Wilson Ozuem
Michelle Willis

# Digital Marketing Strategies for Value Co-creation

## Models and Approaches for Online Brand Communities

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"The book *Digital Marketing Strategies for Value Co-creation: Models and Approaches for Online Brand Communities* is a must-read for any academic in the field of digital marketing and brand management. The book offers insights into the current state of research combined with the latest trends in digital marketing."

—Professor (Dr) Elena Patten, *Fashion Management, Macromedia University of Applied Sciences, Germany*

"The authors describe concepts and theories across multiple components of digital marketing, and provide practical recommendations for the successful usage of digital strategies. Their holistic approach offers guidelines for advancement in the digital marketing field. The content is thoughtfully and critically presented, and it opens avenues for groundbreaking online marketing strategies for researchers and practitioners."

—Dr Yllka Azemi, Assistant Professor of Marketing, *Indiana University Northwest, USA*

"This text provides an excellent discussion and understanding of digital marketing strategy and signposts the evolution OBCs. A must read for academics interested in comprehending how new technologies facilitate the integration of social identities and development of online communities."

—Professor Kerry E. Howell, Deputy Faculty Pro Vice Chancellor (Business & Law), *Northumbria University, UK*

"The authors of this book investigate and summarise value co-creation from several different theoretical perspectives, which can help brands achieve better value co-creation in their interactions with customers. The book also puts forward specific strategies and methods for influencer marketing and service failure and remediation in online brand communities. The book systematically introduces marketing models and approaches for online brand communities, and its findings have theoretical significance and can act as guidelines, which can be a great help for marketers and researchers."

—Professor Xiaoting Zheng, Dean of the School of Electronic Commerce, *Jiujiang University, China*

"Consumers are no longer mere receivers of company messages, but can act as real co-creators of brand meanings that managers cannot ignore. This book offers some novel insights into understanding how marketers and practitioners can tap into the richness of online brand communities. A very useful resource for both postgraduate and undergraduate students."

—Dr Silvia Ranfagni, Associate Professor of Marketing,
*University of Florence, Italy*

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*For Ann, Nathan, Jedd and Gabriella*
*WO*
*For Martin, Fiona, Peter, Phyllis and Kah Joon*
*MW*

# Foreword

This book by Wilson Ozuem and Michelle Willis is an ambitious and much needed attempt to provide a systematic view of digital marketing strategies in the contemporary economy. In the very short time span since we first started to realise the impact of the internet and of digitalisation on marketing practices, transformations have been major and radical. Since those early discussions and practical experiences with digital marketing, it has become much clearer that we are departing from a transaction-focused view and that we are finally and fully entering the era of relational marketing on a truly massive scale.

By taking stock of the newest academic contributions and current practices and adding innovative conceptualisations, the authors invite both fellow scholars and practitioners to a thorough reappraisal of digital marketing as much more than a technological issue. In their view, the crucial challenge lies in the design of interactions with consumers and between consumers that are increasingly dense and engaging, requiring conscious and meaningful actions by 'the other side'.

Once upon a time we were all seduced by the utopia of a global village where patterns of consumption were bound to converge along the standardised paradigms of the globalised market. The view offered by this book is strikingly dissonant. Consumer engagement becomes a multidimensional concept that involves cognitive and emotional dimensions and requires a deep understanding of the way they are shaped in a variety of

different environments. Thus, while we can easily overcome geographical boundaries and work at an unprecedented scale globally, marketing is driven to address the extreme complexity and diversification of the consumers' communities and to set up experiences that are memorable and meaningful precisely because they are personalised and fine-tuned to a plurality of specific social identities.

Most of the conceptual tools that marketing science and practice have developed in the past decades have become elusive. Consider 'loyalty' or 'value co-creation' or 'service failure': in all those cases standard managerial approaches need to be discarded as we redefine the connection between them and actual transactions.

Practical implications are numerous, and they all go in the direction of using more articulated models and typologies, for example, in managing service recovery or in the crucial field of influencer marketing.

Scholars may find in this book a source of inspiration for an equally large number of innovative research paths, although they may be left with the anxiety of being unable, in the present cumbersome production system of scientific knowledge, to keep up with the much faster pace of transformation in the 'real world'. For sure, this book gives us no final word on digital marketing but—as all (good) scientific books (should) do—it provides us with an exciting starting point.

