

NHH



Co-creation in the media industry

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Abstract

In this master thesis, we develop a theoretical model for the examination of the effect of co-creation on the products perception in the media industry. The media industry is changing fast and companies have to constantly look for new ways to innovate and attract customers. It seems that co-creation is becoming a popular strategy of product development in the media industry. In this paper, we develop a model that can provide some insights on the nature of relations between co-creation and customers' perception of media products.

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Chapter 1. Introduction and background information

1.1 Background information and positioning

The media industry is associated with high level of competition and requires media companies to constantly look for new ways to innovate and engage auditorium. The development of technologies let media companies engage customers in the process of value creation. In this master thesis, we want to study how co-creation can be used in the media industry.

Co-creation is a strategy of product/service development, which can provide benefits in terms of competitive advantage, better customization of the product, creation of customers' engagement (Brodie, Linda D. Hollebeek, & Ilic, 2011), etc. It seems reasonable to assume that co-creation has a big potential in the media industry. There are some studies which are focusing on the role of co-creation in media industry. Potts et al. for example examine the industrial dynamics of new digital media from the perspective of consumer co-creation (2008). In this study they conclude, that consumer-producer interactions are an increasingly important source of value-creation (Potts, et al., 2008). Moreover, some studies focus on the ways to make customers active co-creators in the virtual world (Nambisan & Baron, 2009), and proposing co-creation strategies that are better fitted for the virtual world (Kohler, Fueller, Matzler, & Stieger, 2011). There are also studies that are discussing how co-creation and user-generated content change the role of different actors in the media industry (Lewis, Pea, & Rosen, 2010). However, there is a lack of understanding of how exactly co-creation can influence customers' perception of media products. Media products are experiential goods and customers' perception of media products can include different components, which will be explained in the following chapters. Thus, the purpose of this thesis is to contribute to the existing body of literature by providing insights on how co-creation influences customers' perception of media products.

1.2 Research questions

As mentioned before, in this thesis we will focus on the role of co-creation in the media industry, and more specifically – on the ways co-creation influence customers' perception of media products.

Therefore, the first research question we will address in this paper is the following one:

- *RQ1 : How can co-creation influence customers' perception of media products?*

Research suggests that co-creation can be useful in building customer relations and development of product engagement (Brodie, Linda D. Hollebeek, & Ilic, Customer Engagement: Conceptual Domain, Fundamental Propositions, and Implications for Research, 2011). However, to our best knowledge, there are no empirical studies that investigate the relations between co-creation and product engagement in the media industry. Therefore, the second research question that we will address is the following one:

- *RQ2: What is the role of engagement in the relations between co-creation and customer's perception of media products?*

In order to address the stated research questions, we will conduct a literature review of the relevant theories and will propose an experiment aimed to evaluate the influence of co-creation on customers' perception of media products.

1.3 Theoretical and managerial implication

Theoretical contribution

This thesis has several contributions. In this paper we are exploring the effects of co-creation on customers' perception of media products. Thus, this study can help to validate previous findings in this study field. Moreover, we are contributing to the existing body of literature by elaborating on the role of engagement in the mechanism that links co-creation and the perception of the product. As noted by Albarran et al, 'in general, organizational approaches to new product development in the media industry have been a neglected area of research' (Albarran, Chan-Olmsted, & Wirth, 2006, s. 52). Co-creation is one of the potential strategies of new product development. Thus, understanding the role of co-creation in the media industry can contribute to the research on the new media products development.

Managerial contribution

This paper can provide managers with better understanding of the potential effects of co-creation on customers' perception of the media products. Moreover, it provides some deeper insights on how these effects occur, and what is the role of engagement in this process. This knowledge can help managers to use co-creation in the development of media products in a more efficient and comprehended way. The media industry is highly competitive and media companies have to constantly look for new ways to innovate and to engage customers. Co-creation seems to be a promising strategy, which can lead to a competitive advantage. Thus, better understanding of the role of co-creation is important from the managerial prospective.

1.4 Outline of the thesis

In this master thesis, we will first specify our research questions and present necessary background information (Chapter 1). Chapter 2 will present some information about Media industry. That will be followed by the presentation of the concept of co-creation (Chapter 3) and engagement (Chapter 4). In Chapter 5 we will present our hypothesis. Suggested experiment design will be presented in the Chapter 6. That will be followed by the discussion of results and limitations of this paper.

Chapter 2.

2.1 Media industry and the concept of new media

The media industry plays a crucial role in our everyday life with media products and production networks being significant in the market place. The ecosystem of media organizations represents a combination of public service and for-profit companies of various sizes. Media industries produce content and the media work tends to take place within a distinctly commercial context (Deuze, 2009).

According to Kung, ‘the media industry is not a monolith, but rather a conglomeration of different industries that have the creation of mediated content as a common activity’ (Kung, 2008, s. 17). Media industry can include many different sub-industries, what makes it challenging to provide a clear definition of the media industry. As emphasized by Kung, ‘...even before the convergence muddied the waters, there was no commonly accepted definition of the ‘traditional’ media industries nor agreement as to their consistent sectors’ (2008, s. 6). Moreover, as noted by Ross Dawson, ‘We are entering the media economy... the traditional boundaries of the media and entertainment industry have become meaningless’ (Dawson, 2008). Different sectors of the media industry are presented in the Figure 2.1 bellow. Depending on the content type and the function, we can distinguish between such sectors of the media industry as books, television, radio, movies, etc.

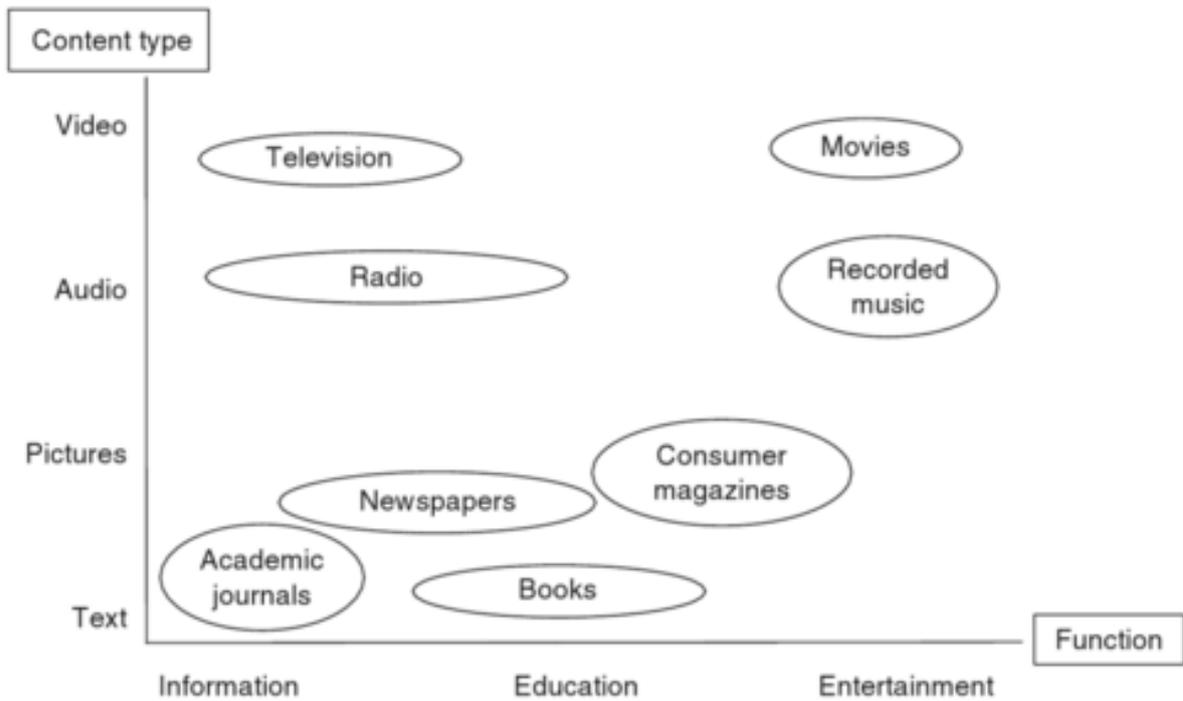


Figure 2.1 Sectors of the media industry. (Kung, 2008, s. 7)

During the last decades, the popularity of various media sources changed significantly, as illustrated in the Figure 2.2 Development of the Internet boosted popularity of digital media. At the same time, the relative popularity of printed media and radio decreased.

