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Value co-creation in the B2C context

**An investigation of retailers' and customers'
collaboration**

Master Thesis within
International Logistics and Supply Chain Management

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Abstract

Problem: In today's business markets companies are faced with new challenges occurring from globalization, new technologies, deregulation, blurring borders between industries, and outsourcing which change the competitive environment in the market. To deal with these challenges organizations are forced to look for new and innovative ways to differentiate themselves from competitors and to satisfy customers' demands for more customized products and services. Additionally, nowadays customers strive for fulfilling their needs by being more active. Value co-creation, the collaboration between companies and customers, is as a solution of current interest to cope with these challenges. Due to the close linkage between retailers and customers, value co-creation is of high interest for this part of the SC. Hence, this thesis focuses on the retailer-customer context and co-creation in terms of co-designing of bikes.

Purpose: The purpose of this Master of Science thesis is to investigate *how* and *why* retailers and customers co-create value. Therefore, retailers' and customers' potential motivators, the interaction between them and the actors' potential outcomes are explored.

Method: This thesis conducts an exploratory and qualitative investigation of three case companies; *Bike by Me*, *myownbike*, and *718 Cyclery*. The empirical material is gathered from interviews with the CEOs of the three companies, the retailers' customers, and potential customers. The findings have been analyzed using a framework developed based on existing literature, stated in the frame of reference, which is improved by this thesis' findings.

Conclusions: Customers and retailers co-create value due to different potential motivators and outcomes. Retailers are motivated by aspects such as increases in competitive advantage, differentiation, customer loyalty, and better understanding of new needs. Customers' motivators are amongst others the product itself, individuality, and enjoyment. As retailers' outcomes increased efficiency and effectiveness, new customer acquisition, and the establishment of long-term relationships are identified. Customers' outcomes are high customer satisfaction, new knowledge, convenience, and financial aspects. Actions between retailers and customers in value co-creation are identified through a learning phase and an innovation phase. The retailer participates through providing information, the platform for co-creation, and suggestions and assistance. The customers collaborate in terms of designing the product, expression of desires and experiences, feedback, and WOM in interaction with other customers.

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1 Introduction

The introductory chapter aims to introduce the reader to the topic of value co-creation. First, the general background and problem statement are presented, followed by the purpose and research questions this thesis is sought to fulfill, the perspective as well as the delimitations.

1.1 Background

Value co-creation, the collaboration of companies and customers to create value together, shows an increasing importance in today's competitive market environment. For commodity goods in general it exist a high number of firms competing for the same customers, especially in the retailing context. More and more companies focus on co-creating value with their customers to survive in the market, thus, value co-creation is of current interest and a topic of concern in nowadays' business markets.

When writing about value co-creation a definition of value is essential. It exist a great variety of different definitions of the term 'value', depending on the context and the actor using the term (Rutner & Langley, 2000). However, the definitions can be grouped after their focus, such as worth in monetary terms, difference between what is received and what is given, feelings, and others.

In monetary terms, Anderson and Narus (1998, p.6) define value in business markets as "the worth in monetary terms of the technical, economic, service and social benefits a customer company receives in exchange for a price it pays for a market offering". Teller, Reutterer and Schnedlitz (2008) argue that value with a financial perspective can also be called utilitarian value.

Moreover, value can be defined as "the customer's overall assessment of the utility of a product (or service) based on perceptions of what is received and what is given" Zeithaml (1988, p.14). Wilson (2003) and Christopher (2011) agree in this definition and emphasize that value is created when paying a low cost for something that has higher value for the buyer.

In the terms of feelings or emotions, Grönroos (2008, p.303) states "value for customers means that after they have been assisted by a self-service process (...) or a full-service process (...) they are or feel better than before". Teller et al. (2008) call this hedonic value since they symbolize emotional worth for the customer. Others define value in terms of quality (Rutner & Langley, 2000), outcomes and cost (Ross & Fenster 1995).

In this thesis, the following working definition of value is used:

Value is, after investing an input, the intangible outcome one experiences which exceeds or fulfills one's expectation.

According to the traditional approach of value creation, the customer acts as a passive observer and can be seen as a value receiver, whilst at the same time the company serves as an independent value creator (Pralhad & Ramaswamy, 2000). Further, the good and service performed are in focus. Nowadays, this good-centered view is replaced with a customer-centered perspective (Vargo and Lusch, 2004a). Customers are viewed as informed and active players with ever-changing demands in the market.

Thus, value co-creation, which can be defined as the involvement of customers in business processes to create value, provides companies opportunities to gain competitive advantages (Prahalad & Ramaswamy, 2004a).

The close linkage between retailers and customers in the retailing part of the supply chain (SC) makes it interesting to focus on the retailer and the customers as actors in the value co-creation process. According to Håkansson and Johanson (1992, p.28), actors can be “individuals, group of individuals, parts of firms, firms, and groups of firms”. Furthermore, actors perform and control activities, develop relationships with other actors, perform activities based on control over resources, strive to get control over the network, and possess different knowledge about activities, resources, and actors (Håkansson & Johanson, 1992).

Moreover, the customers and retailers, as actors of value co-creation, are in a dyadic relationship, characterized by a unique interaction with focus on problem-solving. Thus, the actors are dependent on each other’s knowledge and contribution in the relationship (Ford, 2009).

The value co-creation process between the actors abovementioned can be influenced by different aspects, for example motivators, and lead to different outcomes. Therefore, a simplification of the value co-creation in the retailing context is proposed (*Figure 1.1*).

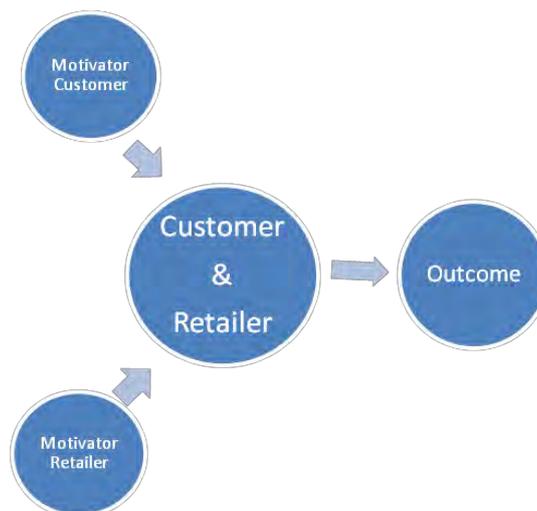


Figure 1.1 Simplification of value co-creation.

1.2 Problem statement

Nowadays, companies are faced with new challenges; globalization, new technologies, deregulation, blurring borders between industries, and outsourcing change the competitive environment in the market (Prahalad & Ramaswamy, 2004b). Therefore, organizations are forced to look for new and innovative ways to differentiate themselves from competitors and to satisfy customers’ demands for more customized products and services (Yazdanparast, Manuj & Swartz, 2010). To deal with these challenges,

Andersson, Britt and Favre (2007) suggest seven principles of supply chain management (SCM), such as customization of products and increased responsiveness of SCs, to achieve efficiency and effectiveness.

However, efficient SCM is not sufficient to create value for the customers and satisfy their demand (Jüttner, Christopher & Baker, 2007 and Rainbird, 2004). Research shows a lack of integration between the supply and demand sides of the SC (Jüttner et al., 2007). Hence, SCs must strive for a demand-oriented management and involve the customers in the different processes and operations to gain knowledge and a better understanding of their current and future needs and desires.

Customer involvement is important for both parties; learning outcomes for the company, as described above, and active participation for the customers. The latter want to interact actively to fulfill their own needs, instead of being passive recipients. By using resources as technology and information access, customers can participate more aggressively in the value creation process, and thereby *co-create value* (Prahalad & Ramaswamy, 2004a and Ramaswamy, 2008).

Recent investigations and research about value co-creation states that this is a field of concern and interest in the marketplace. Further, managers' expectations regarding co-creations' revenues and its opportunities for future competition are highly optimistic (Capgemini Consultancy, 2010). Due to the close linkage between retailers and customers, value co-creation is of special interest for this part of the SC. Additionally, an examination of the phenomenon can provide better insights in the value co-creation process and identify potential opportunities and benefits for the different actors.

Bike by Me, *myownbike*, and *718 Cyclery* are examples of companies who make use of value co-creation in the retailing context. The retailers are 'small and medium enterprises' (SMEs) in the consumer goods industry specialized on customized bicycles. It is interesting to include a case study of these retailers in particular because of the small sizes of the companies and thus their dependence and use of customers' resources through value co-creation. Moreover, the companies' use of value co-creation through collaboration with customers in the design of bikes, co-design, and related ways of co-creating value stress the relevance of these retailers for investigation of value co-creation in the business-to-consumer (B2C) context. Therefore, this thesis will investigate the retailers and their customers, the interaction between them, and the results of this collaboration.

1.3 Purpose

The purpose of this thesis is to investigate *how* and *why* retailers and customers co-create value.

1.4 Research questions

Value co-creation is not a new concept; nevertheless, it is a topic of interest and both business and research have realized its potential. Current literature focuses increasingly

on the subject and more and more companies are starting to implement this new way of creating value in their business system.

However, existing literature shows a lack of research in the retailer-customer context in terms of *how* and *why* customers and companies co-create value, and *what* value, regarding the different outcomes, means to them.

Hence, the following questions are sought to be answered by this thesis:

RQ1: What are the potential motivators for value co-creation for retailers and customers?

RQ2: What actions are involved between retailers and customers in value co-creation?

RQ3: What are the potential outcomes for retailers and customers in the SC?

1.5 Perspective

This thesis focuses on the value co-creation in the B2C context, concerning both customers' and retailers' perspective. Since the collaboration between the customer and the company concerns several disciplines, different research is used to develop a thorough insight into the topic. Literature mainly from the fields of SCM, marketing, and demand chain management (DCM) is analyzed. The research area of this thesis is thus seen in the overlap of the three disciplines (Figure 1.2). Hence, this thesis aims to contribute to exiting literature in this field of research, giving insight into *how* and *why* retailers and customers co-create value.



Figure 1.2 Field of research.

1.6 Delimitations

Taking into account the restricted timeframe and word limitation of the thesis work, and the wide scope of the topic, value co-creation, delimitations are necessary. This thesis concerns a special industry and it is a case study of three retailers and their customers. Therefore, it is not an investigation where the analysis and results can be generalized for all industries and companies. However, since value co-creation is a topic of interest for several industries, one can assume that the results of this thesis can be used by other retailers as guidelines as well.

2 Frame of reference

In this chapter the theoretical basis for the thesis is presented. Related literature, theories and previous studies are used as tools to provide insights in the traditional and current view on value and value creation, motivators and dampers for value co-creation, and the different phases of the co-creation process and its outcomes.

2.1 Traditional view on value creation

Michael Porter describes the ‘Generic Value chain’, where value is seen as the margin and result from firms’ primary and support activities (Porter, 1985). Porter states further that by performing these activities better than competitors, firms will gain competitive advantages. Traditional business thinking supports this view of value creation; firms create and extract value by the products and services they offer to the customers (Prahalad & Ramaswamy, 2004a). Therefore, the value creation is performed by the firms, while the customers act as passive receivers of the products and services.

The traditional view on value creation considers the SC actors as position holders, where every actor has a clear role in the production, while the customers passively observe the process (Prahalad & Ramaswamy, 2000). Thus, the role of the producer and customer is viewed as distinct and clearly separated. Starting from upstream actors, each actor in the chain adds value to the good (Normann & Ramírez, 1993), thus, increasing the value downstream in the chain. In other words, the traditional approach focuses on the producer’s development and delivery role of products to the customer’s consumption role of the product. This perception with the focus on exchange of goods as an operand and tangible resource between actors is called a good-dominant (G-D) logic (Vargo & Lusch, 2004a).

2.2 Definition of Value Co-Creation

Ulaga (2001) distinguishes between three different perspectives on value creation; value creation for the customer through products and services, value creation for the supplier through customer equity, and the value mutually created by both parties. The latter describes the appearance of *collaborative creation*, also known as *co-creation*, which exploits the resources of the involved actors such as knowledge and skills, creativity, experience, and enthusiasm (Sense Worldwide, 2009).

Definitions of the term ‘co-creation’ can be found in existing research, whereby they show differences in the focus. One group of definitions emphasizes the involvement of customers in the value creation process. Zwass (2010, p.13) defines co-creation as “the participation of consumers along with producers in the creation of value in the marketplace”. The author differentiates here between sponsored co-creation, which is pushed by the company, and autonomous co-creation, where customers create value independently with the use of organizations’ platforms as may be necessary. The active participation can take place in terms of activities such as shared inventiveness, design, and so forth (Ojasalo, 2010).

Another group of definitions of value co-creation can be identified regarding their focus on the active dialog between the customer and a firm during the process. According to

Yazdanparast et al. (2010, p.379), co-creation takes place “when customers and provider engage in dialog and interaction during product design, production, delivery, and consumption”. Dialogs are characterized by a two-way communication. Thus, organizations also have to learn methods to *listen* to their customers, instead of just *make* their offerings (Payne et al., 2008).

According to Vargo and Lusch (2008, p.7), “the customer is always a co-creator of value”. This states the importance of a customer focus. Vargo and Lusch (2004a, p.44) mention that “there is no value until an offering is used” and emphasize the requirement of consumption of a product or service for value co-creation. Additionally, the value co-creation experience becomes the fundamental element of value and is essential for its determination (Prahalad & Ramaswamy, 2004a and Lusch & Vargo, 2006).

2.3 Levels of Value Co-Creation

Within value co-creation the processes can have different levels of customer focus and different levels of customer involvement (Capgemini Consultancy, 2010). Value co-creation is characterized by both a relatively high degree of personalization and collaboration. To display different possibilities of how companies co-create value with their customers, the degree of collaboration (concerning the scope and intensity of customer involvement) and personalization (concerning the customer’s needs and desires taken into account) can be shown in two separate scales.