Scuola Superiore Sant'Anna Nicola Bellini
Pisa, Italy

# Preface

Amidst growing conceptual developments in the areas of value co-creation and digital marketing, the importance of online brand communities (OBCs) to reinforce strategies has emerged. This book provides an introduction to a range of broad and debatable conceptual perspectives and mechanisms on the subject of OBCs. It presents new models and approaches that generate insights into this dynamic phenomenon. OBCs are relatively unknown, so the need to enhance conceptualisations of OBCs and the practical application of such communities to business contexts inspired this book. The term OBC is not directly recognised outside marketing, but in theory and in practice its existence has changed the rules of digital marketing. The term is relatively obscure because it has tended to be umbrellaed under definitions of social media. Indeed, social media is a collective term describing the usage of communication as platforms for collaborative efforts between parties. While social media is the 'go-to' for consumers and companies to connect with others, social media as a platform tool alone cannot generate and deliver the deep engagement both consumers and companies desire. Many companies and industries of various sizes have rushed to employ such platforms to drive business results, digitalising their products, services, promotions and other marketing information to the masses. However, despite companies having access to the same or similar social media tools, some fall short on generating true value from their customer base. The source of this failure can

be traced to companies having an unclear understanding of the functions of communities in digital spaces and how to use them to drive business results.

Marketing practitioners and academics alike have endorsed the apparent burgeoning control consumers have over companies in the digital realm, including their power to create and share online content, and shape the discussions conducted in online communities. Companies are very much aware of this situation, and while they find it easy to encounter active online consumers, they continue to experience challenges when transferring their existing customer bases, and in seeking to attract new consumers to their OBCs. The ideas expressed within this book were motivated by the key fact that brand community members do not automatically emerge upon the creation of a Facebook page or YouTube channel. Indeed, creating a following through social media engagement takes time and effort. The fundamental success of value co-creation as a digital marketing strategy—surprisingly—depends on how much social presence organisations intend to integrate into their digital channels. Today's consumers have the requisite tools and skills to partake in and co-create value for specific brands, but they are often held back by feelings of detachment from brands and from other consumers with whom they could otherwise form a community. This is why it is important to understand how OBCs are formed, and managed.

OBCs represent a broad topic that can be connected to several areas relevant to business results that range from consumer engagement, participation, identity, satisfaction and loyalty to influencer marketing. Service failure and recovery is also implicated in value co-creation. These different areas make a unidimensional approach to OBCs complex and this has influenced the structure of the book and its unique interpretations of OBCs.

This book does not dismiss the importance of understanding the functions of digital tools that create digital space and support marketing practices. Instead, it intends to build on the importance of the actors who form and maintain the community. Although this book is predominantly aimed at undergraduate and postgraduate students who require an overview of the subject, it can also be used by practitioners seeking to develop marketing strategies and generate value from co-creation activities

through their OBCs. The authors have attempted to provide guidelines as to when value co-creation might apply in certain situations through OBCs. The practice of co-creating value in OBCs and the contemporary examples given in this book increase potential interpretations and perspectives of the significance of value co-creation to consumers and organisational objectives. Given these various interpretations and perspectives of value co-creation, this book is designed to inspire critical reflection on its major principles.

## Book Structure

This book is divided into three main parts. Part I discusses the historical development of online brand communities (OBCs). Part I begins by signposting some of the major developmental stages of OBCs that have contributed to the current understanding of marketing environments. A secondary but no less important goal is to provide some background understanding to the history and complexity of OBCs in the development of digital marketing strategies. Part II examines different layers of loyalty intentions in OBCs. It provides a more in-depth look at what is meant by consumer engagement and how it contributes to a broad range of OBC debates. Part II also discusses how understanding of social identification might lead to an effective marketing communication programme. Part III explores the development of service failure and recovery procedures in the OBC context and customers' advanced involvement and capabilities in service failure and recovery situations and procedures. It also discusses how influencer marketing has become an essential part of digital marketing strategy.

