

ENGAGING CUSTOMERS IN CO-CREATION OF VALUE IN CONSUMER GOODS INDUSTRY: A COMPARATIVE ANALYSIS

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Abstract:

The current study provides a comparative analysis of innovation management approaches by engaging the digital customer in the development of new products, emphasizing the business strategies of two successful companies from the consumer goods industry, the Barilla Group and the Heineken Company. The main purpose of this paper is to analyze the innovation management strategies of the both companies, highlighting their efforts to engage customers in developing creative ideas for new product development. Moreover, the study aims to comparatively describe the characteristics of the online platforms for consumer's engagement in the co-creation process, by using social media tools and other Internet-based mechanisms. The foreseen result of the current research is to develop a framework of analysis for companies' key actors in developing a new product development strategy that takes into account the importance of social media and of the new generation of consumers so called the Net generation that companies are more and more interested in.

Keywords: online platforms, digital customer, innovation, co-creation.

1. INTRODUCTION

The nowadays business strategies regarding innovation management highlight companies' focus on open innovation. This new paradigm emphasizes that the department of Research and Development (R&D) should look outside to acquire the technology the firm needs, the company commercializing both its own ideas as well as innovations from other firms (Chesbrough, 2003, p. 37). Moreover, in contrast with the closed innovation model, the new model distinguishes by the way companies screen ideas regarding new product development, as in the open innovation model companies have the capacity "to rescue projects that initially seemed to lack promise but turn out to be surprisingly valuable" (Chesbrough, 2003, p. 37).

In this context, Heineken and Barilla Group are two giants of the consumer goods industry who adopted this new paradigm of innovation, being aware of the benefits of the openness to outside valuable ideas. Accordingly, the aim of this paper is to develop a framework of analysis regarding companies' methods to engage customers in a continuous dialogue to provide creative ideas for new products, new technologies, new packages they want to find on the market. Also, the methodology of the current article provides a comparative analysis between two case studies emphasizing the digitization of innovation and the experience of the two big players from the consumer goods industry in designing projects to involve customers in new product development.

Moreover, the study encompasses a framework of comparative analysis of the open innovation strategies used by Barilla Group and Heineken, outlining the differences and similarities between open innovation strategies regarding the collection, the processing and analysis of the ideas provided by customers, the characteristics of the online platforms owned by the companies, the open dialogue with customers and the interaction with them.

All in all, the current study aims to emphasize the differences and similarities about the open innovation strategies that the two consumer goods industry manufacturers use in order to obtain a competitive advantage on the market, by proactively engaging customers in the co-creation of value.

1.1. Co-creation of value based on customer's proactive engagement in developing creative ideas

In the new era of business, product manufacturers engage customers in an open dialogue through which they have the opportunity to "take part in the value creation processes of firms, either on their own initiative or on invitation of by these firms, and thus creating and producing their own goods and services" (Weber & Geerts, 2011, p. 259). Accordingly, companies initiate online projects by creating digital platforms where customers all over the world "meet" and share their ideas about the new products and services, becoming more active and involved in performing a part of the production process, with a role of co-producer or prosumer (Weber & Geerts, 2011, p. 260).

In such context, building these engagement platforms (Ramaswamy, 2011, p. 195) enables companies to create a direct interaction with consumers and to develop together new ideas and to create value based on human experiences (Ramaswamy, 2011, p. 195). Moreover, these new mechanisms of digital interaction enable the co-creation process, defined as "a process by which mutual value is expanded together, where value of participating individuals is a function of their experiences, both their engagement experiences on the platform, and productive and meaningful human experiences that result" (Ramaswamy, 2011, p. 195).

Furthermore, some authors refer to co-creation as to an art of companies and consumers to create valuable experiences, a new value creation paradigm (Prahalad & Ramaswamy, 2002, p. 53), which suggests 'how companies can better understand the consumer's view of value and productively work with them to co-create more satisfying value for both sides" (Prahalad & Ramaswamy, 2002, p. 54).