2.3.1 Levels based on degree of collaboration

According to Hoyer, Chandy, Dorotic, Krafft and Singh (2010), the degree of co-creation depends on its scope and intensity. The levels vary from the one extreme, co-production with the lowest degree of scope and intensity, to the other extreme, service-dominant (S-D) logic with the highest degree. The authors of this thesis classify these levels as shown in *Figure 2.1*.



Figure 2.1 Scale of co-creation.

As one of the pioneers, Normann and Ramírez (1994, p.54) defined the concept of mutual value creation as “actors come together to co-produce value”. Co-production is thus both historically and as a basis for co-creation, the lowest level of value co-creation. It is important to emphasize that the customer is always a part of value co-creation. However, the actor is not always a co-producer, doing an actual task or assignment (Vargo & Lusch, 2008).

The other extreme of value co-creation is Vargo and Lusch's (2004a) S-D logic. Here, value is only created through the actual consumption (Grönroos, 2008). Vargo and Lusch (2004a) argue that marketing has developed and moved away from the G-D logic, with the distribution and exchange of goods in focus, towards a radical view, where relationships and intangible, dynamic, and operant resources, such as skills, knowledge, and information are in focus. Value is not created by the company and used by the customer; instead, value is a result of co-creation (Lusch & Vargo, 2004a, Sheth, Sisodia & Sharma, 2000, and Songailiene, Winklhofer & McKechnie, 2011).

Furthermore, the logic is founded on the premises that firms can produce value propositions, but not value itself (Jüttner, Christopher & Godsell, 2010). Thus, organizations act more as value facilitators rather than creators by providing products and services to the customers which help them to create value by themselves (Grönroos, 2008). Therefore, value co-creation according to the S-D logic has the highest degree of scope and intensity.

2.3.2 Levels based on degree of personalization

Levels of value co-creation vary according to which extent the customer's needs and desires are considered and taken care of, ranging from customization, to personalization and customerization. The authors of this thesis present the different levels as shown in *Figure 2.2*.



Figure 2.2 Scale of co-creation concerning personalization.

Customization is possible when customers select between different features of a good or a service provided by the company, usually via the Internet (Pralhad & Ramaswamy, 2000). An example of customization is the business strategy of *Dell*, where a customer order a computer based on its own needs and desires (Arora, Dreze, Ghose, Hess, Iyengar, Jing, Joshi, Kumar, Lurie, Neslin, Sajeesh, Su, Syam, Thomas & Zhang, 2008).

In contrast, personalization means that the customer not only can select between different features, but also develop the content of its experience (Pralhad & Ramaswamy, 2000). An example of this is *Amazon*, where each customer gets an individual recommendation of books according to previous purchases and searches (Arora et al., 2008).

Furthermore, Wind and Rangaswamy (2001) argue that customerization is an even more customer-centric strategy compared to personalization, and helps customers in their identification of their desires and needs. Customerization is customer-initiated, and build-to-order takes place (Wind & Rangaswamy, 2001). The online florist *Garden.com* is a good example of customerization; the customers design and customize their own

unique garden online, selecting between 16 000 products from 100 different suppliers. *Garden.com* coordinates the shipment of the products so all of them are delivered at the same time to the customers.

Summarized, one can say that the higher the degree of collaboration and personalization, the higher the degree of value co-creation.

2.3.3 Examples of value co-creation

According to Kambil, Friesen and Sundaram (1999), value co-creation can be performed at almost every stage of the value chain and in many different ways. Some examples of value co-creation are here presented with increasing degree of collaboration. From relevant literature, examples of value co-creation are self-service, product testing, product promotion, self-selecting by customers, product co-design, consumer ideation, and experiences.

This thesis classifies a number of well-known companies according to their degree of personalization and collaboration, as shown in *Figure 2.3*. The different types of value co-creation are further described.

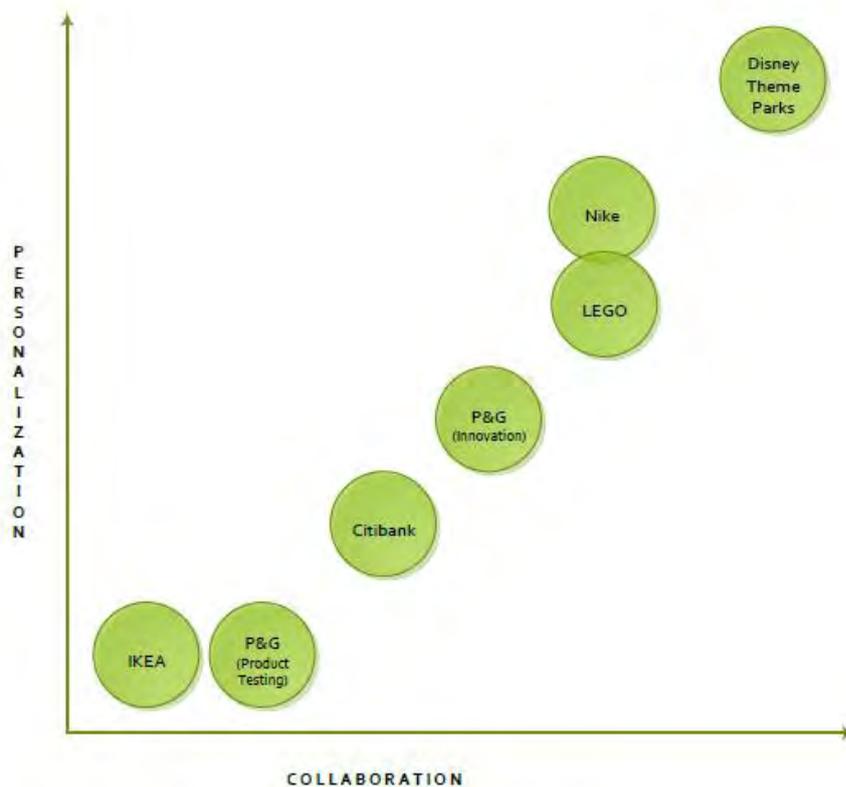


Figure 2.3 Examples of co-creation.

Self-service is a form of co-creation, in terms of co-production, where the customer undertakes a part of the company's workload (Payne et al., 2008). The Swedish furniture giant *IKEA* uses this form of co-creation actively when it offers products for low prices in exchange for the customers to deal with the final assembly and the transportation of the products (Normann & Ramírez, 1993).

Product testing and product promotion is value co-creation that benefits customers and companies, since product information gets shared (Zwass, 2010). For instance, *Procter & Gamble* benefits from electronic word-of-mouth (eWOM) through customers' sharing of experiences online, while the customers gain knowledge about the products from others before buying themselves (Cook, 2008).

Self-selecting by customers means that customers select processes and services from a given prescribed set of possibilities (Payne et al., 2008). *Citibank* provides this service through their voice and keyboard response system. The degree of collaboration is here higher than for co-production and self-service, and the processes and services are customized.

Value co-creation can also be a result from an ideation process of a customer or within organizations (Zwass, 2010). *Procter & Gamble's* innovation process 'Connect + DevelopSM' is an example of this type of value co-creation. The company gains ideas from customers and experts by asking about topics like products, packaging, shopping and product usage experiences (Ragu, 2009).

Product co-design concerns the involvement of customers at the design stage in the value chain (Payne et al., 2008 and Zwass, 2010). The customers are here involved to a large extent, and their individual needs and desires are taken into account. The sportswear equipment company *Nike* uses this type of value co-creation when it gives the customers the opportunity to personalize their shoes from different styles and colors (Ramaswamy, 2008). Another example of this value co-creation is the online interaction between *The LEGO Group*, manufacturer of LEGO construction toys, and its customers where it gets ideas for new designs and innovations (Hatch & Schultz, 2010).

An example of value co-creation, where a high degree of collaboration is noticeable, is experiences for the customers provided by companies, such as at *Disney Theme Parks* (Payne et al., 2008).

2.4 Value co-creation process

The value co-creation process consists of several elements; motivators affecting the entire process, dampers and environmental changes influencing the process, an interaction phase between the retailer and the customer, including a learning and an innovation phase, and finally, the outcomes from the value co-creation process. To clarify the process and the elements affecting value co-creation, the abovementioned elements are in this thesis displayed as a framework, shown in *Figure 2.4*.

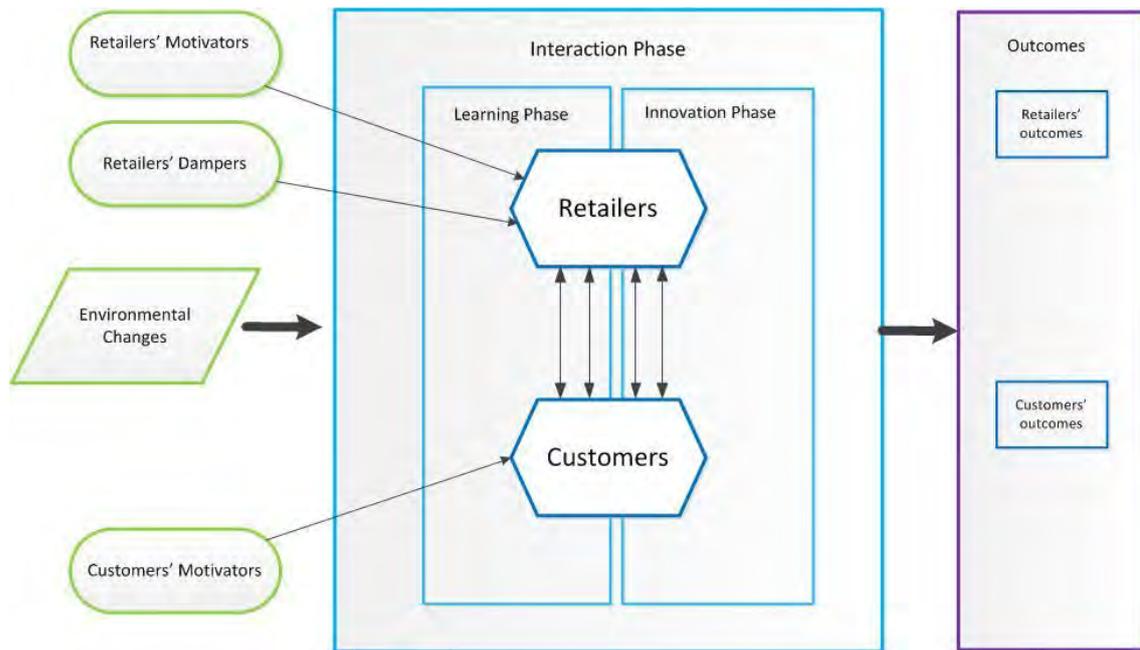


Figure 2.4 Framework of value co-creation process.

The elements of the value co-creation process will further be described and their relevance for value co-creation discussed.

2.4.1 Motivators for value co-creation

Nowadays, customers, employees and other stakeholders are striving progressively for a more active participation in the value creation process (Leavy, 2012). Motivation to engage in co-creation may differ from individual to individual and also between the customers and organizations.

Hoyer et al. (2010) distinguish between four different types of customer motivators; financial, social, technological, and psychological. The possibility of financial rewards such as monetary prices or profit sharing can stimulate customers to engage in the value creation process (Hoyer et al., 2010 and Zwass, 2010). Furthermore, social factors could be the forming of personal relationships, the desire for social standing and recognition, the satisfaction of affiliation needs and so forth (Cook, 2008 and Zwass, 2010). Technology can also serve as a motivator. Customers may view co-creation as an opportunity to increase their technological knowledge and to gain a thorough understanding of the product or service (Hoyer et al., 2010). Moreover, simply passion for a task, a desire to contribute, the possibility of self-expression, self-efficiency and self-efficacy, enjoyment, identity construction or other psychological factors could be a reason for the customers' participation (Cook, 2008 and Zwass, 2010). Ernst et al. (2010) mention in this context the dissatisfaction with an available product as a possible psychological motivator.

Besides the four mentioned categories of customer motivators in terms of their participation in the value co-creation process, one can identify motivators which are based on career qualities. Learning and acquisition of new skills and experience, the transformation into an expert in a special field, and the signaling effect to potential

employers can stimulate customers to play an active role. Finally, the object that comes out of co-creation may be the reason itself (Zwass, 2010).

Similar to the customers, companies also have motivators to collaborate with their customers on different stages of the value co-creation process. A study from Capgemini Consultancy (2010) among top managers of the FEM500 business list shows that the main drivers for the co-creation are the understanding of new needs, increases in competitive advantage, and improvements of customer loyalty.

2.4.2 Dampers for value co-creation

Even though top managers expect a positive impact of customer involvement on future results, only a few companies involve their customers in their value creation processes (Capgemini Consultancy, 2010). Reasons for this lack of proactive and continuous involvement of customers can be of different nature.

Hoyer et al. (2010) mention concerns about secrecy, especially in processes regarding product development and product launch, as one possible reason. Moreover, the authors identify ownership issues of intellectual property, information overload in terms of an unmanageable volume of customer input, and complexity issues through the empowerment of customers. According to Magnusson, Matthing and Kristensson (2003), another constraint for co-creation could be the infeasibility of customer ideas in terms of product development and the production itself. Where there are potential benefits, there is also risk. The risk sharing is an essential part of the relationship between the co-creating actors, however, risks and costs could also restrain companies from involving customers in their business processes to such a large extent (Capgemini Consultancy, 2010 and Prahalad & Ramaswamy, 2004a).

The study of Capgemini Consultancy (2010) identifies five additional factors for firm's inability to achieve customer interaction; the urgency of pressing day-to-day business demands, lack of formal processes, lack of skills within the organization, commodity product, and finally, the long distance between the company and the customer in the value chain.

2.4.3 Influencing environmental changes

Payne et al. (2008) state that actors and markets that relate to value and exchange are highly affected by changes concerning technological breakouts, industry logic, and customer preferences and lifestyles. Further, they argue that these changes are potential sources for value co-creation processes. Payne et al. (2008) and additional literature consider the changes of high importance for companies and for value co-creation, since they affects the different actors and their processes in the market. These shifts impact companies and the environment around them, and force the actors to adjust and to participate in the ongoing development to maintain competitiveness. When taking relevant literature into account, the environmental changes can be grouped into changes concerning society, industry logic, technology, and power.