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# Introducing Online Brand Communities

*Technology, as is its way, has made the seemingly impossible—routine dialogic communication despite dislocation—seem possible and, in so doing, breaks the location–community nexus, at least to the extent that regularized dialogic communication is understood as definitive of community*
—Darin Barney, 2004, p. 40

**Key Issues**

Communities and online brand communities (OBCs)
Development and progression of OBCs
OBCs and value co-creation

## Introduction

One of the transformations in the evolving technological tapestries is the emergence of OBCs. OBCs are an integral part of digital marketing strategy, giving rise to information consumption, knowledge sharing and interactive engagement in addition to traditional marketplace



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consumption. OBCs are increasingly becoming strategic weapons enabling brands to directly engage with consumers, and consumers to respond to brands and other OBC users. The exclusivity of the reach of OBCs in interactively engaging with particular brands differs from other digital platforms, such as social networking sites, blogs and forums, which are widely accessible to general audiences. This chapter begins by signposting some of the major developmental stages of OBCs that have contributed to the current understanding of marketing environments. A secondary but no less important goal is to provide some background understanding to the history and complexity of OBCs in the development of digital marketing strategies. The chapter concludes with a delineation of the relationship between OBCs and value co-creation.

The term 'online brand community' is increasingly becoming an inevitable part of marketing researchers' and practitioners' vocabularies. To understand what OBCs are and what they represent we need to understand the terms 'community' and 'brand community' and their transformations through the online context and how consumer behaviours have adapted in line with these transformations.

## From Geographically to Emotionally Bounded

There are various concepts describing collective attitudes and behaviour rooted in global society, each has contributed to the historical development of the definition of 'community'. Historically, the term community was originally associated with geographical boundaries, within these were societies divided by multiple organised differences, including age, gender, religion, ethnicity, religion, wealth and even power (Cornwall & Jewkes, 1995). Yet, as mass media and new technologies emerged throughout the twenty-first century, so did the new ability to share societal identities not confined by geographical distance. Individuals with specific characteristics, personalities and values could encounter individuals with values similar to theirs in different parts of the world. This gave rise to modern marketing strategies identified in the consumer culture, placing common identities at the centre of communities in the online context.

Perceived common identity within communities has also seen major developments. In 1983, Benedict Anderson introduced the term 'imagined community'. Anderson's concept derived from his analysis of the main causes of nationalism: (1) the acceptance of a universal language by large populations over a perceived language that is accessible based on privilege; (2) the movement to eliminate the idea of 'rule by divine right'; and (3) the emergence of printing press capitalism. The first element of the first cause reflects what many of us look for today, people, groups or communities with whom we share common ground. Language, any language, is not just the words we speak, it is a representation of our attitudes and actions; we create our own mental representations of what communities are and how others perceive the communities we form. The second element of the first cause aligns with an important aspect that is subject to considerable debate: language privilege. For individuals who study language and its different forms, language may be considered something we choose, but, in reality, we are largely incapable of 'choosing' our language. In addition to the native language we are taught to speak from birth, we grow surrounded by values and social norms set by whoever or whatever we associate with. It is our language that gives us privileged access to communities and institutions that share our common language. This common language facilitates shared access to resources or information beneficial to members within an imagined community, while at the same time it deters individuals who do not share the common language. This refers not to individuals' limited access entitlement or ability to associate with the community, but to whether individuals feel a sense of belonging in that community. Even in communities without geographical boundaries, it is our mental processing that influences our motivation to join the community and our outlook on what the community is and how it is formed. With Anderson's (1983) concept we are able to view socially constructed communities as culturally and psychologically formed, which reduces emphasis on the tangible resources a community can contribute and the physical location in which community participation takes place.

