



Customer driven innovations

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Abstract

Cooperation between customers and companies has existed for a long time. However, the role of a customer was rather passive and organizations were the ones who dictated their rules and took a leading role in the process of product creation. With a course of time the situation has been changed and customers are becoming more and more involved into the process of cooperation. As a customer driven innovation is relatively new phenomenon, the aim of our study is to examine its status in the modern business world.

It can be observed that organizations all around the globe claim about their readiness and willingness to listen to customers and cooperate with them. Companies create customer support sections where they offer to leave complaints, comments and suggestions. Airline companies tend to have such experience. "We want to hear from you. Your feedback is important and helps us become a better airline" claims Delta Airlines. Tiger Airways states "Yes! We want to hear from you! Submit your feedback via our Customer Support Portal". And there is multitude of such examples. With the help of the investigation of theoretical material, survey conduction and examining practical examples we aim to examine the issue of customer involvement into cooperation with organizations as well as to found out how ready customers are for such collaboration.

Key words: innovation, company, customer involvement, motives, obstacles

Summary

In our thesis the concept of customer driven innovation is investigated. According to Desauza et al. (2008) customer-driven innovation is needed for the continual, sustainable innovation. Nowadays, organizations change their strategy from “innovating for customers” and “innovating with customers” to innovating “by customers” (Gibbert et al., 2002). The concept means that customers are involved in innovation process and their ideas, suggestions and even complaints are considered as a driving force for innovations. The main feature is that a customer is a provider of the innovation or idea, regardless the initiator of the cooperation between customer and company.

The theory says about necessity for organizations to collaborate with customers. Companies start more actively claim about their willingness and readiness for such cooperation. However, the question is set up whether it corresponds to reality.

The purpose of study was to analyze the process of cooperation between companies and customers and which obstacles can limit their collaboration. Another aim was to examine consumers’ readiness and willingness to cooperate with companies.

In thesis qualitative methods were used for the investigation of the topic and analyzing data, obtained from questionnaires. Data collection in the thesis includes primary and secondary data. The first one is derived with the help of research conduction by using questionnaires. 60 respondents from Europe and Post-USSR participated in the survey. Secondary data was collected using web sources and scientific articles related to the topic.

With the help of the survey we aimed to investigate a tendency in the cooperation between customers and organizations. The results reflect the respondents’ perception of companies willingness for cooperation and obstacles that can limit cooperation. Moreover, showing of the survey demonstrate the most important motives for customers to share ideas with companies as well as required tools for their expression. Several respondents were asked for additional details in order to better understand and interpret an obtained from the survey information.

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1. Introduction

In today's world sellers of goods and services must compete with their rivals not only from the neighboring streets, but also from all around the world. Obtaining the competitive advantage is one of discussed topics in the business sphere. Gary Hamel (2002) in his book "Leading the revolution" pointed out this idea by the following expression: "First, the revolutionaries will take your markets and your customers, next, they'll take your employees, and finally, they will take your assets." Under the revolutionaries Gary Hamel means successful companies, that are innovative and do not lose business opportunities.

However, the question arises: Where is it possible to get necessary innovations and what kind of innovation it should be? Under the term "innovation" people used to think about new high-tech products, built using the latest scientific knowledge. It can be explained by the fact that almost all innovations are associated with big companies and hard work of scientists.

Many companies reinforce its control of the innovation process and spent money on it. But in order to move to a higher competitive level of business, tough management is not enough. A certain balance of control and creativity is required. In this case creativity can mean out of the ordinary ways of obtaining new business ideas. Cooperation with customers can be one of the ways to get fresh ideas for business.

In our thesis the concept of customer driven innovations is investigated. Term "customer driven innovation" means not only innovations that are initiated by customer, but also innovations that are related to the customer involvement through the process of collaboration and value co-creation; however, they can be initiated by company. The accent in this term is put not on the innovation in the meaning of new product creation; customer driven innovation is about new company's approach to a value co-creation. Thereby, the main point in this type of innovations is that the customer is a provider of the idea, regardless the initiator of the cooperation between customer and company. Under the term innovation, improvements, modifications of existing products as well as creation of radically new products are meant.

1.1. Problem discussion

Nowadays consumers are connected, informed and active (Prahalad, Ramaswamy, 2004). They can gain and share information via Internet, word-of-mouth and through other tools of communication. With increasing awareness companies have to put more efforts to satisfy customers' needs. In the modern world customers tend to discuss products and their attitudes towards them. As Bhalla (2011) states "customers are not waiting passively to receive marketing messages". They have started to create their own messages and share them with others — friends, strangers, communities, media, government, and companies, even geographical factor is not a limit anymore for the information exchange.

As the role of the consumer has been changed with the years, it can be a great opportunity for companies to get fresh ideas, and hence, be creative by cooperating with their consumers. It became unreasonable for companies to stay away from collaboration with customers. Nevertheless, not all companies involve customers into a new product development process (Alam, 2002). They use more traditional techniques for communication, research and design, hereby skimming only the surface of customer needs (Archer et al., 2004).

In traditional marketing communication producer decides what information to share with consumers. Information in this case can be shared with the help of advertisement, PR-events or other similar means. Fig.1 illustrates such information exchange. P represents Producer and C stands for Consumers.

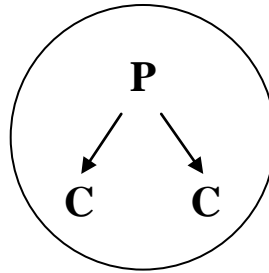


Figure 1. Producers communicate to consumers (Lundkvist, 2003)

Lundkvist (2003) states that in the model where producers communicate to consumers “production, communication and consumption are separate processes”. This model does not represent cooperation between organizations and consumers, as soon as interaction is not mutual. Fig. 2 describes reciprocation in the interaction between consumers and producers. In the new model consumers are involved into collaboration.

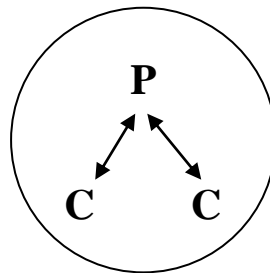


Figure 2. Consumers converse with producers (Lundkvist, 2003)

Involvement of users in a new product development process and obtaining the role of idea generators by them have started to be actively emphasized by researches (Archer et al., 2004; Prahalad and Ramaswamy, 2000).

Figure 3 shows mutual interaction between consumers. In the presented model consumers manage producers through conversation.

Nowadays consumers interact not only with companies, but also actively communicate with each other via various communication tools, like blogs, social web-sites, word-of-mouth conversation. Moreover, customers do not passively listen to the companies; they express their own thoughts and dictate their requirements (Bhalla, 2011).

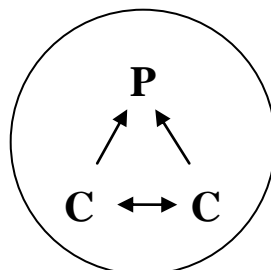


Figure 3. Consumers manage producers through conversation (Lundkvist, 2003)

The second and the third figures represent customers’ transition from passive listeners and simple consumers to active participants of a cooperation process with companies. The authors

relate this phenomenon with the term customer-driven innovation which is relatively new. Companies started to pay attention to it only in 1980th (www.svpma.org). Technology-driven innovations open the innovations' evolution history and the second stage became customer, user or as it is also named client-driven innovations.

According to von Hippel et. al (1999) “originally, user-driven innovation was tied to innovations carried out by the consumer to increase the utility value of a given product, as opposed to a company innovation, which solely serves a commercial purpose”. The main point of customer driven innovation and key distinction between customer and technology driven innovations is that a customer became driving force in the process of product and service development.

Researchers state that cooperation with consumers helps to reduce costs and leads to higher degrees of efficiency in the innovation process (Tether, 2002).

The ability to use customer knowledge acquires a substantial nature for the organizations in order to create and deliver not only unique product or service that competitors cannot match, but also to obtain absolute customer satisfaction. Companies use customers' knowledge which is incorporated in customers' insights in order to create valuable products and services.

Nowadays the term “incorporation of client insight” is very fashionable. It simply means the importance for companies to listen attentively. Often, the best innovators not only understand the behavior of their customers, but they investigate the motives behind this behavior: not only what customers do, but also why they do it (www.masterbrand.ru). However, there are few companies that use this particular opportunity for innovation. Starbucks is a good example of a company the matches clients' insight. Coffee was a simple commodity until the appearance of Starbucks with a new concept, which will be further discussed in the paper.

In the thesis the importance of dialogue between company and customer in the contemporary world is discussed, as it can lead to innovations, where customers are involved or even where customers are initiators. The existing methods of communication between consumer and seller, as well as factors that can be obstacles for this cooperation are analyzed.

1.2. Research design

A research design provides a framework for the collection and analysis of data. (Bryman, Bell, 2007).

The work on thesis is started with making a plan and timetable. The whole process is divided into stages, such as identification of research area, formulation of research questions, formulation of research strategy, research design, literature review, data collection, data analysis, writing the first, second and final draft.

First of all, research area and level of analysis, or, in other words, primary unit of measurement and analysis was identified (Bryman, Bell, 2007). The focus is made on relations between organizations and customers that can lead to innovations.

Then, to formulate research questions and research strategy the Watson's “What, Why and How” framework for crafting research was used (Table 1).

Answering those questions a conclusion was made that the topic has more theoretical character, nevertheless in order to investigate customers' willingness and desire to cooperate with companies the survey was conducted.

In order to investigate the relation between customers and innovation descriptive research and explanatory research were implemented. The first one helps to answer the question “What is customer driven innovation?” and the second one explains “Why so much attention is paid to this issue?”

Table 1. A “What, Why and How” for crafting research (Watson, 1994)

| What? | Why? |
|--|--|
| What do I want to know more about/ understand better? What are my key research questions? | Why will this be of enough interest to others, can the research be justified as a “contribution to knowledge”? |
| How-conceptually? | How-practically? |
| What models, concepts and theories can I draw on/develop to answer my research questions? How can these be brought together into a basic conceptual framework to guide my investigation? | What investigative styles and techniques shall I use to apply my conceptual framework (both to gather material and analyze it)? How shall I gain and maintain access to information sources? |

Due to the specificity of the topic, it is hard to obtain any quantitative information concerning customer driven innovation; thereby, qualitative methods were used for the investigation.