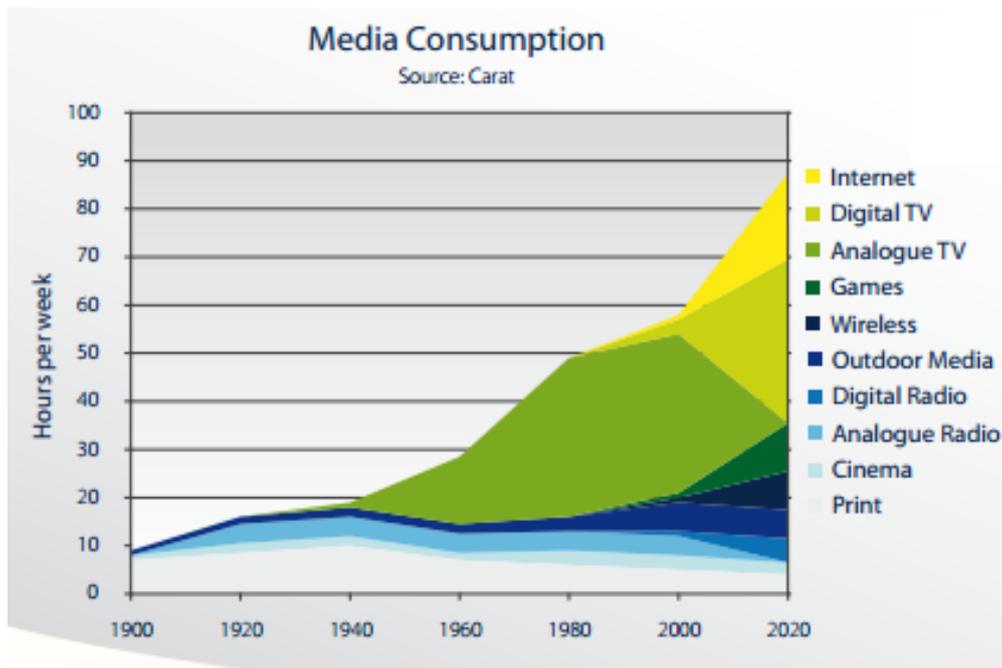


Figure 2.2 Media Consumption (Dawson, 2008).

The development of technologies and introduction of new media enabled customers co-creation in the media industry. The term *new media* was introduced by Rice (1984) and can be defined as the communication technologies that enable or facilitate interactivity both between user and user, and between users and information. Before that the mass media was overwhelmingly the product of ‘professionals’, or the people who are regularly paid for their work in a specific area (Berkman, 2008). The later introduction of non-professional media content caused discussions regarding the professionalism and trustfulness of the co-created content. On the other hand, co-creation in the media industry is associated with flexibility, presented in the ability of the audience to react, comment and correct any errors (Berkman, 2008).

2.2 User generated content in media industry

Reports show a dramatic increase in the amount of user generated content in media (Figure 2.3), moreover, as noted by Dawson, ‘early talk about consumer-generated media has become a stark reality over the last two years, with an explosion of media participation across blogs, photos, videos, social networks, and more’ (2008).

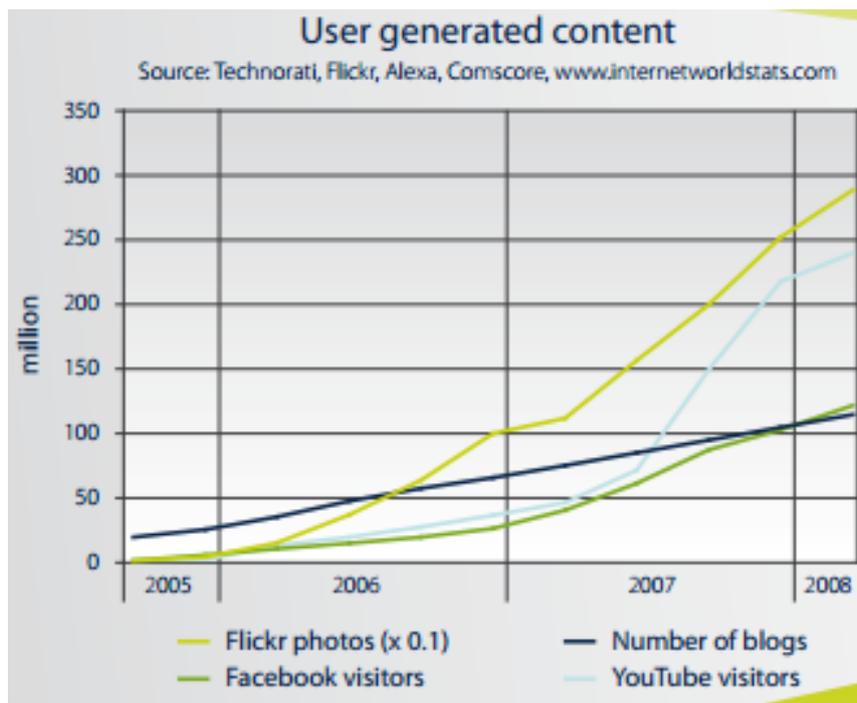


Figure 2.3 User generated content (Dawson, 2008)

User-generated content is especially popular among millennials, with 86% of millennials saying that user-generated content is generally a good indicator of the quality of brand or service (bazaarvoice, 2012). Moreover, 84 % of millennials report that user generated content from strangers has at least some influence on what they buy. It might be explained by the fact that the majority (65%) of millennials find that user generated content is more honest and genuine than other information they find online (bazaarvoice, 2012).

Generally user-generated media have been experiencing dramatic traffic growth with five out of US top ten fastest growing web sites from July 2005 to July 2006 being user-generated

sites (ImageShack, Heavy.com, Flickr, MySpace. And Wikipedia) (Shao, 2009). In their article, Shao (2009) is proposing a framework that explains how and why individuals use user generated media. First, individuals deal with user generated media in three ways: by consuming, by participating, and by producing. Consuming is associated with individuals who only watch/read/view but never participate. Participating includes both user-to-user interaction and user-to-content interaction (ranking, sharing, commenting, etc.). Production is associated with creation and publication of one's personal contents (including texts, images, audio, video, etc.). Moreover, users are driven by different motivations:

- People consume the content for information and entertainment
- People participate for social interaction and community development
- People produce their own content for self-expression and self-actualization (Shao, 2009).

Generally the importance of user-generated content keeps growing during the last years, significantly changing the traditional media industry. There are numerous studies showing how user-generated content is reshaping the industry. Neil Thurman, for example, in their study explored how 'grassroots' or 'citizen journalism' changes the traditional news websites (Thurman, 2008). It is also rather symbolic that in 2006 Time designated 'you' as Person of the Year 2006. Via this gesture, editors paid tribute to the millions of anonymous web users who dedicated their creative energy to a booming web culture by filling so-called user-generated content platforms (Dijck, 2009).

2.3 Typology of media

It is possible to distinguish between various media business models. Report on the typology of media organizations presents a good overview of the various business models in the media industry (Figure 1.4).

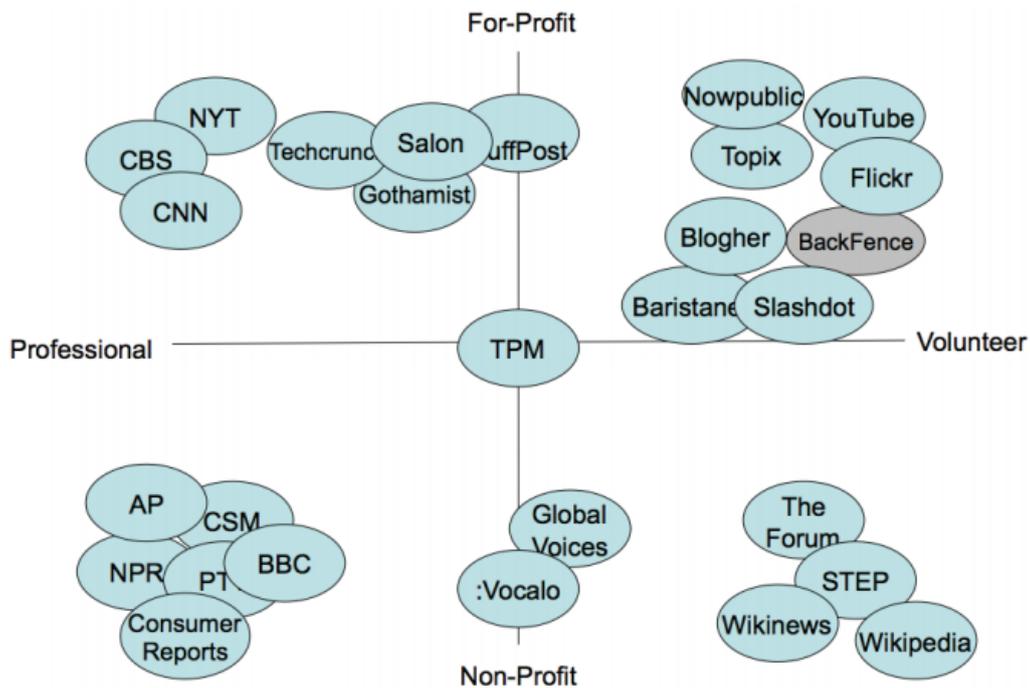


Figure 1.4 Media Business Models (Berkman, 2008, p. 2)

The suggested typology places various media business models across two dimensions: for-profit - non-profit motivation to participate and professional - volunteer nature of contributions. Traditional media are lined up along the professional side. Co-created types of media are placed in the 'volunteer' side, but can range from for-profit to non-profit. Moreover, some media combine voluntary and professional contributions. One example of the media combining voluntary and professional contributions is Huffington Post – American news and blogs aggregator. This categorization helps to understand the variety of the participatory media world.

