

HEC MONTRÉAL

**Generating New Value with Consumers:
A Multiple-Case Study of Co-Creation in The LEGO Group and
Starbucks Corporation**

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Master of Science (MSc) – International Business

**A Thesis Submitted in Partial Fulfillment of Requirements for a
Master of Science Degree**

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Le 31 décembre 2016

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Projet # : 2017-2549

Titre du projet de recherche : The effect of experiential marketing practices on firm performance: A multiple case study within the retail industry (No formal title yet)

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Abstract

Purpose: As we move further into the information age, consumers are more informed, capable, and possess a stronger awareness regarding what they consume. The responsibility of firms, therefore, is to maintain openness and foster meaningful relationships with consumers. They must also encourage a more active involvement from the consumer to create compelling, value rich experiences. This concept is titled co-creation, and it has become a near-unavoidable phenomenon within contemporary business discourse and practice. This thesis intends to answer the following questions: *How do firms create value by enhancing the overall product or service experience through co-creation?* And, *what value is generated as a result?* Together, these questions seek to cohesively understand a firm's decision making process to partake in value co-creation; including their motivations, necessary changes made, evolution of practices, and overall outcomes. Acquiring this information will draw conclusions about the efficacy of claims surrounding the notion of value co-creation, and the importance of offering heightened, interactive experiences to consumers.

Originality/Value: Within existing literature, there is abundant support given to co-creation as a new pathway to value creation through collaboration. However, what it lacks are comprehensive analyses of firms who have undertaken this dramatic shift in their business models. Furthermore, there is a shortage of impact assessments of firms after doing so, and what type of value is then perceived.

Design/Methodology/Approach: To achieve this thesis' goals, qualitative research methods will be used. A multiple-case study design will be employed following a cross-case analysis of findings. The featured cases are two large multi-national enterprises operating in the consumer goods sector: The LEGO Group and Starbucks Corporation. This thesis uses a variety of evidence sources to allow the case study's findings to be supported by more than a single source, thereby strengthening its construct validity.

Findings: The results of this multiple-case study have shown that both The LEGO Group and Starbucks Corporation provide further empirical evidence of patterns present in existing co-

creation theory. Moreover, interesting similarities are discovered including both firms' motivations to venture into co-creation, difficulties encountered when managing consumer expectations, and the financial outcomes of co-creation for the firm. Differences, including each firm's co-created product strategies, consumer co-creation involvement, and the inclusion or exclusion of provided incentives are also found. Regarding the value created, it is found that high levels of perceived use value are produced for consumers, including greater consumer empowerment, more diverse product and/or service offerings, and a greater overall experience. There are also significant benefits experienced by the firm, including improved consumer loyalty, greater speed to market, and higher overall rates of consumer satisfaction.

Research Limitations: The limitations include the presence of further cases to increase this thesis' external validity, the type of firms chosen for analysis, and the inability to quantify both The LEGO Group and Starbucks Corporation's value capture in monetary terms.

Keywords: Business Model Transformation, Co-Creation, Consumer Experience, Innovation, Marketing Intelligence, Multiple-Case Study, New Product Development, Strategy, Value Creation, Virtual Communities

Résumé

Objectif : Alors que nous évoluons dans l'âge de l'information, les consommateurs sont plus informés, capables et davantage sensibilisés à ce qu'ils consomment. Par conséquent, la responsabilité des firmes est de maintenir l'ouverture et de renforcer les relations significatives avec les consommateurs. Elles doivent aussi encourager une implication plus active de la part du consommateur afin de créer des expériences captivantes et à forte valeur ajoutée. Ce concept est intitulé co-création, et il est devenu un phénomène incontournable du milieu et de la pratique des affaires d'aujourd'hui. Cette thèse cherche à répondre aux questions suivantes : *Comment les firmes créent-elles de la valeur en augmentant l'expérience globale produit ou service à travers la co-création ? Et, quelle valeur est générée par conséquent ?* Ensemble, ces questions cherchent à comprendre le processus de prise de décision d'une firme de prendre part à la co-création de valeur ; incluant leurs motivations, les changements nécessaires effectués, l'évolution des pratiques, et les résultats généraux. Acquérir ces informations permettra de tirer des conclusions quant à l'efficacité des affirmations entourant la notion de co-création de valeur, et l'importance d'offrir des expériences augmentées et interactives aux consommateurs.

Originalité / Valeur : Dans la littérature existante, il y a un support abondant à la co-création comme nouvelle voie pour créer de la valeur à travers la collaboration. Cependant, il existe un manque d'analyses complètes de firmes ayant entrepris ce changement majeur dans leurs modèles d'affaires. De plus, il y a un manque d'études d'impact des firmes à l'issue du processus, et de compréhension de quel type de valeur est par la suite perçue.

Méthodologie : Afin d'atteindre les objectifs de cette thèse, des méthodes de recherche qualitative seront utilisées. Une étude de cas multiples sera employée, en suivant une analyse transversale des résultats. Les cas présentés sont ceux de deux entreprises multinationales majeures opérant dans le secteur des biens de consommation : The LEGO Group et Starbucks Corporation. Cette thèse utilise différentes preuves afin de supporter les résultats de l'étude de cas par plus d'une source, renforçant ainsi la validité de la construction.

Conclusions : Les résultats de cette étude de cas multiples ont montré qu'à la fois The LEGO Group et Starbucks Corporation fournissent des preuves empiriques supplémentaires des tendances présentes dans la théorie existante sur la co-création. De plus, des similarités intéressantes sont découvertes, incluant les motivations des deux firmes de s'aventurer dans la co-création, les difficultés rencontrées dans la gestion des attentes des consommateurs et les résultats financiers de la co-création pour la firme. Des différences, comme les stratégies des produits co-crédés de chacune des firmes, l'implication des consommateurs dans la co-création, et l'inclusion ou l'exclusion de mesures incitatives sont aussi identifiées. En ce qui concerne la valeur créée, il est démontré que les niveaux élevés de valeur d'utilisation perçue sont produits pour les consommateurs, incluant une plus forte autonomisation des consommateurs, davantage d'offres diversifiées de produits et/ou services, et une meilleure expérience globale. Il y a aussi des avantages significatifs pour la firme, incluant une loyauté du consommateur améliorée, une vitesse de commercialisation plus importante, et des niveaux généraux plus élevés de satisfaction du consommateur.

Limites de la recherche : Les limites incluent la présence de davantage de cas afin d'augmenter la validité externe de cette thèse, le type de firmes choisies pour l'analyse, et l'impossibilité de quantifier la capture de valeur en termes monétaires de The LEGO Group et Starbucks Corporation.

Mots-clés : Co-Création, Innovation, Communautés Virtuelles, Création de Valeur, Développement de Nouveau Produit, Étude de Cas Multiples, Expérience du Consommateur, Intelligence Marketing, Stratégie, Transformation de Modèles d'Affaires

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1. Introduction

As we move forward into the information age, it is evident the boundaries between firm and consumer continue to blur. This is a result of enhanced connectivity and the democratization of knowledge supported by technology. In this period, consumers are more informed, capable, and possess a stronger awareness regarding what they consume. The responsibility of firms, therefore, is to maintain openness and foster meaningful relationships with consumers. Moreover, they must encourage a more active involvement from the consumer to create compelling, value rich experiences. This concept is titled *co-creation*, and it has become a near-unavoidable phenomenon within contemporary business discourse and practice. Formally, co-creation can be defined as “the joint creation of value by the company and the consumer, allowing the consumer to co-construct the service experience to suit their context” (Prahalad & Ramaswamy, 2004c, p. 8). As its definition suggests, though, co-creation also requires shifting part of the locus of value creation away from the firm.

According to the traditional process of value creation, consumers were considered outside the firm, and value was generated inside the firm through activities. Each party had their own roles of production and consumption, separately. (Prahalad & Ramaswamy, 2004a). The exchange between both parties was considered the locus of economic value extraction, and the amount of nominal value, or price, received by the firm during this trade would be used to measure a firm’s wealth (Vargo, Maglio, & Akaka, 2008). However, the ongoing participation of active consumers in the production of their own value has inverted this outmoded way of thinking (Darmody, 2009). As the center of gravity shifts, value creation is defined by “the experience of a specific consumer, at a specific point in time and location, and in the context of a certain event” (Prahalad & Ramaswamy, 2003, p. 14). Co-creation allows for this to occur by going beyond the company-centric, product-and-service-focused prism. Not only does it enable the “creation of compelling experiences, but a truly creative involvement of consumers” (Roser et al., 2009, p. 9). This occurs across a wide spectrum—from mass customization, a marketing and manufacturing technique allowing consumers to configure the specifications of products they purchase (Nike ID), to co-production, where the consumer dynamically contributes in creating and providing a service

(IKEA) (Roser et al., 2009). These concepts, and others, all focus on generating new value with consumers.

Co-creation has been associated with a wide array of thinking in business and marketing literature, ranging from innovation with external stakeholders (Prahalad & Ramaswamy, 2004a; von Hippel, 2005), to the Experience Economy (Pine & Gilmore, 1998; 1999; 2011), to the service-dominant logic of marketing (Vargo & Lusch, 2004). From the perspective of innovation, it has been prescribed that firms abandon the traditional mindset of 'company think' (e.g. the efficiency of production, logistical systems, advanced technology, etc.), in favor of 'consumer think' (e.g. lifestyle, expectations, needs & desires, etc.) (Prahalad & Ramaswamy, 2004c). The idea of the Experience Economy dictates that products are no more than artefacts around which people have experiences (Pine & Gimore, 2011). Furthermore, the service-dominant logic of marketing includes exchanging skills and services that create vital exchange relationships. Firms are considered consumer focused, with value found in the marketplace (Vargo & Lusch, 2004). Central to these principles, though, is the importance of giving access to wider, richer experiences for consumers. Both dialogue and experience are key ingredients of consumer-firm relationships. For the consumer, this results in greater satisfaction and commitment with a product or service provider (Bettencourt, 1997). For the firm, collaborating is said to enable cross-fertilisation and idea generation through shared knowledge and experiences, resulting in increased numbers of new idea sources in innovation. Furthermore, it is said to increase speed to market, reduce risk, and increase attitudinal loyalty (Roser et al., 2009; Auh et al., 2007).

There is abundant evidence in available literature that co-creation provides numerous benefits for the firm, and is achieved by improving the overall product or service experience for consumers. This leads to the creation of new value and meaning by connecting both parties in a 'boundary-spanning' way (Roser et al., 2009). However, what seems to be lacking in existing studies of value co-creation are comprehensive analyses of firms who have undertaken this dramatic shift in their business models. Furthermore, there is a shortage of impact assessments of firms after doing so, and what type of value is then perceived. This research is essential as it stands to support and demonstrate previous claims about the power of co-creation. Also, it must evaluate

the strategy within the bounded context of a firm to understand the specific value being created by its unique product or service offerings.

This thesis intends to fill this gap in existing literature by investigating value co-creation within the firm. It plans to deliver on this intention by answering the following question: *How do firms create value by enhancing the overall product or service experience through co-creation?* Following this, a subsequent enquiry is raised: *What value is generated as a result?* Together, these questions seek to cohesively understand a firm's decision making process to partake in value co-creation; including their motivations, necessary changes made, evolution of practices, and overall outcomes. Acquiring this information will draw conclusions about the efficacy of claims surrounding the notion of value co-creation, and the importance of offering heightened, interactive experiences to consumers. To achieve this goal, qualitative research methods will be used. A multiple-case study design will be employed following a cross-case analysis of findings. This methodology is ideal as it provides the opportunity to study in-depth cases within their context and considers their complexity (Lincoln and Guba, 1985).

The firms selected as the cases for this study are The LEGO Group, a Danish multinational corporation best known for the manufacture of LEGO-brand toys, and Starbucks Corporation, an American coffee company and coffeehouse chain. Both firms operate primarily as business to consumer, and have significant presence within the toy and food-and-beverage industries, respectively. Furthermore, The Lego Group and Starbucks Corporation are widely-cited examples of firms who offer compelling, value rich consumer experiences by way of co-creation. Following the case study methodology, data will be collected via a variety of evidence sources including documentation, archival records, direct observations, and interviews. Interviews will be conducted with current and former employees of both firms, led as informal discussions instead of controlled dialogues (Yin, 2003). Finally, the case study evidence will be analyzed following theoretical propositions, which will be gathered from the literature review. Pattern matching will be used to strengthen each case's internal validity. This thesis will conclude with a discussion where it will reveal the most significant findings of this study, present practical implications, assess its limitations, and offer opportunities for further research.

First, a comprehensive literature review will be conducted to observe the evolution of value creation from a firm-centric to consumer-centric view. It will cover co-creation, and the fundamental role experience plays in heightening its effects. Moreover, guidelines on how firms can enable compelling, value rich experiences via co-creation will be stated. The role of consumer communities, particularly those online, will be mentioned as especially important purveyors of experience creation for product and service-based groups. Finally, theories stating the impact on firms, the expected benefits, and potential challenges of consumer experience-based co-creation strategies will be covered. This literature review will enable the development of the case selection criteria used to justify The LEGO Group and Starbucks Corporation as empirical cases of the phenomena being studied. Moreover, it will reveal a set of theoretical propositions that will guide data collection and allow this thesis' conclusions to be adequately drawn.

2. Literature Review

2.1. From a Firm-Centric to Consumer-Centric Approach to Value Creation

The rise of informed, connected, empowered, and active consumers has changed how value creation is defined. Consumers now can choose the firms they want to have relationships with based on their own views of how value should be created for them, and seek to exercise their influence in every part of the business system. Equipped with abundant interactive tools, consumers are more eager to interact with firms and thus “co-create” value (Prahalad & Ramaswamy, 2004a). However, this contemporary model represents a radical change from the traditional system of value creation, which included segregated roles for the producer and consumer. Per Prahalad & Ramaswamy (2004a), “in this perspective, the market, seen either as a locus of exchange or as an aggregation of consumers, was separate from the value creation process” (p. 6). To better understand this transformation, literature on both traditional and modern processes of value creation will be reviewed. This evolutionary perspective provides a necessary contextual understanding for addressing this thesis' research questions.

2.1.1. The Traditional System: Value Creation as an Internal Process

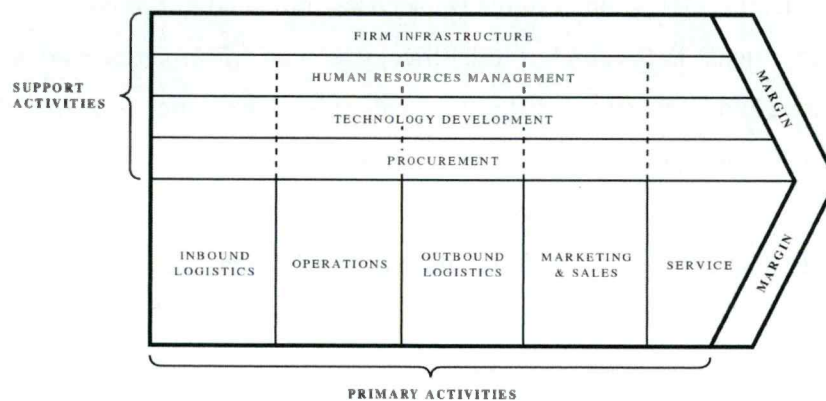
In the most traditional sense, value is embedded in matter through manufacturing; goods are viewed as standardized output, and wealth in society is created by the acquisition of tangible ‘stuff’. Within the marketing literature this is known as the goods-dominant logic, and “focused

on tangible resources, embedded value, and transactions” (Vargo & Lusch, 2004, p. 1). Early marketing thought inherited this view from classical and neoclassical economics (Marshall, 1890; Say, 1821; Shaw, 1912; Smith, 1776), which focused on a goods-centered model of exchange, and the purpose of economic activity is to make and distribute things that can be sold. These items must be embedded with utility and value during the production and distribution processes, and must offer to the consumer superior value in relation to competitors’ offerings. The goods-centered model also suggests “the firm should set all decision variables at a level that enables it to maximize the profit from the sale of output” (Vargo & Lusch, 2004, p. 5). From this perspective, the market is considered a ‘target’ for the firm’s goods and services (Prahalad & Ramaswamy, 2004a). This aggregate of consumers are considered the recipients of goods, or *operand resources*, defined by Constantin and Lusch (2004) as “resources on which an operation or act is performed to produce an effect” (Vargo & Lusch, 2004, p. 2). Thus, consumers as *operand resources* are “acted on to create transactions with resources” (Vargo & Lusch, 2004, p. 7), which under the goods-dominant logic defines the firm-customer interaction.

The firm’s autonomous role in generating value under the goods-dominant logic is represented by Michael Porter’s notion of the *value chain* (Prahalad & Ramaswamy, 2004a). This model has had a significant impact on business strategy, and on a firm’s process of value creation. According to Krabbe and Christensen (2013), “the value chain is an attempt to map the process of value creation, to provide an overall clear-cut picture of how firms can achieve competitive advantage” (p. 34). For Porter, the sources of competitive advantage centers around a firm’s *activities*: “a firm is a collection of discrete, but interrelated economic activities...A firm’s strategy defines its configuration of activities and how they interrelate. Competitive advantage results from a firm’s ability to perform the required activities at a collectively lower cost than rivals” (Porter, 1991, p. 102). The term value refers to consumer value, from which the potential profit ultimately derives. It is how much consumers are prepared to pay for what a firm offers them, and is determined by total revenue (Porter, 1985). Thus, value for Porter is generated within the confines of the firm, and exchanged outside the firm within the market (Krabbe & Christensen, 2013).

In his illustration of the value chain, Porter imagined “a chain-like, one-way process of casually connected inputs and outputs, which connected the start of production to the moment of exchange in which value is created. Accordingly, the value chain represents the collection of value activities that are performed by the firm to design, produce, market, deliver, and support its product” (Krabbe & Christensen, 2013, p. 34). In principle, the competitive advantage is created from the value a firm can generate for consumers exceeding the firm's marginal cost (Krabbe & Christensen, 2013). Porter's drawing of the value chain can be found in Figure 1. The mechanistic visual is telling of how those studying and practicing commerce understand the process of value creation and the dynamics of a firm's activities (Morgan, 1998). However, with the rise of co-creation, this view of value creation changes considerably (Krabbe & Christensen, 2013). Co-creation is presented with the proposition that managers must evolve from a firm-centric way of thinking to a consumer-centric way of thinking (Prahalad & Ramaswamy, 2004a). This transformation in thinking represents the first theoretical proposition of this thesis. The next subsection will explore this revolution further by observing the service-dominant approach to value creation.

Figure 1: The Value Chain (Porter, 1985, p. 46)



2.1.2 Towards a Service-Dominant Approach to Value Creation

New perceptions have developed over time that instead focus on relationships, intangible resources, and co-creating value (Vargo & Lusch, 2004). Marketing thought refers to this as service-dominant logic, where *services* are defined as “the application of specialized competencies (knowledge and skills), through deeds, processes, and performances for the benefit of another entity or the entity itself” (Vargo & Lusch, 2004, p. 2). This view is consumer-centric and market driven (Sheth, Sisodia, & Sharma, 2000). It means firms and consumers must work together,

entailing that the firm and consumer must both define value, rather than it be contained solely in the firm's production (Vargo & Lusch, 2004). Day (1999) argues "for thinking in terms of self-reinforcing 'value cycles' rather than linear value chains" (p. 70). From this service-dominant view, consumers are *operant* resources, which are resources that produce effects (Constantin & Lusch, 2004). They are "active participants in relational exchanges and coproduction" (Vargo & Lusch, 2004, p. 7).

For service-dominant logic, value "is co-created through the combined efforts of firms, employees, consumers, stockholders, government agencies, and other entities related to any given exchange, but is always determined by the beneficiary (i.e. consumer)" (Vargo, Maglio, & Akaka, 2008, p. 148). Moreover, it suggests "there is no value until an offering is used—experience and perception are essential to value determination" (Vargo & Lusch, 2006, p. 44). The firm's key function in value creation is offering value and providing the service. This is the arbitrator of the value co-creation process (Vargo, Maglio, & Akaka, 2008). In value co-creation, value ultimately stems with the involvement of, and determined by the beneficiary (consumer) through use (consumption) in the process of acquisition, usage, and disposal (Holbrook, 1987). It is described as *value in-use*, which, in contrast with *exchange value*, is "a process in which value emerges rather than is delivered" (Heinonen et al., 2010, p. 539). With value in-use in the middle of this intricate process of value creation, the service-dominant outlook infers that knowledge (and skills) is pervasive in the market. Thus, the difference between firm and consumer vanishes and all contributors generate value for others and themselves (Vargo, Maglio, & Akaka, 2008). By understanding the service-dominant logic, it is clear consumers adopt a central role in the value creation process. Moreover, it is important to explore this role further to understand its importance for firm strategy.

2.1.3. The New Role of Consumers in Creating Value

It has been made evident that consumers are considered arbiters of value under the service-dominant logic. Therefore, it is important to mention how consumers must be considered important to strategy formation, as consumers experiencing benefits are essential to a firm's success. Managers cannot afford to focus solely on capturing exchange value while assuming value in-use will be experienced (Priem, 2007). Priem (2007) advances an alternative perspective for strategic

management, the *consumer benefit experienced* (or consumer) perspective, that “emphasizes the role of consumers in experiencing and establishing value” (p. 222). In this view, a key role the firm must play is supporting consumers in maximizing the use value that is created and experienced during consumption, regardless of the exchange value paid. Bowman and Ambrosini (2000) provide a definition for this type of value experienced by consumers:

“Use value refers to the specific qualities of the product perceived by consumers in relation to their needs: e.g. the acceleration and styling of the car, the taste and texture of the apple, etc. So, judgements about use value are subjective, they pertain to the individual consumer. In other words, use value is *perceived* by the consumer” (p. 3).

This type of value is subjective; it is defined by consumers. Thus, consumers and firms can be seen as collaborating to create value during consumption, and value added is replaced with value ‘aided’ as firms try to increase the value experienced by their end users (Priem, 2007).

When a firm succeeds in aiding consumers in their experience of perceived use value (Bowman & Ambrosini, 2000; Magretta, 2002; Rowe, 2001), Prahalad and Ramaswamy’s (2003) definition of value creation is justified: “the experience of a specific consumer, at a specific point in time and location, and in the context of a certain event” (p. 14). To delve further, Holbrook (2006) describes this as an “interactive relativistic preference experience” (p. 12), where the consumer uses all input to form an impression of value influenced by cognitive and emotional perceptions. These impressions serve to create an emotionally driven marker in the individual’s memory, which they use as a guide for future behavior (Ravald, 2008). Also, Heinonen et al. (2010) advocate that value arises when the consumer uses a firm’s service, and it becomes implanted in their everyday actions together with the service company’s activities. It is clear these modern definitions of value concern the individual as opposed to the firm’s internal activities and processes. Therefore, the firm’s task is to support the consumer’s creation of value and the potential value of a service company’s activities can be larger than traditionally considered (Vargo, 2008). This shines new light on what the process of co-creation may imply, and how the service experience should be determined. To continue this exploration, it is necessary to study relevant theories on co-creation to understand how this new value can occur, and the benefits that can arise for the consumer and firm.

2.2. Co-Creation: New Pathways to Value Creation through Collaboration

It is clear by studying the extant literature surrounding the transformation of value that co-creation plays a central role. It discards the view that consumers are passive recipients of firm offerings, in favour of viewing consumers as active contributors and providers of insights in the process of value creation. Co-creation represents a completely new way of understanding business and the firm, presenting a coalescing standpoint on the attractive prospect of generating value with consumers and other participants, rather than merely producing value for them (Krabbe & Christensen, 2013). This section will further examine the present research on co-creation and how it has redefined interactions between the firm and consumers. Furthermore, it will highlight the key role of consumer experiences manifested through co-creation and how this enhances value creation. Finally, strategies for successfully implementing co-creation strategies into existing business models will be covered. As this thesis intends to achieve a holistic understanding on how value is created by enhancing the consumption experience via co-creation, it is important to fully understand all mechanisms of the strategy. This will aid in drawing conclusions regarding the firm's motivations to engage, how co-creation is executed, and the outcomes.

2.2.1. Redefining Consumer–Company Interactions

The concept of co-creation is increasing in popularity among business scholars and practitioners. It has emerged in a variety of disciplines, such as strategy (Prahalad & Ramaswamy, 2003; 2004a; 2004b; 2004c), marketing (Vargo & Lusch, 2004), innovation (von Hippel, 2005), and organizational development (Ramaswamy & Guillard, 2010). At the core of all study fields, however, is the focus on human experiences as a new point of value (Krabbe & Christensen, 2013). Co-creation is defined as “the joint creation of value by the company and the consumer, allowing the consumer to co-construct the service experience to suit their context” (Prahalad & Ramaswamy, 2004a, p. 8). To arrive at this definition though, the idea of co-creation has undertaken several developments. It is thought to be rooted in core competence theory (Prahalad & Ramaswamy, 2000). In the 2000 article *Co-Opting Customer Competence*, Prahalad and Ramaswamy argue several business disruptions (namely deregulation, globalization, and the evolution of the Internet) have distorted the boundaries between the roles companies play in dealing with consumers. Consumers increasingly wish to engage firms in dialogue, either individually, or via consumer communities. Thus, consumers can become a basis of competence

for the firm. They bring unique skills, a inclination to investigate and learn, and the ability to participate in dynamic discourse (Prahalad & Ramaswamy, 2000). This idea of consumers as sources of competence can be further understood by von Hippel's (2005) of user innovation, which disrupts conventionally inward processes.

User innovation, or democratized innovation, can be used to understand how the emergence of co-creation relates to the displacement of value over time. von Hippel's (2005) theory, summarized by Krabbe and Christensen (2013), assumes that "some consumers are more competent than the company itself to create the innovations, which holds the potential to be defining for future value creation" (p. 100). von Hippel focuses largely on *lead users*, who are those consumers who are very engaged in developing or modifying products. Lead users are "ahead of most users in their populations with respect to an important market trend, and they expect to gain relatively high benefits from a solution to the needs they have encountered there" (von Hippel, 2005, p. 4). This is because lead users have certain needs before other consumers of the same sector, thus providing a way for the firm to learn what to offer in the future. Also, they are more involved and more likely to experience greater advantages than the others in their sector. Therefore, it is suggested that firms look to lead users to generate ideas for future innovations (Krabbe & Christensen, 2013). Not only has cooperating been proven as a successful means of generating pioneering and fruitful new products, it is known to enhance the well-being of consumers by increasing the speed of creating new products and distributing them to users (O'Hern & Rindfleisch, 2008; von Hippel, 2005). More importantly, von Hippel (2005) found that "individual users can sometimes be more inclined to innovate than one may expect because they sometimes value the process of innovating as well as the novel product or service that is created" (von Hippel, 2005, p. 45). This discovery represents another important theoretical proposition of this thesis. While von Hippel found that lead users create value through the experience of collaborative innovation, co-creation differs in terms of scope. It takes the form of a whole business strategy that can influence the everyday operations and corporate character of a firm (Krabbe & Christensen, 2013).

Co-creation can be considered "an umbrella concept, which integrates the related concepts pertaining to user-involvement in a new paradigm of value creation" (Krabbe & Christensen, 2013,

p. 4). In 2003, Prahalad and Ramaswamy began to explore co-creation as a *next* practice as opposed to a *best* or *current* practice, and develop a new theory of value creation and innovation. This demonstrated a new viewpoint that allows single consumers to define their consumption through tailored cooperation, thereby co-creating exclusive value for themselves. Their research was based on a synthesis of early investigation into a wide range of industries, firms, and societal trends, using examples in their work as thinking props to encourage readers to think differently about value creation and innovation. Hence, their work has received great attention from scholars and practitioners and has morphed into global economic trends featuring the co-created development of products and services. Some notable examples include crowdsourcing (Howe, 2006), open innovation (Chesborough, 2003), and mass collaboration (Tapscot & Williams, 2006; 2008). To guide these theories, Prahalad and Ramaswamy (2004a) outlined a specific set of principles describing what co-creation is, and what it is not. They determine that co-creation is not the “transfer of activities from the firm to (consumer) as in self-service,” but “allowing the (consumer) to co-construct the service experience to suit his or her context.” Furthermore, it is not “staging experiences,” but “innovating experience environments for new co-creation experiences” (p. 8). The complete *Concept of Co-Creation* visual can be found in Figure 2. What is apparent throughout definitions of co-creation is the emphasis placed on personalized experiences and their influence on value creation. The capacity to co-create unique value to fit personal needs and wants represents another important theoretical proposition to be used in this thesis’ data collection. Thus, it is essential to next explore the relevant literature on experiences and how the firm can support their manifestation.

Figure 2: *The Concept of Co-Creation (Prahalad and Ramaswamy, 2004, p. 8)*

WHAT CO-CREATION IS NOT	WHAT CO-CREATION IS
<ul style="list-style-type: none"> • Customer focus • Customer is king or customer is always right 	<ul style="list-style-type: none"> • Co-creation is about <i>joint</i> creation of value by the company and the customer. It is not the firm trying to please the customer
<ul style="list-style-type: none"> • Delivering good customer service or pampering the customer with lavish customer service 	<ul style="list-style-type: none"> • Allowing the customer to co-construct the service experience to suit her context
<ul style="list-style-type: none"> • Mass customization of offerings that suit the industry's supply chain 	<ul style="list-style-type: none"> • Joint problem definition and problem solving
<ul style="list-style-type: none"> • Transfer of activities from the firm to the customer as in self-service 	<ul style="list-style-type: none"> • Creating an experience environment in which consumers can have active dialogue and co-construct personalized experiences; product may be the same (e.g., Lego Mindstorms) but customers can construct different experiences
<ul style="list-style-type: none"> • Customer as product manager or co-designing products and services 	<ul style="list-style-type: none"> • Experience variety
<ul style="list-style-type: none"> • Product variety 	<ul style="list-style-type: none"> • Experience of one
<ul style="list-style-type: none"> • Segment of one 	<ul style="list-style-type: none"> • Experiencing the business as consumers do in real time
<ul style="list-style-type: none"> • Meticulous Market research 	<ul style="list-style-type: none"> • Continuous dialogue
<ul style="list-style-type: none"> • Staging experiences 	<ul style="list-style-type: none"> • Co-constructing personalized experiences
<ul style="list-style-type: none"> • Demand-side innovation for new products and services 	<ul style="list-style-type: none"> • Innovating experience environments for new co-creation experiences

2.2.2. The Consumer Experience: Vital for Creating Value through Co-Creation

The notion of delivering experiences along with economic offerings began towards the end of the twentieth century. Holbrook and Hirschman (1982) had a notable impact on this concept, as they advocated for the experiential aspects of consumption. They dismiss the idea that the consumer simply processes information, and favour the idea that consumption should include the pursuit of fantasies, feeling and fun. Following this notion, Pine II and Gilmore (1998; 1999; 2011) developed their significant theory of *The Experience Economy*. Within their work, they justify the necessity for firms to engage consumers with customizable, memorable, and transformational experiences. Per the theory, “experiences occur when a company intentionally uses services as the stage, and goods as props, to engage individual (consumers) in a way that creates a memorable event” (Pine II & Gilmore, 1998, p. 98). They also deem these experiences personal, existing solely

in the mind of an individual who has been engaged on an emotional, physical, intellectual, or spiritual level. To explain this complexity, Pine II and Gilmore (1998) outline the *Four Realms of an Experience*. An illustration of this concept can be found in Figure 3. To deliver experiences, firms must understand their characteristics. The realms transcend two dimensions: Consumer participation and consumer connection. Participation can be active or passive, playing a key role in delivering the experience or are submissive, respectively. A connection is what unites consumers with the experience, which they can merely absorb or become immersed in. The experiences are also sorted in realms depending on where they fall along the spectrum of dimensions:

Entertainment: Consumers “participate more passively than actively; their connection is more likely one of absorption than immersion” (p. 102).

