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MASTER'S THESIS

CROWDFUNDING - A TOOL TO REFRAME TRUST AND LOYALTY

APPLYING THE CO-CREATION OF VALUE DURING A CROWDFUNDING CAMPAIGN

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“Satius est supervacua scire quam nihil”. Seneca.

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ABSTRACT

This thesis project explores and evaluates the potentialities of the crowdfunding campaign as a tool to implement the ‘co-creation of value’ theory and to increase the customer loyalty to the brand. The research is starting from the theoretical assumption that crowdfunding, thanks to its intrinsic characteristics, is a perfect platform where to implement the ‘co-creation of value’ theory. The theory concentrates on the importance to build efficient channels of encounter between the company and the customers, permitting the realization of a co-creation. This includes the possibility to have a two-way communication with the customers, to integrate them according to their competences in the development of the product/service, to share significant information, and consequently to organize a structured brand community. These procedures are essential to create value that, according to the Service Dominant Logic theory, cannot be produced autonomously by the company and then delivered to the customer, but it is the customer collaboration that gives value to the product and to the service.

The thesis follows a deductive approach that, starting from the theory, is trying to corroborate it throughout a qualitative research based on critical rationalisms. The hypothesis is tested thanks a multi-case and cross-sectional study, based on semi-structured interviews.

The analysis has corroborated the theory with its model to apply the co-creation of value during a crowdfunding campaign. Indeed, the brand loyalty of the customers participating to the co-creation process is increased. Nevertheless, the crowdfunding platform on itself usually does not permit the full application of the model, and the successful campaigns are integrating a crowd-sourcing aside.

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1. INTRODUCTION

The literature has recently discovered the crowdfunding and its rising potentiality. Being a relatively new phenomenon, it is primarily important to define its intrinsic characteristics:

> «*Crowdfunding is an initiative undertaken to raise money for a new project proposed by someone, by collecting small to medium-size investments from several other people (i.e. a crowd) (Ordanini et al., 2011, p.444).*»

> «*Crowdfunding can be defined as a collective effort of many individuals who network and pool their resources to support efforts initiated by other people or organizations (Gajda et al, 2012, p.9).*»

> «*Crowdfunding is an open call over the Internet for financial resources in the form of a monetary donation, sometimes in exchange for a future product, service, or reward (Gerber et al, 2012, p.1)*»

All the three authors have highlighted the three main characteristics. 1) It is a financial tool where money - financial resources - are raised; 2) the "crowd", in other words, many individuals, are the active characters taking the action; 3) the purpose is the "support" of a "new project, product or service" that has been proposed by someone(else). The third author, Gerber, includes more details: the Internet as the media, and the "exchange" of something as the (real)purpose, even if his definitions collapses a bit with the other two where the Internet and the reward concepts are considered irrelevant. This is mainly due to the wild use and different typologies of crowdfunding, but all the definitions agree on the essence of the phenomenon: more individuals support together the project proposed by a third part.
As a result of this 'collective support', the crowdfunding is strength-fully becoming one of the protagonist of the current business environment. Around 10 years ago a new system to launch different kind of projects was created using a dedicated website, technically defined crowdfunding platform, and it rapidly grew. The first crowdfunding platform was ArtistShare, launched in 2003; Sellaband in 2006, Indiegogo in 2008, Kickstarter in 2009 as RocketHub. Only on Kickstarter 66'000 projects have been funded raising in total more than 1 billion US dollar.

Nevertheless, **this research does not focus on the financial potentialities** and consequences of this important tool, but it focuses on the much higher potentialities that this tool can grow. Indeed, by its nature, the crowdfunding is a **communication media useful for manage the "intangible assets" of the service logic of Vargo and Lusch, and to re-gain the lost trust and brand loyalty** (Boyle, 2007) from the customer perspective.
Indeed, the crowdfunding platforms are conceived for creating a community of investors and for interacting with them in order to improve the product or service: «the supporters co-produce the output, selecting – and sometimes developing – the offers they seem to be the most promising or interesting (Ordanini et al., 2011, p.445)». The crowdfunding extended the micro-financiation or donation models: the investor/customer invests to obtain a return that is not necessarily financial, but often intangible: status, social esteem, identification (Vargo and Lusch, 2004, p.12).
Therefore, crowdsourcing frameworks are a basilar part of crowdfunding (Kleemann et al., 2008), with shared ideas and pools, where the members of the community collaborate in order to improve the community's benefits (ibidem). In other words, the founder co-creates with his investors. The result of this process is the "intangible assets" creating value for the company.

Who are the players?

As described before, crowdfunding had an impressive success during the last decade especially through the platforms. Small enterprises and start-ups managed to grow, in some cases to establish a leadership in the market and compete directly with well-known brands in different sectors. Crowdfunding represents not only an alternative access to the credit, but also (and mainly) an alternative and growing business concept, a new vision of the market and of the good.
As a consequence, **also the well-known brands** recognized the potentiality (and risk) of the crowdfunding. The big corporations started to understand the necessity to shape themselves in order to adapt their traditional business with the web 2.0 and evolution of the service dominant logic. They started using the new media for communication, branding, and co-creation of value. An example is Honda that in August 2013 launched a crowdfunding in Indiegogo for supporting the "Drive-In Cinema" in the USA[1]. Clearly, the main goal for them was to use the famous platform to **create a community**, **let the crowd identify itself with the same ideals and goals of the famous brand.**

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[1] Cf. https://www.indiegogo.com/projects/project-drive-in-save-the-drive-in-fund, the campaign did not reach the goal, but obtained visibility in the medias.

This tendency is spreading with great potential results, and the financial support is not the main goal. Instead, the main purpose is the creation of an **environment of desire**, of a **loyal community** (and customer). Therefore, the goal is to adapt the classic "company-centric view" with the new medias, and at the same time to preserve the customer attachment to the traditional brand.

At the basement of this innovative use of the crowdfunding, there is the theory of the Service Dominant Logic (2004) by Vargo and Lusch, and the Co-Creation of value (2000) by Prahalad and Ramaswamy. According to Vargo and Lusch, the traditional model of exchange for economics is evolving. The dominant logic of marketing was mainly based on the exchange of goods by focusing on tangible resources, embedded value, and transactions. Instead, the basis of economic activity is now shifting from the exchange of goods to service provision. A process defined as the use of one's resources or competences for the use of another entity. The focus is now on intangible resources and relationships (Vargo and Lusch, 2004, p.2).

In this context, «**enterprises cannot deliver value but only offer a value proposition**» (Vargo and Lusch, 2008, p.8). **Value can only be created through the interaction of the enterprise with its customer.** Therefore, companies should consider their customers as co-creator of value and stimulate the collaboration with the community. This view is confirmed by Prahalad and Ramaswamy: "the meaning of value and the process of value creation are rapidly shifting from a product/firm centric view to personalized customer experiences [..] As value shifts to experiences, the market is becoming a forum for conversation and interactions between customers, customer communities, and firms." (Prahalad and Ramaswamy, 2004, p.5).

1.1 PROBLEM DISCUSSION

The following research is starting from the theoretical assumption that crowdfunding, thanks to its intrinsic characteristics, **is a perfect platform where to implement the co-creation of value theory.** Prahalad and Ramaswamy concentrates their theory on the importance to build efficient channels of encounter between the company and the customers, permitting the realization of a co-creation. This includes the possibility to have a two-way communication with the customer, integrate them according to their competences in the development of the product/service, share significant information, and consequently organize a structured brand community. These procedures are essential to create value that, according to the service dominant logic theory, cannot be produced autonomously by the company and then delivered to the customer, but it is the customer collaboration that gives value to the product and to the service.

Therefore, during a crowdfunding campaign, the company has several tools to implement this theory thanks to the quality of the platforms such as Kickstarter and Indiegogo. Nevertheless, the marketing and social science literatures mainly focused on crowdfunding with the purpose to analyze the impressive growth of the platforms used by SMEs as alternative financial resource (cf. Bellaflamme et al., 2013).
The main researches failed to develop the importance of the community as a laboratory of value creation through the effort of investors/customers as co-creator and not as a simple shareholders.
In this optic, the main significant study is the one of Ordanini and Parasuruman (2011), which focuses on the reasons why a customer should turn into an investor and co-creator during a crowdfunding campaign. They demonstrated the importance of the network efficiency to attract co-creators: «Firms that organize crowdfunding initiatives serve as a typical "network orchestrator," in that they do not execute specific activities, but create the necessary organizational systems and conditions for resource integration among other players to take place (Ordanini et al., 2011, p.463)».

In addition, established brands are now starting to use this innovative tool. Evidently, the main purpose for them is not the financial support, but indeed the marketing effects on a successful crowdfunding campaign. In September 2013, "Adweek" published an article entitled "Brands discover crowdfunding as marketing tool". The article was exploring crowdfunding campaigns of several well known brands such as Honda, Philips, and Domino's Pizza (Adweek, 2013).
Established brands are not new to the use of crowdsourcing to enrich their "creation of value" process - significant is for example the campaign of Dell for improving its operation system (Kleeman et al., 2008, p. 12) - but only few are using crowdfunding. The theory of this research suggests a significant growth of commitment thanks to the monetary support that will give more potential to the crowdfunding than the crowdsourcing.

Finally, this research ending goal is to demonstrate that applying the "co-creation of value" during a crowdfunding campaign, following all the managerial procedure explained in the "State of the Art" (chapter 3), it will increase the customer loyalty and trust to the brand. Therefore, a crowdfunding campaign can be a useful tool for the established brand that are recording a loss in customer loyalty.

1.3 RESEARCH QUESTION

How and why a crowdfunding campaign can be a useful tool to reframe trust and loyalty with the different stakeholders applying co-creation of value in a service dominant logic?

The consequential hypothesis to corroborate is:
When a company manages the co-creation of value, framing brand community, during a crowdfunding campaign, the degree of trust and loyalty to the brand of the involved customers increases.

2. METHODOLOGY

This chapter determines all the fundamental elements composing the research design and delimitating the scientific method implemented for the following analysis and discussion.

2.1 RESEARCH PURPOSES

This research has two main purposes:

- to **explore** the use of the crowdfunding in a service dominant logic, especially as a tool for the 'co-creation of value', useful for companies to address and open an encounter channel with their customers. The exploratory research is necessary when only few researches have been already conducted about the topic or the context in which the research is to be conducted (Blaikie, 2010, p.70). It will be useful to comprehend the critical aspect of the 'co-creation of value' application inside a crowdfunding, and how the service dominant logic has changed the marketplace with the consequential corporates necessity to reshape their operations.
- to **evaluate the impact** of managing the 'co-creation of value' during a crowdfunding campaign. In particular, the research will evaluate the impact of the application of the co-creation, and the consequential brand community frame, on the degree of customer loyalty and trust to the brand. The evaluation research seeks to examine the consequences of the adoption of particular courses of action. It sets out to determine whether a particular program has been effective in achieving certain goals (Blaikie, 2010, p74). In particular, the *summative evaluation* is usually establish to determine the overall effectiveness in achieving a specific goal. Consequently, in this research will be determined the overall effectiveness of the 'co-creation of value' during a crowdfunding in achieving a higher brand loyalty and trust of the customers.

2.2 RESEARCH STRATEGIES

This mini-chapter exhibits the logic, and the set of procedures, for answering the research question and for achieving the research purposes. In addition, it provides the ontology and epistemology of the research, fundamental statements for the validity and reliability of the entire analysis.

The research will follow a **deductive** procedure. «The aim of the Deductive research strategy is to find an explanation for an association between two concepts by proposing a theory, the relevance of which can be tested (Blaike, 2010, p.85)». Once the theory is set - analyzing the different concepts and models proposed by previous researches and studies - it is deduced one (or more) hypothesis.
This hypothesis is the real focus of the research on itself, and it will be "tested" gathering appropriate data and «making the necessary observations». If the data are not consistent with the hypothesis - and it could be due to different aspects, from the quality of the data to the validity on itself of the theory - the theory at the base is rejected. On the contrary, if the data are consistent with the hypothesis, the theory is "temporary supported", it is ***corroborated*** (Popper, 1959, p.33), in other words, accepted.

As stated by Blaikie, the deductive approach starts with a main theory that it is usually deduced from two or more main concepts. The "State of the Art of the Research" (chapter 3) will explain the theoretical background of the research, the deduction of the main theory, and the consequential logic procedures by which the hypothesis has been deducted (see figure 1 and its explanation at chapter 3).

Figure 1 - How to regain trust and loyalty? Throughout crowdfunding, applying co-creation of value, building a brand community.

2.2.2 Epistemology and Ontology of the Research

The scientific approach of this research, the "research paradigm" that constitutes the theoretical basement for any scientific analysis with its ontological and epistemological assumptions, it has a crucial importance to understand the research on itself.

The **epistemology** of this research is based on the '**critical rationalism**' advanced by Karl Popper (1945). The '**falsifiability**' principle is at the base of the critical rationalism, indeed there is a scientific validity of a theory only if it is testable (thanks to a deductive approach) through a process that can potentially falsify (reject) the theory.

If the hypothesis does not contrast with the experience, in other words, if the falsification process coordinated by rationalism does not have a positive solution, then the theory is considerate *corroborated*, accepted.
Regarding the different sources to obtain knowledge, according to Popper there is not any quality differentiation: no one is better or worse than others (Karl Popper, 1963, op. cit., p. 49). Indeed, even intuition, imagination, pre-conceptual ideas, are important being very often the origin of a theory. "To observe" is not enough: it is important to know what to observe.
In addition, the observation is never a neutral process, but always "contaminated" by the theory. For this reason, the continuos process of falsifiability is one of the only way to proceed the research of the knowledge in a particular field.

The **ontology** of the critical rationalism is a logic consequence of the falsifiability concept. Popper specifies that even if it could be eventually possible to reach the *noumeno*, the absolute truth, there will be never the awareness of having reached it. Indeed, the final and scientific proof of having reached the truth is impossible. It is scientifically possible only to be sure that one theory is rejected after a falsification process. **The ontology of the truth is then not a questionable point for the critical rationalism.** Even though it is eventually possible to state a true theory we will never be able to demonstrate its truth; even after thousand of positive observation *corroborating* a theory, one singular negative observation will falsify the validity of the same theory.

Consequently, **the number of observations is not a criteria to judge the quality of the conclusion**: indeed even numerous observations can totally exclude an opposite (and still valid) future result. On the contrary, a single observation of a counter-example can efficiently falsify an erroneous generalization or at least contemplate a doubt if its validity (Ulrich, 2006, p.3). To explain this idea, Popper used the famous example of the white and black swans: even if in all our observations all the swans are white, it is not correct to establish that all the swan are white. Indeed, just a single observation of a black swan can falsify an erroneous generalization.

In conclusion, according to Popper, the ontology should neither be an issue for the science. The role of the researchers is to continue the falsifiability process, «a never-ending process of challenging current hypotheses by subjecting them to the most severe observational tests available. Even hypotheses that survive all tests remain inherently provisional; we can never quite exclude that a future observation might contradict them (Ulrich, 2006, p.4)».

2.2.3 Theoretical Base and Literature Background

Following the deductive approach, the theoretical base and literature background - that forms the state of the art and starting point of the research - is the 'service dominant logic' together with the 'co-creation of value'. This two main concepts form the base for the theory that the research is willing to *corroborate* testing the main hypothesis of the research question (chapter 1.3).

The **chapter 3.1** will exhibit the rational connection and consequences of these theories: <u>their application to (co)create a brand-community, to frame the community effort, and to receive their monetary support</u>. The whole chapter 3 forms the essential theoretical base and comprehension of the theory that applied, if the hypothesis will be corroborated, will suggest an innovative managerial action in order to increase the customer loyalty to the brand.

2.3 SELECTION OF DATA SOURCES

The research will "test" its hypothesis in relation to **qualitative data** raised trough a **multi-case and cross-sectional studies.** The multi-case study is considerate the most appropriate for collecting qualitative data and *corroborate* a general theory over different real cases (Blaikie, 2010, p.25), since it permits to investigate «a contemporary phenomenon within its real-life context (Blaikie, 2010, p.189)» and it is particularly useful when there are «many more variables of interest than data points, and one result (ibidem)», meaning a convergence of all the data and variables into a singular concept and result. Besides, the cross-sectional studies are useful to analyze the same variables and data, coming from different sources, in a singular dimension of time, usually the present. For this reason, it is generally adopted for exploratory and explanatory researches (ibidem, 202).

In addition, the decision of the case is also strictly connected to the validity of the theory on itself. The research can delimitate its own limits of validity, trying to corroborate or falsify the theory inside these limits. For these reasons, <u>to reduce as much as possible the risk of inappropriate data</u>, the multi case study is mainly divided into two sections:

- 2 case studies with
  - consolidated brands,
  - headquarter in Scandinavia,
  - consolidated crowdsourcing initiatives,

- both companies delivering “experiences” in very different industries;

- 2 case studies with
  - new brands to the market,
  - one located in Scandinavia, the other one in London,
  - succesfull crowdfunding initiatives,
  - both companies delivering “experiences” in very different industries;

Thanks to this differentiation the research is willing to receive appropriate data in order to judge the application of the theory into different realities that still posses common aspects.

1) The first evident differentiation is the **consolidation of the brand**, 50% of the cases with a famous consolidated one, and 50% with a new one to the market.

2) The second important differentiation is the **type of interaction with their customers**, 50% of the case with a crowdsourcing initiative, and the remaining 50% with a crowdfunding one.

3) The third important differentiation is the **industry in which they operate**: indeed all the 4 companies are working into 4 different industries, but all of them are delivering (with services and/or products) mainly “experiences” to their customers.

The four company forming the case-studies are:

- The Lego Group,
- Scandinavian Airlines System AB,
- Vengit Limited about SBrick ©,
- Virtuous Spirits AB about Virtuous Vodka ©.

The managers that have been interviewed for each company are:

- **Lego Group**: Mr. Tormod Askildsen, Lego Senior Director of Community Engagement & Events. Mr. Askildsen has been working with the Lego Group for more than thirty years. He maintains a strong relationship with the main actors of the Lego community and he is the responsible of the platform "My Lego Idea". Therefore, the experience acquired by Mr. Askildsen at Lego is a valuable asset for this research.

- **Scandinavian Airlines**: Mr. Peter Gabrielson, Head of Moment of truth, Service Experience and Staff interaction. Mr. Gabrielson has a PhD from Stockholm School of Economics with focus on the link between the Service encounter and the Brand. He has worked with Scandinavian Airlines for the past five year and is in charge of the

	LEGO GROUP	SAS	SBRICK	VIRTUOUS
CONSOLIDATED BRANDS	√	√		
NEW BRANDS			√	√
SUCCESSFULL CROWDSOURCING	√	√		
SUCCESSFULL CROWDFUNDING			√	√
OFFERING "EXPERIENCE" TO THEIR CUSTOMERS	√	√	√	√
HEADQUARTER IN SCANDINAVIA	√	√		√
HEADQUARTER OUTSIDE SCANDINAVIA			√	

Chart 1 - summarized reasons for the company selection

strategic positioning of the customer experience throughout the travel chain. The creation and management of the platform "My SAS Idea" is part of his mission to create a customer centric and leadership at Scandinavian Airlines. It has been chosen to interview Mr. Gabrielson base on the specific knowledge he acquired during its work at SAS.

- **SBrick:** Mr. Andras Barath, Project Leader of SBrick. Mr. Barath owns a bachelor in Business Administration and has worked for five years as a financial manager. He is the co-founder of the Sbrick project and he initiated the SBrick crowdfunding campaign and the social media platform for customer interactions. Therefore, Mr. Barath has the competent skills to be interviewed in this research.

- **Virtuous Spirit:** Mr. Johan Ranstam, Chief Marketing Officer. Mr. Ranstam, has studied economics an philosophy at Lund University and marketing at Berghs School of Communication. He has worked in the financial and marketing fields as Risk Manager, Business Developer, Strategist and Copywriter. He has been selected for the research as he initiated a crowd equity campaign for the brand on the Swedish platform 'Funded by me'.

2.4 DATA COLLECTION

The data collection is generally considerate the core activity of the research (Blaikie, 2010, p.24). Moreover, it is essential to collect the adequate data choosing the right source and system. As it has been declared before, all the possible sources to obtain knowledge are equally important, but the "most rational" source can pursuit the most adequate answer.

This research will collect:

- primary data, directly collected by the researchers. They include:
  - **semi-structured interview** with one manager responsible of the customer interaction processes inside his company. This interview is semi-structured in the meaning that it will follow the pre-figured logic of the theoretical framework (figure 2, pg. 17), and it will mainly analyze 3 perspectives: the general vision about customer interactions, the goals and methodology of the campaign, the results of the campaign. The questions are pre-set and connected to a specific content that they are willing to discover. Only in the case of a particular lack in the core sense of the answer, it will be set a new question. The answers are free in terms of length and content (See appendix 1 for the interview structure).

- secondary data, «collected by someone else and used in their raw form (Blaikie, 2010, p24)» the secondary data of this research includes:
  - **data collected by the company** are communicated to the researchers during the interview.
  - **data collected by others researches** but used during this research in their pure form without the interpretation of the original researchers.
  - **analysis** of the campaign websites. This analysis will support the interviews with a realistic observation of the quantity and quality interaction between the online community and the company. In particular the website analysis will check the presence of:
    - dedicated groups in relation to a specific argument or knowledge for framing the users into a pre-regulated task.
    - Inside the "development-groups" the company shares important information.
    - forums for the inter-communication between users.
    - a channel for submitting and supporting a problem/discussion from the users to the company.

- the company is actually present of the platform, interacting and asnwering to the users within an appropriate time.

  In this research, the web-site analysis is mainly used to support the interview outcomes, and not to be an independent source of knowledge.

- tertiary data, they are generally secondary data already analyzed and explained by previous researches:
  - The Lego Case study by Mary Jo Hatch and Majken Schultz (*Toward a theory of brand co-creation with implications for brand governance,* 2010).

2.5 ANALYSIS METHODOLOGY

> *«Classification is a conceptual process. When we classify we do two things. We don't just break the data into bits, we also assign these bits to categories […]. Thus all the bits that 'belongs' to a particular category are brought together, and in the process, we begin to discriminate more clearly between criteria for allocating data to one category to another. Then some categories may be subdivided, an others subsumed under more abstract categories. The boundaries between these categories may be defined more precisely. Logic may require the addition of new categories, not present in the data, to produce a comprehensive classification. Thus the process of classifying the data is already creating a conceptual framework through which the bits of data can be brought together again in an analytically useful way (Dey, 1993, p.44)».*

Coding the interviews into qualitative data is one of the most complex part of any research, including this one. This research relays on the Dey «classification conceptual process».

First of all, the interviews has been pre-divided (as described before) into three parts: managerial vision, campaign execution, and results. During the analysis this three parts have been subdivided for a better allocation of the logic data into the right category. The four resulting categories are:

- **General Vision - Management philosophy**; the first part is strictly connected to the first section of the interview. The main focus in about the management opinion regarding the evolution of the market with the consequential necessities to change the value-creation process. The second element is the opinion regarding the 'collective knowledge', the customer competence, and their effective value.

