

Preface

Since the onset of the digital revolution, the traditional divide between value creation – *research and development, production and advertising* – and value distribution – *sales, use and post-use* – has been blurring. If we consider the impact of digitalization in value chains we find a new and active role for the customer in the value processes. Individuals and companies are increasingly invited to exchange multiple inputs and outputs before, during and after sales. The new contemporaneity and continuity in the creation, distribution and consumption of products and services is gradually leading to a new social game between parties. Companies are able to promote, intermediate and intercept customer conversations, while individuals are able to keep companies under non-contractual observation. Consequently, the new overlap of *social interaction* and *sale* can generate a positive loop between corporate and individual responsibility which brings the market and society closer together.

Nevertheless, the increasing attempts by companies to promote, intermediate and intercept individual conversations is opening up a new ideological debate: is the new social game bringing new value for the gamers? Are individuals acting as customers or as citizens? Is their work being properly compensated? And lastly, are we seeing a truly new form of value co-creation or simply a new form of exploitation?

This work examines theoretical implications of the growing overlap between dialogue and sales, between the market and society or, more simply, between Money and Gift. A review of recent literature is followed by a discussion of logics and empirical evidence, which leads into a focus on the convergence currently taking place between the roles of the customer and the citizen. We develop a new theory of convergence and test it through a

specially developed model of a “co-value chain”. The model is applied to a large number of recent case studies, providing a topical focus on implications for management.

The findings of our qualitative analysis are confirmed by our quantitative analysis: the active role of consumers in the new co-value chain involves individuals and their expectations about money and gift benefits. This leads to a growing interest on the part of the consumer in being a dynamic actor in the value chain. Companies are thus taking a minor role, as consumers become both producers and users of services. In many cases, companies are mere facilitators of the service, while consumers are channel leaders and drivers of service production and consumption. This phenomenon of *collaborative consumption* is investigated in detail in the empirical section at the end of the book, which conducts an analysis of BlaBlaCar and Airbnb.

Davide Pellegrini
Francesca De Canio

1 The new social game

The active role of the consumer in value creation

Before the digital revolution, the three phases of “proposition – sale – use” followed a clear logical and chronological sequence in time and space: production, distribution and consumption were linear steps in the supply chain.

1. Once upon a time

Nowadays, as time and space constraints are disappearing, companies and customers can exchange inputs before, during and after consumption. Consequently, the traditional divide between value creation – R&D (Research and Development), production and advertising – and value distribution – sales and use – is losing its distinction. The new contemporaneity and continuity of the value processes in the creation, distribution and consumption of both products and services has unexpected implications for economic theories.

Typically, in the past there was a clear theoretical distinction between the roles of value production by companies, and value reception by consumers – the two roles never overlapped. Companies made the proposal – *value proposition* – while consumers purchased – *exchange value* – and used products and services – *value in use*.

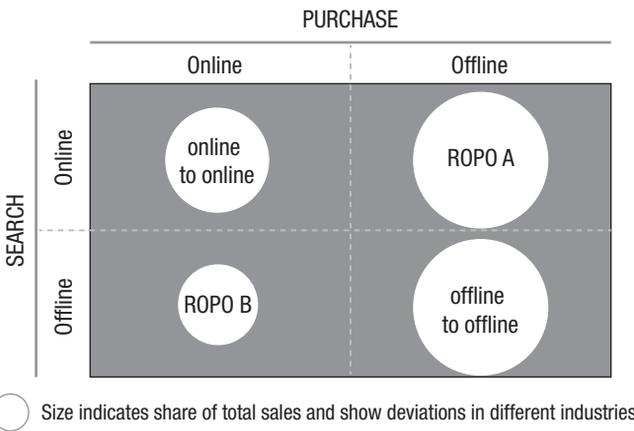
Consequently, economic literature assigned the role of value creator to companies, which bear costs of R&D, as well as advertising, before the phases of sale and use – *value distribution* (Bain, 1959; Posner, 1962). In this view, consumers choose goods and services offered by firms and indirectly encourage interbrand competition. This horizontal competition however is accom-