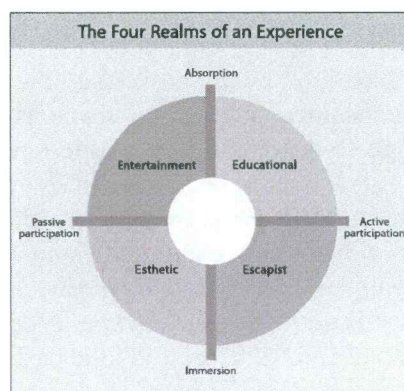
Educational Events: Involves “more active participation, but (consumers) are still more outside the experience than immersed in the action” (p. 102).

Escapist Experiences: “Teach just as well as educational events can, or amuse just as well as entertainment, but they involve greater (consumer) immersion” p. 102).

Esthetic: Consumers are “immersed in an activity or environment, but they themselves have little or no effect on it” (p. 102).

The richest experiences tend to resemble all four of the above, making a *sweet spot*. However, there are countless opportunities for experiences. Firms must decide on which experiences they will offer, as they will represent their business (Pine II & Gilmore, 2008).

Figure 3: The Four Realms of an Experience (Pine II & Gilmore, 2008, p. 102)



While *The Experience Economy* is important for categorising experiences and how they occur, Prahalad and Ramaswamy (2004a) claim a deeper, more integrated approach is needed that goes beyond ‘staging experiences’ to fundamentally re-think the relation between firm and market (Krabbe & Christensen, 2013). They argue:

“In all variations of consumer involvement, from self-checkout to participation in a staged experience, *the firm is still in charge of the overall orchestration of the experience*. Yes, they focus on consumer experience, but their consumers are basically treated as passive. They are primarily product-centric, service-centric, and therefore, company-centric. The focus is clearly on connecting the (consumer) to the company’s offerings” (2004, p. 8).

There is no doubt Pine II and Gilmore offer valuable solutions in the form of new perspectives on marketing and product development. They advise managers to embrace the experience mindset, and place the subjectivity of the individual consumer at the forefront of creating value. However, co-creation entails this and more of a strategic management perspective. It invents a new, defining concept of business success in this advanced and intersected marketplace (Krabbe & Christensen, 2013). The next subsection will justify this, and cover solutions for firms to co-create value with consumers while also improving their overall experience.

2.2.3 Creating Collaborative Experience Networks

For Prahalad and Ramaswamy (2003), a unique experience derived from co-creation is neither firm- nor product-centric. Neither is it consumer-centric, in the restricted sense of a firm being responsive to how consumers use its products and services. Furthermore, it cannot be achieved without the focused interaction of the individual with the company and overall consumer community that enable a personalized experience. To facilitate this, the formation of an *experience environment* is proposed. This concept is described as:

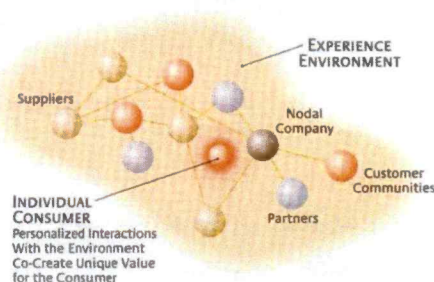
“A robust networked combination of company capabilities (including technical and social capabilities) and consumer interaction channels (including devices and employees), flexible enough to accommodate a wide range of individual context- and-time-specific needs and preferences. Because a (consumer)’s desired experiences cannot be determined a priori, experience environments must actively involve consumers—as individuals and communities—to accommodate a range of possible (consumer)-company interactions and thereby a variety of potential co-creation experiences. It is this set of potential experiences that will determine the individual’s willingness to pay and therefore form the basis for companies to extract economic value and generate profitable growth” (p. 15).

A visual of this concept can be found in Figure 4. As it suggests, this innovation method differs from conventional approaches to product development, process improvements, and reduced cycle times (Prahalad & Ramaswamy, 2003). The notion of both the firm and its environment collaborating within their own networked system is distinctive for how co-creation addresses the future identity of markets. By being in touch with this atmosphere, the firm will care more about the market's progress and use its consumers' competencies. This is how co-creation becomes a resolution of value shifted over time (Krabbe & Christensen, 2013).

Figure 4: *Experience Environments and Networks* (Prahalad & Ramaswamy, 2003, p. 15)

Experience Environments and Networks

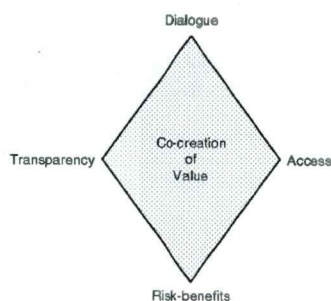
Conceptually different from company-centric supply chains, experience networks comprise nonlinear, nonsequential interactions among companies, institutions and customer communities. The network creates an experience environment with which each consumer has a unique interaction. The consumer actively co-creates his or her personalized experience, which forms the basis of value to that consumer.



To build a system for the co-creation of value, Prahalad and Ramaswamy (2004b) suggest starting with *building blocks of consumer-company interactions*. This important concept is known as the DART model, involving dialogue, access, risk-benefits, and transparency. Dialogue implies responsiveness, deep engagement, and the inclination to interact from both sides. It must center around matters of interest to both the consumer and firm. Moreover, dialogue is difficult if consumers do not have the same access and transparency to information. It requires the firm's departure from information asymmetry. As for ubiquitous connectivity, though, it is possible for an individual consumer to get access to information from the community as well as the firm. Lastly, the former three *building blocks* can result in a clear risk-benefits of a course of action and decision. The DART model can be found in Figure 5. To develop a competitive advantage, firms must

employ these collaborative systems and focus on personalized interactions and experiences. However, as seen in the literature concerning the development of these networks, the exchange is not merely firm to individual consumer. The direct interactions with consumer communities are critical to co-creation and the value-rich experiences that derive from it. In the next section, the power of consumer communities will be explored, and the role of the firm in supporting these groups. Additionally, it will focus on online consumer groups and their impact on co-creation.

Figure 5: Building Blocks of Interaction for Co-creation of Value: The DART model (Prahalad & Ramaswamy, 2004, p. 9)



2.3. The Role of Consumer Communities in Generating Value through Co-Creation

The important role of communities has been the topic of considerable scholarship, commonly featured within the fields of consumer research (Muniz Jr. & O'Guinn, 2001), innovation (Sawhney & Prandelli, 2000; von Hippel, 2005), marketing (Kozinets, 2002), and strategy (Prahalad & Ramaswamy; 2004c). Specifically, in texts concerning co-creation, it appears the most noteworthy types of communities are brand communities (Cova, 1997; McAlexander, Schouten, & Koenig, 2002; Muniz Jr. & O'Guinn, 2001), and communities of innovation (Füller et al., 2006; von Hippel, 2005). The Internet, and especially social media, have given rise to vast networks of consumers, thus making it easier and more attractive for people to engage in brand communities. Moreover, since intellectual products have become increasingly widespread (i.e. design and software development) experimentation with product and solution development products and solutions (Krabbe & Christensen, 2013). For firms, this represents a suitable means of creating new value, and enabling new forms of producer-consumer collaboration, lending to the improvement and overall success of new products (Füller, 2010). Online co-creation is also the catalyst for rich consumer experiences (Rowley, Kupiec-Teahan, & Leeming, 2007). Both of these

theories represents a significant proposition for this thesis' data collection. This section will emphasize these types of communities further, and draw conclusions from relative literature regarding their significance for co-creation. Then, it will focus specifically on virtual co-creation communities, and the internet as a platform for consumer engagement and empowerment in product innovation. Lastly, strategies the firm can use to support the consumer experience through online co-creation will be mentioned.

2.3.1. Brand Communities and Communities of Innovation: Key Concepts in Co-Creation

Since the beginning of the 1990's, the acknowledgment of the significance for firms to study communities has been increasing (Burger-Helmchen & Cohendet, 2011). In broad terms, a community can be defined as "a gathering of individuals who accept to exchange voluntarily and on a regular basis about a common interest or objective in a given field of knowledge" (Amin & Cohendet, 2004). Community members share knowledge on a comfortable basis, and respect the social norms of their group that drive their behaviour and beliefs. Moreover, each community diverges depending on the knowledge activity that they focus on (Burger-Helmchen & Cohendet, 2011).

Communities that are mainly identified by their brand or consumption activities can be recognized with a hurried glance at current society (McAlexander, Schouten, & Koenig, 2002). These are known in modern marketing discourse as *brand communities*, and are defined as "specialized non-geographically bound communities based on a structured set of social relationships among admirers of a brand" (Muniz Jr. & O'Guinn, 2001, p. 412). Additionally, McAlexander, Schouten, and Koenig (2002) note that brand communities include "a fabric of relationships in which the individual (consumer) is situated. Crucial relationships include those between the (consumer) and the brand, between the (consumer) and the firm, between the (consumer) and the product in use, and among fellow (consumers)" (p. 38). In this age of ubiquitous connection, brand communities are commonly found online. They use social networks, chat rooms, email list servers, personal web pages, and other online formats to share ideas, build communities and contact others who can provide more objective information (Kozinets, 2002). Per Füller, Matzler, and Hoppe's (2008) theory, brand community members are well-versed in product or service-specific knowledge and converse in discussions surrounding products.

Interestingly, they also support each other in solving problems and generating new product ideas. Thus, brand communities can be considered indispensable innovation sources.

In the co-creation literature, features of brand communities appear to converge with *communities of innovation* or *user communities*, classically found in texts concerning innovation or new product development. Like brand communities, communities of innovation are considered significant as they support each other in the product ideation and development processes. They are also enthusiastic about the products and/or services in question. (Füller, Matzler & Hoppe, 2008). They are driven to find ways to combine and leverage their efforts, and achieve this by engaging in many forms of cooperation. Direct, informal user-to-user cooperation (assisting others to innovate, answering questions, etc.) is common. Organized collaboration is also widespread, with users forming alliances on the World Wide Web that provide accessible architectures and tools for circulating innovations (von Hippel, 2005). Although free and open source software projects are a relatively well-developed and very successful form of the Internet-based innovation community, they are not restricted to these products and can play a major role in the development of physical products (Franke & Shah, 2003).

Due to this widened scope of consumer development, both brand and innovation communities have come into view as large pools of competencies that can potentially help firms add value to their offerings. This notion represents a significant theoretical proposition for the development of this thesis. Besides being more informed and able to participate within communities, many consumers are also willing to participate and may even expect to be included in the value creation process. Accordingly, the internet is seen a suitable means of creating value and enabling new forms of producer-consumer collaboration (Krabbe & Christensen, 2013). The following subsection will explore online, or *virtual* consumer communities further and their important role in value co-creation. Also, it will examine how individuals involved perceive their group engagement and how this leads to heightened consumer experiences.

2.3.2. Collective Value Creation and Empowerment in Virtual Consumer Communities

The *virtual community* concept was first introduced by Rheingold (1993), who defined it as “a social network of individuals who interact through specific media, potentially crossing

geographical and political boundaries to pursue mutual interests or goals” (p. 1). Since this preliminary definition, the rapid dissemination of the internet has expanded the concept to incorporate various social networking and online communities (Burger-Helmchen & Cohendet, 2011). The shared characteristics of these groups are, per Lee, Vogel, and Limayem (2003), online member exchanges, content development by members, and relationship-making among members. Most notably, virtual communities active on social network platforms serve as community enablers. They support knowledge transfer, sharing, and expressly target the development of a collective product. When they are organized around a specific branded product or service (brand community), this supports co-creation by many means: By increasing users’ knowledge about the brand’s products, by developing lead users, and by creating a brand attachment that can lead to product development contributions (Zwass, 2010). This represents a significant theoretical proposition for this thesis.

It has been mentioned that virtual communities are the crux of shared collaboration to co-creation. In fact, they are where much of the value contribution occurs (Zwass, 2010). In opening themselves to consumer co-creators, firms are democratizing innovation. As these groups are found online, firms can easily support their consumers’ co-creation activities by providing toolkits over the web, assisting consumers/users in designing, prototyping, and testing the products (von Hippel, 2005). Per Zwass’ (2010) typology of co-created value, this is known as sponsored co-creation: “consumers can contribute to virtually every stage of the value chain of the organizations that involve them in their activities” (p. 25). The following contribution domains can be recognized starting with upstream value chain stages:

Consumer Self-Revelation: “By uploading self-description, lifestyle documents, and photos to corporate Web sites, consumers offer the firm’s marketers, with support from mining software and other tools, an opportunity to obtain a rich picture of the firm’s consumers” (p. 26).

Consumer-Side Service: “Members of user communities are drawn upon by the producer firms to respond to questions and resolve use-oriented issues for users. Requesting “help from the communities” is a well-known method of dealing with software problems—not infrequently used by employees of the producers as well” (p. 27).

Ideation and Idea Evaluation: As individual community members possess a diverse accumulation of knowledge and experience, “consumers as collective bodies can

generate new product ideas, elaborate on ideas generated within organizations, and help to assess the viability of proposed new products” (p. 25).

Product Co-Design: Firms that succeed in this form of sponsored co-creation “involve users in product design, support them with toolkits available over the Web, and subsequently bringing the products to market...Initiatives of this kind have been employed to draw in co-creating consumers” (p. 26).

Product Testing: “The beta testing of software by potential users has been joined by the testing of other products, with software prototypes and test kits available over the Web” (p. 26).

Within these types of sponsored co-creation, it is expected that the individual consumer can acquire additional knowledge and/or skills, and feel a sense of closeness to the firm (Zwass, 2010). Moreover, as their overall product/service experience is heightened, they often feel a sense of empowerment (Füller et al., 2009). This finding is an important theoretical proposition for the development of this thesis.

This notion of empowerment is common within texts concerning co-creation within virtual communities. The Internet increases one’s sense of empowerment in two ways: the revision of one’s identity (i.e. communicating with others, learning, and assessing one’s social skills); and growing one’s virtue and skills, which is especially pertinent for Internet-based co-creation. Collaborating in virtual environments can be construed as an enabling activity, strengthening a person’s experience of autonomy (Füller et al., 2009). Cova and Pace (2006) find that communities that gather around a brand show a new form of enfranchisement based on self-expressiveness. Online consumers are more lively, involved, and social than ever before (Kozinets, 1999), and they want to become prominent members in the development of experiences (Firat & Shultz, 1997). Füller et al. (2009) contend that the level of experience empowerment hangs on how the virtual communication tool is designed, how enjoyable the virtual interaction is, the tasks and product involvement of the participants, their user features, and creativity. Differently motivated consumer groups may also have different expectations towards co-creation—the process, the co-creation content, as well as co-creation partners. Therefore, it is the task of the firm to design co-creation platforms to attract all envisioned consumer groups and to meet or go beyond their expectations (Füller, 2010). To deeper understand how the firm can support online co-creation, the relevant literature will be studied further.

2.3.3. The Firm's Role in Supporting Online Co-Creation

To improve the overall product and/or service experience through co-creation, the firm is obligated to equip their collaborative communities with synergistic mechanisms that support interactive dialogue, knowledge sharing, and the contributors' sense of belonging (Sawhney, Verona, & Prandelli, 2005). It is also important that the contributions of submitters are properly recognized by firms (with, for instance, monetary prizes, admiration, explicit credit) (O'Hern & Rindfleisch, 2010). Furthermore, to specifically enhance the experience of collaborating via co-creation, it is suggested to include levers for experience innovation within collaborative environments (Prahalad & Ramaswamy, 2004c).

Regarding the inclusion of collaborative mechanisms, Sawhney, Verona, and Prandelli (2005) map internet-based collaboration mechanisms for the new product development (NPD) process. These are based on two important dimensions—the *nature* of consumer involvement that is needed, and the stage of the NPD at which the involvement is desired. These can be further classified for front-end (ideation and concept) or back-end (product design and testing) stages. Early NPD can also be positively impacted by online virtual communities, as they unite users with common interests and converse online to discuss their experiences (Kozinets, 1999). Moreover, the firm must also decide whether these collaborative mechanisms will emphasize richness or reach. It may want to choose richness over reach if it is interested in generating ideas or insights, while it may value reach if it is interested in validating hypotheses with a sample of individuals. Figure 6 shows a variety of Internet-based mechanisms based on these dimensions, and examples for each. In addition to developing the proper channels for consumer involvement, reward mechanisms can be given to competent users as incentives or support (Sawhney, Verona, and Prandelli, 2005).

Figure 6: Mapping Internet-Based Collaboration Mechanisms Based on the Nature of Collaboration and Stage of NPD Process (Sawhney, Verona, & Prandelli, 2005, p. 8)

Applicability to Stage of New Product Development Process

		Front-end (Ideation and Concept)	Back-end (Product Design and Testing)
Nature of Collaboration	Deep/ High Richness	Suggestion Box Advisory panels Virtual communities Web-based idea markets	Toolkits for users innovation Open-source mechanisms Web-based patent markets
	Broad/ High Reach	Online survey Market intelligence services Web-based conjoint analysis Listening in techniques	Mass customization of the product Web-based prototyping Virtual product testing Virtual market testing

The idea of acknowledging consumers' contributions has become more prevalent in recent texts regarding co-creation (Füller et al., 2009; Füller, 2010; O'Hern & Rindfleisch, 2010; Saldanha, Cohendet, & Pozzebon, 2014). Füller (2010) finds that individuals have different motivations for engaging in virtual co-creation projects, and should be awarded accordingly. This conclusion represents one of this thesis' theoretical propositions. Also, design principles for co-creation interactions are mentioned for creating rewarding consumer experiences. The motive categories for engaging in virtual co-creation projects and design principles can be found in Figure 7 and Figure 8, respectively. The suggested incentives include "give honest and direct feedback that encourages participation and recognizes contributions" and "offer additional monetary compensation or prizes for the winners that are related to the performance (quality and/or quantity of contributions) of the participants" (p. 116). Interestingly, it is noted that monetary incentives are not as important for engagement, however non-financial rewards, such as appreciation, and solely the interaction experience are adequately rewarding. This view opposes the conventional view of innovation and marketing managers studied, who rank consumers' expected prizes in the following order: exclusive incentives and financial compensation; contribution to successful products; and prize draws. Therefore, ample attention must be drawn to the interaction design as well as the engagement platform (Füller, 2010). This can also be observed in the work of Saldanha, Cohendet, and Pozzebon (2014), who found three key conditions to successfully managing a lively

community of users: the *interdependence* between members, the *awareness of a common goal*, and the *organization of crowd interaction*.

Users pursuing interaction and acknowledgement of their ideas' value were found to be drawn to the collective aspect of the community as well. These findings could mean a fruitful opportunity for marketing and relationship management long term.

Figure 7: Motive Categories for Engaging in Virtual Co-Creation Projects (Füller, 2010, p. 105)

	Motive Category	Description
Intrinsic	Intrinsic Playful Task (IT)	Individuals contribute to new product development because they may consider it as playful and enjoyable activity, valued for its own sake, and therefore perceived as intrinsically rewarding rather than an effort. ^a
	Curiosity (CU)	Consumers may engage in virtual co-creation projects during NPD just because they are curious. They have a desire of knowledge because of intrinsic reasons. ^b
	Altruism—Community Support (A)	Altruism may motivate consumers to engage in virtual co-creation activities and to support producers in innovating new products. ^c
Internalized Extrinsic	Make Friends (MF)	Getting in touch with like-minded people—employees and consumers— may be a reason for consumers to participate in virtual NPD. Beyond the interest in the topic, the possibility to get in contact with like-minded people is a reason why consumers engage in virtual communities. ^d
	Self Efficacy (SE)	Consumers virtually working on new product development tasks, similar to "Hackers," may derive a sense of accomplishment due to their contributions. ^e They may perceive the co-creation activity as a challenge to be mastered. ^f
	Information Seeking (IS)	Consumers may engage in virtual co-creation projects because they are seeking innovation or product-related information pertinent to their hobby, upcoming product purchase, or just through novelty seeking behavior. ^g Prior studies show that people participate in online communities because they are looking for information relevant to them. ^h
	Skill Development (SD)	Engaging in virtual new product development enables consumers to improve their skill and gain additional knowledge [87]. ⁱ They may be interested to learn more about new technologies and products, and find solutions to hitherto unanswered questions. ^j
	Recognition—Visibility (V)	Consumers may participate in virtual new product development to become visible and get recognition from other participants as well as from the producer. Online community members are motivated to share their know-how and participate in activities for ego gratification or the desire for peer recognition. ^k
Extrinsic	Personal Need—Dissatisfaction (D)	Personal need may motivate consumers to virtually engage in virtual NPD. Sports enthusiasts start to modify or develop their own products because they are dissatisfied with existing products and because they derive benefit from using their innovation. ^l
	Compensation—Monetary Reward (C)	Immediate as well as delayed payoffs such as ... may be the reason why consumers engage in virtual co-creation during NPD. ^m

Figure 8: Design Principles (Füller, 2010, p. 116)

<p>Tasks <i>Which tasks should be offered?</i></p>	<p>Provide tasks that differ in kind as well as level of complexity and offer an enjoyable challenge for the differently skilled consumers. Some participants prefer to generate new ideas, while others like to evaluate and further modify existing ideas.^a Both ideas from creative participants and also wisdom of the crowd evaluations from less skilled consumers add value to a company's innovation process.^b The offered task should enable participants to take on different roles such as designer, evaluator, or networker.</p>
<p>Intensity and Extent <i>How often do consumers want to be engaged?</i></p>	<p>Design co-creation platforms that allow consumers to engage more often and on a continuous base. Consumers, especially creative ones, like to frequently engage in innovation projects. They are open for all kind of development and innovation activities over a broad range of products on an ongoing base. However, the co-creation platform has to ensure current and high-quality content, providing participants with a reason to continuously return and contribute to the co-creation project on an ongoing basis.^c Once consumers leave their fingerprint by contributing content on the platform, they become curious about how others react and respond to their contributions. They want to be updated about latest visitors, comments, and evaluations.</p>
<p>Tools and Multimedia-Rich Environment <i>What role does the context play?</i></p>	<p>Provide supportive and empowering contexts that allow participants to solve the assigned tasks.^d A multimedia-rich environment and powerful tools are welcomed as long as they contribute to a better understanding (for example, of the new product under discussion), inspire consumers to come up with creative ideas, or reduce their cognitive effort to articulate and build a solution. The context shall provide an immersive but simple-to-explore environment.</p>
<p>Interaction among Participants <i>How to create a lively dialogue?</i></p>	<p>Offer platforms that encourage intense interaction among participants and allow relationships to be established and a community to be built. Social networking functionality, such as pictures and personal profiles of participants, message boards, and information about who contributed to which activity and who is related to whom, enriches the communication between participants. Connection to existing social networks like Facebook allows the leveraging of already existing relationships and even benefiting from non-active participants through improved status and recognition resulting from the extended visibility and awareness. Existing brand communities may be good places to find enthused and highly knowledgeable participants.^e While brand community members may be a promising source of innovation, sole brand community membership turned out to be a non sufficient criterion for engaging in a co-creation project initiated by the favored brand.^f</p>
<p>Incentives <i>Are monetary rewards important?</i></p>	<p>Give direct and honest feedback that encourages participation and recognizes contributions. Offer additional monetary compensation or prizes for the winners that are related to the performance (quality and/or quantity of contributions) of the participants. This way you avoid free-riding and reward the most valuable participants.^g While cash prizes seem to be adequate for the best and most innovative solutions, non-cash prizes may serve as special form of recognition for the most active contributors. Monetary rewards may be necessary, especially to avoid the impression that a successful company is ripping-off consumers' creativity for free, but they are not sufficient if other incentive mechanism like feedback, recognition, or compelling experience are missing. The asserted legal rights should also be taken into consideration when determining the amount of the monetary compensation.</p>
<p>Partner <i>Who do consumers want to interact with?</i></p>	<p>Offer a branded platform that allows direct interaction with the company's developer's team. Consumers like to interact with strong brands and well-known producers. They appreciate the direct contact with the employees in charge and are proud when their skills are acknowledged.^h Further, consumers have to be supported if they encounter any problems.</p>

Lastly, referring to Prahalad & Ramaswamy's (2004b) concept of the *experience environment*, broad specifications are also suggested to accommodate a wide-range of context-specific experiences. When designing collaborative experience environments, the firm must

accommodate a heterogeneous group of consumers, facilitate new opportunities afforded by the evolution of emerging technologies, engage the consumer emotionally and intellectually, and explicitly recognize both the social and technical aspects of co-creation experiences. In particular regards to technology, certain elements can be considered *experience enablers*, which facilitate richer experiences via co-creation for both the consumer and firm. The following tactics are suggested:

Granularity: Allowing the consumer to engage with experience environments at any level of intensity. This way, consumer engagements can occur in multiple forms of accretion and depth.

Extensibility: Exploring how technologies can allow consumers to experience collaborating in new ways.

Linkage: Enhancing the consumer experience by using evolving web services infrastructure. The notion is to create an online *cloud* of offerings.

Evolvability: Acquiring knowledge from experience co-creation and applying it to the creation of experience environments that form themselves to consumers' requirements and choices.

These levers contribute to a new frontier of co-creation, which seamlessly integrate imagination, consumer insights, and advanced technology (Prahalad & Ramaswamy, 2004c). As much as the firm does to support co-creation and the involved communities, though, there are certain outcomes that it can expect to perceive as it transforms its ultimate process of generating value. The last section of this literature review will examine these results, both positive and negative, that the firm is expected to perceive.

2.4. The Impact of Creating New Value with Consumers on the Firm

Throughout the reviewed literature so far, several theories have been introduced that invite firms to generate new value with consumers via co-creation, create enriching consumer experiences, and engage with virtual collaborative communities. Many of these concepts have been renowned as means to achieve a competitive advantage in the new economy (Prahalad & Ramaswamy, 2004c). As consumers benefit from a greater product/service experience and perceived value from co-creation, firms can use consumers' knowledge and skills to improve their organization (Roser et al., 2009). Though, imposing changes to firm strategy is not without its challenges. Issues may arise as products and/or services are developed outside of the firm. Since

co-creation changes consumer expectations, it is important to weigh the outcomes of this strategy. This section will conclude this literature review by studying both the stated positive and negative outcomes of co-creation. As this research is conducted from the firm's perspective, it is also necessary to cover how generating new value with consumers requires an internal willingness to change from the firm. First, the expected benefits of co-creation found in current literature will be covered. Following this, the challenges will be reviewed. Finally, the recommended changes from an organizational point of view will be presented. This information will give new indication for the objectives to be found in this paper.

2.4.1. Benefits of Improving the Consumer Experience through Co-Creation

The stated benefits of co-creation on the firm is widespread in extant literature (Füller, 2010; Heinonen et al., 2010; Prahalad & Ramaswamy 2004a, 2004b; Ramaswamy & Gouillart 2010; Roser et al., 2009; Sawhney, Verona, & Prandelli, 2005; Zwass, 2010). For Ramaswamy and Gouillart (2010), many of these advantages are felt by the whole organization, as co-creation allows it to develop new capabilities. As consumers take part in generating unique value through lived experiences, traditional firm roles are reorganized accordingly. This includes strategy, innovation, marketing, supply chain management, human resources, and information technology. Some administrative positions can even be developed in order to support a firms' circulation of knowledge, selectively allocating information retrieved online to specific roles and divisions that can reap the benefits (Sawhney, Verona, & Prandelli, 2005). This theory represents a key proposition for the data collection of this thesis. Overall, the co-creative enterprise can become an industrious machine that continues to work. This occurs the same way as traditional process-based practices grow output by aggregating worker engagement. Supplementary to reduced costs and increased productivity, co-creation can mitigate business risk. It is a growth machine that augments strategic capital, grows return, and enlarges market opportunities. Co-creation can pull innovative ideas from consumers, employees, and other participants. It can allow firms to create insights and use advantageous opportunities that may not be well-known, while minimizing risk by using global networks and communities (Ramaswamy & Gouillart, 2010).

From an innovation perspective, Roser et al. (2009) finds that co-creation increases the number of idea sources, and facilitates interchange and ideation through sharing information and

know-how. By providing research and development staff greater access to a wide range of material, cooperating with consumers generates larger potential for realizing possible applications. Thus, the direct outcomes of co-creation lead to speedier, improved, and less uncertain innovations. Ultimately, this is said to increase speed to market, cost-effectiveness, better product quality and greater satisfaction, and less risk. These findings are important theoretical propositions for this thesis. In addition to encouraging innovation, co-creation can reduce expenditures on NPD by using consumers as free idea sources. Moreover, co-creation is ongoing unlike conventional NPD projects, which have fixed time periods. This should prompt firms to stay ahead by delivering an instrument for nonstop product improvement, and speed the rate of new innovations being developed and distributed to consumers (O'Hern & Rindfleisch, 2010). This innovation process can also produce residual outcomes such as derivative products or generally more product ideas (Roser et. al., 2009). These findings represent an important theoretical proposition for this thesis.

Involving consumers in the co-creation process may ultimately increase overall flexibility and adaptiveness (Roser et. al., 2009). However, firm personnel must recognize consumer communities as having significant impact on strategy options. As this may not feel natural for firms, the advantages must be immediately recognized. Leaders must adopt a view of strategy involving a process of engaging multiple constituencies in the interactive resolution of complex issues. They must encourage a wide variety of co-creative themes and auxiliary approaches, released between their firm and consumers (Ramaswamy & Gouillart, 2010). By doing so, many intangible benefits of co-creation can be felt by the firm. These include:

Increased attitudinal loyalty in processes of co-creation (Constructive consumer participation in the service creation and delivery process) (Auh et al., 2007).

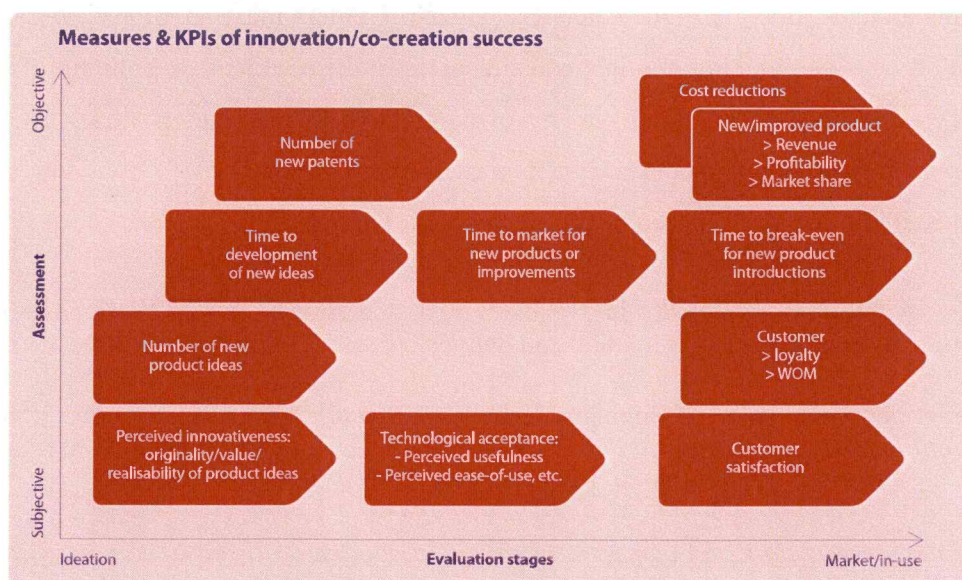
Higher perceived value of future co-creation, satisfaction with service recovery, and intention to co-create value in the future because of consumer participation in a self-service recovery process (Dong, Evans, & Zou, 2008).

