consumers, as interaction is in essence the locus of co-creation, and thus where the brand is built. This interaction occurs on two levels, individual and collective, and the more frequent interaction the brand has with consumers, on both levels, the larger the potential of co-creation to establish close relationships with consumers.

Furthermore, this thesis conducts four empirical case studies based on the Co-creation Approach to Brand Management. The main conclusion from this study is that companies in general utilize three types of co-creation, upon which a Co-creation Typology is established. The three types of co-creation are co-creation of products, co-creation of marketing communication, and co-creation of social experiences, each entailing a different set of characteristics. These can be employed separately, however utilized in combination they will generate synergistic effects, creating closer relationships with consumers, resulting in a stronger brand.
1 EXECUTIVE SUMMARY

2 INTRODUCTION

2.1 PROBLEM DISCUSSION

2.2 PROBLEM STATEMENT

2.3 CLARIFICATIONS OF CONCEPTS

3 SCIENTIFIC METHOD

3.1 THEORY OF SCIENCE

3.1.1 ONTOLOGY

3.1.2 EPISTEMOLOGY

3.1.3 A HERMENEUTIC HERITAGE

3.2 THE CASE STUDY METHODOLOGY

3.2.1 UNIT OF ANALYSIS

3.3 DELIMITATIONS

3.3.1 DELIMITING THE SCOPE OF RESEARCH

3.3.2 THEORETICAL DELIMITATION

3.3.3 EMPIRICAL DELIMITATION

3.4 SECONDARY EMPIRICAL DATA

3.5 VALIDITY

3.6 RELIABILITY

3.7 GENERALIZABILITY

4 THEORETICAL FOUNDATION

4.1 A SERVICE-DOMINANT LOGIC

4.1.1 ACTIVE VS. PASSIVE CO-CREATION

4.1.2 RESOURCES IN THE S-D LOGIC

4.2 PERSPECTIVES ON CO-CREATION

4.2.1 CO-CREATION OF EXPERIENCES

4.2.2 CO-CREATION THROUGH USER INNOVATION

4.2.3 CO-CREATION OF BRANDS – CURRENT PERSPECTIVES
### 4.3 Branding Theory

#### 4.3.1 Four Brand Management Paradigms

#### 4.3.2 The Product Paradigm

#### 4.3.3 The Projective Paradigm

#### 4.3.4 The Adaptive Paradigm

#### 4.3.5 The Relational Paradigm

### 5 The Co-Creation Approach to Brand Management

#### 5.1 Defining the Concept

#### 5.2 Market Intelligence as Departure of Co-Creation

##### 5.2.1 Motivations for Co-creating

##### 5.2.2 Touchpoints

#### 5.3 Interaction

##### 5.3.1 Individual Interaction

##### 5.3.2 Collective Interaction

##### 5.3.3 Dual Level Interaction

#### 5.4 Co-Creation Approach Summary

### 6 Case Analysis

#### 6.1 Threadless – More than Just T-shirts

##### 6.1.1 Company Background

##### 6.1.2 Motivations for Co-creating with Threadless

##### 6.1.3 Threadless Interaction

##### 6.1.4 Threadless Brand Co-creation

#### 6.2 LEGO – 77 Years of Co-Creation

##### 6.2.1 Company Background

##### 6.2.2 Motivations for Co-creating with LEGO

##### 6.2.3 LEGO Interaction

##### 6.2.4 LEGO Brand Co-creation

#### 6.3 Chevrolet Tahoe – Consumer-Generated Communication

##### 6.3.1 Company Background

##### 6.3.2 Motivation for Co-creating with Chevrolet Tahoe
Managing Brands Through Co-creation of Value with Consumers

6.3.3 CHEVROLET TAHOE INTERACTION 81
6.3.4 CHEVROLET TAHOE BRAND CO-CREATION 82
6.4 FACEBOOK – IT’S ALL ABOUT INTERACTION 85
6.4.1 COMPANY BACKGROUND 85
6.4.2 MOTIVATIONS FOR CO-CREATING WITH FACEBOOK 87
6.4.3 FACEBOOK INTERACTION 89
6.4.4 FACEBOOK BRAND CO-CREATION 90
6.5 CASE ANALYSIS FINDINGS AND REFLECTIONS 92

7 DISCUSSION – MANAGERIAL IMPLICATIONS OF CO-CREATION 97

7.1 CO-CREATION TYPOLOGY 97
7.1.1 MOTIVATIONS RELATED TO THE THREE FORMS OF CO-CREATION 98
7.1.2 PREREQUISITES FOR CO-CREATION 99
7.1.3 TOUCHPOINTS FOR IMPLEMENTATION 100
7.1.4 CO-CREATION IMPACT ON BRANDS 100
7.1.5 RISKS RELATED TO CO-CREATION 102
7.2 DISTRIBUTED DYNAMIC CAPABILITIES 105
7.3 IS CO-CREATION FOR EVERYONE? 106

8 CONCLUSION 109

9 LITERATURE 112

9.1 THEORETICAL MATERIAL 112
9.2 EMPIRICAL MATERIAL 117

10 APPENDICES 119

10.1 APPENDIX 1: A PROCESS OF BRAND CO-CREATION 119
10.2 APPENDIX 2: A MODEL FOR CO-CREATING THE BRAND RELATIONSHIP EXPERIENCE 120
2 INTRODUCTION

The advantages of a strong brand are many and the importance of brands as a mean to gain competitive advantage has been widely recognized throughout the last decades. With strong brands companies can improve penetration and acceptance of new products, as well as reap the benefits entailed from price premiums and brand loyalty, to improve financial performance (Keller 2008). Regarded from the consumers’ perspective strong brands are able to reduce search costs and the perceived risk of a purchase (de Chernatony & O’Riley 1998), but also serve as an actual social relationship (Fournier 1998). Millward Brown’s brand value classification BrandZ illustrates how brands are improving companies’ ability to build and sustain competitive advantage, especially in a time of an international financial recession. The annual BrandZ top 100-brand report from 2009 speaks a clear language. Strong brands are capable of sustaining their value in spite of a global financial crisis, which is highlighted by the 2 % value increase among the top 100 brands (BrandZ Top 100). Brands are without a doubt an important asset to companies, and consequently brands require careful nurturing and meticulous management.

This is however also where problems arise, since a manifold of companies’ work from an ideal that companies can control brands exclusively, so that brand identity is a result of internal decision-making, and decided upon before reaching consumers (Bengtsson & Östberg 2004). In this view of branding, consumers are seen as passive recipients that will perceive the brand exactly as it was projected by companies’ marketing communication. However, as we will argue in this thesis, a company who follows this line of thought, inspired by traditional value chain logic (Porter 1985) will likely fail to stay relevant in a dynamic environment where the role of consumers has changed radically.

Consumers of today are well aware of the techniques of modern branding, hence conscious of the manipulative nature of marketing they reject these commercial messages (Holt 2002). Consequently, a dominant branding paradigm, the identity system (Aaker 2002; Kapferer 2004; Holt 2002), which is mainly driven by cultural engineering, is losing its effect in creating the expected consumer responses. As a result traditional branding methods such as mass communication make less and less impact on today’s consumers. As an example, McKinsey & Company has estimated that television advertising only will be one-third as effective in 2010 as it was in 1990 (Anderson 2008).

Consumers’ are not passive recipients of branded communication but conversely active co-creators of brands. Consumers are widely seeking out to define their own identities (Nisbet & Perrin 1977), which are increasingly constructed through the interaction with brands (Fournier 1998; Holt 2002); an
interaction, in which company and consumer both are active participants in the creation of the brand, i.e. co-creation. A result of co-creation of brands is that such brands are more prone to confirm consumer expectations and satisfy consumer needs, both utilitarian and hedonic. Thus, co-creation must be regarded as a break with the dominant logic of branding, as the company no longer exclusively controls the brand and dictates the brand identity.

The emergence of new technologies has increased the impact of how consumers relate to brands. Today everyone with a computer and an Internet access can tap into tons of company and product information. The days when companies could control their brands from inside their ivory towers are long gone and so is their advantage of asymmetrical information to a large extent. This point is sharply illustrated in the following:

“The abundance of information available to the consumer has meant that the power has shifted from the companies who could reach the most audience via marketing channels to the consumers themselves deciding when they want to interact with your brand. The consumer is now more likely to ignore traditional push marketing methods in favor of doing online research when it suits them not when it suits the company.” (Jackson 2009:2).

Communication technologies such as the Internet have increased the frequency and ease of communication both between company and consumers and in between consumers (Sawhney et al. 2005). In fact, technological advances have had three great influences on consumers’ ways of relating to brands. Thus, the role of consumers has changed “from isolated to connected, from unaware to informed, from passive to active.” (Prahalad & Ramaswamy 2004b:4). All three aspects of this new role, does indeed stem from the technological evolution mainly entailed by the Internet. Firstly, the Internet has eased the opportunity for consumers to interact with each other and with brands, e.g. through social media sites and communities. Secondly, amount of information available to consumers has increased vastly, and the paths to this information have been shortened greatly, e.g. through search engines. And thirdly, the Internet supports consumers’ desire to be actively involved with brands, e.g. through user innovation tool kits.

These changes require that companies go about and develop new ways of approaching consumers, in which they recognize how consumers influence brands. Companies that have not adopted new approaches are all facing these challenges, which are what drives our fundamental interest in how brands should be managed to yield maximum value. Consequently this also motivates us to develop a new approach to brand management – the co-creation approach.
2.1 Problem Discussion

The fact that the role of consumers has changed from passive to active is constantly winning recognition among scholars as well as among marketers. Consumers are increasingly seeking engagement in active dialogue with manufacturers of products and services (Prahalad & Ramaswamy 2000), and in order to respond to this desire to engage, companies must realize that consumers are influenced by traditional marketing stimuli only to a very limited extent. Thus, traditional marketing stimuli lose ground and become mainly a method for building awareness, however less efficient in building e.g. brand associations and brand loyalty (Boyle 2007). It is of utmost importance that companies recognize this development and venture into new ways of approaching today’s consumers.

As recognition of the changed consumer roles, the Service Dominant Logic (S-D Logic) of marketing has emerged as a paradigm of marketing theory (Vargo & Lusch 2004). This represents a shift from the Goods Dominant Logic (G-D Logic) which was practiced throughout much of the last century, in which the consumer is predominantly regarded as passive recipient of goods, and of marketing communication; what also metaphorically has been characterized as the Zombieconomy (Haque 2009) – the type of businesses that pushes goods to the market but fails to recognize the actual needs of consumers. Contrary to this, in the S-D Logic, consumers are actively seeking engagement, and as a result companies can and must utilize consumers as resources, in line with other firm resources. This utilization of consumers as resources has recently been labeled co-creation (Prahalad & Ramaswamy 2004a), and the concept is gaining increasing acceptance as a tool to respond to the changing demands of active consumers.

Everybody is talking about co-creation. Consequently, the concept has the potential to become the new buzz of marketing, as very few are actually addressing this new form of value creation in a way that is applicable to businesses. Too many attempts of co-creation have been initiated with the wrong intentions; some for the sake of saving costs, e.g. through cheap consumer productions, others as a compensation for the lack of creative ideas (Grundtvig 2006). Many scholars have discussed co-creation, but none of these have succeeded to provide a clear definition of the concept. Rather they have merely described what it is not (Prahalad & Ramaswamy 2004a). Bughin et al. (2008) advocates that companies “...can benefit indirectly from the co-creation process – for example, through an enhanced brand or strategic position” (Bughin et al 2008:4). To a large extent we agree with this view. However, as the argument is not advanced any further, it loses both scientific value and practical applicability. If co-creation is to avoid the pitfalls of becoming just another hollow and useless marketing buzzword, it
requires further study. In order to truly grasp this yet rather insubstantial concept, a clear definition of the concept is required, leading to an approach, which can be utilized to build brands in the minds of active consumers.

Many companies perceive co-creation as letting go of control, but in fact they have already lost control to the critical consumers of today (Grundtvig 2008). E.g. brand community members are capable of taking a brand in a completely different direction than intended by the marketer (Muniz & O’Guinn 2001). Companies holding on to the traditional perception of brand value creation are challenged by the new reality, by the new consumers. Consumers’ position towards companies can be described as such: “consumers can now initiate the dialogue; they have moved out of the audience and onto the stage” (Prahalad & Ramaswamy 2000:80).

We feel that an approach to branding that truly recognizes the demands of the active consumer is missing from current theory. Thus, based on the changes in the landscape of brand management we will set out to develop an approach to branding that has the ability to cater to the changing demands of the active consumer, in a manner that current predominant approaches has failed to. This approach will depart from co-creation’s utilization of consumers as resources, and build brand value on that foundation.

2.2 Problem Statement

With basis in the abovementioned problem discussion work from the following research question:

*How can companies approach the concept of co-creation in order to utilize consumers as operant resources from a brand management perspective?*

- How has the emergence of the Service-Dominant Logic influenced how brands are created?

- What are the characteristics of a co-creation approach to brand management?

- What are the managerial implications of the co-creation of brands?

With the first sub-question we seek to establish an understanding of how the Service-Dominant Logic has changed the foundation on which marketing is conceptualized and practiced. This will lead to an increased understanding of the basic conditions under which brands can be managed.
The second sub-question sets out to establish an approach of how companies can more appropriately manage brands with co-creation. In this, we seek to answer theoretically how co-creation can be utilized to increase the value of brands.

With the third sub-question, we will delineate the managerial implications of utilizing co-creation to manage brands. This, we will answer through case analyses of co-creation in practice, from which we will also establish a typology of co-creation.

### 2.3 Clarifications of Concepts

**Brands:** In this thesis we abide to the authors considering a brand as “an identifiable product, service, person or place, augmented in such a way that the buyer [client] or user [consumer] perceives relevant, unique added values which match their needs most closely.” (de Chernatony & McDonald 2003:25). Thus, a brand largely resides in the minds of consumers, and marketers cannot directly control how the associations are formed, but attempt to tap into this process by interacting with consumers, e.g. through co-creation. We will elaborate this further in chapter 4.3.

We will not distinguish between product brands and corporate brands. Thus, when conducting the case studies, some cases are corporate brands and some are product brands. As this is not within the scope of this thesis, and to reduce complexity of the conclusions to increase applicability, we will not distinguish between these. Furthermore we will argue that products and brands are inseparable constructs, and consumers cannot consider the product without considering the brand.

**Brand Management Perspective:** With this perspective, we state that we are mainly interested in the concept of co-creation from a brand management perspective, i.e. to strengthen or increase the value of brands. Thus, we are only interested in the benefits for consumers in co-creating to the extent that these increase the value of the brand.

**Co-creation:** Scholars (e.g. Prahalad & Ramaswamy 2004a; Payne et al. 2008a) have so far failed to provide a clear definition of the concept of co-creation. This is one of the big flaws in the conceptualization of co-creation, as the move from theory to practice is heavily impeded by the lack of a clear-cut definition. When we henceforth refer to co-creation we will work from the following definition:
An Open-ended relational process in which the company cooperate with, and utilize consumer(s) as operant resources through interaction to create a new, or modify an existing, company facilitated offering, leading to the creation of added value for all parties involved.

This definition has been developed on the basis of the theoretical framework (chapter 1). We will advocate for the justification of this specific definition in chapter 5, but feel that a clarification on this thesis’ specific view on the co-creation concept is necessary at this early stage, to clarify our perspective on the concept to the reader.

Customers vs. Consumers: Henceforth in this thesis, inspired by dominant theory on the subject (Prahalad & Ramaswamy 2000; Vargo & Lusch 2004), we will use the terms consumers or customers interchangeably.

Operant Resources: Operant resources are resources that produce effects by acting on operand resources (Vargo & Lusch 2004). Operant resources are among other things knowledge and skills, and thus in a co-creation perspective, consumers make up operant resources that the company can utilize to create value (Vargo & Lusch 2004). This concept we will elaborate further in chapter 4.1.
3 SCIENTIFIC METHOD

In order for us to build an approach to co-creation and conduct the analysis in a scientifically sound manner, we find it necessary to clarify for the reader, the basis of the scientific method employed. Thus, we will explicate our methodological assumptions and the beliefs upon which we generate knowledge. Consequently, we will discuss the foundation upon which conclusions are drawn, so that the reader will know how to interpret those to maximize applicability, as well as to explicate validity. We will present our basis in theory of science, choice of theory including delimitations, empirical material employed in the analysis, and lastly reflect on the concepts of reliability, validity and generalizability in relation to the conclusions we draw.

3.1 Theory of Science

Following the choices made in relation to specific theory for application in the analysis, we are placed under a specific paradigm of theory of science. We agree with Beck’s (1999) pragmatic approach to choices within theory of science, as he argues that such choices are not a matter of scientific beliefs. Rather, we must choose the paradigm that is best suited for the conclusions we wish to draw, and the one that has the tightest fit with our choice of theory (Beck 1999:134). This means that following Vargo & Lusch’ (2004; 2006; 2008) S-D Logic as foundation for the theoretical framework, we must accept that this choice has some methodological consequences.

As a result of applying the S-D Logic as structuring theory, our paradigm within theory of science becomes one of social constructivism. As Vargo & Lusch (2004) note, in the S-D Logic, value only exists in the relationship between company and consumer. The products and services offered by companies do not hold immanent value. This means that value is socially constructed between the company and the consumer, and thus does not exist has it not been constructed as value. In consequence, we abide to a social constructivist paradigm, in which reality and our knowledge of this reality is a social construction (Rasborg 2004). More specifically we abide to the epistemological branch of the social constructivist paradigm, in which our perception of reality is influenced by the social circumstances, under which it takes place (Collin 2003; Rasborg 2004). E.g. the value that is co-created between company and consumer is not absolute and perfectly reproducible, but a result of the specific and unique interaction between the company and consumer.
Important in this becomes then to shed light on respectively how we perceive the reality in which knowledge is created (ontology), and then how we are able to create knowledge in this reality (epistemology). Thus, in this thesis we will employ the following definitions:

**Ontology:** The study of the existing beings i.e. our perception of reality and the physical world (Brier 2005).

**Epistemology:** The study of the nature and origin of knowledge creation and the conditions for the creation of true and valid knowledge (Brier 2005).

### 3.1.1 Ontology

Following the social constructivist paradigm, our perception of reality is a product of social interaction between individuals. This means that reality does not exist as a meaningful and absolute truth separated from the human mind (Berger & Luckmann 1966). Rather, reality as perceived by individuals is constructed in the interaction between these. The world and reality does exist whether or not it is articulated in the relation between company and consumer, however it is not meaningful to us as humans, has it not been socially constructed.

Consider, as a relevant example of this important notion, the value creation perspective brought forth by Vargo & Lusch (2004). A basic premise of the S-D logic is that products and services, contrary to the G-D logic, does not hold any intrinsic value; an unsold good has no value, and a service provider with no customers cannot provide anything (Vargo 2004). Value as a part of a socially constructed reality is not a stable and autonomously constant construct. Value is not an absolute truth separated from the human mind and interaction between these. What might seem as value in the mind of one individual is unlikely to represent the same value in the mind of a different individual. Moreover, the company cannot solely determine and predict what value is in consumers’ minds. Rather, value is constructed in the actual interaction. The point is that, in the social constructivist ontology that we employ, constructs such as brands, value etc. has no meaning a priori, which profoundly affects how companies should approach these, and also how we can create knowledge about them, i.e. the epistemology.

### 3.1.2 Epistemology

As a direct consequence of our ontological viewpoint, i.e. reality, and the perception of reality, is created in the interaction between individuals, comes that truth becomes dependent on the eyes of the beholder (Berger & Luckmann 1966). As we create knowledge in this thesis, we ourselves construct the perspective from which we regard reality. Accordingly, the reality we construct might not be that of
others, as we have constructed it in interaction with our surroundings, but also in interaction with the theoretical body. The implication of this is that the knowledge we create is in itself a perspective (Rasborg 2004), and thus cannot be characterized as a definite truth. When creating knowledge from a social constructivist perspective the ultimate goal is not to produce absolute truths. Rather, the scientific objective becomes to create scientifically sound knowledge that recognizes explicitly that it has been created within a socially constructed reality (Rasborg 2004). Thus, the co-creation approach to branding is based on the theoretical framework that we establish in chapter 3. Such an approach is thus not an absolute and irreversible truth, but a product of the perspective from which we regard the subject matter – the theoretical framework upon which we build.

Within social constructivist paradigms nothing is ever invariable (Rasborg 2004), and every construct can at all times be assigned a different meaning through social interaction. However, as argued by Berger & Luckmann (1966) in a social constructivist perspective, some constructs will at some point be constructed as being objective facts; they become reified (Rasborg 2004) and institutionalized (Mik-Meyer 2005).

An example in close relation to this thesis is a perception that has been predominant all the way through the industrialization and modern society, grounded in the G-D logic, i.e. companies produce goods that consumers buy and consume. This distinction between production and consumption has for decades been regarded as the predominant way to define the relationship between company and consumer – this is how business is done. Even today, most business executives would probably still regard this as an objective fact; it has been reified and institutionalized as such. However, as Vargo & Lusch (2004) argue, the locus of exchange, and the relationship between company and consumer is seeing change, and the before objective and reified company-consumer distinction will in the future most likely be brought to discussion, and lose its objective and reified status.

3.1.3 A Hermeneutic Heritage

With regards to changing paradigms of exchange (G-D vs. S-D logic), we ourselves in writing this thesis are contributing to socially constructing reality. In this we cannot disregard our own knowledge and experience prior to knowledge creation. Thus, as we use our co-creation approach to conduct an analysis, the interpretations in this, will largely be affected by our experiences (Højbjerg 2004). In this point we draw heavy inspiration on the hermeneutic philosophic tradition (Gadamer 1976). The basic argument in hermeneutics is that interpretation independent from prior experiences and knowledge is not possible (Højbjerg 2004), and that current interpretations are a product of chains of events from the
past (Mik-Meyer 2005). The result is that the conclusions we draw are heavily influenced by our context and previous experiences.

Our conclusions can be characterized as local, cultural, and time-contingent interpretations that will not necessarily fit other times and paradigms (Olsen & Pedersen 2003), and thus cannot be applied unreflectively to different contexts. Neither is there any certainty that other scientists, even though applying the same theoretical framework to the same subject matter, will come to the same conclusions. Thus, within social constructivism knowledge created cannot be verified as truth, as e.g. a positivistic paradigm allows, because that would imply that truth was invariable. Instead, as Habermas (1984) argues, truth (as a relative concept) is found in the most convincing argument. In consequence, we will strive to reach a perspective on truth of co-creation of brands that is based in providing as convincing arguments to our case as possible.

3.2 The Case Study Methodology

The analysis of this thesis will take the form of a case study approach, in this regarding several cases of co-creation in practice. The conscious decision of having chosen a case study methodology is a direct and natural consequence of the research question. Case studies can provide valuable insights to the phenomenon being studied, when asking how or why questions (Yin 2003). In answering this, a large part is regarding and analyzing how companies are actually undertaking this task today, hence the case study methodology becomes of much value in illustrating this point. As we will point out, co-creation is very much a social phenomenon, and as Yin (2003) has argued, case studies are able to fulfill the desire to understand complex social phenomena. An issue regarding case studies is that they must be concerned with presenting the empirical data in a fair and rigorous fashion (Yin 2003). Thus, we are constantly attempting to illuminate all sides relevant of the particular case’s co-creation activities, and to the extent possible use quotes from the actual interaction. However, we are also much aware that we, due to our hermeneutic heritage, affect the interaction itself once we employ it in the analysis. I.e., the specific data brought forth is chosen on the basis of the authors of this thesis’ prior experiences, and thus cannot make up an objective picture of reality – moreover because no such thing can exist in a social constructivist paradigm.

Within the case study methodology a distinction is drawn between single-case designs and multiple case-designs (Yin 2003). If the purpose is to shed as much light onto a phenomenon as possible, e.g. by following a replication logic, multiple-case designs are to be preferred. In our analysis, we set out to
illuminate how companies in consumer markets of today apply co-creation, and thus how this affects their brands. Thus, we are interested in illustrating a wider array of companies actually undertaking this work. In this we apply a replication methodology, by investigating the same set of elements in each case study, e.g. how companies and consumers interact to co-create. We are doing this to shed light onto how companies undertake this task in different ways, following different methods, using different touchpoints etc. This we do, to provide as broad a view as possible to the task of co-creating with consumers from a brand management perspective. Using Yin’s (2003) words we are deliberately trying to show contradictory results (Yin 2003), however all within a co-creation frame of reference, in which interaction is central. This is thus also the conditions under which the specific cases have been selected; i.e. they have each been selected with an expectation that these cases would show, if not directly contradictory results, then differing approaches by conducting a theoretical replication (Yin 2003). For the analysis we have chosen four cases which will all be presented further in chapter 6. For now, we will reveal that the four cases are turning on the following brands: Threadless, LEGO, Chevrolet Tahoe, and Facebook.

Yin (2003) has stressed the importance of establishing a rich theoretical framework that lays the conditions under which the case studies are performed. Thus, we will firstly review much theory pertinent to both co-creation and brand management, and then establish the specific co-creation approach to branding. In total, these will make up the theoretical framework that makes up the foundation for studying co-creation in practice. I.e. the findings in the theoretical framework, e.g. the central position of interaction in co-creation processes, will thus hold a central role when studying co-creation in the specific cases.

3.2.1 Unit of analysis

In this thesis we will employ a case study approach using multiple (embedded) units of analysis (Yin 2003). The primary unit of analysis in this thesis is the relationship between consumers and brands. As we are interested in establishing stronger brands based on closer relationships, relationships necessarily becomes important to study. Within relationships we focus much on analyzing the interaction that establishes these relationships, which thus also becomes a unit of analysis, embedded in relationships as a unit of analysis.

3.3 Delimitations

In this subsection we will establish the limits under which we work in this thesis. In practice this means that we will advocate for the demarcations that we have established, regarding the scope of research,
the theoretical material applied in the framework, and the empirical data employed in the case study analysis. These demarcations are established as a way to narrow the focus of this paper, in order to heighten the relevance of the conclusions drawn.

3.3.1 Delimiting the scope of research

Working towards our objective of establishing a co-creation approach to branding, we delimit this thesis to focus only on consumer markets (B2C) as opposed to business markets (B2B). For this there are several reasons. Firstly, consumers and organizations are in nature quite different when it comes to decision making- and purchase-patterns. Consumers as opposed to organizational buyers are to a larger extent susceptible to non-rational marketing stimuli. Consequently, consumer decision making are more often based on non-rational arguments as a driver of purchase, e.g. to reduce complexity from evaluating all possibilities in purchase situations (Solomon et al. 2006), whereas companies operating in B2B markets’ decision making are based on somewhat more rational arguments (Ford 2000). As meanings and associations ascribed to brands are largely irrational, we will argue that brands take a more pervasive role within B2C than in B2B markets. And as our interest in co-creation stems from an objective to create more valuable brands, B2C markets becomes more interesting. Secondly, narrowing the scope to only B2C markets might narrow the applicability of our model and our conclusions in a general sense. In the same instance, this will also increase the applicability specifically to B2C companies. By delimiting us from dealing with B2B markets we state that the model will be more appropriate to B2C companies, but we cannot exclude that it is of value to B2B companies as well, only that it is not specifically targeted such companies and markets. A model encompassing both B2C and B2B markets would not be sufficiently valuable to neither B2C nor B2B companies due to a scope too broad, and would likely not see much application in either market types.

