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CUSTOMER EMPOWERMENT IN THE DIGITAL AGE

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CUSTOMER EMPOWERMENT IN THE DIGITAL AGE

The Internet and advances in digital technologies are fundamentally transforming marketing. Armed with an abundance of information and opportunities, consumers no longer accept the role of passive recipients of marketing communication. This is turning traditional communication approaches upside down and forcing brands to interact with individual customers quickly, openly, and continuously. In the digital age, customer engagement is more important than ever. The Marketing Science Institute, for example, has identified understanding how marketing activities create engagement as one of its top research priorities for 2014-16. More and more brands are using social media platforms to connect with their customers by creating engaging content so that customers can interact (e.g., sharing an interesting and current tweet) and/or by initiating dialog with them (e.g., responding to a customer comment or complaint).

These steps are undoubtedly very important in connecting with customers, but they are not sufficient. Most visionary brands do not only interact with customers; they also empower them. Take LEGO for example. The company enables its customers to create and vote for new product designs in the 'LEGO Ideas' platform. The designs that receive considerable votes from other customers (i.e., 10,000 'supports') are then reviewed formally, and those that pass the review are transformed into actual products to be sold all over the world. The initiative of LEGO not only involves the emotional, cognitive, and behavioral engagement of customers – characteristics of a successful customer engagement initiative – but also shifts the power and control of the company's product development to its customers.

This paper focuses on *customer empowerment* – engagement strategies that give customers a sense of control over a brand's general offerings (Fuchs, Prandelli, & Schreier, 2010; Ramani & Kumar, 2008). Brands have increasingly started to embrace these strategies, which can be evidenced by the growing prevalence of co-creation, crowdsourcing, user innovation, brand communities, and mass customization practices. Here, we first explain why empowerment is a

valuable and profitable strategy for brands by briefly reviewing the literature and recent practices. We then introduce a framework to help marketing managers understand how different empowerment initiatives can be used to foster different marketing objectives. Finally, we discuss implications of customer empowerment that are specific to advertising.

The Case for Customer Empowerment

Enabling customers to impact marketing decisions entails interactions between brands and customers. In each and every interaction, customers spend at least a little time thinking about the brand and connect to it more. In some cases this engagement involves thinking about what makes a brand offering unique to them (e.g., when thinking about a new advertisement for a product). Customer empowerment therefore means a deeper connection with the brand.

Customers who are empowered develop positive attitudes towards a brand. When customers have a hand in creating a marketing offering (e.g., when they create new product ideas), the 'IKEA effect' occurs – they tend to value and like their creations more (Mochon, Norton, & Ariely, 2012; Norton, Mochon, & Ariely, 2012). Franke, Schreier and Kaiser (2010), for example, found that when customers are provided with mass customization tools to self-design products they experience IKEA effects. Even customers who are not directly involved in generating a marketing offering, but who are involved in decisions related to it (e.g., by voting for a favourite brand ad) can develop positive attitudes because they are likely to feel that they have made an impact on the brand and its strategies. For example, researchers found that customers who were involved in a new product selection process experience psychological ownership of the target product (Fuchs et al., 2010).

Importantly, developing positive attitudes might not be limited to those who are actively empowered (i.e., participants), but can also include other customers who do not actually have a say in the process (i.e., observers). This is of great importance given that observers tend to be a much larger group than participants. Recent research found that when a firm involves customers in their

marketing processes, observers identify more with the firm and perceive the firm as more customer-oriented and innovative (Dahl, Fuchs & Schreier, 2015; Fuchs & Schreier, 2011; Schreier, Fuchs, & Dahl, 2012).

Empowerment can also lead to important outcomes such as word of mouth (WOM) and buying behaviors. For example, Coca Cola and Frito-Lay were overwhelmed by the positive reactions and word-of-mouth generated by their co-creation efforts (Moth, 2012; Wong, 2009). Nabisco's Facebook page was shared 4,400% more during its crowdsourcing campaign for Oreo cookies (i.e., 'Daily Twist') compared with the three months before the campaign's launch (Kirby, 2013). Research also found that both observer and participating customers are more inclined to recommend firms that involve customers in designing products, and show stronger demands for the offerings of those firms (e.g., Fuchs et al., 2010; Schreier et al., 2012).