panied by vertical intrabrand competition, between firms working at various stages of the supply chain. Producers, traders and retailers all try to negotiate the best price to transfer to the consumer downstream (Porter, 1976; Albion, 1983). In fact, the value proposition produces effective value through the vertical network of contacts and relationships established during the phases of *sale-exchange value* (Rosemberg, 1976; Schmalensee, 1989; Hart, 1990; Rispoli, 1998; Snehota and Tunisini, 1999; Valdani, Ancari and Castaldo, 2001). Firms are consequently taking the measure of their informational asymmetries and deciding which processes to internalize or insource -*make*- and which to externalise or outsource -*buy*. The *make or buy dilemma* reshapes the value chains (Williamson, 1975; Stern El Ansary, 1978).

When the cost of processing information is revolutionized by digital transformation, all the traditional paradigms of industrial economics need to be revisited. What is really changing is that the consumer is now an active protagonist of value creation, rather than affecting it only indirectly. Firms can thus externalize certain value creation processes to the consumer, in a new form of crowdsourcing. In fact, they can invite consumers to cooperate before, during and after sales.

From a theoretical point of view, crowdsourcing is becoming significant in that it is shifting the boundary between the roles of producer and consumer.

Figure 1 Consumer switching in searching and purchasing between online and offline channels



In Figure 1 we observe that customers behaviour is influenced by the type of products or services requested. In many cases we see customers who are attracted by a pure digital experience since they research information online and purchase products or services online. In cases conversely we see also *Brick & Mortar* behaviour, that is customers who request physical support before, during and after sales – Research offline & Purchase offline –. More often we see a new mix of *Brick & Click* expectations which feed new forms of collaboration – Research online & Purchase offline or Research offline & Purchase online –.

2. The crowdsourcing perspective

The idea that *consumption implies work* has been widely accepted since the time of classical economics. In the 1980s the term “prosumption”, which indicates consumers’ production for their own consumption, entered Toffler’s marketing dictionary. But, while in the past consumers were involved only during the phases of sale and consumption, today they are actively involved right from the planning, production and communication phases. In table 1 we describe how companies can outsource functions to customers in many different processes.

We observe at least seven processes of crowdsourcing (*Co-planning, Co-production, Co-advertising, Co-selling, Co-logistics, Co-use, Co-post-use*), and three combinations of conversations: *one-to-many (O2M), many-to-many (M2M) and peer-to-peer (P2P)*.

Table 1 The process of value creation before and after the digital revolution

In the past...		Today...	
Company	Customer	Company	Customer
R&D Planning	–	R&D Planning	Co-planning
Production	–	Production	Co-production
Advertising	–	Advertising	Co-advertising
Selling	Buying	Selling	Co-selling
Logistics	Use	Logistic	Co-use
Post-sales	Post-sale	Post-sale	Co-post-sale

The difference between the three combinations depends on the role of the actors. Let's look at the example of car sharing services.

Table 2 The co-value chain

One-to-many (O2M)		Many-to-many (M2M)		Peer-to-peer (P2P)	
One supplier	Enjoy	Many suppliers	Drivers	Peer supplier	Citizen
One intermediary	ENJOY	One intermediary	UBER	One intermediary	BLABLACAR
Many buyers	Customers	Many buyers	Customers	Peer buyers	Customers

First we can observe that in the case of a car sharing service like Enjoy, the promoter is also the supplier of the service, so the model is clearly one-to-many (Enjoy to customers).

Conversely in the case of a private taxi service platform like Uber, the promoter is simply aggregating many private professional suppliers in a many-to-many framework (Uber to drivers and customers).

Finally, in a platform like BlaBlaCar the promoter aggregates not professional players but citizens in a peer-to-peer perspective (BlaBlaCar to citizens). In this case the consumer plays the double role of producer and user of the service. This type of sharing business model is called collaborative consumption and will be better explained in the following chapters.

Nevertheless, what differences are there from the point of view of individuals? Are individuals aware of the difference between a car sharing service like Enjoy, a private taxi service platform like Uber and a peer-to-peer platform like BlaBlaCar?