In building the co-creation approach to branding we will take solitarily a company perspective, meaning that we will deal with ultimately increasing value for the company, e.g. as a result of a stronger brand. We will deal with consumer motives for co-creating, but only with the purpose of eventually increasing value for the company. We thus abide to the group of authors advocating that increasing brand value and thus company value in co-creation must start with regarding how value for consumers can be maximized (E.g. Vargo & Lusch 2004; Prahalad & Ramaswamy 2004a; Payne et al. 2008a).

---

1 We fully recognize that B2B companies’ decision making are driven by some extent of irrationality, e.g. personal embeddedness (Granovetter 1985). However, companies more often than consumers have an economic incentive for making decisions, hence are more prone to base decisions on rational arguments.
3.3.2 Theoretical delimitation

Prior to building a co-creation approach to branding, we apply a theoretical framework, in which we account for the theories on which our approach builds. The theories applied are subjectively chosen from a logic that they are close to optimal to, from our perspective, address the issues presented in the research question. This however has the consequence that the reader must adhere to our theoretical foundation in order to be able to accept our conclusions, as our theoretical framework makes up our perspective on reality.

In this thesis we have chosen to apply two general lines of theory, namely co-creation theory (e.g. Parahalad & Ramaswamy 2004a; Payne et al. 2008a; Boyle 2007) and branding theory (e.g. Fournier 1998; Muniz & O’Guinn 2001). To set the theoretical scene, we are employing Vargo & Lusch (2004; 2006; 2008) as a structuring paradigm in which we reveal our stance toward exchange and marketing in general, thus also revealing our stance to both co-creation and branding theory. Vargo & Lusch (2004) provide a set of overall assumptions of marketing that provides the reader of this thesis with an overview of how we view subjects of exchange and marketing. Not all perspectives included in the co-creation part is directly targeted a conceptualization of co-creation (e.g. Thomke & von Hippel 2002; Pine II & Gilmore 1998; Sawhney et al. 2005). What they conceptualize is however so closely related to the goal of co-creation that parallels and thus inspiration can be drawn, when we build our approach.

When establishing the theoretical framework, we will make clear to the reader why the particular authors or texts are fruitful in our aim to build a co-creation approach to branding. In this however, we will bring forth several points of criticism to most of the perspectives upon which we build. These points of criticism will thus inherently function as justification for our co-creation approach to branding. We will not introduce authors or perspectives solely for the reason of criticism. Every author or perspective presented in the theoretical framework is, implicitly or explicitly a part of the foundation on which we build our approach. I.e. because we have a number of points of criticism regarding e.g. Payne et al (2008a; 2008b), this does not mean that we will not draw inspiration on this perspective. Rather, we introduce it because we find it fruitful and inspirational to build on, but concurrently find it necessary to present to the reader the pitfalls and shortages when it comes to applicability, validity, etc. Similarly, within branding theory, we review the development of theory to the current stage. In this we criticize previously dominant approaches (e.g. Aaker 1996) for being obsolete and based on outdated logics of exchange. This does however not imply that we find e.g. Aaker (1996) completely useless, as branding theory quite surely would not be where it is today, had it not been for Aaker’s, or any of his fellow
branding scholars conceptualizations. Consequently, we implicitly build on the heritage of previous conceptualizations, to build an enhanced approach to building brands – the co-creation approach.

3.3.3 Empirical Delimitation

In this thesis we will draw a limit between primary data and secondary data. Primary data is data that has been generated to investigate a particular subject or specifically answer a given research question, whereas secondary data was generated for one purpose, and subsequently employed as a basis for analysis in a different context (Hair et al. 2006). In this thesis we will delimit us from employing primary data in the analysis. For this there are several reasons. Subjective actors will not always be able to contribute with data pertinent to the unit of analysis and the research question (Dahler-Larsen 2005). As a result of our unit of analysis, i.e. relations between brands and consumers, we find that primary data will only to a limited extent be able to contribute to answering the research question. This interaction we cannot extract with any method of primary data generation. Instead, we will employ only secondary data as empirical body for our analysis.

3.4 Secondary Empirical Data

The choice of employing only secondary data naturally has some implications, which we will present and discuss in the following section. Firstly however, we will present the specific types of data that lays the empirical foundation for the forthcoming analysis.

Overall, this thesis employs two different types of secondary empirical data, which have some different characteristics, but both falls under the category of documents (Mik-Meyer 2005); those two overall categories of empirical data are 1) websites, in this both corporate websites, e.g. LEGO.com, but also so-called grass root community websites such as LUGNET.com, and 2) research papers (e.g. Ogawa & Piller 2006), journalistic articles (e.g. Chafkin 2008), and non-fiction books (e.g. Anderson 2008).

As these two both fall under the category of documents, they are likely to have more similarities than actual contrasts. As we employ the use of documents as empirical material within a social constructivist paradigm we do not set out to search for a more correct understanding of a given phenomenon. Instead, we employ documents to obtain further information on a specific subject (Mik-Meyer 2005), mostly in the sense of interaction between consumers and brands. Thus, when we bring forth interaction between brands and consumers, we are not trying to dig below this interaction to find an underlying truth, as there is no such thing embedded in the documents in a social constructivist perspective. Rather we will analyze the exact interaction and advocate how this co-creation interaction
affects the brand in mention. In this, the document cannot be separated from the social context in which it was created, as the document has in essence no meaning, until it becomes a part of a social context (Mik-Meyer 2005; Dahler-Larsen 2005). This means that consumers’ posts on a community website have no meaning before it is read, and responded to. Thus, it is neither interesting nor possible to look for an intrinsic meaning of the document, but rather how it creates the social space that it is itself a part of.

The academic papers, articles and books included as empirical material are mainly used to provide information pertinent to the specific cases, in the sense of factual data, e.g. size of turnover, website visitors, but also to shed light upon actions previously performed by the different companies, as is the case in the Chevrolet Tahoe case, because this case in more part of the past than are the other cases, and thus data that can shed light to previously performed actions are required (Anderson 2008), in contrast to data that sheds light on currently ongoing interaction. However, this type of empirical material is also used as a source of citations from organizational members, as we have not been able to obtain such citations elsewhere. This is for example the case with Threadless founder Jake Nickell in Chafkin (2008) and with Senior Director of LEGO Community Development, Tormod Askildsen in Stemann (2009).

Even though this type of material might seem static in the sense that it is unalterable once published, in a social constructivist paradigm no document, printed or electronic is static, as they are not given meaning until entering the social context, thus also in some way altered every time entering a new interaction (Mik-Meyer 2005).

Websites, whether emerging from corporate decision making (e.g. LEGO.com) or as a grass root initiative (LUGNET.com), are mainly used as sources to illustrate both how consumers interact with brands in co-creation processes, but also how consumers interact with each other to co-create. Such empirical data is very pertinent to this thesis, as we will later argue that interaction is an important element of co-creation (chapter 5). It is the interaction in itself that is the central point, and in this how brands are created in an interaction centered on co-creation. Thus, brands are constructed in interaction, and as co-creation is largely made up of interaction, we will look into how consumers interact to create brands, hence our units of analysis, i.e. relationships and interaction. In this however, we are neither interested in, nor able to judge the truth of the statements brought forth in these
interactions. I.e. once a consumer has interacted it has become part of the social construction, and in this also somehow a part of reality.

3.5 Validity

The scientific validity of this thesis, i.e. the reach and internal coherence of the concept illuminated (Olsen & Pedersen 2003), is ensured by several components. Firstly, the application of widely recognized theory ensures that we base our conclusion on a theoretical foundation, which has the ability to produce constructive knowledge in a scientifically sound manner. This has also been proven by the broad size of the theoretical perspectives and the extensive use of the perspectives by other theorists, in the further development of the two main concepts; co-creation and brands. Further the theoretical body that is applied in the theoretical framework and subsequently in the analysis has all been published in recognized publications, which implies that it has undergone a large reviewing process, thereby increasing validity of this material. That process further assures that we are building on a sound theoretical basis.

Secondly, we seek to ensure that our conclusions are based on a broad empirical knowledge base pertinent to co-creation and brands, but additionally that our empirical data set is compatible with our social constructivist beliefs in the sense that our empirical data is regarded strictly with social constructivist glasses, thus not searching for any underlying truth.

Thirdly, we enhance our scientific validity by ensuring that there is a strict coherence between method, analysis and conclusions. We regard reality under the conditions established by our paradigm within theory of science, and we only conclude on the questions we set forth in the introduction. Thus, we ensure that the thesis is built on a logical progression and that the conclusions are drawn on logic reasoning.

3.6 Reliability

Our findings are a result of our social constructivist paradigm as structuring reality, and are thus constructed to reflect the reality as it appears at this specific time in our specific cultural setting. The reason underlying this approach is that both our theoretical and empirical field are complex and dynamic, which request the use of a scientific method that is flexible in the sense that it can depict “truth” as it is appears at this point in time (Marshall & Rossman 1999). By following the social
constructivist approach it allows us to be very detailed in our findings because we do not have to search for truth that is everlasting and consequently very generic.

On the other hand the reliability of our findings is lowered on account of the time- and cultural contingent nature of these. Our conclusions would not necessarily be reproduced if different scholars asked the same questions at a different time. Our conclusions are specific for our specific approach performed at this specific point in time. The conclusion regarding reliability is thus that our social constructivist approach limits the reliability of our findings. Nevertheless, by being explicit about our choices, actions and argumentation we allow for other theorists to evaluate our approach and hence provide a basis for them to judge whether our findings can be reused in their cultural setting at a different point in time.

3.7 Generalizability

Another impact of our social constructivist perspective is on the generalizability of the thesis’ conclusions. As a consequence of the social constructivist epistemology, our approach is specific to this point in time, and to our hermeneutic heritage, and should not unreflectively be generalized to cover other empirical fields or other time periods. On the other hand, our use of widely recognized theoretical perspectives, would increase the potential of our conclusions to provide guidelines and insights into the nature of mechanisms and dynamics of co-creation as other companies take on the task of co-creating with consumers. As such the knowledge generated in our assignment could at the very least be used to generate initial wondering about co-creation from a brand management perspective and thereby provide the spark for practitioners and scholars that wish to investigate similar mechanisms and dynamics within this area of brand management.
4 THEORETICAL FOUNDATION

In order to build an approach to how companies can increase brand value through co-creation with consumers, it is important to introduce to the reader a range of differing views on the antecedents to, and nature of the concepts of co-creation and brands. Thus, the following chapter will contribute to the thesis by reviewing contemporary and dominant theoretical literature within co-creation and brand theory.

Firstly we will outline a set of important arguments about the locus of exchange as introduced by Vargo & Lusch (2004; 2006; 2008). This emerging paradigm of marketing will function as a meta-theory of additional theory to be applied in this thesis, by providing a set of basic premises that will dictate the perspectives put on important concepts applied in this thesis, predominantly the concepts of co-creation and brands. Secondly we will carry through a review on the concept of co-creation and the perspectives originating from this concept. This we will do to be able to reach a definition of co-creation, and an approach to how companies can/should go about employing co-creation processes to increase brand value. Thirdly, we will discuss current dominant perspectives on brands and the origins of these, to illustrate how brands are regarded and managed, and how these dominant approaches are not optimally appropriate in relation to consumer needs of today, thus implying the need for a new way to approach consumers.

The co-creation theories introduced, will give the reader an overview of important elements in, how brands and consumers co-create on different levels with different outcomes. The branding theories will then dig deeper into how brands are to be managed according to dominant theory. The internal correlation between these two parts is thus to extract how brands are affected when companies co-create with consumers on varying level. The outcome of the theoretical discussion is a co-creation approach to branding, i.e. how brands can co-create to build closer relationships with consumers.

4.1 A Service-dominant Logic

Vargo & Lusch (2004) has observed a fundamental change in the way marketing has been studied and practiced throughout the 20th century. An obvious yet nonetheless important conclusion from this is that marketing for long has been regarded solely as distributing and exchanging manufactured goods with the purpose of driving revenue. This dominant logic of exchange however, has changed significantly. This change has occurred as a gradual transition from that of selling and marketing goods
to a focus on offering the service that the good enables. Thus, the basic argument of Vargo & Lusch (2004; 2006) is that a business can no longer sustain competitive advantage and thereby succeed by practicing marketing with a focus on manufacturing a commoditized good, pushing it to the market and expecting customers to rise to the bait. Those times, when most companies unconcerned about what was on the customers’ minds, could mass-produce a ready-made product and expect it to succeed are for the majority of companies a part of the past. Instead consumer will increasingly demand to be listened to. Thus, companies must not only observe its markets, and respond to customer needs, but also offer services that will cater to the individual customer’s needs. This has led to a change from the G-D logic to the S-D logic in which the traditional limits between production and consumption become blurred. Consumption is no longer passive, but rather an active process in which the product is likely to be modified and co-created (Vargo & Lusch 2004), and not responding to these changes will result in lower marketing efficiency and effectiveness (Jaworski & Kohli 2006).

Characterized as an outcome of an evolution, the S-D logic emerges from already dominant theories within this field. A natural antecedent of the S-D logic is the classic article Marketing Myopia (Levitt 1960). Levitt (1960) is among the fathers of the customer-oriented view of marketing as opposed to a product-oriented, and a dominant ancestor to most contemporary marketing theory. Levitt argues that the basic task of the company is to satisfy the customers’ needs, a task that can only be performed by actually exploring what customers demand. Thus, Levitt’s (1960) points mark a shift in marketing thinking; a shift from product-orientation to the customer-orientation, an early first steps towards the S-D logic.

Departing in the declining US Railroad industry Levitt (1960) argued that companies through analysis must realize what business they are really in. In this example he argued that contrary to railroad executives’ dominant beliefs, they were not in the railroad business; or at least that belief had to be modified as the business declined. Instead it was argued that railroad companies should regard themselves as being in the transportation business. This would enable companies to adjust the offering according to changing customer demands. If there is no longer a certain demand for railroad transportation, e.g. due to the emergence of automobiles and airplanes, the offering had to be either expanded and improved to encompass more benefits, or completely changed into new ways of transportation.

What Levitt (1960) labeled customer-orientation Vargo & Lusch (2004) takes further, to the concept of customer-centricity:
“The Service centered view of marketing is customer-centric and market driven. This means more than simply being customer oriented; it means collaborating with and learning from customers and being adaptive to their individual and dynamic needs.” (Vargo & Lusch 2004:6).

This is a step further, however still very much in line with the arguments presented by Levitt (1960). The focus on exchange of services is a more radical version of Levitt’s concept of customer-orientation; the marketing process is oriented around the customer. Both customer-orientation and customer-centricity is a prerequisite of co-creation. The company must obtain deep knowledge about its customers’ needs in order to build a service that the customer has an interest in consuming, thus co-creating. Specifically, the S-D logic suggests that co-creation naturally must begin with the company developing a thorough understanding of the customer’s value-creating processes to learn how to increase that value through co-creation activities. (Vargo & Lusch 2004; Payne et al. 2008a) This is a self-reinforcing process, in the sense that the process of co-creation allows the company to gather important market intelligence, e.g. knowledge on customer behavior and needs. The more interaction the customer has with the company, the more information can be gathered by the company, to forward design improved offerings, and again gather further and richer information about customer needs.

4.1.1 Active vs. Passive Co-creation

In general we abide to most arguments presented in the S-D Logic. However, Vargo & Lusch (2004) argue that company-consumer interaction is not a prerequisite in co-creation of value:

“Regardless of whether the service is provided interactively or indirectly by a tangible good, we argue that value is co-produced...” (Vargo & Lusch 2004:12).

A fundamental premise of the S-D Logic is that the customer always is a co-producer (Vargo & Lusch 2004), or a co-creator (Vargo & Lusch 2008). Thus, in the S-D logic, co-creation is an immanent element of exchange. When exchange between company and consumer has taken place and the product is consumed, co-creation will naturally occur as an inherent element of consumption (Vargo & Lusch 2004). In contrast to other co-creation conceptualizations that we will subsequently present (e.g. Prahalad & Ramaswamy 2004a), company-consumer interaction is not an explicate part of the co-creation concept to Vargo & Lusch (2004); i.e. at least not interaction beyond what happens in the actual purchase and consumption process. After this point, the nature and level of co-creation can be determined solitarily by the consumer’s manner of consumption, and the company does not need to take part in this. We will label this process, in which the consumer co-creates value without the company as passive co-creation; passive in the sense that the company does not put effort into the company-customer relationship further than that of selling the product. As argued, the customer will co-
create value no matter what (Vargo & Lusch 2004), and if the company does not wish to tap into this process, the co-creation is a passive customer facilitated process. Thus, co-creation to Vargo & Lusch (2004) is relevant mostly in the consumption of the service. Vargo & Lusch (2004) does not preclude that interaction may take place, and thus it may very well. However, they are not explicitly clear-cut in their discussion about how interaction beyond purchase situations will impact the company-customer relationship, only that some extent of co-creation is inevitable in the S-D logic.

As our objective with a co-creation approach however, is to create closer relationships with consumers through co-creation, we find a discussion of interaction in co-creation processes inevitable, a discussion we will elaborate on as we introduce Prahalad & Ramaswamy’s (2004a) approach to co-creation. For now we will argue that opposed to passive co-creation, stands active co-creation, in which companies consciously interact with customers beyond transactional interaction, to nurture co-creation processes. It has been argued that dialogical interaction is a fundamental premise of marketing in the S-D Logic (Ballantyne & Varey 2006), and we will to a large extent abide to this notion. Our objective in this thesis is first and foremost prescriptive, and we find it mostly relevant to elaborate on the active part of co-creation because in this we can provide companies with an approach of how to address co-creation to increase brand value. When we henceforth argue that companies must engage in co-creation processes, we also implicitly argue that companies must take an active part in co-creation, i.e. active co-creation.

Humphreys & Grayson (2008) takes a somewhat critical approach to how pervasive co-creation’s influence to the traditional value chain thinking actually are, as they depart from distinguishing between two types of consumer co-creation drawing inspiration from the original distinction coined by Marx (1867 [2001]); Use Value vs. Exchange Value (Humphreys & Grayson 2008). The former, is closely related to the passive co-creation that we identified in Vargo & Lusch (2004), and “… exists for a person to the extent that a product ‘directly satisfies his [or her] wants’” (Humphreys & Grayson 2008:3). Use value becomes a reality only in using a service or consuming a product, and this is thus an extent of Vargo & Lusch’s (2004) conceptualization of co-creation, i.e. mostly a passive conceptualization. From this, Humphreys & Grayson (2008) argue that this type of participation does not entail a big shift in the value chain thinking, because consumers have always co-created in this way through consumption. In other words, the idea that consumption involves work is not new – a cup of coffee have always required collaborated effort from company and consumer in order to be actually drinkable. But the company does not interact with the consumer further than that of selling the product, and thus co-creation of use value is largely a passive co-creation.
If the consumer takes part in creating exchange value, defined as an object’s relative worth “when placed in a value or exchange relation with another commodity of a different kind” (Marx 1867 [2001]:88), then it is to be regarded as a fundamental change to the traditional value chain (Humphreys & Grayson 2008); this because the consumer creates value for the company further than that of purchasing (and repurchasing) the product. In this, the consumer create value for himself, but very much also to other consumers, through the company facilitated offering, which is then ascribed an exchange value higher than prior to the consumer getting involved. For this increased value to actually become part of the company offering, interaction between company and consumer is required, and thus, the co-creation that increases exchange value for the company, but also use value for the consumer, must be active and conscious.

In consequence, what Vargo & Lusch implicitly presented as co-creation through consumption, is merely a co-creation of use value and does not represent a radical change in company-customer limits. In use value, the consumer performs tasks that he has always performed in consuming, however performs radically new tasks when co-creating exchange value.

Consequently we will not discuss co-creation of use-value only, as this is a company passive process in which the company does not have much influence. Rather our spotlight is primarily on discussing active co-creation of exchange value, but we do not preclude use-value to be co-created simultaneously.

4.1.2 Resources in the S-D Logic

In the S-D logic, much emphasis is placed upon the importance of employing core competences, in order to provide a service that becomes of value to the consumer. The S-D Logic departs from the following definition of services, in which competences play a central part:

“...the application of specialized competences (knowledge and skills) through deeds, processes and performances for the benefit of another entity or the entity itself.” (Vargo & Lusch 2004:2).

This rather broad definition is especially useful because it does not limit Vargo & Lusch to discuss only traditional service companies, i.e. companies offering only intangibles, e.g. phone network providers. Rather, it enables the S-D logic perspective to also encompass companies offering services facilitated by goods as the logic prescribes. As an example, consumers do not simply buy the toothbrush as a traditional good, but the service of a healthy set of teeth and a fresh breath, and consequently a toothbrush becomes a service. Thus, in the S-D Logic a service is not restricted by an “everything-a-good-is-not”-thinking, but also encompasses the tangible good themselves, through the service they engender (Vargo & Lusch 2004).
From the definition of services, another very important point from the S-D Logic becomes obvious, namely the distinction between operand and operant resources. The authors argue that the shift from the G-D logic to the S-D logic has brought along a shift regarding firm resources. In the era of the G-D logic where the central denominator of exchange was tangible goods, operand resources (raw materials, manufacturing facilities etc.) were a source of competitive advantage. The source of economic growth was mostly ascribed to producing and controlling operand resources, and converting these into goods to be pushed to market. If a company possessed the right mix of operand resources, this would likely pose a sustainable competitive advantage. In order to constitute a competitive advantage, resources must be valuable, rare, inimitable and non-substitutable (VRIN attributes) (Barney 1991).

With the shift towards the S-D logic, a shift has also taken place in the focus of resources. Operand resources have to a large extent become global. All companies can at all times acquire whatever operand resource needed (Prahalad & Krishnan 2008); hence these will no longer constitute a source of competitive advantage. If all companies can acquire any operand resource at any given time, then most of the characteristics of competitive resources (VRIN attributes) will vanish. Instead, operant resources, i.e. physical and mental skills (e.g. knowledge), is the new locus from which competitive advantage stems. Operant resources are employed on operand resources to provide value propositions to consumers. The services which are the central source of value are a result of the operant resources of companies (i.e. knowledge and skills) employed on operand resources to produce an effect (Vargo & Lusch 2004).

Where do these resources reside then? With the increasingly blurred limits between production and consumption the answer to this question becomes both inside and outside the traditional limits of the company. The consumer has shifted from being an operand resource to becoming primarily an operant resource; from being something that are segmented, penetrated, distributed and promoted to, to an active participant in the creation of value for both the company and consumers themselves (Vargo & Lusch 2004); this, e.g. by in-sourcing competencies of customers by involving the customer in creating offerings. As increased emphasis is placed upon the employment of market intelligence, not only companies’ knowledge about consumers’ behavior, but also consumers’ knowledge about products, becomes important in sustaining competitive advantage (Jaworski & Kohli 1993; Prahalad & Ramaswamy 2000). Thus, realizing that customers are operant resources, and being able to utilize them as resources, becomes an important element in sustaining competitive advantage in the future. If approached in the right fashion, utilizing consumers as operant resources in co-creation can have the ability of creating closer relationships with these consumers.
An important implication of this view of resources and competences, according to Vargo & Lusch (2004) is that the customer plays a very central role in creating value through the use of services, which lays the foundation for co-creation. For companies, the outcome is that value creation has moved out of company sphere, and is now open for negotiation. “The enterprise can only make value propositions” (Vargo & Lusch 2004:11), not create actual value without the customer; thus the customer is a necessary collaborator in companies constant pursuit of sustainable competitive advantage.

4.2 Perspectives on Co-creation

With Vargo & Lusch’ S-D Logic (2004; 2006; 2008) we provided an overview of the shift in marketing focus, and laid the foundation for a co-creation approach. We will now dig deeper into specific conceptualizations of how companies can co-create with consumers with joint extraction of value as the result. These conceptualizations will encompass three overall approaches, with inspiration from the dominant authors within each approach we have labeled them accordingly Co-creations of Experiences (Prahalad & Ramaswamy 2000; 2003; 2004a; 2004b; 2004c), User Innovation (von Hippel 2001; Thomke & von Hippel 2002; von Hippel 2005; Sawhney et al. 2005; Frederiksen & Jeppesen 2006), and Co-creation of Brands (Boyle 2007; Payne et al. 2008a; 2008b). We find it necessary to study and present a range of different approaches to co-creation; this in order to study how co-creation potentially can have a profound impact on the relationship between company and consumers.

4.2.1 Co-creation of Experiences

Prahalad & Ramaswamy (2000; 2003; 2004a; 2004b; 2004c) has coined the perspective of co-creation of experiences, with the objective of providing recommendations on how to sustain competitive advantage in a changing marketing logic. From the overall study of how “the concept of the market is undergoing change” (Prahalad & Ramaswamy 2004a:6), they provide recommendations as to how companies should respond to the changing nature that the market is undergoing, that has been noted both by Vargo & Lusch (2004) and Prahalad & Ramaswamy (2004a).

The main rationale behind the emergence of co-creation in Prahalad & Ramaswamy’s (2004a) perspective, is the change in consumers’ roles, and hence the changed limits between company and consumer. E.g. due to new communication technologies (e.g. the internet) consumers are now empowered, informed, connected and active (Prahalad & Ramaswamy 2004a). The implication of this is more demanding and less satisfied consumers and increasingly complex tasks for executives (Prahalad & Ramaswamy 2004b). Thus, companies must fight harder than ever to keep consumers close and competitors distant. According to Prahalad & Ramaswamy the answer to this problem is co-creation of
Co-creation of experiences draws inspiration from Pine II & Gilmore (1998) who coined the perspective of experience economy in which companies must stage meaningful experiences for consumers instead of offering commoditized good and services. Where Prahalad & Ramaswamy (2004a) differs from Pine II & Gilmore (1998) is that in co-creation it is not the company that stages the experience but increasingly consumers themselves. Thus, experiences are staged in value creating interaction between company and consumer(s) (Prahalad & Ramaswamy 2004a).

It is important to note that Vargo & Lusch observed co-creation as an inevitable implication of the evolution into the S-D logic (Vargo & Lusch 2004), that companies can chose to deal with or not. Prahalad & Ramaswamy deviate from this view, as they regard co-creation as a strategic tool that companies should employ to overcome the challenges that the fundamental changes in the market entails, e.g. the altered relationship between company and consumer; we abide to this view. Thus companies should co-create to sustain a competitive advantage (Prahalad & Ramaswamy 2004a). As Prahalad & Ramaswamy takes a more operational approach in conceptualizing co-creation, they argue more directly and yet still somewhat abstractly how companies should address co-creation processes; they provide recommendations to a co-creation process, yet fail to provide a clear-cut definition of the construct.

Prahalad & Ramaswamy are explicit in their approach to and view on the role of interaction, as they regard interaction as a prerequisite for co-creation to occur, and become successful:

“Co-creation puts the spotlight squarely on consumer-company interaction as the locus of value creation.” (Prahalad & Ramaswamy 2004a:10).

This quote is a representation of what we previously labeled active co-creation. The emphasis placed upon interaction in this conceptualization of co-creation, as the locus of value creation, radically increases the importance of effectively managing all consumer-brand touchpoints (Davis & Dunn 2003; Hogan et al. 2005), an issue we will touch upon in chapter 5.

