Co-Creation: A case study of a broad-based business model approach

This paper forms part of an on-going research project on co-creation that includes: identifying discrete forms of co-creation; developing a managerial framework to assist in co-creation design; distinguishing alternative business models that organisations can adopt to support and enhance co-creation activities; and considering case studies of successful co-creation in exemplar organisations. The purpose of this current paper is to outline three alternative business model approaches that firms can adopt in support of co-creation and to provide an exemplar case study on one of these models. The paper is structured as follows. First, we outline previous work relevant to this research. Second, we consider three alternative business model approaches that organisations can adopt in support of co-creation: ‘organic co-creation’; ‘focused co-creation’; and ‘broad-based co-creation’. Third, we develop a case study of Procter & Gamble that demonstrates the broad-based co-creation business model approach. Finally, we discuss implications of our work and future research.

Co-creation

The marketing literature explores co-creation especially from the perspective of customers as co-producers (e.g., Bendapudi & Leone 2003; Auh et al. 2007) representing a shift in their role from ‘passive audiences’ to ‘active players’ (Prahalad & Ramaswamy 2000). Co-creation research has focused on different aspects including: co-creating the voice of customers (Jaworski & Kohli 2006); co-producers and satisfaction (Oliver 2006); a co-production cost-function model (Etgar 2006); co-production, marketing effectiveness and the efficiency of operations (Kalaignanam & Varadarajan 2006); voluntary participation in co-creation (Nambisan & Baron 2009); co-creation in service innovation (Gustafsson et al. 2012); and managing co-creation (Lambert & Enz 2012). However, insights into the design of co-creation are restricted to models that assist firms understand co-creation processes (e.g., Prahalad & Ramaswamy 2004; Payne et al. 2008; Hoyer et al. 2010). For our research we adopt the definition by Frow et al. (2012), which identifies co-creation as a resource integration activity involving the active involvement of at least two ‘actors’ engaging in interactions, encounters and knowledge sharing, resulting in shared creation of value. Despite co-creation’s role as a source of competitive advantage that impacts firms’ bottom-line performance (Cao & Zhang 2010), there remains a lack of lack of clarity in co-creation research (Gronroos 2011), especially in the context of the business models that are adopted and the resulting variations in scope and intensity of co-creation across firms (Hoyer et al. 2010). Further, much of the literature considers co-creation at an aggregative level, without a substantive attempt to distinguish different forms of co-creation including co-production and co-design (for some exceptions, see Vargo & Lusch 2006 and Sheth & Uslay 2007).

During the initial phase of our research programme we completed a very detailed review of the co-creation literature. Utilising an interactive research process with executives we then identified twelve specific forms of co-creation. These included: co-conception of ideas; co-design; co-production; co-promotion; co-pricing; co-distribution; co-consumption; co-maintenance; co-outsourcing; co-disposal; co-experience; and co-meaning creation. This process was followed by the development of a conceptual framework for co-creation design comprising the following elements: the focal firm; customers and other stakeholder groups; the co-creation engagement platform; inter- and intra-actor learning processes; and the twelve forms of co-creation.
Our more recent research identifies several key dimensions with respect to co-creation design including: (1) co-creation motives; (2) co-creation forms; (3) the actors engaging in co-creation, (4) the type of engagement platform; (5) the level of engagement; and (7) the duration of engagement (Authors, 2012). This prior research provides the context for the current research which involves considering alternative business models and business model design themes for co-creation. This current research consists of two stages identifying three alternative co-creation business models and developing a case study on one of them.

Identifying Alternative Co-Creation Business Models

Following the extensive review of the academic and managerial co-creation literature, including a consideration of exemplar firms discussed within that literature, we reviewed the business model and business model design literature (e.g., Voelpel et al. 2004; Osterwalder et al 2005; Morris 2009; Nenonen & Storbacka 2010; Teece 2010; Zott & Amit 2010; Zott et al. 2011; Sinfield et al. 2012). We then compiled a list of organisations in order to consider alternative co-creation business model approaches and to identify potential firms for case study research. The initial list was developed from our review of the literature and a consideration of lists of innovative companies compiled by Business Week, Fast Company and Booz & Company. Based on our assessment of the co-creation activities of these firms and the availability of detailed information, we developed a shortlist of the following ten firms: Amazon, Apple, Google, IKEA, Lego, Microsoft, Nike, Nokia, Procter & Gamble and Tesco.

Nenonen and Storbacka (2010) identify that business models comprise interrelated elements including: design principles (e.g., market definition, segmentation and specific forms of co-creation that are priorities for the firm); resources (e.g., physical, human, structural and relational); and capabilities (e.g., a firm’s capacity to coordinate activities through organisational processes involving the use of accessible resources). Drawing on this research by Nenonen and Storbacka on key design characteristics, we identified the following three alternative categories of business models for engaging in co-creation.

