

2. Conceptual Foundation

2.1 Brand Management

2.1.1 The Basic Principles of Brand and Brand Management

Traditionally, brands have been described as sets of signs, identifying products or services and as legal objects of protection (cf. Esch, 2012, p.18). Considering the variety of other functions and effects that brands have today, a more contemporary and accurate definition from an effects' and customers' perspective is used as a foundation for this paper:

Brand

"Brand = a name, term, sign, symbol, a design or a combination of these elements, which is known among relevant customers and which has a differentiating image, in comparison to competing offerings, that leads to the formation of preferences"¹ (Baumgarth, 2008, p.6)

Thus, brands are important means of differentiating a company's offers from competitors, loyalizing customers, establishing fertile platforms for new offerings and securing long-term competitive advantage (cf. Esch, 2012, p.24). The role of brand management, the corporate practice entrusted with steering brands, is defined as follows:

Brand management

"Brand managers' goal is to build and preserve a strong brand with brand equity as the central performance indicator."² (ibid., p.57)

Brand equity is seen as the “added value” an offering or a company gains through its brand in contrast to a similar, unbranded offering (cf. Keller et al., 2012, p.42). From an economical perspective, this added value describes the financial surplus generated by a brand. From a behavioral scientific perspective, it describes the change in perception and reaction of customers to marketing activities of a company, evoked by their brand knowledge (cf. Esch, 2012, p.57). As changed perception and behavior are premises for financial surpluses derived from brands, the behavioral scientific perspective is the relevant view for their evaluation and management (cf. *ibid.*, p.61).

The brand management process for attaining and preserving brand equity encompasses the definition of a brand positioning, the implementation and communication of this positioning and the measurement and improvement of the activities (cf. Keller et al., 2012, p.43).

The elements of a brand positioning are best explained by Aaker/Joachimsthaler’s (2009, p.44) brand identity model. As a basis, it encompasses the functional, emotional or self-expressive benefits forming the value proposition of a brand. It is complemented by the brand identity, describing the character and values of a brand in the brand essence as well as the core and extended attributes. These attributes aim to characterize a brand in terms of product features and quality, organization attributes, personality traits and visuals. In order to maximize brand equity, the goal of brand management is the consistent implementation and communication of the brand positioning and the ensurance that an integrated marketing strategy reflects the brand positioning in communication, product, price and distribution decisions (cf. Keller et al., 2012, p.200). Every touchpoint of the brand and its target group should have the best possible brand-fit to empower the brand – a paradigm that should also be used when developing and evaluating customer integration activities.

2.1.2 Evaluating Brands by Customer Based Brand Equity

As explained above, brands can be evaluated by their behavioral scientific impact on customers. This understanding has been shaped by Keller et al. (2012) as the concept of customer based brand equity and is defined as “[...] the differential effect that brand knowledge has on consumer response to the marketing of that brand.” (ibid., p.54). Thus, Keller et al. argue that customers with specific knowledge, attitudes or feelings about a brand will act more favorable towards its offerings. For instance regarding the judgement of quality, the response to price increases, the general purchase intention, the perception of advertisements or else (cf. ibid., p.54-55). Customer based brand equity can be operationalized by measuring the customer mindset via a wealth of single indicators and comprehensive models. The models usually contain indicators assessing the knowledge of a brand, the associations connected to it, the attitudes towards it, the relational attachment to it and the behavioral implications the brand evokes (cf. ibid., p.383). After the assessment of several models (cf. Esch, 2012, p.72–78, 641–659; cf. Baumgarth, 2008, p.314–330; cf. Keller et al., 2012, p.66–67), a basic yet comprehensive framework described by Keller et al (2012, p.382–383) has been selected for this thesis. The indicators are used to evaluate the effectivity of branding activities and will thus act as a framework for the evaluation of the benefits and success factors of customer integration activities for brands:



Figure 1: Indicators for the assessment of customer based brand equity (based on Keller et al, 2012, p.382–383)

Brand awareness describes, whether a customer knows a specific brand either when being presented with a stimulus like the brand name or visual brand elements (brand recognition) or when being asked for brands from a specific category (brand recall). It reflects the strength

of the brand in the memory of the individual customer (cf. Keller et al., 2012, p.487–489). High brand awareness does not only increase the position of a brand in the customer's consideration set, it can also have a direct effect on brand attitudes and the sympathy of a brand due to the mere-exposure effect (cf. Esch, 2012, p.73).

Brand associations describes the image which customers connect to a brand. The associations should be favorable for customers, unique to the brand and resembling the brand positioning. Thus, associations should reflect the brand value proposition and the brand attributes like product features, personality and visuals (cf. Keller et al., 2012, p.62–64). A higher intensity and number of associations is considered to be favorable (cf. Esch, 2012, p.67).

