



Business Innovation Observatory



Design for Innovation

Co-creation design as a new way of value creation

Case study 14

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Business Innovation Observatory
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1. Executive summary

The market potential of this trend is illustrated by the fast growing market volume of ideation contests (to which many co-creation contests can be counted) as a part of the open innovation market. This volume is expected to grow to EUR 5.5 billion in 2015.

Key benefits of co-creation design that companies report include direct innovation outcomes such as increased speed to market, increased product quality, and a reduced risk of innovation efforts not meeting customer needs. In general, companies reported that co-creation resulted in new products and services, an increased competitive advantage, new customers and a larger market share.

The role of co-creation design processes for the companies in this report varies. Companies like Heineken and Local Motors organise co-creation for their own benefit. CoContest and Trendsales can be considered facilitators of co-creation, as they deploy their platforms for co-creation in service of others. Local Motors conducts co-creation both for the production of its own products and for third parties. These can be either companies or individuals. This distinction is important to make, as it also significantly influences the drivers and barriers that those companies face.

Key drivers for co-creation in general include the adoption of co-creation practices by competitors, customer empowerment through web-based technologies, and the non-proximity requirement for creating a crowd. Co-creation is becoming a competitive imperative. Information indicating what consumer value is, is abundant, and freely accessible on the internet. If a company does not capture this intelligence to create more fulfilling experiences for consumers, its competitors will. This information availability also works the other way around. Customers are becoming better informed on a company's offering and conduct their own research through web-based technologies like social media. They form communities and discuss things they like and dislike about a company, without having to be physically near one another. These developments increase consumer bargaining power and exemplify the paradigm shift from a company-centric logic to a consumer-centric one, in which consumers actively participate in for instance the development of new products and services.

Co-creation facilitators, often smaller companies, can be considered drivers of this trend themselves. They allow large companies to focus on their core conduct, e.g. manufacturing and logistics, while they occupy themselves with community building and acquiring customer input on behalf of the large corporates. They exploit one of the key barriers for co-creation design processes, which is that community building takes considerable amounts of time and/or money. Co-creation facilitators do, however, face unique challenges themselves, in that they not only need to attract and retain a co-creation community, but also have to find customers to sell their co-creation services to.

From a co-creator perspective, a key driver for the uptake of co-creation processes is the fact that it provides an ideal opportunity for talented individuals to show their talent to a global community. This could provide them with income in the form of prize money and perhaps even a share of revenues or a job. A drawback of this can be that co-creation contests generally require an upfront investment from participants (in terms of time and effort), without having a guarantee on return.

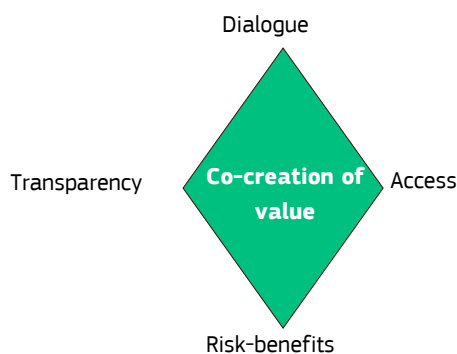
Considering the EU-wide benefits that co-creation provides, policy makers should consider promoting this form of consumer-company cooperation. This can for instance be done by providing tax exemptions to companies for costs they incur as a result of co-creation activities. International potential of co-creation, due to no proximity requirements for participation, also means that companies active in this domain face difficulties related to disparities in national regulations. Particularly tax and copyright regulations prove challenging. Efforts of policy maker aimed at harmonising the international regulatory landscape would be most beneficial. Finally, policy initiatives that better facilitate the attraction of equity based capital by start-ups would be highly useful, as companies hosting co-creation platforms find it difficult to attract loans and other types of funding. For co-creation facilitators it is hard to provide a proof of concept, as their business model usually is not so much technology based.



2. Understanding the trend of co-creation design

Co-creation design is a revolutionary design approach where a multitude of stakeholders is actively involved in the design process. It goes beyond partnering with other companies, assembling multidisciplinary teams, or conventional user-designer relationships that might for instance apply to architects and their clients. Co-creation is about **joint creation of value by the company and its customers**. It allows the customer to co-construct the service experience to suit his or her context. At the basis of a system for co-creation lie the building blocks for interaction between a company and its clients, which facilitate the co-creation experience. These building blocks are **dialogue, access, transparency, and risk-benefits** (DART). A proper dialogue between a company and its customers is required to come to a shared solution. The dialogue, and as a result the problem-solving, is most effective when customers have full access to transparent sources of information. Finally, presence of the first three building blocks allows the customer to make a solid risk-benefit assessment of its decision to participate in the co-creation process¹ (Figure 1).

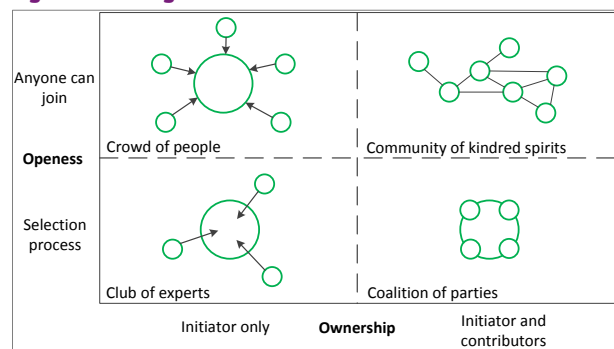
Figure 1: Building blocks for customer interaction



The principle of crowdsourcing is therefore closely linked with most practices of co-creation design. **Crowdsourcing** can be considered a form of co-creation in which everyone (the crowd) is invited to participate in the co-creation process (not just the company's customers, or a part thereof). Crowdsourcing is a term invented by Jeff Howe, who refers to it as follows: "for the entirety of human history, the crowd was depending on proximity. People had to be together, physically, in order to create a crowd. Technological developments starting with the internet, allowed people to get together through intent and shared interest. The principle that communities can be formed out of shared interest and passion for a certain theme is a fundamentally new

development in the course of human history. Crowdsourcing is put into practice when a company takes a job that was once performed by employees and outsources it, in the form of an **open call**, to a large **undefined** group of people, generally **using the internet**.² In this case it entails the design job. Key terms are "open call" and "undefined", which build on the fact that the person, whom you might think is best qualified to perform a job, is not always the best one to do it.

Figure 2: Categorisation of co-creation



Some sources argue that crowdsourcing contests are a form of co-creation with a lower level of interaction between customer and company, due to the sheer number of people involved and the tightly staged processes deployed. In this case study we use these **dimensions to differentiate between co-creation methods** of companies. Literature mentions various dimensions to differentiate on. These include the stage in the innovation process at which customers are involved, the interaction focus a company deploys (individual customers or communities), the scope of the task that customers are invited to work on (tightly or broadly defined)³; or the ownership of results and openness to contributors in the co-creation process (the latter two are further explained in Figure 2)⁴. In this case, all companies conduct a form of co-creation design that more or less fits the upper-left quadrant.