- **Campaign purposes and strategies**; this category is gathered from the first part of the "Execution" part of the interview. The focus will be about the company main purposes for the campaign, and the strategies adopted to reach this goal.

- **The quality and quantity of the customer interaction**; this category is gathered from the second part of the "Execution" part of the interview. The focus will be more about the user/customer/shareholder interaction trying to categorize their quantity, quality, and the methods to permit it.

- **The outcomes of the campaign**; the last category of the analysis is based on the last section of the interview. The analysis will first focus on the declared results of the campaign, and secondly will try to quantify the enhancement in the brand loyalty and trust of the campaign participants.

Before the analysis, following the suggestion of Kvale (2006, p.102), «the interview is structured for analysis by transcription». Consequently, the researchers are «**condensing and interpreting the meaning of what the interviewee describes** (ibidem)». This crucial process involves «developing the meanings of the interviews, bringing the subjects' own understanding into the light as well as providing new perspectives from the researcher (ibidem)». The ontological and epistemological assumptions of this research, based on the Popper's critical rationalism, are supporting this analytical method, where the researcher has to use any logical instrument and connection that he posses to *falsify* the theory.

2.6 PROBLEMS AND LIMITATION

This research is adopting a multi-case cross-sectional study. The choice has been due mainly to the possibility to analyze into different realities, during the same time and the same point of view, a particular social phenomenon that is reshaping (or is going to reshape) the way to conceive business, especially in the service sector. Thanks to the deductive approach it will be most probably possible to corroborate the hypothesis and then confirm or reject the main background theory.

Nevertheless, this same research structure will not permit a precise measurement of the degree of the "co-creation of value" impact into the brand loyalty of the customers. The research is mainly focusing on the managerial point of view, with the different application of a crowd-campaign, studying the outcomes of the case studies. As explained before, this kind of research is technically accurate to *explore* a field that is still unknown and unexplored by previous researches. However, the *evaluation of the impact* of the "co-creation of value" will consequently not be a precise measurement but it will give only a generalized point of view.

3. THE STATE OF THE ART OF THE RESEARCH

3.1 INTRODUCTION TO THE STATE OF THE ART OF THE RESEARCH

The current crowdfunding, based on the financial support of a online community, it is a relatively new concept. However, numerous researches have already been conducted to analyze its functionality, in particular: its **legal aspects** (De Buysere et al., 2012), its **financial characteristics** (Bellaflemme et al., 2013; Schwienbacher and Larralde, 2010), **the platforms it uses** (Ordanini et al., 2011), and the **community framework it creates** (Gerber et al., 2012). Nevertheless, these authors have missed to fully position the crowdfunding inside an economic shift, where the service has replaced the good and where the customer is not anymore a passive (loyal) user (cf. Boyle, 2007), but he is willing to actively interact and communicate with the companies and the other users.
On the contrary, this research has the purpose to demonstrate how crowdfunding can be an optimal tool for the company to adapt itself to the "new economy", to build a forum where to co-create value with the stakeholders, to build a brand community, and to reestablish brand loyalty and trust (See Fig.1).

Figure 1 - How to regain trust and loyalty? Throughout crowdfunding, applying co-creation of value, building a brand community.

On this purpose, the research will base its theoretical framework on the "new Service Dominant Logic" (S-D Logic) by Vargo and Lusch (2004) (see ch. 3.2) and on the "Co-Creation of Value" by Prahalad and Venkat Ramaswamy (2000) (ch. 3.3). These two theories are strictly correlated and they give the reader the basement to understand the **economic shift** and the new needs from both a company and customer point of view. Indeed, the basis of the market activities is now shifting from exchange of goods to service provision. A process defined as the use of one's resources or competences for the use of another entity. The focused is now on intangible resources, the co-creation of value, and relationships (Vargo and Lusch, 2004).

Therefore, the managerial consequences of the S-D logic and of the co-creation of value have been well explained by the "**brand community**" literature (ch. 3.4) (Muniz and O'Guin, 2001; Hatch and Schultz, 2010) and "**framing literature**" (ch. 3.5) (McGrath, 2007; Tsai, 2007). The research will explain the managerial theories that - applying the co-creation of value in a S-D logic - permit the company to re-establish the weak trust and loyalty of the customers. **Theories perfectly applicable inside a crowdfunding campaign**.

Equally important for the fully comprehension of the 'modern crowdfunding' it is the "**monetary support - donor behavior**" literature (ch. 3.6), where this analysis will take into consideration previous researches about the stakeholder willingness to financially support a project or a cause. Indeed, even if the S-D logic explains the customer necessity to fully comprehend the product and participate in its creation, the donor behavior literature highlights the actual commitment resulting from a donation.

In conclusion of this chapter, the literature framework will observe how indeed the co-creation of value in a S-D logic, with its managerial consequences (brand community and framing), can be applied in a **crowdsourcing** (3.7) and especially in a **crowdfunding** campaign. In this last chapter (3.8), the previous literature theories and researches will be connected creating a model that that suggests the proper application during a (co)creative campaign (see figure 2).

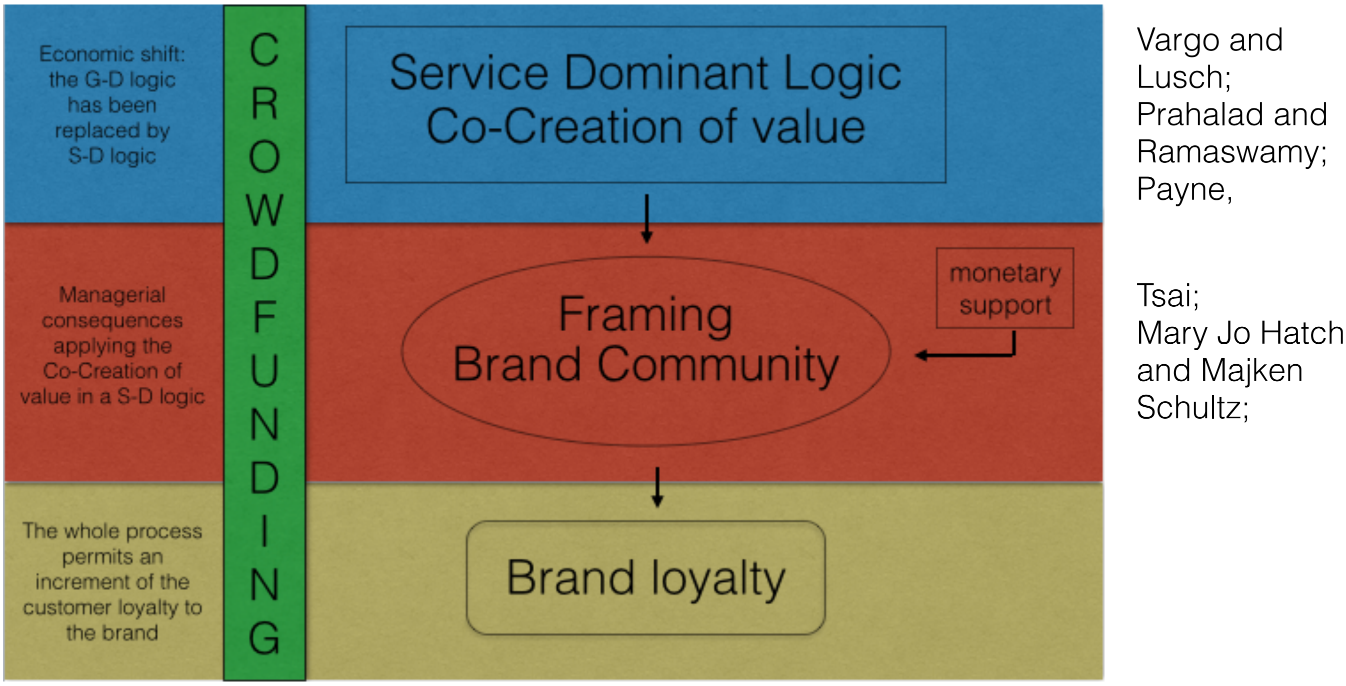


Figure 2 - The logic model to apply the co-creation of value with all its characteristics and procedures during a crowdfunding campaign

3.2 SERVICE DOMINANT LOGIC

The theoretical basement of this research is the Service Dominant Logic theory by Vargo and Lusch. The authors have explained the evolution of the new dominant logic where the service is the centric aspect. Indeed, it provides to the marketers the knowledge to interact with customers with the right channel and at the right moment, especially it gives a complete understanding of the crowdfunding environment. The new logic developed by Vargo and Lusch is based on the service marketing literature.

3.2.1 Value-in-use VS. Value-in-exchange

The publication of Lynn Shostack (1977), "Breaking free from product marketing" in the "Journal of marketing", is view as the pillar of the service marketing literature (Grönroos, 2006, p. 317). In this article, Shostack outlines the necessity of new marketing concept for services. The author argues that «Service marketing, to be effective and successful, requires a mirror-opposite view of conventional product practices (Shostack, 1977, p.73)». This article was published in a context where the mainstream dominant logic for marketing was good-based. Marketing «was viewed as a transfer of ownership of goods and their physical distribution (Savitt, 1990, in Vargo et Lusch, 2004, p.6)». Services were not part of the marketing literature, and neither they were considered to be a support for the production or for the sales of goods (Fisk, Brown and Bitner, 1993, p.63).

Nevertheless, some authors were agreeing to the concept that marketing can contribute to the creation of value, even if their definition of value were very often diverging (Dixon, 1990).

- On one hand, Beckman (1957) had a 'traditional' view: the marketing's role is to increase the good value during the market exchange, so a "**value-in-exchange**" in a marketing perspective, when the producer offer meets the customer demand. (in Vargo and Lusch, 2004, p.6)
- On the other hand, Alderson (1957) is arguing: «what is needed is not an interpretation of the utility created by marketing, but a marketing interpretation of the whole process of creating utility (Alderson, 1957, p.69 in Vargo, Lusch 2004)». Alderson had the opinion that the market exchange does not content the value, but the value is created during the whole business process by both the producer and customer. The Alderson view has been supported by Vargo and Lusch who created the concept of "**value-in-use**".

According to Toffler (1980, in Ballantyne and Varey, 2007, p.12), before the industrial revolution the market was focused on the value-in-use since the customer was closer related to the producer and trusting the producer about the real quality of the good (because the customer had the information). Later, the industrial revolution detached the producers from the customers giving a marketable exchange value to the goods, where the customer trusts the market: if a product had an high demand was assumed a value in the product, the trust was based on the market itself. Later again, the recent evolution of the marketing dominant logic can be seen as a return to the pre-industrial logic where the value of goods were determined by the user according to his information and personal needs correlated to the product (Ballantyne and Varey, 2007, p.12).

Following the publication of Shostack, a lot of authors started to focus on the Service marketing literature, implementing new models and theories. In this context, two main schools of thought in Europe started to distinguish themselves, claiming the need for a new marketing approach: one based in France (Eiglier and Langeard, 1976; Langeard and Eiglier, 1987) , the other one in the Nordic countries (Grönroos and Gummesson, 1985). The Nordic School was the first to consider Service marketing as the starting point of a new dominant logic for the mainstream marketing. Being the production and consumption (of a service) a simultaneous process, the Nordic School argued that **the service production is an "open system" and the good production a "closed system"**. For the School, «goods are one of several types of resources functioning in a service-like process, and it is this process that is the service that customers consume (Grönroos, 2006, p 330)». According to them, the good is only a resource for the service concept and the consumption of the service. In this view, the service marketing concept seems to be more appropriate for value creation than the good marketing concept.

3.2.2 SDL VS NORDIC SCHOOL

In 2004, Vargo and Lusch discussed in the Journal of Marketing a "New dominant logic for Marketing" where the value of goods is estimated by its service provisions rather than its value in exchange. This "new dominant logic" brought an important discussion in the marketing literature. The reflexion of Vargo and Lusch agreed with the Nordic school for the fact that service marketing concepts are more appropriate.
However the authors differs from the Nordic School considering goods as a «distribution mechanism for service provision (Vargo, Lusch, 2006, p.11)». For the authors, **marketing has moved from a good dominant view** (so, with tangible resources, embedded value, and market transactions), **to a service dominant view**, where intangibility, co-creation of value and relationships are the key concepts.

Particularly, ten foundational premises are suggested by Vargo and Lusch in their last article published in 2008 for the service dominant logic. In 2011, Grönroos proposed an updated version of those premise in order to facilitate management implications. The main fundamental premises suggested by Vargo and Lusch are the following:

- 1°FP "**Service is the fundamental basis of exchange**" (Vargo, Lusch, 2008, p9):
  This foundational premise outlines the fact that any form of exchange is based on specific specialized skill and knowledge. In this context service is exchanged for service, and good can be interpreted as a tool for service delivery. Grönroos (2011, p292) argues that service can be interpreted in a "logic of value creation". In this exchange, the customer will obtain value-in-use while the firm will have a financial gain. The author reformulates the first promise as: «Reciprocal value creation is the fundamental basis of business, with service as a mediating factor (Grönroos, 2011, p292)».

- 3°FP "**Goods are a distribution mechanism for service provision**" (Vargo, Lusch, 2006, p.11): As mentioned before, this premise differs from the Nordic School view, as Vargo and Lusch argues that the value in use is transmitted through the good. In his article, Groonros (2011, p294) argues that value can only be created by the customer or co-created with the service provider and customer together. The author proposes a more specific premise: «All resources and processes are distribution mechanisms for service provision, however without including value in themselves (Grönroos, 2011, p294)».

- 6°FP "**The customer is always co-creator of value**" (Vargo, Lusch, 2008, p.7):
  a firm can only deliver value proposition. Therefore, it is the customer's role to create value from the offering. The customer experience will be influenced by its capacity to learn to use and to adapt the tool according to its specific need. The authors also encourages the firm to involve the customer as a co-producer for the core offering simplifying the co-creation experience. Grönroos argues that the view of Vargo and Lusch is unrealistic and is not suitable for managerial implication and proposes a model for the creation of value in use illustrated by the graph below. For the author, the value in use is mainly created independently by the customer. If an interaction occurs, the providers can eventually be a co-creator of value with the customer. Therefore Grönroos proposed a new premise: «Fundamentally, the customer is always a value creator (Grönroos, 2011, p294)».

- 7° FP: "**The enterprise can not deliver value, but only offer value propositions.**" (Vargo and Lusch, 2008, p.8):
  The provider can offer its resources as value proposition, however, for Vargo and Lusch value can only be created collaboratively with the customer. Grönroos argues that this premise can only occur if an interaction exists between the provider and the customer, in case of a lack of interaction the provider can only be a value facilitator. Therefore, the author proposes the following premise: «(1) Fundamentally, the firm is a facilitator of value for the customer; (2) Provided that the firm can engage with its customers' value-creating processes during direct (Grönroos, 2011, p294)». Grönroos also argues that the enterprise can offer more than value proposition as the provider is able to influence the customer and in case of an interaction participate as a co-creator of the value in use.

- 9° FP: "**All social and economics actors are resource integrators**" (Vargo and Lusch, 2008, p.9): This implies the idea that the value creation is made through the interaction of several economics and social entities with the customer. It outlines the fact that the firm can also act as a value co-creator with the customer.

- 10° FP: "**Value is always uniquely and phenomenologically determined by the beneficiary**": Value is contextual and always determined by the customer. Grönroos adds that the past experiences of the customer is also an important factor to take into consideration on the value conception of the customer. The author reformulates the premise with the following: « (1) Value is accumulating throughout the customer's value-creating process (2) Value is always uniquely and both experientially and contextually perceived and determined by the customer (Grönroos, 2011, p295)».

As a result of the service marketing theories, especially of the Service Dominant Logic of Vargo and Lusch, the company should change completely its attitude to the market and to the customers. Indeed, if it is true that the "new economy" is focusing on the value-in-use, where the good is a service-provider (or at least part of an entire service process [Grönroos]), it is also true that the company should define and coordinate a strategy for their brand equity, market orientation, market segmentation, and relationship marketing (Madhavaram and Hunt, 2007, p.67). In oder words, a reciprocal share of datas, planning and market information between buyers and suppliers will improve the service experience and create an unique value. The new role of marketers is to establish, manage and maintain a strong relationship between both parties (Ballantyne and Varey, 2007). The co-creation of value theory by Prahalad and Ramaswamy (see chapter 3.3) proposes a practical strategy for interact with the customer, create internal transparency, and co-create with the customer in order to reach an improvement of the service provided through the good.

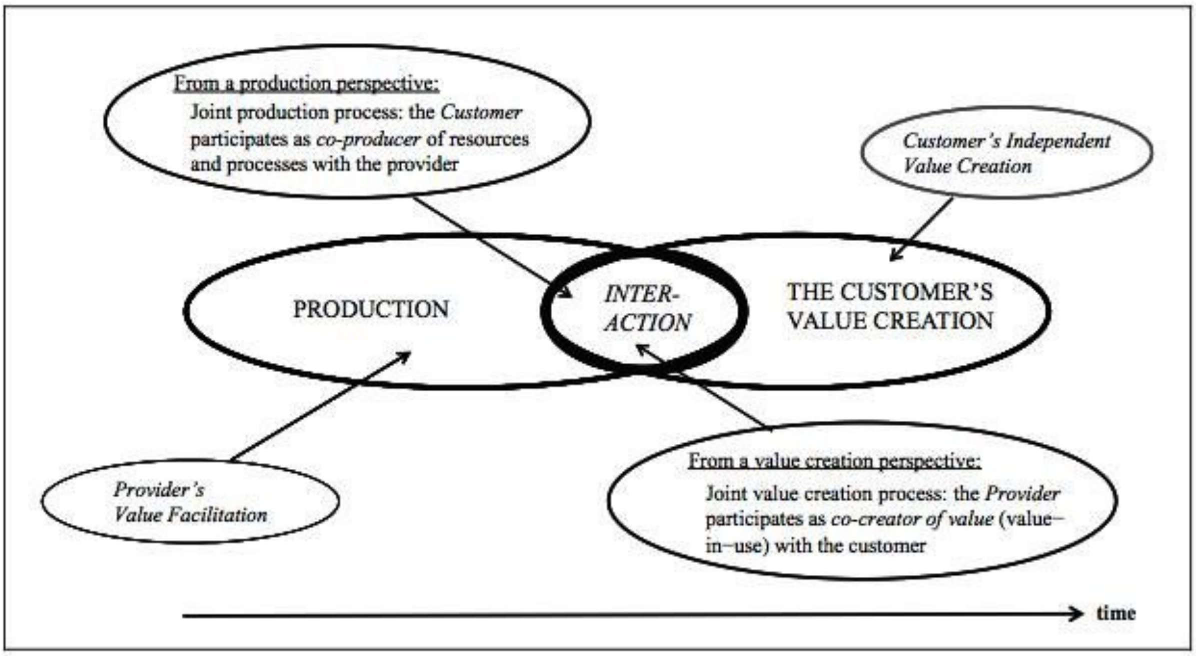


Figure 3 - A Value-in-Use creation model. Source: Grönroos, 2011, p.292

3.3 CO-CREATION OF VALUE

Vargo and Lusch have described the evolution of the economy and especially of the marketplace, where the good is not anymore the center but it is a service provider.
Consequently, the company-customer relationship has a potential strategic value for the company, and it is necessary to re-adapt the managerial behavior to optimize it, as suggested by the co-creation of value theory.

3.3.1 THE CO-CREATION OF VALUE THEORY

The concept of "**co-creation of value**" has been defined by Scholars C.K. Prahalad and Venkat Ramaswamy in a seminal paper published by the Harvard Business Review in 2000: "Co-Opting Customer Competence" . The authors described the consequences of the "new economy"[2] where companies must adapt and reshape their business models following the characteristics of the modified marketplace. It is necessary, they argue, to consider the transformation of society in a globalized context: «the deregulation, globalization, technological convergence, and the rapid evolution of the Internet (Prahalad et Ramaswamy, 2000, p. 79)» have reshaped the economy.
The first signs were noticed in the B2B market, where suppliers started to be not only passive providers of materials or services, but to collaborate in the development of the final product with their B-customers. For instance, in the automobile industry, where suppliers became a relevant part in the technological development of the car due to their specific competences. In particular, the automobile market needs the JIT delivery for sustaining the market demands and diminishing the costs. As a consequence, the main automobile companies are becoming mainly OBM (Origin Branded Manufacturers) where they organize the outsource operations and the brand, and where their supplier are perfectly integrated in the development of the car.

The concept of **competence** is the center of this "new economy": companies started to consider competences more valuable than a portfolio of business units. Moreover, thanks to the Internet, customers started to interact and communicate actively between each others about products, companies, market, and they did it **independently** from the different corporations. **Collective knowledge** became easily reachable and valuable. Customers started to use new acquired competences to address directly the corporations, questioning them, comparing their services and products. Indeed, «customers are

[2] «In the new economy, companies must incorporate customer experience into their business models» Prahalad and Ramaswamy, 'Co-Opting Customer Competence, 2000, front page.

fundamentally changing the dynamics of the marketplace» (Prahalad et al., 2000, p.80), which is not anymore company centric, but it has assumed the characteristic of a forum, in which all the players interacts actively to create and compete for value.

Customers lost their original characteristic of final purchaser and user of the product/service, and they became “co-creator” of it, (potentially) interacting with the corporations during all the creation processes of the product/service. In this context, the **user is also producer**, the customer does not exist anymore with his traditional characteristic of “user-centric business”, but he is the core element of the entire creative process, he is the creator of the web, of the entire online community.

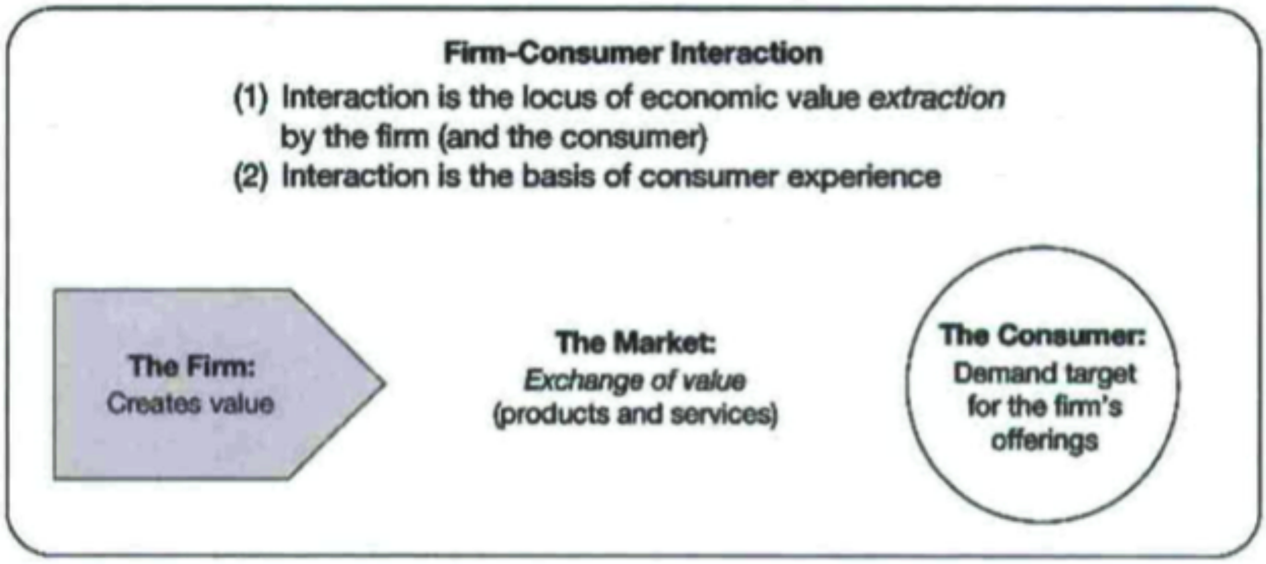


Fig. 4 - The Firm-Customer interaction in the market with an exchange of value.

