Marketing Value Co-creation for Consumers on Open Innovation Platforms

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Abstract

This article demonstrates the marketing value creation and co-creation through the open innovation platforms. It outlines our knowledge and observation through studying and engaging in different open innovation platforms. The purpose of marketing value creation for consumers is to sell products and services. The consumer dominant interaction between groups of users in an open innovation platform allows to create a new idea, product, services, and improvement of existing idea, product or services to facilitate the flow of ideas from an individual to another individual or firms which is called co-creation. However, this is a disagreement whether consumer-dominant value creation is an extension of service dominant logic. Firms enjoy the maximum benefit of open innovation and consumer dominant value co-creation with less spending on their research and development. Therefore, the major challenges for the community or users are to provide capacities that support growing openness.

Keywords: Marketing Value Creation; Co-creation; Idea Generation; Open Innovation Platforms; Innovativeness

1. Introduction

Marketing value co-creation is a concept of sharing ideas for achieving the fundamental business goal of value creation (Gallarza et al., 2011; Holbrook, 1999). The benefit of the idea, product or services make valuable to the user. The benefit might be just requirements a feeling or prestige, safety or any other value to the user which leads to taking the decision of purchasing the products or services. The integrated e-marketing value creation processes on the internet to provide insights about how to develop successful marketing strategies in the digital world. The marketing co-creation processes on the open innovation platforms to provide insights about how collaboratively we can develop successful ideas, product, and services and how to improve the existing business. This means that consumer value to emerge a consumer has to interact with a business object for a product or service in ways that generate a positive experience in the mind of the consumer and hence satisfy a personal preference in a given situation.

Value co-creation happens when interactions between providers and consumers are important to the consumer’s positive perception of the value of the marketing offering. While services have a set of specific features and properties, the materialization of these characteristics is conditional on and partly shaped by the consumer interactions with the service provider.

Not so long ago, a firm’s innovation was concentrated on hiring a very talented scientist, researcher or a very creative or innovative person for the firm and let the person deliver all the new ideas, creativeness and innovation (Chesbrough, 2003; 2006a). A recent phenomenon is that the innovative
firms are more opting for an open innovation than the traditional closed innovation concept. According to this new shift, a firm can and must use external resources/ideas taking the advantage of existing technology, including its own in-house internal ideas, and, thus, the collaboration can lead to market’s interest (Barge-Gil, 2010). Technology has blessed us with immense opportunities. Through the advancement of the internet, many online platforms have been created to facilitate the flow of an idea from an individual to another individual or firm. Therefore, an open innovation platform is a website to enable the interaction between a group of people (programmers, designers, scientists, engineers, etc.) to participate in developing new services, products, improvement of existing products. This process of sharing ideas, providing the necessary inputs or analyzing a new idea is called the co-creation.

Open innovation process using its own business model to ensure required style and system for each series of the problem. This type of business model can create additional value to an original idea utilizing both external and internal resources. The internal idea claims some portion of the additional value. Open innovation undertakes that internal ideas can also be considered to be taken to market through external resources, external to the firm’s current business and can create more additional value (Chesbrough, 2006b).

Observing the firms’ process perspective, Enkel et al. (2009) suggested three core processes that can be distinctive in open innovation currently being practiced by the companies. (a) The outside-in process – in this process, a firm enriches its own knowledge base by integrating suppliers, customers and other external knowledge sourcing. This process helps the firms to improve their innovativeness (Laursen and Salter, 2006). According to Enkel, “outside-in process reflects companies’ experience that the locus of knowledge creation does not necessarily equal the locus of innovation.” (b) The inside-out process – it refers to the process where a company earns profits by bringing new ideas to the market, selling intellectual properties or increasing technology by conveying ideas to the outer world. Here, the locus of the companies is to generate profit through licensing intellectual property (IP), reproducing technology and thus transferring ideas to another company. (c) The couple process – this is a co-creation with other partners through joint-ventures, alliances, and cooperation. This process helps both (or all) the partners to enrich their innovation success and lead to greater market access. The couple process mixes both the outside-in process and inside-out process jointly developed under a cooperation that leads to commercialize innovation.