Companies turn to crowdsourcing and social media to better understand customers. Online co-creation platforms are being launched to gather and assess design ideas from all over the world. Through such platforms, independent designers can submit ideas to all kinds of contests, which the community/client then votes on. If the design wins, the designer receives a cash prize, commission on sales through the marketplace, or perhaps even a job. This type of so-called **ideation contest** often, but not necessarily, forms a key element in the manner in which crowdsourced co-



creation design is applied by companies. Ideation is the process of generating and developing new ideas to solve a problem or improve a product, service, or process. The contest component provides incentives for both the organising party and the co-creators (designers) to participate in co-creation. In literature, ideation contests are allocated to the domain of **open innovation**, in which the co-creators are often referred to as **solvers** and the company hosting the innovation contest as the **seeker**. The seeker can either be an intermediary, facilitating the process for another company, or a company that is in need of a solution itself (as will be reflected by the case companies).⁵

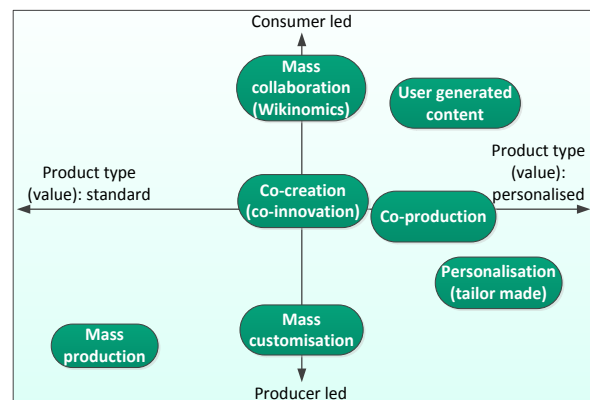
Co-creation design through crowdsourcing is a novel trend because it radically changes a company's process of value creation. In the traditional paradigm, value was created "inside the firm" by employees performing specific business activities. The roles of consumption and production were clearly distinguished between consumers and employees respectively. This can be considered a **company-centric** value creation process, where customer interaction is only considered as an opportunity for **value extraction** and the company decides what is of value to the customer (see Figure 3 for an overview).

Technologies that facilitate consumer-to-consumer communication and connection have provided customers with an alternative source of information. This empowerment allows customers to choose the companies they want to engage with based on their perspective on how value should be created for them. Through these developments, the meaning of value and the process of value creation are rapidly shifting from a product- and firm-centric view to personalised **consumer experiences**. Especially these

experiences are of importance, as the marketplace is becoming a scene for dialogue and interaction between consumers, communities and companies. This **interaction** between a company and its consumer base is becoming the epicentre of value creation and extraction. The traditional, distinctive roles of both the consumer and the company are challenged and gradually converged into one.

Co-creation through crowdsourcing is a **crucial design trend**, because it can change companies dramatically. It forces companies to approach the crowd (the general public) as a group of potential partners, which can be more interesting and exciting for customers. A customer does not only buy products, but also meaningfully participates in the process by which those products are conceived. Technology can be considered a key facilitator for crowdsourcing to take place, and online communities are the building blocks for its foundation.

Figure 3: Co-creation relative to other production methods



3. Socio-economic relevance

The socio-economic relevance of co-creation design processes is significant. As co-creation processes go hand in hand with shifting company-consumer logic, the trend is expected to become more and more relevant.

3.1. The market potential of the trend

Clearly the market potential of co-creation design through crowdsourcing is large, as the complete inclusiveness of the "crowd" implies that there are experts available for value creation to basically any company. This is of course limited by the outreach a company or seeker might have to the crowd of co-creators (solvers), and the incentive it can provide the seekers to participate. It is difficult to provide an unambiguous figure for the market volume of co-creation design activities. This is due to the fact that this theme

covers elements of various markets, e.g. the open innovation market and the enterprise crowdsourcing market.

The **market for open innovation**, to which some of the co-creation design companies (**intermediaries** like CoContest) can be attributed, is getting mature. Of the entire open innovation market, ideation contests using open calls are seen as the most promising open innovation format. The total market volume for companies facilitating such contests, so called Open Innovation Accelerators, constitutes **EUR 2.7 billion in 2012**. This share is forecasted to grow to **EUR 5.5 billion in 2015**. Other methods of open innovation, like open search, in which the core idea is to selectively seek for potential external contributors, do not fall within the scope of this case study.⁶

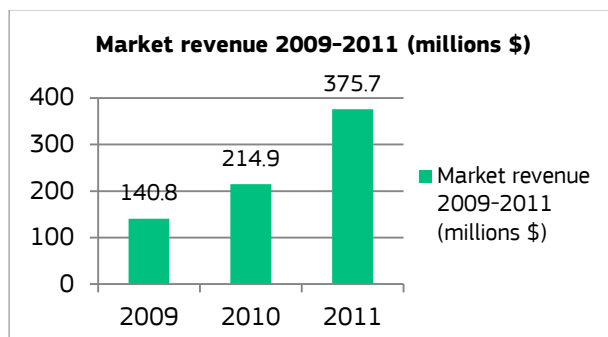


Table 1: Open Innovation Accelerator market volume⁷

Market volume for open innovation			
	Total innovation market volume	Ideation market volume	contest
2012	€ 2.7 billion	€ 2.13 billion	
2015	€ 5.5 billion	€ 2.69 billion	

Another market with which crowdsourced co-creation design has substantial interface is that for enterprise crowdsourcing. The market for enterprise crowdsourcing is still in its infancy, with most companies operating in it being starts-ups and small companies in various stages of financing, mostly originating from North America and Europe. Companies in this industry resort to the crowd for expertise-based ideation or micro-tasks, and freelance or software services. Three types of companies operate in this industry: a provider of services based on its own crowdsourced workforce; a facilitator of a crowdsourced workforce, using its own platform but relying on an external workforce (recreational workforce); and a vendor of crowdsourcing platforms. Most companies in this industry operate in the first category. The former two are most relevant for co-creation design activities. The total market volume for crowdsourcing platforms (based on gross revenues) was **EUR 283.32 million in 2011⁸**, constituting a **growth of 74.7%** compared to 2010.

Figure 4: Market volume for enterprise crowdsourcing



Apart from ideation contests organised by intermediaries (CoContest) on behalf of other companies, and crowdsourcing platforms that facilitate crowdsourced workforces, there are also companies that organise ideation contests for their own problems and challenges (e.g. Heineken with its Ideas Brewery). The market volume for this type of crowdsourced co-creation design activities is hard to estimate, because the results of such contests are not immediately monetised, from a company perspective. Furthermore, overall value of such contests can be composed of for instance new product development, improved branding, and higher customer loyalty. This diversity also makes it hard to measure.

Finally, it is important to make a distinction from the crowdfunding market, which encompasses companies that are funded in financial terms by the crowd. In this case we

refer to companies that source the crowd for resources (ideas, experience etc.) other than of a monetary nature.

3.2. The socio-economic effect and benefits of co-creation design

Co-creation design has various socio-economic effects, which transcend the individual benefits of either the co-creator or company hosting the co-creation experience. Particularly the impact co-creation can have on the development of new innovations is relevant. In new concept development, collaboration between companies and customers increases the number of sources for new ideas in innovation. The interaction between customers and companies facilitates cross-fertilisation and idea generation through knowledge and experience sharing. R&D departments of companies are fuelled through greater access to a richer pool of experiences, knowledge and skill, enabling more rapid and numerous design iterations. This customer-company interaction provides greater potential for recognising possible technology applications, benefiting society as a whole.