As showed in Figure 4, the value is (co)created jointly by the firm and the customer, but it is drastically necessary that the firm **changes its operations** to be able to use the potential of the customers competence. The firm has to be: transparent, elastic, and willing to engage a dialog.

3.3.2 Service-Dominant logic as conceptual base for the Co-Creation of value

Regarding the importance to set and optimize the channel of the dialog, Vargo and Lusch have changed the traditional view of communication with their S-D logic studies. «The common denominator of the G-D logic has been to view the customer as a recipient of the stimulus sent by the communicating firm and analyze the behavioral response (A. F. Payne et al., 2008, p91)». On the contrary, the corporate management should orientate

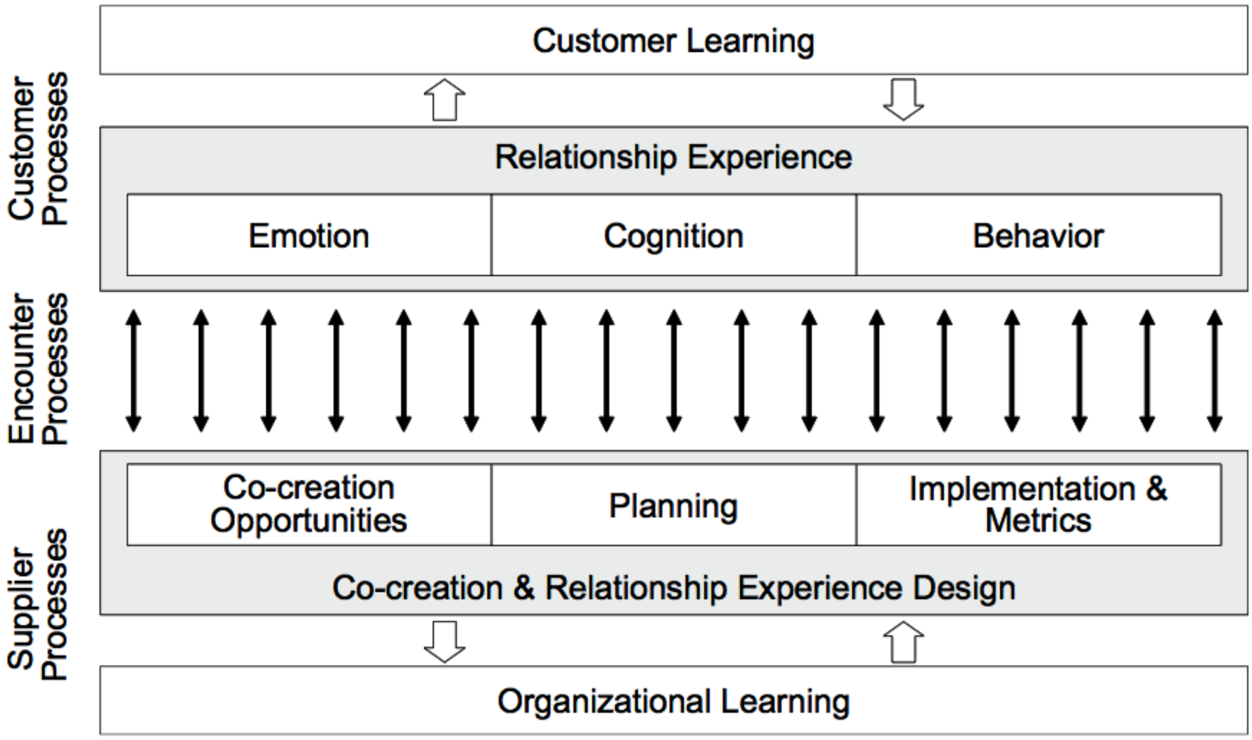
the dialog changing the traditional practices in order to maximize the **customers use of the resources** (Ballantyne and Varey, 2007).
Indeed, the customer knowledge and competence about the development of the specific company product/service it is the key resource for a greater value that can be created. Accordingly, it is the «**customers (which) determine what they value-in-use, [...] goods are service appliances through which customers derive their value-in-use** (Ballantyne and Varey, 2007, p.11)». Once stated this radical change from the traditional view, the co-creation of value proposes new marketing opportunities among new groups of "value makers and takers" (Jacobs, 1992, in Ballantyne and Varey, 2007, p.12).

When the company switch to a value-in-use perspective, it cares mainly to support the customer's value creating processes with both service activities and goods that render service (Gummesson 1993, p.205). The marketer focuses his attention on increasing the quality of the communication during all the product life, «even when goods are produced conventionally, the idea that they are developed as a service appliance for home or business use (or elsewhere) extends the potential for involvement of the supplier, both pre- and post-sale. (Ballantyne and Varey, 2007, p.12)».
In a like manner, Grönroos had already defined ***interactive marketing*** the process that occurs during the interaction between firm and customer where there is a simultaneous production and consumption (Grönroos, 1982, p.37). His theory (the Nordic School view) agrees with the S-D logic one, expect for the fact that on his opinion goods are not services per nature, but they become services when the customer consume them. «It is (the) process that is the service that customers consume (Grönroos, 2006, p.330)», and - since the market switches to a "interactive forum" where customers are key-player in the value creation - the fundamental role of the company is to manage and improve the encounters with them.

3.3.3 A FRAMEWORK TO APPLY THE CO-CREATION OF VALUE

A significant improvement in the theoretical debate about the necessity to change traditional corporate operations occurred when A.F. Payne, K. Storbacka, and P. Frow proposed a conceptual framework for applying co-creation of value (A. F. Payne et al., 2007, a) (see figure 5).

First of all, they divided the co-creation of value into three main components:
- ***customer value-creating processes***: service dominant logic theories have already explained the importance of active players who can personalize - thanks their



- Fig. 5 - Applying the co-creation of value. Source: (A. F. Payne et al., 2007,p.86)

experiences and preferences - their relationship with the company(the supplier) from different goals and during different part of the process. Customers are indeed bringing their experiences and competences that are definable into emotion, cognition, and behavior. The important focus is on the value-in-use, when the customer communicates his feedback to the firm during the service or the use of the product.

- ***supplier value-creating processes***: the firm can start co-creating processes only when it understands the customer's value-creating processes. In other words, it implicates that the supplier **changes his way of operate** and it decides to apply possible "opportunities" provided 1) by a technological breakthroughs, 2) by changes in industry logics, and 3) by changes in customer preferences and lifestyles (A. F. Payne et al., 2007, p.88). Specifically, the corporation has to consider and to implement new possible channels and devices to communicate with the customers, following their preferences and registering their feedbacks: «Value co-creation demands a change in the dominant logic for marketing from 'making, selling and servicing' to 'listening, customizing and co-creating' (A. F. Payne et al., 2007, p. 89)».

- ***the encounter process***: during the last stage, as suggested by the title, the firm and the customers have a **'two way interaction'**. Notwithstanding with the traditional view, frequently it is the customer that is willing to open the communication with the firm, either for receiving more information about the product/service, either for giving his feedbacks and increase the ‘collective knowledge’. Consequently, it is absolutely necessary that the firm always provides an open channel for the encounter and communication.

The encounter process, due to the co-creation nature, involves different departments and it is ‘**cross-functional**’ per nature. Incidentally, the dialogue could exist during the designing operations, the marketing campaign, the sales interactions, during a call for a product support, or during the delivery of the product.

In conclusion, the co-creation of value theory, by Prahalad and Ramaswamy, and its consequential applications, by A.F. Payne, K. Storbacka, and P. Frow, it is highlighting the important managerial decisions that a company should consider in order to adapt itself to the ‘interactive market’ where customers are becoming the real center of the creation process. In order to retain customer, increase the brand loyalty and trust, it is necessary to take into consideration the “supply processes” and set an efficient structure to maximize the “encounter process”. A company can gain in quality management, value creation, and brand image, if it manages to successfully reshape its business traditional operations.

This theory constitutes the basement for a correct use of the crowdfunding, also implicating the (co)creation of a brand community (see 3.4) and a correct use of the framing theories (see 3.5).

3.4 BRANDING COMMUNITY

«The brand is a milieu where marketing management and customer commitment co-exist (Brown et al., 2003, p. 29)». The brand has always been seen as a pillar from the marketing traditional literature, the encounter point, an idealistic place where the customer is loyal to the firm and the firm fulfills the customer needs thanks to a reciprocal commitment. Nevertheless, several recent researches and studies are highlighting the crisis of traditional view of brand: customers - especially the youngest ones - are unloyal and many new brands are failing in the creation of a commitment relationship (Boyle, 2007).

However, the co-creation of theory expressed by Prahalad and Ramaswamy proposes an alternative way to approach the customers and to try to build a successful brand. As observed in the previous chapters (3.3), the firm has the need to adapt itself in order to gain advantage from the reshaped market into a forum. The creation of a strong brand community through the co-creation of value, as suggested by Mary Jo Hatch and Majken Schultz, can be exactly the management of the forum, in other words, the management of the brand.

3.4.1 WHAT IS A BRAND COMMUNITY?

First of all, before analyzing the possible process to build a brand community through co-creation of value, it is important to define what is a brand community. Muniz and O'Guin (2001,p.412) stated: «[it is] a specialized, non-geographically bound community, based on a structured set of social relations among admirers of a brand. The community is marked by a shared consciousness, rituals and traditions, and a sense of moral responsibility», and the authors remarked that 1) "**consciousness of kind**" is most important element of a community, «the **intrinsic connection** that members feel toward one another, and the collective sense of difference from others not in the community (Gusfield, 1978 in Muniz and O'Guin 2001, p.413)». In a branding perspective, two main social processes were found by Muniz and O'Guin (2001, p.419-420): Legitimacy and Oppositional Brand Loyalty. Legitimacy to the brand outlines the differentiation between the community members who really know the brand and share its vision, values and culture, and those who use the brand without approving its philosophy. The oppositional brand loyalty process is defined by the opposition of the community toward competing brands.

In the second place, another important element inside a brand community is the 2) **presence of shared rituals and tradition.** Indeed they preserve the culture and history of the community being a group of «social practices which seek to celebrate and inculcate certain behavioral norms and values» (Marshall 1994, in Muniz and O'Guin 2001, p.413). The celebration of the brand history and the share of brand stories are common practices in brand communities. The brand history defines the cultural capital of the communities and the differentiation of the brand over time while storytelling creates a meaningful link between members of the communities and maintain the brand awareness of the community.

The third and last element inside the brand community it is the 3) **sense of moral responsibility**. In other word, the sense of duty toward the community and its individual members. However, in the context of brand community, this moral responsibility seems limited, as it is base on a voluntary involvement. Nevertheless, it is important that the community integrates and retains its members, and it assists other members in the use of the brand in order to remain in the long run.

The research of Muniz and O'Guin demonstrates that Brand community affect the four components of the brand equity as defined by Aaker (1991): perceived quality, brand loyalty, brand awareness, and brand association (Muniz and O'Guin, 2001, p.427).

3.4.2 Why being part of a brand community?

Equally important for our analysis, it is to research about the reasons for a customer to be active inside a brand community. Regarding this particular issue, Ouwersloot and Odekerken-Schroder (2007, p.574-575) exposes four motivations for a customer to join a brand community. The first argument is for **quality reassurance**. According to Nelson (1970, p.311-29), an active brand community and its sense of moral responsibility to the brand may reduce customer uncertainty. The second reason is for a customer to express its involvement into the branding product or service and **improve its consumption experience.** A third motive is for **joint consumption.** Muniz and Shau (2002, p.348) states that products or services that are consume jointly are more relevant to the creation of a brand community. Finally, customer might join the community in order to **appreciate the brand symbolic function.** All the four motivations contribute to increase the customer experience, in other words - connecting with the SDL - the value-in-use.

3.4.3 How to build a brand community through the cocreation of value

Stated the existence of interests from a customers perspective to join a brand community, Mary Jo Hatch and Majken Schultz (2010) tried to build a possible framework to build a brand community through co-creation adapting the firm operations to the evolving market. Their theory is based on four building blocks that are willing to show «the implications of applying a full stakeholder model to brand co-creation based in dialogue, access, transparency and risk (Hatch, Schultz, 2010, p.591)».

At the center of their theory there is the concept of '**enterprise branding**', a firm strategy to brand and co-create in a new business environment where stakeholders are constantly changing. Indeed, accordingly to their view, the enterprise brand is also c**omposed by the stakeholders activities that are engaged to the firm and its actions.** The identity that these stakeholders create being together and supporting the brand, it is actually part of the brand on itself. As a consequence, all community activities are essential activities, and they need a greater transparency from the firm point of view. The two authors based their theories on a case study about LEGO, showing how the firm decided to open-source some of its base technologies and future strategic decisions in order to receive a more accurate feedback of the customers. In addition, the customers started to feel part of the LEGO community caring about LEGO image.

Nevertheless, as stated by Prahalad and Ramaswamy (Hatch and Schultz, 2010), "**dialogue, access, transparency and risk are interrelated**" and necessary for co-creating a brand community. Starting from this statement, Hatch and Schultz have theorized a possible framework to build a brand community through co-creation:

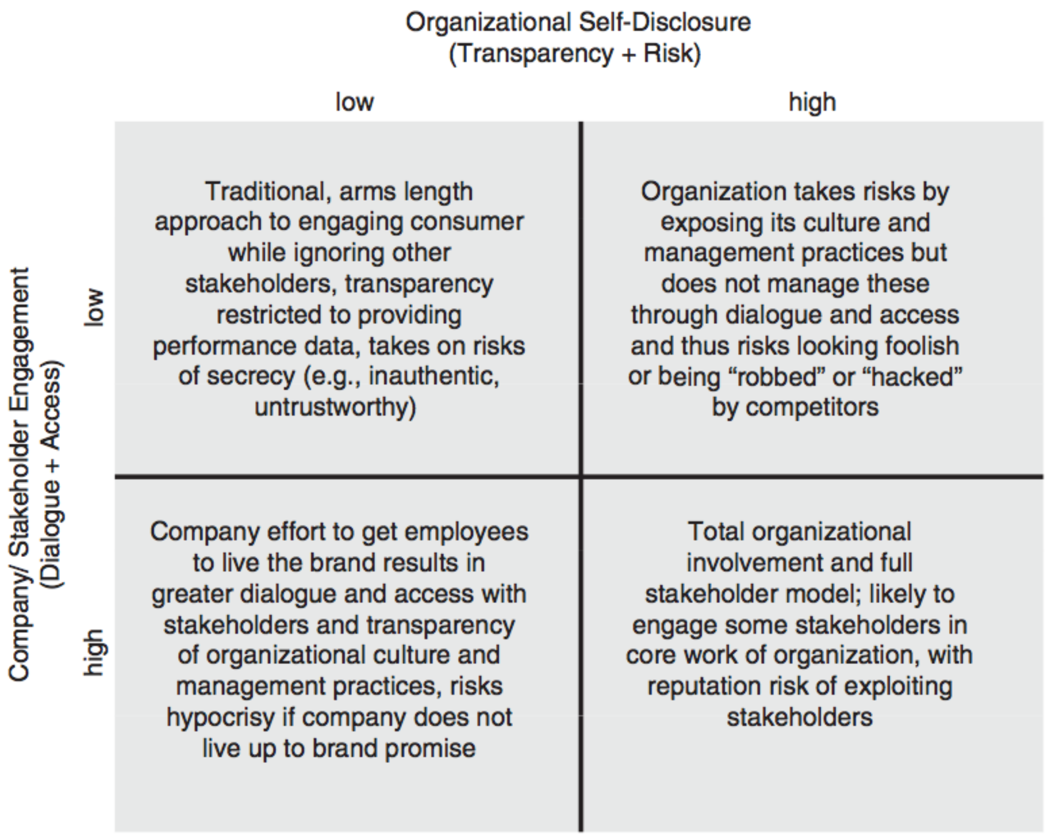


Figure 6 - A framework for brand community co-creation, possible sets of Organizational Self-Disclosure and Company/ Stakeholder Engagement. A Company should try to set an "high-high" option. Source: Hatch and Schultz (2010).

- **Dialogue and access = Engagement**

  Dialogue has to be accepted and valued by the firm, that has to organize itself in order to open very department to an open relations with the customers. The use of different channels, especially through social media, give an easy tool to access to the community preferences, follow their dreams, and build a reciprocal relationship that will increase the customer loyalty.

  Indeed, more dialogue and participation (co-creation) will increase the engagement of the customers to the firm.

- **Transparency + Risk = Organizational self-disclosure**

  When the firm opens itself through different channels, it also increases its transparency and at the same time its risk too. Indeed, the social media can give access not only to the customers/stakeholder, but also to many other people, including competitors, that could have an easy access to core resources of the firm. As stated by Prahalad and Ramaswamy, "Firms can no longer assume opaqueness of prices, costs and profit margins. As information about products, technologies and business systems become more accessible, creating new levels of transparency becomes increasingly desirable (Prahalad and Ramaswamy, 2004 in Hatch and Schultz, 2010)"

  Nevertheless, transparency is still necessary, indeed engagement brings several benefits accruing to the organization include better information about what customers and customers need/desire, how to partner with NGOs, what investors' will stand for and so on. (Hatch, Schultz, 2010).

As showed in figure 6, a company has four main options to set. Each of them has one or more risk, from ignoring the customers in case of a closed set, to an exaggerated exploitation of them. **The authors conclude that the company should take the risk of the transparency, because it is the only possible strategy to adapt the brand to the "new economy" and to the new necessity of the market.** Only when a company accepts **the challenge to have its own brand "owned" by its customers**, the company can be sure that it has opened the channel to fulfill the customers needs, its brand will enforce co-creating extra value, and trust, thanks to its customers.

3.4.4 The interaction processes inside a community

Accordingly to Prahalad and Ramaswamy, and to the Hatch's and Schultz's research, the customers are providing new resources inside the community, co-creating with the others customers, and both the customers and the company (especially its brand) are benefiting from this process. Nevertheless, this process is more complex than what it appears. Pongsakornrungsilp and Schroeder have analyzed the power of consumers to link value in co-consuming groups and they have argued that the interaction between individual's consumers will lead to the co-creation of value, but if it is true that **all member of a brand community are beneficiaries,** according to them it is also true that **only some are providers.**

On one hand, providers are generally the more experienced members as they are using the resources they provide to the community to reinforce their commitments. Providers can be creative posters, brand warriors or moderators. On the other hand, beneficiaries are mainly trying to satisfy their individual's needs by interacting with others in the community. However by doing so, they contribute to create a sense of community.

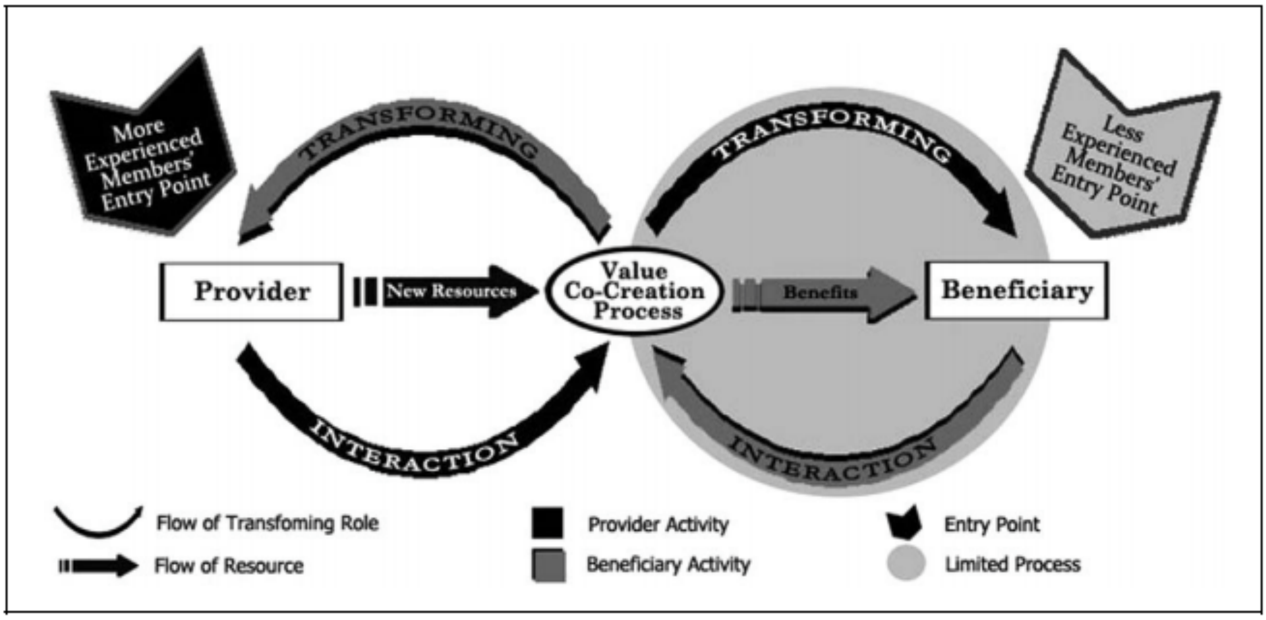


Figure 7 - The value co-creation process inside a community. Source: Pongsakornrungsilp and Schroeder, 2011, p16

The authors are also stating the impact of the double exploitation within the brand community: according to them «double exploitation occurs when companies interfere with brand culture (Pongsakornrungsilp and Schroeder, 2011, p.16)». In other words, the company might not always be aware of the traditions of the co-consuming group and might take some strategic decision that will damage the culture of the brand.
However, the authors have also argued that double exploitation can stimulate customer empowerment. Indeed, it unifies the community in order to challenge (respond) the company, and therefore even a wrong interference can (often) reinforce the co-creation potential of the community.

The community internal interaction and transformation (see fig. 7) within the co-consuming groups is therefore essential to protect the brand, reinforce its culture, and create a potential value for the company.

3.5 FRAMING COMMUNICATION

The co-creation of value process can only occur if marketers manage to maintain an ongoing relationship with the different stakeholders and the community. It is therefore essential for companies to gain the **trust** of their customers in order to engage them in an active brand community and start a co-creation relationship. In this context marketers have to communicate actively with their customers and frame their messages accordingly.
In this chapter the main principles of the framing theory will be review. These principles will then be applied to the crowdfunding context as a tool for marketers to involve their pledgers in the co-creation process.

