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FROM CONTROLLED TO LOOSE CO-PRODUCTION:
BENEFITS DISTRIBUTION BETWEEN
FIRMS AND CONSUMERS

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Firms And Consumers**

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Abstract

Literature on innovation and recent marketing contributions stressed the involvement of consumers in the co-production of value, by emphasizing either the role of a single consumer or the community in such process. Few studies coupled the two interrelated dimensions and analyzed their impacts on customers' behavior and firm marketing strategies, specifically in terms of benefits achieved. The paper aims at filling this theoretical gap by distinguishing between individual and social co-production, where different levels of consumer engagement can be identified with diverse value sharing outcomes. We argue that not all customers are interested in being involved in the co-production concerning all their consumption activities. Depending on their commitment to participate (centrality of the consumption activity for the customer) and the co-production nature (individual vs. social) four alternative options of co-production emerge, with distinctive managerial features.

Keywords: co-production, consumer behavior, community, value sharing, innovation

Introduction

Recent literature on innovation and marketing research underlines the increasing importance of consumers' involvement in the co-production of value (i.e. Cova and Dalli, 2009; Vargo, 2008; Prahalad, 2004; Prahalad and Ramaswamy, 2003; Ramìrez, 1999; von Hippel, 2005; Wikstrom, 1996; Zwick et al., 2008). It shows that value co-production is a complex construct that encompasses different types of collaboration and interaction in the final outcome production. Although the elements of this complexity have been addressed by different research streams - such as collaborative innovation, Service-Dominant logic, and community marketing - it is our opinion that this complexity has yet to be completely represented.

In particular, the research questions of this paper are as follows: which are the variables that affect co-production processes between the firm and consumers? How these variables can impact on the mechanisms of distribution concerning the benefits of co-production?

In this paper we try to answer those questions by advancing the comprehension of co-production processes complexity, taking into consideration different aspects, both material and immaterial, that can play a major role in real co-production processes. Literature regarding co-production focuses either on the role of a single consumer (i.e. Bilgram et. al. 2008) or of the community (i.e. Franke and Shah, 2003) in such process. To our knowledge, little efforts have been undertaken in order to couple the two interrelated dimensions and analyze their impacts on

customers' behaviors and firms' marketing strategies, specifically in terms of benefits achieved and value captured.

The paper addresses this theoretical gap as follows. It distinguishes between individual and social co-production, emphasizing differences and consequences. Moreover, it argues that not all customers are equally interested in being involved in co-production activities concerning all their consumption activities. Therefore, the level of consumer's engagement (Celsi and Olson, 1988) and, consequently, consumer's commitment to participate in co-production influence the way co-production happens. Hence, diverse value-sharing outcomes emerge.

This circumstance is furthermore evidenced by the fact that personal involvement can heavily shape the perception of the efforts and the value of the work done in co-production processes, as it has long been recognized by research on consumer participation in service encounters (Bitner et al., 1997; Kelley, Donnelly and Skinner, 1990) and as testified by recent research on service productivity (Johnston and Jones, 2003). Immaterial aspect such as identification, social recognition and so on can in fact vary the willingness of a consumer to participate in the processes, and the importance of an economic reward for it, giving companies a great opportunity to appropriate the work value that otherwise would have to be paid. The state of fairness of advantages distribution between supplier and consumer is therefore conditioned by those factors.

Depending on their commitment to participate (centrality of the consumption activity for the customer) and the co-production nature (individual vs. social) a matrix is proposed where four alternative options of co-production emerge. The paper proceeds as follows. The theoretical background is described in section 2,

where the focus is on the relationship between socialization processes and co-production, and in section 3, devoted to explore how different customers' levels and kinds of engagement affect co-production. Section 4 describes our approach to co-production processes analysis. The article finally discusses its research contributions and managerial implications, as well as provides some suggestions for further research.

Co-production and socialization: individual and social level of analysis

Value co-creation has been widely explored in the literature from many perspectives. In their recent article Cova and Dall'Aglio (2009) have proposed an extended review of how consumers are involved in production, by highlighting the different roles and aims of customers and firms in such process. Co-production is a quite complex phenomenon that can take place before the product¹ launch on the market (innovation framework) as well as a fundamental step of the production process (service provision) and of the value creation in the market (i.e. brand management).