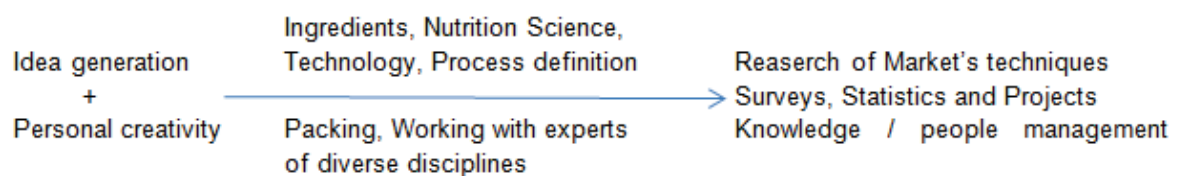
1.2. Digitizing innovation: engaging customers in virtual environments

The most successful companies in the world choose to adopt the new model of open innovation due to the competitive advantages they obtain by digitizing innovation and engaging customers in virtual communities where they can share ideas, bring new perspectives regarding packaging, new

technologies, or new methods for designing the products. In the light of this research, we outline that companies digitize innovation, as “the Internet allows firms to engage customers more broadly, more richly, and more speedily” and “to create ongoing customer dialogue, absorb customer social knowledge, and scan knowledge of potential or competitors’ customers” (Sawhney, Verona, Prandelli, 2005, p. 11).

2. INNOVATION MANAGEMENT IN CONSUMER GOODS INDUSTRY: KEY POLICIES AND INNOVATION STRATEGIES OF BARILLA GROUP AND HEINEKEN

Analyzing Barilla Group’s key policies and innovation strategies it can be said that they have their origins in the company’s vision. Barilla Group focuses to help people live better, bringing daily into their lives wealth and the joy of eating, especially quality food. (Barilla Group, About Us: Vision, 2014) For this reason, as a part of Barilla’s team, everyone is involved in the full life cycle of product realization, from initiation to production.



All these steps are necessary to bring out the product from laboratory to market, and this experience is seasoned with a strong incentive/impetus of innovation, a generous dose of passion and will to work together in order to be successful. (Barilla Group, Join Us: Research&Development, 2014)

Barilla’s process of creating new products is based on the interaction between different professionals, from both inside and outside the company. They are brought together due to the close relationship between the people who design the products and those for which they are designed. This innovative strategy consists in the fact that each design team works with a selected group of people who actively participate in creating new products. These are not just tasters, but proactive people that are involved from the early stages of the development process.

Another important strategy in terms of innovation is that Barilla aims to become a home for competence and a hub of innovation in order to increase / educate the food industry as a long-term concept. Best practices of the company are shared and core capabilities are developed, making science the force that pushes people towards continuous improvement and brand management.

At the same time, research projects of proprietary catalyze internal and external resources in a network of innovation, leading the company through a maze of creativity to identify, develop and adopt new styles and sustainable food.

As for Heineken's strategy, this is based on sustainability and innovation, these two policies underpinning the company's business. Heineken believes that sustainable business is a successful business, and "Brewing a Better Future" strategy launched in 2010 aimed at creating sustainable value for the company, society and the planet. This strategy, developed with company’s stakeholders, relies on the protection of water resources, reduction of carbon dioxide emissions, raw materials derived from sustainable sources, and promoting responsible consumption. Human resources are the ambassadors of this strategy that face daily challenges in the business.

Furthermore, innovation plays a key role in the company's success. In 2010 Heineken has proposed doubling the rate of innovation by 2020, which means that 6% of the company's sales will come from innovation. The company is open to change and that innovation can come from anywhere: employees, consumers, suppliers or other external sources. It aims to collaborate with external innovators through the online platform "Brewhouse Innovators" for open innovation (Heineken, About us: Innovation, 2014).