2. Open Innovation and Co-innovation Today

Open innovation is about organizations externalizing their innovation process and sharing of ideas collaboratively. It is generally a spectrum varying between exchange (extrinsic) and sharing (intrinsic) of ideas (Boudreau and Lakhani, 2009). It is also “innovating with partners by sharing risk and sharing reward” (Simoes-Brown, 2011).

If the world was a perfect place, all innovation and technological advancements would be collaborative, and none would be produced in isolation. However, we are living in a capitalist world where owning and keeping an idea to yourself has monetary incentives. However, despite that the past few decades, and with the advances of technology, organizational transparency and distribution of innovation process found new ways to open up – all with just a little bit of help provided by contracts. This is what the open innovation platform I investigated during this assignment, quirky, does - community-based competition/innovation. Projects there can be said to compete for contributors (Chesbrough and Appleyard, 2007) rewarded with money.

In 2009, Netflix outsourced their recommender algorithm for open innovation where the first team or person to improve their algorithm by 10% would win a million dollars (www.netflixprize.com 2009). This is called crowdsourced competition (Afuah and Tucci, 2012). Wikipedia lets anyone write content to their encyclopedias in a collaborative manner. If you think about it, no one person could ever produce an encyclopedia so large. Open innovation and collaboration, sharing and transparency multiplies the knowledge potential as a whole. This is traditionally called open source co-innovation (Zhao and Deek, 2004).

Think about an entrepreneur, starting a business with his/her idea. The person is scared to share the idea and spends a year or two working on it to perfect it. When the idea/product finally comes out, it is
not a success, but a huge failure. 2 years are lost; the person might even feel discouraged to continue. However, if the person would share the idea with like-minded people, in the beginning, the market validation and innovation process could be done in collaboration, the failures would be encouraged, and the idea iteratively improved along the way. What he/she would have spent 2 years alone, would now take weeks. This is the idea in open innovation and collaboration on an individual level. Why would the person keep the idea for him/herself in the first place? IPR. The IPR makes sharing of ideas, even harder on an organizational level, but the rules are the same.

Given that money runs the world, the most important kind of innovations from the perspectives of large organizations today are platforms. Facebook and other social media have opened their application programming interfaces to allow the public and developers to create their own tools for creating advertisements and content into Facebook, creating a competitive environment that fosters innovation and questioning of the status quo in the marketing industry. For example, I work for one of those companies creating ads for clients who are too large for Facebook’s own tools to handle. In a way, Facebook provides us with client leads, and we, as a software company in competition with others improve the performance marketing business for Facebook. Facebook can be said to be a collaborative platform for the users, but also a competitive marketplace (Boudreau and Lakhani, 2009) for the advertising and software providers.

Google Chrome allows anyone to program extensions which can be free or bought. Unity, a game programming platform provides an ecosystem for creating games, managing them and a platform for advertisements. The organization provides the means, the community improves it and provides content, shares with each other (free or exchange). The community lives its own life.

Platforms (ecosystems) are this decade’s true open innovation machines of the capitalist world. Community is transparently encouraged by huge monetary incentives, and the company who provides the means, the ecosystem, has managed to externalize the content creation with large benefits for themselves. The way it differs from the optimum (Utopia), is that IPR and emphasis on monetary success prevent full openness. As Chen et al. (2011) mentioned that the shift toward openness changes the value creation in the business model; platforms have openness embedded in their business model.

3. OpenIDEO, a Global Open Innovation Platform

To generate growth in revenue, a company required to address the issue of overfunding for incremental new business projects and on the other hand, the risk of underfunding the potential higher growth (Chesbrough and Crowther, 2006). It is evident that companies searching for new, emerging and bayonet technologies intend to set out the target areas anticipating next drive force of growth. These areas are broad in nature, so, the companies remain strict to their general business area. Examples of such type in targeted areas include IT, robotics, environment, and energy there are several platforms hosting a wide variety of areas where people from various communities can share their unique idea or improve any existing idea with their relevant experience. OpenIDEO (www.openideo.com) is one such type of the dynamic platform where people from the different community with diverse background and talents share their thoughts and ideas with each other. There are many other such types of platforms such as – threadless (www.threadless.com) for artist community, and Local Motors (www.localmotors.com) for the innovation in transport sectors.

