

Crowdsurfing: using your customers to create value

“The ongoing digitization of business and society is driving the emergence of a completely new value logic”

Think you have customers? Think again. As classical value chains dissolve and thousands of value networks spring up to replace them, your users might actually be your most valuable collaborators.

► **AT A RECENT** hotel-industry conference, the audience was asked if they had heard of the company Airbnb. Founded in 2008, Airbnb is an online private accommodation marketplace that uses customer ratings and social profiles as trust mechanics. Almost none of the conference participants raised their hand – even though Airbnb has over 500,000 listings in 192 countries and handled bookings for more than four million guest nights in 2013.

Airbnb creates its value in a completely different way from players in the traditional hotel business, and as a result, most of the audience probably didn't see Airbnb as a force in that industry. The biggest difference is the assets involved. Airbnb's main asset is their customers (both hosts and users); for hotel chains it's their physical hotel buildings.

In other words, Airbnb involves its customers in the value-creation process in a way that the hotel industry has never done – and in just five years has created an estimated company value of USD 10 billion. This is directly comparable to the market capitalization of the hotel industry's largest chain, InterContinental Hotels Group, which operates more than 4,600 hotels worldwide.

FROM VALUE CHAIN TO VALUE NETWORK

So what's going on here? We already know that the digital connectivity offered by smartphones, tablets and mobile broadband is blurring the borders between work and private life. Now it's eras-

ing the lines between products, services and their users in the same way.

Today's users are free to choose from an online global market – and this gives them more power than ever before. They can easily jump from one offering to another that better satisfies their needs. They know about every feature and understand exactly how much to pay, as well as what the competition has to offer. Digital communities are rapidly forming around products and services, and in many cases the members know just as much about how these offerings work as the companies who originally developed them.

This might sound challenging – and it is – but it also represents a real opportunity for businesses that understand how to use the power of these communities. How a product or service is used – and the digital conversation it generates – can become a vital part of the offering itself. And it is vital for businesses to understand that this is about much more than just scanning your hashtags and responding to questions raised in social media.

But let's take a step back for a moment. It's worth remembering that classical value chains were not created with the customer in mind. Instead, they reflect the priorities of the industrial era and are defined by the logical steps of production and distribution, as Figure 1 shows. Every part of the chain is arranged in waterfall order, from the initial ideas in laboratories and R&D departments to production, distribution and marketing. Although many companies have brought in user-centric

Figure 1: the value chain





design methodologies to put more focus on the user experience, they are still essentially operating within the same value-chain logic. The customer is not part of the value-creating process.

Driven by the ongoing digitization of business and society, a completely new logic is now emerging. Founded on direct contact with a community of customers, this logic is based on value networks, rather than value chains, as Figure 2 makes clear.

The logic incorporates customer creativity and ideas into production processes in order to enhance an offering and create more value for all parties. In fact, it seeks to involve customers in almost every stage of creating a service or product. Everything from ideas, production, distribution, marketing, iterations and support can be done in partnership with – or completely by – the community.

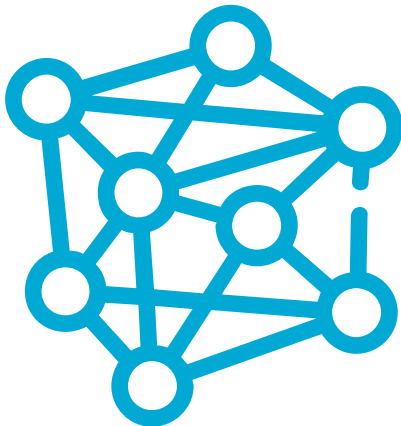


Figure 2: the value network

COMMUNITY SERVICE

It is already clear that numerous business benefits are associated with adopting value-network logic. These benefits include, for example:

The intelligence and support of the crowd – companies with access to a potentially global network are no longer limited to the accumulated knowledge and information of their employees or consultants.

Flexibility – using a community for certain tasks ensures an organization is not held back by a fixed amount of human resources and also allows it to identify and pinpoint resources best suited for a specific task.

