COOPERATION BETWEEN ORGANIZATIONS AND CONSUMERS
– MOTIVATING AND REWARDING IN THE PROCESS OF CO-CREATION

Anna Łaszkiewicz, Ph.D.
University of Lodz
Faculty of Management
Department of Marketing
Matejki 22/26, 90-237 Łódź, Poland
e-mail: anna.laszkiewicz@uni.lodz.pl
DOI: 0000-0001-6202-6239

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Abstract

Research background: The study examines the degree of the utilization of the idea of co-creating value by companies, taking into account the forms of remuneration of consumers.

Purpose: The paper presents the issue of co-creating value with consumers from the perspective of the motivation and rewarding of clients. The article discusses factors determining the collaboration between the business and the virtual community as well as issues related to the remuneration of consumers.

Research Methodology: The study covered managers who received questionnaires, developed after previous verification in a pilot study. The survey was conducted from August to October 2016. The questionnaire was prepared in a Polish and English version. The questionnaire in the Polish version was completed by 157 participants, while the questionnaire in the English version was completed by 42 managers. In total, 199 questionnaires were registered, including 134 with complete answers, which were subjected to further statistical analysis. The calculations were carried out using the SPSS v. 21/24 package and Statistica v. 7.1.

Results: Enterprises with a high rate of positive answers to questions about the benefits of value creation believe that consumers should work together without remuneration. However, one should remember about the limited value of the interpretation due to the relatively small sample size.

Novelty: This paper focuses on the results of analyses taking into account the relationship between the attitudes of entrepreneurs towards rewarding consumers for their contribution to value creation and the attitudes of entrepreneurs towards the issue of cooperation.

Keywords: co-creation, value, customer behaviour, product design

JEL classification: M11, M31, O33
Introduction

Consumer’s power has changed significantly in recent years. These changes came mainly due to widespread adaptation of the Internet and mobile technologies. Worldwide internet access over the last 17 years has increased from 7 to 47% (Gregor, Gotwald-Feja, Łaszkiewicz, 2017, pp. 99–127). Contemporary consumers have now almost unlimited access to information, mass and multi-directional communication as well as a wide range of products and services. They can share their own experiences and opinions, both positive and negative, build virtual networks and act as producers and creators.

The desire to co-create, and thus the desire to be not only a consumer but also a producer is one of the most interesting changes that affect contemporary consumers. This issue first appeared in the scientific literature in 1996 and was then propagated by Prahalad and Ramaswamy in 2000. From the customer’s perspective, it concerns the behaviour of recipients to the company. From the perspective of the enterprise, it is associated with the possibility of building business models in which consumers become an important resource, being at the same time the creators of products, services or processes. Enterprises that will be open to these changes and include consumers in the process of creating value have a chance to achieve better market results and a competitive advantage. The use of this possibility means that the enterprise needs to understand how consumers operate in virtual communities. It is also necessary to know the factors conditioning cooperation and motivation of consumers to share with the company their talent, commitment and time.

1. Factors determining cooperation between the company and virtual communities

Virtual communities are focused on shared ideas and goals. Platforms and solutions enabling the emergence of virtual communities can be established by independent operators, by enterprises, and consumers themselves. Many companies, when deciding to engage virtual communities in creating the value, must choose a cooperation model. When building a customer community companies typically consider two models: communities created by the users themselves or cooperation platforms established by the firm. Today technological solutions allow very different forms of cooperation such as wikis (e.g. Wikipedia), blogs and microblogs, social networks (e.g. Facebook or Twitter), response platforms (e.g. Quora or Ask), discussion forums, loan services, crowdfunding and crowdsourcing services (e.g. Kickstarter), virtual worlds (e.g. Minecraft) and many other solutions.
C.K. Prahalad and V. Ramaswamy (2000) among the important factors determining the possibility of using the talent and knowledge of clients leading to the creation of value for the company, indicated the encouragement of all parties to an active dialogue based on the principles of equality, activating the customer community, managing its diversity, and co-creating personal experiences. Many of these areas, as S. Nambisan and S.A. Baron (2009) pay attention to, require the creation of dedicated departments in the company, in which responsibility for the realisation of the process of creating value with consumers will be located, or at least the creation of positions on which functions in this field will be implemented. Stimulating dialogue and activating clients, in particular, transferring the necessary knowledge to take action both in the virtual community and inside the organization, seem to be crucial for achieving the planned results. K. Dziewanowska (2014) draws attention to the principle of equality in a virtual community focused on cooperation. She defines it as equal access to the company’s knowledge and resources based on trust and risk management. Yochai Bencher (2011) distinguishes seven significant areas that are necessary to build a cooperation system:

1. Communication, to facilitate the achievement of goals, increase empathy and trust in the team.
2. Context and authenticity, to present and describe the situation.
3. Empathy and solidarity understood as first and foremost the interest of the group and not the individual.
4. Honesty and morality, which are associated with a precise definition of values and play a significant role in the case of cooperation.
5. Prizes and penalties – cash prizes have a significant side effect in the area of psychology, sociology and the moral sphere of human motivation. Therefore, only financial rewards should be avoided.
6. Reputation and reciprocity rule plays an important role, even in the case of anonymous reputation.
7. Diversity – the cooperation system must be flexible and take into account the diverse needs of people in the area of motivation to cooperate.

In turn, A.J. Bradley and M.P. McDonald (2011) condition the occurrence of mass cooperation in the need to ensure transparency within the virtual community. They believe that this is a necessary condition allowing collaboration through the possibility of jointly creating, improving and supplementing available content, and also has a mobilising role for the members to develop their contribution, thus involving a more significant number of participants.
The condition for the occurrence of network relations and cooperation within a common goal on a massive scale is access to a technical solution that enables collaboration for all participants. Engagement platforms used as a communication platform in the process of co-creating values with clients may take a different form: from physical meetings to virtual meetings, websites or mobile devices. Among the virtual solutions available, it is worth mentioning because of their different nature (Ramaswamy, Gouillart, 2010, pp. 187):

1. Dell – website with a place to exchange opinions and observations.
2. Apple iPhone App Store – a platform for engagement between the company, independent suppliers and clients.
3. GlaxoSmithKline’s – a private community established to develop the positioning and scope of the new product called Alli.

V. Ramaswamy and F. Goulliart emphasise that the tasks facing contemporary companies are not limited to the process of design in the traditional approach, but are based on establishing platforms where producers and customers co-create a unique experience for both parties. The use of technology enables the creation of a system for activities focused on co-creation for companies: a way to aggregate and use such activities, which will also be useful for other market participants.

2. Remuneration of consumers in the co-creation process

The concept of the consumer working for enterprises is not a new phenomenon. Millions of people around the world volunteering for companies and organisations, from simply expressing opinions or posting advice, to sharing their computer hardware to increase their power and computing resources. These people create value for enterprises and their shareholders and the consumers of these companies. Charity, however, is an issue closely related to non-profit organisations. Therefore, S. Cook puts in the face of changes taking place a critical question, which affects the attitudes of consumers who undertake cooperation on a voluntary basis for companies whose primary goal is profit. Benefits for enterprises from involvement in joint value creation with the virtual consumer community seem to be obvious and on many levels have a measurable character, but the gains achieved by clients in this process are still of interest to many researchers. Finding the answer to the question posed by S. Cook (2008) is particularly important in the context of assessing the stability of business models that use customer participation. Examination of customer motivation seems to be also important for designing further solutions and their durability and repeatability over time. S. Nambisan and
R.A. Baron (2009) indicate that the motives of the clients’ activities are not entirely unselfish, although most companies undertaking cooperation with clients assume that their involvement is voluntary. The set of benefits resulting from the process of the co-creation of values from the consumer’s perspective is presented below in Table 1.