Bruman and Bell (2007) state that qualitative research strategy “usually emphasizes words rather than quantification in the collection and analysis of data and that predominantly emphasizes an inductive approach to the relationship between theory and research, in which the emphasis is placed on the generation of theories”.

Strauss and Corbin (1990) claim that qualitative methods can be used for better understanding of phenomenon. “Qualitative methods can also be used to gain new perspectives on things about which much is already known, or to gain more in-depth information that may be difficult to convey quantitatively” (Strauss and Corbin, 1990).

Qualitative research, as well as quantitative, can have advantages and disadvantages.

According to Bryman and Bell(2007):

- Qualitative research is too impressionistic and subjective. “Qualitative findings rely too much on the researcher’s view about what is significant and important.”(Bryman and Bell,2007)
- Problems of generalization. “When interviews are conducted with a small number of individuals, it is impossible to know how the findings can be generalized to other settings” (Bryman and Bell, 2007). As quite a small number of individuals (60 respondents) participated in our survey we would rather speak about tendency than about behavioral pattern of customers.

In order to implement the qualitative research the steps, introduced by Bryman and Bell (2007), were followed.

1. General research questions

The main research questions are:

- What is customer driven innovation? What is innovation in this case and what does it mean “customer driven”?

- What are the motives and benefits for customers and for company to cooperate with each other?
 - To what extent customers are ready to cooperate with companies nowadays?
 - Which obstacles can limit cooperation between company and customer?
 - Whether there is a difference in cooperation between customers and companies in different regions? To investigate this difference European and Post Soviet Union Countries (Russia, Ukraine and Belarus) were chosen. The assumption was made that it should be the difference in cooperation between customers and companies in Europe and Post-USSR, as regions have different economical situations (Post-USSR are countries with transaction economy), different mentality that in case of Russia, Belarus and Ukraine is related to Soviet political and economical regime. An assumption was made that customers in Europe are more active, creative and, hence, more innovative, than in Post Soviet Union Countries.
2. Collection of relevant data.

First of all, collection of data in our case is reviewing the literature and what is already known in the examining area, trying to find controversies, inconsistencies and unanswered research questions in this area. Mainly scientific articles are analyzed in the thesis.

Secondly, for the collection of data the survey is conducted by using questionnaire. Both open-ended and closed-ended format questions are presented. Such types of questions are balanced, as “very open-ended research is risky and can lead to the collection of too much data and, confusion about research focus”. (Bryman, Bell, 2007).

The first draft of the questionnaire was made and 5 respondents tested it. Due to their comments several questions were modified. As an example respondents ask for choosing more than one answer among given options; hence such opportunity was included.
 3. Interpretation of data.

First of all, collected literature was analyzed in order to find answers for our main research questions and make questions for our survey.

Secondly, an analysis of our survey was made and obtained results were interpreted with the help of examined concepts, frameworks and so on.
 4. Conceptual and theoretical work.

In order to explain obtained results additional literature was examined and more data was collected from respondents by asking them for clarifying their ideas or giving more information about their experience.
 5. Writing up findings/conclusions

2. Theoretical Framework

The issue of cooperation between companies and customers is widely discussed but mainly from the business to business perspective (Evans et. al., 2008, Gibbert et. al. 2002). Based on the research findings “customer participation affects new product value creation by improving the effectiveness of the new product development process by enhancing information sharing and customer-supplier coordination and by increasing the level of customer and supplier specific investments in the product development effort” (Evans et al., 2008).

According to Desauza et al. (2008) customer-driven innovation is needed for the continual, sustainable innovation. Nowadays, organizations change their strategy from “innovating for customers” and “innovating with customers” to innovating “by customers”. Customer Relationship Management (CRM) is gradually replaced by Customer Knowledge Management (CKM), which objective is collaboration with customers for joint value creation (Gibbert et al., 2002). Gibbert et al. state that “CKM is about gaining, sharing, and expanding the knowledge residing in customers, to both customer and corporate benefit.” Based on the examples of such brands as Nokia, Dell, Starbucks, Hallmark, etc., which will be used in our paper, it can be observed that companies increasingly involve customers into business process. Both companies and customers benefit from collaboration. By creating cooperation with customers organizations are able to get valuable feedback for the further development. In turn, consumers have an opportunity to purchase co-created products. The role of a customer should not be underestimated. Furthermore, customers’ cooperation with companies has to be motivated. This issue would be discussed in the further sections.

In order to innovate, companies use such knowledge as the insights, ideas, thoughts and information that are received from their customers (Desouza et al. 2008). Aforementioned mental resources are processed by companies and implemented in new products and services.

Despite the fact that a process of cooperation is mostly characterized as essential and reasonable it can be contested by researchers. Hamel and Prahalad (1994) argue that customers are usually not able to imagine anything that does not exist due to the lack of prudence. That is why they can only make suggestions how to improve existing products. Some authors even claims that customer involvement can harm company’s positions on the market (Christensen and Bower, 1996). Ulwick (2002) adhere to critics concerning the way of cooperation between companies and customers. The author claims that “the traditional application of asking customers for solutions tends to undermine the innovation process”. Moreover, the author states that “customers should not be trusted to come up with solutions” because they may have lack of knowledge about product or be not able to formulate their preferences. As a result, the products created in accordance with expressed idea might be not in demand. However, other authors state that ideas provided by customers should be discussed and filtered by companies as well as by other customers. For such purpose organizations have to create communities where those ideas might be discussed (Desouza et. al.,2008).

Ulwick (2002) argues that research and development department should be responsible for a development and creation of a product/service. What is needed from customers is the outcome in the form of their expectations from products’ utilization (Ulwick 2002).

Von Hippel introduced the term “user-centered innovation” which is also named as user-driven innovation and is defined like “innovation created by the user to obtain a higher user value as opposed to commercial innovations taking place within companies.” User –centered innovation is a synonym for customer-driven innovation as soon as the main factor for both terms is a customer as a key factor for innovation.

Modern customers have acquired new features: they are more knowledgeable and collaborative and they want to be heard (Bhalla, 2011). Table 2 provides comparisons between the old and new customer realities.

Table 2. A profile of the new customer (Bhalla, 2011)

| | Old reality | New reality |
|----------------------------------|---|---|
| <i>Identity</i> | Consumers, respondents | Real people, creative partners |
| <i>Role</i> | Passive; consumers of value | Active collaborators; co-producers of value |
| <i>Source of insights</i> | Surveys, dispassionate objective observation | Conversations, stories, impassioned immersion |
| <i>Handshake with company</i> | Transaction-based | Interactions and experience-based |
| <i>Location</i> | Fixed and invisible; at one end of a long value chain | Adaptive and very visible; anytime, anyplace |
| <i>Information and influence</i> | Company advertising and messages; expert opinion | World-of-mouth; peer-to-peer; social media |
| <i>Concept of value</i> | Company offers; one size fits all | Customer determines; tailored and unique |
| <i>Primary source of value</i> | What's in the brand; attributes and features | What customers do with the brand; unique solutions and customized experiences |

The role of customers was changed from passive to active collaboration. Customers became co-producers of value, not just simple consumers. Traditional sources of insights, such as surveys and observations were modified to conversations between companies and customers, listening to customers' stories, experiences and drawing ideas from them. Nowadays customers obtain information not only from brands' advertisements, but also through word-of-mouth conversations, usage of social media and peer-to-peer discussions. The concept of value in the table shows that customers do not adapt to companies offers; they dictate their own determinants. Unique solutions that brand can provide became more important than its attributes and features.

The firm-centric and product-oriented way of thinking was successfully used by companies in the past decades. Nevertheless, with the change of customers' minds, organizations are compelled to modify their policy towards consumers. As Bhalla (2011) states "customers feel that companies should be talking to them because they believe they can help companies figure out what they really want."

3. The process of value co-creation

3.1. Building a co-creation capability

Nowadays customers as end-consumers are considerably highly involved in a process of product development or in other words – value creation (Bhalla, 2011).

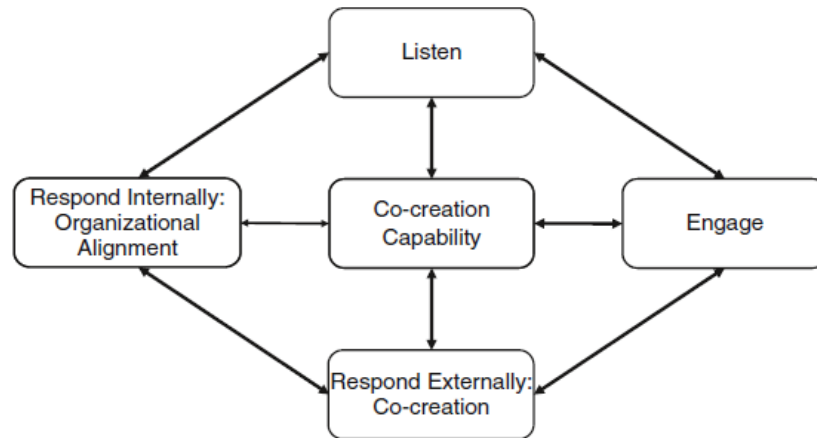


Figure 4. Framework for Building a Co-creation Capability (Bhalla, 2011)

Figure 4 represents four components that a company has to use in order to build a co-creation capability with customers. The cooperation starts with listening customers. Organizations express a wish to have a conversation with customers; however, it is hard to have a successful dialog without listening. Although, listening is not the only requirement for the fruitful cooperation, high attention and responds are an integral part of the dialog between company and customers (Bhalla, 2011).

The next stage is customers' engagement. An organization can implement it through physical spaces, digital arenas, or through both (Fig 5). In case of engagement in physical spaces a company has an option to engage customers either individually or in groups. If a company chose to engage customers through digital arenas it should decide whether to engage them in customer community through company-sponsored sites, social media sites, or through both (Bhalla, 2011).