Greater satisfaction and commitment due to participation or co-operation with a service provider (Bettencourt, 1997).

Increased likelihood of positive word-of-mouth with higher levels of customer participation in service delivery (File, Judd, & Prince, 1992).

These intangible benefits can be observed as indicators that new value is being generated by the firm for consumers. These benefits, along with Roser et al.'s (2009) KPI's of innovation success, also represent vital theoretical propositions within this thesis. For instance, positive word of mouth can enhance consumers' purchase intention, and feelings of trust towards a firm (See-To & Ho, 2014). However, regardless of the benefit, tangible or intangible, assessing co-creation's success requires conducting impact assessment from several dimensions. These can be either macro or micro levels of performance indicators, such as number of maintenance checks, the superiority of co-creation processes, or the number of concepts co-creation has produced (Roser et. al, 2009). These measures and key performance indicators (KPIs) can be found in Figure 9. Ultimately, the firm engaging in these practices has the power to transform relationships among individual institutions. Progressing towards a collaborative economy relies on private, social, and public sector enterprises coming together around dynamic and significant experiences (Ramaswamy & Guillard, 2010). However, as with other major strategic shifts, implementing co-creation experiences is not without its challenges.

Figure 9: Measures & KPIs of innovation/co-creation success (Roser et al., 2009, p. 14)



2.4.2. Challenges of Improving the Consumer Experience through Co-Creation

Although the various challenges associated with co-creation are considerably less abundant in relative texts, they are still necessary to consider. These challenges are to be expected when products and/or services are developed in collaboration with individuals outside of the firm. Notable examples include increased reliance on external contributors (e.g. consumers), the requirement of new management styles, different human resources styles, and consumers accessing confidential information and privately-owned skills (Roser et. al, 2009; Matthing, Sandén & Edvardsson, 2004). Furthermore, O'Hern and Rindfleisch (2010) outline key challenges associated with different forms of co-creation. For instance, as collaborating entails developing and improving a product's key functions and essential make-up, it is best suited for information-rich applications (i.e. software development, medical research, graphic design). Thus, it may be challenging to achieve in conventional industries, such as consumer packaged goods and household products. Also, collaborating requires a high skill level and knowledge from its participants, which may discourage consumers lacking high-skill levels and excessive knowledge (who may although have interesting ideas). Co-designing involves a method where firms receive much of their new product content or designs from small consumer groups. With this, one challenge for the firm is enticing a group of designers large enough to guarantee they receive enough high-quality content. Also, as co-designing is easily replicable, firms that use co-design as their core value proposition may end up lacking essential capabilities as competitors begin to imitate their methods. A third method, submitting, allows consumers to directly propose new product ideas to the firm. Firms using this approach may have trouble attracting new contributors and retaining active participation amongst consumers. This is because each participant may only have a limited number of solutions to offer.

Co-creating value with consumers also generates new challenges, as it changes consumer expectancies of the firm. The acknowledgements of these challenges is an important addition to the theoretical propositions of this thesis. For instance, consumers' pain thresholds may be reduced due to the reliance on personalized products. Giving consumers greater power means that challenges must be dealt with throughout the firm. This could include grouping consumer relationship management in with marketing and research and development (Roser et al., 2009). To

better manage and assess the inherent risks associated with co-creation, Prahalad & Ramaswamy (2004c) have developed key questions the firm can use to assess these challenges:

What information should be shared? Companies willing to participate in co-creation run the risk of sharing too much information, and worry opponents will have access to this intelligence. However, firms can balance this threat by assessing the real chance of their intelligence being exposed, and assessing the consequences of operating in openness.

Who pays the price of supply chain volatility? Increasing volatility in the demand for products and services places a burden on operational networks. Firms can address this problem by exploring the possibility of dispersing networks, thus reducing operational dilemmas and prices.

Who owns Intellectual Property that is co-created through collaboration? Transferring to shared production can be bothersome for the concern of ownership of intellectual property. Each partnership creates its own identity, usually involving embedded important knowledge. Additionally, the intricacy of these situations is reproduced when many different legal properties take part.

Co-creation requires continuous adjustments and adaptation to the evolving dynamics among consumers, suppliers, and companies. The capacity to co-create and co-extract value is a measure of strategy. Therefore, there are managerial challenges to consider when engaging in co-creation (Prahalad & Ramswamy, 2004c). This final subsection will cover recommended changes for the firm to accommodate this new way of conducting business.

2.4.3. Recommended Changes to the Firm

As the locus of value creation moves away from the firm and into the marketplace involving consumers, organizations in the co-creation age must become more flexible. Roser et al. (2009) identify four general areas that firms should expect to be particularly affected:

1. "Co-creation has a direct impact on traditional innovation practices and processes.
2. Co-creation can affect the quality and speed at which decisions are made in relation to the development and filtering the ideas.
3. Co-creation will enable creativity at individual and group level and potentially enable consumer knowledge development and transfer across the organization.
4. Co-creation will increasingly be used as a way of creating strategy collaboratively" (p. 15).

To initiate transformation by innovation, co-creation must be executed as boisterously as necessary and as non-boisterously as possible. To develop effective strategies, firms must decide on the purpose of their efforts. Co-creation may be used to develop a certain product and/or service, or it may not have a purpose and only performed for new idea creation. Also, they must decide how much involvement it might require. At the firm level, consumer involvement must generate the highest benefits for both consumers and the organization, and as unchanging as possible. Furthermore, firms must decide for how long co-creation will take place. This is either a project-based or long-term strategy query. Co-creation may require the firm to commit to singular innovative workshops, on an unplanned project basis, in fixed intervals, or continuously (Roser et al., 2009).

Ultimately, these decisions cannot happen without various structural and strategic changes to the organization. These changes are also important to recognize as theoretical propositions. Prahalad and Ramaswamy (2004c) recognize making the switch to an experience-centric firm requires overhauling administrative structures and systems of governance. In their view, firms must address the increased difficulty of managing relationship systems, overseeing numerous partnerships, and the requirement of finding a flexible balance. Notably, the first issue rests on the issue that firms must deal with a larger number of suppliers, partners, consumers, and consumer communities. There are many components to categorize easily in a formal structure. Moreover, the requirement to cope with rapid change in the competitive landscape necessarily includes doing away with an inward-facing, productivity-based viewpoint. This is necessary in some cases, however, if the need to always supervise processes adjusts better to the fluctuation in the competitive market. Regardless of the challenges and necessary structural changes, however, it is becoming increasingly difficult for firms to ignore practicing co-creation and offer value-rich experiences for their consumers.

2.5. Research Opportunities Presented in the Literature

Upon reviewing the existing literature on the transformation of value creation; redefining firm-consumer relationships with co-creation; the importance of the consumer experience; the role of virtual consumer communities in generating value through co-creation; and how these

approaches impact the firm; it is evident that there is tremendous opportunity for firms to create value by enhancing the consumer experience through co-creation. For instance, Roser et al. (2009) claim that “while consumers benefit from greater personalization and value as a result of co-creation processes, the motivation for companies is about building competitive advantage by turning just-in-time knowledge from (consumers) into just-in-time learning for their organization” (p. 13). Likewise, many of the studied texts reveal added benefits the firm is likely to experience from co-creation. It is said that co-creation can expand the firm’s ability to gather information and benefit from opportunities that may otherwise not be known, while minimizing risk by using global networks and communities (Ramaswamy & Gouillart, 2010). However, it is also clear that the evidence to support these claims is limited. What lacks in present literature are comprehensive analyses of firms who have undertaken this dramatic shift in their business models. Furthermore, there is a shortage of impact assessments concerning what value is created after doing so. This research is crucial for validating or refuting earlier claims of the power co-creation has in generating new value. Moreover, it must evaluate the co-creation of new value within the bounded context of a firm to understand the strategy’s true efficacy.

To address the opportunities for further research evident throughout existing literature, this thesis proposes the following question to be answered: *How do firms create value by enhancing the overall product or service experience through co-creation?* Following this, a subsequent query is raised: *What value is generated as a result?* Together, these questions seek to cohesively understand a firm’s decision making process to generate value through co-creation; including their motivations, changes made, evolution of practices, and overall outcomes. Acquiring this information will draw conclusions about the efficacy of claims surrounding the notion of value co-creation, and the importance of offering heightened, interactive experiences to consumers. To develop such inferences, a set of theoretical propositions has been established from this literature review. They represent the most significant theories for this thesis’ objectives, and can be found in Appendix A of this document. The broader methodology used to address these enquiries will be outlined in the next section of this thesis.

3. Methodology

As confirmed by the literature review, it is necessary to further explore how firms have created new value by enhancing the overall consumption experience through co-creation. Moreover, it is important to understand exactly what value has been produced. The methodology of this thesis has been selected to best explain this phenomenon and to deeper understand the effects of experience-orientated co-creation at the firm level. It uses methods adapted from Robert K. Yin's *Case Study Research: Design and Methods*, Third (2003) and Fifth (2013) Edition. Yin's methodology offers comprehensive coverage of the design and use of the case study method as a valid research tool (Yin, 2013). The design and analysis techniques outlined in the books are best suited for the aims of this research paper. The following section will begin by describing the research strategy that will guide how this study will be conducted. This includes the research design, unit of analysis, delimitations and selection of cases. It will then outline the data collection methods used, comprising of a list of evidence sources, data collection questions, and ethical considerations as part of this thesis' larger case study protocol. A description of the analytic approach, including pattern-matching, explanation building, and logic model will follow. Finally, the limitations of this study will be mentioned.

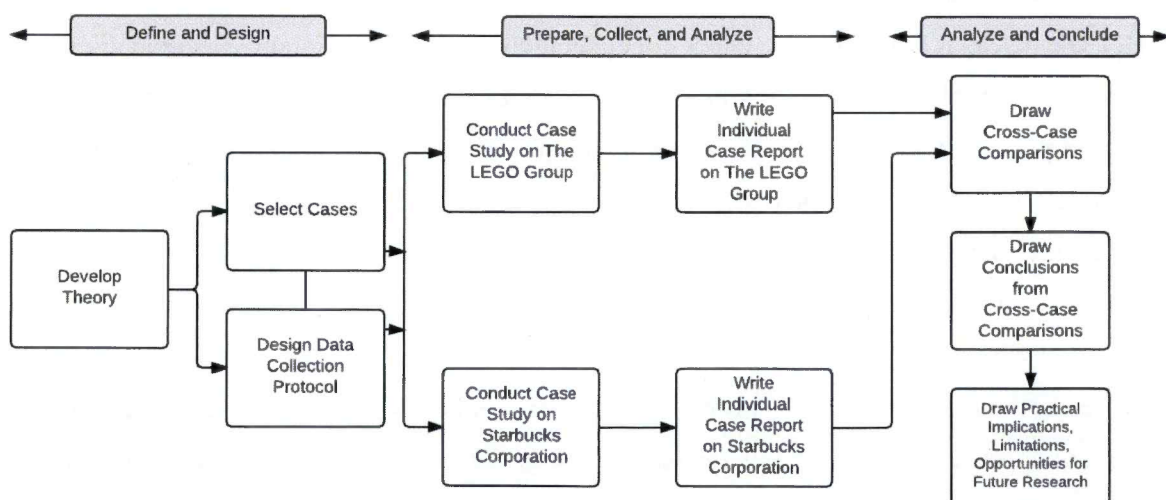
3.1. Research Strategy

3.1.1. Research Design

The research design for this paper is a qualitative, multiple-case study. A case study can be defined as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clear" (Yin, 2003, p. 13). Its advantage is the flexibility of using many evidence sources including documents, artifacts, interviews, and observations (Yin, 2003). Furthermore, they can provide a freshness in perspective to an already researched topic (Eisenhardt, 1989). In this paper, how firms create value by enhancing the overall consumption experience through co-creation is being explored. As witnessed in the literature review, this phenomenon has been widely researched by many scholars and practitioners. However, the fresh perspective brought in this thesis embraces analyzing the strategy's efficacy and outcomes from the firm's point of view. The purpose is to intentionally report the subject's state of affairs (Yin, 2003) to evaluate its worth in a practical setting.

A multiple-case study has been chosen as it offers a diversity of situations of a similar phenomenon. As the same time, it provides the opportunity to study cases in depth within their context, and considers their complexity. The evidence from multiple-case studies is often considered more compelling, and the overall study is therefore regarded as more robust (Herriott & Firestone, 1983). It is important, though, within multiple-case studies to follow a replication logic to ensure external validity. Each case “must be carefully selected so it either predicts similar results (a literal replication), or predicts contrasting results but for predictable reasons (a theoretical replication)” (Yin, 2003, p. 47). As the goal of this study is to shed light on the value each firm has created by improving the consumption experience through co-creation, conclusions may differ from case to case. It has been said that co-creation for co-creation sake has little meaning; it needs to be tightly aligned to certain business objectives (Husain, Khan, & Mirza, 2014). Thus, strength to existing theories will be added by viewing co-creation in these new contexts. It uses deductive reasoning to draw conclusions based on the concordance to theoretical propositions (Appendix A), and reveal new insight to determine what value is generated through co-creation in each case. An outline of this study’s multiple-case study procedure, adapted from Yin’s methodology (2013, p. 60) can be found in Figure 10.

Figure 10: Multiple-Case Study Procedure (Adapted from Yin, 2013, p. 60)



3.1.2. Delimitation and Selection of Cases

The cases, or firms, selected for this study are multi-national enterprises (MNEs) operating within the consumer goods sector, who are known to employ co-creation as a key component of their corporate strategy. This selection is justified as MNEs own and control the production of goods in many different countries, and therefore possess the scale to reach large consumer groups. Consumer goods firms were selected as their goods and services are purchased by individuals rather than manufacturers or industries. As much of the research on co-creation describes mutual value creation between firms and consumers, this sector is highly applicable. Following the explanatory case study logic, each case was selected to represent central theories indicated in the literature review, and explain the alleged pivotal links in real-life situations (Yin, 2003). These explanations seek to link co-creation with its effects. These central theories can be found in the selection criteria for empirical cases, available in Appendix B of this document. Additional to the central theories, a list of key requisites for each firm is also presented. These are used to assess the firm's co-creation activities for theoretical relevance. These principles form the delimitations and selection criteria for each case.

To select each case, an Internet search was first conducted for consumer goods firms engaging in co-creation with emphasis on enhancing the consumer experience. Suggestions for these firms were also given by other individuals, including professors, classmates, friends, and family members. Once an initial search was conducted, the list was narrowed to include only rich and comprehensive cases. The decision criteria for such cases included a close reflection of the central theories, extensive public recognition of its immersion in co-creation experiences, and a large collection of available data concerning these practices. This is especially pertinent as this multiple-case study deals with a variety of evidence including documentation, archival records, interviews, and observation (Yin, 2003). Additionally, as interviews will serve as key components to this study, the ease of ability to contact firm personnel was considered. This included searching personal and professional networks, both online and offline. Finally, the last step to confirm featured cases was the approval from firm personnel to participate in interviews. Once these criteria were fulfilled, each case could be confirmed. Brief definitions of The LEGO Group and Starbucks Corporation, as found on their corporate websites, can be found below:

The LEGO Group: A privately held, family-owned company based in Billund, Denmark. Founded in 1932, and based on the iconic LEGO brick, it is one of the world's leading manufacturers of play materials (The LEGO Group, 2017).

Starbucks Corporation: An American coffee company and coffeehouse chain. Starbucks was found in Seattle, Washington in 1971. As of November 2016, it operates 23,768 locations worldwide (Starbucks Corporation, 2017).

Further in-depth case descriptions of both The LEGO Group and Starbucks Corporation can be found in subsection 4.1 of the Results section of this thesis. Based on available data, these descriptions will shine empirical light on each firm's dedication to generating new value with consumers through co-creation, and how this also enriches their consumers' experiences. Moreover, the exact unit of analysis used to study this will be explained next.

3.1.3. Unit of Analysis

The unit of analysis for this research paper is each firm, and their own method of using co-creation as a key business strategy. According to previous literature, co-creation transforms how value is created by transferring it from within the firm to interactions with outside stakeholders; such as consumers, communities, and partners. This action leads the firm to develop unique capabilities, including enhancing its knowledge processes and minimizing business risk (Ramaswamy & Gouillart, 2010). Analyzing the firm's development of co-creation, and how this has improved the consumer experience over time, will reveal how value is created. Subsequently, it will also lead to discovering what value is generated. Binding each case to this process is significant, as it imposes parameters that will bring to light the efficacy of claims made in existing literature. Furthermore, it will avoid ambiguity by concentrating only on information relevant to each firm's efforts to improve their product and/or service experience through co-creation.

3.2. Data Collection

The data collection methodology featured in this section is part of a larger case study protocol used to increase the reliability of this report. The protocol helps to remain targeted and on the topic of the case study, and to perform the data collection in the same fashion for both case studies (Yin, 2013). Also, it helps to maintain a chain of evidence for the case study report (Thai, 2016). The larger case study protocol for this thesis can be found in Appendix C. The structure of

the case study protocol consists of a) an overview of the case study; b) data collection procedures, c) data collection questions; and d) a guide for the case study report (Thai, 2016). The following subsections are part of b) data collection procedures and c) data collection questions.

3.2.1. List of Evidence Sources

A major strength of case study data collection is the opportunity to use multiple sources of evidence. By doing so, the researcher can address a broader range of issues, and develop converging lines of inquiry that results from data triangulation. This allows the case study's findings to be supported by more than a single source of evidence, thereby strengthening its construct validity (Yin, 2013). In this study, the multiple sources of evidence used are documentation, archival records, direct observations, and interviews. The details of each source can be found below. The name of each source can be retrieved from a representation of this study's case study database, which can be found in Appendix D of this document. As these sources are used primarily for data collection, they appear only in the case study database and not in this thesis' bibliography. The only exceptions are the two books used (Pralhad & Ramaswamy, 2004c; Ramaswamy & Gouillart, 2010), also featured in the literature review.

3.2.1.1. Documentation

Documentary information is expected to be applicable to every case topic. It can take many forms, and should be the target of detailed data collection plans (Yin, 2013). In this thesis, the types of documentation used for evidence include: Administrative reports; including annual reports, progress reports, and internal records; and media; including books, news articles, blog articles, and video documentaries. All documents and media were retrieved online by conducting internet searches and screened for their relevance. The administrative reports were found on each firm's corporate website, and only publically available internal records were included. The media sources were selected only from credible news outlets, and featured direct quotations from firm employees. Similarly, the blog articles were found on prominent academic or firm websites. Only one video documentary was used in this study's data collection, and was referred by one of the interviewees. The video featured especially pertinent information regarding the firm's co-creation activities. A total of 32 documentation sources were used, including 2 books, 8 annual reports, 21 articles (news and blog), and 1 video documentary. Specifically, for The LEGO Group, there was

a total of 2 books, 4 annual reports, 14 articles (news and blog), and 1 video documentary. For Starbucks Corporation, there was 2 books (The same as The LEGO Group), 4 annual reports, and 7 news articles.

3.2.1.2. Archival Records

The archival records used in this study refer to the quantitative data retrieved from the administrative reports, and other statistical information regarding the firm's co-creation activities. Per Yin's methodology (2013), "service records, such as those showing the number of clients served over a given period of time" (p. 109) is a type of archival record. This criteria resembles the number of consumer's ideas used for co-created products and/or services. How many co-developed products and/or services have been released yearly (to show an increase or decrease in releases), how many are in development, and how many are pending review can be observed from these statistics as well. Therefore, these statistics were collected according to this type of evidence source. Furthermore, the purpose of these records is to provide depth for written claims made in administrative reports. For instance, financial highlights available in a firm's annual report can be used to substantiate claims of co-developed products leading significantly towards increased sales. In total, 13 sources were used, including 8 financial reports (components of the already mentioned annual reports) 2 websites, and 1 infographic illustration. For The LEGO Group, this includes 4 annual reports and 2 websites. For Starbucks Corporation, this includes 4 annual reports, 2 websites, and 1 infographic illustration.

3.2.1.3. Direct Observations

Observational evidence can provide extra knowledge about the subject at hand (Yin, 2013). In this study, observations are of each firm's virtual co-creation community platform. Each observation follows principles of *netnography*, developed by Robert V. Kozinets and used for marketing research in online communities (2002). Netnography can be defined as "ethnography adapted to the study of online communities. It provides information on the symbolism, meanings, and consumption patterns of online consumer groups" (Kozinets, 2002, p. 61). Each co-creation platform was observed for the types of member interactions, production of content by members, and interactions between community members and the firm (Lee, Vogel, and Limayem, 2003). The purpose of these observations was to become familiar with the virtual interaction tool, the

relative satisfaction with the experience, the contributors' participation, as well as their user features and creativity (Füller et al., 2009). This was to perceive, under Füller et al.'s (2009) definitional sense of empowerment, including the revision of the consumers' identity (i.e. communicating with others, learning, and assessing one's social skills), and their virtue and skills. In total, 2 virtual co-creation community platforms were observed, including 1 for The LEGO Group and 1 for Starbucks Corporation.

3.2.1.4. Interviews

The interviews for this case study report were conducted in a semi-structured manner, bearing semblance to pointed discussions rather than organized lines of questioning (Yin, 2013). The interviews followed the case study protocol closely, and were used to a) corroborate certain findings from documentation, archival records, and direct observations; b) elaborate the findings from those evidence sources; and, most importantly, c) ask interviewees about their specific knowledge of their firm's co-creation practices, their experience with the firm, and their explanations or insights of certain occurrences. This latter part of the interviews assumed a more open-ended and conversational manner, which allowed for otherwise unknown important information to be revealed. The case study interviews were conducted with 2 current and former employees of both The LEGO Group and Starbucks Corporation (1 from each). It should be noted that even though the interviewee from Starbucks Corporation, Kantharith Kang, is not a current employee, he served 20+ years with the firm and held a variety of relevant leadership roles. The interviewee from The LEGO group, Sam Kashani, is currently employed in a relevant leadership role. Both interviews lasted a duration of 60-90 minutes, and took place in the relaxed setting of a café. They were also recorded (with explicit permission from the interviewees) and transcribed verbatim.

All evidence sources used helped to provide an up close and in depth coverage of the cases. Data triangulation (of the data sources) was used to determine the consistency of findings. By triangulating the data this way, it ensures the case study's findings will be corroborated by more than one source of evidence rather than evaluating each source independently (Yin, 2013). The substantive questions guiding the data collection from these sources will be discussed in the next subsection.

3.2.2. Data Collection Questions

The data collection questions can be considered the heart of the case study protocol. Yin (2013) states the questions are “posed to the researcher, not the interviewee. The protocol are queries to help remind the researcher of the information that needs to be collected, and why. The main purpose of the protocol is to keep the researcher on track as data collection proceeds” (pp. 89-90). Each question contained in the protocol was supplemented with a list of prospective evidence sources. This intersection between each question and the prospective evidence sources is very beneficial when gathering case study data. Furthermore, the data collection questions were divided into two parts to address this thesis’ two research questions. The first set of questions were developed to assess the firm’s history, its co-creation practices, and details regarding its experience with implementing these practices as a core business strategy. The second set of questions were framed as performance questions, with the objective of uncovering the effects and value generated via co-creation. The goal of both lines of questioning were to provide a holistic understanding of existing theories in a practical setting, and efficacy of co-creation practices in generating value.

The data collection questions are organized among different levels (Yin, 2013). They are outlined below:

Level 1—Questions asked of specific interviewees: These questions are reserved to be answered by each interviewee, and regard firm-specific information that is not publically available. For instance, the section two questions seeking answers regarding a firm’s performance and type of value produced from co-creation initiatives. Also, career-relevant questions regarding the interviewee’s roles and responsibilities, and experience with the firm’s co-creation activities. Lastly, the interviewees are asked to verify and elaborate on certain findings from the other evidence sources.

Level 2—Questions asked of the individual case: The questions asked of both cases are focussed on the most greatly of all levels. These questions are posed to be answered by all evidence sources, and pertain to the case study’s overall *mental* line of inquiry. This includes making connections between the theoretical propositions and the empirical evidence. The questions asked of the individual cases can be found in Section C of the Case Study Protocol.

Level 3—Questions asked of the pattern of findings across multiple cases: These questions should only be concentrated on after all data from each case has been examined. Thus, they occur during the data analysis phase, and are used to make

connections between case and reveal key differences. Also, they are used to corroborate whether value has indeed been generated via co-creation initiatives, and determine what kind of value that may be.

3.2.3. Ethical Considerations

Prior to its commencement, this research project was submitted to HEC Montreal's Research Ethics Board office (REB). It was authorized for research on December 31st, 2016. As this study deals with human participants, this approval was necessary for conducting any data collection. The interviewees from each firm were required to sign 1) a Consent form; and 2) an Authorization to Conduct Research in an Organization form. Both forms were signed and accepted by each interviewee, and consent was given to publish their name, current or held roles at each firm, and the name of the firm. Furthermore, explicit consent from each interviewee was given to record each interview. The Certificate of Ethical Approval can be found at the very beginning of this document.

3.3. Analysis Methods

Based on the data gathered from this study's collection procedure, the case analysis methods have been selected to support internal validity. This is defined by Yin (2013) as "seeking to establish a causal relationship, whereby certain conditions are believed to lead to other conditions, as distinguished from spurious relationships" (p. 46). To do so, this thesis relies on an analytic strategy of relying on theoretical propositions drawn from the relevant literature to examine each case, and subsequently drawing cross-case conclusions. Furthermore, it uses the analytical techniques of pattern-matching, explanation building, and a firm-level logic model to trace the value created via co-creation practices. The following subsections will explore these methods in more detail, and discuss the limitations of this case study.

3.3.1. Analytic Strategy

3.3.1.1. Relying on Theoretical Propositions

This case study relies on theoretical propositions drawn from relevant literature to examine each case. The original objectives and design of this multiple-case study were based on such propositions, which are found in Appendix A of this document. Considering the intention of this thesis is to discover the relevant theoretic principles and ideologies of co-creation's ability to create

new value first-hand (Yin, 2013), relying on such propositions is appropriate. For example, Füller (2010) stipulates that consumer communities represent a suitable means of creating new value and enabling new forms of producer-consumer collaboration. Statements like this will be used to evaluate each case for empirical evidence of these claims. Furthermore, as this thesis also intends to uncover the type of value created, the relevant assumptions available in existing literature will guide these findings. For instance, Roser et al.'s (2009) product-focused measures and KPIs of innovation/co-creation success refers to the benefits related to improved speed, volume, and quality of co-created products and services. These measures, amongst others, will be applied in the case analyses to uncover the tangible impacts of co-creation on the firm.

3.3.1.2 Cross-Case Comparison

Following the evaluation of each case according to theoretical propositions, a cross-case comparison will be undertaken to reveal similarities, differences, and draw conclusions about the observations. Following a replication logic, examining the cases in this manner can provide compelling support for the initial set of theoretical propositions. Comparing each case will also reveal how each firm has demonstrated the same theoretical propositions in the scope of their own activities. It is expected that the findings from each case will differ, given the co-creation strategies of each firm are specific to their offerings and objectives. If there are similarities found across both cases, additional support will be given to the theoretical propositions and this study's results will be considered more robust. If there are differences, this will reveal the versatility of co-creation, which firm's activities theoretically generate more value than the other, and interesting findings that warrant future research. The following analytical techniques will clarify the necessity of a cross-case comparison further.

3.3.2. Analytic Techniques

3.3.2.1. Pattern Matching

Pattern matching compares observed patterns, such as those premised on each case study's findings, with anticipated ones decided prior to data collection (Yin, 2013). In this multiple-case study, such predicted patterns are derived from the theoretical propositions. Each proposition addresses a necessary condition for generating new value by improving the consumption

experience through co-creation. Moreover, they suggest indicators for the type of value created. If the results of each case study match the predicted patterns originating from theory, solid conclusions can be drawn about the value-producing abilities of each firm's co-creation activities. It must be noted, though, that further patterns than those predicted in existing theories may be discovered. This will be explained next under explanation building.

3.3.2.2. Explanation Building

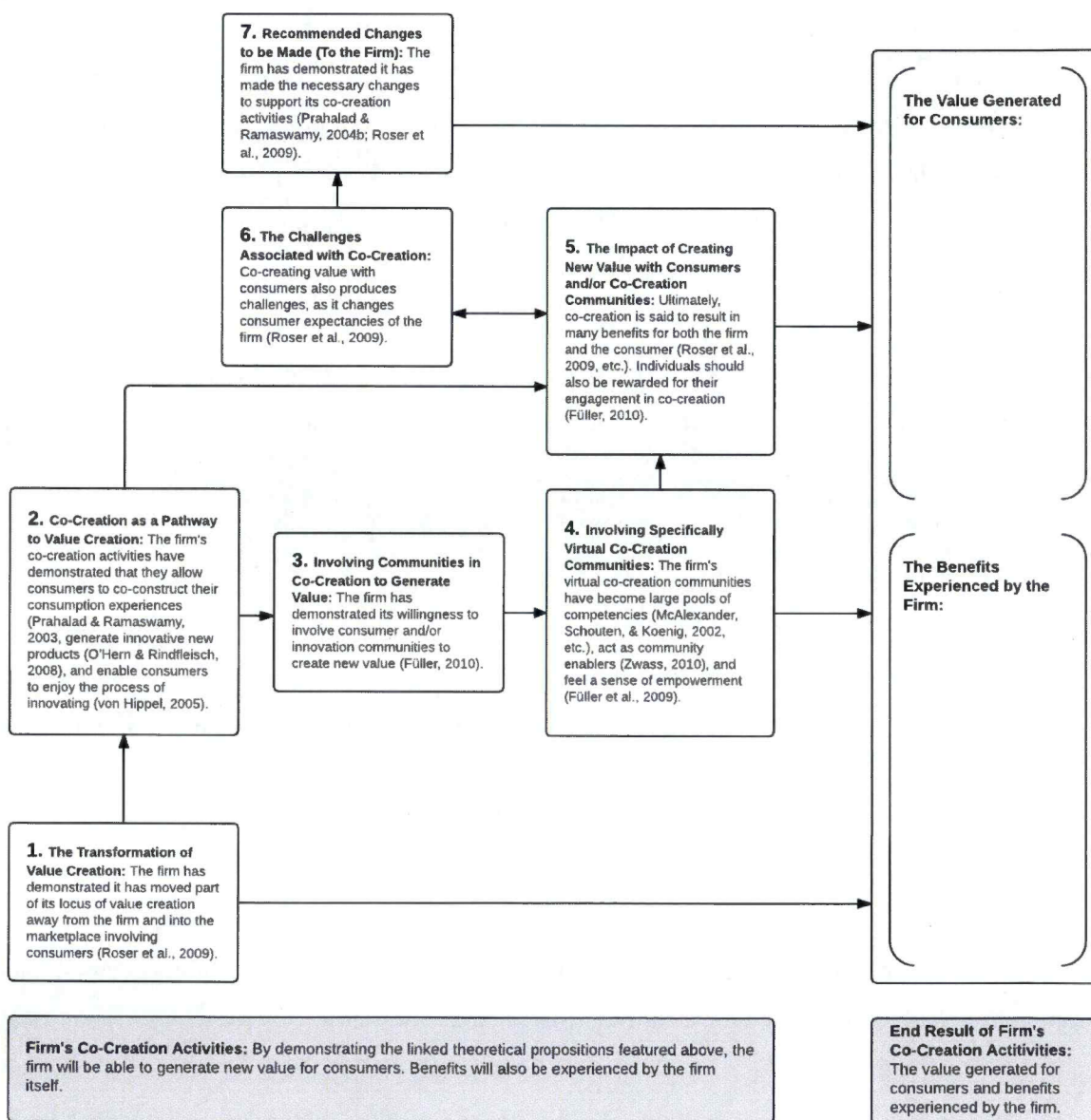
To address the case study findings that are outside the scope of the theoretical propositions, explanation building will be used. This method entails examining the data by applying it to explain various happenings in each case. Explaining an occurrence means to infer causation about "how" or "why" something happened. These causations may reveal crucial information about a topic, and major contribute to building theory (Yin, 2013). As each firm in this multiple-case study engage in different co-creation activities, it can be expected that the results will, in some way, depart from what has been postulated in present literature. In this event, explanations for such results will be drawn from the complete data analysis. To synthesize the findings using both pattern-matching and explanation building, however, logic models will be used. This will be outlined in the next subsection.

