

# Northumbria Research Link

Citation: Filieri, Raffaele and Alguezaui, Salma (2012) The how and why of consumers' co-creation: evidence from the Fiat 500 case study. In: Academy of Marketing Conference 2012: Marketing: catching the technology wave, 2-5 July 2012, Southampton, UK.

URL: <https://marketing.conference-services.net/resource...> <[https://marketing.conference-services.net/resources/327/2958/pdf/AM2012\\_0173\\_paper.pdf](https://marketing.conference-services.net/resources/327/2958/pdf/AM2012_0173_paper.pdf)>

This version was downloaded from Northumbria Research Link:  
<http://nrl.northumbria.ac.uk/11191/>

Northumbria University has developed Northumbria Research Link (NRL) to enable users to access the University's research output. Copyright © and moral rights for items on NRL are retained by the individual author(s) and/or other copyright owners. Single copies of full items can be reproduced, displayed or performed, and given to third parties in any format or medium for personal research or study, educational, or not-for-profit purposes without prior permission or charge, provided the authors, title and full bibliographic details are given, as well as a hyperlink and/or URL to the original metadata page. The content must not be changed in any way. Full items must not be sold commercially in any format or medium without formal permission of the copyright holder. The full policy is available online: <http://nrl.northumbria.ac.uk/policies.html>

This document may differ from the final, published version of the research and has been made available online in accordance with publisher policies. To read and/or cite from the published version of the research, please visit the publisher's website (a subscription may be required.)

[www.northumbria.ac.uk/nrl](http://www.northumbria.ac.uk/nrl)



# **The how and why of consumers' co-creation: evidence from the Fiat 500 case study**

## **1. The Open Innovation Model**

Unpredictable transformations have introduced complexity and dynamicity in the business environment. Continuous and effective innovation is widely recognized as a major source of competitive advantage. However, leading innovation is more onerous than in the past due to the ever changing consumers' needs and to an increased quality and quantity of knowledge required to innovate. In order to compete successfully, several businesses are called to anticipate market changes and to shorten new product's time-to-market and their cost. In many industries involving customers in the New Product Development (NPD) becomes a necessity for picking up emerging needs and achieving sustained competitive advantage (Thomke and Von Hippel, 2002). Thus, the knowledge required to innovate may not be strictly possessed by the company's R&D workforce. Thus, the Open Innovation (OI) model fosters firms to involve different stakeholders into company's NPD to face these challenges. This model assumes that valuable innovations may be produced outside the firm (Chesbrough, 2003), from different players, such as customers, suppliers, manufacturers, start-up, universities, competitors. Industrial marketing research, a lot of research has been undertaken in this area in the past showing the importance of lead-user involvement for innovation generation (Von Hippel, 1988). The emergence of social media and, at the same time, the new role of consumers now considered as an active, connected, knowledgeable, and collaborative subject, have fostered the dialogue among consumers and between consumers and businesses (Prahalad and Ramaswamy, 2004). This new way of communicating has shown alternative ways of designing and developing new products. The involvement of ordinary consumers through the internet has been labelled as co-creation (Prahalad and Ramaswamy, 2004), which views the NPD process as a process of co-creation engaging marketers and customers (ibid.).

## **2. Online Consumer Co-creation**

Customers' knowledge and ideas are very valuable for companies' innovation activities; nevertheless, they are difficult to gather through traditional market research methods (O'Hern and Rindfleisch, 2009; von Hippel, 2005). Today companies need to figure out what their customers know, since such knowledge can be used to adequately assess and fulfil consumer needs, by reducing the risks of product failure (Ogawa and Piller, 2006). Nowadays, some companies are outsourcing to consumers some innovation activities, involving them at the different stages of their NPD, from idea generation to product commercialization. Thus, some scholars (Lilien et al., 2002) suggest that companies need to learn how to harness customer competences and knowledge. In marketing, very little research has explored how different companies are involving consumers at the different stages of the NPD process (Hoyer et al., 2010). In fact, existing studies on consumer relationship management have almost completely ignored innovation and NPD (Hoyer et al., 2010). Both in marketing and innovation, few studies focused on very specific users (lead-users) or on very specific cases (Grewal et al., 2006; Rowley et al., 2007; Füller and Matzler, 2007; Kohler et al., 2009; Kristensson and Magnusson, 2010; Füller et al., 2011). Thus, there is a dearth of studies exploring how companies are involving consumers in co-creation projects and what results they are achieving (Rowley et al., 2007; Füller and Matzler, 2007; Kohler et al., 2009; Füller et al., 2011; Hoyer et al., 2010). In terms of output generated by consumer's co-creation activities, few studies have discussed the innovation results obtained through it (Füller and Matzler, 2007; Kristensson and Magnusson, 2010). Moreover, no study has explored the impact of co-creation projects on brand image and positioning