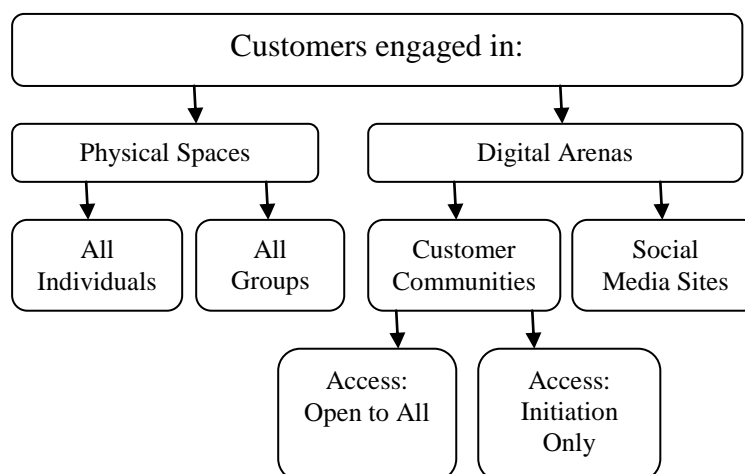


Figure 5. Engagement Arenas and Options

Finnish communications corporation Nokia can serve as an example of the active cooperation between company and customers through digital arena. Nokia is the world's leading mobile phone supplier which is proved by the fact that in 2010 it ranked 8th in the list of Top Global Brands (www.interbrand.com). In 2007 Nokia has built NokiaBetaLabs – the web-site that works as a link between company and its customers under the motto “Try what you like. Say what you think”. The company invites customers to provide ideas and suggest improvements to make its products better (www.betalabs.nokia.com). BetaLabs collaborators listen to customers' suggestions and give lives to those that seem to be reasonable. Nokia example let us make a conclusion that interaction with customers and understanding their needs gives company tangible advantages.

Next step is an external respond. On this stage companies have to create means for co-creating value with consumers and provide respond to their ideas and suggestions.

The last link in the co-creation capability framework is an internal respond when a company invests in co-creation structures and processes. The task for a company on this stage is to organize the work within its own borders in such way so that it would be able to cooperate effectively with consumers.

3.2. Customer involvement into the process of cooperation

Customers can share their ideas and suggestions with other individuals and organizations through interaction in a co-creation process.

Figure 6 represents interaction model between company and customer and describes co-creation research framework (Füller, 2010). It examines value co-creation from the perspective of virtual cooperation; however, presented stages appeared to be inherent in all processes of cooperation between company and customers.

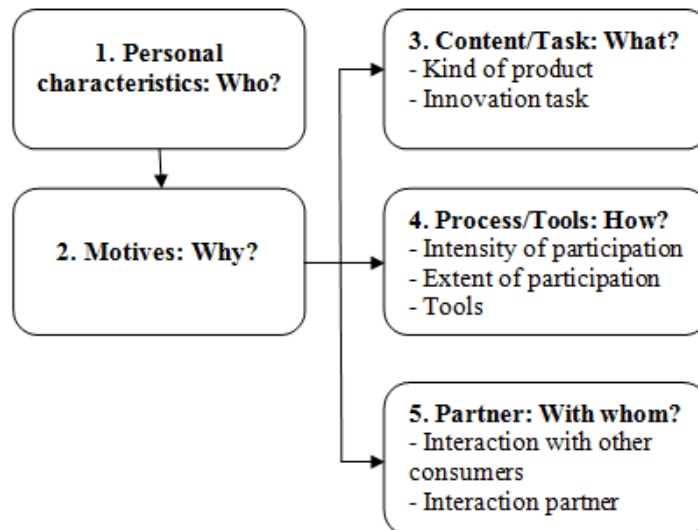


Figure 6. Co-Creation Research Framework (Füller 2010)

The first component of the framework concerns the type of customers that should be involved into the co-creation process.

People have different creative potential and their desire to collaborate with organizations varies as well. Companies can be faced with a dilemma with which customers they should cooperate. Bhalla (2011) states that usually companies tend to collaborate with consumers “who have extraordinary passion for their brands”. Moreover, organizations have an option to cooperate with end-users that are full of passion, ideas and creativity, although they are not specially trained for co-creation process. Another alternative is to bring specially trained professionals into the collaboration process. Hereby, Bhalla (2011) divides customers into the following innovation categories:

Innovators and early adopters. This is the most active group of customers who are craving for novelties in a product and service field. They are among the first who try new products and services.

Lead users. Lead users are active as well, however they are more concentrated on special product categories, trends and they commonly are looking for a solution of their needs. Bhalla (2011) mentions that lead users are the most attractive co-creation source as they seeking for developing solutions to satisfy their needs.

Professionals. Professionals are not always product end-users. They are specially trained for cooperation process, hence they can provide highly valuable inputs for companies.

Kristensson et. al. also distinguish such customers' group as ordinary and advanced users. The ones who belong to the first group are characterized as more creative and ideas, provided by them, are considered to be more valuable. However, the research results show that advanced users as well as professionals express more realizable ideas comparing to ordinary users. (Kristensson et. al., 2004)

Experts give a recommendation to pay attention to the innovation behavior of consumers and involve those who demonstrate a high co-creation potential (Bhalla, 2011). Through collaboration with such category of customers organizations are able to enhance the effectiveness of the cooperative innovation process.

Companies can decide with whom they tend to cooperate, although the co-creation process does not happen by itself. A company has to organize, manage, and facilitate it (Bhalla, 2011). In some cases organizations can engage external partners like special agencies that assist collaboration process.

The second component represents the task for companies to identify what are the incentives for cooperation between them and customers. In the issue of a particular participation, like in open source software development activities, customers can see a tangible benefit by immediate using co-created programmed code. However, it often happens that after participating in a new product development, like virtual co-creation, consumers will hardly be able immediately use the innovation and benefit from it (Füller, 2010).

Various researches are devoted to the topic of benefits that customers can gain from cooperation with companies. Füller (2010) states that “consumers interact with producers and engage in co-creation activities during new product development because they expect that doing so will be rewarding”. The assumption from his description can be made that rewarding is a motive for the value co-creation.

Researchers provide different classification of benefits that customers can get from collaboration with companies. Several types of classification are exemplified in order to trace and highlight the common features.

Füller (2010) divides customers' motives for cooperation into intrinsic and self-determined extrinsic motivation. If the outcome is more valuable than the activity, customers are driven by

extrinsic motives such as learning, reputation or payment. Intrinsic motives, like fun, kinship, and altruism come to the fore when the focus is on the activity by itself.

Bhalla (2011) provides the following motives for customers’ cooperation with companies:
Self-image. People participate in a co-creation process because it influences their self-image. For example, mothers take part in the Hallmark’s digital communities and share their ideas because they feel pleasure to be heard and taken seriously. They are proud to see that the company accept their ideas and put them into practice (Bhalla, 2011).

Belonging. According to Bhalla (2011), the ability to be a member of a group and be involved into its activities is a reward in itself, hence represents a motive for collaboration with organizations.

Consumption. The sense of being among the first users and owners of a created product is one of the motives for customers to devote their time for participating in a co-creation process.

Need for a Solution. Some people are just looking for a solution of a particular problem or need. In such case, participation in a co-creation process is driven by a need to find a solution.

Supporting Causes. Customers can cooperate with companies when it comes to supporting issues, like fighting against global warming by buying environmentally friendly products.

Monetary Rewards. Material incentives are among the most important factors that stimulate customers to collaborate with companies.

Baron and Nambisan (2009) investigated the topic of customers’ voluntary participation in a value co-creation. It appeared that there are 4 categories of benefits that people may get from voluntary participation in a virtual customer environment (VCEs): cognitive, social integrative, personal integrative and hedonic (Table 3).

Table 3. Categories of customers’ benefits from participation in VCEs

| | |
|--|---|
| <p style="text-align: center;">Cognitive or Learning Benefits</p> <p>Participants benefit from the acquisition of new knowledge. Can be expressed in a form of familiarization with a product, gaining knowledge about its usage.</p> | <p style="text-align: center;">Social Integrative Benefits</p> <p>Benefits that customers gain from interaction with relevant participants; increase of a sense of social identity</p> |
| <p style="text-align: center;">Personal Integrative Benefits</p> <p>Contribute to enhancing of individual’s status and confidence</p> | <p style="text-align: center;">Hedonic (Affective) Benefits</p> <p>Gaining aesthetic and affective pleasure from collaboration</p> |

Analyzing provided classifications, it can be seen that customers can collaborate with companies either voluntary or on a fee basis. If customers participate in a co-creation process on unpaid base they are driven by desire to strengthen either their knowledge in a particular sphere or increase aesthetic, moral pleasure. Monetary reward might be at high importance for consumers, although Füller (2010) notifies that providing the monetary reward may be dangerous.

Customers can participate in co-creation process just in order to get paid and “strive to do the least possible of the task for the most possible of the reward” (Füller, 2010). Another obstacle may be that monetary reward can influence rs’ intrinsic motives. According to Füller (2010), if customers understand that they are able to earn money with the help of their ideas it can cause a

thought that they should not share them with a company and they would tend to sell them for a higher profit.

Third component of the framework relates to the customers' expectations concerning the object of their contribution. It is important to determine which kind of product customers are ready to contribute to: whether is it a particular product or a product category.

Forth component is an understanding how customers should be involved in the process of value creation. Intensity and extent of customers' participation in a co-creation may vary considerably. An important task for the company is to determine the required time span for cooperation and make sure that customers are able and highly interested in participation on determined terms. On the one hand, customers might be not bargain for the long-term collaboration and their contribution is initially limited. On the other hand, it can be essential for people to be involved in a co-creation process during all stages. In such case one would agree to cooperate only in terms of entire involvement in a co-creation process.

To some extent the power of tools can also have influence on consumers' desire for cooperation. Customers may more willingly cooperate with the companies that possess tools which give a possibility to implement their ideas and create desired solutions.

The fifth component implies the determination of a partner for cooperation. During the process of value co-creation customers are usually able to interact not only with a company but with other customers as well; thereby, communication with like-minded people might be an additional stimulus to participate in co-creation.