| Categories                     | Sub-categories                                                                 |
|--------------------------------|--------------------------------------------------------------------------------|
|                                | **Tangible**                                                                     |
| Economic                       | **Financial rewards** – discounts (Bitner, Faranda, Hubbert, Zeithaml, 1997; Zeithaml and Bitner, 2000), economic rewards, monetary prizes, profit sharing from the firm (Quiggin, 2006), product vouchers and discounts, money from the company (Grayson, 2008). **Intellectual/technological property** – consumers might receive intellectual/technological property from engaging and especially winning in co-creation competitions (Hoyer et al., 2010) |
| Individualization              | **Greater personalisation** – greater product customization (Schneider, Bowen, 1995), preferential treatment, improved service provision, services that are more individualized, faster, understandable, greater convenience, personalized experiences that are both meaningful and fulfilling to the user (Schneider, Bowen, 2003 cited by Shuxia, Mingli, 2012; Schmidt-Rauch, Nussbaumer, 2011; Auh et al., 2007). **More discretion and opportunities to make choices** (Schneider, Bowen, 1995) |
| Control over desired outcomes  | **Having more control over desired service outcomes** (Zeithaml, Bitner, 2000) |
|                                | **Intangible**                                                                   |
| Social                         | **Recognition in society** – visible symbols of recognition (Füller, 2010) for particularly contributed co-creators as their uniqueness compared to other customers (Nambisan, Baron, 2009), pride of authorship (Etgar, 2008), strengthening of credibility, status and confidence of the individual, visibility from engaging in (and especially winning) co-creation competitions. **Socialization, networking** – social identification by members (e.g., Algesheimer, Dholakia, Herrmann, 2005), feeling as part of the community, identification with the group (Abrams, Hogg, 2004; Elsbach, Bhattachaiya, 2001), valuing this identity positively and using it to create shared consciousness, human relationships, need for belonging, association and acceptance by one’s fellow customers, increase of customer bonds to each other and to the community, better relationship with the service provider (Baker, 2001 cited by Dholakia et al, 2009), strengthening of ties with relevant others, experience of social contact values, enjoyment of sharing some activities with people who have similar interests and desires (Etgar, 2008). **Communication benefits** (joy while interacting and communicating with co-creation partners (Etgar, 2008) |
| Psychologica-emotional         | **Learning benefits** – better understanding and knowledge about the product and service, their underlying technologies and usage (Nambisan, Baron, 2009), ability to convey the context (Majchrzak, Malhotra, John, 2005; Dholakia et al., 2009), gaining technology, product or service knowledge (Hoyer et al., 2010), acquiring new skills (Ratnaswamy, Gouillart, 2010), strengthening of an understanding of the environment (Nambisan, Baron, 2009), curiosity fulfillment (Füller, 2010). **Self-esteem** – enhancing own professional reputation (Melure-Wasko, Faraj, 2005), pleasure of making something unique, showing it to friends and having other people adopt their ideas (Tapscott, Williams, 2006), celebrity status gained from having one’s ideas used by the company or other users (Dholakia, Blazivic, Weitz, Algesheimer, 2009) |
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**Self-expression** – sense of self-expression and pride (Etgar, 2008), excitement from being able to compose his/her ideal product, positive affective reaction elicited by the process of self-designing the product (Franke, Sehreier, 2010), “psychological ownership”, feeling like the originator of the object, “I designed it myself effect” (Franke, Sehreier, 2010).

**Increased control** – self-esteem caused by increased control (Sehneider, Bowen, 1995; Etgar, 2008), more control over the situation, sense of being enabled and empowered to solve the problem or to implement a recommended solution (Sehmidt-Raueh, Nussbaumer, 2011).

**Hedonic** – aesthetic or pleasurable co-creation experiences, spirit of the place and its people, enjoyment of contributing to the process (Quiggin, 2006; Binkhorst, Dekker, 2009), pleasure, play and fun (Humphreys, Grayson, 2008), mentally stimulating experiences, pleasurable interactions between customers (Nambisan, Baron, 2009), enjoyment of the outcomes of the production process, the production process itself (Humphreys, Grayson, 2008), enjoyment of “being in this together” (Dudas, Haney, Morris, Russo, 2009).

**Altruism** – aspirations for longer term, humanistic and more sustainable ways of living (Quiggin, 2006)

Source: Damkuviene et al. (2012), pp. 59–68.

3. Research description

One of the objectives of the study was to identify the degree of utilisation of the idea of co-creating value in operational terms, taking into account the forms of remuneration of consumers. The following hypothesis was put in this area:

*H: There is a relationship between the company's perceived potential of co-creating value with clients in a virtual environment in the field of building a market advantage (PCII – Perceived Co-creation Impact) and the method of remuneration of consumers by enterprises within the framework of cooperation.*

The survey was conducted from August 26 to October 18, 2016. The study covered managers who received questionnaires, developed after previous verification in a pilot study. The survey verified several issues related to the idea of co-creating value. The article presents selected results regarding the issue of remuneration for participation in activities initiated by enterprises. The managers were sent invitations to participate in the survey with links to the online survey questionnaire. The questionnaire was prepared in a Polish and English version. It was verified in a pilot study by ten selected managers representing companies with a different business profile and size. Then corrections were made resulting from the comments collected at this stage of the study. The questionnaire in the Polish version was completed by 157 participants, while the questionnaire in the English version was completed by 42 managers. In total, 199 questionnaires were registered, including 134 with complete answers, which were subjected to further statistical analysis. The calculations were carried out using the SPSS v. 21/24 package and Statistica v. 7.1.
Managers participating in the survey mainly represented international companies (81 companies, which is over 60% of the total surveyed). 46 managers represented companies with nationwide coverage. The group of companies with a local and regional scope of activity was the least numerous: respectively 3 and 4 enterprises.