The theoretical contributions that analyze how consumers participate in production activities – both in material and immaterial terms – stress either the individual or the community dimension of this process.

Literature stream on collaborative innovation has emphasized the primary contribution of expert customers and lead users in offering their knowledge for product development (von Hippel, 1986, 2005). As we will see later on, several reasons explain why customers - or better users – provide new ideas, concepts and meanings to the firm, and contributing in shaping new products or improving

existing ones. Those contributions have strongly influenced studies on co-production identifying the immaterial work of customers/users in the firm innovation process, which becomes more open and interactive.

On the one hand, some studies have depicted the profile of lead users (i.e. Ozer, 2009; Schreier and Prügl, 2008) to put in evidence the special characteristics of those customers for the success of the co-production process. By exploiting their intense product experience and personal ability, lead users develop high valuable knowledge about new product features, completely new products and market trends. Such special users show innovative behaviors that lead to high rates of new product ideas as well as pioneer purchasing process. Firms that want to gain from these new sources of knowledge are asked to develop specific strategies of co-production to involve those individuals into their internal processes of new product development (NPD) and marketing activities (Dahlander and Magnusson, 2008; Harris and Ogbonna, 2003).

On the other hand, other scholars focused on the social scale of the collaborative innovation, by stressing the strength of the community mechanism for idea production, knowledge selection and sharing of meanings (i.e. Füller et al. 2007; Sawhney et al., 2005; West, 2009). In this perspective, the community represents a different and, for many scholars, a more effective framework compared to market mechanism (Franke and Shah, 2003; Kozinets et al. 2008; Sawhney and Prandelli, 2000), within which to develop new knowledge about products and their uses due to the dynamics of socialization. Group creativity, mutual engagement and social support, shared meanings and practices, members' dynamic expertise: those

characteristics (among many others) distinguish communities as key players in the innovation process.

The analysis of collaborative innovation contributions does not conclude the discussion on customers' roles in co-production, as collaborative innovation discourse can be included in the wider concept of co-production. Linked with these theoretical inputs based on the social approach to customer' involvement in production there are the studies of consumer tribes (Cova, 1997; Cova and Cova, 2002; Cova et al. 2007). Tribes are able to develop alternative offerings and extend the customer's experience: co-production can refer to both product features as well as intangible elements of the consumption activity. Even studies on brand communities (i.e. Muniz and O'Guinn, 2001; McAlexander et al., 2002; Bagozzi and Dholakia, 2006) emphasize the relevance of the communitarian framework for value creation in a specific context of consumption. More precisely, communities support and make possible the sensemaking process, which is the real value customers are interested in. The key point is that the social dimension of consumption (i.e. participation) is dominant with respect to the individual scale in co-production. Tribes as well as brand communities become the primary reference for customers (members) in the consumption process, even in opposition to the firm.

The individual level of analysis in co-production is stressed in the service-dominant logic of marketing (Vargo and Lusch, 2004a; Lush and Vargo, 2006). In the recent evolution of those studies, alongside firms, also consumers play the role of resource integrators; the both represent fundamental components of service systems, in which value-in-use is maximized (Vargo, 2008). The subjective

perspective in the co-production process shift the power to the customer, who influences the service definition in its market value with high rate of controls over the value created (customer benefits).

In the service management literature, other studies have stressed the role of customers as part of the New Service Development (NSD) and delivery as unavoidable step of service creation and fruition (Edvardsson et al., 2006). More precisely, customer's value is related to this participation, who could include customers in the firm' organizational boundaries (as employees). As we discuss later in this article, with respect to the case of lead users or tribes, here customer's involvement in the co-production is not always voluntary, but it is necessary to obtain the output of the process (Dujarier, 2008).

The many cited theories that discuss co-production under different perspectives put in evidence the variety of benefits the firm and the customers can obtain from such process (i.e. Cova and Dalli, 2008; Jeppesen and Frederiksen, 2007; Ramaswamy, 2008). An important distinction can be made between material and immaterial benefits. On the one hand, consumer's participation to co-production allows them to gain time and save money by receiving in advanced new versions of the products as well as tailored products. Co-production can reduce search costs and improve the purchasing process (enhanced productivity of consumption). Firms instead benefit from a reduced market risk, lower marketing costs for communication and post-sales relationship management as well as a speeder innovation process.

