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Value Co-Creation: Exploring the Role and Purpose of User Generated Content (UGC)

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Abstract

This paper aims to explore the role and purpose of User Generated Content (UGC) in a value co-creation project. Value co-creation has gained a significant amount of attention among marketing and Information Systems (IS) researchers in recent times. Academic researchers are putting efforts in theorizing and identifying the processes of value co-creation in different contexts. To date, while efforts are made to explore and theorize value co-creation and UGC separately, no significant research exists that attempts to consider both concepts in an integrated environment. This paper discusses value co-creation and UGC in an online environment. UGC is a common and important tool used by online consumers. A conceptual framework consisting of 4 To's is presented after a comprehensive review of literature on Service Dominant Logic of Marketing (SDL), Value Co-Creation and UGC. UGC is used by online communities with the purpose to profit, engage, inform and obtain. Cases of Wikipedia and Lets Play Now- YouTube are used for the discussion of the framework. Based on the review, this paper provides directions for future research.

Keywords: Value Co-Creation, User Generated Content, Service Dominant Logic of Marketing

Introduction

The consumer has been emancipated. At least that is what recent marketing academics and practitioners are opinionating towards in the recent decade. The reason behind the formation of this thought process can be attributed to marketing literature which has focused on two key concepts, Service Dominant Logic (SDL) and value co-creation. In recent time, both argue for integrating the consumer within different facets of the organizational processes of a firm, as it would be more beneficial in the generation of value for both the firm and the customer respectively¹⁻⁵. A compliment to the recent academic stances of marketing can be seen from a practitioner perspective; one that has been developed due to the rapid evolution of internet based technology. The two key elements in the recent developments paving the way for the practical realization of the value co-creation are the rise in social media usage and User Generated Content (UGC).

Both social media and UGC are changing the ways in which consumers can interact with firms. The new communications media have allowed more dynamic and constructive contributions to emerge from the consumer end⁶⁻⁹. This form of which goes way beyond the regular feedback mechanisms those were available in the traditional marketing mix approaches. The way in which the internet is being adopted by consumers, there is a need to develop an understanding of new strategic perspectives which firms would have to adopt in order to utilize the opportunities which are presented by UGC.

This paper focuses on two objectives. These objectives are listed below:

1. *Role of UGC in value co-creation.*

The first objective focuses on the different ways in which consumers utilize user-generated content (UGC) within the context of value co creation. In doing so, we seek to establish a

typology which would effectively be able to map out the different purposes which consumers have for using and creating UGC.

2. *The purpose and objectives of creating UGC by consumers.*

The second objective builds up on the findings of the first one. The idea of the latter objective is to create a conceptual framework that integrates the typology; providing detail as to what sort of initiatives firms can undertake in order to facilitate the different UGC based co creation processes.

Literature review

SDL and Value Co Creation

Research on value co-creation gained precedence in the domain of marketing since Vargo and Lusch (5) seminal work on Service Dominant Logic (SDL). In their work and future researches of the same theme, they focused upon how current and certain extant literatures in the field of marketing had come about with concepts and theories that did not seem to fit the mold of what they considered a dominant paradigm of marketing thought, namely the Goods Dominant Logic (GDL). They debated that the diverging streams of literature were all converging towards an emerging paradigm of marketing thought, which future researches labeled as SDL^{10, 11}. As such, the authors differentiated GDL from SDL based on the roles of *operand* and *operant* resources within the two logics respectively. They posited that operand resources have more significance in GDL and that value is embedded in the goods or services, which were provided by a firm. In that sense, the firm is in a position where it is offering value to a consumer on the basis of the core and augmented attributes of the product or service which is being consumed. Furthermore, in GDL, the consumer is only a receiver of value and has minimal to zero influence in the value creation process.

