Chapter 7

The Strategic Value of Consumer Information Systems: Changing the Face of Business and Consumer Connections at Nike

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ABSTRACT

When consumers are a source of innovation and value creation, and when information is increasingly produced and reproduced by consumers we need to reconsider the scope of information systems and their role in supporting companies to create value. The development of consumer information systems in recent years can potentially help companies to create platforms that facilitate and support company-consumer collaborations that create value. This chapter discusses the theories, concepts and practices informing new modes of consumer co-creation and co-production in business and the role of consumer information systems in supporting those processes. The chapter uses Nike as a case study to illustrate how both the company and consumers are able to derive benefits from value co-creation process supported by consumer information systems.

INTRODUCTION

The role of information systems (IS) in companies has advanced through stages of office automation, improving internal communications, connecting companies with their suppliers and partners, and managing transactions with customers. This broad sweep of change in business information systems is not simply incidental to company growth, it is constituted by advances in technology and changes in society that have often precipitated growth (Galliers, 1993; Yates, 1993). One of the most significant developments of recent times has been the increasing global competition fostered by advances in global communication networks, commencing with leased lines and VPNs (virtual private networks) in the 1980s and 1990s and accelerating with the public Internet and its

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commercialisation between 1995 - 2001. Today, companies face yet another wave of change in IS brought about by transformations in communication made possible by the Internet during its second era, that of Web 2.0. Salient changes in consumer culture are taking place and there is increasing desire among consumers to be more directly involved in a company’s processes for creating and making goods rather than passively receiving and consuming the end product (Benkler, 2006; Tapscott & Williams, 2006). Some, more innovative, companies have adapted quickly, developing new management philosophies, business models and marketing strategies to respond to this changing consumer culture. With Web 2.0 technologies continuing to mature and consumers becoming more involved in production processes, companies need to re-examine their business strategies and shift their focus from company to consumer. This shift in focus ultimately changes the way in which IS are deployed and their role in companies. This chapter demonstrates that when consumer information systems (CIS) are properly deployed, customer data is not simply an input for subsequent analysis it can be built into product offerings. Consumers are key stakeholders in creative production and end users of CIS.

All companies need to heed this change and begin to think about IS design with new objectives in mind. Web 2.0 is moving companies rapidly towards an environment where the majority of forums for consumer interaction are on the Internet. Consumers are now becoming involved in everything from product design to development, their expectations are changing inline with this; the opportunity of having a voice brings with it an expectation of being heard meaningfully in an involved company-consumer relationship. For companies, the creation of value is dependent on the engagement of consumers at much earlier stages of the value chain (Michael Porter, 2001). Consumers are willing to engage, what is required from companies is a fundamental shift in the “focus, the sources and the processes of innovation and value creation.” (Prahalad & Krishnan, 2008)

Chapter Aims and Objectives

When consumers are a source of innovation and value creation, and when information is increasingly produced and reproduced by consumers we need to reconsider the scope of information systems and their role in supporting companies to create value. This chapter discusses the theories, concepts and practices informing new modes of consumer co-creation and co-production in business and the role of consumer information systems in supporting those processes. In the following sections we commence by introducing the shifting paradigm of value creation in the closely associated information systems context of e-Commerce and Customer Relationship Management (CRM), introducing the concepts of consumer co-creation and co-production that are at the heart of the new business paradigm. We then discuss the idea of consumer information systems, further distinguishing it from CRM systems and traditional business engagement with customers. Using characteristics introduced by Van Dijk (2011) to categorize new company-consumer relationships we undertake an in depth case study analysis of Nike Inc. illustrating how consumer information systems are being developed and used strategically to harness new connections between business and consumers that invent, innovate and create new values for both. The final section discusses the implications of consumer information systems for business strategy before raising some important social issues that are ahead for practice and research.

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