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CO-CREATING THE FUTURE: DESIGN PRACTICES AND TOOLS FOR EFFECTIVE CUSTOMER CO-CREATION

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ABSTRACT

In this paper, we integrate literature on service-dominant logic (SDL) and innovation to examine the role of designers and their practices for collaborative resource innovation. More specifically, in taking a co-creation perspective we uncover a portfolio of practices that facilitate resource integration and innovation among companies and customers through the help of design professionals. In doing so, we advance our theoretical and managerial understanding of efficient and effective collaboration for innovation purposes. We adopted a qualitative research approach to collect empirical data on designers' practices, studying seven projects in which design consultancy firms were hired to provide strategic support in the development of new products or services (n=36 interviews in total). Our results show that designers engage in various practices for successful innovation co-creation: scouting, bonding, discovering, story-making, condensing, animating, representing and aligning. These practices are essential for optimizing the role of customers as potential co-innovators.

Keywords: co-creation, service-dominant logic, design, resource integration

1 INTRODUCTION

More and more companies compete on the basis of superior customer experiences rather than (purely) on the basis of product/service functionality or technology (e.g. Verhoef et al., 2009). A theoretical approach that helps frame this development is service-dominant logic (SDL). SDL proposes an overarching approach for analysing economic exchanges in which the customer as a resource integrator is always a co-creator of value (Vargo and Lusch, 2008). From this perspective, the customer co-creates value by interacting with and using various resources and thereby contributes to creating valuable experiences.

However, while theoretically the customer (and any other involved market actor) is reasoned to be a resource integrator and thus value co-creator (see SDL premise 9), the individual's potential to participate and contribute to meaningful experiences varies significantly in reality. Customers or firms may not necessarily possess the optimal capabilities, motivations, and/or relationships for efficient and effective resource integration (e.g. Verganti, 2008). Similarly, when it comes to resource innovation, customers and firms can be bounded by their creative, rational, and relational capacities, in addition to their path dependencies and context-limitations (e.g. Ordanini and Parasuraman, 2011).

The strategic role of the firm is thus to facilitate and enhance superior experiences, by way of enhancing interdependent resource integration and

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resource innovation (Karpen et al. 2012). However, marketing research that investigates how firms can leverage co-creation processes in an innovation context is limited. In this paper, we address the co-creation challenge by integrating literature on SDL and innovation, and by proposing designers as innovation professionals capable of optimising collaborative resource integration and resource innovation.

In the last decade, innovation researchers devoted considerable attention to the idea of customer co-creation (for a review of the literature, see e.g. Greer and Lei, 2012). Much of the debate in this literature centres on whether close cooperation with customers results in incremental innovation rather than radical innovation (e.g., Verganti 2008; Menguc et al. 2014; Ordanini and Parasuraman, 2011). Related is the discussion on whether products developed on the basis of ideas from customers are more commercially successful than products developed by innovation experts (e.g. Nishikawa, Schreier and Ogawa, 2013).

The question that underlies this debate is whether or not customers, compared to innovation professionals, possess the requisite skills and capabilities to (co-) develop successful new product and services (Nishikawa et al., 2013). In this paper we take a different approach and rather than juxtaposing innovation professionals versus customers (e.g. Nishikawa et al., 2013; Menguc et al. 2014), we suggest that innovation professionals can assist in generating and integrating customer insights, making customer co-creation more effective. Such an approach follows the direction indicated by Ordanini and Parasuraman (2011), who—based on their empirical results—make a plea to better understand the interplay between customer and business partner innovation. Our basic premise is, that to release the potential of customers to innovate, firms need innovation experts (e.g. designers) to guide and moderate the customer co-creation process. Prior research suggests that integrating designers in new product or service development can help in creating effective customer experiences (e.g. Verganti, 2009; Gemser, Candi and Van den Ende, 2010). However, what are the practices that designers engage in for efficient and effective co-creation processes with customers?

In addressing this question, we contribute in several ways to the extant literature. First, we provide insights into the role of designers as facilitators and translators of customer knowledge and creativity. Second, we uncover a portfolio of practices of innovation co-creation that are central to effective and efficient innovation outcomes. And third, we elaborate potential contingencies of SDL (premise 9), which assumes that all market actors are resource integrators while neglecting potential limitations and implications.

2 METHOD

We adopted a qualitative research design to collect empirical data on designers' practices to integrate customer insights. We opted for a multiple case study approach (Eisenhardt, 1989; Yin, 2003) and studied seven projects in which design consultancy firms were hired by clients to provide support in the development of a new product or service. We sampled projects in which the design consultancy firms were involved in a more strategic role, contributing from the start of the innovation project as co-developers, rather than being mere executors of design briefs. This allowed us to study designers' potential contribution in more depth. To create variety in the sample, we selected projects in different industries (digital services, public transport, healthcare, bicycle accessories, cultural institutions, consumer electronics, social entrepreneurship).