A type of the company for cooperation is another important aspect as well as the kind of product/service the person works with. Some customers tend to cooperate only with well-known or/and preferred brands. Based on our survey it can be stated that there are customers who, on the contrary, are inclined to work with small and not so "well-publicized" brands. Such preference is based on the assumption that smaller companies provide closer cooperation and probability of implementation of customers' ideas is higher.

To sum up, organizations should carefully consider all aspects of collaboration with customers. They should decide with which customers to collaborate, what is basis and how to structure the process of cooperation. If all abovementioned tasks are taken into account, the company has more chances for the prosperous collaboration which leads to the creation of desired products and services and, hence strengthens their market position.

3.3. Customers' complaints as a source of innovation

Every day people all over the world are dissatisfied with products, services and so on. Dissatisfied customers have two options: they can complain or walk away. Still, the vast majority of dissatisfied customers do not complain to the companies (Voorhees et. al., 2006).

Many companies tend to avoid complaints. "Complaining has never had a positive meaning. It comes from the Latin verb *plangere*, which originally meant "to hit"—metaphorically "to beat one's breast" (Barlow, Moller, 2008).

Some companies have changed their attitude to complaints. They realized that complaints are the mean of communication with customers. It is hard to find a customer who call the company and chat if she does not have any problems. "Customers practically have to be bribed to get them to fill out survey forms. But when a complaint situation occurs, there is at least a small chance that customers will talk with us directly" (Barlow, Moller, 2008).

It is more beneficial for companies to cooperate with customers who are not silent and, hence organizations should inform their customers that complaints and feedback are appreciated (Bhalla, 2011). Simply speaking, complaints can help the company to gain information about expectations that have not been satisfied and about customers' future expectations or ideas about product or service. As customer expresses her expectations and in such way gives business ideas, then complaints can serve as source of customer driven innovations.

According to Barlow and Moller (2008) customers commonly are not tending to generate innovative ideas for companies. But with the help of customers' feedback, company can define demands of particular group of people.

Barlow and Moller (2006, 2008) in their book "*A Complaint as a Gift*", provide examples of *Motorola*, *Quick Park, Inc.*, *Frigidaire* to support the idea that complaints are "one of the most direct and meaningful ways customers can express their dissatisfaction to companies and one of the most direct and effective ways for customers to tell businesses that there is room for improvement". Companies should not be passive, and what is more, make efforts to learn more about complaints and what their customers think about their products or services.

Motorola, one of the first companies who won Malcolm Baldrige National Quality Award, every month organizes meetings in order to discuss technical problems or other weak points. On those meetings it is prohibited to speak about positive sides, only negative. *Motorola* users are welcome to introduce their complaints. It was noticed that customers make claims that for some reason they cannot express in the shops. That is why *Motorola* does not wait when customers start to complain to obtain necessary information. The company has made one step ahead having direct contacts with their customers, what can lead to customer driven innovation.

Furthermore, companies may never meet customer needs until product or service failure happens. Through complains customers can tell which disadvantages the product has or why it does not meet their expectations. Sometimes only with the help of complaints companies can get information about themselves and about their weak points.

Quick Park, Inc., company that manage a large number of car parks in USA, knows how important is to listen to customers' complains in order to be successful. Considering car owners' complaint that exit from the box takes too much time, *Quick Park* made some modifications that provided unhindered movement of cars. Introduction of new technologies let the company to satisfy car owners requirements and save almost 500 000 dollars every year.

Company *Frigidaire* invented new type of wrapping, that immediately reduced number of customers' complaints about damaged part of product in the sequel, due to simplification of this system, *Frigidaire* had ten times saving and released available area in their factory.

If the complaints are not expressed, then advanced companies who realized the importance of complaints, have to be creative in order to obtain customer complaints and comments. Some organizations conduct customer surveys to learn about complaints.

It is important for companies to be able to listen to customers and be flexible. Most of companies still do not like to hear complaints and start to create psychological blocks to avoid them. Moreover "many organizations continue to pay bonuses to their managers based on reductions in complaints" (Barlow, Moller, 2008). Sometimes such kind of policy can lead to unpredictable consequences.

A certain hotel chain introduced cards of complaints in order to be familiar with customers' dissatisfaction and consequently improve service. Manager of each hotel collected cards and then sent to head office. In the same time reduction of complaints was rewarded by bonus

payment. After the project was launched, it was figured out that the hotel with the lowest number of complaints had the dirtiest rooms. Later this hotel was closed by Health Department. This example supports the idea that organizations should encourage their staff to provide complaints instead of trying to avoid them. If a company's goal is to have fewer complaints, it is easy to accomplish. As in case with abovementioned example, the hotel staff can simply not report all complaints he has to management.

It is a great opportunity for company to increase its value focusing on customers who were not happy. If a company is interested in customers, then "customer dissatisfaction should be of central interest" (Barlow, Moller, 2008). Complaints are kind of feedback information that can help companies to be innovative, to change organizations' strategy, style or market focus to meet customers' requirements and expectations.

3.4. Obstacles for cooperation between customers and companies

In order to be competitive, hold and expand market share, even successful companies should be continuously creative, keep pace with progress or, in other words, be innovate. Naturally, it is not an easy process that is why it demands a lot of efforts. Companies face different obstacles or barriers that may hamper the innovation process. First of all, companies may encounter the high cost of innovation that they cannot afford due to different reasons, like lack of financing for innovation purposes, difficult financial situation of the company etc. Companies also can experience lack of information, technology and skilled personnel.

Some companies may claim that "we know our business better than our customers do" (Gibbert, Leibord, Probst, 2002). Also organizations can be afraid that "consumers might steal the idea and sell it to the competition" that is why if they involve customer, they do it in the last phase "because of confidentiality issues" (Janssen, Dankbaar, 2008).

In case of customer driven innovation, information obtained from the customers, is the most valuable and significant part of the whole innovation process. The main barriers that hinder this type of innovation are associated with obstacles for cooperation between companies and customers.

As two parties are involved in cooperation process, so each side may have their own reasons which prevent them to cooperate. Customers have reasons that not only prevent them to cooperate, but also reasons for innovation resistance.

Innovation is commonly perceived as something new, modified or improved, hence consumers may associate it with changes in their day-to-day life, existing workflows, habits and so on. Consequently, consumers can be afraid that they have to learn how to use new product or service and they try to postpone adaptation of innovation.

According to Ram and Sheth (1989), there are four types of risks, associated with innovation. The first type is *physical risk*. Customers can have a perception that innovative product has not been approved by significant number of people, hence be afraid that innovation can be harmful to person or property. Pharmaceuticals can serve as example of such caution, so far as drugs can carry physical risk as they are designed to affect the body. "Farmers are unwilling to experiment with new insecticides, fertilizers, and herbicides for fear of soil damage. In fact, this fear of physical risk extends to all processed foods" (Ram, Sheth, 1989).

The second type of risk is *economic risk*. Customers know that new products are usually expensive; thereby, apprehension of loss of money can appear. For example, if new camera or

computer appeared, people tend to wait till “the better product with a lower price tag will soon be on the market”(Ram, Sheth, 1989).

The third type of risk is *functional risk*. This type of risk is similar to physical risk, although it is more focused on how the product works or functions, not on harmful consequences. New cars may generate feel of uncertainty, because customers do not know how a new car will perform.

The last type of risk is *social risk*. Customers may avoid innovation because they feel that it conflict with their principles and views (for example, buying genetic modified food).

Nevertheless, there are people who are not only aware of new products, but also have their own ideas or suggestions for companies; however, due to various obstacles, company might never know about such ideas.

The findings of the conducted by authors survey shows, that some customers feel uncomfortable when they need to contact somebody, even if they have claims or suggestions. It is very difficult to obtain any kind of information from such category of customers. Other can claim that the probability that the idea would be accepted (implemented by the company or at least that somebody would pay attention to it) is very low and they even do not want to waste time trying to reach the company. An additional obstacle for cooperation is that customers simply do not know whom they may contact to propose their ideas.

Moreover, according to Forbes.com, 47% of customers say they do not believe company executives understand their experiences and 41% of the customers who take the time to express their thoughts do not think companies listen to or act on their feedback (www.forbes.com).

Customers are not always ready to share ideas with the company. Firstly, depending on ideas and possibilities, the innovation can be implemented by themselves. Secondly, in accordance with our survey, a significant amount of respondents are ready to cooperate with a company if monetary reward would be provided.

In turn, the company has its own barriers for cooperation with customers.

Companies create different channels, like help desks, call centers, websites, portals on the social network sites, where customers can leave their complaints and feedback. New communication technologies in some way simplify the communication between company and customers. Companies can obtain feedback from consumers all over the world. However, some companies simply do not have a good system or infrastructure for gathering their customers’ feedback, they do not determine clear goals and they do not create any strategy for selecting or even evaluating ideas. Good idea can be lost because, for example, call centre representative may not know how to implement it, or who to pass the idea. And this is a considerable obstacle that customers’ ideas are not captured through the channels, which were created for this purpose.

Companies may argue that too much effort is needed for working with customers’ ideas, although the result can be insignificant. Examples of successful companies like Starbucks, Nokia, Hallmark and Dell show that it is vital not only to hear, but also listen carefully to customers and interpret what they are saying in a right way. An absence of listening and responding is an obstacle that every company should avoid in order to be competitive and successful.

4. Customer-driven innovation process: Practical implementation

Customer-driven Innovation consists of several steps, qualified implementation of those leads to satisfaction of customer needs. On the Figure 7 in the form of stairs are shown main steps of customer-driven innovation.