Prahalad & Ramaswany (2004a; 2004c) has coined the DART framework in which dialogue is crucial building block in establishing interaction with consumers. Dialogue is defined as interactivity, deep engagement and a reciprocal propensity to act. A co-creation dialogue must feature issues of interest to both parties (company and customer), it requires a forum in which dialogue can occur, and a set of rules of engagement to secure productive interaction (Prahalad & Ramaswamy 2004c). In this, Prahalad &
Ramaswamy reveal their emphasis on interaction, i.e. interaction as a prerequisite for co-creation to occur. In the G-D logic (Vargo & Lusch 2004), communication with customers did not take place before the end of the value chain, i.e. value was created solely by the company. This communication was characterized by monological uttering to the customer rather than dialogical interaction with the customer (Ballatyne & Varey 2006; Duncan & Moriarty 2006). With the S-D-logic however, value creation has shifted and interaction is necessary “repeatedly anywhere and anytime in the system” (Prahalad & Ramaswamy 2004b:8). This interaction, can be initiated by the company or the consumer, and characterized both as interaction between the company and the consumer, or interaction between the company and a community of consumers. However, interaction through dialogue in this conceptualization can also take the shape of interaction between consumers. Thus, dialogue is not limited to listening to and being listened to by customers – shared learning of some kind must be the outcome (Ballantyne & Varey 2006).

“Dialogue in marketing is much more than alternating monologues and covers the joint investigation of needs, wants, desires, problems, issues, and decisions to be made.” (Ballantyne & Varey 2006:229).

In conclusion to co-creation of experiences we support the argument proposed by Ballantyne and Varey (2006) who “… see dialogical interaction as an ideal form of communication within the S-D logic because it supports the potential for co-creation of value and sustainable competitive advantage.” (Ballantyne & Varey 2006:225).

### 4.2.2 Co-creation through User Innovation

A branch of co-creation that takes a more direct and tangible approach to collaborating with customers has been labeled User Innovation (von Hippel 2001; Thomke & von Hippel 2002; von Hippel 2005; Sawhney et al. 2005; Jeppesen & Frederiksen 2006; Lerner & Tirole 2002). In this approach, the focus is on utilizing customers as operant resources in the collaboration of modifying and enhancing existing, or developing and designing new products (services). The focus is more directly on the co-creation of products, rather than the co-creation of value through experiences (Prahalad & Ramaswamy 2004a). As we accept the fundamental premises of the S-D logic, co-creation of products is however inherently also a co-creation of services, as it is the service that the products facilitate that yield the real value (Vargo & Lusch 2004). To reuse the toothbrush example, imagine that consumers take active part in developing an enhanced toothbrush. This would result in consumers having co-created the product, and consequently also the service of a healthy set of teeth.
Focus in User Innovation is on co-creating a product that will improve future satisfaction of the individual co-creating consumer, as well as other customers with access to the innovation, and thus an obvious example of co-creation of exchange value. Although different from the approach to co-creation described above, the conceptualizations of user innovation that we will introduce (e.g. Thomke & von Hippel 2002; von Hippel 2001; Sawhney et al 2005) departs from the same point as both Vargo & Lusch (2004) and Prahalad & Ramaswamy (2004c), i.e. a general change in the locus of value creation that companies must adapt to, in order to stay relevant to customers, hence competitive. Consequently, the concept of user innovation is a natural part of how companies can co-create value with customers to increase brand value. As we will argue later in this thesis (Chapter 6), user innovation, as a way to co-create value, is able to influence the way brands are perceived to the same extent as more intangible versions of co-creation, e.g. those focusing on experiences (Prahalad & Ramaswamy 2004a) and brands (Payne et al 2008; Boyle 2007). Thus, the co-creation of products by means of user-innovation becomes of relevance to this thesis, in relation to our aim of developing an approach to strengthen brands through co-creation of value.

### 4.2.2.1 Heterogeneity of Consumer Needs

The ultimate goal of involving customers in innovation processes is to satisfy customers (Thomke & von Hippel 2002). Central to user-innovation as co-creation is the question of why customers are interested in participating in the first place. Part of the answer to this is to be found in heterogeneity of customers (von Hippel 2005). Customers are only seldom a homogenous group with identical needs. Any given company has many different customers – heterogeneous groups of customers with many different needs. To satisfy all the differing needs of a company’s customers perfectly, the company would be required to offer a very broad variety of products each serving a market too small to be cost-efficient (von Hippel 2005). As an answer, authors have (von Hippel 2001; von Hippel 2005; Thomke & Von Hippel 2002) proposed the use of user innovation tool kits (e.g. a software tool), that enable customers to design innovations that optimally fit the individual customers’ needs, within pre-specified, however often quite broad limits. The fact that customers themselves directly contribute with innovations targeted other customers, will likely increase the chances of the innovations targeting a group of customers with a similar mindset and similar needs, consequently also increasing satisfaction.

### 4.2.2.2 User Innovation vs. Mass Customization

Mass customization is not equivalent to user innovation and thus co-creation. Mass customization processes are built to suit the company’s supply chain (Prahalad & Ramaswamy 2004a), and thus solves the *production problem* of satisfying each customer uniquely (Thomke & von Hippel 2002); i.e. how to
inexpensively manufacture customized products. In its ability to solve the production problem, mass customization can by definition only be performed within a rather narrow template, which significantly reduces the newness and attractiveness of what is created. Thus, in customization, the consumers remain an operand resource, a recipient of goods, and not the creator of new value. Conversely, in co-creation as argued above, the consumer is an operant resource, mainly in the sense of skills and knowledge that is utilized in the co-creation process for the extraction of increased value for both the consumer and the company (Vargo & Lusch 2004).

An example of customization, Nike ID is an online tool, in which consumers can customize sports apparel, in terms of models, colors, logos etc. However, for the production to fit the supply-chain and thus be cost-efficient, Nike has created the software to ensure that customization stays within certain rather narrowly defined limits. E.g. customers can only choose between a limited variety of shoes that can only be customized into a limited variety of colors and logos. So even though the customer can put together a shoe that has likely not been seen before, the entire process is tightly fitted Nike’s supply chain and production process, and therefore no real novelty is delivered. Consequently mass customization cannot be characterized as co-creation or user innovation, and it is necessary to make a distinction between these (Prahalad & Ramaswamy 2004a; Thomke & von Hippel 2002). As we will argue, with support from recognized theorists (Vargo & Lusch 2004; Prahalad & Ramaswamy 2004a; Thomke & von Hippel 2002), co-creation, whether in the form of value, experiences, user innovation etc. is largely an open ended process with no predefined point of arrival, like that of customization. Customization is ultimately the solution to a supply chain issue related to servicing multiple customers simultaneously at the lowest cost, whereas Co-creation is a process that seeks to provide services better suited consumer’s unique desires and preferences (Prahalad & Ramaswamy 2004a), to create stronger relations with these to increase brand value (Fournier 1998).

4.2.2.3 The Customer as an Operant Resource

User Innovation is a marketing tool in that it is an efficient manner in which companies can gain more appropriate knowledge of ever faster changing customer needs, to more directly cater to those. Thomke & von Hippel (2002) has argued that no one but the customers themselves have better knowledge of the needs to be fulfilled. Consequently “outsourcing” a part of the innovation process to the customers is an optimal way of assuring satisfied customers in the future, in sense of need fulfillment of new innovations (Thomke & von Hippel 2002). Such knowledge often only lies with the customer himself, and it has long been a job for the company to extract that knowledge to create value. Now, it is the company and the customer in collaboration that are to create this value (Vargo & Lusch 2004; Prahalad...
Managing Brands Through Co-creation of Value with Consumers

& Ramaswamy 2004c), and thus by collaborating with customers, the company will improve its ability to respond to the fast changing needs of its customers.

Consequently user innovation is related to the actual utilization of customers as operant resources (Vargo & Lusch 2004; Prahalad & Ramaswamy 2000). It becomes obvious that the actual users of the products posses the largest knowledge base about current product benefits and deficiencies, and future ways to improve products. Who other than exactly that customer would then be more relevant to involve in the process of designing future offerings? This means that in utilizing users as innovators, the company and the customer co-create value, increasing the value to be extracted for both sides; customers’ needs will be satisfied more appropriately which will increase the value of the customers for the company.

4.2.2.4 Involving Customers – Increasing Customer Involvement

For customers to allocate resources (time, knowledge and skills) to innovate for the company, the customer must have some kind of relationship with the company (Bughin et al. 2007), e.g. as they might have had previous satisfactory consumption experiences, and consequently honor and aspire to the company; the relationship can however also be more loosely tied. As the customer get increasingly involved in the innovation process, and given he is provided the right tools (e.g. tool kit (Thomke & Von Hippel 2002)), his relationship to the brand is likely to be strengthened. Thus, an important element of user innovation, besides that of knowing customer needs, and utilizing the customer resource in innovation processes, is to maintain and strengthen relationship with customers through increased involvement in the brand; a point that is important to co-creation in general, and that we will elaborate deeply on later.

4.2.2.5 Interactive User Innovation

Most practical examples of User Innovation are somehow related to and have emerged with the increased pervasiveness of the Internet. The characteristics of the Internet as a medium has enabled companies to interact with consumers in a more frequent and intense fashion with higher richness of information, to an audience bigger in size and scope (Sahwney et al. 2005), hence the name interactive media. These characteristics provide companies with optimal conditions to interact with users on product development and other co-creation issues. Accordingly, interaction in a co-creation perspective driven by user innovation plays in equally important role as in the former perspective introduced. For consumers to be able to contribute with innovations, the firm must show interactive behavior, e.g. in the sense of providing feedback to consumers as they submit their contributions.
4.2.3 Co-creation of Brands – Current Perspectives

In this thesis we have set out to build a co-creation approach to branding for companies to utilize in order to more efficiently manage their brands. As illustrated above, marketing scholars have to some extent dealt with the subject of co-creation. So far however, the co-creation of brands as object of study have been largely neglected in the most conceptualizations of co-creation (Vargo & Lusch 2004; Prahalad & Ramaswamy 2000; 2002; 2003; 2004a; 2004b; 2004c). Boyle (2007) and Payne et al (2008a; 2008b) are among the few that has dealt with the subject of brand co-creation, but as we will argue henceforth, these approaches are not optimal for companies to appropriately implement, which inherently provides justification for the co-creation approach to branding presented in this thesis.

4.2.3.1 Process Model of Brand Co-creation

Boyle (2007) has developed a *Process model of brand co-creation* in which she distinguishes between elements of the brand building process that is respectively driven by the company and the consumer (Appendix 1). According to Boyle (2007) a company is only able to drive product development and marketing communication processes that build brand awareness; the company can control only which products are offered to consumers and how the benefits of these products are communicated to consumers with increased awareness as objective. How brand associations are shaped, i.e. how the communication is interpreted and how the products are consumed is solely in the hands of consumers, and as a result the brand is not something that the company has solitary control over, but something that is co-created with the consumer (Boyle 2007).

We accept the argument Boyle (2007) puts forth that consumers themselves will interpret every communicative interaction with the company, and thus form or modify their own associations of the brand (Holt 2002; Bengtsson & Östberg 2004). We will however argue that companies are not limited to utilize awareness building marketing communication. Instead, through co-creation processes, companies will be able to influence the way consumers form relationships with, and associations toward brands. Each successful co-creation interaction is an opportunity for companies to establish a close relationship that enable companies to influence brand associations.

Boyle (2007) distinguishes sharply between company driven and consumer driven processes, and consequently this model is still very much permeated by the G-D logic; even though co-creation of brands is recognized, the G-D logic shines through, as Boyle (2007) portrays a sharp delimitation between company and consumer that is not compatible with the S-D Logic. Thus, we will argue that
Boyle’s (2007) fundamental premise, in distinguishing between company and consumer driven processes, is inappropriate and unfruitful when discussing co-creation in an S-D Logic.

Boyle (2007) recognizes that consumption will influence brand associations, but does not recognize that the company can influence this process in any way. Furthermore, Boyle (2007) argues that new product development is solely a company driven process. This we argued above, is far from always the question, with the increasing employment of consumers as operant resources e.g. in innovation processes (Thomke & von Hippel 2002). Furthermore Boyle (2007) argues that the company cannot influence the associations formed in the purchase and consumption of the product. We will however argue, that the right co-creation approach, to some extent will enable companies to influence, the knowledge created (Sawney et al. 2005), and the associations consumers form about the brand. Boyle (2007) concludes that companies create products that consumers cannot influence and consumers form brand associations in a process of which companies are not a part. These two issues however are exactly what the co-creation approach to branding presented in this thesis sets out to overcome, as products and consequently brands are results of co-creation, and not sharply delimited as Boyle (2007) advocates. I.e. companies must allow consumers to take part in the creation process, which will eventually allow companies increasingly to influence consumers’ associations formed about the brand.

4.2.3.2 A Model for Co-creating the Brand Relationship Experience

Payne et al. (2008a; 2008b) introduce a model for co-creating brand relationships (Appendix 2). As most other conceptualizations of co-creation, Payne et al. (2008a; 2008b) base their model on the shift towards the S-D logic (Vargo & Lusch 2008). The model has its focus on three processes that are relevant in relation to the co-creation of value, and brands: Customer Processes, Supplier Processes, and Encounters (Payne et al (2008a; 2008b)). Each of these processes play an important role in value creation and thus the formation of the brand, and customer and company play equally important roles in this. As we have argued above, interaction in the form of encounters is central in the co-creation process, and thus we find the model of Payne et al. (2008a; 2008b) of designing co-creation experiences useful to some extent, and it is by far the most tangible and applicable approach created so far. As a consequence we will draw inspiration from this approach when introducing the co-creation approach to branding. Even though somewhat useful, we do however have a number of points of criticism, which inherently also hold the justification and raison d’être of our approach. In the following we will introduce these points of criticism of the model of Payne et al. (2008a; 2008b).
A problem with the model as suggested by Payne et al (2008a; 2008b) is that it is basically too complex for managers to utilize when looking to implement structured co-creation activities as the center of customer interaction. The model does not explicitly present a point, from which the work with co-creation must start; if the managers supposed to utilize this concept are not assigned a point of departure, the model loses some applicability, and consequently also some justification for existence. We recognize that co-creation activities may and will vary from company to company, hence from brand to brand, and thus does not necessarily have the same point of departure. We do however find it necessary to discuss a starting point of co-creation processes.

Payne et al. (2008a; 2008b), fail to provide a clear definition of the concept, a fact we find rather troubling. Not defining the concept has the consequence that the model loses applicability as managers can only to a limited extent implement something they do not truly know what is.

By discussing practical examples however, they establish a scope of what co-creation might involve; a scope of co-creation broader than we find appropriate, as it encompasses examples argued as being co-creation that we will argue are far from that. The most obvious example of this is the IKEA case that is discussed in Payne et al. (2008a). In this, Payne et al. (2008a) argue the self-service / self-assembly philosophy upon which IKEA has built its entire business is co-creation, and consequently IKEA is able to reap the benefits of this. According to Payne et al. (2008a) the IKEA case is co-creation because the consumer undertakes a task traditionally carried out by companies, i.e. delivery and assembly; and as such, the example does abide to the argument of blurred lines between production and consumption (Vargo & Lusch 2004). However we will argue that this is not co-creation in an interactive and mutually value creating form that will increase brand value; rather it is merely a radical form of the concept of outsourcing, that in this instance does not enable IKEA to reap the benefits of co-creation. Firstly, IKEA will not get to know its customers better. Secondly, the customer will not be come more satisfied as a function of being targeted better. And lastly, this will not in any logical way create a closer relationship between IKEA and its customers. Moreover, in the process, the customer is treated traditionally passive, and the process is far from open-ended – to our knowledge the IKEA products can only be assembled in one way. Thus, this particular example is in our definition not co-creation as we will conceptualize it. From this we can also argue that the mere fact that consumers take part of some process in the traditional value chain (Porter 1985) does not make for co-creation, in our definition of the concept, as this requires a deeper developed relationship with consumers.
Lastly, the empirical study conducted in the article in which the model is built (Payne et al. 2008a) uses a body of research of 18 companies. All of these companies are what might be labeled traditional service companies. I.e. companies marketing what in the G-D Logic would be labeled services (e.g. travel, energy, logistics, telecommunications etc.). The fact that they choose only to include such companies in their study cannot help but make one wonder about the applicability to companies selling and marketing tangible services, and whether the model is at all relevant for those companies. In case the authors will argue that the model can be broadly applied, why have they not included a broader array of companies? And if the applicability is narrow, it naturally reduces the amount of companies that can benefit from it. Either way, it proves that there is certainly room within co-creation theory for an improved approach – the co-creation approach to branding.

4.3 Branding Theory

In order for us to establish a co-creation approach to branding, we must naturally provide the reader with an understanding of how brands have been conceptualized and managed as the dominant logic of marketing has changed. In order to understand these changes a review of the predominant branding theory is undertaken with the purpose of delineating the development that brand management has undergone. Many of the prevailing perspectives within branding theory seem to find its inspiration in the G-D logic, thus implying that there exists a need for a new branding perspective, a perspective that fits within the S-D logic. The co-creation approach we will introduce revises the concept of branding, and takes this into the 21st century.

The chapter is structured around Louro & Cunha’s (2001) four brand management paradigms, and supplied by Heding et al.’s (2009) seven branding approaches. All four brand paradigms have fundamentally different perceptions of the brand, the nature of the exchange between company and consumer, as well as how brand value is created and managed (Louro & Cunha 2001). Reviewing the paradigms of brand management will function as a foundation upon which the co-creation approach to branding is constructed.

4.3.1 Four Brand Management Paradigms

Over the past decades, managers as well as academics have recognized brands ability to constitute a competitive advantage. Consequently it is important to gain an understanding of how to conceptualize and manage brands, which is what Louro & Cunha (2001) seeks out in their article Brand Management Paradigms. Louro & Cunha are searching for clarity within the field of brand management, a field which is characterized by disharmony between simultaneously competing and overlapping approaches (Louro
& Cunha 2001). The four brand paradigms are characterized by their own specific sets of theories, premises and practices regarding the value of brands and brand management (Louro & Cunha 2001).

The four brand management paradigms are structured along two analytical dimensions, the brand centrality dimension and the customer centrality dimension. The *brand centrality dimension* shows the importance of the brand in relation to a company’s strategy and development of marketing activities. This is illustrated by an axis running from a tactical orientation, in which brands are conceptualized and managed as legal and visual instruments attached to a product, to a brand orientation, in which the brand is a central element in all organizational processes. The *customer centrality dimension* refers to the company’s top managers’ view upon the nature of consumer involvement in the process of value creation (Louro & Cunha 2001). The dimension runs from a unilateral perspective, in which consumers are perceived as passive receivers of value created solely by the company, to a multilateral perspective, in which consumers are taking an active part in the value creation. The four brand management paradigms are illustrated in Figure 1 below:

**Figure 1: Brand Management Paradigms**

![Brand Management Paradigms Diagram](source: Louro & Cunha (2001))
4.3.2 The product paradigm

The product paradigm is founded in the G-D logic (Vargo & Lusch 2004) and brands are usually defined as a legal instrument or as logos. Tangible attributes are the locus of value creation, thus the brand is easier to copy. Hence the true value of the brand lies in the ability to protect the company from infringement. In the product-centric paradigm marketing management focuses on the marketing mix (McCarthy 1960) with the product as the main source for value creation. This is coherent with the economic approach, which assumes that the brand can be managed and controlled solely by the company (Heding et al. 2009) and that consumers are passive receivers of the company’s communication messages, which they analyze and evaluate based on rational criteria (Heding et al. 2009), hence neglecting the hedonic consumption that satisfies more emotional and irrational wants and desires (Heding et al. 2009). Effective positioning is obtained from the fit between a company’s generic marketing strategy and industry conditions. Louro & Cunha (2001) characterizes the strategic process as being very formal and following a goal-oriented process making it possible to implement and control company initiatives in a predictable context (Louro & Cunha 2001).

Although the product paradigm is widely used in today’s brand management the paradigm is inappropriate in a co-creation context of brand management, mainly on the following points: 1) the product is the main source for brand value, and the company is the sole creator of value, 2) the brand merely regarded as a mark for recognition, 3) consumers only use products in order to satisfy utilitarian needs, as they are assumed to be rational, and 4) consumers are passive recipients of brands’ communication.

4.3.3 The projective paradigm

In the projective paradigm the brand holds a central position in the organization while consumers are perceived as passive recipients of the company’s communication. It is a natural extension of the product paradigm, which it complements and strengthens by highlighting the strategic dimensions of branding (Louro & Cunha 2001) and introducing the concept of brand equity (Aaker & Joachimsthaler 2002; Keller 2008). The paradigm takes a more strategic approach to the management of brands, as brands are placed in the center of the development and implementation of the company’s strategy, implying that brands can be managed as companies (Louro & Cunha 2001).

In this paradigm the brand is seen as an identity system (de Chernatony & Riley 1998), in which the brand has its own essence and meaning (Kapferer 2004; Aaker 1996). The brand’s identity is the driving
force in all actions of the brand and is the mean to develop a brand positioning (de Chernatony & Riley 1998). If the brand identity system is appropriately managed it is possible to reinforce the brand meaning over time in relation to the consumers (Kapferer 2004; Aaker 1996). Aaker (2001) defines the concept of brand identity as the following:

“Brand identity is a unique set of brand associations that the brand strategist aspires to create or maintain. These associations represent what the brands stands for and imply a promise to customers from the organization members” (Aaker 2001).

This definition of brands only relates to the desired identity and not the brand image, meaning that there is little focus on how the consumers perceive the brand, as consumers are viewed passive recipients of the brand’s communication messages (Bengtsson & Östberg 2004). Focus lies within the company as the value is seen from an inside-out perspective; consumers are passive, thus placing this perspective on brands within the G-D logic.

According to Louro & Cunha (2001) brand management in the projective paradigm focuses on reinforcing and developing brand positioning by achieving a coherent focus across the brand portfolio and projecting a consistent message to all stakeholders. The brand management style focuses on the creation, development and communication of a consistent brand identity (Aaker 2002; Kapferer 2004), thus implying that the brand must be similar at every touchpoint.

Another brand definition within this paradigm is the brand as a company, in which the company achieves advantages from using one corporate name across the brand portfolio and thereby conveying consistent messages to all the company’s stakeholders (de Chernatony & Riley 1998). The main idea is to build a recognizable corporate brand, which in the end makes it possible to save marketing costs due to portfolio synergies. The brand as a company is what Heding et al. (2009) refers to as the identity approach. This approach regards brand identity as the sum of the interplay between corporate identity, organizational identity, and image (Hatch & Schultz 1997). In order to ensure a coherent corporate brand the company must ensure that vision, culture and image are aligned (Hatch & Schultz 2001).

In relation to co-creation the projective paradigm holds a number of points for criticism: 1) brand strategists are sole creators of brand identity, 2) value creation is seen from an inside-out perspective, 3) consumers are regarded as passive recipients of branded communication, 4) only little focus on consumers’ perception of the brand, and 5) focus on the development and communication of a coherent brand identity.
4.3.4 The adaptive paradigm

The Adaptive paradigm is consumer-centered, with a focus on how consumers perceive the brand, as they are regarded as constructors of brand meaning (Louro & Cunha 2001). Brand value is therefore seen as co-developed by the customers. This co-development is however incongruent with the concept of co-creation. Companies’ focus is on the brand image that resides in the mind of the consumers, thereby taking an outside-in perspective. They do however still believe that it is possible to affect this image by investing in marketing programs (Keller 2008). As a result brands are managed as a part of the marketing strategy and mostly associated with sending marketing communication messages about company offerings to consumers.

Within the adaptive paradigm the brand can be characterized as reducing complexity during time scarce shopping as a risk reducer, in which the brand functions as a guarantee for consistent quality reducing purchasing risk for the consumer (de Chernatony & Riley 1998). According to Louro & Cunha (2001) it is the *brand as an image in consumers’ minds* that is the most complete definition of the brand in this paradigm since it merges all the conceptualizations of brands from an outside-in perspective with a focus on the brand image. The definition regards the brand as residing in the mind of the consumers (Keller 2008), thus putting spotlight on the gap between brand identity and brand image, with the purpose of adjusting the brand strategy in relation to a possible gap. Keller’s (2008) definition of brand equity recognizes customers’ importance in becoming a strong brand in the marketplace:

“Customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand and holds some strong, favorable and unique brand associations in memory.” (Keller 2008:53).

The mindset behind the consumer-based approach is seen as the most influential way of thinking about brands and branding (Heding et al. 2009). The approach follows the cognitive psychology’s *if-then logic*. Heding et al. (2009) present communication as “*if the marketer feeds the ‘consumer computer’ with the most appropriate information, then the consumer will do as intended*” (Heding et al. 2009:86). As it follows a linear communication where the recipient of the message understands the message as intended by the sender (Shannon & Weaver 1949) it clearly resides in the G-D logic. Brand value creation can therefore be described as the molding of brand associations held in the minds of consumers’.

Consequently the main points of criticism directed toward the adaptive paradigm in a co-creation context become: 1) Brands are mostly associated with communication and advertising of the
company/products, 2) Consumers’ perception of the brand can be manipulated by brand activities, 3) Brand value is created within the company, 4) Strong brands emerge from controlling consumers’ mindset.

4.3.5 The relational paradigm

The relational paradigm takes a customer-based view in which brand value is seen as co-created between the company and its customers (Louro & Cunha 2001), hence placing the perspective within the borders of the S-D logic (Vargo & Lusch 2004). Consequently, the relational paradigm provides alternatives that confront the weaknesses of the product, the projective and the adaptive paradigms (Louro & Cunha 2001) in relation to co-creation. Louro & Cunha (2001) describes two interesting perspectives, respectively the brand as a personality and the brand as a relationship, in which the latter functions as a valuable extension to the former. Since these were presented, further relevant perspectives have emerged within the relational paradigm, namely the approaches concerning brand communities (Muniz & O’Guinn 2001) and cultural branding (Holt 2002).

The Brand as a personality is the earliest definition within the relational paradigm. This brand definition sees the brand as a symbolic device enclosing personalities that users value ahead of the functional utility, hence the definition stresses the symbolic values of the brand. Options such as brand advertising and the packaging are means often used to differentiate the brand on its symbolic level (Louro & Cunha 2001). Heding et al. (2009) describes this as the personality approach, in which consumers regard brands as personalities, which they use in a dialogue-based exchange of symbolic value in the process of shaping a self. In order to create the right brand personality it requires consumer insights regarding how the brand is used in the construction and expression of the consumers self (Heding et al. 2009). A strong brand personality drives strong bonds between brand and consumer and as a result consumers’ willingness to engage with the brand increases (Heding et al. 2009).

One could argue that the brand as a personality actually does not fit within the relational paradigm, since there is no actual co-creation in the branding process as brand identity primarily is a result of the company’s communication (Louro & Cunha 2001) and not an actual interaction between company and customer. This observation is in line with Heding et al. (2009) and their description of two fundamental paradigms within brand management. Firstly, a positivistic paradigm, in which the brand is controlled by the company who communicates to the passive consumers, thus makes brand equity a solely creation of the company. Secondly, an interpretive (constructivist) paradigm, brand value is created through interaction between company and the active consumers (Heding et al. 2009). According to Heding et al.
(2009) a paradigm shift took place in the mid-90s from the positivistic paradigm to the interpretive paradigm. This paradigm shift was brought along by the emergence of the relational approach.