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Both the design consultancy firms and their clients vary in size (from small to large). For each case we collected data from three sources: (1) interviews with design professionals involved in the selected cases; (2) interviews with key informants from the subcontracting company; (3) secondary sources such as project documentation (briefs, reports, presentations, supporting visual material), web sites and informal observations. In total, we performed 36 interviews.

The interviews were semi-structured and open-ended. Each case started with interviewing the project leader(s) from both the design professionals and their client. Subsequently we alternated respondents from the two parts, in order to triangulate information, clarifying inconsistencies, and filling-in gaps. We taped and transcribed the interviews, which lasted from 60 to 90 minutes each. The analysis followed the general approach indicated by Eisenhardt (1989) and Miles and Huberman (1994): 1) identification of quotes exemplifying design professionals' practices towards integration of customers' and companies' needs and perspectives; 2) creation of individual case histories to record the main themes and constructs emerging from the selected quotes; 3) compilation of a preliminary list of constructs and themes; 4) cross-case analysis of themes and constructs; 5) tentative identification of relationships between practices and outcomes. We refined these initial relationships through repeated iteration between data, literature and analysis.

3 RESULTS

According to our data, designers can enhance a company's capability to co-create through several practices aimed at enlarging the actors involved in co-creation, extending the resource provided for co-creation by these actors, and effectively integrating such resources during the act of co-creation. The derived practices are defined and illustrated through exemplifying quotes in Table 1.

Table 1 – Design practices and exemplifying quotes

Design Practice	Description	Illustrative quotes
Scouting	Designers actively look for additional, unconventional users and context-relevant actors to enrich the accessible resource (information) pool	"Because they [the client company] only interviewed their heavy users. You know...so it was quite positive and ok, that's nice. But I was more interested in getting the views from people that don't use their services but use public transport a lot. And also ask the early adopters [of technology], interviewing people who really use apps a lot, and also use public transport a lot." (Designer, Project A).
Bonding	Designers facilitate a context and willingness for users/clients to share their	"[The designer] said you have to come into a creative mood. That is hard. You just come from your job...[He asked us to] just sit and relax and have a coffee and a cake and imagine that there is a beach. You are alone in an island and what do you see on the beach? [...]And he brought us in fantasies. What we saw on that beach:

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	needs and perspectives.	<i>complete madness! At the end we saw see horses. But because our group was in that mind-set it was easy to find creative concepts that belong to the insights of the customers [...].” (Client, Project D)</i>
Discovering	Designers use human-centred tools and methods to help actors involved in co-creation to generate and adopt new and more authentic insights.	<i>” First we did a session...not really a brainstorming...but a session to see what [the client company] is about. [...] So we told them to bring something personal from you at home, put it on the table...something that for you describes [the client company] as a brand. And they could do that for [the client company] now or in the future. So they had to think about themselves now and in the future. And that worked very well to really think about it.[...] To find out what kind of values they feel happy with, we made all kinds of cards with all sorts of images and texts on them (reliable, sporty, trendy) [...] and then they had to pick up which one they found more important or less. And then we could identify how they saw themselves” (Designer, Project C)</i>
Story-making	Designers work together with co-creation actors to integrate new insights into inspiring narratives.	<i>”And also one of the new items that [the designer] brought to [the client company] was when you have an idea and you like to present it to the management board, we were used to do it only in slides and ppt, which is dull. He [the designer] brought the idea to us: make drawings. And with the drawings and the story board you are going to tell a story. And when you tell a story it is better in the mind of people to understand what you mean” (Client, Project D)</i>
Condensing	Together with co-creation actors, designers connect and organize insights in a meaningful and parsimonious manner.	<i>[Talking about making posters]”So at the end of the discover phase we summarised the future context. So what is it? What's going on and where are the big opportunities? And the second big power of posters is to summarise the future user experience and all the value propositions that interplay on that user experience plus, potentially, even the business case, plus the roadmaps. That's all fixed into one format and I think that's a very strong set” (Designer, Project F)</i>
Animating	Designers use visualization and materialization to communicate the condensed information in an engaging manner towards co-creation	<i>”When we introduced a persona, they [i.e. the client] really got a feel for it...ok this person has to buy my products...it clicked with them, it made sense for them. [...] personas really helped them to see what people want.” (Designer, Project C)</i>

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	actors.	
Representing	Designers represent the needs and perspective of different co-creation actors in the entire co-creation process.	"[The design consultancy firm] is really thinking from the standpoint of the traveller [i.e. the user of public transport]. And that's very good because in this company there's a lot of focus on [our B2B clients]. Not only, but it's a big part. But the danger is that you loose the focus on the traveller. And [the design consultancy firm] just does that: focussing on the travellers. (...) [they provide] an understanding of our [website] visitors; why we are on the market." (Designer, Project A)
Aligning	Designers align the needs and perspective of different co-creation actors with the values and assets of the company.	"Together we [i.e. the client and the designer] organized some sessions, meetings with internal experts. And we discussed what are the most important values for our company according to them." (Designer, Project B)