Co-creation design can lead to better, quicker and less risky innovations that are beneficial to customers and companies. This includes direct innovation outcomes, like:

- Increased speed to market;
- Lower cost, resulting in increased profits for companies and/or reduced sales prices for customers;
- Increased product quality, resulting in increased sales for a company and greater customer satisfaction;
- Reduced risk of innovation efforts not meeting customer needs.⁹

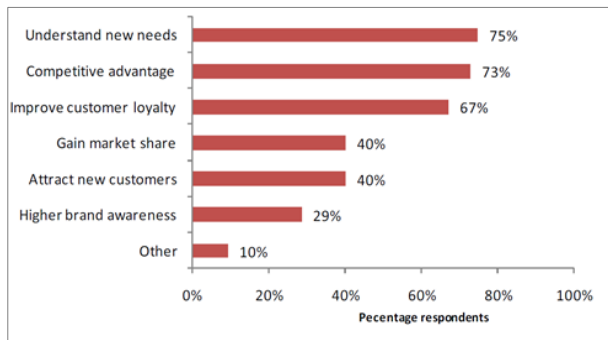
Apart from direct innovation outcomes, co-creation design generates various indirect or intangible results as a consequence of the process:

- Increased attitudinal loyalty of customers towards service providers;¹⁰
- Increased perceived value of, and likelihood of participation in future co-creation;¹¹
- Increased chances of positive word-of-mouth C2C communication.¹²

Although co-creation design processes are often used as marketing tools, a survey amongst companies applying co-creation processes shows that the main drivers for involving customers in value creation is to better understand their needs for new products and services and to increase competitive advantage.¹³



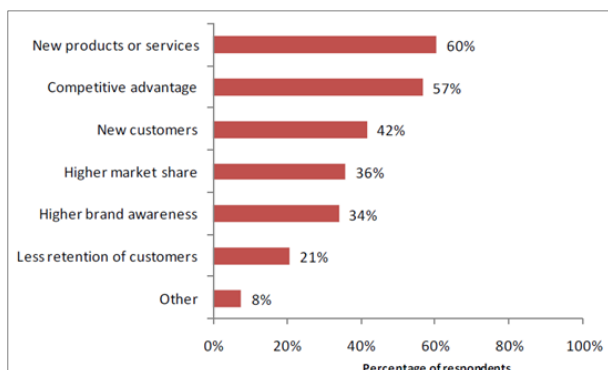
Figure 5: Primary drivers for involving customer in value creation¹⁴



Perceived benefits as a result of co-creation processes largely match the intended aims, as 60% of respondents indicate that the key result of customer involvement is the development of new products and services and 57% reports increased competitive advantage. Results also show that co-creation processes are an effective way of attracting new customers, which probably is the result of consumer-to-consumer communication, creating a snowball-effect.

Interviews with case companies also showed other socio-economic benefits of co-creation design. **CoContest's** co-founder Frederico Schiano di Pepe sees his interior design platform as "a means to even out the global design imbalance". He refers to the fact that Italy has as many designers as for instance the US, but that Italy, particularly since the regression, has substantially less design assignments/clients. CoContest allows talented designers around the world, particularly those that are unemployed due to the economic situation in their own region, to tap into the pool of clients/assignments that might be available in other regions. Benefits are evident: potential employment and income for talented designers and an increased supply of quality design against a reduced price and time for clients.¹⁵

Figure 6: What results did involving customers bring to your organisation?¹⁶



More specifically, case companies and their stakeholder benefit from co-creation design in certain ways. An ideation contest, like **Trendsales.fi** facilitated, provides a particular incentive for both the co-creator (designer) and company (party in need of a design) to participate in co-creation. The

designer has a fair chance of being rewarded a prize, for example money, royalties, a share of revenue or perhaps a job. The company initiating the co-creation process has the benefit that besides the winning design, it also acquires a multitude of second-best design solutions, which are not paid for. This winner-take-all principle also implies that a substantial share of co-creators is not (financially) rewarded for his/her efforts, apart from the fun or community feeling they might experience. Trendsales.fi, as the facilitator of the co-creation experience, also benefitted in the form of a small refund from **Kaos**, free publicity through the marketing campaign which was paid by Kaos, and as a result increased traffic to its platform (three to six times as much as before the contest). As Trendsales' co-founder stated, "in times of recession continuity of business operations, which was the main goal of the co-creation contest, prevails above hard profits". In times of economic upturn, however, facilitating co-creation contests for the fashion industry could well be a valid source of income for Trendsales.fi.

For **Kaos** co-creation provided them with valuable knowledge, which can benefit both the customer and company. As Kaos' CEO Ole Overgaard stated: "The convergence of fashion and technology is essential to the future of the industry. Trendsales.fi has provided us with a new and innovative channel not only to sell fashion, but also to use to get an understanding of the trends and demand amongst young people in Finland".¹⁷

CoContest's sole purpose of existence is based on co-creation design, as this is basically its only value adding activity. As a platform or broker for co-creation design, the company organises and facilitates standardised co-creation contests for both its customers and designer community. Customers benefit from this because they can receive multiple designs with a lot of variety against affordable prices and reduced time consumption. The design community benefits, because CoContest provides a great source of freelance design work, which is more or less independent from the local economic climate. CoContest's customers originate from all around the world and do not require physical proximity for designer services to be delivered. It for instance means that designers can focus on designing and do not have to worry about marketing and business development. This lowers the barrier for design entrepreneurship. Finally, CoContest directly benefits from the co-creation design process because it earns 5% of the award prize on each contest. The whole company revolves around co-creation design.

Although **Local Motors** also revolves around co-creation design and has deployed this practice from its beginnings, it is different from CoContest in that it not only facilitates the process but also actively participates in delivering the end-product to its customers (or experience in this case). Participants or users of Local Motors' co-creation platform can benefit from it depending on their own interest. These



include both customers and companies, which can be roughly divided in solution seekers and solution providers, or a combination thereof. First of all, there is the key group of customers which wants to own a unique, custom designed vehicle. These customers want to be actively involved in the building process and might even participate from a recreational standpoint and seek leisure or fulfilment from it. So apart from the product, this customer benefits in the form of a unique an automotive experience. Customers with design talent (both aesthetic and technical), can benefit from Local Motors' co-creation platform through sharing their design ideas. Apart from winning prize money, they can actively build a portfolio, gain feedback, and have a learning experience. For example the winning designer of the Rally Fighter acquired a job with General Motors and the winner of the DARPA challenge (autonomous vehicles) got to meet President Obama and parlayed his success into a job with Peterbilt.

Finally, there are also companies that make use of the platform. For instance DARPA, Shell, BMW, Peterbilt and Reebok inquire Local Motors' community to innovate for them and are rather solution seekers than solution providers. DARPA collaborated with Local Motors in a challenge to find ideas to reduce the time and development costs associated with creating a niche military vehicle. Finally, solution providers like Siemens, Snap-on, Factory Five Racing, Autodesk and Makerbot are suppliers/contributors to the platform and benefit in forms of sold products (e.g. toolkits), acquired customer insight or are interested in buying the end-product. Local Motors (through the Siemens deal) made

the, for students and other private users, expensive CAD software available to their user base.

An overall benefit of this manner of vehicle manufacturing is that products can be easily adjusted to emerging technologies and demands (low volume, affordable set-up local plants). Moreover, because vehicles are assembled locally in micro-factories, customers can stimulate their own local economy. Finally, all designs and blueprints are published under the creative-commons copyright license, which provides any user with the freedom to (non-commercially) access and use them as they see fit.