Organic co-creation. With organic co-creation the design principles encourage co-creation to occur in ‘hot spots’ (e.g., Gratton 2007). Co-creation tends to develop organically in an unstructured way, through collaborative but unconnected activities in different locations within the organisation, without any specific alignment to predetermined business objectives. The firm’s resources are used spontaneously, so capabilities for co-ordinating these demands are important. Tesco plc is a good example of this approach – the company is involved in many forms of co-creation with many groups of actors, yet these co-creation activities develop in an organic manner without a planned approach.

Focused co-creation. With focused co-creation the design principles facilitate focused forms of co-creation relating to objectives within specific areas of the business. With this model, co-creation may be initiated through an internally management agenda or through external stakeholder initiatives. As these focused forms of co-creation require more specific resources, evaluation and resource allocation capabilities become important. Lego is a good example of focused co-creation, driven in part through internal initiatives following a period of losses and in part by external stakeholder activity. In this case, co-creation is highly focused on specifics forms including conception of ideas, co-design and co-production.

Broad-based co-creation. With broad-based co-creation the design principles involve selecting forms of co-creation that fit with overall business goals, resources are co-ordinated to permit efficient use of organisational capabilities. Here the organisation adopts a centrally
managed top-down co-creation business model approach, with an emphasis on building competitive advantage through innovating collaboratively with all possible stakeholders. Procter & Gamble is an exemplar of a broad-based co-creation approach involving centrally directed engagement in all forms of co-creation with a wide range of its stakeholders.

Case Study Development

Procter & Gamble (P&G) was chosen as a case study in order to investigate how their business model relates to key aspects of co-creation by: (1) exploring key aspects of their business model design themes; (2) identifying which forms of co-creation occur within the company; and (3) determining how current co-creation activities relate to various aspects of the business model. This research forms part of a continuing project that involves developing detailed case studies of these three business model types. This paper focuses on one exemplar due to limitations of space, but a future full length paper will include case studies of the other two business model approaches. Our rationale for choosing P&G is our interest in studying an exemplar of ‘broad based co-creation’, with a centrally managed, top-down creation business model that drives the entire organisation to work collaboratively with multiple stakeholders. The choice of P&G is ‘purposive’ (Miles & Huberman 1994) involving a firm that ‘manifests the phenomenon of interest’ and that is illuminative for the purpose of the study (Patton, 2002). We identified P&G as an illustration of this particular approach to co-creation during our literature review and through subsequent investigation of wide-ranging secondary sources. Following Flyvberg (2006), our choice represents an ‘information-oriented selection’ as it enabled access to an appropriate amount of relevant information. However, although there is a considerable amount of written material regarding co-creation at P&G (e.g., Huston & Sakkab 2006; Lafley & Charan 2008; Ramaswamy 2009; Brown & Anthony 2011; etc.), this organisation has not been subject to a structured analysis in terms of business model design themes, forms of co-creation and specific co-creation motives. Without such an analysis other firms interested in developing co-creation initiatives are less likely to benefit from information in unstructured and generalized case studies (Payne & Frow 2013). This stage of our research involved an in-depth examination of the company Website, publications, books and academic journal articles that provided discussion of the business model and co-creation activities, video material and blogs.

P&G Broad-based Co-creation

P&G is a global giant in consumer packaged goods, achieving sales of more than $84 billion in 2012. P&G illustrates a company that places co-creation at the heart of its business, employing co-creation to enhance value with customers, suppliers and other stakeholders and maintain sustainable growth. The ‘broad-based co-creation’ approach adopted by P&G stems largely from the leadership of A.G. Lafley, who became CEO in 2000. Lafley was charged with invigorating P&G, after a period of declining profits and sliding market share in some of P&G’s major product categories. He was determined to turn around the company by placing innovation, through co-creation, at the heart of P&G and driving the company to future success. He understood that innovation required a business model that was open and flexible, enabling this huge company to tap into opportunities offered throughout its extensive network of stakeholders. He recognized that a centralized, top down approach to managing co-creation would allow the company to filter the best opportunities for co-creation and quickly bring ideas to market. P&G’s business model reflects this broad based approach to co-creation that has proved highly successful in recent years.
P&G design principles and design themes

P&G design principles encourage co-creation throughout the organization, not only using ideas from within, but encouraging collaboration and innovation from external stakeholders. These principles are embedded within the culture of P&G and are incorporated in three key strategies: put the consumer at the centre of everything the company does; develop a culture of openness; and make sustainable growth the priority (Lafley & Charan 2008). These design principles encourage co-creation to achieve the goal of innovation that ‘lies at the heart of P&G’. The company has an objective of 50% of innovations originating from outside of the organisation. To achieve this ambition, P&G has adopted an open organisational structure that enables the rapid adoption of co-creation opportunities, leveraging collaborative relationships throughout its extensive network.

