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Managing the co-created brand: Value and cultural complementarity in online and offline multi-stakeholder ecosystems

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ABSTRACT

The concepts of co-creation and co-communication are emerging concepts in the brand management literature that invoke multiple stakeholder interactions. However, this literature does not consider the impact of the complex ecosystems that lie behind both the brand and its stakeholders in order to create synergistic outcomes. By analyzing LEGO's relations with four stakeholder ecosystems we find that successful co-creation outcomes are dependent on value and cultural complementarities, but that these outcomes can be jeopardized when there are not also complementarities between the cultures in the process of direct firm–stakeholder interaction. To maximize co-creation the firm should remain open to input from all stakeholders, because even opposing stakeholders at the periphery of the ecosystem can contribute with valuable adjustments at the core.

1. Introduction

Consumer co-creation is a dominant force in business today (Prahalad & Ramaswamy, 2004). Consumer co-creation significantly extends traditional notions of user driven product innovations (Ibid.) to radically refocus the business around customer value creation (Vargo & Lusch, 2004) in a dialogic relationship between the firm and its customers (Ballantyne, Frow, Varey, & Payne, 2011). Our understanding of the consequences for the application of the concept to the branding literature is at an early stage. Merz, He, and Vargo (2009) in suggesting a new collaborative logic for branding propose that "marketing managers might benefit from investing resources in building strong brand relationships with all of their stakeholders and a service-dominant firm philosophy built around brand value co-creation" (p. 328). Whilst the concept of co-creation has been explored within brand communities (Muñiz & O'Guinn, 2001), and in relation to consumer–brand relationship experience (Payne, Storbacka, Frow, & Knox, 2009), the implications for the management of brands remain underexplored. There is broad agreement that this new paradigm challenges the traditional company-centric approach to management generally (Prahalad & Ramaswamy, 2004) and brand management in particular (Hatch & Schultz, 2010; Potts et al., 2008) A key challenge, as identified by Merz et al. (2009), is how multiple stakeholders are incorporated into a new model of brand management (see also Gregory, 2007; Hatch & Schultz, 2010). As we move into a new logic of brand management that seeks to encompass new stakeholders into the brand creation process, the successful inclusion of stakeholders in the creative and innovation processes around the brand requires that brand managers understand the challenges, motivations and priorities of these actors to involve themselves in this process: if co-creation is to become just that, and not a process of mutual destruction (Hollenbeck & Zinkhan, 2006, 2010; Klein, 2000; Kozinets & Handelman, 2004; Kucuk, 2008; Rumbo, 2002).

With these ideas in mind, this article introduces the concept of complementarities to address the issue of what motivates firms and stakeholders to engage with one another to create successful multiple stakeholder, co-created outcomes. The outcomes achieved are a result of interactive and reciprocal processes among relationship partners and stakeholders (Ballantyne et al., 2011; Grönroos, 2011; Tzokas & Saren, 1999), that is, they are co-created. These processes, in principle, ensure all stakeholders can initiate and evaluate value propositions, and that the value created emerges from a broad cycle of communicative interaction (Ballantyne et al., 2011). Whilst some research suggests that successful multiple stakeholder interactions demand each participant understands the motivations and priorities of the other participants (Jones, 2005), little is understood about the nature of these stakeholder motivations.

The concept of complementarity points to a wider socio-cultural system than just dyadic stakeholder relationships. This we call the stakeholder ecosystem, encapsulating both the network nature of these relationships and the complex set of subcultures that make up this ecosystem. Ecosystem is normally used to refer to the systemic interactions within biological environments consisting of both physical and biological components. When applied in the organizational context it refers to the system of interactions between the socio-cultural

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elements among a given set of stakeholders. In the context of this paper these ecosystems are both virtual and non-virtual. The increasing penetration of Internet amongst consumers and the emergence of Web 2.0 technologies are profoundly affecting the ability of consumers to engage in co-creational activities. The consequence of Web 2.0 is however not uniform; it increases the potential for individuals to engage in both formal communities as well as impromptu ones, but it does not result in the wholesale virtualization of stakeholder interactions. The nature of interactions remains differentiated, but the reasons for this remain unclear.

The aim of this paper is to explore the effect and interplay of value and cultural complementarities in offline and online multi-stakeholder ecosystems. The article begins by reviewing the literature on stakeholder perspectives within the brand management literature. It argues that social media sites and online communities are important sites for the collective definition of brand meaning. This challenges traditional brand management theories and models to adopt an explicit stakeholder focus, but it is noted that there is little understanding within the existing literature of the motives for stakeholders to engage with focal firms. The paper discusses value and cultural complementarities as evidenced in relation to brand–stakeholder interactions and the role of the virtual aspects of these complementary processes.

The empirical part introduces the case of LEGO's relationship with four stakeholders: Architect Adam Reed Tucker, in relation to the creation of LEGO Architecture, LEGO Certified Professionals, LEGO Ambassadors/Adult Friends of LEGO, and LEGO Mindstorm User Group to illustrate how value and cultural complementarities can be understood in relation to brand management. The following section clarifies how value and cultural complementarities mutually influence each other and presents a series of propositions. It identifies how virtual aspects influence value and cultural complementarity, and presents the implications of these findings for branding and brand management theory. Finally topics for further research are discussed.