Changes in society have developed customers' minds and preferences away from the traditional acceptance of the products and services companies offer. Instead of this attitude, customers have a desire to create their own experiences, alone or together with others (Prahalad and Ramaswamy, 2000). Capgemini Consultancy (2010) argues that

value co-creation is a result from this shift in society, business markets, and the corporate culture.

Industries and industry logic changes occur because of the development of new ways to reach customers (Payne et al., 2008). For example, new electronic channels make the interaction and activities between customers and companies less dependent on time and space. This shift in interaction leads to a blurring of the traditional roles and processes and new opportunities to combine resources such as knowledge and capabilities occur. Prahalad and Ramaswamy (2000) state the development of roles as a result from deregulations, globalization, and technological convergence with the evolution of the Internet. Payne et al. (2008) argue that the opportunities created from changes in the industry logic lead to new ways of co-creating value.

According to Sawhney, Verona and Prandelli (2005), new technologies related to the Internet have significantly changed the value co-creation, because they make consumer-to-consumer and consumer-to-firm interactions possible. Prahalad and Ramaswamy (2004b) add that these new technologies and the possibilities they provide can lead to competitive advantages, based on more efficient and comprehensive interaction and co-creation with customers.

Capgemini Consultancy (2010) comments the technological changes, and emphasizes that companies have to take advantage of the technology, while at the same time remember to define the right balance between an on- and offline focus both in the physical business and in virtual worlds.

Prahalad and Ramaswamy (2004a) state five different aspects which enlighten the sources of changes in customers' role and power; better information access, global view, activism, networking with customers and companies, and experimentation in the market. Traditionally, companies could benefit from information asymmetry and were therefore more powerful than the customers. With a larger information base than customers, companies were able to price strategically and thus create value based on customer's demand of the offered products and services (Prahalad & Ramaswamy, 2000). However, because of the Internet's ability to provide transparency and a global view, customers now have an equal access to information as the companies and can operate informed, connected, and active (Ernst, Hoyer, Krafft & Krieger, 2010, Hoyer et al., 2010 and Prahalad & Ramaswamy, 2000 and 2004b).

Since customers have the possibility and desire to engage in dialog and communication with other customers, they are less dependent on the firms. Further, by using networks, customers can gain knowledge and make decisions based on individual or others perception of the company's value creation (Prahalad & Ramaswamy, 2000 and 2004b). Customers of today have the ability to use the Internet for experimentation, and thus, be able to claim what they need to satisfy their requirements (Jüttner et al., 2007 and Prahalad & Ramaswamy, 2004a).

2.4.4 Interaction between company and customer

Nowadays, the identification of customers' continuously changing expectation and a reaction on these needs can end up in superior value creation (Jüttner et al., 2010). Thus, the creation of value is the firm's respond on the customers' demand (Jüttner et al., 2007). The focus on the demand side is founded in the theory of DMC. According to

Vollmann, Cordon and Heikkilä (2000, p.83), this concept is defined as “a set of practices aimed at managing and coordinating the whole demand chain, starting from the end customer and working backward to raw material suppliers”. In contrast to the traditional approach, from the supplier to the end-customer, the value chain has to be driven by the customers’ needs and aims to satisfy them (Bechtel & Jayaram, 1997 and Heikkilä, 2002). Rainbird (2004) mentions, in doing so, not only an understanding of the current but also of the future customer expectations, market characteristics and alternatives for the company can be gained.

The demand-orientation implies exchange between both company and customer. Therefore, interaction can be seen as the heart of value co-creation. It is the result of implicit negotiations between the customers, who are equipped with knowledge and willing to be more active, and the company (Prahalad & Ramaswamy, 2004b). Here, the interaction which aims to achieve a stage of co-creation is characterized by four interrelated components, also known as DART model; a highly interactive *dialog* between engaged equal partners for knowledge sharing and mutual learning, *access* to information and new customer experiences at different points of interactions, *risk assessment* in terms of risk sharing, and, in contrast to the traditional advantage of information asymmetry of the firm, *transparency* of information (Prahalad & Ramaswamy, 2004a, 2004b and 2004c). Instead of the risk, Leavy (2012) states *reflexivity*, the reflective learning to improve the content and experience of co-creation, as an element of the DART model and the interaction process.

The degree of co-creation in terms of collaboration depends on the scope of interaction in terms of the customers’ involvement on different stages, and the intensity regarding the extent to which companies embed the results of co-creation in their products and services (Hoyer et al., 2010).

2.4.4.1 Learning phase in value co-creation

As earlier stated, value can be co-created through interaction and cooperation between companies and customers, and this co-creation can lead to sustainable competitive advantages for the company (e.g. Prahalad & Ramaswamy, 2004a). To be able to co-create value and gain a competitive advantage, both the company and the customer need information and knowledge about the other party (Grant, 1996 and Yazdanparast et al., 2010). This knowledge can be gained through a learning phase including organizational, customer, and joint learning (Yazdanparast et al., 2010). Learning can be defined as “the process of absorbing, involving, and integrating external and internal knowledge resources” (Yazdanparast et al., 2010, p.386 based on Grant, 1996).

Organizational learning

Companies can gain knowledge about their customer’s processes, needs, current and future demands, their relation to the company’s products and how the company can be of more value to the customers (Ramaswamy, 2008). This learning can increase the company’s competitive advantage, effectiveness and innovativeness (Shahnin & Zeinali, 2010).

Payne et al., (2008) stress that organizational learning must include a deep understanding of customers’ processes and experiences. The importance of organizational learning about the customers is additionally emphasized through Hamel and Prahalad (1993) and Prahalad and Ramaswamy (2004b). The authors state that

organizations must focus on a fast, good and thorough learning phase, as a strategic advantage.

Customer learning

In interaction with a company, customers gain experiences about the products, the company as a supplier of goods and services, and about the relationship with the company. These experiences lead to customer learning. The company can support the customers' learning by developing processes to make the learning easier, and thus affect the customers' preferences and future demand (Payne et al., 2008).

Customer learning can have different levels of complexity, and can hence be divided into three different types; remembering, internalization and proportioning (Payne et al., 2008). Remembering is a simple form of learning, and only concerns the customers' attention. Internalization is more complex, and concerns the customers' memory of a product or company. The learning therefore includes customers' interpretations and emotions. Proportioning is a complex form of learning. It concerns customers' reflection about practices and activities, and can lead to changes in behavior and use of resources (Payne et al., 2008).

Joint learning

It is also necessary for customers and organizations to learn together (joint learning) to be innovative and to co-create value. Yazdanparast et al. (2010) argue that needed assets for value co-creation can be gained through joint learning. The customers and providers can combine their resources, and so be able to achieve pioneering results. Flint, Larsson, Gammelgaard and Mentzer (2005) state that joint learning concerns insights and understandings the company and customers experience together, for example about opportunities and technological changes in the industry.

2.4.4.2 Innovation phase in value co-creation

The learning process enhances the strength of the relationship between the customer and the company, because both parties gain knowledge and a deep insight in the other part. Innovations are a result of interpreting this knowledge through information sharing process, and continuous reflection on the learning outcomes and the learning process itself (Flint et al., 2005). Langley (1999) and Yazdanparast et al. (2010) stress this fact by stating that the outcomes of the learning phase lead to opportunities for innovative solutions.

Innovation can be defined as "the application of ideas, concepts and designs to create wealth and refers to new subjects and ideas" (Shahnin & Zeinali, 2010, p.187). Thus, many firms are dependent on innovation to be successful. However, successful companies focus on the processes they use to be innovative, rather than on the innovations themselves (Flint et al., 2005). This focus can lead to a sustainable competitive advantage, based on the fact that innovative companies are more likely able to respond to the environmental changes and challenges in the industry today (Jimenez, Valle & Hernandez-Espallardo, 2008 and Shahnin & Zeinali, 2010).

Innovation occurs from the learning between the customer and the company. However, the ideas for innovation can come from the customer side alone (Jeppesen & Molin, 2003). It is therefore important for the company to maintain an ongoing interaction with the customers.

2.4.5 Outcomes of value co-creation

The collaboration concerning a joint creation of value should lead to a share of benefits (Capgemini Consultancy, 2010). Thus, it has an impact for both the company and the customer (Hoyer et al., 2010). Due to its uniqueness in terms of customers' resources such as knowledge and skills, competitors are not able to copy the single process. Therefore, co-creation can lead to competitive advantage in terms of performance improvements for both parties as well as increased customer satisfaction (Yazdanparast et al., 2010). In this context, Payne et al. (2008) state that advantages in value proposition should lead to new opportunities to create value together and result in benefits. These outcomes are by now significant and expected to increase in the future (Capgemini Consultancy, 2010 and Zwass, 2010).

One can distinguish between outcomes of value co-creation for the company and the customer. The latter can gain benefits from co-creation through customer satisfaction (Yazdanparast et al., 2010) and knowledge (Payne et al., 2008). Companies can perceive value through the customer beyond the actual purchase. In this context, social media and networking as a possibility for sharing of ideas and interaction plays an important role (Trusov, Bucklin & Pauwels, 2009). According to Kumar et al. (2010), through word-of-mouth (WOM) customers can create, as well as detract, value for a firm. Besides, the abovementioned positive communication about the company and the influence on the purchasing behavior of other (potential) customers, acquisition of new customers through a company's referral program, and repeating or additional purchases of a customer in the future can lead to value for the firm. Moreover, a possibility of customer created value for a firm is feedback which can lead to new products or services, and possible improvements of existing offerings (Kumar, Aksoy, Donkers, Venkatesan, Wiesel & Tillmanns, 2010).

Furthermore, co-creation can improve productivity through increased efficiency and effectiveness (Payne et al., 2008 and Prahalad & Ramaswamy, 2000). The increased efficiency in terms of cost minimization derives from a reduction of product failures (Cook, 2008), a transfer of labor to the customers, and continuous improvements of products after the product launch (Hoyer et al., 2010). Furthermore, increases in effectiveness are gained through improvements in product differentiation and a closer fit with customers' needs (Song & Adam, 1993), as well as enhancement in commercial potentials and attractiveness (Magnusson et al., 2003). Hence, companies can gain superior advantages in comparison with their competitors.

Capgemini Consultancy (2010) supports most of the mentioned outcomes of co-creation, and the study states that new products or services, competitive advantage, and the acquisition of new customers are the main outcomes of customer involvement in the value creation process.

3 Methodology

This chapter focuses on the methodology; the research approach and the research strategy, including the use of semi-structured interviews and netnography. Finally, the thesis' trustworthiness will be discussed.

When deciding for the methodology for a thesis, the purpose and the research questions should be taken into consideration, since they are interrelated. The purpose of this thesis is to investigate *how* and *why* retailers and customers co-create value. To fulfill the purpose the following research questions are explored:

RQ1: What are the potential motivators for value co-creation for retailers and customers?

RQ2: What actions are involved between retailers and customers in value co-creation?

RQ3: What are the potential outcomes for retailers and customers in the SC?

Research question 2 gives an answer on *how* value is co-created, while the first and third research question responds to *why* the two actors participate.

3.1 Research approach

The research approach in this thesis distinguishes between two research methodologies (qualitative and quantitative), three groups of studies (descriptive, exploratory, and explanatory), and finally, the time horizon for the research (longitudinal or cross-sectional).

One can distinguish between two research methodologies; qualitative and quantitative (Kumar, 2005). According to Kerlinger (1964), quantitative data is gathered through hypothesis-testing research. This kind of research method involves numerical data collection and analyzing by using mathematically based methods (Aliaga & Gunderson, 2002).

In contrast, qualitative data can be defined as “detailed descriptions of situations, events, people, interactions, observed behaviors, direct quotations from people about their experiences, attitudes, beliefs, and thoughts and excerpts or entire passages from documents, correspondence, records, and case histories” (Patton, 1990, p.22). The qualitative research aims to answer questions beginning with words like *how*, *why*, or *what* (Hesse-Biber & Leavy, 2011).

The difference between qualitative and quantitative methods can be further emphasized with the fact that qualitative methods describe characteristics, rather than comparing them in terms of measurements or amounts as the quantitative method does (Thomas, 2003).

For this thesis, the qualitative research approach is chosen. This approach is suitable because of the topic value co-creation, and the purpose which is to investigate retailers' and customers' behaviors and attitudes concerning value co-creation. The intension of the thesis is to explore value co-creation in the retailer-customer context, particularly

concerning co-design of bikes and the motivators and benefits for both parties. To gain insight into the interaction between the two actors, and investigate *how* and *why* they co-create, a qualitative approach in terms of case studies is best suited. Instead of measuring specific conditions like a quantitative approach, this thesis aims to identify and investigate the experiences of the retailer and customer.

Studies can be divided into three groups; descriptive, exploratory, and explanatory (Saunders, Lewis & Thornhill, 2009). Descriptive studies are characterized by structured and well understood problems (Ghauri & Grønhaug, 2005). Additionally, this kind of research aims to describe a clear picture of people, events and situations (Robson, 2002). Explanatory studies also concern structured studies, however, the focus is more on explaining *why* by finding the causal relationship (Gratton & Jones, 2010). In contrast, exploratory studies are applied when the research problem is unstructured (Ghauri & Grønhaug, 2005). Further, the research seeks to gain insights into a topic (Hesse-Biber & Leavy, 2011).

According to Brannick (1997), the different research methods can be separated after what types of questions they answer. Descriptive studies deal with research questions of *where*, *when*, and *who*. Explanatory research answer questions of *how* and *why*. Finally, exploratory studies are characterized by research questions of *what*.

As earlier mentioned, this thesis investigates co-creation through design of bikes; a context where there is not much research existing. Thus, the exploratory approach is appropriate to gain insights into the situation, the topic can be explored and the purpose can be fulfilled. Furthermore, the research questions begin with *what*, thus, an exploratory method is suitable.

This thesis applies a cross-sectional approach. Instead of trying to discover a change in the context over time, as a longitudinal approach, the study focuses on a specific phenomenon at a single moment in time (Ruane, 2005). Due to the time restrictions of this thesis and the fact that this thesis aims to capture the status quo, a longitudinal study is not appropriate.