## From Online Community to OBC

Anderson's historical, yet timeless, concept of community has become a firm foundation for researchers in understanding the formation of online communities. Anderson (1983, p. 6) stated: "the members of even the smallest nation will never know most of their fellow-members, meet them, or even hear of them, yet in the minds of each lives the image of their communion". The online platforms we visit, such as Facebook, Twitter and Instagram, contain endless lists of social networks, and many of us have lists of 'friends' or 'followers' of whom we might personally know only 5 to 10%. Yet, despite personally knowing only a few of our social network, we are still aware of the presence of the larger community in online environments. This awareness of a larger audience justifies individuals' recognition that they are following community events at the same time as others (Beck, 2011). This readdresses the meaning of 'imagined' in Anderson's definition of community. While we may not be able to visibly see a community, we are still able to envision a group of people bounded by similar goals, motivations and language (Jones, 1997). If 'imagined', which describes something as unreal or untrue, in Anderson's concept is applied to an online context, then we can envision an existing community as we would in augmented or virtual reality, rather than 'imagining' a fabricated or falsified environment. Barney (2004, p. 32) argued that technological mediation has compressed the dynamics of time and space; timeless time is the foundation of the emerging computer-mediated marketing environments (CMMEs):

> Human beings are radically limited by their situation in space and time, but our experience of this situation can vary considerably, especially when it is mediated and rendered artificial by technology. Naturally, we experience time as a recurrence of organic cycles (i.e., bodily rhythms, alternating days and nights, seasons, lifetimes) at rates specific to particular locations, and space as the extent of our regular habitation (i.e., where we live) and the distance over which we can reasonably travel, communicate, or see.

We can arguably identify communities that are centred around brands we consume both in offline and online settings as non-physical but real and possessing living characteristics (Karpinska-Krakowiak & Eisend, 2021). The digital era gave companies the opportunity to have a closer connection with customers and build communities with the brand itself at the centre of the community's identity. Customers with a strong preference for, attachment to, and history with a specific brand were able to meet others and establish a collective and emotional relationship with the brand community based on consumption of the brand and brand-related information. From these activities, emerged the term brand communities, where consumers embedded brands into their day-to-day lives (Muniz & O'Guinn, 2001). Brand communities differ from traditional communities, not just simply because they are centred around a specific brand, but because of the members' common interests, and admiration and love for the brand at the centre of the community. Online communities can be found on a range of digital platforms, including social networking sites, blogs and forums; these communities are generally inclusive, enabling audiences regardless of their background to be present. Although OBCs, like most social media sites, do not uphold strict access limitations, it is individuals' psychological processing that influences their decision to join an OBC. It is the distinct characteristics, values and personalities of brands that move customers to group themselves with other like-minded individuals, which typically leads to the formation of an OBC or to individuals joining an OBC. Thus, OBCs are not exclusive in regards to limited sign-up access, but in the sense of the nature that the brand represents, highlighting an imagined community concept based on shared language, values and image.

## From Picture Display to Interactive Display

Prior to the internet era, brand communities existed mainly through physical presence and within geographical boundaries, which limited

membership and interaction frequency among community members. All this changed when rapid technology enabled traditional offline brand communities to create their own websites and to partner with existing social media platforms. Traditional e-commerce websites enabled customers of a brand to search for and purchase branded products and services. However, online communities should not be confused with digital product and service channels. Product and service channels showcase specific information to the audience, and the nature of these channels indicates a particular action on the part of the customer, the most likely being a purchase. This results in low levels of interactivity between customers and the brand, with much of the engagement being limited to a specific online activity. Online communities, however, facilitate communication between multiple groups, and increase the range and flexibility of actions users may choose to engage in. This critical outlook led to a shift from traditional one-way communication practices to brands encouraging followers to participate in brand-related discussions through their digital channels.

As websites became the norm, brands sought to further differentiate themselves from their competitors. Over time, knowledge of a brand-centred community was not enough to attract customers to engage with others on online forums. The desire for interactive brand experiences meant marketers had to think beyond using digital platforms to communicate their product and service offers, and consider how their digital platforms brought social and hedonic value as well as utilitarian value (Torres et al., 2022). At first, an OBC came in the form of text forums, which allowed consumers to share their thoughts and questions centred around the brand (Baldus et al., 2015). However, as social media became the dominant force in societal culture, customers' desire for personalised online activity, over which they could have full control, increased; an outcome that is more evident in today's marketing environment.