2. Stakeholder perspectives in brand management literature

Since the publication of Freeman's (1984) seminal work on the role of stakeholders in strategic management, stakeholder perspectives are increasingly seen in a range of business disciplines: Business ethics (e.g., Carroll & Buchholtz, 2008), accountancy (e.g., Laan, Ees, & Witteloostuijn, 2008), corporate social responsibility (e.g., Doh & Guay, 2006), and public relations (e.g., Jones, 2002). Within the branding literature focus has been on one major stakeholder relationship: the brand–customer relationship, as the main source of brand value (Keller, 2008). Merz et al. (2009) argue that branding has undergone four stages of development: from a goods focused logic, through value and relationship focused logics to a stakeholder logic. Stakeholder approaches are emerging in the literature in relation to brand communities (Muñiz & O'Guinn, 2001), key internal stakeholders (Ind & Bjerke, 2007; Vallaster & de Chernatony, 2005) and around stakeholder communication in relation to brands (Gregory, 2007). However, there is little empirical work to support these claims and where it exists it is focused on single stakeholders. Given the multiple relationships organizations have with their stakeholders and the ways in which new (social) media technologies allow for these stakeholders to interact, co-communicate and co-create mutually, there is a need for the development of multiple stakeholder approaches to brands and brand co-creation. Current themes of brand co-creation in relation to different stakeholder groups, i.e. consumers, internal stakeholders and business-to-business stakeholders are discussed below.

The brand–consumer relationship (Keller, 2008) is the focus of traditional branding literature with particular focus on how brands create value through brand and consumer-based brand equity (Aaker, 1991; Keller, 2008). Most research in this area has focused on brand communities (e.g. Muñiz & O'Guinn, 2001) and the ways in which communities create their identities in relation to the brand. Much of this work focuses on internal, community sense-making and identity building rather than co-creation with the brand per se. Indeed Fournier and Avery (2011) argue not all communities and not all members welcome direct intervention by the brand in community conversations. However it is clear that from a firm perspective valuable interactions and insights form in and around these communities. Payne et al. (2009) argue organizational learning is explicitly tied to customer learning in the context of brands and building brand experience. They highlight the role of community involvement and knowledge sharing as the foundation for co-creation. In their study of the co-creation processes between consumer and firms, Potts et al. (2008) highlight the situational nature of creativity arguing that in contemporary digital culture, value is created in the context of an ongoing co-evolutionary process between economic and cultural dynamics. For instance, the business models of sites such as Twitter, Facebook and Google+ explicitly build around the co-creational potential of such sites as cultural and economic (commercial) spaces. This line of thought is already being conceptually explored in the retailing literature where "Retailers today can no longer be accurately characterized as "merchant intermediaries" that buy from suppliers and sell to customers. Rather, they are best described as orchestrators or conductors of two-sided platforms that serve as ecosystems in which value is created and delivered to customers and, subsequently, appropriated by the retailer and its business partners." (Sorescu, Frambach, Singh, Rangaswamy, & Bridges, 2011).

Internal stakeholders have been a particular area of focus. Employees are recognized as key stakeholders who are important carriers of the brand (Harris & de Chernatony, 2001) where employees play the final part in the delivery of consistent, coherent and clear moments of truth that differentiate one brand form another. In the management of retail and service brands, the role of the employee is posited as central to the delivery of unique and authentic brand experiences (Carlzon, 1989; Normann, 1984; Vallaster & de Chernatony, 2005).

Finally, the consumer predominance in the literature has been widened progressively with emergent work on the role of brands in business-to-business relationships (Ballantyne & Aitken, 2007; Mudambi, 2002) and service brands (Brodie, Whittome, & Brush, 2009). Jones (2005) suggests that rather than creation through dyadic relationships, brand value is dependent upon multiple stakeholder relationships. Merz et al. (2009) reiterate this point when they suggest that brand value is "co-created through network relationships and social interactions among the ecosystem of all stakeholders" (Ibid. p. 338). They suggest an inclusive stakeholder model is the basis of the development of dynamic and interactive conceptualizations of brand co-creation. Hatch and Schultz (2010) talk of "enterprise brands" that are jointly co-created by the focal firm and its stakeholders.

These developments have implications in relation to brand alignment oriented theories (Balmer & Greyser, 2002; de Chernatony, 2001; Schultz, Antorini, & Csaba, 2005). As the locus of brand creation moves from the company-advertising bureau nexus to multiple stakeholders it becomes more difficult to achieve the ideal of value alignment across the stakeholder ecosystem. Alignment of values and culture cannot be forced onto any subculture; indeed it is not even certain that alignment is desirable. This in turn suggests that the role of the brand manger changes from that of instigator to orchestrator of multiple stakeholder interactions around the brand. In this light, firms must increasingly understand the subcultures of consumption (Schouten & McAlexander, 1995) and look for complementarities between subcultures where they interact.

3. Value and cultural complementarities in branding literature

The fundamental driver of the value creating process from a complementarity perspective is that stakeholders possess complementary

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