Finally, the **Heineken Ideas Brewery** is a form of co-creation in which the facilitator (Heineken) hosts the contests on its own behalf. The model is less open than that of Local Motors (in terms of type of contributors), and key beneficiaries are co-creators and Heineken. Heineken's aim with the Ideas Brewery is to expand its network internationally, gather actionable ideas, and strengthen the association between Heineken, innovation and open collaboration¹⁹. Key benefits for Heineken are much the same as for Kaos, for example customer insight, ideas for new product development and marketing/branding. Benefits for co-creators are also similar to those of Kaos/Trendsales, with the exception that Heineken actually organises co-creation workshops, during which co-creators with the best ideas can actually work together with Heineken's employees and experts to further develop an idea. This closer interaction, for Heineken results in more advanced and feasible ideas, and an even stronger commitment from co-creators.

Table 2: Company case studies

Company	Location	Business innovation	Success signals
Trendsales.fi & Kaos	FI	Two fashion brands, Finland-based Trendsales.fi and the Danish Design brand Kaos (owned by Auluna Leather Company), established a partnership to search for an aspiring young and talented Finnish fashion designer. Trendsales.fi is the Finnish marketplace and subsidiary of the Danish Trendsales.dk which also owns Trendsales.se, Trendsales.no and Trendsales.de. By using Trendsales.fi web platform, the winner would take part in co-designing a spring jacket collection with Kaos for the Finnish market. Anyone in Finland could participate. The winner, in addition to co-designing the 2012 spring jacket collection, was also paid royalties from the sale of the collection, and had his/her name attached to the collection.	Trendsales.fi & Kaos' co-creation contest has proven to be successful as a crowdsourcing tool for customer to influence the latest fashion design. Within three weeks, the contest attracted 54 participants submitting designs attracting over 2,390 customer votes. Besides having been provided with the winning design, Kaos also has access to the other contestants' design ideas for potential upcoming seasonal collections. Trendsales already won the Danish e-business industry award for innovation in 2007.



Company	Location	Business innovation	Success signals
Local Motors	US	Local Motors develops and manufactures cars, producing only small quantities of vehicles for niche markets. The designs are developed through crowdsourcing and co-creation initiatives, and the cars are assembled in local micro-factories. Local Motors works with a virtual community of more than 60,000 designers, fabricators, engineers and enthusiasts from around the world.	Local Motors' development platform, "The Forge" has attracted a multi-disciplinary online community with over 60,000 members of various backgrounds in designing, engineering and manufacturing. Several of its design challenges have led to the development and production of both the Rally Fighter (world's first co-created production vehicle), the Racer (world's first co-created production motorcycle), and the Cruiser (motorised bicycle). With the cruiser the company also introduced a crowd funding capability, which Local Motors calls pre-selling. Across all its products, the company found that it can bring vehicles to the market at 1/100 th of the cost and 5 times faster than the traditional vehicular development and production paradigm.
Heineken	NL	Heineken is using a dedicated website called IdeasBrewery.com to leverage crowdsourcing in its approach to innovation in general, and to packaging design in particular. The global innovation challenge currently running on IdeasBrewery.com seeks ideas on how to reinvent the beer drinking experience for those who are older than 60.	Heineken has hosted and successfully completed three idea challenges to date. A unique feature is that Heineken builds its contests on the results of previous contests. After the first co-creation contests there had been 22,000 portal visits, 20,000 Facebook likes and over 8,000 views on YouTube ¹⁹ . The Heineken Ideas Brewery helps the Heineken brand to become "top of mind", making sure that the Heineken brand is part of the conversation ²⁰ .
CoContest	IT	CoContest applies Crowdsourcing to interior design: shaping public tenders' logics to interior design needs of homeowners, real estate agencies and contracting companies. CoContest revolutionises the world of architecture and interior design. CoContest changes today's conventional rules and disrupts the status quo that holds back the new generation of talented and passionate designers.	So far, CoContest has attracted more than 9,000 designers and has hosted more than 40 contests. CoContest takes 5% of the award money that goes the winning design. Contest setters receive an average of 15 designs per brief. The company is planning to penetrate the South American market, by participating in the Start-Up Chile accelerator. Selection for the accelerator provided the company with \$40,000. CoContest has recently received its first amount of seed funding, € 150,000 from an Italian VC, named LVenture. Before that, it had already received € 30,000 from an Italian incubator called Louiss Enlabs.

Problem 1 – "The convergence of fashion and technology is essential to the future of the industry" (Ole Overgaard, CEO of Kaos, 2011). Finding new ways of improving understanding of both fashion trends and specific demand amongst customers are key ingredients for running a successful fashion company. This is why Kaos was in need of a platform to host a customer co-creation contest, which Trendsales.fi could provide.

Innovative solution 1 – Trendsales.fi, the first dedicated online e-commerce fashion website, hosts a web-based platform through which its community members (individuals and companies) buy, sell and exchange new and used clothes, and discuss fashion related topics. At the moment the partnership with Kaos was established, Trendsales was looking for marketing projects, in order to attract new user/customers to its platform.

Trendsales.fi had substantial knowledge on building online communities, online marketing, and had the technical skills needed to host a co-creation platform. Furthermore, the company could leverage the knowledge and creativity residing in its existing online community of fashion enthusiasts and adepts. These factors enabled Trendsales to host a co-creation design contest, to come up with new designs for Kaos' spring jacket collection. Kaos provided incentive for Trendsales.fi's community to participate by offering them royalties and attaching the designer's name to the collection. Co-creation or crowdsourcing is often combined with a form of "ideation contests", to motivate the crowd to participate.



A compilation of short-listed co-creation design ideas for Kaos' spring jacket collection



Problem 2 – Jay Rogers, Local Motors' founder, wanted to realise a paradigm shift in the automotive industry. Their opinion is that the prevailing paradigm results in a customer making the second largest purchase of their life, while being consistently dissatisfied, being offered an undifferentiated experience and facing a poor customer feedback loop.

Innovative solution 2 – Local Motors is a new breed of car developer/manufacturer producing small quantities of vehicles for niche markets. The designs are developed through crowdsourcing and co-creation initiatives. These are materialised through Local Motors' online platform, which its community uses to share their own project, engage in challenges, or share their designs and skills. The cars are assembled in local micro-factories. In addition, Local Motors offers future owners an automotive experience through involvement during a large part of the 14-day building process. This new paradigm in vehicle manufacturing should result in consistently newer, safer, more exciting, more efficient vehicles in a more pleasurable local experience.

