

ROTTERDAM SCHOOL OF MANAGEMENT, ERASMUS UNIVERSITY

► **The future for energy markets**

In discussion with Wolfgang Ketter

► **The age of the consumer innovator**

by Jeroen de Jong

► **Customer empowerment in new product development**

by Christoph Fuchs & Martin Schreier

► **Ecological sensemaking and climate change**

by Gail Whiteman

► **The psychology of ethical leaders**

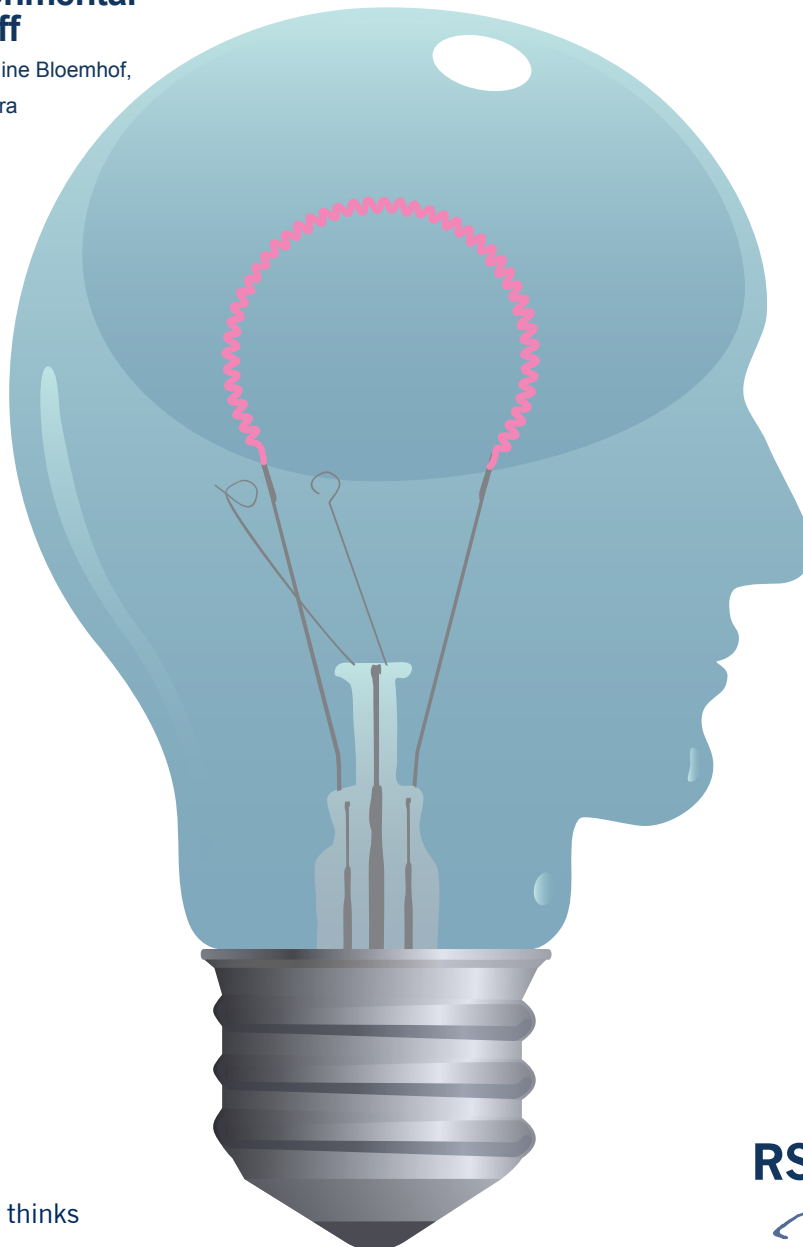
by Niek Hoogervorst

► **Why do firms go public?**

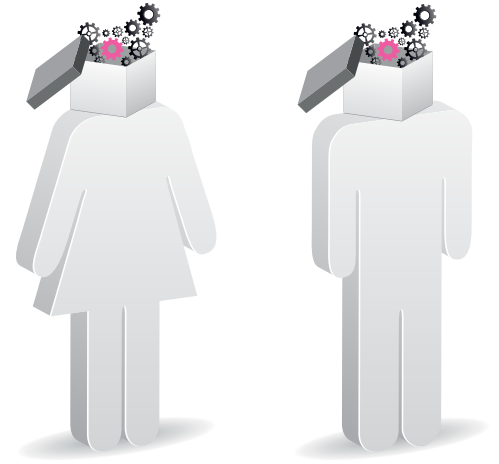
by Abe de Jong, Carel Huijgen,
Teye Marra & Peter Roosenboom

► **Proactive environmental strategies pay off**

by Melek Akin Ates, Jacqueline Bloemhof,
Erik van Raaij & Finn Wynstra



The business school that thinks
and lives in the future



Customer empowerment in new product development

by Christoph Fuchs & Martin Schreier

Companies have traditionally taken responsibility for deciding what products and product innovations are offered to customers. However, a growing number of companies are turning this relationship on its head by asking customers not only for help in creating new products, but also in deciding which ones should be produced.

