

THOUGHT LEADERSHIP SERIES

Providing insights on business issues that influence how you manage your brand

November 2010

brandlogic

Online co-creation communities: a new framework for engagement

The Integrated Reporting community is working hard to resolve procedural hurdles, converge on common standards and spread the word that it's an idea whose time has come.

Much of the discussion thus far has been focused on how to align the interests and objectives of shareholders, investors, regulators, standard-setters, technology providers and NGOs. Very little attention, however, has been given to the role of customers as major stakeholders and their potential for influencing adoption of ESG factors. (For the purposes of this article, "customers" refers to buyers of goods and services, including end-consumers, businesses, governments, etc.)

In theory, if enough customers were educated about the benefits of ESG adoption, they would use their collective purchasing power to reward the ESG-compliant firm and pressure non-compliant companies to get on the bandwagon. If it could be shown that ESG compliance has a strong impact on purchase behavior, convincing the reluctant CEO would be an easier task.

The traditional approach to uncovering the link between purchase behavior and ESG awareness is market research, either through focus groups or a quantitative study. Today, however, there is another way to get customer involvement and feedback that offers several advantages.

With the power of social networking tools, it is now possible to create large-scale, online co-creation communities that allow for a richer, more interactive dialogue between companies and their customers.

Engaging customers in this way can yield considerable value, because it goes beyond the gathering of intelligence about customer attitudes—information that can be obtained through more traditional methods such as focus groups and surveys. Co-creation makes the customer an active participant in the process, giving them an opportunity to shape how ESG gets factored into a company's business strategy.

Co-creation is not a new idea; it has been used in product development processes for some time. The late University of Michigan professor C.K. Prahalad has been a long-time believer in co-creation as a way to break free of the traditional “company-centered value creation” approach:

“The answer, we believe, lies in a premise centered on co-creation of unique value with customers. It begins by recognizing that the role of the consumer in the industrial system has changed from isolated to connected, from unaware to informed, from passive to active.

With the power of social networking tools, it is now possible to create large-scale, online co-creation communities that allow for a richer, more interactive dialogue between companies and their customers.

The impact of the connected, informed and active consumer is manifest in many ways.”¹

When Prahalad’s article was written, social networking tools were just beginning to mature. Now, the availability of powerful web-based tools makes it relatively easy to organize and moderate an online co-creation community – a highly collaborative, interactive forum that encourages debate and discussion among a large number of participants, all in a secure, walled-garden environment.

Large corporations such as IBM, Kraft, Citigroup and others have used variations of this co-creation technique to engage in two-way dialogues with their employees, partners, customers and other audiences. A key benefit of this approach, as opposed to conducting a conventional market research survey, is the ability to gather stakeholder input rapidly and, depending on the nature of the conversations, redirect the discussions towards topics of interest that emerge from the community.

Using co-creation to its best advantage

Creating an online community is simple, but to derive maximum benefit from the actual engagement with customers, the profile of the audience and the course of the interaction should be carefully controlled.

Participants should be asked to opt in to the discussion and provide honest, candid feedback in response to a series of questions, exercises and what-if scenarios. In this context, invitees should include current customers of the firm who are generally knowledgeable about the company’s business practices. This is quite different from “crowdsourcing” schemes, which typically involve participants who have little if any knowledge of the topic being discussed prior to being invited.

Depending on the situation, co-creation communities can be organized to last either a few days, or be conducted over the course of several months. A skilled researcher who has a keen sense of the specific issues the firm is facing should facilitate the discussions. The co-creation community could involve as few as a few hundred participants, or it could be scaled up to involve thousands of voices.

The likely sponsors of such an effort in a large organization would be the chief marketing officer and the head of corporate communications. Taken together, these functional executives typically are responsible for looking after

¹ C.K. Prahalad and Venkat Ramaswamy, “Co-creating unique value with customers,” *Strategy & Leadership*, Vol. 32, No. 3 2004, pg. 4

customer acquisition and loyalty programs, customer satisfaction, corporate reputation, investor relations and related functions. Other functional areas can certainly contribute content as well.

What co-creation can do

The potential outcomes of engaging in co-creation are quite varied. In the context of a dialogue about Integrated Reporting or ESG, co-creation could help a company involve its customers in determining the impact of various proposed business strategies.

In the case of a hotel chain, for example, it might be revealed that guests place much more importance on labor practices than on environmental issues when it comes to making a decision on where to stay – and in the course of that discussion, customers can provide input on how the company might take steps to correct any real or perceived shortcomings in this area. New alternatives can be presented and actively debated in a near real-time setting.

Beginning a two-way dialogue using the co-creation technique can also result in a variety of positive unintended consequences. By demonstrating a commitment to greater transparency around key factors, for example, firms can potentially gain a measurable uplift in their overall reputation scores. The process might also reveal new opportunities for innovation and differentiation around these factors.

Although this discussion focuses on the value of customer engagement, there is no reason why the online co-creation process can't be used to engage other stakeholder communities. Providing a more comprehensive view of stakeholder interests and concerns can be of great value to firms considering Integrated Reporting because the process offers a

larger, richer and more varied knowledge base to support strategic decision-making.

A valuable addition to the ESG toolkit

For the firm that is willing to take the first step, co-creation can be an enlightening and powerful way for customers to shape the future of ESG adoption. In addition to its potential to provide deeper insight into materiality issues and their impact on business strategies, it provides another way for businesses to demonstrate their commitment to these important issues.

For the firm that is willing to take the first step, co-creation can be an enlightening and powerful way for customers to shape the future of ESG adoption.

About Brandlogic

Brandlogic is the leading independent full service brand consultancy, and is at the forefront of how corporate brands and reputation are being influenced by the rise of sustainability issues impacting companies globally.

In partnership with Dr. Robert Eccles – a professor at the Harvard Business School and co-author of *One Report* – along with CRD Analytics and the Global Reporting Initiative, Brandlogic is helping organizations use the rise of environmental, social and governance issues to improve brand and business performance.

For a free copy of *The Landscape of Integrated Reporting: Reflections and Next Steps*, an e-book edited by Dr. Eccles, visit:

brandlogic.com/ebook



DENIS RINEY

Senior Partner, Marketing

Denis Riney is senior partner at Brandlogic, leading the firm's marketing and client development efforts. For over 25 years, he has been a board-level advisor to global corporations on the topics of branding, corporate reputation and their linkages to business strategy. He is a sought-after speaker on these topics and has appeared in major media outlets such as CNN, CNBC, *The Wall Street Journal*, *Financial Times*, *The New York Times*, *The Los Angeles Times* and others.

Denis holds a B.S. from Fordham University and an M.B.A. from Columbia University. He is a contributing author to *Strategic Development for High Technology Businesses* (1987), noted by Dr. Thomas Kosnik at Stanford University as one of the best books ever written on strategic planning for high-tech executives (ISBN # 0-9618891-0-7).

brandlogic

©2011 Brandlogic Corporation

Brandlogic is a registered trademark of Brandlogic Corporation. Other company, product, or service names shown in the case study or client samples may be trademarks, registered trademarks or service marks of others. Inclusion of examples does not imply recommendations or endorsements by client companies.

IDEAS THAT DRIVE PERFORMANCE

15 River Road, Suite 310
Wilton, CT 06897
877 565 2255 x 319
brandlogic.com