Various kinds of TV-shows represent entertainment type of media. According to the study conducted by Papacharissi & Mendelson, the most salient motives for watching reality TV are habitual pass time and reality entertainment. Moreover, those who enjoy reality TV the most for its entertainment and relaxing value also tend to perceive the meticulously edited and frequently preplanned content of reality interaction as realistic (2007).

With the great variety of media, in our paper we focus on the media that (at least to a certain extent) use voluntary contributions (co-created content) (right part of the model presented in Figure 4). However, for the purpose of our study it is not that important to distinguish between for-profit and non-profit media, as it seems reasonable to assume, that development of engagement and positive perception of the media product is equally important for both categories.

According to Kung (2008), the media industry is changing fundamentally and fast, what represents a challenge to the managers. Co-creation is becoming a popular strategy within the media industry (Dawson, 2008), thus it is especially important to understand the mechanism linking co-creation and customers' perception of the media product.

Chapter 3. Influence of co-creation on customers' perception

Co-creation refers to situations in which consumers collaborate with companies (or with other consumers) to produce things of value (Humphreys & Grayson, 2008). Co-creation can be used to produce value in the media industry. Research shows that consumers seem to be increasingly less fulfilled by the act of consumption itself (Firat, Dholakia, & Venkatesh, 1995). Consumers' intrinsic needs are more likely to be met via creative pursuits, and thus, through their creative contributions, co-creators might get psychological benefits they would normally be unable to achieve via consumption alone (OHern & Rindfleisch, 2015). There are various media products (see Chapter 2), and it seems reasonable to assume that co-creation influences customers' perception of media products.

Thus, we propose the basic model (Figure 3.1) of the relations between co-creation and customers' perception of media products.



Figure 3.1 General model

In order to understand how co-creation can influence customers' perception of media products, it is important to specify what the customers' perception of media product is (3.1) and what co-creation is (3.2).

3.1 Customers perception of media products

The media product serves as a structure node that groups physical units of sale (media issues) and it describes the business context for all the media issues assigned to it. Examples of media products can include a season of a television series (SAP, 2016). Media products are experiential goods. As pointed by Kung, the value of media products ‘derives from their immaterial attributes, from their originality, from the intellectual property, messages or stories they contain, from their use of symbols to engage and manipulate perception, experience and emotion’ (2008, s. 8). Moreover, the value of media products depends on the level of novelty and creativity of the content (Kung, 2008).

Thus, creation of the novel, creative, and engaging experience is one of the main tasks of media managers. Moreover, as shown by research, product/service experience affects consumer satisfaction and loyalty (both directly and indirectly) (Brakus, Schmitt, & Zarantonello, 2009).

In order to provide better understanding of the desirable customers’ perception of media products, we will look more in-depth into the three components mentioned before: experience, customer satisfaction, and loyalty.

3.11 Experiences

As media products are experiential goods (Kung, 2008), it is difficult to underestimate the role of experiences in the perception of media products.

There are various definitions of customer experience proposed in the literature. Customer experience can be defined as ‘the internal and subjective response customers have to any direct or indirect contact with a company’ (Meyer & Schwager, 2007, s. 2). According to the definition by Oxford English Dictionary, experience is ‘active participation in events or

activities, leading to the accumulation of knowledge or skill' (oxforddictionaries, 2016). Thus, experiences occur when consumers consume and use products or interact with services (Brakus, Schmitt, & Zarantonello, 2009). Experience is an empathetic, emotional, and memorable interaction that has intrinsic value (Ranjan & Read, 2016). Hedonic definition of customer experience implies a variety of stimuli that create value for consumers, and focuses on attitudinal outcomes, for example 'surprise', 'delight', and excitement (Palmer, 2010). Furthermore, 'brand experience is conceptualized as sensations, feelings, cognition, and behavioral responses evoked by brand-related stimuli that are part of brand's design and identity, packaging, communications, and environments' (Brakus, Schmitt, & Zarantonello, 2009, s. 52). As noted by Meyer & Schwager (2007), customer experience encompasses every aspect of a company's offering. Growth of interest to customer experience management can be explained by the importance of the customer experience for the development of competitive advantage and maintaining company-customer relations. Moreover, positive customer experience can create special bonds between customer and the company and have positive effect on customers' satisfaction and loyalty (Palmer, 2010).

3.12 Satisfaction

Customer satisfaction is a well known and established concept in various areas including marketing, consumer research, economic psychology, and welfare-economics (Akbar & Parvez, 2009).

According to Kotler, satisfaction can be broadly characterized as a postpurchase evaluation of product quality given purchase expectations (1991). Customer satisfaction is one of the central concepts in modern marketing thought and practice, emphasizes delivering satisfaction (not just products or services) to consumers and obtaining profits in return (Yi, 1991). While satisfaction can be defined as 'pleasurable fulfilment' (Oliver, 1999, s. 34), customers

satisfaction is typically defined as ‘consumer’s response to the evaluation of the perceived discrepancy between some comparison standards (e.g. expectations) and the perceived performance of the product’ (Yi, 1991, s. 111). Thus, research concerned with the antecedents of satisfaction focuses primarily on the expectancy-disconfirmation paradigm (Figure 3.12)

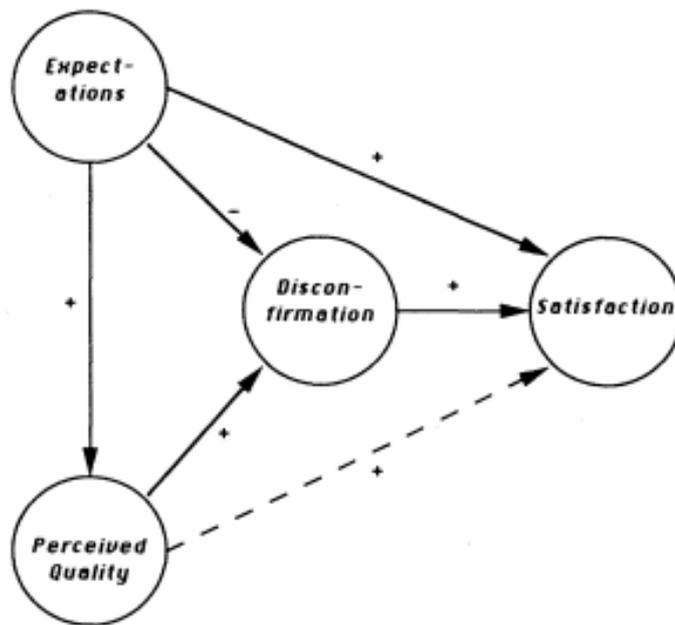


Figure 3.12 Expectancy-disconfirmation paradigm (Anderson & Sullivan, 1993, s. 127)

According to Boselie, Hesselink, and Wiele, satisfaction is a positive affective state resulting from the appraisal of all aspects of a party’s working relationship with another (J. & Zeithaml, 2002).

Various studies have attempted to identify factors that predict different types of consumer responses to satisfaction. Customer satisfaction is often seen as the key to a company’s success and long-term competitiveness (Henning-Thurau & Klee, 1997).

Literature differentiates between transaction-specific and cumulative or overall satisfaction. In the transaction-specific approach customer satisfaction is defined as an emotional response by customers to the most recent transactional experience with an organization. Thus, the

response occurs at a specific time following consumption. After the choice process has been completed. The overall satisfaction perspective, on the other hand, views customer satisfaction in a cumulative evaluation fashion that requires summing the satisfaction associated with specific products and various facets of the firm (Yang & Peterson, 2004).

Research suggests that satisfaction affects' repurchase behavior and loyalty (Mittal & Kamakura, 2001). Moreover, there are studies exploring the connection between customers satisfaction and firm's profit (Rust & Zahorik, 1993).

3.13 Loyalty

Consumer loyalty and satisfaction are linked inextricably. As noted by Oliver, although loyal consumers are most typically satisfied, satisfaction does not universally translate into loyalty (1999). Consumer loyalty is defined as repeat purchasing frequency or relative volume of same-brand purchasing or as a 'deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior' (Oliver, 1999, s. 34). Thus, consumer loyalty can be indicated by an intention to perform a diverse set of behaviors that signal a motivation to maintain a relationship with the focal firm, including allocating a higher share of the category wallet to the specific service provider, engaging in positive word of mouth, and repeat purchasing (Sirdeshmukh, Singh, & Sabol, 2002). Loyalty is regulated by the consumer's superordinate goal of value.

Literature suggests different phases of loyalty such as cognitive loyalty, affective loyalty, conative loyalty, and action loyalty. Cognitive loyalty is a first phases, at which loyalty is based on prior knowledge and believes held by the consumer. Affective loyalty is the second

phase, at which liking or attitude towards the brand is developed on the basis of cumulatively satisfying usage occasions. Cognitive loyalty is the next phase of loyalty development, which is influenced by repeated episodes of positive affect towards the brand. Action loyalty is the last phase at which the motivated intention in the previous loyalty stage is transformed into readiness to act (Oliver, 1999).