(Hoyer et al., 2010). In sum, our goal is to investigate what strategies and mechanisms companies are using to engage consumers in online co-creation activities. Increasingly, we want to analyze the results businesses are obtaining through co-creation projects, not only in terms of innovations generated, but also in terms of sales and brand image improvement. These hypothesis were tested through the analysis of the open innovation project developed by Fiat Auto to redesign its Fiat 500, namely '500 wants you'.

### **3. Methodology**

We have selected the case study method because the phenomenon under investigation is new, it is hard to find similar researches and business cases, and the study attempts to increase researchers' understanding of such phenomenon (Eisenhardt, 1989). We adopted the procedure proposed by Eisenhardt (1989) for handling a qualitative analysis: define the content of the analysis, select relevant cases, analyze the collected data, and discuss the implications.

Case studies can involve either single or multiple cases (Yin, 2003). We have adopted the single case study since our company (Fiat Auto) represents one of the few cases that can be used to answer to our research questions. Since co-creation is a relatively new phenomenon, the cases available were very few. Fiat Auto, a global car manufacturer, was selected for its successful strategy aimed at involving potential buyers and simple users in the product concept development of the new Fiat 500.

With regard to content, the focus of the study is on consumers' co-creation in the automotive industry with the aim of understanding how Fiat has used the internet to involve consumers in their NPD process. Thus, we have collected information about the company' co-creation strategy, the NPD stage in which customers have been involved, and the results achieved by the company in terms of sales, innovation, and brand image.

Different methods for data collection can be used in case study research such as qualitative, quantitative, or both (ibid.). Thus, we have selected the qualitative approach to data collection since we aim at explaining the how and why of the phenomenon under investigation. Yin (2003) proposes a combination of different sources of evidence for data collection. In this case study we have adopted several sources such as written and electronic documentation about the company and its operations, interviews, archival resources, direct observation, articles in newspapers, magazines, and other publications. Open-ended interviews were conducted with Fiat's marketing managers, marketing directors and advertising employees. Later, we categorized our data through classifying and labeling processes suggested by McCracken (1988). Finally, data quality was checked with key informants, through discussions, informal meetings, and presentations of findings.

### **4. Co-creation in the automotive sector: the '500 wants you' case study**

Fiat is an automotive-focused industrial group engaged in designing, manufacturing, and selling cars for the mass market under the Fiat, Lancia, Alfa Romeo, Fiat Professional and Abarth brands and luxury cars under the Ferrari and Maserati brands. Today, Fiat Auto is an international group operating in 190 countries around the world with more than 137.800 employees, 113 plants and 58 research centers. In 2006 Fiat Auto decided to relaunch the Fiat 500 car model. The original Fiat 500 was in production from 1957 to 1974 and it marked a milestone in motor industry. In Italy, the original Fiat 500 is the symbol of the Italian economic renaissance and wellbeing after the Second World War. Thus, Fiat 500 is one of the most loved cars and it is strongly impressed in the collective imagery of Italian and worldwide consumers. Fifty years after the launch of the original Fiat 500, Fiat Auto decided

to reintroduce the Fiat 500 on the market. The relaunch of old-fashioned products or brands is defined in marketing as retro branding, namely *the revival or relaunch of a product or service brand from a prior historical period, which is usually but not always updated to contemporary standards of performance, functioning, or taste* (Brown et al.: 2003). The launch of the new Fiat 500 was considered by the company's management as the symbol of a new way of doing business at Fiat "*...that focuses on quality and emotions, on uniqueness rather than on mass-production...*" (Interview).