As the open innovation paradigm shows the way of exploring a wide variety of internal and external sources for new innovation opportunities and subsequently building firm’s capacity, it comes up with some challenges as well. A central challenge regarding open innovation to the firm is that how to properly use the internal sources or research and development (R and D) capabilities of the firm to most possible utilization. Incorporation of external sources could be a hard challenge for the firms, according to West et al. (2006). To get the real benefit from the external sources, it is important to incorporate firm’s product strategy accordingly. On the other hand, motivating any person to produce and contribute to the IP in the absence of any kind of financial benefit is another crucial management challenge – this is also known as the “free rider” challenge. Gassmann et al. (2010) have found out some more challenges regarding open innovation to the companies – (1) enlisting internal scientists to
work with the innovation intermediary; (2) selecting the right problems; and (3) formulating problems to enable novel solutions.

Effective, beneficial innovation depends on better teamwork and an entrepreneurial culture. It is not just identifying technology for the future market and creating value subsequently, first, it requires to identify particular demand from the market. Then, it is essential to identify required technology and adapt it for product development which is more relevant for the business (Kirschbaum, 2005). Firms are benefiting from the co-creation with frome users by interacting them addressing the latent needs of customers. This helps in reducing market risk during the launch of a new product and service as well as in improving return on investment. Open innovation is based on creating more value by the process of co-creation with external sources that can be resulted in a very innovative and unforeseeable output (Westerlund and Leminen, 2011). However, managing collaboration sometimes gets even more complex when associates are moved by various natures of incentives. When a company aims to initiate and execute the sourcing from the crowd, the company has to look into the interest and motivation of the volunteers. Each volunteer has their own motivation and interest which cannot be foreseen by the company. These unknown interests may find in conflict with a firm interest in future.

Altogether, a firm’s innovation success and revenue performance may affect positively if the firm opted for open innovation considering that the innovation activities are managed effectively. For some industries, the open innovation strategy is not entirely new, but the strategy has begun to emerge significantly in recent times. According to a successful firm, Procter and Gamble, open innovation can be very sustainable, and it may provide competitive advantages to the firms in the long run. It also provides more space to a firm for strategic expansion and helps in identifying new areas to innovate to avoid any type of competitive threats in the existing and future market (Lichtenthaler, 2011).

Huizingh (2011) predicts that in future, the term open innovation may not exist. His prediction is not based on the losing utility of the strategy in the future, rather, the open innovation strategy will be a built in mechanism for every firm’s R and D department. This is going to have a wide range of practice in various industries. It will be a very unwise for the firms not to gather knowledge from the outside world. The small and medium enterprises can enjoy the maximum benefit of open innovation with less spending on their own R and D. However, one of the major challenges for any firm or company is to establish a new organizational or entrepreneurial culture and mentality as well as providing capacities that support growing openness. It is evident that traditional project management tools are not very useful for the purpose. Therefore, managers of companies in any industry that intend to become open innovators should apply effective tools that facilitate and motivate all participants of innovation co-creation. Use of external sources in developing a firm’s product, innovation is far more effective in terms of time and money.

4. Quirky – the Invention Platform

Quirky is an invention platform that allows people to submit ideas and inventions and uses the collaborative community in the ideation and the improvement of the products, creates the best products in partnership with 3rd party companies. The 3rd party partners pay for the manufacturing and prototyping, and then pay royalties to quirky who then shares with the community (Popper, 2015).

Quirky operates on making invention accessible. It shares the risks and reward (Simoes-Brown, 2011). The collaboration incentives are based on money. The original idea submitter can choose how much to share with the collaborators, which affects the quality of the collaboration. Quirky owns the ideas their community submits and promises to provide royalties (Quirky.com 2016). However, it does not prevent anyone external from copying the ideas on the site. However, that is one of the risks in open innovation. Quirky has gone through difficult times, layoffs, bankruptcy, and change of owners (Diana, 2016).
5. Threadless, Creative Co-creation Platform Case Study

5.1. What exactly is it?

Threadless.com is an online platform (e-commerce website), which allows users to participate, create and shop. It was founded in 2000, by Jake Nickell and Jacob DeHart. Their designs are created by users and chosen by an online community. They help to make user’s imagination real and allow opening an artist shop for free. The participants submit their ideas or design their own t-shirts and accessories. They do not require in-house artist.