The relational approach is closely related to brand loyalty, but it goes deeper than just looking at continuous purchases of the brand; it seeks out to explain how brands are used by loyal consumers and why (Fournier 1998; Heding et al. 2009). The approach is meaning-based because meaning is created in the interaction between brand and consumers. This is regarded in opposition to information, which often comes from the approaches in which linear communication between sender and receiver are dominant, e.g. economic approach, identity approach, consumer-based approach (Shannon & Weaver 1949; Heding et al. 2009). In order for companies to understand the meanings generated from the relationship, there is a great need for real and deep insights regarding the consumers.

The brand as a relationship is defined as a logical extension of brand personality and relates to how consumers engage in relationships with brands. Consumers do not just have attitudes towards brands; the brands also have attitudes towards the consumers (Louro & Cunha 2001). Building strong brands comes from the creation of relationships between the consumers and the company, which comes from a dyadic respect of each other’s personalities. Strong relationships between company and customer lead to strong bonding, attitude reinforcement, and repeat-usage. The brand as a relationship is defined in the following:

“For a relationship to truly exist, interdependence between partners must collectively affect, define, and redefine the relationship” (Fournier 1998: 344).

These relationship preconditions are in coherence with the definition of co-creation that this thesis departs from, as the relationship is seen as a process where two parties, brand and consumer, interact with the purpose of achieving a shared goal, i.e. value creation.

The approach further describes relationships as something that add and structure meanings in a person’s life (Fournier 1998), thus implying that consumers use brands in order to obtain a sense of belonging and stability. Brands are used in the (re)construction of the consumer’s self, consequently some brands possesses a much stronger bond than others as they play an important role in the creation of one’s identity. Fournier (1998) describes that consumers use brands to:

“...serve as purposeful repositories of meaning purposefully and differentially employed in the substantiation, creation, and (re) production of concepts of self in the marketing age” (Fournier 1998:365).
If companies wish to engage in such relationships with the consumers they need to stay relevant and to open to interaction. Co-creation is one way to engage with the consumers, as we will argue in the succeeding chapter.

In the relational approach brand management requires the recognition of consumers’ active role in the co-creation of brand meaning and value (Fournier 1998). Brand management is seen as a dialectical process in which companies and consumers advocate differing opinions (brand image and brand identity) in the co-creation of meaning and brand value. Competitive advantage comes from the interaction with consumers, as company and consumer jointly construct the brand’s value (Louro & Cunha 2001). Managing close brand-consumer relationships are of high importance and for that reason the company needs to possess strong outside-in capabilities to co-opt customer competences (Prahalad & Ramaswamy 2000).

A ‘new’ and interesting approach in regards to the relational paradigm is the theory of brand communities. A brand community is defined as a “...specialized, non-geographically bound community, based on a structured set of social relations among admirers of a brand” (Muniz & O’Guinn 2001:412). A shared consciousness, rituals and traditions, and sense of moral responsibility are what characterize a brand community (Muniz & O’Guinn 2001). The community approach portrays brand value as created within brand communities where the brand is the central point of all social interaction between consumers (Muniz & O’Guinn 2001; Heding et al. 2009). These autonomous groups of consumers are collectively able to influence a brand’s marketing actions and have the potential to literally take over the brand, which implies that a community actually has the power to turn a brand in a totally different direction than intended by the marketer (Muniz & O’Guinn 2001; Bello et al. 2007). The consumers/members are in control of the brand, as they are capable of rejecting brand initiated marketing actions (Muniz & O’Guinn 2001). The marketer no longer has a dialogue with one consumer but with potentially millions of consumers, which continues the brand dialogue after the marketer has withdrawn from the conversation (Heding et al. 2009). The relationship is triadic. Brand meaning and brand value is negotiated and co-created within the brand community, where consumers not only interact with the brand but also with each other.

Brand communities are to some extent similar to subcultures (shared ethos, status hierarchies) (Muniz & O’Guinn 2001), but one should be aware of the important distinctions between brand communities
and subcultures. The latter is a reaction against the accepted meanings of the majority, whilst the former embraces trends in the surrounding culture to build communities on these (Muniz & O’Guinn 2001). As a result Brand community has a truly commercial and mass-mediated ethos.

The Internet has had a great impact on the evolvement of brand communities (Heding et al. 2009), as it allows the communities to go beyond geographical boundaries, allowing consumers all around the world to join and participate in the brand’s larger social construction. The Internet has also played an important role since many ‘virtual’ brand communities are based “on the sense of a shared identity with ‘imagined others’” (Heding et al. 2009:188).

Companies can benefit from brand communities on several levels, as long as they keep in mind that the community members often dislike intentional marketing and having marketers’ looking over their shoulder (Heding et al. 2009). Brand communities are a part of the brand’s larger social construction and therefore they play a crucial role in brands’ heritage. Members of a community are for the most part consumers, for whom engagement can be characterized by their loyalty and enthusiasm towards the brand. The social interaction around the consumption of a specific brand is what makes up this loyalty and contributes to the building of brand meaning (Heding et al. 2009). The brand community has the ability to function as a useful asset for the company’s brand since user experiences and ‘grass-roots R&D’ (user innovation) are shared within the community (Heding et al. 2009). In a co-creation perspective the company can use this knowledge as an important mean to increase brand value, e.g. using the innovative skills of the members to improve or develop the brand. Nevertheless companies must consider the risk of enabling competitors’ to gain easy access information from the community.

The brand community is also beneficial in the matter that it provides a social structure to the relationship between company and consumer (Muniz & O’Guinn 2001). Members of the community are sharing information, providing assistance, and passing the brand’s history along in the community, thus becoming an important source for brand communication (Muniz & O’Guinn 2001). However this may not always turn out with a positive result. As mentioned earlier the community members are in control and they have the power to reject marketing efforts, therefore they can turn out to be a thread to the brand, e.g. negative word-of-mouth. Nevertheless we consider brand communities as a valuable source in the process of co-creation since the members of a community are characterized as persons who show brand loyalty and enthusiasm towards the brand.

In extension to the brand community perspective presented by Muniz & O’Guinn (2001), Fournier & Lee (2009) have established a typology of brand communities. They advocate for three overall types of
brand communities, namely *Pools*, *Webs*, and *Hubs*, each with a different set of characteristics. Members of pools are mainly united by shared activities, goals and values, but are only loosely socially tied, and for that reason pools entail only limited community benefits (Fournier & Lee 2009). Conversely, webs are based on strong one-to-one connections, facilitating varied social relationships in between community members, making it a strong and stable form of community. Lastly, hubs are created centered on the admiration of an individual. Consequently, hubs are strong, but easily shattered when the central individual is no longer present. The main argument in this is that brands, to reap the benefits entailed by strong brand communities must put effort into transforming pools and hubs into web communities by nurturing social interaction, to facilitate personal relationships, making it the strongest and most stable form of brand community (Fournier & Lee 2009).

Branding 2.0 is a newer definition within branding which is a combination of brand community and the elements of Web 2.0 (Mairinger 2008). Mairinger (2008) explains that in this new definition the brand community is not just formed around the brand, it creates the brand, thus implying that communities functions as sources for co-creation. This new branding model is based on especially designed information systems known from Web 2.0 technologies, i.e. user-generated content. The consumers are creating the actual meaning of the brand, hence resulting in a closer consumer-brand relationship as this engagement allows the consumers to be active participants in the branding process (Mairinger 2008). According to Mairinger (2008) traditional marketing communication cannot target each consumer optimally due to the heterogeneity of consumers. In opposition to this, branding 2.0 is capable of targeting consumers more narrowly, thus increasing relevance of content for the individual consumer. By allowing the consumers to participate in the creation of the brand’s meaning the company invites all consumers to express their own individuality, thereby creating a much stronger bond with a broader base of audiences. This has also been regarded as the long tail of branding (Anderson 2008).

Cultural branding is a more recent and popular approach, which has emerged subsequently to Louro & Cunha’s (2001) research. *The cultural approach* explains what branding does to macro-level culture and how embedding the brand in cultural forces can be used strategically to build an iconic brand (Heding et al. 2009). Holt (2002) describes the contradictions between consumer culture and what he refers to as the extant branding paradigm, i.e. the identity system (Holt 2002). In this consumers are becoming more knowledgeable and reflexive concerning the previously accepted branding techniques. Companies have traditionally used branding as a mean to manipulate the consumers in order to convince them about their products ability to satisfy their needs, such as Aaker’s brand identity system (Aaker 2002), in which
the brand manager is seen as a cultural engineer who has the ability to lure consumers into an intended behavior (Bengtsson & Östberg 2004). This is no longer the case. The conventional branding techniques power to define consumer culture is losing its efficiency, as the consumers have become enlightened about these manipulative methods of the cultural engineering brand manager (Holt 2002; Bengtsson & Östberg 2004). On the contrary consumers are seeking out to define culture themselves, which has resulted in a countercultural movement pushing for consumer-led resolutions in which the consumers are searching for personal individuality through brands (Bengtsson & Östberg 2004). Consumers are according to Holt (2002) empowered to redefine brands in ways not intended by the brand strategist, as they are actively negotiating brand meaning and reflexively constructing a personalized brand relationship (Holt 2002; Bengtsson & Östberg 2004). This calls for marketers to understand the consumers and to engage in interactions based on the countercultural values. The cultural branding approach recognizes that brands are co-created by consumers and brand managers; however, the cultural approach does not go much further than recognizing this, thus implying a need for a more distinct co-creation approach to branding.

As the relational paradigm is largely in coherence with our definition of co-creation there are only a few critiques of the paradigm in relation to co-creation: 1) The personality approach does not encourage co-creation of brands. The personalities that consumers attach to brands are mostly a result of the communication of brands. 2) The community approach merely describes that co-creation interaction is present, but does not account for how this can be utilized to increase brand value. 3) The cultural approach recognizes that consumers are active co-creators of brand value, but fails to come up with recommendations on how to approach co-creation in general.

A co-creation approach is therefore regarded as a natural extension of the former theoretical branding perspectives within the relational paradigm. This new approach will draw its inspiration both on the abovementioned branding theory as well as in the succeeding chapter’s co-creation theory.
5 THE CO-CREATION APPROACH TO BRAND MANAGEMENT

In the following we will present the co-creation approach to branding, which we build on the findings from the theoretical chapter as delineated above. This approach will focus mainly on how co-creation can be utilized to build stronger brands, which represents a new way of approaching the task of brand management. In current predominant literature on co-creation and on branding, an adequate approach that clearly indicates where to put focus when collaborating with consumers has yet to be built.

Albeit our approach will take its foundation in, and draw inspiration from above discussed paradigms and approaches, it will stretch further than any of these to provide general guidelines for companies looking to work with co-creation from a branding perspective, i.e. with the purpose of increasing brand value. This is not to be regarded as an entirely new brand paradigm, compared to the ones presented by Louro & Cunha (2001). Because co-creation by definition is social and relational, this approach will reside in the relational brand paradigm (Louro & Cunha 2001), but offer a way to build consumer relations in a different manner than approaches already found in this paradigm, e.g. community approach (Heding et al. 2009; Muniz & O’Guinn 2001), and the relational approach (Heding et al. 2009; Fournier 1998).

It is important to note that the co-creation approach to branding that we propose is not a one-size fits all approach, and thus the approach must necessarily be modified to fit each company’s particular situation, consumer type, market etc. We do nonetheless find it possible to provide a set of guidelines of how to approach the work with co-creation, as we will argue a certain number of elements are essential no matter what the particular company is offering, and who this is offered to.

5.1 Defining the Concept

After reviewing a manifold of perspectives on the concept of co-creation (Vargo & Lusch 2004; Prahalad & Ramaswamy 2004a; Thomke & Von Hippel 2002; Payne et al. 2008a), we now find it appropriate to bring forth a definition of the concept. Our definition will naturally depart from, and draw inspiration on leading perspectives within co-creation literature, however as no actual definition has been set forth so far, we find it appropriate to do so. Thus, after reviewing predominant theory on the subject we have come to the following definition of co-creation:
An Open-ended relational process in which the company cooperate with, and utilize consumer(s) as operant resources through interaction to create a new, or modify an existing, company facilitated offering, leading to the creation of added value for all parties involved.

Let us briefly argue why we have come to this definition, by deconstructing the definition into four parts:

An Open-ended relational process: Co-creation is in essence relational, as it is in interaction that value is co-created between brands and consumers, and not just created by either brand or consumer. Furthermore, the process must be open-ended understood as it cannot have a predetermined value outcome for the consumer. If the process is not open-ended, it is not co-creation according to this definition, but rather customization.

Company and consumer(s) interact: Concurrently we and other authors (Prahalad & Ramaswamy 2004; Thomke & von Hippel 2002; Payne et al. 2008a) have argued that interaction is at the center of co-creation, closely related to the concept being relational, and if interaction does not occur co-creation is not possible.

Create a new, or modify an existing company facilitated offering: What is co-created can either be new, i.e. a new product, a new social context, marketing communication, or it can be a modification (or improvement) of an already existing offering. For co-creation to be active, both company and consumer must play an active role in creating the new or modifying the existing offering.

Creation of added value for all parties involved: Co-creation must lead to added value both for the company and for the consumer to be attractive to either. For the consumer the added value can be tangible e.g. in the sense of a better product and financial incentives, or intangible e.g. in the sense of social relations and perceived satisfaction. Added value for the company is in our scope is a stronger and more valuable brand as a result of co-creation.

5.2 Market Intelligence as Departure of Co-creation

As we will argue below, interaction is the most important element for successful co-creation, however not the starting point. There is only little chance that interaction will lead to fruitful co-creation, has it
not been preceded by a thorough market intelligence work, primarily directed towards obtaining deep and rich knowledge about consumer motivations and desired touchpoints.

As previously argued, co-creation must be customer centric, which implies learning from and collaborating with consumers, as well as being adaptive to their needs (Vargo & Lusch 2004). Thus before initiating any kind of co-creation, the company must have taken thorough steps to generate knowledge about consumer needs and demands, also referred to as market intelligence (Jaworski & Kohli 1993). Gathering market intelligence as a starting point for branding processes is far from a new concept. However, in the quest to keep the consumer central when establishing co-creation processes the company must gather market intelligence that requires and implies a different set of questions than traditional market intelligence. In traditional marketing research, questions regarding consumer preferences and company offerings are mostly in focus, as this knowledge is essential in order for the company to produce the products that consumers demand (Hair et al. 2006), or that companies think that consumers demand. To establish co-creation however, these questions can and will not be answered before the actual co-creation process is ongoing. Instead, the company must rather focus on gathering knowledge about what drives consumers to co-create, and where and to which extent they are willing to co-create. If these are answered and co-creation processes are initiated, the consumer will in co-creation provide both answers and solutions to the traditional marketing research questions regarding which offerings that will most optimally satisfy consumers.

5.2.1 Motivations for Co-creating

The first crucial aspect that co-creation research must be turned towards is which motives and incentives that drive consumers to participate and contribute to co-create with the brand. No universal motivation for consumers to co-create can be found; every consumer has specific reasons, and every type of co-creation (products, marketing communication, social experiences) as well as every type of interaction creates different value for the consumer, and thus implies different underlying incentives for co-creating. The more motivations the company can manage to propose the more attractive and compelling the co-creation offer will be. With that notion in mind, we will present and discuss central motivations for consumers to co-create. These are not exhaustive as there are surely more incentives (Füller 2006), however we find the following most relevant to discuss when building co-creation relationships with consumers.
5.2.1.1 Financial Incentives

A basic incentive for any human being to invest its operant resources is the prospect of financial incentives at the end of the process, which is then a relevant motivation in co-creation (Lerner & Tirole 2002; Füller 2006). This incentive is relevant when the consumer is utilized as an operant resource, e.g. actually filling a position traditionally filled by a company employee, also labeled co-opting customer competences (Prahalad & Ramaswamy 2000). According to Humphreys & Grayson (2008), this poses a change of the traditional value chain as proposed by Porter (1985), as operant resources flow from consumer into the organization and financial resources from inside the organization to consumers. Financial incentives are very powerful to prompt to contribution, and a very fast way of getting consumers to contribute. Important in financial incentives however is that they must be conspicuous. To attract consumers seeking financial rewards, companies must communicate this financial incentive clearly.

As we will argue however, financial incentives for co-creation are far from freed of risks. With financial incentives comes the risk of establishing co-creation only on a superficial level that will not contribute particularly to creating a closer relationship to consumers, and thus a stronger brand. If consumers participating are motivated only by financial incentives, the relationship is likely loosely tied, as any given competitor likely can acquire the consumers’ operant resources simply by offering a bigger financial reward. Thus, establishing co-creation solely on financial incentives is essentially not different from establishing loyalty based on lower prices, also referred to as “phantom loyalty” (Oliver 1997); inspired from this we can label brand co-creation based solely on financial incentives “phantom co-creation”, as it poses a very weak tie that can easily be broken by competition. Accordingly we cannot advise companies to initiate co-creation to build brands solely based on financial incentives.

5.2.1.2 Utilitarian Need satisfaction

As touched upon above, the prospect of consumers having their utilitarian needs satisfied more optimally can function as motivation for consumers to co-create (Hemetsberger 2003; Füller 2006). The relevance for this motivation often lies in that the current assortments does not fully satisfy consumers’ needs (Füller 2006), as these are known to be heterogeneous (Thomke & von Hippel 2002). Perhaps the biggest issue for companies in the G-D logic was to satisfy consumers’ utilitarian needs optimally. This is an issue that has not become easier as competition has increased and consumers have more choice than ever. Thus, as a result of disconfirmation of expectations to brands, consumers will be highly motivated by the prospect of themselves being able to create the highest possible level of satisfaction
from brand and product performance. The link between satisfaction and brand relationships has long been recognized and discussed (Bloemer & Kasper 1995), and there are clear indications that consumers’ satisfaction with brands in turn can lead to a closer relationship with the brand (Bloemer & Kasper 1995). Thus, more optimal need satisfaction is an indicator that a closer relationship is forming between the brand and the consumer e.g. as a result of co-creation processes.

5.2.1.3 Peer Recognition

An important and much pervasive incentive for consumers to participate in co-creation processes is that of peer recognition (Lerner & Tirole 2002; Jeppesen & Frederiksen 2006; Füller 2006) in consumers’ search for fame (Bughin et al. 2008) and opinion leadership (Sawhney et al. 2005). In this co-creating consumers are personally gratified by being recognized by the community of users. This incentive is mostly relevant when consumers collaborate to create in communities. For peer recognition to be an actual incentive, the creation, e.g. the actual new product or improvement of an existing product must be visible to a relevant audience (Lerner & Tirole 2002). Thus, peer recognition is especially relevant in settings where users can easily communicate innovations internally, e.g. online communities. In many cases, intangible incentives such as peer recognition and opinion leadership can actually fully replace and even outdo monetary rewards as incentive for co-creation (Frederiksen & Jeppesen 2006).

5.2.1.4 Firm Recognition

Activated by much of the same mechanisms as peer recognition, co-creating consumers are highly motivated by being recognized by the company behind the offering (Jeppesen & Frederiksen 2006); consumers willing to co-create often honor and admire the brand and the internal developers. Consumers willing to allocate their operant resources (time, knowledge, skills) to contribute to e.g. co-creating the product, are admiring the company, and are likely to possess some set of shared values with the company (Fournier 1998; Jeppesen & Frederiksen 2006). Being recognized by the brand admired, has a great value to the consumer and is therefore a great motivation for collaborating. If firm recognition is additionally communicated to the community of consumers, e.g. in an announcement on the company website or in an online community, this will significantly increase the value of the recognition, thus increase the motivation for co-creating, not only for the user being recognized but for the entire community. In this way, firm recognition can actually activate the motivation of peer recognition as well. Empirical research have shown that brands that displays the value of contribution online, e.g. the exact improvements created by a consumer, will significantly increase motivation to contribute (Rashid et al. 2006), not only for the specific consumer being recognized, but for the community as a whole.
5.2.1.5 Social Relations

As Maslow (1999) has argued, as a part of the *Hierarchy of Needs*, social needs are among the basic needs that humans seek to fulfill, e.g. because we create a sense of self, i.e. an understanding of who we are, through social relations. As Nisbet & Perrin (1977) argue, the self is inseparable from symbolic interaction:

“We are what we think others think we are” (Nisbet & Perrin 1977:50).

As consumption of goods and services is a more pervasive part of human living than ever, consumers will increasingly seek to fulfill these needs for the creation of a self through means of consumption (Belk 1988), in this also the need for social relationships both with fellow consumers (Nisbet & Perrin 1977; Muniz & O’Guinn 2001) but also with brands (Fournier 1998). From this it becomes obvious that social relations are a very relevant and pervasive motivation for consumers to co-create.

Consumers engage in social relationships with brands that resemble the relations that consumer have with each other (Fournier 1998). And consumers are more likely to co-create with a brand with which they have a personal relationship. People are more likely to form relationships with people they know and trust, which is also the case when it comes to brands (Bughin et al. 2008). Accordingly, consumers are looking to fulfill social needs, and co-creation interaction is one way for consumers to fulfill these needs. Thus, consumers are evidently motivated to co-create by the prospect of forming relationships with brands that can fulfill a need for social relations. Consumers will find it more attractive to interact with brands with which they have a shared set of values (Fournier 1998). Consequently, the attractiveness of social relations as motivation for co-creation is also increased if the company and the consumer have a shared set of values that lays the foundation for which the consumer constructs the sense of self through co-creation interaction.

Shared values are also central in relationships between consumers, as consumers reinforce their self-images by forming relationships with consumers, with which they share values (Nisbet & Perrin 1977), thereby confirming their self-image through interaction with fellow consumers centered on a brand. Thus, the individual consumer’s relationship with the brand become stronger, as the support of the brand is confirmed through interaction with other consumers with similar values. The relationship that the consumer forms with fellow consumers often occurs in brand communities, in which the formation of the personal identity is a pervasive part (Schau & Muniz 2002). As we will exemplify in the analysis, brand communities are often a locus of co-creation that has the potential to strengthen brands’ relationships with consumers.
Consumers engage in social relations to get social approval and feel a sense of belonging (Hemetsberger 2003) by interacting with likeminded consumers. This social gratification is to a large extent obtained through co-creation interaction with other consumers in communities (Füller 2006).

5.2.2 Touchpoints

The second important point in which the company must obtain market intelligence is as we will argue the gathering of market intelligence about brand touchpoints (Dunn & Davis 2003; Hogan et al. 2005); i.e. which points of interaction will be mostly valued by the consumer when co-creating, and which are hence of biggest value in building the brand?

To establish co-creation with optimal impact on the brand, the establishment of interaction is very important, as we will elaborate on below. A fruitful way to regard this point is via the management of the brand’s most valuable touchpoints (Dunn & Davis 2003; Hogan et al. 2005), what Payne et al. (2008a; 2008b) labeled encounters. The basic idea is that brands must identify the touchpoints that are most essential in establishing interaction with consumers, and invest in managing these. In a co-creation context, touchpoints are where co-creation interaction occurs, and thus they form the locus of value creation. Duncan and Moriarty (2006) have argued:

“...a successful brand touchpoint is at its most basic a value-producing act for both the company and the customer.” (Duncan & Moriarty 2006:238).

This implies that choosing the appropriate touchpoint for co-creation, has the ability to significantly strengthen brands’ relationship with consumers, and thus increase the value of the brand. The consumer is empowered of which touchpoint to meet the brand (Jackson 2009). Consequently, the company must carefully analyze where consumers want to co-create (Payne et al 2008a). This means, which touchpoints will create the most value for the consumer, and which of these does the brand has the ability to support? Which kind of interaction do consumers seek? How much do they wish to contribute? To which extent are they able to contribute? These questions are important for companies to answer thoroughly if they are to establish a co-creation process that will lead to a stronger brand.

5.3 Interaction

What has come to show from the theoretical foundation of co-creation and branding as illustrated in chapter 1, is that interaction in many forms is at the heart of a co-creation to branding, an argument supported largely by Balantyne & Varey (2006):
“We see dialogical interaction as an ideal form of communication within the S-D logic because it supports the potential for co-creation of value and sustainable competitive advantage.” (Balantyne & Varey 2006:224).

Accordingly, co-creation to build stronger brands is in essence a question of companies getting closer to their consumers – to deepen relations with them. It is in interaction that value is created and thus where co-created value is formed. In fact it is quite simple – no interaction, no co-creation.

Our approach to interaction departs from the argument that consumers have a basic desire of being listened to and having their voices heard, with shared learning as a result (Ballantyne & Varey 2006). This desire can be fulfilled in two basic ways, both very interactive.

5.3.1 Individual Interaction

Individual interaction occurs as reciprocal and dialogical interaction between brand and consumer with the brand in focus (Prahalad & Ramaswamy 2004a; Ballatyne & Varey 2006; Duncan & Moriarty 2006; Tuominen 2007). Consumers will to a larger extent refuse to listen if not being reciprocally listened to by the brand, which is a reason for brands experiencing challenges penetrating advertising clutters. As a response to this challenge the interaction that establishes co-created relationships between brand and consumer has an ability to influence the brand value to an extent that more traditional marketing tools most likely would not. We will label this interaction Individual Interaction, understood as direct, reciprocal and dialogical interaction between a brand and a consumer. In individual interaction the brand must display a sincere interest in what the consumer has to offer as an operant resource (Vargo & Lusch 2004). Thus, in building a strong brand through the means of co-creation, the company must not only possess good communication competencies. When co-creating in the S-D logic companies must just as importantly develop excellent listening skills (Tuominen 2007) as a part of the sense-and-respond approach that the S-D Logic proposes (Vargo & Lusch 2004; Pongsakornrungsilp et al. 2009). I.e. in order for the brand to actually engage in the dialogue it must respond accordingly to what the consumer has uttered, which is done by paying attention and listening. Through ongoing interaction, the consumer will fairly easily be able to determine whether the brand is actually listening, and in case not, the relationship can potentially suffer damage. However, does the company manage to establish a truly dialogical interaction as part of a co-creation relationship, the relationship between the brand and the consumer becomes close to unbreakable. But the brand must invest in the relationship and display true commitment in order to reap the real benefits of individual co-creation interaction.
5.3.2 Collective Interaction

Interaction also occurs in between consumers, and between the brand and communities of consumers; we label this Collective Interaction. Collective interaction centered on the brand can occur without the brand actually taking an active role in the interaction. This type of interaction takes place in a community of consumers, and accordingly these have been labeled brand communities (Muniz & O’Guinn 2001; Fournier & Lee 2009; Pongsakornrungsilp et al. 2009). However, for co-creation to be active, this collective interaction must to some extent take place in communities facilitated by the brand. Previously, authors have discussed a concept similar to this under the label C2C-interaction (Prahalad & Ramaswamy 2004c; Payne et al. 2008a).