3.3.2.3. Logic Models

As an analytical method, the logic models involves matching observations with theoretical concepts. Although seemingly akin to pattern-matching, logic models comprise of successive stages that illustrate a certain finding that generates its own *immediate* outcomes, which could develop some *intermediate* outcomes, which then could yield *ultimate* outcomes. A firm- or organizational-level logic model traces happenings in a single firm, which is especially pertinent in this multiple-case study. The data analysis consists of outlining these trends and outcomes, and attempts to recognize ways they are connected in 'real-life'. This is represented by arrows connecting each event represented as boxes in the diagram (Yin, 2013). A blueprint of this multiple-case study's logic model featuring topics and brief descriptions of the theoretical propositions can be found in Figure 11. The sequence attempts to map the proposed ways in which co-creation can lead to value generation. Within this thesis' discussion section, updated logic models for each case will be featured. These will include examples illustrating how each firm

satisfies the theoretical propositions, and the value that is produced from their co-creation activities. Logic models are also important as they assist other firms in developing their own co-creation strategies by mapping The LEGO Group and Starbucks Corporation's procedures in a rational way.

Figure 11: Logic Model Blueprint (Adapted from Yin, 2013, pp. 155-158)



3.4. Limitations

Despite the profuse advantages of the qualitative, multiple-case study methodology, there are foreseeable limitations as well. As the primary instrument of investigation, qualitative researchers are often imbedded in the cultures and experiences of others. However, cultural embeddedness increases the opportunity for bias to get in the way of how data is gathered, interpreted, and reported (Anderson, 2010; Denzin & Lincoln, 2000; Merriam, 2009). In this multiple-case study, the data was collected objectively to prevent subjective bias towards either The LEGO Group or Starbucks Corporation, nor favor one firm's co-creation practices over another based on personal preference. Furthermore, while it is true a small number of case studies helps to investigate research questions in a comprehensive and in-depth manner, they also can undermine opportunities to draw useful generalizations from, or to make broad policy recommendations based upon the findings (Anderson, 2010). To ensure external validity, The LEGO Group and Starbucks Corporation were chosen for this multiple-case study based on their size and scope of activities, and the depth of their co-creation activities. As this thesis intends to provide empirical evidence of the value producing effects of co-creation, and subsequently reveal the value produced, the comprehensiveness of the case study is most important. These in-depth findings will help guide further research and aid other firms in developing their own co-creation strategies.

4. Presentation of Results

Following principles outlined in the methodology section of this thesis, the data collected will now be presented to draw conclusions regarding how firms generate value by enhancing the overall product or service experience through co-creation. Moreover, it will reveal what value has been generated. First, detailed descriptions of both cases will be given to provide contextual information of each firm and their primary activities. The history of each firm's involvement with co-creation will also be summarised here, along with their motivations to partake in such activities and evolution of practices. The cases will be justified per the selection criteria for empirical cases of existing theories (Appendix B). Following the case descriptions, the within-case results will be presented based on data collected using questions found in the case study protocol (Appendix C). As stated in the methodology section, these questions are representative of theoretical propositions

derived from existing literature (Appendix A). Therefore, the propositions will either be demonstrated or contested in the results. If demonstrated, this will provide empirical evidence and efficacy for existing theory. If contested, this will. After the within-case results are presented, the discussion section will follow. This will include a cross-case comparison of key findings followed by a discussion of how the results answer this thesis' research questions, provide opportunities for further research, and address the study's limitations.

4.1. Case Descriptions

4.1.1. The LEGO Group

The LEGO Group is a privately held company headquartered in Billund, Denmark. It was founded in 1932 by Ole Kirk Kristiansen and has been passed down father to son, and is now owned by Kjeld Kirk Kristiansen, a grandchild of the founder. The flagship products of the company are LEGO bricks, which are interlocking plastic units that can be assembled to be connected in many ways to construct vehicles, buildings, and even working robots. The units are modular, and anything constructed can be taken apart again with the pieces used to make other objects. LEGO bricks also accompany other elements, including an array of gears, figurines called minifigures, and etcetera. The bricks and its supplementary elements are sold individually or in sets; often organized around original themes or licensed versions of popular film, game, or cartoon franchises (The LEGO Group, 2017). The flexibility of the product has lead LEGO to become a global phenomenon, and the world's largest toy company by revenue. In 2016, The LEGO Group's total revenue amounted to DKK 37.9 billion with a total profit of DKK 9.4 billion (The LEGO Group, 2016).

Despite its outstanding performance in recent years, however, The LEGO Group found itself on the verge of bankruptcy in 2003. Faced with growing competition from video games and the Internet, and inundated with an internal fear that LEGO was perceived as old fashioned, the company had made a series of errors (Ringen, 2015). The LEGO Group began losing sight of their most important asset, the LEGO system, as they moved their focus away from construction and onto ready-made sets (Brown, Davidson, 2015). In this attempt to diversify their product line, the company became arrogant to consumers as they ignored the core LEGO experience. Moreover,

they continued to open *Legoland* theme parks around the world despite having limited experience in hospitality, and exhibited no control over sales of licensed products that went up and down based on corresponding film releases. The company also rapidly increased the number of products it released yearly, resulting in major retailers ending up with 40 percent of their LEGO stock unsold (Ringen, 2015). In these manic efforts to grow, The LEGO Group ultimately steered away from their core capabilities and unique consumer appeal that enabled their early success.

Shortly thereafter, though, The LEGO Group's fortune began to turn around. With the appointment of a new CEO in 2004, and a refocus on driving decisions based on consumer insights, attention was regained on delivering the core LEGO experience (Ringen, 2015). Furthermore, the company began to concentrate on vast user communities that demonstrated affinity to LEGO and represented a wealth of product knowledge. These actions represented The LEGO Group's first foray into co-creation, and attempt to generate value based on consumer involvement. As Jørgen Vig Knudstorp, then CEO of The LEGO Group commented, "at LEGO, we stumbled across the phenomenon of consumer co-creation, which is now becoming a major innovation practice" (Ramaswamy & Gouillart, 2010, p. 54). In 1998, The LEGO Group in conjunction with MIT developed the Mindstorms Robotics Invention System. Mindstorms combines gears, wheels, motors, sensors, and software to allow users to create smart robots using the traditional plastic bricks. At the heart of Mindstorms, though, is a dedicated autonomous microcomputer named RCX, with an infrared link that can execute user-created code sent from a personal computer. Over the years since its introduction, many independent websites began to spring up from adult and young users alike offering ideas and instructions for a variety of robots that could be built and programmed using Mindstorms kits. Under direction from Knudstorp, The LEGO Group began welcoming consumers to develop designs of toy robots and construction models, write applications for robots, and sell the creations on their website (Frigo, Læssøe, & Ramaswamy, 2015).

The LEGO Group also began to embrace even extreme cases of autonomous consumer creation after Mindstorms user Markus Noga independently developed a new, unauthorized operating system for RCX called the LEGO Operating System (LegOS) and published it over the internet. Instead of denouncing Noga's efforts, The LEGO Group accepted his and other involved users' activities to extend the possibilities of Mindstorms. In 2006, The LEGO Group launched

Mindstorms 2.0 NXT, a system that was developed in combination with enthusiasts. A message board was also created to allow users to discuss their experiences with new product generation, and share pictures of their inventions. At this point, The LEGO Group was no longer just engaging its user community to develop and release Mindstorms 2.0 NXT. It was now encouraging them to move outside their control and become a new source of competence, in creative unification with The LEGO Group's staff (Frigo, Læssøe, & Ramaswamy, 2015).

Going beyond Mindstorms, The LEGO Group has embraced a large group of adult super fans, called Adult Fans of LEGO (AFOLs), who participate in generating new product ideas, or completely inventing new products. For instance, LEGO Architecture, a product line invented in 2005 by user Adam Reed Tucker is now revolutionizing the souvenir industry (Frigo, Læssøe, & Ramaswamy, 2015). Tucker created large-scale models of landmark buildings (i.e. New York City's Empire State Building) that caught the eye of The LEGO Group employee Paul Smith Meyer, and are in retail stores and museum shops worldwide (Brown, Davidson, 2015). Until this point, LEGO sets were only being designed and developed by internal employees. However, as the Architecture line expanded and succeeded, it proved to the company that opening innovation to its community of users was a productive source of value.

In 2011, The LEGO Group introduced another co-creative venture that it had been testing under the name LEGO Cuusoo in Japan since 2008. It is called LEGO Ideas, where fans can propose ideas for sets, support their favourites, and LEGO develops limited editions of the best and most popular (Ringgen, 2015). The online platform encourages users to create a unique model, take a photo, and upload it to the website with a convincing description. The virtual community is then encouraged to lend their support, with 10,000 supporters qualifying the set for internal review by LEGO employees. Upon achieving 10,000 supporters, the set then is subject to review. A board of LEGO designers and marketers then evaluate submissions based on criteria and hand-pick sets to release for public sale. Once the sets have been selected they go into production, and the creator of the set is invited to give input to professional LEGO designers. It is then sent to production and released in limited quantities online and in-store. The creator is featured in the set materials, receives a 1 percent royalty on sales, and recognized for their efforts.

Supporters of the set also receive credit for making their selection happen on LEGO Ideas. Currently on LEGO Ideas, there are 13 sets in review, 3 sets approved, and 16 sets on shelves around the world for sale (LEGO Ideas, 2017). The LEGO Ideas process is outlined in Figure 12.

Figure 12: LEGO Ideas Process (Lego Ideas, 2017)



As per this thesis' case selection criteria (Appendix B), The LEGO Group's various co-creative ventures demonstrates its commitment towards evolving from a firm-centric to consumer-centric approach to value creation (Prahalad & Ramaswamy, 2004a; Vargo & Lusch, 2004; Heinonen et al., 2010; Priem, 2007; Vargo, 2008). Its practices closely reflect Prahalad and Ramaswamy's concept of co-creation (2004a), and ultimately function to improve the consumer's overall consumption experience (Pine & Gilmore, 1998, 1999, 2011; Prahalad & Ramaswamy, 2003, 2004c). For instance, the Mindstorms system incorporates the robust combination of LEGO's capabilities through product development and consumer interaction channels via the message board. This is characteristic of an *Experience Environment*, which can accommodate a wide range of interactions that lend toward the overall co-creation experience (Prahalad & Ramaswamy, 2003). The LEGO Group also actively involves its user community, which possesses both brand and innovation characteristics (McAlexander, Schouten, & Koenig, 2002; Kozinets, 2002; Füller, Matzler, & Hoppe, 2008; von Hippel, 2005). Moreover, it frequently engages with these communities online and further supports their activities via the LEGO Ideas platform (Sawhney, Verona, & Prandelli, 2005), and provides attractive incentives for participating in this form of virtual co-creation (Füller, 2010). Thus, The LEGO Group adequately represents an empirical case of existing co-creation theories and is suitable for analysis. Its practices will be

further evaluated following this case study's theoretical propositions (Appendix A) in subsection 4.2.1.

4.1.2. Starbucks Corporation

Starbucks Corporation is a publically-held American coffee company and coffeehouse chain headquartered in Seattle, Washington, United States. It was founded in 1971 as a roaster and retailer of whole bean and ground coffee, teas and spices with a single store in Seattle's Pike Place Market. Today, it operates over 25,000 retail locations in over 75 countries (Starbucks Corporation, 2017; Loxcel Geomatics, 2017). Starbucks offers over 30 blends and single-origin premium coffees; a variety of handcrafted beverages, such as hot and iced espresso beverages, smoothies, and teas; merchandise, such as coffee and tea-brewing equipment, mugs, and accessories; and fresh food, such as baked pastries, sandwiches, salads, and oatmeal. It also sells various consumer products within its own and other retail stores; such as coffee, tea, and ready-to-drink beverages. Its brand portfolio includes Starbucks Coffee, Seattle's Best Coffee, Teavana, Tazo, Evolution Fresh, La Boulange, and Torrefazione Italia Coffee (Starbucks Corporation, 2017). Today, Starbucks Corporation is known as the premier roaster, marketer, and retailer of speciality coffee in the world. As of 2016, its total net revenue equated to USD \$21.3 billion with a total operating income of USD \$4.2 billion (Starbucks Corporation, 2016).

The Starbucks coffeehouse concept was adapted from Italian espresso bars in 1983 after then-CEO Howard Schultz visited Italy and was inspired by their culture. The first Starbucks Caffè Latte was served at the Pike Place Market location in 1984, and was the successful experiment responsible for a company Schultz founded in 1985 called Il Giornale. In 1987, Il Giornale acquired Starbucks' assets and changed its name to Starbucks Corporation, and opened stores in Chicago, United States and Vancouver, Canada (Starbucks Corporation, 2017). Surprisingly, co-creation was a very early feature of the overall Starbucks experience. Starbucks store employees, referred to as *partners* to the company and *baristas* to consumers, began working with patrons to customize each drink sold in-store. As consumers also requested to customize their own whole-bean bags, this encouraged partners to create their own blends and generate a contest internally to create the best varieties per store and highlight them. Furthermore, many of Starbucks' current

flagship beverages were a result of consumers' requests for custom drinks. For instance, the blended coffee Frappuccino beverages were developed because of requests for cold coffee drinks in California that other competitors were offering. Though company leadership rejected these decisions at first, Starbucks Corporation ultimately provided its partners with a budget to create their own drinks, involving consumers in the process. As a result, Starbucks locations began to rapidly expand and open locations globally (Kang, personal communication, March 7, 2017).

In 2008, however, Starbucks Corporation experienced a downturn due to many unfocused business decisions. Apart from the worsening US economy due to the financial crisis, the company's rapid expansion had distracted it from making its locations inviting places with exciting new products. In addition, Starbucks faced steep competition from McDonald's, which in 2008 began to set up its McCafé concept that featured coffee bars and sold similar espresso beverages. Other more premium coffee chains such as Peet's Coffee and Caribou Coffee in the United States also posed as a threat as they began to update their own consumer experience. Starbucks Corporation's heavy spending to accommodate its expansion had created a bureaucracy to mask its problems (Ramaswamy & Gouillart, 2010) The company was forced to close 600 stores where they were not generating profits, and by March 2008 their overall profits fell 28 percent, compared to the equivalent period in 2007 (Husain, Khan, & Mirza, 2014). As Howard Schultz commented, "the company lost their soul" (Kang, personal communication, March 7, 2017). After a period of 8 years, Schultz returned to Starbucks Corporation as CEO. He made the executive decision for the company to return to its roots, and concentrate on teaching its partners on serving the right coffee and delivering the Starbucks *experience*. The goal was to regain the emotional relationship with consumers, and rebuild relationships to prove Starbucks was high-quality and dependable (Husain, Khan, & Mirza, 2014).

In a departure from conventional strategies, such as redoing store layouts, Starbucks Corporation also embarked on a technology-oriented strategy. They wanted an environment where individuals could think freely about the company, and contribute strategies and ideas. In 2008, the online community involvement platform My Starbucks Idea was fostered (Husain, Khan, & Mirza, 2014). Chris Bruzzo, then the CTO of Starbucks Corporation, stated "My Starbucks Idea is a way to open up a dialogue with consumers and build up this muscle inside the company. The goal is to

adopt consumer ideas into Starbucks' business processes, including product development, store design, and consumer experience" (Ramaswamy & Gouillart, 2010, p. 22). The design of Starbucks' virtual community is simple and transparent. Once users enter the website, they can pick from three options: Submit a new idea, view the ideas others have submitted, and see ideas in action. The latter choice includes those that have been materialized by Starbucks Idea Partners, consisting of an employee team assigned to monitoring the community. The team takes a combination of the most popular (determined by an algorithm based on number of points, number of comments and most recent posts), innovative ideas and presents them to key decision makers in the company to strategize putting the ideas to work (Harvard Business School, 2015; My Starbucks Idea, 2017). In the first year alone, over 65,000 ideas and 658,000 votes were cast. In 2009, Starbucks Corporation announced that 50 unique ideas drawn from the community had been approved, including healthy food options as a major initiative for the company (Ramaswamy & Gouillart, 2010). By 2013, over 275 ideas had materialized globally. Furthermore, in 2015, more than 150,000 ideas had been submitted over 5 years and over 2 million votes were cast (Harvard Business School, 2015). In recent years, Starbucks Corporation has once again achieved tremendous growth. The My Starbucks Idea platform illustrates Starbucks Corporation's commitment to generating new value by improving their consumers' overall experience through co-creation. Its process can be observed in Figure 13.

Figure 13: My Starbucks Idea Process (My Starbucks Idea, 2017)



According to this thesis' case selection criteria (Appendix B), the efforts Starbucks Corporation has made to focus on its consumers' experience and involve its patron community into the innovation process demonstrates a commitment towards evolving from a firm-centric to consumer-centric approach to value creation (Prahalad & Ramaswamy, 2004a; Vargo & Lusch, 2004; Heinonen et al., 2010; Priem, 2007; Vargo, 2008). The My Starbucks Idea platform incorporates dialogue, access, risk-benefits, and transparency as key functions (Prahalad & Ramaswamy, 2004a), including interactivity between Starbucks and consumers, and matters of interest to both parties. Furthermore, My Starbucks Idea community fits the definitions of both brand (McAlexander, Schouten & Koenig, 2002; Kozinets, 2002; Füller, Matzler, & Hoppe, 2008) and innovation (Füller, Matzler, & Hoppe, 2008, von Hippel, 2005) communities. The actual My Starbucks Idea platform itself equips the community with mechanisms that support interactive dialogue, knowledge sharing, and a sense of belonging (Sawhney, Verona, & Prandelli, 2005). Moreover, with the involvement with Starbucks Idea Partners, there is indication of a successfully managed community of users (Saldanha, Cohendet, & Pozzebon, 2014). Therefore, Starbucks Corporation represents is an empirical case of existing co-creation theories, and will be analyzed further. It will be evaluated following the theoretical propositions (Appendix A) in subsection 4.2.2.

4.2. Within-Case Results

To properly address the theoretical propositions derived from existing literature, and address this thesis' research questions, this subsection will report each case based on the data collected from all four evidence sources. It will determine whether the theoretical propositions are demonstrated or contested based on answers to a prescribed set of questions outlined in Section C of the Case Study Protocol (Appendix C). Each question was carefully crafted to ensure their answers would shine empirical light on established theory concerning co-creation's ability to create new value. After the results of both cases have been revealed in this section, a cross-case comparison and discussion will follow. To begin, The Lego Group will be featured followed by Starbucks Corporation. Data excerpts from each case, organized per data collection question and type of evidence source can be found in Appendix E of this document.

4.2.1. The LEGO Group

Through its initiatives to focus on the desires and creative potential of its users, The LEGO Group has shown that it has made great strides towards *moving its locus of value creation away from the firm and into the marketplace involving consumers* (Roser et al., 2009). Although they have not outsourced their innovation process entirely, The LEGO Group has learned that these practices can be very beneficial for the firm's success. This is especially evident after their period of great financial loss in the early 2000's. However, the appointment of CEO Jørgen Vig Knudstorp and a more consumer-driven corporate strategy inverted this collapse. The LEGO Group soon introduced several co-creation initiatives, notably the community-assisted development of Mindstorms 2.0 NXT and LEGO Ideas. These technology-driven innovations satisfied users' appeal for online consumer involvement. Ideas for new product lines were also sourced from users, such as LEGO Architecture developed by Adam Reed Tucker. Up until this point products were only designed internally, however working with Tucker proved to The LEGO Group that new product lines, and even markets, could be introduced to the company by working with the community. Through these examples, the proposition stating *a firm can generate innovative and successful new products by collaborating with consumers* is demonstrated. These practices have *proved to be valuable by accelerating the pace of which new products can be created and distributed to users* (O'Hern & Rindfleisch, 2008; von Hippel, 2005).

Further evidence of The LEGO Group's commitment to creating value externally with its consumers can be found in the complete LEGO Brand Framework available on their website. For instance, their corporate mission is to "inspire the and develop the builders of tomorrow." The company also emphasizes 4 promises of their business, the most notable being "Partner Promise," entailing "Mutual Value Creation." The complete LEGO Brand Framework can be found in Figure 14 (The LEGO Group, 2017). When asked about the reasons why co-creation initiatives were developed, Sam Kashani, current Director of Customer Development at The LEGO Group, revealed some interesting findings during his interview. Sam noted that due to the rise of video games and the internet,

"Users are now able to be 'the hero' instead of just watching passively (regarding the customizability of these games). The same expectations are now held of LEGO; consumers want to tailor the toys to their own objectives. So, there is a newfound

desire to provide their input in the products they are using” (Kashani, personal communication, February 24, 2017).

Therefore, the value generated for consumers through The LEGO Group’s co-creation initiatives is ultimately determined by the personal objective they will achieve. This is particularly evident with Mindstorms, as its premise is to customize robots to meet consumers’ desires. Thus, the theoretical proposition stating *co-creation allows individual consumers to “actively co-construct their consumption experiences through personalized interaction, thereby co-creating unique value for themselves”* (Prahalad & Ramaswamy, 2003, p. 12) is demonstrated in this case.

Figure 14: LEGO Brand Framework (The LEGO Group, 2017)

Mission	Inspire and develop the builders of tomorrow	
Aspiration	Globalize and innovate the LEGO System in Play	
Promises	Play Promise Joy of building. Pride of creation	Partner Promise Mutual value creation
	Planet Promise Positive impact	People Promise Succeed together
Spirit	Only the best is good enough	
Values	Imagination - Creativity - Fun - Learning - Caring - Quality	

The further motivations that The LEGO Group had to develop co-creation strategies show the firm’s enthusiasm of entering a new era of innovation. For instance, they wanted to deeper understand and engage their consumer base, and even expand to a larger audience (i.e. adults). Through numerous examples, The LEGO Group has demonstrated the proposition that *consumer communities represent a suitable means of creating new value and enabling new forms of producer-consumer collaboration, lending to the overall success of new products* (Füller, 2010). As shown in the documentary *Beyond the Brick: A LEGO Brickumentary*, the firm shows a willingness to involve the AFOL’s into their innovation processes and even learn from the type of sets they are creating. Every year, The LEGO Group attends various global LEGO exhibitions including BrickFest, an annual convention held by AFOLs in Washington, D.C. At the 2005

BrickFest, AFOL member Jamie Berard became noticed by attending executives from The LEGO Group for his innovative work. Soon after, he was offered an internship with the company that turned into a full-time job as a Product Designer, and is now a Design Manager in Billund, Denmark (Brown, Davidson, 2015). What is particularly revealing about this example is The LEGO Group is so committed to understanding and engaging their consumer base that they are willing to hire community members to do so. Thus, the proposition stating *both brand and innovation communities have come into view as large pools of competencies that can potentially help firms add value to their offerings* (McAlexander, Schouten, & Koenig, 2002; Kozinets, 2002; Füller, Matzler, & Hoppe, 2008; von Hippel, 2005) is also supported in this case.

By interviewing other AFOLs, the documentary also reveals the value generating ability of The LEGO Group's co-creation initiatives, namely the LEGO Ideas online platform. As noted, LEGO Ideas allows users to submit set designs to be reviewed and supported by other community members. Once a set has reached 10,000 supporters, it is assessed by a board of LEGO designers and marketers per criteria. The projects selected go into production, and are released worldwide for sale (The LEGO Group, 2017). The featured AFOL, Stephen Pakbaz, is a lifelong LEGO user and engineer who submitted an set design for a NASA Mars Curiosity Rover. Pakbaz's set skyrocketed to popularity within one week and was eventually selected to be publically released as an official LEGO set in June 2013 (Mills, 2013). Trained as a mechanical engineer, Pakbaz is an employee at Jet Propulsion Labs in Pasadena, California where he works on a real Curiosity Rover by helping with design, assembly and testing. Due to the advanced and expensive nature of the project, Pakbaz experimented with the suspension system and other components of the Rover by building the LEGO set. When he posted the set on LEGO Ideas, he added instructions so others could replicate it and even add their own input. When asked about this experience, Pakbaz said "the best part was seeing how people came up with creative, multicolored solutions to make the rover work even if they didn't have all of the correct pieces. Seeing others take the extra effort to make my model before it became an official LEGO set confirmed that my efforts had been successful" (Mills, 2013). He also commented on his aspirations for the set, "my goal for the LEGO project was to encourage as much educational outreach as possible for the Curiosity Rover's mission and for space exploration" (Mills, 2013). This prominent user example, amongst others, demonstrates the proposition stating "*individual users can sometimes be more inclined to*

innovate...because they value the process of innovating as well as the novel product or service that is created” (von Hippel, 2005, p. 45).

Regarding the LEGO Ideas platform itself, the proposition is demonstrated that *virtual co-creation platforms act as community enablers, as it supports knowledge transfer, sharing, and expressly targets the development of a collective product. Also, it elaborates user knowledge about the brand’s products, surfaces lead users, and creates a commitment to the brand that can lead to contributing to the development of its products (Zwass, 2010).* This is visible not only by the example of Stephen Pakbaz, but by others as well. On the website, all submitted sets are listed in the Discover section, and feature comments from other users. The comments are ways other users can express their support for each project, add suggestions, and ask questions to the submitter. To take Pakbaz’s Curiosity Rover as an example, a few comments on his set page are listed below (Mars Science Laboratory Curiosity Rover, LEGO Ideas, 2017):

“BrickCore: Congratulations! It’s cool to see how LEGO Bricks connect the world, even space engineers.

mOnster4h1re: I’m excited to see this model released as I can add it to my ‘Spirit’ Mars Exploration Rover Set #7471. Excellent job with the Rover, the Descent Stage & the Sky Crane Stand. I’m patient enough to wait for the Rover to be released but want to build the Sky Crane and Stand right now, and am looking at the plans on Rebrickable. Does anyone have any suggestions on finding the parts that are not available there, but are necessary to complete the models?

Bruceh: As much as I like some of the other projects in the review process, or currently gaining support, I really think this is one of the best. It fits well with the long history of LEGO/NASA collaborations and the first Japanese Cuusoo models. The model is a great representation of the real Rover and would make a reasonable set. Also, Stephen’s history as a JPL engineer is a great story that would work in the marketing.”

At The LEGO Group, consumer engagement is measured by the *LEGO Affinity Pyramid* (Seen in Figure 15). The function of this pyramid is explained by Conny Kalcher, current Vice President Brand Development and Marketing Management (2012):

“As one goes up in the pyramid, the number of people decreases, while their engagement increases. Each group seeks different things from our product and from our company. Lead users, for instance, want to affect the company, tell us when something is right or wrong, and even help us design products. The reason for all these activities is that we have found that engaging consumers lead to growth. We

focus on delivering personally relevant experiences. This results in higher consumer affinity and retention. As the engagement process continues, we are seeing more promoters among our consumers. These engaged consumers mean higher spending and, consequently, revenue growth” (p. 8).

It is clear from Kalcher’s statement that The LEGO Group specifically designs their products, services, and online communities around delivering experiences. Thus, the proposition is demonstrated *that online co-creation is a catalyst for rich consumer experiences* (Rowley, Kupiec-Teahan, & Leeming, 2007).

Figure 15: LEGO Affinity Pyramid (Kalcher, 2012, p. 8)



Kalcher also provides insight into how The LEGO Group measures consumer involvement and experience up and down the *Affinity Pyramid*. This is called Net Promoter Scores (NPS), which is not so much to gain a score as much it is to develop a process for improvement of experience and involvement. She explains (p. 9):

“Our NPS Program is based on a single question: How likely are you to recommend the LEGO experience/product/service to a friend or relative? We use the following cut offs for the resulting scores. If someone scores 9 or 10 on the 11-point scale (extremely likely to recommend), they are a promoter. At the end, 0 to 6 is a detractor, and someone who is at 7 or 8 is a lukewarm passive. Subtract the detractor score from your promoter score and that’s your NPS.

This approach is far more effective than measuring satisfaction. Instead of measuring how pleased consumers might be, we focus instead on involvement. With NPS, you understand both the happy consumers and the unhappy ones. Then, if you can address

the unhappy consumers' issues, you can grow the brand, and create an emotional connection."

It is evident The LEGO Group expends a great deal of effort converting its consumers into promoters. As seen in the *Affinity Pyramid*, however, it appears the result of a successful conversion is the development of lead users, or 1:1 community members. As these levels include highly motivated consumers, the proposition that states *as an individual consumers' overall product/service experience is heightened, they often feel a sense of empowerment* (Füller et al., 2009) is demonstrated.

To support this type of consumer engagement, The LEGO Group reorganized its internal activities to suit new initiatives. In an interview with Peter Espersen, head of community co-creation, Adam Davidi of The Guardian (2014) uncovered the activities needed to support co-creation and the development of rich consumer experiences to enable value creation. The department works with LEGO fans in the areas of co-creation, content, and campaigns. The department's specific initiative is to involve fans in projects such as LEGO Ideas. When asked about how he manages all the conversations taking place across the platforms, Espersen responded:

"That is always difficult. We have a lot of media channels. For us, of course we use social monitoring tools, but it's very important that with all the conversation around LEGO, we need to be very targeted. We tend to let the users do the heavy lifting. So, we need to get signification traction on a conversation before we enter it. We've said to our fans, if you have a good idea, you need to write something about it, you need to create a prototype or take a picture, put it on the platform, campaign for it and get 10,000 other people who think it's a good idea. When that happens, then we might review it and we might do it."

Espersen also comments on the steps LEGO has taken to build a community of brand advocates:

"First of all, it's all about having strong values. It's always doing what's called "win-win". Sometimes fans want to do things that I don't think are a win for them. You need to be a responsible person and if it's something worthwhile then you need to compensate the fans. You need to have the right incentives. You need to respect them, be transparent, and reliable."