SDL offers a very contrasting opinion to GDL in terms of value creation¹². It states that value cannot be standardized, as it is something which is perceived differently by every consumer, and that creation of value does not occur in the exchange of goods or services but rather when it is consumed. The process of consumption thus gains precedence over the process of production as the focal point is changed from "value in exchange" to "value in use". This puts the producer in a position of having to create value propositions instead of value offerings, as the determination and magnitude of value creation is now embedded in the process i.e. service experience which is created when a consumer interacts directly or indirectly with the offerings of a firm. Consequently value is thus, as per SDL not created in isolation but rather co-created through the interaction of the producer and the consumer, with the product/service acting as the primary driver of the entire process, or what marketing literature has termed as the service experience^{1, 2, 13}.

Further researches on the area of value co-creation have refined upon the original premises of Vargo and Lusch's seminal work, with the stated authors themselves refining the eight foundational premises of SDL, as well as adding new ones^{3, 10, 14, 15}. Many authors have contributed towards the further development of this field, diversifying the research theme of value co-creation into areas pertaining to conceptualization and theorizing of the broad concept into more operationalized terminologies as well as actionable conceptual frameworks^{4, 11, 16-18}. Given the highly interactive and complex nature of the service experiences that are created, recent works on the subject have delved into the creation of systems, which attempt to explain how the service experience is created and how value is derived. The development and operationalization of these systems are influenced by existing theories pertaining to resource integration, capabilities development, learning, consumer behavior, knowledge management and network theory. The created systems themselves are complex in nature because the interactions between the producer and consumer are highly dynamic and varied. Thus, the systems have been adaptive in order to account for these variations and dynamism^{11, 17, 19, 20}.

The area of value co-creation is still in its growth phase, as many research avenues within this sub-domain are open for debate and development^{15, 21, 22}. These areas consist of both conceptual and empirical development of research themes focusing on different issues. These pertain to areas such as the development of a new lexicon of terminologies that can accurately explain SDL and value co-creation in its light; the role of the consumer in creating value; best practices which will have to be

adopted by firms in order to account for this new logic and the integration of both operand and operant resources into service systems.

As such, this paper focuses more on how the internet can be used as both, an operand and operant resource respectively to facilitate the process of co-creation between actors. The latter part of the literature review focuses on how the internet has evolved over time, and what opportunities have been and are being created that facilitate the co-creation process. Specifically, the review is centered towards the recognition of opportunities, which becomes available owing to user-generated content.

Evolution of the Internet and User-Generated Content (UGC)

Nowadays, the internet has become a central part of the daily routines of millions, if not billions of individuals around the world. It serves and fulfills multiple roles, in terms of provision of information of any kind, as a means of communication amongst individuals and groups, and the recognition and creation of personal identification⁹. As the internet has evolved over time in terms of technological advancement, it has provided new avenues in which firms and consumers can interact with each other^{7, 23-26}. Before discussing in detail about the extant literature which is available on the changing nature of firm-consumer interaction in an online environment, it is prudent to discuss the factors which have contributed towards said changes.

The contributions as such can be traced back to the development of Web 1.0 and its successor Web 2.0. Both terminologies are representative of ideological and functional stances, which software developers and the end users take towards using the World Wide Web (WWW) in terms of content creation. With the advent of Web 1.0, internet based functionalities and a range of associated applications allowed users to create and share content and media over a digital platform. The ability to establish networks with a huge number of individuals across the globe, regardless of physical boundaries was amongst the stepping-stones in the development of a global online community⁹.

Web 2.0 improved upon the original foundation of Web 1.0 in terms of additional functionality and web based resources, in many cases considered as providing the platform for the near explosive growth of a decade defining digital phenomenon known as social media. While further discussion on social media is unavoidable, it can be routed through another debate which holds more importance to this research, which is that of User Generated Content (UGC). UGC, broadly put is considered as the main form of online user expression that is created without any professional or business intent involved. Expression in this case is being used as a blanket term, which encapsulates the different forms of media (visual and audio based) that users can create and then share amongst online individuals, whether in public or member based forums^{9, 27-32}.

While UGC as such was present before the rise of social media, the rapid advancements in internet based technology has made the concept more accessible and user friendly to a larger audience on a global scale. This has presented companies with an array of both opportunities and challenges to interact with consumers on a level, which was not possible when compared to traditional forms of media. This is all the more important, considering how the concept of UGC seems to act like an active proponent for the value co-creation process to occur between the producer and the user.