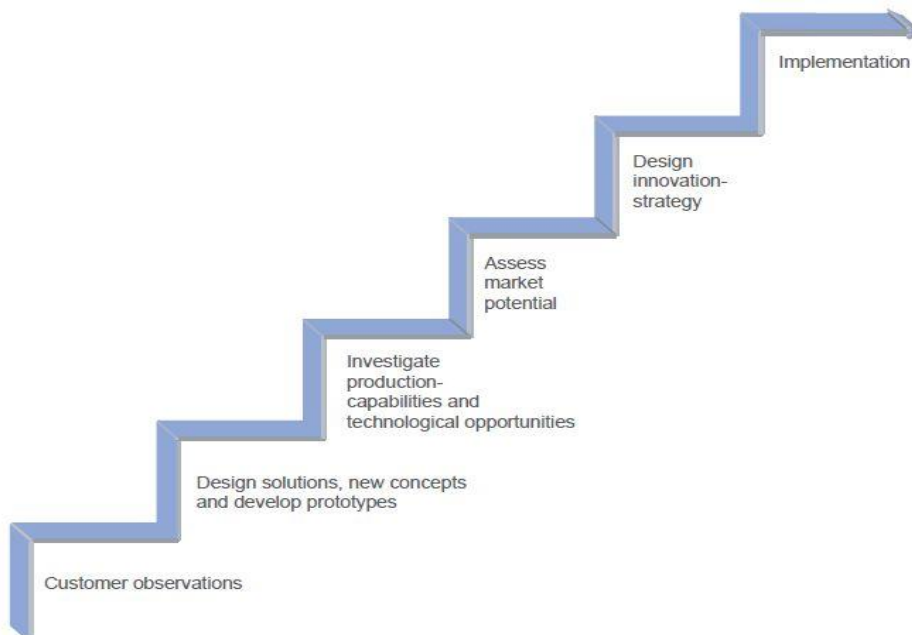


Figure 7. Customer-driven innovation process (Rosted, 2005)

1. Customer observation stage

It is necessary to take into account that customers could be companies and end-users or ordinary consumers. If customer is a company then close dialog between companies is the best way of observation and understanding of needs. If customer is an end-user then there are a lot of tools for decoding and analyzing needs: surveys, interviews, focus groups and so on. Using different types of investigation of customer needs company can achieve its main aim- identification of a new customer need.

One of the ways to investigate customers' needs is to create customers communities (Bhalla, 2011). Hallmark Cards, the largest American manufacturer of greeting cards, adheres to the idea that the innovation should be provided not by the company staff but by consumers. Hallmark claims that "consumer-led innovation had a better chance of succeeding than company-led innovation", despite the fact that it employs bright and talented workers for the collaboration (Bhalla, 2011). To support this idea the company created Hallmark Idea Exchange (IdEx), an online community for its consumers. The principle is that participants cooperate with the company not less than a half hour weekly, express their ideas, discuss their needs and product preferences, providing in such way a critical insights into Hallmark's customer base. Hallmark states that its online community generates about 10 to 15 concrete ideas every month, part of which are implemented by the company (Pierce, 2008).

An organization should collect ideas from their customers, filter and test them and implement in the sequel; so that consumers are involved in the process of product design and development. An important task for the organization is creation of environment where provided ideas can be discussed by others (Desouza et al. 2008). Starbucks brand represent example of such operation with its My Starbucks Idea project.

1987 year can be named as a starting point of Starbucks' operation. Nowadays the total number of stores is 17 009 (as of January 2, 2011) in more than 50 countries (www.starbucks.com). Wide range of drinks, sophisticated artwork on the walls and jazz or opera music in the background in the stores can be mentioned as Starbucks' distinctive features. Nevertheless, tasty drinks, cosy atmosphere and friendly staff are not the only factors that contribute to the company's success. As a result of careful attention to all aspects of human consumption of coffee, the company almost single-handedly invented a new category in the U.S. market, and not only force customers to buy more status (and more expensive) product, but also a totally new place for meetings, which became part of a human life style.

In 2011 Starbucks has been ranked 3rd in the Top 100 Social Brand List by the HeadStream company (www.socialbrands100.com). Companies were evaluated by the following criteria:

1. Active listening. "The active element of listening takes brands away from being observers, to more valued contributors within a community"(www.socialbrands100.com). The use of social brand outposts such as Facebook, Twitter, YouTube and local social networks was taking into account.
2. Appropriate social behavior which implies a consistency of companies' "social promises".
3. Win-win relationships. If a brand position itself like a social one it has to understand that being social is not a campaign, but a commitment.

MyStarbucksIdea is an illustrative example of the brand's social activity. The concept consists of 4 steps: share, vote, discuss and see. The brand has created the on-line platform where people write their suggestions that are primary discussed by other customers. Further, company experts analyze public opinion and implement those ideas that seem to be successful. "We're here, and we're ready to make ideas happen" – claims Starbucks Company and sticks to its word (mystarbucksidea.force.com).

However, the idea of MyStarbucks project was not invented by Starbucks Company. Howard Schultz, the CEO of Starbucks, has followed DELL's IdeaStorm.com. Both companies are based on the "Ideas" software platform from the CRM company - Salesforce. Salesforce Chairman Marc Benioff describes the platform like "a live focus group that never closes" (www.businessweek.com/magazine).

Customers are the main creators and, moreover evaluators of the ideas that are further implemented by Starbucks team. An important issue is to understand by which incentives are people driven when they participate in the ideas creation process. Chris Bruzzo, Starbucks' chief technology officer says that "customers who are on MyStarbucksIdea ought to participate in being accountable for it. Whether an idea is accepted or not, customers get only the satisfaction of participating; there are no payments or other tangible rewards" (www.businessweek.com). So that it appears that a sense of pride because of participating in a co-designing process can be enough for customers in order to cooperate with the brand.

At the same time Starbucks has launched *My Starbucks Visit* platform through which the company can get customers' feedback (www.mystarbucksvisit.com). My Starbucks Visit invites customers to fill out surveys, leave their comment, thereby being able to win cash prizes and get coupons for free coffee or tea. In this example company provides a kind of tangible reward which serves as a motive for customers to cooperate with the brand.

2. Developing and designing new solutions and concepts stage

After the identification of customer need, company designs possible solutions that may satisfy those needs. It can be totally new product or service, modification of a product or combination of existing products and creating the new one. It is important that solution should change the competitive situation in the market. All companies tend to find solution that other companies and competitors cannot copy.

3. Investigation of production capabilities

The commercial success of the innovation or product depends on the price that consumers are able and agree to pay. That is why analyses of available production facilities, technologies and their costs are essential part of innovation process.

4. Assess market opportunities

To be successful on the market company should not only identify customer needs, design solutions, analyze production capabilities and market product at a reasonable price, but also assess the commercial potential of the product, as well as predict the possible actions of the competitors and their ability and desire to copy a product.

5. Designing innovation strategy

If surveys and assessments show that the product will be in demand, and in case of customer driven innovation, the success can be almost 100% if company can read insights, can listen and understand consumers than the production should be launched. If solution requires small contribution or change of an existing product, then, probably, there is no point for this innovation. But in some cases it is very difficult to predict the potential of innovation. To deal with innovations is risky, but avoid innovation can be even more risky. Kodak example can be provided. This brand has realized too late prospective possibilities of digital photography. The sphere of digital photography has become a separate kind of business. Nowadays, when people think about digital camera, to their mind will, probably, come any other brand: Sony, Canon, Casio, Samsung, but not Kodak. Some years ago, the brand was associated with traditional photography, although Kodak reacted too late to market trends, and as a result lost their position (www.iteam.ru).

6. Implementation

The last step in the innovation process is implementation or introducing the product. It may seem as the simplest part, but on this stage company also has to be sure that all details are considered and the product can easily reach their customer.

5. Empirical investigation

Empirical investigation in our research is based on 60 questionnaires which were collected in order to examine the following issues:

- To what extent customers are ready to cooperate with companies nowadays?
- Which obstacles can limit cooperation between a company and a customer?
- Which motives appear to be main for customers during the process of value co-creation?
- Which benefits customers can get from cooperation with companies?
- Whether there is a difference in cooperation between customers and companies in different regions.

5.1. Survey analysis

Investigation was conducted with the help of electronic and printed questionnaires that consist of opened and closed format questions (see Appendix 1). It was decided to analyze a tendency for cooperation in Europe and Post Soviet Union Countries (Russia, Ukraine and Belarus) in order to examine whether cooperation between customer and companies vary depending on the region. Respondents were selected randomly – 30 people from Europe and 30 people from Russia, Ukraine and Belarus. Our target audience does not have any specific portrait; the only criterion was age range from 20 to 35 years as we assume that this category of respondents is more active and the probability of their cooperation with companies is higher.

Respondents were asked to answer 11 questions related to the topic of cooperation between companies and customers. For some questions respondents were able to choose several answers among given options. Thereby, the results of questions are presented in the percentage form and show the importance for respondents.

We used 5-pointed scale to investigate how people evaluate companies' attempts to cooperate with customers, have a dialogue with them. By choosing the grade that approaches to 1 respondents claim that nowadays companies actively tend to have a dialogue with customers and try to listen to them. In contrast, pointing grade 5 respondents mean that companies do not attempt to cooperate with customers.

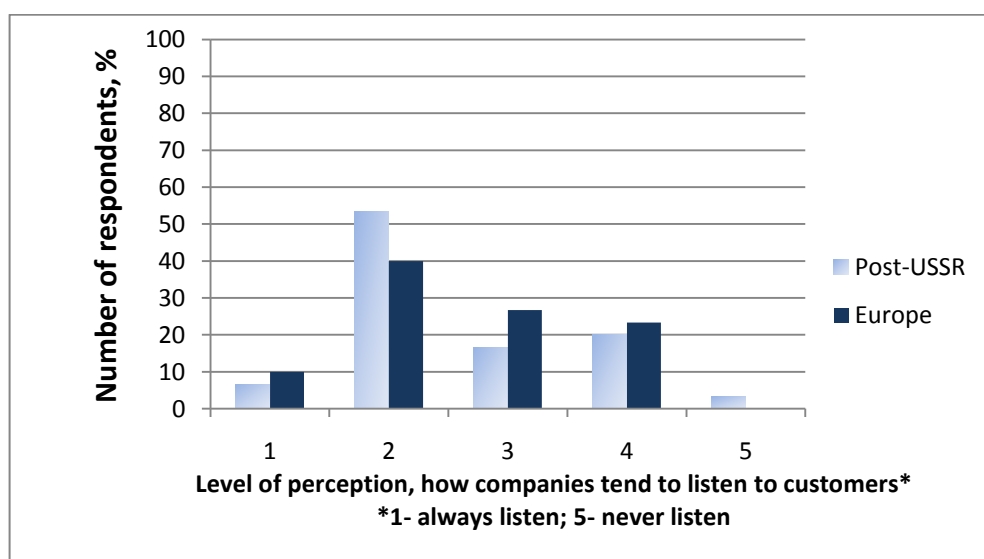


Figure 8. Level of companies' attempts to cooperate with customers

As it is shown in the Figure 8, 53% of respondents from Post-USSR and 40% respondents from Europe chose the option 2, which means that they think that companies tend to have a dialog and listen to customers. Nevertheless, there is significant part of respondents, around 22%, who think that companies do not pay enough attention to the cooperation with customers.