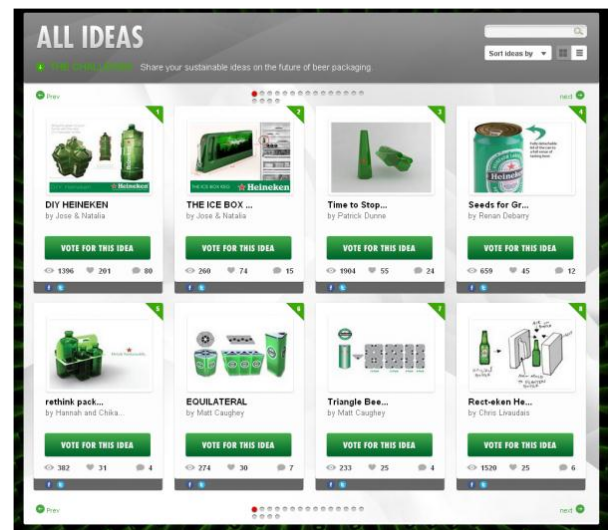
A compilation of the top ten results for Local Motors' active lifestyle vehicle design challenge



Problem 3 – According to Heineken's Chief Commercial Officer, Alexis Nasard, "innovation is the lifeblood of its business. Innovations keep categories of products interesting. Categories where there is no innovation become boring. Innovation keeps Heineken's brands part of the conversation. This is why Heineken made innovation a global priority. Heineken believes that innovation is a collective exercise in which everyone can and should participate. This is why Heineken created Ideas Brewery".

Innovative solution 3 – For Heineken, "Ideas Brewery is a way to connect to creative minds, experts and consumers around the world"²¹. The Ideas Brewery uses a phased approach to co-creation. The first phase is based on crowdsourcing, during which the general public is invited to upload their ideas concerning a specific challenge, posted by Heineken. The second phase encompasses a co-creation workshops with the finalists (short-listed ideas), during which the company wants to collaboratively further develop ideas together with the finalists and internal Heineken experts, external experts and lead consumers. Together, the finalist's ideas are enhanced to fully defined business concepts. As an incentive for participation, a total of \$10,000 prize money is awarded to finalists. Ideas Brewery allows Heineken to collect demographic data of participants, provides them with a substantial pool of product ideas that are evaluated by general public.

An overview of posted ideas through the Ideas Brewery, on which Heineken's customers and the general public can vote, eventually resulting in the finalists whom will advance to the co-creation workshop.



Problem 4 – Traditional architects generally propose one or two project ideas as a solution to their clients' design requests. However, CoContest is of the opinion that this method does not give nearly as much choice as clients would want. Moreover, conventional architects charge clients by the hour and in case of agencies, overhead fees are typically also charged to the client, resulting in relatively high costs. Finally, traditional architecture requires relatively high amounts of input from clients, with frequent back-and-forth communication.

Innovative solution 4 – CoContest has developed a design logic through which clients receive an average of 10 proposals for their design problem within seven days after commissioning an assignment. According to CoContest a few extra designs can really make a difference in helping a client distinguish best from good.



After a client has uploaded a design assignment/ request and selected one of three possible service packages (Concept, Project or Advanced), CoContest’s designer community will start developing design solutions remotely. After seven days, participating designers will share their proposals with the client. The client can select the winning design from the offering and the corresponding prize money (based on the selected package) will be transferred to the winning designer. Advantages are that the client can select from a multitude of designs, which are fabricated based on diverging perspectives on the problem statement. This combined with a lower price, time-consumption and input requirement from the client, gives CoContest an edge over conventional practice.

A graphical representation of CoContest’s packaging deals, determining the price for the customers, as well as the prize for the designers and the tasks he/she has to perform

	CONCEPT	PROJECT	ADVANCED
	from \$70	from \$130	from \$230
PLAN	✓	✓	✓
PLAN HD	✓	✓	✓
FURNITURES	✓	✓	✓
QUOTE	✓	✓	✓
RENDERS		✓	✓
RENDERS HD		✓	✓
SECTION		✓	✓
FINITURES			✓
DEMOLITION PLAN			✓
FUNCTIONAL SCHEMA			✓
ECO SOLUTIONS			✓

3.3. Client perspective and challenges related to the uptake of co-creation design practices

For this Section it is important to make a distinction between those companies that host a co-creation contests for their own purpose, and those that facilitate or host co-creation design processes (in this case contests) for third parties, be it individuals or companies. For the first group of companies, the co-creators are the only direct clients to the co-creation process. For the latter group, both co-creators and initiators of the co-creation process can be considered clients.

3.4. Customers expect an experience, not just a product or service

The paradigm shift from a company-centric towards a **consumer-centric logic** is not only a driver for co-creation from a company perspective, but also from a customer perspective. In general, customers become more and more informed on the products they buy and expect to be involved in the process of designing and constructing them. Customers expect to buy an experience, not just a product or service.

For Local Motors for instance, its community members join from a recreational standpoint and seek leisure or fulfilment from the co-creation- and co-manufacturing process. Customers want to get involved in the building process of an automobile and reconnect with the technology. Taking this in mind, the company tries to spread the building activities between the moments the customer is around the shop till the moment the customer returns to pick up the car. To get customers involved in the building process, Local Motors want them to do exiting things such as putting in the engine. It can, however, be challenging to figure out how to structure this process, as it requires a lot of creativity. A trade-off must be made between exiting and less exiting but necessary actions, but so far it seems possible to strike a balance.

3.5. Customers need to be aware of a co-creation opportunity and require clear instructions, to be able to participate

For co-creators to be able to generate decent quantity and quality of inputs, companies need to generate large exposure for their initiative and formulate clear task descriptions.

For **Kaos** and **Trendsales**, as a result of limited funding, outreach of the co-creation contest was hampered. Eventually, 79 different designs were uploaded, which was much valued but not quite the amount that was hoped for. Trendsales for instance made some effort to get mores students from design schools involved, but the main share of participants turned out to be hobbyists. On average, for customers to become aware of a co-creation opportunity, a company first needs to create a substantial amount of exposure, which requires significant investments.

CoContest improved the quantity and quality of inputs received from its design community, by implementing a new package pricing system. Customers can choose from one of three packages, which precisely determines the specific actions and deliverables that the designers have to provide. The combination of package and type of accommodation/space determines the specific price (for the customer) and prize (for the designer) of a given project. For CoContest, these options and commitments resulted in a larger number of participants, which are more active on the platform, and generate more valuable inputs to customers.

For co-creation to be successful, it is important that clients formulate a clear and concise creative brief. This is one of the most important things to do. In the end, the creative brief will be read and interpreted by co-creators all around the world and it needs to be clear to get the most out of the co-creation process. In addition, it can be important for clients to communicate and give on-going feedback to designers. All parties can benefit if this is done properly²².



3.6. Tendering procedure requires an investment a priori from co-creators without the guarantee of success

The open call procedure, in which anyone is invited to participate to a co-creation contest (similar to public tenders), has the advantage that the organising party receives a number of ideas for the price of one (or a few). A drawback for co-creators/designers of course is that they have to make an investment, without knowing the chance on return (the amount of contenders is unknown and may vary substantially). This might discourage for instance professional designers with job assurance at a company, to participate. At the same time, it offers an opportunity for freelance work, a component of the design job which will always be desirable for designers (CEO of CoContest). The contest model fits the designer culture.

To reduce the risk component in their co-creation contests, and keep designers that do not always win motivated, **CoContest** for instance implemented an overall rating and point system for designers. Through this systems, a designer's effort throughout the year are tracked and ranked. At the end of the year, designers with the highest annual scores are rewarded with a prize by CoContest. This way, the company rewards those designers that provide high quality inputs throughout the year, independent of a customers' preference.

3.7. Participating in a co-creation process can be an ideal way of showing ones talents

As is being state in one the advertisement videos for **Heineken's** third co-creation contest, individuals should participate because they will have an audience of global industry professionals reviewing and experiencing their talent. The Ideas Brewery platform is a great way to show that talent to those people that might have interesting leads for jobs or other opportunities.