The necessity to re-build a frame for integrating the new corporate behavior was already suggested by Prahalad et Ramaswamy: «successful prospecting will require framing and practicing value creation in a fundamentally different way from that of the past (Prahalad et Ramaswamy, 2004, p.9)». However, the term 'framing' can have an elusive meaning, being used with different perspectives and in different fields, from social science to psychology. In this context, 'framing' means to build the structure by which communication pass through, and consequently this 'framing
communication' can influence the perception of a person on a specific product or service. Indeed, Chong and Drugman (2007, p.104) have argued that a change in the presentation of the same issue or event results in a change of opinion.
The role of the marketer is to communicate clearly to the target group how their product or service is different from the competitors. They have to frame their messages to **let the (targeted) customer to identify himself with the product/service personality** (McGrath, 2007, p 270). In other words, communication should be only framed so that the customer can understand alone how he can benefit from the company. The result will be a stronger loyalty to the brand.

Specifically, researchers have conceptualized a persuasive brand communication in three dimension: attitude towards the advertising, attitude toward the brand, and purchase intention (Tsai 2007 ref. Bruner and Hensel, 1992; Lafferty, Goldsmith, and Newell, 2002). The customer will only respond favorably to these three dimensions **if brand communicators manage to manipulate the advertising message into frames that fit the target audience** (Tsai 2007, p.365). For this purpose, Tsai argues that marketers should take into consideration three customer characteristics in order to define the right frame: 1) Self Construal, 2) Product Knowledge, and 3) Customer involvement (ibidem, p.364)

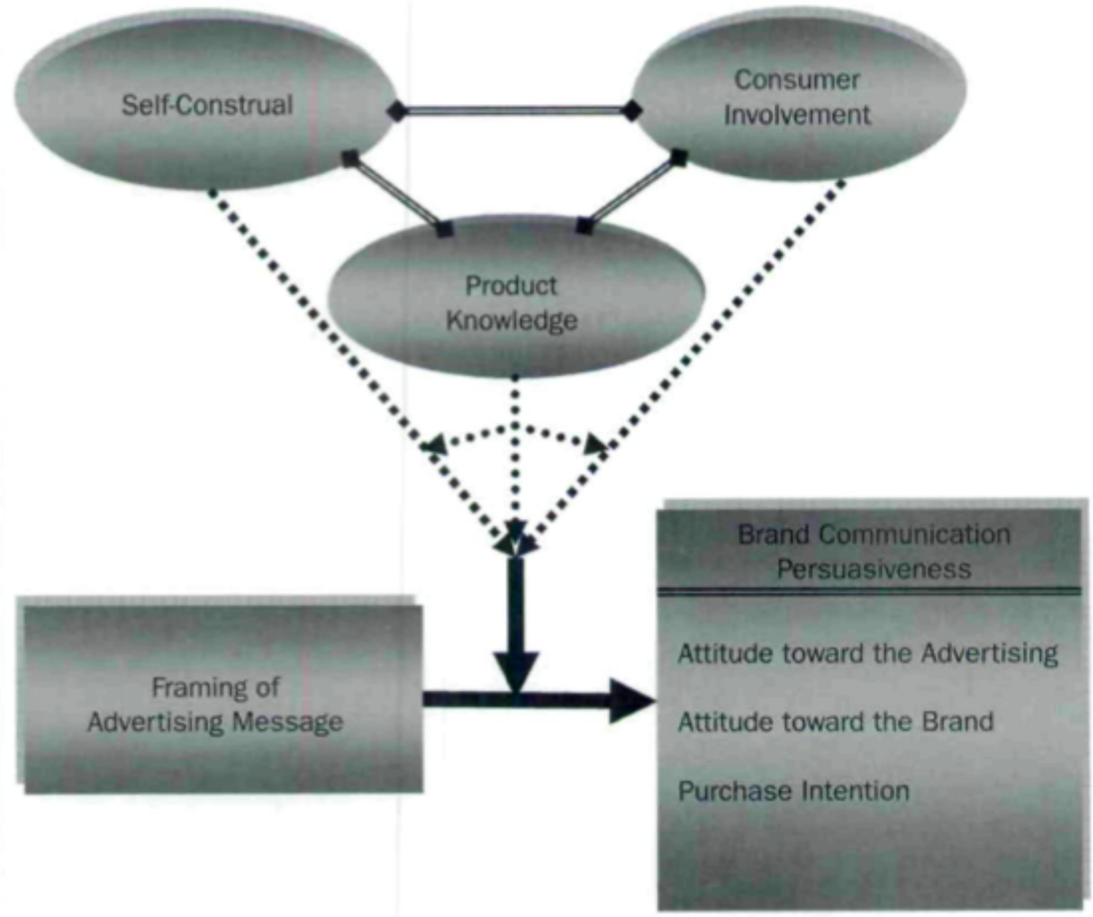


Figure 8 - Message Framing for Brand Communication Model. Source: Tsai, 2007, p.365.

1. **Self Construal** refers to the view of the self of an individual that can be independent or interdependent. It is independent if the self is characterized by social attributes that are personally unique and if he distinguishes himself from others. It is interdependent if the self does not separate or distinguishes himself from others (Tsai 2007, p.366).

2. **Customer involvement** refers to the personal perception that a customer has from the product or service. This perception is influenced by the belief, lifestyle and culture of the customer. This parameter is estimated, based on the personal relevance and

perceived risk of the individual (Tsai 2007, p.367).

3. **Product Knowledge** refers to the customer experience with the product and has two dimensions: behavioral knowledge and mental knowledge. The first refers to the usage of the product while the second concerns the information relative to the product usage (Tsai 2007, p.367).

Accordingly to this framework theory, in the crowdfunding context it is necessary that the brand communicators clearly define the target audience of the campaign taking into consideration the self construal, product knowledge and customer involvement of the specific audience. The communication frame of the campaign will have to be based on those three specific characteristics in order to create a forum where the customer are freely addressed to engage the brand, recognize themselves within the community, and finally co-create value.

3.6 MONETARY SUPPORT - DONOR BEHAVIOUR

A questionable point inside the theory about crowdfunding as a tool for co-create value, it is the customer motivation to directly finance the company. Thereupon, different authors have questioned themselves about the causes that push a donor to get involved into a crowdfunding campaign.

Surprisingly (or maybe not), the conclusion that these studies have found is that «people who contribute to charitable causes are motivated by self-esteem, public recognition, satisfaction of expressing gratitude for one’s own wellbeing, and relief from feelings of guilt and obligation (Ordanini et al., 2011, p.447)».

3.6.1 Donor behavior as purchase behavior

In particular, Hibbert and Horne have tried to analyze the donor behavior searching for possible similarities with the customer behavior. They have argued that, following the analysis of Bruce who includes as reasons for donate: «being asked, to get rid of the asker, as a means of recognition by peers or superiors, to "feel good” (Hibbert and Horne, 1996, p.5 referred to: Bruce, 1994)», it is possible, from a sociologic perspective, to state that **donor behavior it is similar to purchase behavior** being both «subject(ed) to the **influence of situational factors** (Hibbert and Horne, 1996, p. 5)». The conclusion of the

two authors is that previous researches about donor behavior were under-considering the "*conditioning*" and "*social learning*" around the donor. Indeed, the "*situational stimuli*" are very important in shaping the decision of the donors (as much as the purchasers' one). Accordingly, the **fundraisers have the possibility to develop and to control the "donation situation"** trying to gain the optimum response from the crowd.
Moreover, they have also pointed that on the contrary «by concentrating on motivation and evaluative information at the expense of the donation situation, fundraisers risk losing sight of the reality of donor behavior (Hibbert and Horne, 1996, p.6)». In other words, it is deeply important for the founder to take into account the social and environmental circumstances, to frame the possible donor, and not exceed in the moral pressure because it is actually less effective than a simpler social-esteem or social recognition.

3.6.2 The helping decision process

A considerable contribute for the comprehension of the donor behavior has been made by Patton and Guy (1989) who have **designed a possible model to explain the donor decision considering the "internal mitigating factors", the "external mitigating factors", and the "helping decision process"** (see fig. 9). Accordingly to the model, the "awareness of another person in need" is only one out of five "helping decision process" and indicates how other factors are playing a relevant role as the personal "interpretation of the situation". In addition, the "internal mitigating factors" as mood, social status, and demographics are prominently influencing the decision.

As a conclusion of their research, the authors have stated that «luckily» **marketers can control the majority of the internal and external factors framing the possible donor behavior of the crowd** (Patton et Guy, 1989, p.26). They do not agree with the vision of Hibbert and Horne about the complete similarity between donor and purchase behavior, but they both agree on the marketers possibility to frame the crowd moods, expectations, and environment, in order to obtain the funding goal.

In conclusion, the donor behavior literature has discovered that very often the factors influencing the donor behavior are just environmental, internal, situational, and not strictly correlated to the real moral goal of the donation campaign. Furthermore, all the authors agree on the marketing possibility to create and to manage the right stimuli to integrate the crowd inside a specific project. Consequently, these studies are suggesting a positive outcome from the idea of a monetary support from the crowd.

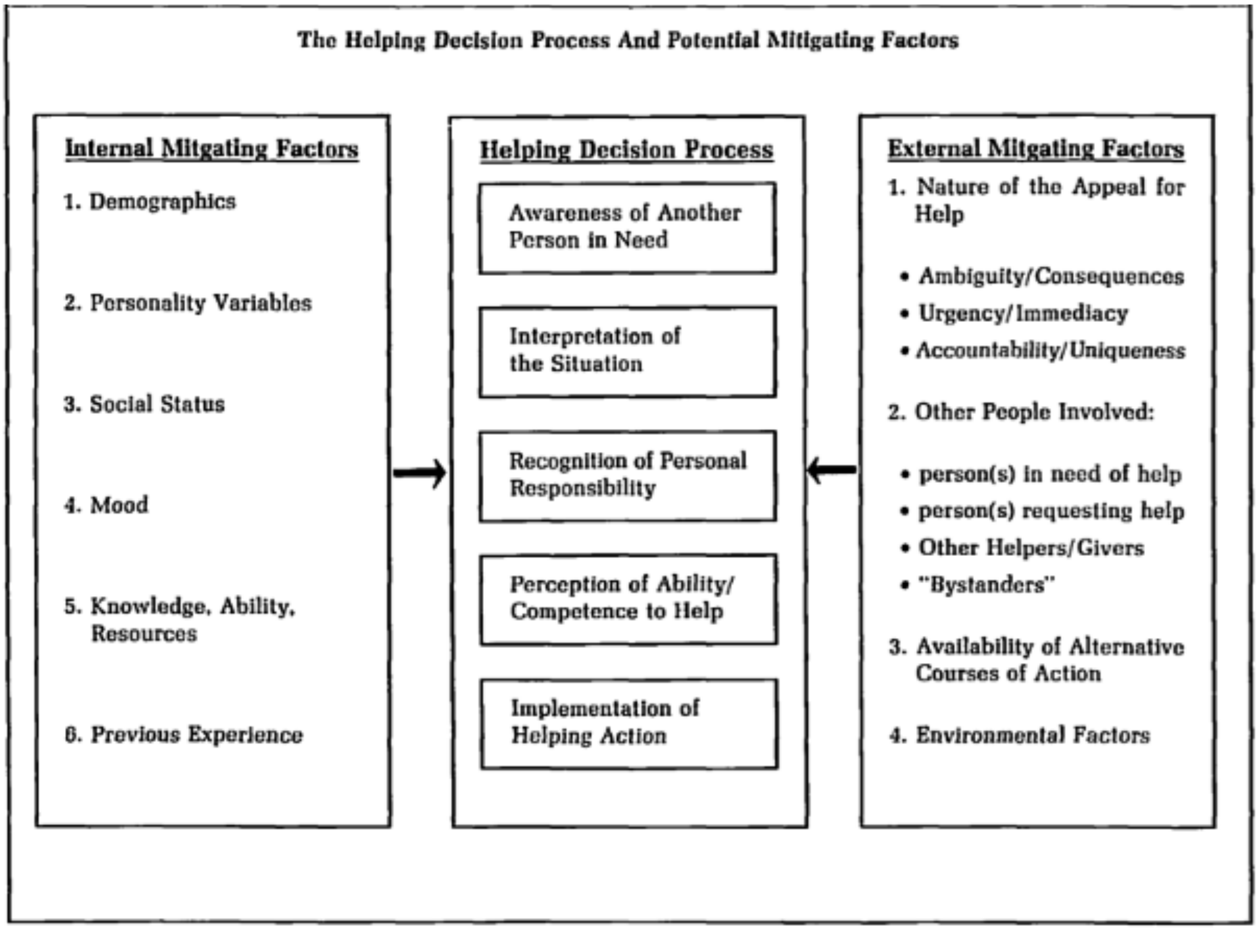


Figure 9 - The Helping Decision Process and Potential Mitigating Factors. Source: Patton and Guy, 1989, p.22

The crowdfunding which applies the co-creation of value with the frame of a brand community, it has all the intrinsic characteristic to motivate a monetary support. Indeed, the community on it self, summed to brand image, it will fulfill the internal needs of the donor, and at the same time it will help the "helping decisional process".

3.6 CROWDSOURCING

In the first two mini-chapters (3.2 - 3.3) it has been described the shift from the standard good dominant logic to the new service dominant logic. The technological evolution together with the globalization, have permitted a reshaped of the traditional business view. The co-creation of value, proposed by Prahalad and Ramaswamy, suggests to re-adapt the corporate operations in order to maximize the "encounter" with the customer considering his competences as key-competences for the firm. Higher is the quality of the interaction, and the commitment of the customers, higher will be the value created. On this purpose, the firms with their marketers are trying to increase the channels by which it is possible to create a community with the customer, improve the brand imagine, and finally co-create with them, as we have observed in the previous mini-chapter (3.4).

Equally important to crowd-funding, there is another phenomenon that is based on the S-D logic: the crowd-sourcing. «Crowdsourcing takes place when a profit oriented firm outsources specific tasks essential for the making or sale of its product to the general public (the crowd) in the form of an open call over the internet, with the **intention of animating individuals to make a contribution to the firm's production process for free or for significantly less than that contribution is worth to the firm** (Kleemann and Vob, 2008, p.6)». As explained by Kleemann and Vob, the firm decide to crowd-source a specific task first of all for financial reasons, indeed the open call and consequent contribution are very often almost for free. Nevertheless, **the intent is also to discover and mobilize the competence and creativity that reside in the crowd and it is nowadays easily accessible if the company decides to build the necessary channels to communicate.** Regarding the tasks that one firm can decide to crowd-source, they can be different and even require a considerable technical knowledge, from the product design, advertising, quality monitoring, to more sophisticate solutions of specific technical problems (Kleeman and Vob, 2008).

The progressive integration of the customer in the corporate processes has not been an easy evolution. The management literature started to concern about practical matters to develop the integration between active customers and firms in the early 70s. **The central question was how to integrate the so-called external production factors into service provisions** (Young, 1979 in Kleemann and Vob, 2008, p.7). Important researches about the "service encounters" approach concluded that the customer has a primarily role in the quality of the service provision, indeed if the customers miss to play his part the firm difficulty could reach high standards of service (cf. Mohr and Bitner, 1991). The aim of these researches was to understand the qualitative support potentially coming from the customers and not the quantitative one; which is also important especially for the cost-efficiency evolution of different businesses, for instance where the customer uses to interact with the firm and obtain autonomously the service provision trough a self-service machine or a website.

The technological evolution and the Internet - as we have already described in the previous chapter - have played a key role for the evolution of the market into a globalized and inter-active forum. Nevertheless, there are different phenomena resulting from the business evolution that can differ from crowdsourcing. The 'mass customization' - for instance - where a firm designs a product for the mass within economies of scale, but at the same time the product has a small amount of features that can be personalized by the customers trough the use of software applications. Another example is the 'creation of limited access markets', where a third part creates an intermediary web platform for the encounter between the firm and the customer. **The platform on it self does not produce value but it is the customer presence and activity that creates the value**. However, it cannot be consider crowdsourcing because the platform owner does not produce anything, it does not interact, it does not actively out source any specific task.

In conclusion, the crowdsourcing is the intentional out-source of different corporate operations (from creative ones to operational) to the "crowd" represented by the customers. The purpose is primarily for commercial exploitation, but it is increasing the firms awareness of the possible qualitative improvements resulting from the crowd interaction, «whereby persons who have no relations to the firm are persuaded to do work for it or its customers».

3.8 CROWDFUNDING

This section is divided into two parts: the first one is about the historical development of the financing from the crowd, describing in particular its last characteristics. The second part is the conclusion of the state of the art, within the summary of the theoretical model composed by the theories expressed above.

3.8.1 Crowdfunding historical development

Naturally, the financial support of a large group of people to a specific project or person is definitely not new. It is possible to argue that since the evolution of several human civilization, the crowd has been able to auto-organize itself and support a cause. The first significant example is the greatness of the direct democratic and economic system of the **ancient Athens**. In particular, the «**collective conscious efforts for the continuous broadening and deepening of political democracy and, to a point, of economic democracy** (Takis Fotopoulos, 2004)» is easily correlated to the concept of a spontaneous support to an idea or project, and it was clearly an **alternative economic system often discussed by political and economical literature.**

Coming closer to us in the history we have significant literature and artistic projects which have been financed by private citizens: **Alexander Pope** translation of Iliad in 1713 was entirely paid by 750 people who subscribed the payment of 2 gold guineas each, as showed in the first page of the volume. Even **Mozart**, in 1783, asked the pledge for the creation of three piano concerts and these funders are remembered in the official manuscript. It is also wildly famous the funding project to build the pedestal for the **Liberty Statue** in New York City lunched by **Joseph Pulitzer** in 1885, where more than 120'000 people pledged around $100'000. The examples are multiple and all of them characterized by the support of the crowd for a specific project.

Nevertheless, the modern crowdfunding is a more complex concept and it takes place in a totally different environment. Around **10 years ag**o a new system to launch different kind of project was created using a dedicated website, technically defined crowdfunding platform, and it rapidly grew. The first crowdfunding platform was ArtistShare, launched in 2003; Sellaband in 2006, Indiegogo in 2008, Kickstarter in 2009 as RocketHub. Only on Kickstarter 66'000 projects have been funded raising in total more than 1 billion US dollar. The crowdfunding platforms are website where everybody can became a founder, submit his business idea and launch a fund campaign.

Historically, **the access of the credit is the primary source for opening a new entrepreneurship.** During the years, Governments and banks have regulated this basic process, sometimes facilitating it, some other increasing the necessary guaranties and consequently closing the access to the credit. Especially during an economical crisis uncertainties are the «result from a general squeeze on retail credit [..]. **Virtually overnight, small and medium sized enterprises have thus found themselves at the sharp end of diminished access to credit** (Gajda et al., 2012)».
As a consequence of financial restraint, young and creative entrepreneurs always tried alternative way to find the capital, as social cooperatives and crowdfundings. During the "gales of creative destruction", as it has been defined by the economist Joseph Schumpeter, new alternative forms of economic activity may spread and even compete with the "established ways of doing business".
Thereupon, crowdfunding raised perfectly fitting with the intrinsic characteristics of the web 2.0 and its interactivity. In this context, the user is also producer, the customer does not exist anymore with his traditional characteristics of "user-centric business", but he is the core element of the entire creative process, he is the creator of the web, of the entire community.

As described before, the crowdfunding had an impressive success during the last decade especially through the platforms. Small enterprises and start-ups managed to grow, and in some cases to establish a leadership in the market, and compete directly with well-known brands in different sectors.

Crowdfunding represents not only an alternative access to the credit, but also (and mainly) an alternative and growing business concept, an new vision of the market and the product/service.

3.8.2 Applying 'co-creation of value' during a crowdfunding campaign

The service dominant logic describes the evolution of the marketplace and the consequential necessities to adapt and reshape the 'company-centric view' into a 'customer-centric view'. Since the company can only offer value propositions, it is the customer who needs to (co)create the value.

Prahalad and Ramaswamy, with the contribution of Payne, Storbacka, and Frow, have elaborated the theory regarding the building processes and channels between the company and the customers. They highlighted the importance to create efficient channels permitting a double way interaction, and a reciprocal competent exchange of information. The risk resulting from sharing these information, it is not only a necessary element of implementing the co-creation of value, but it is fundamental to create a brand community where the users are participating into the development and life of the brand.

Mary Jo Hatch and Majken Schultz have then analyzed the main factors that, applying the 'co-creation of value', permit to create a brand community. Indeed, the analyzed the quality of the co-creation in relation to the level of shared informations by the company, and the by the degree of cooperation with the community. The more a company co-creates with the customers, sharing informations and permitting their cooperation, the more the company will obtain a strong brand community.

In order to maximize the encounter process between the company and the customers, the company needs to organize an efficient system in order to frame the customer competences and inputs. In this way, the limited resources of the company are enough to re-act to the inputs, and at the same time the customer identification with the product and service increases. In this perspective, Tsai elaborated a framework to help the communication system of the company taking into consideration the customer characteristics.

The last important element in the creation of a crowdfunding campaign, it is the monetary aspect of it. Different studies have analyzed the deep motivational reasons that move people to donate for different causes. Surprisingly, the results are suggesting a comparison between donors and purchasers, as explained by Hibbert and Horne. Indeed, the "conditioning" and "social learning" aspects around the potential customer/donor, are from the same nature and potentially builded by the same company. In addition, the social-recognition and self-esteem deriving from donation are two very strong element, enough on their own to internally motivate the donor that assumes the double value of donor and customer during the crowdfunding campaign.

The crowdsourcing analyzed by Kleemann and Vob already applied the most important element suggested by the 'co-creation of value' theory, even thought the crowdfunding with its monetary aspect can be a more powerful tool to increase the customer commitment.

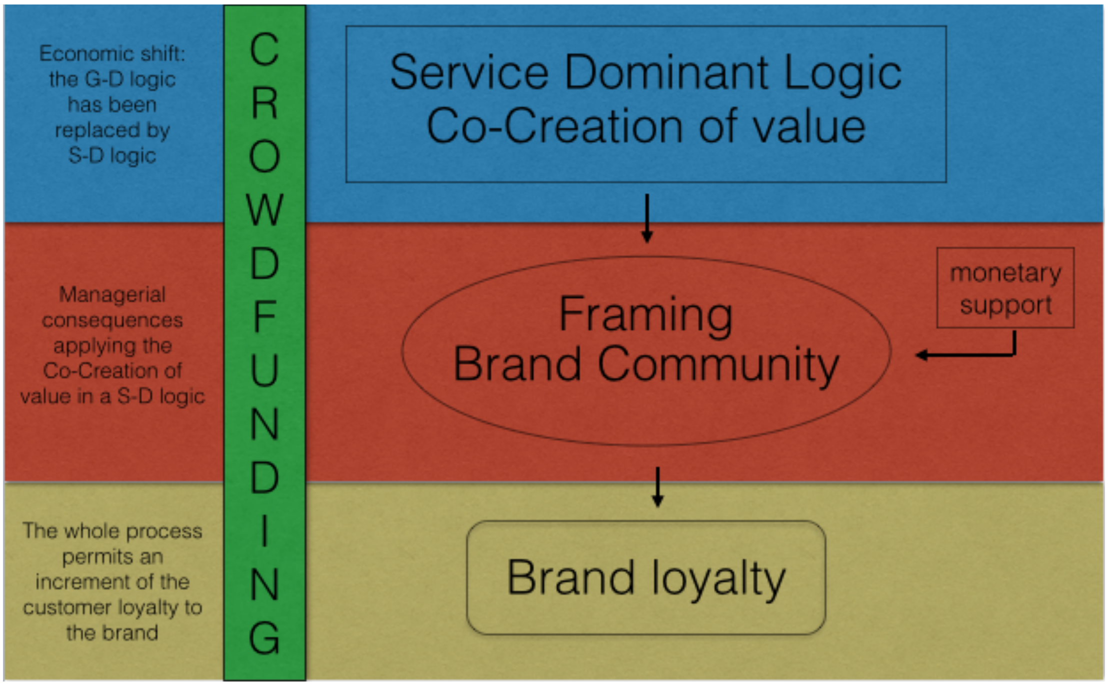


Figure 2 - The logic model to apply the co-creation of value with all its characteristics and procedures

The theoretical framework described in this chapter forms a model about the correct application of the co-creation of value within a service dominant logic (see figure 2). The contributions regarding the creation of the community, the framing messages, and the monetary aspect, are fundamental element to start a successful crowdfunding campaign that, as explained previously, will increase the customer loyalty and trust to the brand. Only if the company applies all the element included in the model, the co-creation of value will be fully implemented increasing the commitment of the customers.