On the other hand, co-production can offer customers the opportunity to increase their social reputation and recognition, augment their amusement, or self-

employability. Immaterial impacts of co-production for the firm primarily refer to product experience creation and the brand management. Brands are in fact narratives developed and nurtured by customers (Mathews and Wacker, 2008). Through co-production firms are also able to develop new and deeper relationships with customers.

The theoretical contributions briefly summarized above focus their attention on how customers take part in the co-production by highlighting the individual dimension or the social scale of participation. In our view a more comprehensive framework of how consumers create value in the co-production process and, then, how this value is shared between the two sides can be obtained by coupling the individual and social perspectives. The two dimensions are both relevant in the value creation, but have specific characteristics in terms of customer's involvement, types of customer's contributions, and firm's management strategies. The analysis of how benefits of co-production are shared between the single customer and the firm have to take into account the middle level of communities. Not only the social sphere is able to enlarge and enhance the customer's effort in the co-production, but also become a new barycenter in the value appropriation dynamics. In this perspective, co-production should be observed in terms of customer-to-customer connections, where the community – and in general the social system in which the customer is embedded – is a new key step of the process.

Co-production and involvement: participation and commitment

Relevance of consumption activities and customer's involvement in co-production

Even though it is quite evident the rise of consumption activities in people's life, in terms of time spent for consuming, not all those actions have the same importance for all the customers. Lots of studies shed light on the growing value individuals assign to the consumption process, where the immaterial dimension of it is specifically important (i.e. Hirschman, Holbrook, 1982; Holbrook 1987). Consumption has a social dimension (Bagozzi, 2000): in this sense, customers do not purchase products, but "linking objects" (Cova, 1997), whose value is related to their capacity to connect one each other, rather than satisfying functional needs. The intangible dimension of products – namely the brand, but also their aesthetic aspects – attracts customer as well as the experience they can live during their consumption activity (i.e. Pine and Gilmore, 1999).

In addition to products, customers achieve value through the places, the contexts in which the consumption occurs. For instance, stores become more and more contexts of interaction at many levels: between the customer and the product, the customer and the firm, the customer and other customers (i.e. Badot, and Filser, 2007). The online environment is another key context – either considering the firm' web page or community sites, blogs or social networks – in which customers can meet and discuss, going beyond the product consumption or service fruition (i.e. Jenkins, 2006).

Despite the homogeneity that could emerge by observing consumption through those perspectives, many contributions (i.e. Silverstein and Fiske, 2003; Silverstein and Butman, 2006) emphasize a new variety in consumer behaviors and its

impacts on consumption choices. In their analysis on customers, Silverstein and his colleagues stress that especially middle-market customers are becoming more exigent and demanding products traditionally out of their interests (attention for the “new luxury” goods). Those customers are oriented to products that can offer them emotional engagement and, hence, they are available to invest time and money for that sake. In addition, the attention of the same customers for cheap products and “low cost” offering show how individuals can combine products with different market positioning profiles: customers structure their consumption activity and product basket in a various way simultaneously.

According to this picture, we argue that the level of customer engagement in co-production may vary, depending on the relevance of the consumption activity for the specific customer (centrality of the consumption). Whenever such activity has a high importance in the sphere of the consumption (and the life) for that person, one should expect a higher consumer’s engagement in the co-production and commitment to participate in the process.

The customer’s involvement refers to a state of energy activated by the customer oriented to specific purchasing goal (Wilkie, 1994), as well as the importance that specific product and purchasing process represents for the customer (Celsi and Olson, 1988). Hence, the commitment notion brings into the discussion the role of customers’ needs and their motivation – in terms of conscious or unconscious impulses that move and address towards purchasing/consuming a specific product. The commitment is influenced by the motivation, which depends on the systems of incentives and the benefits a single

customer aims at obtaining through his consumption behavior, as well as the contexts in which the customer is embedded.

The commitment could be referred both to the purchase and the product (with its use). In the framework of co-production, we are interested in stressing the consumer's commitment in relation to both the situations. A high degree of involvement in a specific purchasing behavior or consumption activity reflects the relevance of the consumption for the consumer, who could be favorably oriented to participate in co-production (unless this participation is strictly required by the consumption activity itself, see below). Involved customers are more committed as they can evaluate the process and its implications more carefully: commitment reduces cognitive boundaries and increases the consumer's pro-active role.