It is also possible to distinguish between behavioral loyalty (purchase intentions) and attitudinal loyalty. Behavioral loyalty can be defined as ‘the willingness of average customers to repurchase the service and the product of the service provider and to maintain a relationship with the service provider/supplier’ (Rauyruen & Miller, 2007, s. 22). Attitudinal loyalty is defined as ‘the level of customer’s psychological attachments and attitudinal advocacy towards the service provider/supplier’ (Rauyruen & Miller, 2007, s. 22). Loyalty in the behavioral sense is measured using repurchase probability, long-term choice probability, or switching behavior; loyalty in the attitudinal sense is measured using repurchase intention, resistance against better alternatives, price tolerance, and intention to recommend the product or service (Brunner, Stocklin, & Opwis, 2008).

Research suggests that there is a link between loyalty and profitability. Moreover, ‘when a company consistently delivers superior value and wins customer loyalty, market share and revenues go up, and the cost of acquiring new customers goes down’ (Reichheld, 1993, s. 64). Thus, it is important to consider building a highly loyal customer base as an integral to a company’s business strategy.

Some empirical studies are examining the relationship between customer loyalty, satisfaction, and customer value. Yang & Peterson (2004) suggests the mediating role of customer satisfaction in the value-loyalty relationship. In their empirical study Yang & Peterson show that customer loyalty is positively influenced by customer satisfaction, while customer satisfaction, in turn, is influenced by perceived value (Yang & Peterson, 2004). Akbar and

Parvez also found customer satisfaction to be an important mediator between perceived service quality and customer loyalty (Akbar & Parvez, 2009). These findings are in line with other studies demonstrating positive effect of customer satisfaction on customer loyalty (W. & Johnson, 1999) (Cronin & Taylor, 2002). However, it is important to note, that customer satisfaction alone can not achieve the objective of creating a loyal customer base (Akbar & Parvez, 2009). Furthermore, Helgesen in their empirical study shows that (1) the more satisfied customer tends to be, the higher is the loyalty of the customer; (2) the more loyal customer tends to be, the higher customer profitability is obtained (Helgesen, 2006). All these studies demonstrates not only the link between loyalty and satisfaction, but also the importance of the mentioned constructs for the company's performance.

3.2 Co-creation

3.2.1 General Concept of co-creation

In the scientific literature, co-creation is sometimes applied with slightly different meanings (Nysveen & Pedersen, 2014). Various terms, such as 'co-creation', 'co-production', and 'prosumption' refer to situations in which consumers collaborate with companies (or with other consumers) to produce things of value (Humphreys & Grayson, 2008). Nowadays one can observe the changing role of consumers with the blurring lines between traditional consumers' and producers' roles.

Traditionally companies and consumers were assumed to have distinct roles of production and consumption. According to this company-centric view of value creation, companies create product/service containing value, later this value is markets exchanged from the producers to the consumers. Now, however, consumers seem to undertake rather active role in the process of value creation. Current studies challenge the company-centric view of value creation and

introduce the concept of co-creation. According to this view, the co-creation experience of the consumer becomes the core of value (Prahalad & Ramaswamy, 2004). Moreover, as noted by Prahalad & Ramaswamy, ‘high-quality interactions that enable an individual customer to co-create unique experiences with the company are the key to unlocking new sources of competitive advantage’ (2004, s. 7). Thus, the consumer-centric view emphasizes the role of consumer in the system for value creation. In this approach, the consumer can influence where, when, and how value is created (Prahalad & Ramaswamy, 2002). It is also important to differentiate between co-creation and customization. The main difference between two concepts lies in the degree of involvement of the customer. Typically, customer plays a less active role in customization than in co-creation (Kristensson, Matthing, & Johansson, 2008). According to the definition suggested by Zwass, ‘co-creation is the participation of consumers along with producers in the creation of value in the marketplace’ (2010, s. 13).

Involvement of customers in the process of value creation can have various consequences on customers’ perception and attitude towards the product or service. One of the potential consequences can be in the form of ‘blurring’ of the boundaries of ownership between consumer and a firm (Harwood & Garry, 2010). According to the study of the online-creative communities, conducted by Harwood & Garry, in certain cases consumers are able to take ownership as well as define their own ‘post product’ consumption experience through co-creation (2010).

There are multiple points of exchange where the consumer and the company can co-create value. According to Mascarenhas, Kesavan, & Bernacchi, 2004, ‘customers at every touch-point of the value chain can bring renewed market freshness and competitive vigor to the suppliers, employees, designers and engineers, systems and subsystems, the processes and products, distributors and to the marketers that constitute the value chain’ (2004, s. 486).

Drivers of co-creation & motivations to participate in co-creation

There are various drivers responsible for the growth of co-creation phenomenon. Typically researchers admit that co-creation has emerged owing to the ubiquity and accessibility of the Web in its multiple aspects (Zwass, 2010). Zwass defines several main drivers of co-creation, such as:

- Broadly accessible means of production are available, that in many ways are indistinguishable from the means of consumption.
- The Web provides the means of coordination of effort
- The Web furnishes a broadly dispersed means of aggregation of digital products
- With the widely spread and economically accessible Internet and Web IT, there is now a global digital means of distribution for digital products, encompassing sourcing and mass access (Zwass, 2010).

There are various reasons why consumers might be interested in co-creation. In his study Zwass (2010), suggests the following potential motivations: altruistic desire to contribute; passion for a task; enjoyment, playfulness; self-expression; identity construction; forming personal relationships; competitive spirit; learning through co-creation; self-esteem and self-efficacy; career advancement; monetary rewards, etc.

One can see that customers can have both extrinsic and intrinsic motivations to participate in the process of co-creation. Intrinsic motivations are defined as the doing of an activity for its inherent satisfactions rather than for some separable consequence. Thus, intrinsically motivated a person is moved to act for the fun or challenge entailed rather than because of external prods, pressures, or rewards (Deci, 2000). Extrinsic motivations are defined as ‘a construct that pertains whenever an activity is done in order to attain some separable outcome’ (Deci, 2000, s. 60). Intrinsic motivations to participate in co-creation include

among others passion for a task, enjoyment, self-esteem and self-efficacy, etc. Extrinsic motivations to participate in co-creation include various types of monetary rewards. Moreover, according to the study conducted by Shah (2006), motivations of co-creators evolve over time.

It seems reasonable to assume that different types of co-creation will attract customers with various motivations for co-creations. Furthermore, according to Zwass, ‘the effects of various motivating factors on task performance, as mediated by goal commitment and effort intensity, have been found to be quite differentiated’ (2010, p. 32).

Customers’ involvement in the process of value creation can take various forms. In the following part, we will present one of the typologies of co-creation.

3.2.2. Typology of co-creation

In accordance with new product development literature, early stages of developing a new product includes two essential activities:

- The contribution of novel concepts and ideas
- The selection of which specific concepts and ideas should be pursued (Khan, 2005).

OHern & Rindfleisch suggests differentiating between four types of co-creation based on two dimensions such as selection activity (firm-led or customer-led) and contribution activity (fixed or open) (2015). OHern & Rindfleisch suggest that the type and format of customers’ contributions can range from being essentially fixed by a firm to wholly open to customer input. Moreover, the selection of these contributions can be either directed by a firm or directed by customers (OHern & Rindfleisch, 2015).

Four types of customer co-creation suggested by Ohern & Rindfleisch are illustrated in Figure 3.2.2

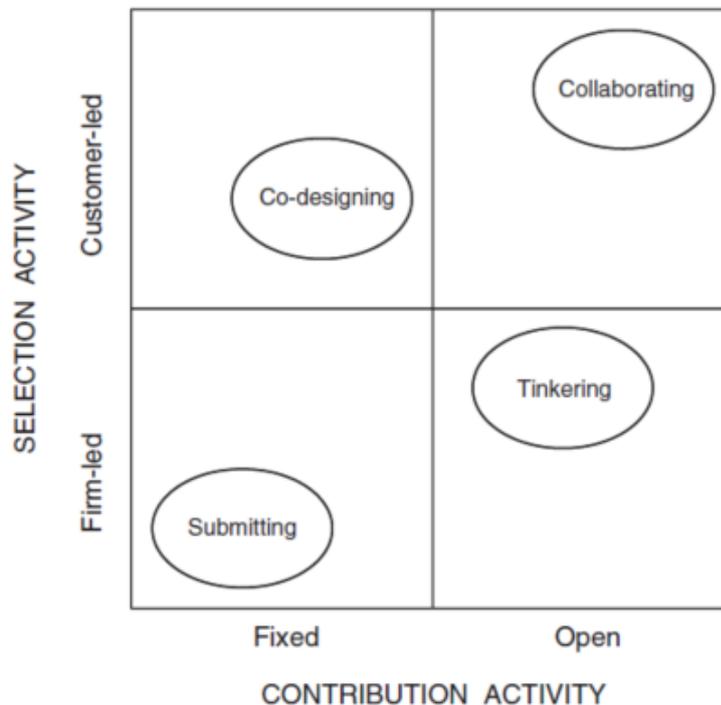


Figure 3.2.2 Four types of customer co-creation (Ohern & Rindfleisch, 2015, s. 91)

- *Collaborating* is a customer-led open type of co-creation. In the process of collaboration, customers collectively develop and improve new product's core components and underlying structure. One of the examples of the collaborating co-creation is the development of open source software (Linux, Apache, and Firefox). Collaborating type of co-creation provides customers with a high degree of latitude to contribute their own product improvements, as well as gives them freedom to select the improvements they find most valuable for the products' development. Collaboration is typically associated with high degree of customers' involvement and seems to be effective in generating innovative and successful new products (Ohern & Rindfleisch, 2015).