4. CASE ANALYSIS

The following analysis is divided into six parts. The first two parts, **company presentation and campaign background are descriptives** and based on the acquisition of secondary datas. Indeed, the first part focus on the company background to introduce their story in the market, the main characteristics of the industry in which they operate, and the historical evolution of the company while the second part is dedicated to the campaign background, the story that motivated its launch and the nature of the campaign.
Subsequently, the four following parts, **management philosophy, the campaign purposes and strategies, the quality and quantity of the customer interaction, and the outcomes of the campaign, are dedicated to the analysis of the interview.** This analytical process has been explained in the chapter 2.5 and it represents the classification, and coding of the interviews.
Finally, **the cross-sectional interpretation and evaluation will be analyzed in the discussion, chapter 5.** In the discussion, will be correlated the analysis with the theoretical framework for a possible corroboration or rejection of the theory.

4.1 LEGO GROUP

4.1.1 COMPANY PRESENTATION

Lego Group has been founded in 1932 by Ole Kirk Chritiansen in Billund, Denmark. In 1949 it started producing the legendary brick that - a part of some design and material improvement - it is mainly remained the same. Especially during the 60's, the Lego group realized an impressive growth entering into all the Western markets, increasing exponentially in the number of employees and bricks produced. The growth continued until the 2000s permitting Lego to become one of the three world biggest toys producer.

Nevertheless, In 2003 and 2004 Lego Group have experienced the most deep crisis of its history registering €188 millions of debit. This crisis, that threatened the Lego's survival, has instead turned to be an incentive to completely re-organize the whole company: the production, the employees, the core business, the brand, and the marketing strategies. «Lego has come back from near extinction a decade ago to become the most powerful global toy brand, with its construction bricks played with from China to Brazil (Milne, 2004)». As explained on a research by the financial times, the management spent the first two years during the crisis to re-set everything, selling assets and increasing the financial controls. Between 2006-07 they restructured the manufacturing, and from the 2008 they started a policy for growth, especially in the markets where Lego was under-represented such as China, Russia and Brazil (Financial Times, September 2014). Undoubtedly, this policy was a success: the operating profit jumped from a bit less than DKr 2bn in 2009 to more than DKr 13n last year, the sales from DKr 8 bn in 2007 to DKr 25.4 bn last year (see fig. 10, and 11).

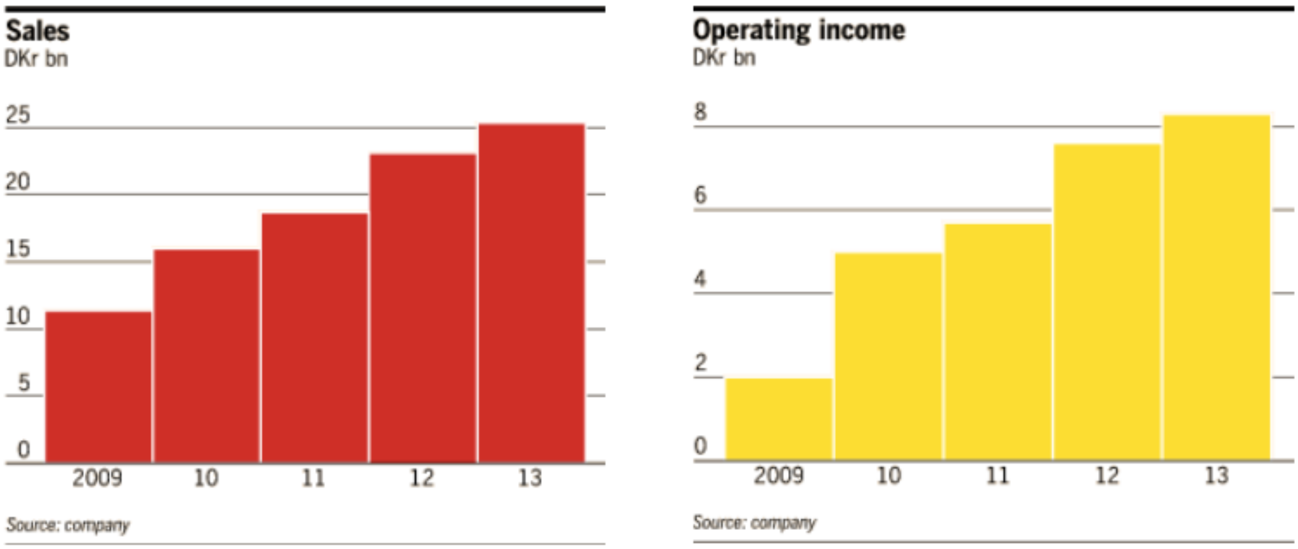


Figure 10 and 11 - Sales and Operating Income of Lego from 2009 to 2013 in DKr billion. Source: Financial Times, *"Lego: King of the castle",* July 10, 2014.

In the first half of this year, Lego has kept growing, recording revenues for DKr 11.5 bn ($ 2.03 bn), up 11 per cent on the year before (Financial Times, Milne, 4 September 2014), and even more important, its growth in the Chinese market is stated around 50% during the last semester. It has been calculated that the Lego cost of turning plastic into toys is $1 a kilo that sells for about $75 a kilo (ibidem).

On the whole, the history of Lego, and especially its recent financial data, demonstrates the success of this company and its management. The 2003-04 crisis it is a great example to show how it is possible to invert a negative attitude into a reorganization of the whole company, and most importantly, on the marketing strategies. Indeed, Lego has been able to build successful communities of Lego funs, to increase its marketshare in strategic markets (as the Chinese one), and nowadays its brand is the first toy brand in the world.

One of the most important challenge that Lego had (and has) to win, it is the digitalization of the toy market. It is important to remember that the final user of Lego products are essentially children. With the spread of electronic devices for gaming, the whole toys industry has been living a decade of crisis. Nevertheless, until now Lego has managed to adopt the resources of the digital market - especially with the creation of a successful movie and several games for the consoles - using adequately the social media too, **to actually reinforce the visibility of the brick**. The main challenge of Lego nowadays is still this one: **to manage to maintain its core business in the brick designing and production, and at the same time strategically use the emerging markets and technologies not to substitute the traditional toy, but instead to increase the quality and the market share of Lego.**

4.1.2 Lego IDEAS - Campaign Background

Lego ideas is a crowdsource platform managed by Lego Group. Founded in 2008 thanks the collaboration of *Cuusoo*, a crowdsourcing and crowdfunding platform, it later became an autonomous platform run by Lego.
The users of the platforms, the participant of the Lego online community, can submit ideas on the web and later potentially see them becoming real commercial products. The mode of operation is actually inspired from the classic crowdfunding processes: the user can submit to the community his idea and look for “backers”. The only main difference is that the backers are not supporting with financial donation but with votes.

The whole platform is conceived to stimulate social interaction between the Lego community users, receive quality inputs from the crowd, and stimulate the users to share their proposal on the social media. When a proposal receives more than 10’000 votes, then a special commission will evaluate if the product is eligible to the production and eventually it is released on the official Lego stores. Thereupon, the platform is a successful tool by which Lego receives customer expectations, feedbacks, and - most importantly - manages to keep its brand active in the everyday discussion on the platforms and on the social medias. Indeed, it is definitely not a casualty that Lego brand is the third most watched brand on youtube.

As stated in a interview with the Financial Times, Jørgen Vig Knudstorp, the Lego Group chief executive, has explained that Lego sees digitalization as a «wonderful opportunity for the brand», and in this context Lego IDEAS is the connection point between the physical brick, the different digital opportunities (from crowdsourcing to online gaming), and the Lego community.

4.1.3 GENERAL VISION - MANAGEMENT PHILOSOPHY

In order to obtain primary data about Lego ideas and Lego managerial opinion about the SDL and the 'co-creation of value' in a crowdfunding environment, it has been contacted Tormod Askildsen, Lego Senior Director of Community Engagement & Events, who kindly accepted to be interviewed. As explained in the chapter 2, the interviewed has been structured into 3 parts, the first one regarding the managerial vision and opinion about the evolution of the market, the customer competence, and the 'collective knowledge'.

Firstly, answering to a general question regarding the benefits of the company-customer interaction, Mr. Askildsen confirmed the general view of Vargo and Larsh. Indeed, he stated that «the business environment has developed quite significantly over the past 10 years» and the traditional model of value creation (company and good centric) is being substituted. Consumers are «not only consuming value created by the company, [..] they have a lot of different roles today. [..] They improve and change product that they purchased from companies. They innovate». In addition, Mr. Askildsen added a interesting observation for this research: «they(customers) set up services and also make product that are complimentary to what companies are producing», as it will be analyzed in the next mini-chapter 4.3.4 about SBrick and its value connection with Lego.

The customer competence and the 'collective knowledge' are real assets, according to him. In any sector and industry, whatever is provided a good or a service, «the company is seating in the middle of a value creating eco system». This eco system may vary in terms of quality, but the role of the company is to «stimulate this system» and at the same time «being able to capture value from it». In the chapter 3.3.3, it has been analyzed the theoretical assumption of Grönroos, where the interactions between the supplier and the customers can potentially always be a 'competence' exchange, and it can include an (ex)change of different resources as money, products, work, information, time (Grönroos, 2006, p.). **'Managing the co-creation of value' means to understand the customers future behaviors and consequently to set the best channel to increase the impact of the interaction.** It is a «win-win situation» for both company and customers.

Regarding the correlated issue of the 'quality of the customer input', Mr. Askildsen decided to answer not simply focusing on the qualitative measurement of the customer impact on the company, but he preferred to remind the fact that customers «see things from another perspective that could initially seem irrelevant but indeed it is important to try be open-minded when interacting with the user eco-system». In oder words, customers increase the actual system around the company giving different and multiple outcomes that can all potentially be valuable.

4.1.4 THE CAMPAIGN PURPOSES AND STRATEGIES

Lego Idea is consciously a platform «sitting in the middle of a value ecosystem» and it is pursuing three main goals:

- **Influence the value creation.** Since there a thousands of different direction that the community can pursuit, «we try to influence what we cannot control». There are «a lot of ways» to influence the community, and it is important to remember that it is happening the same from the other side, «the eco-system user is trying to influence the company to make certain product or to do certain things». It is then a double-way influence, as theorized by A.F. Payne, K. Storbacka, and P. Frow (ch. 3.3.3), frequently it is the customer that is willing to open the communication with the firm, either for receiving more information about the product/service, either for giving his feedbacks and increase the 'collective knowledge'.
  Technically, Lego mainly uses a strategy of «**building relationships**» to frame their users. While the whole community can count millions of casual users, there are two or three hundred thousand people who have organized themselves into user groups. «We keep contacts with those groups and every year we are hosting a **network event** with representatives from those user groups who want to be part of the network». In this way Lego builds an «outgoing» dialogue about certain topics that are either important to the company, or important to the users.

- **Brand advocacy.** Lego group is actively working with its eco-system in order to «stimulate brand advocacy». With the evolution of different mass-media and technologies, it is drastically decreased the «trust resulting from TV commercial», and generally it is diminished the customer trust to companies with their brands. On the other side, generally customers trust reliable sources: «they trust their friends [..] who have used a company's product» and therefore they are looking toward to their network recommendations. Consequently, Lego Idea is trying to «stimulate» their eco-system users to talk about Lego products and services in a trustful way «recommending to other people».
  Strictly connected to this purpose, the Lego Idea platform is actually conceived to stimulate the users to use any possible communication channels in order to achieve the 10'000 votes goal. Indeed, without a proper use of the social media, from Twitter to Facebook, Youtube and Instagram, the user will difficulty see his creation reaching the

goal. Accordingly, the platform regulations and informations are suggesting a proper use of social media inviting the users to advocate for their project, indirectly (and directly) increasing the brand visibility and trust.

- **Innovation capacity.** The third and final goal of Lego Idea is to «increase the Lego Group innovation capacity». Lego recognizes the presence of capable users «leading innovations with ideas and experiences». The goal is to recognize them, interact with them, and be able to receive their qualitative inputs.

4.1.5 THE QUALITY AND QUANTITY OF THE CUSTOMER INTERACTION, AND REASONS

Lego is the world biggest toy manufacturer. The management has clearly in mind that «our target customer is **children**». Nevertheless, the people using the platform and interacting in the Lego community are **adults.** «This is a special group of adults because those adults have grown with Lego. They have developed a **significant experience** with the Lego building system and, most importantly, they are very passionate to the Lego brand. **They want to influence the direction the company is taking».**

The brand loyalty of the core part of the community it is an extremely important aspect for the success of the whole campaign.
In addition, it is extremely remarkable the **professional background** of these people: «a lot of them are coming from technical fields, mainly media, art, design. Even their education level is impressive: 60% of them have a bachelor degree, 30% have a master degree, and 10% have a doctoral degree. Their experience with building system is actually beyond the majority of the people».

There are two main consequences of this aspect:
- the users are very often the ones promoting the encounter with the company. The encounter is then working **double ways.** Lego has strategically prepared a «**support program**» system to support the users driven activities, from reviewing products to propose new ones. Lego is «supporting physical events and activities organized by these users around the world, such as conventions and big building projects».

- the most talented part of the users can provide high quality of inputs. Lego is consequently starting certain specific projects with singular person or small group of persons. However, as theorized by Prahalad: "**dialogue, access, transparency and risk are interrelated".** Sharing information is always an high risk for a company and, in order to decrease this relevant risk, LEGO is running this singular project under a NDA (non-disclosure agreement) that creates a confidential relationships between the company and the user.

Nevertheless, Mr. Askildsen clarifies that «we want to be able to take idea coming from outside but it is actually really hard to do that, it is hard to execute it. If you open a channel from outside to inside and you take all kind of ideas into the company, you need to build an internal infrastructure that can actually handle with such amount of inputs. And it is very challenging».
Lego Idea can finally explained into this perspective: since the number of general inputs coming from outside are usually too broad and difficult to re-adapt into real business concepts, the platform does it for the company: inside Lego Idea «people cannot suggest anything they want, but they can only suggest idea for new Lego sets» following strict rules. This is necessary for to not waste any resources. Lego needs «to be able to manufacture those product without disrupting the entire supply chain that is working with the company». The capabilities of «integration» are playing the key role for a successful crowdsourcing campaign.

4.1.6 THE OUTCOMES OF THE CAMPAIGN

The final part of the interview is looking for the results of the campaign. The questions were made in order to express the company explicit vision of its results, and at the same time to try to realize the implicit outcomes that have might affected both the company and the customers involved in the campaign.

Lego Group has a clear set of parameters to analyze in order to measure the outcomes of its campaign:

1. **The number of visitors of the platform campaign**; the first parameter is a broad number of the visitors of the campaign as a general indication of the success in terms of visibility and accessibility.

2. **The number of registered users of the platform campaign**; these users decided to register themselves in order to be able to vote the other users projects and/or submit their own project. They are the real users of the platform, more or less active.

3. **The «Net Promotive Score» of the platform**; in other terms Lego Group is measuring the «quality of the experience they (the users) have, and - most importantly - if they

are willing to recommend the experience to other people». This parameter is obviously difficult to measure and it can depend on several variables, but it is extremely important for analyzing the brand loyalty. As stated before from Mr. Askildsen, nowadays the most efficient way to acquire new loyal customers is throughout other loyal customers that are recommending the same experience, product, and service.

4. **The popularity of the product created within the campaign**; Lego Ideas will turn into real commercial projects that, after 10'000 votes, have been considerate positive from a special Lego Commission. However, Mr. Askildsen specifies that «we are not looking for a project that has the highest commercial potential. We are looking for a variety of projects, and the ones we pick up are contributing with different perspective on the Lego Brand, even if sometimes are really different from several classic Lego products». This is a basic aspect of any brand community: as it has been analyzed in the chapter 3.4.5, in any community there is a small core part of providers, usually experienced users and very loyal to the brand. This group, defined the **provider group** by Pongsakornrungsilp and Schroeder (2008), is the one doing the real interaction with the company and co-creation. Consequently, it is extremely important to keep them loyal and satisfied. On this optic it is explainable the Lego approbation of "elitist" projects, functional to push toward the innovation with their core community.

In general, the analysis of these 4 parameters have brought so far satisfaction to Lego Group: «we are very satisfied with the outcomes so far». Nevertheless, this research project is pursuing to confirm(corroborate) a **correlation between a 'co-creation campaign' and an increase in the brand loyalty.** As stated before, the main users participating in the campaign are **already** very loyal and expert of the Lego building technics. «They are already - before to take part into the campaign - long term users - but the very interesting thing is that **there is a considerable number of users with lower affinity who maybe have not bought Lego products for ages**, and they are discovering again Lego for different reasons. Generally **attracted by particular 'sub-community'** such as Ghost Buster, Start Wars, The lord of the Rings, and they enjoy the Lego correlated products». Attracted by the campaign and its different projects from several sources, **they re-discover Lego.** In these cases, Lego «succeeded into re-activate the brand. I think we have activated a lot of users, and we have also contributed to male Lego relevant again for a lot of people».

Finally, the last interesting element to analyze was the correlation between Lego Group and all the complementary products and services created by very active users that, throughout their experiences and competences, are developing new potential markets (especially SBrick, as analyzed in the chapter 4.3). In particular, it is interesting to observe **if those products and services can indirectly influence and increase (or decrease) the brand loyalty of Lego users.**

Mr. Askildsen explained that the projects are several and very different between each other. «Many of them run on their own, others want Lego involved. Being an established company, we need to be careful on the way we relate to all these opportunities». In particular, there is the risk for a company to **gradually loose control of the brand** that, at the end, it is completely controlled by the users and their organized community.
Lego Group answers directly to the risk: «first of all, the best opportunity to control the risk is to participate, to reach out the people, to work with them, and to realize a lot of projects together. Secondly, it is important to **distinguish between a company trademark and the brand relative to that trademark.** The trademark is commercial, legal entity. The brand on the other side is emotional. It is not something that a company can own. We cannot control the brand perception but we can influence the brand perception with all the people out there». Lego is doing everything to be active and present with its users and loyal customers, it is helping the community, and influencing the perception of the Lego brand «but at the end we cannot decide about people perception».

4.1.7 LEGO SUMMARY CHART

The chart below is summarizing the main managerial opinions and decisions of LEGO. In the column on the left of the chart there are the main concepts that, together, form the managerial strategy and application of the campaign.

	LEGO Group
Customer Interaction	essential (new market structure)
Collective Knowledge	exists and its an high potential for companies
Finace VS Co-creation	/
Main Goal of the campaign	co-create, brand advocacy, innovation capacity
Framing Strategy	building relationships with events, and support programmes
Double ways interaction	yes
shared information	yes but with NDA agreement
Quality and Quantity	high quantity and quality

Reach its goal	yes
Brand Community	yes
Brand loyalty and trust	yes
Crowdfunding VS Crowdsourcing	crowdsourcing

Chart 2 - Lego summary Chart

4.2 SCANDINAVIAN AIRLINES

4.2.1 SCANDINAVIAN AIRLINES - COMPANY PRESENTATION

Scandinavian Airlines is the flag carrier of Denmark, Norway and Sweden. The airline was founded in 1946 when the flag carrier of Denmark and Norway, along with a private Swedish airline, formed the Scandinavian Airlines System partnership to operate intercontinental flights. Today, the company is the largest airline in the Nordic region, carrying 27 millions passengers every year and it is owned jointly by the Danish, Norwegian and Swedish governments.

According to the Centre for Aviation (CAPA, 2013), the SAS's brand differentiates itself in three areas: a large network, punctuality, and a strong culture of innovation. In the first place, the airline punctuality and its large network, reinforce the position of the brand among the Scandinavian frequent travelers, especially in the corporate sector. On the other hand, the airline has always been a pioneer in the aviation regarding innovations. For instance, the airline was the first to introduce Tourist class in 1952, in flight entertainment in 1968, lounges for business class passengers in 1982, sleeper seats in 1992 an biometric check-in 2006.

Nevertheless, the company has suffered in the recent years from the growth of the low-cost carriers across Europe and the raise of two very strong competitors in the Nordic region: Finnair and Norwegian Air Shuttle. The first is a very efficient long haul operators while the second is a low cost competitor increasing its market share on the Scandinavian short and long haul market. In this context, the airline has three main weakness that threaten its position on the Nordic market: 1) its unit cost, 2) its hub structure, 3) and the ownership structure. First, SAS unit cost of operation is among the highest of the airline industry and is nearly twice the one of its two Nordic Competitors. Second, the multi hub structure of the airline in Copenhagen, Oslo and Stockholm is not favorable to the growth of an efficient long haul service. As a consequence the long haul market is taken by larger competitors while the lower cost rivals are taking market share in its core short haul operations. Finally, the ownership structure of the airline owned jointly by the Danish, Norwegian and Swedish government is increasing the decision process and discouraging private investment.

Therefore, Scandinavian Airlines has taken some vigorous measures in order to maintain its activities in this challenging environment. Besides drastic financial cuts, the airlines has recently reshaped its marketing strategies to focus on it core strengths. As a result, the company is placing its frequent travelers upfront, building a strong community for the Scandinavian travelers, establishing a sustainable relationship with them and focusing on time efficiency, ease, service and punctuality.