Brand attitude describes the qualitative evaluation of a brand, based on the associations connected to it (cf. Keller et al., 2012, p.384). Attitudes can either be rational judgements or emotional feelings about a brand. Judgements are mainly related to the quality of the brand and its products and services, the credibility of the brand, its perceived uniqueness and its consideration in case of purchase (cf. *ibid.*, p.75–76). Emotions on the other hand describe, whether a customer feels general sympathy and trust for a brand (cf. Esch, 2012, p.73) or even connects certain strong, positive emotions like warmth, fun, excitement, security, social approval or self-respect to it (cf. Keller et al., 2012, p.77–78). Keller (cf. *ibid.*, p.498) also includes purchase intention as a measure of brand attitude, describing how likely customers are to buy a product or service of the brand or how likely they are to switch from that brand to a competitor's offering.

Brand attachment describes the feeling of loyalty and thus the strength of the relationship between a customer and a brand. On the one hand, brand loyalty means that customers continuously repurchase a brand. However, it does also describe the emotional attachment that custom-

ers develop towards brands, possibly without ever purchasing its products and services (cf. Esch, 2012, p.74). High levels of brand attachment make customers seek active contact with the brand, give them feelings of security and make them overlook negative experiences, like product flaws, more easily. This type of attachment can arise independent from purchases.

Brand activity finally describes, to which extent customers engage with the brand in terms of using it, talking about it and seeking contact with it (cf. Keller, 2012, p.384). A high level of brand activity means that customers are willing to get involved with the brand in brand communities, actively recommend and promote brands and its products (cf. *ibid.*, p.81).

2.2 Customer Integration

2.2.1 The Basic Principles of Customer Integration

In organizational theory, integration is a process that means to ensure the collaboration of different organizational units (cf. Lawrence/Lorsch, 1967, p.11, cited in: Bruhn/Stauss, 2009, p.6). Hence, customer integration can be seen as the process of integrating the customer, defined as “The actual or prospective purchaser of products or services [...]” (AMA, 2013, p.1), as an organizational unit into the company. This derivation is supported by Kleinaltenkamp, who originally described customer integration in the context of B2B (business-to-business) service marketing: “If one looks closely, one notices that vendor companies are often integrating external [...] production factors into their value creation processes, with or on which the services are performed. [...] the

customer respectively ‘his’ production factors are thus becoming a part of the value creation process.”¹ (Kleinaltenkamp, 1996, p.16).

Recent publications have acknowledged this description for B2C and product marketing: “Customer integration 2.0 is understood as the involvement of the customer into the value creation process by using instruments of the web 2.0.”² (Fandel/Fließ/Jacob, 2011, p.1), “Customer integration describes the combination of information and knowledge from the customer’s domain with internal factors of the vendor company as a precondition of value creation.”³ (Reichwald/Piller, 2009, p.56), “Customer integration is the incorporation of resources from customers into the processes of a company.” (Möller, 2008, p.198). While these definitions contain varying delimitations, they all agree on a basic principle of customer integration:

Customer integration

Customer integration is the integration of customers into the value creation processes of a company.

Customer integration can thus be seen as the reimagination of the traditional value-creation process of the sequential value chain which is described by Porter (1986, p.36): “Every firm is a collection of activities

- 1 Author’s translation from German: “Wenn man also genauer hinsieht, stellt man fest, dass Anbieterunternehmen oft in großem Umfang externe [...] Produktionsfaktoren in ihre Wertschöpfungsprozesse integrieren, mit oder an denen die Leistung erbracht wird. [...] der Kunde bzw. ‘seine’ Produktionsfaktoren werden damit zu einem Teil des eigenen Wertschöpfungsprozesses.”
- 2 Author’s translation from German: “Unter Kundenintegration 2.0 wird dabei die Einbeziehung des Kunden in den Wertschöpfungsprozess unter Nutzung von Instrumenten des Web 2.0 verstanden.”
- 3 Author’s translation from German: “Kundenintegration bezeichnet die Kombination von Informationen und Wissen aus der Domäne des Kunden mit internen Faktoren des Anbieterunternehmens als Voraussetzung der Leistungserstellung.”

that are performed to design, produce, market, deliver and support its product. All these activities can be represented using a value chain.” In Porter’s value chain, value is created inside the company with the customers being mere consumers outside the firm (cf. Prahalad/Ramaswamy, 2004, p.6). This system evolved into network organizations in which value is created jointly by companies, their suppliers and business partners (cf. Reichwald/Piller, 2009, p.33). Customer integration describes a further extension of the organization into a value creation system, in which customers are also seen as active value creation partners, being integrated in or completely adopting value creation activities – a new division of labor (cf. Prahalad/Ramaswamy, 1993, p.66).

2.2.2 Delimitation of Customer Integration

A variety of concepts and terms are associated with customer integration due to similar ideas or similar namings, including co-production, co-creation, interactive value creation, crowdsourcing, and co-creation of value. While some of these concepts embody the idea of customer integration, others partly overlap with the concept and some are using associated terms to describe contradicting concepts.