Extant research has focused on the aspect of value that firms can realize by collaborating with consumers in an online environment. They highlight that with the rise of internet users who use social media, consumers have become more vocal than ever in stating what they believe is value for them when they undergo service experiences. The impact of social media and UGC is significant to the point that they have become major determinants of the profitability of a firm^{24, 26, 33, 34}; with further literature pointing out that firms of any industry should engage in social media based activity and make it a part of their overall promotion mix just to stay level with the competition.

Considering the literature on both value co-creation and UGC, it is a fair statement to make that the two concepts seem to support each other. The DART model which was proposed by Prahalad and Ramaswamy (18) states that in order for firms to engage in value co-creation, they must have a system or systems in place which enable them to engage in continuous two way dialogue with their customers at different interaction based touch points.

Furthermore, firms should be willing to allow their customers to have access to their resources (both operand and operant), so that they are more aware of the internal workings of a firm and can thus make

better-informed decisions, in terms of providing their own valuable input in the co-creation process. Having more knowledge of the internal workings of a firm will then allow the customer to have better risk-reward assessments should they want to engage in activities pertaining to co-production and value co-creation. Finally in order for all of this to occur, firms must be willing to be more transparent of the activities which they undertake, so that the customer is more symmetrically informed and has a higher willingness towards placing trust in the firm.

In terms of online collaboration, UGC effectively serves as a medium through which firms can engage in highly interactive one-to-one or one-to-many dialogues with their customers. Customer in this case can then provide feedback through different forms of media, which are available via the technological resources, and applications of a Web 2.0 environment. With the rapid proliferation of information on the internet, it becomes pertinent for firms to maintain transparency in the activities that they undertake, so that they maintain consumer trust. Plus, the capabilities of the internet will provide a conducive environment for the co-creation of value by taking into account, the operant and operand resources of both the consumer and the firm respectively³⁵.

Conceptual Framework

Based on the literature review, it can be noted that UGC plays a major role in the development of many market-based perceptions surrounding firm offerings and their intended value, which is to be derived by the consumer^{27, 29, 31, 32, 36}. Before the boom of the internet era, one of the major drivers behind the shaping and formation of these perceptions could be attributed to marketing communication channels which firms used to employ. These communication channels consisted of the use of different media operated via advertising, promotions and integrated marketing communications (IMC) efforts. One of the factors that differentiate the pre and post-internet era communication efforts respectively was the amount of power that the consumers had in shaping the intended value of any company's product or services. Before, the value proposition was designed more in an in-house setting; by brand and marketing managers, who would then push the value offering on to the consumer through the various communication mediums.

Now, with the rise of word of mouth (WOM) marketing, prompted in large part due to the advancement and reach of internet based capabilities and skill adoption by the mass public, that mindset has begun to change²³. This is because the internet has made the consumer highly responsive and aware of the activities of the companies whose products and services he/she avails. More importantly, the internet provides a platform, from which the consumer can raise opinions which can be received and responded by a community of like-minded peers. These people and their opinions are no longer bound by spatial and even temporal boundaries as the internet is continuously operational on a global basis. Hence, the impact of internet based consumer activities have a significant power in determining and driving the perceived value of any company's product or service. It would be necessary to point out the original claim about UGC being a major driving force, as most opinions or consumer views, which are generated in an online social environment, can be labeled as UGC^{9, 29, 32}.