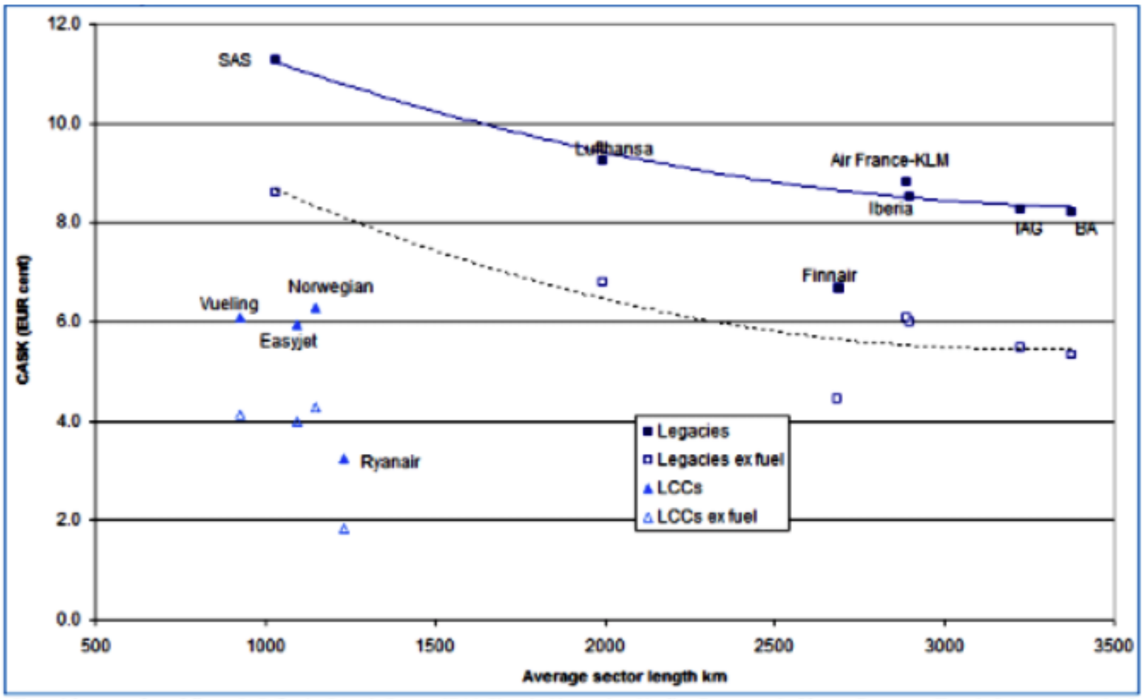


Figure 12 - SAS position among competitors regarding cost per km. Source: CAPA 2013

4.2.2 MY SAS IDEA - CAMPAIGN BACKGROUND

My SAS Idea is a campaign part of the new measures taken by the company in order to stand out from its competitors and to become the first nordic airline for Scandinavian frequent travelers. Therefore, the company wants to directly involve its primary target group into the decision process. In order to implement this strategy, the airline had to easily find a channel of interaction capable of collecting customer insight. The management team of SAS was inspired by the successful Starbuck Initiative launched in 2008: My Starbucks Idea. The platform has experienced a large success, and collected more than 150'000 customers ideas in the last five years. Starbucks implements around 300 customers insights ideas ranging from free wifi in all Starbucks store to a new loyalty program and the implementation of mobile payment facilities. The brand managed to attract a vibrant community of customers and maintain a sustainable interaction with them.

After trying a few temporary crowdsourcing campaign, Scandinavian Airlines became the first airline in the world to launch its permanent crowdsourcing platform: My SAS Idea in 2012.
The platform has been heavily promoted to SAS customers on board the aircraft and in the airports. Quickly, a large community started to interact actively through the platform. The campaign has by far exceeded the forecast of the management team in term of members and ideas. Indeed, the platform has exceeded both the number of members and ideas by five hundred percent. Therefore, SAS has demonstrated the customer need to be involve into the innovation process.

4.2.3 GENERAL VISION - MANAGEMENT PHILOSOPHY

In order to obtain insights from Scandinavian Airlines management team regarding SDL and co-creation, the press center of the airline company in Stockholm has been contacted, and an interview has been conducted with Mr. Peter Gabrielson, responsible of Service Encounter and Staff interaction and in charge of the MySASIdea campaign.

According to Mr. Gabrielson, the Scandinavian Airlines management team used to believe that the service experience they provide had to be crowdsource and co-created directly with the customer as their inputs and ideas are extremely valuable assets for the company: «we decided two years ago that all our service deliveries efforts would start with idea from the customers. We would do nothing ourself, no innovation ourselves, all innovations would have to be done by the customers and our job at the headquarter would be to react to those customers input». Indeed, all future innovations had to be co-created directly with the customers. The main activity of the different department of Scandinavian Airlines was to interfere with the customer and collect customer inputs and ideas in order to create new sustainable innovations for the company.

Therefore, upon the launch of the new business model, the company focused on co-creating new innovation with their frequent travelers. However, after a some time of interaction within the customers ideas and propositions, the management team has

reviewed its thought concerning customer interaction: «what we did not see coming was the extremely low quality of the customers inputs. I think this is a problem quite unique to the airline industry.» According to Mr. Gabrielson, it is important to consider the very specific nature of the airline industry: the customer interaction is a very central point of the product itself and this aspect should be valuate.
Consequently, the management team believes that most crowdsourcing and co-creation efforts should occur when the service is performed through the interaction between employees and customers. Mr. Gabrielson argues that **co-creation is more efficient when the effort is combine with an employee interaction in the airport or onboard the plane than a direct interaction with the customer through an online platform.**

When it comes to the collective knowledge of the customer, Mr. Gabrielson describes the customer competences as very limited compare to the collective knowledge acquired by SAS employees especially in a the very complex business environment of the airline industry. Indeed, the customers do have their own thought on what it is to be a customer and this is a valuable input for the company. Nevertheless, this input become way more profitable when it is interpreted by the employee collective knowledge. In addition, the complexity of the airline industry make the customer competence difficult to acquire. Therefore customer competence appeared to be extremely limited and always has to be reinterpreted to suit the specific requirement of the airline industry: «We have 80'000 passengers per day, and a regular flight attendant has an interaction with a 1000 customers everyday in his or her job. The collective knowledge of an airline passenger is limited to not very frequent interaction the company. However employee experience this interaction around 1000 times every day. The knowledge of the people providing the service is far more weighted than the collective knowledge of the customers».

4.2.4 THE CAMPAIGN PURPOSES AND STRATEGIES

The campaign is part of the Scandinavian Airlines makeover plan to become the first Nordic airline for Scandinavian frequent travelers and it was build to fulfill two main goals:

- **Driving innovation to serve their frequent traveller.** The goal for the airline is to perpetuate its strong innovation culture by collecting ideas directly from their frequent travelers and get user engagement. The airline want to involve its target group to get their valuable customer insight and thought in order to co-create adequate products and services that would serve their specific needs and differentiate the airline from its

Nordic competitors.

- **Increase the SAS brand loyalty and trust.** Through this social platform, Scandinavian airlines hope to reinforce its community of frequent travelers. The management team believes that their frequent travelers will be more loyal to the Scandinavian Airlines brand if they feel involve in the decision process of the company. In a like manner, this project should also increase the customer trust toward the brand.

In order to guide their customer in the process and encourage them to share thoughts and idea, the platform is divided in different categories to reproduce the customer journey from ticket purchase to landing. The sections of the website are really broad in order to inspire the customer creativity and the creation of new discussions and topics. From time to time the management team can open a new section in order to discuss and co-create on a specific topic with the customers.

4.2.5 THE QUALITY AND QUANTITY OF THE CUSTOMER INTERACTION

The campaign has been a huge success in term of customer involvement. Indeed, most customers have been so far extremely proactive on the platform, submitting new potential innovation on a regular basis and browsing ideas to submit their votes and comment. These positive results exceeded all management forecast and demonstrate the strong interest of the SAS customer community to influence management decision.

Nevertheless, the management team has been disappointed by the low quality inputs from the customers. According to Mr. Gabrielson, this is due to the unique specification of the airline industry. It is indeed, way more difficult for an airline customer to understand the specific nature of the airline industry and propose sustainable innovation for the airline industry compare to to other industries. «I think this is a problem quite unique to the airline industry. It is much easier for Starbucks to operate this kind of platform than it is for an airline». Therefore most of the customers ideas collected on the platform were not suitable to the airline industry or very difficult to implement due to the strong regulations in this field. Despite the high success of this campaign in term of customer involvement, the company has only been able to bring to life a few of them, mainly related to the destinations or the loyalty program.

4.2.6 THE OUTCOMES OF THE CAMPAIGN

Two main parameters has been used by Mr. Gabrielson in order to measure the outcome of the My SAS Idea campaign

- **the number of active members.** On this perspective, the campaign is a huge success for Scandinavian Airlines. According to Mr. Gabrielson, the number of active members registered on the website is way higher than the forecast proving than the frequent travelers have shown a deep interest for the platform and have a strong desire to influence the future management decision of the company.

- **the number and quality of the idea submitted.** In term of quantity, the management team has been positively surprised by the number of idea submitted on the platform and the engagement of the visitor to vote for those idea. However, as stated before, the quality of the idea received is extremely low and only a few of those ideas can be suitable for management implication.

Regarding the the impact of the platform in term of brand loyalty and trust, Mr. Gabrielson is skeptical on this issue even though it is difficult for the management team to evaluate the real impact of My SAS Idea. He argues that brand loyalty and trust is mainly build through the customer-employee interaction when the service is performed. Indeed, it is during those interactions that the community is reinforced as the customer really feel as a part of the SAS community: «**I do not think the platform has helped us to increase the brand loyalty and trust. I think that the sense of community is formed when flying with us and when interacting with our staff. This is when our customer really feel they are part of Scandinavian Airlines.**». According to Mr. Gabrielson, the configuration of the platform does not encourage the members to spend a lot of time on the website or to interact with other members of the community. Indeed, the website has a really low success rate when it comes to customer interaction within the members themselves. This might be due to the fact that the numerous online forums targeting a specific non brand related community such as the business traveller community, the backpacker community or the flying community are way more powerful when it comes to community interaction that a social platform dedicated to a single brand. Consequently, Mr. Gabrielson believes than Scandinavian Airlines has a way higher potential to reinforce its brand loyalty and trust through those forums than their SAS IDEA platform.

It has also been asked to Mr. Gabrielson if a crowdfunding campaign would be a better tool to increase the brand loyalty and the trust compare to a crowdsourcing campaign. The interviewee replied very positively on this issue arguing that **crowdfunding would be a way more effective tool to engage the customers in a co-creation process and get higher customer involvement.** «I think that crowdfunding should [..] drive much more involvement, engagement and loyalty than a crowdsourcing campaign [..] This is an interesting way to co-developing together and see what people really want.» Nevertheless, he mentions that it is extremely high for the company to judge how this idea would be accepted by the customer and emphasize the important cost of financing a new innovation in the airline industry.

4.2.7 SCANDINAVIAN AIRLINES SUMMARY CHART

The chart below is summarizing the main managerial opinions and decisions of Scandinavian Airlines . In the column on the left of the chart there are the main concepts that, together, form the managerial strategy and application of the campaign.

	SAS
Customer Interaction	important but low quality
Collective Knowledge	might exists but generally low potential for the companies
Finace VS Co-creation	
Main Goal of the campaign	improve quality and innovation of the service, and brand loyalty
Framing Strategy	categories on the platform
Double ways interaction	yes
shared information	no
Quality and Quantity	high quantity and low quality
Reach its goal	no
Brand Community	more important flight experience
Brand loyalty and trust	more important flight experience
Crowdfunding VS Crowdsourcing	crowdfunding

Chart 3 - SAS summary chart.

4.3 SBRICK

4.3.1 SBRICK - COMPANY PRESENTATION

SmartBrick (SBrick) is a new brand developed by Vengit Limited, an Hungarian IT company specialized in universal remote control platform. The brand was created in January 2014 by a small team of IT specialists and Lego fans, **extremely active within the Lego community themselves.**

The product and services of SBrick are all structured in a community perspective and composed of four main components:

- **a remote control** smart brick compatible with most Lego components allowing the users to remote control all their Lego creation from their mobile or tablet devices.
- **a social media platform** where SBrick owners can join the SBrick community, communicate with other users and organize racing events worldwide with other members of the community.
- **an open source platform** where SBrick owners can access different designs of remote control profiles created by other SBrick owners. The owners also have the possibility to create its own profile through the platform and share it with other members or sell it on the SBrick market place.
- **a market place** where the players can trade the designs of their remote control profile with other SBrick members.

Upon the launch of the project, the team has established a strong connection of their brand with the Lego community. Indeed, the founders have been extremely active on social medias to share their plans and idea and bring the Lego community into the SBrick community. They received positive feedbacks and encouragement from the Lego community that gave them the final push to the realization of the project.

At the time of the interview, the brand has been active for 10 months. The SBrick team, composed of ten employees, had just run a very successful crowdfunding campaign on Kickstarter and initiated the official commercialization of the product.

4.3.2 SBRICK CROWDFUNDING - CAMPAIGN BACKGROUND

The interview mainly focuses on the crowdfunding campaign run by the SBrick team on the Kickstarter platform. This campaign was launched in July 2014 and run for 30 days on the famous platform.

Following the normal system of Kickstarter, this campaign offered different options to the donors in relation to the size of their donation and to their kind of commitment with the company and/or the product:

- **Donation**; the possible donations were only small amount of 5 or 15 British Pounds and a small reward was send to the donor at the end of the campaign
- **Pre-order the product**; the pre-order had different options: 1) a simple discounted version of the product for the first pledgers, 2) the regular product, 3) a collector's edition, 4) a Lego kit together with instructions on how to integrate the product.
- **Become a Beta tester for Sbrick**; for those donating a large pledge (over 500 British Pounds), the donor had the possibility to become an official Beta tester for SBrick and have access to SBrick social network and profile designer to create its own remote control profile.
- **Become a Business partner**; the company was also looking for potential business partners through this crowdfunding campaign. Indeed, for a pledge over five thousand pounds, the company will integrate the SBrick Universal Remote Control system with the pledger/partner product.

This crowdfunding campaign was only active for a very limited period (30 days) but has been very successful on the Kickstarter platform. Indeed, the SBrick project ranked among the most popular campaigns during the entire duration. According to the data, the results of this campaign are outstanding as **SBrick received the support of 1284 backers and raised a total of 88'152 British Pounds, an amount way higher than the initial goal of 60 000 British Pounds.**

At the same time, SBrick has created a social platforms finalized to crowdsource possible developments, receive other feedbacks, and increase the commitment with the Lego community. Users are mainly using the platform to discuss about possible use of the SBrick as integration of Lego products. It is a very active platform, with a general forum, organization of events, and most importantly with the classification of the user according their knowledge and preferences:

- Developers, for developers of the app and of the design.
- Broadcasters, to spread the news about SmartBrick.
- Beta Testers, for testing the product before it enters into the market.
- Organizers, to organize events of gaming around the world between Lego funs with their SBrick integration.

4.3.3 GENERAL VISION - MANAGEMENT PHILOSOPHY

In order to obtain the management philosophy regarding the SDL and "co-creation of value" for this specific crowdfunding campaign, we interviewed Mr. Andras Barath, **Project Leader of SBrick.**

Firstly, Mr. Barath was asked a general question regarding his opinion regarding the **company-customer interaction.** The interviewee emphasized the positive outcomes coming from the company-customers interaction, especially regarding the **positive support in terms of demand.** Indeed, the management team considered that the encouragement and enthusiasm from the newly formed community was an extremely valuable aspect for the creation of the product: «We had a lot of positive inputs and feedbacks from the community on what we were doing. **We realized that we had found a niche and a very strong community for our product.** The most important part for us is the support we had to create the product. It really gave us an emotional push. It was exiting».

In other words, the immediate encounter between Sbrick and the already present community (the Lego community) gave a very important and strong feedback to the company that accelerate and encourage the development of the product. **The community confirmed a real demand on the market.**

Regarding **customer competences and collective knowledge**, the management team is very positive on this topic even though the company has not already taken advantage of the customer competence for the first stage of its product and service development.

Sbrick has been very active to keep alive a continuous communication with its rising community, in particular - a part of the use of Facebook and Twitter - **it has created a dedicated social media and open source platform where the users can participate in the co-creation of the product and discuss about the different possible developments.**

The company has intention to apply these developments within the **second version** of the product: «The community point out a very specific need that we understand, so we are going to launch a new version that will fulfill this need. It will take another 6 to 8 months before it happen but it has to happen because they want it ».

Unfortunately, it is still difficult for the company to evaluate the real impact of the customer competences as the product - at the time of the interview - **has not been launched yet.** According to Mr. Barath, a more important work with the community will start when they will receive the product and get a real understanding of what the company is doing. From this moment, the company will be able to benefit even more from the customer competence and start to co-create the future versions of the product with them.

In conclusion, the management team considers that customers input extremely valuable for the company. Indeed, according to Mr. Barath «**the whole idea behind SBrick is to adapt the product to the customer needs**». The customers input allows the company to know exactly why the customers want to use the product and for what purpose. Those information will lead to the development of new valuable products and services that will serve the customers needs.

4.3.4 THE CAMPAIGN PURPOSES AND STRATEGIES

The SBrick crowdfunding campaign on Kickstarter was «part of the product launch strategy». The management team had four main goals:

1. **Financial motivation**: the company needed financial support to launch the mass production of the product. Therefore they wanted to solicit the LEGO community to pre-order the smart bricks.

2. **To promote the brand and gain brand recognition within the Lego community**: the management team is **capitalizing on the huge potential of the existing Lego community** to promote its product. According to Mr. Barath, the medias are very sensitive to the crowdfunding campaigns, especially in the tech industry. Therefore, executing a crowdfunding campaign gives a lot of visibility to the brand in the main media of the industry, and in the Lego community.

3. **To test the market potential**: the SBrick management team needed to test the market potential for their product and get a clear estimation of the market size. In this context, the choice for a pre-order crowdfunding appear to be the most appropriate option for the company as it provides a fair estimation of the customer willingness to acquire the product. The management team adopted a very transparent approach during the crowdfunding campaign to explain this intention to the future customer and stated: «We also love the fact that Kickstarter is a no-risk way for you to back the SBrick and is **a fantastic way for us to gauge how desirable the SBrick is**».

4. **To co-create with the community**: this goal is stated clearly on the main page of their crowdfunding campaign: «We are currently in the phase where, depending on the

feedback you give us, **we are still able to make changes to the product and can adapt our production line to ensure we ship you the very best SBrick possible**». Following this statement, the management team inquired the customer competences and collective knowledge for the development of their product. Therefore, there is a strong willingness to directly co-create the product with the customers. For this purpose, the funders are trying to frame the community to direct them in the right direction.

4.3.5 THE QUALITY AND QUANTITY OF THE CUSTOMER INTERACTION

First of all it is important to remember that SBrick is a remote control for Lego products. **Without the great effort of Lego to build during the years a strong affiliated community**, and to develop numerous product that have been able to keep commitment within its customers, **SBrick would not have a considerable market demand**. The SBrick management has been very active and **has strategically reach out the Lego community in order to gain brand visibility and build their own community**. Therefore, the large majority of the SBrick community is also part of the Lego community.
As a result, the remarks regarding the Lego community collected from the Lego Senior Director of Community Engagement & Events, Mr. Askildsen, (chapter 4.1) also applied to SBricks customers.

Consequently, the SBrick brand relies on the **support of a large customer community with high educational background and a strong commitment and willingness to influence the direction of any new products directed to the Lego community**. Mr. Barath of SBrick confirmed the high quality of the customer: «we decided to **do another version of our product that is <u>entirely based on the knowledge we have acquired</u> from our customers during the crowdfunding campaign**».

In particular, SBrick managed to **commit the most experienced users** of the Lego community and especially of the Lego Technic: «We set out a lot of test units to the most well known players of Lego Technic to test our product. We asked them what they think about it and what we should change. The whole idea behind SBrick is to adapt the product to their needs».

Nevertheless, it seems that the management team does not always consider the customer knowledge. Indeed, the product description of the first SBrick product that has been submitted to a co-creation process during the crowdfunding campaign **has not been**

modified despite the numerous ideas received: «there was a huge interaction between us and the community but at the meantime the product remains the same. **We did not change a single bit of the actual product**».

SBrick team decided to **educate the customer on the management decision regarding the different specific choices about the design or the product characteristic**, rather than changing it. Mr. Barath justified this management decision explaining that the team underestimated the cost of changing the product characteristics at this stage. However, the team will give more credibility to the community input once the customers will receive a concrete version of the product and will be able to taste it, he declared.

4.3.6 THE OUTCOMES OF THE CAMPAIGN

The outcome of the SBrick's crowdfunding campaign can be measure using three main parameters:

- **The financial outcome.** The campaign has been a huge success on the financial aspect. The company has raised a total of 88'152 British Pounds, which is a high amount compare to the 60'000 British Pounds forecast.

- **The number of pledger involved.** A total of 1284 pledgers has been involved in the crowdfunding campaign. This is also a very high amount that exceeded the team expectation. However, the large majority of the backers took part in the crowdfunding to pre-order the product. Only five backers demonstrated financially their interest to test the product prototype and submit designed on the open source platform.

- **The engagement for the interaction.** The interaction on the Kickstarter page itself seems quite low. SBrick received only a total of 170 comments on this page, most of them regarding details for payment and shipping. However the goal of the team was not to collect the pledgers input on the crowdfunding page but to direct them to their own social platform that has been specifically build for this purpose. According to the management team, **the crowdfunding campaign had an important impact on the membership development of the social platform, and the number of interactions is way higher than what expected**: «we were expecting something really different. A couple hundred people buying SmartBrick on Kickstarter and that's it. Now we have thousands of people constantly communicating with us».

The four interesting element to test in the results it is the **brand loyalty resulting from the campaign.** Mr. Barath **does not believe that the campaign increased** the number of loyal customers because **they were already very loyal to Lego**: «In our knowledge the 80% of the pledgers have never been on Kickstarter before the campaign. It is not that we brought people from the Kickstarter community to our community, but the other way around. **It has been a challenge to explain to the Lego community how Kickstarter works**». However, he recognizes that the campaign has been a success for increasing the visibility of the brand: «the most important Lego players now know about SBrick. They know how our logo looks like. **We think we have penetrated our market very deeply and very efficiently considering our budget**», but because «there was a very strong community behind the product and a very basic need for it».

Finally, when a community is so active and conscious of its preferences, there are the two risks of 1) **loosing control over the brand**, and 2) that the **shared informations** will be used by the competitors. Mr. Barath opinion about this two concerns is optimistic:

1. SBrick is **conscious to the risk** to loose control over the brand, and therefore it is trying to do **not allow and follow any preference of the community**, but on contrary to **educate** the community according the managerial preferences: «We originally had the idea to open source the brand, the SBrick idea, and start a wikipedia page on what should be our marketing strategy for SBrick. Then we realized that if we ask a question to a community of 5000 people, we would end up having a lot of troubles and we decided to not do it. We decided instead to give concrete answers about why we chose someone and something […] or why not».

2. Sbrick is a**bsolutely not concern about the risk of being copied** thanks to the available informations on its platform. Indeed: «they can copy every aspect of the product but they will not be able to copy the full experience, and the brand is part of it. We have launched SBrick also to show the market that we have an universal remote control platform and to prove that we can put and manage hardware product on the market». In other words, the product on itself is not so important without the experience support of the company and of the community, and SBrick is only an initial business project of Vengit Limited that has bigger inspiration in the B2B market.

4.3.7 SBRICK SUMMARY CHART

The chart below is summarizing the main managerial opinions and decisions of SBrick. In the column on the left of the chart there are the main concepts that, together, form the managerial strategy and application of the campaign.