Openness, dialog and an engaged community – the public openness of a project allows networked referrals and instant insight for interested parties. A project can quickly become a social movement if it has wide appeal, and it can attract relevant parties who would otherwise never have found the project.

SOCIAL MOVEMENTS

However, there is no right or wrong way to apply value-network logic. It can be implemented using a range of approaches, each of which can potentially be combined with others. Some examples include:

► **crowdsourcing** – the outsourcing to the community, rather than to a commercial organization, of specific tasks within a project. Assignments are announced online or directed to specific individ-

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uals or groups with relevant skills. It can be incentivized by interest, status, financial compensation or a sense of belonging to the community.

► **open source** – one of the original forms of networked organization, in which software code is made available for anybody to improve, either individually or in organized form. The project can be an organic process with an open-ended result, or managed to produce a pre-defined output.

► **community generation** – this occurs to a certain degree whenever a community of people interacts with each other. If a product or service generates interest, a community will grow around it. This community can be used as a forum for support and continuous dialog, although the output of the community cannot be predicted.

► **flash organization** – the rapid formation of a random collective to form a production team. The organization only exists to handle a specific task or project and dissolves once this is finalized. Typically, flash organizations are announced in social media as time- and place-specific events.

► **Wiki-working** – an ongoing process of interest- and passion-driven contribution to an open platform (like Wikipedia) that accumulates content to a project and self-sanitizes it over time. It is based on the principles that anybody who is interested can participate, and that the volume of contributors will secure the quality of the output.

COMPANY CREDITS

This transformative process is already underway. We referred earlier to the success of Airbnb, but they are just one name on a fast-growing list of companies using customer communities as co-creators. Some examples include:

► The consumer goods company **Procter & Gamble** has launched Connect + Develop, an open innovation platform on which customers can realize new product or service ideas.

► The fashion retailer **C&A** has created the C&A Hanger to combine customer interactivity from their Facebook site with physical stores. Items that have been 'liked' by Facebook users are displayed in the in-store Hanger.

► **Threadless** is a clothing company based around a community of designers. Anyone can submit a design, and there are social elements such as rankings, forums, blogs and contests built into the business.

► **Waze** is a navigation service that provides road-traffic data shared by a community of users.

► Developed by the University of Washington, **FoldIt** is an online game in which players fold the structure of selected proteins. Foldings with the highest score are analyzed by researchers to see if they can be used in the real world.

► The music-streaming service **Spotify** uses

shared customer playlists to create community engagement.

► **Blank You Very Much** manages crowdsourced design tasks for global brands. After a design round, submissions are assessed and ranked by the community.

► The **WordPress** open-source-publishing and content-management system includes a marketplace for user-developed themes and plugins.

THE CUSTOMER AS CO-CREATOR

Just about any business can enter into community-type relationships with customers. Whatever your industry, you should treat your customers' ideas and visions as forces of market-driven innovation that can be facilitated, grown, and monetized on a large scale. You certainly should not perceive them as a threat. Just look at Apple – as Mike Arauz, Strategy Director at the consulting firm Undercurrent, says: "You've got millions of people outside the Apple organization trying really hard every day to make their product better."

On the other hand, you need to let go of the classical value chain paradigm, open up your organization to fit the networked organization of the grassroots market and collaborate with the market instead of competing with it. At the same time, you will also have to face some new – and difficult – questions.

Robin Teigland, an Associate Professor at the Center for Strategy & Competitiveness at the Stockholm School of Economics, recently asked:

"Why do companies exist, really? Do we need them? A company is just a platform for community building, for collaborating on things. When you can do everything through the network, all that remains in the company is leadership."

One thing, at least, is clear. Communities and their creativity are becoming integral to your offering or experience. If you have engaged customers, let them be part of creating value for your business – in fact, they should become your business.

Think back to the example of the hotel industry, which in some quarters apparently still doesn't see Airbnb as a challenger. It's possible – and even likely – that your business already has a competitor that is addressing the same customer need that you do, but using value networks instead of value chains.

So what relation do you have with your customers? Are they just the end-point in an outdated value chain? Is the invoice still your most frequent communication channel with them? Do you really know who your customers are – and have you started to include them in your value-creating activities? These are questions you should start asking yourself right now. ●

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