This perspective is being confirmed by **Trendsales**, who states that co-creation contests provide people with an equal opportunity to show their talent. Co-creators are evaluated based on their actual input and talent, rather than on their acquired degrees or CV. This promotes entrepreneurial spirit amongst people which might not qualify for the traditional hiring procedures of large companies.

Besides being a platform for displaying ones skills, co-creation processes also provide users with a valuable learning experience. It is a create way to get in touch with likeminded individuals, share ideas and thoughts, and possibly even create partnerships.

3.8. Companies that facilitate co-creation most also take the customer perspective into account

Trendsales initially proposed to host co-creation contests for Finnish fashion companies. These, however, were unwilling to get involved. Eventually, Trendsales managed to set up a partnership with Danish Kaos, to host a co-creation contest on behalf of them. Based on Trendsales' purpose, resources and capabilities, it is most interesting to host a co-creation contest on behalf of a fashion company. Although it had the required necessities for setting up a co-creation process, finding a customer for it did not turn out to be easy.

For **CoContest**, finding enough customers for its fast designer community (<9,000) is currently its main challenge. It is also one of one of the core problems, from which the company derives its reason for existence. In Italy, the number of available designers is substantial. In fact, the amount of designers in Italy is as high as in the USA, with roughly five times as many inhabitants. Due to the economic recession, the amount of work for designers in Italy is limited. This means that many young interior designers and architects are currently unemployed. In Italy supply outnumbers demand significantly.

At the same time, in the USA and Latin America, the demand for interior design exceeds supply. In the US this is mainly due to the relatively high prices interior designers and architects are charging. For people in need of low-budget designs, there is basically no offering. In Latin America, up until now there was nearly no private accommodation. The main share of housing was facilitated by collective housing projects. With increasing prosperity in South-America's upcoming markets, people start to wish for custom-design for their homes. Of course, still against relatively affordable prices. Moreover, Latin America houses many empty, former commercial-buildings, which are designated to become houses or other types of accommodation. CoContest is actively trying to bridge the deficits (or surpluses) in the interior design markets for Italy and the America's respectively. At the moment, the capacity of the CoContest's designer (co-creator) community is exceeding the demand from its customer-base. Setting up an office in New York and their recent participation in the Start-Up Chile incubator should ensure faster acquisition of customers in both North and South-America.

Apart from internationalisation, CoContest is also aiming to expand its operations to the B2B market. Eventually it is aiming to provide a tendering solution for the full value chain of house (or other accommodation) construction, renovation or refurbishment. This means that construction companies and furniture stores can also turn in a bid on the execution or realisation part of the design work.



4. Drivers and obstacles for initiators of co-creation processes

With regards to drivers and obstacles for initiators of co-creation processes, it is important to make a distinction between companies that organise/host co-creation contests for themselves or for a third party. The magnitude (design contest for one individual's new interior, or a design contest for one of the world's largest beer brewers) of the co-creation contest can also play an important role for the types of drivers and obstacles.

4.1. Competition is driving the adoption of co-creation practices because it allows a company to be distinctive

Co-creation is becoming a competitive imperative. Information illuminating what consumer value is, is abundant, and it flows freely in information networks. If a company does not capture this intelligence to create more fulfilling experiences for consumers, its competitors will surely do²³.

Local Motors is developing all sorts of new distinctive vehicles, based on co-creation. The differentiated products and, even more importantly, the experience the company delivers to vehicle enthusiasts, puts Local Motors in another league than traditional vehicle manufacturers. The degree of co-creation and co-manufacturing that the company hosts is rather unique in the vehicular sector.

For **CoContest**, co-creation design is the basis for deploying a novel business model in the domain of interior design and architecture. Tendering is a common practice for most large architecture/construction assignments, often commissioned by public authorities. However, it has never been really applied on level of individual designers and customers. CoContest, enabled by technological developments, has brought this practice to a C2C level. CoContest's platform is rather unique in that it enables individual designers (often self-employed) to tender for anyone's design assignments. Currently, CoContest has only one real competitor in the USA.

Apart from new product development and other innovation related outcomes, co-creation processes provide a valuable instrument for marketing. For a company like **Heineken**, marketing is all about "being part of the conversation". For a global brand like Heineken (the company also has over 200 local brands), crowd-sourced based co-creation is an ideal instrument for global advertising. As the Ideas Brewery is sourcing ideas from the crowd, with the crowd determining

what is important for their specific needs, Heineken's co-creation contests can appeal to anyone and are therefore globally relevant. These contests transcend the barrier of cultural specificities. This is a key feature for Heineken's global marketing strategy, as the company's CEO states²⁴.

4.2. Customer empowerment through web-based technologies is a key driver for co-creation

Technology, particularly web-based ones, empowers consumers to establish a well-informed perspective on a company's offering, by providing them better access to information. The same technology also allows consumers to create a crowd or community without having to be together physically. The principle that communities can be formed out of shared interest and passion for a certain theme is a new development that drives co-creation design.

- For example consumer websites make it easy to compare the offering of various companies and read about the opinions of consumers that already purchased a specific service or product.
- Technology is for example also used to build collective consumption communities (e.g. collective utility companies that bargain for collective procurement contracts with conventional energy suppliers).

All these developments increase consumer bargaining power and gradually **shift the traditional company-centric paradigm** of value creation, **to a more customer-centric one**. In the latter, customer interaction is not considered an opportunity for **value extraction** by companies, but plays a crucial role in delivering a personalised consumer experience. As Prahalad and Ramaswamy (authors that first phrased the term co-creation) state: "the balance of power in value creation is tipping in favour of consumers"²⁵.

Access to information, works both ways, as technology also provides a company with means to gain access to the crowd or a specific community. A virtual community can be easily segmented based on specific traits, e.g. **Trendsales** community members have in common that they are all interested in fashion; and the platform comes readily available with its own communication infrastructure. This made it easy for **Kaos** to design a co-creation contest around this group of consumers. The required skills/interest



was evidently there, and the required communication channel was also in place (the Trendsales platform).

Heineken recently identified the potential of trends like open innovation and crowdsourcing. The company is of the opinion that innovation is everybody's business and that it is a collective exercise in which everybody can and should participate. As the company's CCO stated "*Innovation keeps our brands part of the conversation and that is why we made it a global priority*". This is why Heineken created Ideas Brewery. To start with, Heineken actively studied online communities where visionaries openly shared ideas, learned about how people in these communities communicated, and forecasted how these trends would further develop. With these insights gained, Heineken created its first global open innovation platform: Ideas Brewery²⁶.

As far as personalised customers experiences go, **Local Motors** offers vehicle enthusiasts one of the best out there. Apart from being able to produce vehicles for niches to which big car manufactures are not able to offer vehicles (the Rally Fighter is ideal for desert racing), Local Motors allows its customers to spend two 3-day weekends at a local micro-plant to co-construct their vehicle together with one of the company's engineers. All required tools and equipment are provided. An experience you cannot simply buy at a conventional car manufacturer.

4.3. Smaller companies conducting co-creation design processes can be hindered by limited funds

The amount of funding available for setting-up a co-creation platform or individual contest significantly impacts the number of co-creators that participate in the process.

