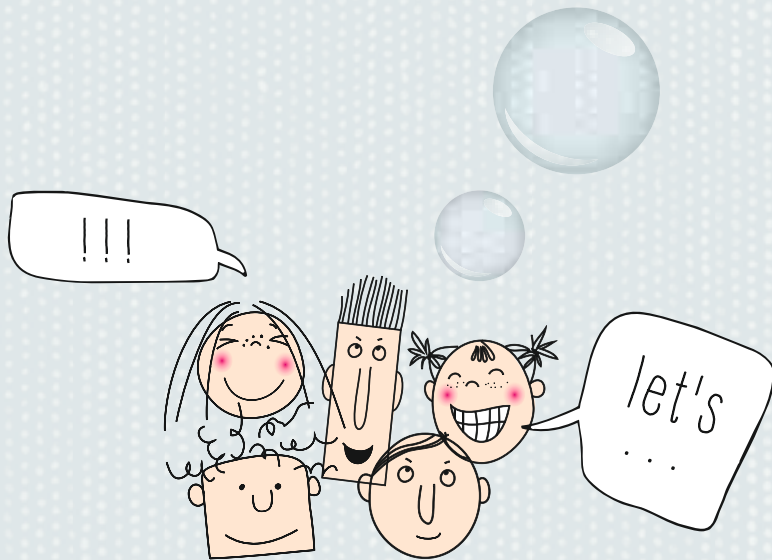


BIG IDEA

The words "BIG" and "IDEA" are written in a large, bold, dark blue serif font. Five glowing yellow lightbulbs with black outlines are suspended by thin black lines around the text. One bulb is positioned above the 'B', one above the 'I', one above the 'G', one to the left of the 'I', and one below the 'A'. The background is a light blue circle with a fine white dot pattern, set against a larger light blue background with a similar pattern. A thick yellow diagonal stripe runs from the top left towards the bottom right, crossing the circle.

For Us and by Us: The Charm and Power of Community Brands

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*User Innovation,
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Consumers' creative vein /// Users can be very demanding. Thanks to virtual collaboration opportunities they either help established brands deliver what they want or simply develop products themselves, without the structure or funding of a sponsoring corporation.

Innovation leaders such as P&G, BMW, Siemens, Nokia or Beiersdorf have successfully co-created products with consumers and used this new paradigm of collaboration as a fruitful source of innovation. But users do not just sit around and wait to be asked to collaborate: They are also able to develop their own products. Many examples exist of users' joint, successful initiatives to come up with new products tailored to their needs. The mountain bike and the rodeo kayak as well as some medical equipment, computer games and services like computerized commercial banking applications originate from users and not from companies.

Online collaboration presents a real alternative to the company-centered innovation paradigm and some users do more than just innovate; they go the extra mile and actually create brands themselves. The open-source movement, for instance, has produced a series of well-known brands such as Linux, Apache, and Mozilla Firefox. The outdoor hiking community OutdoorSeiten.net serves as another example. Its members are dedicated to all types of outdoor sports and created their own gear to better fit their needs. They designed their own logo (Figure 1) and began to develop products for commercialization under their own brand.

Developing brands ‘accidentally’ /// Almost every online community engages in some kind of branding activity – whether it is finding a name or designing a logo for their community. Some make products like T-Shirts with their logo, but so far only a small minority of communities has been able to develop high-quality products that can be used by community members or other consumers. In several qualitative and quantitative studies, we analyzed the open-source software community of Apache and the outdoor-sports community outdoorseiten.net (ODS) to explore how their community brands emerge and what makes them attractive. Although the products they develop are completely different, their principles and processes of brand creation are amazingly similar:

The community brands were not planned, but evolved accidentally as byproducts of community interactions. The Apache community did not intend to create a strong brand, nor did the community engage in any advertising, marketing or branding activities. At the beginning, it was only a group of people who shared a common interest and a passion for programming. The Apache brand emerged as a virtually cost-free side effect of activities carried out for other community or usage purposes. The Apache Software Foundation has only recently begun to engage in active, purposeful brand-management activities.