3.2 Research strategy

Saunders et al. (2009) distinguish between several research strategies; experiment, survey, case study, action research, grounded theory, ethnography, as well as archival research. Depending on the purpose, different strategies can be used. However, the strategies can also be combined and applied in different ways.

In this thesis case studies are chosen as a research strategy, because this approach makes it possible to explore a current phenomenon in a real life context (Yin, 1994). Further, an intensive case study, a research focused on only a few specific examples, is performed to study the topic in depth. This choice was taken because an extensive research in contrast, concerns a large amount of instances on general basis rather than a thorough insight (Swanborn, 2010).

The three case companies; *Bike by Me*, *myownbike* and *718 Cyclery* are examined in depth. By investigating value co-creation in a reality and interviewing both retailers

(managers) and customers, a thorough understanding of supporting factors and benefits of the collaboration and the interaction itself can be gained.

3.2.1 Semi-structured interviews

According to Tenenbaum and Driscoll (2005), data can be collected through three different types of interviews; structured, semi-structured, and unstructured. Semi-structured interview is appropriate when the researcher wants to get answers for specific questions without being able to estimate the answers. Additionally, this type of interview allows the interviewee to answer freely and illustrate concepts, whilst at the same time all intended questions can be raised (Morse & Field, 1995).

The semi-structured interview technique is suitable in this thesis because of the possibility to get individual answers from the retailers and customers, responses are not able to predict, and the desire for deeper insights. Value co-creation and the motivators and the outcomes from the interaction are likely individual. Therefore, an interview guide with subject areas and short questions have been raised, while at the same time additional areas and questions can be expressed (Morse & Field, 1995 and Tenenbaum & Driscoll, 2005).

The subject areas examined concerning the companies' perspective are the business strategy, products, customers, interaction with customers, and competition, see *Appendix 4* for typical retailer questions. Information of *myownbike* has been gathered through a thorough telephone interview with the CEO and founder of the company, and through a clarifying e-mail dialogue. Due to time issues on the side of the CEO, information of *Bike by Me* has been gathered by secondary data through their website and online reviews. Additionally, a firsthand interview with the CEO of the company, conducted by an external source in November 2011, has been used. Finally, the founder of *718 Cyclery* has been interviewed through an e-mail dialogue. See *Appendix 2* for interviewees' details.

This thesis has in general a comparable amount of empirical data concerning each of the three case companies, and thus, an equal information base. However, based on the semi-structured interviews and hence individual situations and questions, different interview approaches, and the use of an interview conducted by an external source, the empirical part shows differences in the investigated topics between the companies. Moreover, the empirical part about the customers' impression is affected by differences in time of existence between the companies.

To investigate the customer perception of value co-creation, both buyers and likers, people who like *Bike by Me*, *myownbike*, and *718 Cyclery* on Facebook, have been asked about the reasons for liking the concept of co-design, personality aspects, and their general impression of the idea and their own benefits, see *Appendix 3* for typical questions. Since customer information is sensitive data, customers have been identified through their statements on the online communities of the companies. In total, six customers have been interviewed through semi-structured interviews.

Additionally, to get a deeper insight into the motivators and benefits of value co-creation in the context of co-design of bikes, potential customers have been interviewed face-to-face, through telephone/Skype, or chatting/e-mail. The latter is a form of interviewing which allows the respondent to think about the question before answering,

and problems concerning time differences between countries and geographical distance have been avoided. These interviewees have been asked especially about the concept of *Bike by Me* and *myownbike*, because the companies use co-design in the same way, even though there are differences between them, see *Appendix 3* for typical questions. Their concept is comparable to other co-creating firms. Thus, the results from the interviews can be generalized. In contrast, *718 Cyclery* offers co-design to a larger extent by involving the customers to a high degree.

Semi-structured interviews with buyers, likers, and potential customers ensure that individual opinions and a general understanding of the customers' perspective concerning co-creation, in particular co-design of bikes, are gained. Open questions have allowed customers to express their individual ideas and experiences about the co-creation of bikes in a broad sense without restricting them in their response to predefined choices. Additionally, we have been making use of netnography, described below. In total, 32 persons have been involved, including six interviewed buyers and likers, seven customers observed through netnography and the last 19 respondents are potential customers (see *Appendix 1*).

All semi-structured interviews have been transcribed to ensure a better understanding of the answers, because valuable information is then clearly written and not possible to forget. Further, transcribing has established a basis for discussion of the answers among the authors of this thesis. Thus, interpretations are likely better and more grounded. The interviews were conducted in English, Norwegian and German, the two latter then translated into English to enable the discussion between the authors of this thesis about the content.

3.2.2 Netnography

It can be helpful to interview customers personally to be able to find the customers motivators and outcomes for the value co-creation. Additionally, it is possible to get information from customer by observing their behavior in online communities. Such observations can be done through netnography.

According to Kimmel (2010), netnography can be explained as ethnography online. Ethnography involves participant observation and seeks to describe and interpret the social world (Saunders et al., 2009). In contrast, netnography is used for an identification and understanding of individuals' needs and behaviors by using information that is available in online communities (Kimmel, 2010).

This thesis uses netnography to identify customers of the three companies *Bike by Me*, *myownbike*, and *718 Cyclery*. By observing their Facebook community page and the customers' interaction and opinions stated, insights in the customers' characteristics could be gained. Besides Facebook, *Bike by Me* provides its customers a platform, *The Bike You Like*, to present their bikes and their personal experiences. Through the analysis of customers' interactions on this platform as well as on Facebook, their needs, motivators, and benefits of value co-creation could be identified.

3.3 Reliability and Validity

According to Kirk and Miller (1986), reliability and validity are important factors to obtain credibility and objectivity. Further, they state that “reliability is the degree to which the finding is independent of accidental circumstances of the research, and validity is the degree to which the finding is interpreted in a correct way” (Kirk and Miller, 1986, p.20).

The reliability can be affected by four factors; participant error, participant bias, observer error, and observer bias (Robson, 2002). Participant error means that external aspects affect the participant and his answers. Participant bias means that the interviewee is unwilling to share information and answer questions complete (Robson, 2002). Further, observer error and observer bias concerns the influential behavior of the interviewer (McDaniel & Gates, 1998).

This thesis minimizes unreliability firstly, by involving three companies and customers who were willing to share information. Through the use of netnography, customers’ opinions and desires could be observed. They proactively participate in the online community and their intention is thus to share information. Therefore, customers were not influenced in their behavior during the research.

Secondly, to ensure reliability, the interviews were conducted neutrally without any influencing questions. Open questions were used to lead to a broad knowledge. Further, respondents had time to express their answers freely, also beyond the intention of the question.

However, since answers can be interpreted differently, the interviews might not be fully reliable. An example performed to lower the risk of this issue, was recording the interview with the retailer *myownbike*. Further, when uncertainty concerning the meaning of an answer occurred, confirmation and clarification through additional questions were achieved. Moreover, the three case companies are situated in different countries, respectively Sweden, Germany and the US. These differences in location help to ensure that cultural differences do not affect the results from the interviews.

According to Brymann and Bell (2007, p.41), validity can be defined as “the integrity of the conclusions that are generated from a piece of research”. Lincoln and Guba (1985) suggest differences in evaluation of trustworthiness between qualitative and quantitative research, whereas validity can be stated through credibility, how believable the findings are, and transferability, if the findings can be applied to other contexts.

Credibility is achieved through the investigation of three companies instead of only one. This way more empirical data could be gathered and a broader insight in co-creation achieved. Moreover, all three retailers focus on value co-creation through co-design. According to existing literature co-design is characterized by a high degree of collaboration and personalization and thus represents value co-creation to a high extent. Hence, the three case companies are suitable for this thesis.

Similar, by including several customers’ interactions with the companies online and involving several in information capturing, a thorough understanding could be achieved. *Bike by Me* and *myownbike* have online stores and the public interest of their community page is relatively high. This makes it likely to assume that the people who

are active online and on their community page represent the actual customer and liker of these stores and the results from the interviews can be generalized. Further, potential customers were chosen as respondents, because they are all young, passionate bikers characterized by a strong interest in design; factors which describe the actual customers of *Bike by Me* and *myownbike*.

Moreover, to ensure validity, all interviews conducted have been transcribed and discussed, as mentioned above. Additionally, the CEOs have approved the collected data concerning the companies. Hence, the strength of the findings is enhanced and the interpretations are more credible. To avoid misunderstandings before discussion the translations of the interviews have been controlled by other native speakers. Further, to gain a full understanding and deeper insight from the interviews, the results have been continuously reflected and discussed by use of visualizations such as mind-maps.

Three companies which invest highly in and are committed to value co-creation are chosen in this thesis. This ensures transferability, because the firms can be representative for co-creating retailers in general and the findings can be applied to them. Moreover, the focus of the empirical study lies on the concept of co-creation in general, by use of co-design. This focus, together with interview questions including more than the actual product, ensures that the findings from this study are independent from co-designing of bikes and can be applied to other retailer-customer contexts.

4 Empirical study

The empirical chapter of this thesis includes the three case companies used in this thesis, and their products, customers, supply chain, business focus, and customers' impression. Further, potential customers attitude and reasons for participating in co-designing will be stated.

4.1 Bike by Me

The Swedish retailer *Bike by Me* was founded in June 2010 in Husqvarna by Johan Formgren. Thenceforward it has developed into a rising online business, which has been mentioned in several magazines such as the *The Economist* (Schumpeter columnist, 2010, December 2) and *Wall Street Journal* (Faucon, 2011, April 1), on different online blogs, and taken part in a commercial spot of the Swedish Internet provider *Bredbandsbolaget* (Youtube, 2012, January 17). The one-man firm involves its customers in the design of the product and allows them to customize their bikes online according to their own needs and desires.

4.1.1 Products

Bike by Me conducts its business in the high-price segment and aims to provide high quality to its customers. "We have some competition. All those companies doing customization of bicycles are in that level but we decided we wanted to be a bit higher." (CEO of *Bike by Me*, personal communication, 2011-11-25).

The bikes are manufactured and assembled by well-established and experienced suppliers from Taiwan. The retailer started off with suppliers from China, however, due to quality and control issues these suppliers were replaced (*Bike by Me*, 2012). For a price of 5,999 SEK respectively 649 Euro customers can receive a fixed-gear bike, called fixie, and choose between two different sizes and ten different colors for frames, tires, rims and so forth, which means approximately 630,000 different variations. However, due to shortages in stock and delivery issue, there are currently only a limited number of options provided.

4.1.2 Customers

Bike by Me's customers are dispersed to countries all over the world such as the United States, Peru, Australia or Chile, whereas the majority of the bikes are shipped to Switzerland (CEO of *Bike by Me*, personal communication, 2011-11-25).

According to the CEO of *Bike by Me* (personal communication, 2011-11-25), the typical customers of the retailer are innovative, young people with a strong interest in social media. Further, its community page reflects customers' interest in design (*Bike by Me* on Facebook, 2012). However, the retailer's target group is not students rather than customers who pursue a career. "I think students really like that but we don't have them as a market. It is a bit expensive for them." (CEO of *Bike by Me*, personal communication, 2011-11-25).

4.1.3 Supply Chain

The structure of the SC of *Bike by Me* is dependent on the customers' location and thus, the destination of the shipment. If the geographically situation is appropriate, the retailer

itself is not involved in the physical flow. “We have sent bikes directly from Taiwan to a customer in Australia or Indonesia! And I haven’t even seen it!”(CEO of *Bike by Me*, personal communication, 2011-11-25). This kind of SC setup demands trust between the retailer and the manufacturer and agent in Taiwan. According to the CEO of *Bike by Me* (personal communication, 2011-11-25), this can be seen as a basic prerequisite to be able to conduct the business in such a way.

If the bikes are sent from Sweden to the final customer, the retailer cooperates with the 3PL provider *Bring* which is in charge of warehouse activities. From there, the customer orders and administrative work are processed quickly and enables a fast shipment of the finalized bikes from the warehouse, located in Jönköping, to the final customer. “Within 24 hours it leaves our warehouse. And that’s like a guarantee that we have in collaboration with *Bring*” (CEO of *Bike by Me*, personal communication, 2011-11-25).

Part of this collaboration is a jointly used information system, which provides access of order information to both parties. Apart from uncontrollable delivery issues, the product is delivered to the end-customer within one to five working days, depending on the recipient’s location (*Bike by Me*, 2012).

4.1.4 Business focus

“Can be all about customization? Since we are called *Bike by Me*, we have decided to be always about that.” (CEO of *Bike by Me*, personal communication, 2011-11-25).

This mission states the differentiation of the retailer to many other companies which are engaged in co-design through the possibility of customization without a more extensive range of not modifiable products. In contrast, the Swedish retailer focuses not only on a strong collaboration with its customers, but aims to provide its customers a platform to interact and to conduct different value-adding activities *by themselves*. “One is when a company involves customers into a process and one when a company involves itself into the customers’ value-adding activities. I really think that we are more about the latter. We are not trying to be [a] company. In one way, we have the channel which customer use to design the bike they like and we have assembly and logistics for delivering them the bike. That’s it!” (CEO of *Bike by Me*, personal communication, 2011-11-25).

Besides the actual design, the customers are also active in terms of marketing and sales, and according to the CEO of *Bike by Me* (personal communication, 2011-11-25), there is potential to go even further in terms of sourcing activities. Further, he states that the challenge of the strategy of co-creation is maintaining simplicity while being continuously innovative and surprising. Hence, the possibility of customization beyond the different colors is not intended by the retailer (CEO of *Bike by Me*, personal communication, 2011-11-25).

4.1.5 Customers’ impression of *Bike by Me*

Bike by Me’s customers not only have the possibility to design their own bike, but also to conduct other value-adding activities such as Marketing. The retailer’s online platform *The Bike You Like* enables customers to share their experiences with the product and to present their own bike.