For **CoContest** it was hard to set up contracts with their investors. This took nearly six months. According to the company's founder, Italian and European legislation make it much harder to acquire equity financing for a start-up, than for instance in the USA. Moreover, the company's founders already had to give away approximately 75% of their shares to investors. They noticed that European VC companies bargained for higher shares of equity than their US counterparts. Having given away a substantial part of the company's shares, will make it harder to attract future investments.

According to CoContest's founder, it is hard to acquire loans or crowd funding with the co-creation facilitator business model. It is hard to demonstrate that a co-creation platform will become successful, as this largely depends on the ability to attract both co-creators and customers, and not so much on the available technology, which is more of a threshold parameter. This is why venture capital is the mainstream manner of financing for these types of business. This form of funding, however, is also associated with decreased

sovereignty for the start-up and chances of decreased motivation amongst founders.

Kaos partnered with **Trendsales** to organise a co-creation contest and attract the required participants. Without the funding from Kaos, Trendsales would have never been able to finance the required marketing campaign. And still, Trendsales' founder indicates that with a larger marketing campaign the number of crowdsourced ideas could have been even bigger. Kaos, without the existing community, platform and internet traffic of Trendsales would have required much more time and investments to reach the same results as it did with the partnership.

A company like **Heineken** shows that with substantial resources, a company can relatively quickly build a co-creation platform with a significant participant-base. An example of how it realised this was through the platform launch. The platform launch was based around celebrating innovation. Renowned industrial designer, Janne Kytanen, was locked in a room for 48 hours and tasked with answering the challenge question. This experiment was promoted through relevant media and streamed online. The crowd could interact with Janne through social media and share impressions.

With the sheer size and creativity of its marketing campaign, Heineken was able to quickly launch a co-creation platform and acquire a substantial user base. As a result of the first challenge, the Ideas Brewery portal was featured on globally reputed design school portals and trending topic on innovation, packaging and (industrial) design blogs.

In the beginning, for **Local Motors** the lack of government subsidy made project funding much more challenging. As a result of the economic recession, start-up capital funding for manufacturing companies was difficult to obtain. In addition, the capital requirements are different. Technology venture capitalists look for proof of each development and then gradually release more capital. Local Motors however needs financing in larger doses to roll out several micro-factories. Local Motors plans to open 100 Micro Factories around the world over the next 10 years. They have just opened their second full micro-factory in Las Vegas as part of the \$350 million Downtown Project and have introduced a novel new concept called MobiFactory, which is a mobile shipping container with the fabrication capability to produce full vehicles.

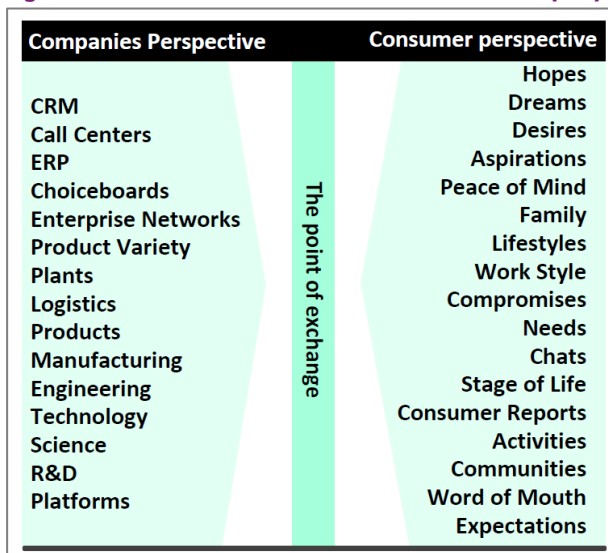
More than 50 municipalities around the world have approached Local Motors with interest in serving as a Micro Factory location. Their interest is in creating local jobs, empowering a local ecosystem of suppliers and producing vehicles that run on locally available alternative fuels. Accepting investment from local governments and partners is the alternative method for continuing to finance the business.



4.4. Merging consumer preferences with a company's goals can be a barrier to co-creation

An example of a co-creation endeavour, in which consumer inputs/preferences could not be translated into increased company performance in terms of (increased) profits, is Saturn. This car brand was launched by GM in 1985 as a "different kind of car company", working closely with its customers. Despite the successful design and substantial sales, it never managed to become profitable and was eventually, as a direct consequence of the global recession, discontinued by GM. This can be seen as an example of how co-creation can result in improved product/service design, but does not necessarily have to translate into improved company performance.

Figure 7: Points of interest for consumer and company



For **CoContest**, this issue has not really been a problem. In only two occasions, a customer was unhappy with what the designer community came up with. The clear package pricing system the company deploys ensures that customer expectations are clearly aligned with designs of co-creators.

Heineken learned from experience that many subtle factors contribute to innovation success. According to the company, "the consumer has to be at the centre of each of the many hundreds of decisions made during the development of each innovation project". To coordinate this complex procedure of decision making, Heineken has developed a one clear global innovation process. This framework, based on best practices learned from practice, ensures that every step of the process is completed effectively. Innovation goes through two logical phases; the front-end, up to the point of concept selection; and the development funnel, leading to launch. The company recognises that great ideas can come from anywhere, from its employees, suppliers or external sources, and the global

innovation process allows Heineken to streamline all these valuable inputs into new products and services.

The initial design of **Local Motors** was a pure open source and crowdsourcing process that covered the concept phase. It started with a period where the company's team scoped out what vehicle it co-creators should develop. Then a period followed where industrial designers in the community started designing drafts of what the car might look like (design board, view boards and emotional design). Finally, one winner was chosen and the designer closely worked with the company to finalize his/her design.

For a long time the co-creation process would be over at that point, as there were little to no tools in place that allowed the community to further contribute. From that point in the process development would be similar to traditional automotive processes where the company further developed the customer's design into 3D CAD drawings ready for manufacturing. It is recently in the company's existence that Local Motors went a step further. They created communication channels between creators and customers to support engineering design shared efforts and end up with more desirable designs. In some cases, engineers even delivered 3D-CAD designs that literally could be inserted in a machine and manufactured without any adjustments.

Local Motors experience was that when you design competitions are initiated as a PR-stunt than they will only deliver a concept or make up for your lack of drawing skills and creativity. To fully unlock the potential of co-creation, interdisciplinary and interdepartmental synergies, a rich format for collaboration should be established early on in the process. Traditional companies use Product Lifecycle Management (PLM) systems. With these systems marketing should be able to look at 3D Cad, industrial designers should be able to look at engineering Cad and people should be able to look at non-parametric models, sketches and concept sketches. In case of crowd sourcing, Local Motors desires the same degree of high-quality format as corporations. To replicate this capability, PLM-systems are required to be adjusted from a corporate to a community type.

4.5. Broad-based engagement and community platforms are a driver for co-creation

Kaos was interested in a partnership with **Trendsales** for its co-creation initiative, because Trendsales possessed the required knowledge of online marketing and community building; the technical skills for building a co-creation platform; and already had a vibrant community of fashion adepts with frequent traffic to its website. As Fashiontrend's co-founder Magdalena Pawlowicz stated: "traditional (fashion) manufacturers operate offline and focus on core competencies like logistics, (offline) sales and marketing. It takes practice and experience to understand the business



*model behind online co-creation.*²⁷” Particularly online community building is a capacity that conventional companies do not have readily available in-house. A co-creation facilitator with an existing online platform and community, like Trendsales, can be a valuable collaboration partner and driver for industry players that want to focus on their core business, while also engage in co-creation initiatives.