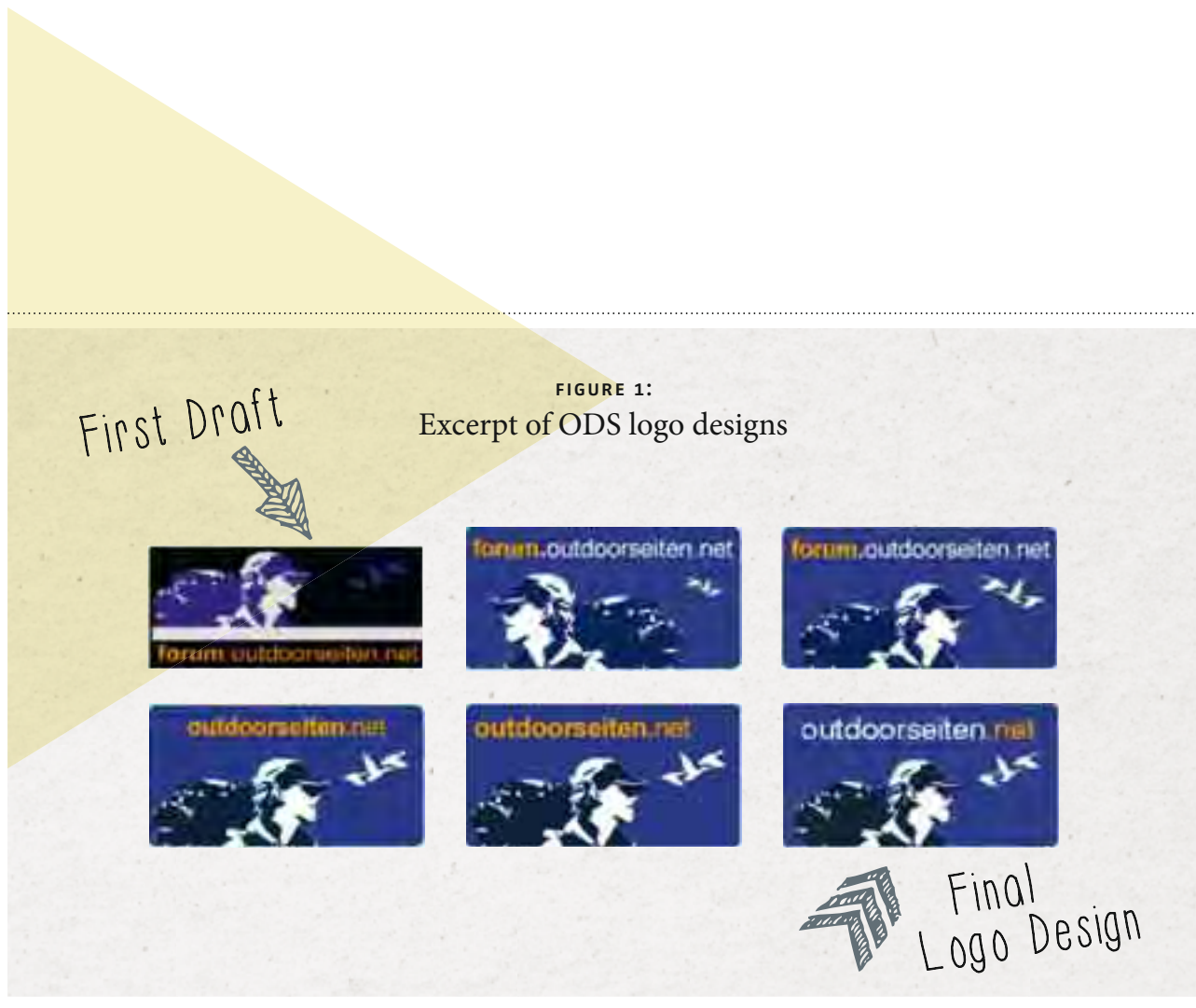
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The ODS brand was created and strengthened in a similar manner. The community spent essentially nothing on developing its brand, on shaping its meaning, or on strengthening their affiliation to the brand. Members voluntarily engaged in all those activities for free. Again, the brand emerged as a side effect of participation in community activities that members valued and enjoyed for their own sake.

Community brands’ secret of success /// One of our studies on the Apache brand compared community members and other IT experts with respect to their brand evaluation. Both groups perceived the brand as high-quality, authentic and associated with expertise – almost to the same extent. In both groups, Apache was the most preferred Web server with 66 % overall market share, and both groups were willing to pay a price premium for this brand in a conjoint-experiment. The results show that the brand’s value is seen not only within the community, but within the whole industry. But how do such self-created brands become so successful beyond their own communities?