- *Tinkering* is a firm-led open type of co-creation. In this type of co-creation, customers make modification to already commercially available product or service. While providing customers with relatively high degree of autonomy (as collaboration), in the tinkering type of co-creation firms usually retain a considerable degree of control over the selection of customers' contributions. Firm-based control over the co-creation activities limits the scope of the product improvement that tinkerers can develop.

Tinkering is a common type of co-creation in the computer game industry. In many computer games users are invited to make alterations ranging from incremental changes (editing of a character's physical appearance), to more radical innovations (creation of a completely new computer game). In a popular computer game, The Sims, over 90 percent of content is derived from tinkering type of co-creation (OHern & Rindfleisch, 2015). Tinkering is also used in the development of other information-based products (customized digital music and individually tailored web-based applications are some of the examples).

- *Co-designing* is a customer-led fixed type of co-creation. In the co-design type of co-creation, a relatively small group of customers provides firm with the most contributions. Co-designing is associated with fixed contributions approach, but also relatively high degree of customer autonomy. That means that a large group of customers, rather than firm, is responsible for the selection of contributions. Fixed contributions approach means that firms engaged in co-designing usually dictate the precise format that co-created contributions must follow. Example of co-designing co-creation can be found in the online clothing manufacturer Threadless. There are also

examples of co-designing in the media industry. Current TV, the cable television channel, acquires much of the content from users.

- *Submitting* is a firm-led fixed type of co-creation. In this type of co-creation, customers communicate their ideas for new product offerings directly to a firm. Submitting is associated with the least amount of customers' autonomy (in terms of new product development contribution and in terms of the selection of contributions) and the lowest level of customer empowerment (OHern & Rindfleisch, 2015).

3.2.3 Co-creation in the media industry

Development of the technologies fundamentally changed the media environment and provided media industry with an opportunity to involve customers in the process of value creation as well as gave rise to so-called participatory media (Berkman, 2008). In the participatory media, audience is involved in the process of value creation. Audience can be defined as 'the reader, listener, or viewer of any given story' (Berkman, 2008, s. 4). In general, it is possible to distinguish between different types of co-creation used in the media industry. We will present some examples bellow.

- *Usage of user-generated content.*

Some media provides customers with an opportunity to generate their own content. Example of this type of co-creation is presented by *Current TV*, an American TV channel started in 2005. In case of Current TV, company provided customers with some limitations and guidance, but customers had absolute freedom in the creation of the final content. On the Current TV website, users are invited to upload, vote on, and

comment on viewers' created content. 30% of Current's programming is created by users (Catone, 2007).

Another example of this type of co-creation is *OhMyNews*, a South Korean online news website founded by Oh Yeon Ho in 2000. The motto of OhMyNews is "Every Citizen is a Reporter". Ordinary consumers provided about 80% of the content for OhMyNews, making OhMyNews the first media channel in Korea, which accepted, edited, and published articles from the readers (Grossman, 2006).

Canadian Makeful (known as BITE TV prior to August 2015) is taking the citizen's media/blogging approach to television. Makeful offers viewers the opportunity to submit their own video content including make-your-own television ads (Trendwatching, 2006).

- *Usage of user-generated content, based on company's guideline (script).*

Example of this type of co-creation is the *L-Word Fanisode* competition. The L Word is an American/Canadian television drama series run originally on Showtime from 2004 to 2009. In the L-Word Fanisode competition, L-Word viewers were given an opportunity to take over control of the plot by crafting their own scenes according to parameters set by Ariel Schrag (series scribe). Fans were given about a week per scene to submit offerings, read, judge, discuss other's work, and vote. This competition resulted in a 'fanisode', the first fan-written script for an existing show (Reuters, 2006).

- *Online voting.*

In this type of co-creation, users can influence the development of the media product by expressing their opinions and preferences via online voting. Examples of this type

of co-creation can be found on Reality TV shows. As noted by (Holmes), famous reality TV phrases such as ‘*You decide!*’ (*Big Brother*), ‘*But this time you choose!*’ (*Pop Idol*) proliferate in contemporary television, articulating a rhetoric that insists upon a participatory relationship between viewer and screen (Holmes, 2004). In one of the most popular Reality TV shows, *American Idol*, the fate of the contestants is decided by public vote (after semi-finals). Another example is *Jersey Shore show*, in which viewers are asked to vote for their favorite participants to stay in the show.

Thus, we can see that there are various ways customers may be engaged in the values creation within the context of media industry.

We can see that types of co-creation in the media industry can vary in the nature of selection activity as well as contribution activity (see the framework by OHern & Rindfleisch presented earlier).

Online voting can be related to the fixed firm-led type of co-creation, also known as submitting. This type of co-creation does not give customers much space to be creative (even if it is an open vote and customers can suggest their options, the amount of possible options is usually rather limited). Voting is initiated by the firm, the terms of voting (duration, deadline, etc.) are also predefined by the firm.

Usage of user-generated content based on company’s guideline (script) can be associated with firm-led nature of selection activity. Company initiates the process of co-creation and gives certain guidelines on the format of potential contributions, at the same time customers still have relatively high degree of autonomy. However, company keeps control over the selection of contributions.

It is a bit more difficult to classify ‘usage of the user generated content’ type of contribution in accordance with the framework by O’Hern & Rindfleisch. In this type of co-creation, users are free to produce any type of content, what is associated with the open contribution activity. Selection activity though can vary from customer-led to firm-led, depending on the media platform, policy of the media company, etc.

Co-creation can influence such components of customers’ perception of media products as experiences, customers’ satisfaction, and customers’ loyalty. Moreover, in this chapter we presented various types of co-creation (co-design; collaborating; submitting; tinkering). As was shown in the part 3.2.3, all four types of co-creation can be used within the media industry. As these four types of co-creation differ in a rather significant way, it seems reasonable to assume that different types of co-creation may affect different components of customers’ perception of the media products in different ways. Thus, the basic model presented in the beginning of this chapter (Figure 3.1), can be further developed. Figure 3.2 presents model, which resulted from the review of relevant theories presented in this chapter.



Figure 3.2 Model

Figure 3.2 can provide deeper insights in the mechanism linking co-creation and customers' perception of the media products. However, this model does not help in explaining the actual mechanism linking co-creation and customers' perception of the media products. Literature suggests, that engagement can play important role in the co-creation of experience and value. We will present the concept of engagement and its potential role in the co-creation – customers' perception of the media product relations.

Chapter 4. Engagement

4.1 Concept of the Customer Engagement

In the previous chapters, we presented an overview of the co-creation concept and various components that represent customers' perception of the media product (experience, satisfaction, and loyalty). Based on that we developed a model illustrated in the Figure 3.2. However, this model still lacks the mediator that links co-creation and customers' perception of the media product. It seems that engagement can be such mediator. We will present a concept of engagement in this chapter.

The concept of 'engagement' has received quite a lot of attention across a number of academic disciplines, such as social psychology and organizational behavior. During the last years the concept has transpired also in the marketing literature. Literature suggests, that customer engagement is a strategic imperative for generating enhanced corporate performance, which includes sales growth, superior competitive advantage, and profitability (Brodie, Linda D. Hollebeek, & Ilic, Customer Engagement: Conceptual Domain, Fundamental Propositions, and Implications for Research, 2011).

According to Hollebeek, with the adoption of a customer engagement lens, individuals are no longer viewed merely as passive recipients of marketing cues, but rather as proactive participant in interactive, value-generating co-creation processes, therefore reflecting the broader theoretical perspectives of the service-dominant logic (Hollebeek, 2013). It is possible to underline four foundational premises within service-dominant logic, which are crucial for the concept of consumer engagement. First, in accordance with the service-dominant logic, customer is a co-creator of value. This statement emphasizes the interactive nature if the value creation process. Second, in the process of value creation, all actors (social and economic) are resource integrators. Thus, the process of value creation occurs within networks. Third,

beneficiary uniquely and phenomenologically determines value. This premise suggests that customers normally act as 'prosumers' in the way they create unique experiences. Fourth, service-centered view is inherently customer-oriented and relational. In accordance with these premises, service generates customers benefits through the co-creation value with other actors in specific service relationships by virtue of focal interactions or interactive experiences. Moreover, these premises provide foundation for the customer engagement concept (Brodie, Linda D. Hollebeck, & Ilic, Customer Engagement: Conceptual Domain, Fundamental Propositions, and Implications for Research, 2011).

There are different definitions of customer engagement. Some of them are presented in the Figure 4.1 below.