Among the six priorities declared by the company, related to Heineken brand development and integration of sustainability, a key policy of the company is the constant communication with the customer to develop other global brands such as Desperados, Strongbow Gold, Sol, etc., to increase the rate of innovation and to create value for customers, these elements leading to long-term success of the company (Heineken, About us: Company & Strategy: Our Business Priorities, 2014).

Therefore, that the company has as a key policy the involvement in the innovation process of any entity that can contribute to the company's success, declaring that the strategic objective is the constant communication with the consumer in order to increase the rate of innovation and create value for customers, it also implies the proactive involvement of the consumer in the company's product development, especially through open innovation platforms that the company owns.

3. COMPANIES' EXPERIENCE IN DESIGNING PROJECTS TO INVOLVE CUSTOMERS IN NEW PRODUCT DEVELOPMENT

According to the objectives of this paper, we analyze the projects designed by the companies from the consumer goods industry, namely Barilla Group and the Heineken Company, in order to outline the experiences of engaging customers in the co-creation process and the competitive results obtained. Both Heineken and Barilla use online platforms (e.g. Barilla Factory, Heineken Innovators Brewery, Heineken Ideas Brewery, etc.) The innovation portals these companies use to maintain an ongoing dialogue and interaction with their customers enable them to discover their creative ideas and desires regarding companies' products they expect on the market. Accordingly, the Heineken Company and Barilla Group have both a long period of developing programs and projects for innovating products, through the proactive engagement of stakeholders.

3.1. Engaging customers in innovation processes in Barilla Group

Analyzing Barilla, the top Italian food group, the experience of the company in engaging customer in new product development refers to three main projects developed, such as "Mi piace essere un sugo Barilla", "L'Arte della Cucina", "Love life, love pasta: in your own way!". One important project, "L'Arte della Cucina", developed by Barilla invites customers to be creative in order to give a fresh expression to the Barilla Sauce, by giving a contemporary flavor to the sauce creating a poster which expresses the following message "The fresh from the garden taste of Barilla Sauce inspires fresh ideas/exciting possibilities!" (Barilla Factory, Projects: L'arte della cucina, Brief, 2014). However, the project aimed by means of a contest to discover a new Barilla sauce, which expresses the fresh taste and the modern Italian food culture (Barilla Factory, Projects: L'arte della cucina, Brief, 2014).

Furthermore, the project "Love life, love pasta: in your own way!" from 2014 was also envisaged as an online contest in order to engage customers in the creation of a video which should encompass the creative vision of our life realized by new types of communities, as the virtual ones developed by the social networks (Barilla Factory, Projects: Love life, love pasta in your own way, Brief, 2014). Thus, the project aimed to emphasize the role of open communication facilitated by the online mechanisms and the launch of the digital platform, Barilla Factory, celebrating the success of previous contests developed by the company, "Barilla Sauces" and "From which pasta is made" (Barilla Factory, Projects: Love life, love pasta in your own way, Brief, 2014).

In the light of this research, it should be outlined that Barilla's experience in engaging customers in the co-creation process shows the intense preoccupation of the company for the open innovation strategies to involve customers in the new product development. It may be emphasized that Barilla uses a lot of online projects to create new sauces, new pasta and, also, to intensify the open dialogue between participants on the online platforms encouraging them to express their unique way to see life, launching the project "Love life, love pasta: in your own way!".

3.2. Involving external stakeholders in co-creation in innovation: innovation projects designed by the Heineken Company

Focused on the proactive engagement of customers in the innovation processes, the Heineken Company launched in 2012 the online platform Heineken Ideas Brewery. The company defined the need to involve external stakeholders as four challenges for creating sustainable packages,

reinventing serving the draught beer, ideas regarding the lifestyle of the 60+ generation and ideas for developing and personalization of the products for the 60+ generation suitable with their needs and lifestyle (Ideas Brewery, 2014). The project brought together innovators from the whole world and was finalized with two co-creation workshops where innovators were invited to work with Heineken experts, bartenders and consumers to develop their ideas.