The general attitude toward the concept of *Bike by Me* of both buyers and likers involved in the study is mixed. On the platform abovementioned, and also in the *Facebook* community of the retailer a positive opinion is widely shared. One customer expresses simply: “My name is Mike. I like the bike” (The Bike You Like, 2012). The aspect of differentiation and the possibility to design the product according to own needs and desires are decisive factors for several buyers’ and likers’ support of *Bike by Me* and the idea of co-design. According to one of the interviewees, a professional snowboarder and graphic designer, the fact that one is highly involved in the design establishes a more intimate connection to the product (personal communication, 2012-03-28). One of the customers, Nanna, is going further in the judgment about the product and states “To say I like this bike is an understatement. This bike *is* me.” (The Bike You Like, 2012). Moreover, the health aspect of cycling and the fun factor of co-designing are stated (The Bike You Like, 2012).

The first encounter with the retailer and its concept of value co-creation has been for Philipp and David, two of the customers who share their experiences on the website, already deciding (*The Bike You Like*, 2012).

However, not all actual customers are satisfied with the purchase. One of the respondents (passionate biker, Norway, personal communication, 2012-04-02) claims that “the bike keeps poor quality, color composition was not like I had ordered, it took 10 month to get it, it was missing some parts, and the brakes are bad”. Another customer (professional snowboarder and graphic designer, Germany, personal communication, 2012-03-28) sees a drawback of *Bike my Me* and the co-designing of bikes in that it has developed into a ‘hipster product’. Moreover, not all potential customers have a positive attitude toward *Bike by Me*. At a forum for fixies, several members of the community complained in 2010 that the company sells overprized bikes compared to the cheap bike parts bought from China (Fixed Gear, 2012). Members on another forum emphasize a bad quality of *Bike by Me*’s product components; “there are many, many other bikes which are better than these” (Grafiskt Forum, 2012).

4.2 myownbike

myownbike is a German bicycle store which offers the possibility to buy self-designed or co-designed bikes and, additionally, bike accessories and clothing. The company is a one-man business established in the end of 2011 by the CEO, Thomas Estenfeld. It consists of a shop located in the heart of Düsseldorf and an online store (CEO of *myownbike*, personal communication, 2012-03-17 & *myownbike*, 2012).

From the start up in December 2011, the company steadily develops and has received three awards for its web design by FWA (the Favorite Website Awards), Awwwards, and CSS Design Awards (FWA, 2012, Awwwards, 2012 & CSS Design Awards, 2012).

4.2.1 Products

myownbike offers one gear single-speed or fixed-gear bikes, bike parts, accessories and lifestyle products. Customers can design their own bike by using an online configurator or they can design (and test) the bike at the store in Düsseldorf. The configurator allows the customer to choose between two different frame sizes, two different seats, and six

different handlebars (*myownbike*, 2012). Further, the customers can change the color on the framework, tires, handlebars, porch, saddle, seat post, crank, chain, and pedals. The configurator includes ten colors which consists of both basic and noble colors, additionally colors that appeals to girls are added. The limit of ten colors in the configurator can facilitate the decision process for the customers; however, more colors are currently discussed to be added after inputs from customers (CEO of *myownbike*, personal communication, 2012-03-17).

However, the full RAL color catalogue of 184 colors is available for the frame, fork, wheels, and rims, which allows the customer to choose exactly the RAL color they want. Additionally, the retailer attempts to fulfill customers' wishes which exceed these dimensions, to provide exactly the bike desired. Even though the customers have such a large variety, the favorite colors of the customers are black and white (CEO of *myownbike*, personal communication, 2012-03-17).

The brake, brake lever, cable housing and bar tape or grips can additionally be changed before ordering (not in the configurator but later in the process online). The customer can chose between two colors for the brakes and brake lever, six colors for the brake cable, two different types of handle bar tape, two different types of grips. Additionally, the customers can choose between two kinds of vintage saddles instead of the regular ones which are included in the price in the configurator (*myownbike*, 2012).

myownbike strives to achieve high quality, and the company position itself in the 'high price segment'. The price of the bikes starts with a base price of 769 Euro, however, different parts and colors can raise the price (up to 949 Euro at the maximum) (*myownbike*, 2012). Moreover, to ensure high quality and a final check of all parts and assembly process, all bikes are approved by a mechanic before shipping. The company uses a mix of brands and branding free components and all the parts which are used in the production of the bikes and the parts' brands are available for the customers online on the website to ensure that the customers can be aware of the quality (*myownbike*, 2012).

myownbike cooperates with another company in Düsseldorf, which produces the wheel set of the bikes and performs the final quality check of the bike (CEO of *myownbike*, personal communication, 2012-03-17). This company offers a five year long warranty on the wheel set (*myownbike*, 2012).

4.2.2 Customers

According to the CEO of *myownbike* (personal communication, 2012-03-17), "the typical customer is male, between the beginnings of 20 to 40 (...). He is certainly more the city dwellers than the one living in the foothills of the Alps or in the hilly area (...), he has an affinity to design, (...) so he is style conscious (...) and he is definitely bike enthusiast!" (CEO of *myownbike*, personal communication, 2012-03-17).

4.2.3 Supply Chain

The SC of *myownbike* consist of several suppliers, some partners which are contributing to the production, and finally the retailer, which consists of the shop in Düsseldorf and the online shop, as a contact link to the customers. The CEO states (personal communication, 2012-03-17) that the reasons for having both an online and off-line

business are “to maintain and to show and to involve the customer even more. And also just to have a USP over competitors or another one in comparison with competitors.”

According to the CEO (personal communication, 2012-03-17), *myownbike* has vendors from all over the world; Germany, Holland, America, and Taiwan. In total, *myownbike* has approximately 35 different suppliers, when the total amount of brands is taken into consideration. In the daily business the company cooperates with five to six suppliers and two additional partners for the finishing of the assembly; dealing with powder coating and rims construction. The CEO of the company does most of the assembling of bikes himself, but he has subdivided the bike construction, like varnishing and lacing to other companies in the Düsseldorf area (CEO of *myownbike*, personal communication, 2012-03-17).

The company has a close relationship with the suppliers situated in Germany, and especially in Düsseldorf, and are working closely together with these to find good solutions. In contrast, with the suppliers of chain rings in Taiwan, the company has a more transactional relationship, because high quality at a reasonable price at agreed times is more critical for the company than having a close relationship (CEO of *myownbike*, personal communication, 2012-03-17).

The planning of production and forecasting of needed stock of parts are made according to the delivery time for the different parts. The company has every part needed for production of frames, rims, and hubs (for construction of rims) enough for three months of use in stock. Other smaller parts which have to be shipped overseas are also kept in stock enough for three months of use, because of the lead time of the parts, including production and transportation to Düsseldorf (CEO of *myownbike*, personal communication, 2012-03-17). The company does not have parts that are made in Germany in stock, because it can get new products within one business day (CEO of *myownbike*, personal communication, 2012-03-17).

myownbike has the bike parts available for production, but the assembly of these parts is postponed until an actual customer order. Then the customized bike will be assembled within a maximum of 14 days and is ready to be shipped or made available for pick up in the store in Düsseldorf, according to the customer’s desire (*myownbike*, 2012). If the customer chose to pick up the bike in Düsseldorf, the customer gets the bike completely assembled in the store when it is finished. If the bike is ordered online and shall be shipped, the customers have to assemble the wheels and pedals on the bike. These are removed before shipping because of the size of the bike boxes (CEO of *myownbike*, personal communication, 2012-03-17).

myownbike delivers bikes to all countries within the EU, including Switzerland, Norway and Liechtenstein. Additionally, the company can deliver outside of the EU by prior arrangement. The shipping of bikes from the online store usually takes between five to seven business days, for the price of 5.90 Euro within the EU (*myownbike*, 2012).

4.2.4 Business focus

The main focus or strategy of *myownbike* is that the company wants to give every customer the opportunity to design what they want. According to the CEO of *myownbike* (personal communication, 2012-03-17), co-designing with the customers

help the company to avoid a pool of finished bikes it might not be able to sell as well as it can ensure customer satisfaction.

Further, the CEO of *myownbike* (personal communication, 2012-03-17) claims: “the bike market is increasing, and it is extremely strong in Germany and the Nordic countries”. Therefore, the CEO believes the company will have a good chance to grow in the future. It is working on an establishment of a well-known brand and an eventual expansion within Germany by using shop-in-shop solutions, and possibly to foreign countries with franchises. Moreover, he (personal communication, 2012-03-17) states that the fact that people want to be individual makes co-design possible. He believes the company is experiencing success because “this design or this affine ‘being individual’ simply wins a role”.

Even though the brands and parts are limited, *myownbike* has a strategy to offer other goods in the store than bikes such as appropriate accessories, clothing, bike parts, gift vouchers, head protection (Ribcaps), a bike rack furniture, castles, and the boneshaker magazine (*myownbike*, 2012).

According to the CEO of *myownbike* (personal communication, 2012-03-17), the design of the website makes the company differ from other online stores; “I think it is the love in the details, or even the website itself is just different”. Since *myownbike* offers co-designing online and the company is active online in social media such as *Facebook*, it experiences a close connection and cooperation with customers and potential customers (CEO of *myownbike*, personal communication, 2012-03-17). “I would say *Facebook* is certainly one of the most important marketing tools. Because you have a fast communication, you have often an honest opinion, so even a relatively fast feedback with which you can work concerning if you should add a product to the portfolio or not (...) the fact that I am an online business makes it important to create indeed relevance and in this connection *Facebook* is relatively important” (CEO of *myownbike*, personal communication, 2012-03-17).

4.2.5 Customers’ impression of *myownbike*

Customers have in general a positive impression of *myownbike*. This impression is enhanced with statements from the customers that the company has high quality and easy choices, for example at the website. Further, the configurator is seen as helpful and interesting, because they can see the product they are designing right away. The possibility to see the individual parts in the catalogue online is appreciated by the customers. A boss of a German advertising agency (personal communication, 2012-03-26) likes the concept and the company based on a serious appearance and the interesting focus of the company.

4.3 718 Cyclery

718 Cyclery was started in 2008 by Joseph Nocella, a former bike messenger, in the founders’ backyard (CEO of *718 Cyclery*, personal communication, 2012-04-19). Nowadays, the team of *718 Cyclery* comprises five people.

The retailer is located in New York City, and offers fully personalized co-designing of bikes with customers. According to the CEO of *718 Cyclery*, it follows a unique concept. “What we do is so unique in NYC that we have no competition. Most bike shops have sales men who sell bikes off a wall. We see this as 100% backwards.” (Personal communication, 2012-04-18). *718 Cyclery* provides its customers to choose every single part of the bike according to their own imagination, and additionally to take part in the assembling and bike construction. The customer books an appointment online, called ‘initial meeting’ and subsequently discuss his ideas concerning the bike desired. Through the interaction between the two actors, an initial draft of a bike is determined and further developed until the bike meets the customer’s expectations and needs based on the input of both parties. After the finalization of the draft, the parts for the bike are ordered and the customer can build his own bike in cooperation with the company (*718 Cyclery*, 2012).

4.3.1 Products

The retailer provides its customers a collection of new as well as old frames of vintage bikes. Furthermore, *718 Cyclery* provides the possibility to employ customer’s own frame as a starting point or supports in sourcing the right frame, if neither the variety in stock nor the own bike meet their imaginations (*718 Cyclery*, 2012). To ensure a high quality of the bikes and service, the retailer provides a lifetime service on all its bikes (*718 Cyclery BlogSpot*, 2012).

Additional to selling full bikes, *718 Cyclery* offers bike components in separate (such as grips and bar tape, hubs, pedals, racks, saddles, etc.), bike accessories like apparels, bags, and books. Besides these tangible products, *718 Cyclery* offers different classes concerning maintenance of the bike, weekly bike safety class, and wheel building classes (*718 Cyclery*, 2012).

Moreover, the company offers additional services like bike tours throughout the city of New York and storage solutions are provided for customers’ bikes which are not used on a daily basis. *718 Cyclery* does also offer the facilities of the store for many different kinds of events (*718 Cyclery*, 2012).

The bikes generally start at a price of 550 to 600 USD, however, the price can be raised depending on the components and time of labor used (*718 Cyclery BlogSpot*, 2012).

4.3.2 Customers

Based on the diversity of *718 Cyclery*’s offers, it does not have any special customer segment, aside from people who are passionate and want to know more about bikes, preferably through an unordinary setting. However, according to the CEO of *718 Cyclery* (*718 Cyclery BlogSpot*, 2012); “My clients tend to be mature folks who are looking for the simplicity of a fixed gear without the ironic baggage and *youtube* trickery that goes with it.”

Moreover, some bikes take some time to develop and build; therefore, the customers are often from the same geographical area as the retailer.

4.3.3 Supply Chain

The finished products and their components between the individual bikes vary, thus, the structure of the SC of *718 Cyclery* differs accordingly. The company has agreements with three major wholesalers for bike components (*718 Cyclery BlogSpot*, 2012). All parts needed for the bike are delivered to the store and assembled there by the customers with guidance from the mechanics at *718 Cyclery* (*718 Cyclery*, 2012).

4.3.4 Business focus

The business focus of *718 Cyclery* is strongly affected by their type of business. On its website (*718 Cyclery*, 2012) the retailer argues: “What we do, and how we treat you while we do it, defines who we are. That's it.”

Instead of restricting its customers to a limited number of technical and design aspects of the bike, *718 Cyclery* provides them a possibility to design its own bike based on their budget and personal desires (*718 Cyclery*, 2012). The retailer has an intense two to four week process to get to know each customer (CEO of *718 Cyclery*, personal communication, 2012-04-18). Furthermore, the CEO of *718 Cyclery* states: “Working directly with clients builds a relationship that lasts a lifetime. These are customers who will come back and tell their friends. It is far more rewarding than the traditional business/customer relationship in the retail world.” (Personal communication, 2012-04-19).

The CEO of *718 Cyclery* sees a difference between its strategy and other companies who follow the idea of co-creation. “There's no way I can compete with online bike mega-sites, nor do I choose to. What I do offer is a personalized, unique experience. You can have a bike that is truly unique, put together with the right parts, and built by you” (*718 Cyclery*, 2012). Further, the CEO of *718 Cyclery* claims that “it's much easier to create something remotely and just sell it. What we do is unique every time. It requires more work and attention, but customers appreciate this and are willing to pay a premium for it.” (Personal communication, 2012-04-19). Furthermore, the CEO state “the best part is the people I meet; the worst part is all the paperwork” (*718 Cyclery BlogSpot*, 2012).