Espersen's remarks empirically demonstrate the proposition that "*specific organizational roles (are) created to support continuous knowledge sharing within the company, selectively*

distributing the knowledge garnered through the Internet to specific departments that can benefit from the information" (Sawhney, Verona, & Prandelli, 2005, p. 15). In this case, the community co-creation department was developed specifically to work effectively with consumers to improve their experience while improving firm knowledge.

When determining the opportunities and challenges of co-creation for The LEGO Group, Sam Kashani provided similar information in his interview. Not only does he agree that co-creation provides an opportunity to improve internal knowledge processes, his remarks regarding the challenges were particularly noteworthy. He reveals new information that adds to existing theory on co-creation. Expanding on Espersen's notion of "win-win", Kashani comments,

"We can't do what every fan wants to do (such as military sets) because of our values. Because of co-creation, the expectation of the brand from consumers is to always do what they say, and this creates a natural tension that is uncomfortable. Regarding safety, we have a process that dictates the product development cycle, it is the same when we create a product of our own. If that product doesn't pass the process, it doesn't get in. For example, the fans wanted a Call of Duty set. One, we don't have a license, and two, it's military. Fans are enthusiastic and want all these things, but they are still end users and don't understand the business process behind it" (Kashani, personal communication, February 24, 2017).

Both Espersen and Kashani emphasize the difficulty of co-creation in regards to aligning the objectives of both the firm and its consumers. Thus, the proposition stating *co-creation produces new challenges as it changes consumers' expectancies of the firm* (Roser et al., 2009) is demonstrated here. However, Kashani also admits that the key to keeping co-creation sustainable is "always embracing the community. You need to incentivise them, and accept their opinions whether they are right or wrong. That is the only way you can maintain a community that cares about the brand" (Kashani, personal communication, February 24, 2017). As evident in the case description, The LEGO Group incentivises its consumers for their contributions on LEGO Ideas by offering 1 percent of total net sales (including third party intellectual property), 10 complimentary sets of the product, credit and a biography on the final product as a set collaborator (The LEGO Group, 2017). This corroborates the proposition that *contributors should be rewarded accordingly for their engagement in virtual co-creation projects* (Füller, 2010).

Another noteworthy and especially surprising finding from the interview with Sam Kashani is regarding The LEGO Group's motivations for participating in co-creation. He comments,

“Co-creation is working, but it not mass. It is not working to drive a ton of commercial value; it is working to expand our resonance and reach more consumers. It is not selling to children at the level that we want because that is not the intention of the (AFOL) community: If you think about the LEGO Beatles set (developed from LEGO Ideas), fans are using these as collection items. LEGO's co-creation initiatives reach a very niche market segment. We will sell hundreds of thousands–dollars' worth or maybe a couple of million, but not multi-millions” (Kashani, personal communication, February 24, 2017).

From his statement, The LEGO Group's intentions for co-creation are not economic in nature, but to reach niche markets and improve internal knowledge. Moreover, Sam Kashani states the firm can “take inspiration from the speed to market within the co-creation process and implement it into their own innovation processes. Right now, LEGO is developing products for 2019, but who knows if those products will even be relevant then. Co-creation can accelerate that development” (Kashani, personal communication, February 24, 2017). The proposition stating *co-creation is said to “increase speed to market”* (Roser et al., 2009, pp. 13-15), is therefore demonstrated with this comment. By increasing the time it takes to release products, The LEGO Group is subsequently providing more value for their consumers.

Furthermore, when asked about the staying power of co-creation as a strategy, Sam Kashani revealed The LEGO Group's intentions. He commented, “co-creation is not like a fad. It is external thinking for the organization, making the innovation process inside-out.” Also, when asked about the evolution of co-creation, Kashani notes it will “absolutely” evolve, however:

“No one knows how. For me, co-creation will never go away... so the organization needs to decide how much involvement they will allow.... The most important thing with co-creation is articulating the firm's vision. The company needs to be clear and explain their mandate so they can explain to consumers why or why not they are using their input” (Kashani, personal communication, February 24, 2017).

This added insight is essential as it gives The LEGO Group, and other firms, guidelines on how to evolve co-creation initiatives and what to focus on when doing so. According to the documentary *Beyond the Brick: A LEGO Brickumentary*, users have begun to use LEGO for purposes other than

set-building and play; including building material, art installations, and structural engineering models (Brown, Davidson, 2015). The level of modularity LEGO products feature allow for many kinds of consumer co-creation, which can potentially be used by LEGO in the future.

Regarding the benefits that has been generated by The LEGO Group's co-creation initiatives, the proposition states that *many of these are intangible, including increased attitudinal loyalty* (Auh et al., 2007), *greater satisfaction and commitment amongst consumers* (Bettencourt, 1997), *intent to co-create value in the future* (Dong, Evans, & Zou, 2008), and *increased likelihood of positive word-of-mouth* (File, Judd, & Prince, 1992). From the data collected, it is evident that these claims have been supported. For instance, it is found that since the advent of The LEGO Group's co-creation initiatives, it has been found that a larger group of "fans" that exist (Davidi, 2014). In 2012, 70 LEGO ambassadors from 31 countries represent fan groups with over 70,000 members (Kalcher, 2012). Fans are distinct from consumers as they can sometimes know more about the products than employees. As Espersen notes,

"the fan's sheer creativity and what they can do is amazing. Some of them can make art that sells for hundreds of thousands of dollars. I've seen a guy build an ancient Greek mechanical computer that can calculate solar eclipses. They are also getting faster and faster."

Thus, fans' involvement increases along with their attitudinal loyalty towards The LEGO Group. Considering greater satisfaction amongst consumers, the increase in The LEGO Group's Net Promoter Score (NPS) Index from 2011 to 2016 corroborates this claim. In fact, 2016 was The LEGO Group's consumers' highest satisfaction rate ever:

"In 2016, more than 1.2 million consumers provided feedback on building and playing with LEGO products and experiences, and reported the highest level of satisfaction to date. Since 2011, we have been benchmarking our index score based on the results from that year, setting the base score to 100 index points. In 2016, we saw our index score rise to 111.1 compared to 109.3 in 2015. This improvement was driven by the quality of consumer services, improved digital content, and LEGO shopping experiences" (Responsibility Report 2016, The LEGO Group, p. 31).

Moreover, The LEGO Group's fans also show an intent to co-create value in the future, as there has been a substantial increase in LEGO Ideas' membership since 2011. As of February 2017, the LEGO Ideas community has 641,614 members. Two months later, the community has grown to 683,479 members with no intention of slowing down (LEGO Ideas, 2017). Subsequently, it can

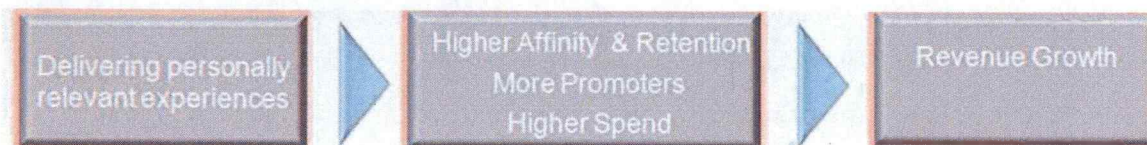
be concluded that positive word-of-mouth has also spread due to the increase of membership on the LEGO Ideas platform, an increased Net Promoter Score, and many fan groups.

Concerning the proposition that *a measure of a firm's success with co-creation can be determined by cost reductions* (Roser et al., 2009), it is surprisingly found that this is contested in the case of The LEGO Group. Sam Kashani comments,

“If anything co-creation is more expensive, because there is no scale (of production), and scale drives costs down. You can't piggyback off an efficient supply chain because they don't represent enough units. Also, to get from a detractor to a promoter on the NPS Index it costs more. The team has to work so hard to engage people at a higher level” (Kashani, personal communication, February 24, 2017).

Connie Kalcher adds to this, stating “moving a consumer from a detractor to a passive results in incremental spending of 20 percent. And moving from a passive to a promoter results in incremental spending of another 26 percent” (Kalcher, 2012, p. 10). Although co-creation does not lead to cost reductions for The LEGO Group, their attention to their users and fan community has led to an overall increase in revenue, even while the toy industry is on a decline. Kalcher provides an illustration for this effect, which can be found in Figure 16.

Figure 16: Personally Relevant Experience Connects to Revenue Growth (Kalcher, 2012, p. 10)



It is also propositioned that *co-creation success can be measured by a decrease in time to develop new ideas, and time to market for new products or improvements* (Roser et al., 2009). As observed previously, Sam Kashani corroborates this by commenting that The LEGO Group can use co-creation to improve the speed of their internal product development process. Although, it cannot speed up the manufacturing process as The LEGO Group is already quite efficient with this:

“LEGO has specific molds and machines. There are no co-created sets that required us to create a new mold. They are all within our range, as our product is modular. LEGO keeps everything in raw brick, that way it avoids clearances and other problems like that. So co-creation doesn't improve overall efficiency, but it does take

less time for the sets to make it to manufacturing” (Kashani, personal communication, February 24, 2017).

According to The LEGO Group’s 2016 Annual Report, new product launches account for approximately 60% of total sales. Thus, it is evident that the ability to deliver new sets quickly offers added value to consumers (The LEGO Group, 2016).

Finally, regarding the necessary changes made to the firm because of co-creation (Prahalad & Ramswamy, 2004c; Roser et al., 2009), The LEGO Group has demonstrated the proposition of *becoming a more flexible organization* (Roser et al., 2009) to accommodate these new initiatives. For instance, Robertson and Hjuler report:

“Central to LEGO’s turnaround is a new structure for strategically coordinating innovation activities, led by a cross-functional team: The Executive Innovation Governance Group. LEGO managers take a broad view of innovation that includes not only new products, but community building (amongst others), which can be a powerful business driver. The Community, Education, and Direct (CED) unit specifically supports consumer communities and taps them for product ideas; manages the LEGO retail chain, the online store, and educational-market offerings; creates online play experiences” (2009, p. 83).

By organizing its activities this way, The LEGO Group has demonstrated that they have paid *significant attention to managing multiple nodes of collaboration, and finding a new balance between flexibility to accommodate their co-creative practices* (Prahalad & Ramaswamy, 2004c). The firm has also shown its commitment to co-creation practices and a willingness to strategically continue its evolution in the future.

4.2.2. Starbucks Corporation

By aligning their corporate objectives to better improve their consumers’ overall experience, Starbucks Corporation has demonstrated the proposition stating part of their *locus of value creation away from the firm and into the marketplace* (Roser et al., 2009). After losing sight of their core principles during a period of aggressive expansion, Starbucks made the decision to shut down stores and concentrate on teaching baristas on serving the right coffee and delivering rich experiences. Moreover, the Great Recession of 2008 provided an opportunity for Starbucks Corporation to focus on further involving consumers in their business. In a 2010 Leader Lab

lecture about open innovation and social media, Matthew Guiste, current Vice President of Product Management at Starbucks Corporation, commented,

“The best time to innovate is during a crisis. An economic meltdown is a terrible thing to waste. If a company or economy is going downhill, there is a permission to do things a different way and make drastic changes. This is the opportunity that a recession will give” (Geisel, 2015).

One of those changes was to focus on rebuilding their relationships with consumers. To do so, they launched the My Starbucks Idea platform (Husain, Khan, & Mirza, 2014). According to Ramaswamy and Gouillart (2010), “on My Starbucks Idea, everyone is invited to help co-shape the future of Starbucks with their ideas—in ways Starbucks may not have thought of, to check out other people’s ideas, and vote on the ones they like best” (p. 22). Therefore, the following proposition is demonstrated: *co-creation allows individuals to “actively co-construct their consumption experiences through personalized interaction, thereby co-creation unique value for themselves”* (Prahalad & Ramaswamy, 2003, p. 12).

My Starbucks Idea also demonstrates the proposition that *online co-creation can be considered a catalyst for rich consumer experiences* (Rowley, Kupiec-Teahan, & Leeming, 2007, p. 136). Starbucks Corporation has “been proactive in laying out areas of experience on the website, including ordering, payment, and pick-up of goods; atmosphere and locations; social responsibility and building community; product-related areas concerning drinks, merchandising, and the Starbucks Card for frequent customers; and any other ideas to enhance the Starbucks experience” (Ramaswamy & Gouillart, 2010, p. 22). It is evident that My Starbucks Idea is fulfilling the firm’s goals, considering there were 277 ideas materialized as of 2013 (Starbucks Corporation, 2013). Some of these ideas are described by Ramaswamy and Gouillart (2010):

“One that quickly gained traction was to embed a customer’s regular order on the Starbucks Card, which would speed up the personalized transaction for an individual. From Starbucks’ perspective, it could serve more customers faster, generating a ‘win-win’ for both sides. Other individuals called for iced cubes made of coffee, and for a stopper to plug the hole in lids to prevent sloshing (which Starbucks implemented through reusable ‘splash sticks’, a solution that originated from customers in Japan)” (p. 23).

Aside from these new additions, My Starbucks Idea also introduced major strategic shifts for Starbucks Corporation, namely adding more nutritious and healthy food options to their menus. In

June 2009, Starbucks Corporation removed artificial trans fats, artificial flavours, artificial dyes, and high-fructose corn syrup in all its food items. Some of the healthy food items rose to the top of the company's food sales chart in just a few weeks. According to CTO Chris Bruzzo, "there are advantages to having that kind of transparency because it creates more engagement, and we get to iterate on our solutions while we are building them" (Ramaswamy & Gouillart, 2010, p. 23). Thus, the following proposition is demonstrated: *Not only has collaborating been proven to be a "highly effective means of generating innovative and successful new products" (O'Hern & Rindfleisch, 2008, p. 14) , it has been known to enhance consumer welfare by accelerating the pace at which new products can be created and distributed to users (von Hippel, 2005).*

In the interview with Kantharith Kang, former employee of Starbucks for 20 years in various management positions, interesting insight was provided from the firm's perspective. Regarding the My Starbucks Idea platform, he commented,

"Many ideas from My Starbucks Idea are confirmation for things Starbucks want to do, for example, the splash sticks. Some are a combination of original and internal ideas. Starbucks already had a lot of these ideas brainstormed and stored away. Only certain ideas that fit the criteria of what the company wants to offer as well will be released. They are tying in consumers' free will with what they want internally as well" (Kang, personal communication, March 7, 2017).

From an innovation perspective, Starbucks Corporation's co-creation initiatives are not only beneficial for the consumer but also for the firm. My Starbucks Idea satisfies consumers' wishes for new offerings to improve their experience and add value, and improves the firm's product development process. Therefore, the proposition is demonstrated that *consumer communities represent a suitable means of creating new value and enabling new forms of producer-consumer collaboration, lending to the improvement and success of new products (Füller, 2010).*

Since its launch in 2008, the quantity of ideas and overall engagement on My Starbucks Idea has risen considerably. Presently on the platform, there are a total of 241,326 ideas, consisting of 154,255 product ideas, 57,262 experience ideas, and 29,809 involvement ideas (My Starbucks Idea, 2017). By observing the different ideas submitted, contributors are visibly passionate about having their own ideas materialize. Some have even contributed over 1,000 and 2,000 ideas, such as 'cupajoe4evamoe' and 'CoffeeMugged'. Cupajoe4evamoe, who has submitted 2,407 ideas,

describes themselves as an “IDEA-FREAKAZOID” on his or her My Starbucks Idea profile. Some submitted ideas include:

“Short stories on a cup: Turn in your favourite short stories or just create some, then have Starbucks personnel choose the best to print up, some great stories to read, right on your favourite drinking container” (Posted on 11/7/2016 11:27 AM).

“The eat receipt: Buy something in the morning, that is a food item along with your drink and collect an ‘eat receipt’ for the afternoon and evening of the same day to get a food item for ½ the price!” (Posted on 2/13/2016 8:25 AM)

Accordingly, he or she has received 40,400 positive votes of support from other contributors for ideas submitted. CoffeeMugged has submitted a total of 1,140 ideas. These include:

“Bottle the pink drinks as a new refresher category: Nearly every trip I make to Starbucks, I leave with a ‘pink drink’ in my hand. They are delicious. I truly believe there is a market for them in channel development as bottled beverages. Many people who never walk into a Starbucks store purchase bottled Frappuccinos and Starbucks energy drinks from other retailers. Bottling the drinks would be another way to reach them and grow market share” (Posted on 7/14/2016 9:39 PM).

“Sell all 3 new Evolution Fresh protein juice smoothies at Starbucks: Evolution Fresh has a new line of protein (26g) cold pressed juice smoothies in Original, Berry, and Greens. They are each very good. However, I can only find the Berry at Starbucks. The other two I have found at a nearby grocer. I wish Starbucks would carry them all, especially since you can use your free rewards to get them” (Posted on 4/17/2016 9:00 PM).

He or she has received 20,195 positive votes from other contributors for ideas submitted. The examples of cupajoe4evamoe and CoffeeMugged, and more highly engaged contributors demonstrate the proposition that “*individuals can sometimes be more inclined to innovate... because they value the process of innovating as well as the novel product or service that is created*” (von Hippel, 2005, p. 45).

Moreover, all contributors on the My Starbucks Idea platform show enthusiasm for the ideas they submit, as well as those submitted by others. When observing the top all-time ideas on the website, the comments section of each post reveal the feedback of other community members. Thus, the proposition is supported that *virtual communities on social network platforms serve as community enablers. They support knowledge transfer, sharing, and expressly target the*

development of a collective product (Zwass, 2010). To illustrate, the idea submitted and comments by other community members are featured below:

My Starbucks Idea Submission:

“Buy 10, get 1 free: Would it be hard to have a system, like all other coffee shops have, that if you buy 10 drinks then you can get the 11th free. You could do this with customers that have a Starbucks card” (Posted on 5/13/2008 7:33 PM) by katlatte).

Comments:

“This is an awesome idea. There are many times when I go to another coffee shop just because I know I will get rewarded with my 11th coffee free!” (Posted by hwilson on 6/14/2008 6:10 PM)

“I think this would help with sagging sales. I often go to Dunkin Donuts to get my coffee instead of Starbucks, just to get the little punch on my card! These reward systems are popular with consumers” (Posted by nb9028 on 7/3/2008 6:59 PM).

My Starbucks Idea Submission:

“Alternatives to dairy and soy: Soy is highly allergic and really not healthy in large quantities. Many people also cannot tolerate cow’s milk. Please offer rice, almond, or coconut milk since you don’t allow people to bring in their own milk alternatives. This has kept me out of Starbucks for years” (Posted by evanschwa on 11/3/2010 11:38 AM).

Comments:

“I think adding almond milk and/or rice milk as an option at Starbucks would attract a ton of customers who cannot have dairy and do not want or like soy milk. It would also put Starbucks ahead of almost all other coffee shops!” (Posted by kebonno8 on 12/6/2010 6:48 AM)

“Almond milk makes great lattes and the unsweetened one I use on my espresso machine at home cuts significant calories and makes perfect foam. Please PLEASE Starbucks give us almond milk!” (Posted by nikiki on 1/4/2011 10:35 AM)

Both ideas were selected by Starbucks Corporation for internal review, and the one requesting alternatives to dairy and soy resulted in coconut milk becoming available in U.S. stores in 2015 (My Starbucks Idea, 2017). Judging by the comments, it is seen that just the notion of Starbucks Corporation listening to its consumers and fulfilling their requests create a commitment to the brand, and furthermore lead to an intent to the development of its products (Zwass, 2010). As mentioned by Husain, Khan, and Mirza (2014), it is through this initiative that Starbucks Corporation built a robust fan base. By giving consumers a platform to voice their ideas and views on the brand, and by responding to it, the firm could reignite the brand trust. This initiative also

allows for richer consumer experiences, as CEO Howard Schultz declared when introducing My Starbucks Idea in 2008,

“Welcome to MyStarbucksIdea.com. This is your invitation to help us transform the future of Starbucks with your ideas—and build upon our history of co-creating the Starbucks Experience together...So, pull up a comfortable chair and participate in My Starbucks Idea. We’re here, we’re engaged, and we’re taking it seriously” (Ramaswamy & Gouillart, 2010, p. 22).

By observing the idea submissions and comments, the proposition is demonstrated that *as the consumers’ overall product and service experience is heightened, they often feel a sense of empowerment* (Füller et al., 2009). Since Starbucks Corporation has demonstrated their commitment to improving the Starbucks Experience via co-creation thus far, the numbers of idea submissions continue to climb.

The total quantity of ideas put into action by Starbucks Corporation demonstrates the proposition that *both brand and innovation communities have come into view as large pools of competencies that can potentially help firms add value to their offerings* (McAlexander, Schouten, & Koenig, 2002; Kozinets, 2002; Füller, Matzler, & Hoppe, 2008; von Hippel, 2005). When asked to comment on the opportunities and challenges of co-creation experienced by Starbucks Corporation, Kantharith Kang gave an interesting response,

“We have to balance co-creation with our own innovation, because sometimes consumers don’t know what they want. They can submit as many ideas as they want to the platform, but ultimately it is up to the organization. You can’t give complete free will to consumers, even though you want to. If you do, you end up spreading yourself thin and allowing competitors to flank you” (Kang, personal communication, March 7, 2017).

This information given by Kang reveals a reality the firm must face when co-creating its products and/or services with consumers to enhance the overall experience. Thus, the proposition stating *co-creating value with consumers produces new challenges, as it changes consumer expectancies of the firm* is demonstrated here (Roser et al., 2009). Kang also emphasizes the need to keep an open dialogue with consumers regarding the core values and objectives of Starbucks Corporation:

“If the firm is not solid on their purpose, mission, and values, they get pulled (by consumers) every way. For example, pizza in Starbucks does not matter. You must think about what offerings create a better experience, and indicate that. By letting consumers know what Starbucks’ values are, then you can say no. And if you have a

hard time defining what your experience is and what it stands for, then you must know this first” (Kang, personal communication, March 7, 2017).

Also, mentioned previously by Kang, some of the ideas Starbucks Corporation choose to release represent internal ideas that had been introduced in the past, or those that need further confirmation that they will succeed. Kang said an advantage My Starbucks Idea has is that it “functions like a survey—if 10,000 or more people support the idea, it will work” (Kang, personal communication, March 7, 2017). Not only can Starbucks Corporation improve the Starbucks Experience for their consumers with My Starbucks Idea, but use it to support and validate their internal innovation processes as well.

To ensure My Starbucks Idea meets and exceeds those objectives however, the roles of the Starbucks Idea Partners are essential. These employees engage in dialogue with the My Starbucks Idea community, with Starbucks internally, and with the company’s supply chain to implement the consumer submissions. By 2008, there were nearly 50 Idea partners active on the site. These specially trained employees host discussions, take specific ideas to their internal teams, and advocate for consumers’ suggestions, so “consumers would have a seat at the table when product decisions are made,” said CTO Chris Bruzzo (Ramaswamy & Gouillart, 2010, p. 23). Idea partners are employed in various areas within the company. The integral role these employees play in the co-creative function of My Starbucks Idea therefore demonstrates the following proposition: *“Specific organizational roles (can even be) created to support continuous knowledge sharing with the company, selectively distributing the knowledge garnered through the Internet to specific departments that can benefit from the information”* (Sawhney, Verona, & Prandelli, 2005, p. 15).

Regarding the consumers submitting ideas, Füller (2010) proposes that *individuals should be rewarded accordingly for their engagement in virtual co-creation projects*. What is quite surprising, however, is that Starbucks Corporation does not reward those who have submitted successful ideas. This is evident by the terms and conditions of My Starbucks Idea:

“Terms and Conditions 3: You understand that Starbucks has no obligation, either express or implied, to develop or use your idea and that no compensation is due to you or anyone else for any inadvertent or intentional use of that Idea, related Ideas or Ideas derived from your Idea. You understand that Starbucks assumes no obligation with respect to any Idea unless and until Starbucks enters a written

contract with you, and then only as expressed in that contract” (My Starbucks Idea, 2017).

Therefore, this proposition is contested by the case of Starbucks Corporation. When asked about rewarding the consumers who submit ideas to the platform, however, Kantharith Kang’s answer was thought-provoking:

“My Starbucks Idea doesn’t have a concrete reward system, there is no recognition. But, they receive a more organic, intrinsic award that is intangible. Starbucks is good at creating loyal consumers, there is a lot of brand attachment. When the company co-creates the experience with consumers, they are communicating that they care. This is a reward in a sense, even though the company doesn’t reward consumers tangibly” (Kang, personal communication, March 7, 2017).

By improving the overall consumer experience at Starbucks, the company feels they are rewarding consumers. The lack of recognition does not appear to discourage consumers from participating on My Starbucks Idea, though. In fact, the number of submission has increased dramatically since 2008. This finding represents an interesting departure from existing theory and warrants further exploration.

When asked about what he would change about Starbucks Corporation’s co-creation initiatives, Kang commented on the quantity of submissions received:

“I would make changes regarding the influx of ideas. At one point, it just becomes huge. Even though Starbucks is big enough to figure this out, and can easily say no to the ones that don’t make sense. Once you open with co-creation, there are as many ideas as there are people” (Kang, personal communication, March 7, 2017).

Though, when asked about the future of co-creation for Starbucks Corporation, Kang revealed that these initiatives would continue to be integral to the Starbucks Experience. To manage the number of ideas, and to evolve co-creation, technological advancement was suggested:

“Technology, like listening tools and artificial intelligence will be the base evolution for co-creation at Starbucks Corporation. The company can use AI to data-mine submitted ideas and comments on their social pages, to efficiently collect the usable ideas. That way, the company can easily sift through ideas using keywords” (Kang, personal communication, March 7, 2017).

While Starbucks Corporation may be receiving an influx of idea submissions on the platform, it appears the co-creation initiative is working to improve the Starbucks Experience and create value for consumers. The following information partly demonstrates the proposition that

“ultimately, *co-creation is said to increase speed to market, lowers costs and higher profitability, better product quality and greater satisfaction, and reduced risk*” (Roser et al., 2009). When asked in his interview if My Starbucks Idea reduces the time it took for the company to introduce new products, and increased the total number of new products, Kantharith Kang agreed. However, when asked about whether it has lowered costs, he replied “I think co-creation has allowed us to reduce costs by managing consumer input at the right time, but none of the products created have directly reduced costs.” Moreover, Kang commented that My Starbucks Idea has led to greater satisfaction amongst consumers as “it elevates the individual’s Starbucks experience. It enhances the participatory image that the individual consumer is responsible for a piece of the company (i.e. creating the splash sticks), and the whole community also takes ownership” (Kang, personal communication, March 7, 2017).

My Starbucks Idea has allowed more consumers to be satisfied with their Starbucks Experience. It has also demonstrated the proposition that *co-creation has increased consumers’ attitudinal loyalty towards the brand* (Auh et al., 2007). In a profile of My Starbucks Idea on the online blog Tech XB, digital expert Steve Nicholls wrote,

“Allowing consumers to interact with not only the company itself, but with each other as well, in a fun and engaging way to improve the overall business, is a very resourceful way to develop an increasingly loyal consumer base who enjoys interacting with the brand. My Starbucks Idea is thus a transparency-driven effort that seeks to fit the current expectations of the emerging consumer: The highest level of honesty and reliability in a brand” (Nicholls, 2013).

Increasing the transparency between Starbucks Corporation and its consumers has also demonstrated the proposition that My Starbucks Idea has *driven positive word-of-mouth* (File, Judd, & Prince, 1992). This is observable by a steady increase in ideas submitted to the platform from 2008-2017, as well as an increase in social media followers. In 2009, just after My Starbucks Idea was launched, Starbucks Corporation overtook Coca-Cola as the ‘most popular brand on Facebook with more than 5 million fans, over 700,000 followers on Twitter, and 5,000-plus subscribers on YouTube (Geisel, 2015). This increase in online followership follows the upsurge of sign-ups to the platform and number of ideas submitted, which continues to grow today.

Along with the growing number of ideas submitted, there has also been an increase in ideas implemented by Starbucks Corporation. Hossain and Islam (2015) found in 2010, there was a significant jump in the number of ideas implementations and it has increased steadily in the subsequent years. However, this increase in idea implementations has impacted Starbucks Corporation's operations. Kantharith Kang provided insight on how the firm deals with the new additions internally:

“New co-created items can be added expenses, as the company has never offered them before. If you add something you must take something else out. From an operations perspective, there is a whole contingent of things that must be assessed” (Kang, personal communication, March 7, 2017).

Starbucks Corporation must therefore strategically introduce the new additions to complement its internally created products. Though this may not result in higher sales of the co-created items specifically, it has contributed to higher sales for the company. Kang explains,

“It is difficult to say if the company has sold more of these products, but it has definitely increased the breadth of products. Some of these co-created products become fads. Or, they could be a classic items that can be phased out and then re-introduced. This reflects the food service industry; there is the main menu, then the new product introductions, but consumers will always go back to the core offerings” (Kang, personal communication, March 7, 2017).

From the perspective of Starbucks Corporation, My Starbucks Idea gives the opportunity for varying product life cycles. This also contributes towards a better consumer experience as the product and/or service offerings at Starbucks do not remain stagnant. To deal with these changes, though, Starbucks Corporation has demonstrated the proposition of *becoming a more flexible organization* (Roser et al., 2009). The Starbucks Idea partners are central to methodical communications between departments, and according to Kantharith Kang, “several jobs dealing with social media have been created that didn't exist 5 to 10 years ago” (Kang, personal communication, March 7, 2017). Starbucks Corporation has demonstrated the proposition of *paying significant attention to managing multiple nodes of collaboration, and finding a new balance between flexibility to accommodate their co-creative practices* (Prahalad & Ramaswamy, 2004c).

5. Cross-Case Comparison and Discussion

After examining the results of both case studies, both The LEGO Group and Starbucks Corporation have established how they create value by enhancing the overall product and/or service experience through co-creation by demonstrating the theoretical propositions. Moreover, it has also been revealed what value has been generated because of these actions. It is evident that both firms satisfy the theoretical propositions in their own way, given their business strategies and co-creation initiatives are not exactly replicated. However, despite the different approaches used, there are some prominent similarities found in both cases that underline the collective value created by co-creation, and interesting connections that represent opportunities for future research. There are also striking differences that reveal the versatility of co-creation to achieve diverse business objectives, the strength of one firm's co-creation activities over the other, and a curious finding that represents further areas for future research. These similarities and differences will aid in discussing the significance of this thesis' findings in light of what is already known about this topic. Following the cross-case comparison, the discussion will answer this thesis' research questions using the most thought-provoking information retrieved from this study. It will also disclose the practical implications of this thesis, its limitations, and opportunities for further research.

5.1. Cross-Case Comparison

5.1.1. Similarities Across Cases

5.1.1.1. The Motivation to Venture into Co-Creation

A key similarity within The LEGO Group and Starbucks Corporation was their motivation to venture into co-creation. Both firms underwent serious downturns caused by diverting attention away from their consumers and onto unfocused business decisions. The LEGO Group began manufacturing ready-made sets instead of construction (Brown, Davidson, 2015), and Starbucks Corporation rapidly expanded instead of concentrating on its consumer experience (Ramaswamy & Gouillart, 2010). After a change in leadership, and again becoming committed to their consumers' wants and needs, both firms' performances began improving. The LEGO Group and

Starbucks Corporation's new solutions to placing their consumers at the center of their business decisions revolved around co-creation. Additionally, both firms took inspiration for these strategies based on their consumers' activities. The LEGO Group recognized that their fan communities were altering LEGO products, such as Mindstorms, to improve them and meet their needs, so the firm decided to allow consumers into their innovation processes (Frigo, Læssøe, & Ramaswamy, 2015). Starbucks Corporation developed a virtual co-creation community platform, My Starbucks Idea, to magnify the scope of its original strategy to develop new offerings with consumers in-store (Husain, Khan, & Mirza, 2014). The value that derived from both business strategy changes was improving consumers' overall product and/or service experience, and co-creating new offerings to meet the consumers' needs (O'Hern & Rindfleisch, 2010).