Also, another successful platform for innovation, Frontier, initialized by Heineken in October 2014 aimed to engage external stakeholders in the co-creation in innovation processes. The program gave “opportunity for pioneers of innovative technology and services to expand and emerge on a global scale, through a partnership with Heineken” (Heineken, Media: Media Releases: Heineken launches Frontier, a new global accelerator igniting partnerships and ideas with technology innovators, 2016). The target segment of stakeholders was represented by companies which develop innovative technologies and services (digital innovators, inventors or companies which develop products) aiming to globally expanding, through a partnership with Heineken, in order to develop an ecosystem of digital services and devices (Avasilcai & Rusu, 2015).

At this moment, the project developed by the Heineken Company is the Heineken Innovators Brewhouse, which is directly linked to the official website of the Heineken company, accessing the menu „About us: Innovation: Innovators Brewhouse”. The project covers a large area of interests and it is designed for collaborations with mutual benefits leading to satisfying consumers’ needs in an innovative way (Heineken, About us: Innovation: Innovators Brewhouse, 2016).

4. THE RESULTS OF MAIN INNOVATION PROJECTS DEVELOPED IN THE CONSUMR GOODS INDUSTRY

The external stakeholders’ involvement in the process of co-creation initiated by Barilla Group and Heineken, by using online tools, has led to positive results for both companies, mainly in terms of new product creation, by increasing partnerships in developing markets from Africa, Asia or Southeast Mexico, as well as new services, such as cooling devices and new ways of serving beer in case of Heineken, etc.

4.1. Barilla Group’s results of main innovation projects

By initiating and continuing the competitions / projects on various themes and platforms, Barilla seeks dialogue with stakeholders regarding their real and effective involvement. The company is convinced that without their contribution to sustainability it could not exist. It aims not only to innovation of products, technologies and highlight young talent in any field, such as design, graphics, camera, promoting and enriching their portfolios. Thus, a community of creative artists, people interested in food security and nutrition under the brand Barilla was created.

According to the Annual Report 2013, total revenues in 2013 saw a number of changes from the previous year. In the European Region the turnover in 2013 was 2.1% in volume and 1.7% in value compared with 2012. The Italian market has grown both in terms of volume by + 0.5%, and income of + 0.2%. In Western Europe, there was an increase of 4.5% in volume and 4.3% in revenue. Central European markets have achieved outstanding results, from + 6.9% in volume and 5.5% in revenues due to effectively organized promotional activities with an impact on Pasta and Sauces segments. The Northern Europe recorded positive results of + 3% in volume and 3.5% in turnover, but more in the Bakery segment. (Barilla, Annual Report 2013) All these increases were also due to the main innovation projects, promotions and new product launches.

4.1. Heineken’s financial performance due to its main innovation projects

Counting on innovative marketing and involving external stakeholders through sponsorship, on creative campaigns and distinctive packaging (Interbrand, 2014), Heineken managed to anticipate and meet consumer needs. In 2013, 1.1 billion of the company’s revenue came from innovations. The company increased its innovation rate to 5.9% versus 5.3% as it was in 2012 (Heineken N.V. Annual Report 2013).

Company's annual report for 2013 reveals that the Heineken has kept its commitment to create long-term value for stakeholders. The financial performance indicates that revenues increased by 1.3% and operating profit increased by 2.8%. Thus, by continuing concern for innovation, strong prices, a better portfolio planning, the company managed to improve its revenue per hectoliter by 2.7%. It has also managed to make a performance in terms of reducing the costs. The firm also won through strategic customers, reaching a 104.6% performance index (Heineken N.V. Annual Report 2013).

5. KEY FEATURES OF DIGITIZING INNOVATION IN CONSUMER GOODS INDUSTRY

Analysing the online platforms the two companies use to interact with the external stakeholders in order to create new products, according to their needs and desires, the key features of these Internet-based mechanisms highlight that companies collaborate with the external stakeholders and reward their efforts to create innovative products. Consequently, both Barilla Group and the Heineken Company, use web-based innovation platforms at this moment (Heineken Innovators Brewhouse and Barilla Factory) in order to attract creative minds and to establish an open dialogue for co-creation organizing contests, launching challenges or expressing needs for innovation.