4.3.5 Customers' impressions of 718 Cyclery

The customers of *718 Cyclery* have in general a positive impression of the company. One of the customers emphasizes his positive attitude toward *718 Cyclery* by saying “this isn't just another bike shop - it's a place to come back to” (*718 Cyclery* on Facebook, 2012). One of the respondents stress his impression of the store accordingly: “I find this absolutely wonderful to see how devoted they are about the passion they have (...) people like it because services comes before profit. That's what is missing nowadays.” (Web designer, Canada, personal communication, 2012-04-11).

The concept of co-design in the way *718 Cyclery* performs it makes a positive impression on all the respondents. “The positive to design your own bike is that one does not have to compromise. To compromise is an enthusiast's hell. One selects components based on preference and taste. This must never be underestimated (...).” (Designer, Norway, personal communication, 2012-04-10).

Moreover, the same customer argues that this way of doing business makes the company and its business unique. "When one puts a bike together, one creates a relationship between each part [of the bike] and the owner. It's a bit like when you have quality time with a child." (Designer, Norway, personal communication, 2012-04-10). The web designer from Canada stresses this fact and states that "the positive of all this is that you can customize everything to your liking with help of a professional. In the process of building it yourself, there is sort of a relationship between the buyer and the bike. If anything goes wrong, the buyer knows what it is and will go back to 718 and fix it with the person who helped building it." (Personal communication, 2012-04-11).

Furthermore, another impression regarding the company is that it focuses on details and that the employees care about their customers. The Norwegian designer (personal communication, 2012-04-10) argues: "Since I am a designer by profession, I am daily at a level of detail. Whether it is in typography or how the printer sets the black color of a publication. This reflects how I want my bike. (...) When the devil lives in the details, I mean that 718 represent God".

Customers emphasize that their impression of the company can be affected by a general trend in the society. Some say that there is now a trend back to simplicity; "there is no reason to hide under a chair that we have recently experienced a tremendous revival of 'Slow Art'. Man has had enough of the digital. We will return to the tactile. [Back to] the dirty hands and the feeling of mastery" (Designer, Norway, personal communication, 2012-04-10). Others believe their personality impacts their impression of 718 Cyclery; "I am that kind of person who think people should go before profit, this company is the perfect example of what should be businesses in the future" (web designer, Canada, personal communication, 2012-04-11).

4.4 Summary of case companies

The three companies all use value co-creation through co-design of bikes, however, differences in products, customers, SC, business focus, and customers' impression can be seen. To summarize and clarify the empirical findings, similarities and differences are presented according to *Table 4.1*.

Table 4.1 Comparison of case companies

	<i>Bike by Me</i>	<i>myownbike</i>	<i>718 Cyclery</i>
Products	Fully assembled self-designed fixies, two sizes, customer decides out of ten colors	Fully assembled self-designed fixies, large variety of changeable components, customer decides out of 184 colors	Fully personalized bikes designed and assembled together with customers in store
Customers	Employed, innovative, young, interested in social media and design, no specific geographical area	Young, city dweller, style/design conscious, bike enthusiastic, no specific geographic area	Bike enthusiastic, knowledge-seeking, mature, simplicity, mainly from NYC
SC	Production in Asia, delivery to customers	Parts from different parts of the world, assembly in Germany, delivery to customers (directly or through store).	Parts from different wholesalers, delivery to store, assembly and completion there
Business focus	Personalization, simplicity, involvement of customers in design and marketing & sales	High degree of personalization, close interaction online and in store, involvement of customers in design and marketing & sales	Strong collaboration with customers, provide personalized unique experience and bike
Customers' impression	Mixed opinion: Positive: differentiation, connection to product, personalization, fun. Negative: hipster product, quality.	Positive opinion: high quality, easy choices, helpful configurator, serious appearance.	Positive opinion: differentiation, connection to product, knowledge about product and process, high service.

4.5 Potential customers' impression of co-creation

Potential customers are young bike enthusiasts characterized by a strong interest in design. Their impression of co-creation can be investigated by their general attitude toward the concept, the influence of their individual personality as well as their reasons for participating in co-creation through co-design of bikes.

4.5.1 General attitude towards co-creation

Generally, the potential customers' attitude towards value co-creation in form of co-designing of bikes is positive. "I like it! I'm fully behind the concept!" (Photographer and blogger, Germany, personal communication, 2012-04-06). Not just the product

itself, but also the process of co-design is seen as an entertaining factor (marketing student and event communicator, Germany, personal communication, 2012-04-06), whereas the appearance of the website is important for the fun factor as well. Moreover, this respondent sees co-design as a possibility in today's market, characterized by mass production and communication, to establish a social identity through a more personalized, unique product. A design blogger from Australia claims her frustration to find products that cater her personal taste and views customized products as a solution (personal communication, 2012-04-05).

Most of the respondents are familiar with the concept of co-design and several have already participated in similar projects. "I made already use of it concerning Nike ID," (photography blogger, skateboarder and biker, Germany, personal communication 2012-04-06). A semi-professional road racer from Germany (personal communication, 2012-04-06) sees sense in applying this concept to bikes due to taste that differs among the customers.

However, the majority of the potential customers mention a too limited and predefined offer of *Bike by Me* and *myownbike* as a drawback of their business strategy. A theater actor and photographer (personal communication, 2012-04-06) claims that "colorful tones don't make (...) a real individual bike, and besides that I could also paint the old roadster of my mom – this would be much more creative and individual". Another respondent, photographer from Ukraine (personal communication, 2012-04-08) criticizes that "the buyers only ride the same bike but just in different colors." A bike designer from Germany says that he finds "this kind of product designing not bad (...), but I find true individualization 100,000 times better." (Personal communication, 2012-04-09).

Nevertheless, a furniture designer from NYC (personal communication, 2012-04-09) points out: "Personally, I like any chance to customize to my own taste. That being said, I am not always very decisive. For a designer, this can be a problem! Therefore, I can understand that too many choices may pose some challenges for some people". Moreover, the marketing student and event communicator (Germany, personal communication, 2012-04-06) mentions that a limited and predefined offer might be necessary for the retailers, because co-designing opens for a "flood over diverse ideas", which can make value co-creation through co-design too complex to handle for retailers.

4.5.2 Personality affecting attitude toward co-creation

In general, the potential customers believe there is a connection between personality and the fact that they like the concept of co-creation through co-designing bikes. However, some of them emphasize that it is not necessary a special personality that make people like it, rather it could be a general interest of the concept and a trend away from the commercial market of today (e.g. Industrial designer, Norway, personal communication, 2012-04-04 & Hobby photographer, Poland, personal communication, 2012-04-05).

Other potential customers believe that their place of living influences their desire to be individual. "Since I'm living in Berlin, the concept of co-design matches with my personality even more. I'm more focused on wearing or buying something individual and unique which reflects my personality. Therefore, I think that especially hipster and

people who wanna stand out from the crowd, wanna follow a concept such as co-design” (Student specialized in consumption research, Germany, 2012-04-05).

Potential customers of co-design, additionally, mention that they have a general desire for something unique, and that this affects their opinion about the concept. The hobby photographer from Poland (personal communication, 2012-04-07) says that “I am often very annoyed, if someone has the same thing like me and this also bothers me.” The German theater actor and photographer agrees (personal communication, 2012-04-06): “I’m always willing to appear unique and individual”.

Some potential customers claim they have a personality which makes them focus on the product and the fact that being a part of the designing process can give them a product which exactly covers their needs, compared to products offered off the shelves.

“I suppose this corresponds with my personality because it is a more liberated from a consumerism, I’m very interested in design but unsure of how to pursue it and I’m often disheartened when shopping by the sheer amount of shit that is designed.” (Visual artist, Australia, personal communication, 2012-04-05).

Others like the concept of co-design, because it allows them to be free in their choice of products compared to the product regular companies offer. The German photographer and blogger argues that he likes the concept “since you are not subject to this dictation. Because I myself am a type of person who ever tries to modify things.” (Germany, personal communication, 2012-04-06).

Most of the potential customers like to be creative and try out different things, while some customer state that they like to be individual and special compared to others. “I’m interested in making and putting together things (...) The concept is cool, cool that one can sit and try out different designs” (Engine development engineer and cycling enthusiast, Norway, personal communication, 2012-04-08). A passionate biker from Germany (personal communication, 2012-04-05) claims: “The concept of the producer is meant for the individuality of each single character, you design *your* own bike!”

4.5.3 Potential customers’ reasons for participating in co-design

The potential customers participating in the study mention several different reasons for participating in co-design and value co-creation. These reasons can be divided into potential motivators and outcomes.

Motivators

The majority of interviewees states the buying process and the final product itself as motivators for participation in the co-design process. A German marketing student and event communicator (personal communication, 2012-04-06) claims “being just part of an innovative process” as a stimulating factor.

Additionally, “it’s possible to express my character and my personality (...) and a conversational topic. You can tell other people you have designed the bike by yourself and that it is a special bike.” (Student of communication design and illustrator, personal communication, 2012-04-09). However, one of the passionate bikers from Germany (personal communication, 2012-04-05) mentions recognition from others as a factor that would more draw him back from the participation in co-design.

Furthermore, co-designing bikes is also seen as a possibility to develop the own personality; “to bring out the personality of each bike, not just as a reflection of me, but as an exercise in creating a character,” (furniture designer, NYC, personal communication, 2012-04-09). The photographer from Ukraine (2012-04-08) emphasizes the possibility to give his own creativity full scope and to try out himself.

Moreover, financial aspects are stated. The visual artist from Australia (personal communication, 2012-04-05) claims the possibility of a high degree of personalization to an acceptable price. A web designer from New Zealand (2012-04-07) agrees; “saving money, because you only get what you need.”

The strong interest in design and related topics and the possibility to create something unique is claimed by several potential customers involved in the study. A blogger, skateboarder, and biker from Germany (personal communication, 2012-04-06) states that “passion for unique products and design in general” are reasons to participate in co-design. Designing the product by oneself is mentioned as the factor which makes the bike unique. “Because if you just need a good bike, I can get the product also for less money. It’s just like this. There’s just the design aspect.” (Photographer and blogger, Germany, personal communication, 2012-04-06).

Co-design, further, gives several interviewees the possibility to differentiate from other and to stand out the crowd. The furniture designer from NYC (personal communication, 2012-04-09) states “I like the idea of differentiation – in a functional as well as social gain. Individualizing the bike gives me something to show, and helps me to recognize my bike in the crowd, potentially”.

Finally, several potential customers see participating in the design and the decision about the appearance of the final product as an entertainment factor. “It is also a lot of gimmick. But why not?” (Photographer and blogger, Germany, personal communication, 2012-04-06).

Outcomes

The potential customers have in general the opinion that co-design increase the value of the product for the customers and that the co-design process makes the customers have a stronger connection to the final product. “Designing my own bike gives me an even more personal relationship with the act of shopping and ultimately with the object as well. I have a more emotional connection due to the addition of creativity in the process.” (Furniture designer, NYC, personal communication, 2012-04-09). A Polish photographer (personal communication, 2012-04-07) agrees and claims that “the satisfaction is much higher”. Moreover, the photographer from Ukraine emphasizes a “longer lasting joy of a self-designed bike” (personal communication, 2012-04-08). Further, the potential customers enjoy being a part of the final product and actively participate. “Fun to be involved, (...) the whole buying process becomes more meaningful.” (Web designer, New Zealand, personal communication, 2012-04-07).

Some of the potential customers see participating in co-design as a positive effect on their economy. For instance, the web designer from New Zealand (personal

communication, 2012-04-07) emphasizes that one “only pay for what you need (...) less waste.”

Other potential customers stress the finalized product which matches with personal preferences as a positive outcome. “The bike would rather match with my understanding of modern and stylish” (Semi-professional roadracer, German, personal communication, 2012-04-06). According to the Australian design blogger, co-designing “gives me the power to ultimately decide what the finished product will look like, creating a bike suited to my personal tastes, favorite colors etc. Having a bike that isn't quite like anyone else's, hopefully.” (Personal communication, 2012-04-05). The visual artist from Australia (personal communication, 2012-04-05) believes that co-design “allows for an almost (...) tailor made product with, I would argue, the most important decisions being made by the consumer. More specifically, the idea for a personalized bike is brilliant as they are such a ubiquitous product and seldom unique to another.”

Several interviewees state that co-design is convenient, even though not all aspects can be individualized. A passionate biker from Germany (personal communication, 2012-04-07) claims “one can at least determine the outer shape of the product and save the labor of a long searching, especially if you already have a clear idea in mind how the bike should look like”. A passionate biker and longboarder from Germany (Personal communication, 2012-04-09) believes this is important because one can “create something new and [be] creative without putting a lot of effort in it compared to if you would order everything independently from different manufacturer and assemble it by yourself.”

5 Analysis

The analysis chapter aims to fulfill the purpose and answer the research questions by combining the findings from the theoretical and empirical study. Therefore, the framework of the value co-creation process developed from existing literature is applied to the empirical study and a modified framework is presented. Retailers' and customers' motivators, the interaction between the two actors, and the retailers' and customers' outcomes of value co-creation are investigated.

Results from this thesis' analysis concerning retailers' and customers' potential motivators, outcomes, and the interaction between them are presented in the following modified framework, *Figure 5.1*. Findings stated in the figure which are in addition to existing literature are marked with asterisks. In the following discussion, the results are explained.

