Customer Co-Creation is now Essential Business Etiquette

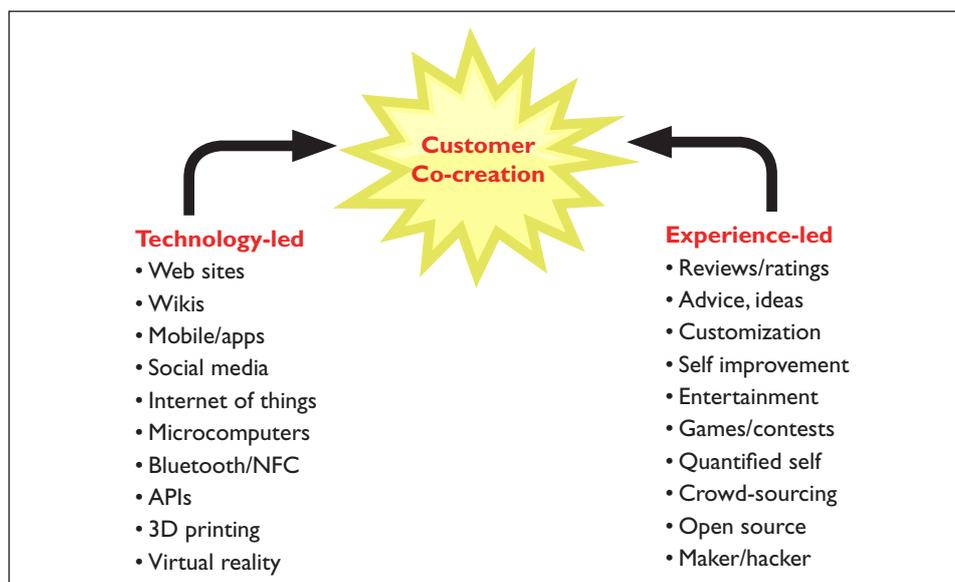*David Moschella (dmoschella@csc.com)*

The concept of *co-creation* is not new. Companies have been working closely with their customers and suppliers to pursue opportunities and address common challenges for as long as firms have existed. MIT Professor Eric von Hippel was stressing the value of collaborating with *lead customers* in 1986. This type of extensive customer engagement is basically common sense.

But clients have probably noticed that we have been talking a lot more about co-creation over the last few years, while working closely with University of Michigan Professor Venkat Ramaswamy, one of the most respected authors/thinkers in the co-creation field. We see co-creation as a priority because it is a key component of two of our most important research themes – the shifts from *inside-out* to *outside-in* marketplace dynamics, and from *enterprise* to *consumerized* IT. In both cases, co-creation is entering a new and much more potent phase. To see why, let's look at each shift in turn.

The core idea behind the outside-in concept is that the business centre of gravity is shifting outside the walls of the firm. In a wide range of industries, co-creation activities such as open innovation, open source code/software, user-generated content/reviews/support/advice, crowd-sourcing and the peer-to-peer *sharing economy* are becoming more important sources of innovation and market influence than internal company efforts. In 1986, co-creation was mostly about face-to-face customer collaboration, but today, we have much more powerful and scalable *co-creation platforms*. It's a fundamental difference.

Co-creation is also a major new phase in the consumerization journey. The first wave of consumerization technology was led mostly by alternatives to traditional enterprise IT – Gmail, Dropbox, Skype, BYOT, etc. But looking ahead, consumerization will be much more about enabling entirely new forms of value creation – the internet of things, wearable technologies, quantified self, biofeedback, agents, makers/hackers, 3D printing, 3D immersion, analogue to digital conversion, and more. As we have said for many years, consumerization is just getting started.

In short, we are in a time of Copernican change. Innovation increasingly occurs at the edge more than the centre, and the edge is being empowered and brought to life as never before. To succeed in this increasingly outside-in and consumerized future, firms will need to harness the knowledge, skills, tools and enthusiasms of their customers (and other stakeholders). This will require a deeply embedded culture of co-creation. Our upcoming co-creation workbook project has been designed to help clients establish the necessary thinking and practices.

Technology-led
- Web sites
- Wikis
- Mobile/apps
- Social media
- Internet of things
- Microcomputers
- Bluetooth/NFC
- APIs
- 3D printing
- Virtual reality

Customer Co-creation

Experience-led
- Reviews/ratings
- Advice, ideas
- Customization
- Self improvement
- Entertainment
- Games/contests
- Quantified self
- Crowd-sourcing
- Open source
- Maker/hacker

The figure above shows the wide range of co-creation possibilities today. Companies need to determine both the appropriate technologies and the most relevant forms of customer experience. To bring together the skills and know-how needed for successful co-creation, marketing, product design and Enterprise IT typically must all be focused on increasing customer engagement via modern platforms, and in this sense co-creation provides a good test of the overall digital culture of the firm.

Since most companies have grown up with inside-out innovation cultures, building customer co-creation into the business operating model can be difficult. In many ways, it is akin to re-engineering, which also affected many diverse stakeholders and required the support of key power brokers across the organization. But when successful, co-creation becomes a form of expected *business etiquette* in which it is only natural to ask questions such as:

• Do we really know what our customers value?
• Have we identified how our customers can create value for us?
• How often have we asked our firm's customers for help?
• Do we regularly evaluate the key co-creation technologies and forms of customer experience?
• Do we know what our competitors are doing with co-creation?

These issues will be explored in detail in our upcoming report, which includes a 20-question co-creation readiness assessment. We also offer LEF-moderated co-creation workshops where various co-creation constituencies are brought together to address the issues raised above. Professor Ramaswamy is available for such sessions.

Implications for Enterprise IT

Establishing a culture of customer co-creation can be particularly challenging for traditional IT organizations. Understandably, marketing often takes the lead in terms of shaping the customer experience. Similarly, many product and engineering groups naturally assume that innovations such as smart products, embedded technology and the internet of things are primarily their responsibility. This is all true enough. But many co-creation environments also require a wide range of skills with which to develop prototypes, manage migrations, enable integration, and ensure sufficient security, privacy and compliance. These are all areas where Enterprise IT can help.

From a longer-term perspective, co-creation is emerging as one of the most important front-of-the-firm market disciplines, and unless IT participates in these initiatives it risks being relegated to a primarily back-office role. Information technology will continue to become more consumerized and more outside-in. By embracing co-creation, forward-thinking Enterprise IT organizations can keep abreast of the many exciting technology changes to come.

About the Leading Edge Forum

CSC's Leading Edge Forum (LEF) is a global research and thought-leadership community dedicated to helping large organizations identify and adopt Next Practices at the growing intersection between business and information technology. We believe that as IT becomes consumerized and pervasive throughout society, new information uses will have profound implications for virtually every aspect of the modern firm.

Through an annual membership programme of research, events, onsite workshops and advisory services, we support Chief Information Officers and other senior Business/IT leaders in areas such as visioning, strategy, organizational change, executive education, staff development and the future of the Central IT function. Members enjoy personalized, on-demand access to our global network of thought leaders, clients and leading practitioners.

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