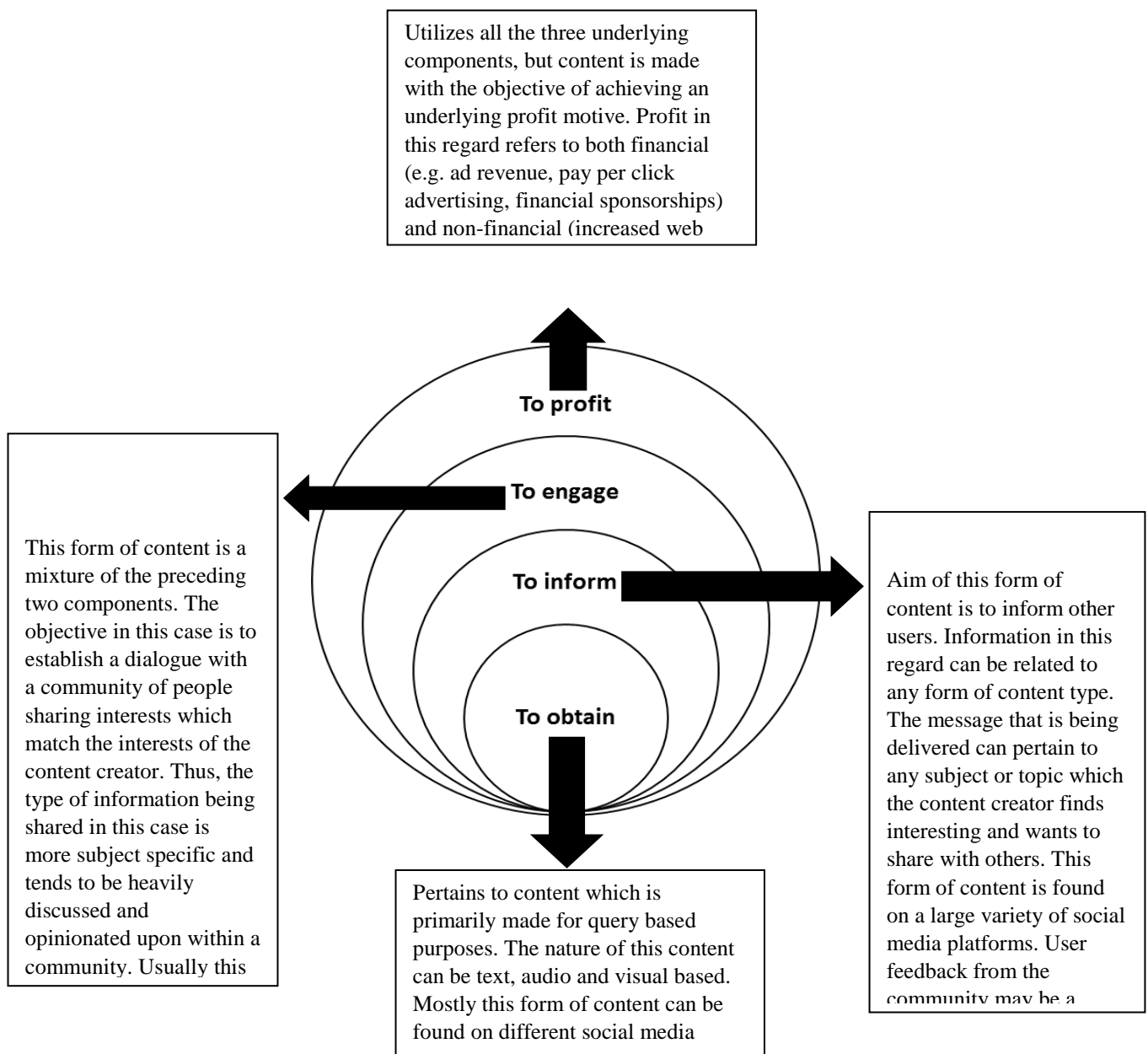
Furthermore, the discussions based on identifying the different types of purposes which consumers have for using UGC. Specifically, through review of literature and inductive reasoning, we aim to develop a typology, which identifies and segregates these purposes within the context of value co-creation. The segregation is based on three main factors, which are intended objective, content type/s, platform type/s. Based on this method, it can be established that there are four main purposes which consumers have for using UGC. These four purposes within the context of this research, are being labeled as the four "to's" as they signify the attitudinal component of consumer UGC usage. A conceptual framework is provided below which signifies the sequential and interlinked relationships amongst the four primary purposes. The framework is further elaborated upon in the discussion portion.

Figure 1: The 4 To's of UGC driven Value Co-creation initiatives (Conceptual Framework)

Case Based Discussion

Case 1- Wikipedia

The conceptual framework focuses on the attitudinal component of the consumer with regard to usage of UGC^{27, 29}. The framework highlights that the four components are sequential and interrelated in nature. The reasoning behind the interrelatedness of the four components is that the nature of the communication that is established in a co-creation environment may have factors, whose properties are derived from two or more of the four principal components. Let us consider two separate cases.