5.1.1.2. A Virtual Community Platform as the Selected Co-Creation Medium

The LEGO Group and Starbucks Corporation have both chosen virtual community platforms to host their co-creation initiatives. These platforms share very similar designs and functionalities. Both LEGO Ideas and My Starbucks Idea require submitted product and/or service ideas to achieve a high level of support from other members. LEGO Ideas requires 10,000 supporters, and My Starbucks Idea considers only the most popular ideas, determined "by an algorithm based on number of points, number of comments, and most recent posts" (My Starbucks Idea, 2017). Both platforms also encourage positive, frequent interaction between community members, which increases individuals' knowledge sharing and a sense of belonging (Sawhney, Verona, & Prandelli, 2005). Once submitted ideas on each platform reach the necessary level of support, they are reviewed internally by a group of designated employees from The LEGO Group and Starbucks Corporation. It is up to these employees' discretion to either reject or select the idea for production and, subsequently, release. The comparable designs and functionalities of both platforms show that these well-managed interaction plans create value by empowering the brand and/or innovation communities, specifically targeting the creation of communal products (Zwass, 2010), and placing the firm at the center of conversations around their consumers' needs and expectations.

5.1.1.3. How Consumers Value the Process of Co-Creating

Moreover, the way in which each firm's consumers appear to value the process of co-creating the product and/or service experience is comparable in both cases. Not only do participating consumers value the resulting product and/or service that will be produced from these co-creation efforts, but the experience of cooperating with the involved community. Inside both the LEGO Ideas and My Starbucks Idea platform, the participating consumers show their enthusiasm and support for each other's submissions by providing positive feedback, suggestions, and asking questions (LEGO Ideas, 2017; Ramaswamy & Guillard, 2010). This is evident by observing the hundreds of thousands of postings on each website, sent by consumers from all over the world. Also, the popularity of both the LEGO Ideas and My Starbucks Idea platforms have skyrocketed since both of their origins in 2008, and will likely continue to rise. By harnessing the power of technology, both firms can connect their global community of consumers on a single social networking platform to express their parallel interests and demands. Thus, both large, international firms appear smaller and more cohesive. The resulting value that is created by The LEGO Group and Starbucks Corporation is allowing each individual consumer to have their voices heard, and improving interaction around a common interest in the product and/or service offerings (Cova & Pace, 2006; Firat & Shultz, 1997; Füller et al., 2009; Kozinets, 1999).

5.1.1.4. Difficulties Encountered When Managing Consumers' Expectations

A further interesting similarity between The LEGO Group and Starbucks Corporation is the difficulty each firm encounters when trying to manage consumers' expectations during the co-creation process. Both interviews with current and former firm employees explicitly expressed the trouble in saying no to consumers when an idea is submitted that the firm cannot possibly release. They also revealed that co-creation requires a commitment from the firm to explicitly mention their core values and objectives when co-creating with consumers. By not doing so, this creates friction between the firm and consumer community and can even diminish the perceived value of product and/or service offerings. Both interviewees emphasized the need to align firm strategy and find the best place for co-creation to fit in (Kashani, personal communication, February 24, 2017; Kang, personal communication, March 7, 2017). Therefore, this builds on existing theory by asserting a necessary obligation for the firm to amply communicate their core principles, objectives, and requirements to consumers to guarantee value creation and avoid value deduction.

5.1.1.5. The Financial Outcomes of Co-Creation for the Firm

Both interviews with current and former employees of The LEGO Group and Starbucks Corporation also revealed similar, interesting findings regarding the financial outcomes of each firm's co-creation strategies. Existing co-creation theories that state the benefits felt by the firm include lower overall costs as an expected outcome (Roser et al., 2009). However, the opposite is witnessed by the cases of The LEGO Group and Starbucks Corporation. When asked how co-creation affected cost, Sam Kashani of The LEGO Group noted "if anything, co-creation is more expensive" (Kashani, personal communication, February 24, 2017). Kantharith Kang of Starbucks Corporation said "none of the products created have directly reduced costs," and "new co-created items can be added expenses" (Kang, personal communication, March 7, 2017). Although co-creation does not reduce costs for either firm, there is evidence of non-monetary gains in both cases. Sam Kashani mentioned co-creation has helped The LEGO Group reach niche markets, improve internal knowledge, and accelerate speed-to-market. For Starbucks Corporation, Kantharith Kang concurred that co-creation has also aided in achieving these three things, and confirm the feasibility of ideas created by the firm internally. Thus, it can be concluded that as a business strategy, co-creation creates value for consumers by enabling the firm to achieve an all-inclusive understanding of the firm's markets, more targeted offerings, and more frequent product and/or launches and deliveries. Consumers can therefore expect products and/or services that are more relevant to their needs, reflect their interests, and cater to their priorities.

5.1.2. Differences Across Cases

5.1.2.1. Differences in Each Firm's Co-Created Product Strategies

Albeit the similarities witnessed in both cases, and the common value created by The LEGO Group and Starbucks Corporation's co-creation initiatives, there were also notable differences found. The first contradiction concerns both firm's product strategies. Once a product submitted on the LEGO Ideas platform is reviewed by The LEGO Group and released, they are available in limited quantities online and in store. Out of 16 LEGO Ideas sets listed as "on shelves" on the platform, only 3 are not marked as "sold out" and available for purchase. Moreover, Sam Kashani mentioned in his interview that "co-creation is working, but it is not mass," and "fans are

using these as collection items.” He also stated The LEGO Group will “sell hundreds of thousands–dollars’ worth or maybe a couple of million, but not multi-millions” (Kashani, personal communication, February 24, 2017). In contrast, Starbucks Corporation integrates the co-created products along with the rest of their offerings. Kantharith Kang noted My Starbucks Idea “has definitely increased the breadth of products.” Also, “some of these co-created products become fads. Or, they could be classic items that can be phased out and then re-introduced” (Kang, personal communication, March 7, 2017). Thus, it is evident that the commercial outcome each firm wishes to achieve by co-creation varies between each case. These differences reveal the versatility of co-creation, and the ability to achieve alternative outcomes based on the firm’s objectives.

5.1.2.2. Differences in Consumer Co-Creation Involvement

Besides the different product strategies each firm has chosen to pursue for their co-created offerings, how The LEGO Group and Starbucks Corporation choose to involve their consumers within their innovation processes contrasts as well. Throughout the data collected, it is demonstrated that The LEGO Group engages their consumers far more within their innovation, product marketing, research and development activities than Starbucks Corporation does. This had been established from the firm’s early stages of co-creation, as they chose to embrace Markus Noga’s unauthorized Mindstorms operating system instead of denouncing it. Furthermore, the Mindstorms 2.0 NXT system was developed in combination with enthusiasts, and the LEGO Architecture line was created based on Adam Reed Tucker’s original set design. The LEGO Group also demonstrates its commitment towards involving its user community by hiring outstanding creators like AFOL member Jamie Berard. On the contrary, there is no evidence that Starbucks Corporation involves its consumers within their innovation process apart from My Starbucks Idea. At the firm’s restaurant locations, consumers are invited to modify their food and beverage choices by adding or subtracting certain ingredients from the menu item. Though, this more so falls under the definition of customization rather than co-creation. Consequently, it is inferred that The LEGO Group show openness, a greater commitment to understanding, and engaging their consumers through co-creation, theoretically producing more value for consumers (Prahalad & Ramaswamy, 2004).

5.1.2.3. The Inclusion or Exclusion of Incentives

An additional difference found across both cases was the inclusion or exclusion of incentives given to the creators of successful submissions. Existing co-creation theory suggests firms duly recognize these contributions (with, for example, financial rewards, words of praise, explicit recognition) to generate new value (Füller et al., 2009; Füller, 2010; O'Hern & Rindfleisch, 2010; Saldanha, Cohendet, & Pozzebon, 2014). By featuring creators in the set materials, offering a royalty on sales, and giving credit to the successful LEGO Ideas community members on the platform, The LEGO Group demonstrates their gratitude and commitment to the virtual co-creation community. Sam Kashani further supported this in his interview, stating that to keep co-creation sustainable, the firm must "embrace the community" and "incentivise them" (Kashani, personal communication, February 24, 2017). However, the opposite is found Starbucks Corporation. In the Terms and Conditions of My Starbucks Idea, it is explicitly stated to contributors "no compensation is due to you for the use of that idea" (My Starbucks Idea, 2017). In his interview, Kantharith Kang also commented "My Starbucks Idea doesn't have a concrete reward system, there is no recognition" (Kang, personal communication, March 7, 2017). Theoretically speaking, the lack of compensation or recognition given by Starbucks Corporation would lead to a decrease in value perceived by the firm's consumers. This would warrant The LEGO Group to be perceived as generating more value than Starbucks Corporation for their consumers via co-creation. Although, there is no observed indication that Starbucks Corporation creates less value for their consumers due to this, and the company's popularity and My Starbucks Idea's membership continues to increase. This interesting finding warrants further study, and will be discussed as an opportunity for future research.

5.2. Discussion

The objective of this thesis has been to answer the following research questions: *How do firms create value by enhancing the overall product and/or service experience through co-creation?* Following this, *what value is generated as a result?* By examining the data collected in the cases of The LEGO Group and Starbucks Corporation, a set of theoretical propositions have been demonstrated to answer this thesis' first research question. Moreover, the demonstration of

the theoretical propositions has subsequently revealed new findings that answer the second. The following discussion will reveal the most thought-provoking findings of this thesis, and opportunities for future research will also be revealed. As mentioned in the Methodology section, updated logic models for The LEGO Group and Starbucks Corporation are featured in Figures 17 and 18, respectively. The logic models outline the findings of each case and show examples of both firm's co-creation activities (per the theoretical proposition topics), the value generated for consumers, and benefits experienced by the firm.

Figure 17: The LEGO Group Logic Model

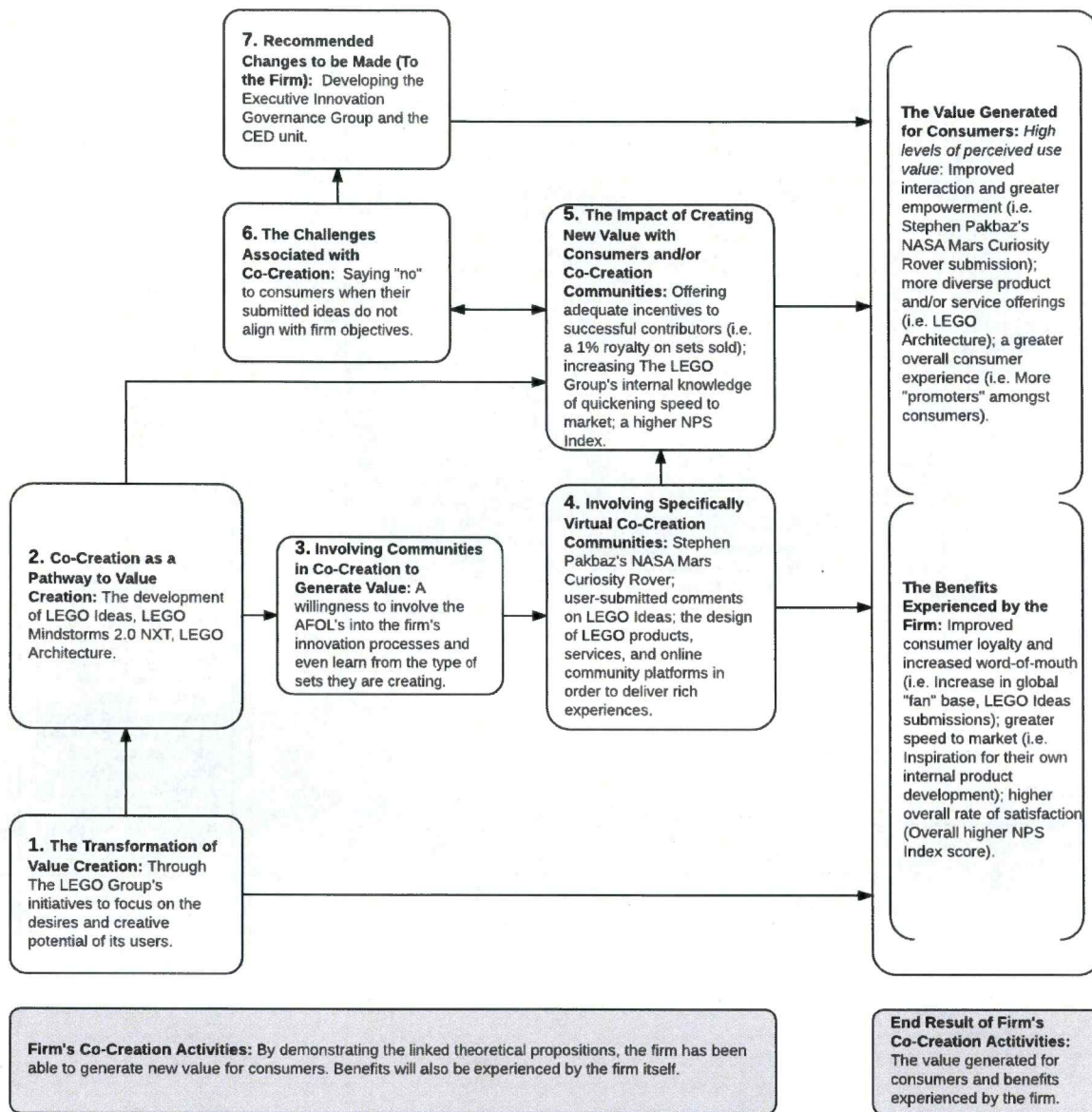
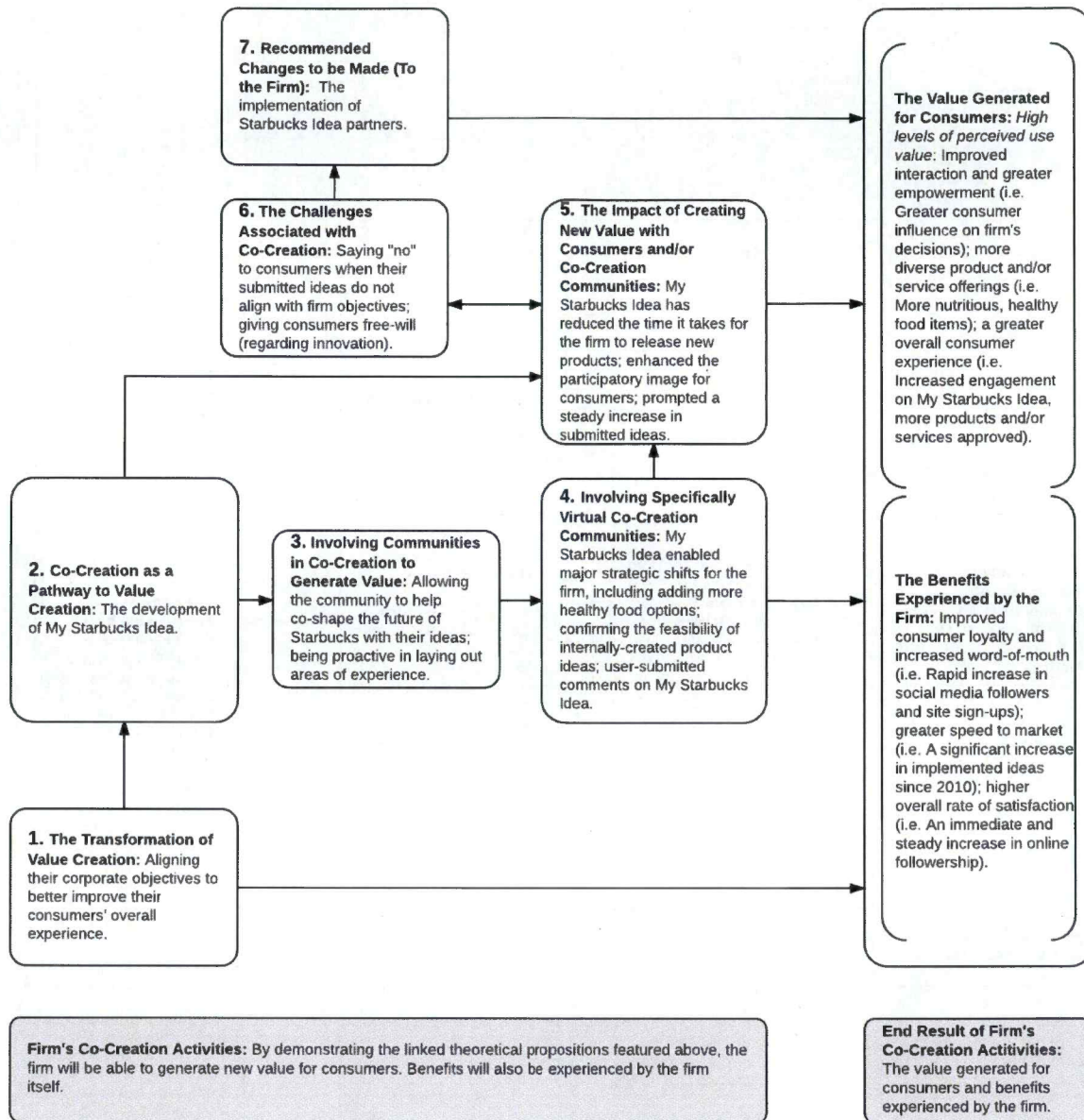


Figure 18: Starbucks Corporation Logic Model



5.2.1. Adherence to Existing Theory by Demonstrating the Theoretical Propositions

It is found that both firms correspond to almost all the same trends in existing co-creation theory, but within the context of their own business intentions and co-creation activities. This has given existing co-creation theory efficacy by providing further empirical evidence and verifying its success in real-life contexts. For instance, both firms have demonstrated the proposition that

states *consumer communities represent a suitable means of creating new value and enabling new forms of producer-consumer collaboration, lending to the overall success of new products* (Füller, 2010). However, how The LEGO Group and Starbucks Corporation do so vary. The existence of Adult Fans of LEGO (AFOLs) and the prevalence of global LEGO exhibitions exemplifies the loyalty of The LEGO Group's consumer community towards the product. Additionally, how the firm embraces this community, and involves these individuals in product development both externally and internally within the firm creates value by closing the gap between firm and consumer. For Starbucks Corporation, this proposition is demonstrated by how the firm manages the My Starbucks Idea platform. It is done in a way that fosters community engagement, and uses idea submissions to improve internal concepts to provide further value for consumers.

5.2.2. Converging Findings from the Results

As witnessed by the cross-case comparison, however, there are some instances where The LEGO Group and Starbucks Corporation demonstrate the theoretical propositions in a similar fashion. These findings are particularly robust as they establish, through replication logic, compelling support for existing theory and opportunities for future research on the topic. For example, both firms demonstrate the proposition stating *the locus of value creation moves away from the firm and into the marketplace involving consumers* (Roser et al., 2009) similarly. The LEGO Group and Starbucks Corporation do so by having comparable motivations to involve consumers in their business activities through co-creation, and the business decisions made to move part of their value creation outside the firm. This represents a very interesting, unanticipated finding. It also grants a window of opportunity for future research to discover the common motivations for firms to introduce co-creation into their business models.

5.2.3. Diverging Findings from the Results

The differences highlighted in the cross-case comparison not only reveal how each firm's co-creation activities and objectives vary from one another, but which firm has gone to greater lengths to involve their consumers in many aspects of their business. Apart from the LEGO Ideas platform, The LEGO Group has allowed consumers to participate in internal innovation, product marketing, research and development activities. They have also hired lead users as employees to gain further perspective of consumers' wants and needs from LEGO products. This effort is far

greater than Starbucks Corporation's, whose co-creation activities are concentrated in My Starbucks Idea. Furthermore, The LEGO Group gives incentives, both monetary and verbal, to successful contributors on LEGO Ideas while Starbucks Corporation does not on My Starbucks Idea. Therefore, only The LEGO Group demonstrates the proposition that states *individuals should be rewarded accordingly for their engagement in virtual co-creation projects* (Füller, 2010).

Regardless of the lack of incentives, though, the platform has still experienced steady success. This represents a departure from existing theory and presents an opportunity for further research.

5.2.4. The Value Generated Through Co-Creation Activities

Throughout the exploration of both The LEGO Group and Starbucks Corporation's co-creation activities, and each firm's demonstration of the theoretical propositions representing existing theory, the type of value generated has also been revealed. A summary of each firm's demonstration of the theoretical propositions, and the value these activities have created can be found in updated logic models seen in Figure 17 and 18. Both firms have generated high levels of perceived use value for their consumers by providing an overall greater consumer experience. This type of value refers to "the specific qualities of the product perceived by (consumers) in relation to their needs" (Bowman & Ambrosini, 2000, p. 3). This expands on the existing value of their product and/or service offerings. Beyond this, both The LEGO Group and Starbucks Corporation have also experienced mutually beneficial outcomes in the form of improved consumer loyalty, increased word-of-mouth, greater speed to market, and higher satisfaction amongst consumers. These findings reflect the very definition of co-creation, which is "the joint creation of value by the company and the consumer, allowing the consumer to co-construct the service experience to suit their context" (Prahalad & Ramaswamy, 2004c, p. 8). Noteworthy examples of these findings are found in the following paragraphs.

5.2.4.1. Consumer: Improved Interaction and Greater Empowerment, Firm: Improved Consumer Loyalty and Increased Word-of-Mouth

By observing the consumers' submissions and comments on the LEGO Ideas and My Starbucks Idea platforms, interaction around each firm's product and/or service offerings has clearly been improved. Not only does this allow the community to engage in dialogue more frequently and deeply with one another, but also strengthen the two-way interactions between firm

and consumer. This contributes to an overall, improved consumer experience (Prahalad & Ramaswamy, 2003). One of the most revealing examples regarding value derived from improved consumer interaction is AFOL Stephen Pakbaz's submission story in The LEGO Group case. Pakbaz's main objective for submitting a NASA Mars Curiosity Rover set idea to LEGO Ideas was not having this set approved by The LEGO Group for production, but "encourage as much educational outreach as possible for the Curiosity Rover's mission and space exploration." Moreover, the best part about his LEGO Ideas experience was "seeing how people came up with creative solutions to make the Rover work" (Mills, 2013). Increasing the education of others and interacting with other community members for a common purpose was far more gratifying for Pakbaz than the result of his efforts. Improved interaction and consumer empowerment can also be observed by contributions and comments made by others on LEGO Ideas and My Starbucks Idea. Being a part of the innovation process, and the ability to have one's voice heard contributes to a higher perceived use value (Cova & Pace, 2006; Firat & Shultz, 1997; Füller et al., 2009; Kozinets, 1999).

For the firm, the benefit experienced from this is improved consumer loyalty and positive word-of-mouth. Speaking about My Starbucks Idea, digital expert Steve Nicholls mentioned "allowing consumers to interact with not only the company itself, but with each other as well, is a very resourceful way to develop an increasingly loyal consumer base who enjoys interacting with the brand" (2013). Following My Starbucks Idea, the company experienced a sharp turnaround, a rapid increase in social media followers, and an upsurge of sign-ups and idea submissions on the platform. In the case of The LEGO Group, since the launch of their co-creation initiatives there has been a larger group of "fans" that exist worldwide. There has also been a substantial increase in membership on LEGO Ideas, with no indication of slowing down. Through these examples, it is showcased that the firm can realize mutually beneficial outcomes by improving interaction between consumers and with the firm via co-creation.

5.2.4.2. Consumer: More Diverse Product and/or Service Offerings, Higher Consumer Control, Firm: Greater Speed to Market

The co-creation activities of both The LEGO Group and Starbucks Corporation have also accelerated the pace of delivering new products and/or services to consumers. This is said to

enhance consumer wellbeing (O'Hern & Rindfleisch, 2008). As these offerings are either co-created with consumers, or developed by the firm with insights gathered from each's virtual community co-creation platform, they cater better to consumers' wants and needs. The perceived use value created for consumers is more, diverse products and/or services and greater control (O'Hern & Rindfleisch, 2010; Roser et al., 2009). This is seen in the case of The LEGO Group through the community-assisted improvement of Mindstorms 2.0 NXT and the development of new product lines, like LEGO Architecture. The collaboration with Adam Reed Tucker taught the firm that new markets could be discovered by working with individual consumers, thereby satisfying the wants and needs of more consumer groups. For Starbucks Corporation, their co-creation initiatives allowed them to answer their consumers' demands for more nutritious, healthy food items. Though this represented a major strategic shift for the company, the satisfaction consumers experienced through these changes were reflected in high sales of the new items shortly after they were implemented. In contrast to creating exchange value, concentrating on co-creation to improve the perceived use value for consumers has given The LEGO Group and Starbucks Corporation more ability to deliver products and/or services that fulfil a true demand. Moreover, greater consumer control over these offerings improve the consumer experience.

While their consumers enjoy a higher perceived use value, The LEGO Group and Starbucks Corporation have increased speed to market via their co-creation activities. Both interviews with firm personnel revealed how virtual co-creation platforms contribute to this internally. Sam Kashani from The LEGO Group commented that his firm can "take inspiration from the speed to market within the co-creation process and implement it into our own innovation processes. Right now, LEGO is developing products for 2019, but who knows if those products will even be relevant then. Co-creation can accelerate that development" (Kashani, personal communication, February 24, 2017). When asked if co-creation reduced the time it took for Starbucks Corporation to introduce new products, Kantharith Kang agreed (Kang, personal communication, March 7, 2017). Moreover, Hosain and Islam (2015) found there has been a significant increase in ideas implemented by the firm since 2010. Through these examples, it is seen that firms can also experience substantial benefits through the delivery of more, diverse product and/or services resulting from co-creation.

5.2.4.3. Consumer: A Greater Overall Consumer Experience, Firm: Higher Overall Rate of Satisfaction

A final noteworthy example of perceived use value established through co-creation is the overall improved consumer experience that occurs. It is recognized that the purpose of both The LEGO Group and Starbucks Corporation's venture into co-creation was to improve the consumer experience associated with their products and/or services. As seen throughout the cross-case comparison and discussion of this thesis, many outcomes of both firms' co-creation activities have led to ultimately fulfilling this mandate. At The LEGO Group, consumer engagement is now measured by the *LEGO Affinity Pyramid* which assures all activities are organized around delivering personally relevant experiences. According to Conny Kalcher, this has resulted in "higher consumer affinity and retention. As the engagement process continues, we are seeing more promoters among our consumers" (Kalcher, 2012, p. 8). Moreover, Starbucks Corporation has proven to be "proactive in laying out areas of experience on My Starbucks Idea, including social responsibility and building community; product-related areas concerning drinks, merchandising, and any other ideas to enhance the Starbucks Experience" (Ramaswamy & Gouillart, 2010, p. 22). As engagement on My Starbucks Idea increases, more ideas are submitted, and business continues to grow for Starbucks, it is evident these actions have indeed lead to an overall improved consumer experience.

As The LEGO Group and Starbucks Corporation's overall consumer experience continues to improve, this can be observed by higher overall rates of satisfaction for both firms. The LEGO Group measures consumer satisfaction by its Net Promoter Score (NPS) Index, which has experienced a substantial increase from 2011-2015. In 2016, the firm experienced its highest rates ever, with 111.1 index points. The results are based on feedback from more than 1.2. million consumers from around the world (Responsibility Report 2016, The LEGO Group). Starbucks Corporation also saw an immediate rise in online followership immediately following the launch of My Starbucks Idea. In 2009, Starbucks overtook Coca-Cola as the most popular brand on Facebook with more than 5 million fans, over 700,000 followers on Twitter, and 5,000-plus subscribers on YouTube (Geisel, 2010). There has also been an upsurge of sign-ups to My Starbucks Idea and number of ideas submitted, which continues to grow today. By exerting the effort to improve their overall consumer experience, The LEGO Group and Starbucks Corporation

have experienced positive results. These findings are important as they communicate to other firms the importance of co-creation and the impact of improving the product and/or service experience to generate value with consumers.

5.3. Practical Implications

The results of this thesis have also provided key takeaways for practitioners and business professionals. As firms continue to transition from a firm-centric to consumer-centric approach to value creation, insight into the tangible outcomes co-creation can produce is very valuable. Value creation is the ultimate measure by which a firm is judged. According to a 2016 article from McKinsey and Company, “many consumer experience transformations stall because leaders cannot show how these efforts create value.” Also, “without a quantified link to value and a sound business case, such efforts often cannot show early gains, build momentum among functional executives, and earn a seat at the strategy table. They stall before they really get going” (Maynes & Rawson, 2016). This thesis reveals empirical evidence of two leading consumer goods firms creating value by enhancing the overall product and/or service experience through co-creation. Moreover, it has built an explicit link to value by discovering the mutual benefits firms and consumers can experience from these practices. This information can assist professionals in starting strategic discussions around their own co-creative practices. Also, it provides an empirical base to developing further, quantifiable links to value that many executives require.

Another practical implication of this thesis is revealing to business professionals where to direct their investments so they can benefit the most from improving their overall consumer experience. Both The LEGO Group and Starbucks Corporation were able to engineer sharp turnarounds by investing in co-creation. The case of Starbucks Corporation especially revealed this was far more valuable than rapidly expanding their locations internationally. Instead, they began closing retail locations and spent a substantial percentage of their budget on the Starbucks Corporation, which resulted in a far larger gain (Ramaswamy & Guillard, 2010). To do so, firms must first recognize what matters most to their consumers. In the case of The LEGO Group, for instance, this was having the freedom to tailor LEGO sets to their own objectives, rather than having ready-made toys delivered to them by the firm (Brown, Davidson, 2015). Developing co-creation initiatives that focus on what aspects of a firm’s business matters most to its consumers

can result in higher perceived use value. Additionally, firms can experience mutual benefits from these practices. Investing in consumers' needs and wants by addressing their overall experience can have a far more important impact than expansion or vertical integration.

Finally, this thesis has demonstrated that creating value by enhancing the overall product and/or service experience through co-creation allows firms to attain a valuable innovation source. Not only have the cases of The LEGO Group and Starbucks Corporation that co-creation can improve speed to market, but also more targeted offerings that cater to consumers' needs and wants. In a world inundated by disruptive ideas and innovations, a firm's co-creation activities can harness the power of its consumers to uphold its competitive advantage. It was through the My Starbucks Idea platform that Starbucks Corporation could fulfil its consumers' requests for more nutritious food items quicker than traditional means (Ramaswamy & Gouillart, 2010). Virtual community co-creation platforms offer firms an attestation of consumer demands and strength-in-numbers validation of a product and/or service's market feasibility. Though the product and/or service itself may not contribute to substantial financial gains, as in the case of The LEGO Group, the contribution to a firm's internal knowledge is guaranteed (Kashani, personal communication, February 24, 2017). Though all ideas received on co-creation platforms may not serve a purpose right away, they can be maintained as an innovation repository for future product and/or service ideas for firms.