Starting from this point of view, we can make a distinction between alternative situations (i.e. Dujarier, 2008). On the one hand, customers may not take part to the co-production or play a passive role if it is required a certain amount of customer's involvement in the realization of the output (in case of provision of many services). On the other hand, customers may consider a specific consumption activity (i.e. playing football or videogames, riding a bike, cooking, etc.) particularly important for them – in terms of satisfaction of material needs, self-expression, social interaction, etc. – and, hence, oriented to be very active and committed to co-production.

Levels and kinds of involvement

In addition to the level of engagement of customers, as stated earlier in the paper, we argue that a key distinction has to be made in customers' participation to co-

production process: individual *versus* social involvement. The theoretical contributions on co-production stress that customers can be connected to the firm as singles - who offer (voluntary or not) their material and knowledge work - or as members of social entities (the communities, the tribes). In this second dimension, the effort and work of individuals is enhanced by the activity of interaction with the other customers. The social scale is an unavoidable element of the co-production, which could not necessarily generate the same results of single customers' involvement. Studies on communities identified different community members' roles (i.e. Kozinets, 1999; Ouwersloot and Odekerken-Schröder, 2008): customers involvement and participation vary depending on their lead-userness, their expertise and will to spend time and personal effort in the interaction, consumption discourse and shared work (i.e. Shah, 2006).

In addition, as we already said, co-production is a quite complex phenomenon, where the production (and its benefits) refers to both material and immaterial elements. We argue that the evaluation and distribution of the benefits of the work done by the customer and the company can be very different in case of simple material participation or in presence of complex immaterial tasks.

We should take into account that co-production work has gradually become more and more based on intangible tasks, and this work has become fundamental for advanced firms. In their recent article on working consumers Bernard Cova and Daniele Dalli define immaterial labor as the *“activity by which a growing number of contemporary workers contribute to the development of post-fordist industry”* (Cova and Dalli, 2009, p. 328). Two main forms of immaterial work are in place: a cultural form, that regards intellectual or linguistic tasks with analytic and

symbolic contents, and are related to the production of e.g. ideas, symbols, and images; an affective form, that is related to the mental and corporal spheres, and relates mainly with feelings (e.g. satisfaction, well-being, passion).

The growth of consumers' immaterial work - that according to the authors is mainly underestimated if not even not recognized - is otherwise related to a progressive increase of customers' involvement in consumption processes. As sociological studies highlight, consumption is nowadays an important part of people's identity construction (Ahuvia, 2005; Firat Dholakia, 1998). In this new context, willingness to participate in market-related activities is growing and this is especially true for creative activities in which consumers manipulate signs and information, individually and in communities (Peñaloza and Venkatesh, 2006; Schouten and McAlexander, 1995). Nevertheless, due to attention constraints and different levels of relevancy about purchase and products for consumers, this level of commitment is dissimilar among customers and impacts on their ability to effectively contribute to the co-production, to control the process and achieve (co)production benefits.

Controlled vs. loose co-production: a model

Co-production activities and relevant cases

As we have seen in the previous paragraphs, the way consumers interact with firms in order to co-produce value is affected by their involvement in the purchasing / consumption process and by the type of relational interaction in which co-production takes place.

In order to study what may be the consequences of these theoretical premises we built a 2x2 matrix using two basic variables (see table 1): level of customer's involvement (high and low) and the type of co-production relation (that is individual or social). The first variable can be high or low depending on the willingness of the consumer to commit in the participation. The second variable, the co-production nature, can be represented as individual – when the form of interaction is one-to-one based and limited to the firm and its customer - or social – when the interaction is a more spread-out phenomenon, and involves other consumers, non-consumers and communities.

Eventually, four alternative options of co-production emerge, with distinctive managerial features (see table 1). A further explanation and some examples (in brackets in the table) will clarify the sense of our discourse.