Co-Production, co-creation and interactive value creation embody the basic principle of customer integration. Vargo/Lusch (2006, p.284) describe co-production synonymously to customer integration: “[Co-production is the] participation in the creation of core offerings [like] shared inventiveness, co-design or shared production”. However, other authors (cf. Normann/Ramirez, 1993, p.66; cf. Wikström, 1996, p.12-14) use the term for the integration into production (manufacturing and assembling) of products only, not mentioning other areas like product design. In contrast, the concepts of co-creation and interactive value creation emphasize the integration in design (innovation), configuration and marketing of products only, while excluding integration into

the actual production (assembling, manufacturing) phases (cf. Reichwald/Piller, 2009, p.51; Ramaswamy/Gouillart, 2010, p.4).

Howe's (2006) concept of crowdsourcing overlaps with customer integration regarding the process of "[...] a company taking a function once performed by an employee and outsourcing it [...]". However, it does emphasize the outsourcing to "[...] an undefined (and generally huge) network of people [...]" (ibid.) and thus focuses more on the outsourcing of labor to any possible workforce rather than an interaction with the specific customers of a product.

Despite a similar naming, the concept of co-creation of value in Vargo/Lusch's (2006, p.284) service-dominant logic is not congruent with customer integration and the related concept of co-creation. Rather than discussing the integration of customers in the value chain, it argues for a fundamentally new understanding of the concept of value in economics itself: The concept abandons the understanding of value being inherent in products and instead sees value as being created during the usage of a product or service.

2.2.3 Competitive Advantages of Customer Integration

The integration of customers into the value creation process offers a wide variety of advantages. While recent findings regarding the benefits of customer integration for brand equity will be elaborated later in the theoretical framework of the empirical study, this chapter focuses on efficiency and effectivity gains in developing and producing new offerings, which have originally been associated with customer integration.

Customer integration can make value creation processes in a company more efficient by reducing costs and increasing productivity (cf. Bruhn/Stauss, 2009, p.7). The outsourcing of tasks to customers ultimately re-

sults in cost savings by reducing the amount of work that has to be done inside the company by employees. This is particularly relevant in case of operative production or consumption tasks like the assembling of products or self-servicing activities (cf. Normann/Ramirez, 1993, p.66). But also in product development, cost-to-market is reduced when solution information or readily-developed innovations from customers are integrated into the process (cf. Reichwald/Piller, 2009, p.174). Time-to-market of innovations can also see a productivity increase because the integration of customer innovations reduces the amount of market testing required by internally developed products (cf. *ibid.*, p.173).

Customer Integration can also help to make value creation processes more effective by increasing the quality, customer-fit and differentiation of the final product (cf. *ibid.*, p.89). In the traditional sequential value creation process, products are created based on anticipated customer needs of large customer segments, gathered by market research. This procedure is not only inaccurate as customers' needs are not always explicit, but also limited in considering individual preferences (cf. *ibid.*, p.28). During the integration of customers in product development, the company gains access to implicit needs and knowledge regarding the customers' preferences (cf. Bruhn/Stauss, 2009, p.7). Thus, the company can introduce products with a higher fit-to-market and a lower risk of failure (cf. Reichwald/Piller, 2009, p.47,175). Products developed by customers have not only proven to be economically more successful, but also more "novel" because customers are not innovating incrementally based on existing products but radically based on their needs (cf. Hippel, 2005, p.139).

When customers are integrated into product configuration, the product is customized according to their individual preferences, resulting in an unparalleled customer fit. A major competitive advantage that often results in a "[...] significantly higher willingness to pay [...]" (Franke/Schreier/Kaiser, 2010, p.1). Furthermore, customized products allow

companies to tap the so-called “long tail” or niche markets and thereby extend their customer group (cf. Anderson, 2004).

Beyond improving product quality and efficiency, customer integration can become a competitive advantage for its own sake when seen as a key part of an offering: Prahalad/Ramaswamy (2004, p.9) argue that while products can easily be commoditized, interactive co-creation experiences around them can not and thus are sustainable, differentiating benefits for the customer.

2.2.4 Motives of Customers’ Engagement in Customer Integration

Customers engage in customer integration because they hope to gain certain benefits from the interaction. These can be attributed to intrinsic, extrinsic and social motives.

Intrinsic motives are satisfied by the activity of customer integration itself. This is the case, when the integration experience itself is rewarding, joyfull, playfull and challenges creativity and competence (cf. Reichwald/Piller, 2009, p.88), for instance with an entertainingly designed customization tool. When integrated in development, a significant number of customers simply enjoy to deal with product innovation and are curious about new product innovations and ideas (cf. Füller, 2006, p.640), while others have a need for personal contact and enjoy the social interaction (cf. Büttgen, 2009, p.71). Another significant motive is performance: Customers enjoy to test their capabilities and gain knowledge while trying to master difficult, demanding tasks or surpass other customers in a competitive situation like a contest (cf. Büttgen, 2009, p.68; cf. Füller, 2006, p.644).

<http://www.springer.com/978-3-658-11638-5>

Empowering Brands with Customer Integration
Classification, Benefits and Success Factors

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2016, XV, 99 p. 9 illus., Softcover

ISBN: 978-3-658-11638-5