Brands, around which collective co-creation interaction occur, can tap into consumers’ desire to contribute and hunger for connecting with peers (Fournier & Lee 2009), to establish a bond to the consumer that is much stronger than had the consumer not participated. Collective interaction can be based on the desire to co-create products to more optimally satisfy consumer needs in and outside of the community, or it can be based on a desire to interact socially. As the consumers likely cannot find a substitute to this interaction elsewhere, they will go far to uphold the collective interaction, and thus go far to stay in close relation with the brand. As a result, companies working with co-creation can find great potential in facilitating and nurturing such interaction, to keep co-creation going, and to strengthen consumers’ closeness to the brand. And whereas focus in individual interaction was on establishing and maintaining dialogical interaction with the individual consumer, the focus in collective interaction is on facilitating and maintaining attractiveness of co-creation communities. Thus, companies engaging in this type of co-creation interaction must facilitate a forum for consumers to interact, and they must ensure that interaction flows as easy as possible and that community membership is concurrently attractive through the ability to establish social relationships.

5.3.3 Dual Level Interaction

When engaging in both individual and collective interaction, brands are engaging in what we will label Dual Interaction. Individual and collective interaction are not mutually exclusive; in fact we will argue that the more and richer an interaction, on a dual level, the larger the potential of the co-creation process to be initiated, and the larger the chances of building a stronger brand through this process. Thus, inherent in this co-creation approach to brand building is a recommendation to interact with consumers on a dual level. The more points of interaction that the consumer has with the brand, the closer a relationship can potentially evolve. Furthermore, engaging in both will create synergies
between the two that will strengthen the aggregated relationship with the consumer. Because whereas individual interaction is a way of communicating directly with consumers and receiving their undivided attention, collective interaction is a way of continuously ensuring that the relationship will last, through the consumers having social needs fulfilled, that cannot be fulfilled elsewhere. Thus, we can also argue that the brand benefits in dual co-creation interaction is an aggregation of the outcomes of respectively the relational approach (Heding et al. 2009; Fournier 1998), i.e. from individual interaction, and the community approach (Heding et al. 2009; Muniz & O’Guinn 2001), i.e. from collective interaction.

5.4 Co-creation Approach Summary

To shortly summarize on the co-creation approach to branding, this approach has the potential for companies to build significantly stronger brands by establishing deeper relationships with consumers based on richer and more frequent interactions. In order for brands to reap the benefits of co-creation, we have argued that companies should initiate this process by gathering market intelligence in the sense of studying the consumers with which they are looking to co-create. The subject of such study should firstly be what motivates consumers to co-create in the first place; i.e. which unmet needs do consumers have that co-creation can fulfill. Our findings indicate that five motivations are dominant to attract consumers to co-create: financial incentives, utilitarian need satisfaction, peer recognition, firm recognition and social relations. Secondly, companies must study where consumers are interested in meeting the brand to co-create, which the brand concurrently has the ability to support; i.e. which touchpoint will make up the most appropriate arena for co-creation to increase brand value. Companies must then utilize this market intelligence to establish interaction with consumers, that being individual, collective or dual level. It is in this interaction that co-creation occurs, and thus relationships to consumers are built, which if approached in the right fashion will result in strong bonds between consumers and the brand, i.e. a more valuable brand.

Table 1 below outlines the connection between the two forms of interaction, and the dominant consumer motivations in our co-creation approach to brand management, and illustrates which motivations are connected to individual and which are connected to collective interaction.

<table>
<thead>
<tr>
<th>Individual Interaction</th>
<th>Collective Interaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Rewards</td>
<td>Peer Recognition</td>
</tr>
<tr>
<td>Utilitarian Need Satisfaction</td>
<td>Social Relations</td>
</tr>
<tr>
<td>Firm recognition</td>
<td>Firm Recognition</td>
</tr>
</tbody>
</table>

Source: Own Production
In the following chapter, we will study four cases of co-creation. These analyses will depart from the approach that we have established, to study how the elements proposed in the co-creation approach to branding have contributed to creating stronger brands for these companies.
6 CASE ANALYSIS

After having built the co-creation approach to branding on a solid theoretical base in co-creation and branding theory, we are now looking into how companies are actually approaching the task of co-creating with consumers. We have chosen four cases of co-creation, i.e. Threadless, LEGO, Chevrolet Tahoe, and Facebook, that each has a specific purpose in illuminating varying aspects of co-creation, in order to shed as much light onto this new concept as possible. The cases are analyzed in relation to the co-creation approach to branding, and will thus follow the structure that was presented in the approach. Each case analysis is structured around the important aspects of consumer motivation, interaction, and brand co-creation, to show the relevance of each of these aspects when it comes to building brands utilizing a co-creation approach. We cannot isolate that these aspects has been sole determinants of the success of each company, but we can argue that they have played a crucial role in these companies having built close relationships with consumers, thus having increased brand value.

6.1 Threadless – More than Just T-shirts

Threadless is more than just a T-shirt company. Nevertheless, that is what the company sells, and essentially thus what drives the business. But as this case will illustrate, it is not so much the actual sales of T-shirts that drives the company forward, but the close bonds in-between users and their collective relationship with the company.

6.1.1 Company Background

Threadless was founded in 2000 by Jake Nickell and Jacob DeHart, as a T-shirt design competition on the niche community website for hobby web designers, Dreamless.org, where Nickell and DeHart had initially been acquainted with one another. The initial prizes in the competition were two T-shirts and the recognition of having the design printed – seemingly a small incentive for investing time, but nevertheless generated 100 submissions (Chafkin 2008). The founders never abandoned this concept – rather they expanded this in numerous aspects leading to steep growth rates. By 2008, Threadless, the company and website spun out of the original competition, counts more than 700.000 users and had estimated sales above $30 million in 2008, with a profit margin above 30% (Chafkin 2008). What started out as a hobby project for two enthusiasts has now grown into a multimillion dollar business, now counting a venture capital firm among its shareholders, all based on the invaluable contribution from enthusiastic consumers.
Observing Threadless at a superficial level, this might seem like a company that produces, markets, and sells T-shirts with graphic prints in a very wide assortment (counting several hundred different prints) in a manner that is closely associated with the tools widely used in the G-D Logic. The business model that lies beneath this seemingly regular T-shirt design company however, is a bit more unusual than that. It is primarily based on members submitting ideas and designs for T-shirts, entering a competition, in a manner in which the lines between the production and consumption is blurred to the point of invisibility, as advocated with the S-D Logic (Vargo & Lusch 2004). By voting for the ones they prefer, the users democratically decide which T-shirts are to be produced and offered, and which are not. Thus, all decisions about product development and company offering are carried out by members. As a result, Threadless does not design any T-shirts in house even though the company actually markets a high fashion item. Accordingly, the entire offering of Threadless, and the pillars on which the business is based, is permeated by co-creation and the valuable contribution from consumers. Thus we can argue that co-creation make up the strategic foundation of Threadless; without co-creation, Threadless would be a distinctly different company, and would likely not have experienced the same level of success.

Consumers affiliated with Threadless in co-creation processes can roughly be divided into two not mutually exclusive groups, Submitters and Users. Both constitute important operant resources to the company; the former as the resource that actually design the output for Threadless, the latter in deciding which output is actually brought to market. There are no limits in the ability to affiliate to both groups. Users naturally make up the bigger of the two. Most submitters are also users to some extent, as most submitters also purchase, comment and score T-shirts designs. As a result we will henceforth argue that different incentives are activated when interacting with respectively submitters and users.

6.1.2 Motivations for Co-creating with Threadless

Following the co-creation approach to branding (chapter 5), it then becomes interesting to analyze what the motives are for co-creating with Threadless. In the initial contest, upon which the Threadless is founded, the motive for users to co-create was, as we will argue, mostly that of peer recognition and social relations. The contest resided in an online community for hobby web designers, in which the motive for participating is based on interacting with likeminded people on issues about web design, but also to share designs with peers to get recognition from those, with the result of experiencing personal gratification stemming from the recognition. Accordingly, this was also the main motive for entering the T-shirt contest. Another initial incentive, however of less importance, was that of receiving two T-shirts

---

2 Threadless word for judging and voting for designs
with the winning print. As this is a small tangible reward, we regard it as a minor incentive, that cannot be categorized as a financial incentive. Furthermore, as the users were not mainly affiliated with the community for reasons of acquiring T-shirts, we do not regard need satisfaction a relevant incentive in the initial Threadless co-creation, as getting a T-shirt was not why they were members in the first place, and thus likely not why they participated in the initial contest.

As the business of Threadless has grown, the incentives for Threadless users to participate and co-create have expanded. On the front page of the website, a financial reward of $2,500 for winning has a very conspicuous placement (www.threadless.com), illustrating that this incentive is of some importance to the submitters looking to contribute with designs. In building the business from a hobby occupation to a professional entity, financial incentives have proved a very powerful tool in the initial task of acquiring users in the first place; to grow, Threadless had to move beyond the narrow community of hobby web designers and in this, financial incentives proved very effective in attracting submitters. As financial incentives in nature do not foster loyalty however, offering financial rewards only would not be sufficient to retain submitters. And as submitters constitute a very important operant resource for Threadless, retaining these is crucial to the survival and growth of Threadless. Subsequent to having acquired these with financial incentives, other incentives will prove important in establishing relationships with submitters, as activating financial incentives only may very well result in phantom co-creation (chapter 5.2.1.1). The financial incentive is naturally only relevant for submitters, as it is not activated until submitting an actual design. Thus, Threadless could not have built this business on financial rewards alone, which proves to our point, firstly of the inability of financial incentives to function as the only incentive in co-creation, and secondly of the importance in activating several different types of incentives.

The incentive of peer recognition is activated when submitting designs to the website; as one 29 year old artist and submitter explains:

“It wasn’t so much the money [...] It was how cool it was to get your shirts printed” (Chafkin 2008:7).

Whenever a submitters upload designs they enter the contest and users will score and comment on the design. Thus, given that users assign a high score to the design and comment positively on it, the incentive of being recognized by peers, with similar interests, will entail a personal gratification that will lead to the submitter being more prone to submitting concurrently in the future, even if the design is

---

3 In total, a winning design can earn up to $22,500.
not chosen for print. Thus, the incentive of peer recognition plays an important part of motivating submitters beyond that of financial incentives. Even one positive comment, and a decent score is potentially enough to motivate the submitter to continue submitting. Conversely however, comment and rating functions can also potentially harm the submitters’ relationships to Threadless; i.e. if the submitters receive an unacceptably low score or negative comments about the design, compared to the submitters own expectations, the submitter will likely experience confusion and frustration, inherently containing the risk of these rubbing off on the Threadless brand. To avoid this, it is absolutely crucial for Threadless to establish a culture where winners are celebrated, without losers being put down. On the other hand, to stay relevant to users, the uploaded designs must be of satisfying quality. Thus, Threadless’ task in this is to find a balance between strengthening relationships with the talented submitters and downgrading the less talented submitters from being submitters to merely being users.

When it comes to users, the incentives of financial rewards and peer recognition are naturally not activated as there is neither anything to be financially rewarded nor anything to be recognized for when not actually submitting designs. Instead, other incentives are activated that will encourage users to participate to the extent that they currently are. The motive of utilitarian need satisfaction is very important when prompting users to score the designs. The fact that they themselves are part of the decision of which T-shirts that are on the market, is a way to directly satisfy individual personal needs of the users. They are not limited to choose from an assortment of T-shirts decided by organizational members disconnected from the market, but instead they active part of the decision making related to the company offering. Thus, users feel they are being listened to, by having taken active part in selecting the assortment, and their relationship to the company has become closer and their commitment to this relationship has increased. As a result we will argue that they will be more prone to purchase T-shirts, since they have built a perception of the offering being able to optimally satisfy the consumer’s needs. Furthermore, as print T-shirts can be characterized as a typical hit-or-miss product, with success defined by fast changing trends (Ogawa & Piller 2006a), knowing customers true opinions about the offering is crucial, and participating through scoring designs, is a close to optimal path to this knowledge.

The company offering is almost solely determined by the users, and thus, the users are given the power to determine the actual offering of the company in the future, i.e. where the brand is moving. As argued by founder Nickell, the look of the T-shirts offered on the website is drastically different today compared to that of the beginning (Chafkin 2009). This is a natural evolution along with a changing group of consumers. According to Nickell, the group of submitters and users has gone from being “... a small
group of geeky Web designers to include ten thousands of teenagers from middle America.” (Chafkin 2008:6). Threadless has in this relinquished almost all control of what assortment of designs the company is offering; this aspect outlines an important consequence of offering products where the entire offering is co-created; i.e. as the customer group changes, so will the offering, and thus the company must adapt accordingly. Furthermore, as the brand is co-created in a dynamic environment, the brand changes along with the product assortment, and thus the company must be aware of this when communicating with consumers. Another very interesting point emerges from this; i.e. as customers make up an important operant resource that determines the offering, in the relationship thus lies the ability to reconfigure resources as markets change – an ability labeled dynamic capabilities (Eisenhardt & Martin 2000). In order to stay competitive and adapt to market changes, companies must develop dynamic capabilities. In Threadless, as customers make up operant resources that must be reconfigured to remain a competitive advantage, the dynamic capability is the ability to acquire, retain and release consumers as resources, and in this managing the relationship with consumers to ensure that they will continuously constitute important operant resources. The particular aspect of Threadless’ consumers as an operant resource is that they will also reconfigure as a resource themselves, through voting for the designs they want. The submitters that do not win are not a sufficiently valuable operant resource for Threadless to keep and will after a number of times of not having won likely not submit any longer.

For the users, the commitment to Threadless is not only centered on consumption, as almost no one is only consuming. In fact, only 5% of visitors on the website are only consuming (Ogawa & Piller 2006) – the rest are participating, either through submitting, scoring or commenting – in general interacting. This points to the fact that there are very strong social elements attached to the Threadless community. As users interact in a community facilitated by Threadless, discussing designs of T-shirts and other subjects, an important part of human’s need to engage in social contexts is likely fulfilled, in process where they construct self identities through social interaction with likeminded peers (Nisbet & Perrin 1977). Consequently, Threadless becomes more than just a community based on consumption of T-shirts, but a way of establishing a social relationship both to Threadless and to other users, by means of interaction centered on T-shirt designs. Thus, it is reasonable to argue that Threadless users through interaction in the community create a consciousness of kind (Muniz & O’Guinn 2001), that will help to strengthen the internal cohesion of the community, and consequently also the relationship with the Threadless brand.
Summarizing on the motivations for co-creating with Threadless, on the company website Threadless perfectly encapsulates which motivations are activated when contributing and participating in co-creating with Threadless:

“Submit an idea for a chance at fame, friends & TWENTY-FIVE HUNDRED DOLLARS!” (Threadless Submit)

6.1.3 Threadless Interaction

As already pointed out, the entire business model of Threadless is based on consumers interacting online through several different touchpoints. Threadless interacts with consumers on different levels (dual level) dependent on which of the two consumer groups they belong to. As a result of this business model, by far most interaction is carried out on some sort of interactive online platform; the most obvious touchpoint not anchored in online communication, is the product itself. Such a touchpoint is important for Threadless from a brand management perspective, as the product is important for Threadless in building a consumption experience. The consumer must find the product of Threadless intriguing and interesting, in order to find co-creation with Threadless attractive in the first place. Furthermore the product and the perceived quality related to this becomes a prerequisite for co-creation with Threadless. If the product quality is not sufficiently high, consumers will not be interested in co-creating, no matter what the motivation.

Co-creation-centered interaction is present and very active in the relationship between Threadless and consumers. This interaction takes place as a dual level interaction, i.e. encompassing both individual and collective interaction (chapter 5.3.3).

Direct individual interaction is most prevalent in the relationship between Threadless and the submitters. Threadless and the submitter interact very directly in the process of design submissions. The submitter proposes a design with the tool kit (Thomke & von Hippel 2002) that Threadless via the website provides access to. From then on the submitter enters a dialogue with the company and users in general about whether to put the design into production, as the submitted designs are displayed on the website for users to score them.

It is absolutely necessary in Threadless’ innovative business model, to openly display potential future products for users to judge them. This high level of transparency of future offerings however, inherently holds a big potential risk; i.e. with this transparency comes also the risk that competitors can monitor future designs and quickly respond to this by producing similar designs before Threadless get to market with theirs. As time-to-market on T-shirts is rather short, this risk increases significantly; thus, it would
only require a short period of time for competitors to copy Threadless future offering. One way Threadless have responded to this risk however, is by not displaying how the individual designs are performing in the competition before they actually being announced as winners. This means that competitors can only monitor potential future offerings, but not exactly which ones are most popular among users. This risk also increases the importance for Threadless to stress user’s loyalty so that they will not go to competition because they have a similar offering. Furthermore, as Threadless has created social relationships with and in between consumers, it is unlikely that competitors can successfully acquire Threadless consumers, as loyalty toward Threadless that goes beyond T-shirt designs has been established.

The initial individual interaction between Threadless and consumers is technical. In order for the submission to be accepted, it has to fulfill some technical requirements established by Threadless. If the design abides to the technical requirements, the design proposal is posted in the competition part of the website where users will provide comments and ratings. Thus, what initiated as individual co-creation interaction now evolves into a collective interaction, and if the design wins the competition, interaction will once again switch back to individual interaction between Threadless and the submitter. Thus, most individual interaction in this case is based on formalities firstly about technical design formalities, and secondly on production and financial issues. Accordingly, if Threadless manage to carry this interaction out in a dialogical manner that lives up to the expectations of the submitter, the relationship between the Threadless brand and the submitter will most likely be strengthened.

Motivated by the prospect of social relations, consumers are to a large extent interacting collectively about designs in brand community (Muniz & O’Guinn 2001) on Threadless’ website. The community would fall under the category of community that Fournier & Lee (2009) would label pool, i.e. communities in which members has a shared activity or goal, but only loosely connected social ties. Even though the communities do fulfill some social need, the risk with these kinds of pools is that the members are only connected through their shared interest. Thus, for communities to entail real loyalty, they must not only have pool characteristics, but also some web characteristics to them (Fournier & Lee 2009). We will argue that the Threadless community initiated as a pool community based but is gradually developing the characteristics of a web community, in which deeper social relationships between consumers are established. An example of this is the ability to interact on the website through

---

4 “Web affiliations are based in strong one-to-one connections (think social network sites or Cancer Survivors Network)” (Fournier & Lee 2009:107).
the use of online profiles. These profiles are online identities that will be developed through interaction with other profiles, enabling consumers to construct their personal identities through this interaction (Nisbet & Perrin 1977). If a deeper social relationships are developed, the social incentive increases, which will foster increasing co-creation of the social experiences that will entail a deeper relationship to the brand, and thus a higher level of loyalty. The larger the part of users social needs are fulfilled in the Threadless community, the longer time they will actually spend on the website, increasing chances for both scoring designs, submitting designs, but just as importantly purchasing T-shirts.

To increase interaction regarding designs, submitters can upload their designs to a special Critique Forum on the website (Threadless Critique Forum), in which they can prompt users to respond with constructive criticism on the particular design, before formally submitting the design. This collective interaction has much of the characteristics of what Thomke & von Hippel (2002) has labeled Trial-and-Error Cycles, in which the submitter on the basis on criticism can modify and improve the design until it is optimal as to submitter’s beliefs and users’ demands. This feature holds advantages on several levels for Threadless’ brand. Firstly, the submitter will get the feeling of the community actually taking an interest in what is offered, and as a result to peer recognition (because the critique is demanded from the submitter). Secondly, with this, users are not limited to judging the designs, but also actually participating in the modifications, thus potentially increasing the level of utilitarian need satisfaction and expanding the realms of co-creation for Threadless.

6.1.4 Threadless Brand Co-creation

In conclusion to the Threadless case we will argue that by co-creating the Threadless way the company manages to establish a close relationships with consumers resulting in increased brand value. The Threadless case of co-creation is a great example of the very important characteristic of co-creation, i.e. the utilization of consumers as operant resources, with the ability to strengthen the brand on several levels. As argued above, co-creation plays a profound role in the overall strategy of Threadless, because every part of the offering is co-created.

Through co-creating the T-shirt designs, the consumers utilitarian needs are satisfied more accurately, Furthermore, as consumers have taken part in creating and selecting the offering, and consequently they will feel honored by this empowerment. In this way exchange value is created by both submitters and users. By submitters in submitting the designs that become the T-shirt offering, and by users in voting for the designs thus selecting the actual offering. Satisfying utilitarian needs optimally through
co-creation of exchange value entail the ability to create stronger relations between brand and consumer, which we argued will likely strengthen the brand relationship.

With the wide use of the Threadless community, much effort is put into nurturing collective interaction, i.e. interaction between consumers to build social relations. As a result, Threadless’ community are developing from a pool community to a web community, in which users are interacting centered on co-creating T-shirt designs, also but for an underlying reason of fulfilling social needs. Thus, Threadless becomes much more than a T-shirt company. It becomes a community, where users come to interact with likeminded consumers thereby gaining meaningful social experiences that play an important role in establishing their identities as consumers. As they have established strong relationships within the Threadless web community, they will feel more attached to the brand. Thus, Threadless has moved from co-creating T-shirts to also co-creating social experiences. This entails a move from satisfying only utilitarian needs to also satisfying important social needs, entailing the ability of establishing close relationships between consumers resulting in loyalty at a profound level.

In attempting to classify the type of co-creation utilized by Threadless it fits into three overall categories – co-creation of products, co-creation of social experiences, and co-creation of marketing communication. The first is obviously through innovative users contributing with designs thus creating the actual offering of Threadless through being utilized as a design resource. The second, through the heavy application of communities, in which users and Threadless in cooperation co-create social interaction, as a response to a basic human need of being social. Lastly also marketing communication is co-created through what is called The Street Team. In the street team users submit photos of themselves wearing Threadless T-shirts thereby earning points to buy T-shirts in the future. The photos are utilized in Threadless’ marketing communication to create awareness about the company as well as the particular products on the website.

Consequently we will argue that these three classifications of co-creations are all in themselves a way to increase brand value as a result of stronger relationships with consumers. Moreover, co-creating with consumers on all those three levels has synergistic elements to it, as the co-creation types build on each other, contributing to a deeper rooted relationship with the consumer being built.
6.2 LEGO – 77 Years of Co-creation

LEGO, a renowned Danish company operating out of Billund, has for 77 years offered toys appealing to the creativity of consumers in all ages, in all corners of the world. By the turn of the millennium, LEGO was awarded “Toy of the Century” by acclaimed Fortune Magazine (LEGO Company Profile), illustrating the pervasiveness of the LEGO brand in playful minds all across the globe. Since 1958 LEGO has been closely associated with the LEGO brick as we know it today, with its unique interlocking system, encouraging children and adults to challenge their imagination and creativity in ways that no other toy has been able to.

6.2.1 Company Background

Despite many years with solid growth rates and healthy bottom line, sales started plummeting and figures turned red, culminating in 2004, with a loss of 1,9 billion DKK (LEGO Company Profile). A number of external factors rooted in consumer changes have said to have contributed to this negative evolution, e.g. faster paced child development leaving fewer years of play for children, growth of the digital world taking focus off tangible toys such as LEGO, and changing fashion trends in the toy industry in which toys more rapidly go in and out of fashion (Hatch & Schultz 2003). If these are factors that contributed to the decline of LEGO we can argue the crisis of LEGO was exacerbated by a lack of market orientation (Narver & Slater 1990; Jaworski & Kohli 1990) but also by insufficient dynamic capabilities (Eisenhart & Martin 2000) emphasized by the company’s inability to reconfigure resources in sufficient pace to respond to the faster changing trends and the increasing digitalization of toys. As LEGO had not managed to respond to the changes, by 2004 the company was close to bankrupt. With a new management team and a modified focus however, LEGO has managed to turn around this negative development and in 2008 LEGO presented the best result ever, with a net profit of 1,3 billion DKK (LEGO Company Profile). It is not possible to isolate any activity initiated by LEGO as the determining factor for the company turnaround, and most certainly it was a mix of many activities and circumstances. Consequently, we cannot argue that co-creation initiatives were determining, but it is fair to argue that the co-creation activities that LEGO has undertaken, has in part contributed to LEGO regaining a strong and dominant position on the toy market, not least with a strong co-created brand. Recently the LEGO brand was rated as 8th most valuable brand in the UK (Superbrands Rating 2009), exceeding brands such as Apple and Disney.

An important characteristic about LEGO’s offering is that it is inherently co-created by the consumer. The single LEGO brick does not hold any intrinsic value. As such the LEGO brick is a somewhat perfect
incarnation of the S-D Logic (Vargo & Lusch 2004), as the brick is ascribed value once it is connected to other bricks as a result of consumers’ creativity. Deeply rooted in the product’s DNA is that it facilitates consumers’ creativity and is in essence an open-ended process, thus LEGO’s products a co-creation of experiences (Prahalad & Ramaswamy 2004c). It is not the bricks that carry value, but the ability of the bricks to serve as an artifact that facilitates co-created experiences. However, with the original bricks only use value is co-created, and thus no profound change in the company consumer relationship can be observed (Humphreys & Grayson 2008). As we will argue however, the ability to share constructions via interactive media has entailed the possibility of exchange value to be co-created.

When analyzing co-creation in LEGO we will focus on the activities carried out, in the community of LEGO Factory (LEGO Factory), the closely related LEGO Digital Designer (LDD), and to some extent also the consumer facilitated communities in which co-creation occurs. As the analysis will illustrate, at these touchpoints not only use value, but also exchange value is co-created, e.g. through the use of LDD, which significantly increases the relevance for this thesis when looking to actively co-create with the consumer.

LEGO.com generated in 2008 an average of 18 million unique visitors per month, compared to approximately 8 million in 2006 (LEGO Company Profile). LEGO Factory is a micro site on LEGO.com in which LEGO consumers share and purchase creations built virtually in the LDD tool kit (Thomke & von Hippel 2002). This tool kit offers more than 1.500 different brick types in numerous different colors. Taking into account the many different ways to combine these bricks, the offer is open-ended, offering virtually an infinite number of ways to connect the different bricks. Thus, limits exist only within the consumer’s own imagination, and not inherent in the tool kit, as is the case with customization. From LDD, users can directly upload their creation to their profile on the LEGO Factory website, thereby sharing it with other users. Furthermore, subsequent to uploading the creation, they can order it directly in a tangible version; all users can order all creations at all points, and thus, all users have the ability to co-create, not only use-value but also exchange-value (Humphreys & Grayson 2008) with LEGO.

Similar to the Threadless case we can identify two different types of co-creating consumers, namely builders and users. Builders are consumers contributing to the LEGO Factory community with models created in LDD. Users are participants that mainly engage in social relationships in the communities centered on LEGO. These are not mutually exclusive, and one consumer can fill both roles, but does not necessarily do so.
6.2.2 Motivations for Co-creating with LEGO

Having indicated that consumers to a large extent is offered the opportunity of co-creating with LEGO among other things through LDD, what are then the LEGO consumers main motivations for co-creating?

Bughin et al (2007) have argued that LEGO uses financial rewards as an incentive for consumers to co-create with the brand:

“Lego, for instance, famously invited customers to interactively design ideas for new Lego models and then financially rewarded those whose ideas proved remarkable.” Bughin et al. (2007:2).

After a thorough search on the website however, we did not manage to uncover any signs of such financial incentives. As argued, the co-creation approach to branding (chapter 5), financial incentives must be obvious to the users expecting to reap them, as users looking for financial incentives otherwise will not find it attractive to co-create. On that note we cannot conclude that financial rewards are an active incentive for LEGO consumers to co-create. Co-creation processes must have clear and ready, but not necessarily, explicit motivations for the consumer. When there are no financial incentives in the co-creation offering, this places additional emphasis on other motivations to render participation and contribution attractive.