	SBrick
Customer Interaction	essential for promotion (and co-creation)
Collective Knowledge	exists and high potential for the companies
Finace VS Co-creation	finance and test the market
Main Goal of the campaign	finance support, promote the brand, test the market demand,
Framing Strategy	Division into competence Groups in the platform
Double ways interaction	yes
shared information	yes
Quality and Quantity	high quantity and high quality
Reach its goal	yes
Brand Community	already existing and managed to create a sub-group
Brand loyalty and trust	yes
Crowdfunding VS Crowdsourcing	crowdfunding

Chart 4 - SBrick summary chart

4.4 VIRTUOUS SPIRITS

4.4.1 VIRTUOUS SPIRITS AB ANALYSIS - COMPANY PRESENTATION

Virtuous Spirits AB is a Swedish company founded in 2012, in Stockholm, by Claes Stenmark, and Mario Löfendolk. The Virtuous Spirits core business is the production and sale of 'Virtuous Vodka', a craftsmanship product. This vodka, produced with 7 different flavors, it is mainly advertised as a genuine and natural vodka, 100% organic and 100% carbon dioxide compensated.

Virtuous Spirits is willing to become a famous Vodka brand around the world, first establishing in the Swedish market, in both HoReCa (Hotels, Restaurants including bar and nightclubs, and Catering) and Retail (Tax Free and Systembolaget), and later starting an international expansion, especially in Northern Europe, US, Brazil and China.

An analysis of the vodka market shows a general **absence of strong ecological vodka brands.** There are small companies producing organic vodka, but generally those companies are lacking in resources for a marketing spread in the local and international market. The Virtuous Spirits main competitor is without doubt **Absolut Vodka**, the Swedish biggest Vodka producer. Indeed, Absolut Vodka, even though is not advertised as an organic genuine vodka, it has a very strong brand, already famous around the world, and with strong financial capabilities.

Regarding the market strategic analysis, the management counts on the data regarding the **growing consumptions of organic and alcoholic products.** Indeed, the sales of organic products increased by 23% from 2010 to 2011 (Systembolaget's Lanseringsplan, 2012), and the total consumption within the segment vodka is estimated to be 8.2 million liters.
Placing themselves on the **middle-high segment of the vodka market**, in terms of price and quality, Virtuous Spirits forecasts are to achieve the 2% of the market share by 2017 that it will result in an annual sale of approximately 234 thousand of 70 cl bottles (Virtuous Vodka live presentation, Rocket Lab, Copenhagen, 27th of October).

The team management is formed by **experienced professionals, all of them with high education background** and considerable work experience for consultancy companies, advertising agencies, and financial institutions. At the same time, apparently t**he product fits perfectly with the trend of the food and beverage market, every day more reactive to organic and sustainable products.**
Virtuous Vodka, in the first two years of existence, has showed particular capabilities to build an intriguing brand, be sensible to the crowd preferences, and to prepare a successful growth.

4.4.2 VIRTUOUS VODKA EQUITY CROWDFUNDING - CAMPAIGN BACKGROUND

At the end of 2012 Virtuous Spirits AB launched an Equity Crowdfunding campaign on the Swedish platform **"Founded by Me".**

The platform, Founded by Me, is one of the most important Scandinavian crowdfunding platform, founded in 2011 in Sweden, and it has been quite active in the Scandinavian market. The platform offers all the three most famous kinds of crowdfunding: equity-based, loan-based, and reward-based. The second important characteristic of this platform is that it applies a "all or nothing" principle to all the campaigns: if the specific campaign does not reach its goal, all the raised capital returns to the investors. All the famous crowdfunding platforms, as Indiegogo or Kickstarter, do not apply this principle but, on the other hand, this principle is more explainable with a equity crowdfunding where the investors are mainly interested on the mere financial aspect of the campaign and less on the "affiliation" with the project.

Virtuous Vodka started this campaign mainly for **gaining visibility and acquiring "ambassadors"** (see chapter 4.4.3), **even thought the official purpose was the financial support**. During the campaign, the company has implemented an efficient sequence of **"tasting events"** where the potential investors had the possibility to meet the management team of Virtuous Spirits, to taste the different vodkas and, most importantly, to start a genuine commitment for the product.
The 'messaging' forum of the campaign demonstrates this aspect, where several investors admitted to have decided to invest after a tasting event: Person 1: «I never thought that flavored vodka actually could taste good... but Virtuous does! Very impressed by the product that they have created, best of luck guys!», Person 2: «Virtuous Vodka is the best tasting flavored vodka I have ever tried. I also believe in their idea and market plan which is why I choose to invest in this company. The organic part is just icing on the cake or the flavor in the vodka as one should say instead.», Person 3: «Went to a Vodka tasting the other night and has Absolut and Virtuous side to side, definitely an awesome company to invest in, I have their backs all the way».

The campaign terminated on January the 11th, **reaching its goal**: 107,947 EUR coming from 93 investors and covering the 9.98% of the company's shares. A part of the successful financial aspect, Virtuous Vodka mainly succeed on create commitment on its investors who also became 'ambassadors' of the brand.

4.4.3 GENERAL VISION - MANAGEMENT PHILOSOPHY

In order to obtain primary data about Virtuous Vodka crowdfunding and Virtuous Spirits managerial opinion about the SDL and the 'co-creation of value', it has been contacted **Mr. Johan Ranstam**, **Chief Marketing Officer** of the management team. Mr. Ranstam is 41 years old, he has studied economics and philosophy at Lund university, and marketing at Berghs School of Communication. He has worked in both financial and advertising industry as Risk Manager, Business Developer, Strategist and Copywriter.

Mr. Ranstam vision about the company-customer interaction does not match with the main concepts introduced by Vargo and Lusch. According to him, the «obvious» final aim of the interaction is a **potential growth in sales**. The encounter process mainly focus on picking up «**feedbacks** to address possible **discontent customers**». In other words, the encounter between company and customer is mainly finalized to understand better the needs and feeling of the customers in order to prevent (or at least decrease) un-satisfaction and consequently increase sales.

According to his vision, despite the technological development and the easier accessibility to informations, in reality the **'collective knowledge' is not increased**. «There is much more information available but the problem is that this information is not always valid. There are not proof that the online source is true. It could just be **disinformation**». Moreover, the "false information" could even be created on purpose «from a competitor».

The center of this discussion is then becoming the acquisition of trust. The key point is **to acquire trustworthy sources of information in order to «turn data into knowledge and decision supports**».

Therefore, the 'customer competence' per se is not real, but the customer can still «be a relevant support to design our product». What is important for Mr. Ranstam is the customer experience, crucial for «designing and creating the right vodka». **The customer opinion is useful «to adapt the company long term vision to the short term customer needs».**

Indeed, the management of Virtuous Vodka organized several events where they have met customers and potential investors. In particular, the Virtuous Vodka brand is strictly connected with «a **trend in Sweden concerning nutritious food**». Studying the market environment and the customers preferences, Virtuous Spirits has designed an organic and sustainable product, capitalizing the general trend in the food and beverage industry. In this terms, the interaction with customers **has been useful to completely understand their preferences and needs**, but regarding real competence able to improve the products, Mr. Ranstam does not hide his skepticism: «**I am not sure that the fact the customer can be a relevant support for our design means that the customer is more competent.** [..] When it comes to the information, it is important to remind that people are very **biased**. This has been shown in the stock market several times. If you want to believe something, you are always going to find information to confirm this».

Finally, the first part of the interview, regarding the general vision of the SDL and its effects, finishes with a question about the financial and 'co-creation' aspects of a crowdfunding campaign.

Mr. Ranstam explained that Virtuous Vodka made an equity crowdfunding where the people investing where not involved in the product design. Indeed «they did not invest in a product. They invested in a company. That is the big difference». For this point of view, the co-creation aspects were extremely few.

Nevertheless, for Virtuous Spirits the crowdfunding real purpose was to find 'ambassadors': «for us the equity was not the important part», and «to have really strong ambassadors we need to listen to people». The investors where then researched not for their financial support but for their potential commitment with the company and their capabilities to "spread" the brand.

4.4.4 THE CAMPAIGN PURPOSES AND STRATEGIES

The Virtuous Vodka crowdfunding campaign on "Founded by me" was planned, as declared by the CMO Mr. Johan Ranstam, for only one purpose. The financial support was not the actual goal of the management, **the purpose was to find potential ambassadors that will contribute to give visibility to the brand.**

Regarding the main strategy adopted in order to reach this goal, Mr. Ranstam explained that they actually framed them following the literature suggestions. As we have seen in the chapter 3.5, the role of the marketer is to communicate clearly to the target group how their product or service is different from the competitors. They have to frame their messages to **let the (targeted) customer to identify himself with the product/service personality** (McGrath, 2007, p2).

Indeed, Virtuous Vodka management «did not write that it was looking for ambassadors, [..] we tried to work with their engagement to make them ambassadors». The communication was framed so that the customer could understand alone how he could benefit from the company.

In order to reach this goal, the strategy was mainly composed by three elements:

- **organization of physical events;** where the potential investor could taste the vodka, comparing it to the main competitor (Absolut vodka), and identify himself with the company ideals, especially its high quality and organic product.

- **private communications with singular investor;** in case the company needed a particular feedback or advise, the management was trying to communicate directly with the investors that for their background were already competent in the specify area. Sometimes it was used a combine use of «newsletter and personal request of feedbacks».

- **creation of a forum for shareholders;** the company was keeping alive a discussion with shareholders about several aspects of the product, «there is always life in that forum» even without the action of the company.

The company was conscious of its strategy and «we were trying to achieve our goal using the different channels depending on that».

4.4.5 THE QUALITY AND QUANTITY OF THE CUSTOMER INTERACTION, AND REASONS

The participants to the equity crowdfunding campaign can be divided into two main groups:

1. **People investing small amount of capital**; they were usually «interested in **being part of the experience** of the company. To tell their friends they are part of it». As a result, this investors were also the ones usually more **committed**, more identified within the company's product, and therefore real 'ambassadors' for Virtuous Vodka.

2. **People investing considerable amount of capital**; they were «more interested in the business case they think it as a **good investment**», and therefore - even thought they are sharing the same purposes of success, they are less committed into the product experience.

Their level of co-creation with the company is, as described by Prahalad and Ramaswamy, directly dependent to the amount and quality of information that the company is willing to share: «dialogue, access, transparency and risk are interrelated (Prahalad and Ramaswamy,…)». Regarding this important strategic attitude, **Virtuous Spirits decided to not be open to share important information about Virtuous Vodka**: «we have **not** invited shareholders in any design or strategy work so far».
Virtuous Spirits only operates in specific cases with certain shareholders that have a background useful to the company needs: «we have certain shareholders that have specific knowledge, so we go to them to have feedback about strategy choices. We have

certain shareholders that are designers for instance, so we go to them to have some design help But we do not go to the crowd as such to ask for that kind of impact».

This interview clearly shows that **the interaction between company - customer** (in this case shareholders investors) **is low in terms of quantity and quality**. The company **does not want to run the risk to open sensible information to customers such as a crowd**, and neither believes into the real potentialities (qualities) of the customer inputs a part of customer experience.
Only in few specific and determined cases, Virtuous Spirits demands a **personal expert advise** from a shareholder that is also a professional in the needed field.

4.4.6 THE OUTCOMES OF THE CAMPAIGN

The overall results of the campaign is **positive**, according to Mr. Ranstam. The equity crowdfunding reached its financial goal, raising 107,947 EUR from 93 investors and covering the 9.98% of the company's shares. Most importantly, **the company managed to gain commitment from many of these investors that became "ambassadors" of the brand**.

At the same time, the purpose of this research is to analyze the degree of brand loyalty and trust of the investors after their commitment in the campaign. According to the CMO, **the campaign did not create** (or reinforce) **any brand community due to the young age of the company**: «I do not think that Virtuous is yet a brand strong enough to attract a community or being attached to a very well defined community yet. It is still a very small brand so it will take some time», and he continued: «**they are not kept together by values or ideas or by history, they are only tie together because they like the vodka we produce**». On this perspective, Mr. Ranstam seems to share the theory of Marshall (1994), who identifies as main element of the brand community the presence of shared rituals and tradition coming from the culture and history of the community itself. Nevertheless, Mr. Ranstam recognizes a common affiliation between the investors in the **shared trust of the product, the genuine organic vodka**, leaving spaces to different interpretation that will be considered in the chapter 5.

On the other hand, **the campaign has included the creation of a forum** for shareholders that is always very active even without the company interaction and it potentially permits the organization of the investors into a potential community.

Equally important in the results of the campaign, it is the level of control that the company can have over the brand. Especially with the creation of "ambassadors" there is the risk lose the control over it. However, the CMO analyze the issue from another perspective: «**I do not think as a company we own the brand.** I think we can just do our best to try to **give the brand the best conditions possible for people to pick it up in an advantageous way for us,** but we cannot control it».

Finally, regarding the possibility to re-organize a crowdfunding campaign (especially a reward-based campaign and not an equity-based) for co-creating a brand community, Virtuous Spirits is still skeptic: «I think the one that has been successful are working with a product that does not really exist or they are doing something really new. I think that we would need a much stronger brand. I believe that **to be successful on KickStarter you should have a very unique product or a very strong brand.** In the future yes, but only when the conditions for us will be fine». In order words, according to Mr. Ranstam, in order to be successful with a crowdfunding campaign and use it to co-create with the customers, it is necessary to be already an established company with a famous brand, or at least to be very innovative with the main product at the center of the campaign.

4.3.7 VIRTUOUS SPIRITS SUMMARY CHART

	Virtuous Spirits
Customer Interaction	customer experience
Collective Knowledge	It can exist but it is biased and always lower that the company
Finace VS Co-creation	co-creation (ambassadors)
Main Goal of the campaign	finding ambassadors, small financial support
Framing Strategy	private communication of strategic fields
Double ways interaction	no
shared information	no but private communication with competence shareholders
Quality and Quantity	low quantity and low quality
Reach its goal	yes
Brand Community	no
Brand loyalty and trust	established a trustful relations with the investors
Crowdfunding VS Crowdsourcing	crowdfunding

Chart 5 - Virtuous Vodka summary chart

4.5 GENERAL COMPARISON CHART

The chart below is summarizing the main managerial opinions and decisions of the four companies that have been interviewed. In the column on the left of the chart there are the main concepts that, together, form the managerial strategy and application of the campaign.

	LEGO Group	SAS	SBrick	Virtuous Spirits
Customer Interaction	essential (new market structure)	important but low quality	essential for promotion (and co-creation)	customer experience
Collective Knowledge	exists and its an high potential for companies	might exists but generally low potential for the companies	exists and high potential for the companies	It can exist but it is biased and always lower that the company
Finace VS Co-creation	/	/	finance and test the market	co-creation (ambassadors)
Main Goal of the campaign	co-create, brand advocacy, innovation capacity	improve quality and innovation of the service, and brand loyalty	finance support, promote the brand, test the market demand	finding ambassadors, small financial support
Framing Strategy	building relationships with events, and support programmes	categories on the platform	Division into competence Groups in the platform	private communication of strategic fields
Double ways interaction	yes	yes	yes	no
Shared information	yes but with NDA agreement	no	yes	no but private communication with competent shareholders
Quality and Quantity	high quantity and quality	high quantity and low quality	high quantity and high quality	low quantity and low quality
Reached its goal	yes	no	yes	yes
Brand Community	yes	more important flight experience	already existing and managed to create a sub-group	no
Brand loyalty and trust	yes	more important flight experience	yes	established a trustful relations with the investors
Crowdfunding VS Crowdsourcing	crowdsourcing	crowdfunding	crowdfunding	crowdfunding

Chart 6 - General Comparison Chart of the Analysis

5. DISCUSSION

5.1 CORROBORATING THE THEORY ON THE ANALYSIS

The research is now considering the analysis of the 4 cross-sectional case studies in relation to the theory expressed on the State of the Art of the research. This final connection will permit to test the corroboration or rejection of the theory.
The process will be divided in three parts following the organization logic explained in the chapter 3.1 and represented in the figure 2 re-proposed here to simplify the reading.

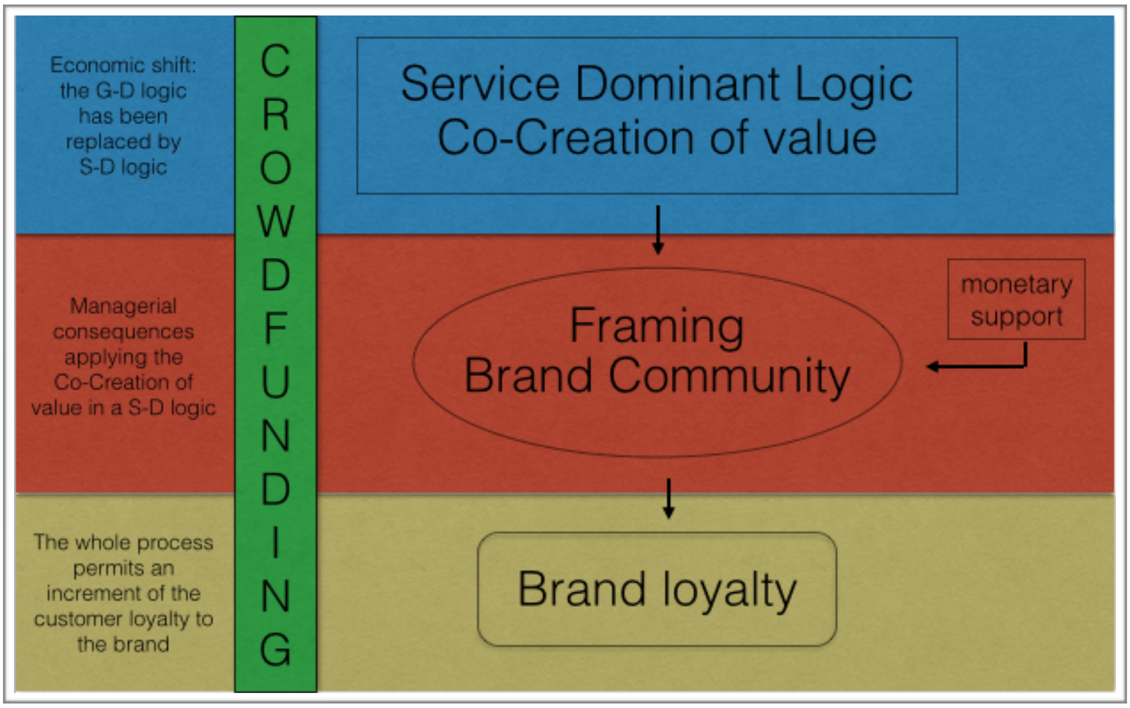


Figure 2 - The logic model to apply the co-creation of value with all its characteristics and procedures.

5.1.1 ECONOMIC SHIFT (SDL AND CO-CREATION OF VALUE)

Vargo and Lusch, with their pillar article, have expressed what is really changing (and already changed) in our economy. The "new economy" is focusing on the value-in-use, revolutionizing the traditional relationship between companies and customers inside the market. Indeed, every product, every good per se, does not contemplate any value when it is stable and not used.
It is easy to understand this concept when, for instance, we think about a new automobile vehicle. The product, the new automobile, wouldn't have any value on itself if nobody would be able to actually drive it. The customer competence is then essential to actually give value to the goods and potentially increase this value. The customer presence becomes even more important within the new technologies and the social medias: the

most valuable social media platform, facebook, does not contain any value per se, but the value depends on the amount of users.
Vargo and Lusch, concludes that the company has then to develop the product with the customer who is now the real center of the market being the real key to acquire value. Consequently, Prahalad and Ramaswamy, have described the importance of the encounter process between the company and the customers, process that can permit the actual co-creation of value.

The cross-sectional case analysis over the four companies with their managerial visions, and with their implementation of the campaign, have showed an almost homogeneous vision about the market shift into a Service Dominant Logic. Indeed, three out of four companies, even with small differences, recognize the change of the market and the necessity to increase the company-customer interaction:

- Lego Group totally shares this vision. According to Mr. Askildsen, the business environment has completely changed during the last 10 years, and now the customers do not only consume value (reason why it is imprecise to call them just consumers or customers), but they also have other roles such as innovate and develop the product, and even create complementary product-service to the core one.
- Scandinavian Airlines believes that the value is created when the customer interact with SAS, especially with the SAS employees during the service (the flight).
- SBrick emphasizes the importance of the company-customer interaction mainly for marketing reasons. Even thought the management declares to consider extremely important the interaction also for the development and innovation of their products - and the crowdsource platform is an implementation of this idea - until now it has been used mainly for analyzing the market demand.
- Virtuous Spirits is the only one out of four cases that conceptually disagree with the Service Dominant Logic. The CMO of the company recognizes as potential from the interaction only an higher understanding and information of the customer preferences and expectations. The company still maintain, even after a successful crowdfunding campaign, a traditional “company-centric” view of the market where the company designs almost autonomously the product according to its knowledge of the market.

After realizing the shift in the market, the value-in-use concept, the managerial approach to the entire product/service life usually changes. The entire approach in relation to the customers and to the value creation (from designing to producing) is supposed to change as suggested by three out of four managers. The figure 13 is a metaphoric representation of the market-space focusing on the importance of the roles. Especially Lego Group emphasized the central role of the customers, while Virtuous Spirits keeps a traditional company-centric view.