The first one pertains to a person creating a Wikipedia page. Breaking the reasoning down to its factors, we can determine that the communication has been established on a platform that is primarily used for knowledge sharing with no direct community feedback option^{9, 31}. Furthermore, the aim of producing the generated content was to inform the browsing community about a particular sort of information. As such, no underlying motive was present to engage users in a two way communication, nor was the content creator interested in receiving feedback from the community. Also, no underlying profit motive was present, otherwise the content creator would have used a different platform which would have provided a means of revenue creation. Considering these factors, it could be agreed upon that this hypothetical scenario would fall under the "To inform" option.

Case 2- Let's Play- Youtube

This is a more holistic hypothetical scenario involving a gaming related, "Let's play" YouTube channel^{9, 30}. In order to generate revenue through creating video-based content, the actor would have to first engage other users to view the videos in the channel, and then become regular subscribers so that the channel can generate a healthy and stable amount of internet traffic. In order to do this, user engagement may start by getting into discussions with other users on different social media platforms such as Facebook, Twitter, Twitch, Google+, blog sites etc. Through this, the content creator may be going through all the four components, as information would first be obtained regarding the type of users who may be interested in this form of entertainment. Next, information would be provided on different social media sites in order to raise awareness about the content, which would be available on the principal profit-making platform. Lastly, the resulting internet traffic would amount to a financial reward to the content creator in the form of ad revenue and revenue generated per view counts. The profit motive is essential to highlight, as all these steps could have been undertaken without having an underlying profit motive. The situation ultimately posits that an underlying profit motive would generally require the use of all of the three attitudinal and behavioral components.

Managerial and Academic Implications

SDL and value co-creation is playing an important role in changing the mindset of business practitioners as well as academics. One of the main contributions is to discuss the role of multiple actors that are involved in the process of value co-creation. Activities of any type and at any level should be considered as being highly interconnected and interdependent on each other, if the proper realization of value is to occur. The paper in this regard, provides a perspective as to how a single actor type uses UGC within the context of value co-creation, and for what purposes. For academics and practitioners alike, this paper serves as a stepping-stone into assessing the different characteristics and needs of this particular actor when it comes to UGC.

This paper lays a conceptual foundation on which further academic research can build upon. For example, how companies can facilitate the process of value co-creation via different UGC initiatives is an important area of research that can be conducted upon and would benefit from both qualitative and quantitative research initiatives. Considering the multiple actor viewpoint, as well as the recent stream of research pertaining to service systems, practitioners can benefit from the creation and implementation of UGC based systems³⁸. The testing of these systems via case based and action research design in different industries can help to identify how ideal online customer experiences can be created through UGC backed co-creation initiatives. These type of initiatives fall in line with studying the changing behavioral trends of customers who are more focused on the experiential aspect of value as well as the dynamic nature of what an experience would constitute^{19, 39, 40}.

Conclusion

The purpose of this paper was to examine the role, which UGC plays in the value co-creation process and also for what reasons do consumers use UGC in an online environment. By adopting a methodology based on a review of extant literature and inductive reasoning, a conceptual framework was proposed. The framework posited that the different ways in which consumers use UGC can be categorized into four interrelated and sequential components. As such, the idea of value co-creation would stem from the fact that the nature of the content created would draw from both the operant resources of a particular firm as well as the operand resources of the person would be creating said content. As such, the framework is still in a preliminary phase, and can be improved upon. The improvement can result from identifying other key components of UGC usage through employing qualitative research strategies. Furthermore, establishing a more empirical framework based around the proposed "4 To's" model will help in assessing the effect which each component has within the co-creation process. Conclusively, it can be noted that online consumer activism is still in its growth phase, as more consumers are becoming proficient in handling internet based resources and are thus voicing their opinions on different business related activities. Ultimately, firms would have to

understand the potential value that can be utilized from researching this new wave of consumer activism and changing their business strategies and policies for the better.

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