Vivek, Beatty, and Morgan (2010)	Consumer engagement	The intensity of an individual's participation in a relationship with a service organisation
Mollen and Wilson (2010)	Online brand engagement	The customer's cognitive and affective commitment to an active relationship with the brand as personified by the website or other computer-mediated entities designed to communicate brand value
Bowden (2009a)	Customer engagement process	A psychological process that models the underlying mechanisms by which customer loyalty forms for new customers of a service brand as well as the mechanisms by which loyalty may be maintained for repeat purchase customers of a service brand
Van Doorn et al. (2010)	Customer engagement behavior	Customers' behavioral manifestation toward brand or firm, beyond purchase, resulting from motivational drivers such as word-of-mouth activity, recommendations, helping other customers, blogging, writing reviews
Hollebeek (2011)	Customer brand engagement	The level of a customer's motivational, brand-related and context-dependent state of mind characterized by specific levels of cognitive, emotional, and behavioral activation in brand interactions.
Pham and Avnet (2009)	Engagement behavior	Finds that engagement "seems to be inferred from a pattern of action or withdrawal with respect to a target object (p. 116)."
Higgins and Scholer (2009)	Engagement	A state of being involved, occupied, fully absorbed or engrossed in something (i.e. sustained attention), generating the consequences of a particular attraction or repulsion force. The more engaged individuals are to approach or repel a target the more value is added to or subtracted from it.

Figure 4.1 Definitions of customer engagement (Brodie, Linda D. Hollebeek, & Ilic, 2011, s. 5)

Most of the definitions presented above emphasized the existence of cognitive, emotional, and behavioral dimensions of the customer engagement. Brodie, Linda D. Hollebeek, & Ilic provide rather comprehensive definition of customer engagement (2011). According to them, 'Customer engagement is a psychological state that occurs by virtue of interactive, cocreative customer experiences with a focal agent/object ... in focal service relationships. It occurs under a specific set of context-dependent conditions generating differing CE levels; and exists as a dynamic, iterative process within service relationships that cocreate value. CE plays a central

role in a nomological network governing service relationships in which other relational concepts (e.g. involvement, loyalty) are antecedents and/or consequences in iterative CE processes, It is multidimensional concept subject to a context- and/or stakeholder-specific expression of relevant cognitive, emotional and/or behavioral dimensions' (Brodie, Linda D. Hollebeek, & Ilic, 2011, s. 9). This definition highlights the multidimensional concept of the concept. We will present various dimensions of the customer engagement in the following parts of this chapter.

4.2 Dimensions of the Customer Engagement

Hollebeek et al. suggests three dimensions of customer engagement such as cognitive processing, affection, and activation (Hollebeek, Glynn, & Brodie, Consumer Brand Engagement in Social Media: Conceptualization, Scale Development and Validation, 2014).

Cognitive processing is defined as a consumer's level of brand-related thought processing and elaboration in a particular consumer/brand interaction. That is a cognitive dimension of consumer brand engagement.

Affection can be defined as a consumer's degree of positive brand-related affect in a particular consumer/brand interaction. That is emotional dimension of consumer brand engagement. Emotional dimension is reflected by intrinsic enjoyment, enthusiasm, and passion (Hollebeek, 2013).

Activation is a consumer's level of energy, effort and time spent on a brand in a particular consumer/brand interaction. That is a behavioral dimension of consumer brand engagement (Hollebeek, Glynn, & Brodie, 2014). The behavioral dimension is represented by participation, vigour, and activation (Hollebeek, 2013).

Hollebeek et al. suggests the following model of consumer brand engagement (Figure 4.2)

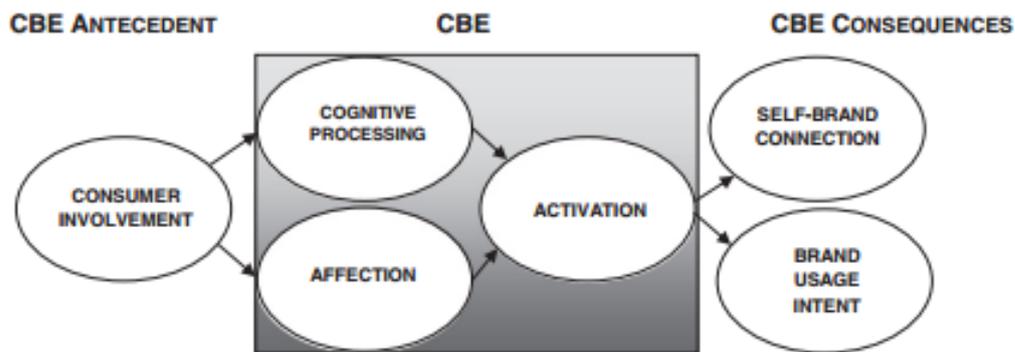


Figure 4.2 CBE model (Hollebeek, Glynn, & Brodie, 2014, s. 160)

Based on the study conducted, Hollebeek et al. conclude that of the three consumer brand engagement constructs, it is affection that most prominently influences ‘brand usage intent’ and ‘self-brand connection’ (2014).

Thus, engagement is a multidimensional (cognitive-emotional-behavioral) concept , where the expression of the specific cognitive, emotional, and behavioral dimensions is stakeholder and context-dependent (Brodie, Linda D. Hollebeek, & Ilic, Customer Enaggement: Comceptual Domain, Fundamental Propositions, and Implications for Research, 2011). The relative importance of particular dimensions varies with the specific consumer engagement stakeholders involved.

4.3 Engagement, co-creation, and product perception

According to Brodie, Hollebeek, and Smith, customer engagement states occur within a dynamic, iterative process of service relationships that co-create value (2011). Thus, ‘specific

engagement process may be used to co-create value for and/or with the stakeholders (e.g. other customers, employees, and/or the organization) in specific interaction which may occur within focal service relationships (Brodie, Hollebeek, & Smith, 2011, s. 12). The co-creative nature of the engagement concept can be observed in both - B2B and B2C relationships. Therefore, engagement is an important concept within service dominant logic lexicon, which describes the interactive, co-creative experiences between focal actors in service relationships (Brodie, Linda D. Hollebeek, & Ilic, 2011).

Moreover, the iterative nature of service relationship process implies some important relational consequences of customers engagement, that includes „commitment“, „trust,“ „self-brand connection,“ „emotional brand attachment“ and/or „loyalty,“ (Brodie, Linda D. Hollebeek, & Ilic, 2011). Salanova et. All conducted empirical study exploring relations between customers' engagement and loyalty. They found that engagement predicts service climate, which in turn predicts employee performance and then customer loyalty (Salanova, Agut, & Peiró, 2005).

4.4 Redefined model

Based on the theoretical understanding gained in the previous section we have developed a research model that shows the assumed causal relationships between different variables. The suggested conceptual model is presented in Figure 4.4 below.

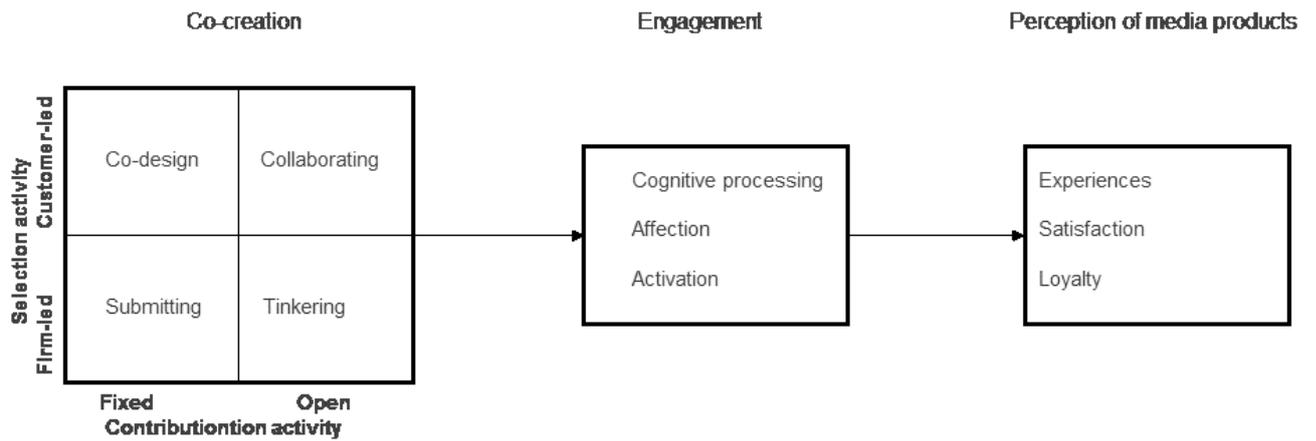


Figure 4.4 Conceptual model

There are various types of co-creation (co-design, collaborating, submitting, and tinkering), each of which has effect on different dimensions of customers' engagement (cognitive processing, affection, and activation). Furthermore, customers' engagement influences perception of media products, which consists of experiences, satisfaction, and loyalty.

The proposed model can help to answer the research questions suggested at the first chapter of the thesis.

In order to test this model we have defined set of different hypotheses that will be accepted or rejected. Hypotheses will be presented in the following chapter (Chapter 5) of this thesis.

Chapter 5. Hypothesis

Based on the research model proposed in Chapter 4, in this Chapter we will define a hypothesis relevant to our research problem. That will be followed by a short introduction of the experiment designed to test the hypothesis.