More than 50% of respondents from both regions wrote that they had ideas concerning creation or modification of products/services (Fig.9). An important fact is that 12% of respondents commented that they would not like to share their ideas with companies as they consider them as highly valuable source and want to keep the ideas for further implementation by themselves.

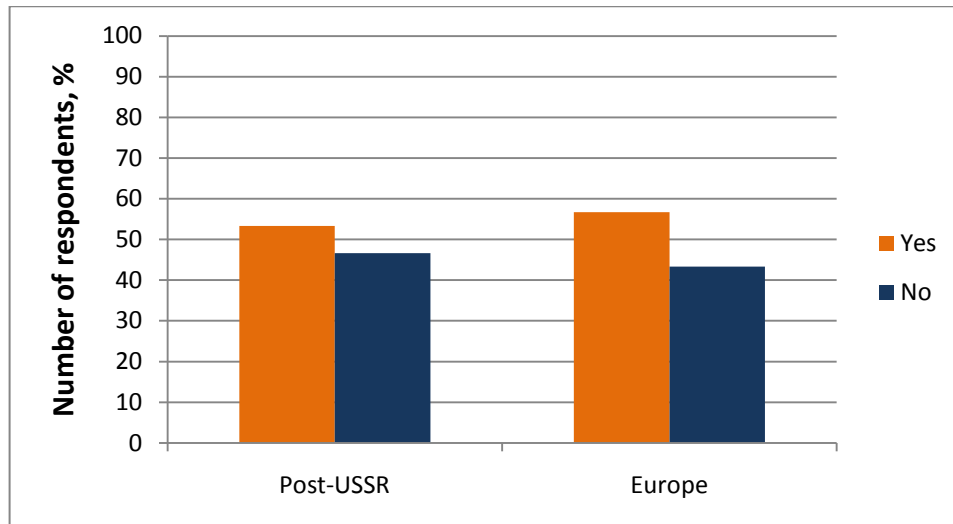


Figure 9. Presence of idea concerning the modification of a product/service

Respondent from Belarus - Edgar (24 years old) said that he had an idea concerning the improvement of electrosurgical complex and medical microscope, but because of problems with his partners, he cannot implement his idea, and he does not want to give this idea to other company for free.

Taking into account such replies, it can be said that a significant task for companies is to provide considerable motivation for customers in order to arouse their interest for cooperation.

Respondents were asked by which means they would attempt to express an idea about the creation or modification of a particular product if they had one. 80% of Post-USSR and 87% of European respondents answered that they would try to do it through the company web page. Such result means that companies are required to have a web site and, moreover, to create a section for comments and suggestions in order to let customers reach them. 15% of Post-USSR and 12% of European respondents answered that they would call customer service. Several respondents said that they would like to talk directly to manager or Chief Executive Officer (CEO) of the company. A few respondents mentioned that their ideas are highly valuable source and they are not going to share them with organizations. They would keep them and try to realize in the future or to sell ideas to company, not give it for free.

The Spanish respondent – Hector (26 years old) commented: *“It is different about products and service. Service is more about improvement, so people can share it. If it’s about product – it is business idea and people can earn money with it”*.

Unwillingness to share ideas with companies can be one of the obstacles for cooperation. Respondents were asked to choose one or several among given options or provide their own opinion about obstacles limiting cooperation between a company and customer. According to Figure 10, the majority of respondents think that the probability that the idea, offered by customers, would be accepted is very low. It means that even if customer has an idea or suggestion, and want to share it with company, she may doubt to contact the company.

The respondent from Russia – Ksenya (23 years old) had an idea to create a face-cream for combination skin, consisted of 2 parts (for oily and dry skin), like a bottle with 2 parts in order to optimize care for different types of skin on one face. But she said: *“I do not believe that it is possible to reach the company and suggest them something, so I never expressed my idea”*.

Respondent from Belarus -Sergey (24 years old) mentioned his experience with Sony Ericsson. He described in details his suggestion on the company’s web page, but had never got an answer. This example confirms perception that the probability that a company would accept consumer’s idea is very low.

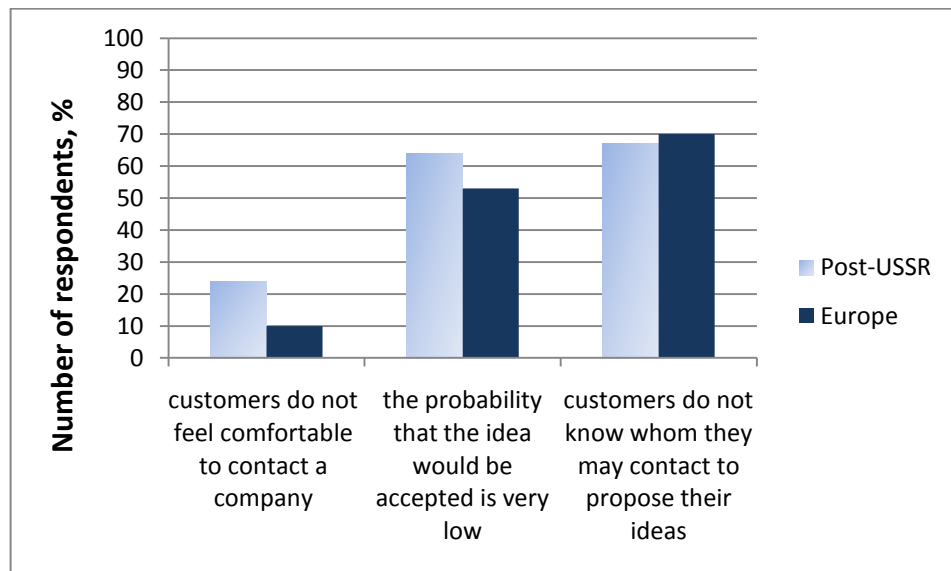


Figure 10. Obstacles for cooperation between companies and customers

Moreover about 70% of representatives do not know whom they may contact to express their thoughts. It means, as well, that company may lose ideas. It should be mentioned that representatives from Europe feel more comfortable to contact company, than representatives from Post-USSR. The assumption is made that this can be explained by the fact that in USSR times, in terms of planned economy, people were not used to cooperate with a company or express their complaints. That is why about 20% of people still feel uncomfortable to contact a company.

Complaints can serve as a source for innovation. The number of people who did not express their complaints is quite big: 37% and 38% in Post-USSR and Europe respectively (Fig.11).According to Barlow and Moller (2008), in general, organizations tend to reduce the number of complains, but smart companies should perceive complaints as a gift. They should not lose the opportunity to listen to complaints, as there can be fresh business ideas in some of them.

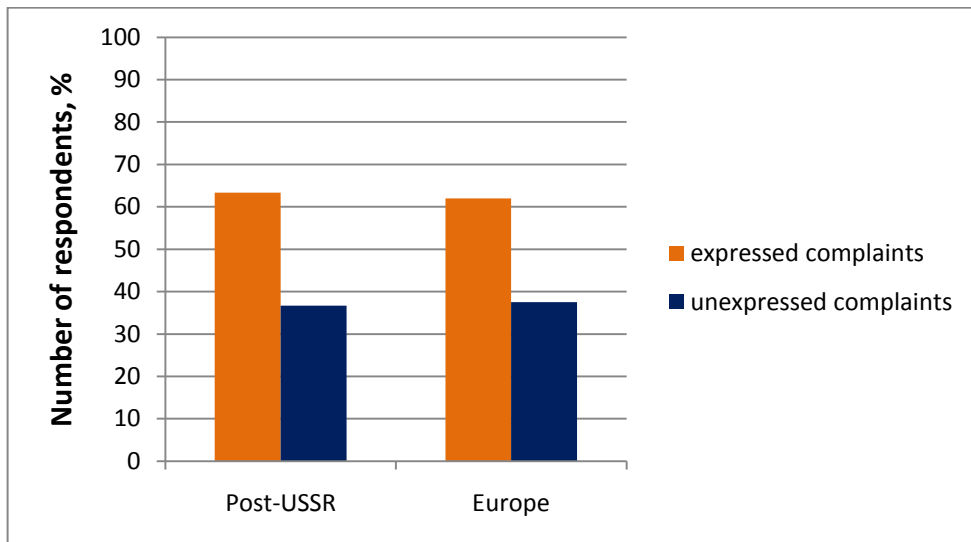


Figure 11. Expression of complaints among respondents

Respondents were asked to choose among given options how freely they can express their complaints. Figure 12 shows how the offered choices are divided between respondents.