Through Threadless.com, the artists from different countries submit their own ideas or designs, threadless the community scores each idea or designs. They print the best design and sell these out. Every week they select new designs to print, and the winning artists receive a profit. In few occasions, the designers also get a large amount of money as a prize from the special themed design challenges.

5.2. Open innovation characteristics

This is an open community where artists can innovate, support and share their ideas and designs. Initially, the reviewing and filtering of design are open to the community, but the e-commerce website then acts as a portal for t-shirts and accessories to gather ideas and developed them in a community which is an external process.

5.3. Who are the key stakeholder groups?

The Threadless allow the users to create the artist shop. Enthusiastic designers who build very elaborate models and the community of fans that engage with voting and commenting on ideas.

5.4. Motivation for ongoing participation

Threadless is never ending; no themes, no holds-barred, open-ended design challenges, and the chance to open artist’s own shop motivate users to engage themselves into the competition.

5.5. Benefits for the platform owner

Threadless receives benefit from new ideas and designs. They have their outlets for retail business. In October 2010, Abrams publishers released a 10-year retrospective of threadless t-shirt designs and the company’s history.

5.6. Benefit for participants

Participants get an opportunity to be an artist and showcase their creativity and ideas. When an artist’s design gets selected, they receive a profit, big prizes, and gain prestige of being the winner.

5.7. Outcomes, impact or result

Until 4th May 2017, the artists have already submitted 406,667 designs, and 8347 designs got printed.

5.8. Strong points

Threadless can source ideas and designs for new t-shirts and accessories. The creator an artist in the community drum up support across the online community and their network for their creations, which works as spreading positive word of mouth and promotion. This is a user-friendly and well-organized website.

If any of the designs get rejected, Threadless gives sufficient explanation to make users understand the reason for their decision, and hence they maintain the transparency.

The voting system means that when an idea qualifies to be an evaluation of its potential to be printed.
5.9. Weak points

Unfairness in voting system: The e-commerce site Threadless manufactures their t-shirts and accessories, based on the online voting system. The artists may enjoy the vote from their friends and family to win the competition. Most of the users do not participate in idea creation.

6. Conclusion and Limitation

In this article, I have discussed about open innovation and co-creation in global entrepreneurship and showed the process of these platforms. Literature has highlighted the key factors of innovative performances.

Although these kind of open innovation platforms are clearly making innovation approachable globally, lacking in collaboration and active participation. I am interested in the platform idea.

One of the limitations is, it focuses on ideas rather than on actual observed real world problems that need to be solved. The ideas need to come from consumer demand in the international market. Without proper research of the demand, these platforms may suffer from wrong focus. One of the weaknesses of these platforms is most of the users are idle and never willing to participate.

For example, quirky is clearly making innovation approachable, but lacking in collaboration and good content. I found myself interested in the platform idea but demotivated by content. How can a site with million users be so low in quality? I think that those who are truly passionate about ideas want to pursue them by other means than giving the IPR to quirky? Diamonds are built in pressure, not casually. Quirky seems too casual. Furthermore, the problem may lie in the focus on ideas rather than on actual observed real world problems that need to be solved. Most of the product ideas do not come from demand, but instead too casually. Quirky suffers from wrong focus or the lack of it. However, it is a risky business model where quirky paid for manufacturing was replaced by the third parties taking the monetary risks. Need to observe if the new owners can catch the wind.

However, innovation and co-creation cannot be done alone, and collaboration is the way to generate better ideas in global entrepreneurship. The above-mentioned open platforms have created the opportunity to build creative ideas together. Innovation is fundamental if we want to stay competitive and create greater impact in the world. It’s what helps us go from what is, to what could be to making change actually happen. By creating collaborative ideas effectively, we can co-create innovative solutions globally.

References