OBCs became an extended form of the online forum, consisting of chat rooms, newsgroups and discussion forums, allowing members to exchange information without being confined to a topic the brand wanted them to discuss and to post personalised content. This type of online activity is referred to as user-generated content. In e-commerce sites, customers were limited to using the content the brand

communicated to them, and they could only like, share or leave a comment under the content post. With the development of content creation features provided through social media platforms, customers could generate their own content and publish it on many digital platforms. This increased freedom to create content arguably increased the perceived value of OBCs and enabled brands to offer an interactive experience based on the needs and wants of their customers (Buzeta et al., 2020). Additionally, the current content of OBCs consists not only of shared brand-related information, but also the display of customers' real-time emotions as they utilise OBCs in their own day-to-day activities.

## Value Co-creation in Online Communities

Understanding your customer in OBCs is axiomatic and there are some key aspects of customers' participation that have an impact on and strengthen their behaviours. Advances in information and communication technology empower the "sharing paradigm", opening new opportunities and disruptions to existing community actors and structures (Buhalis et al., 2020). The disruptive evolution of a sharing economy has by no means further increased customers' demands for superior service and the usual practice of being customer oriented is simply not sufficient in the evolving CMMEs. From the perspective of service-dominant logic, power has shifted from the producer to the consumer and this requires collaborative and dynamic collaboration between customers and brands (Vargo & Lusch, 2016). To illustrate the shift in orientation, it is important to define value co-creation. Busser and Shulga (2020) defined value co-creation as the joint, collaborative, concurrent, peer-like process of producing value, both materially and symbolically, through voluntary contributions of multiple actors resulting in reciprocal wellbeing. Busser and Shulga broadly described participants (actors) in the value creation process as including customers along with their social networks of family and friends, service providers, companies, employees and vendors. Brand communities play major roles in creating customer value through collective projects, mutual resource integration, exchange of information, and building and enhancing brand relationships. Customers engage in a

spontaneous and unconscious manner (Schatzki, 1996, p. 58); creating value can arguably imply a deliberate and explicit involvement in the process, opening the debate on how value is co-created and what parties are actively involved in the value co-creation process.

In the traditional retail era, value may have represented the benefits a buyer received from a product or service offering. However, technology has dramatically changed the nature of service delivery both positively and negatively. The negative side is its impacts on products and services originally defined by their exclusivity and unique attributes that have now become commoditised, because almost any product or service, regardless of the brand, can be accessed by customers, even if it is just the poster information. The positive side is that the digital age can increase productivity and profit generation, and it has created an era of consumer product transparency, especially in information consumption, product personalisation, tracking and monitoring (Renner et al., 2019). Yet, value is not measured based on the technological services provided by companies alone. Customer-centric approaches, including feedback and surveys, offer a two-way communication channel, which can lead to changed products with incorrect specifications that can reduce the end value brands hoped to generate. To deal with this issue, companies adopted a strategy referred to as value co-creation, which is seen as a critical success factor in recent markets.

Co-creation is a strategy that integrates a brand's customer-centric efforts into a collaborative relationship between consumers and suppliers. Customers have an essential part in organisational operations: they can contribute a range of resources beneficial to the success of brands in the marketplace. This form of engagement enables consumers to be creative agents rather than end-users of products and services (Zeng & Mourali, 2021). Product and service feedback and reviews, online word of mouth, user-generated content and brand advocacy are just the surface layer of resources that customers can contribute to generating value, which we explore in Chap. 9. Major brands can obtain limitless online resources from consumers, yet the value comes not from the volume of resources customers contribute, but from the quality of the contribution. Every co-created value must have meaningful impact for customers on a cognitive, emotional and behavioural level, and not increase costs and risks

during the development process. If consumers believe their co-created value is welcomed, then this can give them a sense of ownership of their activity; this can influence positive perceptions of the brand, which would encourage consumers to develop a relationship with the brand, which, in turn, would increase their willingness to help the brand succeed and to continue being loyal to the brand.