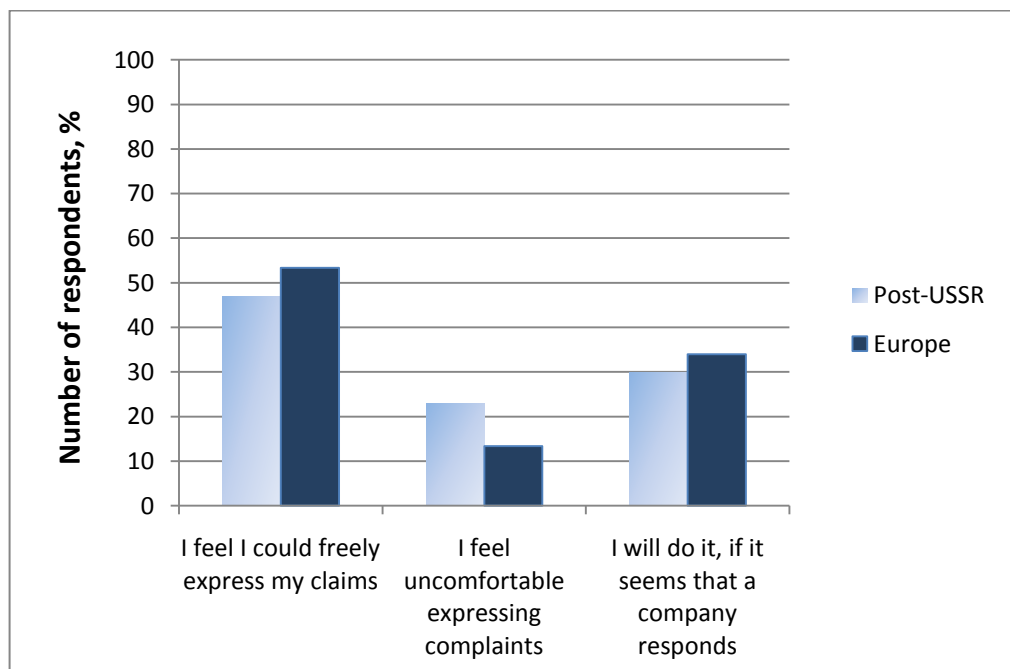


Figure 12. Customers' ability to express complaints and suggestions

The majority of survey participants from Post-USSR and Europe are able to express their claims freely: 47% and 53% respectively. At the same time approximately 30% of respondents from Post-USSR and Europe are ready to express their complaints, however company's respond should be more or less guaranteed. Finally, 13% of respondents from Europe feel uncomfortable expressing complaints, and 23% of respondents from Post-USSR feel uncomfortable expressing complaints, what can be explained by Post-USSR past, where people were not used to express their complaints because of existing political and economical regime. The reason for the discomfort in expression of complaints for both regions can be explained also by existing obstacles that limit cooperation between customers and companies which were mentioned above.

Respondents were asked through which channels they would express their complaints to company (Fig 13). There was an option of multiple answers for this question.

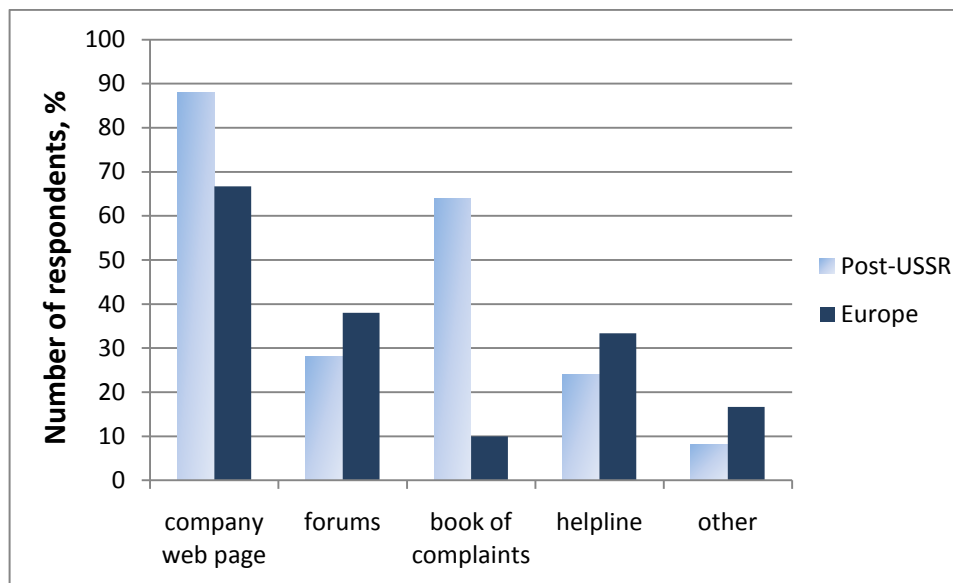


Figure 13. Channels through which customers can express complaints

The majority of representatives from the Post-USSR – 88% and Europe – 67% replied that they would do it through the company web page. Moreover, the survey shows that respondents unanimously consider that it should be an area for complaints and suggestions on the company's webpage. 64% of respondents from the Post-USSR said that they would do it with the help of Book of complaints in comparing to the 10% of European respondents. Such tendency can be explained by the fact that existence of a Book of complaints is more common in Post-USSR and is not so typical for European countries. In turn, 38% of European representatives chose forums as a source to express complaints and 33% pointed helpline. For the Post-USSR representatives the answers are divided in the following way: 28% pointed forums and 24% chose helpline as a source of expression of their complaints. There are multitude forums in the Internet where customers discuss their thoughts concerning products or service. Those kind of forums are usually created not by companies, hence they cannot influence discussions. Taking into account such tendency, the conclusion can be made that companies should provide their own sources for expressing complaints (like special section on the web page or helplines) in order to be able to manage them.

Fairshopping idea (www.fairshopping.se) is an example of the web site, where companies can create their own profile for communication with consumers. Fairshopping was primarily designed as a source for people to express their complaints. Nowadays more and more organizations join Fairshopping, thus becoming closer to consumers (Burman, 2010).

One of the aims of the survey was to observe a tendency of cooperation between companies and customers (Fig.14).

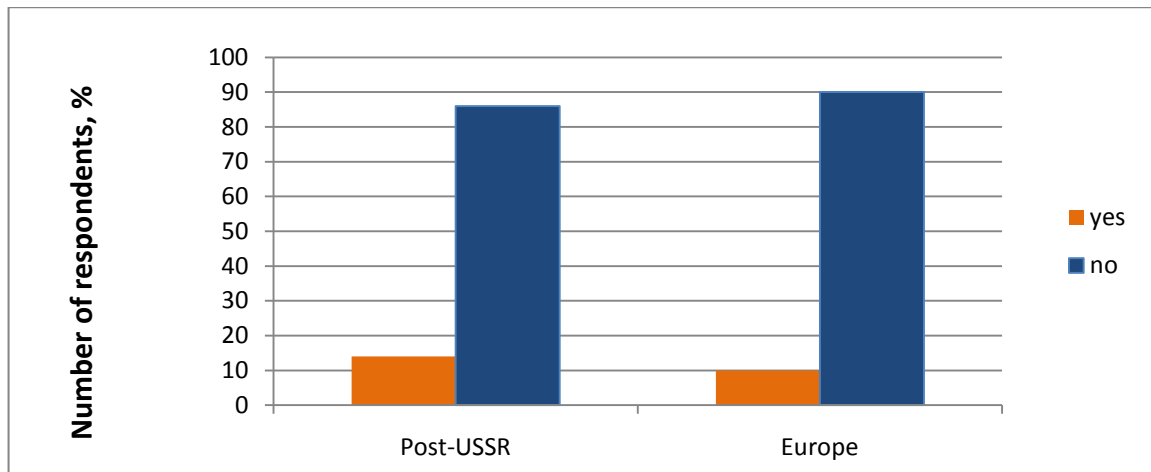


Figure 14. Cooperation with companies among respondents

The majority of respondents do not have an experience of cooperation with companies in creation or modification of a product. Only 14% of respondents from Post-USSR countries and 10% from Europe respectively replied that they collaborated with companies before. Such tendency can be explained by the presence of obstacles in cooperation between companies and customers. Moreover, the assumption can be made that organizations do not show high activity concerning cooperation with customers and have lack of channels for collaboration.

As representative from Turkey Görkem (25 years old) commented “*Companies should organize idea competitions (for example among students) and implement the best ones. I would like to participate in such kind of action!*”

Relied on the results of our survey customers’ incentives for cooperation with companies by their relevance can be disposed in the following way (Fig.15).

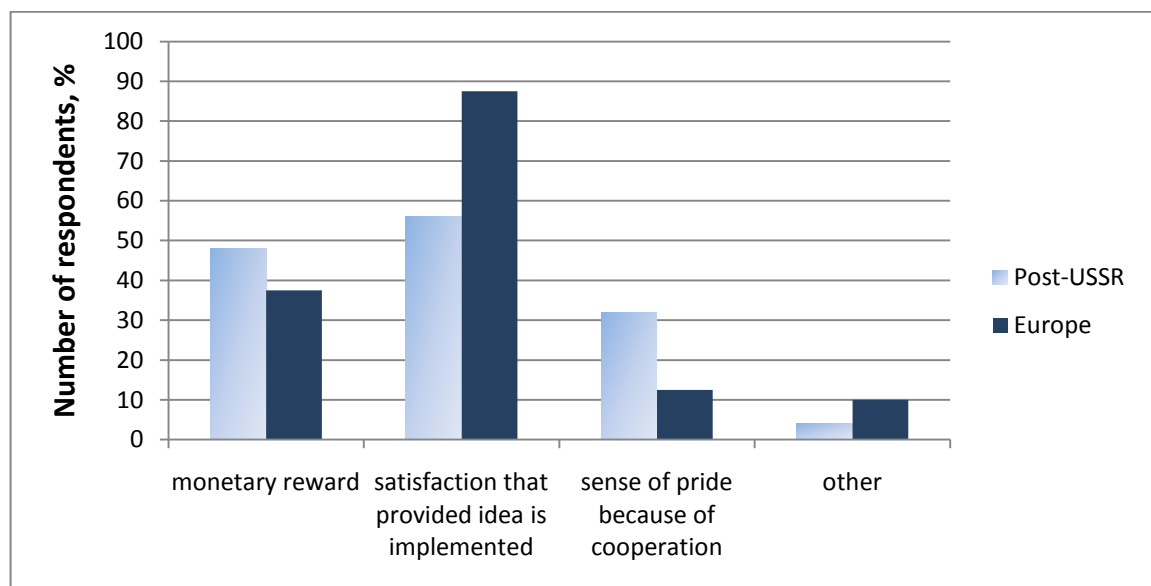


Figure 15. Customers’ incentives for cooperation with companies

A sense of satisfaction, that provided idea is implemented, is chosen by respondents as the most important incentive. This factor belongs to the category of intrinsic motives. “Consumers are intrinsically motivated if they value an activity for its own sake” (Füller 2010). Füller also states that intrinsically motivated consumers seem to be more interested in further cooperation with a company.