Finally, beyond these *demand-side* benefits, customer empowerment might improve marketing processes objectively by incorporating consumer creativity and insight into these processes. For example, at MUJI, a Japanese retailer, user-generated products were found to be more novel, to have greater strategic importance, and to perform better in the marketplace compared to products generated by designers of the company (Nishikawa, Schreier, & Ogawa, 2013).

Customer Empowerment Strategies

For brands that are convinced of the potential of customer empowerment, the next question is how to design initiatives to achieve this. Here we provide a framework that categorizes empowerment initiatives based on engagement objectives of brands and identify four main empowerment strategies.

The first dimension of the engagement objectives relates to what role customers play in the target brand's marketing strategy. Drawing on current practices of and recent research on customer empowerment (i.e., Fuchs & Schreier, 2011), we distinguish between initiatives that empower

customers to ***create*** something for the brand (e.g., creating an advertising slogan or a new product) and initiatives that empower customers to ***select*** an option to be used by the brand (e.g., selecting an ad to be used in a TV spot or for a product to be developed).

The second dimension of the engagement objectives relates to whether a company seeks broad or deep engagement. If the objective is ***broad*** engagement, initiatives will focus on maximizing the number and diversity of the customers engaged with the brand (e.g., asking a large number of customers to spend a couple of minutes to vote for new product designs). If the objective is ***deep*** engagement, initiatives will focus on maximizing the level of engagement of the customers involved (e.g., asking a small number of customers to spend several hours to create a new product design). Typically, there is a trade-off between these two objectives: a broader engagement implies a shallower level of involvement, whereas a deeper engagement means brands tend to reach out to a relatively narrower consumer base.

The intersection of the two dimensions defined above creates four main customer empowerment strategies which are presented in Table 1.

TABLE 1.

Customer Empowerment Strategies

	Create Engagement	**Select Engagement**
Deep Engagement	*Create/Depth strategy:* Customers are deeply engaged in content creation (e.g., creating a full video ad from idea generation to shoot).	*Select/Depth strategy:* Customers are deeply engaged in content selection (e.g., providing detailed feedback on an advertising idea).
Broad Engagement	*Create/Breadth strategy:* Customers are broadly engaged in content creation (e.g., asking a large number of customers on-line to suggest possible names for a new brand).	*Select/Breadth strategy:* Customers are broadly engaged in content selection (e.g., sharing their votes for full advertisement copies).

The ***Create/Depth*** strategy is one of the most commonly used strategies to engage customers. Customer-generated advertisements – "consumer-created brand communications with the look, feel, form, and intent of traditional advertising" (Lawrence, Fournier, & Brunel, 2013, p. 292) – is a typical example of this strategy which is used by numerous firms such as Coca Cola, Frito-Lay, and Unilever. This strategy allows brands to connect with a relatively small group of motivated and creative customers who are willing to expend substantial effort to contribute to the brand. The magnitude of the 'IKEA effect' and psychological ownership are likely to be strong because the more effort customers put into a pursuit, the more they value it (Festinger, 1962). Generally, this strategy involves incentives (monetary or else) and a more prescriptive approach in terms of what is expected of customers. For example, Coca Cola China used this strategy when it asked for videos describing the taste of Coke. The brand was clear about what it expected – the brief included sentences like "Don't create an ad for Coke, we are interested in your creative point of view about the taste" – and offered $31,000 for the best videos (Doland, 2014).

The ***Create/Breadth*** strategy is also a common strategy which does not require taxing customer input or deep engagement. For example, in Dell's IdeaStorm community, customers share their ideas about a variety of brand related issues such as those on new products, services, or advertising ideas. The ideas submitted are often very brief –sometimes even just a single line. The number of customers engaged with the brand is naturally much higher than in the *create/depth* strategy. This enables brands to involve a more diverse group of customers, often including those that might be neglected in traditional market research methods. As a natural consequence of this broader reach, an important benefit of this strategy is that more customers experience the 'IKEA effect' and psychological ownership.

The ***Select/Depth*** strategy is not as prevalent as the former two strategies, and is often provided as an option (in addition to other strategies) rather than a standalone strategy, for motivated customers who prefer a deeper engagement with the brand. For example, in the Starbucks

on-line community, MyStarbucksIdea.com, customers can share a comment on other customers' ideas. Some of these comments are quite detailed such as those that explain environmental regulations or scientific research for a social responsibility idea shared by another customer. This strategy is important for accessing in-depth customer intelligence and providing customers the opportunity to contribute to marketing decisions to a greater extent. Similar to the *create/depth* strategy, customers engage deeply with the brand, which can strengthen the psychological ownership of a marketing decision.

