

# Customer participation is no panacea for the development of new products

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Firms regularly assume that they can improve their innovation performance by involving customers in new product development (NPD) and tapping into customer knowledge about their needs and potential solutions. However, not all firms have benefitted from this practice. We undertook an investigation to explain why the returns from customer participation vary substantially across contexts and what marketers can do to maximize the potential benefits of innovation through customer participation.

The first contribution of our study is a conceptual framework we developed to help identify and organize potential contextual moderators of the relationship between customer participation and new product development performance. In the framework, customer participation refers to a customer's involvement in the firm's NPD process. The firm needs to integrate external knowledge from customers in the firm's innovation process and manage it effectively. Three factors shape the efficacy of the firm's knowledge management process involving customer participation:

1. the potential value of customer knowledge,
2. the difficulty of knowledge management, and
3. characteristics of actors in the knowledge management process.

We then empirically tested our proposed conceptual framework using a meta-analysis of the existing evidence. A meta-analysis is a systematic technique for reviewing, analyzing and summarizing existing quantitative research studies on specific topics or questions. The first thing we found was that the returns of customer participation substantially differ across contexts. Moreover, our results enable a reassessment of the often-dominant assumption that customer participation always leads to new product success.

Specifically, key findings included:

- Involving customers in the ideation and launch stages of new product development improves new product financial performance directly and also indirectly through acceleration of time to market.
- Alternatively, customer participation in the development stage of NPD deteriorates financial performance by slowing down time to market.
- The benefits of customer participation in NPD are greater with technologically turbulent NPD projects, in emerging countries, in low-tech industries, for business customers, and for small firms.
- Evidence shows that in some situations, customer participation can actually damage NPD performance or at least generate nonsignificant impacts.

These results have a number of significant implications for marketers. First, our findings support the promise of our proposed systematic conceptual framework, which is based upon a knowledge management perspective to help maximize the benefits of involving customers in NPD in practice. Second, the proposed conceptual framework affords the opportunity to incorporate additional potential moderators of the relationship between customer participation and NPD performance that are identified in the future to facilitate knowledge-based innovation practices. Third, for marketing practitioners, we provide specific guidance about the contexts in which incorporating customers are most likely to lead to NPD success.

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Notes:

- This article is based on the authors' paper "[The Effectiveness of Customer Participation in New Product Development: A Meta-Analysis](#)," *Journal of Marketing*: 80 (1), 47-64. (2016)
- This post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.
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