On the second place monetary incentive is located. People desire to get “tangible” reward for their efforts. This fact can be supported by comments of respondents.

Representative from Belarus - Alina (23 years old) commented: *“I don’t think that lots of people want to share their ideas for free because ideas cost a lot nowadays”*.

The third place is obtained by the factor “sense of pride because of participating in a co-designing process”. In this case people value the process of cooperation by itself and tangible reward is not so important.

A few respondents mentioned other kind of incentives that would like to get from participation, like adding their names into the product’s name or logo.

Representative from Turkey – Görkem (25 years old) mentioned: *“I would appreciate if a company I cooperated with gave my name to the product, or mentioned that I was a co-creator. It’s more important than monetary reward”*.

In the last question the respondents were asked to provide an example from their own experience or from experience of their acquaintance, when a company reacted to customers’ desires or suggestions. In this part we got several replies, which are described below.

The respondent from Russia – Natalia (24 years old) stated that her suggestion was to add French language to the menu in the Greek restaurant as soon as there were just Greek and English options. In one month one of her friends told her that the restaurant implemented the provided idea.

The respondent from Spain – Hector (26 years old) described the situation when the hotel asked him for a feedback via e-mail. He replied with the several comments concerning the hotel’s service and how it can be modified. *“Surprisingly they answered me in details in a few days”*, - writes Hector. *“They implemented my ideas, plus gave me bonus - 3 nights for free”*. When surveyors asked him, whether the bonus was the main benefit, he replied that he did not expect any reward for his suggestions and was more happy about the fact that ideas were implemented.

Based on the answers the conclusion can be made that there is no considerable differences between answers of representatives from different countries. Such tendency can be explained by the phenomenon of globalization which affects both: companies and customers. Companies are able to observe each other and adopt an experience of their competitors. Organizations can implement similar tools for customer attraction. As an illustrative example companies’ web pages can be mentioned. Consumers all over the world can find similar features on the brands’ web sites, like general information about company, its services, contacts etc. In turn, customers all around the globe are connected through the Global Network, hence they share and imitate common behavioral patterns.

5.2. Limitation and validity of research

There are always particular limitations in any kind of researches (Malhotra, Birks, 2003). It is important to mention certain limitations of the presented survey.

The number of respondents was limited by authors to 60 persons. Such decision is explained by the time limit factor and necessity to be able to conduct further deeper interview for obtaining more details. There is a probability that respondents may answer superficially especially if the questionnaire takes a long time to complete; thereby, the amount of questions contained in the questionnaire is narrowed.

According to Bryman and Bell (2007) the degree of reliability is not very high if the research has been conducted only once. Therefore, to achieve higher reliability, the survey has to be repeated and showings should be similar to those obtained in first time. Taking into account this remark, the authors interpret the obtained results as a tendency, not behavioral pattern of the customers.

Another limitation is the age range, as the decision was made to question respondents aged 20-35 years due to easier access to this category of respondents. At the same time this group is assumed by authors as more active and the probability of their cooperation with companies is considered to be higher.

The absence of the face-to-face contact with respondents can be an obstacle for gaining more specific information. Moreover, respondents may have difficulties with interpretation of questions, thus leading to results distortion. However, using electronic communication channels such as phone, electronic mail and social network, respondents and surveyors can contact each other, hence, decrease the possibility of the mentioned mishap.

The authors' interpretation of the survey results might be subjective. As Bryman and Bell (2007) states "Qualitative findings rely too much on the researcher's view about what is significant and important." Nevertheless, the authors tried to be objective and tended to provide reasonable explanation of the obtained data.

6. Conclusion

In our thesis the aspects of customer driven innovation were investigated. This type of innovations implies customers' active involvement into cooperation with companies and their ideas are considered as a driving force for innovations. Cooperation supposes active sharing of customers' ideas and suggestions; the role of the company in such case is to listen actively, analyze, filter and implement obtained information. The results of the conducted survey show that more than 50% of respondents from Post-USSR and European countries had an idea concerning modification or creation of product/service. The task is to understand how company can get these ideas.

One of the issues that were aimed to be discussed in the paper was a way of customers' involvement into the collaboration with organizations. Companies can use such channels of communication as helpline, personal web site, on-line forums, social networks etc. The result of the study indicates that the most common tool for customers to share their thoughts and suggestion with companies is corporations' web site. Nowadays a number of Internet users is approximately 2 milliards (on June 30, 2010 amounted to 1,966,514,816, www.internetworldstats.com). Thereby, it appeared to be one of the easiest ways for companies to reach their consumers via Global Network.

In the present study we provided examples of the global brands - Nokia, Starbucks, Hallmark and Dell, that have experience in cooperation with customers and that created tools for cooperation with them, such as Nokia Beta Labs, MyStarbucksIdea Project, Hallmark Idea Exchange and Dell Idea Storm. The number of projects with customer involvement rises significantly with each passing year which can be interpreted as increasing desire of the companies to bring consumers to collaboration as well as of customers' willingness to cooperate with them.

The finding of the conducted survey shows that the main customers' incentive for cooperation is non-monetary. A sense of satisfaction, that provided idea is implemented, appeared to be the most important motive for cooperation with companies among the respondents. Customers are proud if their ideas are heard and put into practice. An additional reward for respondents in such case is mentioning of their names in the product name or identification that they were co-creators. Monetary reward is not the main one, although not the least important. Our investigation shows that customers see their ideas as highly valuable source, hence may expect to get tangible reward for it.

Potential obstacles that can limit or impede cooperation between customer and organization were examined. Based on the theoretical material and survey results the conclusion was made that there are various obstacles, limiting both – companies and consumers. Companies may encounter the high cost of innovation that they cannot afford due to specific reasons, such as lack of resources for innovation purposes, difficult financial situation of the company and a shortage of information, technology and skilled personnel.

Companies can be afraid that cooperation with customers might be risky as the latter ones can steal their business ideas and sell them to the competitors. Moreover, some companies may consider that collaboration with consumers is not necessary and claim that “we know our business better than our customers do” (Gibbert, Leibord, Probst, 2002).

Customers as well can have a resistance towards innovations. As innovation is commonly perceived as something new, modified or improved, people may associate it with changes in their day-to-day life, habits etc. As a result, consumers can be afraid of difficulties that might

arise from using new products and of necessity to spend time in order to learn how to use them. Hereby, the consequences of using such product (i.e. drugs, technical devices) or service can be unpredictable for consumers and they try to postpone an adaptation of innovation.

Other factor that restrains customers from cooperation with companies is perception that companies are not interested in their ideas and would not even listen to them. Despite the fact that lots of companies claims about their readiness and willingness for cooperation, the survey finding shows that some people still do not know whom they may contact in order to provide their suggestions. Taking into account those two obstacles and existing number of possible channels for communication, organizations should more actively inform customers about the availability of sources for cooperation, express their readiness and willingness to listen to consumers and respond.

In addition, people can expect monetary reward for their ideas or would more willingly offer them to their relatives and acquaintances. In this case companies should provide high motivations in order to get ideas.

Pål Burman (2010) claims that complaints can serve as one of sources of ideas for businesses. The survey results show that lots of people would express their complaints only if it seems that a company responds. It should be noted that, in contrast to ideas, complains are always free of charge, although might appear to be not less valuable. This fact again emphasizes the need of organization to listen attentively and respond to customers.

Before conduction of the survey the assumption was made that there should be diversity between answers of representatives from Post-USSR and European countries according to socio-economical and historical differences. The survey results do not show considerable differences between responses. The similarity in answers can be explained by the phenomenon of globalization which affects companies, as well as customers.

Based on the investigation of primary and secondary data the conclusion can be made that by collaboration with customers, organizations have an opportunity to get a feedback in the form of ideas, suggestions and complaints, which can be used for the further improvement or creation of new products and services.

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Appendix 1

Dear respondent!

We are students of the International Management Program in Sweden. We are conducting the research about cooperation between customers and companies. We would highly appreciate your participation and kindly ask you to answer the following questions.

*Thank you in advance for your contribution.
Olga and Katsiaryna*

Before answering the questions, please, write your personal details

Name _____
Gender _____
Age _____

1. Do you think that nowadays companies tend to have a dialogue with customers, try to listen to them? (chose on the 5-point scale the most suitable variant or put “don’t know”)

always 1 2 3 4 5 no, never don’t know

2. Have you ever had an idea concerning a modification or creation of a product/service?

- yes (describe the example)

- no

3. If you had an idea about the creation or modification of a particular product, by which means would you attempt to express it (multiple answers are possible)?

- try to find a section for the comments and suggestions on the company webpage
- call custom service
- other _____

4. What do you think might be an obstacle limiting cooperation between a company and you as a customer? (multiple answers are possible)

- customers do not feel comfortable to contact a company
- the probability that the idea would be accepted is very low
- customers do not know whom they may contact to propose their ideas
- other _____

5. Have you ever expressed complaints and/or concerns to a company?

- no (go to question 7)
- yes (go to the next question)

6. How freely could you express your complaints to the company?

- I feel I could freely express my claims
- I feel uncomfortable expressing complaints
- I will do it, if it seems that a company responds

7. Through which channels would you express your complaints? (multiple answers are possible)

- company web page
- forums
- book of complaints
- helpline
- other _____

8. Do you think companies should have an area for complaints and suggestions on their webpage?

- yes
- no

9. Have you ever cooperated with a company in creation or modification of a product?

- yes
- no

10. If you took part in creation of a new product, which factor would be the most significant? (multiple answers are possible)

- Monetary reward
- I am proud that I take part in a designing
- Satisfaction that my idea is implemented
- I am not interested in such kinds of activities
- Other _____

11. Can you give an example from your own experience or from experience of your friends or acquaintance, when a company took into account customers' desires or suggestions?

You can contact me for the further discussion related to above listed question
(please, fill the square if you give your permission and leave your phone or\and email address)