Zott and Amit (2010) explain how business models involve design themes. These design themes make the design principles more explicit by identifying how actors’ resources are configured and determining how capabilities are used. P&G’s business model has several design themes; however, two in particular shape the firm’s motives for co-creation and its co-creation activities. These two design themes: improve the lives of the world’s consumers; and, pride in results from reapplying others ideas, capture the ethos of co-creation in P&G through their deep understanding of customers, how they can co-create with them and how they can leverage the expertise and ideas of a large number of external actors. For example, P&G estimate that for each of their 7,500 researchers there are around 200 scientists or engineers of equal quality, representing a potential research pool of up to 1.5 million external experts (Huston & Sakkab 2006).

The elements of P&G’s business model

A business model involves ‘the design or architecture of the value creation, delivery and capture mechanisms’ (Teece 2010, p. 191), while the design themes align the business model elements. Selection of co-creation-based design themes assist a firm organise its business model elements, clarifying co-creation motives and initiating appropriate forms of co-creation activity with relevant actors. As noted above, P&G’s business model is focused on a desire to ‘improve the lives of the world’s consumers’ and ‘pride in results from reapplying others ideas’. These two design themes drive P&G to engage in many forms of co-creation with a wide range of different actors.

Appendix 1 presents a structured analysis of P&G’s key co-creation initiatives. It shows the two key design themes that relate to specific forms of co-creation between different groups of actors, enabled by one or more co-creation engagement platforms. The duration of engagement and level of engagement are also shown for each form of co-creation, suggesting the broad approach to co-creation adopted by P&G. Examples of recent and current specific co-creation activities are provided. The examples in Appendix 1 are not intended to include every instance of P&G’s extensive collaborative activities, but rather to provide illustrations of how the two key design themes facilitate this firm’s broad based approach to co-creation. As space in this paper does not permit discussion of all the co-creation activities detailed in Appendix 1, we discuss several specific examples drawn from this table that show a representative set of P&G’s wide-ranging co-creation, based on the two key design themes.

Design theme 1: ‘Improve the lives of the world’s consumers’: P&G’s stated purpose is to provide superior quality branded products and services that are valued by its customers and achieve mutual success for the company and the individual. For example, P&G has created a platform that allows women to share their personal hygiene experiences related to the use of tampons. When P&G launched a new product, Tampax Pearl, the company hosted several
poetry events that encouraged women to write and exchange their female experiences. In addition, a dedicated Tampax web site provided a platform for interactive exchanges amongst women on intimate topics. P&G was keen to enhance the customer experience of this specific segment, enhancing emotional engagement and influencing consumer behaviour. The Website beinggirl.com provides broader information and expert opinion of relevance to adolescent girls. A second example of co-creation related to this design theme, is P&G’s ‘Call 2 Recycle’ collaboration. P&G sponsors this not-for-profit organization that focuses on the recycling and disposal of used batteries. P&G offers a website that provides information on recycling and gives the locations of where consumers can recycle their batteries, enhancing consumer experience through their active participation in environmentally friendly behaviour.

**Design theme 2: ‘Pride in results from reapplying others ideas’.** Innovation is at the cornerstone of P&G’s success and the company looks extensively to external stakeholders for innovation operating through the External Business Development (EBD) team. The purpose of this team is to identify co-creation opportunities that are evaluated and operationalized by either the ‘Future Works Team’ (focus on high risk, high reward innovation opportunities) or the ‘Innovation Project Team’ (focus on incremental innovations within a specific product category). For example, P&G engages customers, suppliers and other partners in ‘Connect+Develop’, a digital platform that offers one-off and re-occurring opportunities for co-conception of ideas. Connect+Develop has allowed P&G to double its innovation success rate, while reducing the cost of innovation. A second example of co-creation that relates to this design theme is ‘supersavyme’. This UK-based initiative incorporates a Website with content focused on young mothers. Users are encouraged to share ideas about different products, how they are used and special tips that may benefit other participants. The website incorporates a team of experts, bloggers and guest participants who provide the core content. This material includes articles, tips, recipes and domestic insights that engage the participants and further develop their active involvement in the site. The result is co-promotion of P&G brands, encouraging usage and further involvement with various P&G products.

**Discussion**

In this paper we identify three alternative business model approaches to co-creation and explore one specific business model approach, that of broad based co-creation. This current paper forms part of a larger project that will explore each of the three business model approaches through case study research. Despite recent interest in co-creation, the topic remains at an early stage of development (Bolton 2010). This research makes a contribution to understanding co-creation at a more granular level through a structured examination of business model design themes. This work has important managerial implications, as it highlights the imperative of deciding which co-creation business model is most appropriate for an organisation as well as the need to align the scope and intensity of co-creation activities (Hoyer et al. 2010) with the design of the most relevant business model.