In order to create positive perception of the media product, co-creation participation has to stimulate customers in an appealing way, and engage customers. It seems reasonable to assume that the design of co-creation practices is important for stimulating relevant experiences. There are various types of co-creation. First, we can distinguish between customer-led and firm-led selection activity. Examples of customer-led co-creation activities are co-design and collaborating. Firm-led co-creation activity includes submitting and tinkering. As mentioned by OHern & Rindfleisch (2015), customer-led co-creation provides customers with greater power over the final decision on which co-created ideas will be implemented in the final product. It seems reasonable to assume that the more power customers' have over the process, the higher level of engagement will be. Moreover, one can also distinguish between fixed and open contribution activity. In the fixed contribution activity customers are provided with a set of certain guidelines that define potential contributions. In the open contribution activity customers are free to co-create in a more creative way. Fixed types of co-creation include co-design and submitting, open types of co-creation includes collaborating and tinkering. As mentioned by OHern & Rindfleisch (2015), release of the control over either selection firms can engage in customer co-creation by releasing control 11 of either the contributions or the selection process, can help to engage customers.

In light of the preceding discussion and findings, it is suggested that:

H1: Customer-led types of co-creation result in the higher levels of engagement than firm-led types of co-creation

H2: Co-creation of the open type result in the higher levels of engagement than fixed types of co-creation.

Based on H1 and H2 it seems reasonable to assume that there is one particular type of co-creation that is most likely results in the positive effect on engagement as it presents customer-led open type of co-creation. Collaborating grants customers almost unlimited freedom to alter the underlying product, thereby transforming customers from passive users to active contributors (Pitt, Watson, Wynn, & Zinkhan, 2006).

Thus, H3 is suggested as following:

H3: Collaborating has the highest positive effect on customers' engagement.

Furthermore, submitting, which is firm-led fixed type of co-creation probably has the least meaningful effect on customers' engagement (H4).

H4: Submitting has the least positive effect on customers' engagement.

There are three dimensions of customers' engagement (cognitive processing, affection, and activation). Behavioral dimension of customers' engagement (activation) is a consumer's level of energy, effort and time spent on a brand in a particular consumer/brand interaction. Emotional dimension of customers' engagement (affection) is defined by the consumer's degree of positive brand-related affect in a particular consumer/brand interaction. Cognitive dimension of customers' engagement (processing) is defined by the consumer's level of brand-related thought processing and elaboration in a particular consumer/brand interaction. It seems reasonable to assume that customer-led types of co-creation affect all three dimensions of customers' engagement, as customer-led co-creation requires energy, effort,

and time spent on consumer/brand interaction; likely creates emotional affect; and requires certain brand-relevant thought processing. Thus, we suggest Hypothesis 5:

H5: Customer-led co-creation affect all three dimensions of engagement

Moreover, it seems that certain types of co-creation can have strong effects on certain parts of product perception. Customer-led types of co-creation provide consumers with lots of control over the process of product development and value creation, what can result in the stronger feeling of ownership. There are studies exploring the influence of so-called “I Made It Myself” effects on consumers’ sensory perceptions and evaluation of outcome (Troye & Supphellen, 2012). Thus, it seems reasonable to assume that consumer-led types of co-creation will lead to higher satisfaction with the final result. Based on that, we propose Hypothesis 6:

H6: Customer-led types of co-creation result in higher levels of satisfaction with the media product

Hypothesis 1-6 can help to investigate relations between different types of co-creation and customers’ engagement. The following set of hypothesis will aim to provide some insights on the relations between engagement and customers’ perception of media product.

As suggested by Brodie, Linda D. Hollebeek, & Ilic (2011), „commitment“, „trust“, „self-brand connection“, „emotional brand attachment“ and/or „loyalty“, are some of the relational consequences of customers engagement. In Chapter 3 we suggested there are different components of customers’ perception of the media product, which include experience, satisfaction, and loyalty. Experience is an empathetic, emotional, and memorable interaction that has intrinsic value (Ranjan & Read, 2016). Consumer loyalty is a ‘deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future,

thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior' (Oliver, 1999, s. 34). Consumer loyalty and satisfaction are linked inextricably; although loyal consumers are most typically satisfied, satisfaction does not universally translate into loyalty (Oliver, 1999). Satisfaction can be defined as a post purchase evaluation of product quality given purchase expectations (Kotler, 1991). There are studies examining connection between engagement and loyalty, which suggest loyalty being a consequence of engagement (Brodie, Hollebeek, & Smith, 2011), thus as loyal consumers are typically satisfied (Oliver, 1999), it seems reasonable to assume connection between engagement and satisfaction as well. Experience is an emotional interaction (Ranjan & Read, 2016), there are studies demonstrating link between engagement and emotions ((Chaouachi & Frasson, 2012). Thus, engagement influences experience by affecting emotions of the consumers. Based on these elaborations, we suggest that engagement influence all three components of the perception of media product.

H7: Consumers engagement influences three components of the media product's perception (loyalty, satisfaction, and experience).

Thus, we suggest the mediating role of engagement in the co-creation – product relations perception.

Proposed hypothesis let us test the conceptual model proposed in the previous chapter. The first set of Hypothesis (H1, H2, H3, H4, H5) test the relations between various types of co-creation and customers engagement. H6 suggests positive relations between certain type of co-creation and one of the elements of product perception (satisfaction). H7 tests relations between engagement and three elements of the media product perception (loyalty, satisfaction, and experience). If confirmed, the hypothesis can establish the mediating role of engagement in the co-creation- product perception relations, as well as explain how co-

creation can influence perception of the media products. Moreover, it can provide some insights on which types of co-creation could be more effective in the development of engagement and positive perception of media products.

In the following chapter (Chapter 6) we will propose an experiment, which can help to test the suggested hypothesis.

Chapter 6. Study design

In this section we will propose ways to test the hypothesis presented in the previous chapter.

The research design is the overall plan on how to go about answering the research problems (Saunders, Lewis, & Thornhill, 2009). The choice of research design depends on the research problem and the purpose of the research.

There are various types of research designs available for the researchers. *Experimental designs* are generally used to test cause-and-effect relationships and help to eliminate alternative possible explanations for research findings. Three properties of the experiments include randomization, control, and manipulation. Randomization is the nature by which subjects are assigned to groups. Control involves the manipulation of causal or independent variables. Manipulation is associated with the researchers' intervention with at least one group of subjects and should be based on some theory that the specific intervention might cause the relationship between the two variables (Davis, 2003).

Quasi-experimental designs are used when one or more of the properties of an experimental design cannot be provided. Some phenomena related to human subjects cannot be studied using experimental design, therefore, quasi experiments are necessary (Davis, 2003). According to Davis, 'A study can be designed to test for plausible alternative explanations prospectively if data upon which to base such a design are available' (2003, s. 66).

Moreover, researchers can use *non-experimental designs* for their study. Non-experimental designs are used when the independent variables cannot be manipulated. Non-experimental designs are appropriate for exploratory studies and include descriptive, exploratory, comparative, correlational and developmental studies (Davis, 2003).

In the previous chapter we have developed seven hypothesis that can help answer our research questions. It seems reasonable to conduct three different studies to test the proposed hypothesis. Hypothesis 1-5 focus on the relations between types of co-creation and customers' engagement. H6 focuses on the relation between type of co-creation and one of the components of product perception (satisfaction). Hypothesis 7 focuses on the relations between engagement and perception of the product. Therefore, we will propose three different studies; the first one will be designed to test H1, H2, H3, H4, H5. The second one will be designed to test H6. The third one will be designed to test H7. We will first present brief descriptions of experiments, focusing on the defining dependent and independent variables. In the second part of the chapter we will focus on the measurement issues.

6.1 Experiments

Study1. Types of co-creation and customers' engagement

In order to access influence of the type of co-creation on customers' engagement we propose to conduct an experiment, in which one can access how the level of engagement varies depending on the type of co-creation. That can help to test H1, H2, H3, H4, and H5. In the experiment types of co-creation can be manipulated, while the level of engagement is measured (or level of each dimension of engagement for the H5).

The independent variable in the experiment is the type of co-creation used, the dependent variable is the level of engagement. It is possible to manipulate the types of co-creation by letting customers participate in different types of co-creation and measuring the effect it has on the level of engagement. Engagement is a latent construct (theoretical construct that cannot be observed directly), thus the challenge in the experiment may be how to measure

engagement. We will elaborate on the ways to measure engagement in the second part of this chapter (part 6.2).

Study 2. Types of co-creation and satisfaction

Study 2 is designed to test Hypothesis 6 (*H6: Customer-led types of co-creation result in higher levels of satisfaction with the media product*).

In order to test this hypothesis, we suggest to run an experiment in which one group of customers will participate in consumer-led co-creation and the other group in firm-led co-creation of the same media product. We suggest using randomized assignment of the participants to the experimental groups, which should avoid any selection biases. After customers will participate in the co-creation practices, the level of satisfaction with the product should be measured. In this experiment it is important to control for other factors that potentially could influence the level of satisfaction (such as differences in whether the results of co-creation were adopted or not, etc.). The usage of randomized assignment let us ensure the same initial level of satisfaction in both groups.

In this experiment the dependent variable is the level of satisfaction. Just as engagement, satisfaction is a latent construct. We will present some brief suggestions on the measurement of satisfaction in the following part (part 6.2).