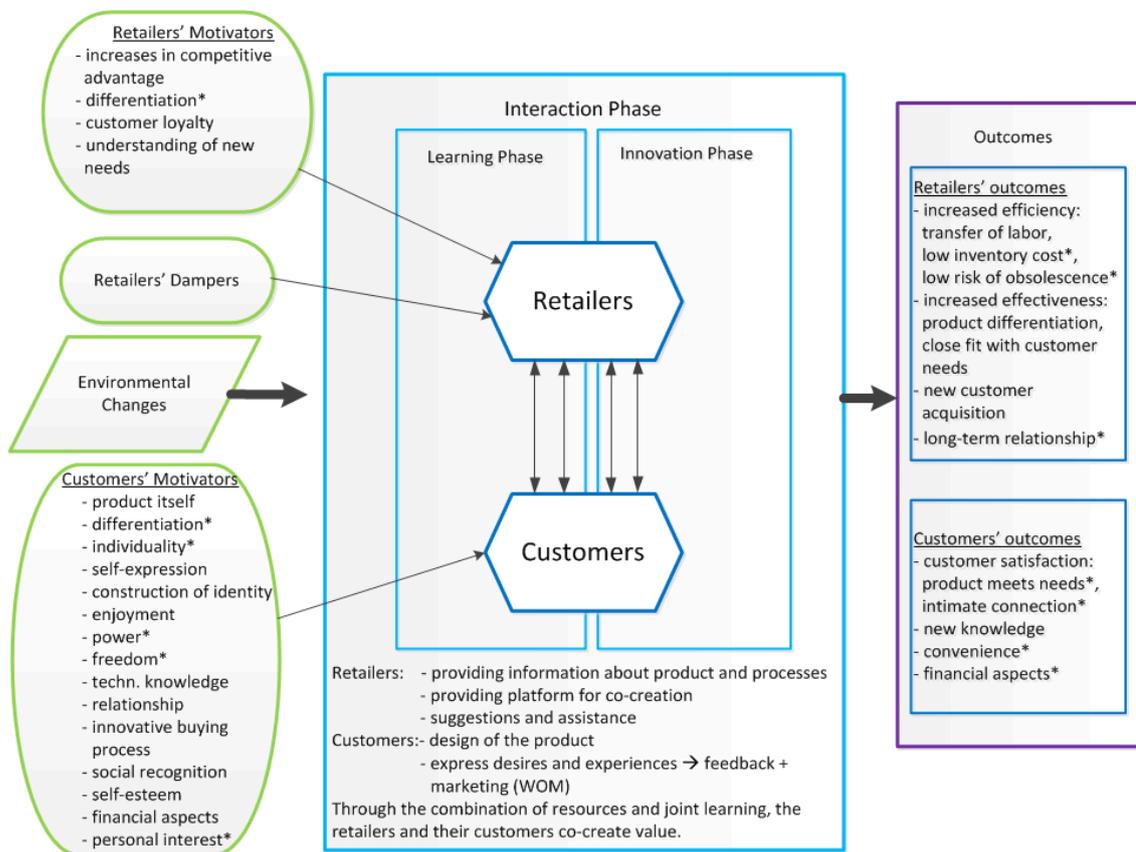


Figure 5.1 Modified framework value co-creation process.

5.1 Retailers' motivators

The empirical study of this thesis shows that customers in general are positive about value co-creation, in particular co-design of bikes. This positive attitude as well as the fact that the majority of the respondents is familiar with the concept and several already

participated in similar projects, implies that there is a current trend in the market for an active participation in product design. This stresses the view of Prahalad and Ramaswamy (2000 and 2004b) concerning the changes in customers' attitude towards products and services offered and the desire and ability to be more active. Not only changes in customers' roles, but also other developments affect the business environment of the retailers. The CEO of *myownbike* mentions an increasing bike market in Europe and the striving of customers for being individual (personal communication, 2012-03-17). Further, the customers of *718 Cyclery* emphasize that there is a trend back to basic products and tactile aspects. By using co-creation retailers can react on these trends and satisfy the occurring demand. Hence, the existence of this demand and the possibility to gain competitive advantages through applying to it supports the results of Capgemini Consultancy (2010) of increases in competitive advantage as a motivator.

The results of Capgemini Consultancy (2010) further state improvements of customer loyalty as a motivator for value co-creation. The empirical findings concerning *718 Cyclery* show agreement, as emphasized by the following quote:

“Working directly with clients builds a relationship that lasts a lifetime. These are customers who will come back and tell their friends.”
(CEO of *718 Cyclery*, personal communication, 2012-04-19)

Through this statement the motivator of customer loyalty is supported, because it displays the power of interacting with customers as a possibility to establish long-term relationships.

Moreover, through co-creation both parties gain knowledge. According to Ramaswamy (2008), organizations get insights into their customers' needs and current and future demands. Through collaboration all three retailers involved get to know its customers on a deep level and gain insights into the individual desires. The interaction between *718 Cyclery* and its customers in the development of the bike is especially intensive and thorough. Hence, understanding of new needs as a motivator (Capgemini Consultancy, 2010) is proved.

Additional to the theoretical findings, differentiation can be identified as a motivator for retailers. This is exemplified through *Bike by Me* (CEO, personal communication, 2011-11-25) which aims to be ‘all about customization’ instead of providing ‘off the shelves’ products like regular bike stores. Moreover, the following statement of the CEO of *718 Cyclery* (*718 Cyclery*, 2012) indicates that through value co-creation the retailer both aims and manages to differentiate from others;

“There's no way I can compete with online bike mega-sites, nor do I choose to. What I do offer is a personalized, unique experience.”

Even though differentiation as a motivator is not supported in existing literature, the empirical findings show agreement with this factor since the companies aim to be different in comparison with regular ‘off the shelves’ retailers and thus involve customers.

5.2 Customers' motivators

Customers find motivation in co-creating value with the retailers through the fact that this collaboration offers them a possibility to design the product according to their own needs and desires. This corresponds with Zwass (2010) regarding the product itself as a motivator for customers. By changing the color or, in terms of *myownbike* and *718 Cyclery*, the components, each customer receives a personalized bike which matches with the individual needs. The possibility for customers of *myownbike* to choose from 184 RAL colors and the diversity in options for customers of *718 Cyclery*, support the opportunity to get a product according to individual needs.

Through a personalized bike customers can satisfy their need to differ from others; thus, differentiation is another potential motivator. This is supported by several of the potential customers in their statements concerning their urge to be individual and have unique products instead of 'off the shelves' goods. Differentiation as well as individuality as motivators is not explicitly mentioned in the theory, however, they are strongly supported by the empirical study and can be classified as motivational factors. The psychological aspect of this motivator corresponds with the literature concerning different types of customer motivators (Hoyer et al., 2010).

Moreover, several of the customers mention the opportunity to display their own character through the customized product. As Nanna, one of *Bike by Me's* customer (*The Bike You Like*, 2012) states:

"To say I like this bike is an understatement. This bike *is* me."

This statement points out that co-designing of a bike is a way to show who you are. One of the potential customers, the student specialized in consumption research living in Berlin (personal communication, 2012-04-05), stresses this point and states that a co-designed bike can reflect her personality. This backs up the literature and the view of Cook (2008) and Zwass (2010) regarding self-expression as psychological motivator. Zwass (2010) not only claims value co-creation as a possibility to reflect the own personality, but also states construction of identity as a customer motivator. Potential customers support this motivator, for example by stating that co-creation can be used as an exercise in developing their own personality.

Several of the customers and also potential customers point out that they enjoy using their creativity. Spending time trying out different options and designs as well as the online interaction with the retailer is seen as entertaining, whereas a tempting website is essential. Further, customer's of *718 Cyclery* mention the participation in assembly of the bike as rewarding. Through these statements it is likely to assume that co-design can be seen as a fun factor, which supports enjoyment according to Zwass (2010) as a possible motivator for value co-creation.

Customers have nowadays a more empowered role due to better information access, global view, activism, and so forth (Prahalad & Ramaswamy, 2004a). For individuals, however, it can be difficult to express this power in a 'regular store'. The desire to draw advantage of the power can stimulate customers to participate in co-creation. Customers are part of the business process, and thus, the individual voice will be heard. This is exemplified by *myownbike's* customers who have the possibility to exceed the features

offered beyond the retailer's ordinary catalogue. Hence, power in the process is identified as a motivational factor in addition to the existing research.

Value co-creation through co-design provides customers freedom in choice. All case companies provide the possibility to make decisions regarding the appearance of the product, even though there are differences in terms of the available options. A customer of *718 Cyclery* states this freedom through the following statement:

“The positive to design your own bike is that one does not have to compromise. To compromise is an enthusiast's hell. One selects components based on preference and taste. This must never be underestimated (...).”

(Designer, Norway, personal communication, 2012-04-10).

The potential customers also emphasize the desire of being free in choice and wish to be liberated from regular consumption. Thus, freedom is a motivator which is new compared to the theoretical findings, at the same time as it emphasizes the power discussed above.

The customers participating in co-design leads not only to knowledge for the company concerning their customers, but also to customers learning about the product and processes (Payne et al., 2008). Especially concerning *718 Cyclery* the customers learn about the bike through participating in assembly and courses offered. This underlines the technological motivator of Hoyer et al. (2010), since the customers have the possibility to gain new knowledge and a thorough understanding of the product. Thus, technological knowledge is recognized as a potential motivator for customers.

According to Zwass (2010), the creation of personal relationships can motivate to co-create value. For the customers at *718 Cyclery*, not only the design possibility, similar to the other retailers, but also the face-to-face interaction is seen as rewarding. Therefore, the building of a relationship through the interaction is supported as a motivator. Being part of an innovative buying process, in contrast to a shopping experience in a regular store, is also seen as a tempting factor of co-design by a majority of the potential customers. This proves evidence for the desire to contribute identified in the literature (Cook, 2008 and Zwass, 2010).

Potential customers emphasize that co-designing one's own bike gives a topic to converse about with others. To co-design a bike is a relatively up-to-date concept. Thus, it is likely to assume that the owner receives attention and interest from its surrounding. This corresponds with the results of Cook (2008) that the desire for recognition from others is a motivator to participate in co-creation. This recognition from others can positively affect the confidence of the co-designer, which supports Zwass' (2010) ideas about self-esteem. Hence, social recognition and self-esteem are identified as motivators. However, some of the interviewees clearly state that this social recognition would be more a factor that discourages them to co-design a product. Since the majority of the respondents are positively affected by the attention from others, this factor can anyhow act as a motivator.

In addition, interviewees lay emphasis on monetary aspects, because co-designing allows the customers to get exactly what they want for the money they spend. This supports the theory of Hoyer et al. (2010) and Zwass (2010) concerning financial

rewards for stimulators to engage in value co-creation and indicates financial aspects as an additional motivator.

Moreover, in addition to motivators emphasized in theory, findings in the empirical study highlight that a passion for design in general can be a reason for participating in co-creation. Hence, it can be interpreted that customers' personal interest is a motivational influencer.

5.3 Interaction

The existing literature highlights the interaction between companies and customers as the heart of value co-creation, which consists of joint learning and innovation. The empirical study demonstrates that both retailers and customers gain knowledge through an active dialogue, in accordance with existing literature (e.g. Yazdanparast et al., 2010). Retailers gain knowledge through face-to-face interaction (in the case of *myownbike* and *718 Cyclery*), the design in the configurator online or at the store, and the feedback online through community websites and so forth. Especially the learning through social media is emphasized by the CEO of *myownbike* (personal communication, 2012-03-17):

“Because you have a fast communication, you have often an honest opinion, so even a relatively fast feedback with which you can work concerning if you should add a product to the portfolio or not.”

Therefore, through co-creation the retailers receive a more thorough feedback than companies which not collaborate with their customers, and this supports the organizational learning. This information hence gives them a competitive advantage (Hamel & Prahalad, 1993 and Prahalad & Ramaswamy, 2004b).

Through the feedback the retailers get insights and a deep understanding of customers' current and future needs, individual preferences, and how the company can be of more value to the customers, in accordance with Ramaswamy (2008). The latter is exemplified through *Bike by Me's* change of suppliers from China to Taiwan due to customer feedback concerning the product quality, for instance on forum websites online (e.g. Fixed Gear, 2012). Further, this is emphasized through *myownbike's* aim to satisfy each customer's need and to fulfill wishes exceeding its ordinary offer. The use of the feedback and the reaction on customer wishes indicates that the business of the three case companies is customer driven in accordance with Bechtel and Jayaram (1997).

Similar to the retailer, the customers learn from this interaction. According to Payne et al. (2008), companies can support customers in their learning and hence have an impact on their customers' preferences and future demands. This theory is emphasized through the empirical study. *Bike by Me* and *myownbike* provide tools for design visualization and product information online. Through the configurator and information about the bikes provided by the retailer, customers can try out different designs and thus learn about themselves and the product. Additionally to the configurator and product information, designs of other customers provided on the retailer's website can be seen as a facilitator of customer learning and helps them in their decision process. For *718*

Cyclery, the mutual development of the bike's draft can likely support the customer in discovering own preferences and encourage personality development, since the design is a process over several weeks.

The interaction between the retailers and their customers does not only lead to learning outcomes for the parties separately, but also jointly which results in knowledge that can be used for improvements of current business processes and developments of innovative solutions. *myownbike* is currently in a dialog with its customers about improving the configurator concerning the variety of colors displayed. This points out that the outcomes of the learning phase lead to opportunities for innovative improvements, which is in accordance with Langley (1999) and Yazdanparast et al. (2010). The empirical findings regarding *Bike by Me*'s improvements of product quality after customer feedback emphasize this and further stress that ideas for innovation can occur from the customer side alone (Jeppesen & Molin, 2003).

As a result of this active dialogue and joint learning from combining resources of both parties (such as knowledge, experience, desires, ideas), in line with Yazdanparast et al. (2010), a unique bike as an innovative product is developed. According to Flint et al. (2005), for companies to be successful it is crucial to rather focus on the process than on the final product to be innovative. *718 Cyclery*'s has an intensive interaction with the customers and their involvement in design and assembly is an indicator for the retailer's focus on the *way* to create value rather than the bike itself. Hence, the concept of co-creation to a large extent can be seen as an explanation for the retailer's success.

In the context of co-designing, the learning and innovation phase suggested by the existing literature is supported. Retailers contribute in the co-creation through providing the platform as a basis for the collaboration with its customers. Information concerning the product and processes are given to enable and facilitate customer learning. Not only information, but also facilitating tools such as visualization online give assistance to the customers and support them in their participation in co-creating value. The customers participate in the interaction through the actual design of the product with their creativity and ideas. Further, they express desires and experiences. This provides the retailer with feedback concerning products and processes by use of social media, online forums, and face-to-face dialogue with the retailers. When customers express experiences like this, they perform marketing activities through WOM, which can be especially important for SMEs. Through the combination of resources and joint learning, the retailers and their customers create value together.

