Chapter 6
Customer Involvement through Online Communities

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ABSTRACT
New online collaborative technologies provide businesses with new opportunities to interact with customers and get them involved more actively in product or service development processes. Different types of online communities provide access to global customers: their ideas and opinions. This chapter presents a review of three types of online communities which might be valuable for businesses, namely marketing activities and new product development. Online communities can assist companies in benefiting from the “wisdom of crowds”, creating customer-oriented image, boosting product portfolio with new ideas and handling negative online publicity. While some types of communities are more effective for solving sharply defined tasks, others can help with creative views due to members’ ability to think “outside of the box”.

INTRODUCTION
The interest in online collaborative technologies has been constantly increasing during the latest decade. Novel applications and functionalities are believed to open new ways for companies to interact with the customers, strengthen the brand and acquire novel external ideas. The literature attributes this phenomenon to ‘Web 2.0 revolution’, the concept introduced by O’Reilly (2005), which emphasizes the collaborative and open character of new web platform. In comparison with Web 1.0, this new platform is designed for mass participation with the principles of openness, peering, sharing, and acting globally. Digital technology develops fast and there is a great variety of platforms and tools which facilitate interaction and information sharing between customers and organizations. New online collaborative tools change “the traditional role of external partners and customers to participatory roles in value creation” (Tapscott & Williamsen, 2006, p. 55), since companies have access to rich consumer data, along with opportunities to design and assemble products with their customers. By hosting an on-
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line community with an open forum and virtual testing labs, companies can directly access their customers’ voice, increase customer satisfaction and strengthen the brand (Horppu, Kuivalainen, Tarkianen, & Ellonen, 2008; Kim, Wook, Choi, Qualls, & Han, 2008).

Digital technological and social developments facilitate interest in what has been labelled “wisdom of crowds” in online environment (Surowiecki, 2004; Tapscott & Williamsen, 2006) and its benefits for businesses. Building long-term relationships with customers, understanding their needs and matching their expectations are considered a necessity for companies in order to remain competitive. Therefore, there is a constant need to interact with the customers and collect customer information. Some researchers claim that customer input can be obtained through meetings between customers and development teams, and through observations and detailed interviews (Alam & Perry, 2002), while others criticize such traditional marketing techniques. The underlying assumption behind such arguments stresses that customers have difficulties with expressing their latent needs, and hence emphasize the need of new approaches to customer interaction – having them actively involved in product development processes (e.g. Magnusson, 2003). Online communities provide a platform for customer active involvement, e.g. by equipping customers with toolkits for 3D design, involving them in virtual beta testing, or creating virtual idea storm room. The feeling of involvement might help to build trust as it has a positive impact on customer loyalty (Hartwick & Barki, 1994). Furthermore, customers might be a valuable source of innovative ideas (von Hippel, 1978), which is in line with their own needs and expectations. Thus, the existence of the digital possibilities for extended customer participation is necessary for increased collaboration but is it enough? Do other prerequisites such as customer motivation for participation need to be involved?

The objective of this chapter is to merge marketing, IS and innovation management literature to identify and discuss customer involvement through online communities and provide illustrations of successful integration of customers and into community’s business model. The following questions will guide the further discussion:

- How can companies’ marketing and product development activities benefit from the engagement in online communities?
- What motivates members to participate in online communities?
- What are the critical success factors and key risks in employing certain community models?

The review of online communities below is based on a synthesis of previous research in marketing, IS and innovation management, focusing on employment of online communities in business settings. The chapter identifies common themes discussed in the literature, and provides illustrations of successful “wisdom of crowds” concept implementations to facilitate the discussion on how companies can benefit from being engaged in online communities. The review focuses on active customer involvement, and examines the exploitation of business models such as, brand communities; innovation intermediaries and design communities. It is divided into three parts: 1) definitions and different typologies for studying online communities; 2) the benefits of customer involvement for organizations; and 3) the relationship of customer to community.

LITERATURE REVIEW

While online community’s value proposition and customer involvement aspects allow assessing initial attractiveness of certain business models for organizations and defining success factors and risks, creative aspects and motivation of members is essential for understanding the potential customer value for marketing and product