4.6. Building online communities takes practice, time and money

In order to understand the business model behind co-creation design processes, you need knowledge of and experience in building online communities (Trendsales’ co-founder). **Trendsales’** online expertise was combined with Kaos’ design capacities and eventually resulted in a successful co-creation design contest. Trendsales developed the plan for organising the co-creation process, attracting media attention (e.g. by inviting celebrities to take place in the jury), the technical skills for hosting the platform, and of course already had an existing online community. Kaos complemented this knowledge and expertise with expert knowledge on design, feasibility in terms of costs and manufacturability and upcoming trends.

Local Motors views its community members as its most valuable asset. To lower the cost of building and maintaining this community, the company opened up its community to other firms/suppliers that desire to tap into Local Motors’ talent pool and collaborate on hosting a design competition. This initiative increases the large diversity of competitions, adds an additional revenue stream and might even be the way the company will earn the largest part of its future revenue.

For **CoContest**, the current economic downturn, which is particularly felt in Italy (from where the main share of its designer community originates) was a driver for quickly building up a co-creator community. As many Italian designers are currently unemployed, willingness to participate in a platform that attracts assignments from other parts of the world is high. As facilitator of co-creation, for CoContest on the other hand it is a challenge to acquire enough customers and assignments, to serve its huge community of designers.

4.7. Co-creation potential, can be hindered by legal requirements

This is particularly true for **CoContest**. Due to earlier mentioned factors, the company’s potential for international expansion is significant. This is, however, also associated with **international money transfer and copyright issues**. Currently, the company is using PayPal to facilitate money transferring from customers to designers. This is associated with relatively high costs. Legal issues, however, hinder more efficient ways of transferring money between the EU and South America. Moreover, opening accounts within EU countries requires much more administrative duties than compared to for instance the USA.

Somewhat similar issues are experienced for copyright legislation and tax declarations. As these systems vary between Europe, South America and the USA, especially start-ups may struggle to find the resources to operate internationally. This is particularly cumbersome considering the potential co-creation might provide for international activities.

One of the biggest barriers **Local Motors** is facing originates from government rules and regulations covering the automotive sector. Traditionally, it takes years and tens of millions of dollars to undertake crash dummy tests for approval of mass production. Only after this, a vehicle would be approved for national on-road use and large-scale production. The drawbacks were resolved when the founder of Factory Five Racing (one of Local Motors’ partners) highlighted that the small volumes and planned customer labour would allow the company to circumvent these regulations. Accordingly, Local Motors’ founder planned to design vehicles in compliance with FMVSS (Federal Motor Vehicle Safety Standards) and invest in crash dummy tests when the popularity of a car model would justify its investment. The Rally Fighter is street legal, since it has been build following the safety standards of “federalised” vehicles and it exceeds EPA standards. The car is registered under the Custom Vehicle umbrella, and is street legal in each of the 50 federal states²⁸. It is easy to imagine that similar problems might apply to other areas were co-creation is used to customise highly regulated product offerings.



5. Policy recommendations for further uptake

Most interviewed companies indicate that their co-creation initiative was launched with the aim, amongst others, to generate employment or activate young unemployed people. In all instances these goals were reached, although not always to the extent as was desired (mostly due to resources limitations). Moreover, co-creation processes can provide a valuable education experience for young individuals and can provide talented people without a degree better access to businesses and a possible career.

This way, co-creation initiatives can have an EU-wide positive effect. Many unemployed youngsters in for instance Finland and Italy do have the skills, creativity and desire to engage in a challenging assignment within their personal area of interest, but lack the opportunity to do so. Co-creation initiatives provide an ideal, relatively affordable, opportunity for large industry players to activate this group of talented people. As Trendsales' co-founder stated: *"industry incumbents actually have a social responsibility to host co-creation activities for its (potential) consumer base"*. It's a great way to generate publicity and creative solutions, acquire new customers and customer understanding, and perhaps find talented employees, without any significant draw-backs.

Considering the EU-wide benefits of co-creation initiatives, policymakers could consider actively stimulating industry engagement in co-creation processes. This could for instance be done through **tax exemptions or breaks for (a share of) co-creation related costs**. For instance the costs associated with supporting or collaborating with co-creators, like Heineken does during its workshops.

Policy measures, especially during recession, aimed at creating opportunities for young talent to voluntarily participate in creative work, are more effective, than forcing unemployed people into certain retraining, education or work programmes (as is currently being done in some Member States). Apart from being more effective, this could foster more entrepreneurial spirit in Europe, which might linger even after the period of economic downturn (period with high unemployment) is over. This could positively influence economic activity in the EU.

Although it might be hard for European policy makers to decrease the discrepancy between the copyright and tax systems used in Latin American and EU countries, some action can be taken there. Policymakers could provide **free consulting services** to start-ups that want to expand internationally. For instance in the form of providing **entrepreneurs with best practices for setting up**

transactions from and to South American countries for example. Of course this advice can also come from other entrepreneurs who would like to share their international experience, and which only needs to be documented.

A policy recommendation that is not specifically associated with co-creation design, however nonetheless valuable, is derived from CoContest's international experience. National governments in Chile and Brazil are attracting foreign start-ups to their countries and markets by facilitating incubator programmes with public funds. The start-up Brasil and Chile programmes are ideal for attracting co-creation facilitator companies like CoContest, as these types of businesses do not require an HQ in a specific country. This is facilitated by the non-proximity requirement towards co-creators and customers. Policymakers could more easily create hot-spots of both European and non-European start-ups in designated areas. Apart from the economic benefits of attracting foreign companies and investments, there could also be a community benefit in this. As the programmes revolve around public funding, the Chilean and Brazil governments require start-ups like CoContest that are funded through the programmes to give back to the community, for example by visiting schools and giving lectures.

According to CoContest's CEO *"it was hard to set up contracts with investors, due to Italian and European legislation which made it much harder to acquire equity financing for a start-up. US regulation on this topic is for instance much more flexible"*. Policy makers could better facilitate start-ups in attracting funding, by liberalising these regulations.

According to CoContest's founder, *"it is hard to acquire loans or crowd funding with the co-creation facilitator business model in general"*. It is hard to demonstrate that a co-creation platform will become successful, as this largely depends on the ability to attract both co-creators and customers, and not so much on the available technology, which is more of a threshold value. This is why venture capital is the mainstream manner of financing for these types of business. This form of funding, however, is also associated with decreased sovereignty for the start-up and chances of decreased motivation amongst founders. CoContest's founders for instance already had to give away approximately 75% of their shares to investors. They noticed that European VC companies bargain for higher shares of equity than their US counterparts. The combination of these factors indicates the **need for public funding for co-creation based business models**. This is where policymakers could make another valuable contribution.



6. Appendix

6.1. Company contacts

Company	Name	Designation
Trendsales.fi	Magdalena Pawlowicz	Co-founder
CoContest	Filippo Schiano di Pepe	CEO and co-owner
Local Motors	John B. Rogers Jr.	President, CEO and Co-Founder
Heineken	Ellen Bark-Lindhout	Innovation Program Manager

6.2. Websites

Trendsales	www.trendsales.fi
Local Motors	www.localmotors.com
Heineken	www.ideasbrewery.com
CoContest	www.cocontest.com

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