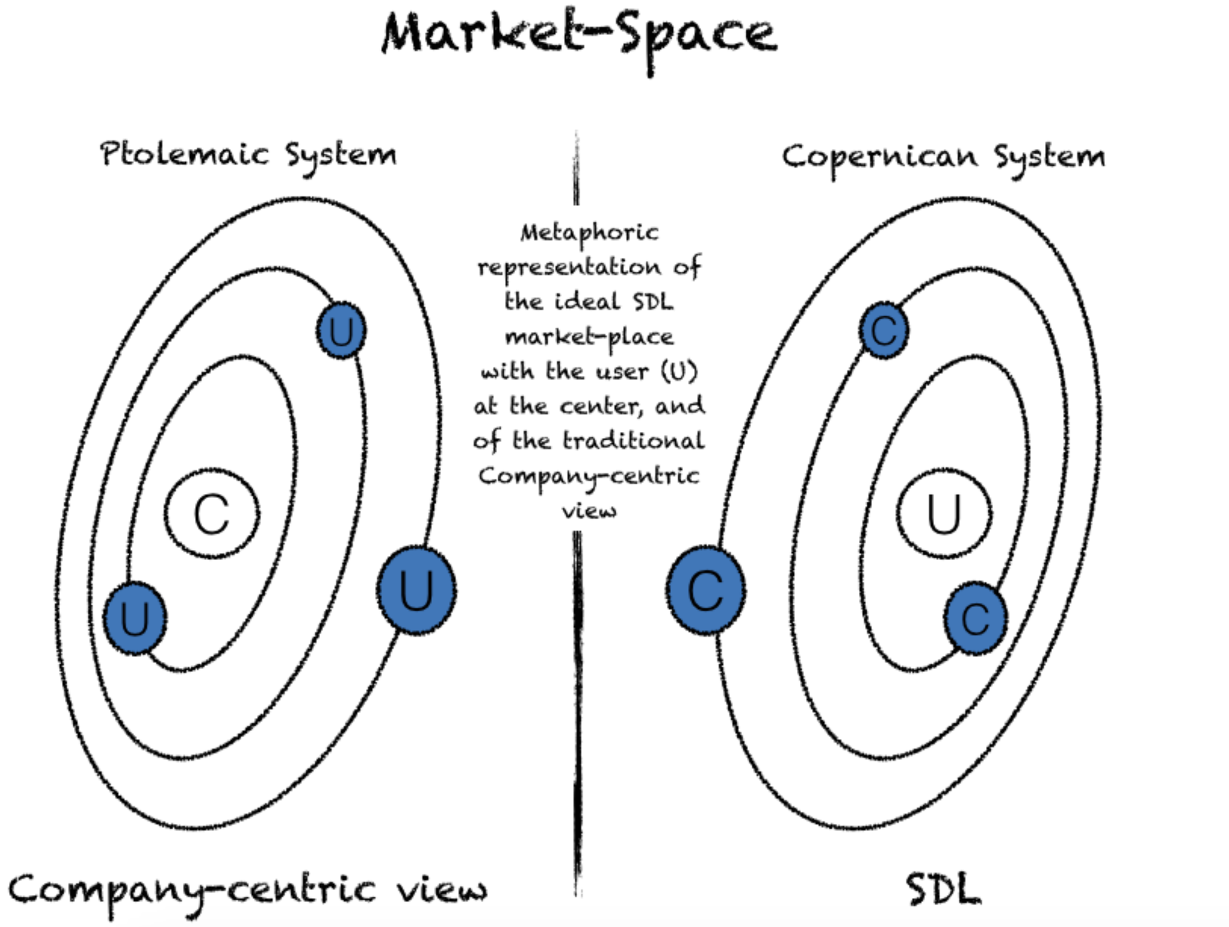


Figure 13 - Metaphoric representation of the market-space comparing the traditional company-centric view with the SDL.

The market center is changed putting at the center the customer (U) and the interaction with him is not only the end of the product design with the purchase, but the customer has other roles too.

The second element to analyze regarding the market shift, it is the actual level of competence of the customers and, consequently, how much the company relies on the customer-company encounter to design, improve, develop, the product.

The analysis have showed a division on the opinions in three main groups:

1. **Lego Group and SBrick**; the **collective knowledge is effectively higher** than the past, and the role of the company is to stimulate the customers in order to integrate them in the development of the products. The challenge is to be able to build an effective system, channel, to acquire this knowledge and implement it in the real product, confirming the theoretical assumption of Grönroos, and the fact that managing the

co-creation of value means to understand the customer future behavior and consequently to set the best channel to increase the impact of the interaction (cf. Grönroos, 2006, p.330).

In addition, it is important to precise that SBrick has already set the communication channels for managing the co-creation of value, but this improvement will be implemented only with the second version of the product. To understand better this time-issue it has been created the following graph, figure 14.

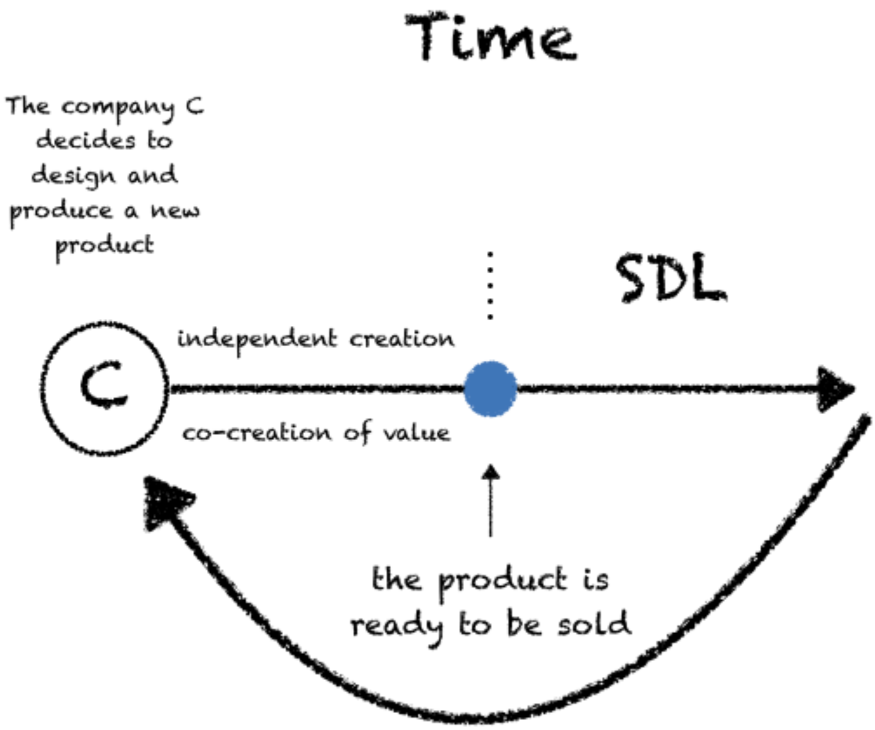


Figure 14 - The time of the product life, from creation to consumption.

The first version of the company (C) is (almost) independently created by the company. At the certain point the company starts selling the product in the market and the interaction with the customer gives a real value-in-use to the product. The company has set a encounter channel in which integrates the customers competence and re-starts designing a new version of the product, co-creating with them. This is, in brief, the SBrick managerial behavior so far.

2. **Scandinavian Airlines**; SAS has implemented a crowdsourcing system in order to be able to capture the value from it and let the customers to lead the innovation and development of the services. Nevertheless, the management has observed a **particularly low quality of customer competence**, and instead preferred to use the higher competence of their own employees that are always part of a continuos interaction with the customers and, thanks to that, are enriching their knowledge

about the service and possible gaps. Mr. Gabrielsson opinion is that this low quality of the customer competence is a characteristic of the airlines industry, and even though the customers are not directly integrated in the co-creation process, the encounter process is considered essential for the management to enrich the employees competence and consequently to co-create with the employees.

3. **Virtuous Spirits**; the **collective knowledge is not increased**, and actually the level of disinformation can be considerably high. This is mainly due to fact that customers are generally biased. The company is then **not applying the co-creation of value** and it is considering the encounter with the customers useful only to record the customer preferences and experiences, especially to follow eventual market trends.

5.1.2 BRAND COMMUNITY CREATION AND FRAMING

Following the discussion about the management view concerning the service dominant logic for the four companies, and the level of application of the co-creation of value in relation to the customer competence, the discussion now concentrates its observation on the application of the theoretical framework about "managing the co-creation of value" for creating a brand community.

The main concepts of the theory to efficiently co-create and build a brand community are: **to frame the customer competence, and to share information in order to increase the stakeholder customer engagement**. In this section, the communication and the degree of information shared by the four companies will be interpreted in order to determine if a brand community has been built.

❋ Firstly, the **FRAMING** strategy of the four companies will be interpreted.

According to McGrath, the company should **let the customer identifies himself with the product or service personality.** For this purpose, Tsai (2007) proposes three customers characteristic that the management team should take into consideration in order to frame their communication accordingly:

1. **The customer Self Construal,**
2. **The customer involvement,**
3. **The Product Knowledge.**

Therefore in order to frame its communication in a co-creation perspective, the company should divide its users into specific groups according to their product knowledge and views on the company.

1. **Lego** has divided its community into different user groups according to their interests. Every year the company is organizing networking events to involve the representatives of those groups. In its campaign, Lego supports the users driven activities, reviews the products and proposes new innovations. Moreover, the company is running some specific projects with a limited amount of members under a nondisclosure agreement to co-create specifics products. The company also adapts its communication according to the status and interest of the person involved in the community. From this perspective we can argue that Lego communication is framed in order to get involvement from the community members.

2. Concerning **SBrick**, the company did not divide its community into groups for the crowdfunding campaign, however it can be argued that the communication used for the campaign is framed specifically for the most active members of the Lego community. Moreover the management team created a specific crowdsourcing platform for the brand where the users are divided into specifics groups according to their status and interest within the community, each group receiving some specific tasks. Therefore, as Lego, SBrick appears to adapt a framing strategy in a co-creation perspective.

3. **Scandinavian Airlines** has not a framing strategy for their crowdsourcing campaign My SAS Idea. However it is important to mention that the company is clearly dividing its customers into specific groups through its loyalty program and is framing the communication according to the status of their customers. Nevertheless, this framing strategy does not appear to be used on a co-creation perspective.

4. **Virtuous Spirits** is communicating with its pledgers through a specific channel. Nevertheless, the management team argues that this communication is not framed for co-creation purposes but only with the aim to increase their commitment as shareholders in order to represent the brand.

❋ Secondly, we will use the framework build by Mary J Hatch and Majken Schultz in order to evaluate if the **SHARED INFORMATION during the crowdsourcing and crowdfunding campaign** have reinforced or create a brand community. The framework is based on two parameters: **the company-stakeholder engagement (Dialogue + Access)** and the **Organisational Self-Disclosure (Transparency + Risk).** A high involvement from the organization for those two parameters should create-reinforce the brand community.

1. **Lego** is actively interacting with the user in a double way communication through its numerous social platform. The company has an active support program for the community members and does not hesitate to share valuable informations with the Lego users to co-create new projects under a nondisclosure agreement. Therefore Lego seems to comply with the Hatch and Schultz framework to reinforce its community.

2. **Scandinavian Airlines** mainly focuses its interaction efforts when the service is performed, onboard the aircraft or at the airport. The staff is encouraged to perform an ongoing dialogue with the customers, nevertheless the interaction between the management team and the different stakeholders appears to be quite limited. Moreover, the company culture is not always transparent and the management team seems reluctant to take the risk to expose its culture and management practices with the members of the community. Therefore, according to the framework, Scandinavian Airlines might experiences some difficulties to create a strong customer involvement.

3. **SBrick** is maintaining an important dialogue with its community through its crowdfunding campaign and a structured social media platform. The management team has a very transparent culture and does not hesitate to take risks in order to share management practices and valuable informations with the community. Moreover, SBrick is taking advantage of the strong commitment of the Lego users as the newly created brand community appears to be a sub-community of Lego. Consequently, according to the framework, the company is creating a strong community and should obtain a high degree of involvement from its customers.

4. **Virtuous Spirit** management team has a contrasting opinion concerning customer competences and the collective knowledge. As a result, the company is reluctant to establish a strong interaction with its customers and does not take the risk to share the management practices and knowledge for co-creation. In conclusion, Virtuous Spirit does not encourage the creation of a brand community.

As a result, Lego and SBrick are the only two brands creating and reinforcing a brand community according to the framework of Hatch and Schultz. The definition of Muniz and O'Guin also confirms the strong brand community of Lego and SBrick, based on the following three elements: **consciousness of kind, presence of shared rituals and tradition and a sense of moral responsibility**. Indeed, the majority of those two community members shares the same consciousness of kind as they have the same passion for the toy of their childhood. The story and values of the Lego brand is shared by the majority of the members, and the numerous forums justify the sense of moral responsibility shared by Lego and SBrick users.

Nevertheless, it can be discussed whether Scandinavian Airlines and Virtuous Spirit users can form a brand community. Indeed, according to Ouwersloot and Odekerken Schroder, the customers can join a brand community for **quality reassurance, improve its consumption experience, join consumption or appreciate the brand symbolic function**. In this context the two companies have a suitable strategy to attract their customers in the brand community. Indeed, Scandinavian Airlines passengers can join the My SAS Idea platform to improve their consumption experience while Virtuous Spirit users want to be involved for quality reassurance or to appreciate the brand symbolics function.

5.1.3 GROWTH IN BRAND LOYALTY AND TRUST - CROWDFUNDING VS CROWDSOURCING

The theoretical framework expressed in the figure 2, assumes that after managing the co-creation of value, framing the customer competence during the encounter process, and sharing information to create a real brand community, the company will have obtained a growth in the customer loyalty to the brand and trust.

The first part of this chapter has discussed about the different views of the four case studies about the 'collective knowledge' and the implementation of the co-creation of value. **Three companies out of four believes in the importance of the encounter process to gain knowledge and increase the value of the product/service.** One company declares to not consider generally 'competent' the customer and therefore does not build any channel other than private communications for a double way interaction.

The second part has discussed about the implementation of a framing strategy to direct the customer input into a specific goal, and the creation/enforcement of a real brand community. **Two companies (Lego Group and SBrick) have clearly framed their community into groups and tasks, they have shared information (sometimes under NDA agreement), and managed to have enforced (for Lego) and created (for SBrick) an active brand community. SAS, on the other hand, has not managed to create a proper channel to frame the customer input and therefore un-succeed to co-create value.**

Virtuous Vodka declared to have framed their communication with the investors in order to commit them and convert them into ambassadors of the brand, even thought **they never shared important informations and involved them in the designing.** Nevertheless, Virtuous succeed to commit its investors and give them a role of "ambassadors" (probably more PR than ambassadors). In addition, **Virtuous did not create any structured community but the investors are sharing the same goal and ideals.**

This third part of the discussion is focusing on the consequential outcomes of the campaign, especially on the potential enhancement of brand loyalty.
Another time the analysis has highlighted three groups:

1. **Lego Group** and **SBrick** have both declared to have reached their goals. Lego Group had pre-structured its parameters for the evaluation, which include the number of visitors of the platforms, the active users, the "net promotive score", and the popularity of the product. With them Lego shows a rational and calibrated purpose to actively build an efficient community that has the capabilities to increase the visibility of the brand, attract new customers, and create value. Especially the "net promotive score" is a prof of it. The whole campaign is an efficient tool to keep **reinforced the Lego community and acquire new members.**

   Also **SBrick** has reached its primary financial goal, and at the same time it has been able to acquire an unexpected number of users, and to engage with them a structured communication and co-creation.
   SBrick has targeted the already existing Lego community, and it has been able to develop its product with the interested part of it, and doing so, it has defined its own community that is very active on the SBrick crowdsourcing platform. The SBrick community is then a sub-group of the Lego community, but at the same time it has its own characteristics and interests that differentiate it from the main one of Lego. The overall campaign have been a fundamental part for the **reinforcement of this community and increasing the brand trust of the customers.**

2. **Scandinavian Airlines** campaign has recorded a huge success in terms of total registered user, more than the company previsions, indicating a particular interest of the SAS customers to the project. Nevertheless, the total lack of frame, shared information, and community regulation, has probably decreased the possibility to reinforce the community of the SAS travelers. In conclusion, even thought the company had conscious interests to rely on the co-creation of value to innovate and

reinforce a community, **the campaign was lacking of fundamental aspect to permit it and consequently did not enhanced the brand loyalty**. Specifically, SAS is concentrating its effort on the physical interaction between customers and employees, believing that the brand loyalty and trust raises during the "experience" of the flight and not during the platform interaction.

3. **Virtuous Spirits** has started the campaign with almost diametrically opposite strategies and beliefs than the other three companies. The equity crowdfunding **campaign had not the purpose to reinforce the brand or to create a brand community**. A part of the financial aspect, the management was interested to find possible "ambassadors" to increase the brand visibility and to receive customer feedbacks. Even the term "ambassadors", used by the company, it does not appear adequate to describe the simple role of 'Public Relations' of the committed investors.
   Even thought the campaign reached its goals and the company increased visibility acquiring customer experience from its new shareholders, the interviewee has been skeptic about the eventual creation of a community.
   On the other hand, the campaign has (even accidentally) **increased the trust of the customers** - that became shareholders - about the genuine organic product, and **loyalty to the business project**. Even the shareholders forum is a spontaneous channel for the communication of the investors that can only be positive for the support of a common goal.
   In conclusion, even if the virtuous vodka managerial approach is diametrically the opposite to the one suggested by the theoretical framework, the company obtained interesting results in terms of participation and increased trust to the brand.

5.2 COMPREHENSIVE CHART

The following chart is a comprehensive summary of the discussion. The interview and the analysis where both formulated in relation to the main fundamental topic composing the theoretical framework. This chart summarizes the main outcomes of the analysis in relation to them.

	LEGO GROUP	SAS	SBRICK	VIRTUOUS
SDL	√	√	√	×
CO-CREATION OF VALUE	√	×	√	×
FRAMING	√	×	√	√
BRAND COMMUNITY	√	× +	√	×
MONETARY SUPPORT	×	×	√	√
INCREASED BRAND LOYALTY AND TRUST	√	×	√	√ -

√	the use of √ means a positive outcome.
×	the use of × means a negative outcome.
× +	the use of the + with the x means a negative outcome, but with some positive aspects. Nevertheless they are not sufficient to judge the observed object as positive.
√ -	the use of the √ with the - means a positive outcome, but with some aspects. Nevertheless they are not sufficient to judge the observed object as negative.

Chart 7 - Comprehensive Chart of the Discussion

The comprehensive chart highlights the direct correlation between the application of the co-creation of value, the creation of a brand community, and the final increased brand loyalty and trust.

At the same time, the chart shows the unpredicted outcome of the Virtuous Vodka managerial decisions, with an increased brand loyalty and trust.

6. CONCLUSION

This research has been undertaken to corroborate the hypothesis that, applying the co-creation of value during a crowdfunding campaign, in a service dominant logic, the company can pursuit the creation/reinforcement of a brand community and the enhancement of the customer loyalty and trust.

The research question of this study was:

How and why a crowdfunding campaign can be a useful tool to reframe trust and loyalty with the different stakeholders applying co-creation of value in a service dominant logic?

The consequential hypothesis to corroborate is:
When a company manages the co-creation of value, framing the encounter process during a crowdfunding campaign, the degree of trust and loyalty to the brand of the involved customers increases.

Based on the findings that could be interpreted and coded from the interviews with the companies and other relevant observations, thanks to the variety of the data coming from different industries, it is possible to generalize the outcomes of this research.

The present thesis corroborates the theory that when companies apply the managerial recommendations of the 'co-creation of value', building efficient channels for the encounter process (framing), the customers become also co-creator of the product/service improving it, and as a result, more committed to the brand. The present study therefore supports the model and its procedures to build an efficient brand community, to create value during the process, and at the end to reinforce the brand loyalty and trust of the customers.

Indeed, Lego Group and SBrick have applied the 'co-creation of value' managerial procedures, framing efficient channels on the platform in order to obtain the customer competence and the collective knowledge of their customers. This encounter process has produced knowledge and value for the company, and at the same time reinforced (for Lego) and created (for SBrick) a brand community where the users are also interacting between each other, connected with the same interests. The final outcome is an enhancement of the customer brand loyalty and trust.

Nevertheless, the analysis and discussion of the interviews shows **two other important observations**:

- first of all, the unexpected outcome from one of the four cases: Virtuous Spirits. Indeed, even thought **the management does not recognize the market shift into a Service Dominant Logic, and does not apply the 'co-creation of value' managerial recommendation, the campaign reached its goal and - most importantly - has enhanced the loyalty and trust of the investors that also became 'ambassadors' of the brand.** This outcome leaves only two possible explanations: 1) either that the Service Dominant Logic and the economic shift that represents are not real, 2) or the Service Dominant Logic is still compatible with traditional company-centric view and consequential marketing decisions.

- Secondly, **the present structure of most crowdfunding platforms** (Kickstarter and Indiegogo for instance) **are generally not suitable to implement the co-creation of value with all the elements of the expressed theory.** The studies suggest that, even if the monetary support appears to increase the commitment, **it is necessary to integrate the campaign within a crowdsourcing environment to realize the creation of value**. Consequently, the theoretical assumption at the base of this research, that suggests the managerial application of the co-creation of value during a crowdfunding, is not precise. In other words, the analysis suggests that **the implementation of a combine crowdfunding campaign with a crowdsourcing one is more suitable for applying the co-creation of value** while a singular crowdfunding campaign most probably will lack in instruments and time to build an efficient encounter.

6.1 RECCOMENDATIONS

The deductive approach conducted on this research has corroborated the initial theory that the managerial application of the 'co-creation of value' is a valuable approach to the market in order to build an efficient system of inter-communication between the company and its customers, reinforcing the brand loyalty.

It is the opinion of the researchers of this thesis, that the first fundamental and crucial element in order to gain as much as possible from the application of the 'co-creation of value' is the company approach to the market, recognizing its changing nature, and the fact that the its most important source of value is the customer, which has partially changed its intrinsic characteristics becoming more competent, more active, but at the same time less loyal.

The organization of a crowdfunding campaign for branding purposes it is a remarkable tool to reshape the traditional channels of communication within the market, and to build a relationship that can create value for all the players.

At the same time it is crucial to remember, and the outcomes of the analysis are showing this tendency, that the modern and popular version of crowdfunding on platforms such as Indiegogo and Kickstarter is not perfectly suitable for the application of the co-creation of value with all its characteristics.

Therefore, **it is suggested a correlated organization of a crowdsourcing campaign**, which should be clearly and easily connected to the crowdfunding one. In particular, it is absolutely fundamental the presence of:

- **subdivision of the user community into groups of interests and competences**. Indeed the first step to frame the customer competence is to build an appropriate conversation regarding his interests and his capabilities of product development.
- **create an efficient system of inter communication between the users.** The intercommunication is crucial to increase the sense of community between the customers on the platform.
- **share product information.** A company that will never share the development within crucial information of its products, will have more difficulties to integrate the customers, and most important, to make feel them part of a common project. The share informations are essential to increase the brand belonging of the community.

In conclusion, the main challenge for the company is to find the **correct balance between the spent resources for maintaining a constant dialogue with the community and the real outcomes of the campaign.** The capabilities of building an efficient frame is the key quality between wasted resources to the creation of value.

6.2 RESEARCH PERSPECTIVE

This research has corroborated the theory of the correlation between the application of the 'co-creation of value' and the increased brand loyalty and trust of the customers.

Nevertheless, the analysis has also highlighted that the the traditional company-centric view can still obtain the pre-set goals being efficient on the enhancement of brand loyalty.
At the same time, the qualitative research did not permit to measure the quantitative impact of the co-creation of value approach.

Consequently further research are expected, especially regarding:

- **the measure of the "size and quality" of the customer commitment** after a "co-creation" campaign. The challenge is to **quantitive measure** the brand loyalty and trust. In particular, it is crucial to quantify the customer's willingness to keep purchasing the products of the brand during the time. On this aspect O. Merlo, A. B. Eisingerich, and S. Auh have recently published a research in which they try to measure the comparison between customers participation in 'word of mouth' and 'suggestions' and their purchasing behaviors (2014, p.81), and further researches are needed.
- **to quantify the size of the involvement deriving from a donation or an investment to a company.** The monetary aspect of the involvement has been studied especially from the motivational aspect, but it is still lacking a direct correlation between a donation and the consequential commitment in a project or brand (especially during a crowdfunding), and not vice versa.

In conclusion, the studies regarding the application of the 'co-creation of value' are generally exploratory studies. Following the fast evolution of the marketplace and its logic, it is necessary to continue the research of its positive effects, especially on the customer loyalty. This research is contributing to increase the knowledge about the large potentials of this theory and its possible future implementation, willing to motivate continue and future researches to increase the quality of the corroboration of the mentioned theory.

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