Table 1 – Socialization and commitment in co-production activities

		Co-production relation	
		Individual	Social
Level of involvement	High	3 1to1 co-production (Zooppa)	4 Community-based co-production (maggiolino.it, Counter-strike)
	Low	1 “Forced” co-production (ATM)	2 Functional co-production (Expedia)

Quadrant 1 is the case of low involvement in an individual co-production relation. That is frequently the case of “forced” co-production purchasing and

consumption processes, in which modern production and distribution of products and services offer some material benefits (typically time and money savings, 24x7 availability) at the price of some customer's activities. For example, ATMs services guarantee cash distribution at any time, but the customer has to do some simple work tasks like searching for the nearest machine, reach it and interact with the automatic teller.

Simple co-production tasks are also present in quadrant 2, but in this case information and communication technologies (ICT) and in particular the web, have enlarged the scale of communication and opened new opportunities. This is the case of modern electronic commerce engines, such as Expedia, in which the customer has the possibility of retrieving the comments of other customers that have purchased / consumed the same product she is interested in (i.e. a specific hotel quality assessment). Differently from the previous case, here the co-production has an important social dimension: without any direct and immediate reward, customers accept to share their opinions with Expedia and the other visitors knowing that other consumers could access such knowledge and they could benefit from others' one in the future, as theorized by the literature of sociology of the gift (see for example Giesler, 2006).

Without those comments, Expedia wouldn't be able to differentiate its services from the competitors' ones. In addition, customers may be attracted by Expedia website because of the presence of peers' evaluations and modify their consumption choices on the basis of such inputs. Nevertheless, the solution is technology-driven and consumers' involvement remains low, highlighting the

importance of functional benefits due to the critical mass of comments and the limited social interaction among customers.

Quadrant 3 is characterized by a high level of involvement in an individual (1to1) co-production interaction. Many studies on the role of lead-users in the collaborative innovation can position their analyses in this box. This is also the case of Zooppa, a web-based intermediary specialized in supporting firms in their brand strategy by relying on people participation (Zooppa defines itself as “the global social network for creative talents”). In accordance with the firm, Zooppa offers creative brief to registered visitors, who can participate to an on-line competition and win money. Participants can be neophytes or (usually) experts in communication, design or arts (creative people) who submit their proposals to the Zooppa platform. The community votes the proposals and gives feedbacks about the works uploaded. Moreover, each participant as member can persuade voters to select her work. However, the final decision about the winner is up to the firm. In this case the role of the community is not central in the co-production process, which remains in the context of one-to-one interaction (the participation of the community is limited to the activities related to the selection system).

A deeper involvement of the community is the case of quadrant 4, in which co-production activities are socially-based and trigger high levels of consumers involvement. Studies on communities of innovations, brand communities as well as tribes emphasize this level of many-to-many co-production, strong commitment of participants and ability of the community to become the new barycenter in this process.

This is the case, for example, of the vintage cars community maggiolino.it, in which members are committed in symbolic and material co-production, frequently encompassing specific and personal interaction high value activities. Old cars limited or null market value is transformed in valuable market transactions and potential interesting bargains through the means of an intense circulation of technical and symbolic information, that can have a real impact even on the products the firm (the German car manufacturer Volkswagen in this case) currently distributes.

Another relevant example is the popular videogame Counter-strike, developed by two students who modified the source code of another well-known game, Half-Life. With the help of the new-born community, they created a completely new product with a life on his own and out of the control of the company. By building relationships with the Counter-strike community, Valve software then was able to include – as a free module of Half Life - Counter-strike in its product portfolio available for individual use (mass market).

The contexts highlighted by the matrix have also important consequences on the way benefits of co-production are distributed between the firm and the customer, as we'll see in the next paragraph.

Co-production and benefits distribution

As described in paragraph 2, benefits deriving from co-production can be initially identified as material (functional) and immaterial (symbolic and social). In addition, here we will consider another circumstance, related to the fact that they may be referred to the customer and to the firm.

On the one hand, the consumer may enjoy material benefits deriving from the co-production, functional advantages such as special rates, delivery and payment conditions, customized solutions, etc. Other advantages are more immaterial, such as personal gratification, social recognition, identity self-reinforcement, etc.

On the other hand, the firm has a symmetric position than the one of the customer(s). It can enjoy material benefits when co-production processes lead to lower production and distribution costs (organizational and human), such as greater economies of scale, capital vs. labor substitution, product differentiation premium prices. More intangible benefits derive from the immaterial work done by consumers and communities, especially on the cultural (intellectual and linguistic) and affective (passions and feelings) sides.