3. Much more than sharing

Before answering, we need to look more closely at the difference between the sharing economy and collaborative consumption.

The sharing economy covers all economic activities where people are directly or indirectly engaged in the creation of economic value. It includes sharing activities in the creation, production, distribution, trade and consumption of goods and services (Matofska, 2014). The models of cooperation that we have called one-to-many and many-to-many clearly refer to

the sharing economy. On the other hand, peer-to-peer collaboration appears to be a particular branch of the sharing economy, and we call it *collaborative consumption* (Belk, 2014). The principle difference is explained by the participants' expectations.

In a peer-to-peer platform customers are conscious of being absolute protagonists of the value creation and are committed to the new social game of being customers and citizens at the same. This circumstance influences their satisfaction and loyalty to the platform.

From a theoretical point of view, the new active role played by individuals during collaborative consumption cannot be analysed purely as an economic activity. What we are seeing is in fact a new business model imprinted by a new combination of citizen points of view, that we'll call *society or gift perspective*, and customer points of view, that we'll call *market or money perspective*. The new mix of money and gift expectations drives both the contents and shape of conversation. This is leading to a renewed social sensitivity and is gradually bringing about a new convergence between the market and society. Companies and customers maintain separate and complementary roles, but their conversation is being fundamentally remodelled in both content and shape.

4. The ideological debate

In light of the new transactional schemes many authors suggest caution. Humphreys and Grayson (2008), for example, suggest that *use value* and *exchange value* should be considered separately, as in fact the situation is different when consumers produce something that they themselves do not use but can be sold to others (exchange value). They argue that when consumers create *use value*, for example when they dispense their own soft drink at a fast-food restaurant or they assemble their own furniture for Ikea, their fundamental role in the economic system does not change. Conversely their role clearly changes when they produce new exchangeable value. These researchers claim that exploitation no longer takes place in factories but is moving into the home, where individuals generate production but are not rewarded by the distribution of the value they have created. Is this true in the case of Enjoy, Uber or BlaBlaCar? The authors often cite the case of the Huffington Post, the digital newspaper with free content supplied by readers and advertising revenues collected by the pub-

lisher. In this example thousands of bloggers promoted a class action against the Huffington Post, claiming the publisher refused to make fair payments despite profiting from their advertising revenues. Many authors suggest that consumers have a unique ability to defend themselves against firms, which try to reduce their role to a sort of “part-time employee” of the service provider or a human resource at its disposal (Mills and Morris, 1986; Bowen and Schneider, 1988; Bateson, 1983; Keh and Teo, 2001; Kelley, Skinner and Donnelly, 1992; Zeithaml and Bitner, 2000).

5. The goal of our research

Imagine that you are a brilliant Ph.D. student in economics. There is a call for participation in a research game promoted by the website Innocentive.com, one of the most important platforms for co-research, and your colleagues advise you to take a look at the website. The following is posted on the home page “... become a *solver*. As a *solver*, you can apply your expertise, stretch your intellectual and creative boundaries, and win cash prizes from \$5,000 to \$1,000,000 for solving problems in a variety of domains that run the gamut from corporate to humanitarian”. Exploring the website, you discover in the comment section that the name Innocentive is a conflation of the words Innovation and Incentive. The website is heavily sponsored by the pharmaceutical industry as well as other commercial enterprises.

Your colleagues say you should submit your ideas to the site, but you have doubts. Will Innocentive exploit your skills and know-how and will they sell your ideas for their own profit? What are the pros and cons of this opportunity?

The research described in this book aims to measure what determinants drive customer choice between one service or another.

In order to answer this question we develop a new theory of convergence and test it through a specially developed model of a “co-value chain”. The model is applied to a large number of recent case histories, providing a topical focus on implications for management. In the empirical section at the end of the book we conduct a quantitative analysis of BlaBlaCar and Airbnb.

The final goal of the research is to measure to what extent the gift perspective will influence the money perspective. The answers to these

questions will determine the prevailing model of the new social game in the future. We know that the Ford society has disappeared, but will future generations live in an Enjoy or Uber society, or will a BlaBlaCar or Airbnb society prevail?