What LEGO has not offered explicitly through financial incentives, they certainly have through other rewards, of which utilitarian need satisfaction is a very big part. Through the LDD tool kit (Thomke & von Hippel 2002), the consumer is offered to build exactly the product that the consumer demands. This has to some extent always been possible with LEGO’s offering, as a result of the very deep rooted level of co-creation of use value through experiences embedded in the offering. With LDD however, this possibility has been widened, along with the limitation of having only a certain number of bricks available has vanished – the more bricks, actual or virtual, the more open-ended a co-creation offering. As a result, every utilitarian need of every consumer looking to build with LEGO can be close to optimally satisfied, with the most obvious limit being the individual consumer’s own creative limitations. There is no longer potentially any construction that the LEGO consumer cannot create. This however outlines another issue, namely whether all consumers have an interest in and have the right skills to co-create; Are there consumers that are merely looking for an offering in which they from the beginning are led directly to the end goal of a LEGO construction? This discussion we will elaborate in chapter 7.

With LDD, LEGO has built a tool in which the consumer at all times can be utilized as an operant resource co-creating use value in the sense of the consumers utilitarian needs being more thoroughly fulfilled, and exchange value being created because the co-created products are actually purchasable for
the individual and other consumers, thus LEGO can transform this co-creation directly into exchange value.

Upon having finished model construction, and in order for purchase to happen in the first place, the consumer must upload the model to the LEGO Factory gallery, in which all models uploaded are displayed. The gallery has several functions related to co-creation for LEGO. Firstly, the gallery functions as a web shop in which all consumers can purchase all models on display, and thus the locus in which the co-created exchange value is extracted. Once added to the gallery, the model that one consumer has created is available for purchase to all consumers. Thus, in an even more radical form than Threadless, all LEGO consumers can participate in co-creation of products without any barriers regarding skills. There are no gate-keeping procedures evaluating the individual creations in regards to how they might be accepted by other consumers and fellow users, as was a deciding factor in the Threadless case. The only barriers in uploading models are those of copyright protection and inappropriate discriminatory content. In displaying the models built in LDD on the LEGO Factory site peer recognition becomes a motive that is activated by all users designing their own models, and not as in the Threadless cases a motive only relevant for submitters. In that sense, all users are co-creating exchange value for LEGO, even if it is only the users themselves that purchase the model they have built.

LEGO clearly attempts to make the peer recognition incentive further relevant by hosting model building competitions. The prize in these competitions is, similarly to Threadless, that the winning models are put into production and distributed online and via toy retailers. The winners are displayed with name, pictures, and interviews on the LEGO Factory web site, and thus the recognition for winning is clearly communicated (Lerner & Tirole 2002; Rashid et al. 2006) so that they are truly recognized for their performance by fellow LEGO users. The fame that comes with this is a well known incentive for users to take part in any kind of co-creation of products (Bughin et al. 2008); users get personally gratified if they are praised for their performances by their peers, i.e. people with whom they most likely share values and interests (Lerner & Tirole 2002; Jeppesen & Frederiksen 2006). Contrary to the Threadless case in which winners were solely determined by the users, organizational members from LEGO chose the winning designs. Thus, winners are recognized by the peers only on a fame level and not by actually being voted for.

LEGO choosing winners activates the incentive of firm recognition (Jeppesen & Frederiksen 2006). When a co-creating consumer is recognized by the professional LEGO model designers, it will induce great self gratification, as LEGO users often admire the professional model builders. Thus builders are recognized
by the professional designers that built the models that attracted the consumer in the first place. With this firm recognition, it is important to note that the impact of this recognition is increased of the builders contribution is communicated to the community (Rashid et al. 2006), as it will activate the incentive of peer recognition concurrently.

When a consumer has uploaded a design to the LEGO Factory gallery, two options is provided which very clearly explicates how LEGO attempts to motivate co-creators, and which motives are in focus: “Make it real” referring to increased utilitarian need satisfaction that can be extracted from buying the co-created product or “Show it off” referring to the recognition of like-minded peers (LEGO LDD Upload).

Lastly, social relations are extremely important in acquiring and retaining users to co-create with LEGO. Acquiring consumers to co-create with LEGO is as we will argue based in a heartfelt interest in the product, but as a result of this also a desire to socialize with people of same interest. As we argued, the self is created mainly by the social interaction that humans engage in (Nisbet & Perrin 1977), and thus, LEGO users are motivated to co-create with LEGO to a large extent based on deep aspiration to the company, but also to create a self-identity as being part of a LEGO designing community. Thus, consumers are collectively developing a consciousness of kind for the community (Muniz & O’Guinn 2001), which is increasingly the case in communities centered on brands (Schau & Muniz 2002). In fact, judging from the number of communities turning on LEGO, e.g. LUGNET, and the number of members engaged in these, interacting about LEGO has developed into being just as much about social interaction experiences, as being about model building experiences. This point we will elaborate below in the analysis of LEGO co-creation interaction. As consumers develop social bonds in communities, we will argue that they are more prone to stay close to the company, as they likely cannot find an acceptably substitutable interaction elsewhere, or with other brands. As Muniz & O’Guinn (2001) advocates in relation to consumers in brand communities:

“Deprived of their social connections, the value of these brands to consumers would certainly be diminished.” (Muniz & O’Guinn 2001:427).

Thus, the establishment of social relations in co-creation is an extremely powerful tool for retaining co-creators related to the company.
6.2.3 LEGO Interaction

Most individual co-creation interaction with the brand turns on the actual process of co-creating the product, and thus is carried out through the tool kit as the main touch point. Whereas Threadless’ tool kit was mostly a line of directions of how to co-create, LEGO’s LDD is a more tightly set up tool kit that very directly dictates the lines and limitations of co-creation. The rather tight structure of the LDD tool kit and the interaction that this implies holds the risk of leaving the user with a feeling of a mechanical interaction, which is not a distinctly positive feeling for consumers looking for interactive co-creation. However, we do not regard this as a problem, as the open-ended nature of LDD will leave the consumer with a positive feeling of having endless possibilities to co-create whatever wanted, which will ultimately create a positive interaction centered on co-creation with LEGO.

LEGO has obtained a structure in which engaging in LEGO brand communities has a very central position, which is indeed illustrated by LEGO having an entire department occupied only with nurturing collective interaction carried out in LEGO brand communities; as Tormod Askildsen, Senior Director of LEGO Community Development calls it, to “engage and activate the LEGO community” (Stemann 2009). This indicates that LEGO is in fact extremely focused on cultivating co-creation interaction both directly with consumers individually, but also in between consumers collectively, among other things to create closer relationships with consumers, and thus strengthening the LEGO brand. In trying to grasp how comprehensive this affiliation with LEGO communities is, the LEGO community on Facebook currently holds 741,492 members.

Collective co-creation interaction is firstly carried out in the community facilitated by LEGO on the LEGO Factory website, in which users interact on wide ranging subjects however all somehow related to LEGO co-creation. Examples of subjects from threads in the community are “What’s Your Favorite LEGO Brick”, “Best Ever Creators”, “Help Me Build a Mini Town”. (LEGO Message Board A). All these collective interactions are a part of establishing social relations, an important aspect of the attractiveness in LEGO co-creation, what we will label co-created social experiences. By nurturing these interactions, LEGO is able to increase the brand’s pervasiveness as part of users’ social lives, thus creating a closer bond between brand and consumer. In the LEGO Factory community, LEGO occasionally also takes active part in the discussion, e.g. when interacting about trademark violation issues in co-creation processes. In this instance, a LEGO employee created a thread in the community interacting about copyright issues in the co-creations (LEGO Message Board B). The fact that LEGO takes this up in the community in an actual dialogue with the users, and not as a regular disclaimer, gives the image that LEGO is genuinely interested in listening to users’ opinions and questions on the subject. Furthermore, it shows the human
face of the brand, with which users can interact individually and collectively. This will likely contribute to creating a stronger personal relationship with the brand, and make individual interaction with the brand more attractive.

As has been argued however, companies must be extremely cautious about participating actively in user facilitated communities centered on brands, as consumers generally dislike brands looking over their shoulders (Muniz & O’Guinn 2001). LEGO is consciously very careful about this fact, thus only taking part in user facilitated brand communities once invited (Stemann 2009). An example of this is illustrated in the LUGNET.com community in which LEGO employees posted a discussion thread encouraging users to nominate other users as prospective LEGO ambassadors (LUGNET Message Board). Seen from the outside, there are no signs of an active resistance towards LEGO’s participation, as one could argue that users actually feel a sense of inclusion and gratification by interacting with professionals of the company they admire.

An interesting point regarding interaction in the LEGO facilitated online co-creation community is that users clearly express awareness of the operant resource that they constitute, illustrated by following quote from the LEGO facilitated brand community:

“This is more for LEGO, but if you include LEGO fans in the design process of other types of sets you could definitely increase revenue because the customers would be creating the sets they wanted. Also, the designers at LEGO could create other designs and edit designs by users, because people who design and send things to LEGO are, technically, giving design ownership to LEGO.”

(LEGO Message Board C).

In an analysis of online basketball communities Füller et al. (2007) also pointed to this notion. Even though users are fully aware that they make up an important resource which in turn has the ability to be transformed into revenue, users show great willingness to co-create, as we argued above, based on other than financial incentives, e.g. social motives. Thus, co-creating companies can be fully explicit about using consumers as operant resources, without fearing consumer resistance as a result of perceived exploitation.

One thing is the LEGO facilitated brand community on the LEGO Factory website in which LEGO takes an indeed very active part in the collective co-creation interaction; another thing is the manifold of user initiated brand communities, in which co-creation is also a very pervasive subject of interaction. LEGO has a direct relationship with more than 50 Adult Fans of LEGO-groups, encompassing more than 40,000 registered members (LEGO Company Profile). An example of one such is Lugnet.com, in which users
interact about various LEGO building themes. Most interaction in these communities turn on users posting personal projects seeking advice from fellow users about these or displaying them to the awe of other consumers, thus internally co-creating use value. The co-creation of exchange value is less obvious in the user facilitated communities than found the one found LEGO facilitated community, however it is there to some extent. This is found in that users comment on creations from other users providing advice about which bricks to use to improve the construction, which will prompt the original creator to visit LEGO’s Pick-a-Brick site (LEGO Shop), in which consumers can buy the particular bricks they need. Thus, one user’s comments might very well lead to the other user making a purchase, thus having co-created value internally in the community. This can be defined as co-creation of marketing communication, as one user shares information about the LEGO offering with another, thus increasing awareness about what the brand might be able to offer, thus strengthening the brand relationship. This kind of information sharing is common in brand communities as argued by Muniz & O’Guinn (2001), as “brand communities represent an important information resource for consumers” (Muniz & O’Guinn 2001:426).

As we did in the Threadless case, we will argue that LEGO communities both company and user facilitated, has originated as pool communities (Fournier & Lee 2009) in which users gather to interact about a shared interest and thus a shared set of values. But as we stressed in the Threadless case, as consumers in co-creation communities make up an important operant resource, LEGO must go far to keep consumers close. As pool community memberships however hold a risk of being superficial (Fournier & Lee 2009), LEGO must work with great determination to create and nurture tight social relationships that transform pools into webs, to facilitate the social interaction that create true loyalty toward the community and thus toward the brand.

As an activity initiated in attempting to create a web network, LEGO has arranged a series of mega events called LEGO World, e.g. taking place in the national stadium of Denmark, an event that was completely sold out with 36.000 tickets (Stemann 2009). In this, LEGO fans from many countries gathered around their common interest, to create LEGO models, but also with a need to meet people sharing this interest. Such a social experience has the potential to develop stronger social relationships between consumers as a result of them meeting face to face, thus enforcing internal community cohesion, to increase the potential of retaining consumers as an operant resource of LEGO. And, in fact we can argue that the communities has developed into more than merely a pool community when user facilitated LEGO communities arrange more than 100 events every year (LEGO Company Profile) in
which an important element is social interaction with people that normally only interact though online communities.

6.2.4 LEGO Brand Co-creation

How is LEGO’s brand then affected by the pervasive co-creation occurring both in- and outside company facilitated communities? As a result of above analysis, we will argue that co-creation in LEGO fits perfectly with the above delineated definition of co-creation, as company and consumer interact both to create new and modify current offerings, in a process that has no inherent predetermined end-outcome. Value is created both for the consumer in sense of more optimal utilitarian need satisfaction, the opportunity to be recognized by peers, and as a response to a basic human need for engaging in social relation, thereby co-creating a social experience. Value for the company, stems from this consumer value, resulting in a relationship to consumers that is significantly stronger, than had the company not focused on interacting with consumers on the basis of joint creation, of products, experiences, sociality. The result of this closer relationship to consumers is a brand that has more value, thus contributing to future generation of revenue.

LEGO has managed to build a community of extremely engaged consumers that co-create value both utilitarian through model building, and social, through communities; value that they most likely could not find with any competing brand. There are as we will argue no other toy manufacturer, or entertainment supplier can challenge consumers’ desire for creativity and simultaneously stimulate social needs, to the extent that LEGO is currently doing. Thus, LEGO has managed to establish a very close and loyal relationship with consumers, mostly obvious through the possibility and attractiveness for consumers to participate.

Co-creation in LEGO covers thus co-creation across numerous different categories of a co-creation typology. Exchange value is created as consumers utilize the LDD tool kit to co-create the products that is then displayed at the Factory website as in every other regular web shop. Through this, utilitarian needs are satisfied as LEGO facilitates the service of the consumer being able to optimally fulfill own demands in the product. The consumer has created the best possible product, according to his or her own skills. Through the LEGO communities both facilitated by LEGO and by consumers, consumers interact with other consumers, firstly based on an interest in the brand, secondly to fulfill a social need and to create one’s own identity through interaction. Thus, in the LEGO case co-creation of social experiences is also present. Together LEGO and consumers stage experiences based on social interaction that create close relationships. Thirdly, marketing communication is to some extent co-created. This is as a result of the pervasive collective interaction occurring in communities. In this,
consumers creating their identity based on this interaction will be very prone to promote the brand by recommending it, also outside the specific community; and as these groups increase in size, the volume of the voice promoting LEGO through word-of-mouth naturally also increases (Muniz & O’Guinn 2001). This is co-created marketing communication because it is the consumers themselves that decide the message on which the communication about the brand turn, an aspect that can however also hold a potential risk towards the brand, e.g. by consumers taking the brand in an inappropriate direction, a point to be elaborated in chapter 7.

The LEGO brand is co-created on three levels, all contributing to increasing the value of the brand through closer relationships with consumers. Through utilitarian need satisfaction the consumer will feel more directly satisfied by the co-created product. Through the social experiences, LEGO ensure that consumers engage in relationships that they would likely not be able to get elsewhere. Lastly through co-creation of marketing communication, LEGO ensures that the message is communicated outside the community so that awareness of this attractive offering is built, ultimately acquiring new consumers.

6.3 Chevrolet Tahoe – Consumer-generated Communication

Chevrolet’s alternative advertising campaign for their workhorse Tahoe SUV is the story of a bold advertising agency, Campbell – Ewald Advertising Agency, who dared to jeopardize their own means of subsistence by involving consumers in the creation of TV advertisements. The main thing about this case is however not that the consumers made the actual advertisements, hence saving Chevrolet the production costs, but the fact that the consumers were willing to interact with the brand, thus participating in the value creation of the Chevrolet Tahoe.

6.3.1 Company Background

In the spring of 2006 the sales figures for the Chevrolet Tahoe had a straight downward trend caused by increasing gasoline prices, climate changes, and the wave of green consciousness spreading across Western part of the world (Anderson 2008). Accordingly, something had to be initiated in order to turn around the downturn on sales. Campbell – Ewald was well aware of this challenge and they knew that regular TV ads was not the right answer, as these are not performing efficiently. This was due to challenges such as the increasing advertising clutter, falling viewership, and the power of new devices like the TiVo allowing consumers to skip commercials (Anderson 2008). An online marketing campaign taking form as a contest was the answer. Inspired by the Chevrolet tagline “An American Revolution” Campbell – Ewald decided to do something revolutionary and distinctly different from what has been seen online so far. The campaign was meant to catch attention of and cater to interaction between
Managing Brands Through Co-creation of Value with Consumers

consumers and the brand as well as have the capability to be more emotionally involving than the usual TV advertisements (Rose 2006). To win the contest consumers had to create the best consumer-generated TV advertisement for the new Chevrolet Tahoe. The actual campaign was based on a microsite, chevyapprentice.com, on which Chevrolet supplied the contestants with video clips and music from which they could mix and match the material and add their own personal captions (Anderson 2008).

The Tahoe campaign turned out to be a success. In total the contest had more than 30,000 entries. At the time when the winner was announced the microsite had attracted 629,000 visitors, who averagely spend more than 9 minutes on the site. Further did 2/3 of these visitors continue to Chevrolet’s website, chevy.com, and several of these requested information on the SUV or left cookies on actual dealer sites. The traffic generated to Chevrolet’s website by the microsite, during the three week period the campaign was running, exceeded the visits generated by the search engines Google and Yahoo (Anderson 2008). Further the campaign resulted in increasing sales, in spite of the fact that it was out of season for SUV sales. Nevertheless, sales figures succeeded the nearest competitor Ford Expedition and market share rose to approximately 30 % among SUVs (Rose 2006). All in all, a quite successful consumer-generated campaign.

On first impression the Chevrolet Tahoe campaign may seem just like an ordinary contest, in which the company is in full control. The output of the contest is more or less predetermined as the TV ads are all made from the same video clips and music, which has been selected by the company, thereby leaving little left for the consumers to actually co-create. It could therefore seem, as this was more a case of a customized output, in which the consumer is not utilized as an operand resource but merely as an operand resource, which the company promotes to (Vargo & Lusch 2004) by means of an online contest encouraging to a quasi involvement (customization). However, we will argue that the Chevrolet Tahoe campaign must be seen as an example of co-creation between company and consumer. Different from other user-generated contests, Chevrolet was encouraging the contestants to add their own personal captions (Anderson 2008), thus the TV ads became a co-creation between company and consumers, where Chevrolet made video clips and music available whilst the consumer created the message to be communicated. Thus, as we regard marketing communication as a company offering, consumers are in this co-creating exchange value with Chevrolet Tahoe. In this conjunction the consumer becomes an operand resource for the company since value is created in the interaction between the two parties. Further, as the following will show, the campaign was far from being controlled by Chevrolet.
6.3.2 Motivation for Co-creating with Chevrolet Tahoe

In the following we will argue that the main incentives for engaging in co-creation marketing communication in the Chevrolet Tahoe case are the motives of peer recognition, firm recognition, and social relations. Unlike many other contest the Chevrolet Tahoe TV advertisement contest did not have any financial incentives, since the winner did not receive any monetary reward, in contrast to e.g. Doritos’ “Crash the Super Bowl” contest in which the winner was awarded $1,000,000 for the best consumer-generated TV ad (crasht Thesuperbowl.com), which we will argue is essentially phantom co-creation. A study by McKinsey & Company shows that more and more people are willing to participate with companies, but only 1/3 of those who co-create with brands do so motivated by financial rewards (Bughin et al. 2008). As financial incentives becomes a less important factor in motivating consumers to engage in consumer-generated content, non-financial motives such as fame, fun, and altruism become pivotal incentives (Bughin et al. 2008). Further we can conclude that utilitarian need satisfaction does not function as an incentive for the contestants in submitting their entries, since the co-creation is not concerned with the actual product, but instead focuses on the co-creation of the communicated message, i.e. brand meaning.

As we illustrated in the Threadless and the LEGO case, co-creators can be divided into two different roles, namely contestants and users. Contestants are consumers that took part in the contest by contributing with a co-created Chevrolet Tahoe advertisement, mainly motivated by peer and firm recognition. Users are those participating in the social interaction in which peer recognition becomes evident. Although they do not actually contribute with contest entries themselves they play an important role, as they are a source of peer recognition as a motive. Users are mainly motivated by the prospect of entering in identity creating social relations. Contestants and users are not mutually exclusive, and the same consumer can fill both roles.

A focal incentive for participating in the Chevrolet Tahoe advertising campaign is that of peer recognition, in which the participant is personally gratified by being recognized by a community. In this case, the co-creation is not occurring within a brand community, as with Threadless, but on the microsite facilitated by the Chevrolet. Although the consumer is not directly motivated by the recognition of other members of a community per se, it is likely that a contest like this would attract many members of existing Chevrolet brand communities, as they already admire the brand and thus will be inclined to get involved with the brand. Instead of a brand community, the microsite became the center of interaction and when a contestant submitted a TV advertisement that entry would appear on the chevyapprentice.com for everyone to see. The microsite also allowed contestants to upload the
entry directly to YouTube (Anderson 2008). Entries would then become visible to other contestants, thus facilitating the recognition of other users. As opposed to Threadless, Chevrolet did not make it possible for the contestants to rate each other’s entries. A rating system could have improved the impact of peer recognition as a motive, since the recognition from other contestants would have become visible. Further, social media as YouTube played an important part in the peer recognition, which will be elaborate later under brand co-creation. A more essential form of incentive in the Tahoe case is that of firm recognition, in which the consumer is recognized by the brand for the contribution. For a co-creating consumer it is highly motivating to be recognized by an admired brand (Jeppesen & Frederiksen 2006). Participants in co-creation are disposed to possess shared values with the brand (Jeppesen & Frederiksen 2006), thus recognition naturally becomes a great motivation for collaboration especially when there is an opportunity of being announced as the winner of the contest, such as it was the case in the Chevrolet Tahoe ad campaign.

Another motivation for engaging in co-creation of a brands communication is the need for social relations. The fact that consumers involve themselves with brands in social relationships, similar to those relationships people build with each other, as a process of defining one’s identity, i.e. the extended self (Belk 1988), has long been recognized (Fournier 1998). Consumers who form these kinds of relationships with the Chevrolet Tahoe would therefore be more prone to engage in the co-creation of marketing communication. Thus, we will argue that loyal consumers would participate with the purpose of fulfilling social needs. Their relationship with the brand hence has a great impact on the willingness to participate in co-creation. This argument finds support in a study of online consumers, which shows that a key factor to involvement is consumers’ trust in the brand. If the consumer has an affinity with a brand he or she is more prone to engage (Bughin et al. 2008). In relation to how consumers’ form their identity through consumption, Schau & Muniz (2002) argue, “that identity directly translates into consumption, and that consumption is capable of revealing identity” (Schau & Muniz 2002:344). In this case consumption is seen as the consumption of brands’ marketing communication. Consumers are using commercial messages as a mean to build their own personal identity. Chevrolet Tahoe fans therefore engage in the advertisement contest, as it becomes a part of their identity creation. The contest had more than 30.000 entries of co-created Chevrolet Tahoe advertisements from which the vast majority was praising the SUVs selling point (Anderson 2008) indicating that many consumers took an active part with the purpose of fulfilling a need for social relations, i.e. form their identity.
6.3.3 Chevrolet Tahoe Interaction

As mentioned above, the Chevrolet Tahoe campaign was primarily based on the microsite chevyapprentice.com, which functioned as the main brand touchpoint for the campaign. Thus, all interaction between brand and consumer occurred on this interactive online platform from which the contestants could create their own TV advertisement from the tools made available by Chevrolet such as video clips and music. Besides from the microsite, Chevrolet also employed regular TV advertising in the early stage of the campaign but this was merely used to create awareness and direct traffic to the microsite.

In addition to the microsite & TV as brand touchpoints, YouTube also played an important role in the viral part of the campaign (Rose 2006), in which contestants were uploading and sharing their entries. The use of YouTube was a natural choice since it facilitates this form of sharing. According to Schau & Muniz (2002), these computer-mediated environments are widely used to express and construct the identity of consumers’ and to communicate these identities to a broad audience.

The actual interaction between company and consumer is a crucial part of co-creation. The construction of a stronger brand lies in the relationship between company and consumer, which are fostered by co-creation interaction. The interaction, taking place in the Chevrolet Tahoe ad campaign can be determined as dual level interaction, with individual interaction i.e. a reciprocal and dialogical interaction between brand and consumer(s), being mostly dominant and evident.

The direct individual interaction between Chevrolet and the consumers occurs on the microsite chevyapprentice.com where Chevrolet offers the necessary tool kit for the contestants to create their own entries, thus encouraging consumers to engage in the co-creation of Chevrolet Tahoe’s brand meaning. Consumers respond to this invitation by submitting their entries, which is then displayed on the microsite for everyone to see. Chevrolet hereby utilizes consumers as operant resources, as they become co-creations of the brand’s marketing communication by creating the messages communicated.

The collective interaction in this case was mainly occurring through the ability of users to comment on the entries of contestants, thereby activating the motivation of peer recognition. By interacting collectively by commenting on entries, users had a social demand of interacting with likeminded consumers fulfilled. Although the campaign encouraged brand lovers to interact, we will argue that Chevrolet could have enhanced the interaction by allowing the users to vote for the best Chevrolet Tahoe advertisement instead of choosing the winner themselves, similar to the Threadless case. This would create a much richer interaction, with the ability of creating stronger relationships in between
consumers. A reason for Chevrolet not to enable this feature could be that they were not expecting all of the entries to be promoting the Chevrolet Tahoe as a great SUV. As mentioned earlier were the majority of the 30,000 entries praising the many selling points of the SUV (Anderson 2008), but there were also entries which were used as an assault on Chevrolet. Groups of environmentalists quickly found out that Chevrolet made it possible for them to create and upload videos on the company website promoting messages about the environment, global warming, and social irresponsibility (Rose 2006). Advertisements literally rejecting the SUV figured on chevyapprentice.com, as well as on YouTube creating much media attention about how Chevrolet had completely lost control of their brand.

The viral part of the campaign, which was out of Chevrolets control, was a collective interaction, in which the interaction between consumers took place without the interferences of the brand (co-creation approach), i.e. passive co-creation. According to Ewald – Campbell the negative entries were expected in advance. Removing the negative entries from the microsite was never an option, as this kind of censorship would have destroyed the positive spin in the blogosphere (Peper 2006). So in order for Chevrolet to stay trustworthy, the campaign had to be open and transparent, thus entailing a great deal of risk through the lack of control of the brand. Contrary to this, Chevrolet could have chosen to screen the entries, similar to what Threadless do when checking all submitted T-shirt prints in order to sort out inappropriate prints, i.e. offending or discriminating print. A screening like this would however most likely affect the campaign in a negative manner. When a company seeks control over the dialogue by choosing what is appropriate, the foundation for a reciprocal dialog vanishes, since the company takes the role of a informer more than a listener and as a result the consumers will refuse to listen, as they are not being reciprocally listened to (Ballantyne & Varey 2006).

### 6.3.4 Chevrolet Tahoe Brand Co-creation

The Chevrolet Tahoe case is an interesting case on co-created marketing communication, since the case both shows how companies can benefit from involving consumers in the co-creation of their marketing communication, as well as it illustrates the concomitant challenges of an initiative like this.