The goal of the company was to include consumers into the car prototype development process in order to meet their needs: "*The 500 is an inclusive not an exclusive concept and Fiat felt that this was the best way to meet the tastes of all its potential customers, without distinction, from the most minimalist to the most eccentric*". The new Fiat 500 is thought as the people's car developed by the people: "*the new 500 car model should come from the people and be for the people*" (Interview). Five hundred days before the launch of the new Fiat 500, the company, in collaboration with Leo Burnett Italia, developed '500 Wants You', a website similar to a blog, which was thought as a laboratory of ideas developed for promoting the new product and to test consumer's appeal. An important application of the website was the *concept lab*. The concept lab enabled users to design their own Fiat 500 model, and to add the accessories they wished to find in the new car model. In a second multilingual version, in which consumers could customize both interiors and exteriors, and later on a third version in which they could modify everything from plating to stickers, from the rim of wheels to glasses and the like. *In total, more than five hundred thousand combinations were available to consumers to create their personal Fiat 500...thus consumers could really produce something new*" (Interview). The engagement of simple users and potential customers produced more than 1.5 million models and several thousand of spontaneous configurations and suggestions. The website hosted also several competitions, such as a design competition ('designboom contest') for developing new ideas for Fiat 500 accessories, Fiat 500 car style, and Fiat 500 everywhere ('how do you imagine the world of the new FIAT 500 car? Design a FIAT 500 world'). The competition was highly participated and 5.433 creative individuals and institutions from 97 countries participated to it. Increasingly, an important aspect of the initiative was the provision of several entertainment and community tools on the website aimed at keeping the interest alive. For example, consumers could learn how to say '500' in all world languages; thus, community members could also use '500's way': the first system of interactive e-card which was possible to personalize through the webcam.

The '500 wants you' website was used by Fiat Auto also to outsource to consumers some of the promotional initiatives for the commercial launch of the new product. To this extent, consumers could propose the name of a celebrity that they associated to the Fiat 500 style ("500 Star maker"), or the redesign of the new Fiat 500 website ("Homepage Redesign"). Thus, several competitions were created to grab the interest and attention of consumers. For example, there was a competition for the most creative video who talked about a new Fiat representing consumers' personality ("500 Ciak You"). Increasingly, there was a competition or the design of the new mascot, the new logo of the new Fiat 500, and the themes for the advertising campaign ('500 Wants your ad'). A total of 3.300 communication ideas for the launch of the new Fiat 500 were received and a panel composed by international opinion leaders awarded two people. All these competitions were strongly participated by ordinary consumers, artists and creative people and the company gathered invaluable ideas and knowledge from them while at the same time it is keeping high the interest towards the new product: "*These tools and competitions enabled ordinary users to feel members of the Fiat 500 community, so they could feel that the launch of the new Fiat 500 was in their hands.*" (Interview). This way of advertising the product was very successful; Fiat Auto achieved

several positive results in terms of sales (and awards), brand image, and product innovation. In terms of market response, the launch (on July 2007) of the new Fiat 500 was very successful: seventy thousand cars were sold in Italy only in the first month. Company's data on sales highlight a strong progress and higher profits in 2007 and 2008, which was unusual for an industry going through a period of recession. According to the Fiat Auto managers the positive performance in 2007 was due to both the growing success of the models introduced during the year, namely the Fiat Bravo and the new Fiat 500. In May 2010, the Fiat Group communicated that their plant in Poland has produced more than 500.000 Fiat 500, just 31 months after the car's commercial launch. Increasingly, the new Fiat 500 won several awards. The car was elected "Car of the Year 2008", "Auto Europa 2008" and "Euro Car Body 2007"; "World Car Design of the Year 2009".

In terms of brand image, until mid-2005 Fiat appeared to be a declining brand: *Fiat was considered an old, traditional, if not historic, brand...the perceived brand image was the one of an icy, detached, bureaucratic and arrogant company loved by some segment of more traditional Italian families* (Interview). In the US the brand was perceived as an unreliable car manufacturer, which gave birth to the acronym 'Fix It Again Tony' to connote Fiat cars. The public sentiment before the introduction of the new Fiat 500 was generally negative in terms of quality and design. Thus, a campaign focused exclusively on the Fiat brand would have not had such a large following. Therefore, the participative approach to car development renewed completely the old fashioned brand management system of the company (Volpato, 2008). The unconventional campaign and the quality/style of the new product contributed to the rejuvenation and repositioning of the Fiat Auto brand. The strategy adopted for the design and launch of the new Fiat 500 changed people's perceptions about the brand, now considered an innovative, stylish, trendy, and cool brand portraying and promoting (and at the same time exploiting) the values of "Italian style" and "Made in Italy".