The sample survey is dominated by respondents representing enterprises whose service profile is the leading business activity profile. They represent over 65% of respondents. Subsequently, respondents representing companies with a production (19.4%) and commercial (14.9%) profile ranked as the number of responses. Out of all respondents, 79.1% were employed in Poland, and 20.9% of respondents represented enterprises from outside Poland.

Among the 28 managers employed outside of Poland, the largest number of companies represented the United Kingdom (5 respondents), the United States (5 respondents), Spain (3 respondents) and France (3 respondents). The other managers represented one company in the following countries: Australia, Lithuania, Norway, Belgium, Turkey, United Arab Emirates, Croatia, the Czech Republic, Denmark, Germany, Israel and South Korea.

4. Results

The issue of remunerating consumers for the work put into the generation of value, the consumption of which will concern both a wide range of future consumers and an enterprise that decides to implement a specific solution or idea proposed by the client raises many doubts both on the legal and ethical level. No less important is the aspect related to the effects of cooperation with clients and their dependence on the forms of remuneration. The research focused on this aspect and managers were asked what form of remuneration for clients for participation in co-creating value initiatives, in the opinion of respondents, affects the level of customer engagement. Out of all the companies using the idea of co-creation in business practice, 15 respondents (28.3%) do not see the relationship between the type of remuneration and the level of involvement. In the second place, with the same number of indications (11 enterprises, i.e. 20.8%), there are the answers “clients are most involved in committing unpaid cooperation” and “clients are most involved when cooperation is the result of competition for the prize”. The financial salary was indicated by eight respondents (15.1%).

Two questions in the questionnaire were used to construct the indicator (PCII – Perceived Co-creation Impact) – question 11 and 17 (see Appendix). Question 11 contains twelve statements referring to the positive impact of co-creating value on the market position of the company and
question 17 covers the negative aspects of co-creation, constituting a set of threats. Factors have been selected and based on literature research.¹

First, the positive and negative answers to question 11 were summed up. All positive responses were assessed equally, without taking into account the differences between the respondents ‘agree’ and ‘strongly agree’ opinions. The same applies to negative responses. This means that a positive assessment of all statements contained in the question gives a total value of 12 and a negative one for all statements –12. The answers “I do not agree, nor disagree” and “I do not know, it’s hard to say” were treated as deficiencies and excluded from the analysis (31 cases out of 119). The distribution of the obtained answers is presented below in Figure 1. It shows that positive assessments dominate the respondents; there are only two cases of negative assessments. Most of the observations are concentrated around the upper quartile, and the distribution takes the asymmetric form.

![Figure 1. The distribution of the Q11 variable](image)

In the second step, the positive and negative answers to question 17 were summed up. This question contains four statements regarding the risks associated with the implementation in the company of the idea of co-creating value with consumers, including external and internal threats. The scale of responses comprised six variants – “0 – no risk” was treated as a positive answer to this question (1), responses 1 to 4, where 4 was marked as high risk were

¹ Increase in customer satisfaction and increased repeatability of purchases are mentioned by B. Dong (2008), A.L. Roggeveen (2012); J. Füller, K. Hutter and R. Faullant (2012), J. Van Doorn, et al. (2010) are writing about improving the quality of products/services offered by the company; V. Ramaswamy and F. Gouliart (2010) describe the impact on lowering costs, increasing productivity as well as expanding market opportunities; The growth of recommendations among consumers and improvement of the company’s innovativeness in the scope of development of products/services or processes and access to the current market information is presented by J. Van Doorn, et al. (2010), Z. Pilgrimiene, A. Dovaliene and R. Virvilaite (2015); S. Maklan, S. Knox and L. Ryals (2008). V. Ramaswamy and F. Gouliart (2010), Z. Pilgrimiene, A. Dovaliene, and R. Virvilaite (2015) describe market risk reduction and observe increases in sales.
considered negative (–1). The answer “I do not know, hard to say” was excluded from the analysis (22 cases out of 119). The assigned scores were therefore in the range from –4 to 4 (see Figure 2). The distribution of obtained numbers is asymmetrical, and indicates the predominance of negative assessments – accumulation in the area of negative values –4 and –2. From among 97 qualified answers, they constitute a total of 73% (39 cardinality –4 and 32 cardinality –2).

![Figure 2. The distribution of the variable Q17](source: Łaszkiewicz (2018)).