Considering the benefits of co-production, we have to underline that at the firm's level – differently from the consumer's level - co-production can potentially produce a two-order benefit. Firstly, firms can benefit from the work done by customers directly, as a (direct) effect of the activities carried on in the contextual interaction of co-production. Secondly, rewards distribution allows another (indirect) form of appropriation, that is the exploitation of the contents related to co-production in a broader context than the one of co-production interaction. For example, the firm could re-use (exclusively) customers' work in order to obtain new solutions that can be replicated or new products that can be standardized and distributed to the mass market and generate significant revenues.

A crucial point in the distribution of the benefits relates to the possibility for the firm to control the co-production process and profit from the appropriation of its value. The possibility to control consumers' work is of course dependent on

several circumstances, above which we highlight the nature of the work (material, immaterial) and the type of customer involvement.

Of course, every co-production work – as a human action - presents material and immaterial elements: consumers’ immaterial work is in place even if the consumer doesn’t want and/or know (Weick, 1995). Nevertheless, some co-production activities implied in the quadrants of the matrix are prevalently of one or of the other type (see table 2). Thus, at the extremes of this situation we can distinguish between low-involvement material work, that are easily assessed and quite fairly distributed (e.g. the case of Atm, or the case of the use of e-commerce shopbots), and high involvement immaterial work, that is difficult to reward and even to measure (e.g. in the case of the construction of a brand in a viral context through the action of a community of adopters).

Table 2 – Benefits distribution: balancing controlled and loose co-production

		Co-production relation	
		Individual	Social
Level of involvement	High (Area of intangible exploitation)	3 <i>Loose co-production</i> Double exploitation vs. customer empowerment	4 <i>Loose intermediation</i> the community is a formal interface
	Low (Area of functional barter)	1 <i>Forced co-production</i> Co-production work is easy to evaluate and benefits are easily distributed	2 <i>Controlled co-production</i> Premium prices are exchanged for some differential benefits deriving from co-production

In particular, quadrants 1 and 2 are the areas in which material benefits are prevalent. Here the firm has more possibilities to strictly control the co-production

process, organizing type and scope of the work that the consumer is supposed to do. When co-production tasks are definite and simple (quadrant 1), the firm and the customer agree on a reciprocal functional barter that leads to a rather fair distribution of benefits.

More complex situations - like the one represented in quadrant 2 - call for a different control by the firm. Here the stake is the appropriation of the co-production value in terms of differentiation, profiting from the associated premium-price. For example, in the case of Expedia - mentioned in the previous paragraph - the firm could exclusively use the for-free comments posted by the users in order to enhance its service level and ask for better commissions from advertisers and from travel operators.

Upper areas in quadrant 3 and 4 are even more problematic, since they present more subtle forms of work. Here, the position of the consumer is conditioned by its involvement in the process. Since the perception of the work done can vary a lot among consumers, this may influence the benefits the firm can potentially appropriate. Of course this area is also a very interesting one for firms, because here the object of co-production is related to the intangible value of firms' products, of potential strategic importance. As a result, firm's motivation to take control of the co-production process is high. Nevertheless, firms must also consider that more complex forms of co-production call for richer approaches to customer engagement, questioning the dominant firm-centered perspective on benefit control (Prahalad, 2004; Payne et al., 2008).

Control initiatives over distribution mechanisms depend also on the characteristics of the consumers. In particular, recently the literature has

recognized the peculiarity of a particular category of exigent “empowered” consumers. These customers are surely increasingly fully responsible for their consumption choices (Shankar et al., 2006); sometimes they even construct (in material, intellectual and affective terms) their own consumption products (Keat et al., 1994). Empowered consumers can control some marketing variables, especially those related to communications elements of marketing mix. That way they can influence how other consumers get in touch with the offering, affecting the final perception of the product, the brand, the company and the associated meanings. Whenever the role of the community in co-production – as in the example of Counter-strike – is stronger and it becomes the new interlocutor of the firm, rather than the single customer (quadrant 4) (Jeppesen and Molin, 2003), the firm’s effort to control the value created increase and specific incentives have to be developed to share the co-production outcomes.