*"The new Fiat 500 has strongly affected the brand perception of our customers worldwide, the car was extremely successful, and we have received thousands of 'emotional' email from our customers that thank us for having re-introduced the Fiat 500...we have committed a research in Italy who has revealed that the new Fiat 500 has produced a very positive impact on the image of the company...people now perceive Fiat Auto as an innovative, stylish, trendy, and cool brand portraying and promoting the values of "Italian style" and "Made in Italy"...that's exactly how we wanted to be perceived"*(Interview)

In terms of innovation outputs, the concept lab enabled Fiat Auto to collect a huge amount of strategic information about their potential customers and about their preferences on colors and accessories. For example, through the analysis of the car models developed by users, Fiat realized that some colors were more appreciated (pearl-white, red, black, and light blue) than others (pastel colors) and that the price of the car could be increased. Moreover, consumers created several new accessories and models, such as the open roofed Fiat 500 or the Italian flag sticker, which have been introduced in the new car model. Finally, the company understood that customers were willing to pay a higher price than the one forecasted by the company to get the new Fiat 500. Thus, the production process and the price strategy were adjusted accordingly.

## **5. Discussion and Conclusions**

At the beginning of this study we raised several questions regarding how companies are cocreating with ordinary consumers in the online environment and what results they are achieving in terms of product innovation and brand image. The proposed case provides an answer to all these questions and offer interesting insights for marketing practitioners and academics.

We have learnt that to engage customers, Fiat Auto has exploited different strategies. It has created a website with the shape of a blog to give informality to the project and foster free discussion and creativity. The company has also intelligently used some extrinsic motivation mechanisms such as the competition for ideas associated with monetary rewards. The recourse to extrinsic motivators was necessary as the company suffered from negative brand associations (the brand was perceived as historic, old, and unfashionable). However, there was no reward for participating in the open innovation laboratory (*concept lab*). Accordingly, the company has probably benefited from the positive attitudes and sentiments of global consumers towards the Fiat 500, a historical landmark in the automotive industry, which has fostered the interest and the engagement of brand evangelists and Fiat 500 passionate. In the 'Fiat 500 wants you' initiative, the community and entertainment tools play a certain importance. They were aimed at creating and expressing feelings and emotions about the product by keeping the interest alive and creating hype about the new Fiat 500. Some customers have lived the development of a vintage product like the new 500 as an historical moment; thus, they have contributed to spread positive word of mouth and created hype about the new product over the web. All of them have contributed to get excellent sales results since the immediate launch of the new car. Thus, we have also understood how a mythical product (Fiat 500) can motivate consumers to engage in co-creation activities. Future research should investigate how vintage brand or products can foster consumer's engagement in co-creation projects (Antikainen et al., 2010). The co-creation initiative has produced positive results for Fiat's brand image. The democratization of the car development process has certainly contributed to reinforce the credibility of the brand and consumers' affection to it. Fiat Auto's brand image before the launch of the new 500 was negative. The company was perceived as old, unreliable, and out of fashion. The use of innovative and unconventional marketing strategies focusing on the adoption of web 2.0 applications, and the skillful exploitation of the associations linked to the Fiat 500 brand heritage (Aaker, 1996), have contributed to rejuvenate Fiat's brand image. Through '500 wants you' and the new Fiat 500, the company has projected to worldwide consumers a new brand image, focused on innovation, modernity, technology, style, passion, and exploited the values elicited by the 'Made in Italy'. The company has contemporarily involved consumers at different stages of the NPD process, namely in the product concept development stage and in the promotional launch of the new product. The '500 wants you' website has enabled the Fiat Auto Group to get strategic information to be used in its positioning and the concept development. Fiat Auto has gathered consumers' ideas for developing the new car concept and accessories that better respond to consumers' needs and expectations. By doing so, Fiat Auto has revolutionized its way of developing the concept car, so instead of developing a new product within its R&D centers, the NPD has now started from the customers, asking them what product they wanted and how they wanted it. Accordingly, Fiat has manufactured the new Fiat 500 adopting only the shape, the colors, and the accessories appreciated by its potential consumers. In sum, with this case study we believe to have advanced the knowledge on consumers' co-creation activities. Although a comparative case study can be used to generalize these results, we believe that managers and academics can learn from this single case.