By encouraging the consumers to engage in co-creation Chevrolet received more than 30,000 consumer-generated entries, attracted more than 629,000 visitors who averagely spend more than 9 minutes, 2/3 of these visitors went on to Chevrolet.com and thereby outmatching search engines as Google and Yahoo. These figures are very good indications of the campaigns capability to engage the consumers and to strengthen the relationship between brand and consumer, thus building brand value with the consumers by utilizing them as operant resources (Vargo & Lusch 2004). The improved relationships
between the Chevrolet Tahoe brand and consumers were backed up by the increase in sales figures as well as increased market share (Rose 2006). Mairinger (2008) argues that letting the consumers co-create brand meaning through the use of interactive media, e.g. consumer-generated advertisements on a website, will ensure a branding process in which real memories and interesting experiences will be transferred to the virtual product, and further on to be shared among peers. He further argues; “the fact that the brand’s meaning is actually created by the consumers should effectively contribute to a closer consumer-brand relationship” (Mairinger 2008:119). Thus, implying that consumers participating in the contest formed a stronger relationship with Chevrolet Tahoe, hence they became prone to share their experiences with people in their peer groups.

Although the campaign turned out to be a success measured by interaction and financial figures, the contest also attracted several entries with critical content. These accusing advertisements were displayed both on the chevyapprentice.com and on YouTube where they became very popular with thousands of views, naturally resulting in much media attention from blogs and reporters. People started questioning how Chevrolet could allow this bad publicity and whether they knew what was going on at their microsite (Anderson 2008). But according to the advertising agency, Ewald – Campbell, these negative entries was expected all a long, since when you are promoting an SUV you must be prepared for this kind of resistance, especially when you allow the consumers to co-create. As a result of the bad publicity many advertising agencies referred to the Chevrolet Tahoe campaign as an example that proved that one could not devote your brand to the masses (Anderson 2008). The agencies proclaimed that the lack of control of the commercial messages was a jeopardizing with the brands image. But as we argue in this thesis, in a time of co-creation companies have likely lost the control of their brands meaning to consumers and the only way to influence the process is by engaging in co-creation (Grundtvig 2008). The fear of losing control is well expressed in the following:

“ The search for engagement and interactivity online invariably leads to loss of control. For custodians of brands, who have spent most of their careers polishing their messages, the idea that the message is no longer theirs to create and own is somewhere between heretical and terrifying.” (Anderson 2008:229)

What marketers need to realize is that consumers dictates the dialogue online, whether companies are inviting them to contribute with their thoughts and opinions (Anderson 2008), or not. Therefore Chevrolet would have lost credibility if they had removed the negative ads from the microsite. Chevrolet and Ewald – Campbell were aware of this, but many other external parties were not. An example of this ignorance is Business 2.0 ranking of the 101 dumbest moments in business on CNNMoney.com, in which the Chevrolet Tahoe campaign was ranked fourth, as an example of how viral marketing can go wrong.
The ranking is based on the negative entries that the contest generated such as “Global warming isn’t a pretty SUV ad – it’s a frightening reality” (CNN Money). This however just shows that many marketers do not understand the game of co-creation. From their point of view Chevrolet completely lost the control over their brand, which was a crucial mistake from their perspective.

We will however argue that the negative entries actually played an important part in making the campaign a success. Firstly, people already knew that SUV’s were not the most environmentally correct cars to drive, thus potential buyers would not be affected by the negative reactions. On the contrary Chevrolet appeared as a cool brand when they did not remove the negative advertisements. They gained respect by engaging in a reciprocal dialog, hence enhancing brand relationships. Secondly, the negative entries submitted by environmentalist only created a stronger bond between Chevrolet fans and the brand. Muniz & O’Guinn (2001) describes this use of oppositions in communities as:

“Through opposition to competing brands, brand community members derive an important aspect of their community experience, as well as an important component of the meaning of the brand. This serves to delineate what the brand is not, and who the brand community members are not” (Muniz & O’Guinn 2001:420).

They further argue “the existence of a common enemy against whom to unite makes this brands community particular strong” (Muniz & O’Guinn 2001:420). Thus, the negative publicity helped draw the line between haters and lovers, fostering a joint sense of belonging among Chevrolet Tahoe fans. Thus, consumers reinforced their identity as Chevrolet supporters.

Although we argue that the negative publicity turned out to contribute to the campaign’s success, it is important to notice how this kind of media coverage, both through publicity and consumer-generated advertisements can influence Chevrolet internally. When companies are communicating with their external surroundings, communication also has an impact internally, as it permits the company to maintain and confirm norms and values, i.e. through auto-communication (Christensen 1995). When consumers are invited to co-create marketing communication this may confuse the employees as the communicated messages possibly is incoherent with organizational identity, as consumers may have a different image of the company. This is especially the case when some consumers create messages that are directly negative towards the brand. According to Christensen (1995) auto-communication is a mean to gain proud employees, corporate spirit, increased motivation, and productivity, thus bad publicity becomes a threat towards the brand. Generally people are more sensitive towards communication sent by their employer. They passionately discuss whether or not images and claims are realistic and in coherence with their perception of the company (Christensen 1995), thus incoherence may affect their
self-perception and performance. Therefore it is of utmost importance that companies engaged in co-creation are geared internally to this kind of value creation.

Co-creation in the Chevrolet Tahoe case can be classified as co-creation of marketing communication. The consumers played an active part in the creation of the TV advertisements as well as in sharing and blogging on the Internet, thus they becoming distributors of Chevrolet’s commercial messages. Using consumers as an operant resource in the creation of marketing communication is not so much a matter of making great TV advertisements but more a matter of creating relations between company and consumer. By allowing consumers’ input, Chevrolet shows that they care. Also social experiences are co-created in this case however less evident. This is seen in the collective interaction that takes place on the microsite, regarding the co-created advertisements. In this way, users co-create the social space centered on Chevrolet Tahoe, in which consumers establish some social relations that will also create stronger relations with the brand. Pertinent to the Chevrolet case, the negative content published about the brand, actually enabled brand supporters to reinforce their identity as supporters, as they were shown identities to which they could not relate. Thus, through this social interaction, they established stronger relationships with the Chevrolet brand.

6.4 Facebook – It’s all about Interaction

The Facebook case is the story of how a young Harvard student, Mark Zuckerberg, turned a dorm room project into a billion dollar business within a few years. Inspired by the publications colleges hand out to new students, for them to get to know each other, Mark Zuckerberg and his roommates developed the social network Facebook. The idea was to connect students at Harvard University with each other through the Internet in order to stay in touch and get to know each other. Within months it became extremely popular among college students and consequently spread to universities across the USA and further on to other educational institutions. Later on the social network was brought to the mass market and since the founding in February 2004 Facebook has become the biggest social network in the world with more than 250 million active users.5

6.4.1 Company Background

Facebook’ offering is a service that facilitates people to communicate with their friends, family, and colleagues in a convenient and efficient manner. New services are continuously introduced with the purpose of improving interaction in the social network, e.g. inbox function, instant communication, and

5 Users who has returned to the site in the last 30 days (Facebook.com)
fan pages. Besides from being a service that connects people, Facebook is also a platform that allows companies to integrate the network as a part of their marketing strategies and thereby gain access to millions of users. Thus, what drives revenue for Facebook is companies’ advertising spending. On a commercial level Facebook have several offerings such as “Groups”, “Fan Pages”, and “Facebook polls”, which can be utilized by companies as a part of their digital marketing strategies. Seen from a co-creation perspective it is quite interesting that some of these services can be actively used in companies’ co-creation processes. With the two services “groups” and “fan pages” Facebook can be utilized as a brand community from where companies can interact with consumers and co-create products and brand meaning (Knudsen & Mortensen 2009). These Facebook brand communities can both be company or consumer created as seen in the LEGO and the Threadless case. On social networks like Facebook the users are empowered. Therefore a brand’s chances for success are strongly depending on the company’s capability to involve the users (Holzner 2009). In order for companies to utilize Facebook users as operant resources, this has to be initiated based in consumers’ needs (Knudsen & Mortensen 2009). The central part of a social network is the users, i.e. the consumers. This, this case analysis will focus on how the users are co-creating on Facebook and not how companies are utilizing the social network to co-create. This means that focus will be on how users co-create and how this influence the Facebook brand.

On a social network as Facebook the users are everything. Facebook's mission is to give people the power to share and make the world more open and connected (About Facebook), but without the users who connect and share on the interactive platform the service has no actual value. Facebook is therefore an excellent example of a service in the S-D logic in which exchange value is co-created between consumer and company (Vargo & Lusch 2004). On Facebook use value becomes exchange value when the users interact with one another, as what Facebook essentially offers and thus what is center of exchange is social experiences. Thus, as consumers interact, they themselves co-create what is in essence Facebook’s offer for exchange, i.e. social experiences. The service made available by Facebook is therefore in its very essence a result of co-creation where the users play a crucial role and the company more or less become supplier of the platform for interaction. Thus, the users are essential in creating the offering; it has from the start been obvious that without users, there would be nothing on Facebook but an empty shell. Consequently Facebook’s offering becomes actively, rather than passively co-created, as Facebook actively facilitates the interaction in which the social experience is co-created.
6.4.2 Motivations for Co-creating with Facebook

Recognizing that Facebook is co-created in its very essence it becomes interesting to study what motivates the users to participate on Facebook. In the following we will argue that the main motives for interacting with Facebook, hence co-creating the service, are those of social relations and peer recognition. As mentioned above, Facebook is a service that allows millions of users to connect and share all across the world. Financial incentives and firm recognition as motivations are not relevant in the Facebook case when co-creating with Facebook. Consumers who participate on the social network are interested in the interaction between them and other users. They do not seek to be recognized by Facebook for their participation. What really matters is what other Facebook users think about their online appearance. Further, we can conclude that utilitarian need satisfaction neither is a motive for co-creation as Facebook solely develops the actual interface.

The very nature of social networks is to build relationships, communicate, and interact with other members. Schau & Muniz (2002) argues that consumers are widely using these computer-mediated environments to post their own creations, which is very much the case on Facebook. Consumers are capable of digitizing many aspects of their identities by sharing, e.g. everyday stories, holiday pictures, and all kinds of videos, and through social media they can widen the audience (Schau & Muniz 2002). Facebook is indeed a website widely used as a source to create personal identity through the sharing of consumer-generated content such as videos, pictures, and text. When uploading any kind of content on a user profile the primary purpose is that other users become viewers and consequently shows some kind of recognition to the person who has chosen to share information in the network. Thus, peer recognition is a very important incentive for interacting on Facebook. The website is also structured in a matter that facilitates this kind of recognition among users, since everything posted by a user will occur on the “home” site of all the user’s friends. Anything being uploaded is therefore made available for others to judge. Facebook supports this need for being recognized, by enabling users to express their recognition with the comment function and the “Like”-button. Therefore it becomes important for the users to upload things that will be received positively by their peers and thereby build their personal identity and provide personal gratification. This is well expressed by Nisbet and Perrin (1977) who explains that the sense of self is acquired through personal interaction with others and therefore “we are what we think others think we are” (Nisbet & Perrin 1977:50). According to Nisbet & Perrin (1977), there are three fundamental elements in the concept of the self, which all stem from interaction; 1) The imagining of our appearance to other persons, 2) The imagination of others’ judgment of our appearance, and 3) our reaction to these. In relations to sharing and posting on Facebook it is
interesting to notice what kind of content is shared by the users, as it must be in coherence with the user’s own perception of self. Peer recognition in this case is different from the other cases, as it is not related to a certain skill, e.g. having created a popular T-shirt design. Instead it is closely related to social interaction and activated when others express their recognition of the information shared in this social interaction.

In relation to peer recognition it is interesting to discuss different kinds of Facebook users. Having a Facebook profile and interacting on the social network does not require that the user is sharing with the community. It is possible to be less active and still be a part of the community. Not everybody on Facebook is sharing text, pictures, and videos, but still they play an important role in the co-creation of the service, as they become the audience through which other users create their identity. We will argue that there are generally two types of consumers on a social network such as Facebook, contributors and participants. Contributors are the ones who are very active on the network, which shares information, engage in discussions (threads), use a mass of applications; they frequently interact. On the contrary, participants use the network more passively, i.e. as an audience to interaction, but do function as an part of peer recognition as a motive for interacting.

Another important motivation for co-creating with Facebook is that of social relations. As we argue in the co-creation approach, social needs are a very relevant and pervasive motivation for consumers to co-create. In the Facebook case the social relations does not occur between the consumer and the brand Facebook, as it occurred in the Chevrolet Tahoe case, but more as the social relationship with fellow consumers fostered by Facebook. This motivational factor is closely related to the incentive of peer recognition as consumers engage in social relations among other things to get social approval and a sense of belonging (Hemetsberger 2003), thus creating a sense of self by interacting with other consumers (Nisbet & Perrin 1977).

Although we argue that the social interaction between consumers is a motivation for co-creating rather than having a social interaction with Facebook as a brand, we are not implying that the brand becomes unimportant. It is questionable that another social network could fulfill this social connection just as well. Further, As Facebook has become the largest and most used social network in the world Facebook obviously offers a unique service to its users. An ever-increasing number of users are a clear indication of how popular the social network is and how important a role Facebook plays in building social relations. For instance, 34 % of the Danish population has a profile on the social network (Knudsen & Mortensen 2009) of which 65 % uses the service everyday (Saxgren 2009). The total time spend on
Facebook counts for 11% of the total time spend on the Internet in Denmark (Saxgren 2009), thus indicating that interacting on Facebook has become a very crucial part of many users lives. Therefore, we must not neglect the importance of Facebook as a brand, but merely notice that social relations between users is a driving motivation for co-creation on the social network, and thus also what keep consumers close to the Facebook brand.

6.4.3 Facebook Interaction

The main interaction on Facebook occurs on the actual website Facebook.com, which is the primary touchpoint for co-creation. All interaction between users takes place on Facebook’s interface through uploading files and links, posting comments, writing instant messages, and sending emails. Besides from these functionalities Facebook also offers an ever-increasing amount of applications. One of these applications is facilitating the use of Facebook on mobile phones, which becomes a touchpoint in the co-creation of the Facebook service. Enabling the use of mobile phones, Facebook becomes available 24/7 for the users, thus enhancing the brand experience since the service is always within a hand’s reach. As we argue in the co-creation approach (chapter 5.2.2) it is important that companies carefully analyze where the consumers want to co-create, hence finding the touchpoints that create the most value for the consumer, which the brand has the ability to support. The use of mobile phones gives the users a possibility of always being in contact with one’s social network (community), thereby facilitating interaction on Facebook on a constant basis.

The interaction that takes place on Facebook is centered on a collective interaction. As we argue in the co-creation approach, collective interaction can occur without any actual interaction with the company. These kinds of collective interactions normally take place in communities, where all interaction is centered on the brand (Muniz & O’Guinn 2001), but on Facebook the interaction is not directly centered on the brand. On the contrary, interaction is focused on building relationships between the users, thus utilizing the service’s ability to share and connect (About Facebook). However this interaction is not without effect on Facebook as a brand because as the relationships between Facebook users are strengthened, it indirectly has a positive effect on the users’ relationship with Facebook, since the users becomes more committed and loyal to the social network. Strong brands are built by engaging in close relationships with the consumers (Fournier 1998) and on Facebook the relations enhances concurrently with the building of relationships between users.

Unlike the cases of Threadless and LEGO who has originated from pool communities, Facebook has originated as a web community (Fournier & Lee 2009) in which relationships “are based on strong one-to-one connections” (Fournier & Lee 2009:107). This form of community is the strongest and most stable
form since the community members are tied together by numerous and wide-ranging social relationships. Since Facebook has been built as a *web community* the service is by nature created to facilitate strong social bonds between the users, thus Facebook is encouraging the users to co-create social experiences, which indirectly entails a deeper relationship to the brand.

Individual interaction to co-create with Facebook is not evident, and likely not existing. Thus, co-creation on an individual level on Facebook certainly has room for improvement; for instance, Facebook could install software that makes it possible for the users to co-create the layout and functionalities on user profiles. Considering the great amount of users, more than 250 million⁶, it is very likely that Facebook could utilize their community to improve the service through co-creation with the loyal users who spends hours on the social network every day.

### 6.4.4 Facebook Brand Co-creation

Facebook is in its very essence co-created by the millions of users that daily interact. It can be described as one big community used to create millions of personal identities all around the world. What Facebook offers is a service that enables the users to share and communicate with other users in a safe environment (About Facebook) and as we have mentioned above this service is strongly reliant on the interaction of the users. If it were not for the users, the service of Facebook would be of no value to consumers. Thus, the consumers play a very important role in the value creation where users not only function as an operand resource that is to be obtained, but also become operant resources, which co-creates exchange value (Vargo & Lusch 2004). Because users are crucial operant resources, Facebook has to develop dynamic capabilities (Eisenhardt & Martin 2000) that have the ability to utilize consumers as an operant resource in a changing environment. Particularly considering the fast development on the Internet, Facebook needs to adopt routines that can assure that the service stays relevant to the consumers so that the consumers continuously will find it attractive to interact. Competitive advantage is thus very dependent on technological innovation and user satisfaction. New social networks will emerge, which is why Facebook has to reconfigure the users as an operant resource. Facebook has to evolve in order not to become obsolete. This is for instance done by improving the service by enabling the use of mobile phones as a touchpoint for interaction, or as we will suggest, by enabling users to co-create the platform for interaction as well, thereby nurturing individual co-creation interaction.

---

⁶ Number of users announced by Facebook in July 2009 (Facebook.com).
As argued in the above, Facebook is widely used as a medium for the creation of users’ sense of self. Users interact, share, and communicate with the purpose of being recognized by other users and thus stimulate one of the basic human needs, i.e. social needs (Maslow 1999). Getting recognized by one’s peer group as well as engaging in social relations is therefore seen as important motives for interacting on the social network. Nisbet & Perrin (1977) describes the sense of self as being acquired by interacting with other humans. Further, they describe the process in the following:

“...an interactive process, one in which the individual projects himself into the surrounding scene, affecting those in the very process of projection who also affect him...” (Nisbet & Perrin 1977:52).

The quote illustrates the interactions occurring on Facebook as the users are creating a sense of self by interacting with other users who consequently is affected by the interaction simultaneously.

The following is an example of how users co-create on Facebook:

“Facebook has agreed to let third party advertisers use your posted pictures without your permission. Click on "Settings" up at the top where you see the "Logout" link. Select "Privacy". Then select "News Feed and Wall". Next, select the tab that reads "Facebook Ads". In the drop down box, select "No One". Then save your changes. Do it now. Help your friends...cut and paste this into your status.” (Facebook Comment).

The post is a great example of how users are co-creating, as well as it demonstrates one of the basic challenges within communities where the “community collectively reject marketing efforts or product change, and then use communal communications channels to disseminate the rejection” (Muniz & O’Guinn 2001:427). Facebook’s financial foundation is based on revenue from advertising, which is why they have agreed to let third party advertisers use the many posted pictures added by the users. However, this is not in interest of the users that their private photos can be used in promotional material; hence the community has initiated viral campaign that encourages all Facebook users to prevent the use of their pictures.

Facebook has designed the interface and enabled users to interact on their platform. But the service only exists because of the manifold of users who co-creates the experience of the service. Using a football metaphor Facebook has set the rules and chalked the field, but it is the users who plays the game and determines the outcome. No users, no interaction, no value! As the only thing there is on Facebook is co-created social interaction between users, this is thus also what makes up the Facebook brand. The positive social interactions that the consumers have are what make them use the offering, and also what makes up their associations of the Facebook brand. Thus, in essence the Facebook brand is a product of the co-created interaction that Facebook facilitates, and the brand is very much in the hands of the users, and an outcome of the interactions. Thus, it becomes crucial for Facebook in
creating a strong brand, that the interactions in the network are positive co-created experiences, from which the consumer can extract social value, e.g. creation of a personal identity, as positive co-created experiences will lead to an increasingly positive set of associations toward the brand.

Co-creation appearing on Facebook can be classified as co-creation of social experiences, as Facebook is essentially a platform that consumers use to interact with peers, to create social experience that is an important part of their own identity formations. Co-creation of products, as what consumers relate to Facebook for, is an aggregate of the technology of the site and the interaction that consumers create. Thus, consumers visit Facebook to interact and thus the product of Facebook is co-created. Co-creation of marketing communication, as the reason for why Facebook has succeeded in growing so fast in number of users is widely due to word-of-mouth. Facebook has never invested in huge marketing programs in order to get their message spread. Facebook users who have recommended the social network to friends and family, who then recommended it to their friends and family etc, have from the very beginning driven the promotion of the social network. Thus, Facebook’s marketing communication can very well be labeled as co-created.

6.5 Case Analysis Findings and Reflections

The four cases of co-creation above illustrate how companies are approaching the concept of co-creation in different ways with different outcomes. In order to learn from the case findings and to outline some more general managerial implications the findings of the analyses are outlined in Table 2. The following section presents essential reflections of the findings from the cases above.

Based on the case studies we have observed two general types of consumers involved in co-creation; we will label these contributors and participants. The first type, the contributor, is characterized as being involved in the design of the actual product, marketing communication, or social experiences, thus they are closest related to the co-creation of the exchange value, and thereby directly fill the position of an operant resource in the value creation. Contributors can therefore be defined as consumers actively contributing to the co-creation of the offering, which can be shared with other contributors and participants. In the case analyses contributors appeared in different forms: as submitters on Threadless creating the T-shirt designs which the community voted for; builders on LEGO designing their own creations which were sold to other consumers; contestants on Chevrolet Tahoe adding their personal entries in the contest; and users on Facebook actively interacting in social relations with other users.
 Contributors in the cases have one thing in common; they play an active role in co-creating the brand whether being the actual product or the brand meaning.

The other consumer type, the participant, is a consumer who does not necessarily co-create the offering of the company, e.g. as an active t-shirt designer, but instead actively participates in communities that are centered on co-creation. Their participation is extremely important in the cases where peer recognition plays a central role as motivation for co-creators, as participants are an important source of peer recognition as a motivation. Participants constitute the actual cohesion of the community, and an important reason why contributors return as co-creators thereby remaining an operant resource. For instance, in the Threadless case participants occurred as the users who scored and commented on the T-shirt designs uploaded by the submitters (contributors). Consequently, participants make up an essential source in peer recognition as their acknowledgement of contributions very often is what motivates the contributors to submit those. Besides from acknowledging contributions, participants are personally motivated by the social experiences facilitated by the brand communities in which they participate. In some cases of product co-creation participants are also motivated by utilitarian need satisfaction as seen in the LEGO and Threadless cases, as what contributors create also have the ability to satisfy utilitarian needs of participants more accurately.

These two co-creation consumer roles are not mutually exclusive, and an individual consumer involved in co-creation can perform both the role of contributor and participant. This is for instance the case in Facebook where the users both contribute to the social network by co-creating the social experience through interaction with other users, and act as participants when it comes to recognizing other users’ contributions. Also in Threadless this is apparent, as many submitters (contributors) also actively engage in scoring and commenting other designs (participants).
### Table 2: Findings from Case Analyses

<table>
<thead>
<tr>
<th>Type of co-creation</th>
<th>Nature of Interactions</th>
<th>Source of Motivation</th>
<th>Consumer Motivation</th>
<th>Company (Participants) (Contributors) (Users)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
<tr>
<td>Social Experiences</td>
<td>Collective Strategic Foundation</td>
<td>Collective Community</td>
<td>Social Relations</td>
<td>Social Relations (Participants) (Users)</td>
</tr>
</tbody>
</table>

**Source:** Own Production
Based on the findings of the analyses we will advocate that contributors are necessary but not sufficient in co-creation processes. In cases where financial incentives and utilitarian needs satisfaction are the driving motivations for co-creation, contributors may very well be the only consumer type involved in the co-creation process, thus the interaction can be defined as individual. But when it comes to co-creation in the realms of collective interaction, we will argue that participants are necessary for co-creation to occur. Consequently, participants are a necessity when contributors are motivated by collective motivations, i.e. peer recognition and social relations (Table 1). For instance, in the LEGO case where the contributors are uploading their models on the LEGO Factory site, the participants become crucial in concurrently motivating contributors to contribute.

We have identified that the nature of co-creation can occur on different levels of managerial integration ranging from co-creation as the company’s strategic foundation to co-creation as a tactical tool. Threadless and Facebook are great examples of how co-creation is a crucial part of a company’s overall strategy. These companies have from their very beginning depended on utilizing consumers as operant resources. The strategic foundation of these companies is based on co-creation and without the consumers as an operant resource Threadless and Facebook would not have achieved the same success. The Chevrolet Tahoe case is at the other end of the co-creation continuum, in which co-creation is used as a tactical tool. Co-creation is not necessarily a recurring process; it can merely be employed as a tactical tool which companies use to obtain short-term goals. In this, co-creation becomes a marketing tool that companies can utilize in a limited period of time, as was the case with Chevrolet Tahoe’s co-created TV advertisement. These kinds of co-creation initiatives have the ability to strengthen the relationships between consumer and brand, although, it is questionable that these relations will remain strong if new co-creation activities are not concurrently implemented. Consequently, utilizing co-creation as a tactical marketing tool can generate closer relationships on a short-term basis, but not necessarily secure that these relationships will remain. Thus, the use of co-creation as a strategic tool can be characterized as a more appropriate way of creating strong bonds between brand and consumer in a long-term perspective, as it is the case in Threadless, Facebook, and to some extent LEGO. In spite of this questionability of the long-term effect of co-creation as a tactical tool, this is interesting in relation to those companies possessing little or no experience with co-creation, as these companies may be intimidated by ‘going all in’ and integrating co-creation in the overall brand strategy. For these the Chevrolet Tahoe case is a good example of how a temporary co-creation initiative can generate valuable interactions with the consumers and thus enhance the consumer-brand
relationship. In this way it is possible for companies to become confident with co-creation and with time obtain sustainable competitive advantage through co-creation as a strategic foundation.
7 DISCUSSION – MANAGERIAL IMPLICATIONS OF CO-CREATION

In the following chapter, we will discuss some important managerial implications that have surfaced in establishing the co-creation approach to brand management, and in studying co-creation empirically. Specifically we will create a typology of co-creation to set a structure to how managers must approach the work with co-creation from a brand management perspective.

7.1 Co-creation Typology

Based on the learning from the co-creation approach and the case analyses, we are able to advocate for three general forms of active co-creation that are relevant when looking to build brands through co-creation interaction. These three forms and each of their particular characteristics of each are outlined in Table . We will not argue that these three forms are exhaustive for co-creating with consumers, but merely that this is what we have extracted from dominant literature and the case analyses, and thus what is mostly relevant when looking to co-create to build stronger brands. These forms of co-creation are not mutually exclusive, and the companies studied all apply several of these forms simultaneously. Rather, we will argue that the three forms of co-creation reinforce each other with different benefits, each contributing to creating a deeper and stronger relationship between brand and consumer (Table Table 3). We have labeled these types respectively, co-creation of products, co-creation of marketing communication, and co-creation of social experiences.

Co-creation of products, we illustrated in the Threadless, LEGO and Facebook cases in which consumers take an active part in designing the actual offering, i.e. taking active part in creating the company’s basic unit of exchange, thereby filling an important position as an operant design and product development resource.

Co-creation of Marketing Communication was most apparent in the Chevrolet Tahoe case in which consumers actively took part in creating advertisements of the brand, in this filling a position as an operant marketing resource. This type of co-creation was also present, in a different form, in the other three cases, e.g. through word-of-mouth communication.