5.4. Limitations

Notwithstanding this thesis' noteworthy findings and practical implications, there are several limitations that must be addressed. The first regards the chosen methodology and depth of the multiple-case study. Due to the lack of manpower, financing, and ability to make contacts, more firms could not be included in this thesis for analysis. Moreover, these restraints prevented the inclusion of multiple interviewees from each firm. The inclusion of further cases would increase the external validity of this thesis, and the ability for its conclusions to relate to exterior occurrences from the original case study (Yin, 2013). For instance, analyzing more firms could possibly reveal that they too possessed the same motivations to venture into co-creation. The inclusion of multiple interviewees from both The LEGO Group and Starbucks Corporation could

have not only increased the depth of information revealed about the firm's co-creation initiatives, but also provide different business perspectives that could add to this study's findings. For example, in addition to Sam Kashani's strong expertise in The LEGO Group's marketing and customer development activities, interviewing firm personnel from research and development would elucidate how co-creation fundamentally affects the firm's innovation processes.

A second limitation of this thesis concerns the type of firms chosen for analysis. Both firms are large multinational corporations that have significant market share in their industries, and possess the monetary means of operating large scale co-creation activities. Although including The LEGO Group and Starbucks Corporation in the multiple-case study showcases the vast capabilities of co-creation, it is evident that the way both firms employ the strategy requires significant resources. As mentioned by Sam Kashani of The LEGO Group during his interview, "in a way then, it is almost unfeasible for small and medium sized enterprises (SMEs) to engage in the same co-creation processes as us because we are a massive corporation" (Kashani, personal communication, February 24, 2017). Therefore, this thesis limits reporting on the value-generating capabilities of co-creation in smaller firms with lower budgets and lesser human resources. Including SMEs would further demonstrate the flexibility of co-creation and allow firms of different sizes to easily adapt such activities to their operations.

A final, critical limitation to address is this thesis' inability to quantify both The LEGO Group and Starbucks Corporation's value capture in monetary terms, or their realization of exchange value. As mentioned in both the discussion and practical implications, this multiple-case study has revealed significant benefits that each firm has experienced as a result of their co-creation activities. However, these benefits are largely unquantifiable and do not speak to the financial paybacks that each firm has received. It is true that The LEGO Group and Starbucks Corporation made turnarounds by refocusing on the consumer experience, and could return to leading their industries in financial stature. Moreover, attestation to co-creation contributing towards increased revenue is evident in the collected data. For instance, Conny Kalcher of The LEGO Group mentioned "as the engagement process continues, we are seeing more promoters among our consumers. These engaged consumers mean higher spending and, consequently, revenue growth" (2012, p. 8). Kantharith Kang also mentioned in his interview that My Starbucks Idea has

contributed to higher overall sales for the company (Kang, personal communication, March 7, 2017). Both The LEGO Group and Starbucks Corporation's co-creation activities have resulted in additional product offerings, which ultimately have opened additional revenue streams. However, this thesis fails to report on the monetary value captured by doing so, and subsequently the amount. Further analysis of each firm's value capture and financial gains would allow this thesis to have more robust findings.

5.5. Opportunities for Future Research

Considering this thesis' limitations, revelations in the cross-case comparison, and discussion, there are significant opportunities for future research. To first address the limitations, further studies should build on this thesis by including more firms for analysis. This could include more firms that practice co-creation within the consumer goods sector, or perform a cross-industry analysis to uncover how the effects of the strategy are similar or different. Furthermore, several different sized firms, identified as both MNEs and SMEs should be considered for analysis. Their practices could also vary across international markets, which would uncover co-creation's applicability to other geographic regions. Building upon the number of firms, and their classification, can strengthen the applicability of co-creation and assist decision makers in developing strategies that work for their type of firm. Another opportunity for future research uncovered in the limitations is quantifying the firm's value capture in monetary terms resulting from co-creation. Discovering this information would further the theory's efficacy and allow firms to benchmark their financial returns from co-creation.

Revelations from the cross-case analysis and discussion have uncovered other opportunities for future research. For instance, studies could expand on The LEGO Group and Starbucks Corporation's motivations for venturing into co-creation to examine if this is a common motivation. Moreover, this could divulge whether enhancing the overall product and/or service experience through co-creation can assist firms in making improvements following a downturn. Another opportunity for future research discovered in the cross-case analysis entails addressing the difficulties both firms encountered when managing consumers' expectations. Further studies could address proper communication strategies for co-creation activities to ensure mutual value

creation for firm and consumer. A final opportunity was mentioned as part of the inclusion or exclusion of incentives. This is My Starbucks Idea's ability to retain popularity without rewarding the community or successful idea contributors in any way, despite this being an important subject of existing theory. Future research can revisit this fragment of the Starbucks Corporation case, and test other cases to determine whether incentives are imperative for virtual community co-creation platforms.

6. Conclusion

Throughout this thesis, the strategy of co-creation has been explored and its ability to generate new value for consumers and firms alike. For the consumer, it has been determined that this value includes the enhancement of the overall product and/or service experience, and for the firm, it includes benefits such as improved innovation processes and higher consumer loyalty. Both featured firms, The LEGO Group and Starbucks Corporation, ventured into co-creation after tumultuous periods of strategic misdirection and financial decline. They lost track of their true value propositions, which defined their businesses and provided the best overall experiences for their consumers. What they discovered through co-creation, however, was that they could not only restore their core competencies but develop new ones as well. Collaborating with the informed, capable, and mobilized consumers of the information age taught them that value could no longer be wholly produced internally, but with those who it is ultimately intended for.

This thesis has communicated to scholars and business professionals that there are abundant opportunities to encounter by blurring the conventional line between firm and consumer. It also reveals that by harnessing technology, entire communities can be congregated that ultimately improve the quality of product and/or service offerings. In the future, as individuals become even more empowered, co-creation strategies can not only be used to augment their consumption habits but to improve their lives as citizens. It is true that people have greater influence on how firms operate than ever before, and this voice can come to define how they operate, what they produce, and for whom they operate for. In this age of disruptive innovation, firms must continue to evolve to ensure their product and/or service offerings are reaching those they cater to in a way that matters to their lives the most.

Appendix A: Theoretical Propositions

Section Number:	Topic:	Theoretical Proposition(s):
Section One	The Transformation of Value Creation	<ol style="list-style-type: none"> 1. The locus of value creation moves away from the firm and into the marketplace involving consumers (Roser et al., 2009).
Section Two	Co-Creation as a Pathway to Value Creation	<ol style="list-style-type: none"> 1. Co-creation allows individual consumers to “actively co-construct their consumption experiences through personalized interaction, thereby co-creating unique value for themselves” (Prahala & Ramaswamy, 2003, p. 12). 2. Not only has collaborating been proven to be a “highly effective means of generating innovative and successful new products” (O’Hern & Rindfleisch, 2008, p. 14), it is known to enhance consumer welfare by accelerating the pace at which new products can be created and distributed to users (von Hippel, 2005). 3. “Individual users can sometimes be more inclined to innovate... because they value the process of innovating as well as the novel product or service that is created” (von Hippel, 2005, p. 45).
Section Three	Involving Communities in Co-Creation to Generate Value	<ol style="list-style-type: none"> 1. Consumer communities represent a suitable means of creating new value and enabling new forms of producer-consumer collaboration, leading to the improvement and overall success of new products (Füller, 2010).
Section Four	Involving Specifically Virtual Co-Creation Communities	<ol style="list-style-type: none"> 1. Online co-creation is a catalyst for rich consumer experiences (Rowley, Kupiec-Teahan, & Leeming, 2007). 2. Both brand and innovation communities have come into view as large pools of competencies that can potentially help firms add value to their offerings (McAlexander, Schouten, & Koenig, 2002; Kozinets, 2002; Füller, Matzler, & Hoppe, 2008; von Hippel, 2005). 3. Virtual communities active on social network platforms serve as community enablers. They support knowledge transfer, sharing, and expressly target the development of a collective product. (Zwass, 2010). 4. As an individual consumer’s overall product/service experience is heightened, they often feel a sense of empowerment (Füller et al., 2009).
Section Five	The Impact of Creating New Value with Consumers and/or Co-Creation Communities	<ol style="list-style-type: none"> 1. “Specific organizational roles have been created to support continuous knowledge sharing within the company, selectively distributing the knowledge garnered through the Internet to specific departments that can benefit from the information” (Sawhney, Verona, & Prandelli, 2005, p. 15). 2. Ultimately, co-creation is said to: <ul style="list-style-type: none"> • “Increase speed to market; • Lower costs and higher profitability;

		<ul style="list-style-type: none"> • Better product quality and greater satisfaction; • Reduced risk” (Roser et al., 2009, pp. 13-15). <p>3. Individuals should be rewarded accordingly for their engagement in virtual co-creation projects (Füller, 2010).</p> <p>4. By engaging in co-creation, many intangible benefits of co-creation can be felt by the firm, including:</p> <ul style="list-style-type: none"> • <i>Increased attitudinal loyalty</i> in processes of co-creation (Constructive consumer participation in the service creation and delivery process) (Auh et al., 2007); • <i>Higher perceived value of future co-creation, satisfaction with service recovery, and intention to co-create value in the future</i> because of consumer participation in a self-service recovery process (Dong, Evans, & Zou, 2008); • <i>Greater satisfaction and commitment</i> due to participation or co-operation with a service provider (Bettencourt, 1997); • <i>Increased likelihood of positive word-of-mouth</i> with higher levels of customer participation in service delivery (File, Judd, & Prince, 1992); <p>5. See Roser et al.’s measures and KPIs of Innovation/Co-Creation Success (Exhibit 9). These are used to perceive new value created (Roser et al., 2009, p. 14).</p>
<p>Section Six</p>	<p>The Challenges Associated with Co-Creation</p>	<p>1. Co-creating value with consumers also produces new challenges, as it changes consumer expectancies of the firm (Roser et al., 2009)</p>
<p>Section Seven</p>	<p>Recommended Changes to Be Made (To the Firm)</p>	<p>1. As the locus of value creation moves away from the firm and into the marketplace involving consumers, organizations in the co-creation age must become more flexible (Roser et al., 2009). Prahalad and Ramaswamy (2004c) recognize making the switch to an experience-centric firm requires overhauling organizational structures and governance systems. In their view, firms must address the growing complexity of managing a network of relationships, managing multiple nodes of collaboration, and the need to find a new balance between flexibility.</p>

Appendix B: Case Selection Criteria for Empirical Cases of Existing Theories

Case Selection Criteria	Key Theoretical Requisites
<p>The firm adequately demonstrates a commitment towards evolving from a firm-centric to consumer-centric approach to value creation (Prahalad & Ramaswamy, 2004; Vargo & Lusch, 2004; Heinonen et al., 2010; Priem, 2007; Vargo, 2008).</p>	<ul style="list-style-type: none"> • The market is no longer considered a “target” for the firm’s offerings (Prahalad & Ramaswamy, 2004). It now collaborates with consumers to be adaptive to their individual needs, implying that “value is defined by and co-created with the consumer rather than embedded in output” (Vargo & Lusch, 2004, p. 6)
<p>The firm engages in co-creation as a pathway to this form of new value creation (Prahalad & Ramaswamy, 2000, 2003, 2004a, 2004b; von Hippel, 2005)</p>	<ul style="list-style-type: none"> • Resembles principles found in the Concept of Co-Creation (Prahalad & Ramaswamy, 2004)
<p>The firm’s co-creation practices effectively improve the consumer’s overall consumption experience (Pine & Gilmore, 1998, 1999, 2011; Prahalad & Ramaswamy, 2003, 2004)</p>	<ul style="list-style-type: none"> • Resembles an <i>Experience Environment</i> (Prahalad & Ramaswamy, 2003) • Incorporate Dialogue, Access, Risk-Benefits, Transparency (Prahalad & Ramaswamy, 200)
<p>The firm is associated with, and actively involves its brand and/or innovation communities in its process of co-creation (McAlexander, Schouten, & Koenig, 2002; Kozinets, 2002; Füller, Matzler, & Hoppe, 2008; von Hippel, 2005)</p>	<ul style="list-style-type: none"> • The community fits definition of brand (McAlexander, Schouten & Koenig, 2002; Kozinets, 2002; Füller, Matzler, & Hoppe, 2008) and/or innovation communities (Füller, Matzler, & Hoppe, 2008; von Hippel, 2005)
<p>The firm places emphasis on virtual co-creation communities (Rheingold, 1993; Zwass, 2010; Füller et al., 2009; Füller, 2010)</p>	<ul style="list-style-type: none"> • The community fits definition of virtual consumer community (Zwass, 2010) • The community fits one or more types of virtual co-creation according to Zwass’ typology (Zwass, 2010)

<p>The firm supports online co-creation in virtual communities (Sawhney, Verona, & Prandelli, 2005; O'Hern & Rindfleisch, 2010; Füller, 2010; Saldanha, Cohendet, Pozzebon; 2014)</p>	<ul style="list-style-type: none">• The firm equips their collaborative communities with synergistic components that support interactive dialogue, knowledge sharing, and the contributors' sense of belonging (Sawhney, Verona, & Prandelli, 2005)• The firm provides adequate incentives for participation in virtual co-creation (Füller, 2010)• There is indication of a successfully managed community of users (Saldanha, Cohendet, & Pozzebon, 2014).
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Appendix C: Multiple Case Study Protocol

Section A: An Overview of the Case Study

Mission and goals reflecting the interest(s) of case study's author and audience:

The goal of this multiple case study is to deliver comprehensive analyses of firms who have generated new value by co-creating their products and/or services with consumers. Furthermore, it plans to produce impact assessments concerning the performance of firms after doing so, and how value is then perceived.

This multiple case study seeks to cohesively understand a firm's decision making process to partake in value co-creation; including their motivations, necessary changes made, evolution of practices, and overall outcomes. Acquiring this information will draw conclusions about the efficacy of claims surrounding value co-creation, and the importance of offering heightened, interactive experiences to consumers.

Case Study Questions:

- **How do firms create value by enhancing the overall product or service experience through co-creation?**
- **What value is generated as a result?**

Case Study Propositions:

See **Appendix A** for a list of theoretical propositions drawn from literature.

Rationale for Selecting the Cases:

See **Appendix B** for a selection criteria of empirical cases representing significant theories.

Case Studies (Firms to be Analyzed):

- **The LEGO Group**
- **Starbucks Corporation**

Broader Theoretical Relevance of Case Study:

The broader theoretical relevance of this case study is to address the efficacy of claims in existing research regarding the value-creating abilities of co-creation. Furthermore, it builds on existing theory by revealing the type of value created, and the resulting impact on the firm. From a practitioner's point of view, the findings of this case study can justify a firm's co-creation endeavors and assist with new business strategy development.

Section B: Data Collection Procedures

List of Evidence Sources:

1. **Documentation**
2. **Archival Records**
3. **Direct Observations**
4. **Interviews**
- See **Appendix D: Case Study Database** for the name and details of each source.

Gaining Access to Case Study Evidence Sources:

1. **Documentation:** All documents were freely available online, except for the books which were retrieved from HEC Montreal's library or purchased. The annual reports were downloaded from each firm's corporate website. The articles were found via a Google search, and the video documentary was available to watch on YouTube.
2. **Archival Records:** These sources were also freely available online. The financial reports were downloaded on the firm's corporate website, and the statistics are visible on each firm's virtual co-creation platforms. The infographic illustration was retrieved from an article via a Google search.

3. **Direct Observations:** Direct observations were made of each firm's virtual co-creation platform, which are publicly accessible online.
4. **Interviews:** Access to key organizations and interviewees were granted through contact on social networking platform LinkedIn or via email. Interviewees were either a) introduced through a mutual contact or b) found through HEC Montreal's alumni network. In both cases, an introductory phone call and/or initial email correspondence occurred before the in-person, semi-structured interviews were agreed upon and conducted.

Ethical Considerations:

- This research project was submitted to HEC Montreal's Research Ethics Board (REB). It was authorized for research on December 31st, 2016.
- The interviewees were required to sign 1) a Consent form; and 2) an Authorization to Conduct Research in an Organization form.
- Explicit consent from both interviewees was given to create audio recordings of each interview.

Procedural Reminders:

- When retrieving data from documentation, archival records, and direct observations, record each source to remember where each element is found.
- Record each data element as an answer to its corresponding data collection question (see **Section C**).
- Conduct each interview in an unobtrusive, quiet space so the conversation can be focused on without many distractions.
- Conduct each interview in a conversational manner; to allow elaborations, personal opinions, insights, explanations, etc.
- Bring an audio recording device to each in-person interview.
- Transcribe each audio-recorded interview into text within 24 hours.

Section C: Data Collection Questions

Section 1: These questions are posed to generate a complete response to this thesis' first research question. Together, they seek to holistically understand the value-producing qualities of each firm's co-creation activities, as well as details regarding their implementation and reception from consumers. They are presented in line with theoretical propositions drawn from literature to provide empirical evidence and efficacy of such theories.

1. Questions to find out the types of co-creation initiatives the firm has offered over time.

- a) Describe the co-creation initiatives that (firm) currently employs.
 - b) Have these always been the same?
 - c) Or have some been added/dropped? If so, why has this changed?
- **Corresponding theoretical propositions:** Section One; Section Two, numbers 1 and 2.

2. Questions to understand when and why the co-creation initiatives were developed.

- a) When did (firm) first implement co-creation strategies?
 - b) What type of events were occurring at the firm level (micro) during this time?
 - c) What about at the consumer or market (macro) level?
- **Corresponding theoretical propositions:** Section One; Section Two, numbers 1 and 2.

3. Questions to understand the motivations behind developing such co-creation initiatives.

- a) What were the motivations that (firm) had to develop co-creation strategies?
 - b) How did the firm decide on the certain co-creation activities that would be developed?
 - c) What did this require the firm to do?
- **Corresponding theoretical propositions:** Section One; Section Two; Section Three; Section Four, number 2.

4. Questions to discover the opportunities and challenges each firm experienced with co-creation.

- a) What were the opportunities that initially presented themselves?
- b) What were the challenges (of co-creation)?

<ul style="list-style-type: none"> • Corresponding theoretical propositions: Section Five, numbers 1, 2, Section Six. <p>5. Questions to understand the individual consumers' and/or communities' reception of co-creation, how the firm engages them, and how their co-creation initiatives have evolved to suit the interests of the consumer communities.</p> <ol style="list-style-type: none"> a) Describe your consumers' reaction to the strategy when it was first implemented, and how that has changed/improved/declined over time. b) Have your co-creation strategies changed over time to deal with this reception? c) When you co-create with someone/community, how do you reward the people? <ul style="list-style-type: none"> • Corresponding theoretical propositions: Section Two, number 3; Section Three; Section Four. <p>6. Questions to discover whether the firm has a system in place to measure the effects of, and value generated, from co-creation.</p> <ol style="list-style-type: none"> a) Do you have an internal measurement system to measure the effects of co-creation? b) If so, how? <ul style="list-style-type: none"> • Corresponding theoretical propositions: Section Three; Section Five. <p>7. Questions regarding the evolution of a firm's co-creation initiatives.</p> <ol style="list-style-type: none"> a) If you must change one thing/procedure/way of doing what would it be? b) How can these co creation practices be sustainable? If they are not to stay in the future, what would be the base of evolution of this relationship? <ul style="list-style-type: none"> • Corresponding theoretical propositions: Section I. 	<p>Section 2: These questions are posed to generate a complete response to this thesis' second research question. They seek to build upon existing theory by introducing empirical evidence of the type of value produced by each firm's co-creation initiatives. The questions are organized per firm activity, and according to measures of value suggested in current literature. The existing theories stipulate that if responses to these measures are positive, then there is evidence of value production by co-creation (Auh et al., 2007; Bettencourt, 1997; Dong, Evans, & Zou, 2008; File, Judd, & Prince, 1992; Roser et al., 2009, pp. 13-15; Sawhney, Verona, & Prandelli, 2005, p. 15).</p> <p>8. Questions pertaining to the effects of co-creation observed by marketing (including sales, communications, consumer relations).</p> <ol style="list-style-type: none"> a) Has this lead to higher satisfaction amongst consumers? b) Increased loyalty? Word-of-Mouth (WOM)? c) Has this allowed for you to enter new markets? d) Are consumers more engaged with your products? Do they engage in dialogue more frequently? e) Are you seeing an increase in members within online communities? Followers? Website traffic? f) Have you sold more products as a result? What about the ones that were created via co-creation? <ul style="list-style-type: none"> • Corresponding theoretical propositions: Section Five. <p>9. Questions pertaining to the effects of co-creation observed by finance (including accounting).</p> <ol style="list-style-type: none"> a) Has co-creation lead to overall cost reductions? b) Have new/improved products lead to an overall increase in revenue? Market share? Profitability? c) Has it decreased the time to break even for new product introductions? d) Have your expenses decreased? <ul style="list-style-type: none"> • Corresponding theoretical propositions: Section Five. <p>10. Questions pertaining to the effects of co-creation observed by operations (including purchasing and supply chain management).</p> <ol style="list-style-type: none"> a) Has engaging in co-creation affected your purchasing process? If so, how? Are you purchasing more or less materials? b) Does co-creation affect your supplier relationships? (i.e. ordering new materials or changing orders to satisfy consumer-designed products) c) What about your manufacturing processes? Does it affect overall efficiency? <ul style="list-style-type: none"> • Corresponding theoretical propositions: Section Five.
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11. Questions pertaining to the effects of co-creation observed by research and development.

- a) Has this led to an increase in number of new patents created?
- b) Has it decreased the time to development of new ideas?
- c) Has it increased the number of new product ideas?
- d) What about the perceived innovativeness: Originality/value/realizing new product ideas?
 - **Corresponding theoretical propositions:** Section Five.

12. Questions pertaining to the effects of co-creation observed by human resources (concerning the firm's organizational structure)

- a) How has co-creation altered your organizational structure?
 - **Corresponding theoretical propositions:** Section Seven.

Section D: A Guide for the Case Study Report

Outline of the report:

Conventional linear sequence: Introduction, Literature Review, Posing of Research Questions and Theoretical Propositions, Methodology, Analysis of the Data, Discussion of Findings, and Conclusion.

Format for the data:

Style guide of the American Psychological Association (APA Style).

Bibliographical Information:

See the **Bibliography** section of this report.

Use and Presentation of Other Documentation:

See **Appendix D: Case Study Database** for the name and details of each data source.

Audience(s) for the report:

Thesis jury committee consisting of HEC Montréal professors at the graduate level.

Stylistic preferences for communicating with the audience(s):

Academic, using advanced language, proper methodology suitable for scholarly works at the graduate level.

Appendix D: Case Study Database

Type of Evidence Source	List of Sources
Documentation (Books, Annual Reports, Video Documentaries)	<p>The LEGO Group</p> <p>Article Antorini, Y. M., Muñiz Jr, A. M., & Askildsen, T. (2012). Collaborating with customer communities: Lessons from the LEGO Group. <i>MIT Sloan Management Review</i>, 53(3), 73.</p> <p>Article Brunning, R. (2015, July 26). <i>Co-creation takes over at LEGO</i>. Retrieved from LinkedIn: https://www.linkedin.com/pulse/co-creation-takes-over-lego-robert-brunning</p> <p>Article Davidi, A. (2014, April 16). <i>Building communities with Lego: let the users do the heavy lifting</i>. Retrieved from The Guardian: https://www.theguardian.com/media-network/media-network-blog/2014/apr/16/lego-building-communities-fans-brands</p> <p>Article Feloni, R. (2014, February 10). <i>How LEGO Came Back From The Brink of Bankruptcy</i>. Retrieved from Business Insider: http://www.businessinsider.com/how-lego-made-a-huge-turnaround-2014-2</p> <p>Article Frigo, M., Læssøe, H., & Ramaswamy, V. (2015). Integrating Strategic Risks in Managing Co-Creative Enterprises. <i>The Journal of Enterprise Risk Management</i>, 1(1).</p> <p>Article Kalcher, C. (2012). Engaging consumers: Building the Lego brand and culture one brick at a time. (Madsen, 2010) (Weekstrom, 2010)</p> <p>Article Kenny, C. (2013, March 20). <i>LEGO Co-Creation</i>. Retrieved from LinkedIn SlideShare: https://www.slideshare.net/conorkenny12/legopres2pptx</p> <p>Article Madsen, C. L. (2010). <i>Cultural Brand Extension: How can brands succeed in brand extension from a cultural branding viewpoint?</i> Copenhagen Business School, International Marketing Management. Copenhagen, Denmark: Copenhagen Business School.</p> <p>Article Mills, M. (2014, January 29). <i>Former JPL Engineer Designs LEGO's Curiosity Rover</i>. Retrieved April 20, 2017, from San Gabriel Valley Tribune: http://www.sgvtribune.com/arts-and-entertainment/20140129/former-jpl-engineer-designs-legos-curiosity-rover</p> <p>Article Piller, F. T. (2005, August 30). <i>Lego bridges mass customization and open innovation with LEGO-Factory website: Children become toymakers and can design and produce sets of their dreams</i>. Retrieved from Mass Customization and Open Innovation News: http://mass-customization.blogspot.com/mass-customization-open-i/2005/08/lego-factory-ch.html</p> <p>Article Ringen, J. (2015, January 8). <i>How LEGO Became The Apple Of Toys</i>. Retrieved December 10, 2016, from Fast Company: https://www.fastcompany.com/3040223/when-it-clicks-it-clicks</p> <p>Article Robertson, D., & Hjulter, P. (2009). Innovating a Turnaround at LEGO. <i>Harvard Business Review</i>, 87(9), 20-21.</p>

Article	Schultz, M., & Hatch, M. J. (2003). The cycles of corporate branding: The case of the LEGO company. <i>California Management Review</i> , 46(1), 6-26.
Article	Weckstrom, C. (2010, March 4). Q&A with Cecilia Weckstrom of The LEGO Group. (T. L. Joe Alterio, Interviewer) Austin, Texas, United States.
Annual Report	The LEGO Group. (2015). <i>Annual Report 2015</i> . Billund, Denmark: The LEGO Group.
Annual Report	The LEGO Group. (2015). <i>The LEGO Responsibility Report 2015</i> . Billund, Denmark: The LEGO Group.
Annual Report	The LEGO Group. (2016). <i>Annual Report 2016</i> . Billund, Denmark: The LEGO Group.
Annual Report	The LEGO Group. (2016). <i>The LEGO Responsibility Report 2016</i> . Billund, Denmark: The LEGO Group.
Book	Prahalad, C. K., & Ramaswamy, V. (2004c). The future of competition. <i>Harvard Business School Press, Boston, MA</i> .
Book	Ramaswamy, V., & Guillard, F. J. (2010). <i>The power of co-creation: Build it with them to boost growth, productivity, and profits</i> . Simon and Schuster.
Video	Brown, C. (Producer), & Kief Davidson, K. (Director). (2015). <i>Beyond the Brick: A Lego Brickumentary</i> [Motion Picture]. Denmark, United States: RADIUS-TWC.
Starbucks Corporation	
Article	Business Wire. (2013, March 29). <i>Starbucks Celebrates Five-Year Anniversary of My Starbucks Idea</i> . Retrieved from Business Wire: A Berkshire Hathaway Company: http://www.businesswire.com/news/home/20130328006372/en/Starbucks-Celebrates-Five-Year-Anniversary-Starbucks-Idea
Article	EY. (2014). <i>Placing Trust in the Future of Co-Creation</i> . Ernst & Young Global Limited, Performance. London, United Kingdom: Ernst & Young.
Article	Geisel, T. (2015, February 12). <i>My Starbucks Idea: The Starbucks Crowdsourcing Success Story</i> . Retrieved from Waterloo Product Development and Design: https://smbp.uwaterloo.ca/2015/02/my-starbucks-idea-the-starbucks-crowdsourcing-success-story/
Article	Harvard Business School. (2015, October 31). <i>My Starbucks Idea: Crowdsourcing for Customer Satisfaction and Innovation</i> . Retrieved from Digital Innovation and Transformation: A Course at Harvard Business School: https://digit.hbs.org/submitmission/my-starbucks-idea-crowdsourcing-for-customer-satisfaction-and-innovation/
Article	Hossain, M., & Islam, K. Z. (2015). Generating ideas on online platforms: A case study of "My Starbucks Idea". <i>Arab Economic and Business Journal</i> , 10(2), 102-111.
Article	Nicholls, S. (2013, June 1). <i>My Starbucks Idea</i> . Retrieved from TechXB: http://techxb.com/my-starbucks-idea .