The picture is complicated by the fact that “*Consumers work immaterially and produce immaterial products as a precondition that does not imply any interaction with the organization of production*” (Cova and Dalli, 2009, p. 330). That means that the firm may be largely unaware of important part of the immaterial work done by consumers (customers and non-customers) until something makes them interact in some way.

The arguments discussed above show that the firm-centered perspective on how to engage the customer for benefit appropriation is in question. In particular, we believe that a balance between tightly controlled and loose co-production relations must be reached, and this is also in line with previous research (Danneels, 2003). Strong mutual dependency and partial mutual determination

among elements are in fact characters of tight and loose coupling (Orton and Weick, 1990): they must be managed in order to avoid detrimental consequences, such as restricted strategic vision and hostile reactions by the market.

In fact, strict forms of control can lead to the *double exploitation* described by Cova and Pace (2006). The first level is in the form of using the consumers' work in order to increase the brand's linking value (for example, hosting consumers' communities members personal contents like posts and materials that hold specific value); the second is done by re-appropriating the consumers' production posing copyright conditions on the above mentioned work in order to use it exclusively in its branding strategy. If the firm controls too much the co-production process may not be able to explore the potentialities of customers' contributions (i.e. managing a community directly). At the same time, however, a loose relation with customers can reduce firm's capacity to obtain material and immaterial benefits or, even worst, to misinterpret the effective results of what the co-production has produced.

Conclusions: implications and future research

Using the variables highlighted in the previous paragraphs, we identify a complementarity between different literature streams in helping explaining the nature of co-production processes and we can draw a comprehensive approach to co-production. First, we distinguished between individual and social participation to co-production, by highlighting how to integrate the two perspectives and how they affect co-production structure and benefit distribution. Second, we enrich the picture provided by the literature including in this framework another important

variable: the level of customer's involvement. We argue that the intensity of consumers' participation can vary a lot depending on the commitment they have in the co-production processes. This element generates consequences on the co-production and specifically on how customers and firms can take control the outcomes and the benefits.

The matrix we propose allows positioning the different situation of co-production and the balance of benefits between firms and customers. By understanding the co-production nature as well as the level of involvement of customers the firm can outline an appropriate marketing strategy. In complex symbolic and social co-production settings, the looser the relationships (between the firm and the consumer sphere) the stronger the firm's effort in achieving benefits from co-production.

The emerging category of 'exigent empowered consumers' is challenging firms' marketing and production capabilities, but is not necessarily only critical. They work for their benefit, but rather than challenging firm's authority, they call for a new role of the firm, also creating new market opportunities. Those committed customers are able to independently develop products and meanings (Baldwin et al. 2006; Fueller and von Hippel, 2008) that can even be proposed to the market by disintermediating the role of firm. In this case, from passive and subordinated players, customers (and community) become potential firm's partner (i.e. Pisano and Verganti, 2008).

The paper has also limitations, since some important topics have been excluded from the present version. We believe that further research efforts may be devoted to the analysis of the role of consumers as resource integrators (Lusch and Vargo,

2006, p. 283; Baron and Harris, 2008), with particular attention to the ones who act as gatekeepers in relation to important physical, social and cultural resources for the firm (Arnould et al., 2006). In fact, the latter bridge primary and secondary levels of sociality into the co-production and unlock to the firm their networks of relationships with other customers and – most important – non-customers (i.e. Fichter, 2009).

Furthermore, customers may rely on their personal networks to reinforce their contributions to the co-production both in terms of outputs and benefits. However, literature has not fully considered the relevance of non-consumers in the overall co-production processes yet. Recent consideration of the importance of social networks consumers for the outcomes of co-production processes underline - on the contrary - the importance of non-consumers that are in contact with consumers of a particular product or service. At this regard, the role of consumers as resources integrators of (non-) consumers is a critical topic in recent literature and should be further analyzed.

Finally, the importance of entrepreneurial risk (from the market and technological sides) in valuating the distribution of co-production benefits - especially for collaborative innovation - is to be further investigated.

Notes

¹ Even though there is a large debate in marketing studies concerning the managerial distinction between product and service (for an overview see Vargo and Lusch, 2004a and 2004b and the Marketing Theory special issue on service-dominant logic volume 6(3); for an alternative view see Stauss, 2005), in the paper

we will use the term “product” by including both the material and immaterial dimensions of firm’s outputs (Cova, 1997; Holbrook, 1987).

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