In the 1970s, Eric von Hippel, Professor of Technological Innovation at MIT Sloan School of Management, asked companies to identify from where their ideas for product innovations came. Engineers were the wellspring of new product ideas, they told him. However, this was not entirely true. When asked, the engineers admitted that in fact, end users were often their source of inspiration: the engineers had seen products used in novel ways by customers and they had adapted these innovations commercially.

Today, McDonalds encourage its customers to “design” new burgers. Threadless, a successful American company that prints and sells t-shirts, asks its sizeable online community of registered users to provide the designs for its product range. Further, the Threadless community also gets to decide which designs the company should sell.

Muji, the “no brand quality goods” retailer, asks customers to select which product concepts it should produce.

In each of these three examples, the company gives significant responsibility for new product development to its customer base.

These companies are not unique in their endeavours to encourage customer-driven innovation and product selection. There is plenty of research to confirm that the objective qualities of products can be improved by the input of what are defined as lead users, those customers or consumers who are not only ahead of any trending patterns, but may be responsible for starting them.

A peripheral view

Looking to add to the body of knowledge about customer empowerment in new product development, we chose a unique approach: to find out what customers, and specifically those on the periphery, ie, users who choose not to participate in development or selection activities, think about companies and products that engage and empower them in this way. For example, does it make any

difference to peripheral customers if the design of a product stems directly from user involvement, or whether other customers are responsible for influencing the company’s decision to develop, launch and market any given product?

What we find is that for these customers, knowing other users are involved in the development or selection (or both) of a product has a positive effect on their purchasing intentions. Additionally, they think of these companies as being highly customer oriented.

What is interesting here is that although customers might choose not to participate in the product or design selection process, they nonetheless feel very positively about the company, and specifically so because the option to participate and influence is there. They also express a higher level of attachment to companies that involve them in this way. This is because they feel that as customers, the company understands them, cares about their needs and values their opinion.

Given a scenario where two companies offer very similar products, our research shows the purchasing decision of a customer is not influenced by the perception that one product is better than the other, but that one is user- or community-designed/ influenced whilst the other is not.

Empowering benefits

Developing a strong level of engagement is of particular benefit for web-based start-up companies. This is because the online community and the customer or user community are one and the same. For larger, established companies with a substantial customer base, there is a concern that online community engagement might not necessarily reflect the views of the target market as a whole. This is to say, that established “bricks and mortar” businesses with online operations could well have considerably more customers who do not engage in the online community than do participate in it.

If there is an imbalance between the two, then community decisions may be at odds with the preferences of the customer base as a whole. Newly established web-based companies, on the other hand, will have a customer base that comes exclusively from the online community.

Another benefit for companies is that developing, engaging and empowering its community brings forth a diversity of ideas. In addition, the user community is not constrained by company thinking and has unparalleled experience of the product. Indeed, it is from already loyal customers that companies may find the next great product innovation comes.

The value of integrity

As they gain more influence, a time may come when the balance of power tips in favour of customers. User communities may guide companies in their corporate decision making in ways that we do not yet understand.

Social media already enables people to unite into communities that perceive themselves as being consumer guardians and moral watchdogs with the power to influence or reproach corporate deeds.

Being under such scrutiny, and exactly as it is not possible to hide from their corporate social responsibilities, companies cannot afford to pay mere lip service to their empowered users. Using customer empowerment as a marketing gimmick to enhance customer reputation is unlikely to succeed in the long term. Just as people can easily sense when someone is being disingenuous, so customers can easily detect a lack of integrity from companies.

As a final observation, managers should be aware that customer empowerment is not limited to products alone. In the Netherlands, financial services provider Rabobank allows customers to decide which projects it invests in as part of its corporate social responsibility strategy.

Elsewhere, companies have let customers decide on the messages

used in advertising campaigns. These examples show us that customer empowerment is an innovative strategic tool and its potential applications are many. ■

This article draws its inspiration from the research paper *Customer Empowerment in New Product Development*, written by Christoph Fuchs and Martin Schreier and published in *Journal of Product Innovation Management*, 28 (1), 17-32, January 2011.

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