Article	Shezray Husain, F. K. (2014, September 28). <i>Brewing Innovation</i> . Retrieved from Business Today India: http://www.businesstoday.in/magazine/lbs-case-study/how-starbucks-survived-the-financial-meltdown-of-2008/story/210059.html
Annual Report	Starbucks Corporation. (2008). <i>Fiscal 2008 Annual Report</i> . Seattle, Washington, United States: Starbucks Corporation.
Annual Report	Starbucks Corporation. (2009). <i>Fiscal 2009 Annual Report</i> . Seattle, Washington, United States: Starbucks Corporation.
Annual Report	Starbucks Corporation. (2015). <i>Fiscal 2015 Annual Report</i> . Seattle, Washington, United States: Starbucks Corporation.
Annual Report	Starbucks Corporation. (2016). <i>Fiscal 2016 Annual Report</i> . Seattle, Washington, United States: Starbucks Corporation.
Book	Pralhad, C. K., & Ramaswamy, V. (2004c). The future of competition. <i>Harvard Business School Press, Boston, MA</i> .
Book	Ramaswamy, V., & Guillard, F. J. (2010). <i>The power of co-creation: Build it with them to boost growth, productivity, and profits</i> . Simon and Schuster.
The LEGO Group	
Annual Report	The LEGO Group. (2015). <i>Annual Report 2015</i> . Billund, Denmark: The LEGO Group.
Annual Report	The LEGO Group. (2015). <i>The LEGO Responsibility Report 2015</i> . Billund, Denmark: The LEGO Group.
Annual Report	The LEGO Group. (2016). <i>Annual Report 2016</i> . Billund, Denmark: The LEGO Group.
Annual Report	The LEGO Group. (2016). <i>The LEGO Responsibility Report 2016</i> . Billund, Denmark: The LEGO Group.
Website	The LEGO Group. (2017, January 1). <i>About Us</i> . Retrieved from LEGO : https://www.lego.com/en-us/aboutus
Website	The LEGO Group. (2017, January 1). <i>LEGO Ideas</i> . Retrieved from LEGO: https://ideas.lego.com/
Starbucks Corporation	
Annual Report	Starbucks Corporation. (2008). <i>Fiscal 2008 Annual Report</i> . Seattle, Washington, United States: Starbucks Corporation.
Annual Report	Starbucks Corporation. (2009). <i>Fiscal 2009 Annual Report</i> . Seattle, Washington, United States: Starbucks Corporation.
Annual Report	Starbucks Corporation. (2015). <i>Fiscal 2015 Annual Report</i> . Seattle, Washington, United States: Starbucks Corporation.
Archival Records (Annual Reports, Websites, Infographic Illustrations)	

	<p>Starbucks Corporation. (2016). <i>Fiscal 2016 Annual Report</i>. Seattle, Washington, United States: Starbucks Corporation.</p>
Annual Report	<p>Starbucks Corporation. (2017, January 1). <i>About Us</i>. Retrieved from Starbucks: https://www.starbucks.ca/about-us</p>
Website	<p>Loxcel Geomatics. (2017, May 6). <i>How Many Starbucks Stores Are Out There?</i> https://www.loxcel.com/sbux-faq.html</p>
Website	<p>Starbucks Corporation. (2013). <i>Celebrating 5 Years Of Inspiring Ideas That Has Made Us Better. My Starbucks Idea</i>. Starbucks Corporation, Seattle, Washington, United States.</p>
Infographic Illustration	

Appendix E: Data Excerpts from The LEGO Group and Starbucks Corporation Case Studies

A) The LEGO Group

Section One	Questions	Data from Archival Records	Data from Direct Observations	Data from Interviews
Question One: Questions to understand where and why the co-creation initiatives the firm has offered over time.				
	Describe the co-creation initiatives that (firm) currently employs.	LEGO Ideas - Online platform that allows consumers to design their own LEGO sets, those with 10,000+ votes will be taken to the design studio LEGO Mindstorms (1998)* LEGO Digital Designer (2004) LEGO Factory/Design by Me (2005-2012) - Closes because it is no longer sustainable LEGO Custom (2008) LEGO Digital Designer, Factory/Design by Me dropped		Data from Interviews Mindstorms 2.0, EV3, evolved further through the co-creation model Beckids is a fan community (three- AOH) Fans that create this. Not owned by LEGO at all LEGO Friends was developed through insights and figuring out girls wanted products with brighter colours, more emotional appeal Friends was launched in 2012
	Have these always been the same?	LEGO Digital Designer, Factory/Design by Me dropped		LEGO Architecture is a really good example. Documentary explains this really well A fan of AOH, who presented idea from LEGO, gave him a royalty after they started to produce these sets Also another co-creation with Toys 'R Us: They get an item exclusive and we have commissioned to own context, girls submit a LEGO idea of LEGO friend. It is live right now
	Or have some been added/dropped? If so, why has this changed?	LEGO Digital Designer, Factory/Design by Me dropped		LEGO was not doing well at all during the early 2000's, thought in new CEO, however is no longer CEO but is the chairman of the board
Question Two: Questions to understand where and why the co-creation initiatives were developed.				
	When did (firm) first implement co-creation strategies?	LEGO Ideas (1998) LEGO Mindstorms (1998) LEGO Digital Designer (2004) LEGO Factory/Design by Me (2005-2012) LEGO Custom (2008) LEGO Digital Designer, Factory/Design by Me dropped		
	What type of events were occurring at the firm level (macro) during this time?	LEGO Ideas (1998) LEGO Mindstorms (1998) LEGO Digital Designer (2004) LEGO Factory/Design by Me (2005-2012) LEGO Custom (2008) LEGO Digital Designer, Factory/Design by Me dropped		
	What about at the consumer or market (micro) level?	LEGO Ideas (1998) LEGO Mindstorms (1998) LEGO Digital Designer (2004) LEGO Factory/Design by Me (2005-2012) LEGO Custom (2008) LEGO Digital Designer, Factory/Design by Me dropped		
Question Three: Questions to understand the evolution of co-creation initiatives.				
	What were the motivations that (firm) had to develop co-creation strategies?	LEGO Ideas (1998) LEGO Mindstorms (1998) LEGO Digital Designer (2004) LEGO Factory/Design by Me (2005-2012) LEGO Custom (2008) LEGO Digital Designer, Factory/Design by Me dropped		
	How did the firm decide on the certain co-creation activities that would be developed?	LEGO Ideas (1998) LEGO Mindstorms (1998) LEGO Digital Designer (2004) LEGO Factory/Design by Me (2005-2012) LEGO Custom (2008) LEGO Digital Designer, Factory/Design by Me dropped		
	What did this require the firm to do?	LEGO Ideas (1998) LEGO Mindstorms (1998) LEGO Digital Designer (2004) LEGO Factory/Design by Me (2005-2012) LEGO Custom (2008) LEGO Digital Designer, Factory/Design by Me dropped		
Question Four: Questions to discover the opportunities and challenges faced by the firm experienced with co-creation.				
	What were the opportunities that initially presented themselves?	LEGO Ideas (1998) LEGO Mindstorms (1998) LEGO Digital Designer (2004) LEGO Factory/Design by Me (2005-2012) LEGO Custom (2008) LEGO Digital Designer, Factory/Design by Me dropped		
	What were the challenges (of co-creation)?	LEGO Ideas (1998) LEGO Mindstorms (1998) LEGO Digital Designer (2004) LEGO Factory/Design by Me (2005-2012) LEGO Custom (2008) LEGO Digital Designer, Factory/Design by Me dropped		
	Describe your consumers' reaction to the strategy when it was first implemented, and how that has changed/improved/declined over time.	LEGO Ideas (1998) LEGO Mindstorms (1998) LEGO Digital Designer (2004) LEGO Factory/Design by Me (2005-2012) LEGO Custom (2008) LEGO Digital Designer, Factory/Design by Me dropped		
	Have your co-creation strategies changed over time to deal with this reception?	LEGO Ideas (1998) LEGO Mindstorms (1998) LEGO Digital Designer (2004) LEGO Factory/Design by Me (2005-2012) LEGO Custom (2008) LEGO Digital Designer, Factory/Design by Me dropped		

* LEGO Mindstorms 1.0 was discontinued in 2000, replaced by Mindstorms 2.0.

Question	Data from Archival Records	Data from Direct Observations	Data from Interviews
<p>How do you reward your community?</p> <p>Question Six: Questions to discover whether the firm has a system in place to measure the effects of, and value generated, from co-creation</p> <p>Questions</p> <p>a) Do you have an internal measurement system to measure the effects of co-creation?</p> <p>b) If so, how?</p>	<p>- Intrinsic awards more associated with building products are more significant than financial rewards</p> <p>- Long term collaborators: free products</p> <p>Data from Documentation</p> <p>Yes</p> <p>Net promoter scores: Develop a process for based on WOM (Promoter, Likewarm passive, detractor)</p> <p>- Measures involvement: Leaves incentive to a firm's co-creation initiatives</p> <p>Data from Documentation</p>	<p>Person who creates product gets 1% of the profit</p> <p>Data from Interviews</p> <p>Other measurement of LEGO co-creation besides NPS: NPS is measuring the product experience, not so much the direct results from co-creation There are promoters</p> <p>Different timeline and approach</p> <p>For city: We will develop police, fire, construction, and we will take that subset and build out a product assortment. And then kids tell us for example they really like the police set and we will focus on that</p> <p>Co-creation is the other way around: I can tell them what to make, LEGO sees the commercial benefit of it, then they make it</p> <p>Data from Interviews</p> <p>You can learn from the co-creation process and implement it into their own innovation processes</p> <p>Right now LEGO is looking at products for 2019, but who knows what the world is going to look like then and those products may not be relevant</p> <p>The way to shorten that time frame, co-creation has accelerated and take that learning and apply it to their own internal product</p> <p>How to keep co-creation sustainable?</p> <p>You need to incentivise them, you need to accept their opinions whether they are right or wrong, that is the only way you can maintain a community that cares about the brand</p>	<p>Person who creates product gets 1% of the profit</p> <p>Data from Interviews</p> <p>Other measurement of LEGO co-creation besides NPS: NPS is measuring the product experience, not so much the direct results from co-creation There are promoters</p> <p>Different timeline and approach</p> <p>For city: We will develop police, fire, construction, and we will take that subset and build out a product assortment. And then kids tell us for example they really like the police set and we will focus on that</p> <p>Co-creation is the other way around: I can tell them what to make, LEGO sees the commercial benefit of it, then they make it</p> <p>Data from Interviews</p> <p>You can learn from the co-creation process and implement it into their own innovation processes</p> <p>Right now LEGO is looking at products for 2019, but who knows what the world is going to look like then and those products may not be relevant</p> <p>The way to shorten that time frame, co-creation has accelerated and take that learning and apply it to their own internal product</p> <p>How to keep co-creation sustainable?</p> <p>You need to incentivise them, you need to accept their opinions whether they are right or wrong, that is the only way you can maintain a community that cares about the brand</p>
<p>Question Eight: Questions pertaining to the effects of co-creation on financial performance</p> <p>Questions</p> <p>a) Has this led to higher satisfaction amongst consumers?</p> <p>b) Increased loyalty? Word-of-Mouth (WOM)?</p> <p>c) Has this allowed for you to enter new markets?</p> <p>d) Are consumers more engaged with your products? Do they engage in dialogue more frequently?</p> <p>e) Are you seeing an increase in members within online communities? Followers? Website traffic?</p> <p>f) Have you sold more products as a result? What about the ones that were created via co-creation?</p>	<p>Yes: Larger communities and increased involvement</p> <p>As a result, there is a larger group of LEGO "fans", which are distinct from consumers as they know something about your product, maybe more than you do</p> <p>Yes: Adult market, new distribution channels</p> <p>Factory sets, new types of robotic sensors, LEGO modular building series, architecture, jewelry</p> <p>From Guusno in Japan LEGO Ideas took off globally</p> <p>2012: 70 LEGO Ambassadors from 31 countries represent user groups with over 70,000 members</p> <p>10% of lead users create their own content online</p> <p>260 independent consumer communities (2014)</p> <p>LEGO Ideas community currently has 641,614 members (February 23)</p> <p>First LEGO League: Middlesboro, 275,000 children from 85 countries involved</p> <p>A few products are sold out on the ideas website: Friends, Duplo; off to a good start. Elvet, dimensions</p>	<p>Yes: According to NPS: Rose significantly from 2011-2015 from 100-109 (1.1 million consumers)</p>	<p>Yes: Larger communities and increased involvement</p> <p>As a result, there is a larger group of LEGO "fans", which are distinct from consumers as they know something about your product, maybe more than you do</p> <p>Yes: Adult market, new distribution channels</p> <p>Factory sets, new types of robotic sensors, LEGO modular building series, architecture, jewelry</p> <p>From Guusno in Japan LEGO Ideas took off globally</p> <p>2012: 70 LEGO Ambassadors from 31 countries represent user groups with over 70,000 members</p> <p>10% of lead users create their own content online</p> <p>260 independent consumer communities (2014)</p> <p>LEGO Ideas community currently has 641,614 members (February 23)</p> <p>First LEGO League: Middlesboro, 275,000 children from 85 countries involved</p> <p>A few products are sold out on the ideas website: Friends, Duplo; off to a good start. Elvet, dimensions</p>
<p>Question Nine: Questions pertaining to the effects of co-creation on financial performance</p> <p>Questions</p> <p>a) Has co-creation led to overall cost reductions?</p> <p>b) Have new/improved products led to an overall increase in revenue? Market share? Profitability?</p> <p>c) Has it decreased the time to break-even for new product introductions?</p>	<p>Ability to quantify the value of moving consumers from one category to the next. In short, delighting consumers and creating promoters pay off. But detractor > Passive leads to incremental spending of 20%, Passive > Promoter is another 26%</p> <p>Delivering personally relevant experiences > Higher retention, more promoters higher growth</p> <p>Yes: As the industry declines, LEGO is the largest toy manufacturer in the world and sees steady</p>	<p>Cost reductions: If anything co-creation is more expensive</p> <p>Because they don't have scale</p> <p>Scale drives costs down</p> <p>If I think of the process it is to engage and number of employees, if you leverage the same tooling machine because you are piggybacking off of an efficient supply chain, but to do a Beatles set the cost of that can't be lower</p>	<p>Cost reductions: If anything co-creation is more expensive</p> <p>Because they don't have scale</p> <p>Scale drives costs down</p> <p>If I think of the process it is to engage and number of employees, if you leverage the same tooling machine because you are piggybacking off of an efficient supply chain, but to do a Beatles set the cost of that can't be lower</p>

Increase in R&D (R&D) spending

Questions	Data from Documentation	Data from Archival Records	Data from Direct Observations	Data from Interviews
d) Have your expenses decreased?				
Question Ten: Questions pertaining to the effects of co-creation observed by operators, including purchasing and supply chain management.				
a) Has engaging in co-creation affected your purchasing process? If so, how? Are you purchasing more or less materials?				
b) Does co-creation affect your supplier relationships? (i.e. ordering new materials or changing orders to satisfy consumer-designed products)				
c) What about your manufacturing processes? Does it affect overall efficiency?				Manufacturing process: if there are specific parts you need to make for the set, is that more expensive? Do you need to change around the all around You said no LEGO has so many molds that allows them to do almost anything. So they can't think of a single co-creation item where they have created a new mold
Question Eleven: Questions pertaining to the effects of co-creation observed by research and development.				
a) Has this led to an increase in number of new patents created?				Data from Interviews There is no new patents- in everything we are doing we are stealing someone else's ideas so we don't own anything other than the rights to sell the product In our co-creation agreements there is a clause that says anything you create is ours- like most companies, at I work at LEGO any ideas I come up with are property of the company
b) Has it decreased the time to development of new ideas?	Yes			
c) Has it increased the number of new product ideas?		Yes: -As of 2014, with Lego Cusoo, 6 out of 24 ideas passed -Current on Lego ideas: 16 "On Shelves", 0 "In Production", 24 projects "In Review"		
d) What about the perceived innovativeness: Originality/Value/realizing new product ideas?	Yes			
Question Twelve: Questions pertaining to the effects of co-creation observed by human resources (concerning the firm's organizational structure).				
e) How has co-creation altered your organizational structure?	Yes: Innovation is organized in 5 groups, including Community, Education, and Direct which supports consumer communities and taps into them for product ideas, manages LEGO retail chain, creates online play experiences			Data from Interviews It hasn't changed the organizational structure but it is created new departments: You could argue that it is a change, but the core functions don't necessarily change, but in marketing now we have an arm of community, within our development we have layered in accelerated production time line But this also changes with the development of the internet (ie. Community managers)

B) Starbucks Corporation

Questions	Data from Archival Records	Data from Direct Observations	Data from Interviews
<p>Question One: Questions to find out the types of co-creation initiatives the firm has offered over time.</p> <p>Questions</p> <p>a) Describe the co-creation initiatives that (firm) currently employs.</p> <p>b) Have these always been the same?</p> <p>c) Or have some been added/dropped? If so, why has this changed?</p>	<p>Data from Documentation</p> <p>My Starbucks idea. Established in March of 2008</p> <p>Following the success of My Starbucks idea, the company expanded its presence on social media in response to calls on MSI for increased commitment to environmental and social responsibility, the company created a new website called Starbucks</p>	<p>Data from Direct Observations</p>	<p>Data from Interviews</p> <p>Even before the whole co-creation experience started with customization with every drink they were trying to figure out which would be in big, encourage people to make custom blends, 5-pound bullet bag, customers came in and had to blend the coffee themselves. They were based on country of origin. Customers decided to blend on their own. To help make the process easier, they generated a contact internally to help create the best blends per store and highlight them. They also encouraged consumers to post about their own blends on social media. This began evolution with partners, then extended to consumers. Became more strategic as a tool. Everything was created organically</p> <p>Frappuccino: Co-creation- it was started in California, competitors are doing cold drinks, store managers started developing this drink- then talked to the director... Customers drove the product implementation and innovation process</p> <p>Leadership rejected the idea at first. This is where the partnership was important.</p> <p>Starbucks shared planet</p> <p>Stems from couple components- our impact on environment, impact on coffee pickers/farms, very vast and complex network</p> <p>Starbucks received pressure from consumers to hold responsibility as they grew bigger</p> <p>The more involvement of customers in that, they didn't have a way to communicate. SIP was a way for consumers to communicate the expectations</p>
<p>Question Two: Questions to understand when and why Starbucks co-creation initiatives were developed.</p> <p>Questions</p> <p>a) When did (firm) first implement co-creation strategies?</p> <p>b) What type of events were occurring at the firm level (macro) during this time?</p> <p>c) What about at the consumer or market (micro) level?</p>	<p>Data from Documentation</p> <p>January 2008: The My Starbucks idea online platform</p> <p>During the onset of the financial crisis in 2008, Starbucks was forced to shut 600 shops where they were not making profits, and by March 2009 their overall profits fell 26%, compared to the same period in 2008.</p> <p>Concerned with rising customer and market risks from an erosion of its loyal customer base, due to competitors who had caught on to espresso drinks from Dunkin Donuts to McDonald's at the low end, and fast moving premium coffee shop chains like Peet's and Blue Bona.</p>	<p>Data from Direct Observations</p>	<p>Data from Interviews</p> <p>2008: MSI was being launched</p> <p>Starbucks overbuilt, it was a collection of decisions over time concentrated on growth. Starbucks "lost its soul"</p> <p>Took the decision to shut down stores and concentrate on teaching baristas on serving the right coffee and the coffee experience</p> <p>The more time they spent with partners, the more they got. Personal development: Starbucks spent time elevating baristas on personal growth</p> <p>This has increased sales and traffic- people provide customer experience. Take care of people and they will take care of customers.</p>
<p>Question Three: Questions to understand the motivations that (firm) had to develop co-creation strategies?</p> <p>Questions</p> <p>a) What were the motivations that (firm) had to develop co-creation strategies?</p> <p>b) How did the firm decide on the certain co-creation initiatives that would be developed?</p> <p>c) What did this require the firm to do?</p>	<p>Data from Documentation</p> <p>My Starbucks idea was the focus into social media. Schultz said the company must shift away from the bureaucracy and back to its consumers: He made the objective very clear, "regain the emotional attachment with customers"</p> <p>By 2008, there were really tiny idea partners above the store level, but they were not as visible as hosts of the discussion, like specific ideas to their internal teams, and advocate for consumers' suggestions, so they would have a seat at the table</p> <p>This is no small feat for an organization the size of Starbucks: This kind of continuous, iterative engagement between Starbucks and its consumers- as well as its customer-facing employees (whom Starbucks refers to as "partners" and who have also been referred to as "idea partners")</p>	<p>Data from Direct Observations</p>	<p>Data from Interviews</p> <p>You want to disrupt and consistently be at yourself down</p> <p>You forgot about competing against yourself and only your customers. Area of complacency</p> <p>This is a motivation to develop co-creation strategies</p> <p>Sometimes customers don't know what they want: Balance co-creation and innovation</p> <p>Consumers can give as many ideas as they want to the platform but ultimately it is up to the organization. You can't give complete free will to consumers, they may not know what they want</p> <p>You want to provide free will to customers, if organization is not solid on their purpose, mission, values, they are pulled each and every way</p>
<p>Question Four: Questions to discover the opportunities and challenges (firm) experienced with co-creation.</p> <p>Questions</p> <p>a) What were the opportunities that initially presented themselves?</p> <p>b) What were the challenges (of co-creation)?</p>	<p>Data from Archival Records</p> <p>On My Starbucks idea, everyone is invited to help. The more people are involved, the more ideas Starbucks will have. The benefit of it is that you get out other people's ideas, not just on the ones they like the best.</p> <p>Benefits Starbucks is receiving from this platform: Free ideas- The Starbucks platform is open to the public so anyone can view the ideas, including the competition. In the end however, it's Starbucks that gets the most benefit because they were the ones who were able to filter through the ideas and create the most valuable ones.</p> <p>Consumer and/or communities' reception of co-creation</p> <p>In the first year alone, more than 65,000 ideas and 658,000 votes were cast. In late 2009, the company announced that fifty distinct ideas drawn from the site had been approved, including healthy food options as a major initiative for the company</p>	<p>Data from Direct Observations</p>	<p>Data from Interviews</p> <p>Many ideas from MSI was confirmation about what Starbucks wanted to do: Splash stick is original idea</p> <p>MSI was a combination of original idea and internal idea confirmations</p> <p>One idea came up from customers, but if you are on topic of pastry it was something that was on trend</p> <p>Some ideas were not approved</p> <p>Challenged co-creation</p> <p>Letting consumers know what the values are, saying no</p> <p>Squirrel distraction: Spreading resources and no longer focused, and provide opportunity for competitor to flank you</p> <p>Only certain things on MSI that fit the total umbrella of what the company wants to offer</p> <p>Trying in free will with what Starbucks wants as well</p> <p>Data from Interviews</p> <p>Starbucks experience. Actually outside of the stores, everyone's is the same</p> <p>Imagine if you could go in before hand: This was already in someone's mind, then the MSI confirmed it</p> <p>Gave us confirmation, what the ideas we should go for, Starbucks already had a lot of the ideas brainstormed</p> <p>Artists would all create how the stores looked</p>
<p>b) Have your co-creation strategies changed over time to deal with this reception?</p>		<p>Terms and Conditions #3: You understand that Starbucks has no obligation, either express or</p>	<p>Creating consumer experiences with co-creation:</p> <p>How is community rewarded? MSI doesn't have concrete reward system, no recognition</p>

Questions	Data from Archival Records	Data from Direct Observations	Data from Interviews
<p>What is going on within the walls of the company. Try and give people insights in the company and tell them what is going on.</p> <p>Question Six: Questions to determine whether the firm has a system to measure the effects of co-creation.</p> <p>Questions</p> <p>a) Do you have an internal measurement system to measure the effects of co-creation?</p> <p>b) If so, how?</p>	Data from Archival Records	Data from Direct Observations	Data from Interviews
<p>Question Seven: Questions regarding the evolution of a firm's co-creation initiatives.</p> <p>Questions</p> <p>a) If you must change one thing/procedure/way of doing what would it be?</p> <p>b) How can these co-creation practices be sustained? Do you see any way to improve, which would be the basis of evolution of this relationship?</p>	Data from Archival Records	Data from Direct Observations	Data from Interviews
<p>Section Two</p> <p>Question Eight: Questions pertaining to the effects of co-creation observed by members (including sales, communications, consumer relations).</p> <p>Questions</p> <p>a) Has this led to higher satisfaction amongst consumers?</p> <p>b) Increased loyalty? Word of Mouth (WOM)?</p> <p>c) Has this allowed for you to enter new markets?</p> <p>d) Are consumers more engaged with your products? Do they engage in dialogue more frequently?</p> <p>e) Are you seeing an increase in members within online communities? Followers? Website traffic?</p> <p>f) Have you sold more products as a result? What about the ones that were created via co-creation?</p>	Data from Archival Records	Data from Direct Observations	Data from Interviews
<p>Question Nine: Questions pertaining to the effects of co-creation observed by innovators (including accounting).</p> <p>Questions</p> <p>a) Has co-creation led to overall cost reductions?</p> <p>b) Have new/improved products led to an overall increase in revenue? Market share? Profitability?</p> <p>c) Has it decreased the time to break even for new product introductions?</p>	Data from Archival Records	Data from Direct Observations	Data from Interviews

But what is intangible reward that consumers receive? More organic reward, intrinsic. Starbucks is good for creating loyal consumers. A lot of attachment to brand. Links to co-creating experiences with customers

Nothing specific: Sales, retention

Internal measurement system? Sales, retention, but nothing that is a specific metric.

Data from Interviews
 Starbucks has a way of doing co-creation. Only point is influx of ideas. They become huge. Starbucks is big enough to figure this out. Easy to say no to the ones that don't make sense. Once you open up co-creation, there are many good ideas as there are people. How do you sift ideas?

AI: Next revolution
 Speaking of co-creation: Alexis is listening to you all the time, so Amazon gets all those insights and adds products/services that consumer wants, driving the future of the products. Analyzing Twitter feeds gave better outcomes than phone polls. Listening is way more valuable than counting on what people are going to tell you.

Data from Interviews
 Starbucks ideas for Starbucks tend to the overall experience for consumers? Starbucks ideas certain experience with coffee. How does this relate to individual's coffee experience? Because it enhances the consumer experience as it is participatory, imagine you are the person who created the splash, you own the piece of the business that you're in, everyone who has the idea creates ownership of it, so it increases their experience and also loyalty to the brand, because once you have skin in the game, in leadership it is called "low in buy in", once that is established then

Data from Interviews
 New markets: New international locations based on what people are saying. Places that don't have a lot based on their own. Starbucks Disneyland locations: Amsterdam and Utrecht, Netherlands. El Salvador, Stockholm, Sweden.

Key part with social media, to do it well is conversational, to build up and get more. More powerful than My Starbucks Idea.

Happy hour by Starbucks: More powerful than My Starbucks Idea. More people are more inclined to buy a Frappuccino when they wouldn't otherwise want to. Also contribute to sales in a slower way, usually do it with coupons with bounce back. Genius here that you don't need coupons anymore. Seasonal with just launched drinks.

Data from Interviews
 Cost-reductions? I think Co-creation has allowed us to reduce cost by managing customer input at right time. But nothing on example sheet that directly reduces costs.

Increase in revenue/market share: Yes, happy hour it one. When you increase your revenue, you decrease costs in percentage base, minimum labour you need to maintain is not very productive, and your sales to increase then becomes more productive in percentage it decreases costs by increasing revenue.

Time to break even? Introducing co-created item. Consumers know that its coming? Logically yes but it is a sample alpha of ideas, you may have only hit a small percentage of customer base that likes flavour item. When it is launched 50% of customers may be unsure. Not getting full blown picture of customer base until it is actually launched/done.

Questions	Data from Documentation	Data from Archival Records	Data from Direct Observations	Data from Interviews
<p>d) Have your expenses decreased?</p> <p>Question Two: Starbucks asking to the effects of co-creation observed by operations (including purchasing and supply chain management)</p> <p>a) Has engaging in co-creation affected your purchasing process? If so, how? Are you purchasing more or less materials?</p>	<p>Data from Documentation</p> <p>This kind of continuous, iterative engagement between Starbucks and its consumers as well as its customer-facing employees (whom Starbucks refers to as "partners" and who have also chipped into the conversation), its supply chain, and taste</p>	<p>Data from Archival Records</p>	<p>Data from Direct Observations</p>	<p>Data from Interviews</p> <p>Yes</p> <p>Purchasing? Yes. We talk about splash stick, it is something that didn't exist- but they used to put stickers on top. That replaced sticker use. On the other hand, there is plastic being done, and that is added expense because it is free, but could be replacing the stickers they used to use</p>
<p>b) Does co-creation affect your supplier relationships? (ie. ordering new materials or changing orders to satisfy customer-designed products)</p>	<p>Data from Documentation</p> <p>This kind of continuous, iterative engagement between Starbucks and its consumers as well as its customer-facing employees (whom Starbucks refers to as "partners" and who have also chipped into the conversation), its supply chain, and taste</p>	<p>Data from Archival Records</p>	<p>Data from Direct Observations</p>	<p>Data from Interviews</p> <p>Adding an expense that something they never had before. Added expense if you're going on what is said, you have to take something out from one perspective that you're going to change it through that needs to be assessed. Countout spray, chips, have to be made, where is the space for the container. Starbucks from 95, until now is right and dry. Efficiency: Speed of development?</p>
<p>c) What about your manufacturing processes? Does it affect overall efficiency?</p>	<p>Data from Documentation</p> <p>It helps eliminate ideas that aren't good and didn't pop up in customer mind. How do you balance ideas that consumers didn't think about. That, will give you edge on competition.</p>	<p>Data from Archival Records</p>	<p>Data from Direct Observations</p>	<p>Data from Interviews</p> <p>Yes because Starbucks had ideas in the head, but it would increase process of speed to development. It helps eliminate ideas that aren't good and didn't pop up in customer mind. How do you balance ideas that consumers didn't think about. That, will give you edge on competition.</p>
<p>Question Eleven: Questions pertaining to the effects of co-creation observed by research and development</p> <p>a) Has this led to an increase in number of new patents created?</p>	<p>Data from Documentation</p>	<p>Data from Archival Records</p>	<p>Data from Direct Observations</p> <p>I would assume yes: i.e. splash sticks, cake pops, new</p>	<p>Data from Interviews</p> <p>Yes- See Terms and Conditions</p>
<p>b) Has it decreased the time to development of new ideas?</p>	<p>Data from Documentation</p>	<p>Data from Archival Records</p>	<p>Data from Direct Observations</p>	<p>Data from Interviews</p> <p>Yes</p>
<p>c) Has it increased the number of new product ideas?</p>	<p>Data from Documentation</p> <p>Yes: This is the purpose of My Starbucks Idea. "My Starbucks Idea has had tremendous success and has been the source of ideas such as Cake Pops, Hazelnut Macchiato, and free WI-FI to name a few. At the five-year anniversary of the site launch</p>	<p>Data from Archival Records</p>	<p>Data from Direct Observations</p>	<p>Data from Interviews</p> <p>Yes</p>
<p>d) What about the perceived innovativeness: Originality/unique/realizing new product ideas?</p>	<p>Data from Documentation</p>	<p>Data from Archival Records</p>	<p>Data from Direct Observations</p>	<p>Data from Interviews</p> <p>Yes</p>
<p>Question Twelve: Questions pertaining to the effects of co-creation observed by human resources</p> <p>a) How has co-creation altered your organizational structure?</p>	<p>Data from Documentation</p> <p>By 2008, there were nearly fifty idea partners active on the site: specially trained employees who act as hosts of the discussion, take specific ideas to their internal teams, and advocate for consumers' suggestions, so "they would have a seat at the table"</p>	<p>Data from Archival Records</p>	<p>Data from Direct Observations</p>	<p>Data from Interviews</p> <p>These people bring ideas internally. Inherent: Collection of ideas coming through that you need to create filter and analyze and data mine feasibility of it. Social media- people didn't understand it, but there needs to have someone to respond and manage. Jobs that 5 years ago didn't know</p>

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CERTIFICATION

Déclaration de transfert de support par numérisation

En conformité avec l'article 2842 du Code civil du Québec, je, soussignée, France Morin, affectée au transfert de support des documents par procédé de numérisation, déclare ce qui suit :

1. J'atteste que j'ai été désignée à titre de personne responsable de la conservation des documents par le Directeur du Service de la gestion des documents et des archives conformément à la délégation de pouvoir du Conseil d'administration de HEC Montréal adoptée par une résolution datée du 8 octobre 2009;

2. J'ai procédé à la numérisation de «Mémoire - A089W90973»

2.1 Format d'origine : Papier

2.2 Délai de conservation : 0308 Thèse et mémoire - Gestion de l'évaluation de l'étudiant

2.3 Procédé de transfert : Numérisation

Numériseur : Paper Stream IP fi-6770 dj

Format de fichier : PDF/A

Résolution de l'image : 300 ppp

Mode colorimétrique : couleur

3. J'ai effectué cette opération à HEC Montréal, 5255, avenue Decelles, Montréal, Québec, le 4 janvier 2018;

4. Je certifie que lesdits documents ont été fidèlement numérisés et que les copies présentent la même information que les documents originaux;


5. En conformité avec l'article 17 de la *Loi concernant le cadre juridique des technologies de l'information*, l'intégrité des copies des documents reproduits est assurée par les garanties suivantes :

5.1 le format PDF/A constitue un support non altérable et pérenne;

5.2 les procédures de gestion des documents et archives adoptées par le Service de la gestion des documents et des archives de HEC Montréal et soutenant les activités de transfert de support respectent toutes les exigences du cadre législatif et réglementaire en vigueur au Québec;

5.3 les conditions de conservation répondent aux normes archivistiques et de sécurité.

En foi de quoi, j'ai signé à Montréal


France Morin
Date : 4 janvier 2018

HEC MONTRÉAL

Service
de la gestion des documents
et des archives