## References

- Aaker, D. (1996), *Building Strong Brands*, New York: The Free Press
- Antikainen, M., Mäkipää, M., Ahonen, M. (2010) Motivating and supporting collaboration in open innovation, *European Journal of Innovation Management*, 13, 100 - 119
- Brown, S., Kozinets, R.V. and Sherry, J.F. (2003). Teaching old brands new tricks: retro branding and the revival of brand meaning, *Journal of Marketing*, 67, 19-33.

- Chesbrough, H. (2003). *Open Innovation: The New Imperative for Creating and Profiting from Technology*, Harvard Business School Press: Boston, MA.
- Eisenhardt, K.M. (1989). Building Theory from Case Study Research, *Academy of Management Review*, 14, 532-50.
- Füller, J., & Matzler, K. (2007). Virtual product experience and customer participation - A chance for customer-centred, really new products, *Technovation*, 27, 378-387
- Füller, J., Hutter, K., Faullant, R. (2011). Why co-creation experience matters? Creative experience and its impact on the quantity and quality of creative contributions, *R&D Management*, 41, 259-273.
- Grewal, R., Lilien, G., Mallapragada, G. (2006), Location, Location, Location: How Network Embeddedness Affects Project Success in Open source Systems, *Management Science*, 52, 1043-1056.
- Hoyer, W.D., Chandy, R., Dorotic, M., Krafft, M., Singh, S.S. (2010). Consumer Co-creation in New Product Development, *Journal of Service Research*, 13, 283-296
- Kohler, T., Matzler, K., Füller, J. (2009). Avatar-based innovation: Using virtual worlds for real-world innovation, *Technovation*, 29, 395-407.
- Kristensson, P. & Magnusson, P.R. (2010). Tuning Users' Innovativeness During Ideation, *Creativity and Innovation Management*, 19, 147-159.
- Lilien, G.L., Morrison, P.D., Searls, K., Sonnack, M., von Hippel, E. (2002). Performance Assessment of the Lead User Idea-Generation Process for New Product Development, *Management Science*, 48, 1042-1059.
- McCracken, G. (1988). *The Long Interview*, Sage University Paper Series on Qualitative Research Methods, No. 13. Newbury Park, Calif.: Sage.
- O'Hern, M. S. and A. Rindfleisch (2009), Customer Co-Creation: A Typology and Research Agenda, in Review of Marketing Research, 6, N.K. Malholtra, ed. Armonk, NY: M.E. Sharpe, 84-106.
- Ogawa, S. & Piller F.T. (2006), Reducing the Risks of New Product Development, *Sloan Management Review*, 47, 65-72.
- Prahalad, C.K., Ramaswamy V., (2004). Co-creation experiences: the next practice in value creation, *Journal of Interactive Marketing*, 18, 5-14.
- Rowley, J., Kupiec-Teahan, B., Leeming, E. (2007), Customer community and co-creation: a case study, *Marketing Intelligence & Planning*, 25, 136-46.
- Thomke, S. & von Hippel, E. (2002). Customers as innovators: a new way to create value. *Harvard Business Review*, 80, 74-81.
- Volpato, G. (2008), *Fiat Group Automobiles. Un'Araba Fenice nell'industria automobilistica internazionale*, Bologna, Il Mulino.
- von Hippel, E. (2005). *Democratizing innovation*, Cambridge, Mass: MIT Press.
- von Hippel, E. (1988). *The Sources of Innovation*, Oxford University Press, New York: NY.
- Yin, R. (2003) *Case Study Research – Design and Methods*, 3<sup>rd</sup> Edition, Thousand Oaks, CA: Sage Publications.