The ***Select/Breadth*** strategy is probably the most common empowerment strategy. Some typical examples include voting for alternative advertisements or liking/disliking ideas created in brand communities. This strategy enables brands to quickly access customer feedback from a broad group of customers regarding alternative marketing options. It often involves a participation of large number of customers and, therefore, psychological ownership likely will be more widespread.

Combining Strategies

Of course, brands do not need limit themselves to a single strategy. In fact, combining these strategies might have synergising effects. When used together, the *create* and *select* strategies can help companies harness the potential of customer empowerment, as well as overcome some of the potential drawbacks. In particular, the *create/breadth* strategy can lead to empowerment initiatives which can generate an overwhelming amount of feedback, and adopting a *select* strategy might enable brands to make better sense of customer input. Similarly, content created by customers can sometimes be limited in terms of appropriateness (or usefulness), and the *select* strategy can serve as an effective filtering mechanism. After all, customers are the most suitable people to judge which products or brand messages appeal to them. By adopting both *broad* and *deep* strategies, companies can satisfy and leverage the potential of both the customers who want to engage deeply with brands and of those who just want to be engaged without committing extensive time, effort, and resources.

In addition, adopting a combination of strategies will lead to greater customer empowerment, which might in turn bring about more positive attitudinal and behavioral customer response.

Therefore, some best practices include combining these four strategies. For example, Frito-Lay combines *create/depth* and *select/breadth* strategies. For the past decade, Doritos has invited customers who have a creative idea and a decent camera to produce ads for Super Bowl. Customers are then invited to vote for these ads in 'Crash the Superbowl' website and the winner(s) was broadcasted on TV during Super Bowl. This combination of strategies worked so well for Doritos that these ads won USA Today's Ad Meter, which ranks all Super Bowl ads based on customer reaction, three times in 2009, 2011, and 2012 (Monllos, 2015). Another example is the MyStarbucksIdea.com platform which leverages the benefits of all four strategies. In this platform, customers share ideas on about anything that are related to Starbucks, and comment and vote for any idea generated by other customers. Hundreds of thousands ideas have been shared in the past seven year, about a thousand of which have already been implemented.

Customer Empowerment in Advertising

It is also worth discussing briefly what specific benefits empowerment might entail in the context of marketing communication beyond the benefits we have discussed so far. Customer empowerment might be a solution to the widely noted credibility problem in the advertising industry. Recent market research shows a clear trend: customers' trust towards traditional advertising is declining: customers increasingly trust information from other consumers, be it a family member or a stranger on the Internet (Nielsen, 2015; Wasserman, 2013). Customer-generated advertisements are therefore likely to be perceived as more credible and, as a consequence, more persuasive. Empirical evidence supports this argument. Lawrence et al. (2013) found that when an ad is generated by another customer, it is perceived to be more trustworthy and persuasive than when it is generated by an advertising agency or when no information about the creator is provided. Beyond this perceptual benefit, customer empowerment can also objectively

enhance the effectiveness of brand messages. As empowerment initiatives enable brands to access a large number of fresh and authentic ideas, while also enabling real time customer insight into the creation and selection of advertisements, it might help brands to cut through the advertising clutter. It can also help to deal with increasing advertising expenditures, as it allows brands to obtain a large number of alternative advertisements at a relatively low cost.

Conclusion

Empowerment initiatives – such as crowdsourcing, co-creation and brand communities – are fast emerging as powerful tools to strengthen the connection between brands and their customers, and can be used successfully by brands to initiate dialog with customers for various marketing processes, from the creation of new products to the selection of advertising copy. Obviously, for these effects to occur, 'observer' customers need to know that other customers are empowered, and therefore brands should communicate this. For example, LEGO communicates this clearly and prominently in its product package with "designed by LEGO fans" tag. Importantly, brands should also signal that they genuinely value customer-generated input. If customers perceive a brand's empowerment efforts as an attempt to generate buzz, such initiatives might even backfire. To address this, for example, firms can openly communicate whether and how customer input has been used and/or engage in a dialog with customers about their ideas. The most successful brand communities, such as those of Starbucks and Dell, provide evidence for the ideas that have been implemented.

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