Despite the strong emphasis on the customer-centric element of value co-creation, it is worth noting that customers are not the only contributing factor in the co-creation process. Payne et al.'s (2008) framework of value co-creation noted the efforts of both the consumer and suppliers. Both the consumers and suppliers engage in a learning process. The consumers' learning is based on their experiences and on how they can manage their relationship with the brand through value co-creation activities, whereas suppliers learn more about their customers and opportunities to improve the relationship experiences they deliver and their co-creation with customers (Payne et al., 2008). In OBCs, customers should not be left to communicate among themselves or be expected to naturally generate value. Marketers need to continue designing and managing services to co-create value, including facilitating and monitoring interactions among customers. Consumers' engagement behaviour can impact a brand's image and reputation, and the online features offered to customers can impact their level of contribution. Mismanagement and a lack of focus and evaluation of co-creation activities will reduce the strategic effectiveness of value co-creation. In the next chapters we will explore key elements influencing value co-creation and their compatibility in achieving competitive advantage within today's marketplace.

## Final Thoughts

OBCs are complex environments consisting of a range of media content, contributors of content and social media practices. Antecedents and consequences of customers' attraction to OBCs and participation within them are numerous, ranging from informational and social enhancement to entertainment motives and outcomes. These are manifested by the following key practices: social networking, community engagement,

impression management and brand usage (Laroche et al., 2012). Social networking is the practice of attracting and sustaining ties and connections between community members who collectively generate the shared language, rituals and norms within the community. This creates a welcoming and empathising environment prompting individuals to consider seeking membership of communities, including OBCs. Community engagement reinforces members' desire to visit or use OBCs; activities individuals conduct in OBCs include browsing, consuming and generating online content, and interacting with other members.

Impression management is the practice of generating favourable impressions of the brand beyond the boundaries of the brand community (Schau et al., 2009). This involves word-of-mouth practices to attract others' attention to the brand, which can be conducted by the social network of the OBC, and during or following community engagement activities. Brand usage builds from members supporting others to make the most of the focal brand, or the OBC, especially when members are new to the community (Laroche et al., 2012). With every new customer there is potentially a new need or expectation to be met in order to enhance their OBC experience and thus motivate them to continue their OBC membership. The more a member is able to benefit from an OBC, whatever their objectives, and feel a united closeness with the brand and other members, the more likely their membership status will progress from temporary to permanent visitor.

The practices discussed above can lead to several types of customer behaviour, each varying depending on the customers' motivation for engaging in OBCs. Marketers' most important goal is to create customer loyalty; to achieve this they use OBCs to encourage customers to participate in or engage with the online content, and to identify, interact and build relationships with other members. There are many factors that influence participation, engagement, identification and loyalty in OBCs and the integration of these separate entities into OBCs; these will all be discussed individually in the next chapters.

## Case 1: Lululemon: Striking an Emotional Chord with Yogis

Xiaohui Zeng (Chengdu University of Information Technology, Chengdu, China)

Lululemon is a technical athletic apparel brand. It was founded in Kitsilano, Vancouver, Canada in 1998. The inspiration for its first shop was 'the sweatlife' of yoga (Lululemon official website, 2021). After more than two decades of growth and development, the 'dark horse' expanded to 523 company-operated stores throughout the world gaining popularity alongside other premium athleisure brand Adidas (Scheplitz, 2020; Lululemon quarterly reports, 2021). Lululemon saw an opportunity to expand their store location and digital innovation in the Chinese market, opening stores in Shanghai, Xi'an and Chongqing in the first half of 2019 (Nan, 2019). By 2021 Lululemon had 59 offline physical stores in the mainland China (Wei, 2021). "China in particular is a market where we have leaned in on an investment", CEO Calvin McDonald said in an analyst call last month. "We've opened a head office in Shanghai. We are leaning in and hiring and supporting local teams within that market and in our store expansion as well as our digital innovation in support" (Wei, 2021). After the pandemic of 2020, Lululemon's net revenue increased 88% to US$1.2 billion in the first quarter of 2021 in comparison to the first quarter of 2020 (Spinoso Real Estate Group, 2021). The impressive results indicate that not only a large number of consumers in North America contributed to Lululemon's success, but also Chinese consumers.

### Cultural Resonance with Consumer

Chip Wilson, the founder of Lululemon, was a relatively enthusiastic yogi at the time he founded Lululemon. The brand's philosophy is associated with the yoga 'lifestyle' that originated in ancient India. It creates a subculture that combines the spiritual practices of the East with modern fitness and shaping in order to cultivate the body and the mind. From the