Study 3. Engagement and products' perception in the media industry

This study is designed to test Hypothesis 7 (*H7: Consumers engagement influences three components of the media product's perception (loyalty, satisfaction, and experience)*).

The challenge of this study is that levels of engagement need to be manipulated. In case our previous hypothesis, according to which customer-led types of co-creation result in higher levels of satisfaction, would be confirmed, different types of co-creation could be used to manipulate the level of engagement. Then the experiment can consist of the following steps:

Step 1: Test of the initial level of all the components of product perception (loyalty, satisfaction, experience)

Step 2.1: Manipulation of the level of engagement (by the introduction of two groups which participate in different types of co-creation) (in case hypothesis 6 is confirmed)

Step 2.2: Control the measurement of the differences in engagement (to ensure that the treatment worked)

Step 3: Test of the level of all the components of the products' perception after the manipulation.

In the experiments where the same test is used twice (to measure initial meanings and the ones after the treatment), the testing effect can occur. Testing is one of the potential threats to internal validity which means that exposure to a test can affect scores on subsequent exposures to that test, an occurrence that can be confused with a treatment effect (Shardish, Cook, & Campbell, 2002). However, as we suggest two-groups experimental design, testing effect is not that important, as it is supposed to have the same effect on both groups, and thus should not influence the existence of differences in product perception that we are trying to measure.

6.2 Measurements

Many of the variables that need to be measured in the proposed experiments are so-called latent variables. Latent variables are theoretical constructs that cannot be observed directly.

The obvious consequence is that latent constructs cannot be measured directly, instead researcher must operationally define the latent variable of interest in terms of behavior that represents it (Byrne, 1998). In this part of the chapter we will elaborate on some ways to measure latent constructs presented in our study.

Latent variables that need to be measured in our study are engagement, loyalty, experience, and satisfaction. Normally studies develop some kind of self-reported measure for the latent constructs.

Brockmyer et al. in their study developed the Game Engagement Questionnaire for the measurement of engagement in video games (Brockmyer, et al., 2009). The items used in the Questionnaire are presented in the Appendix A. The items includes such as ‘I lose track of time’, ‘the game feels real’, ‘I lose track of where I am’, etc. It seems that this questionnaire can be adapted for the measurement of the engagement in other media products (apart of games) as well. Self-report method can also be used for the measurement of customers’ experience. Some of the key-customer experience quality constructs that are applicable for the media products include such as ‘value for time’, ‘personalization’, and ‘promise fulfillment’ (Lemke, Clark, & Wilson, 2011).

Ingrid Fecikova in her study provides an index method for measurement of customer satisfaction (Fecikova, 2004). The author touches upon the importance for businesses to accurately be able to measure the rather abstract term, customer satisfaction. The formula makes use of four variables: (1) Level of importance of the product dimension using an

evaluation scale from 0 to 10, where 0 means not important and 10 means most important. (2) Level of satisfaction, using the same scale: 0 equals dissatisfaction, 10 equals ultimate satisfaction. (3) Type of customer using an internally-decided coefficient, e.g. based on levels of customer importance. (4) Type of validity of the method using some coefficient from the level of validity yet to be decided, for example: Structured interview "face to face" = 1.00, (100 percent validity); interview by telephone = 0.70, (70 percent); and questionnaire by e-mail and by the post = 0.40, (40 percent validity)... etc. This formula provides a good impression of customer satisfaction.

Sabavala and Morrison in their study focused specifically on the measuring of loyalty of TV shows and developed a Model of TV Show Loyalty (Sabavala & Morrison, 1977). Even though this study is rather old, it seems that it can still be useful for the measurement of loyalty in the media context. The model is based on the calculation of Loyalty Rate (proportion of viewers of one telecast expected to view another telecast. Loyalty measures suggested by Sabavala and Morrison are presented in the Appendix B. In the proposed model, the statistical data is used to calculate the Loyalty Index.

Chapter 7. Conclusion and limitations

In this master thesis, we focused on the co-creation in the media industry. The media industry is changing dramatically with the development of new technologies. Now more companies are using co-creation as a product development strategy in the media industry (see Chapter 2). Moreover, there are different types of co-creation, which are used in the media industry. These types include usage of user-generated content, usage of the user-generated content following the script, and online voting. We presented elaboration on how these types are related to the four types of co-creation proposed by O'Hern & Rindfleisch (2015) in Chapter 2.

It seems logical to assume that by influencing customers' engagement, introduction of co-creation strategy will have an effect on the customers perception of the media product. We defined customers' perception of the media product as composed of three components – loyalty, satisfaction, and experience.

In Chapter 4 we suggested a conceptual model which explains relations between co-creation and customers' perception of the media product. In Chapter 5 we presented hypothesis aimed to test the model. That is followed by Chapter 6 which gives a brief presentation of the potential ways to test the hypothesis.

The obvious limitation of this thesis is that we did not actually collect any data, but only presented the theoretical model. However, we provided theoretical basics which can be used for the the future study of this topic.

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Appendix A. Measurement of Engagement

Game Engagement Questionnaire (GEQ) items

1	I lose track of time
2	Things seem to happen automatically
3	I feel different
4	I feel scared
5	The game feels real
6	If someone talks to me, I don't hear them
7	I get wound up
8	Time seems to kind of stand still or stop
9	I feel spaced out
10	I don't answer when someone talks to me
11	I can't tell that I'm getting tired
12	Playing seems automatic
13	My thoughts go fast
14	I lose track of where I am
15	I play without thinking about how to play
16	Playing makes me feel calm
17	I play longer than I meant to
18	I really get into the game
19	I feel like I just can't stop playing

(Brockmyer, et al., 2009, s. 627)

Appendix B. Measurement of Loyalty in TV Shows

The traditional Loyalty Rate (LR) is defined as the proportion of viewers of one telecast expected to view another telecast. For the Bernoulli process,

$$\text{LR} = \frac{\text{Expected Number of Viewers of Both Telecasts}}{\text{Expected Number of Viewers of the First Telecast}} \quad (\text{A1})$$

$$\text{LR} = \frac{\int_0^1 p^2 f(p) dp}{\int_0^1 p f(p) dp} = \frac{\mu_2}{\mu_1},$$

where $\mu_i = i$ th moment (about zero) of $f(p)$. Therefore, for the beta distribution,

$$\text{LR} = \frac{m+1}{m+n+1}. \quad (\text{A2})$$

The Turnover Rate (TR) is the expected number of viewers of a second telecast but not the first (or the first but not the second) expressed as a proportion of the expected number of viewers of any one telecast.

$$\text{TR} = \frac{\int_0^1 p(1-p)f(p) dp}{\int_0^1 p f(p) dp} = \frac{\mu_1 - \mu_2}{\mu_1}. \quad (\text{A3})$$

Therefore, for the beta distribution,

$$\text{TR} = \frac{n}{m+n+1}. \quad (\text{A4})$$

Clearly (A1) and (A3) hold for any distribution $f(p)$ while (A2) and (A4) result when $f(p)$ is distributed beta with parameters m and n . Obviously, for any $f(p)$,

$$\text{TR} + \text{LR} = 1.$$

Loyalty Measures (Sabavala & Morrison, 1977, s. 42)

The probability of viewing k out of r telecasts is

$$p_k = \frac{\binom{r}{k}}{\beta(m, n)} \int_0^1 p^{m+k-1} (1-p)^{n+r-k-1} dp.$$

Let X and Y be defined as

$$X = \begin{cases} 0, & \text{if the first telecast is not viewed.} \\ 1, & \text{if the first telecast is viewed.} \end{cases}$$

$$Y = \begin{cases} 0, & \text{if the second telecast is not viewed.} \\ 1, & \text{if the second telecast is viewed.} \end{cases}$$

Let ρ_{XY} be the correlation between X and Y .

$$\begin{aligned} E[XY] &= \text{Prob}(X = 1 \text{ and } Y = 1) \\ &= \text{Prob}(Y = 1 | X = 1) \text{Prob}(X = 1) \\ &= \left(\frac{m+1}{m+n+1}\right) \left(\frac{m}{m+n}\right). \end{aligned} \tag{B1}$$

Using (B1), the expressions for the mean and variance of the beta distribution and the definition of correlation

$$\rho_{XY} = \frac{E[XY] - E[X]E[Y]}{\sqrt{\text{Var}[X]\text{Var}[Y]}}$$

we obtain

$$\rho_{XY} = \frac{1}{1+m+n}. \tag{B2}$$

This correlation is the Loyalty Index.

The above derivation can be generalized for the correlation between viewing k_1 out of r_1 telecasts and viewing k_2 out of r_2 different set of r_2 telecasts. The resulting correlation across the population of viewers between k_1 and k_2 is

$$\rho_{1,2} = \left[\frac{r_1 r_2}{(m+n+r_1)(m+n+r_2)} \right]^{1/2}. \tag{B3}$$

This general correlation (derived by J. D. Greene in a personal communication) reduces to (B2) when $r_1 = r_2 = 1$, as it should.

Derivation of the Correlation Property of the Loyalty Index (Sabavala & Morrison, 1977, s. 43)