Unlike Barilla, Heineken, the beer producer with a large brand portfolio at the global level, (Heineken Romania, About us: Heineken Global Presence, 2016), invites a broader segment of external stakeholders to interact on the web-based innovation platforms: individual innovators ("great beer minds", consumers, artists, designers, inventors), suppliers (for packaging, devices, equipment, ingredients), companies (start-ups, small and medium-sized companies), academia (professors, students), technological hotspots (science parks, incubators) (Heineken, About us: Innovation: Looking for innovators, 2016).

On the other hand, Barilla, one of the largest pasta producer in Europe, targets the following key stakeholders on the Barilla Factory platform: people with age over 18 years, legal residents of the USA and Colombia District for "L'Arte della Cucina" project (Barilla Factory, Projects: L'arte della cucina, Rules, 2014) and people from the same segment of age, without any limitations, for "Love life, love pasta: in your own way!" project (Barilla Factory, Projects, Love life, love pasta in your way, Rules, 2014).

6. COMPARATIVE ANALYSIS OF THE OPEN INNOVATION STRATEGIES USED BY BARILLA GROUP AND HEINEKEN: DIFFERENCES AND SIMILARITIES BETWEEN OPEN INNOVATION STRATEGIES

Analyzing both companies that were subject of our research it can be said that many similarities were met regarding the way of interacting with their stakeholders. Thus, the main tool in both cases is the online platforms: Barilla Factory and Heineken Ideas Brewery. These platforms are a form of co-creation, where both companies are facilitators, supporting competitions with the aim of extending their network internationally, the collection of practical ideas and strengthen the association between companies, innovation and open collaboration. Companies do not lack ideas. What they really want is to find the needs of both the existing and potential customers, and to become real listeners of them.

Some differences between the open innovation strategies used by Barilla Group and Heineken refer to the type of geographical, age or any other limitations that are required by each project / competition basis. Also, some organizational differences appeared regarding the targeted group. If Barilla Factory projects are mainly for all interested parties, Heineken focused more on involving external stakeholders, such as individual innovators, suppliers, companies, universities and technology parks in the innovation process of beer.

The collection, processing and analysis of ideas and innovations provided by customers / stakeholders is realized in accordance with each project's requirements. For participation in all projects, on both platforms, it is compulsory to register on the Website. The user can register by completing all required data and after reading and accepting the Legal Notice and Terms and Conditions for participation in competitions. All information must be true and correct in order to be retrieved and processed according to the privacy policy published on the site. Registration is accepted only by email.

Both Barilla Group and Heineken use the online environment to promote their products, to identify consumers' needs, to collect innovative ideas, and especially to create that engagement with consumers by creating dedicated platforms of interaction with customers. These platforms are very important to attract more participants and voters. Therefore, in addition to conventional methods, the two companies use social media in order to develop co-creation initiatives, given that this is the environment where today's generation spends its time (Bujor & Avasilcai, 2015). Social media shortens the distance between the company and users, increasing and strengthening their engagement in the innovation process.

7. CONCLUSIONS

To conclude, it may be emphasized that companies such as Barilla Group or Heineken, which we analysed in this paper use internet-based mechanisms in order to engage their customers in a virtual community where they can be creative and imagine ideas for new product development. Also, these companies adopted the open innovation model and co-opt the customers in developing new products and technologies, developing projects to interact with customers on their virtual platforms, which are directly connected to social media tools.

Further research may incorporate comparison between different cases from other industries using online mechanisms for interacting with customers, such as the automotive industry (e.g. BMW, Volvo, etc.). This may provide further information regarding the peculiarities of using open innovation mechanisms and the results obtained by the companies from other industries.

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