7 With our basis in the S-D Logic products naturally imply the service that the good facilitates rather than the actual good. E.g. with LEGO, it is more the service in the building experience than the ownership of a collection of bricks.
In the third form, *co-creation of social experiences*, consumers co-create the social experiences that consumers have with the brand. This co-creation of social experiences is present in all cases however mostly evident in the Facebook case, as these social experiences are the actual unit of exchange in Facebook’s relationship with consumers, thus making up the entire offering. In co-creation of social experiences consumers make up an operant relational resource in the sense that the social relationships that consumers form make up important social relationships, which will help to strengthen the internal cohesion of communities centered on the brand, thus increasing the likelihood of loyal consumers.

### 7.1.1 Motivations related to the three forms of co-creation

As we have argued throughout this thesis, the motivations that consumers hold for co-creating are essential for companies to study before initiating the co-creation processes. The three forms of co-creation entail different forms of consumer motivations, as illustrated in Table 3. Utilitarian need satisfaction is only present as motivation when co-creating products, as this is the only type of co-

<table>
<thead>
<tr>
<th>Consumer Motivation for Co-creating</th>
<th>Co-creation of Products</th>
<th>Co-creation of Marketing Communication</th>
<th>Co-creation of Social Experiences</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Utilitarian Need Satisfaction</td>
<td>- Social relations</td>
<td>- Social relations</td>
<td></td>
</tr>
<tr>
<td>- Firm Recognition</td>
<td>- Firm Recognition</td>
<td>- Peer Recognition</td>
<td></td>
</tr>
<tr>
<td>- Financial Rewards</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prerequisite for Co-creation</th>
<th>- Perceived Product Quality</th>
<th>- Favorable Brand Associations</th>
<th>- Shared set of values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Touchpoint for implementation</td>
<td>- Co-creation Tool Kit</td>
<td>- Information Sharing Technology</td>
<td>- Community</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Influence on Brand</th>
<th>- Products satisfying consumers more optimally</th>
<th>- Marketing messages more accurately targeted towards target audience</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Consumers feeling honored by ability to influence company offering</td>
<td>- Increased credibility of messages</td>
<td>- Consumers feeling ownership of brand’s communication</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Fulfillment of social needs of consumers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risks Related to Co-creation</th>
<th>- Loss of control of brand</th>
<th>- Loss of control of brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Loss of control of offering</td>
<td>- Auto-Communication</td>
<td>- Loss of control of brand</td>
</tr>
<tr>
<td>- Self-serving Bias</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Copyright Issues</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Own Production

---

Table 3: Typology of Co-creation

<table>
<thead>
<tr>
<th>Source: Own Production</th>
</tr>
</thead>
</table>

---

In the third form, *co-creation of social experiences*, consumers co-create the social experiences that consumers have with the brand. This co-creation of social experiences is present in all cases however mostly evident in the Facebook case, as these social experiences are the actual unit of exchange in Facebook’s relationship with consumers, thus making up the entire offering. In co-creation of social experiences consumers make up an operant relational resource in the sense that the social relationships that consumers form make up important social relationships, which will help to strengthen the internal cohesion of communities centered on the brand, thus increasing the likelihood of loyal consumers.

### 7.1.1 Motivations related to the three forms of co-creation

As we have argued throughout this thesis, the motivations that consumers hold for co-creating are essential for companies to study before initiating the co-creation processes. The three forms of co-creation entail different forms of consumer motivations, as illustrated in Table 3. Utilitarian need satisfaction is only present as motivation when co-creating products, as this is the only type of co-
creation in which the products are created or altered in cooperation with consumers. Conversely, peer recognition as a motivation is not present when it comes to co-creation of products alone. Contributions must be communicated to peers in order for the contributor to be recognized by those, and once it is communicated as collective interaction co-creation of social experiences is also activated. The companies studied in the case analyses have all put spotlight on the importance of peer recognition as motivation in co-creation, and thus in all cases studied, co-creation of social experiences in which consumers get the opportunity to fulfill their social needs, including that of peer recognition, is present.

7.1.2 Prerequisites for co-creation

From the cases we have identified a set of prerequisites which are crucial for co-creation to be initiated, relating to each type of co-creation. Relating to co-creation of products, the quality of the product becomes important. For consumers to co-create and eventually consume the products, consumers must perceive the products as being of satisfying quality. E.g. the T-shirts on which Threadless prints the designs must have a high perceived quality in the minds of the consumers in order for them to allocate resources to co-create. If consumers did not find an interest in buying the T-shirts due to low product quality, co-creation would not be attractive.

Within co-creation of marketing communication, the individual consumer must hold favorable associations toward the brand to find co-creation of marketing communication attractive. As the consumer will feature as a co-sender of the marketing message, consumers must find the brand attractive and likable. Thus, only when consumers hold favorable associations toward the brand, will they find it attractive to get involved with the brand by co-creating an advertisement that the brand can utilize to market its offering. If consumers do not have favorable associations toward the brand, they will not find it attractive to distribute marketing messages.

Lastly, consumers that hold a shared set of values with the brand and fellow consumers will find it more attractive to engage socially with the brand (Nisbet & Perrin 1977; Fournier 1998) to co-create the social experiences that occur in brand communities. Thus, a prerequisite for consumers to engage in the co-creation of social experiences centered on brands is some extent of shared values that will lay the foundation for the social interaction.
7.1.3 Touchpoints for Implementation

Each form of co-creation is related to a touchpoint from which co-creation is most appropriately implemented and disseminated. Within co-creation of products, tool kits (Thomke & von Hippel 2002) make up important touchpoints in which the brand can interact individually with contributors. Tool kits are perhaps the most important touchpoint of individual interaction in which the company can prompt consumers to contribute to co-creation. From the LEGO and the Threadless cases we have learned that providing a tool kit with which consumers can co-create products is a very appropriate way of ensuring that consumers stay within limits of co-creation, without compromising the open-ended nature of the offering. Tool kits reduce the complexity of co-creation for both consumers and companies; for consumers in creating limits within which co-creation must happen, and for the brand in making it easier to handle and process the contributions; if Threadless did not have a tool kit that required the co-creations to be uploaded within a certain template, handling each individual design would induce much higher costs.

The most important touchpoint required to establish co-creation of marketing communication is a touchpoint that enable consumers to share information in the form of marketing messages. In order for contributors of co-creation to convey co-created marketing message to their peers, a technology with which this information can be shared is necessary. This was the case in the Chevrolet Tahoe case in which the brand put technology for sharing the co-created messages at contributors’ disposal, thus enabling the message to be conveyed to the contributor’s surroundings.

When it comes to establishing co-creation of social experiences, the primary touchpoint required, is one that can foster consumers to interact with each other. This is very often seen in the sense of online brand communities (Muniz & O’Guinn 2001), mostly evident in the Facebook case. In all cases however, the companies has established an online platform that fosters consumers to interact with each other, thereby co-creating the social experience that is important in creating stronger relationships, both in-between consumers and between brand and consumers.

7.1.4 Co-creation Impact on Brands

Each different type of co-creation entails a different impact on brands, albeit we will argue that co-creation of brands is equifinal in nature. I.e. all three types of co-creation if managed appropriately will have the ability to lead to some extent of closer relationships between the brand and its consumers, thus having ultimately the same outcome, of a stronger brand.
Consumers themselves will often be more appropriate to determine which products that will optimally satisfy their needs than any organizational member. Consequently, products that are determined by consumers will have the ability to satisfy consumers’ needs more accurately. Increased satisfaction has the potential to lead to a stronger brand and higher customer loyalty and thus, satisfying consumer needs more accurately will entail benefits in the sense of higher brand value. Furthermore, as Payne et al. (2008a) have argued:

“When the customer becomes a co-designer of a product, potential exists to enhance their emotional connection with a brand.” (Payne et al. 2008a).

Since consumers become an active part of the brand’s communication, the message will consequently be more compelling to those consumers holding a similar set of values and similar associations towards the brand. Consumers who are not affected by mainstream branding campaigns are enabled to co-create the communication in order to adjust the message, resulting in individually and more appropriately targeted marketing communication messages, i.e. the long tail of marketing (Mairinger 2008; Anderson 2008). Furthermore, as consumers themselves co-senders of the messages, the brand will potentially reap benefits of credibility similar to those stemming from word-of-mouth communication. Consumers will likely trust a message conveyed from a fellow consumer more than a message from a brand, as the consumer most likely has no financial incentive, and will thus share the message out of pure interest in and admiration to the brand. From this we can argue that if financial incentives are used as motivation for co-creating marketing communication, this likely reduces the credibility of the message co-created by consumers. Furthermore, it will likely attract an inappropriate group of contributors without a genuine interest in sharing brand messages, instead looking only to reap the financial benefits entailed in co-creating. Consequently, financial incentives are inappropriate as motivation in co-creation of marketing communication. Rather, being handed the ability to co-create marketing communication messages, consumers should feel increased ownership of the brand. Consumers feel empowered as co-sender of the brand’s messages which will entail the ability of creating a closer relationship with consumers.

Within co-creation of social experiences the primary influence on the brand naturally comes from interaction between consumers, as they co-create the social environment that exists within brand communities. The critical reader might ask, what is the difference between active and passive co-creation of social experiences? To this we will argue that when the brand actively works to facilitate interaction in which consumers co-create the social space surrounding the brand, this is
characterized as active co-creation of social experiences. I.e. once the company has facilitated an online platform for interaction, e.g. the Facebook case, or when LEGO actively works towards consumers meeting each other in LEGO World-events, this constitutes active co-creation of social experiences. Conversely, passive co-creation of social experiences occur when consumers themselves set up and facilitate the interaction centered on the brand, without the company taking any active part in nurturing interaction. The social interaction would not be centered closely on the brand had it not been for the company facilitated interaction platform, and there would be no interaction had it not been for consumers willingness to do so. Hence co-creation of social experiences is an active initiative to nurture interaction with and in between consumers, as a step in the process of creating closer relations with consumers to increase brand value. As we have previously argued, brand communities must, to facilitate the optimal co-created social experience, move from being a pool or hub to being a web community (Fournier & Lee 2009), in which consumers interact on the basis of actual social relations, and not just based on shared interests. This is done by nurturing more frequent and deep interaction and the sharing of personal information, also illustrated in the Facebook case, which is a shining example of a web community, in which very close relationships between consumers have emerged, resulting in closer relationships between brand and consumers.

7.1.5 Risks Related to Co-creation

As with any marketing investment, it is apparent that co-creation entails a number of risks and pitfalls that companies looking to engage in co-creation must consider before actually implementing the activities. As this thesis regards co-creation from a brand management perspective, we will accordingly discuss the risks related to co-creation from the perspective of the brand, i.e. which possible downsides to the brand can co-creation entail, and what can companies do to overcome these.

The most apparent risk related to co-creation activities, is that companies when co-creating with consumers risk losing control of which brand associations that consumers form (Bengtson & Östberg 2004; Boyle 2007; Pongsakornrungsilp et al. 2009). In the S-D Logic, in which consumers are active, informed and connected (Prahalad & Ramaswamy 2003), the formation of brand meaning is distributed to the network rather than kept within the company sphere. In all the case analyses and in all forms of co-creation, this risk of losing control of brand meaning exists; e.g. in the Chevrolet Tahoe case, in which consumers co-create the marketing communication. We will however argue that companies engaging in active co-creation will actually reduce this risk, as opposed to companies that passively let consumers co-create the brand. By being active and ensuring that co-creation...
occurs in company facilitated environments (tool kit, community etc.), companies can increasingly take part in shaping the meaning formed about the brand, compared to companies that are passive toward this. Indeed, the idea that consumers co-create brand meaning is not new, as this has occurred for long (Humphreys & Grayson 2008). Companies’ active response to this however, is a notion that has not been dealt with previously. Loss of control of brand meaning is not a risk entailed by active co-creation, as this co-creation is a response to exactly this problem. As Bello et al. (2007) has argued, consumers that are interested in participating and co-creating, labeled the Craft Consumers (Bello et al. 2007), will do so whether the company responds to this or not, and thus these consumers may take total control of brand meaning, “... disposing partially or completely of the original (corporate-created) brand identity” (Bello et al. 2007). If companies take an active stance to this, they will through co-creation be able to increasingly influence the consumer-brand relationship, and thus influence the brand associations formed, thereby reducing the actual loss of control of the brand.

Related to the loss of brand control is the risk of losing control of the company’s offering. As we saw in the Threadless case, the entire offering is determined by consumers, and thus Threadless has relinquished all control of this. Even though Threadless organizational members would find the direction that consumers are taking the offering inappropriate, they would be somewhat paralyzed to act, without abandoning the co-created foundation of the company. Thus, companies must be aware of this risk and be prepared to respond, or having consciously chosen not to respond at all. In this, the brand is naturally also influenced, as the brand is a major part of the offering. Thus as the offering change with changing consumer trends, so will the brand, and in co-creation of products, this change is lead by consumers.

A critical risk that arises with the co-creation of products has been pointed out by Bendapudi & Leone (2003) with the self-serving bias, in which it is argued that consumers participating & contributing in co-creation are likely to take more credit of the outcome has the result been positive. Oppositely, is the result worse than expected, and consumer expectations has been disconfirmed, the consumer is likely to ascribe more responsibility to the brand (Bendapudi & Leone 2003). As a result, should the outcome be worse than expected, the consumer will be more dissatisfied with the brand than had he not participated in co-creation, and thus the consumer-brand relationship will be negatively affected. The self-serving bias holds a critical risk in co-creation that companies must pay much attention when prompting co-creation with utilitarian satisfaction incentives, such as in co-
creation of products. It is however not a risk that should keep companies from co-creating altogether, as co-creation do hold in a bigger opportunity for reaching satisfaction, than for reaching disconfirmation. Furthermore, there are two ways of overcoming the self-serving bias leading to dissatisfaction. Firstly, increasing autonomy for consumers in co-creating, will force the consumer to take increasing responsibility and thus take away blame from the brand as reason for disconfirmation (Bendapudi & Leone 2003). As we have argued, co-creation is open-ended and must naturally imply a high level of autonomy, and companies must thus relinquish control in order to gain control. Secondly, having a close relationship with consumers prior to initiating co-creation will minimize the influence of the self-serving bias (Bendapudi & Leone 2003). Accordingly, consumer satisfaction and strong brands as a function of close relationships with consumers are self-reinforcing; i.e. satisfied consumers will have closer relationships with the brand, and having close relationships with the brand increases the chances of consumers being satisfied by co-creation of products and consumption of those.

A risk that becomes apparent within co-creation of marketing communication is that of auto-communication (Christensen 1995) as also presented in the Chevrolet Tahoe case (chapter 6.3). The basic argument of the auto-communication concept is that brands’ external communication will also have an effect on the company identity, i.e. within the company (Christensen 1995; Hatch & Schultz 1997). In the case of co-creation however, the argument is that even though the consumer has co-created the message and function as co-sender of the message, the identity of the organization will still be affected by this message. The risk in this is that if consumers co-create brand messages that is significantly incoherent with the identity held by company employees, this will create confusion and despair among employees as to how to perceive the organizational identity. Thus, as organizational members’ perception of the organizational identity is misaligned with the brand that consumers co-create, this will hinder organizational members in acting appropriately according to the internal identity. The Chevrolet Tahoe case was a good example of this risk, as some consumers co-created a reverted brand meaning (Bello et al. 2007), in which they negatively modified the brand meaning of Chevrolet Tahoe. As this meaning is communicated to employees through auto communicative processes it had the potential of creating misalignment between identity and brand image (Hatch & Schultz 2001) thus affecting the brand negatively.
7.2 Distributed Dynamic Capabilities

Long-term competitive advantage stems from configuration of resources (Eisenhardt & Martin 2000). When markets change, resources even those that are valuable, rare, inimitable and non-substitutable will not generate sustainable competitive advantage. Instead, companies must develop dynamic capabilities, which are defined as:

“...organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die.” (Eisenhardt & Martin 2000:1108).

Thus, dynamic capabilities are the abilities to reconfigure resources in order for these configurations to concurrently constitute competitive advantages. Dynamic capabilities however, are not unique and as a result they are not themselves a source of sustainable competitive advantage. (Eisenhardt & Martin 2000); this comes from dynamic capabilities constantly reconfiguring resources as markets change.

As we have argued previously, in the S-D Logic, consumers make up operant resources. As these operant resources are utilized by companies and thus combined with organizational resources, co-creation becomes a resource configuration that constitutes competitive advantage. I.e. co-creation is a combination of external operant resources in the form of consumers’ knowledge and skills, combined with internal operant resources, e.g. companies’ ability to interact with consumers, which will create superior value and consequently generate a competitive advantage. As markets change however, this combination of resources must be constantly reconfigured, and the ability to do this is dynamic capabilities. If co-creation is the resource configuration from which competitive advantage stems, what are then the dynamic capabilities that ensure that the co-creation advantage is sustained?

Prior to initiating co-creation processes, the dynamic capability takes one form, namely as the ability to acquire consumers as operant resources to become co-creators. Acquiring consumers in relation to our co-creation approach is done by offering the appropriate set of motivations through a desired touchpoint, for consumers to co-create. Subsequently, as consumers have become operant resources in co-creation processes, the dynamic capability changes in nature. Firstly, important to the company becomes, not only to acquire, but also to retain and release consumers as resources. Secondly, consumers themselves become a dynamic capability of the company. As consumers are integrated as operant resources they become part of the dynamic capabilities of the company, as they take part in the resource reconfiguration of the company. Firstly, through the individual consumer’s control of
whether he is willing to co-create or not; at all times the consumer can chose to join and abandon the co-creation process, and thus chose whether he is part of the resource configuration or not. Secondly, from the case analyses we have found that consumers internally develop systems to acquire, retain, or eliminate consumers as co-creators. New co-creators as resources might be acquired through existing co-creators’ word-of-mouth communication. Existing valuable co-creators might be retained by motivations such as peer recognition and social relations, which are motivations that flow from other consumers. Co-creators as resources are eliminated by consumers, e.g. through low voting scores or by negative comments in the community. Thus, co-creating consumers take form of dynamic capabilities, with the internal ability to achieve new resource configurations through acquiring, retaining, and releasing consumers as co-creators. In addition to this, company offerings in co-creation, whether it is a co-created T-shirt design or car advertisement, is largely equivalent to the co-creating consumers. As we argued in the Threadless case, the offering of the company changes in line with the group of consumers changing. Thus, inherent in consumers as operant resources lays a dynamic capability of sensing and seizing opportunities in changing markets (Teece 2007), and the offering of the company will likely change with this as the consumer group changes. Thus, as the offering changes, so will the brand.

7.3 Is Co-creation for Everyone?

Not all consumers are alike (Bello et al. 2007), as we have already argued with the heterogeneity of consumer needs (von Hippel 2005). In relation to co-creation it becomes interesting to discuss whether all consumers actually have an interest in co-creating with brands. Bello et al (2007) argue that not all consumers have an interest in participating. E.g. will those consumers labeled *dupes* and *heroes* by Bello et al. (2007) have no interest in participating in any kind of co-creation, respectively because of naivety, or of cost-benefit reasoning. Contrary to those consumer types however, stand the *craft consumers* and the *consumers-as-manipulators-of-symbolic-meaning* (Bello et al. 2007) who seek to participate respectively to gain control of brand meaning creation or to mould their identities as social beings (Bello et al. 2007). Thus, we abide to these arguments that not all consumers have an actual interest in co-creating; some consumers might find satisfaction in buying a ready-made LEGO set, and strictly follow the instructions to build the intended model, instead of having to create something new and unique. Consequently, companies must closely analyze whether some or all consumers have an interest in co-creating before actually initiating the processes.
From a brand management perspective, the decision of whether to initiate co-creation activities becomes a matter of consumer desires (Payne et al. 2008a). I.e. if consumers have a desire to co-create, be it products, marketing communication or social experiences, then the brand should respond by offering such actively facilitated co-creation opportunities. Is the desire for co-creation present, this may indicate that there is something missing in the current brand offering, e.g. some utilitarian dissatisfaction, or a lack of social experiences related to brand consumption, and as a consequence, the brand must respond to this consumer desire. Thus, if consumers of the brand are active either as craft consumers or manipulators-of-symbolic-meaning, then there is great likelihood that the brand can benefit greatly brand-wise from co-creating with consumers. Conversely, are consumers dupes or heroes then the marketing budget is more efficiently allocated elsewhere.

It is apparent that co-creation, from a brand management perspective, can be utilized to create stronger brands through closer relationship with consumers. The effect of co-creation as a brand management tool will of course be larger in relation to consumers actively contributing to and participating in co-creation. We will however argue that co-creation also can have an effect on brand associations toward consumers not desiring to co-create. With co-creation of products for example, non contributing consumers will find same increased utilitarian satisfaction from a brand if they are aware that it has been co-created, as they will likely perceive co-creators as more appropriate to fulfill their needs than organizational members. Furthermore, companies can use co-creation as a unique selling proposition, e.g. Threadless can market products as designed by local designers thereby leveraging on a story surrounding the particular design or designer, thus increasing attractiveness for the target audience.

From a strict financial perspective we can argue that companies considering initiating co-creation activities should conduct a number of analyses before actually implementing such a strategy. E.g. whether the closer relationships entailed from co-creating with consumers actually transforms into improved long-term financial results could be one object of analysis relating to co-creation. Another analysis could compare long-term with short-term effects of co-creation to learn whether strategic implementation of co-creation is actually more profitable than co-creation as a tactical tool. As the scope of this thesis has been strictly focused on a brand management perspective, we have not regarded the specific profitability inherent in this. However, as we will argue that this is the future of brand management, and thus companies will find profitability in a co-creation approach to branding.
Accordingly, this thesis opens the field to further studies into the profitability of co-creation, in order for co-creation to gain increased support among marketing executives.
8 CONCLUSION

Inspired by profound changes in the ways consumers relate to brands, we have set out to study how companies can build their brands by co-creating with consumers, utilizing these as operant resources. In answering this, the objective was to establish a co-creation approach to brand management that companies can apply in their future quest of building relationships with consumers. The approach is based on a thorough body of predominant theory within the subjects of co-creation and branding.

Firstly we set the scene by arguing that the dominant logic of marketing, and thus exchange, has experienced a change from the G-D Logic, in which passive consumers unreflectively consumed what was on the shelves, to the S-D Logic, in which consumers increasingly demand to be involved as operant resources in processes that were previously company domain. An implication of the S-D Logic is also that consumers have become connected, informed and active, altogether changing the ways in which they relate to brands and consumption, also profoundly changing the task of managing brands. In the S-D Logic brand management is not a question of projecting a brand identity to consumers, but rather a question of establishing close social relationships with consumers, and leaving room for consumers to co-create the brand.

Through a thorough review of predominant literature we did not find any perspectives, neither within co-creation theory nor within branding theory, that fully provides readily applicable approach of how to go about managing brands in a co-creation context. Rather, current perspectives were either placed in an outdated logic of exchange, were descriptive identifying consumer changes only, or unclear and too complex for managers to apply. These shortcomings indicated a need for a clear-cut co-creation approach to brand management, thus functioning as justification for our development of such an approach.

The objective for a co-creation approach to brand management is to build stronger relationships with consumers based on richer and more frequent interaction, both directly with consumers, and in between consumers. The starting point for companies to work with co-creation is to initiate processes of gathering market intelligence on two important aspects. Firstly, the company must study the motivations for consumers to co-create with the company. Our findings indicate that five motivations are dominant to attract consumers to co-create. These are: financial incentives, utilitarian need satisfaction, peer recognition, firm recognition, and social relations. The more of
these motives the company attempts to activate, the more attractive and compelling the consumer will perceive the co-creation offering to be. Secondly, market intelligence pertinent to touchpoints is important for companies to obtain, in order for companies to uncover where consumers are interested in meeting the brand to co-create. These touchpoints become of great importance, as this is the locus of value creating interaction. Interaction is a central part in the task of building relations, and thus we can conclude that interaction is the fundamental element of a Co-creation Approach to Brand Management. We have determined two levels on which this interaction can occur, namely individual and collective interaction. These are not mutually exclusive; conversely we argued that the more interactions the brand manages to establish, on a dual level, the more opportunities the brand gets, to establish close and loyal relationships with consumers based on co-creation.

With basis in our co-creation approach to brand management, we then set out to study how companies actually approach co-creation with consumers. Based on findings from empirical case studies we can conclude that companies in general utilize three different types of co-creation, namely co-creation of products, co-creation of marketing communication, and co-creation of social experiences. In each of these three types of co-creation we identified two distinctly different co-creation consumer roles, i.e. contributors and participants, both filling equally important roles. The former contributing to co-creating the actual offerings, the latter in providing important motivations, that makes co-creation continuously attractive.

The three co-creation types are characterized by different motivations, prerequisites, touchpoints, risks, and impacts on the brand. A prerequisite for co-creation of products to be initiated is that the product has a sufficiently high perceived quality. If not, consumers will not be interested in consuming the offering, and thus likely not in co-creating. For co-creation of marketing communication, a primary prerequisite is that the consumer beforehand has favorable brand associations toward the brand, as the consumer become co-sender of the marketing communication. To establish co-creation of social experiences, a main prerequisite is that brand and consumers hold shared values. This is important in the task of getting consumers to engage socially with the brand.

Managers looking to initiate co-creation processes must be aware that some touchpoints are more appropriate than others in regards to each type of co-creation. The case studies illustrated that for companies to utilize consumers as operant resources in the co-creation of products an actual tool kit is an important touchpoint in structuring individual co-creation interaction, due to the tool kit’s
complexity reducing nature. Important in co-creation of marketing communication, is enabling sharing of information, thus the touchpoints must support this. For consumers to co-create social experiences, the company must facilitate a community for this interaction to occur, as a community is a pivotal touchpoint within co-creation of social experiences.

An important implication for managers is the notion that co-creation is not without risks. Most evident in relation to co-creation from a brand management perspective, is the risk of companies losing control of their brands. As companies empower consumers to co-create, they concurrently let go of control to consumers. This holds the risk of consumers co-creating in ways that will take the brand in an inappropriate direction, thus potentially harming the brand. In passive co-creation however, consumers also co-create the brand. Thus, by engaging actively in co-creation companies can reduce this risk, as this co-creation will occur in a company facilitated environment.

In conclusion, we can argue that co-creation impacts the brand in different ways related to each type of co-creation as outlined in table 3. Importantly however, co-creation related to branding if executed appropriately, is equifinal in nature, and thus we will argue that the co-creation approach to brand management presented in this thesis will lead to establishing stronger and deeper relationships with consumers, which will result in increased brand value.
9 LITERATURE

9.1 Theoretical Material


9.2 Empirical Material


LEGO Factory. From the Internet, June 30th 2009: http://factory.lego.com/default.aspx


LEGO Shop. From the Internet July 28th: http://shop.lego.com/PAB/

LEGO.com. From the Internet, May 25th 2009.

LUGNET Message Board. From the Internet July 28th 2009: http://news.lugnet.com/announce/?n=3976

LUGNET.com. From the Internet, August 1st 2009.


Threadless Submit. From the Internet, June 16th 2009: www.threadless.com/submit.

10 APPENDICES

10.1 Appendix 1: A Process of brand co-creation

Source: Boyle (2007)
10.2 Appendix 2: A model for co-creating the brand relationship experience

Source: Payne et al. (2008a)