Designers' contribution to enhancing companies' co-creation capability starts with selecting relevant co-creation actors and resource providers. Through the practice of *scouting* designers extend the pool of actors that could provide relevant knowledge for co-creation, including customers from disregarded market segments, internal stakeholders initially uninvolved in the co-creation project, and external business partners. Given the human-centeredness of their expertise and way of working, designers are inherently able to create the contextual and personal conditions for a more authentic sharing of co-creation actors' needs (*bonding*), thus paving the way for a more thorough and innovative extrapolation of knowledge for co-creation.

Such bonding is facilitated by designers' use of human-centred methods (e.g., ethnography, probes, creative sessions), which engage co-creation actors at a deeper level and allow for the rise of new insights (*discovering*) for guiding co-creation. Engagement is also achieved through a more participative process of data analysis. Whilst in traditional market research the researcher analyses the data autonomously, designers keep co-creation actors involved in data analysis and co-create the emerging stories with them (*story-making*). Thus actors' insights are no longer just an input for co-creation, but an act of co-creation itself.

Once the insights have been extrapolated, designers support companies in using such insights in their innovation projects, thus facilitating *resource integration* in co-creation. Several practices pertain to this facilitation process. The practice of *condensing* the insights is particularly relevant, since the generated insights might be unstructured, apparently disconnected, and massive in quantity. Our data suggest that designers can help companies in "*linking the dots together*" (Client, project D), by sorting the insights, underpinning key information, and combining into new knowledge. Designers subsequently use tools like personas, customer journeys, and storytelling to crystallise the condensed information in a

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compelling manner (*animating*). Especially when it comes to incorporating customer insights in innovation decision-making, companies might be resistant and sceptical towards the more authentic customer perspective advocated by designers. Designers' efforts in visualizing and materializing contribute in making customer insight more vivid, concrete, and thus convincing.

Another way in which designers keep companies focused on research insights is by embodying the needs and perspectives of different co-creation actors during the entire innovation project (*representing*). Given the frequent lack of familiarity with external (but relevant) perspectives and their inherent heuristics in decision-making, company decision makers might end up disregarding customers' insights or other stakeholders' insights, thus deviating from optimal co-creation. By constantly questioning the extent to which such insights are taken into account, designers embed co-creation actors' needs into innovation co-creation projects in an enduring fashion. Such embedding is also achieved through *aligning* external perspectives and insights with the current values and assets of the company they work for. Given their capability of making holistic associations, designers can find balance between representing different actors' needs and perspectives and building on their client's own needs and wishes. Such approach streamlines the integration of resources, and makes co-creation more effective.

4 CONCLUSIONS

Designers can be seen as experts in making sense of the future (Sanders and Stappers 2014). However, as stressed by Sanders and Stappers (2014, p. 6), designers co-create this future: collectively the designers and 'co-designers' (i.e., customers and companies) are "exploring, expressing and testing hypotheses about future ways of living". Thus, according to design and service researchers (e.g. Sanders and Stappers, 2014; Vargo and Lusch 2008), value and meaning is to be created with customers rather than for customers (a commitment to collaboration), through interdependent resource integration and resource innovation. Our results show that designers engage in different design practices for supporting companies in engaging in effective co-creation during innovation projects.

Our results on the role of designers and their capabilities contribute to the emerging marketing literature on marketing and design. This literature is underdeveloped: there is not much literature available how to effectively integrate design and marketing capabilities. Marketing literature tends to focus on the value of design in terms of design *outcomes*: the importance design has in aiding marketers to differentiate their products and achieve competitive advantage (e.g., Bruce and Daly, 2007; Fraser 2007; Kristensen and Gronhaug, 2007). There are only very few recent marketing studies that explore what design can bring to marketing above and beyond outcomes alone – such as capability, mind-set and process (Chen and Venkateshb, 2013; Venkateshb et al., 2012).

SDL views knowledge and skills as 'operant resources', essential for competitive advantage and goods are not an outcome in themselves but derive their value through use – i.e. the service they provide. Our paper shows that design can be a very effective 'operant resource' that can help companies in making attractive

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value propositions by effectively co-creating with customers and other relevant stakeholders. Moreover, we illustrate that while all market actors are resource integrators, some actors such as designers are important moderators facilitating new or better resource integration and resource innovation. As noted by Davis (2010) knowing more about customers (data) is not enough to compete in the present-day world; marketers should leverage this knowledge in order to creatively enhance the company's value proposition and customers' experiences. Designers and the design outcomes of a co-creative process can help companies build confidence in developing experience-rich products or services, and thereby position themselves to build stronger customer relationships.

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