5.4 Retailers' outcomes

The result of the interaction between retailers and customers, co-creation, is value. Value is in this thesis defined as *the intangible outcome one experiences which exceeds or fulfills one's expectation, after investing an input*. Due to differences in expectations and input, the value which is co-created is likely to differ between and among the actors involved.

Co-creation implies actors' collaboration in creating value together (e.g. Sense Worldwide, 2009). The empirical study demonstrates that customers are not only responsible for the actual design, but also participate in several other ways. As the CEO

of *Bike by Me* (personal communication, 2011-11-25) claims, the customers are also active in marketing and sales activities through sharing of their experiences online and offline with others, which indicates a transfer of labor. Further, co-design leads to postponement of final assembly and thus, low inventory cost by avoiding a pool of finished products and obsolescence of bikes in stock. These positive results of co-creation support the findings of Cook (2008) and Hoyer et al. (2010) regarding increased efficiency as an outcome.

The customers' expression of experiences and desires can additionally represent a source of fast and honest feedback as the CEO of *myownbike* states (personal communication, 2012-03-17). This feedback indicates a better understanding of customers' needs and desires. By using thorough insights into customers' needs, the retailers are able to run their business more effectively due to differentiation and products that suits each customer's needs. This supports Song and Adam's (1993) results of increased effectiveness as an outcome.

Moreover, when customers are satisfied, sharing of experiences with the product among customers can in addition to a transfer of labor be interpreted as positive WOM, another outcome in accordance with the findings of Kumar et al. (2010), because it can lead to acquisition of new customers.

Furthermore, co-creation is not only a possibility to attract new customers, but also to build up long-term relationships with existing customers due to high customer satisfaction with the product and the service. Thus, long-term relationships can be seen not only as a motivator supported by existing literature (Capgemini Consultancy, 2010), but also as an outcome. This is emphasized by the statement of a customer (*718 Cyclery* on Facebook, 2012):

“This isn't just another bike shop – it's a place to come back to.”

5.5 Customers' outcomes

One of the customers of *Bike by Me*, the professional snowboarder and graphic designer, emphasizes (personal communication, 2012-03-28) that being highly involved in the design of the bike leads to a more intimate connection with the product. Potential customers have a general agreement with this emotional aspect. For instance, the furniture designer from NYC (personal communication, 2012-04-09) highlights:

“I have a more emotional connection due to the addition of creativity in the process.”

In addition, several of the interviewees state the possibility to design a bike that meet the personal needs as positive. The semi-professional in road racing (Germany, personal communication, 2012-04-06) backs the customers' opinion up by saying:

“The bike would rather match with my understanding of modern and stylish.”

The personalized product in combination with the emotional relation to it implies that customers are highly satisfied when collaborating with the retailers. Satisfaction as an outcome, identified in existing literature (Yazdanparast et al., 2010), is hence strengthened.

This customer satisfaction as an outcome is further emphasized through the statements of *myownbike*'s customers about the high quality of the products and configurator. The CEO of *myownbike* also stresses the high quality based on the final check of each bike at the manufacturer, and it is likely to assume that high product quality leads to customer satisfaction.

The factor of having an individualized product can also be identified through the freedom in choice of components and colors without restrictions in the case of *718 Cyclery*, for example since customers can choose between a new, their own, or a second-hand frame. Furthermore, by participating in the assembly or the offered bike courses the customers achieve inputs about components, production, own preferences and desires, and maintenance. This information results in new knowledge gained as explained in the literature concerning the interaction phase of the value co-creation process (Payne et al., 2008 and Yazdanparast et al., 2010). This outcome applies to all three cases, even though concerning *718 Cyclery* to an even larger extent due to the company's focus on teaching its customers about the bikes and its setup.

Based on one of the potential customers' interviews co-designing a bike allows the customer to only pay for what he want (web designer, New Zealand, personal communication, 2012-04-07). Even though personalization often leads to a premium price, this can be interpreted into financial aspects as an outcome for customers, because the customer gets a full profit for the money spent. The passionate biker from Germany (personal communication, 2012-04-07) emphasizes the reduction in labor by co-designing, compared to buy all parts separately. This reduction in labor implies time savings, and thus, convenience as a potential outcome of co-creation in addition to the literature.

6 Conclusions and suggestions for further studies

This chapter aims to provide the reader with the final conclusions of this thesis' purpose. Moreover, suggestions for further studies are given.

6.1 Conclusions

Value co-creation is of current interest of today's business markets. Nowadays, these markets are faced with environmental changes concerning society, industry logic, technology, and power (Prahalad & Ramaswamy, 2004b). More and more retailers see the potential of collaboration with customers to maintain competitive in this ever-changing milieu. Customers are now empowered through better access to information, and act as active players in the retailing context (Prahalad & Ramaswamy, 2000).

Value co-creation emerges as a response to these changes. For a thorough understanding of this phenomenon, this thesis aims to investigate *how* and *why* retailers and customers co-create value. Therefore, value co-creation through the concept of co-design of bikes by *Bike by Me, myownbike* and *718 Cyclery* is explored to find retailers' and customers' potential motivators, actions involved, and potential outcomes for value co-creation. The motivators and outcomes give answer on *why* both parties co-create, while the actions involved apply to *how* they do it.

Retailers which use co-creation can satisfy demands emerging from abovementioned changes, increases in competitive advantages are thus potential motivators for retailers to co-create. Moreover, co-creation demands a close interaction between retailers and their customers. Improvements of customer loyalty through this close interaction and a better understanding of new needs occur from this collaboration and hence are additional motivators. Therefore, the findings of Capgemini Consultancy (2010) are supported and further, the possibility to differentiate from competitors is identified as an additional motivator through this thesis.

Besides the retailers' perspective, customers' motivators provide answers to *why* they participate in co-creation. Several of this thesis' findings are in accordance with existing literature (Cook, 2008, Hoyer et al., 2010 and Zwass, 2010). Self-expression, social recognition, self-esteem, and the construction of identity are recognized as customer motivators, since the bike can reflect the customers' personality. Moreover, collaborating with retailers can improve customers' knowledge about the product or service, at the same time as it can build a close relationship, which both are emphasized as motivators. Being part of an innovative buying process and the enjoyment of trying out different aspects are supported. Furthermore, customers can be motivated by the product itself as well as financial aspects, since they are only paying for what they actually desire. In addition to these motivators which support the theory, the opportunities for the customer to differentiate from others and to achieve individuality are identified as two reasons why customers co-create. Additionally, when co-creating, customers' desires are in focus, thus, customers can be motivated to participate by having power and freedom. Finally a personal interest in the topic is identified as influencing.

How retailers and customers co-create value is stated through their actions in the collaboration. These actions between retailers and customers in value co-creation are

identified through a learning phase and an innovation phase (Yazdanparast et al., 2010). In the learning phase retailers and customers learn both about themselves and each other through gaining information about the other part. The retailers contribute in the co-creation through providing information concerning the product and their processes. Further, the retailer provides the platform for co-creation and gives suggestions and assistance to the customers in the collaboration. This information provides the customers insights into the product, its components and setup, and their own preferences. The customers participate in the interaction through designing the product with their creativity and ideas. Further, they express desires and experiences. This provides the retailer with marketing through WOM and feedback concerning products and processes directly or indirectly, whereas social media is identified as an important source. Thus, co-creating retailers get a better understanding of current and future needs.

Through the combination of resources and joint learning, the retailers and their customers co-create value. Value, and thus the outcome of co-creation, is likely to differ between and among actors involved. Through involving customers in different processes the customer performs a part of the labor, for example design and marketing. This in combination with low inventory costs and low risk of obsolescence due to postponement of assembly emphasize Hoyer et al.'s (2010) increased efficiency as an outcome of co-creation. Another positive outcome is increased effectiveness in accordance with Song and Adam (1993) gained through product differentiation and close fit with customers' needs. Further, if the retailer is able to satisfy its customers through co-creation, a positive WOM can be achieved which can lead to new customers acquisition, which gives support to Kumar et al. (2010). Moreover, collaboration with customers leads to long-term relationships, also identified by Capgemini Consultancy (2010), for example because customers are satisfied with the product and service provided.

When participating in value co-creation in terms of co-design, the product meets the customers' personal needs and leads to a more intimate connection for the customers, since they are part of the process. This leads to high customer satisfaction as a positive outcome of co-creation, which supports Yazdanparast et al. (2010). Moreover, in accordance with Payne et al. (2008) and Yazdanparast et al. (2010), customers gain new knowledge about the product, services, and own preferences by participating in co-creation. In addition to existing literature, co-creation is seen as convenient for the customers, based on reduction in labor by co-designing compared to buy parts separately. Further, as an extension to theory, financial aspects are identified as positive outcomes, because the customer gets a full profit for the money spent.

6.2 Suggestions for further studies

Due to already stated delimitations for this thesis (see chapter 1) implications for further studies can easily be provided. Firstly, this thesis focuses on the positive aspects of value co-creation and on three companies which already involve customers in their business processes. Hence, involving companies which do not use this phenomenon may give insights into drawbacks and dampers of co-creation.

Furthermore, this thesis focuses on a special type of value co-creation. To gain a more generalized perspective on value co-creation, an investigation of different types of co-creation can be helpful. Further, including other SC actors, investigate other industries and different sizes of companies can lead to further knowledge concerning co-creation.

Emerging from findings concerning *myownbike* it appears that customers' favorites are black and white bikes even though they have many different colors available. An interesting study could thus be to investigate why customers design bikes in these basic colors instead of buying a less expensive black or white bike off the shelves.

Finally, this thesis classifies co-creation in terms of the degree of personalization and collaboration. From interviews, potential customers argued that the offering of *Bike by Me* and *myownbike* is too limited, which can be interpreted into that the potential customers can be satisfied even more. Thus, it would be interesting to investigate where companies should place themselves in terms of personalization and collaboration to create even higher value with the customers.

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Appendices:

Appendix 1 List of Customers (buyers, likers, and potential customers)

Number	Description	Country of origin	Age	Type of interview	Date	Length of interview (approx.)
1	Student of communication design and illustrator	Germany	23	Online chatting	2012-04-09	20 min
2	Passionate biker	Germany	25	E-mail	2012-04-08	
3	Design blogger	Australia	24	Face-to-face	2012-04-05	40 min
4	Furniture designer	New York, USA	36	Online Chatting	2012-04-09	15 min
5	Engine development engineer and cycling enthusiast	Norway	32	Face-to-face	2012-04-08	30 min
6	Semi-professional road racer	Germany	24	Online chatting	2012-04-06	15 min
7	Blogger, skateboarder and biker	Germany	25	Online chatting	2012-04-06	20 min
8	Student specialized in consumption research	Germany	24	E-mail	2012-04-05	
9	Web designer	New Zealand	29	Online chatting	2012-04-07	25 min
10	Industrial designer	Norway	28	Face-to-face	2012-04-04	40 min
11	Bike designer	Germany	26	E-mail	2012-04-09	
12	Web designer	Canada	X	E-mail	2012-04-11	
13	Visual artist	Australia	X	Face-to-face and e-mail	2012-04-05	20 min
14	Photographer	Poland	25	E-mail	2012-04-07	
15	Marketing	Germany	27	Face-to-face	2012-04-06	15 min

	student and event communicator					
16	Photographer and blogger	Germany	26	Phone	2012-04-06	40 min
17	Passionate biker	Germany	24	E-mail	2012-04-07	
18	Photographer	Ukraine	26	E-mail	2012-04-08	
19	Theater actor and photographer	Germany	24	Online chatting	2012-04-06	15 min
20	Passionate biker	Germany	25	Online chatting	2012-04-05	20 min
21	Designer	Norway	X	Online chatting	2012-04-12	30 min
22	Passionate biker and longboarder	Germany	25	E-mail	2012-04-09	
23	Professional snowboarder and graphic designer	Germany	X	E-mail	2012-03-28	
24	Passionate biker	Norway	X	E-mail	2012-04-02	
25	Boss of advertising agency	Germany	X	E-mail	2012-03-26	
26	Phillipp	Switzerland	X	Netnography	2012-04-11	
27	Gerhard	Austria	X	Netnography	2012-04-11	
28	Mike	X	X	Netnography	2012-04-11	
29	Michael	Switzerland	X	Netnography	2012-04-11	
30	Nanna	Sweden	X	Netnography	2012-04-11	
31	David	Germany	X	Netnography	2012-04-11	
32	John	USA	X	Netnography	2012-04-23	

Appendix 2 List of companies

Company	Interviewee	Country	Type of interview	Date	Length of interview (approx.)
Bike by Me	CEO & Founder	Sweden	Face-to-face (conducted by Hamid Jafari, Doctoral Candidate in Business Administration, JIBS)	2011-11-25	70 min
Myownbike	CEO & Founder	Germany	Telephone (and e-mail dialogue)	2012-03-17	40 min
718 Cyclery	CEO & Founder	USA	E-mail dialogue	2012-04-07 until 2012-04-19	

Appendix 3 Typical customer questions

1. What is your general impression of the concept of co-creation?
2. What is your general impression of the retailer?
3. What are positive and negative sides of co-creation to you?
4. Do you think your personality and/or personal attributes affects your attitude? If yes, why?

Specific for Buyers:

5. Why did you decide for this retailer?
6. Are you satisfied with the purchase? Why/why not?
7. What is the reason for your participation in co-design?

Specific for Likers:

8. Why do you like the retailer on Facebook?
9. What are the reasons why you have not bought a bike so far?

Appendix 4 Typical retailer questions

1. Can you tell us about your company, the business strategy and the setup of your SC?
2. Why did you decide to run a business like this? Why do you involve customers and how?
3. What are the advantages/disadvantages of your business model?
4. Who are your typical customers? Specific target group?
5. What differentiates you from your competitors?