The next stage consisted in adding together the values of both data obtained in the previous steps – the sum of simplified positive and negative grades for questions 11 and 17 was combined – in this way the co-creating value indicator (PCII) was created.

There were 71 correct cases (48 missing). The minimum value was –12 and the maximum value was 16. The median indicates that at least half of the observations have a value below 7. In both cases, they are positive values.

![Figure 3. The distribution of the variable for the indicator PCII](source: Łaszkiewicz (2018)).
The obtained index was then analysed for the relationship between the PCII indicator and the methods of remunerating the consumers. There are no grounds for rejecting the hypothesis that there are no differences in PCII distribution due to the way of rewarding \((p = 0.052)\). However, a small \(p\)-value suggests the existence of differences (it can be assumed that the result would be significant for a larger number of observations). Enterprises with a high rate believe that consumers should work together without remuneration, while a lack of relationship is found in low-rated enterprises (see Figure 4).

![Figure 4. Box plot of the value of the PCII indicator and the method of rewarding consumers for co-creating value with the company](source: Łaszkiewicz (2018)).

Conclusions

Out of all the companies using the idea of co-creation in business practice, 28.3% do not see the relationship between the type of remuneration and the level of involvement. Almost 21% declares that “clients are most involved in committing unpaid cooperation” and 20.8% believes that “clients are most involved when cooperation is the result of competition for the prize”. However, enterprises with a high rate of positive answers to questions about the benefits of value creation believe that consumers should work together without remuneration. The presented results are only a fragment of complex issues related to the idea of co-creating value together with consumers using a virtual environment. It should be noted that they refer only to the form of cooperation in the online environment, which is influenced by various criteria such as internet access, properly prepared communication or transparency of cooperation results.
issues may become the basis for developing further research. It should also be borne in mind that the sample size used in the presented research brings limitations to further inference and interpretation. Repeating the tests using a larger sample size could be the basis for a comparison. Co-creating value with consumers is one of the directions that can gain in importance in the coming years. The consumers’ desire to personalise the solutions they purchase, the willingness to stand out and the need to influence their activities and the environment may contribute to the increase in the popularisation of these solutions. Also, for enterprises, cooperation with virtual communities can be a valuable source of a competitive advantage. Skilfully motivating consumers for cooperation will, therefore, have a significant impact on the whole process and its effects. The involvement of consumers in the process of co-creating without remuneration for the ideas and solutions delivered seems to be the best solution. However, due to the limitations mentioned in the article, this issue requires further in-depth research and analysis.

Appendix

Questions used to construct the PCII indicator

| Q11. How, in your opinion, does the idea of co-creating value with customers affect these areas? | Strongly disagree | Disagree | Neither agree nor disagree | I agree | I strongly agree |
| --- | --- | --- | --- | --- | |
| Co-creating value with customers increases customer satisfaction |  |  |  |  | |
| Co-creating value with customers increases repeatability purchases |  |  |  |  | |
| Co-creating value with customers helps to improve the quality of the company’s products and/or services |  |  |  |  | |
| Co-creating value with customers affect the cost reduction |  |  |  |  | |
| Co-creating value with customers has an impact on productivity growth |  |  |  |  | |
| Co-creating value with customers increases recommendations among consumers |  |  |  |  | |
| Co-creating value with customers leads to a reduction of market risk |  |  |  |  | |
| Co-creating value with customers helps to expand market opportunities |  |  |  |  | |
| Co-creating value with customers leads to increased sales |  |  |  |  | |
| Co-creating value with customers affect the company’s innovation in the development of products, services and/or processes |  |  |  |  | |
| Co-creating value with customers allows access to current market information |  |  |  |  | |
| Co-creating value with customers may become an important source of competitive advantage for the company |  |  |  |  | |
Q17. What are the risks you see in the area of co-creating value with customers? Please select all that apply and rank them according to their significance

| Risk                                                                 | 0 – no risk | 1 | 2 | 3 | 4 – high risk | I do not know/hard to say |
|----------------------------------------------------------------------|-------------|---|---|---|---------------|--------------------------|
| Co-creating value with customers triggers resistance among the employees, who were previously involved in the production of value proposition within the company |              |   |   |   |               |                          |
| Co-creating value with customers exposes the company to reveal strategic information |              |   |   |   |               |                          |
| Customers are not able to provide better solutions and ideas in terms of products, services or processes, than company employees |              |   |   |   |               |                          |
| The idea of co-creating value with customers is often misunderstood by management |              |   |   |   |               |                          |

Source: Łaszkiewicz (2018).

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