Our work offers many opportunities for further research that investigates co-creation in the context of business model design. Future case study research relating to the three business models will seek additional primary data and will incorporate ‘member checks’. This case study focuses on a consumer products firm; studies investigating other business contexts will provide contrasting and additional insights. Additionally, best practice guidelines regarding the adoption of different business models need to be researched. Finally, there is a need for longitudinal studies examining how co-creation business models evolve and change over time.
## Appendix 1: P&G: Forms and Nature of Co-Creation Activities

<table>
<thead>
<tr>
<th>P&amp;G Business model design themes</th>
<th>Forms of co-creation</th>
<th>Primary actors</th>
<th>P&amp;G co-creation motive</th>
<th>Recent/current co-creation activities</th>
<th>Engagement platform</th>
<th>Level of engagement</th>
<th>Duration of engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>'Improve the lives of the world’s consumers'</td>
<td>Co-conception of ideas</td>
<td>Partner; Customers; Suppliers</td>
<td>Access to resources</td>
<td>Connect + Develop</td>
<td>Digital; personnel groups</td>
<td>Cognitive</td>
<td>One off and reoccurring</td>
</tr>
<tr>
<td>‘Pride in results from reapplying others ideas’</td>
<td>Co-design</td>
<td>Customer; partner</td>
<td>Access to resources; create more competitive offerings</td>
<td>Live well collaborative</td>
<td>Joint processes</td>
<td>Cognitive</td>
<td>One off</td>
</tr>
<tr>
<td>‘Pride in results from reapplying others ideas’</td>
<td>Co-production</td>
<td>Partner; competitors</td>
<td>Create more competitive offerings</td>
<td>Clorox</td>
<td>Joint processes</td>
<td>Cognitive</td>
<td>One off</td>
</tr>
<tr>
<td>‘Improve the lives of the world’s consumers’</td>
<td>Co-promotion</td>
<td>Customer; influence</td>
<td>Enhance customer experience</td>
<td>Supersawy me</td>
<td>Digital</td>
<td>Cognitive, behavioural, emotional</td>
<td>Re-occurring</td>
</tr>
<tr>
<td>‘Pride in results from reapplying others ideas’</td>
<td>Co-consumption</td>
<td>Suppliers</td>
<td>Decrease cost</td>
<td>Partnership with Xerox</td>
<td>Joint processes</td>
<td>Behavioural</td>
<td>One off</td>
</tr>
<tr>
<td>‘Pride in results from reapplying others ideas’</td>
<td>Co-distribution</td>
<td>Suppliers; customers; partners</td>
<td>Decrease cost; faster time to market</td>
<td>Shared channels e.g., Walmart</td>
<td>Physical resources; joint processes</td>
<td>Cognitive</td>
<td>Re-occurring</td>
</tr>
<tr>
<td>‘Pride in results from reapplying others ideas’</td>
<td>Co-outsource</td>
<td>Customers; partners</td>
<td>Access to resources</td>
<td>Connect &amp; Develop</td>
<td>Digital</td>
<td>Cognitive</td>
<td>Re-occurring</td>
</tr>
<tr>
<td>‘Improve the lives of the world’s consumers’</td>
<td>Co-disposal</td>
<td>Customer</td>
<td>Decrease cost</td>
<td>Duracell batteries</td>
<td>Digital</td>
<td>Behavioural</td>
<td>Re-occurring</td>
</tr>
<tr>
<td>‘Improve the lives of the world’s consumers’</td>
<td>Co-maintenance</td>
<td>Customer</td>
<td>Enable self service</td>
<td>Maintaining shavers</td>
<td>Personnel</td>
<td>Behavioural</td>
<td>Re-occurring</td>
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<tr>
<td>‘Improve the lives of the world’s consumers’</td>
<td>Co-pricing</td>
<td>Supplier</td>
<td>Decrease cost</td>
<td>Walmart profit sharing</td>
<td>Digital</td>
<td>Cognitive</td>
<td>Re-occurring</td>
</tr>
<tr>
<td>‘Improve the lives of the world’s consumers’</td>
<td>Co-experience</td>
<td>Customer</td>
<td>Enhance customer experience</td>
<td>Tampax, beinggirl.com</td>
<td>Digital</td>
<td>Behavioural, emotional</td>
<td>Re-occurring</td>
</tr>
<tr>
<td>‘Improve the lives of the world’s consumers’</td>
<td>Co-meaning</td>
<td>Customer</td>
<td>Enhance customer experience</td>
<td>Empowering women in Mexico</td>
<td>Physical</td>
<td>Emotional</td>
<td>Re-occurring</td>
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References