Community brands are created by people who share common interests. To them, their relationships to each other are often more important than the thing that emerges. The brands result from joint activities that community members perceive as joyful and rewarding. This leads to excellent products, and the brands are seen as highly authentic because they represent the deeds and interactions of their members. They represent meanings, ideologies, and modes of self-organization that suit the needs of the most active members rather than the needs of economically interested shareholders. These brands are inspired by the independence, creativity, knowledge and distinction of their members. The ability to jointly design ideal products at lower cost and without the threat of being exploited or overtaken by the next fashion wave appeals to users and fans alike.

In contrast, enthusiasts of commercial brands are constantly threatened by corporate decisions: If they object to a branding decision, the only option they have is to leave. Apple abandoned the Newton handheld; Harley Davidson launched bikes for yuppies; and Hummer introduced a small, mass-market sport utility vehicle. Some fans have struggled with these decisions, often because they resented the destruction of a brand element that was important to them. While firms can dictate and strongly influence the meanings and experiences of



brands, community brands create their own ideologies, define their own qualities, advance with their own pace, and define the prices they want to pay or charge democratically. Community brands fulfill the same functions as commercial brands, but they differ along various dimensions (see Figure 2).

Competing against 'for free' /// Many corporate brands are a major source of profit for companies because they enable them to charge high premiums. If communities create their own products, build their brands essentially without expenses and, on top of that, have no interest in earning money, they may become serious competitors. Releasing self-generated brands onto the marketplace for free can disrupt existing commercial markets for similar offers, because it is difficult to compete with free. The effect can be disastrous and occur even when communities do not actually manage their brands or attempt to profit from them. For example, Apache offers free Web-based software labeled with a

trusted, authentic and user-generated brand. This poses a serious challenge to Microsoft, both in terms of its software products and in terms of the brand premium that the Microsoft brand commands. Wikipedia is another good example of a brand that represents a product generated by a large user community, one that has ruined the market for commercial brands like Encyclopedia Britannica.

The availability of virtually cost-free collaboration and communication opportunities on the Internet eases not only the creation of user-generated brands, but also their diffusion. For that reason, it is possible that community brands may become progressively more powerful and attractive relative to commercial corporate brands. In particular, digital goods like software, information and games have the potential to become strong community brands. However, a strong meaning coupled with dedicated members can produce similar results for physical products as well.



From foe to friend: The chances of communal product creation /// Commercial brands cannot compete with brands that offer high-quality products for free. But community brands do not necessarily have to be rivals; they could form partnerships with corporate brands.

- > **Co-branding** /// When the meaning of a community brand is consistent with the meaning of a corporate brand, co-branding might be in the interest of both. Not all communities will be able to complete all the tasks necessary to actually market a product. For example, the ODS community collaborated with Wechsel, a tent manufacturer, to manufacture and distribute their own community tent. They decided to look for a partner with excellent manufacturing and distribution skills to actually produce their product. In cases like this, co-branding could add more value, than each brand would generate on its own.

- > **Co-creation** /// Other communities might be won over right from the beginning and act as partners and lead users in the product-creation phase. They might be less interested in creating their own brand and instead more drawn to influencing the creation of a product tailored to their needs. Co-creation, however, entails a new perspective on brands and brand management. The role of brand managers changes from creating and promoting finished entities to facilitating consumer interactions. There is a need for increased know-how to successfully develop inspiring platforms where brand fans and communities can generate and exchange ideas and where ordinary consumers can contribute and diffuse content. The marketing department's key competence will change to being a network integrator and facilitator that provides compelling experiences and great value to their participants throughout the creative process.

- > **Fulfillment and complimentary services** /// Finally, community brands may also open doors to new business opportunities. It can be interesting for members to find partners with access to complementary skills and expertise as well as access to production facilities and distribution channels. Companies like Threadless, Quirky, Spreadshirt, and Local Motors, for instance, have already proved that

providing services for creative community brands can be profitable. They offer professional fulfillment services for products created and branded by the community. Producers of commercial brands may also find great value in leveraging the resources of a community brand: their knowledge, creativity, brand meaning and purchasing power. Complimentary, commercial services around the community brand offerings may be another growing business opportunity. Red Hat and IBM for example, draw substantial business from products related to Linux open-source software. Smart business leaders will still contrive ways to achieve success in the age of user innovation.

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